

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**  
5<sup>th</sup> Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016



**Petition No.11 of 2014**

**PRESENT:**

**Rakesh Sahni, Chairman**

**A. B. Bajpai, Member**

**Alok Gupta, Member**

**IN THE MATTER OF:**

**True-up of Generation Tariff of MPPGCL's Power Stations for FY 2011-12 determined by MP Electricity Regulatory Commission vide MYT order dated 3<sup>rd</sup> March, 2010.**

**M.P. Power Generating Company Ltd, Rampur, Jabalpur : PETITIONER**

**Vs.**

- 1. M.P. Power Management Company Ltd., Jabalpur**
- 2. M.P. Power Transmission Co. Ltd., Jabalpur**
- 3. Rajasthan Rajya Vidyut Prasaran Nigam Ltd., Jaipur**
- 4. Uttar Pradesh Power Corporation Ltd. (UPPCL), Lucknow**
- 5. MSEB (Holding Co) & Maharashtra State Transmission Co. Ltd., Mumbai**

**RESPONDENTS**

## ORDER

***(Passed on this day of 01<sup>st</sup> October, 2014)***

1. The petitioner M.P. Power Generation Company Ltd. (hereinafter called “the petitioner” or “MPPGCL”) has filed the subject petition on 30<sup>th</sup> April, 2014 for true-up of generation tariff for FY2011-12 determined by Madhya Pradesh Electricity Regulatory Commission (hereinafter called “the Commission”) vide Multi Year Tariff (MYT) order dated 3<sup>rd</sup> March, 2010.
2. The Commission issued MPERC (Terms & Conditions for determination of Generation Tariff) Regulations’ 2009 (Revision-I) (hereinafter referred to as “the Regulations,2009”) on 30.04.2009. These Regulations were based on multiyear tariff principles prescribing norms of operation for the control period from FY 2009-10 to FY 2011-12. The subject true-up petition is filed under section 62 & 64 of Electricity Act, 2003 read with proviso 8.4 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009. The Commission has scrutinized the subject petition based on the principles and methodology specified in the Regulations, 2009 and its amendments.
3. The subject true up petition for FY 2011-12 is based on the Final Opening Balance Sheet and Audited Annual Statements of Accounts for FY 2011-12. The MYT order dated 3<sup>rd</sup> March, 2010 was based on the provisional opening balance sheet of the company notified by GoMP, since the last true-up order issued by the Commission for FY 2006-07 was also based on the provisional opening balance sheet. It is worth mention that the petitioner took the impact of final opening balance sheet for the first time in its audited accounts for FY 2007-08 and filed the petition for true-up of FY 2007-08 based on the same audited accounts.
4. In this true-up petition, the petitioner claimed true up amount of the four different orders issued by the Commission for FY 2011-12 as given below:
  - In respect of existing power stations whose tariff was determined by the Commission vide MYT order dated 3<sup>rd</sup> March, 2010.

- For new power Stations i.e. of ATPS PH-3 (210MW), SGTPS PH-3 (500MW) & Madhikheda HPS for which the Commission issued final tariff orders separately
5. Regarding ATPS PH 3 (210 MW), SGTPS PH-3 (500 MW) and Madhikheda HPS, the Commission determined the final generation tariff from CoD to FY 2010-11 on actual basis (based on audited accounts) and for FY 2011-12 on projected basis on the following separate petitions:
- ATPS PH-3 (210MW) in petition No. 34/2011 order dated 01.05.2012.
  - SGTPS PH-3 (500MW) in petition No. 58/2012 order dated 28.02.2013
  - Madhikheda Hydro Power Station (3x20MW) in petition No. 59/2012 order dated 31.01.2013.
6. The audited accounts of FY2011-12 for the above mentioned new power stations were not available at the time of determination of final tariff. Therefore, the cost for FY2011-12 of these new power stations was provisionally allowed by the Commission in its respective final tariff orders subject to true-up for FY 2011-12 based on the audited accounts for FY 2011-12. The previously mentioned final tariff orders were based on the final opening balance sheet of the company.
7. The petitioner submitted that M.P. Power Management Co. Ltd. (MPPMCL) and the three DISCOMS of MP have entered into a management and corporate functions agreement on 05.06.2012, whereby the three DISCOMS engaged MPPMCL to represent them in all the proceedings relating to power procurement and tariff petitions filed or to be defended before CERC, MPERC and other regulatory authorities, Appellate Tribunals, High Courts, Supreme Court and CEA etc.. Therefore, the three DISCOMS were not made respondents separately in this petition.

8. The details of Annual Capacity charges and Energy charges provisionally allowed by the Commission for existing power stations in MYT order dated 3<sup>rd</sup> March, 2010 and for new power stations in final tariff order for FY 2011-12 are as given below:

**Table No. 1:**

Sr. No.	Power Station	FY2011-12	
		Fixed charges (₹ Crores)	Energy charges (Paisa per unit)
1	ATPS Chachai PH-II	73.75	111.38
2	ATPS Chachai PH-III	217.69	102.07
3	STPS Sarni	361.30	131.48
4	SGTPS Birsinghpur (PH-1&2)	378.64	109.91
5	SGTPS Birsinghpur 500MW	431.91	236.30
6	Gandhi Sagar	8.63	-
7	Pench	15.81	-
8	Rajghat	10.53	-
9	Bargi	10.33	-
10	Bansagar (I to III)	142.07	-
11	Birsinghpur hydel	5.68	-
12	Madhikheda	31.88	-
<b>Total</b>		<b>1688.22</b>	

9. The petition for final generation tariff of Bansagar-IV (Jhinna) was filed separately by the petitioner and the Commission's order in the aforesaid petition was challenged before the Hon'ble Appellate Tribunal for Electricity. Vide judgment dated 13<sup>th</sup> May, 2014, Hon'ble Appellate Tribunal dismissed the appeal. Therefore, the final order of this power station shall be issued by the Commission after the filing of the petition for final tariff. Therefore, the Jhinna HPS is not included in this true-up order.
10. The petitioner claimed the true-up amount on the following basis :
- a) *“ The Energy Charges (Variable Charges) has been billed in accordance to Proviso 39 of MPERC (Terms & Condition for determination of Generation Tariff) Regulation, 2009. Therefore, no truing up of Energy Charges has been considered.*

- b) *Other Charges comprising of MPERC Fees, Common Expenses, Water Charges, Rent, Rates & taxes, Cess on Aux. Consumption, Entry Tax on R&M and SLDC Charges have been claimed on actual basis based on Audited Accounts of FY 2011-12.*
  - c) *The expenses shown in Audited Annual Statements of Accounts for FY 2011-12 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2011-12 for the shared portion have been factored to represent capacity operated by MPPGCL to match with MYT Order.*
  - d) *The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 2011-12 of MPPGCL, have not been considered in this True up Petition since the Commission has not considered these projects in MYT order, being operated by Rajasthan authorities.*
  - e) *The True up in respect Bansagar PH-4 Small Hydro Project is not considered in the instant True up petition as the matter is sub-judice before APTEL.*
  - f) *As per the Regulation 26.6, the expenditure towards actual Pension & Terminal benefits is to be claimed by Transmission Licensee; hence MPPGCL had not claimed these expenses in its tariff petition.*
  - g) *Apart from the True-up amount, allow one time recovery of Carpet Coal written off during FY 2011-12 as recommended by M/s A.F. Ferguson & Co. on directives of the Commission in respect of thermal power stations of MPPGCL.”*
11. The petitioner submitted that the difference between Tariff provisionally approved by the Commission for FY 2011-12 (for existing power stations in its MYT order dated 3<sup>rd</sup> March, 2010 and for new power stations in its final tariff orders ) vis-à-vis the true-up requirement after applying actual availability on

fixed cost elements of thermal power stations and actual availability applicable on capacity charges only for Hydro Power Stations, is worked out to ₹ (-141.74) Crores as given below :

**Table No. 2:****True-up Requirement for FY 2011-12:****(Amount in ₹ Crores)**

Particulars	Elements	Total Cost FY 2011-12		
		As per MYT Order	As per Actual	Diff.
<b>Fixed Cost Elements</b>	O & M Expenses	546.18	419.06	- 127.12
	Compensation Allowance	11.09	5.83	- 5.26
	Special Allowance	17.46	11.75	- 5.71
	Interest on Loan	262.60	234.82	- 27.78
	Interest on W/C	163.50	135.43	- 28.07
	Depreciation	323.94	345.54	- 21.60
	Return on Equity	269.41	304.08	34.67
	Cost of Sec Oil (Normative)	94.25	90.17	- 4.08
<b>Grand Total</b>		<b>1688.42</b>	<b>1546.68</b>	<b>-141.74</b>

12. The petitioner also submitted the Power station wise break up of true up amount after applying actual Availability on Capacity (fixed) Charges of thermal power stations and actual Availability applicable on Capacity (fixed) Charges for Hydro Power Stations is worked out as under:

**Table No. 3:****True-up Requirement for FY 2011-12:****(Amount in ₹ Crores)**

S.No.	Station	As per MPERC Orders	MPPGCL as per norms	Diff.
1	ATPS PH-2	73.78	33.70	-40.08
2	ATPS PH-3	217.68	227.85	10.17
3	STPS PH-I,II& III	361.42	279.81	-81.61
4	SGTPS PH-1&2	378.7	323.71	-54.99
5	SGTPS PH-3	431.92	455.68	23.77
<b>6</b>	<b>Thermal</b>	<b>1463.49</b>	<b>1320.75</b>	<b>-142.74</b>
7	Gandhi Sagar	8.63	8.22	-0.41
8	Pench	15.81	19.39	3.59
9	Rajghat	10.54	7.92	-2.62
10	Bargi	10.32	13.96	3.64
11	Bansagar 1,2&3	142.06	141.48	-0.58
12	Birsinghpur	5.69	4.77	-0.92
13	Madhikheda	31.88	30.19	-1.69
<b>14</b>	<b>Hydro</b>	<b>224.93</b>	<b>225.94</b>	<b>1.00</b>
	<b>Total</b>	<b>1688.42</b>	<b>1546.69</b>	<b>-141.74</b>

13. In addition to the aforesaid Annual Capacity (fixed) charges, the petitioner has also filed the following other charges:

**Table No. 4:**  
**Other Charges** **Amount in ₹ Crores**

S. No.	Particulars	Total
1	Rent, Rates & Taxes	0.51
2	Entry Tax	0.47
3	Water Charges	40.14
4	Common Expenses	10.76
5	MPERC Fee	1.23
6	Cess on Aux. Consumption.	5.34
7	SLDC Charges	0.76
	<b>Total</b>	<b>59.21</b>

14. With the above submissions, the petitioner requested the Commission to :
- Approve Annual Fixed Charges and Other charges for FY 2011-12 and permit recovery of True up amount in six equal monthly installments.*
  - Allow additional capitalization as per audited Annual Statements of Accounts for FY 2011-12.*
  - Apart from the True-up amount, allow one time recovery of Carpet Coal written off amounting to ₹ 17.83 Crore at thermal power stations*
15. The petitioner has mentioned that the installed capacity of the MPPGCL share, as on 15<sup>th</sup> March, 2014 is 4674.70 MW (including its share in bilateral interstate projects), consisting of 3757.50 MW Thermal and 917.2 MW Hydro power. The petitioner has further mentioned that as on 15<sup>th</sup> March, 2014, MPPGCL is operating 4697.50 MW, consisting of 3782.50 MW thermal and 915.0 MW Hydro power. Out of this 158.30 MW capacity belongs to other States. MPPGCL also has a share of 135.5 MW in hydro generation projects i.e., Rana Pratap Sagar and Jawahar Sagar installed outside the State.
16. The petitioner submitted that after obtaining necessary approvals, the four units of STPS, Sarni PH-I (Unit No. 2, 3, 4 and 5) have been decommissioned / retired during FY 2012-13. The petitioner filed copies of CEA's letter dated 22<sup>nd</sup>

January, 2013 and 13<sup>th</sup> May, 2013 for retirement of unit No. 3 and unit No. 5 respectively. The petitioner also filed a copy of the GoMP's letter dated 2<sup>nd</sup> December, 2013 for approval of retirement of unit No. 2 and unit No. 4. The petitioner further submitted that the unit No. 1 of STPS, Sarni PH-I is still operational.

17. The petitioner further mentioned that the Annual Statement of Accounts of MPPGCL is prepared for the portion actually owned by MPPGCL and not for the capacity operated by MPPGCL. Therefore, the expenses as extracted from the Annual Statement of Accounts of MPPGCL for the shared portion have been factored in to represent 100% capacity operated by MPPGCL to match with the Commission's Order.
18. In the subject true-up petition, the petitioner filed the additional capitalization during FY2011-12 in thermal and hydel power stations as per annual audited accounts and asset- cum-depreciation register filed with the petition. The petitioner also filed the one time recovery of carpet coal written off during FY2011-12 as per the recommendations of M/s AF Ferguson & Co. in respect of thermal power stations.

### **Procedural History**

19. Motion hearing was held on 27<sup>th</sup> May, 2014 when the Commission admitted the petition and directed the petitioner to serve copies of the petition on all the respondents in the matter. The respondents were also asked to file their response on the petition if any, by 25<sup>th</sup> June, 2014.
20. Subsequently, vide Commission's letter dated 31<sup>st</sup> May, 2014, the information gaps and discrepancies in the subject petition were communicated to the petitioner and it was asked to file a comprehensive reply along with all relevant supporting documents by 25<sup>th</sup> June, 2014. Vide its letter dated 10<sup>th</sup> June, 2014, the petitioner confirmed that the copies of petition have been served on all the respondents.



21. Vide Commission's letter dated 30<sup>th</sup> July, 2014, the petitioner was asked to publish the public notice in newspapers in English and Hindi version inviting comments/objections/suggestions from the stake holders. The petitioner was also asked to file the response on the comments offered by the stakeholders within three days from the last date of filing comments/objections/suggestions.
22. Vide letter dated 4<sup>th</sup> August, 2014, MPPGCL confirmed that the public notices for offering comments/suggestions from stake holders were published on 2<sup>nd</sup> August, 2014 in following Hindi & English news papers.
- i. Dainik Bhaskar, Jabalpur (Hindi).
  - ii. Dainik Swadesh, Gwalior (Hindi).
  - iii. Dainik Janjan, Bhopal (Hindi).
  - iv. Danik Indore Samachar, Indore (Hindi).
  - v. Danik Free Press, Bhopal (English).
23. No comment from any stakeholder was received in the matter. The public hearing in the subject petition was held on 26<sup>th</sup> August, 2014 wherein only the representatives of the petitioner appeared.
24. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner filed its response on the information gaps communicated by the Commission. Issue wise response filed by the petitioner is as follows.

**Capital Cost and Additional Capitalization:**

**Issue:**

- (i) **It is observed that the amount of Liquidated Damages recovered from the contractors is included in the opening gross fixed assets of the new power stations. The petitioner is required to inform the following:**

**Whether the amount of Liquidated Damages has been finalized? If not, when will it be finalized and recorded in the books of accounts?**

**MPPGCL's Response:**

*"In case of SGTPS 500 MW Extn. Unit No. 5, an amount of Rs.93.04 Crores was initially retained as Liquidated Damages (LD) from three turnkey contracts*

placed on M/s BHEL and Rs. 18.50 Crores as Exchange Rate Variation (ERV) / Custom Duty Variation (CDV) at CoD. Thus, the total retained amount was Rs.111.54 Crores (Rs.93.04 + Rs.18.50 Crores), same has been detailed on Page No. 33, Para 2.8 of Final Tariff Petition of SGTPS 500 MW Extn. Unit No. 5 (Petition No.58 of 2012) filed on 25.07.2012.

Issue of LD on contracts placed on BHEL has now finally been settled in FY 2013-14. Accordingly, the maximum amount of LD leviable was determined to Rs. 82.72 Crores for all three contracts placed on BHEL. The balance amount of Rs.10.31 Crores, which pertains to the portion of various taxes and duties, has been refunded to M/s BHEL in the month of August-2013. The deduction of Rs.18.50 Crores on account of ERV/CDV is also finalized and remains unaltered. The copy of Resolution of BoD of MPPGCL and correspondence made by MPPGCL with M/s BHEL in this regard are annexed as Annexure-1A, 1B & 1C.

The process of finalization of Books of Accounts for FY 2013-14 is in progress and therefore the accounting treatment of finalized amount of LD & ERV/CDV shall be informed to the Commission in due course of time.

In respect of ATPS 210 MW Extn. Unit No.5, MPPGCL has initially retained an amount of Rs. 45.84 Crores for contract placed on M/s BHEL towards Liquidated Damages (LD) and Rs. 4.75 Crores on account of Exchange Rate Variation (ERV) / Custom Duty Variation (CDV). Thus, the total amount retained works out to be Rs. 50.59 Crores (Rs.45.84 + Rs.4.75 Crores) and the same was informed to Commission through Final tariff Petition of ATPS 210 MW (Petition No. 34 of 2011) filed on 31.12.2011.

Till date, the amount retained on account of LD & ERV/CDV for ATPS 210MW Extn. Unit No.5 is yet to be finalized and settled. MPPGCL will take due care to inform the Commission, as and when the same gets reflected in the Books of Accounts of MPPGCL.”

**Issue:**

- (ii) **The reason for considering the amount of LD while determining the depreciation be submitted.**

**MPPGCL's Response:**

*"The subject True up petition is filed by MPPGCL based on the Audited Annual Statement of Accounts of MPPGCL for FY 2011-12. The Books of Accounts of MPPGCL is prepared based on the Company's Act, Standard Accounting Practices & prevailing Accounting Standards. These Accounting Standard AS-10 provides that amount of Fixed Assets are be recorded in the Books of Accounts at the Original Cost i.e. Historical Cost.*

*Based on above concept and practices, the Power Stationwise Gross Block of various Power Stations of MPPGCL are reflected on original value in Audited Books of Accounts i.e. without any adjustment on account of LD or ERV/CDV. The same philosophy has been adopted and considered in the subject true up petition for the purpose of claiming Depreciation.*

*Kindly refer the Power Station wise Asset-Cum-Depreciation Register for FY 2011-12 submitted before the Commission as Annexure No.18 of Additional Supporting documents sent vide letter No. 521 dated 29.04.2014, wherein the Gross Block shown/ Asset additions/ Write-off are considered as per the Audited Books of Accounts for FY 2011-12. It is further to mention that the process of finalization of Annual Statement of Accounts of MPPGCL for FY 2013-14 is under progress. Thus, the accounting treatment to finalized amount of LD & ERV/CDV if any shall be informed to the Commission in due course of time."*

**Issue:**

- (iii) **With regard to the additional capitalization in new power stations (like ATPS 210 MW, SGTPS 500 MW and Madhikheda HPS) during FY 2011-12, the petitioner is required to submit the details of additional capitalization in terms of clause 20.1 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009.**

**MPPGCL's Response:**

*As desired, information in respect of additional capitalization carried out at new Power Stations i.e. ATPS 210 MW, SGTPS 500 MW and Madhikheda HPS are detailed hereunder :*

**ATPS 210MW Extn. Unit No. 5 Chachai:**

*The extension unit No.5 of ATPS Chachai (210MW) was commissioned on 10.09.2009. The assets amounting to Rs. 81.24 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts and same has been claimed in subject True Up petition as detailed as Table No.4.3.9.1. on page No. 43. As per MPERC Regulations,2009, the Cut-off date for the purpose of Additional Capitalization works out to 31.03.2012. The said works are covered under the Original Scope of Work Estimate of Rs.1242.14 Crores, which has been approved by GoMP. The copy of approval has already been submitted before the Commission as Annexure-8 in Additional Supporting Documents sent vide letter No. 521 dated 29.4.2014.*

*It is to inform that the work of execution of Project is a Technical Term and Capitalization of Assets in Books of Accounts is a Financial Term. These two terms cannot be equated in one to one time domain. The said referred works were already executed earlier but were booked under the Account Code 14.XXX i.e. Capital work in Progress (CWIP). In FY 2011-12, the same were later transferred in the Account head 10.XXX (as Fixed Assets.)*

*Kindly refer Para 2.5 & TPS Form-9 of Final Tariff Petition for ATPS 210 MW, wherein MPPGCL has claimed Additional Capitalization total amounting to Rs.122.44 Crores in FY 2009-10 (post CoD) and Rs.32.51 Crores in FY 2010-11 held under Account Code 10.XXX (Fixed Assets) & Account Code 14.XXX (Capital work in progress). However, the Commission in its order dated 01.05.2012, has permitted only Rs.70.56 Crores in FY 2010-11, which was shown under the Account Code 10.XXX (Fixed Assets).*

In FY 2011-12, the balance amount along with further additions has been transferred in the Account Code 10.XXX (Fixed Assets) in the Audited Books of Accounts. Accordingly, in the True Up Petition for FY 2011-12, MPPGCL has now claimed the same.

The said capitalization in FY 2011-12 is claimed in accordance to Proviso 20.1 (a) of MPERC Regulation 2009, which provides that the assets addition within the original scope of work upto cutoff date on account of un-discharge liabilities may be admitted by the Commission subject to prudent check.

**SGTPS 500MW Extn. No.5 Birsinghpur:**

The extension unit No.5 of SGTPS Birsinghpur (500MW) was commissioned on 28.08.2008. The assets amounting to Rs. 61.13 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts & same has been claimed in subject True Up petition as detailed in Table No.4.3.29.1. on page 51. The said unit has been commissioned under the Tariff Control Period FY 07 to FY 09 covered under MPERC Regulations, 2005, which does not specify about the Cut-off date for the purpose of Additional Capitalization.

These works are covered under the original work estimate of Rs.2300 Crores, approved by GoMP. The Copy of it has already been submitted before the Commission vide Annexure No.3 of Final Tariff Petition for SGTPS 500MW.

The said works are previously executed but held under the Account Code 14.XXX (Capital work in Progress) & Account Code 22.XXX (Material Stock Account). The same were later transferred in the Account Code 10.XXX (Fixed Assets.) & Account Code 11.XXX (Capital Spares) in FY 2011-12.

Kindly refer Para 2.5, TPS Form 5B & TPS Form 9 of Final Tariff Petition for SGTPS 500 MW, wherein MPPGCL has claimed Capital Cost as on COD and additional capitalization detailed hereunder:

		<b>Amount in Rs. Crores</b>			
	<b>Particulars</b>	<b>Fixed Assets under Account Code 10</b>	<b>Material Stock under Account Code 22</b>	<b>CWIP under Account Code 14</b>	<b>Total</b>
<b>1</b>	Capital Cost as on CoD i.e. 28-08-2008	1956.94	24.4	12.9	1994.23
<b>2</b>	Addition From 29-8-08 to 31-3-2009	0.00	3.35	0.00	3.35
<b>3</b>	Addition during FY 10	34.57	3.97	-5.52	33.02
<b>4</b>	Addition during FY 11	13.92	1.6	10.92	26.45
<b>5</b>	<b>Total Amount</b>	<b>2005.43</b>	<b>33.32</b>	<b>18.3</b>	<b>2057.05</b>

However, Commission in its order dated 28.02.2013 has approved the Capital Cost as on CoD and Additional capitalization till FY 11 amounting to Rs.1893.89 Crores in respect of Assets held only under Account code 10.XXX as detailed hereunder:

<b>Amount in Rs. Crores</b>	
<b>Particulars</b>	<b>Approved by MPERC</b>
Till CoD (28.08.2008)	1845.4 (after LD ded.)
From CoD to 31.03.2009	0
FY 10	34.57
FY 11	13.92
<b>Total</b>	<b>1893.89</b>

In FY 2011-12, the balance amount along with further asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to Rs.13.89 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.47.24 Crores in the Audited Books of Accounts. Accordingly, in the True Up Petition for FY 2011-12, MPPGCL has now claimed the total asset addition amounting to **Rs.61.13 Crores** (Rs.13.89 Crs+Rs.47.24 Crores.)

