MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Order on True-Up of ARR for FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 for Electricity Distribution Business of Special Economic Zone (SEZ) area, Pithampur of MPIDC

Petition No. 42/17, 43/17, 44/17, 45/17, 46/17, 06/18 and 67 /17

PRESENT:

Dr. Dev Raj Birdi, Chairman
Mukul Dhariwal, Member

IN THE MATTER OF:

True Up of ARR for FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 under the prevailing MPERC MYT Regulations, along with other guidelines and directions issued by the MPERC from time to time and under Part VII (Section 61 to Section 64) of the Electricity Act, 2003 read with the relevant Guidelines.

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List of Abbreviations

A&G	Administrative and General Expenses
ARR	Aggregate Revenue Requirement
CERC	Central Electricity Regulatory Commission
CSD	Consumer Security Deposit
Discom	Distribution Company
EA 2003	Electricity Act, 2003
EHT	Extra High Tension
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GFA	Gross Fixed Asset
GoI	Government of India
GoMP	Government of Madhya Pradesh
GST	Goods and Service Tax
HP	Horse Power
HT	High Tension
IND-AS	Indian Accounting Standards
kV	kilo Volt
kVA	kilo Volt Ampere
kVAh	kilo Volt Ampere hour
kW	kilo Watt
kWh	kilo Watt hour
LT	Low Tension
MD	Maximum Demand
MOD	Merit Order Despatch
MP	Madhya Pradesh
MPAKVN(I)L	Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited
MPIDC	Madhya Pradesh Industrial Development Corporation
MPERC	Madhya Pradesh Electricity Regulatory Commission
MPPGCL	Madhya Pradesh Power Generation Company Limited
MPPMCL	MP Power Management Company Limited
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MU	Million Unit
MVA	Mega Volt Ampere

MW	Mega Watt
MYT	Multi-Year Tariff
NTP	National Tariff Policy
NTPC	NTPC Limited
O&M	Operation & Maintenance
PGCIL	Power Grid Corporation of India Ltd.
PLF	Plant Load Factor
PoC	Point of Connection
PPA	Power Purchase Agreement
R&M	Repair & Maintenance
RBI	Reserve Bank of India
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SBI	State Bank of India
SEZ	Special Economic Zone
SLDC	State Load Dispatch Centre

1. ORDER

(Passed on this 13 th Day of January, 2020)

1.1 This order is in response to the petition Nos. 42, 43, 44, 45, 46 and 67 of 2017, 6 of 2018 filed by Madhya Pradesh Industrial Development Corporation (MPIDC) erstwhile Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd., (hereinafter referred as the Petitioner or the Distribution Licensee), a Company incorporated under the Companies Act, 1956 (Now Companies Act, 2013) having its registered office at 3/54, Press Complex, Free Press House, Indore, before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petitioner is a deemed distribution licensee under the fifth Provision to Section 14 of the Electricity Act, 2003. The area of supply of the Petitioner is SEZ Indore (Pithampur) within the State of Madhya Pradesh (MP). These petitions have been filed under Section 61 and Section 62 (1) (d) of the Electricity Act 2003 for True up of ARR of FY 2010-11 to FY 2016-17 under tariff principles laid down in the prevailing Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, (hereinafter referred to as MYT Regulations) in general and MYT Tariff Regulations, 2012 and MYT Tariff Regulations, 2015 in particular.

1.2 Earlier, the Commission vide order dated 20.09.12 in Petition No. 16 of 2012 had determined the ARR & Retail supply tariff for FY 2012-13 including provisional True up of FY 2010-11 and FY 2011-12 in absence of any statutory audit of Annual Accounts of the Petitioner for SEZ area. In the said order, the Commission had observed that there was surplus income to the licensee on account of tariff charges against the finalised ARR for FY 2010-11 and FY 2011-12 and therefore had directed the Petitioner to adjust /credit the surplus income in 18 equal installments in consumers monthly bills commencing from the month of October billed in November 2012.

1.3 Against the aforesaid order of the Commission, the Petitioner had filed a review petition (Petition. No. 86/2012) wherein the Petitioner requested for stay on the Commission’s order dated 20.09.2012 for making refund to the erstwhile consumers on account of excess revenue of Rs 7.13 Crore and Rs 16.63 Crore earned by it for the period of FY 2010-11 and FY 2011-12 inter alia other requests. The Commission vide order dated 21.12.2012 had dismissed the petition with observations that the review sought in the matter was not maintainable as the issues raised as follows being devoid of merits

i) expenses on account of payment of income tax;

ii) land premium & lease rent charges;

iii) profit earned on account of losses; and

iv) refund of excess recovery.

1.4 Subsequently, the Petitioner had preferred an Appeal (Appeal no. 71 of 2013) before the Hon'ble APTEL against tariff order dated 20.09.12 in Petition No. 16 of 2012 which was dismissed by the Hon'ble APTEL vide judgment dated 30.10.2014 being devoid of merit and has made following observations:

*" **i) Adjusting ARR and Tariff of the Appellant for the period from 01.04.2010 to 30.09.2012:** The State Commission has correctly adjusted ARR and tariff of the Appellant for the FY 2010-11, 2011-12 and the period from 01.04.2012 to 30.09.2012 and providing retrospective adjustment and directing refund to be given to the consumers of SEZ area of the Appellant. The Appellant itself is responsible for delay in filing of the Petition for fixation of tariff.*

***ii) Incentive of distribution loss level achieved by the Appellant:** As per the 2009 Tariff Regulations, if a licensee is able to achieve a reduction in losses as compared to specific trajectory, then the gains made shall be allowed to be retained by the licensee. In the present case since the loss trajectory was not specified by the State Commission there is no question of granting incentive to the Appellant. The Appellant itself is responsible for delay in filing of the Petition for fixation of tariff.*

***iii) Income tax:** In the absence of the requisite information, the State Commission has admitted the income tax based on admitted cost of Return of Equity at applicable income tax rates. The State Commission has decided that the claim of the Appellant for income tax shall be considered at the time of true up based on the duly audited financial statements of its power business. We are in agreement with the findings of the State Commission.*

iv) Land premium and lease rent charges: *We are in agreement with the State Commission that since no actual payment is being made towards land charges and the claim is on notional basis, the same cannot be allowed in the ARR.*

v) MYT regime: *We do not find any merit in the contention of the Appellant that MYT regime is not applicable to them.”*

1.5 Aggrieved by the order of the Hon’ble APTEL, MPIDC filed an Appeal (Civil Appeal No. 3074 of 2015) before the Hon’ble Supreme Court of India. The Hon’ble Supreme Court vide order dated 27.03.2015 imposed stay on the impugned Judgment passed by the Hon’ble APTEL.

1.6 Subsequently, MPIDC through Interlocutory Application (IA No.7/2016) had prayed to the Hon’ble Supreme Court to pass an order clarifying that this Hon’ble Court’s order dated 27.03.2015 in Civil Appeal No. 3074 of 2015 shall not come in the way of the State Commission deciding the final true up of ARR for FY 2010-11 and FY 2011-12 based on Audited Accounts in Petition no. 7 of 2015 on its merit. Further, the Hon’ble Supreme Court disposed of IA No.7/2016 vide order dated 16.08.2016 stating that the earlier order of this Court dated 27.03.2015 was only staying the operation of the order of the Commission, impugned in the instant Appeal. The Hon’ble Supreme Court has made following observations in aforesaid order dated 16.08.2016

“The order dated 27.3.2015 referred to in the prayer is an order of this Court by which operation of the impugned judgment in civil appeal No. 3074/2015 is stayed.

It is obvious from the prayer in the instant application that the applicant is seeking the first respondent-Commission to pass appropriate orders in the proceedings pending before it. Such an application of the respondent is a statutory application. However, by an order dated 25.06.2015, the first respondent-Commission opined that in view of the earlier order of this court dated 27.3.2015, it may not be proper for the Commission to take up the further exercise till the matter is decided by the Court.

In the circumstances, we do not see any impropriety for the first respondent –Commission carrying on the statutory exercise. The earlier order of this Court is *only staying the operation of the order of the first respondent –Commission, impugned in the instant appeal*."

In pursuance of Hon'ble Supreme Court's said order, the Commission vide its letter dated 20.01.2017 has directed the petitioner to submit revised petition in the matter of final true up for FY2010-11 and FY2011-12 in accordance with requisite audited accounts duly audited by statutory auditors appointed by CAG for the respective years so as to enable the Commission to determine final true up for FY2010-11 and FY 2011-12.

1.7 The Commission issued retail supply tariff order for FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 vide Tariff Order dated 10.09.2013, 18.02.2014, 23.03.2015 and 09.08.2016 respectively. It is notable that the Commission vide its order dated 09.08.2016 in Petition No. 01/2016 in the matter of determination of ARR & Retail supply tariff order for FY2016-17 had consciously decided to continue the retail supply tariff order for FY2015-16 in force during FY2016-17 in view of repetitive non–compliance of the Commission's directives by the petitioner in terms of not furnishing the requisite audited balance sheet of their power business in accordance with Section 51 of the Electricity Act 2003.

1.8 In subsequent development, the Petitioner had filed a Petition for true up of the ARR for FY 2015-16 (Petition No. 02/2017). The Commission vide order dated 21.02.2017 admitted the Petition and after publishing the public notice held the Public Hearing. The Commission noted that although the petitioner has filed the audited balance sheet for FY 2015-16, the audited balance sheets for past financial years i.e. FY 2010-11 to FY 2014-15 are yet to be filed by the petitioner. In the matter, the petitioner subsequently informed the Commission that the audit of past years' account is under process in accordance with the requirement of the provisions of the Electricity Act 2003.

1.9 The Commission vide order dated 01.08.17 has disposed of the Petition No. 02/2017 and deemed it appropriate to deal with the pending truing up of the ARRs of the previous years in a comprehensive manner instead of finalizing the true up for FY 2015-16 in silo i.e. without ramifications of previous years' impact and the Petitioner to file the revised true up Petitions of the ARRs from FY 2010-11 to FY 2016-17 on the basis of the requisite audited accounts of respective year. The relevant extract of the Order is as follows:

"5. It is notable that the Commission has been consistently directing the Petitioner to furnish the requisite audited accounts for electricity business in SEZ area being statutory requirement in accordance with the provisions of the Electricity Act, 2003 so as the Commission would be able to finalise the True up of ARRs of previous years in comprehensive manner. Further, in the Retail Supply Tariff Order for FY 2017-18 for SEZ area at paragraph 7.3 the Commission has directed the petitioner to submit all the pending requisite audited accounts duly audited by the statutory auditor along with the True up petitions for respective years within three months.

6. In instant case, the Commission has noted that although the petitioner has filed the audited balance sheet for FY 2015-16 along with the instant true up petition, the audited accounts for past financial years i.e. FY 2010-11 to FY 2014-15 are yet to be filed by the petitioner. The petitioner further informed the Commission that the audit of past years' accounts is under process in accordance with the requirement of Electricity Act, 2003. The Commission has taken the cognizance of the petitioner's aforesaid submission and opined that past years audited accounts would definitely have bearing upon the audited accounts of 2015-16. This would be ascertained at the time of scrutiny of the same.

7. The Commission is of the view that petitioner's power business account should have adequate clarity so that the expenses against the power business are properly identifiable and separate accounts for all the activities related to power business should be maintained subhead wise henceforth. These accounts should be got duly audited and certified by the auditors and submitted to the Commission timely. The Commission has therefore, deemed it appropriate to deal with the pending truing up of the ARRs of the previous years in a comprehensive manner instead of finalizing the true up for FY 2015-16 in silo i.e. without ramification of previous years' impact and accordingly directed the petitioner to file the revised true up petitions of the ARRs from FY 2010-11 to FY 2016-17 on the basis of the requisite audited accounts of respective years without any further delay. The petition is thus disposed of."

1.10 In compliance to the Commission's direction, the Petitioner filed the Petition Nos. 42, 43, 44, 45, 46, 67 of 2017 and 06 of 2018 for truing up of ARR of FY 2010-11 on

09.10.2017, FY 2011-12 on 09.10.2017, FY 2012-13 on 09.10.2017, FY 2013-14 on 09.10.2017, FY 2014-15 on 09.10.2017, FY 2016-17 on 28.12.2017 and FY 2015-16 on 20.01.2018 respectively. The Commission through its Order dated 14.03.2018 has decided to deal with all true up petitions from FY 2010-11 to FY 2016-17 comprehensively.

1.11 The motion hearing on the Petition was held by the Commission on 13th March, 2018. The Commission vide daily order dated 14th March, 2018 admitted the petition and directed the Petitioner to publish the public notice in Hindi and English in the prominent newspapers latest by 15th March, 2018 for inviting objections /comments/suggestions from the stakeholders on the subject petition by 03rd April, 2018. Further, the Commission directed the Petitioner to furnish the reply on data-gaps observed within a fortnight.

1.12 The Commission received written objections from stakeholder. Details of objections received, response from the Petitioner and views of the Commission thereof are given in the Chapter 9 Public Objections and Comments on petition' of this order.

