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2026 INSC 1200

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL ORIGINAL JURISDICTION

ORIGINAL SUIT NO. 2 OF 1996

IN THE MATTER OF:

State of Himachal Pradesh ...Plaintiff

versus

Union of India and others ...Defendants

J U D G M E N T

SURYA KANT, CJI.

1. The controversy in this suit instituted by the State of Himachal Pradesh (**Plaintiff-State**), invoking the original jurisdiction of this Court under Article 131 of the Constitution, pertains to the Plaintiff-State's claim to a share in the power generated from the Bhakra-Nangal and Beas Hydro-Electric Projects (**collectively, 'Hydel Projects'**) against the Union of India, the States of Punjab, Haryana and Rajasthan, and the Union Territory of Chandigarh (**Defendant-States**).

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2. The subject Hydel Projects were conceived during the period when the erstwhile State of Punjab existed as a single composite entity, consequent upon the reorganisation of the State of Punjab. The dispute arose out of the competing claims of the successor States and the Plaintiff-State to the benefits of the said Projects. In a nutshell, the case of the Plaintiff-State has been that it became entitled, upon reorganisation, to a defined share in the power generated from the Projects; whereas, the States of Punjab and Haryana, for their part, have disputed both the basis and the extent of such entitlement. This dispute, having remained unresolved over several decades, eventually culminated in the institution of the present suit in the year 1996.

3. The suit was decreed in part by this Court *vide* judgment dated 27.09.2011, whereby the Plaintiff-State was held entitled to 7.19% of the power generated from the Bhakra-Nangal and Beas Projects. The Union of India was accordingly directed to work out the amounts due to the Plaintiff-State in terms of the declaratory-decree.

4. However, the effective implementation of the decision of this Court appears to have given rise to further proceedings and conflict, concerning both the computation of the energy due to the Plaintiff-State and the manner in which the amounts and liabilities arising

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therefrom are to be worked out against the States of Punjab and Haryana.

A. FACTS

5. Before delving into the particulars of these subsequent developments, we deem it imperative to first traverse the trajectory of the dispute as it stood prior to the institution of the suit, culminating in the present state of affairs.

5.1. The first development ancillary to the Hydel scheme was proposed in the year 1944, for the construction of a dam across the river Satluj at Bhakra. Specifically, the Bhakra-Nangal Project, and subsequently the Beas Project, came to be built substantially upon the territory of the then princely State of Bilaspur and within the Kangra district, both of which form part of the present-day State of Himachal Pradesh.

5.2. To elucidate, the Bhakra-Nangal Project, in particular, required the submergence of approximately 27,869 acres of the land of the erstwhile State of Bilaspur, while the Beas Project required the submergence of over 65,050 acres in Kangra district. Yet, the power generated at these two Projects came to be enjoyed principally by the composite State of Punjab, and, after its reorganisation in 1966, by

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the States of Punjab, Haryana and Rajasthan and the Union Territory of Chandigarh.

A.1. THE SCENARIO PRIOR TO THE REORGANISATION OF STATES

5.3. It may be relevant to note that on 15.08.1948, *vide* the Bilaspur Merger Agreement, the Raja of Bilaspur ceded to the Dominion Government full and exclusive authority, jurisdiction and power in relation to the governance of the State, and agreed to transfer its administration with effect from 12.10.1948.

5.4. Separately, and prior to such cession, a draft agreement dated 07.07.1948 had been prepared between the Government of Bilaspur and the then Government of East Punjab, concerning the terms on which land in Bilaspur territory would be made available for the Bhakra Project, and the compensation payable therefor, including a provision for allocation of power to the Bilaspur State. Although initialled by representatives of both Governments, this draft was not formally signed or executed.

5.5. Bilaspur thereafter continued to be administered as a Chief Commissioner's Province under the States Merger (Chief Commissioners' Provinces) Order, 1949, and was included as a Part C State. In 1954, Bilaspur and the Himachal Pradesh region were

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united to form a new State of Himachal Pradesh under the Himachal Pradesh and Bilaspur (New States) Act, 1954, retaining Part C status until it became a Union Territory under the Constitution (Seventh Amendment) Act, 1956. The geographical area was further enlarged in 1966 by the transfer of territory from the composite State of Punjab under Section 5 of the Punjab Reorganisation Act, 1966, and finally Himachal Pradesh became a full State of the Indian Union on 25.01.1971 under the State of Himachal Pradesh Act, 1970.

5.6. Meanwhile, through an agreement dated 13.01.1959, the composite State of Punjab and the State of Rajasthan fixed their respective shares in the water stored by the Bhakra-Nangal Project at 84.78% and 15.22%, and provided that each party would contribute to the capital cost of the Project's electrical works in like proportion. On this basis, 84.78% of the said capital cost was borne by the composite State of Punjab as a whole, of which a part of the territory later stood transferred to the Plaintiff-State.

