MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016

Petition No. 29 of 2014

PRESENT:

Dr. Dev Raj Birdi, Chairman

A.B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

True-up of Generation Tariff of MPPGCL's Thermal and Hydro Power Stations for FY 2012-13 determined by MP Electricity Regulatory Commission vide tariff order dated 16th April, 2012.

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 05th October, 2015)

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 5th December, 2014 for true-up of generation tariff for FY2012-13 determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide tariff order dated 16th April, 2012.

2. The Commission issued MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 {RG-26 (I) of 2009} (hereinafter referred to as "the Regulations, 2009") for the control period FY 2009-10 to FY 2011-12 notified on 8th May, 2009. The applicability of Multi Year Tariff (MYT) order, which was based on the Regulations, 2009, was expiring on 31st March, 2012 therefore, the Commission notified second Amendment to MPERC (Terms and Condition for determination of Generation Tariff) Regulation, 2009 on 24th February, 2012 to extend the control period of the main Regulations from 01.04.2012 to 31.03.2013 with certain amendments.

3. The subject true-up petition is filed under section 62 and 64 of Electricity Act, 2003, read with proviso 8.4 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009. The scrutiny of the subject true-up petition is based on the principles and methodology specified in the Regulations, 2009 and its amendments.

4. The details of the power stations covered in this true-up petition are as follows:

Table-1:

Sr. No.	Power House	Installed Capacity (in MW)	Year of Commissioning
1	ATPS PH-II	2X120 MW = 240 MW	1977-78
2	ATPS PH-III	1X210 MW = 210 MW	10.09.2009
3	STPS PH-1 STPS PH-II & III	5x62.5 MW = 312.5 MW 2X210+1X200 = 830 MW	1967-70 1980-84
4	SGTPS PH-1 SGTPS PH-II	2X210 MW = 420 MW 2X210 MW = 420 MW 840 MW	1993-94 1998-99
5	SGTPS PH-III	1X500 MW = 500 MW	28.08.2008
6	Gandhi Sagar	5X23 MW = 115 MW	1960 to 1966

7	Pench	2X80 MW = 160 MW		1986-87
8	Rajghat	3X15 MW = 45 MW		1998-99
9	Bargi	2X45 MW = 90 MW		1988 & 1992
10	Bansagar PH-I	3X105 =315 MW	405 MW	1991 to 1992
	Bansagar PH-II	2X15 = 30 MW		1997-98
	Bansagar PH-III	3X20 = 60 MW		2001-02
11	Madhikheda	3X20 = 60 MW		2006-07
12	Birsinghpur	1X20 = 20 MW		1991-92

5. The details of Annual Fixed (Capacity) charges and Energy charges provisionally allowed by the Commission for FY2012-13 in its order dated 16th April, 2012 are as given below:

Table No. 2:

Sr. No.	**Power House**	**Annual Capacity (fixed) Charges (₹ Crores)**	**Energy Charges paisa/unit**
1	ATPS Chachai (PH-II)	92.99	149.32
2	ATPS Chachai (PH-III)	190.24	110.69
3	STPS Sarni Complex	417.09	168.09
4	SGTPS (PH-1&2)	429.60	195.10
5	SGTPS (PH-III)	379.82	176.06
6	Gandhi Sagar	9.33	-
7	Pench	18.38	-
8	Rajghat	11.44	-
9	Bargi	12.10	-
10	Bansagar (I to III)	156.11	-
11	Bansagar-IV (Jhinna)	14.24	-
12	Madhikheda	26.89	-
13	Birsinghpur	6.56	-
Total		**1764.79**	

6. The petition for determination of final generation tariff of Bansagar-IV (Jhinna) upto FY2013-14 has been filed separately by the petitioner. Therefore, this power station is not included in this order.

7. The subject true-up petition is based on the Final Opening Balance Sheet and Annual Audited Accounts for FY 2012-13 The tariff order dated 16th April, 2012 was also based on the Final Opening Balance Sheet notified by GoMP. The figures of the capital cost and funding admitted in the true-up order for FY 2008-09 issued by the Commission on 22nd March, 2012 were considered as base figures while finalizing the tariff order for FY2012-13.

8. The following developments have occurred subsequent to the generation tariff order for FY 2012-13 issued on 16th April, 2012 :

   i) The Commission issued final generation tariff order for ATPS 210 MW, SGTPS 500 MW, and Madhikheda HPS. The figures of these new power stations were considered in tariff order dated 16th April, 2012 on the basis of the provisional tariff orders of respective power stations.

   ii) Based on the Annual Audited Accounts of the respective years, the Commission issued the generation true-up orders for FY 2009-10, FY2010-11 and FY2011-12. The capital cost of the power stations under subject petition has been revised in the true-up orders of the respective years.

   iii) On 9th July, 2013, the order for STPS PH-I was issued by the Commission for segregation/re-determination of the Annual Capacity Charges from FY2012-13 to FY 2015-16 considering the impact on de-commissioning of Unit No. 3.

   iv) On 23rd July' 2015, the order for approval of special allowance from FY2011-12 to FY2015-16 for Unit No. 6, 7, 8 & 9 of PH-II&III of STPS, Sarni was issued in accordance with the applicable Regulations.

9. Therefore, the Commission has taken into consideration all the above orders while finalizing the instant true-up order. In the last true-up order issued on 1st October, 2014 for FY 2011-12, the impact of final tariff orders of all the new power stations has been considered as per the audited accounts. The Commission has also taken the impact on revision of the capital cost due to additional capitalization in existing and new power stations till FY2011-12 in the aforesaid true-up order. Therefore, in this true-up order, the base opening figures of GFA, Equity and loan components are considered as per true-up order issued on 1st October, 2014 for FY 2011-12.

10. 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 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 DISCOMS were not made respondents in this petition.

11. In the subject petition, the petitioner claimed the true-up amount for FY2012-13 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) Regulations, 2009. Therefore, no truing up of Energy Charges has been considered.*
    b. *The operating norms and O&M norms for Thermal and Hydro Power Stations have been considered in accordance with Second Amendment to the Regulations, 2009.*
    c. *Other Charges comprising of MPERC Fees, Common Expenses, Water Charges, Rent, Rates & taxes, Entry Tax on R&M and SLDC Charges have been claimed on actual basis based on Audited Accounts of FY 2012-13.*
    d. *The expenses shown in Annual Audited Accounts for FY 2012-13 are of MPPGCL's share. The expenses as extracted from Annual Audited Accounts for FY 2012-13 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's tariff order dated 16.04.2012.*
    e. *The expenses of Rana Pratap Sagar and Jawahar Sagar hydro power stations indicated in the Annual Statements of Accounts for FY 2012-13 of MPPGCL have not been considered in this True up Petition since these projects being operated by Rajasthan authorities.*
    f. *The True up in respect Bansagar PH-4 Hydro Power Project (Jhinna) is not considered in the instant true-up petition as final tariff petition has been filed by MPPGCL with the Commission separately.*

g. *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.*

h. *The expenses incurred, on account of Need based Renovation & Modernization works in Unit No. 6, 7, 8 & 9 of PH-2&3 STPS, Sarni have not been considered in this true-up petition. The Commission in true up order for FY 2011-12 dated 01.10.2014 has deferred the additional capitalization on account of need based R&M works on Unit 6, 7, 8 & 9 of STPS, Sarni and directed that the same shall be considered only after approval of the Comprehensive R&M scheme by the Commission.*

i. *The Unit No.3 & 5 of STPS PH-1 were decommissioned on 01.10.2012 & 01.02.2013 3. Accordingly the Assets of Unit No.3 & 5 of STPS PH-1 have been reduced from the Gross Block of STPS PH-1 as per the Audited Books of Accounts for FY 2012-13.*

12. Based on the above, the petitioner filed the following true-up amount after applying actual availability on fixed cost elements:

Table No. 3:True-up Requirement for FY 2012-13: ***(Amount in ₹ Crores)***

Particulars	Elements	Total Cost FY 2012-13		
		As per Tariff Order dated 16.04.2012	**As per Actual**	**Diff.**
Fixed Cost Elements	O & M Expenses	579.73	500.01	-79.72
	Compensation Allowance	11.09	7.39	-3.70
	Special Allowance	18.47	11.65	-6.82
	Interest on Loan	183.67	230.34	46.67
	Interest on W/C	215.27	187.63	-27.63
	Depreciation	312.33	315.59	3.26
	Return on Equity	306.51	314.92	8.41
	Cost of Sec Oil (Normative)	123.49	126.37	2.87
Grand Total		**1750.56**	**1693.90**	**-56.66**

(i) The Power station wise break- up of true up amount after applying actual Availability on Capacity (fixed) Charges as filed by the petitioner is as under:

Table No. 4:True-up Requirement for FY 2012-13: ***(Amount in ₹Crores)***

S.No.	Station	As per Tariff Order	MPPGCL as per norms	Diff.
1	ATPS PH-2	93.00	111.57	18.57
2	ATPS PH-3	190.24	223.37	33.13
3	STPS PH-I,II& III	417.09	329.09	-88.00
4	SGTPS PH-1&2	429.60	358.49	-71.11
5	SGTPS PH-3	379.82	442.65	62.83
6	**Thermal**	**1509.74**	**1465.16**	**-44.58**
7	Gandhi Sagar	9.33	8.67	-0.66
8	Pench	18.37	19.94	1.57
9	Rajghat	11.44	5.96	-5.48
10	Bargi	12.10	14.38	2.28
11	Bansagar 1,2&3	156.11	144.35	-11.75
12	Birsinghpur	6.57	5.49	-1.07
13	Madhikheda	26.90	29.94	3.04
14	**Hydro**	**240.82**	**228.74**	**-12.08**
	Total	**1750.56**	**1693.90**	**-56.66**

(ii) In addition to above, the petitioner filed the following other charges:

Table No. 5:Other Charges for FY2012-13 **Amount in ₹ Crores**

S. No.	Particulars	Total
1	Rent, Rates & Taxes	0.47
2	Entry Tax	2.52
3	Water Charges	44.21
4	Common Expenses	0.84
5	MPERC Fee	1.99
6	SLDC Charges	0.81
	Total	**50.84**

(iii) The petitioner submitted that the settlement of Water charges liability of erstwhile MPSEB with Water Resource Department, GoMP, has been carried by MPPGCL. Accordingly, the assets are added / withdrawn at Bansagar HPS and captured in Books of Accounts for FY 2012-13. Thus the GFA of Bansagar PH 1-3 has been adjusted in the instant petition. The petitioner mentioned that ₹ 55.70 Crores has been added and assets of ₹ 143.34 Crores has been withdrawn and transferred to WRD. The net impact of ₹(-87.64) Crores on account of GFA of Bansagar PH-1 during FY 2012-13 has been filed by the petitioner.

(iv) The additional capitalization of ₹ 93.04 Crores during FY2012-13 in thermal and hydel power stations is also filed in the subject petition as per Annual Audited Accounts and Asset-cum-Depreciation registers of respective power stations.

13. With the above submissions, the petitioner prayed the Commission to :

   i. *Approve Annual Fixed Charges and Other charges for FY 2012-13 and permit recovery of True up amount in six equal monthly installments.*

   ii. *Allow additional capitalization as per Audited Annual Statements of Accounts for FY 2012-13.*

   iii. *Permit to take up the issue of Need based R&M works at Unit No. 6, 7, 8 & 9 of PH-2&3 of STPS, Sarni separately.*

14. The petitioner mentioned the following:

   (i) The installed capacity of MPPGCL's share, as on 30th November, 2014 is 4637.20 MW (including its share in bilateral interstate projects), consisting of 3757.50 MW Thermal power stations and 917.2 MW Hydro power stations.

   (ii) As on 15th March, 2014, MPPGCL is operating 4697.50 MW, consisting of 3720 MW thermal and 915.0 MW Hydro power.

   (iii) Out of this 133.30 MW capacity belongs to other States. MPPGCL also has a share of 135.50 MW in hydro generation projects i.e., Rana Pratap Sagar and Jawahar Sagar installed outside the State.

   (iv) After obtaining necessary approvals, the five units of STPS, Sarni PH-I have been decommissioned/ retired. The date wise details of de-commissioned units of STPS Sarni, PH-I are as given below:

Table No. 6: Power House - 1 STPS Sarni.

Unit	Capacity	Date of retirement
Unit # 1	62.5 MW	7-Jan-14
Unit # 2	62.5 MW	5-Dec-13
Unit # 3	**62.5 MW**	**1-Oct-12**
Unit # 4	62.5 MW	5-Dec-13
Unit # 5	**62.5 MW**	**1-Feb-13**

Procedural History:

15. Motion hearing in the subject petition was held on 6th January, 2015, when the petition was admitted and the petitioner was directed to serve copies of petition on all Respondents in the matter. The respondents were also asked to file their response on the petition if any, by 31st January, 2015.

16. Subsequently, vide Commission's letter dated 7th January, 2015, 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 31st January, 2015. Vide its letter dated 14th January, 2015, the petitioner confirmed that the copies of petition have been served on all the respondents.

17. Vide affidavit dated 30th January, 2015, the petitioner filed its response on the issues raised by the Commission. On perusal of the reply filed by MPPGCL it was observed that MPPGCL had come up with some Assets addition because of transfer/exchange of certain old assets with WRD. Besides several other issues, the explanation of MPPGCL was lacking clarity on this issue also.

18. Vide Commission's letter dated 31st March, 2015, the petitioner was asked to file a comprehensive reply on all such issues which were lacking clarity. Vide affidavit dated 10th April, 2015, the petitioner filed its response to the issues raised by the Commission. The details of the issues raised vide Commission's letters dated 7th January, 2015 and 31st March, 2015 along with the response filed by the petitioner by affidavit dated 30th January, 2015 and 10th April, 2015 are enclosed as **Annexure-I** of this order.

19. Vide letter dated 7th January, 2015, the petitioner was asked to file draft public notice on gist of the petition in Hindi and English version for inviting comments/suggestions from the stake holders. By affidavit dated 30th January, 2015, the petitioner filed the public notice in Hindi and English version for approval of the Commission.

20. Vide Commission's letter dated 28th April, 2015, 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 its response on the comments if any, offered by the stakeholders by 6th June, 2015.

21. Vide letter dated 6th May, 2015, MPPGCL confirmed that the public notices for offering comments/suggestions from stake holders were published on 3rd May, 2015, in the following Hindi & English news papers.

    i. Danik Raj Express, Jabalpur (Hindi).
    ii. Danik Swadesh, Gwalior (Hindi).
    iii. Danik Pradesh Today, Bhopal (Hindi).
    iv. Danik Raj Express, Indore (Hindi).
    v. Daily Free Press, Bhopal (English).

22. No comment from any stakeholder was received in the matter. The public hearing in the subject true-up petition was held on 16th June, 2015 wherein only the representatives of the petitioner appeared.

Capital Cost

Petitioner's submission:

23. 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 FY2012-13. 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. 7: Opening Gross Block & and asset addition: ₹ Crores

Sr. No.	Power Station	Gross Block filed in the petition			
		Opening	Addition	Adjustment	Closing
1	ATPS, Chachai PH-II	217.70	4.04	-0.44	221.30
2	ATPS, Chachai PH-III	1106.03	49.01	-7.32	1147.72
3	STPS, Sarni Complex	673.34	0.00	-8.75	664.59
4	SGTPS, PH-1&2	2172.95	0.02		2172.97
5	SGTPS, PH-3	2065.94	37.12		2103.06
6	Gandhi Sagar	10.33	0.09		10.43
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)	1249.57	56.57	-143.34	1162.79
11	Birsinghpur	52.15	0.00		52.15
12	Madhikheda	215.67	0.30		215.97
	HQ	1.16	0.41		1.57
Total		**8030.94**	**147.57**	**-159.85**	**8018.66**

24. *The petitioner mentioned that during FY 2012-13 asset capitalization was carried out at the existing stations as well as in the new projects. These asset additions were made on account of new assets capitalized under the head Fixed Assets. The details of assets capitalized and its funding have been elaborated in the Additional Capitalization / de-capitalization and Funding thereof.*

25. *The petitioner also mentioned that the Write off/ adjustments/ transfer/ decommissioning of Assets was made in the Gross Block of Fixed assets of the various power stations. These adjustments were reflected in the Audited Books of Accounts of MPPGCL for FY 2012-13.*

Provision in Regulation:

26. Regarding capital cost of the generating stations, Regulation 17.2 of the MPERC (Terms and Conditions for determination of Generation Tariff) 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 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 overall opening Gross Fixed Assets (GFA) of ₹ 8030.94 Crores (as on 1st April, 2012) for its thermal and hydel power stations covered in the subject true-up petition. The petitioner also filed the power station wise details of the opening fixed assets considered in the petition.

28. It is observed that total closing GFA of ₹7867.57 Crores (as on 31st March, 2012) were considered for existing and new power stations in the last true-up order for FY 2011-12 issued by the Commission on 1st October, 2014. Thus, there is a difference of ₹ 163.37 Crores between the closing GFA considered in last true-up order vis-à-vis opening GFA filed in this petition. It is further observed that 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. Moreover, In STPS PH-I, the assets of ₹1.27 Crores are not considered in the petition because these were capitalized in FY 2009-10.

29. Regarding ATPS 210 MW, the following is mentioned in para 4.3.16 of the petition:

(i) As per the Standard Accounting Principles, assets are recorded in books of accounts at the original value without deduction of Liquidated Damages.

(ii) 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.

(iii) 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. In view of the above, the GFA of ₹7867.57 Crores as admitted by the Commission (as closing GFA as on 31st March, 2012) in its last true-up order for FY2011-12 issued on 1st October, 2014 (in Petition No. 11 of 2014) is considered as opening GFA for FY2013-14 in this order. The stations-wise break-up of closing GFA for FY 2011-12 as admitted in the true-up tariff order dated 1st October, 2014 is as given below :

Table No. 8: (₹ Crores)

Sr. No.	Power Station	Closing Gross Fixed Assets admitted as on 31st March, 2012
1	ATPS, Chachai PH-II	217.71
2	ATPS, Chachai PH-III	1055.4
3	STPS, Sarni Complex	673.32
4	SGTPS, Birsing'pur PH-1&2	2172.95
5	SGTPS, Birsing'pur PH-3	1954.40
6	Gandhi Sagar	10.33
7	Pench	96.26
8	Rajghat	82.80
9	Bargi	87.03
10	Bansagar (I to III)	1249.55
11	Birsinghpur	52.15
12	Madhikheda	215.67
Total		**7867.57**

31. The power station wise closing Gross Fixed Assets as on 31st March, 2012 as admitted in the last true-up order for FY 2011-12 is considered as opening Gross Fixed Assets as on 1st April, 2012 in this true-up order. The petitioner has informed that the LD in respect of SGTPS 500 MW has been now finally settled and recorded in the books of accounts of FY 2013-14. The impact of finally settled amount of Liquidated Damages (LD) in respect of SGTPS 500 MW Unit shall be considered appropriately after prudent check as per the Audited accounts of the year in which the aforesaid amount is recorded. However, for ATPS Chachai 210 MW, the petitioner is required to finalize the LD amount at the earliest and report the same to the Commission along the supporting documents.

Additional Capitalization:

Petitioner's submission:

32. The petitioner submitted that the asset capitalization was carried out at the existing stations as well as in the new projects. This asset addition was made on account of new assets capitalized under the head Fixed Assets. In para 4.3.48 of the petition, the power station wise asset capitalization and funding details filed by the petitioner are given as below:-

Table No.9: ***Additional Capitalization*** *(Amount in ₹ Crores)*

S. No.	***Stations***	***Additional Capitalization FY2012-13***	***Loan***	***Equity***
1	*ATPS PH-2*	*4.04*	*10.83*	*0.00*
2	*ATPS PH-3*	*49.01*	*53.82*	*0.00*
3	*STPS*	*0.00*	*0.00*	*0.00*
4	*SGTPS PH-1&2*	*0.02*	*0.00*	*0.02*
5	*SGTPS PH-3*	*37.12*	*209.86*	*0.00*
6	***Total Thermal***	***90.2***	***274.51***	***0.02***
7	*Gandhi Sagar*	*0.09*	*0.00*	*0.09*
8	*Bansagar PH 1,2&3*	*0.87*	*0.00*	*0.87*
9	*Madhikheda*	*0.30*	*0.00*	*0.30*
10	***Total Hydel***	***1.27***	***0.00***	***1.27***
11	*HQ & S&I**	*1.57*	*1.18*	*0.39*
Total		***93.04***	***275.69***	***1.67***

**** For HQ the additional capitalization from FY 06 to FY 13 amounts has been claimed.***

The asset addition made at existing power Stations are new assets and not against any write off in FY 2012-13. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

The Power station-wise details of Additional Capitalization and funding thereof through Loans & Equity / Internal resources are comprehensively detailed in True up petition for FY 2012-13 in Chapter 4.3 namely "Additional Capitalization and funding thereof". However, the same is again elaborated in the desired format, annexed as Annexure 8 with the additional submission dated 30th January, 2015.

Provision in Regulation

33. 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:

34. The Commission sought several details/additional information from MPPGCL regarding additional capitalization during FY 2012-13 in its existing and new power stations covered in the petition with all relevant supporting documents as per Regulation 20 of the Regulations, 2009.

35. The petitioner filed its response on the issues raised by the Commission. The petitioner's response on additional capitalization has been detailed in **Annexure-I** of this order. As per the audited books of account, the additions during FY 2012-13 are for an amount of ₹ 225.92 Cr. whereas, petitioner filed the asset addition of ₹216.80 Cr. It is observed from the petitioner's submission that the assets of ₹ 9.40 Cr. which are not in use pertain to de-commissioned unit of STPS-PH-I and same have not been considered in the subject petition for tariff purpose but yet to de-capitalized in the books of accounts. Further, the additional capitalization of ₹1.27 Cr. after 01.04.2009 is also not claimed in the petition since the special allowance has been availed by it for the same period.

36. Based on the details of additional capitalization filed by the petitioner in the subject petition and additional submissions filed through letters dated 30th January, 2015 and 10th April, 2015, the Commission has examined the power station wise additional capitalization in light of the Annual Audited Accounts and provisions under the Regulations as discussed below:

Additional Capitalization in Existing Projects:

A. ATPS Chachai PH-2 (2X120MW)

37. The petitioner filed the additional capitalization of ₹4.04 Crores in ATPS PH-II during FY2012-13 under the need based Renovation & Modernization scheme. Out of total additional capitalization filed in ATPS PH-II, the assets of ₹ 3.25 Crores pertains to steam power generation.

38. The units of ATPS PH-II were commissioned during FY 1977-78 and completed its useful life. The Board of the erstwhile MPSEB approved the Renovation & Modernization scheme for ATPS PH-II (2 X 120 MW) on 18.01.2004. The estimated amount of ₹ 124.30 Crores under R&M scheme of ATPS PH-II was approved by the Board 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 need based R&M scheme are as given below:

Table No. 10: **₹ Crores**

Particular	Estimated approved amount by BoD under R&M scheme	Total amount admitted as on 31st March, 2012
Assets	124.30	94.52
Loan	105.01	85.84
Equity	19.29	8.68

39. The petitioner has filed the statement showing the estimated completion cost for need based R&M works at ATPS PH-2 (2x120MW). On perusal of the aforesaid statement, it is observed that the sanctioned amount of loan No. 20104021 for ATPS PH-II is ₹ 99 Crores and the amount drawn is ₹ 88.50 Crores. The balance amount of loan to be drawn is ₹ 10.50 Crores It is further observed that the total estimated/approved cost of works under R&M scheme of ATPS PH-II was ₹ 124.30 Crores The petitioner for the first time capitalized the assets under this R&M scheme during FY2008-09. The total capitalization under this R&M scheme as on 31st March, 2013 is ₹ 98.56 Crores Even after a period of five

years, the amount pertains to this R&M scheme is yet to be capitalized. The petitioner was asked to explain the reasons for delay in execution/ capitalization of the assets under R&M Scheme of ATPS PH-II for which a major portion of loan has been drawn by it. The reason for stretching the execution/ capitalization of this R&M Scheme beyond the payback period of three years mentioned in the GoMP approved was also sought from the petitioner.

40. By affidavit dated 20th April, 2015, the petitioner filed the following reasons:

a. *The aforesaid R&M schemes comprises of diverse nature of works, which were awarded to multiple contractors spread over a period of time through tendering process. The detailed list indicating nature of works, name of the contractor, order date / completion date and values is enclosed please.*

b. *The above Need based R&M works includes a major Contract of ₹ 59 Crores, which was awarded to M/s. NTPC-ALSTOM Power Services Pvt. Ltd (NASL), New Delhi, on 04.06.2007. Under the said contract M/s NASL New Delhi at first conducted the RLA study of ATPS PH-2 and based on the results it was envisaged that few additional work were also needed to be added in the said contract. Accordingly the contract was got amended. Therefore, the assets capitalized at ATPS PH-2 from FY 2010-11 onwards, mainly comprises of works executed by M/s NASL New Delhi.*

c. *Further, the work of execution of contract is a technical term and capitalization of assets in the books of accounts is the financial term. Due to procedural aspects it takes considerable time to get the amount capitalized in Account Code 10.XXX (Fixed assets). Till such time the amount is held under the Account Code 14.XXX (CWIP).*

41. The petitioner submitted that the additional assets capitalized during FY2012-13 under the aforesaid R&M scheme amount to ₹ 4.04 Crores as per the Audited books of Accounts for FY2012-13. The details of asset capitalized under the said scheme as filed by the petitioner are given below:

Table No. 11:

S. No.	A/c Code	Details of Asset Capitalized	₹ Crores
1	10.501	Boiler Plant & Equipments	0.775
2	10.503	Turbine-generator Steam power gen.	3.257
3	10.52	Instrumentation & Controls	0.003
4	10.8	Furniture & Fixture	0.009
Total			**4.044**

42. The petitioner confirmed that the funding of the above assets has been made through PFC Loan No. 20104021. No equity infusion was filed by the petitioner against the aforesaid additional capitalization.

43. In its true-up order for FY2008-09, the Commission for the first time considered certain works under need based R&M scheme of ATPS PH-II which were necessary for running the power plant in accordance with Regulation 19(f) of MPERC (Terms and Conditions for determination of Generation tariff) Regulation, 2005.

44. The Commission has observed that the assets of ₹ 4.044 Crores are capitalized in the books of accounts of FY 2012-13 and these assets are covered under approved R&M scheme of ATPS PH-II. It is further observed that the aforesaid assets have also been recorded in Asset cum Depreciation register of ATPS PH-II for FY2012-13. Therefore, the additional capitalization of ₹ 4.044 Crores during FY 2012-13 under the R&M scheme of ATPS PH-II is allowed in this order under Regulation 8.4 of Regulations' 2009.