The said capitalization is claimed under the following proviso of MPERC Regulation 2005:

- (1) *As per Proviso 19 (2.9) (a) of MPERC Regulation 2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.*
- (2) *As per Proviso 19 (2.9) (e) of MPERC Regulation 2005, which provides for procurement of initial spares included in the original scope of work subject to ceiling Norms laid down in Regulation 18.*

***Madhikheda HPS (60 MW):***

*The Units of Phase-I (2X20 MW) and Phase-II (1X20 MW ) of Madhikheda HPS were commissioned on 09.09.2006 & 18.08.2009 respectively. The Assets amounting to Rs.0.74 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts and same is claimed in subject True Up petition as detailed in Table No.4.3.39.1 on page 56. The Madhikheda Hydro Power Station was commissioned under the Control Period FY 07 to FY 09 covered under MPERC Regulations 2005, which does not provides the criteria of Cut-off date for the purpose of Additional Capitalization.*

*It is to mention that the above capitalizations were for those assets which were earlier put-to-use but same were lying under the head CWIP (14.XXX) and were later on transferred to Gross Fixed Assets (10.XXX) in FY 2011-12.*

*In this regard the accounting vouchers along with the statement detailing the nature of works etc. has already been submitted before Commission as Annexure-17 of Additional Supporting Documents sent vide letter No.521 dated 29.04.2014.*

*The said capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulation 2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.*



**Issue:**

- (iv) **The petitioner is required to file its reply to the following issues with all relevant supporting documents in favour of its claim for additional capitalization:**

**Whether the addition of asset in new power stations (like ATPS 210 MW, SGTPS 500 MW and Madhikheda HPS) is on account of the reasons (a) to (e) under clause 20.1 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009.**

**MPPGCL's Response:**

*As desired, information in respect of additional capitalization carried out at new Power Stations i.e. ATPS 210 MW, SGTPS 500 MW and Madhikheda HPS are detailed hereunder :-(Same as response on aforesaid Issue No. (ii))*

**Issue:**

- (v) **Whether the assets capitalized during the year are under the original scope of work. Supporting documents be also filed in this regard.**

**MPPGCL's Response:**

*The details of additional Capitalization claimed at ATPS 210MW, SGTPS 500MW and Madhikheda HPS is already detailed in reply to Point No.(ii) above are under Original Scope of Work. The supporting documents in this regard are annexed as Annexure 2A, 2B & 2C.*

**Issue:**

- (vi) **The dates when orders for the works under additional capitalization were placed on vendors. What was the anticipated date of completion of each work?**

**MPPGCL's Response:**

**ATPS 210MW:**

*In respect of ATPS 210 MW, the additional capitalization claimed during FY 2011-12 is a part of the main orders paced for the project. The party wise/work*



wise list of said orders indicating the date of placing the order along with anticipated date of completion is annexed as Annexure-3A.

**SGTPS 500MW:**

In case of SGTPS 500 MW, the additional capitalization claimed during FY 2011-12 is a part of the main orders placed for the project. The party wise/work wise list of date of said orders indicating the date of placing the order along with anticipated date of completion is annexed as Annexure-3B.

**Madhikheda HPS:**

In case of Madhikheda HPS, the assets amounting to Rs.0.74 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts and same is claimed in subject True Up petition as detailed in Table No.4.3.39.1. The said works are covered under the original scope of work & the said capitalizations were for those assets which were earlier put-to-use but same were lying under the head CWIP (14.XXX) and later transferred to Gross Fixed Assets (10.XXX) in FY 2011-12.

The supporting documents in this regard are already submitted before Commission vide Annexure No.17 of Additional Supporting Documents vide letter No. 521 dated 29.04.2014.

**Issue:**

- (vii) **In case assets capitalization is beyond the cut-off dates, the reasons for delay in capitalization be filed.**

**MPPGCL's Response:**

**ATPS 210MW:**

The extension unit No.5 of ATPS Chachai (210MW) was commissioned on 10.09.2009. As per MPERC Regulations 2009, the Cut-off date for the purpose of Additional Capitalization is 31.03.2012. The assets amounting to Rs. 81.24 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts and same is claimed in subject True Up petition, as detailed in Table No.4.3.9.1. on page No. 43.

**SGTPS 500MW:**

The extension unit No.5 of SGTPS Birsinghpur (500MW) was commissioned on 28.08.2008. The said unit is commissioned under the Control Period FY 07 to FY 09, covered under MPERC Regulations 2005, which does not specify the Cut-off date for the purpose of Additional Capitalization. The assets amounting to Rs.61.13 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed in Table No.4.3.29.1. on page No. 51.

**Madhikheda HPS:**

The units of Phase-I (2X20 MW) and Phase-II (1X20 MW ) of Madhikheda HPS were commissioned on 09.09.2006 & 18.08.2009 respectively. The said Hydro Power Station is commissioned under the Control Period FY 07 to FY 09, covered under MPERC Regulations 2005, which does not provides the criteria of Cut-off date for the purpose of Additional Capitalization. The assets amounting to Rs.0.74 Crs. were capitalized during FY 2011-12 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed in Table No.4.3.39.1.

**Issue:**

- (viii) **It has been informed that the works claimed in additional capitalization are covered under the original scope of work. The amount of LD estimated against delay in each work under additional capitalization be submitted?**

**MPPGCL's Response:**

The power Station wise details of LD deducted at new power Stations is as under:

**ATPS 210MW:**

In respect of ATPS 210 MW, MPPGCL has initially retained amount of Rupees 45.84 Crores from BHEL as Liquidated Damages (LD). Same was detailed in Para 2.6 of Final tariff Petition of ATPS 210 MW. As such, no additional amount

on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 2011-12.

As on date, the amount retained on account of LD is yet to be finalized and same shall be informed to the commission in the due course of time.

**SGTPS 500MW:**

As detailed in reply to Point (i) above, in case of SGTPS 500 MW MPPGCL, initially amount of Rupees 93.04 Crores retained towards three turnkey contracts of BHEL as Liquidated Damages (LD). As such no additional amount on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 2011-12 except for capital spares.

Further the issue of LD on contracts placed on M/s. BHEL has been finally settled in FY 2013-14. Accordingly, the maximum amount of LD leviable was determined to Rs. 82.72 Crores towards all three contracts placed on M/s. BHEL. The balance amount of Rs.10.31 Crores, which pertains to the portion of various taxes and duties has been refunded to BHEL in August-2013. Same works out as hereunder:

**In Rs. Crores**

	<b>Contracts awarded to BHEL</b>	<b>Contract Price</b>	<b>Maximum admissible PVC Amount</b>	<b>Total</b>	<b>LD initially deducted by MPPGCL</b>	<b>Finalized LD Amount @ 5%</b>	<b>Excess Refunded</b>
1	1st contract for supply of Plant & equipments	1090	153.45	1243		62.17	
2	2nd Contract for Erection, testing & commissioning along with freight	135.89	17.9	153		7.69	
3	3rd contract for civil work	223.67	33.55	257		12.86	
	<b>Total</b>	<b>1449.56</b>	<b>204.9</b>	<b>1654</b>	<b>93.03</b>	<b>82.72</b>	<b>10.31</b>

In respect of capital spares, the details of LD/penalty deducted is annexed as Annexure-4.

**Madhikheda HPS**

*The assets amounting to Rs.0.74 Crs were capitalized during FY 2011-12 as per Audited Books of Accounts and same is claimed in subject True Up petition for FY 2011-12. The said works are covered under the original scope of work & the said capitalizations were for those assets which were earlier put-to-use but same were lying under the head CWIP (14.XXX) and later transferred to Gross Fixed Assets (10.XXX) in FY 2011-12. Accordingly no penalty is deducted.*

**Issue:**

- (ix) **Project wise details of amount of IDC if any, capitalized during the year.**

**MPPGCL's Response:**

*The amount of IDC was capitalized only up the date of CoD of respective Power Station. No Further amount of IDC has been capitalized thereafter.*

**Issue:**

- (x) **Regarding additional capitalization during FY 2011-12 in existing power stations, the petitioner is required to submit the details of additional capitalization as per clause 20.2 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009.**

**MPPGCL's Response:**

*As desired, the additional capitalizations carried out at existing Power Stations are detailed hereunder:-*

**ATPS Chachai PH-2 :**

*The assets amounting to Rs. 7.83 Crores were capitalized at ATPS PH-2 during FY 2011-12 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed as Table No.4.3.2.1. The said works are covered under the Renovation and Modernization scheme at ATPS PH-2 (2x120 MW), which was approved by the Board of erstwhile MPSEB on 18.01.2004.*

As the scheme was approved by erstwhile MPSEB in 2004, the provisions of additional capitalization as prescribed in MPERC Regulation 2009 does not apply on the same.

It is to mention that the additional Capitalization at ATPS PH-1 & 2 approved by Commission in the True Up order for FY 2008-09 amounts to Rs. 19.00 Crores & 0.99 Crores for FY 2007-08 and FY 2008-09 respectively , out of which the additional Capitalization under said scheme for ATPS PH-2 amount to Rs.17.87 Crores. In the financial year 2010-11, Commission vide order dated 26.09.2013 in petition No. 17 of 2013 has permitted Rs. 60.14 Crores under said scheme. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulation 2005 which provides for incurrence of capital expenditure , which become necessary for efficient and successful operation of generating station but not include in the original scope of work.

Apart from above, MPPGCL has claimed additional capitalization of Rs. 8.68 Crores as detailed in Table No.4.3.5.1 of True up Petition for FY-2011-12. The said capitalization is carried out against replacement of “**IP Turbine Rotor**” by other repaired old one in Unit No.4 of ATPS PH-2, which was not covered under R&M scheme approved by the Board of erstwhile MPSEB on 18.01.2004.

As detailed in Para 4.3.5 of True up petition of FY 2011-12, the Unit No. 4 ATPS PH-2 was forced to shut down on 01.06.2011, as its IP Turbine rotor was got badly damaged at its Journal Bearing No.3 portion. Looking into the urgency of matter, an IP Turbine rotor, which was available at UKAI Thermal Power Station of GSECL, Gujarat, was transported to ATPS Chachai after minor repair, on pursuance of GoMP.

In the above context proviso 8.4 of MPERC Regulation 2009 reads as under:  
**“.....However, in such true up, any abnormal or uncontrollable variation can also be considered at the Commission’s discretion”**

Since the replacement of “IP Turbine rotor” against the badly damaged one is a abnormal / uncontrollable event, which is beyond the control of MPPGCL, the

same is claimed as asset addition in the instant petition in accordance with above mentioned proviso. MPPGCL humbly request MPERC to kindly permit the same.

**STPS PH-2&3 :**

The assets amounting to Rs. 40.83 Crores were capitalized at STPS PH-2&3 during FY 2011-12 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed as Table No.4.3.20.1 on page No. 48 of True up Petition for FY-2011-12. The said works are covered under the need based R&M scheme approved by the Commission in its order for petition No. 56 of 2012 dated 07.11.2012 towards need based R&M works in Unit No. 6, 7, 8 & 9 of PH-2&3, STPS amounting to Rs. 336.80 Crores.

The Commission in para No. 14 (d) of said order has directed that in case the main comprehensive R&M proposal for Unit No. 6, 7, 8 & 9 of STPS Sarni is not filed by MPPGCL within 24 months from the date of said order, the approval of subject capital expenditure for need based R&M shall be limited to eligibility of availing Special Allowance by MPPGCL for aforesaid units for this period, under regulation 18.4 & 18.5 of Tariff Regulation,2009 and its amendments at the rate specified in extant regulations for each year of control period.

It is to inform that the proposal for carrying out comprehensive R&M work along with augmentation of ESPs for these units through PPP route adopting LROT option was submitted to Energy Department, Govt. of MP on 14-03-2013 to obtain "In-Principle" approval as per procedure laid down vide Department's circular No.2097 dated 04-09-2010 of Finance department of GoMP. The approval of GoMP in the matter is awaited.

**SGTPS PH-1 & 2 :**

The minor asset addition towards procurement of computers amounting to Rs. 0.007 Crores were capitalized at SGTPS PH-1&2 during FY 2011-12 as per Audited Books of Accounts. Same is claimed in subject True Up petition as

detailed as Table No.4.3.24.1 on page No. 49 of True up Petition for FY-2011-12.

**Bansagar PH-1,2&3 :**

The assets amounting to Rs. 0.57 Crores were capitalized at Bansagar PH-1, 2 & 3 during FY 2011-12 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed as Table No.4.3.35.1. The powerhouse-1, 2 & 3 of Bansagar HPS

were transferred to MPPGCL through GoMP notification dated 31-05-2005, as such same are not covered under the criteria off Cut-off date as per MPERC Regulation 2009.

It is to mention that the major expenditure amounting to Rs.0.44 Crores was towards payment made for additional compensation for Land Acquisition of Bansagar project. The additional compensation was on account of Judgment passed by High Court of Madhya Pradesh in First Appeal No. 448 of 2001. The Judgment copy along with accounting vouchers amounting to Rs. 0.44 Crores have already been submitted before Commission as Annexure-15 of Additional Supporting Documents vide letter No.521 of letter dated 29.04.2014. The said capitalization was claimed by MPPFCL under proviso 20.2(a) of MPERC regulation 2009, which provides for liabilities to meet award of arbitration or for compliance of order or decree of court.

Apart from above, the remaining expenditure amounting to Rs.0.13 Crores was on account of other assets capitalized, which are of minor nature mainly for Fire Protection System, Supervision works of Erection, Testing & Commissioning of 130 MVA Generator Transformer at Tons HPS and procurement of computers. MPPGCL in Trueup Tariff petition for FY 2010-11 had got the Generator Transformer capitalized.

The aforesaid capitalization was claimed by MPPGCL under proviso 20.2(d) of MPERC regulation 2009 which provides for expenditure incurred due to any



*additional work which becomes necessary for successful and efficient plant operation.*

**Issue:**

- (xi) **The petitioner is required to file a comprehensive reply on the following issues with all relevant supporting documents:**

**Whether the addition of assets in existing power stations is on account of the reasons (a) to (d) in clause 20.2 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulation 2009?**

**MPPGCL's Response:**

*As desired, the additional capitalizations carried out at existing Power Stations are detailed hereunder: -(Same as response on aforesaid Issue No. (iv))*

**Issue:**

- (xii) **Whether the petitioner has taken due care in writing off the gross value of the original asset from the original cost in case of any expenditure on replacement of the old asset?**

**MPPGCL's Response:**

*The Asset addition made at existing power Stations are new assets and not against any write off in FY 2011-12. Any write-off against replacement in future years shall be dealt in accordance to the regulations and shall be taken care in respective True up petitions.*

**Issue:**

- (xiii) **Whether the effect of writing off the gross value of the original asset from the original cost on replacement of the old asset has been considered in the Asset Registers?**

**MPPGCL's Response:**

*The asset addition made at existing power Stations were the new asset addition and not against any write off.*



*The other assets which are written off at various Power Stations as detailed in Table 4.4.7.1 of True up petition for FY 2011-12 are duly accounted for in the Asset-cum-Depreciation registers submitted before Commission as Annexure-18 of Additional Supporting Documents vide letter No.521 dated 29.04.2014. Any replacement in future on account of Write-off shall be duly informed to Commission through True up petitions of respective years.*

**Issue:**

- (xiv) **Details of asset addition for each work along with approved/sanctioned estimated completion cost & actual cost be submitted.**

**MPPGCL's Response:**

*Kindly refer reply to Point No.(iv) above wherein the details of asset addition is already provided. The supporting documents in respect of estimated completion cost is annexed as Annexure-5A for ATPS PH-2 & Annexure-5B for STPS PH-2&3.*

**Issue:**

- (xv) **Project wise details regarding amount of IDC if any, capitalized during the year.**

**MPPGCL's Response:**

*The amount towards Interest-During-Construction was capitalized only up the Date of Commercial Operation (CoD) of respective new Power Stations. No amount of IDC is capitalized for R&M works in existing power stations.*

**Issue:**

- (xvi) **Details of all such works (along with their estimated amount or actual expenditure) which are either completed or to be completed under additional capitalization as on 31<sup>st</sup> March, 2012 be submitted.**

**MPPGCL's Response:**

*The desired details in respect of R&M works to be completed as on 31.03.2012 at ATPS PH-2 is annexed is Annexure 6A & in respect of R&M works at STPS PH-2&3 is annexed as Annexure-6B.*

**Issue:**

- (xvii) **Reference of approval if accorded, by the competent authority for the above works and the approval of the Commission, if any, be submitted.**

**MPPGCL's Response:**

*The desired details in respect approval from competent authority to be towards R&M at ATPS PH-2 is annexed is Annexure-7A & in respect of R&M works at STPS PH-2&3 is annexed as Annexure-7B.*

**Issue:**

- (xviii) **Details of cost benefit earned for each need based R&M work/additional capitalization in existing power stations be also submitted.**

**MPPGCL's Response:**

*The Cost-Benefit analysis in respect of R&M works at ATPS PH-2 has already been submitted before Commission in various petitions. However, the same is again annexed as Annexure-8A. Similarly, the Cost-Benefit analysis in respect of R&M works at STPS PH-2&3 Sarni has already been submitted before Commission in petition No. 56 of 2012. However, the relevant portion of same is again annexed as Annexure-8B.*

**Issue:**

- (xix) **In ATPS PH-II, the petitioner has filed the additional capitalization of Rs. 7.83 Cr. under R&M scheme approved by the Board on 18.01.2004. Whether the cost of Rs. 8.68 Cr. filed against replacement of "IP Turbine rotor" by other repaired old one in Unit No.4 was covered under the aforesaid R&M scheme. The petitioner is also required to file the details of works originally approved under the R&M scheme and the balance works as on 31.03.2012 in this regard.**

**MPPGCL's Response:**

*The amount of Rs. 8.68 Cr. claimed as additional Capitalization against replacement of "IP Turbine Rotor" by other repaired old one in Unit No.4 of ATPS PH-2 which was not covered under R&M scheme approved by the Board of erstwhile MPSEB on 18-01-2004.*

*In the above context, as detailed in Para 4.3.5 of True up petition of FY 2011-12, the Unit No. 4 ATPS PH-2 was forced to shut down on 01.06.2011, as its IP Turbine rotor was got badly damaged at its Journal Bearing No.3 portion. Looking into the urgency of matter, a IP Turbine rotor, which was available at UKAI Thermal Power Station of GSECL, Gujarat, was transported to ATPS Chachai after minor repair, on pursuance of GoMP.*

*In the above context proviso 8.4 of MPERC Regulation 2009 reads as under:  
"...However, in such true up, any abnormal or uncontrollable variation can also be considered at the Commission's discretion"*

*Since the replacement of "IP Turbine rotor" against the badly damaged one is an abnormal event, which is beyond the control of MPPGCL, the same is claimed as asset addition in the instant petition in accordance with above mentioned proviso. MPPGCL humbly request MPERC to kindly permit the same.*

*As desired, the details of works originally approved under the R&M scheme of ATPS PH-2 by the Board of erstwhile MPSEB on 18.01.2004 and its balance works as on 31.03.2012 is annexed as Annexure-9A & 9B.*

**Issue:**

- (xx) **The Commission accorded in-principle approval of Rs. 336.80 Crores for Need Based R&M Scheme in Units 6, 7, 8 & 9 of STPS, Sarni subject to filing of main comprehensive R&M proposal within 24 months from the date of the order.**

**In view of the claim of Rs. 40.83 towards additional capitalization in PH-2 & 3 of STPS Sarni, the petitioner is required to file the status of its proposal for comprehensive R&M which was to be filed within the time prescribed.**

**MPPGCL's Response:**

*In regards to Status of proposal for compressive R&M of STPS Sarni Unit No.6,7,8 & 9, it is to inform that the proposal for carrying out comprehensive R&M work along with augmentation of ESPs for these units through PPP route adopting LROT option was submitted to Energy Department, Govt. of MP on 14.03.2013 (copy annexed as Annexure-10) to obtain "In-Principle" approval as per procedure laid down vide circular No.2097 dated 04.09.2010 of Finance Department, GoMP. The approval of GoMP for the same is awaited.*

**Issue:**

- (xxi) **The amount of Rs. 40.83 Crore towards additional capitalization in STPS Sarni is indicated in Asset Register whereas, the additional capitalization of Rs. 42.92 Cr. in STPS, Sarni is shown in the Audited Accounts. This discrepancy needs to be removed.**

**MPPGCL's Response:**

*Kindly refer the foot note of the Table No. 4.4.6.1, page No.67 of True Up petition FY 12, wherein it was clearly stated that:*

- Asset addition for STPS PH-1 amounting to Rs.0.07 Crores has not been considered as Special Allowance is being claimed by MPPGCL for this Power House.*
- An entry of 2.03 Crores treated as asset addition at STPS Sarni PH-2&3 in Audited Books of Accounts of MPPGCL has not been considered in the instant petition.*

*It is further to state that said amount of Rs.2.03 Crores for works is an adjustment entry, which shall be reversed in the books of accounts of*

subsequent years. Hence, the same is not being claimed in the instant petition. The figure of Rs.40.83 Crores works out as under:

<b>S. No</b>	<b>Particulars</b>	<b>Amount in Rs. Crores</b>	<b>Remarks</b>
1	Asset Addition at STPS Sarni complex as per Books of Accounts	42.92	
2	Asset Addition at STPS PH-1	0.07	Not considered in instant petition as special allowance had been claimed for it.
3	Accounting entry	2.03	Adjustment entry which shall be reversed in the books of accounts of later years.
<b>4</b>	<b>Asset Addition at STPS Sarni PH-2&amp;3. (Sl.No.1-2-3)</b>	<b>40.83</b>	<b>Claimed in instant Petition</b>

**Issue:**

- (xxii) **The petitioner has filed the additional capitalization in ATPS 210 MW and SGTPS 500 MW. The details of works capitalized during the year for these power stations are provided in table 4.3.9.1 and 4.3.29.1 of the petition. The petitioner is required to inform the following:**

**Dates of the orders issued for the major works capitalized under additional capitalization.**

**MPPGCL's Response:**

*The order copies of Major works capitalized under Additional Capitalization at ATPS 210 MW is already submitted before Commission as Annexure 7A, 7B & C of Additional Supporting Documents vide letter No.521 dated 29.04.2014. The date wise list of orders issued for major works at ATPS 210 MW is annexed as Annexure 3A. Similarly, the order copies of Major works capitalized under Additional Capitalization at SGTPS 500 MW is already submitted before Commission as Annexure-12 & Annexure-13 of Additional Supporting Documents vide letter No.521 dated 29.04.2014. The date wise list of orders issued for major works & capital Spares at SGTPS 500 MW is annexed as Annexure 3B.*

**Issue:**

- (xxiii) **Whether these works were part of main order or separate orders have been issued for these works?**

**MPPGCL's Response:**

*The works capitalized are part of the main order and its subsequent amendments as detailed in Annexure 3A and Annexure 3B.*

**Issue:**

- (xxiv) **What were the anticipated dates of completion of these works as per orders?**

**MPPGCL's Response:**

*The desired information is detailed in Annexure 3A and Annexure 3B.*

**Issue:**

- (xxv) **If there is any delay from the contractor side, the details of penalty if any, imposed on the contractors be informed.**

**MPPGCL's Response:**

*The power Station wise details of LD deducted at new power Stations is as under: (Same as explained in sub issue of issue No. (iii)).*

**Issue:**

- (xxvi) **How was the CoD of the units achieved without completing the major works at Sr. No.1 & 10 (Building Containing Thermo Electric Generation Plant and Coal Handling Plant and Handling Equipment) in case of ATPS 210 MW and at Sr. No. 4 (Turbine-Generator Steam Power Generator) in case of SGTPS 500 MW.**

**MPPGCL's Response:**

*It is to inform that the work of execution of Project is a Technical Term and Capitalization of Assets in Books of Accounts is a Financial Term. These two terms cannot be equated in one to one time domain. The said referred works*

were already executed earlier but were booked under the Account Code 14.XXX i.e. Capital work in Progress (CWIP). In FY 2011-12, the same were later transferred in the Account head 10.XXX (as Fixed Assets).

