

# **MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**

**5<sup>th</sup> Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016**



**Petition No.77/2009**

## **PRESENT:**

**Rakesh Sahni, Chairman**

**C. S. Sharma, Member (Economics)**

## **IN THE MATTER OF:**

**Determination of True-up of Transmission Tariff for FY 2008-09 based on the petition filed by M. P. Power Transmission Co. Ltd., Jabalpur.**

**MPPTCL (Petitioner) represented among others by –**

- 1. Shri S. K. Nagesh, Chief Engineer**
- 2. Shri D. P. Saxena, Consultant**
- 3. Shri Vincent D'souza, Executive Engineer**
- 4. Shri Debashish Chakraborty, Executive Engineer**

## ORDER

### Petition No.77/2009

*(Passed on this 26<sup>th</sup> Day of December, 2011)*

1. The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and other stakeholders on 30<sup>th</sup> August 2011 at Bhopal in the matter of true up of Transmission Tariff for FY 2008-09. The Commission considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31<sup>st</sup> May 2005 making the Transfer Scheme Rules effective from 1<sup>st</sup> June 2005, (Order No.3679/FRS/18/13/2002 dated 31.05.2005) and 3<sup>rd</sup> June 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006. The Commission also considered the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12<sup>th</sup> June 2008 and reallocation of generating capacity among the three Distribution Companies by the State Government vide order dated 19/03/2008.
2. The Commission notified MPERC (Terms & Condition for determination of Transmission Tariff) Regulation, 2005 (G-28 of 2005) dated 16/12/2005. The Multi-Year Tariff (MYT) Order dated 13/03/2006 for FY 2006-07 to FY 2008-09 was based on this Regulation. The petitioner filed the subject petition for True-up of the Transmission Tariff for FY 2008-09 determined by the Commission vide afore-mentioned MYT Order. The Commission sought clarifications and information gaps observed during preliminary scrutiny of the subject petition vide letter No.MPERC/D(T)/391 dated 10/02/2010. In response, the petitioner vide its letter dated 29/04/2010 filed reply with the Commission and stated that the work of reconciliation of Asset Register is yet to be completed and will take some more time. The Commission vide order dated 22<sup>th</sup> June, 2010 expressed concern over non-completion of reconciliation work of Asset registers despite directives of the Commission in Para 4.28 of last true-up Order for FY 2007-08 passed on 21/10/2009.
3. Based on all other information filed by the petitioner, the Commission vide order dated 22<sup>nd</sup> June, 2010 admitted the petition with directions to the petitioner to expedite the reconciliation work and file the same with the Commission as soon as it is completed. The petitioner issued a public notice in newspapers inviting comments/suggestions from stakeholders on 6<sup>th</sup> July, 2010. The first public hearing in the petition was held on 3<sup>rd</sup> August, 2010 in the office of the Commission. During the course of public hearing, the petitioner was asked to furnish various details regarding capitalization of works/assets during the true-up period and the documents in respect of each and every loan indicating the date of issue of loan, interest rate and other related documents. The petitioner was also asked to furnish details of scheduled and un-scheduled loan balances. In response, the petitioner filed its reply with the Commission on 27<sup>th</sup> August, 2010. On analysis of the information filed by the petitioner, the Commission further observed several discrepancies and inadequacies in the information related to bonds & debentures, loans and capitalization

of assets during FY 2008-09. A meeting with the senior competent officer(s) of the petitioner was held with the staff of the Commission on 20<sup>th</sup> October, 2010 for proper clarity of following major issues:

- (i) Frequent change in the status of principal not overdue, principal due and interest due in respect of bonds and debentures.
  - (ii) Swapping or restructuring of loans if any, to repay any outstanding principal amount/overdue, interest/penal interest etc. both before and after loans assigned to the MPPTCL by MPSEB.
  - (iii) Complete loan documents indicating terms and conditions regarding installments, repayments and other details like period of loan etc.
  - (iv) Details related to sanctioned estimated amount vis-à-vis expenditure incurred on each work in the list of assets capitalized during FY 2008-09.
4. The petitioner was asked to file all information gaps/additional information by 8<sup>th</sup> November, 2010 as per minutes of the meeting held on 20<sup>th</sup> October, 2010. MPPTCL filed its reply on 12<sup>th</sup> November, 2010. The response of the petitioner on the issue of interest and finance charges was still not up to the satisfaction of the Commission hence, another meeting with representatives of the petitioner was held in the office of the Commission on 18<sup>th</sup> January, 2011 for clarity on the following issues :
- a) Basis of weighted average interest rate claimed by MPPTCL in respect of bonds & debentures.
  - b) Interest and finance charges claimed on bonds and debentures.
  - c) Discounts and credits received by MPPTCL from MPSEB.
  - d) Difference in figure of Rs.51.88 cr. received from MPSEB as discounts on bonds and debentures from the figure of Rs.51.66 cr. mentioned in notes to accounts.
5. MPPTCL vide letter No.652 dated 28/01/2011 filed its response on the above-mentioned issues and submitted revised interest eligibility based on revised weighted average interest rate in various years. The petitioner submitted calculation of weighted average interest rate of loans for FY 2005-06, 2006-07, 2007-08 and 2008-09. The Commission vide letter No.834 dated 10/03/2011 directed the petitioner to submit year wise detailed calculation in support of weighted average interest rate of all loans for FY 2005-06, 2006-07, 2007-08 and 2008-09. The petitioner was also directed to submit reasons with details and documents for raising funds through bonds and debentures and to file final asset and depreciation register as on 31.03.2009. The Commission observed from the information submitted by the petitioner that the revised figures neither tallied with the petitioner's earlier submission nor with the figures of the concerned balance sheet. The Commission also observed that the figures of the petition had undergone substantial changes after the process of public hearing. In view of the afore-mentioned, the petitioner was directed to file the required information latest by 31.03.2011 and also to file a revised petition along with a draft public notice seeking comments / suggestions from all stake holders. The petitioner sought time extensions till 10.07.2011 for filing reframed petition. The Commission considered the request of the petitioner and allowed time extension as sought.

6. The petitioner vide its letter No.4792 dated 07.07.2011 submitted the revised petition along with a draft public notice in the matter. The petitioner vide letter No.4971 dated 14.07.2011 also served a copy of the revised petition to the respondents. The Commission vide order dated 21<sup>st</sup> July, 2011 directed the petitioner to publish the approved public notice in English and Hindi version to invite comments/suggestions from stakeholders on the revised petition. The public hearing on the revised petition was held on 30<sup>th</sup> August, 2011 in the court room of the Commission.
7. The Commission vide this Order has determined true-up amount of **Rs.162.94 crores** for FY 2008-09. The details of true up amount approved by the Commission are as under

**Table:1 True up amount for 2008-09**

| (Rs. in Crores) |                                |   |                                       |                                      |                      |                                |
|-----------------|--------------------------------|---|---------------------------------------|--------------------------------------|----------------------|--------------------------------|
| S. No.          | Particulars                    | As per ARR approved in MYT order dated 13.03.2006 | As filed in original True-up petition | As filed in revised True-up petition | As approved by MPERC | True-up Amount (Col. 6– Col 3) |
| 1               | 2                              | 3   | 4                                     | 5                                    | 6                    | 7                              |
| 1               | O&M Expenses                   | 104.11  | 172.86                                | 172.86                               | 172.56               | 68.45                          |
| 2.              | Depreciation                   | 117.56  | 100.58                                | 96.73                                | 96.73                | (-) 20.83                      |
| 3.i.            | Interest on Loan               | 82.93   | 138.06                                | 109.24                               | 109.24               | 26.31                          |
| ii.             | Interest on Working Capital    | 61.06   | 26.79                                 | 26.06                                | 25.09                | (-) 35.97                      |
| <b>3.</b>       | <b>Total Interest</b>          | <b>143.99</b>                                     | <b>164.85</b>                         | <b>135.30</b>                        | <b>134.33</b>        | <b>(-) 9.66</b>                |
| 4.              | Provision for Terminal Benefit | 177.52  | 334.22                                | 334.22                               | 294.83               | 117.31                         |
| 5.              | Return on Equity               | 127.26  | 147.84                                | 147.91                               | 147.91               | 20.65                          |
| 6.              | Taxes and Fee paid to MPERC    | 2.02  | 1.58                                  | 1.58                                 | 1.58                 | (-) 0.44                       |
| 7.              | <b>TOTAL</b>                   | <b>672.45</b>                                     | <b>921.93</b>                         | <b>888.60</b>                        | <b>847.94</b>        | <b>175.49</b>                  |
| 8.              | Less Non-Tariff Income         | NIL   | (-) 9.71                              | (-) 9.71                             | (-) 12.55            | (-) 12.55                      |
| <b>9.</b>       | <b>GRAND TOTAL</b>             | <b>672.45</b>                                     | <b>912.22</b>                         | <b>878.89</b>                        | <b>835.39</b>        | <b>162.94</b>                  |

8. The petitioner must take steps to implement the Order after giving 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 amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees in their Annual Revenue Requirement for FY 2012-13.

9. Ordered as above, read with attached detailed reasons and grounds.

**(C. S. Sharma)**  
**Member (Economics)**

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

**Date: 26/12/2011**

**Place: Bhopal**

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## CHAPTER 1

### BACKGROUND OF THE ORDER

#### Introduction

- 1.1 This order relates to petition No.77 of 2009 filed by Madhya Pradesh Power Transmission Company Limited Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) for trueing up of the Transmission Tariff for FY 2008–09. MPPTCL is the owner of the transmission network previously owned by Madhya Pradesh State Electricity Board (hereinafter referred to as “MPSEB” or “Board”). MPPTCL has started functioning independently from 1<sup>st</sup> June 2005. The order passed by the Commission for FY 2006-07 to FY 2008-09 was based on the Multi Year Tariff Principles i.e. on the performance benchmarks set by the Commission for multi year regime vide its notification dated 06/12/2005 namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2005.
- 1.2 In the Multi-Year Transmission Tariff Order for FY 2006-07 to FY 2008-09 passed by the Commission on 3/03/2006, the Commission directed that the transmission charges as determined by the Commission are subject to changes, if any, in the notified provisional opening Balance Sheet that may be made final by GoMP or on availability of audited Balance Sheet as on 01/06/2005. Since the GoMP has now notified final opening balance sheet (as on 1<sup>st</sup> June, 2005) and audited balance sheet of MPPTCL for FY 2008-09 is also available, the petitioner has filed this petition for true-up of FY 2008-09 accordingly.

#### Procedural History

- 1.3 In its Transmission Tariff Order for FY 2006-07 to FY 2008-09, the Commission determined the Transmission Tariff effective from 1<sup>st</sup> April, 2006 and continued to be operative till 31<sup>st</sup> March, 2009 under the multi year tariff principles subject to yearly approval of the Commission along with any changes necessitated on account of uncontrollable factors. The Transmission Licensee i.e. MPPTCL filed the Petition for True-up of Transmission charges for FY 2008-09 vide its letter No.04-01/CRA Cell/F-139/11335 dated 19/12/2009.
- 1.4 MP Power Transmission Company Limited (MPPTCL) had initially requested in original petition to allow a true up of Rs.239.77 Crores for FY 2008-09 on account of actual expenses incurred on O&M, Interest, and Pension liabilities etc. as per the audited accounts for the period 01.04.2008 to 31.03.2009. However, this True-up amount was revised to Rs.206.44 Crores in the revised petition filed by the petitioner vide letter No.4792 dated 07.07.2011 as given below:

**Table 2: Status of claims filed by the MPPTCL**

(Rs. in Crores)

| S. No.    | Particulars                    | As approved in MYT order dtd. 13.03.2006 | As filed in original petition | True-up Amount claimed in original petition (Col. 4–Col 3) | As filed in revised petition | True-up Amount claimed in revised petition (Col. 6–Col 3) |
|-----------|--------------------------------|--|-------------------------------|--|------------------------------|---|
| 1         | 2                              | 3  | 4                             | 5  | 6                            | 7   |
| 1         | O&M Expenses                   | 104.11                                   | 172.86                        | 68.75  | 172.86                       | 68.75   |
| 2.        | Depreciation                   | 117.56                                   | 100.58                        | (-) 16.98  | 96.73                        | (-) 20.83   |
| 3.i.      | Interest on Loan               | 82.93                                    | 138.06                        | 55.13  | 109.24                       | 26.31   |
| ii.       | Interest on Working Capital    | 61.06                                    | 26.79                         | (-) 34.27  | 26.06                        | (-) 35.00   |
| <b>3.</b> | <b>Total Interest</b>          | <b>143.99</b>                            | <b>164.85</b>                 | <b>20.86</b>   | <b>135.30</b>                | <b>(-) 8.69</b>   |
| 4.        | Provision for Terminal Benefit | 177.52                                   | 334.22                        | 156.70   | 334.22                       | 156.70  |
| 5.        | Return on Equity               | 127.26                                   | 147.84                        | 20.58  | 147.91                       | 20.65   |
| 6.        | Taxes and Fee paid to MPERC    | 2.02                                     | 1.58                          | (-) 0.44   | 1.58                         | (-) 0.44  |
| 7.        | <b>TOTAL</b>                   | <b>672.45</b>                            | <b>921.93</b>                 | <b>249.48</b>  | <b>888.60</b>                | <b>216.14</b>   |
| 8.        | Less Non-Tariff Income         | NIL                                      | (-) 9.71                      | (-) 9.71   | (-) 9.71                     | (-) 9.71  |
| <b>9.</b> | <b>GRAND TOTAL</b>             | <b>672.45</b>                            | <b>912.22</b>                 | <b>239.77</b>  | <b>878.89</b>                | <b>206.44</b>   |

- 1.5 The MPPTCL also proposed modifications to the Long Term Open Access and Short Term Open Access customers for the FY 2008-09 as under:

**Table 3: Revised Open Access Charges in Rs. Crores as filed by the MPPTCL**

| S. No. | Customer                   | Revised Capacity Allocated MW | Amount Revised (Rs Crores) | Existing Capacity Allocation | Amount as per original Tariff (Rs Crores) | True-up to be shared (Rs Crores) |
|--------|----------------------------|-------------------------------|----------------------------|------------------------------|---|----------------------------------|
| 1      | MP Poorva KVVCL (East)     | 2237                          | <b>269.95</b>              | 2414                         | 198.69                                    | 71.26                            |
| 2      | MP Madhya KVVCL (Central)  | 2381                          | <b>287.33</b>              | 2652                         | 218.28                                    | 69.05                            |
| 3      | MP Paschim KVVCL (West)    | 2653                          | <b>320.16</b>              | 3092                         | 254.49                                    | 65.67                            |
| 4      | MPAKVN for SEZ - Pithampur | 12                            | <b>1.45</b>                | 12                           | 0.99                                      | 0.46                             |
| 5      | <b>TOTAL -</b>             | <b>7283</b>                   | <b>878.89</b>              | <b>8170</b>                  | <b>672.45</b>                             | <b>206.44</b>                    |

### Consultation with State Advisory Committee and Public Hearing

- 1.6 Meeting with State Advisory Committee of the Commission was convened on 04/09/2010. The members' observations on the petition have been considered while finalizing this order.



1.7 The Commission vide its order dated 21/07/2011 accepted the revised petition and directed the petitioner to file the Asset register as soon as it is reconciled. The Commission directed the petitioner to arrange publication of the public notice in newspapers for inviting comments/suggestions from stakeholders.

1.8 The public notice was published by the petitioner in following newspapers on 27/07/2011:

|                   |   |          |
|-------------------|---|----------|
| Dainik Bhaskar    | - | Jabalpur |
| Dainik Patrika    | - | Bhopal   |
| Dainik Bhaskar    | - | Indore   |
| Dainik Avantika   | - | Ujjain   |
| Dainik Rajexpress | - | Gwalior  |
| Dainik Aachran    | - | Sagar    |
| Free Press        | - | Indore   |

The last date for obtaining the Comments / suggestions / objections was 16/08/2011.

1.9 The public hearing in the subject True-up petition held on 30<sup>th</sup> August, 2011 in the Court room of the Commission's office at Bhopal.

## CHAPTER 2

### STATUS OF THE TRANSMISSION COMPANY

- 2.1 The petitioner has submitted following status of M. P. Power Transmission Co. Ltd., Jabalpur :

MPPTCL is a company registered under Companies Act 1956 on 22.11.2001 with its head quarter at Jabalpur, for the purpose of undertaking the Intra-State Transmission activities in the State of Madhya Pradesh and was functioning under an O & M Agreement with MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No.3679/FRS/18/13/2002 dated 31<sup>st</sup> May, 2005 as per which the MPPTCL was assigned assets and liabilities, on a provisional basis.

- 2.2 As per the notification, the opening balance sheet was provisional for a period of 12 months. It was also mentioned that during the provisional period, the GoMP may change the values stated in the opening balance sheet. The period was subsequently extended.

- 2.3 MPPTCL commenced independent functioning from 1<sup>st</sup> June, 2005 consequent to the notification of its provisional Balance Sheet by the State Government on 31<sup>st</sup> May, 2005. On the petitions filed by the Transmission Licensee for determination of Transmission tariff for FY 2005-06, and for FY 2006-07 to FY 2008-09 (under Multi-Year Tariff (MYT) principles), the Commission passed the Tariff Orders on 07/02/2006 and 13/03/2006 respectively.

- 2.4 These Transmission Tariff Orders of the Commission were based on the provisional Balance Sheet notified by the GoMP. The Commission had given a detailed note on the allocation of the equity, project specific loans and MPSEB loans towards GFA & CWIP in these Transmission Tariff Orders for FY 2005-06 and FY 2006-07 to FY 2008-09.