1.13 Gist of the Petitions are given below:

Table 1: Gist of instant Petitions

Sr. No.	Particulars	Claimed (Rs. Crore)			
		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
1	Power Purchase Cost	59.29	63.95	69.93	66.32
2	Inter State Transmission charges	1.96	3.19	3.27	4.71
3	Intra State Transmission charges	2.49	1.97	2.71	4.41
4	SLDC Charges	0.48	0.04	0.02	0.04
5	Employee expenses	1.84	1.79	3.51	3.60
6	R&M expenses	0.85	0.68	0.21	4.32
7	A&G expenses	1.14	1.69	1.69	2.50
8	MPERC and MPPMCL Fees & others	0.00	0.00	0.01	0.01
9	Depreciation	0.27	0.32	0.45	0.62
10	Interest and Finance Charges	0.83	1.09	1.32	1.90
11	Interest on Working Capital	0.00	0.00	0.00	0.00
12	RoE	0.28	0.32	0.45	0.62
13	Lease Rent	4.64	4.64	4.64	4.64

Sr. No.	Particulars	Claimed (Rs. Crore)			
		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
14	Other Expenses	0.00	0.00		
15	Income Tax	2.40	5.49	2.09	0.00
16	**Gross ARR**	**76.47**	**85.17**	**90.30**	**93.71**
17	Less: Other Income	0.08	0.15	0.18	0.43
18	**Net ARR**	**76.39**	**85.02**	**90.12**	**93.28**
19	Revenue from Sale of Power	76.17	83.94	90.35	87.48
20	**Revenue Gap / (Surplus) (Sr. No. 18- Sr. No. 19)**	**0.21**	**1.08**	**(0.23)**	**5.80**

Sr. No.	Particulars	Claimed (Rs. Crore)		
		FY 2014-15	FY 2015-16	FY 2016-17
1	Power Purchase Cost	88.06	105.71	115.59
2	Inter State Transmission charges	1.51	0.00	0.00
3	Intra State Transmission charges	3.78	4.07	8.48
4	SLDC Charges	0.57	0.12	0.01
5	Employee expenses	3.40	3.66	3.03
6	R&M expenses	4.39	4.74	3.61
7	A&G expenses	0.79	0.70	1.47
8	MPERC and MPPMCL Fees & others	0.01	0.02	0.02
9	Depreciation	0.61	0.29	0.33
10	Interest and Finance Charges	1.09	1.09	1.19
11	Interest on Working Capital	0.00	0.00	0.00
12	RoE	0.09	0.19	0.30
13	Lease Rent	2.05	2.19	2.19
14	Other Expenses	0.00	0.00	0.00
15	Income Tax	0.00	0.00	0.00
16	**Gross ARR**	**106.36**	**122.79**	**136.21**
17	Less: Other Income	0.05	0.13	0.09
18	**Net ARR**	**106.32**	**122.66**	**136.13**
19	Revenue from Sale of Power	82.99	97.21	105.83
20	**Revenue Gap / (Surplus) (Sr. No. 18- Sr. No. 19)**	**23.33**	**25.44**	**30.30**

Public Hearing

1.14 The Commission held public hearings on the True-up petitions for FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 at the Commission's Office on 5th April, 2018.

1.15 The Commission has ensured transparency with regard to public participation and meticulously observed the same at every stage. Adequate opportunity has been given to all stakeholders to file as well as present their objections/comments/suggestions on the petition. The Commission has taken due cognizance of all the objections received in the office of the Commission within stipulated time and also raised during the hearings. As per the provisions of the Electricity Act, 2003 and relevant regulations notified by the Commission in this regard, the Commission has finalised this order.

Allowable Revenue Gap / Surplus of MPIDC

1.16 Based on the scrutiny of various cost components under tariff principles laid down in the prevailing Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, (hereinafter referred to as MYT Regulations) in general and MYT Tariff Regulations, 2012 and MYT Tariff Regulations, 2015 regarding revenue income and expenditures of Petitioner which has been discussed in details in the forthcoming chapters of this order. The Commission has considered the following Revenue Gap / (Surplus) for FY 2010-11 to FY 2016-17 for adjustment through Retail Tariffs in future:

Table 2: Revenue Gap/Surplus admitted by the Commission for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Power Purchase Cost	60.11	59.29	58.30
2	Inter State Transmission charges	1.57	1.96	1.90
3	Intra State Transmission charges	2.47	2.49	2.49
4	SLDC Charges	0.05	0.48	0.03
5	Employee expenses	2.16	1.84	1.84
6	R&M expenses	0.52	0.85	0.45
7	A&G expenses	1.04	1.14	1.14

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
8	MPERC and MPPMCL Fees & others	0.00	0.00	0.00
9	Depreciation	0.25	0.27	0.28
10	Interest and Finance Charges	0.48	0.83	0.76
11	Interest on Working Capital	0.00	0.00	0.00
12	RoE	0.65	0.28	0.27
13	Lease Rent	0.00	4.64	0.00
14	Other Expenses	0.09	0.00	0.00
15	Income Tax	0.09	2.40	0.00
16	**Gross ARR**	**69.49**	**76.47**	**67.48**
17	Less: Other Income	0.08	0.08	0.08
18	**Net ARR**	**69.41**	**76.39**	**67.39**
19	Revenue from Sale of Power	76.54	76.17	**76.17**
20	**Revenue Gap / (Surplus) (18-19)**	**(7.13)**	**0.22**	**(8.78)**

Table 3: Revenue Gap/Surplus admitted by the Commission for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Power Purchase Cost	62.27	63.95	61.13
2	Inter State Transmission charges	1.95	3.19	2.95
3	Intra State Transmission charges	1.97	1.97	1.80
4	SLDC Charges	0.23	0.04	0.22
5	Employee expenses	1.72	1.79	1.79
6	R&M expenses	0.47	0.68	0.47
7	A&G expenses	1.15	1.69	1.69
8	MPERC and MPPMCL Fees & others	0.00	0.00	0.00
9	Depreciation	0.29	0.32	0.32
10	Interest and Finance Charges	0.59	1.09	1.07
11	Interest on Working Capital	0.00	0.00	0.00
12	RoE	0.70	0.32	0.31
13	Lease Rent		4.64	0.00

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
14	Other Expenses	0.00	0.00	0.00
15	Income Tax	0.00	5.49	1.84
16	**Gross ARR**	**71.34**	**85.17**	**73.58**
17	Less: Other Income	0.10	0.15	0.15
18	**Net ARR**	**71.24**	**85.02**	**73.43**
19	Revenue from Sale of Power	87.96	83.94	83.94
20	**Revenue Gap / (Surplus) (18-19)**	**(16.72)**	**1.08**	**(10.51)**

Table 4: Revenue Gap/Surplus admitted by the Commission for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
1	Power Purchase Cost	83.05	69.93	77.49
2	Inter State Transmission charges	2.07	3.27	
3	Intra State Transmission charges	1.80	2.71	
4	SLDC Charges	0.23	0.02	
5	Employee expenses	1.87	3.51	3.51
6	R&M expenses	0.53	0.21	0.53
7	A&G expenses	1.27	1.69	1.69
8	MPERC and MPPMCL Fees & others		0.01	0.01
9	Depreciation	0.37	0.45	0.40
10	Interest and Finance Charges	0.63	1.32	1.14
11	Interest on Working Capital	0.00	0.00	0.00
12	RoE	0.91	0.45	0.39
13	Lease Rent	0.00	4.64	0.00
14	Other Expenses	0.00	0.00	0.00
15	Income Tax	0.11	2.09	0.53
16	**Gross ARR**	**92.84**	**90.30**	**85.70**
17	Less: Other Income	0.10	0.18	0.18
18	**Net ARR**	**92.74**	**90.12**	**85.52**
19	Revenue from Sale of Power	92.74	90.35	90.35
20	**Revenue Gap / (Surplus) (18-19)**	**0.00**	**(0.23)**	**(4.83)**

Table 5: Revenue Gap/Surplus admitted by the Commission for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
1	Power Purchase Cost	89.20	66.32	75.97
2	Inter State Transmission charges	2.78	4.71	
3	Intra State Transmission charges	2.80	4.41	
4	SLDC Charges	0.01	0.04	
5	Employee expenses	4.28	3.60	4.13
6	R&M expenses		4.32	
7	A&G expenses		2.50	
8	MPERC and MPPMCL Fees & others	0.01	0.01	0.01
9	Depreciation	0.39	0.62	0.51
10	Interest and Finance Charges	1.33	1.90	1.69
11	Interest on Working Capital	0.00	0.00	-
12	RoE	0.42	0.62	0.50
13	Lease Rent	-	4.64	-
14	Other Expenses	-	0.00	-
15	Income Tax	0.14	0.00	-
16	**Gross ARR**	**101.36**	**93.71**	**82.81**
17	Less: Other Income	0.02	0.43	0.43
18	**Net ARR**	**101.34**	**93.28**	**82.38**
19	Revenue from Sale of Power	101.34	87.48	87.48
20	**Revenue Gap / (Surplus) (18-19)**	**0.00**	**5.80**	**(5.10)**

Table 6: Revenue Gap/Surplus admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
1	Power Purchase Cost	74.86	88.06	91.70
2	Inter State Transmission charges	2.87	1.51	
3	Intra State Transmission charges	3.31	3.78	
4	SLDC Charges	0.01	0.57	
5	Employee expenses	4.62	3.40	4.39
6	R&M expenses		4.39	
7	A&G expenses		0.79	
8	MPERC and MPPMCL Fees & others	0.01	0.01	0.01

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
9	Depreciation	0.40	0.61	0.07
10	Interest and Finance Charges	1.37	1.09	1.07
11	Interest on Working Capital	0.00	0.00	-
12	RoE	0.40	0.09	0.06
13	Lease Rent	0.00	2.05	-
14	Other Expenses	0.00	0.00	-
15	Income Tax	0.14	0.00	-
16	**Gross ARR**	**87.98**	**106.36**	**97.30**
17	Less: Other Income	0.71	0.05	1.20
18	**Net ARR**	**87.27**	**106.32**	**96.10**
19	Revenue from Sale of Power	87.27	82.99	82.99
20	**Revenue Gap / (Surplus) (18-19)**	**0.00**	**23.33**	**13.11**

Table 7: Revenue Gap/Surplus admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
1	Power Purchase Cost	77.91	105.71	109.90
2	Inter State Transmission charges	0.00	0.00	
3	Intra State Transmission charges	3.95	4.07	
4	SLDC Charges	0.01	0.12	
5	Employee expenses	4.99	3.66	4.74
6	R&M expenses		4.74	
7	A&G expenses		0.70	
8	MPERC and MPPMCL Fees & others	0.01	0.02	0.02
9	Depreciation	0.32	0.29	0.06
10	Interest and Finance Charges	1.39	1.09	1.03
11	Interest on Working Capital	0.00	0.00	-
12	RoE	0.42	0.19	0.06
13	Lease Rent	0.00	2.19	-
14	Other Expenses	0.00	0.00	-
15	Income Tax	0.14	0.00	-
16	**Gross ARR**	**89.15**	**122.79**	**115.82**
17	Less: Other Income	0.32	0.13	2.60

Sr. No.	Particulars	Approved in tariff Order	Claimed	Admitted
18	**Net ARR**	**88.83**	**122.66**	**113.23**
19	Revenue from Sale of Power	88.83	97.21	97.21
20	**Revenue Gap / (Surplus) (18-19)**	**0.00**	**25.44**	**16.01**

Table 8: Revenue Gap/Surplus admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Power Purchase Cost	115.59	122.86
2	Inter State Transmission charges	0.00	
3	Intra State Transmission charges	8.48	
4	SLDC Charges	0.01	
5	Employee expenses	3.03	3.02
6	R&M expenses	3.61	0.38
7	A&G expenses	1.47	1.91
8	MPERC and MPPMCL Fees & others	0.02	0.02
9	Depreciation	0.33	0.09
10	Interest and Finance Charges	1.19	1.04
11	Interest on Working Capital	0.00	-
12	RoE	0.30	0.09
13	Lease Rent	2.19	-
14	Other Expenses	0.00	-
15	Income Tax	0.00	-
16	**Gross ARR**	**136.21**	**129.41**
17	Less: Other Income	0.09	1.62
18	**Net ARR**	**136.13**	**127.79**
19	Revenue from Sale of Power	105.83	105.98
20	**Revenue Gap / (Surplus) (18-19)**	**30.30**	**21.82**

1.17 The summary of the true up of FY 2010-11 to FY 2016-17 admitted by the Commission in this Order is as follows:

Table 9: Summary of approved true up of FY 2010-11 to FY 2016-17 (Rs. Crore)

Particulars		Net ARR	Revenue from Sale of Power	Net Revenue Gap/(Surplus)
FY 2010-11	Claimed	76.39	76.17	0.22
	Approved	67.49	76.17	(8.78)
FY 2011-12	Claimed	85.02	83.94	1.08
	Approved	71.72	83.94	(10.51)
FY 2012-13	Claimed	90.12	90.35	(0.23)
	Approved	85.12	90.35	(4.83)
FY 2013-14	Claimed	93.28	87.48	5.80
	Approved	82.38	87.48	(5.10)
FY 2014-15	Claimed	106.32	82.99	23.33
	Approved	96.10	82.99	13.11
FY 2015-16	Claimed	122.66	97.21	25.45
	Approved	113.23	97.21	16.01
FY 2016-17	Claimed	136.13	105.83	30.30
	Approved	127.79	105.98	21.82
Total	**Claimed**	**709.92**	**623.97**	**85.95**
	Approved	**643.84**	**624.12**	**21.72**

1.18 The Commission has admitted the net Revenue Gap of Rs. 21.72 Crore as indicated in the tables above on the true up of FY 2010-11 to FY 2016-17 for adjustment through retail supply tariff to be determined by the Commission in the upcoming years.

