

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



Petition No. 55 of 2009

PRESENT:

Rakesh Sahni, Chairman

K.K. Garg, Member

C.S. Sharma, Member

IN THE MATTER OF:

True-up of Generation Tariff for FY 2007-08, determined by MP Electricity Regulatory Commission vide Generation Tariff Order dated 07.03.2006.

M.P. Power Generating Company Ltd, Rampur, Jabalpur

PETITIONER

Vs.

1. **M.P. Power Trading Company Ltd., Rampur, Jabalpur** **RESPONDENTS**
2. **M.P. Poorv Kshetra Vidyut Vitaran Company Ltd., Jabalpur**
3. **MP Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal**
4. **MP Paschim Kshetra Vidyut Vitaran Company Ltd., Indore**
5. **M.P. Power Transmission Co. Ltd. Jabalpur**
6. **M.P. State Electricity Board, Rampur, Jabalpur**
7. **Rajasthan Rajya Vidyut Prasaran Nigam Ltd (RRVPL), Jaipur**
8. **Uttar Pradesh Power Corporation Ltd (UPPCL), Lucknow**
9. **MSEB (Holding Co) & MSTCL , Mumbai**

ORDER

(Passed on this 24th Day of January, 2011)

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter called “the Commission” or “MPERC”) having gone through the Petition submitted by the MP Power Generating Company Limited (hereinafter called “the Petitioner” or “Company” or “Generating Company” or “MPPGCL”) and having considered the documents available on record and Orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005 vide Order no. 3679/FRS/18/13/2002 dated 31.5.2005, hereby accepts the application with modifications, conditions and directions as attached herewith. The Commission has also considered the final opening balance sheet (as on 1st June, 2005) notified by the Government of Madhya Pradesh on 12th June, 2008, while passing this order.
- 2 MPPGCL had earlier filed the petition with the Commission on true-up of generation tariff for FY 2007-08 on 27th December, 2008. The petition was registered as P-85/2008. On preliminary scrutiny of that petition, the Commission observed several information gaps and discrepancies in the filing which were conveyed to the petitioner. MPPGCL sought time extension for submission of the desired information and filed its partial response on 12th May, 2009. The Commission had not received the desired information on the issues of Depreciation, Return on Equity and loan for scrutiny of the petition. In absence of the required information and the inordinate delay in filing such information even after lapse of almost 8 months from filing the petition, the Commission vide Order dated 28th August, 2009 directed the petitioner to file a fresh petition incorporating all the changes as necessary within one month from the issue of the Order.
- 3 In response, the petitioner filed a fresh petition on 8th October, 2009. The Commission, on further scrutiny of this petition conveyed the information gaps to the petitioner on 11th November, 2009. The petitioner filed its response on 16th December, 2009 and based on the additional submissions made by the petitioner, the petition was required to be revised by the petitioner. Accordingly, the revised petition was filed by MPPGCL on 23rd January, 2010. The Commission directed the petitioner to publish the gist of the petition for inviting comments/suggestions from various stakeholders. The gist of the petition was published by the petitioner on 8th February, 2010. The Commission received the comments from M. P. Electricity Consumer’s Society, Indore only and conducted the public hearing on the subject petition on 3rd March, 2010.
- 4 Disposal of the subject true-up petition has taken time on account of the following reasons besides reasons mentioned above :
 - (i) The petition is based on the final opening balance sheet notified by the GoMP on 12th June, 2008 after a period of 36 months from the notification of earlier provisional opening balance sheet notified by GoMP on 31st May, 2005. Year-wise and Power Station-wise impact on various components like equity, depreciation and loans etc on account of final opening balance sheet was not made available in the petition for proper scrutiny of data.
 - (ii) The petition had number of information gaps and inconsistencies with regard to the details about change in gross block, equity, depreciation and station-wise loan on notification of final opening balance sheet.

- (iii) The petitioner took a long time in responding to the queries of the Commission and came out with revision in the original figures of the main petition which had ultimately resulted in filing a fresh revised petition by the petitioner on 23.01.2010.
- (iv) Even after filing the revised petition, the information provided by the petitioner was not found adequate to justify the figures filed by the petitioner in the true-up petition on account of notification of final opening balance sheet.
- (v) The Commission had sought relevant information with respect to loans and additional capitalization from the petitioner during the course of scrutiny of the petitioner. The petitioner vide its letter No.07-12/CP-MPPGCL/MPERC/418 dated 13.05.2010 ultimately informed that, *“the information regarding additional capitalization which has a bearing on the capital base of the company and also on the equity is voluminous and require to be authenticated from technical and accounts section of each power station commencing from FY 2005-06 to FY 2007-08, which will require approximately time of about 3-4 months.”*
- (vi) A hearing was held on 26th October, 2010 to seek more clarity on the issues regarding REC & LIC loans before determination of interest and finance charges.

5 The petitioner has filed this petition for true-up of generation tariff Order for FY 2007-08 taking into account the changes made in the opening balance sheet (as on 1st June, 2005) finalised by the Government of M. P. vide its notification dated 12th June, 2008. The Commission has therefore, made detailed evaluation of the impact of the final opening balance sheet as notified by the State Government and has taken into consideration the same in finalization of this true-up order. The Commission has noted that despite the changes in opening balance sheet, it was not possible to reopen and revise the audited accounts for FY 2005-06 and FY 2006-07. The Commission has however, considered the submission of MPPGCL to review the true-up of FY 2005-06 and FY 2006-07 also due to notification of final opening balance sheet. The true-up amount for FY 2005-06, FY 2006-07 and FY 2007-08 as claimed by the petitioner in its true-up petition are as given below :-

Table: 1 True up filed by the petitioner (Amount in Cr. Rs.)

| S. No. | Elements | Filed by the petitioner | | | |
|--------------|-----------------------------|-------------------------|---------------|---------------|---------------|
| | | FY 05-06 | FY 06-07 | FY 07-08 | Total |
| 1 | Fuel Cost | 0 | 0 | 192.93 | 192.93 |
| 2 | O&M Charges | 0 | 0 | 63.81 | 63.81 |
| 3 | Interest Charges | 23.94 | 36.56 | 44.98 | 105.48 |
| 4 | Depreciation | 1.97 | 2.82 | 4.04 | 8.83 |
| 5 | Return on Equity | 56.35 | 75.40 | 77.45 | 209.19 |
| 6 | Interest On Working Capital | 0 | 0 | 36.15 | 36.15 |
| 7 | Common Expenses of MPSEB | 0 | 13.56 | 7.84 | 21.4 |
| 8 | Non Tariff Income | 0 | 0 | -8.97 | -8.97 |
| 9 | Water Charges for hydel | 0 | 0 | 51.6 | 51.6 |
| 10 | Rent & Taxes | 0 | 0 | -0.77 | -0.77 |
| 11 | Cess on auxiliary | | | | |
| Total | | 82.25 | 128.34 | 469.06 | 679.65 |

The station wise breakup of the true up amounts is as under:-

Table: 2 Power Station wise true up filed by the petitioner (Amount in Cr. Rs.)

| S. No. | Power Station | Filed by the petitioner | | | |
|--------------|----------------------|-------------------------|---------------|---------------|---------------|
| | | FY 05-06 | FY 06-07 | FY 07-08 | Total |
| 1 | ATPS Chachai | 2.29 | 6.95 | 41.65 | 50.9 |
| 2 | STPS Sarni | 7.42 | 49.8 | 184.44 | 241.66 |
| 3 | SGTPS Birsinghpur | 52.74 | 41.61 | 139.71 | 234.07 |
| 4 | Total Thermal | 62.46 | 98.37 | 365.8 | 526.62 |
| 5 | Gandhi Sagar | 0.09 | 0.67 | 3.93 | 4.69 |
| 6 | Pench | 1.14 | 2.29 | 1.5 | 4.92 |
| 7 | Rajghat | 1.04 | 1.54 | 9.33 | 11.91 |
| 8 | Bargi | 1.47 | 2.29 | 16.75 | 20.51 |
| 9 | Bansagar | 15.39 | 22.24 | 70.31 | 107.94 |
| 10 | Birsinghpur | 0.68 | 0.94 | 1.43 | 3.04 |
| 11 | Total Hydro | 19.8 | 29.97 | 103.26 | 153.02 |
| Total | | 82.25 | 128.34 | 469.06 | 679.65 |

- 6 The Commission modified the estimates of true-up of the Annual Revenue Requirement for FY 2007-08 based on the efficient and reasonable operating parameters and expenditure required therefore and accordingly modified the proposal submitted by the Madhya Pradesh Power Generating Company Limited for true- up of generation tariff for FY 2007-08 in the Multi Year Generation Tariff (MYT) Order (for the control period FY2006-07 to FY2008-09) issued on 07/03/2006 as per detailed Order attached to this Order.
- 7 The Commission vide this Order has determined the true-up amount of **Rs. 214.88 crores** for FY 2007-08 including the impact of changes in the true-up Orders issued by the Commission for FY 2005-06 and FY 2006-07 on account of final opening balance sheet notified by the Government of M. P. on 12th June, 2008 as given below :-

Table: 3 True up amount allowed by the Commission (Amount in Cr. Rs.)

| S. No. | Elements | Allowed by the Commission on actual availability | | | |
|--------|-----------------------------|--|--------------|---------------|---------------|
| | | FY 05-06 | FY 06-07 | FY 07-08 | Total |
| 1 | Fuel Cost | 0.00 | 0.00 | -16.07 | -16.07 |
| 2 | O&M Charges | 0.00 | 0.00 | 43.33 | 43.33 |
| 3 | Interest Charges | 14.07 | -38.12 | 13.48 | -10.58 |
| 4 | Depreciation | 1.63 | 1.51 | -5.77 | -2.62 |
| 5 | Return on Equity | 39.76 | 57.75 | 48.65 | 146.16 |
| 6 | Interest On Working Capital | 0.00 | 0.00 | 20.60 | 20.60 |
| 7 | Common Expenses of MPSEB | 0.00 | 0.00 | 0.00 | 0.00 |
| 8 | Non Tariff Income | 0.00 | 0.00 | -8.97 | -8.97 |
| 9 | Water Charges | 0.00 | 0.00 | 45.38 | 45.38 |
| 10 | Cess on auxiliary | 0.00 | 0.00 | -1.57 | -1.57 |
| 11 | Rent & Taxes | 0.00 | 0.00 | -0.77 | -0.77 |
| | Total | 55.46 | 21.14 | 138.28 | 214.88 |

**Table:4 Power Station wise true-up amount allowed
(Amount in Cr. Rs.)**

| S. No. | Power Station | Allowed by the Commission on actual availability | | | |
|--------------|----------------------|--|--------------|---------------|---------------|
| | | FY 05-06 | FY 06-07 | FY 07-08 | Total |
| 1 | ATPS Chachai | 1.36 | 1.61 | -1.72 | 1.25 |
| 2 | STPS Sarni | 4.69 | 3.33 | 31.60 | 39.62 |
| 3 | SGTPS Birsinghpur | 17.67 | 3.39 | 15.44 | 36.50 |
| 4 | Total Thermal | 23.72 | 8.34 | 45.32 | 77.38 |
| 5 | Gandhi Sagar | 0.06 | 0.13 | 3.30 | 3.49 |
| 6 | Pench | 0.73 | 0.30 | -0.86 | 0.18 |
| 7 | Rajghat | 0.81 | -0.98 | 8.47 | 8.29 |
| 8 | Bargi | 1.21 | 0.34 | 15.60 | 17.15 |
| 9 | Bansagar | 28.41 | 13.19 | 65.35 | 106.95 |
| 10 | Birsinghpur | 0.53 | -0.18 | 1.09 | 1.44 |
| 11 | Total Hydro | 31.75 | 12.80 | 92.95 | 137.50 |
| Total | | 55.46 | 21.14 | 138.27 | 214.88 |

Energy Charges for FY 2007-08**Paise/Unit**

| Power Station | As per MYT Order | Allowed in True-up Order |
|---------------|------------------|--------------------------|
| ATPS | 117 | 128 |
| STPS | 134 | 135 |
| SGTPS | 102 | 113 |

8 The Commission, in exercise of the powers vested under Section 64 of the Electricity Act, 2003, in its MYT generation tariff Order dated 07/03/2006 had directed that the station-wise generation tariff determined by the said Order was deemed effective w.e.f. 1st April 2007. The present Order is for the true-up of the generation tariff Order of 07/03/2006 to the extent it was applicable for FY 2007-08. 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 Trading Company Ltd. since 1st April 2007 to 31st March 2008. The Petitioner must also provide information to the Commission in support of having complied with this Order. The amount emerging from this true-up shall be recoverable from the three Distribution Companies of the State in the ratio of energy supplied to them in FY 2007-08 in equal monthly instalments during FY 2011-12.

9 Order per Member (Engineering) ,Shri. K.K.Garg

I have gone through the draft order of my esteemed colleagues in the Commission, Chairman, Shri. Rakesh Sahni and Member (Economics), Shri. C.S. Sharma. While I am in agreement with the draft order, I respectfully differ with their analysis and findings on the REC Loan of Rs. 334 Crs which was taken for repayment of outstanding Principal Overdue & Interest Overdue (partly) against the LIC Loan; and inclusion of the said REC Loan as a capital asset related liability. As per my view, inclusion of the REC Loan of Rs. 334 Crs for servicing

through tariff is not in accordance with the provision of the Electricity Act, 2003 and Regulations of the Commission in this regard. The detailed grounds and reasons for my dissenting views are given in the enclosed **Annexure- I.**

10 **Order of the Commission**

In terms of Section 92(3) of the Electricity Act, 2003 (36 of 2003), the majority view of Shri. Rakesh Sahni, Chairman and Shri. C.S. Sharma, Member (Economics) will be the Order of the Commission.

Sd/-

Sd/-

Sd/-

(C. S. Sharma)
Member (Eco.)

(K. K. Garg)
Member (Engg)

(Rakesh Sahni)
Chairman

Date: 24th January, 2011
Place: Bhopal

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CHAPTER 1

Background of the Order

Introduction

- 1.1 This order relates to Petition number 55 of 2009 filed by the Madhya Pradesh Power Generating Company Limited (MPPGCL) for truing up of the generation tariff for FY 2007-08 under the Multi-Year generation (MYT) Tariff order for control period FY 2006-07 to FY 2008-09 determined by the Commission vide its Generation Tariff Order dated March 7th, 2006.
- 1.2 Madhya Pradesh Power Generating Company Limited hereinafter referred to as MPPGCL, is a company incorporated under the companies act, 1956 and having its registered office at Shakti Bhawan, Rampur, Jabalpur. Consequent to the implementation of power sector reforms in the state where-under, amongst others, the activities of generation, transmission, distribution and retail supply of electricity carried out by erstwhile MPSEB have been restructured and transferred to the five successor corporate entities, wherein the function of power generation has been vested with MPPGCL. The functions of retail distribution of power has been vested with the three distribution companies viz M. P. Poorv Kshetra Vidyut Vitaran Company Ltd., Jabalpur (hereinafter referred as Respondent 2), M.P. Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal (hereinafter referred as Respondent 3) and M. P. Paschim Kshetra Vidyut Vitaran Company Ltd., Indore (hereinafter referred as Respondent 4). The responsibility of power transmission has been vested with M. P. Power Transmission Co. Ltd., Jabalpur (hereinafter referred as Respondent 5).
- 1.3 The M.P. State Electricity Board (MPSEB), (hereinafter referred as Respondent 6), was constituted under, Section- 5 of the Electricity (Supply) Act, 1948, is a body corporate. It was vested with the general duties under Section-18 of the said Act. After implementation of the Power Sector Reforms in the State, its scope of operation was limited to act as trader of power in the State and manage cash flow on provisional basis. Subsequently, GoMP vide its notification dated 3rd Jun 06 has incorporated MP Power Trading Company Limited (MP Tradeco) (hereinafter referred as Respondent 1) and transferred the responsibilities of power trading to it. Now MPSEB is primarily managing Cash Flow amongst six successor Companies in accordance with the “Cash Flow Mechanism” notified by GoMP vide notification dated 3rd Jun 06. Since all power generated by MPPGCL from the capacity allocated to it, is to be purchased by MP Tradeco and MPSEB shall be making payments on behalf of MP Tradeco to MPPGCL, both of them are affected parties and hence made respondent to the petition. The power generated by MPPGCL and sold to MP Tradeco shall be transmitted through the transmission network of MP Transco and shall be ultimately sold to the above mentioned three Discoms. Hence all the four companies are also affected parties and hence made respondent to the petition.

- 1.4 Rajasthan Rajya Vidyut Prasaran Nigam (RRVPL), Jaipur, (hereinafter referred as Respondent No. 7) has 40% share in the PH-1 of STPS Sarni and 50% share in Gandhi Sagar Hydro Power Station operated by MPPGCL. At the same time MPPGCL has 50% share in the Ranapratap Sagar Hydro Power Station and Jawahar Sagar Hydro Power Station operated by the Respondent No.7. Similarly Uttar Pradesh Power Corporation Ltd (UPPCL), Lucknow (hereinafter referred as Respondent No.8) and MSEB (Holding Co) & Maharashtra State Transmission Co. Ltd, Mumbai (hereinafter referred as Respondent No.9) have 50% share in Rajghat Hydro Power Station and 33.3% share in Pench Hydro Station operated by MPPGCL respectively.
- 1.5 The State Government vide notification dated 31st May, 2005 also provided that the petitioner will sell entire power generated to the M. P. Power Trading Co. Ltd. (MP Tradeco), Jabalpur at a rate determined by the Commission. The Power Purchase Agreement to this effect has also been signed between MPPGCL and MP Tradeco.
- 1.6 GoMP vide its notification dated 3rd May 2005 had provided "Provisional Opening Balance Sheet" to MPPGCL. In this opening balance sheet, the values of assets and liabilities provided were provisional. Subsequently, GoMP vide its notification dated 12 Jun 2008 has provided the "Final Opening Balance Sheet as on 1st Jun 2005". The comparative position of provisional and final balance sheet as filed in the petition is as under:-

TABLE : 5 PROVISIONAL AND FINAL OPENING BALANCE SHEET OF MPPGCL INCLUDING INTER-STATE POWER STATIONS (AS ON 1ST JUN 2005)
Amounts in Cr.Rs.

| Assets | | | Prov. | Final | Difference |
|--------|---------------------------|-----------------------------|----------------|----------------|---------------|
| 1 | Fixed Assets | Gross Assets | 4453.23 | 4506.29 | 53.07 |
| 2 | | Less : Accum Dep. | 1575.72 | 1801.31 | 225.58 |
| 3 | | Net Fixed Assets | 2877.50 | 2704.99 | -172.52 |
| 4 | Capital Works in Progress | | 1040.25 | 1109.75 | 69.49 |
| 5 | Current Assets | Stock | 243.95 | 252.60 | 8.65 |
| 6 | | Cash and Bank Balances | 11.12 | 32.06 | 20.94 |
| 7 | | Loan & Advances | 2.57 | 98.22 | 95.65 |
| 8 | | Sundry Receivable | 34.12 | 642.20 | 608.16 |
| 9 | | Total Current Assets | 291.76 | 1025.08 | 733.40 |
| 10 | Intangible Assets | | | 0.64 | 1.27 |
| 11 | Deferred Costs | | | 1.27 | 0.64 |
| 12 | Total Assets | | 4209.52 | 4841.73 | 632.29 |

Table : 6

| | | Liabilities | Prov. | Final | Difference |
|----|---------------------|----------------------------------|----------------|----------------|---------------|
| 1 | Current Liabilities | Fuel related Liabilities | 191.25 | 495.37 | 304.12 |
| 2 | | Staff related Liabilities | 29.34 | 83.73 | 54.38 |
| 3 | | Liabilities towards Suppliers | 143.49 | 154.00 | 10.51 |
| 4 | | Deposits | 0.00 | 46.67 | 46.67 |
| 5 | | Interest accrued but not due | 20.97 | | -20.97 |
| 6 | | Others | 341.78 | 144.49 | -197.29 |
| 7 | | Total Current Liabilities | 726.83 | 924.18 | 197.43 |
| 8 | | Power Finance Corporation (PFC) | 1120.50 | 1168.77 | 48.28 |
| 9 | | Life Insurance Corporation (LIC) | 488.07 | 490.22 | 2.14 |
| 10 | | Centrally Sponsored Scheme (CSS) | 2.92 | 2.92 | 0.00 |
| 11 | | Loan from GoMP (APDRP) | 0.00 | 22.33 | 22.33 |
| 12 | | REC | 334.00 | 334.02 | 0.02 |
| 13 | | Generic Loans | 258.87 | 0.00 | -258.87 |
| 14 | | World Bank Loan | | -15.96 | -15.96 |
| 15 | | GoMP Equity | 1278.00 | 1915.08 | 637.08 |
| 16 | | Total Liabilities | 4209.52 | 4841.73 | 632.29 |

The above status includes Inter-State Power stations also and it may be seen that the values of asset, liabilities including various loans etc have changed considerably. The respective impacts have been incorporated in Books of Accounts of MPPGCL for FY 2007-08. The same has been audited by the Statutory Auditor and AGMP. The true up petition has been prepared by the petitioner based on the audited balance sheet of MPPGCL for FY 2007-08.

- 1.7 MPPGCL in this true-up petition for FY 2007-08 has incorporated the impact of final opening balance sheet as notified by the GoMP vide its notification dated 12th June, 2008. MPPGCL has filed this true-up petition for FY 2007-08 based on the audited accounts for FY 2007-08. The petitioner has submitted in this true-up petition that the values of loan, equity, assets, depreciation etc. have undergone major changes hence, the petitioner has reworked the effect of these changes in FY 2005-06 and FY 2006-07 and has submitted the same in this petition, duly elaborating the year-wise impact of each element on every station.
- 1.8 The Commission issued the true-up order of generation tariff for FY 2005-06 and 2006-07 on 18th January, 2008 and 17th June, 2009 based on the audited accounts and the documents available on record and the orders issued by the GoMP (Energy Department) on 31st May, 2005. It is pertinent to mention that the true-up petitions for FY 2005-06 and FY 2006-07 were based on the provisional balance sheets notified by the State Government.

- 1.9 The petitioner in the subject petition has mentioned that the generation cost filed in the petition is based on the books of accounts for FY 2007-08 after incorporating final opening balance sheet. It may be mentioned that the impact of changes in the final balance sheet vis-à-vis the provisional balance sheet is to be determined by the Commission with the true-up for FY 2007-08 in this petition. In view of this, the Commission has examined this petition on the basis of change in the status of gross block, accumulated depreciation, equity and the loans etc. as on 1st June, 2005 due to notification of final balance sheet.
- 1.10 MPPGCL has filed the subject true-up petition No.55/2009 on 8th October, 2009 followed by revised petition on 23rd January, 2010. The petitioner has filed this petition based on the MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2005 (G-26 of 2005) notified by the Commission on 5th December, 2005.

Procedural History

- 1.11 The petitioner has filed the subject petition on 8th October, 2009. The Commission, on further scrutiny of this petition conveyed the information gaps to the petitioner on 11th November, 2009. The petitioner filed its response on 16th December, 2009 wherein the values in respect of some important tariff components were found varied hence, the petitioner was required to file a revised petition on the basis of additional submissions made by the petitioner. Accordingly, the revised petition was filed by MPPGCL on 23rd January, 2010. The Commission directed the petitioner to publish the gist of the petition for inviting comments/suggestions from various stakeholders. The gist of the petition was published by the petitioner on 8th February, 2010. The Commission received the comments from M. P. Electricity Consumer's Society, Indore only and conducted the public hearing on the subject petition on 3rd March, 2010.

Public Hearing

- 1.12 The Commission has got published the abstract of the application and the true-up proposal filed by MPPGCL in the following newspapers :-
- a) Nai Duniya, Indore (Hindi)
 - b) Swadesh, Bhopal (Hindi)
 - c) Dainik Bhaskar, Gwalior (Hindi)
 - d) Dainik Alok, Rewa (Hindi)
 - e) Dainik Bhaskar, Jabalpur (Hindi)
 - f) Hindustan Times, Bhopal (English)

- 1.13 The date of public hearing was fixed on 3rd March, 2010 as mentioned in the above public notice. The public hearing on the application and the true-up proposals filed by the petitioner was conducted in the Commission's office at 11.30 AM on 3rd March, 2010 when the representatives of the petitioner, M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur and M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore were present. The representative of the petitioner presented a summary of the true-up proposal for FY 2007-08 filed by MPPGCL during the course of public hearing. The Commission asked the petitioner to provide a clear picture before the Commission in respect of the status of the station-wise and scheme-wise opening drawal and repayment of loans as on 1st June, 2005 and also at the opening of the financial year 2007-08 explaining the impact of any change in reallocation of loans amongst the generating stations/units. The petitioner was also asked to adequately explain full details of the additional capitalization made during the complete period for which this true-up petition has been filed and the details should provide the approval of the concerned authority along with cost benefit analysis and other requirements as per Regulations on addition of the capital expenditure.
- 1.14 While processing the subject petition, the Commission noticed several information gaps and sought required information related to interest and finance charges from the petitioner at various point of time. MPPGCL vide its letters dated 9th April, 2010 and 17th September, 2010 filed response on the issues related to various loans borrowed by either MPPGCL or MPSEB.
- 1.15 On scrutiny of the information related to loans filed by MPPGCL, the Commission observed that the information was incomplete and was also inconsistent with earlier submissions made by the petitioner. On further scrutiny of the supplementary submissions made by MPPGCL from 09/04/2010 to 17/09/2010, it was observed that the REC loan of Rs. 334 Cr. had been borrowed by MPSEB to swap LIC loan liability as per debt restructuring agreement executed between REC and MPSEB on 30th March, 2005. The petitioner was asked to clarify afore-mentioned issue and submit loan documents along with the terms and conditions of LIC and REC loans and subsequent restructuring of LIC loan. MPPGCL filed reply on 17/09/2010 wherein the petitioner had shown its inability to submit details of loans prior to 01/06/2005 since no details were formally available with MPPGCL.
- 1.16** In view of the above response by the petitioner and lack of clarity in respect of REC & LIC loans, the Commission fixed a formal hearing in the matter on 26th October, 2010. During the course of hearing on 26th October, 2010, the Commission asked the petitioner to clarify some issues related to REC & LIC loans and the petitioner was asked to file a comprehensive written submission by 20th November, 2010 clearly explaining the linkage and purpose of REC and LIC loans. The proceedings of the hearing were also communicated to the petitioner and the respondents vide Commission's order dated 8th November, 2010.
- 1.17 MPPGCL filed its response to the issues raised by the Commission vide its afore-mentioned order dated 8th November, 2010 and the Commission has determined the interest and finance charges in this order based on the response filed by the petitioner.

State Advisory Committee

- 1.18 The Commission held the meeting with the State Advisory Committee on 19th March, 2010. The subject Petition was included in the agenda of the meeting for discussion. The members made their observations on the Petition, which have been duly considered while finalising this order.

CHAPTER 2

Annual Capacity (Fixed) Charges

- 2.1. MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2005 (G-26 of 2005) notified vide No.2932/MPERC/2005 on 5th December, 2005 is the Regulation based on which the tariff order for FY 2007-08 had been determined by the Commission in its MYT order dated 7th March, 2006. Hence, the scrutiny of this true-up petition is also based on the same Regulations.

Components of Annual Capacity (Fixed) Charges

- 2.2. The clause 35(3.3) of the Regulation provides that,

“The annual capacity (fixed) charges shall consist of:

- *Interest on loan capital;*
- *Depreciation, including Advance Against Depreciation;*
- *Return on equity;*
- *Operation and maintenance expenses;*
- *Interest on working capital;*
- *Actual expenditure incurred on terminal benefits including pension;*
- *Prior period expenditure.”*

Capital Cost

Petitioner’s Submission

Gross Block as on 1st June, 2005

- 2.3. The petitioner in Section 8 of the petition has submitted that GoMP vide its Notification No.3679/FRS/18/13/2002 dated 31.05.2005 had provided Provisional Opening Balance Sheet to the five successor companies, including MPPGCL, carved out after bifurcation of erstwhile MPSEB. In this notification, the assets and liabilities were transferred on provisional basis. Along with this provisional balance sheet, Station wise / Account Code wise supporting details were not made available. On comparing the values of assets and accumulated depreciation with respect to those available in the Regional Accounts Offices (RAO’s) trial balances of MPPGCL, as on 01.06.05, differences were observed. Due to non availability of supporting details with the Provisional Opening Balance sheet, MPPGCL has continued with the balances as provided in RAO wise trial balance and the differences were parked at Headquarter.
- 2.4. The petitioner has further submitted that GoMP, vide its subsequent notification No.4068-FRS-18-2002-XIII dated 12.06.08 has provided Final Opening Balance Sheet as on 01.06.05 along with Account Code wise / RAO wise details. These balances for assets and accumulated depreciation were almost same as prevailing in the books of RAO as on 01.06.05, except few changes mainly due to the assets which were in the book of MPPGCL’s RAOs earlier and were transferred to Discoms in final allocation.

2.5. MPPGCL in table 8.1 of the same submission has provided the opening gross block as on 1st June, 2005 as per final opening balance sheet vis-a-vis the provisional opening balance sheet as given below :

Table : 7

Opening Gross Block as on 1st June, 2005
Amount in Cr. Rs.

| Stations | | | Opening Gross Block as on 1st Jun 2005 | | |
|--------------|----------------------|-------|--|-----------------------------|---------------|
| | | | As per Prov. Balance Sheet | As per Final. Balance Sheet | Difference |
| 1 | ATPS | Cr Rs | 1 44.11 | 1 44.11 | 0.00 |
| 2 | STPS | Cr Rs | 6 10.33 | 6 05.61 | - 4.72 |
| 3 | SGTPS | Cr Rs | 21 57.19 | 21 57.19 | 0.00 |
| 4 | Malwa | Cr Rs | 0.00 | 0.00 | 0.00 |
| 5 | Total Thermal | Cr Rs | 29 11.63 | 29 06.91 | - 4.72 |
| 6 | Gandhi Sagar | Cr Rs | 10.29 | 10.29 | 0.00 |
| 7 | R.P. Sagar | Cr Rs | 18.86 | 18.86 | 0.00 |
| 8 | J Sagar | Cr Rs | 16.56 | 16.56 | 0.00 |
| 9 | Pench | Cr Rs | 87.74 | 87.74 | 0.00 |
| 10 | Rajghat | Cr Rs | 82.79 | 82.79 | 0.00 |
| 11 | Bargi | Cr Rs | 86.30 | 86.99 | 0.69 |
| 12 | Bansagar | Cr Rs | 12 43.99 | 12 43.92 | - 0.07 |
| 13 | Madhikheda | Cr Rs | 0.01 | 0.00 | - 0.01 |
| 14 | Birsinghpur | Cr Rs | 52.15 | 52.15 | 0.00 |
| 15 | Total Hydro | Cr Rs | 15 98.70 | 15 99.30 | 0.60 |
| 16 | HQ | Cr Rs | - 57.33 | | 57.33 |
| Total | | Cr Rs | 44 53.00 | 45 06.21 | 53.21 |

Equity as on 1st June, 2005

Petitioner's Submission

2.6. MPPGCL in chapter 11 of the petition has submitted that the State Government vide its notification dated. 31.05.05 has provided MPPGCL's equity of Rs. 1278 Cr. as on 1 Jun 2005, through provisional opening balance sheet. Subsequently vide its notification dated 12.06.08, the GoMP has increased the allocation of equity to MPPGCL by **Rs.637.08 Crore**, as obvious from the table in subsequent paragraph below. The equity so allotted has not been provided with station wise breakup in either of the two notifications mentioned above. Therefore, the Commission in the Tariff Order for FY06 has prescribed procedure of allocating loans and equity in the existing projects under commercial operation. According to this the procedure:-

- (i) CWIP is considered funded by loan and equity.
- (ii) Loan in CWIP as on 31.3.05 was identified.
- (iii) Balance part of CWIP is considered to be funded by equity.
- (iv) The differences of the equity (Total equity – equity in CWIP) is considered as the equity in the existing projects under Commercial Operation as on 01.06.05.

- (v) This equity was allocated to various projects based on gross block of assets.

2.7. The petitioner adopting the same procedure, reallocated the equity in various projects under commercial operation. Equity in CWIP is determined, as elaborated in the table below:-

Table : 8 **Equity in CWIP as on 1st June, 2005**
Amount in Cr.Rs.

| Particulars | | As per Opening Balance Sheet | | Difference |
|-----------------------|--------------|------------------------------|----------------|--------------|
| | | Provisional | Final | |
| Total CWIP | Cr Rs | 10 40.00 | 11 09.75 | 69.75 |
| Loan in CWIP | Cr Rs | 7 39.57 | 7 39.57 | 0.00 |
| Equity in CWIP | Cr Rs | 3 00.43 | 3 70.18 | 69.75 |
| Funding of CWIP | Debt | 71.11% | 66.64% | |
| | Equity | 28.89% | 33.36% | |

2.8. The above amount of equity in CWIP is deducted from the total equity, to determine the amount of equity in projects under commercial operation as on 1 Jun 2005, as elaborated below:

Equity in Projects Under Commercial Operations
As on 1st June, 2005

Table : 9 **Amount in Cr.Rs.**

| Particulars | | As per Opening Balance Sheet | | Difference |
|--|--------------|------------------------------|-----------------|---------------|
| | | Provisional | Final | |
| Total Equity | Cr Rs | 1278.00 | 19 15.08 | 637.08 |
| Less Equity in CWIP | Cr Rs | - 3 00.43 | - 370.18 | - 69.75 |
| Equity in Projects under Commercial Operation | Cr Rs | 977.57 | 1544.90 | 567.33 |

2.9. The petitioner has further submitted that there is an increase of 567.33 Crores in the equity allocation to the projects under commercial operations. The equity is further reallocated to various projects on the basis of Gross Opening Block, as elaborated in the table below:-

Allocation of Equity as on 1st June, 2005
Table : 10 **Amount in Cr.Rs.**

| Stations | | As per Prov Bal. Sheet | | | As per Final Bal. Sheet | | | Diff. |
|----------|----------------------|------------------------|------------------------|------------------|-------------------------|------------------------|------------------|----------------|
| | | Gross Block | % of total gross Share | Equity Allocated | Gross Block | % of total gross Share | Equity Allocated | |
| 1 | ATPS | 1 44.11 | 3.20% | 31.23 | 1 44.11 | 3.20% | 49.40 | 18.17 |
| 2 | STPS | 6 10.33 | 13.53% | 1 32.28 | 6 05.61 | 13.44% | 2 07.63 | 75.35 |
| 3 | SGTPS | 21 57.19 | 47.83% | 4 67.55 | 21 57.19 | 47.87% | 7 39.57 | 2 72.02 |
| 4 | Total Thermal | 29 11.63 | 64.55% | 6 31.06 | 29 06.91 | 64.51% | 9 96.60 | 3 65.54 |
| 5 | Gandhi Sagar | 10.29 | 0.23% | 2.23 | 10.29 | 0.23% | 3.53 | 1.30 |

| | | | | | | | | |
|--------------|--------------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|---------------|
| 6 | R.P. Sagar | 18.86 | 0.42% | 4.09 | 18.86 | 0.42% | 6.47 | 2.38 |
| 7 | J Sagar | 16.56 | 0.37% | 3.59 | 16.56 | 0.37% | 5.68 | 2.09 |
| 8 | Pench | 87.74 | 1.95% | 19.02 | 87.74 | 1.95% | 30.08 | 11.06 |
| 9 | Rajghat | 82.79 | 1.84% | 17.94 | 82.79 | 1.84% | 28.38 | 10.44 |
| 10 | Bargi | 86.30 | 1.91% | 18.71 | 86.99 | 1.93% | 29.82 | 11.11 |
| 11 | Bansagar | 12 43.99 | 27.58% | 2 69.62 | 12 43.92 | 27.60% | 4 26.46 | 156.84 |
| 12 | Madhikheda | 0.01 | 0.00% | - | 0.00 | 0.00% | - | - |
| 13 | Birsinghpur | 52.15 | 1.16% | 11.31 | 52.15 | 1.16% | 17.88 | 6.57 |
| 14 | Total Hydro | 15 98.70 | 35.45% | 3 46.51 | 15 99.30 | 35.49% | 5 48.30 | 201.79 |
| 15 | HQ | - 57.33 | - | - | - | - | - | - |
| Total | | 44 53.00 | 100.00% | 9 77.57 | 45 06.21 | 100.00% | 15 44.90 | 567.33 |

Loan as on 1st June, 2005

Petitioner's Submission

2.10. The petitioner has submitted that MPPGCL was entrusted with the loan liability of Rs.2202 crores as on 1st June, 2005 in the Provisional Opening Balance Sheet provided by GoMP vide notification dated 31 May 2005. As against this in the Final Opening Balance Sheet notified by GoMP vide Notification No. 4068-FRS-18-2002-XIII dated 12.06.08 the company, as on 1st Jun 2005, has been entrusted with the loan liability of Rs. 2002 Crore. The lender wise details of the loan as provided by GoMP in the Provisional & Final Opening Balance Sheets are as elaborated below:-

Loan Liability as on 1st June, 2005

Table : 11

Amount in Rs.Cr.

| Particulars | | Provisional Opening Balance Sheet | Final Opening Balance Sheet | Difference |
|-------------|--------------|-----------------------------------|-----------------------------|-------------|
| 1 | PFC | 1120 | 1169 | 48 |
| 2 | LIC | 488 | 490 | 2 |
| 3 | REC | 334 | 334 | 0 |
| 4 | MPSEB | 259 | 0 | -259 |
| 5 | GoMP | 0 | 6 | 6 |
| 6 | CSS | 0 | 3 | 3 |
| 7 | Total | 2202 | 2002 | -200 |

2.11. It is further mentioned by the petitioner that both the balance sheets were as on 1.6.05 and due to change in the mix of loan liability there has been effects on the interest component, which have been duly incorporated in the books of accounts of FY2007-08. Some of the above loans provided by GoMP through provisional and final opening balance sheet are directly identifiable with the projects and some of them are unlinked loans. The Commission has appreciated the fact that MPPGCL does not have any other source of income and the loan liability has been entrusted to it through GoMP notification, therefore while approving the true up of FY2006-07 tariff Order, the Commission has considered to provide interest on unlinked loan as well.

2.12. The petitioner in its petition has specifically mentioned that the Commission has been consistently directing MPPGCL to provide station wise balance sheet. One of the major requirements for preparation of station wise balance sheet is identification of loan with respective project. In view of the above, MPPGCL has linked various unidentified loans with

the respective stations considering adequacy of balance depreciation for repayment of linked loan liability.

2.13. Based on the balance available depreciation and the loan balances as on 1 Jun 2005, the petitioner has proposed the station-wise linking as under:

Allocation of Loan as on 1st April, 2005

Table : 12

Amount in Cr.Rs.

| Particulars | | Balance Available Dep. | PFC | LIC | REC | MPSEB | CSS | Total |
|--------------|----------|------------------------|---------------|---------------|---------------|---------------|-------------|----------------|
| 1 | ATPS | 24.66 | 14.06 | 0 | 0 | 0 | | 14.06 |
| 2 | STPS | 92.91 | 14.60 | 0 | 0 | 0 | 0.38 | 14.98 |
| 3 | SGTPS | 1097.52 | 228.56 | 488.00 | 0 | 0 | | 716.56 |
| 4 | Rajghat | 57.92 | 6.16 | 0 | 0 | 0 | | 6.16 |
| 5 | Bansagar | 886.64 | 117.56 | 0 | 334.00 | 259.00 | | 710.56 |
| Total | | 2159.65 | 380.93 | 488.00 | 334.00 | 259.00 | 0.38 | 1462.31 |

Commission's Analysis on Capital Cost

2.14. MPPGCL in its petition has requested the Commission to consider further true-up of earlier true-up orders already issued by the Commission for FY 2005-06 and FY 2006-07 on account of changes in the equity, loan and interest etc. after notification of final opening balance sheet by the GoMP on 12th June, 2008. The petitioner has reworked the status of assets, equity, loan and interest etc. on the basis of notification of final opening balance sheet and has submitted the same in the petition taking year-wise impact on each element. It is worthwhile to mention here that neither the provisional/final opening balance sheets nor the audited balance sheets of MPPGCL provide station-wise equity and loan. However, the petitioner has filed the station-wise equity in its petition (as on 1st June, 2005 and onwards) in the ratio of the gross block of each station to the total gross block of MPPGCL in audited accounts. The petitioner has also expressed that identification of loan with respective project is a major constraint for preparation of station-wise balance sheet. MPPGCL has therefore, linked various unidentified loans with the respective stations considering adequacy of balance depreciation for repayment of linked loan liability. The Commission has considered the same approach while scrutinizing this true-up petition.

