MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016

Petition No.23/2012

PRESENT:

Rakesh Sahni, Chairman

A. B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

Determination of True-up of Transmission Tariff for FY 2010-11 based on the petition filed by M. P. Power Transmission Co. Ltd., Jabalpur.

M. P. Power Transmission Co. Ltd., Jabalpur - Petitioner

Versus

(i) M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur

(ii) M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal

(iii) M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore

(iv) M. P. Audyogik Kendra Vikas Nigam, (SEZ), Indore

Respondents

ORDER

(Passed on this 2nd day of February, 2013)

1. The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") and other stakeholders on 5th January, 2013 at Bhopal in the matter of true up of Transmission Tariff for FY 2010-11. The Commission considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May, 2005 making the Transfer Scheme Rules effective from 1st June, 2005, (order No.3679/FRS/18/13/2002 dated 31.05.2005) and 3rd June, 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006. The Commission also considered the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12th June, 2008 and reallocation of generating capacity among the three Distribution Companies & SEZ by the State Government vide order dated 11th May, 2010.

2. The Commission notified MPERC (Terms & Condition for determination of Transmission Tariff) Regulation, 2009 (G-28 (I) of 2009) and its amendments. The Multi-Year Tariff (MYT) Order dated 11th January, 2010 for FY 2009-10 to FY 2011-12 was based on the aforesaid Regulation. The petitioner filed the subject petition on 17th February, 2012 for True-up of the Transmission Tariff for FY 2010-11 determined by the Commission vide aforesaid MYT Order.

3. Motion hearing in the matter was held on 10/04/2012 in the court room of the Commission. The petition was admitted and the petitioner was directed to serve copy of the petition on all respondents and also to submit certain additional information/ documents for detailed scrutiny of the petition.

4. Vide Commission's letter No. MPERC/D(T)/1231 dated 16th April, 2012, the petitioner was asked to submit certain clarifications regarding Fixed Assets, Return on Equity, O&M Expenses, Cash & Bank Balance, Terminal Benefits, consumer contribution, Interest on working capital, weighted average rate of interest, Other Income and Bonds and Debentures. Vide letter No. 4448 dated 15th June, 2012, the petitioner submitted its response on the aforesaid issues raised by the Commission. It was also confirmed by the petitioner that the copies of the petition have been served on all respondents in the matter.

5. The petitioner was further asked to clarify the details submitted by it regarding Return on Equity, GFA, Cash & Bank Balance, Terminal benefits, Interest and Finance Charges along with detailed information to be filled up in Annexures A and B annexed with the Commission's letter dated 18th July 2012. MPPTCL in its letter No.6671 dated 12th September, 2012 submitted partial information and stated that the balance information in Annexure B in the Commission's letter was not available with it. Vide Commission's letter No.2929 dated 12/10/2012, some more details /clarifications regarding fixed assets, loan used in capitalized assets, interest on FDRs, SLDC expenses, bond & debentures etc. were sought from the petitioner. The petitioner was also directed to submit a draft public notice seeking comments/suggestions from all stakeholders. MPPTCL vide letter No.8041 dated 03/11/2012 submitted the desired information along with a copy of draft public notice.

6. Vide Commission's letter No.3289 dated 29/11/2012, the petitioner was asked to publish the approved public notice in newspapers in English and Hindi version to invite comments / suggestions from various stakeholders by 21st December, 2012. The public hearing in the matter was fixed on 5th January, 2013.

7. MPPTCL in its letter No.9643 dated 22nd December, 2012 submitted that no comments/suggestions were received by it from any of the stakeholders/public/respondents till 21st December, 2012. The public hearing was held in the court room of the Commission on 5th January, 2013. The petitioner's representatives were present in the public hearing. No public representative / respondent appeared in the public hearing.

8. The Commission has determined true-up amount of **₹563.95 Crores for FY 2010-11** in this Order. The cost component wise breakup of the aforesaid true up amount approved in this Order vis-à-vis claimed by the petitioner is given below :

Table: 1 True up amount for FY 2010-11

(₹ in Crores)

S. No.	Particulars	As per ARR approved by order dated 11.01.2010	As filed in True-up petition	As approved by MPERC	True-up Amount (Col. 6–Col 3)
1	**2**	**3**	**4**	**5**	**6**
1	O&M Expenses	229.64	252.57	252.57	22.93
2.	**Terminal Benefits -**				
2(i)	Cash expenses	0.00	596.20	596.20	596.20
2(ii)	Provisioning	37.51	39.20	0	(-) 37.51
2.	**Total -**	**37.51**	**635.40**	**596.20**	**558.69**
3.	Depreciation	193.36	201.41	201.41	8.05
4.i.	Interest on Loan & Bank Charges	110.23	106.84	102.51	(-) 7.72
4.ii.	Interest on Working Capital	23.04	36.68	35.21	12.17
4.iii.	Interest on Normative Loan	0.00	0.36	0.00	0.00
4.	**Total Interest**	**133.27**	**143.88**	**137.72**	**4.45**
5.	Return on Equity	225.87	222.64	210.51	(-) 15.36
6.	Taxes and Fee paid to MPERC	1.13	0.82	0.82	(-) 0.31
7.	**TOTAL -**	**820.78**	**1456.72**	**1399.23**	**578.45**
8.	Less Non-Tariff Income	(-) 14.00	(-) 13.98	(-) 28.50	(-) 14.50
9.	**GRAND TOTAL -**	**806.78**	**1442.74**	**1370.73**	**563.95**

9. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this Order. The true-up amount determined above in this Order shall be recovered by the petitioner in 12 equal installments during FY 2013-14. The additional transmission charges on account of the true up amount determined in this Order shall be considered in the Annual Revenue Requirement of Distribution Licensees/Long term customers for FY 2013-14.

10. Ordered as above, read with attached detailed reasons and grounds.

sd/-	**sd/-**	**sd/-**
(Alok Gupta)	**(A. B. Bajpai)**	**(Rakesh Sahni)**
Member	**Member**	**Chairman**

Date: 2nd February, 2013
Place: Bhopal

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TABLES

CHAPTER 1

BACKGROUND OF THE ORDER

Introduction

1.1 This order relates to petition No.23 of 2012 filed by Madhya Pradesh Power Transmission Company Limited Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") for truing up of the Transmission Tariff for FY 2010–11. MPPTCL is the owner of the transmission network previously owned by Madhya Pradesh State Electricity Board (hereinafter referred to as "MPSEB" or "Board"). MPPTCL has started functioning independently from 1st June, 2005. The order passed by the Commission for FY 2009-10 to FY 2011-12 was based on the Multi Year Tariff Principles i.e. on the performance benchmarks set by the Commission for multi year regime vide its notification dated 30th April, 2009 namely "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2009.

Procedural History

1.2 In the Transmission Tariff Order for FY 2009-10 to FY 2011-12, the Commission determined the Transmission Tariff effective from 1st April 2009 and continued to be operative till 31st March 2012 under the multi year tariff. MPPTCL filed the petition for True-up of Transmission charges for FY 2010-11 vide its letter No.04-01/CRA Cell/F-147/1294 dated 17th February, 2012.

1.3 MPPTCL requested to allow a true up of ₹635.96 Crores for FY 2010-11 on account of actual expenses incurred on O&M, Interest and finance charges, Return on equity, Depreciation and Pension liabilities etc. as per the audited accounts for the period 01.04.2010 to 31.03.2011.

1.4 MPPTCL in its petition also proposed modifications to the Long Term Open Access for FY 2010-11 as under:

Table 2: Revised Open Access Charges in ₹ Crores as filed by the MPPTCL

S. No.	Customer	Capacity Allocated (MW)	Amount as per filing in this petition (₹ Crores)	Amount as per original Tariff (₹ Crores)	True-up to be shared (₹ Crores)
1	MP Poorva KVVCL (East)	2405	438.94	245.45	193.48
2	MP Madhya KVVCL (Central)	2577	470.33	263.01	207.32
3	MP Paschim KVVCL (West)	2911	531.29	297.10	234.19
4	MPAKVN for SEZ – Pithampur	12	2.19	1.22	0.97
5	**TOTAL -**	**7905**	**1442.74**	**806.78**	**635.96**

1.5 Vide Commission's letter No.3289 dated 29/11/2012, the petitioner was asked to arrange for publication of the approved public notice in newspapers for inviting comments/suggestions from stakeholders.

1.6 The Public notice was published by the petitioner in following newspapers on 01/12/2012:

Hindi News Papers:

Dainik Patrika	-	Jabalpur
Dainik Raj Express	-	Indore
Dainik Nai Dunia	-	Gwalior
Dainik Aacharan	-	Sagar
Dainik Jagran	-	Rewa
Dainik Bhaskar	-	Ujjain

English News Paper:

Pioneer	-	Bhopal

The last date for obtaining the comments / suggestions / objections was 21/12/2012. Vide letter No. 9463 dated 22nd December, 2012, MPPTCL informed that it has not received any comments / suggestions from any of the stakeholders/public/ respondents till 21st December, 2012.

1.7 The public hearing in the subject true-up petition was held on 5th January, 2012 in the Court room of the Commission's office at Bhopal. Petitioner's representatives attended the public hearing. No representative from any stakeholder / public / respondent appeared in the public hearing.

CHAPTER 2

STATUS OF THE TRANSMISSION COMPANY

2.1 The petitioner has submitted following status of M. P. Power Transmission Co. Ltd., Jabalpur :

2.1.1 MPPTCL is a company registered under Companies Act 1956 on 22/11/2001 with its head quarter at Jabalpur, for the purpose of undertaking the Intra-State Transmission activities in the State of Madhya Pradesh and was functioning under an O&M agreement with MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No.3679/FRS/18/13/2002 dated 31st May, 2005 in which MPPTCL was assigned assets and liabilities on a provisional basis.

2.1.2 MPPTCL commenced independent functioning from 1st June, 2005 consequent to the notification of its provisional Balance Sheet by the State Government on 31st May, 2005. The Government of Madhya Pradesh notified the final opening balance sheet on 12th June, 2008.

2.1.3 **Notification of Tariff Regulations for Second Control Period**

The Commission has notified the MPERC (Terms and conditions for Determination of Transmission Tariff) Regulations, 2009 {RG-28 (I) of 2009} on 8th May, 2009 which was in force for a period upto March, 2012 from the date of commencement. The instant True-up application for FY 2010-11 is governed by these Regulations.

2.1.4 **Consideration of Final Opening Balance Sheet**

On notification of the final Opening Balance Sheet (as on 31.05.2005), on 12th June, 2008, the Annual Accounts of MPPTCL for year FY 2007-08, FY 2008-09 and FY 2010-11 have been prepared and got audited as per final Opening Balance Sheet. The true-up petition for FY 2007-08, FY 2008-09 & FY 2009-10 were also submitted as per the final Opening Balance Sheet. The true-up petition for FY 2007-08 also contained the review of the tariff for FY 2005-06 and FY 2006-07, based on the final Opening Balance Sheet. The true-up petition for FY 2008-09 & for FY 2009-10 were disposed of by the orders issued by the Commission on 26th December, 2011 and 6th August, 2012 respectively.

CHAPTER 3

TRANSMISSION SYSTEM AND PERFORMANCE OF MPPTCL

The petitioner has broadly submitted the following:

3.1 Intra-State Transmission System of MPPTCL comprises of EHV Lines and Sub-stations of various voltages. Position as on 31.03.2009 and 31.03.2010 is tabulated hereunder:

S. No.	Voltage Level	As on 31.3.10			As on 31.3.11		
		EHV Lines	EHV Sub-Stations		EHV Lines	EHV Sub-Stations	
		Ckt. KMs	Number	MVA Capacity	Ckt. KMs	Number	MVA Capacity
1	400 KV	2343	4	3885	2343	5	4515
2	220 KV	9807	49	13610	10857	53	14350
3	132 KV	12411	174	14525	13208	183	15347
4	66 KV	61	1	20	61	1	20
TOTAL -		**24622**	**228**	**32040**	**26469**	**242**	**34232**

Transmission System Capacity

3.2 The transmission system capacity of Intra-State transmission system of MPPTCL is allocated to the Long Term Open Access customers including the Distribution Licensees. The transmission system capacity is therefore determined as per the MPERC (Terms and conditions for Intra-State Open Access in MP) Regulations, 2005. The Average Capacity of Intra-State transmission system is defined as;

> *"Average capacity means the average capacity in MW served by the Intra-State transmission system of the transmission licensee in the previous financial year, and shall be the sum of the generating capacities, connected to the transmission system and contracted capacities of other Long Term transactions handled by the system of Transmission Licensee".*

3.3 The power corresponding to Intra-State generating capacity is available to transmission system after deducting the auxiliary consumption. Similarly, power from the Central Sector generating stations is available at M.P. periphery after deduction of auxiliary consumption and losses in Inter-State transmission system. While determining transmission system capacity for the new control period from 2009-10 to 2011-12, the above mentioned fact has been taken into consideration. The transmission system capacity for year 2010-11 has also been subjected to True-up on above mentioned basis. The Regulations provide that the Average Capacity during a year shall be taken as that served in previous year. Therefore, the transmission capacity during 2010-11 is taken as that existing as on 01.04.2010.

3.4 The capacity for year 2010-11 is worked out taking into consideration the actual generating and contracted capacities as on 01.04.2010 based on State Government's notification dated 11.05.2010.

State Government Order for Capacity Allocation

3.5 The Government of Madhya Pradesh vide notification No.3823-F-3-24-2009-XIII dated 11.05.2010 allocated the total available generating capacity of 8457.15 MW among the three Distribution Companies in the State.

3.6 Based on the State Government order dated 11.05.2010, the total Generating Capacity as on 11.05.2010 is summarized hereunder;

S. No.	Source of Power	Firm (MW)	Infirm (MW)	Total MW
1	Central Sector (WR)	1931.00	170.98	2101.98
2	Central Sector (ER)	0.00	74.00	74.00
3	DVC	200.00	-	200.00
4	Indira Sagar Hydel	1000.00	0.00	1000.00
5	Sardar Sarovar Hydel	826.50	0.00	826.50
6	Omkareshwar Hydel	520.00	0.00	520.00
7	MP Genco – Thermal	2386.38	421.13	2807.50
8	MP Genco – Hydel	927.17	0.00	927.17
9	Rihand / Matatila (Leftout)	55.00	0.00	55.00
	TOTAL -	**7846.05**	**666.11**	**8512.15**

3.7 The additional capacity of 12 MW allocated to SEZ Pithampur from NTPC is added to the total Generating capacity of 8512 MW. Subtracting the auxiliary consumption and Inter-State losses, the transmission capacity for FY 2010-11 is worked out as 7904.48 MW (Say 7905 MW).