1.19 Ordered as above, read with the detailed reasons, grounds and conditions annexed herewith.

(Mukul Dhariwal)
Member

(Dr. Dev Raj Birdi)
Chairman

2. TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2010-11

Sales

Petitioner's Submissions

2.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2010-11 as 164.63 MU.

Commission's Analysis

2.2 The Commission has observed that the Audited Accounts for FY 2010-11 does not indicate the actual sales. Further, on inquiry in reply dated 28.12.2018, the Petitioner has submitted that in FY 2010-11, record of sales was maintained manually therefore it does not have R-15 statement for FY 2010-11. In absence of any authentic source for verification of actual sales, the Commission has admitted the sales as filed by the Petitioner. However, the Commission directs the Petitioner to submit the R-15 for truing up of subsequent years. Accordingly, the claimed sales and admitted sales for FY 2010-11 are as below:

Table 10: Category wise sales admitted by the Commission for FY 2010-11 (in MUs)

<table>
<tr><th>Sr. No.</th><th>Consumer category</th><th>Admitted in Provisional True Up Order</th><th>As per True-up Petition</th><th>Admitted</th></tr>
<tr><td>1</td><td>LT consumer categories</td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>Non-Domestic</td><td>-</td><td>-</td><td></td></tr>
<tr><td>3</td><td>Public Water Works and Street Light</td><td>0.14</td><td>0.14</td><td>0.14</td></tr>
<tr><td>4</td><td>Industrial</td><td>0.49</td><td>0.49</td><td>0.49</td></tr>
<tr><td>5</td><td>Total LT Sale</td><td>0.63</td><td>0.63</td><td>0.63</td></tr>
<tr><td>6</td><td>HT Consumer Categories</td><td></td><td></td><td></td></tr>
<tr><td>7</td><td>Industrial</td><td rowspan="2">164.00</td><td rowspan="2">164.00</td><td rowspan="2">164.00</td></tr>
<tr><td>8</td><td>Non-Industrial</td></tr>
<tr><td>9</td><td>Total HT Sale</td><td>164.00</td><td>164.00</td><td>164.00</td></tr>
<tr><td>10</td><td>Total LT+HT Sale</td><td>164.63</td><td>164.63</td><td>164.63</td></tr>
</table>

Power Purchase Requirement

Petitioner’s Submissions

2.3 The Petitioner has submitted that its actual distribution loss for FY 2010-11 was 3.99% as against the approved loss level of 5.74% by the Commission. Accordingly, the claimed Power purchase requirement by the Petitioner for FY 2010-11 is 177.95 MUs. Further, the Petitioner has considered the intra-State transmission and inter-State transmission losses of 2.20% and 2.68% respectively for FY 2010-11.

Commission’s Analysis

2.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by it. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2010-11 and found it in line with the Petitioner’s submission. Further, it is observed that the Petitioner’s claim towards Intra-State transmission loss and Inter-State transmission loss of 2.20% and 2.68% is without any basis and is at variance from the actual MPPTCL losses of 3.74% as per Regulatory Compliance report and PGCIL losses of 4.69% (Western Region) respectively. However, it is observed that the Petitioner has submitted source wise details of the power purchase along with bills made during FY 2010-11. The Commission in absence of any authentic document to verify the actual sales has considered data for sales as submitted by the Petitioner. Further, the data for power purchase has been considered as per power purchase bills which is in line with the Petitioner’s submission.

2.5 With regards to above and actual Inter-State and Intra-State transmission loss, the Commission has computed the distribution loss for FY 2010-11 which comes out to 1.35%. Accordingly, the energy balance / power purchase requirement on the basis of the sales and losses admitted by the Commission for FY 2010-11 is presented in the following table:

Table 11: Power Purchase Requirement admitted by the Commission for FY 2010-11

Sr. No.	Particular	Approved in Provisional True Up	Claimed	Admitted
1	Total Sales (MU)	164.63	164.63	164.63
2	**Distribution loss (%)**	**5.74%**	**3.99%**	**1.35%**
3	Distribution loss (MU)	10.02	6.84	2.24
4	Input at AKVN boundary (MU)	174.65	171.46	166.87
5	**Transmission loss (%)**	**3.74%**	**2.20%**	**3.74%**
6	Transmission loss (MU)	3.92	3.86	6.48
7	Input at G-T interface (MU)	178.57	175.32	173.36
8	**PGCIL Losses %**	**4.79%**	**2.68%**	**4.69%**
9	PGCIL Losses (MU)	4.92	2.63	4.60
10	**Power Purchase Requirement (MU)**	**183.49**	**177.96**	**177.96**

Power Purchase Cost

Petitioner's Submissions

2.6 The Petitioner has submitted that it has purchased power from various sources, viz., NTPC, MPPKVVCL and MPPMCL for FY 2010-11. The power purchase also includes the over/under drawl and consequent Unscheduled Interchange (UI) charges applicable.

2.7 Further, the monthly source-wise power purchase details as per the power purchase bills have been submitted and the UI units and charges have been taken from the MP SLDC website. Supply affording charges amounting to Rs. 0.45 Crore as considered in the audited accounts have been claimed in the petition under the power purchase cost.

2.8 There is some variation in the power purchase cost as claimed in the True up Petition and as considered in the annual accounts on account of various reasons as follows:

- Payment towards UI charges for the period of 2005 to 2010 amounting to Rs. 4.49 Crore has been considered in the audited accounts under the SLDC charges but is not claimed in the present Petition.
- Additional provision of UI charges of Rs. 1.84 Crore are considered in the audited accounts for FY 2010-11 but are not claimed in the present Petition.

- The actual cost of Rs. 0.15 Crore towards UI charges for over/under drawl of power in FY 2010-11 is not considered in the annual accounts, however, the same is claimed in the present Petition.
- Moreover, MPIDC is entitled to the gross power purchase cost considering accrual basis of accounting however, in the audited annual accounts, the cost towards power purchase has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of power purchase cost is recorded in the annual accounts.

Commission's Analysis

2.9 The Commission approves Power Purchase Cost on actual basis based on audited accounts after giving due consideration to the norms defined in the Regulations and Tariff Orders.

2.10 For scrutiny of the power purchase cost, the Commission sought reconciliation of the power purchase cost as per Audited Account and Power Purchase Bills. In reply, vide email dated 27.12.2018, the Petitioner submitted reconciliation of power purchase cost for FY 2010-11 as follows:

Table 12: Reconciliation of Power Purchase Cost as submittted by the Petitioner for FY 2010-11 (Rs. Crore)

Particulars		Amount
As per Accounts		**69.04**
Past period UI	Less	4.49
Provision of UI	Less	1.84
	Sub-total	**62.71**
Actual UI	Add	0.15
Diff. due to gross amount	Add	0.90
Total Claim		**63.77**

Table 13: Power Purchase as per Bills as submitted by the Petitioner for FY 2010-11 (Rs. Crore)

Particulars	Amount
NTPC	19.33
MPPKVVCL	36.51

Particulars	Amount
MPPMCL	2.84
UI	0.15
PGCIL	1.96
MPPTCL	2.49
SLDC	0.03
Supply affording charges	0.45
Total Claim	**63.77**

2.11 Accordingly, based on the above submission, power purchase bills and the analysis of the audited accounts for FY 2010-11, the Commission has approved the total power purchase cost booked for FY 2010-11 strictly as per the audited account, thereby not allowing any amount for which payment has not been made in the year for which truing up is being done or not booked in the audited account. Accordingly, additional provision of Rs. 1.84 Crore towards UI charges has not been considered and UI charges of Rs. 0.15 Crore for FY 2010-11, which are not booked in the audited accounts for FY 2010-11 has not been allowed. The said UI charges shall be allowed on actual payment as and when booked in the audited account of subsequent years. Therefore, the approved Power Purchase Cost for FY 2010-11 is as follows:

Table 14: Power Purchase Cost Admitted by the Commission for FY 2010-11 (Rs. Crore)

<table>
<tr><th>Power Purchase</th><th>Approved in Provisional True Up</th><th>Claimed</th><th>As per Audited Accounts</th><th>Admitted</th></tr>
<tr><td>NTPC</td><td>19.03</td><td>19.33</td><td rowspan="6">60.17</td><td rowspan="6">58.30*</td></tr>
<tr><td>MPPKVVCL</td><td>36.40</td><td>36.51</td></tr>
<tr><td>MPPMCL</td><td>2.84</td><td>2.84</td></tr>
<tr><td>Unscheduled Interchange (Credit)</td><td>1.84</td><td>0.15</td></tr>
<tr><td>Supply Affording Charges</td><td>-</td><td>0.45</td></tr>
<tr><td>Net Power Purchase Cost</td><td>60.11</td><td>59.29</td></tr>
</table>

**Note: Based on the submission of the Petition noted in para 2.6, UI charges of 1.84 Crore has not been considered. Further, SLDC charges which have not been booked separately in the account, the Commission has deducted SLDC charges of Rs. 0.03 Crore as submitted by the Petitioner in reconciliation and allowed separately.*

Transmission Charges and SLDC Charges

Petitioner's Submissions

2.12 The Petitioner has submitted that the PGCIL charges (for inter-state power purchase), MPPTCL charges (for intra-state power purchase) and SLDC charges are claimed based on the audited accounts for FY 2010-11, wherein the Transmission Charges have been considered under the head of total Power Purchase Cost and are not available separately.

2.13 The Petitioner has submitted that it is entitled to the gross transmission charges considering accrual basis of accounting however, in the audited annual accounts, the cost towards transmission charges has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of transmission charges is recorded in the annual accounts.

Commission's Analysis

2.14 As submitted by the Petitioner, it is observed that the UI charges amounting to Rs. 4.49 Crore for the period prior to FY 2010-11 i.e. FY 2005-06 to FY 2009-10 has been booked under the head of SLDC and Other Charges. Since the said UI charges pertains to period prior to FY 2010-11, the same has not been allowed by the Commission. Further, it is observed that the Petitioner in reconciliation sought by the Commission has submitted the SLDC charges as Rs. 0.03 Crore as against Rs. 0.48 Crore submitted in the Petition. Accordingly, the Commission has considered the SLDC charges of Rs. 0.03 Crore with the treatment as explained in previous section. The admitted charges as per the audited accounts for FY 2010-11 is as follows:

Table 15: Transmission Charges and SLDC Charges admitted by the Commission for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per audited accounts	Admitted
1	Intra-State Transmission Charges	1.57	2.49	2.49	2.49
2	Inter-State Transmission Charges	2.47	1.96	1.90	1.90
3	SLDC Charges	0.05	0.48	4.48	*0.03
4	**Total Transmission Charges**	**4.08**	**4.92**	**8.87**	**4.42**

** Prior period UI charges of Rs. 4.49 Crore booked under SLDC charges has not been allowed and SLDC charges as submitted by the Petitioner in reconciliation has been considered.*

GFA and Capitalisation

Petitioner's Submissions

2.15 The Petitioner has submitted that the total capitalization during the FY 2010-11 is Rs. 1.12 Crore and out of which Rs. 0.74 Crore has been funded through consumer contribution.

Commission's Analysis

2.16 The Commission has considered the opening balance of GFA as per audited accounts for FY 2010-11 as the truing up is being done for the first time. Also, capitalisation has been admitted based on the audited accounts of FY 2010-11, which is as follows:

Table 16: Admitted Capitalisation for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per audited accounts	Admitted
1	Furniture and Fixture	0.00	0.00	0.00	0.00
2	Computers	0.387	0.04	0.04	0.04
3	Buildings	0.004	0.00	0.00	0.00
4	Plant and Machinery	1.155	1.07	1.07	1.07
5	**Total**	**1.19**	**1.12**	**1.12**	**1.12**

2.17 Accordingly, the GFA admitted by the Commission based on the above admitted capitalisation for FY 2010-11 is as below:

Table 17: Admitted GFA for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per audited accounts	Admitted
1	Opening GFA	8.20	8.20	8.20	8.20
2	Addition During the Year	1.19	1.12	1.12	1.12
3	Deduction	0.00	0.00	0.00	0.00
4	**Closing GFA**	**9.39**	**9.31**	**9.31**	**9.31**

Funding of Capitalisation

Petitioner's Submissions

2.18 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution) for FY 2010-11 is through equity. However, in view of the provisions of the MYT Tariff Regulation, 2009, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT Tariff Regulations, 2009 and also in line with the approach adopted by the Commission in the past.

Commission's Analysis

2.19 The Commission has limited the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2009 notified for MP State Discoms. The consumer contribution and grants received during FY 2010-11 have been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). The Funding of capitalisation allowed for FY 2010-11 is as follows:

Table 18: Admitted funding for Capitalisation for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Total Capitalisation	1.12	1.12
2	Consumer Contribution & Grants	0.74	0.89
3	Total Capitalisation to be Funded	0.37	0.23
4	Normative Debt	0.26	0.16
5	Normative Equity	0.11	0.07

Operations and Maintenance Expenses

Petitioner's Submissions

Employee Expenses

2.20 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2010-11 as incurred by the Petitioner based on the audited financials is Rs. 1.84 Crore which also includes DA and terminal benefits.