2.15. It is worthwhile to mention that the Commission issued true-up orders for true-up of generation cost for FY 2005-06 and FY 2006-07 on 18th January, 2008 and 17th June, 2009 respectively on the basis of audited accounts filed by the petitioner for respective years. The audited accounts for FY 2005-06 and FY 2006-07 were based on provisional opening balance sheets as on 1st June, 2005 notified by GoMP on 31st May, 2005.

2.16. In view of the above facts, the Commission has seen the impact of final opening balance sheet on year-to-year basis w.e.f. 1st June, 2005 and primarily compared the gross block, equity, loan and accumulated depreciation filed by the petitioner for FY 2005-06 and FY 2006-07 with respect to true-up orders issued by the Commission for FY 2005-06 and FY 2006-07 on 18th January, 2008 and 17th June, 2009 respectively.

2.17. The Commission has also issued the following tariff orders for determination of provisional tariff in respect of new capacity additions as given below :

Table : 13 Provisional Tariff Orders issued by the Commission

| S. No. | Unit | CoD | Date of Order |
|--------|--|--|--------------------------------|
| 1 | Madhikheda HPS Unit No.1 Unit No.2 | 28 th August, 2006 9 th Sept. 2006 | 18 th January, 2008 |
| 2 | Madhikheda HPS Unit No.3 | 18 th August, 2007 | 5 th January, 2010 |
| 3 | Bansagar IV (Jhinna) Unit No.1 Unit No.2 | 20 th August, 2006 30 th August, 2006 | 18 th January, 2008 |
| 4 | SGTPS, Extn. Unit 500MW | 28 th August, 2008 | 24 th Nov. 2009 |

2.18. Since the project cost and funding of the above new capacity additions shall be finalised in their final tariff orders on filing the petition by the petitioner for determination of final tariff, any change in cost on account of above-mentioned new capacity additions is not considered in this order.

2.19. Considering the above-mentioned approach, the difference in the opening gross block and the equity as on 1st June, 2005 as admitted by the Commission in true-up order for FY 2005-06 as per provisional opening balance sheet vis-a-vis the final opening balance sheet is given in the following table :

Table : 14 Change in gross block and equity (as on 1st June, 2005) due to final opening balance sheet

| Sr. No. | Power Station | Rs. Cr. | | | | | | | |
|--------------|----------------------|---|----------------------------|---------------|--|----------------------------|----------------|---|---------------|
| | | Opening Gross Block & Equity as on 1st June 2005 admitted by the Commission in true-up order for FY06 (A) | | | Opening Gross Block & Equity as on 1st June 2005 as per final opening balance sheet as filed by the petitioner (B) | | | Difference in Gross Block & Equity for FY06 as admitted by the Commission and as per final opening balance sheet. (B-A) | |
| | | Gross Block | % of the total Gross Block | Equity | Gross Block | % of the total Gross Block | Equity | Gross Block | Equity |
| 1 | ATPS | 143.97 | 3.23 | 31.62 | 144.11 | 3.20 | 49.41 | 0.14 | 17.79 |
| 2 | STPS | 606.85 | 13.63 | 133.29 | 605.61 | 13.44 | 207.64 | -1.24 | 74.34 |
| 3 | SGTPS | 2115.06 | 47.50 | 464.57 | 2157.19 | 47.87 | 739.60 | 42.13 | 275.04 |
| 5 | Total Thermal | 2865.9 | 64.36 | 629.48 | 2906.91 | 64.51 | 996.65 | 41.03 | 367.17 |
| 6 | Gandhi Sagar | 10.29 | 0.23 | 2.26 | 10.29 | 0.23 | 3.53 | 0 | 1.27 |
| 7 | R.P. Sagar | 18.86 | 0.42 | 4.14 | 18.86 | 0.42 | 6.47 | 0 | 2.32 |
| 8 | J. Sagar | 16.56 | 0.37 | 3.64 | 16.56 | 0.37 | 5.68 | 0 | 2.04 |
| 9 | Pench | 87.50 | 1.97 | 19.22 | 87.74 | 1.95 | 30.08 | 0.24 | 10.86 |
| 10 | Rajghat | 82.75 | 1.86 | 18.18 | 82.79 | 1.84 | 28.38 | 0.04 | 10.21 |
| 11 | Bargi | 77.27 | 1.74 | 16.97 | 86.99 | 1.93 | 29.82 | 9.72 | 12.85 |
| 12 | Bansagar | 1241.4 | 27.88 | 272.66 | 1243.92 | 27.61 | 426.48 | 2.54 | 153.82 |
| 13 | Birsinghpur | 52.12 | 1.17 | 11.45 | 52.15 | 1.16 | 17.88 | 0.03 | 6.43 |
| 14 | Total Hydro | 1586.7 | 35.64 | 348.52 | 1599.3 | 35.49 | 548.33 | 12.57 | 199.81 |
| Total | | 4452.6 | 100 | 978.00 | 4506.21 | 100 | 1544.97 | 53.60 | 566.97 |

2.20. The above mentioned gross block and equity indicated in column (B) as on 1st June, 2005 as per the final opening balance sheet includes Inter-State power stations i.e. R. P. Sagar and Jawahar Sagar also. The opening gross block and equity as on 1st June, 2005 excluding those power stations is Rs.4470.79 crores and Rs.1532.83 crores respectively. These figures are also in accordance with the filing by the petitioner. The opening gross block of Rs,4470.79 crores as on 1st June, 2005 is also tallying with the station-wise assets register furnished by the petitioner.

2.21. It is evident that the equity amount of Rs.1532.83 crores is in excess of 30% of the gross block as on 1st June, 2005. The Regulation 20 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulation, 2005 provides that,

“2.10 For the purpose of determination of tariff, debt-equity ratio as on the date of commercial operation in case of new generating station of capacity expansion shall be 70:30. The debt-equity amount arrived in accordance with this shall be used for calculation of interest on loan, return on equity, advance against depreciation and foreign exchange rate variation.

2.11 Where equity 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 22. Where actual equity employed is less than 30%, the actual equity shall be considered.”

2.22. In accordance with the provisions in the Regulations, the equity in excess of 30% of the gross block shall be considered as loan and the return on equity shall be allowed only upto the normative equity (30% of gross block). Accordingly, the excess equity has been treated as loan and the interest charges are allowed at the weighted average rate applicable for the interest and finance charges for the respective year. Accordingly, the status of normative equity as on 1st June, 2005 and the excess equity to be considered as loan is given in Table 42 at Para 2.103 of this order.

2.23. In view of the above, the Commission has determined return on equity on the normative equity only and the same has been discussed in the subsequent portion on RoE of this order. Since the equity in excess of 30% of gross block has been treated as loan therefore, computation of interest charges over excess equity has been dealt separately with the discussion on interest and finance charges in this true-up order.

Additional Capitalization

Petitioner's Submission

2.24. The petitioner has submitted that there have been some additions in the gross block after 1st June, 2005 on account of either capitalization of new units or need base small R&M works. Station wise breakup of these asset additions is given in the table below:

Station wise Assets Addition in FY 2005-06, FY 2006-07 and FY 2007-08

Table : 15

Amount in Cr.Rs.

| S.No | Asset Description | FY 06 | FY 07 | FY 08 | Total |
|---|----------------------|--------------|---------------|---------------|---------------|
| 1 | ATPS | 6.17 | 13.35 | 19.00 | 38.52 |
| 2 | STPS | 8.26 | 6.73 | 9.64 | 24.63 |
| 3 | SGTPS | 0.59 | 0.03 | 3.48 | 4.09 |
| 4 | Total Thermal | 15.01 | 20.11 | 32.12 | 67.24 |
| 5 | Pench | 0.10 | 8.40 | 0.00 | 8.51 |
| 6 | Rajghat | 0.00 | 0.00 | 0.01 | 0.01 |
| 7 | Bargi | 0.00 | 0.00 | 0.04 | 0.04 |
| 8 | Bansagar | 0.60 | 109.73 | 6.37 | 116.70 |
| 9 | Madhikheda | 0.00 | 129.59 | 83.15 | 212.74 |
| 10 | Total Hydro | 0.71 | 247.73 | 89.57 | 338.00 |
| 11 | HQ | 0.13 | 0.10 | 0.19 | 0.43 |
| Total | | 15.86 | 267.94 | 121.88 | 405.67 |
| Total Excluding Bansagar IV & Madhikheda | | 15.25 | 28.61 | 32.36 | 76.23 |

2.25. It is further submitted in the petition that major asset addition has taken place in new plants only. The asset addition in the plants covered in FY 06 Tariff order & MYT Tariff order for FY 07- FY 09 amounts to Rs 76.23 Cr only, in a period of three years. This addition is equal to 1.71% of the opening Gross block (0.57% per year). The petitioner has submitted that the plants and machineries of MPPGCL are very old and require capital replacements. The addition in assets may kindly be permitted.

Provisions of the Regulation

2.26. The clause 19 of the Regulations provides that,

“The following capital expenditure, actually incurred after the date of commercial operation and duly audited, may be considered by the Commission, subject to prudence check

- (a) due to deferred liabilities within the original scope of work,*
- (b) on works within the original scope of work, deferred for execution*
- (c) to meet award of arbitration or satisfaction of Order or decree of a court arising out of original scope of works,*
- (d) on account of change in law,*
- (e) on procurement of initial spares included in the original project costs subject to the ceiling norm laid down in regulation 18.*
- (f) any additional works/ services, which have become necessary for efficient and successful operation of a generating station or a transmission or a distribution system but not included in the original capital cost.*

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff.

Provided further that a list of the deferred liabilities and works deferred for

execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating station.

Note 1

Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 20.

Note 2

Any expenditure on replacement of old assets shall be considered after writing off the gross value of the original assets from the original cost. Before allowing the loss due to sale of the retired assets a detailed examination regarding the justification for each and every asset item retired prior to the completion of useful life shall be carried out.

Note 3

Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 20.

Note 4

Any expenditure admitted by the Commission for determination of tariff on renovation, modernization, life extension and restoration of assets damaged due to natural calamities shall be serviced on normative debt-equity ratio specified in regulation 20 after writing off the original amount of the replaced assets from the original cost.”

Commission’s analysis on Additional Capitalization

2.27. The Commission vide letter No.689 dated 22nd March, 2010 under requirement of the provisions under clause 19 of the Regulation has sought the following details from the petitioner in support of their claims for additional capitalization :

- a) *“The year-wise schemes for addition of new unit or need based small R&M works be submitted with full details for each work.*
- b) *The nature of need based R&M works executed in each unit with its respective cost.*
- c) *The approval, if accorded by any competent authority.*
- d) *The details of cost benefit earned for each need based R&M work”.*

2.28. The petitioner vide letter No.07-12/CP-MPPGCL/MPERC/TU FY08/284 dated 31st March, 2010 has filed its response. The petitioner had not furnished the complete details as desired by the Commission for proper scrutiny of claim made for additional capitalization.

2.29. The Commission has noted that major asset addition has taken place in new plants like Madhikheda and Bansagar for which provisional tariff has been determined by the

Commission. The asset addition of all such new units shall be considered at the time of dealing with the final tariff petitions. The Commission has observed from the response of the petitioner that the reply on additional capitalization is not adequate in accordance with clause 19 of the regulation. The Commission vide its letter No.MPERC/D(T)/1104 dated 05.05.2010 again asked the petitioner to submit a comprehensive reply on the following issues with all relevant supporting documents in favour of claim for additional capitalization:-

- (i) Whether the addition of asset is on account of (a) to (f) of the reasons in clause 19 of the Regulation.
- (ii) Whether the petitioner has taken due care in writing off the gross value of the original asset from the original cost in case of any expenditure on replacement of old asset.
- (iii) Whether the effect of writing off the gross value of the original asset from the original cost on replacement of the old asset has been considered in the asset registers.

2.30. The MPPGCL vide its letter dated 13.05.05 has submitted that the information sought by the Commission on additional capitalization is voluminous and required to be authenticated from technical and accounts section of each power station commencing from FY06 to FY08, which will require a time of 3 to 4 months approximately. The Commission has noted from this response of the petitioner that the petitioner has not filed the petition with full justification of its claims as per the provisions under Regulations in force. The Commission has sought clarification from the petitioner on the issue of additional capitalization time and again and the petitioner has finally confirmed that submission of required information will require a further period of about 4 months. Hence, in view of the above observations and absence of required details for proper scrutiny of claims made for additional capitalization, the Commission has not considered the same in this true-up order.

Interest and Finance Charges**Petitioner's submission**

2.31. The petitioner has submitted that as per the provisional opening balance sheet provided by GoMP, MPPGCL as on 1st June, 2005 was entrusted with the loan liability of Rs. 2202 Crores. As against this in the Final Opening Balance Sheet notified by GoMP dated 12.06.2008, the company as on 1st June, 2005, has been entrusted with loan liability of Rs. 2002 Crores. The petitioner has mentioned that both the opening balance sheets were as on 1.6.05 and due to change in the mix of loan liability there has been effects on the interest components, which have been duly incorporated in the books of accounts of FY2007-08.

2.32. The petitioner in Para 9.13.1 to 9.13.5 of the petition has discussed about the claim on each loan i.e. PFC, REC, LIC, MPSEB & GoMP. The petitioner has requested for true-up of interest amount in FY 2005-06 & 2006-07 only in respect of REC & PFC loans respectively. The petitioner has further requested to consider the difference on account of interest and finance charges for true up in FY 2007-08 and also to consider the balance interest amount on unlinked loan for FY2005-06 and FY2006-07 which was disallowed by the Commission as under:

**Year wise request for True up of Interest Amount
Table : 16 Amount in Cr. Rs.**

| Particulars | | FY 06 | FY 07 | FY 08 | Total |
|--------------|------|--------------|--------------|--------------|---------------|
| 1 | PFC | - | 36.57 | 19.71 | 56.28 |
| 2 | REC | 23.94 | - | 21.86 | 45.8 |
| 3 | LIC | - | - | 0.05 | 0.05 |
| 4 | GoMP | - | - | 3.36 | 3.36 |
| Total | | 23.94 | 36.57 | 44.98 | 105.49 |

2.33. The station wise breakup of interest as permitted by Commission for FY 2007- 08 and the true up amounts of interest charges for FY 06, FY 07 and FY 08 as filed by the petitioner is given below:

**Power Station wise and Year wise request for True up of Interest Amount
Table : 17 Amount in Cr. Rs.**

| S.No. | Station | True up of Interest & Finance Charges | | | |
|--------------|----------------------|---------------------------------------|--------------|--------------|---------------|
| | | FY 06 | FY 07 | FY 08 | Total |
| 1 | ATPS Chachai | 0 | 2.77 | 3.64 | 6.41 |
| 2 | STPS Total | 0 | 33.8 | 20.37 | 54.17 |
| 3 | SGTPS Total | 23.94 | 0 | 0.41 | 24.35 |
| 4 | Total Thermal | 23.94 | 36.57 | 24.43 | 84.93 |
| 5 | Gandhi Sagar | 0 | 0 | 0 | 0 |
| 6 | Pench | 0 | 0 | 0 | 0 |
| 7 | Rajghat | 0 | 0 | -0.07 | -0.07 |
| 8 | Bargi | 0 | 0 | 0 | 0 |
| 9 | Bansagar | 0 | 0 | 20.62 | 20.62 |
| 10 | Birsinghpur | 0 | 0 | 0 | 0 |
| 11 | Total Hydro | 0 | 0 | 20.55 | 20.55 |
| Total | | 23.94 | 36.56 | 44.98 | 105.48 |

Clause 22 of Regulation provides that,

2.34.

1. *“Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment, as per the terms and conditions of relevant agreements of loan, bond or debenture, ordinarily restricted to prevailing rates of PFC / REC Term Lending Rate or the rates specified by the CERC from time to time. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable generation projects. The interest rate on the amount of equity in excess of 30% treated as loan shall be the weighted average rate of the loan schemes of the generating company.*

Provided that all loans considered for this purpose shall be identified with the assets created.

Provided that interest and finance charges of renegotiated loan agreements shall not be considered should they result in higher charges.

Provided that interest and finance charges on works in progress shall be excluded and considered as part of the capital cost.

2. *Interest charges on security deposits, if any, with a generating company shall be considered at the rate specified by the Commission from time to time.*
3. *In case any moratorium period is availed of, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.*
4. *The generating company shall make every effort to swap the loan as long as it results in net benefit to the beneficiary. The cost associated with such swapping shall be borne by the beneficiary and any benefit on account of swapping of loan and interest on loan shall be passed on to the beneficiary in such ratio as may be decided by the Commission”.*

Commission’s analysis

2.35. Based on the details of assets and liabilities provided in provisional and final opening balance sheets notified by GoMP, the total loan liability of the MPPGCL has become Rs. 1878.43 Crs. as per the final opening balance-sheet. The petitioner has taken a figure of Rs.490.22 crores in the petition for LIC loan as per opening balance sheet. It is observed on scrutiny of audit accounts for FY 2007-08 and the discussions held with the officers of the petitioner on 19th July, 2010 that LIC loan outstanding as on 1st June, 2005 is Rs.371.66 crores as per final opening balance sheet. This figure is depicted in Schedule 3 of the audited accounts for FY 2007-08 also. Accordingly, the source wise details of loan liability as per Provisional opening balance-sheet vis-à-vis Final opening sheet is observed as given below:

Table : 18

Loan balances as on 1st June 2005:

| Sr. No. | Loan Agency | As per provisional opening balance sheet | As per final opening balance sheet | Diff. |
|--------------|-------------|--|------------------------------------|----------------|
| 1 | PFC | 1120.50 | 1168.77 | 48.28 |
| 2 | LIC | 488.07 | 371.66 | -116.41 |
| 3 | REC | 334 | 334.20 | 0.20 |
| 4 | MPSEB | 258.87 | 0 | -258.87 |
| 5 | CSS | 2.92 | 0.40 | -2.52 |
| 6 | GoMP | 0 | 3.40 | 3.40 |
| Total | | 2204.35 | 1878.43 | -325.92 |

- 2.36. The Commission in its True-up Order for FY 2005-06 issued on 25th January, 2006 & MYT Order dated 07/03/2008 considered all such loans which could not be identified with any specific project (unlinked loans) and utilized for working capital borrowings. The Commission considered these unlinked loans as working capital loans in MYT order for the control period FY2006-07 to FY2008-09.
- 2.37. It is pertinent to mention that the MPPGCL in its true up Petition for FY 2006-07 requested that it has to discharge all the Loan liabilities irrespective of the linkage of loan with respective Projects. Therefore, the Commission in Para 3.52 of its true up order for FY 2006-07 dated 17.06.2009 has mentioned that, *“The Commission agreed with the Petitioner that unlinked loans have also been utilized for creation of fixed assets. Therefore interest should be allowed on unlinked loan to the extent it is established that these loans were used for asset creation”*. The Commission had therefore allowed the interest on various unidentified loans with the respective stations considering adequacy of balance depreciation for repayment of linked loan liability.
- 2.38. The Commission vide its letter dated 23.03.10 asked the Petitioner to submit the Power Station wise and lender wise details of all loans and its scheme wise allocation with respect to Provisional vis-à-vis final opening balance-sheet. The Commission vide same letter had also asked the Petitioner to submit the Power station- wise and scheme- wise details of loan receipt and repayment made in FY 2005-06, FY 2006-07 and FY 2007-08 in the formats annexed with letter.
- 2.39. The petitioner vide its letter dated 31.03.2010 submitted that the annual statements of accounts for FY 2005-06 and FY 2006-07 were prepared on the basis of Provisional opening balance-sheet, the impact of final opening balance-sheet has been considered in Annual Statement of accounts for FY 2007-08 and the same has also been audited by the statutory Auditor. The petitioner also submitted partially filled information in formats desired by the Commission on the basis of Annual Statement of accounts for intervening period. It was also submitted by the petitioner that the impact of final opening balance-sheet has been taken in Annual Statement of Accounts for FY 2007-08 only as per the standard accounting practice. With regard to the allocation of loans to Power stations, the Petitioner has submitted that the project specific loans have been directly allocated to respective stations whereas other loans have been allocated on the basis of depreciation available with the Power Stations.

2.40. On further scrutiny of the details submitted by the petitioner vide its above mentioned letter dated 31st March, 2010, the Commission has observed the following :

- a) Most of the columns in the formats seeking clarity on the status of loans after notification of final opening balance sheet were left blank.
- b) Some of the old PFC loans which should have been repaid in past as per the terms and conditions of loan, were still shown partially unpaid in the petition.
- c) Status of repayments was not still clear in respect of LIC and other loans in supplementary submission made by the petitioner.

2.41. In view of the above observation, the Commission vide letter No.1412 dated 4th June, 2010 asked the petitioner to file a clear status regarding various disbursements, schedule repayments, actual repayments, interest due and actual interest paid in respect of each and every loan so that the interest and finance charges can be worked out appropriately.

2.42. In response, the petitioner vide its letter No.-07-12/CP/MPPGCL/MPERC/TU-08/521 dated 18th June, 2010 has submitted the loan wise details of disbursements, repayments and details of the interest. The Commission has observed the following scheme-wise details of PFC loans as per loan agreements submitted by the petitioner:

Table : 19

| Sr. No. | As per terms and conditions in loan documents | | | | | |
|---------|---|---------------|-----------------|------------------------|--------------------------|-------------------------|
| | Loan No. | Sanctioned on | Power Station | Period of loan (Years) | Total No. of instalments | Date of first repayment |
| 1 | 20101008 | Feb-92 | SGTPS 1&2 | 10 | 20 | Dec-97 |
| 2 | 20101009 | Oct-92 | SGTPS 1&2 | 10 | 20 | Dec-98 |
| 3 | 20101010 | Apr-97 | SGTPS 3&4 | 10 | 20 | Jun-00 |
| 4 | 20102006 | Apr-99 | Rajghat | 10 | 40 | Apr-00 |
| 5 | 20104008 | Dec-92 | R&M STPS | 10 | 20 | Nov-95 |
| 6 | 20104010 | Jan-93 | R&M ATPS | 10 | 20 | Nov-95 |
| 7 | 20104012 | Jan-98 | R&M ATPS | 10 | 20 | Nov-99 |
| 8 | 20104014 | Jan-98 | R&M STPS | 10 | 20 | May-00 |
| 9 | 20104018 | Oct-99 | R&M ATPS-II | 10 | 40 | Apr-02 |
| 10 | 20102004 | Apr-98 | Bansagar Tons | 10 | 40 | Jan-00 |
| 11 | 20102005 | Apr-98 | Bansagar II&III | 10 | 40 | Jan-02 |

2.43. From the information regarding PFC loans submitted by the petitioner vide its letter dated 18th June, 2010, the loan wise details of date and actual amount drawn, the amount of installment, number of installments and loan balances as per schedule repayments as on 01.06.2005 is worked out as follows:

Table : 20

| Sr. No. | Loan No. | As per MPPGCL submission | | | Amount of instalment Rs. Cr. | No. of instalment due before June,2005 | Balance loan (as per Sch. Repayment) as on 1 st June,2005 Rs. Cr |
|---------|----------|--------------------------|--------------------|-----------------------------------|------------------------------|--|---|
| | | Date of first drawal | Date of Last drawl | Actual Amount of drawal (Rs. Cr.) | | | |
| 1 | 20101008 | 24-Mar-92 | 23-Apr-92 | 30.00 | 1.50 | 15 | 7.50 |
| 2 | 20101009 | 26-Nov-92 | 19-Mar-93 | 45.00 | 2.25 | 13 | 15.75 |
| 3 | 20101010 | 11-Nov-97 | 17-May-01 | 373.18 | 18.66 | 10 | 186.59 |
| 4 | 20102006 | 01-Oct-99 | 24-Jan-01 | 11.17 | 0.28 | 21 | 5.31 |
| 5 | 20104008 | 05-Jul-93 | 14-Dec-96 | 4.63 | 0.23 | 19 | 0.23 |
| 6 | 20104010 | 03-Sep-93 | 26-Mar-01 | 4.70 | 0.24 | 19 | 0.24 |
| 7 | 20104012 | 19-Nov-98 | 31-Aug-00 | 2.25 | 0.11 | 11 | 1.01 |
| 8 | 20104014 | 22-Apr-98 | 15-May-01 | 26.12 | 1.31 | 10 | 13.06 |
| 9 | 20104018 | 07-Mar-00 | 08-Mar-00 | 16.75 | 0.42 | 13 | 11.31 |
| 10 | 20102004 | 31-Aug-98 | 31-Mar-03 | 91.99 | 2.30 | 22 | 41.40 |
| 11 | 20102005 | 04-Sep-98 | 02-Mar-05 | 91.34 | 2.28 | 14 | 59.37 |

2.44. In the above table, the Commission has worked out scheduled balances in respect of all schemes of PFC loans as on 1st June, 2005. Based on loan-wise change in figures due to final opening balance sheet informed by the petitioner in Annexure-4 of its letter No.07-12/CP-MPPGCL/MPERC/TU-FY08/660 dated 27th July, 2010, the Commission has accordingly worked out loan balances as per schedule repayment of PFC loans as on 1st April, 2006 and 1st April, 2007 as given below:

Table : 21**PFC Scheme wise loan balances considering the change due to final Opening balance sheet:**

| Power Station | Loan No. | Balance loan (as per Sch. Repayment) as on 1 st June,2005 Rs. Cr. | Balance loan (as per Sch. Repayment) as on 1 st April,2006 Rs. Cr. | Balance loan (as per Sch. Repayment) as on 1 st April,2007 Rs. Cr. | Balance loan (as per Sch. Repayment) as on 1 st April,2008 Rs. Cr. |
|-----------------|----------|--|---|---|---|
| SGTPS 1&2 | 20101008 | 7.42 | 4.92 | 1.92 | 0.00 |
| SGTPS 1&2 | 20101009 | 15.64 | 11.89 | 7.39 | 2.89 |
| SGTPS 3&4 | 20101010 | 185.65 | 154.55 | 117.23 | 79.91 |
| Rajghat | 20102006 | 4.99 | 4.06 | 2.94 | 1.83 |
| R&M STPS | 20104008 | 0.00 | 0.00 | 0.00 | 0.00 |
| R&M ATPS | 20104010 | 0.00 | 0.00 | 0.00 | 0.00 |
| R&M ATPS | 20104012 | 0.89 | 0.71 | 0.48 | 0.26 |
| R&M STPS | 20104014 | 11.69 | 9.51 | 6.90 | 4.29 |
| R&M ATPS-II | 20104018 | 10.84 | 9.45 | 7.77 | 6.10 |
| Bansagar Tons | 20102004 | 38.70 | 29.50 | 20.30 | 11.10 |
| Bansagar II&III | 20102005 | 56.79 | 49.18 | 40.05 | 30.91 |
| Total | | 332.62 | 273.77 | 204.99 | 137.28 |

- 2.45. The Commission has observed that the amount of loan as on 1st June, 2005 after accounting for scheduled repayment based on terms and conditions of loan is less than the actual loan balances filed by the company in the petition as also in the supplementary submissions. It is further observed by the Commission that if the position of loan balances as on 1st June, 2005 as per repayment schedule is derived for the next financial years i.e. FY 2006-07 and FY 2007-08, the difference between the loan balances as per scheduled repayments and the actual balances is also varying from year-to-year. One of the reasons envisaged by the Commission for this variation is either the change in repayment schedule or default in payment.
- 2.46. In view of the above-mentioned discrepancy and also to clarify some other unresolved inconsistencies, a meeting of the officers of the petitioner and the officers of the Commission was convened in the office of the Commission on 19th July, 2010 wherein the officer's of the petitioner admitted that there had been restructuring and rescheduling of PFC loans by erstwhile MPSEB on 19th June, 2004. It was also informed that the outstanding dues as on 31st July, 2004 had been rescheduled at the weighted average rate of interest of 12.12%. The Equal Monthly Instalment (EMI) were to be in addition to scheduled repayment of loans. The representatives of MPPGCL have submitted that all the liabilities were transferred to MPPGCL through final opening balance sheet dated 12th June, 2008. Any details of loans prior to 1st June, 2005 had been dealt by erstwhile MPSEB and therefore, all loan details could be provided by MPPGCL only after 1st June, 2005.
- 2.47. MPPGCL vide its letter dated 27th July 2010 and 31st July, 2010 on affidavit has submitted the copy of correspondence between erstwhile MPSEB and PFC regarding restructuring & rescheduling of PFC loans of MPSEB and details of EMI for repayment of principal & Interest. From the scrutiny of the EMI document, it is observed that the EMI had been made for 36 months out of which EMI upto 10th instalment had been paid by the erstwhile MPSEB and from 11th EMI onward, the liability of EMI had been given to the petitioner. The details of the EMI for MPPGCL's portion are as follows:

Table: 22

| EMI Status for reschedule loans of PFC for MPPGCL (Rs. Cr.) | | |
|--|-------------------------------|-------|
| 1 | Principal overdue | 35.37 |
| 2 | Interest overdue | 41.95 |
| 3 | Total amount overdue | 77.32 |
| 4 | EMI interest on principal | 6.99 |
| 5 | EMI interest on interest | 8.30 |
| 6 | Total interest on EMI | 15.29 |
| 7 | Total EMI amount of principal | 42.36 |
| 8 | Total EMI amount of interest | 50.25 |
| 9 | Total EMI amount | 92.61 |

- 2.48. Based on the details furnished by MPPGCL, the Commission has worked out the year- wise principal amount of EMI paid by the MPPGCL and also determined the year- wise interest amount by applying wt. average rate of interest of PFC loan. Since the rescheduling of PFC's over-dues with installments due in June, 2004 and July, 2004 was made considering penal interest and interest on interest upto 31st July, 2004 therefore, the rescheduling was agreed by PFC at a weighted average interest rate of 12.12% p.a. of the over-dues for a period of 36 months as mentioned in erstwhile MPSEB's letter No.02-01/PFC/78 dated

19.06.2004 filed by the petitioner. The Commission has therefore, applied normal weighted average rate of interest of PFC loan on principal amount of EMI. The year-wise details of interest on principal of rescheduled PFC loan in terms of EMI as allowed by the Commission is as given below:

Table : 23 (a) Interest on EMI (Rs. Cr.)

| Year | Principal | Interest rate (%) | Interest amount |
|---------------------|--------------|-------------------|-----------------|
| FY05-06 (10-months) | 9.48 | 6.78 | 0.54 |
| FY06-07 | 12.71 | 7.41 | 0.94 |
| FY07-08 | 4.59 | 8.50 | 0.39 |
| Total | 26.79 | | 1.87 |

Table : 23 (b) Power station-wise interest on EMI Rs. Cr.

| Power Station | FY2005-06 (10-months) | FY2006-07 | FY2007-08 | Total |
|---------------|-----------------------|-------------|-------------|-------------|
| ATPS | 0.02 | 0.02 | 0.01 | 0.05 |
| STPS | 0.07 | 0.13 | 0.05 | 0.26 |
| SGTPS | 0.34 | 0.60 | 0.25 | 1.19 |
| Bansagar | 0.03 | 0.06 | 0.02 | 0.11 |
| Rajghat | 0.07 | 0.13 | 0.05 | 0.26 |
| Total | 0.54 | 0.94 | 0.39 | 1.87 |

2.49. After finalizing the above mentioned issues, the status of all other loans including some other issues on PFC loans is discussed below :

PFC Loans

2.50. It is pertinent to mention that while determining the interest on PFC loan, the Commission has considered those power stations which were covered in MYT order issued on 7th March 2006. The Commission has not considered any loan of new generating unit (Madhikheda, Jhinna etc.) for which the Commission has issued the provisional tariff order.

2.51. The petitioner filed the interest amount for FY2006-07 earlier also and FY2007-08 against Chhattisgarh loan transferred by GoMP. The Commission had disallowed the interest on this loan in true up order for FY2006-07 since the principal amount was not recorded in the audited accounts for FY2006-07.

2.52. In para 9.13 of the instant petition, the petitioner has submitted that the interest claimed is duly recorded in the balance sheet. The petitioner has also mentioned that the loading of R&R Korba loan has been done on STPS Sarni. However, it is observed by the Commission that the required details about Korba loan is still not available in the audited accounts of FY2007-08. The Commission observed the same status of information in respect of R&R Korba loans as submitted by the petitioner in earlier true-up petition for FY 2006-07.

- 2.53. The Commission vide letter dated 11th November, 2009 asked the petitioner to submit the complete details of loan clearly indicating principal amount due and interest on overdue principal, interest due and interest on interest due amount, details of penal interest and date-wise and amount-wise details of loan from different agencies. In response to the Commission's queries, the petitioner vide its letter dated 16th December, 2009 submitted some details of loans but the requisite details of R&R Korba loan on the issues flagged by the Commission was not submitted by the petitioner.
- 2.54. During the course of public hearing held on 3rd March, 2010 in the office of the Commission, the officers of MPPGCL agreed that the full details of R&R Korba loan are yet to be received from PFC and the reconciliation of PFC loan will take some more time therefore, the complete details of Korba loan shall be submitted subsequently. It was also admitted by them that the effects of R&R Korba loans shall be reflected completely in audited accounts of FY 2008-09.
- 2.55. In view of the above the Commission has not allowed the interest on R&R Korba loan in this true up order and shall take a view only after availability of full details. The details of the year wise PFC Loan amount and interest allowed on this amount after considering the impact of final opening balance sheet is as given below:

Table: 24(a) Interest amount on PFC loan

Rs. Cr.

| Year | Opening Balance | Sch. Repayment | Closing Balance | Average loan amount | Applicable interest rate | Interest amount |
|------------------------|-----------------|----------------|-----------------|---------------------|--------------------------|-----------------|
| | (Rs. Cr.) | (Rs. Cr.) | (Rs. Cr.) | (Rs. Cr.) | (%) | (Rs. Cr.) |
| FY05-06 (10-months) | 332.62 | 68.78 | 263.84 | 298.23 | 6.78 | 16.85 |
| FY06-07 | 263.84 | 68.78 | 195.06 | 229.45 | 7.41 | 17.00 |
| FY07-08 | 195.06 | 67.20 | 127.85 | 161.46 | 8.50 | 13.72 |
| Total | | | | | | 47.58 |

Table: 24(b) Power Station-wise interest allowed on PFC loan : (Rs. Cr.)

| Power Station | FY2005-06 (10-months) | FY2006-07 | FY2007-08 | Total interest |
|---------------|--------------------------|--------------|--------------|----------------|
| ATPS | 0.61 | 0.66 | 0.59 | 1.86 |
| STPS | 0.59 | 0.58 | 0.44 | 1.60 |
| SGTPS | 10.53 | 10.48 | 8.28 | 29.29 |
| Bansagar | 4.88 | 5.04 | 4.22 | 14.14 |
| Rajghat | 0.25 | 0.25 | 0.19 | 0.68 |
| Total | 16.85 | 17.00 | 13.72 | 47.58 |

- 2.56. Since the Commission has also allowed interest on the principal of EMI made by PFC therefore, the total interest of PFC loan allowed in this true-up order is summarized as follows:

Table: 25 Interest allowed on PFC loan including interest on principal of EMI: (Rs. Cr.)

| Power Station | FY2005-06 (10-months) | FY2006-07 | FY2007-08 | Total interest |
|----------------------|------------------------------|------------------|------------------|-----------------------|
| ATPS | 0.63 | 0.68 | 0.60 | 1.91 |
| STPS | 0.66 | 0.71 | 0.49 | 1.86 |
| SGTPS | 10.87 | 11.08 | 8.53 | 30.48 |
| Bansagar | 4.91 | 5.10 | 4.24 | 14.25 |
| Rajghat | 0.32 | 0.38 | 0.24 | 0.94 |
| Total | 17.39 | 17.94 | 14.11 | 49.44 |

2.57. The Commission has allowed the interest on PFC Loan of Rs. 17.39 crores for FY 2005-06 (10-months), Rs.17.94 crores for FY2006-07 and Rs. 14.11 crores for FY2007-08 considering the impact of final opening balance sheet.

REC Loan

2.58. As per the Provisional opening balance sheet, the total amount of REC Loan as on 1st June, 2005 was Rs. 334.00 Cr. In the final opening balance sheets notified on 12th June, 2008 the total amount of REC Loan as on 1st June, 2005 indicated Rs. 334.20 Cr. It is observed from the note of the schedule-4 of audited accounts of FY07-08 that there is a difference of Rs. 20 lacs in REC Loan recorded as final opening balance-sheet difference.

2.59. Since the petitioner could not link REC loans with specific projects, the Commission earlier disallowed the interest on REC Loan in Tariff Order for FY 2005-06. The Commission considered this loan as unlinked loan and treated them as loan towards working capital. In absence of details, the Commission had not considered REC Loan as project specific and interest on this Loan had not been allowed by the Commission in tariff order for FY 2005-06.

2.60. Further, in MYT Order dated 07.03.2006 for the control period FY2006-07 to FY2008-09, the Commission had further treated REC Loan as working capital loan and disallowed the interest claimed by the Petitioner on this Loan.

2.61. Subsequently, the Commission in its true up order for FY 2006-07 dated 17th June, 2009 had considered the contention of the Petitioner that unlinked loans have also been utilized for creation of fixed assets. Therefore, interest amount had been allowed by the Commission on unlinked loan to the extent it has established that these loans were used for asset creation.

2.62. Now, the Petitioner in the subject true up Petition for FY 2007-08 has linked the amount of REC loan with Bansagar hydro Power Station since this is comparatively a new Power Stations and has more balance depreciation.

2.63. On scrutiny of the various information filed by MPPGCL, the Commission observed that the information was incomplete and was also inconsistent with earlier submissions made by the petitioner. On further scrutiny of the supplementary submissions made by MPPGCL from 09/04/2010 to 17/09/2010, it was observed that the REC loan of Rs. 334 Cr. had been borrowed by MPSEB to swap LIC loan liability as per debt restructuring agreement executed between REC and MPSEB on 30th March, 2005. The petitioner was asked to clarify aforementioned issue and submit loan documents along with the terms and conditions of LIC and

REC loans and subsequent restructuring of LIC loan. MPPGCL filed reply on 17/09/2010 wherein the petitioner had shown its inability to submit details of loans prior to 01/06/2005 since the details were not formally available with MPPGCL

2.64. The Commission also observed the following status from MPPGCL's earlier submission vide letter No. 07-12/CP-MPPGCL/Tariff/MPERC/118 dated 23/02/2006 filed with the petition in the matter of true-up of generation tariff for FY 2005-06 :

"The total outstanding loan against LIC as on 31/03/2005 was finalized as Rs. 1156.80 Cr. and Rs. 371.66 Cr. as principal not due was restructured at lower rate of interest of 9% as package deal while Rs. 317.32 Cr. had been waived by LIC. However, Rs. 335.20 Cr. against principle over due and interest over due of LIC loan was paid to LIC by borrowing an amount of Rs. 334 Cr. from REC and balance amount was contributed by MPSEB. The LIC loans were borrowed against SGTPS Birsinghpur mainly but the REC loan has been mentioned in the petition as linked with Bansagar project based on balance depreciation."

