

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016



Petition No. 61 of 2016

PRESENT:

Dr. Dev Raj Birdi, Chairman

A.B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

True-up of Generation Tariff of MPPGCL's Thermal and Hydro Power Stations for FY 2015-16 determined by MP Electricity Regulatory Commission vide Multi-Year Tariff order dated 1st April' 2013 and order dated 7th January' 2016, for Extension Unit 10 and 11 of Satpura Thermal Power Station, Sarni PH-IV.

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 7th April' 2017)**

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 11th November' 2016, for true-up of generation tariff for FY 2015-16, determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide Multi-Year Tariff order dated 1st April' 2013 and order dated 07th January' 2016, for Extension Unit No. 10 & 11 of Satpura Thermal Power Station, Sarni PH-IV (hereinafter called "STPS Sarni PH-IV").
2. 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 of FY 2013-14 to FY 2015-16 notified on 28th December' 2012. The Commission also issued the First Amendment to these Regulations on 13th December' 2013.
3. The subject true-up petition is filed under Section 62 and 64 of Electricity Act, 2003, read with proviso 8.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 and based on the Annual Audited Accounts for FY 2015-16. The scrutiny of the subject true-up petition is based on the principles and methodology specified in the Regulations, 2012.
4. The petitioner mentioned that the MPPMCL and the three DISCOMS of MP have entered into a management and corporate functions agreement on 05.06.2012, whereby the three DISCOMS have engaged MPPMCL to represent them in all the proceedings relating to power procurement and tariff petitions filed or to be defended before CERC, MPERC and other regulatory authorities, Appellate Tribunals, High Courts, Supreme Court and CEA etc. Therefore, the three DISCOMS have not been made as respondents, separately.
5. The details of the power stations covered in this true-up petition are as given below:

Table 1: Installed Capacity in MW

Sr. No.	Power House	Installed Capacity (In MW)	Year/Date of Commissioning
1	ATPS PH-3	1X210 MW = 210 MW	10.09.2009
2	STPS PH-2 & 3	3X210MW+1X200MW = 830 MW	1980-84
3	STPS PH-4	2x250MW=500 MW	16.03.2014
4	SGTPS PH-1	2X210 MW = 420 MW	1993-94
	SGTPS PH-2	2X210 MW = 420 MW } 840 MW	1998-99

5	SGTPS PH-3	1X500 MW = 500 MW	28.08.2008
6	Gandhi Sagar	5X23 MW = 115 MW	1960 to 1966
7	Pench HPS	2X80 MW = 160 MW	1986-87
8	Rajghat HPS	3X15 MW = 45 MW	1998-99
9	Bargi HPS	2X45 MW = 90 MW	1988 & 1992
10	Bansagar PH-1 Bansagar PH-2 Bansagar PH-3	3X105MW = 315 MW 2X15MW = 30 MW 3X20MW = 60 MW	425 MW 1991 to 1992 1997-98 2001-02
11	Bansagar PH-4	2x10MW = 20MW	
12	Birsingpur HPS	1X20MW = 20 MW	1991-92
13	Madhikheda HPS	3X20MW = 60 MW	2006-07

6. MPPGCL entered into Power Purchase Agreement (PPA) with MP Tradeco (now MPPMCL) on 29.11.2006. The PPA provides that the tariff payable by MP Tradeco to MPPGCL and terms & conditions related thereto shall be as determined by the Commission.
7. The instant true-up exercise for FY 2015-16 has been carried out with respect to the Annual Capacity (fixed) Charges provisionally determined by the Commission for FY 2015-16 in its MYT order dated 1st April' 2013 and final tariff order dated 07th January' 2016, for STPS Sarni PH-4 as given below:

Table 2: Power Station Wise Annual Capacity (fixed) charges allowed by Commission for FY 2015-16: (Rs in Crores)

Sr No.	Power House	Annual Capacity (Fixed) Charges for 2015-16
1	ATPS Chachai (PH-3)	202.7
2	STPS Sarni (PH 2 & 3)	377.95
3	*STPS Sarni, (PH-4)	708.97
4	SGTPS (PH-1&2)	439.81
5	SGTPS (PH-3) 500 MW	418.41
6	Gandhi Sagar	16.38
7	Pench	28.22
8	Rajghat	14.28
9	Bargi	18.52
10	Bansagar (1 to 3)	174.67
11	Bansagar-4 (Jhinna)	14.16
12	Birsinghpur	6.03
13	Madhikheda	33.77
	Total	2453.87

Note: ATPS PH-2 was not considered due to de-commissioning of its units. STPS PH 2&3 figure were reviserd due to de-commissioning of STPS PH-1 and issuance of Separate Order for special Allowance.

*** Cost allowed in order dated 7th January' 2016**

8. Head wise break-up of Annual Capacity (fixed) charges for FY 2015-16 determined in MYT order dated 01st April' 2013 and in final tariff order dated 07th January' 2016, for STPS PH-4 are as given below:

Table 3: Head Wise Annual Capacity (fixed) charges allowed for FY 2015-16

(Rs in Crores)

S. No	Particulars	Allowed in MYT for FY 2015-16 (A)	Allowed in STPS PH-4 final tariff order for FY 2015-16 (B)	Total (A+B)
1	Return on Equity	333.04	93.22	426.26
2	Interest on Loan (including Interest on excess equity)	147.57	279.91	427.48
3	Depreciation	262.28	157.28	419.56
4	O & M Expenses	598.00	107.3	705.30
5	Cost of Sec. fuel oil	112.85	21.7	134.55
6	Compensation /Special Allowance	77.89	0	77.89
7	Interest on Working capital	213.28	49.56	262.84
	Total Capacity (Fixed) Charges	1744.91	708.97	2453.87

Note: ATPS PH-2 was not considered due to decommissioning of its units. STPS PH 2&3 figure were revised due to decommissioning of STPS PH-1 and issuance of Separate Order for special Allowance.

9. In the subject true-up petition, the petitioner broadly submitted the following:
- The Energy Charges (Variable Charges) has been billed in accordance to Proviso 41 of MPERC (Terms & Condition for determination of Generation Tariff) (Revision-II) Regulations, 2012. Therefore no truing up of Energy Charges has been considered.*
 - 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 based on Audited Accounts of FY 2015-16.*
 - The expenses shown in Audited Annual Statements of Accounts for FY 2015-16 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2015-16 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 2015-16 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 authorities.*
- e) *The Commission has determined the Final Tariff of Bansagar PH-4(Jhinna) from its CoD to FY 2013-14 on actual basis. Accordingly, the True up in respect of Bansagar PH-4 Small Hydro Project (Jhinna) has been considered in the instant True up petition based on provisional Tariff as approved by the Commission in MYT order for FY 14 to FY 16.*
- f) *The Commission has determined the Final tariff STPS PH-4 (2x250MW) from CoD to FY 14 on actual basis and for FY 15 & FY 16 on projected basis in petition No. 13 of 2015. Accordingly, the Trueing up of FY 2015-16 has been considered in the instant petition.*
- g) *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 instant petition.*
- h) *The Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2015-16 (petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly the Truing up of the same has been considered in the instant petition.*
- i) *The PH-1 of STPS, Sarni has not been considered in this true-up petition as its all units have already been de-commissioned by FY 2013-14. Accordingly, order for petition No.15 of 2013 towards segregation of fixed cost pertaining to PH-1, STPS, Sarni has been referred for element wise breakup of fixed cost for PH-2&3 STPS, Sarni.*
- j) *The units of PH-2(2x120MW) of ATPS Chachai were de-commissioned during FY 2015-16 after approval from Central Electricity Authority (CEA). Consequently, the Gross Block of ATPS PH-2 has been de-capitalized/transferred in the Audited Books of Accounts for FY 2015-16. Accordingly, MPPGCL, in the instant petition has adjusted the Gross Block, Normative loan & Equity of ATPS PH-2 and worked out the of balance depreciation of the Assets decommissioned. The details of same are elaborated in a separate Chapter- "De-commissioning of ATPS PH-2 (2x120MW)".*

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

Table 4: Element-wise True-Up Amount for FY 2015-16 Claimed (Rs in Crores)

Particulars	Elements	Annual Fixed Cost FY 2015-16		
		As per MPERC Orders	As claimed by MPPGCL on Actual Availability	True-Up Amount
Fixed Cost Elements	O & M Expenses	705.29	619.73	-85.56
	Compensation Allowance	12.35	10.70	-1.65
	Special Allowance	72.51	60.78	-11.73
	Interest on Loan+ Ex. Equity	427.48	387.21	-40.27
	Interest on W/C	262.84	232.83	-30.01
	Depreciation	419.57	383.56	-36.01
	Return on Equity	426.27	387.89	-38.38
	Cost of Sec Oil (Normative)	134.54	100.60	-33.95
Less Non Tariff Income		-	72.80	-72.80
Total		2460.85	2110.51	(-)350.34

Table 5: Power Station Wise True-Up amount Claimed for FY 2015-16**(Rs in Crores)**

S.No.	Station	As per MPERC Orders	As claimed by MPPGCL on Actual Availability	True-Up Amount
1	ATPS PH-3	202.70	235.24	32.54
2	STPS PH-2&3	384.92	305.23	-79.69
3	STPS PH-4	708.97	480.59	-228.39
4	SGTPS PH-1&2	439.81	387.76	-52.06
5	SGTPS PH-3	418.41	452.44	34.02
	Thermal	2154.83	1861.25	-293.57
6	Gandhi Sagar	16.37	11.57	-4.80
7	Pench	28.21	28.50	0.28
8	Rajghat	14.28	7.04	-7.24
9	Bargi	18.52	14.55	-3.96
10	Bansagar PH-1,2&3	174.67	139.82	-34.85
11	Bansagar PH-4	14.17	14.40	0.23
12	Birsinghpur	6.04	5.83	-0.21
13	Madhikheda	33.77	27.55	-6.22
	Hydro	306.03	249.26	-56.77
	Total	2460.85	2110.51	(-)350.34

11. In addition to above, the petitioner claimed other charges of Rs. 64.67 Crore in

this petition. The head-wise and power station-wise break-up of other charges as filled by the petitioner are as given below :-

Table 6: Head-wise Other Charges Claimed (Rs in Crores)

S. No.	Particulars	Total Amount
1	Rent, Rates & Taxes	1.57
2	Entry Tax	1.64
3	Water Charges	50.05
4	Cost of Chemicals & Consumables	9.71
5	MPERC Fee + Publication Exp.	1.42
6	SLDC Charges	0.28
	Total	64.67

Table 7: Power Station Wise others Charges Claimed (Rs in Crores)

S. No.	Particulars	Total Amount
1	ATPS PH-3	4.01
2	STPS PH-2&3	8.93
3	STPS PH-4	6.42
4	SGTPS PH-1&2	9.52
5	SGTPS PH-3	5.67
	Total Thermal	34.54
6	Gandhi Sagar HPS	12.05
7	Pench HPS	0.32
8	Rajghat HPS	0.3
9	Bargi HPS	6.08
10	Bansagar PH-1,2&3 HPS	7.8
11	Bansagar PH-4 HPS	0.39
12	Birsinghpur HPS	0.23
13	Madhikheda HPS	2.95
	Total Hydro	30.13
	Total	64.67

12. In subject petition, the petitioner filed additional capitalization of Rs 160.18 Crores in its thermal and hydel power stations during FY 2015-16 as per Audited Books of Accounts and Asset-cum-Depreciation registers of respective power stations. The petitioner also filed the write-off of assets during FY 2015-16 in some of the power stations. Some of the assets in STPS PH-4 which were capitalized earlier by the petitioner are now transferred to CWIP. These assets are now filed under prior period written- off/adjustment in the subject true up petition.

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

- (a) *“Approve Annual Fixed Charges and Other charges for FY 2015-16 and permit recovery of True up amount as per para 15 & 16 in six equal monthly installments.*
- (b) *Allow additional capitalization as per audited Annual Statements of Accounts for FY 2015-16 and accordingly permit additional Depreciation, RoE and Interest on excess equity.*
- (c) *MPPGCL has considered actual availability factor for working out of true up amount for Hydro stations. However, looking to the above facts & constrains and proviso 49.1(b) of Regulations, 2012, MPPGCL humbly request the Commission to kindly take cognizance of critical issues related to Hydel Power Stations of MPPGCL and opt the CERC methodology of determination of norm for NAPAF in full or allow MPPGCL to recover of full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis.*
- (d) *MPPGCL is in process of filing the Final Tariff petition of 2x600MW Shri Singaji Thermal Power Project, Khandwa for the period from CoD to FY 2015-16. Kindly permit the true-up of SSTPP for FY 2015-16 under the said petition at a later date.*
- (e) *Allow the recovery of income from Sale of Fly Ash considered as Non-Tariff income by the Commission in True up order for FY-14 & FY-15 amounting to Rs. 38.21 Crores separately.*
- (f) *Allow separate recovery of balance Depreciation amounting to Rs. 25.67 Crores towards assets decommissioned at ATPS PH-2.*
- (g) *Allow RoE /Intt on Excess equity on differential Equity of Bansagar PH-1,2 &3 on account of transfer of Assets during FY 2012-13, amounting to Rs. 87.93 separately.*
- (h) *Allow depreciation and RoE/Intt on Excess Equity amounting to Rs. 10.33 Crores on capitalization of Capital Spares at existing Stations.*
- (i) *In accordance with proviso 8.5 of Regulations, 2012, allow interest on differential true-up amount, if any.*
- (j) *In accordance with proviso 61 “Power to remove difficulties “ and proviso 62 “Power to amend”, kindly relax the Auxiliary Consumption norm for ATPS PH-3 as 9.67% for FY 2015-16 and onwards.*
14. The subject true-up petition is based on the Annual Audited Accounts for FY 2015-

16. The MYT order dated 1st April' 2013 was 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.
15. The following developments have occurred subsequent to the MYT order for the period FY 2013-14 to FY 2015-16 issued on 1st April' 2013:
- i) The Commission issued the generation true-up orders for FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15 based on the Annual Audited Accounts 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 FY 2015-16 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 for Bansagar IV (Jhinna) was issued by the Commission from FY 2006-07 to FY 2013-14, based on the Annual Audited Accounts.
 - 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.
 - vi) On 20th May' 2016, the Commission issued True-Up order for FY 2014-15 based on the Annual Audited Accounts of the FY 2014-15. The capital cost of the power stations under subject petition has been revised in this true-up order.
16. The Commission has taken into consideration all above mentioned orders while finalizing the instant true-up order. Therefore, in this true-up order, the base opening figures of Gross Fixed Assets, Normative Equity, loan components and cumulative depreciation are considered in accordance with the true-up order for FY 2014-15 issued on 20th May' 2016.

Procedural History:

17. Motion hearing in the subject petition was held on 8th December' 2016, 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, by 30th December' 2016.
18. Vide Commission's letter dated 14th December' 2016, 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 latest by 5th January, 2017.
19. By affidavit dated 4th January' 2017, the petitioner filed its reply to the issues raised by the Commission. The details of the issues raised in Commission's letters dated 14th December' 2016, along with the response filed by the petitioner by affidavit dated 4th January' 2017 are summarised in **Annexure-I** of this order.
20. Vide letter dated 21st December' 2016, the petitioner was asked to publish the public notice in newspapers in Hindi and English version inviting comments/suggestions from the stakeholders.
21. Vide letter dated 28th December' 2016, MPPGCL confirmed that the public notices inviting comments/suggestions from stakeholders have been published on 27th December, 2016'in the following news papers:
 - (i) Yash Bharat, Jabalpur (Hindi).
 - (ii) Danik Bhaskar, Gwalior (Hindi).
 - (iii) Raj Express, Indore (Hindi).
 - (iv) Raj Express, Bhopal (Hindi).
 - (v) Hindustan Times, Bhopal (English).
22. The public hearing in the subject true-up petition was held on 24th January' 2017, wherein the representatives of the petitioner and Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) appeared. The representative appeared on behalf of RRVPNL sought ten days time to file its comments on the petition.
23. By affidavit dated 2nd February' 2017, M.P. Power Management Company Ltd. (Respondent No. 1) filed its comment on the subject petition. By affidavit dated 17th February' 2017, Rajasthan Rajya Vidhut Prasaran Ltd. (Respondent No. 3) has also filed its comments on the subject True-Up petition.
24. A summary of the comments offered by the Respondent No. 1 & 3 and MPPGCL's response on each comment has been summarized in **Annexure -2** of this Order.

Capital Cost

Petitioner's submission:

25. The petitioner submitted that after approval from Central Electricity Authority (CEA), the units of PH-2(2x120MW) of ATPS Chachai were de-commissioned during FY 2014-15. Consequently, the Gross Block of ATPS PH-2 has been de-capitalized/transferred in the Annual Audited Books of Accounts for FY 2015-16.
26. The petitioner further submitted that in the Final tariff order of ATPS PH-3 (210MW), Gross fixed assets have been reduced by the retained amount towards liquidated damages & ERV of Rs. 50.59 Crores from the capital cost of ATPS PH-3. In FY 2015-16, out of aforesaid figure, an amount of Rs.45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL from internal resources.
27. Accordingly, for the purpose of Opening Gross Fixed Assets for FY 2015-16, the petitioner has considered the Closing Gross Fixed Assets as per MPERC true up order dated 20th May' 2016, for FY 2014-15 which is further adjusted due to decommissioning of ATPS PH 2 and LD settlement in ATPS PH 3.
28. The details of Adjusted Opening Gross Fixed Assets along with asset additions and adjustment/ deductions during the year as filed by the petitioner are as given below:

Table 8: Power station-wise break-up of fixed assets filed by the petitioner (Rs in Crores)

Sr. no	Station	Adjusted Op. Gross Block 1.04.2015	Asset Additions	Asset Deductions/ Adjustment	Cl. Balance of Gross Block 31.03.2016
1	ATPS PH-2	-	-	-	-
2	ATPS PH-3	1133.75	12.07	-	1145.81
	ATPS Chachai	1133.75	12.07	-	1145.81
3	STPS PH-2&3	622.49	31.38	-1.1	652.77
4	STPS PH-4	3062.94	101.55	-3.71	3160.78
	STPS Total	3685.43	132.9	-4.81	3813.56
5	SGTPS PH-1&2	2186.55	2.99	-0.85	2188.69
6	SGTPS PH-3	2031.04	3.05	-	2034.09
	SGTPS Total	4217.59	6.04	-0.85	4222.78
	Total Thermal	9036.76	151.04	-5.66	9182.15

Sr. no	Station	Adjusted Op. Gross Block 1.04.2015	Asset Additions	Asset Deductions/ Adjustment	Cl. Balance of Gross Block 31.03.2016
7	Gandhi Sagar	10.39	-	-	10.39
8	Pench	100.39	1.86	-	102.25
9	Rajghat	82.81	-	-	82.81
10	Bargi	86.97	0.22	-	87.19
11	Bansagar PH-1,2&3	1167.35	5.83	-	1173.18
12	Bansagar PH-4	116.85	-	-	116.85
13	Madhikheda	217.99	-	-	217.99
14	Birsinghpur	52.15	-	-	52.15
	Total Hydro	1834.90	7.91	-	1842.81
	HQ	2.05	1.22	-0.01	3.26
	Total	10873.72	160.18	-5.67	11028.22

29. The petitioner mentioned that the asset capitalization was carried out during FY 2015-16 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 submitted by the petitioner under the additional Capitalization.
30. The petitioner also mentioned that the Write off/ adjustments/ transfer 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 2015-16.

Provision in Regulation's:

31. 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 provides 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:

32. The petitioner filed the total adjusted Opening Gross Fixed Assets (GFA) of Rs10873.72 Crores (as on 01st April’ 2015) for its thermal and hydel power stations covered in the subject true-up petition. It also includes the assets of Rs. 72.09 crore transferred from de-capitalized Unit of ATPS PH-2 to ATPS PH-3.
33. On scrutiny of additional capitalization in light of the Annual Audited Accounts, it was observed that total asset addition during FY 2015-16 as per Audited Accounts is Rs 464.93 Crores whereas, the petitioner filed Rs 160.18 Crores. Similarly, write-off/adjustment of assets is filed as Rs 5.67 Crores whereas, this amount is recorded in its Annual Audited Accounts as Rs163.94 Crores. Therefore, vide letter dated 14th December’ 2016, the petitioner was asked to reconcile the figures regarding addition of assets and write off/ adjustment of assets recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2015-16. The petitioner was also asked to file reasons for any difference in the figures between the two records.

34. By affidavit dated 4th January' 2017, the petitioner filed the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2015-16 and as claimed by MPPGCL in subject petition with respect to Assets Addition & De-capitalization/Adjustments, along with reasons/explanations. With regard to the difference in figures in Audited Account vis-a-vis asset-cum-depreciation registers, the petitioner submitted the following reasons:
- a. *The asset addition in STPS PH- 2 & 3 as per Audited Account is Rs49.51 Crores whereas, the figure filed in the petition and recorded in Asset Register is Rs31.38 Crores. The difference of Rs18.12 Crores is on account of need based R&M works which are not claimed in the instant petition as Special Allowance opted.*
 - b. *The asset addition in SSTPP PH-1 as per Audited Books of Accounts is Rs286.59 Crores. However, this power station is not covered in the instant petition as the petitioner shall file a separate petition for this power station.*
 - c. *With regard to written off in ATPS PH-2 as per Audited Account is Rs230.79 Crores whereas, the figure filed in the petition and recorded in Asset Register is Rs222.28 Crores. The difference of Rs8.51 Crores is on account of capital spare capitalized at ATPS PH-1&2 during FY- 15 were deferred by the Commission in true up order for FY-15.*
 - d. *Adjustment in ATPS PH-3 as per Audited Account is Rs72.15 Crores whereas, the figure filed in the petition and recorded in Asset Register is Rs 75.53 Crores. The difference of Rs3.37 Crores is on account of LD refund amounting to Rs3.48 Crore is adjusted from Gross Fixed Assets for the purpose of tariff, further, capital spare of Rs0.11 Crore transferred from ATPS PH-2 in the books of Accounts out of Rs8.51 Crore which were not Admitted by the Commission in true up order for FY2014-15.*
 - e. *The asset write-off of Rs0.37 Crores is recorded for SSTPP PH-1 in the Audited Books of Accounts. However, this power station is not covered in the instant petition as the petitioner shall file a separate petition for this power station.*
35. The Commission has considered the closing GFA of Rs11018.36 Crores (as on 31st March' 2015) for existing and new power stations as per the last true-up order for FY 2014-15 issued on 20th May' 2016 as opening GFA for FY 2015-16 in this Order. The Power station-wise break-up of closing GFA and funding as admitted

in the true up order for FY 2014-15 are as given below :

Table 9: Closing GFA as on 31st March' 2015 (Rs in Crores)

Sr. No	Power Station	Closing GFA as per True-Up Order for FY 2014-15
1	ATPS PH-2	222.27
2	ATPS PH-3	1058.22
3	STPS PH-2 & 3	622.49
4	STPS PH-4	3062.94
5	SGTPS PH 1 & 2	2186.5
6	SGTPS PH-3	2031.04
	Thermal	9183.46
7	Gandhi Sagar	10.39
8	Pench	100.39
9	Rajghat	82.81
10	Bargi	86.97
11	Bansagar PH-1,2 &3	1167.35
12	Bansagar PH-4 (Jhinna)	116.85
13	Birsinghpur	52.15
14	Madhikheda	217.99
	Total Hydro	1834.9
	Total	11018.36

Prior period write-off/ adjustment of assets:

ATPS PH II

36. The petitioner has submitted that the units of ATPS PH II have been decommissioned during FY 2014-15. In Para 5 of the petition, the petitioner submitted the following:

- (i) *The CEA New Delhi vide Order No. CEA/ PLG/ PDM/ 545/ 2016 dated 04.03.2016 have approved the retirement of Unit No. 3 and 4 of ATPS PH-2 w.e.f. 13th January 2015 and 1st May 2014 respectively.*
- (ii) *Accordingly, majority of Assets of Unit No. 3 & 4 of ATPS PH-2 have been de-capitalized from the Gross Block of ATPS PH-2 in the Audited Books of Accounts for FY 2015-16. The remaining assets of common service were transferred to ATPS PH-3. These mainly pertain to Administrative Office Building, Roads , Residential Colony, site offices, Water Supply system & equipments, Railway siding & Locomotive and wagons, Switch yard Control Room and associated equipments including cables, wires etc., Secondary Fuel Oil Tanks and related equipments, Vehicles and other Office & IT equipments.*

(iii) The same is considered in the instant petition and are detailed as under:-

- a. The Gross Block of ATPS PH-2 as admitted by the Commission in True up order for FY 2014-15 amounts to Rs. 222.28 Crores. Out of said Gross Block, assets decommissioned/ transferred as per Audited Books of Accounts for FY 2015-16 are summarized as under:-

		(Rs in Crores)
Particulars		Amount
Gross Block admitted by MPERC as on 31.03.2015		222.28
1	Assets decommissioned	150.18
2	Transferred to ATPS PH-3	72.05
3	Transferred to SGTPS PH-1&2	0.05
Total(1+2+3)		222.28
Adjusted Gross Block as on 01.04.2015		0

- b. The effect of above mentioned de-capitalized/ transferred Assets have been appropriately provided in Chapter- Assets & depreciation while working the depreciation for the FY 2015-16.

- c. The Account code wise details of Assets de-capitalized are tabulated as under:-

Assets De-Capitalized from ATPS PH-2		(Rs in Crores)
A/c Code	Details	Amount
10.201	Buildings Containing Thermo Elec. Gen. Plant	4.16
10.311	Cooling Towers	0.03
10.501	Boiler Plant & Equipment	52.68
10.503	Turbine-Generator-Steam Power Generation	58.75
10.504	Plant Foundations For Steam Power Plant	0.65
10.507	Ash Handling Plant	17.53
10.509	Auxiliaries In Steam Power Plant	0.08
10.512	Coal Conveyor & Crusher	0.27
10.515	Coal Handling Plant & Handling Equipments	2
10.52	Instrumentation And Controls	3.98
10.541	Transmission Plant-Transformers 100 Kva & Above	1.64
10.542	Other Transformers Of Power House	2.32
10.546	Line Transformer Below 100 Kva	0.63
10.551	Material Handling Equipment-Earth-Movers, Bulldozer	0.15
10.561	Switchgears Including Cable Connections	0.89
10.563	Batteries Including Charging Equipment	0.14
10.576	Air-Conditioning Plant Static	0.9
10.599	Other Misc Equip. Including Fire Protection System	1.32
10.603	Overhead Lines On R.C. Support	0.01
10.611	Underground Cables Including Jt .Boxes & Disconnect. Box	1.18
10.612	Underground Cables - Cable Duct System	0.68
10.613	Internal Wiring Including Fittings & Fixtures	0.17
Total		150.18

d. The Account code wise details of Assets transferred to ATPS PH -3 are tabulated as under:-

Assets transferred to ATPS PH-3

(Rs in Crores)

A/c Code	Details	Amount
10.102	Land Held Under Lease	0.34
10.106	Cost Of Tree Plant for Tree Cut Down (Provisional)	0.01
10.1XX	Sub Total	0.35
10.207	Buildings Containing Transmission Installations	0.002
10.211	Office Buildings	1.63
10.222	Residential Colony For Staff	12.57
10.233	Other Buildings	1.88
10.2XX	Sub Total	16.08
10.301	Hydel works form part of Hydel Elec. Sys, Dams, Spillway	1.76
10.315	Sweet Water Arrangements Including Reservoirs	0.36
10.32	Plant, Pipelines For Water Supply In Res. Colony	0.01
10.322	Drainage And Sewerage Residential Colony	0.23
10.323	Bypass Channel And Its Works	0.41
10.3XX	Sub Total	2.77
10.401	Pucca Roads	0.27
10.402	Kuchcha Roads	0.35
10.412	Railway Sidings	13.61
10.42	Boundary Wall For Civil Buildings	0.73
10.4XX	Sub Total	14.96
10.501	Boiler Plant & Equipments	12.59
10.503	Turbine-Generator-Steam Power Generation	11.03
10.507	Ash Handling Plant	0.31
10.511	Locomotives And Wagons	3.09
10.515	Coal Handling Plant & Handling Equipments	0.02
10.516	Oil Tanks, Oil Handling Plant & Equipments	1.75
10.541	Transmission Plant-Transformers 100 Kva & Above	0.47
10.542	Other Transformers Of Power House	0.26
10.543	Others Trans Plant Transformer Kiosks, Subs Equip Apparatus	0.1
10.544	Substation Transformer & Kiosks 100 Kv & Above	2.08
10.551	Material Handling Equipment-Earth-Movers, Bulldozer	1.58
10.561	Switchgears Including Cable Connections	2.47
10.563	Batteries Including Charging Equipment	0.45
10.565	Fabrication Shop/Workshop Plant & Equipments	0.02
10.567	Lightning Arrestors	0.01
10.571	Communication Equip-Radio & High Freq. Carrier Sys.	0.01
10.572	Communication Equip-Telephone Lines & Telephones	0.06
10.58	Refrigerators And Water Coolers	0.01
10.581	Meter Testing Laboratory Tools & Equipments	0.13

10.582	Equipments In Hospitals/Clinics	0.05
10.583	Tools And Tackles	0.04
10.5XX	Sub Total	36.53
10.601	Overhead Lines On Steel Support At Voltage > 66 Kv	0.76
10.602	Overhead Lines On Steel Support At Vol.Bt. 13.2 & 66	0.003
10.641	Street Lighting And Signal System	0.001
10.6XX	Sub Total	0.764
10.73	Jeeps And Motor Cars	0.03
10.74	Other Vehicles	0.02
10.7XX	Sub Total	0.05
10.8	Furniture And Fixtures	0.07
10.8XX	Sub Total	0.07
10.901	Calculators	0.01
10.902	Typewriters	0.01
10.904	Other office equipments	0.05
10.905	Computers	0.4
10.9XX	Sub Total	0.47
	Grand Total	72.05

e. The details of minor Assets transferred to SGTPS PH-1&2 are tabulated as under:-

(Rs in Crores)	
Details	Amount
CERM Gear Box for ESP	0.05

37. On perusal of above submission of petitioner, the Commission observed that the unit No. 3 & 4 of ATPS PH II have been decommissioned from the respective date of outage i.e. **13th January' 2015** and **1st May' 2014**, respectively. Further, after detailed study of units, the Government of Madhya Pradesh on the recommendation of NTPC (National Thermal Power Corporation) and CEA (Central Electricity Authority) have accorded approval for decommissioning of the aforesaid units.
38. The Commission in the true order for FY 2014-15 has considered the capital cost of Rs 222.28 Crores for ATPS PH II, with Loan, Equity and Cumulative Depreciation of Rs 19.67 Crores, Rs 38.41 Crores and Rs 160.44 Crores respectively.
39. The petitioner submitted that majority of Assets of Rs 150.18 Crores of Unit No. 3 & 4 of ATPS PH-2 have been de-capitalized from the Gross Fixed Assets of

ATPS PH-2 and the remaining assets of Rs 72.05 Crores and Rs 0.05 Crores pertains to common service were transferred to ATPS PH-3 and SGTPS PH-1&2 respectively. These assets have also been recorded in Annual Audited Accounts and assets- cum depreciation register for FY 2015-16.