**Issue:**

- (xxvii) **In SGTPS 500 MW, the petitioner has claimed Rs. 47.24 Cr. against capitalization of capital spares during FY 2011-12. The petitioner is required to file the details regarding dates and amount of orders issued to different suppliers for procurement of capital spares.**

**MPPGCL's Response:**

*The date wise and amount wise details of orders placed to various suppliers are annexed as Annexure-11. The supplier wise order copies have already been submitted before Commission as Annexure No.12 of Additional Supporting Documents sent vide letter No.07-12/CS-MPPGCL/MPERC/TU FY 12/521 dated 29.04.2014.*

**Issue:**

- (xxviii) **The petitioner is required to file the details of penalty if any, imposed on the suppliers in case of delay in supply. The petitioner is also required to file details of initial spares supplied by the Original Equipment Manufacturer (OEM).**

**MPPGCL's Response:**

*As desired, the details of initial spares supplied by the Original Equipment Manufacturer (OEM) along with details of penalty imposed are annexed as Annexure-12.*

**Issue:**

- (xxix) **In case of ATPS, Chachai the total capitalization (PH-II and PH-III) during the year is Rs. 95.17 Cr. as per audited accounts (Annexure 27) whereas, the Asset Registers (Annexure-18 A&B) indicate the assets addition of Rs. 97.74 Cr. during the year. The petitioner has claimed Rs. 97.74 Cr as indicated in the Assets Register. This discrepancy needs to be clarified.**

**MPPGCL's Response:**

*It is to clarify that the value of Assets added shown in Annexure 27 of Additional Supporting Documents sent vide letter No.07-12/CS-MPPGCL/MPERC/TU FY 12/521 dated 29.04.2014 amounting to Rs. 95.17 Crores at ATPS Chachai (PH-2 & PH-3) is after considering the asset write off at ATPS Chachai. Kindly refer Table No. 4.4.6.1 on page No. 66 and table 4.4.7.1 on page No. 67 of True Up petition for FY 2011-12, where in the amount of Asset addition and write off at ATPS Chachai is clearly detailed. However, the same can be reviewed as below:*

<b>S. No.</b>	<b>Particulars</b>	<b>Amount in Rs. Crores</b>	<b>Remarks</b>
1	Asset Addition at ATPS Chachai	97.74	Refer Table No.4.4.6.1, Page No.66 of True up Petition for FY 12.
2	Asset Write off at ATPS Chachai	2.56	Refer Table No.4.4.7.1, Page No.67 of True up Petition for FY 12.
3	Net Asset Addition at ATPS Chachai after write off (Sl.No.1-2)	95.18	As shown in Annexure No. 27 of letter No. letter No.07-12/CS-MPPGCL/MPERC/ TU FY 12/521 dated 29-04-14

**Issue:**

(xxx) **While going through the funding for additional capitalization, it is observed that there is mismatch between the funding and assets created through funding. The petitioner is required to clarify this issue in light of the information provided in the subject petition along with the details in format**

**MPPGCL's Response:**

*The Power station wise details of additional capitalization and funding thereof through loan & equity/internal resources are comprehensibly detailed in True up petition for FY 12 in Chapter 4.3 namely "Additional Capitalization and funding thereof". However, the same is again elaborated along with filled up desired format which is annexed as Annexure 13.*



**Depreciation:**

**Issue:**

(xxxix) **In ATPS PH-II and STPS, Sarni, the depreciation for new assets has been worked out by considering the useful life of assets as 8 years and 4 years, respectively. The reasons for considering different useful life of new assets in two thermal power stations be filed.**

**MPPGCL's Response:**

*The ATPS PH-2 has already outlived its specified useful life i.e.25 years as per MPERC Regulation 2012 & at present its life is 36 years. It may be appreciated that the issue of charging depreciation on power stations which have lived their useful life was discussed at length with the Commission by the Joint Director (Accounts) of MPPGCL during the hearings on MYT petition for approval of generation Tariff for FY-10 to FY-12. Wherein it was clearly spelled out as to how the balance depreciation of the power stations who outlived their useful life is to be calculated, as the Appendix-II indicating the Depreciation rate of MPERC Regulation, 2009 as well as Regulation,2012 does not specify the life of individual assets and speaks only for newly commissioned power stations.*

*As a outcome of above mentioned discussion, it was decided that while preparing the Asset–Cum-Depreciation register, the balance depreciation of ATPS PH-2 with life extension of 8 years from FY 2009-10 onwards and all other power station who have outlived their useful life, is to be spread over the span of 4 years from FY 2009-10 onwards. This philosophy and procedure was appreciated, acknowledged & approved by the Commission in the True Up order for FY 2009-10.*

*It is not out of place to mention here that the aforesaid philosophy of charging depreciation has also been acknowledged by the statutory and AG Audit as reflected in the Significant Accounting Policies point no. 5 in Audited Annual Statement of Accounts for FY 2011-12.*

**Issue:**

(xxxii) In the new power stations ATPS 210 MW and SGTPS 500 MW, the petitioner has calculated the depreciation on total assets without deducting the amount of LD recovered from the vendors. In the final tariff order the capital cost was determined after accounting for the LD. Therefore, the petitioner is required to file depreciation for these power stations after deducting the amount of LD.

**MPPGCL's Response:**

*MPPGCL has considered the Gross Block of Fixed Assets of ATPS 210 MW & SGTPS 500 MW as recorded in the Audited Books of Accounts for the purpose of calculation of Depreciation. The methodology adopted in this regard is already detailed in reply to Point No (i) above.*

*However, the calculation sheet of tentative amount of depreciation after deduction of LD as desired by Commission is annexed as Annexure -14.*

**Issue:**

(xxxiii) The petitioner has filed a copy of Asset cum Depreciation register for FY 2011-12. Soft copy of the same be also filed.

**MPPGCL's Response:**

*The soft copy of Power Station wise Asset-Cum-Depreciation Register for FY 2011-12 is annexed as Annexure-15.*

**Return on Equity & Interest and finance charges:**

**Issue:**

(xxxiv) The petitioner is required to file documents in support of equity released by the GoMP for additional capitalization.

**MPPGCL's Response:**

*MPPGCL has utilized GoMP equity only in respect of assets capitalized at ATPS Chachai PH-3 (210 MW) and SGTPS Birsinghpur Ph-3 (500 MW). The supporting documents in this regard are annexed as Annexure 16A & 16B.*

*In respect of other power stations i.e. STPS PH-2 & 3, SGTPS PH-1 & 2, Bansagar PH-1, 2 & 3, Madhikheda HPS and HQ, MPPGCL has utilized its internal accruals / resources towards funding of assets capitalization as reflected in Annexure-13.*

**Issue:**

- (xxxv) **With regard to power station wise weighted average rate of interest filed in Annexure-19, the supporting documents are required to be furnished.**

**MPPGCL's Response:**

*Kindly refer Annexure No. 19 C of Additional Supporting letter submitted vide No. 521 dated 29.04.2014, wherein exhaustive working of Weighted Average rate of interest has already been submitted before Commission as supporting documents towards weighted Av. Rate of Interest. It is to mention that said draws are as per Audited Books of Accounts.*

*It may be appreciated that in the earlier True petitions, MPPGCL has submitted similar documents in support of weighted Average Rate of Interest, which was considered in said petitions and was duly cognized by Commission.*

**Issue:**

- (xxxvi) **On perusal of the details of funding (for ATPS 210 MW) filed in table 4.3.10.1 of the petition, it may be observed that Rs. 60.17 Cr. are outstanding as capital liabilities to be paid as on 31.03.2012. The petitioner is required to inform the source of funding for this outstanding liability against capitalized assets.**

**MPPGCL's Response:**

*MPPGCL likes to submit that the said liabilities shall be met from the balance drawl of PFC Loan No. 20701002 and internal accruals of MPPGCL.*

**Coal Cost:**

**Issue:**

- (xxxvii) **The petitioner has claimed Rs. 17.83 Crores against one time recovery of carpet coal written-off in all three thermal power stations of MPPGCL. It is**

observed that the quantity and cost of write-off carpet coal claimed in para 4.9.10 of the petition are considered as per the resolution passed in BoD meetings of the company. The petitioner is required to inform the following in this regard:

The provision under MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2009 under which the recovery of carpet coal written off is claimed.

**MPPGCL's Response:**

*The billing of Energy Charges (Variable Charges) is made by MPPGCL in accordance with proviso 39 of MPERC Regulation 2009. For this purpose, the Landed price of Coal is considered as per Proviso 39.1 of said Regulations.*

*There is no specific Regulation in respect of recovery of carpet coal. In this regard proviso 59.4 of MPERC Regulation 2009 reads as under:*

*“Nothing in these Regulations shall, expressly or impliedly, bar the Commission dealing with any matter or exercising any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.”*

*In light of aforesaid regulation, MPPGCL has request Commission to kindly provide suitable direction in the matter.*

**Issue:**

(xxxviii) **What is the basis for considering the price of carpet coal per MT for each thermal power station?**

**MPPGCL's Response:**

*In compliance to the recommendations of A.F. Ferguson appointed by MPERC as well as per report of Statutory Auditors in FY 2009 appointed by CAG, respective Chief Engineers of all the thermal power stations of MPPGCL were advised to initiate the process of identification and write off of carpet coal. This process was initiated in FY 2009 and therefore the price of carpet coal per MT for each thermal power station was taken as per the rate of coal on the opening*

balance of the coal stock as on 01.04.2009, so as to maintain similarity of rate at all power stations during FY 2009.

**Issue:**

- (xxxix) **How has the age/vintage of the carpet coal been established for arriving at the price of carpet coal?**

**MPPGCL's Response:**

*The coal stock available at the coal yards of power stations is a mix of coal received on various dates in various grades having different basic rates. However, after coal stacking in a single or multiple yards, as the case may be, the price of coal stock as a whole is taken as an average of all coal receipts on opening / closing dates. Therefore, price of carpet coal was same as per the rate as that of non-carpet coal stock as on 01.04.2009. Hence, there is no point in establishing the age / vintage of carpet coal physically measured for the purpose of write off, as its cost is the same as that of coal stock as a whole.*

**Issue:**

- (xi) **The principles and methodology adopted for writing off the carpet coal be submitted.**

**MPPGCL's Response:**

*The ground of the coal yard of existing power stations is generally not leveled and coal is stored on the ground since commissioning of the units. The coal coming in contact with ground gets mixed with soil due to its own weight, rains and movement of dozers etc. Due to passage of time, the volatile matters of the coal with the carpet get evaporated and a certain layer of coal over the ground does not remain useful for firing and generation of power. The layer of coal is termed as carpet coal which usually does not change unless there is change in area of Coal Handling Plant. In the standard practice followed all over in the field of coal based thermal power generating station, this carpet coal is written off once in the life time and the cost of such coal is booked in the profit and loss account of the Company unless there is change in coal yard area. The*

*aforesaid principle for writing off of carpet coal is also recommended to be followed by the Statutory Auditors appointed by CAG and M/s. A.F. Ferguson appointed by MPERC to study and recommend standard coal handling practices of all power stations of MPPGCL.*

*As far as methodology adopted for writing off of carpet coal is concerned, the same has been elaborated in detail at Para No. 4.9.8 of the True up Tariff Petition of FY 2011-12. Methodology has been duly got vetted through Dr. V.K. Sethi, Rector, RGPV, Bhopal and Ex-Director of Central Electricity Authority, New Delhi. The methodology adopted for writing off of the carpet coal is being described below:-*

*“For quantification of carpet coal, average depth of Carpet, total area of coal yard and average density of carpet coal is required to be measured. The depth of carpet can only be measured in an area where coal is not stocked. A hole is dug into the ground until the pure soil is reached out. The depth of coal carpet is then measured. Similar digging is carried out at various places in the coal yard at regular intervals and average depth is then arrived at. Thereafter, average density of carpet is calculated. For determination of density of carpet coal, heap of carpet coal is prepared in a box of 1m x 1m x 1m, which is then weighed and density is calculated by dividing the weight by the volume. Similar procedure is repeated for various areas of coal yard. The density thus arrived is multiplied by the area of the respective yards and the average depth of carpet for assessing the quantity of carpet coal.”*

**Issue:**

- (xli) **What would be the treatment of the carpet coal after its being written off in the Books of Account of MPPGCL?”**

**MPPGCL’s Response:**

*As already explained at Para 4.9.1 of the True up Tariff Petition for FY 2011-12, the layer of coal mixed with the soil of the ground and compressed in the earth, so as it becomes permanently unusable layer of coal over the CHP area, is*

termed as carpet coal. The quantity of coal stock under the carpet, which is unusable, is physically available but it has no value or any other use except to be utilized as a carpet for stacking fresh usable coal. For this reason, the value of carpet coal at respective thermal power stations has only been written off in the Books of Accounts of MPPGCL, while the quantity of carpet coal is physically available at respective thermal power stations at zero value.

**Issue:**

- (xlii) **The petitioner is required to file the details of the power station-wise GCV and landed price of coal in light of the Audited Accounts and claimed in the bills raised by the petitioner. Supporting documents be also furnished in this regard.**

**MPPGCL's Response:**

*The Power station wise details of Gross Calorific Value (GCV) as claimed in the bills raised by MPPGCL for FY 2011-12 is annexed as Annexure-17.*

*In reference to landed price of coal, the Power Station wise Coal valuation Model of MPPGCL for FY 2011-12 as per the Audited Books of Accounts of MPPGCL for FY 2011-12 is annexed as Annexure-18.*

*It is to mention that Final FCA Bills for FY 2011-12 are raised by MPPGCL based the weighted Average landed price of coal as determined through the above mentioned coal Model considering the normative Transit losses permitted by MPERC Regulations.*

**Issue:**

- (xlili) **The petitioner is required to file the power station wise statement/detailed break-up of all cost components and applicable charges/taxes/duty as per the applicable CIL price notification for arriving at the actual landed cost of the coal.**

**MPPGCL's Response:**

*The copies of relevant CIL Notifications applicable for FY 2011-12 are annexed as Annexure-19.*

The PowerStation wise sample copies of VCA Statement for the Month of Dec-11 indicating detailed break-up of all cost components and applicable charges/taxes/duty for arriving at the actual landed cost of the coal is annexed as Annexure-20.

**Issue:**

- (xiv) **The petitioner is required to file the coal related information for each thermal power station in:**

**MPPGCL's Response:**

The desired information in prescribed format has been duly filled and annexed as Annexure-21.

**Cost of Secondary Fuel Oil:**

**Issue:**

- (xiv) **While going through the details of the secondary fuel oil filed in the petition, it is observed that the wt. average rate of sec. fuel oil in ATPS and SGTPS is on the higher side. The petitioner is required to file the reasons along with the weighted average rate of secondary fuel oil claimed in the bills along with supporting documents.**

**MPPGCL's Response:**

The Weighted Average rate of Secondary Fuel Oil purchased depends on the mix of Furnace Oil (FO) and Light Diesel Oil (LDO). The Weighted Average rate of Secondary Fuel Oil as approved by Commission for the ATPS and SGTPS through various tariff orders are detailed below:-

<b>Name of Thermal Power Stations</b>	<b>Ref. Order in Petition No.</b>	<b>Page No.</b>	<b>Rates approved by MPERC in Rs./kL</b>
<b>ATPS PH-2 Chachai</b>	54/2009	59	30691
<b>ATPS PH-3 Chachai</b>	34/2011	34	36577
<b>SGTPS PH-1&amp;2 Birsinghpur</b>	54/2009	59	33170
<b>SGTPS PH-3 Birsinghpur</b>	58/2012	41	43056



Accordingly, the power station wise details of actual weighted average rate of Secondary Fuel Oil vis-à-vis the approved rate as mentioned above:-

<b>Rate in Rs./kL</b>			
<b>Name of Thermal Power Stations</b>	<b>As per MPERC Order</b>	<b>As per Actual</b>	<b>Diff. In Rs.</b>
<b>ATPS PH-2 Chachai</b>	30691	49390	18699
<b>ATPS PH-3 Chachai</b>	36577	49390	12813
<b>SGTPS PH-1&amp;2 Birsinghpur</b>	33170	45149	11979
<b>SGTPS PH-3 Birsinghpur</b>	43056	45149	2093

MPPGCL likes to mention that at the time of processing of MYT Petition for FY 2009-10 to FY 2011-12, the weighted average rate of Secondary Oil as demanded by Commission for ATPS was Rs. 33905 per kL, which was derived on provisional basis based on stores records as no oil was procured during this period of previous three months.

The difference in weighted average prices of Secondary fuel prices approved by Commission and the prices considered in this true up petition is significant, mainly due to the fact that the Secondary Fuel oil prices was approved by Commission at the start of the control period and instant Trueup petition is for last financial year in the control period. This difference is narrowed down for the case of SGTPS 500MW Extn. Unit 5 whose petition for Final Generation Tariff was filled 2012. Further it to once again intimate that the prices of furnace Oil /HSD/LDO are decided by Ministry of Petroleum, Gol on which MPPGCL has no control. The procurement details are annexed as Annexure-22A, 22B & 22C.

**Issue:**

- (xvi) **It is further observed that the petitioner has filed the statement for cost of oil purchased during October, 2010 in ATPS, Chachai certified by the RAO and SE (MPC) of Amarkantak thermal power station. The subject petition is for true-up of FY 2011-12 and statement of October, 2010 has no relevance in this petition. Therefore, the petitioner is required to file the**

statement for oil purchased during FY 2011-12 for all the thermal power stations separately.

**MPPGCL's Response::-**

*The desired information is annexed as Annexure-22A, 22B & 22C.*

**Issue:**

- (xlvii) The petitioner has filed the weighted average rate of secondary fuel oil based on the oil purchased during the year. The petitioner is required to file the power station-wise break-up of quantity, amount and rate of oil consumed on share basis as per audited accounts vis-à-vis on 100% capacity basis.

**MPPGCL's Response::-**

*As desired the power station-wise break-up of quantity, amount and rate of oil consumed on share basis as per audited accounts vis-à-vis on 100% capacity basis is annexed as Annexure-23.*

**Other Charges:**

**Issue:**

- (xlviii) On perusal of the final bills raised by the MPPGCL for FY 2011-12, it is observed that MPPGCL has also claimed the water charges for thermal power station. It is further observed that the Commission had neither allowed water charges for thermal power stations in MYT order dated 3<sup>rd</sup> March'2010 nor in final tariff orders for ATPS 210 MW & SGTPS 500 MW. Separate water charges for thermal power stations were also not allowed in true-up orders for FY 10 and FY11.

In view of the above, the petitioner is required to explain the reasons for claiming the water charges in the bills for FY 2011-12 raised by the petitioner. The petitioner is also required to provide the details of water charges for thermal power station, if any, billed for the period of FY 2009-10 and FY 10-11.

**MPPGCL's Response:**

*In reference to recovery of Water charges for thermal power stations by MPPGCL during FY 2011-12, it is to state such recovery is made in accordance with proviso 34.1 of MPERC Regulation 2009. The said proviso is reproduced as under:-*

***"The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actual."***

*In respect to recovery of water chares in FY 2009-10 & FY 2010-11, it is to state the Commission vide True up order for FY 2009-10 dated 23.01.2013 (Para 107), True up order for FY 2010-11 dated 26-09-2013 (Para 126) & Final tariff order for SGTPS 500 MW dated 28-02-2012 has directed as under:-*

*"In addition to the other charges as approved above, the petitioner is entitled to recover the taxes in accordance with Regulation, 2009 on pro-rata basis payable to the Government, taxes levied by Statutory Authorities and fees paid to MPERC as actuals.*

*Since the Water charges for Thermal Power Stations is payable to Government as per rates specified by GoMP notification, MPPGCL has made recovery of said charges in accordance with the above mentioned MPERC Regulation and True up orders.*

*The recovery of Water charges of thermal power stations for FY 2009-10 & FY 2010-11 was made on actual basis as per Audited books of accounts and for FY 2011-12, on provisional basis, which is subject to finalization of bills, which will be done after the issue of True up order for FY 2011-12. As desired, the details of Water charges for thermal power stations billed during the period FY2009-10 & FY 2010-11 is annexed as Annexure-24.*

**Issue:**

- (xlix) **On further scrutiny of the bills raised by the MPPGCL for FY 2011-12, the following is observed;**

**The copy of the bills for ATPS 210 MW are not filed by the petitioner. Therefore, the copy of bills raised for ATPS 210 MW power station be also submitted.**

**MPPGCL's Response:**

*The copy of revised energy charge bills, billed for ATPS 210 MW (Revision III) for the period April 2011 to March 2012 dated 01.03.2013 is enclosed as Annexure-25.*

**(l) Issue:**

**Other charges have been billed in SGTPS 500 MW and Madhikheda HPS. The petitioner is required to file the breakup of other charges for these two power stations.**

**MPPGCL's Response:**

*As desired, the breakup of other charges billed for SGTPS 500 MW and Madhikheda HPS during FY 2011-12 is annexed as Annexure-26.*

**Issue:**

- (li) The subject true-up petition, the petitioner has filed the "Cess on auxiliary consumption" in all thermal power stations whereas in the bills raised by the petitioner, the amount of Cess for FY 2011-12 is billed only for SGTPS 500 MW. The petitioner is required to clarify the aforesaid discrepancy.**

**MPPGCL's Response:**

*"In respect of billing of Cess on Auxiliary consumption, it is to state that the Cess on auxiliary consumption is not levied from 9.08.2011 vide GoMP notification dated 10.08.2011 (copy enclosed as Annexure-27). In accordance with the same, MPPGCL has provisionally billed the amount of cess for the period 01.04.2011 to 09.08.2011 towards all the power stations of MPPGCL.*

*Kindly refer the copy of bills already submitted by MPPGCL vide Annexure No.3 of Additional Supporting Documents vide letter No 07-12/CS-MPPGCL/MPERC/TU FY 12/521 dated 29.4.2014. It may be seen from the bills*

for the period of April 2011 to August 2011, that the amount of cess is provisionally billed by MPPGCL for the said period towards all the power stations of MPPGCL subject to final revision, which will be done after the issuance of true up order for FY 2011-12 by MPERC.

In respect of billing of cess towards SGTPS PH-3, it is to state that the final tariff orders of SGTPS PH-3 500 MW was issued on 28.02.2013. Accordingly, the bills for these power stations were revised for FY 2011-12. In the said revision, the cess on auxiliary consumption of these power stations upto August 11 was distributed in 12 months and was billed accordingly, on provisional basis by MPPGCL subject to final revision, which will be done after the issuance of true up order for FY 12 by MPERC.”