45. The details of the additional capitalization and funding considered for ATPS PH-II under R&M scheme are summarized as given below:

Table No. 12: **₹ Crores**

Particular	Estimated approved amount	Already allowed as on 31.03.2012	Considered for FY2012-13	Total Add. Cap. allowed as on 31.03.2013
Assets	124.3	94.52	4.044	98.56
Loan	105.01	85.84	4.044	89.88
Equity	19.29	8.68	0.00	8.68

B. STPS Sarni:

46. The Units of STPS, Sarni PH-1 were commissioned during FY1974-75 and Units of STPS PH-2&3 were commissioned during FY1983-84. All the units of STPS, Sarni have completed their useful life i.e. 25-years long back.

47. For Renovation & Modernization, Proviso 18 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2009, provides that the generating company may at its discretion can avail a Special Allowance either for a Unit or group of Units as compensation for making requirement of expenses including R&M works beyond the useful life of generating station. MPPGCL had opted the Special Allowance for the five Units of STPS PH-1 (5 x 62.5 MW) from FY 2009-10 onwards. Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2009-10 onwards in this power house.

48. With regard to the additional capitalization of units under PH 2&3 of STPS, Sarni, the Commission had not considered the special allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni in tariff order for FY 2012-13 dated 16th April, 2012 as it was not claimed by MPPGCL since it was intending to undertake the comprehensive R&M of these units.

49. 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 of main comprehensive R&M scheme for Unit No. 6, 7, 8 & 9 of STPS, Sarni within 24 months from the date of the order. In the aforesaid order, it was 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 specified 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 under Regulation 18.4 & 18.5 of the Regulation, 2009 at the rate specified in the extant Regulations for each year of the control period.

50. By affidavit dated 11th May, 2015, the petitioner filed a petition for recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni in accordance with the MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2009 for FY 12 and FY 13 and MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2012 for FY 14, FY 15 & FY 16.

51. In the aforesaid petition, the petitioner mentioned that after analyzing the financial position and other aspects, MPPGCL decided not to undertake Comprehensive R&M and opt for the Special Allowance, in pursuance with prevailing MPERC Regulations. MPPGCL has requested the Commission to allow Special Allowance on the rates specified by the Commission in various Regulations. MPPGCL also filed the resolution passed by the Board of Directors on 5th May, 2015 in this regard wherein it has been resolved that the Comprehensive Renovation and Modernization works in Unit No. 6, 7, 8 and 9 of STPS, Sarni shall not be undertaken.

52. Vide order dated 23rd July, 2015 in the above-mentioned petition (P-23/2015), the Commission allowed special allowance for Unit No. 6, 7, 8 and 9 of STPS, PH-2&3 for FY 2011-12 to FY 2015-16 in terms of the clause 18.4 and 18.5 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2009.

53. The aforesaid clause of the Regulations, 2009 also provides that once the generation company opted the option for availing special allowance beyond useful life of the generating unit, then revision of capital cost shall not be considered for tariff purpose. In light of the above provision, the additional capitalization in STPS-PH-II &III was not filed by the petitioner. Therefore, no additional capitalization is considered in PH-I, II & III of STPS, Sarni in this true-up order.

C. SGTPS PH-1&2:

54. With regard to addition of assets in SGTPS PH-1&2, the petitioner submitted that minor assets towards procurement of computers of ₹ 0.021 Crores has

been capitalized in books of accounts for FY 2012-13. The petitioner further submitted that the aforesaid procurement was made from the internal resources/equity of MPPGCL. The details of assets capitalized during FY2012-13 are as as given below:

Table No. 13: **₹ Crores**

S. No	Power House	Acc. Code	Details	Total
1	PH-1&2	10.905	Computers	0.021
Total				**0.021**

55. The Commission has observed that the the above assets have been capitalized in the books of accounts of MPPGCL for FY2012-13 and these assets are recorded in assets cum depreciation register also for SGTPS PH-1&2. Therefore, the additional capitalization of ₹ 0.021 Crores is considered in this order. The details of the additional capitalization and funding considered for SGTPS PH-1&2 are as given below:

Table No. 14: **(₹ Crores)**

Particular	FY 2012-13
Asset addition	0.021
Loan component	0.00
Equity component	0.021

D. Gandhi Sagar:

56. The petitioner filed the additional capitalization of ₹ 0.092 Crores in Gandhi Sagar hydro power project. The petitioner submitted that the aforesaid capitalization is on account of procurement of EOT Crane from M/s Cranex Ltd, New Delhi and other office equipments. The petitioner also mentioned that the aforesaid expenses are met from the internal resources of the company. The details of the assets capitalized during FY2012-13 are as follows.

Table No. 15:

S.No.	Account Code	Details	Amount in ₹ Crores
1	10.531	Hydel power Generation Plants	0.091
2	10.904	Others	0.001
Total			**0.092**

57. By affidavit dated 30th January, 2015, the petitioner submitted that the said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC (Terms and Conditions for determination Generation tariff) Regulations, 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. Regulation 20.2(d) of MPERC (Terms and Conditions for determination of Generation tariff) 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."

58. In view of the above, the Commission observed that the additional capitalization of ₹ 0.092 Crores has been capitalized by the petitioner in the books of accounts for FY 2012-13. It is further observed that the aforesaid additional capitalization has also been recorded in asset cum depreciation register of Gandhi Sagar hydro power project. Therefore, the additional capitalization of ₹ 0.092 Crores during FY 2012-13 is considered in this order under Proviso 19 (2.9) (f) of Regulations, 2005 and Regulation 20.2(d) of Regulations, 2009. The details of the additional capitalization and funding considered for Gandhi Sagar HPS are as given below:

Table No. 16: **(₹ Crores)**

Particular	**FY 2012-13**
Asset addition	0.092
Loan component	0.00
Equity component	0.092

E. Bansagar PH-1, 2 &3

59. The petitioner filed the additional capitalization of ₹ 0.87 Crores in Bansagar, PH-1, 2 & 3 during FY2012-13 towards land acquisition and procurement of plant transformers. The petitioner confirmed that additional assets of ₹ 0.87 Crores in Bansagar, PH-1, 2 & 3 capitalized in Annual Audited Accounts for FY 2012-13 and same has been funded through internal resources / equity component. The details of the under additional assets are as follows:

Table No. 17:

Sr. No.	A/c Code	Works / Assets	₹ Crores
1	10.101	Land owned under full title	0.03
2	10.541	Transmission Plant-Transformers 100 KVA and above	0.66
3	10.58	Refrigerators & water coolers	0.001
4	10.599	Other Misc equipments including fire protection system	0.18
5	10.905	Computers	0.01
Total			**0.87**

60. The petitioner submitted that the aforesaid expenditure is mainly on account of Price Variation claim by M/s BHEL towards procurement of 130 MVA Generator transformer amounting to ₹ 0.66 Crores and balance towards payment for installation of fire protection system.

61. The Commission observed that the assets of ₹ 0.87 Crores are capitalized by the petitioner in the books of accounts for FY 2012-13 and recorded in its Asset cum Depreciation register. It is further observed that the capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station. Further, Regulation 20.2(d) of Regulations, 2009 provides that "In case of Hydel Power Station any capital expenditure which has become necessary for successful and efficient plant operation may be admitted by the Commission after prudent check." Therefore, the additional capitalization of ₹ 0.87 Crores is allowed in this order as given below:

Table No. 18: (₹ Crores)

Particular	FY 2012-13
Asset addition	0.87
Loan component	0.00
Equity component	0.87

Additional Capitalization in New Projects:

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

62. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The additional capitalization of ₹ 49.01 Crores is filed by the petitioner in this generating unit during FY 2012-13. The petitioner submitted that the additional capitalization claimed in ATPS 210 MW unit has been capitalized during FY 2012-13 and captured in Audited Books of Accounts. The petitioner further submitted that the aforesaid additional capitalization includes the major capital expenditure of ₹ 33.39 Crores towards procurement of capital spares.

63. Revised project cost estimate of ₹ 1242.14 Crores was approved by the Board of Directors of MPPGCL on 13th September, 2010. Administrative approval to the revised cost estimate of ₹ 1242.14 Crores was accorded by GoMP on 12th January, 2011. Vide Commission's order dated 1st May, 2012 for determination of final tariff for this generating unit, the Commission approved the project cost ₹906.10 Crores as on CoD after deduction of Liquidated damages of ₹ 50.59 Crores. The details of project cost and its funding approved by the BoD & GoMP and considered by the Commission in tariff/true-up orders till 31st March 2012 are reproduced as under:

Table No. 19: **₹ Crores.**

Particular	**Revised project cost approved by the BoD of MPPGCL and Adm. Approval by GoMP**	**Amount admitted by the Commission as on 31st March, 2012**
Assets	1242.14	1057.90*
Loan	908.89	774.31
Equity	226.76	223.42

***Funding of Un-discharge liability of ₹60.17 Crores during FY12 was not considered above.**

64. The petitioner submitted that ATPS Extn. Unit No.5, 210 MW project was awarded to M/s BHEL on EPC Turnkey basis. The petitioner further submitted that the works under additional capitalization were carried out during FY2012-13 and these works are within the original scope of cost estimate of ₹ 1242.14

Crores approved by GoMP dated 12.01.2011. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table No. 20:

Sl. No.	A/c Code	Particulars	Amount in ₹ Crores
1	10.101	Land owned under full title	0.02
2	10.106	Cost of tree plantation for tree cut down	0.18
3	10.201	Building containing thermo Elec. Gen. Plant	**3.03**
4	10.501	Boiler Plant & Equipments	0.06
5	10.502	Furnace/Burners	**1.48**
6	10.503	Turbine-generator Steam power generation	0.26
7	10.504	Plant Foundation for Steam power Plant	0.07
8	10.507	Ash handling plant	**1.50**
9	10.512	Coal Conveyer & crusher	0.23
10	10.515	Coal handling plant & handling equipments	**7.79**
11	10.520	Instrumentation & Controls	0.71
12	10.561	Switchgears including cable connections	0.24
14	10.580	Refrigerators' & water coolers	0.02
15	10.905	Computers	0.02
16	11.300	Capital Spares at Generating Stations	**33.39**
Total			**49.01**

65. The Commission observed that the most of the works capitalized under additional capitalization are related to buildings containing Thermo Electric Gen. Plant, Furnace/Burners, Ash handling plant and Coal Handling Plant etc. Vide Commission's letter dated 7th January, 2015, several queries were sought from the petitioner on this additional capitalization.

66. By affidavit dated 30th January, 2015, the petitioner responded on the queries/issues raised by the Commission and its response has been detailed in **Annexure-I** of this order. The petitioner in its aforesaid response broadly submitted the following:

   i. *The CoD of ATPS ext. unit No.5 of is 10.09.2009. The assets of ₹ 49.01 Crores capitalized during FY 2012-13 as per books of accounts.*

   ii. *The Additional Capitalization includes the major capital expenditure amounting to ₹ 33.39 Crores towards procurement of Capital Spares.*

iii. *The aforesaid capitalization is part of the Original Scope of Work Estimate of ₹1242.14 Crores which has been approved by the GoMP.*

iv. *As per the Regulations, 2009, the Cut-off date of 210 MW ATPS, Chachai is 31.03.2012. 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 on one to one time domain.*

v. *The said works were previously executed but held under the CWIP & Material Stock Account. Later on, the same have been transferred in the Fixed Assets and Capital Spares in FY 12-13.*

vi. *In Audited Books of Accounts for FY 2012-13, the asset additions has been transferred in the Fixed Assets to ₹ 15.62 Crores and in Capital Spares to ₹33.39 Crores. Accordingly, in the True Up Petition for FY 2012-13, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹49.01 Crores (₹.15.62+₹.33.39 Crores.)*

vii. *The capitalization in FY 2012-13 is being claimed in accordance to Proviso 20.1 (a) & (c) of MPERC Regulation 2009, which provides that the assets addition within the original scope of work after the date of Commercial operation on account of un-discharge liabilities and procurement of initial capital spares may be admitted by the Commission subject to prudent check.*

viii. *In respect of ATPS 210 MW, the additional capitalization claimed during FY 2012-13 is a part of the main orders placed for the project.*

67. On scrutiny of the details and documents filed by the petitioner, it is observed that the generating unit achieved CoD on 10th September, 2009 and the Cut-off date of the unit as per clause 4.1(j) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 was 31.03.2012. The additional capital expenditure in ATPS 210 MW is after the cut-off date of the unit. Therefore, such additional capitalization shall have to be examined in light of the relevant provisions under Regulations, 2009.

68. Regarding the additional capitalization of thermal power stations after cut-off date, clause 20.2 of the Regulations, 2009 provides as under:

"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; --------"

69. The additional capital expenditure of ₹ 49.01 Crores includes expenditure on Building containing thermo Elec. Gen. Plant (₹ 3.03 Crores), Furnace/Burners (₹ 1.48 Crores), Coal handling plant & handling equipments (₹ 7.79 Crores), Ash handling plant (₹ 1.50 Crores), Instrumentation & Controls (₹ 0.71 Crores), Switchgears including cable connections (₹ 0.24 Crores) and some miscellaneous minor works. The above expenditure have been incurred and capitalized after cut-off date of the project, i.e, 31.03.2012. Clause (c) of the aforesaid Regulation specifically provides that the capital expenditure may be admitted by the Commission for the deferred works relating to ash pond or ash handling system in the original scope of work. However, there is no provision under Tariff Regulations '2009 for allowing additional capital expenditure on other deferred works / balance works.

70. The petitioner confirmed that all the works under additional capitalization are within the original scope of work. Therefore, the additional expenditure of ₹ 1.50 Crores relating *to* ash pond or ash handling system is allowed in this order. The additional assets of **₹ 1.50 Crores** have been funded through PFC loan. As regard the expenditure on other works after cut-off date of the generating station, there is no provision in the Regulations, 2009 hence the additional capitalization for these works is not allowed during 2012-13. The details of the additional capitalization and funding considered in this order are as given below:

Table No. 21: **In ₹ Crores.**

Particular	Updated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2013
		As on 31.03.2012	During FY2012-13	
Assets	1242.14	1057.90	1.50	1059.40
Loan	908.89	774.31	1.50	775.81
Equity	226.76	223.42	0.00	223.42

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

71. Sanjay Gandhi Thermal Power Station Ext. Unit No. 5 (500 MW) was commissioned on 28th August, 2008. MPPGCL had filed petition on 27th July, 2012 for determination of final generation tariff of this unit for the period from CoD to FY2011-12. Vide order dated 28th February, 2013, the Commission approved project cost of ₹ 1845.40 Crores as on CoD after deduction of Liquidated damages of ₹ 111.54 Crores and 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. Further, the Commission issued true-up order for FY 2011-12 on 1st October, 2014 in which the additional capitalization of SGTPS Ext. Unit No. 5 (500 MW) was considered based on the annual audited accounts for FY 2011-12. The details of the capital expenditure and its funding approved for the project and admitted by the Commission as on 31st March, 2012 in true-up order dated 1st October, 2014 are as given below:

Table No. 22: **In ₹ Crores.**

Particular	Updated Estimated approved project Cost	Admitted by the Commission		Total amount admitted by the Commission as on 31.03.2012
		As on 31.03.2011 in final tariff order	During FY2011-12 in true-up order 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

72. In the subject petition, the petitioner filed the additional capitalization of ₹ 37.12 Crores in SGTPS Ext. Unit No. 5 for FY2012-13 as per Annual Audited Accounts. The major part of the assets capitalized during the year is against the capital spares of ₹ 7.80 Crores and Ash handling plant of ₹ 28.70 Crores. The

details of the assets capitalized during FY2012-13 in SGTPS 500 MW as filed by the petitioner are as given below:

Table No. 23:

Sl. No.	A/c Code	Particulars	Amount ₹ Crores
1	10.507	**Ash Handling plant**	**28.70**
2	10.515	Coal Handling Plant	0.19
3	10.520	Instrumentation & Controls	0.32
4	10.577	Air conditioning Plant portable	0.01
5	10.800	Furniture & Fixtures	0.01
6	10.904	Others	0.00
7	10.905	Computers	0.08
8	11.300	**Capital Spares**	**7.80**
Total			**37.12**

73. Vide Commission's letter dated 7th January, 2015, several queries regarding the additional capitalization in SGTPS 500 MW were sought from MPPGCL. By affidavit dated 31st January 2015, the petitioner filed its response and same has been mentioned in Annexure-I of this order. In its aforesaid response, the petitioner broadly submitted the following:

i. *The assets amounting of ₹ 37.12 Crores have been capitalized during FY 2012-13 and captured in Audited Books of Accounts. The said Additional Capitalization includes the capital expenditure amounting to ₹ 7.80 Crores towards procurement of Capital Spares and ₹ 28.70 Crores towards ash handling plant.*

ii. *These works are covered under the original work estimate of ₹ 2300 Crores, approved by GoMP.. However, the work of construction of Ash Bunds was deferred for execution at that instant of time.*

iii. *The extension unit No. 5 of SGTPS 500 MW has been commissioned on 28.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005, which do not specify for Cut-off date for the purpose of Additional Capitalization.*

iv. *The said works have been previously executed but held under the CWIP & Material Stock Account. Later on, the same were transferred in the Fixed*

Assets and Capital Spares in FY 2012-13 and captured in Books of Accounts.

v. *In Audited Books of Accounts for FY 2012-13, the asset additions amounting to ₹ 29.32 Crores has been transferred in the Fixed Assets) and in Capital Spares amounting to ₹.7.80 Crores. Accordingly, in the True Up Petition for FY 2012-13, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹ 37.12 Crores (₹ 29.32 Crores + ₹ 7.80 Crores.)*

vi. *The said capitalization is claimed by the petitioner under the following proviso of MPERC Regulations, 2005:*

a. *As per Proviso 19 (2.9) (a) of the Regulations, 2005, which provides for capital expenditure actually incurred after the CoD due to deferred liabilities within the original scope of work.*

b. *As per Proviso 19 (2.9) (e) of the Regulations, 2005, which provides for procurement of initial spares included in the original scope of work subject to ceiling Norms laid down in Regulation 18.*

c. *As per Proviso 19 (2.9) (f) of the Regulations, 2005, which provides any additional works / services which became necessary for efficient and successful operation of generating station …*

74. With regard to the details of the recovery of penalty/liquidated damages, vide Commission's letter dated 7th January, 2015 the petitioner was asked to inform the details of penalty if any, imposed on the contractor if there was any delay in completion of works from contractor side. In response to the Commission's query, by affidavit dated 30th January, 2015, the petitioner informed that, *"As such no additional amount on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 12-13. The 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 ₹82.72 Crores for all three contracts placed on BHEL. The balance amount of ₹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".*

75. It is observed that the petitioner filed the initial spares of ₹ 7.80 Crores capitalized during FY2012-13. As per clause 18 (2.5) of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2005 stated that the ceiling norms for initial spares for coal based thermal power stations is 2.5% of the original project cost.

76. With regard to the original project cost, clause 4.1 (aa) of the Regulations, 2009 stated that;

"Original Project Cost means the capital expenditure Incurred by the Generating Company within the original scope of the Project up to the Cut-off date, as admitted by the Commission."

77. On scrutiny of the petition and additional submission filed by the petitioner, it was observed that the initial spares claimed by the petitioner are more than the norms specified in the Regulations. Vide letter dated 31st March, 2015, the petitioner was asked to file the details of initial spares capitalized in light of the provisions under Regulations.

78. By affidavit dated 10th April, 2015, the petitioner filed the details of initial spares as sought by the Commission. On perusal of the details filed by the petitioner, it is observed that the initial spares claimed by the petitioner for FY 2012-13 are more than the ceiling norms under the Regulations, The eligibility of initial spares with regard to original project cost is worked out is as given below:

Table No. 24:

Initial Spares: ₹ Crores		
Particular	**Capital Cost**	**Initial Spares**
Project cost as on 31.03.2012 admitted by the Commission	1955.03	47.24
Add. Cap. Filed in FY2012-13	31.75	2.43
Project cost as on 31.03.2013 admitted by the Commission	1986.78	49.67

79. In view of the above, the Commission observed that the initial spares of ₹ 47.24 Crores have been admitted by the Commission till 31st March, 2012. Therefore, the initial spares of ₹ 2.43 Crores are admitted for FY 2012-13 in this order as per the ceiling norms prescribed in the Regulations, 2005.

80. It is observed that the works filed under additional capitalization are covered under the original scope of work and within the estimated project cost of ₹ 2300 Crores approved by GoMP. It is further observed that the works have been capitalized in books of accounts for FY2012-13 and recorded in asset cum depreciation registers. Therefore, the additional capitalization (including initial spares) of ₹ 31.75 Crores capitalized during FY2012-13 in SGTPS Ext. Unit No. 5 is allowed in this order in accordance with clause 19 (2.9) (a) (e) & (f) of MPERC (Terms and conditions for determination of Generation tariff) Regulations, 2005,

81. With regard to the funding of the assets under additional capitalization, vide letter dated 7th January, 2015, the petitioner was asked file the details of the funding for additional capitalization of all the power stations.

82. By affidavit dated 30th January, 2015, the petitioner filed the power station wise details of additional capitalization and its funding through loans & Equity / internal resources. On perusal of the details of funding filed by the petitioner, it is observed that the additional assets capitalized in SGTPS Unit No. 5 during FY 2012-13 is only through PFC loan, no equity component incurred in new assets. It is further observed that actual capital expenditure and corresponding funding as on 31.03.2013 admitted by the Commission is within the approved project cost and funding. Therefore, the Commission has approved the amount of ₹31.75 Crores against capitalization for FY 2012-13 in this order. The details of the additional capitalization and funding considered in this order are as given below:

Table No. 25: **In ₹ Crores.**

Particular	Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2013
		As on 31.03.2012	During FY2012-13	
Assets	2300.00	1955.03	31.75	1986.78
Loan	1675.00	1329.93	31.75	1361.68
Equity	625.00	624.00	0.00	624.00

Madhikheda Hydro Power Station:

83. The Units of Madhikheda HPS Phase-I (2X20 MW) and Phase-II (1X20 MW) were commissioned on 09.09.2006 & 18.08.2009 respectively. 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 ₹106.94 Crores The investment approval for ₹ 177.38 Crores was accorded by GoMP on 11.05.2001. Vide GoMP letter dated 08.11.2004, the approval for revised estimated cost of ₹ 225.07 Crores was accorded for Madhikheda Hydro Power project.

84. The petitioner in the subject true-up petition filed the additional capitalization of ₹0.30 Crores in Madhikheda HPS during FY2012-13 and mentioned that the same has been captured in Annual Audited Accounts for FY2012-13. The above capitalizations is on account of acquisition of 4.97 Hec. Forest land. With regard to the funding of the additional assets, the petitioner mentioned that the aforesaid expenses were met from the internal resources/equity of the company. The account code wise details of assets capitalized in Madhikheda as under:-

Table No. 26:

S.No.	Account Code	Details	Total in ₹ Crores
1	10.101	Land owned under full title	0.30
Total			**0.30**

85. By affidavit dated 30th January, 2015, the petitioner submitted that the Madhikheda Hydro Power Station was commissioned under the control period of FY 07 to FY 09 covered under MPERC Tariff Regulations, 2005, which do not provide the criteria of Cut-off date for the purpose of Additional Capitalization. The petitioner further submitted that the aforesaid capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulations, 2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.

86. In view of the above submission, it is observed that 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 FY2012-13 and recorded in Asset cum Depreciation register of Madhikheda hydro power station. Therefore, the additional capitalization of ₹ 0.30 Crores capitalized during FY2012-13 in Madhikheda HPS is allowed in this order in accordance with Proviso 19 (2.9) (a) of MPERC (Terms and conditions for determination of Generation tariff) Regulations, 2005. The details of the additional capitalization and funding considered in this order are as given below:

Table No. 27: **₹ Crores.**

Particular	Updated Estimated approved project Cost	Additional Capitalization admitted by the Commission		Total amount admitted as on 31.03.2013
		As on 31.03.2012	During FY2012-13	
Assets	225.07	215.67	0.30	215.697
Loan	-	144.98	0.00	144.98
Equity	-	70.69	0.30	70.99

87. In view of the above, the power station wise additional capitalization and its funding considered for FY2012-13 in this true-up order are as given below:

Table No. 28: **₹ Crores**

Sr. No.	Power Stations	Addition admitted for FY2012-13		
		Asset Addition	Loan Component	Equity Component
1	ATPS PH-II	4.044	4.044	0.00
2	ATPS PH-III (210 MW)	1.50	1.50	0.00
3	STPS Complex	-	-	-
4	SGTPS PH-I&II	0.021	0.00	0.021
5	SGTPS PH-III (500 MW)	31.75	31.75	0.00
6	Gandhi Sagar	0.092	0.00	0.092
7	Pench	-	-	-
8	Rajghat	-	-	-
9	Bargi	-	-	-
10	Bansagar I, II &III	0.870	0.00	0.870
11	Birsinghpur	-	-	-
12	Madhikheda	0.300	0.00	0.300
Total		**38.577**	**37.294**	**1.283**

Un-discharged liabilities in ATPS 210 MW:

88. While processing the last true-up petition for FY 2011-12, it was observed that the asset addition of ₹ 81.24 Crores admitted in ATPS 210 MW were funded through loan of ₹ 20.09 Crores and equity of ₹ 0.98 Crores with ₹ 60.17 Crores as outstanding capital liabilities to be paid as on 31.03.2012. Vide letter dated 31st May, 2014, the petitioner was asked to inform the source of funding for this outstanding liability against capitalized assets. By affidavit dated 25th June, 2014, the petitioner informed that the said liability of ₹ 60.17 Crores shall be met from the balance drawl of PFC Loan No. 20701002 and internal accruals.

89. Accordingly, in the true-up order dated 1st October, 2014 for FY 2011-12, the Commission had considered the loan and equity components for the assets capitalized during FY2011-12 in ATPS 210 MW only to the extent of funding filed by the petitioner. The additional capitalization of ₹ 81.24 Crores was approved by the Commission during FY 2011-12 whereas liabilities of ₹ 60.17 Crores left un-discharged as on 31.03.2012. The petitioner was directed to file the funding pattern of un-discharged liability of ₹ 60.17 Crores (as on 31st March, 2012) with the true-up petition for FY2012-13.