Transmission Capacity as on 31.03.2010 (for FY 2010-11)

3.8 The transmission capacity for FY 2010-11 is to be considered as that served last year i.e. on 31.03.2010. Since no additional / reduction in generating capacity is done between 01.04.2010 and 11.05.2010, the generating capacity allocation as on 01.04.2010 can be taken as 8512.15 MW.

3.9 The capacity allocation to Discoms is proposed on the following basis:

(i) Total transmission capacity available for a particular year is apportioned in the percentage ratio as indicated in State Government order dated 11.05.2010. SEZ allocation is treated as additional.

(ii) The capacity during the year is taken as that on 1st April i.e. beginning of year.
(iii) The fractional allocation worked out has been rounded off.
(iv) Since SEZ has availed additional power under Open Access from NTPC, and has been allocated capacity at MP periphery as 12 MW, same has been considered.

3.10 Based on above, the allocated transmission capacity proposed is tabulated hereunder:

S. No.	Distribution Licensee	Percentage Allocation	Capacity Allocation for 2010-11 (MW)
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	30.47%	2405
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	32.64%	2577
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	36.88%	2911
4	**Total Discoms -**	**100%**	**7893**
5	SEZ Pithampur (Dhar)	-	12
6	**GRAND TOTAL -**	**-**	**7905 MW**

3.11 As per Transmission Tariff Regulations, the Distribution Companies and the SEZ will share the transmission charges in the ratio of capacity allocation to them.

Performance of Intra-State Transmission System

3.12 Transmission losses in Intra-State system have reduced gradually during last years on account of the execution of Capital Plan. These are tabulated hereunder :

Details	FY-04 Actual	FY-05 Actual	FY-06 Actual	FY-07 Actual	FY-08 Actual	FY-09 Actual	FY-10 Actual	FY-11 Actual
Energy Received into System (MUs)	27555	29531	31306	32594	35148	34280	34346	37680
Energy sent Out of System (MUs)	25870	27871	29669	30963	33710	32878	32908	36271
Energy Lost (MUs)	1685	1660	1637	1631	1438	1402	1438	1409
Transmission Loss (%)	**6.12%**	**5.62%**	**5.23%**	**5.00%**	**4. 09%**	**4.09%**	**4.19%**	**3.74%**
Reduction in Loss (%)	-	0.50%	0.39	0.23%	0.91%	0.00%	(-)0.10%	0.45%
Target fixed by The MPERC	-	-	5.22%	5.00%	4.90%	4.90%	*	-

* *Note :- Target for transmission losses for control period FY 2009-10 to 2011-12 has not been fixed by The Commission. The Company in its business plan has set-up goal of 4.70% transmission losses for FY 2009-10 onwards.*

3.13 As per the directives of the Commission, the MPPTCL is computing the voltage-wise transmission losses. The year-wise details are given hereunder:

S. No.	Voltage Level	Percentage Losses in Year					
		2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1	400 KV	1.40%	1.26%	1.21%	1.20%	1.19%	1.18%
2	220 KV	3.26%	3.41%	2.55%	2.51%	2.86%	2.56%
3	132 KV	1.60%	1.29%	1.15%	1.17%	1.03%	0.86%
Over all System		**5.23%**	**5.00%**	**4.09%**	**4.09%**	**4.19%**	**3.74%**

Transmission System Availability

3.14 The Commission has fixed a target of Transmission System Availability as 98% for FY 2010-11 in the MYT Regulations. The Transmission System Availability achieved during all the quarters of year is higher then the target fixed. This indicates proper maintenance of lines and sub-stations as well as prompt outage management. The achievements are shown hereunder:

S. No.	Period	Target Fixed	Actual Achieved
1	April-June 2010	98.00%	98.71%
2	July-Sept. 2010	98.00%	98.95%
3	Oct.-Dec. 2010	98.00%	99.33%
4	Jan.-March 2011	98.00%	99.53%
5	**Annual 2010-11**	**98.00%**	**99.13%**

CHAPTER 4

TRUE-UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2010-11

O&M Expenses

Petitioner's Submission

4.1 The petitioner broadly submitted the following:

The Commission has allowed O&M expenses of ₹229.64 Crores for FY 2010-11. These include Employee Cost, A&G and Repairs & Maintenance expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the O&M Norms notified in para 37.1 of transmission tariff regulation notified on 8th May 2009, brought out hereunder;

Norms for O&M Expenses

S. No.	***Particulars***	***2009-10***	***2010-11***	***2011-12***
	LINES -	***₹Lacs / 100 Ckt. KM / Annum***		
1	*400 KV Line*	*29.1*	*30.8*	*32.6*
2	*220 KV Line*	*23.4*	*24.8*	*26.2*
3	*132 KV Line*	*22.0*	*23.3*	*24.6*
	BAYS -	***₹Lacs / Bay / Annum***		
1	*400 KV Bay*	*13.4*	*14.2*	*15.0*
2	*220 KV Bay*	*10.0*	*10.6*	*11.2*
3	*132 KV Bay*	*9.5*	*10.0*	*10.6*

4.2 *The Commission while allowing O&M Expenses for control period, considered the following length of EHV Lines and Bays for the FY-11, being average of the projected capacity as on 01.04.10 and 31.03.11. The O&M expenses for year 2010-11 have been allowed as ₹229.64 Crores, considering following parameters:*

S. No.	***Particulars***	***O&M Norms 2010-11***	***Parameters taken for FY-11***	***O&M Expenses allowed for 2010-11 (rounded to Lacs)***
1	*400 KV Line*	*₹30.80 Lacs/100 Ckt-KM*	*2399 Ckt-KM*	*739*
2	*400 KV Bays*	*₹14.20 Lacs/Bay*	*62 Nos.*	*880*
3	*220 KV Line*	*₹24.80 Lacs/100 Ckt-KM*	*9909 Ckt-KM*	*2457*
4	*220 KV Bays*	*₹10.60 Lacs/Bay*	*364 Nos.*	*3858*
5	*132 KV Line*	*₹23.30 Lacs/100 Ckt-KM*	*12357Ckt-KM*	*2879*
6	*132 KV Bays*	*₹10.00 Lacs/Bay*	*1215 Nos.*	*12150*
	TOTAL -	*-*	*-*	***22963***

Say ₹229.64 Crores

Network Expansion and O&M Expenses

4.3 *The average assets on the basis of actual progress made during 2010-11 and the allowable O&M expenses for FY 2010-11 based on approved norms, work out as under:*

S. No.	**Particulars**	**Assets**			**Approved Norms for 2010-11**	**Amount (₹ in lacs)**
		As on 01.4.2010	**As on 31.3.2011**	**Average**		
1	400 KV Line in ckt-kms	2343	2343	2343	₹30.80 Lacs/100 Ckt-KM	721.651
2	220 KV Line in ckt-kms	9807	10856.49	10331.75	₹24.80 Lacs/100 Ckt-KM	2562.27
3	132 KV Line in ckt-kms	12472	13269.4	12870.70	₹23.30 Lacs/100 Ckt-KM	2998.87
4	400 KV Bay in Nos.	61	67	64	₹14.20 Lacs/Bay	908.80
5	220 KV Bay in Nos.	403	446	425	₹10.60 Lacs/Bay	4505.00
6	132 KV Bay in Nos.	1311	1400	1356	₹10.00 Lacs/Bay	13560.00
Total O&M Cost on the basis of Bays and Lines						**252.57**

Say ₹252.57 Crores

Claim of O&M Expenses on Normative Basis

4.4 *The O&M has been claimed as per network addition and on normative basis, as worked out under Para 6.4, which is summarized below:*

(₹ in Crores)

(i)	*As per O&M Norms given in para 6.4 above*	*252.57*
(ii)	*As approved under MYT order*	*229.64*
True-up Amount		***22.93***

It is prayed that True-up of O&M Expenses worth ₹22.93 Crore over and above ₹229.64 Crores provided in MYT order dated 11.01.2010, may kindly be considered by the Commission.

Actual O&M Expenses as per Audited Accounts

4.5 *The Regulations provide for claiming O&M Expenses on normative basis. The actual O&M Expenses are therefore for information only. The details of O&M Expenses are given in formats TUT-3 to TUT-5 as per details given hereunder:*

(₹Crores)

S. No.	Format No.	Particulars	Gross Amount	Less Capitalized	Less SLDC Expenses	Net Amount
1	TUT-3	R&M Expenses	33.42	0.37	1.67	31.38
2	TUT-4	Employee Cost	186.89	10.91	5.39	170.59
3	TUT-5	A&G Expenses	22.04	2.93	0.41 + **0.82** **(MPERC Fee)**	17.89
4	-	**TOTAL -**	**242.35**	**14.21**	**7.47**	**219.86**

The R&M Expenses of ₹33.42 Crores and A&G Expenses of ₹22.04 Crores tally with the Audited Account Schedules 14 and 16 respectively. However, slight variation in figures of Employee Cost is explained hereunder:

The Accounts Schedule 15 shows Gross Employee Cost as ₹ 184.13 Crores, which is worked out as under:

i.	Trial Balance of Accounts Code 75	₹826.93 Crores
ii.	Less Account Code 75-8 i.e. Terminal Benefits	(-) ₹643.50 Crores
iii.	**Employee Cost**	**₹183.43 Crores**
iv.	Add Codes 75/810, 860, 871, 880, 881 contributions etc.	(+) ₹0.70 Crores
v.	Add E.L. encashment on retirement	(+) ₹7.40 Crores
vi.	Less incentives not claimed in Employee Cost (75/211)	(-) ₹4.64 Crores
	Employee Cost as mentioned in above table -	**₹ 186.89 Crores**

Provisions of Regulations

4.6 Provision of O&M Norms in Regulation

Regulation 27 (Para 27.1 & 27.4) of MYT Regulations dated 8th May, 2009 provides that the O&M norms include effect of pay scale revision. The paras are reproduced hereunder:

*"**27.1** Operation and Maintenance expenses shall be determined for the Tariff Period based on normative O&M expenses specified by the Commission in these Regulations.*

27.2 *Normative O&M expenses other than expenses on payment of arrears to employees on account of revision of pay scales of the employees in accordance with Sixth Pay Commission recommendations, as implemented by the State transmission Utility at the commencement of the Tariff Period have been escalated at the rate of 6.14% considering* *a weighted average of Wholesale price Index and Consumer Price Index in the ratio of 60:40.*

***27.3** For first Financial Year of control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employees cost, which has been escalated @6.14% in subsequent Years. The Commission has also considered expenditure on payment of arrears upto 31.8.2008 during the financial years 2010-11 to 2011-12 as one third each year based on estimate submitted by the Transmission Licensee.*

***27.4** In case of repair & maintenance and administrative & general expenses, average of financial years 2005-06, 2006-07 and 2007-08 audited figures have been taken as base for the financial year 2006-07. This has been escalated Year-wise at inflation rate of 6.14% to arrive at the amounts allowed for the control period."*

4.7 Provision for true-up of O&M Expenses:

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37. The relevant paras are reproduced hereunder:

*"**37.1** The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in sub-station. These norms exclude pension, terminal benefits and incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actual. The claim of pension and terminal benefits shall be dealt as per Regulation 27. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:*

S. No.	Particulars	2010-11	2010-11	2011-12
	LINES -	**₹ Lacs / 100 Ckt-KM / Annum**		
1	400 KV Line	29.1	30.8	32.6
2	220 KV Line	23.4	24.8	26.2
3	132 KV Line	22.0	23.3	24.6
	BAYS -	**₹ Lacs / Bay / Annum**		
1	400 KV Bay	13.4	14.2	15.0
2	220 KV Bay	10.0	10.6	11.2
3	132 KV Bay	9.5	10.0	10.6

***37.2** The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the average number of bays and 100 ckt-km of line length for the Year with the applicable norms for O&M expenses per bay and per 100 ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the*

Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the Tariff Period as the case may be."

Commission's Analysis

4.8 The Operation and Maintenance (O&M) Expenses comprise of the Employee Expenses, Administrative and General (A&G) Expenses and Repairs and Maintenance (R&M) Expenses. The Commission determined these expenses in MYT Tariff Order for FY 2010-11 to FY 2011-12 on the basis of the norms specified by the Commission in its regulation namely "MPERC (Terms and Conditions for Determination of Transmission Charges) Regulations, 2009.

4.9 Vide Commission's letter No.1231 dated 16/04/2012, the following observations on certain issues were communicated to the petitioner:

i) ***Physical & Financial progress of Capital work****: It is observed in Para 4.3 of the petition that the financial progress of 400 KV lines is mentioned as ₹1.04 Cr in FY2010-11 and as ₹135.00 Cr in FY 2011-12 against NIL physical progress. This discrepancy in the physical and financial progress be clarified.*

ii) ***Transmission system****: The number of EHV sub-stations filed in the petition as on 31st March, 2011 is 242 Nos. while the number reported in the status filed by the Reporter of Compliance to the Commission is 241 Nos. This discrepancy needs to be clarified.*

iii) ***O&M expenses****: In Para 6.5 of the petition O&M expenses based on normative basis have been claimed as ₹252.57 Crs. In Para 6.6 of the petition, the actual O&M expenses as per audited account has been mentioned as ₹219.86 Crs. The amount of actual cash expenses and the provisions be submitted separately. The reasons for actual expenses being much lower than the normative O&M expenses be also submitted clearly highlighting the efforts (if any) made by MPPTCL to reduce O&M expenses and to control the other controllable expenses.*

4.10 In response, MPPTCL vide its letter No.4448 dated 15/06/2012 submitted the following:

(I). *"**<u>Physical & Financial Progress of Capital Works</u>***

It is submitted that the tables given in Para 4.3 are not for progress achieved, but these are the tables for 'Plan Provision' both Physical and Financial. It has been pointed out that although a financial provision of ₹1.04 Crores and ₹135.00 Crores has been made for 400 KV line in FY 2010-11 & FY 2011-12 respectively, the physical progress against these years are NIL. In this regard, kind attention is drawn to the MPERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2009 (RG-28 I) wherein (Appendix-I) a time of 30 to 38 months has been prescribed for completion of 400 KV line. It may be mentioned that with this schedule ₹ 1.04 Crores in FY 2010-11 for preliminary works and

₹135.00 Crores for foundation / material etc. during FY 2011-12, cannot bring any physical completion of 400 KV line during these years. The physical progress of 400 KV line is reported when it is commissioned for commercial operation. This may therefore kindly not be taken as discrepancy.

(ii). ***<u>Transmission System</u>***

The report submitted by the Reporter of Compliance for FY 2010-11 in June 2011, where the progress as on 31st March 2011, reported number of Sub-station in total as 241. At the time of filing the Petition in February 2012, the Voltage-wise progress could bring exact figure of 242. The figure of 242 is correct which include 1 No. 66 KV Sub-station also. Whereas the total MVA under both the report could be brought out correctly as 34232 MVA, while reporting total EHV Sub-station in ROCs report 1 No. EHV Sub-station is totaled short."