5.7. Similarly, with regard to the Beas Project, the record of the Inter-State Conference on the Ravi and Beas waters, held on 25.01.1955, and the minutes of the sixth meeting of the Beas Central Board, held on 13.12.1963, demonstrate that 85% of the capital cost of Unit I, and

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32% of the capital cost of Unit II, were to be met by composite Punjab as a whole.

A.2. THE DIEGESIS POST REORGANISATION

5.8. The composite State of Punjab was thereafter reorganised with effect from 01.11.1966 under the Punjab Reorganisation Act, 1966, which split Punjab into the present States of Punjab and Haryana, created the Union Territory of Chandigarh, and transferred certain territory, together with its population, to the State of Himachal Pradesh.

5.9. In the context of the dispute permeating between the parties herein, Section 78 of the Reorganisation Act, is relevant as it provided for the apportionment of rights and liabilities with regard to the Hydel Projects between the successor States. Section 78 reads as follows:

> *"**78. Rights and liabilities in regard to Bhakra-Nangal and Beas Projects.—** (1) Notwithstanding anything contained in this Act but subject to the provisions of Sections 79 and 80, all rights and liabilities of the existing State of Punjab in relation to Bhakra-Nangal Project and Beas Project shall, on the appointed day, be the rights and liabilities of the successor States in such proportion as may be fixed, and subject to such adjustments as may be made, by agreement entered into by the said States after consultation with the Central Government or, if no such agreement is entered into within two years of the appointed day, as the Central Government may by order determine having regard to the purposes of the Projects:*
>
> *Provided that the order so made by the Central Government may be varied by any subsequent agreement entered into by the successor States after consultation with the Central Government."*

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5.10. Regardless of the clear terms enumerated under Section 78, no final apportionment was apparently undertaken. In the *interregnum*, the power generated from the Projects nonetheless continued to be distributed amongst the successor States on an *ad hoc* basis, broadly in the following manner:

i. Of the 84.78% of the Bhakra-Nangal Project attributable to composite Punjab, Punjab received 54.50%, Haryana 39.50, Himachal Pradesh 2.50%, and Chandigarh 3.50%.

ii. Of the 80% share of Beas Unit I attributable to composite Punjab, Punjab received 60%, Haryana 40%, and Himachal Pradesh an allocation recorded as 15 MW, with no share to Chandigarh.

iii. Of the 41.50% share of Beas Unit II, Punjab received 60% and Haryana 40%, with neither Himachal Pradesh nor Chandigarh receiving any share.

iv. Himachal Pradesh separately received 1.2 lakh units per day from the Bhakra-Nangal Project at what the record refers to as the "*old Himachal Pradesh rate*", a concessional rate applicable to certain of its areas.

5.11. Against this backdrop, certain discussions appear to have been held on 17.04.1967 at the instance of the Secretary, Ministry of Irrigation

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and Power, Government of India, *inter alia*, for the purpose of considering the formation of separate Electricity Boards for Punjab and Haryana. A summary record of the discussions was thereafter prepared, which, in substantial part, corresponded with the allocation of shares set out hereinabove. The record also reveals an arrangement dated 30.03.1978. The consistent position of the Plaintiff-State has been that both the record dated 17.04.1967 and the arrangement dated 30.03.1978 were merely tentative in nature and did not constitute a final determination of the respective rights of the successor States. The Defendant-States, on the other hand, have maintained that the respective rights stood settled pursuant to these arrangements, save insofar as Beas Unit II was concerned.

A.3 INSTITUTION OF THE SUIT BEFORE THIS COURT

5.12. In this backdrop, the Plaintiff-State addressed a communication to the Government of India on 22.10.1969, asserting its entitlement to 7.19% of the total benefits arising from the two Projects. This claim was founded upon the proportion of the population of composite Punjab that had been transferred to the Plaintiff-State upon reorganisation. The Plaintiff-State reiterated and pursued its claim through further representations made from time to time over the succeeding years. The Central Government ultimately rejected the

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claim in 1994. A tripartite meeting convened in 1995 with a view to resolving the dispute also failed to yield any resolution.

5.13. It was in the aforesaid background, that the Plaintiff-State instituted the instant suit in 1996 under Article 131 of the Constitution, seeking, *inter alia*, the following reliefs:

i. 12% of the net power generated from the two Projects, free of cost, from the date of commissioning of each Project, on the basis of the 'Home State' principle;

ii. 7.19% of the power generated from the two Projects, calculated from 01.11.1966 or, where the relevant Project was commissioned thereafter, from the date of such commissioning, whichever was later, on the basis of the population-transfer ratio;

iii. Rs. 2,199.77 crores by way of compensation for the Defendants' failure to supply the Plaintiff-State with its claimed 12% and 7.19% shares from 01.11.1966 until the institution of the suit, together with such further amounts as may have accrued thereafter; and

iv. Interest, both pendente lite and future, and costs.

