MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Petition No. 16 of 2015

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 FY2013-14 determined by MP Electricity Regulatory Commission vide Multi-Year Tariff order dated 01st April, 2013.

M.P. Power Generating Company Ltd, 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 30th January, 2016)

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 27th April, 2015 for true-up of generation tariff for FY 2013-14, determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide Multi-Year tariff order dated 01st April, 2013.

2. On preliminary scrutiny of contents in the subject petition, it was observed that the petition was incomplete as it was not accompanied with any of the Annexure mentioned in the petition. Therefore, vide Commission's letter No. 830 dated 12th May, 2015, MPPGCL was asked to file all such documents at the earliest.

3. Vide its letter No. 07-12/CS-MPPGCL/MPERC/TU FY14/pt. 16-2015/554 dated 16th May, 2015, MPPGCL stated that the supporting documents mentioned in the petition in form of Annexures have been submitted to the Commission on 12.05.2015. Accordingly, the petition is construed to be filed with the Commission on 12.05.2015.

4. The Commission issued MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 {RG-26 (iI) of 2012} (hereinafter referred to as "the Regulations, 2012") for the control period FY 2013-14 to FY 2015-16 notified on 28th December, 2012. The Commission also issued the First Amendment to this Regulation on 13th December' 2013.

5. 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, 2012. The scrutiny of the subject true-up petition is based on the principles and methodology specified in the Regulations, 2012.

6. The details of the power stations covered in this true-up petition are as given below:

Table No. 1: Installed Capacity in MW

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

7. MPPGCL entered into PPA with MP Tradeco (now MPPMCL) on 29.11.2006. The PPA provides that the tariff payable by Tradeco to Genco and terms & conditions related thereto shall be as determined by the Commission.

8. The details of Annual Fixed (Capacity) charges and Energy charges provisionally allowed by the Commission for FY 2013-14 in its MYT order dated 01st April, 2013, are as given below:

Table No. 2: Power Station wise Capacity and Energy Charges allowed in MYT Order

Sr. No.	Power House	Annual Capacity (fixed) Charges (₹ Crores)	Energy Charges ₹/KWh
1	ATPS Chachai (PH-II)	107.93	1.422
2	ATPS Chachai (PH-III)	206.50	0.988
3	STPS Sarni Complex	420.35	1.711
4	SGTPS (PH-1&2)	467.93	2.799
5	SGTPS (PH-III) 500 MW	429.63	2.528
6	Gandhi Sagar	14.35	-
7	Pench	25.08	-
8	Rajghat	13.40	-
9	Bargi	17.83	-
10	Bansagar (I to III)	167.78	-
11	Bansagar-IV (Jhinna)	14.76	-
12	Madhikheda	35.02	-
13	Birsinghpur	6.56	-
	Total	**1927.13**	-

9. Head wise break-up of Annual Capacity (fixed) charges for FY 2013-14 allowed in MYT order dated 01st April, 2013 are as given below:

Table No. 3: Head- wise Capacity Charges allowed in MYT Order (₹ Crores)

Sr.No.	Particular	FY 2013-14
1	Return on Equity	339.71
2	Interest on Loan (including interest on excess equity)	190.64
3	Depreciation	349.37
4	O& M Expenses	631.43
5	Cost of sec. fuel oil	145.02
6	Compensation /Special Allow.	30.38
7	Interest on working capital	240.58
Total Capacity (fixed) Charges		**1927.13**

10. The petition for determination of final generation tariff of Bansagar-IV (Jhinna) upto FY 2013-14, was filed separately by the petitioner. Vide tariff order dated 18th November' 2015, the Commission determined the final tariff of Bansagar-IV (Jhinna) since CoD to 31.03.2014, based on the audited accounts. Therefore, this power station is not included in this order.

11. The subject true-up petition is based on the Final Opening Balance Sheet and Annual Audited Accounts for FY 2013-14. The MYT order dated 01st April, 2013 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 2009-10 issued by the Commission on 23rd March, 2012 were considered as base figures while finalizing the MYT Order for the control period FY 2013-14 to FY 2015-16.

12. With regard to new power stations like ATPS 210 MW, SGTPS 500MW and Madhikheda HPS, the figures of capital cost and funding admitted in respective final tariff orders were considered as base figures in aforesaid MYT order.

13. The following developments have occurred subsequent to the MYT order for the period FY 2013-14 to FY 2015-16 issued on 01st April, 2013 :

    i) The Commission issued the generation true-up orders for FY 2010-11, FY 2011-12 and FY 2012-13 based on the Annual Audited Accounts of the respective years, The capital cost of the power stations under subject petition has been revised in the true-up orders of the respective years.

    ii) 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 FY 2012-13 to FY 2015-16 considering the impact on de- commissioning of

Unit No. 3. All five units of 62.5 MW each of STPS, Sarni PH-I have been de-commissioned by the petitioner till 31st March, 2014.

iii) On 23rd July' 2015, the order for approval of special allowance from FY 2011-12 to F Y2015-16 for Unit No. 6, 7, 8 & 9 of PH-II & III of STPS, Sarni was issued in accordance with the applicable Regulations.

iv) On 18th November' 2015, the order for approval of final tariff was issued by the Commission for Bansagar IV Jhinna from FY 2006-07 to FY 2013-14, based on audited account.

v) On 7th January'2016, the order for final generation tariff for 2x250 MW, STPS, Sarni Extn. Units No. 10 & 11 w.e.f CoD of Unit No. 10 to 31/03/2016 has been issued by the Commission.

14. Therefore, the Commission has taken into consideration all the above orders while finalizing the instant true-up order. The Commission has also taken the impact of revision of the capital cost due to additional capitalization in existing and new power stations till 31st March, 2013, in the aforesaid true-up orders. Therefore, in this true-up order, the base opening figures of GFA, Equity and loan components are considered as per true-up order for FY 2012-13.

15. In the subject true-up petition, the petitioner broadly submitted the following:

"a) The Energy Charges has been billed in accordance to Proviso 41 of MPERC (Terms & Condition for determination of Generation Tariff) Regulation, 2012. Therefore no truing up of Energy Charges has been considered.

b) Other Charges comprising of MPERC Fees, Water Charges, Rent, Rates & taxes, Entry Tax on R&M, Cost of Chemical & Consumable, Publication expenses and SLDC Charges have been claimed on actual basis based on Audited Accounts of FY 2013-14.

c) The expenses shown in Annual Audited Accounts for FY 2013-14 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2013-14 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's Multi Year Tariff Order dated 01.04.2013.

d) The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 2013-14 of MPPGCL have not been considered in this True up Petition since the Commission has not *considered these projects in Tariff order, being operated by Rajasthan.*

e) *The True up in respect Bansagar PH-4 Small Hydro Project (Jhinna) is not considered in the this True up petition as MPPGCL filed separate petition for determination of Final Tariff for this station along with its True-up up to FY-14.*

f) *As per the Regulation 26.5, the expenditure towards actual Pension & Terminal benefits is to be claimed by Transmission Licensee; hence MPPGCL has not claimed these expenses in its tariff petition.*

g) *The Commission vide Order in Petition No. 56 of 2012 dated 07.11.2012, at para No. 14 (d) has directed that in case the main comprehensive R&M proposal for Unit No. 6,7,8&9 of STPS Sarni is not filed by MPPGCL within 24 months from the date of said order, the approval of subject capital expenditure for need based R&M shall be limited to eligibility of availing Special Allowance by MPPGCL for aforesaid units for this period under regulation 18.4 & 18.5 of Tariff Regulation, 2009 and its amendments, at the rate specified in the regulations for each year of control periods.*

h) *MPPGCL has decided not to undertake the Comprehensive R&M works at STPS, Sarni at Unit No. 6, 7, 8 & 9 and informed the same to Commission vide letter dated 13.04.2015. Accordingly, the Special Allowance on the rates specified by the Commission in Regulations, 2012 for FY 2013- 14 has been considered in the instant petition.*

i) *The Unit No.1 of STPS PH-1 has been decommissioned on 07.01.2014, Unit No.2 of STPS PH-1 has been decommissioned on 05.12.2013 and Unit No.4 of STPS PH-1 has been decommissioned on 05.12.2013 by Central Electricity Authority, New Delhi. Accordingly the Assets of Unit No. 1, 2 & 4 of STPS PH-1 have been reduced from the Gross Block of STPS PH-1 as per the Audited Books of Accounts for FY 2013-14."*

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

Table No. 4: True-up amount for FY 2013-14 claimed: *(Amount in ₹ Crores)*

Particulars	Elements	Annual Fixed Cost FY 2013-14		
		As per MYT Order	As per norms	Diff.
Fixed Cost Elements	O & M Expenses	629.18	544.46	-84.73
	Compensation Allowance	11.63	9.39	-2.24
	Special Allowance	18.75	52.34	33.59

	Interest on Loan + Exc. Equity	188.07	233.08	45.01
	Interest on W/C	240.18	219.19	-20.99
	Depreciation	344.48	350.12	5.64
	Return on Equity	335.07	336.70	1.63
	Cost of Sec Oil (Normative)	145.02	140.40	-4.62
Less Non Tariff Income		0.00	118.60	-118.60
Total		**1912.38**	**1767.07**	**-145.31**

Table No. 5: Power station wise True-up claimed: (*Amount in ₹ Crores)*

Sr. No.	Station	As per MPERC Orders	MPPGCL as per norms	Diff.
1	ATPS PH-2	107.94	114.87	6.93
2	ATPS PH-3	206.5	246.48	39.98
3	STPS	420.34	294.57	-125.77
4	SGTPS PH-1&2	467.93	419.66	-48.27
5	SGTPS PH-3	429.64	421.33	-8.3
6	**Thermal**	**1632.35**	**1496.91**	**135.44**
7	Gandhi Sagar	14.35	13.49	-0.87
8	Pench	25.08	24.98	-0.09
9	Rajghat	13.39	7.66	-5.74
10	Bargi	17.84	15.55	-2.29
11	Bansagar 1,2&3	167.79	171.22	3.43
12	Birsinghpur	6.56	7.29	0.73
13	Madhikheda	35.02	29.98	-5.04
14	**Hydro**	**280.04**	**270.17**	**-9.87**
Total		**1912.38**	**1767.07**	**-145.31**

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

Table No. 6: Other Charges claimed (Amount in ₹ Crores)

Sr. No.	Particulars	Total
1	Rent, Rates & Taxes	0.56
2	Entry Tax	2.20
3	Water Charges	57.16
4	Cost of Chemicals	4.69
5	Cost of Consumables + Publications	6.48
6	MPERC Fee	1.16
7	SLDC Charges	0.61
Total		**72.87**

17. The petitioner submitted that the settlement of Water charges liability of erstwhile MPSEB with Water Resource Department (WRD), GoMP, has been carried out 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 have been withdrawn and transferred to WRD. The corresponding amount of Depreciation,

RoE and interest on excess equity from FY 2006 to FY 2013 is claimed by the petitioner in para 4.10.4 of the petition as given below:

Table No. 7: Additional cost of Bansagar PH-1 2&3 claimed:

	Particulars	Amount ₹ Crores
1	Depreciation	
	(a) to be reversed	-41.29
	(b) to be claimed	15.61
2	Net amount	**-25.69**
3	Return on Equity	19.33
4	Interest on Excess Equity	30.32
	Total	**23.96**

18. The additional capitalization of ₹ 42.15 Crores, in thermal and hydel power stations during FY2013-14 as per Annual Audited Accounts and Asset-cum-Depreciation registers of respective power stations was also filed in the subject petition. The petitioner also claimed the write-off/de-capitalization of assets during the year and also prior to FY 2013-14 in some power stations. Some of the assets which were capitalized earlier by the petitioner are now filed as transferred to CWIP. These assets are claimed under prior period write-off/adjustment,

19. With the above submissions, the petitioner prayed the following :

"(*i*) *Approve Annual Fixed Charges and Other charges for FY 2013-14 and permit recovery of True up amount as per para 15, 16 & 17 in six equal monthly installments.*

(ii) Allow additional capitalization as per audited Annual Statements of Accounts for FY 2013-14.

(iii) Permit Special Allowance for Unit No. 6, 7, 8 & 9 of PH-2&3 of STPS, Sarni.

(iv) Kindly permit additional Depreciation, RoE and Interest on excess equity at Bansagar PH- 1, 2&3 on account transfer of assets towards settlement water charges with WRD, GoMP."

20. In the instant true-up petition, the petitioner mentioned the following:

(i) The installed capacity of MPPGCL's share, as on 01st April. 2015 is 5237.20 MW (including its share in bilateral interstate projects), consisting of 4320 MW Thermal power stations and 917.2 MW Hydro power stations.

(ii) As on 01st April. 2015 , MPPGCL is operating 5235 MW, consisting of 4320 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, Unit No. 1, 2 & 4 of STPS, Sarni PH-I have been decommissioned/ retired during the year. However, Unit No. 3 & 5 were de-commissioned during FY 2012-13. Therefore, all the five units of STPS PH-I have been de-commissioned. The date-wise details of de- commissioned units of STPS Sarni, PH-I are as given below:

Table No. 8: Date of units de-commissioned

Unit	Capacity	Date of retirement
Unit No. 1	62.5 MW	7-Jan-14
Unit No. 2	62.5 MW	5-Dec-13
Unit No. 3	62.5 MW	1-Oct-12
Unit No. 4	62.5 MW	5-Dec-13
Unit No. 5	62.5 MW	1-Feb-13

Procedural History:

21. Motion hearing in the subject petition was held on 9th June, 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 07st July, 2015.

22. Subsequently, vide Commission's letter dated 15th June, 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 10th July, 2015. Vide its letter dated 27th June. 2015, the petitioner confirmed that the copies of petition have been served on all the respondents.

23. By affidavit dated 10th July, 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 claimed additional cost in respect of Asset addition on account of transfer/exchange of certain old assets with WRD. Besides several other issues, the explanation of MPPGCL was lacking clarity on this issue also.

24. Vide Commission's letter dated 13th August, 2015, the petitioner was asked to file a comprehensive reply on all such issues which were lacking clarity. By affidavit dated 10th September, 2015, the petitioner filed its reply to the issues raised by the Commission. The details of the issues raised in Commission's letters dated 15th June, 2015 and 13th August, 2015 along with the response filed by the petitioner by affidavit dated 10th July, 2015 and 10th September, 2015 are mentioned in **Annexure-I** of this order.

25. Vide letter dated 15th June 2015, the petitioner was asked to file the public notice on gist of the petition in Hindi and English version for inviting comments/ suggestions from the stake holders. By affidavit dated 10th July, 2015, the petitioner filed the public notice in Hindi and English version for approval of the Commission.

26. Vide Commission's letter dated 13th August, 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 20th September, 2015.

27. Vide letter dated 03rd September, 2015, MPPGCL confirmed that the public notices inviting comments/suggestions from stake holders have been published on 3rd September, 2015, in the following Hindi & English news papers.

    (i) Danik Hari Bhumi, Jabalpur (Hindi).
    (ii) Danik Nai Duniya, Gwalior (Hindi).
    (iii) Danik Deshbandhu, Bhopal (Hindi).
    (iv) Danik Choutha Sansar, Indore (Hindi).
    (v) Daily Central Chronicle, Bhopal (English).

28. No comment from any stakeholder was received in the matter. The public hearing in the subject true-up petition was held on 29th September, 2015 wherein only the representatives of the petitioner appeared.

Capital Cost

Petitioner's submission:

29. 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 FY 2013-14. The details of opening Gross Fixed Assets along with asset additions and adjustment/ deductions as filed by the petitioner are as given below:

Table No. 9: Opening Gross Block & and asset addition claimed: ₹ Crores

Sr. No.	Power Station	Gross Block filed in the petition			
		Opening	Addition	Adjustment	Closing
1	ATPS, Chachai PH-II	221.30	0.75	-0.01	222.04
2	ATPS, Chachai PH-III	1147.72	7.28	-1.02	1153.98
3	STPS, Sarni Complex	664.59	0.00	-34.08	630.51
4	SGTPS, PH-1&2	2172.97	0.15	-0.28	2172.84
5	SGTPS, PH-3	2102.74	30.04	-47.40	2085.38
6	Gandhi Sagar	10.83	0.01	-0.06	10.78
7	Pench	96.27	1.87		98.14
8	Rajghat	82.81			82.81
9	Bargi	87.03		-0.06	86.97
10	Bansagar (I to III)	1162.79	0.23	-0.012	1163.01
11	Birsinghpur	52.15			52.15
12	Madhikheda	215.97		0.06	216.03
	HQ	1.57	0.23		1.80
Total		**8018.33**	**40.57**	**-82.86**	**7976.04**

30. The petitioner mentioned that, the asset capitalization was carried out during FY 2013-14 in the existing stations as well as in the new projects. These asset additions were made on account of new assets capitalized under the head of Fixed Assets. The details of assets capitalized and their funding have been elaborated by the petitioner under Additional Capitalization / de-capitalization.

31. The petitioner also mentioned that the Write off/ adjustments/ transfer/ de-commissioning of Asset was made in the Gross Fixed Assets of the various power stations. These adjustments have been reflected in the Audited Books of Accounts of MPPGCL for FY 2013-14.

Provision in Regulation:

32. Regarding capital cost of the generating stations, Regulation 17.1 and 17.2 of the MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 provided as under:

- "*the Expenditure Incurred or Projected to be incurred on original scope of work, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the Date of Commercial operation of the Project, as admitted by the Commission, after prudent check shall form the basis for determination of Tariff.*

  capitalized initial spares subject to the ceiling norms as specified below:

  i) Coal-based thermal generating stations - 2.5% of original Project Cost.
  (ii) Hydro generating stations - 1.5% of original Project Cost.

- *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 of the existing Projects, the capital cost admitted by the Commission prior to 1.4.2013 and the additional capital expenditure Projected to be incurred for the respective Year of the Tariff period during 2013-16, as may be admitted by the Commission, shall form the basis for determination of Tariff."

Commission's Analysis:

33. The petitioner filed the overall opening Gross Fixed Assets (GFA) of ₹ **8018.33** Crores (as on 01st April, 2013) 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 Gross Fixed Assets considered in the petition.

34. On scrutiny of the capital cost and additional capitalization in light of the annual audited accounts, it was observed that total asset addition as per audited accounts is ₹ 6989.37 Crore. whereas, the petitioner has filed ₹ 6858.62 Crore. Similarly, write-off/ de-commissioning/ adjustment of assets is filed as ₹ 85.50 Crores whereas, as per Annual Audited accounts, this amount is shown as ₹ 99.30 Crores. Vide letter dated 15th June, 2015, the petitioner was asked to file the reason for aforesaid discrepancies.

35. By affidavit dated 10th July' 2015, the petitioner submitted that the total assets addition is ₹ 6944.44 Crores whereas, the amount of ₹ 6858.62 Crore is the net asset addition i.e. after deduction of write-off and asset de-commissioned. The difference in the figure of asset addition/asset deduction as reflected in audited account and figures filed in the petition is due to asset not in use and contra entries. In Audited Accounts, the amount of assets not-in-use/contra entries are indicated under the head asset addition/ deduction, whereas the asset not-in-use are shown separately and nullified the effect of contra entries.

36. It was further observed that the Annual Audited Accounts of MPPGCL are for the company as a whole whereas, the Commission determined the power station-wise tariff. Vide aforesaid letter dated 15th June' 2015, the petitioner was asked to file the station-wise break-up of the audited figures of assets. The petitioner was also asked to reconcile the figures in audited accounts with the figures in Asset-cum-depreciation registers and explain the difference in figure, if any.

37. By affidavit dated 10th July' 2015, the petitioner filed power station-wise break-up of opening gross block, asset added during the year, closing gross block and the assets write-off/ de-commissioning during the year. With regard to the difference in figures in audited account vis-a-vis asset-cum-depreciation registers, the petitioner filed the following reasons:

   a. In STPS PH-1, opening GFA as per audited account is ₹ 38.03 Crores. whereas, the figure filed in the petition and recorded in Asset Register is ₹31.96 Crores. This difference of ₹ 6.07 Crores is on account of asset addition in STPS-1, 2 & 3 which were not claimed as special allowance was opted.

b. The asset addition in STPS 2 & 3 as per audited account is ₹ 65.72 Crores, whereas, this amount is not claimed in the subject true-up petition.

c. In Madhikheda, asset addition as per audited account shown as ₹ 0.6 Crores which is the adjustment entry being asset transferred from Bargi HPS to Madhikheda HPS.

d. With regard to the write-off/ adjustment/ de-commissioning of asset, in STPS PH-I, the figure as per audited accounts is ₹ 31.51 Crores whereas, the figure as per asset-cum-depreciation register and filed in the petition is ₹ 28.93 Crores. The difference of ₹ 2.58 Crores in these two figures is due to reason that these assets were added during FY 2009-10 to FY 2011-12 and the addition after 01.04.2009 was not considered for tariff purpose, as special allowance was availed by MPPGCL for STPS PH-I from FY 2008-09 onwards.

e. Regarding the asset not-in-use in STPS, Sarni, the opening figure as per audited accounts is ₹ 9.40 Crores. whereas, the closing figure come to ₹ 40.85 Crores. This amount pertains to the assets, which have been de-commissioned/ write-off and presently not-in-use. These assets have been kept in abeyance till their disposal in future. For tariff purpose, the assets de-commissioned/ write-off are being reduced from the GFA of the power station and asset-cum-depreciation register has been updated accordingly.

38. Regarding settlement of LD in ATPS 210 MW, the petitioner mentioned the following in para 4.3.11 of the petition:

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

b. 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.

c. The settlement has not been made finally with the contractor and so the final amount of LD etc cannot be ascertained.

Therefore, MPPGCL has considered the project cost for ATPS 210 MW as capitalized in the books of accounts for calculating the depreciation amount.

39. It is observed that the closing GFA of ₹7896.96 Crores (as on 31st March, 2013) was considered by the Commission for existing and new power stations in the last true-up order for FY 2012-13 issued on 05th October, 2015. Thus, there is a difference of ₹ 121.36 Crores between the closing GFA considered in last true-up order vis-à-vis opening GFA filed in this petition. The stations-wise break-up of closing GFA for FY 2012-13 as admitted in the true-up tariff order dated 05th October, 2015 is as given below :

Table No. 10: Closing GFA considered as on 31st March, 2013 (₹ Crores)

Sr. No.	Power Station	Closing Gross Fixed Assets admitted as on 31st March, 2013
1	ATPS, Chachai PH-II	221.314
2	ATPS, Chachai PH-III	1056.9
3	STPS, Sarni Complex	664.58
4	SGTPS, Birsing'pur PH-1&2	2172.971
5	SGTPS, Birsing'pur PH-3	1986.15
6	Gandhi Sagar	10.422
7	Pench	96.26
8	Rajghat	82.8
9	Bargi	87.03
10	Bansagar (I to III)	1250.42
11	Birsinghpur	52.15
12	Madhikheda	215.97
Total		**7896.967**

40. On detailed scrutiny of the subject petition, it is observed that the petitioner filed write-off/adjustment of assets in some power stations during past years/prior period for which true-up orders issued by the Commission. On further scrutiny of the petition, the Commission observed the following:

(i) In ATPS PH-III, additional capitalization of ₹81.24 Crores was admitted during FY 2011-12. Assets of ₹1.02 Crores have now been transferred back to CWIP in FY 2013-14.

(ii) In STPS PH-2&3, additional capitalization of ₹31.92 Crores was admitted in true-up order for FY 2010-11. Asset of ₹5.15 Crores has now been transferred to STPS PH-4 for which the Commission has issued separate final tariff order till 31st March, 2014.

(iii) In SGTPS-PH3, LD has finally been settled with BHEL which amounts to ₹82.72 Crores whereas, the Commission deducted an amount of ₹ 93.04 Crores towards liquidation Damages in final tariff order.

(iv) There is no change observed in amount of settlement towards Exchange Rate variation considered by the Commission in final tariff order vis-à-vis finally settled and claimed in this petition.

(v) Moreover, in true-up order for FY 2011-12, an amount of ₹ 61.13 was admitted by the Commission towards additional capitalization in SGTPS PH III. Asset of ₹ 0.20 Crores has now been transferred to STPS PH-4.

(vi) In true-up order for FY 2012-13, additional capitalization of ₹ 31.75 Crores pertains to Ash Handling Plant was admitted by the Commission in SGTPS PH III. An amount of ₹ 28.90 Crores has now been transferred back to CWIP.

(vii) Settlement of water charges liability of erstwhile MPSEB with WRD has been carried out. Accordingly, the asset of ₹ 55.70 Crores have been added and assets of ₹143.34 Crores have been withdrawn and transferred to WRD. The net impact of ₹ 87.64 Crores needs to be considered since 01.06.2005 i.e. notification of final opening balance sheet.

41. The power station wise closing Gross Fixed Assets as on 31st March, 2013 as admitted in the last true-up order for FY 2012-13 has now been revised on considering the impact of the write-off/adjustment of assets during prior period. The impact of finally settled amount of Liquidated Damages (LD) in respect of SGTPS 500 MW Unit has been considered by the petitioner under the head non-tariff income of its Audited Accounts for FY 2013-14. 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.

42. In view of the above, the retrospective effect of all aforesaid assets need to be considered while fixing the power station wise opening figures of GFA, equity, loan and cumulative depreciation in this order. Power station detailed analysis is to be carried out while considering the aforesaid write-off / adjustment of the assets and their corresponding funding in this regard.

Prior period write-off/ adjustment:

STPS, Sarni: PH-2&3

43. The petitioner submitted that in true-up order for FY 2010-11, the asset addition of ₹31.92 Crores in STPS PH-2&3 was admitted by the Commission based on the capitalization in books of account. The petitioner further submitted that out of the aforesaid additional capitalization considered by the Commission, the asset of ₹5.15 Crores regarding building and other civil works is now transferred to STPS PH-IV ext. Unit No. 10&11 and same has been recorded in the Annual Audited Account.

44. The petitioner mentioned that the depreciation amount earlier claimed on such asset during FY 2011-12 and FY 2012-13 has now been revised/adjusted in table 4.4.13.2 of the petition. The petitioner further mentioned that the aforesaid asset was funded through loan component only, however the loan balance of STPS PH 2&3 as on 01.04.2013 is nil, accordingly no reduction is made in loan component.

45. On scrutiny of the details of asset write-off/adjustment filed by the petitioner, it is observed that the total assets of ₹ 36.66 Crore have been write-off during FY 2013-14 in STPS, Sarni out of which ₹31.96 Crores pertains to de-commissioning of the units of STPS PH-I and ₹ 5.15 Crores transferred to STPS PH-4 in FY 2010-11.

46. By affidavit dated 10.07.2015, the petitioner filed a power station wise statement of asset write-off/deduction in FY 2013-14. On scrutiny of the statement, it is observed that the balance equity and loan component against the assets of ₹ 5.15 Crore write-off and transferred to STPS PH-IV is indicated as nil. The Commission in true-up order for FY 2010-11 admitted the additional capitalization of ₹ 31.92 Crores in STPS PH-2&3 with the funding of ₹ 22.70 Crore loan and ₹ 9.22 Crore of equity.

47. In view of the above, the assets and the corresponding funding admitted in FY 2010-11 has now been revised as given below:

Table No. 11: STPS PH-2&3 Revised GFA and funding as on 31.03.2011 (₹ Crores)

Particular	Opening Balance	Admitted in FY 2010-11	Closing Balance	Asset with drawn	Revised Closing Balance as on 31/03/2011
Asset addition	641.41	31.92	673.33	-5.15	**668.18**
Loan component	0.00	22.70	22.70	-3.66	**19.04**
Equity component	189.28	9.22	198.50	-1.49	**197.01**

48. Since no asset addition in STPS PH-2&3 is considered after 1st April, 2011, therefore, the same closing GFA and equity as worked out above is considered as on 31.03.2013. The loan amount indicated as on 31.03.2011 is repaid with the depreciation and closing balance of loan as on 31.03.2013 shall be nil.

ATPS PH-3:

49. The petitioner submitted that the asset addition of ₹ 81.24 Crores in ATPS PH-3 was considered by the Commission in true-up order for FY 2011-12 with the loan component of ₹ 20.09 Crore and equity part ₹ 0.98 Crores and the balance funding was considered under unpaid liability.

50. The petitioner mentioned that the out of the aforesaid assets considered by the Commission in true-up order dated 1st October, 2014, the asset of ₹ 1.02 Crores (pertains to sewerage line) has been transferred back in CWIP and recorded in the Annual Audited Accounts for FY 2013-14. The petitioner further mentioned that the aforesaid asset was funded through loan component only.

51. By affidavit dated 10.07.2015, the petitioner filed a statement indicating power station-wise asset write-off/adjustment and its corresponding funding. The aforesaid statement indicated that the assets of ₹ 1.02 Crores was funded by loan component and no equity part was incurred in this regard. In para 4.3.50 of the petition, the petitioner mentioned that the corresponding depreciation and loan component of the write-off assets has been revised and adjusted in the petition.

52. In view of the above, the assets and its corresponding funding admitted for FY 2011-12 has now been revised as given below:

Table No. 12: Revised GFA and funding of ATPS PH-III as on 31.03.2012 (₹ Crores)

Particular	Updated Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2012	Assets transferred back to CWIP in true-up petition for FY 2013-14	Revised Closing Balance as on 31.03.2012 worked out
		As on 31.03.2011	*During FY 2011-12			
Assets	1242.14	976.66	81.24	1057.90	-1.02	1056.88
Loan	908.89	754.22	20.09	774.31	-0.25	774.06
Equity	226.76	222.44	0.98	223.42	-0.0123	223.41

*Funding of un-discharge liability was not considered during FY 2011-12.

53. The closing balance of Gross Fixed Asset and its corresponding funding as on

31.03.2013 has been worked out by considering the asset addition and its corresponding funding during FY 2012-13 admitted by the Commission in true-up orders dated 5th October, 2015.