4.11 The Commission verified the actual line length in Ckt. Km. and number of bays as on 1st April, 2010 & 31st March, 2011 (as filed in the petition) from the information contained in Annexure 4A and form no. TUT P1 of the petition and also from the RoC reports being filed with the Commission. Based on the norms specified by the Commission in the Regulation, the calculation for normative O&M cost on the basis of bays and lines submitted by the petitioner is found in order and the O&M expenses as per norms comes to **₹252.57 Crores**. MPSEB expenses are not allowed separately as per the approach adopted by the Commission in its earlier true-up Order.

4.12 The Commission has specified norms for O&M expenses in Regulation 37. Applying the same norms on the Ckt. Kms. of line and the no. of bays during the control period, the permissible O&M expenses as per norms are worked out as under:

Table: 3

S. No.	Particulars	Assets			Approved Norms for 2010-11	Amount (₹ in lacs)
		As on 01.4.2010	As on 31.3.2011	Average		
1	400 KV Line in ckt-kms	2343	2343	2343	₹ 30.80 Lacs/100 Ckt-KM	721.651
2	220 KV Line in ckt-kms	9807	10856.49	10331.75	₹ 24.80 Lacs/100 Ckt-KM	2562.27
3	132 KV Line in ckt-kms	12472	13269.4	12870.70	₹ 23.30 Lacs/100 Ckt-KM	2998.87
4	400 KV Bay in Nos.	61	67	64	₹ 14.20 Lacs/Bay	908.80
5	220 KV Bay in Nos.	403	446	425	₹ 10.60 Lacs/Bay	4505.00
6	132 KV Bay in Nos.	1311	1400	1356	₹ 10.00 Lacs/Bay	13560.00
Total O&M Cost on the basis of Bays and Lines						**252.57**

Say ₹ 252.57 Crores

4.13 Accordingly, the true-up for O&M is allowed as under:

Table: 4 (₹ in Crores)

S. No.	Particulars	Allowed in MYT Order	As approved by MPERC	Net True-up
1.	Operation & Maintenance expenses	229.64	252.57	22.93

Terminal benefits expenses

Petitioner's Submission

4.14 The petitioner broadly submitted the following;

(i) The petitioner under MYT Petition claimed Terminal Benefits for FY 2010-11 as under:

S. No.	***Particulars***	***Terminal Benefits for FY 2010-11***
1	*Pension*	*₹276.95 Crores*
2	*Gratuity*	*₹ 64.58 Crores*
3	*Annuity*	*₹ 00.31 Crores*
4	*Provisioning for existing employees of Transco*	*₹37.51 Crores*
	Total	***₹379.25** Crores*

The Commission however, under MYT order dated 11th January 2010 in Petition no. 26/2009 allowed only an amount of ₹37.51 Crores as per Para 2.32 and 2.33 reproduced hereunder;

"2.32 MPPTCL has filed a petition with the Commission for dispensation on the directions contained in para 2.7 of the MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 notified on 8th May, 2009. The petition filed by MPPTCL is under examination with the Commission and the contention of the petitioner, if considered, would need appropriate amendments in the Regulation. However, the Commission in accordance with the relevant provisions of the Regulation presently in force has allowed the terminal benefits excluding provisions for FY 2009-10 as filed by the petitioner. As per Regulation 27.6, the Commission shall allow such expense of the employees pertaining to Transmission Licensee only in the employee cost of the Transmission Company for FY 2010-11 and FY 2011-12. Accordingly, the provisioning of terminal benefits for FY 2010-11 and FY 2011-12 has been allowed by the Commission in this order. The Commission shall take its considered view for FY 2010-11 and FY 2011-12 while truing-up the petitioner's ARR for the respective year as per the audited accounts and the Regulations in force at that time.

2.33 Hence the terminal benefit expense for the control period is allowed as ₹ 318.99 Crores for FY 2009-10, ₹ 37.51 Crores for FY 2010-11 and ₹ 41.63 Crores for FY 2011-12 in this order."

(ii) It is further submitted by the petitioner that the Commission in its order No.950/MPERC/2010 Bhopal dated 16th April 2010 notified on 30.04.2010, amended Clause 27 of the Regulations, substituting the Clause 27.6 as hereunder:

In the MPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2009, the following shall be substituted in Clause 27.6, namely:-

"27.6 As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the MP Power Transmission Company Ltd., MP Power Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing expenses towards actual pension payment and other terminal benefits like gratuity as a pass through in the ARR. With the rapid increase in terminal benefit expenses, its impact on retail tariff is progressively going up. This arrangement of allowing actual expenses in ARR is becoming unsustainable and will have to be discontinued in near future. In view of the above, following action need be taken in the matter of unfunded pension liabilities and terminal benefits of employees:-

(a) An actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year for each Company and findings be reported to the Commission by 28th February, 2010. The MP Power Transmission Company Limited shall act as a nodal agency for this activity.

(b) The scheme for funding this unfunded liability is finalized and terms for operating Terminal Benefit Trust Fund are set by State Government by 30th April 2010.. The scheme so finalized be such that it ensures that burden of past unfunded liabilities does not become a charge eventually on Retail Tariff only and that the scheme is fair to all the stakeholders.

(c) Since actions as in (a) and (b) above will take time, the existing arrangement of allowing funds for terminal benefits in ARR of MP Power Transmission Company Ltd. shall continue on actual payment basis upto FY 2010-11 to the Transmission Licensee."

By the third amendment notified on 28th March 2011, the Terminal Benefit of 2011-12 was also allowed. Moreover a Clause 27.6(e) was also added as under;

"(e) The above expenses at (d) towards Pension liability and other terminal benefits for FY 2010-11 and FY 2011-12 shall be a pass through in Aggregate Revenue Requirement for the purpose of determination of tariff of the MP Power Transmission Company Limited for the respective financial years on provisional basis."

(iii) Since the notification dated 28th March 2011 came at the end of year 2010-11, the terminal benefits for FY 2010-11 could not be claimed during the year. The same are now being claimed on the following basis:

(i) Para 2.32 of MYT order dated 11.01.2010 provide for consideration during True-up exercise.

(ii) Para 2.32 of MYT order dated 11.01.2010 provides for consideration as per 'Audited Accounts' and Regulations in force at that time.

Therefore, True-up claim is being submitted on the basis of;

(i) Audited Accounts for FY 2010-11 submitted to the Commission

and

(ii) Regulations amended on 16th April 2010 (notified on 30.04.2010), referred in Para 7.2 above.

(iv) The Terminal Benefits in Audits Accounts of FY 2010-11 as per Trial Balance are submitted by the petitioner as under;

(₹Crores)

S. No.	Account Code	Heading	Total Amount	Bifurcation	
				Cash	Provisioning
1	75-870	Pension	477.86	443.03	34.83
2	75-840	Gratuity	157.54	153.17	4.37
3	75-884	Annuity	0.004	0.004	-
4	75-810	Board's contribution EFP/FPS	(-) 0.05	(-) 0.05	-
5	75-860	LIC Premium paid by Co.	0.21	0.21	-
6	75-871	Compassionate Financial	0.02	0.02	-
7	75-880	GTIS 40%	0.46	0.46	-
8	75-881	SCLIS 33%	0.06	0.06	-
9	75-887	E.L. encashment on retirement	7.40	6.65	0.75
10	-	**TOTAL -**	**643.50**	**603.55**	**39.95**

(v) In Profit & Loss statement of Audited Accounts item 3 to 8 of above mentioned table are taken as Employee Expenses. Therefore, Profit & Loss accounts show Terminal Benefits amount as ₹602.85 Crores as cash expenses and ₹39.95 Crores as provisions, as per following details;

(Amount ₹in Crores)

S. No.	Particulars	Cash	Provisioning
1	Pension	443.03	34.83
2	Gratuity	153.17	4.37
3	E.L. Encashment	6.65	0.75
Total		**602.85**	**39.95**

(vi) As per directive of the Commission, the E.L. encashment on retirement is also to be excluded from Terminal Benefit claims, and treated as Employee Cost. Accordingly, only Pension, Gratuity and Annuity are considered for claim of Terminal Benefits True-up for FY 2010-11.

The claim is given in the following table;

(Amount ₹ in Crores)

S. No.	***Particulars***	***Terminal Benefit Expenses***		
		Cash	***Provision***	***Total***
1	*Pension*	*443.030*	*34.830*	*477.860*
2	*Gratuity*	*153.170*	*4.370*	*157.540*
3	*Annuity*	*0.004*	*0.000*	*0.004*
	Total	***596.204***	***39.200***	***635.404***

True-up for FY 2010-11 is worked out hereunder;

(Amount ₹ in Crores)

S. No.	***Particulars***	***Cash***	***Provision***	***Total***
1	*Claim for the year*	*596.20*	*39.20*	*635.40*
2	*Allowed in MYT order*	*0.00*	*37.51*	*37.51*
	Total	***596.20***	***1.69***	***597.89***

₹ 597.89 Crores

(vii) As far as True-up of ₹ 597.89 Crores during FY 2010-11 is concerned, it is not only the True-up, but the total Terminal Expenses, as the Commission did not allow any Terminal Benefits in MYT Tariff for FY 2010-11, but only provisioning for working employees of Transco. The total expenses are now being claimed as per amendment in Transmission Tariff Regulations dated 16.04.2010, notified on 30.04.2010, and Para 2.32 of MYT order dated 11th January 2010 under Petition 26/2009.

(viii)The petitioner informed the following reasons for hike in terminal benefit expenses:

The cash expenses of Terminal Benefits since last control period are tabulated hereunder:

(Amount ₹ in Crores)

S. No.	***Year***	***Cash Expenses as per Account***	***Increase w.r.t. previous year***	***Percentage Increase***
1	*2006-07*	*196.79*	*-*	*-*
2	*2007-08*	*237.81*	*41.81*	*21.25%*
3	*2008-09*	*298.19*	*60.38*	*20.25%*
4	*2009-10*	*389.75*	*91.56*	*23.49%*
5	*2010-11*	*596.20*	*206.45*	*52.96%*

There appears a steep hike in Terminal Benefits in 2010-11, as compared to earlier years. The main reasons are mentioned hereunder;

a) Under Sixth Pay Commission Wage Revision, the Pension and Gratuity were also revised from a retrospective date. The arrears of Pension / Gratuity were paid during subsequent period. The Terminal Benefit expenses paid during FY 2010-11 are therefore on two accounts;

(i) *Payment of Terminal Benefits for period April 2010 to March 2011.*
(ii) *Payment of arrear installments for period January 2006 to August 2008, started from April 2010.*

b) *The ceiling limit for Gratuity has been enhanced from ₹ 3.5 Lacs to ₹ 10.0 Lacs, causing additional Terminal Benefit Expenses.*
c) *There has been increase in rate of Dearness Allowance for Pensioners. The rates are mentioned below;*

S. No.	***Date***	***Rate of D.A.***
1	*01.04.2009*	*19%*
2	*01.10.2009*	*22%*
3	*01.04.2010*	*25%*
4	*01.07.2010*	*27%*
5	*01.10.2010*	*35%*

The increase in DA in FY 2010-11 caused additional burden of Terminal Benefit expenses.

d) *There has been net increase in number of Pensioners and family Pensioners during 2010-11 as mentioned below;*

S. No.	***Financial Year***	***No. of Pensioners***	***No. of Family Pensioners***
1	*2009-10*	*16147*	*9388*
2	*2010-11*	*18721*	*10813*
3	***Net Increase***	***2574***	***1425***

The increase in number of eligible Pensioners and Family Pensioners resulted in additional Terminal Benefit expenses.

Provisions of Regulations

4.15 Clauses 27.5 & 27.6 under Regulation provides that,

"...............Employees transfer to Companies from MPSEB is yet to take place. Actuarial analysis for assessment of unfunded terminal liabilities and segregation of this liability for pensioners, past service rendered by employees on rolls and current provision for serving employees is yet to be done despite repeated directions of this Commission. A scheme for funding this unfunded liability and operationalising Terminal Benefit Trust Fund, as envisaged in Rule 10 and 11 of Transfer Scheme Rules, 2003 is yet to be pronounced by the State Government.

As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on retail tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, following action need be taken in the matter of unfunded pension liabilities and terminal benefits of employees :

An actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission by 30th September, 2009. The M.P. Transmission Company Limited is charged with carrying out this activity.

The scheme for funding this unfunded liability is finalized and terms for operating Terminal Benefit Trust Fund are set by State Government by 31st December, 2009. The scheme so finalized be such that it ensures that burden of past unfunded liabilities does not become a charge eventually on Retail Tariff and that the scheme is equitable.
Since actions as in (a) and (b) above will take time, the existing arrangement of allowing funds for terminal benefits shall continue on actual payment basis, for one more Year only i.e. for FY 2010-11 to the Transmission Licensee. In the eventuality either of the actions, as in (a) and (b) above, are not completed within the time frame mentioned above, the Commission shall assess current pension contribution of existing employees for FY 2010-11 and onwards and shall allow such expenses only in the employee cost of Transmission Licensee pertaining to employees on the roles of Transmission Licensee from FY 2010-11 onwards………..."

4.16 By the third amendment notified on 28th March 2011, the Terminal Benefit of FY 2011-12 were also allowed. Moreover a Clause 27.6(e) was also added as under:

"(e) The above expenses at (d) towards Pension liability and other terminal benefits for FY 2010-11 and FY 2011-12 shall be a pass through in Aggregate Revenue Requirement for the purpose of determination of tariff of the MP Power Transmission Company Limited for the respective financial years on provisional basis."

Commission's Analysis

4.17 While observing in Para 7.5 of the petition that the terminal benefit expenses is mentioned as cash ₹ 596.20 Crs. and provision of ₹ 39.20 Crs, the Commission asked the petitioner to submit a detailed chart clearly showing the month wise payment of pension, gratuity and annuity during FY 2010-11 along with a break up of the cash payments, provisioning, any other accrual based entry and the details of one-time payment, bullet payment, payment of arrears and any other special / non-recurring payment.

4.18 Vide letter No.4448 dated 15.6.2012, MPPTCL submitted the month wise details of the payment of Pension & Gratuity and the details of Terminal Benefit Provisions made in FY 2010-11. The reasons for month to month variation in case of MPPTCL as submitted by the petitioner are as under:

- **(i)** Wage Revision Arrears due to Sixth Pay Revision is paid to the pensioners at one shot in various months depending upon exercise of the options by them.
- **(ii)** Payment of commuted pension is also booked under the same account group under which the regular pension is being booked.
- **(iii)** The DA is increased by 8% from the month of the October 2010.
- **(iv)** The Pension for a month is paid and accounted for in the subsequent month. In some months, yet the payment is made in the subsequent month but the amount is accounted for in the current month itself, resulting accounting of two month's pension in a single month.

