

AGREEMENT BETWEEN THE GOVERNMENT OF MADRAS AND THE GOVERNMENT OF ORISSA  
REGARDING THE DEVELOPMENT OF HYDRO-ELECTRIC POWER AT THE DUDUMA FALLS ON  
THE MACHKUND RIVER

(Agreement of 1946)

- I. The Government of Madras and the Government of Orissa agree that the power resources at the Duduma Falls should be developed without delay to the fullest extent and for the maximum benefit of both Provinces.
- II. (a) The Government of Madras shall have full right to the use of 50 percent of the ultimate power developed at the Duduma Falls as well as of that developed at each stage.
- (b) The Government of Orissa shall have full right to the use of 50 percent of the ultimate power developed at the Duduma Falls as well as of that developed at each stage.
- III. The two Governments agree that, based on present conditions and knowledge, the Government of Madras will be in a position to use power to a greater extent and at a much earlier date than the Government of Orissa. The two Governments accordingly agree to develop power jointly at the Duduma Falls on the terms and conditions laid down hereinafter,
- IV. The Government of Orissa, shall transfer to the Government of Madras for a period of ninety nine years from the date of signing of this Agreement its right of use of 20 percent of the ultimate power developed as well as of that developed at each stage.
- V. In consideration of the transfer of the said 20 percent the Government of Madras shall pay annually to the Government of Orissa for thirty years commencing from the date of operation of the power plant an amount calculated at the rate of Rs.20 per kilowatt on 20 percent of the actual maximum demand recorded at the power house during each financial year. After the expiry of 30 years the terms of payment shall be liable to revision in such manner as may be mutually agreed upon between the two Governments.
- VI. On the expiry of the said period of 99 years, it shall be open to the Government of Orissa to take over the said 20 percent on payment to the Government of Madras of the proportionate share of the Capital cost as defined in the Schedule, less depreciation.
- VII. The Government of Madras shall be responsible for the construction, maintenance and operation of all civil works including dam and appurtenant works and of hydro-electric installations including power plant and switchgear at the Duduma Falls whether situated in the Province of Madras or Orissa. Each Government shall be separately responsible for the construction, maintenance and operation of the power transmission lines and distribution system within their respective territories.

VIII. The general proposals of the Government of Madras for the construction and development of the scheme as contained in their printed Report of 1944 are hereby accepted by both Governments subject to such modification as may be made by the Government of Madras in the interest of economy. The Government of Orissa agree that the Government of Madras may proceed forthwith with the execution of the Scheme in a manner which is, in the opinion of the Government of Madras, best suited to meet the demand for power as and when it arises. Both Governments further agree to permit all engineers and employees to enter freely into all lands and property for the purposes of the Scheme and of the transmission system. Each Government shall grant free right of way for all transmission lines which may be necessary to transmit power from the Scheme to places within the territory of the other Government.

IX. (a) The Government of Madras shall provide 70 percent and the Government of Orissa shall provide 30 percent of the capital cost of the Scheme. Interest during construction of any part of the Scheme, till such time as that part comes into operation for generation of power shall be borne by the Governments of Madras and Orissa in the ratio of 70 : 30 respectively.

(b) The cost of maintenance and operation charges as specified in the Schedule shall be paid by the two Governments every year in proportion to the maximum demand utilised by each Government in that year. That is to say each Government shall contribute to the maintenance and operation cost as specified in the Schedule every year in the ratio of the maximum demand utilised by it in that year and from such contribution shall be paid the interest due to each Government in respect of its capital investment.

X. The Government of Madras shall maintain accounts of capital expenditure and of maintenance and operation charges incurred by both the Governments and attributable to the Scheme. The Auditor-General of India will be requested to arrange for the audit of the accounts relating to the Scheme and prescribe the manner in which the accounts shall be kept. In respect of matters relating to accounts or the inclusion or the exclusion of any particular item of expenditure and of any dispute connected therewith the decision of the Auditor-General shall be final and binding on the two Governments.