SGTPS-PH-3 (500 MW):

54. With regard to write-off/adjustment of asset in SGTPS PH-3, the petitioner submitted that MPPGCL has claimed asset addition of ₹61.13 Crores during FY 2011-12 out of which asset of ₹0.20 Crores pertains to In-motion Weigh Bridge was transferred to STPS PH-4. The petitioner further submitted that, MPPGCL has claimed asset addition of ₹37.12 Crores, during FY 2012-13, out of which asset of ₹28.70 Crores pertains to Ash Handling Plant was transferred to CWIP.

55. In para 4.3.5 of the petition, the petitioner mentioned that the amount of LD has been settled with BHEL in FY 2013-14 which amounts to ₹82.72 Crores and the amount of Exchange Rate variation remains unaltered i.e. ₹18.50 Crores. The petitioner further mentioned that an amount of LD was retained as a result of settlement and same has been reflected under the head Non Tariff Income. Further reduction of ₹18.50 Crores towards ERV is made in the amount of assets of SGTPS PH-3 as per Audited Book of Accounts of MPPGCL.

56. The petitioner also mentioned that write-off/ transferred assets were funded through loan component only. Therefore, the loan balance and depreciation amount claimed at SGTPS PH-3 has been revised retrospectively in the subject petition.

57. By affidavit dated 10th July, 2015, the petitioner filed a statement regarding details of write-off/ adjustment of assets and its corresponding funding. The statement indicated that such asset was funded through loan component only and no equity part was incurred for creation of aforesaid asset. On perusal of the aforesaid details filed by the petitioner, it is observed that the total assets of ₹47.40 Crores de-commissioned/write-off/adjustment in SGTPS PH-III which includes amount of ₹18.50 Crores towards Exchange Rate Variation settled with M/ BHEL and amount of ₹28.90 Crores towards the assets transferred back to CWIP.

58. The Commission has already considered the amount of ₹18.50 Crores towards Exchange Rate Variation in the final tariff order issued on 28th February, 2013. Therefore, the assets of ₹ 28.90 Crores are now considered for reduction in capital cost of SGTPS 500 MW.

59. In true-up order for FY 2012-13 the Commission considered the additional

capitalization of ₹31.75 Crores in SGTPS PH-3 with the funding through loan component only. Considering the write-off/ adjustment of the assets, the closing balance of assets and funding of SGTPS PH-3 has now been revised and worked out as given below:

Table No. 13: Revised GFA and funding of SGTPS PH-III as on 31.03.2013 (₹ Crores)

Particular	Estimated approved project Cost	Admitted by the Commission		Amount admitted as on 31.03.2013	Assets considered under CWIP	Revised Closing Balance as on 31/03/2013
		As on 31.03.2012	During FY12-13			
Assets	2300	1955.03	31.75	1986.78	-28.90	1957.88
Loan	1675	1329.93	31.75	1361.68	-28.90	1332.78
Equity	625	624.00	0.00	624.00	0.00	624.00

60. The revised closing balance as on 31.03.2013 as worked out above is considered in this true-up order.

61. In final tariff petition (P-58/2012), it was mentioned that the petitioner informed that an amount of ₹93.04 Crores has been deducted towards LD from BHEL which will be settled in due course of time. Besides LD, a cumulative amount of ₹18.50 Crores as on 31.03.2011 had been retained as ERV/ CDV. The aforesaid amount had been deducted from BHEL as per the clause under contract agreement.

62. In final tariff order dated 28th February' 2013 the Commission considered the total amount of ₹111.54 Crores (₹93.04 Crores + ₹18.50 Crores) towards liquidity damage and ERV/ CDV recovered from M/s BHEL and same amount had been reduced from the capital cost as on CoD of the Unit considered by the Commission.

63. While processing the true-up petition for FY 2012-13, in response to the Commission's query, the petitioner had also informed that the LD on contracts placed on BHEL has been settled in FY 2013-14. The petitioner further informed that the 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 refunded to M/s. BHEL in the month of August, 2013.

64. In view of the above, the revised GFA and funding considered in this order are as follows:

Table No. 14: SGTPS PH-III (500 MW):

Particular	Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2013	Assets considered under CWIP in this true-up FY 14	Revised Closing Balance as on 31/03/2013
		As on 31.03.2012	During FY2012-13			
Assets	2300	1955.03	31.75	1986.78	-28.90	1957.88
Loan	1675	1329.93	31.75	1361.68	-28.90	1332.78
Equity	625	624.00	0.00	624.00	0.00	624.00

Bansagar – Complex (PH I to III):

65. The petitioner (in para 4.10 of the subject petition) filed the exchange/transfer of assets with Water Resources Department (WRD) GoMP in respect of settlement of water charges liability of erstwhile MPSEB. The petitioner submitted that the erstwhile MPSEB had capitalized the excess amount in the project due to non-reconciliation at that point of time. Due to this, the assets of ₹143.34 Crores have been de-capitalized by MPPGCL from its books of accounts with effect from 01.06.2005 and transferred to WRD, GoMP.

66. The petitioner further submitted that 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 behalf of MPPGCL. After setting off ₹55.70 Crores from ₹143.34 Crores, the net payable amount of ₹ 87.65 Crores remained payable by WRD.

67. The excess amount of ₹143.34 Crores spent by erstwhile MPEB/ MPSEB is considered by the petitioner funded as part of its un-bridged gap of funding by its own resources. The petitioner worked out the depreciation from FY 2006-07 to FY 2012-13 on these assets de-capitalized which need to be withdrawn from Bansagar PH 1, 2 and 3. The petitioner has also worked out the depreciation on the portion of asset of ₹ 55.70 Crores added subsequently at Bansagar PH-1, 2 & 3 and considered as created from own resources. The petitioner has also worked out the depreciation on these assets added from FY 2006-07 to FY 2012-13 as additional claim in this petition.

68. The petitioner has also filed the additional claim of Return on Equity and interest on Excess Equity in respect of aforesaid asset of ₹55.70 Crores added or transfer from WRD and its funding considered from internal resources. The petitioner has filed the detailed calculation to work out the depreciation, RoE and interest on excess equity from FY 2006-07 to FY 2012-13 in this regard are as below:

Table No. 15: **₹ Crores**

	Particulars	Amount
	Depreciation	
	(a) to be reversed	-41.29
1	(b) to be claimed	15.61
2	Net amount	**-25.69**
3	Return on Equity	19.33
4	Interest on Excess Equity	30.32
	Total	**23.96**

69. It is observed that the petitioner had earlier also come up for the first time with this issue regarding exchange of asset and liabilities with WRD in its last true-up petition for FY 2012-13.

70. While processing the above true-up petition, the Commission observed that the cost of asset associated in this issue was substantial and issue was pertaining to the period prior to the date of transfer of asset and liability from erstwhile MPSEB among MPPGCL and its other successor entities.

71. It was mentioned by the Commission in Para 108 of the aforesaid true-up order that this issue shall require detailed scrutiny of the asset transferred by MPPGCL to WRD and vice-versa in light of all correspondence made between them in this regard. It was further mentioned that the impact of various components of AFC approved in all past true-up orders shall also be revised.

72. In view of the volume of exercise involved in this issue, the Commission in its last true-up order dated 05.10.2015 had decided that this issue could not be dealt with that true-up petition and accordingly, MPPGCL was directed to either file a separate petition or come-up with this issue with the next true-up petition.

73. Accordingly, the petitioner has again come up with this issue in subject truing-up petition and claimed additional depreciation, RoE and interest on excess equity at Bansagar PH-1 to 3 on account of transfer/exchange of asset towards settlement of water charges with WRD, GoMP.

74. Vide letter dated 15th June’ 2015, the petitioner was asked to explain how the past liability of water charges was adjusted with the present assets. The petitioner was also asked whether the outstanding water charges adjusted with the assets of Bansagar HPS did not pertain to any project other than Bansagar HPS if no, then why the settlement/ transfer of assets is done with the Bansagar HPS only.

75. By affidavit dated 10th July' 2015, the petitioner filed its response on the issues raised by the Commission with detailed justification in support of its claim. On perusal of the justification filed by the petitioner, the Commission observed that there are two different issues. First issue is adjustment of cost of exchange/ transfer of assets and second issue is adjustment of payment of water charges.

76. Regarding the issue related to adjustment of cost of exchange/ transfer of assets, the Commission observed the following:

(i) The work of Bansagar Multipurpose Interstate project was undertaken both by WRD, GoMP and MPPGCL (erstwhile MPEB / MPSEB).

(ii) Both the organizations spent the amount on various works undertaken by them on behalf of each other. The reconciliation of the expenditures done by both the organization was not been done, probably due to the long pending dispute between the two organizations on account of payment of water charges which resulted;

- Over capitalization in books of both the organization because of non transferring the share of other organization and
- Under capitalization on account of non receipt of their share by other organization.

(iii) In the Final Opening Balance Sheet, an outstanding overdue of water charges amounting to about ₹106.62 Crores was provided to MPPGCL.

(iv) MPPGCL had incurred an expenditure of ₹143.34 Crores on behalf of WRD in various years from 1998 to 2005. Accordingly on settlement, these additional assets have been withdrawn from the accounts of MPPGCL from their respective date of capitalization.

(v) Corresponding depreciation for the period FY 06 to FY 13 charged in the tariff on these assets of ₹143.34 Crores was ₹41.29 Crores, which has been proposed by the petitioner for withdrawal in this true up.

(vi) WRD incurred an amount of ₹55.70 Crores in addition to its share for creation of fixed assets which are pertaining to MPPGCL's share till March 2013. Therefore, the same has been taken in the books of MPPGCL on respective dates.

(vii) The applicable depreciation for tariff purpose, which could not be charged in past years amounting to ₹15.61 Crores has therefore been requested by the petitioner to be permitted in this true-up.

77. Regarding the second issue related to adjustment of payment of water charges, the petitioner submitted the following:

(a) The water charges payable to WRD have been worked out without any surcharge and penal charges thereof.

(b) The excess amount spent by MPPGCL in creation of assets and energy bill charges receivable by Discoms from WRD were set of against the water charges payable by MPPGCL to WRD and the cost of assets created by WRD on account of MPPGCL share.

(c) The difference amount remaining was paid to WRD by MPPGCL.

(d) This cash adjustment has no relation with true up petition as it's a commercial arrangement between WRD and MPPGCL having no impact of tariff. No penal / surcharge were adjusted in the cash settlement.

(e) Cost of assets created by WRD by MPPGCL has been adjusted as cash, hence is part of equity spent by MPPGCL.

78. With regard to funding of aforesaid assets adjustment with WRD, the petitioner submitted the following:

(a) There was an unabridged gap of ₹296.44 Crores for which no funding was approved in earlier true-up/tariff orders.

(b) The assets were created either by borrowing loan or from equity spent thereon by the company.

(c) The petitioner further submitted that ₹143.34 Crores was spent by MPSEB through internal sources and no borrowing for the same was done.

(d) The amount is part of unfunded part of the project and was neither considered as loan nor equity at the time of allocation of loan and equity (as on 1st Jun 2005).

(e) With regard to the repayment of the funding of Bansagar project, the petitioner submitted that the Company has been made independent w.e.f. 1st Jun 2005 and assets and liabilities has been provided by GoMP notification in this regards. The relevant details for the purpose of MPPGCL are w.e.f. 1st Jun 2005 onwards only.

(f) The balances prevailing as on this date were only made available to respective successor companies along with balance repayment schedules, including MPPGCL. MPPGCL is in position to provide all the repayments done only after 1st Jun 2005 and not prior to the date, as they were neither made available along with Final Opening Balance Sheet nor are relevant to it.

79. In view of the aforesaid explanations filed by the petitioner the Commission observed the following:

(a) The Government of Madhya Pradesh notified provisional opening balance on 31st May, 2005 for all the entities of erstwhile MPSEB including MPPGCL as on 31st May, 2005. In the aforesaid provisional opening balance sheet, the GoMP had provided total GFA of ₹4453 Crores for MPPGCL's power stations and its power station wise allocation separately.

(b) GoMP had also provided the total capitalized equity of ₹977.57 Crores for MPPGCL's power stations which comes to approximately 22% of the GFA. The power station wise allocation of this equity is not provided in the aforesaid Provisional Opening Balance Sheet notified by GoMP.

(c) The petitioner in its tariff petition for FY 2005-06 had proposed to allocate the amount of equity allocated by the GoMP through provisional opening balance sheet to the various projects on the basis of opening gross block. The Commission in tariff order for FY 2005-06 had considered the proposal of MPPGCL in this regard and allocated the equity amount recognized by GoMP in provisional opening balance sheet as on 31st March, 2005 to MPPGCL, among all the power stations in proportion to their fixed assets in total GFA.

(d) Considering the aforesaid approach, the Commission issued several tariff/true-up orders for petitioner's power stations based on provisional opening balance sheet.

(e) The final opening balance was also notified by GoMP on 12th June, 2008, for all the entities of erstwhile MPSEB including MPPGCL as on 1st June, 2005. In the aforesaid final opening balance sheet, the total GFA of ₹4506.21 Crores was provided for MPPGCL's power stations and its power station wise allocation separately.

(f) GoMP had also provided the total capitalized equity of ₹ 1544.90 Crores for MPPGCL's power stations. which comes to approximately 34% of the GFA. In the final opening balance sheet, the MPPGCL's equity of capitalized assets had increased in final opening balance sheet by ₹567.33 Crores. The power station wise allocation of this equity was also not provided in the aforesaid final Opening Balance Sheet.

(g) Therefore, on request of the petitioner, the Commission in true-up order for FY 2007-08 had considered the same approach as considered in tariff order for FY 2005-06 and allocated the equity amount recognized by GoMP in final opening balance sheet as on 31st May, 2005 to MPPGCL, among all the power stations in proportion to their fixed assets.

(h) Based on the aforesaid Final Opening Balance Sheet, the Commission issued several tariff/true-up orders during this period.

(i) With regard to the equity allocation, the Commission had considered a consistent approach for power station wise allocation of equity as on 1st June, 2005, as proposed by the petitioner, in all the aforesaid tariff/true-up orders, based on the provisional / final opening balance sheet notified by GoMP.

80. In the instant petition, the petitioner has submitted that MPPGCL's assets of ₹143.34 Crores transferred to WRD and WRD assets of ₹55.70 Crores transferred to MPPGCL. The petitioner has considered that the assets of ₹55.70 Crores funded through equity and has claimed the return on equity on those assets from FY 2005-06 to FY 2013-14 in the instant petition. The assets of Bansagar Complex has reduced by ₹87.65 Crores after considering the net assets transferred / exchange with WRD. In view of the above, following was observed by the Commission:

- The impact of transfer/exchange of assets with WRD has been taken by the petitioner in the books of accounts and assets cum depreciation registers. The Commission has considered that the impact of net asset addition/write-off/ adjustment in this true-up order.

- The equity as on 1st June, 2005 on account of exchange/transfer of assets shall be treated in accordance with the same approach considered earlier by the Commission for other power stations. The figures provided for MPPGCL in the final opening balance sheet notified by GoMP pursuant to transfer scheme are to be considered as base figures in this exercise.

- The approach for power station wise allocation of equity as on 1st June, 2005 was proposed and accepted by the petitioner in earlier true up exercise. Therefore, a different treatment for Bansagar Complex at this stage is not appropriate. The approach for allocation of equity prior 1st June, 2005 would also not be appropriate to re-open the figures for Bansagar project at this stage.

- **The Commission can not depart from its past approach for allocation of equity adopted in true-up order for FY 2005-06 based on provisional opening balance sheet and true-up order for FY 2007-08 which was based on final opening balance sheet**.

- Equity and loan amount as on 31st May, 2005 had been considered as per the final opening balance sheet notified by the GoMP. Any change in these components prior to 31st May, 2005 would mean revised allocation of equity and loan by GoMP.

81. With regard to the funding and repayment of the funding prior to 31st May, 2005 for Bansagar project, the petitioner submitted that the Company has been made independent w.e.f. 1st Jun 2005 and assets and liabilities has been provided by GoMP notification in this regards. The petitioner mentioned that the relevant details are w.e.f. 1st Jun 2005 onwards only. MPPGCL was in position to provide all the details and repayments done only after 1st Jun 2005 and not prior to this date, as they were neither made available along with Final Opening Balance Sheet nor are relevant to it.

82. In view of the above, the petitioner was not in position to provide the funding details prior to 31st May, 2005. The petitioner has also not filed the date wise details of equity issued by the GoMP for Bansagar Project. Therefore, the contention of the petitioner that the assets of ₹55.70 Crores transferred from WRD to MPPGCL assumed to be funded through equity does not hold any merit.

83. Therefore, the claim of the petitioner for return on equity on the assets of ₹55.70 Crores shall be considered as per the approach for allocation of equity prior to 1st June, 2005, as considered for petitioner's other thermal and hydro power stations.

84. The petitioner has mentioned that the MPPGCL is in position to provide all the details and repayments done only after 1st Jun 2005 and not prior to the date, funding and other details. In order to substantiate the expenditure on un-bridge gap through equity, vide letter dated 13.8.2015 the petitioner was asked to file the documentary proof for equity amount approved and issued by the GoMP and investment of such equity by the MPSEB in Bansagar project. By affidavit dated 10th September' 2015, the petitioner submitted the following:

   i. *In the period prior to Jun 2005, "Electricity (Supply) Annual Accounts Rules, 1985 (ESAAR 1985) were applicable on erstwhile MPSEB. In this source of funding were not directly linked with the assets. The relevant clause 1.42(3) of the booklet of ESSAR 1985, reproduced below:-*

      "In view of the difficulties in identifying a source to its use no attempt shall be made for source use identification".

   ii. *Subsequently, GoMP had taken over all the assets and liabilities of erstwhile MPSEB and provided Final Opening Balance Sheets to all the successor companies vide notification date 12.06.2008.*

   iii. *It is pertinent to mention that the Company has been made independent w. e .f. 1st Jun 2005 and assets and liabilities have been provided by GoMP notification in this regard. The relevant dates for the purpose of MPPGCL are w.e.f. 1st Jun 2005 onwards only. The loan/equity balances prevailing as on this date were only made available to respective successor companies along with including MPPGCL.*

   iv. *MPPGCL is in position to provide all the expenditure done through loan/equity only after 1st Jun 2005 and not prior to the date, as they were not made available along with Final Opening Balance Sheet. This fact has also been recognized by the Commission in its true up order for FY 07-08.*

   v. *In back drop of above, following facts may kindly be considered:*

      a) *The excess amount of ₹ 143.34 Cr was spent by erstwhile MPSEB at Bansagar project prior to 1st June 2005 through its internal resources.*

      b) *The amount is part of unfunded part of the project and was neither considered as loan nor equity at the time of allocation of loan and equity (as on 1st Jun 2005). Thus neither any interest nor return on equity was allowed by the Commission on it.*

c) *In the subsequent years i.e. post 1st June 2005, the expenditure of ₹55.70 Crores was made by WRD GoMP at Bansagar project on behalf of MPPGCL.*

vi. *The said expenditure may be treated as part of balance Equity under CWIP amounting to ₹370.18 Crores as on 1st June 2005 as recognized in MPERC True up order for FY 2007-08 dated 24.01.2011.*

85. In view of the above, the revised gross fixed assets, equity and excess equity of Bansagar 1, 2 & 3 is worked as given below:

Table No. 16: Summary of cost components of Bansagar Complex: ₹ Crores

Sr. No.	Particular	Impact of asset withdrawn (A)	Impact of asset added (B)	Net Impact (B - A)
1	Asset Value	143.34	55.70	-87.64
2	Corresponding normative equity	43.00	16.71	-26.29
3	Corresponding excess equity	6.14	2.39	-3.76
4	Balance Excess equity to be adjust	3.69	1.43	**-2.25**

86. Considering the aforesaid past period write-off/adjustment, the power station-wise opening GFA, normative equity, excess equity, loan component and cumulative depreciation as on 1st April, 2013, are workout as given below:

Table No. 17: Gross Fixed Assets (Amount in ₹ Crores)

Sr. No.	Power Stations	Gross Fixed Assets		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	221.30		221.30
2	ATPS, Chachai PH-III	1056.90	-1.02	1055.88
3	STPS, Sarni PH-I	31.96		31.96
4	STPS, Sarni PH-2&3	632.64		632.64
5	**STPS, Sarni Complex**	**664.58**	-5.15	659.43
6	SGTPS, PH-1&2	2172.97		2172.97
7	SGTPS, PH-3	1986.15	-28.90	1957.25
8	Gandhi Sagar	10.42		10.42
9	Pench	96.26		96.26
10	Rajghat	82.80		82.80
11	Bargi	87.03		87.03
12	Bansagar (I to III)	1250.42	-87.64	1162.78
13	Birsinghpur	52.15		52.15
14	Madhikheda	215.97		215.97
	Total	**7896.95**	**-122.71**	**7774.24**

Table No. 18: Normative Equity (Amount in ₹ Crores)

Sr. No.	Power Stations	Normative Equity		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	38.41		38.41
2	ATPS, Chachai PH-III	223.42	-0.012	223.41
3	STPS, Sarni PH-I			0.00
4	STPS, Sarni PH-2&3			0.00
5	**STPS, Sarni Complex**	196.12	-1.49	194.63
6	SGTPS, PH-1&2	649.13		649.13
7	SGTPS, PH-3	571.96	0.00	571.96
8	Gandhi Sagar	3.14		3.14
9	Pench	28.88		28.88
10	Rajghat	24.84		24.84
11	Bargi	26.11		26.11
12	Bansagar (I to III)	375.13	-26.29	348.84
13	Birsinghpur	15.65		15.65
14	Madhikheda	45.66		45.66
Total		**2198.45**	**-27.79**	**2170.66**

Table No. 19: Excess Equity (Amount in ₹ Crores)

Sr. No.	Power Stations	Excess Equity		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	7.44		7.44
2	ATPS, Chachai PH-III	0.00		0.00
3	STPS, Sarni PH-I			0.00
4	STPS, Sarni PH-2&3			0.00
5	**STPS, Sarni Complex**	0.00		0.00
6	SGTPS, PH-1&2	4.20		4.20
7	SGTPS PH-3	0.00		0.00
8	Gandhi Sagar	0.06		0.06
9	Pench	0.01		0.01
10	Rajghat	0.00		0.00
11	Bargi	0.00		0.00
12	Bansagar (I to III)	33.95	-2.25	31.70
13	Birsinghpur	0.00		0.00
14	Madhikheda	0.00		0.00
Total		**45.66**	**-2.25**	**43.41**

Table No. 20: Loan balances (Amount in ₹ Crores)

Sr. No.	Power Stations	Loan Component		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	47.59		47.59
2	ATPS, Chachai PH-III	615.11	-0.25	614.86
3	STPS, Sarni PH-I			0.00
4	STPS, Sarni PH-2&3			0.00
5	**STPS, Sarni Complex**	0.00		0.00
6	SGTPS, PH-1&2	0.00		0.00
7	SGTPS, PH-3	979.62	-28.90	950.72
8	Gandhi Sagar	0.00		0.00
9	Pench	0.00		0.00
10	Rajghat	0.00		0.00
11	Bargi	0.00		0.00
12	Bansagar (I to III)	7.37		7.37
13	Birsinghpur	0.00		0.00
14	Madhikheda	89.77		89.77
Total		**1739.46**	**-29.15**	**1710.31**

Table No. 21: Cumulative Depreciation (Amount in ₹ Crores)

Sr. No.	Power Stations	Cumulative Depreciation		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	124.08		124.08
2	ATPS, Chachai PH-III	160.70	-0.09	160.61
3	STPS, Sarni PH-I			
4	STPS, Sarni PH-2&3		-0.81	
5	**STPS, Sarni Complex**	598.13	-0.81	597.32
6	SGTPS, PH-1&2	1432.79		1432.79
7	SGTPS, PH-3	431.78	-1.47	430.31
8	Gandhi Sagar	9.30		9.30
9	Pench	73.91		73.91
10	Rajghat	39.18		39.18
11	Bargi	60.54		60.54
12	Bansagar (I to III)	562.40	-25.69	536.71
13	Birsinghpur	31.93		31.93
14	Madhikheda	55.17		55.17
Total		**3579.91**	**-28.06**	**3551.85**

Additional Capitalization:

Petitioner's submission:

87. 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 4.3.48.1 of the petition, the petitioner filed the power station wise asset capitalization and funding details are as given below:-

Table No. 22: Additional Capitalization and its funding claimed: (Amount in ₹ Crores)

S.No.	Stations	Additional Capitalization 2013-14	Loan	Equity
1	ATPS PH-2	0.75	8.86	0.00
2	ATPS PH-3	7.28	31.05	0.00
3	STPS Complex	0.00	0.00	0.00
4	SGTPS PH-1&2	0.15	0.00	0.15
5	SGTPS PH-3	30.04	221.72	0.00
6	**Total Thermal**	**38.22**	**261.62**	**0.15**
7	Gandhi Sagar	0.01	0.00	0.01
8	Pench	1.87	0.00	1.87
9	Bansagar PH	0.23	0.00	0.23
10	**Total Hydro**	**2.12**	**0.00**	**2.12**
11	HQ & S&I*	1.81	1.18	0.63
Total		**42.15**	**262.8**	**2.89**

** Asset addition for H Q from FY 06 to FY 14 has been considered*

The asset addition made at existing power Stations are new assets and not against any write off in FY 2013-14. 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 2013-14, in Chapter 4.3 namely "Additional Capitalization/De Capitalization and funding thereof". However, the same is again elaborated in the desired format, annexed as Annexure 9 with the additional submission dated 10th July, 2015.

Provision in Regulation

88. Regarding additional capitalization of the generating stations, Regulation 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 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----:

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:

89. The petitioner filed additional capitalization of ₹42.15 Crores during FY 2013-14,

in thermal and hydel power stations as per Annual Audited Accounts. On perusal of the details of additional capitalization filed by the petitioner, it was observed that there is mismatch between the funding and assets capitalized through the funding during the year. Vide letter dated 15th June, 2015, the petitioner was asked to file the details of additional capitalization and its funding in the manner prescribed in the letter.

90. By affidavit dated 10th July, 2015, the petitioner filed the power station-wise details of additional capitalization and its funding through loan and equity/ internal resources elaborated as given below:

Table No. 23: Funding Details of Additional Capitalization (Amount in ₹ Crores)

S. No	Stations	Assets capitalized	Loan Component	Equity Component /Internal resource
1.	ATPS PH-2	0.75	0.75	0.00
2.	ATPS PH-3	7.28	7.28	0.00
3.	SGTPS PH-1&2	0.15	0.00	0.15
4.	SGTPS PH-3	30.04	30.04	0.00
5.	**Total Thermal**	**38.22**	**38.07**	**0.15**
6.	Gandhisagar	0.01	0.00	0.01
7.	Pench	1.87	0.00	1.87
8.	Bansagar PH 1,2& 3	0.23	0.00	0.23
9.	**Total Hydel**	**2.12**	**0.00**	**2.12**
10	HQ & S&I*	1.81	1.18	0.63
Total		**42.15**	**39.25**	**2.89**

91. The Commission sought some more details/ documents regarding additional capitalization in existing and new power stations during FY 2013-14. The petitioner filed its response on the issues raised by the Commission. The petitioner's response on additional capitalization has been detailed in Annexure-1 of this order.

92. Based on the details of additional capitalization filed by the petitioner in the subject petition and additional submissions filed through affidavits dated 10th July, 2015 and 03rd September, 2015, the Commission has examined the power station wise additional capitalization in light of the Annual Audited Accounts, asset-cum-depreciation and provisions under the Regulations as discussed below:

Additional Capitalization in Existing Projects:

93. Vide letter dated 15th June' 2015, the petitioner was asked to submit various details of additional capitalization in existing power stations in terms of Regulation 20 of MPERC (Terms & Conditions for determination of generation tariff) Regulations, 2012. By affidavit dated 10th July' 2015, the petitioner filed its response on all the aforesaid issues raised by the Commission. The issues raised by the Commission and response filed by the petitioner is detailed in Annexure-I of this order.

94. Considering all details and documents regarding the existing power stations, the Commission examined the power station details in respect of additional capitalization separately as given below:

(a) ATPS Chachai PH-2 (2X120MW)

95. The petitioner filed the additional capitalization during FY 2013-14 in ATPS PH-2 of ₹0.752 Crores under the need based Renovation & Modernization scheme. It is observed that out of total additional capitalization filed in ATPS PH-II, the assets of ₹0.745 Crores pertain to switch gears including cable connections.

96. 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. 24: **₹ Crores**

Particular	Estimated approved amount by BoD under R&M scheme	Total amount admitted as on 31st March, 2013
Assets	124.30	98.56
Loan	105.01	89.88
Equity	19.29	8.68

97. Vide Commission's letter dated 15th June' 2015, several queries/ information regarding the additional capitalization of existing power stations were sought from the petitioner.

98. By affidavit dated 10th July, 2015, the petitioner filed the following regarding the additional capitalization in ATPS PH-2:

(i) *"The assets amounting to ₹ 0.75 Crores were capitalized at ATPS Chachai PH-2 during FY 2013-14, as per Audited Books of Accounts.*

(ii) *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.*

(iii) *As the scheme was approved by erstwhile MPSEB in 2004, the provisions of additional capitalization as prescribed in MPERC Regulation 2012 were not applicable on the same.*

(iv) *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.*

(v) *The additional Capitalization under the said scheme at ATPS PH-2 has been already approved by the Commission in the True Up orders for FY 2008-09, FY 2010-11 & FY 2011-12 and FY 2012-13."*

99. The petitioner submitted that the additional assets capitalized during FY2013-14, under the aforesaid R&M scheme amount to ₹0.75 Crores as per the Audited books of Accounts for FY2013-14. The details of asset capitalized under the said scheme as filed by the petitioner are given below:

Table No. 25: Details of Asset Capitalized

S. No.	Account Code	Particular	Amount In ₹ Crores
1	10.561	Switchgears including cable connections	0.745
2	10.58	Refrigerators' & water coolers	0.002
3	10.905	Computers	0.005
Total			**0.752**

100. While processing the subject true-up petition, it was observed that the units of ATPS PH-II are under shut down since long time due to major breakdown. Vide letter dated 13th August' 2015, the petitioner was asked to file the updated status of both the units and expected date of synchronization of these units.