4.19 The Commission observed from the information filed by the petitioner that the petitioner itself made pension payment of ₹ 0.53 Crs. during May, 2010 and ₹ 3.79 Crs. during August, 2010. The reasons for abnormal rise in pension and gratuity in certain months were sought from the petitioner.

4.20 MPPTCL vide its letter No.6671 dated 12.9.2012 submitted the following reasons for variation in pension and gratuity :

*(i) "**May 2010**: The amount submitted for the petition is from the monthly trial balance. In the month of April 2010 the trial balance of RAO Jabalpur includes amount for two months instead of one month and no amount has been accounted in trial balance for the month of May 2010*

*(ii) **August 2010**: As per Sixth Pay Revision, Pension Revision Arrears amounting approx ₹2.33 Crore has been paid to the pensioners in the month of August 2010.*

The followings are the reason of variation in amount of disbursement of pension in case of MPPTCL:

(i) Payment of Pension Arrears for the period from 01.01.2006 till date of payment.
(ii) Payment of commutation amount

As the aforesaid amount are paid only after submission of claims submitted by the pensioners."

4.21 Based on the information/clarifications filed by the petitioner and the provisions under Regulation and its amendments, a true-up amount of ₹596.20 – 37.51 = ₹ **558.69 Cr** is allowed in this Order for Terminal benefits in FY 2010-11. The Commission does not allow provisioning under this head and allows the actual cash expenses of ₹ **596.20 Cr**.

Depreciation

Petitioner's Submission

4.22 The petitioner broadly submitted the following:

(i) *The Government of Madhya Pradesh has notified the final Opening Balance Sheet on 12th June 2008 in the position of 31.05.2005. The fixed assets transferred are shown as hereunder;*

(i)	*Opening Gross Block*	*₹ 2932.75 Crores*
(ii)	*Accumulated Depreciation*	*₹ 1205.95 Crores*
(iii)	*Net Fixed Assets*	*₹ 1726.81 Crores*

The petitioner has claimed the true-ups for the year's upto 2009-10, on the basis of final opening Balance Sheet. The development upto 31.03.2010 in respect of Opening Gross Block, Accumulated Depreciation is shown in the following table;

(Amount ₹in Crores)

S. No.	***Date as on***	***Gross Fixed Assets***	***Accumulated depreciation***	***Net Fixed Assets***
1	*31-05-2005*	*2932.75*	*1205.95*	*1726.81*
2	*31-03-2006*	*3092.46*	*1276.85*	*1815.61*
3	*31-03-2007*	*3341.54*	*1365.91*	*1975.63*
4	*31-03-2008*	*3575.98*	*1462.71*	*2113.27*
5	*31-03-2009*	*3954.12*	*1559.44*	*2394.68*
6	*31.03.2010*	*4544.60*	*1728.20*	*2816.40*

(ii) *Transmission tariff regulation upto period 31.03.2009 provided for claiming depreciation on Straight Line Method. In line with the mention in National Tariff Policy to avoid the need of AAD for repayment of loans, The CERC rationalized the depreciation rates and formula. The MPERC also rationalized the depreciation formula in the tariff regulations notified on 08.05.2009. Whereas the other provisions in this regard remain the same, the important changes are in respect of rates and formula for charging depreciation mentioned in para 25(i) (e) & (f) of the regulations are reproduced hereunder;*

25.1 (e) "Depreciation shall be calculated annually based on 'straight line method' and at the rates specified in Appendix-II to these Regulations for the assets of the Transmission System.

Provided that, the remaining depreciation value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

Provided further that the Consumer contribution or capital subsidy/ grant etc. for asset creation shall be treated as per the Accounting Rules notified and in force from time to time".

25.1(f) "In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciation value of the assets. The rate of depreciation shall be continued to be charges at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%".

Appendix-II of the regulations provides for depreciation rates for different category of Assets.

(iii) The Petitioner has maintained an Asset Database for working out Depreciation for a particular year. The salient features of the database are;

- *(i) The database is as per Final Opening Balance Sheet figures notified on 12th June 2008 in the position of 31.05.05.*
- *(ii) The works Capitalized during subsequent years have been entered in the data base till 31.03.2011.*
- *(iii) The Depreciation rates after 31.05.05 have been taken as per The MPERC's Regulations applicable time to time.*
- *(iv) Depreciation working formula is as per Straight Line Method of Depreciation*
- *(v) The Depreciation ceases to further adding as soon as the Depreciation reaches 90% of Opening Gross Block. 10% is taken as scrap value.*

(iv) The provisional Asset data base has been modified in light of above mentioned provisions in the following respect;

(i) In case of assets created on or after 01.04.2009, the depreciation rates as per Appendix-II of the Regulation will continue upto 31st March of the year closing after a period of 12 years. Thereafter rate automatically changes equal to remaining depreciation out of 90% limit divided by the balance life of assets.

(ii) In case of assets commissioned prior to 01.04.2009, the depreciation w.e.f. 01.04.2009 will be booked at the rates mentioned in Appendix-II of regulations till the depreciation reaches 70% of the book value. Thereafter the rate of depreciation automatically change as equal to 20% residual value (90% - 70%) divided by remaining life of assets.

(iii) All assets are depreciated to maximum 90% of book value. Thereafter no depreciation is charged.

(iv) The Opening Balance Sheet notified on 12th June 2008, transferred no Asset value out of Gross Block of ₹ 2932.75 Crores funded through contribution from consumers. In

Asset capitalized from FY 2005-06 to FY 2009-10 too, no works have been capitalized as funded through consumer's contribution. Therefore, no Depreciation has been charged by the MPPTCL against contributory works, till FY 2009-10.

(v) *Assets worth ₹508.69 Crores have been capitalized during year 2010-11. A withdrawal of assets worth ₹7.37 Crores, has also been done during the year making a net addition of ₹501.32 Crores.*

(vi) *The Commission has prescribed the procedure to account for the Depreciation on Assets formed under consumer's contribution. The Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. As mentioned in Para 8.4(IV), no such Assets have been capitalized upto 31.03.2010. Such Assets have been capitalized in 2010-11. The Depreciation on these Assets have been computed as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim.*

<u>Since the adjustment has been given in Depreciation itself, the amortization is not shown again as other income</u>.

Depreciation for FY 2010-11

As per above procedure, the depreciation for 2010-11 computed from Asset data base Software model and comparison from last year is mentioned below;

(Amount ₹ in Crores)

YEAR	**Gross Fixed Assets**			**Provision For Depreciation**			**Net Fixed Assets**	
	At the beginning of Year	**Addition During Year**	**At End of Year**	**At the beginning of Year**	**Addition During Year**	**At End of Year**	**At the beginning of Year**	**At the End of Year**
2009-10	3954.12	590.48	4544.60	1559.44	168.76	1728.20	2394.68	2816.40
2010-11	4544.60	501.31	5045.91	1728.20	201.41	1929.61	2816.40	3116.31

The category-wise details for FY 2010-11 are given hereunder;

(Amount ₹ in Crores)

S. No.	**Particulars**	**Assets**				**Depreciation**			
		Opening Balance of GFA	**Addition During Year**	**Assets Retired**	**Closing Balance At End of Year**	**Opening balance of Depreci-ation**	**Additi-ons ***	**With-drawls**	**Closing balance of Depreci-ation**
1	Land & Land rights development etc	**5.26**	**1.66**		**6.92**	**0.00**	**0.00**	0.00	**0.00**
2	Buildings, hydraulic sys, other civil works, etc	**58.73**	**0.31**		**59.04**	**21.95**	**1.77**	0.00	**23.72**
3	S/S Plant & Machinery including LD	**2035.41**	**178.17**	**7.37**	**2206.21**	**775.54**	**88.75**	0.00	**864.29**
4	EHV Lines (>66KV)	**2438.99**	**309.01**		**2748.00**	**928.11**	**110.24**	0.00	**1038.35**

S. No.	Particulars	Assets				Depreciation			
		Opening Balance of GFA	Addition During Year	Assets Retired	Closing Balance At End of Year	Opening balance of Depreci-ation	Additi-ons *	With-drawls	Closing balance of Depreci-ation
	incl. capacitors, cables etc								
5	Vehicles	**0.40**	**0.00**		**0.40**	**0.05**	**0.04**	0.00	**0.09**
6	Furniture, fitting, fixtures, etc	**0.76**	**0.24**		**1.00**	**0.47**	**0.03**	0.00	**0.50**
7	Office Equipments, Computers	**5.05**	**0.20**		**5.25**	**2.08**	**0.58**	0.00	**2.66**
8	Others	**0.00**	**0.00**		**0.00**	**0.00**	**0.00**	0.00	**0.00**
9	Consumer Contribution	**0**	**19.10**		**19.10**	**0.00**	**0.94**	0.00	**0.94**
	Less: Depreciation under C.C, (S No. 9)	-	-	-	-	-	**- 0.94**	-	**- 0.94**
	Total	**4544.6**	**508.69**	**7.37**	**4544.60**	**1728.2**	**201.41**	**0.00**	**1929.61**

True-Up of Depreciation for FY 2010-11

(i).	Depreciation claim as per Para 8.6 above	₹ 201.41 Crores
(ii)	Depreciation allowed in MYT order dated 11.01.2010	₹193.36 Crores
True-up Claim -		**₹ 8.05 Crores**

Net true-up for Depreciation	₹ 8.05 ***Crores***

Since the reconciliation work of Assets created prior to 31.05.2005 is still to be done, the status of Asset Register is still provisional.

Provisions of Regulations

4.23 Clause 25.1 of the Regulation provides that,

"For the purpose of Tariff, depreciation shall be computed in the following manner:

a) The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission

b) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.

c) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

d) *Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*

e) *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Appendix-II to these Regulations for the assets of the Transmission System:*

Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

Provided further that the Consumer contribution or capital subsidy/ grant etc for asset creation shall be treated as per the Accounting Rules notified and in force from time to time.

f) *In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70 %. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.*

g) *Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis."*

Commission's Analysis

4.24 The Commission in last true-up order dated 6th August, 2012 allowed depreciation of ₹ 168.76 Crores for FY 2009-10. Considering the aforesaid base figures as approved by the Commission, MPPTCL has claimed depreciation for FY 2010-11 as under:

Table : 5

(Amount ₹ in Crores)

YEAR	Gross Fixed Assets			Provision For Depreciation			Net Fixed Assets	
	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	At the End of Year
2009-10	3954.12	590.48	4544.60	1559.44	168.76	1728.20	2394.68	2816.40
2010-11	4544.60	501.31	5045.91	1728.20	201.41	1929.61	2816.40	3116.31

4.25 The audited balance sheet of MPPTCL for FY 2010-11 shows addition of ₹ 501.31 Crores to GFA. The petitioner has also filed the list of works capitalized during FY 2010-11 in Annexure-V of the petition in which the total amount of ₹ 501.31 Crores tallies with the information contained in the balance sheet.

4.26 The Commission further observed that the soft copy of the Depreciation model submitted by the petitioner calculates depreciation of ₹ 201.41 Cr for FY 2010-11.

4.27 The Commission considers the depreciation figures submitted by the petitioner and allows depreciation of **₹ 201.41 Crores** for FY 2010-11 in this true-up order. The petitioner is directed to reconcile the depreciation figures and file the final assets depreciation register as soon as possible.

Table : 6

S. No.	Particulars	Allowed in MYT Order	As approved by MPERC	Net True-up (₹ Cr.)
1.	Depreciation	193.36	201.41	8.05

Capital Cost, Capital Structure and Debt Equity Ratio

4.28 On perusal of the information filed in the original petition, the Commission observed from Para 4.3 of the petition that works of ₹ 396.50 Crs. have been completed in FY 2010-11. However, the balance sheet for FY 2010-11 shows that GFA has increased by ₹ 501.32 Crs. during the same period. Therefore, the details of ₹104.81 Crs. regarding extra capitalization was sought from the petitioner.

4.29 A classified detail showing development of GFA (capitalization of CWIP, capitalization of works other than CWIP) and of CWIP (old CWIP capitalized, CWIP on account of new works undertaken) was also sought to indicate the source of asset addition in a clear & concise manner.

4.30 MPPTCL in its letter No.4448 dated 15/06/2012 submitted as under:

> *"After completion of a work during a year, the process of Capitalization starts after the Asset is put into commercial operations. The expenditures on materials, labours, transports etc. are summed up and G-Forms are prepared by field units. These are then got reconciled by RAO's Accounts. On certification by RAO's, these are sent to Accounts Wing at Head office of Company for loading overheads, IDCs etc. and the Asset is capitalized. This process may take six to twelve months, and even more in rare cases. Therefore, the assumption that Capitalized Assets of ₹501.32 Crores during 2010-11 include all Assets of ₹396.50 Crores completed during 2010-11 in itself is not correct. It may happen that most of the Capitalization from ₹ 501.32 Crores may be from old CWIP and a very less amount from works completed during 2010-11. The works completed during FY 2010-11 may get capitalized in FY 2011-12 or thereafter."*

The reduction in CWIP itself indicates Capitalization of more amounts during FY 2010-11. The petitioner has given the list of works Capitalized during FY 2010-11 as Annexure-V to the petition.

4.31 Vide Commission's letter No 2236 dated 18/07/2012, the petitioner was again asked to submit the table showing development of GFA and CWIP as sought by the Commission. The aforesaid details were sought to be filled up in a format enclosed with the Commission's letter.

4.32 MPPTCL vide letter No.6671 dated 12/09/2012 submitted the following details :

Details of GFA and CWIP

(₹. in Crs.)

S. No.	Particulars	Loan	Equity	Total	Consumer contribution	Other source of funds	Grand Total
1	GFA as on 01.04.2010	3176.32	1368.28	4544.60	0.00	0.00	4544.60
2	CWIP as on 01.04.2010	483.79	207.34	691.13	0.00	0.00	691.13
3	**Total** of GFA + CWIP as on 01.04.2010	**3660.11**	**1575.62**	**5235.73**	**0.00**	**0.00**	**5235.73**
4	Total Assets Capitalized during FY 2010-11	344.09	145.5	489.59	19.09	0	508.68
5	GFA as on 31.03.2011	3513.03	1513.78	5026.81	19.09	0.00	5045.90
6	CWIP as on 31.03.2011	293.01	125.58	418.59	9.19	0.00	427.80
7	**Total** of GFA + CWIP as on 31.03.2011	**3806.04**	**1639.36**	**5445.40**	**28.28**	**0.00**	**5473.70**
8	Amount yet to be allocated to Capital works (Presently in Current Assets) as on 31.3.2011	0.00	515.09	515.09	0.00	515.90	0.00

Note: Assets of ₹ 7.36 Cr withdrawn and net Assets addition is ₹ 508.68 - 7.36 = 501.31 Cr during FY 2010-11

4.33 The Commission observed that MPPTCL in its information mentioned "Not Available" for most of the issues like "Capital works classified as Current Assets", "works capitalized during FY 2010-11 from CWIP of 01/04/2010" and "works under current assets on 01/04/2010 which were capitalized during FY 2010-11". In view of the aforesaid, the process followed for capitalization and furnishing information in the petition was sought from the petitioner. A certificate certifying that the works capitalized during FY 2010-11 do not include amount of any work previously capitalized by MPPTCL was also sought by the Commission.