A&G Expenses

2.21 The Petitioner has submitted that actual A&G expenses incurred for FY 2010-11 is Rs. 1.14 Crore, which is higher than A&G expenses admitted by the Commission in the Provisional True up Order dated 20 September, 2012.

R&M Expenses

2.22 The Petitioner has submitted that the Commission in the Provisional True up Order for FY 2010-11 had considered the actual past expenses while specifying the norms for R&M expenses for the Discoms of the State. Same methodology was considered in case of the Petitioner. The Commission based on the scrutiny of the details of past expenses of the Petitioner had admitted expenses as 5.55% of opening GFA for FY 2010-11.

2.23 The actual R&M expenses based on the audited accounts for FY 2010-11 is Rs. 0.85 Crore as compared to the R&M expenses Admitted vide Tariff Order dated 20 September, 2012 at Rs. 0.52 Crore.

MPERC Fees

2.24 The Petitioner has submitted that the actual MPERC Fees for FY 2010-11 is Rs. 0.001 Crore.

Commission's Analysis

2.25 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff associated with power business.
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets at 5.55% of the Gross Fixed Asset.

- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per Regulations.

2.26 The Commission has approved the Operation and Maintenance Expense in line with its approach followed in the order for approval of provisional truing up for FY 2010-11. Accordingly, the expense towards the employees associated with Power Business has been approved as the actual at Rs. 1.84 Crore as per audited account for FY 2010-11. The R&M Expense has been approved as 5.55% of the admitted opening GFA of Rs. 8.20 Crore, which amounts to Rs. 0.45 Crore. Further, the A&G expense has been approved as per the actuals at Rs. 1.14 Crore. The total O&M expense admitted by the Commission for FY 2010-11 is as per the following table:

Table 19: O&M Expenses as admitted for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True-Up Order	Claimed	As per audited accounts	Admitted
1	Employee Expenses	2.16	1.84	1.84	1.84
2	R&M Expenses	0.52	0.85	0.85	0.45
3	A&G Expenses (inclusive of MPERC fees)	1.04	1.14	1.14	1.14
4	MPERC Fees	0.00	0.001	-	-
5	**Total O&M Expenses**	**3.72**	**3.83**	**3.83**	**3.44**

Depreciation

Petitioner's Submissions

2.27 The Petitioner has submitted that the rate of depreciation as specified in the Tariff Regulations, 2009 have been considered for the computation of depreciation. Further, the Petitioner has submitted that it has reduced the amortization of the assets capitalized from the consumer contribution and grants. Accordingly, net depreciation on GFA for FY 2010-11 after reducing amortization on consumer contribution and grant is Rs. 0.27 Crore.

Commission's Analysis

2.28 The Commission has considered the capitalization for FY 2010-11 as per the Audited Accounts as detailed in Table 18 of this Chapter. Further, the Commission has not allowed depreciation on assets funded by Consumer Contribution and grants. Accordingly, the Commission has approved Depreciation for FY 2010-11 considering the rates of depreciation as per MPERC Tariff Regulations, 2009 applicable for MP State Discoms on class of assets as per the audited accounts. The computation of depreciation approved by the Commission is provided in the table below:

Table 20: Gross Depreciation admitted for FY 2010-11

Sr. No.	Particulars	Depreciation (%)	Opening GFA	Net Addition during the year	Closing GFA	Average GFA	Gross Depreciation	Weightage Average Depreciation rate (%)
1	Furniture & Fixtures	6.33%	0.01	0.00	0.01	0.01	0.00	
2	Computers	5.28%	0.01	0.04	0.05	0.03	0.00	
3	Buildings	3.34%	1.78	0.00	1.78	1.78	0.06	
4	Plant & Machinery	5.28%	6.40	1.07	7.47	6.94	0.37	
5	**Total**		**8.20**	**1.12**	**9.31**	**8.75**	**0.43**	**4.89%**

Table 21: Net Depreciation admitted for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	8.20
2	*Adjustment*	-
3	*Opening Consumer contribution and Grants*	2.59
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**5.61**
5	*Net addition to GFA*	1.12
6	*Addition in consumer contribution and grants*	0.89
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**0.23**
8	*Gross Closing GFA (Sr. No. 1 + Sr. No.5)*	9.31
9	*Closing Contribution and Grants (Sr. No.3 + Sr. No.6)*	3.47
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**5.84**
11	**Average GFA**	**5.73**
12	Depreciation Rate (%)	4.89%
13	**Depreciation**	**0.28**

Interest and Finance Charges

Petitioner's submissions

2.29 The Petitioner has submitted that for arriving at the opening balance of loan for FY 2010-11, cumulative depreciation of Rs. 0.60 Crore upto FY 2009-10 has been reduced from gross opening loan of Rs. 3.93 Crore as repayment. Accordingly, for assessing interest charges on loans in FY 2010-11, the opening balance of Loans has been considered at Rs. 3.33 Crore.

2.30 Further, the Petitioner has submitted that in line with the approach adopted by the Hon'ble Commission in its Tariff Order dated 20 September, 2012 and as prescribed by Tariff Regulations, 2009, repayment during the year has been considered equal to depreciation charged for the financial year.

2.31 The Petitioner has submitted that since the Petitioner does not have any actual loans and in line with the Commission's methodology, the weighted average rate of interest of the West Discom of 11.11% as admitted by the Commission in its True up Order for FY 2010-11 for the State Discoms dated 19th June, 2014 is considered.

2.32 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2010-11, is as per the audited annual accounts.

Commission's Analysis

2.33 The Petitioner does not have any actual loans, hence in order to arrive at the normative opening loan, the Commission has considered 70% of the opening GFA as per the audited accounts for FY 2010-11 reduced by Consumer contribution and accumulated depreciation as repayment till previous year as submitted by the Petitioner as the past details are not available with the Commission. Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution) and repayment equivalent to admitted depreciation for the year.

2.34 Further, the Commission, in order for approval of provisional true up of FY 2010-11 for MPIDC, had approved interest rate on loan as 8.60% as approved in the tariff order for West Discom for FY 2010-11. However, subsequently the actual interest rate approved for West Discom in true up of FY 2010-11 is 11.11%. It is observed from the true up order for FY 2010-11 of State Discoms that the actual rate of interest increased for West Discom, whereas for East and Central Discom it is 9.75% and 6.60% respectively. Hence, in order to provide optimum interest on normative loan and to maintain consistency on year on year basis, the Commission approves interest rate as the combined weighted average rate of interest on loan approved for three State Discoms in its True-up Order for FY 2010-11 dated 19th June, 2014, i.e., 9.30%. Accordingly, interest on loan has been computed on average of opening and closing balance of loan at interest rate of 9.30%.

2.35 The Commission for True-up of ARR for FY 2010-11 has admitted the opening security deposit and interest on consumer security deposit as per the Audited Accounts. The total interest and finance charges as admitted for FY 2010-11 is as below:

Table 22: Admitted Interest and finance charges for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Opening GFA		8.20	8.20
2	Less: Consumer Contribution & Grants		2.59	2.59
3	GFA net of Consumer Contribution & Grants		5.61	5.61
4	Gross Opening Loan (70% of Sr. No. 3)	4.17	3.93	3.93
5	Less: Cumulative Depreciation (Repayment)	0.00	0.60	0.60
6	Opening Loan (Sr. No. 4 – Sr. No. 5)	4.17	3.33	3.33
7	Addition to net debt during the year (Sr. No. 4 of Table 18)	0.00	0.26	0.16
8	Repayment (equal to depreciation, Sr. No. 11 of table 21)	0.25	0.27	0.28
9	Closing Loan (Sr. No. 6 + 7 – 8)	3.92	3.32	3.21
10	Interest Rate (%)	8.60%	11.11%	9.30%
11	**Interest on Loans**	**0.36**	**0.37**	**0.30**
12	**Interest on Consumer Security Deposit**	**0.48**	**0.46**	**0.46**
13	**Total Interest and Finance Charges (Sr. No. 11+ Sr. No. 12)**	**0.84**	**0.83**	**0.76**

Interest on Working Capital

Petitioner's Submissions

2.36 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2009.

2.37 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1st April 2010 as provided in Tariff Regulations, 2009.

Commission's Analysis

2.38 Tariff Regulations,2012 specified for MP State Discoms specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,
ii. O&M expenses for one month, and
iii. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

2.39 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and

ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

2.40 Further, as per the MPERC Tariff Regulations, 2009 and its amendments thereof, applicable for State Discoms, the rate of interest on working capital shall be equal to the State Bank Base Rate (SBAR) as on 1st of April of the relevant year plus 400 basis points. However, on analysis of the working capital requirement it is observe that the net working capital for the Petitioner for FY 2010-11 comes out to be zero. Hence, the Commission has not admitted any interest on working capital, which is as below:

Table 23: Admitted Interest on Working Capital for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Months	Claimed	Admitted
For wheeling activity				
A)	1/6th of annual requirement of inventory for previous year (1% of Opening GFA * 80%/6)	2.00	0.01	0.01
B) i)	Total of O&M expenses			3.44
B) ii)	1/12th of total	1.00	0.32	0.29
C)	Receivables			
C) i)	Annual Revenue from wheeling charges		0.00	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working capital (A+B ii)+Cii))		0.33	0.30
E)	Rate of Interest		11.75%	11.50%
F)	**Interest on Working capital**		**0.04**	**0.03**
For retail activity				
A)	1/6th of annual requirement of inventory for previous year (1% of Opening GFA * 80%/6)	2.00	0.00	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges (as per audited accounts)			76.17
B) ii)	Receivables equivalent to 2 months average billing	2.00	12.71	12.70
C)	Power Purchase expenses			59.75
C) i)	1/12th of power purchase expenses	1.00	5.35	4.98
D	Consumer Security Deposit		9.89	9.89
E)	Total Working capital (A+B ii) - C i) - D)		(2.21)	(2.17)
F)	Rate of Interest		11.75%	11.50%
G)	**Interest on Working capital**		**(0.26)**	**(0.25)**
	Summary			
	For wheeling activity		**0.04**	**0.03**
	For Retail Sales activity		**(0.26)**	**(0.25)**
	Total Interest on working Capital		**(0.19)**	**(0.22)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner’s Submissions

2.41 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.

2.42 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

2.43 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

2.44 The Petitioner had sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 had disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference.

> *“ii. Land Premium and Lease rent charges:*
>
> *…….*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land*

premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."

2.45 Further, the Tariff Regulations, 2009 also provide for lease rent charges as an expenditure to be approved as a part of ARR of a distribution licensee. The relevant Regulation is reproduced below:

"31.1 Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."

2.46 The Petitioner further submitted that there have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses. A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had approved the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

2.47 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2010-11.

Commission's Analysis

2.48 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

2.49 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon’ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon’ble Supreme court of India, which is sub judice.

2.50 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner’s Submissions

2.51 The Petitioner has submitted that it has computed the return on equity considering a rate of return on equity at 16% as per MPERC Tariff Regulations, 2009. The Opening Equity for FY 2010-11 is considered as the 30% of the net opening GFA as per the audited accounts.

Commission’s Analysis

2.52 Return on Equity has been computed on pre-tax basis @ 16% in line with the approach followed by the Commission in Order for approval of provisional true up for FY 2010-11 dated 20 September, 2012. The total equity identified along with RoE as admitted for FY 2010-11 is tabulated below.

Table 24: Admitted Return on Equity for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Opening Equity		1.68	1.68
2	30% of addition to net GFA considered as funded through equity	1.79	0.11	0.07
3	Total equity associated with GFA at the end of the year		1.79	1.75

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
4	Average equity associated with GFA at the end of the year		1.74	1.72
5	Rate of Return on equity (%)	16.00%	16.00%	16.00%
6	**Return on Equity**	**0.29**	**0.28**	**0.27**

Income Tax

Petitioner's Submissions

2.53 The Petitioner has submitted that The Appellate Tribunal for Electricity in its Judgment in Appeal No. 71 of 2013 dated 30 October, 2014 had ruled the following regarding the income tax:

> "38. We find that the Appellant had claimed income tax for FY 2010-11 as per the balance sheet but for FY 2011-12 and 2012-13 no supporting details were furnished. The State Commission felt that the amount claimed by the Appellant was very high when compared to the profit earned from the power business. In the absence of the requisite information, the State Commission has admitted the income tax based on admitted cost of return on equity at applicable income tax rates. The State Commission has, however, submitted that the claim of the Appellant for income tax shall be duly considered at the time of true-up based on the duly audited financial statements of its power business."

2.54 The Petitioner has submitted that MPIDC has now prepared separate accounts for power business which are audited. The Income tax in the audited annual accounts has been actually paid and the same is apportioned in the ratio income earned by the power and non-power business. Accordingly, an Income Tax of Rs. 2.40 Crore has been claimed in the present Petition.

Commission's Analysis

2.55 The Commission in order for approval of provisional true up of FY 2010-11 had approved Income Tax of Rs. 0.09 Crore limited to the income from RoE admitted by the Commission. Below is shown the actual details of income tax paid and Profit Before Tax for AKVN as a whole and for Power Business:

Table 25: Income Tax allocated to Power Business for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Actual Income tax for AKVN as a whole	3.74
2	Profit before tax for AKVN as a whole	11.20
3	Profit before tax for Power Business	-3.24

2.56 From above, it can be observed that the AKVN has incurred loss before tax for its Power Business. Therefore the Commission has not allowed any income tax for FY 2010-11.