2.65. In view of above, the Commission fixed a formal hearing in the matter on 26th October, 2010 to examine whether REC loan had been borrowed to create any asset and whether this loan is funding any of the assets of MPPGCL. MPPGCL vide their written submission on affidavit dated 23rd October, 2010 had broadly submitted the following :

a) *"The liability of the loans availed by MPSEB from the Life Insurance Corporation of India (hereinafter referred to as "LIC") and the Rural Electrification Corporation (hereinafter referred to as "REC") were transferred to MPPGCL pursuant to the Statutory Transfer Scheme Rules dated 30th September, 2003 notified by the Government of Madhya Pradesh under Section 131 of the Electricity Act, 2003. The scheme notified is a statutory transfer scheme binding on all persons. Section 131 (3) (b) inter alia provides as under :*

".....(b) a transaction of any description is effected in pursuance of a transfer scheme, it shall be binding on all persons including third parties and even if such persons or third parties have not consented to it."

b) *In pursuance to the transfer scheme notified as above, two loans, one each availed from LIC and REC by the MPSEB were transferred to the MPPGCL, which were not totally linked to any assets transferred to MPPGCL. In terms of Section 131 (3) (b) of the Electricity Act, 2003, these loans have been vested in MPPGCL which are binding upon it and all other parties. Once the transfer scheme is drawn up and notified by the concerned State Government, the State Commission ought to consider and give effect to the same in exercise of its functions under the Electricity Act, 2003, including in discharge of its functions pertaining to determination of tariff.*

c) *There has been no upward valuation of the assets of the MPSEB in either the provisional opening balance sheet notified on 31.05.2005 or the final opening balance sheet as notified on 12.06.2008. The value of the assets has been taken as mentioned in the books of the MPSEB as at the relevant date. Thus, the liability passed on to the MPPGCL is as was undertaken by the MPSEB and no subsequent revision has been undertaken in the same.*

- d) *That, prior to the formation of the MPPGCL, the accounts of the MPSEB were maintained in accordance with the Electricity (Supply) Annual Account Rules, 1985. Clause 1.42 (3) of the said rules reads as under :*

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

In view of the above, it is therefore difficult to establish the link between the loan raised and the asset for which such loan was raised, in the case of MPSEB itself. A copy of the said rules are attached hereto as Annexure-A.

- e) *Further, in the order dated 17.06.2009 passed by this Commission with respect to the truing up of the financials of MPPGCL for FY 2006-07, this Commission has itself allowed the servicing of these loans for which no specific linkage could be established with the assets transferred to MPPGCL under the statutory transfer scheme. This Hon’ble Commission has also allowed the servicing of such unlinked loans in the multiyear tariff order passed on 03.03.2010 in respect of the period FY 2009-10 to FY 2011-12.”*

2.66. The Commission vide order dated 8th November, 2010 on the proceedings held on 26th October, 2010 asked the petitioner to clarify several issues mentioned in the order. In response to the queries raised by the Commission in above mentioned order, MPPGCL filed point-wise reply vide letter dated 19th November, 2010 as given below :-

- (i) **Issue 1:** Details of the efforts made by the petitioner in obtaining the loan details from MPSEB and MPSEB’s response thereof. Documentary evidence in this regard be provided.

MPPGCL’s response:

*“MPPGCL vide letter No. 07-12(i)/MPPGCL/MPERC/TU-FY-08/212 dated 12-10-2010 (Copy enclosed as **Annexure-I**) has desired information from MPSEB regarding LIC & REC Loans prior to formation of MPPGCL i.e. 1st June 2005. In response to our letter, MPSEB has stated that all the details regarding LIC & REC Loans are already with GENCO (Copy of letter is enclosed as **Annexure-II**).*

*The details of LIC & REC loans available with Genco (Now, M.P. Power Generating Co. Ltd.), have already been submitted to the Hon’ble Commission, vide letter dtd 14-08-2008 & further vide letter dtd. 17-09-2010 (Copy enclosed for ready reference as **Annexure-III-A & III-B**).*”

- (ii) **Issue 2:** Based on the earlier submission of MPPGCL, REC loan was drawn to facilitate payment of outstanding principal amount and overdue interest to LIC. It is inferred from afore-mentioned submission that REC loan was not used for funding of any asset. How the REC loan was tagged to assets of Bansagar or Birsinghpur projects?

MPPGCL’s response:

“Though, it may be inferred that REC loan was not used for funding of any asset, but this loan was for swapping of LIC loan and since LIC loan was drawn for funding of assets, therefore, we can conclude that REC loan was also for funding of assets.

Liability of LIC loan to the extent of Rs. 490.22 Crs was transferred to MPPGCL vide GoMP notification dated 12-06-08. During the hearing, before the Hon'ble Commission in the matter of True-up petition for FY 07, it was directed by the Hon'ble Commission to link the liability of unlinked loans with various Power Stations in accordance with the depreciation available and in compliance of directives of Hon'ble Commission; liability of REC loans was linked to Bansagar H.P.S."

- (iii) **Issue 3:** How did the liability against LIC loan towards outstanding principal and overdue interest get discharged?

MPPGCL's response:

"In regard to discharging of LIC loan liability, it is to mention here that MPPGCL has made a payment of Rs. 68.86 Crores towards overdue interest charges for the FY 06. Further, re payment schedule has been submitted to the Commission vide letter dtd. 18-06-2010 (Copy enclosed for ready reference as Annexure-IV)."

- (iv) **Issue 4:** Under what provisions of law, loans not used for asset creation be considered for servicing in tariff as Capex loan?

MPPGCL's response:

"REC loan was taken for swapping of LIC loan which was for creation of assets, therefore, like LIC loan, REC loan can be considered in tariff as Capex Loan."

- (v) **Issue 5:** What is the net financial impact or financial benefit to beneficiaries after swapping of LIC loan?

MPPGCL's response:

"LIC loan was obtained at the interest rate of 14% & 15%, whereas REC loan was obtained at the interest rate of 9 % (Sanction letter of REC loan enclosed as Annexure-V). There was reduction in the interest rate of about 5% to 6%. REC loan of Rs. 334.00 Crores was drawn for swapping of LIC loan leading to saving of approximately Rs. 16 to 20 Crores per year."

- (vi) **Issue 6:** The Commission also pointed out certain contradiction in the petitioner's earlier submission regarding the purpose of REC loan. While in one of the submissions, it was mentioned that REC loan was drawn to repay the outstanding principal against LIC loan whereas in another submission, the purpose was mentioned as repayment of overdue principal and overdue interest of LIC loan. This needs to be clarified.

MPPGCL's response:

"The Hon'ble Commission has stated that there is contradiction in the submissions made by MPPGCL regarding REC loan, in this regard it is requested to refer our letter No. 07-12(i)/CP-MPPGCL/Tariff/MPERC/118 dated 23-02-2006 wherein it is clearly mentioned that REC loan was drawn to repay the principal overdue (Rs. 252.86 Crs) and interest overdue (Rs. 82.64 Crs) of LIC loan. Accordingly the payment of Rs. 335.20 crores was made to LIC by borrowing an amount of Rs. 334 crores from REC and balance amount was contributed by erstwhile MPSEB."

2.67. Having heard the petitioner and gone through the various submissions made by the petitioner, the Commission has observed that there have been different approach for treatment of loans by MPPGCL in the past based on the provisional opening balance sheet.

While treating the loans based on final opening balance sheet, following two issues emerge primarily :

- a) A loan of Rs.840.37 crores was taken from LIC. This was not paid as scheduled and subsequently overdue interest and overdue repayment mounted to Rs.335 crores. This was restructured by obtaining a loan from REC of Rs.334 crores for payment of such overdues. Simultaneously, the loan not due of Rs.371 crores was also restructured with LIC and negotiated at a lower interest rate than that was originally agreed.
- b) In Bansagar I, II and III, Gross Fixed Assets are Rs.1243.92 crores. The historical loan component in this project is only about Rs.183 crores. This gives rise to surmise that balance cost was funded through State Government provisioning and internal accrual.

2.68. It is further observed that the loans due were not paid in one case, while substantial assets were created without adequate borrowings in other case. However, to strike a balance, the Commission has considered the request of MPPGCL for accepting REC loan against Bansagar project even though actually it has not gone into the funding of that asset.

2.69. While calculating the interest on REC loan, the Commission has considered the scheduled repayment as per terms and conditions and opening loan balances as per final opening balance sheet notified by the GoMP on 12th June, 2008. Accordingly, the year- wise interest amount on REC loan considering the impact of the final opening balance sheet has been worked out by applying the applicable weighted average rate of interest as given below:

Table: 26 Interest amount on REC loan: (Rs. Cr.)

| Year | Opening Balance | Sch. Repayment | Closing Balance | Average loan amount | Applicable interest rate (%) | Interest amount |
|------------------------|-----------------|----------------|-----------------|---------------------|------------------------------|-----------------|
| FY05-06 (10-months) | 334.20 | 30.37 | 303.83 | 319.02 | 8.50 | 22.60 |
| FY06-07 | 303.83 | 30.36 | 273.47 | 288.65 | 8.50 | 24.54 |
| FY07-08 | 273.47 | 30.36 | 243.11 | 258.29 | 8.50 | 21.95 |
| Total | | | | | | 69.09 |

2.70. Hence, the Commission has allowed the amount of Rs. 22.60 Cr. for FY 2005-06 (10-months), Rs. 24.54 Cr. for FY 2006-07 and Rs.21.95 Cr. for FY07-08 against the interest on REC Loan.

LIC Loan

2.71. As per the Provisional opening balance sheet, the total amount of LIC Loan as on 1st June, 2005 was Rs. 488.07 Cr. In the final opening balance sheets notified on 12th June,2008 the total amount of LIC Loan as on 1st June,2005 indicated Rs. 371.66 Cr. Full amount of LIC loan has been linked with the SGTPS, Birsinghpur.

2.72. While calculating the interest on LIC loan, the Commission has considered the scheduled repayment as per terms and conditions and opening loan balances as Rs.371.66 crores as on 1st June'2005. Since the LIC loan restructured for 10-years at lower interest rate therefore the Commission has taken the repayment without considering any moratorium. Accordingly,

the year-wise interest amount on LIC loan considering the impact of the final opening balance sheet has been determined by applying the applicable weighted average rate of interest as given below:

Table: 27 Interest amount on LIC loan: (Rs. Cr.)

| Year | Opening Balance | Sch. Repayment | Closing Balance | Average loan amount | Applicable interest rate | Interest amount |
|---------------------|-----------------|----------------|-----------------|---------------------|--------------------------|-----------------|
| FY05-06 (10-months) | 371.66 | 37.10 | 334.56 | 353.11 | 9.00 | 26.48 |
| FY06-07 | 334.56 | 37.10 | 297.46 | 316.01 | 9.00 | 28.44 |
| FY07-08 | 297.46 | 37.10 | 260.36 | 278.91 | 9.00 | 25.10 |
| Total | | | | | | 80.03 |

2.73. Hence, the Commission has allowed the amount of Rs. 26.48 Cr. for FY 2005-06 (10-months), Rs.28.44 Cr. for FY 2006-07 and Rs.25.10 Cr. for FY07-08 against the interest on LIC Loan.

CSS Loan:

2.74. As per the final opening balance sheet notified by GoMP dated 12th June,2008, the CSS loan amount allocated to MPPGCL is Rs. 0.40 crores.The Commission has determined the interest on CSS loan after taking the schedule repayment as indicated in audited accounts for FY2005-06 and interest rate as filed by the petitioner is as follows:

Table: Interest amount on CSS loan: (Rs. Cr.)

| Year | Opening Balance | Sch. Repayment | Closing Balance | Average loan amount | Applicable interest rate | Interest amount |
|---------------------|-----------------|----------------|-----------------|---------------------|--------------------------|-----------------|
| FY05-06 (10-months) | 0.40 | 0.39 | 0.01 | 0.21 | 12.00 | 0.02 |
| FY06-07 | 0.01 | 0.02 | -0.01 | 0.00 | 12.00 | 0.00 |
| FY07-08 | 0.00 | 0.00 | 0.00 | 0.00 | 12.00 | 0.00 |
| Total | | | | | | 0.02 |

2.75. Hence, the Commission has allowed interest on CSS loan of Rs. 0.02 crores for FY2005-06 (10-months) in this order.

MPSEB Loan

2.76. The MPSEB (Generic) loan of Rs. 259.00 Cr. has now been withdrawn by the GoMP in the final opening balance sheet notified on 12th June 2008 and effective from 1st June 2005. Therefore the petitioner has not filed any claim of interest on this amount for FY2007-08 or any previous period.

2.77. The issues related to unlinked loans including MPSEB loan have been discussed in earlier paras of this order. The Commission in para 3.52 of the true up order for FY2006-07 had

mentioned that, “Such loans which could not be tagged with specific projects have been termed as generic/unlinked loans. The Commission had considered these loans as working capital loans in earlier Order. However on the basis of additional submission dated 19/02/2009 by MPPGCL, the Commission agreed with the petitioner that unlinked loans have also been utilized for creation of fixed assets. Therefore interest should be allowed on unlinked loan to the extent it is established that these loans were used for asset creation”. The Commission had allowed the interest amount of Rs. 27.97 Cr .on MPSEB loan in true-up for FY 2006-07 based on audited accounts for FY2006-07.

2.78. Since the MPSEB loan (Generic loan) amount has now been withdrawn by the GoMP in final opening balance sheet, therefore the interest amount of Rs. 27.97 Cr. which had been considered and allowed earlier by the Commission in true-up order for FY2006-07 is now recoverable from MPPGCL. Hence, same amount is deducted from the total interest and finance charges.

GoMP Loan

2.79. The petitioner has submitted that, GoMP has transferred the loan to MPPGCL through final opening balance sheet in FY07-08. The details of the GoMP loan as per audited accounts of FY2007-08 is given below:

Table : 28

| Sr. No. | Particular | Amount in Rs. Cr. |
|----------------|---|--------------------------|
| 1 | Opening balance (Through final opening balance sheet) | 3.40 |
| 2 | Amount received during the year | 11.41 |
| 3 | Principal due at the beginning of the year | 2.96 |
| 4 | Payment due during the year | 5.42 |
| 5 | Payment made during the year | 0.00 |
| 6 | Outstanding at the end of the year | 9.39 |
| 7 | Interest due during the year | 3.32 |
| 8 | Interest actually paid during the year | 0.00 |

2.80. From the above details of the audited accounts it is seen that neither the principal amount nor the interest amount paid by the Company during the year. It is further observed that the amount of Rs. 3.40 Cr. is transferred through final opening balance sheet and same has been linked by the petitioner with the STPS, Sarni. The amount received during the year is Rs. 11.43 Cr. that has further been linked with the Sarni, Bansagar-IV and Madhikheda power stations.

2.81. For Bansagar-IV and Madhikheda power stations, the Commission has issued separate provisional tariff orders and the petitioner is required to file petition for determination of final tariff. These power stations were also not the part of last MYT order, therefore the amount of GoMP loan linked with Bansagar-IV and Madhikheda power stations shall be treated accordingly.

2.82. The Commission has allowed the interest on loan in true up orders for FY05-06 and FY06-07 based on the provisional opening balance sheet. The Commission had also allowed the interest on loan for FY07-08 in the MYT order dated 7th March 2006 which were also based on the provisional opening balance sheet. Lender-wise and year wise details of interest amount which had been allowed by the Commission is as follows:

Table: 29(a) Details of the interest allowed by the Commission in this true up order: Rs. Cr.

| Year | PFC | LIC | REC | MPSEB | CSS | Financing charges | Total |
|------------------------|--------------|--------------|--------------|-------------|-------------|-------------------|---------------|
| FY05-06 (10-months) | 17.39 | 26.48 | 22.60 | 0.00 | 0.02 | 1.13 | 67.62 |
| FY06-07 | 17.94 | 28.44 | 24.54 | 0.00 | 0.00 | 0.00 | 70.92 |
| FY07-08 | 14.11 | 25.10 | 21.95 | 0.00 | 0.00 | 0.00 | 61.17 |
| Total | 49.44 | 80.03 | 69.09 | 0.00 | 0.02 | 1.13 | 199.71 |

**Table: 29(b) Power Station-wise interest on loan determined in this true-up order
Rs. Cr.**

| Power Station | FY 2005-06 (10 months) including financing charges | FY 2006-07 | FY 2007-08 | Total Interest |
|---------------|---|--------------|--------------|----------------|
| ATPS | 0.64 | 0.68 | 0.60 | 1.92 |
| STPS | 0.70 | 0.71 | 0.49 | 1.90 |
| SGTPS | 37.98 | 39.52 | 33.63 | 111.14 |
| Bansagar | 27.97 | 29.63 | 26.20 | 83.80 |
| Rajghat | 0.33 | 0.38 | 0.24 | 0.95 |
| Total | 67.63 | 70.92 | 61.17 | 199.71 |

Table: 29(c) Details of the interest already allowed by the Commission: Rs. Cr.

| Year | PFC | LIC | REC | MPSEB | CSS | Financing charges | Total |
|------------------------|--------------|--------------|--------------|--------------|-------------|-------------------|---------------|
| FY05-06 (10-months) | 29.28 | 25.13 | 0.00 | 0.00 | 0.02 | 1.13 | 55.56 |
| FY06-07 | 25.19 | 35.81 | 26.23 | 27.97 | 0.00 | | 115.20 |
| FY07-08 | 18.45 | 30.32 | 0.00 | 0.00 | 0.00 | | 48.77 |
| Total | 72.92 | 91.26 | 26.23 | 27.97 | 0.00 | 1.13 | 219.53 |

2.83. In view of the above mentioned facts and figures based on the final opening balance sheet, audited accounts for FY 2007-08 and the actual status of loans and interest arrived after a consistent correspondence and discussions with petitioner, the Commission has determined the lender wise and year wise interest on loan as given below over and above what was already allowed and shall be the true-up amount :

Table: 30(a) Details of the balance interest allowed (Rs. Cr.)

| Year | PFC | LIC | REC | MPSEB | CSS | Financing charges | Total |
|------------------------|---------------|---------------|--------------|---------------|-------------|-------------------|---------------|
| FY05-06 (10-months) | -11.89 | 1.35 | 22.60 | 0.00 | 0.00 | 0.00 | 12.06 |
| FY06-07 | -7.25 | -7.37 | -1.69 | -27.97 | 0.00 | | -44.28 |
| FY07-08 | -4.34 | -5.22 | 21.95 | 0.00 | 0.00 | | 12.40 |
| Total | -23.48 | -11.23 | 42.86 | -27.97 | 0.00 | 0.00 | -19.82 |

Table: 30 (b) Summary of true-up for Interest and Finance Charges allowed Rs. Cr.

| Sr. No. | Particular | FY05-06 (10-months) | FY06-07 | FY07-08 | Total |
|---------|---|------------------------|---------------|--------------|---------------|
| 1 | Already allowed in earlier true-up/tariff order | 55.56 | 115.20 | 48.77 | 219.53 |
| 2 | Allowed in this tariff order | 67.63 | 70.92 | 61.17 | 199.71 |
| 3 | Total True-up amount allowed in this order | 12.07 | -44.28 | 12.40 | -19.82 |

Interest on the excess equity treated as loan :

2.84. Besides the interest charges determined above, interest on excess equity as mentioned in earlier paragraphs 2.22 & 2.23 of this order is worked out as below :

**Table : 31 Additional details of normative loan (Equity excess to normative equity):
Rs. Cr.**

| Power Station | CoD of last unit | Amount of excess equity as on CoD | Period of loan in years | No. of instalment | Amount of instalment | No. of instalments due before June,2005 | Opening balance of excess equity as on 01.06. 2005 |
|----------------------|------------------|-----------------------------------|-------------------------|-------------------|----------------------|---|--|
| ATPS | 31-Mar-78 | 6.18 | 10 | 20 | 0.31 | 20 | 0.00 |
| STPS | 27-Feb-84 | 25.95 | 10 | 20 | 1.30 | 20 | 0.00 |
| SGTPS | 23-Nov-99 | 92.44 | 10 | 20 | 4.62 | 10 | 46.22 |
| Total thermal | | 124.57 | | | 6.23 | 50 | 46.22 |
| Gandhi Sagar | 03-Nov-66 | 0.44 | 10 | | 0.00 | | 0.00 |
| Pench | 09-Mar-86 | 3.76 | 10 | | 0.00 | | 0.00 |
| Rajghat | 03-Nov-99 | 3.55 | 10 | 40 | 0.09 | 21 | 1.69 |
| Bargi | 29-Nov-88 | 3.73 | 10 | | 0.00 | | 0.00 |
| Bansagar | 02-Sep-02 | 53.31 | 10 | 40 | 1.33 | 11 | 40.98 |
| Birsinghpur | 01-Nov-91 | 2.23 | 10 | | 0.00 | | 0.00 |
| Total Hydel | | 67.02 | | | 1.42 | 32 | 42.66 |
| | | 191.59 | | | 7.65 | 82 | 88.88 |

2.85. It is pertinent to mention here that since the amount on equity in excess of the norms is treated as loan therefore, repayment of this loan has also been considered in accordance with the repayment schedule of other loan(s) for the respective power stations. No moratorium period has been considered while working out repayment of loan in excess of equity in respect of each power station and the repayment has been considered from the date of commercial operation of the last unit of the respective power house. Accordingly, the interest payable to the excess equity amount has been worked out applying year-wise weighted average rate of interest.

Table: 32 Power Station-wise interest on loan as Excess Equity:**SGTPS Birsingpur:**

| Sr. No. | Particular | Unit | FY05-06 (10-months) | FY06-07 | FY07-08 |
|---------|---------------------------|----------------|------------------------|-------------|-------------|
| 1 | Opening excess equity | Rs. Cr. | 46.22 | 36.98 | 27.73 |
| 2 | Repayment considered | Rs. Cr. | 9.24 | 9.24 | 9.24 |
| 3 | Closing excess equity | Rs. Cr. | 36.98 | 27.73 | 18.49 |
| 4 | Average excess equity | Rs. Cr. | 41.60 | 32.35 | 23.11 |
| 5 | Wt. avg. rate of interest | % | 8.15 | 8.23 | 8.56 |
| 6 | Interest amount | Rs. Cr. | 2.83 | 2.66 | 1.98 |

Rajghat:

| Sr. No. | Particular | Unit | FY05-06 (10-months) | FY06-07 | FY07-08 |
|---------|---------------------------|----------------|------------------------|-------------|-------------|
| 1 | Opening excess equity | Rs. Cr. | 1.69 | 1.33 | 0.98 |
| 2 | Repayment considered | Rs. Cr. | 0.36 | 0.36 | 0.36 |
| 3 | Closing excess equity | Rs. Cr. | 1.33 | 0.98 | 0.62 |
| 4 | Average excess equity | Rs. Cr. | 1.51 | 1.15 | 0.80 |
| 5 | Wt. avg. rate of interest | % | 8.15 | 8.23 | 8.56 |
| 6 | Interest amount | Rs. Cr. | 0.10 | 0.09 | 0.07 |

Bansagar:

| Sr. No. | Particular | Unit | FY05-06 (10-months) | FY06-07 | FY07-08 |
|---------|---------------------------|----------------|------------------------|-------------|-------------|
| 1 | Opening excess equity | Rs. Cr. | 40.98 | 35.65 | 30.32 |
| 2 | Repayment considered | Rs. Cr. | 5.33 | 5.33 | 5.33 |
| 3 | Closing excess equity | Rs. Cr. | 35.65 | 30.32 | 24.98 |
| 4 | Average excess equity | Rs. Cr. | 38.31 | 32.98 | 27.65 |
| 5 | Wt. avg. rate of interest | % | 8.15 | 8.23 | 8.56 |
| 6 | Interest amount | Rs. Cr. | 2.60 | 2.71 | 2.37 |

- 2.86. The Commission has allowed interest of Rs. 5.53 crores on excess equity for FY2005-06 (10-months), Rs 5.47 crores for FY2006-07 and Rs 4.41 crores for FY 2007-08 in this order.

Interest charges on Excess equity:**Rs. Cr.**

| Sr. No. | Particular | FY 2005-06 (10-months) | FY 2006-07 | FY 2007-08 | Total |
|---------|---|---------------------------|---------------|---------------|--------------|
| 1 | Already allowed in earlier true-up/tariff order | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Allowed in this tariff order | 5.53 | 5.47 | 4.41 | 15.41 |
| 3 | True-up amount allowed in this order | 5.53 | 5.47 | 4.41 | 15.41 |

**Table: 33 Year-wise Interest and finance charges (including interest on excess equity)
Amount in Rs. Cr.**

| Sr. No. | Power Station | Interest and finance charges allowed in this true up order | | |
|--------------|---------------|--|--------------|--------------|
| | | FY2005-06 (10-months) | FY2006-07 | FY2007-08 |
| 1 | ATPS Chachai | 0.64 | 0.68 | 0.60 |
| 2 | STPS Total | 0.70 | 0.71 | 0.49 |
| 3 | SGTPS Total | 40.81 | 42.19 | 35.61 |
| 4 | Gandhi Sagar | 0.00 | 0.00 | 0.00 |
| 5 | Pench | 0.00 | 0.00 | 0.00 |
| 6 | Rajghat | 0.43 | 0.47 | 0.31 |
| 7 | Bargi | 0.00 | 0.00 | 0.00 |
| 8 | Bansagar | 30.58 | 32.34 | 28.57 |
| 9 | Birsinghpur | 0.00 | 0.00 | 0.00 |
| Total | | 73.15 | 76.39 | 65.58 |

Table: 34(a) Interest and finance charges already allowed in earlier true-up/tariff orders:

Amount in Rs. Cr.

| Sr. No. | Power Station | Interest and finance charges already allowed by the Commission | | |
|--------------|---------------|--|----------------------------------|----------------------------|
| | | FY2005-06 (10-months) (ref. true-up FY05-06) | FY2006-07 (ref. true-up FY06-07) | FY2007-08 (ref. MYT order) |
| 1 | ATPS Chachai | 0.98 | 0.89 | 0.79 |
| 2 | STPS Total | 1.57 | 5.05 | 1.03 |
| 3 | SGTPS Total | 44.42 | 68.99 | 40.33 |
| 4 | Gandhi Sagar | 0.00 | 0.00 | 0.00 |
| 5 | Pench | 0.00 | 0.84 | 0.00 |
| 6 | Rajghat | 0.42 | 2.15 | 0.30 |
| 7 | Bargi | 0.00 | 1.25 | 0.00 |
| 8 | Bansagar | 8.17 | 35.18 | 6.32 |
| 9 | Birsinghpur | 0.00 | 0.85 | 0.00 |
| Total | | 55.56 | 115.20 | 48.77 |

Table: 34(b) Station wise true-up amount of interest and finance charges (including interest on excess equity) allowed in this order

Amount in Rs. Cr.

| Sr. No. | Power Station | Balance Interest and finance charges allowed to be recovered | | | |
|--------------|---------------|--|---------------|--------------|--------------|
| | | FY2005-06 (10-months) | FY2006-07 | FY2007-08 | Total |
| 1 | ATPS Chachai | -0.34 | -0.21 | -0.19 | -0.74 |
| 2 | STPS Total | -0.87 | -4.34 | -0.54 | -5.75 |
| 3 | SGTPS Total | -3.61 | -26.80 | -4.72 | -35.13 |
| 4 | Gandhi Sagar | 0.00 | 0.00 | 0.00 | 0.00 |
| 5 | Pench | 0.00 | -0.84 | 0.00 | -0.84 |
| 6 | Rajghat | 0.01 | -1.68 | 0.01 | -1.66 |
| 7 | Bargi | 0.00 | -1.25 | 0.00 | -1.25 |
| 8 | Bansagar | 22.41 | -2.84 | 22.25 | 41.82 |
| 9 | Birsinghpur | 0.00 | -0.85 | 0.00 | -0.85 |
| Total | | 17.59 | -38.81 | 16.80 | -4.40 |

Table : 34 (c) Total true-up of interest and finance charges including interest on excess equity determined by the Commission is as given below. Rs. Cr.

| Sr. No. | Particular | FY2005-06 (10-months) | FY 2006-07 | FY 2007-08 | Total |
|---------|---|-----------------------|---------------|--------------|--------------|
| 1 | Already allowed in earlier true-up/tariff order | 55.56 | 115.20 | 48.77 | 219.53 |
| 2 | Allowed in this tariff order | 73.15 | 76.39 | 65.58 | 215.12 |
| 3 | True-up amount allowed in this order | 17.59 | -38.81 | 16.81 | -4.40 |

Return on Equity

Petitioner's Submission

2.87. The petitioner's submission on this part has been almost covered in previous chapter on Capital cost of this order. However, some more contention of the petitioner is mentioned below:

2.88. The petitioner has further submitted in para 11.16 of petition that the admissible return on equity and interest thereon works out to Rs.580.55 Crores towards equity of the projects covered under the scope of this tariff petition as elaborated in the table below.

**Table : 35 Summary of Return on Equity + Interest on excess Equity
Amount in Cr. Rs.**

| Particulars | FY 06 (10M) | FY 07 | FY 08 | Total |
|------------------------|---------------|---------------|---------------|---------------|
| 1 ATPS Chachai | 5.46 | 6.67 | 6.90 | 19.03 |
| 2 STPS Total | 22.96 | 28.36 | 28.80 | 80.12 |
| 3 SGTSPS Total | 81.78 | 98.27 | 98.58 | 278.62 |
| 4 Total Thermal | 110.20 | 133.30 | 134.27 | 377.77 |
| 5 Gandhi Sagar | 0.39 | 0.47 | 0.47 | 1.33 |
| 6 Pench | 3.33 | 4.00 | 4.87 | 12.20 |
| 7 Rajghat | 3.14 | 3.77 | 3.78 | 10.69 |
| 8 Bargi | 3.30 | 3.96 | 3.97 | 11.23 |
| 9 Bansagar | 47.16 | 56.63 | 56.81 | 160.59 |
| 10 Birsinghpur | 1.98 | 2.37 | 2.38 | 6.73 |
| 11 Total Hydro | 59.29 | 71.21 | 72.28 | 202.78 |
| Total | 169.49 | 204.51 | 206.56 | 580.55 |

2.89. As against this, the Commission has permitted return on equity in previous tariff Orders/true up Orders as under amounting to Rs. 371.36 Crores.

**Table : 36 Return on Equity as permitted by MPERC
Amount in Cr.Rs**

| Particulars | FY 06 (10M) | FY 07 | FY 08 | Total |
|-------------|-------------|-------|-------|---------------|
| 1 ATPS | 3.70 | 4.21 | 4.21 | 12.12 |
| 2 STPS | 15.51 | 17.74 | 17.74 | 50.99 |
| 3 SGTSPS | 54.22 | 61.82 | 61.82 | 177.86 |

| | | | | | |
|--------------|----------------------|---------------|---------------|---------------|---------------|
| 4 | Total Thermal | 73.43 | 83.77 | 83.77 | 240.97 |
| 5 | Gandhi Sagar | 0.30 | 0.30 | 0.30 | 0.90 |
| 6 | Pench | 2.20 | 2.56 | 2.56 | 7.32 |
| 7 | Rajghat | 2.10 | 2.42 | 2.42 | 6.94 |
| 8 | Bargi | 2.00 | 2.26 | 2.26 | 6.52 |
| 9 | Bansagar | 31.81 | 36.28 | 36.28 | 104.37 |
| 10 | Birsinghpur | 1.30 | 1.52 | 1.52 | 4.34 |
| 11 | Total Hydro | 39.71 | 45.34 | 45.34 | 130.39 |
| Total | | 113.14 | 129.11 | 129.11 | 371.36 |

2.90. Considering this the amount of return on equity admissible towards true up for 3 years is as under:-

Table :37 True-up Amount on account of Return on Equity + Interest on excess Equity Amount in Cr.Rs

| Particulars | | FY 06 (10M) | FY 07 | FY 08 | Total |
|--------------|----------------------|----------------|--------------|--------------|----------------|
| 1 | ATPS Chachai | 1.76 | 2.46 | 2.69 | 6.91 |
| 2 | STPS Total | 7.45 | 10.62 | 11.06 | 29.13 |
| 3 | SGTPS Total | 27.56 | 36.45 | 36.76 | 1 00.76 |
| 4 | Total Thermal | 36.77 | 49.53 | 50.50 | 136.80 |
| 5 | Gandhi Sagar | 0.09 | 0.17 | 0.17 | 0.43 |
| 6 | Pench | 1.13 | 1.44 | 2.31 | 4.88 |
| 7 | Rajghat | 1.04 | 1.35 | 1.36 | 3.75 |
| 8 | Bargi | 1.30 | 1.70 | 1.71 | 4.71 |
| 9 | Bansagar | 15.35 | 20.35 | 20.53 | 56.22 |
| 10 | Birsinghpur | 0.68 | 0.85 | 0.86 | 2.39 |
| 11 | Total Hydro | 19.58 | 25.87 | 26.94 | 72.39 |
| Total | | 56.35 | 75.40 | 77.45 | 209.19 |

2.91. It is further submitted in the petition that the effect of final Opening balance sheet as provided by GoMP vide its notification dated 12th Jun 2008, has been given in balance sheet of FY08. In all the tariff petitions submitted earlier, MPPGCL has been submitting that the balance sheet (therefore the equity) provided by GoMP vide its notification dated 31st May 2005 is provisional and has been requesting to consider the impact due to changes in it at a subsequent stage, when final opening balance sheet is made available by GoMP. The Commission has also acknowledged the request of MPPGCL and has mentioned that it envisages a second true up when final balance opening balance sheet is made available by GoMP (section 3.66 & 3.67 of True up Order for FY 06). It is therefore requested that correction in the return on equity due to change in equity in final opening balance sheet for FY06 and FY07 as well may kindly be provided along with True up of FY08.

Provisions of the Regulation

2.92. The clause 21 of the Regulations provides that,

“Return on equity shall be computed on the paid up equity capital determined

in accordance with regulation 20 and shall be computed at 14% (post tax) per annum unless the Commission allows a lower level for reasons to be recorded.

Provided that return on equity invested in work in progress shall be allowed from the date of commercial operation.

The premium raised by the generating company while issuing share capital and investment of internal resources created out of free reserves, if any, shall also be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting capital expenditure and forms part of the approved financial package. For the purposes of computation of return, the portion of free reserves utilized for meeting the capital expenditure shall be considered from the date the asset created is productively deployed in the generating business. .

Equity invested in foreign currency shall be allowed a return up to the prescribed limit in the same currency and the computation on this account for the ensuing year shall be made in Indian Rupees based on the exchange rate prevailing on first day of March of the current year.

Commission's Analysis

- 2.93. The petitioner has also requested for a second true-up for FY 2005-06 and FY 2006-07 on the basis of final opening balance sheet notified by GoMP on 12th June, 2008.
- 2.94. In view of the above mentioned request by the petitioner and final opening balance sheet, the Commission would like to mention para 2.5 of the true-up order for FY 2005-06 dated 18th January, 2008 as given below :

“Equity from GoMP: *MPPGCL had indicated that the Capital Works in Progress of Rs. 1,040 Crore (as per the opening balance sheet) consisted of Rs. 740 Crore of PFCloan and Rs. 300 Crore of Equity from the GoMP. The MPPGCL claimed Rs. 690 Crore as loan utilized for CWIP. The Commission had found out that they had left out funds utilized for Bansagar-IV amounting to Rs. 49.14 Crore and had hence included the same. In terms of the above submission of MPPGCL, out of Rs. 1,278 Crore of Equity Capital, Rs. 300 Crore pertains to projects under construction leaving a balance of Rs. 978 Crore towards completed projects. Earlier, GoMP's contribution towards implementation of a project had been on the basis of budgetary allocations and not in the form of equity capital. The GoMP had indicated equity capital in the opening balance sheet and in the absence of complete details of the release of equity by the GoMP, the Company had proposed to allocate the amount of Rs. 978 Crore to various projects on the basis of opening gross block. As the opening gross block allocated is Rs. 4453 Crore, the equity component of Rs. 978 Crore (as stated above) in the project cost would amount to about 22% (21.96% to be precise). The Commission agreed with the proposal of MPPGCL in this regard.....”*

- 2.95. The Commission in its true-up of Generation Tariff Order for FY 2005-06 considered the proposal of MPPGCL in this regard. The proposed allocation of equity capital, which was considered in the true-up order for FY 2005-06 is as under :

Table : 38

| Power Station | Gross Block (Rs. Crores) | % of total Gross Block | Equity capital proposed (Rs.Crores) |
|--------------------------|-----------------------------|---------------------------|---|
| ATPS, Chachai | 144 | 3.23 | 32 |
| STPS, Sarni | 607 | 13.63 | 133 |
| SGTPS, Birsinghpur | 2115 | 47.50 | 465 |
| Gandhi Sagar | 10 | 0.23 | 2 |
| R.P.Sagar | 19 | 0.42 | 4 |
| J Sagar | 17 | 0.37 | 4 |
| Pench | 88 | 1.97 | 19 |
| Rajghat | 83 | 1.86 | 18 |
| Bargi | 77 | 1.74 | 17 |
| Bansagar-I (Tons) | 942 | 21.16 | 207 |
| Bansagar -II (Silpara) | 120 | 2.69 | 26 |
| Bansagar -III (Devloned) | 179 | 4.03 | 40 |
| Bansagar Total | 1241 | 27.88 | 273 |
| Birsinghpur Hydel | 52 | 1.17 | 11 |
| Total MPPGCL | 4453 | 100.00 | 978 |

2.96. The Commission in the same true-up Order for FY 2005-06 had further mentioned in para 2.6 that the projects which are outside the State viz. Rana Pratap Sagar & Jawahar Sagar are not coming under the purview of Commission and hence are excluded leaving a balance of Rs. 970 Cr as equity invested in projects under the operation control of MPPGCL. The Commission has considered the equity of Rs.970 crores for the projects under operational control of MPPGCL as per provisional opening balance sheet.

2.97. Further, it is worthwhile to mention that MPPGCL in para 2.10 of its petition for determination of Multi Year Tariff from FY 2006-07 to FY 2008-09 had submitted that the Government of Madhya Pradesh through the provisional opening balance-sheet provided equity of Rs. 1278 Cr to MPPGCL, out of this Rs. 348.76 Cr is towards on going projects and balance of Rs. 929.57 Cr is towards completed projects, eligible for return.

2.98. Accordingly, the Commission in para 3.92 of the MYT order dated 7th March, 2006 has mentioned that

“The Commission in its order dated 25th January 2006 had gone into the computation of equity employed in the completed projects and had agreed with the contention of the Generating Company that out of total equity of Rs. 1278 Crore only Rs. 929.57 Crore had been employed in the completed project. Since the last order no changes have taken place in the opening gross block of fixed assets, the Commission for the purpose of computation of return considers Rs. 929.57 Crore as equity employed in commissioned assets as done in the previous order. The allocation of the equity on the basis of opening gross block of different power stations is also acceptable.....”