4.34 MPPTCL vide letter No.6671 dated 03/11/2012 submitted a certificate that the assets were capitalized only once.

4.35 The Commission observed that though the total of GFA + CWIP has increased by ₹ 237.97 Cr (from ₹ 5235.73 Cr to ₹ 5473.70Cr) but the GFA increased by ₹ 501.31 Cr (from ₹ 4544.60 Cr to ₹ 5045.91Cr) primarily due to reduction in CWIP by ₹ 263.35 Cr (from ₹ 691.13 Cr to ₹ 427.78 Cr).

4.36 The Commission has considered the increase in GFA as per Audited Balance sheet as shown below :

Table: 7 (₹ in Crores)

Year	FY 2010-11		
	At the beginning of Year	**Addition During Year**	**At End of Year**
GFA	4544.60	501.31	5045.91

4.37 As the works of ₹ 19.10 Cr pertaining to Consumer contribution have been capitalized, the net GFA (excluding consumer contribution) added during the year is considered as ₹ 501.31 – 19.10 = ₹ 482.21 Cr. The petitioner has mentioned in para 10.3 of the petition an increase of ₹ 482.21 Cr. GFA (net of consumer contribution) during FY 2010-11.

4.38 As per the provisions of the Regulations, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from equity as per normative debt-equity ratio. Thus, GFA addition of ₹ 482.21 is considered to be funded from a loan of ₹ 337.55 Crores and Equity of ₹144.66 Crores as under:

Table: 8 **₹ Cr.**

Year	**Source of Fund**			
	Consumer Contribution	**Equity (30%)**	**Loan (70%)**	**Total GFA**
FY 2010-11	**19.10**	**144.66**	**337.55**	**501.31**

4.39 Accordingly, the above figures of funding are considered in the order to work out interest and finance charges and Return on Equity.

Interest & Finance Charges

Petitioner's submission

4.40 The petitioner broadly submitted the following :

(i) *"The Commission under MYT order dated 11.01.2010, allowed following Interest and Finance charges to MPPTCL for year 2010-11;*

(i).	*Interest & Finance Charges*	*₹110.23 Crores*
(ii)	*Interest on Working Capital*	*₹23.04 Crores*
	TOTAL -	***₹133.27 Crores***

(ii) *The Govt. of M.P. has notified the final Opening Balance Sheet on 12th June 2008, as referred in Chapter 1 of this Petition. Loan liabilities of ₹1313.21 Crores are indicated in the Balance Sheet and a liability of ₹5.53 Crores is indicated in the footnote as loan from MP Power Generating Company Ltd., making a total of ₹1318.74 Crores. Details of these are mentioned hereunder;*

(Amount ₹in Lacs)

S. No.	***Particulars***	***Opening Balance at the beginning of the year***			
		Principal Not Due	***Principal Due***	***Interest overdue***	***TOTAL***
1	*Loan from PFC - Unsecured*	*30990.54*	*0.00*	*0.00*	*30990.54*
2	*Loan from PFC - Secured*	*0.00*	*0.00*	*0.00*	*0.00*
3	*Loan from Canara Bank*	*0.00*	*0.00*	*0.00*	*0.00*
4	*Loan from SADA Gwalior*	*720.00*	*480.00*	*302.80*	*1502.80*
5	*Bonds & Debentures*	*29692.14*	*7655.06*	*11545.70*	*48892.90*
6	*MP Genco*	*553.00*	*0.00*	*0.00*	*553.00*
7	*Direct Loans*	*0.00*	*0.00*	*0.00*	*0.00*
8	*ADB*	*20844.32*	*0.00*	*0.00*	*20844.32*
9	*NABARD*	*7619.10*	*1215.02*	*0.00*	*8834.32*
10	*General Loans*	*2876.59*	*214.78*	*0.00*	*3091.37*
11	*Market Bonds*	*15964.95*	*1200.55*	*0.00*	*17165.50*
	TOTAL -	***109260.64***	***10765.41***	***11848.50***	***131874.55***

A Statement showing the growth in the above mentioned liabilities from FY 2005-06 to FY 2010-11 has been prepared. ***.*** *The liabilities at the beginning of year i.e. 01.04.2010 are tabulated hereunder;*

(Amount ₹in Lacs)

S. No.	Particulars	Balance at the beginning of year			
		Principal Not Due	Principal overdue	Interest overdue	TOTAL
1	Loan from PFC - Unsecured	20916.23	0.00	0.00	20916.23
2	Loan from PFC - Secured	20628.78	0.00	0.00	20628.78
3	Loan from Canara Bank	2363.98	57.10	0.00	2421.08
4	Loan from SADA Gwalior	0.00	0.00	0.00	0.00
5	Bonds & Debentures	4516.62	4145.92	3632.80	12295.34
6	MP Genco	552.69	0.00	0.00	552.69
7	Direct Loans	698.24	930.98	195.81	1825.03
8	ADB 1869	33453.69	3834.02	2016.56	39304.27
9	NABARD	1561.96	7723.20	1011.01	10296.17
10	General Loans	2641.44	449.93	71.75	3163.12
11	Market Bonds	8756.15	8409.35	212.77	17378.27
12	GoMP ADB 2323	33143.29	0.00	436.01	33579.30
13	GoMP ADB 2346	54312.95	0.00	792.39	55105.34
14	TSP	0.00	0.00	0.00	0.00
15	SCSP	0.00	0.00	0.00	0.00
Total		**183546.02**	**25550.50**	**8369.10**	**217465.62**

Say ₹2174.66 Crores

(iii) **Weighted Average Rate of Interest in case of each category of Loans**

The Commission has desired that the Rate of Interest for each category of loans such as PFC, ADB, State Govt. etc. should be worked out by considering rate of interest of various loan installments received during the year. Accordingly, the computation of interest for each category is done and enclosed as Annexure, details of which are tabulated hereunder;

(FY 2010-11)

S. No.	Loan Scheme	Weighted Average Rate of Interest
1	PFC Unsecured	11.06
2	PFC Secured	12.13
3	Canara Bank	10.88
4	Bonds & Debentures	13.26
5	MP Genco	9.58
6	State Govt. Direct	10.50
7	ADB 1869	10.62
8	NABARD	10.72
9	State Govt. - General	13.45
10	Market Bonds	11.64
11	ADB 2323	1.69
12	ADB 2346	1.69
13	TSP	14.50
14	SCSP	14.50

Note *:- The 'Weighted Average Rate of Interest' worked out in above mentioned Annexure are based on 'Principal Not Due' only, therefore, may differ from loan portfolio.*

(iv) Overall Weighted Average Rate of Interest for Year 2010-11

As per Para 24.5 of the transmission tariff regulations notified on 8th May 2009;

"The rate of interest shall be the weighted average rate of interest calculated on the basis the actual loan portfolio at the beginning of each year applicable to the project."

Accordingly, the weighted rate of interest is worked out on the basis of the principal not due outstanding at the beginning of the year i.e. 01.04.2010, and on the rate of interest against various loans as worked out in Para 9.3 above. The working is shown in the following table:-

S. No.	Particulars	Principal not due as on 01-04-09	Rate of interest (%)	Interest
1	PFC - Unsecured	20916.23	11.06	2313.34
2	PFC - Secured	20628.78	12.13	2502.27
3	Canara Bank	2363.98	10.88	257.20
4	Bonds & Debentures	4516.62	13.26	598.90
5	MP Genco	552.69	9.58	52.95
6	State Govt. Direct	698.24	10.50	73.32
7	ADB 1869	33453.69	10.62	3552.78
8	NABARD	1561.96	10.72	167.44
9	General Loans	2641.44	13.45	355.27
10	Market Bonds	8756.15	11.64	1019.22
11	GoMP-ADB 2323	33143.29	1.69	560.12
12	GoMP-ADB 2346	54312.95	1.69	917.89
	TOTAL -	**183546.02**	**-**	**12370.70**

$$\text{Weighted Rate of Interest} = \frac{12370.70}{183546.02} \times 100 = \mathbf{6.74\%}$$

(v) **Eligibility of Interest for Year 2010-11**

Para 24.2 and 24.3 of the transmission tariff regulations notified on 08-05-09 are reproduced hereunder;

"24.2 The normative loan outstanding as on 01-04-2009 shall be worked out by deducting the cumulative repayment as admitted by the commission up to 31-03-2009 from gross normative loan.

24.3 The repayment for each year of the tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that year."

In accordance of Para 24.2 of the regulations, the position of loans upto 31.03.2009 has been worked out, considering the actual loan repayments during each year. Whereas for FY 2009-10 and 2010-11, the repayment is deemed as equal to Depreciation being claimed in the True-up Petitions for 2009-10 and 2010-11.

As per regulations Para 24.3 mentioned above, the interest claim for FY 2010-11 is worked out hereunder:

i.	*Principal not due outstanding on 01-04-2009*	*₹1562.61 Crores*
ii.	*Loans received during 2009-10*	*₹414.73 Crores*
iii.	*Less Depreciation (Repayment) during 2009-10*	*₹168.76 Crores*
iv.	*Principal not due (Deemed) on 01.04.2010*	*₹1808.58 Crores*
v.	*Loan received during FY 2010-11*	*₹277.32 Crores*
vi.	*Less Depreciation (Repayment) during 2010-11*	*₹201.41 Crores*
vii.	*Principal not due (Deemed) on 31.03.2011 (iv + v – vi)*	*₹1884.49 Crores*
viii.	*Average Principal not due for FY 2010-11 (iv + vii ÷ 2)*	*₹1846.54 Crores*
ix.	*Interest @ 6.74% Weighted Average Rate of Interest*	*₹124.46 Crores*

(vi) **Interest During Construction**

The interest during construction has been taken from schedule 17 of the audited account as ₹18.33 Crores. The details of claim for true-up are as under;

i.	*Gross interest claim*	-	*₹124.46 Crores*
ii.	*Less interest during construction*	-	*₹ 18.33 Crores*
iii.	*Net interest claim for 2010-11*	-	*₹106.13 Crores*
iv.	*Interest allowed in MYT order*	-	*₹110.23 Crores*
v.	*True up for 2010-11*	-	***(-) ₹ 4.10 Crores***

(vii) Interest On Working Capital

The interest on working capital is to be worked out on normative basis as per Para 38 and 28 of the transmission tariff regulations.

Working capital requirement for 2010-11

i.	*O&M expenses for one month (₹ 252.57 Crores / 12)*	*₹ 21.05 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*₹ 37.88 Crores*
iii.	*Receivables equivalent to 2 months transmission charges (1442.74/6)*	*₹ 240.46 Crores*
	Total working Capital	***₹ 299.39 Crores***
iv.	*Interest on working capital @ 12.25% i.e. SBI's PLR rate as on 01-04-10*	*₹ 36.68 Crores*

(viii) True Up of Interest & Finance Charges for FY 2010-11

(Amount in ₹Crores)

S. No.	***Particulars***	***As allowed in MYT order***	***As per this petition***	***True Up***
1.	*Interest on loans*	*110.23*	*106.13*	*(-) 4.10*
2.	*Bank charges as per schedule 17 of audited accounts*	*0.00*	*0.71*	*0.71*
Total Interest & Finance charges		***110.23***	***106.84***	***(-) 3.39***
3.	*Interest on working capital*	*23.04*	*36.68*	*13.64*
			NET CLAIM -	***10.25***

Provisions of Regulations

4.41 Clause 24 under MYT Regulation provides that,

"The loans arrived at in the manner indicated in Regulation 20 shall be considered as gross normative loan for calculation of interest on loan.

The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

The repayment for each Year of the Tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that Year.

Notwithstanding any moratorium period availed by the Transmission Licensee, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the annual depreciation allowed.

The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Project:

Provided that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.

Provided further that if the Transmission System, does not have actual loan, then the weighted average rate of interest of the Transmission Licensee as a whole shall be considered.

The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest. The Transmission Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Transmission Licensee, in the ratio of 2:1.

The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing. In case of dispute, any of the parties may make an application in accordance with the MPERC (Conduct of Business) Regulation, 2004, as amended from time to time:

Provided that the Transmission Customers shall not withhold any payment on account of the interest claimed by the Transmission Licensee during the pendency of any dispute arising out of re-financing of loan."

4.42 Regulation 38.1 provides as under :

"For each year of the tariff period, working capital shall cover the following :

(1) Maintenance spares @ 15% of the O&M expenses specified in Regulation 37.1;
(2) Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and
(3) Operation and Maintenance expenses for one month."

4.43 Further, Regulation 28.1 provides that,

"Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the short term Prime Lending Rate of State Bank of India as on April 1 of the relevant Year. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures."

Commission's Analysis

4.44 Vide letter No.1231 dated 16/04/2012, the Commission sought the following information from the petitioner :

(i) **Interest on Working Capital**: Reason for not considering Consumer contribution of ₹ 139.83 Cr as source of funds, while calculating Working capital requirement and while claiming Interest on Working capital.

(ii) **Weighted average rate of interest:** In the MPPTCL's petition for True–up of Transmission Tariff for FY 2009-10 (P-70/10), it was submitted that am amount of ₹641.06 crores (Equity ₹535.14 Cr & Loan ₹105.92 Cr) was held as amount yet to be allocated to capital works & was kept under Current assets. How this amount of loan of ₹105.92 Cr has been segregated while calculating weighted average rate of interest in Para 9.3 of the present petition.

(iii) **Total Interest and Finance Charges :** Total interest and finance charges are claimed as ₹ 106.84 Cr in para 9.8 of the petition. It is observed from Schedule 3 of the Balance sheet that unsecured loans increased by 18% (from ₹1944.16 Cr as on 31/03/2010 to ₹ 2295.25 Cr) but Schedule 17 shows that interest on unsecured loans increased by 143% (from ₹ 135.03 Cr as on 31/03/2010 to ₹ 329.03 Cr as on 31/03/2011). The reasons for this sudden increase on unsecured loans along with its linkage with the interest claimed in the petition and the figures mentioned in the Balance sheet be submitted.