Other Income

Petitioner's Submissions

2.57 The Petitioner has claimed other income amounting to Rs. 0.0823 Crore based on Audited Accounts for FY 2010-11, details of which are shown in the table below:

Table 26: Other Income Submitted by the Petitioner for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Miscellaneous income	0.001
2	Interest received on deposits with MPSEB	0.081
3	Shutdown Charges	-
4	Surcharge Received on Power Bill	-
5	Power Application Processing fees	-
6	**Total other income**	**0.082**

Commission's Analysis

2.58 The Commission has verified the amount claimed by the Petitioner from audited account for FY 2010-11 and hence has admitted other income of Rs. 0.08 Crore.

2.59 In reference to above, the ARR as admitted for FY 2010-11 is presented in the following table:

Table 27: Aggregate Revenue Requirement admitted for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Power Purchase Cost	60.11	59.29	58.30
2	Inter State Transmission charges	1.57	1.96	1.90
3	Intra State Transmission charges	2.47	2.49	2.49
4	SLDC Charges	0.05	0.48	0.03
5	Employee expenses	2.16	1.84	1.84
6	R&M expenses	0.52	0.85	0.45
7	A&G expenses	1.04	1.14	1.14
8	MPERC and MPPMCL Fees & others		0.00	0.00
9	Depreciation	0.25	0.27	0.28
10	Interest and Finance Charges	0.48	0.83	0.76
11	Interest on Working Capital	0.00	0.00	0.00
12	RoE	0.65	0.28	0.27
13	Lease Rent	-	4.64	0.00
14	Other Expenses	0.09	0.00	0.00
15	Income Tax	0.09	2.40	0.00
16	**Total Expenditure**	**69.49**	**76.47**	**67.48**
17	Less: Other Income	0.08	0.08	0.08
18	**Aggregate Revenue Requirement**	**69.41**	**76.39**	**67.39**

Revenue from sale of power

Petitioner's Submissions

2.60 The Petitioner has submitted that the revenue from sale of power for FY 2010-11 is Rs. 76.17 Crore.

Commission's Analysis

2.61 The Commission has admitted the actual revenue of Rs. 76.17 Crore from sale of power to the consumers as per the Audited Accounts for FY 2010-11.

Revenue Gap/Surplus for True-up Of ARR for FY 2010-11

2.62 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2010-11 for adjustment through Retail Tariffs in ensuing year:

Table 28: Revenue Gap admitted by the Commission for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	**ARR**	**76.39**	67.39
2	Revenue from Sale of Power	76.17	76.17
3	**Revenue Gap /(Surplus) (1-2)**	**0.22**	(8.78)

3. TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2011-12

Sales

Petitioner's Submissions

3.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2011-12 as 166.56 MU.

Commission's Analysis

3.2 The Commission has observed that the Audited Accounts for FY 2011-12 does not indicate the actual sales. Further, on inquiry it was informed by the Petitioner that it does not have R-15 statement for FY 2011-12. In absence of any authentic source for verification of actual sales, the Commission has admitted the sales as filed by the Petitioner. However, the Commission directs the Petitioner to submit the R-15 statement for truing up of subsequent years. Accordingly, the claimed sales and admitted sales for FY 2011-12 is as below:

Table 29: Category wise sales admitted by the Commission for FY 2011-12 (in MUs)

<table>
<tr><th>Sr. No.</th><th>Consumer category</th><th>Approved in the provisional True Up Order</th><th>Claimed</th><th>Admitted</th></tr>
<tr><td>1</td><td>LT consumer categories</td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>Non-Domestic</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>3</td><td>Public Water Works and Street Light</td><td>0.01</td><td>0.24</td><td>0.24</td></tr>
<tr><td>4</td><td>Industrial</td><td>0.46</td><td>0.30</td><td>0.30</td></tr>
<tr><td>5</td><td>Total LT Sale</td><td>0.47</td><td>0.54</td><td>0.54</td></tr>
<tr><td>6</td><td>HT Consumer Categories</td><td></td><td></td><td></td></tr>
<tr><td>7</td><td>Industrial</td><td>166.08</td><td rowspan="2">166.02</td><td rowspan="2">166.02</td></tr>
<tr><td>8</td><td>Non-Industrial</td><td></td></tr>
<tr><td>9</td><td>Total HT Sale</td><td>166.08</td><td>166.02</td><td>166.02</td></tr>
<tr><td>10</td><td>Total LT+HT Sale</td><td>166.55</td><td>166.56</td><td>166.56</td></tr>
</table>

Power Purchase Requirement

Petitioner's Submissions

3.3 The Petitioner has submitted that its actual distribution loss for FY 2011-12 was 3.93% as against the approved level of 3.99% by the Commission. Power purchase requirement claimed by the Petitioner for FY 2011-12 is 179.56 MU.

Commission's Analysis

3.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by it. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2011-12 and found it in line with the Petitioner's submission. Further, the Commission has observed that the actual intra-state and inter-state transmission losses for FY 2011-12 are 3.51% (MPPTCL Losses) and 3.61% (PGCIL Western Region), as against 2.55% and 1.86%, respectively, claimed by the Petitioner.

3.5 Accordingly, the Commission has computed the actual distribution losses of 2.12% for FY 2011-12, as against 3.93% claimed by the Petitioner. For arriving at the total quantum of energy requirement, the Commission has considered annual sales grossed up by approved loss level, as shown in subsequent paragraphs/ tables. The energy balance / power purchase requirement on the basis of the sales and losses admitted by the Commission for the Petitioner for FY 2011-12 is presented in the following table:

Table 30: Power Purchase Requirement worked out by the Commission for FY 2011-12

Sr. No.	Particular	Approved in Provisional True Up	Claimed	Admitted
1	Total Sales (MU)	166.55	166.56	166.56
2	**Distribution loss (%)**	**3.99%**	**3.93%**	**2.12%**
3	Distribution loss (MU)	6.91	6.81	3.61
4	Input at AKVN boundary (MU)	173.46	173.37	170.17
5	**Transmission loss (%)**	**3.51%**	**2.55%**	**3.51%**
6	Transmission loss (MU)	4.53	4.54	6.19
7	Input at G-T interface (MU)	177.99	177.91	176.36

Sr. No.	Particular	Approved in Provisional True Up	Claimed	Admitted
8	**PGCIL Losses %**	**3.61%**	**1.86%**	**3.61%**
9	PGCIL Losses (MU)	3.37	1.65	3.20
10	**Power Purchase Requirement (MU)**	**181.36**	**179.56**	**179.56**

Power Purchase Cost

Petitioner's Submissions

3.6 The Petitioner has submitted that it has purchased power from various sources, viz., NTPC, MPPKVVCL and MPPMCL for FY 2011-12. The power purchase also includes the over/under drawl and consequent Unscheduled Interchange (UI) charges applicable.

3.7 Further, the monthly source-wise power purchase details as per the power purchase bills have been submitted and the UI units and charges have been taken from the MP SLDC website.

3.8 The Petitioner submitted that there is some variation in the power purchase cost as claimed in the True up Petition and as considered in the annual accounts on account of various reasons as follows:

- Power Purchase bills of MP Tradeco amounting to Rs. 1.93 Crore were not considered in annual accounts of FY 2011-12, as they were paid in FY 2014-15. The same are being claimed under power purchase cost in FY 2011-12.
- Security deposit amounting to Rs. 2.19 Crore is considered in the power purchase cost in the audited accounts for FY 2011-12 which is not claimed as power purchase cost in the present Petition.
- The actual cost of Rs. (0.81) Crore towards UI charges for over/under drawal of power in FY 2011-12 is not considered in the annual accounts however, the same is claimed in the present Petition.
- Moreover, MPIDC is entitled to the gross power purchase cost considering accrual basis of accounting however, in the audited annual accounts, the cost towards power purchase has been considered on actual payment basis which is

net of all rebates/incentives/penalties etc. and hence a lower value of power purchase cost is recorded in the annual accounts.

Commission's Analysis

3.9 The Commission approves Power Purchase Cost on actual basis based on audited accounts after giving due consideration to power purchase bills, the norms defined in the Regulations, and Tariff Orders.

3.10 For scrutiny of the power purchase cost, the Commission sought reconciliation of the power purchase cost as per Audited Account and Power Purchase Bills. In reply, vide email dated 27.12.2018, the Petitioner submitted reconciliation of power purchase cost for FY 2011-12 as follows:

Table 31: Reconciliation of Power Purchase Cost as submitted by the Petitioner for FY 2011-12 (Rs. Crore)

Particulars		Amount
As per Accounts		**68.74**
SD amount to West Discom	Less	2.19
Difference - not reconciled	Less	0.45
	Sub-total	**66.10**
Actual UI	Add	(0.81)
MPPMCL paid in 2015	Add	1.93
Total Claim		**67.22**

Table 32: Power Purchase Cost as per Bills as submitted by the Petitioner for FY 2011-12 (Rs. Crore)

Particulars	Amount
NTPC	20.61
MPPKVVCL	24.32
MPPMCL	17.89
UI	(0.81)
PGCIL	3.19
MPPTCL	1.97
SLDC	0.04
MP Tradeco Bill - missing bills	0.02
Total Claim	**67.22**

3.11 Analyzing the audited accounts of the Petitioner, the Commission has approved the total power purchase cost booked for the FY 2011-12 year strictly as per the audited account, thereby not allowing any amount for which payment has not been made in the year for which truing up is being done or not booked in the audited account. Accordingly, power purchase bills of MP Tradeco of Rs. 1.93 Crore for which payment has been made in FY 2014-15 and UI charges of Rs. (0.81) Crore not booked in the audited accounts for FY 2011-12 have not been considered by the Commission. The MP Tradeco bill of amount Rs. 1.93 Crore and UI charges of Rs. (0.81) Crore shall be considered in truing up of the year during which the payment has been made and booked in the audited accounts. Further, security deposit amounting to Rs. 2.19 Crore booked under the head of Power Purchase has not been allowed. Also, it is observed that there is additional amount of Rs. 0.45 Crore booked in the audited account of the Petitioner, which is not reconciling with the details of power purchase bills provided by the Petitioner. Accordingly, the said amount of Rs. 0.45 Crore has also not been allowed. Based on the above, the admitted Power Purchase Cost for FY 2011-12 is as follows:

Table 33: Power Purchase Cost Admitted by the Commission for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in provisional True Up	Claimed	As per Audited Accounts	Admitted
1	NTPC	20.30	20.61	63.77	**61.13***
2	MPPKVVCL	24.10	24.32		
3	MPPMCL	16.16	17.89		
4	Unscheduled Interchange (Credit)	1.70	(0.81)		
5	**Net Power Purchase Cost**	**62.26**	**62.00**		

**Note: Based on Petitioner submission in para 3.8, security deposit of Rs. 2.19 Crore and Rs. 0.45 Crore has not been considered.*

Transmission Charges and SLDC Charges

Petitioner's Submissions

3.12 The Petitioner has submitted that the PGCIL charges (for inter-state power purchase), MPPTCL charges (for intra-state power purchase) and SLDC charges are claimed based on the audited accounts for FY 2011-12, wherein the Transmission Charges have been considered under the head of total Power Purchase Cost and are not available separately.

3.13 The Petitioner has submitted that it is entitled to the gross transmission charges considering accrual basis of accounting however, in the audited annual accounts, the cost towards transmission charges has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of transmission charges is recorded in the annual accounts.

Commission's Analysis

3.14 The Commission has verified the Intra-State Transmission and SLDC charges from the audited accounts and accordingly approves the same for FY 2011-12 as per audited accounts as shown in the table below:

Table 34: Intra-State Transmission Charges and SLDC Charges admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per Audited Account	Admitted
1	Intra-State Transmission Charges	1.95	1.97	1.80	1.80
2	Inter-State Transmission Charges	1.97	3.19	2.95	2.95
3	SLDC Charges	0.23	0.04	0.22	0.22
4	**Total Transmission Charges**	**4.15**	**5.20**	**4.97**	**4.97**

GFA and Capitalisation

Petitioner's Submissions

3.15 The Petitioner has submitted that the total capitalization during FY 2011-12 is Rs. 1.34 Crore as against the approved capitalization of Rs. 1.16 Crore in the provisional True up order dated 20th September, 2012.

Commission's Analysis

3.16 The Commission has considered the closing balance of GFA admitted by the Commission in true up of FY 2010-11 as the opening GFA for FY 2011-12. The admitted capitalisation for FY 2011-12 as per the audited account by the Commission is as below:

Table 35: Capitalisation Admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per audited account	Admitted
1	Furniture and Fixture	0.00	0.04	0.04	0.04
2	Computers	0.00	0.00	0.00	0.00
3	Buildings	0.00	0.00	0.00	0.00
4	Plant and Machinery	1.155	1.29	1.29	1.29
5	**Total**	**1.155**	**1.34**	**1.34**	**1.34**

3.17 Accordingly, the GFA admitted by the Commission based on the above admitted capitalisation for FY 2011-12 is as below:

Table 36: GFA Admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	As per audited account	Admitted
1	Opening GFA	9.40	9.31	9.31	9.31
2	Addition During the Year	1.16	1.34	1.34	1.34
3	Deduction	0.00	-	-	-
4	Closing GFA	10.55	10.65	10.65	10.65

Funding of Capitalisation

Petitioner's Submissions

3.18 The Petitioner has submitted that the funding of above-mentioned capital expenditure is done through various sources which are mainly categorized under three headings namely:

i. Consumer Contribution;
ii. Equity; and
iii. Debt.