## **Capital Cost**

### **Petitioner’s submission:**

25. The petitioner (in Para 4.4 of the petition) submitted the power station wise break-up of fixed assets as per the audited books of accounts for FY2011-12. The details of opening gross fixed assets along with asset additions and adjustment/ deductions as filed by the petitioner as per the Annual Statement of Accounts are as given below:

**Table No. 5: Opening Gross Block & and asset addition: ₹ Crores**

Sr. No.	Power Station	Gross Block filed in the petition			
		Opening	Addition	Adjustment	Closing
		₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.
1	ATPS, Chachai PH-II	201.26	16.50	-0.006	217.76
2	ATPS, Chachai PH-III	1027.28	81.24	-2.50	1108.52
3	STPS, Sarni Complex	673.34	40.83	-0.01	714.17
4	SGTPS, PH-1&2	2172.82	0.01	0.11	2172.83
5	SGTPS, PH-3	2005.43	61.13	-0.62	2066.56
6	Gandhi Sagar	10.33	0.00		10.33
7	Pench	96.27	0.00		96.27
8	Rajghat	82.81	0.00		82.81
9	Bargi	87.03	0.00		87.03
10	Bansagar (I to III)	1249.00	0.57		1249.57
11	Birsinghpur	52.15	0.00		52.15
12	Madhikheda	214.93	0.74		215.67
	HQ	1.08	0.08		1.16
	<b>Total</b>	<b>7873.73</b>	<b>201.10</b>	<b>-3.07</b>	<b>8071.76</b>

**Provision in Regulation:**

26. Regarding capital cost of the generating stations, Regulation 17.2 of the Regulations, 2009 provided as under:

*Subject to prudent check, the capital cost admitted by the Commission shall form the basis for determination of Tariff:*

*Provided that, prudent check of capital cost may be carried out based on the benchmark norms to be specified by the Central Commission from time to time:*

*Provided further that in cases where benchmark norms have not been specified by the Central Commission, prudent check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of Tariff :*

*Provided also that the Commission may issue guidelines for vetting of capital cost of hydro-electric Projects by independent agency or expert and in that event the capital cost as vetted by such agency or expert may be considered by the Commission while determining the Tariff for the hydro generating station*

*Provided also that the Commission may issue guidelines for scrutiny and approval of Commissioning schedule of the hydro-electric Projects of a developer, not being a State controlled or owned company as envisaged in the Tariff policy as amended vide Government of India Resolution No 23/2/2005-R&R dated 31st March 2008 :*

*Provided also that in case the site of a Hydro generating station is awarded to a developer (not being a State controlled or owned Company), by a State Government by following a two stage transparent process of bidding, any Expenditure Incurred or committed to be incurred by the Project developer for getting the Project site allotted shall not be included in the capital cost...*

*Provided also that in case of the existing Projects, the capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure*

*Projected to be incurred for the respective Year of the Tariff period during 2009-12, as may be admitted by the Commission, shall form the basis for determination of Tariff.”*

**Commission’s Analysis:**

27. The petitioner filed the total opening Gross Fixed Assets of ₹ 7872.65 Crores as on 1<sup>st</sup> April, 2011 for its thermal and hydel power stations covered under the subject true-up petition. The petitioner also filed the power station wise details of opening fixed assets considered in the petition.
28. The Commission observed that total closing GFA (as on 31<sup>st</sup> March, 2011) of ₹ 7710.45 Crores was considered for existing power stations in its last true-up order for FY2010-11 and final tariff orders for new power stations. Therefore, there is a difference of ₹ 162.2 Crores. This difference in opening value of the assets is on account of Liquidated Damages (LD) deducted in new units i.e, ATPS 210 MW and SGTPS 500 MW in their final tariff orders. The amount of LD considered in final tariff orders for ATPS 210 MW and SGTPS 500 MW was ₹50.60 Crores. and ₹ 111.50 Crores respectively. These amount of LD are yet to be taken into account by the petitioner in its audited accounts.
29. In para 4.3.14 of the petition, it is mentioned that as per the Standard Accounting Principles, assets are recorded in books of accounts at the original value without deduction. The amount of LD etc remains withheld till the final settlement is made with the contractor and thereafter necessary entries with adjustments are made in the books of accounts. The settlement has not been made with the contractor finally and so the final amount of LD etc cannot be ascertained. Therefore, MPPGCL has considered the project cost as capitalized in the books of accounts for calculating depreciation.
30. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner confirmed that an amount of Rs.93.04 Crores was initially retained as Liquidated Damages (LD) in SGTPS 500 MW Extn. Unit No. 5 from three turnkey contracts placed on M/s BHEL and Rs. 18.50 Crores as Exchange Rate Variation (ERV) / Custom Duty Variation



(CDV) at CoD. Thus, the total retained amount was Rs.111.54 Crores (Rs.93.04 + Rs.18.50 Crores),. The petitioner further informed that the LD on contracts placed on BHEL has now been finally settled in FY 2013-14. Accordingly, the maximum amount of LD leviable was Rs. 82.72 Crores for all three contracts placed on BHEL. The balance amount of Rs.10.31 Crores pertaining to the portion of various taxes and duties, has been refunded to M/s BHEL in the month of August' 2013. The deduction of Rs.18.50 Crores on account of ERV/CDV is also finalized and remains unaltered.

The petitioner mentioned that the process of finalization of Books of Accounts for FY 2013-14 is in progress. Therefore, the accounting treatment of finalized amount of LD & ERV/CDV shall be informed in due course.

31. Regarding ATPS 210 MW Extn. Unit No.5, the petitioner submitted that it has initially retained an amount of Rs. 45.84 Crores towards Liquidated Damages (LD) for contract placed on M/s BHEL and Rs. 4.75 Crores on account of Exchange Rate Variation (ERV) / Custom Duty Variation (CDV). Thus, the total retained amount is worked out to be Rs. 50.59 Crores (Rs.45.84 + Rs.4.75 Crores). The petitioner further submitted that the amount retained till date on account of LD & ERV/CDV for ATPS 210MW Extn. Unit No.5 is yet to be finalized and settled.
32. In view of the above, the opening GFA of ₹ 7710.45 Cr. (as admitted by the Commission as closing gross fixed assets as on 31<sup>st</sup> March, 2011 in true-up order for FY2010-11 issued on 26<sup>th</sup> September, 2013 in Petition No. 17 of 2013 and the final tariff orders for new power stations) is considered in this order. The stations-wise break-up of closing GFA for FY 2010-11 as admitted in the last true-up/final tariff orders is given below :



**Table No. 6: (₹ Crores)**

<b>Sr. No.</b>	<b>Power Station</b>	<b>Closing Gross Fixed Assets admitted as on 31<sup>st</sup> March, 2011</b>
1	ATPS, Chachai PH-II	201.26
2	ATPS, Chachai PH-III	976.66
3	STPS, Sarni Complex	673.33
4	SGTPS, Birsing'pur PH-1&2	2172.83
5	SGTPS, Birsing'pur PH-3	1893.89
6	Gandhi Sagar	10.33
7	Pench	96.26
8	Rajghat	82.80
9	Bargi	87.03
10	Bansagar (I to III)	1248.98
11	Birsinghpur	52.15
12	Madhikheda	214.93
<b>Total</b>		<b>7710.45</b>

33. The power station wise closing Gross Fixed Assets as on 31<sup>st</sup> March, 2011 as admitted in the last true-up/final tariff orders is considered as opening Gross Fixed Assets as on 1<sup>st</sup> April, 2011 in this true-up order. The petitioner is required to finalize the LD amount in ATPS 210 MW and SGTPS 500 MW Units and the impact of finally settled LD shall be considered in the true-up order for the respective year based on the annual audited accounts.

### **Additional Capitalization:**

#### **Petitioner's submission:**

34. In the subject true-up petition, the petitioner has filed the additional capitalization during FY2011-12. In para 4.4.6 of the petition, the petitioner submitted that during FY2011-12 Asset capitalization was carried out in the existing stations as well as in the new projects i.e. ATPS 210 MW PH-3, SGTPS 500 MW PH-3, and Madhikheda HPS. These Assets additions were made on account of new assets capitalized under the head Fixed Assets. The summary of Asset additions as per Audited Books of account for FY 2011-12 as filed by the petitioner is as given below:

Table No. 7:

₹ Crores

Sr. No.	Power Station	Gross Fixed Assets Additions filed during FY2011-12
1	ATPS, Chachai PH-II	16.50
2	ATPS, Chachai PH-III	81.24
3	STPS, Sarni Complex	40.83
4	SGTPS, Birsing'pur PH-1&2	0.01
5	SGTPS, Birsing'pur PH-3	61.13
6	Gandhi Sagar	0.00
7	Pench	0.00
8	Rajghat	0.00
9	Bargi	0.00
10	Bansagar (I to III)	0.57
11	Birsinghpur	0.00
12	Madhikheda	0.74
<b>Total</b>		<b>201.02</b>

35. With regard to the aforesaid additional capitalization in thermal power stations in FY2011-12, the petitioner broadly submitted the following:

**ATPS PH-2, Chachai:**

*“The Renovation and Modernization scheme at ATPS PH-2 (2x120 MW) was approved by the Board of erstwhile MPSEB on 18-01-2004 of Rs.124.30 Crores. The said R&M scheme was financed through PFC loan of Rs.99.00 Crores, GoMP Loan of Rs.6.01 Crores and balance through equity/internal resources of the company. The additional asset capitalized under said scheme as per the Audited books of Accounts for FY 2011-12 amounts to Rs. 7.83 Crores.*

*In addition to above, MPPGCL likes to submit that the Unit No. 4 ATPS PH-2 was forced to shut down on 01.06.2011, as its IP Turbine rotor was got badly damaged at its Journal Bearing No.3 portion. Immediate efforts were made to procure the same from the either manufacturer M/s BHEL or from other sources /utilities. In the process it was gathered that one spare IP Turbine rotor was available at UKAI Thermal Power Station of GSECL, Gujarat.. After minor repair work, the spare IP turbine rotor from Gujarat was transported to ATPS Chachai. The Unit was re-commissioned/put to service at the earliest on 14.11.2011 for meeting the increasing power demand in Rabi*

season. The capital expenditure towards procurement of said IP turbine rotor was met from the internal recourses (Equity) of Rs. 8.67 Crores. And same has also been claimed in this true-up petition “.

**STPS Sarni:**

“With regard to additional capitalization of STPS, Sarni the petitioner submitted that the Commission in its order for petition No. 56 of 2012 dated 07.11.2012 has accorded approval of capital expenditure of Rs. 336.80 Crores towards need based R&M works for Units of PH-2&3, STPS Sarni. The Commission in said order has directed that in case the main comprehensive R&M proposal for Unit No. 6,7,8&9 of STPS Sarni is not filed by MPPGCL within 24 months from the date of order the approval of subject capital expenditure for need based R&M shall be limited to eligibility of availing special allowance by MPPGCL for aforesaid units for this period under the provisions of the Regulations, 2009 and its amendments at the rate specified in extant regulations for each year of control period.

The additional capitalization carried out at STPS PH- 2&3 and captured in the audited Annual Audited Accounts of MPPGCL for FY 2011-12 of Rs. 40.83 Crores. It is to mention that MPPGCL has availed HUDCO Loan for the above need based R&M scheme from FY-13 onwards. Hence the works initiated in FY 2011-12 have been funded from GoMP Loan and internal resources.”

**ATPS, Chachai, 210 MW:**

“The extension Unit No.5, 210MW ATPS was commissioned on 10.09.2009, accordingly MPPGCL had filed petition for determination of Final generation Tariff on 31.12.2011 for the period FY-10 to FY-11 on actual basis and for FY-12 on projected basis. The Commission vide tariff order dated 01.05.2012 has determined the final generation for FY-10 & FY-11 on actual basis and FY-12 on projected basis.

The additional capitalization carried out are within the original scope of cost estimate of ₹ 1242.14 Crores approved by GoMP MPPGCL further wish to

*submit that as per the proviso 20.1 of MPERC Regulations 2009, the capital expenditure on account of un-discharged liabilities incurred after the date of Commercial operation and within the original scope of work may be admitted by the Commission subject to prudent check.*

*In accordance to the above, MPPGCL has claimed Rs.81.24 Crores as additional capitalization against which the Liability amounting to Rs.60.17 Crores remains un-discharged as on 31.03.2012. The copy of audited Trial Balance of ATPS Chachai for FY 2011-12 indicating the amount of total capital liability amounting to Rs. 104.13 Crores in respect of ATPS chachai is annexed as Annexure-9 in additional information being submitted separately as supporting documents.*

**SGTPS, Birsing'pur 500 MW:**

*“The extension Unit No.5, 500MW SGTPS was commissioned on 28.08.2008. The Commission vide order dated 26.02.2013 has determined the final generation for FY-09, FY-10 & FY-11 on actual basis and FY-12 on projected basis. MPPGCL wish to submit that the additional capitalization carried out at SGTPS PH-3 500MW as per the Annual Statement of Accounts for FY2011-12 is ₹ 61.13 Cr. The SGTPS Extn. Unit No.5 500MW project was on EPC Turnkey basis awarded to M/s BHEL. The major asset capitalized under Account Code 11.300 pertains to procurement of capital spares which were capitalized in consolidated audited Annual Statement of Accounts The aforesaid additional capitalization carried out were within the original scope of cost estimate of ₹ 2300 Crores approved by GoMP”.*

**Provision in Regulation**

36. Regarding additional capitalization of the generating stations, Regulation 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 provided that:

*“The capital Expenditure Incurred or projected to be Incurred, on the following counts within the original scope of work, after the Date of Commercial operation and may be admitted by the Commission, subject to prudent check:*

- (a) Undercharged liabilities*
- (b) Works deferred for execution*
- (c) liabilities to meet award of arbitration or for compliance of order or decree of a court,*
- (d) Change in Law,*
- (e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)*

*Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for Tariff.*

*The capital Expenditure Incurred on the following counts after the Cut off date may, in its discretion, be admitted by the Commission, subject to prudent check:*

- (a) liabilities to meet award of arbitration or for compliance of the order or decree of a court;*
- (b) Change in Law.*
- (c) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (d) In case of Hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the Generating Company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and Expenditure Incurred due to any additional work which has become necessary for successful and efficient plant operation:*

*Provided that in respect sub-clauses (d) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for Additional Capitalization for determination of Tariff for the Tariff period under these Regulations.”*

**Commission’s Analysis:**

37. The Commission issued the last true-up order for FY2010-11 on 26<sup>th</sup> September, 2013 for existing power stations considering the additional capitalization during FY2009-10 and FY2010-11. The Commission also issued final tariff orders for new projects i.e. ATPS 210 MW, SGTPS 500 MW and Madhikheda HPS. For the aforesaid new projects, the additional capitalization up to 31<sup>st</sup> March 2011 has been admitted as per Annual Audited accounts for FY2010-11 and funding for aforesaid additional capitalization was considered accordingly.
38. The Annual Audited accounts for FY 2011-12 were not submitted by the petitioner at the time of processing the final tariff orders for new power projects. Therefore, the Commission provisionally allowed additional capitalization for FY2011-12 on projections. The petitioner has now filed the Annual Audited Statement for FY2011-12 and claimed asset capitalization in existing as well as new power stations based on the Annual Audited accounts of FY2011-12. Therefore, the claim regarding additional capitalization for each power station has been examined separately on the basis of Annual audited financial statement and asset-cum depreciation registers.
39. The Annual Audited Accounts of the petitioner is for MPPGCL as whole (for all thermal and hydel power stations). Therefore, in order to identify the assets of individual power stations, the petitioner was asked to file the power station wise break-up of schedules of the audited accounts in light of the consolidated balance sheet of the petitioner company. The petitioner submitted the aforesaid break-up of schedules.

40. Vide Commission's letter dated 31<sup>st</sup> May, 2014, the petitioner was asked to file several details/additional information regarding additional capitalization during FY 2011-12 (in existing and new power stations) filed in the petition with all relevant supporting documents as per Regulation 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009.
41. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner filed its response on the issues raised by the Commission. The petitioner's response on additional capitalization has been detailed in **para 24** of this order. In its additional submission, the petitioner filed the updated status and funding details of additional capitalization in respect of all thermal and hydel power stations of MPPGCL for FY11-12 as given below:

**Table No. 8:****Additional Capitalization and Funding filed:****₹ Crores**

<b>Sr. No.</b>	<b>Power Station</b>	<b>Additional Capitalization during FY2011-12</b>	<b>Loan</b>	<b>Equity</b>
1	ATPS PH-II	16.50	16.49	8.68
2	ATPS PH-III	81.24	20.09	0.98
3	STPS PH 2&3	40.83	2.50	38.33
4	SGTPS PH 1&2	0.01	0.00	0.01
5	SGTPS PH-III	61.13	230.70	25.24
6	Bansagar ph 1, 2 and 3	0.57	0.00	0.57
7	Madhikheda	0.74	0.00	0.74
8	HQ	1.16	1.18	0.14
	<b>Total</b>	<b>202.19</b>	<b>270.96</b>	<b>74.68</b>

42. Based on the details of additional capitalization filed by the petitioner in the petition and additional submission dated 25<sup>th</sup> June, 2014, the Commission has observed the following;

**Additional Capitalization in Existing Projects:****A. ATPS Chachai PH-2 (2X120MW)**

- (i) The petitioner filed the additional capitalization of ₹16.51 Crores in ATPS PH-II during FY2011-12. Out of total capitalization filed in ATPS PH-II the assets of ₹ 7.83 Crores capitalized under Renovation and Modernization

scheme approved by the Board of erstwhile MPSEB on 18.01.2004 and balance assets of ₹8.68 Crores capitalized against replacement of damaged IP Turbine Rotor in Unit No. 4 (which was not covered under the approved R&M scheme for this power house).

- (ii) The estimated amount of ₹124.30 Crores under R&M scheme of ATPS PH-II was approved with the funding of ₹ 99.00 Crores through PFC loan No. 20104021 and ₹6.01 Crores through GoMP loan. The balance funding of ₹19.29 Crores was approved through equity / internal resources of the company. The details of additional capitalization allowed by the Commission in previous years true-up/tariff orders under this R&M scheme are as follows:

**Table No. 9: ₹ Crores**

<b>Particular</b>	<b>Estimated amount by R&amp;M scheme</b>	<b>approved BoD under</b>	<b>Total amount admitted as on 31<sup>st</sup> March, 2011</b>
Assets	124.30		78.01
Loan	105.01		78.01
Equity	19.29		0.00

- (iii) It is observed that the Board approved the R&M scheme with the funding of 18.4% equity component and 81.6% debt component. Till 31<sup>st</sup> March, 2011 the petitioner capitalized all the assets through loan component and no equity infusion was carried out till 31<sup>st</sup> March, 2011.
- (iv) The petitioner submitted that the additional assets capitalized during FY2011-12 under aforesaid R&M scheme as per the Audited books of Accounts for FY2011-12 amount to ₹ 7.83 Crores. The asset addition has been funded through PFC loan No. 20104021. The details of asset capitalized during FY2011-12 under the said scheme as filed by the petitioner are given below:



**Table No. 10:**

<b>Sr. No.</b>	<b>Power House</b>	<b>Account Code</b>	<b>Details of Asset Capitalized</b>	<b>In ₹ Crores</b>
1	PH-2	10.501	Boiler Plant & Equipments	5.69
2	PH-2	10.503	Turbine-Generator-Steam Power Generation	2.14
<b>Total</b>				<b>7.83</b>

- (v) In addition to the aforesaid additional capitalization, the petitioner also submitted that the IP Turbine rotor of Unit No. 4 of ATPS PH-2 was badly damaged. Looking to the urgency of the matter, an old IP Turbine Rotor was arranged and transported from Gujarat to ATPS, Chachai after minor repair, on pursuance of GoMP. The Unit was re-commissioned/put into service on 14.11.2011. The capital expenditure towards procurement of said IP turbine rotor was met by the petitioner from its internal recourses (Equity) of Rs. 8.68 Crores.
- (vi) The total additional capitalization of ₹16.51 Crores (including replacement of IP turbine rotor) in ATPS PH-II was claimed in the petition. The aforesaid asset addition has been verified from the Asset-cum-depreciation register of ATPS PH-II for FY2011-12 and also from the Annual Audited Accounts for FY2011-11 submitted by the petitioner.
- (vii) In view of the above, the Commission observed that the assets of ₹ 7.83 Crores are capitalized in the books of accounts of FY11-12 and these assets are covered under approved R&M scheme of ATPS PH-II. It is further observed that these new assets created under R&M scheme have also been recorded in asset cum depreciation register of ATPS PH-II for FY2011-12. The Commission has already allowed the additional capitalization of assets under this R&M scheme in previous true-up orders from FY2008-09 to FY2010-11. Therefore, the additional capitalization of ₹ 7.83 Crores during FY2011-12 under aforesaid R&M scheme of ATPS PH-II is allowed in this order.

- (viii) With regard to the additional capitalization in respect of replacement of IP Turbine Rotor, the petitioner informed that the additional capitalization of ₹8.68 Cr. against replacement of “IP Turbine Rotor” (by old one) in ATPS, PH-II was not covered under R&M scheme approved by the Board. It is further informed by MPPGCL that the Unit No. 4 of ATPS PH-2 was under forced outage on 01.06.2011 due to damage of the said IP Turbine rotor. Therefore, looking to the urgency, the “IP Turbine Rotor” was arranged on pursuance of GoMP and got replaced.
- (ix) As sought, the petitioner filed a copy of purchase order dated 16<sup>th</sup> December, 2011 along with a copy of the approval accorded by the competent authority for purchase of the said IP Rotor for 120 MW Unit No.4 ATPS, Chachai. In its additional submission dated 25<sup>th</sup> June, 2014, the petitioner stated that “any abnormal or uncontrollable variation can be considered at the Commission’s discretion” under proviso 8.4 of the Regulations, 2009.
- (x) In its true-up order for FY2008-09, the Commission had considered certain works being necessary for running the power plant, under need based R&M scheme of ATPS PH-II under Regulation 19(f) of MPERC (Terms and Conditions for determination of Generation tariff) Regulation, 2005. In view of the above, the additional capitalization under such R&M scheme including replacement of IP Turbine Rotor capitalized during FY2011-12 is admitted in this order under all relevant provisions read with Regulation 8.4 of Regulations’2009. The details of the additional capitalization and funding considered in ATPS PH-II under R&M scheme are summarized as given below:

**Table No. 11:**

**₹ Crores**

Particular	Estimated approved amount	Allowed as on 31.03.2011	Considered during FY2011-12			Total Add. Cap. allowed as on 31.03.2012
			Under R&M Scheme	Expenses on IP Rotor	Total amount	
Assets	124.30	78.01	7.83	8.68	16.51	94.52
Loan	105.01	78.01	7.83	0.00	7.83	85.84
Equity	19.29	0.00	0.00	8.68	8.68	8.68

**B. STPS Sarni PH-2&3:**

- (i) The claim regarding asset addition/ additional capitalization of ₹40.83 Crores in STPS, Sarni PH-2&3 during FY2010-11 is examined in the following backdrop:
- (a) Vide Commission's order dated 07.11.2012 (in petition No. 56 of 2012), the approval for the need based R&M works of ₹336.80 crores for STPS, PH-II&III was granted subject to filing main comprehensive R&M scheme for Unit No.6, 7, 8 & 9 of STPS, Sarni within 24 months from the date of the Commission's order. In the aforesaid order, it was clearly mentioned that in case the main comprehensive R&M proposal for Unit No. 6,7,8&9 of STPS Sarni is not filed by MPPGCL within time limit, the approval of subject capital expenditure for need based R&M shall be limited to eligibility of availing special allowance by MPPGCL for the aforesaid units for this period under regulation 18.4 & 18.5 of the Regulation,2009 and its amendments at the rate specified in the extant Regulations for each year of the control period.
- (b) By additional affidavit dated 25<sup>th</sup> June, 2014, the petitioner informed that the proposal for comprehensive R&M of STPS, Sarni Unit No. 6, 7, 8 and 9 has been submitted to the Department of Energy, Govt. of MP on 14<sup>th</sup> March, 2013 for their approval. The petitioner confirmed that the GoMP's approval on comprehensive R&M is still awaited and the same has not been filed with the Commission.
- (c) The proposal for comprehensive R&M scheme is yet to be filed by the petitioner. Therefore, the additional capitalization of ₹40.83 Cr. of STPS PH-2&3 is not allowed in this true-up order and shall be considered only after approval of the comprehensive R&M scheme by the Commission

**C. Bansagar PH-1, 2 & 3**

- (i) The petitioner filed the additional capitalization of ₹0.57 Crores in Bansagar, PH-1, 2 & 3 during FY2010-11 towards land acquisition and fire protection system. The petitioner has confirmed that the aforesaid asset has been funded through internal resources/ equity component. The account code wise details of the assets capitalized in Bansagar complex during FY2011-12 as filed by the petitioner are as under:

**Table No. 12:**

Sr. No.	Account Code	Details of Asset Capitalized	₹ Crores
1	10.101	Land owned under full title	0.441
2	10.541	Transmission plant-Transformers 100 KVA & above	0.033
3	10.581	Meter testing laboratory Tools & Equipments	0.003
4	10.599	Fire protection System	0.083
5	10.905	Computers	0.013
<b>Total</b>			<b>0.573</b>

- (ii) *Regulation 20.1 (a)* of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that *the capital Expenditure Incurred on the following counts after the Cut off date may, in its discretion, be admitted by the Commission, subject to prudent check:*

“Liabilities to meet award of arbitration or for compliance of the order or decree of a court.”

Regulation 20.2(d) of Regulations, 2009 further provides that “In case of Hydel Power Station any capital expenditure or additional work which has become necessary for successful and efficient plant operation may be admitted by the Commission after prudent check.”

- (iii) The above major expenditure under additional capitalization was towards additional compensation for land acquisition as per direction of the Hon’ble High Court of M.P. The other assets capitalized are of minor nature mainly for Fire Protection System, Supervision of erection, testing & commissioning of 130 MVA Generator Transformer at

Tons HPS and procurement of computers. The petitioner confirmed that all the assets under additional capitalization are new.

- (iv) With regard to the funding of additional capitalization, the petitioner submitted that the aforesaid new assets were created through internal resources/ equity component. The details of funding filed by the petitioner is as given below:

**Table No. 13: (₹ Crores)**

Particular	FY 2009-10
Asset addition	0.57
Loan component	0.00
Equity component	0.57

- (v) The Commission has observed that the petitioner has capitalized the aforesaid asset in its books of accounts for FY2011-12. These assets are recorded in the Asset Register of Bansagar HPS. Therefore, the additional capitalization of ₹ 0.57 Crores in Bansagar Hydro Power Project is considered and admitted under Regulation 20.2(a) and (d) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009.