XI. The Governments of Madras and Orissa shall be at liberty to fix or modify their tariff rates for power supplied within their respective territories without interference from the other Government.

XII. During construction as well as subsequent maintenance and operation, 30 percent of the executive and supervisory staff as well as contractors and labourers shall be drawn from Orissa, provided that suitable persons are available. The Government of Madras shall further afford full facilities for the training of Engineering and other personnel deputed by the Government of Orissa on construction, maintenance and operation of the scheme.

XIII. A Joint Board of Control shall be set up as soon as practicable and all matters of major policy shall be referred to that Board. Representation on the Board shall be in proportion to the capital contribution made by each Government.

XIV. Both Governments and the Joint Board of Control may at any time call for such information as may be required relating to the scheme direct from either Government or from the Joint Board of Control and such information shall be furnished.

XV. An Advisory Committee may be formed to advise the two Governments in respect of the incidental matters connected with the resettlement of the dispossessed inhabitants, afforestation of the reserved areas in the catchment, construction of silt traps along the water course, terracing, poducultivation and formation of thick forest belts near the river margins and such other matters as may be referred to it for advice by either Government. The Committee shall consist of two representatives nominated by the Government of Orissa, two representatives nominated by the Government of Madras and one representative nominated by the Proprietor of Jeypore and Madgole Estates.

XVI. (a) The Government of Orissa consent to the development of power by the Government of Madras at the two power sites on the Sileru River at the expense and under the sole control of the Government of Madras and to its full utilisation by that Government for a period of 99 years.

(b) During this period the Government of Madras shall make power available from these two sites to the consumers in Orissa on the same terms and conditions as may be applicable from time to time to the consumers in Madras.

(c) Subject to the provisions of clause VIII, the Government of Madras undertake that the development at either of the two power sites on the Sileru river shall not affect adversely the Machkund Hydro Electric Scheme as generally outlined in their Report of 1944.

(d) The Government of Madras shall keep separate accounts for the two Sileru Schemes and shall furnish copies of accounts and progress reports to the Government of Orissa every year.

(e) At the expiry of the period of 99 years the Government of Orissa shall be entitled to claim up to 50 percent of the total output at these sites on payment of proportionate share of the capital cost. Thereafter the two Governments shall pay maintenance and operation charges in proportion to the power taken by them.

XVII. The Government of Madras and Orissa agree that any dispute arising in respect of this Agreement, including the interpretation of any, of its clauses, shall be referred to the Governor General and his decision shall be final and binding on the two Governments.

#### SCHEDULE

1. For purposes of this Agreement all works necessary for the generation of power at the Duduma Falls on the Machkund River and matters incidental thereto shall be known as the "Scheme".

2. The Capital expenditure relating to the Scheme shall consist of the following:

(a) Cost of acquisition of land and other rights, if any.

- (b) Costs incidental to the Scheme in connection with the resettlement of the hillman, afforestation of the reserved areas in the catchment, construction of silt traps along water courses, terracing, control of podu-cultivation and the formation of a thick forest belt near the river margins.
- (c) Cost of constructing and improving communications for the Scheme.
- (d) Cost of preliminary surveys, construction camps, staff quarters colony as may be necessary to accommodate the personnel engaged in the construction and operation of the generating station.
- (e) Cost of all hydraulic works, control dams, weirs, flumes, tunnels, pipe lines, power station buildings and any other civil works required to establish (and extend from time to time) the generating station.
- (f) Cost of all plant and machinery required for generation and sale of power at the generating station excluding step up transformer and their associated switch gear and any equipment required for transmission purposes.
- (g) All other incidental expenditure of a capital nature directly attributable to the Scheme.

The maintenance and operation charges shall consist of-

- (i) All expenditure incurred on maintenance and operation of the Scheme;
- (ii) interest on capital;
- (iii) depreciation; and
- (iv) a margin not exceeding 1 percent on the total capital expenditure at the end of each financial year.