90. On scrutiny of the subject true-up petition, it was observed that the petitioner indicated ₹ 60.17 Crores in table 4.3.10.1 of the petition as the outstanding liabilities as on 31.03.2012. Table 4.3.12.1 of the petition further indicated that the ₹ 60.17 Crores are outstanding liability as on 31.03.2012 and ₹ 55.36 Crores are outstanding liability as on 31.03.2013. In view of the above, it was found that the aforesaid un-discharged liability of ₹ 60.17 Crores is still outstanding liabilities as on 31.03.2013. Vide letter dated 7th January, 2015, the petitioner was again asked to file some more details for clarity on this issue in the petition.

91. By affidavit dated 30th January, 2015, the petitioner submitted the following:

    i. *On scrutinizing the past records of MPPGCL and erstwhile MPSEB, it was found that during FY 2009-10 there was gap in the amount of IDC levied by M/s PFC amounting to ₹167.33 Crores and its corresponding funding.*

ii. On further examining the records it was found that the amount of ₹57.29 Crores has been paid to M/s PFC towards Interest During Construction (IDC) for Loan No. 20101012 through the Cash Flow Mechanism of erstwhile MPSEB, prevailing at that point of time. As this payment was made through Cash Flow Mechanism of erstwhile MPSEB/MP Tradeco , this amount was not captured as source of funding in the final tariff petition of ATPS 210 MW.

iii. This amount of ₹57.29 Crores was paid by erstwhile MPSEB/MP Tradeco from its resources under CFM, Therefore the same is to be treated as internal resources/Equity of the MPPGCL.

iv. The Commission, in the final tariff order for ATPS 210 MW had adopted the methodology of apportionment of funding w.r.t assets capitalized during the year. In line with said methodology the aforesaid amount of ₹ 57.29 Crores is now adjusted against the un-discharged liabilities of ₹ 60.17 Crores in respect of balance funding of additional Capitalization of ₹ 81.24 Crores as permitted by the Commission in True Up Order for FY 2011-12 as given below:

Table No. 29:

Particulars	***₹Crores***
Addl. Capitalization during FY 2011-12	*81.24*
Funding through Loan Permitted in True Up order for FY 12	*20.09*
Funding through Equity Permitted in True Up order for FY 12	*0.98*
Balance Amount	***60.17***
(A) Through Internal resources of company	*57.29*
(B) Through Loan receipt during FY 2012-13	*2.88*
Total(A+B)	***60.17***

v. Further, on consideration of above facts, the corresponding Return on Equity and Interest on Loan & Excess Equity has been worked out for FY 2011-12 & FY 2012-13.

92. On scrutiny of the response filed by MPPGCL vis-a-vis its contention on this issue in the subject true-up petition, it is observed that the petitioner has now changed its stand by stating that the out standing liability of ₹ 60.17 Crores as on 31st March 2012 in respect of ATPS PH-III has been paid to PFC through

internal resources of ₹ 57.29 Crores and the loan of ₹ 2.88 Crores received during FY 2012-13.

93. Despite clear directives of the Commission in this regard in the true-up order for FY 2011-12, the petitioner has now come to this conclusion after verification of its own record after a long period of time. With the aforesaid stand on this issue of outstanding liability in respect of ATPH PH-III, the equity and loan of MPPGCL are increased by ₹ 57.29 Crores and ₹ 2.88 Crores, respectively. These figures were not mentioned in the main true-up petition but now informed by the petitioner in its additional submission.

94. Vide Commission's letter dated 31st March, 2015, the petitioner was further asked to file all relevant documents including the certificates of PFC, who has received the amount of ₹ 57.29 Crores and disbursed the loan of ₹ 2.88 Crores to serve this liability which was outstanding for a long period.

95. By affidavit dated 20th April, 2015, the petitioner filed the details of the assets capitalized and funding details as on CoD of ATPS 210 MW till FY 2012-13. The petitioner also submitted that the amount of funding exceeds the Assets capitalized by ₹ 9.24 Crores (₹ 1108.84 Crores – ₹ 1099.60 Crores) as on 31.03.2013. This is due to the fact that the expenditure was made earlier though Loan & Equity components, however the asset were capitalized at later date. The petitioner further submitted the following:

a. *The Commission in Final tariff order of ATPS PH-3 (210 MW) dated 01.05.2015 and in True up order for FY 2011-12 dated 01.10.2014 has considered funding in proportion to asset capitalized. The same is detailed as under:*

Table No. 30: ***₹ Crores***

Financial year	***Asset Capitalized***	***Loan***	***Equity***	***Total Funding***	***Diff. of Funding***
FY 2009-10 (as on CoD)	*906.11*	*691.87*	*214.24*	***906.11***	***0.00***
FY 2009-10 (after CoD)	*0.00*	*0.00*	*0.00*	***0.00***	***0.00***
FY 2010-11	*70.55*	*62.35*	*8.2*	***70.55***	***0.00***
FY 2011-12	*81.24*	*20.08*	*0.98*	***21.06***	***-60.17***
Total	***1057.9***	***774.3***	***223.42***	***997.72***	***-60.17***

b. *Based on securitization of the past records of MPPGCL and erstwhile MPSEB, it was established that from 01.04.2009 upto CoD (10.09.2009) in FY 2009-10 amount totaling to ₹ 57.29 Crores was paid to M/s PFC towards Interest During Construction (IDC) through prevailing Cash Flow Mechanism of erstwhile MPSEB/MP Tradeco. The details of said amount were earlier not available at the time of filing tariff petition of ATPS. However, the Commission vide tariff order dated 01.05.2012 had permitted the IDC amounting to ₹ 167.33 Crores for ATPS PH-3. The above said amount (₹ 57.29 Crores) was part payment of IDC through internal resources.*

Adopting the methodology of Commission towards Funding with respect to Asset capitalized, MPPGCL has according readjusted the said amount of ₹57.29 Crores towards funding gap now discovered as under:

Table No. 31: ***₹ Crores***

Financial year	***Asset Capitalized***	***Loan***	***Equity***	***Internal resources***	***Total Funding***	***Diff of Funding***
FY 2009-10 (as on CoD)	*906.11*	*691.87*	*214.24*	*0.00*	***906.11***	***0.00***
FY 2009-10 (from CoD to 3.03.2010)	*0.00*	*0.00*	*0.00*	*0.00*	***0.00***	***0.00***
FY 2010-11	*70.55*	*62.35*	*8.20*	*0.00*	***70.55***	***0.00***
FY 2011-12	*81.24*	*20.08*	*0.98*	*57.29*	***78.35***	***-2.88***
FY 2012-13	*41.69*	*44.56**	*0.00*	*0.00*	***44.56***	***2.88***
Total	***1099.6***	***818.86***	***223.42***	***57.29***	***1099.57***	***0.00***

** ₹ 41.69 towards add. Cap. & ₹ 2.88 Crores against the balance funding difference.*

c. *It is evident from aforesaid table the funding difference of ₹ 60.17 Crores was adjusted mainly from ₹ 57.29 Crores (Internal resources) and balance ₹ 2.88 Crores from PFC Loan drawls (loan No.20701002) in FY 2012-13.*

d. *The total PFC loan drawls (Loan No.20701002) during FY 2012-13 amount to ₹53.82 Crores. As desired the party wise / date wise PFC Loan drawls is enclosed as Annexure-4 for kind reference please.*

e. *The supporting documents in reference to payment of amount of ₹ 57.29 Crores to M/s PFC along with relevant Accounting vouchers of Erstwhile MPSEB/MP Tradeco are enclosed as Annexure-5 for kind reference please.*

96. Later, this issue was also discussed at length during the meeting held on 17th April, 2015 with the officers of MPPGCL. The representatives of the petitioner reiterated their contention on this issue. Vide letter dater dated 22nd April, 2015, minutes of meeting were conveyed to the petitioner wherein the representatives of the MPPGCL were asked to submit the approval of BoD for infusion of additional equity beyond the equity of ₹ 227.22 Crores already approved by BoD and GoMP on 13th September, 2010 and 12th January, 2011 respectively.
No response on this issue is received from the petitioner till date.

97. In view of the above, the Commission observed that the equity amount approved for the project by BoD and GoMP is ₹ 227.22 Crores and petitioner has not filed the desired details for enhancement of infusion of equity in the project. Therefore, the contention of petitioner in its additional submission on this issue is not considered in this order in line with the Commission's past approach for approval of equity limited to the extent of equity sanctioned by the Board of Directors of MPPGCL and GoMP. However, the petitioner is at liberty to approach the Commission on this issue with all relevant supporting documents with next true-up petition.

Write off/ Adjustment during the year:

98. The petitioner filed the write- off / adjustments of assets in some of the power stations as per Annual Audited Accounts for FY2012-13 are as follows:

Table No. 32:

Sr. No.	Power Station	Assets in ₹Crores	Remarks
1	ATPS PH-2	-0.44	Write off of Assets
2	ATPS PH-3	-7.32	Adjustment entry
3	STPS PH-1	-8.06	Assets decommissioned on account of retirement of units
4	STPS PH-2&3	-0.68	Adjustment entry
5	**STPS Total**	**-8.74**	
Total		**16.50**	

99. The petitioner mentioned that the assets of de-commissioned Unit No.3 & 5 of STPS PH-1 are reduced from the GFA of STPS PH-1 as per the Audited Books of Accounts for FY 2012-13. The petitioner further mentioned that the assets towards common services at STPS Sarni PH-1 remains part of its GFA.

100. Vide letter dated 7th January, 2015, the Commission sought some clarifications on write-off/adjustment/de-commissioning of assets: By affidavit dated 30th January, 2015, the petitioner filed its response. On perusal of the response filed by the petitioner, the following may be observed:

i. In STPS Sarni, the assets of ₹ 1.27 Crores are not considered as these assets were added in FY 2009-10 and were not considered for tariff purpose since special allowance was availed by the petitioner for STPS PH-1 from FY 2008-09 onwards as given below:

Table No. 33: ***In ₹ Crores***

Particulars	Amount as per Audited Books of Accounts	Amount considered in petition	Diff.	Remarks
STPS PH-1	9.33	8.06	1.27	Assets Decommissioned In STPS PH-1 and Adjustment entry In STPS PH-2&3
STPS PH-2	0.68	0.68	0	
Total	**10.01**	**8.75**	**1.27**	

ii. The assets of ₹ 9.40 Crores at STPS Sarni are shown under the head "not in use" in Schedule 11 of Audited Books of Account. This pertains to those assets, which have been De-commissioned / Written-off and kept in abeyance for its disposal in near future years. For the purpose of tariff, the Decommissioned / Written-off assets are excluded from the GFA of the respective stations.

iii. The assets of ₹ 0.444 Crores write-off / adjustment in ATPS PH-II mainly pertains to old vehicles, furniture's, Refrigerators and water coolers and auxiliaries of steam power plant. With regard to the Adjustment entry of assets in ATPS 210 MW, the petitioner submitted that the assets were transferred from fixed assets to capital spares.

iv. In ATPS PH-3, the capital spares of ₹ 7.32 Crores wrongly booked in fixed assets have now been transferred to capital spares in the Books of Accounts of FY2012-13. No reduction in loan and equity has been made by the petitioner against these assets.

v. With regard to the details of equity, loan, and balance depreciation of write-off/adjustment/de-commissioned assets, the petitioner submitted that in ATPS PH-2&3 and STPS PH-2&3, no equity/loan withdrawal is made towards write-off/adjustment entries. With regard to STPS PH-I, the equity amount corresponding to de-commissioned assets is ₹ 2.38 Crore and, no loan amount is balance in respect of de-commissioned units of STPS PH-I. The power station wise details of financial components are summarized as given below:

Table-34: ***In ₹ Crores***

Power Station	Assets	Cumm. Dep.	Balance Dep.	Equity	Remarks
ATPS PH-2	0.44	0.25	0.14		Write-off
ATPS PH-3	7.32	0.38	6.21		Adjustment entry
STPS PH-1	8.06	7.13	0.13	2.38	De-commissioned
STPS PH-2&3	0.68	0.62	0.00		Adjustment entry
Total	**16.50**	**8.38**	**6.48**	**2.38**	

101. It is observed that in ATPS 210 MW Ext. Unit No. 5, the fixed assets of ₹ 81.24 Crores was admitted during FY2011-12 under additional capitalization. No capital/initial spares were filed by the petitioner under aforesaid assets. The petitioner in the subject petition has submitted that the capital spares of ₹ 7.32 Crores wrongly booked in fixed assets have now been transferred to capital spares in the Books of Accounts of FY2012-13. The Commission has observed

that the capital spares are within the ceiling norms as per Regulations, 2009. The adjustment entry on account of corrections made by the petitioner shall have no impact on the capital cost / Fixed cost component. Therefore, the adjustment entry from fixed assets to capital spares in ATPS 210 MW is considered in this order.

102. In view of the above, the Commission has considered write-off/adjustment of assets and corresponding funding during FY2012-13 in these power stations in this order as follows:

Table-35: **In ₹ Crores**

Power Station	Assets	Equity	Loan
ATPS PH-2	0.44	-	-
*ATPS PH-3	7.32	-	-
STPS PH-1	8.06	2.38	-
STPS PH-2&3	0.68	-	-
Total	**16.50**	**2.38**	**-**

***Adjustment entry, no impact on funding and cost components.**

103. The status of power station wise opening and closing gross fixed assets after considering the additions and write-off/adjustment are as follows:

Table No. 36: **₹ Crores**

Sr. No.	Power Station	Opening GFA as on 01.04.2012	Additions during FY2012-13	Write-off during FY2012-13	Net addition	Closing GFA as on 31.03.2013
1	ATPS PH-II	217.71	4.044	0.44	3.604	221.314
2	ATPS PH-III	1055.4	1.50	0.00	1.50	1056.9
3	STPS Complex	673.32	0.00	8.74	-8.74	664.58
4	SGTPS PH-I&II	2172.95	0.021	0.00	0.021	2172.971
5	SGTPS PH-III	1954.4	31.75	0.00	31.75	1986.15
6	Gandhi Sagar	10.33	0.092	0.00	0.092	10.422
7	Pench	96.26	0.00	0.00	0.00	96.26
8	Rajghat	82.8	0.00	0.00	0.00	82.8
9	Bargi	87.03	0.00	0.00	0.00	87.03
10	Bansagar I, II &III	1249.55	0.87	0.00	0.87	1250.42
11	Birsinghpur	52.15	0.00	0.00	0.00	52.15
12	Madhikheda	215.67	0.30	0.00	0.30	215.97
Total		**7867.57**	**38.577**	**9.18**	**29.397**	**7896.967**

Transfer/exchange of assets in Bansagar towards settlement of Water Charges with WRD:

104. With regard to transfer/exchange of assets in Bansagar project, the petitioner submitted that the erstwhile MPSEB had capitalized the excess amount in the project due to non-availability of the reconciliation at that point of time. The asset of ₹143.34 Crores de-capitalized by MPPGCL from its Books of Account with effect from 01.06.2005 transferred to WRD. In the subsequent years, the expenditure on the project was being done primarily by WRD and till March 2013, they had spent ₹ 55.70 Crores on the behalf of MPPGCL. After setting off ₹ 55.70 Crores from ₹ 143.34 Crores, the net payable amount of ₹ 87.65 Crores still remained payable by WRD to MPPGCL. The expenditure was done by WRD on capital account and has been shown in their books.

105. The Commission observed that the cost of assets associated in this issue is substantial i.e. ₹143.34 Crores and ₹ 55.70 Crores. This issue is pertaining to the period prior to the date of transfer of assets and liabilities from erstwhile MPSEB among MPPGCL and its other successor entities.

106. Vide letters dated 07.01.2015 and 31.03.2015, the Commission sought several clarifications from the petitioner on this issue. Vide letters dated 30.01.2015 and 10.04.2015, the petitioner filed its response on this issue.

107. A meeting was also convened on 17th April' 2015, among the officers of the Commission and MPPGCL to discuss certain issues related to transfer/exchange of certain old assets with WRD in this petition. The following issues were discussed in the meeting;

   i. Exchange/transfer of assets with Water Resource Department, GoMP in Bansagar HPS.
   ii. Outstanding liability of ₹ 60.17 Crores as on 31st March' 2012 in respect of ATPS PH-III 210 MW:
   iii. Initial spares of ₹ 7.32 Crores in ATPS 210 MW due to adjustment.
   iv. Renovation & Modernization scheme of ATPS PH-II, 2x120 MW Units.

108. After detailed discussion on this issue during the meeting, it was concluded that this issue shall require detailed scrutiny of the assets transferred by MPPGCL to WRD and vice-versa in light of all correspondence made between them in this regard. The impact of various components of AFC approved in all past true-up orders shall also be determined. In view of the volume of exercise involved in this issue, it was concluded in the meeting that this issue may not be dealt with this true-up petition and MPPGCL shall either file a separate petition or claim the amount of additional capitalization on account of the exchange/ transfer of assets with WRD along with the next true-up petition.

Debt-equity Ratio:

109. Regulation 21 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2009 provides that*:*

"In case of the generating station declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the commission for determination of Tariff for the period ending 31.3.2009 shall be considered. For the purpose of determination of Tariff of new generating station Commissioned or capacity expanded on or after 01.04.2009, debt-equity ratio as on the Date of Commercial operation shall be 70:30. The debt-equity amount arrived in accordance with this clause shall be used for calculation of interest on loan, return on equity and foreign exchange rate variation.

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."

110. Accordingly, power station wise loan and equity for additional capitalization is considered in this order as per the provision under Regulations, 2009. Further, the actual additional capital expenditure as admitted in this order is allocated as given below:

Table-37: **₹ Crores**

Sr. No.	Power Stations	Addition admitted for FY2012-13		
		Asset Addition	**Normative Loan**	**Normative Equity**
1	ATPS PH-II	4.044	4.044	0.00
2	ATPS PH-III (210 MW)	1.50	1.50	0.00
3	STPS Complex	-	-	-
4	SGTPS PH-I&II	0.021	0.015	0.006
5	SGTPS PH-III (500 MW)	31.75	31.75	0.00
6	Gandhi Sagar	0.092	0.064	0.028
7	Pench	-	-	-
8	Rajghat	-	-	-
9	Bargi	-	-	-
10	Bansagar I, II &III	0.87	0.61	0.26
11	Birsinghpur	-	-	-
12	Madhikheda	0.30	0.21	0.09
Total		**38.577**	**38.193**	**0.385**

Annual Capacity (fixed) Charges:

111. 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) is 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:

112. The petitioner submitted the following:

"On account of Asset additions at the existing stations as well as new projects, there is infusion of Equity during FY 2012-13. The details regarding asset additions and funding thereof during FY 2012-13 were already provided in the Chapter of Additional Capitalization/de-capitalization and funding thereof.

The table indicating the source of funding towards additional capitalization along with the calculation of normative Equity addition during FY 2012-13 is as follows:-

Table No. 38: **₹ Crores.**

Power Stations		Asset Added	Funding		Max. Equity 30% of Gross Block	Normative Equity
			Loan	Equity		
		A	B	C	D = (Ax30%)	C or D
1	ATPS PH-2	4.04	10.83	0.00	1.21	0.00
2	ATPS PH-3	49.01	53.82	0.00	14.7	0.00
3	STPS PH-1,2 &3	0.00	0.00	0.00	0.00	0.00
3	SGTPS PH-1&2	0.021	0.00	0.021	0.006	0.006
4	SGTPS PH-3	37.12	209.94	0.00	11.14	0.00
5	**Total Thermal**	**90.2**	**274.59**	**0.02**	**27.06**	**0.01**
6	GandhiSagar	0.09	0.00	0.09	0.03	0.03
7	Bansagar PH 1,2&3	0.87	0.00	0.87	0.26	0.26
8	Madhikheda	0.30	0.00	0.30	0.09	0.09
9	**Total Hydel**	**1.27**	**0.00**	**1.27**	**0.38**	**0.38**
10	HQ & S&I*	1.57	1.18	0.39	0.47	0.39
Total		**93.04**	**275.77**	**1.67**	**27.91**	**0.77**

The Unit No.3 & 5 of STPS PH-1 were decommissioned on 01.10.2012 and 01.02.2013 respectively. Accordingly the Assets of Unit No.3 & 5 of STPS PH-1 have been reduced from the Gross Block of STPS PH-1 as per the Audited Books of Accounts for FY 2012-13.

Taking cognizance of above, the normative Equity as on 31.03.2012 along with the average Equity works out as under:

Table-39: Closing & Average Normative Equity : ₹Crores

Station		Normative Equity as on 1/4/2012	Equity of de-commissioned. Units of STPS PH-I	Normative Equity Addition	Normative Equity as on 31.3.2013
1	ATPS PH-2	33.46		0.00	33.46
2	ATPS PH-3	222.45		0.00	222.45
3	STPS PH-1	11.80	-2.38	0.00	9.42
4	STPS PH-2&3	186.71		0.00	186.71
5	SGTPS PH-1&2	649.12		0.01	649.12
6	SGTPS PH-3	553.62		0.00	553.62
7	Gandhi Sagar	3.11		0.03	3.14
8	Pench	28.88		0.00	28.88
9	Rajghat	24.84		0.00	24.84
10	Bargi	26.11		0.00	26.11
11	Bansagar PH-1,2&3	374.7		0.26	374.96
12	Madhikheda	45.35		0.09	45.44
13	Birsinghpur	15.64		0.00	15.64
14	HQ			0.39	0.39
Total		**2175.79**	**-2.38**	**0.77**	**2174.18**

As per proviso 21 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 {RG-26(I) of 2009} the Return on Equity is to be computed 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 FY-13, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-

Table-40: Return on Equity for FY 2012- 13 filed by the petitioner: ₹Crores

Station		Average Equity	RoE @ 15.5%
1	ATPS PH-2	33.46	5.19
2	ATPS PH-3	222.45	34.48
3	STPS PH-1	10.61	1.64
4	STPS PH-2&3	186.71	28.94
5	SGTPS PH-1&2	649.12	100.61
6	SGTPS PH-3	553.62	85.81
7	Gandhi Sagar	3.12	0.48
8	Pench	28.88	4.48
9	Rajghat	24.84	3.85
10	Bargi	26.11	4.05
11	Bansagar PH-1,2&3	374.83	58.1
12	Madhikheda	45.39	7.04
13	Birsinghpur	15.64	2.42
14	HQ	0.19	0.03
Total		**2174.99**	**337.12**

Provision in Regulation:

113. Regulation 22 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 and its amendment 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:*
>
> *Rate of pre-tax return on equity = Base rate / (1-t)*
> *Where t is the applicable tax rate in accordance with Regulation 22.3. "*

Commission's analysis:

114. On scrutiny of the petition, it has been observed that the petitioner has wrongly considered the same opening normative equity (as considered in true-up order dated 1st October, 2014) for FY 2012-13 also. The equity addition during FY

2011-12 has not taken into account in the subject petition. Therefore, the return on equity was worked out by the petitioner on the incorrect opening equity for FY2011-12. The petitioner has not worked out ROE on the equity infusion during FY2011-12 due to additional capitalization.

115. By correcting the above error in the petition, the closing normative equity as admitted by the Commission in the last true-up order for FY2011-12 is considered as opening normative equity for FY 2012-13 in this true-up order. In the subject true-up petition, the petitioner filed the additional capitalization in some thermal and hydel power stations for FY2012-13 and claimed return on equity on additional equity infusion due to additional capitalization. The power station wise details of equity addition filed in the petition and considered by the Commission have been discussed in details in the additional capitalization part of this order.

116. The Commission has considered the power station wise equity addition only to the extent of additional capitalization admitted in this true-up order. The equity over and above the normative equity is considered as normative loan and the Return on equity is allowed only on the power station wise normative equity considered in this order.

117. Based on the Annual Audited Accounts, the petitioner also filed the write-off/adjustment of assets in some power stations. The corresponding equity of de-capitalized assets is reduced from the gross equity of the respective power station. Unit No. 3 & 5 of the STPS PH-I have been de-commissioned during FY 2012-13 and the equity of ₹ 2.38 Crores corresponding to the de-capitalized assets has been reduced from total equity of STPS, Sarni. However, the assets pertains to common facilities have not been de-capitalized in FY2012-13. Therefore, the Equity amount allocated by the petitioner to de-capitalized assets of STPS PH-1 in proportion to assets removed from the GFA of STPS PH-1 is as given below:

Table-41: **GFA and Equity of STPS Complex: Amount in ₹ Crores**

Particulars		PH-1	PH-2&3	Total
1	Gross Block of STPS as on 31-3-2012	40.02	633.3	**673.33**
2	Normative Equity of STPS as on 31-3-2012	11.80	186.71	**198.50**
3	Assets decommissioned at STPS PH-1	8.06	0.00	**8.06**
4	Normative Equity in Proportion to assets decommissioned	2.38	0.00	**2.38**
5	**Balance Equity Considered for RoE**	**9.42**	**186.71**	**196.12**

118. 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. 42: **Amount in ₹ Crores**

Sr. No.	Power Station	Normative opening equity	Normative equity addition	Equity of write-off assets	Net equity addition	Normative Closing Equity
1	ATPS, Chachai PH-II	38.41	0.00	0.00	0.00	38.41
2	ATPS, Chachai PH-III	223.42	0.00	0.00	0.00	223.42
3	STPS, Sarni Complex	198.50	0.00	2.38	-2.38	196.12
4	SGTPS, PH-1&2	649.12	0.01	0.00	0.01	649.13
5	SGTPS, PH-3	571.96	0.00	0.00	0.00	571.96
6	Gandhi Sagar	3.11	0.03	0.00	0.03	3.14
7	Pench	28.88	0.00	0.00	0.00	28.88
8	Rajghat	24.84	0.00	0.00	0.00	24.84
9	Bargi	26.11	0.00	0.00	0.00	26.11
10	Bansagar (I to III)	374.87	0.26	0.00	0.26	375.13
11	Birsinghpur	15.65	0.00	0.00	0.00	15.65
12	Madhikheda	45.57	0.09	0.00	0.09	45.66
Total		**2200.44**	**0.38**	**2.38**	**-2.00**	**2198.44**

Table-43: Return on Equity:

Sr. No.	Power Station	Average Equity	Rate of return on equity	Return on Equity
		₹ Crores	%	₹ Crores
1	ATPS, Chachai PH-II	38.41	15.50	5.95
2	ATPS, Chachai PH-III	223.42	15.50	34.63
3	STPS, Sarni Complex	197.31	15.50	30.58
4	SGTPS, Birsing'pur PH-1&2	649.12	15.50	100.61
5	SGTPS, Birsing'pur PH-3	571.96	15.50	88.65
6	Gandhi Sagar	3.12	15.50	0.48
7	Pench	28.88	15.50	4.48
8	Rajghat	24.84	15.50	3.85
9	Bargi	26.11	15.50	4.05
10	Bansagar (I to III)	375.00	15.50	58.13
11	Birsinghpur	15.65	15.50	2.43
12	Madhikheda	45.62	15.50	7.07
Total		**2199.44**		**340.91**

b) Interest and finance charges on loan capital:

Petitioner's submission:

119. The petitioner broadly submitted the following:

"Loan drawls during FY 2012-13 were made in existing as well as in new projects. The details of Power Station wise loan drawls in existing / new projects claimed in the instant petition is detailed in the Chapter on Additional Capitalization/ de-capitalization & Funding thereof. The same is summarized as under :

Table-44: **Amount in ₹ Crores**

S. No.	Stations	Receipts upto 31.3.2012*	Receipts in FY 2012-13	Total
1	ATPS PH-II	8.67	2.16	10.83
2	ATPS PH-3	0.00	53.82	53.82
3	SGTPS PH-3	194.83	15.03	209.86
4	**Total Thermal**	**203.50**	**71.01**	**274.51**
5	HQ	1.18	0.00	1.18
	Total	**204.68**	**71.01**	**275.69**

Power station wise Closing and Average balances of loan considering the repayment equal to depreciation charged during FY 2012-13 as per proviso 23.3 of the Regulation 2009 are indicated below:-

Table No. 45: ***Amount in ₹ Crores***

Stations	*Opening Balance 1/4/2012*	*Loan Receipts Claimed*	*Principal repayment (Depreciation)*	*Closing Balance 31/03/2013*	*Average Balance*
ATPS PH-2	*60.62*	*10.83*	*17.23*	*54.22*	*57.42*
ATPS PH-3	*661.45*	*53.82*	*52.02*	*663.25*	*662.35*
STPS Complex	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
SGTPS PH-1&2	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
SGTPS PH-3	*994.92*	*209.86*	*106.86*	*1097.92*	*1046.42*
Total Thermal	***1716.99***	***274.51***	***176.1***	***1815.4***	***1766.19***
Bansagar	*62.24*	*0.00*	*51.08*	*11.16*	*36.7*
Madhikheda	*79.32*	*0.00*	*11.25*	*68.07*	*73.69*
Total Hydro	***141.56***	***0.00***	***62.33***	***79.23***	***110.39***
HQ		*1.18*	*0.13*	*1.05*	*0.53*
Total	***1858.55***	***275.69***	***238.56***	***1895.68***	***1877.12***

The detailed Calculation in respect of Weighted Average Rate of Interest along with supporting documents is annexed as Annexure-21A, 21B and 21C respectively in Additional Supporting Documents.