#### **Additional Capitalization in New Projects:**

##### **ATPS, Chachai PH-III (1x210 MW):**

- i. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10<sup>th</sup> September, 2009. MPPGCL had filed the petition for determination of final generation tariff on 31<sup>st</sup> December, 2011 for the period of FY2009-10 to FY2010-11 on actual basis as per Annual Audited Accounts and for FY2011-12 on projection basis.
- ii. Vide tariff order dated 1<sup>st</sup> May, 2012, the Commission approved project cost ₹ 906.10 Crores as on CoD after deduction of Liquidated damages of ₹ 50.59 Crores. The details of project cost as on CoD and additional capitalization along with funding approved by the Commission in final tariff order are reproduced as under:

Table No. 14:

₹ Crores.

Particular	Asset Capitalized	Loan	Equity
Till CoD (10.09.2009)	906.11	691.87	212.24
FY2009-10 (after CoD)	0.00	0.00	0.00
FY2010-11	70.55	62.35	8.20
<b>Total</b>	<b>976.66</b>	<b>754.22</b>	<b>220.44</b>

- iii. Besides, the Commission provisionally allowed the additional capitalization during FY 2011-12 on projected basis. In the instant petition, the petitioner has now filed the additional capitalization of ₹ 81.24 Crores in ATPS Ext. Unit No. 5 during FY2011-12 as per Annual Audited Accounts. The Liabilities of ₹ 60.17 Crores are left un-discharged as on 31.03.2012. The details of the additional capitalization during FY2011-12 in ATPS 210 MW as filed by the petitioner are as given below:

Table No. 15:

Sr. No.	Asset Details	Amount in ₹ Crores.
1	Buildings Containing Thermo Elec. Gen. Plant	42.30
2	Other Buildings	0.03
3	Cooling Towers	0.12
4	Boiler Plant & Equipments	4.16
5	Furnace/Burners	0.32
6	Turbine-Generator-Steam Power Generation	3.68
7	Ash Handling Plant	0.08
8	Auxiliaries in Steam Power Plant	0.59
9	Coal Conveyor & Crusher	1.14
10	Coal Handling Plant & Handling Equipments	26.38
11	Instrumentation and Controls	0.04
12	Transmission Plant-Transformers 100 KVA & Above	0.09
13	Material Handling Equipment - Cranes	0.12
14	Switchgears Including Cable Connections	2.13
15	Equipments in Hospitals/Clinics	0.03
16	Furniture & Fixtures	0.01
17	Computers	0.02
<b>Sub Total</b>		<b>81.24</b>

- iv. The Commission has observed that the most of the works capitalized under additional capitalization relate to buildings containing Thermo Elec. Gen. Plant, Boiler plant & equipment and Coal Handling Plant & Handling Equipments. Vide Commission's letter dated 31<sup>st</sup> May, 2014, several queries were communicated to the petitioner regarding the additional capitalization in ATPS 210 MW.
- v. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner responded on the queries/issues raised by the Commission and its response has been detailed in para 24 of this order. The petitioner in its aforesaid response broadly submitted the following:
  - a. As per MPERC Regulations, 2009, the Cut-off date of ATPS 210 MW Unit for the purpose of Additional Capitalization works out to 31.03.2012.
  - b. The works of additional capitalization are covered under the original scope of work estimate of Rs.1242.14 Crores which has been approved by GoMP.
  - c. The said works of additional capitalization claimed during FY 2011-12 are also a part of the main orders placed for the project.
  - d. The said works were executed earlier but were booked under the Account Code of Capital work in Progress (CWIP). Later, in FY 2011-12, the same were transferred in the Account head as Fixed Assets.
  - e. The additional capitalization in FY 2011-12 is claimed in accordance with proviso 20.1 (a) of MPERC Regulation 2009, which provides that the assets addition within the original scope of work upto cut-off date on account of un-discharged liabilities may be admitted by the Commission subject to prudence check.
  - f. MPPGCL initially retained an amount of Rupees 45.84 Crores from BHEL as Liquidated Damages (LD). No additional amount on

- account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 2011-12
- g. Till date, the amount retained on account of LD & ERV/CDV for ATPS 210MW Extn. Unit No.5 is yet to be finalized and settled.
  - h. The amount of IDC was capitalized only up to the date of CoD of the respective Power Station. No Further amount of IDC has been capitalized thereafter.
  - i. The un-discharged liabilities of ₹ 60.17 Crores during FY2011-12 shall be met from the balance drawl of PFC Loan No. 20701002 and internal accruals of MPPGCL.
- vi. It is found that the works under additional capitalization are covered under the Original Scope of Work and within the estimated project cost approved by GoMP. The works have also been capitalized within the cut-off date of the project. The works under additional capitalization have been capitalized in books of accounts for FY2011-12 and recorded in Asset cum depreciation registers. Therefore, the additional capitalization of ₹ 81.24 Crores capitalized during FY2011-12 in ATPS Ext. Unit No. 5 is admitted in this order under Proviso 20.1 (a) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2009.
- vii. With regard to the funding of additional capitalization, the Commission has considered the loan and equity components of capitalized assets only to the extent of funding filed by the petitioner. The petitioner is directed to file the funding pattern of un-discharged liability of ₹ 60.17 Crores as on 31<sup>st</sup> March, 2012 with the true-up petition for FY2012-13.
- viii. The cut-off date of ATPS Ext. Unit No. 5 is 31<sup>st</sup> March 2012. Therefore, any additional asset capitalized in this project in future shall be considered as per provisions under MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 and its applicable amendments.



- ix. The details of the additional capitalization and funding considered in this order are as given below:

**Table No. 16:****In ₹ Crores.**

Particular	Updated Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2012
		As on 31.03.2011	*During FY2011-12	
Assets	1242.14	976.66	81.24	1057.90
Loan	908.89	754.22	20.09	774.31
Equity	226.76	222.44	0.98	223.42

\*Funding of Un-discharged liability of ₹ 60.17 Crores is not considered in this order.

**SGTPS, Birsing'pur PH-III (1x500 MW):**

- i. The Sanjay Gandhi Thermal Power Station Ext. Unit No. 5 (500 MW) was commissioned on 28<sup>th</sup> August, 2008. MPPGCL had filed petition for determination of final generation tariff on 27<sup>th</sup> July, 2012 for the period from CoD to FY2011-12. Vide tariff order dated 26<sup>th</sup> February, 2013, the Commission determined the final generation tariff from CoD (28.08.2008) to FY2010-11 on actual basis as per Annual Audited Accounts and for FY2011-12 on projection basis.
- ii. Vide final tariff order dated 28<sup>th</sup> February, 2013, the Commission approved project cost of ₹ 1845.40 Crores as on CoD after deduction of Liquidated damages of ₹ 111.54 Crores. The details of project cost and funding approved by the Commission in the final tariff order are reproduced as under:

**Table No. 17:****In ₹ Crores.**

Particular	Asset Capitalized	Loan	Equity
Till CoD (28.08.2008)	1845.40	1245.65	599.76
FY2008-09 (after CoD)	0.00	0.00	0.00
FY2009-10	34.57	34.57	0.00
FY2010-11	13.92	13.92	0.00
<b>Total</b>	<b>1893.89</b>	<b>1294.14</b>	<b>599.76</b>

- iii. The Commission provisionally allowed the additional capitalization during FY 2011-12 on projected basis. In the instant petition, the petitioner has

filed the additional capitalization of ₹ 61.13 Crores in SGTPS Ext. Unit No. 5 during FY2011-12 as per Annual Audited Accounts. The major part of the assets capitalized during the year are against the capital spares of ₹ 47.24 Crores. The details of the assets capitalized during FY2011-12 in SGTPS 500 MW as filed by the petitioner are as given below:

**Table No. 18:**

<b>Sr. No.</b>	<b>Asset Details</b>	<b>Amount in ₹Crores.</b>
1	Sweet Water Arrangements Including Reservoirs	0.00
2	Railway Sidings	0.31
3	Boiler Plant & Equipments	2.26
4	Turbine-Generator-Steam Power Generation	9.79
5	Ash Handling Plant	0.01
6	Auxiliaries in Steam Power Plant	0.24
7	Coal Handling Plant & Handling Equipments	0.14
8	Instrumentation and Controls	0.35
9	Transmission Plant-Transformers 100 KVA & Above	0.00
10	Switchgears Including Cable Connections	0.19
11	Batteries Including Charging Equipment	0.43
12	Air-Conditioning Plant Static	0.00
13	Air-Conditioning Plant-Portable	0.01
14	Refrigerators and Water Coolers	0.01
15	Equipments in Hospitals/Clinics	0.00
16	Tools and Tackles	0.00
17	Internal Wiring Including Fittings & Fixtures	0.01
18	Furniture & Fixtures	0.07
19	Others	0.01
20	Computers	0.07
<b>21</b>	<b>Capital Spares At Generating Stations</b>	<b>47.24</b>
	<b>Total</b>	<b>61.13</b>

iv. Vide Commission's letter dated 31<sup>st</sup> May, 2014, several queries regarding the additional capitalization in SGTPS 500 MW were communicated to MPPGCL. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner filed its response. The response of the petitioner has been detailed in para 24 of this order. The petitioner in its aforesaid response broadly submitted the following:

a. The unit of SGTPS Ext. Unit 5 has been commissioned under the Tariff Control Period FY 07 to FY 09 covered under MPERC

Regulations,2005, which does not specify about the Cut-off date for the purpose of Additional Capitalization.

- b. The works of additional capitalization are covered under the original work estimate of Rs.2300 Crores approved by GoMP.
- c. The works under additional capitalization claimed during FY 2011-12 is a part of the main orders placed for the project.
- d. The said works have been previously executed but held under the Capital Work in Progress & Material Stock Account. The same were subsequently transferred to the Account Code of Fixed Assets & Capital Spares in FY 2011-12.
- e. The amount of IDC was capitalized only up the date of CoD of the respective Power Station. No Further amount of IDC has been capitalized thereafter.
- f. LD on contracts placed on BHEL has been now finally settled in FY 2013-14. The process of finalization of Books of Accounts for FY 2013-14 is in progress. Therefore, the accounting treatment of finalized amount of LD & ERV/CDV shall be informed in due course.
- g. The said additional capitalization is claimed under the following proviso of MPERC Regulation 2005:
  - As per Proviso 19 (2.9) (a) of MPERC Regulation 2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.
  - As per Proviso 19 (2.9) (e) of MPERC Regulation 2005, which provides for procurement of initial spares included in the original scope of work subject to ceiling norms laid down in Regulation 18

- x. In view of the above submission, the works under additional capitalization are covered under the Original Scope of Work and within the estimated project cost of ₹ 2300 Crores approved by GoMP. The works have also been capitalized in books of accounts for FY2011-12 and recorded in asset cum depreciation registers. Therefore, the additional capitalization of ₹ 61.13 Crores capitalized during FY2011-12 in SGTPS Ext. Unit No. 5 is allowed in this order. The details of the additional capitalization and funding considered in this order is as given below:

**Table No. 19:** **In ₹ Crores.**

Particular	Updated Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2012
		As on 31.03.2011	During FY2011-12	
Assets	2300.00	1893.90	61.13	1955.03
Loan	1675.00	1294.14	35.89	1329.93
Equity	625.00	599.76	25.24	624.00

**Madhikheda Hydro Power Station:**

- i. The units of Madhikheda Hydro Power Station (3x20=60MW) were commissioned in 2006 and 2007. Vide letter dated 12.05.1993, the Central Electricity Authority accorded Techno-Economic Clearance (TEC) for the Madhikheda HPP at an estimated project cost of Rs.106.94 Cr. The investment approval for Rs.177.38 Cr. was accorded by GoMP on 11.05.2001. Vide GoMP letter dated 08.11.2004, the approval for revised estimated cost of Rs. 225.07 Crores was accorded for Madhikheda Hydro Power project . The COD of Units 1,2&3 are as given below:

Unit-1	Unit-2	Unit-3
28 <sup>th</sup> August, 2006	9 <sup>th</sup> September, 2006	18 <sup>th</sup> August, 2007

- ii. MPPGCL had filed the petition for determination of final generation tariff on 27<sup>th</sup> July, 2012 for the period from CoD to FY2011-12. Vide tariff order dated 31<sup>st</sup> January, 2013, the Commission determined the final generation tariff from CoD to FY2010-11 on actual basis as per Annual

Audited Accounts and for FY2011-12 on projection basis. The year wise details of project cost and funding approved by the Commission in final tariff order are as given below:

**Capital Cost and Additional Capitalization allowed in final tariff order**  
**Table No. 20:** ₹ Crores

Sr. No.	Particular	Unit	Phase-I 2X20 MW	Phase-II 1X20 MW
1	<b>Date of Commercial Operation</b>		<b>9/9/2006</b>	<b>18/08/2007</b>
2	As on CoD (Capitalized)	Rs. Cr.	129.59	43.42
3	FY2006-07	Rs. Cr.	0.0	0.0
4	FY 2007-08	Rs. Cr.	39.73	-
5	FY2008-09	Rs. Cr.	1.93	
6	FY2009-10	Rs. Cr.	0.04	
7	FY2010-11	Rs. Cr.	0.22	
	<b>Total</b>	<b>Rs. Cr.</b>	<b>214.93</b>	

- iii. Besides, the Commission provisionally allowed the additional capitalization during FY 2011-12 on projection basis. The petitioner has now filed the following additional capitalization of ₹ 0.74 Crores in Madhikheda HPS during FY2011-12 as per Annual Audited Accounts:

**Table No. 21:**

Sr. No.	Particular	₹ Crores
1	Other Buildings	0.163
2	Hy.Works form.Part of Hy.Elec.Sys,Dams, Spillway	0.173
3	Hydel Power Generation Plants	0.367
4	Auxilaries in Hydel Power Plants	0.001
5	Others Trans.Plant Transf,Kiosks,Subs Equip Appratus	0.031
	<b>Total</b>	<b>0.736</b>

- iv. The petitioner mentioned that the above capitalizations were for those assets which were earlier put-to-use but same were lying under the head CWIP and thereafter, transferred to Gross Fixed Assets in FY 2011-12. The petitioner also mentioned that the above works were under the original scope of work and the said expenses were met from the internal resources/equity of the company.
- v. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner broadly submitted the

following:

- a. The Madhikheda Hydro Power Station was commissioned under the control period of FY 07 to FY 09 covered under MPERC Regulations 2005, which does not provide the criteria of Cut-off date for the purpose of Additional Capitalization.
  - b. The said capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulation 2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.
  - c. The assets of ₹.0.74 Crores were capitalized during FY 2011-12 as per Audited Books of Accounts. The said works are covered under the original scope of work.
- vi. In view of the above submission, the works under additional capitalization are covered under the original scope of work and within the estimated project cost of ₹ 225.07 Crores approved by GoMP. The works have also capitalized in books of accounts for FY2011-12 and recorded in asset cum depreciation registers. Therefore, the additional capitalization of ₹ 0.74 Crores capitalized during FY2011-12 in Madhikheda HPS is allowed in this order. The details of the additional capitalization and funding considered in this order are as given below:

**Table No. 22:** **₹ Crores.**

Particular	Updated Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2012
		As on 31.03.2011	During FY2011-12	
Assets	225.07	214.93	0.74	215.67
Loan	-	144.98	0.00	144.98
Equity	-	69.95	0.74	70.69

43. In view of the above, the power station wise additional capitalization and its funding for FY2011-12 considered in this true-up order are as given below:

**Table No. 23:****₹ Crores**

Sr. No.	Power Stations	Addition admitted for FY2011-12		
		Asset Addition	Loan Component	Equity Component
1	ATPS PH-II	16.51	7.83	8.68
2	ATPS PH-III (210 MW)	81.24	20.09	0.98
3	STPS Complex	-	-	-
4	SGTPS PH-I&II	0.007	-	0.007
5	SGTPS PH-III (500 MW)	61.13	35.89	25.24
6	Gandhi Sagar	-	-	-
7	Pench	-	-	-
8	Rajghat	-	-	-
9	Bargi	-	-	-
10	Bansagar I, II & III	0.57	-	0.57
11	Birsinghpur	-	-	-
12	Madhikheda	0.74	-	0.74
<b>Total</b>		<b>160.20</b>	<b>63.81</b>	<b>36.22</b>

**Write off/ Adjustment during the year:**

44. In the subject petition, the petitioner submitted that the write-off / adjustments of assets have been made in some power stations and same have been accounted for in the Annual Audited Accounts for FY2011-12. The power station-wise details of write-off / adjustment of assets as filed by the petitioner are as given below:

**Table No. 24:**

Sr. No.	Power Station	₹Crores	Remarks
1	ATPS PH-2	-0.06	Write off
2	ATPS PH-3	-2.50	Write off
3	STPS PH-2&3	-0.01	Adjustment-Purchase Discount
4	SGTPS PH-1&2	0.11	VAT/Entry Tax/Accounting adjustments
5	SGTPS PH-3	-0.62	VAT/Entry tax/Accounting adjustments
<b>6</b>	<b>Total Thermal</b>	<b>-3.07</b>	
<b>7</b>	<b>Total Hydro</b>	<b>0.00</b>	
<b>Total</b>		<b>-3.07</b>	

45. The petitioner further submitted that the Asset Cum Depreciation Registers of the aforementioned power stations have been updated after considering the assets additions and deletions / adjustment. The details of the assets write-off/adjustment have been also filed in table 4.4.8.1 of the petition.
46. The write-off/adjustments of assets has been verified from the Annual Audited Accounts for FY2011-12 as well as asset cum depreciation register of respective power stations. Therefore, the Commission has considered write-off/adjustment of assets during FY2011-12 in this order. The status of power station wise opening and closing gross fixed assets after considering the additions and write-off/adjustment allowed in this order are as follows:

**Table No. 25:****₹ Crores**

Sr. No.	Power Station	Opening GFA as on 01.04.2011	Additions during FY2011-12	Write-off during FY2011-12	Net addition	Closing GFA as on 31.03.2012
1	ATPS PH-II	201.26	16.51	-0.06	16.45	217.71
2	ATPS PH-III (210 MW)	976.66	81.24	-2.50	78.74	1055.4
3	STPS Complex	673.33	-	-0.01	-0.01	673.32
4	SGTPS PH-I&II	2172.83	0.007	0.11	0.117	2172.95
5	SGTPS PH-III (500 MW)	1893.89	61.13	-0.62	60.51	1954.40
6	Gandhi Sagar	10.33	-	-	0.00	10.33
7	Pench	96.26	-	-	0.00	96.26
8	Rajghat	82.8	-	-	0.00	82.80
9	Bargi	87.03	-	-	0.00	87.03
10	Bansagar I, II & III	1248.98	0.57	-	0.57	1249.55
11	Birsinghpur	52.15	-	-	0.00	52.15
12	Madhikheda	214.93	0.74	-	0.74	215.67
<b>Total</b>		<b>7710.45</b>	<b>160.20</b>	<b>-3.08</b>	<b>157.117</b>	<b>7867.57</b>



## **Annual Capacity (fixed) Charges:**

47. The tariff for supply of electricity from a thermal power generating station and hydro power generating station comprises of Capacity (fixed) Charge and Energy (variable) Charge to be derived in the manner specified in the Regulations 38, 39 and 50 of “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009. {RG-26 (I) of 2009} and its amendments.” The annual Capacity (fixed) Charges consist of:

- (a) Return on Equity;
- (b) Interest and Financing Charges on Loan Capital;
- (c) Depreciation;
- (d) Lease/Hire Purchase Charges;
- (e) Operation and Maintenance Expenses;
- (f) Interest Charges on Working Capital;
- (g) Cost of Secondary Fuel Oil;
- (h) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable:

### **a) Return on Equity:**

#### **Petitioner’s submission:**

48. The petitioner submitted the following:

*“The total Equity amount transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 12.06.2008 has allocated the Equity under running project to the existing Thermal and Hydro Power Stations in the ratio of Gross Block as on 01.06.2005. The said approach was approved in the True up order for FY08.*

*Further, there were additions to the Equity component on account of Asset Capitalized at existing power stations during FY06 to FY11 and three new projects of MPPGCL i.e. the Extn. Unit No.5 (210 MW) of ATPS Chachai, Extn. Unit No.5 (500 MW) of SGTPS Birsinghpur and PH-1&2 (60MW) of Madhikheda order for FY 09 to FY11 which were recognized and*

approved by the Commission in the True up and final tariff orders.

As per proviso 21 of Regulations, 2009 the Return on Equity is to be computed after considering the addition of normative equity in new assets during the year at a base rate of 15.5% which is to be grossed up by the tax rate. Since MPPGCL has not paid any Corporate tax during FY12, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-

Table No. 26:

₹ Crores.

Sr. No.	Power Station	Normative Equity				ROE @ 15.5 %
		Opening	Addition	Closing	Average	
1	ATPS, Chachai PH-II	33.46	4.95	38.41	35.94	5.57
2	ATPS, Chachai PH-III	222.44	0.98	223.43	222.94	34.56
3	STPS, Sarni Complex	198.69	12.25	210.94	204.81	31.75
4	SGTPS, PH-1&2	649.12	0.00	649.12	649.12	100.61
5	SGTPS, PH-3	553.62	18.34	571.96	562.79	87.23
6	Gandhi Sagar	3.10	0.00	3.10	3.10	0.48
7	Pench	28.88	0.00	28.88	28.88	4.48
8	Rajghat	24.84	0.00	24.84	24.84	3.85
9	Bargi	26.11	0.00	26.11	26.11	4.05
10	Bansagar (I to III)	374.70	0.17	374.87	374.78	58.09
11	Birsinghpur	15.64	0.00	15.64	15.64	2.42
12	Madhikheda	45.35	0.22	45.57	45.46	7.05
	HQ		0.14	0.14	0.07	0.01
	<b>Total</b>	<b>2175.96</b>	<b>37.05</b>	<b>2212.69</b>	<b>2194.42</b>	<b>340.14</b>

**Provision in Regulation:**

49. Regulation 22 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

*“Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 21.*

*Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per Regulation 22.3 of 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.*

*The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2008-09 applicable to the Generating Company:*

*Provided that return on equity with respect to the actual tax rate applicable to the Generating Company, in line with the provisions of the relevant Finance Acts of the respective Year during the Tariff period shall be trued up separately.*

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

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

*Where t is the applicable tax rate in accordance with Regulation 22.3. “*

**Commission’s analysis:**

50. The closing normative equity as admitted in the last true-up order for FY2010-11 is considered as opening normative equity in this true-up order. In the subject true-up petition, the petitioner has filed the additional capitalization for FY2011-12 and claimed return on equity on additional equity infusion in new assets. The supporting documents for release of equity amount by GoMP have also been filed by the petitioner.
51. In this order, the Commission has considered the power station wise equity addition only to the extent of additional capitalization admitted in this true-up order. With regard to ATPS PH-2, SGTPS PH-3 and Bansagar HPS, the equity infusion on capitalized assets during the year is more than the normative equity. Therefore, the equity over and above the normative equity is considered as

normative loan and the Return on equity is allowed only on the normative equity considered in this order.

52. The petitioner submitted that there is write-off/adjustment of assets in some power stations and same is considered as per asset registers filed by the petitioner.
53. In view of the above, the power station-wise break-up of normative equity eligible for return on equity in this true-up order is as given below:

**Table No. 27: Amount in ₹ Crores**

Sr. No.	Power Station	Return on equity					
		Normative opening equity ₹ Cr.	Normative equity addition ₹ Cr.	Normative Closing Equity ₹ Cr.	Average Equity ₹ Cr.	Rate of return %	Return on Equity ₹ Cr.
1	ATPS, Chachai PH-II	33.46	4.95	38.41	35.94	15.50	5.57
2	ATPS, Chachai PH-III	222.44	0.98	223.42	222.93	15.50	34.55
3	STPS, Sarni Complex	198.50	0.00	198.50	198.50	15.50	30.77
4	SGTPS, PH-1&2	649.12	0.00	649.12	649.12	15.50	100.61
5	SGTPS, Birsing'pur PH-3	553.62	18.34	571.96	562.70	15.50	87.23
6	Gandhi Sagar	3.11	0.00	3.11	3.11	15.50	0.48
7	Pench	28.88	0.00	28.88	28.88	15.50	4.48
8	Rajghat	24.84	0.00	24.84	24.84	15.50	3.85
9	Bargi	26.11	0.00	26.11	26.11	15.50	4.05
10	Bansagar (I to III)	374.70	0.17	374.87	374.79	15.50	58.09
11	Birsinghpur	15.65	0.00	15.65	15.65	15.50	2.43
12	Madhikheda	45.35	0.22	45.57	45.46	15.50	7.05
<b>Total</b>		<b>2175.78</b>	<b>24.67</b>	<b>2200.44</b>	<b>2188.11</b>		<b>339.16</b>

**b) Interest and finance charges on loan capital:**

**Petitioner's submission:**

54. The petitioner submitted that the normative Power Station wise opening loan balances (as on 1.4.2011) as approved by the Commission in its true up order for FY 10-11 is ₹ 274.15 Cr. The petitioner further submitted that the normative Power Station wise opening loan balances as on 1.4.2011 as admitted by the Commission for ATPS PH-3 (210 MW), SGTPS PH-3(500 MW) & Madhikheda HPS and true up order for FY 10-11, excluding excess equity is ₹1837.37 Cr.