- 2.5 The Government of MP notified the Final opening Balance Sheet of the utilities (as on 01.06.2005) on 12<sup>th</sup> June, 2008 and the comparison of provisional and final opening Balance Sheet as on 01.06.2005 made by the petitioner is shown hereunder :

Table-4 Changes in Opening Balance Sheet

Amount in Rs. Crores

| S. No. | Particulars                           | Amount as per      |                                    | Difference       |
|--------|---------------------------------------|--------------------|------------------------------------|------------------|
|        |                                       | Provisional O.B.S. | Final O.B.S.                       |                  |
| I.     | <b>ASSETS -</b>                       |                    |                                    |                  |
| 1      | Gross Block                           | 2407.00            | 2932.75                            | 525.75           |
| 2      | Accumulated Depreciation              | 1076.00            | 1205.95                            | 129.95           |
| 3      | Net Fixed Assets                      | 1331.00            | 1726.81                            | 395.81           |
| 4      | C.W.I.P.                              | 847.00             | 198.46                             | (-) 648.54       |
| 5      | Regulatory Assets<br>(Pension)        | 3910.00            | 00.00                              | (-) 3910.00      |
|        | <b>Current Assets</b>                 |                    |                                    |                  |
| i.     | Stock                                 | 66.00              | 34.41                              |                  |
| ii.    | Cash & Bank Balance                   | 00.00              | 10.76                              |                  |
| iii.   | Loan & Advances                       | 00.00              | 37.34                              |                  |
| iv.    | Sundry Receivables                    | 00.00              | 195.12                             |                  |
| 6      | Total Current Assets                  | 66.00              | 277.63                             | 211.63           |
|        | <b>TOTAL ASSETS</b>                   | <b>6154.00</b>     | <b>2202.90</b>                     | <b>(3951.10)</b> |
| II.    | <b>LIABILITIES</b>                    |                    |                                    |                  |
| 1      | Equity from GoMP                      | 845.00             | 730.43                             | (-) 114.57       |
| 2      | Loan from GoMP<br>(ADB only)          | 195.00             | 473.05                             | 278.05           |
| 3      | Loan from PFC                         | 321.00             | Included in<br>Capital Liabilities | (321.00)         |
| 4      | Loan from SADA                        | 15.00              | Included in Govt.<br>Liabilities   | (15.00)          |
| 5      | Capital Liabilities                   | 00.00              | 572.26                             | 572.26           |
| 6      | Payment due on Capital<br>Liabilities | 00.00              | 267.90                             | 267.90           |
| 7      | Loan from MPSEB                       | 835.00             | 00.00                              | (835.00)         |
| 8      | Pension Liabilities                   | 3910.00            | 00.00                              | (3910.00)        |
| 9      | <b>Current Liabilities</b>            |                    |                                    |                  |
| i.     | Staff Related Liabilities             | 20.00              |                                    |                  |
| ii.    | Interest Accrued but not<br>due       | 13.00              |                                    |                  |
| iii.   | Other Current Liabilities             |                    | 159.25                             |                  |
|        | Total Current Liabilities             | 33.00              | 159.25                             | 126.25           |
|        | <b>TOTAL LIABILITIES</b>              | <b>6154.00</b>     | <b>2202.90</b>                     | <b>- 3951.10</b> |

## CHAPTER 3

### TRANSMISSION SYSTEM AND PERFORMANCE OF MPPTCL

The petitioner submitted the following:

- 3.1 Intra-State Transmission System of MPPTCL comprises of EHV Lines and Sub-stations of various voltages. Position as on 31.03.2008 and 31.03.2009 is tabulated hereunder:

**Table-5**

| S. No.       | Voltage Level | As on 31.03.2008 |                  |              | As on 31.3.2009 |                  |              |
|--------------|---------------|------------------|------------------|--------------|-----------------|------------------|--------------|
|              |               | EHV Lines        | EHV Sub-Stations |              | EHV Lines       | EHV Sub-Stations |              |
|              |               | Ckt. KMs         | Number           | MVA Capacity | Ckt. KMs        | Number           | MVA Capacity |
| 1            | 400 KV        | 2314             | 4                | 3885         | 2343            | 4                | 3885         |
| 2            | 220 KV        | 8174             | 38               | 10230        | 9046            | 43               | 11970        |
| 3            | 132 KV        | 11118            | 162              | 11880        | 11514           | 168              | 13203        |
| 4            | 66 KV         | 61               | 1                | 20           | 61              | 1                | 20           |
| <b>TOTAL</b> |               | <b>21667</b>     | <b>205</b>       | <b>26015</b> | <b>22964</b>    | <b>216</b>       | <b>29078</b> |

#### Average Transmission System Capacity

- 3.2 The transmission system capacity of Intra-State transmission system of MPPTCL is allocated to the Long Term Open Access customers including the Distribution Licensees. The transmission system capacity is therefore determined as per the MPERC (Terms and conditions for Intra-State Open Access in MP) Regulations, 2005. The Average Capacity of Intra-State transmission system is defined as;

*“Average capacity means the average capacity in MW served by the Intra-State transmission system of the transmission licensee in the previous financial year, and shall be the sum of the generating capacities, connected to the transmission system and contracted capacities of other Long Term transactions handled by the system of Transmission Licensee”.*

- 3.3 The power corresponding to Intra-State generating capacity is available to transmission system after deducting the auxiliary consumption. Similarly, power from the Central Sector generating stations is available at M.P. periphery after deduction of auxiliary consumption and losses in Inter-State transmission system. While determining transmission system capacity for the control period from FY 2006-07 to FY 2008-09, the above mentioned fact has been taken into consideration. The transmission system capacity for year 2008-09 has also been subjected to True-up on above mentioned basis. The Regulations provide that the Average Capacity during a year shall be taken as that served in previous year. Therefore, the transmission capacity during FY 2008-09 is taken as that existing as on 01.04.2008.

- 3.4 Transmission system capacity for control period FY 2006-07 to FY 2008-09 was projected taking into account, the capacities of generating stations to be commissioned during the control period. Since the commissioning of certain generating units slipped to next years, the capacity therefore, stood revised. The capacity for year 2008-09 is worked out taking into consideration the actual generating and contracted capacities as on 01.04.2008 based on State Government's notification dated 19.03.2008.

### **State Government Order for Capacity Allocation**

- 3.5 The Government of Madhya Pradesh vide notification No. 2008-F-RS-4-XIII-2001 dated 19.03.2008 allocated the total available generating capacity of 7756.44 MW among the three Distribution Companies in the State. Although, the State Government subsequently vide notification dated 16.06.2009 allocated the capacity as on 16.06.2009 to the Discoms. The capacity as on 01.04.2008 has been taken for True-up for year FY 2008-09 based on State Government order dated 19.03.2008.
- 3.6 Based on the State Government order dated 19.03.2008, the total Generating Capacity as on 19.03.2008 is summarized hereunder:

**Table-6**

| <b>S. No.</b> | <b>Source of Power</b> | <b>Firm (MW)</b> | <b>Infirm (MW)</b> | <b>Total MW</b> |
|---------------|------------------------|------------------|--------------------|-----------------|
| 1             | Central Sector (WR)    | 1788.00          | 216.13             | 2004.13         |
| 2             | Central Sector (ER)    | 0.00             | 31.14              | 31.14           |
| 3             | Indira Sagar Hydel     | 1000.00          | 0.00               | 1000.00         |
| 4             | Sardar Sarovar Hydel   | 826.50           | 0.00               | 826.50          |
| 5             | Omkareshwar Hydel      | 520.00           | 0.00               | 520.00          |
| 6             | MP Genco – Thermal     | 2147.50          | 0.00               | 2147.50         |
| 7             | MP Genco – Hydel       | 927.17           | 0.00               | 927.17          |
| 8             | LANCO – Amarkantak     | 300.00           | 0.00               | 300.00          |
| <b>TOTAL</b>  |                        | <b>7509.17</b>   | <b>247.27</b>      | <b>7756.44</b>  |

- 3.7 Since there has been no addition between 19.03.2008 to 31.03.2008, the capacity of 7756.44 MW existing as on 19.03.2008 has been taken as generating capacity allocation on 01.04.2008.

### **Transmission Capacity as on 01.04.2008 (for FY 2008-09)**

- 3.8 Based on the generating capacity of 7756.44 MW as on 01.04.2008, the transmission capacity is worked out by deducting the auxiliary consumption and Inter-State losses (where applicable). The overall transmission capacity is worked out as 7283 MW.

- 3.9 The capacity allocation to Discoms is proposed on the following basis:
- Total transmission capacity available for a particular year is apportioned in the percentage ratio as indicated in State Government order dated 19.03.2008. SEZ allocation is treated as additional.
  - The capacity during the year is taken as that on 1<sup>st</sup> April i.e. beginning of year.
  - The fractional allocation worked out has been rounded off.
  - Since SEZ has availed additional power under Open Access from NTPC, and has not been allocated capacity at MP periphery as 12 MW, same has been considered.
- 3.10 Based on above, the allocated transmission capacity proposed is tabulated hereunder:

**Table-7**

| S. No. | Distribution Licensee                                   | Percentage Allocation | Capacity Allocation for FY 2008-09 (MW) |
|--------|---|-----------------------|---|
| 1      | MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur. | 30.76%                | 2237                                    |
| 2      | MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.   | 32.74%                | 2381                                    |
| 3      | MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.  | 36.49%                | 2653                                    |
|        | <b>Total Discoms</b>                                    | <b>100%</b>           | <b>7271</b>                             |
| 5      | SEZ Pithampur (Dhar)                                    | -                     | 12                                      |
|        | <b>GRAND TOTAL</b>                                      | <b>-</b>              | <b>7283 MW</b>                          |

- 3.11 As per Transmission Tariff Regulations, the Distribution Companies and the SEZ will share the transmission charges in the ratio of capacity allocation to them.

### **Performance of Intra-State Transmission System**

- 3.12 The Transmission losses in Intra-State system have reduced gradually during last years on account of the execution of Capital Plan. These are tabulated hereunder:

**Table-8**

| Details                           | FY-04        | FY-05        | FY-06        | FY-07        | FY-08        | FY-09        |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   | Actual       | Actual       | Actual       | Actual       | Actual       | Actual       |
| Energy Received into System (MUs) | 27555        | 29531        | 31306        | 32594        | 35148        | 34280        |
| Energy sent Out of System (MUs)   | 25870        | 27871        | 29669        | 30963        | 33710        | 32878        |
| Energy Lost (MUs)                 | 1685         | 1660         | 1637         | 1631         | 1438         | 1402         |
| <b>Transmission Loss (%)</b>      | <b>6.12%</b> | <b>5.62%</b> | <b>5.23%</b> | <b>5.00%</b> | <b>4.09%</b> | <b>4.09%</b> |
| Reduction in Loss (%)             | -            | 0.50%        | 0.39         | 0.23%        | 0.91%        | 0.00%        |
| Target fixed by MPERC             | -            | -            | 5.22%        | 5.00%        | 4.90%        | 4.90%        |

- 3.13 As per the directives of the Commission, the MPPTCL is computing the voltage-wise transmission losses. The year-wise details are given hereunder:

**Table-9**

| S. No.                 | Voltage Level | Percentage Losses in Year |              |              |              |
|------------------------|---------------|---------------------------|--------------|--------------|--------------|
|                        |               | 2005-06                   | 2006-07      | 2007-08      | 2008-09      |
| 1                      | 400 KV        | 1.40%                     | 1.26%        | 1.21%        | 1.20%        |
| 2                      | 220 KV        | 3.26%                     | 3.41%        | 2.55%        | 2.51%        |
| 3                      | 132 KV        | 1.60%                     | 1.29%        | 1.15%        | 1.18%        |
| <b>Over all System</b> |               | <b>5.23%</b>              | <b>5.00%</b> | <b>4.09%</b> | <b>4.09%</b> |

- 3.14 The MPPTCL has already taken note of the losses at 220 KV level, and made necessary provision in its Transmission Plan accordingly, which has resulted in tangible reduction in 220 KV losses in year 2008-09 as compared to previous years.

### **Transmission System Availability**

- 3.15 The MPPTCL has made all out efforts to keep Transmissions System Availability above target fixed. The quarterly Transmission Availability is tabulated below:

**Table-10**

| S. No. | Voltage Class | Availability of EHV Lines | Availability of ICTs | Overall Availability |
|--------|---------------|---------------------------|----------------------|----------------------|
| 1      | 400 KV        | 96.98%                    | 96.04%               | 96.56%               |
| 2      | 220 KV        | 98.85%                    | 98.41%               | 98.70%               |
| 3      | 132 KV        | 99.65%                    | 98.19%               | 98.87%               |
| 4      | Overall       | 98.34%                    | 97.98%               | 98.16%               |

### **Transformer Failure**

- 3.16 The MPPTCL is carrying out the maintenance of transformers periodically as per schedules laid down. This has resulted in controlling the transformer failures. The year-wise details are given below:

**Table-11**

| S. No. | Period             | Transformer Failure in Year |      |       |      |       |      |       |   |         |      |
|--------|--------------------|-----------------------------|------|-------|------|-------|------|-------|---|---------|------|
|        |                    | FY-05                       |      | FY-06 |      | FY-07 |      | FY-08 |   | FY - 09 |      |
|        |                    | No.                         | %    | No.   | %    | No.   | %    | No.   | % | No.     | %    |
| 1      | Auto-Transformers  | 1                           | 1.05 | 1     | 0.95 | 0     | 0    | 0     | 0 | 2       | 1.64 |
| 2      | Power Transformers | 7                           | 2.16 | 8     | 1.94 | 4     | 1.11 | 0     | 0 | 4       | 1.00 |

## CHAPTER 4

### TRUE-UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2008-09

#### Multi Year Tariff for FY 2006-07 to FY 2008-09

- 4.1 As discussed in earlier chapters of this order, the Commission determined the transmission tariff and approved ARR for the first control period FY 2006-07 to FY 2008-09 vide order dated 13.03.2006. Annual transmission charges as approved by the Commission are given in the following table:

**Table-12 : Annual Transmission Charges (Rs. Crores)**

| S. No.       | Details                            | FY 2006-07    | FY 2007-08    | FY 2008-09    |
|--------------|------------------------------------|---------------|---------------|---------------|
| 1            | O&M                                | 92.66         | 98.21         | 104.11        |
| 2            | Depreciation                       | 99.74         | 110.31        | 117.56        |
| 3            | Interest on Loans                  | 54.94         | 71.50         | 82.93         |
| 4            | Interest on working capital        | 67.13         | 70.45         | 61.06         |
| 5            | Return on Equity                   | 122.78        | 127.26        | 127.26        |
| 6            | Provision for terminal liabilities | 160           | 167.48        | 177.52        |
| 7            | Taxes and fee paid to MPERC        | 1.43          | 1.73          | 2.02          |
| <b>Total</b> |                                    | <b>598.69</b> | <b>646.95</b> | <b>672.45</b> |

- 4.2 The MPPTCL accordingly billed the transmission charges to the three Distribution Companies and a Long Term Open Access customer MPAKVN for SEZ, Pithampur (Distt. Dhar), as per allocated transmission system capacity.
- 4.3 The instant True-up is based on the Audited Accounts for FY 2008-09 which have been prepared as per final Opening Balance Sheet dated 12<sup>th</sup> June, 2008. The details of each cost item have been discussed in the subsequent sections.

#### O&M Expenses

##### **Petitioner's Submission:**

- 4.4 The petitioner has submitted following in the petition :

*“The Commission allowed O&M expenses of Rs.104.11 Crores for year FY 2008-09. These include Employee Cost, A&G and Repairs & Maintenance expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the amended O&M Norms appeared in transmission tariff order dated 13.3.06 reproduced hereunder:*



**Table-13: Amended O&M Expenses norms (Rs. Lacs)**

| S. No. | Particulars                    | Year-wise O&M expenses |            |            |
|--------|--------------------------------|------------------------|------------|------------|
|        |                                | FY 2006-07             | FY 2007-08 | FY 2008-09 |
| 1      | <b>400 KV Level</b>            |                        |            |            |
| I      | Per 100 Ckt Km or part thereof | 10.29                  | 10.90      | 11.56      |
| ii     | Per Bay                        | 4.62                   | 4.90       | 5.19       |
| 2      | <b>220 KV Level</b>            |                        |            |            |
| I      | Per 100 Ckt Km or part thereof | 11.57                  | 12.27      | 13.00      |
| ii     | Per Bay                        | 5.23                   | 5.54       | 5.88       |
| 3      | <b>132 KV Level</b>            |                        |            |            |
| I      | Per 100 Ckt Km or part thereof | 11.57                  | 12.27      | 13.00      |
| ii     | Per Bay                        | 4.93                   | 5.23       | 5.54       |

4.5 The Commission while allowing O&M Expenses for control period took into consideration the EHV lines and bays existing in FY 2005-06, without considering projected additions. The O&M for year 2008-09 have been allowed as Rs.104.11 Crores.

4.6 The average assets during FY 2008-09 are worked out in the following table:

**Table-14**

| S. No.         | Particulars | O&M Norms for FY 2008-09     | Parameters taken of year 2006 | O&M Expenses allowed for FY 2008-09 (Rs. Crores) |
|----------------|-------------|------------------------------|-------------------------------|--|
| 1              | 400 KV Line | Rs. 11.56<br>Lacs/100 Ckt-KM | 2314.8<br>Ckt-KM              | 2.68   |
| 2              | 400 KV Bays | Rs. 5.19<br>Lacs/Bay         | 59                            | 3.06   |
| 3              | 220 KV Line | Rs. 13.00<br>Lacs/100 Ckt-KM | 7025.34<br>Ckt-KM             | 9.13   |
| 4              | 220 KV Bays | Rs. 5.88<br>Lacs/Bay         | 267                           | 15.70  |
| 5              | 132 KV Line | Rs. 13.00<br>Lacs/100 Ckt-KM | 11035.70<br>Ckt-KM            | 14.36  |
| 6              | 132 KV Bays | Rs. 5.54<br>Lacs/Bay         | 1068                          | 59.18  |
| <b>TOTAL -</b> |             | -                            | -                             | <b>104.11</b>                                    |

4.7 The expenses allowed were on much lower side on account of the fixation of O&M Norms on the basis of apportioned expenses from MPSEB's accounts for year 2001-02 to 2004-05 which were highly restricted on account of financial crunch. This is evident from the amount of True-up of O&M Expenses, approved by The Commission for year 2006-07 and 2007-08 as Rs.38.75 and Rs.46.20 Crores respectively.