The details in respect of actual loans balances as per Audited Books of Accounts of MPPGCL for FY 2012-13 (i.e. Opening Balance, Drawls, Repayments & Closing Balance) indicating the loans under running projects & CWIP is annexed as Annexure-22 as Additional Supporting Documents being submitted before the Commission separately.

Considering above the Power station wise Interest charges for FY 2012-13 worked out in accordance to the proviso 23 of the Generation Tariff Regulations, 2009 by applying weighted average rate of interest on loans are indicated below:-

Table-46: ***Amount in ₹ Crores***

Stations	***Average Balance***	***Wt. Av. Rate of Interest***	***Interest Amount***
ATPS PH-2	*57.42*	*11.89%*	*6.83*
ATPS PH-3	*662.35*	*11.57%*	*76.65*
STPS	*0.00*	*13.15%*	*0.00*
SGTPS PH-1&2	*0.00*	*8.73%*	*0.00*
SGTPS PH-3	*1046.42*	*11.35%*	*118.77*
Total Thermal	***1766.19***		***202.25***
Bansagar PH-1,2&3	*36.70*	*9.22%*	*3.38*
Madhikheda	*73.69*	*10.56%*	*7.78*
Total Hydro	***110.39***		***11.17***
HQ	*0.53*	*10.50%*	*0.06*
Total	***1877.12***		***213.47***

Provision in Regulation:

120. Regulation 23 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 as amended 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:

121. The petitioner in para 4.5.2 of the petition mentioned that the Commission in the final tariff orders for SGTPS 500 MW and Madhikheda HPS has included the amount of excess equity in the loan component of the respective power stations and allowed interest on that amount by applying wt. average rate of interest of respective power stations instead of overall wt. average rate of interest. Therefore, the petitioner requested for such correction in this regard.

122. In view of the above contention of the petitioner, the Commission observed the following:

a. In the final opening balance sheet, the equity amount allocated to MPPGCL was more than the normative equity. The equity amount over and above the normative equity was allocated to all existing power stations in proportion to their GFA as on 1st June, 2005

b. There were some of the power stations on which no outstanding loan as on 1st June, 2005 and it was not possible to arrived weighted average rate of interest for those power stations. In such special circumstance, the Commission had decided to apply overall weighted average rate of interest on excess equity of all the power stations.

c. In the tariff Regulations, 2005, for the tariff period FY07 to FY09, the repayments of loan were linked with the scheduled repayment of individual actual loan portfolio.

d. The excess equity is not a separate component of annual fixed cost. Tariff Regulations does not specify excess equity separately as tariff component. The equity amount over and above the normative equity is deemed to be considered as loan component.

e. In the tariff Regulations, 2009 for the tariff period FY10 to FY12, the repayments of loan has been linked with the depreciation for the period.

f. In the final tariff orders for SGTPS 500 MW and Madhikheda HPS, the equity over and above normative equity treated as loan and included in the loan components. The weighted average rate of interest of aforesaid power stations applied also on excess equity.

123. In true-up order for FY2011-12, the equity over and above the normative equity incurred in additional capitalization in SGTPS 500 MW and Madhikheda HPS were considered as excess equity and the interest amount was allowed by applying overall weighted average rate of interest.

124. The Commission has now included the amount of excess equity of new power stations i.e. SGTPS 500 MW and Madhikheda HPS in loan component in this true-up order and interest amount worked out by applying weighted average rate of interest of respective power station. Therefore, the excess equity of ₹ 6.90 Crores and ₹ 0.52 Crores of SGTPS 500 MW and Madhikheda HPS has now been added in the opening loan balances respectively.

125. The petitioner filed the loan additions in respect of additional capitalization during FY2012-13. It is observed that the petitioner filed loan additions of ₹ 275.69 Crores till 31.03.2013 whereas the total additional capitalization during the year filed by the petitioner is ₹ 93.04 Crores which is funded from loan and equity component. In all previous true-up/tariff orders the Commission allowed funding in respect of additional capitalization only to the extent of additional capitalization admitted by it. Therefore, the loan amount pertains to additional capitalization to the extent of additional capitalization admitted in this order is considered by the Commission.

126. In this true-up order, the power station wise normative closing loan balances as on 31st March, 2012 admitted in the true up order dated 1st October, 2014, are considered as the opening loan balances as on 1st April, 2013. The closing loan balances are worked out after considering the loan addition due to additional capitalization and normative repayment equal to depreciation in this order.

127. Regarding the loan amount of write-off/adjustment/de-commissioned assets, by affidavit dated 30th January, 2015, the petitioner confirmed that there is no loan amount outstanding pertains to write-off/adjustment/de-commissioned assets.

128. 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 1st April, 2012. Considering the above, the 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. 47:Power Station wise loan balances: Amount in ₹ Crores

Sr. No.	Power Station	Opening Loan	Loan addition	Normative Repayment	Closing Loan
1	ATPS, Chachai PH-II	60.62	4.04	17.08	47.59
2	ATPS, Chachai PH-III	661.45	1.50	47.84	615.11
3	STPS, Sarni Complex	0.00	0.00	0.00	0.00
4	SGTPS, Birsing'pur PH-1&2	0.00	0.00	0.00	0.00
5	SGTPS, Birsing'pur PH-3	1047.96	31.75	100.09	979.62
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)	62.24	0.00	54.87	7.37
11	Birsinghpur	0.00	0.00	0.00	0.00
12	Madhikheda	100.80	0.21	11.24	89.77
Total		**1933.07**	**37.50**	**231.13**	**1739.44**

129. Considering the above, the power station- wise interest amount is worked out by applying the power station wise wt. average rate of interest as given below:

Table No. 48:Power Station wise Interest on loan: Amount in ₹ Crores

Sr. No.	Power Station	Average Loan	Wt. Average rate of interest	Interest on Loan
1	ATPS, Chachai PH-II	54.10	11.89	6.43
2	ATPS, Chachai PH-III	638.28	11.57	73.85
3	STPS, Sarni Complex	0.00		0.00
4	SGTPS, Birsing'pur PH-1&2	0.00		0.00
5	SGTPS, Birsing'pur PH-3	1013.79	11.35	115.07
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)	34.80	9.22	3.21
11	Birsinghpur	0.00		0.00
12	Madhikheda	95.28	10.56	10.06
Total		**1836.26**		**208.62**

c) Interest on Excess Equity:

Petitioner's submission:

130. With regard to the excess equity, petitioner submitted the following:

"The Proviso 21.2 of MPERC Generation Tariff Regulation 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.

Accordingly, Power station wise Opening, Closing and Average balances of excess equity considering the repayment equal to balance depreciation charged during FY12 under proviso 23.3 of the Regulation are worked out as given below:

Table-49:

Station		Excess Equity as on 1-4-2012 (Op.Bal)	Excess Equity addition due to Assets addition	Repayment equal to balance dep. For FY 13	Excess Equity as on 31-3-2013 (Cl Bal)	Average Excess Equity
1	ATPS PH-2	7.44	0.00	0.00	7.44	7.44
2	ATPS PH-3	0.00	0.00	0.00	0.00	0.00
3	STPS, Complex	0.00	0.00	0.00	0.00	0.00
4	SGTPS PH-1&2	53.08	0.01	48.99	4.11	28.59
5	SGTPS PH-3	53.04	0.00	0.00	53.04	53.04
6	**Total Thermal**	**113.56**	**0.01**	**48.99**	**64.59**	**89.07**
7	Gandhi Sagar	0.00	0.06	0.06	0.00	0.00
8	Pench	0.01	0.00	0.01	0.00	0.01
9	Rajghat	0.00	0.00	0.00	0.00	0.00
10	Bargi	0.00	0.00	0.00	0.00	0.00
11	Bansagar PH-1,2 &3	33.34	0.61	0.00	33.95	33.64
12	Madhikheda	21.48	0.21	0.00	21.69	21.59
13	Birsinghpur	0.00	0.00	0.00	0.00	0.00
14	**Total Hydro**	**54.83**	**0.89**	**0.07**	**55.64**	**55.24**
15	HQ	0.00	0.00	0.00	0.00	0.00
Total		**168.39**	**0.90**	**49.06**	**120.23**	**144.31**

Accordingly power station wise excess Equity and interest thereon after applying the weighted average Rate of Interest works out as under:

Table-50:

Station		Average Equity	Intt. On Excess equity @ 12.34%
1	ATPS PH-2	7.44	0.92
2	ATPS PH-3	0.00	0.00
3	STPS	0.00	0.00
4	SGTPS PH-1&2	28.59	3.53
5	SGTPS PH-3	53.04	6.55
6	**Total Thermal**	**89.07**	**10.99**
7	Gandhi Sagar	0.00	0.00
8	Pench	0.01	0.00
9	Rajghat	0.00	0.00
10	Bargi	0.00	0.00
11	Bansagar PH-1,2 &3	33.64	4.15
12	Madhikheda	21.59	2.66
13	Birsinghpur	0.00	0.00
14	**Total Hydro**	**55.24**	**6.82**
15	HQ	0.00	0.00
Total		**144.31**	**17.81**

Provision in the Regulation:

131. 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:

132. The power station wise opening balance of excess equity as on 01.04.2012 for existing power stations is considered same as closing balance of excess equity as on 31.03.2012 as per true-up order for FY2011-12. The repayment of excess equity (normative loan) is considered equal to balance depreciation after considering the repayment of power station wise loan. In new power stations i.e. SGTPS 500 MW and Madhikheda HPS, the amount of excess equity is included in the normative loan balances of the corresponding power stations.

133. The petitioner filed the additional capitalization during FY2012-13 and equity addition in the new assets. The equity addition over and above the normative equity in ATPS PH-II, SGTPS PH-I &II, Bansagar and Madhikheda hydro power stations is considered as excess equity addition for FY2012-13 to the extent of additional capitalization admitted in this order.

134. In view of the above, the opening and closing excess equity balances are worked out by considering the excess equity addition on account of additional capitalization during FY2012-13 and repayment equal to balance depreciation during FY2012-13 as given below:

Table No. 51: Excess Equity Status: **₹ Crores**

Sr. No.	Power Station	Opening Excess Equity	Addition during the year	Normative Repayment (Bal. Dep.)	Closing Excess Equity
1	ATPS, Chachai PH-II	7.44	0.00	0.00	7.44
2	ATPS, Chachai PH-III	0.00	0.00	0.00	0.00
3	STPS, Sarni Complex	0.00	0.00	0.00	0.00
4	SGTPS, Birsing'pur PH-1&2	53.08	0.01	48.89	4.20
5	SGTPS, Birsing'pur PH-3	0.00	0.00	0.00	0.00
6	Gandhi Sagar	0.00	0.06	0.00	0.06
7	Pench	0.01	0.00	0.01	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)	33.34	0.61	0.00	33.95
11	Birsinghpur	0.00	0.00	0.00	0.00
12	Madhikheda	0.00	0.00	0.00	0.00
Total		**93.87**	**0.69**	**48.90**	**45.66**

135. Accordingly, the interest amount on excess equity is worked out by applying the weighted average rate of interest for MPPGCL as whole as filed by the petitioner on all power stations considered in this order for FY2012-13 as given below:

Table No. 52: Interest On Excess Equity:

Sr. No.	Power Station	Excess Equity Average	Wt. Avg. rate of interest	Interest on excess equity
		₹ Cr.	%	₹ Cr.
1	ATPS, Chachai PH-II	7.44	12.34	0.92
2	ATPS, Chachai PH-III	0.00		0.00
3	STPS, Sarni Complex	0.00		0.00
4	SGTPS, Birsing'pur PH-1&2	28.64	12.34	3.53
5	SGTPS, Birsing'pur PH-3	0.00		0.00
6	Gandhi Sagar	0.03	12.34	0.00
7	Pench	0.01	12.34	0.00
8	Rajghat	0.00		0.00
9	Bargi	0.00		0.00
10	Bansagar (I to III)	33.64	12.34	4.15
11	Birsinghpur	0.00		0.00
12	Madhikheda	0.00		0.00
Total		**69.76**		**8.61**

136. The total amount of interest on loan and interest on excess equity worked out for FY2012-13 in this true-up order are as given below:

Table No. 53: Total Interest On loan and Excess Equity: ₹ Crores

Sr. No.	Power Station	Interest amount on Loan	Interest on excess equity	Total Interest amount
1	ATPS, Chachai PH-II	6.43	0.92	7.35
2	ATPS, Chachai PH-III	73.85	0.00	73.85
3	STPS, Sarni Complex	0.00	0.00	0.00
4	SGTPS, Birsing'pur PH-1&2	0.00	3.53	3.53
5	SGTPS, Birsing'pur PH-3	115.07	0.00	115.07
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)	3.21	4.15	7.36
11	Birsinghpur	0.00	0.00	0.00
12	Madhikheda	10.06	0.00	10.06
Total		**208.62**	**8.61**	**217.22**

137. However, the excess equity was allocated to existing power stations as on 1st June, 2005, based on the equity allocated in final opening balance sheet. The excess equity of new power stations included in the loan component of the respective power stations therefore, no separate amount of excess equity is considered in new power stations.

d) Depreciation:

Petitioner's submission

138. With regard to the depreciation, the petitioner broadly submitted the following:

"The Power Station wise break up of Fixed Assets as reflected in the Audited books of account FY2012-13 along with asset additions and adjustment/deductions are tabulated below:-

Table-54: Gross Block details for FY 2012-13: ₹ Crores

Power Station	Op.bal as on 1.4.12	Additions in FY-13	Adjustments / write-off /decommissioning of Assets	Asset not in use	Cl. bal as on 31.3.13
ATPS Chachai	1324	53.1	-7.8	0.04	1369
STPS Sarni	724	67.8	-10.1	9.4	791
SGTPS Total (Th & Hy)	4291	37.1			4328
Bansagar HPS (Complex)	1370	56.6	-143.3		1283
SSTPS	80	1.5			81
Bargi HPS	87				87
Gandhisagar	10	0.1			10
J.Sagar HPS	17				17
Madhikheda	216	0.3			216
Pench HPS	96				96
R.P.Sagar	19				19
Rajghat HPS	83				83
HQ & S&I	1	0.4			2
COGHS	**529**	**0.8**	**0**		**529**
Total MPPGCL	**8316**	**216.8**	**-161.2**	**9.4**	**8381**

The depreciation on the Gross Block has been computed based on the following:-

- *The rates for depreciation are considered as approved by Hon'ble 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. 08 years in case of ATPS PH-2 & 04 years in case of STPS & Gandhi Sagar. This philosophy was adopted by MPPGCL from FY 2009-10 onwards.*
- *The Commission in True Up order for FY 2011-12 Para 85, page 90, has approved the aforesaid approach and allowed depreciation by considering the Wt. Average Rate of Depreciation as per the Asset Registers submitted by MPPGCL.*
- *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 & STPS PH-2&3 during FY 2012-13 is not considered.*
- *The assets in the records of MPPGCL are only for its own share hence depreciation is computed for MPPGCL share only.*

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

Table No. 55 :

S. No.	Station	Op. Balance as on 1.4.2012		Dep. For FY 13	Cl. Balance as on 31.3.2013		Cl.Acc.Dep as % of GB
		Asset GB	Acc. Dep		Asset GB	Acc. Dep.	
1	ATPS PH-2	217.7	109.76	17.23	221.3	126.73	57%
2	ATPS PH-3	1106.03	122.17	52.02	1147.72	173.81	15%
3	**ATPS Chachai**	**1323.73**	**231.93**	**69.24**	**1369.02**	**300.54**	**22%**
4	STPS PH-1	40.02	34.95	0.93	31.96	28.76	90%
5	STPS PH-2&3	633.32	534.6	34.8	632.64	568.78	90%
6	**STPS Total**	**673.34**	**569.55**	**35.73**	**664.59**	**597.54**	**90%**
7	SGTPS PH-1&2	2172.95	1386.06	48.99	2172.97	1435.05	66%
8	SGTPS PH-3	2065.94	353.94	106.86	2103.06	460.79	22%
9	**SGTPS Total**	**4238.89**	**1740**	**155.84**	**4276.03**	**1895.84**	**44%**
10	Gandhi Sagar	10.33	8.99	0.31	10.43	9.3	89%
11	Pench	96.27	70.8	3.17	96.27	73.97	77%
12	Rajghat	82.81	37.09	2.08	82.81	39.17	47%
13	Bargi	87.03	57.57	2.96	87.03	60.53	70%

14	*Bansagar PH-1,2&3*	*1249.57*	*507.61*	*51.08*	*1162.79*	*515.44*	*44%*
15	*Madhikheda*	*215.67*	*44.11*	*11.25*	*215.97*	*55.37*	*26%*
16	*Birsinghpur*	*52.15*	*30.26*	*1.67*	*52.15*	*31.93*	*61%*
17	*HQ*	*1.16*	*0*	*0.13*	*1.57*	*0.13*	*8%*
Total		***8030.94***	***3297.91***	***333.46***	***8018.66***	***3579.74***	***45%***

Provision in Regulation:

140. 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:

141. On scrutiny of the subject petition, it was observed that the petitioner worked out the depreciation in ATPS 210 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 7th January, 2015 the petitioner was asked to file depreciation for this power station after deducting the amount of Liquidated Damages. By additional affidavit dated 30th January, 2015, the petitioner filed the revised depreciation amount for ATPS 210 MW after deducting the LD from Gross Fixed Assets.

142. With regard to the cumulative depreciation of write-off assets/de-commissioned assets, by affidavit dated 30th January, 2015, the petitioner submitted that the amount of Accumulated Depreciation against the assets De-commissioned / Written off at various power stations is considered in the Asset-cum-Depreciation Register of various power stations submitted by MPPGCL.

Accordingly, the closing Accumulated Depreciation of various power stations has been adjusted.

143. On scrutiny of the Assets-cum-Depreciation register for Bansagar HPS it is observed that the assets of ₹ 143.34 Crores write-off and assets of ₹ 56.56 Crores added in the GFA of Bansagar project due to impact of exchange/transfer of assets with WRD against adjustment of water charges. The net impact on GFA of Bansagar project has reduced by ₹ 87.65 Crores. The depreciation for the year worked out by the petitioner accordingly.

144. However, on request of the petitioner, the Commission has not considered the impact of exchange/transfer of assets with WRD in this true-up order. Therefore, the Commission has worked out the depreciation on the GFA of Bansagar HPS without adjustment of assets. The impact of exchange/transfer of assets with WRD shall be taken in the next true-up order.

145. In STPS PH-I Unit No. 3 & 5 have been de-commissioned during FY2012-13. The assets of ₹ 8.06 Crores have been de-capitalized by the petitioner as per books of accounts. The petitioner submitted that the assets towards common services at STPS, Sarni pertaining to PH-I remains part of Gross Block. The petitioner taken the impact of de-capitalized assets in assets-cum-depreciation register of STPS, Sarni.

146. While determining the depreciation in this order, the Commission has considered the opening gross fixed assets and cumulative depreciation as on 1st April, 2012 as per the admitted closing figures of assets in the last true-up order for FY 2011-12 dated 1st October, 2014.

147. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY2012-13. The issue of power station wise asset additions and "additional capitalization" admitted for FY 2012-13 has been discussed in a preceding part of this order. The petitioner mentioned that 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 petitioner further mentioned that ATPS PH-2, STPS Sarni and Gandhi Sagar HPS, has already completed their useful life. For such power stations the depreciation on new asset is calculated based on the estimated useful life i.e. 08 years in case of ATPS PH-2 & 04 years in case of STPS & Gandhi Sagar This philosophy was adopted by MPPGCL from FY 2009-10 onwards.

148. Considering the impact of additional capitalization/assets addition and write-off/adjustment/de-capitalization in various power stations, the updated status of opening cumulative depreciation as on 1st April, 2012 and its percentage with respect to gross block is as given below:

Table No. 56:

Sr. No.	Power Station	Opening GFA	Net GFA Addition	Closing GFA	Opening Cumm. Dep.	Opening Cumm. Dep. % of Opening GFA
		₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.	%
1	ATPS, Chachai PH-II	217.70	3.60	221.30	107.00	49.15
2	ATPS, Chachai PH-III	1055.40	1.50	1056.90	112.86	10.69
3	STPS, Sarni Complex	673.32	-8.74	664.58	564.58	83.85
4	SGTPS, Birsing'pur PH-1&2	2172.95	0.02	2172.97	1383.90	63.69
5	SGTPS, Birsing'pur PH-3	1954.40	31.75	1986.15	331.69	16.97
6	Gandhi Sagar	10.33	0.09	10.42	8.99	87.03
7	Pench	96.26	0.00	96.26	70.74	73.49
8	Rajghat	82.80	0.00	82.80	37.10	44.81
9	Bargi	87.03	0.00	87.03	57.57	66.15
10	Bansagar (I to III)	1249.55	0.87	1250.42	507.53	40.62
11	Birsinghpur	52.15	0.00	52.15	30.26	58.02
12	Madhikheda	215.67	0.30	215.97	43.93	20.37
Total		**7867.56**	**29.39**	**7896.95**	**3256.15**	

149. In view of the above the depreciation for FY 2012-13 has been worked out in this order by considering the weighted average rate of depreciation as per power station-wise assets-cum-depreciation registers submitted by the petitioner.

150. Based on the above, the power station-wise depreciation worked out and allowed for FY2012-13 in this true-up order is as given below:

Table No. 57: Depreciation for FY2012-13

Sr. No.	Power Station	Average GFA	Wt. average rate of Depreciation	Dep. Amount	Closing Cumm. Dep.	Closing Cumm. Dep. % of Closing GFA
		₹ Cr.	%	₹ Cr.	₹ Cr.	%
1	ATPS, Chachai PH-II	219.50	7.78	17.08	124.08	56.07
2	ATPS, Chachai PH-III	1056.15	4.53	47.84	160.70	15.21
3	STPS, Sarni Complex	668.95	5.35	33.55	598.13	90.00
4	SGTPS, PH-1&2	2172.96	2.25	48.89	1432.79	65.94
5	SGTPS, Birsing'pur PH-3	1970.28	5.08	100.09	431.78	21.74
6	Gandhi Sagar	10.38	2.97	0.31	9.30	89.22
7	Pench	96.26	3.29	3.17	73.91	76.78
8	Rajghat	82.80	2.51	2.08	39.18	47.32
9	Bargi	87.03	3.41	2.97	60.54	69.56
10	Bansagar (I to III)	1249.99	4.39	54.87	562.40	44.98
11	Birsinghpur	52.15	3.20	1.67	31.93	61.22
12	Madhikheda	215.82	5.21	11.24	55.17	25.55
Total		**7882.26**		**323.76**	**3579.91**	

151. The above table indicates that the closing cumulative depreciation in Gandhi Sagar has crossed the limit of 70% of gross block and reaching closed to 90% of its GFA and also this power station has completed its useful life. Taking a consistent approach in line with the principal MYT/tariff orders 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. Cumulative depreciation of STPS, Complex has completed the 90% of its GFA. 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, by following the consistent approach adopted by the Commission in last true-up order, the balance depreciation of this power station has been spread over its balance useful life.

e) Operation and Maintenance Expenses:

Petitioner's submission

152. The petitioner broadly submitted the following:

"In the Second Amendment to MPERC (Terms and conditions for determination of Generation Tariff) (Revision-I) Regulations, 2009, MPERC has prescribed norms for O & M expenses as a function of the capacity of the plant. The O&M expenses as per provision 34.1 & 47.1 of the Second Amendment to MPERC Tariff Regulation 2009 comprises of employee cost, Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost.

For the year FY 2012-13, O&M Charges in ₹ Lakh /MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-

Table-58: Amount in L Rs/ MW/ Year.

Thermal Station		***Approved by MPERC for FY 2012-13***
ATPS	*PH-2*	*21.33*
	PH-3	*17.08*
STPS	*PH-1*	*25.61*
	PH-2	*17.08*
	PH-3	*17.08*
SGTPS	*PH-1*	*17.08*
	PH-2	*17.08*
	PH-3	*12.75*
All Hydro Stations		***7.09***

The Unit No.3 and Unit No. 5 of STPS PH-1 were decommissioned on 01.10.2012 and 01.02.2013 respectively. The O&M expenditure for STPS PH-1 has been worked out on prorate basis, as the Units were decommissioned during the financial year 2012-13.