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5.14. The Defendant-States, in common, denied the Plaintiff-State's claims and contended that the rights of the respective States had already been settled by the record dated 17.04.1967 and the arrangement dated 30.03.1978.

5.15. The State of Rajasthan, however, raised certain additional objections to the maintainability and merits of the suit. ***First***, it contended that the suit was not maintainable against it without the written consent of the Central Government, as required under Section 87-B read with Section 86(1) of the Code of Civil Procedure, 1908. ***Second***, it asseverated that, following the merger of Bilaspur with the Union, no cause of action survived against Rajasthan in respect of any share attributable to the erstwhile State of Bilaspur. ***Third***, it disputed the applicability of the '*Home State*' principle, contending that the Hydel Projects were State Projects of composite Punjab and Rajasthan, which were to be regarded as partner States, and that no separate entitlement could therefore be claimed by the Plaintiff-State on the basis of its being a '*Home State*'.

5.16. Further, the Union of India and the State of Punjab raised the defences of limitation, delay and laches, estoppel, and election. They also contended that the summary record dated 17.04.1967

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constituted a binding agreement within the meaning of Section 78. The Union Territory of Chandigarh, for its part, asserted an independent entitlement to 3.5% of the free power generated from the Projects.

5.17. Following the admission and denial of documents before the Registrar (Judicial) in 1997–98, this Court, by order dated 08.03.1999, settled the issues arising for determination. Broadly, these included, *inter alia*, questions of limitation and maintainability; the effect of the merger of Bilaspur; the binding nature of the record dated 17.04.1967; the maintainability of the suit against Rajasthan; the applicability of the '*Home State*' principle; the independent entitlement claimed by Chandigarh; and the Plaintiff-State's claims for 12% free power, a 7.19% share, compensation and interest.

5.18. Evidence was thereafter led by the parties. The Plaintiff-State examined three witnesses, while Punjab and Haryana examined one witness each. Rajasthan and Chandigarh did not examine any witnesses. Since a dispute arose regarding the authenticity of the record dated 17.04.1967, the Union of India filed an affidavit on 01.07.2000, accompanied by production of the master folder, which was admitted in evidence as secondary evidence.

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5.19. Subsequently, efforts for a mediated settlement of the dispute were made under the aegis of the Union of India but the same were unsuccessful.

5.20. This Court then, *vide* judgment dated 27.09.2011, rendered the following findings:

i. The suit was not barred by limitation, since Article 131 prescribes no period of limitation and the Plaintiff-State's allocations had at all times been only ad hoc;

ii. The merger of Bilaspur did not extinguish the Plaintiff-State's cause of action, which rested independently on Section 78 of the Punjab Reorganisation Act, 1966 and on constitutional grounds;

iii. The suit was not barred by Article 363, since the only proved agreement, the Merger Agreement of 15.08.1948, contained no provision touching allocation of power, and the draft of 07.07.1948 was never proved executed.

iv. The suit was not barred by Article 262(2), since it concerned sharing of power and not the use of inter-State river waters. The Plaintiff-State had a legal right to the power generated, enforceable against Punjab, Haryana, Chandigarh and the Union

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of India, but not against Rajasthan, which had never formed part of composite Punjab.

5.21. This Court further held that Section 78(1) itself conferred a legal right enforceable under Article 131, and that the record of 17.04.1967, having been contemporaneously described by the Government of India as 'tentative', '*ad hoc*' and subject to readjustment, it did not constitute a final agreement binding the Plaintiff-State.

5.22. However, with regard to the claim to 12% free power, this Court held that the Plaintiff-State could claim no right independent of the Constitution, and that the 1985 Cabinet decision relied upon was a subsequent policy decision incapable of conferring an enforceable legal right.

5.23. This Court consequently declared that the Plaintiff-State's entitlement out of the total power generated by the Hydel Projects shall be as follows:

i. 7.19% of the power attributable to composite Punjab, corresponding to 6.095% of the total power generated from the Bhakra-Nangal Project, with effect from 01.11.1966;

ii. 5.752% of the total power generated from Beas Unit I, with effect from the date on which production commenced; and

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iii. 2.984% of the total power generated from Beas Unit II, with effect from the date on which production commenced.

5.24. Additionally, this Court determined the corresponding shares of Punjab and Haryana at 51.8% and 37.51%, respectively, while directing that Chandigarh's requirement of 3.5% be met by Punjab and Haryana out of their respective shares.

5.25. Finally, in respect of the Plaintiff-State's claim for compensation of Rs. 2,199.77 crores, this Court did not award the amount as claimed. Instead, it directed Defendant No. 1, the Union of India, to compute the amount payable to the Plaintiff-State on the basis of the entitlements determined by the Court and to place a statement setting out the computation before this Court within six months.