- 4.8 *The petitioner therefore filed a petition (No.52 of 2007) before The Commission to consider revision of O&M Norms for the control period FY 2006-07 to FY 2008-09, based on actual expenses as per audited accounts for year FY 2005-06 and FY 2006-07. The Commission disposed off the petition with the following decision:*

*“In view of this Commission is of opinion that the Commission will certainly consider the variation in the norms on the basis of the audited statements of the accounts and the uncontrollable factors, whatever may be, when the true-up petition is filed before the Commission. For the present case, the Commission is not considering the revision in the O&M norms as requested by the petitioner.”*

- 4.9 *Accordingly, submissions are made in the subsequent paras to ‘True-up’ the O&M Expenses on the basis of audited accounts for FY 2008-09.”*

**Provisions of Regulations:**

- 4.10 Regulation 24 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

*“Operation and Maintenance or O&M expenses’ shall mean expenditure on manpower, repairs, spares, consumables, office administration and general.*

*Operation and maintenance expenses shall be determined for the tariff period based on normative O&M expenses specified by the Commission in these regulations. Thus the Commission is moving towards the performance based norms as against the cost plus model based on past years actual.*

*Normative O&M expenses allowed at the commencement of the tariff period shall be escalated at the prevailing rates of inflation for the year as notified by Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40 respectively. For the first tariff period, inflation has been considered at 6% p.a.*

*Increase in O&M charges on account of war, insurgency or changes in laws, or like eventualities where the Commission is of the opinion that an increase in O&M charges is justified, may be considered by the Commission for a specified period.*

*Any saving achieved by a licensee in any year shall be allowed to be retained by it. The licensee shall bear the loss if it exceeds the targeted O&M expenses for that year.”*

- 4.11 Regulation 37 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

*“The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in substation.*

These norms exclude terminal benefits to be paid to employees, taxes to be paid to the Government or local authorities and fees to be paid to MPERC, which the Transmission Licensee shall claim these separately. The norms for O&M expenses\* per 100 ckt-km and per bay shall be as under:

**Table-15 : Norms for O&M expenses per 100 Ckt. km and per bay**

| O&M Rs Lac/bay/Ckt km*         | 2007  | 2008  | 2009  |
|--------------------------------|-------|-------|-------|
| <b>400 KV Voltage level</b>    |       |       |       |
| Per 100 ckt Km or part thereof | 9.48  | 10.04 | 10.65 |
| Per Bay                        | 4.31  | 4.56  | 4.84  |
| <b>220 KV Voltage level</b>    |       |       |       |
| Per 100 ckt Km or part thereof | 10.66 | 11.30 | 11.98 |
| Per Bay                        | 4.87  | 5.17  | 5.48  |
| <b>132 KV Voltage level</b>    |       |       |       |
| Per 100 ckt Km or part thereof | 10.66 | 11.30 | 11.98 |
| Per Bay                        | 4.60  | 4.87  | 5.17  |

\* Subject to availability of audited balance sheet of FY 05.

The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the number of bays and ckt-km of line length with the applicable norms for O&M expenses per bay and per ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometres of line lengths and number of bays for each voltage level separately for each year of the tariff period as the case may be.

The terminal benefits shall be paid separately as discussed in regulation.”

### Commission's Analysis

- 4.12 The Operation and Maintenance (O&M) Expenses comprise of the Employee Expenses, Administrative and General (A&G) Expenses and Repairs and Maintenance (R&M) Expenses. The Commission determined these expenses in MYT Tariff Order for FY 2006-07 to FY 2008-09 on the basis of the norms specified by the Commission in its regulation namely “MPERC (Terms and Conditions for Determination of Transmission Charges) Regulations, 2005” as given below:

**Table-16: O&M Expenses as per norms specified in Regulations (Rs. Lacs)**

| Sl. No. | Voltage Level | Particulars                    | Year wise O&M Expenses |            |            |
|---------|---------------|--------------------------------|------------------------|------------|------------|
|         |               |                                | FY 2006-07             | FY 2007-08 | FY 2008-09 |
| 1       | 400 kV        | Per 100 Ckt Km or part thereof | 9.48                   | 10.04      | 10.65      |
|         |               | Per Bay                        | 4.31                   | 4.56       | 4.84       |
| 2       | 220 kV        | Per 100 Ckt Km or part thereof | 10.66                  | 11.30      | 11.98      |
|         |               | Per Bay                        | 4.87                   | 5.17       | 5.48       |
| 3       | 132 kV        | Per 100 Ckt Km or part thereof | 10.66                  | 11.30      | 11.98      |
|         |               | Per Bay                        | 4.60                   | 4.87       | 5.17       |

- 4.13 These norms in the regulation were specified prior to the issue of the Commission's Transmission Tariff Order for FY 2005-06. Subsequently, the Commission vide its Order dated 13<sup>th</sup> March, 2006 amended the O&M expense norms and the revised norms are reproduced hereunder:

**Table-17 : Amended O&M expense norms (Rs. Lacs)**

| S. No. | Details                        | Year      |           |           |
|--------|--------------------------------|-----------|-----------|-----------|
|        |                                | FY2006-07 | FY2007-08 | FY2008-09 |
| 1      | 400 kV Level                   |           |           |           |
| i      | Per 100 Ckt Km or part thereof | 10.29     | 10.90     | 11.56     |
| ii     | Per Bay                        | 4.62      | 4.90      | 5.19      |
| 2      | 220 kV Level                   |           |           |           |
| i      | Per 100 Ckt Km or part thereof | 11.57     | 12.27     | 13.00     |
| ii     | Per Bay                        | 5.23      | 5.54      | 5.88      |
| 3      | 132 kV Level                   |           |           |           |
| i      | Per 100 Ckt Km or part thereof | 11.57     | 12.27     | 13.00     |
| ii     | Per Bay                        | 4.93      | 5.23      | 5.54      |

- 4.14 In accordance with the revised O&M norms specified by the Commission the eligible expenses for FY 2008-09 as shown in the present petition by the MPPTCL (based on the average assets during FY 2008-09) are as below:

**Table-18 : Eligible O&M expenses for FY 2008-09**

| S. No. | Particulars              | As on 31.03.2008 | As on 31.03.2009 | Average Assets in FY 2008-09 | Norms for FY 2008-09                        | Amount (Rs. in Lacs) |
|--------|--------------------------|------------------|------------------|------------------------------|---|----------------------|
| A      | B                        | C                | D                | E=(C+D)/2                    | F   | G=ExF                |
| 1      | 400 KV Line (in ckt. km) | 2314             | 2343             | 2328.5                       | Rs. 11.56 Lacs/100 Ckt. Kms or part thereof | 269.17               |
| 2      | 220 KV Line (in ckt. km) | 8174             | 9046             | 8610                         | Rs. 13.00 Lacs/100 Ckt. Kms or part thereof | 1119.30              |
| 3      | 132 KV Line (in ckt. km) | 11179            | 11575            | 11377                        | Rs. 13.00 Lacs/100 Ckt. Kms or part thereof | 1479.01              |
| 4      | 400 KV Bays              | 60               | 60               | 60                           | Rs. 5.19 Lacs/Bay                           | 311.4                |
| 5      | 220 KV Bays              | 311              | 354              | 332.5                        | Rs. 5.88 Lacs/Bay                           | 1955.1               |
| 6      | 132 KV Bays              | 1099             | 1181             | 1140                         | Rs. 5.54 Lacs/Bay                           | 6315.6               |
|        |                          |                  |                  |                              | <b>TOTAL</b>                                | <b>11449.58</b>      |
|        |                          |                  |                  |                              | <b>Say Rs.114.49 Crores</b>                 |                      |

- 4.15 The MPPTCL submitted that the expenses allowed were on much lower side on account of the fixation of O&M Norms on the basis of apportioned expenses from MPSEB's accounts for the year 2001-02 to 2004-05 which were highly restricted on account of financial crunch. This is evident from the amount of True-up of O&M Expenses, approved by the Commission for the year 2006-07 and 2007-08 as Rs.38.75 crores and Rs.46.20 crores respectively.
- 4.16 The Commission has gone through the submission of the Licensee. The Commission noted that the Transmission Licensee sought claims of Employee Expenses, A&G Expenses and R&M Expenses for FY 2008-09 on the basis of the Audited Accounts of the year. The Commission's analysis on the true-up of the O&M expenses is given in the following paragraphs.

**Employee expenses**

**Petitioner's Submission:**

- 4.17 The petitioner has submitted the following :

*"The order for revision of pay has been issued by MPSEB vide No.01-07/ WAC/2487 Jabalpur dtd. 27.4.2006. The salient features of the order are:*

- i. Pay revision is effective since 1.1.2001. However, the arrears are payable for the period from 1.10.2003 to 31.3.2006.*
- ii. Payment of arrears to be made in cash in 24 equal monthly installments commencing from August 2006.*
- iii. Fixation of pay of individual employees in the revised pay scales was done by adding the following;*

|  |                     |
|--|---------------------|
| <i>a. Pre-revised Basic Pay as on 1.1.2001</i>   | <i>A</i>            |
| <i>b. Addl. 22% of 'A' termed as additional Pay</i>  | <i>B</i>            |
| <i>c. Addl. 15% of the pre-revised basic pay plus additional pay as on 1.1.2001 i.e. (A+B) as fixation benefit</i> | <i>C</i>            |
| <b>Total -</b>   | <u><u>A+B+C</u></u> |

*The employees shall be fixed at the next higher stage in the revised scale of pay.*

- iv. Each dearness allowance installment sanctioned by Government of MP for its employees became payable to the Board's officers at like rates.*
- 4.18 *The burden of salary revision on above order's basis works out to about 22% additional expenses. This is substantiated by the annual accounts of MPPTCL as mentioned hereunder:*

|      |  |                  |
|------|--|------------------|
| i.   | Net Employee cost for year 05-06 from 1.6.05 to 31.3.06 (10 months) (Audited Accounts) | Rs.68.68 Crores  |
| ii.  | Net Employee cost for year 05-06 resolved to 12 months                                 | Rs.82.42 Crores  |
| iii. | Net Employee cost for year 06-07 (12 months)   | Rs.100.72 Crores |
| iv.  | Percentage increase  | 22.2%            |

4.19 After revision of the pay, it was decided vide order No. 01-13-3801/13 dtd. 11.4.07, that out of 70% DA prevailing that time, 50% would be merged into the Basic Pay, and remaining 20% was left as DA. This factually meant increase of 10% in DA rate as balance 20% became payable on 150% of Basic Pay (Basic Pay 100% + merged DA 50%). This further means that if a DA installment of X% is sanctioned after 01.04.07, it would result into an actual impact of 1.5X%, which would add to further O&M requirement during control period. Pending decision on next Wage Revision, an interim relief @ 15% of the Basic pay plus Dearness pay was sanctioned w.e.f. Sept. '08 vide order dated 11.9.08.

4.20 On account of the Wage Revision, the Employee expenses have gone up considerably in comparison to the expenditures in year 2005-06. The comparison as per 'Audited Annual Accounts' of the years FY 2005-06 to FY 2008-09 is tabulated hereunder;

**Table-19**

(Rs. in Crores)

| S. No. | Year                                | Employee Cost | Increase as compared to last year |
|--------|-------------------------------------|---------------|-----------------------------------|
| 1      | 2005-06<br>(converted to 12 months) | 82.42         | -                                 |
| 2      | 2006-07                             | 100.72        | * 22.20%                          |
| 3      | 2007-08                             | 123.80        | * 22.91%                          |
| 4      | 2008-09                             | 140.41        | 13.42%                            |

\* Effect of wage revision and arrears payment.

The details of Employee Cost for 2008-09 are given hereunder:

4.21 Employee cost as per Audited Accounts is Rs.140.41 Crores. The Employee Cost claimed by the petitioner is Rs.137.32 Crores, on account of following differences:

(i) The employee expenses of SLDC amounting to Rs.3.20 Crores (excluding Rs.0.09 Crore incentive) are included in Audited Accounts, these have been excluded while claiming Employee Cost of MPPTCL.

(ii) As per the Commission's directives, the E.L. encashment on retirement, GTIS, SCLIS etc. should not be treated as Terminal Benefits but the employee cost. Accordingly, an amount of Rs.3.24 Crores is transferred from Terminal Benefits to the Employee Cost.

(iii) Incentive provisions of Rs.3.04 Crores for MPPTCL and Rs.0.09 Crore for SLDC have been excluded from Employee Cost. The incentive will be separately billed to Discoms and SEZ, based on Transmission System Availability target and achievement during 2008-09.

4.22 On the basis of above, the Employee Cost claim for MPPTCL is worked out hereunder:

**Table-20**

|      |   |                          |
|------|---|--------------------------|
| i.   | Employee cost as per Audited Accounts   | Rs.140.41 Crores         |
| ii.  | Less Employee cost of SLDC (-)  | Rs.3.20 Crores           |
|      |   | <b>Rs.137.21 Crores</b>  |
| iii. | Add transfer of E.L. encashment etc. as transferred from Terminal Benefits to Employee Cost (+) | Rs.3.24 Crores           |
|      |   | <b>Rs.140.45 Crores</b>  |
| iv.  | Less incentive claim of Rs.3.04 Crores for MPPTCL and Rs.0.09 Crore for SLDC (-)                | Rs. 3.13 Crores          |
|      | <b>Net Employee Cost claim for 2008-09</b>  | <b>Rs.137. 32 Crores</b> |

### Commission Analysis

4.23 The details of employee costs in the audited balance sheet of MPPTCL for FY 2008-09 vis-à-vis allowed in FY 2007-08 is as under:

**Table-21 : Comparison of employee expenses by MPPTCL (Rs in Lacs)**

| S. No. | Particular  | Actual Expenses in FY 2007-08 | Actual Expenses in FY 2008-09 |
|--------|---|-------------------------------|-------------------------------|
| 1      | Salaries (including Addl. PA/DA)                    | 10317.04                      | 12174.35                      |
| 2      | Allowances & other Benefits                         | 2586.57                       | 2556.09                       |
| 3      | Contractual Employment/<br>Deputationist Cost       | 36.15                         | 34.39                         |
| 4      | Contribution to GTIS, SCLIS etc.                    | 245.52                        |                               |
|        | <b>Total Employee Cost-</b>                         | <b>13185.28</b>               | <b>14764.83</b>               |
|        | Less Employee Cost chargeable to construction works | 801.71                        | 723.45                        |
|        | <b>Net Employee cost chargeable to Revenue</b>      | <b>12383.57</b>               | <b>14041.38</b>               |

4.24 It is understood that the increase in the employee expenses during FY 2008-09 was due to the wage revision and revision in the Dearness Allowances as declared by the State Government. It is also observed from audited balance sheet of the petitioner for FY 2008-09 that the total Employee Cost (as per Schedule 18) has increased from Rs.123.83 Crs. in FY 2007-08 to Rs.140.41 Crs. in FY 2008-09 i.e. an increase of Rs.16.61 Crs. (13.41%). It is further observed that the petitioner has already reduced incentive claim of Rs.3.04 Crs. and Rs.0.09 Crs. for MPPTCL and SLDC respectively in its claim of Employee Cost. Following consistent approach for the same control period, the Commission considers the employee cost on the basis of actual expenses incurred during the true up period. Accordingly, the Commission allows Employee Expenses of **Rs.137.32 Crs.** for FY 2008-09.

**Administrative & General expenses****Petitioner's Submission**

4.25 The petitioner has submitted following :

“MPPTCL has kept its A&G expenses during 2008-09 under control. The increase in 2008-09 compared to previous year i.e. 2007-08 is of the order of 15%, which is mainly on account of increase in outsourcing and hike in conveyance expenses. The details of A&G expenses for 2008-09 are given hereunder as per Schedule-19 of Annual Accounts:

**Table-22** (Rs. in Lacs)

| <b>Administrative &amp; General Expenses</b> |  |                     |
|--|--|---------------------|
| <b>S. No.</b>                                | <b>Particulars</b>                                 | <b>Year 2008-09</b> |
| 1  | Property Related Expenses                          | 51.52               |
| 2  | Communication Expenses                             | 89.62               |
| 3  | Fee & Other Charges paid to MPERC                  | 113.10              |
| 4  | Professional, Legal & Statutory Charges            | 59.30               |
| 5  | Conveyance & Travelling Expenses                   | 824.01              |
| 6  | Other Expenses                                     | 192.06              |
| 7  | Materials Related Expenses                         | 49.77               |
| 8  | Work outsourcing Expenses                          | 371.63              |
| 9  | Miscellaneous Losses and Write-Offs                | 4.92                |
| 10   | Common Expenses of MPSEB                           | 394.67              |
| 11   | Total Administration & Gen. Expenses               | 2150.60             |
| 12   | Less : Admin. & Gen. Expenses Capitalized to WIP   | (-) 166.94          |
| 13   | Less Rev. expenses absorbed in cost of fabrication | (-) 28.88           |
| 14   | <b>Net A&amp;G Expenses</b>                        | <b>1954.78</b>      |

**Table-23 : Claim of A&G For 2008-09**

|      |   |                        |
|------|---|------------------------|
| i.   | Total A&G Expenses                                      | Rs.19.55 Crores        |
| ii.  | Less A&G Expenses of SLDC (-)                           | Rs.00.27 Crore         |
| iii. | Less MPERC Fee  | Rs.1.13 Crores         |
| iv.  | Less Common Expenses MPSEB                              | Rs.3.94 Crores         |
|      | <b>Net A&amp;G Expenses claim<br/>[i – (ii+iii+iv)]</b> | <b>Rs.14.21 Crores</b> |

A&G Expenses for 2008-09 - **Rs.14.21 Crores.”**

**Commission's Analysis**

4.26 Although the Commission specified the norms for determination of the O&M expenses inclusive of employee cost, A&G expenses and R&M expenses, the MPPTCL, in its petition, requested separate true-up for A&G expenses based on audited accounts.



**4.27** The Commission has considered the A&G expenses on the basis of actual expenses incurred during the true up period. The Commission has observed from Schedule 19 of audited balance sheet that A&G Expenses have increased from Rs.17.14 Crs. in FY 2007-08 to Rs.19.55 Crs. in FY 2008-09 showing an increase of Rs.2.41 Crs. i. e. 14%. It is observed that conveyance and traveling expenses have increased from Rs.7.48 Crs. to Rs.8.24 Crs. (14.8%) and work out sourcing expenses have increased from Rs.2.34 Crs. to Rs.3.72 Crs. (58.5% increase), miscellaneous losses and write offs have increased from Rs.1.81 Lacs to Rs.4.92 Lacs (increase of 172%). The petitioner has submitted the details that miscellaneous losses included infructuous capital expenditure written off of Rs.1.67 Lacs and loss in sale of scrap of Rs.3.25 Lacs. However, in true-up petition the petitioner has already deducted common expenses, fees, SLDC expenses and has claimed A&G of Rs.14.21 Crs. The Commission allows A&G Expenses of Rs.14.21 – 0.049 = **Rs.14.16 Crs.** for FY 2008-09.