For the said purpose the actual ratio of Repair & Maintenance expenses, Employee Expenses and A&G expenses of STPS PH-1 as Books of Accounts for FY 2012-13 factored to 100% basis.

The Repair & Maintenance expenses for Unit No. 3 & 5 have been treated as Nil post decommissioning, however as the manpower was deployed at the units STPS PH-1 throughout the year due to services involved and approval from CEA. Therefore, ratio of Employee expenses & A&G expenses (62.42% + 3.73%= 66.15%) has been considered for deriving prorata O&M expenses post decommissioning.

Accordingly, the O&M expenditure based on norms for STPS PH-1 and STPS PH- 2&3 works out and detailed in the table below.

Table-59: **in ₹ Crores**

S. No.	Station	O&M as per MPERC order	O&M as considered by MPPGCL on Norms	Diff.
1	STPS PH-1	80.03	76.45	-3.58
2	STPS PH-2&3	141.76	141.76	0
3	Total	221.8	218.22	-3.58

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

Table No.60: **in ₹ Crores**

S. No.	Station	As per MPERC order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	51.19	51.19	0.00
2	ATPS PH-3	35.87	35.87	0.00
3	STPS	221.8	218.22	-3.58
4	SGTPS PH-1&2	143.47	143.47	0.00
5	SGTPS PH-3	63.95	63.95	0.00
6	**Total Thermal**	**516.28**	**512.7**	**-3.58**
7	Gandhi Sagar	8.15	8.15	0.00
8	Pench	11.34	11.34	0.00
8	Rajghat	3.19	3.19	0.00
9	Bargi	6.38	6.38	0.00
10	Bansagar 1,2&3	28.71	28.71	0.00
11	Birsinghpur	1.42	1.42	0.00
12	Madhikheda	4.25	4.25	0.00
13	**Total Hydro**	**63.46**	**63.46**	**0.00**
	Total	**579.73**	**576.16**	**-3.58**

Provision in Regulation:

154. 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. 61: *O&M Norms for Thermal Generating Units: ₹Lacs/MW*

Units (MW)	*FY 2012-13*
62.5	*25.61*
120	*21.33*
200/210/250	*17.08*
500	*12.79*

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

Table No. 62: O&M Norms for Hydel Power Stations

Year	*O&M Expenses in ₹In lakh/MW*
FY 2012-13	*7.09*

Commission's Analysis:

156. 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 considered in this true-up order, the O&M expenses are computed as per the norms prescribed in Regulations, 2009 and its second amendment issued on 24th February, 2012..

157. With regard to the O&M expenses of de-commissioned unit No. 3 & 5 of STPS PH-I, the petitioner in para 4.1 of the petition has contended that Repair & Maintenance expenses for decommissioned Unit No. 3 & 5 have been treated as Nil post decommissioning, however certain ratio of Employee expenses & A&G expenses has been considered for deriving pro-rata O&M expenses post decommissioning as the manpower was deployed at the units STPS PH-1 throughout the year due to services involved and approval from CEA.

158. With regard to the above contention of the petitioner, the Commission has noted that the petitioner had filed Petition No. 15/2013 with the Commission for segregation of Annual Capacity Charges on account of decommissioning of Unit No. 3 at STPS, PH-I for the period of FY 2012-13 to FY 2015-16. Vide order dated 9th July' 2013 in the aforesaid petition, the Commission passed its order for segregation of Annual Capacity Charges on decommissioning of Unit No. 3 at STPS PH-I. In its aforesaid order, the Commission segregated the Annual Capacity Charges considering the O&M expenses as per the norms prescribed in the Regulation based on MW capacity of the Generating units. The Operation and Maintenance norms have been worked out and specified in Tariff Regulations on the basis of appropriate estimation of the actual O&M expenditure for MPPGCL as a whole divided into the installed capacity (MW) of thermal generating unit/(s). Moreover, there is no provision in the applicable Tariff Regulations to consider any R&M, A&G or employee expenses over and above the norms prescribed in the Regulation.

159. In view of the above, the claim of the petitioner for Employee expenses & A&G expenses of unit No. 3 & 5 of STPS PH-I post de-commissioned period is not considered in this order. The Commission has determinate the O&M expenses of the units of STPS PH-I on pro-rated basis after considering the actual No. of operational days of the units. The power station wise operation and maintenance expenses allowed in this order are as given below:

Table No. 63: Operation and Maintenance Expenses for FY 2012-13:

Sr. No.	Power Station	Capacity	Normative O&M Expenses	Annual O&M Expenses as per norms
		MW	₹ Lack/MW	₹ Cr.
1	ATPS, Chachai PH-II	240.00	21.33	51.19
2	ATPS, Chachai PH-III	210.00	17.08	35.87
3	STPS PH-I	312.50	25.61	69.46
4	STPS PH 2&3	830.00	17.08	141.76
5	**STPS, Sarni Complex**			**211.22**
6	SGTPS, Birsing'pur PH-1&2	840.00	17.08	143.47
7	SGTPS, Birsing'pur PH-3	500.00	12.79	63.95
8	Gandhi Sagar	115.00	7.09	8.15
9	Pench	160.00	7.09	11.34
10	Rajghat	45.00	7.09	3.19
11	Bargi	90.00	7.09	6.38
12	Bansagar (I to III)	405.00	7.09	28.71
13	Birsinghpur	20.00	7.09	1.42
14	Madhikheda	60.00	7.09	4.25
Total		**3827.50**		**569.16**

f) Compensation Allowance or Special allowance:

Petitioner's submission

160. With regard to the compensation allowance, the petitioner broadly submitted the following:

"The Commission in Sec. 34.2 of the Regulation RG-26(I) of 2009 has also permitted "Compensation Allowances" to the Thermal Generating stations depending upon their age to meet the requirement of capital nature of minor assets. Accordingly, Compensation Allowance for various Thermal Power Stations has been worked out as below:

STPS Sarni :- All the units of PH - 2 &3 are above 25 years and 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.

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 & 4 will be in the age group of 11 to 15 years therefore compensation has been considered @ 0.15 Lakhs/MW/Year.

<u>ATPS, Chachai</u> :- The units of ATPS PH-2 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.

The total amount of Compensation Allowance worked out is as given below:-

Compensation Allowance filed by the petitioner – FY 2012-13

Particulars	**As per Regulations**	**As considered on Norms**	**Diff.**
ATPS 2	*1.56*	*1.56*	*0.00*
ATPS Chachai	***1.56***	***1.56***	***0.00***
STPS 1	*2.03*	*0.00*	*-2.03*
STPS 2	*2.67*	*2.67*	*0.00*
STPS 3	*2.73*	*2.73*	*0.00*
Sarni Complex	***7.43***	***5.40***	***-2.03***
SGTPS 1	*1.47*	*1.47*	*0.00*
SGTPS 2	*0.63*	*0.63*	*0.00*
SGTPS	***2.10***	***2.10***	***0.00***
Total Thermal	***11.09***	***9.06***	***-2.03***

Provision in the Regulation:

161. With regard to compensation allowance, clause 34.2 of the Regulations, 2009 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-64:

Years	***Compensation Allowance (₹ lakh/MW/Year)***
0-10	*Nil*
11-15	*0.15*
16-20	*0.35*
21-25	*0.65*

Commission's Analysis:

162. 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.

163. The compensation allowance is admissible only up to useful life of the thermal generating unit. The Units of ATPS PH-II (2x120 MW) have completed their useful life therefore. these units are not eligible for compensation allowance. Further, the units of STPS, Sarni PH-I, II & III have also completed their useful life and special allowance has been already opted by the petitioner for these units. Therefore, the compensation allowance is not considered for these units in terms of Tariff Regulations.

164. With regard to the Units of SGTPS PH-I &II, the units have not completed their useful life. Therefore, these units are eligible for compensation allowance and the same for the units of SGTPS PH-I & II is worked out as follows:

Table No. 65: Compensation Allowance admitted for FY2012-13:

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	**SGTPS PH-I&II**	**840**		**0.25**	**2.10**
Total Amount					**2.10**

Special Allowance:

Petitioner Submission:

165. With regard to the Special Allowance, the petitioner submitted the following:

"*The Commission in Regulation RG-26(I) of 2009 Section 18 for Renovation & Modernization has provided that in case of thermal generating stations, the Generating Company may by its discretion can avail a special allowance either for a unit or a group of units as compensation for meeting the requirement of expenses including Renovation & Modernization works beyond the useful life of* *the generating stations. 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.*

The Unit No.3 & Unit No. 5 of STPS PH-1 were decommissioned on 01.10.2012 and 01.02.2013. The Unit wise and month wise detailed working of Special Allowance claimed for STPS PH-1 is annexed as Annexure-5."

Table-66: Special Allowance FY 12-13 : *Amount in ₹ Crores.*

S. No.	Particulars	As per Regulation	As Actual	Diff.
1	**STPS PH 1**	18.47	16.03	**-2.44**

Provision in the Regulation:

166. 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. "*

Commission's Analysis:

167. In Tariff 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.

168. The petitioner opted special allowance for units of STPS, PH-I (5X62.5 MW) in MYT order dated 3rd March, 2010 and the Commission allowed the special allowance for the units of STPS, PH-I. With regard to Units of STPS PH-2&3, the scheme for comprehensive R&M was under process. Therefore, the petitioner had not opted special allowance for these units.

169. Earlier the petitioner filed petition seeking approval for capital expenditure of ₹ 336.80 Crores for need based Renovation & Modernization works in Unit-6, 7, 8 and 9 of Satupura Thermal Power Station (STPS), Sarni. Vide order dated 7th November, 2012, the Commission accorded approval to the above-mentioned need based R&M works subject to certain conditions.

170. MPPGCL filed a petition along with the resolution passed by its Board of Directors on 5th May' 2015 wherein it has been resolved that the Comprehensive Renovation and Modernization works in Unit No. 6, 7, 8 and 9 of STPS, Sarni shall not be undertaken. Vide its letter dated 13th April' 2015 the petitioner confirm the following:

> "MPPGCL has decided not to undertake the Comprehensive R&M works at STPS, Sarni at Unit No. 6, 7, 8 & 9. It is therefore, requested to kindly permit Special Allowance on the rates specified by the Commission in Regulations, 2009 and Regulations, 2012 for FY2011-12, FY2012-13, FY2013-14 and FY2015-16 please."

In view of the above, vide order dated 23rd July, 2015, the Commission has already allowed the special allowance for units of STPS PH-2&3.

171. Unit No. 3&5 of STPS, Sarni were de-commissioned on 01.10.2012 and 01.02.2013 respectively. The petitioner claimed the special allowance for these two units pro-rated with respect to No of days of operation. The petitioner filed the unit wise and month wise detailed working of Special Allowance claimed for STPS PH-1. Considering the approach taken by the petitioner, the Commission

has determined the special allowance for the units of STPS PH-I on pro-rata basis.

172. Accordingly, the special allowance for units of STPS, Sarni PH-I is allowed in this order as per Regulations, 2009 as given below :

Table-67:

	Capacity in MW	Special Allowance in ₹ Lacs/MW	Total amount in ₹ Crores
STPS, Sarni PH-I	312.5	5.91	16.02
Total			**16.02**

g) Interest on Working Capital:

Petitioner submission:

173. the petition submitted the following:

"*The Working Capital in tariff order dated 16.04.2012 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 WC.*

The Interest on Working Capital as considered for FY 2012-13 by the Commission while determining the Tariff Order dated 16.04.2012 was 14.00%. However, the Commission in its Regulation, 2009 proviso 27.1 read with its amendment notified on 03.12.2010 has stated that:-

"Rate of Interest on Working Capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to State Bank Base rate as on 1st April of that year plus 4%"

In view of the above the State Bank of India Base rate as applicable/ prevailing on 01.04.2012 is 10.0% + 4.0% = 14.00%. Accordingly no variation the Interest rate is observed. Hence the Normative Interest on Working Capital as approved by the Commission in the respective Tariff orders remains unchanged.

Provision in Regulation:

174. 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."

175. 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:

176. 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. The mechanism/formulae for adjustment of coal cost and oil cost have already been provided in the Regulations. Further, normative O&M expenses are applicable for working capital purpose. Therefore, the working capital components like cost of coal, cost of oil, O&M expenses and cost of Maintenance spares of tariff order dated 16.04.2012 remain unchanged.

177. Moreover, the State Bank of India Base rate as applicable/ prevailing on 01.04.2012 is 10.0% + 4.0% = 14.00%. Accordingly, no variation in the Interest rate is observed. Hence the Normative Interest on Working Capital as approved by the Commission in the tariff order dated 16th April, 2012, remains unchanged.

178. The petitioner has also not filed the true-up of working capital. Therefore, no truing 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. The interest on working capital as allowed in tariff order dated 16.04.2012 is considered in this order. The power station wise interest on working capital allowed by the Commission for FY 2012-13 vis-a-vis the amount filed by the petitioner in this true-up order is as given below:

Table 68: Interest on working capital **₹ Crores**

S. No.	Station	As per tariff Order dated 16.04.2012	As filed by MPPGCL	True-up amount
1	ATPS PH-2	11.45	11.45	0
2	ATPS PH-3 210 MW	13.34	13.34	0
3	STPS Complex	77.02	77.02	0
4	SGTPS PH-1&2	65.34	65.34	0
5	SGTPS PH-3 500 MW	40.37	40.37	0
6	Gandhi Sagar	0.48	0.48	0
7	Pench	0.80	0.80	0
8	Rajghat	0.37	0.37	0
9	Bargi	0.49	0.49	0
10	Bansagar PH-1,2&3	4.58	4.58	0
11	Birsinghpur	0.26	0.26	0
12	Madhikheda	0.77	0.77	0
Total		**215.27**	**215.27**	**0**

h) Cost of Secondary fuel oil for thermal power stations:

Petitioner's submission:

179. The petitioner submitted the following:

"The Secondary Fuel Oil consumption is to be considered as per the norms specified clause 33 of the Second Amendment to MPERC (Terms and conditions for determination of Generation Tariff) (Revision-I) Regulations, 2009. The prices of Furnace Oil/ HSD/LDO are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The Govt. of MP imposes Entry Tax @ 10% on Furnace Oil and LDO when bought from outside the state. HSD is presently exempted from Entry Tax. 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. 69: Details of fuel 0il filed by the petitioner

Particulars				ATPS Chachai	STPS Sarni	SGTPS Birsinghpur
1	Cost of Secondary Oil	Furnace Oil	₹ Lakhs	2127.85	16197.19	3994.1
2		LDO / HSD	₹ Lakhs	990.88	2939.18	2602.83
3		**Total**	₹ Lakhs	**3118.73**	**19136.38**	**6596.93**
4	Fuel Oil Purchased Quantity	Furnace Oil	kL	4407.53	31720.58	7930.89
5		LDO / HSD	kL	1515.59	5578.79	3851.95
6		**Total**	kL	**5923.12**	**37299.37**	**11782.84**
7	Rate of Secondary Oil FY- 13	Furnace Oil	Rs/kL	48278	51062	50361
8		LDO / HSD	Rs/kL	65379	52685	67572
9		**Total**	Rs/kL	**52653**	**51305**	**55988**

180. *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. 70: **Amount in ₹ Crores**

Sr. No.	Thermal Power Station	As per tariff orders dt. 16.04.2012	As filed by MPPGCL	Difference
1	ATPS PH-2	15.61	16.60	1.00
2	ATPA PH-3	7.74	8.23	0.49
3	STPS, Sarni	54.68	69.83	15.15
4	SGTPS PH-1&2	27.85	32.96	5.11
5	SGTPS PH-3	17.61	20.84	3.23
Total		**123.49**	**148.47**	**24.98**

Provision in Regulation:

181. 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 x LPSFi x NAPAF x 24 x NDY x IC x 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 x NAPAF x 24 x NDY x IC x 10 x (LPSFy – LPSFi)

Where,

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

Commission's Analysis:

182. 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 clause 33.1 Second Amendment to MPERC (Terms and conditions for determination of Generation Tariff) (Revision-I) Regulations, 2009. 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 Tariff order dated 16th April, 2012 shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2012-13. The details of the actual weighted average rate of secondary fuel oil based on audited accounts for FY 2012-13 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 tariff order dated 16th April, 2012 are as given below:

Table No. 71: **₹/kL**

Name of Thermal Power Station	Allowed in tariff Order dated 16th April, 2012	As Actual filed in the petition for true-up of FY2012-13	Difference
ATPS Chachai	49494	52653	3159
ATPS Chachai (210 MW)	49494	52653	3159
STPS Sarni, Complex	40174	51305	11131
SGTPS Birsinghpur PH 1&2	47311	55988	8677
SGTPS PH 3 (500 MW)	47311	55988	8677

183. While comparing the weighted average rate of secondary fuel oil allowed in the tariff order dated 16th April, 2012 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 STPS, Sarni and SGTPS, Birsing'pur as compared to weighted average rate of secondary fuel oil in ATPS, Chachai. Vide letter dated 7th January, 2015, the petitioner was asked to explain the reasons for increase in weighted average rate of secondary fuel oil in STPS, Sarni and SGTPS, Birsing'pur along with supporting documents in this regard.

184. By affidavit dated 30th January, 2015, the petitioner submitted the following:

"*The prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The supporting documents in respect of secondary oil procured during FY 2012-13 at thermal power station have already been submitted before the Commission vide Annexure-23 dated 05.12.2014 as additional supporting documents.*

Further, the Wt. Average Rate of Secondary Fuel Oil is also depended on Mix of Furnace Oil and HSD/LDO procured at various power stations at different intervals. The cost of HSD/LDO is comparatively higher than that of Furnace Oil, therefore its quantity purchased has impact on Wt Average Rate. The same can be inferred from the Table detailed under where Wt. Average landed cost of Secondary Fuel Oil for the period Oct'2011 to Dec'2011 was derived for Tariff Petition For FY 2012-13:-

Table-72:

Power Station	Furnace Oil	HSD/LDO	Total	% of Furnace Oil	% of HSD/LDO	Wt. Av. Rate in ₹/KL
	Quantity in KL	Quantity in KL	Quantity in KL			
ATPS	773.94	499.83	**1273.77**	60.76%	39.24%	**49494**
STPS	7431.35	401.02	**7832.36**	94.88%	5.12%	**40174**
SGTPS	879.84	1229.88	**2109.72**	41.70%	58.30%	**47311**

It can be seen that from the above the Wt. Average landed rate of Oil at STPS is least among ATPS & STPS due to the lesser quantity (%) of HSD procured. The rates of Oils for ATPS were available for only two months against three months for STPS & SGTPS. Further, in the subject True-up Petition for FY 2012-13, the actual Wt. Average landed rate of Secondary Fuel Oil has been considered for the complete year. The quantity procured and its % along with Wt. Average Rate is tabulated hereunder:-

Table-73:

Power Station	Furnace Oil	HSD/LDO	Total	% of Furnace Oil	% of HSD/LDO	Wt. Av. Landed Rate in ₹/KL
	Quantity in KL	Quantity in KL	Quantity in KL			
ATPS	4408	1516	**5923**	74.41%	25.59%	**52653**
STPS	31721	5579	**37299**	85.04%	14.96%	**51305**
SGTPS	7931	3852	**11783**	67.31%	32.69%	**55988**

185. In view of the above, it is observed that the wt. average landed rate of Oil at STPS is least among ATPS & STPS due to the lesser quantity (%) of HSD procured. Further, the petitioner mentioned that the Government of MP imposed entry tax @ 10% on Furnace Oil and Light Diesel Oil when brought from outside

the state. High speed Diesel Oil is presently exempted from Entry Tax. This has impact on the Wt. Average landed rates of Secondary Fuel Oil of Power Stations.

186. The Unit No.3 and Unit No. 5 of STPS PH-1 has been decommissioned on 01.10.2012 and 01.02.2013 respectively. Therefore, the normative oil consumption for STPS PH-I has been computed for the operational period of these units during the year. The cost of secondary fuel oil has been pro-rated accordingly.

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

Table No74: Secondary fuel oil cost

Sr. No.	Power Station	NAPAF	Normative gross generation considered	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	52663	16.61
2	ATPS, Chachai PH-III	85.00	1563.66	1.00	52663	8.23
	STPS PH-I	80.00	1900.80	2.75	51305	26.82
	STPS PH 2&3	80.00	5816.64	1.30	51305	38.79
3	STPS, Sarni Complex	80.00	7717.44	1.70	51305	65.61
4	SGTPS, PH-1&2	80.00	5886.72	1.00	55988	32.96
5	SGTPS, PH-3	85.00	3723.00	1.00	55988	20.84
Total						**144.26**

Other Charges:

Petitioner's Submission:

188. 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.*

Considering the above elements, the overall Other Charges work out by the petitioner to be ₹50.84 Crores as given below:"

Table-75:

S. No.	Power Station	Rent, Rates & Taxes	Entry Tax	Water Charges	Common Expenses	MPERC Fee	SLDC Charges	Total
1	ATPS PH-2	0.01	0.12	0.7	0.05	0.15	0.07	1.1
2	ATPS PH-3	0.01	0.11	0.61	0.05	0.13	0.06	0.96
3	STPS	0.29	1.67	6.11	0.23	0.36	0.32	8.96
4	SGTPS PH-1&2	0.01	0.38	0.96	0.19	0.51	0.23	2.29
5	SGTPS PH-3	0.01	0.23	0.57	0.12	0.30	0.14	1.36
6	**Total Thermal**	**0.33**	**2.50**	**8.95**	**0.64**	**1.45**	**0.81**	**14.68**
7	Gandhi Sagar	0.04	0.00	11.7	0.03	0.10		11.87
8	Pench HPS	0.00	0.00	0.00	0.04	0.14		0.18
9	Rajghat HPS	0.00	0.00	0.00	0.01	0.04		0.05
10	Bargi HPS	0.03	0.00	7.36	0.02	0.08		7.49
11	Bansagar	0.05	0.01	13.11	0.09	0.12		13.4
12	Birsinghpur HPS	0.00	0.00	0.29	0.00	0.01		0.29
13	Madhikheda	0.01	0.00	2.80	0.01	0.05		2.88
14	**Total Hydro**	**0.14**	**0.02**	**35.26**	**0.20**	**0.54**	**0.00**	**36.16**
	Total	**0.47**	**2.52**	**44.21**	**0.84**	**1.99**	**0.81**	**50.84**

Commission's analysis:

189. With regard to the other charges, para 5.21 of the tariff order dated 16th April, 2012 stated as follows:

"The petitioner in the prayer of the petition has requested to permit for additional recovery on actual payment basis on account of levies, taxes, duties, service tax, SLDC charges, water charges, filling fee, publication expenses etc., as and paid. 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 and publication expenses on pro-rata basis. -----."

190. In the tariff order for FY 2012-13, the petitioner was allowed to recover fee paid to MPERC for determination of generation tariff. Therefore, the petitioner is allowed to recover the actual fee paid to MPERC in light of the Regulation 34.1 and 47.1 of the Regulations, 2009.

191. With regard to the common expenses filed by the petitioner, the Commission had not allowed the MPSEB common expenses in tariff order for FY2012-13 dated 16th April, 2012. Therefore, by following a consistent approach taken by the Commission in earlier tariff/true-up orders, the common expenses are not allowed in this true-up order.

192. The petitioner filed the water charges for thermal and hydel power stations. In tariff order dated 16th April, 2012, the Commission allowed water charges and cess on usage of water for hydro power stations only. Therefore, the petitioner is allowed to recover only such other charges (on pro-rata basis) in this order on actual basis those were allowed in Commission tariff order dated 16th April' 2012.

193. The petitioner also claimed SLDC charges in accordance with the Regulation 37 of the Regulations, 2009, which provides that,

"*SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations.*"

Therefore, the petitioner is allowed to recover these charges paid to SLDC for FY 2012-13 from the beneficiaries on pro-rata basis.

194. In addition to the other charges as approved above, the petitioner is entitled to recover the taxes in accordance with the Regulations, 2009 on pro-rata basis payable to the Government and taxes levied by the Statutory Authorities.

Summary of annual capacity (fixed) charges:

195. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2012-13 determined in the tariff orders dated 16th April, 2012 vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized in the tables as given below:

Table No. 76:
Head wise Annual Capacity Charges at normative availability: ₹ Crores

Head	Cost determined in this order	Cost allowed In order dated 16th April' 2012	Difference Amount
Return on Equity	340.91	306.51	34.40
Interest on Loan including interest on excess equity	217.23	183.67	33.56
Depreciation	323.76	312.33	11.43
O&M Expenses	569.16	579.72	-10.56
Compensation Allowance	2.10	11.09	-8.99
*Special Allowance	16.02	18.47	-2.45
Fuel Oil Expenses	144.26	123.49	20.77
Interest on Working Capital	215.27	215.27	0.00
Total	**1828.71**	**1750.55**	**78.16**

Table No. 77
Power Station wise Annual Capacity Charges at normative availability: ₹ Crores

Sr. No.	Power Station	Cost determined in this order	Cost allowed In order dated 16th April' 2012	Difference Amount
1	ATPS, Chachai PH-II	109.63	93.00	16.63
2	ATPS, Chachai PH-III	213.77	190.24	23.53
3	*STPS, Sarni Complex	434.01	417.09	16.92
4	SGTPS, PH-1&2	396.91	429.60	-32.69
5	SGTPS, Birsing'pur PH-3	428.97	379.82	49.15
6	Gandhi Sagar	9.43	9.32	0.11
7	Pench	19.79	18.37	1.42
8	Rajghat	9.49	11.44	-1.95
9	Bargi	13.89	12.10	1.79
10	Bansagar (I to III)	153.65	156.10	-2.46
11	Birsinghpur	5.77	6.57	-0.79
12	Madhikheda	33.40	26.90	6.50
	Grand Total	**1828.71**	**1750.55**	**78.16**

***Special allowance for STPS PH-2&3 allowed vide order dated 23rd July, 2015.**

Normative Annual Plant Availability Factor:

196. 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 2012-13 in respect of thermal and hydel power stations is as given below:

Table No. 78: Normative Vs Actual NAPAF (%) for FY 2012-13:

Thermal Power Stations (%)			
Name of TPS	**Normative**	**Actuals**	**Difference**
ATPS Chachai PH-2	60.00	60.30	0.30
ATPS Chachai PH-3 210 MW	85.00	87.10	2.10
STPS Sarni	80.00	58.10	-21.90
SGTPS Birsinghpur PH-1 & 2	80.00	72.20	-7.80
SGTPS PH-3 500 MW	85.00	84.80	--0.20

Hydro Power Stations (%)				
S. No.	**Name of HPS**	**Normative**	**Actuals**	**Difference**
1	**Gandhi Sagar**	85.00	71.23	-13.77
2	**Pench**	85.00	86.31	1.31
3	**Rajghat**	85.00	21.80	-63.20
4	**Bargi**	85.00	88.45	3.45
5	**Bansagar 1,2&3**	85.37	78.93	-6.44
6	**Birsinghpur**	85.00	76.92	-8.08
7	**Madhekheda**	85.00	65.77	-19.23

Recovery of Annual Capacity (Fixed) Charges

197. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to existing thermal generating stations for the year FY 2012-13 are calculated in accordance with the regulation 38 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 which provides that;

- The fixed charge shall be computed on annual basis, based on norms specified under these Regulations, and recovered on monthly basis under Capacity Charges .The total capacity charges payable for a generating station shall be shared by its Beneficiaries as per their respective percentage share / allocation in the capacity of the generating station.
- The Capacity Charge (inclusive of incentive) payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae :

(i) For generating stations in commercial operation for less than ten (10) Years: on 1st April of the financial Year:

(AFC x NDM / NDY) x (0.5 + 0.5xPAFM / NAPAF) (in ₹):

Provided that in case the Plant Availability Factor achieved during a Year is less than 70%, the total fixed charge for the Year shall be restricted to

AFC x (0.5 + 35/ NAPAF) x (PAFY /70) (in ₹).