2.99. MPPGCL re-allocated the equity amount of various projects based on the opening gross block has elaborated in the table below:

Table : 39

| Particulars | Opening Gross Block (Rs. Crores) | Equity | |
|---------------------|----------------------------------|---------------|---------------|
| | | (Rs. Crores) | As % of GB |
| ATPS, Chachai | 143.97 | 30.06 | 20.88% |
| STPS, Sarni | 606.85 | 126.69 | 20.88% |
| SGTPS, Birsinghpur | 2115.06 | 441.56 | 20.88% |
| Gandhi Sagar | 10.29 | 2.15 | 20.88% |
| R.P.Sagar | 18.86 | 3.94 | 20.88% |
| J Sagar | 16.56 | 3.46 | 20.88% |
| Pench | 87.50 | 18.27 | 20.88% |
| Rajghat | 82.75 | 17.28 | 20.88% |
| Bargi | 77.27 | 16.13 | 20.88% |
| Bansagar | 1241.38 | 259.16 | 20.88% |
| Birsinghpur | 52.12 | 10.88 | 20.88% |
| Total MPPGCL | 4452.61 | 929.57 | 20.88% |

2.100. The Commission in its true-up order for FY 2006-07 issued on 17th June, 2009 had also admitted the same equity of Rs.929.57 crores employed in completed projects. An amount of Rs.129.11 crores @ 14% on equity of Rs.922 crores (only for operational capacity of MPPGCL) was allowed by the Commission in true-up order for FY 2006-07 issued on 17th June, 2009. In furtherance of the above approach in past tariff and true-up orders, the Commission has moved ahead for true-up of earlier true-up orders for FY 2005-06 and FY 2006-07 and true-up for FY 2007-08 in MYT order dated 7th March, 2006 on this petition.

2.101. MPPGCL in the present petition for true-up of FY 2007-08 has now submitted that the Government of Madhya Pradesh vide its notification dated 31st May, 2005 had provided MPPGCL equity of Rs. 1278 Cr as on 1st June, 2005, through provisional opening balance-sheet. Subsequently vide its notification dated 12-06-08 the GoMP has increased the allocation of equity to MPPGCL by Rs. 637.08 Cr. through final opening balance sheet. The MPPGCL has further submitted that the equity so allocated has not been provided with Station-wise details in either of the two notifications mentioned above. Therefore the MPPGCL has allocated equity in the existing projects under commercial operation as per procedure prescribed by the Commission in the Tariff Order for FY 2005-06.

2.102. The MPPGCL has re-allocated equity in projects under commercial operation as given below:

Table : 40

Equity in CWIP as on 1st Jun 2005

Amount in Cr. Rs.

| Particulars | | As per Opening Balance Sheet | | Difference |
|-----------------------|--------------|------------------------------|----------------|--------------|
| | | Provisional | Final | |
| Total CWIP | Cr Rs | 10 40.00 | 11 09.75 | 69.75 |
| Loan in CWIP | Cr Rs | 7 39.57 | 7 39.57 | 0.00 |
| Equity in CWIP | Cr Rs | 3 00.43 | 3 70.18 | 69.75 |
| Funding of CWIP | Debt | 71.11% | 66.64% | |
| | Equity | 28.89% | 33.36% | |

Table : 41 Equity in running power stations as on 1st Jun 2005
Amount in Cr.Rs.

| Particulars | | As per Opening Balance Sheet | | Difference |
|--|--------------|------------------------------|----------------|---------------|
| | | Provisional | Final | |
| Total Equity | Cr Rs | 1278.00 | 1915.08 | 637.08 |
| Less Equity in CWIP | Cr Rs | - 300.43 | - 370.18 | - 69.75 |
| Equity in Projects under Commercial Operation | Cr Rs | 977.57 | 1544.90 | 567.33 |

2.103. From the above details submitted by the MPPGCL, it is observed that there is an increase of Rs. 567.33 Cr in the equity allocation to the projects under commercial operations including Rs. 69.75 Cr equity in CWIP (with reference to para 2.5 of true-up order dated 18th January, 2008 for FY 2005-06). The equity is further re-allocated to various projects on the basis of opening gross block is as given below:

Table : 42 Allocation of Equity as on 1st June, 2005
Amount in Cr.Rs.

| Sr. No. | Power Station | Opening Gross Block as per final opening balance Sheet (excluding inter state projects) | % of total Gross Block | Equity as per final opening balance sheet | Normative equity for ROE (30% of the GB) | Excess equity treated as normative loan |
|--------------|----------------------|---|------------------------|---|--|---|
| 1 | ATPS | 144.11 | 3.20 | 49.41 | 43.23 | 6.18 |
| 2 | STPS | 605.61 | 13.44 | 207.64 | 181.68 | 25.95 |
| 3 | SGTPS | 2157.19 | 47.87 | 739.60 | 647.16 | 92.44 |
| 5 | Total Thermal | 2906.91 | 64.51 | 996.65 | 872.07 | 124.57 |
| 6 | Gandhi Sagar | 10.29 | 0.23 | 3.53 | 3.09 | 0.44 |
| 7 | Pench | 87.74 | 1.95 | 30.08 | 26.32 | 3.76 |
| 8 | Rajghat | 82.79 | 1.84 | 28.38 | 24.84 | 3.55 |
| 9 | Bargi | 86.99 | 1.93 | 29.82 | 26.10 | 3.73 |
| 10 | Bansagar | 1243.92 | 27.60 | 426.48 | 373.18 | 53.31 |
| 11 | Birsinghpur | 52.15 | 1.16 | 17.88 | 15.65 | 2.23 |
| 12 | Total Hydro | 1563.88 | 34.70 | 536.18 | 469.16 | 67.02 |
| Total | | 4470.79 | 99.21 | 1532.83 | 1341.24 | 191.59 |

2.104. The Commission has observed that the total equity allocated to MPPGCL including inter-state power stations through final opening balance sheet for running power stations is in excess of normative by Rs.191.59 Cr. The Commission has also considered the same allocation of power station-wise equity based on the percentage of opening gross block.

2.105. The Commission has further observed that the amount allocated to power station-wise equity is more than the normative equity (30% of Gross Block) therefore the Commission has allowed the return on equity only upto normative equity amount (30% of the Gross Block) and balance amount of equity considered as loan on which weighted average rate of interest is applied.

- 2.106. The Petitioner in its petition has also filed the applicable weighted average rate of interest on equity in excess of normative equity as 8.15% in FY2005-06, 8.23 % in FY 2006-07 and 8.56% in FY 2007-08. The Petitioner has also submitted the power station- wise details of loans from which the weighted average rate of interest has been derived.
- 2.107. Since the return on equity allowed by the Commission in true-up orders for FY2005-06 and FY2006-07 were based on provisional opening balance sheet, the Commission has therefore, reworked the return on equity for FY2005-06 and FY2006-07 on the basis of the datas filed by the petitioner as per final opening balance sheet. The power station-wise details of return on equity allowed by the Commission for FY 2005-06, FY 2006-07 and FY 2007-08 based on the final opening balance sheet is as given below

Table : 43 Power Station-wise and Year-wise Return on Equity:

ATPS,Chachai:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|--------------|--------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 43.23 | 43.23 | 43.23 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 5.04 | 6.05 | 6.05 |
| 3 | RoE already allowed | Rs. Cr. | 3.70 | 4.21 | 4.21 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 1.34 | 1.84 | 1.84 |

STPS,Sarni:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|---------------|---------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 181.68 | 181.68 | 181.68 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 21.20 | 25.44 | 25.44 |
| 3 | RoE already allowed | Rs. Cr. | 15.51 | 17.74 | 17.74 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 5.69 | 7.70 | 7.70 |

SGTPS, Birsinghpur:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|---------------|---------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 647.16 | 647.16 | 647.16 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 75.50 | 90.60 | 90.60 |
| 3 | RoE already allowed | Rs. Cr. | 54.22 | 61.82 | 61.82 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 21.28 | 28.78 | 28.78 |

Gandhi Sagar:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|-------------|-------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 3.09 | 3.09 | 3.09 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 0.36 | 0.43 | 0.43 |
| 3 | RoE already allowed | Rs. Cr. | 0.30 | 0.30 | 0.30 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 0.06 | 0.13 | 0.13 |

Pench:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|--------------|--------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 26.32 | 26.32 | 26.32 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 3.07 | 3.69 | 3.69 |
| 3 | RoE already allowed | Rs. Cr. | 2.20 | 2.56 | 2.56 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 0.87 | 1.13 | 1.13 |

Rajghat:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|--------------|--------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 24.84 | 24.84 | 24.84 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 2.90 | 3.48 | 3.48 |
| 3 | RoE already allowed | Rs. Cr. | 2.10 | 2.42 | 2.42 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 0.80 | 1.06 | 1.06 |

Bargi:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|--------------|--------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 26.10 | 26.10 | 26.10 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 3.04 | 3.65 | 3.65 |
| 3 | RoE already allowed | Rs. Cr. | 2.00 | 2.26 | 2.26 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 1.04 | 1.39 | 1.39 |

Bansagar:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|---------------------|---------------|---------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 373.18 | 373.18 | 373.18 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 43.54 | 52.24 | 52.24 |
| 3 | RoE already allowed | Rs. Cr. | 31.81 | 36.28 | 36.28 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 11.73 | 15.96 | 15.96 |

Birsinghpur:

| Sr. No. | Particular | Unit | FY05-06 (10-Months) | FY06-07 | FY07-08 |
|---------|---|---------|------------------------|--------------|--------------|
| 1 | Equity eligible for RoE | Rs. Cr. | 15.65 | 15.65 | 15.65 |
| 2 | Return on Equity @ 14% | Rs. Cr. | 1.83 | 2.19 | 2.19 |
| 3 | RoE already allowed | Rs. Cr. | 1.30 | 1.52 | 1.52 |
| 4 | Balance amount allowed to be recovered | Rs. Cr. | 0.53 | 0.67 | 0.67 |

2.108. Considering the impact of final opening balance sheet, the Commission has determined the true-up amount of return on equity of Rs.58.66 crores for FY 2007-08. The Commission has also allowed further true-up of equity for FY 2005-06 and FY 2006-07 as Rs.43.34 Crores and Rs.58.66 Crores respectively over and above the amount already allowed in earlier true-up Orders of respective years.

Normative Return on equity:

Rs. Cr.

| Sr. No. | Particular | FY 05-06 (10-months) | FY 06-07 | FY 07-08 | Total |
|---------|---|-------------------------|--------------|--------------|---------------|
| 1 | Already allowed in earlier true-up/tariff order | 113.14 | 129.11 | 129.11 | 371.36 |
| 2 | Allowed in this tariff order | 156.48 | 187.77 | 187.77 | 532.02 |
| 3 | True-up amount allowed in this order | 43.34 | 58.66 | 58.66 | 160.66 |

Depreciation:

Petitioner's Submission

2.109. The MPPGCL in its petition has submitted that it has been requesting to provide the depreciation on provisional basis and true up the differences on this account on receipt of Final Opening Balance Sheet in all earlier petitions i.e the tariff petition for FY 2005-06, True up petition of for FY 2005-06, MYT Tariff petition for FY 07 – FY 09 and True up petition of FY 2006-07, due to non availability of Final Opening Balance Sheet from GoMP,. Now, the Final Opening Balance Sheet is available and has been duly incorporated in the balance sheet of MPPGCL, therefore, true up of the differences is necessary. Therefore, MPPGCL has worked out the depreciation upto FY 08 i.e. for FY 06, FY 07 and FY 08. Against the sum of these admissible depreciations.

2.110. MPPGCL has further submitted that during FY 06 to FY 08, there have been also some asset additions in new capacities as well as in the existing plants under commercial operation, covered under the scope of this petition. The year wise, account code wise details of the asset additions are elaborated in the table below:-

Table : 44 Assets Addition in FY 06, FY 07 and FY 08**Amount in Cr. Rs.**

| S. No. | Asset Description | Gross Block of Assets | | | | |
|--------------|---------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | | As on 1st Jun 05 | Addition in FY 06 | Addition in FY 07 | Addition in FY 08 | As on 31 March 08 |
| 1 | Land And Land Rights | 55.80 | 0.96 | 0.21 | 2.23 | 59.20 |
| 2 | Buildings Containing Gen. Plant | 430.00 | 0.02 | 4.76 | 2.54 | 437.32 |
| 3 | Hydraulic Works | 1029.12 | 2.10 | 120.84 | 38.69 | 1190.75 |
| 4 | Other Civil Works | 117.01 | 4.35 | 0.13 | 0.20 | 121.68 |
| 5 | Plant And Machinery | 2729.93 | 8.12 | 141.58 | 77.71 | 2957.34 |
| 6 | Lines, Cable Network Etc. | 139.47 | 0.01 | 0.00 | 0.00 | 139.48 |
| 7 | Vehicles | 2.78 | 0.00 | 0.00 | 0.00 | 2.78 |
| 8 | Furniture And Fixtures | 0.63 | 0.01 | 0.17 | 0.05 | 0.86 |
| 9 | Office Equipments | 1.47 | 0.28 | 0.25 | 0.46 | 2.46 |
| 10 | Unclassified Fixed Assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | | 4506.21 | 15.86 | 267.94 | 121.88 | 4911.88 |

2.111. Station wise breakup of above asset additions are given in the table below:-

Table : 45 Station wise Assets Addition in FY 06, FY 07 and FY 08**Amount in Cr.Rs.**

| S.No | Asset Description | FY 06 | FY 07 | FY 08 | Total |
|---|----------------------|--------------|---------------|---------------|---------------|
| 1 | ATPS | 6.17 | 13.35 | 19.00 | 38.52 |
| 2 | STPS | 8.26 | 6.73 | 9.64 | 24.63 |
| 3 | SGTPS | 0.59 | 0.03 | 3.48 | 4.09 |
| 4 | Total Thermal | 15.01 | 20.11 | 32.12 | 67.24 |
| 5 | Pench | 0.10 | 8.40 | 0.00 | 8.51 |
| 6 | Rajghat | 0.00 | 0.00 | 0.01 | 0.01 |
| 7 | Bargi | 0.00 | 0.00 | 0.04 | 0.04 |
| 8 | Bansagar | 0.60 | 109.73 | 6.37 | 116.70 |
| 9 | Madhikheda | 0.00 | 129.59 | 83.15 | 212.74 |
| 10 | Total Hydro | 0.71 | 247.73 | 89.57 | 338.00 |
| 11 | HQ | 0.13 | 0.10 | 0.19 | 0.43 |
| Total | | 15.86 | 267.94 | 121.88 | 405.67 |
| Total Excluding Bansagar IV & Madhikheda | | 15.25 | 28.61 | 32.36 | 76.23 |

2.112. From the above it may be seen that major asset addition has taken place in new plants only. The asset addition in the plants covered in FY 06 Tariff order & MYT Tariff order for FY 07- FY 09 amounts to Rs 76.23 Cr only in a period of three years. This addition is equal to 1.71% of the opening Gross block (0.57% per year). It may kindly be appreciated that the plants and machineries of MPPGCL are very old and require capital replacement.

2.113. The further MPPGCL has submitted that as the assets in the records of MPPGCL are only for its share. Thus, the depreciation is computed for the MPPGCL share only.

2.114. The values of depreciation (for MPPGCL Share) as permitted by Commission in tariff orders for FY 06 and MYT order for FY 07 to FY 09 (for year FY 07 and FY 08) are as under:-

Table : 46 Depreciation As Permitted by MPERC FY 06 to FY 08
Amount in Cr.Rs.

| S. No | Particular | FY 06 | FY 07 | FY 08 | Total |
|--------------|----------------------|--------------|---------------|---------------|---------------|
| 1 | ATPS | 0.76 | 1.41 | 1.43 | 3.60 |
| 2 | STPS | 4.92 | 5.52 | 5.48 | 15.92 |
| 3 | SGTPS | 61.16 | 68.75 | 68.50 | 198.41 |
| 4 | Total Thermal | 66.83 | 75.68 | 75.41 | 217.92 |
| 5 | Gandhi Sagar | 0.07 | 0.08 | 0.08 | 0.23 |
| 6 | Pench | 0.97 | 1.14 | 1.14 | 3.25 |
| 7 | Rajghat | 1.83 | 2.19 | 2.19 | 6.21 |
| 8 | Bargi | 1.62 | 1.94 | 1.93 | 5.49 |
| 9 | Bansagar | 21.55 | 25.87 | 25.87 | 73.29 |
| 10 | Birsinghpur | 1.11 | 1.33 | 1.33 | 3.77 |
| 11 | Total Hydro | 27.13 | 32.55 | 32.54 | 92.22 |
| Total | | 93.97 | 108.23 | 107.95 | 310.15 |

2.115. Corresponding values of Depreciation (for MPPGCL share in installed capacity of respective plant, excluding R P Sagar, Jawahar Sagar, Madhikheda and Bansagar IV) works out as under:

Table : 47 Depreciation (MPPGCL Share) for FY 06 to FY 08
Amount in Cr.Rs.

| S.No. | Asset Description | Depreciation on Share basis | | | |
|--------------|----------------------|-----------------------------|---------------|---------------|---------------|
| | | FY 06 | FY 07 | FY 08 | Total |
| 1 | ATPS Chachai | 1.29 | 1.88 | 2.68 | 5.86 |
| 2 | STPS Total | 4.89 | 5.95 | 6.33 | 17.17 |
| 3 | SGTPS Total | 62.41 | 70.27 | 69.89 | 202.57 |
| 4 | Total Thermal | 68.59 | 78.10 | 78.91 | 225.59 |
| 5 | Gandhi Sagar | 0.07 | 0.08 | 0.08 | 0.22 |
| 6 | Pench | 0.98 | 1.29 | 1.42 | 3.68 |
| 7 | Rajghat | 1.83 | 2.19 | 2.19 | 6.21 |
| 8 | Bargi | 1.78 | 2.14 | 2.13 | 6.05 |
| 9 | Bansagar | 21.59 | 25.92 | 25.95 | 73.47 |
| 10 | Birsinghpur | 1.11 | 1.33 | 1.32 | 3.76 |
| 11 | Total Hydro | 27.36 | 32.96 | 33.08 | 93.40 |
| Total | | 95.95 | 111.06 | 111.99 | 318.99 |

2.116. Considering above, the petitioner has submitted that the depreciation amount admissible for true up works out to Rs. 8.83Cr., as elaborated in table below:

Table : 48 True up Amount on Account of Depreciation for FY 06 to FY 08
Amount in Cr.Rs.

| S. No | Particular | FY 06 | FY 07 | FY 08 | Total |
|--------------|----------------------|-------------|-------------|-------------|-------------|
| 1 | ATPS | 0.53 | 0.47 | 1.25 | 2.25 |
| 2 | STPS | -0.03 | 0.43 | 0.85 | 1.25 |
| 3 | SGTPS | 1.25 | 1.52 | 1.39 | 4.16 |
| 4 | Total Thermal | 1.75 | 2.42 | 3.49 | 7.66 |
| 5 | Gandhi Sagar | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Pench | 0.01 | 0.15 | 0.28 | 0.44 |
| 7 | Rajghat | 0.00 | 0.00 | 0.00 | 0.00 |
| 8 | Bargi | 0.17 | 0.20 | 0.20 | 0.57 |
| 9 | Bansagar | 0.04 | 0.05 | 0.08 | 0.17 |
| 10 | Birsinghpur | 0.00 | 0.00 | -0.01 | -0.01 |
| 11 | Total Hydro | 0.22 | 0.40 | 0.55 | 1.17 |
| Total | | 1.97 | 2.82 | 4.04 | 8.83 |

Provisions of the Regulation

2.117. Clause 20 of the regulation of 2005 for generation tariff 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 historical cost of the assets, i.e. actual expenses limited to approved /accepted capital cost:*

Provided that the consumer contribution or capital subsidy/ grant etc shall be treated as per the accounting rules notified and in force from time to time.

- (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) *Depreciation rates for the purpose of determination of allowable depreciation shall be as per CERC notification. The existing rates are given in Annexure-I of this regulation.*

Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost.

The same clause of the aforementioned regulation further provides that;

On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

Commission's Analysis:

- 2.118. The value of opening gross block mentioned by MPPGCL in its true-up petition for computation of depreciation is similar to the value notified by GoMP in its final opening balance sheet dated 12th June, 2008 effective from 1st June, 2005.
- 2.119. MPPGCL has claimed the depreciation amount from FY 2005-06 to FY 2007-08 by taking the impact of final opening balance sheet. MPPGCL has also filed the depreciation on the assets added due to need based additional capitalization during FY 2005-06 to FY 2007-08. The power station-wise detail of additional capitalization has been discussed in the chapter of additional capitalization.
- 2.120. The Commission had issued the true-up order for FY 2005-06 on 18th January, 2008. In this order, MPPGCL had not shown any additional capitalization in their fixed asset. The Commission in para 3.44 of its true-up tariff order dated 18th January, 2008 had mentioned that in the final balance opening sheet, if the asset value is changed and MPPGCL makes necessary corrections in the asset registers, the Commission will consider to allow the depreciation on the same.
- 2.121. The Commission had also issued the true-up tariff order for FY 2006-07 on 17th June, 2009. In that petition also, the petitioner had not claimed any further capitalization and asset addition for the reasons discussed in that order. Therefore, the Commission had allowed the same amount of depreciation as allowed in MYT order for FY 2006-07.
- 2.122. The Commission in clause 6.21 of its tariff order for FY 2005-06 dated 25th March, 2006 had also mentioned that "MPPGCL has not reported any asset addition during FY 2005-06 but has requested for a subsequent adjustment at the time of trueing-up. The Commission shall permit the capital expenditure for inclusion in capital base only after prudence check and shall consider only for units located within M P."
- 2.123. Since the Commission had directed MPPGCL to provide the asset register based on the status prevailing accordingly, MPPGCL has prepared asset-cum-depreciation registers for each power station separately and its computation of depreciation based on the rate prescribed by the Commission. MPPGCL has updated the asset registers after incorporating the changes as provided in final opening balance sheet and addition of assets in FY 2005-06 (10 months), FY 2006-07 and FY 2007-08.
- 2.124. As per the final opening balance sheet notified by the GoMP, the gross fixed assets have been shown as Rs.4506 crores and accumulated depreciation as Rs.1801 crores. The MPPGCL has filed on affidavit that the depreciation on the gross block has been computed based on the following :
- ☛ The rates for depreciation are considered as approved by the Commission in Appendix-II of Regulation G-26 of 2005.
 - ☛ The salvage value of assets is considered as 10% i.e. none of the assets is depreciated more than 90% of the gross value.
 - ☛ In case the asset is capitalized during mid of the year, the depreciation is charged on pro rata on day basis.

- Till FY2007-08, MPPGCL was following the guidelines prescribed in ESSAR 1985, wherein the assets were brought on the asset register on the last date of the year of their capitalization. Therefore on such assets the depreciation for 6 months in their respective year of capitalization is charged.

2.125. On scrutiny of the power station-wise asset registers submitted by MPPGCL and depreciation filed in the petition, it is observed that MPPGCL has also filed the amount of depreciation with regard to Bansagar IV (Jhinna) in Bansagar Hydro Power Station. Since the separate tariff order of Bansagar IV for provisional tariff had already been issued by the Commission on 18th January, 2008 and the petition for determination of final tariff for this power station to be filed by the company therefore, the Commission has not considered the claim of depreciation for this power station. The Commission has also not considered the depreciation for Madhikheda Hydro Power Station. The Commission has only considered the claim for those power stations which were included in the MYT order from FY 2006-07 to FY 2008-09.

2.126. It has been observed that the accumulated depreciation has also changed in final opening balance sheet notified by GoMP. The table below elaborates the values of accumulated depreciation admitted by the Commission based on provisional opening balance sheet and the accumulated depreciation based on final opening balance sheet filed by MPPGCL is as follows:

Table : 49 **Accumulated Depreciation as on 1st Jun 2005**
Amount in Cr.Rs.

| Stations | | | As per Prov. Balance sheet | As per Final. Balance Sheet | Difference |
|--------------|----------------------|--------------|-------------------------------|--------------------------------|--------------|
| 1 | ATPS | Cr Rs | 105.21 | 105.03 | -0.18 |
| 2 | STPS | Cr Rs | 453.21 | 452.15 | -1.06 |
| 3 | SGTPS | Cr Rs | 818.12 | 843.95 | 25.83 |
| 4 | Malwa | Cr Rs | 0.00 | 0.00 | 0.00 |
| 5 | Total Thermal | Cr Rs | 1376.54 | 1401.13 | 24.59 |
| 6 | Gandhi Sagar | Cr Rs | 7.75 | 7.77 | 0.02 |
| 7 | R.P. Sagar | Cr Rs | 16.40 | 16.43 | 0.03 |
| 8 | J Sagar | Cr Rs | 8.94 | 8.96 | 0.02 |
| 9 | Pench | Cr Rs | 56.10 | 56.35 | 0.25 |
| 10 | Rajghat | Cr Rs | 16.05 | 16.59 | 0.54 |
| 11 | Bargi | Cr Rs | 39.93 | 40.51 | 0.58 |
| 12 | Bansagar | Cr Rs | 227.60 | 232.90 | 5.30 |
| 13 | Madhikheda | Cr Rs | 0.00 | 0.00 | 0.00 |
| 14 | Birsinghpur | Cr Rs | 19.98 | 20.31 | 0.33 |
| 15 | Total Hydro | Cr Rs | 392.75 | 399.82 | 7.07 |
| 16 | HQ | Cr Rs | 0.00 | 0.00 | 0.00 |
| Total | | Cr Rs | 1769.29 | 1800.95 | 31.66 |

2.127. The Commission has admitted the opening accumulated depreciation for MPPGCL share of Rs.1775.56 crores for the year FY2005-06 for the power stations under operating control of MPPGCL.

2.128. In the MYT order from FY 2006-07 to FY 2008-09, the Commission has determined the depreciation on share basis for the power stations operated by MPPGCL. The same procedure has been adopted by the Commission in this true-up order for determination of depreciation. The Commission has not considered the RP Sagar and J. Sagar since they are not under operational control of MPPGCL.

2.129. Since the Commission has not considered additional capatilazation in this order for the reasons mentioned in para 2.30 of this Order, the Commission has considered the same Gross Block for FY06, FY07 and FY08 in this order. The power station-wise depreciation for FY 2005-06, FY 2006-07 and FY 2007-08 is worked out as follows:

- ❖ Depreciation for FY2005-06 is worked out for 10 months as calculated in the assets registers filed by the MPPGCL.
- ❖ Depreciation for FY2006-07 and FY2007-08 has been worked out by applying the average rate of depreciation on opening Gross Block as per the assets register without considering the additional capitalization.
- ❖ Details of power station wise depreciation determined by the Commission is given as below:

Table: 50 Power Station wise depreciation:

| ATPS, Chachai: | | | | Rs. Cr. |
|-----------------------|--|----------------------------------|------------------|------------------|
| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
| 1 | Opening Gross Block | 144.11 | 144.11 | 144.11 |
| 2 | Opening accumulated depreciation | 105.03 | 106.22 | 107.65 |
| 3 | Average annual rate of depreciation (%) | 0.99 | 0.99 | 0.97 |
| 4 | Depreciation during the year | 1.19 | 1.43 | 1.40 |
| 5 | Closing accumulated depreciation | 106.22 | 107.65 | 109.05 |
| 6 | Depreciation already allowed by the Commission | 0.76 | 1.41 | 1.43 |
| 7 | Balance depreciation allowed to be recovered | 0.43 | 0.02 | -0.03 |

| STPS, Sarni: | | | | Rs. Cr. |
|---------------------|--|----------------------------------|------------------|------------------|
| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
| 1 | Opening Gross Block | 605.61 | 605.61 | 605.61 |
| 2 | Opening accumulated depreciation | 452.15 | 456.94 | 462.60 |
| 3 | Average annual rate of depreciation (%) | 0.95 | 0.93 | 0.93 |
| 4 | Depreciation during the year | 4.79 | 5.65 | 5.61 |
| 5 | Closing accumulated depreciation | 456.94 | 462.60 | 468.21 |
| 6 | Depreciation already allowed by the Commission | 4.92 | 5.52 | 5.48 |
| 7 | Balance depreciation allowed to be recovered | -0.13 | 0.13 | 0.13 |

SGTPS, Birsingpur:

Rs. Cr.

| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
|---------|--|--------------------------|-----------|-----------|
| 1 | Opening Gross Block | 2157.19 | 2157.19 | 2157.19 |
| 2 | Opening accumulated depreciation | 843.95 | 906.35 | 976.57 |
| 3 | Average annual rate of depreciation (%) | 3.47 | 3.26 | 3.26 |
| 4 | Depreciation during the year | 62.40 | 70.23 | 69.80 |
| 5 | Closing accumulated depreciation | 906.35 | 976.57 | 1046.37 |
| 6 | Depreciation already allowed by the Commission | 61.16 | 68.75 | 68.50 |
| 7 | Balance depreciation allowed to be recovered | 1.24 | 1.48 | 1.30 |

Gandhi Sagar:

Rs. Cr.

| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
|---------|--|--------------------------|-----------|-----------|
| 1 | Opening Gross Block | 10.29 | 10.29 | 10.29 |
| 2 | Opening accumulated depreciation | 7.77 | 7.84 | 7.91 |
| 3 | Average annual rate of depreciation (%) | 0.76 | 0.76 | 0.76 |
| 4 | Depreciation during the year | 0.07 | 0.08 | 0.08 |
| 5 | Closing accumulated depreciation | 7.84 | 7.91 | 7.99 |
| 6 | Depreciation already allowed by the Commission | 0.07 | 0.08 | 0.08 |
| 7 | Balance depreciation allowed to be recovered | 0.00 | 0.00 | 0.00 |

Pench:

Rs. Cr.

| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
|---------|--|--------------------------|-----------|-----------|
| 1 | Opening Gross Block | 87.74 | 87.74 | 87.74 |
| 2 | Opening accumulated depreciation | 56.35 | 57.32 | 58.48 |
| 3 | Average annual rate of depreciation (%) | 1.33 | 1.32 | 1.32 |
| 4 | Depreciation during the year | 0.97 | 1.16 | 1.16 |
| 5 | Closing accumulated depreciation | 57.32 | 58.48 | 59.63 |
| 6 | Depreciation already allowed by the Commission | 0.97 | 1.14 | 1.14 |
| 7 | Balance depreciation allowed to be recovered | 0.00 | 0.02 | 0.02 |

Rajghat:

Rs. Cr.

| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
|---------|--|--------------------------|-----------|-----------|
| 1 | Opening Gross Block | 82.79 | 82.79 | 82.79 |
| 2 | Opening accumulated depreciation | 16.59 | 18.42 | 20.24 |
| 3 | Average annual rate of depreciation (%) | 2.65 | 2.21 | 2.21 |
| 4 | Depreciation during the year | 1.83 | 1.83 | 1.83 |
| 5 | Closing accumulated depreciation | 18.42 | 20.24 | 22.07 |
| 6 | Depreciation already allowed by the Commission | 1.83 | 2.19 | 2.19 |
| 7 | Balance depreciation allowed to be recovered | 0.00 | -0.36 | -0.36 |

| Bargi: | | | | Rs. Cr. |
|----------------|--|----------------------------------|------------------|------------------|
| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
| 1 | Opening Gross Block | 86.99 | 86.99 | 86.99 |
| 2 | Opening accumulated depreciation | 40.51 | 42.29 | 44.43 |
| 3 | Average annual rate of depreciation (%) | 2.46 | 2.46 | 2.05 |
| 4 | Depreciation during the year | 1.78 | 2.14 | 1.78 |
| 5 | Closing accumulated depreciation | 42.29 | 44.43 | 46.22 |
| 6 | Depreciation already allowed by the Commission | 1.62 | 1.94 | 1.93 |
| 7 | Balance depreciation allowed to be recovered | 0.16 | 0.20 | -0.15 |

| Bansagar: | | | | Rs. Cr. |
|------------------|--|----------------------------------|------------------|------------------|
| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
| 1 | Opening Gross Block | 1243.92 | 1243.92 | 1243.92 |
| 2 | Opening accumulated depreciation | 232.90 | 254.49 | 280.42 |
| 3 | Average annual rate of depreciation (%) | 2.08 | 2.08 | 2.08 |
| 4 | Depreciation during the year | 21.59 | 25.93 | 25.93 |
| 5 | Closing accumulated depreciation | 254.49 | 280.42 | 306.35 |
| 6 | Depreciation already allowed by the Commission | 21.55 | 25.87 | 25.87 |
| 7 | Balance depreciation allowed to be recovered | 0.04 | 0.06 | 0.06 |

| Birsingpur: | | | | Rs. Cr. |
|--------------------|--|----------------------------------|------------------|------------------|
| Sr. No. | Particular | FY2005-06 (10 Months) | FY2006-07 | FY2007-08 |
| 1 | Opening Gross Block | 52.15 | 52.15 | 52.15 |
| 2 | Opening accumulated depreciation | 20.31 | 21.42 | 22.75 |
| 3 | Average annual rate of depreciation (%) | 2.55 | 2.56 | 2.53 |
| 4 | Depreciation during the year | 1.11 | 1.33 | 1.32 |
| 5 | Closing accumulated depreciation | 21.42 | 22.75 | 24.07 |
| 6 | Depreciation already allowed by the Commission | 1.11 | 1.33 | 1.33 |
| 7 | Balance depreciation allowed to be recovered | 0.00 | 0.00 | -0.01 |

2.130. Considering the impact of final opening balance sheet, the Commission has determined true-up amount of depreciation of Rs.1.74 crores , Rs.1.55 crores and Rs. 0.96 crore for FY 2005-06 (10 months), FY 2006-07 and FY 2007-08 respectively over and above the amount already allowed by the Commission in respective years as given below:

| Depreciation: | | | | Rs. Cr. | |
|----------------------|---|---------------------------------|----------------|----------------|--------------|
| Sr. No. | Particular | FY 05-06 (10-months) | FY06-07 | FY07-08 | Total |
| 1 | Already allowed in earlier true-up/tariff order | 93.98 | 108.23 | 107.95 | 310.16 |
| 2 | Allowed in this tariff order | 95.73 | 109.78 | 108.91 | 314.42 |
| 3 | True-up amount allowed in this order | 1.74 | 1.55 | 0.96 | 4.25 |

Operation and Maintenance Expenses**Petitioner's Submission**

2.131. The petitioner has submitted a power station wise comparison of O&M expenditure approved by the Commission in MYT order for FY 2007-08 based on regulation and actual expenditure as given below :-

Table : 51 O&M expenses allowed in MYT Order Vs Actual for FY 2007-08 (Rs Cr.)

| S.No. | Power Station | MPERC Approved in MYT Order | MPPGCL Actuals as filed in petition | Difference |
|-------|-------------------|-----------------------------|-------------------------------------|--------------|
| 1 | ATPS Chachai | 35.58 | 53.5 | 17.92 |
| 2 | STPS Sarni | 140.18 | 179.11 | 38.93 |
| 3 | SGTPS Birsinghpur | 103.07 | 105.99 | 2.92 |
| 4 | Thermal | 278.83 | 338.6 | 59.77 |
| 5 | Bansagar | 18.99 | 20.43 | 1.44 |
| 6 | Pench | 7.5 | 5.96 | -1.54 |
| 7 | Birsinghpur Hydel | 0.94 | 0.75 | -0.19 |
| 8 | Bargi | 4.22 | 4.08 | -0.14 |
| 9 | Gandhi Sagar | 5.39 | 8.63 | 3.24 |
| 10 | Rajghat | 2.11 | 3.37 | 1.26 |
| 11 | Hydro | 39.15 | 43.22 | 4.07 |
| 12 | Total | 317.98 | 381.82 | 63.84 |

2.132. The petitioner has further submitted that the actual O&M expenditure mentioned in the above table are as per Regulation 38 of Terms and conditions for determination of Generation Tariff of FY 2005-06 which excludes of taxes payable to government or local authorities, water charges and fee payable to MPERC, which MPPGCL has claimed separately. The petitioner has submitted that the terminal benefits (Rs.15.69 crores) has been excluded from the petition as the same has been allowed to MPPTCL (Transco) as per the policy explained in para 3.92 in the true-up generation tariff order for FY 2006-07 dated 7th June, 2009. MPPGCL has made provisions in the annual statement of accounts for FY 2007-08 towards this liability as per GoMP notification, however, MPPGCL has requested to permit them to claim the same subsequently, if required.

Provisions of the Regulation

2.133. As per clause 38 and 54 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulation, 2005 applicable for the control period FY 2006-.07 to FY 2008-09 and maintenance expenses admissible to existing thermal and hydro power stations of MPPGCL for FY 2007-08 as given below :-

| Particular | Rs. Lacs /MW/year |
|---|-------------------|
| O&M expenses for thermal power stations | 12.27 |
| O&M expenses for hydro power stations | 4.69 |

The norms for O&M expenses exclude taxes payable to government or local authorities, fee payable to MPERC and pension and terminal benefits payable to its employees, which the generating company shall claim separately.

Commission's Analysis

- 2.134. The O&M expenses include employee cost, repair and maintenance (R&M) and Administrative and General (A&G) expenses. These employee, R&M and A&G expenses are determined based on power station-wise expenses for 100% capacity operated by MPPGCL. However, the expenses of Ranapratap Sagar and Jawahar Sagar have not been considered since these stations are operated by Rajasthan authorities.
- 2.135. The petitioner in its true-up tariff petition for FY 2007-08 has submitted that MPPGCL at various occasions has appraised the Commission that the O&M norms in MPERC regulations are inadequate hence, it is not possible for MPPGCL to limit its legitimate expenses within the specified limit.
- 2.136. The petitioner has also submitted that the company has inherited a legacy from erstwhile MPSEB, wherein due to cash crunch in MPSEB, number of issues related with employees like wage revision, payment of DA on current rates as per GoI etc. were kept in abeyance. Wage revision and payment of DA at revised rates (revised twice in FY 2006-07 and thrice in FY 2007-08) is done in FY 2007-08. The actual cash outgoes on account of these have not been reflected in historical trends and hence could not be included in the base expenses for projecting the trends.
- 2.137. The petitioner, illustrating the comparison of the above two, has tried to put-forth the fact that the actual O&M cost in thermal power stations during FY 2007-08 had been Rs.14.90 lacs/MW as against the prescribed norms of Rs.12.27 lacs/MW and similarly the actual O&M expenses in FY 2007-08 for hydel power stations had been Rs.5.18 lack/MW as against the prescribed norms of Rs.4.69 lacs/MW. The petitioner has further explained that the increase in O&M expenses is primarily attributable to increase in salary and corresponding DA as per the wage revision, which was beyond the control of the petitioner.
- 2.138. The terms and conditions for determination of generating tariff applicable for the tariff period FY 2006-07 to FY 2008-09 provides for payment of O&M expenses on normative basis. Similar provisions exist in regulation for transmission tariff also. However, the Commission, which issuing the order dated 19th March, 2008 on true-up for transmission tariff for FY 2006-07 had approved the actual O&M expenses. The Commission had allowed O&M expenses based on actual in the petition for true-up of transmission tariff for FY 2007-08. The same logic holds good for O&M expenses of MPPGCL.
- 2.139. The Commission had also allowed the actual O&M expenses in generating true-up order for FY 2006-07 dated 17th June, 2009. The Commission in para 3.11 of the order for true-up of FY 2006-07 had mentioned that *“the Commission is of the view that the norms prescribed by the Commission for O&M expenditure while framing the regulations on terms and conditions of tariff of generation and transmission companies might have been under-stated for the generation and transmission companies and over-stated for the Distribution Companies. This could be due to the fact that the regulations on terms and conditions of tariff were framed just after unbundling of power utilises from erstwhile MPSEB and the actual break-up of total O&M expenses for generation, transmission and distribution segments was not available. Therefore, the base figures for computation of norms for O&M*

expenditure were taken from the common base of erstwhile MPSEB and apportioned among generation/transmission/distribution segments on the basis of the information made available at that time. The Commission has decided to follow a consistent approach of allowing actual expenditure after exercising the prudent check”.