40. In the view of above, the Commission has considered the aforesaid assets towards De-capitalization and transfer on account of decommissioning units of ATPS PH 2. Accordingly, the amount towards loan, equity and cumulative depreciation of ATPS PH-2 has been allocated/ apportioned among ATPS PH-2 (De-commissioned), ATPS PH-3 and SGTPS PH-1&2 corresponding to assets are as given below:

Table 10: Apportionment of Assets of ATPH-2 (Rs in Crores)

S. no	Particulars	Gross Fixed Asset	Loan	Equity	Cumulative Depreciation
(1)	(2)	(3)	(4)	(5)	(6)
1	Closing Balance as on 31/03/2015	222.27	19.67	38.41	160.44
2	Assets decommissioned	150.18	13.29	25.95	108.40
3	Transferred to ATPS PH-3	72.05	6.38	12.45	52.01
4	Transferred to SGTPS PH-1&2	0.05	0.004	0.01	0.04
	Total(2+3+4)	222.27	19.67	38.41	160.45

41. Accordingly, the revised capital cost, it's corresponding funding and accumulated Depreciation of ATPS PH 3 and SGTPS PH 1 & 2 are as given below:

Table11: Revised Capital Cost as on 01/04/2015 (Rs in Crores)

S. No	Power Stations	Gross Fixed Assets		
		Closing as on 31.03.2015	Transfer From ATPS PH-2	Opening as on 01.04.2015
1	ATPS PH-3	1058.22	72.05	1130.27
2	SGTPS PH-1& 2	2186.50	0.05	2186.55

Table 12: Revised Loan as on 01/04/2015 (Rs in Crore)

S. No	Power Stations	Revised Loan as on 01/04/2015		
		Closing as on 31.03.2015	Transfer From ATPS PH-2	Opening as on 01.04.2015
1	ATPS PH-3	554.08	6.38	560.46
2	SGTPS PH-1& 2	0.00	0.004	0.004

Table 13: Revised Equity as on 01/04/2015 (Rs in Crore)

S. No	Power Stations	Revised Equity as on 01/04/2015		
		Closing as on 31.03.2015	Transfer From ATPS PH-2	Opening as on 01.04.2015
1	ATPS PH-3	246.80	12.45	259.25
2	SGTPS PH-1& 2	649.45	0.01	649.46

Table 14: Revised Cumulative Depreciation as on 01/04/2015 (Rs in Crore)

S. No	Power Stations	Revised Cumulative Depreciation as on 01/04/2015		
		Closing as on 31.03.2015	Transfer From ATPS PH-2	Opening as on 01.04.2015
1	ATPS PH-3	260.8	52.01	312.77
2	SGTPS PH-1& 2	1571	0.04	1571.21

STPS, Sarni: PH-4

42. With respect to prior period write off/adjustment of assets in STPS PH-4, the petitioner submitted that the assets of Rs 3.71 Crores which were capitalized during FY 2013-14 in STPS PH-4, has transferred back to CWIP as per Audited Books of Accounts for FY 2015-16. The petitioner further submitted that the aforesaid assets are reduced from the Gross Block of STPS PH-4 for the purpose of claiming depreciation and funded through Loan Component, accordingly, the normative loan Balance has been reduced, proportionately.
43. Regarding the above assets transferred back to CWIP vide letter dated 14th December' 2016, the petitioner was asked to clarify the following:
- Reasons for write-off and transfer of such capitalized assets to CWIP.
 - Corresponding cost components like ROE, interest on loan and depreciation allowed corresponding to such capitalized assets from FY2013-14 to FY 2015-16.”
44. In response, by affidavit dated 4th January' 2017, the petitioner submitted the following:
- i) *The assets amounting to Rs. 3.71 Crore were capitalized at STPS PH-4 and captured in Books of Accounts during FY 2013-14. These assets were part of Gross Block of Rs 3093.09 Crores as on 31.03.2014 as reflected in Final Tariff petition of STPS PH-4(2x250MW).*
 - ii) *During FY 2015-16, the above mentioned assets were transferred back to CWIP on account of non-completion of certain facilities and thus considered in the subject True up petition.*

- iii) *The assets transferred to CWIP amounting to Rs.3.71 Crores are funded from PFC Loan No.20701003.*
- iv) *The assets transferred to CWIP are majorly capitalized on 15.03.2014 and 31.03.2014 as detailed in Asset cum Depreciation Register of STPS Ph-4 Sarni. Accordingly the interest on loan and depreciation allowed on such assets during FY 2013-14 to FY 2015-16 are annexed as Annexure-19.*
45. In view of the above, the assets and its corresponding funding for STPS PH 4 admitted by the Commission in true order for FY 2014-15 have now been revised. The Commission vide final order dated 7th January' 2016, had considered the debt equity ratio of 80:20 as approved by the GoMP. The Commission has considered the same debt equity ratio and reduced the funding corresponding to assets of Rs3.71 Crores. The detail of assets and funding after considering write-off considered in this order are as follows:

Table 15: STPS PH-4 written off and Funding (Rs in Crores)

Particular	Assets transferred to CWIP and its funding
Gross Fixed Asset	3.71
Loan component	2.97
Equity component	0.74

46. The power station wise closing GFA, equity, loan and cumulative depreciation as on 31st March' 2015 as admitted in the last true-up order for FY 2014-15 has now been revised on considering the retrospective impact of the write-off/adjustment of asset under prior period.

SGTPS PH-3

47. With Regard to Prior Period adjustment of assets in SGTPS PH-3, by affidavit dated 4th January' 2017, the petitioner submitted that the assets of Rs. 6.09 Crore were erroneously booked under capital spares during FY 2012-13 and same has been corrected & transferred to Fixed Assets in the Annual Audited Accounts for FY 2013-14. The petitioner in its Additional Submission mentioned the following:

“Apart from above, it is to submit that, in the True up petition for FY 2013-14 petition No. 16 of 2015, MPPGCL, at Table No 4.4.6.1 at Serial No.8 on Page 72 has stated that Fixed Assets amounting to Rs.6.09 Crores were erroneously booked under Account Code 11.XXX (Capital Spares) in earlier years and permitted by the Commission. The same has been corrected & transferred to Account Code-10.XXX (Fixed Assets) in Audited Books of Accounts of FY

2013-14 and informed to the Commission. The impact of said correction was also taken in Asset Cum Depreciation register of FY 2013-14 which were already submitted before the Commission.

However the Commission, in the True up order for FY 2013-14 has not taken the cognizance of same for working out the ceiling limit of Capital Spares and accordingly the Capital Spares remained not-permitted by the Commission are as under:

Table 13:**Rs. Crores**

Financial Year	Claimed by MPPGCL in True up petition of respective Year	Allowed by the Commission in True up order	Difference
FY 2012-13	7.80	2.43	-5.37
FY 2013-14	1.19	0.00	-1.19
Total	8.99	2.43	-6.56

It is humbly requested before the Commission, to kindly make suitable correction in this regard, and allow capital spares amounting to Rs.6.56 Crores along with its funding through loan component. The statement indicating the ceiling limit of capital spares after taking impact of transfer of Rs.6.09 Crores to Account Code 10.XXX is annexed as Annexure-9D.”

48. On perusal of the above additional submission made by the petitioner, the Commission observed the following:
- The petitioner has not claimed the above prior period adjustment in the main petition on which the comments were offered from the Stakeholders.
 - The aforesaid adjustment has also not been claimed in True-Up petition for FY 2014-15 .
 - The petitioner has claimed the prior period adjustment in additional submission filed in response to the queries raised by the Commission.
 - The petitioner has not provided the details of such assets transfer under fixed assets from capital spares.
49. In the view of above, the Commission has not considered this adjustment of assets in SGTPS PH-3 in this order. However, the petitioner is at liberty to claim the aforesaid adjustment in its True-Up petition for FY 2016-17 along with complete details of assets as per the Annual Audited Accounts.
50. Accordingly, the power station-wise opening Gross Fixed Assets, normative equity, loan component including excess equity and cumulative depreciation as on 1st April' 2015, are considered in this order is as given below:

Table 16: Gross Fixed Assets (Rs in Crores)

S. No	Power Stations	Gross Fixed Assets		
		Closing Balance as on 31.03.2015 as per True-Up Order for FY 2014-15	Prior Period Write off/Addition as on 31.03.2015	Opening Balance as on 01.04.2015
1	ATPS PH-2	222.27	-222.27	0
2	ATPS PH-3	1058.22	72.05	1130.27
3	STPS PH-2 & 3	622.49	-	622.49
4	STPS PH-4	3062.94	-3.71	3059.23
5	SGTPS PH 1 & 2	2186.5	0.05	2186.55
6	SGTPS PH-3	2031.04	-	2031.04
7	Gandhi Sagar	10.39	-	10.39
8	Pench	100.39	-	100.39
9	Rajghat	82.81	-	82.81
10	Bargi	86.97	-	86.97
11	Bansagar PH-1,2 & 3	1167.35	-	1167.35
12	Bansagar PH-4	116.85	-	116.85
13	Birsinghpur	52.15	-	52.15
14	Madhikheda	217.99	-	217.99
	Total	11018.36	-153.88	10864.48

Table 17: Normative Equity (Rs in Crores)

S. No	Power Stations	Normative Equity		
		Closing Balance as on 31.03.2015 as per True Up Order for FY 2014-15	Prior Period Write off/Addition as on 31.03.2015	Opening Balance as on 01.04.2015
1	ATPS PH-2	38.41	-38.41	0.00
2	ATPS PH-3	246.80	12.45	259.25
3	STPS PH-2 & 3	184.61	0.00	184.61
4	STPS PH-4	596.18	-0.74	595.44
5	SGTPS PH 1 & 2	649.45	0.01	649.46
6	SGTPS PH-3	574.82	0.00	574.82
7	Gandhi Sagar	3.15	0.00	3.15
8	Pench	30.12	0.00	30.12
9	Rajghat	24.84	0.00	24.84
10	Bargi	26.11	0.00	26.11
11	Bansagar PH-1,2 & 3	350.22	0.00	350.22
12	Bansagar PH-4	35.05	0.00	35.05
13	Birsinghpur	15.65	0.00	15.65
14	Madhikheda	46.25	0.00	46.25
	Total	2821.65	-26.69	2794.97

Table 18: Loan Balances Including Excess Equity (Rs in Crores)

S. No	Power Stations	Normative Loan		
		Closing Balance as on 31.03.2015 as Per True-Up Order for FY 2014-15	Prior Period Write off/Addition as on 31.03.2015	Opening Balance as on 01.04.2015.
1	ATPS PH-2	19.67	-19.67	-
2	ATPS PH-3	554.08	6.38	560.46
3	STPS PH-2 & 3	-	-	-
4	STPS PH-4	2307.23	-2.97	2304.26
5	SGTPS PH 1 & 2	-	0.004	0.004
6	SGTPS PH-3	819.59	-	819.59
7	Gandhi Sagar	0.01	-	0.01
8	Pench	-	-	-
9	Rajghat	-	-	-
10	Bargi	-	-	-
11	Bansagar PH-1,2 & 3	-	-	-
12	Bansagar PH-4	25.36	-	25.36
13	Birsinghpur	-	-	-
14	Madhikheda	68.64	-	68.64
	Total	3794.58	-16.26	3778.32

Table 19: Cumulative Depreciation (Rs in Crores)

S. No	Power Stations	Cumulative Depreciation		
		Closing Balance as on 31.03.2015 as Per True-Up Order for FY 2014-15	Prior Period Write off/Addition as 31.03.2015	Opening Balance as on 01.04.2015
1	ATPS PH-2	160.44	-160.44	-
2	ATPS PH-3	260.76	52.01	312.77
3	STPS PH-2 & 3	564.72	-	564.72
4	STPS PH-4	199.91	-0.24	199.67
5	SGTPS PH 1 & 2	1571.17	0.04	1571.21
6	SGTPS PH-3	633.20	-	633.20
7	Gandhi Sagar	9.39	-	9.39
8	Pench	77.76	-	77.76
9	Rajghat	46.48	-	46.48
10	Bargi	64.13	-	64.13
11	Bansagar PH-1,2 & 3	657.49	-	657.49
12	Bansagar PH-4	56.45	-	56.45
13	Birsinghpur	35.94	-	35.94
14	Madhikheda	77.67	-	77.67
	Total	4415.51	-108.64	4306.87

Additional Capitalization:

Petitioner's submission:

51. The petitioner submitted that the assets capitalization was carried out in the existing stations as well as in the new projects. These assets additions were made on account of new assets capitalized and assets transfer from of one unit to another unit of a plant under the head Fixed Assets. In para 4.3.47 of the petition, the petitioner filed the power station wise asset capitalization as given below:-

Table 20: Additional Capitalization Claimed (Rs in Crores)

S.No.	Stations	Additional Capitalization 2015-16
1	ATPS PH-3	12.07
2	STPS PH-2 & 3	31.38
3	STPS PH-4	101.55
4	SGTPS PH 1 &2	2.99
5	SGTPS PH-3	3.05
	Thermal	151.04
6	Gandhi Sagar	-
7	Pench	1.86
8	Rajghat	-
9	Bargi	0.22
10	Bansagar PH-1,2&3	5.83
11	Bansagar PH-4 (Jhinna)	-
12	Birsinghpur	-
13	Madhikheda	-
	Total Hydro	7.91
14	HQ	1.22
	Total	160.18

52. The Power station-wise details of Additional Capitalization and funding through Loans & Equity are provided in the petition, in Chapter "Additional Capitalization/De-Capitalization and funding thereof" in Para 4.3.47 of the petition.

Provision in Regulations

53. 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:

54. The petitioner filed additional capitalization of `160.18 Crores during FY 2015-16, in thermal and hydel power stations. With regard to additional capitalization filed by the petitioner, vide letter dated 14th December' 2016 the Commission sought several details/documents from the petitioner.
55. Based on the details of additional capitalization filed by the petitioner in the subject petition and additional submission filed by affidavits dated 4th January' 2017, 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 given below:

Additional Capitalization in Existing Projects:

56. Vide letter dated 14th December' 2016, the petitioner was asked to submit various details regarding 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 4th January' 2017, the petitioner filed its response on all the aforesaid issues raised by the Commission. The issues wise responses filed by the petitioner are detailed in Annexure-1 of this order.
57. Considering all details and documents regarding the existing power stations, the Commission examined the power station-wise details in respect of additional capitalization of each power station separately as given below:

(a) STPS Sarni PH-2&3

58. The petitioner filed the additional capitalization of Rs31.38 Crores during FY 2015-16 in STPS PH-2&3, towards Ash Bund/ Ash Handling plant.
59. The petitioner has already opted the special allowance for STPS PH- 2&3, in accordance with the provisions under the applicable MPERC Tariff Regulations, 2012, Regulation 18.4 of the aforesaid Regulations, 2012 provides as under:

“The generating company in case of the thermal generating station, may in its discretion, avail of a special allowance either for a Unit or a group of Units as compensation for meeting the requirement of expenses including Renovation and Modernization beyond the Useful life of generating station or a Unit thereof, and in such an event revision of capital cost shall not be considered and the applicable operational norms shall not be relaxed but the special allowance shall be include in the annual fixed cost.”

60. In view of above provision under Regulations, the revision or addition of capital cost shall not be considered in case of special allowance opted for the power generating station/unit. Therefore, the petitioner is not entitled to claim additional capitalization in terms of the aforesaid Regulations in the subject petition..

(b) SGTPS PH-1&2

61. The petitioner filed the additional capitalization of Rs2.99 Crore during FY 2015-16 in SGTPS PH-1&2 as per Audited Books of Accounts of FY 2015-16. The details of assets capitalized and claimed by the petitioner during FY2015-16 are as given below:

Table 21: Additional Capitalization filed under SGTPS PH 1&2 (Rs in Crores)

S. No	Account Code	Details	Amount
1	10.233	Other Buildings	0.34
2	10.507	Ash Handling Plant	1.07
3	10.520	Instrumentation And Controls	1.21
4	10.577	Air-Conditioning Plant-Portable	0.02
5	10.580	Refrigerators And Water Coolers	0.005
6	10.581	Meter Testing Laboratory Tools & Equipments	0.31
7	10.800	Furniture And Fixtures	0.03
8	10.904	Other office Equipments	0.01
9	10.905	Computers	0.01
		Total	2.99

62. The petitioner submitted that the additional capitalization are funded through Loan and Equity as given below:

Table 22: Additional Capitalization and sources of funding (Rs in Crores)

S. no	Particulars	Assets Added	PFC Loan No 20101011	Internal Sources/equity
1	Asset addition Ash Handling Plant	1.07	1.07	-
2	Other Minor Works	1.92	-	1.92
	Total	2.99	1.07	1.92

63. Vide Commission's letter dated 14th December' 2016, several queries/ information regarding the additional capitalization of existing power stations were sought from the petitioner. The petitioner was also asked to explain the reason for requirement of works pertaining to ash handling plant of Rs1.07 Crores in SGTPS PH 1&2, at this stage.
64. By affidavit dated 4th January' 2017, the petitioner filed the following regarding the additional capitalization in SGTPS PH1&2:
- The assets amounting to Rs. 2.99 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2015-16 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.20.1 at page No. 47 of subject petition. The Accounting Vouchers/Order copies in this regard are annexed as Annexure-15.*
 - The above mentioned additional capitalization comprises of woks related to Ash handling plant amounting to Rs. 1.07 Crores. Detailed explanation of said expenditure is elaborated at MPPGCL's reply to Point No (D-vi) of the Commission's observation.*
 - Further, the balance assets additions amount to Rs.1.92 Crores towards works*

- related to Building, Instrumentation & controls & Meter testing laboratory Equipments.
- iv) The PH-1&2 of SGTPS Birsinghpur were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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.
 - v) 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 original Capital costs.
 - vi) The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2015-16. 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.
65. Regarding the works pertaining to Ash Handling Plant in SGTPS 1&2 and 3, the petitioner submitted following:
- i) It is to submit that that the capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this bund till March 2015.
 - ii) As such, the construction of 2nd phase Ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5, which shall be common for all the powerhouses i.e. SGTPS PH-1, 2 & 3. The apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based on the quantum of work involved and to the extent of criteria for bifurcation.
 - iii) Further, as desired, detailed break-up identifying the difference in the nature of work required for Ash Handling System for different units of the power station is as under:

Ash Disposal System:-

- iv) Ash Slurry Disposal System of PH-1 (Unit no. 1&2), PH-2 (Unit No. 3&4) & PH-3 are situated in one complex of SGTPS, Birsinghpur having their own ash slurry disposal pump houses separately equipped with the pumps, motors, gear boxes, coupling, valves, plug gates, other accessories and C&I as per the system requirement.
- v) The bottom ash slurry, coarse ash slurry and at times the fly ash slurry (wet

condition) of the respective power houses are discharged to the ash slurry sumps of respective Power Houses and further it is being conveyed to the existing Ash Dyke phase-I through ash slurry disposal pipe lines.

- vi) The four (4) Nos. of ash slurry pipe lines have been provided for each of the Power Houses. Each ash slurry pipe stream of PH-1 & PH-2 is provided with the two (2) pumps in series, whereas, ash slurry pipe series of SGTPS PH-3 are provided with the three (3) Nos. of pumps in series which are capable enough to dispose the ash slurry to the then existing ash dyke (1st Phase). Since the capacity of existing ash dyke was nearly exhausted, the slurry was required to be discharged in new ash dyke (2nd Phase), hence one Ash slurry booster pump in each series of all the power houses has been installed additionally and slurry lines were to be extended upto new ash dyke.

Ash Water Recovery System:

- vii) There are two (2) separate floating barges, one for (PH-1&2) and the other one for PH-3. These are equipped with necessary pumps & accessories to discharge the recovered water through the pipe lines (2 lines of 400NB for PH-1 & PH-2 and one line of 400NB for PH-3) to target boxes and thereafter water flows under gravity to the power house through single pipe line i.e. 600NB for PH-1 & 2 and 450NB for PH-3. These two lines along with the associated system were also to be extended upto new ash bund.
- viii) It may be mentioned here that installation of recovery water system is must to meet out the zero discharge concept as per statutory requirement in this regard. The system has therefore been provided for 2nd phase ash bund.
66. The Commission has observed that the above assets have been capitalized in the Annual Audited Accounts of MPPGCL for FY 2015-16 and these assets are also recorded in assets cum depreciation register for SGTPS PH-1&2. Considering the reasons submitted by petitioner, the additional capitalization of Rs2.99 Crores is admitted in this order under applicable MPERC (Terms and Condition for Determination of Generation Tariff) Regulations, 2005. The petitioner in aforesaid submission informed the funding pattern of asset capitalized in ash handling plant and other minor works. The funding as informed by the petitioner has been considered in this order.
67. Considering the above, the approved additional capitalization and its funding for SGTPS PH 1 & 2 for FY 2015-16 are as under:

Table 23: Approved Additional Capitalization and Funding (Rs in Crore)

Particulars	Additional Capitalization allowed in FY 2015-16	Loan	Equity
Assets Capitalized	2.99	1.07	1.92

(c) Pench HPS:

68. The petitioner filed the additional capitalization of Rs1.86 Crores in Pench Hydro Power station during FY 2015-16 towards Hydrel-Works, RCC Pipes, Surge tanks Valves, office equipment, Computers and furniture and fixture.
69. The petitioner confirmed that the additional assets of Rs 1.86 Crores in Pench HPS capitalized in Annual Audited Accounts for FY 2015-16 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 24: Details of Assets Capitalization (Rs in Crore)

S. No	Account Code	Details	Amount
1	10.305	Hydel-Works, RCC Pipes, Surge tanks Valves etc	1.80
2	10.904	Other office Equipments	0.001
3	10.905	Computers	0.003
4	10.906	Furniture & Fixtures	0.06
		Total	1.86

70. The Commission further observed that the assets of Rs1.86 Crores are capitalized by the petitioner in the books of accounts for FY 2015-16 and recorded in Asset-cum-Depreciation register of Pench HPS. Therefore, the additional capitalization of Rs1.86 Crores is allowed under the Regulation 20.2(d) of the Regulations, 2012. The petitioner informed that the aforesaid assets were funded through internal resources/equity component. The details of the additional capitalization and its funding considered in this order are as given below:

Table 25: Additional Capitalization and funding admitted (Rs in Crore)

Particular	FY2015-16
Asset Addition	1.86
Loan component	0.00
Equity component	1.86

(d) Bargi HPS:

71. The petitioner filed the additional capitalization of Rs 0.22 Crore in Bargi Hydro Power station during FY 2015-16 towards buildings, Pucca Road and other office equipments.
72. The petitioner confirmed that the additional assets of Rs 0.22 Crores in Bargi HPS capitalized in Annual Audited Accounts for FY 2015-16 and same has been funded through internal resources/ equity component. The details of the additional assets in Bargi HPS filed in the petition are as follows:

Table 26: Details of Additional Capitalization (Rs in crore)

S. No	Account Code	Details	Amount
1	10.233	Other Buildings	0.06
2	10.401	Pucca Roads	0.15
3	10.904	Other office Equipments	0.01
		Total	0.22

73. The Commission observed that the assets of Rs 0.22 Crore are capitalized by the petitioner in the books of accounts for FY 2015-16 and recorded in Asset-cum-Depreciation register of Bargi HPS. Therefore, the additional capitalization of Rs 0.22 Crore is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table 27: Additional Capitalization and funding admitted (Rs in Crores)

Particular	FY2015-16
Asset Addition	0.22
Loan component	-
Equity component	0.22

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

74. The petitioner filed the additional capitalization of Rs 5.83 Crores in Bansagar, PH-1, 2 & 3 during FY 2015-16. The details are as under:

Table 28: Details of Asset Capitalization (Rs in Crores)

A/c Code	Details	Amount	
1	10.101	Land Owned Under Full Title	0.01
2	10.531	Hydel Power Generation Plants	5.78
3	10.582	Equipments In Hospitals/Clinics	0.0002
4	10.8	Furniture & Fixtures	0.002

A/c Code		Details	Amount
5	10.904	Other Office Equipments	0.01
6	10.905	Computers	0.02
Total			5.83

75. The petitioner submitted that the above capitalization is mainly on account of installation of New Governor at Bansagar PH-1 HPS under “Restricted Governor Mode Operation (RGMO)” amounting to Rs5.78 Crores and balance towards procurement of minor assets.
76. Vide Commission’s letter dated 14th December’ 2016 The petitioner was asked to justify its claim in light of the proviso under Regulation 20.2 of the tariff Regulations, 2012 and requirement at this stage.
77. By affidavit dated 4th January’ 2017, the petitioner submitted the following:
- i) *The assets amounting to Rs. 5.83 Crores were capitalized at Bansagar PH-1, 2 & 3 HPS during FY 2015-16 as per Audited Books of Accounts.*
 - ii) *The aforesaid additional capitalization comprises of installation of New Governor at Bansagar PH-1 under Restricted Governor Mode Operation(RGMO) amounting to Rs.5.78 Crores .It is to mention that the GRID Code provides for compulsory installation of Governors at Thermal & Hydel Power Stations.*
 - iii) *The balance asset addition is made on account of compensation paid for land amounting to Rs. 0.01 Crores and procurement of office equipments amounting to Rs. 0.04 Crores.*
 - iv) *The PH-1,2&3 of Bansagar HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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.*
 - v) *The said capitalization is claimed under Provisos of MPERC Regulations:*
 - *Proviso 20.2(a) of MPERC Regulations, 2012 provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court..*
 - *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.*
 - *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*

Capital costs.

- vi) *Asset additions made at Bansagar PH-1, 2 & 3 HPS at are new assets and not against any write off in FY 2015-16. 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.*
78. The petitioner confirmed that the additional assets of Rs 5.83 Crore in Bansagar PH 1,2 & 3 capitalized in Annual Audited Accounts for FY 2015-16 and same has been funded through internal resources/ equity component.
79. The Commission observed that the assets of Rs 5.83 Crores are capitalized by the petitioner in the books of accounts for FY 2015-16 and recorded in its Asset cum Depreciation register. The Commission further observed that out of total additional capitalization of Rs 5.83 Crores, the assets of Rs 5.78 Crores pertains to installation of new Governor at BansagarPH-1 under the Restricted Governor Mode Operation in compliance to the Grid Code .Therefore, the additional capitalization of Rs 5.83 Crores is considered in this order under the Regulation 20.2(d) of the Regulations, 2012.
80. The details of the additional capitalization and its funding considered in this order are as follows:

Table 29: Additional Capitalization and funding Admitted (Rs in Crores)

Particular	FY 2015-16
Asset addition	5.83
Loan component	-
Equity component	5.83

Additional Capitalization in New Projects:**a) ATPS, Chachai PH-III (1x210 MW):**

81. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The additional capitalization of Rs 11.07 Crores is filed by the petitioner during FY 2015-16 in this generating unit. The petitioner submitted that the additional capitalization has been capitalized during FY 2015-16, and captured in Audited Books of Accounts.
82. The petitioner submitted that the works under additional capitalization were carried out during FY 2015-16 and these works are within the original scope of cost estimate of Rs1242.14 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 30: Details of Asset Capitalization claimed (Rs in Crore)

S. No.	A/c Code	Details	Amount
1	10.106	Cost Of Tree Plantation for Tree Cut Down	0.11
2	10.322	Drainage and Sewerage of Residential Colony	2.32
3	10.426	Ash bund for TPS	4.00
4	10.501	Boiler Plant & Equipments	0.08
5	10.507	Ash Handling Plant	0.01
6	10.511	Locomotives and Wagons	4.13
7	10.512	Coal Conveyor & Crusher	0.03
8	10.515	Coal Handling Plant & Handling Equipments	0.05
9	10.581	Meter Testing Laboratory Tools & Equipments	0.003
10	10.582	Equipments In Hospitals/Clinics	0.03
11	10.8	Furniture And Fixtures	0.05
12	10.904	Other Office Equipments	0.03
13	10.905	Computers	0.02
14	11.3	Capital Spares	0.20
Total			11.07

83. Vide letter dated 14th December' 2016, the petitioner was asked to file several details/ documents regarding the additional capitalization in new power stations. By affidavit dated 4th January' 2017, the petitioner submitted as follows:

- i) *The assets amounting to Rs. 11.07 Crores have been capitalized at ATPS Chachai (210MW) during FY 2015-16 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.3.1 on page No.46 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as Annexure-8A for kind reference please.*
- ii) *The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 1242.14 Crores for which approval has been accorded by the GoMP. The copy of said approval has already been submitted before the Commission, however for ready reference the same is once again annexed as Annexure-8B.*
- iii) *As the extension Unit No. 5 of ATPS Chachai (210MW) has been commissioned on 10.09.2009, the same is governed by MPERC Generation Tariff Regulations, 2009. Accordingly, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai was 31.03.2012.*
- iv) *The aforesaid additional capitalization comprises of works related to Ash Bund amounting to Rs. 4.00 Crores, Drainage & Sewerage system of residential Rs.*

- 1.32 Crores, Purchase of 700 HP Diesel Electric Locomotive from M/s BHEL, Jhansi Rs. 4.13 Crores, Capital Spares Rs. 0.20 Crores and other minor works.
- v) *The proviso 20.2(c) of MPERC Regulations, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to Rs. 4.00 Crores towards Ash Bund under the said clause. It is to humbly submit that the Hon'ble Commission in the True up order for FY 2012-13, FY 2013-14 & FY 2014-15 has already permitted such expenditure under this head in the instant proviso.*
- vi) *The capitalization of 700 HP Diesel Electric Locomotive amounting to Rs. 4.13 Crores is being claimed under Proviso 20.2(e) of MPERC Regulations, 2012 which provides for expenditure necessitated on account of modification required in Fuel receipt system.*
- vii) *The balance of additional capitalization amounting to Rs.2.94 Crores (Rs. 11.07 Crores – Rs. 8.13 Crores) has been claimed under proviso 20.2 (f) of MPERC Regulations, 2009 which provides for admittance of capital expenditure which is considered indispensable by the Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.*
- viii) *The aforesaid Additional Capitalization is funded through approved PFC Loan No.20701002.*
- ix) *Further, the statement indicating the details of work completed & to be completed as on 31.03.2016 at ATPS PH-3 is annexed as Annexure 8C.*
84. 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 claimed in ATPS 210 MW is after the cut-off date of the unit. Therefore, such additional capitalization needs to be examined in light of the relevant provisions under the Regulations, 2009.
85. 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 Cutoff 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; -----“

86. On perusal of the details filed by the petitioner the Commission observed that Out of total additional capital expenditure of Rs 11.07 Crores, the assets of Rs0.20 crore pertains to capital spare, Rs4.01 Crores Ash handling plant & Ash Bund, Rs4.13 Crores towards Locomotives and Wagons, Rs2.32 crore towards Drainage and Sewerage of Residential Colony and balance towards some minor works. The above expenditures have been incurred and capitalized after cut-off date of the project, i.e. 31.03.2012.
87. Clause (c) of the aforesaid Regulation specifically provides that the capital expenditure may be admitted by the Commission for the deferred works relating to ash pond or ash handling system in the original scope of work. However, there is no provision under Tariff Regulations, 2009 and Regulations, 2012 for allowing additional capital expenditure on deferred works / balance works other than the ash pond or ash handling system after cutoff date.
88. The petitioner confirmed that all the works under additional capitalization are within the original scope of work. Therefore, the additional expenditure of Rs 4.01 Crores relating to ash pond or ash handling system is only allowed in this order. As informed by petitioner, the additional assets of Rs 4.01 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 MPERC Tariff Regulations. The Commission had also adopted the same approach in its earlier true-up orders issued by the Commission.
89. The petitioner also submitted that the Commission has not admitted the additional capitalization amounting to Rs. 48.65 Crores in the previous true up order, at ATPS PH-3, beyond its cut-off date i.e. 31.03.2012. In this regard the Commission has observed that this matter has been already dealt with by the Commission in its previous true up orders. Therefore, reconsideration of the same in the instant true up has no merit.
90. Further petitioner submitted that, assets amounting to Rs. 0.99 Crores which were under CWIP of ATPS PH-2, were also capitalized during FY 2015-16 in the Audited Books of Accounts of FY 2015-16. Being the assets of Common Service

in nature, the said asset addition were capitalized at ATPS PH-3 Chachai, as units of ATPS PH-2 have been de-commissioned during FY 2014-15.

91. In this regard the Commission observes that as the units of ATPS PH-2 have already been decommissioned, therefore, any addition capitalization towards specific scheme of R&M of ATPS PH-2 after de-commissioning of the units of ATPS PH-2 is not appropriate in light of the provisions under the tariff Regulations. Therefore, the additional capitalization of ATPS PH-2 is not considered in this order.
92. Further, the petitioner submitted that the Commission in the Final Tariff Order in petition No. 34 of 2011 for ATPS PH-3 210 MW has deducted the amount of Rs. 50.59 Crores towards Liquidated damages from M/s BHEL while determining the project cost. In FY 2015-16, out of aforesaid figure, an amount of Rs.45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL from its internal resources. Therefore, the Commission has considered the assets adjustment of Rs. 3.48 Cr. against the final settlement of LD in this order. The funding pattern for this adjustment has been considered as per the funding considered in final tariff order.
93. In this regard, the Commission observed that the assets adjustment of Rs 3.48 Crores has been recorded in Annual Audited Accounts and Assets Cum-Depreciation Register of ATPS PH-3.
94. Accordingly, the additional capitalization of ATPS PH 3 and corresponding funding are considered in this order for FY 2015-16 are as follows:

**Table 31: Approved Additional Capitalization for ATPS PH-III for FY 2015-16
(Rs in Crores)**

Particular	Original Approved Project Cost	Admitted by the Commission As on 01.04.2015	Addition During FY2015-16	Admitted as on 31.03.2016
Assets	1242.14	1130.27	7.49	1137.76
Loan	908.89	554.08	4.01	558.09
Equity	226.76	246.8	3.48	250.28

b) STPS, Sarni PH-IV:

95. The Satpura Thermal Power Station Extension Unit No. 10 & 11 (250 MW) achieved the CoD on 18.08.2013 and 16.03.2014 respectively. The Commission in its order dated 07th, January 2016, determined tariff of STPS, Sarni PH IV up to 31.03.2014 on the basis of Audited Financial Statements and for FY 2014-15 to

FY 2015-16 on projected basis.