For generating stations in Commercial Operation for ten (10) Years or more on 1st April of the Year:

(AFC x NDM / NDY) x (PAFM / NAPAF) (in ₹)

Where,

AFC - Annual fixed charge computed for the Year, in Rupees.
NDM - Number of Days in the Month
NDY - Number of Days in the Year
PAFY - Plant Availability Factor achieved during a Year, in percent.
NAPAF - Normative Annual Plant Availability Factor in percentage
PAFM - Plant Availability Factor achieved during the Month, in percent:

- Full Capacity Charges shall be recoverable at Normative Annual Plant Availability Factor (NAPAF) specified in Regulation 33. Recovery of Capacity Charges below the level of Normative Annual Plant Availability Factor will be on pro rata basis. At zero availability, no Capacity Charges shall be payable.

198. 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:

199. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal and hydel generating stations for the year FY 2012-13 as per Regulation as is follows:

Table-79: Power Station wise Annual Capacity Charges for approved for FY2012-13: (Recovery at Normative vis-à-vis actual Availability):

ATPS PH-II **₹ Crores**

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.95	5.95	5.99	1.04
2	Interest on Loan including interest on excess equity	6.31	7.35	7.39	1.08
3	Depreciation	1.93	17.08	17.17	15.24
4	O&M Expenses	51.19	51.19	51.47	0.28
5	Compensation Allowance	1.56	0.00	0.00	-1.56
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	15.61	16.61	16.70	1.09
8	Interest on Working Capital	11.45	11.45	11.51	0.06
Total AFC		**93.00**	**109.63**	**110.23**	**17.22**

ATPS PH-III (210 MW) **₹ Crores**

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	25.57	34.63	35.07	9.50
2	Interest on Loan including interest on excess equity	66.78	73.85	74.78	8.00
3	Depreciation	40.94	47.84	48.45	7.51
4	O&M Expenses	35.87	35.87	36.32	0.45
5	Compensation Allowance	0.00	0.00	0.00	0.00
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	7.74	8.23	8.34	0.60
8	Interest on Working Capital	13.34	13.34	13.51	0.17
Total AFC		**190.24**	**213.77**	**216.46**	**26.22**

STPS Complex: **Rs. Crores**

Sr. No.	Particular	Allowed in tariff order dated 16th April, 2012	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	29.11	30.58	22.23	-6.88
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	8.58	33.55	24.38	15.80
4	O&M Expenses	221.8	211.22	153.51	-68.29
5	Compensation Allowance	7.43	0.00	0.00	-7.43
6	Special Allowance	18.47	16.02	11.64	-6.83
7	Fuel Oil Expenses	54.68	65.61	47.68	-7.00
8	Interest on Working Capital	77.02	77.02	55.97	-21.05
Total AFC		**417.09**	**434.01**	**315.41**	**-101.68**

***Special allowance for STPS PH-2&3 allowed vide order dated 23rd July, 2015.**

SGTPS PH-I&II: **₹ Crores**

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	100.61	100.61	90.85	-9.76
2	Interest on Loan including interest on excess equity	0.00	3.53	3.19	3.19
3	Depreciation	90.23	48.89	44.15	-46.08
4	O&M Expenses	143.47	143.47	129.56	-13.91
5	Compensation Allowance	2.10	2.10	1.90	-0.20
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	27.85	32.96	29.76	1.91
8	Interest on Working Capital	65.34	65.34	59.00	-6.34
Total AFC		**429.60**	**396.91**	**358.41**	**-71.19**

SGTPS PH-III (500 MW): ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	66.45	88.65	88.55	22.10
2	Interest on Loan including interest on excess equity	102.02	115.07	114.94	12.92
3	Depreciation	89.42	100.09	99.98	10.56
4	O&M Expenses	63.95	63.95	63.88	-0.07
5	Compensation Allowance	0.00	0.00	0.00	0.00
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	17.61	20.84	20.82	3.21
8	Interest on Working Capital	40.37	40.37	40.32	-0.05
	Total AFC	**379.82**	**428.97**	**428.49**	**48.68**

Gandhisagar Hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	0.48	0.48	0.41	-0.07
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	0.21	0.31	0.26	0.05
4	O&M Expenses	8.15	8.15	6.83	-1.32
5	Interest on Working Capital	0.48	0.48	0.40	-0.08
	Total AFC	**9.32**	**9.43**	**7.90**	**-1.42**

Pench Hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.47	4.48	4.55	0.08
2	Interest on Loan including interest on excess equity	0.25	0.00	0.00	-0.25
3	Depreciation	1.51	3.17	3.22	1.71
4	O&M Expenses	11.34	11.34	11.52	0.18
5	Interest on Working Capital	0.80	0.80	0.81	0.01
	Total AFC	**18.37**	**19.79**	**20.09**	**1.72**

Rajghat hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	3.85	3.85	0.99	-2.86
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	4.03	2.08	0.53	-3.50
4	O&M Expenses	3.19	3.19	0.82	-2.37
5	Interest on Working Capital	0.37	0.37	0.09	-0.28
	Total AFC	**11.44**	**9.49**	**2.43**	**-9.01**

Bargi hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.05	4.05	4.21	0.16
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	1.18	2.97	3.09	1.91
4	O&M Expenses	6.38	6.38	6.64	0.26
5	Interest on Working Capital	0.49	0.49	0.51	0.02
	Total AFC	**12.10**	**13.89**	**14.45**	**2.35**

Bansagar PH-I, II and III: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	57.84	58.13	53.74	-4.10
2	Interest on Loan including interest on excess equity	2.28	7.36	6.81	4.53
3	Depreciation	62.69	54.87	50.73	-11.96
4	O&M Expenses	28.71	28.71	26.55	-2.16
5	Interest on Working Capital	4.58	4.58	4.23	-0.35
	Total AFC	**156.10**	**153.65**	**142.06**	**-14.04**

Birsingpur hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	2.43	2.43	2.20	-0.23
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	2.46	1.67	1.51	-0.95
4	O&M Expenses	1.42	1.42	1.28	-0.14
5	Interest on Working Capital	0.26	0.26	0.24	-0.02
	Total AFC	**6.57**	**5.77**	**5.22**	**-1.35**

Madikheda hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April' 2012	Determined in this order		True-up Amount
			At Normative PAF	At Actual PAF	
1	Return on Equity	6.70	7.07	5.47	-1.23
2	Interest on Loan including interest on excess equity	6.03	10.06	7.79	1.76
3	Depreciation	9.15	11.24	8.70	-0.45
4	O&M Expenses	4.25	4.25	3.29	-0.96
5	Interest on Working Capital	0.77	0.77	0.60	-0.17
	Total AFC	**26.90**	**33.40**	**25.84**	**-1.06**

Head wise Annual Capacity Charges at normative availability: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 16th April, 2012	Determined in this order: At normative parameters	Determined in this order: At actual parameters	True-up at Actual Availability
1	Return on Equity	306.51	340.91	314.24	7.73
2	Interest on Loan including interest on excess equity	183.67	217.23	214.89	31.22
3	Depreciation	312.33	323.76	302.16	-10.18
4	O&M Expenses	579.72	569.16	491.67	-88.05
5	Compensation Allowance	11.09	2.10	1.90	-9.19
6	Special Allowance	18.47	16.02	11.64	-6.83
7	Fuel Oil Expenses	123.49	144.26	123.30	-0.19
8	Interest on Working Capital	215.27	215.27	187.21	-28.06
	Total AFC	**1750.55**	**1828.71**	**1647.00**	**-103.55**

***Special allowance for STPS PH-2&3 allowed vide order dated 23rd July, 2015.**

Power Station wise Annual Capacity Charges at normative availability: ₹ Crores

Sr. No.	Power Station	Allowed in tariff order dated 16th April, 2012	Determined in this order: At normative PAF	Determined in this order: At actual PAF	True-up at Actual Availability
1	ATPS, Chachai PH-II	93.00	109.63	110.23	17.22
2	ATPS, Chachai PH-III	190.24	213.77	216.46	26.22
3	STPS, Sarni Complex	417.09	434.01	315.41	-101.68
4	SGTPS (PH-1&2)	429.60	396.91	358.41	-71.19
5	SGTPS PH-III	379.82	428.97	428.49	48.68
6	Gandhi Sagar	9.32	9.43	7.90	-1.42
7	Pench	18.37	19.79	20.09	1.72
8	Rajghat	11.44	9.49	2.43	-9.01
9	Bargi	12.10	13.89	14.45	2.35
10	Bansagar (I to III)	156.10	153.65	142.06	-14.04
11	Birsinghpur	6.57	5.77	5.22	-1.35
12	Madikheda	26.90	33.40	25.84	-1.06
Total cost worked out		**1750.55**	**1828.71**	**1647.00**	**-103.55**

***Special allowance for STPS PH-2&3 allowed vide order dated 23rd July, 2015.**

200. This order is for the true-up of the tariff Order dated 16th April, 2012 to the extent it was applicable for FY 2012-13. 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 1st April, 2012 to 31st March, 2013. 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 2012-13 in six equal monthly installments.

With the above directions, this petition is disposed of.

(Alok Gupta) **Member**	**(A. B. Bajpai)** **Member**	**(Dr. Dev Raj Birdi)** **Chairman**

Date : 5th October, 2015
Place : Bhopal

Annexure-I

. **Observations of the Commission and response of the petitioner:**

Capital Cost and Additional Capitalization:

Issue:

(i) **The Annual Audited Accounts of MPPGCL for FY 2012-13 are for the company as a whole whereas, the tariff is determined for each power station. Therefore, the petitioner is required to file the station-wise break-up of the opening Gross Fixed Assets, assets added during the year and closing Gross Fixed Assets along with the assets written-off if any, in FY2012-13.**

MPPGCL's Reply:-

*As desired, Power station-wise break-up of the Opening Gross Block of Fixed Assets, Assets added during the year and Closing Gross Block of Fixed Assets along with the Assets Written-off/Decommissioned in FY 2012-13 as claimed in the subject petition and as per Annual Audited Books of Account of FY 2012-13 is annexed as **Annexure-1A & 1B** respectively.*

Issue:

(ii) **The Power station wise break-up of the Capital Cost components as sought above be reconciled with the corresponding figures in the Annual Audited Account as well as the Assets-cum-Depreciation registers. The reason for difference in figures if any, be explained.**

MPPGCL's Reply:-

*MPPGCL humbly request Hon'ble Commission to kindly refer the enclosed **Annexure-1A & 1B.** The Power Station wise reasons for the difference in the figures as per Audited Books of Accounts of FY 2012-13 and as claimed in subject petition and detailed in Asset-Cum-Depreciation Registers towards Opening Gross Block, Assets addition, Write off/Adjustment etc. are elaborated hereunder:-*

***Opening Gross Block** -*

***STPS PH-1** :–*

The opening balance of Gross Block of STPS PH-1 as on 01.04.2012 as per Annual Audited Books of Accounts amounts to ₹47 Crores, whereas, in the subject petition, the same is considered as ₹40 Crores. The reason of difference of ₹7 Crores is due to fact that MPPGCL from FY 2008-09 *onwards had opted for Special Allowance at STPS PH-1. Accordingly, there after Assets addition from FY2008-09 onwards has not been considered in the Opening Gross Block. Therefore, Opening Gross Block of Assets as on 01.04.2009 amounting to ₹ 40 Crores has been considered in subject petition.*

***STPS PH-2 & 3** :–*

MPPGCL wish to inform that the Opening Gross Block of STPS PH-2 & 3 as on 01.04.2012 as per Annual Audited Books of Accounts amounts to ₹ 676 Crores. Whereas, in the subject petition, Opening Gross Block of STPS PH-2 & 3 is considered as ₹ 633 Crores. The reasons for this difference of ₹ 43 Crores is due to fact that the Assets addition on account of Need Based R&M activities carried out at STPS PH-2 & 3 was deferred by Hon'ble Commission in the page No. 59 of True up order for FY 2011-12 subjected to approval of Comprehensive R&M Scheme. MPPGCL has honored the said order and not consider the Assets addition in FY 2011-12 and FY 2012-13. MPPGCL has further prayed at page No. 10 of subject petition to kindly permit to take up the issue of Need based R&M works separately.

***Rana Pratap Sagar HPS & Jawahar Sagar HPS**:-*

The Opening Gross Block of Rana Pratap Sagar HPS & Jawahar Sagar HPS as on 01.04.2012 as per Audited Books of Account amounts to ₹ 36 Crores. However, in subject petition the same is not considered as tariff of Rana Pratap Sagar HPS and Jawahar Sagar HPS is not being determined by the Hon'ble Commission (MPERC).

***Bansagar PH-4 (Jhinna)** :-*

The Opening Gross Block of Bansagar PH-4 Jhinna as on 01.04.2012 as per Audited Books of Account amounts to ₹120 Crores. However, in the subject petition the same has been not considered, as the matter shall be separately dealt in Final tariff petition of Bansagar-4 Jhinna HPS being filed shortly.

***Shri Singaji Thermal Power Project, Khandwa**:-*

The Opening Gross Block of SSTPP, Khandwa as per Audited Books of Account of FY 2012-13 amounts to ₹ 80 Crores. The same has not been considered in the instant petition as the Units of SSTPP Khandwa were not commissioned in FY 2012-13. Further the Provisional Generation Tariff of SSTPP is being dealt through separate tariff petition.

Asset Addition:-

STPS PH-2 & 3:-

The asset addition of STPS PH-2&3 during FY 2012-13 as per Audited books of accounts amounts to ₹ 67.76 Crores. MPPGCL wish to inform that the Assets addition on account of Need Based R&M activities carried out at STPS PH-2 & 3 was deferred by Hon'ble Commission in the page No. 59 of True up order for FY 2011-12 subjected to approval of Comprehensive R&M Scheme.

MPPGCL has honored the said order and not consider the Assets addition in FY 2011-12 and FY 2012-13. MPPGCL has further prayed at page No. 10 of subject petition to kindly permit to take up the issue of Need based R&M works separately.

***SSTPP, Khandwa**:-*

The asset addition of SSTPP, Khandwa during FY 2012-13 as per Audited Books of Account for FY 2012-13 amounts to ₹ 1.48 Crores. The same has not been considered in the instant petition as the Units of SSTPP Khandwa were not commissioned in FY 2012-13. Further the Provisional Generation Tariff of SSTPP is being dealt through separate tariff petition.

***Asset Decommissioned /Written-off / Adjustments**-*

STPS PH-1 : -

The Assets Decommissioned at STPS PH-1 during FY 2012-13 as per Audited Books of Accounts amounts to ₹ 9.33 Crores.

However, in the subject petition the same is considered as ₹ 8.06 Crores. The reason being that the Assets amounting to ₹ 1.27 Crores has not been considered for removal from Asset-cum-Depreciation Register as the same was added in FY 2009-10 and this Assets addition was not considered for tariff purpose from FY 2008-09 onwards as MPPGCL had opted for availing Special Allowance for STPS PH- 1.

Assets not in use : –

As per Audited books of Account for FY 2012-13, the Assets Not in Use as captured, amounts to ₹ 0.04 Crores at ATPS PH-2 and ₹ 9.40 Crores at STPS PH-1 total amounting to ₹ 9.44 Crores. The amount pertains to the assets which have been Decommissioned/ Written off and presently Not in Use at the respective Power Stations. These assets have been kept in abeyance till their disposal in future. For the tariff purpose the *assets Decommissioned / Written off are being adjusted from the Gross block of respective power stations. Accordingly, Asset-cum-Depreciation registers have been updated.*

Additional Capitalization at New Power Station:

Issue:

(iii) **With regard to its claim for additional capitalization during FY 2012-13 in new power stations (like ATPS 210MW, SGTPS 500 MW and Madhikheda), the petitioner is required to submit the following details of additional capitalization with all relevant supporting documents in terms of Regulation 20.1 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2009.**

- **Whether the addition of asset in new power stations (like ATPS 210 MW, and SGTPS 500 MW and Madhikheda) is on account of the reasons (a) to (e) in clause 20.1 of the Regulations, 2009?**

MPPGCL's Reply:-

As desired by Hon'ble Commission, the 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 Date of Commercial operation (CoD) of extension unit No.5 of ATPS, Chachai (210MW) is 10.09.2009. The assets amounting to ₹ 49.01 Crores have been capitalized during FY 2012-13 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.11.1. on page No. 43 of subject True Up petition. The said Additional Capitalization includes the major capital expenditure amounting to ₹33.39 Crores towards procurement of Capital Spares.

The aforesaid capitalization is already covered under the Original Scope of Work Estimate of ₹ 1242.14 Crores which has been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission as Annexure-9 in Additional Supporting documents sent vide this office letter No.1503 dated 05.12.2014.

As per MPERC Regulations,2009, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai is 31.03.2012. MPPGCL wish 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 on one to one time domain.

The said works were previously executed but held under the Account Code 14.XXX (Capital work in Progress) & Account Code 22.XXX (Material Stock Account). Later on, the same have been transferred in the Account Code 10.XXX (Fixed Assets.) and Account Code 11.XXX (Capital Spares) in FY 2012-13.

In Audited Books of Accounts for FY 2012-13, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 15.62 Crores and in Account 11.XXX (Capital Spares) amounting to ₹33.39 Crores. Accordingly, in the True Up Petition for FY 2012-13, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹49.01 Crores (₹ 15.62 Crs+₹ 33.39 Crores.)

The said capitalization in FY 2012-13 is being claimed in accordance to Proviso 20.1 (a) & (c) of MPERC Regulation 2009, which provides that the assets addition within the original scope of work after the date of Commercial operation on account of un-discharge liabilities and procurement of initial capital spares may be admitted by the Commission subject to prudent check.

SGTPS 500MW Extn. No.5 Birsinghpur:

The Date of Commercial operation (CoD) of extension unit No.5 of SGTPS Birsinghpur (500MW) is 28.08.2008. The assets amounting to ₹37.12 Crores have been capitalized during FY 2012-13 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.28.1. on page No. 52 of subject True Up petition. The said Additional Capitalization includes the capital expenditure amounting to ₹7.80 Crores towards procurement of Capital Spares and ₹ 28.70 Crores towards ash handling plant.

These works are covered under the original work estimate of ₹ 2300 Crores, approved by GoMP. However, the work of construction of Ash Bunds was deferred for execution at that instant of time. The copy of approval and relevant supporting documents has already been submitted before the Hon'ble Commission as Annexure-11 and Annexure-12 as

Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

The extension unit No. 5 of SGTPS Birsinghpur (500MW) has been commissioned on 28.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said supplies / works have been previously executed but held under the Account Code 14.XXX (Capital work in Progress) & Account Code 22.XXX (Material Stock Account). Later on, the same were transferred in the Account Code 10.XXX (Fixed Assets.) and Account Code 11.XXX (Capital Spares) in FY 2012-13 and captured in Books of Accounts.

In Audited Books of Accounts for FY 2012-13, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 29.32 Crores and in Account 11.XXX (Capital Spares) amounting to ₹7.80 Crores. Accordingly, in the True Up Petition for FY 2012-13, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹ 37.12 Crores (₹ 29.32 Crores + ₹. 7.80 Crores.)

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

(1) As per Proviso 19 (2.9) (a) of MPERC Regulations,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 Regulations,2005, which provides for procurement of initial spares included in the original scope of work subject to ceiling Norms laid down in Regulation 18.

(3) As per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides any additional works / services which became necessary for efficient and successful operation of generating station …

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 ₹ 0.30 Crores were capitalized during FY 2012-13 *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 57.*

The Madhikheda Hydro Power Station was commissioned under the Control Period FY 07 to FY 09 covered under MPERC Regulations, 2005, which do not provide the criteria of Cut-off date for the purpose of Additional Capitalization.

It is herein to mention that the above minor capitalization was on account of payment towards acquisition of 4.97 hectare of forest land for construction of cut & cover Channel /bridge at tailrace of Madhikheda Hydro power station. In this regard the supporting documents have already been submitted before Hon'ble Commission as Annexure-15 of Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

The said capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulations,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:

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

MPPGCL's Reply:-

ATPS 210MW Extn. Unit No. 5 Chachai:

The asset capitalization amounting to ₹ 49.01Crores is claimed at ATPS PH-3 (210MW). The same are covered under the Original Scope of Work Estimate of ₹ 1242.14 Crores which has been approved by Hon'ble GoMP. The copy of approval has already been submitted before the Hon'ble Commission as Annexure-9 in Additional Supporting documents sent vide letter No.1503 dated 05.12.2014.

SGTPS 500MW Extn. No.5 Birsinghpur:

The asset capitalization amounting to ₹ 37.12 is claimed at SGTPS PH-3 (500MW). The same are covered under the original work estimate of ₹2300 Crores, approved by GoMP. The copy of approval has already been submitted before the Hon'ble Commission as Annexure-12 in

Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

Madhikheda HPS (60 MW):

The asset capitalization amounting to ₹ 0.30 is claimed at Madhikheda HPS (60MW). The said capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulations, 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:

- **List of the orders for the works under additional capitalization placed to vendors along with date of order be filed. What was the anticipated date of completion of each works?**

MPPGCL's Reply:-

ATPS 210MW:

In respect of ATPS 210 MW, the additional capitalization claimed during FY 2012-13 is a part of the main orders placed 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-2A.

SGTPS 500MW:

In case of SGTPS 500 MW, the additional capitalization claimed during FY 2012-13 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-2B.

Madhikheda HPS:

The asset capitalization amounting to ₹ 0.30 is claimed at Madhikheda HPS (60MW). It is herein to mention that the above minor capitalization was on account of payment towards acquisition of 4.97 hectare of forest land for construction of cut & cover Channel /bridge at tailrace of Madhikheda Hydro power station. In this regard the supporting documents have already been submitted before Hon'ble Commission as Annexure-15 of Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

Issue:

- **In case the capitalization of assets has been done beyond the cut-off date, the petitioner is required to justify its claim with reference to the provision under Regulation 20.2 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2009.**

MPPGCL's Reply:-

ATPS 210MW:

The extension unit No.5 of ATPS Chachai (210MW) was commissioned on 10.09.2009. The assets amounting to ₹49.01 Crores were capitalized during FY 2012-13 as per Audited Books of Accounts and same has been claimed in subject True Up petition as detailed as Table No.4.3.11.1. on page No. 43.

As per MPERC Regulations, 2009, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai is 31.03.2012. MPPGCL wish 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 on one to one time domain.

The said works were previously executed but held under the Account Code 14.XXX (Capital work in Progress) & Account Code 22.XXX (Material Stock Account). Later on, the same have been transferred in the Account Code 10.XXX (Fixed Assets.) and Account Code 11.XXX (Capital Spares) in FY 2012-13.

In Audited Books of Accounts for FY 2012-13, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹15.62 Crores and in Account 11.XXX (Capital Spares) amounting to ₹33.39 Crores. Accordingly, in the True Up Petition for FY 2012-13, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹49.01 Crores (₹15.62 Crs+₹33.39 Crores.)

SGTPS 500MW:

The Date of Commercial operation (CoD) of extension unit No.5 of SGTPS Birsinghpur (500MW) is 28.08.2008. The assets amounting to ₹37.12 Crores have been capitalized during FY 2012-13 and captured in

Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.28.1. on page No. 52 of subject True Up petition.

The extension unit No. 5 of SGTPS Birsinghpur (500MW) has been commissioned on 28.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

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 Assets amounting to ₹ 0.30 Crores were capitalized during FY 2012-13 as per Audited Books of Accounts and same is claimed in subject True Up petition.

The Madhikheda Hydro Power Station was commissioned under the Control Period FY 07 to FY 09 covered under MPERC Regulations, 2005, which do not provide the criteria of Cut-off date for the purpose of Additional Capitalization.

Issue:

- **In case of ATPS 210 MW, 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 Reply:-

In respect of ATPS 210 MW Extn. Unit No.5, MPPGCL has initially retained an amount of ₹ 45.84 Crores for contract placed on M/s BHEL towards Liquidated Damages (LD) and ₹ 4.75 Crores on account of Exchange Rate Variation (ERV) / Custom Duty Variation (CDV). Thus, the total amount retained works out to be ₹ 50.59 Crores (Rs.45.84 + Rs.4.75 Crores) and the same was informed to Hon'ble Commission through Final tariff Petition of ATPS 210 MW (Petition No. 34 of 2011) filed on 31.12.2011 and detailed on Page No.27, Para 2.6 thereof.

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

Issue:

- **Statement showing the detailed break-up of the project cost originally approved by the competent authority, Revised project cost, details of the works completed and to be completed as on 31st March, 2013 with respect to each project along with supporting documents is required to be submitted.**

MPPGCL's Reply:-

ATPS 210MW:

The asset capitalization amounting to ₹ 49.01 is claimed at ATPS PH-3 (210MW). The same are covered under the Original Scope of Work Estimate of ₹ 1242.14 Crores which has been approved by Hon'ble GoMP. The copy of approval has already been submitted before the Hon'ble Commission as Annexure-9 in Additional Supporting documents sent vide letter No.1503 dated 05.12.2014.