- 2.140. The Commission understands that the increase in the employee expenses during FY 2007-08 was due to the wage revision and revision in the dearness allowances as declared by the State Government. The petitioner has no control over such decisions. This is an uncontrollable factor for the company. Hence, the Commission has decided to allow the actual O&M expenses based on prudent check. But at the same time, the Commission has to safeguard the interest of the consumers. MPPGCL should therefore, ensure that rise in the employee cost is compensated by increased productivity of the employees.

Repair and Maintenance Expenses

Petitioner’s Submission

- 2.141. The petitioner in schedule 4 of the petition has claimed the total R&M expenses of Rs.179.77 crores, which also includes Rs.2.62 crores as prior period expenses.
- 2.142. The Commission vide its letter dated 11th November, 2009 had asked the petitioner to submit the power station-wise details of R&M expenses on share basis and also on 100% operating capacity basis.
- 2.143. The petitioner vide its letter dated 16th December, 2009 has submitted the power station-wise details of R&M expenses in format as desired by the commission. The R&M expenses on share basis (indicated in schedule 17 of the audited accounts) including prior period expenses (indicated in schedule 23 of the audited accounts) is Rs.163.79 crores.
- 2.144. The Commission has estimated the R&M expenses of stations operated by the petitioner on 100% capacity basis. The head office (H.O.) expenses of Rs.0.67 crores have been apportioned to all the stations of MPPGCL on MW capacity basis. The Commission has not considered the R&M charges of Rs.0.26 crores on capital works in progress as indicated in schedule 17 of the audited accounts and power station-wise break submitted by the petitioner in additional format T4. The R&M expenses for SGTPS, Birsinghpur on share basis and 100% operating capacity basis are different whereas MPPGCL have 100% share in this power station. The petitioner have not submitted the reason for different figure in SGTPS, Birsinghpur therefore, the Commission has considered the figure on share basis as considered in audited accounts.
- 2.145. With regard to the prior period expenses in head of R&M expenses, the petitioner on 7th April, 2010 was asked to submit the details with reasoning. The petitioner vide its letter dated 9th April, 2010 has submitted that prior period expenses reflected in schedule 23 under repair and maintenance head amounting to Rs.2.62 crores (100% operating capacity basis) has already been detailed in schedule 4 of forms of true-up petition for FY 2007-08.
- 2.146. The Commission thus allows Rs.179.75 crores for R&M expenditure in this true-up order. The power station-wise break-up of R&M expenses is as follows :

Table : 52 R&M expenses allowed by the Commission

| Sr. No. | Power House | Rs. Cr. | | | | |
|---------|----------------------|--|---|--|---|---|
| | | R&M expenses on share basis as per Audited Accounts Sch. (17+23) | R&M expenses on 100% Operating capacity basis including R&M expenses on capital works | HO expenses apportioned on MW Capacity basis | R&M expenses on capital works in progress | Total R&M expenses on 100% operating capacity basis allowed by the Commission |
| | A | B | C | D | E | F=C+D-E |
| 1 | ATPS Complex | 23.11 | 23.11 | 0.06 | 0.01 | 23.17 |
| 2 | STPS PH-I | 21.61 | 36.02 | 0.07 | 0.00 | 36.09 |
| 3 | STPS PH-II&III | 48.57 | 48.57 | 0.18 | 0.00 | 48.75 |
| 4 | STPS Complex | 70.18 | 84.59 | 0.25 | 0.00 | 84.84 |
| 5 | SGTPS Complex | 61.31 | 61.56 | 0.18 | 0.25 | 61.49 |
| 6 | Others | 0.16 | | | | |
| 7 | Total Thermal | 154.76 | 169.26 | 0.49 | 0.26 | 169.50 |
| 8 | Gandhi Sagar | 1.90 | 3.79 | 0.00 | 0.00 | 3.79 |
| 9 | Pench | 1.33 | 2.00 | 0.03 | 0.00 | 2.03 |
| 10 | Birsinghpur | 0.05 | 0.05 | 0.00 | 0.00 | 0.05 |
| 11 | Bansagar | 2.62 | 2.62 | 0.09 | 0.00 | 2.70 |
| 12 | Bargi | 0.53 | 0.53 | 0.02 | 0.00 | 0.55 |
| 13 | Rajghat | 0.55 | 1.10 | 0.01 | 0.00 | 1.11 |
| 14 | Others | 1.38 | | | | 0.00 |
| 15 | Total Hydro | 8.35 | 10.09 | 0.15 | 0.00 | 10.25 |
| 16 | Others | 0.69 | | | | 0.00 |
| 17 | Total | 163.80 | 179.36 | 0.65 | 0.26 | 179.75 |

2.147. The Commission has determined the actual R&M expenses of Rs. 179.75 Crs for FY2007-08 in this true up order.

Administrative and General Expenses

Petitioner's Submission

2.148. The petitioner in this true-up petition has claimed Rs.16.38 crores towards A&G expenses on 100% operating capacity basis. The Commission vide its letter dated 11th November, 2009 had asked the petitioner to submit the power station-wise details of A&G expenses on share basis and also on 100% operating capacity basis. The petitioner vide its letter dated 16th December, 2009 has submitted the power station-wise details of A&G expenses in format as desired by the commission. The A&G expenses on share basis indicated in schedule 19 of the audited accounts is Rs.16.31 crores includes rent, rates and taxes, MPSEB common expenses but the power station-wise details submitted by the petitioner excluding the rent and taxes, MPSEB common expenses and MPERC fees for the A&G expenses and claimed these expenses separately in the head of other charges.

2.149. The petitioner has also claimed the prior period expenses of Rs.0.037 crores as indicated in schedule 23 of the audited account. The same has been considered by the Commission in this order.

- 2.150. The Commission has computed the A&G expenses of all stations operated by the petitioner on 100% capacity basis. The Commission has not considered the A&G expenses for power stations situated outside the state. The Commission has also not considered the A&G expenses on capital works in progress.
- 2.151. The petitioner has also claimed the HO expenses of Rs.4.00 crores in head of A&G expenses. The HO expenses has been further power station-wise allocated on MW capacity basis. The Commission has allowed the A&G expenses of Rs.16.38 crores including Rs.0.037 crores of prior period expenses and HO expenses of Rs.4.00 crores. The power station-wise A&G expenses as allowed by the Commission in this true-up order as follows :

Table: 53 A&G expenses allowed by the Commission: Rs. Cr.

| Power House | A&G expenses on share basis as per audited accounts Sch. (19+23) (Rs Lakhs.) | A&G expenses on 100% Operating capacity basis | Rent, Rates and taxes on shared basis | Rent, Rate and taxes on 100% Operating capacity basis | H.O. Expenses allocated on MW capacity basis (petition) | MPSEB Common Expenses as indicated in schedule 19 of audited accounts | A&G Expenses on 100% operating capacity basis allowed by the Commission |
|----------------------|--|---|---------------------------------------|---|--|---|---|
| A | B | C | D | E | F | G | H=C-E+F-G |
| ATPS Complex | 1.45 | 1.45 | 0.019 | 0.02 | 0.37 | 0.73 | 1.07 |
| STPS PH-I | 1.02 | 1.70 | 0.043 | 0.07 | 0.40 | | 2.03 |
| STPS PH-II&III | 3.80 | 3.80 | 0.188 | 0.19 | 1.07 | | 4.69 |
| STPS Complex | 4.82 | 5.50 | 0.231 | 0.26 | 1.48 | 2.86 | 3.86 |
| SGTPS Complex | 3.79 | 3.79 | 0.075 | 0.08 | 1.09 | 2.11 | 2.69 |
| Others | -0.16 | | | | | | |
| Total Thermal | 9.91 | 10.74 | 0.33 | 0.35 | 2.94 | 5.70 | 7.62 |
| Gandhi Sagar | 0.25 | 0.50 | 0.008 | 0.02 | 0.15 | 0.29 | 0.34 |
| Pench | 0.10 | 0.14 | 0.000 | 0.00 | 0.21 | 0.40 | -0.05 |
| Birsinghpur | 0.03 | 0.03 | 0.000 | 0.00 | 0.03 | 0.05 | 0.01 |
| Bansagar | 1.07 | 1.07 | 0.000 | 0.00 | 0.51 | 1.07 | 0.51 |
| Bargi | 0.16 | 0.16 | 0.000 | 0.00 | 0.12 | 0.23 | 0.05 |
| Rajghat | 0.05 | 0.11 | 0.000 | 0.00 | 0.06 | 0.11 | 0.06 |
| Others | 0.73 | | 0.005 | 0.00 | 0.00 | 0.00 | |
| Total Hydro | 2.39 | 2.01 | 0.013 | 0.02 | 1.07 | 2.15 | 0.91 |
| Others | 4.06 | | | | | | |
| Total | 16.36 | 12.75 | 0.338 | 0.37 | 4.01 | 7.85 | 8.54 |

- 2.152. The Commission has determined the actual A&G expenses of Rs.8.54 Crs for FY2007-08 in this true up order.

Employee Cost

Petitioner’s Submission

- 2.153. The petitioner has claimed the employee expenses of Rs.185.64 crores. The Commission has scrutinized the details of employee expenses with respect to audited accounts of FY 2007-08. It has been observed that the total employee cost indicated in audited accounts is Rs.192.80 crores including bonus/incentive, terminal benefit and charges towards capital works in progress.
- 2.154. The Commission vide its letter dated 11th November, 2009 had asked the petition to clarify the power station-wise break-up of employee expenses in the formats enclosed with the letter. The petitioner vide its letter dated 16th December, 2009 had submitted the power station-wise details of employee expenses in prescribed formats. It has been observed that the total power station-wise employee expenses on 100% operating capacity basis is Rs.185.64 crores excluding incentive and terminal benefit. The HO expenses have been apportioned to all the stations operated by MPPGCL. The Commission has also excluded the expenses on capital work in progress.
- 2.155. The Commission has excluded the incentive from the employees expenses indicated in the audited accounts since the incentive is not an uncontrollable expense to be allowed over and above the normative O&M expenditure. The incentive if any, is to be paid from the incentive earned by the company by out performing the target. The power station-wise employee expenses allowed by the Commission is as follows :

Table : 54 Employee Expenses determined by the Commission:

Rs. Cr.

| Power House | Employee expenses on share basis as per audited accounts Sch. (18+23) | Employee expenses on 100% operating capacity basis | H.O. Expenses allocated on MW capacity basis | Employee expenses on 100% operating capacity basis allowed by the Commission |
|----------------------|--|---|---|---|
| A | B | C | D | E=C+D |
| ATPS PH-II | 26.16 | 26.16 | 2.38 | 28.53 |
| STPS PH-I | 14.66 | 24.44 | 2.56 | 27.00 |
| STPS PH-II&III | 53.74 | 53.74 | 6.80 | 60.54 |
| STPS Complex | 68.40 | 78.18 | 9.37 | 87.54 |
| SGTPS Complex | 32.81 | 32.81 | 6.89 | 39.70 |
| Total Thermal | 127.37 | 137.14 | 18.63 | 155.77 |
| Gandhi Sagar | 1.62 | 3.24 | 0.94 | 4.18 |
| Pench | 1.51 | 2.25 | 1.31 | 3.56 |
| Birsinghpur | 0.47 | 0.47 | 0.16 | 0.63 |
| Bansagar | 13.03 | 13.03 | 3.12 | 16.14 |
| Bargi | 2.50 | 2.50 | 0.74 | 3.24 |
| Rajghat | 0.86 | 1.73 | 0.37 | 2.10 |
| Others | 4.23 | | 0.00 | 0.00 |
| Total Hydro | 24.23 | 23.23 | 6.64 | 29.87 |
| Others | 41.50 | | | |
| Total | 193.09 | 160.37 | 25.27 | 185.64 |

2.156. The Commission has determined the actual employee expenses of Rs.185.64 Crs in this true up order.

Cost of chemicals for thermal power stations :

2.157. The cost of chemical spent in thermal generating stations is composite part of O&M cost. The Commission allows this cost under the O&M costs claimed by the petitioner.

2.158. The power station-wise cost of chemicals as per audited accounts on share basis and on 100% operating capacity basis is as follows :-

**Table : 55 Cost of chemicals allowed by the Commission:
Rs. Cr.**

| Power House | Cost of Chemicals | |
|----------------------|--|-----------------------------------|
| | On share basis as per audited accounts | On 100% capacity basis (Petition) |
| ATPS Complex | 0.78 | 0.78 |
| STPS PH-I | 0.16 | 0.27 |
| STPS PH-II&III | 1.09 | 1.09 |
| STPS Complex | 1.25 | 1.36 |
| SGTPS Complex | 0.84 | 0.84 |
| Others | 0.00 | 0.00 |
| Total Thermal | 2.88 | 2.98 |

2.159. Hence the Commission has determined the cost of chemicals of Rs.2.98 crores for thermal power stations in this order

Consumables and Stores

2.160. The cost of consumables and stores spent in generating stations is integral part of O&M cost. The Commission allows this cost under the O&M expenses claimed by the petitioner.

2.161. The power station-wise cost of chemicals as per audited accounts on share basis and on 100% operating capacity basis is as follows :-

Table : 56 Cost of consumable and stores allowed by the Commission Rs. Cr.

| Power House | Cost of Consumable & Stores | |
|----------------------|--|------------------------|
| | On share basis as per audited accounts | On 100% capacity basis |
| ATPS Complex | 0.33 | 0.33 |
| STPS PH-I | 0.55 | 0.91 |
| STPS PH-II&III | 1.46 | 1.46 |
| STPS Complex | 2.00 | 2.37 |
| SGTPS Complex | 0.00 | 0.00 |
| Total Thermal | 2.34 | 2.70 |
| Gandhi Sagar | 0.00 | 0.00 |
| Pench | 0.00 | 0.00 |
| Birsinghpur | 0.00 | 0.00 |
| Bansagar | 0.00 | 0.00 |

| | | |
|--------------------|-------------|-------------|
| Bargi | 0.00 | 0.00 |
| Rajghat | 0.01 | 0.01 |
| Others | 0.00 | 0.00 |
| Total Hydro | 0.01 | 0.01 |
| Total | 2.34 | 2.71 |

2.162. The Commission has determined the cost of consumables and stores for Thermal and Hydel power stations of Rs.2.71 crores in this order.

Water charges for thermal

2.163. The cost of water incurred for thermal generating stations is also composite part of O&M expenses. The Commission allows the cost of water for thermal power stations under O&M expenses.

2.164. The cost of water pertains to thermal power stations as per audited accounts on share basis and on 100% operating capacity basis is as follows :

**Table : 57 Water charges for Thermal power stations
Rs. Cr.**

| Power House | Cost of Water | |
|----------------------|--|-----------------------------------|
| | On share basis as per audited accounts | On 100% capacity basis (Petition) |
| ATPS Complex | 1.03 | 1.03 |
| STPS PH-I | 0.93 | 1.54 |
| STPS PH-II&III | 2.95 | 2.95 |
| STPS Complex | 3.87 | 4.49 |
| SGTPS Complex | 0.70 | 0.70 |
| Others | 0.00 | 0.00 |
| Total Thermal | 5.61 | 6.22 |

2.165. The Commission has determined the cost of water for thermal power stations as Rs.6.22 crores in this order.

2.166. The power station-wise total actual O&M expenses allowed by the Commission in this true-up order is as follows :-

Table: 58 Total O&M expenses allowed by the Commission for FY2007-08: Rs. Cr.

| Power station | R&M expenses | A&G expenses | Employee expenses | Cost of Chemicals | Cost of Consumables | Cost of water for thermal | Total O&M Cost |
|----------------------|---------------|--------------|-------------------|-------------------|---------------------|---------------------------|----------------|
| ATPS Complex | 23.17 | 1.07 | 28.53 | 0.78 | 0.33 | 1.03 | 54.92 |
| STPS PH-I | 36.09 | 2.03 | 27.00 | 0.27 | 0.91 | 1.54 | 67.84 |
| STPS PH-II&III | 48.75 | 4.69 | 60.54 | 1.09 | 1.46 | 2.95 | 119.48 |
| STPS Complex | 84.84 | 3.86 | 87.54 | 1.36 | 2.37 | 4.49 | 184.46 |
| SGTPS Complex | 61.49 | 2.69 | 39.70 | 0.84 | 0.00 | 0.70 | 105.42 |
| Others | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Thermal | 169.50 | 7.62 | 155.77 | 2.98 | 2.70 | 6.22 | 344.80 |

| | | | | | | | |
|--------------------|---------------|-------------|---------------|-------------|-------------|-------------|---------------|
| Gandhi Sagar | 3.79 | 0.34 | 4.18 | - | 0.00 | - | 8.32 |
| Pench | 2.03 | -0.05 | 3.56 | - | 0.00 | - | 5.55 |
| Birsinghpur | 0.05 | 0.01 | 0.63 | - | 0.00 | - | 0.69 |
| Bansagar | 2.70 | 0.51 | 16.14 | - | 0.00 | - | 19.36 |
| Bargi | 0.55 | 0.05 | 3.24 | - | 0.00 | - | 3.84 |
| Rajghat | 1.11 | 0.06 | 2.10 | - | 0.01 | - | 3.28 |
| Others | 0.00 | 0.00 | 0.00 | - | 0.00 | - | 0.00 |
| Total Hydro | 10.25 | 0.91 | 29.87 | - | 0.01 | - | 41.04 |
| Others | 0.00 | 0.00 | 0.00 | - | 0.00 | - | 0.00 |
| Total | 179.75 | 8.54 | 185.64 | 2.98 | 2.71 | 6.22 | 385.84 |

2.167. The Commission has allowed true-up amount of Rs. 67.86 crore for O & M expenses for FY2007-08 in this true up order as given below:

| Operation and Maintenance expenses: | | Rs. Cr. |
|-------------------------------------|---|--------------|
| Sr. No. | Particular | FY2007-08 |
| 1 | Already allowed in earlier true-up/tariff order | 317.98 |
| 2 | Allowed in this tariff order | 385.84 |
| 3 | True-up amount allowed in this order | 67.86 |

2.168. The power station-wise comparison of actual O&M expenses allowed by the Commission with the normative O&M expenses as allowed in MYT order for FY 2007-08 is as follows :

Table: 59 Comparison of Normative O&M expenses allowed in MYT order -Vs-Actual O&M expenses allowed by the Commission in this order
Rs. Cr.

| Power station | O&M expenses allowed in MYT order on normative basis | O&M expenses allowed on actual basis in this order | Difference |
|----------------------|--|--|--------------|
| ATPS Complex | 35.58 | 54.92 | 19.34 |
| STPS Complex | 140.18 | 184.46 | 44.28 |
| SGTPS Complex | 103.07 | 105.42 | 2.35 |
| Total Thermal | 278.83 | 344.80 | 65.97 |
| Gandhi Sagar | 5.39 | 8.32 | 2.93 |
| Pench | 7.5 | 5.55 | -1.95 |
| Birsinghpur | 0.94 | 0.69 | -0.25 |
| Bansagar | 18.99 | 19.36 | 0.37 |
| Bargi | 4.22 | 3.84 | -0.38 |
| Rajghat | 2.11 | 3.28 | 1.17 |
| Total Hydro | 39.15 | 41.04 | 1.89 |
| Total | 317.98 | 385.84 | 67.86 |

Other Expenses

MPSEB's Common Expenses

2.169. The petitioner has claimed the MPSEB's common expenses of Rs.7.84 crores for FY 2007-08. The petitioner in its petition submitted that MPPGCL is bound to honour the directives of the Commission as well as the notifications issued by Government of MP from time to time. The petitioner has mentioned that the clause 3(xv) of schedule 3 of GoMP notification dated 3rd June, 2006 issued while forming MP Tradeco is reproduced below :

“Expenses on account of common service facilities shall be proportionately charged to the beneficiary companies and will be treated as deemed payment towards A&G of the concerned company, generally in the ratio of their respective employee cost as per ARR. MPSEB shall issue bills periodically towards these expenses.”

2.170. The Commission in its true-up tariff order for FY 2006-07 in clause 3.20(g) has mentioned that,

“The common expenses by MPSEB amounting to Rs.13.81 crores are not allowed. The Commission had not been allowing these expenses to the distribution companies also since erstwhile MPSEB had already been disintegrated into successor companies and one of them has been entrusted with the responsibility of a trading company i.e. M. P. Power Trading Co. Ltd.”

2.171. Therefore, the Commission has taken a consistent view and approach in this true-up order also and disallowed the amount of Rs.7.84 crores against common MPSEB expenses.

Water charges for Hydel Power Stations

2.172. The petitioner in its true-up petition for FY 2007-08 claimed water charges of Rs.60.92 crores as per schedule 10 of the petition. The Commission has made scrutiny of the cost claimed vis-a-vis the cost in audited accounts of MPPGCL for FY 2007-08. Schedule 16 of the audited accounts mentions total **water charges of Rs.54.43 crores for MPPGCL's share ownership.**

2.173. A clarification was sought from the petitioner in this regard vide letter dated 11th November, 2009. The petitioner in its reply dated 16th December, 2009 submitted the power station-wise water charges **on share basis and also on 100% operating capacity basis.** Since the Commission has allowed the water charges of thermal power stations in the head of O&M expenses, therefore in the head of other charges, the water charges only for hydel power stations considered by the Commission.

2.174. The comparison of water charges allowed in the true-up vis-a-vis cost of water allowed in the MYT order for the year FY 2007-08 is given in the table :

Table : 61**Water charges for Hydel power stations allowed by the Commission: Rs. Cr.**

| Power Station | Water cost allowed in MYT order | Actual Cost of Water | | Difference |
|--------------------|---------------------------------|--|----------------------------------|--------------|
| | | On share basis as per audited accounts | On 100% operating capacity basis | |
| Gandhi Sagar | 4.83 | 2.48 | 4.97 | 0.14 |
| Pench | 0 | 0.00 | 0.00 | 0.00 |
| Birsinghpur | 0 | 0.63 | 0.63 | 0.63 |
| Bansagar | 2.21 | 26.23 | 26.23 | 24.02 |
| Bargi | 1.02 | 15.24 | 15.24 | 14.22 |
| Rajghat | 1.26 | 3.82 | 7.63 | 6.37 |
| Total Hydro | 9.32 | 48.40 | 54.70 | 45.38 |

2.175. Since the water charges of thermal power stations is an integral part of entire O&M expenses hence, for the purpose of true-up, the Commission has included the water charges of thermal generating station i.e. Rs.6.22 crores in the O&M expenses of thermal stations.

2.176. **The expenditure on account of water charges of hydel stations paid by MPPGCL to the government of MP is based on actual. The Commission allows the true-up amount of Rs.45.38 crores for water charges of hydel power stations in this order.**

| Water charges for hydel power station: | | Rs. Cr. |
|--|---|--------------|
| Sr. No. | Particular | FY2007-08 |
| 1 | Already allowed in earlier true-up/tariff order | 9.32 |
| 2 | Allowed in this tariff order | 54.70 |
| 3 | True-up amount allowed in this order | 45.38 |

Rent, Rate and Taxes

2.177. The petitioner has claimed the expenses against the rent, rate and taxes under other cost. The power station-wise details of rent, rate and taxes allowed in the MYT order for FY 2007-08 and filed in this petition on actual basis is as given in the table

2.178. It has been observed that the expense on rent, rate and taxes mentioned in schedule 19 of the audited accounts is Rs.0.34 crores which is for the shared portion. The power station-wise details of rent, rate and taxes on share basis and on 100% operating capacity basis as filed by the petitioner in its additional submission dated 16th December, 2009 is given below :

Table : 62**Rent, Rate and taxes as allowed in MYT order and as per actuals: Rs. Cr.**

| Power Station | Actual Rent, Rates and taxes on shared basis as per audited accounts | Actual Rent, Rate and taxes on 100% Operating capacity basis | Amount allowed in MYT order on 100% operating capacity basis | Difference |
|----------------------|---|---|---|-------------------|
| ATPS Complex | 0.02 | 0.02 | 0.07 | -0.05 |
| STPS PH-I | 0.04 | 0.07 | | 0.07 |
| STPS PH-II&III | 0.19 | 0.19 | | 0.19 |
| STPS Complex | 0.23 | 0.26 | 0.41 | -0.15 |
| SGTPS Complex | 0.08 | 0.08 | 0.32 | -0.24 |
| Total Thermal | 0.33 | 0.35 | 0.80 | -0.45 |
| Gandhi Sagar | 0.01 | 0.02 | 0.03 | -0.01 |
| Pench | 0.00 | 0.00 | 0.03 | -0.03 |
| Birsinghpur | 0.00 | 0.00 | 0.01 | -0.01 |
| Bansagar | 0.00 | 0.00 | 0.18 | -0.18 |
| Bargi | 0.00 | 0.00 | 0.08 | -0.08 |
| Rajghat | 0.00 | 0.00 | 0.01 | -0.01 |
| Others | 0.00 | 0.00 | | 0.00 |
| Total Hydro | 0.01 | 0.02 | 0.34 | -0.32 |
| Total | 0.34 | 0.37 | 1.14 | -0.77 |

2.179. Since these expenses are included in A&G of audited accounts therefore the rent, rate and taxes have been excluded from A&G expenses. Accordingly, the Commission allows true-up amount of -(Rs.0.77) crores for rent, rate and taxes in this order. .

Rent, Rate and Taxes:**Rs. Cr.**

| Sr. No. | Particular | FY2007-08 |
|----------------|---|------------------|
| 1 | Already allowed in earlier true-up/tariff order | 1.14 |
| 2 | Allowed in this tariff order | 0.37 |
| 3 | True-up amount allowed in this order | -0.77 |

MPERC Fees

2.180. The petitioner has claimed the MPERC fee of Rs.5000 per MW for thermal and Rs.1000 per MW for hydro power stations as per the regulation notified by the commission. The Commission has therefore, allowed the fees filed by the petitioner as per the regulation.

Cess on Auxiliary Consumption

2.181. The power station-wise amount of cess on auxiliary consumption for FY 2007-08 allowed by the Commission in MYT order and actual Cess amount filed by the petitioner is as given below :

Table : 63**Cess on auxiliary consumption allowed for FY2007-08 in MYT Order-vs-actual Rs. Cr.**

| Power Station | Normative aux. Consumption in MU's considered in MYT order | Amount of Cess allowed in MYT order (Rs. Cr.) @ 10 paisa/unit | Actual aux. Consumption in MU's | Cess amount in (Rs. Cr.) @ 10 paisa/kWh based on actual aux. Consumption |
|----------------------|--|---|---------------------------------|--|
| ATPS | 154.48 | 1.55 | 126.00 | 1.26 |
| STPS | 686.34 | 6.86 | 658.00 | 6.58 |
| SGTPS | 526.59 | 5.27 | 412.00 | 4.12 |
| Total Thermal | 1367.42 | 13.68 | 1196.00 | 11.96 |
| Gandhi Sagar | 2.95 | 0.020 | 6.00 | 0.06 |
| Pench | 2.84 | 0.03 | 6.00 | 0.06 |
| Birsinghpur | 0.52 | 0.004 | 1.00 | 0.00 |
| Bansagar | 11.56 | 0.11 | 14.00 | 0.14 |
| Bargi | 5.08 | 0.05 | 9.00 | 0.09 |
| Rajghat | 0.88 | 0.009 | 2.00 | 0.02 |
| Total Hydro | 23.82 | 0.223 | 38.00 | 0.38 |
| Total | 1391.24 | 13.90 | | 12.34 |

2.182. The Commission has allowed the actual Cess on auxiliary consumption of Rs. 12.34 Cr. and true-up of Rs. -1.56 crore in this order.

Cess on auxiliary consumption: Rs. Cr.

| Sr. No. | Particular | FY 2007-08 |
|---------|---|--------------|
| 1 | Already allowed in earlier true-up/tariff order | 13.90 |
| 2 | Allowed in this tariff order | 12.34 |
| 3 | True-up amount allowed in this order | -1.56 |

2.183. The summary of Power-station wise total other fixed cost allowed by the Commission is given below:

| Power Station | Rent , Rate and Taxes | Cess on Aux. | Water charges for Hydel | Total other fixed charges |
|----------------------|-----------------------|--------------|-------------------------|---------------------------|
| ATPS | 0.02 | 1.26 | | 1.28 |
| STPS | 0.26 | 6.58 | | 6.84 |
| SGTPS | 0.08 | 4.12 | | 4.20 |
| Total Thermal | 0.35 | 11.96 | | 12.31 |
| Gandhi Sagar | 0.02 | 0.06 | 4.97 | 5.04 |
| Pench | 0.00 | 0.06 | 0.00 | 0.06 |
| Birsinghpur | 0.00 | 0.00 | 0.63 | 0.63 |
| Bansagar | 0.00 | 0.14 | 26.23 | 26.37 |
| Bargi | 0.00 | 0.09 | 15.24 | 15.33 |
| Rajghat | 0.00 | 0.02 | 7.63 | 7.65 |
| Total Hydro | 0.02 | 0.37 | 54.70 | 55.08 |
| Total | 0.37 | 12.33 | 54.70 | 67.40 |

2.184. The Commission has determined total other fixed cost of Rs.67.40 crores for FY2007-08 in this tariff order. However, the true-up amount allowed by the Commission for other fixed costs is given below:

| Particular | Rent , Rate and Taxes | Cess on Aux. | Water charges for Hydel | Total other fixed charges |
|---|-----------------------|--------------|-------------------------|---------------------------|
| Already allowed in earlier true-up/tariff order | 1.14 | 13.90 | 9.32 | 24.36 |
| Allowed in this tariff order | 0.37 | 12.34 | 54.70 | 67.40 |
| True-up amount allowed in this order | -0.77 | -1.56 | 45.38 | 43.05 |

Non Tariff income

2.185. The non-tariff income is the income generated by the MPPGCL from all other sources except sale of power e.g. interest on fixed deposits and investments, trading business like sale of scrap delayed payment surcharge etc.

2.186. The Petitioner has submitted the station-wise approved non-tariff income in MYT order vis-a-vis actual non tariff income for FY 2007-08 as given below:

Table : 65 Non-tariff income allowed for FY2007-08 in MYT Order-vs-actual
Rs. Cr.

| Power Station | Allowed in MYT Order | Actual as filed in the petition | Difference |
|----------------------|----------------------|---------------------------------|-------------|
| ATPS | 0.46 | 1.2 | 0.74 |
| STPS | 2.5 | 7.64 | 5.14 |
| SGTPS | 1.99 | 4.76 | 2.77 |
| Total Thermal | 4.95 | 13.6 | 8.65 |
| Gandhi Sagar | 0.07 | 0.14 | 0.07 |
| Pench | 0.06 | 0.15 | 0.09 |
| Birsinghpur | 0.02 | 0.02 | 0 |
| Bansagar | 0.4 | 0.64 | 0.24 |
| Bargi | 0.19 | 0.08 | -0.11 |
| Rajghat | 0.02 | 0.05 | 0.03 |
| Total Hydro | 0.76 | 1.08 | 0.32 |
| Total | 5.71 | 14.68 | 8.97 |

2.187. The Commission has allowed the non-tariff income of Rs. 14.68 Crs. in FY2007-08 and true up of Rs.8.97 crore for non-tariff income in this true up order which shall be deducted from cost of generation.

| Non Tariff income: | | Rs. Cr. |
|--------------------|---|-------------|
| Sr. No. | Particular | FY07-08 |
| 1 | Already allowed in earlier true-up/tariff order | 5.71 |
| 2 | Allowed in this tariff order | 14.68 |
| 3 | True-up amount allowed in this order | 8.97 |

Interest on Working Capital

Petitioner's Submission

2.188. MPPGCL in section 10 of the petition has submitted the following.

“The company is eligible for Interest on Working capital determined considering the norms specified by Commission. The norms provide working capital covering cost of 45/60 days coal stock, 60 days stock of secondary oil, 30 days O&M expenditure, 1% of opening gross block as maintenance spares and 2 months receivables. The rate of interest considered by Commission at the time of order was 11.25%. However, considering the norms, working capital and interest on working capital for FY 2007-08 has been reworked based on SBI PLR on the first date of the financial year and elaborated in table below:

Table : 66 Comparison of Interest on Working Capital (Rs lakhs)

| | Power Station | MPERC Approved | MPPGCL Submission | Difference |
|---|--------------------|----------------|-------------------|----------------|
| 1 | ATPS Chachai | 592 | 759.57 | 167.57 |
| 2 | STPS Sarni | 3751 | 5493.6 | 1742.6 |
| 3 | SGTPS Brisingshpur | 2597 | 3873.96 | 1276.96 |
| | Thermal | 6940 | 10127.13 | 3187.13 |
| 4 | Bansagar | 332 | 630.97 | 298.97 |
| 5 | Pench | 39 | 55.76 | 16.76 |
| 6 | Birsingshpur | 14 | 23.1 | 9.1 |
| 7 | Bargi | 31 | 82.62 | 51.62 |
| 8 | Gandhi Sagar | 27 | 45.22 | 18.22 |
| 9 | Rajghat | 27 | 59.88 | 32.88 |
| | Hydel | 470 | 897.55 | 427.55 |
| | Total | 7410 | 11024.68 | 3614.68 |

2.189. The MPPGCL has requested the Commission to allow true up of Rs.36.146 Crores for FY2007-08 only against the interest on working capital as per norms.

Provision of the regulation

2.190. Clause 2.30 of MPERC (Terms and Conditions for determination of generation tariff) Regulation, 2005 (G-26 of 2005) stated that,

“Rate of interest on working capital to be computed as provided subsequently in these regulations shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on April 1 of the relevant year plus 1%. The interest on working capital shall be payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures”.

2.191. Clause 3.9 and 3.34 of the aforementioned regulation and its subsequent amendment stated that,

(a) *The Working capital for Coal based generating stations shall cover:*

- (i) *Cost of coal for 45 days for pit-head generating stations and two month for non-pit-head generating stations, corresponding to the target availability;*
 - (ii) *Cost of secondary fuel oil for two months corresponding to the target availability;*
 - (iii) *Operation and Maintenance expenses for one month;*
 - (iv) *Maintenance spares @ 1% of the historical cost escalated @ 4% per annum from the date of commercial operation; and*
 - (v) *Receivables equivalent to two months of fixed and variable charges for sale of electricity calculated on the target availability.*
- (b) *The Working Capital for hydel power stations shall cover:*

- (i) *Operation and Maintenance expenses for one month;*
- (ii) *Maintenance spares @ 1% of the historical cost escalated @ 4% per annum from the date of commercial operation; and*
- (iii) *Receivables equivalent to two months of fixed charges for sale of electricity, calculated on normative capacity index.*

Commission's analysis

2.192. The Commission has made thorough scrutiny of the working capital and worked out the working capital for thermal and hydel power stations as per the norms provided in Regulations for the following elements:

- a) **Coal Cost:** The petitioner has filed the cost of coal for working capital for thermal power stations based on the per MT price of coal calculated by the petitioner from its coal accounting records, cost of coal for thermal power stations has been worked out for 45 days for pit-head generating stations and two months for non pit-head generating stations. The Commission has calculated the per MT price of coal on the basis audited accounts for FY2007-08. The amount of coal has been determined by considering the operational norms specified in the Regulations and weighted average price and GCV of coal.
- b) **Secondary fuel oil:** The petitioner has claimed the cost of secondary fuel oil (HFO+LDO/HSD) for working capital for thermal power stations based on the rates of secondary oil taken from the books of accounts maintained by the petitioner through store accounting system. Accordingly, the fuel oil component in working capital works out in this order.
- c) **O&M expenses:** As per provision under Regulations, the expenses for one month of the actual O&M expenses as approved by the Commission has been considered for calculation of working capital.
- d) **Maintenance Spares:** The Commission has considered the value of maintenance spares for working capital purpose as per the Regulation.
- e) **Receivable:** The receivables have been worked out as per Regulation considering the operational parameters and actual price of fuel.