4.45 MPPTCL vide letter No. 4448 dated 15.6.2012 submitted the following :

(i) *"The Regulations and norms made by the Commission nowhere involve consideration of Consumer Contribution; on the contrary the Regulations provide for IWC on normative basis not withstanding that the Licensee has not taken Working Capital loan. It also stated that the Consumer Contribution is neither a 'Security Deposit' nor an amount which remain in cash with Petitioner forever. Similar to other sources, say a loan from PFC is invested on Assets under PFC Scheme, the amount of Consumer Contribution is invested on erecting an Asset created exclusively for that consumer for example the interconnector to consumer installation etc. The Consumer Contribution of ₹ 139.83 Crores is used for creating 'Consumer Contribution Assets' or works in progress for them."*

(ii) The petitioner substantiated its calculations for weighted average rate of interest as under:

Weighted Average Rate of Interest

"Although such segregations are not available in Audited Accounts, the segregation similar to 2009-10 is done for FY 2010-11 as under:

(Amount ₹Crores)

S. No.	Particulars	Loan	Equity	Total
1	CWIP as on 01.04.2010	483.79	207.34	691.13
2	Amount in current Assets as on 01.04.2010	105.92	535.14	641.06
3	Amount received during year 2010-11 (Excluding liabilities received against Bonds / Debentures charged to Profit & Loss A/c)	178.16	43.68	221.84
4	Assets capitalized during the year (excluding Consumer Contribution Assets)	355.81	145.50	501.31
5	Amount under CWIP as on 31.03.2011	293.01	125.57	418.58
6	Amount under Current Assets & Others	119.05	515.09	634.14

The loan temporarily retained in current Assets, should be from loan receipt during that year only. Barring addition of liability of 99.15 Crores against Bonds & Debentures, which is not a cash receipt, as per Para-5(c) of 'Notes to Account' in Audited Accounts for FY 2010-11, the other receipts are;

(i)	State Govt. general loan	₹35.00 Crores
(ii)	State Govt. Tribal sub plan	₹21.00 Crores
(iii)	State Govt. S.C. sub plan	₹31.50 Crores
(iv)	ADB-2323	₹54.04 Crores
(v)	ADB-2346	₹36.62 Crores
	TOTAL -	**₹178.16 Crores**

Since it is not possible to indicate that amount against which loan to what extent remained temporarily under current Asset as on 31.03.11, the amount is allocated on pro-rata basis, as under;

(i)	State Govt. general loan	₹23.38 Crores
(ii)	State Govt. Tribal sub plan	₹14.03 Crores
(iii)	State Govt. S.C. sub plan	₹21.06 Crores
(iv)	ADB-2323	₹36.11 Crores
(v)	ADB-2346	₹24.47 Crores
	TOTAL -	**₹119.05 Crores**

It has been shown by detailed calculation that where rates of interest are uniform, the exclusion of an amount from total principal does not alter the Weighted Average Rate of

Interest for that category. The rates of interest for all installments for loans are uniform. Therefore exclusion of above mentioned amount will not change the Weighted Average Rate of Interest for that category.

The only change is expected in case of State Government's General Loan. This is reworked as under;

GOMP General

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	**2**	**3**	**4**	**5=(3+4)/2**	**6=5*2**
2010-11	12.75%	26.21	26.21	26.21	3.34
	12.50%	0.2	0	0.10	0.01
	14.50%	0.00	35.00	17.50	2.54
			TOTAL -	**43.81**	**5.89**
Weighted Average Rate of Interest -		(5.89 / 43.81)x100		13.45%	

Modified calculations are as under:

GOMP General

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	**2**	**3**	**4**	**5=(3+4)/2**	**6=5*2**
2010-11	12.75%	26.21	26.21	26.21	3.34
	12.50%	0.2	0	0.10	0.01
	14.50%	0.00	11.62	5.81	0.84
			TOTAL -	**32.12**	**4.19**
Weighted Average Rate of Interest -		(4.19 / 32.12)x100		13.05%	

(a) *Table given in Para 9.4 gets modified as under -*

(Amount ₹ in Lacs)

S. No.	Particulars	Principal not due as on 01-04-09	Rate of Interest (%)	Interest
1	PFC – Unsecured	20916.23	11.06	2313.34
2	PFC – Secured	20628.78	12.13	2502.27
3	Canara Bank	2363.98	10.88	257.20
4	Bonds & Debentures	4516.62	13.26	598.90

S. No.	Particulars	Principal not due as on 01-04-09	Rate of Interest (%)	Interest
5	MP Genco	552.69	9.58	52.95
6	State Govt. Direct	698.24	10.50	73.32
7	ADB 1869	33453.69	10.62	3552.78
8	NABARD	1561.96	10.72	167.44
9	General Loans	2641.44	13.05	344.71
10	Market Bonds	8756.15	11.64	1019.22
11	GoMP-ADB 2323	33143.29	1.69	560.12
12	GoMP-ADB 2346	54312.95	1.69	917.89
	TOTAL -	**183546.02**	-	**12360.14**

$$\text{Weighted Average Rate of Interest} = \frac{12360.14}{183546.02} \times 100 = 6.735\%$$

Say 6.74%

Thus, practically there is no change in the Weighted Average Rate of Interest."

(iii) **Total Interest & Finance Charges -**

"Please refer to the Point 5(c) of the Notes to Accounts of the FY 2010-11. The additional liability of the Bonds & Debentures amounting ₹ 185.77 Crores has been recognized in the Company's accounts by debiting Profit & Loss Account. If this Additional Liability is not considered then the interest on unsecured loans for FY 2010-11 would amount only ₹143.26 Crores instead of ₹329.03 Crore. The increase in comparison to FY 2009-10 is only 6.09%.

The petitioner has not recognized this interest in True-up Petition, and has claimed interest on "Principal Not Due", which works out only ₹106.84 Crores.

The interest shown in Company's Accounts and that claimed in Tariff / True-up Petition differ widely in following respect;

(i) *In Accounts, interest is worked out on total outstanding whereas in Tariff it is worked out on 'Principal Not Due' only.*
(ii) *In Accounts, repayments are considered on actual basis, whereas in Tariff / True-up these are deemed as equal to Depreciation claim. Thus actual 'Principal Not Due' differ from that taken for interest calculations.*
(iii) *The rate of interest in Accounts is taken from Actual loan portfolio, whereas in Tariff / True-up Petitions, the Weighted Average Rate of Interest is worked out based on 'Principal Not Due'.*

Therefore, it is submitted that there is no mathematical link between the two. The only check is that if overdue persists, the claim in Tariff / True-up is quite less than the actual interest accrued in Company's Accounts."

4.46 It was observed from the submission made by the petitioner that during FY 2008-09 interest of ₹83.89 Cr. was withdrawn and discount of ₹51.61 Cr. was received by MPPTCL on account of bond and debentures. MPPTCL submitted details of bond and debentures during that period. During FY 2009-10, the petitioner informed no further change in figures of bond and debentures. Now again in FY 2010-11, changes in figures on account of bond and debentures are observed. Therefore, the petitioner was asked to submit the following:

a) The documents regarding "additional liability of the bond and debentures amounting to ₹ 185.77 Crores" and explain how this amount has been adjusted and its impact on the tariff related issues.

b) A table indicating details for working of principal not over due, principal over due, interest over due for bond and debentures.

c) Detailed working of figures for bond and debentures since the formation of the company till date and also indicate the impact of these changes on tariff related issues.

4.47 MPPTCL vide its letter No 6671 dated 12/09/2012 responded as under:

(i) Impact on Tariff

"Since there is no change in figures till 31.03.2010, there is no impact on the past period."

(ii) Impact on Tariff for FY 2010-11

"*The impact on Tariff can be explained by considering the new transaction and without considering the new transaction. This is illustrated in the following table based on Annexure-VI of the petition:*

Bonds & Debentures

FY 2010-11 (₹ Crores)

S. No.	***Particulars***	***Considering the new transaction***	***Without considering new transaction***
1	*Principal not due on 01.04.2010*	*45.17*	*45.17*
2	*Principal due on 01.04.2010*	*41.46*	*41.46*
3	*Interest overdue on 01.04.2010*	*36.32*	*36.32*
4	*Total on 01.04.2010*	*122.95*	*122.95*
5	*Amount received during 2010-11*	*99.15*	*0.00*
6	*Principal repayment due*	*119.78*	*24.60*
7	*Principal paid*	*42.54*	*31.66*
8	*Interest due*	*95.80*	*3.90*
9	*Interest paid*	*41.12*	*31.66*

S. No.	*Particulars*	*Considering the new transaction*	*Without considering new transaction*
10	*Principal not due on 31.03.2011 (1+5-6)*	*24.54*	*20.57*
11	*Principal due on 31.03.2011 (2+6-7)*	*118.70*	*34.40*
12	*Interest overdue on 31.03.2011 (3+8-9)*	*91.00*	*8.56*
13	*Total as on 31.03.2011*	*234.24*	*63.53*
14	*Average principal not due for FY 2010-11 (1+10)÷2*	*34.85*	*32.87*
15	*Interest contribution at Weighted Average Rate of Interest of 6.75%*	*2.35*	*2.22*

Therefore, Interest difference between two scenario;
= 2.35 – 2.22 = ₹0.13 Crores.

Therefore in case transaction during 2010-11 is not considered, it amount to a less interest claim eligibility of ₹0.13 Crores only that too because of the fact that, a bond of the SBI amounting to ₹3.98 Crores became due for payment after 31st March 2001.

4.48 On perusal of the above response, the Commission sought the following clarification from the petitioner in respect of bonds and debentures :

i) **Loans used in Capitalized Assets:** Information submitted in Annexure-6 of the petition shows that the loan of ₹ 277.31 Crs. has been received during the year which includes an amount of ₹ 99.16 Crs. against bond and debentures. The information in TUT18 of the petition shows that loan of ₹183.44Cr has been used in Capital expenditure during FY 2010-11. On the other hand, the information submitted in Annexure-B of the present response shows that the total assets capitalized during FY 2010-11 are funded from loan of ₹ 344.09 Crs. The reason for variation in figures of loan from ₹ 344.09 Cr in Annexure B to ₹ 277.31 Cr filed in the petition was sought from the petitioner.

The sources of funding in terms of loan, equity and consumer contribution corresponding to each and every item of the assets capitalized during FY 2010-11 was also sought from the petitioner.

ii) **Bonds and Debentures**: The Commission sought documents regarding additional liabilities of bond and debentures amounting to ₹ 185.77 Crs. Table under para 5(C) of notes to the account of the audited balance sheet mentions the figure for SLR bond ad ₹ 152.18 Crs. and PP bond as ₹ 33.59 Crs. and total of ₹ 185.77 Crs. However, in Annexure-6 of the petition amount received during the year has been mentioned as ₹ 99.15 Crs. (which is total of Principal Not due of ₹ 3.98 Cr & Principal Overdue of ₹ 95.17 Cr shown in the Audited Accounts). Interest over due of ₹ 86.62 Cr has not been considered by MPPTCL. MPPTCL has reduced the amount of ₹ 99.15 Crs. from total loan of ₹ 277.32 Crs. received during FY 2010-11 and has claimed interest considering loan addition of ₹ 178.17 Crs. only, thereby reducing the interest claim by ₹ 3.35 Crs. (reduced from ₹ 124.46 Crs. to ₹ 121.11 Crs).

The petitioner was asked to furnish a copy of all relevant documents by which the liability as Bonds and debentures was transferred to the petitioner.

4.49 MPPTCL vide its letter No. 8041 dated 03/11/2012 submitted as under:

(i) Loans used in Capitalized Assets

"The Format "TUT-18" is not regarding the works capitalized, but is about the "Transmission works completed in 2010-11''. Therefore it gives only the works completed in FY 2010-11 and its tentative source of funding. These works may get capitalized in FY 2011-12 or thereafter. The works capitalized during 2010-11 are shown in the Petition, which may have been completed in years prior to 2010-11.

It is not the case that Assets completed in FY 2010-11 are completed by loan received during FY 2010-11 only, and these assets will be capitalized in FY 2010-11 only. As mentioned earlier it is cyclic process and linking as being tried is not practical.

However as desired an allocation of Loan-Equity to Assets is shown hereunder;

(i)	*Assets capitalized funded from Loans*	*₹342.71 Crores*
(ii)	*Assets capitalized funded from Equity*	*₹146.88 Crores*
(iii)	*Assets capitalized funded from consumer contribution*	*₹19.09 Crores*
	TOTAL -	*₹508.68 Crores*
	Less Assets withdrawn	*(-) ₹7.36 Crores*
	NET	***₹501.32 Crores***

4.50 Schedule 17 of the Audited Balance Sheet for FY 2010-11 shows that the interest and finance charges actually incurred by MPPTCL during the FY 2010-11 are as under:

Table: 9 **(₹ in Crores)**

S. No.	Particulars	For FY 2010-11
1	Secured Term Loans	26.93
2	Unsecured Loans	329.03
3	Interest on Borrowings (allotted by MPSEB)	0.00
4	Bank Charges	0.71
	Total Interest and Finance Charges	**356.67**
5	Less: Interest Capitalized to CWIP	18.33
	Total	**338.34**

If the additional liability of Bond & debentures of ₹ 185.77 Cr is segregated, the above figure reduces to ₹ 338.34 – 185.77 = ₹ 152.57 Cr.

4.51 MPPTCL in its original petition claimed interest on loan of ₹ 106.13 Crores, bank charges of ₹ 0.71 Cr, interest on working capital of ₹ 36.68 Crores and interest on normative loan (over qualifying equity) of ₹ 0.36 Crores making a total claim for interest and finance charges of **₹ 143.88 Crores.**

4.52 Para 5(c) of notes to accounts of MPPTCL for FY 2010-11 states as under:

The additional liabilities of bond and debentures were depicted as contingent liability in the books of residual MPSEB by way of foot note. During the year the said liability has been crystallized by MPSEB and apportioned to companies vide letter no. 02-12/Bond/200 dated 19/02/2011. The additional liability has been recognized in company's account by charging P&L as per Board of Directors resolution item no.45.12 dated 05/05/2011. The details of the same are as under:

(Amount ₹ Crores)

S. No.	***Bond Type***	***Principal Not Due***	***Principal Overdue***	***Interest Overdue***	***TOTAL***
1	*SLR Bonds*	*3.98*	*68.12*	*80.08*	*152.18*
2	*PP Bonds*	*0.00*	*27.05*	*6.54*	*33.59*
TOTAL -		***3.98***	***95.17***	***86.62***	***185.77***

4.53 The Commission observed that MPSEB's letter No.02-12/Bond/200 dated 19/02/2011 mentions additional liabilities in respect of SLR &PP bonds for Transco as ₹71.48 Cr & ₹45.23 Cr (Totaling ₹116.71Cr).

4.54 Thus, the figures of Principal not due + Principal overdue i.e. ₹3.98+95.17= ₹99.15 Cr as mentioned by the petitioner do not tally with the figures mentioned in the MPSEB's letter. The discrepancy in figures is not explained in the petition or additional submissions made by the petitioner.