5.26. It is significant to note that while directing Defendant No. 1 to determine the amounts due to the Plaintiff-State, clause (iii) refers in its concluding portion towards amounts due from Defendant Nos. 3 and 4. This appears to be inconsistent with clause (i), which expressly decrees the suit in part against Defendant Nos. 2 and 3, and with clause (iv), which directs payment of interest by Defendant Nos. 2 and 3, namely the States of Punjab and Haryana. The subsequent proceedings have also proceeded on the basis that the Judgement-

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Debtors were Defendant Nos. 2 and 3 only. The reference to Defendant Nos. 3 and 4 in the concluding portion of clause (iii) therefore assumes significance in the context of the subsequent implementation of the decree.

A.4 SUBSEQUENT DEVELOPMENTS

5.27. In compliance with the aforesaid judgment, the Ministry of Power issued an order dated 31.10.2011 revising the allocation of energy with effect from 01.11.2011. For the purpose of determining the amounts payable in respect of the anterior period, the Ministry of Power, by order dated 04.10.2011, constituted a three-member Committee comprising the Joint Secretary (Hydro), the Chairman of the Bhakra Beas Management Board (**BBMB**), and the Member (Hydro) of the Central Electricity Authority. The Committee thereafter obtained and verified the relevant data from the Board and the concerned parties.

5.28. On the basis of the aforesaid exercise, the Union of India filed an affidavit before this Court on 05.07.2013, setting out the Plaintiff-State's total energy entitlement for the period from 01.11.1966, or from the respective dates of commencement of production in the case of the Beas Units, until October, 2011. The entitlement was computed

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at: (***i***) 8,523 million units from the Bhakra-Nangal Project; (***ii***) 3,145 million units from Beas Unit I; and (***iii***) 1,398 million units from Beas Unit II; aggregating to a total of 13,066 million units. While the Plaintiff-State accepted this computation, the same was disputed by the States of Punjab and Haryana.

5.29. As regards the rate at which the shortfall was to be valued, the Union of India's affidavit considered and rejected four rates, namely, the BTPS rate, the rate applicable to the Union Territory of Chandigarh, the O&M rate, and the Old Himachal Pradesh rate. It instead proposed the NFL rate, being the rate at which National Fertilizer Limited was supplied power on commercial terms, which was a common-pool consumer of the BBMB.

5.30. Applying this rate, the affidavit computed an amount of Rs. 1,497.39 crores, with simple interest at 6%, or Rs. 1,525.62 crores, with compound interest at 6%, as payable by Punjab and Haryana to the Plaintiff-State in the ratio of 58:42. As an alternative to monetary compensation, the affidavit proposed that the shortfall be compensated in kind by way of an additional allocation of energy spread over a period of 30 years.

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5.31. The affidavit also separately quantified the Plaintiff-State's liability towards its share of the capital cost and the expenditure incurred on renovation, modernisation, uprating and O&M. These liabilities were computed at Rs. 111.54 crores without interest, Rs. 225.77 crores with simple interest at 6%, and Rs. 459.12 crores with compound interest at 6%.

5.32. The Plaintiff-State, as well as the States of Punjab and Haryana, however, filed counter-affidavits disputing the aforesaid computation. This Court, on 23.07.2020, impressed upon the learned Attorney General for India to file written submissions and required the parties to furnish their respective submissions to his office. The learned Attorney General thereafter filed Brief Written Submissions on 24.08.2020, which substantially recapitulated the computation contained in the 2013 affidavit. Punjab and Haryana subsequently filed brief responses on 04.09.2020 and 06.10.2020, respectively, pursuant to leave granted in I.A. Nos. 86807 of 2020 and 101569 of 2020.

5.33. The State of Punjab filed four further interlocutory applications, being I.A. Nos. 56789, 56790, 56795 and 56796 of 2021, seeking directions to the Plaintiff-State and the Union of India to produce material

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relating to the applicable tariff rates and purchases made from the market.

5.34. This Court thereafter made three successive references to the office of the Attorney General for India with a view to facilitating a settlement. Thereafter, on 07.08.2014, the then Attorney General was requested to assist the parties in arriving at a settlement. He submitted his report on 16.01.2015, following which the Union of India, Punjab and Haryana exchanged further affidavits during 2015. It seems that further discussions took place in November 2017, but finally an office report dated 09.07.2019 recorded that no settlement document had been placed on record.

5.35. The third and present reference commenced on 11.09.2024, when the learned Attorney General placed on record a note dated 10.09.2024 suggesting a possible way forward. The States of Punjab and Haryana thereafter filed their respective responses on 22.10.2024 and 11.11.2024. The meetings subsequently convened by the learned Attorney General on 10.12.2024 revealed '*some progress*', whereupon a '*last opportunity*' was granted to the parties on 04.02.2025 to arrive at a settlement.

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5.36. On 04.12.2025, this Court recorded that further notes, filed in March 2025 to crystallise the issues between the parties, had not been placed on record. The Court accordingly directed that the said notes be brought on record and listed the matter as part-heard for 18.03.2026.