### **Repairs & Maintenance Expenses**

#### **Petitioner's Submission**

4.28 The petitioner has broadly submitted following :

*“The Repairs & Maintenance is an important aspect to keep the assets in good working condition. The Commission in its transmission tariff order dtd. 07.02.06 stressed the need of maintenance and mentioned in Para 4.38:*

*"In order to incentivize greater spending under this head, Commission shall consider actual amount spent in excess of the allowed amount, while truing up in subsequent orders."*

4.29 *In the spirit of above, the MPPTCL has taken up intensive maintenance programme including special maintenance and upkeep of about 150 EHV transformers, which are still in service after completing the life span of about 25 years. The MPPTCL has also adopted the new technologies in Repairs & Maintenance, which has resulted in a bit of additional expenditure, but has resulted in greater System Availability, reduction in losses and control over major equipment failures. The details of R&M Expenses of current year and previous years are compared in the following table :*

**Table-24**

| <b>S. No.</b> | <b>Year</b> | <b>R&amp;M Expenses</b> | <b>Increase w.r.t. last year</b> |
|---------------|-------------|-------------------------|----------------------------------|
| 1             | 2005-06     | 13.88                   | -                                |
| 2             | 2006-07     | 20.90                   | 50.57%                           |
| 3             | 2007-08     | 15.84                   | - 24.21%                         |
| 4             | 2008-09     | 21.58                   | 36.24%                           |

4.30 The details for 2008-09 is shown hereunder:

**Table-25**

(Rs. in Lacs)

| <b>Repairs And Maintenance</b>   |   |   |   |  |
|--|---|---|---|--|
| <b>Particulars</b>   | <b>Amount</b>                               |   |   |  |
|  | <b>Year<br/>2005-06<br/>(10<br/>months)</b> | <b>Year<br/>2006-07<br/>(12<br/>months)</b> | <b>Year<br/>2007-08<br/>(12<br/>months)</b> | <b>Year<br/>2008-09<br/>(including<br/>SLDC)</b> |
| <i>Repairs and Maintenance of Buildings</i>                              | 206.02                                      | 174.03                                      | 81.43                                       | 129.79   |
| <i>Repairs &amp; Maintenance of Plant Machinery</i>                      | 955.78                                      | 1836.09                                     | 1424.98                                     | 1919.74  |
| <i>Repairs &amp; Maintenance of Vehicle</i>                              | 41.31                                       | 81.33                                       | 76.83                                       | 68.25  |
| <i>Repairs &amp; Maintenance of Furniture and Fittings including Fan</i> | 2.73  | 3.22  | 3.15  | 4.39   |
| <i>Rep. &amp; Maintenance Computers and Accessories</i>                  | 5.20  | 14.99                                       | 7.95  | 14.30  |
| <i>PV claim, difference in GRN for maintenance spares</i>                | 0.07  | 00.00                                       | 0.00  | 24.59  |
| <i>Other R &amp; M Cost (Entry Tax)</i>                                  | 11.20                                       | 22.19                                       | 18.24                                       | 27.65  |
| <i>Total Repairs &amp; Maintenance Expenses</i>                          | 1222.30                                     | 2131.86                                     | 1612.58                                     | 2188.71  |
| <i>Less: Rep. &amp; Maintenance Charges Capitalized to WIP</i>           | 65.88                                       | 41.50                                       | 28.26                                       | 30.46  |
| <b>TOTAL -</b>   | <b>1156.42</b>                              | <b>2090.36</b>                              | <b>1584.32</b>                              | <b>2158.25</b>                                   |

**Table-26 :****Claim of R&M for 2008-09**

|            |  |                                |
|------------|--|--------------------------------|
| <i>i.</i>  | <i>Total R&amp;M Expenses</i>            | <i>Rs. 21.58 Crores</i>        |
| <i>ii.</i> | <i>Less R&amp;M Expenses of SLDC (-)</i> | <i>Rs. 00.25 Crore</i>         |
|            | <b><i>Net R&amp;M Expenses -</i></b>     | <b><i>Rs. 21.33 Crores</i></b> |

MPPTCL maintained Assets worth Rs.3954 Crores during the year and R&M Expenses are of the order of 0.54% of Asset value.

R&M Expenses for 2008-09 - **Rs.21.33 Crores.**”

## Commission's Analysis

- 4.31 The Commission has observed from Schedule 17 of audited balance sheet that R&M Expenses have increased substantially from Rs.15.92 Crs. in FY 2007-08 to Rs.21.58 Crs. in FY 2008-09 indicating 36% rise in R&M expenses. The expense of Rs. 0.25 Cr for PV claims, difference in GRN, etc. as indicated in Audited accounts are not considered in this true up Order. The Commission has considered the R&M expenses on the basis of actual expenses incurred during true-up period and allowed an amount of (Rs.21.33 – Rs.0.25) **Rs.21.08 Crs.** for FY 2008-09.
- 4.32 The total O&M expenses as approved by the Commission in aforementioned paragraphs are given below:

**Table 27 : True-up of O&M expenses (Rs. Crores)**

|      |  |                          |
|------|--|--------------------------|
| i.   | Employee Expenses  | Rs. 137.32 Crores        |
| ii.  | A&G Expenses   | Rs. 14.16 Crores         |
| iii. | R&M Expenses   | Rs. 21.08 Crores         |
| iv.  | <b>O&amp;M Expenses Allowed</b>                              | <b>Rs. 172.56 Crores</b> |
| v.   | O&M approved under MYT order dated 13.03.2006 for FY 2008-08 | Rs. 104.11 Crores        |
| vi.  | <b>True-up Amount for FY 2008-09</b>                         | <b>Rs. 68.45 Crores</b>  |

## Terminal benefits expenses

### **Petitioner's Submission:**

- 4.33 *The Government of MP through the notification of Transfer Scheme dated 30.09.2003 as amended on 13.06.2005 has transferred the responsibility of meeting the pension liabilities of all Pensioners to MPPTCL to the extent mentioned below:*
- i. Existing Pensioners (including family pensioners) of MPSEB who are eligible for pension as on date of transfer.*
  - ii. Towards the pension and other benefits for the past services rendered by the employees up to the date of transfer from Board in respect of prospective pensioners who retire after the date of transfer.*
  - iii. Prospective pensioners working in MPPTCL who retire after the date of transfer for total pension and other terminal benefits.*
- 4.34 *At the time of passing the Transmission Tariff Order dtd. 13.03.06, The Commission observed that the formalities with regard to the setting up of the Fund as envisaged in the Transfer Scheme had not been completed. The Commission has therefore allowed the current liabilities of the Pension, Gratuity and Annuity projected for control period for Pensioners of all the Companies constituted on unbundling of erstwhile MPSEB. The Terminal Benefits for control period as per order dated 13.03.06 are tabulated below:*

**Table-28 :** (Rs. in Crores)

| S. No. | Particulars                  | Expenses Allowed for Years |        |        |
|--------|------------------------------|----------------------------|--------|--------|
|        |                              | FY-07                      | FY-08  | FY-09  |
| 1      | Terminal Benefit Liabilities | 160.00                     | 167.48 | 177.52 |

- 4.35 The State Government in the final Opening Balance Sheet notified on 12<sup>th</sup> June 2008, mentioned under Para 1(K) of the order as hereunder:

“(K) The past unfunded pension liabilities of pensioners and employees of MPSEB existing as on 31<sup>st</sup> May 2005, are to be assessed by Actuarial Valuation, and is therefore retained with residual MPSEB for the time being. The actual pension/gratuity payments shall be claimed by MP Power Transmission Co. Ltd., in its ARR till requisite fund equivalent to the past unfunded liabilities is built up in the manner provided in Rule 10 & 11 notified earlier vide No. 4003-FRS-17-13-2002 dtd. 13<sup>th</sup> June 2005.”

- 4.36 Further as no additional contribution to build up pension fund over the above actual expenses could be done during 2008-09, the True-up is claimed on actual expenses as per Audited Accounts for 2008-09.

#### **Reason for Hike in Terminal Benefit Expenses**

- 4.37 Similar to revision of salary of working employees, the Pension of the Pensioners has also been revised vide order No. 01-13/3251/15 Jabalpur, dtd. 7.4.06. The order provides for 15% increase in Basic Pension/Family Pension drawn as on 1.1.2001. The overall increase for existing Pensioners taking into dearness relief @ 52% is about 22.5%. The Wage Revision, as mentioned above, has revised pay of retirees of the period April '01 onwards and consequently their pension entitlement has increased, considerably. Further retirements have also contributed to increase in Terminal Benefit expenses.
- 4.38 The provisional Opening Balance Sheet notified on 31.5.05 made a provision of Rs. 3910 Crores as pension liabilities and corresponding Regulatory Assets towards pension liabilities. Therefore, it was accounted on cash basis and provisions of Accounting Standards (AS-15) issued by ICAI were not complied. The final Opening Balance Sheet notified on 12<sup>th</sup> June 2008, does not provide for this amount (Rs. 3910 Crores), and only current Terminal Benefit payments is to be made by the Company. Now to comply with Accounts Standards 15 by the Company, provisions have been made as per Actuarial valuation of 2003, for the existing working employees of the Company.

#### **Terminal Benefit Claim for 2008-09**

- 4.39 The Audited Accounts for FY 2008-09 mention Terminal Benefit expenses of Rs.337.45 Crores, out of which an amount of Rs.3.24 Crores has been transferred to employee cost, being amount of leave encashment on retirement etc. The balance amount is given in the following table:

**Table-29 :** (Rs. in Crores)

| <i>S. No.</i>  | <i>Particulars</i> | <i>Cash Disbursed</i> | <i>Provisioning as per AS-15</i> | <i>TOTAL</i>  |
|----------------|--------------------|-----------------------|----------------------------------|---------------|
| 1              | <i>Pension</i>     | 247.64                | 31.79                            | 279.43        |
| 2              | <i>Gratuity</i>    | 50.38                 | 4.36                             | 54.74         |
| 3              | <i>Annuity</i>     | 0.05                  | 0.00                             | 0.05          |
| <b>TOTAL -</b> |                    | <b>298.07</b>         | <b>36.15</b>                     | <b>334.22</b> |

**True-up amount -** Rs.334.22 Crores – Rs.177.52 Crores  
= **Rs.156.70 Crores.**

### Provisions of Regulations:

- 4.40 Regulation 29 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

#### **“Pension and Gratuity Liability**

*The amount of unfunded liability of pension and gratuity based on actuarial valuation on the effective date of transfer scheme in respect of employees of MPSEB/ successor entities and the manner of discharging this liability shall be specified by the Commission after consultation with the State Government and the Transmission Licensee. The State Government has amended the transfer scheme notified on 31st May 2005 vide notification issued on 13th June 2005. The State Government has now provided for a creation of separate fund for discharging pension and terminal liabilities of the employees. The Transmission Licensee shall submit details regarding the trustees, the manner of operation and other relevant information pertaining to this fund.*

*The Commission shall allow the actual expenditure incurred on payment of terminal benefits including pension payments of the employees on estimated basis for the ensuing year and shall be provided separately apart from O&M charges. The Transmission Licensee shall provide evidence of having discharged the liability every quarter. Any difference between the allowance and the actual shall be adjusted in the subsequent year. The Transmission Licensee shall disclose the accrued liability towards terminal benefits in the accounts as per the provisions of the Companies Act.”*

### Commission's Analysis:

- 4.41 The Government of MP, through the notification on Transfer Scheme of 13.06.2005 transferred the responsibility of meeting the pension liabilities of all Pensioners to MPPTCL.
- 4.42 At the time of passing the Transmission Tariff Order, the Commission observed that the formalities with regard to the setting up of the Terminal Benefit Trust as envisaged in the Transfer Scheme had not been completed. The Commission had therefore allowed the current liabilities of the pension, gratuity and annuity projected for control period for Pensioners of all the Companies constituted on unbundling of the erstwhile MPSEB to the MPPTCL. The terminal benefits for control period as per order dated 13.03.2006 are tabulated below:

**Table-30 : Terminal benefits as approved by the Commission in MYT order**

| S. No | Particulars                  | Expenses Allowed for Years (Rs. Crores) |            |            |
|-------|------------------------------|---|------------|------------|
|       |                              | FY 2006-07                              | FY 2007-08 | FY 2008-09 |
| 1     | Terminal Benefit Liabilities | 160.00                                  | 167.48     | 177.52     |

- 4.43 The actual finalized cash expenses on account of terminal benefits for FY 2008-09 as filed by MPPTCL, in the true up petition are as under:

**Table-31 : Terminal benefits as per the Accounts**

|              |                       |                         |
|--------------|-----------------------|-------------------------|
| (i).         | Pension (A/c 75-870)  | Rs.247.64 Crores        |
| (ii)         | Gratuity (A/c 75-840) | Rs.50.38 Crores         |
| (iii)        | Annuity (A/c 75-884)  | Rs.0.05 Crores          |
| <b>TOTAL</b> |                       | <b>Rs.298.07 Crores</b> |

- 4.44 The Commission has observed from the profit and loss of the audited balance sheet of the petitioner for FY 2008-09 that Rs.298.19 crs. and Rs.39.26 crs. are provided against cash disbursement and provisioning respectively for the terminal benefit cost. The petitioner in its submission at Para 7.3 of the petition mentioned that an amount of Rs.3.24 crs. has been transferred to employees cost, being amount of leave encashment on retirement etc. The petitioner claimed this amount of Rs.3.24 crs. in the employees cost at Para 6.3.1 of the petition.
- 4.45 The petitioner vide Commission's letter No.3265 dated 7<sup>th</sup> December, 2011 was asked to inform the correct status of the amount of Rs.3.24 crores filed against leave encashment on retirement of employees. The petitioner vide its letter No.04-01/CRA-Cell/F-53/9216 dated 17<sup>th</sup> December, 2011 confirmed that the amount of Rs.3.24 crores against leave encashment on retirement of employees is shown as provisioning in P&L account. However, these are the cash expenses to be considered under employee cost and the petitioner has claimed this expense accordingly. In view of the clarification filed by the petitioner, the Commission has considered terminal benefit claim of Rs.294.83 crores for FY 2008-09. The amount of Rs.3.24 crores claimed by the petitioner and transferred to employee cost being amount of leave encashment on retirement of employees etc. has been appropriately considered under employees cost in this order. The Commission does not allow provisioning under this head and allows true-up amount of Rs.117.31 crores on account of terminal benefit in FY 2008-09 as given below :

**Table-32** **Amount in Rs. Crores**

| S. No. | Particulars                  | Approved for FY 2008-09 in MYT order dated 13.03.2006 | Actual Expenses allowed for FY 2008-09 | True-up Allowed |
|--------|------------------------------|---|--|-----------------|
| 1      | Terminal Benefit Liabilities | 177.52  | 294.83                                 | <b>117.31</b>   |

**Depreciation****Petitioner's Submission:**

4.46 The petitioner has broadly submitted the following :

*“The Depreciation in MYT order dated 13.03.2006 for the year 2008-09 has been allowed as Rs. 117.56 Crores, which is required to be Trued-up as per Actual Assets Capitalized till 31.03.2009, taking into account the Final Opening Balance Sheet of MPPTCL notified on 12.06.2008.*

4.47 *The Final Opening Balance Sheet as on 31.05.2005, was notified on 12<sup>th</sup> June 2008. The fixed Assets notified in the Final Opening Balance Sheet as on 31.05.2005 are as under:*

- (i). *Opening Gross Block - Rs. 2932.75 Crores*
- (ii). *Accumulated Depreciation - Rs. 1205.95 Crores*
- (iii). *Net Fixed Assets - Rs. 1726.81 Crores*

4.48 *The Commission has Trued-up Asset addition and Depreciation till 31.03.2008, vide its order dated 21.10.2009 under Petition No. 66/2008 for True-up for FY 2007-08. This True-up has been done on the basis of Final Opening Balance Sheet. Taking into account the above, the position as on 31.03.2008 is tabulated hereunder:*

**Table-33****(Rs in Crores )**

| YEAR                   | Gross Fixed Assets       |                      |                | Provision For Depreciation |                      |                | Net Fixed Assets         |                    |
|------------------------|--------------------------|----------------------|----------------|----------------------------|----------------------|----------------|--------------------------|--------------------|
|                        | At the beginning of Year | Addition During Year | At End of Year | At the beginning of Year   | Addition During Year | At End of Year | At the beginning of Year | At the End of Year |
| 2005-06<br>(10 months) | 2932.75                  | 159.71               | 3092.46        | 1205.95                    | 70.90                | 1276.85        | 1726.81                  | 1815.61            |
| 2006-07                | 3092.46                  | 249.08               | 3341.54        | 1276.85                    | 89.06                | 1365.91        | 1815.61                  | 1975.63            |
| 2007-08                | 3341.54                  | 234.44               | 3575.98        | 1365.91                    | 96.80                | 1462.71        | 1975.63                  | 2113.27            |

4.49 *An Asset addition of Rs.378.14 Crores has been Capitalized during 2008-09, certificate & details of which has been filed in the petition. In respect of works Capitalized during FY 2008-09 it is confirmed that,*

- i. *All these works are included in the Investment Plans.*
- ii. *In general there is no major time overrun in executing above mentioned works.*
- iii. *In general there is no major cost overrun in executing above mentioned works.*

4.50 *Statement substantiating above are submitted separately for reference of the Commission. With capitalization of above mentioned works the Gross Block as on 31.03.2009 has reached to Rs.3954.12 Crores as shown hereunder;*

- (i). Gross Block as on 01.04.2008 - Rs. 3575.98 Crores  
(ii). Additions during 2008-09 - Rs. 378.14 Crores  
(iii). Gross Block as on 31.03.2009 - Rs. 3954.12 Crores

**Software Model for Working out Depreciation**

4.51 For working out the Depreciation an Asset-data base model has been developed incorporating the following features:

- (i) Asset-data base has been maintained each Asset Capitalization-wise.  
(ii) It is on Final Opening Balance Sheet as on 31.05.2005.  
(iii) Rates of Depreciation for different Assets i.e. Lines & Sub-stations are taken as per Annexure-IV of MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2005 notified on 16.12.2005 for control period FY 2006-07 to FY 2008-09.  
(iv) The Depreciation booking stops as soon as it reaches 90% of book value. Soft and hard copies of the model is submitted separately for reference.