96. The petitioner submitted that the assets under additional capitalization are captured in Annual Audited Accounts for FY 2015-16 and carried out within the original cost estimate of Rs 3514 Crores approved by GoMP vide letter dated 25.06.2007. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 32: Details of Additional Capitalization (Rs in Crores)

A/c Code		Details	Amount
1	10.31	Cooling Water System	0.12
2	10.325	Misc. Works	1.01
3	10.401	Pucca Roads	0.06
4	10.412	Railway Sidings	23.16
5	10.42	Boundary Wall For Civil Buildings	1.05
6	10.426	Ash Bund for Thermal Power Station	0.18
7	10.501	Boiler Plant & Equipments	1.57
8	10.503	Turbine-Generator-Steam Power Generation	2.19
9	10.507	Ash Handling Plant	0.16
10	10.515	Coal Handling Plant & Handling Equipments	0.72
11	10.516	Oil Tanks, Oil Handling Plant & Equipments	0.06
12	10.52	Instrumentation And Controls	0.78
13	10.523	220 KV/400 KV Switch Yard	2.81
14	10.524	Water Treatment Plant	0.11
15	10.525	Effluent Treatment Plant / Sewage Treatment Plant	30.11
16	10.526	Flue Gas Stack for Thermal Power Station	0.03
17	10.542	Other Transformers Of Power House	0.42
18	10.561	Switchgears Including Cable Connections	0.12
19	10.578	Air-Conditioning & Ventilation System	7.86
20	10.585	Agriculture pump set & piping etc.	0.04
21	10.586	Compressed Air System	0.32
22	10.587	Other Electrical Equipment For BoP	0.18
23	10.599	Other Misc. Equip. Includ. Fire Protection System	17.96
24	10.73	Jeeps And Motor Cars	0.1
25	10.8	Furniture And Fixtures	0.96
26	10.905	Computers	0.02
27	11.3	Capital Spares	9.47
		Total	101.55

97. Vide Commission's letter dated 14th December' 2016, the petitioner was asked to

file several details/ documents regarding the additional capitalization in this power house. By affidavit dated 4th January' 2017, the petitioner filed its response on the queries raised by the Commission as given below:

- (i) *The assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 during FY 2015-16 as captured in Audited Books of Accounts. These same have been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as Annexure-10A.*
- (ii) *The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 3514 Crores, which has been approved by the GoMP. The copy of said approval has already been submitted before the the Commission in the matter of determination of Final Generation Tariff of STPS PH-4 (petition No. 13 of 2015); the same is once again annexed as Annexure-10B for ready reference please.*
- (iii) *The Date of Commercial operation (CoD) of extension unit No.10 & 11 of STPS, Sarni PH-4 (2x250 MW) is 18.08.2013 & 16.03.2014 respectively. In accordance MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at STPS Sarni PH-4 is 31.03.2017*
- (iv) *The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2015-16 under Account Code 10.XXX (Fixed Assets) amounting to Rs 92.08 Crores and in Account 11.XXX (Capital Spares) amounting to Rs 9.47 Crores respectively.*
- (v) *The said capitalization is claimed under the following proviso of MPERC Regulations, 2012:*
 - “20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:*
 - (a) Un-discharged liabilities*
 - (b) Works deferred for execution*
 - (c) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b).”*
- (vi) *The aforesaid works are funded through approved PFC Loan No. 20701003 & Equity as detailed in Table no.4.3.19.1 & 4.3.19.2 on page No.53 of subject True Up petition.*

- (vii) Further, the statement indicating the details of works completed and to be completed as on 31.03.2015 at STPS PH-4 (2x250MW) is annexed as Annexure -10C.
98. In the subject true petition, the additional capitalization of 101.55 Crores is filed by the petitioner during FY 2015-16 in this generating unit No. 10 and 11 of STPS, PH-IV. The major part of the additional capitalization of Rs 101.55 Crore pertain to Railway Sidings of Rs 23.16 crore, Effluent Treatment Plant / Sewage Treatment Plant of Rs 30.11 crore, Other Misc. Equip. Includ. Fire Protection System of Rs 17.96 crore and capital spares of Rs 9.47 Crores.
99. Vide Commission's letter dated 14th December' 2016, the petitioner was asked to explain/submit the following:
- a. How the generating units were commissioned and remained under operation without the aforesaid major works.
 - b. Reasons for delay in execution of such works. If the delay is attributable to contractor, the details of penalty deducted/to be deducted as per contract.
 - c. Capitalization booklet for capitalization of additional assets during FY 2015-16 duly certified by the statutory auditor and reconciled with the Balance Sheet.
100. By affidavit dated 4th January' 2017, the petitioner filed the following response on the aforesaid queries raised by the Commission:
- a) *MPPGCL humbly submits Unit No.10 & 11 of STPS PH-4 Sarni was commissioned on 18.08.13 and 16.03.14 respectively with the required systems/sub systems. As such, the balance works of Railway Siding, Effluent Treatment Plant, Sewage Treatment Plant, AC & Ventilation system (which was partly available) & other miscellaneous Equipments including Fire protection system had not affected generation from these units. Moreover, these systems though not fully completed but were available in most of the areas at the time of commissioning of units 10 & 11 of STPS PH-4 Sarni.*
 - b) *The major reasons that resulted delay in execution of such works are due to delayed erection and commissioning by M/s BHEL for (Main Power Block) and M/s MBEL for (BoP) contract. As per the provisions of contract, LD is to be recovered from the contractors who are responsible for the delay in execution of works. LD is applicable on M/s BHEL for delays in execution of works pertaining to Main power Block and M/s MBEL for delays in execution of works of Balance of plant. However, LD amount is yet to be finalized and recovered from pending invoices of these two firms.*

- c) *The unit wise capitalization booklet of STPS PH-4 (2x250 MW) as on date of Commercial Operation (CoD) of respective units and upto 31.03.2014 has already submitted before the Commission in the matter of determination of Final generation Tariff of STPS PH-4 (2x250 MW). During FY 2015-16, assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 and captured in Audited Books of Accounts of FY 2015-16. The same has been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The supporting documents in this regard are annexed as Annexure-10A.*
101. With regard to capitalization of capital spares, vide Commission's letter dated 14th December' 2016, the petitioner was asked to justify its claim in the light of the Regulation 17.1 (b) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012.
102. By affidavit dated 4th January' 2017, the petitioner filed the details of capital spares. On perusal of the same, it was observed that the capital spares claimed by the petitioner for FY 2015-16 are within the ceiling norms specified under the Regulations. The eligibility of initial spares with regard to the original project cost is worked out as given below:

Table 33: Capital Spare **(Rs in Crores)**

Particulars	Capital Cost	Initial Spares	
Project cost as on 31.03.2015	3059.23	41.10	1.34%
Addition During The Year	101.55	9.47	
Project cost as on 31.03.2016	3160.78	50.57	1.60%

103. From the above, it is observed that the initial spares of Rs 41.10 Crores have been admitted by the Commission till 31st March, 2015 and further claim of capital spares of Rs 9.47 Crores is now considered during FY 2015-16 as the same is within the ceiling norms prescribed in the regulations.
104. It is further observed that the generating unit achieved CoD on 16.03.2014 and the Cut-off date of the unit as per proviso 4(j) of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012 is 31.03.2017.
105. On detailed scrutiny of the petition and additional submission filed by the petitioner, the Commission observed that the assets under additional capitalization of STPS PH- IV have been capitalized in Annual Audited Accounts and captured in Assets-cum-Depreciation Register.
106. The petitioner confirmed that the additional assets of Rs 101.55 Crores have been

funded through by PFC loan 20701003 of Rs 65.10 Crore and balance Rs 36.46 Crore through equity.

107. The petitioner has also filed written off of Rs 3.17 Crore in this plant, the same has been considered by the Commission. Based on the above discussions and findings, the details of the additional capitalization and funding considered in this order are as given below:

Table 34: Approved capital cost and funding (Rs in Crores)

Particular	Updated approved project Cost	Admitted by the Commission total amount		
		Admitted as on 01.04.2015	Additions During FY2015-16	Admitted as on 31.03.2016
Assets	3514.00	3059.23	101.55	3160.78
Loan	2811.20	2304.26	65.10	2369.36
Equity	702.80	595.44	36.46	631.90

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

108. In the subject petition, the petitioner filed the additional capitalization of Rs 3.05 Crores in SGTPS Ext. Unit No. 5 for FY 2015-16, as per the Annual Audited Accounts. The major part of the assets capitalized during the year pertains to the Pucca Roads of Rs 1.1 Crore, Ash Handling Plant Rs 0.97 Crores & some other minor heads. The petitioner also claimed capital spares of Rs 0.39 Crore capitalized during FY 2015-16. The details of the assets capitalized during FY 2015-16, in SGTPS 500 MW as filed by the petitioner are as given below:

Table 35: Details of Additional Capitalization (Rs in Crore)

A/c Code	Details		Amount
1	10.401	Pucca Roads	1.1
2	10.507	Ash Handling Plant	0.97
3	10.563	Batteries Including Charging Equipment	0.38
4	10.58	Refrigerators & Water Coolers	0.002
5	10.581	Meter Testing Laboratory Tools & Equipments	0.06
6	10.8	Furniture & Fixtures	0.03
7	10.904	Other Office Equipments	0.08
8	10.905	Computers	0.03
9	11.3	Capital Spares	0.39
Total			3.05

109. Vide Commission's letter dated 14th December' 2016, several queries regarding the additional capitalization in SGTPS 500 MW were asked from the petitioner. By

affidavit dated 4th January' 2017, the petitioner filed its response and same has been summarized as follows:

- (i) *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.*
- (ii) *The supporting documents in this regard are already annexed as Annexure-9A.*
- (iii) *MPPGCL has claimed the above mentioned additional capitalization under the following proviso of MPERC Regulations, 2005:*
 - *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.*
 - *As per Proviso 19 (2.9) (e) of MPERC Regulations,2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulation 18.*
 - *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 ...*
- (iv) *Further, proviso 20.2 (f) of MPERC Regulations, 2012 provides for admittance of capital expenditure which is considered indispensable by the the Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.*
- (v) *The aforesaid works are funded through approved PFC Loan No. 20701011 & Equity as detailed in Table no.4.3.26.1 on page No.56 of subject True Up petition.*
- (vi) *As desired by the Commission, the statement indicating the details of work completed and to be completed as on 31.03.2016 at SGTPS PH-3 (500MW) is annexed as Annexure – 9C.*

110. With regard to additional capitalization of capital spares of Rs 0.39 Crore, vide Commission's letter dated 14th December' 2016, the petitioner was asked to justify its claim in light of Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.

111. By affidavit dated 4th January' 2017, the petitioner submitted the detail of capital

spares in SGTPS Birsinghpur PH-III. On perusal of the details filed by the petitioner, it is observed that the capital spares claimed by the petitioner for FY 2015-16 are within the ceiling norms prescribed under the Regulations. The eligibility of initial spares with regard to the admitted project cost is worked out as given below:

Table 36: Capital spares (Rs in Crores)

Particulars	Capital Cost	Initial Spares	
Project cost as on 31.03.2015	2031.04	49.75	2.45%
Addition During The Year	3.05	0.39	
Project cost as on 31.03.2016	2034.09	50.14	2.47%

112. It is observed that the capital spares of Rs 49.75 Crores had been admitted by the Commission till 31st March, 2015 and further claim of the initial spares of Rs 0.39 Crore are admitted for FY 2015-16 as the same is within the ceiling norms prescribed in the Regulations.
113. It is further observed that the assets under additional capitalization has been capitalized in books of accounts for FY 2015-16 and recoded in asset cum depreciation registers. The petitioner also confirmed that the assets are within the original scope of Work. Therefore, the additional capitalization (including initial spares) of Rs 3.05 Crores capitalized during FY 2015-16, in SGTPS Ext. Unit No. 5 is considered in this order in accordance with Regulation 19 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2005.
114. With regard to the funding, the petitioner submitted that the additional assets capitalized in SGTPS Unit No. 5 during FY 2015-16 are funded through PFC loan of Rs 2.82 Crores and balance Rs 0.23 from Equity. The Commission observed that the actual capital expenditure and corresponding funding as on 31.03.2016 admitted by the Commission are within the approved project cost and funding. Accordingly, the details of the additional capitalization and funding considered in this order are as given below:

Table 37: Approved project cost and funding up to 31.03.2016 (Rs in Crore)

Particular	Estimated approved project Cost	Admitted by the Commission as on 01.04.2015	During FY2015-16	Closing Balance as on 31.03.2016
Assets	2300.00	2031.04	3.05	2034.09
Loan	1675.00	819.59	2.82	822.41
Equity	625.00	574.82	0.23	575.05

d) Madhikheda HPS:

115. In Madhikheda HPS, the petitioner has claimed additional capitalization of Rs 0.004 Crore which pertaining to procurement of Computer & Printer in the Audited Books of Accounts of FY 2015-16.
116. Vide Commission's letter dated 14th December' 2016, the petitioner was asked to justify its claim of addition in fixed asset of the aforesaid Power Stations in light of the Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2012.
117. By affidavit 4th January' 2017, the petitioner submitted the following for justification of its claim for additional capitalization:
- i) *The minor asset addition towards procurement of Computer & Printer as captured in the Annual Statement of Accounts of MPPGCL for FY 2015-16 at Madhikheda Hydro Power Station amounts to Rs. 0.004 Crores. The same have been claimed and detailed at Table No.4.3.44.1 on page No. 52 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as Annexure-11.*
 - ii) *The Unit No. 1, 2 & 3 of Madhikheda HPS have been commissioned on 28.08.2006, 09.09.2006 & 18.08.2007 respectively and are 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.*
 - iii) *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 Capital costs.*
118. With regard to funding of assets, the petitioner submitted that the said additional capitalization is incurred through MPPGCL's own equity/internal sources.
119. It is observed that the assets of Rs 0.004 Crore are capitalized by the petitioner in the books of accounts for FY 2015-16 and recorded in Asset-cum-Depreciation register of Madhikheda HPS. Therefore, the additional capitalization of Rs 0.004 Crore is considered under Regulation 19.2 (f) of the Regulations, 2012.
120. Based on the above, the power station wise additional capitalization and funding thereof considered in this true-up order for FY 2015-16 are as given below:

**Table 38: Details of Asset Additions Admitted with corresponding Funding
(Rs in Crores)**

Sr. No.	Power Stations	Addition admitted for FY2015-16		
		Asset Addition	Loan Component	Equity Component
1	ATPS PH-III	7.49	4.01	3.48
2	STPS PH-2&3	-	-	-
3	STPS PH-4	101.55	65.10	36.46
4	SGTPS PH-I&II	2.99	1.07	1.92
5	SGTPS PH-III	3.05	2.82	0.23
6	Gandhi Sagar	-	-	-
7	Pench	1.86	-	1.86
8	Rajghat	-	-	-
9	Bargi	0.22	-	0.22
10	Bansagar I, II & III	5.83	-	5.83
11	Bansagar PH-4 (Jhinna)	-	-	-
12	Birsinghpur	-	-	-
13	Madhikheda	0.004	-	0.004
Total		122.99	73.00	50.00

Write off/ Adjustment during the year:

121. The petitioner filed the write-off / adjustments of assets in some of the power stations during the year as per Annual Audited Accounts for FY 2015-16 are as follows:

**Table 39: Details of Assets Write-Off
(Rs in Crores)**

S. no	Stations	Asset Amount	Acc. Dep Amount	Remarks
1	STPS PH-2&3	-1.10	-0.99	Write-off of assets
2	STPS PH-4	-3.71	-0.25	Assets Capitalized transferred to CWIP
3	STPS Total	-4.81	-1.24	
4	SGTPS PH-1&2	-0.85	-0.64	Write-off of assets
5	Total Thermal	-5.66	-1.88	
6	HQ	-0.01	-0.01	Write-off of assets
	Total	-5.67	-1.89	

122. The Commission has already dealt with the issue of written off of Rs 3.71 Crores under the prior period written off/adjustment chapter. Accordingly, the GFA as approved by the Commission as on 31.03.2015 for STPS PH-4 has been revised as on 1.04.2015.

123. The Commission has also considered the written off/adjustment during FY 2015-16 pertaining to other power stations based on the Annual Audited Accounts. Accordingly, the status of power station wise opening and closing gross fixed assets after considering the additions and write-off/adjustment are as follow:

Table 40: Details of Closing GFA as on 31.03.2016 (Rs in Crores)

Sr. No.	Power Station	Opening GFA as on 01.04.2015	Additions during FY 2015-16	Write-off during FY 2015-16	Net Addition	Closing GFA as on 31.03.16
1	ATPS PH-3	1130.27	7.49	-	7.49	1137.76
2	STPS PH-2 & 3	622.49	-	-1.10	-1.10	621.39
3	STPS PH-4	3059.23	101.55	-	101.55	3160.78
4	SGTPS PH 1 & 2	2186.55	2.99	-0.85	2.14	2188.69
5	SGTPS PH-3	2031.04	3.05	-	3.05	2034.09
	Thermal	9029.58	115.08	-1.95	113.13	9142.71
6	Gandhi Sagar	10.39	-	-	-	10.39
7	Pench	100.39	1.86	-	1.86	102.25
8	Rajghat	82.81	-	-	-	82.81
9	Bargi	86.97	0.22	-	0.22	87.19
10	Bansagar PH-1-3	1167.35	5.83	-	5.83	1173.18
11	Bansagar PH-4	116.85	-	-	-	116.85
12	Birsinghpur	52.15	-	-	-	52.15
13	Madhikheda	217.99	0.00	-	0.00	217.99
	Total Hydro	1834.90	7.91	-	7.91	1842.81
	Total	10864.48	122.99	-1.95	121.04	10985.52

Debt-equity Ratio:

124. 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.”

125. Accordingly, the 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 and corresponding loan & Equity as admitted in this order are as given below:

Table 41: Details of Asset Addition with Corresponding funding (Rs in Crore)

Sr. No.	Power Stations	Addition admitted for FY2015-16		
		Asset Addition	Loan Addition including excess Equity	Normative Equity Addition
1	ATPS PH-III	7.49	6.67	0.82
2	STPS PH-2&3	-	-	-
3	STPS PH-4	101.55	71.09	30.47
4	SGTPS PH-I&II	2.99	2.09	0.90
5	SGTPS PH-III	3.05	2.82	0.23
6	Gandhi Sagar	-	-	-
7	Pench	1.86	1.30	0.56
8	Rajghat	-	-	-
9	Bargi	0.22	0.15	0.07
10	Bansagar I, II & III	5.83	4.08	1.75
11	Bansagar PH-4 (Jhinna)	-	-	-
12	Birsinghpur	-	-	-
13	Madhikheda	0.00	-	-
Total		122.99	88.20	34.79

Annual Capacity (fixed) Charges:

126. 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;
- (f) Interest Charges on Working Capital;
- (g) Cost of Secondary Fuel Oil;
- (h) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable:

a. Return on Equity:**Petitioner's submission:**

127. With regard to Return on Equity, the petitioner broadly submitted the following:
- On account of decommissioning of units of PH-2 ATPS Chachai, the Opening Normative Equity Balance of ATPS Chachai as admitted by the Commission in the True up order for FY 2014-15 has been adjusted. The details of same are elaborated in a separate Chapter- "Decommissioning of ATPS PH-2 Chachai."*
 - On account of Asset additions at the existing stations as well as new projects, there is infusion of Equity during FY 2015-16. The details regarding asset additions and funding thereof during FY 2015-16 were already provided in the Chapter-4.3 Additional Capitalization/de-capitalization and funding thereof.*
 - The Commission, in the Final tariff order of ATPS PH-3 (210MW) has reduced the retained amount towards liquidated Damages & ERV to the tune of Rs. 50.59 Crores from the capital cost of ATPS PH-3. In FY 2015-16, out of aforesaid figure, an amount of Rs.45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL form internal resources of MPPGCL.*
 - The normative Equity as on 31.03.2015 along with the average Equity works out as under:*

Table 42: Normative Equity as claimed (Rs in Crores)

Station	Adjusted Normative Equity as on 01-04-2015	Normative Equity Addition due to Asset Addition	Normative Equity infusion towards LD adjustment	Total Normative Equity as on 31-03-2016	Average Equity
1 ATPS PH-3	246.80	-	3.48	250.28	248.54
2 STPS PH-2&3	184.61	9.42	-	194.03	189.32
3 STPS PH-4	596.18	30.47	-	626.65	611.41
4 SGTPS PH-1&2	649.45	0.90	-	650.35	649.90
5 SGTPS PH-3	574.82	0.23	-	575.05	574.94
Total Thermal	2251.86	41.01	3.48	2296.35	2274.10
6 Gandhi Sagar	3.15	-	-	3.15	3.15
7 Pench	30.12	0.56	-	30.68	30.40
8 Rajghat	24.84	-	-	24.84	24.84
9 Bargi	26.11	0.07	-	26.18	26.14
10 Bansagar PH-1,2&3	350.22	1.75	-	351.97	351.09
11 Bansagar PH-4	35.05	-	-	35.05	35.05
12 Madhikheda	46.25	-	-	46.25	46.25

13	Birsinghpur	15.65	-	-	15.65	15.65
	Total Hydro	531.39	2.37	-	533.76	532.58
	HQ	0.54	0.37	-	0.91	0.72
	Total	2783.79	43.75	3.48	2831.02	2807.40

e) 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-16, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-

Table 43: Return on Equity for FY 2015-16 (Rs in Crores)

Station		Average Equity	RoE
			@ 15.5%
1	ATPS PH-3	248.54	38.52
2	STPS PH-2&3	189.32	29.34
3	STPS PH-4	611.41	94.77
4	SGTPS PH-1&2	649.9	100.73
5	SGTPS PH-3	574.94	89.11
	Total Thermal	2274.1	352.49
6	Gandhi Sagar	3.15	0.49
7	Pench	30.4	4.71
8	Rajghat	24.84	3.85
9	Bargi	26.14	4.05
10	Bansagar PH-1,2&3	351.09	54.42
11	Bansagar PH-4	35.05	5.43
12	Madhikheda	46.25	7.17
13	Birsinghpur	15.65	2.43
	Total Hydro	532.58	82.55
	HQ	0.72	0.11
	Total	2807.40	435.15

Provision in Regulations:

128. 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 tried 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:

129. In some of the power stations, the closing normative equity as admitted by the Commission in last true up order has been revised in this order after considering the impact of some prior period additions/write-off/adjustment of assets filed by the petitioner.

130. The petitioner filed the additional capitalization in some thermal and hydel power stations for FY 2015-16 and claimed return on equity on additional equity infusion on account of 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 part of additional capitalization of this order.

131. 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.

132. The petitioner filed the write-off/adjustment of assets in some of the power stations based on the Annual Audited Accounts. Vide Commission's letter dated 14th December' 2016, the petitioner was asked to confirm the following:
- a) In ATPS PH-III, the petitioner has claimed equity addition of Rs 3.48 Crores towards LD adjustment. The petitioner was asked to justify its claim in light of the final tariff order of this unit issued by the Commission.
 - b) In STPS, Sarni, assets of Rs 4.81 Crores are write-off during FY 2015-16, out of which Rs 3.71 Crores have been transferred to CWIP but no equity amount corresponding to the aforesaid asset write-off by the petitioner is adjusted. This discrepancy was asked to be addressed by the petitioner.
 - c) In para 4.3.19 of the petition, regarding funding of additional capitalization in STPS PH-IV, the petitioner has indicated that the total equity amount drawn and incurred is Rs 73.93 Cr. whereas in para 4.3.47, the equity amount incurred during FY 2015-16 is indicated to `36.46 Cr. The petitioner was asked to file the reasons for this discrepancy.
133. By affidavit dated 4th January' 2017, the petitioner submitted the following:
- a) (i) *The Commission vide order dated 01.05.2012 has approved Capital cost of ATPS PH-3 (as on CoD) amounting to Rs. 906.10 Crores after deduction Liquidated damages & Exchange Rate Variation(ERV) from Capital Cost amounting to Rs. 50.59 Crores. The funding through Loan & Equity considered by the Commission in the said order was in ratio actual Loan & Equity draws made by MPPGCL as on date of CoD.*
 - (ii) *In FY 2015-16, the Liquidated damages (LD) amounting to Rs.45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL form internal resources. The supporting documents in this regard are annexed as Annexure-13.*
 - iii) *In the Audited Books of Accounts for FY 2015-16, the amount of Rs.42.37 Crores has been booked under the head "Other Income", However based on the approach adopted by the Commission in the Final Tariff Order of ATPS PH-3 Chachai , MPPGCL, in the instant petition has adjusted the Gross Block of ATPS PH-3 by Rs.3.48 Crores as reflected in Table4.4.4.1 at Page No.68 of subject petition.*

- iv) As the funding of Rs.3.48 Crores has been made through internal resources of MPPGCL, accordingly, the Normative Equity of ATPS PH-3 has been adjusted by Rs.3.48 Crores as reflected in Table 4.7.6.1 at page No.94 of subject petition.
- b) i) It is to submit that Transformer of Rs.1.10 Crores has been written off at STPS PH-2&3 during FY 2015-16. The said Transformer was commissioned in FY 1984-85 and was funded from the own resources of erstwhile MPEB. Accordingly, MPPGCL has not adjusted the normative equity component of STPS PH-2&3 Sarni.
- ii) Further, in case of STPS PH-4, the assets of Rs.3.71 Crores were transferred back to Capital Work in Progress (CWIP) during FY 2015-16. As these assets are funded through Loan Component, the Normative loan Balance has been reduced, proportionately as reflected in Table 4.5.2.1 at Page No.80 of subject petition. Accordingly, MPPGCL has not adjusted the normative equity component of STPS PH-4 Sarni.
- c) i) It is humbly submit that, the Commission in the earlier True up orders/Final Tariff orders has permitted the funding through Loan & Equity Component in proportion to assets capitalization during the year. Based on said approach, MPPGCL in the subject petition has considered funding through loan & Equity component in proportion to asset capitalized during FY 2015-16 at various Power Stations.
- ii) The assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 during FY 2015-16 as captured in Audited Books of Accounts. These same have been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The details of funding through loan & Equity Component are elaborated at Table 4.3.19.1 at page No. 53 of subject petition. The same is again reproduced as under:-

(Rs in Crores)

Particulars		PFC Loan No. 20701003	Equity/ internal resources	Total
1	Drawls till 31-3-2015	2525.96	596.2	3122.14
2	Approved by MPERC upto True Up for FY 15 in proportion to Addl. Capitalization allowed by MPERC at STPS PH-4 upto FY 15.	2466.77	596.2	3062.95
3	Balance Amount to be claimed (1-2)	59.19	0.00	59.19
4	Drawls in FY 16	5.91	73.93	79.84
5	Total Drawls as on 31-3-2016(3+4)	65.10	73.93	139.03
6	Additional Capitalization in FY 16			101.55
7	Funding	65.10	36.46	101.55

- iii) It is to mention that, total equity of Rs. 85.00 Crores was released by GoMP for STPS PH-4 Sarni during FY 2015-16. Supporting documents in this regard is annexed as Annexure-20. Out of said amount, equity amounting to Rs.73.93 Crores has been infused into the STPS PH-4 Sarni during FY 2015-16. The additional capitalization of Rs. 101.55 Crores is proportionately funded through equity Rs. 36.46 Crores and balance through loan component.

134. On perusal of the aforesaid details filed by the petitioner, the power station-wise break-up of normative equity eligible for return on equity in this true-up order is worked out by the Commission are as given below:

Table 44: Closing Normative equity as on 31.03.2016 (Rs in Crores)

Sr. No.	Power Station	Revised Normative Opening Equity as on 01/04/2015	Normative Equity Addition during FY 15-16	Equity reduced during The Current year Write off	Net Addition during FY 15-16	Closing Equity as on 31/03/2016
1	ATPS PH-3	259.25	0.82	-	0.82	260.07
2	STPS PH-2 & 3	184.61	-	0.33	-0.33	184.28
3	STPS PH-4	595.44	30.47	-	30.47	625.90
4	SGTPS PH 1 & 2	649.46	0.90	0.25	0.64	650.10
5	SGTPS PH-3	574.82	0.23	-	0.23	575.05
6	Gandhi Sagar	3.15	-	-	-	3.15
7	Pench	30.12	0.56	-	0.56	30.68
8	Rajghat	24.84	-	-	-	24.84
9	Bargi	26.11	0.07	-	0.07	26.18
10	Bansagar PH-1,2 &3	350.22	1.75	-	1.75	351.97
11	Bansagar PH-4	35.05	-	-	-	35.05
12	Birsinghpur	15.65	-	-	-	15.65
13	Madhikheda	46.25	-	-	-	46.25
	Total	2794.97	34.79	0.58	34.21	2829.18

135. Considering the above opening and closing balances of normative equity, the Return on equity for FY 2015-16 is worked out in this order as given below:

Table 45: Return on Equity for FY 2015-16 (Rs in Crores)

Sno	Station	Average Equity	Rate of Return on Equity	Return on Equity for FY 15-16
		Rs Crores	%	Rs Crores
1	ATPS PH-3	259.66	15.50	40.25
2	STPS PH-2&3	184.45	15.50	28.59

Sno	Station	Average Equity	Rate of Return on Equity	Return on Equity for FY 15-16
3	STPS PH-4	610.67	15.50	94.65
4	SGTPS PH-1&2	649.78	15.50	100.72
5	SGTPS PH-3	574.94	15.50	89.11
	Total Thermal	2279.50	15.50	353.32
6	Gandhi Sagar	3.15	15.50	0.49
7	Pench	30.40	15.50	4.71
8	Rajghat	24.84	15.50	3.85
9	Bargi	26.14	15.50	4.05
10	Bansagar PH-1,2 &3	351.09	15.50	54.42
11	Bansagar PH-4	35.05	15.50	5.43
12	Birsinghpur	15.65	15.50	2.43
13	Madhikheda	46.25	15.50	7.17
	Total Hydro	532.58	15.50	82.55
	Total	2812.07		435.87

**Impact on ROE of Prior period write-off/adjustment of assets:
STPS PH-4**

136. In STPS PH-4, the petitioner has filed the write off Rs 3.71 Crore due to assets transferred back to CWIP as already been discussed under the chapter on prior period written off/adjustment in the instant order. The impact on RoE with respect to write off/adjustment in STPS PH-4 is worked out as under:

Table 46: Impact on Prior Period ROE of STPS IV (Rs in Crores)

	FY 2013-14	FY 2014-15	Total
Particulars	Amount	Amount	
Equity Component	0.74	0.74	
Rate of Return on Equity	15.50%	15.50%	
Return on Equity	-0.12	-0.12	-0.23

b. Interest and finance charges on loan capital:

Petitioner's submission:

137. The petitioner broadly submitted the following:

- "The Power Station wise Normative opening loan balances as on 1.4.2015(including excess equity) admitted by the Commission in the True Up order for FY 2014-15 and considered in instant petition*
- On account of decommissioning of units of PH-2 ATPS Chachai, the Opening Normative Loan Balance of ATPS Chachai as admitted by the Commission in the True up order for FY 2014-15 has been adjusted. The details of same are elaborated in a separate Chapter- Decommissioning of ATPS PH-2 Chachai.*

c. Further, the assets of Rs.3.71 Crores pertaining to STPS PH-4, which were earlier admitted by the Commission has been transferred back to Capital Work in progress(CWIP) during FY 2015-16. The detail of such adjustment/deductions was elaborated in the Chapter-4.3 Additional Capitalization / de-capitalization and Funding thereof.

138. The power station wise closing and average balances of loan, considering the repayment equal to depreciation charged during FY 2015-16 as per proviso 23.3 of the Regulations 2012, are given below:-

Table 47: Details of Closing and Average Balance (Rs in Crores)

Stations	Adjusted Opening Bal 01-04-2015	Additions		Principal repayment (Dep)	Closing Bal 31-03-2016	Av. Bal	
		Loan	Excess Equity				
1	ATPS PH-3	560.46	12.07	0	51.86	520.66	540.56
2	STPS PH-2&3	0	0	21.97	0.52	21.45	10.72
3	STPS PH-4	2303.52	65.1	5.99	157.72	2216.89	2260.2
4	SGTPS PH-1&2	0.004	1.07	1.03	2.1	0	0
5	SGTPS PH-3	819.59	2.82	0	104.32	718.09	768.84
6	Total Thermal	3683.57	81.05	28.99	316.52	3477.09	3580.33
7	Gandhi Sagar	0	0	0	0	0	0
8	Pench	0	0	1.3	1.3	0	0
9	Rajghat	0	0	0	0	0	0
10	Bargi	0	0	0.15	0.15	0	0
11	Bansagar PH-1,2 &3	0	0	4.08	4.08	0	0
12	Bansagar PH-4	25.36	0	0	6.16	19.2	22.28
13	Madhikheda	68.64	0	0	11.36	57.29	62.96
14	Birsinghpur	0	0	0	0	0	0
15	Total Hydel	94.01	0	5.54	23.06	76.49	85.25
16	HQ & S&I	1.18	0	0.85	0.22	1.81	1.5
Total		3778.76	81.05	35.38	339.8	3555.39	3667.07

139. The detailed Calculation in respect of Weighted Average Rate of Interest along with supporting documents were also filed by the petitioner.