5.37. Thereafter, on 18.03.2026, this Court released the case from part-heard status and passed the following order:

> *"1. Released from part-heard.*
>
> *2. In the meantime, the statement with respect to allocation of the energy arrears as specified, comparative rates thereof as specified in paragraph 10 as well as the rates borne by the respective States be produced showing comparison thereto. So far as capital expenses part is concerned at the relevant time in terms of the provisions of the Punjab Reorganisation Act, the calculation be filed to that effect by the respondents supplying a copy to the other side within three weeks.*
>
> *3. List on 22.04.2026."*

5.38. Pursuant to the aforesaid direction, the Union of India placed notes on record on 19.03.2026, 22.06.2026 and 15.07.2026. The State of Haryana filed its statement on 10.06.2026, while the State of Punjab filed its affidavit on 17.06.2026. The Plaintiff-State also filed its written submissions. It is these submissions, together with the settlement framework proposed by the learned Attorney General for India, that are set out hereinbelow.

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B. SUBMISSIONS ON BEHALF OF THE PLAINTIFF-STATE

6. The Plaintiff-State, in its submissions, elucidated that the entitlement of 13,066 million units, as computed by the Union of India, Ministry of Power, the BBMB and the Central Electricity Authority in the affidavit dated 05.70.2013, correctly represents the shortfall in power due to it. It further stated that it does not dispute the separate computation, contained in the same affidavit, of its liability towards capital cost, renovation, modernisation and uprating (**RM&U**), and O&M expenditure, quantified at Rs. 111.54 crores.

7. The Plaintiff-State submitted that the NFL rate proposed by the Union of India was a historically concessional rate extended to the National Fertilizer Factory as a subsidy during the Green Revolution era, and was never intended to govern inter-State exchanges of energy. It instead pressed for adoption of the BTPS rate, contending that this was the rate actually applied by the BBMB for inter-State and intra-State energy exchanges within the Northern Region. In support, it relied upon the Board's practice of billing Chandigarh and Rajasthan, as well as Punjab and Haryana in their *inter se* transactions, at the BTPS rate. Support was also drawn from the decision of the Northern Regional Electricity Board dated 11.06.1980 adopting the BTPS rate.

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for supply to Chandigarh. On this basis, the Plaintiff-State claimed an amount of Rs. 4,249.45 crores from Punjab and Haryana.

8. It further submitted that the Union of India's computation does not account for the Plaintiff-State's other rights and liabilities under the Punjab Reorganisation Act, 1966, or for the losses allegedly suffered by it on account of submergence, loss of forest land, displacement and resettlement. It also claimed reimbursement of Rs. 1,745 crores allegedly incurred in procuring power from the open market between 1989 and 2011 at rates higher than the BTPS tariff, on the ground that it had been deprived of its rightful share of power.

C. CONTENTIONS ON BEHALF OF THE DEFENDANTS

C.1 UNION OF INDIA

9. Through the notes submitted on 19.03.2026, 22.06.2026 and 16.07.2026, learned Attorney General for India, appearing for the Union of India, reiterated the computation contained in the earlier affidavit dated 05.07.2013. As a proposed mode of settlement, it was suggested that the Plaintiff-State's energy arrears of 13,066 million units be compensated in kind over a period of fifteen years, at the rate of 871 million units per year, with such energy to be supplied during the lean season from October to March. The proposed allocation

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between Punjab and Haryana was in the ratio of 58:42 for the Bhakra-Nangal Project and 60:40 for the Beas Project, these being, according to the Union of India, the proportions in which the two States had actually received energy from the Projects between 1966 and 2011.

10. It was further proposed that the Plaintiff-State should, in each year, pay for the energy so received at the charges determined by the BBMB for that year. It was also proposed that, if this Court considers it appropriate, the Plaintiff-State may bear the capital expenditure incurred in respect of the two Projects, after adjustment of the operational expenditure, from the amounts otherwise payable to it.

11. It was also stated that, in view of Punjab and Haryana's dispute regarding the Plaintiff-State's capital-cost liability as computed in the 2013 affidavit, the Ministry of Power obtained the relevant loan and repayment data from the Comptroller and Auditor General of India, which was furnished by letter dated 06.02.2026. It was stated that this data, read with the computation contained in the 2013 affidavit, provides an adequate basis for reconstructing the Plaintiff-State's capital liability, which is estimated at approximately Rs. 420.77 crores up to the financial year 2025–26. The detailed settlement framework founded upon this reconstruction is set out in Part D below.

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C.2 STATE OF PUNJAB

12. On behalf of the State of Punjab, it was contended that the Union of India's computation of 13,066 million units does not account for the 1.2 lakh units per day separately received by the Plaintiff-State at the concessional "*old Himachal Pradesh rate*", over and above its *ad hoc* 2.5% share. According to Punjab, this additional supply amounted to approximately 1,972 million units during the period from 1.11.1966 to 31.10.2011. Upon deducting this quantity from the computed entitlement, Punjab submitted that the net energy arrears due to the Plaintiff-State would be 11,094 million units.