55. The petitioner mentioned that the loan draws in existing as well as in new projects have been ₹ 270.96 Cr. during FY2011-12. The power station wise opening, closing and average loan balance considering repayment equal to depreciation charged during FY2011-12 filed by the petitioner is as given below:

**Table No. 28:**

Sr. No.	Power Station	Op. Bal. 1.4.2011	Loan Receipt	Principal Repayment	Cl. Bal. 31.03.2012	Average Balance
1	ATPS, Chachai PH-II	66.80	16.49	14.63	68.66	67.73
2	ATPS, Chachai PH-III	688.30	20.09	51.13	657.26	672.78
3	STPS, Sarni Complex	1.23	2.50	3.73	0.00	0.62
4	SGTPS, PH-1&2	85.17	0.00	85.17	0.00	42.59
5	SGTPS, Birsing'pur PH-3	1058.51	230.70	106.8	1182.41	1120.46
6	Gandhi Sagar	0.00	0.00	0.00	0.00	0.00
7	Pench	0.00	0.00	0.00	0.00	0.00
8	Rajghat	0.00	0.00	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00	0.00	0.00
10	Bansagar (I to III)	120.95	0.00	58.69	62.26	91.61
11	Birsinghpur	0.00	0.00	0.00	0.00	0.00
12	Madhikheda	90.56	0.00	11.25	79.31	84.93
	HQ		1.18	0.10	1.08	0.54
<b>Total</b>		<b>2111.52</b>	<b>270.96</b>	<b>331.51</b>	<b>2050.98</b>	<b>2081.25</b>

56. The petitioner filed the detailed calculations in respect of weighted average rate of interest along with supporting documents separately. The petitioner further mentioned the details in respect of actual loan balances as per Audited Books of Accounts of MPPGCL for FY 12 (i.e. Opening Balance, Draws, Repayments & Closing Balance) indicating the loans under running projects & CWIP in Annexure-20 as additional supporting documents submitted to the Commission separately.
57. Considering the above, the power station wise interest charges for FY 2011- 12 are worked out by the petitioner in accordance to the proviso 23 of the Regulation, 2009 by applying weighted average rate of interest on

loans as indicated below:-

<b>Sr. No.</b>	<b>Power Station</b>	<b>Average Balance</b>	<b>Wt. Avg. Rate (%)</b>	<b>Interest Amount</b>
1	ATPS, Chachai PH-II	67.73	11.88	8.05
2	ATPS, Chachai PH-III	672.78	11.51	77.44
3	STPS, Sarni Complex	0.62	12.17	0.07
4	SGTPS, PH-1&2	42.59	8.66	3.69
5	SGTPS, PH-3	1120.46	9.92	111.15
6	Gandhi Sagar	0.00		0.00
7	Pench	0.00		0.00
8	Rajghat	0.00		0.00
9	Bargi	0.00		0.00
10	Bansagar (I to III)	91.61	8.70	7.97
11	Birsinghpur	0.00		0.00
12	Madhikheda	84.94	8.36	7.10
	HQ	0.54	10.50	0.06
<b>Total</b>		<b>2081.25</b>		<b>215.55</b>

**Provision in Regulation:**

58. Regulation 23 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that:

*“The loans arrived at in the manner indicated in Regulation 21 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 the 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 Generating Company, 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 generating station does not have actual loan, then the weighted average rate of interest of the Generating Company 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 Generating Company 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 Generating Company, 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-----“.*

**Commission’s Analysis:**

59. In this true-up order, the power station wise normative closing loan balances as on 31<sup>st</sup> March, 2011 admitted in the last true up order are considered as the opening loan balances as on 1<sup>st</sup> April, 2012. The closing balances are worked out after considering the normative repayment equal to depreciation allowed in this order.
60. The petitioner also filed the loan additions in respect of additional capitalization during FY2011-12. The details of power station wise loan draws claimed by the petitioner are as given below:

Sr. No.	Power Station	Loan
1	ATPS PH-II	16.49
2	ATPS PH-III	20.09
3	STPS PH 2&3	2.50
4	SGTPS PH 1&2	0.00
5	SGTPS PH-III	230.70
6	Bansagar ph 1, 2 and 3	0.00
7	Madhikheda	0.00
8	<b>Total</b>	<b>269.78</b>

61. In the aforesaid table, it is observed that the petitioner filed loan additions of ₹270.96 Crores during the year whereas the total additional capitalization during the year is ₹ 202.19 Crores which is funded from loan and equity component. In all previous true-up/tariff orders the Commission allowed additional funding (equity or loan amount) only to the extent of additional capitalization admitted by it. Therefore, the additional loan to the extent of additional capitalization admitted in this order is considered by the Commission.
62. On perusal of the details of funding in respect of additional capitalization in ATPS 210 MW during FY2011-12, it was observed that the asset addition of ₹ 81.24 Crores are funded through loan of ₹ 20.09 Crores equity of ₹ 0.98 Crores with ₹ 60.17 Crores as outstanding capital liabilities to be paid as on 31.03.2012. Vide letter dated 31<sup>st</sup> May, 2014, the petitioner was asked to inform the source of funding for this outstanding liability against capitalized assets.
63. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner submitted that the said liability of ₹60.17 Crores shall be met from the balance drawl of PFC Loan No. 20701002 and internal accruals of MPPGCL.
64. In the instant true-up petition, the petitioner filed the interest on actual outstanding loan amount of ₹ 20.09 Crores in ATPS 210 MW. Therefore, the same addition of loan amount in ATPS 210 MW as filed by the petitioner is considered in this order. However, the asset addition in this power station during FY2011-12 is considered only to the extent of assets actually capitalized in its Annual Audited Statement. The petitioner is directed to file the status of actual



funding of ₹ 60.17 Crores which is outstanding as capital liabilities as on 31<sup>st</sup> March, 2012.

65. With regard to the weighted average rate of interest, the petitioner filed the power station wise and lender wise detailed calculation for all the loan schemes outstanding as on 1<sup>st</sup> April, 2011. Considering the above, the details of power station-wise details regarding opening loan balances, loan additions and closing loan balances after considering the repayment equal to depreciation during the year as per Regulations, 2009 are as given below:

**Table No. 30:**

**Power Station wise loan balances:**

**Amount in ₹ Crores**

Sr. No.	Power Station	Opening Loan	Loan addition	Normative Repayment	Closing Loan
		₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.
1	ATPS, Chachai PH-II	66.80	7.83	14.01	60.62
2	ATPS, Chachai PH-III	688.30	20.09	46.94	661.45
3	STPS, Sarni Complex	1.23	0.00	1.30	-0.07
4	SGTPS, Birsing'pur PH-1&2	85.17	0.00	85.17	0.00
5	SGTPS, Birsing'pur PH-3	1104.65	35.89	99.48	1041.06
6	Gandhi Sagar	0.00	0.00	0.00	0.00
7	Pench	0.00	0.00	0.00	0.00
8	Rajghat	0.00	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00	0.00
10	Bansagar (I to III)	120.95	0.00	58.72	62.24
11	Birsinghpur	0.00	0.00	0.00	0.00
12	Madhikheda	111.52	0.00	11.24	100.28
<b>Total</b>		<b>2178.62</b>	<b>63.81</b>	<b>316.85</b>	<b>1925.58</b>

66. Considering the above power station- wise loan balances, the interest amount is worked out by applying the power station wise weighted average rate of interest filed by the petitioner as given below:

**Table No. 31:**

**Power Station wise Interest on loan:**

**Amount in ₹ Crores**

Sr. No.	Power Station	Average Loan	Wt. Avg. rate of interest	Interest amount
		₹ Cr.	%	₹ Cr.
1	ATPS, Chachai PH-II	63.71	11.88	7.57
2	ATPS, Chachai PH-III	674.87	11.51	77.68
3	STPS, Sarni Complex	0.58	12.17	0.07

4	SGTPS, Birsing'pur PH-1&2	42.59	8.66	3.69
5	SGTPS, Birsing'pur PH-3	1072.86	9.92	106.43
6	Gandhi Sagar	0.00	0.00	0.00
7	Pench	0.00	0.00	0.00
8	Rajghat	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00
10	Bansagar (I to III)	91.59	8.70	7.97
11	Birsinghpur	0.00	0.00	0.00
12	Madhikheda	105.90	8.36	8.85
<b>Total</b>		<b>2052.10</b>		<b>212.25</b>

**c) Interest on Excess Equity:**

**Petitioner's submission:**

67. The petitioner submitted that the Commission vide order dated 27.12.2012 has determined the Power Station wise amount of excess equity for the Power Stations transferred through Final Opening Balance Sheet after making normative repayment upto 31.3.09. The same has been considered by the petitioner for the purpose of calculation of interest on excess equity for FY 2011-12. Further, there are additions made in excess equity of ₹ 37.63 Cr. on account of additional capitalization in existing power stations and new power stations which have been detailed in the chapter of Return on Equity.
68. Accordingly, the power station wise balances of excess equity after considering repayment equal to balance depreciation and interest on excess equity after applying the weighted average rate of Interest are worked out by the petitioner as under:

**Table No. 32:**

**Amount in ₹ Crore**

Station	Excess Equity as on 1-4-2011 (Op. Bal.)	Excess Equity addition due to Assets addition during FY 12	Repayment equal to balance dep. For FY 11-12	Excess Equity as on 31-3-2012 (Cl. Bal.)	Avg. Equity	Intt. On Excess equity @ 11.03%	
1	ATPS PH-2	3.71	3.73	0.00	7.44	5.58	0.61
2	ATPA PH-3	0.00	0.00	0.00	0.00	0.00	0.00
3	STPS, Sarni	15.07	26.08	36.58	4.57	9.82	1.08
4	SGTPS PH-1&2	60.04	0.00	7.06	52.98	56.51	6.23
5	SGTPS PH-3	46.14	6.90	0.00	53.04	49.59	5.47
6	Gandhi Sagar	0.00	0.00	0.00	0.00	0.00	0.00
7	Pench	0.12	0.00	0.12	0.00	0.06	0.01

8	Rajghat	0.00	0.00	0.00	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00	0.00	0.00	0.00
10	Bansagar	32.94	0.40	0.00	33.34	33.14	3.66
11	Birsinghpur	0.00	0.00	0.00	0.00	0.00	0.00
12	Madhikheda	20.96	0.51	0.00	21.47	21.22	2.34
	HQ	0.00		0.00	0.00	0.00	0.00
<b>Total</b>		<b>178.98</b>	<b>37.63</b>	<b>43.77</b>	<b>172.84</b>	<b>175.91</b>	<b>19.40</b>

**Provision in the Regulation:**

69. Regulation 21.2 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

*“Where equity actually employed is in excess of 30%, the amount of equity for the purpose of Tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in Regulation 23. Where actual equity employed is less than 30%, the actual equity shall be considered.”*

**Commission’s analysis:**

70. Vide Order dated 27<sup>th</sup> December, 2012, the Commission reworked the amount of excess equity and the interest on excess equity (by considering the normative repayment from 01.06.2005 i.e. the date of inception of the company) in compliance with the directions of the Hon’ble Appellate Tribunal in Appeal No. 121 of 2011. The true-up order for FY2009-10 and FY2010-11 were also based on the same approach considered in the Commission’s above-mentioned order dated 27.12.2012.
71. In view of the above, the power station wise opening balance of excess equity as on 01.04.2011 for existing power stations is considered same as closing balance of excess equity as on 31.03.2011 as per true-up order for FY2010-11. The repayment of excess equity is considered equal to balance depreciation after considering the repayment of power station wise loan. In new power stations i.e. ATPS 210 MW, SGTPS 500 MW AND Madhikheda HPS, the amount of excess equity is included in the normative loan balances of the corresponding power stations.

72. The petitioner filed the additional capitalization during FY2011-12 and equity addition in the new assets. The equity addition over and above the normative equity in ATPS PH-II, SGTPS PH-II Bansagar and Madhikheda hydro power stations is considered as excess equity addition for FY2011-12 to the extent of additional capitalization admitted in this order.
73. The opening excess equity and closing balances is worked out by considering the excess equity addition on account of additional capitalization during FY2011-12 and repayment equal to balance depreciation during FY2011-12 as given below:

**Table No. 33: Excess Equity Status**

Sr. No.	Power Station	Excess Equity			
		Opening Balance	Addition	Normative Repayment (Bal. Dep.)	Closing Balance
		₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.
1	ATPS, Chachai PH-II	3.71	3.73	0.00	7.44
2	ATPS, Chachai PH-III	0.00	0.00	0.00	0.00
3	STPS, Sarni Complex	15.07	0.00	15.07	0.00
4	SGTPS, PH-1&2	60.04	0.00	6.96	53.08
5	SGTPS, Birsing'pur PH-3	0.00	6.90	0.00	6.90
6	Gandhi Sagar	0.00	0.00	0.00	0.00
7	Pench	0.12	0.00	0.12	0.01
8	Rajghat	0.00	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00	0.00
10	Bansagar (I to III)	32.94	0.40	0.00	33.34
11	Birsinghpur	0.00	0.00	0.00	0.00
12	Madhikheda	0.00	0.52	0.00	0.52
<b>Total</b>		<b>111.88</b>	<b>11.55</b>	<b>22.15</b>	<b>100.85</b>

74. Accordingly, the interest amount on excess equity is worked out by applying the applicable overall weighted average rate of interest on all power stations for FY2011-12 as given below:

**Table No. 34: Interest On Excess Equity:**

Sr. No.	Power Station	Excess Equity Average	Wt. Avg. rate of interest	Interest on excess equity	Interest on Loan Allowed	Total Interest Allowed
		₹ Cr.	%	₹ Cr.	₹ Cr.	₹ Cr.
1	ATPS, Chachai PH-II	5.57	11.03	0.61	7.57	8.18
2	ATPS, Chachai PH-III	0.00	11.03	0.00	77.68	77.68
3	STPS, Sarni Complex	7.54	11.03	0.83	0.07	0.90
4	SGTPS, Birsing'pur PH-1&2	56.56	11.03	6.24	3.69	9.93
5	SGTPS, Birsing'pur PH-3	3.45	11.03	0.38	106.43	106.81
6	Gandhi Sagar	0.00	11.03	0.00	0.00	0.00
7	Pench	0.06	11.03	0.01	0.00	0.01
8	Rajghat	0.00	11.03	0.00	0.00	0.00
9	Bargi	0.00	11.03	0.00	0.00	0.00
10	Bansagar (I to III)	33.14	11.03	3.66	7.97	11.62
11	Birsinghpur	0.00	11.03	0.00	0.00	0.00
12	Madhikheda	0.26	11.03	0.03	8.85	8.88
<b>Total</b>		<b>106.58</b>		<b>11.76</b>	<b>212.25</b>	<b>224.01</b>

**d) Depreciation:****Petitioner's submission**

75. The petitioner has considered the power station wise details of Opening Gross Block of Assets as on 01.04.2011 as per Audited books of Accounts after considering the asset additions (after accounting for the write-off/adjustment as per asset register) FY2011-12 as per audited accounts and asset cum depreciation registers of the respective year.
76. *The petitioner submitted that in the instant petition the depreciation on the Gross Block has been computed based on the following:-*
- The rates for depreciation are considered as approved by the Commission in Appendix-II of Regulation G-26(I) of 2009. The salvage value of assets is considered as 10% i.e. none of the assets are depreciated more than 90% of the gross value.*
  - As per proviso 24.1 (f) of MPERC regulation 2009 specifies that the rate of depreciation continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the*

*remaining depreciable value is spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.*

- *Certain plants of MPPGCL i.e. ATPS PH-2, STPS Sarni and Gandhi Sagar HPS, has already completed their useful life. For such power stations the depreciation is calculated based on the estimated useful life i.e. 8 years in case of ATPS PH-2 & 4 years in case of STPS & Gandhi Sagar. This philosophy was adopted by MPPGCL from FY 10 onwards. The detailed calculation of depreciation is elaborated in the Power Station wise Asset cum Depreciation Register already submitted to the Commission.*
- *The Commission in True Up order for FY 11 has allowed MPPGCL to charge the depreciation on the assets of above mentioned power stations at the rate specified in the Regulation till the accumulated depreciation reaches up to 90% of Gross Block.*
- *In case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets for part of the year.*
- *The depreciation on the Assets additions at STPS PH-1 during FY 2011-12 is not considered as special allowance has been claimed for it.*
- *The assets in the records of MPPGCL are only for its own share hence depreciation is computed for MPPGCL share only.*

77. Considering the above, the depreciation on various power stations has been worked out by the petitioner as tabulated below:-

Table No. 35 :

Sr. No.	Power Station	Op. Balance as on 1.4.2011		Dep. For FY11-12	Cl. Balance as on 31.03.2012		Cl. Acc. Dep. % of GB
		Asset GB	Acc. Dep.		Asset GB	Acc. Dep.	
		₹ Crores	₹ Crore	₹ Crore	₹ Crore	₹ Crore	%
1	ATPS, Chachai PH-II	201.26	95.18	14.60	217.75	109.76	50%
2	ATPS, Chachai PH-III	1027.28	71.24	51.13	1105.98	122.17	11%
3	STPS, Sarni Complex	673.34	533.6	40.31	714.16	573.90	80%
4	SGTPS PH-1&2	2172.82	1293.75	92.234	2172.94	1386.06	64%
5	SGTPS, Birsing'pur PH-3	2005.43	247.21	106.81	2065.94	353.94	17%
6	Gandhi Sagar	10.33	8.68	0.312	10.33	8.99	87%
7	Pench	96.27	67.63	3.173	96.27	70.80	74%
8	Rajghat	82.81	33.06	4.034	82.81	37.09	45%
9	Bargi	87.03	54.6	2.972	87.03	57.57	66%
10	Bansagar (I to III)	1249	448.93	58.69	1249.57	507.62	41%
11	Birsinghpur	52.15	28.59	1.67	52.15	39.84	58%
12	Madhikheda	214.93	32.86	11.25	215.67	34.53	20%
	HQ	1.08	0.00	0.10	1.16	0.10	9%
	<b>Total</b>	<b>7873.73</b>	<b>2915.32</b>	<b>387.31</b>	<b>8071.76</b>	<b>3302.37</b>	<b>41%</b>

**Provision in Regulation:**

78. Regulation 24 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 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.*

*Provided that in case of Hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site.*

*Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under Long-term power purchase agreement at regulated Tariff.*

*(d) Land other than land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing asset depreciable value.*

*(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 generating station:*

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

*(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%. ---  
-----"*

**Commission's Analysis:**

79. On scrutiny of the subject petition, it was observed by the Commission that the petitioner calculated the depreciation in new power stations i.e, ATPS 210 MW and SGTPS 500 MW, on total assets without deducting the amount of LD recovered from the vendors whereas, the capital cost was determined after accounting the LD in the final tariff orders. Vide letter dated 31<sup>st</sup> May, 2014, the



petitioner was asked to file depreciation for these power stations after deducting the amount of Liquidated Damages.

80. By additional affidavit dated 25<sup>th</sup> June, 2014, the petitioner filed the revised depreciation amount for new power stations (ATPS 210 MW and SGTPS 500 MW) after deducting the LD from Gross Fixed Assets.
81. While determining the depreciation in this order, the Commission has considered the opening gross fixed assets and cumulative depreciation as on 1<sup>st</sup> April, 2011 as per the admitted closing figures in last true-up order for FY 2010-12 for existing power stations and as per the admitted closing figures in the final tariff orders for the new power stations (ATPS 210 MW and SGTPS 500 MW).
82. In the subject petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY2011-12. The issue of power station wise asset additions and “additional capitalization” admitted for FY 2011-12 has been discussed in a preceding part of this order. Considering the impact of additional capitalization/assets addition in various power stations, the updated status of cumulative depreciation as on 1<sup>st</sup> April, 2011 and its percentage with respect to gross block is as given below:

**Table No. 36:**

Sr. No.	Power Station	Opening GFA	Net GFA Addition	Closing GFA	Opening Cumm. Dep.	Opening Cumm. Dep. % of Closing GFA
		₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.	%
1	ATPS, Chachai PH-II	201.26	16.44	217.70	92.99	46.20
2	ATPS, Chachai PH-III	976.66	78.74	1055.40	65.92	6.75
3	STPS, Sarni Complex	673.33	-0.01	673.32	528.69	78.52
4	SGTP PH-1&2	2172.83	0.12	2172.95	1291.77	59.45
5	SGTPS, Birsing'pur PH-3	1893.89	60.51	1954.40	232.21	12.26
6	Gandhi Sagar	10.33	0.00	10.33	8.68	84.02
7	Pench	96.26	0.00	96.26	67.58	70.20
8	Rajghat	82.80	0.00	82.80	33.06	39.93
9	Bargi	87.03	0.00	87.03	54.60	62.73
10	Bansagar (I to III)	1248.98	0.57	1249.55	448.82	35.93
11	Birsinghpur	52.15	0.00	52.15	28.59	54.82
12	Madhikheda	214.93	0.74	215.67	32.69	15.21
<b>Total</b>		<b>7710.45</b>	<b>157.11</b>	<b>7867.56</b>	<b>2885.59</b>	

83. Vide letter dated 31<sup>st</sup> May, 2014, the petitioner was asked to inform the reasons for considering different useful life (8 years and 4 years) of new assets in ATPS PH-II and STPS, Sarni power stations.
84. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner submitted that the ATPS PH-2 has already outlived its specified useful life i.e.25 years and the issue of charging depreciation on power stations which have lived their useful life was discussed with the Commission during the proceeding on MYT petition for approval of generation Tariff for FY-10 to FY-12, wherein it was spelled out as to how the balance depreciation of the power stations who outlived their useful life is to be calculated. The petitioner further mentioned that it was decided while preparing the Asset–Cum-Depreciation register, the balance depreciation of ATPS PH-2 with life extension of 8 years from FY 2009-10 onwards and all other power station which have outlived their useful life, is to be spread over a span of 4 years from FY 2009-10 onwards. The petitioner also submitted that the aforesaid philosophy of charging depreciation has also been acknowledged by the statutory and AG Audit as reflected in the significant Accounting Policies at point no. 5 in the Audited Annual Statement of Accounts for FY 2011-12.
85. In view of the above the Commission (after arriving at the opening and closing gross fixed assets and the opening cumulative depreciation as on 1<sup>st</sup> April, 2011) has computed the depreciation for FY 2011-12, by considering the weighted average rate of depreciation as worked out from the power station-wise assets-cum-depreciation registers submitted by the petitioner.
86. In STPS, Sarni the asset additions claimed in FY2011-12 are not considered for the reasons mentioned in this order. Therefore, the weighted average rate of depreciation for STPS Complex is arrived at by considering the rate of depreciation on old assets for STPS, PH-I and STPS PH-II&III as per asset-cum-depreciation register.