101. By affidavit dated 10th September' 2015, the status report of Unit No. 3 & 4 as filed by the petitioner is given below:

a) "Amarkantak Thermal Power Station is one of the four thermal power stations of MPPGCL and has installed capacity of 450 MW consisting of 2 units of 120 MW and one unit of 210 MW.

b) Unit # 1 & 2 (30 MW and 20MW, commissioned in 1965) have already been retired on 31.03.2009. Unit # 3 & 4 are of 120 MW size. They were commissioned in 1977 and 1978. They have also lived life more than the designed life of 25 years. Unit # 5 is of 210 MW size. It was commissioned in the premises on 10.09.2009 and is performing satisfactorily.

c) Unit # 3 was being run with restricted load due to increased TG bearing vibration & higher bearings metal temperature. On 12.01.2015, the Unit was hand tripped, due to high vibration in turbine & higher eccentricity. On inspection HP & IP rotors were found bent & beyond use.

d) Unit #4 got tripped due to high vibration in bearings on 30.04.2014. On inspection both HP & IP rotors were found bent. After making various efforts, they were found un-repairable; the unit is under shout down since then.

e) As both the units are under shut down and therefore, a committee vide order dated 15.04.2015, was constituted to investigate whether these units may be kept operational or be retired.

f) In the review meeting taken by Hon'ble Chief Minister of MP on 14.05.2015, the directives in context with 120 MW units of ATPS Chachai PH2 were issued:

g) The Committee has studied the matter and submitted its report, which recommends retiring these units from respective date of their last outage. This report has been submitted along with the recommendations, for onward vetting by M/s NTPC, who is pioneer in the country for power generation.

h) For above mentioned vetting, an order has already been placed on M/s NTPC Limited, Noida vide this office No. 07-12/CS-MPPGCL/120 MW/ATPS/1040 dated 27.08.2015.

i) M/s NTPC Limited, Noida has initiated the process of vetting. A team of Engineers of NTPC has visited ATPS Chachai for carrying out site survey of these units and shall accordingly submit a report. Only after receipt of NTPC's report further action in the matter shall be taken and its updated status shall be informed to Hon'ble Commission."

102. With regard to funding of the additional capitalization, 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 capitalization.

103. In its true-up order for FY 2008-09, 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.

104. The Commission has observed that the assets of ₹0.75 Crores are capitalized in the books of accounts of FY 2013-14, 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 FY 2013-14. Therefore, the additional capitalization of ₹0.75 Crores during FY 2013-14, under the R&M scheme of ATPS PH-II is allowed in this order in terms of Regulation 20.2(f) of the Regulations' 2012.

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

Table No. 26: **₹ Crores**

Particular	Estimated approved amount	Already allowed as on 31.03.2013	Considered for FY2013-14	Total Add. Cap. allowed as on 31.03.2014
Assets	124.3	98.56	0.75	99.31
Loan	105.01	89.88	0.75	90.63
Equity	19.29	8.68	0.0	8.68

(b) SGTPS PH-1&2:

106. With regard to addition of assets in SGTPS PH-1&2, the petitioner submitted that minor assets towards procurement of computers of ₹0.15 Crores has been capitalized in books of accounts for FY 2013-14. The petitioner further submitted that the aforesaid procurement assets was made from the internal resources/ equity of MPPGCL. The details of assets capitalized during FY2013-14 are as given below:

Table No. 27: **in ₹ Crores**

S. No	Account Code	Details	Amount
1	10.542	Other Transformers of power House	0.03
2	10.58	Refrigerators and water coolers	0
3	10.582	Equipments in Hospitals/clinics	0.05
4	10.8	Furniture & Fixture	0.01

5	10.904	Others office equipments	0.03
6	10.905	Computers	0.02
	Total		**0.15**

107. The Commission has observed that the above assets have been capitalized in the books of accounts of MPPGCL for FY2013-14, and these assets are recorded in assets cum depreciation register also for SGTPS PH-1&2. Therefore, the additional capitalization of ₹0.15 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. 28: **(₹ Crores)**

Particular	**FY 2013-14**
Asset addition	0.15
Loan component	0.00
Equity component	0.15

(c) Gandhi Sagar HPS:

108. The petitioner filed the additional capitalization of ₹0.01 Crores in Gandhi Sagar hydro power project. The petitioner submitted that the aforesaid capitalization is on account of procurement of furniture & computer peripherals. The petitioner also mentioned that the aforesaid expenses are met from the internal resources of the company. The details of the assets capitalized during FY2013-14 are as follows.

Table No. 29:

S.No	**Account Code**	**Details**	**Amount**
1	10.8	Furniture & Fixture	0.014
2	10.905	Computers	0.001
Total			**0.01**

109. In view of the above, the Commission observed that the additional capitalization of ₹0.01 Crores has been capitalized by the petitioner in the books of accounts for FY 2013-14. 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 ₹0.01 Crores during FY 2013-14, is considered in this order. The details of the additional capitalization and funding considered for Gandhi Sagar HPS are as given below:

Table No. 30: (₹ Crores)

Particular	FY 2013-14
Asset addition	0.01
Loan component	0.00
Equity component	0.01

(d) Bansagar PH-1, 2 &3 HPS:

110. The petitioner filed the additional capitalization of ₹0.23 Crores in Bansagar, PH-1, 2 & 3 during FY2013-14, towards compensation paid for land & procurement of computers. The petitioner confirmed that additional assets of ₹0.23 Crores in Bansagar, PH-1, 2 & 3 capitalized in Annual Audited Accounts for FY 2013-14, and same has been funded through internal resources / equity component. The details of the additional assets are as follows:

Table No. 31: (₹ Crores)

S. No	Account Code	Details	Amount
1	10.102	Land held under lease	0.19
2	10.599	Other Misc. Equipments inc. Fire Protection system	0.02
3	10.905	Computers	0.02
		Total	**0.23**

111. The Commission observed that the assets of ₹0.23 Crores are capitalized by the petitioner in the books of accounts for FY 2013-14, 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.

112. Further, Regulation 20.2(d) of Regulations, 2012 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 ₹ 0.23 Crores is allowed in this order. The details of the additional capitalization and its funding considered in this order are as follows:

Table No. 32: (₹ Crores)

Particular	FY 2013-14
Asset addition	0.23
Loan component	0.00
Equity component	0.23

113. Beside the aforesaid additional capitalization, the petitioner also claimed the asset addition due to exchange/transfer of assets with WRD. The detailed analysis has been done in this regard in **"prior period write-off/adjustment"** of this order.

(e) Pench HSP:

114. The petitioner filed the additional capitalization of ₹1.87 Crores in Pench Hydro Power station during FY 2012-13 towards procurement of auxiliaries for Hydro Power Station like Electro Hydraulic governor under RGMO scheme. The petitioner filed accounting vouchers and relevant documents towards the asset addition in Pench HPS.

115. The petitioner confirmed that the additional assets of ₹1.87 Crores in Pench HPS capitalized in Annual Audited Accounts for FY 2013-14, and same has been funded through internal resources/ equity component. The details of the additional assets in Pench HPS filed in the petition are as follows:

Table No. 33: **in ₹ Crores**

S. No	Account Code	Details	Amount
1	10.535	Auxiliaries in Hydro power Stations	1.87
		Total	**1.87**

116. The Commission observed that the assets of ₹1.87 Crores are capitalized by the petitioner in the books of accounts for FY 2013-14, and recorded in Asset-cum-Depreciation register of Pench HPS. It is further observed that the Additional capitalization is for fulfilling the obligation of RGMP scheme of CERC and it becomes necessary for efficient and successful operation of generating station.

117. Further, Regulation 20.2(d) of MPERC (Terms and conditions for determination of generation tariff) Regulations, 2012 provides that "in case of Hydel Power Station any capital expenditure which has become necessary for successful and efficient operation may be admitted by the Commission after prudent check". Therefore, the additional capitalization of ₹1.87 Crores is allowed under the Regulation 22.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table No. 34: **₹ Crores**

Particular	FY2013-14
Asset Addition	1.87
Loan component	0.00
Equity component	1.87

Additional Capitalization in New Projects:

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

118. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The additional capitalization of ₹7.28 Crores is filed by the petitioner during FY 2013-14 in this generating unit. The petitioner submitted that the additional capitalization claimed in ATPS 210 MW unit has been capitalized during FY 2013-14, and captured in Audited Books of Accounts. The petitioner further submitted that the aforesaid additional capitalization includes the major capital expenditure of ₹2.21 Crores towards Ash Handling Plant & ₹2.89 Crores towards Coal Handling plant.

119. 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. Further, the Commission allowed additional capitalization during FY 2011-12 and FY 2012-13 in the true-up orders of the respective years based on Annual Audited Accounts. 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 2013 are reproduced as under:

Table No. 35: **₹ Crores**.

Particular	Updated approved project Cost by BOD	Total amount admitted by the Commission as on 31.03.2013
Assets	1242.14	1059.40
Loan	908.89	775.81
Equity	226.76	223.42

120. 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. 36:

Sl. No.	Account Code	Details of Asset Capitalized	Amount in ₹ Crores
1	10.106	Cost of tree plantation for tree cut down	0.05
2	10.501	Boiler Plant & Equipments	0.16
3	10.503	Turbine-generator Steam power generation	0.06
4	10.507	Ash handling plant	2.21
5	10.512	Coal Conveyer & crusher	0.2
6	10.515	Coal handling plant & handling equipments	2.89
7	10.52	Instrumentation & Controls	0.002
8	10.58	Refrigerators' & water coolers	0.02
9	10.581	Meter Testing Laboratory Tools & Equipments	0.93
10	10.582	Equipments in hospitals/clinics	0.01
11	10.905	Computers	0.002
12	11.3	Capital Spares at Generating Stations	0.76
Total			**7.28**

121. Vide letter dated 15th June' 2015, the petitioner was asked to file several details/ documents regarding the additional capitalization in new power stations. By affidavit dated 10.07.2015, the petitioner filed its response to the queries raised by the Commission.

122. Regarding the additional capitalization in ATPS-PH3 210 MW, the petitioner submitted the following:

(i) *The Date of Commercial operation (CoD) of extension unit No.5 of ATPS, Chachai (210MW) is 10.09.2009. The assets amounting to ₹ 7.28 Crores have been capitalized at ATPS Chachai (210MW) during FY 2013-14, and captured in Audited Books of Accounts.*

(ii) *The aforesaid capitalization is already covered under the Original Scope of Work Estimate of ₹ 1242.14 Crores which has been approved by the GoMP. The copy of said approval has already been submitted before the the Commission.*

(iii) *As the extn. unit No. 5 of ATPS Chachai was governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2009.*

(iv) *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 humbly submits 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.*

(v) *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 2013-14.

(vi) *In Audited Books of Accounts for FY 2013-14, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 6.52 Crores and in Account 11.XXX (Capital Spares) amounting to ₹0.76 Crores. Accordingly, in the True Up Petition for FY 2013-14, MPPGCL has claimed the total asset addition / capitalization amounting to ₹7.28 Crores (₹6.52 Crs+₹0.76 Crores.)*

(vii) *The said capitalization is being claimed in accordance to Proviso 20.1 (b) & (e) 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, works deferred for execution and procurement of initial capital spares may be admitted by the Commission subject to prudent check.*

(viii) *Further proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensible by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance under clause 36.2 shall not be admissible.*

123. On scrutiny of the aforesaid details 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 has to be examined in light of the relevant provisions under Regulations, 2009.

124. 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; --------"*

125. The additional capital expenditure of ₹7.28 Crores Coal handling plant & handling equipments (₹2.89 Crores), Ash handling plant (₹2.21 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 '2012 for allowing additional capital expenditure on other deferred works / balance works.

126. The petitioner confirmed that all the works under additional capitalization are within the original scope of work. Therefore, the additional expenditure of ₹2.21 Crores relating to ash pond or ash handling system is allowed in this order. The additional assets of **₹2.21 Crores** have been funded through PFC loan. Regarding the expenditure on other works after cut-off date of the generating station, these works are not allowed in this order in light of the provisions under Regulations, 2009. Accordingly, the Commission had also adopted the same approach in its true-up order for FY 2012-13 issued on 5th October, 2015. Accordingly, the details of the additional capitalization and funding considered in this order are as given below:

Table No. 37: **In ₹ Crores.**

Particular	Updated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2014
		As on 31.03.2013	During FY2013-14	
Assets	1242.14	1059.40	2.21	1061.61
Loan	908.89	775.81	2.21	778.02
Equity	226.76	223.42	0.00	223.42

SGTPS, Birsingpur PH-III (1x500 MW):

127. Sanjay Gandhi Thermal Power Station Ext. Unit No. 5 (500 MW) was commissioned on 28th August, 2008. Vide final tariff 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 FY 2010-11 on actual basis as per Annual Audited Accounts and for FY 2011-12 on projection basis. Further, the Commission issued true-up order for FY 2011-12 and FY 2012-13 in which the additional capitalization of SGTPS Ext. Unit No. 5 was considered based on the annual audited accounts for FY 2011-12 and FY 2012-13 respectively. The details of the capital expenditure and its funding approved for the project and

admitted by the Commission as on 31st March, 2013 in true-up order dated 5th October, 2015 are as follows:

Table No. 38: **In ₹ Crores.**

Particular	**Estimated approved project Cost**	**Amount admitted by the Commission as on 31.03.2013**
Assets	2300.00	1986.78
Loan	1675.00	1361.68
Equity	625.00	624.00

128. In the subject petition, the petitioner filed the additional capitalization of ₹30.04 Crores in SGTPS Ext. Unit No. 5 for FY2013-14, as per Annual Audited Accounts. The major part of the assets capitalized during the year is against the Land development ₹6.93 Crores, Office Building ₹5.38 Crores, Turbine Generator Steam Power Generation ₹7.00 Crores & some other minor heads. The petitioner also claimed capital spares of ₹1.17 Crores capitalized during FY 2013-14. The details of the assets capitalized during FY2013-14, in SGTPS 500 MW as filed by the petitioner are as given below:

Table No. 39:

Sl. No.	**Account Code**	**Details of Asset Capitalized**	**Amount in ₹ Crores**
1	10.103	Cost of Land Development on Leasehold Land	6.93
2	10.106	Cost of Tree Plant. for Tree Cut Down	0.07
3	10.211	Office Buildings	5.38
4	10.401	Pucca Roads	2.14
5	10.501	Boiler Plant & Equipments	3.55
6	10.503	Turbine-Generator-Steam Power Generation	7
7	10.507	Ash Handling Plant	0.04
8	10.509	Auxiliaries in Steam Power Plant	0.01
9	10.515	Coal Handling Plant & Handling Equipments	0.01
10	10.52	Instrumentation and Controls	3.45
11	10.613	Internal Wiring Including Fittings & Fixtures	0.22
12	10.904	Others	0.05
13	10.905	Computers	0.02
14	11.3	Capital Spares	1.17
Total			**30.04**

129. The Commission in its final tariff order dated 28th February' 2013 considered gross fixed asset as on CoD of SGTPS PH-3 (500 MW) of ₹1845.40 Crores after deduction of ₹93.04 Crores towards liquated damages and ₹18.50 Crores towards exchange rate variation. The deduction comes to ₹ 111.54 Crores.

130. The petitioner in the subject petition informed that the amount of LD has been settled with BHEL which amounts to ₹82.72 Crores and the amount of exchange rate variation remains unaltered i.e. ₹18.50 Crores. The petitioner further mentioned that the amount of LD retained as a result of settlement has been reflected under the head non-tariff income and accordingly deducted from fixed cost.

131. In view of the above, the excess LD amount which was provisionally deducted by the Commission in final order of ₹(93.04-82.72)=10.32 Crores has now been adjusted in this order and the opening GFA has been fixed accordingly.

132. Vide Commission's letter dated 15th June, 2015, several queries regarding the additional capitalization in SGTPS 500 MW were sought from MPPGCL. By affidavit dated 10th July, 2015, the petitioner filed its response and same has been summarized as follows:

(i) The Date of Commercial operation (CoD) of extension unit No.5 of SGTPS Birsinghpur (500MW) is 28.08.2008. The assets of ₹ 30.04 Crores have been capitalized during FY 2013-14 and captured in Audited Books of Accounts.

(ii) These works are covered under the original scope of work of ₹ 2300 Crores, approved by GoMP. The copy of approval and relevant supporting documents have already been submitted to the Commission.

(iii) The extension unit No. 5 of SGTPS Birsinghpur (500MW) has been 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.

(iv) 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 2013-14 and captured in Books of Accounts.

(v) In Audited Books of Accounts for FY 2013-14, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 28.87 Crores and in Account 11.XXX (Capital Spares) amounting to ₹1.17 Crores. Accordingly, in the True Up Petition for FY 2013-14,

MPPGCL has now claimed the total asset addition / capitalization amounting to ₹30.04 Crores (₹28.87 Crores + ₹1.17 Crores.)

(vi) *The said capitalization is claimed under the following proviso of MPERC Regulations, 2005:*

a. *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.*

b. *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.*

c. *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 …*

133. The Commission observed that the SGTPS 500 MW Extn. Unit No. 5 was declared under commercial operation on 28.08.2008. The petitioner filed additional capitalization of ₹ 30.04 Crores under the following major heads:

Table No. 40:

Works	**Amount in ₹ Crores**
Cost of land development on leasehold	6.93
Office buildings	5.38
Boiler plant and equipments	3.55
Turbine generator steam power generation	7.00
Instrumentation and control	3.45

134. Vide letter dated 15th June' 2015, the petitioner was asked to explain how this generating unit was commissioned and under operation for a period of more than five years without execution of these works.

135. By affidavit dated 10th July' 2015, the petitioner filed its response as given below:

a) Cost of Land Development on Leasehold Land.

*It is to submit that the amount reflected under this head pertains towards payment made to Department of Forest as differential amount due to revision in value of land earlier purchased for construction of 2nd phase Ash Bund at SGTPS. The supporting document is annexed as Annexure-10A**.** The capitalization of said amount was done in FY 2013-14, accordingly the same is claimed in subject petition.*

b) Office Buildings

The construction of Office Building for 500MW Unit was delayed on account of the tendering process. The order for construction of Office Building was placed on M/s G.K. Builders, Birsinghpur on 25.08.2012. The copy of supporting document is annexed as Annexure-10B. The capitalization of said amount was done in FY 2013-14, accordingly the same is claimed in subject petition.

c) Boiler Plant & Equipments

d) Turbine-Generator-Steam Power Generation

e) Instrumentation and Controls

The balance amount capitalized under above mentioned heads pertains to various work/supply orders covered under original scope of work, which were already completed before CoD and mainly on account of Price Variation claims now been settled.

136. It is observed that the petitioner filed the initial spares of ₹1.17 Crores capitalized during FY2013-14. As per clause 18 (2.5) of the MPERC (Terms and Conditions for determination of Gen. 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.

137. 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."

138. 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 15th June, 2015, the petitioner was asked to file the details of initial spares capitalized in light of the provisions under Regulations.

139. By affidavit dated 10th July, 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 2013-14, are more than the ceiling norms under the Regulations, The eligibility of initial spares with regard to original project cost is worked out as given below:

Table No. 41:

Initial Spares:		₹ Crores
Particular	**Capital Cost**	**Initial Spares**
Project cost as on 31.03.2013 admitted by the Commission	1957.25	49.67
Additional Capitalization filed for FY 2013-14	30.04	1.17
Project cost as on 31.03.2014 admitted by the Commission	1986.10	49.65

140. In view of the above, the Commission observed that the initial spares of ₹49.67 Crores have been admitted by the Commission till 31st March, 2013. Therefore, the initial spares of ₹49.65 Crores are admitted for FY 2013-14 in this order as per the ceiling norms prescribed in the Regulation.

141. However, the petitioner confirmed 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 FY 2013-14, and recorded in asset cum depreciation registers. Therefore, the additional capitalization (including initial spares) of ₹28.85 Crores capitalized during FY 2013-14, 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,

142. The petitioner also confirmed that the additional assets capitalized in SGTPS Unit No. 5 during FY 2013-14 is only through PFC loan, no equity component incurred in new assets. The Commission found that the actual capital expenditure and corresponding funding as on 31.03.2014 admitted by the Commission is within the approved project cost and funding. Therefore, the Commission has approved the amount of ₹28.85 Crores against capitalization for FY 2013-14 in this order. The details of the additional capitalization and funding considered in this order are as given below:

Table No. 42: **In ₹ Crores.**

Particular	Estimated approved project Cost	Admitted by the Commission		Total amount admitted as on 31.03.2014
		As on 31.03.2013	During FY2013-14	
Assets	2300.00	1986.78	28.85	2015.63
Loan	1675.00	1361.78	28.85	1390.63
Equity	625.00	624.00	0.00	624.00

Madhikheda HPS:

143. In Madhikheda HPS the petitioner has not claimed any additional capitalization in the subject true-up petition. By affidavit dated 10th July, 2015, the petitioner filed a power station wise Gross Block details for FY 2013-14 as per Audited Books of Accounts On perusal of the annexure-5A filed by the petitioner, it is observed that there is assets addition of ₹ 0.06 Crores in Madhikheda HPS. On further scrutiny of the statement as annexure-6B filed with the aforesaid additional submission, it is observed that the asset addition in Madhikheda HPS is in respect of adjustment entry and asset transferred from Bargi HPS to Madhikheda HPS.

144. Considering the above adjustment of assets, the Gross Fixed Assets of Madhikheda HPS considered in true-up order for FY 2012-13 is revised as given below:

Table No. 43: **Amount in ₹ Crores**

Opening GFA	Asset addition against adjustment entry	Closing GFA
215.97	0.06	216.03

145. In view of the above, the power station wise additional capitalization and its funding considered for FY2013-14 in this true-up order are as given below:

Table No. 44: **Amount in ₹ Crores**

Sr. No.	Power Stations	Addition admitted for FY2013-14		
		Asset Addition	Loan Component	Equity Component
1	ATPS PH-II	0.75	0.75	0.00
2	ATPS PH-III (210 MW)	2.21	2.21	0.00
3	STPS Complex	-	-	-
4	SGTPS PH-I&II	0.15	0.00	0.15
5	SGTPS PH-III (500 MW)	28.85	28.85	0.00
6	Gandhi Sagar	0.01	0.00	0.01
7	Pench	1.87	-	1.87
8	Rajghat	-	-	-
9	Bargi	-	-	-
10	Bansagar I, II &III	0.23	0.00	0.23
11	Birsinghpur	-	-	-
12	Madhikheda	0.06	0.00	Adjustment
Total		**34.13**	**31.81**	**2.26**

Write off/ Adjustment during the year:

146. The petitioner filed the write- off / adjustments of assets in some of the power stations as per Annual Audited Accounts for FY 2013-14 are as follows:

Table No. 45:

Sr. No.	Power Station	Write off Assets claimed	Remarks
1	ATPS PH-II	-0.01	Assets written Off
2	ATPS PH-III	-1.02	Asset Capitalized transferred back to CWIP
3	STPS Ph-1	-28.93	Assets Decommissioned towards retirement of Assets
4	STPS Ph 2&3	-5.15	Assets Transferred to STPS Ph IV
4	SGTPS PH-I&II	-0.28	Assets written Off
5	SGTPS PH-III	-47.40	ERV, Transferred to CWIP, STPS IV
6	Gandhi Sagar	-0.06	Assets written Off
7	Bargi HPS	-0.06	Transferred to Madhikheda HPS
8	Madhikheda	0.06	Adjust entry
9	Bansagar I, II &III	0.01	Assets written Off
Total		**-82.86**	

147. The petitioner mentioned that the assets of de-commissioned Unit No. 1, 2 & 4 of STPS PH-1 of ₹28.93 Crores are reduced from the GFA of STPS PH-1 as per the Audited Books of Accounts for FY 2013-14. The petitioner further mentioned that the total assets towards de-commissioning units was ₹31.52 Crores. However, the asset of ₹2.59 Crores was added during FY 2009-10 to FY 2011-12. Therefore, the same is not considered for removal because 01.04.2009 onwards special allowance was availed by MPPGCL for STPS PH-I and asset addition was considered by the Commission

148. In view of the above, the Commission has considered write-off/adjustment of assets and corresponding funding during FY2013-14 in these power stations in this order. The status of power station wise opening and closing gross fixed assets after considering the additions and write-off/adjustment are as follow:

Table No. 46: **(Amount in ₹ Crores)**

Sr. No.	Power Stations	Gross Fixed Assets		
		Closing as on 31/03/2013	Write-off prior 31/03/2013	Opening as on 01/04/2013
1	ATPS, Chachai PH-II	221.30		221.30
2	ATPS, Chachai PH-III	1056.90	-1.02	1055.88
3	STPS, Sarni PH-I	31.96		31.96
4	STPS, Sarni PH-2&3	632.64	-5.15	627.49

5	**STPS, Sarni Complex**	**664.58**		659.44
6	SGTPS, Birsing'pur PH-1&2	2172.97		2172.97
7	SGTPS, Birsing'pur PH-3	1986.15	-28.90	1957.25
8	Gandhi Sagar	10.42		10.42
9	Pench	96.26		96.26
10	Rajghat	82.80		82.80
11	Bargi	87.03		87.03
12	Bansagar (I to III)	1250.42	-87.64	1162.78
13	Birsinghpur	52.15		52.15
14	Madhikheda	215.97		215.97
Total		**7896.95**	**-122.71**	**7774.24**

Table No. 47: ₹ Crores

Sr. No.	Power Station	Opening GFA as on 01.04.2013	Additions during FY2013-14	Write-off during FY2013-14	Net addition	Closing GFA as on 31.03.2014
1	ATPS PH-II	221.30	0.75	0.01	0.74	**222.04**
2	ATPS PH-III	1055.88	2.21	0.0	2.21	**1058.09**
3	STPS Complex	659.43	0.00	31.96	-31.96	**627.47**
4	SGTPS PH-I&II	2172.97	0.15	0.28	-0.13	**2172.84**
5	SGTPS PH-III	1967.25	28.85	0.0	28.85	**1986.10**
6	Gandhi Sagar	10.42	0.01	0.06	-0.05	**10.37**
7	Pench	96.26	1.87	0.00	1.87	**98.13**
8	Rajghat	82.80	0.00	0.00	0.00	**82.80**
9	Bargi	87.03	0.00	0.06	-0.06	**86.97**
10	Bansagar I, II &III	1162.78	0.23	0.01	0.22	**1163.00**
11	Birsinghpur	52.15	0.00	0.00	0.0	**52.15**
12	Madhikheda	215.97	0.06	0.00	0.06	**216.03**
Total		**7774.24**	**34.13**	**32.38**	**1.75**	**7775.99**

149. Based on the closing GFA admitted for STPS PH-1, Sarni in last true-up order for FY 2012-13 and details of assets decommissioned/write-off during FY 2013-14 submitted by MPPGCL in Annexure 6-C of its additional submission No. 810 dated 10.07.2015, write-off amount of ₹ 31.96 Crores is considered instead of ₹ 28.93 Crore claimed in the petition for STPS PH-1 Sarni which has been decommissioned totally.

Debt-equity Ratio:

150. Regulation 21 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2012 provides that:

"In case of the generating station declared under commercial operation prior to 1.4.2013, debt-equity ratio allowed by the commission for determination of Tariff for the period ending 31.3.2013 shall be considered. For the purpose of

determination of Tariff of new generating station Commissioned or capacity expanded on or after 01.04.2013, 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."

151. Accordingly, power station wise loan and equity for additional capitalization is considered in this order as per the provision under Regulations, 2012. Further, the actual additional capital expenditure as admitted in this order is allocated as given below:

Table No. 48: **₹ Crores**

Sr. No.	Power Stations	Addition admitted for FY2013-14		
		Asset Addition	Normative Loan	Normative Equity
1	ATPS PH-II	0.75	0.75	-
2	ATPS PH-III (210 MW)	2.21	2.21	-
3	STPS Complex	-	-	-
4	SGTPS PH-I&II	0.15	0.10	0.05
5	SGTPS PH-III (500 MW)	28.85	28.85	
6	Gandhi Sagar	0.01	0.01	0.005
7	Pench	1.87	1.31	0.56
8	Rajghat	-	-	-
9	Bargi	-	-	-
10	Bansagar I, II &III	0.23	0.16	0.0711
11	Birsinghpur	-	-	-
12	Madhikheda	0.06	-	-
	Total	**34.13**	**33.39**	**0.69**

Annual Capacity (fixed) Charges:

152. 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 40, 41 and 53 of "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. {RG-26 (II) of 2012}. 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; Interest Charges on Working Capital;
(f) Cost of Secondary Fuel Oil;
(g) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable:

a. Return on Equity:

Petitioner's submission:

153. 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 2013-14. The details regarding asset additions and funding thereof during FY 2013-14, were already provided in the Chapter of Additional Capitalization/de-capitalization and funding thereof. The derails of funding towards additional capitalization during FY 2013-14 are as follows:

Table No. 49:

Sr. No.	Power Stations	Asset Added	Funding		Max. Equity 30% of GFA	Normative Equity	Balance excess Equity
			Loan	Equity/Internal Resources			
		A	B	C	D=(Ax30%)	E=C or D (W.E.L)#	F=C-E
1	ATPS PH-2	0.75	8.86	0.00	0.23	0.00	0.00
2	ATPS PH-3	7.28	31.05	0.00	2.18	0.00	0.00
3	STPS Total	0.00	0.00	0.00	0.00	0.00	0.00
4	SGTPS PH-	0.15	0.00	0.15	0.04	0.04	0.10
5	SGTPS PH-3	30.04	221.72	0.00	9.01	0.00	0.00
6	**Total Thermal**	**38.22**	**261.62**	**0.15**	**11.47**	**0.04**	**0.10**
7	Gandhi Sagar	0.01	0.00	0.01	0.00	0.00	0.01
8	Pench	1.87	0.00	1.87	0.56	0.56	1.31
9	Bansagar PH-	0.23	0.00	0.23	0.07	0.07	0.16
10	**Total Hydel**	**2.12**	**0.00**	**2.12**	**0.64**	**0.64**	**1.48**
11	HQ & S&I*	1.81	1.18	0.63	0.54	0.54	0.09
Total		**42.15**	**262.8**	**2.89**	**12.64**	**1.22**	**1.67**

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. Similarly the Unit No.1,2 & 4 of STPS PH-1 were decommissioned on 07.01.2014, 05.12.2013 and 05.12.2013 respectively.