4.52 From the software mentioned above, the total Depreciation for 2008-09 is worked out as Rs.96.73 Crores. The position of Fixed Assets during 2008-09 is indicated in the following table:

**Table-34 : Depreciation for FY 2008-09 (Rs. in Crores )**

| Gross Fixed Assets       |                      |                | Provision For Depreciation |                      |                | Net Fixed Assets         |                    |
|--------------------------|----------------------|----------------|----------------------------|----------------------|----------------|--------------------------|--------------------|
| At the beginning of Year | Addition During Year | At End of Year | At the beginning of Year   | Addition During Year | At End of Year | At the beginning of Year | At the End of Year |
| 3575.98                  | 378.14               | 3954.12        | 1462.71                    | 96.73                | 1559.44        | 2113.27                  | 2394.68            |

**Table-35 : True-Up of Depreciation for FY 2008-09**

|                                     |   |                           |
|-------------------------------------|---|---------------------------|
| (i).                                | Depreciation allowed for 2008-09 in MYT order dtd. 13.03.2006 | Rs.117.56 Crores          |
| (ii)                                | Depreciation claim in this True-up as per Asset Register      | Rs.96.73 Crores           |
| <b>True-up Claim for FY 2008-09</b> |   | <b>(-)Rs.20.83 Crores</b> |

**Provisions of Regulations:**

4.53 Regulation 22 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

(i) 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 for asset creation 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 determination of allowable depreciation shall be as per CERC notification. The existing rates are given in Annexure-IV of these regulations. Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost.*

(ii) *Advance against depreciation (AAD) shall be permitted for any new project in addition to allowable depreciation, in the manner given hereunder:*

*AAD = Loan repayment amount as per regulation 21 subject to a ceiling of 1/10th of loan amount as per regulation 19 minus depreciation as per schedule*  
*Provided that Advance Against Depreciation for any new project shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year,*  
*Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.*

- (iii) *On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.*
- (iv) *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.*
- (v) *Depreciation against assets relating to environmental protection shall be allowed on case to case basis at the time of fixation of tariff subject to the condition that the environmental standards as prescribed have been complied with.*

### Commission's Analysis:

4.54 MPPTCL in its original petition submitted the following details of fixed Assets and Depreciation as given below:

**Table-36**

**( Rs in Crores )**

| YEAR           | Gross Fixed Assets       |                      |                | Provision For Depreciation |                      |                | Net Fixed Assets         |                    |
|----------------|--------------------------|----------------------|----------------|----------------------------|----------------------|----------------|--------------------------|--------------------|
|                | At the beginning of Year | Addition During Year | At End of Year | At the beginning of Year   | Addition During Year | At End of Year | At the beginning of Year | At the End of Year |
| <b>2005-06</b> | 2932.75                  | 159.71               | 3092.46        | 1088.06                    | 85.08*               | 1173.14        | 1844.69                  | 1919.32            |
| <b>2006-07</b> | 3092.46                  | 249.08               | 3341.54        | 1173.14                    | 89.06                | 1262.20        | 1919.32                  | 2079.34            |
| <b>2007-08</b> | 3341.54                  | 234.44               | 3575.99        | 1262.20                    | 96.80                | 1359.00        | 2079.34                  | 2216.99            |
| <b>2008-09</b> | 3575.99                  | 378.14               | 3954.12        | 1359.00                    | <b>100.58</b>        | 1459.58        | 2216.99                  | 2494.54            |

*\* for 12 month period, on conversion to 10 month period the same comes out to be Rs. 70.90 Crores.*

Based on above, the petitioner filed true-up of depreciation for FY 2008-09 as given below:

**Table-37**

|   |  |                            |
|---|--|----------------------------|
| (i).  | Depreciation allowed for 2008-09 in MYT order dated 13.03.2006 | Rs.117.56 Crores           |
| (ii)  | Depreciation claimed as per Asset Register                     | Rs.100.58 Crores           |
| <b>True-up Claimed (in original petition)</b> |  | <b>(-) Rs.16.98 Crores</b> |

- 4.55 It is worthwhile to mention that the Commission in its true-up order for FY 2007-08 directed MPPTCL to reconcile the depreciation figures and file the same prior to next true-up filing. Accordingly, while scrutinizing the depreciation part of the present petition, the Commission vide letter No. 391 dated 10/02/2010 asked the petitioner to reconcile the assets register and substantiate claim of depreciation made in this true-up petition at the earliest.

MPPTCL vide letter No.3484 dated 24/04/2010 submitted that,

*“In compliance of the directives of Hon’ble Commission, the MPPTCL has already gone ahead in the process of reconciliation of Asset Register. The details for the period since 31.05.05 i.e. from the date MPPTCL has started functioning are fully available. However, for the period prior to 31.05.05, problems are faced, as proper details are not fully available to get the job of reconciliation completed. The MPPTCL has however been submitting a data base, based on field information. The total accumulated depreciation as per data base has summed up to Rs.1088.06 Crores, whereas the Opening Balance Sheet has indicated this figure as Rs.1205.95 Crores in the position of 31.05.2005. The applicant while submitting the ‘True-up’ petition for 2007-08, projected the accumulated depreciation from Rs.1205.95 Crores as on 31.05.05. Hon’ble Commission however allowed the projection from Rs.1088.06 Crores as on 31.05.05, based on asset data-base submitted by the Applicant, in anticipation of the reconciliation to be done. **The work of reconciliation is yet to be completed, and will take some more time.** The data-base submitted by the Applicant takes care that depreciation against a particular asset does not exceed 90% of the book value. The only matter left is that in certain cases, the NFA may go below 90% if value of accumulated depreciation is substituted to Rs.1205.05 Crores in place of Rs.1088.06 Crores. To prevent this, a pro-rata adjustment entry is provisionally made to bring value of accumulated depreciation in data-base at par with the figures of Opening Balance Sheet. This is however a provisional measure, in order to ensure most realistic check on restricting the accumulated depreciation within limit of 90% that too commensurate with the figures of Opening Balance Sheet notified on 12<sup>th</sup> June 2008. However, it may be submitted that the final ‘Asset Register’ will be submitted before Hon’ble Commission once it is reconciled fully”.*

A copy of the modified data base is submitted. The figures for year 2008-09 from data base are summed up as hereunder:

**Table-38**

| YEAR    | Gross Fixed Assets           |                      |                | Provision For Depreciation   |                      |                | Net Fixed Assets             |                |
|---------|------------------------------|----------------------|----------------|------------------------------|----------------------|----------------|------------------------------|----------------|
|         | At the beginning of the year | Addition During Year | At End of Year | At the beginning of the year | Addition During Year | At End of Year | At the beginning of the year | At End of Year |
| 2008-09 | 3575.98                      | 378.14               | 3954.12        | 1462.71                      | <b>96.73</b>         | 1559.44        | 2113.27                      | 2394.68        |

*The depreciation claim for year 2008-09 is therefore reworked out as Rs.96.73 Crores in place of Rs.100.58 Crores filed in the petition.”*

- 4.56 The Commission vide order dated 22.06.2010 asked for completion of reconciliation work of asset register as per directives of the Commission in Para 4.28 of the True-up order of FY 2007-08.
- 4.57 In the revised petition, MPPTCL filed a list of assets capitalized during FY 2008-09 and a certificate showing Asset addition of Rs 378.14 crores during the year. The petitioner filed a table of depreciation taking into consideration opening gross block, cumulative depreciation and NFA as mentioned by the GoMP in final opening balance sheet as on 01/06/2005 notified on 12/06/2008. The petitioner’s revised submission has been detailed in previous paragraphs on petitioner’s submission.
- 4.58 The audited balance sheet for FY 2008-09 shows depreciation of Rs.194.74 Crs. for the year and closing GFA, accumulated depreciation and NFA as Rs.3954.12 Crs., Rs.1877.18 Crs and Rs.2076.94 Crs. respectively in FY 2008-09. In Audited balance sheet, depreciation has been charged on fixed assets using SLM method as per rates of manner prescribed in Schedule (xiv) of the Company’s Act, 1956. Since the depreciation in audited balance sheet is not in accordance with the MPERC’s Regulations hence, depreciation provided in the audited balance sheet has not been taken into consideration for the purpose of this True-up order.
- 4.59 On the issue of assets created from consumer contribution, MPPTCL vide letter No.6835 dated 17.09.2011 submitted that *“the final opening balance sheet (as on 31/05/2005) indicates that no assets were created out of consumer contribution. Thereafter, from FY 2005-06 to FY 2008-09, no asset commissioned out of consumer contribution has been capitalized. Hence, the question of charging depreciation on asset created out of consumer contribution up to FY 2008-09 does not arise.”* MPPTCL vide its letter No.7124 dated 28/09/2011 further confirmed that Schedule 34 attached to the final opening balance sheet shows nil amount for “consumer contribution towards cost of capital assets” allocated to MPPTCL. Therefore, no asset funded through consumer contribution prior to 01/06/2005 has been transferred to MPPTCL.

- 4.60 The petitioner in its revised petition filed accumulated depreciation as Rs.1205.95 Crs. as on 31.05.2005 matching with the figures of the final opening balance sheet notified by the Government of MP on 12.06.2008. The petitioner has mentioned accumulated depreciation as Rs.1276.85 crores as on 31.03.2006, Rs.1365.91 Crores as on 31/03/07 & Rs.1462.71 Crores as on 31/03/08 and Rs.1559.44 Crs. as on 31/03/09. The petitioner also submitted “Asset capitalization and depreciation statement as on 31/03/2009” in which the final total as on 31/03/2008 and 31/03/2009 are matching with the above mentioned figures. The Commission considers the depreciation figures submitted by the petitioner. However, the petitioner is directed to reconcile the depreciation figures and file the same prior to next true up filing. The Commission therefore, allows depreciation of **Rs.96.73 Crores** for FY 2008-09 in this true-up Order.

#### **Advance against Depreciation**

- 4.61 As per clause 2.21 of MYT Regulation, advance against depreciation (AAD) is allowed against new projects only. The petitioner has not claimed any AAD for FY 2008-09. The Commission has therefore, not considered any Advance against depreciation in this order.

#### **Interest & Finance Charges**

##### **Petitioner's Submission:**

- 4.62 In its revised petition, the petitioner has broadly submitted the following :

*“The Government notified the Final Opening Balance Sheet as on 31.05.2005, on dated 12<sup>th</sup> June 2008. The loan liabilities transferred through final opening balance sheet are reproduced hereunder:*

**Table-39**

|                |  |                                 |
|----------------|--|---------------------------------|
| (i).           | <i>Payment due on Capital Liabilities</i>  | <i>Rs.267.90 Crores</i>         |
| (ii)           | <i>Capital Liabilities</i>   | <i>Rs.572.26 Crores</i>         |
| (iii)          | <i>Loan from the State Government</i>  | <i>Rs.473.05 Crores</i>         |
| (iv)           | <i>Loan against Madhikheda HEP transferred through note (h) of the Opening Balance Sheet</i> | <i>Rs.5.53 Crores</i>           |
| <b>TOTAL -</b> |  | <b><i>Rs.1318.75 Crores</i></b> |

4.63 Details of the above loans initially provided by the MPSEB were as under:

**Table-40 :** As on 31.05.2005 (Rs in Crores)

| <b>S. No.</b>  | <b>Source</b>               | <b>Principal Not Due</b> | <b>Principal Due</b> | <b>Interest Due</b> | <b>TOTAL</b>   |
|----------------|-----------------------------|--------------------------|----------------------|---------------------|----------------|
| 1              | State Government Loan       | 188.42                   | 14.15                | NIL                 | 202.57         |
| 2              | Loan from ADB               | 208.44                   | NIL                  | NIL                 | 208.44         |
| 3              | Loan from NABARD            | 76.19                    | 12.15                | NIL                 | 88.34          |
| 4              | PFC Loan                    | 309.91                   | NIL                  | NIL                 | 309.91         |
| 5              | SADA Loan                   | 7.20                     | 4.80                 | 3.03                | 15.03          |
| 6              | Public Bonds/<br>Debentures | 118.43                   | 255.16               | 115.34              | 488.93         |
| 7              | MPPGCL                      | 5.53                     | -                    | -                   | 5.53           |
| <b>TOTAL -</b> |                             | <b>914.12</b>            | <b>286.26</b>        | <b>118.37</b>       | <b>1318.75</b> |

4.64 Later on the MPSEB vide letter No. 02-07/VII/144/150 dated 08.09.2008 intimated certain changes in the segregation of loan of Rs.488.93 Crores against Bonds / Debentures which changes the bifurcation of outstanding against Bonds / Debentures. Accordingly, above mentioned table is changed as under:

**Table-41 :** As on 31.05.2005 (Rs. in Crores)

| <b>S. No.</b>  | <b>Source</b>               | <b>Principal Not Due</b> | <b>Principal Due</b> | <b>Interest Due</b> | <b>TOTAL</b>   |
|----------------|-----------------------------|--------------------------|----------------------|---------------------|----------------|
| 1              | State Government Loan       | 188.42                   | 14.15                | NIL                 | 202.57         |
| 2              | Loan from ADB               | 208.44                   | NIL                  | NIL                 | 208.44         |
| 3              | Loan from NABARD            | 76.19                    | 12.15                | NIL                 | 88.34          |
| 4              | PFC Loan                    | 309.91                   | NIL                  | NIL                 | 309.91         |
| 5              | SADA Loan                   | 7.20                     | 4.80                 | 3.03                | 15.03          |
| 6              | Public Bonds/<br>Debentures | 296.92                   | 76.55                | 115.46              | 488.93         |
| 7              | MPPGCL                      | 5.53                     | -                    | -                   | 5.53           |
| <b>TOTAL -</b> |                             | <b>1092.61</b>           | <b>107.65</b>        | <b>118.49</b>       | <b>1318.75</b> |

**Status as on 31.03.2009**

4.65 Between 01.06.2005 and 31.03.2009, the MPPTCL received certain new loans as well as paid installments against the outstanding amount of loans. The loan outstanding as on 31.03.2009 is Rs.2073.37 Crores, as per details given hereunder:

**Table-42 : As on 31.03.2009 (Rs in Crores)**

| S. No.         | Source                     | Principal Not Due | Principal Due | Interest Due  | TOTAL          |
|----------------|----------------------------|-------------------|---------------|---------------|----------------|
| 1              | PFC - Unsecured            | 234.02            | 0.00          | 0.00          | 234.02         |
| 2              | PFC - Secured              | 223.31            | 0.00          | 0.00          | 223.31         |
| 3              | Canara Bank                | 24.25             | 0.00          | 0.00          | 24.25          |
| 4              | SADA - Gwalior             | 0.00              | 0.00          | 0.00          | 0.00           |
| 5              | Bonds / Debentures         | 81.56             | 21.37         | 36.40         | 139.33         |
| 6              | MP Genco                   | 5.53              | 0.00          | 0.00          | 5.53           |
| 7              | State Govt. Direct         | 9.31              | 6.98          | 5.46          | 21.75          |
| 8              | State Govt. - ADB          | 345.28            | 27.59         | 131.24        | 504.11         |
| 9              | State Govt.- NABARD        | 28.88             | 63.97         | 42.66         | 135.51         |
| 10             | State Govt. - General      | 26.88             | 4.03          | 13.96         | 44.88          |
| 11             | State Govt. – Market Bonds | 103.79            | 67.86         | 80.33         | 251.98         |
| 12             | State Govt. – ADB-2323     | 171.43            | 0.00          | 3.90          | 175.33         |
| 13             | State Govt. – ADB-2346     | 308.72            | 0.00          | 4.65          | 313.37         |
| <b>TOTAL -</b> |                            | <b>1562.97</b>    | <b>191.80</b> | <b>318.60</b> | <b>2073.37</b> |

The above-mentioned figures tally with the Schedule-3 & 4 of the Audited Annual Accounts of the Company indicating Secured and Unsecured loans.

**Principle for True-Up of Interest for FY 2008-09**

- 4.66 True-up from FY 2005-06 to FY 2007-08 has been done. While carrying out True-up exercise for FY 2007-08, the Commission reviewed the claims of Interest & Finance charges alongwith other heads on the basis of Final Opening Balance Sheet from very beginning i.e. FY 2005-06 to FY 2007-08. The 'Interest Claims' have been allowed only on 'Principal Not Due', and no interest has been allowed on 'Overdue Principal'.
- 4.67 During FY 2008-09, there have been certain accounting adjustments against the loan head of 'Bonds & Debentures', including adjustments of previous years also. Therefore, a review of Interest & Finance charges from FY 2005-06 to FY 2008-09 has been proposed under this petition against that allowed during 'True-up' exercise for FY 2007-08.
- 4.68 While submitting the earlier True-up Petition, the Petitioner took the interest rates on loan portfolio but claimed interest on the amount of 'Principal Not Due' only. During subsequent discussions, it was desired that the Weighted Average Rate of Interest on loans under a particular scheme should also be computed based on 'Principal Not Due' only.

Due to this change in methodology, the rate of interest now applied differs from earlier ones.