3.19 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution and grants) for FY 2011-12 is through equity. However, in view of the provisions of the MYT Tariff Regulation, 2009, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT Tariff Regulations, 2009 and also in line with the approach adopted by the Commission in the past.

Commission's Analysis

3.20 The Commission has restricted the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2009 applicable for MP State Discoms. The Funding allowed is as per the table below:

Table 37: Admitted funding for Capitalisation for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Total Capitalisation	1.34	1.34
2	Consumer Contribution	0.00	-
3	Total Capitalisation to be Funded	1.34	1.34
4	Normative Debt	0.94	0.94
5	Normative Equity	0.40	0.40

Operations and Maintenance Expenses

Petitioner's Submissions

Employee Expenses

3.21 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2011-12 as incurred by the Petitioner based on the audited financials is Rs. 1.79 Crore which also includes DA and terminal benefits.

A&G Expenses

3.22 The Petitioner has submitted that actual A&G expenses incurred for FY 2011-12 is Rs. 1.69 Crore, which is higher than A&G expenses of Rs. 1.15 Crore admitted by the Commission in the Provisional True up Order dated 20 September, 2012.

R&M Expenses

3.23 The Petitioner has submitted that the Commission in the Provisional True up Order for FY 2011-12 had considered the actual past expenses while specifying the norms for R&M expenses for the Discoms of the State. Same methodology was considered in case of the Petitioner. The Commission based on the scrutiny of the details of past expenses of the Petitioner had admitted expenses as 5% of opening GFA for FY 2011-12.

3.24 The actual R&M expenses based on the audited accounts for FY 2011-12 is Rs. 0.68 Crore, which is higher than the R&M expenses Admitted vide Tariff Order dated 20 September, 2012 at Rs. 0.47 Crore.

MPERC Fees

3.25 The Petitioner has submitted that the actual MPERC Fees for FY 2011-12 is nil.

Commission's Analysis

3.26 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff associated with power business.
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets at 5.00% of the Gross Fixed Asset.
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per Regulations.

3.27 The Commission has approved the Operation and Maintenance Expense in line with its approach followed in the order for approval of provisional truing up for FY 2011-12. Accordingly, the expenses towards the employees associated with power business has been approved as the actual at Rs. 1.79 Crore as per audited account for FY 2011-

12. The R&M Expense has been approved as 5.00% of the admitted opening GFA of Rs. 9.31 Crore, which amounts to Rs. 0.47 Crore. Further, the A&G expense has been considered as Rs. 1.69 Crore, as per actuals for FY 2011-12. Accordingly, the total O&M expense approved by the Commission for FY 2011-12 is as shown in the following table:

Table 38: O&M Expenses admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Admitted in Provisional True-Up Order	Claimed	As per Audited Account	Admitted
1	Employee Expenses	1.72	1.79	1.79	1.79
2	R&M Expenses	0.47	0.68	0.68	0.47
3	A&G Expenses	1.15	1.69	1.69	1.69
4	MPERC Fees	-	-	-	-
5	**Total O&M Expenses**	**3.34**	**4.16**	**4.16**	**3.94**

Depreciation

Petitioner's Submissions

3.28 The Petitioner has submitted that the rate of depreciation as specified in the Tariff Regulations, 2009 have been considered for the computation of depreciation. Further, the Petitioner has submitted that it has reduced the amortization of the assets capitalized from the consumer contribution and grants. Accordingly, net depreciation on GFA for FY 2011-12 after reducing amortization on consumer contribution and grant is Rs. 0.32 Crore.

Commission's Analysis

3.29 The Commission has considered the net capitalization for FY 2011-12 as per the Audited Accounts as detailed in Table 37 of this chapter. Further, the Commission has not allowed depreciation on assets funded by Consumer Contribution and grants. Accordingly, the Commission has approved Depreciation for FY 2011-12 considering the rates of depreciation as per MPERC Tariff Regulations, 2009 applicable for MP State Discoms on class of assets as per the audited accounts. The computation of depreciation approved by the Commission is provided in the table below:

Table 39: Gross Depreciation admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Depreciation (%)	Opening GFA	Net Addition during the year	Closing GFA	Average GFA	Gross Depreciation	Weightage Average Depreciation rate (%)
1	Furniture & Fixtures	6.33%	0.01	0.04	0.06	0.04	0.00	
2	Computers	5.28%	0.05	0.00	0.05	0.05	0.00	
3	Buildings	3.34%	1.78	0.00	1.78	1.78	0.06	
4	Plant & Machinery	5.28%	7.47	1.29	8.76	8.12	0.43	
5	**Total**		**9.31**	**1.34**	**10.65**	**9.98**	**0.49**	**4.94%**

Table 40: Net Depreciation admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	*9.31*
2	*Adjustment*	*-*
3	*Opening Consumer contribution and Grants*	*3.47*
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**5.84**
5	*Net addition to GFA*	*1.34*
6	*Addition in consumer contribution and grants*	*-*
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**1.34**
8	*Gross Closing GFA*	*10.65*
9	*Closing Contribution and Grants*	*3.47*
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**7.18**
11	**Average GFA**	**6.51**
12	Depreciation Rate (%)	4.94%
13	**Depreciation**	**0.32**

Interest and Finance Charges

Petitioner’s submissions

3.30 The Petitioner has submitted that for assessing the interest charges on loans for FY 2011-12, opening balance of loan for FY 2011-12 has been considered as normative closing loan of FY 2010-11. The normative loan addition of Rs. 0.94 Crore has been considered based on the actual capitalisation of Rs. 1.34 Crore for FY 2011-12.

3.31 Further, the Petitioner has submitted that in line with the approach adopted by the Hon'ble Commission in its Provisional True Up Order dated 20 September, 2012 and as prescribed by Tariff Regulations, 2009, repayment during the year has been considered equal to depreciation charged for the financial year.

3.32 The Petitioner has submitted that since the Petitioner does not have any actual loans and hence in line with the Commission's methodology, the weighted average rate of interest of the West Discom of 9.77% as admitted by the Commission in its True up Order for FY 2011-12 for the State Discoms dated 22nd July, 2014 is considered.

3.33 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2011-12, is as per the audited annual accounts.

Commission's Analysis

3.34 The Petitioner does not have any actual loan, hence the Commission has considered the normative opening loan for FY 2011-12 as the closing loan balance for FY 2010-11. Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution) and repayment equivalent to admitted depreciation for the year. Interest on loan has been computed on average of opening and closing loan balance at interest rate of 9.26% as admitted by the Commission for three State Discoms in its True-up Order for FY 2011-12 dated 22 July, 2014 in line with the view taken by the Commission in true up of FY 2010-11.

3.35 Further, the Commission has admitted the opening security deposit and interest on consumer security deposit as per the Audited Accounts of FY 2011-12. Accordingly, the total interest and finance charges admitted for FY 2011-12 is as below:

Table 41: Interest and finance charges admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up Order	Claimed	Admitted
1	Net Opening Loan (closing of previous year)	4.63	3.32	3.21
2	Addition to net debt during the year		0.94	0.94
3	Repayment during the year (equal to depreciation)	0.29	0.32	0.32
4	Closing Loan (Sr. No. 1 + Sr. No. 2 – Sr. No. 3)	4.35	3.94	3.82
5	Interest Rate (%)	8.60%	9.77%	9.26%

Sr. No.	Particulars	Approved in Provisional True Up Order	Claimed	Admitted
6	**Interest on Loans**	**0.40**	**0.35**	**0.33**
7	**Interest on Consumer Security Deposit**	**0.59**	**0.74**	**0.74**
8	**Total Interest and Finance Charges (6+7)**	**0.99**	**1.09**	**1.07**

Interest on Working Capital

Petitioner's Submissions

3.36 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2009.

3.37 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1st April 2011 as provided in Tariff Regulations, 2009.

Commission's Analysis

3.38 Tariff Regulations, 2009 specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power

ii. Purchase cost of one month and any consumer security deposit,

iii. O&M expenses for one month, and

iv. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

3.39 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and

ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

3.40 Further, as per the MPERC Tariff Regulations, 2009 and its amendments thereof, applicable for State Discoms, the rate of interest on working capital shall be equal to the State Bank Base Rate as on 1^{st} of April of the relevant year plus 400 basis points. However, on analysis of the working capital requirement, it is observed that the net working capital for the Petitioner for FY 2011-12 comes out to be zero. Hence, the Commission has not admitted any interest on working capital, which is as below:

Table 42: Interest on Working Capital admitted by the Commission (Rs. Crore)

For wheeling activity				
Sr. No.	**Particulars**	**Months**	**Claimed**	**Admitted**
A)	1/6th of annual requirement of inventory for previous year	2.00	0.01	0.01
B) i)	Total of O&M expenses			3.94
B) ii)	1/12th of total O&M expenses	1.00	0.35	0.33
C)	Receivables			
C) i)	Annual Revenue from wheeling charges		-	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	-	-
D)	Total Working capital (A+B ii)+Cii))		0.36	0.34
E)	Rate of Interest		13.00%	12.25%
F)	**Interest on Working capital**		**0.05**	**0.04**
For Retail Activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.00	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges (as per audited accounts)			83.94
B) ii)	Receivables equivalent to 2 months average billing	2.00	14.02	13.99
C)	Power Purchase expenses			64.08
C) i)	1/12th of power purchase expenses	1.00	5.76	5.34
D)	Consumer Security Deposit		10.77	10.77
E)	Total Working capital (A+B ii) - C i) - D)		(2.17)	(2.12)
F)	Rate of Interest		13.00%	12.25%
G)	**Interest on Working capital**		**(0.28)**	**(0.26)**
	Summary			
	For wheeling activity		**0.05**	**0.04**
	For Retail Sales activity		**(0.28)**	**(0.26)**
	Total Interest on working Capital		**(0.23)**	**(0.22)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner's Submissions

3.41 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognized by the Commission.

3.42 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

3.43 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

3.44 The Petitioner had sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 had disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference.

> *"ii. Land Premium and Lease rent charges:*
>
> *…….*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the*

consumers. The claim made by the petitioner in this regard is not sustainable."

3.45 Further, the Tariff Regulations, 2009 also provide for lease rent charges as an expenditure to be approved as a part of ARR of a distribution licensee. The relevant Regulation is reproduced below:

"31.1 Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."

3.46 The Petitioner further submitted that there have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses. A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had approved the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

3.47 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2010-11.

Commission's Analysis

3.48 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

3.49 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

3.50 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

3.51 The Petitioner has submitted that it has computed the Return on Equity (RoE) considering rate of 16% as per MPERC Tariff Regulations, 2009. The Opening Equity for FY 2011-12 has been considered as the normative closing equity for FY 2010-11.

Commission's Analysis

3.52 Return on Equity has been computed on pre-tax basis @ 16% as per Tariff Regulations, 2009. The total equity identified along with RoE as admitted for FY 2011-12 is tabulated below:

Table 43: Return on Equity admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up order	Claimed	Admitted
1	Opening Equity (Closing of the Previous Year)	1.89	1.79	1.75
2	30% of addition to net GFA considered as funded through equity		0.40	0.40
3	Total equity associated with GFA at the end of the year		2.20	2.15
4	Average equity associated with GFA at the end of the year		2.00	1.95
5	Rate of Return on equity		16%	16%
6	**Return on Equity**	**0.30**	**0.32**	**0.31**

Income Tax

Petitioner's Submissions

3.53 The Petitioner has submitted that The Appellate Tribunal for Electricity in its Judgment in Appeal No. 71 of 2013 dated 30 October, 2014 had ruled the following regarding the income tax:

"38. We find that the Appellant had claimed income tax for FY 2010-11 as per the balance sheet but for FY 2011-12 and 2012-13 no supporting details were furnished. The State Commission felt that the amount claimed by the Appellant was very high when compared to the profit earned from the power business. In the absence of the requisite information, the State Commission has admitted the income tax based on admitted cost of return on equity at applicable income tax rates. The State Commission has, however, submitted that the claim of the Appellant for income tax shall be duly considered at the time of true-up based on the duly audited financial statements of its power business."

3.54 The Petitioner has submitted that MPIDC has now prepared separate accounts for power business which are audited. The Income tax in the audited annual accounts has been actually paid and the same is apportioned in the ratio income earned by the power and non-power business. Accordingly, an Income Tax of Rs. 5.49 Crore has been claimed in the present Petition.

Commission's Analysis

3.55 The Commission in order for approval of provisional true up of FY 2011-12 had approved Income Tax of Rs. 0.09 Crore limited to the income from RoE admitted by the Commission. The Commission has worked out the allocation of actual income tax paid based on profit before tax for FY 2011-12 for SEZ Power Business as shown in the Table below:

Table 44: Income Tax allocated to Power Business for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Actual Income tax for AKVN as a whole	7.62
2	Profit before tax for AKVN as a whole	22.93
3	Profit before tax for Power Business	5.53
4	**Prorated Income Tax**	**1.84**

3.56 Based on the above, the Commission has admitted the pro-rated income tax of Rs. 1.84 Crore computed corresponding to the profit before tax booked in the account of the Petitioner for power business.