Accordingly the Assets of all five Units 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 & FY 2013-14.

Taking cognizance of above, the normative Equity as on 31.03.2013 along with the average Equity works out as under:

Table No. 50: Closing & Average Normative Equity : ₹ Crores

Sr. No.	Power Station	Normative Equity for RoE as on 1/04/2013	Equity of decommissioned units adjusted	Normative Equity addition due to asset addition	Total Normative Equity as on 31.03.2014	Avg. Equity
1	ATPS PH-2	38.41		0.00	38.41	38.41
2	ATPS PH-3	246.81		0.00	246.81	246.81
3	STPS PH-1	9.42	-8.53	0.00	0.89	5.16
4	STPS Ph-2&3	186.71		0.00	186.71	186.71
5	SGTPS PH-1&2	649.12		0.04	649.17	649.15
6	SGTPS PH-3	571.96		0.00	571.96	571.96
7	**Total Thermal**	**1702.44**	**-8.53**	**0.04**	**1693.96**	**1698.2**
8	Gandhi Sagar	3.14		0.00	3.14	3.14
9	Pench	28.88		0.56	29.44	29.16
10	Rajghat	24.84		0.00	24.84	24.84
11	Bargi	26.11		0.00	26.11	26.11
12	Bansagar PH-	391.84		0.07	391.91	391.88
13	Madhikheda	45.66		0.00	45.66	45.66
14	Birsinghpur	15.64		0.00	15.64	15.64
15	**Total Hydro**	**536.11**	**0.00**	**0.64**	**536.75**	**536.43**
16	HQ			0.54	0.54	0.27
Total		**2238.55**	**-8.53**	**1.22**	**2231.25**	**2234.9**

As per proviso 21 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 {RG-26(II) of 2012} 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-14, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-

Table No. 51: *Return on Equity for FY 2013-14 filed by the petitioner: ₹ Crores*

Station		Average Equity	RoE @ 15.5%
1	ATPS PH-2	38.41	5.95
2	ATPS PH-3	246.81	38.26
3	STPS PH-1	5.16	0.8
4	STPS Ph-2&3	186.71	28.94

5	SGTPS PH-1&2	649.15	100.62
6	SGTPS PH-3	571.96	88.65
7	**Total Thermal**	**1698.2**	**263.22**
8	Gandhi Sagar	3.14	0.49
9	Pench	29.16	4.52
10	Rajghat	24.84	3.85
11	Bargi	26.11	4.05
12	Bansagar PH-1,2&3	391.88	60.74
13	Madhikheda	45.66	7.08
14	Birsinghpur	15.64	2.42
15	**Total Hydro**	**536.43**	**83.15**
16	HQ	0.27	0.04
	Total	**2234.9**	**346.41**

Provision in Regulation:

154. Regulation 22 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012. 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, 2013, 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 2012-13 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."

Illustration.-

(i) In case of Generating Company paying Minimum Alternate Tax (MAT) say @ 20.01% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.2001) = 19.377%

(ii) In case of Generating Company paying normal corporate tax say @ 33.99% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.3399) = 23.481%

Commission's analysis:

155. The closing normative equity as admitted by the Commission in the last true-up order for FY2012-13 has been revised in this order after considering the impact of write-off/adjustment of assets in some power stations. The normative equity of Bansagar PH-1, 2 & 3 has also been revised as on 01/06/2005 by considering the impact of transfer/exchange of assets with WRD.

156. In the subject true-up petition, the petitioner filed the additional capitalization in some thermal and hydel power stations for FY2013-14 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.

157. 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 to the extent of power station wise normative equity considered in this order.

158. The petitioner filed the write-off/adjustment/de-commissioned of assets in some of the power stations based on the Annual Audited Accounts. Vide Commission's letter dated 15th June, 2015, the petitioner was asked to confirm whether the equity amount pertains to write-off/adjustment/de-commissioned assets if any, has been accounted for in its claim for the equity component of the respective power station. The petitioner was also asked to confirm whether the return on equity pertains to these assets, has been reduced from the date/year of write-off/adjustment/de-commissioned of all such assets.

159. By affidavit dated 10th July, 2015, the petitioner submitted that in reference to write-off/adjusted/de-commissioned assets in various power stations, equity reduction has been made at STPS PH-1 only as the other assets written off/adjusted are funded through loan component. MPPGCL confirmed that the corresponding amount of equity in reference to assets de-commissioned STPS PH-1 has been accounted in the subject true-up petition from the date/year of decommissioning while working out return on equity of STPS Sarni. The normative equity is bifurcated by the petitioner in proportion of Gross Block of STPS PH-1 and PH-2&3.

160. The corresponding equity of de-capitalized assets is reduced from the gross normative equity of the respective power station. Unit No. 1, 2 & 4 of the STPS PH-I have been de-commissioned during FY 2013-14, and the equity of ₹8.56 Crores corresponding to the de-capitalized assets has been reduced from total equity of STPS, Sarni. However, the assets pertain to common facilities have not been de-capitalized in FY2013-14. 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 No. 52: GFA and Equity of STPS Complex:

	Particulars	Amount in ₹ Crores
1	Opening normative equity as on 01.04.2012	11.80
2	Equity reduction towards de-commissioning of two units of STPS PH-I during FY 2012-13	-2.38
3	Gross Block of STPS as on 01-04-2013	31.96
4	Normative Equity of STPS as on 31-03-2013	9.42
5	Assets decommissioned during FY 2013-14	28.93
6	Normative Equity in Proportion to assets decommissioned **(2/1x3)**	8.53
7	**Balance Equity to be considered for RoE towards retained assets (2-4)**	**0.89**

161. The power station wise closing normative equity of last true-up order has been revised and opening normative equity as on 1st April, 2013 is worked out in this order after reduction of normative equity of write-off assets prior to 31st March, 2013.

162. 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 worked out as given below:

Table No. 53: **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	223.41	0.00	0.00	0.00	223.41
3	STPS, Sarni Complex	194.63	0.00	8.53	-8.53	186.10
4	SGTPS, PH-1&2	649.13	0.05	0.00	0.05	649.18
5	SGTPS, PH-3	571.96	0.00	0.00	0.00	571.96
6	Gandhi Sagar	3.14	0.01	0.00	0.01	3.14
7	Pench	28.88	0.56	0.00	0.56	29.44
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)	348.84	0.07	0.00	0.07	348.91
11	Birsinghpur	15.65	0.00	0.00	0.00	15.65
12	Madhikheda	45.66	0.00	0.00	0.00	45.66
Total		**2170.66**	**0.69**	**8.53**	**-7.84**	**2162.82**

163. Considering the above opening and closing balances of normative equity, the Return on equity for FY 2013-14 is worked out as follows:

Table No. 54: 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	15.5	5.95
2	ATPS, Chachai PH-III	223.41	15.5	34.63
3	STPS, Sarni Complex	190.37	15.5	29.51
4	SGTPS, Birsing'pur PH-1&2	649.15	15.5	100.62
5	SGTPS, Birsing'pur PH-3	571.96	15.5	88.65
6	Gandhi Sagar	3.15	15.5	0.49
7	Pench	29.16	15.5	4.52
8	Rajghat	24.84	15.5	3.85
9	Bargi	26.11	15.5	4.05
10	Bansagar (I to III)	348.87	15.5	54.08
11	Birsinghpur	15.65	15.5	2.43
12	Madhikheda	45.66	15.5	7.08
Total		**2166.74**		**335.84**

164. The normative equity of Bansagar PH-1, 2 &3 has been revised from 1st June, 2006 due to impact of transfer/exchange of assets with WRD. The petitioner in para 4.10.4 of the petition filed the impact of Return on Equity due to transfer/exchange of the assets from 1st June, 2015 i.e. final opening balance sheet notified by GoMP. Considering the impact of the aforesaid asset from the date of write-off/adjustment as per Annual Audited Accounts, the Return on

Equity has been worked out for the prior period adjustment are as given below:

Table No. 55:

Return on Equity for Bansagar PH-I, II &III: ₹ Crores

Sr. No.	Particular	ROE For FY 05-06 (10-months)	ROE from FY 07 to FY 09	ROE from FY 10 to FY 12	ROE for FY12-13	Total ROE
1	Normative Equity as on 01/06/2005 for the asset withdrawn	43.00	43.00	43.00	43.00	
	Normative Equity as on 01/06/2005 for the asset added	16.71	16.71	16.71	16.71	
2	Applicable rate of ROE	14.00%	14.00%	15.50%	15.50%	
3	ROE on asset withdrawn (A)	5.02	18.06	20.00	6.67	49.74
4	ROE on asset added (B)	1.95	7.02	7.77	2.59	19.33
5	Net impact on ROE (B - A)	-3.07	-11.04	-12.23	-4.08	**-30.41**

165. In ATPS PH-III, out of total additional capitalization of ₹81.24 Crores admitted by the Commission in FY 2011-12, the asset of ₹1.02 Crores transferred back to CWIP. The Commission has worked out the Corresponding ROE on the equity pertains to such asset as given below:

Table No. 56: ATPS PH-III ROE of write-off assets:

Particular	FY 2011-12	FY 2012-13	Total
Equity Component	-0.0123	-0.0123	
Rate of return on equity	15.50	15.50	
Return On Equity	**-0.002**	**-0.002**	**-0.004**

166. With regard to STPS PH-2&3, out of total additional capitalization of ₹31.92 Crores admitted by the Commission in true-up order for FY 2010-11, the asset of ₹5.15 Crores transferred back to STPS PH-4 and same has been captured in Audited Books of Accounts. The Commission has worked out the Corresponding ROE on the equity pertains to such asset as given below:

Table No. 57: STPS, Sarni ROE of write-off assets:

Particular	FY 2010-11	FY 2011-12	FY 2012-13	Total
Asset Value	-5.15	-5.15	-5.15	
Equity Component	-1.49	-1.49	-1.49	
Rate of return on equity	15.50	15.50	15.50	
Return On Equity	**-0.23**	**-0.23**	**-0.23**	**-0.69**

167. In SGTPS PH-III, out of total additional capitalization admitted by the Commission, the write-off/adjustment of asset of ₹ 0.20 and ₹ 28.70 Crores has been filed during FY 2011-12 and FY 2012-13 respectively. The Commission has observed that the aforesaid assets were funded through loan component only.

Therefore, no ROE adjustment is required in SGTPS PH-III in this regard.

168. In view of the above, the power station wise past period adjustment of Return on Equity is summarized as given below:

Table No. 58:Summary of prior period ROE adjustment:

Sr. No.	Power Stations	ROE in ₹ Crores
1	ATPS, Chachai PH-III	-0.004
2	STPS, Sarni Complex	-0.69
3	SGTPS, Birsing'pur PH-3	0.00
4	Bansagar (I to III)	-30.41
Total		**-31.11**

b. Interest and finance charges on loan capital:

Petitioner's submission:

169. The petitioner broadly submitted the following:

"Loan drawls during FY 2013-14 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 petitioner further mentioned that On account of assets deduction made at various power stations as detailed in Chapter-Addl. Capitalization/de-capitalization & funding thereof, the loan balances are proportionately reduced. In ATPS PH-3 Loan amount of ₹1.02 Crores and in SGTPS PH-3, loan amount of ₹ 28.90 Crores have been reduced. Accordingly, the Opening Balance 1/4/2013 and Adjusted opening balance as on 1/4/2013 filed by the petitioner as given below:

Table No. 59: Amount in ₹ Crores

S. No.	*Stations*	*Opening Balance 1/4/2013*	*Loan Adjustment*	*Adjusted opening balance*
1	*ATPS PH-2*	*47.44*		*47.44*
2	*ATPS PH-3*	*654.01*	*-1.02*	*652.99*
3	*STPS*	*0.00*		*0.00*
4	*SGTPS PH-1&2*	*0.00*		*0.00*
5	*SGTPS PH-3*	*925.18*	*-28.9*	*896.28*
6	***Total Thermal***	***1626.62***	***-29.92***	***1596.71***
7	*Bansagar 1,2&3*	*11.16*		*11.16*
8	*Madhikheda HPS*	*68.07*		*68.07*
9	***Total Hydro***	***79.23***	***0.00***	***79.23***
Total		***1705.85***	***-29.92***	***1675.94***

Power station wise Closing and Average balances of loan considering the repayment equal to depreciation charged during FY 2013-14 as per proviso 23.3 of the Regulation 2009 are indicated below:-

Table No. 60: ***Amount in ₹ Crores***

Stations	Adjusted Opening Balance	Loan Receipts Claimed	Principal repayment (Dep)	Closing Balance 31/03/2013	Average Balance
ATPS PH-2	47.44	8.86	18.17	38.12	42.78
ATPS PH-3	652.99	31.05	54.56	629.47	641.23
STPS Total	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	896.28	221.72	120.24	997.76	947.02
Total Thermal	**1596.71**	**261.62**	**192.97**	**1665.36**	**1631.03**
Bansagar PH-	11.16	0.00	11.16	0.00	5.58
Madhikheda	68.07	0.00	11.26	56.81	62.44
Total Hydro	**79.23**	**0.00**	**22.42**	**56.81**	**68.02**
HQ		1.18	0.17	1.01	0.51
Total	**1675.94**	**262.80**	**215.56**	**1723.18**	**1699.56**

The petitioner also filed the power station wise adjustment on interest amount due to write-off of asset. The detailed Calculation in respect of Weighted Average Rate of Interest along with supporting documents is annexed as Annexure- 20 in Additional Supporting Documents.

The petitioner also claimed the interest on excess equity which is over and above the normative equity. The overall weighted average rate of interest is applied to workout the interest on excess equity.

Considering above the Power station wise Interest charges loan and excess equity for FY 2013-14 worked out by the petitioner in accordance to the proviso 23 of the Generation Tariff Regulations, 2012 by applying power station wise weighted average rate of interest on loans and overall weighted average rate of interest on excess equity are indicated below:-

Table No. 61: ***Amount in ₹ Crores***

Sr. No.	Station	Interest on Loan	Interest on Excess Equity	Total
1	ATPS PH-2	5.56	0.95	6.50
2	ATPS PH-3	75.49	4.32	79.80
3	STPS Total	0.00	0.00	0.00
4	SGTPS PH-1&2	0.00	0.26	0.26
5	SGTPS PH-3	111.40	6.75	118.15
6	**Total Thermal**	**192.44**	**12.28**	**204.72**
7	Gandhi Sagar	0.00	0.00	0.00

8	Pench	0.00	0.00	0.00
9	Rajghat	0.00	0.00	0.00
10	Bargi	0.00	0.00	0.00
11	Bansagar PH-1,2 &3	0.68	6.31	6.99
12	Madhikheda	6.77	2.76	9.53
13	Birsinghpur	0.00	0.00	0.00
14	**Total Hydro**	**7.44**	**9.07**	**16.51**
15	HQ	0.05	0.01	0.06
	Total	**199.94**	**21.35**	**221.29**

Provision in Regulation:

170. Regulation 23 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2012, 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 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

The repayment for the Year of the Tariff period 2013-16 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:

171. In the subject true-up petition, the Commission observed that the petitioner filed the power station wise interest on loan and interest on excess equity separately. It is further observed that in MYT order dated 1st April, 2013, the Commission allowed power station wise interest and financing charges including interest on excess equity. Separate interest on excess equity was not determined in the MYT order due to following reasons:

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 there was no outstanding loan as on 1st June, 2005 and it was not possible to arrived weighted average rate of interest for these power stations. In such 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. In the Tariff Regulations, 2009 and 2012, the repayments of loan have been linked with the depreciation for the period. In the MYT order dated 1st April, 2013, 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.

172. The petitioner filed the loan additions in respect of additional capitalization during FY2013-14. It is observed that the petitioner filed loan additions of ₹ 262.80

Crores till 31.03.2014, whereas, the total additional capitalization during the year filed by the petitioner is ₹ 42.15 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.

173. The petitioner also filed the write-off/adjustment/de-commissioned of assets in some of the power stations based on the Annual Audited Accounts. Vide letter dated 15th June, 2015, The petitioner was asked to confirm whether the loan amount pertains to write-off/adjustment/de-commissioned assets if any, has been accounted for in its claim of interest and finance charges of the respective power station. The petitioner was also asked to confirm whether the interest charges pertains to these assets have been reduced from the date/year of write-off/adjustment/de-commissioned of assets.

174. By affidavit dated 10th July, 2015, the petitioner confirmed that the corresponding amount of loan in reference to assets write-off/adjusted at various power stations has been accounted for in the subject true up petition from the date date/year of write-off/adjustment while working out interest and finance charges. The petitioner filed the power station wise working of loan balances and corresponding interest and finance charges in this regard.

175. In para 4.5.10 of the petition, the petitioner mentioned that in SGTPS PH-III, out of total additional capitalization of ₹61.13 Crores admitted by the Commission in its true-up order for FY 2011-12, the asset of ₹0.20 has been transferred back to STPS PH-4. Similarly, the asset of ₹31.75 Crores admitted by the Commission in true-up order for FY 2012-13, the asset of ₹28.70 Crores has been transferred back to CWIP. The Commission has observed that the aforesaid assets were funded through loan component only. Therefore, corresponding loan amount has been adjusted in this regard.

176. In this true-up order, the power station wise normative closing loan balances as on 31st March, 2013 (admitted in the true up order dated 05th October' 2015) have now been revised considering the impact of write-off/adjustment of assets and the opening loan balances as on 1st April, 2013 is worked out accordingly. The closing loan balances as on 31st March, 2014, are worked out after considering the loan addition due to additional capitalization and normative

repayment equal to depreciation in this regard.

177. Regarding to the weighted average rate of interest, the petitioner filed the power station wise and lender wise detailed statement for all the loan schemes outstanding as on 1st April, 2013. 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, 2012 are as given below:

Table No. 62: Power Station wise loan balances including excess equity : ₹ Crores

Sr. No.	Power Station	Opening Loan	Loan addition	Loan amount for write-off assets	Net loan addition	Normative Repayment	Closing Loan
1	ATPS, Chachai PH-II	55.03	0.75	0.00	0.75	18.13	37.65
2	ATPS, Chachai PH-III	614.11	2.21	0.00	2.21	50.10	567.22
3	STPS, Sarni	0.00	0.00	0.00	0.00	0.00	0.00
4	SGTPS, PH-1&2	4.20	0.11	0.00	0.11	4.31	0.00
5	SGTPS PH-3	950.72	28.85	0.00	28.85	100.56	879.77
6	Gandhi Sagar	0.06	0.01	0.00	0.01	0.07	0.00
7	Pench	0.01	1.31	0.00	1.31	1.32	0.00
8	Rajghat	0.00	0.00	0.00	0.00	0.00	0.00
9	Bargi	0.00	0.00	0.00	0.00	0.00	0.00
10	Bansagar (I to III)	39.07	0.16	0.00	0.16	39.23	0.00
11	Birsinghpur	0.00	0.00	0.00	0.00	0.00	0.00
12	Madhikheda	89.77	0.00	0.00	0.00	11.25	78.52
Total		**1753.72**	**33.39**	**0.00**	**33.39**	**224.97**	**1562.14**

178. The power station- wise interest amount on loan (including excess equity) is worked out by applying the power station wise wt. average rate of interest as given below:

Table No. 63: Power Station wise Interest on loan (including excess equity):

Sr. No.	Power Station	Average Loan	Wt. Avg. rate of interest	Interest amount on Loan
		₹ Cr.	**%**	**₹ Cr.**
1	ATPS, Chachai PH-II	46.34	12.99	6.02
2	ATPS, Chachai PH-III	590.91	11.81	69.79
3	STPS, Sarni Complex	0.00		0.00
4	SGTPS, Birsing'pur PH-1&2	2.10	10.48	0.22
5	SGTPS, Birsing'pur PH-3	914.87	12.11	110.79
6	Gandhi Sagar	0.03	12.73	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)	19.53	12.15	2.37
11	Birsinghpur	0.00		0.00
12	Madhikheda	84.14	10.84	9.12
Total		**1657.93**		**198.31**

179. The excess equity of Bansagar PH-1, 2 &3 has been revised from 1st June, 2006 due to impact of transfer/exchange of assets with WRD. The petitioner in para 4.10.4 of the petition filed the impact of interest on excess equity due to transfer/exchange of the assets from 1st June, 2005 i.e. final opening balance sheet notified by GoMP. Considering the impact of the aforesaid asset from the date of write-off/adjustment as per Annual Audited Accounts, the interest on excess equity for Bansagar HPS has been worked out for the prior period adjustment are as given below:

Table No. 64: interest on excess equity for Bansagar ph-1, 2&3: (₹ Crores)

Particular		FY 2005-06 (10- months)	FY 2006-07	FY 2007-08	FY 2008-09
Asset withdrawn (A)	Opening Excess Equity	6.14	5.53	4.91	4.30
	Repayment during the year	0.61	0.61	0.61	0.61
	Closing excess Equity	5.53	4.91	4.30	3.69
	Average Excess Equity	5.84	5.22	4.61	3.99
	Applicable rate of Interest	8.15	8.23	8.56	10.50
	Interest on Excess Equity	**0.48**	**0.43**	**0.39**	**0.42**
Asset added (B)	Opening Excess Equity	2.39	2.15	1.91	1.67
	Repayment during the year	0.24	0.24	0.24	0.24
	Closing excess Equity	2.15	1.91	1.67	1.43
	Average Excess Equity	2.27	2.03	1.79	1.55
	Applicable rate of Interest	8.15	8.23	8.56	10.50
	Interest on Excess Equity	**0.18**	**0.17**	**0.15**	**0.16**
	Net Impact on Interest (B - A)	-0.29	-0.26	-0.24	-0.26

Table No. 65: (Amount in ₹ Crores)

Particular		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
Asset withdrawn (A)	Opening Excess Equity	3.69	3.69	3.69	3.69	
	Repayment during the year	0.00	0.00	0.00	0.00	
	Closing excess Equity	3.69	3.69	3.69	3.69	
	Average Excess Equity	3.69	3.69	3.69	3.69	
	Applicable rate of Interest	10.03	10.28	11.03	12.34	
	Interest on Excess Equity	**0.37**	**0.38**	**0.41**	**0.45**	**3.33**
Asset added (B)	Opening Excess Equity	1.43	1.43	1.43	1.43	
	Repayment during the year					
	Closing excess Equity	1.43	1.43	1.43	1.43	
	Average Excess Equity	1.43	1.43	1.43	1.43	
	Applicable rate of Interest	10.03	10.28	11.03	12.34	
	Interest on Excess Equity	**0.14**	**0.15**	**0.16**	**0.18**	1.29
	Net Impact on Interest (B - A)	-0.23	-0.23	-0.25	-0.28	**-2.04**

180. In SGTPS PH-III, out of total additional capitalization admitted by the Commission, the write-off/adjustment of asset of ₹ 0.20 and ₹ 28.70 Crores filed

during FY 2011-12 and FY 2012-13 respectively. The aforesaid assets were funded through loan component only. Therefore, corresponding interest on loan is worked out as follows:

Table No. 66: SGTPS, Birsingpur PH-III: (₹ Crores)

Particular	FY 2012-13
Opening Loan Component	28.90
Repayment during the year	1.47
Closing loan balance	27.43
Average loan	28.17
Wt. avg. rate of interest	11.35
Interest amount	**3.20**

181. In STPS PH-2&3, out of total additional capitalization of ₹31.92 Crores admitted by the Commission in true-up order for FY 2010-11, the asset of ₹5.15 Crores transferred back to STPS PH-4 and same has been captured in Audited Books of Accounts. The Commission has worked out the Corresponding interest amount on the loan pertains to such asset as given below:

Table No. 67: STPS, Sarni: (Amount in ₹ Crores)

Particular	Amount for FY 2010-11
Opening Loan	**5.15**
Average Loan	**2.58**
Applicable rate of interest	**11.19**
Interest amount	**0.29**

182. In view of the above, the power station wise past period adjustment of interest on loan is summarized as given below:

Table No. 68:Summary of prior period ROE adjustment:

S. No.	Power Stations	ROE in ₹ Crores
1	ATPS, Chachai PH-III	0.00
2	STPS, Sarni Complex	-0.29
3	SGTPS, Birsing'pur PH-3	-3.20
4	Bansagar (I to III)	-2.04
Total		**-5.52**

d) Depreciation:

Petitioner's submission

183. 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 FY2013-14, along with asset additions and adjustment/deductions are tabulated below:-

Table No. 69: Gross Block details for FY 2013-14: ₹ Crores

Power Station		Op. bal as on 31.3.13		Additions in FY 14	Adjustments/ write-off/ decommissioning of Assets	Cl bal as on 31.3.214	
		Gross Block	Asset not in use			Asset not in use	Gross Block
1	ATPS Chachai	1369.03	0.04	8.03	-1.03	0.00	1376.03
2	STPS Sarni	781.28	9.40	3158.72	-36.66	40.85	3903.34
3	SGTPS (Th. & Hy.)	4327.85		30.19	-47.68		4310.36
4	Bansagar Complex)	1282.89		0.23	-0.01		1283.11
5	SSTPP	81.19		3744.78			3825.97
6 COG&HS	Bargi HPS	87.03			-0.06		86.97
	Gandhi Sagar HPS	10.43		0.01	-0.06		10.38
	J. Sagar HPS	16.56					16.56
	Madhikheda HPS	215.97		0.06			216.03
	Pench HPS	96.27		1.87			98.14
	R.P. Sagar HPS	18.86					18.86
	Rajghat HPS	82.81					82.81
	HQ & S&I	1.57		0.23			1.80
COGHS		**529.49**	**0.00**	**2.18**	**-0.12**	**0.00**	**531.54**
Total MPPGCL		**8371.72**	**9.44**	**6944.13**	**-85.5**	**40.85**	**15230.37**
As per Balance Sheet		**8381.17**		**6858.62**		**15271.22**	

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(II) of 2012.*
- *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.*
- *In case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets.*

- *The Assets additions at STPS PH-1,2&3 is not considered as special allowance is opted for these units.*
- *The assets in the records of MPPGCL are only for its own share hence depreciation is computed for MPPGCL share only.*
- *The Asset Capitalization at STPS PH-4 and SSTPP Unit 1 are being dealt through separate Tariff Petitions.*

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

Table No. 70: Depreciation claimed by the petitioner (₹ Crores)

S.No.	***Station***	***Op. Balance as on***		***Dep. For FY14***	***Cl. Balance as on***		***Closing Acc. Dep. As % of GB***
		GB Asset	***Dep Acc.***		***GB Asset***	***Dep. Acc.***	
1	*ATPS PH-2*	*221.30*	*126.67*	*18.17*	*222.04*	*144.83*	*65%*
2	*ATPS PH-3*	*1147.72*	*173.81*	*54.66*	*1153.99*	*228.39*	*20%*
3	***ATPS Chachai***	***1369.02***	***300.48***	***72.83***	***1376.03***	***373.23***	***27%***
4	*STPS PH-1*	*31.96*	*28.76*	*0.00*	*3.03*	*2.73*	*90%*
5	*STPS PH-2&3*	*632.63*	*568.78*	*0.00*	*627.48*	*564.14*	*90%*
6	***STPS Total***	***664.59***	***597.54***	***0.00***	***630.51***	***566.87***	***90%***
7	*SGTPS PH-1&2*	*2172.97*	*1435.05*	*70.14*	*2172.84*	*1504.93*	*69%*
8	*SGTPS PH-3*	*2102.74*	*460.79*	*106.34*	*2085.38*	*562.82*	*27%*
9	***SGTPS Total***	***4275.71***	***1895.84***	***176.48***	***4258.22***	***2067.74***	***49%***
	Total Thermal	***6309.32***	***2793.85***	***249.31***	***6264.75***	***3007.84***	***48%***
10	*Gandhi Sagar*	*10.43*	*9.30*	*0.09*	*10.38*	*9.34*	*90%*
11	*Pench*	*96.27*	*73.97*	*1.92*	*98.14*	*75.89*	*77%*
12	*Rajghat*	*82.81*	*39.17*	*3.65*	*82.81*	*42.82*	*52%*
14	*Bargi*	*87.03*	*60.53*	*1.81*	*86.97*	*62.32*	*72%*
15	*Bansagar PH-*	*1162.79*	*515.43*	*58.06*	*1163.01*	*573.48*	*49%*
16	*Madhikheda*	*215.97*	*55.37*	*11.26*	*216.03*	*66.65*	*31%*
17	*Birsinghpur*	*52.15*	*31.93*	*2.39*	*52.15*	*34.32*	*66%*
18	***Total Hydro***	***1707.44***	***785.70***	***79.18***	***1709.49***	***864.81***	***51%***
19	*HQ*	*1.57*	*0.43*	*0.17*	*1.80*	*0.60*	*33%*
Total		***8018.33***	***3579.98***	***328.65***	***7976.04***	***3873.25***	***49%***

185. In addition to above, the petitioner also filed the power station wise adjustment of depreciation towards prior period adjustment / write-off of assets in ATPS PH-3, SGTPS PH-3 and STPS PH-2&3.The details of the adjustment of depreciation in aforesaid thermal stations are detailed in table 4.4.15.1 of the petition.