140. 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 arrive at the interest on excess equity.

141. Considering above, the power station wise interest charges (including interest on excess equity) for FY 2015-16 is worked out in accordance with proviso 23 of the MPERC Tariff Regulations, 2012 by applying weighted average rate of interest on loans as given below:-

Table 48: Interest on Loan and Excess Equity as filed (Rs in Crores)

Stations		Average Bal.	Weighted average rate of interest	Interest Amount
1	ATPS PH-3	540.56	12.70%	68.67
2	STPS PH-2&3	10.72	12.70%	1.36
3	STPS PH-4	2260.2	12.98%	293.38
4	SGTPS PH-1&2	0	10.55%	0
5	SGTPS PH-3	768.84	12.71%	97.68
6	Total Thermal	3580.33		461.09
7	Gandhi Sagar	0	0.00%	0
8	Pench	0	12.29%	0
9	Rajghat	0	0.00%	0
10	Bargi	0	12.30%	0
11	Bansagar PH-1,2 &3	0	12.27%	0
12	Bansagar PH-4	22.28	12.46%	2.78
13	Madhikheda	62.96	12.45%	7.84
14	Birsinghpur	0	0.00%	0
15	Total Hydel	85.25	0.62	10.61
16	HQ & S&I	1.5	10.50%	0.16
Total		3667.07		471.87

Provision in Regulations:

142. 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:

143. In the subject true-up petition, the petitioner filed the power station wise interest on loan (including interest on excess equity). 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. As already mentioned in para 201 of true-up order for FY 2014-15, separate interest on excess equity was not determined in the MYT order due to the 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 FY 2006-07 to FY 2008-09, the repayments of loan were linked with the scheduled repayment of individual actual loan portfolio.
 - d. In the Tariff Regulations, 2009, 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.
144. The petitioner filed the loan additions in respect of additional capitalization during FY 2015-16. It is observed that the petitioner filed loan additions of Rs 81.05 Crores till 31.03.2016, whereas, the total additional capitalization during the year claimed by the petitioner is Rs 160.18 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.
145. The petitioner also filed the write-off/adjustment of assets in some of the power stations based on the Annual Audited Accounts. Vide letter dated 14th December' 2016, the petitioner was asked to confirm whether the loan amount pertains to write-off/adjustment 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 of assets.
146. By affidavit dated 4th January' 2017, 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.

147. Loan amount pertains to prior period assets written off/adjustment such as STPS PH IV written of Rs 3.71 Crore is discussed under the prior period written off/adjustment of this order. In this true-up order, the power station wise normative closing loan balances as on 31st March, 2015 admitted by the Commission in its last true up orders has now been revised considering the impact of write-off/adjustment of assets filed in the subject petition. The opening loan balances as on 1st April, 2015, is worked out accordingly. The closing loan balances as on 31st March, 2016, are worked out after considering the loan addition due to additional capitalization and normative repayment equal to depreciation in this regard.
148. Regarding 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, 2015. 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 49: Power Station wise loan Balances including Excess Equity**(Rs in Crores)**

Sr. No	Power Station	Openin g Loan	Loan addition	Loan for write-off assets	Net loan addition	Normative Repayment	Closing Loan
1	ATPS PH-3	560.46	6.67	-	6.67	51.60	515.53
2	STPS PH-2 & 3	-	-	-	-	-	-
3	STPS PH-4	2304.26	71.09	-	71.09	157.68	2217.6
4	SGTPS PH 1 &2	0.00	2.09	-	2.09	2.09	0.00
5	SGTPS PH-3	819.59	2.82	-	2.82	104.27	718.14
6	Gandhi Sagar	0.01	-	-	-	0.01	-
7	Pench	-	1.30	-	1.30	1.30	-
8	Rajghat	-	-	-	-	-	-
9	Bargi	-	0.15	-	0.15	0.15	-
10	Bansagar PH-1,2 &3	-	4.08	-	4.08	4.08	-
11	Bansagar PH-4	25.36	-	-	-	6.17	19.19
12	Birsinghpur	-	-	-	-	-	-
13	Madhikheda	68.64	-	-	-	11.36	57.28
	Total	3778.32	88.20	0.00	88.20	338.71	3527.8

149. The power station- wise interest amount on loan (including excess equity) is worked out by the petitioner by applying the power station wise wt. average rate

of interest and same has been in this order

150. Based on the above, the interest on loan is worked out as given below:

Table 50: Power Station Wise interest on loan (Rs in Crores)

Sr. No.	Power Station	Average Loan	Wt. Avg. rate of interest	Interest amount on Loan
		Rs Cr.	%	Rs Cr.
1	ATPS, Chachai PH-III	537.99	12.70%	68.32
2	STPS, PH 2&3	0.00	12.70%	0.00
3	STPS, PH-4	2260.97	12.98%	293.47
4	SGTPS, Birsing'pur PH-1&2	0.00	10.55%	0.00
5	SGTPS, Birsing'pur PH-3	768.86	12.71%	97.72
6	Gandhi Sagar	0.01	12.29%	0.00
7	Pench	0.00	12.29%	0.00
8	Rajghat	0.00	12.29%	0.00
9	Bargi	0.00	12.30%	0.00
10	Bansagar (I to III)	0.00	12.27%	0.00
11	Bansagar IV	22.28	12.46%	2.78
12	Birsinghpur	0.00	12.29%	0.00
13	Madhikheda	62.96	12.45%	7.84
	Total	3653.07		470.14

Impact on interest on loan of Prior period write-off/adjustment of assets:

STPS PH-4

151. In STPS PH-4, the petitioner has filed the write off Rs 3.71 Crores due to assets transferred back to CWIP as already been discussed under the chapter on prior period written off/adjustment in the instant order. The impact on interest on loan with respect to write off/adjustment in STPS PH-4 have been worked out as under:

Table 51: Impact on interest and finance charges for STPS PH-4 (Rs in Crores)

Particulars	FY 2013-14	FY 2014-15	Total
	Amount	Amount	
Loan Component	2.97	2.97	
Rate of Interest	12.97%	12.98%	
Interest	-0.38	-0.39	-0.77

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

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

- a. *“The Power Station wise break up of Fixed Assets as reflected in the Audited books of account FY2015-16, along with asset additions and adjustment/deductions are tabulated below:-*

Table 52: Gross Block details for FY 2015-16 (Rs in Crores)

Power Stations		As at 01.04.15	Additions	Deductions / Adjustments	As at 31.03.16
1	ATPS Chachai	1388.32	12.07	-158.64	1241.75
2	STPS Sarni	4065.30	151.06	-4.81	4211.55
3	SGTPS Birsinghpur	4315.80	6.09	-0.85	4321.04
4	SSTPP, Khandwa	7206.71	286.59	0.37	7493.66
5	Bansagar HPS (Complex)	1286.21	5.83	0.00	1292.04
6	Gandhisagar HPS	10.40	0.00	0.00	10.40
7	Pench HPS	100.39	1.86	0.00	102.26
8	Rajghat HPS	83.12	0.00	0.00	83.12
9	Bargi HPS	87.26	0.22	0.00	87.48
10	Madhikheda HPS	217.99	0.00	0.00	217.99
11	Birsinghpur HPS	52.15	0.00	0.00	52.15
12	R P Sagar HPS	18.86	0.00	0.00	18.86
13	J Sagar HPS	16.56	0.00	0.00	16.56
14	HQ & S&I	2.05	1.22	-0.01	3.26
Sub Total		18851.13	464.93	-163.94	19152.12
Assets Not in use		41.42	159.71	-41.37	159.76
Total		18892.55	624.64	-205.31	19311.88

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

- *The rates for depreciation are considered as approved by the Commission in Appendix-II of Regulations, 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.*
- *Proviso 24.1 (f) of MPERC Regulations 2012 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%.*
- *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 Assets additions on account of need based R&M works at STPS PH-2&3 is not considered as special allowance has opted for these units. However the works related to new Ash Bund has been considered.
- The STPS PH-2&3 has already completed their useful life. As such the depreciation is calculated based on the estimated remaining useful life i.e. 06 years. This philosophy was adopted by MPPGCL in the Audited Books of Accounts
- Assets of Common services at ATPS PH-2 are transferred to ATPS PH-3 in the Audited Books of Accounts and same is considered in instant petition.
- The assets in the records of MPPGCL are only for its own share, therefore depreciation is computed for MPPGCL share only.
- The Asset Capitalization at SSTPP Stage-I will be dealt through separate final tariff petition.

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

Table 53: Depreciation Claimed by petitioner for FY 2015-16 (Rs in Crores)

Station	Adjusted Op. Balance of Acc. Dep. 01-04-2015	Dep. Amount for FY 16	Acc. Dep reduction towards write off/ adjustments	Cl. Balance of Acc. Dep 31-03-2016	As % of GB
1 ATPS PH-3	311.66	51.86	0.00	363.52	32%
2 ATPS Chachai	311.66	51.86	0.00	363.52	32%
3 STPS PH-2&3	564.72	0.52	-0.99	564.25	86%
4 STPS PH-4	199.91	157.72	-0.25	357.38	11%
5 STPS Total	764.63	158.24	-1.24	921.63	24%
6 SGTPS PH-1&2	1571.21	46.81	-0.64	1617.39	74%
7 SGTPS PH-3	633.2	104.32		737.52	36%
8 SGTPS Total	2204.41	151.14	-0.64	2354.91	56%
9 Total Thermal	3280.71	361.24	-1.88	3640.06	40%
10 Gandhi Sagar	9.39	0		9.39	90%
11 Pench	77.76	1.65		79.41	78%
12 Rajghat	46.48	3.63		50.11	61%
13 Bargi	64.13	1.71		65.84	76%
14 Bansagar PH-1,2&3	657.49	51.99		709.48	60%
15 Bansagar PH-4	56.45	6.16		62.61	54%
16 Madhikheda	77.67	11.36		89.03	41%

Station		Adjusted Op. Balance of Acc. Dep. 01-04-2015	Dep. Amount for FY 16	Acc. Dep reduction towards write off/ adjustments	Cl. Balance of Acc. Dep 31-03-2016	As % of GB
17	Birsinghpur	35.94	1.53		37.48	72%
18	Total Hydro	1025.32	78.04	0.00	1103.36	60%
19	HQ	0.8	0.22	-0.01	1.01	31%
Total		4306.82	439.5	-1.89	4744.43	43%

Provision in Regulations:

154. 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 up to 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:

155. 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, 2015 after taking the impact of write-off/adjustment of asset on the admitted closing figures of assets admitted by the Commission in the last true-up order for FY 2014-15.
156. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY2015-16. The issue of power station wise asset additions and “additional capitalization” admitted for FY 2015-16 has been discussed in detail in preceding part of this order.
157. 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 the units of STPS PH-2&3 have already completed their useful life. For this power station, the depreciation on new asset is calculated based on the estimated useful life i.e. 06 years. This philosophy was adopted by MPPGCL in the Audited Books of Accounts.
158. In earlier true-up petitions also, the petitioner raised this issue of balance depreciation in power stations who have completed their useful life. The Commission in earlier true-up/ MYT orders directed the petitioner to charge the depreciation in their power stations at the rate specified in the Regulations, till the

cumulative depreciation reaches 90% of the gross fixed assets.

159. Considering the impact of additional capitalization/assets addition and write-off/adjustment in various power stations, the updated status of revised opening GFA and cumulative depreciation as on 1st April' 2015 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 54: Power Station wise GFA Balances (Rs in Crores)

Sr. No.	Power Station	Opening GFA	Addition	Current year Write-off	Net GFA Addition	Closing GFA	Average GFA
1	ATPS, PH-III	1130.27	7.49	-	7.49	1137.76	1134.02
2	STPS, PH-2&3	622.49	-	-1.10	-1.10	621.39	621.94
3	STPS, PH-4	3059.23	101.55	-	101.55	3160.78	3110.01
4	SGTPS, PH-1&2	2186.55	2.99	-0.85	2.14	2188.69	2187.62
5	SGTPS, PH-3	2031.04	3.05	-	3.05	2034.09	2032.57
6	Gandhi Sagar	10.39	-	-	-	10.39	10.39
7	Pench	100.39	1.86	-	1.86	102.25	101.32
8	Rajghat	82.81	-	-	-	82.81	82.81
9	Bargi	86.97	0.22	-	0.22	87.19	87.08
10	Bansagar PH (I to III)	1167.35	5.83	-	5.83	1173.18	1170.27
11	Bansagar IV (Jhinna)	116.85	-	-	-	116.85	116.85
12	Birsinghpur	52.15	-	-	-	52.15	52.15
13	Madhikheda	217.99	0.00	-	0.00	217.99	217.99
Total		10864.48	122.99	-1.95	121.04	10985.52	10925.00

160. In view of the above, the depreciation for FY 2015-16 has been worked out in this order by considering the weighted average rate of depreciation as per the power station-wise assets-cum-depreciation registers submitted by the petitioner. The rate of depreciation considered in asset registers as per the Regulations, 2012.
161. It has been observed by the Commission in true-up order for FY 2014-15 that the closing cumulative depreciation in STPS, PH 2&3 and Gandhi Sagar has crossed the limit of 90%. Therefore, the Commission has not allowed depreciation for FY 2015-16 in these plants.
162. The opening cumulative depreciation in SGTPS PH-1&2, Pench and Bargi HPS has crossed the limit of 70% of gross fixed assets. However, they have not completed their useful life. Therefore, the balance depreciation of these power

stations has been spread over their balance useful life as per the provision under the Regulations, 2012.

163. Taking a consistent approach in line with that adopted in earlier MYT/tariff orders of the Commission, the petitioner is allowed to charge depreciation over the remaining life of the Power Stations which does not exceed to 90% as specified in Regulations, 2012.
164. Based on the above, the power station-wise depreciation is worked out for FY 2015-16 in this true-up order as given below:

Table 55: Depreciation for FY 2015-16**(Rs in Crores)**

Sr. No.	Power Station	Wt. avg.rate Dep.	Dep.Am ount	Opening Cumm. Dep.		Closing Cumm. Dep.	
				Rs Cr.	%	Rs Cr.	%
		%	Rs Cr.	Rs Cr.	%	Rs Cr.	%
1	ATPS, PH-3	4.55%	51.60	312.77	27.67%	364.37	32.24%
2	STPS, PH-2&3	0.08%	0.00	564.72	90.72%	564.72	90.72%
3	STPS PH-4	5.07%	157.68	199.67	6.53%	357.35	11.68%
4	SGTPS, PH-1&2	2.02%	44.08	1571.21	71.86%	1615.29	73.87%
5	SGTPS, PH-3	5.13%	104.27	633.20	31.18%	737.47	36.31%
6	Gandhi Sagar	0.00%	0.00	9.39	90.38%	9.39	90.38%
7	Pench	1.78%	1.80	77.76	77.46%	79.56	79.25%
8	Rajghat	4.38%	3.63	46.48	56.13%	50.11	60.51%
9	Bargi	1.35%	1.18	64.13	73.74%	65.31	75.09%
10	Bansagar PH (I to III)	4.44%	51.96	657.49	56.32%	709.45	60.77%
11	Bansagar PH (IV)	5.28%	6.17	56.45	48.31%	62.62	53.59%
12	Birsinghpur	2.94%	1.53	35.94	68.92%	37.47	71.86%
13	Madhikheda	5.21%	11.36	77.67	35.63%	89.03	40.84%
	Total		435.25	4306.87		4742.12	

Impact on Depreciation of Prior period write-off/adjustment of asset:**STPS-4**

165. With regard to STPS PH-4, the asset of Rs 3.71 Crores of FY-2013-14 has been transferred back to CWIP. The impact on depreciation with respect to prior period write off/adjustment in STPS PH-4 have been worked out as under:

Table 56: Adjustment of Depreciation write off in STPS PH-4 (Rs in Crores)

Particulars	2013-14	2014-15	Total
Asset Transferred to CWIP	3.71	3.71	
Depreciation Rate	5.23%	5.07%	
Depreciation	-0.19	-0.19	-0.38

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

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

a. *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.-*

b. *For the FY 2015-16, O&M Charges in Rs Lakh /MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-*

Table 57: Amount in Rs Lakh/MW/Year

Thermal Station		FY 2015-16
ATPS	PH-3	21.19
STPS	PH-2	21.19
	PH-3	21.19
	PH-4	21.46
SGTPS	PH-1	21.19
	PH-2	21.19
	PH-3	15.97
Hydro	All	13.09

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

Table 58: Operation and maintenance claimed for FY 2015-16 (Rs in Crores)

Sr. No.	Station	As per order MPERC	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-3	44.5	47.88	3.38

Sr. No.	Station	As per order MPERC	As considered by MPPGCL on Norms	Diff.
2	STPS PH 2&3	175.88	147.43	-28.45
3	STPS PH-4	107.3	73.53	-33.77
4	SGTPS PH-1&2	178	160.82	-17.18
5	SGTPS PH-3	79.85	83.71	3.86
	Total Thermal	585.53	513.38	-72.15
6	Gandhi Sagar	15.05	11.7	-3.35
7	Pench	20.94	21.62	0.68
8	Rajghat	5.89	3.34	-2.55
9	Bargi	11.78	11.72	-0.06
10	Bansagar 1,2&3	53.01	47.21	-5.8
11	Bansagar IV	2.62	2.22	-0.4
12	Birsinghpur	2.62	2.3	-0.32
13	Madhikheda	7.85	6.24	-1.61
	Total Hydro	119.76	106.35	-13.41
	Total	705.29	619.73	-85.57

Provision in Regulations:

168. 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 actual. The claim of pension and Terminal Benefits shall be dealt as per Regulation 26.5.”

Table 59: Operation and Maintenance Norms for Existing Thermal Generating Units

Units (MW)	FY 2015-16 Rs Lacs/MW
62.5	25.18
120	31.11
200/210/250	21.19
500	15.97

169. Above mentioned norms are applicable for the Thermal Generating Stations which were commissioned on or before 31.03.2012. The O&M Norms for new Thermal

Generating units commissioned on or after 01.04.2012 are as under:

Table 60: Operation and Maintenance Norms for New Thermal Generating Units

Units (MW)	FY 2015-16 Rs Lacs/MW
45	30.17
200/210/250	21.46
500	16.08

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

Table 61: Operation and Maintenance Norms for Hydro Generating Units

Year	O&M Expenses Rs in lakh/MW
2015-16	13.09

Commission's Analysis:

171. 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. The power station wise operation and maintenance expenses allowed in this order are as given below:

Table 62: Operation and Maintenance Expenses for FY 2015-16

Sr. No.	Power Station	Capacity	Normative O&M Expenses	Annual O&M Expenses as per norms
		MW	Rs Lack/MW	Rs Cr.
1	ATPS, Chachai PH-III	210	21.19	44.50
2	STPS PH 2&3	830	21.19	175.88
3	STPS, PH-4	500	21.46	107.30
4	SGTPS, PH-1&2	840	21.19	178.00
5	SGTPS, PH-3	500	15.97	79.85
6	Gandhi Sagar	115	13.09	15.05
7	Pench	160	13.09	20.94
8	Rajghat	45	13.09	5.89
9	Bargi	90	13.09	11.78
10	Bansagar PH-1,2&3	405	13.09	53.01
11	Bansagar PH-4	20	13.09	2.62
12	Birsinghpur	20	13.09	2.62
13	Madhikheda	60	13.09	7.85
Total		3795		705.30

f) **Compensation Allowance:****Petitioner's submission**

172. The petitioner has claimed compensation allowance for the generating units of STPS PH 2&3 and SGTPS PH 1&2. In Para 4.1.2. of the petition, the petitioner broadly submitted the following:

“The Commission in proviso 36.2 of the Regulations, 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 of MPPGCL has been worked out as described below:

STPS, Sarni :- All the units of PH - 2 &3 are above 25 years and therefore compensation allowance for the plants have been considered based on the MYT order permitted by the Commission under proviso 36.2 of the Regulations, 2012 @ Rs 0.84 Lakhs/MW/Year.

SGTPS Birsinghpur:-The units No.1 & 2 are older than 15 years therefore the compensation allowance @ Rs 0.84 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 @ Rs 0.19 Lakhs/MW/Year.

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

Table 63: Compensation Allowance claimed by petitioner for FY 2015-16

(Rs in Crores)

Sr.No.	Particulars	As per MPERC Regulations for FY 15-16	As considered by MPPGCL on Norms
1	ATPS 3	0.00	0.00
2	ATPS	0	0
3	STPS 2	3.44	2.89
4	STPS 3	3.53	2.96
5	STPS 4	0.00	0.00
6	STPS	6.97	5.85
7	SGTPS 1	3.53	3.19
8	SGTPS 2	1.85	1.67
9	SGTPS 3	0.00	0.00
10	SGTPS	5.38	4.86
11	Total	12.35	10.7

Provision in the Regulations:

173. 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 64: Compensation Allowance for Thermal Generating Units**(Rs lakh/MW/Year)**

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

Commission’s Analysis:

174. 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, Regulation 36.2 of the same Regulation 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) completed its useful life of 10 years and up to 25 years i.e., its useful life only.

175. The compensation allowance is admissible only up to useful life of the thermal generating unit. However, the units of STPS, Sarni PH- 2 & 3 have 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-1 & 2, the units have not completed their useful life. Therefore, these units are eligible for compensation allowance and the same has been worked out as under:

Table 65: Compensation allowance admitted for FY 2015-16 (Rs in Crores)

Sr.No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed in Rs Crores
1	SGTPS PH-1	420	1993-94	0.84	3.53

Sr.No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed in Rs Crores
2	SGTPS PH-2	420	1998-99	0.44	1.85
	Total	840			5.38

g) Special Allowance:

Petitioner Submission:

176. The petitioner has claimed the special allowance in STPS PH-2&3, In Para 4.1.3 of the petition, the petitioner submitted the following:

- a. *“The Commission in proviso 18.5 of the Regulations,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.*
- b. *Further, the Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6,7,8&9 of STPS, Sarni for FY 2011-12 to FY 2015-16 (petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly the Truing-up of the same has been considered in the instant petition.”*

Table 66: Special Allowance for FY 2015-16

(Rs in Crores)

S. No	Particulars	As per MPERC Order for FY 16	MPPGCL as per Norms	Diff.
1	STPS PH 2&3	72.51	60.78	-11.73
	Total	72.51	60.78	-11.73

Provision in the Regulations:

177. With regard to special allowance, Regulation 18.5 of the Regulations, 2012 provides that:

A Generating Company on opting for alternative option in Regulation 18.4 of this Regulation shall be allowed special allowance @ Rs 7.50 lakh/MW/Year in 2013-14 and thereafter escalated @ 7.93 % every Year during the Tariff period in 2013-16, Unit-wise from the next financial Year from the respective date of the completion of Useful life with reference to the COD of respective Units of generating station.

Provided that in respect of a Unit in commercial operation for more than 25 Years as on 1.4.2013, this allowance shall be admissible from the Year 2013-14

Commission's Analysis:

178. Under proviso to Regulation 18.5 of the Tariff Regulations, 2012 for Renovation & Modernization, it is 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.
179. The petitioner opted the option of availing special allowance for the units of STPS, Sarni PH 2&3, which have already completed their useful life. The Commission vide order dated 23rd July, 2015 in petition no. 23/2015 determined the special allowance for Unit 6, 7, 8 & 9 of STPS, Sarni PH-2 & 3. Considering the amount of special allowance determined under aforesaid order, the Commission has admitted the special allowance is as given below:

Table 67: Special Allowance Allowed for FY 2015-16 (Rs in Crores)

Sr. No.	Power Station	Special Allowance Norms	Total amount allowed Rs Crores
		Rs Lacks/MW	
1	STPS PH-2&3	8.74	72.51

h) Interest on Working Capital:

Petitioner submission:

180. The petitioner broadly submitted the following:

The Working capital has been calculated in the Commission's 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 the Commission in the Tariff order is reproduced below after applying Actual Availability:-

Table 68:

(In Rs Crores)

S. No.	Station	As per MPERC Order	As considered by MPPGCL on Actual Availability	Diff.
1	ATPS PH-3	12.74	13.71	0.97
2	STPS PH-2&3	52.3	43.84	-8.46
3	STPS PH-4	49.56	33.96	-15.6
4	SGTPS PH-1&2	84.9	76.71	-8.19
5	SGTPS PH-3	52.68	55.22	2.54
6	Total Thermal	252.18	223.44	-28.74
7	Gandhi Sagar	0.84	0.66	-0.19
8	Pench	1.29	1.34	0.04
9	Rajghat	0.51	0.29	-0.22
10	Bargi	0.79	0.78	0
11	Bansagar PH-1,2&3	5.6	4.99	-0.61
12	Bansagar PH-4	0.4	0.34	-0.06
13	Birsinghpur	0.22	0.19	-0.03
14	Madhikheda	1.01	0.8	-0.21
	Total Hydro	10.66	9.39	-1.28
Total		262.84	232.83	-30.02

Provision in Regulations:

181. 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.”

182. 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:

183. 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 and order dated 07th January’ 2016, for STPS PH-4 remain unchanged.
184. Moreover, the State Bank of India Base rate as applicable/ prevailing on 01.04.2015 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 and order dated 07th January’ 2016, for STPS PH-4 remain unchanged.
185. The petitioner has also not claimed the true-up of working capital. Therefore, no truing up for interest on working capital is required in accordance with the provisions under Regulations, 2012.

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

Petitioner’s Submission:

186. Regarding the cost of secondary fuel oil, the petitioner broadly submitted the following:
- a. 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, Govt 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 2015-16 is elaborated below:-

- b. 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 69: Actual Weighted Average Landed Price and Rate of Secondary Fuel Oil (Rs in Crores)

Particulars			ATPS Chachai	STPS Sarni	SGTPS Birsinghpur	
1	Cost of Secondary Oil	Furnace Oil	Rs. Lakhs	1153.49	5201.24	465.47
2		LDO / HSD	Rs. Lakhs	527.44	443.23	742.62
3		Total	Rs. Lakhs	1680.93	5644.47	1208.09
4	Purchased Quantity	Furnace Oil	kL	2173.12	11511.2	1294.29
5		LDO / HSD	kL	758.28	1188.6	1453.19
6		Total	kL	2931.4	12699.8	2747.48
7	Rate of Secondary Oil FY- 16	Furnace Oil	Rs/kL	53080	45184	35963
8		LDO / HSD	Rs/kL	69557	37290	51103
9		Total	Rs/kL	57342	44445	43971

187. 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 70: Actual weighted average rate of Secondary Fuel Oil (Rate in Rs/KL)

Name of Thermal Power Stations	As per MPERC Order	As per Actual	Diff.
ATPS PH-3 Chachai	46876	57342	10466
STPS PH-2&3Sarni	47483	44445	-3038
STPS PH-4 Sarni	58143	44445	-13698
SGTPS PH-1&2 Birsinghpur	52851	43971	-8880
SGTPS PH-3 Birsinghpur	52851	43971	-8880

Provision in Regulations:

188. 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:

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

Where,

- SFC* - Normative Specific Fuel Oil Consumption in ml/kWh
LPSFi - Weighted Average Landed Price of Secondary Fuel in Rs /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 actual of the weighted average price of the three preceding months and in the absence of landed costs for the three preceding months, latest procurement price for the generating station, before the start of the Year.

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

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

Where,

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

Commission's Analysis:

189. 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) 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 and order dated 07th January, 2016, for STPS PH-4 shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2015-16. The details of the actual weighted average rate of secondary fuel oil based on Audited Accounts for FY 2015-16 are worked out by the petitioner. The power station-wise details of actual weighted average rate of secondary oil is worked out by the petitioner vis-à-vis approved in MYT order dated 1st April, 2013 and order dated 07th January, 2016, for STPS PH-4 are as given below:
190. While comparing the weighted average rate of secondary fuel oil allowed in the MYT order dated 01st April, 2013 and order dated 07th January, 2016, for STPS

PH-4 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. Vide letter dated 14th December' 2016, the petitioner was asked to explain the reasons for increase in weighted average rate of secondary fuel oil in ATPS, Chachai along with supporting documents in this regard.

191. By affidavit dated 4th January' 2017, the petitioner submitted the following:

“The prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, Gol as such MPPGCL has no control over it.

The Secondary Fuel Oil at ATPS was last procured only in the month of June'14 in FY 2014-15 based on its requirement, as Oil companies do not supply part racks. The requirement was earlier worked out on consolidation basis for ATPS PH-2 and PH-3. As PH-2 (2x120MW) has been decommissioned in FY-15 i.e. 13.01.2015 and 01.05.2014 respectively, therefore no further purchase of oil has been carried out at ATPS, Chachai.

The oil earlier purchased is being used till date. MPPGCL is pleased to inform the specific Sec Oil consumption of ATPS PH-3 (210MW) is well within norms set by the Commission. The details of last purchase are annexed as Annexure-22 for reference please.

It is further to submit that the Wt. Average Rate of Secondary Oil is governed by the rate and mix of Furnace Oil and LDO and are detailed in Table No. 4.8.2.1 on page 102 of subject petition.

The the Commission vide MPERC Regulations, 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.”

192. 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 are worked out as given below:

Table 71: Secondary Fuel Oil Cost

(Rs in Crores)

Sr. No	Power Station	NAPAF	Normative Gross Generation Considered	Normative Specific Fuel oil Consumption	Wt. average Rate of Secondary Fuel Oil	Amount of Secondary Fuel Oil
		%	MU's	ml/kWh	Rs /KL	Rs in Crores
1	ATPS PH-3 Chachai	85%	1564	1.00	57342	8.97
2	STPS PH-2&3 Sarni	75%	5453	1.75	44445	42.41
3	STPS PH-4 Sarni	85%	3723	1.00	44445	16.55
4	SGTPS PH-1&2 Birsinghpur	80%	5887	1.15	43971	29.77
5	SGTPS PH-3 Birsinghpur	85%	3723	1.00	43971	16.37
Total						114.06

Non-Tariff Income:**Petitioner's Submission:**

193. 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 2015-16 factored to 100% for the elements mentioned in proviso 31 (a) have been worked out and detailed in the table below:

Table 72: Non Tariff Income Claimed for FY 2015-16

(Rs in Crores)

Power Station		Amount
1	ATPS PH-3	7.15
2	STPS PH-2&3	14.4
3	STPS PH-4	12.3
4	SGTPS PH-1&2	14.84
5	SGTPS PH-3	8.83
Total Thermal		57.53
6	Gandhi Sagar	1.17
7	Pench	1.04
8	Rajghat	0.82
9	Bargi	4.17
10	Bansagar 1,2&3	7.13
11	Bansagar PH-4	0.35
12	Birsinghpur	0.14
13	Madhikheda	0.45
Total Hydro		15.27
Total		72.80

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.

Commission's Analysis:

194. On scrutiny it was observed that the petitioner filed non-tariff income of Rs72.80 Crores, whereas as per note 22 of Annual Audited Accounts, the other income is indicated as Rs150.22 Crores. Vide letter dated 14th December' 2016, the petitioner was asked to clarify/submit the following:

- Reason of difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true-up petition. The power station wise break-up of the amount on share basis and 100% operating capacity basis be also filed.
- Breakup amount of other income receipt and recorded in the audited accounts.
- Whether the income from sale of fly ash of Rs. 12.84 Crores recorded in note 21 of the audited accounts is incorporated in the aforesaid non tariff income. If so, the power station-wise amount be indicated in light of the balance sheet.

195. By affidavit dated 4th January' 2017, the petitioner filed its response on the queries raised by the Commission as given below:

- *The amount of Other Income (Non Tariff Income) i.e. Rs.150.22 Crores, as per Note 22.1 of Audited Annual Statements of Accounts for FY 2015-16 includes amount of other income of SSTPP PH-1. The same are not considered in subject Tariff petition and shall be considered in its Final tariff petition.*
- *Further, the amount of Other Income i.e. Rs.150.22 Crores, as per Note - 22.1 of Audited Annual Statements of Accounts for FY 2013-14 includes interest*

from Fixed Deposit created from sale of Fly ash. In this regard it is to mention that MPPGCL vide letter No. 07-12/Cs-MPPGCL/MPERC/Reg. FY14-FY16/105 dated 24.01.2013, had made submission before the Commission as under:

- 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 along with ancillary income i.e. Interest from Fixed Deposit created from sale of Fly ash has not been considered under Non Tariff Income.
- The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2014-15 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Note -22.1 of Audited Annual Statements of Accounts for FY 2015-16 for the shared portion have been factored to 100% basis.
- Considering the above facts, the detailed working of Non Tariff Income on share basis and 100% operating capacity basis is annexed as Annexure -23.
- Further as desired the break-up of amount of other income misc.receipts recorded under head-Other Income as per Note -22.1 of Audited Annual Statements of Accounts for FY 2014-15 is Annexed as Annexure-24.
- It is to submit that, income from sale of fly ash of Rs. 12.84 Crores recorded in note 21 of the audited accounts is not considered as part of non-tariff income. The detailed explanation in this regard is already provided by MPPGCL in Chapter-Income from sale of FLY Ash of subject petition.