The additional capitalization claimed during FY 2012-13 is a part of the main orders placed 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-2A.***

SGTPS 500MW:

The asset capitalization amounting to ₹ 37.12 is claimed at SGTPS PH-3 (500MW). The same are covered under the original work estimate of ₹2300 Crores, approved by Hon'ble GoMP. The copy of approval has already been submitted before the Hon'ble Commission as Annexure-12 in Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

The additional capitalization claimed during FY 2012-13 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-2B.***

Madhikheda HPS:

The asset capitalization amounting to ₹ 0.30 is claimed at Madhikheda HPS (60MW). It is herein to mention that the above minor capitalization was on account of payment towards acquisition of 4.97 hectare of forest land for construction of cut & cover Channel /bridge at tailrace of Madhikheda Hydro power station. In this regard the supporting *documents have already been submitted before Hon'ble Commission as Annexure-15 of Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.*

Issue:

- **If there is any delay in completion of works from contractor side, the details of penalty if any, imposed on the contractors be informed.**

MPPGCL's Reply:-

ATPS 210MW:

In respect of ATPS 210 MW Extn. Unit No.5, MPPGCL has initially retained an amount of ₹ 45.84 Crores for contract placed on M/s BHEL towards Liquidated Damages (LD) and ₹ 4.75 Crores on account of Exchange Rate Variation (ERV) / Custom Duty Variation (CDV). Thus, the total amount retained works out to be ₹ 50.59 Crores (₹ 45.84 + ₹.4.75 Crores) and the same was informed to Hon'ble Commission through Final tariff Petition of ATPS 210 MW (Petition No. 34 of 2011) filed on 31.12.2011 and detailed on Page No.27, Para 2.6 thereof.

As such, no additional amount on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 12-13.

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 Hon'ble Commission, as and when the same gets settled and reflected in the Books of Accounts of MPPGCL.

***SGTPS 500MW*:**

In case of SGTPS 500 MW Extn. Unit No. 5, an amount of ₹93.04 Crores was initially retained as Liquidated Damages (LD) from three turnkey contracts placed on M/s BHEL and ₹ 18.50 Crores as Exchange Rate Variation (ERV) / Custom Duty Variation (CDV) at CoD. Thus, the total retained amount was ₹ 111.54 Crores (₹ 93.04 + ₹ 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.

As such no additional amount on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 12-13.

The issue of LD on contacts placed on BHEL has now finally been settled in FY 2013-14. Accordingly, the maximum amount of LD leviable was determined to ₹82.72 Crores for all three contracts placed on BHEL. The balance amount of ₹ 10.31 Crores, which pertains to the portion of various taxes and duties, has been refunded to M/s BHEL in the month of Augest-2013. The deduction of ₹18.50 Crores on account of ERV/CDV is also finalized and remains unaltered.

Further the issue of finalized L.D amount shall be taken up in True up petition of FY 2013-14.

Madhikheda HPS:

The asset capitalization amounting to ₹0.30 is claimed at Madhikheda HPS (60MW). It is herein to mention that the above minor capitalization was on account of payment towards acquisition of 4.97 hectare of forest land for construction of cut & cover Channel /bridge at tailrace of Madhikheda Hydro power station.

As such, no amount on account of LD has been deducted towards expenditure capitalized and claimed as additional capitalization during FY 2012-13.

Issue:

- **The petitioner has filed the copies of accounting voucher for the works capitalized under additional capitalization and copy of orders placed to different vendors. Statement showing the summary of all accounting vouchers and orders for new projects be also filed in this regard.**

MPPGCL's Reply:-

ATPS 210MW:

Statement showing the summary of all accounting vouchers and orders towards additional capitalization claimed at ATPS 210 MW is annexed as ***Annexere-3A.***

SGTPS 500MW:

Statement showing the summary of all accounting vouchers and orders towards additional capitalization claimed at ATPS 210 MW is annexed as ***Annexere-3B.***

Madhikheda HPS:

The asset capitalization amounting to ₹ 0.30 is claimed at Madhikheda HPS (60MW). The said capitalization was on account of payment towards acquisition of 4.97 hectare of forest land for construction of cut & cover Channel /bridge at tailrace of Madhikheda Hydro power station.

In this regard, the supporting documents have already been submitted before Hon'ble Commission as Annexure-15 of Additional Supporting Documents sent vide letter No.1503 dated 05.12.2014.

Additional Capitalization in existing power station:

Issue:

(iv) **Regarding additional capitalization in existing power stations during FY2012-13, the petitioner is required to submit the following details of additional capitalization with all relevant supporting documents in terms of Regulation 20.2 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009:**

- **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 Reply:-

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

ATPS Chachai PH-2 :

The assets amounting to ₹ 4.04 Crores were capitalized at ATPS PH-2 during FY 2012-13 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.5.1. at page No. 40.

In this regard the copy of supporting documents are already submitted before the Hon'ble Commission as Annexure-7 in Additional Supporting documents sent vide letter No.1503 dated 05.12.2014.

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 has been approved by Hon'ble Commission under the aforesaid R&M scheme in the True Up orders from FY 2008-09 to FY 2011-12 amounts to ₹78.01 Crores. Further in Financial Year 2011-12, the Hon'ble Commission vide order dated 01.10.2014 in petition No. 11 of 2014 has permitted ₹7.83 Crores under said scheme.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,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.

SGTPS PH-1 & 2 :

The minor asset addition towards procurement of computers amounting to ₹0.021 Crores were capitalized at SGTPS PH-1&2 during FY 2012-13 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.23.1 on page No. 49.

Gandhi Sagar HPS:

The assets amounting to ₹0.092 Crores were capitalized at ATPS PH-2 during FY 2012-13 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.42.1. on page No. 58 The asset addition was mainly on account of procurement of EOT Crane amounting to ₹0.09 Crores.

In this regard the copy of supporting documents are already submitted before the Hon'ble Commission as Annexure-16 in Additional Supporting documents sent vide letter No.1503 dated 05.12.2014.

The Gandhi Sagar HPS was 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.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,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.

Bansagar PH-1,2&3 :

The assets amounting to ₹ 0.87 Crores were capitalized at Bansagar PH-1, 2 & 3 during FY 2012-13 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.33.1 on page No.55. 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.

The aforesaid expenditure is mainly on account of Price Variation claim by M/s BHEL towards procurement of 130 MVA Generator transformer amounting to ₹ 0.66 Crores and balance towards payment for installation of fire protection system. It is to mention that asset addition towards 130 MVA Generator Transformer has already been approved earlier by Hon'ble Commission in Trueup order for FY 2010-11.

In this regard the copy of supporting documents are already submitted before the Hon'ble Commission as Annexure-13 in Additional Supporting documents sent vide letter No.1503 dated 05.12.2014.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,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.

In addition to above, settlement of water charges liability of erstwhile MPSEB with water resource Deptt., GoMP, has been carried by MPPGCL in FY 2012-13. On account of such settlement assets are transferred to MPPGCL at Bansagar PH-1, 2 & 3 amounting to ₹ 55.70 Crores and captured in the Audited books of Accounts of FY 2012-13. Same is claimed in subject True Up petition as detailed as Table No.4.3.36.1.

*The issue of withdrawal / transfer of assets at Bansagar PH-1, 2 & 3 towards settlement of Water charges with WRD have been elaborated at MPPGCL's reply on Point **vii (4)** ahead.*

The said capitalization is claimed in accordance with Proviso 19 (2.9) (a) of MPERC Regulations,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:

- **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 old asset?**

MPPGCL's Reply:-

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 due care shall be taken in respective True up petitions.

Issue:

- **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 Reply:-

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

The other assets which are written off at various Power Stations have been detailed in Table 4.4.7.1 on page 69 of True up petition for FY 2012-13 are duly accounted for in the Asset-cum-Depreciation registers submitted before Hon'ble Commission as Annexure-19 of Additional Supporting Documents vide letter No.503 dated 05.12.2014.

Issue:

- **The details of asset addition for each work along with approved/sanctioned estimated completion cost & actual cost.**

MPPGCL's Reply:-

MPPGCL humbly request Hon'ble Commission to kindly refer MPPGCL's reply to Point No. (iv) (i) above, wherein the power Stationwise details of asset additions are already elaborated.

Supporting document in respect of estimated completion cost for need based R&M works at ATPS PH-2 (2x120MW) is annexed as Annexure-4.

Issue:

- **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 31st March, 2013.**

MPPGCL's Reply:-

As desired, the supporting documents in respect of R&M works to be completed as on 31.03.2013 at ATPS PH-2 is annexed as Annexure 5.

Issue:

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

MPPGCL's Reply:-

As desired, the supporting document in respect approval from competent authority towards R&M at ATPS PH-2 is annexed as Annexure 6.

Issue:

- **Details of cost benefit earned on the need based R&M work/additional capitalization in the existing power stations.**

MPPGCL's Reply:-

The Cost-Benefit analysis in respect of R&M works at ATPS PH-2 has already been submitted before Hon'ble Commission in various petitions. However the copy of the same is again annexed as Annexure-7.

Issue:

(v) **The details of penalty if any, imposed on the suppliers/vendors be submitted.**

MPPGCL's Reply:-

No penalty is imposed on suppliers/vendors the assets addition claimed in subject petition at existing stations.

Issue:

(vi) **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 filed in the subject petition along with the following details:**

Power Station	Date of approval	Assets capitalized as per audited A/c (₹ Cr.)	Loan (₹ Cr.)	Equity (₹ Cr.)	Debt-equity ratio

MPPGCL's Reply:-

The Power stationwise details of Additional Capitalization and funding thereof through Loans & Equity / Internal resources are comprehensively detailed in True up petition for FY 2012-13 in Chapter 4.3 namely "Additional Capitalization and funding thereof". However, the same is again elaborated in the desired format, annexed as Annexure 8.

Write-off / Adjustment/de-commissioned assets:

Issue:

(vii) **It is observed that some assets in ATPS Chachai, STPS Sarni and Bansagar HPS have been write-off/adjusted/de-commissioned during the year. All such details are provided in table No. 4.4.1.1 and 4.4.7.1 of the petition. The petitioner is required to submit the following in this regard:**

- **In STPS Sarni, the write-off/adjustment of the assets worth ₹ 8.75 Crore is indicated in table 4.4.7.1 whereas, this amount is indicated as ₹ 10.1 Cr. in table 4.4.1.1. The reason for discrepancy in these two figures be submitted.**

MPPGCL's Reply:-

As desired, the reasons of difference between figures indicated in table 4.4.7.1 & 4.4.1.1. towards STPS Sarni are tabulated hereunder:

In ₹ Crores

Particulars	***Amount as per Audited Books of Accounts for FY 2012-13***	***Amount considered in subject petition***	***Diff.***	***Reasons***
Assets Decommissioned at STPS PH-1	*9.33*	*8.06*	*1.27*	*The assets amounting to ₹ 1.27 Crores not considered for removal as these assets were added in FY2009- 10 and the addition after 1.4.2009*
Adjustment entry at STPS PH-2	*0.68*	*0.68*	*0*	

Total	***10.01***	***8.75***	***1.27***	*onwards was not considered for tariff purpose as special allowance was availed by MPPGCL for STPS PH- 1 from FY 2008-09 onwards.*

Issue:

- **Further, the assets of ₹ 9.40 Crores at STPS, Sarni are shown as "Not in Use" in table 4.4.1.1 whereas, this head is not indicated in table 4.4.7.1. The details of the assets 'not in use' be submitted. The petitioner is required to confirm whether the impact of these assets has been considered in GFA and Depreciation claimed for STPS Complex.**

MPPGCL's Reply:-

The assets amounting to ₹ 9.40 Crores at STPS Sarni shown under the head "not in use" in table 4.4.1.1 is as per point /Schedule 11 (Fixed assets) of Audited books of Account for FY 2012-13. This head pertains to those assets which have been Decommissioned / Written-off and kept in abeyance for its disposed in near future years.

For the purpose of tariff, the Decommissioned / Written-off assets are removed from the Gross Block of the respective stations as reflected in 4.4.7.1. of the subject petition. The impact of Decommissioned / Written-off assets as STPS Sarni has been duly considered in the Gross block of STPS PH-1 as detailed in Asset-cum-Depreciation Register submitted to Hon'ble Commission as Annexure 19 vide letter No. 1503 dated 05.12.2014.

Further as desired the Details of assets "Not in Use" at STPS Sarni PH-1 as per Audited Books of Accounts for FY 2012-13 is as under:-

Sl. No.	***A/c Code***	***Particulars***	***Amount in Rs. Crores***
1	*10.501*	*Boiler Plant & Equipments*	*0.88*
2	*10.502*	*Furnace/Burners*	*0.07*
3	*10.503*	*Turbine-Generator-Steam Power Gen.*	*7.08*
4	*10.504*	*Plant Foundations for Steam Power Plant*	*0.07*
5	*10.52*	*Instrumentation and Controls*	*1.23*
		Sub total	***9.33***
Contra / Adjustment entry			*0.07*
		Total	***9.40***

<u>Issue:</u>

- **In ATPS, Chachai, the assets of ₹ 7.76 Crores are written off/adjusted. Details of all such assets be submitted.**

<u>MPPGCL's Reply</u>:-

As desired, the details of Assets adjusted / Written-off at ATPS Chachai is annexed as Annexure-9.

<u>Issue:</u>

- **In Bansagar Complex (PH-1, 2 & 3), the assets of ₹ 143.3 Crores have been write off and transferred to WRD. Further, the Assets addition/transfer of ₹ 56.6 Cr. from WRD are also shown in the same power station. Detailed explanation with all the supporting documents in this regard be submitted. It is also required to confirm that all dues adjusted were pertaining to Bansagar Project.**

<u>MPPGCL's Reply</u>:-

In order to explain the aforesaid observation, following vital points are necessary to be explained:-

1) *The matter relating to payment of water charges to WRD, GoMP was long pending since period of erstwhile MPEB i.e. before by vocation of the state of Madhya Pradesh, for want of the methodology on which water consumption shall be measured, the applicable rates & other various reconciliations .*

2) *Due to the above issues, the agreement for use of water could not be settled and signed between the two Organizations.*

3) *MPPGCL took initiative to get the above bottlenecks/ issues resolved & formalized the mechanism of the use of water & payment of charges thereof to WRD, GoMP. In this process, various round of meetings at various level took place & following important decision related to subject queries were involved :-*

    a) *Various works of the Bansagar Project were undertaken both by WRD-GoMP and MPPGCL (erstwhile MPEB / MPSEB) and accordingly the expenditures were incurred by each of the Organizations during the span of years. The original Project Cost of the works jointly undertaken was rupees ₹ 1190.50 Crores. This cost got subsequently* *revised to ₹1309.46 Crores in March'2003. The expenditure on these works were to be shared in proportion in accordance with various predefined Ratios.*

b) *However, both the organizations were making expenditures as per requirement of the works and excess spend by any of two organization was recoverable from the other based on reconciliation.*

c) *The process of reconciliation could not take place in past, therefore erstwhile MPEB has regularly capitalized the works done by it in the Bansagar project in its Books of Account.*

d) *MPPGCL took initiative to resolve the aforesaid issues and get the reconciliation done. In this process a high level meeting was held with WRD officials on 12.07.2013 at Rewa, MP. The copy of minutes of said meeting is enclosed herewith for kind reference please* ***(Annexure-10).*** *In this meeting, both the Organization had reconciled there figures & raised their claims so as to defend their interest. It was also agreed that the final numbers can be decided when a final view is taken by Government of MP in the matter. The following fact are to be kindly noted:-*

i. *MPPGCL started its independent functioning w.e.f. 01.06.2005 and the figures of excess expenditure made by erstwhile MPEB/MPSEB were available on the Year End basis, therefore the figures of March'2005 were considered as the Base figures of excess expenditure amounting to ₹143.34 Crores.*

ii. *Thus, MPPGCL (erstwhile MPEB/MPSEB) had spent Rs 143.34 Crores in excess to its share. The statement of this reconciliation has been signed by both the parties is annexed as* ***Annexure-11****.*

e) *It is obvious that erstwhile MPSEB had capitalized the excess amount in the project due to non availability of the reconciliation at that point of time. Due to this, the asset amounting of ₹143.34 Crores has been e de-capitalized by*

MPPGCL from its Books of Account with effect from 01.06.2005. The asset amounting of ₹143.34 Crores was therefore transferred WRD-GoMP.

f) *In the subsequent years, the expenditure on the project was being done primarily by WRD and till March 2013, they had spent Rs 55.70 Crores on the behalf of MPPGCL. After setting off ₹ 55.70 Crores from ₹ 143.34 Crores, the net payable amount of ₹ 87.65 Crores still remained payable by WRD to MPPGCL. The expenditure was done by WRD on capital account and has been shown in their books accordingly.*

g) *Thus, it is obvious that MPPGCL has undercapitalized ₹55.70 Crores less in its Books of Accounts and therefore the same was to be capitalized in the Books of Accounts w.e.f 01.06.2005, accordingly.*

h) *Considering these reconciliations, final decision in the matter was taken in the very high level meeting held between Principal Secretary (WRD),GoMP and Principal Secretary (Energy), GoMP on 30.07.2013. The copy of the minutes of said meeting is enclosed as* ***Annexure-12*** *for kind reference please.*

4) *Based on the above, it was agreed that the excess amount paid by MPPGCL amounts to ₹ 143.34 Crores as on 01.06.2005. Following clarification in this regard is to be made:-*

a) *Total Asset value as on 01.06.2005 of Bansagar PH-1,2&3 transferred through Final Opening Balance Sheet and admitted by Hon'ble Commission vide MPERC True up order for FY 2007-08 dated 24.01.2011 was ₹ 1243.92 Crores.*

b) *The funding towards the same was considered as* :

	Pariculars	Amount (₹Crores)	Remarks
i	Equity allocated to Bansagar PH-1,2 & 3.	426.48	As per MPERC True Up Order dated 24.01.2011.
ii	PFC Loan 1	92	Loan No.20102004

iii	PFC Loan 2	93	Loan No.20102005
iv	REC Loan	336	Allocated through Final Opening Balance Sheet
v	**Total**	**947.48**	(₹ 1243.92 Crores – ₹947.48 Crores)
vi	Un-bridged Gap	296.44	

c) *It may be seen that an un-bridged amount of ₹ 296.44 Crores was funded by erstwhile MPEB/MPSEB from its own resources. Thus, the excess amount of ₹ 143.34 Crores spent by erstwhile MPEB/MPSEB is to be considered as part of this unabridged gap funding by its own resources. The Hon'ble Commission is humbly requested not to adjust any part of ₹ 143.34 Crores from the Equity of MPPGCL. As such, the Depreciation permitted by Hon'ble Commission from FY 06(10M) to FY 2011-12 for these assets amounting to ₹ 143.34 Crores be withdrawn from Bansagar PH-1,2 &3. The same has been worked out based on MPERC's Rates of Depreciation as per MPERC's Regulations,2005 and Regulations,2009 and annexed as Annexure-13 Table-A.*

d) *It is pertinent to mention here that the portion of Assets added subsequently at Bansagar PH-1,2 &3 amounting to ₹55.70 Crores has been made from own resources i.e. against receivables from WRD-GoMP. The Depreciation on these assets from FY 06(10M) to FY 2011-12 based on MPERC's Rates of Depreciation as per MPERC's Regulations,2005 and Regulations,2009 has been worked out and annexed as Annexure-13 Table-B.*

e) *Further, the Return on Equity & Interest on Excess Equity in reference to said addition been funded from internal resources has also been worked out in accordance to MPERC's Regulations,2005 and Regulations,2009 and annexed as Annexure-14.*

f) *It is humbly prayed before Hon'ble Commission to kindly permit the above Additional Depreciation, RoE and Interest on Excess Equity in view of settlement of assets of Bansagar PH-1, 2 & 3 between WRD-GoMP.*

5) *Regarding adjustment of dues, it is here to mention that after settlement MPPGCL would pay to WRD ₹ 24.30 Crores in 24 equal installments w.e.f. 01.08.2013. The above decision settles and resolves all pending claims, liabilities and Bills etc. of WRD and power companies of Government of MP as on 13.07.2013. The detailed working of dues amounting to ₹ 24.30 Crores is annexed as Annexure-15 for necessary reference please.*

6) *MPPGCL further wish to submit that copies of unsigned Agreement for supply of water to Thermal Power Stations was erroneously sent as Annexure-14 to letter No. 1503 dated 05.12.2014 as Additional supporting documents are now being resent as signed copies as Annexure- 16A, 16B and 16C. It is to mention that there is no change in the text/ matter of agreement.*

7) *It is to clarify that Hon'ble Commission in its query has mentioned the assets amounting to ₹ 56.6 Crores are transferred from WRD, where as the assets transferred from WRD amounts to ₹ 55.70 Crores as detailed in Table No. 4.3.36.1 on page 56 and balance ₹0.87 Crores is other asset additions as detailed in Table No. 4.3.33.1 on page 55 of subject petition.*

Issue:

- **With regard to the write/adjustment/de-commissioning of assets, the petitioner is required to file the following details with respect to the information filed in the subject petition:**

Power Station	**Write-off/adjustment/decommissioned assets/assets not in use as per audited A/c**	**Cumulative depreciation**	**Balance depreciation**	**Equity of write-off assets**	**Balance Loan of write-off assets**

MPPGCL's Reply:-

As desired, the information in the prescribed format has been annexed as Annexure-17.

Depreciation:

Issue:

(viii) **With regard to the cumulative depreciation of write off assets/de-commissioned assets including assets not in use, the petitioner is**

required to confirm that the impact of cumulative depreciation taken in its Asset-cum-Depreciation registers.

MPPGCL's Reply:-

Kindly refer Table No. 4.4.7.1 on page No. 69 of subject petition, wherein the amount of Accumulated Depreciation against the assets Decommissioned / Written off at various power stations is clearly mentioned. The same is considered in the Asset-cum-Depreciation Register of various power stations submitted by MPPGCL vide Annexure -19 of letter No. 503 dated 05.12.2014. Accordingly, the closing Accumulated Depreciation of various power stations has been adjusted.

Issue:

(ix) **In Bansagar HPS, the GFA has been changed due to transfer of assets. How the impact of transfer of some assets from WRD to MPPGCL and vice-versa has been considered in the cumulative depreciation in Assets-register.**

MPPGCL's Reply:-

Kindly refer Table No. 4.4.7.1 serial No. 6 on page No. 69 of the subject petition, wherein the amount of Accumulated Depreciation has been adjusted against the assets transferred from Bansagar PH-1, 2 & 3 HPS on account of settlement of water charges with WRD. The same is considered in the Asset-cum-Depreciation Register of Bansagar PH-1, 2 & 3 HPS submitted by MPPGCL vide Annexure -19 of letter No. 1503 dated 05.12.2014. Accordingly, the Closing Accumulated Depreciation of Bansagar PH-1, 2 & 3 has been adjusted.

Issue:

(x) **In ATPS 210 MW, the petitioner has calculated the depreciation on total assets without considering the amount of LD recovered from the vendors. IN the final tariff order for ATPS 210 MW, the capital cost has been considered by the Commission after accounting for the amount towards LD. Therefore, the petitioner is required to file Depreciation for this power station after deducting the amount of LD.**

MPPGCL's Reply:

MPPGCL has considered the Gross Block of Fixed Assets of ATPS 210 MW as recorded in the Audited Books of Accounts for the purpose of calculation of Depreciation.

However, as desired, the calculation sheet of amount of depreciation after deduction of LD worked out and is annexed as Annexure -18.

Return on Equity:

Issue:

(xi) **It is observed that the equity amount of write-off/adjustment/de-commissioned assets has not been reduced from the equity component of the respective power stations. The statement showing power station-wise details of the write-off/adjustment/de-commissioned assets and its corresponding equity amount be submitted.**

In Bansagar HPS, the asset base has been changed due to exchange of some assets with WRD. How the impact of the exchange of assets has been taken into account for arriving at the equity of Bansagar HPS be explained?

MPPGCL's Reply:-

It is humbly requested to kindly refer Annexure-17, wherein the details of assets Written-off/ Adjustment/ De-commissioned and its corresponding Equity / Loan have been elaborated by MPPGCL. In respect of reduction of Equity/Loan towards assets Written off/adjustment entries/De-commissioned, the power Station wise submission is as under:

ATPS PH-2:

The minor assets amounting to ₹ 0.44 Crores have been written off at ATPS PH-2 as detailed in Annexure-9 of this submission. These assets were acquired way back by erstwhile MPEB/MPSEB in 80's & 90's and presumed funded by the Loan/internal resources of erstwhile MPEB/MPSEB. Accordingly no Loan/Equity reduction has been made by MPPGCL in the subject petition.

ATPS PH-3:

The Capital Spares amounting to ₹ 7.32 Crores which were wrongly booked in Account Code 10.XXX (Fixed Assets) have been retransferred to Account code 11.XXX (Capital Spares) in the Books of Accounts during FY 2012-13 as detailed in Annexure-9. The said amount has been claimed as additional capitalization at ATPS PH-3 under head of Capital Spares amounting to ₹ 33.39 Crores detailed in Table No.4.3.11.1 Sr. No. 17 at page No. 43 - 44 of subject True up petition.

The above being rectification entry, no reduction in Loan/Equity has been made in the subject petition.

STPS PH-1:

The assets amounting to ₹ 8.06 Crores has been decommissioned at STPS PH-1 as detailed in Table No. 4.3.17.1 at Page No 47 – 48 of subject petition. The reduction of Equity amounting to Rs 2.38 Crores has been worked out and considered in the subject petition as detailed in Table No.4.3.18.1 at page No. 48 of subject petition. However the loan balance at STPS PH-1 is Nil, hence no loan reduction has been made.

STPS PH-2&3

The asset amounting to Rs 0.68 been erroneously booked in wrong accounting code in the book of accounts the same has been corrected during FY 2012-13. Thus, mere a rectification entry no reduction of Loan/ Equity has been made in the subject petition.

Bansagar PH-1, 2 & 3

Kindly refer MPPGCLs reply to point No vii(4^{th}) where in the methodology of Withdrawal / Addition of Assets at Bansagar PH-1,2 & 3 on account of Settlement with WRD has already been elaborated.

In respect of reduction of Equity towards the Assets transferred to WRD amounting to ₹ 143.34 Crores on account of Settlement with WRD, it is to mention that the said expenditure is made from the internal resources of erstwhile MPSEB/MPEB. Accordingly no reduction of Loan/ Equity of Bansagar PH-1,2&3 has been made in the subject petition.

Further in respect of assets added at Bansagar PH-1, 2 & 3 amounting to ₹ 55.70 Crores on account of Settlement with WRD, it is to mention that the said expenditure was met from the internal resources of the company. The corresponding Return on Equity & Interest on Excess Equity in reference to said addition been funded from internal resources has also been worked out in accordance to MPERC's Regulations,2005 and Regulations,2009 and annexed as Annexure-14.

Issue:

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

MPPGCL's Reply:-

In the subject petition, the additional capitalization claimed at various power stations are majorly funded through the Loan component and through Internal resources / Equity of the company. As such no equity from GoMP has been deployed for additional capitalization.