Provision in Regulation:

186. Regulation 24 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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 1.4.2013 shall be worked out by deducting the cumulative depreciation including AAD as admitted by the Commission upto 31.3.2013 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:

187. 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 15th June, 2015 the petitioner was asked to file depreciation for this power station after deducting the amount of Liquidated Damages. By additional affidavit dated 10th July, 2015, the petitioner filed the revised depreciation amount for ATPS 210 MW after deducting the LD from Gross Fixed Assets.

188. With regard to the cumulative depreciation of write-off assets/de-commissioned assets, by affidavit dated 10th July, 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.

189. On perusal 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 Bansagar PH-1, 2 & 3 worked out by the petitioner accordingly.

190. In STPS Sarni PH-I Unit No. 1,2 & 4 have been de-commissioned during FY2013-14. The assets of ₹31.96 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 took the impact of de-capitalized assets in assets-cum-depreciation register of STPS, Sarni.

191. While determining the depreciation in this order, the Commission has worked out the revised opening gross fixed assets and cumulative depreciation as on 1st April, 2013 after taking the impact of write-off/adjustment of asset as per the admitted closing figures of assets in the last true-up order for FY 2012-13 dated 05th October, 2015.

192. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY2013-14. The issue of power station wise asset additions and "additional capitalization" admitted for FY 2013-14 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.

193. Considering the impact of additional capitalization/assets addition and write-off/adjustment/de-capitalization in various power stations, the updated status of revised opening GFA and cumulative depreciation as on 1st April, 2013 is worked out in this order. Based on the revised opening GFA, the closing GFA after considering the addition and write-off of asset during the year is worked out as given below:

Table No. 71: Power Station wise GFA balances (₹ Crores)

Sr. No.	Power Station	Opening GFA	Addition	Write-off	Net GFA Addition	Closing GFA	Average GFA
1	ATPS, Chachai PH-II	221.30	0.75	-0.01	0.74	222.04	221.67
2	ATPS, Chachai PH-III	1055.88	2.21	0.00	2.21	1058.09	1056.99
3	STPS, Sarni Complex	659.43	0.00	-31.96	-31.96	627.47	643.45
4	SGTPS, PH-1&2	2172.97	0.15	-0.28	-0.13	2172.84	2172.91
5	SGTPS, PH-3	1957.25	28.85	0.00	28.85	1986.10	1971.68
6	Gandhi Sagar	10.42	0.01	-0.06	-0.05	10.37	10.40
7	Pench	96.26	1.87	0.00	1.87	98.13	97.20
8	Rajghat	82.80	0.00	0.00	0.00	82.80	82.80
9	Bargi	87.03	0.00	-0.06	-0.06	86.97	87.03
10	Bansagar (I to III)	1162.78	0.23	-0.01	0.22	1163.00	1162.89
11	Birsinghpur	52.15	0.00	0.00	0.00	52.15	52.15
12	Madhikheda	215.97	0.06	0.00	0.06	216.03	216.00
	Total	**7774.24**	**34.13**	**-32.38**	**1.75**	**7775.99**	**7775.12**

194. In view of the above the depreciation for FY 2013-14 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.

195. Based on the above, the power station-wise depreciation worked out and allowed for FY2013-14, in this true-up order is as given below:

Table No. 72: Depreciation for FY 2013-14

Sr. No.	Power Station	Wt. avg. rate Dep.	Dep. Amount	Opening Cumm. Dep.	Opening Cumm. Dep. % of Opening GFA	Closing Cumm. Dep.	Closing Cumm. Dep. % of Closing GFA
		%	₹ Cr.	₹ Cr.	%	₹ Cr.	%
1	ATPS, PH-II	8.18	18.13	124.08	56.07	142.21	64.05
2	ATPS, PH-III	4.74	50.10	160.61	15.21	210.71	19.91
3	STPS, Sarni		0.76	597.32	90.58	564.72	90.00
4	SGTPS, PH-1&2	3.23	70.18	1432.79	65.94	1502.97	69.17
5	SGTPS, PH-3	5.10	100.56	430.31	21.99	530.87	26.73
6	Gandhi Sagar	0.90	0.09	9.30	89.23	9.39	90.00
7	Pench	1.96	1.91	73.91	76.78	75.82	77.26
8	Rajghat	4.41	3.65	39.18	47.32	42.83	51.73
9	Bargi	2.08	1.81	60.54	69.56	62.35	71.64
10	Bansagar (I to III)	4.99	58.03	543.07	46.70	601.10	51.69
11	Birsinghpur	4.58	2.39	31.93	61.23	34.32	65.81
12	Madhikheda	5.21	11.25	55.17	25.55	66.42	30.75
Total			**318.86**	**3558.21**		**3843.72**	

196. The above table indicates that the closing cumulative depreciation in Gandhi Sagar and STPS, Sarni have crossed the limit of 90% of its GFA and also this power station has completed its useful life. Therefore, the depreciation of these power stations is allowed only to the extent of 90% of the cumulative depreciation. Cumulative depreciation on account of de-commissioned units of STPS, Sarni PH-1 amount to ₹33.36 Crores have also reduced from the total cumulative depreciation of STPS, Sarni complex.

197. Cumulative depreciation of ATPS PH-II reached up to 64% whereas this power station has completed its useful life. Taking a consistent approach in line with that adopted in earlier 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 this power station.

198. The closing cumulative depreciation in Pench and Bargi HPS has crossed the limit of 70% of gross fixed assets. However, it has not completed its useful life. Therefore, the balance depreciation of these power station has been spread over its balance useful life as per the provision under the Regulations, 2012.

Depreciation of prior period write-off/adjustment of asset:

199. The petitioner filed the write-off/adjustment of asset in some of the power stations for past years. The revised power station wise GFA is worked out after considering the assets write-off/adjustment from the respective year in this order. Accordingly, the depreciation of the assets write-off has been reworked for

adjustment. In Bansagar 1, 2 &3 the impact of exchange/transfer of assets with WRD has taken into accounts and worked out the depreciation accordingly.

Table No. 73: Bansagar HPS Depreciation pertains to exchange of Assets: ₹ Crores

Particular	Dep. For FY 2005-06 (10-months)	Dep. FY 07 to FY 09 (3-years)	Dep. FY 10 to FY 12 (3-years)	Dep. FY13 (1-year)	Total Dep.
Opening GFA as on 01/06/2005	**1243.92**				
Asset withdrawn (A)	**143.34**				
Applicable rate of depreciation	2.043	2.035	5.25	5.25	
Depreciation	**2.44**	**8.75**	**22.58**	**7.53**	**41.30**
Asset Added (B)	**55.70**				
Applicable rate of depreciation	1.81	1.80	5.28	5.28	
Depreciation	**0.84**	**3.01**	**8.82**	**2.94**	**15.61**
Asset Net impact (B - A)	-87.64				
Net Depreciation	**-1.60**	**-5.74**	**-13.76**	**-4.59**	**-25.69**
Net GFA as on 01/06/2005	**1156.28**				

200. In ATPS PH-III, out of total additional capitalization of ₹81.24 Crores admitted by the Commission in FY 2011-12, the asset of ₹1.02 Crores transferred back to CWIP. The Commission has worked out the Corresponding depreciation on the such asset as given below:

Table No. 74: ATPS PH-III Corresponding Depreciation of write-off assets:

Particular	FY 11-12	FY 12-13	Total
Asset Value	-1.02	-1.02	
Wt. Avg. rate of Dep.	4.62	4.53	
Annual Depreciation	**-0.05**	**-0.05**	-0.09

201. With regard to STPS PH-2&3, out of total additional capitalization of ₹ 31.92 Crores admitted by the Commission in true-up order for FY 2010-11, the asset of ₹ 5.15 Crores transferred back to STPS PH-4 and same has been captured in Audited Books of Accounts. The Commission has worked out the Corresponding depreciation on the such asset as given below:

Table No. 75: STPS Sarni Corresponding depreciation of write-off assets:

Particular	FY 10-11	FY 11-12	FY 12-13	Total
Asset Value	-5.15	-5.15	-5.15	
Wt. Avg. rate of Dep.	4.84	5.33	5.5	
Annual Depreciation	**-0.25**	**-0.27**	**-0.28**	**-0.81**

202. In SGTPS PH-III, out of total additional capitalization admitted by the Commission, the write-off/adjustment of asset of ₹0.20 and ₹28.70 Crores filed during FY 2011-12 and FY 2012-13 respectively. The Commission has worked out the Corresponding depreciation on the such asset as given below:

Table No. 766: SGTPS PH-III Corresponding depreciation of write-off assets:

Particular	FY 2012-13	Net Total
Asset Value	-28.90	
Wt. Avg. rate of Dep.	5.08	
Annual Depreciation	**-1.47**	**-1.47**

203. In view of the above, the power station wise past period adjustment of depreciation is summarized as given below:

Table No. 77:Summary of prior period depreciation adjustment:

Sr. No.	Power Stations	ROE in ₹ Crores
1	ATPS, Chachai PH-III	-0.09
2	STPS, Sarni Complex	-0.81
3	SGTPS, Birsing'pur PH-3	1.47
4	Bansagar (I to III)	-25.69
	Total	**-28.06**

e) Operation and Maintenance Expenses:

Petitioner's submission

204. With regard to operation and maintenance expenses of thermal and hydel power stations, the petitioner broadly submitted the following:

In MPERC (Terms and conditions for determination of Generation Tariff) (Revision-II) Regulations, 2012, MPERC has prescribed norms for O & M expenses as a function of the capacity of the plant. The O&M expenses as per provision 36.1 & 50.1 of the MPERC Tariff Regulations, 2012 comprises of Employee cost, Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost.

For the year FY 2013-14, O&M Charges in ₹ Lakh /MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-

Table No. 788: ***Amount in L Rs/ MW/ Year.***

Thermal Station		FY 2013-14
ATPS	PH-2	26.71
	PH-3	18.19
STPS	PH-1	21.62
	PH-2	18.19
	PH-3	18.19
SGTPS	PH-1	18.19
	PH-2	18.19
	PH-3	13.71
All Hydro Stations		11.23

The Unit No.1 of STPS PH-1 has been decommissioned on 07.01.2014, Unit No.2 of STPS PH-1 has been decommissioned on 05.12.2013 and Unit No.4 of STPS PH-1 has been decommissioned on 05.12.2013 by Central Electricity Authority, New Delhi.

The O&M expenditure for STPS PH-1 i.e. Unit No. 1, 2 & 4 has been worked out on total number of days in operation, as these Units were decommissioned during the financial year 2013-14.

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 No. 79: **in ₹ Crores**

S. No.	Station	O&M as per MPERC order	O&M as considered by MPPGCL on Norms	Diff.
1	**STPS PH-1**	54.05	28.76	**-25.29**
2	**STPS PH-2&3**	150.98	150.98	**0.00**
3	**Total**	**205.03**	**179.74**	**-25.29**

205. The petitioner claimed the true-up of O&M expenditure as given below:

Table No. 80: **in ₹ Crores**

S. No.	Station	As per order MPERC	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	64.10	64.10	0.00
2	ATPS PH-3	38.20	38.20	0.00
3	STPS	205.03	179.74	-25.29
4	SGTPS PH-1&2	152.80	152.80	0.00
5	SGTPS PH-3	68.55	68.55	0.00
6	**Total Thermal**	**528.68**	**503.39**	**-25.29**
7	Gandhi Sagar	12.91	12.91	0.00
8	Pench	17.97	17.97	0.00
9	Rajghat	5.05	5.05	0.00
10	Bargi	10.11	10.11	0.00
11	Bansagar 1,2&3	45.48	45.48	0.00
12	Birsinghpur	2.25	2.25	0.00
13	Madhikheda	6.74	6.74	0.00
14	**Total Hydro**	**100.51**	**100.51**	**0.00**
	Total	**629.18**	**603.90**	**-25.29**

Provision in Regulation:

206. Regarding the operation and maintenance expenses of thermal power stations, Regulation 36.1 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012, provides as under,

"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 26.5."

Table No. 81: *O&M Norms for Thermal Generating Units:*

Units (MW)	*FY 2013-14 ₹Lacs/MW*
62.5	*21.62*
120	*26.71*
200/210/250	*18.19*
500	*13.71*

207. Further, Regulation 50.1 of the Regulations, 2012, regarding Hydro Power Stations provides the following norms;

Table No. 82: O&M Norms for Hydel Power Stations

Year	*O&M Expenses in ₹In lakh/MW*
FY 2013-14	*11.23*

Commission's Analysis:

208. For Thermal and Hydel Power Stations, the Commission has worked out the power station wise annual O&M expenses by applying the norms on MW capacity of the generating unit. With regard to the O&M expenses of de-commissioned unit No. 1, 2 & 4 of STPS PH-I, the petitioner claimed the O&M expenses on the basis of No. of days in operation. The Commission has also determined 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. 83: Operation and Maintenance Expenses for FY 2013-14:

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	26.71	64.1
2	ATPS, Chachai PH-III	210	18.19	38.2
3	STPS PH-I	312.5	21.62	28.77

4	STPS PH 2&3	830	18.19	150.98
5	**STPS, Sarni Complex**			179.75
6	SGTPS, Birsing'pur PH-1&2	840	18.19	152.8
7	SGTPS, Birsing'pur PH-3	500	13.71	68.55
8	Gandhi Sagar	115	11.23	12.91
9	Pench	160	11.23	17.97
10	Rajghat	45	11.23	5.05
11	Bargi	90	11.23	10.11
12	Bansagar (I to III)	405	11.23	45.48
13	Birsinghpur	20	11.23	2.25
14	Madhikheda	60	11.23	6.74
Total		**3827.5**		**603.90**

f) Compensation Allowance or Special allowance:

Petitioner’s submission

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

“The Commission in Sec. 36.2 of the Regulation RG-26(II) of 2012 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:

<u>STPS Sarni</u> :- All the units of PH - 2 &3 are above 25 years and therefore compensation allowance @ 0.84 Lakhs/MW/Year basis has been considered. As per clause 36.2 (h) of MPERC’s Regulation, 2012, the Compensation Allowance for PH-1 has not been considered.

<u>SGTPS Birsinghpur</u> :- The units No.1 & 2 are older than 15 years therefore the compensation allowance @ 0.44 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. 36(2) of Regulation RG-26(II) of 2012 @ 0.84 Lakhs/MW/Year.

The total amount of Compensation Allowance claimed by the petitioner is as given below:-

Table No. 84: ***Amount in ₹Crores***

Sr. No.	Particulars	As per MPERC Regulation for FY 14	As considered by MPPGCL on Norms
1	ATPS 2	2.02	2.02
2	ATPS 3	0.00	0.00
3	**ATPS**	**2.02**	**2.02**
4	STPS 1	0.00	0.00
5	STPS 2	3.44	3.44
6	STPS 3	3.52	3.52
7	**STPS**	**6.96**	**6.96**
8	SGTPS 1	1.85	1.85
9	SGTPS 2	0.80	0.80
10	SGTPS 3	0.00	0.00
11	**SGTPS**	**2.65**	**2.65**
12	**Total**	**11.63**	**11.63**

Provision in the Regulation:

210. With regard to compensation allowance, Regulation 36.2 of the Regulations, 2012 provides that,

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

Table No. 85: ***(₹lakh/MW/Year)***

Years	Compensation Allowance
0-10	Nil
11-15	0.19
16-20	0.44
21-25	0.84

Commission's Analysis:

211. Regulation 34.2 in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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 36.2 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.

212. 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 have already been opted by the petitioner for these units. Therefore, the compensation allowance is not considered for these units in terms of the Regulations. 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 has been worked out as follows:

Table No. 86: Compensation Allowance admitted for FY2013-14:

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	0.44	1.848
2	SGTPS PH-II	420	11 to 15	0.19	0.798
3	**SGTPS PH-I&II**	**840**		**0.265**	**2.646**
Total Amount					**2.65**

Special Allowance:

Petitioner Submission:

213. With regard to the special allowance, the petitioner submitted the following:

"The Commission in proviso 18.5 of the Regulation RG-26(II) of 2012 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 were planned for their closure, soon after the commencement of 2x250 MW Units of STPS, Sarni. MPPGCL has opted 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.1 of STPS PH-1 has been decommissioned on 07.01.2014, Unit No.2 of STPS PH-1 has been decommissioned on 05.12.2013 and Unit No.4 of STPS PH-1 has been decommissioned on 05.012.2013 by Central Electricity Authority, New Delhi. The special for the de-commissioned units claimed by the petitioner on pro rata basis.

Further, the petitioner also opted Special Allowance for Unit No. 6, 7, 8 & 9 of STPS Sarni on the rates specified by the Commission in Regulations, 2012 for FY 2013-14 i.e ₹7.5 Lakhs/MW. The Commission vide order dated 23rd July, *2015, allowed the special allowance for these units. The total amount of Special Allowance worked out before applying Actual Availability is elaborated in the table below:-*

Table No. 87: Special Allowance FY 2013-14 Amount in ₹ Crores.

S. No	Particulars	As per MPERC Order for FY 14	MPPGCL as per Norms	Diff.
1	**STPS PH 1**	18.75	9.98	**-8.77**
2	**STPS PH 2&3**	0.00	62.25	**62.25**
3	**Total**	18.75	72.23	**53.48**

Commission's Analysis:

214. The Commission in proviso 18.5 of the Regulation RG-26(II) of 2012 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 commissioning of 2x250 MW Units of STPS, Sarni. MPPGCL has opted to avail this special allowance for these five units. Accordingly, the same has been included in the Annual Fixed cost of the Station.

215. In Tariff Regulations, 2012, 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.

216. The petitioner opted special allowance for units of STPS, PH-I (5X62.5 MW) in MYT order dated 1st 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.

217. 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.

218. Further, the Commission in para 14(d) of its Order in Petition No. 56 of 2012 dated 07.11.2012, directed that in case the main comprehensive R&M proposal for Unit No. 6,7,8&9 of STPS Sarni is not filed by MPPGCL within 24 months from the date of said order, the approval of subject capital expenditure for need based R&M shall be limited to eligibility of availing Special Allowance by MPPGCL for aforesaid units for this period under Regulation 18.4 & 18.5 of Tariff Regulation, 2009 and its amendments, at the rate specified in the Regulations for each year of control period.

219. Later, 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 confirmed that the "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 the Regulations for FY2011-12, FY2012-13, FY2013-14 and FY2015-16." Vide order dated 23rd July, 2015, the Commission allowed the special allowance for units of STPS PH-2&3.

220. Unit No. 1,2 &4 of STPS, Sarni were de-commissioned on 07th January, 2014, 05th December, 2013 and 05th December, 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 proposal of the petitioner, the Commission has determined the special allowance for the units of STPS PH-I on pro-rata basis.

221. Accordingly, the special allowance for units of STPS, Sarni PH-I is allowed in this order as per Regulations, 2012 as given below :

Table No. 88:

Power House	Capacity in MW	Special Allowance ₹ Lacs/MW	Total amount ₹ Crores
STPS, Sarni PH-I	312.5	7.50	9.98
STPS, Sarni PH-2 & 3	830	7.50	62.25
Total			**72.23**

g) Interest on Working Capital:

Petitioner submission:

222. The petitioner broadly submitted the following:

The Working capital has been calculated in Hon'ble Commissions order dated 01.04.2013 in accordance to clause 37 & 51 of Principal Tariff Regulations, 2012. 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 2 months receivables has been considered for calculating interest on Working Capital

The Normative Interest on Working Capital as approved by Hon'ble Commission in the Tariff order is reproduced below before applying Actual Availability:-

Table No. 89: **in ₹ Crores**

S.No.	Station	As per MPERC Order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	11.99	11.99	0.00
2	ATPS PH-3	12.59	12.59	0.00
3	STPS	69.06	69.06	0.00
4	SGTPS PH-1&2	84.57	84.57	0.00
5	SGTPS PH-3	52.50	52.50	0.00
6	**Total Thermal**	**230.71**	**230.71**	**0.00**
7	Gandhi Sagar	0.73	0.73	0.00
8	Pench	1.13	1.13	0.00
9	Rajghat	0.46	0.46	0.00
10	Bargi	0.72	0.72	0.00
11	Bansagar 1,2&3	5.21	5.21	0.00
12	Birsinghpur	0.22	0.22	0.00
13	Madhikheda	1.00	1.00	0.00
14	**Total Hydro**	**9.47**	**9.47**	**0.00**
Total		**240.18**	**240.18**	**0.00**

Provision in Regulation:

223. Regulation 37 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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."

224. Regarding working capital for hydel power stations Clause 48.1 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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:

225. In view of the above-mentioned provision under Regulations, 2012, 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 01st April, 2013 remain unchanged.

226. Moreover, the State Bank of India Base rate as applicable/ prevailing on 01.04.2012 is 10.0% + 3.50% = 13.50%. 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 1st April, 2013, remains unchanged.

227. Also the petitioner has not claimed the true-up of working capital. Therefore, no truing up for interest on working capital is required in accordance with provisions under Regulations, 2012. The interest on working capital for FY 2013-14, as allowed in MYT order dated 01st April, 2013 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 No. 90: Interest on working capital **₹ Crores**

S. No.	Station	As per MYT Order	As considered in this order	Diff.
1	ATPS PH-2	11.99	11.99	0.00
2	ATPS PH-3	12.59	12.59	0.00
3	STPS	69.06	69.06	0.00
4	SGTPS PH-1&2	84.57	84.57	0.00
5	SGTPS PH-3	52.50	52.50	0.00
6	**Total Thermal**	**230.71**	**230.71**	**0.00**
7	Gandhi Sagar	0.73	0.73	0.00
8	Pench	1.13	1.13	0.00
9	Rajghat	0.46	0.46	0.00
10	Bargi	0.72	0.72	0.00
11	Bansagar 1,2&3	5.21	5.21	0.00
12	Birsinghpur	0.22	0.22	0.00
13	Madhikheda	1.00	1.00	0.00
14	**Total Hydro**	**9.47**	**9.47**	**0.00**
Total		**240.18**	**240.18**	**0.00**

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

Petitioner's submission:

228. With regard to cost of secondary fuel oil, the petitioner broadly submitted the following:

The Secondary Fuel Oil consumption is to be considered as per the norms specified proviso 38 of the MPERC (Terms and conditions for determination of Generation Tariff) (Revision-II) Regulations, 2012. 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. The power station wise details of Secondary Oil comprising of Furnace oil and LDO/HSD purchased in various months of FY 2013-14 is elaborated below:-

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. 91:

Particulars				ATPS Chachai	STPS Sarni	SGTPS Birsinghpur
1	**Cost of Secondary Oil**	Furnace Oil	**₹ Lakhs**	1301.71	24776.8	2674.76
2		LDO / HSD	**₹ Lakhs**	596.72	5382.43	3058.88
3		**Total**	**₹ Lakhs**	**1898.43**	**30159.3**	**5733.64**
4	**Purchased Quantity**	Furnace Oil	**kL**	2229.74	46752.6	4808.94
5		LDO / HSD	**kL**	758.03	8088.85	4236.25
6		**Total**	**kL**	**2987.77**	**54841.4**	**9045.19**
7	**Rate of Secondary Oil FY13- 14**	Furnace Oil	**Rs/kL**	58380	52996	55621
8		LDO / HSD	**Rs/kL**	78720	66541	72207
9		**Total**	**Rs/kL**	**63540**	**54994**	**63389**

229. *Based on the actual weighted average rate of Secondary Fuel Oil, the power station wise true up amount before applying Actual Availability works out to be:-*

Table No. 92: *₹ Crores*

S. No.	Power Station	As per MYT Order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	12.81	17.37	4.55
2	ATPS PH-3	7.33	9.94	2.61
3	STPS Complex	69.42	66.58	-2.84
4	SGTPS PH-1&2	35.78	42.91	7.13
5	SGTPS PH-3	19.68	23.6	3.92
6	**Total Thermal**	**145.02**	**160.39**	**15.38**

Provision in Regulation:

230. Regulation 38 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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:

231. 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 35.1 of MPERC (Terms and conditions for determination of Generation Tariff) (Revision-I) Regulations, 2012. 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 1st April, 2013, shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2013-14. The details of the actual weighted average rate of secondary fuel oil based on audited accounts for FY 2013-14 are worked out by the petitioner. The power station-wise details of actual weighted average rate of secondary oil worked out by the petitioner vis-à-vis approved in MYT order dated 1st April, 2013, are as given below:

Table No. 93: **₹/kL**

Thermal Power Stations	As per MYT Order	As per Actual	Diff.
ATPS PH-2 Chachai	46876	63540	16664
ATPS PH-3 Chachai	46876	63540	16664
STPS Sarni	47483	54994	7511
SGTPS PH-1&2	52851	63389	10538
SGTPS PH-3 Birsinghpur	52851	63389	10538

232. While comparing the weighted average rate of secondary fuel oil allowed in the MYT order dated 01st April, 2013 and filed in the subject true-up petition, it was observed that there is abnormal increase in weighted average rate of secondary fuel oil in ATPS, Chachai and SGTPS, Birsing'pur as compared to weighted average rate of secondary fuel oil in STPS, Sarni. Vide letter dated 15th June, 2015, the petitioner was asked to explain the reasons for increase in weighted

average rate of secondary fuel oil in ATPS, Chachai and SGTPS, Birsing'pur along with supporting documents in this regard.

233. By affidavit dated 10th July, 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 2013-14, at thermal power station have already been submitted before the Commission vide Annexure-22 as additional supporting documents.*

MPPGCL, while submitting the Multi Year Tariff Petition for FY 2013-14 to FY 2015-16, Petition No. 02 of 2013 had considered Wt. Average landed cost of Secondary Fuel Oil for the period July'12 for ATPS, Chachai and Sep'12 to Nov'12 for STPS, Sarni & SGTPS, Birsinghpur.

In the said True up Petition for FY 2013-14, 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 No. 94:

Power Station	Furnace Oil Quantity in KL	HSD/LDO Quantity in KL	Total Quantity in KL	% of Furnace Oil	% of HSD/LDO	Wt. Av. Landed Rate in ₹/KL
ATPS	2229.74	758.03	2987.77	74.63%	25.37%	**63540**
STPS	46752.58	8088.85	54841.43	85.25%	14.75%	**54994**
SGTPS	4808.94	4236.25	9045.19	53.17%	46.83%	**63389**

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.

The Hon'ble Commission vide MPERC Regulation, 2012 proviso 38 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

234. 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.

235. The Unit No.1,2 &4 of STPS PH-1 has been decommissioned during FY 3013-14. 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.

236. Based on the above, the power station-wise secondary fuel oil expenses as per MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 and its amendment are worked out as given below;

Table No. 95: 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	65.00	1366.56	2.0	63540	17.37
2	ATPS, Chachai PH-III	85.00	1563.66	1.00	63540	9.94
	STPS PH-I	80.00	932.00	2.75	54994	14.10
	STPS PH 2&3	75.00	5453.10	1.75	54994	52.48
3	STPS, Sarni Complex	80.00	7717.44	1.70	54994	66.64
4	SGTPS, PH-1	80.00	2943.36	1.30	63389	24.25
5	SGTPS, PH-2	80.00	2943.36	1.00	63389	18.66
6	SGTPS, PH-3	85.00	3723.00	1.00	63389	23.60
	Total					**160.40**

Non-Tariff Income:

Petitioner's Submission:

237. With regard to non tariff income, the petitioner broadly submitted the following:

The Power Station wise Non Tariff Income as per the audited books of accounts for FY 2013-14 factored to 100% for the elements mentioned in proviso 31 (a) have been worked out and detailed in the table below:-

Table No. 96:

S. No.	Station	Non Tariff Income (₹ Crores)
1	ATPS PH-2	1.77
2	ATPS PH-3	1.55
3	STPS	18.27
4	SGTPS PH-1&2	5.12

5	SGTPS PH-3	85.77
6	Gandhi Sagar	1.39
7	Pench	0.82
8	Rajghat	0.33
9	Bargi	1.90
10	Bansagar 1,2&3	1.48
11	Birsinghpur	0.01
12	Madhikheda	0.19
Total Non-tariff income		**118.60**

The above Non-Tariff Income includes amount towards Liquidity Damages (LD) deducted at SGTPS PH-3 (500MW) amounting to ₹ 82.72 Crores.

The detailed working in this regard is annexed as Annexure-23 as Additional Supporting Documents being submitted before the Commission separately.

Provision under regulations:

(a) *Any income being incidental to the business of the Generating Company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the de-capitalized/written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff income.*

(b) *The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the Generation Company:*

Provided that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time. Non tariff income shall also be Trued-up based on audited accounts.

Petitioner's Submission:

238. On scrutiny it was observed that the petitioner filed non-tariff income of ₹ 118.60 Crores whereas as per note 22 of Annual Audited Accounts, the other income indicated is ₹ 148.45 Crores. Vide letter dated 15th June' 2015, the petitioner was asked to file the reasons for difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true-up petition. The petitioner was asked to inform the following:

- Breakup of amount of other miscellaneous receipt recorded in the Annual Audited Accounts.

- Whether the income from sale of fly ash is incorporated in the aforesaid non tariff income. If so, the amount be indicated in light of the Note-3 of the balance sheet.
- As per Note-22.4 of the balance sheet, other miscellaneous receipt includes ₹82.72 Crores towards levy of LD on closure of contract for SGTPS 500 MW. This amount has been already accounted for by the Commission in its final tariff order. Therefore, the reason for filing this amount in the subject true-up petition be explained.