13. On the question of capital cost, it was submitted that the total capital cost of the Bhakra Project up to 2011–12 was Rs. 7,089.31 crores, of which the Plaintiff-State's 7.19% share amounted to Rs. 509.72 crores. In respect of the two Beas Projects, the aggregate capital cost was stated to be Rs. 15,329.08 crores, with the Plaintiff-State's corresponding share amounting to Rs. 1,102.16 crores. The Plaintiff-State's aggregate capital-cost liability was thus stated to be Rs. 1,611.88 crores as on 31.10.2011. Applying the weighted average interest rate applicable to long-term loans under the tariff orders of the Punjab State Electricity Regulatory Commission, this amount was stated to have accrued to Rs. 6,368.29 crores as on 31.03.2026.

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14. It was further submitted that the Plaintiff-State's share of the BBMB's common-pool revenue receipts, amounting to Rs. 230.674 crores as on 31.10.2011 and Rs. 534.57 crores inclusive of interest, is payable to the Plaintiff-State. Conversely, its share of O&M expenditure, amounting to Rs. 366.767 crores as on 31.10.2011 and Rs. 849.96 crores inclusive of interest, is recoverable from it. On this basis, Punjab arrived at a net amount of Rs. 6,683.68 crores as recoverable from the Plaintiff-State as on 31.03.2026.

15. It was also stated that the O&M rate is the appropriate basis for valuation, as the BBMB supplies power to all partner States, including Punjab, on that basis. It further pointed out that, since the judgment dated 27.09.2011, the Plaintiff-State has itself been paying for its 7.19% share at the O&M rate. According to Punjab, the Union of India's objections to adopting the O&M rate are unsupported by the record, particularly since the Plaintiff-State has not substantiated its alleged market purchases despite Punjab's application, I.A. No. 56789 of 2021, seeking a direction for production of material in that regard.

C.3 STATE OF HARYANA

16. The State of Haryana asserted that the ratio of 58:42, drawn from the record dated 17.04.1967 and adopted by the Union of India for

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apportioning liability between Punjab and Haryana, does not correspond to the energy actually drawn by Haryana. It was claimed that the applicable ratio was 42:58 for the Bhakra-Nangal Project and 40:60 for the Beas Projects. Relying on ex-bus generation data supplied by the BBMB, the State of Haryana stated that its liability as on 27.09.2011 was 3,809.77 million units, as against the 5,487.6 million units attributed to it in the Union of India's computation.

17. The State of Haryana further stated that the Union of India's computation does not account for the Plaintiff-State's continued receipt of 1.2 lakh units per day from the Bhakra-Nangal Project, both before and after the judgment dated 27.09.2011. After accounting for this supply, the Plaintiff-State's total entitlement as on 31.07.2018 stood at 10,798 million units, comprising 2,820 million units attributable to Haryana. By 31.03.2026, the outstanding liability of the State of Haryana in respect of this entitlement had reduced to 2,679 million units, with the balance of the Plaintiff-State's entitlement being attributable to Punjab.

18. On capital cost, the State of Haryana averred that applying the methodology proposed in the Union of India's note dated 18.03.2026 to the audited accounts of the erstwhile Haryana State Electricity

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Board and its successor, Haryana Vidyut Prasaran Nigam Limited, the Plaintiff-State's liability towards the State of Haryana is Rs. 1,070.75 crores. It further stated that the data furnished by the BBMB, upon which the Union of India substantially relies, is neither authenticated nor audited, and that the Central Electricity Authority has itself acknowledged that it has no means of verifying its accuracy. It was also stated that the data does not account for administrative overheads and interest during the construction period, both of which properly form part of the capital cost.

19. The State of Haryana further maintained that loan liabilities apportioned between Punjab and Haryana at the time of reorganisation, in the ratio of 53:47, and, in respect of post-reorganisation loans, in the ratio of 60:40, were never borne by the Plaintiff-State and ought now to be attributed to it in the same 7.19% proportion.

D. SUGGESTED COMPUTATIONAL FRAMEWORK

20. Having considered the positions and concerns advanced by all stakeholders, and building upon the capital-cost reconstruction referred to in Part C.1 above, the note(s) submitted by the learned Attorney General for India propose a cashless settlement framework

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intended to give effect to the decree dated 27.09.2011, without requiring any direct financial transaction between the States.

21. Under this framework, Punjab and Haryana would supply the Plaintiff-State with 13,066 million units of energy arrears over fifteen lean seasons, at the rate of 871 million units per year, in the ratio of 58:42 for the Bhakra-Nangal Project and 60:40 for the Beas Projects. The Plaintiff-State would pay the charges determined by the BBMB for the year in which the energy is received. Its capital-cost liability, reconstructed at approximately Rs. 420.77 crores, comprising Rs. 249.23 crores attributable to Punjab and Rs. 171.55 crores to Haryana, would be adjusted against a portion of the energy entitlement at Rs. 3.85 per unit. This would correspond to approximately 1,093 million units, leaving a balance of approximately 11,973 million units to be supplied over the remaining fifteen-year period at approximately 798 million units per year.