### **Weighted Rate of Interest**

4.69 While submitting the original Petition, the Petitioner worked out interest eligibility at Weighted Rate of Interest on amount of Principal Not Due. The Commission during scrutiny advised that the 'Weighted Average Rate of Interest' should also be worked out taking into account the amount of Principal Not Due only. Accordingly, the Weighted Rate of Interest have been worked out for all the four year i.e. FY 2005-06 to FY 2008-09. The Weighted Average Rate of Interest of each loan for each year is mentioned in the following table:

**Table-43**

| S. No. | Source                     | Weighted Average Rate of Interest (%) |         |         |         |
|--------|----------------------------|---------------------------------------|---------|---------|---------|
|        |                            | 2005-06                               | 2006-07 | 2007-08 | 2008-09 |
| 1      | State Govt. Direct         | 10.50                                 | 10.50   | 10.50   | 10.50   |
| 2      | State Govt. - General      | 12.73                                 | 12.73   | 12.74   | 12.74   |
| 3      | State Govt. – Market Bonds | 12.31                                 | 12.15   | 11.99   | 11.87   |
| 4      | State Govt.- NABARD        | 11.19                                 | 11.14   | 11.11   | 11.06   |
| 5      | ADB-1869                   | 10.71                                 | 10.65   | 10.63   | 10.63   |
| 6      | ADB-2323                   | N.A.                                  | N.A.    | 5.27    | 2.92    |
| 7      | ADB-2346                   | N.A.                                  | N.A.    | 5.27    | 2.92    |
| 8      | SADA                       | 10.00                                 | 10.00   | 10.00   | N.A.    |
| 9      | PFC - Unsecured            | 8.48                                  | 9.36    | 9.77    | 10.17   |
| 10     | PFC - Secured              | 8.75                                  | 10.54   | 10.68   | 11.01   |
| 11     | Canara Bank                | N.A.                                  | 10.50   | 11.25   | 10.75   |
| 12     | PP / SLR Bonds             | 12.53                                 | 12.18   | 12.09   | 12.12   |
| 13     | MP Genco                   | 8.58                                  | 8.10    | 9.48    | 9.45    |

**Interest Eligibility for FY 2005-06 (10 Months)**

4.70 The weighted average rate of interest for 2005-06, can be worked out from following details:

**Table-44****(Rs in Lacs)**

| S. No. | Source                     | Principal Not Due as on 01.06.05 | Rate of Interest (%) | Total Interest  |
|--------|----------------------------|----------------------------------|----------------------|-----------------|
| 1      | 2                          | 3                                | 4                    | 5               |
| 1      | State Govt. Direct         | 0.00                             | N.A.                 | 0.00            |
| 2      | State Govt. – ADB 1869     | 20844.32                         | 10.71                | 2232.43         |
| 3      | State Govt. - NABARD       | 7619.10                          | 11.19                | 852.58          |
| 4      | State Govt. - General      | 2876.59                          | 12.73                | 366.19          |
| 5      | State Govt. – Market Bonds | 15964.95                         | 12.31                | 1965.29         |
| 6      | State Govt. – ADB-2323     | 0.00                             | N.A.                 | 0.00            |
| 7      | State Govt. – ADB-2346     | 0.00                             | N.A.                 | 0.00            |
| 8      | PFC Unsecured              | 30990.54                         | 8.48                 | 2628.00         |
| 9      | PFC Secured                | 0.00                             | N.A.                 | 0.00            |
| 10     | Canara Bank                | 0.00                             | N.A.                 | 0.00            |
| 11     | SADA - Loan                | 720.00                           | 10.00                | 72.00           |
| 12     | Bonds / Debentures         | 29692.14                         | 12.53                | 3720.43         |
| 13     | MP Genco                   | 553.00                           | 8.58                 | 47.45           |
|        | <b>TOTAL -</b>             | <b>109260.64</b>                 | <b>-</b>             | <b>11884.35</b> |

$$\text{Weighted average rate of interest for FY 2005-06} = \frac{11884.35}{109260.64} \times 100 = 10.88\%$$

|      |  |                              |   |                     |                   |
|------|--|------------------------------|---|---------------------|-------------------|
| i.   | Principal not due as on 01.06.2005                                       | Rs.109260.64 Lacs            |   |                     |                   |
| ii.  | Principal not due as on 31.03.2006                                       | Rs.108448.62 Lacs            |   |                     |                   |
| iii. | Average  | Rs.108854.63 Lacs            |   |                     |                   |
| iv.  | Interest for 10 months   | 108854.63                    | x | $\frac{10.88}{100}$ | x $\frac{10}{12}$ |
|      |  | <b>= Rs.9869.49 Lacs</b>     |   |                     |                   |
| v.   | Less interest chargeable to construction works as per Audited Accounts = | (-) Rs.2269.00 Lacs          |   |                     |                   |
| vi.  | Net Interest Eligibility =   | Rs.7600.49 Lacs              |   |                     |                   |
|      |  | <b>= Say Rs.76.01 Crores</b> |   |                     |                   |



**Interest Eligibility for FY 2006-07**

4.71 The weighted average rate of interest for 2006-07 can be worked out from following details:

**Table-45** (Rs in Lacs)

| S. No. | Source                     | Principal Not Due as on 01.04.06 | Rate of Interest (%) | Total Interest  |
|--------|----------------------------|----------------------------------|----------------------|-----------------|
| 1      | 2                          | 3                                | 4                    | 5               |
| 1      | State Govt. Direct         | 1629.22                          | 10.50                | 171.07          |
| 2      | State Govt. – ADB 1869     | 24173.23                         | 10.65                | 2574.45         |
| 3      | State Govt. - NABARD       | 6867.77                          | 11.14                | 765.07          |
| 4      | State Govt. - General      | 2829.56                          | 12.73                | 360.20          |
| 5      | State Govt. – Market Bonds | 14840.56                         | 12.15                | 1803.13         |
| 6      | State Govt. – ADB-2323     | -                                | N.A.                 | 0.00            |
| 7      | State Govt. – ADB-2346     | -                                | N.A.                 | 0.00            |
| 8      | PFC Unsecured              | 32150.49                         | 9.36                 | 3009.29         |
| 9      | PFC Secured                | 1893.08                          | 10.54                | 199.53          |
| 10     | Canara Bank                | -                                | N.A.                 | 0.00            |
| 11     | SADA – Loan                | 480.00                           | 10.00                | 48.00           |
| 12     | Bonds / Debentures         | 23031.71                         | 12.18                | 2805.26         |
| 13     | MP Genco                   | 553.00                           | 8.10                 | 44.79           |
| 14     | <b>TOTAL -</b>             | <b>108448.62</b>                 | <b>-</b>             | <b>11780.79</b> |

$$\text{Weighted average rate of interest for FY 2006-07} = \frac{11780.79}{108448.62} \times 100 = 10.86\%$$

|                              |   |                     |                       |
|------------------------------|---|---------------------|-----------------------|
| i.                           | Principal not due as on 01.04.2006  | Rs.108448.62 Lacs   |                       |
| ii.                          | Principal not due as on 31.03.2007  | Rs.125047.46 Lacs   |                       |
| iii.                         | Average for the year  | Rs.116748.04 Lacs   |                       |
| iv.                          | Interest for the year   | 116748.04           | x $\frac{10.86}{100}$ |
| <b>= Rs.12678.84 Lacs</b>    |   |                     |                       |
| v.                           | Less interest chargeable to construction works for the year as per Audited Accounts = | (-) Rs.3349.00 Lacs |                       |
| vi.                          | Net Interest Eligibility =  | Rs.9329.84 Lacs     |                       |
| <b>= Say Rs.93.30 Crores</b> |   |                     |                       |

**Interest Eligibility for FY 2007-08**

4.72 The weighted average rate of interest for 2007-08 can be worked out from following details:

**Table-46** (Rs in Lacs)

| S. No. | Source                     | Principal Not Due as on 01.04.07 | Rate of Interest (%) | Total Interest  |
|--------|----------------------------|----------------------------------|----------------------|-----------------|
| 1      | 2                          | 3                                | 4                    | 5               |
| 1      | State Govt. Direct         | 1396.48                          | 10.50                | 146.63          |
| 2      | State Govt. – ADB          | 35745.77                         | 10.63                | 3799.78         |
| 3      | State Govt.- NABARD        | 5541.32                          | 11.11                | 615.64          |
| 4      | State Govt. - General      | 2782.53                          | 12.74                | 354.49          |
| 5      | State Govt. – Market Bonds | 13485.71                         | 11.99                | 1616.94         |
| 6      | State Govt. – ADB-2323     | -                                | N.A.                 | 0.00            |
| 7      | State Govt. – ADB-2346     | -                                | N.A.                 | 0.00            |
| 8      | PFC Unsecured              | 32169.91                         | 9.77                 | 3143.00         |
| 9      | PFC Secured                | 13251.15                         | 10.68                | 1415.22         |
| 10     | Canara Bank                | 1000.00                          | 11.25                | 112.50          |
| 11     | SADA – Loan                | 240.00                           | 10.00                | 24.00           |
| 12     | Bonds / Debentures         | 18881.59                         | 12.09                | 2282.78         |
| 13     | MP Genco                   | 553.00                           | 9.48                 | 52.42           |
| 14     | <b>TOTAL -</b>             | <b>125047.46</b>                 | <b>-</b>             | <b>13563.40</b> |

$$\text{Weighted average rate of interest for FY 2007-08} = \frac{13563.40}{125047.46} \times 100 = 10.85\%$$

|                               |  |                     |                       |
|-------------------------------|--|---------------------|-----------------------|
| i.                            | Principal not due as on 01.04.2007   | Rs.125047.46 Lacs   |                       |
| ii.                           | Principal not due as on 31.03.2008   | Rs.130246.69 Lacs   |                       |
| iii.                          | Average for the year   | Rs.127647.08 Lacs   |                       |
| iv.                           | Interest for the year  | 127647.08           | x $\frac{10.85}{100}$ |
| <b>= Rs.13849.71 Lacs</b>     |  |                     |                       |
| v.                            | Less interest chargeable to construction works for 2007-08 as per Audited Accounts = | (-) Rs.1626.00 Lacs |                       |
| vi.                           | Net Interest Eligibility =   | Rs.12223.71 Lacs    |                       |
| <b>= Say Rs.122.24 Crores</b> |  |                     |                       |

**Interest Eligibility for FY 2008-09**

4.73 The weighted average rate of interest for 2008-09 can be worked out from following details:

**Table-47** (Rs in Lacs)

| S. No. | Source                     | Principal Not Due as on 01.04.08 | Rate of Interest (%) | Total Interest  |
|--------|----------------------------|----------------------------------|----------------------|-----------------|
| 1      | 2                          | 3                                | 4                    | 5               |
| 1      | State Govt. Direct         | 1163.73                          | 10.50                | 122.19          |
| 2      | State Govt. – ADB          | 35524.87                         | 10.63                | 3776.29         |
| 3      | State Govt. - NABARD       | 4214.87                          | 11.06                | 466.16          |
| 4      | State Govt. - General      | 2735.50                          | 12.74                | 348.50          |
| 5      | State Govt. – Market Bonds | 12002.93                         | 11.87                | 1424.75         |
| 6      | State Govt. – ADB-2323     | 4436.58                          | 2.92                 | 129.55          |
| 7      | State Govt. – ADB-2346     | 2986.02                          | 2.92                 | 87.19           |
| 8      | PFC Unsecured              | 28498.18                         | 10.17                | 2898.26         |
| 9      | PFC Secured                | 19688.74                         | 11.01                | 2167.73         |
| 10     | Canara Bank                | 2425.00                          | 10.75                | 260.69          |
| 11     | SADA - Loan                | 0.00                             | N.A.                 | 0.00            |
| 12     | Bonds / Debentures         | 16017.58                         | 12.12                | 1941.33         |
| 13     | MP Genco                   | 552.69                           | 9.45                 | 52.23           |
| 14     | <b>TOTAL -</b>             | <b>130246.69</b>                 | <b>-</b>             | <b>13674.87</b> |

$$\text{Weighted average rate of interest for FY 2008-09} = \frac{13674.87}{130246.69} \times 100 = 10.50\%$$

|                               |  |                     |   |                     |
|-------------------------------|--|---------------------|---|---------------------|
| i.                            | Principal not due as on 01.04.2008   | Rs.130246.69 Lacs   |   |                     |
| ii.                           | Principal not due as on 31.03.2009   | Rs.156297.22 Lacs   |   |                     |
| iii.                          | Average for the year   | Rs.143271.96 Lacs   |   |                     |
| iv.                           | Interest for the year  | 143271.96           | x | $\frac{10.50}{100}$ |
| <b>= Rs.15043.56 Lacs</b>     |  |                     |   |                     |
| v.                            | Less interest chargeable to construction works for 2008-09 as per Audited Accounts = | (-) Rs.1514.00 Lacs |   |                     |
| vi.                           | Net Interest Eligibility =   | Rs.13529.56 Lacs    |   |                     |
| <b>= Say Rs.135.30 Crores</b> |  |                     |   |                     |

**True-Up for Interest on Principal not due**

4.74 The True-up of interest reviewed from 2005-06 on Principal Not Due is tabulated hereunder:

**Table-48** (Rs in Crores)

| S. No. | Year         | Interest as allowed earlier | Interest as now worked out | Earlier year's True-up review | True-up 2008-09 |
|--------|--------------|-----------------------------|----------------------------|-------------------------------|-----------------|
| 1      | 2005-06      | 65.05                       | 76.01                      | 10.96                         | -               |
| 2      | 2006-07      | 81.59                       | 93.30                      | 11.71                         | -               |
| 3      | 2007-08      | 107.86                      | 122.24                     | 14.38                         | -               |
| 4      | 2008-09      | 82.93                       | 135.30                     | -                             | 52.37           |
| 5      | <b>TOTAL</b> | <b>337.43</b>               | <b>430.63</b>              | <b>37.05</b>                  | <b>52.37</b>    |

**Loan Liabilities against Bonds**

4.75 The erstwhile MP State Electricity Board was constituted under Section 5(1) of the Electricity (Supply) Act 1948. Section 65 of the said Act empowered the Board to borrow loans by issue of Debentures or Bonds or otherwise. Accordingly, the erstwhile Board time to time issued Bonds / Debentures to raise the financial resources. Specimen copies of bond prospectus for both PP & SLR Bonds are enclosed to this Petition. The object of the issue as mentioned in the specimen 'Bond Prospectus' is reproduced hereunder:

*"Object - The issue is being made with a view to provide necessary resources for financing capital outlay on schemes of Generation and Transmission (including Sub-transmission) lines."*

4.76 It is clear from above that the issues were made to raise finance to execute the Capital Works. The liabilities against Bonds & Debentures were allocated among the Companies including MPPTCL against the equal amount of the Fixed Assets, through the Final Opening Balance Sheet notified on 12<sup>th</sup> June 2008 (in the position on 31.05.2005). It is pertinent to mention here that the overdue liabilities against loans are also balanced in the Opening Balance Sheet by equal amount of Fixed Assets.

**Settlement of Overdue Liabilities of Bonds / Debentures**

4.77 While submitting the True-up petition for year 2007-08, the petitioner (MPPTCL) contended that since the overdue liabilities have come through the Opening Balance Sheet, these are also funding some of MPPTCL's assets. Therefore, the interest on these overdue liabilities should also be allowed. Hon'ble Commission mentioned (Para 4.34 of True-up order dtd. 21<sup>st</sup> October 2009 under Petition 66/2008) "There is some merit in the contention taken by the Company, these overdue liabilities pertain to Bonds & Debentures issued by the erstwhile MPSEB. These liabilities therefore can not rank pari passu with the liabilities not due. It is understood that these liabilities are yet to be discharged. The

Commission directs the Company that as and when these liabilities are discharged, the Company may bring up details thereof including cost if any incurred on these liabilities during the period under consideration. Till such time no cost pertaining to these liabilities can be admitted.”

- 4.78 The MPSEB recasted and settled liabilities against Bonds & Debentures, giving certain credit and discount in interest liabilities. The effect of previous years is accounted in FY 2008-09. It is, therefore, necessary that the interest liabilities against overdue principal and interest are considered giving effect of credit given by the MPSEB against Bonds & Debentures.
- 4.79 One way to deal this may be that overdue liabilities given in final Opening Balance Sheet dated 12<sup>th</sup> June 2008, may be added to liabilities not overdue, and working of interest may be recasted. This will however mismatch the figures of principal not due, overdue and interest overdue from the Audited Accounts figures, causing difficulty in validation of data. It is, therefore, proposed for consideration that the working of eligibility of interest may not be disturbed and interest against overdue liabilities be worked out separately, that too only in case of Bonds & Debentures where settlements have taken place.