239. By affidavit dated 10th July, 2015, the petitioner filed its response on the queries raised by the Commission has summarized as given below:

- The amount of other income (non tariff income) i.e. ₹ 148.45 Crores, as per Audited Annual Statements of Accounts for FY 2013-14 includes amount of other income of STPS Sarni PH-4, SSTPP PH-1 & Bansagar HPS PH-4.The same are not considered in subject tariff petition as these stations are being covered by separate tariff petitions.

- The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2013-14 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Annual Audited Accounts for FY 2013-14 for the shared portion have been factored to 100% basis.

- Further, the amount of Other Income i.e. ₹ 148.45 Crores, as per Note -22 of Audited Annual Statements of Accounts for FY 2013-14, includes interest from Fixed Deposit created from sale of Fly ash & income towards disposal of capital scrap. The income from sale of fly ash has not been considered by the petitioner under Non Tariff Income with the following contention.

  The Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 in regard to the amendments made in The Environment (Protectionn) Act, 1986 and The Environment (Protection) Rules,1986, provides for mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants. In compliance to the mandatory directives, the income from sale of fly ash has not been considered under Non Tariff Income.

- The income from sale of Capital scrap was also not considered by MPPGCL in the subject true up petition under Non Tariff income.

240. The petitioner filed a statement showing power station wise break-up of non tariff

income for FY 2013-14. On perusal of the statement for Non-tariff income filed by the petitioner, it may be observed that the amount of ₹4.09 Crores is the income on account of interest on fixed deposit of fly ash income and ₹8.84 Crores is the income on account of Capital assets disposal.

241. In view of the above submission, it was observed that the response of the petitioner lacks clarity on this issue. The notification dated 3rd November' 2009 issued by the Ministry of Environment and Forests is for "restricting the excavation of top soil for manufacture of bricks and promoting the utilization of fly ash in the manufacture of building materials in construction activity" within the specified radius of 100 Kms from coal based thermal power projects. The aforesaid notification has not dealt with the issues related to the non-tariff income as contended in the instant reply filed by MPPGCL. Vide letter dated 13th August, 2015, the petitioner was further asked to explain the following:

(a) The applicability of this notification in context to the contention of MPPGCL regarding non-tariff income.

(b) Whether the ₹ 8.84 Crores is the sale value of capital scrap or it is the profit earned from sale of capital scrape.

(c) Amount of ₹ 4.09 Crores is the amount received from sale of fly ash or it is interest earn on that amount.

(d) The petitioner is also required to inform the amount received from sale of fly ash in this regard.

242. By affidavit dated 10th September, 2015 the petitioner submitted the following:

*(i) 'In this context, MPPGCL would like to draw kind attention of the Hon'ble Commission towards the Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 (**Annexure-2**) in regard to the amendments made in THE ENVIRONMENT (PROTECTION) ACT, 1986 (Annexure-3)and THE ENVIRONMENT (PROTECTION) RULES,1986 (Annexure-4), copy enclosed herewith for ready reference, issuing mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants.*

The relevant Amendment mentioned in the said notification at clause No. (11) page 19 is reproduced below:-

"(6) The amount collected from sale of fly ash and fly ash based products by coal and/or lignite based thermal power stations or their subsidiary or sister concern

unit, as applicable should be kept in a separate account head and shall be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved ; thereafter as long as 100% fly ash utilization levels are maintained , the thermal power station would be free to utilize the amount collected for other development programmes also and in case, there is a reduction in the fly ash utilization levels in the subsequent year(s), the use of financial returns from fly ash shall get restricted to development of infrastructure or facilities and promotion or facilitation activities for fly ash utilization until 100% fly ash utilization level is again achieved and maintained."

Considering above, following facts may kindly be appreciated:-

a) The income from sale of fly ash is exclusively restricted for specified use which is elaborated in the MOEF Notification dated 03.11.2009 read with Act & Rules.

b) Unless a power station achieves 100% utilization of fly ash, this income cannot be used for any other purpose except for development of infrastructure or facilities and promotion or facilitation activities for sale of fly ash. As such, till 100% fly ash utilization does not achieve the income should contribute to capital expenditure and aforesaid notification has also mentioned that as long as fly ash utilization levels are maintained, the thermal power station would be free to utilize the amount collected for other development programs. Hence, the Income from sale of fly ash cannot be utilized for revenue expenditure purposes in general.

c) Further, the proviso 22 of "The Environmental Protection Act, 1986" restricts Judicial bodies / Authorities to interpret the provisions of the act in any manner otherwise provide.

d) Since the very purpose of non tariff income is limited to revenue related items, thus any income generated for the purpose of capital expenditure (as mentioned in aforesaid notification) cannot be considered for reduction in revenue requirement.

e) Till the power station does not achieve 100% sale of fly ash, the income cannot be utilized for any other purpose and has to be deposited in a separate identified account head. Therefore, the income is practically restricted for utilizing any other development related works as well.

f) *It is also to pertinent to mention that the income deposited in bank account also earn interest, which inter-alia also become restricted income. Therefore, it is humbly submitted that the same should also be exempted from considered as non tariff income.*

g) *The assets created by utilizing income from fly ash have also to be identified in the books of account separately. The Commission may kindly to consider not permitting depreciation and return/interest on such assets created to the extent they are funded by income from sale of fly ash.*

(i) *It is to inform that, the amount of ₹ 8.84 Crores booked under the Account head - Other Income is towards profit earned from sale of scrap of de-capitalized Assets of ATPS Chachai PH-1, already retired on 31.03.2009.*

(ii) *It is to inform that, the amount of ₹ 4.09 Crores booked under the Account head - other Income is towards Interest earned on Fixed Deposits created out of Fly ash income.*

(iii) *As per Note-21 of Audited statement of Accounts for FY 2013-14, the amount ₹ 15.31 Crores was received from sale of Fly Ash. However, as per the reply at para (i) above, this amount does not fall under perview of Non-Tariff-Income."*

243. On perusal of the aforesaid submission, it is observed that the petitioner has submitted that the income from sale of fly ash is exclusively restricted for specified use which is elaborated in the MOEF Notification dated 03.11.2009. The petitioner further submitted that unless a power station achieves 100% utilization of fly ash, this income cannot be used for any other purpose except for development of infrastructure or facilities and promotion or facilitation activities for sale of fly ash.

As per Regulation 31 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012, the income from sale of ash is considered as non tariff income.

244. The petitioner has filed amount of other Income towards profit earned from sale of scrap, other Income towards Interest earned on FD's created out of Fly ash income and the amount received from sale of Fly Ash. With Additional submission dated 10th September' 2015, the petitioner filed the statement indicating Power station wise Non tariff income. In view of the above, the non tariff income considered in this order is as given below:

Table No. 97:

Sr. No.	Power Station	Non tariff income ₹ Cr.
1	ATPS, Chachai PH-II	6.592
2	ATPS, Chachai PH-III	5.768
3	STPS, Sarni Complex	18.86
4	SGTPS, Birsing'pur PH-1&2	7.48
5	SGTPS, Birsing'pur PH-3	4.45
6	Gandhi Sagar	1.38
7	Pench	0.82
8	Rajghat	0.34
9	Bargi	1.9
10	Bansagar (I to III)	1.48
11	Birsinghpur	0.01
12	Madhikheda	0.19
	Grand Total	**49.27**

Other Charges:

245. The petitioner broadly submitted the following:

“Other Charges comprises of Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges, Cost of Chemical, Cost of Consumable, Publication Charges & SLDC charges. Water Charges which are payable to Government have been paid based on rates specified by GoMP. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 39 allocated to Thermal Power Stations on MW capacity basis. The detailed workings in regard to Other Charges are annexed as Annexure-8 respectively in Additional Supporting Documents being submitted before the Commission separately. As per the Regulation 26.5, the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee, accordingly MPPGCL had not claimed these expenses in this True-up tariff petition.

246. *Considering the above elements, the overall Other Charges work out by the petitioner is ₹72.87 Crores as given below:*

Table No. 98:

S. No.	*Power Station*	*Rent, Rates & Taxes*	*Entry Tax*	*Water Charges*	*Cost of Chemicals*	*Cost of Consumables + Publications*	*MPERC Fee*	*SLDC Charges*	*Total*
1	*ATPS PH-2*	*0.009*	*0.121*	*1.302*	*0.406*	*0.068*	*0.073*	*0.053*	*2.03*
2	*ATPS PH-3*	*0.008*	*0.106*	*1.139*	*0.355*	*0.059*	*0.064*	*0.046*	*1.776*
3	*STPS*	*0.394*	*1.188*	*4.625*	*2.412*	*3.207*	*0.35*	*0.212*	*12.389*

4	*SGTPS PH-1&2*	*0.003*	*0.462*	*5.783*	*0.951*	*1.573*	*0.254*	*0.185*	*9.211*
5	*SGTPS PH-3*	*0.002*	*0.275*	*3.443*	*0.566*	*0.936*	*0.151*	*0.11*	*5.483*
6	***Total Thermal***	***0.415***	***2.151***	***16.292***	***4.689***	***5.843***	***0.892***	***0.606***	***30.889***
7	*Gandhi Sagar*	*0.037*	*0.001*	*10.792*	*0.00*	*0.111*	*0.035*		*10.976*
8	*Pench HPS*	*0.003*	*0.001*	*0.00*	*0.00*	*0.008*	*0.048*		*0.061*
9	*Rajghat HPS*	*0.007*	*0.00*	*0.00*	*0.00*	*0.365*	*0.014*		*0.386*
10	*Bargi HPS*	*0.023*	*0.001*	*10.348*	*0.00*	*0.008*	*0.027*		*10.407*
11	*Bansagar PH-1,2&3 HPS*	*0.069*	*0.047*	*16.122*	*0.00*	*-0.057*	*0.123*		*16.302*
12	*Birsinghpur HPS*	*0.00*	*0.00*	*0.009*	*0.00*	*0.123*	*0.006*		*0.138*
13	*Madhikheda*	*0.011*	*0.00*	*3.598*	*0.00*	*0.08*	*0.018*		*3.708*
14	***Total Hydro***	***0.149***	***0.05***	***40.87***	***0.00***	***0.639***	***0.271***	***0.00***	***41.979***
Total		***0.564***	***2.201***	***57.162***	***4.689***	***6.482***	***1.163***	***0.606***	***72.868***

Commission's analysis:

247. With regard to the other charges, para 5.16 and 5.17 of the MYT order dated 01st April, 2013 stated as follows:

*"*The petitioner claimed MPERC fee payable to the Commission and water charges payable to GoMP under the head of other charges in the petition. The petitioner is allowed to recover fee paid by the petitioner to MPERC for determination of tariff and water charges on usage of water levied by the GoMP from the beneficiaries on pro-rata basis as per provisions under Regulations.

The petitioner is allowed to recover the rate, rent and taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC as per Regulations 36 and 50 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012 subject to true-up based on audited accounts.*"*

248. In the MYT order dated 01st April, 2013, 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 36.1 and 50.1 of the Regulations, 2012.

249. The petitioner claimed the water charges for thermal and hydel power stations. In MYT order dated 1st April, 2013, the Commission allowed water charges on usage of water levied by the GoMP from the beneficiaries on pro-rata basis. Therefore, the petitioner is allowed to recover water charges in this order on actual basis as allowed in Commission tariff order dated 1st April' 2013.

250. The petitioner also claimed SLDC charges in accordance with the Regulation 39 of the Regulations, 2012, 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.

251. In addition to the other charges as approved above, the petitioner is entitled to recover the rent, rates and taxes payable to the government and taxes levied by the Statutory Authorities and cost of chemicals and consumables in accordance with the Regulations, 2012 on pro-rata basis.

Summary of Annual Capacity (fixed) charges:

252. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2013-14 determined in the MYT order dated 01st April, 2013 vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized in the tables as given below:

Table No. 99: Head wise Annual Capacity Charges at normative availability:

(Amount in ₹ Crores)

Head	Cost allowed In order dated 01st April, 2013	Cost determined in this order	Difference Amount
Return on Equity	335.07	335.84	0.77
Interest on Loan including interest on excess equity	188.07	198.31	10.24
Depreciation	344.48	318.86	-25.62
O&M Expenses	629.19	603.90	-25.29
Compensation Allowance	11.64	2.65	-8.99
*Special Allowance	*81.00	72.23	-6.77
Fuel Oil Expenses	145.02	160.40	15.38
Interest on Working Capital	240.18	240.18	0.00
Total AFC	**1974.65**	**1932.38**	**-42.27**
Less non Tariff income	**0.00**	**49.27**	**-49.27**
Net AFC	**1974.65**	**1883.11**	**-91.54**

Table No. 100: Power Station wise Annual Capacity Charges at normative availability:

(Amount in ₹ Crores)

Sr. No.	Power Station	Allowed in MYT order dated 01st April, 2013	Cost determined in this order	Difference Amount
1	ATPS, Chachai PH-II	107.93	116.97	9.04
2	ATPS, Chachai PH-III	206.50	209.47	2.97
3	*STPS, Sarni Complex	*482.60	399.03	-83.57

4	SGTPS (PH-1&2)	467.94	446.47	-21.47
5	SGTPS PH-III	429.64	440.20	10.56
6	Gandhi Sagar	14.35	12.85	-1.50
7	Pench	25.08	24.70	-0.38
8	Rajghat	13.39	12.68	-0.71
9	Bargi	17.84	14.78	-3.06
10	Bansagar (I to III)	167.79	163.69	-4.10
11	Birsinghpur	6.57	7.27	0.70
12	Madikheda	35.02	35.00	-0.02
Total cost worked out		**1974.65**	**1883.11**	**-91.54**

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

253. In addition to above, the prior period cost adjustment due to write-off/adjustment/de-commissioning of assets in some power stations is worked out as given below:

Table No. 101:

Power Station wise Summary of prior period cost adjustment: ₹ Crores

Sr. No.	Power Stations	Return on Equity	Depreciation	Interest on Loan	Total
1	ATPS, Chachai PH-III	-0.004	-0.09	0.00	-0.10
2	STPS, Sarni Complex	-0.69	-0.81	-0.29	-1.79
3	SGTPS, Birsing'pur PH-3	0.00	-1.47	-3.20	-4.66
4	Bansagar (I to III)	-30.41	-25.69	-2.04	-58.14
Total		**-31.11**	**-28.06**	**-5.52**	**-64.68**

Normative Annual Plant Availability Factor:

254. 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 40 and 53 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2012, for thermal and hydel power stations respectively. A comparison of normative vis-à-vis actual Plant Availability Factor as certified by SLDC for FY 2013-14 in respect of thermal and hydel power stations is as given below:

Table No. 102: Normative Vs Actual NAPAF (%) for FY 2013-14:

Name of TPS	As per MPERC Regulation,2012	MPPGCL Actuals	Difference
ATPS Chachai PH-2	65.00%	60.12%	-04.98%
ATPS Chachai PH-3	85.00%	95.70%	10.70%
STPS Sarni PH-1, 2 & 3*	76.37%	55.71%	-20.66%
SGTPS Birsinghpur PH-1 & 2	80.00%	74.86%	-05.14%
SGTPS Birsinghpur PH-3	85.00%	97.76%	12.76%

Hydro Power Station / Units	As per MPERC Regulation,2012	MPPGCL Actuals	Difference
Gandhi Sagar HPS	85.00%	92.75%	7.75%
Pench HPS	85.00%	86.74%	1.74%
Rajghat HPS	85.00%	19.37%	-65.63%
Bargi HPS	85.00%	90.07%	5.07%
Bansagar 1,2&3 HPS	85.37%	81.72%	-3.65%
Birsinghpur HPS	85.00%	85.48%	0.48%
Madhikheda HPS	85.00%	59.07%	-25.93%

Recovery of Annual Capacity (Fixed) Charges

255. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to existing thermal generating stations for the year FY 2013-14 are calculated in accordance with the regulation 40 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 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 1^{st} 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 `).

  (ii) For generating stations in Commercial Operation for ten (10) Years or more on 1^{st} 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 35. 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.

256. The annual capacity (fixed) charges of a hydro generating station are computed, based on norms specified under Regulations, 2012 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 53 of the Regulations, 2012:

257. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal and hydel generating stations for the year FY 2013-14 as per Regulation as is follows:

Table No. 103: Power Station wise Annual Capacity Charges (including prior period adjustments) approved for FY2013-14: (Recovery at Normative vis-à-vis actual Availability):

ATPS PH-II **₹ Crores**

Sr. No.	Particular	Allowed in MYT order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	5.19	5.95	5.51	0.32
2	Interest on Loan including interest on excess equity	5.74	6.02	5.57	-0.17
3	Depreciation	6.08	18.13	16.77	10.69
4	O&M Expenses	64.1	64.10	59.29	-4.81
5	Compensation Allowance	2.02	0.00	0.00	-2.02
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	12.81	17.37	16.06	3.25
8	Interest on Working Capital	11.99	11.99	11.09	-0.90
Total AFC		**107.93**	**123.57**	**114.29**	**6.36**
9	Less Non Tariff Income	-	-6.59	-6.59	-6.59
Net AFC		**107.93**	**116.97**	**107.70**	**-0.23**

ATPS PH-III (210 MW): **₹ Crores**

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	34.63	34.62	36.80	2.17
2	Interest on Loan including interest on excess equity	69.25	69.79	74.18	4.93
3	Depreciation	44.50	50.01	53.16	8.66
4	O&M Expenses	38.2	38.20	40.60	2.40
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	7.33	9.94	10.56	3.23
8	Interest on Working Capital	12.59	12.59	13.38	0.79
Total AFC		**206.50**	**215.14**	**228.68**	**22.18**
9	Less Non Tariff Income	0.00	5.77	5.77	5.77
Net AFC		**206.50**	**209.38**	**222.92**	**16.42**

STPS Complex: **₹ Crores**

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	28.68	28.82	21.02	-7.66
2	Interest on Loan including interest on excess equity	0.00	-0.29	-0.21	-0.21
3	Depreciation	22.44	-0.05	-0.03	-22.47
4	O&M Expenses	205.03	179.75	131.13	-73.90
5	Compensation Allowance	6.97	0.00	0.00	-6.97
6	Special Allowance	81	72.23	52.69	-28.31
7	Fuel Oil Expenses	69.42	66.58	48.57	-20.85
8	Interest on Working Capital	69.06	69.06	50.38	-18.68
	Total AFC	**482.60**	**416.10**	**303.54**	**-179.06**
	Less Non Tariff Income	**0.00**	**18.86**	**18.86**	**18.86**
	Net AFC	**482.60**	**397.24**	**284.68**	**-197.92**

***Special allowance includes the amount 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 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	100.61	100.62	94.15	-6.46
2	Interest on Loan including interest on excess equity	0.00	0.22	0.21	0.21
3	Depreciation	91.53	70.18	65.68	-25.85
4	O&M Expenses	152.8	152.80	142.98	-9.82
5	Compensation Allowance	2.65	2.65	2.48	-0.17
6	Special Allowance	0.00	0.00	0.00	0.00
7	Fuel Oil Expenses	35.78	42.91	40.16	4.38
8	Interest on Working Capital	84.57	84.57	79.14	-5.43
	Total AFC	**467.94**	**453.95**	**424.78**	**-43.16**
9	Less Non Tariff income	-	-7.48	-7.48	-7.48
	Net AFC	**467.94**	**446.47**	**417.30**	**-50.64**

SGTPS PH-III (500 MW): ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	85.81	88.65	95.31	9.50
2	Interest on Loan including interest on excess equity	103.01	107.59	115.67	12.66
3	Depreciation	100.09	99.09	106.52	6.43
4	O&M Expenses	68.55	68.55	73.70	5.15
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	19.68	23.60	25.37	5.69
8	Interest on Working Capital	52.50	52.50	56.44	3.94

Total AFC		**429.64**	**439.98**	**473.01**	**43.37**
	Less Non tariff income	**0.00**	**4.45**	**4.45**	**4.45**
Net AFC		**429.64**	**435.53**	**468.56**	**38.92**

Gandhi Sagar hydel: ₹ **Crores**

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	0.48	0.49	0.53	0.05
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	0.23	0.09	0.10	-0.13
4	O&M Expenses	12.91	12.91	14.09	1.18
5	Interest on Working Capital	0.73	0.73	0.80	0.07
Total AFC		**14.35**	**14.23**	**15.53**	**1.18**
6	Less Non tariff income	-	-1.38	-1.38	-1.38
Net AFC		**14.35**	**12.85**	**14.15**	**-0.20**

Pench hydel: ₹ **Crores**

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.47	4.52	4.61	0.14
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	1.51	1.91	1.94	0.43
4	O&M Expenses	17.97	17.97	18.34	0.37
5	Interest on Working Capital	1.13	1.13	1.15	0.02
Total AFC		**25.08**	**25.52**	**26.05**	**0.97**
6	less non Tariff Income	-	-0.82	-0.82	-0.82
Net AFC		**25.08**	**24.70**	**25.23**	**0.15**

Rajghat hydel: ₹ **Crores**

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	3.85	3.85	0.88	-2.97
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	4.03	3.65	0.83	-3.20
4	O&M Expenses	5.05	5.05	1.15	-3.90
5	Interest on Working Capital	0.46	0.46	0.10	-0.36
Total AFC		**13.39**	**13.02**	**2.97**	**-10.42**
6	Less non Tariff income	-	-0.34	-0.34	-0.34
Net AFC		**13.39**	**12.68**	**2.63**	**-10.76**

Bargi hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.05	4.05	4.29	0.24
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	2.96	1.81	1.92	-1.04
4	O&M Expenses	10.11	10.11	10.71	0.60
5	Interest on Working Capital	0.72	0.72	0.76	0.04
Total AFC		**17.84**	**16.68**	**17.68**	**-0.16**
6	Less non Tariff Income	-	-1.90	-1.90	-1.90
Net AFC		**17.84**	**14.78**	**15.78**	**-2.06**

Bansagar PH-I, II and III: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	57.84	23.66	22.65	-35.19
2	Interest on Loan including interest on excess equity	1.04	0.34	0.32	-0.72
3	Depreciation	58.22	32.34	30.96	-27.26
4	O&M Expenses	45.48	45.48	43.54	-1.94
5	Interest on Working Capital	5.21	5.21	4.99	-0.22
Total AFC		**167.79**	**107.03**	**102.46**	**-65.33**
	Less Non Tariff Income	**0.00**	**1.48**	**1.48**	**1.48**
	Net AFC	**167.79**	**105.55**	**100.98**	**-66.81**

Birsingpur hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	2.43	2.43	2.44	0.01
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00	0.00
3	Depreciation	1.67	2.39	2.40	0.73
4	O&M Expenses	2.25	2.25	2.26	0.01
5	Interest on Working Capital	0.22	0.22	0.22	0.00
Total AFC		**6.57**	**7.28**	**7.32**	**0.75**
6	Less Non Tariff income	-	-0.01	-0.01	-0.01
Net AFC		**6.57**	**7.27**	**7.31**	**0.74**

Madikheda hydel: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	7.03	7.08	4.92	-2.11
2	Interest on Loan including interest on excess equity	9.03	9.12	6.34	-2.69

3	Depreciation	11.22	11.25	7.82	-3.40
4	O&M Expenses	6.74	6.74	4.68	-2.06
5	Interest on Working Capital	1.00	1.00	0.69	-0.31
Total AFC		**35.02**	**35.19**	**24.45**	**-10.57**
6	Less non tariff Income	-	-0.19	-0.19	-0.19
	Net AFC	**35.02**	**35.00**	**24.26**	**-10.76**

Table No. 104: Head wise Annual Capacity Charges at normative availability: ₹ Crores

Sr. No.	Particular	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At normative parameters	At actual parameters	
1	Return on Equity	335.07	304.74	293.11	-41.96
2	Interest on Loan including interest on excess equity	188.07	192.79	202.08	14.01
3	Depreciation	344.48	290.81	288.07	-56.41
4	O&M Expenses	629.19	603.90	542.46	-86.73
5	Compensation Allowance	11.64	2.65	2.48	-9.16
6	Special Allowance	81.00	72.23	52.69	-28.31
7	Fuel Oil Expenses	145.02	160.40	140.72	-4.30
8	Interest on Working Capital	240.18	240.18	219.15	-21.03
Total AFC		**1974.65**	**1867.69**	**1740.76**	**-233.89**
	Less Non tariff Income	**0.00**	**49.27**	**49.27**	**49.27**
	Net AFC	**1974.65**	**1818.42**	**1691.49**	**-283.16**

***Special allowance includes the amount for STPS PH-2&3 allowed vide Commission's order dated 23rd July, 2015.**

Table No. 105:

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

Sr. No.	Power Station	Allowed in tariff order dated 01st April, 2013	Determined in this order		True-up at Actual Availability
			At normative PAF	At actual PAF	
1	ATPS, Chachai PH-II	107.93	116.97	107.70	-0.23
2	ATPS, Chachai PH-III	206.50	209.38	222.92	16.42
3	STPS, Sarni Complex	482.60	397.24	284.68	-197.92
4	SGTPS (PH-1&2)	467.94	446.47	417.30	-50.64
5	SGTPS PH-III	429.64	435.53	468.56	38.92
6	Gandhi Sagar	14.35	12.85	14.15	-0.20
7	Pench	25.08	24.70	25.23	0.15
8	Rajghat	13.39	12.68	2.63	-10.76
9	Bargi	17.84	14.78	15.78	-2.06
10	Bansagar (I to III)	167.79	105.55	100.98	-66.81
11	Birsinghpur	6.57	7.27	7.31	0.74
12	Madikheda	35.02	35.00	24.26	-10.76
Total cost worked out		**1974.65**	**1818.42**	**1691.49**	**-283.16**

258. The subject petition is for true-up of about 39 generating units (12 power stations) of MPPGCL as whole. With the subject petition, MPPGCL has come up for the first time with several changes in the figures of asset values of various generating units, either on account of transfer of assets from one generating unit to the other or capitalized asset to CWIP or adjustment entries etc. The revision in the asset values was to be considered from the past period for which the true-

up orders have been issued on the basis of audited accounts for each year. Similarly, other issue regarding transfer/adjustments of assets between MPPGCL and Water Resource Department, GoMP require a comprehensive review of all past true-up orders for re-determination of various Annual Fixed Cost components of Bansagar HPS. Accordingly, the Return on Equity, Depreciation and Interest on loan of some power stations have been reworked for the past periods in the instant exercise. On account of the aforesaid reasons, inordinate time has been spent for detailed scrutiny and reconciliation of all past figures to arrive at an appropriate and allowable cost. In view of the above, MPPGCL is advised to refrain itself to the extent possible, for reoccurrence of such events like erroneous booking of asset values in the head of capitalization and transfer to CWIP thereafter and delay in adjustment of assets with its own generating units or outside agency like WRD to avoid unnecessary extensive exercise as required in this order.

259. This order is for the true-up of the Multi-year tariff order dated 01st April, 2013 to the extent it was applicable for FY 2013-14. 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, 2013 to 31st March, 2014. 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, 2012 in the ratio of energy supplied to them in FY 2013-14 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 : 30th January, 2016

Place : Bhopal

Annexure-I

Observations of the Commission and response of petitioner

(i) De-commissioning of Units:

Issue:-

As informed, some units of STPS PH-1 Sarni have been de-commissioned in FY 2013-14. CEA's approval in respect of de-commissioning of only Unit No. 1 is submitted with the petition. The copy of CEA's approval for Unit No. 2 and 4 be also submitted.

MPPGCL's Reply:-

As desired, the copy of approval of Central Electricity Authority towards De-Commissioning of Unit No. 2 and 4 of STPS Sarni PH-1 is annexed as ***Annexure-1*** *for kind reference please.*

(ii) Non tariff income:

Issue:-

The petitioner has considered non-tariff income of ₹ 118.60 Crores, whereas other income is ₹ 148.45 Crores as per Note-22 in Annual Audited Accounts. Therefore, the petitioner is required to clarify/submit the following:

- Reason for difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true-up petition.

MPPGCL's Reply:-

As desired, the reasons for difference in amount of Non Tariff Income as per Note-22 of Audited Annual Statements of Accounts and as filed in True Up Petition for FY 2013-14 are detailed here under:

- *The amount of Other Income (Non Tariff Income) i.e. ₹148.45 Crores, as per Note -22 of Audited Annual Statements of Accounts for FY 2013-14 includes amount of other income of STPS Sarni PH-4, SSTPP PH-1 & Bansagar HPS PH-4(Jhinna). The same are not considered in subject Tariff petition as these stations are being covered by separate tariff petitions.*

- *Further, the amount of Other Income i.e. ₹148.45 Crores, as per Note -22 of Audited Annual Statements of Accounts for FY 2013-14 includes interest from Fixed Deposit created from sale of Fly ash & income towards disposal of capital scrap.*

(a) *As informed by MPPGCL vide letter No. 07-12/Cs-MPPGCL/MPERC/Reg. FY14-FY16/ 105 dated 24.01.2013, the Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 in regard to the amendments made in THE ENVIRONMENT (PROTECTION) ACT, 1986 and THE ENVIRONMENT (PROTECTION) RULES,1986, provides for mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants. In compliance to the mandatory directives, the income from sale of fly ash has not been considered under Non Tariff Income.*

(b) *The income from sale of Capital scrap was not considered by MPPGCL in the subject true up petition under Non Tariff income of ₹ 118.60 Crores in accordance with proviso 31(a) of MPERC Regulations, 2012.*

- *The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2013-14 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Note -22 of Audited Annual Statements of Accounts for FY 2013-14 for the shared portion have been factored to 100% basis.*

- *Considering the above facts, the detailed working of Non Tariff Income is annexed as* ***Annexure -2.***

(iii) Issue:-

Breakup of amount of other miscellaneous receipt recorded in the Annual Audited Accounts.