Interest and finance charges:

Issue:

(xiii) **While issuing the true-up order for FY 2011-12, the Commission considered the loan and equity components of capitalized assets in ATPS 210 MW only to the extent of funding filed by the petitioner. The petitioner was directed to file the funding pattern of un-discharged liability of ₹ 60.17 Crores (as on 31st March, 2012) with the true-up petition for FY2012-13. In view of the above, the petitioner is required to file the aforesaid details.**

MPPGCL's Reply:-

The Hon'ble Commission has directed MPPGCL to provide the details of un-discharged liabilities at ATPS PH-3 amounting to ₹ 60.17 Crores. Accordingly, MPPGCL has verified the sources of funding of tangible and intangible assets capitalized at ATPS PH-3 (210MW) till date.

On scrutinizing the past records of MPPGCL and erstwhile MPSEB, it was found that during FY 2009-10 there was gap in the amount of IDC levied upon MPPGCL by M/s PFC amounting to ₹ 167.33 Crores and its corresponding funding. On further examining the records it was found that the amount of ₹ 57.29 Crores has been paid to M/s PFC towards Interest During Construction (IDC) for Loan No. 20101012 through the Cash Flow Mechanism of erstwhile MPSEB, prevailing at that point of time. As this payment was made through Cash Flow Mechanism (CFM) of erstwhile MPSEB/MP Tradeco , this amount was not captured as source of funding in the final tariff petition of ATPS 201MW.

The supporting documents in this regard are annexed as Annexure-19. This amount of ₹ 57.29 Crores was paid by erstwhile MPSEB/MP Tradeco from its resources under CFM, Therefore the same is to be treated as internal resources/Equity of the MPPGCL.

The Hon'ble Commission, in the Final tariff Order for ATPS 210 MW dated 01.05.2012 had adopted the methodology of apportionment of *funding w.r.t assets capitalized during the year. In line with said methodology the aforesaid amount of ₹ 57.29 Crores is now adjusted against the un-discharged liabilities of ₹ 60.17 Crores in respect of balance funding of additional Capitalization of ₹ 81.24 Crores as permitted by Hon'ble Commission in True Up Order for FY 2011-12 as tabulated below:*

In ₹ Crores

Particulars	***Amount***
Addl. Capitalization during FY 12	*81.24*
Funding through Loan Permitted by MPERC in True Up order for FY 2011-12	*20.09*
Funding through Equity Permitted by MPERC in True Up order for FY 2011-12	*0.98*
Balance Amount	***60.17***
Payment Pattern	
(A) Through Internal resources of company	*57.29*
(B) Through Loan receipt during FY 2012-13	*2.88*
Total(A+B)	***60.17***

The detailed working in this regard is annexed as Annexure-20.
Further on consideration of above facts, the corresponding Return on Equity and Interest on Loan & Excess Equity has been worked out for FY 2011-12 & FY 2012-13 and annexed as Annexure-21. It is humbly prayed before Hon'ble Commission to kindly permit the same.

Issue:

(xiv) **The petitioner is required to confirm whether the loan amount on the write-off/adjustment/de-commissioned assets if any, has been accounted for in its claim for interest and finance charges of the respective power station.**

MPPGCL's Reply:-

It is humbly requested to kindly refer Annexure-17, wherein the details of assets Written-off/ Adjustment/ De-commissioned and its corresponding Equity / Loan have been elaborated by MPPGCL. In respect of reduction of Equity/Loan towards assets Written off/adjustment entries/De-commissioned, the power Station wise submission is as under:

ATPS PH-2:

The minor assets amounting to ₹ 0.44 Crores have been written off at ATPS PH-2 as detailed in Annexure-9 of this submission. These assets were acquired way back by erstwhile MPEB/MPSEB in 80's & 90's and *presumed funded by the Loan/internal resources of erstwhile MPEB/MPSEB. Accordingly no Loan/Equity reduction has been made by MPPGCL in the subject petition.*

ATPS PH-3:

The Capital Spares amounting to ₹ 7.32 Crores which were wrongly booked in Account Code 10.XXX (Fixed Assets) have been retransferred to Account code 11.XXX (Capital Spares) in the Books of Accounts during FY 2012-13 as detailed in Annexure-9. The said amount has been claimed as additional capitalization at ATPS PH-3 under head of Capital Spares amounting to ₹ 33.39 Crores detailed in Table No.4.3.11.1 Sr. No. 17 at page No. 43 - 44 of subject True up petition.

The above being rectification entry, no reduction in Loan/Equity has been made in the subject petition.

STPS PH-1:

The assets amounting to ₹ 8.06 Crores has been decommissioned at STPS PH-1 as detailed in Table No. 4.3.17.1 at Page No 47 – 48 of subject petition. The reduction of Equity amounting to Rs 2.38 Crores has been worked out and considered in the subject petition as detailed in Table No.4.3.18.1 at page No. 48 of subject petition. However the loan balance at STPS PH-1 is Nil, hence no loan reduction has been made.

STPS PH-2&3

The asset amounting to Rs 0.68 been erroneously booked in wrong accounting code in the book of accounts the same has been corrected during FY 2012-13. Thus, mere a rectification entry no reduction of Loan/ Equity has been made in the subject petition.

Bansagar PH-1, 2 & 3

Kindly refer MPPGCLs reply to point No vii (4th) where in the methodology of Withdrawal / Addition of Assets at Bansagar PH-1,2 & 3 on account of Settlement with WRD has already been elaborated.

In respect of reduction of Loan/Equity towards the Assets transferred to WRD amounting to ₹ 143.34 Crores on account of Settlement with WRD, it is to mention that the said expenditure is made from the internal resources of erstwhile MPSEB/MPEB. Accordingly no reduction of Loan/ Equity of Bansagar PH-1,2&3 has been made in the subject petition.

Further in respect of assets added at Bansagar PH-1, 2 & 3 amounting to ₹ 55.70 Crores on account of Settlement with WRD, it is to mention that the said expenditure was met from the internal resources of the company.

Issue:

(xv) **In Bansagar Complex, it is observed that the same opening loan balance of ₹ 62.24 Cr. as admitted in the last true up order is considered by the petitioner in the subject petition. The loan amount pertains to write-off assets have not been reduced from the loan component of the power station. The petitioner is required to file loan amount pertains to the write-off assets, if any in this regard.**

MPPGCL's Reply:-

Bansagar PH-1, 2 & 3

Kindly refer MPPGCLs reply to point No vii (4th.) where in the methodology of Withdrawal / Addition of Assets at Bansagar PH-1,2 & 3 on account of Settlement with WRD has already been elaborated.

In respect of reduction of Loan/Equity towards the Assets transferred to WRD amounting to ₹ 143.34 Crores on account of Settlement with WRD, it is to mention that the said expenditure is made from the internal resources of erstwhile MPSEB/MPEB. Accordingly no reduction of Loan/ Equity of Bansagar PH-1, 2 & 3 has been made in the subject petition.

Further in respect of assets added at Bansagar PH-1, 2 & 3 amounting to ₹ 55.70 Crores on account of Settlement with WRD, it is to mention that the said expenditure was met from the internal resources of the company.

Cost of secondary fuel oil:

Issue:

(xvi) **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 STPS and SGTPS is on higher side. The petitioner is required to file the reasons for the same along with the supporting documents.**

MPPGCL's Reply:-

MPPGCL wish to submit that the prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The supporting documents in respect of secondary oil procured during FY 2012-13 at thermal power *station have already been submitted before Hon'ble Commission vide Annexure-23 of letter No. 1503 dated 05.12.2014 as additional supporting documents.*

MPPGCL, while submitting the Tariff Petition for FY 2012-13, Petition No. 15 of 2012 had considered Wt. Average landed cost of Secondary Fuel Oil for the period Oct'2011 to Dec'2011.

Further the Wt. Average Rate of Secondary Fuel Oil is also depended on Mix of Furnace Oil and HSD/LDO procured at various power stations at different intervals. The cost of HSD/LDO is comparatively higher than that of Furnace Oil, therefore its quantity purchased has impact on Wt Average Rate. The same can be inferred from the Table detailed under where Wt. Average landed cost of Secondary Fuel Oil for the period Oct'2011 to Dec'2011 was derived for Tariff Petition For FY 2012-13:-

Power Station	Furnace Oil	HSD/LDO	Total	% of Furnace Oil	% of HSD/LDO	Wt. Av. Landed Rate in ₹/KL
	Quantity in KL	Quantity in KL	Quantity in KL			
ATPS	773.94	499.83	**1273.77**	60.76%	39.24%	**49494**
STPS	7431.35	401.02	**7832.36**	94.88%	5.12%	**40174**
SGTPS	879.84	1229.88	**2109.72**	41.70%	58.30%	**47311**

It can be seen that from the above the Wt. Average landed rate of Oil at STPS is least among ATPS & STPS due to the lesser quantity (%) of HSD procured. The rates of Oils for ATPS were available for only two months against three months for STPS & SGTPS.

Further, in the said Trueup Petition for FY 2012-13, the actual Wt. Average landed rate of Secondary Fuel Oil has been considered for the complete year. The quantity procured and its % along with Wt. Average Rate is tabulated hereunder:-

Power Station	Furnace Oil	HSD/LDO	Total	% of Furnace Oil	% of HSD/LDO	Wt. Av. Landed Rate in Rs./KL
	Quantity in KL	Quantity in KL	Quantity in KL			
ATPS	4408	1516	**5923**	74.41%	25.59%	**52653**
STPS	31721	5579	**37299**	85.04%	14.96%	**51305**
SGTPS	7931	3852	**11783**	67.31%	32.69%	**55988**

It can be again inferred from the above the Wt. Average landed rate of Oil at STPS is least among ATPS & STPS due to the lesser quantity (%) of HSD procured. Further, the Government of MP imposed entry tax @ 10% on Furnace Oil and Light Diesel Oil when brought from outside the state. High speed Diesel Oil is presently exempted from Entry Tax. This too has impact on the Wt. Average landed rates of Secondary Fuel Oil of Power Stations. Thus the direct comparison between the Wt. Average Rates of Secondary Fuel Oils procured at different interval of time and its quantity is immaterial.

The Hon'ble Commission vide MPERC Regulation, 2009 proviso 36.1 & 36.2 provides for calculation of expenses on Secondary Fuel Oil Consumption on actual Landed Price of Secondary Fuel at the end of each year. The same methodology has been adapted in the subject petition.

<u>Issue</u>:

(xvii) **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.**

<u>MPPGCL's Reply</u>:-

The Hon'ble Commission vide MPERC Regulation, 2009 proviso 36.1 provides for calculation of expenses on Secondary Fuel Oil Consumption on Landed Price of Secondary Fuel oils. The same methodology has been adapted in the subject petition.

However, as desired by Hon'ble Commission, Power station-wise break-up of quantity, cost and rate of oil on consumption basis for MP 's share as per audited accounts vis-à-vis on 100% capacity basis has been worked out and the same is annexed as Annexure-22. The Audited Books of Accounts considers the cost of secondary oil (FO + HSD/LDO) on consumption basis on Store Accounting Principles.

<u>Other Charges:</u>

<u>Issue</u>:

(xviii) **On perusal of the other charges filed by the petitioner, following is observed:**

- **The amount of ₹ 1.275 Crores claimed for rent, rate and taxes on share basis does not tally with the amount in Schedule 26.1 of Audited Accounts (₹ 1.347 Cr.).**

MPPGCL's Reply:-

In the subject petition, MPPGCL has claimed Rent ,rates & taxes amounting to ₹ 1.275 Crores towards Thermal & Hydel power stations 0f MPPGCL which excludes amount of ₹ 0.072 Crores for Headquarters(HQ). However, Schedule 26.1 of Audited Accounts reflects the total amount including Headquarters i.e. (₹ 1.275 Crores + ₹ 0.072 Crores = ₹.1.347 Crores.

Issue:

- **It is observed that the Commission had neither allowed water charges for thermal power stations in tariff order for FY 2012-13 dated 16th April'2012 nor in final tariff order for ATPS 210 MW & SGTPS 500 MW. Separate water charges for thermal power stations were also not allowed in earlier true-up order of the control period. In view of the above, the petitioner is required to explain the reasons for claiming the water charges for FY 12-13.**

MPPGCL's Reply:-

In reference to recovery of Water charges for thermal power stations by MPPGCL during FY 2012-13, 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 & FY 2011-12, it is to state the Hon'ble 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), True up order for FY 2011-12 dated 01-10.2014 (Para 127) & 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.

MPPGCL humbly prays before Hon'ble Commission to kindly permit the additional Depreciation / RoE/ Interest on Excess Equity as detailed in above clarifications / points in addition to the Fixed cost claimed in subject petition No. 29 of 2014.

On scrutiny of the above-mentioned response filed by the petitioner, it was observed that the response of the petitioner on certain core issues was either inadequate or needs clarity. Vide letter dated 31st March, 2015, the observations of the Commission on all such issues were communicated to the petitioner seeking its reply by 10th April, 2015. Vide letter dated 10th April, 2015, the petitioner has filed its response along with the supporting documents. The issue-wise response filed by the petitioner is as given below:-

Issue:

(i) The following details regarding initial spares including those supplied by the EPC contractor for ATPS 210 MW and SGTPS 500 MW be submitted:

MPPGCL Reply:

As desired the requisite information in prescribed format is tabulated hereunder:

	Original Project Cost	***Initial Spares admitted by Commission as on 31-3-2012***	***Admitted initial spares in % of Original Capital Cost***	***Initial Spares filed in this True Up petition for FY 2012-13***	***Initial Spares supplied by the EPC Contractor***	***Total initial Spares as on 31-3-2013***	***Total initial Spares in % of the original project Cost***
Station	***₹Crs***	***Rs. Crs***	***%***	***₹Crs***	***₹Crs***	***₹Crs***	***%***
ATPS PH-3	*1242.14*	*7.32 **	*0.59%*	*26.07*	*28.61***	*33.39****	*2.69%*
SGTPS PH-3	*2300*	*47.24*	*2.05%*	*7.8*	*38.04***	*55.04****	*2.39%*

***** *The Capitalization of ₹ 7.32 Crores was initially approved Hon'ble Commission in the Final tariff order of ATPS 210 MW under the head Fixed assets, later on in FY 2012-13, the same has been transferred to Account Head of Capital Spares.*

*** Apart from EPC contractors, Capital Spares for the plant have also been procured from other vendors who have supplied equipments for the plant.*

****Total initial Spares as on 31.03.2013 represent the amount as capitalized in the Audited Books of Accounts for FY 2012-13.*

Issue:

(ii) It is observed that the total estimated/approved cost of works by GoMP under R&M scheme of ATPS PH-II was 124.30 Cr. The assets under this R&M scheme were capitalized for the first time in FY 2008-09. It is further observed that the total capitalization under this scheme as on 31st March, 2013 is ₹ 98.56 Cr. The amount estimated/approved for this R&M scheme is yet to be capitalized even after a period of five years. The reasons for delay in execution /capitalization of the R&M Scheme of ATPS PH-II (for which a major portion of loan has been drawn) beyond the payback period of three years as mentioned in the GoMP's approval be explained.

MPPGCL Reply:

In reference to delay in execution/capitalization of R&M works at ATPS PH-2 Chachai, it is to submit that aforesaid R&M schemes comprises of diverse nature of works, which were awarded to multiple contractors spread over a period of time through tendering process. The detailed list indicating nature of works, name of the contractor, order date / completion date and values is enclosed as Annexure 1 for reference please.

The above Need based R&M works includes a major Contract of ₹ 59 Crores which was awarded to M/s. NTPC-ALSTOM Power Services Pvt. Ltd (NASL), New Delhi, on 04.06.2007.(Copy of order enclosed as Annexure 2). Under the said contract M/s NASL New Delhi at first conducted the RLA study of ATPS PH-2 and based on the results it was envisaged that few additional work were also needed to be added in the said contract. Accordingly the contract was got amended. The copy of Amendment order dated 06.10.2010 is enclosed as Annexure 3 for reference.

Therefore, the assets capitalized at ATPS PH-2 from FY 2010-11 onwards, mainly comprises of works executed by M/s NASL New Delhi.

Further, MPPGCL wish to inform that work of execution of contract is a technical term and capitalization of assets in the books of accounts is the financial term. Due to procedural aspects it takes considerable time to get the amount capitalized in Account Code 10.XXX (Fixed assets). Till such time the amount is held under the Account Code 14.XXX (CWIP). MPPGCL has claimed additional capitalization at ATPS PH-2 in various True up Tariff petitions as and when the *capitalization amount appeared under account code 10.XXX (Fixed assets) in Annual Audited Books of Accounts. It is humbly requested permit the same.*

Issue:

(iii) It is observed that the assets of ₹ 7.32 Crores in ATPS 210 MW which were previously under Gross Fixed Assets are now considered under capital spares. The petitioner is required to clarify the following:-

(a) Whether the assets of ₹ 7.32 Crores and its funding which were previously under GFA were admitted by the Commission for the purpose of tariff.

(b) If so, why the cost of ₹ 7.32 Crores on these assets is claimed under additional capitalization of ₹ 33.39 Crore in the subject true up petition.

MPPGCL Reply:

It is to submit that the assets of ₹ 7.32 Crores were initially part of the Gross Fixed Assets as on CoD of ATPS PH-3 (210MW). The same was admitted by Hon'ble Commission in the Final Tariff Order of ATPS 210 MW Extn. Unit No.5 in petition No. 34 of 2011 along with its funding.

However, it is to mention that the aforesaid amount of ₹ 7.32 Crore was earlier erroneously booked under Account Code 10.XXX (Fixed Assets). In FY 2012-13 the said amount was re-transferred from Account code 10.XXX to Account code 11.XXX (Capital spares) in the Audited books of Account. The adjustment entry in this regard was indicated by MPPGCL in the True up petition for FY 2012-13 at Table 4.4.7.1 (Page No.69 Sr. No.2).

Thus, the additional capitalization claimed at ATPS PH-3 for FY2012-13 works out as under:-

Particulars	***Amount (₹ Crores)***	***Reference Table No. of True Up Petition for FY 2012-13***
Total Additional Capitalization at ATPS PH-3	*49.01*	*4.3.6.1,Sl.No.2, Page 68*
Less; Adjustment Entry on account of Transfer from 10.XXX(Fixed Assets) code to 11.XXX(Capital Spares) code	*7.32*	*4.3.7.1,Sl.No.2, Page 69*
Additional Capitalisation claimed for FY 13	***41.69***	

In reference to funding claimed at ATPS PH-3 , it is to mention that MPPGCL has claimed amount of loan drawn from M/s PFC during FY 2012-13 pertaining to ATPS PH-3 and the same is detailed in Table 4.3.12.1 (Page 44) of true Up Petition for FY 2012-13.

It is to clarify that the funding of aforesaid capitalization of assets through Loan component amounts to ₹41.69 Crores.

Issue:

(iv) On perusal of the details regarding exchange/transfer of assets with Water Resources Department (WRD), GoMP filed in the petition, the following is observed:

(a) The assets addition of ₹ 55.70 Crores (which are shown as transferred from WRD to MPPGCL) is considered as created through internal resources/equity component of MPPGCL. The additional Return on equity and interest on excess equity since 1st June, 2005 till date is claimed in the instant additional submission on this amount.

(b) On the other hand, with regard to the assets of ₹ 143.34 Crores transferred from MPPGCL to WRD, it is mentioned that these assets were also created through internal resources but the petitioner has not worked out any Return on equity and interest on excess equity on funding of these assets. In fact, the funding pertains to assets of ₹ 55.70 Crores is informed but the funding status of assets of ₹ 143.34 Crores transferred to WRD is not submitted by the petitioner.

(c) MPPGCL has come up for the first time with this issue regarding exchange of assets and liabilities with WRD, GoMP. The cost of assets associated in this issue is substantial i.e. ₹ 143.34 Crores and ₹ 55.70 Crores.
This issue is pertaining to the period prior to the date of transfer of assets and liabilities from erstwhile MPSEB among M.P. Power Generating Company Ltd. and its other successor entities. In fact, the Commission has already considered the assets and liabilities of MPPGCL's power stations notified in the final opening balance sheet in its true up orders for FY 2007-08 and onwards.

(d) In view of the above, this issue shall require detailed scrutiny of the assets transferred by MPPGCL to WRD and vice-versa in light of all correspondence made between MPPGCL and WRD in this regard. The impact of various components of Annual Fixed Cost approved by the Commission in all past true up orders shall also be determined. Therefore, a meeting with the concerned officers of MPPGCL for technical validation over this issue shall be convened on 15th April 2015 at 12:00 hrs in the office of the Commission.

MPPGCL Reply

The details/ supporting documents regarding settlement/transfer of assets at Bansagar HPS with Water Resources Department (WRD) GoMP, were already submitted by MPPGCL before Hon'ble Commission vide Annexure 10 to 16 of letter No. 148 dated 30.01.2015.

The matter shall be discussed in length in the schedule meeting.

Issue:

(v) On scrutiny of the instant response filed by MPPGCL vis-à-vis its contention on the issue of interest and finance charges in the subject true up petition, the following is observed:

(a) The petitioner has now changed its contention by stating that the outstanding liability of ₹ 60.17 Crores as on 31st March 2012 in respect of ATPS PH-III has been paid to PFC through internal resources of ₹ 57.29 Crores and the loan of ₹ 2.88 Crores received during FY 2012-13.

The aforesaid contention of the petitioner is based on the scrutiny of some past records of MPPGCL and erstwhile MPSEB.

(b) It has come to the above conclusion after verification of its own record after a long period of time despite clear directions of the Commission in this regard while issuing the true up order for FY 2011-12. With the aforesaid stand on the issue of outstanding liability with regards to ATPS PH-III, the equity and loan of MPPGCL are increased by ₹ 57.29 Crores and ₹ 2.88 Crores respectively. These figures were not captured in the main true up petition. Therefore, MPPGCL is required to file all relevant documents including the certificates of PFC, who has received the amount of ₹

57.29 Crores and disbursed the loan of ₹ 2.88 Crores to serve this liability which was outstanding for a long period.

MPPGCL Reply

On the issue of outstanding liability of ₹60.17 Crores at ATPS PH-3 (210MW), MPPGCL wish to clarify as under:

1) The assets capitalized and funding details as on CoD of ATPS PH-3 (210 MW) till FY 2012-13 is tabulated hereunder:

₹ Crores

Financial year	Asset Capitalized	Loan / Equity Drawls			Total Funding
		PFC Loan No. 20101012 & 20701002	GoMP Equity	Internal resources/ Equity of Company	
FY 2009-10 (as on CoD)*	906.11	711.78	220.4	57.29	**989.47**
FY 2009-10 (from CoD to 3.03.2010)	0.00	33.61	0.00	0.00	**33.61**
FY 2010-11	70.55	16.26	3.02	0.00	**19.28**
FY 2011-12	81.24	12.66	0.00	0.00	**12.66**
FY 2012-13	41.69	53.82	0.00	0.00	**53.82**
Total	**1099.6**	**828.13**	**223.42**	**57.29**	**1108.84**

***net -off Liquidated Damages.**

It is evident from the aforesaid table that the amount of funding exceeds the Assets capitalized by ₹ 9.24 Crores (₹ 1108.84 Crores – Rs.1099.60 Crores) as on 31.03.2013. This is due to the fact that the expenditure was made earlier though Loan & Equity components, however the asset were capitalized in Account Code 10.XXX (Fixed Assets) at later date.

2) It is to mention that the Hon'ble Commission in Final tariff order of ATPS PH-3 (210 MW) dated 01.05.2015 read with True up order for FY 2011-12 dated 01.10.2014 has considered funding in proportion to asset capitalized. The same is detailed as undre.

₹ Crores

Financial year	Asset Capitalized	Loan	Equity	Total Funding	Diff. of Funding
FY 2009-10 (as on CoD)	906.11	691.87	214.24	**906.11**	**0**
FY 2009-10 (after CoD)	0	0	0	**0**	**0**
FY 2010-11	70.55	62.35	8.2	**70.55**	**0**
FY 2011-12	81.24	20.08	0.98	**21.06**	**-60.17**
Total	**1057.9**	**774.3**	**223.42**	**997.72**	**-60.17**

3) *As earlier submitted by MPPGCL at Point No. (xiii) vide letter No.148 dated 31.01.2015, based on securitization of the past records of MPPGCL and erstwhile MPSEB, it was established that from 01.04.2009 upto CoD (10.09.2009) in FY 2009-10 amount totaling to Rs.57.29 Crores was paid to M/s PFC towards Interest During Construction (IDC) through prevailing Cash Flow Mechanism of erstwhile MPSEB/MP Tradeco. The details of said amount were earlier not available at the time of filing tariff petition of ATPS (210 MW). However, Hon'ble Commission vide tariff order dated 01.05.2012 had permitted the IDC amounting to Rs. 167.33 Crores for ATPS PH-3 (210MW). The above said amount (Rs. 57.29 Crores) was part payment of IDC through internal resources.*

Adopting the methodology of Hon'ble Commission towards Funding with respect to Asset capitalized, MPPGCL has according readjusted the said amount of Rs.57.29 Crores towards funding gap now discovered as under:

₹ Crore

Financial year	***Asset Capitalized***	***Loan***	***Equity***	***Internal resources***	***Total Funding***	***Diff of Funding***
FY 2009-10 (as on CoD)	*906.11*	*691.87*	*214.24*	*0*	***906.11***	***0***
FY 2009-10 (from CoD to 3.03.2010)	*0*	*0*	*0*	*0*	***0***	***0***
FY 2010-11	*70.55*	*62.35*	*8.2*	*0*	***70.55***	***0***
FY 2011-12	*81.24*	*20.08*	*0.98*	*57.29*	***78.35***	***-2.88***
FY 2012-13	*41.69*	*44.56**	*0*	*0*	***44.56***	***2.88***
Total	***1099.6***	***818.86***	***223.42***	***57.29***	***1099.57***	***0***

** ₹.41.69 towards additional capitalization & ₹.2.88 Crores against the balance funding difference.*

It is evident from aforesaid table the funding difference of Rs. 60.17 Crores was adjusted mainly from Rs. 57.29 Crores (Internal resources) and balance Rs.2.88 Crores from PFC Loan drawls (loan No.20701002) in FY 2012-13.

4) *The total PFC loan drawls (Loan No.20701002) during FY 2012-13 amount to Rs. 53.82 Crores. As desired the party wise / date wise PFC Loan drawls is enclosed as Annexure-4 for kind reference please.*

5) *The supporting documents in reference to payment of amount of Rs.57.29 Crores to M/s PFC along with relevant Accounting vouchers of Erstwhile MPSEB/MP Tradeco are enclosed as Annexure-5 for kind reference please.*