#### **Interest on Overdue Liabilities of Bonds/Debentures**

- 4.80 The liabilities against Bonds & Debentures as on 31.05.2005 are shown hereunder:

**Table-49**

(Rs in Lacs)

| S. No. | Date       | Principal Not Due | Principal Due | Interest Due | TOTAL    |
|--------|------------|-------------------|---------------|--------------|----------|
| 1      | 31.05.2005 | 29692.14          | 7655.06       | 11545.70     | 48892.90 |

- 4.81 Position of year-wise liabilities against this head upto 31.03.2009 are also shown. Accordingly, interest eligibility on ‘Principal Not Due’ from FY 2005-06 to FY 2008-09 has been incorporated as per Weighted Average Rate of Interest (calculated as per ‘Principal Not Due’ only), which bifurcate these liabilities against two categories i.e. P.P. Bonds and SLR Bonds.
- 4.82 The Petitioner is claiming the interest on Overdue liabilities against Bonds/ Debentures in reference to the Commission’s order dated 21<sup>st</sup> October 2009 in the matter of True-up of Transmission Tariff for FY 2007-08. The Petitioner is making this claim separately, as mixing this with Not Due Liabilities may cause difficulty in validation of data with Audited Accounts.
- 4.83 While claiming the interest on overdue liabilities against Bonds / Debentures, it is ensured that the claims are made on overdue liabilities as on 31.05.2005, transferred through the Opening Balance Sheet dated 12<sup>th</sup> June 2008. No interest is being claimed on overdue amount added after 31.05.2005 i.e. in the functional period of MPPTCL. On the other hand, if the overdue liabilities have gone down subsequently on account of payments /

adjustments, the petitioner has taken the reduced amount into consideration. Based on above, the year-wise amount is derived and tabulated hereunder;

**Table-50**

(Rs in Lacs)

| S. No. | Year    | Bonds        | At the beginning of year |                 |                 | At the end of year |                 |                 |
|--------|---------|--------------|--------------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
|        |         |              | Principal Due            | Interest Due    | Total           | Principal Due      | Interest Due    | Total           |
| 1      | 2005-06 | PP Bond      | 7295.06                  | 11420.37        | 18715.43        | 7295.06            | 11420.37        | 18715.43        |
|        |         | SLR Bond     | 360.00                   | 125.33          | 485.33          | 0.00               | 0.00            | 0.00            |
|        |         | <b>TOTAL</b> | <b>7655.06</b>           | <b>11545.70</b> | <b>19200.76</b> | <b>7295.06</b>     | <b>11420.37</b> | <b>18715.43</b> |
| 2      | 2006-07 | PP Bond      | 7295.06                  | 11420.37        | 18715.43        | 7295.06            | 7156.34         | 14451.40        |
|        |         | SLR Bond     | 0.00                     | 0.00            | 0.00            | 0.00               | 0.00            | 0.00            |
|        |         | <b>TOTAL</b> | <b>7295.06</b>           | <b>11420.37</b> | <b>18715.43</b> | <b>7295.06</b>     | <b>7156.34</b>  | <b>14451.40</b> |
| 3      | 2007-08 | PP Bond      | 7295.06                  | 7156.34         | 14451.40        | 4349.45            | 3904.01         | 8253.46         |
|        |         | SLR Bond     | 0.00                     | 0.00            | 0.00            | 0.00               | 0.00            | 0.00            |
|        |         | <b>TOTAL</b> | <b>7295.06</b>           | <b>7156.34</b>  | <b>14451.40</b> | <b>4349.45</b>     | <b>3904.01</b>  | <b>8253.46</b>  |
| 4      | 2008-09 | PP Bond      | 4349.45                  | 3904.01         | 8253.46         | 2121.80            | 3372.59         | 5494.39         |
|        |         | SLR Bond     | 0.00                     | 0.00            | 0.00            | 0.00               | 0.00            | 0.00            |
|        |         | <b>TOTAL</b> | <b>4349.45</b>           | <b>3904.01</b>  | <b>8253.46</b>  | <b>2121.80</b>     | <b>3372.59</b>  | <b>5494.39</b>  |

**Weighted Average Rate of Interest**

4.84 On the basis of above the Weighted Average Rate of Interest for above mentioned overdue liabilities is worked out in the following table:

**Table-51**

(Rs in Lacs)

| S. No. | Year    | Bonds        | Total Overdue   | Rate of Interest | Interest       | Weighted Rate (%) |
|--------|---------|--------------|-----------------|------------------|----------------|-------------------|
| 1      | 2005-06 | PP Bonds     | 18715.43        | 13.94            | 2608.93        | 13.89             |
|        |         | SLR Bonds    | 485.33          | 11.90            | 57.75          |                   |
|        |         | <b>Bonds</b> | <b>19200.76</b> | <b>-</b>         | <b>2666.68</b> |                   |
| 2      | 2006-07 | PP Bonds     | 18715.43        | 13.85            | 2592.09        | 13.85             |
|        |         | SLR Bonds    | 0.00            | 11.91            | 0.00           |                   |
|        |         | <b>Bonds</b> | <b>18715.43</b> | <b>-</b>         | <b>2592.09</b> |                   |
| 3      | 2007-08 | PP Bonds     | 14451.40        | 14.39            | 2079.56        | 14.39             |
|        |         | SLR Bonds    | 0.00            | 11.92            | 0.00           |                   |
|        |         | <b>Bonds</b> | <b>14451.40</b> | <b>-</b>         | <b>2079.56</b> |                   |
| 4      | 2008-09 | PP Bonds     | 8253.46         | 14.52            | 1198.40        | 14.52             |
|        |         | SLR Bonds    | 0.00            | 11.88            | 0.00           |                   |
|        |         | <b>Bonds</b> | <b>8253.46</b>  | <b>-</b>         | <b>1198.40</b> |                   |

**Interest Claim on Overdue Liability****Table-52**

| <b>S. No.</b>              | <b>Year</b> | <b>Total Overdues at the beginning of the year</b> | <b>Total Overdues at the end of the year</b> | <b>Average Overdues</b> | <b>Weighted Rate of Interest</b> | <b>Interest</b>                            |
|----------------------------|-------------|--|--|-------------------------|----------------------------------|--|
| 1                          | 2005-06     | 19200.76   | 18715.43                                     | 18958.10                | 13.89                            | (2633.28)<br>2194.40<br><b>(10 months)</b> |
| 2                          | 2006-07     | 18715.43   | 14451.40                                     | 16583.42                | 13.85                            | 2296.80                                    |
| 3                          | 2007-08     | 14451.40   | 8253.46                                      | 11352.43                | 14.39                            | 1633.61                                    |
| 4                          | 2008-09     | 8253.46  | 5494.39                                      | 6873.93                 | 14.52                            | 998.10                                     |
| <b>TOTAL -</b>             |             |  |  |                         |                                  | <b>7122.91</b>                             |
| <b>Say Rs.71.23 Crores</b> |             |  |  |                         |                                  |  |

**Overall True-Up of Interest for 2008-09**

4.85 The overall True-up of interest is tabulated hereunder:

**Table-53***(Rs in Crores)*

|                    |  |   |                   |
|--------------------|--|---|-------------------|
| <b>A</b>           |  | <b>Interest admissible for 2008-09</b>                                    | <b>135.30</b>     |
| <b>B</b>           | (i)  | Interest difference admissible for FY 2005-06 to 2007-08                  | 37.05             |
|                    | (ii)   | Interest on overdue liabilities   | 71.23             |
|                    | (iii)  | Bank and Finance charges (Schedule 20 of Audited A/c)                     | 1.43              |
| <b>TOTAL (B) -</b> |  |   | <b>109.71</b>     |
| <b>C</b>           |  | Discount received from -  |                   |
|                    | (i)  | MPSEB on Bonds & Debentures (Trial balance 62/918 Audited Accounts)       | (-) 51.88         |
|                    | (ii)   | Credit in interest given by MPSEB (Trial balance 78/354 Audited Accounts) | (-) 83.89         |
| <b>TOTAL (C) -</b> |  |   | <b>(-) 135.77</b> |
| <b>D</b>           | <b>Net B – C =</b>   |   | <b>(-) 26.06</b>  |
| <b>E</b>           | <b>Eligibility for 2008-09 (A+D) ` (135.30 – 26.06) Crores</b> |   | <b>109.24</b>     |
| <b>F</b>           | <b>Allowed in MYT for 2008-09</b>                              |   | <b>82.93</b>      |
| <b>G</b>           | <b>Net True-up (E-F)</b>                                       |   | <b>26.31</b>      |

**Interest on Working Capital True-Up**

- 4.86 The Commission in the Transmission Tariff Regulations notified on 16.12.2005 has laid down the norms of Working Capital. Accordingly, requirement of Working Capital during 2008-09 is given hereunder:

**Table-54**

|                                |   |                         |
|--------------------------------|---|-------------------------|
| (i).                           | O&M Expenses for 1 month<br>(Rs 172.86 Crores ÷ 12)                     | Rs.14.40 Crores         |
| (ii)                           | Spares @ 1% of Opening Gross Block on 1.4.08<br>(Rs 3575.97 Crores)     | Rs.35.76 Crores         |
| (iii)                          | Two month's receivables<br>(Rs 878.89 x 2 ÷ 12)                         | Rs.146.48 Crores        |
| <b>Total Working Capital -</b> |   | <b>Rs.196.64 Crores</b> |
| (iv)                           | Interest on Working Capital (@ SBI's PLR + 1%) @ 13.25% (12.25 + 1.00%) | Rs.26.06 Crores         |
| (v)                            | I.W.C. allowed in MYT order for FY 2008-09                              | Rs.61.06 Crores         |
| (vi)                           | Net True-up (iv-v)  | (-)Rs.35.00 Crores      |

**Provisions of Regulations**

- 4.87 Regulation 21 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

*“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 transmission 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 licensee.*

*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.*

- (ii) *Interest charges on security deposits, if any, with the licensee shall be considered at the rate specified by the Commission from time to time.*



(iii) 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.

(iv) The Transmission Licensee shall make every effort to swap the loan as long as it results in net benefit to the beneficiaries. The Cost associated with such swapping shall be borne by the beneficiaries and any benefit on account of swapping of loan and interest on loan shall be passed on to the beneficiaries in such ratio as may be decided by the Commission.”

4.88 Regulation 25 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides 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 current year plus 1%. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.”

4.89 Regulation 38 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

“For each year of the tariff period working capital shall cover the following:

- (1) Operation and maintenance expenses for one month;
- (2) Maintenance spares @ 1% of the historical cost of plant and machinery; and
- (3) Receivables equivalent to two months of transmission charges calculated on target availability level.”

### Commission's Analysis:

#### Interest and Finance Charges

4.90 Schedule 20 of the audited balance sheet for FY 2008-09 shows that the interest and finance charges actually incurred by MPPTCL during the FY 2008-09 is as under:

**Table-55** (Rs. in Crores)

| S. No. | Particulars                                | For FY 2008-09 |
|--------|--|----------------|
| 1      | Secured Loans                              | 25.96          |
| 2      | Unsecured Loans                            | 54.15          |
| 3      | Interest on Borrowings for Working Capital | 4.06           |
| 4      | Other Interest & Finance Charges           | 0.66           |
| 5      | Bank Charges                               | 0.77           |
|        | <b>Total Interest and Finance Charges</b>  | <b>85.60</b>   |
| 7      | Less: Interest Capitalized to WIP          | 15.14          |
|        | <b>Total</b>                               | <b>70.46</b>   |

- 4.91 In its original petition, the petitioner claimed total interest charges of Rs.164.85 Crs (Rs.138.06 Crs. for Interest on Loan and Rs.26.79 Crs. for Interest on Working Capital) thereby claiming true-up difference of Rs.20.86 Crs. (Rs.55.13 Crs. for Interest on Loan and Rs.(-)34.27 Crs. for Interest on Working Capital).
- 4.92 The petitioner in its original petition filed gross interest on loans as Rs.151.77 Crs. Since an amount of Rs.(-)15.14 Crs. was shown as interest capitalized, so the net interest claimed was Rs.136.63 Crs. The “Bank and finance charges” were claimed as Rs.1.43 Crs. as per Schedule 20 of the account.
- 4.93 On account of changes made in revised petition, the petitioner has now finally reduced its eligibility for net interest claim from Rs.136.63 Crs. to Rs.109.24 Crs. Bank and finance charges remained unchanged. The interest on working capital (based on norms for O&M expenses, spares and receivable) have been accordingly reduced from Rs.26.79 Crs. to Rs.26.06 Crs.
- 4.94 The chronology of events leading to reduction in claim of interest charges by the petitioner in its revised petition are as under:-
- (i) The Commission vide letter No.391 dated 10.02.2010 sought several clarifications including details of Rs.170.42 Crs. against liability discharged by MPSEB for outstanding loans in the Company’s account and discount of Rs.49.94 Crs. received by the petitioner.
  - (ii) The petitioner submitted its reply on various issues and submitted that “liability of Rs.170.42 Crs. discharged by MPSEB included “principle and interest of Rs.168.04 Crs. for PP bonds and Rs.99.78 Crs. for SLR bond (debenture)” is now reduced by Rs.97.40 Crs. since it is already accounted up to FY 2007-08”. Regarding Discount, it was stated that “Discount of Rs.49.94 Crs. received by Transco for PP bond” in FY 2008-09.
  - (iii) During the course of first public hearing held on 03<sup>rd</sup> August, 2010, the representatives of the petitioner were asked to submit detailed information on several issues including “the explanatory note on Interest and Finance Charges and the details of scheduled and actual loan balances”.
  - (iv) The petitioner vide its letter No.6462 dated 27.08.2010 filed its reply revising its complete write up on the portion of Interest and Finance charges in the petition and submitted the facts that, *“the data used for claiming interest and finance charges in the petition was derived on the basis of final opening balance sheet and the figures mentioned in the previous tariff petition. However, there has been recasting of loan against bond and debentures and an appreciable amount is settled against these categories in the accounts of FY 2008-09”*. The petitioner further submitted the interest and finance charges against “principle not due” and mentioned that *“the credit given by MPSEB should not be reduced as these are against settlement of over due*

*liabilities for which no tariff was granted by the Commission during previous years". The petitioner further stated that "on account of adjustment shown in FY 2008-09, there has been some unclarity as to how the amount is matched. Therefore, the whole chapter on the interest and finance charges has been rewritten in a manner that the recasting of loan is done from FY 2005-06 and the data projected up to FY 2008-09 actual matches with the outstanding figures in the audited account of FY 2008-09."*

Due to these changes, the net interest on loan claimed by petitioner was reduced from Rs.138.06 Crs. to Rs.127.92 Crs. The Commission observed that, the petitioner in its above-mentioned submission stated that "liabilities against bond and debentures have been revised now in such a manner that the "principle not due" is changed from Rs.118.43 Crs. to Rs.296.92 Crs. and the principle over due is changed from Rs.255.16 Crs. to Rs.76.55 Crs".. The Commission observed that the supporting documents and proper justification for these changes were not found enclosed in the petitioner's reply and loan documents filed by the petitioner did not mention the actual date and amount of drawl and repayment. The terms and condition of solicitation, redemption, rate of interest etc. for bond and debenture were also not filed by the petitioner. The Commission sought information from the petitioner regarding any swapping or restructuring of loan and also about any loan if drawn, to repay the outstanding principle amount / over due interest / penal interest. The petitioner was also asked to file afore-mentioned details and to depute the concerned officer(s) to discuss the issues with the officers of the Commission on 20<sup>th</sup> October, 2010.

- (v) On 20/10/2010, the representatives of the petitioner clarified that while processing last true-up petition for FY 2007-08, it was wrongly communicated by the MPPTCL to the Commission for interchanging the figures of Rs.255.16 Crs. as "principle not due" and Rs.118.43 Crs as "principle due" against public bonds & debenture as on 31/05/2005. In view of this statement, the representatives of the petitioner were asked to file a comprehensive note along with all relevant documents in support of their contention indicating changes made from time to time in the figures of principle not due, principle due and interest due against public bond and debenture (as on 31.05.2005).

The petitioner also confirmed that there had been no swapping or restructuring of loan after same were transferred to MP Transco through final opening balance sheet. The petitioner vide its letter No.8329 dated 12.11.2010 submitted that the correct figures regarding principle over due, principle due and interest due of bond and debenture have now been incorporated in the true-up petition for FY 2008-09 and the amount of credit received has been subtracted from the total interest claim.

The Commission observed that the petitioner indicated Rs.170.46 Crs. as interest and finance charges for FY 2008-09 while the audited balance sheet shows interest and finance charges of Rs.70.46 Crs. only, the actual interest payment during FY 2008-09 was shown as Rs.58.41 Crs. while the scheduled interest payment was shown as Rs.146.85 Crs. The petitioner vide letter No.9190 dated 24.12.2010 submitted the corrected and modified information. The investor-wise and year-wise details of SLR

and PP bond indicating opening and closing balance for FY 2005-06 to FY 2008-09 was also submitted.

It was further observed that the information filed by the petitioner was still not tallying with its audited accounts and the figures filed in the petition. Hence, another meeting with the officers of Transco was convened on 18.01.2011 to clarify the basis of weighted average interest rate claimed in respect of bonds and debenture, the amount of interest and finance charges claimed on bond and debenture, the reasons for discounts and credits received by Transco from MPSEB.

During the course of meeting, the representatives of the petitioner were asked to justify the submission with respect to the figures of the audited account. They were also asked to submit complete details about the discount of Rs.51.88 Crs. and credit in interest of Rs.83.89 Crs. received from MPSEB in respect of bond and debenture along with interest if any, reversed in their book of accounts viz-a-viz yearly accounts.

MPPTCL vide its letter No.652 dated 28.01.2011 clarified the issues and submitted reworked weighted average interest rate of PP and SLR bond for each year from FY 2005-06 to FY 2008-09. The petitioner also revised its eligibility of interest and finance charges against various loans on “principle not due” basis as a result of which true-up amount for interest and finance charges was revised by the petitioner.

On scrutiny of above details filed by the petitioner, the Commission observed that the figures regarding year wise weighted average interest rate were changed with respect to the original figures claimed in the original petition. The Commission directed the petitioner to submit year wise detailed calculation in support of weighted average interest rate on all loans from FY 2005-06 to FY 2008-09. The reasons with details and documents for raising funds through bond and debentures were also sought from the petitioner. The petitioner was also directed to file the final asset depreciation register. Since substantial changes in the figures related to interest and finance charges were noted by the Commission on account of supplementary submissions made by the petitioner even after public hearing hence, the petitioner was asked to file a revised petition incorporating all changes made after first public hearing.

(vi)MPPTCL vide its letter No.4792 dated 07.07.2011 filed a revised petition and submitted following in respect of interest and finance charges:

- a) Weighted average rate of interest now worked out are based on “principle not due” amount only and therefore differ from the earlier rates.
- b) The funds were raised through bonds and debentures for executing capital works.

4.95 The Commission observed from the revised petition that the total of “principle not due” now tallied with the amount of capital liabilities notified in the final opening balance sheet and the amount of “interest due and principle due” tallied with the “payment due on capital liabilities” notified in the final opening balance sheet. It was also observed that the

interest on working capital has been claimed as per the norms mentioned in the Regulation. The detailed revised latest claim for interest and finance charges has been mentioned in petitioner's submission of this Order.