4.55 Further, vide letter No.2236 dated 18/07/2012, the Commission sought the documents regarding "additional liability of the bond and debentures amounting to ₹ 185.77 Crores" and asked the petitioner to inform how this amount has been adjusted and its impact on the tariff related issues.

4.56 MPPTCL vide its letter No,6671 dated 12/09/2012 responded that *the Annexure-VI attached with the Petition shows that whatever is the closing balance against Bonds & Debentures for 2009-10, is the Opening Balance for FY 2010-11. This indicates that there is no change or correction of the figure in the position of 1.4.2010. It may humbly be submitted that in FY 2010-11, there is no correction for past period, but a new transaction in FY 2010-11 has taken place which is taken into account.*

In the year 2010-11 certain liabilities have been transferred by the MPSEB to the MPPTCL which are shown as the amount received during the year 2010-11 under the *head of the new amount received and interest added. Since these liabilities have been transferred without giving matching assets, these have been settled in the same year under Profit & Loss account. This can be ascertained by the figures of ₹ 119.78 Crores as scheduled principal repayment during the same year. Only an amount of ₹ 3.98 Crores was not discharged as the same was not due for payment in FY 2010-11 and will be paid under Profit & Loss account only next year.*

However the Transmission Tariff Regulations w.e.f. 01.04.2009, do not take into consideration the schedule / actual payments made but assume the principal repayment equal to the deprecation allowed during that year. Therefore, the table given in Para 9.5 from S. No. (iv) can be modified for the purpose of considering impact only on tariff.

(iv).	*Principal not due (Deemed) on 01.04.2010 -*	*₹ 1808.58 Crores.*
(v).	*Loan received during 2010-11 (**277.32-99.15** Crores) –*	*₹ 178.17 Crores.*
(vi).	*Less Depreciation (Repayment) during FY 2010-11 -*	*₹ 201.41 Crores*
(vii).	*Principal not due (Deemed) on 31.03.2011(iv+v-vi) -*	*₹ 1785.34 Crores*
(viii).	*Average principal not due during FY 2010-11 -*	*₹ 1796.96 Crores*
(ix).	*Interest @ 6.74% Weighted Average Rate of Interest -*	*₹ 121.11 Crores*

Impact – ₹ (124.46 – 121.11) Crores
= ₹ 3.35 Crores.

4.57 Vide letter No.2929 dated 12/10/2012, the Commission once again asked the petitioner to file on record the documents regarding additional liabilities of bond and debentures (amounting to ₹ 185.77 Crs), which were not submitted by the petitioner.

4.58 Table under para 5(C) of notes to the account of the audited balance sheet mentions the figure for SLR bond as ₹ 152.18 Crs. and PP bond as ₹ 33.59 Crs. with a total of ₹ 185.77 Crs. However, in Annexure-6 of the petition, the amount received during the year is mentioned as ₹ 99.15 Crs. (which is total of Principal Not due of ₹ 3.98 Cr & Principal Overdue of ₹ 95.17 Cr shown in the Audited Accounts). Interest over due of ₹ 86.62 Cr has not been considered by MPPTCL. MPPTCL has reduced the amount of ₹ 99.15 Crs. from total loan of ₹ 277.32 Crs. received during FY 2010-11 and has claimed interest considering loan addition of ₹ 178.17 Crs. only, thereby reducing the interest claim by ₹ 3.35 Crs. (reduced from ₹ 124.46 Crs. to ₹ 121.11 Crs).

4.59 MPPTCL vide its letter No.8041 dated 03/11/2012 submitted that *the amounts have been considered in the True-up Petition are as under;*

(i)	*Under Column-5 (a) as Principal received*	*3.98+95.17 = ₹ 99.15 Crores*
(ii)	*Under Column-8 as Interest due*	*₹ 86.62 Crores (included in total amount of ₹ 95.79 Crores)*

The impact of above liabilities has been worked out in the letter dtd. 12.09.2012 as ₹3.35 Crores. Since the liabilities transferred have been settled by the Company in the same year as P&L Account, no burden has been on the customers through Transmission Tariff, after exclusion of amount of ₹3.35 Crores.

4.60 The Commission observed that Annexure –VI of the petition mentions total opening balance of loan as ₹2174.66 Cr and closing balance as ₹2500.08 Cr which tallies with the details of loan funds mentioned in the Audited Balance sheet. It was further observed that the row of Bonds & debentures mentioned in Annex. VI mentions amount received during the year as ₹99.15 Cr and Interest due as ₹95.79 Cr (which includes interest overdue ₹86.62 Cr also as per the petitioner's letter No.8041 dated 03/11/2012).

4.61 MPPTCL has claimed additions to loan in FY 2010-11 as principle not due of ₹277.32 Cr only. Moreover, it has reduced principal related amount of Bond & debentures of ₹99.15 Cr from its claim of Interest & Finance and revised the net loan addition from ₹277.32 crores to **₹178.17 crores**.

4.62 In the present Order, the Commission is considering addition to Loan of ₹337.55 Cr as per debt-equity ratio of 70:30 (without its bifurcation into Principal & Interest components). Therefore, the amount of ₹185.77 Cr of Bonds & debentures is reduced (without its bifurcation into Principal & Interest components) to arrive at a **net loan addition of ₹151.78 Cr**. while allowing the interest and finance charges as given below :

Table: 10 ₹ in Crores

S. No.	Particulars	Amount
1.	Principal not due as on 01/04/2010 (as per para 4.67 of True-up Order for FY 2009-10 dated 06/08/2012)	1807.19
2.	Addition of loan during FY 2010-11 (as per para 4.38 & para 4.62 of this order) (337.55 – 185.77 = 151.78)	151.78
3.	Repayment (deemed as equal to depreciation)	201.41
4.	Principal not due as on 31/03/2011 (4=1+2-3)	1757.56
5.	Average of principal not due for FY 2010-11 {5=(1+4)/2}	1782.38
6.	**Interest @ 6.74%**	**120.13**

4.63 Accordingly, the Commission has allowed the interest of ₹120.13 crores against ₹121.11 crores filed in revised claim by the petitioner.

4.64 In para 9.5 of the petition, MPPTCL has submitted that interest during construction was ₹ 18.33 Crores. The same has been considered by the Commission and hence, the calculation for true-up of interest on loan FY 2010-11 is worked out as under:

Table: 11 ₹ Cr.

S. No.	Particulars	Amount
1.	Interest allowed in the previous table	120.13
2.	Less : Interest during construction	18.33
3.	Bank charges	0.71
4.	Interest & Charges allowed for FY 2010-11	102.51
5.	Interest allowed under MYT order	110.23
6.	True-up for FY 2010-11	(-) 7.72

4.65 As per provisions of the Regulations, the interest on working capital for FY 2010-11 is worked out and allowed as under:

Table :12 Working capital requirement for 2010-11 (₹ Crores)

i.	O&M expenses for one month (₹ 252.57 Crores / 12)	21.05
ii.	Maintenance spares @ 15% of the O&M expenses	37.89
iii.	Receivables equivalent to 2 months transmission charges (1370.73/6)	228.46
	Total working Capital	287.39
iv.	Interest on working capital @ 12.25% (i.e. short term PLR of SBI as on 01.04.2010)	**35.21**
v.	IWC allowed in MYT Order	23.04
vi.	True-up for FY 2010-11 allowed	12.17

Return on Equity (RoE)

Petitioner's submission

4.66 The petitioner broadly submitted the following :

(i) ***" Return on Equity allowed in MYT Order 11.01.2010***

The MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2009 notified on 8th May 2009 provide that;

i The Return on Equity shall be computed in rupee terms on the paid up Equity Capital.
ii The Return on Equity shall be computed on pre-tax basis at the rate of 15.5% to be grossed up for tax.

The petitioner claimed RoE for 2010-11in MYT Petition @ 17.664% i.e. grossing up the base rate of 15.5% with Minimum Alternate Tax of 12.25%. The Commission allowed the RoE on qualifying Equity of ₹1278.71 Crores at the rate of 17.66% i.e. RoE of ₹225.87 Cr. for 2010-11.

(ii) ***Equity Infused during 2010-11***

The Balance Sheet incorporated in Audited Accounts for FY 2010-11, provide for following figures for Equity;

(i). Equity held on 31.03.2010 - ₹2110.76 Crores
(ii). Equity held on 31.03.2011 - ₹2154.44 Crores

An Equity of ₹43.68 Crores is infused during the year.

(iii)***Qualifying Equity for RoE***

Eligible Equity for claim of RoE as per Para 20.1 of Tariff Regulations is worked out hereunder;

(₹in Crores)

i.	*Gross Block of Assets as on 01.04.2010*	*4544.60*
ii.	*Gross Block of Assets as on 31.03.2011Net of Consumer Contribution*	*5026.81*
iii.	*Gross Block of Assets as on (Average)*	*4785.71*
iv.	*Maximum Qualifying Equity (30%) with 70:30 Debt: Equity ratio*	*1435.71*

(iv) Equity held under CWIP

(₹in Crores)

S. No.	Date	Total CWIP	Funded by Loan	Funded by Equity
1	01.04.2010	691.13	483.79	207.34
2	31.03.2011	418.58	293.01	125.57

(v) *Development of Equity Amount*

The Equity held at the beginning and the end of year is utilized as hereunder;

(₹in Crores)

S. No.	Particulars	As on 01.04.2010	As on 31.03.2011
1	Total Equity held	2110.76	2154.44
2	Equity under CWIP	207.34	125.57
3	Equity temporarily held under current Assets	535.14	515.09
4	Equity Deployed on completed / capitalized Assets	1368.28	1513.78

(vi) *Claim for RoE*

(₹in Crores)

(i)	Equity at the beginning of the year employed on Capitalized Works	1368.28
(ii)	Equity at the end of the year employed on Capitalized Works	1513.78
(iii)	Average Equity employed on Capitalized Works	1441.03
(iv)	Qualifying Equity	1435.71
(v)	ROE @ 15.5% on Qualifying Equity	222.54
(vi)	Normative Loan component (iii - iv)	5.32

(vii) *Projects completed within specified Time Limit*

Proviso of Para 23.2 of Transmission Tariff Regulations provides that, in case of projects commissioned on or after 1st April 2009, an additional return of 0.5% shall be allowed if such projects are completed within the time line specified in Appendix-I of the Regulations. Format TUT-18 attached to this Petition indicates works completed during FY 2009-10 and 2010-11, with date of starting and completing the work. It is submitted that most of the works are completed within time line specified in Appendix-I of the Regulations. It may however be mentioned that the Capitalization of specifically the big works take time, and only small works are Capitalized in the same year i.e. the year of completion. The details of works which were eligible for additional incentive in previous year have been submitted with the True-up petition of FY2010, a summary of the same is tabulated in Table-A below. The works Capitalized during 2009-10 & 2010-11 from the works completed in 2009-10 & 2010-11 itself are attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works. The token claim for this year is shown in Table-B below;

Table A *– From works capitalized in FY 2009-10*

(i)	*Value of G-forms of qualifying works*	*₹ 301 Lacs*
(ii)	*Equity employed with 70:30 ratio*	*₹ 90.3 Lacs*
(iii)	*0.5% Additional RoE*	*₹ 0.4515 Lacs*
	(A) Previous Years =	*₹ 0.005 Crores*

Table B *– From works capitalized in FY 2010-11*

(i)	*Value of G-forms of qualifying works*	*₹ 67.11 Crores*
(ii)	*Equity employed with 70:30 ratio*	*₹ 20.13 Crores*
(iii)	*0.5% Additional RoE*	*₹ 0.10 Crores*
	(B) This Year =	*₹ 0.10 Crores*

Total of (A) + (B) - ₹ 0.005 Crores + ₹ 0.10 Crores = ₹ 0.105 Crores

The certificate of works completion and capitalization by Joint Director (Accounts) is given.

(viii) *Normative Loan*

As mentioned in 10.6 (vi), the average Equity is slightly more than the eligible Equity, by an amount of ₹ 2.45 Crores, the same is to be treated as Normative Loan. As such, the same is eligible for interest at the rate 6.74% as indicated in Para 9.4 covering Overall Weighted Average Rate of Interest for Year 2010-11.

(i)	*Normative Loan component (iv-iii)*	*₹5.32 Crores*
(ii)	*Weighted Average Rate*	*6.74%*
(iii)	*Eligible interest*	*₹ 0.358 Crores*

(Say) ₹ 0.36 Crores

This is being claimed alongwith Interest & Finance charges.

(ix) *True-up of RoE for 2010-11*

(i)	*RoE Eligibility as per True-up claim [Para 10.6 (iv)]*	*₹ 222.54 Crores*
(ii)	*Additional RoE as per Para 10.7 above*	*₹ 0.105 Crores*
(iii)	*Eligible interest on Normative Loan*	*₹ 222.64 Crores*
(iv)	*RoE allowed in MYT order for 2010-11*	*₹ 225.87 Crores*
(v)	*True-up amount*	*(-) ₹3.23 Crores*

(Say) ₹ (-) 3.23 Crores"

Provisions of Regulations

4.67 The provisions in Clause 23 of the MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides that,

"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation

Provided that in case of Projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in ***Appendix-I****.*

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)
Where t is the applicable tax rate in accordance with clause 23.3 of this Regulation.

Illustration.-
(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.1133) = 17.481%
(ii) In case of the Transmission Licensee paying normal corporate tax @ 33.99% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.3399) = 23.481%"

Commission's Analysis

4.68 The Commission observed that in Para 10.5 of the petition, equity temporarily held under current assets is shown as reduced from ₹ 535.14 Cr. (as on 01/04/2010) to ₹ 515.09 Cr. (as on 31/03/2011). It was further observed that the Equity infusion of ₹ 304.38 Cr & conversion of overdue interest to Equity of ₹ 330.84 Cr (totaling ₹ 635.22 Cr) in the Audited Balance sheet of FY 2009-10, is the main reason for the "Equity held under current assets" shown in the petition. MPPTCL itself stated that the petitioner is eligible for return on equity only on the amount of equity in the capitalized assets. therefore, the reason for not reducing the full amount of ₹ 635.22 Cr while claiming Return on Equity was sought from the petitioner.