196. In the above reply, the petitioner has submitted the break-up of income of Rs 150.24 Crores. Out of aforesaid income, Rs 26.39 Crores pertains to SSTPP PH 1 and Rs 6.78 Crore towards interest on fixed deposited from fly ash income. Further, the other income of shared portion have been factored to 100% basis, thus the petitioner has claimed other income of Rs 72.80 Crores.

197. With regard to interest on fixed deposit from the income of fly ash, the Commission has considered this income as non tariff income in light of the provisions under Regulations, 2012.

198. Further, the income from sale of fly ash is also captured in Audited Account under the head of operating income. Proviso 31 (a) of MPERC (Terms and Conditions

for Determination of Generation Tariff) Regulations, 2012 provides that:

*“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.” (emphasis supplied)*

199. In view of the above, the Commission has considered the income from sale of fly ash and also the interest income on fixed deposit as Non-Tariff Income. The petitioner has not provided plant wise break-up of income from sale of fly ash. Thus the Commission has apportioned the income in the ratio of gross generation of the respective Power Plants as submitted in the instant tariff petition.
200. In view of the above, the power station-wise non tariff income considered in this order is as given below:

Table 73: Non -Tariff income Admitted for FY 2015-16 (Rs in Crores)

S. No	Power Stations	Amount	Interest on FD Created From Fly Ash Income	Fly Ash Income	Sale of Scrape	Total Non Tariff Income
1	ATPS PH-3	7.15	0.38	1.23	0.00	8.77
2	STPS PH-2&3	14.40	0.23	2.44	2.97	20.05
3	STPS PH-4	12.30	0.14	1.36	0	13.80
4	SGTPS PH-1&2	14.84	3.77	2.39	0	21.01
5	SGTPS PH-3	8.83	2.25	2.47	0	13.55
6	Total Thermal	57.53	6.78	9.90	2.97	77.17
7	GANDHI SAGAR	1.17	0	0	0	1.17
8	PENCH	1.04	0	0	0	1.04
9	RAJGHAT	0.82	0	0	0	0.82
10	BARGI	4.17	0	0	0	4.17
11	BANSAGAR PH-1,2&3	7.13	0	0	0	7.13
12	BANSAGAR PH-4	0.35	0	0	0	0.35
13	BIRSINGHPUR	0.14	0	0	0	0.14
14	MADHIKHEDA	0.45	0	0	0	0.45
15	Total Hydro	15.27	0.00	0.00	0.00	15.27
	TOTAL	72.80	6.78	9.90	2.97	92.44

Other Charges:

201. With regard to Other Charges, 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.

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.”

202. Considering the above elements, the overall Other Charges work out by the petitioner is Rs 64.67 Crores and its power station wise break up as given below:

Table 74: Other Charges Claimed (Rs in Crores)

Power Station	Rent, Rates & Taxes	Entry Tax	Water Charges	Cost of Chemicals	MPERC Fee	SLDC Charges	Total
1 ATPS PH-3	0.02	0.15	3.18	0.55	0.09	0.02	4.01
2 STPS PH-2&3	0.31	0.63	4.00	3.66	0.26	0.08	8.94
3 STPS PH-4	1.10	0.38	2.49	2.03	0.38	0.05	6.43
4 SGTPS PH-1&2	0.00	0.29	7.16	1.72	0.26	0.08	9.51
5 SGTPS PH-3	0.00	0.17	4.26	1.03	0.15	0.05	5.66
6 Total Thermal	1.44	1.63	21.09	8.99	1.14	0.28	34.57
7 Gandhi Sagar HPS	0.03	0.00	11.90	0.09	0.04		12.06
8 Pench HPS	0.00	0.00	0.00	0.27	0.05		0.32
9 Rajghat HPS	0.00	0.00	0.00	0.28	0.01		0.29
10 Bargi HPS	0.00	0.00	6.05	0.00	0.03		6.08
11 Bansagar PH-1,2&3	0.09	0.01	7.56	0.02	0.12		7.80
12 Bansagar PH-4	0.00	0.00	0.37	0.00	0.01		0.38
13 Birsinghpur HPS	0.00	0.00	0.16	0.06	0.01		0.23
14 Madhikheda HPS	0.01	0.00	2.92	0.00	0.02		2.95
15 Total Hydro	0.13	0.01	28.96	0.72	0.28	0.00	30.10
Total	1.57	1.64	50.05	9.71	1.42	0.28	64.67

Commission's analysis:

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

- a) “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.
- b) 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.”
204. 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 Regulations 36.1 and 50.1 of the Regulations, 2012.
205. 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 the Commission tariff order dated 1st April’ 2013.
206. 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.”*
207. Therefore, the petitioner is allowed to recover these charges paid to SLDC for FY 2015-16 from the beneficiaries on pro-rata basis.
208. 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.

Other Issues /claims In Petition:**A. De-Commissioning of ATPS PH-2 (2X120MW)**

209. Unit No. 3 & 4 (120 MW each) of ATPS PH-2 decommissioned with effect from 13th January, 2015 and 1st May, 2015 respectively. The Petitioner claimed balance depreciation of `25.67 Crores in these Unit. The details of balance depreciation worked out by the Petitioner are as given below:-

<u>Break up of Accumulated Depreciation</u>		Rs in Crores	
Particulars		Gross Block	Acc. Depreciation
Balance as on 31.03.2015		222.28	160.44
A	Assets De-capitalized	150.18	109.49
B	Assets Transferred to ATPS PH-3	72.05	50.90
C	Assets Transferred to SGTPS PH-1&2	0.05	0.04
Total (A+B+C)		222.28	160.44

<u>Balance depreciation of Assets De-capitalized</u>		Rs in Crores
Particulars		Amount
1	Gross Block of Assets De-capitalized	150.18
2	Acc. Depreciation of Assets de-capitalized	109.49
3	Maximum Permissible Depreciation (90% of Gross Block)	135.16
4	Balance depreciation(3-2)	25.67

210. The petitioner further submitted that the balance depreciation of assets de-capitalized ATPS PH-2 has been worked out as per MPERC Regulation and as per Asset Cum Depreciation Register. The adjustment of Accumulated depreciation with respect to assets transferred to ATPS PH-3 & SGTPS PH-3 has been suitably provided for in Chapter- "Assets & Depreciation". Therefore, the petitioner requested the Commission to permit recovery of balance depreciation of Rs. 25.67 Crores separately.

211. It is observed that some of the de-capitalized assets claimed for balance depreciation by MPPGCL were capitalized under need based R&M Scheme in recent past and all such assets have not completed their useful life. Therefore, it would be appropriate to deal with this issue of balance depreciation with the next true-up exercise under the provisions of Regulations and accounting principles in terms of actual salvage value of all such assets.

B. Income From Sale of Fly Ash

212. With regard to Income from sale of Fly Ash, in Para 6 of the petition, the petitioner reiterated the same contention as submitted in earlier true-up petition for FY 2014-15.
213. The Commission has already dealt with this issue in its past year true-up Order in light of provisions under the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. In line of the same, the claim of petitioner is not considered in this order.

C. Differential Equity of Bansagar PH-1, 2&3 w.r.t. transfer of assets

214. In the subject petition the petitioner has also claimed ROE / Interest on excess equity on differential equity of Bansagar PH 1, 2 & 3 on account of transfer of assets during FY 12-13 of Rs. 87.23 Crore.
215. With regard to differential equity of Bansagar PH-1, 2 & 3, in para 7 of petition, the petitioner reiterate its contention as mentioned in its earlier True-Up petition for FY 2013-14 and FY 2014-15.
216. The aforesaid issue has been already dealt with true-up order for FY 2013-14 and allowed the cost after considering the transfer of assets takes place with WRD. Therefore, this issue has already been dealt with at length and decided by the Commission in past year true-up order hence the same is not re-considerable in this order.

D. Capitalization of Capital Spare

217. On examination of the details of additional capitalization filed by the petitioner, the Commission observed that the petitioner has claimed additional capitalization under the head of capital spare during FY 2015-16 also. The Commission had dealt with this issue in true up order for FY 2014-15.
218. The observation of the Commission recorded in Para 74 to 79 of the true-up order for FY 2014-15 is reproduced as follows:-

The Commission observed that the date of purchase of capital spare in some of the power stations is prior to FY 1989-90 and the petitioner in the above reply clearly states that the capital spares are considered to be put to use as and when they are received at power stations. This shows that the said capital spares must have completed their useful life.

75. In its above reply, the petitioner also stated that majority of these spares were acquired by erstwhile MPEB/MPSEB and were transferred to MPPGCL as Opening Balance as on 01.06.2005 through Final Opening Balance Sheet.

As the Commission has already considered the impact of final Open balance sheet while carrying out the exercise of true up in all past years, therefore further consideration of all such assets addition acquired before FY2004-05 would not be fair and appropriate at this stage.

76. Further, the approval of capital spares is governed by the following Regulations of MPERC Tariff Regulations.

i. Regulation 19 of MPERC Tariff Regulations 2005, is reproduce below:

As per Proviso 19 (2.9) (e) of MPERC Regulations,2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulations 18.

ii) Regulation 17 of MPERC Tariff Regulations 2009, is reproduce below:

17.1 Capital cost for a Project shall include:

17.1 (b) capitalized initial spares subject to the ceiling norms as specified below:

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

iii) Regulation 17 of MPERC Tariff Regulations 2012, is reproduce below:

17.1 Capital cost for a Project shall include:

17.1 (b) capitalized initial spares subject to the ceiling norms as specified below:

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

77. In light of the above Regulations, the Commission has to ensure that the capital spares are well within the ceiling limit specified in the Regulations. On perusal of its response at point (f) of its reply regarding "Capital Spares as indicated in the original scope of work", it is observed that the petitioner has not furnished the essential information for computation of the ceiling limits of capital spares as prescribed under Regulations. Therefore, the response of petitioner in this regard is not to the satisfaction of the Commission. To compute the ceiling limits as per Regulations before allowing the very old assets as claimed by MPPGCL under capital spares, the petitioner is expected to furnish all information clearly indicating the capital spare already included in the original project cost prior to 1st April 2014, so that the ceiling limit up to the year under consideration could be checked in totality.

78. With regard to STPS PH 2&3, the petitioner has already opted the special allowance in accordance with the provisions under the applicable MPERC Tariff Regulations, therefore, it is not entitled to claim additional capitalization in terms of the aforesaid regulations in the subject petition.

79. In view of all above mentioned reasons, the Commission is not inclined to consider the additional capitalization against capital spares of the power stations/units mentioned in **para 69** of this order, however, the petitioner is at liberty to claim the aforesaid additional capitalization against capital spares in its true petition for FY 2015-16 on furnishing all such information about capital spares which are not submitted to the satisfaction of Commission in its reply filed in instant petition.

219. The petitioner has not come with the details and documents to the satisfaction of the Commission. Moreover, the petitioner has also not come with any new facts and figures on this issue. Therefore, the claim of the petitioner against capital spares for prior period is not considered in this order.

E. Auxiliary Consumption of ATPS PH-3

220. In the subject true-up petition, the petitioner also sought relaxation in norms of Auxiliary consumption for ATPS PH-3 as 9.67% for FY 15-16 and onwards under proviso 61 “ Power to remove difficulties” and proviso 62 “Power to Amend the Regulation”. With regard to relaxation in Auxiliary consumption of ATPS PH-3, the petitioner in Para 9 of the petition submitted the following:

In case of Auxiliary Consumption, MPPGCL is facing practical difficulties which are beyond control and therefore exceeding the prescribed norm i.e. 9.0% as per the provisio 35.1 (d) of Regulations, 2012.

The practical difficulties being faced towards achieving Normative Auxiliary Consumption at Unit No.5 (210MW) ATPS, Chachai due to reason elaborated as below :-

- (i) *The plant had three Power Houses in the past with operating capacity namely :-*
 - I. *PH-1 (Unit # 1&2) = 30 MW & 20 MW (now retired)*
 - II. *PH-2 (Unit # 3&4) = 2x120 MW (now retired)*
 - III. *PH-3 (Unit # 5) = 1x210 MW*
- (ii) *Unit # 1 & 2 of PH-1 (30 MW and 20MW, commissioned in 1965) have already been retired on 31.03.2009. Similarly Unit # 3 & 4 are of 120 MW which were commissioned in 1977 and 1978 respectively & have also lived life more than the designed useful*

life of 25 years and these units have been de-commissioned recently w.e.f 12.01.2015 and 30.04.2014 respectively. The Unit # 5 is of 210 MW size was commissioned on 10.09.2009 and is performing satisfactorily.

- (iii) The Auxiliary consumption norm fixed by the MPERC for ATPS Unit No.5 (210 MW) is 9.00 % for the Control Period FY 2013-14 to FY 2015-16. The year wise actual Auxiliary consumption in % since commissioning of the unit is elaborated in the table Table No. 9.1.3.1
- (iv) Even after operating at PLF higher than norms the normative auxiliary consumption set by the Commission has never been achieved by the Power House since its Date of Commissioning i.e. 10.09.2009. However, the average Actual Annual Availability Factor achieved by PH-3 (210MW) is 85.0% since its Date of Commissioning i.e. 10.09.2009.
- (v) The reason for higher auxiliary consumption has been analyzed by the MPPGCL and the outcome of the analysis are depicted point wise below:-

➤ **GUARANTEED AUXILARY CONSUMPTION**

The guaranteed auxiliary power consumption as certified by M/s. BHEL at zero percent make-up and 0.1033 ATA back condenser pressure at full load condition (210000 KW) is 19300 KW i.e. 9.19%. This figure excludes the auxiliary consumption of Coal Handling plant, Water pumping station, CW intake plant, Oil pumping unit, dewatering facilities and plant coal siding, which has been found to be approximately 0.48% depending on Monsoon, Weather conditions, coal supplies, etc. and varies over the month each year. Thus, total auxiliary consumption of the plant has been found to be 9.67%.

➤ **COMMON SERVICES**

The auxiliary consumption contributing to common services were earlier shared by 2x120 MW units of PH-2 ATPS. As these units have already been decommissioned in FY 2014-15, the auxiliary consumption is to be borne solely by Unit No.5.

➤ **PLANT WATER REQUIREMENT**

*The requirement of water for this Power House is met from **Suthna Lake**. However as there is very little inflow of rain water in the lake, it is to be filled by pumping water from **Sone river** by using 2 to 3 Dam filling pumps, which further increase the auxiliary consumption. These pumps run round the clock for about eight months in a year. However, running hours depends on actual rainfall.*

➤ **RUNNING OF UNIT ON PARTIAL LOAD**

This auxiliary consumption further increase due to running of unit on partial load frequently, on the directives issued by SLDC from time to time, depending on actual grid condition.

MPPGCL, earlier, vide letter No. 07-12/CS-MPPGCL/MPERC/ FY-17 to FY-19/1008 dated 20.08.2015 had approached Hon'ble Commission in the matter of Draft MPERC Regulations.2015 {RG-26(III) of 2015} wherein in Annexure-3 (Auxiliary Consumption) page-8 MPPGCL had represented the issue of Auxiliary Consumption of ATPS PH-3 for increasing it to 9.5% against 9.0% as proposed by Hon'ble MPERC in draft regulations. MPPGCL had further requested to make a presentation before Hon'ble Commission to explain the matter / clarify any observation on any date as directed by the Commission. However the same could not be materialized at that point of time.

*In view of the above constraints and difficulties being faced in actual site conditions and the reason beyond control of MPPGCL, Hon'ble MPERC is being humbly requested under proviso 61 "Power to remove difficulties " and proviso 62 "Power to amend" for relaxing auxiliary power consumption of ATPS Unit No. 5 to **9.67%** for FY 2015-16 and onwards.*

221. The norms for Auxiliary consumption were fixed and notified by the Commission in MPERC (Terms and Conditions for determination of Generation Tariff) Regulations after following due procedure of Pre- Publication and public hearing.
222. Therefore, the request of MPPGCL for relaxing the normative auxiliary consumption in this order has no merit hence not considered by the Commission in this order.

Summary of Annual Capacity (fixed) charges:

223. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2015-16 determined in the MYT order dated 1st April, 2013 and order dated 7th January, 2016, for STPS PH-4 vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized as given below:

**Table 75: Head Wise Annual Capacity Charges at Normative Availability
(Rs. in Crores)**

particular	AFC Allowed in MPERC Orders	AFC Determined in this order	Difference Amount
Return on Equity	426.26	435.64	9.38
Interest on Loan including interest on Excess Equity	427.48	469.37	41.89
Depreciation	419.56	434.87	15.31
O&M Expenses	705.28	705.30	0.02
Secondary Fuel Oil Expenses	134.55	114.06	-20.49
Compensation Allowance/Special Allowance	77.89	77.89	0.00
Interest on Working Capital	262.84	262.84	0.00
Total AFC	2453.86	2499.97	46.11
Less: Non Tariff Income	0.00	92.44	92.44
Net AFC	2453.86	2407.52	-46.34

**Table 76: Power Station wise Annual Capacity Charges at normative availability
(Rs in Crores)**

Sr.No	Power Station	AFC Allowed In MPERC Orders	AFC Determined in this Order	Difference Amount
1	ATPS PH 3	202.7	217.61	14.91
2	STPS (Sarni) PH 2&3	377.95	351.65	-26.30
3	STPS (Sarni) PH 4	708.97	704.02	-4.95
4	SGTPS (Birsinghpur) PH 1&2	439.81	421.83	-17.98
5	SGTPS (Birsinghpur) PH 3	418.41	426.46	8.05
	Thermal Total	2147.84	2121.57	-26.27
6	Gandhi Sagar	16.38	15.21	-1.17
7	Pench	28.22	27.70	-0.52
8	Rajghat HPS	14.28	13.06	-1.22
9	Bargi HPS	18.52	13.63	-4.89
10	Bansagar 1,2&3(HPS)	174.67	157.86	-16.81
11	Bansagar Jhinna (HPS)	14.16	17.05	2.89
12	Birsinghpur HPS	6.03	6.66	0.63

13	Madhikheda HPS	33.77	34.78	1.01
	Hydro TOTAL	306.03	285.95	-20.08
	Grand Total	2453.87	2407.52	-46.35

224. The above cost determined in this order is inclusive the prior period cost adjustment due to write-off/adjustment of assets in some power stations as worked out is given below:

Table 77: Prior Period Cost Adjustment (Rs in Crores)

Sr.No	Power Stations	Return on Equity	Depreciation	Interest on Loan	Total
1	STPS PH-4	-0.23	-0.38	-0.77	-1.38
	Total	-0.23	-0.38	-0.77	-1.38

Normative Annual Plant Availability Factor:

225. 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 achieves as certified by SLDC during FY 2015-16 in respect of thermal and hydel power stations are as given below:

Table 78: Normative Vs Actual NAPAF (%) for FY 2015-16

Name of TPS	As per MPERC Regulations, 2012	MPPGCL Actuals	Difference
ATPS Chachai PH-3	85.00%	97.93%	12.93%
STPS Sarni PH-2&3	75.00%	62.87%	-12.13%
STPS Sarni PH-4	85.00%	52.61%	-32.39%
SGTPS Birsinghpur PH-1&2	80.00%	72.28%	-7.72%
SGTPS Birsinghpur PH-3	85.00%	93.21%	8.21%

Hydro Power Stations	As per MPERC Regulations, 2012	MPPGCL Actuals	Difference
Gandhi Sagar	85%	47.21%	-37.79%
Pench	85%	90.54%	5.54%
Rajghat	85%	11.31%	-73.69%
Bargi	85%	84.13%	-0.84%
Bansagar PH-1,2&3	85.37%	66.68%	-18.69%

Bansagar PH-4	85%	59.43%	-25.57%
Birsinghpur	85%	64.48%	-20.52%
Madhikheda	85%	50.12%	-50.12%

Recovery of Annual Capacity (Fixed) Charges

226. The recovery of Annual Capacity (fixed) charges (inclusive of incentive) payable to existing thermal generating stations for the FY 2015-16 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 1st April of the financial Year:
 $(AFC \times NDM / NDY) \times (0.5 + 0.5 \times PAFM / NAPAF)$ (in Rs):

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

$AFC \times (0.5 + 35 / NAPAF) \times (PAFY / 70)$ (in Rs).

- (ii) For generating stations in Commercial Operation for ten (10) Years or more on 1st April of the Year:
 $(AFC \times NDM / NDY) \times (PAFM / NAPAF)$ (in Rs)

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.

227. 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 Regulation 53 of the Regulations, 2012.
228. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal and hydel generating stations for the FY 2015-16 as per the provision under Regulation are as follows:

Power Station wise Annual Capacity Charges and true-up amount at actual availability (including prior period adjustments) approved for FY 2015-16:

Table 79: ATPS PH-III

(Rs in Crores)

Sr. No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	34.63	40.25	43.31	8.68
2	Interest on Loan including interest on Excess Equity	59.00	68.32	73.52	14.52
3	Depreciation	44.50	51.60	55.52	11.02
4	O&M Expenses	44.50	44.50	47.88	3.38
5	Secondary Fuel Oil Expenses	7.33	8.97	9.65	2.32
6	Compensation Allowance	-	-	-	-
7	Special Allowance	-	-	-	-
8	Interest on Working Capital	12.74	12.74	13.71	0.97
	Total AFC	202.70	226.38	243.59	40.89
9	Less: Non Tariff Income	-	8.77	8.77	8.77
	Net AFC	202.70	217.61	234.83	32.13

Table 80: STPS PH-II & III

Sr. No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	27.20	28.59	23.97	-3.23
2	Interest on Loan including interest on Excess Equity	-	-	-	-
3	Depreciation	-	-	-	-

4	O&M Expenses	175.88	175.88	147.43	-28.45
5	Secondary Fuel Oil Expenses	50.06	42.41	35.55	-14.51
6	Compensation Allowance	-	-	-	-
7	Special Allowance	72.51	72.51	60.79	-11.72
8	Interest on Working Capital	52.30	52.30	43.84	-8.46
	Total AFC	377.94	371.69	311.58	-66.37
9	Less: Non Tariff Income	-	20.05	20.05	20.05
	Net AFC	377.94	351.65	291.53	-86.42

Table 81: STPS PH-IV

Sr. No	Particulars	Allowed in Final Tariff Order dated 7 th January' 2016	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	93.22	94.42	64.70	-28.52
2	Interest on Loan including interest on Excess Equity	279.91	292.70	200.58	-79.33
3	Depreciation	157.28	157.30	107.79	-49.49
4	O&M Expenses	107.30	107.30	73.53	-33.77
5	Secondary Fuel Oil Expenses	21.70	16.55	11.34	-10.36
6	Compensation Allowance	-	-	-	-
7	Special Allowance	-	-	-	-
8	Interest on Working Capital	49.56	49.56	33.96	-15.60
	Total AFC	708.96	717.83	491.90	-217.07
9	Less: Non Tariff Income	-	13.80	13.80	13.80
	Net AFC	708.96	704.02	478.09	-230.88

Table 82: SGTPS PH-I&II

Sr. No	Particulars	Allowed in MYT Order dated 1st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	100.61	100.72	91.00	-9.61
2	Interest on Loan including interest on Excess Equity	-	0.00	0.00	0.00
3	Depreciation	35.15	44.08	39.83	4.68
4	O&M Expenses	178.00	178.00	160.82	-17.18
5	Secondary Fuel Oil Expenses	35.78	29.77	26.89	-8.89
6	Compensation Allowance	5.38	5.38	4.86	-0.52
7	Special Allowance	-	-	-	-

8	Interest on Working Capital	84.90	84.90	76.71	-8.19
	Total AFC	439.81	442.84	400.10	-39.72
9	Less: Non Tariff Income	-	21.01	21.01	21.01
	Net AFC	439.81	421.83	379.09	-60.73

Table 83: SGTPS PH- III

Sr.No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	85.81	89.11	93.42	7.61
2	Interest on Loan including interest on Excess Equity	80.31	97.72	102.44	22.13
3	Depreciation	100.09	104.27	109.31	9.22
4	O&M Expenses	79.85	79.85	83.71	3.86
5	Secondary Fuel Oil Expenses	19.68	16.37	17.16	-2.52
6	Compensation Allowance	0	0.00	0.00	0.00
7	Special Allowance	0	0.00	0.00	0.00
8	Interest on Working Capital	52.68	52.68	55.22	2.54
	Total AFC	418.41	440.0086	461.26	42.84
9	Less: Non Tariff Income	0	13.55	13.55	13.55
	Net AFC	418.41	426.46	447.71	29.29

Table 84: GANDHI SAGAR HPS

Sr. No	Particulars	Allowed in MYT Order dated 1st 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	0.27	-0.21
2	Interest on Loan including interest on Excess Equity	0	0.00	0.00	0.00
3	Depreciation	0	0.00	0.00	0.00
4	O&M Expenses	15.05	15.05	8.36	-6.69
5	Interest on Working Capital	0.84	0.84	0.47	-0.37
	Total AFC	16.38	16.38298	9.10	-7.27
6	Less: Non Tariff Income	0	1.17	1.17	1.17
	Net AFC	16.38	15.21	7.93	-8.44

Table 85: PENCH HPS

Sr. No	Particulars	Allowed in MYT Order	Determined in this order	True-Up at actual
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		dated 1 st April' 2013	At Normative PAF	At Actual PAF	availability
1	Return on Equity	4.47	4.71	5.02	0.55
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	1.51	1.80	1.92	0.41
4	O&M Expenses	20.94	20.94	22.31	1.37
5	Interest on Working Capital	1.29	1.29	1.37	0.08
	Total AFC	28.22	28.74456	30.62	2.41
6	Less: Non Tariff Income	0	1.04	1.04	1.04
	Net AFC	28.22	27.70	29.58	1.37

Table 86: RAJGHAT HYDEL

Sr. No	Particulars	Allowed in MYT Order dated 1 st 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	0.51	-3.34
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	4.03	3.63	0.48	-3.55
4	O&M Expenses	5.89	5.89	0.78	-5.11
5	Interest on Working Capital	0.51	0.51	0.07	-0.44
	Total AFC	14.28	13.87778	1.85	-12.43
6	Less: Non Tariff Income	0	0.82	0.82	0.82
	Net AFC	14.28	13.06	1.03	-13.25

Table 87: BARGI HYDEL

Sr. No	Particulars	Allowed in MYT Order dated 1 st 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	4.01	-0.04
2	Interest on Loan including interest on Excess Equity	-	-	-	-
3	Depreciation	1.90	1.18	1.17	-0.73
4	O&M Expenses	11.78	11.78	11.66	-0.12
5	Interest on Working Capital	0.79	0.79	0.78	-0.01
	Total AFC	18.52	17.80	17.62	-0.90
6	Less: Non Tariff Income	-	4.17	4.17	4.17
	Net AFC	18.52	13.63	13.45	-5.07

Table 88: BANSAGAR PH-I, II & III

Sr. No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	57.84	54.42	42.51	-15.33
2	Interest on Loan including interest on Excess Equity	-	-	-	-
3	Depreciation	58.22	51.96	40.58	-17.64
4	O&M Expenses	53.01	53.01	41.41	-11.60
5	Interest on Working Capital	5.60	5.60	4.37	-1.23
	Total AFC	174.67	164.99	128.87	-45.80
6	Less: Non Tariff Income	-	7.13	7.13	7.13
	Net AFC	174.67	157.86	121.74	-52.93

Table 89: BANSAGAR PH-IV

Sr. No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.65	5.43	3.80	-0.85
2	Interest on Loan including interest on Excess Equity	1.60	2.78	1.94	0.34
3	Depreciation	4.90	6.17	4.31	-0.59
4	O&M Expenses	2.64	2.62	1.83	-0.81
5	Interest on Working Capital	0.40	0.40	0.28	-0.12
	Total AFC	14.18	17.40	12.16	-2.03
6	Less: Non Tariff Income	-	0.35	0.35	0.35
	Net AFC	14.18	17.05	11.81	-2.38

Table 90: BIRSINGHPUR HYDEL

Sr. No.	Particulars	Allowed in MYT Order dated 1 st 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	1.84	-0.59
2	Interest on Loan including interest on Excess Equity	-	-	-	-
3	Depreciation	0.77	1.53	1.16	0.39
4	O&M Expenses	2.62	2.62	1.99	-0.63
5	Interest on Working Capital	0.22	0.22	0.17	-0.05
	Total AFC	6.03	6.80	5.16	-0.88
6	Less: Non Tariff Income	-	0.14	0.14	0.14
	Net AFC	6.03	6.66	5.02	-1.02

Table 91: MADHIKHEDA

Sr. No	Particulars	Allowed in MYT Order dated 1 st April' 2013	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	7.03	7.17	4.23	-2.80
2	Interest on Loan including interest on Excess Equity	6.66	7.84	4.62	-2.04
3	Depreciation	11.22	11.36	6.70	-4.52
4	O&M Expenses	7.85	7.85	4.63	-3.22
5	Interest on Working Capital	1.01	1.01	0.60	-0.41
	Total AFC	33.77	35.23	20.77	-13.00
6	Less: Non Tariff Income	-	0.45	0.45	0.45
	Net AFC	33.77	34.78	20.32	-13.45

Table 92: Head wise Annual Capacity Charges and True Up Amount (Rs in Crores)

Sr. No	POWER STATIONS	Allowed in MPERC Orders	Determined in this order		True-Up at Actual Availability
			At Normative Availability	At Actual Availability	
1	Return on Equity	426.27	435.64	378.58	-47.69
2	Interest on Loan including interest on Excess Equity	427.48	469.37	383.10	-44.38
3	Depreciation	419.57	434.87	368.77	-50.80
4	O&M Expenses	705.31	705.30	606.34	-98.97
5	Sec. Fuel Oil Expenses	134.55	114.06	100.60	-33.95
6	Compensation Allowance	5.38	5.38	4.86	-0.52
7	Special Allowance	72.51	72.51	60.79	-11.72
8	Interest on Working Capital	262.84	262.84	231.55	-31.29
9	Total AFC	2453.91	2499.97	2134.58	-319.33
10	Less: Non Tariff Income	0.00	92.44	92.44	92.44
11	Net AFC	2453.87	2407.52	2042.13	-411.74

Table 93: Power Station wise Annual Capacity Charges and True Up Amount (Rs in Crores)

Sr. No	POWER STATIONS	Allowed in MPERC Orders	Determined in this order		True-Up at Actual Availability
			At Normative Availability	At Actual Availability	
1	ATPS PH 3	202.70	217.61	234.83	32.13
2	STPS (Sarni) PH 2&3	377.94	351.65	291.53	-86.41
3	STPS (Sarni) PH 4	708.96	704.02	478.09	-230.87
4	SGTPS (Birsinghpur) PH 1&2	439.81	421.83	379.09	-60.72

5	SGTPS (Birsinghpur) PH 3	418.41	426.46	447.71	29.30
	Thermal Total	2147.82	2121.57	1831.26	-316.56
6	Gandhi Sagar	16.38	15.21	7.93	-8.45
7	Pench	28.22	27.70	29.58	1.36
8	Rajghat HPS	14.28	13.06	1.03	-13.25
9	Bargi HPS	18.52	13.63	13.45	-5.07
10	Bansagar 1,2&3(HPS)	174.67	157.86	121.74	-52.93
12	Bansagar Jhinna (HPS)	14.18	17.05	11.81	-2.37
13	Birsinghpur HPS	6.03	6.66	5.02	-1.01
14	Madhikheda HPS	33.77	34.78	20.32	-13.45
	Hydro TOTAL	306.05	285.95	210.88	-95.17
	Grand Total	2453.87	2407.52	2042.13	-411.74

229. 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 2015-16 and determined vide final tariff order dated 07th January' 2016, for STPS PH-IV FY 15-16. 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' 2015 to 31st March' 2016. 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) Regulations, 2012 in the ratio of energy supplied to them in FY 2015-16 in six equal monthly installments.

230. With the above directions, the subject petition is disposed of.

(Alok Gupta)
Member

(A. B. Bajpai)
Member

(Dr. Dev Raj Birdi)
Chairman

Date : 07th April'2017

Place: Bhopal

Annexure-1**Response filed by the petitioner on the issues raised by the Commission:****Operational Performance:****1. Issue :-**

While going through the actual performance of the thermal power stations during FY2015-16, it is again noted that there is a substantial negative true-up amount of Rs. -79.69 Crores and Rs. -228.39 Crores on account of poor performance of the units of STPS, Sarni. PH-2&3 and PH-4 respectively. The units of STPS PH-IV, Ext. Unit No. 10 and 11 are new and commissioned on 18/08/2013 and 16/03/2014 respectively. The same observations were identified and communicated to MPPGCL by the Commission in last true-up proceeding for FY 2014-15 wherein several measures to address this issue in STPS PH-VI were informed by MPPGCL.