### **Interest on working capital**

- 4.96 The Interest on working capital is allowed in accordance with the provisions of the Regulation, as under:

|                              |  |               |
|------------------------------|--|---------------|
| (i)                          | O&M Expenses for 1 month<br>(Rs 172.56 Crores ÷ 12)                        | 14.38         |
| (ii)                         | Spares @ 1% of Opening Gross Block on<br>1.4.08 (Rs 3575.98 Crores)        | 35.76         |
| (iii)                        | Two month's receivables<br>(Rs 835.39 x 2 ÷ 12)                            | 139.13        |
| <b>Total Working Capital</b> |  | <b>189.37</b> |
| (iv)                         | Interest on Working Capital (@ SBI's PLR +<br>1%) @ 13.25% (12.25 + 1.00%) | 25.09         |
| (v)                          | I.W.C. allowed in MYT order for FY 2008-09                                 | 61.06         |
| <b>Net True-up (iv-v)</b>    |  | <b>-35.97</b> |

- 4.97 In view of the above-mentioned facts and based on the scrutiny of all supplementary submissions made by the petitioner, the Commission has allowed total Interest and Finance Charges (including interest on working capital) of **Rs.134.33 Crores**. The True-up of Interest and Finance Charges for FY 2008-09 approved by the Commission is as under:

| S. No. | Particulars                 | As per MYT order<br><b>13.3.06</b> | As approved by the Commission | Difference True-up |
|--------|-----------------------------|------------------------------------|-------------------------------|--------------------|
| 1      | Interest on Loan            | 82.93                              | 109.24                        | 26.31              |
| 2      | Interest on Working Capital | 61.06                              | 25.09                         | -35.97             |
| 3      | <b>TOTAL INTEREST</b>       | <b>143.99</b>                      | <b>134.33</b>                 | <b>-9.66</b>       |

### **Return on Equity (RoE)**

#### **Petitioner's Submission:**

- 4.98 The petitioner submitted the following:

*“As per Regulations dtd. 16.12.05, ROE @ 14% is allowed on Equity employed on Capital Works during the year. As per ‘Audited Accounts’ of MPPTCL for FY 2008-09, the total Equity invested is shown hereunder;*

**Table-58**

|      |   |                   |
|------|---|-------------------|
| (i)  | Equity Employed as on 31.03.2008 as per Audited Accounts – Schedule-1 | Rs.1149.13 Crores |
| (ii) | Equity Employed as on 31.03.2009 as per Audited Accounts – Schedule-1 | Rs.1324.53 Crores |

4.99 The Equity under CWIP is allocated in the 70: 30 Debt: Equity ratio as given in following table:

**Table-59** (Rs. in Crores)

| S. No. | CWIP as per Audited Accounts as on | Total CWIP | Allocated to |        |
|--------|------------------------------------|------------|--------------|--------|
|        |                                    |            | Loan         | Equity |
| 1      | 31.03.2008                         | 480.22     | 336.15       | 144.07 |
| 2      | 31.03.2009                         | 721.72     | 505.20       | 216.52 |

4.100 The Equity employed on Capital Works is worked out hereunder:

**Table-60** (Rs. in Crores)

| S. No.   | Particulars                          | Total Equity       | Equity under CWIP     | Equity employed on Capital Works |
|--|--------------------------------------|--------------------|-----------------------|----------------------------------|
| 1  | As on 31.03.2008                     | 1149.13            | 144.07                | 1005.06                          |
| 2  | As on 31.03.2009                     | 1324.53            | 216.52                | 1108.01                          |
| 3  | Average during year 2008-09          | 1236.83            | 180.29                | 1056.54                          |
| *  | Opening Gross Block as on 31.03.2008 | Rs. 3575.99 Crores |                       |                                  |
| *  | Opening Gross Block as on 31.03.2009 | Rs. 3954.12 Crores |                       |                                  |
| <b>Average During the Year -</b>                           |                                      |                    |                       | <b>Rs. 3765.06 Crores</b>        |
| 30% Ceiling limit of Equity<br>(Rs. 3765.06 Crores x 0.30) |                                      |                    | Rs. 1129.52<br>Crores |                                  |

4.101 Thus qualifying Equity i.e. Rs.1056.54 Crores is within 30% limit; prescribed in the Regulations.

**Table-61**

|       |  |                  |
|-------|--|------------------|
| (i)   | RoE on Rs.1056.54 Crores @ 14%                         | Rs.147.91 Crores |
| (ii)  | RoE allowed in MYT order dtd. 132.03.06 for FY 2008-09 | Rs.127.26 Crores |
| (iii) | Net True-up Amount                                     | Rs.20.65 Crores  |

#### Provisions of Regulations:

4.102 Regulation 19 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

- (i) *“For the purpose of determination of tariff, debt-equity ratio as on the date of commercial operation in case of new transmission line or substation commissioned or capacity expanded shall be 70:30. The debt-equity amount arrived in accordance with this clause shall be used for calculation of interest on loan, return on equity, advance against depreciation and foreign exchange rate variation.*
- (ii) *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 21. Where actual equity employed is less than 30%, the actual equity shall be considered.”*

4.103 Regulation 20 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

- (i) *“Return on equity shall be computed on the paid up equity capital determined in accordance with regulation 19 and shall be 14% (post tax) unless the Commission allows a lower level for reasons to be recorded.*
- (ii) *Provided that return on equity invested in work in the prescribed rate of return allowed to the Transmission Licensee shall be contingent upon the Transmission Licensee achieving the annual loss target fixed by the Commission. For each 1% deviation from the target fixed by the Commission there shall be 0.05% reduction or increase as the case may be of the allowed return on equity. Progress shall be allowed from the date of commercial operation.*
- (iii) *The premium raised by the licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up capital for the purpose of computing return on equity as per clause 2.12, 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 transmission business.*
- (iv) *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 the first day of March of the current year.”*

**Commission's Analysis:**

4.104 The Regulations state that debt equity ratio shall be considered as 70:30 for new projects and Return on Equity (RoE) shall be 14% (post taxes). The audited balance sheet as on 31/03/2009 shows as under:

**Table-62 : (Rs. in Crores)**

| S. No. | Particulars                  | As on 31/03/2009 | As on 31/03/2008 |
|--------|------------------------------|------------------|------------------|
| 1      | Gross Block                  | 3954.12          | 3575.99          |
| 2      | CWIP                         | 721.73           | 480.23           |
| 3      | Capital (share holder funds) | 1324.53          | 1149.13          |
| 4      | Loan Funds                   | 2073.37          | 2016.95          |

MPPTCL has also mentioned that average equity during the year FY 2008-09 has been  $(1324.53 + 1149.13)/2 = 2473.66 / 2 = \text{Rs.}1236.83$  Crores.

Average equity under CWIP was Rs.180.29 Crores and average equity employed on capital work has been Rs.1056.54 Crores. MPPTCL has claimed RoE on Rs.1056.54 Crores only. The Return on Equity @ 14% is worked out to Rs.147.91 Crores. The Commission approves RoE of Rs.147.91 Crores for FY 2008-09.

The True up amount shall be as follows:

| Table-63 |  | Amount in Rs. Crores |
|----------|--|----------------------|
| S. No.   | Particulars                              | Total Equity         |
| 1        | RoE allowed for 2008-09 in this Order    | 147.91               |
| 2        | RoE allowed for 2008-09 in earlier Order | 127.26               |
|          | <b>True up amount</b>                    | <b>20.65</b>         |

**Taxes and fee****Petitioner's Submission:**

4.105 The MPPTCL submitted that the following taxes and fees during year 2008-09:

| Table-64 |   |                         |
|----------|---|-------------------------|
| 1.       | Fringe Benefit Tax  | Rs. 0.446 Crores        |
| 2.       | Fee paid to The MPERC for continuation of tariff for year 2009-10 | Rs. 1.131 Crores        |
|          | <b>TOTAL</b>  | <b>Rs. 1.577 Crores</b> |

*The Fringe Benefit Tax and MPERC's fee amounting to Rs.1.58 Crores is to be recovered through ARR for year 2008-09, whereas Income taxes if any is to be billed directly to the beneficiaries as pass through.*



**Provisions of Regulations:**

4.106 Regulation 27 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

- (i) *“Income Tax, if any, on the income stream of the licensed business of the licensee shall be treated as an expense and shall be recoverable from the customers. However, the tax on any income stream, other than the licensed business shall not constitute a pass through component in the tariff. Tax on such other income shall be payable by the licensee.*
- (ii) *Tax on income if actually liable to be paid, shall be limited to tax on return on equity allowed, excluding incentives.*
- (iii) *The benefits of tax holiday and the credit for carrying forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be passed on to the customers.*
- (iv) *Where a licensee has transmission system exclusively for a beneficiary / customer or group of beneficiaries / customers, income tax liability of the licensee shall be assigned to exclusive beneficiary / customer as well as group of beneficiaries / customers in the ratio of the allocated capacities to them.”*

**Commission's Analysis:**

4.107 Schedule 22 of the audited balance sheet for FY 2008-09 shows Rs.44.64 Lacs for Fringe Benefit Taxes and negative expense of Rs.103.55 lacs for income tax. The Commission observed that the amount against reimbursement or refund in income tax as shown in Schedule 22 of the audited accounts is not considered in the petition hence, the petitioner was asked to clarify this issue. The petitioner vide its letter dated 17<sup>th</sup> December, 2011 submitted that the income tax for FY 2006-07 to FY 2008-09 was a pass through to customers (Discoms) and it was not considered a part of tariff determination or true-up exercises in accordance with Para 2.33 under Regulation 27 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulations, 2005. It was further confirmed by the petitioner that reimbursement or refund in income tax is to be dealt by MP Transco directly with Discoms hence, not covered under true-up petition.

Schedule 19 shows that fee paid to MPERC is Rs.113.10 lacs hence, the total amount towards income tax, fringe benefit tax and fee paid to MPERC is as under:

| <b>S. No.</b> | <b>Particular</b>  | <b>As on 31/03/2009</b> |
|---------------|--------------------|-------------------------|
| 2             | Fringe Benefit Tax | 44.64                   |
| 4             | Fee paid to MPERC  | 113.10                  |
|               | <b>Net Total</b>   | <b>157.74</b>           |

Accordingly, the Commission allows net Taxes and Fees of **Rs.157.74 Lacs** (Rs.1.58 Crs) in this true up Order. The Commission allows a recovery of **Rs.0.44 crore** from the petitioner under this head as given below:

**Table 66: Taxes and fee**

| <b>S. No.</b> | <b>Particular</b>                                  | <b>Amount</b>          |
|---------------|--|------------------------|
| 1             | Taxes and fee allowed for FY 2008-09 in this Order | Rs.1.58 Crores         |
| 2             | Taxes and fee allowed for FY 2008-09 in MYT Order  | Rs.2.02 Crores         |
| <b>3</b>      | <b>True up amount</b>                              | <b>Rs.(0.44) Crore</b> |

The petitioner should ensure compliance with the Regulation 27 of MPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2005 with regard to the reimbursement or refund of income tax to be passed on directly to its long-term customers and the compliance in this regard be filed with the Commission within a month from the date of issue of this true-up order.

### **Prior period adjustment**

#### **Petitioner's Submission:**

4.108 The petitioner submitted that no prior period expenses are booked this year as per Annual Accounts.

#### **Commission's Analysis:**

4.109 The Commission accepts the petitioner's submission & no amount has been allowed for prior period expenses in this Order.

### **Other income**

#### **Petitioner's Submission:**

4.110 The petitioner submitted the following:

*“Other receipts of Rs.72.95 Crores (Schedule -16 of Audited Accounts) include miscellaneous receipts of Rs.65.10 Crores against capital as well as revenue. Therefore, these are categorized in two categories, first the receipts not covered under Non-tariff income and other covered under Non-tariff income as given below:*

**[A] Charges not covered under Non-Tariff Income****Table-67**

|              |   |                         |
|--------------|---|-------------------------|
| i.           | Sale of Store's scrap being capital receipt. The scrap value of 10% is not allowed in Tariff in Depreciation  | Rs. 320.89 Lacs         |
| ii.          | Adjustment for physical verification of Stores  | Rs. 1.25 Lacs           |
| iii.         | Income not pertaining to revenue Penalty/LD   | Rs. 140.72 Lacs         |
| iv.          | Adjustment in Bonds / Debentures value as discount received, in Loan Capital, value and not as revenue earned | Rs. 5188.17 Lacs        |
| v.           | ADB-2323 Penalty recovered  | Rs. 205.55 Lacs         |
| vi.          | ADB-2346 Penalty recovered  | Rs. 183.65 Lacs         |
| vii.         | Other MISC receipts   | Rs. 284.26 Lacs         |
| <b>TOTAL</b> |   | <b>Rs. 6324.49 Lacs</b> |

**[B] Charges to be covered under Non-Tariff Income****Table-68**

|                |  |                        |
|----------------|--|------------------------|
| i.             | Interest Income                                    | Rs. 696.76 Lacs        |
| ii.            | Application fees for Open Access                   | Rs. 88.30 Lacs         |
| iii.           | Hire charges for filter machine                    | Rs. 62.72 Lacs         |
| iv.            | Consultant services charges received               | Rs. 67.78 Lacs         |
| v.             | Sale of Tender forms                               | Rs. 21.41 Lacs         |
| vi.            | Applications under RTI charges                     | Rs. 00.01 Lacs         |
| vii.           | Recovery of transport facilities                   | Rs. 04.77 Lacs         |
| viii.          | Ground rent  | Rs. 00.22 Lacs         |
| ix.            | Rent of Staff quarters / Water charges/Guest House | Rs. 26.33 Lacs         |
| x.             | Recovery of telephone charges                      | Rs. 02.62 Lacs         |
| <b>TOTAL -</b> |  | <b>Rs. 970.92 Lacs</b> |

Say Rs.9.71 Crores

**Provisions of Regulations:**

4.111 Regulation 31 of MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2005 provides that,

- (i) "A schedule for other income as provided in the schedule of Miscellaneous Charges and General Charges under MPERC (Details to be furnished by generating companies and licensees for determination of tariff and manner of making an application) Regulation 2004 shall be classified under 'Other Income'.
- (ii) Revenue from other business shall be treated as income to the extent authorized by the Commission under Section 41 of the Act."

**Commission's Analysis:**

4.112 Schedule 16 of the audited balance sheet for FY 2008-09 shows that Other Income receipt by MPPTCL is as under:

| <b>S. No.</b> | <b>Particular</b>                         | <b>As on 31/03/2009</b> |
|---------------|---|-------------------------|
| 1             | Interest on Income                        | 6.97                    |
| 2             | Application fee for Open Access consumers | 0.88                    |
| 3             | Miscellaneous Receipt                     | 65.10                   |
|               | <b>Total</b>                              | <b>72.95</b>            |

4.113 MPPTCL in its petition submitted details of miscellaneous receipt and Other Income. The Commission has considered the following under non tariff income:

|       |  |                     |
|-------|--|---------------------|
| i.    | Interest Income                                    | 696.76              |
| ii.   | Application fees for Open Access                   | 88.30               |
| iii.  | Hire charges for filter machine                    | 62.72               |
| iv.   | Consultant services charges received               | 67.78               |
| v.    | Sale of Tender forms                               | 21.41               |
| vi.   | Applications under RTI charges                     | 00.01               |
| vii.  | Recovery of transport facilities                   | 04.77               |
| viii. | Ground rent  | 00.22               |
| ix.   | Rent of Staff quarters / Water charges/Guest House | 26.33               |
| x.    | Recovery of telephone charges                      | 02.62               |
| xi.   | Other MISC receipts                                | 284.26              |
|       | <b>NET TOTAL</b>                                   | <b>1255.18 Lacs</b> |

**Say Rs.12.55 Crs.**

The Commission allows above non- tariff income of **Rs.12.55 Crores** to be subtracted from ARR of FY 2008-09 in this true up Order.

**True-up amount for FY 2008-09**

4.114 Based on the analysis made in preceding paragraphs, the Commission finally determines the true-up of **Rs.162.94 crores** for FY 2008-09 and this amount shall be adjusted in the bills of Long term open access customers of MPPTCL. The details of true up are tabulated hereunder:

**Table-71 : True up amount for 2008-09 (Rs. in Crores)**

| S. No.    | Particulars                    | As per ARR approved in MYT order dated 13.03.2006 | As filed in original True-up petition | As filed in revised True-up petition | As approved by MPERC | True-up Amount (Col. 6–Col 3) |
|-----------|--------------------------------|---|---------------------------------------|--------------------------------------|----------------------|-------------------------------|
| 1         | 2                              | 3   | 4                                     | 5                                    | 6                    | 7                             |
| 1         | O&M Expenses                   | 104.11  | 172.86                                | 172.86                               | 172.56               | 68.45                         |
| 2.        | Depreciation                   | 117.56  | 100.58                                | 96.73                                | 96.73                | (-) 20.83                     |
| 3.i.      | Interest on Loan               | 82.93   | 138.06                                | 109.24                               | 109.24               | 26.31                         |
| ii.       | Interest on Working Capital    | 61.06   | 26.79                                 | 26.06                                | 25.09                | (-) 35.97                     |
| <b>3.</b> | <b>Total Interest</b>          | <b>143.99</b>                                     | <b>164.85</b>                         | <b>135.30</b>                        | <b>134.33</b>        | <b>(-) 9.66</b>               |
| 4.        | Provision for Terminal Benefit | 177.52  | 334.22                                | 334.22                               | 294.83               | 117.31                        |
| 5.        | Return on Equity               | 127.26  | 147.84                                | 147.91                               | 147.91               | 20.65                         |
| 6.        | Taxes and Fee paid to MPERC    | 2.02  | 1.58                                  | 1.58                                 | 1.58                 | (-) 0.44                      |
| 7.        | <b>TOTAL -</b>                 | <b>672.45</b>                                     | <b>921.93</b>                         | <b>888.60</b>                        | <b>847.94</b>        | <b>175.49</b>                 |
| 8.        | Less Non-Tariff Income         | NIL   | (-) 9.71                              | (-) 9.71                             | (-) 12.55            | (-) 12.55                     |
| <b>9.</b> | <b>GRAND TOTAL -</b>           | <b>672.45</b>                                     | <b>912.22</b>                         | <b>878.89</b>                        | <b>835.39</b>        | <b>162.94</b>                 |

4.115 The True up amount of **Rs.162.94 Crs for FY 2008-09** shall be recovered by the Transmission Licensee in 12 equal monthly installments during FY 2012-13.

## CHAPTER 5

### OBJECTONS AND COMMENTS ON PETITION

- 5.1 The Commission vide order dated 21.07.2011 accepted the petition after obtaining required information from the petitioner for processing the petition. The Commission directed the petitioner to arrange for publication of the public notice in the news papers seeking comments/suggestions/objections from the stakeholders.
- 5.2 The public notice was published by the petitioner in following newspapers on 27/07/2011:
- |                    |   |          |
|--------------------|---|----------|
| Dainik Bhaskar     | - | Jabalpur |
| Dainik Patrika     | - | Bhopal   |
| Dainik Bhaskar     | - | Indore   |
| Dainik Avantika    | - | Ujjain   |
| Dainik Raj Express | - | Gwalior  |
| Dainik Aachran     | - | Sagar    |
| Free Press         | - | Indore   |
- 5.3 The last date for obtaining the Comments / suggestions / objections was 16/08/2011.
- 5.4 The Commission held a public hearing on the subject tariff petition of MPPTCL at Bhopal on 30<sup>th</sup> August, 2011 in the Court Room of the Commission's office. The public hearing was attended by representatives of the petitioner and no representative of any respondent or public attended the public hearing.
- 5.5 During the course of public hearing, the representative of the petitioner informed that they received no comments/suggestions from any stake holders till date. The Commission also not received any comments / suggestions from any stake holders.

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