87. Based on the above, the power station-wise depreciation allowed in this true-up order for FY2011-12 is as given below:

**Table No. 37: Depreciation for FY2011-12**

Sr. No.	Power Station	Depreciation				
		Average GFA ₹ Cr.	Wt. avg. rate Depreciation %	Dep. Amount ₹ Cr.	Closing Cumm. Dep. ₹ Cr.	Closing Cumm. Dep. % of Closing GFA %
1	ATPS, Chachai PH-II	209.48	6.69	14.01	107.00	49.15
2	ATPS, Chachai PH-III	1016.03	4.62	46.94	112.86	10.69
3	STPS, Sarni Complex	673.33	5.33	35.89	564.58	83.85
4	SGTPS, PH-1&2	2172.89	4.24	92.13	1383.90	63.69
5	SGTPS, PH-3	1924.15	5.17	99.48	331.69	16.97
6	Gandhi Sagar	10.33	3.00	0.31	8.99	87.02
7	Pench	96.26	3.29	3.17	70.74	73.49
8	Rajghat	82.80	4.87	4.03	37.10	44.80
9	Bargi	87.03	3.41	2.97	57.57	66.14
10	Bansagar (I to III)	1249.26	4.70	58.72	507.53	40.62
11	Birsinghpur	52.15	3.20	1.67	30.26	58.02
12	Madhikheda	215.30	5.22	11.24	43.93	20.37
<b>Total</b>		<b>7789.00</b>		<b>370.55</b>	<b>3256.14</b>	

88. The above table indicates that the closing cumulative depreciation in STPS, Sarni and Gandhi Sagar for FY 2011-12 has crossed the limit of 70% of gross block and these two thermal power stations have completed their useful life. Taking a consistent approach in line with the principal MYT order of the Commission, the petitioner is allowed to charge depreciation at the rate specified in Regulations, 2009 till the cumulative depreciation reaches 90% of the gross block of the respective power station.
89. The closing cumulative depreciation in Pench HPS has also crossed the limit of 70% of gross fixed assets. However, it has not completed its useful life. Therefore, the balance depreciation of this power station has been spread over its balance useful life.

**e) Operation and Maintenance Expenses:****Petitioner's submission**

90. The petitioner submitted the following comparison of O&M expenditure approved by Commission and as considered by MPPGCL as per norms :

**Table No. 38:****₹ Crores**

S. No.	Station	As per MYT Order	As considered by MPPGCL	Difference
1	ATPS PH-2	48.24	48.24	0.00
2	ATPS, PH-3	33.79	33.79	0.00
3	STPS	208.95	208.95	0.00
4	SGTPS PH-1&2	135.16	135.16	0.00
5	SGTPS PH-3	60.25	60.25	0.00
6	Gandhi Sagar	7.68	7.68	0.00
7	Pench	10.69	10.69	0.00
8	Rajghat	3.01	3.01	0.00
9	Bargi	6.01	6.01	0.00
10	Bansagar 1,2&3	27.05	27.05	0.00
11	Birsinghpur	1.34	1.34	0.00
12	Madhikheda	4.01	4.01	0.00
<b>Total</b>		<b>546.18</b>	<b>546.18</b>	<b>0.00</b>

**Provision in Regulation:**

91. Clause 34.1 of the Regulation regarding Thermal Power Stations provides that,  
*“The Operation and Maintenance expenses admissible to existing thermal power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost . These norms exclude Pension, Terminal Benefits and Incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actuals. The claim of pension and Terminal Benefits shall be dealt as per Regulation 26.”*

**Table No. 39:****O&M Norms for Thermal Generating Units: ₹ Lacs/MW**

Units (MW)	FY 09-10	FY 10-11	FY 11-12
62.5	21.42	22.74	24.13
120	17.84	18.94	20.1
200/210/250	14.28	15.16	16.09
500	10.7	11.36	12.05

92. Further, Regulation 47.1 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009, regarding Hydro Power Stations provides that;

*“The Operation and Maintenance Expenses admissible to existing Hydro power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost. These norms exclude pension, terminal benefits and incentives to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actuals. The claim of Pension and Terminal Benefits shall be dealt as per Regulation 26.*

**Table No. 40:  
O&M Norms for Hydel Power Stations**

<b>Year</b>	<b>O&amp;M Expenses in ₹ In lakh/MW</b>
<i>FY 2009-10</i>	<i>5.96</i>
<i>FY 2010-11</i>	<i>6.31</i>
<i>FY 2011-12</i>	<i>6.68</i>

**Commission’s Analysis:**

93. For thermal and hydel Power Stations, the Commission has fixed norms for annual O&M expenses based on MW capacity of the unit. The same norms are applied for calculation of annual O&M expenses. Considering the MW capacity of the generating units as on 31<sup>st</sup> March, 2011 covered under this true-up order, the O&M expenses are computed as per the norms prescribed in Regulations, 2009.
94. With regard to the payment of arrears to employees on account of revision of pay scale of the employees, Regulations 26.2 and 26.3 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that;

*“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 Generating Company 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.*

*For first financial Year of the control period, the impact of implementation of 6<sup>th</sup> Pay Commission recommendations has been considered in employee cost, which has been escalated @ 6.14% in subsequent Years. The Commission has also considered expenditure on payment of arrears up to 31.08.2008 during the Financial Years 2009-10 to 2011-12 as one third each year based on estimate.”*

95. Regulation 26.3 of the second amendment to MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 notified on 24<sup>th</sup> February 2012 provides as under;

*“For first Financial Year of the control period, the impact of implementation of 6<sup>th</sup> 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 31.08.2008 during the financial years 2009-10 to 2011-12 as one third each year based on estimate submitted by the Generation Company. Any unpaid arrears standing at the end of the control period from FY 2009-10 to FY 2011-12 shall be treated on actually paid based for FY 2012-13. The actual arrears payments made in each year of the control period shall be trued up vis-à-vis those provided in the O&M charges.”*

96. While prescribing the operation and maintenance norms in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009, an amount of ₹ 18.69 Crores was considered for each year from FY2009-10 to FY2011-12

towards arrears against wage revision of employees as impact of the implementation of the 6<sup>th</sup> pay Commission recommendations.

97. In the true-up order for FY2010-11 issued on 26<sup>th</sup> September, 2013, the Commission had allowed the additional O&M charges after adjustment of the difference in amount of arrears actually paid and that considered under norms.
98. In the subject true-up petition, the petitioner has not claimed arrears during the year. The amount of arrears actually paid is nil as per audit accounts for FY 2011-12 whereas an amount of ₹18.69 Cr was considered in the normative O&M allowed for FY2011-12 in MYT order of the Commission. Therefore, the net operation and maintenance expenses allowed in this order after adjustment of wage revision arrears considered in norms but not paid actually are as given below:

**Table No. 41: Operation and Maintenance Expenses for FY 2011-12:**

Sr. No.	Power Station	Installed Capacity	norms of O&M expenses	Normative O&M expenses	Wage revision arrears considered in norms for FY2011-12	Net O&M Expenses allowed in this order
		MW	L ₹ / MW	₹ Crores	₹ Crores	₹ Crores
1	ATPS, Chachai PH-II	240	20.1	48.24	1.17	47.07
2	ATPS, PH-III 210 MW	210	16.09	33.79	1.03	32.76
i	STPS, Sarni PH-I	312.5	24.13			
ii	STPS, Sarni PH-II&III	830	16.09			
3	STPS, Sarni	1142.5	18.29	208.95	5.58	203.37
4	SGTPS (PH-1&2)	840	16.09	135.16	4.10	131.05
5	SGTPS, PH-III 500 MW	500	12.05	60.25	2.44	57.81
6	Gandhi Sagar	115	6.68	7.68	0.56	7.12
7	Pench	160	6.68	10.69	0.78	9.91
8	Rajghat	45	6.68	3.01	0.22	2.79
9	Bargi	90	6.68	6.01	0.44	5.57
10	Bansagar (I to III)	405	6.68	27.05	1.98	25.08
11	Birsinghpur	20	6.68	1.34	0.10	1.24
12	Madhikheda	60	6.68	4.01	0.29	3.72
<b>Total</b>				<b>546.18</b>	<b>18.69</b>	<b>527.48</b>

**f) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable :**

**Petitioner's submission**

99. The petitioner submitted that the Regulation 34.2 of Regulations, 2009 has permitted "Compensation Allowances" to the Thermal Generating stations depending upon their age to meet the requirement of capital nature of minor assets. Accordingly, the compensation allowance for various Thermal Power Stations of MPPGCL has been worked out by it as described below:

STPS Sarni :- All the units of PH - 2 & 3 are above 25 years therefore, compensation allowance @ 0.65 lakhs/MW/Year basis has been considered. As per clause 32.2 (h) of MPERC's Regulation, 2009, the Compensation Allowance for PH-1 has not been considered as MPPGCL is claiming Special Allowance for this power house.

SGTPS Birsinghpur :- The units No.1 & 2 are older than 15 years therefore, the compensation allowance @ 0.35 lakhs/MW/Year has been considered. The age of the Unit No.3 will be in the age group of 11 to 15 years therefore, compensation allowance has been considered @ 0.15 Lakhs/MW/Year.

ATPS, Chachai :- The units are older than 25 years therefore, the compensation allowance for the plants have been considered based on the norms permitted by the Commission under Sec. 34(2) of Regulation RG-26(I) of 2009 @ 0.65 lakhs/MW/Year.

100. The total amount of compensation allowance as worked out by the petitioner is given in the table below:-

**Table No. 42:**

		Compensation Allowance – FY 2011-12		Amount in ₹ Crores	
	S. No	Particulars	As per MPERC Regulation	As per Actual	Diff.
Thermal	1	ATPS PH 2	1.56	1.56	0.00
		ATPS PH 3	0.00	0.00	
	2	<b>ATPS Chachai</b>	<b>1.56</b>	<b>1.56</b>	<b>0.00</b>



3	STPS PH 1	2.03	0.00	-2.03
4	STPS PH 2	2.67	2.67	0.00
5	STPS PH 3	2.73	2.73	0.00
<b>6</b>	<b>Sarni, Sarni</b>	<b>7.43</b>	<b>5.40</b>	<b>-2.03</b>
7	SGTPS PH 1	1.47	1.47	0.00
8	SGTPS PH 2	0.63	0.63	0.00
9	SGTPS PH 3	0.00	0.00	0.00
<b>10</b>	<b>SGTPS</b>	<b>2.10</b>	<b>2.10</b>	<b>0.00</b>
<b>11</b>	<b>Total Thermal</b>	<b>11.09</b>	<b>9.06</b>	<b>-2.03</b>

101. The petitioner further submitted that the Units of STPS, Sarni PH-1 are planned for their closure, soon after the commencement of 2x250 MW Units of STPS, Sarni. MPPGCL opts to avail this special allowance for these five units. Accordingly the same has been included in the Annual Fixed cost of the Station.

**Special Allowance FY 11-12 : Amount in ₹ Crores.**

S. No.	Particulars	As per MPERC Regulation	As per Actual	Diff.
1	STPS PH 1	17.46	17.46	0.00

**Provision in the Regulation:**

102. Regarding special allowance, Regulation 18.5 of the Regulation, 2009 provides that,

*“A Generating Company on opting for alternative option in Regulation 18.4 of this Regulation shall be allowed special allowance @ ₹ 5 lakh/MW/Year in 2009-10 and thereafter escalated @ 5.72 % every Year during the Tariff period in 2009-12, Unit-wise from the next financial Year from the respective date of the completion of Useful life with reference to the COD of respective Units of generating station.*

*Provided that in respect of a Unit in commercial operation for more than 25 Years as on 1.4.2009, this allowance shall be admissible from the Year 2009-10. “*

103. With regard to compensation allowance, clause 34.2 of the regulation further provides that,

*“In case of coal-based or lignite-fired thermal generating station, a separate compensation allowance Unit-wise shall be admissible to meet expenses on new assets of capital nature including in the nature of minor assets, in the following manner from the Year following the Year of completion of 10, 15, or 20 Years of Useful life:”*

**Table No. 43:**

<b>Years of operation</b>	<b>Compensation Allowance (₹ lakh/MW/Year)</b>
0-10	Nil
11-15	0.15
16-20	0.35
21-25	0.65

**Commission’s Analysis:**

104. In Regulations, 2009, it is provided that the Generating Company, in case of thermal generating stations, may at its discretion avail a special allowance either for a unit or a group of units as compensation for meeting the requirement of expenses including the R&M works beyond the useful life of the generating station. In such case, the revision of capital cost shall not be considered and the option once exercised shall be final.
105. In MYT petition, the petitioner opted for special allowance for units of STPS, PH-I for the period of FY 2009-10 to FY 2011-12 . In MYT order dated 3<sup>rd</sup> March, 2010, the Commission allowed the special allowance for the units of STPS, PH-I.
106. The petitioner has now further submitted that after obtaining necessary approvals, the four units of STPS, Sarni PH-I (Unit No. 2, 3, 4 and 5) have been decommissioned / retired during FY2012-13. The petitioner filed the copy of CEA’s letter dated 22<sup>nd</sup> January, 2013 and 13<sup>th</sup> May, 2013 for retirement of unit No. 3 and unit No. 5 respectively. However, the special allowance is allowed by the Commission as per Regulations, 2009 as given below :

Power Station	Capacity in MW	Special Allowance in ₹ Lacs/MW	Total amount in ₹ Crores
STPS, Sarni PH-I	312.5	5.59	17.46

107. Regulation 32.2 in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provided that besides several other components, the annual capacity (fixed) charges shall consist of special allowance also in lieu of R&M or separate compensation allowance wherever applicable. Further, Regulations 34.2 of the same Regulations provided for admissibility of a separate unit-wise compensation allowance in ₹ Lac/MW/year for different bands of years of operation of the thermal Generating Unit(s) up to 25 years i.e., its useful life only.
108. The units of STPS, Sarni PH-I have completed their useful life and special allowance is already opted by the petitioner for these units as mentioned above. Therefore, no compensation allowance is allowed for these units as per Regulations.

The units of STPS, PH-2&3 have also completed their useful life and the Commission has already accorded in-principal approval for the need based R&M in these units subject to certain conditions. Therefore, the compensation allowance is not considered for STPS, PH-2 &3 in such circumstances. Similarly, the units of ATPS, PH-II have completed their useful life and R&M of the units of this power house has also been availed. Therefore, the compensation allowance is not admissible for ATPS, PH-II also. Accordingly, the compensation allowance is allowed for the following Thermal Units in this true-up order:

**Table No. 44: Compensation Allowance admitted for FY11-12:**

Sr. No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed in Rs Crores
1	SGTPS PH-I	420	16 to 20	0.35	1.47
2	SGTPS PH-II	420	11 to 15	0.15	0.63
3	<b>SGTPS PH-I&amp;II</b>	<b>840</b>		<b>0.25</b>	<b>2.10</b>
<b>Total Amount</b>					<b>2.10</b>

**g) Interest on Working Capital:****Petitioner submission:**

109. The petition submitted the following:

*“The Working Capital in MYT order dated 03.03.2010 has been calculated in accordance with clause 35 & 48.1 of Principal Tariff Regulation 2009 and its first amendments. Accordingly, cost of 45 days/2 months cost of coal, 2 Months cost of secondary oil, O&M expenditure for 1 month, 20% of Normative O&M Expenses as maintenance spares for thermal and 15% of Normative O&M Expenses as maintenance spares for Hydro and two months receivables has been considered for calculating interest on Working Capital.*

*The Power Station wise interest on Working Capital approved by MPERC vide MYT order dated 03.03.2010, Final Tariff order for SGTPS ext. Unit No. 5 (500MW) dated 28.02.2013, Final Tariff order for ATPS ext. Unit No. 5 (210MW) dated 01.05.2013 and Final Tariff order for Madhikheda HPS (60MW) dated 31.01.2013 is detailed in the table below:-“*

**Table No. 45:****₹ Crores.**

<b>Name of Power House</b>	<b>As per MYT Order</b>	<b>As per MPPGCL Actual</b>
ATPS PH -2	7.83	7.83
ATPS PH-3	11.66	11.66
STPS	54.66	54.66
SGTPS PH 1&2	36.89	36.89
SGTPS PH-3	46.16	46.16
Gandhi Sagar	0.40	0.40
Pench	0.63	0.63
Rajghat	0.30	0.30
Bargi	0.38	0.38
Bansagar 1,2&3	3.67	3.67
Birsinghpur	0.15	0.15
Madhikheda	0.77	0.77
<b>Total</b>	<b>163.50</b>	<b>163.50</b>

**Provision in Regulation:**

110. Regulation 35 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 regarding working capital for coal based generating stations provides that,

*“The Working Capital for Coal based generating stations shall cover:*

- (i) Cost of coal for 45 Days for pit-head generating stations and two months for non-pit-head generating stations, corresponding to the normative availability;*
- (ii) Cost of secondary fuel oil for two months corresponding to the normative availability:  
Provided that in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil.*
- (iii) Maintenance spares @ 20% of the normative O&M expenses;*
- (iv) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and*
- (v) Operation and Maintenance expenses for one month.*

*The cost of fuel shall be based on the landed cost incurred (taking into account normative transit and handling losses) by the Generating Company and Gross Calorific Value of the fuel as per actual for the preceding three months and no fuel price escalation shall be provided during the Tariff period.”*

111. Clause 48.1 of the Regulations regarding working capital for hydel power stations provides that,

*“The Working Capital shall cover:*

- (i) Maintenance spares @ 15% of normative O&M expenses;*
- (ii) Receivables equivalent to two months of fixed cost; and*
- (iii) Operation and Maintenance Expenses for one month.”*

**Commission's analysis:**

112. In view of the above-mentioned provision under Regulations, 2009, no fuel price escalation shall be provided during the Tariff period for calculating the working capital. Moreover, the mechanism/formulae for adjustment of coal cost and oil cost have already been provided in the Regulation. Therefore, no trueing up for interest on working capital is required in accordance with Regulation 8.4 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2009.

**h) Cost of Secondary fuel oil for thermal power stations:****Petitioner's submission:**

113. The petitioner submitted the following:

*"The Secondary Fuel Oil consumption is to be considered as per the norms specified clause 33 of the Regulation, 2009. The power station wise details of the Secondary Oil comprising of Furnace oil and LDO/HSD purchased in various months of FY2011-12 are elaborated in para 4.8.1 of the petition. Accordingly, the power station wise actual weighted average landed price and rate of Secondary Fuel Oil for the Trued up period is detailed below:-*

**Table No. 46:**

<b>Particulars</b>				<b>ATPS Chachai</b>	<b>STPS Sarni</b>	<b>SGTPS Birsinghpur</b>
1	<b>Cost of Secondary Oil</b>	<i>Furnace Oil</i>	<i>₹ Lakhs.</i>	803.38	16317.62	3930.93
2		<i>LDO / HSD</i>	<i>₹ Lakhs</i>	656.33	1241.39	2694.02
3		<i>Total</i>	<i>₹ Crores</i>	<b>1459.71</b>	<b>17559.01</b>	<b>66.24.95</b>
4	<b>Purchased Quantity</b>	<i>Furnace Oil</i>	<i>kL</i>	1818.39	39879.60	9746.77
5		<i>LDO / HSD</i>	<i>kL</i>	1137.10	2801.09	4926.78
6		<i>Total</i>	<i>kL</i>	<b>2955.49</b>	<b>42680.69</b>	<b>14673.55</b>
7	<b>Rate of Secondary Oil</b>	<i>Furnace Oil</i>	<i>₹/kL</i>	44181	40917	40331
8		<i>LDO / HSD</i>	<i>₹/kL</i>	57720	44318	54681
9		<i>Total</i>	<i>₹/kL</i>	<b>49390</b>	<b>41140</b>	<b>45149</b>

114. Based on the actual weighted average rate of Secondary Fuel Oil, the power station wise true-up amount before applying NAPAF is worked out by the petitioner is as follows:

**Table No. 47: Amount in ₹ Crores**

Sr. No.	Thermal Power Station	As per various tariff orders	As filed by MPPGCL	Difference
1	ATPS PH-2	9.71	15.62	5.91
2	ATPA PH-3	5.74	7.74	2.01
3	STPS, Sarni	43.15	56.15	13.00
4	SGTPS PH-1&2	19.58	26.65	7.07
5	SGTPS PH-3	16.07	16.85	0.78
<b>Total</b>		<b>94.25</b>	<b>123.02</b>	<b>28.77</b>

**Provision in Regulation:**

115. Regulation 36 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

*“Expenses on Secondary fuel oil in Rupees shall be computed corresponding to normative Specific Fuel Oil Consumption (SFC) specified in Regulation 33, in accordance with the following formula:*

$$= SFC \times LPSFi \times NAPAF \times 24 \times NDY \times IC \times 10$$

**Where,**

*SFC - Normative Specific Fuel Oil Consumption in ml/kWh*

*LPSFi - Weighted Average Landed Price of Secondary Fuel in ₹./ml considered initially*

*NAPAF- Normative Annual Plant Availability Factor in percentage*

*NDY - Number of Days in a Year*

*IC - Installed Capacity in MW*

*Initially, the landed cost incurred by the Generating Company on secondary fuel oil shall be taken based on actuals of the weighted average price of the three preceding months and in the absence of landed costs for the three preceding months, latest procurement price for the generating station, before the start of the Year.*

*The secondary fuel oil expenses shall be subject to fuel price adjustment at the end of the each Year of Tariff period as per following formula:*

$$SFC \times NAPAF \times 24 \times NDY \times IC \times 10 \times (LPSFy - LPSFi)$$

*Where,*

*LPSFy = The weighted average landed price of secondary fuel oil for the Year in ₹/ml.*

**Commission’s Analysis:**

116. The above Regulation provides for a mechanism/formula for the adjustment of fuel oil expenses at the end of the each year of the tariff period. Further, the fuel

oil consumption is to be considered as per norms specified in the Regulations. However, the difference of actual weighted average landed price of fuel oil for the true-up period and the weighted average landed price of fuel considered in the MYT/final tariff orders shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2011-12. The details of the actual weighted average rate of secondary fuel oil based on audited accounts for FY 2011-12 are worked out by the petitioner. The power station-wise details of actual weighted average rate of secondary oil worked out by the petitioner vis-à-vis approved in MYT order are as given below:

**Table No. 48:**

Name of TPS	₹/kL		
	Allowed in MYT/final tariff Orders for FY11-12	As Actual filed in the petition for FY11-12	Difference
ATPS Chachai	30691	49390	18699
ATPS Chachai (210 MW)	36577	49390	12813
STPS Sarni, Complex	31618	41140	9522
SGTPS Birsinghpur PH 1&2	33170	45149	11979
SGTPS PH 3 (500 MW)	43056	45149	2093

117. While comparing the weighted average rate of secondary fuel oil allowed in MYT/final tariff orders and filed in the subject true-up petition, it was observed that there is abnormal increase in weighted average rate of secondary fuel oil in ATPS, Chachai and SGTPS, Birsing'pur as compared to weighted average rate of secondary fuel oil in STPS, Sarni thermal power stations. Vide letter dated 31<sup>st</sup> May, 2014, the petitioner was asked to explain the reasons along with details of weighted average rate of secondary fuel oil claimed in the bills with supporting documents in this regard.

118. By affidavit dated 25<sup>th</sup> June, 2014, the petitioner submitted the following:

*“The Weighted Average rate of Secondary Fuel Oil purchased depends on the mix of Furnace Oil (FO) and Light Diesel Oil (LDO). MPPGCL likes to mention that at the time of processing of MYT Petition for FY 2009-10 to FY 2011-12, the weighted average rate of Secondary Oil as demanded by Commission for ATPS*



was Rs. 33905 per kL, which was derived on provisional basis based on stores records as no oil was procured during this period of previous three months.

The difference in weighted average prices of Secondary fuel prices approved by Commission and the prices considered in this true up petition is significant, mainly due to the fact that the Secondary Fuel oil prices was approved by the Commission at the start of the control period and instant true-up petition is for last financial year in the control period. This difference is narrowed down for the case of SGTPS 500MW Extn. Unit 5 whose petition for Final Generation Tariff was filed in 2012. Further it is once again to intimate that the prices of furnace Oil /HSD/LDO are decided by Ministry of Petroleum, Gol on which MPPGCL has no control.”