2.193. The petitioner has filed the prevailing rate of PLR (as on 1st April 2008 i.e. 12.25%) Considering the same rate of interest on working capital plus 1% during the period FY2007-08, the Commission has worked out the interest on working capital. The necessary details in support of calculation of interest on working capital are given below

Table: 67 Interest on Working Capital for FY2007-08 for Thermal Power Stations:

| S. No. | Particulars | Unit | ATPS | STPS | SGTPS |
|---|--|--------|--------------|---------------|---------------|
| 1 | Coal Cost | Rs.Cr. | 104.41 | 874.51 | 494.54 |
| 2 | 45/ 60 Days Qty | Rs.Cr. | 12.87 | 143.76 | 81.29 |
| 3 | Oil Cost | Rs.Cr. | 18.61 | 46.52 | 27.93 |
| 4 | 2 Month Oil Cost | Rs.Cr. | 3.10 | 7.75 | 4.66 |
| 5 | Total O&M charges | Rs.Cr. | 54.92 | 184.46 | 105.42 |
| 6 | O&M Charges for 1 Month | Rs.Cr. | 4.58 | 15.37 | 8.79 |
| 7 | Opening Gross Block | Rs.Cr. | 144.11 | 605.61 | 2157.19 |
| 8 | Maintenance spares @1% of historical cost | Rs.Cr. | 1.44 | 6.06 | 21.57 |
| 9 | True up amount of receivables for FY2005-06 | Rs.Cr. | 1.43 | 4.69 | 18.91 |
| 10 | True up amount of receivables for FY2006-07 | Rs.Cr. | 1.65 | 3.49 | 3.46 |
| 11 | Receivable for FY2007-08 | Rs.Cr. | 194.71 | 1201.74 | 866.19 |
| 12 | Total receivables | Rs.Cr. | 197.80 | 1,209.91 | 888.56 |
| 13 | Receivables for 2 Months | Rs.Cr. | 32.97 | 201.65 | 148.09 |
| 14 | Working Capital | Rs.Cr. | 54.96 | 374.59 | 264.40 |
| 15 | Interest rate @ short term PLR + 1% | % | 13.25 | 13.25 | 13.25 |
| Interest amount on working capital | | Rs.Cr. | 7.28 | 49.63 | 35.03 |

Table: 68 Interest on Working Capital for FY2007-08 for Hydel Power Stations:

| S. No. | Particulars | Unit | G. Sagar | Pench | Bargi | Rajghat | Ban-sagar | Bir-singhpur |
|---|--|--------|-------------|-------------|-------------|--------------|--------------|--------------|
| 1 | Total O&M charges | Rs.Cr. | 8.32 | 5.55 | 3.84 | 3.28 | 19.36 | 0.69 |
| 2 | O&M Charges for 1 Month | Rs.Cr. | 0.69 | 0.46 | 0.32 | 0.27 | 1.61 | 0.06 |
| 3 | Opening Gross Block | Rs.Cr. | 10.29 | 87.74 | 86.99 | 82.79 | 1243.92 | 52.15 |
| 4 | Maintenance spares @1% of historical cost | Rs.Cr. | 0.10 | 0.88 | 0.87 | 0.83 | 12.44 | 0.52 |
| 5 | True up amount of receivables for FY2005-06 | Rs.Cr. | 0.06 | 0.87 | 1.21 | 0.81 | 34.17 | 0.53 |
| 6 | True up amount of receivables for FY2006-07 | Rs.Cr. | 0.13 | 0.30 | 0.34 | -0.98 | 13.19 | -0.18 |
| 7 | Receivable for FY2007-08 | Rs.Cr. | 14.15 | 10.74 | 25.28 | 17.01 | 158.23 | 5.01 |
| 8 | Total receivables | Rs.Cr. | 14.34 | 11.91 | 26.83 | 16.84 | 205.59 | 5.36 |
| 9 | Receivables for 2 Months | Rs.Cr. | 2.39 | 1.99 | 4.47 | 2.81 | 34.27 | 0.89 |
| 10 | Working Capital | Rs.Cr. | 3.19 | 3.33 | 5.66 | 3.91 | 48.32 | 1.47 |
| 11 | Interest rate @ short term PLR + 1% | % | 13.25 | 13.25 | 13.25 | 13.25 | 13.25 | 13.25 |
| Interest amount on working capital | | Rs.Cr. | Rs.Cr. | 0.44 | 0.75 | 0.52 | 6.40 | 0.20 |

2.194. The Commission has allowed total true-up of **Rs.26.58 Cr** against interest on working capital in this order as given below:

| Interest on Working Capital: | | Rs. Cr. |
|-------------------------------------|---|------------------|
| Sr. No. | Particular | FY2007-08 |
| 1 | Already allowed in earlier true-up/tariff order | 74.10 |
| 2 | Allowed in this tariff order | 100.68 |
| 3 | True-up amount allowed in this order | 26.58 |

Availability Factor for Thermal and Capacity Index for Hydel Power Stations:

2.195. The availability factor for thermal power stations and Capacity Index for Hydel Power Stations fixed by the Commission in the regulation and actually achieved by the company for FY2007-08 (as informed by MPPGCL and certified by SLDC) is given below:

Table : 69

| Thermal Power Station | % Availability | | |
|------------------------------|-----------------------|---------------|-------------------|
| | Normative | Actual | Difference |
| ATPS | 51.72% | 43.27% | -9.45% |
| STPS | 77.98% | 75.43% | -2.68% |
| SGTPS | 76.00% | 69.13% | -6.87% |

| Hydel Power Station | % Capacity Index | | |
|----------------------------|-------------------------|---------------|-------------------|
| | Normative | Actual | Difference |
| Gandhi Sagar | 85.00% | 94.80% | 9.80% |
| Pench | 85.00% | 90.35% | 5.35% |
| Rajghat | 85.00% | 96.08% | 11.08% |
| Bargi | 85.00% | 87.82% | 2.82% |
| Bansagar | 85.37% | 88.55% | 3.18% |
| Birsinghpur | 85.00% | 99.95% | 14.95% |

2.196. Normative Vs. Actual Availability of Thermal Power Stations and Capacity Index of Hydel Power Stations for FY2005-06 and FY2006-07 as follows:

Table : 70

| Sr. No. | Power Station | FY2005-06 | | FY2006-07 | |
|----------------|----------------------|------------------|---------------|------------------|---------------|
| | | Norms | Actual | Norms | Actual |
| 1 | ATPS | 50.70% | 48.04% | 51.36% | 50.16% |
| 2 | STPS | 77.10% | 80.89% | 77.56% | 74.04% |
| 3 | SGTPS | 74.80% | 69.92% | 75.50% | 74.13% |
| 4 | Gandhi Sagar | 85.00% | 89.09% | 85.00% | 93.71% |
| 5 | Pench | 85.00% | 71.37% | 85.00% | 89.16% |
| 6 | Rajghat | 85.00% | 98.54% | 85.00% | 91.75% |
| 7 | Bargi | 85.00% | 93.29% | 85.00% | 94.22% |
| 8 | Bansagar | 85.00% | 70.66% | 85.37% | 89.01% |
| 9 | Birsinghpur | 85.00% | 96.16% | 85.00% | 99.66% |

2.197. The actual recovery of fixed cost shall be pro rated with respect to actual availability factor of the respective thermal power stations and actual capacity index of hydro power stations. The power station- wise fixed cost allowed by the Commission for FY2007-08 is given below:-

Table: 71 Power Station Wise annual fixed charges approved by the Commission for FY2007-08:-

| ATPS, Chachai | | | | | Rs. Cr. |
|----------------------|-----------------------------|--|---|-------------------------|-------------------------------|
| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.79 | 0.60 | 0.50 | -0.29 |
| 2 | Depreciation | 1.43 | 1.40 | 1.17 | -0.26 |
| 3 | Return on equity | 4.21 | 6.05 | 5.06 | 0.85 |
| 4 | O & M Expenses | 35.58 | 54.92 | 45.95 | 10.37 |
| 5 | Interest on Working Capital | 5.92 | 7.28 | 6.09 | 0.17 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 1.55 | 1.26 | 1.26 | -0.29 |
| ii | Rant and Rates | 0.07 | 0.02 | 0.02 | -0.05 |
| iii | MPERC fees | 0.15 | 0.15 | 0.15 | 0.00 |
| 7 | Less non tariff income | 0.46 | 1.20 | 1.20 | 0.74 |
| Total | | 49.24 | 70.48 | 59.00 | 9.76 |

| STPS, Sarni | | | | | Rs. Cr. |
|--------------------|-----------------------------|--|---|-------------------------|-------------------------------|
| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 1.03 | 0.49 | 0.48 | -0.55 |
| 2 | Depreciation | 5.48 | 5.61 | 5.43 | -0.05 |
| 3 | Return on equity | 17.74 | 25.44 | 24.60 | 6.86 |
| 4 | O & M Expenses | 140.18 | 184.46 | 178.43 | 38.25 |
| 5 | Interest on Working Capital | 37.51 | 49.63 | 48.01 | 10.50 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 6.86 | 6.58 | 6.58 | -0.28 |
| ii | Rant and Rates | 0.41 | 0.26 | 0.26 | -0.15 |
| iii | MPERC fees | 0.57 | 0.57 | 0.57 | 0.00 |
| 7 | Less non tariff income | 2.50 | 7.64 | 7.64 | 5.14 |
| Total | | 207.28 | 265.40 | 256.72 | 49.44 |

| SGTPS, Birsingpur | | | | | Rs. Cr. |
|--------------------------|-----------------------------|--|---|-------------------------|-------------------------------|
| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 40.33 | 35.61 | 32.39 | -7.94 |
| 2 | Depreciation | 68.50 | 69.80 | 63.49 | -5.01 |
| 3 | Return on equity | 61.82 | 90.60 | 82.41 | 20.59 |
| 4 | O & M Expenses | 103.07 | 105.42 | 95.90 | -7.17 |
| 5 | Interest on Working Capital | 25.97 | 35.03 | 31.87 | 5.90 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 5.27 | 4.12 | 4.12 | -1.15 |
| ii | Rant and Rates | 0.32 | 0.08 | 0.08 | -0.24 |

| | | | | | |
|-------|------------------------|---------------|---------------|---------------|-------------|
| iii | MPERC fees | 0.42 | 0.42 | 0.42 | 0.00 |
| 7 | Less non tariff income | 1.99 | 4.76 | 4.76 | 2.77 |
| Total | | 303.71 | 336.33 | 305.91 | 2.20 |

Gandhi Sagar

Rs. Cr.

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 0.08 | 0.08 | 0.08 | 0.00 |
| 3 | Return on equity | 0.30 | 0.43 | 0.43 | 0.13 |
| 4 | O & M Expenses | 5.39 | 8.32 | 8.32 | 2.93 |
| 5 | Interest on Working Capital | 0.27 | 0.42 | 0.42 | 0.15 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.02 | 0.06 | 0.06 | 0.04 |
| ii | Rant and Rates | 0.03 | 0.02 | 0.02 | -0.01 |
| iii | Water charges | 4.83 | 4.97 | 4.97 | 0.14 |
| iv | MPERC fees | 0.01 | 0.01 | 0.01 | 0.00 |
| 7 | Less non tariff income | 0.07 | 0.14 | 0.14 | 0.07 |
| Total | | 10.86 | 14.16 | 14.16 | 3.30 |

Pench

Rs. Cr.

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 1.14 | 1.16 | 1.16 | 0.02 |
| 3 | Return on equity | 2.56 | 3.69 | 3.69 | 1.13 |
| 4 | O & M Expenses | 7.50 | 5.55 | 5.55 | -1.95 |
| 5 | Interest on Working Capital | 0.39 | 0.44 | 0.44 | 0.05 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.03 | 0.06 | 0.06 | 0.03 |
| ii | Rant and Rates | 0.03 | 0.00 | 0.00 | -0.03 |
| iii | Water charges | 0.00 | 0.00 | 0.00 | 0.00 |
| iv | MPERC fees | 0.02 | 0.02 | 0.02 | 0.00 |
| 7 | Less non tariff income | 0.06 | 0.15 | 0.15 | 0.09 |
| Total | | 11.61 | 10.75 | 10.75 | -0.86 |

Bargi

Rs. Cr.

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 1.93 | 1.78 | 1.78 | -0.15 |
| 3 | Return on equity | 2.26 | 3.65 | 3.65 | 1.39 |
| 4 | O & M Expenses | 4.22 | 3.84 | 3.84 | -0.38 |
| 5 | Interest on Working Capital | 0.31 | 0.75 | 0.75 | 0.44 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.05 | 0.090 | 0.09 | 0.04 |

| | | | | | |
|-------|------------------------|-------------|--------------|--------------|--------------|
| ii | Rant and Rates | 0.08 | 0.000 | 0.00 | -0.08 |
| iii | Water charges | 1.02 | 15.24 | 15.24 | 14.22 |
| iv | MPERC fees | 0.009 | 0.009 | 0.01 | 0.00 |
| 7 | Less non tariff income | 0.19 | 0.08 | 0.08 | -0.11 |
| Total | | 9.69 | 25.29 | 25.29 | 15.60 |

Rajghat

Rs. Cr.

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.30 | 0.31 | 0.31 | 0.01 |
| 2 | Depreciation | 2.19 | 1.83 | 1.83 | -0.36 |
| 3 | Return on equity | 2.42 | 3.48 | 3.48 | 1.06 |
| 4 | O & M Expenses | 2.11 | 3.28 | 3.28 | 1.17 |
| 5 | Interest on Working Capital | 0.27 | 0.52 | 0.52 | 0.25 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.01 | 0.02 | 0.02 | 0.01 |
| ii | Rant and Rates | 0.01 | 0.00 | 0.00 | -0.01 |
| iii | Water charges | 1.26 | 7.63 | 7.63 | 6.37 |
| iv | MPERC fees | 0.005 | 0.00 | 0.00 | 0.00 |
| 7 | Less non tariff income | 0.02 | 0.05 | 0.05 | 0.03 |
| Total | | 8.55 | 17.02 | 17.02 | 8.47 |

Bansagar

Rs. Cr.

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 6.32 | 28.57 | 28.57 | 22.25 |
| 2 | Depreciation | 25.87 | 25.93 | 25.93 | 0.06 |
| 3 | Return on equity | 36.28 | 52.24 | 52.24 | 15.96 |
| 4 | O & M Expenses | 18.99 | 19.36 | 19.36 | 0.37 |
| 5 | Interest on Working Capital | 3.32 | 6.40 | 6.40 | 3.08 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.11 | 0.14 | 0.14 | 0.03 |
| ii | Rant and Rates | 0.18 | 0.00 | - | -0.18 |
| iii | Water charges | 2.21 | 26.23 | 26.23 | 24.02 |
| iv | MPERC fees | 0.04 | 0.04 | 0.04 | 0.00 |
| 7 | Less non tariff income | 0.40 | 0.64 | 0.64 | 0.24 |
| Total | | 92.92 | 158.27 | 158.27 | 65.35 |

Rs.

Cr.

Birsinghpur hydel

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order for FY 2007-08 | | True-up amount allowed |
|---------|-----------------------------|-------------------------------------|--------------------------------------|------------------|------------------------|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 1.33 | 1.32 | 1.32 | -0.01 |
| 3 | Return on equity | 1.52 | 2.19 | 2.19 | 0.67 |
| 4 | O & M Expenses | 0.94 | 0.69 | 0.69 | -0.25 |
| 5 | Interest on Working Capital | 0.14 | 0.20 | 0.20 | 0.06 |

| | | | | | |
|--------------|------------------------|-------------|-------------|-------------|-------------|
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 0.00 | 0.00 | 0.00 | 0.00 |
| Ii | Rant and Rates | 0.01 | 0.00 | 0.00 | -0.01 |
| Iii | Water charges | 0.00 | 0.63 | 0.63 | 0.63 |
| Iv | MPERC fees | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | Less non tariff income | 0.02 | 0.02 | 0.02 | 0.00 |
| Total | | 3.93 | 5.01 | 5.01 | 1.09 |

2.198. The total component wise and Power-station wise true-up of Annual Fixed cost for FY 2007-08 at actual availability is given below:

Component wise fixed cost:- FY2007-08

| Sr. No. | Particular | Approved in MYT order for FY2007-08 | In this true up order | | True-up allowed at actual availability |
|--------------|-----------------------------|-------------------------------------|-----------------------|------------------|--|
| | | | Approved cost | Recoverable cost | |
| 1 | Interest on loan | 48.77 | 65.58 | 62.25 | 13.48 |
| 2 | Depreciation | 107.95 | 108.91 | 102.18 | -5.77 |
| 3 | Return on equity | 129.11 | 187.77 | 177.76 | 48.65 |
| 4 | O & M Expenses | 317.98 | 385.84 | 361.31 | 43.33 |
| 5 | Interest on Working Capital | 74.10 | 100.68 | 94.70 | 20.60 |
| 6 | Other fixed cost | | | | |
| I | Cess on auxiliary | 13.90 | 12.33 | 12.33 | -1.57 |
| ii | Rant and Rates | 1.14 | 0.37 | 0.37 | -0.77 |
| iii | Water charges | 9.32 | 54.70 | 54.70 | 45.38 |
| iv | MPERC fees | 1.23 | 1.22 | 1.22 | 0.00 |
| v | MPSEB Common expenses | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | Less non tariff income | 5.71 | 14.68 | 14.68 | -8.97 |
| Total | | 697.79 | 902.72 | 852.14 | 154.35 |

Power Station wise fixed cost for FY2007-08:-

| Sr. No. | Power Station | Approved in MYT order for FY2007-08 | In this true up order | | True-up allowed at actual availability |
|--------------|---------------|-------------------------------------|-----------------------|------------------|--|
| | | | Approved cost | Recoverable cost | |
| 1 | ATPS | 49.24 | 70.48 | 59.00 | 9.76 |
| 2 | STPS | 207.28 | 265.40 | 256.72 | 49.44 |
| 3 | SGTPS | 303.71 | 336.33 | 305.91 | 2.20 |
| 4 | Gandhi Sagar | 10.86 | 14.16 | 14.16 | 3.30 |
| 5 | Pench | 11.61 | 10.75 | 10.75 | -0.86 |
| 6 | Rajghat | 8.55 | 17.02 | 17.02 | 8.47 |
| 7 | Bargi | 9.69 | 25.29 | 25.29 | 15.60 |
| 8 | Bansagar | 92.92 | 158.27 | 158.27 | 65.35 |
| 9 | Birsinghpur | 3.93 | 5.01 | 5.01 | 1.09 |
| Total | | 697.79 | 902.72 | 852.14 | 154.35 |

2.199. It may be mentioned here that the MPPGCL has sought further true-up for FY 2005-06 and FY 2006-07 on certain components i.e interest and finance charges, depreciation and return on equity. Accordingly, the aforementioned component wise true-up of fixed cost at actual availability for each power station is given below:

Table: 72 Summary of Annual Fixed Charges components approved in this Order for FY2005-06 (10-months) and FY06-07

ATPS Chachai

| Rs. Cr. | | | | | | |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.98 | 0.93 | 0.64 | 0.61 | -0.32 |
| 2 | Depreciation | 0.76 | 0.72 | 1.19 | 1.13 | 0.41 |
| 3 | Return on equity | 3.70 | 3.51 | 5.04 | 4.78 | 1.27 |
| Total | | 5.44 | 5.15 | 6.87 | 6.51 | 1.36 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.89 | 0.87 | 0.68 | 0.66 | -0.21 |
| 2 | Depreciation | 1.41 | 1.38 | 1.43 | 1.40 | 0.02 |
| 3 | Return on equity | 4.21 | 4.11 | 6.05 | 5.91 | 1.80 |
| Total | | 6.51 | 6.36 | 8.16 | 7.97 | 1.61 |

STPS Sarni

| Rs. Cr. | | | | | | |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 1.57 | 1.57 | 0.70 | 0.70 | -0.87 |
| 2 | Depreciation | 4.92 | 4.92 | 4.79 | 4.79 | -0.13 |
| 3 | Return on equity | 15.51 | 15.51 | 21.20 | 21.20 | 5.69 |
| Total | | 22.00 | 22.00 | 26.69 | 26.69 | 4.69 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 5.05 | 4.82 | 0.71 | 0.68 | -4.15 |
| 2 | Depreciation | 5.52 | 5.27 | 5.65 | 5.40 | 0.13 |
| 3 | Return on equity | 17.74 | 16.93 | 25.44 | 24.28 | 7.35 |
| Total | | 28.31 | 27.03 | 31.80 | 30.35 | 3.33 |

SGTPS Birsinghpur

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 44.42 | 41.52 | 40.81 | 38.15 | -3.38 |
| 2 | Depreciation | 61.16 | 57.17 | 62.40 | 58.32 | 1.15 |
| 3 | Return on equity | 54.22 | 50.68 | 75.50 | 70.58 | 19.89 |
| Total | | 159.80 | 149.37 | 178.71 | 167.05 | 17.67 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 68.99 | 67.74 | 42.19 | 41.42 | -26.32 |
| 2 | Depreciation | 68.75 | 67.50 | 70.23 | 68.95 | 1.45 |
| 3 | Return on equity | 61.82 | 60.70 | 90.60 | 88.96 | 28.26 |
| Total | | 199.56 | 195.94 | 203.02 | 199.33 | 3.39 |

G. Sagar

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 0.07 | 0.07 | 0.07 | 0.07 | 0.00 |
| 3 | Return on equity | 0.30 | 0.30 | 0.36 | 0.36 | 0.06 |
| Total | | 0.37 | 0.37 | 0.43 | 0.43 | 0.06 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 0.08 | 0.08 | 0.08 | 0.08 | 0.00 |
| 3 | Return on equity | 0.30 | 0.30 | 0.43 | 0.43 | 0.13 |
| Total | | 0.38 | 0.38 | 0.51 | 0.51 | 0.13 |

Pench

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 0.97 | 0.82 | 0.97 | 0.82 | 0.00 |
| 3 | Return on equity | 2.20 | 1.85 | 3.07 | 2.58 | 0.73 |
| Total | | 3.17 | 2.66 | 4.04 | 3.39 | 0.73 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.84 | 0.84 | 0.00 | 0.00 | -0.84 |
| 2 | Depreciation | 1.14 | 1.14 | 1.16 | 1.16 | 0.02 |
| 3 | Return on equity | 2.56 | 2.56 | 3.69 | 3.69 | 1.13 |
| Total | | 4.54 | 4.54 | 4.84 | 4.84 | 0.30 |

Bargi

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 1.62 | 1.62 | 1.78 | 1.78 | 0.16 |
| 3 | Return on equity | 2.00 | 2.00 | 3.04 | 3.04 | 1.04 |
| Total | | 3.62 | 3.62 | 4.83 | 4.83 | 1.21 |
| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 1.25 | 1.25 | 0.00 | 0.00 | -1.25 |
| 2 | Depreciation | 1.94 | 1.94 | 2.14 | 2.14 | 0.20 |
| 3 | Return on equity | 2.26 | 2.26 | 3.65 | 3.65 | 1.39 |
| Total | | 5.45 | 5.45 | 5.79 | 5.79 | 0.34 |

Rajghat

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.42 | 0.42 | 0.43 | 0.43 | 0.01 |
| 2 | Depreciation | 1.83 | 1.83 | 1.83 | 1.83 | 0.00 |
| 3 | Return on equity | 2.10 | 2.10 | 2.90 | 2.90 | 0.80 |
| Total | | 4.35 | 4.35 | 5.16 | 5.16 | 0.81 |

| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 2.15 | 2.15 | 0.47 | 0.47 | -1.68 |
| 2 | Depreciation | 2.19 | 2.19 | 1.83 | 1.83 | -0.36 |
| 3 | Return on equity | 2.42 | 2.42 | 3.48 | 3.48 | 1.06 |
| Total | | 6.76 | 6.76 | 5.78 | 5.78 | -0.98 |

Bansagar

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 8.17 | 6.79 | 30.58 | 25.42 | 18.63 |
| 2 | Depreciation | 21.55 | 17.91 | 21.59 | 17.95 | 0.03 |
| 3 | Return on equity | 31.81 | 26.44 | 43.54 | 36.19 | 9.75 |
| Total | | 61.53 | 51.15 | 95.70 | 79.56 | 28.41 |

| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 35.18 | 35.18 | 32.34 | 32.34 | -2.84 |
| 2 | Depreciation | 25.87 | 25.87 | 25.93 | 25.93 | 0.06 |
| 3 | Return on equity | 36.28 | 36.28 | 52.24 | 52.24 | 15.96 |
| Total | | 97.33 | 97.33 | 110.52 | 110.52 | 13.19 |

Birsingpur hydel

Rs. Cr.

| Sr. No. | Particular | Approved in true-up order for FY2005-06 (10-months) | | Approved in this true up order for FY 2005-06 (10-months) | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Depreciation | 1.11 | 1.11 | 1.11 | 1.11 | 0.00 |
| 3 | Return on equity | 1.30 | 1.30 | 1.83 | 1.83 | 0.53 |
| Total | | 2.41 | 2.41 | 2.94 | 2.94 | 0.53 |

| Sr. No. | Particular | Approved in true-up order for FY2006-07 | | Approved in this true up order for FY 2006-07 | | True-up amount allowed to recover |
|---------|------------------|---|------------------------|---|------------------------|-----------------------------------|
| | | At normative availability | At actual availability | At normative availability | At actual availability | |
| 1 | Interest on loan | 0.85 | 0.85 | 0.00 | 0.00 | -0.85 |
| 2 | Depreciation | 1.33 | 1.33 | 1.33 | 1.33 | 0.00 |
| 3 | Return on equity | 1.52 | 1.52 | 2.19 | 2.19 | 0.67 |
| Total | | 3.70 | 3.70 | 3.52 | 3.52 | -0.18 |

2.200. The total component wise and power station wise true-up for FY 05-06 and FY06-07 at actual availability on certain components allowed in this order is given below:

Rs. Cr.

| Sr. No. | Particular | FY05-06 (10-months) | | FY06-07 | |
|---------|------------------|---------------------|----------------|---------------|----------------|
| | | Total amount | True-up amount | Total amount | True-up amount |
| 1 | Interest on loan | 65.30 | 14.07 | 75.58 | -38.12 |
| 2 | Depreciation | 87.79 | 1.63 | 108.21 | 1.51 |
| 3 | Return on equity | 143.45 | 39.76 | 184.83 | 57.75 |
| 4 | Total | 296.54 | 55.46 | 368.62 | 21.14 |

| Sr. No. | Power Station | FY05-06 (10-months) | | FY06-07 | |
|---------|---------------|---------------------|----------------|---------------|----------------|
| | | Total amount | True-up amount | Total amount | True-up amount |
| 1 | ATPS | 6.51 | 1.36 | 7.97 | 1.61 |
| 2 | STPS | 26.69 | 4.69 | 30.35 | 3.33 |
| 3 | SGTPS | 167.05 | 17.67 | 199.33 | 3.39 |
| 4 | Gandhi Sagar | 0.43 | 0.06 | 0.51 | 0.13 |
| 5 | Pench | 3.39 | 0.73 | 4.84 | 0.30 |
| 6 | Rajghat | 5.16 | 0.81 | 5.78 | -0.98 |
| 7 | Bargi | 4.83 | 1.21 | 5.79 | 0.34 |
| 8 | Bansagar | 79.56 | 28.41 | 110.52 | 13.19 |
| 9 | Birsinghpur | 2.94 | 0.53 | 3.52 | -0.18 |
| | Total | 296.54 | 55.46 | 368.62 | 21.14 |

CHAPTER 3

Energy Charges (Variable Charges)

Petitioner's Submission

- 3.1. The petitioner in Section 4 of the petition has submitted the operational performance of MPPGCL in respect of thermal and hydel power stations on various parameters like Gross Generation, Net Generation, Plant Load Factor (PLF) , Station Heat Rate (SHR), Auxiliary Consumption, Specific Oil Consumption and Capacity Index etc.
- 3.2. The petitioner in subsequent paragraph of Section 4 of the petition has mentioned the actual performance of the company in FY 2007-08 vis-a-vis the norms prescribed in the MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2005 notified by the Commission. The petitioner has further submitted that it has achieved higher capacity index of hydro power station as compared to the norms prescribed in the Regulation and requested the Commission to consider the same. The petitioner has filed the actual performance during FY 2007-08 as given below :

Table : 73

A) Thermal Power Stations

| Sr. No. | Particular | Unit | ATPS Chachai | STPS Sarni | SGTPS Birsinghpur |
|---------|---------------------------------|----------|--------------|------------|-------------------|
| 1 | Plant load factor for incentive | % | 42.79 | 75.39 | 69.12 |
| 2 | Gross Station Heat Rate | kcal/kwh | 3903 | 3205 | 3109 |
| 3 | Secondary fuel oil consumption | ml/kwh | 4.23 | 3.00 | 0.88 |
| 4 | Aux energy consumption | % | 11.53 | 8.98 | 8.08 |
| 5 | Gross generation | MUs | 1090 | 7565 | 5100 |

- 3.3. The petitioner has requested the Commission to consider actual performance of the operational parameters and allow the cost of coal and oil accordingly.

Provisions of the Regulation

- 3.4. The energy (variable) charges shall cover fuel costs and shall be computed as follows:

Energy (variable) Charges shall cover fuel costs and shall be worked out on the basis of ex-bus energy scheduled to be sent out from the generating station as per the following formula:

Energy Charges (Rs) = Rate of Energy Charges in Rs/kWh X Scheduled Energy (ex-bus) for the month in kWh corresponding to scheduled generation. Rate of Energy Charges (REC) shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity in Rs/kWh and shall be computed as under:

$$\text{REC} = \frac{100\{P_p \times (Q_p)_n + P_s \times (Q_s)_n\}}{(100-(AUX_n))} \quad (\text{Rs/kWh})$$

Where, P_p = Price of primary fuel namely coal or lignite or gas or liquid fuel in Rs/Kg or Rs/cum or Rs./litre, as the case may be.

$(Q_p)_n$ = Quantity of primary fuel required for generation of one kWh of electricity at generator terminals in Kg or litre or cum, as the case may be, and shall be computed on the basis of normative Gross Station Heat Rate (less heat contributed by secondary fuel oil for coal/lignite based generating stations) **and gross calorific value of coal/lignite or gas or liquid fuel as fired.**

P_s = Price of Secondary fuel oil in Rs./ml,

$(Q_s)_n$ = Normative Quantity of Secondary fuel oil in ml/kWh as per clause 36, as the case may be, and

AUX_n = Normative Auxiliary Energy Consumption as % of gross generation as per clause 36, as the case may be.

Commission's Analysis:

- 3.5. The Commission had notified the following operational norms in respect of all three Thermal Power Stations of MPPGCL for FY 2007-08 in the Regulation G-26 of 2005 :

Table : 74

| Sr. No. | Particular | Unit | ATPS Chachai | STPS Sarni | SGTPS Birsinghpur |
|---------|---------------------------------|----------|--------------|------------|-------------------|
| 1 | Plant load factor for incentive | % | 51.72% | 77.98% | 76.00% |
| 2 | Gross Station Heat Rate | kcal/kwh | 3573 | 2926 | 2800 |
| 3 | Secondary fuel oil consumption | ml/kwh | 7.09 | 2.66 | 2.00 |
| 4 | Aux energy consumption | % | 11.73% | 8.77% | 9.39% |

- 3.6. The petitioner has filed the operational parameters actually achieved by the generating company for FY 2007-08 for all three Thermal Power Stations as given below:

Table : 75

| Sr. No. | Particular | Unit | ATPS Chachai | STPS Sarni | SGTPS Birsinghpur |
|---------|---------------------------------|----------|--------------|------------|-------------------|
| 1 | Plant load factor for incentive | % | 42.79 | 75.39 | 69.12 |
| 2 | Gross Station Heat Rate | kcal/kwh | 3903 | 3205 | 3109 |
| 3 | Secondary fuel oil consumption | ml/kwh | 4.23 | 3.00 | 0.88 |
| 4 | Aux. energy consumption | % | 11.53 | 8.98 | 8.08 |
| 5 | Gross generation | MUs | 1090 | 7565 | 5100 |

- 3.7. In the MYT order the Commission had directed that the SLDC shall verify the availability figures submitted by the MPPGCL for claiming fixed charges. MPSEB & MP Tradeco were authorised by Government of Madhya Pradesh to procure the entire power generated by the MPPGCL and the procurer has to pay the fixed charges claimed after verification by the SLDC. The Petitioner has submitted the documents certified by SLDC with respect to availability for Thermal Power Stations and Capacity Index for Hydel Power Station.
- 3.8. Further, it may be observed that,
- a) The % Plant Load Factor in all three Thermal Power Stations actually achieved by the generating Company is lower than the normative PLF, therefore the generating Company is not entitled for any incentive
 - b) Gross Station heat rate (based on GCV) in all three Thermal Power Stations is higher than the normative Station heat rate therefore the Commission has considered the normative Station heat rate for FY 2007-08, in this true up order.
 - c) Specific secondary oil consumption in ATPS, Chachai and SGTPS, Birsinghpur is lower than the normative secondary oil consumption whereas in STPS, Sarni it is slightly on higher side. However MPPGCL has reduced its secondary oil consumption considerably in ATPS Chachai and SGTPS Birsinghpur. The Commission observed that the oil consumption for STPS Sarni is still higher than the target. However the Commission appreciate the over all reduction in oil consumption and decides to consider normative oil consumption as allowed in MYT Order for FY 2007-08 in this tariff order to incentives the generating Company.
- 3.9. The Commission has further observed that the generating Company has also reduced the Aux consumption in ATPS Chachai and SGTPS Birsinghpur with respect to the normative Aux. consumption as allowed in MYT Order for FY 2007-08. The Commission has taken normative Aux. consumption while calculating the energy charge rate for all three Thermal Power Stations and pass through the benefit to generating company for reduction in overall Aux. energy consumption.

Gross Generation

- 3.10. Since the generating company has not actually achieved the normative % PLF in all three Thermal Power Stations, therefore the actual Gross Generation for FY 2007-08 is lower than the gross generation considered in MYT Order for FY 2007-08 based on normative % PLF.
- 3.11. The Gross Generation from the three Thermal Power Stations for FY 2007-08 as per MYT Order based on target PLF's and actually achieved and filed by the Petitioner in petition is given below

Table : 76

| Power Stations | Gross Generation in MUs as per MYT Order | Gross Generation in MUs actually achieved | Difference |
|--------------------------|---|--|-------------------|
| ATPS Chachai | 1317 | 1090 | -227 |
| STPS Sarni | 7826 | 7565 | -261 |
| SGTPS Birsinghpur | 5608 | 5100 | -508 |

- 3.12. Similarly, the petitioner has filed the actual net generation for FY 2007-08 vis-a-vis approved by the Commission in MYT order for the corresponding year :

Table : 77 Approved Vs Actual Net Generation (MU)

| Name of TPS | MPERC Approved | Actuals | In MU |
|--------------------------|-----------------------|----------------|-------------------|
| | | | Difference |
| ATPS Chachai | 1163 | 964 | -198 |
| STPS Sarni | 7140 | 6908 | -232 |
| SGTPS Birsinghpur | 5081 | 4688 | -393 |

Transit and Stacking Loss

- 3.13. Clause 3.13(iii) of the regulation, (G-26 of 2005) stated that;

The landed cost of fuel shall include price of fuel corresponding to the grade/quality/calorific value of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road/gas pipe line or any other means, and, for the purpose of computation of energy charges, shall be arrived at after considering normative transit and handling losses as percentage of the quantity of fuel dispatched by the fuel supply company during the year :

- 3.14. The normative transit and handling loss as per regulation and actually achieved by the company for FY2007-08 is as given below:

Table : 78 Normative-vs-Actual transit and handling loss:

| Power Station | Normative | |
|----------------------|------------------|-------|
| ATPS, Chachai | 0.3% | 0.2% |
| STPS, Sarni | 0.8% | 1.67% |
| SGTPS, Birsinghpur | 1.5% | 2.71% |

- 3.15. The Commission has observed that the actual transit and handling loss of the MPPGCL is more than the normative loss approved by the Commission. The Commission in the MYT order had allowed the 0.5% as stacking loss in addition to above the normative transit loss only for FY2006-07 and directed the MPPGCL to upgrade its coal handling plants immediately so that these losses are minimized and do not add to the overall fuel cost.

- 3.16. In view of the above, the Commission has decided to consider normative transit and stacking loss in this true up order for calculating the cost of coal.

Gross Calorific Value:

- 3.17. Clause 3.16 of the MYT Order dated 7th March, 2006 stated that “the Commission instead of GCV of coal considers NCV for computation of coal cost. NCV accounts for the loss of heat content on account of reasons mentioned by the Petitioner. The claim of the Petitioner is therefore not being entertained.”
- 3.18. The Commission vide its letter no. MPERC/DD(Gen)/ 546 has asked the Petitioner that the calorific value (CV) in schedule 3(ii) of the Petition without specifying whether it is gross calorific value or Net calorific value. The Commission has further asked the Petitioner to submit the detailed estimation of annual weighted average GCV/NCV of coal for all the Stations be submitted.
- 3.19. The Petitioner vide its letter dated 30/04/09 has submitted that the calorific value of coal in the true-up Petition for the Thermal Power Stations are Gross Calorific Value (GCV) corrected to total moisture basis (Coal as fired basis) the Petitioner has also submitted the month wise analysis report based on which estimated annual weighted average GCV of coal for the three Thermal Power Stations is determined.
- 3.20. Clause 3.13 of the Regulation MPERC (Terms & Conditions for determination of Generation Tariff) G-26 of 2005 notified by the Commission for control period FY 2006-07 to FY 2008-09 clearly stated that the Quantity of primary fuel required for generation of one kwh of electricity at generator terminal in kg shall be computed on the basis of Gross Station heat rate and Gross Calorific Value of primary fuel as fired.
- 3.21. The month wise Laboratory report submitted by MPPGCL for all three Thermal Power Stations indicates day wise analysis of coal which indicates only Gross Calorific Value of fuel determined in laboratory and based on that Laboratory report the yearly weighted average GCV has been calculated by the generating company and same value has also been filed by the Petitioner in its Petition for FY 2007-08.
- 3.22. The Commission in its true-up order FY 2006-07 had considered Gross Calorific Value in line of the regulation. Therefore the Commission has followed the same status and taken GCV for determination of energy charges as mentioned in the regulation.
- 3.23. The actual Gross Calorific Value as filed in the Petition and verified from the Laboratory report submitted by the Petitioner has been considered in this order as given below-

Table : 79

| Power Stations | Actual GCV for FY 2007-08 |
|-----------------------|----------------------------------|
| ATPS Chachai | 4609 |
| STPS Sarni | 3607 |
| SGTPS Birsinghpur | 4134 |

Coal Cost

3.24. In the MYT Generation Tariff Order for FY 2006-07 to FY 2008-09, the Commission had computed the weighted average landed cost considering all sources from which the supply was received and all grades of coal that were received by the three generating stations. The Per Metric ton coal cost as considered by the Commission in MYT Order for FY 2007-08 is given below:

Table : 80

| Power Stations | Rs/MT (MYT Tariff Order) |
|-----------------------|---------------------------------|
| ATPS Chachai | 1139.46 |
| STPS Sarni | 1357.70 |
| SGTPS Birsinghpur | 1189.67 |

3.25. MPPGCL in the True-up Petition has taken the Quantity of Coal from accounting records for the three Thermal Power Stations. These quantities match with the figures given in the Annual Statement of accounts for FY 2007-08 for 100% capacity of the Plant. Coal details of MPPGCL on 100% basis as filed in the Petition are as follow:

Stock Status of Coal for FY 2007-08

3.26. The MPPGCL has submitted that in this Petition, coal cost has been taken from the base calculations used for preparation of coal accounting records for the three Thermal Stations. The summary of the Stock status as filed by the Petitioner and duly match with the details given in nite 42 of the audited accounts is given below;

Table : 81

| Particular | | ATPS Chachai | STPS Sarni | SGTPS Birsinghpur | Total |
|-----------------------------------|-------------------|---------------------|-------------------|--------------------------|--------------|
| Opening | | 90169 | 365241 | 117993 | 573404 |
| Receipt | Gross | 912948 | 6587614 | 4633915 | 12134477 |
| | Less transit loss | 340 | 46154 | 53734 | 100228 |
| | Net receipt | 912608 | 654161 | 4580181 | 12034250 |
| Less Stone Sales | | 2012 | 28334 | 19593 | 50539 |
| Shortage on Physical verification | | 1481 | 154080 | 71658 | 227218 |
| Consumption | | 912274 | 6633657 | 4412003 | 11957933 |
| Closing Stock | | 88411 | 90631 | 194921 | 371964 |

3.27. Based on the above Coal Stock, the Petitioner has derived the Per Metric ton rate of Coal as given below:

Table : 82

| Particular | ATPS Chachai | STPS Sarni | SGTPS Birsinghpur | Total |
|-------------------------------|-------------------------|-----------------------|------------------------------|--------------|
| Quantity of Coal consumed | 912274 | 6633657 | 4412003 | 11957933 |
| Cost of Consumption (Cr. Rs.) | 112.16 | 936.91 | 613.31 | 1662.39 |
| Rate of Cost (Rs/ MT) | 1229.45 | 1412.37 | 1390.10 | 1390.19 |

- 3.28. The Petitioner has submitted that the rates of coal are dependent on number of factors like Grade mix of coal received, base price of CIL, surface transportation charges, transportation charges from mine to power station, tax structure etc. The Petitioner has also submitted that there had been revisions of rates by CIL , resulting in increase of Ex-colliery rates by 13-14% as given below:

Table : 83 Rate revision in Coal by CIL

| Grade | Amount in Rs./MT | | | | | |
|--------------|--------------------------------|------------|------------------------------|------------|-------------------|------------|
| | Prices as on 16.06.2004 | | Prices as on 13.12.07 | | Difference | |
| | SECL | WCL | SECL | WCL | SECL | WCL |
| C | 1264 | 1357 | 1429 | 1538 | 13% | 13% |
| D | 1076 | 1264 | 1223 | 1441 | 14% | 14% |
| E | 868 | 1056 | 982 | 1201 | 13% | 14% |
| F | 639 | 837 | 726 | 956 | 14% | 14% |
| G | 473 | 660 | 541 | 748 | 14% | 13% |

- 3.29. The Petitioner vide its letter dated 16/12/2009 has submitted the details regarding month-wise Coal Cost for FY 2007-08 in support of audited Coal cost, rates and quantities for all three Thermal Power Stations.
- 3.30. The Commission vide its letter dated 11.11.2009 has asked the Petitioner to submit the power station wise details of Coal and Oil on share vis-à-vis 100% operating capacity basis. Since the quantity of oil consumed is not reflecting in any where of the audited accounts only cost of oil consumed reflected in schedule 16 of the balance sheet therefore the petitioner was directed to submit month wise details of oil consumption with respect to each power station. The petitioner vide its letter dated 16.12.2009 and 31.03.2010 has submitted the requisite details of coal and oil.
- 3.31. The Commission has determined the Per MT Coal cost with reference to audited cost and quantity as mentioned in the annual audited accounts as follows:

Table : 84 (a) Details of Coal receipt, consumption and stock quantities as per audited accounts: (MT)

| Power Station | Opening stock | Receipt | | | Stone & Sales | Shortage on Physical varification | Closing stock | Consumption |
|---------------|---------------|-----------------|---------------|-----------------|---------------|-----------------------------------|---------------|-----------------|
| | | Gross | Transit loss | Net | | | | |
| | A | B | C | D | E | F | G | H |
| ATPS | 90169 | 912948 | 340 | 912608 | 2612 | 1481 | 86411 | 912273 |
| STPS | 365241 | 6587614 | 46154 | 6541460 | 28334 | 154080 | 90631 | 6633656 |
| SGTPS | 117993 | 4633915 | 53734 | 4580181 | 19593 | 71658 | 194921 | 4412002 |
| TOTAL | 573403 | 12134477 | 100228 | 12034249 | 50539 | 227219 | 371963 | 11957931 |

Table : 84 (b) Determination of per MT coal cost based on audited accounts:

| Power Station | Coal Cost | | Coal Consumed as per audited accounts on 100% operating capacity basis (MT) | Cost of Coal (Rs/MT) |
|------------------------|--|--|---|----------------------|
| | Coal Cost as per audited account Excluding Prior period fuel Expenses Rs. In Cr. | Coal Cost 100% Capacity basis Rs. In Cr. | | |
| | (A) | (B) | (C) | (D) |
| ATPS | 112.13 | 112.13 | 9,12,273 | 1229.13 |
| STPS PH-I | 161.31 | 268.85 | 1971508 | |
| STPS PH II&III | 668.06 | 668.06 | 4662149 | |
| STPS Complex | 829.37 | 936.91 | 6633656 | 1412.36 |
| SGTPS | 613.31 | 613.31 | 44,12,002 | 1390.09 |
| Total Coal Cost | 1,554.81 | 1,662.35 | 1,19,57,931 | |

3.32. The Commission has considered the total coal as mentioned in annual audited accounts and its Power Station wise break-up submitted by the Petitioner in its Petition and additional submission. The Commission has gone into the data supplied by the generating company and agrees with the price proposed by MPPGCL. The Commission while determining the true up tariff order for FY2007-08 has considered the same.