In view of the above and the past reply of MPPGCL by affidavit dated 22nd March, 2016 in this regard, the petitioner is required to explain the reasons for its poor operational performance of STPS, Sarni (existing and new units) and also the action taken for improvement of the performance of these units.

MPPGCL's Response:-

As desired by Hon'ble Commission, the Power House wise details of various Operational parameters in the FY 2015-16, along with reasons for shortcoming are as here under-

STPS, Sarni PH-2 Sarni

S. No.	Parameters	Actual performance (FY15-16)	Reason for Short fall
1	PLF (%)	56.84	During 1 st Quarter, coal shortage problem has contributed to nearly 7.7% PLF/ PAF loss. Backing down/ Reserve Shut Down affected PLF by 20.9%.
2	PAF (%)	74.52	
3	Auxiliary consumption %	9.45	Within Norms of MPERC Regulations
4	Sp. Oil (Ml/kwh)	1.07	Within Norms of MPERC Regulations
5	Heat Rate (Kcal/Kwh)	2842	RSD / Backing down on units have mainly contributed for Higher Heat Rate.

STPS, Sarni PH-3 Sarni

S. No.	Parameters	Actual performance (FY15-16)	Reason for Short fall
1	PLF (%)	40.28	Failure of GT of Unit no 9 and damage of IP turbine of unit no 8 contributed to low PLF by 33.4%. Reserved Shut down of units caused loss of PLF by 12%.
2	PAF (%)	51.51	Failure of GT of Unit no 9 and damage of IP turbine of unit no 8 contributed to low PAF by 33.4 %
3	Auxiliary consumption %	10.08	During long outage some auxiliaries had to be run resulting in higher % Aux. Consumption.
4	Sp. Oil (MI/Kwh)	0.84	Within Norms of MPERC Regulations
5	Heat Rate (Kcal/Kwh)	2826	Partial loading due to backing down also contributed for higher Heat Rate.

STPS, Sarni PH-4 Sarni

S. No.	Parameters	Actual performance (FY15-16)	Reason for Short fall
1	PLF (%)	45.01	Failure of GT of Unit no 11 contributed to low PLF by 31%. Reserved Shut down and Backing down of units caused loss of PLF by 7.7%.
2	PAF (%)	52.61	Failure of GT of Unit no 11 contributed to low PAF by 31%.
3	Auxiliary consumption %	10.5	During long outage some auxiliaries had to be run resulting in higher % Aux. Consumption. Partial Loading due to backing down has also reflected on % Aux. Cons.
4	Sp. Oil (MI/kwh)	0.92	Within Norms of MPERC Regulations
5	Heat Rate (Kcal/Kwh)	2675	Partial loading due to backing down also contributed for high heat rate.

Major Reasons for Shortfall Generation at STPS Sarni during FY 2015-16

- 200 MW Unit No 6 at STPS Sarni, was under forced shut down from 1st April 2015 to 2nd May 2015 for Coal Shortage problem, causing loss of generation of 151.4 MU.

- 210 MW Unit No 7 at STPS Sarni, was under forced shut down from 7th April 2015 to 28th April 2015 for Coal Shortage problem, causing loss of generation of 107 MU.
- 210 MW Unit No 8 at STPS Sarni, was under forced shut down from 30th November to 23rd January 2016 due to IP Turbine Blade damage, causing loss of generation of 269.97 MU.
- 210 MW Unit No 9 at STPS Sarni, was under forced shut down from 23rd May to 30th Nov. 2015 due to Generator Transformer "Y" Phase bushing burst & Caught fire in "G.T", causing loss of generation of 961.7 MU.
- 250 MW Unit No 10 at STPS Sarni, was stopped from 22nd April to 12th May to attend ESP & Ash evacuation problem., causing loss of generation of 78.5 MU.
- 250 MW Unit No 11 at STPS Sarni, was stopped from 1st April to 11th April to attend ESP & Ash evacuation problem, causing loss of generation of 58.48 MU.
- 250 MW Unit No 11 at STPS Sarni, was under forced shut down from 25th July to 11th March 2016 due to fire in "Y" Phase bushing and Generator Transformer, causing loss of generation of 1382 MU.
- Due to Coal Shortage problem during April-15 & May -15 units of STPS Sarni, had to run on partial load, causing loss of Generation of 52.9 MU
- During the month May-15 to Aug.-15, Jan.-16, Feb-16 and March-16, due to low system demand, some units of STPS Sarni were kept under reserved shut down, causing loss of Generation of 970 MU.
- During the month April-15 to March.16, due to low system demand, units of STPS Sarni were run on partial load, causing loss of Generation of 565 MU.

Action/Measures taken For Improvement in performance

- The problem faced in Generators & Generator Transformers at STPS PH-4 Sarni has been rectified by M/S BHEL.
- Few modifications in FLY ASH disposal system of STPS # 10 & 11 has been carried out and units are now available for full load operation. Further modification is proposed to have trouble free operation.
- In view of above improvements, units are now available for operation at normative availability during FY 2016-17.

2. Issue:

The petitioner has filed the power station-wise details of actual plant availability factor achieved during FY 2015-16. A copy of SLDC statement indicating power station wise actual plant availability factor for FY 2015-16 be

furnished by the petitioner. The petitioner is also required to file a copy of final bills raised by MPPGCL for FY 2015-16.

MPPGCL's Response:-

*As desired by Hon'ble Commission, the month wise statement of State Energy Accounting (SEA) for FY 2015-16 & copies of Final Bills raised by MPPGCL during FY 2015-16 are annexed as **Annexure-1 & 2** .*

3. Issue:-

A. Annual Audited Accounts:

(i) The Annual Audited Accounts for FY 2015-16 filed by the petitioner is for generating company as a whole. However, in the subject petition, MPPGCL has filed the power station/house-wise tariff. Therefore, the power station/house-wise break-up of all the schedule of the Annual Audited Accounts be submitted.

MPPGCL's Response:-

*As desired by Hon'ble Commission, the Power Station wise and Element wise breakup of Schedules/Notes of Profit & Loss Account of MPPGCL for FY 2015-16 is annexed as **Annexure-3**.*

4. Issue:-

(ii) The figures of power station-wise additional capitalization and de-capitalization claimed in the petition are at wide variance from the figures recorded in Annual Audited Accounts. The petitioner is required to file a complete break-up of capitalization and de-capitalization of all the power stations duly reconciled with the Annual Audited Accounts. The reasons for difference if any, in the figures claimed in the subject petition vis-à-vis recorded in Annual Audited Accounts be submitted.

MPPGCL's Response:-

*As desired by Hon'ble Commission, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2015-16 and as claimed by MPPGCL in subject petition with respect to Assets Addition & De-capitalization/Adjustments, along with reasons/explanations are annexed as **Annexure-4A & 4B**, respectively.*

5. Issue:-

The petitioner had filed the power station wise Assets-cum-depreciation registers for FY 2015-16 along with its petition No. 08/2016 (MYT petition for FY 17 to FY 19). On perusal of the power station-wise details of assets in Assets-cum-depreciation registers viz-a-viz figures in subject petition, it is observed that there is a difference of figures in both the documents. The petitioner is required to reconcile the figures recorded in Assets-cum-depreciation registers and those considered by it in subject petition.

MPPGCL's Response:-

It is to mention that the Power Stationwise Asset-Cum-Depreciation Registers submitted by MPPGCL in the matter of MYT petition for FY 2016-17 to FY 2018-19 are based on the Audited Books of Accounts for FY 2014-15 and the figures of Assets Additions for FY 2015-16 were considered on provisional basis at that instant of time.

*The subject petition is based on Audited Books of Accounts for FY 2015-16, accordingly, MPPGCL has updated the Power Stationwise Asset cum Depreciation Registers for FY 2015-16 and same is annexed **Annexure- 5A** for thermal power stations & **Annexure-5B** for Hydro Power Stations.*

*Further, as desired, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2015-16 & detailed in Asset-Cum-Depreciation Registers and as claimed by MPPGCL in subject petition with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as **Annexure-6A to 6E**, respectively.*

6. Issue :-

The power Station-wise break-up of "Other Charges" claimed in the petition are based on 100% operating capacity only. Therefore, the petitioner is required to file the power station-wise break-up of aforesaid "Other Charges" on share basis also and reconcile these numbers with the figures recorded in Annual Audited Accounts.

MPPGCL's Response:-

*As desired by Hon'ble Commission, the Power Station wise break-up of "Other Charges" on share basis and 100% basis duly reconciled with figures recorded in Annual Books of Accounts of MPPGCL for FY 2015-16 is annexed as **Annexure-7**.*

7. Issue:-

B. Additional Capitalization in new power stations:

- (i) With regard to the additional capitalization claimed for FY2015-16 in new power stations (like ATPS 210 MW, SGTPS 500 MW, STPS Ext. Unit No. 10&11), 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 to the following issues with all relevant supporting documents in favor of its claim for additional capitalization:
- a. Whether the addition of assets in new power stations are on account of the reasons (a) to (e) in clause 20.1 of the Regulations, 2012.
 - b. Whether the assets capitalized during the year are under original scope of work. Supporting documents be also filed in this regard.
 - c. 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 provision under Regulation 20.2 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012.
 - d. 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' 2016 with respect to each project along with supporting documents be filed by the petitioner.

MPPGCL's Response:-

As desired by Hon'ble Commission, the information in respect of Additional Capitalization carried out at new Power Stations i.e. ATPS 210 MW, SGTPS 500 MW, STPS Ext. Unit No. 10 & 11 & Madhikheda HPS are detailed hereunder:-

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

*The assets amounting to Rs. 11.07 Crores have been capitalized at ATPS Chachai (210MW) during FY 2015-16 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.3.1 on page No.46 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-8A** for kind reference please.*

*The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs.1242.14 Crores for which approval has been accorded by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission, however for ready reference the same is once again annexed as **Annexure-8B**.*

As the extension Unit No. 5 of ATPS Chachai (210MW) has been commissioned on 10.09.2009, the same is governed by MPERC Generation Tariff Regulations, 2009. Accordingly, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai was 31.03.2012.

It is to mention that the aforesaid additional capitalization comprises of works related to Ash Bund amounting to Rs. 4.00 Crores, Drainage & Sewerage system of residential Rs. 1.32 Crores, Purchase of 700 HP Diesel Electric Locomotive from M/s BHEL, Jhansi Rs. 4.13 Crores, Capital Spares Rs. 0.20 Crores and other minor works.

The proviso 20.2(c) of MPERC Regulation, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to Rs. 4.00 Crores towards Ash Bund under the said clause. It is to humbly submit that the Hon'ble Commission in the True up order for FY 2012-13, FY 2013-14 & FY 2014-15 has already permitted such expenditure under this head in the instant proviso.

The capitalization of 700 HP Diesel Electric Locomotive amounting to Rs. 4.13 Crores is being claimed under Proviso 20.2(e) of MPERC Regulation, 2012 which provides for expenditure necessitated on account of modification required in Fuel receipt system.

The balance of additional capitalization amounting to Rs.2.94 Crores (Rs. 11.07 Crores – Rs. 8.13 Crores) has been claimed under proviso 20.2 (f) of MPERC Regulation, 2009 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20701002 as detailed in Table no.4.3.5.1 on page No. 47 of subject True up petition.

Further, as desired, the statement indicating the details of work completed & to be completed as on 31.03.2016 at ATPS PH-3 (210MW) is annexed as **Annexure –8C**.

In addition to above, assets amounting to Rs. 0.99 Crores which were under CWIP of ATPS PH-2, were also capitalized during FY 2015-16 in the Audited Books of Accounts of FY 2015-16. Being the assets of Common Service in nature, the said asset addition were capitalized at ATPS PH-3 Chachai, as units of ATPS PH-2 have been de-commissioned during FY 2014-15. The same has been claimed and detailed at Table No.4.3.9.1 on page No.48 of

subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-8A**.

The above mentioned assets are part of the Renovation and Modernization scheme at ATPS PH-2 (2x120 MW) which was approved by the Board of erstwhile MPSEB on 18.01.2004 amounting to Rs. 124.30 Crores. The said R&M scheme was financed through PFC loan No. 20104021 amounting to Rs. 99.00 Crores & balance through equity/internal resources of the Company. The copy of Board's resolution in this regard, was already submitted to Hon'ble Commission, however for ready reference the same is once again annexed as **Annexure-8D**.

It is to mention that, the Hon'ble Commission in the previous True up orders (FY 09 to FY 15) has permitted additional capitalization under the said scheme. The above mentioned capitalization is claimed under proviso 20.2 (f) of MPERC Regulation 2012 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20704021 as detailed in Table no.4.3.10.1 on page No. 49 of subject True up petition.

Accordingly, the total asset addition and funding thereof at ATPS PH-3 is summarized hereunder:-

in Rs. Crores

	Particulars	PFC Loan No.		Equity	Total
		20701002	20104021		
1	Additions	11.07	0.99	0.00	12.07
2	Funding details	11.07	0.99	0.00	12.07

SGTPS 500MW Extn. No.5 Birsinghpur:

The assets amounting to Rs. 3.05 Crores have been capitalized at SGTPS PH-3 during FY 2015-16 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.24.1 on page No.55 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-9A**.

These works are covered under the original work estimate of Rs. 2300 Crores, approved by GoMP. The copy of approval and relevant supporting documents has already been submitted before the Hon'ble Commission, the same is once again as annexed as **Annexure-9B** for ready reference please.

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 above additional capitalization comprises of asset additions booked in Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to Rs. 2.66 Crores and in Account 11.XXX (Capital Spares) amounting to Rs. 0.39 Crores.

The said additional 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 project cost 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 ...

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

The aforesaid works are funded through approved PFC Loan No. 20701011 & Equity as detailed in Table no.4.3.26.1 on page No.56 of subject True Up petition.

As desired by Hon'ble Commission, the statement indicating the details of work completed and to be completed as on 31.03.2016 at SGTPS PH-3 (500MW) is annexed as **Annexure – 9C**.

Apart from above, it is to submit that, in the True up petition for FY 2013-14 petition No. 16 of 2015, MPPGCL, at Table No 4.4.6.1 at Serial No.8 on Page 72 has stated that Fixed Assets amounting to Rs.6.09 Crores were erroneously booked under Account Code 11.XXX (Capital Spares) in earlier years and permitted by the Hon'ble Commission. The same has been corrected & transferred to Account Code-10.XXX (Fixed Assets) in Audited Books of Accounts of FY 2013-14 and informed to Hon'ble commission. The impact of said correction was also taken in Asset Cum Depreciation register of FY 2013-14 which were already submitted before the Hon'ble Commission.

However the Hon'ble Commission, in the True up order for FY 2013-14 has not taken the cognizance of same for working out the ceiling limit of Capital Spares and accordingly the Capital Spares remained not-permitted by Hon'ble Commission are as under:

Rs. In Crores			
Financial Year	Claimed by MPPGCL in True up petition of respective Year	Allowed by Hon'ble Commission in True up order	Difference
FY 2012-13	7.80	2.43	-5.37
FY 2013-14	1.19	0.00	-1.19
Total	8.99	2.43	-6.56

It is humbly requested before Hon'ble Commission, to kindly make suitable correction in this regard, and allow capital spares amounting to Rs.6.56 Crores along with its funding through loan component. The statement indicating the ceiling limit of capital spares after taking impact of transfer of Rs.6.09 Crores to Account Code 10.XXX is annexed as **Annexure-9D**.

STPS (2x250MW) Extn. Unit NO. 10 & 11 Sarni:

The assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 during FY 2015-16 as captured in Audited Books of Accounts. These same have been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-10A**.

The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 3514 Crores, which has been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission in the matter of determination of Final Generation Tariff of STPS PH-4 (petition No. 13 of 2015); the same is once again annexed as **Annexure-10B** for ready reference please.

The Date of Commercial operation (CoD) of extension unit No.10 & 11 of STPS, Sarni PH-4 (2x250 MW) is 18.08.2013 & 16.03.2014 respectively. In accordance MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at STPS Sarni PH-4 is 31.03.2017.

The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to Rs.92.08 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.9.47 Crores respectively.

The said capitalization is claimed under the following proviso of MPERC Regulations, 2012:

“20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:

- (a) Un-discharged liabilities
- (b) Works deferred for execution
- (e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b).”

The aforesaid works are funded through approved PFC Loan No. 20701003 & Equity as detailed in Table no.4.3.19.1 & 4.3.19.2 on page No.53 of subject True Up petition.

Further, as desired, the statement indicating the details of works completed and to be completed as on 31.03.2015 at STPS PH-4 (2x250MW) is annexed as **Annexure -10C**.

Madhikheda HPS:

The minor asset addition towards procurement of Computer & Printer as captured in the Annual Statement of Accounts of MPPGCL for FY 2015-16 at Madhikheda Hydro Power Station amounts to Rs. 0.004 Crores. The same have been claimed and detailed at Table No.4.3.44.1 on page No. 52 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-11**.

The Unit No. 1, 2 & 3 of Madhikheda HPS have been commissioned on 28.08.2006, 09.09.2006 & 18.08.2007 respectively and are 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 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 Capital costs.

The details of assets capitalized & funding is as under:-

in Rs. Crores.

Particulars		Loan	Equity/ Internal resources	Total
1	Additions(Computers)			0.004
2	Funding details	0.00	0.004	0.004

8. Issue:-

The petitioner has filed the additional capitalization of Rs. 11.07 Crores in ATPS Ext. Unit No. 5. The major works/components filed under additional capitalization are as follows:

Details of Asset Capitalized	Amount Rs. Cr.
Drainage and Sewerage of Residential Colony	2.32
Ash Pond for TPS	4.00
Locomotives and Wagons	4.13

The petitioner is required justify its claim with reference to the provision under Regulation 20.2 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012.

MPPGCL's Response:-

It is to submit that proviso 20.2(c) of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to Rs. 4.00 Crores towards Ash Bund under the said clause. It is to mention that the Hon'ble Commission in the True up order for FY 2012-13, FY 2013-14 & FY 2014-15 has already permitted such expenditure under this head of the instant proviso.

Further, the capital expenditure towards works related to Drainage and Sewerage of Residential Colony amounting to Rs.2.32 Crores & , Purchase of 700 HP Diesel Electric Locomotive from M/s BHEL, Jhansi Rs. 4.13 Crores, has been claimed under following proviso

- 20.2(e) of MPERC Regulation, 2012 which provides for expenditure necessitated on account of modification required in Fuel receipt system
- 20.2 (f) of MPERC Regulation, 2009 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble

Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

9. Issue:-

In SGTPS 500 MW, the petitioner has claimed additional capitalization of Rs. 3.05 Crores out of which assets of Rs. 1.10 Crores pertains to “pucca roads”. The balance amount has been claimed under minor tools, meters, equipment, furniture’s and fixtures etc. Proviso under Regulation 20.2 of (MPERC Terms and Conditions for determination of generation tariff) Regulations, 2012 provides as under;

“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.”

The petitioner is required to clarify its aforesaid claim in light of the aforesaid proviso under Regulation 20.2 of the tariff Regulations, 2012.

MPPGCL’s Response:-

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 additional capitalization of Rs.3.05 Crores claimed by MPPGCL in the subject petition comprises of following:-

Details		Amount Rs. Crores
1	Pucca Roads	1.10
2	Ash Handling Plant	0.97
3	Batteries Including Charging Equipment	0.38
4	Refrigerators & Water Coolers	0.002
5	Meter Testing Laboratory Tools & Equipments	0.06
6	Furniture & Fixtures	0.03
7	Other Office Equipments	0.08
8	Computers	0.03
9	Capital Spares	0.39
Total		3.05

The supporting documents in this regard are already annexed as **Annexure-9A**.

MPPGCL has claimed the above mentioned additional capitalization under the following proviso of MPERC Regulations, 2005:

- 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.
- As per Proviso 19 (2.9) (e) of MPERC Regulations,2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulation 18.
- 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 ...

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

10. Issue:-

- (ii) The petitioner has filed the additional capitalization of Rs. 101.55 Crores in STPS Ext. Unit No. 10 & 11 out of which Rs. 9.47 Crores pertains to capital spares. The major works/components filed under additional capitalization are as follows:

Details of Asset Capitalized	Amount Rs.Cr.
Railway Siding	23.16
Effluent Treatment Plant / Sewage Treatment Plant	30.11
Air-conditioning and Ventilation System	7.86
Other Misc equipments including fire protection system	17.96

In reference of the above, the petitioner is required to explain/submit the following:

- d. How the generating units were commissioned and remained under operation without the aforesaid major works.
- e. Reasons for delay in execution of such works. If the delay is attributable to contractor, the details of penalty deducted/to be deducted as per contract.
- f. Capitalization booklet for capitalization of additional assets during FY 2015-16 duly certified by the statutory auditor and reconciled with the Balance Sheet.

MPPGCL's Response:-

- a. This is to submit that unit No.10 & 11 of STPS PH-4 Sarni was commissioned on 18.08.13 and 16.03.14 respectively with the required systems/sub systems. As such, the balance works of Railway Siding, Effluent Treatment Plant, Sewage Treatment Plant, AC & Ventilation system (which was partly available) & other miscellaneous Equipments including Fire protection system had not affected generation from these units. Moreover, these systems though not fully completed but were available in most of the areas at the time of commissioning of units 10 & 11 of STPS PH-4 Sarni.
- b. The major reasons that resulted delay in execution of such works are due to delayed erection and commissioning by M/s BHEL for (Main Power Block) and M/s MBEL for (BoP) contract. As per the provisions of contract, LD is to be recovered from the contractors who are responsible for the delay in execution of works. LD is applicable on M/s BHEL for delays in execution of works pertaining to Main power Block and M/s MBEL for delays in execution of works of Balance of plant. However, LD amount is yet to be finalized and recovered from pending invoices of these two firms.
- c. The unit wise capitalization booklet of STPS PH-4 (2x250 MW) as on date of Commercial Operation(CoD) of respective units and upto 31.03.2014 has already submitted before Hon'ble Commission in the matter of determination of Final generation Tariff of STPS PH-4 (2x250 MW).
During FY 2015-16, assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 and captured in Audited Books of Accounts of FY 2015-16. The same has been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The supporting documents in this regard are annexed as **Annexure-10A**.

11. Issue:-

The petitioner has claimed the capital spares in some new power stations. The petitioner is required to justify its claim in light of the Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012. The petitioner is also required to file the power station wise following details in light of the aforesaid Regulation:

Original	Capital Spares till 31 st March, 2015	Admitted capital	Capital Spares	Total Capital Spares as	Total capital
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Project Cost	admitted by the Commission (A)	spares % of the original capital cost	filled in this petition (B)	on 31/03/2016 (A+B)	spares % of the original capital cost
Rs. Cr.	Rs. Cr.	%	Rs. Cr.	Rs. Cr.	%

MPPGCL's Response:-

It is to humbly submit that the detailed explanation/justification towards capital spares claimed at various new power stations is already elaborated at MPPGCL's reply to Point-C(i) of Hon'ble Commission's observation.

*Further, as desired by Hon'ble Commission, Power Stationwise details of Capital Spares in specified format is as annexed as **Annexure-12**.*

12. Issue:-

With regard to final settlement of LD of ATPS 210 MW, in para 4.3.12 of the petition the petitioner has informed that the out of the total amount deducted in final tariff order towards Liquidated damages, an amount of Rs. 45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL from its internal resources. The supporting documents for settlement of LD and amount of Rs. 3.48 Crores refunded to M/s BHEL be submitted.

MPPGCL's Response:-

*As desired by Hon'ble Commission, the supporting documents in respect to settlement of Liquidated Damages (LD) of ATPS 210 MW at Rs.42.37 Crores & refund of Rs. 3.48 Crores through internal resources of MPPGCL is annexed as **Annexure-13**.*

13. Issue:-**C. Additional Capitalization in existing power stations:**

(i) Regarding additional capitalization in existing power stations claimed during FY2015-16, the petitioner is required to submit the details of additional capitalization in terms of Regulation 20.2 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 to the following issues with all relevant supporting documents:

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

- Whether the petitioner has taken due care in writing-off the asset from the original cost in case of any expenditure on replacement of old asset.
- Whether the effect of writing-off the value of the original asset from the original cost on replacement of the old asset has been considered in the asset registers.
- The details of asset addition for each work along with approved/sanctioned estimated completion cost & actual cost.
- Reference of any approval if accorded, for the above works by the competent authority, be also submitted.

MPPGCL's Response:-

As desired by Hon'ble Commission, the information in respect of Additional Capitalization carried out at existing Power Stations is detailed hereunder:

STPS PH-2 & 3 :

MPPGCL has opted for Special Allowance for STPS PH-2&3. The Hon'ble Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6,7,8&9 of STPS, Sarni from FY 2011-12 to FY 2015-16 (Petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni.

Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2011-12 onwards on account of R&M works.

*However, the works towards Ash Bund/Ash handling Plant amounting to Rs. 31.38 Crores, which were carried out at STPS PH-2&3 are also capitalized in the Audited Books of Accounts for FY 2015-16. These same have been claimed and detailed at Table No.4.3.14.1 on page No. 51 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-14.***

The PH-2&3 of STPS Sarni were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 above mentioned asset addition is claimed under following proviso of MPERC regulations 2012:-

- *Proviso 20.2(c) - Deferred works relating to ash pond or ash handling system in the original scope of work;*

- *Proviso 20.2(f) - Any expenditure which is considered indispensable by the Commission for running the thermal generating station provided that in such case compensation allowance under clause 36.2 shall not be admissible.*

The details of funding are elaborated at Table no.4.3.15.1 on page No.51 of subject True up petition.

The Asset additions made at STPS PH-2&3 are new assets and not against any write off in FY 2015-16. 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.

SGTPS PH-1 & 2 :

*The assets amounting to Rs. 2.99 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2015-16 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.20.1 at page No. 47 of subject petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-15**.*

The above mentioned additional capitalization comprises of works related to Ash handling plant amounting to Rs. 1.07 Crores. Detailed explanation of said expenditure is elaborated at MPPGCL's reply to Point No (D-vi) of Hon'ble Commission's observation.

The balance assets additions amount to Rs.1.92 Crores towards works related to Building, Instrumentation & controls & Meter testing laboratory Equipments.

The PH-1&2 of SGTPS Birsinghpur were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 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 original Capital costs.

The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2015-16. 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 funding pattern as elaborated at Table no. 4.3.21.1 on page No.54 of subject True up petition is tabulated as under:

		Rs. Crores		
Particulars		Assets Added	PFC Loan No 20101011	Internal resource/ equity
1	Asset addition Ash Handling plant	1.07	1.07	
2	Other Asset addition	1.92		1.92
Total		2.99	1.07	1.92

Pench HPS :

The assets amounting to Rs. 1.86 Crores were capitalized at Pench HPS during FY 2015-16 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.58 of subject petition. In this regard the copy of supporting documents is annexed as **Annexure-16**.

The Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 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 Capital costs.

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.

The Asset additions made at Pench HPS are new assets and not against any write off in FY 2015-16. 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 details of funding are elaborated at Table no. 4.3.40.1 on page No.58 of subject True up petition.

Bansagar PH-1,2&3 :

The assets amounting to Rs. 5.83 Crores were capitalized at Bansagar PH-1, 2 & 3 HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.28.1 on page No. 57 of subject petition. In this regard, the copy of supporting documents is annexed as **Annexure-17**.

The aforesaid additional capitalization comprises of installation of New Governor at Bansagar PH-1 under Restricted Governor Mode

Operation(RGMO) amounting to Rs.5.78 Crores .It is to mention that the GRID Code provides for compulsory installation of Governors at Thermal & Hydel Power Stations

The balance asset addition is made on account of compensation paid for land amounting to Rs. 0.01 Crores and procurement of office equipments amounting to Rs. 0.04 Crores.

The PH-1,2&3 of Bansagar HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 capitalization is claimed under Provisos of MPERC Regulations:

- Proviso 20.2(a) of MPERC Regulations, 2012 provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court..
- 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.
- 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 Capital costs.

The Asset additions made at Bansagar PH-1, 2 & 3 HPS at are new assets and not against any write off in FY 2015-16. 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 details of funding are elaborated at Table no. 4.3.29.1 on page No.57 of subject True up petition.

Bargi HPS:

The assets amounting to Rs. 0.22 Crores were capitalized at Bargi HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.42.1 on page No. 59 of subject petition. In this regard the copy of supporting documents is annexed as **Annexure-18.**

The aforesaid additional capitalization comprises of works related to office Building & Pucca Roads amounting to Rs.0.21 Crores & balance Rs. 0.01 Crores towards procurement of office equipments.

The Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 capitalization is claimed under Provisos of MPERC Regulations:

- 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.
- 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 Capital costs.

The Asset additions made at Bargi HPS are new assets and not against any write off in FY 2015-16. 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 details of funding are elaborated at Table no. 4.3.43.1 on page No.59 of subject True up petition.

14. **Issue:-**

In SGTPS PH-1&2, the petitioner has claimed additional capitalization of Rs. 2.99 Crores out of which Rs. 1.07 Crores pertains to Ash Handling Plant and balance amount pertains to minor tools, meters, equipment, furniture's and fixtures etc.. The petitioner is required to justify its claim in light of the proviso under Regulation 20.2 of the tariff Regulations, 2012.

MPPGCL's Response:-

The PH-1&2 of SGTPS Birsinghpur were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 additional capitalization of Rs.2.99 Crores comprises of works related to Ash handling plant amounting to Rs. 1.07 Crores. Detailed explanation of said expenditure is elaborated at MPPGCL's reply to Point No (D-vi) of Hon'ble Commission's observation.

The balance assets additions amount to Rs.1.92 Crores towards works related to Building, Instrumentation & controls & Meter testing laboratory Equipments

The above mentioned 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 original Capital costs.

15. Issue:-

The petitioner has mentioned that out of the total additional capitalization of Rs. 5.83 Crores in Bansagar PH-1, 2&3, assets of Rs. 5.78 Crores pertain to Hydro Power Generation Plant. The petitioner has also claimed additional capitalization of Rs. 1.86 Crores in Pench HPS. The petitioner is required to justify its claim in light of the proviso under Regulation 20.2 of the tariff Regulations, 2012. The petitioner is also required to file the break-up of aforesaid work claimed under additional capitalization and their requirement at this stage. The approval of the competent authority be also filed in this regard.

MPPGCL's Response:-

As desired by Hon'ble Commission, the information in respect of Additional Capitalization carried out at Hydel Power Stations is detailed hereunder:

Bansagar PH-1,2&3 :

The assets amounting to Rs. 5.83 Crores were capitalized at Bansagar PH-1, 2 & 3 HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.28.1 on page No. 57 of subject petition.

The aforesaid additional capitalization comprises of installation of New Governor at Bansagar PH-1 under Restricted Governor Mode Operation(RGMO) amounting to Rs.5.78 Crores .It is to mention that the GRID Code provides for compulsory installation of Governors at Thermal & Hydel Power Stations. In compliance to same, MPPGCL has procured and installed new Governor at Bansagar PH-1(Tons) HPS.

The balance asset addition is made on account of compensation paid for land amounting to Rs. 0.01 Crores and procurement of office equipments amounting to Rs. 0.04 Crores.

In this regard the copy of supporting documents/order copies is annexed as **Annexure-17.**

The PH-1,2&3 of Bansagar HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 capitalization is claimed under Provisos of MPERC Regulations:

- Proviso 20.2(a) of MPERC Regulations, 2012 provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.
- 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.
- 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 Capital costs.

Pench HPS:

The assets amounting to Rs. 1.86 Crores were capitalized at Pench HPS during FY 2015-16 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.58 of subject petition.

The above mentioned capitalization mainly comprises of Tunnel works amounting to Rs.1.80 Crores and remaining towards procurement of minor assets of Rs. 0.06 Crores.

In this regard the copy of supporting documents/order copies is annexed as **Annexure-16**.

The Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 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 Capital costs.

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.

Bargi HPS

The assets amounting to Rs. 0.22 Crores were capitalized at Bargi HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.42.1 on page No. 59 of subject petition.

The aforesaid additional capitalization comprises of works related to office Building & Pucca Roads amounting to Rs.0.21 Crores & balance Rs. 0.01 Crores towards procurement of office equipments.

In this regard the copy of supporting documents is annexed as **Annexure-18**.

The Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 capitalization is claimed under Provisos of MPERC Regulations:

- 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.
- 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 Capital costs.

16. Issue:-

- (ii) In STPS PH 2&3, the petitioner has claimed additional capitalization of Rs. 31.38 Crores. Whereas the petitioner has already availed the Special Allowance for these units. Therefore, the petitioner is required to explain the reasons for its claim of additional capitalization in light of the provisions under Regulations, 2012.

MPPGCL's Response:-

MPPGCL has opted for Special Allowance for STPS PH-2&3. The Hon'ble Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6,7,8&9 of STPS, Sarni from FY 2011-12 to FY 2015-16 (Petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni.

Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2011-12 onwards on account of R&M works.

However, the works towards Ash Bund/Ash handling Plant amounting to Rs. 31.38 Crores, which were carried out at STPS PH-2&3 are also capitalized in the Audited Books of Accounts for FY 2015-16. These same have been claimed and detailed at Table No.4.3.14.1 on page No. 51 of subject True Up petition. The Accounting Vouchers/Order copies in this regard are annexed as **Annexure-14**.

The PH-2&3 of STPS Sarni were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are 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 above mentioned asset addition is claimed under following proviso of MPERC regulations 2012:-

- Proviso 20.2(c) - Deferred works relating to ash pond or ash handling system in the original scope of work;
- Proviso 20.2(f) - Any expenditure which is considered indispensable by the Commission for running the thermal generating station provided that in such case compensation allowance under clause 36.2 shall not be admissible.

17. Issue:-

With regard to capitalization of capital spares in some of the existing power stations claimed in the petition, the Commission in para 77 of its true up order for FY2014-15 mentioned the following:

“The petitioner is expected to furnish all information clearly indicating the capital spare already included in the original project cost prior to 1st April 2014, so that the ceiling limit up to the year under consideration could be checked in totality.”

The petitioner is required to furnish the above mentioned information indicating the capital spares already included in the original project cost prior to 1st April 2015. The petitioner is also required to justify its claim of capital spares in aforesaid old power stations in light of the regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012.

MPPGCL’s Response:-

The existing Power Stations were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 12.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which does not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization of capital spares 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 Capital costs.

Further, MPERC Regulations 2005 & 2012, provides ceiling Norms for initial spares as detailed under:-

- i. upto 2.5% of original capital cost in case of coal based generating stations,
- ii. upto 1.5% of original capital cost in case of hydro-generating stations.

The Gross Block of existing(old) station are provided to MPPGCL through Final Opening Balance Sheet & same was enhanced over a period a period of time due to assets additions during various years. Accordingly MPPGCL has considered the figures of Capital Cost as admitted by Hon'ble Commission in the True up Order for FY 2013-14 for working out the ceiling limit of Capital Spares as these Capital Spares got capitalized during FY 2014-15. It is to clarify that said capital cost does not include any amount towards Capital spares.

The abovementioned philosophy is based on methodology adopted by Hon'ble Commission in case of SGTPS 500 MW, wherein the Hon'ble Commission during FY 13 & FY 14 has considered the latest admitted capital cost for evaluating the ceiling limit of capital spares and permitted additional capitalization against the same.

Rs. Crores					
Power Station	Gross Block as on 31.03.2014	Ceiling Limit(%)	Max. Ceiling Amount	Capital Spares Capital ized	Eligible Capital Spares
ATPS PH-II	222.04	2.50%	5.55	8.51	5.55
STPS PH 2 & 3	627.47	2.50%	15.69	2.49	2.49
SGTPS, PH 1 & 2	2172.84	2.50%	54.32	9.31	9.31
Bansagar PH-1,2 &3	1163.00	1.50%	17.45	1.76	1.76
Rajghat HPS	82.80	1.50%	1.24	0.31	0.31
Bargi HPS	86.97	1.50%	1.30	0.30	0.30

Further, MPPGCL humbly request the Commission to kindly refer Annexure-2 of MPPGCL's submission vide Letter No. 533 dated 25.04.2016 in the matter of True up of FY 2014-15 in petition No. 66 of 2015, wherein the power station wise elaborated details/supporting documents w.r.t. Capital Spares claimed under additional capitalization are already submitted before Hon'ble Commission.

18. Issue:-

In SGTPS 500 MW, the petitioner has claimed additional capitalization of Rs. 3.05 Crores out of which assets of Rs. 0.97 Crores pertains to Ash handling Plant. It is observed that the petitioner has also claimed additional

capitalization of Rs. 1.07 Crores under SGTPS PH-1&2 in the head of “Ash handling Plant”. The petitioner is required to confirm whether the assets and scope of work are different for these two additional works. The detailed break-up identifying the difference in the nature of work required for Ash Handling System for different units of the power station be also submitted.

MPPGCL’s Response:-

It is to submit that the capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this Ash bund till March 2015.

As such, the construction of 2nd phase ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5. The New Ash bund and the associated Ash Handling Plant are common for SGTPS PH-1, 2 &3. However, apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based on the quantum of work involved and to the extent of criteria for bifurcation.

Further, as desired, detailed break-up identifying the difference in the nature of work required for Ash Handling System for different units of the power station is as under:

Ash Disposal System:-

Ash Slurry Disposal System of PH-1 (Unit no. 1&2), PH-2 (Unit No. 3&4) & PH-3 are situated in one complex of SGTPS, Birsinghpur having their own ash slurry disposal pump houses separately equipped with the pumps, motors, gear boxes, coupling, valves, plug gates, other accessories and C&I as per the system requirement.

The bottom ash slurry, coarse ash slurry and at times the fly ash slurry (wet condition) of the respective power houses are discharged to the ash slurry sumps of respective Power Houses and further it is being conveyed to the existing Ash Dyke phase-I through ash slurry disposal pipe lines.

The four (4) Nos. of ash slurry pipe lines have been provided for each of the Power Houses. Each ash slurry pipe stream of PH-1 & PH-2 is provided with the two (2) pumps in series, whereas, ash slurry pipe series of SGTPS PH-3 are provided with the three (3) Nos. of pumps in series which are capable enough to dispose the ash slurry to the then existing ash dyke (1st Phase). Since the capacity of existing ash dyke was nearly exhausted, the slurry was required to be discharged in new ash dyke (2nd Phase), hence one Ash slurry booster pump in each series of all the power houses has been installed additionally and slurry lines were to be extended upto new ash dyke.

Ash Water Recovery System:

There are two (2) separate floating barges, one for (PH-1&2) and the other one for PH-3. These are equipped with necessary pumps & accessories to discharge the recovered water through the pipe lines (2 lines of 400NB for PH-1 & PH-2 and one line of 400NB for PH-3) to target boxes and thereafter water flows under gravity to the power house through single pipe line i.e. 600NB for PH-1 & 2 and 450NB for PH-3. These two lines along with the associated system were also to be extended upto new ash bund.

It may be mentioned here that installation of recovery water system is must to meet out the zero discharge concept as per statutory requirement in this regard. The system has therefore been provided for 2nd phase ash bund.

19. Issue:-**D. Write-off/Adjustment/de-commissioned assets:**

- (i) With regard to the write-off/adjustment of assets claimed in the petition, the petitioner is required to confirm whether such assets have been accounted for in Annual Audited Accounts and recorded in Asset-cum-Depreciation registers of respective power stations. If there is any difference in the figures, the petitioner is required to explain the reasons for difference in figures of each power station.

MPPGCL's Response:-

It is to submit that the assets write off/adjustments as detailed in Table 4.4.8.1 at Page 72 & Chapter of Decommissioning of ATPS PH-2 of subject petition are as per Audited Books of Accounts for FY 2015-16. The same were recorded in Asset-cum-Depreciation register of FY 2015-16 of respective power stations & annexed as **Annexure-5A& 5B**.

Further, kindly refer **Annexure-4B**, wherein, the difference in the figures as per Audited Books of Accounts of FY 2015-16 and as claimed by MPPGCL in subject petition with respect to Write off/ Adjustment etc. has been elaborated along with reasons.

20. Issue:-

- (ii) In STPS PH-IV, the assets of Rs. 3.71 Crores which were capitalized and captured in Books of Accounts during FY2013-14 have now been transferred back to CWIP. The petitioner is required to inform the reasons for write-off and transfer of such capitalized assets to CWIP. The cost components like ROE, interest on loan and depreciation allowed corresponding to such capitalized assets from FY2013-14 to FY 2015-16 be also filed.

MPPGCL's Response:-

The Hon'ble Commission vide order dated 07.01.2016 has determined the Final Tariff of STPS PH-4 (2x250MW) for the period CoD to FY 2013-14.

In light of above, the MPPGCL submits as under:

- The assets amounting to Rs. 3.71 Crore were capitalized at STPS PH-4 and captured in Books of Accounts during FY 2013-14. These assets were part of Gross Block of Rs 3093.09 Crores as on 31.03.2014 as reflected in Final Tariff petition of STPS PH-4(2x250MW).
- During FY 2015-16, the above mentioned assets were transferred back to CWIP on account of non-completion of certain facilities and thus considered in the subject True up petition.
- The assets transferred to CWIP amounting to Rs.3.71 Crores are funded from PFC Loan No.20701003.
- The assets transferred to CWIP are majorly capitalized on 15.03.2014 and 31.03.2014 as detailed in Asset cum Depreciation Register of STPS Ph-4 Sarni. Accordingly the interest on loan and depreciation allowed on such assets during FY 2013-14 to FY 2015-16 are annexed as **Annexure-19.**

21. Issue:-

The de-capitalized assets in units of ATPS PH-2 de-commissioned during FY 2014-15 were taken in Annual Audited Accounts for FY 2015-16. The Gross Block of this power house considered in last true-up order was Rs. 222.28 Crores. In the subject petition the petitioner has de-capitalized the assets of Rs.150.18 Crores and balance assets of Rs. 72.05 Crores were transferred to ATPS PH-III. The petitioner is required to file a comprehensive reply to the following issues:

- Whether the assets transferred in ATPS PH-III have been recorded appropriately in Asset Cum Depreciation register along with the year of capitalization.
- Whether the corresponding cumulative depreciation and funding (loan/equity) pertains to such assets have been appropriately accounted for while claiming the Annual Fixed Cost.
- Whether the date of capitalization of individual asset has been considered while claiming the balance depreciation.

MPPGCL's Response:-

The point wise submission of MPPGCL is as under:-

- The Assets transferred to ATPS PH-3 have been recorded appropriately in Asset Cum Depreciation register of ATPS PH-3 along with the year of capitalization. The same is annexed as **Annexure-5A**.
- The corresponding cumulative depreciation and funding (loan/equity) pertaining to assets transferred to ATPS PH-3 have been appropriately considered in the subject petition for while claiming the Annual Fixed Cost. In this regard kindly refer following tables of True up petition for FY 2015-16:-

Chapter of True Up petition FY 2015-16		Table No.	Page No.
1	Asset & Depreciation	4.4.6.1	70
2	Interest & Finance Charges	4.5.2.1	80
3	Return on Equity	4.7.3.1	93

The detailed working with respect to Cumulative Depreciation & funding (Loan/Equity) of assets transferred to ATPS PH-3 is elaborated in the Chapter- "Decommissioning of ATPS PH-2" of subject petition.

- The Balance depreciation of ATPS PH-2 amounting to Rs.25.67 Crores claimed by MPPGCL and detailed at Table 1.1.10.1 & 5.1.10.2 at page No.112 of subject petition is worked out on the basis of Cumulative/Accumulated depreciation of ATPS PH-2 admitted by Hon'ble Commission upto FY 2014-15.

The balance depreciation of ATPS PH-2 Chachai based on the date of capitalization of individual asset works out to Rs.30.71 Crores as detailed in Asset Cum Depreciation Register annexed as **Annexure-5A**.

22. Issue

E. Depreciation:

The petitioner had filed the power station wise Assets-cum-depreciation registers for FY2015-16 along with the petition No. 08/2016 (MYT petition for FY 17 to FY 19). On perusal of the power station-wise details of assets in Assets-cum-depreciation registers vis-a-vis figures claimed in subject petition, it is observed that there is difference in figures. Further, the figures recorded in Assets-cum-depreciation registers are also not matching with the figures recorded in Annual Audited Accounts.

The petitioner is required to reconcile the figures regarding Opening Gross Fixed Assets, addition of assets, write-off/adjustment of assets and Closing

Gross Fixed Assets recorded in Assets-cum-depreciation registers and figures claimed in the subject petition with the figures recorded in Annual Audited Accounts for FY2015-16. Any difference in the figures between the two records needs to be explained.

MPPGCL's Response:-

It is to mention that the Power Stationwise Asset cum Depreciation Registers submitted by MPPGCL in the matter of MYT petition for FY 2016-17 to FY 2018-19 are based on the Audited Books of Accounts for FY 2014-15 and the figures of Assets Additions for FY 2015-16 are considered on provisional basis.

*The subject petition is based on Audited Books of Accounts for FY 2015-16, accordingly, MPPGCL has updated the Power Stationwise Asset cum Depreciation Registers for FY 2015-16 and same is annexed **Annexure- 5A & 5B**.*

*Further, as desired by Hon'ble Commission, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2014-15 & detailed in Asset-Cum-Depreciation Registers and as claimed in subject petition with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as **Annexure-6A to 6E**, respectively.*

23. Issue:-

Basis of the power station-wise weighted average rate of depreciation worked out in the petition need to be filed by the petitioner along with supporting documents.

MPPGCL's Response:-

*It is to humbly submit that, in the subject petition, MPPGCL has claimed the depreciation on the Gross Block based on weighted Average Rate of depreciation worked out in the Power House wise Asset cum Depreciation registers of MPPGCL for FY 2015-16. The same is annexed as **Annexure-5A & 5B**. The approach is in line with the methodology adopted by Hon'ble Commission in the past Tariff/True up orders of MPPGCL.*

The Wt. Average Rate of depreciation worked out in Asset Cum Depreciation registers are in line with following principles:-

- *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.*
- *Proviso 24.1 (f) of MPERC regulation 2012 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%.

- 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 assets in the records of MPPGCL are only for its own share, therefore depreciation is computed for MPPGCL share only.
- The Assets additions on account of need based R&M works at STPS PH-2&3 is not considered as special allowance has opted for these units. However the works related to new Ash Bund has been considered.

24. Issue:-

F. Return on Equity:

In ATPS PH-III, the petitioner has claimed equity addition of Rs. 3.48 Crores towards LD adjustment. The petitioner is required to justify its claim in light of the final tariff order of this unit issued by the Commission.

MPPGCL's Response:-

The Hon'ble Commission vide order dated 01.05.2012 has approved Capital cost of ATPS PH-3 (as on CoD) amounting to Rs. 906.10 Crores after deduction Liquidated damages & Exchange Rate Variation(ERV) from Capital Cost amounting to Rs. 50.59 Crores. The funding through Loan & Equity considered by Hon'ble Commission in the said order was in ratio actual Loan & Equity draws made by MPPGCL as on date of CoD.

In FY 2015-16, the Liquidated damages (LD) amounting to Rs.45.85 Crores has been settled at Rs. 42.37 Crores and the differential amount of Rs.3.48 Crores has been refunded to M/s BHEL form internal resources. The supporting documents in this regard are annexed as **Annexure-13**.

In the Audited Books of Accounts for FY 2015-16, the amount of Rs.42.37 Crores has been booked under the head "Other Income", However based on the approach adopted by Hon'ble Commission in the Final Tariff Order of ATPS PH-3 Chachai , MPPGCL, in the instant petition has adjusted the Gross Block of ATPS PH-3 by Rs.3.48 Crores as reflected in Table4.4.4.1 at Page No.68 of subject petition.

As the funding of Rs.3.48 Crores has been made through internal resources of MPPGCL, accordingly, the Normative Equity of ATPS PH-3 has been adjusted by Rs.3.48 Crores as reflected in Table 4.7.6.1 at page No.94 of subject petition.

25. Issue:-

- (i) In STPS, Sarni, assets of Rs.4.81 Crores are write-off during FY 2015-16, out of which Rs. 3.71 Crores have been transferred to CWIP but no equity amount corresponding to the aforesaid asset write-off by the petitioner is adjusted. This discrepancy needs to be addressed by the petitioner.

MPPGCL's Response:-

It is to submit that Transformer of Rs.1.10 Crores has been written off at STPS PH-2&3 during FY 2015-16. The said Transformer was commissioned in FY 1984-85 and was funded from the own resources of erstwhile MPEB. Accordingly, MPPGCL has not adjusted the normative equity component of STPS PH-2&3 Sarni.

Further, in case of STPS PH-4, the assets of Rs.3.71 Crores were transferred back to Capital Work in Progress (CWIP) during FY 2015-16. As these assets are funded through Loan Component, the Normative loan Balance has been reduced, proportionately as reflected in Table 4.5.2.1 at Page No.80 of subject petition. Accordingly, MPPGCL has not adjusted the normative equity component of STPS PH-4 Sarni.

26. Issue:-

- (ii) In para 4.3.19 of the petition, regarding funding of additional capitalization in STPS PH-IV, the petitioner has indicated that the total equity amount draw and incurred is Rs. 73.93 Cr. whereas in para 4.3.47, the equity amount incurred during FY 2015-16 is indicated to Rs. 36.46 Cr. The petitioner is required to file the reasons for this discrepancy.

MPPGCL's Response:-

It is humbly submit that, the Hon'ble Commission in the earlier True up orders/Final Tariff orders has permitted the funding through Loan & Equity Component in proportion to assets capitalization during the year. Based on said approach, MPPGCL in the subject petition has considered funding through loan & Equity component in proportion to asset capitalized during FY 2015-16 at various Power Stations.

The assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 during FY 2015-16 as captured in Audited Books of Accounts. These same have been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The details of funding through loan & Equity Component are elaborated at Table 4.3.19.1 at page No. 53 of subject petition. The same is again reproduced as under:-

Rs. Crores

Particulars		PFC Loan No. 20701003	Equity/ internal resources	Total
1	Drawls till 31-3-2015	2525.96	596.2	3122.14
2	Approved by MPERC upto True Up for FY 15 in proportion to Addl. Capitalization allowed by MPERC at STPS PH-4 upto FY 15.	2466.77	596.2	3062.95
3	Balance Amount to be claimed (1-2)	59.19	0.00	59.19
4	Drawls in FY 16	5.91	73.93	79.84
5	Total Drawls as on 31-3-2016(3+4)	65.10	73.93	139.03
6	Additional Capitalization in FY 16			101.55
7	Funding	65.10	36.46	101.55

It is to mention that, total equity of Rs. 85.00 Crores was released by GoMP for STPS PH-4 Sarni during FY 2015-16. Supporting documents in this regard is annexed as **Annexure-20**. Out of said amount, equity amounting to Rs.73.93 Crores has been infused into the STPS PH-4 Sarni during FY 2015-16. The additional capitalization of Rs. 101.55 Crores is proportionately funded through equity Rs. 36.46 Crores and balance through loan component.

27. **Issue:-**

G. **Interest and finance charges**

With regard to loan amount drawl in respect of STPS, Sarni PH-IV, it is observed that as indicated in table No. 4.3.19.1, the loan amount drawl during FY 2015-16 is Rs. 5.91 Cr. whereas, the petitioner has claimed loan amount of Rs. 65.10 Cr. The petitioner is required to explain this discrepancy.

MPPGCL's Response:-

It is humbly submit that, the Hon'ble Commission in the earlier True up orders/Final Tariff orders has permitted the funding through Loan & Equity Component in proportion to assets capitalization during the year. Based on said approach, MPPGCL in the subject petition has considered funding through Loan & equity Component in proportion to asset capitalized during FY 2015-16 at various Power Stations.

The assets amounting to Rs.101.55 Crores have been capitalized at STPS Sarni PH-4 during FY 2015-16 as captured in Audited Books of Accounts. These same have been claimed and detailed at Table No.4.3.17.1 on page No. 52 of subject True Up petition. The details of funding through loan & Equity Component are

elaborated at Table No.4.3.19.1& 4.3.19.2 at page No.53 of subject petition. The same is again reproduced as under:-

		Rs. Crores		
	Particulars	PFC Loan No. 20701003	Equity/ internal resources	Total
1	Drawls till 31-3-2015	2525.96*	596.2	3122.14
2	Approved by MPERC upto True Up for FY 15 in proportion to Addl. Capitalization allowed by MPERC at STPS PH-4 upto FY 15.	2466.77	596.2	3062.95
3	Balance Amount to be claimed (1-2)	59.19	0.00	59.19
4	Drawls in FY 16	5.91	73.93	79.84
5	Total Drawls as on 31-3-2016(3+4)	65.10	73.93	139.03
6	Additional Capitalization in FY 16			101.55
7	Funding proportionate to Add.Cap.	65.10	36.46	101.55

* The year wise PFC Loan No.20701003 drawls are us under:-

Financial Year	PFC Loan No. 20701003 (Rs. Crores)
FY 2006-07	0.00
FY 2007-08	0.00
FY 2008-09	0.00
FY 2009-10	46.53
FY 2010-11	523.85
FY 2011-12	754.21
FY 2012-13	616.99
FY 2013-14	517.94
FY 2014-15	66.44
Up to FY 2014-15	2459.52

As evident from table above, the Hon'ble Commission has permitted loan drawls amounting to Rs.2466.77 Crores in proportion to asset capitalization upto FY 2015-16. The balance loan Drawls of Rs.59.19 Crores (Rs.2466.77 Crores – Rs.2525.96 Crores) along with loan drawls of Rs.5.91 Crores is accordingly considered towards assets addition during FY 2015-16.

28. Issue:-

In SGTPS, PH-1&2, the petitioner has claimed loan amount of Rs. 1.07 Cr. for additional capitalization. The petitioner is required to file the details of loan

like lending agency, loan number along with terms and conditions of loan in this regard.

MPPGCL's Response:-

It is to submit that the asset addition do Rs.1.07 Crores at SGTPS PH-1&2 pertains to works related to Ash Bund & Ash Handling Plant.

The capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this Ash bund till March 2015.

As such, the construction of 2nd phase ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5. The New Ash bund and the associated Ash Handling Plant are common for SGTPS PH-1, 2 &3. However, apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based on the quantum of work involved and to the extent of criteria for bifurcation.

The funding of said expenditure was made through PFC loan No.20101011 sanctioned for SGTPS PH-3 & admitted by Hon'ble Commission. The PFC Loan Agreement for said loan was already submitted before Hon'ble Commission in the matter of determination of Final Generation tariff of SGTPS PH-3(500MW) Birsinghpur.

It is further to mention that Hon'ble Commission in the True up order for FY 2015-16 has admitted asset addition of Rs.14.46 Crores at SGTPS PH-1&2 towards works related to Ash Bund & Ash Handling Plant along with its funding through PFC loan No. 20102011.

29. Issue:-

The petitioner has not filed the basis of working out the power station-wise weighted average rate of interest during FY 2015-16. The petitioner is required to file the detailed working of Wt. Average Rate of Interest of Loans for each scheme and lending agency along with supporting documents.

MPPGCL's Response:-

*As desired by Hon'ble Commission the detailed working of Weighted Average Rate of Interest along with supporting documents is annexed as **Annexure-21**.*

30. Issue:-

H. Cost of secondary fuel oil:

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, Chachai is on higher

side as compared to the wt. average rate of sec. fuel oil in other power stations. It is further observed that the petitioner has applied the rate of furnace oil and LDO procured during June' 2014 in this subject petition for FY 2015-16. The details of wt. average rate of sec. fuel oil considered in MYT order vis-à-vis filed in this true-up petition are as given below:

Rate in Rs./kL			
Name of Thermal Power Stations	As per MYT Order	As per Actual	Diff.
ATPS PH-3 Chachai	46876	57342	10466
STPS PH-2&3 Sarni	47483	44445	-3038
STPS PH-4 Sarni	58143	44445	-13698
SGTPS PH-1&2 Birsinghpur	52851	43971	-8880
SGTPS PH-3 Birsinghpur	52851	43971	-8880

In view of the above, the petitioner is required to file the reasons for higher wt. average rate of the furnace oil and LDO in ATPS Chachai along with the supporting documents.

MPPGCL's Response:-

MPPGCL wish to submit that the prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, Gol as such MPPGCL has no control over it.

The Secondary Fuel Oil at ATPS was last procured only in the month of June'14 in FY 2014-15 based on its requirement, as Oil companies do not supply part racks. The requirement was earlier worked out on consolidation basis for ATPS PH-2 and PH-3. As PH-2 (2x120MW) has been decommissioned in FY-15 i.e. 13.01.2015 and 01.05.2014 respectively, therefore no further purchase of oil has been carried out at ATPS, Chachai.

The oil earlier purchased is being used till date. MPPGCL is pleased to inform the specific Sec Oil consumption of ATPS PH-3 (210MW) is well within norms set by Hon'ble Commission. The details of last purchase are annexed as **Annexure-22** for reference please.

The supporting documents in respect of secondary oil procured during FY 2015-16 at STPS and SGTPS are also annexed in **Annexure-22**.

It is further to submit that the Wt. Average Rate of Secondary Oil is governed by the rate and mix of Furnace Oil and LDO and are detailed in Table No. 4.8.2.1 on page 102 of subject petition.

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

31. **Issue:-**I. **Non tariff income:**

The petitioner has considered non-tariff income of Rs. 72.80 Crores on 100% capacity basis whereas as per note-22 of Annual Audited Accounts, the other income is Rs. 150.22 Crores on share basis. In view of the aforesaid, the petitioner is required to clarify/submit the following:

- Reason of difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true-up petition. The power station wise break-up of the amount on share basis and 100% operating capacity basis be also filed.
- Breakup amount of other income receipt and recorded in the audited accounts.
- Whether the income from sale of fly ash of Rs. 12.84 Crores recorded in note 21 of the audited accounts is incorporated in the aforesaid non tariff income. If so, the power station-wise amount be indicated in light of the balance sheet.

MPPGCL's Response:-

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 2015-16 are detailed here under:

- i) The amount of Other Income (Non Tariff Income) i.e. Rs.150.22 Crores, as per Note -22.1 of Audited Annual Statements of Accounts for FY 2015-16 includes amount of other income of SSTPP PH-1. The same are not considered in subject Tariff petition and shall be considered in its Final tariff petition.*
- ii) Further, the amount of Other Income i.e. Rs.150.22 Crores, as per Note - 22.1 of Audited Annual Statements of Accounts for FY 2013-14 includes interest from Fixed Deposit created from sale of Fly ash. In this regard it is to mention that MPPGCL vide letter No. 07-12/Cs-MPPGCL/MPERC/Reg. FY14-FY16/ 105 dated 24.01.2013, had made submission before Hon'ble Commission as under:*
 - *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 along with ancillary income i.e. Interest from Fixed Deposit created from sale of Fly ash has not been considered under Non Tariff Income.*
- iii)** *The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2014-15 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Note -22.1 of Audited Annual Statements of Accounts for FY 2015-16 for the shared portion have been factored to 100% basis.*
- iv)** *Considering the above facts, the detailed working of Non Tariff Income on share basis and 100% operating capacity basis is annexed as **Annexure -23.***

*Further as desired the break-up of amount of other income misc.receipts recorded under head-Other Income as per Note -22.1 of Audited Annual Statements of Accounts for FY 2014-15 is Annexed as **Annexure-24.***

It is to submit that, income from sale of fly ash of Rs. 12.84 Crores recorded in note 21 of the audited accounts is not considered as part of non-tariff income. The detailed explanation in this regard is already provided by MPPGCL in Chapter-Income from sale of FLY Ash of subject petition.

Annexure -2**MPPGCL's Response / submission on MPPMCL's Comments on True up Petition for FY 2015-16.****MPPMCL's Comment:**

- (a) **Additional Capitalization / De-Capitalization claimed under Para 4.3 of the petition.**

The petitioner has claimed the power house/ unit wise Additional Capitalization/De-Capitalization, the comments of answering respondent are submitted as under:-

Sr. No.	Power House	Date of Commissioning	Amount (in Cr.)	Comments of MPPMCL
1	ATPS 210 MW PH-3	10.09.2009	11.07 0.99	Expenditure incurred after the cut off date and hence not admissible.
2	STPS PH-2&3	--	31.38	The expenditure is not a deferred work included in the original scope of work hence not admissible.
3	STPS PH 4 Unit 10 & 11	18.08.2013 & 16.03.2014	101.55	--
4	STPS PH 1 & 2	--	2.99	Expenditure incurred after the cut off date and hence not admissible.
5	SGTPS PH-3	28.08.2008	3.05	-do-
6	Bansagar PH 1,2 &3	--	5.83	-do-
7	Pench HPS	--	1.86	-do-
8	Bargi HPS	--	0.22	-do-
9	Madhikheda HPS	--	0.004	-do-
10	Head Quarter	--	1.22	-do-

As mentioned under comments column above, it is submitted that the most of the Additional Capitalization claimed by the petitioner is not admissible under Tariff Regulations, 2012 and therefore not to be allowed in the capital cost and accordingly no fixed charges shall also be allowed on aforesaid additional capital expenditure claimed by the petitioner.

MPPGCL's Response:

It is to mention that the additional capitalization claimed by MPPGCL in the instant true up petition is in accordance with respective MPERC Regulations. The Power

Station wise reply of MPPGCL, with respect to additional Capitalization claimed in instant petition is as under:-

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

The assets amounting to Rs. 11.07 Crores have been capitalized at 210MW ATPS Chachai during FY 2015-16 and captured in Audited Books of Accounts, the same claimed in subject True Up petition.

The aforesaid additional capitalization comprises of works related to

- a. Ash Bund amounting to Rs. 4.00 Crores.
- b. Purchase of 700 HP Diesel Electric Locomotive from M/s BHEL, Jhansi Rs. 4.13 Crores
- c. Drainage & Sewerage system of residential colony amounting to Rs. 1.32 Crores,
- d. Capital Spares Rs. 0.20 Crores and other minor works.

The proviso 20.2(c) of MPERC Regulation, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to Rs. 4.00 Crores towards Ash Bund under the said clause. It is to mention that the Hon'ble Commission in the True up order for FY 2012-13, FY 2013-14 & FY 2014-15 has already permitted such expenditure under this head in proviso 20.2(c) of MPERC Regulation, 2012 and it is part of the same scheme.

The capitalization of New 700 HP Diesel Electric Locomotive amounting to Rs. 4.13 Crores is being claimed under Proviso 20.2(e) of MPERC Regulation, 2012 which provides for expenditure necessitated on account of modification required in Fuel Receipt System.

The balance of additional capitalization amounting to Rs.2.94 Crores (Rs. 11.07 Crores – Rs. 8.13 Crores) has been claimed under proviso 20.2 (f) of MPERC Regulation, 2012 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible. The details of above head wise expenditure has already been elaborated at Table No. 4.3.3.1 at page 46 of subject petition.

In addition to above, assets amounting to Rs. 0.99 Crores which were under CWIP of ATPS PH-2 were also capitalized during FY 2015-16 in the Audited Books of Accounts of FY 2015-16. Being the assets of Common Service in nature, the said asset addition were capitalized at ATPS PH-3 Chachai, as units of ATPS PH-2 have been de-commissioned during FY 2014-15. The same has now been claimed in the subject True Up petition.

The above mentioned assets are part of the Renovation and Modernization scheme at ATPS PH-2(2x120 MW) amounting to Rs. 124.30 Crores which was

approved by the Board of erstwhile MPSEB on 18.01.2004. It is to mention that, the Hon'ble Commission in the previous True up orders (FY 09 to FY 15) has permitted additional capitalization under the said scheme.

The above mentioned capitalization is claimed under proviso 20.2 (f) of MPERC Regulation 2012 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

STPS PH-2 & 3, Sarni:

MPPGCL has opted for Special Allowance for STPS PH-2&3 from FY 2011-12 onwards. The Hon'ble Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni from FY 2011-12 to FY 2015-16 (Petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2011-12 onwards on account of R&M works.

However, the works towards Ash Bund/Ash handling Plant amounting to Rs. 31.38 Crores, which were carried out at STPS PH-2&3 are capitalized in the Audited Books of Accounts for FY 2015-16. These same have been claimed subject True Up petition.

The PH-2&3 of STPS Sarni were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The above mentioned asset addition is claimed under following proviso of MPERC regulations 2012:-

- Proviso 20.2(c) - Deferred works relating to ash pond or ash handling system in the original scope of work;
- Proviso 20.2(f) - Any expenditure which is considered indispensable by the Commission for running the thermal generating station provided that in such case compensation allowance under clause 36.2 shall not be admissible.

It is further to mention that no Compensation Allowance is being claimed by MPPGCL for the station.

SGTPS PH-1 & 2, Birsinghpur:

MPPMCL has wrongly mentioned asset addition at STPS PH-1& 2 in place of SGTPS PH-1 & 2 Birsinghpur.

The assets amounting to Rs. 2.99 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2015-16 as per Audited Books of Accounts. The same is claimed in instant True Up petition.

The above mentioned additional capitalization comprises of works related to Ash handling plant amounting to Rs. 1.07 Crores. The balance assets additions amount to Rs.1.92 Crores towards works related to Building, Instrumentation & controls & Meter testing laboratory Equipments.

The PH-1&2 of SGTPS Birsinghpur were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

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 original Capital costs.

It is to submit that the Hon'ble Commission in the True up order for FY 2014-15 has already permitted such expenditure under this head.

SGTPS 500MW Extn. No.5 Birsinghpur:

The assets amounting to Rs. 3.05 Crores have been capitalized at SGTPS PH-3 during FY 2015-16 and captured in Audited Books of Accounts. The same has been claimed in the subject True Up petition.