119. Based on the above, the actual power station-wise secondary fuel oil expenses as per MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 are as given below;

**Table No. 49: Secondary fuel oil cost**

Sr. No.	Power Station	Cost of Secondary fuel oil				
		NAPAF	Normative gross gen.	Normative Sp. Fuel consumption	Wt. average Rate of Sec. fuel oil	Amount of Sec. fuel oil
		%	MU's	ml/kWh	₹/KL	₹Cr.
1	ATPS, Chachai PH-II	60.00	1261.44	2.50	49390	15.58
2	ATPS, Chachai PH-III	85.00	1563.66	1.00	49390	7.72
3	STPS, Sarni Complex	80.00	8006.64	1.70	41140	56.00
4	SGTPS, PH-1&2	80.00	5886.72	1.00	45149	26.58
5	SGTPS, PH-3	85.00	3723.00	1.00	45149	16.81
<b>Total</b>			<b>20441.46</b>			<b>122.68</b>

**Other Charges:**

**Petitioner's Submission:**

120. The petition broadly submitted the following:

“Other Charges comprises of Common Expenses, Cess on auxiliary consumption, Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges & SLDC charges. Water Charges and Cess which are payable to Government have been paid based on rates specified by GoMP. Common

*expenses are expenditure incurred in management of cash flow etc and honoring the directives of GoMP the same have been paid to MPSEB in accordance to GoMP notification dated 03.06.2006. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 37 allocated to Thermal Power Stations on MW capacity basis. The detailed workings in regard to other charges are annexed as Annexure 4 being submitted separately. As per the Regulation 26.6 the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee, accordingly MPPGCL had not claimed these expenses in its tariff petition.”*

**Commission’s analysis:**

121. In this true-up petition, the petitioner has claimed the Other Charges which comprise Common Expenses, Cess on auxiliary consumption, Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges & SLDC charges. The petitioner has submitted that the water charges and Cess which are payable to Government have been paid based on rates specified by GoMP. Common expenses are expenditure incurred in management of cash flow etc and have been paid to MPSEB in accordance to GoMP notification dated 03.06.2006. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 37 allocated to various Thermal Power Station on MW capacity basis. The petitioner has further submitted that as per the Regulation 26.6 the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee. Accordingly, MPPGCL had not claimed the aforesaid expenses in its tariff petition.
122. With regard to the other charges, para 4.14 of the MYT order dated 3<sup>rd</sup> March, 2010 stated as follows:  
*“The petitioner has claimed MPERC fee, MPSEB expenses, Cess on auxiliary consumption and water charges in the petition. The petitioner is allowed to recover the fee paid by the petitioner to MPERC for determination of generation tariff, water charges and cess on usage of water for hydro stations and E.D. and*

*cess on auxiliary power consumption levied by the Statutory Authorities from the beneficiaries on pro-rata basis. The Commission has not allowed the MPSEB expenses since the erstwhile MPSEB has already been disintegrated into its successor companies and one of them has been entrusted with the responsibility of trading company i.e. MP Power Transmission Co. Ltd. The Commission has not been allowing the MPSEB common expenses in past to any of the successor entities.”*

123. In the MYT order for FY 2009-10 to FY 2011-12 and also in final tariff orders, the petitioner was allowed to recover fee paid to MPERC for determination of generation tariff, water charges and cess on usage of water for hydro power stations and E.D. and cess on auxiliary power consumption levied by the Statutory Authorities from the beneficiaries on pro-rata basis. Therefore, the Commission has allowed these other charges in this true-up order and the petitioner is allowed to recover these expenses on actual basis.
124. The petitioner has also claimed SLDC charges in accordance with the Regulation which provides that,
- “SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations.”*
125. Therefore, the petitioner is allowed to recover these charges paid to SLDC for FY 2011-12 from the beneficiaries on pro-rata basis.
126. The Commission had not allowed the MPSEB common expenses in MYT order. Therefore, these expenses are not allowed in this order also.
127. In addition to the other charges as approved above, the petitioner is entitled to recover the taxes in accordance with Regulation, 2009 on pro-rata basis payable to the Government, taxes levied by Statutory Authorities and fees paid to MPERC as actuals.

**Carpet Coal:****Petitioner's Submission**

128. The petitioner claimed one time recovery of carpet coal written off amounting to ₹ 17.83 Cr. at its thermal power stations as given below:

**Table No. 50:**

Carpet Coal		ATPS Chachai	STPS Sarni	SGTPS Birsing'pur	Total
Particular	Unit				
Quantity	MT	13051.18	56089.40	45077.21	114217.79
Rate	₹ / MT	1450.74	1642.40	1491.25	
Amount	₹ Crores	1.89	9.21	6.72	<b>17.83</b>

129. The petitioner broadly submitted the following in this regard :

*“The coal being supplied to Power Stations of MPPGCL is not directly used but it is stored in the Coal Stock Yard spread over few square kilometers of area. Generally, the coal is piled up in big heaps in coal yard. To prevent auto combustion of coal, these heaps are regularly turned over & over using dozers and sprayed with water. During this process the coal gets compressed and layers of coal get mixed with soil of the coal yard. This coal cannot be reclaimed and becomes practically unusable. This coal scattered throughout the base of coal yard is termed as Carpet Coal. The quantity of carpet coal depends upon the area of coal yard, land profile and compactness of coal.*

*Hon'ble Commission vide order dated 26.07.2005 had engaged M/s A.F. Ferguson & Co., New Delhi to study the Coal Handling Practices of all the power stations of MPPGCL. After visiting all the thermal power stations of MPPGCL and conducting studies M/s A.F. Ferguson & Co. had submitted their reports & recommendations for improvement of existing Coal Handling Practices. The recommendation made by M/s A.F. Ferguson & Co in relation to Carpet Coal is reproduced below:-*

*“The quantity of carpet coal should be clearly shown in the physical verification report and the stock ledger to identify the consumable coal stock lying in the yard. The value of carpet coal should be written off in*

*the books of account and stock ledger”.*

*As per the above recommendations, the carpet coal is to be written off from the ledgers of all the power stations. The Commission directed MPPGCL to start the implementation of all the feasible recommendations of M/s. AF Ferguson.*

*The Statutory Auditor & the Audit team of CAG, in their report for 2009, have also pointed out that MPPGCL should provide provision in Annual accounts for loss on account of write off of Carpet Coal. M/s. L.K. Maheshwari & Co., CA, Statutory Auditor, who have visited all the three thermal power stations, have categorically recorded their observations in their Audit report. Accordingly, the provision for write off of Carpet Coal was made in the Annual Statement of Accounts for FY 2009-10 as reflected in Schedule No. 17. The Board of Directors of MPPGCL have also accorded approval to write off Carpet Coal at the thermal power stations. The copies of resolutions are annexed as Annexure-25.*

*NTPC has adopted procedure of taking into account by charging carpet coal as one time consumption for old power stations and charging to project cost in new power stations. The copy of abstract of 33<sup>rd</sup> Annual Report of NTPC is annexed as Annexure 26.”*

With the above contention, the petitioner requested write off of Carpet Coal as one time consumption as considered by NTPC and permit one time recovery of Rs. 17.83 Crores apart from the True up amount.

**Commission’s Analysis:**

130. Vide Commission’s letter dated 31<sup>st</sup> May, 2014, the petitioner was asked to inform several clarifications on its claim for one time recovery of carpet coal. Detailed response of the petitioner has been mentioned in para 24 of this order. The abstract of its submission is as given below:

- a. There is no specific Regulation in respect of recovery of carpet coal.
- b. With regard to per MT price of carpet coal, the petitioner has submitted that this process was initiated in FY 2009 and the price of carpet coal per MT was taken as per the rate of coal on the opening balance of the coal stock as on 01.04.2009.
- c. The petitioner mentioned that the price of carpet coal was the same as per the rate as that of non-carpet coal stock as on 01.04.2009. Hence, there is no point in establishing the age / vintage of carpet coal physically measured for the purpose of write off,
- d. The principles and methodology adopted for writing off the carpet coal has been elaborated in para 4.9 of the petition. The petitioner explained the same methodology in its aforesaid additional submission also.
- e. With regard to treatment of carpet coal, the petitioner submitted that the value of carpet coal at respective thermal power stations has only been written off in the Books of Accounts of MPPGCL, while the quantity of carpet coal is physically available at respective thermal power stations at zero value.

131. Later, vide letter No. 07-12/CS-MPPGCL/TU-FY12/1075 dated 25.08.2014, MPPGCL further submitted the following regarding price of carpet coal considered by it:

*“With the inclusion of quantity & value of Opening Stock, the rate charged to consumption differs from the rate at which the coal is actually procured during the year, which emphasizes the weight of Opening Stock while deriving the rate of coal consumed.*

*The Power Station wise quantity of opening stock as on 01.04.1999 along with the coal receipt and consumption during the period 1999-2000 to FY 2009-10 is considered on the best available data. The working for segregation of normal/ abnormal losses, loading of various cost elements in respective head of Transit and stacking related, separating freight from base rate of coal etc have started*

from FY 2007-08 onwards. Figures prior to this period are not available, so best available figures have been taken for illustrating the effect.

The Rate of coal considered in the period FY 1999-2000 to FY 2004-2005 is worked out from the various petitions/ submissions filed by erstwhile MPSEB before Hon'ble Commission. Further the rate of coal purchased during the year FY 2005-06 (10 months) to FY 2007-08 is considered from the petitions filed by MPPGCL. However, the rate of coal purchased during the year FY 2008-09 and 2009-10 is captured from the coal models maintained by MPPGCL.

The quantity/ percentage of normal/ abnormal losses for the period FY 1999-2000 to FY 2004-2005 is considered from the old data/ information sources of erstwhile MPSEB. The percentage of normal/ abnormal losses for the period FY 2005-06 (10 Months) to FY 2007-08 is considered as per MPERC Regulations 2005. Moreover, the quantity of normal/abnormal losses during the year FY 2008-09 and 2009-10 are captured from the coal models maintained by MPPGCL.”

132. The Commission observed that the quantity of 1142.17 MT for Carpet coal written –off as claimed in the petition is also recorded in schedule 15.3 (Inventories) of the Audited Accounts of MPPGCL for FY 2011-12. Therefore, in view of the directions of the Commission in 2005 and the recommendations of the consultant for improvement of Coal Handling Practices, the claim of the petitioner to write off carpet coal as only one time recovery of ₹ 17.83 Crores is considered and allowed over and above the true up amount determined in this order.



**Summary of annual capacity (fixed) charges:**

133. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2011-12 allowed in MYT/final tariff orders vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized in the tables as given below:

**Table No. 51:****Head wise Annual Capacity Charges at normative availability: ₹ Crores**

Head	Cost allowed in MYT/final tariff orders	Cost allowed At Normative Availability	Difference Amount
O & M Expenses	546.19	527.48	-18.70
Comp. Allowance	11.09	2.10	-8.99
Special Allowance	17.46	17.46	0.00
Int. on Loan including excess equity	262.58	224.01	-38.57
Interest on W/C	163.50	163.5	0.00
Depreciation	323.95	370.55	46.61
Return on Equity	269.40	339.16	69.76
Cost of Sec. fuel oil	94.06	122.68	28.62
<b>Total</b>	<b>1688.23</b>	<b>1766.95</b>	<b>78.72</b>

**Table No. 52:****Power Station wise Annual Capacity Charges at normative availability: ₹ Crores**

Sr. No.	Power Station	Cost allowed At Normative Availability	Cost allowed in MYT/final tariff orders	Difference Amount
1	ATPS, Chachai PH-II	98.24	73.75	24.49
2	ATPS, Chachai PH-III	211.32	217.69	-6.37
3	STPS, Sarni Complex	399.05	361.30	37.75
4	SGTPS, PH-1&2	399.29	378.65	20.64
5	SGTPS, Birsing'pur PH-3	414.30	431.91	-17.61
	<b>Sub Total</b>	<b>1522.20</b>	<b>1463.30</b>	<b>58.90</b>
6	Gandhi Sagar	8.31	8.63	-0.32
7	Pench	18.19	15.81	2.38
8	Rajghat	10.97	10.53	0.44
9	Bargi	12.97	10.33	2.64
10	Bansagar (I to III)	157.18	142.07	15.11
11	Birsinghpur	5.48	5.68	-0.20
12	Madhikheda	31.65	31.88	-0.23
	<b>Sub Total</b>	<b>244.75</b>	<b>224.93</b>	<b>19.82</b>
	<b>Grand Total</b>	<b>1766.95</b>	<b>1688.23</b>	<b>78.72</b>



**Normative Annual Plant Availability Factor:**

134. The above-mentioned Annual Capacity (fixed) Charges as allowed in this order are on normative annual plant availability factor (NAPAF) of thermal and hydel power stations. The recovery of Annual Capacity (fixed) Charges of thermal and hydel power stations shall be made by the petitioner in accordance with the Regulations 38 and 50 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2009, for thermal and hydel power stations respectively. A comparison of normative vis-à-vis actual Plant Availability Factor as certified by SLDC for FY 2011-12 in respect of thermal and hydel power stations is as given below:

**Table No. 53:****Normative Vs Actual NAPAF (%) for FY 2010-11:**

<b>Thermal Power Stations (%)</b>			
<b>Name of TPS</b>	<b>Normative</b>	<b>Actuals</b>	<b>Difference</b>
<b>ATPS Chachai PH-2</b>	60.00	19.80	-40.20
<b>ATPS Chachai PH-3 210 MW</b>	85.00	94.04	9.04
<b>STPS Sarni</b>	80.00	53.83	-26.17
<b>SGTPS Birsinghpur PH-1 &amp; 2</b>	80.00	64.17	-15.83
<b>SGTPS PH-3 500 MW</b>	85.00	93.53	8.53

<b>Hydro Power Stations (%)</b>				
<b>S. No.</b>	<b>Name of HPS</b>	<b>Normative</b>	<b>Actuals</b>	<b>Difference</b>
<b>1</b>	<b>Gandhi Sagar</b>	85.00	72.55	-12.45
<b>2</b>	<b>Pench</b>	85.00	88.74	3.74
<b>3</b>	<b>Rajghat</b>	85.00	35.31	-49.69
<b>4</b>	<b>Bargi</b>	85.00	89.79	4.79
<b>5</b>	<b>Bansagar 1,2&amp;3</b>	85.37	66.44	-18.93
<b>6</b>	<b>Birsinghpur</b>	85.00	60.11	-24.89
<b>7</b>	<b>Madhekheda</b>	85.00	72.80	-12.20

### Recovery of Annual Capacity (Fixed) Charges

135. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to existing thermal generating stations for the year FY 2011-12 are calculated in accordance with the clause 38.2 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009:
136. The annual capacity (fixed) charges of a hydro generating station are computed, based on norms specified under Regulations, 2009 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 50 of the Regulations, 2009:
137. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal generating stations for the year FY 2011-12 as per Regulation as is follows:

#### Power Station Wise Detail of Recovery at Normative vis-à-vis actual Availability:

##### ATPS PH-II

₹. Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	3.74	5.57	1.84	-1.90
2	Interest on Loan including interest on excess equity	1.49	8.18	2.70	1.21
3	Depreciation	1.21	14.01	4.62	3.41
4	O&M Expenses	48.24	47.07	15.53	-32.71
5	Compensation Allowance	1.56	0.00	0.00	-1.56
6	Special Allowance	-	-	-	-
7	Fuel Oil Expenses	9.68	15.58	5.14	-4.54
8	Interest on Working Capital	7.83	7.83	2.58	-5.25
<b>Total AFC</b>		<b>73.75</b>	<b>98.24</b>	<b>32.42</b>	<b>-41.33</b>

##### ATPS PH-III (210 MW)

₹ Crores

Sr. No.	Particular	Amount allowed in final tariff order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	34.55	34.55	36.39	1.84
2	Interest on Loan including interest on excess equity	87.92	77.68	81.81	-6.11
3	Depreciation	44.03	46.94	49.44	5.41
4	O&M Expenses	33.79	32.76	34.51	0.72
5	Compensation Allowance	0.00	0.00	0.00	0.00

6	Special Allowance	-	-	-	-
7	Fuel Oil Expenses	5.74	7.72	8.13	2.39
8	Interest on Working Capital	11.66	11.66	12.28	0.62
<b>Total AFC</b>		<b>217.69</b>	<b>211.32</b>	<b>222.56</b>	<b>4.87</b>

**STPS Complex:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	19.64	30.77	20.70	1.06
2	Interest on Loan including interest on excess equity	1.81	0.90	0.61	-1.20
3	Depreciation	8.31	35.89	24.15	15.84
4	O&M Expenses	208.95	203.37	136.85	-72.10
5	Compensation Allowance	7.43	0.00	0.00	-7.43
6	Special Allowance	17.46	17.46	11.75	-5.71
7	Fuel Oil Expenses	43.04	56.00	37.68	-5.36
8	Interest on Working Capital	54.66	54.66	36.78	-17.88
<b>Total AFC</b>		<b>361.30</b>	<b>399.05</b>	<b>268.51</b>	<b>-92.79</b>

**SGTPS PH-I&II:**

Rs. Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	68.44	100.61	80.70	12.26
2	Interest on Loan including interest on excess equity	28.33	9.93	7.96	-20.37
3	Depreciation	88.20	92.13	73.90	-14.30
4	O&M Expenses	135.16	131.05	105.12	-30.04
5	Compensation Allowance	2.10	2.10	1.68	-0.42
6	Special Allowance	-	-	-	-
7	Fuel Oil Expenses	19.53	26.58	21.32	1.79
8	Interest on Working Capital	36.89	36.89	29.59	-7.30
<b>Total AFC</b>		<b>378.65</b>	<b>399.29</b>	<b>320.28</b>	<b>-58.37</b>

**SGTPS PH-III (500 MW):**

Rs. Crores

Sr. No.	Particular	Amount allowed in final tariff order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	85.81	87.23	91.61	5.80
2	Interest on Loan including interest on excess equity	124.62	106.81	112.17	-12.45

3	Depreciation	99.00	99.48	104.47	5.47
4	O&M Expenses	60.25	57.81	60.71	0.46
5	Compensation Allowance	0.00	0.00	0.00	0.00
6	Special Allowance	-	-	-	-
7	Fuel Oil Expenses	16.07	16.81	17.65	1.58
8	Interest on Working Capital	46.16	46.16	48.48	2.32
<b>Total AFC</b>		<b>431.91</b>	<b>414.30</b>	<b>435.08</b>	<b>3.17</b>

**Gandhisagar hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	0.33	0.48	0.45	0.12
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	0.22	0.31	0.29	0.07
4	O&M Expenses	7.68	7.12	6.60	-1.08
5	Interest on Working Capital	0.40	0.40	0.37	-0.03
<b>Total AFC</b>		<b>8.63</b>	<b>8.31</b>	<b>7.70</b>	<b>-0.93</b>

**Pench hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	2.83	4.48	4.57	1.74
2	Interest on Loan including interest on excess equity	0.15	0.01	0.01	-0.14
3	Depreciation	1.51	3.17	3.24	1.73
4	O&M Expenses	10.69	9.91	10.12	-0.57
5	Interest on Working Capital	0.63	0.63	0.64	0.01
<b>Total AFC</b>		<b>15.81</b>	<b>18.19</b>	<b>18.59</b>	<b>2.78</b>

**Rajghat hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	2.68	3.85	2.72	0.04
2	Interest on Loan including interest on excess equity	0.52	0.00	0.00	-0.52
3	Depreciation	4.02	4.03	2.85	-1.17
4	O&M Expenses	3.01	2.79	1.97	-1.04
5	Interest on Working Capital	0.30	0.30	0.21	-0.09
<b>Total AFC</b>		<b>10.53</b>	<b>10.97</b>	<b>7.76</b>	<b>-2.77</b>

**Bargi hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	2.50	4.05	4.16	1.66
2	Interest on Loan including interest on excess equity	0.25	0.00	0.00	-0.25
3	Depreciation	1.18	2.97	3.05	1.87
4	O&M Expenses	6.01	5.57	5.73	-0.28
5	Interest on Working Capital	0.38	0.38	0.39	0.01
<b>Total AFC</b>		<b>10.33</b>	<b>12.97</b>	<b>13.33</b>	<b>3.00</b>

**Bansagar PH-I, II and III:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	40.17	58.09	51.65	11.48
2	Interest on Loan including interest on excess equity	8.60	11.62	10.34	1.74
3	Depreciation	62.57	58.72	52.21	-10.37
4	O&M Expenses	27.05	25.08	22.30	-4.76
5	Interest on Working Capital	3.67	3.67	3.26	-0.41
<b>Total AFC</b>		<b>142.07</b>	<b>157.18</b>	<b>139.75</b>	<b>-2.32</b>

**Birsingpur hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in MYT order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	1.68	2.43	2.07	0.39
2	Interest on Loan including interest on excess equity	0.04	0.00	0.00	-0.04
3	Depreciation	2.47	1.67	1.42	-1.05
4	O&M Expenses	1.34	1.24	1.06	-0.28
5	Interest on Working Capital	0.15	0.15	0.13	-0.02
<b>Total AFC</b>		<b>5.68</b>	<b>5.48</b>	<b>4.68</b>	<b>-1.00</b>

**Madikheda hydel:**

₹ Crores

Sr. No.	Particular	Amount allowed in final tariff order	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	7.03	7.05	6.54	-0.49
2	Interest on Loan including interest on excess equity	8.85	8.88	8.24	-0.61
3	Depreciation	11.22	11.24	10.43	-0.79
4	O&M Expenses	4.01	3.72	3.45	-0.56
5	Interest on Working Capital	0.77	0.77	0.71	-0.06
<b>Total AFC</b>		<b>31.88</b>	<b>31.65</b>	<b>29.38</b>	<b>-2.50</b>

**Power Station wise true-up of Annual Capacity Charges :**

₹ Crores

Sr. No.	Power Station	Allowed in MYT / final order	Determined in this order		True-up Amount
			At normative PAF	At actual PAF	
1	ATPS, Chachai PH-II	73.75	98.24	32.42	-41.33
2	ATPS, Chachai PH-III	217.69	211.32	222.56	4.87
3	STPS, Sarni Complex	361.30	399.05	268.51	-92.79
4	SGTPS (PH-1&2)	378.65	399.29	320.28	-58.37
5	SGTPS PH-III	431.91	414.30	435.08	3.17
	<b>Sub Total (Thermal)</b>	<b>1463.30</b>	<b>1522.20</b>	<b>1278.86</b>	<b>-184.45</b>
6	Gandhi Sagar	8.63	8.31	7.70	-0.93
7	Pench	15.81	18.19	18.59	2.78
8	Rajghat	10.53	10.97	7.76	-2.77
9	Bargi	10.33	12.97	13.33	3.00
10	Bansagar (I to III)	142.07	157.18	139.75	-2.32
11	Birsinghpur	5.68	5.48	4.68	-1.00
12	Madikheda	31.88	31.65	29.38	-2.50
	<b>Sub Total (Hydel)</b>	<b>224.93</b>	<b>244.75</b>	<b>221.20</b>	<b>-3.73</b>
	<b>Total AFC</b>	<b>1688.23</b>	<b>1766.94</b>	<b>1500.05</b>	<b>-188.18</b>

**Head wise True-up of Annual Capacity Charges:**

₹ Crores

Sr. No.	Particular	Allowed in MYT/final order	Determined in this order		True-up Amount
			At normative parameters	At actual parameters	
1	Return on Equity	269.40	339.16	303.42	34.02
2	Interest on Loan including interest on excess equity	262.58	224.01	223.84	-38.76
3	Depreciation	323.95	370.55	330.07	6.13
4	O&M Expenses	546.19	527.48	403.94	-142.24
5	Compensation Allowance	11.09	2.10	1.68	-9.41
6	Special Allowance	17.46	17.46	11.75	-5.71
7	Fuel Oil Expenses	94.06	122.68	89.92	-4.14
8	Interest on Working Capital	163.50	163.50	135.43	-28.07
	<b>Total AFC</b>	<b>1688.23</b>	<b>1766.94</b>	<b>1515.05</b>	<b>-188.18</b>

138. This order is for the true-up of the Multi-Year generation tariff Order of 03/03/2010 to the extent it was applicable for FY 2011-12. The petitioner must take steps to implement the Order after giving seven (7) days' 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 amendments and recalculate its bills for the energy supplied to Distribution Companies of the State / M.P. Power Management Company Ltd. since 1<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012. The petitioner must also provide information to the Commission in support of having complied with this Order. The deficit/surplus amount as a result of this true-up shall be passed on to the three Distribution Companies of the state in terms of Regulation 8.5 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2009 in the ratio of energy supplied to them in FY 2011-12 in six equal monthly installments.

Ordered accordingly.

**(Alok Gupta)**  
**Member**

**(A. B. Bajpai)**  
**Member**

**(Rakesh Sahni)**  
**Chairman**

Date : 01<sup>st</sup> October, 2014  
Place : Bhopal