Other Income

Petitioner's Submissions

3.57 The Petitioner has claimed other income amounting Rs. 0.155 Crore based on Audited Accounts for FY 2011-12, details of which are shown in the table below:

Table 45: Other Income Submitted by the Petitioner for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Miscellaneous income	-
2	Interest received on deposits with MPSEB	0.147
3	Shutdown Charges	-
4	Surcharge Received on Power Bill	-
5	Power Application Processing fees	0.008
6	**Total other income**	**0.155**

Commission's Analysis

3.58 The Commission has verified the other income of Rs. 0.15 Crore claimed by the Petitioner from audited account for FY 2011-12 and hence the same has been admitted for FY 2011-12.

3.59 In reference to above, the ARR as admitted for FY 2011-12 is presented in the following table:

Table 46: Aggregate Revenue Requirement as admitted for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
1	Power Purchase Cost	62.27	63.95	61.13
2	Inter State Transmission charges	1.95	3.19	2.95
3	Intra State Transmission charges	1.97	1.97	1.80
4	SLDC Charges	0.23	0.04	0.22
5	Employee expenses	1.72	1.79	1.79

Sr. No.	Particulars	Approved in Provisional True Up	Claimed	Admitted
6	R&M expenses	0.47	0.68	0.47
7	A&G expenses	1.15	1.69	1.69
8	MPERC and MPPMCL Fees & others	0.00	0.00	0.00
9	Depreciation	0.29	0.32	0.32
10	Interest and Finance Charges	0.59	1.09	1.07
11	Interest on Working Capital	0.00	0.00	0.00
12	Return on Equity	0.70	0.32	0.31
13	Lease Rent	0.00	4.64	0.00
14	Other Expenses	0.00	0.00	0.00
15	Income Tax	0.00	5.49	1.84
16	**Total Expenditure**	**71.34**	**85.17**	**73.58**
17	Less: Other Income	0.10	0.15	0.15
18	**Aggregate Revenue Requirement**	**71.24**	**85.02**	**73.43**

Revenue from sale of power

Petitioner's Submissions

3.60 The Petitioner has submitted that the revenue from sale of power for FY 2011-12 is Rs. 83.94 Crore.

Commission's Analysis

3.61 The Commission has admitted the actual revenue of Rs 83.94 Crore from sale of power to the consumers as per the Audited Accounts for FY 2011-12.

Revenue Gap/Surplus for True-up Of ARR for FY 2011-12

3.62 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2011-12 for adjustment through Retail Tariffs in future:

Table 47: Revenue Gap/Surplus admitted by the Commission for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	**ARR**	**85.02**	**73.43**
2	Revenue from Sale of Power	83.94	83.94
3	**Revenue Gap / (Surplus) (1-2)**	**1.08**	**(10.51)**

4. TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2012-13

Sales

Petitioner's Submissions

4.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2012-13 as 180.32 MU.

Commission's Analysis

4.2 The Commission has observed that Audited Accounts for FY 2012-13 does not indicate the actual sales, therefore the Commission verified the sales from the R-15 statement submitted by the Petitioner. Accordingly, the Commission has admitted the actual sales as filed by the Petitioner and as reflected in the R-15 statement for FY 2012-13. The claimed sales and the admitted sales for FY 2012-13 is as below:

Table 48: Category wise sales admitted by the Commission for FY 2012-13 (in MUs)

Sr. No.	Consumer category	As per Tariff Order	As per True-up Petition	Admitted
1	**LT consumer categories**			
2	Non-Domestic		-	-
3	Public Water Works and Street Light	0.14	0.26	0.26
4	Industrial	0.54	0.07	0.07
5	**Total LT Sale**	**0.68**	**0.33**	**0.33**
6	**HT Consumer Categories**			
7	Industrial	187.30	179.99	179.99
8	Non-Industrial	-	-	-
9	Total HT Sale	**187.30**	**179.99**	**179.99**
10	**Total LT+HT Sale**	**187.98**	**180.32**	**180.32**

Power Purchase Requirement

Petitioner's Submissions

4.3 The Petitioner has submitted that its actual distribution loss for FY 2012-13 was 2.38% as against the approved level of 3.99% by the Commission in tariff order for FY 2012-13. Power purchase requirement claimed by the Petitioner for FY 2012-13 is 194.03 MU. Further, the Petitioner has claimed Intra-State and Inter-State transmission loss of 3.30% and 3.28% respectively.

Commission's Analysis

4.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by them. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2012-13 and found it in line with the Petitioner's submission. The Commission has approved the intra-State transmission losses as per actual MPPTCL transmission loss of 3.30% for FY 2012-13. Further, with regard to Inter-State transmission losses it is observed that the Petitioner has claimed 3.28% losses, whereas actual PGCIL losses (Western Region) is 3.24% only. Therefore, the Commission has approved the Inter-State losses of 3.24% as per actual PGCIL losses (Western Region).

4.5 Accordingly, the Commission has computed the distribution losses of 2.40% for FY 2012-13 as against 2.38% claimed by the Petitioner.

4.6 The energy balance / power purchase requirement computed by the Commission on the basis of the sales and losses admitted by the Commission for the Petitioner for FY 2012-13 is presented in the following table:

Table 49: Power Purchase Requirement worked out by the Commission for FY 2012-13

Sr. No.	Particular	As per Tariff Order	Claimed	Approved
1	Total Sales (MU)	187.98	180.32	180.32
2	**Distribution loss (%)**	**3.99%**	**2.38%**	**2.40%**
3	Distribution loss (MU)	7.81	4.40	4.43
4	Input at AKVN boundary (MU)	195.79	184.72	184.75
5	**Transmission loss (%)**	**3.51%**	**3.30%**	**3.30%**
6	Transmission loss (MU)	5.12	6.30	6.30
7	Input at G-T interface (MU)	200.91	191.02	191.06

Sr. No.	Particular	As per Tariff Order	Claimed	Approved
8	**PGCIL Losses %**	**3.61%**	**3.28%**	**3.24%**
9	PGCIL Losses (MU)	3.17	3.01	2.97
10	**Power Purchase Requirement (MU)**	**204.08**	**194.03**	**194.03**

Power Purchase Cost & Transmission Charges

Petitioner's Submissions

4.7 The Petitioner has submitted that it has purchased power from various sources, viz., NTPC, MPPKVVCL and MPPMCL for FY 2012-13. Further, the power purchase also includes the over/under drawl and consequent Unscheduled Interchange (UI) charges applicable.

4.8 The monthly source-wise power purchase details as per the power purchase bills are submitted and the UI units and charges have been taken from the MP SLDC website.

4.9 There is some variation in the power purchase cost as claimed in the True up Petition and as considered in the annual accounts on account of various reasons as follows:

- A power purchase bill of NTPC amounting to Rs. 1.76 Crore for FY 2012-13 was not considered in the audited accounts as it was paid in the next year. However, the same is claimed in the present Petition.
- The actual cost of Rs. (4.88) Crore towards UI charges for over/under drawl of power in FY 2012-13 is not considered in the annual accounts, however, the same is claimed in the present Petition.
- Power Purchase bills of MP Tradeco amounting to Rs. 0.61 Crore were not considered in annual accounts for FY 2012-13, as they were paid in the next year. The same are being claimed under power purchase cost for FY 2012-13.
- Moreover, MPIDC is entitled to the gross power purchase cost considering accrual basis of accounting however, in the audited annual accounts, the cost towards power purchase has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of power purchase cost is recorded in the annual accounts.

4.10 The Petitioner has submitted that the PGCIL charges (for inter-state power purchase), MPPTCL charges (for intra-state power purchase) and SLDC charges are claimed based on the audited accounts for FY 2012-13 wherein the Transmission Charges have been considered under the head of total Power Purchase Cost and are not available separately.

4.11 The Petitioner has submitted that it is entitled to the gross transmission charges considering accrual basis of accounting however, in the audited annual accounts, the cost towards transmission charges has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of transmission charges is recorded in the annual accounts.

Commission's Analysis

4.12 The Commission approves Power Purchase Cost on actual basis based on audited accounts after giving due consideration to the norms defined in the Regulations and Tariff Orders.

4.13 For scrutiny of the power purchase cost, the Commission sought reconciliation of the power purchase cost as per Audited Account and Power Purchase Bills. In reply, vide email dated 27.12.2018, the Petitioner submitted reconciliation of power purchase cost for FY 2012-13 as follows:

Table 50: Reconciliation of Power Purchase Cost as submitted by the Petitioner for FY 2012-13 (Rs. Crore)

Particulars		Amount
As per Accounts		**77.49**
MPPMCL paid in 2015	add	0.61
March 13 bill not considered	add	1.76
Actual UI	add	(4.88)
Diff. due to gross amount	add	0.96
Total Claim		**75.94**

Table 51: Power Purchase Cost as per Bills as submitted by the Petitioner for FY 2012-13 (Rs. Crore)

Particulars	Amount
NTPC	20.64
MPPKVVCL	27.52
MPPMCL	26.66
UI	(4.88)

Particulars	Amount
PGCIL	3.27
MPPTCL	2.71
SLDC	0.02
WRDC/ ISTS charges	0.00
Total Claim	**75.94**

4.14 It is observed that the distribution losses achieved by the petitioner for FY 2012-13 is less than the approved loss level of 3.99%. Hence after analyzing the audited accounts of the Petitioner, the Commission has approved the total power purchase cost booked for the said year strictly as per the audited account. Based on the analysis of the audited accounts of FY 2012-13 of the Petitioner, it is observed that all the expense (Transmission, SLDC & other charges) related to power purchase has been booked under the same head of Power Purchase Cost. Hence for the sake of clarity, the Commission has approved the total power purchase cost booked for the said year strictly as per the audited accounts, thereby not allowing any amount for which payment has not been made in the year for which truing is being done or not booked in the audited account. Accordingly, Power Purchase bill of Rs. 1.76 Crore and Rs. 0.61 Crore of NTPC and MP Tradeco, respectively, for which payment has been made next year has not been considered by the Commission. Further, the UI charges of 4.88 Crore (Credit) not booked in the audited account of FY 2012-13 has not been considered by the Commission. The same shall be considered during truing up of subsequent years during which payment has been made and booked in audited account.

4.15 Further, the Commission has prorated the Power Purchase Cost based on the admitted Energy requirement for FY 2012-13. Accordingly, the admitted Power Purchase Cost (inclusive of Transmission Charges, SLDC & Other Charges) for FY 2012-13 is as follows:

Table 52: Power Purchase Cost (inclusive of Transmission Charges) admitted by the Commission for FY 2012-13 (Rs. Crore)

Power Purchase from	As per Tariff Order	Claimed Cost	As per Audited Accounts	Approved Cost
NTPC	24.35	20.64	**77.49**	**77.49**
MPPKVVCL	30.89	27.52		

Power Purchase from	As per Tariff Order	Claimed Cost	As per Audited Accounts	Approved Cost
MPPMCL	27.81	26.66		
Unscheduled Interchange (Credit)	0.00	(4.88)		
Net Power Purchase Cost	83.05	69.93		
Inter State Transmission charges	1.80	3.27		
Intra State Transmission charges	2.07	2.71		
SLDC & Other Charges	0.23	0.02		
Total	**87.15**	**75.93**		

GFA and Capitalisation

Petitioner's Submissions

4.16 The Petitioner has submitted that the total capitalization of during FY 2012-13 is Rs. 2.08 Crore and there is a reduction in consumer contribution by Rs. (2.07) Crore.

Commission's Analysis

4.17 The Commission has considered the closing balance of GFA admitted by it in the True-up order for the previous year as the opening balance of GFA for FY 2012-13. The Commission has admitted the capitalisation as per the Audited Accounts for FY 2012-13 as below:

Table 53: Capitalisation Admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Claimed	As per Audited Account	Admitted
1	Furniture and Fixture	0.00	0.00	0.00
2	Computers	0.00	0.00	0.00
3	Buildings	1.23	1.23	1.23
4	Plant and Machinery	0.85	0.85	0.85
5	**Total**	**2.08**	**2.08**	**2.08**

4.18 The GFA admitted for FY 2012-13 based on the capitalisation admitted by the Commission is as below:

Table 54: GFA Admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Claimed GFA	As per Audited Account	Admitted GFA
1	Opening GFA	10.65	10.65	10.65

Sr. No.	Particulars	Claimed GFA	As per Audited Account	Admitted GFA
2	Addition During the Year	2.08	2.08	2.08
3	Deduction	-	-	-
4	Closing GFA	12.74	12.74	12.74

Funding of Capitalisation

Petitioner's Submissions

4.19 The Petitioner has submitted that the funding of above-mentioned capital expenditure is done through various sources which are mainly categorized under three headings namely:

i. Consumer Contribution;
ii. Equity; and
iii. Debt.

4.20 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution) for FY 2012-13 is through equity. However, in view of the provisions of the MYT Tariff Regulation, 2009, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT Tariff Regulations, 2009 and also in line with the approach adopted by the Commission in the past.