These works are covered under the original work estimate of Rs. 2300 Crores, approved by GoMP. 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 any Cut-off date for the purpose of Additional Capitalization.

The above additional capitalization comprises of asset additions booked in Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounts to Rs. 2.66 Crores and in Account 11.XXX (Capital Spares) amounting to Rs. 0.39 Crores.

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

- (4) 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.
- (5) As per Proviso 19 (2.9) (e) of MPERC Regulations, 2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulation 18.
- (6) 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 ...

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

Bansagar PH-1, 2 & 3:

The assets amounting to Rs. 5.83 Crores were capitalized at Bansagar PH-1, 2 & 3 HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in the subject petition.

The aforesaid additional capitalization comprises of installation of New Governor modules at Bansagar PH-1 for "**Restricted Governor Mode Operation (RGMO) / Free Governor Mode Operation (FGMO)**" amounting to Rs.5.78 Crores. It is to mention that the "IEGC" specifies for installation & commissioning of RGMO/FGMO Governors at Thermal & Hydel Power Stations which is "**Mandatory**". The same is well detailed at para No. 4.3.28 of subject petition.

The balance asset addition is made on account of compensation paid for land amounting to Rs. 0.01 Crores and procurement of office equipments amounting to Rs. 0.04 Crores.

The PH-1, 2 & 3 of Bansagar HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed under Provisos of MPERC Regulations:

- Proviso 20.2(a) of MPERC Regulations, 2012 provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.
- 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.

- *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 Capital costs.*

Pench HPS :

The assets amounting to Rs. 1.86 Crores were capitalized at Pench HPS during FY 2015-16 as per Audited Books of Accounts.

The Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 above mentioned capitalization mainly comprises of works for providing & fixing of permanent steel support & RCC precast sleepers and guniting work in Adit Tunnel-1 works at Pench HPS amounting to Rs.1.80 Crores and remaining towards procurement of minor assets of Rs. 0.06 Crores.

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 Capital costs.

Further Proviso 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work.

Bargi HPS:

The assets amounting to Rs. 0.22 Crores were capitalized at Bargi HPS during FY 2015-16 as per Audited Books of Accounts. Same is claimed in subject True Up petition.

The aforesaid additional capitalization comprises of works related to office Building & Pucca Roads amounting to Rs.0.21 Crores & balance Rs. 0.01 Crores towards procurement of office equipments.

The Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is 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 capitalization is claimed under 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 Capital costs.

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.

Madhikheda HPS:

The minor asset addition towards procurement of Computer & Printer as captured in the Annual Statement of Accounts of MPPGCL for FY 2015-16 at Madhikheda Hydro Power Station amounts to Rs. 0.004 Crores.

The Unit No. 1, 2 & 3 of Madhikheda HPS have been commissioned on 28.08.2006, 09.09.2006 & 18.08.2007 respectively and are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

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 Capital costs.

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.

Head Quarter

It is to mention that in its earlier True up petitions, MPPGCL has proposed the minor assets capitalized at Head Quarter to be treated as part of assets of the nearest power station i.e. Bargi HPS. However the Hon'ble Commission has not given cognizance to the same. MPPGCL in the instant True up petition has again claimed the total capitalization amounting to Rs.1.22 Crores at Head Quarter as per the Audited books of Accounts.

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.

In this context it is pertinent to mention that, MPPGCL has already submitted the relevant supporting documents before Hon'ble Commission vide letter dated 04.01.2017 towards additional capitalization at Power Stations.

It is humbly requested before Hon'ble Commission to kindly permit the same.

MPPMCL's Comment:**(b) Balance depreciation of de-capitalization assets of ATPS PH-2 amounting to Rs. 25.67 Crores:-**

The petitioner has claimed a balance depreciation of de-capitalized assets of ATPS PH-2 amounting to Rs. 25.67 Crores, which is misleading and against the provisions of Tariff Regulations. The plant was commissioned long back in year 1978 and completed life of about 37 years and therefore has already recovered its complete capital cost & depreciation. Therefore, no depreciation on account of De-commissioning is admissible and allowed to the petitioner.

MPPGCL's Response:

With respect to MPPGCL's claim towards balance depreciation of de-capitalized assets of ATPS PH-2 amounting to Rs. 25.67 Crores, MPPGCL has already detailed the methodology in the chapter -5 of said petition. The same is again clarified as under:-

- (i) The PH-1 & 2 of ATPS Chachai was transferred to MPPGCL along with other thermal & Hydro power stations through Final Opening Balance Sheet notified by GoMP dated 12.08.2008.
- (ii) The Unit # 3 & 4 of 120 MW of ATPS Chachai were commissioned in 1977 and 1978 respectively & have also lived life more than the designed useful life of 25 years before they were transferred to MPPGCL. These units have been de-commissioned recently in FY- 2014-15.
- (iii) The Gross Block of Assets and Accumulated transferred to MPPGCL as on 01.06.2005 was as under:-

Particulars	Amount (Rs. Crores)
Gross Block	144.11
Accumulated Dep.	105.43
Acc. Dep. as a % of Gross Block	73.16%

As evident from table above, the Accumulated Depreciation was 73% of Gross Block; however the Units have completed their useful life of 25 years. This is due to the fact that in the tenure of erstwhile MPSEB/MBEB, the Depreciation rates as specified by Ministry of Power (MoP) were applicable & charged. Such rates were significantly less than the rates later specified in MPERC Regulations.

(iv) In the matter, the Hon'ble Commission vide MYT order dated 03.03.2010, para 3.45 page 41 has directed as under:-

“...In the other projects, the accumulated depreciation reaches upto 70% of gross block and they have also completed their useful life. The Commission allowed to charge the depreciation at the rate specified in the Regulations upto the accumulated depreciation reaches 90% of the gross block”

(v) Subsequently, on account of need based Renovation and Modernization scheme at ATPS PH-2(2x120 MW) (which was approved by the Board of erstwhile MPSEB on 18.01.2004 amounting to Rs. 124.30 Crores), assets capitalization was made ATPS PH-2 in preceding financial years. The same was also permitted by Hon'ble Commission in the previous True up orders (FY 09 to FY 15) as additional capitalization under the said scheme. Depreciation on these Assets was charged in accordance with prevailing MPERC Regulation considering additional estimated useful life of 8 years.

(vi) Considering above, the Gross Block & Accumulated Depreciation of ATPS PH-2, admitted by Hon'ble Commission vide True up order for FY 2014-15 is tabulated hereunder:-

Particulars	Amount (Rs. Crores)
Gross Block	222.28
Accumulated Depreciation	160.44
Acc. Dep. as % of Gross Block	72.18%

(vii) Accordingly, MPPGCL has worked out the balance depreciation on assets de-capitalized at ATPS PH-2, in line with proviso 24.1(c) of MPERC Regulation 2012. The same is detailed as under:-

Particulars	Amount Rs. Crores
1.Gross Block of Assets De-capitalized	150.18
2.Acc. Depreciation of Assets de-capitalized	109.49
3.Maximum Permissible Depreciation (90% of Gross Block)	135.16
Balance depreciation(3-2)	25.67

It is, therefore, humbly requested before Hon'ble Commission to kindly permit recovery of Balance depreciation amounting to Rs. 25.67 Crores, separately.

MPPMCL's Comment:

(c) Recovery of income from sale of Fly ash amounting to Rs. 38.21 Crores:-

In accordance with the Regulation 31(b) of the Regulations, 2012, the Commission has already decided that the income from sale of fly ash is a Non Tariff Income and shall have to be deducted from annual fixed cost and therefore prayer of petitioner for recovery of income from sale of fly ash shall not be allowed.

MPPGCL's Response:

The Hon'ble Commission in its various regulations issued from time to time clearly specifies that the principles adopted in MPERC Regulations are based on Hon'ble CERC's Regulations.

With respect to Income from Sale of Fly Ash, **CERC Regulations 2014-Statement of Reasons** dated 24.04.2014 at page No. 151 para 29.35, provides that the income from Fly Ash has not been deducted from Operation & Maintenance Expenditure as the same **is to be utilized for betterment of environment** and related development programs.

*"29.35 As regards the suggestion received from some of the stakeholders for deducting the amount of revenue collected from sale of fly ash, the Commission has not deducted the same from the O&M expenses because as per the direction of Ministry of Environment and Forests, **revenue collected from sale of fly ash needs to be utilized for betterment of environment.** The Commission, after taking cognizance of the direction of Ministry of Environment and Forests, has not considered revenue collected from sale of fly ash as well as the expenses under the head "ash utilization expenses" to be charged to O&M expenses."*

Further, 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. Hence, the Income from sale of fly ash cannot be utilized for revenue expenditure purposes in general and accordingly it cannot be treated as Non-Tariff Income.

It is to mention that, MPPGCL vide letter No. 07-12/CS-MPPGCL/MPERC/Reg. FY14-FY16/ 105 dated 24.01.2013, had furnished detailed explanation on the critical issue and towards representation on draft MPERC Regulation 2012. Further in the matter of True up for FY 2013-14 & FY 2014-15, MPPGCL had again represented the said issue.

Based on CERC methodology, MPPGCL, in the instant petition has requested the Hon'ble Commission to kindly permit recovery of income from Sale of Fly Ash and interest earned from it, amounting to Rs.19.40 Crores and Rs.18.81 Crores

(totaling to Rs.38.21 Crs.) which had earlier deducted by Hon'ble Commission from Fixed Cost in the True up tariff order for FY 2013-14 & FY 2014-15.

It is once again requested before Hon'ble Commission to kindly permit the same.

MPPMCL's Comment:

- (d) **RoE /Interest on Excess Equity on differential Equity of Bansagar PH-1, 2 & 3 on account of transfer of Assets during FY 2012-13 amounting to Rs. 87.93 Crores :-**

It is respectfully submitted that concept of RoE / Interest on Excess Equity on differential equity of Bansagar PH-1, 2 & 3 on account of transfer of assets during FY 2012-13 is totally misconceived, misleading and not admissible under true up exercise.

MPPGCL's Response:

The details regarding RoE/ Interest on excess Equity has already been elaborated in length in Chapter-7 of the subject petition. The same is once again detailed in subsequent paras.

It is to state that the Assets of Rs.143.34 Crores at Bansagar HPS were de-capitalized from its Books of Account of FY 2012-13 with effect from 01.06.2005 & transferred to Water Resource Department (WRD) GoMP. This was due to the reason that the erstwhile MPSEB had capitalized the excess amount in the project due to non-availability of the reconciliation at that point of time.

In the subsequent years i.e. after 01.06.2005, the expenditure on the Bansagar project was done primarily by WRD and till March 2013, they had spent Rs. 55.70 Crores on the behalf of MPPGCL. The expenditure was done by WRD on Capital Head and has been captured in their books. Subsequently, the said asset of Rs. 55.70 Crores was transferred by WRD to MPPGCL. The same were recorded in Books of Account of FY 2012-13 of MPPGCL.

In compliance to directives of Hon'ble Commission in true up order for FY 2012-13, MPPGCL has incorporated a separate chapter on the issue of Transfer/exchange of Assets at Bansagar HPS, in the true up petition for FY 2013-14.

In the True up order for FY 2013-14, the Hon'ble Commission had worked out the Normative Equity/ Excess Equity on above mentioned assets as u

		Rs. Crores		
<i>Particular</i>		<i>Impact of asset withdrawn (A)</i>	<i>Impact of asset added (B)</i>	<i>Net impact (B-A)</i>
1	Asset Value	143.34	55.70	-87.64

2	% of equity allocated to Bansagar HPS in True up order for FY 07-08	34.29%		
3	Equity considered allocated by MPERC on transferred assets	49.14	19.10	-30.05
4	Corresponding Normative equity	43.00	16.71	-26.29
5	Corresponding Excess equity	6.14	2.39	-3.76

On the above mentioned Normative /Excess Equity, the Hon'ble Commissioned have worked out ROE/Intt on Excess Equity amounting to Rs.(-)32.45 Crores.

Here it is pertinent to mention that prior to issuance of True up order for FY 2013-14 dated 30.01.2016, MPPGCL has filed the True up petition for FY 2014-15 on 07.11.2015.

Accordingly, in the instant petition, MPPGCL has made representation towards erroneous calculations made on behalf of Hon'ble Commission towards funding of assets withdrawn/added at Bansagar HPS in True up order for FY 2013-14 on the basis of following facts:-

i.) Withdrawal of Assets amounting to Rs.143.34 Crores:-

- The assets of Rs.143.34 Crores withdrawn from Bansagar HPS, were transferred to MPPGCL through Final Opening Balance Sheet notified by GOMP.
- In respect to funding of such assets, it to state that in the period prior to June 2005, "Electricity (Supply) Annual Accounts Rules, 1985 (ESAAR 1985)" were applicable on erstwhile MPSEB. In these rules it has been specified that source of funding are not to be directly linked with the assets. The relevant clause 1.42 (3) of the booklet of ESAAR 1985, is reproduced below:-
"In view of the difficulties in identifying a source to its use no attempt shall be made for source use identification".
- MPPGCL can provide details of all the expenditure done through Loan component /Equity on and after 1st Jun 2005. The information prior to this date has been masked, as the same was not made available by GoMP along with Final Opening Balance Sheet. This fact has also been recognized by the Hon'ble Commission in its true up order for FY 2007-08.
- The total Asset value of Bansagar PH-1, 2 & 3 as on 01.06.2005 transferred through Final Opening Balance Sheet and as admitted by Hon'ble Commission vide MPERC True up order for FY 2007-08 dated 24.01.2011 was Rs. 1243.92 Crores.

The funding of these Assets was derived as under:

Rs. Crores

Particulars		Amount	Remarks
i	Equity allocated to Bansagar PH-1, 2 & 3.	426.48	As per MPERC True Up Order dated 24.01.2011.
ii	PFC Loan 1	92.00	Loan No.20102004
iii	PFC Loan 2	93.00	Loan No.20102005
iv	REC Loan	336.00	Allocated through Final Opening Balance Sheet
v	Total	947.48	(Rs. 1243.92 Crores – Rs.947.48 Crores)
vi	Un-bridged Gap	296.44	

- It obvious from the above that an un-bridged gap amounting to Rs. 296.44 Crores was funded by erstwhile MPEB/MPSEB from its own resources and had contributed towards expenditure on behalf of WRD, GoMP.
Since, the ESAAR restricts direct linking of Assets with funding source; it can be presumed that the excess amount of Rs. 143.34 Crores spent by erstwhile MPEB/MPSEB is part of this unbridged gap funding made by MPSEB by its own resources.
- It is further to mention that MPPGCL in its earlier True-up petition has not considered this unfunded part of the project and same was neither captured as loan nor equity in Books of Accounts. Thus, in past, on such amount, no interest on Loan component or Return on Equity has been claimed by MPPGCL.

ii.) Addition of Assets amounting to Rs. 55.70 Crores:-

- The assets transferred / added at Bansagar HPS amounting to Rs.55.70 Crores was neither part of Provisional Opening Balance Sheet nor Final Opening Balance Sheet notified by GoMP.
- The said arrangement was outcome of reconciliation process between WRD, GoMP & MPPGCL wherein Final decision in the matter was taken in the very high level meeting held between Principal Secretary (WRD), GoMP and Principal Secretary (Energy), GoMP on 30.07.2013.
- The Equity allocation ratio of Bansagar HPS on Gross Block i.e. 34.93% is for allocation of Equity provided through Final Opening Balance Sheet. The application of said ratio for determining the actual equity infused in project as considered by Hon'ble Commission in True up order for FY 2013-14 appears to be erroneous and unjustified.

- The portion of Assets added amounting to Rs. 55.70 Crores at Bansagar PH-1,2 & 3 as detailed in chapter-7” Differential Equity of Bansagar PH-1, 2 & 3 w.r.t. transfer of Assets during FY 2012-13” has been made from internal resources / Equity of MPPGCL.
- The said expenditure is to be treated as part of balance Equity under CWIP amounting to Rs. 370.18 Crores as on 1st June 2005 and further recognized by Hon’ble MPERC in True up order for FY 2007-08 dated 24.01.2011.

Based on above facts and justification , MPPGCL humbly requested before Hon’ble Commission to kindly permit Rs. 87.93 Crores as tabulated hereunder :-

		Rs. Crores
Particulars		Amount
1	Return on Equity on Normative Equity from FY 06 to FY 16 on asset added	24.51
2	Interest on Excess Equity from FY 06 to FY 16 on asset added	30.97
3	Sub Total	55.48
4	RoE & Intt. on Excess Equity erroneously deducted by MPERC in true up order for FY 2013-14	32.45
Grand Total		87.93

MPPMCL’s Comment:

- (e) **Depreciation, RoE and Interest on Excess Equity amounting to Rs. 10.33 Crores on capitalization of capital spare at existing stations:-**

This Hon’ble Commission in true up order for FY 2013-14 has already disallowed such prayer. Further, in accordance with Regulation 8.4 of Regulation, 2012 capitalization of capital spare done long back could not be allowed in true up petition of subsequent years.

MPPGCL’s Response:

The details regarding Capitalization of Capital spares at existing stations have already been elaborated in length in Chapter-8 of the subject petition. The same is once again detailed in subsequent paras.

There seems some wrong interpretation on part of MPPMCL on the said issue, as the Capital Spares were capitalized at existing Stations during FY 2014-15 in the Audited Books of Accounts and accordingly same was claimed by MPPGCL in the True-up petition for FY 2014-15.

Thus the statement made by MPPMCL that “This Hon’ble Commission in true up order for FY 2013-14 has already disallowed such prayer” is totally incorrect.

In the matter, the Hon'ble Commission, vide para 79, page 35 of True up order for FY 2014-15 has stated as under:

“The Commission is not inclined to consider the additional capitalization against capital spares of the power stations/units mentioned in para 69 of this order, however, the petitioner is at liberty to claim the aforesaid additional capitalization against capital spares in its true petition for FY 2015-16 on furnishing all such information about capital spares”

In compliance to directives of Hon'ble Commission, MPPGCL has taken up the issue in the instant petition and detailed the same in Chapter-8 of instant petition. Further, it is to clarify that the existing Power Stations were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 12.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which does not specify for any Cut-off date for the purpose of Additional Capitalization.

The said capitalization of capital spares 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 Capital costs.

Further, MPERC Regulations, 2005 & Regulations, 2012, provides ceiling Norms for initial spares as detailed under:-

- iii. upto 2.5% of original capital cost in case of coal based generating stations,
- iv. upto 1.5% of original capital cost in case of hydro-generating stations.

Considering above, MPPGCL has worked out and claimed Depreciation, RoE and Interest on Excess Equity amounting to Rs. 10.33 Crores on capitalization of capital spare at existing stations in the instant petition.

It is humbly requested before Hon'ble Commission to kindly permit the same.

MPPMCL's Comment:

- (f) **Relaxation in Auxiliary consumption norms for ATPS PH-3 as 9.67% for FY 2015-16 and onwards:-**

The prayer is totally unjust and unreasonable and also cannot be considered in true up petition.

MPPGCL's Response:

The details regarding Relaxation in Auxiliary Consumption Norm for ATPS PH-3 has already been elaborated in length in Chapter-9 of the subject petition. The same is once again detailed in subsequent paras.

It is to mention that the overall performance in relation to the operating norms set by Hon'ble commission in MPERC Regulations, 2012 {RG-26 (II) of 2012} have been achieved successfully by PH-3 ATPS, Chachai as indicated Chapter-2 – "Performance & Operational Norms". However, in case of Auxiliary Consumption, MPPGCL is facing practical difficulties which are beyond control. Therefore, the Auxiliary Consumption was exceeding the prescribed norm i.e. 9.0% as per the proviso 35.1 (d) of Regulations {RG-26 (II) of 2012}.

The reason for higher auxiliary consumption has already been analyzed by the MPPGCL and the outcome of the analysis is depicted point wise below:-

➤ **Guaranteed Auxiliary Consumption**

The guaranteed auxiliary power consumption as certified by M/s. BHEL at zero percent make-up and 0.1033 ATA back condenser pressure at full load condition (210000 KW) is 19300 KW i.e. 9.19%. This figure excludes the auxiliary consumption of Coal Handling plant, Water pumping station, CW intake plant, Oil pumping unit, dewatering facilities and plant coal siding, which has been found to be approximately 0.48% depending on Monsoon, Weather conditions, coal supplies, etc. and varies over the month each year. Thus, total auxiliary consumption of the plant has been found to be 9.67%.

➤ **Common Services**

The auxiliary consumption contributing to common services were earlier shared by 2x120 MW units of PH-2 ATPS. As these units have already been decommissioned in FY 2014-15, the auxiliary consumption is to be borne solely by Unit No.5.

➤ **Plant Water Requirement**

The requirement of water for this Power House is met from Suthna Lake. However as there is very little inflow of rain water in the lake, it is to be filled by pumping water from Sone river by using 2 to 3 Dam filling pumps, which further increase the auxiliary consumption. These pumps run round the clock for about eight months in a year. Running hours also depends on actual rainfall.

➤ **Running of unit on Partial Load**

The auxiliary consumption further increase due to running of unit on partial load frequently, on the directives issued by SLDC from time to time, depending on actual grid condition.

MPPGCL, earlier, vide letter No. 07-12/CS-MPPGCL/MPERC/ FY-17 to FY-19/1008 dated 20.08.2015 had approached Hon'ble Commission in the matter of Draft MPERC Regulations.2015 {RG-26(III) of 2015} wherein in Annexure-3 (Auxiliary Consumption) page-8 MPPGCL had represented the issue of Auxiliary Consumption of ATPS PH-3 for increasing it to 9.5% against 9.0% as proposed by Hon'ble MPERC in draft regulations.

MPPGCL had further requested to make a presentation before Hon'ble Commission to explain the matter / clarify any observation on any date as directed by the Hon'ble Commission. However, the same could not be materialized at that point of time.

In view of the above constraints and difficulties being faced in actual site conditions and the reasons beyond control of MPPGCL, Hon'ble MPERC is being humbly requested under proviso 61 "Power to remove difficulties " and proviso 62 "Power to amend" for relaxing auxiliary power consumption of ATPS Unit No. 5 to 9.67% for FY 2015-16 and onwards.

It is humbly requested before Hon'ble Commission to kindly permit the same.

MPPMCL's Comment:

(g) Recovery of full capacity charges for Hydro Station on Capacity Index

Basis:-

The Hon'ble Commission vide order dated 26.04.2016 passed in petition no. 04/2016 has already decided and disallowed recovery of full capacity charges for Hydro Stations on Capacity Index Basis therefore, this prayer of the petitioner shall not be considered.

MPPGCL's Response:

The details regarding Recovery of full capacity charges for Hydro Station on Capacity Index Basis have already been elaborated in length in para 2.2 & 2.3 of Chapter-2 of the subject petition. The same is once again detailed in subsequent paras.

There seems some misinterpretation of MPERC order on part of MPPMCL on the said issue. The Hon'ble Commission in its order dated 06.05.2016 has stated in para 5 (vi) that the matter is sub-judiced in the Hon'ble Supreme Court of India under C.A. No. 6320 of 2011 admitted by Apex Court, therefore the same cannot be dealt or discussed in this order for petition No. 4 of 2016.

In accordance with methodology adapted by Hon'ble CERC, MPPGCL has represented the issue of recovery of Fixed charges of Hydro Power Stations of MPPGCL in various petitions and forums and the same is well elaborated in para 2.3 of subject petition.

Looking to the facts & constrains of hydro power stations of MPPGCL and proviso 49.1(b) of Regulations, 2012, MPPGCL humbly request Hon'ble Commission to kindly take cognizance of above mentioned critical issues related to Hydro Power Stations of MPPGCL and either opt the CERC methodology of determination of norms for NAPAF or allow MPPGCL to recover of full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis.

It is humbly requested before Hon'ble Commission to kindly permit the same.

Point wise MPPGCL's Response on RRVPNL's Comments on True up petition for FY 2015-16

RRVPNL's Comment:

Point-1.

It is submitted that at first instance nothing shall be deemed to have been admitted unless admitted specifically herein. All contentions and averments raised by the Petitioner are denied.

MPPGCL's Response:

It is to mention that the claim of True up submitted by MPPGCL in the instant petition for FY 2015-16 is in accordance with MPERC Regulations. In this regard, MPPGCL has already submitted the relevant supporting documents before Hon'ble Commission vide letter dated 04.01.2017 as desired by Hon'ble Commission. The copy of petition was also severed to RRVPNL vide letter dated 21.12.2016 (by Speed Post), however no response on the same was received from them till the stipulated date set by the Hon'ble Commission.

It is humbly requested before Hon'ble Commission to kindly consider the claim of Trueup made by MPPGCL & permit the same.

RRVPNL's Comment:

Point-2.

Without prejudice it is submitted that it is incorrect on the part of the Petitioner to claim under-recovering of the capacity charges from the Gandhi Sagar Project despite availability of machine. Firstly the project is for irrigation and secondly the discharge of water is not unilaterally controlled by the State of Rajasthan. It is a fact that the discharge of water from Chambal Irrigation Dam is mutually decided by the Chief Engineers of water resources department of both Madhya Pradesh and Rajasthan and is mutually regulated. Therefore any increase in capacity charges should be disallowed and not entertained.

MPPGCL's Response:

Gandhisagar HPS is an Inter State Multipurpose Project of Government of Madhya Pradesh and Government of Rajasthan. Water stored in the reservoir is used for irrigation purpose and generation of electricity.

In the downstream of Gandhi Sagar HPS, Rana Pratap Sagar HPS and Jawahar Sagar HPS of Rajasthan were installed. The water release from Gandhi Sagar and generation thereof is dependent on requirement of water by Rana Pratap Sagar HPS

and Jawahar Sagar HPS and also Kota barrage of Rajasthan. The Gandhisagar Dam is under control of Water Resources Department (WRD) M.P.

As such, it is evident that there is no control of MPPGCL on authorities of Water Resources Department (WRD) Rajasthan, who decides water releases from these reservoirs in consultation with WRD (M.P.) resulting in under recovery of capacity charges from Gandhi Sagar HPS, despite of availability of machines from MPPGCL side.

Previously, from FY-07 to FY-09, Fixed charges of Hydro Power Stations were recoverable to generator on demonstration of availability of machines of hydro stations by way of Capacity Index (C.I.).

In order to protect the interest of beneficiary, the Central Electricity Regulatory Commission (CERC) has modified the approach. Recovery of 50% of Fixed charges (termed as Capacity Charges), was linked to Normative Annual Plant Availability Factor (NAPAF), for which demonstration of availability of machines was required. Recovery of balance 50% of Fixed charges was permitted by way of Energy charge. This practice is still continued by CERC. For such purpose, the CERC, since FY-10 while setting up of norms has reconsidered the definition of availability of hydro stations as well as reduced the target/norms for availability factor based on average of actual availability attained in last 5 years for various hydro stations under its control and continued the same practice thereafter i.e. FY10 - FY14 and FY15 – FY19, as elaborated in Table of Para 2.3.2 Page 27 of instant petition.

The Hon'ble MPERC Regulations are based on principles of Hon'ble CERC. However, while changing the definition of availability factor of hydro power stations, Hon'ble MPERC has not considered the actual availability factor of past years attained by the MPPGCL's hydro stations, giving cognizance to practical conditions, as adopted by CERC. Due to this, the average actual Capacity Index achieved by MPPGCL during FY-07 to FY-09 has reduced down by about 20% in form of Plant Availability Factor for the subsequent years as elaborated in Table of Para 2.3.2 Page 28 of instant petition.

This has resulted in under recovery of huge amount of Fixed Charges without any shortcomings on part of MPPGCL. MPPGCL has been repeatedly requesting Hon'ble MPERC to either:-

- (a) Continue with the original system of Capacity Index or
- (b) Adopt the approach of availability factor in full as adopted by CERC.

MPPGCL, in its various earlier True-up petitions has pointed out the constraints on generation of electricity from Hydro Power Stations of MPPGCL to Hon'ble Commission. However, the same was not considered.

Further, MPPGCL while submitting comments on draft MPERC Regulations 2015 for Control Period FY 2016-17 to FY 2018-19 has represented the criticality of issue and requested for adopting the methodology of Hon'ble CERC.

However, looking to the above facts & constraint and proviso 49.1(b) of Regulations, 2012, MPPGCL humbly request Hon'ble Commission to kindly take cognizance of above mentioned critical issues related to Hydro Power Stations of MPPGCL and adopt the CERC methodology of determination of norm for NAFPA in full or allow MPPGCL to recover full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis.

RRVNL's Comment:

Point-3.

With respect to Para 4.2.3 which pertains to sharing of water charges. It is submitted that the same is huge and exorbitant for GSHPS amounting to Rs. 11.90 crores and no basis or rationale is given for the said calculation. The requirement of water is related to actual generation and actual generation varies from year to year. It is submitted that the demand of water charges for the Gandhi Sagar Project is quite unreasonable. This project is a joint venture, therefore MP should not charge for this. Further it is also not clear as to which regulations of State of Madhya Pradesh have been applied by the Petitioner for calculation and levy of water charges on the Respondents. It is submitted that the same should be disallowed.

MPPGCL's Response:

The Proviso 42 of MPERC Generation Tariff Regulation, 2012 provides as under:-

"58.1. Electricity duty, cess and water charges

*Electricity duty and cess and **water charges** if payable by the Generating Company for generation of electricity from hydro power stations to the State Government shall be allowed by the Commission separately and shall be trued-up on actuals."*

Based on above, MPPGCL, in the True-up petition, has claimed the water Charges of various power Stations including Gandhi Sagar HPS based on the figures captured in the Audited Books of Accounts. The expenses shown in Audited Annual Statements of Accounts for FY 2015-16 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2015-16 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.

It is pertinent to mention here that, MPPGCL has entered into its 1st Power Purchase Agreement with M.P Power Trading Co. Ltd (now, M.P. Power Management Co. Ltd) for Power Stations, which also includes Gandhi Sagar HPS. All the bills raised by MPPGCL on MPPMCL are in accordance with this PPA. The clause 6.1.5 towards Payment of O&M Charges for operating bilateral Power Stations reads as under:

"6.1.5. Payment for O&M Charges for bilateral power stations -

6.1.5.1. GENCO is also operating capacities pertaining to other States as detailed in Schedule A. For operating these stations it is required to incur O&M charges consisting of following Cost elements:-

- i. Fuel Cost
- ii. O&M Cost (Employee expenses, Repair & Maintenance Expenses, A&G expenses)
- iii. Interest on Working capital.
- iv. **Any other charges**, as agreed

6.1.5.2. Entire power generated from the share of capacity operated by GENCO on behalf of other States is delivered in the grid of MP and shall be adjusted in pursuance with the prevailing practices /arrangements. GENCO is entitled to recover the charges for its share of capacity and hence Genco will also bill on the Tradeco O&M charges for operating the capacity pertaining to other States separately and MPSEB /TRADECO will pay as per Cash Flow Mechanism.

6.5.1.3. Tradeco will reimburse the O&M expenses to Genco based on cost elements approved by MPERC through its Tariff Orders, interstate agreements and MoM etc.”

In accordance with above and read with GoMP Notification (Rules) dated 03.06.2006 Schedule-1 & 3, MPPGCL is raising the interstate bills towards O&M Charges and other charges which include Water Charges on MPPMCL based on the Audited Books of Accounts of respective years. The details of same are also submitted along with copy of bills. Further vide CFO, MPPGCL, letter No. 4988 dated 16.02.2017; the head wise details of interstate charges of Bilateral Power Stations has already been made available to RRVNL.

It is humbly requested before Hon'ble Commission to kindly permit the Water Charges claimed by MPPGCL.

RRVNL's Comment:

Point-4.

Further it is also submitted that no audited accounts of FY 2015-16 of any nature of GSHPS have been provided by the Petitioner to the Respondent to justify its demand for charges, which are to be shared between MP and Rajasthan on 50:50 basis.

MPPGCL's Response:

As detailed in MPPGCL's reply at Point No.4 above, MPPGCL is raising the interstate bills towards O&M Charges and other charges which include Water Charges on MPPMCL based on the Audited Books of Accounts of respective years. The details of same are also submitted along with copy of bills. The details of same are also submitted along with copy of bills. Further vide CFO, MPPGCL, letter No. 4988 dated 16.02.2017; the head wise details of interstate charges of Bilateral Power Stations has already been made available to RRVPNL.

Here it is to mention that the copy of Audited Books of Accounts for FY 2015-16 has already been submitted before Hon'ble Commission along with the True Up petition for FY 2015-16. Further, as desired by Hon'ble Commission, the Power House wise Break up of schedules of Profit & Loss Account for FY 2015-16 has already been submitted before Hon'ble Commission vide Annexure-3 of MPPGCL letter dated 04.01.2017.

MPPGCL humbly request Hon'ble Commission for kind consideration please.