Other fuel related cost:

3.33. In addition to coal cost and oil cost, the petitioner has also claimed the some other fuel related cost as given below;

Table : 85 Other fuel cost claimed by the petitioner in Rs. Cr.

| Particular | ATPS | STPS | SGTPS |
|---------------|-------------|--------------|-------------|
| Coal Handling | 1.14 | 7.33 | 1.39 |
| Entry Tax | 0.32 | 9.83 | 8.30 |
| Total | 1.46 | 17.16 | 9.69 |

3.34. However, the Commission in its MYT order dated 7th March ,2006 has allowed the other fuel related cost separately therefore the power station wise other fuel related charges which

includes coal handling charges and entry tax , has been worked out on share basis vis-à-vis 100% operating capacity basis by the Commission as follows;

Per MT coal handling charges and Entry tax based on audited accounts:

| Power Station | Coal handling charges (Rs. Cr.) | | Entry tax (Rs. Cr.) | | Rs.Per MT | |
|----------------|---------------------------------|------------|---------------------|------------|-----------|-------|
| | Share bases | 100% bases | Share bases | 100% bases | Handling | Entry |
| ATPS | 1.14 | 1.14 | 0.32 | 0.32 | 12.50 | 3.51 |
| STPS PH-I | 1.31 | 2.18 | 1.61 | 2.68 | | |
| STPS PH-II&III | 5.15 | 5.15 | 7.14 | 7.14 | | |
| STPS | 6.46 | 7.33 | 8.75 | 9.82 | 11.05 | 14.81 |
| SGTPS | 1.39 | 1.39 | 8.30 | 8.30 | 3.15 | 18.81 |
| Total | 8.99 | 9.86 | 17.37 | 18.44 | 8.25 | 15.42 |

- 3.35. In the above table the audited amount has been further inflated up to 100% capacity basis in case of STPS, Sarni. The Commission based in the quantum of coal allowed as per normative parameters, worked out the other fuel related costs in same proportion. The other fuel cost allowed by the Commission is as given below;

Table : 87 Other cost allowed by the Commission:-

| Power Station | Coal qty. in MT allowed | Other coal cost allowed in Rs. Cr. | | Paisa Per unit |
|----------------|-------------------------|------------------------------------|-------|----------------|
| | | Handling | Entry | |
| ATPS | 849499 | 1.062 | 0.298 | 1.41 |
| STPS PH-I | | | | |
| STPS PH-II&III | | | | |
| STPS | 6191874 | 6.70 | 9.17 | 2.30 |
| SGTPS | 3557601 | 1.12 | 6.69 | 1.67 |

- 3.36. The other variable cost claimed in the petition also covers an additional cost component as “Stock shortage in physical verification”. The Commission has already allowed normative transit loss hence the Commission has not considered such claim of stock shortage.
- 3.37. By considering the rate of the coal and oil based on the audited accounts determined by the Commission and gross calorific value as submitted by the petitioner based on laboratory analysis, the Commission has determined the energy charges for all three thermal power stations is as given below;

Stock status of oil for FY2007-08

- 3.38. The petitioner in its petition has submitted that the rate of secondary oil taken from books of accounts. Details of secondary oil are being maintained through “Store Accounting System”. In this system each receipt is recorded and considering the opening balance of the stock,

weighted average rate of oil is determined. Each issuance is made on this weighted average rate. Thus, with every receipt of new stock, the rate of oil mix available changes automatically. In the accounting system, the output of this store accounting is used to record the values of consumption. Based on this the stock position of oil and cost of secondary oil consumed is used to determine the rates, as elaborated below:-

Table : 88 Stock Status of Secondary Fuel Oil for FY08

| Sr. No. | Particulars | Unit | Power Stations | | | Total |
|---------|----------------------|------|----------------|--------------|-------------|--------------|
| | | | ATPS | STPS | SGTPS | |
| 1 | Opening Stock | KL | 3321 | 8233 | 4159 | 15713 |
| 2 | Receipts During year | KL | 4775 | 25853 | 17758 | 48386 |
| 3 | Issue during year | KL | 4717 | 23437 | 18106 | 46260 |
| 4 | Closing Stock | KL | 3379 | 10649 | 3811 | 17839 |

Table : 89 Calculation of per KL rate of Oil (As per audited accounts)

| Sr. No. | Particulars | Unit | Power Stations | | | Total |
|---------|--------------------------------|---------|----------------|--------------|--------------|--------|
| | | | ATPS | STPS | SGTPS | |
| 1 | Cost of Furnace oil | Rs. Cr. | 6.59 | 33.92 | 30.53 | 71.04 |
| 2 | Cost of LDO/HSD | Rs. Cr. | 4.49 | 7.51 | 18.35 | 30.35 |
| 3 | Total Cost of Secondary Oil | Rs. Cr. | 11.08 | 41.43 | 48.88 | 101.39 |
| 4 | Consumption of Furnace Oil | KL | 3103 | 15799 | 12275 | 31177 |
| 5 | Consumption of LDO/HSD | KL | 1510 | 2137 | 5831 | 9478 |
| 6 | Total Consumption of Sec. Oil | KL | 4613 | 17936 | 18106 | 40655 |
| 7 | Rate of Furnace Oil | Rs./KL | 21238 | 21470 | 24872 | 22786 |
| 8 | Rate of LDO/HSD | Rs./KL | 29735 | 35143 | 31470 | 32022 |
| 9 | Wt. Avg. rate of Sec. fuel Oil | Rs./KL | 24019 | 23099 | 26997 | 24939 |

- 3.39. By considering the rate of the coal and oil based on the audited accounts determined by the Commission and gross calorific value as submitted by the petitioner based on laboratory analysis, the Commission has determined the energy charges for all three thermal power stations is as given below:

Table : 90 Energy charges worked out for FY2007-08

| Sr. No. | Description | Unit | Power Stations | | |
|-----------|---|------------------|----------------|---------------|---------------|
| | | | ATPS | STPS | SGTPS |
| 1 | Capacity | MW | 290 | 1142.5 | 840 |
| 2 | Gross Station Heat Rate | kCal/kWh | 3573 | 2926 | 2800 |
| 3 | Sp. Fuel Oil Consumption | ml/kWh | 7.09 | 2.66 | 2.00 |
| 4 | Aux. Energy Consumption | % | 11.73 | 8.77 | 9.39 |
| 5 | Weighted average GCV of Oil | kCal/ltr. | 10,000 | 10,000 | 10,000 |
| 6 | Weighted average GCV of Coal | kCal/kg | 4609 | 3607 | 4134 |
| 7 | Weighted Average price of Oil | Rs./KL | 24019 | 23099 | 26997 |
| 8 | Weighted Average price of Coal | Rs./MT | 1229 | 1412 | 1390 |
| 9 | Rate of Energy Charge from Sec. Fuel Oil at ex-bus | Paise/kWh | 19.29 | 6.73 | 5.96 |
| 10 | Heat Contributed from HFO | kCal/kWh | 71 | 27 | 20 |
| 11 | Heat Contributed from Coal | kCal/kWh | 3502 | 2899 | 2780 |
| 12 | Specific Coal Consumption | kg/kWh | 0.7752 | 0.8112 | 0.6773 |
| 13 | Sp. Coal Consumption including Transit Loss | kg/kWh | 0.7776 | 0.8177 | 0.6876 |
| 14 | Rate of Energy Charge from Coal at ex bus | Paise/kWh | 108.27 | 126.60 | 105.49 |
| 15 | Per unit Other fuel related charges | Paise/kWh | 1.41 | 2.30 | 1.67 |
| 16 | Rate of Energy Charge ex-bus kWh Sent | Paise/kWh | 128.97 | 135.63 | 113.12 |

3.40. The details of the quantity of coal & oil and corresponding cost for the coal & oil allowed by the Commission is as given below:

Table : 91

| | | | | |
|------------------------------------|---------|---------------|----------------|----------------|
| Quantity of coal allowed | MT | 849499 | 6191874 | 3557601 |
| Cost of coal allowed | Rs. Cr. | 104.41 | 874.51 | 494.54 |
| Quantity of oil allowed | KL | 7746 | 20141 | 10348 |
| Cost of oil allowed | Rs. Cr. | 18.61 | 46.52 | 27.93 |
| Other fuel related charges allowed | Rs. Cr. | 1.36 | 15.87 | 7.81 |
| Total fuel cost allowed | Rs. Cr. | 124.38 | 936.91 | 530.29 |

Table : 92 Fuel cost details:- Rs. Cr.

| Power Station | Allowed in MYT order for FY2007-08 | | | Allowed in true up order for FY2007-08 | | | Difference | | |
|---------------|------------------------------------|-------|--------|--|-------|--------|------------|------|--------|
| | Coal | Oil | Others | Coal | Oil | Others | Coal | Oil | Others |
| ATPS | 117.45 | 17.37 | 1.04 | 104.41 | 18.61 | 1.36 | -13.04 | 1.24 | 0.32 |
| STPS | 903.63 | 43.07 | 8.04 | 874.51 | 46.52 | 15.87 | -29.12 | 3.45 | 7.83 |
| SGTPS | 487.31 | 25.65 | 4.09 | 494.54 | 27.93 | 7.81 | 7.23 | 2.28 | 3.72 |
| Total | 1508.39 | 86.09 | 13.17 | 1473.47 | 93.06 | 25.04 | -34.92 | 6.97 | 11.87 |

3.41. The Commission has allowed Rs. 1591.58 Cr. as fuel cost in this true up order.

CHAPTER 4

Objections and Comments on MPPGCL's True-up Proposal

5.1 The Commission has got published the abstract of the application and the true-up proposal filed by MPPGCL with the Commission in the following newspapers :-

- a) Nai Duniya, Indore (Hindi)
- b) Swadesh, Bhopal (Hindi)
- c) Dainik Bhaskar, Gwalior (Hindi)
- d) Dainik Alok, Rewa (Hindi)
- e) Dainik Bhaskar, Jabalpur (Hindi)
- f) Hindustan Times, Bhopal (English)

5.2 The date of public hearing was fixed on 3rd March, 2010 as mentioned in the above public notice. The public hearing on the application and the true-up proposals filed by the petitioner was conducted in the Commission's office at 11.30 AM on 3rd March, 2010 when the representatives of the petitioner, M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur and M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore were present. The representative of the petitioner presented a summary of the true-up proposal for FY 2007-08 filed by MPPGCL during the course of public hearing. The Commission asked the petitioner to provide a clear picture before the Commission in respect of the status of the station-wise and scheme-wise opening drawal and repayment of loans as on 1st June, 2005 and also at the opening of the financial year 2007-08 explaining the impact of any change in reallocation of loans amongst the generating stations/units. The petitioner was also asked to adequately explain full details of the capital additions during the complete period for which this true-up petition has been filed and the details should provide the approval of the concerned authority and also the cost benefit analysis on addition of the capital expenditure.

5.3 The representative from M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur and M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore submitted before the Commission that their companies have no objection on this true-up proposal filed by MPPGCL and also MPPGCL may be allowed actual O&M expenses instead of normative O&M expenditure.

5.4 The Commission had received the comments/suggestions from M/s M. P. Electricity Consumer's Society (MPECS), Industrial Estate, Pologround, Indore on this true-up proposal filed by MPPGCL. However, none appeared on behalf of MPECS during the course of public hearing. MPECS offered several comments on the true-up proposal filed by MPPGCL. The point-wise comments vis-à-vis MPPGCL's response is reproduced hereunder:-

a) **Performance parameter like plant load factor, fuel consumption etc.**

M. P. Electricity Consumer's Society's comments

The society holds a firm view that any cost, which become due because of performance less than that agreed before the Commission cannot be permitted. It is seen that in several respects the performance has been poorer than the earlier financial year. The burden of inefficiency cannot be passed on to consumers.

MPPGCL's response

In the above context, MPPGCL likes to submit that the performance parameters of MPPGCL for FY 08 have already been explained in details in true-up tariff petition. The performance as regard to auxiliary consumption and specific secondary oil consumption has improves considerably in respect of target approved by Hon'ble MPERC; however there is minor shortfall in gross generation as compared to target, approved by Hon'ble MPERC due to the force majeure conditions which were beyond the control of utility, as already explained in the petition. MPPGCL further wish to clarify that the capacity index of all the hydro power stations of MPPGCL were far above the targeted capacity index laid down by Hon'ble Commission, which indicates the seriousness of the company towards availability of hydro stations in favour of respectable consumers of M. P. State.

b) Increase in costs of raw material and services.

M. P. Electricity Consumer's Society's comments

The increase in costs, taxes etc. on coal, fuel oil has to be allowed but on consumption based on efficiencies approved by the Hon'ble Commission. Thus fuel quantities have to be worked out on heat rate approved as the basis.

In as much as services are concerned, increased DA inflation beyond what was accepted can be allowed. The society submits that these figures have to be checked with expenditure allowed by the Hon'ble Commission in the ARR during financial year 2008-09.

MPPGCL's response

In the above context, MPPGCL likes to submit that the performance parameters of MPPGCL for FY 08 have already been explained in details in true-up tariff petition. The performance as regard to auxiliary consumption and specific secondary oil consumption has improves considerably in respect of target approved by Hon'ble MPERC; however there is minor shortfall in gross generation as compared to target, approved by Hon'ble MPERC due to the force majeure conditions which were beyond the control of utility, as already explained in the petition. MPPGCL further wish to clarify that the capacity index of all the hydro power stations of MPPGCL were far above the targeted capacity index laid down by Hon'ble Commission, which indicates the seriousness of the company towards availability of hydro stations in favour of respectable consumers of M. P. State.

c) Interest and depreciation

M. P. Electricity Consumer's Society's comments

- (i) This expenditure is not a cash expenditure and has to be provided in future years.

MPPGCL's response

The company does not agree with the observation made by respectable consumer of MP as depreciation has been charged on assets as provided through final opening balance sheet notified by GoMP to MPPGCL on the rates determined by Hon'ble Commission in the prevailing regulations. While framing the regulations, Hon'ble Commission has included depreciation in ARR, fully appreciating its nature. The depreciation is charged to compensate gradual deterioration of assets due to their use and this enables the utility to pay of the capital borrowings as well. Thus appropriate consideration on the account need to be given. Further the increase in interest rates is beyond the control of MPPGCL and depends upon the financial market under the purview of RBI. Thus the same should be permitted.

M. P. Electricity Consumer's Society's comments

(ii) The MPPGCL have submitted ARR for 2008-09 and 2009-10 before the Hon'ble Commission and the figures have been scrutinized and allowed or disallowed by the Hon'ble Commission. Thus a re-scrutiny may not be considered by the Hon'ble Commission.

MPPGCL's response

Observation made is not clear and needs to be clarified.

M. P. Electricity Consumer's Society's comments

(III) The society also submits that any liabilities arising out of old liabilities of the M. P. Electricity Board have to be borne by state government and cannot be burdened on the consumers.

MPPGCL's response

The government of MP has notified final opening balance sheet of company on 12.06.2008 through which it has transferred the liabilities to the company. In almost all previous orders issued by MPERC, the Hon'ble Commission has appreciated the provisionality of opening balance sheet notified by GoMP on 31.05.2005 and has mentioned to true-up the impact at subsequent state, properly considering the part that GoMP notification is a mandate to MPPGCL and the impacts are beyond the control of MPPGCL. MPPGCL has no option but to honour the GoMP notification and thus for enabling the company to discharge its liability efficiently the impact need be made pass through. Also this is as per philosophy expressly mentioned by Hon'ble Commission in various tariff orders.

M. P. Electricity Consumer's Society's comments

(IV) Other costs like working capital, return on equity etc.

The society submits that working capital is a matter of actual bank overdraft or loan taken and cannot be a theoretical figure in true-up costs. Return on equity has to be frozen in the arr. Thus no increase on other costs be allowed.

MPPGCL's response

As per prevailing MPERC Regulations, the interest on working capital is to be taken on normative basis. This is essential for proper functioning of the company. Further the equity transferred to company by GoMP is as per final opening balance sheet and return on equity/interest on equity has been calculated in accordance with the prevailing regulations of the Hon'ble Commission. MPPGCL, therefore, humbly submit before Hon'ble Commission to kindly permit the same.

M. P. Electricity Consumer's Society's comments

- d) The society submits that the Hon'ble Commission may approve a "Variable Cost Adjustment" formula in all the tariffs. Once VCA is claimed, there cannot be any exercises in respect of true-up costs.

MPPGCL's response

MPPGCL appreciates the observation made by the respectable society in regard to VCA formula. However, it is to submit that at present there is no approved VCA formula for MPPGCL, thus the existing practice to true-up variable cost need to be continued. MPPGCL, therefore submits before Hon'ble Commission to permit the same.

CHAPTER 5

Status of Compliance of directives given by the Commission

1) Commission's Directive

Data Based Management and Management Information System:- The Commission in its Generation Tariff Order for FY06 has already directed the Generating Company to prepare a time bound programme / action plan and apprise the Commission on the implementation of the action plan.

Status of Compliance

A scheme of Rs.28 Crores has since been approved by BoD of MPPGCL as well as GoMP. PFC has also agreed to finance the scheme upto Rs.22 Crores and has been consented by MPPGCL. MoA has been signed on 12.12.07 DFID provided support in preparation of Technical specification. The implementation is being planned in phases. The Tender is being issued for appointment of Consultant for implementation support.

2) Commission's Directive

Improvement in Performance of Generating Units:- The units of ATPS, Chachai PH-1 have been de-commissioned permanently from 1st April,09.

The Commission has been expressing its concern over the deterioration of the performance of generating units of MPPGCL. Vide letter MPERC/DD(Gen.)/263 dated 2nd Feb.2009, the Commission had also expressed its serious concern to state Govt. in this regard.

To carry out the renovation and modernization works for improving the performance of generating units, the Commission had registered suo-moto against MPPGCL. Hearing in the matter was held on 25th March, 09. The petition was disposed off with certain directives issued to the company.

Status of Compliance

The Detailed Project Report of (R&M) in respect of STPS, Sarni already submitted after the approval of BoD MPPGCL. The queries raised recently by Hon'ble Commission are being replied. The other (R&M) activities in respect of SGTPS, Birsinghpur are recommended by CEA to be taken up in the 13th Plan. Further, MPPGCL have awarded contract to M/s. NTPC, for gap analysis, technical audit and preparation of improvement plan for all Thermal Power Stations. M/s. NTPC, have visited all the Power Stations and their report is awaited.

3) Commission's Directive

Energy Audit:- The Commission further directs the MPPGCL to carry out energy audit in its thermal plants regularly and based on this audit determine SHR phase wise for all stations. MPPGCL shall provide reasons for the observed differences in values determined on the basis of this audit and actual coal consumption. The Company is also required to determine SHR separately for all stations after discounting the energy generated and coal assumed to be fed in the boilers during the period when its weight-o-meters are non functional. The Company shall submit above reports quarterly and shall place the data on its website. The Commission shall arrange to review the position through a consultant and by taking up the scrutiny suo moto through a petition.

Status of Compliance

The Energy Audit of ATPS, Chachai & SGTPS, Birsinghpur has been got conducted through M/s ERDA, Vadodara and for STPS, Sarni through CPRI. Firms have submitted their recommendations. Station Heat rate and other parameters are calculated in line with the recommendation issued. The quarterly report was being submitted regularly as directed.

In April'09, Hon'ble Commission have revised the formats and advised to send report every month instead of quarterly basis. Now, Hon'ble Commission has consented to send this report on Quarterly basis. The Report for quarter ending June, 2009 has already been sent to the Hon'ble Commission and next Report is due in October, 2009.

4) Commission's Directive

Detailed Capital Expenditure Plan:- The Commission directs that the Capital expenditure plan along with the financing plan for the tariff period commencing from FY07 may be submitted before the Commission for its approval. The Commission in the event of the Company not complying with this direction shall disallow additional depreciation and interest on loan borrowed for funding the capital expenditure.

Status of Compliance

The Detailed Project Report of (R&M) in respect of STPS, Sarni already submitted after the approval of BoD MPPGCL. The equerries raised recently by Hon'ble Commission are being replied. The other (R&M) activities in respect of SGTPS, Birsinghpur are recommended by CEA to be taken up in the next Plan. The balance activities of R&M Scheme of ATPS, Chachai is under implementation in Unit-4 (under shut-down upto December, 2009) and immediately thereafter the work shall be under taken in Unit-3 of ATPS, Chachai.

5) Commission's Directive

Power Station wise Accounting Statements:- The Company is advised to treat each power station as a strategic business unit and should prepare a separate Balance Sheet and profit and loss account for all its SBUs. The Commission also directs MPPGCL to pay attention to strengthening its accounting functions by coding its accounting policies and inducting trained accounting professionals. The accounting function needs to be fully computerized so that the requirements of the Companies Act of publishing half yearly accounting reports and finalizing the financial statements within six months of the close of the financial year can be met.

Status of Compliance

MPPGCL have requested Hon'ble Commission to allow preparation of station-wise balance sheets for the year FY 2010 onwards with computerization of Accounting Functions, which has been consented by the Hon'ble Commission with further directives to implement positively.

6) Commission's Directive

Station wise Cost Identification:- The Commission directs the Company that in future all tariff petitions must have station wise cost identification and segregation based on their individual Balance Sheet and Profit & Loss account. Each petition must have subsections devoted to each of its stations. The Company must provide detailed reasons for these projections and segregations especially for cost item like interest liability. In the absence of these details the Commission shall draw adverse inference and the costs may be accordingly reduced.

Status of Compliance

MPPGCL have requested Hon'ble Commission to allow preparation of station-wise balance sheets for the year FY 2010 onwards with computerization of Accounting Functions, which has been consented by the Hon'ble Commission with further directives to implement positively. However, MPPGCL is submitting Station-wise cost elements in the Petitions, as desired by Hon'ble Commission.

7) Commission's Directive

Setting up Coal Washeries System:- The generation company shall explore the possibility of setting up of Coal Washeries System for their Thermal power stations. The cost benefit analysis in this regard shall be submitted to the Commission before October 2006 failing which the Commission shall consider revising the SHR and other performance parameters to bring these to the prevailing level of similar stations where Washeries and beneficiation has resulted in improved performance.

Status of Compliance

In view of coal shortage in the country at present, Govt. of India have given allocation for imported coal to the tune of 6.00 lakh tonne per annum for which the Company is making necessary arrangements for blending and procurement.

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Annexure-I

Dissent views of Member (Engineering), Shri. K.K.Garg.

1. This petition has been filed for trueing up of tariff for FY 2007-08 which was determined by the Commission vide order dated 7th March 2006. In this true-up petition, the petitioner has also requested to consider the impact of final Opening Balance Sheet notified by the Government of M.P. on 12.06.2008 vis- a-vis the provisional Opening Balance Sheet earlier notified on 31.05.2005.
2. I find that trueing-up for FY 2007-08 as well as revised trueing-up for FY 2005-06 and FY 2006-07 has been done by including the REC loan amounting to Rs334 Crs. for the purpose of working out interest charges payable to the petitioner. Since I do not agree with this approach, I am giving this dissenting note. The detailed reasons are explained in the subsequent paragraphs.
3. Before dealing with the specific issue of the REC loan, it is considered appropriate to give a background of the issue which is necessary for its proper understanding.
4. Like most of the States, in Madhya Pradesh also, the entire activities relating to Generation, Transmission, Distribution and supply of electricity were being managed by the vertically integrated utility namely Madhya Pradesh State Electricity Board (MPSEB). The Government of M.P., with the objective of reforms in the Power Sector, unbundled the activities into newly formed Companies. Activities pertaining to generation, including assets and liabilities, were vested in M.P. Power Generating Company Ltd (MPPGCL) on 01.06.2005. With effect from this date MPPGCL started owning and managing the generation assets earlier owned and managed by MPSEB.
5. Assets and liabilities of MPPGCL as on 01.06.2005 were notified through a provisional Balance Sheet which were subsequently revised through a final Opening Balance Sheet on.
6. Tariff order for FY 2005-06 (June 05 to March 06) was passed by the Commission on 25th January, 2006. Trueing-up for this period was done by the Commission's order dated 18th January, 2008.
7. Tariff order for multi year tariff period FY 2006-07, to F.Y. 2008-09 was issued on 7th March 2006. True-up for FY 2006-07 was done vide order dated 17th June 2009.
8. According to Section 62 of the Electricity Act, 2003, the Commission has to determine tariff for supply of electricity by a Generating Company to a distribution licensee in accordance with the provision of the Act. Section 61 of the Act stipulates that the Commission shall specify the terms and conditions for the determination of tariff. Section 181 of the Act empowers the Commission to frame regulations on various matters which inter alia includes the terms and conditions for determination of tariff under section 61.
9. In exercise of the powers available to the Commission vide provisions cited above, the Commission notified Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Generation Tariff) Regulations, 2005. This regulation was applicable for tariff period FY 2006-07 to FY 2008-09. Tariff for FY 2005-06 was based on the terms and conditions notified by Central Electricity Regulatory Commission (CERC).

10. The Commission had taken the following view as regards allocation of loans and working out Interest and Finance charges in the tariff order dated 25th January, 2006 for tariff period F.Y. 2005-06.

3.6 Allocation of Loans:

3.6.1 The Commission directed MPPGCL to identify the project specific capital liabilities (loans) with respective projects. MPPGCL had represented that in the opening balance sheet some loans are clearly earmarked to the respective project but the remaining loans have been assigned to MPPGCL on lump sum basis with no clear identification possible. MPPGCL proposed to allocate the loans to the respective projects on the basis of following assumptions:

- (i) Loans which are clearly identifiable with the project should be assigned to the project only;
- (ii) Loans which are not identifiable directly with the project should be assigned to the project considering their repayment ability as in the cost plus tariff scenario, repayment ability of any project is governed by the balance depreciation available.
- (iii) As an outcome of these assumptions, the following position emerged:
 - (a) Full amount of PFC loan are identifiable with respective projects.
 - (b) Full amount of LIC, REC and CSS loans get allocated to SGTPS, Birsinghpur.
 - (c) Full amount of generic liability gets allocated to Ban Sagar.

3.6.2 Out of the Power Finance Corporation loan of Rs. 1,120 crores, as given in Para 3.4 above, MPPGCL had admitted Rs. 740 crores as pertaining to Capital Works in Progress leaving a balance of Rs. 380 crores as utilized towards projects that have already been completed. The Capital Work in Progress loan of Rs. 740 crores had been identified with projects as under:

| Project | Amount (Rs.Crores) |
|--------------------------------|---------------------------|
| SGTPS, Birsinghpur Extn 500 MW | 542.77 |
| Marikhera HEP (2x20 mw) | 86.39 |
| R & M scheme of Satpura TPS | 4.74 |
| R & M Chachai | 1.47 |
| ATPS Chachai 210 MW | 55.05 |
| Bansagar-IV | 49.14 |
| Total | 739.56 |

3.6.3 The applicable interest on these loans will not be considered in the Interest and Finance charges but will be allowed to be capitalized.

- 3.6.4 **The Commission, while agreeing with MPPGCL that loans that are clearly identifiable with the projects should be assigned to those projects, is not in a position to agree with the other two assumptions. The Commission would like to adjust the value of the loans that could not be identified with any specific projects, as utilized for Working Capital borrowings. However, if MPPGCL could show the utilization of the capital liabilities for any specific project in the near future, the Commission would definitely consider the same and re-work the capacity charges.**
- 3.6.5 In their submission, MPPGCL has identified Rs. 388 crores out of the PFC loan as against Rs. 380 crores (indicated in para 3.6.2) to the following projects:

| Project | Amount of PFC loan (Rs. Crores) |
|--------------------|--|
| ATPS, Chachi | 14 |
| STPS, Sarni | 21 |
| SGTPS, Birsinghpur | 229 |
| Rajghat | 6 |
| Bansagar | 118 |
| Total | 388 |

- 3.6.6 The interest payable on the PFC loan would be allowed in the Capacity charges of the respective project.
- 3.6.7 Thus out of the total of Rs. 2,204 crores of loans (project specific loan of Rs. 1,945 crores and MPSEB loan of Rs. 259 crores), MPPGCL had identified Rs. 1,128 crores (Rs. 740 crores as pertaining to Capital Works in Progress and Rs. 388 crores as allocable to projects) leaving a balance of Rs. 1,076 crores as not identifiable with any projects. The Commission will treat unidentified balance loan as Working capital borrowings and allow the interest on them to the various projects on the basis of normative working capital needs even though the balance sheet notified by the State Government on 31st May, 2005 does not show any requirement on this account. This will be dealt with in the Chapter on Interest and Finance Charges.
11. MPPGCL filed true-up tariff petition dated 23 August, 2007 for trueing-up of FY 2005-06 tariff. The petitioner made the following submission in the Chapter dealing with Interest and Finance Charges.

MPPGCL submission-Interest and Finance Charges

- 12.1. GoMP vide its notification dated 31st May,05 has provided provisional opening balance sheet to MPPGCL as under:

Opening Provisional Balance Sheet of MPPGCL

Table No. 12.1.1

| Liabilities | | | Amount Cr. Rs. | Assets | | | Amount Cr. Rs. |
|-------------------------------------|---------------------------|-------------|----------------------------------|-----------------------|-------------------------------|--------------|----------------|
| Equity From GoMP | | | 1278 | Fixed Assets | Gross Assets | 4453 | |
| Project Specific Liabilities | PFC | 1120 | | | Less Accumulated Depreciation | 1576 | |
| | LIC | 488 | | | | | |
| | CSS | 3 | | | | | |
| | REC | 334 | | | | | |
| Total | 1945 | 1945 | Capital Works in Progress | 1040 | | | |
| Loan from MPSEB (Generic) | | | 259 | | | | |
| Current Liabilities | Fuel Liabilities | 191 | | Current Assets | Stock | 244 | |
| | Staff Related | 29 | | | Cash and Balances | 11 | |
| | Towards Suppliers | 143 | | | Loan Advances | 3 | |
| | Intt. Accrued but not Due | 21 | | | Sundry Receivable | 34 | |
| | Others | 342 | | | Others | | |
| | Total | 727 | | | 727 | Total | |
| Total Liabilities | | | 4210 | Total Assets | | | 4210 |

12.2 The Final Opening Balance Sheet is still awaited. The capital liabilities, as specified in the provisional opening balance sheet are likely to change in the final opening balance sheet to be made available by GoMP in due course of time. This might change the associated terms and conditions and hence the impact of interest and finance charges. MPPGCL humbly prays before Hon'ble Commission to kindly permit to consider change on this account at a subsequent stage. However, at this stage, MPPGCL has considered the terms and condition of loans as provided with opening balance sheet capital liabilities.

12.3 The details of the Interest Expenses filed by MPPGCL in F.Y. 06 tariff petition, the approved Interest Expenses by the Hon'ble Commission for the 10 months period between 1st June 2005 to 31st March 2006 and actual as per audited balance sheet of MPPGCL are tabulated below:-

Comparison of Interest Expenses vis-à-vis as Approved by Commission**Table No. 12.3.1****(Amount Rs. In Crore)**

| Particulars of Loan | As per FY-06 Petition | Approved by Comm. | | Actual Paid by MPPGCL | Basis for Disallowance |
|--------------------------|-----------------------|-------------------|--------------|-----------------------|---|
| | 12 M | 12M | 10 M | 10 M | |
| PFC | 40.56 | 32.03 | 26.69 | 29.28 | Allowed for existing projects. |
| REC | 28.13 | 0 | 0.00 | 23.94 | In the absence of details of the purpose for which these loans have been contracted, Commission has considered these loans as against CWIP. |
| LIC | 112.96 | 0.00 | 0.00 | 25.13 | |
| CSS | 0.19 | 0.00 | 0.00 | 0.02 | |
| MPSEB (Generic) | 32.38 | 0.00 | 0.00 | 25.90 | |
| Financing Charges | 0.00 | 0.00 | 0.00 | 1.75 | |
| Total | 214.21 | 32.03 | 26.69 | 106.02 | |

12.4. It is pertinent to mention that, in response to Clause 6.40,6.41,6.42,6.43 & 6.44 of the Tariff Order dated 25.01.2006 supporting information for justification of Interest & Finance charges were submitted vide letter No. 07-12/CP-MPPGCL/Tariff/MPERC/118 dated 23.02.06. In this letter, it was explained that loans assigned to the five successor companies has actually been utilized for creation of assets. Since as per prevailing rules at that time, pooling of all draws of loans was done and expenditure was made from the common pool (probably with a view to optimize the interest liability on consumers), at this stage it is not possible to segregate them and tag each drawal with specific projects. These loans which could not be tagged with specific projects have been termed as generic loans. The Hon'ble Commission has considered these loans as working capital loans. MPPGCL has requested to consider them as project specific loans. The copy of the letter is enclosed as annexure to this petition for kind consideration please as **Annexure-III**. The matter was further taken up by MPPGCL in the subsequent hearings and it was directed by the Hon'ble Commission to bring the matter at the time of trueing up.

12.5 In the above letter MPPGCL has submitted all possible documentary proof, including loan documents of each loan series and balance sheet of past 20 years, demonstrating the loans borrowed by erstwhile MPSEB were actually utilized for creation of assets. The possible extent of linking of loan and assets has also been demonstrated. The Hon'ble Commission has also appreciated the fact that CSS Loans is directly borrowed for STPS Sarni and LIC Loan pertain to SGTSPS Birsinghpur. The Commission has also permitted the interest thereon for FY 07 TO FY 09 tariff. The respective para of the Hon'ble Commission's order for FY 07-09 are reproduced below for kind Reference please.

“3.63 Since Interest liability on PFC and CSS Loans is projects specific it is being allowed as per above table. he Commission vide its order dated 25th January 2006 has determined two part tariff payable for all the stations located in MP and under the operational control of MPPGCL. The interest allowed for STPS for FY07, FY08 and FY09 is as given in the table below:”

“3.67 MPPGCL through its supplementary submission has also identified LIC loans with SGTPS Project. The details in this regard have been provided. The Commission had found that out of Rs 488 Crore allocated in the Opening Balance Sheet and Rs. 419 Crore as filed by the generating company, Rs 371.66 Crore has been found to be pertaining to SGTPS. The interest amount of Rs. 3032 Lakh, Rs. 3032 Lakh and Rs. 2956 Lakh have been allowed for this loan for FY07, FY08 and FY09 respectively.”

12. As stated above, MPPGCL vide letter dated 23.02.06 furnished justification of Interest and Finance charges .The following is noted from the letter:

7. MPPGCL has been provided the following Project Specific loans. Hon’ble Commission has further desired to provide the documentary evidence to ensure that these loans are duly identifiable with the specific projects. The loan wise explanations are as under:-

8. **PFC Loan:-**

MPPGCL has submitted the details of various loans along with the tariff petition and Hon’ble Commission has already appreciated the admissibility of PFC loans and the linkage of these loans with specific projects and hence details are not elaborated again.

9. **LIC Loan:-**

a. In the final Balance Sheet for FY 04 of MPSEB an amount of Rs. 1099.45 Cr. is appearing against this head, consisting of Rs. 426.80 Cr. as Principal Not Due, Rs 215.88 Cr. Principal Overdue and Rs.456.77 Cr. as Interest Overdue. A document was submitted by MPSEB on 16th June 2005 elaborating in details the treatment of various loans. Copy of the document is enclosed as **Annexure 6** for kind reference please. In this document the Financial Restructuring Package agreed with LIC was elaborated in details (on page 3 and Annexure 4 of the document). The summary of the agreement is as under:-

- As on 31.03.05 total outstanding against LIC was finalized as Rs 1156.80 Cr consisting of Principal Not Due as Rs. 371.66 Cr., Principal Overdue as Rs. 271.02 Cr, Interest Overdue as Rs. 362.07 Cr and Penal Interest of Rs. 152.05.Cr.
- Principal not due (Rs. 371.66 Cr.) was consisting of loans bearing interest rate of 14% to 18%. As a package deal these loans were restructured @ 9%.
- Out of (Rs.271.02 Cr.) Principal Over Due Rs. 252.86 Cr. was paid and Rs. 18.16 Cr. remained carried forward.
- Out of Rs. 362.07 Cr. Interest Overdue 50% (Rs. 165.27 Cr.) amount was waived by LIC and 25% amount (Rs 82.64 Cr.) was paid.
- 100% of the penal interest (Rs. 152.05 Cr.) was waived by LIC.
- It was further anticipated that Rs. 15.76 Cr. is liable to be reduced during subsequent years. Therefore, balance total liability worked out to Rs. 488.22 Cr.
- These details are given in the tabular form below:-

Amount in Cr. Rs.

| Particulars | As on 31.03.05 | Under restructuring Scheme | | | Balance on 01.04.05 |
|--|-------------------|----------------------------|---------------|---------------|---------------------------|
| | | Restructured | Paid | Waived | |
| Principle Not Due | 371.66 | 371.66 | | | 371.66 |
| Principle Over Due | 271.02 | | 252.86 | | 18.16 |
| Interest Over Due | 362.07 | | 82.64 | 165.27 | 114.16 |
| Penal Interest | 152.05 | | | 152.05 | 0.00 |
| Total | 1156.80 | 371.66 | 335.50 | 317.32 | 503.98 |
| In subsequent efforts prospective waiver | | | | | 15.76 |
| Net Liability | | | | | 488.22 |

- b. Payment of Rs. 335.20 Cr. was paid to LIC by borrowing an amount of Rs. 334 Cr. from REC and the balance amount was contributed by MPSEB.
- c. Out of Rs. 488.22 Cr. the interest bearing part of LIC loan is Rs.371.66 Cr. and hence while computing the interest charges interest on Rs. 371.66 Cr. only have been claimed.
- d. In order to prove that Rs. 371.66 Cr. is actually related to SGTPS Birsinghpur, Series-wise breakup of these loans is reproduced below. The loan documents to support these borrowings have also been enclosed as Annexure 7:-

| Source | | Borrowing Details | | | | Principal Amount Not Due Cr. Rs. as on 31.03.05 |
|--------------|--------|-------------------|-----------|---------------|-------------------|---|
| Name | Series | Date of Borrowing | Rate | Amount Cr. Rs | Purpose | |
| LIC | 30 | 16-Feb-90 | 14.00% | 18.29 | SGTPS | 1.22 |
| LIC | 32 | 14-Dec-90 | 14.00% | 22.29 | SGTPS I,II,III,IV | 1.49 |
| LIC | 33 | 25-Jan-91 | 14% & 15% | 30.00 | SGTPS I,II & TONS | 4.00 |
| LIC | 35 | 11-Oct-91 | 14.00% | 24.52 | SGTPS I & II | 3.27 |
| LIC | 36 | 26-Aug-92 | 14.00% | 28.20 | SGTPS I,II,III,IV | 5.64 |
| LIC | 37 | 24-Feb-93 | 18.00% | 20.00 | SGTPS I,II,III,IV | 5.33 |
| LIC | 38 | 30-Aug-93 | 17.00% | 32.02 | SGTPS I & II | 8.54 |
| LIC | 39 | 3-Feb-94 | 17.00% | 20.00 | Bansagar/Rajghat | 6.67 |
| LIC | 40 | 3-Feb-94 | 14.00% | 34.78 | SGTPS | 13.91 |
| LIC | 41 | 21-Dec-95 | 14.00% | 43.48 | SGTPS I & II | 17.39 |
| LIC | 42 | 30-Mar-96 | 14.00% | 30.00 | SGTPS III & IV | 14.00 |
| LIC | 43 | 6-Jan-97 | 14.00% | 45.00 | SGTPS I & II | 21.00 |
| LIC | 44 | 31-Mar-97 | 14.00% | 38.70 | SGTPS I & II | 20.64 |
| LIC | 45 | 22-Apr-98 | 14.00% | 90.88 | SGTPS I & II | 54.53 |
| LIC | 46 | 31-Mar-99 | 14.00% | 155.41 | SGTPS II,III & IV | 103.61 |
| LIC | 47 | 30-Mar-00 | 14.00% | 123.41 | SGTPS I & II | 90.43 |
| Total | | | | | | 371.66 |

It may be seen from the table above that major part of the LIC loans (amounting to Rs.371.66 Cr.) was primarily for Birsinghpur (98.21%). Therefore while allocating the loans to various projects; full amount was allocated to Birsinghpur.