22. It bears noting that this reconstruction is confined to the capital-cost component. By contrast, the earlier computation contained in the affidavit dated 05.07.2013 also accounted for the proportionate RM&U and O&M expenditure and adjusted the proportionate revenue receipts.

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23. The aforesaid proposal was firstly placed before this Court on 30.07.2026 and again on 20.08.2026. On both occasions, the Plaintiff-State and the State of Haryana expressed their agreement to the proposal in principle.

24. The State of Punjab, however, recorded its reservations on both occasions and was accordingly granted time until 24.08.2026 to file its own note. In the note filed thereafter, the State of Punjab raised objections on three broad issues. *First*, it contended that the computation of energy arrears at 13,066 million units did not account for the daily supply of 1.2 lakh units of energy to the Plaintiff State, a fact expressly recorded in the minutes of the meeting convened by the Ministry of Power, Government of India. According to the State of Punjab, upon adjusting the energy supplied on this account, the net energy arrears payable to the Plaintiff State would stand reduced to 11,094 million units.

25. *Second*, it was submitted that the capital cost liability of the Plaintiff-State, being Rs. 420.77 crores, was converted into energy at the rate of Rs. 3.85 per unit, yielding 1093 million units, and that after adjusting this figure, 11,973 million units were found due to the Plaintiff-State. This calculation was contended to be fallacious. It was

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urged that the conversion ought to have been made at the O&M rate, currently being 79 paise, which would have resulted in 5768 million units being due to the State of Himachal Pradesh.

26. *Third*, it was put forth that the energy arrears owed to the Plaintiff-State would have to be supplied over a period of 15 years, whereas an earlier written submission of the learned Attorney General had suggested a period of 30 years for the disbursement of energy, which was said to be the more suitable course.

E. ISSUES

27. Having considered the factual background, the terms of the decree dated 27.09.2011, and the submissions of learned Attorney General for India and the parties, as set out hereinabove, it appears to us that the issues that require immediate consideration by this Court can be broadly as follows:

i. What is the quantum of energy arrears due to the Plaintiff-State from the Bhakra-Nangal and Beas Projects, and at what rate is that quantum to be valued?

ii. Whether, and to what extent, the Plaintiff-State is liable to contribute towards the capital cost of the two Projects in proportion to its 7.19% entitlement?

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iii. Whether the liability found due to the Plaintiff-State is to be discharged in cash or in kind, and if in kind, on what terms and schedule?

iv. Whether the Plaintiff-State's capital-cost liability may be set off against its energy-arrears entitlement, and if so, at what rate and to what extent?

v. What consequential directions are necessary to give final effect to the decree dated 27.09.2011?

F. ANALYSIS

28. At the outset, although the above issues have been enumerated separately, they are merely illustrative in nature and are being dealt with collectively in this part of our decision. These issues arise in continuation of the decree of this Court dated 27.09.2011, which decided the substantive issues in the suit and, at that stage, left it open to the Union of India to compute the amount payable to the Plaintiff-State and to work out the manner in which the decree would be given effect.

29. However, the Union of India was seemingly entrusted with the onerous task of untying a knot that had only tightened with the passage of decades. It must be noted at this juncture that the Union of India

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made due efforts, on multiple and successive occasions, to bring about a settlement amongst the parties, but without success. The responsibility has accordingly devolved upon this Court to settle the matter finally and conclusively, so that no further issue remains pending adjudication.

30. It thus goes without saying that the present exercise is not intended to reopen matters conclusively decided by this Court in its decree dated 27.09.2011, nor to afford the parties an opportunity to re-agitate issues that already stand settled. The exercise is, rather, in the nature of execution proceedings, necessitated by the differences that have arisen amongst the parties with respect to the computation made by the Union of India.

31. As noted earlier in Part D ("Suggested Computational Framework") of this judgment, the latest computation note dated 19.03.2026, placed on record by the learned Attorney General for India, has been substantially accepted by all the stakeholders. Some reservations have, however, been recorded by the State of Punjab in its note in response to such computation.

32. On the one hand, the reservations of the State of Punjab to the efforts undertaken by the Union of India have, *prima facie*, given rise to an

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avoidable stalemate. On the other hand, even upon a more considered examination of the contentions laid out earlier, we are not persuaded to accept any of them.

33. We say so because these contentions are vague and superficial, and amount to an attempt to relitigate issues already settled by this Court in its decree dated 27.09.2011. By way of illustration, the supply of 1.2 lakh units per day, said to be adjustable against the total arrears, has already been considered and accounted for in the capital cost liability worked out in the framework submitted by the Union of India.