MPPGCL's Reply:-

As desired, the Breakup of amount of other miscellaneous receipt as recorded in Note -22 of Audited Annual Statements of Accounts for FY 2013-14 is annexed ***Annexure-3.***

(iv) Issue:-

Whether the income from sale of fly ash is incorporated in the aforesaid non tariff income. If so, the amount be indicated in light of the Note-3 of the balance sheet.

MPPGCL's Reply:-

It is to humbly submit that MPPGCL vide letter No. 07-12/Cs-MPPGCL/MPERC/Reg. FY14-FY16/ 105 dated 24.01.2013, has already informed that the Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 in regard to the amendments made in THE ENVIRONMENT (PROTECTION) ACT, 1986 and THE ENVIRONMENT (PROTECTION) RULES, 1986, provides for mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants. In compliance to the mandatory directives, the income from sale of fly ash has not been considered under Non Tariff Income.

(v) Issue:-

As per Note-22.4 of the balance sheet, other miscellaneous receipt includes ₹ 82.72 Crores towards levy of LD on closure of contract for SGTPS 500 MW. This amount has been already accounted for by the Commission in its final tariff order. Therefore, the reason for filing this amount in the subject true-up petition be explained.

MPPGCL's Reply:-

The Hon'ble Commission vide its order dated 26.02.2013 has determined the Final Generation tariff of SGTPS PH-3 (500 MW). In the said order, the Hon'ble Commission has made deduction of ₹ 93.04 Crores towards Liquidated damages(LD) and ₹ 18.50 towards Exchange Rate variation(ERV) from the Gross Block as on CoD of SGTPS PH-3 (500 MW). The total deduction works out to ₹111.54 Crores.

In the Financial year 2013-14, the amount of LD has been settled with M/s BHEL which now amounts to ₹ 82.72 Crores as against the amount initially retained amounting to ₹ 93.04 Crores. The supporting documents in this regard are annexed as ***Annexure-4****. However amount of Exchange Rate variation remains unaltered i.e. 18.50 Crores.*

As per prevailing Accounting Standard and practices, the Gross Block of Fixed Assets are to maintained at Original Cost. Thus, in the Audited Books of Accounts for FY 2013-14, the amount of LD retained i.e. ₹ 82.72 Crores as a result of settlement has been recorded under the head Other Income and the amount of Exchange Rate variation i.e. 18.50 Crores has been deducted from the Gross Block of SGTPS PH-3 (500MW).

The true Up petitions filed by MPPGCL are based on the figure captured in Audited Books of Accounts. Accordingly, in line with Audited Books of Accounts of MPPGCL for FY 2013-14, in the subject True Up petition, the amount of LD retained i.e. ₹ 82.72 Crores has been considered under the head Non-Tariff income. Further, the amount of Exchange Rate variation i.e. ₹ 18.50 Crores has been deducted from the Gross Block of SGTPS PH-3(500MW).

(vi) Revised operating norms of STPS, Sarni:

Issues:-

The petitioner has sought revision of operating norms of STPS, Sarni due to decommissioning of the units of STPS PH-I. The power house/unit wise norms are fixed for all the thermal power stations in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 and there is no provision in the aforesaid Regulations for revision in norms on de-commissioning of any unit of the power station.

In view of the above, the petitioner is required to explain the reasons for seeking revision of operating norms for STPS, Sarni for FY 2013-14 in light of provisions under Regulations.

MPPGCL's Reply:-

The proviso 35 of MPERC Regulation 2012 specifies the Norms of Operation for the thermal power stations of MPPGCL for the control period FY 2014 to FY 2016, wherein the norms of STPS Complex were derived based on Wt. Average basis with the installed capacity considered as 1142.5 MW.

Subsequently, Unit No. 3 & 5 of STPS Sarni PH-1 were decommissioned in FY 2012-13 and unit No. 1, 2 & 4 of STPS PH-1 were decommissioned in FY 2013-14.

The Hon'ble Commission vide order dated 01.04.2013 has approved the tariff of STPS, Sarni on Complex basis i.e. PH-1, 2 & 3. The approved Fixed Cost of STPS Complex was further segregated by Hon'ble Commission vide order dated 09.07.2013 in petition No. 15 of 2013 among STPS PH-1 & STPS PH-2&3 (as a whole).

In the above segregation, the tariff of STPS PH-2 & STPS PH-3 was determined by Hon'ble Commission as a whole, inevitably the billing of tariff of STPS PH-2 & 3 is done on combined basis.

It is to also to mention that Actual PAF provided by State Load Dispatch Centre (SLDC) in SEAs are for STPS Complex. Accordingly, for the adoption of fair billing procedure, the Norms of Operation for STPS Complex, Sarni needs to be reworked out on MW-Day basis for FY 2013-14 & onwards giving due consideration to the de-commissioning of units of STPS Sarni PH-1 between the year. The Installed Capacity of STPS Complex is changing during the year, accordingly the Wt. Average norms of operation for the STPS Complex gets modified on each decommissioning of Units.

In view of above, MPPGCL in the subject True up petition for FY 2013-14 has reworked out the Wt. Average Norms of operation for STPS complex on MW-Days, considering the impact of de-commissioning of units of STPS Sarni PH-1 as indicated in Table 2.2.14. However, the Power House wise Norms of Operations i.e. PH-1, PH-2 and PH-3 of STPS Sarni remains unaltered.

The detailed working in this regard has already been submitted before the Hon'ble Commission as Annexure-3 in Additional Supporting documents sent vide this office letter No.517 dated 08.05.2015.

The aforesaid revision is sought by MPPGCL under proviso 63.3 of MPERC Regulation 2012, is reproduced as under:-

> ***"Nothing in these Regulations shall bar the Commission from adopting, in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of this Regulation, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters."***

(vii) Capital Cost and Additional Capitalization:

Issues:-

It is observed from the details regarding Gross Block, asset additions and adjustments filed in table 4.4.1.1 of the petition that the total addition as per Audited Accounts is ₹ 6989.37 Crores whereas, the petitioner has filed ₹ 6858.62 Crores for the same. Similarly, the petitioner has mentioned Adjustment/write-off/de-commissioning assets of ₹ 85.50 Crores whereas, the amount towards deductions/adjustment is ₹ 99.30 Crores as per schedule 12 of the Audited Account. Therefore, the reasons for the aforesaid discrepancies be explained.

MPPGCL's Reply:-

In to clarify that total asset addition filed by MPPGCL in Table No. 4.4.1.1 amounts to ₹6944.44 Crores and the figure of ₹6858.37 Crores as indicated by Hon'ble commission in above observation is the Net asset addition i.e. after deduction of Write-off, assets de-commissioned etc.

The difference in the figures of Asset addition /Asset deduction as reflected in Note-12 of Audited Statement of Accounts for FY 2013-14 and filed by MPPGCL in Table No. 4.4.1.1 of subject petition is merely on account different approach of presentation of Assets Not-in-use & contra entries.

In Note-12 of Audited Statement of Accounts of FY 2013-14, the amount of Assets Not-in-use/contra entries are indicated under the head Asset addition/deduction, whereas MPPGCL in table No.4.4.1.1 has shown amount of assets Not-in-use separately and nullified the effect of contra entries for convience of Hon'ble Commission. The same is tabulated hereunder:

₹Crores

Particulars	***Asset Additions***	***Deduction/ adjustments***
As per Note-12 of Audited Statement of Accounts for FY 2013-14	*6989.4*	*99.31*
Less: Assets Not in use	*31.51*	*0.01*
Less: Contra Entries	*13.75*	*13.75*
Net Amount	***6944.1***	***85.5***
As detailed in petition	***6944.1***	***85.5***
Difference	***0.00***	***0.00***

Accordingly, there is no difference between the Asset addition /Asset deduction as reflected in Note-12 of Audited Statement of Accounts for FY 2013-14 and filed by MPPGCL in Table No. 4.4.1.1 of subject petition.

(viii) Issues:-

The Annual Audited Accounts filed by MPPGCL are for the company as a whole whereas, the Commission determined the power station-wise tariff. Therefore, the petitioner is required to file detailed station-wise break-up of the audited figures with respect to the opening Gross Fixed Assets, assets added during the year, assets not in use and closing Gross Fixed Assets along with the assets written-off if any, during FY 2013-14.

MPPGCL's Reply:-

As desired, Power station-wise break-up of the Opening Gross Block of Fixed Assets, Assets added during the year & Closing Gross Block of Fixed Assets along with the Assets Written-off/Decommissioned/Not-in-use as per Annual Audited Books of Accounts of FY 2013-14 vis-a-vis claimed in the subject petition is annexed as ***Annexure-5A & 5B*** *respectively.*

(ix) Issues:-

The petitioner has filed the power station wise Assets-cum-depreciation registers for FY2013-14. The above mentioned details regarding Opening Gross Fixed Assets, addition of assets and Closing Gross Fixed Assets needs to be reconciled with the figures in Annual Audited Accounts. The difference in the figures if any, between the two records be explained.

MPPGCL's Reply:-

MPPGCL humbly request Hon'ble Commission to kindly refer ***Annexure-5A & 5B*** *above, wherein the Gross Block details of MPPGCL are already elaborated.*

Further, as desired, the Power Station wise comparative statements towards difference in the figures as per Audited Books of Accounts of FY 2013-14 and as claimed in subject petition & detailed in Asset-Cum-Depreciation Registers with respect to Opening Gross Block, Assets addition, Write off/Adjustment/Asset not in use etc. along with reasons are annexed as ***Annexure-6A to 6E,*** *respectively.*

(x) Additional capitalization in new power station:

Issue:-

With regard to the additional capitalization during FY2013-14 in new power stations (like ATPS 210 MW, SGTPS 500 MW), the petitioner is required to submit the details of additional capitalization in terms of Regulation 20.1 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012. The petitioner is also required to file a comprehensive reply on the following issues with all relevant supporting documents in favor of its claim for additional capitalization:

- 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, 2012.

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 and SGTPS 500 MW 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 ₹ 7.28 Crores have been capitalized at ATPS Chachai (210MW) during FY 2013-14 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.7.1 on page No. 45 of subject True Up petition.

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-11 in Additional Supporting documents sent vide this office letter No.517 dated 08.05.2015.

As the extension unit No. 5 of ATPS Chachai (210MW) has been commissioned on 10.09.2009, the same was governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2009.

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 humbly submits 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 2013-14.

In Audited Books of Accounts for FY 2013-14, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 6.52 Crores and in Account 11.XXX (Capital Spares) amounting to ₹ 0.76 Crores. Accordingly, in the True Up Petition for FY 2013-14, MPPGCL has claimed the total asset addition / capitalization amounting to ₹ 7.28 Crores (₹ 6.52 Crs+₹ 0.76 Crores.)

The said capitalization in FY 2013-14 is being claimed in accordance to Proviso 20.1 (b) & (e) 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, works deferred for execution and procurement of initial capital spares may be admitted by the Commission subject to prudent check.

Further proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensible by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance under clause 36.2 shall not be admissible.

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 ₹ 30.04 Crores have been capitalized during FY 2013-14 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.25.1 on page No. 53 of subject True Up petition.

These works are covered under the original work estimate of ₹ 2300 Crores, approved by GoMP. The copy of approval and relevant supporting documents have already been submitted before the Hon'ble Commission as Annexure-12 and Annexure-13 as Additional Supporting Documents sent vide letter No.517 dated 08.05.2015.

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 2013-14 and captured in Books of Accounts.

In Audited Books of Accounts for FY 2013-14, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 28.87 Crores and in Account 11.XXX (Capital Spares) amounting to ₹1.17 Crores. Accordingly, in the True Up Petition for FY 2013-14, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹ 30.04 Crores (₹ 28.87 Crores + ₹1.17 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 …*

(xi) 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 ₹7.28 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 along with supporting documents has already been submitted before the Hon'ble Commission as Annexure-11 & 12 in Additional Supporting documents sent vide 517 dated 08.05.2015.

SGTPS 500MW Extn. No.5 Birsinghpur:

The asset capitalization amounting to ₹ 30.04 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 along with supporting documents has already been submitted before the Hon'ble Commission as Annexure-13 & 14 in Additional Supporting Documents sent vide letter No517 dated 08.05.2015.

(xii) Issue:-

In case of ATPS 210 MW, if the capitalization of assets has been done beyond the cut-off date, the petitioner is required to justify its claim with reference to the provisions under Regulation 20.2 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2009.

MPPGCL's Reply:-

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 humbly submits 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 2013-14.

In Audited Books of Accounts for FY 2013-14, the asset additions has been transferred in the Account Code 10.XXX (Fixed Assets) amounting to ₹ 6.52 Crores and in Account 11.XXX (Capital Spares) amounting to ₹ 0.76 Crores. Accordingly, in the True Up Petition for FY 2013-14, MPPGCL has now claimed the total asset addition / capitalization amounting to ₹ 7.28 Crores (₹ 6.52 Crs+₹ 0.76 Crores.)

The said capitalization in FY 2013-14 is being claimed in accordance to Proviso 20.1 (b) & (e) of MPERC Regulation 2012, which provides that the assets addition within the original scope of work after the date of Commercial operation on account of, works deferred for execution and procurement of initial capital spares may be admitted by the Commission subject to prudent check.

Further proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensible by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance under clause 36.2 shall not be admissible.

(xiii) Issues:-

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' 2014 for each project along with supporting documents be filed.

MPPGCL's Reply:-

ATPS 210MW Extn. Unit No. 5 Chachai:

The statement detailing the breakup the project cost amounting to ₹ 1242.14 crores approved by GoMP has already been submitted before the Hon'ble Commission as Annexure-13 as Additional Supporting Documents sent vide letter No517 dated 08.05.2015.The same is again annexed as ***Annexure-7.***

Further as desired the statement detailing works completed / to be completed at ATPS 210 MW as on 31.03.2014 is annexed as ***Annexure-8.***

SGTPS 500MW Extn. No.5 Birsinghpur:

The statement detailing the breakup the project cost amounting to ₹ 1242.14 Crores approved by GoMP has already been submitted before the Hon'ble Commission as Annexure-13 as Additional Supporting Documents sent vide letter No 517 dated 08.05.2015. The same is again annexed as ***Annexure-9****.*

Further as desired the statement detailing works completed / to be completed at SGTPS 500 MW as on 31.03.2014 is annexed as ***Annexure-10.***

(xiv) **Issues:-**

The following details regarding the capital spares/claimed in ATPS 210 MW and SGTPS 500 MW units be filed in light of the Regulations:

Original Project Cost	Capital Spares till 31st March, 2012 admitted by the Commission	Admitted capital spares % of the original capital cost	Capital Spares filled in true-up of FY13 & FY14	Total Capital Spares filed as on 31/12/2014	Total filed capital spares % of the original capital cost
₹ Cr.	**₹ Cr.**	**%**	**₹ Cr.**	**₹ Cr.**	**%**

MPPGCL's Reply:-

As desired by Hon'ble Commission, the details regarding the capital spares at ATPS 210 MW and SGTPS 500 MW in prescribed format is tabulated hereunder:

Power Station	***Original Project Cost***	***Capital Spares till 31st March, 2012 admitted by the Commission***	***Admitted capital spares % of the original capital cost***	***Capital Spares filed in true-up of FY13 & FY14***		***Adjustment towards amount earlier booked as Capital Spares transferred to Fixed Assets/other Station***	***Total Capital Spares filed as on 31/03/2014***	***Total filed capital spares % of the original capital cost***
				FY 13	***FY 14***			
	₹Cr.	***₹Cr.***	***%***	***₹Cr.***	***₹Cr.***	***₹Cr.***	***₹Cr.***	***%***
ATPS PH-3	*1242.14*	*7.32* *****	*0.59%*	*26.07*	*0.76*	*0*	*34.15*	*2.75%*

(210 MW)								
SGTPS PH-3 (500 MW)	*2300*	*47.24* **	*2.05%*	*7.8*	*1.17*	*-6.29* **	*49.93*	*2.17%*

**** The Capitalization of ₹7.32 Crores at ATPS 210 MW was initially approved Hon'ble Commission in The Final tariff order for ATPS 210 MW under the head Fixed assets, later on in FY 2012-13 ,the same was transferred to Account Head Capital Spares and informed to Hon'ble Commission vide letter dated 10-04-2015.***

***** The Capitalization of ₹47.24 Crores at SGTPS 500 MW was approved Hon'ble Commission in The True order for FY 2011-12 under the head Capital Spares, later on in FY 2013-14 the amount of ₹ 6.09 Crores was transferred to Account head-Fixed Assets and ₹0.20 Crores was transferred STPS PH-4. The same is detailed in Table 4.4.6.1 Page No.72 of True Up petition for FY 2013-14.***

(xv) **Issue:-**

SGTPS 500 MW Ext. Unit No. 5 was declared under commercial operation on 28.08.2008. The additional capitalization of ₹ 30.04 Crores is filed for this unit under the following major works/components:

Details of Asset Capitalized	**Amount ₹ Cr.**
Cost of Land Development on Leasehold Land	6.93
Office Buildings	5.38
Boiler Plant & Equipments	3.55
Turbine-Generator-Steam Power Generation	7
Instrumentation and Controls	3.45

The petitioner is required to submit a detailed break-up of all above works/components clearly explaining how this generating unit was commissioned and under operation for a period of more than five years without execution of these works.

MPPGCL's Reply:-

The Account head wise reply is as follows:-

a) Cost of Land Development on Leasehold Land.

It is to submit that the amount reflected under this head pertains towards payment made to Department of Forest as differential amount due to revision in value of land earlier purchased for construction of 2nd phase Ash Bund at SGTPS. The supporting document is annexed as **Annexure-10A.** *The capitalization of said amount was done in FY 2013-14, accordingly the same is claimed in subject petition.*

b) Office Buildings

The construction of Office Building for 500MW Unit was delayed on account of the tendering process. The order for construction of Office Building was placed on M/s G.K. Builders, Birsinghpur on 25.08.2012. The copy of supporting document is annexed as ***Annexure-10B****. The capitalization of said amount was done in FY 2013-14, accordingly the same is claimed in subject petition.*

c) Boiler Plant & Equipments

d) Turbine-Generator-Steam Power Generation

e) Instrumentation and Controls

The balance amount capitalized under above mentioned heads pertains to various work/supply orders covered under original scope of work, which were already completed before CoD and mainly on account of Price Variation claims now been settled.

(xvi) Issue:-

Additional Capitalization in existing power stations:

Regarding additional capitalization in existing power stations during FY2013-14, the petitioner is required to submit the details of additional capitalization in terms of Regulation 20 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012. The petitioner is also required to file a power station wise comprehensive reply on the following issues with all relevant supporting documents in favor of its claim:

- Whether the addition of assets in existing power stations is on account of the reasons (a) to (d) in clause 20.2 of the Regulations' 2012.

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 ₹ 0.75 Crores were capitalized at ATPS Chachai PH-2 during FY 2013-14 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.3.1 at page No. 43.

In this regard the copy of supporting documents are already submitted before the Hon'ble Commission as Annexure-9 in Additional Supporting documents sent vide letter No.517 dated 08/05/2015.

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 2012 were not applicable on the same.

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 the above context, it is to submit that the additional Capitalization under the said scheme at ATPS PH-2 has been already approved by Hon'ble Commission in the True Up orders for FY 2008-09, FY 2010-11 & FY 2011-12. In the True up petition for FY2012-13, MPPGCL has claimed additional capitalization of ₹4.04 Crores under the said scheme.

SGTPS PH-1 & 2 :

The minor asset addition towards procurement of office equipments, Furniture & computers amounting to ₹ 0.15 Crores were capitalized at SGTPS PH-1&2 during FY 2013-14 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.22.1 on page No. 52.

Pench HPS :

The assets amounting to ₹ 1.87 Crores were capitalized at Pench HPS during FY 2013-14 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.40.1 on page No.57.

*The aforesaid expenditure is towards procurement of Electro Hydraulic governor under Restricted Governor Mode Operation (**RGMO**) scheme of Hon'ble CERC. In this regard the copy of supporting documents have already been submitted before the Hon'ble Commission as Annexure-16 in Additional Supporting documents sent vide letter No.517 dated 08/05/2015.*

The said capitalization is claimed under Proviso 20.2(a) of MPERC Regulations, 2012 which provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.

Further Proviso 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

Bansagar PH-1,2&3 :

The assets amounting to ₹0.23 Crores were capitalized at Bansagar PH-1, 2 & 3 during FY 2013-14 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. 56.

The aforesaid expenditure is mainly on account of compensation paid for land amounting to ₹ 0.19 Crores and balance ₹ 0.04 Crores towards payment for installation of fire protection system and computers.
In this regard the copy of supporting documents are already submitted before the Hon'ble Commission as Annexure-14 in Additional Supporting documents sent vide letter No. 517 dated 08/05/2015.

The said capitalization is claimed under Proviso 20.2(a) of MPERC Regulations, 2012 which provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.

Further Proviso 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work ,which become necessary for efficient and successful plant operation.

Gandhi Sagar HPS:

The minor asset addition towards procurement of Furniture & computers amounting to ₹ 0.01 Crores were capitalized at Gandhi Sagar HPS during FY 2013-14 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.34.1 on page No. 57.

(xvii) 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 2013-14. 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.

(xviii) 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 assets and not against any write off.

The other assets which are written off/de-commissioned/adjusted at various Power Stations have been detailed in Table 4.4.6.1 on page 72 of True up petition for FY 2013-14 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. 517 dated 08/05/2015.

(xix) Issue:-

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

MPPGCL's Reply:-

Supporting document in respect of estimated completion cost/actual cost for need based R&M works at ATPS PH-2 (2x120MW) is annexed as ***Annexure-11.***

(xx) Issue:-

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

MPPGCL's Reply:-

As desired, the supporting document in respect approval from competent authority towards R&M works at ATPS PH-2 is annexed as ***Annexure 12.***

The other minor assets capitalization at existing power stations are approved by respective stations heads.

(xxi) Issue:-

On perusal of the details for additional capitalization filed in table 4.3.48.1 of the petition, it may be observed that there is mismatch between the funding and assets capitalized through this funding during the year. Therefore, the details of additional capitalization and its funding be filed in the following table:

Power Station	Assets capitalized	Loan Component	Equity Component	Debt-equity ratio
	₹ Cr.	₹ Cr.	₹ Cr.	%

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 2013-14 in Chapter 4.3 namely "Additional Capitalization/de-capitalization and funding thereof". However, the same is again elaborated in the desired format, annexed as ***Annexure-13.***

(xxii) **Write-off/Adjustment/de-commissioned assets:**

Commission's Observation:-

It may be observed that some of the assets in ATPS Chachai, STPS Sarni SGTPS Birsinghpur, Gandhisagar, Bargi and Bansagar HPS have been write-off/adjusted/de-commissioned during the year. The details of such assets are provided in table No. 4.4.1.1 and 4.4.6.1 of the petition. The petitioner is required to explain/clarify the following issues:

- In table 4.3.50.3, the assets of ₹ 5.15 Crores for STPS Sarni are write-off/transferred whereas, in table 4.4.1.1, this amount is indicated as ₹ 36.66 Crores. The reason for this discrepancy be submitted.

MPPGCL's Reply:-

It is to submit that 4.3.50.3 of Subject true up petition of FY 2013-14 indicates the Assets transferred from STPS PH-2&3 to STPS PH-4 amounting to ₹ 5.15 crores. Whereas table 4.4.1.1 of subject True up petition for FY 2013-14 indicates the total amount of deduction/ adjustment/ assets decommissioned at various power Stations as per Audited Books of Accounts wherein ₹ 36.66 Crores pertains to STPS PH-1 & STPS PH-2&3.

The breakup of deduction of ₹ 36.66 crores is tabulated hereunder:

In ₹ Crores

	Particulars	***Amount***	***Reference***
1	*Assets decommissioned as STPS PH-1 as per Audited Books of Accounts for FY 2013-14*	*31.51*	*Table No. 4.3.15.1 Page 48 of true up petition FY 2013-14*
2	*Assets transferred from STPS Sarni PH-2&3 to STPS Sarni PH-4*	*5.15*	*Table No.4.3.50.3 Page 63 of true up petition FY 2013-14*
	Total	***36.66***	*Table No.4.4.1.1 Page67 of true up petition FY 2013-14*

(xxiii) **Issue:-**

Further, in table 4.4.1.1 the assets of ₹40.85 Crores. in STPS, Sarni are shown as "not in use". The details of all such assets "not in use" be submitted. The petitioner is required to confirm whether these assets are part of GFA and asset-cum-depreciation register of STPS Complex.

MPPGCL's Reply:-

*As desired by Hon'ble Commission, the Account head wise details of Assets not in use at STPS PH-1 amounting to ₹ 40.85 Crores is annexed as **Annexure-14.***

Further it is to mention that he amount held under Asset not in use in the Audited Books of Accounts pertains to the assets which have been decommissioned/ written off and presently Not-in-Use at STPS Sarni PH-1. These assets have been kept in abeyance till their disposal in future.

For the tariff purpose, the assets decommissioned / written off are being reduced from the Gross block of respective power stations. Accordingly, Asset-cum-Depreciation registers have been updated.

(xxiv) **Issue:-**

In SGTPS 500 MW, the assets of ₹ 28.90 Crores (pertains to ash handling plant were capitalized and shown in audited accounts for FY2012-13) have been now transferred in CWIP during FY2013-14. The petitioner is required to explain the reason for the same.

MPPGCL's Reply:-

It is to submit that the said capitalization of ₹ 28.90 Crores pertains to Ash Handling Plant which was erroneously considered for capitalization under Account head Fixed Assets during FY2012-13, however in FY 2013-14, it was observed by the project office that some works relating Ash Handling Plant in progress, accordingly the said capitalization was retransferred to Account head capital Work in progress (CWIP) in the Audited Books of Accounts for FY 2013-14.

Accordingly, in line with Audited Books of Accounts, MPPGCL in the True up petition for FY 2013-14, has reduced the Gross Block of SGTPS PH-3 (500MW) along with its funding.

(xxv) Issue:-

In table 4.4.1.1, the total write-off/adjustment/de-commissioned assets are shown as ₹ 85.50 Crores whereas, in table 4.4.6.1, this amount is shown as ₹ 82.86 Crores. The petitioner is required to explain the reason for this discrepancy.

MPPGCL's Reply:-

It is to humbly submit that amount of ₹85.50 Crores indicated in table 4.4.1.1 of subject True Up petition is towards total write-off/ adjustment/ de-commissioned assets is as recorded in the Audited Books of Accounts for FY 2013-14.

However the amount considered herein are for the power station covered in the subject true petition towards write-off/adjustment/de-commissioned assets amounting to ₹82.86 Crores is detailed in table 4.4.6.1.

The Power House wise statement detailing the reasons of difference between above mentioned figures is annexed as Annexure-15.

(xxvi) Issue:-

Whether the petitioner has taken due care for reduction of corresponding GFA and its funding for the past period on account of write-off/adjustment of assets.

MPPGCL's Reply:-

It is to submit that, MPPGCL has taken due care due care in reduction of Gross Block of respective Power Stations wherein the assets have been write-offs/de-commissioned/adjusted along with its funding.

Accordingly the powerhouse house wise Asset cum Depreciation Registers were updated and submitted before Hon'ble Commission vide Annexure 19 of letter No.517 dated 08/05/2015.

(xxvii) Issue:-

With regard to the write-off/adjustment/de-commissioned assets, the following details with respect to the information filed in the subject petition be filed:

(₹ Cr.)

Power Station	Write-off/adjustment/ de-commissioned 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-16.***

(xxviii) Transfer of assets towards settlement of Water Charges with WRD:

Issue:-

While going through the details regarding exchange/transfer of assets with Water Resources Department (WRD), GoMP (towards settlement of water charges) filed in the petition, the following is observed:

(a) 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 pertains 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.

In view of the above, the petitioner is required to explain the following:

(i) How the past liability of water charges was adjusted with the present assets.

(ii) Whether the outstanding water charges adjusted with the assets of Bansagar HPS did not pertain to any project other than Bansagar HPS. If no, then why the settlement/ transfer of assets is done with Bansagar HPS only.