10. **REC Loan:-**

- a. It is further obvious that the loan of REC is basically a swapping loan against LIC Loans, bearing much lower rate of interest (8%) as compared to the Principal loan i.e. about 14 to 18% and the restructured package agreed with LIC (9%). Therefore while allocating loans this total amount was allocated to Birsinghpur.
- b. In the document submitted by MPSEB dated 16th June **Annexure 6** of the complete supporting documents were enclosed. List of these documents is as under:-
 - i. Principal Secretary (Energy), GoMP Letter dated 7.10.04, offering the package deal to REC.
 - ii. REC Letter dated 1.11.04, accepting the offered package deal.
 - iii. Copy of the agreement dated 14th Jan, 05 towards the agreement.
- c. Since LIC Loans were borrowed against AGTPS Birsinghpur mainly, it is therefore requested to kindly permit REC loans admissible for levy of interest charges against Birsinghpur project.

11. **CSS Loans:-**

The loan was provided vide CEA letter dated 05.10.88 for Renovation and Mordinasation of Korba, ATPS Chachai and STPS Sarni thermal power stations. Copy of the letter is enclosed as Annexure 8 for necessary reference please.

12. **Generic Loans (Loans From MPSEB):-**

- a. MPPGCL vide its letter No. 09 dated 13.01.06 has submitted the details of generic loans and their interest rates. Copy of the letter is enclosed as **Annexure 9** for kind reference please. The submission of this information has also been appreciated by Hon'ble Commission in the tariff order dated 25th Jan, 06 (Para 8.32 Page 82).
- b. In the mean time GoMP vide its letter dated 18.01.06 has also made available the details of generic liabilities entrusted to MPPGCL. Copy of the letter is enclosed **Annexure 10**. There is a considerable diversity of interest rates amongst these loans and hence to avoid any kind of mutual conflicts amongst successor companies, GoMP has allocated these loans with an average of interest of 12%, which is same as the weighted average rate for these loans, Documentary evidence for borrowing of these loans is also enclosed as **Annexure 11**.

- c. **MPPGCL has already elaborated in the foregoing paras that above borrowings were actually utilized for creation of assets and hence the interest on the same may kindly be permitted.**
- d. Bansagar Hydro Power Project is a new project having the project cost as Rs. 1241.38 Cr. and equity of Rs. 259.16 Cr. (21.9%). It is therefore requested to kindly consider the Generic loans towards the borrowed capital of this project for the reasons already elaborated above.
13. The above submission was considered by the Commission and the following view was taken in the true-up tariff order 18.01.2008.

3.49 In the true-up petition, the MPPGCL has reworked the interest liability taking, LIC loan, REC loan, CSS loan and MPSEB loan as project specific loan and has requested the Commission to allow interest charges on these loans. The petitioner has requested the Commission to allow them the interest amount of Rs. 106.02 Crore as given in the table below:

Loan wise break up of interest liability for FY 06 (Rs. Crore)

| Particulars of Loan | Actual Paid by MPPGCL for 10 Months |
|----------------------------|--|
| PFC | 29.28 |
| REC | 23.94 |
| LIC | 25.13 |
| CSS | 0.02 |
| MPSEB (Generic) | 25.90 |
| Financing Charges | 1.75 |
| Total | 106.02 |

3.50 The Commission, in its generation tariff order for FY 2006-07 to FY 2008-09, while allowing the interest charges had directed the petitioner to file the records so as to establish the links of the loans with the projects. In response, the petitioner, against the LIC loan of Rs. 488 Crore (as indicated in the provisional opening balance sheet) had submitted the details of Rs. 419 Crore. With due scrutiny of the data the Commission found the loans of Rs. 371.66 Crore could be identified with SGTPS Birsingpur. The Commission thus allowed the interest on this amount in the generation tariff order of FY 2006-07 to 2008-09.

3.51 In the present petition for true-up of the generation tariff for FY 2005-06, the petitioner has requested the Commission to allow the interest on the LIC loan amount of Rs. 371.66 Crore, as this has already been identified by the petitioner as project specific loans. The MPPGCL vide its submission of 20/12/2007 has confirmed that the rate of interest on LIC loans is 9% per annum. Accordingly, the interest liability towards this loan has been worked out to Rs 27.87 Crore for 10 months. The audited statement of accounts for FY 2005-06 indicates the interest charges against the LIC loans are Rs. 25.13 Crore. Hence, the Commission allows the interest of Rs. 25.13 Crore for 10 months.

- 3.52 Similarly, in the generation tariff order for FY 2006-07 to 2008-09, the Commission allowed the interest amount of Rs. 0.02 Crore on the CSS loan of Rs. 0.34 Crore after the petitioner could establish the loan with STPS, Sarni. In the audited statement of accounts of FY 2005-06, an amount of Rs. 1.59 Lakh has been indicated as interest against the CSS Loans. The Commission allows the recovery of the same.
- 3.53 In the true-up petition the petitioner has submitted that against the interest liability allowed on the project specific loans i.e. the PFC loans, it has actually paid an amount of Rs. 29.28 Crore. This has actually been confirmed from the audited statement of accounts for FY 2005-06. It indicates interest on PFC loans is of the order of Rs. 98.59 Crore and the interest capitalized is Rs. 69.31 Crore. Hence, the Commission allows the amount of Rs. 29.28 Crore towards the interest charges.
- 3.54 In the true-up petition, the MPPGCL has claimed the finance charges of Rs. 175.24 Lakh. The audited statement of accounts reveals that out of this amount Rs. 62.37 Lakh has been for penal interest/commitment charges. The Commission allows the finance charges to the extent of Rs. 112.97 Lakh after disallowing the penal/commitment charges.
- 3.55** The Commission thus approves Rs.55.56 Crore (Rs. 29.28 Crore for PFC, Rs. 25.13 Crore for LIC, Rs. 0.02 Crore for CSS Loans, and Rs. 1.13 Crore finance charges) towards interest and finance charges for 10 months. **The Commission had already stated in the generation tariff order for FY 2005-06 and once again repeats that interest on any loan that cannot be identified with a project cannot be claimed for recovery. Hence, the Commission does not allow any other true-up except as indicated above on account of interest and finance charges.**
14. The above orders of the Commission dated 25th January, 2006 and 18th January, 2008 have not been contested and have attained finality.
15. Regulation dated 5th December 2005 on terms and conditions for determination of generation tariff for control period FY 2006-07 to FY 2008-09 provides as under:

22. Interest and Finance charges on loan capital

- 2.15 Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment, as per the terms and conditions of relevant agreements of loan, bond or debenture, ordinarily restricted to prevailing rates of PFC/REC Term Lending Rate or the rates specified by the CERC from time to time. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable generation projects. The interest rate on the amount of equity in excess of 30% treated as loan shall be the weighted average rate of the loan schemes of the generating company.

Provided that interest and finance charges of renegotiated loan agreements shall not be considered should they result in higher charges.

Provided that interest and finance charges on works in progress shall be excluded and considered as part of the capital cost.

16. Tariff for FY 2006-07 to FY 2008-09 was determined based on the Commission's regulation. The Commission had taken the following decision regarding interest and finance charges pertaining to loans which could not be identified by the petitioner to specific projects in its order dated 7th March 2006.

3.67 MPPGCL through its supplementary submission has also identified LIC loans with SGTPS project. The details in this regard have been provided. The Commission had found that out of Rs. 488 Cr. allocated in the Opening Balance Sheet and Rs 419 Cr. as filed by the generating company, Rs 371.66 Cr. has been found to be pertaining to SGTPS. The interest amount of Rs. 3032 Lakh, Rs. 3032 Lakh and Rs. 2956 Lakh have been allowed for this loan for FY 07, FY08 and FY09 respectively.

3.68 MPPGCL apart from the above loans, which are identified to projects, has allocated loans from other sources that are not identified with projects on repayment ability of the project. The repayment ability of the project has been determined on the basis of balance amount of depreciation available for it. MPPGCL has consequently allocated all balance loans from LIC and REC loan to SGTPS. Another chunk of loans amounting to Rs. 259 Cr. has been shown in the Opening Balance Sheet as coming from MPSEB. It has not been explained whether MPSEB is in the business of extending loans and is undertaking financing business. As per information available, MPSEB was itself deeply indebted during the years before the issue of restructuring order and hence it is not easily believable that MPSEB was in a position to extend loans to other entities. What can be surmised is that there were some debt liabilities of MPSEB which have been allocated to the companies which have come into existence as a result of restructuring. MPPGCL, in their filings Dated 23 February, 2006 have included as an Annexure, the working of interest and finance charges by MPSEB and in this document, MPSEB has identified Rs 2,176 Cr. as raised from bonds, debentures, financial institutions and GoMP. The Opening Balance Sheet notified, indicates the liability of Rs. 2,155 Cr. of MPSEB and the amount due from successor entities is also the same. The break up of Rs. 2,176 Cr. is as under:

Table-52: Sources of MPSEB Loans

| SL.No | Source of Fund | Amount in Rs. Crore |
|--------------|---------------------------|---------------------|
| 1 | Bonds | 552.40 |
| 2 | Debentures | 799.38 |
| 3 | SIDBI | 11.63 |
| 4 | IDBI | 7.73 |
| 5 | NVDA | 18.26 |
| 6 | SPA | 6.56 |
| 7 | MPRSVGS | 0.16 |
| 8 | LIC (HFL) | 1.50 |
| 9 | HDFC | 1.17 |
| 10 | PFC(Working Capital Loan) | 75.00 |
| 11 | Loan from GoMP | 702.18 |
| Total | | 2175.97 |

3.69 This has been distributed to the successor companies as under:

Table-53: Company wise allocation of MPSEB Loans (Rs. Crore)

| Sl. No | Successor entity | Amount |
|--------------|------------------|----------------|
| 1 | Genco | 310.92 |
| 2 | Transco | 826.59 |
| 3 | East Discom | 240.25 |
| 4 | West Discom | 308.88 |
| 5 | Central Discom | 488.34 |
| Total | | 2175.97 |

3.70 The Commission has taken note of the position in respect of loans to be repaid to PFC, REC and LIC, etc which have been allocated as a liability to the successor entities of MPSEB. As the loans of MPSEB cannot be easily identified with individual successor companies, the restructuring notification has continued to retain the repayment liability with MPSEB, even as individual successor companies will be responsible for their share of liability as allocated to them through the opening balance sheet. It may be mentioned here that the liability passed on to MPPGCL is of the order of Rs. 259 Cr. and MPPGCL has identified it with Bansagar project. Energy Deptt, GoMP, vide their letter no. 300/13/2006 dated 18 January 2006 addressed to the CMD's of all successor companies has conveyed the decision of GoMP, that the MPSEB loans should be paid over a period of 10 years with interest @ 12% per annum based on weighted average rate of interest payable by MPSEB to its lenders for the subject liability.

3.71 **Since Interest liability on PFC loans and some of the LIC loans is project specific it is being allowed as per the above table. The Commission in its order dated 25th January 2006 for FY06 has mentioned that the Commission would consider all loans, which could not be identified with any specific project as utilized for working capital borrowings. The Commission can consider interest liability on these loans only if MPPGCL can identify the assets that have been created out of these loans and provide proof to substantiate its claim. The interest payable on such loans has been computed in paragraph on interest on working capital.**

17. The Commission had taken a similar view in the above Order while dealing with Interest and Finance charges applicable for Bansagar projects.

4.42 The Generating Company has claimed interest on PFC Loans which has been exclusively identified with Bansagar project and for regulatory assets and for amortization of regulatory assets (which has been already discussed above). The amount claimed for FY07, FY08 and FY09 is shown in the table below:

Table-110: Interest Liability (Rs. Lakh)

| Details | FY07 | FY08 | FY09 |
|----------------------------------|-------------|-------------|-------------|
| PFC | 3765 | 3272 | 2777 |
| Amortization of regulatory asset | 387 | 356 | 325 |
| Total | 4153 | 3628 | 3102 |

- 4.43 Loans from PFC are project specific and can be identified with Bansagar hydro station. As per the details provided by the Generating Company PFC loans have been availed for the following purpose.

Table-111: Details of PFC Loans (Rs. Lakh)

| Loan No | Scheme Name | Net Balance • | Wtd.Avg.Int. Rate% |
|----------|---|-----------------|--------------------|
| 20102004 | Common Water Carrier & Head Regulator for Bansagar Tons HEP | 5,047.65 | 9.01% |
| 20102005 | PH-II(2x15MW)& PH-III (3x20MW) Bansagar Tons HEP | 6,708.51 | 9.00% |
| | Total | 11756.16 | 9.00% |

- As per notified balance sheet.

- 4.44 The interest claimed on PFC loans as per the details provided in the petition and reproduced in table 14 is at variance with the work sheet provided by the petition. As per the details given in the worksheet the interest on PFC loans is given in the following table:

Table-112: Interest (Rs. Lakh)

| Loan No | Scheme Name | FY07 | FY08 | FY09 |
|----------|---|---------------|---------------|---------------|
| 20102004 | Common Water Carrier & Head Regulator for Bansagar Tons HEP | 329.12 | 234.40 | 138.58 |
| 20102005 | Ph-II (2x15MW) & PH-III (3x20 MW) Bansagar Tons HEP | 485.28 | 397.26 | 308.61 |
| | Total | 814.40 | 631.66 | 447.19 |

- 4.45 MPPGCL apart from the Loans from PFC, which are identifiable, has allocated loans from other sources that are not identifiable with projects on repayment ability of the project. The repayment ability of the project has been determined on the basis of balance amount of depreciation available for it. MPPGCL has consequently allocated all loans from LIC, REC and CSS loan to SGTPS, while full amount of MPSEB loan has been allocated to Bansagar. The Generating Company has stated this at page 65 of its petition. In view of the states allocation principle of the Generating

Company and the information provided in the worksheet the corrected source wise interest cost is being given in the table below:

Table-113: Interest Liability (Rs.Lakh)

| Details | FY07 | FY08 | FY09 |
|----------------------------------|-------------|-------------|-------------|
| PFC | 814 | 632 | 447 |
| MPSEB Loans | 2951 | 2640 | 2330 |
| Amortization of regulatory asset | 387 | 356 | 325 |
| Total | 4153 | 3628 | 3102 |

4.46 The Generating Company has allocated the interest cost to various stages of the complex on the opening gross block of these stages. The opening Gross block of these stages has been determined on the basis of installed capacity of these stages. Thus it can be construed that interest cost allocation has been done on the basis of installed capacity. The Commission as has been already stated before the annual fixed charges are being determined for the complex and not for its various stages.

4.47 Interest liability on PFC since it is project specific is being allowed. The Commission does not agree with the basis of assumption for identifying non-project specific loans to specific projects. The Commission in its order dated 25th January 2006 for FY06 has also mentioned this. The Commission would consider all loans, which could not be identified with any specific project as utilized for working capital borrowings. The Commission can consider interest liability on these loans only if MPPGCL can identify the assets that have been created out of these loans and provides proof to substantiate its claim. The interest payable on such loans has been computed in paragraph on interest on working capital.

Table-114: Interest Liability (Rs. Lakh)

| Details | FY07 | FY08 | FY09 |
|--------------|------------|------------|------------|
| PFC | 814 | 632 | 447 |
| Total | 814 | 632 | 447 |

18. Petition for trueing-up of tariff for FY 2006-07 was filed on 31.07.2008 and revised in December 2008. As the petition did not contain the requisite details of capital loan availed and the assets created by utilizing such loans, the Commission had directed to clarify the issue. The petitioner made the following submission vide letter dated 19.02.2009 on the issue of linkage of loan with capital assets created.

MPPGCL's Response:-

In this reference MPPGCL wish to submit that in the tariff order for FY06, the Commission in para 2.6 on page 14 has itself has recognized that GoMP has got the right to amend, modify or otherwise change the values or the terms and condition or any one or more of them during the provisional period of Provisional Opening balance sheet. In the final opening balance sheet the GoMP has changed the allocation of loans and liabilities. This clearly demonstrates that the loans and liabilities allocated to MPPGCL are as per the

prerogative of GoMP, vested under various legal frame work and restructuring scheme of power sector of MP, in pursuance with the Electricity Act 2003. Further, the clause 131 3 (b) of the Electricity Act 2003, is reproduced below:-

“a transaction of any description is affected in pursuance of a transfer scheme, it shall be binding on all persons including third parties and even if such persons or third parties have not consented to it.”

In order to comply with the directive of the Hon’ble Commission, further efforts were made discuss the matter with the team who supported in preparation of Final Opening Balance sheet to understand the basis of allocating the loans to MPPGCL. It is gathered that the loans have been allocated on the following principles:-

1. The assets (on its book value, without any revaluation) are transferred on as is where is basis.
2. The loans which are directly identifiable the assets have been transferred to the respective company.
3. The remaining amount of loans is transferred as balancing figures.

Thus it is not possible to provide exact tagging of loans with the physical assets for all the loans. It is possible to identify the PFC, CSS and LIC loan, so the company has already provided the possible best linking.

In this regards, kind attention is further requested to the detailed analysis of allocation of loans in the provisional opening balance sheet, earlier submitted by MPPGCL vide letter No. 07-12/CP-MPPGCL/Tariff/MPERC/118 dated 23-02-06. The letter clearly demonstrated the following facts:-

1. The provisions prescribed in “Electricity (Supply) Annual Accounts Rules, 1985 (ESSAR 1985)” were applicable on erstwhile MPSEB. According to clause 1.42 (3) on page 88 of the booklet of ESSAR 1985, maintenance of direct linkage of source of loan its use was not mandatory, as obvious from the clause reproduced below:-

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

2. The letter contained an analysis in which it was clearly illustrated that the total assets created in the period starting from 1983-84 to 2003-04 were more than the capital borrowings. Thus the loans borrowed have been actually utilized in creation of assets.
3. The total value of loans allocated by GoMP to successor companies is much less than the total loans appearing on the balance sheet. Thus a part of the loan has been absorbed by the GoMP, with the intent of supporting restructuring of the power sector in the state.

Under the circumstances, it is obvious that MPPGCL has no option left, but to serve the loans allocated to it. It is not only the transfer of liability, by way of GoMP's notification, but is also a precondition defined in the EA, 2003. The only option available with MPPGCL is re-appropriation of the loans whose linkage is not directly identifiable with the asset. MPPGCL has already done the same in its petition.

MPPGCL has no other source of revenue except the tariff permitted to it. Thus the adequacy of tariff supporting loan repayment is also requested. Any default in making such payments, would result in violation of directives given in GoMP notification to serve the same. At the same time it affects the company's credibility adversely and leads towards vicious cycle of continuous defaults. The adverse effect of such defaults restricts the company to perform efficiently and the ill effects are ultimately absorbed by the consumers.

MPPGCL has also sought humble attention of the Hon'ble Commission in the section 6.5 on page 48 of its true up petition that considering the similar development in other states, the Hon'ble Commission of the respective states have permitted such loans and their repayments, enabling the newly created utilities to sustain and meet the demand of social development and meeting the ambition elaborated in the Electricity Policy of the country.

Kind attention is further requested to the Hon'ble APTEL judgment in appeal no. 265 of 2006, elaborated on page 18 of MPPGCL's true up petition, where in Hon'ble APTEL has clearly intend to pass on the expenditures in true up, until the respective ERC is able to suggest some method of reducing the same. It is humbly submitted that in case of loans provided to MPPGCL in final opening balance sheet, whether directly liable to assets or not, MPPGCL has no other option to serve them. Not serving to them will simply result in adverse consequences and will further increase the cost to consumers.

It is therefore humble requested to permit the Interest and Finance charges on account of all loans assigned to MPPGCL by Government of MP and requested in the true up petition.

19. The Commission had noted the following in its tariff order dated 17th June, 2009 trueing-up FY 2006-07 tariff.

3.52 Such loans which could not be tagged with specified projects have been termed as generic/unlinked loans. The Commission had considered these loans as working capital loans in earlier Order. However on the basis of filing no. 07-12/CP-MPPGCL/MPERC/TU-FY-07/107, dated 19/02/2009 by MPPGCL, the Commission agreed with the petitioner that unlinked loans have also been utilized for creation of fixed assets. Therefore interest should be allowed on unlinked loan to the extent it is established that these loans were used for asset creation.

Table 46: Break up of linked and unlinked loan

(Rs. in Crores)

| Loan | Amount |
|----------------------------|-------------|
| Linked | |
| a) (PFC + LIC) (269 + 319) | 588 |
| b) PFC* | 1555 |
| Unlinked | |
| b) REC + LIC + MPSEB | 580 |
| Total | 2723 |

*SGTPS extension 500 MW and ATPS extension 210 MW, Madhikheda and Jinha for which MPPGCL file separate Petition

3.53 The status of gross fixed assets & capital work in progress and their possible source of funding, especially the unlinked loan amount being utilized for creation of fixed assets are summarized as under:

Table 47 : Loan fund utilization for capital assets creation

(Rs. in Crores)

| Linked/Unlinked | Particular | Amount |
|----------------------------|--|--------|
| | Capital Work in Progress as on 31/3/2007 from Balance Sheet | 2397 |
| (linked) | Loan for CWIP | 1555 |
| | Equity for CWIP (balance equity) | 842 |
| | | |
| | Gross Fixed Assets as on 31/3/2007 from Balance Sheet | 4748 |
| | Equity employed in Fixed Assets (Total share capital – CWIP equity i.e. (2024 – 842) | 1182 |
| | | |
| PFC + LIC (Linked) | Project specific loan | 588 |
| | | |
| | Loan Employed in Fixed Assets = Total loan – CWIP Loan i.e. (2723**1555) | 1168 |
| PFC + LIC (Linked) | Less : project specific Loan | 588 |
| Generic Loan (Unlinked) | Unlinked Loan | 580 |

*share capital of Rs. 2024 crore from balance sheet ** loan amount as indicated in table no. 47.

3.54 It is seen from the above table the total CWIP of Rs. 2397 Crores as indicated in the audited Statement of Account for FY 2006-07, is funded from loan of Rs. 1555 crore and balance from equity of Rs. 842 Crores (2397-1555).

3.55 The loan outstanding as on 31/03/2007 is 2723 Crores as shown in table 44. The loan amount infused in CWIP is of Rs. 1555 Crores, thus the loan availed by the MPPGCL for completed projects would amount to Rs. 1168 Crores (2723-1555).

3.56 As the Commission has arrived at an amount of Rs. 1168 Crores for the completed projects, this completed projects should have been funded from the linked/project specific loan of Rs. 588 Crores, unlinked loan of Rs. 580 Crores.

3.57 For the purpose of determination of possible sources of funding, the Commission has derived that equity employed in completed project is of Rs. 1182 Crore (2024-842). However, it may be mentioned that the Commission in its order dated 25th January 2006 had computed the equity employed in the completed projects and agreed with the contention of the Generating

Company that out of total equity of Rs. 1278 Crores only Rs. 929.57 Crores had been employed in the completed project. Since the last order no changes have taken place in the opening gross block of fixed assets and no capitalization has been claimed by MPPGCL. Therefore for the purpose of determination of return on equity commission has considered only 929.57 crore of equity employed in the completed projects.

| Particular | LIC | REC | MPSEB | Total |
|----------------------------|--------------|--------------|--------------|--------------|
| Linked loan as on 31/3/07 | 319 | | | |
| Unlinked loan on 31/3/2007 | 100 | 273 | 207 | 580 |
| Linked interest | 27.23 | 0.00 | 0.00 | 27.23 |
| Unlinked interest | 8.59 | 26.23 | 27.97 | 62.78 |
| Total interest | 35.81 | 26.23 | 27.97 | 90.01 |

- 3.58 Unlinked loan of Rs. 580 Crores is completely utilized for completed projects, therefore the Commission has allowed Rs. 62.78 Crores of actual interest on unlinked loan of Rs. 580 Crores as given in table below:

Table 49 : Interest allowed on unlinked loan (Rs. Crores)

| Particular | Principal | Repayment | Principal | Principal | Interest Allowed |
|------------|------------------------------------|-----------|-------------------------------------|-----------|------------------|
| | Opening Balance as on 1 April 2006 | | Closing Balance as on 31 March 2007 | Average | |
| LIC | 100 | 0 | 100 | 100 | 8.59 |
| REC | 304 | 30 | 273 | 288 | 26.23 |
| MPSEB | 233 | 26 | 207 | 220 | 27.97 |
| Total | 637 | 56 | 580 | 608 | 62.78 |

20. From para 19 above, it emerges that the Commission had inferred that unlinked loans have also been utilized for creation of fixed assets and decided to allow interest on unlinked loan to the extent it is established that these loans were used for asset creation. This resulted into unlinked loan of REC + LIC + MPSEB of the order of Rs. 580 Crs being admitted for payment of interest and finance charges.
21. On detailed scrutiny of the impugned petition for trueing up of Tariff for FY 2007-08, coupled with revision in true up for FY 2005-06 and 2006-07, the Commission, in view of lack of clarity, sought clarification vide letter dated 16/09/2010, which reads as under:

On close scrutiny of the information, the Commission has observed that the LIC principal amount outstanding as on 1st June, 2005 has been shown as Rs. 371 Cr. It is further observed from the REC loan document that original LIC loan amount was Rs. 738.59 Cr. and principal amount outstanding as on 30th March 2005 against the original loan is indicated in REC guarantee deed dated 30th March, 2005 as Rs. 336.89 Cr. REC loan amount was sanctioned for Rs. 334 Cr. which was availed to swap LIC dept.

The Commission vide letter dated 4th June, 2010 had sought complete details regarding status of various loan such as disbursement, scheduled repayments, actual repayments, interest due and actual interest paid in respect of each and every loan right from the beginning. The complete details in respect of LIC and REC loan are still not filed by you.

In view of the above, a clear and comprehensive reply is required for both these loans as on 1st June, 2005:

- a) Whether the amount of LIC loan of Rs. 371 Cr. is outstanding principal amount pertaining to LIC loan amount of Rs. 738.59 Cr. or is it overdue amount? If it is not principal amount, details of principal component, interest overdue, principal overdue, interest on interest overdue and penal interest included in this amount be indicated.
- b) Complete draws and repayment details indicating break up of principal and interest separately of LIC loan right from the beginning may be submitted.
- c) Complete loan documents and terms and conditions of LIC and REC loans and of subsequent restructuring of LIC loan be furnished.

22. MPPGCL submitted the reply vide letter dated 17/09/2010 mentioning the status of LIC loan and REC loans as under:

A. **LIC Loan:-**

MPPGCL wishes to submit that LIC Loan is transferred to the Company through Provisional Opening Balance Sheet amounting to Rs. 488.07 Cr. as a single loan and after taking impact of Final Opening Balance Sheet in FY08 it amounted to Rs. 490.22 Cr. as reflected in Table 1.2.1 of True Up Petition FY08. Break up of loan balance of LIC is detailed in the table below:-

Loan Balance of LIC

| S.No | Particulars | Amount in Rs. Crs | Remarks |
|------|---|-------------------|--|
| 1 | Loan Balance transferred to MPPGCL as per Final Opening Balance Sheet | 490.22 | Liability Transferred to MPPGCL |
| 2. | Less Principal Due | 18.16 | As per Schedule-3 of Balance sheet for FY07-08 |
| 3. | Less Interest due | 100.40 | |
| 4. | Principal not due on 01-06-2005 | 371.66 | |

It is clearly evident from the above table, that the amount of Rs. 371.66 Cr. is the outstanding principal amount as on 01.06.2005. The repayment status of LIC loan after 01.06.05 is as under:

Repayment Schedule of LIC Loan

| | Particulars | Amount in Rs. Cr. |
|--------------------|---|--------------------------|
| FY-06 (10M) | Loan Balance as on 01.06.2005 transferred to MPPGCL through Prov. Opening Balance Sheet | 488.00 |
| | Principal Due | 68.86 |
| | Closing Balance as on 31.03.2006 | 419.14 |
| FY-07 | Principal Due | 0.00 |
| | Closing Balance as on 31.03.2007 | 419.14 |
| | Closing Due to Final Opening Balance Sheet | -47.48 |
| | Opening Bal. as on 01.04.2007 | 371.66 |
| FY-08 | Principal Due | 0.00 |
| | Amt. Recd During the year | 0.00 |
| | Closing Balance as on 31-03-2008 | 371.66 |

The above table clearly depicts that no loan drawl was made by MPPGCL in FY-06 (10M), FY-07 & FY-08. The amount of Rs. 68.86 Crores paid in FY 06 (10M) was wrongly booked as principal due instead of interest paid for the year due to non availability of breakup in Provisional Opening Balance Sheet. Same was corrected in schedule-3 of Financial Statement of Accounts of FY 08. The status of interest due on LIC Loan in line with Financial Statement of Accounts (Schedule-22) of respective years is as follows:

(Rs. in Crs.)

| Particulars | FY-06 (10M) | FY-07 | FY-08 |
|--------------------|--------------------|--------------|--------------|
| LIC | 25.13 | 35.81 | 30.37 |

MPPGCL have repetitively requested the Hon'ble Commission that data/supporting document prior to formation of MPPGCL was wholly maintained by erstwhile MPEB/MPSEB and it is very difficult to provide the same to the Hon'ble Commission. In accordance with the provisions of Section 131 (3) (b) of the Electricity Act 2003 the loan liability transferred to MPPGCL is the responsibility of MPPGCL and therefore the interest there on may also considered as pass through. The Hon'ble Commission is also humbly requested not to insist for the break up of such loans.

In light of above explanation, MPPGCL humbly request the Hon'ble Commission to kindly admit the liabilities entrusted to MPPGCL vide GoMP Notification dated 12-06-2008 & allow the interest and finance charges pertaining to LIC Loan as submitted by MPPGCL with True up petition for FY 08.

REC LOAN-

The loan of REC amounting to Rs. 334 Crores was also transferred to MPPGCL through Provisional Opening Balance Sheet. And the figure was kept same i.e. Rs. 334 Crores in the Final Opening Balance Sheet. As desired, the copy of REC loan agreement with erstwhile MPSEB has already been submitted to the Hon'ble Commission vide this office No. 325 Jabalpur dated 09-04-10. The repayment status of REC loan after 1-06-05 pertaining to MPPGCL is as under:

| | Particulars | Amount in Rs. Crs |
|-------------|--|--------------------------|
| FY-06 (10M) | Loan Balance as on 01-05-2005 transferred to MPPGCL as per Provisional Opening Balance Sheet | 334.00 |
| | Principal Due | 30.37 |
| | Closing Balance as on 31-03-2006 | 303.63 |
| FY-07 | Principal Due | 30.36 |
| | Closing Balance as on 31-03-2007 | 273.27 |
| FY-08 | Change Due to Final opening Balance Sheet | 0.20 |
| | Opening Balance as on 01-04-2007 | 273.47 |
| | Principal Due | 8.10 |
| | Amt. Recd During the year | 0.00 |
| | Closing Balance as on 31-03-2008 | 265.37 |

It is clearly evident from the above mentioned table that no loan draws were made in this loan since FY 06 (10M) and principal due is amounting to Rs. 30.37 Crores, 30.36 Crores & Rs. 8.1 Crores for FY 06 (10M) FY 07 & FY 08 respectively. Also this adjustment of Rs. 20 Lakhs is made due to Final Opening Balance Sheet. The status of interest due on REC Loan, in line with Financial Statement of Accounts (Schedule-22) of respective years are as follows:

Rs. in Crs.

| Particulars | FY-06 (10M) | FY-07 | FY-08 |
|--------------------|--------------------|--------------|--------------|
| REC | 23.94 | 26.23 | 21.86 |

The Petitioner also submitted as under :

B. MPPGCL once again wish to draw kind attention of Hon'ble Commission, that as per Part XIII Section 131 (3) (b) of Electricity Act 2003, transfer of all liabilities has to be accepted/ discharged by MPPGCL. The same shall be binding on all other parties. The mentioned clause is reproduced as under:-

“(b) a transaction of any description is effected in pursuance of a transfer scheme, it shall be binding on all persons including third parties and even if such persons or third parties have not consented to it.”

23. As the requisite information was not provided by the Petitioner, the Commission once again vide letter dated 7th October 2010 asked the Petitioner to submit full facts and details regarding various loans more specifically LIC and REC loans. This was responded vide letter dated 23/10/2010 reiterating their stand that the said LIC and REC loans were transferred to MPPGCL pursuant to the Statutory Transfer Scheme Rules dated 30/09/2003 notified by the Govt. of M.P. The scheme notified in a statutory transfer scheme binding on all persons. The Petitioner also referred to the Hon’ble Supreme Court of India’s judgment in DERC V/s BSES Yamuna Power Ltd. [(2007) 3 sec 33] and also view taken by the Hon’ble Appellate Tribunal for Electricity in Delhi Transco. limited V/s. DERC and others (Appeal No. 133 of 2007).
24. Prior to the above, the Petitioner vide letter dated 09/04/10 submitted a copy of REC (Rs. 334 Crores) loan agreement.

Conclusion:

25. From the various submission made by the petitioner in various petitions from time to time, it clearly emerges that MPSEB (predecessor of MPPGCL) had taken loan from LIC in various installments commencing from March 1988 till March 2000 which was primarily utilized for creation of generation assets of SGTPS project. The loan had the conditions of periodic repayment of principal amount as well as payment of interest on loan amount. As on 31.03.2005 total outstanding against LIC was finalized as Rs. 1156.80 Crores consisting of

Rs. 371.66 Cr principal Not due

Rs. 271.02 Cr principal over dues

Rs. 362.07 Cr interest over dues

Rs. 152.05 Cr penal interest.

Negotiations were held with LIC for financial restructuring. The summary of the agreement is as under:

- (a) Out of Rs. 271.02 Cr Principal overdue, Rs. 252.86 Cr was paid and balance Rs. 18.16 Cr was carried forward.
- (b) Out of Rs. 362.07 Cr. Interest overdue, 50% (Rs. 165.27 Cr.) was waived by LIC and 25% amount (Rs. 82.64 Crs) was paid.
- (c) 100% of the penal interest (Rs. 152.05 Cr) was waived by LIC.
- (d) Principal not due (Rs. 371.66 Cr) was restricted.

At the same time, MPSEB entered into an agreement with REC for sanction of a term loan of Rs. 3340 Cr for refinancing of its existing outstanding loans. Payment of Rs. 335.50 Cr (252.86 + 82.64) was paid to LIC by borrowing an amount of Rs. 334 Cr from REC and the balance amount was contributed by MPSEB.

26. It is therefore beyond doubt that the REC loan was taken only to repay to LIC the amount of principal overdue and interest overdue and not for creation of any capital asset. It is an admitted fact that the loan of Rs. 334 Crs taken from REC was paid to LIC. In fact out of the

total outstanding liability of Rs. 488 Crs against LIC loan after restructuring and payments, the petitioner had found only Rs. 371.66 Crs eligible for interest payment.

27. In their earlier submission, MPPGCL had tagged REC loan of Rs. 334 Cr. with SGTPS project. This has now been taken out from SGTPS and tagged with Bansagar project. There tagging of loan to a project does not make it eligible for tariff purpose unless it is clearly established that the loan was actually utilized for the asset creation. MPPGCL have failed to establish the same. On the contrary, they themselves have admitted that the REC loan of Rs. 334 Cr. was used for payment to LIC.
28. MPERC regulation mentions that capital (loan + equity) which is used for creation of capital assets only is considered for servicing through tariff. Since REC loan was not utilized for asset creation. The same does not get qualify and therefore cannot be considered for tariff purpose.
29. It is also relevant to look at the section 61 of the Act which provides the guidelines to be followed in specifying the terms and conditions for the determination of tariff. One of the guidelines says that the business of generation is to be conducted on commercial principles. Another guideline provides for safeguarding of consumers interest and at the same time, recovery of the cost of electricity in a reasonable manner. Thus admission of the REC loan for tariff purpose would be against these provisions as the consumers will unjustifiably be burdened with servicing of a liability which was not used for their benefit.
30. The Petitioner has repeatedly raised the issue of the transfer policy notified by the Govt. of M.P. It may be mentioned that in the instant case, the transfer policy is not under question. The issue is whether the entire liability provided in the opening balance sheet should be considered for tariff purpose. This issue has been adequately dealt by the Hon'ble Supreme Court of India in WBERC V/s CESC [(2002) (8) SCC 715] and the ratio decided by the Hon'ble Supreme Court is as under:

“In this process, the Commission, in our opinion, is not bound by the Auditors’ Report. There may be any number of instances where an amount may be genuine and may not be questioned, yet the same not reflect good performance of the company or may not be in interest of the consumer. Therefore, there is an obligation on the Commission to examine the accounts of the Company which may be genuine and unchallenged on that count still in the light of the above requirements of Section 29(2) (g) to (h). In the said view of the matter admitting that there is no challenge to the genuineness of the accounts, we think on this score also the accounts of the company are not ipso facto binding on the Commission.”

As decided by above, there is an obligation on the Commission and the Commission is empowered to carryout prudency check and decide the issue based on the provision of the Act and the Regulations.

31. The Petitioner has also cited Hon'ble Supreme Court's judgment in DERC V/s. BSES [(2007) 3 Sec 33]. This judgment is not relevant here because the issues dealt there are entirely different than the issue in the instant case. On similar grounds Hon'ble APTEL's judgment in Delhi Transco V/s DERC (Appeal No. 133 of 2007) does not support the Petitioner's view.

32. Thus, based on the legal provisions and also considering the powers of the Commission, it is concluded that the REC loans of Rs. 334 Cr is not eligible for the purpose of working out interest and finance charges in the tariff hence should be excluded. Exclusion will impact some other elements of tariff which should be appropriately dealt with.

Sd/-

Member (Engineering)