34. In the computation made by the Union of India, the adjustment has been effected after taking into account a number of variables, including the ratios of energy distribution determined by the decree of this Court, the energy arrears owed to the Plaintiff-State by the two States, and the liability owed by the Plaintiff-State for energy supplied to it. On this basis, it has been calculated that 11,973 million units are to be supplied to the Plaintiff-State over a period of 15 years, after adjusting the liability against 13,066 million units.

35. It also bears noting that this is not the first occasion on which the Union of India has endeavoured to bring the parties to a settlement. Those earlier efforts, though unsuccessful, were not the first attempt

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at resolving the dispute. Additionally, such computation submitted before us is also not the product of any single method. Rather, it is the creation of the Union of India having considered various formulae, methods of calculation and rates.

36. Even in respect of the capital cost liability calculation proposed by the State of Punjab, there appears to be an attempt to inflate the liability of the Plaintiff-State and thereby reduce the arrears owed to it, by converting the liability at the current O&M rate. It is not necessary to dwell at length on why this approach is inaccurate and misleading, since the arrears relate to an earlier period and cannot be computed at a rate that prevails today.

37. Finally, the State of Punjab has contended that the energy arrears ought to be discharged over a period of 30 years, as against the period of 15 years suggested by the learned Attorney General for India, the only ground urged in support being that a period of 30 years had been averred in an earlier written submission filed by the Union of India. No other reason has been advanced for departing from the suggested period. It is also of significance that the State of Haryana, when faced with the very same period of 15 years for the disbursement of the

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arrears, has taken no exception to it and has instead agreed to the proposal.

38. That being so, having regard to the total quantum of arrears, and with a view to easing the burden on the Defendant States and bringing this long-standing dispute to a close, we are inclined to extend some concession to them. Accordingly, we deem it appropriate to increase the period for the disbursement of the energy arrears from 15 years to 20 years.

39. We must, however, also acknowledge that although the State of Punjab disputes the quantum of the final dues payable to the Plaintiff-State, it has, in principle, accepted the methodology adopted for computing the Plaintiff-State's capital-cost liability.

40. It is particularly unfortunate that a dispute which has remained pending for several decades continues to be prolonged, requiring further judicial time and attention. It therefore becomes imperative that the issues which still remain to be resolved are brought to a final quietus. We trust that all concerned parties will extend their cooperation and ensure that the directions issued by this Court are implemented in their true letter and spirit.

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G. DIRECTIONS AND CONCLUSIONS

41. Bearing in mind the issues that remain outstanding, as well as the respective positions of all parties, we deem it appropriate to issue the following directions:

a. The energy arrears due to the Plaintiff-State, as computed by the Union of India, shall be taken at 13,066 million units (MU). The same shall be supplied by the States of Punjab and Haryana at the rate of 653 MU per annum over 20 lean seasons, being the period from October to March, in the inter se ratio of 58:42 for the Bhakra-Nangal Project and 60:40 for the Beas Projects;

b. The Plaintiff-State shall pay the charges determined by the Bhakra Beas Management Board for the year in which each tranche of energy is received;

c. The Plaintiff-State's liability towards its 7.19% share of the capital cost of the Bhakra-Nangal and Beas Projects, representing the unreimbursed share of loan servicing undertaken by Punjab and Haryana since 1966–67, shall be assessed at ₹420.77 crores, comprising ₹249.23 crores attributable to Punjab and ₹171.55 crores attributable to Haryana;

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d. The aforesaid capital-cost liability shall be adjusted against a corresponding portion of the energy arrears due to the Plaintiff-State. For this purpose, the energy shall be valued at the rate of ₹3.85 per unit, resulting in an adjustment of approximately 1,093 MU against the capital-cost liability;

e. Upon giving effect to the aforesaid adjustment, the balance energy arrears payable to the Plaintiff-State shall stand at approximately 11,973 MU. This balance shall be supplied by Punjab and Haryana at the rate of approximately 598 MU per annum over 20 lean seasons, in the inter se ratio of 58:42 for the Bhakra-Nangal Project and 60:40 for the Beas Projects;

f. The settlement shall accordingly be implemented on a cashless basis, with the capital-cost liability being adjusted against the energy arrears in the manner set out hereinabove, and with the remaining energy being supplied in accordance with the aforesaid schedule.

42. We would also like to place on record our appreciation for the sustained efforts of the good offices of the learned Attorney General for India over the years, not only in facilitating attempts at mediation

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between the parties, but also in formulating a framework with a view to bringing this long-standing dispute to a conclusion.

43. As a matter of abundant concern, we must express in no uncertain terms to all the concerned stakeholders that the directions issued by this Court are binding and are required to be acted upon without reservation. The expectation of decree, having remained pending for several decades, cannot be rendered fruitless by reason of the unwillingness or recalcitrance of a Judgment Debtor.

44. Ordered accordingly.

45. The instant suit stands disposed of. Pending applications, if any, also disposed of in the above terms.

.....CJI.
[SURYA KANT]

.....J.
[JOYMALYA BAGCHI]

.....J.
[V. MOHANA]

NEW DELHI
DATED: 06.11.2026