4.69 In response, MPPTCL vide Letter No.4448 dated 15.6.2012 submitted that "*MPPTCL is not claiming RoE on Equity which is not contributing to Capitalized Assets, otherwise the MPPTCL could have claimed RoE on total addition of Equity of ₹ 635.22 Crores. The MPPTCL has increased Gross Block from ₹ 4544.60 Crores (as on 01.04.2010) to ₹ 5026.81 Crores (as on 31.03.2011) i.e. an addition of ₹ 482.21 Crores (excluding works* *completed under Consumer Contribution). The amount of ₹ 482.21 Crores is not a notional amount, but is the Audited & Certified amount of Lines/Sub-stations physically added to the network serving the Discoms and Capitalized. The Petitioner has claimed the ROE on 30% (as per 70:30 ratio) on the average of ₹ 5026.81 Crores and ₹ 4544.60 Crores i.e. the average Equity held during the year. Once the Assets are created, the money is invested by the petitioner in actual and thereof its part i.e. Equity.*

It may kindly be perused from table given in Para 10.5 of the Petition that an Equity of ₹ 145.50 Crores (₹ 1513.78 – ₹ 1368.28 Crores) is deployed on completed works during FY 2010-11. It may also be perused that this amount came from the following sources;

i.	*Cash Equity received from the GoMP during year*	*₹43.68 Crores*
ii.	*Equity from reduction in CWIP (i.e. capitalization of CWIP)*	*₹81.77 Crores*
iii.	*Equity from current Assets*	*₹20.05 Crores*
	TOTAL -	***₹145.50 Crores***

Thus an amount of ₹20.05 Crores could only be utilized in FY 2010-11 from the Equity of ₹635.22 Crores in question.

It is humbly submitted that in the understanding of the petitioner, the Equity addition of ₹635.22 Crores, cannot be treated as a dead Equity for ever, and in case an amount can be replenished and used for creation of an additional Asset, that portion can be treated as Equity Employed on Capital Works. In this regard the contents of Para 4(b) of notes to Accounts in Audited Accounts for FY 2009-10 are reproduced hereunder for perusal;

> *(b) During the period 2005-06 to 2008-09 MPSEB has serviced the debts of the Company under Cash Flow Mechanism. All such payments made by MPSEB were adjusted against dues from DISCOMS (being debtors of the Company). The above payments include ₹ 30438.35 Lacs received by MPSEB from GoMP. Now, GoMP vide its order No. F-5-3/2007/13 dated 05.06.2010 has clarified that the amount of ₹ 30438.35 Lacs paid by it to MPSEB was on account of Equity contribution. Hence, the said amount has been transferred to share application money pending allotment by debiting DISCOMS. Equity for the said amount will be allotted to GoMP during FY 2010-11 as per aforesaid order.*

It may be submitted that the accounts adjustments as per state Government's letter dated 05.06.2010, result in increase of liabilities (Equity) of ₹ 304.38 Crores on liability side and increase of receivables of ₹ 304.38 Crores on Asset side of Balance Sheet. Since the Discoms are paying certain amount against bills every year, an amount out of it can be utilized on creation of Asset as Equity so released.

The above reasons for not reducing the full amount of ₹ 635.22 Crores while claiming 'Return on Equity' may kindly be considered by the Commission."

4.70 Vide letter No.2236 dated 18/07/2012, the Commission sought a list of assets created out of the "Equity from current assets" of ₹ 20.05 crores.

4.71 MPPTCL vide letter No.6671 dated 12.9.2012 broadly submitted that *"As submitted earlier, that an appreciable time is taken in completion of the Capital works and then in their capitalization. Therefore the amounts may remain partly under CWIP and may partly get capitalized in next year or thereafter. In such circumstances there is no method or meaning to give a list of the works completed by the current assets. It is only on the annual basis we can allocate the completed works to loans and Equity."*

4.72 Considering the petitioner's submission and the closing equity employed on capitalized works as considered by the Commission in its previous true-up order for FY 2009-10 and also the equity infusion of ₹ 144.66 Crores during FY 2010-11, the return on equity is worked out as under:

Table: 13 **₹ in Cr.**

(i)	Equity at the beginning of the year employed on Capitalized Works (as per para 4.92 of True-up Order for FY 2009-10 dated 06/08/2012)	1285.15
(ii)	Equity infusion (used in creation of Assets) during FY 2010-11 (as per para 4.38 of this order)	144.66
(iii)	Equity at the end of the year employed on Capitalized Works	1429.81
(iv)	Average Equity employed on Capitalized Works	1357.48
(v)	RoE @ 15.5% Base rate as no Income Tax is paid during the year	**210.41**
(vi)	RoE allowed in MYT order	**225.87**
(vii)	True-up allowed	**(-) 15.46**

4.73 The petitioner also claimed the interest on normative loan since the average equity claimed by the petitioner was slightly more than the eligible equity by an amount of ₹ 2.45 Crore. However, in the preceding paras on Capital Cost, the Commission has considered the equity and loans corresponding to the actual assets capitalized by the petitioner. The commission has allowed ROE on this equity. Therefore, no normative loan is worked out to be allowed in this order.

4.74 The Commission allows additional Return on Equity of ₹ 0.10 Crore for FY 2010-11 as claimed by the petitioner. Thus, total RoE of ₹ 210.41 Crores + ₹ 0.10 Crore = **₹ 210.51 Crores** is allowed for FY 2010-11 in this order.

Taxes, Duties and Fees

Petitioner's submission

4.75 *The MPPTCL has paid Fee amounting of ₹ 0.8177 Crores to the MPERC during year 2010-11 for continuation of tariff for FY 2011-12; which is claimed under a separate head.*

Commission's Analysis

4.76 The Commission accept MPPTCL's submission and allows provisions for taxes, duty and fee of ₹ 0.82 Crore.

Non Tariff Income

Petitioner's submission

Other Income

4.77 *Other Income of ₹17.25 Crores is shown in Schedule-13 of Audited Accounts. The income has been bifurcated in two categories, as shown hereunder:*

[A] Charges not covered under Non-Tariff Income

(Amount ₹ in Lacs)

i.	*Sale of Store's scrap being capital receipt. The scrap value of 10% is not allowed in Tariff in Depreciation*	*291.34*
ii.	*Adjustment for physical verification of Stores*	*0.34*
iii.	*Consumer contribution amortization already reduced from Depreciation*	*6.10*
iv.	*Delayed payment charges*	*2.47*
	TOTAL -	***300.25***
		Say ₹ 3.00 Crores

[B] Charges to be covered under Non-Tariff Income

(Amount ₹ in Lacs)

i.	*Interest Income*	*451.01*
ii.	*Application fees for Open Access*	*32.50*
iii.	*Hire charges for filter machine etc*	*60.00*
iv.	*Consultant services charges received*	*356.00*
v.	*Sale of Tender forms*	*56.40*
vi.	*Applications under RTI charges*	*0.004*
vii.	*Recovery of transport facilities*	*4.47*
viii.	*Ground rent*	*0.28*
ix.	*Rent of Staff quarters / Water charges/ Guest House*	*22.14*
x.	*Recovery of telephone charges*	*7.32*
xi.	*Other MISC receipts*	*436.01*
xii.	*Less : Income considered in SLDC's Account*	*(-) 28.00*
	TOTAL -	***1398.13***

Say ₹13.98 Crores.

Commission's Analysis

4.78 The Commission vide letter No.1231 dated 16/04/2012 sought the reason for not considering Delayed payment charges of ₹ 2.47 Lacs as Non Tariff income in the petition.

4.79 MPPTCL vide its Letter No. 4448 dated 15.6.2012 submitted that the delay in making payment or Non-payment by customer, result in cash shortage due to which the Licensee is not able to discharge its liabilities timely, and has to pay delayed payment penalty in terms of Overdue Interest etc. which are not recognized in Tariff sanction. Thus, if delayed payment surcharge is deducted in ARR as Non-tariff Income, this will be double penalty on Licensee, whereas incentive to the Discoms for Non-payment / Delayed-payment as any Non-tariff Income reduces the Transmission Tariff loading on Discoms.

4.80 The Commission observed that the information filed in annexure-II of the response shows that interest on FDR of ₹ 14.52 Crs. has been received during the year. This is a revenue income of the year. The use / application of this fund along with its impact on tariff related issues was sought from the petitioner.

4.81 The Commission also observed that MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 contains details of Other Income to be considered in ARR which includes Interest Income from Investment/ Fixed Deposit/ other Deposit with Banks and other non-tariff income. The petitioner was also asked to explain the reason for allocation of interest income to CWIP whereas the income is revenue income & needs to be considered as non-tariff income as per Regulation.

4.82 The Commission further observed that the charges to be covered under non-tariff income in Chapter 11 of the petition is shown as ₹ 13.98 Crs. and charges not to be covered under non-tariff income is shown as ₹ 3.00 Crs. (totaling of ₹ 16.98 Crs.). However, schedule 13 of the audited balance sheet shows other income of ₹ 17.26 Cr after reducing interest income allocated to CWIP of ₹ 16.40 Cr. A list of items in which this has been allocated was sought from the petitioner.

4.83 MPPTCL in its letter No.8041 dated 03.11.2012 submitted that the major sources for FDRs are capital amount received in later part of year. It may be mentioned that on one hand interest is earned on capital retained in FDRs, on the other the Petitioner has to pay interest on this amount to the lender. Since the Assets for which amount is received are yet to be commissioned, the interest paid can not be charged in the same year and has to be added to Asset value (as IDC), which is recoverable in 25 to 35 years by ways of Depreciation. On the other hand interest earned on FDR is treated as "Non-tariff Income" has to be passed on to the Long Term customers in the same year. Therefore, "Accounts Standard-16 (AS-16)" makes following provision in the Para-11 reproduced hereunder:

> *"11. The financing arrangements for a qualifying Asset may result in an enterprise obtaining borrowed funds and incurring associated borrowing cost before some or all of the funds are used for expenditure on the qualifying Asset. In*

such circumstances, the funds are often temporarily invested pending their expenditure on qualifying Asset. In determining the amount on borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred".

The reason for allocating the interest income to CWIP may kindly be considered in reference to above provision of 'AS-16".

With regards to the proper usage of other income, MPPTCL stated that the Schedule-13 gives the total other income including SLDC of ₹ 17.26 Crores. In Chapter-11 of the Petition, other income excluding other income of ₹ 0.28 Crores has been mentioned as under:

(i)	*Total other income as per account*	*₹17.26 Crores*
(ii)	*Less other income pertaining to SLDC*	*(-)₹0.28 Crores*
(iii)	*Net other income of MPPTCL*	***₹16.98 Crores***

The list of items to which this income of ₹16.98 Crores falls, has been given in Chapter-XI of the Petition in two categories i.e.;

Category-A	*₹3.00 Crores*
Category-B	*₹13.98 Crores*
TOTAL -	***₹16.98 Crores***

4.84 It is observed that the petitioner could not submit the list of assets in which the interest income of ₹ 16.40 Cr mentioned in the Audited accounts was allocated. After public hearing also the petitioner was asked to justify its claims regarding usage of other income.

4.85 MPPTCL vide its letter No. 673 dated 23/01/2013 submitted as under:

(Amount in ₹.)

J	*Interest on Capex as per Disburesment Schedules*	*189781073.67*
P	*Less Interest to be withdrawn because of Commissioning on Different Dates*	*6475345.23*
S	***Interest and Finance Charges allocated to CWIP (As Per Schedule 17) (J-P)***	***183305728.44***
K	*Less Interest on FDR of Capex Fund (A/C Code 62.221)*	*144461419.74*
Q	*During the year Interest Capitalized with 10*	*6803679.55*
R	*During the year Interest Capitalized with 14*	*12483027.15*
	Q + R =	*19286706.7*
	K+Q+R =	*163748126.4*

It may be mentioned that the interest during construction worked out in Annexure-VII is shown at Point (J) i.e. ₹ 18.97 Crores from which adjustment on interest because of withdrawal on different dates is shown at (P) in Annexure-VII which if adjusted the net IDC comes to ₹18.33 Crores.

Out of the same, the adjustment of ₹ 14.45 Crores is on account of transfer of interest from the Non Tariff Income i.e. interest on Fixed Deposits as per AS-16, the provision of which are reproduced at the end of para. The remaining ₹1.93 Crores which is the total of Q & R of Annexure-VII is the IDC which is only capitalized with the Assets value. In Para 9.6 of the Petition, we have taken the total interest i.e. the IDC as ₹ 18.33 Crores because of the fact that the amount of ₹14.45 Crore has already been deducted from the Non Tariff Income and in the Non Tariff Income the net interest is shown as ₹4.51 Crores in Para 11-B.

Therefore, it may be mentioned that the transfer of ₹14.45 Crores can be considered in only one way i.e. subtracted from Non Tariff Income or if not, then subtracted from the IDC. Our Audited Accounts subtract it from the Non Tariff Income.

4.86 The Commission observed that the amount of ₹ 18.33 Cr considered as IDC in interest & finance charges pertains to Capex related works and does not includes ₹ 14.52 Cr of interest income on FDs. The Commission also observed that the amount under consideration is mentioned as ₹ 16.40 Cr in the Audited Accounts. Moreover, the interest on FDRs was informed with different figures by MPPTCL in its various communications. The details of the FDs and the interest as submitted by the petitioner on 12/09/2012 is ₹.14.52 Cr. and the same is considered in this order.

4.87 The Commission considers the amount of interest income of ₹14.52 crores on FDs as other non tariff income and approves the other income of **(**₹ 13.98 + ₹ 14.52 Cr) **₹ 28.50 Crores** in this order.

True-up amount for FY 2010-11

4.88 Based on the analysis made in preceding paragraphs, the Commission finally determines the true-up of **₹ 563.95 Crores** for FY 2010-11 and this amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2013-14. The details of true up are tabulated hereunder:

Table: 14 True-up amount for FY 2010-11

(₹ in Crores)

S. No.	Particulars	As per ARR approved by order dated 11.01.2010	As filed in True-up petition	As approved by MPERC	True-up Amount (Col. 6–Col 3)
1	**2**	**3**	**4**	**5**	**6**
1	O&M Expenses	229.64	252.57	252.57	22.93
2.	**Terminal Benefits -**				
2(i)	Cash expenses	0.00	596.20	596.20	596.20
2(ii)	Provisioning	37.51	39.20	0	(-) 37.51
2.	**Total -**	**37.51**	**635.40**	**596.20**	**558.69**
3.	Depreciation	193.36	201.41	201.41	8.05
4.i.	Interest on Loan & Bank Charges	110.23	106.84	102.51	(-) 7.72
4.ii.	Interest on Working Capital	23.04	36.68	35.21	12.17
4.iii.	Interest on Normative Loan	0.00	0.36	0.00	0.00
4.	**Total Interest**	**133.27**	**143.88**	**137.72**	**4.45**
5.	Return on Equity	225.87	222.64	210.51	(-) 15.36
6.	Taxes and Fee paid to MPERC	1.13	0.82	0.82	(-) 0.31
7.	**TOTAL -**	**820.78**	**1456.72**	**1399.23**	**578.45**
8.	Less Non-Tariff Income	(-) 14.00	(-) 13.98	(-) 28.50	(-) 14.50
9.	**GRAND TOTAL -**	**806.78**	**1442.74**	**1370.73**	**563.95**

4.89 The true-up amount of **₹ 563.95 Crores for FY 2010-11** shall be recovered by the petitioner in 12 equal installments during FY 2013-14.