MPPGCL's Reply:-

In reference to the observation it is to submit that there are two different issues, which may be considered separately as elaborated below:-

a) Adjustment of cost of assets

b) Adjustment of payment of water charges

a) Adjustment of cost of assets –

1. Kind attention is requested to para 4.10 page 115 of the petition wherein it has been submitted that the work of Bansagar Multipurpose Interstate project was undertaken both by WRD, GoMP and MPPGCL (erstwhile MPEB / MPSEB). Both the organizations spent the amount on various works undertaken by them on behalf of each other. The reconciliation of *the expenditures done by both the organization was not been got done, probably due to the long pending dispute between the two organizations on account of payment of water charges. The organizations, in the interest of project kept on incurring various expenditures and have capitalized them in their respective Book of Accounts. This has resulted in*

- *Over capitalization in books of both the organization because of non transferring the share of other organization and*
- *Under capitalization on account of non receipt of their share by other organization.*

2. *At the initiative of MPPGCL, gigantic exercise was undertaken for reconciliation of expenditure by both the organization and for settlement of amount of payment of water charges.*

3. *Since the matter of non reconciliation was being viewed as dispute of payment of water charges only and respective organization have already capitalized the assets in their books, the matter did not crop up at the time of providing Final Opening Balance Sheet. In this regards it is pertinent to mention that in the Final Opening Balance Sheet, an outstanding overdue of water charges amounting to about ₹ 106.62 Crores was also provided to MPPGCL.*

4. *It is also pertinent to mention that even after finalization of Final Opening Balance Sheets, such identified issues are also being got corrected in the books of all the successor company giving proper accounting treatments. Accordingly the following accounting treatments have been given in the Books of Accounts of MPPGCL.*

- *Expenditure incurred by MPPGCL on behalf of WRD –*
  a. *MPPGCL had incurred an expenditure of ₹ 143.34 Crores on behalf of WRD in various years from this to 1998 to 2005 as elaborated in the statement enclosed as **Annexure-17**. Accordingly on settlement with, these additional assets have been withdrawn from the accounts of MPPGCL from their respective date of capitalization. The corresponding depreciation has also been withdrawn from the book amounting to ₹ ₹ 65.38 Cr.*
  b. *Corresponding depreciation for the period FY 06 to FY 13 charged in the tariff on these assets of Rs 143.34 Crores was Rs 41.29 Crores, which has been proposed to be withdrawn in this true up annexed as Annexure-18.*

- *Expenditure incurred WRD by on behalf of MPPGCL –*
  - a. *Thereafter, WRD incurred an amount of ₹ 55.70 Crores in addition to its share for creation of fixed assets which are pertaining to MPPGCL's share till March 2013. Therefore, the same has been taken on the books of MPPGCL on respective dates. The applicable depreciation for tariff purpose, which could not be charged in past years amounting to Rs 15.61 Crores has therefore been requested for being permitted in this true up.*

b) Adjustment of payment of water charges -

1. *In addition to the cost of assets created by the two organizations, principles on which water charges should have been paid to WRD have also been worked out and agreed to. It is pertinent to mention that as per provisions of WRD, surcharge upto 50% of the amount defaulted and penal interest @25% per annum is applicable. MPPGCL has submitted in its arguments before WRD that amount recoverable from WRD has now been reconciled and almost at all the point of time, amount was payable by WRD to MPPGCL (erstwhile MPEB/MPSEB). Therefore the applicability of surcharge and interest thereon does not arise. The submission of MPPGCL has been very well considered by WRD and therefore the water charges payable have been worked out without any surcharge and penal charges thereof.*

2. *The water charges were worked out on mutually acceptable principles, which are more favorable for MPPGCL then prevailing standard norms. The amount excess spent by MPPGCL in creation of assets and energy bill charges receivable by Discoms from WRD were set of against the water charges payable by MPPGCL to WRD and the cost of assets created by WRD on account of MPPGCL share. The difference amount remaining was paid to WRD by MPPGCL. This cash adjustment has no relation with true up petition as it's a commercial arrangement between WRD and MPPGCL having no impact of tariff. Also no penal / surcharge were adjusted in the cash settlement.*
   However, it is pertinent to mention that cost of assets created by WRD by MPPGCL has been adjusted as cash, hence is part of equity spent by MPPGCL.

   Kind attention is further requested to the allocation of debt and equity to Bansagar project as approved by the Hon'ble Commission in its tariff *order, which has also been elaborated at page 117 point 4.10.3 of the petition, illustrating that there was an unabridged gap of Rs 296.44 Crores for which no funding was approved by the Hon'ble Commission. It is apparent that the assets were created either by borrowing loan or from equity spent thereon by the company. Therefore the unfunded portion should be treated as part of equity spent by the Company.*

With the above background the clarification to the observations are submitted as under:-

a) MPPGCL agrees that it has brought the issue before the Hon'ble Commission for first time because the need has arisen only when the settlement with WRD has been achieved. Regarding period to which this settlement pertains it is to submit that the period belongs to both prior to 1st June 2005 (on which opening balance sheet was issued) and after the same. In past treatment of asset creation and depreciation thereon was given in accordance with the prevailing accounting practices and therefore could not come to either notice of MPPGCL nor could the same be brought to the notice of Hon'ble Commission. MPPGCL further submits that the Hon'ble Commission has also considered the assets and liabilities of MPPGCL as per notification to GoMP, however the matter has arrived only after issuance of notification for the same. The settlement has been duly agreed both by MPPGCL and WRD (both Government organization) and the treatment has been given in accordance with prudent accounting practices, which has also be accepted by Statutory Auditor and AG Audit while auditing the accounts of respective years

i) It has been elaborated in the foregoing para that there were two separate settlements, of course done at the same time.

a. Adjustment of cost of assets

MPPGCL spent excess amount on Bansagar Project then required for its share and therefore net amount was receivable from WRD

b. Adjustment of payment of water charges

MPPGCL had to pay water charges to WRD towards water charges.

In addition to the above, outstanding amount payable by WRD to the Discoms was also adjusted. This amount was set off by MPPMCL (on behalf of Discoms) against energy bills of MPPGCL. Thus, whatever adjustments were done, they were not book entries alone but had net effects on cash flows of both the organizations.

ii) *As detailed above, the water charges payable by MPPGCL were pertaining to all the thermal and hydro stations. The net amount of cash was receivable against the asset creation for Bansagar & Energy Bills of Discoms was settled against the water charges payable to WRD.*

(xxix) Issue:-

(b) The assets additions of ₹ 55.70 Crores (which are shown as transferred from WRD to MPPGCL) have been 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 on this amount.

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

In view of the above, the petitioner is required to inform the funding status of assets of ₹143.34 Crores transferred to WRD.

MPPGCL's Reply:-

It has already been elaborated in foregoing explanation that Rs 143.34 Crores was spent by MPSEB (MPPGCL) through internal sources and no borrowing for the same was done.

The amount is part of unfunded part of the project and was neither considered as loan nor equity at the time of allocation of loan and equity (as on 1 Jun 2005). Thus neither any interest nor return on equity was allowed by the Hon'ble Commission on it. Therefore, there is no necessity of computing the same

(xxx) Issue:-

(c) It is understood that REC loan of ₹ 334 Crores had been borrowed by MPSEB to swap LIC Loan liability as per debt restructuring agreement executed between REC and MPSEB on 30th March' 2005. It is also understood that the LIC loan was originally borrowed against SGTPS Birsinghpur but the REC loan was linked with Bansagar project based on balance depreciation. In view of the above, the petitioner is required to inform the opening balance of LIC loan amount pertains to Bansagar project as on its CoD.

MPPGCL's Reply:-

In the period prior to Jun 2005, ESSAR 1985 Rules were applicable to erstwhile MPSEB. In this borrowings were not directly linked with the assets. Subsequently, GoMP had taken over all the assets and liabilities of erstwhile MPSEB and provided Final Opening Balance Sheets to all the successor companies.

In this process some of the loans provided were directly identified with the projects and some of them were not directly identified with the projects. Therefore, on the directives of Hon'ble Commission, best fit linking was provided by MPPGCL considering the balance depreciation available for servicing of such loans which could not be directly identified with specific project.

The history of such loans had no relevance with the project with which they were linked. It is further to submit that REC loan provided to MPPGCL cannot be considered as the amount swapped against LIC loan for SGTPS Birsinghpur, as LIC loan amounting to Rs 371.66 Cr was also provided for SGTPS Birsinghpur (as on 1 Jun 2005). The same was also recognized by Hon'ble Commission while approving incorporation of Final Opening Balance Sheet.

(xxxi) Issue:-

(d) Whether the repayment of loan has been considered since CoD to 01.06.2005 in the funding shown towards assets of Bansagar project filed by the petitioner in Para 4.10.3 of the petition (on Page 117). The petitioner is required to file the funding status as on CoD of the project. Supporting documents be also filed in this regard.

MPPGCL's Reply:-

It is pertinent to mention that the Company has been made independent w.e.f. 1 Jun 2005 and assets and liabilities has been provided by GoMP notification in this regards. The relevant dates for the purpose of MPPGCL are w.e.f. 1 Jun 2005 onwards only. The balances prevailing as on this date were only made available to respective successor companies along with balance repayment schedules, including MPPGCL. MPPGCL is in position to provide all the repayments done only after 1st Jun 2005 and not prior to the date, as they were neither made available along with Final Opening Balance Sheet nor are relevant *to it. This fact was also recognized by Hon'ble Commission in its true up order for FY 07-08*

(xxxii) Issue:-

(e) In Bansagar HPS, the asset base has been changed due to exchange of assets with WRD. How the impact of the exchange of assets has been taken into account for arriving at the corresponding equity amount be informed by the petitioner.

MPPGCL's Reply:-

The treatment given for the exchange of assets has already been elaborated in foregoing para. May please consider the same.

(xxxiii) Depreciation:

Issue:-

With regard to the depreciation of write-off assets/de-commissioned assets including assets not in use, the petitioner is required to confirm that the impact on cumulative depreciation on account of written-off/de-commissioning of assets or assets not in use has been considered in its Asset-cum-Depreciation registers.

MPPGCL's Reply:-

It is to submit that the assets decommissioned / Written off are being reduced from the Gross block of respective power stations. The corresponding cumulative depreciation of said assets have also been reduced as detailed in Table 4.4.6.1 of subject true Up petition. Accordingly, Asset-cum-Depreciation registers have been updated

Further it is to mention that he amount held under Asset not-in-use in the Audited Books of Accounts pertains to the assets which have been decommissioned/ written off and presently Not in Use. These assets have been kept in abeyance till their disposal in future in the Audited Books of Accounts. The same is not considered for the purpose of Tariff.

(xxxiv) Issue:-

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 of LD. Therefore, the depreciation for this power station needs to be filed accordingly.

MPPGCL's Reply:-

It is to submit that MPPGCL has considered the Gross Block of Fixed Assets of ATPS 210 MW in the subject True up petition 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 -19.***

(xxxv) **Return on Equity:**

Issue:-

The petitioner has write-off/adjusted/de-commissioned assets in some of the power stations. The petitioner is required to confirm whether the equity amount pertains to write-off/adjustment/de-commissioned assets if any, has been accounted for in its claim for the equity component of the respective power station.

The petitioner is also required to confirm whether the return on equity pertains to these assets has been reduced from the date/year of write-off/adjustment/de-commissioned of all such assets. Detailed power station wise working be also filed in this regard.

MPPGCL's Reply:-

It is to submit the in reference to write-off/adjusted/de-commissioned assets in various the power stations, equity reduction has been made at STPS PH-1 only as the other assets written off/adjusted are funded through loan component. In this regard kindly refer ***Annexure-16*** *wherein details of write-off/ adjusted/de-commissioned assets are elaborated.*

Further, MPPGCL wish to confirm that the corresponding amount of equity in reference to assets de-commissioned STPS PH-1 has been accounted in the subject true up petition from the date date/year of decommissioning while working out return on equity of STPS Sarni. The same is comprehensively detailed in Para 4.7.4 of subject true up petition for FY 2012-13.

Further, as desired the detailed working in this regard is annexed as ***Annexure-20.***

(xxxvi) **Interest and finance charges:**

Issue:-

Similarly, 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 of interest and finance charges of the respective power station.

The petitioner is also required to confirm whether the interest charges pertains to these assets have been reduced from the date/year of write-off/adjustment/de-commissioned of assets. Detailed power station wise working be also filed in this regard.

MPPGCL's Reply:-

MPPGCL wish to confirm that the corresponding amount of loan in reference to assets write-off/adjusted at various power stations has been accounted in the subject true up petition from the date date/year of write-off/adjustment while working out interest and finance charges. The same is comprehensively detailed in Para 4.5.10 of subject true up petition for FY 2012-13. In this regard kindly refer ***Annexure-16*** *wherein details of write-off/ adjusted/de-commissioned assets are elaborated.*

Further, as desired, the detailed power house wise working in this regard is annexed as ***Annexure 21.***

(xxxvii) **Cost of secondary fuel oil:**

Issue:-

While going through the details of the secondary fuel oil filed in the petition, it is observed that the wt. average rate of sec. fuel oil in ATPS and SGTPS is on higher side. The reasons for the same along with all the supporting documents be submitted.

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 2013-14 at thermal power station have already been submitted before Hon'ble Commission vide Annexure-22 of letter No.517 dated 08.05.2015 as additional supporting documents.

MPPGCL, while submitting the Multi Year Tariff Petition for FY 2013-14 to FY 2015-16, Petition No. 02 of 2013 had considered Wt. Average landed cost of

Secondary Fuel Oil for the period July'12 for ATPS, Chachai and Sep'12 to Nov'12 for STPS, Sarni & SGTPS, Birsinghpur.

In the said True up Petition for FY 2013-14, 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 ₹/KL
	Quantity in KL	Quantity in KL	Quantity in KL			
ATPS	2229.74	758.03	2987.77	74.63%	25.37%	63540
STPS	46752.58	8088.85	54841.43	85.25%	14.75%	54994
SGTPS	4808.94	4236.25	9045.19	53.17%	46.83%	63389

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.

The Hon'ble Commission vide MPERC Regulation, 2012 proviso 38 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

(xxxviii) Issue:

Out of all the five units decommissioned in STPS, Sarni PH-I, three units were decommissioned in FY 2013-14. The unit wise comprehensive details of the Gross Fixed Assets and Equity write-off as on the respective dates of decommissioning of each unit as per Annual Audited Accounts and Asset cum Depreciation registers for the respective year be submitted.

MPPGCL's Reply:

As desired by Hon'ble Commission , the comprehensive unit wise details of Gross Block of Fixed Assets due to decommissioning of Unit No. 2, 4 & 1 at STPS Sarni PH-1 during FY 2013-14 as per Annual Audited Accounts and Asset cum Depreciation registers for FY 2013-14 is annexed as ***Annexure-1.***

In regard to the equity, it is to mention that GoMP vide Notification dated 12.06.2008 has transferred Equity amounting to Rs 1915.08 Crores to MPPGCL through Final Opening Balance Sheet. For the purpose of tariff i.e. RoE determination, the equity was then further apportioned / allocated to various existing Thermal & Hydel Power Stations of MPPGCL in the ratio of Gross Block of Fixed Assets. The said philosophy has also been approved by Hon'ble Commission in the True up order for FY 2007-08 dated 24.01.2011.

Accordingly, on de-commissioning of units of STPS PH-1, the amount of equity was not written-off in the Audited Books of Accounts of MPPGCL as per applicable accounting practice. However, for the purpose of tariff, the amount of normative allocated Equity of STPS PH-1 has been reduced in proportion to assets de-commissioned at STPS PH-1 during FY 2013-14.

Considering above, the unit wise details of equity as desired by Hon'ble Commission, is as under:

Particulars		***Amount in ₹ Crore.***	
1. *Gross Block of STPS PH-1 on 01-4-2013*			***31.96***
2. *Normative Equity of STPS PH-1 on 01-04-2013*			***9.42***
3. *Assets Decommissioned in FY 2013-14*	*Unit-2*	*4.88*	
	Unit-4	*4.88*	
	Unit-1	*19.17*	
	Total	***28.93***	***28.93***
4. *Normative Equity in proportion to Assets decommissioned(2/1x3)*	*Unit-2*	*1.44*	
	Unit-4	*1.44*	
	Unit-1	*5.65*	
	Total	***8.53***	***8.53***

(xxxix) Commission's Observation:

An amount of ₹ 4.09 Crores has been shown as income from interest earned on the fixed deposits from sale of fly ash. Further, an amount of ₹8.84 Crores is shown as income on account of disposal of capital assets. With regard to the aforesaid income, the petitioner is required to inform the following:

(a) The notification dated 3rd November' 2009 issued by the Ministry of Environment and Forests is for "restricting the excavation of top soil for manufacture of bricks and promoting the utilization of fly ash in the manufacture of building materials in construction activity" within the specified radius of 100 Kms from coal based thermal power projects. The aforesaid notification has not dealt with the issues related to the non-tariff income as contended in the instant reply filed by MPPGCL. Therefore, the applicability of this notification in context to the contention of MPPGCL regarding non-tariff income be explained.

(b) Whether ₹ 8.84 Crores is the sale value of the scrap of capital assets or the profit earned from sale of such scrap.

(c) Whether ₹ 4.09 Crores is the amount received from sale of fly ash or it is interest earned on the amount earned from sale of fly ash.

(d) The amount received from sale of fly ash be also informed.

MPPGCL's Reply:

(i) *In this context, MPPGCL would like to draw kind attention of the Hon'ble Commission towards the Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 (**Annexure-2**) in regard to the amendments made in **THE ENVIRONMENT (PROTECTION) ACT, 1986 (Annexure-3)** and **THE ENVIRONMENT (PROTECTION) RULES,1986 (Annexure-4),** copy enclosed herewith for ready reference, issuing mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants.*

The relevant Amendment mentioned in the said notification at clause No. (11) page 19 is reproduced below:-

> *"(6) The amount collected from sale of fly ash and fly ash based products by coal and/or lignite based thermal power stations or their subsidiary or sister concern unit, as applicable should be kept in a separate account head and shall be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved; thereafter as long as 100% fly ash utilization levels are maintained, the thermal power station would be free to utilize the amount collected for other development programmes also and in case, there is a reduction in the fly ash utilization levels in the subsequent year(s), the use of financial returns from fly ash shall get restricted to development of infrastructure or facilities and promotion or facilitation activities for fly ash utilization until 100% fly ash utilization level is again achieved and maintained."*

Considering above, following facts may kindly be appreciated:-

a) *The income from sale of fly ash is exclusively restricted for specified use which is elaborated in the MOEF Notification dated 03.11.2009 read with Act & Rules.*

b) *Unless a power station achieves 100% utilization of fly ash, this income cannot be used for any other purpose except for development of infrastructure or facilities and promotion or facilitation activities for sale of fly ash. As such, till 100% fly ash utilization does not achieve the income should contribute to capital expenditure and aforesaid notification has also mentioned that as long as fly ash utilization levels are maintained, the thermal power station would be free to utilize the amount collected for other* ***development programs****. Hence, the Income from sale of fly ash cannot be utilized for revenue expenditure purposes in general.*

c) *Further, the proviso 22 of "The Environmental Protection Act, 1986" restricts Judicial bodies / Authorities to interpret the provisions of the act in any manner otherwise provide.*

d) *Since the very purpose of non tariff income is limited to revenue related items, thus any income generated for the purpose of capital expenditure (as mentioned in aforesaid notification) cannot be considered for reduction in revenue requirement.*

e) *Till the power station does not achieve 100% sale of fly ash, the income cannot be utilized for any other purpose and has to be deposited in a separate identified account head. Therefore, the income is practically restricted for utilizing any other development related works as well.*

f) *It is also to pertinent to mention that the income deposited in bank account also earn interest, which inter-alia also become restricted income. Therefore, it is humbly submitted that the same should also be exempted from considered as non tariff income.*

g) *The assets created by utilizing income from fly ash have also to be identified in the books of account separately. The Commission may kindly to consider not permitting depreciation and return/interest on such assets created to the extent they are funded by income from sale of fly ash.*

(i) *It is to inform that, the amount of ₹ 8.84 Crores booked under the Account head - Other Income is towards profit earned from sale of scrap of de-capitalized Assets of ATPS Chachai PH-1, already retired on 31.03.2009.*

(ii) *It is to inform that, the amount of ₹ 4.09 Crores booked under the Account head - other Income is towards Interest earned on Fixed Deposits created out of Fly ash income.*

(iii) *As per Note-21 of Audited statement of Accounts for FY 2013-14, the amount ₹15.31 Crores was received from sale of Fly Ash. However, as per the reply at para (i) above, this amount does not fall under perview of Non-Tariff-Income.*

(xl) Issues:

It is mentioned that the assets claimed under additional capitalization in ATPS 210 MW are capitalized after the Cut-off date. The petitioner is required to justify its claim in support of its contention for additional capitalization in this unit in terms of Regulation 20.2 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009.

MPPGCL's Reply:

The assets amounting to ₹ 7.28 Crores have been capitalized at ATPS Chachai (210MW) during FY 2013-14 and captured in Audited Books of Accounts. The same are considered in the subject True up petition as additional capitalization.

The aforesaid capitalization is 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-7 in Additional Supporting documents sent vide this office letter No.810 dated 10.07.2015.

The Date of Commercial operation (CoD) of extension unit No.5 of ATPS, Chachai (210MW) is 10.09.2009. As per MPERC Regulations 2009, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai is 31.03.2012.

In the above context, MPPGCL humbly submits that the expenditure towards works considered under additional capitalization under the Account Heads as elaborated in Table 4.3.7.1 at page 45 of Trueup petition majorly pertains to the expenditure which are incurred well before the cut-off date under the original scope of work, however on account of balance & retention payments / Price-Rate-Variation / Tax & Duties etc payments were made during FY 2013-14 and the same was capitalized in the Audited Books of Accounts. The details of same were already submitted before Hon'ble Commission vide Annexure-10(Page 360 to 409) of letter No.517 dated 08-05-2015.

Thus MPPGCL has claimed the said capitalization under Regulations 20.1 of MPERC Regulations, 2009. Wherein Proviso 20.1 (b) & (e) provides that the *assets addition within the original scope of work after the date of Commercial operation on account of, works deferred for execution and procurement of initial capital spares may be admitted by the Commission subject to prudent check.*

(xli) Issue:

Considering the latest revised project cost approved by the BoD as original project cost, the petitioner has filed the details of the initial spares. The details of initial spares with respect to original project cost as per 4.1 (aa) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 be submitted.

MPPGCL's Reply:

ATPS Extn. #5 (210 MW), Chachai

The provision 4.4(aa) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 defines original project cost as under:

> ***"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.***

Further the provision 4.4(j) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 defines cutoff date as under:

> ***"Cut off date" means 31st March of the year closing after two years of the year of commercial operation of the Project, and in case the Project is declared under commercial operation in the last quarter of a year, the Cutoff date shall be 31st March of the year closing after three years of the year of commercial operation"***

The Date of Commercial operation (CoD) of extension unit No.5 of ATPS, Chachai (210MW) is 10.09.2009. Accordingly, per MPERC Regulations 2009, the Cut-off date for 210 MW ATPS, Chachai works out as 31.03.2012.

However, it is to mention that MPPGCL in the True up petition for FY 2012-13 & FY 2013-14 has claimed additional capitalization at ATPS 210 MW majorly pertaining to the expenditure which were incurred well before the cut-off date under the original scope of work, however on account of balance & retention payments / Price-Rate-Variation / Tax & Duties etc payments were made during FY 2012-13 & 2013-14 and the same was capitalized in the Audited Books of Accounts.

Considering above, the details of initial spares with respect to original project cost as per Audited Books of Accounts for FY 2013-14 and as per 4.1 (aa) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 is tabulated hereunder:

Power Station	Gross Block as on cut off date i.e.31-03-2014 as per Books of Accounts.		Capital Spares till 31st March, 2012 admitted by the Commission	Capital Spares filed in true-up of FY13 & FY14		Total Capital Spares filed as on 31/03/2014	Total capital spares % of the capital cost as on 31-03-2014
				FY 2012-13	FY 2013-14		
	GFA	₹Cr.	₹Cr.	₹Cr.	₹Cr.	₹Cr.	%
ATPS PH-3 (210 MW)	GFA as on 31-3-2012	1106.03	7.32	26.07	0.76	34.15	**2.96%**
	Net Addition FY 13	41.69					
	Net Addition FY 14	6.26					
	GFA as on 31-3-2014	**1153.98**					

**** The Capitalization of ₹ 7.32 Crores at ATPS 210 MW was initially approved Hon'ble Commission in The Final tariff order for ATPS 210 MW under the head Fixed assets, later on in FY 2012-13 ,the same was transferred to Account Head Capital Spares and informed to Hon'ble Commission vide letter dated 10-04-2015.***

Considering above, MPPGCL humbly submits before Hon'ble Commission to kindly permit the same.

SGTPS Extn. #5 (500 MW), Birsinghpur

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.

Accordingly, based on the revised project cost of SGTPS 500 MW approved by the BoD as original project cost, MPPGCL has filed the details of the initial spares vide this office letter No.810 dated 10.07.2015. The same is reproduced as under:

Power Station	Original Project Cost as approved by GoMP	Capital Spares till 31st March, 2012 admitted by the Commission	Capital Spares filed in true-up of FY13 & FY14		Adjustment towards amount erroneously booked as Capital Spares transferred to Fixed Assets/other station	Total Capital Spares filed as on 31/03/2014	Total filed capital spares % of the original capital cost
			FY 2012-13	FY 2013-14			
	₹Cr.	₹Cr.	₹Cr.	₹Cr.	₹Cr.	₹Cr.	%
SGTPS PH-3	2300	47.24*****	7.8	1.17	-6.29	**49.92**	**2.17%**

The Capitalization of ₹47.24 Crores at SGTPS 500 MW was approved Hon'ble Commission in the True order for FY 2011-12 under the head Capital Spares. Later on in FY 2013-14 the amount of ₹6.09 Crores was transferred to Account head-Fixed Assets and ₹0.20 Crores was transferred STPS PH-4. The same is detailed in Table 4.4.6.1 Page No.72 of True Up petition for FY 2013-14.

Considering above, MPPGCL humbly submits before Hon'ble Commission to kindly permit the same.

(xlii) Issue:

Both the units of ATPS PH-II are under shut down since long time due to major breakdown. The updated status of both the units and expected date of synchronization of these units be submitted.

MPPGCL's Reply:

The brief status report on Unit #3 & #4 ATPS, Chachai is as follows:-

j) Amarkantak Thermal Power Station (ATPS) is one of the four thermal power stations of MPPGCL and is located in State of Madhya Pradesh, in Anuppur district. The plant has installed capacity of 450 MW consisting of 2 units of 120 MW and one unit of 210 MW.

k) Unit # 1 & 2 (30 MW and 20MW, commissioned in 1965) have already been retired on 31.03.2009. Unit # 3 & 4 are of 120 MW size. They were commissioned in 1977 and 1978. They have also lived life more than the designed life of 25 years. Unit # 5 is of 210 MW size. It was commissioned in the premises on 10.09.2009 and is performing satisfactorily.

l) Unit # 3 was being run with restricted load due to increased TG bearing vibration & higher bearings metal temperature. On 12.01.2015, the Unit was hand tripped, due to high vibration in turbine & higher eccentricity. On inspection HP & IP rotors were found bent & beyond use.

m) Unit #4 got tripped due to high vibration in bearings on 30.04.2014. On inspection both HP & IP rotors were found bent. After making various efforts, they were found un-repairable; the unit is under shout down since then.

n) *As both the units are under shut down and therefore, a committee vide order dated 15.04.2015, was constituted to investigate whether these units may be kept operational or be retired* ***(Annexure-5)****.*

o) *In the review meeting taken by* ***Hon'ble Chief Minister of MP*** *on 14.05.2015, following directives in context with 120 MW units of ATPS Chachai PH2 were issued:*

> *''अमरकंटक ताप विद्युत गृह की 120 मेगावाट की दोनों इकाइयां की कार्यप्रणाली के संबंध में चर्चा की गई। निर्देशित किया गया कि इन दोनों इकाइयों का नवीनीकरण एवं आधुनिकीकरण कर, इसे सुधारने अथवा इन इकाइयों को बंद कर, इनके स्थान पर नई इकाई स्थापित करने के संबंध में सलाहकार/विशेषज्ञ के माध्यम से कास्ट बेनीफिट विश्लेषण कराया जाए''*

p) *The Committee has studied the matter and submitted its report, which recommends retiring these units from respective date of their last outage. This report has been submitted along with the recommendations, for onward vetting by M/s NTPC, who is pioneer in the country for power generation.*

q) *For above mentioned vetting, an order has already been placed on M/s NTPC Limited, Noida vide this office No. 07-12/CS-MPPGCL/120 MW/ATPS/1040 dated 27.08.2015.*

r) *M/s NTPC Limited, Noida has initiated the process of vetting. A team of Engineers of NTPC has visited ATPS Chachai for carrying out site survey of these units and shall accordingly submit a report. Only after receipt of NTPC's report further action in the matter shall be taken and its updated status shall be informed to Hon'ble Commission.*

(xliii) Issue:

The petitioner has mentioned that the MPPGCL is in position to provide all the details of funding and repayments only after 1st Jun 2005. In order to substantiate the expenditure on account of unabridged gap through equity, the supporting documents for equity amount approved and issued by GoMP and investment of such equity by the MPSEB in Bansagar project be submitted.

MPPGCL's Reply:

In the period prior to Jun 2005, ***"Electricity (Supply) Annual Accounts Rules, 1985 (ESAAR 1985)*** *Rules were applicable on erstwhile MPSEB. In this source of funding were not directly linked with the assets. The relevant clause 1.42(3) on page 88 of the booklet of ESSAR 1985, reproduced below:-*

"In view of the difficulties in identifying a source to its use no attempt shall be made for source use identification".

Subsequently, GoMP had taken over all the assets and liabilities of erstwhile MPSEB and provided Final Opening Balance Sheets to all the successor companies vide notification date 12.06.2008.

It is pertinent to mention that the Company has been made independent w. e .f. 1st Jun 2005 and assets and liabilities have been provided by GoMP notification in this regard. The relevant dates for the purpose of MPPGCL are w.e.f. 1st Jun 2005 onwards only. The loan/equity balances prevailing as on this date were only made available to respective successor companies along with including MPPGCL.

MPPGCL is in position to provide all the expenditure done through loan/equity only after 1st Jun 2005 and not prior to the date, as they were not made available along with Final Opening Balance Sheet. This fact has also been recognized by Hon'ble Commission in its true up order for FY 2007-08.

In back drop of above, following facts may kindly be considered:

d) The excess amount of ₹ 143.34 Cr was spent by erstwhile MPSEB at Bansagar project prior to 1st June 2005 through its internal resources.

e) The amount is part of unfunded part of the project and was neither considered as loan nor equity at the time of allocation of loan and equity (as on 1st Jun 2005). Thus neither any interest nor return on equity was allowed by the Hon'ble Commission on it.

f) In the subsequent years i.e. post 1st June 2005, the expenditure of ₹ 55.70 Crores was made by WRD GoMP at Bansagar project on behalf of MPPGCL.

g) The said expenditure may be treated as part of balance Equity under CWIP amounting to ₹ 370.18 Crores as on 1st June 2005 as recognized in MPERC True up order for FY 2007-08 dated 24.01.2011. The copy of relevant pages of said order is annexed as Annexure-6 for kind reference please.