Commission's Analysis

4.21 The Commission has continued with the approach of limiting the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2009 applicable for MP State Discoms. On analysis of the audited accounts, it is observed that the petitioner has reduced the Consumer Contribution by Rs. 2.01 Crore by recognizing it as other income. However, the same has not been accounted for in the other income for FY 2012-13. Therefore, the same has not been considered by the Commission and the consumer contribution and grants received during FY 2012-13 have been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). Accordingly, the approved funding of capitalization of FY 2012-13 is as follows:

Table 55: Admitted funding for Capitalisation for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Total Capitalisation	2.08	2.08
2	Consumer Contribution	(2.07)*	0.16
3	Total Capitalisation to be Funded	4.15	1.92
4	Normative Debt	2.91	1.34
5	Normative Equity	1.25	0.58

**Note: The Petitioner has reduced an amount of Rs. 2.01 Crore from consumer contribution, however, the same has not been included in Other income.*

Operations and Maintenance Expenses

Petitioner's Submissions

4.22 The Petitioner has submitted that the Operations and Maintenance (O&M) Expenses consists of the following elements :

- Employee Expenses
- Repairs and Maintenance Costs
- Administrative and General Expenses
- MPERC Expenses

Employee Expenses

4.23 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2012-13 as incurred by the Petitioner based on the audited financials is Rs. 3.51 Crore which also includes DA and terminal benefits.

A&G Expenses

4.24 The Petitioner has submitted that actual A&G expenses incurred for FY 2012-13 is Rs. 1.69 Crore, which is higher than A&G expenses admitted by the Commission in the Provisional True up Order dated 20 September, 2012.

R&M Expenses

4.25 The Petitioner has submitted that the Commission in the Provisional True up Order for FY 2012-13 had considered the actual past expenses while specifying the norms for R&M expenses for the Discoms of the State. Same methodology was considered in case of the Petitioner. The Commission based on the scrutiny of the details of past expenses of the Petitioner had admitted expenses as 5% of opening GFA for FY 2012-13.

4.26 The actual R&M expenses based on the audited accounts for FY 2012-13 is Rs. 0.21 Crore as compared to the R&M expenses Admitted vide Tariff Order dated 20 September, 2012 at Rs. 0.53 Crore.

MPERC Fees

4.27 The Petitioner has submitted that the actual MPERC Fees for FY 2012-13 is Rs. 0.01 Crore.

Commission's Analysis

4.28 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff associated with power business.
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets at 5.00% of the Gross Fixed Asset.
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per Regulations.

4.29 The Commission has approved the Operation and Maintenance Expense in line with its approach followed in approval of ARR for FY 2012-13. Accordingly, the expenses towards the employees associated with power business has been approved as the actual at Rs. 3.51 Crore as per audited account for FY 2012-13. The R&M Expense has been approved as 5% of the admitted opening GFA of Rs. 10.65 Crore, which amounts to Rs. 0.53 Crore. Further, the A&G expense has been considered as Rs. 1.69 Crore, as per actuals. Accordingly, the total O&M expense approved by the Commission for FY 2012-13 is as per the following table:

Table 56: O&M Expenses admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	As per Audited Accounts	Admitted
1	Employee Expenses	1.87	3.51	3.51	3.51
2	R&M Expenses	0.53	0.21	0.21	0.53
3	A&G Expenses	1.27	1.69	1.69	1.69
4	MPERC Fees	0.00	0.01	0.01	0.01
5	**Total O&M Expenses**	**3.67**	**5.42**	**5.42**	**5.75**

Depreciation

Petitioner's Submissions

4.30 The Petitioner has submitted that the rate of depreciation as specified in the Tariff Regulations, 2009 have been considered for the computation of depreciation. The additions to asset have been considered as per the actual capitalization for FY 2012-13.

4.31 The Petitioner has further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution. Accordingly, net depreciation on GFA for FY 2012-13 after reducing amortization on consumer contribution is Rs. 0.45 Crore.

Commission's Analysis

4.32 The Commission has considered the net capitalization for FY 2012-13 as per the Audited Accounts, as detailed in Table 55 of this chapter. Further, the Commission has not allowed depreciation on assets funded by Consumer Contribution and grants. Accordingly, the Commission has approved Depreciation for FY 2012-13 considering the rates of depreciation as per MPERC Tariff Regulations, 2009 applicable for MP State Discoms on class of assets as per the audited accounts. The computation of depreciation approved by the Commission is provided in the table below:

Table 57: Gross Depreciation admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Opening GFA	Net Addition during the year	Closing GFA	Gross Depreciation	Weightage Average Depreciation rate (%)
1	Furniture & Fixtures	0.06	0.00	0.06	0.06	
2	Computers	0.05	0.00	0.05	0.05	
3	Buildings	1.78	1.23	3.01	2.40	
4	Plant & Machinery	8.76	0.85	9.62	9.19	
5	**Total**	**10.65**	**2.08**	**12.74**	**11.69**	**4.89%**

Table 58: Net Depreciation admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	10.65
2	*Adjustment*	-
3	*Opening Consumer contribution and Grants*	3.47
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**7.18**
5	*Net addition to GFA*	2.08
6	*Addition in consumer contribution and grants*	0.16
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**2.08**
8	*Gross Closing GFA*	12.74
9	*Closing Contribution and Grants*	3.63
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**9.10**
11	**Average GFA**	**8.14**
12	Depreciation Rate (%)	4.89%
13	**Depreciation**	**0.40**

Interest and Finance Charges

Petitioner's submissions

4.33 The Petitioner has submitted that for assessing interest charges on loans in FY 2012-13, the opening balance of Loans has been considered as the normative closing loan balance for the previous year. The loan addition in FY 2012-13 is considered at Rs. 2.91 Crore based on the actual capitalisation during FY 2012-13.

4.34 In line with the approach adopted by the Commission in its Tariff Order dated 20 September, 2012 and as prescribed by Tariff Regulations, 2009, repayment during the year has been considered equal to depreciation charged for the financial year.

4.35 Since the Petitioner does not have actual loans and hence in line with the Commission's methodology, the weighted average rate of interest of the West Discom of 10.61% as admitted by the Hon'ble Commission in its True up Order for FY 2012-13 for the State Discoms dated 17 March, 2016 is considered.

4.36 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2012-13, as per the audited annual accounts.

Commission's Analysis

4.37 The Commission has considered the opening loan balance as the closing loan balance of the previous Order. Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution) and repayment equivalent to admitted depreciation for the year. Interest on loan has been computed at average of opening and closing balance of loan at 8.71% as admitted by the Commission for three State Discoms in its True-up Order for FY 2012-13 dated 17th March, 2016 in line with the view taken by the Commission in true up of FY 2010-11.

4.38 The Commission, for True-up of ARR for FY 2012-13, has admitted the opening security deposit and interest on consumer security deposit as per the Audited Accounts. The total interest and finance charges, as admitted for FY 2012-13, are as below:

Table 59: Interest and Finance charges admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Opening GFA		10.65	10.65
2	Less: Consumer Contribution & Grants		3.33	3.47
3	GFA net of Consumer Contribution & Grants		7.32	7.18
4	Gross Opening Loan (70% of Sr. No. 3)		5.13	5.03
5	Less: Cumulative Depreciation (Repayment)		1.19	1.20
6	Opening Loan (Sr. No. 4 – Sr. No. 5)	0.68	3.94	3.82
7	Addition to net debt during the year (Sr. No. 4		2.91	1.34

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
	of Table 18)			
8	Repayment (equal to depreciation, Sr. No. 11 of table 21)	0.37	0.45	0.40
9	Closing Loan (Sr. No. 6 + 7 – 8)	5.91	6.39	4.77
10	Interest Rate (%)	8.60%	10.61%	8.71%
11	**Interest on Loans**	**0.54**	**0.55**	**0.37**
12	**Interest on Consumer Security Deposit**	**0.63**	**0.77**	**0.77**
13	**Total Interest and Finance Charges (Sr. No. 11+ Sr. No. 12)**	**1.17**	**1.32**	**1.14**

Interest on Working Capital

Petitioner's Submissions

4.39 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2009.

4.40 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1st April 2012 as provided in Tariff Regulations, 2009.

Commission's Analysis

4.41 Tariff Regulations specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power
ii. Purchase cost of one month and any consumer security deposit,
iii. O&M expenses for one month, and
iv. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

4.42 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and

ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

4.43 Further, as per the MPERC Tariff Regulations, 2009 and its amendments thereof, applicable for State Discoms, the rate of interest on working capital shall be equal to the State Bank Base Rate as on 1st of April of the relevant year plus 400 basis points. Accordingly, the Commission has considered rate of 14.00% for computing the interest on working capital for FY 2012-13. However, on analysis of the working capital requirement, it is observed that the net working capital for the Petitioner for FY 2012-13 comes out to be zero. Hence, the Commission has not admitted any interest on working capital, which is as below:

Table 60: Interest on Working Capital admitted by the Commission for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Months	Claimed	Admitted
For Wheeling Activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.01	0.01
B) i)	Total of O&M expenses			5.75
B) ii)	1/12th of total	1.00	0.45	0.48
C)	Receivables			-
C) i)	Annual Revenue from wheeling charges		0.00	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working capital (A+B ii)+Cii))		0.47	0.49
E)	Rate of Interest		14.75%	14.00%
F)	**Interest on Working capital**		**0.07**	**0.07**
For Retail Activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.004	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges			90.35
B) ii)	Receivables equivalent to 2 months average	2.00	15.09	15.06

Sr. No.	Particulars	Months	Claimed	Admitted
	billing			
C)	Power Purchase expenses			74.76
C) i)	1/12th of power purchase expenses	1.00	6.33	6.23
D	Consumer Security Deposit		10.95	10.95
E)	Total Working capital (A+B ii) - C i) - D)		(1.74)	(2.12)
F)	Rate of Interest		14.75%	14.00%
G)	**Interest on Working capital**		**(0.26)**	**(0.30)**
	Summary			
	For wheeling activity		0.07	0.07
	For Retail Sales activity		(0.26)	(0.29)
	Total Interest on working Capital		**(0.19)**	**(0.23)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner's Submissions

4.44 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognized by the Commission.

4.45 As per Clause 33 of the MYT Regulations, 2015:

> *"33. Lease/ Hire Purchase charges.-*
>
> *Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."*

4.46 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

4.47 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

4.48 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference.

> *"ii. Land Premium and Lease rent charges:*
>
> *…….*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."*

4.49 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.

4.50 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.

4.51 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had approved the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

4.52 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2012-13.

Commission's Analysis

4.53 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

4.54 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

4.55 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

4.56 The Petitioner has submitted that it has computed the return on equity considering a rate of Return on Equity (RoE) at 16% as per MPERC Tariff Regulations, 2009. The Opening Equity for FY 2012-13 is considered as the closing normative equity for the previous year.

Commission's Analysis

4.57 RoE has been computed on pre-tax basis @ 16% as per Tariff Order dated 20 September, 2012. The total equity identified along with RoE as admitted for FY 2012-13 is tabulated below:

Table 61: Return on Equity admitted for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Opening Equity (Closing of the Previous Year)	2.34	2.20	2.15
2	30% of addition to net GFA considered as funded through equity		1.25	0.58
3	Total equity associated with GFA at the end of the year		3.44	2.73
4	Average equity associated with GFA at the end of the year		2.82	2.44
5	Rate of Return on equity (%)	16%	16%	16%
6	**Return on Equity**	**0.37**	**0.45**	**0.39**

Income Tax

Petitioner's Submissions

4.58 The Petitioner has submitted that the Income tax in the audited annual accounts has been actually paid and the same is apportioned in the ratio income earned by the power and non-power business as Rs. 2.09 Crore.

Commission's Analysis

4.59 The Commission has worked out the allocation of actual income tax paid based on profit before tax for FY 2012-13 for SEZ Power Business as shown in the Table below:

Table 62: Income Tax allocated to Power Business for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Actual Income tax as a whole	5.11
2	Profit before tax as a whole	16.48
3	Profit before tax for Power Business	1.71
4	**Prorated Income Tax**	**0.53**

3.63 Based on the above, the Commission has admitted the pro-rated income tax of Rs. 0.53 Crore computed corresponding to the profit before tax booked in the account of the Petitioner for power business.

Other Income

Petitioner's Submissions

4.60 The Petitioner has claimed other income amounting Rs. 0.18 Crore based on Audited Accounts for FY 2012-13, details of which are shown in the table below:

Table 63: Other Income Submitted by the Petitioner for FY 2012-13

Sr. No.	Particulars	Amount
1	Miscellaneous income	0.02
2	Interest received on deposits with MPSEB	0.16
3	Power Application Processing fees	0.00
4	**Total other income**	**0.18**

Commission's Analysis

4.61 The Commission has admitted the other income of Rs 0.18 Crore as per the Audited Accounts for FY 2012-13.

4.62 The ARR as admitted for FY 2012-13 is presented in the following table:

Table 64: Aggregate Revenue Requirement admitted by the Commission for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	As per tariff Order	Claimed	Admitted
1	Power Purchase Cost	83.05	69.93	77.49

Sr. No.	Particulars	As per tariff Order	Claimed	Admitted
2	Inter-State transmission charges	2.07	3.27	
3	Intra-State transmission charges	1.80	2.71	
4	SLDC Charges	0.23	0.02	
5	Employee Expenses	1.87	3.51	3.51
6	R&M Expenses	0.53	0.21	0.53
7	A&G Expenses	1.27	1.69	1.69
8	MPERC Fees	-	0.01	0.01
9	Depreciation	0.37	0.45	0.40
10	Interest & Finance Charges	0.63	1.32	1.14
11	Interest on Working Capital	-	0.00	0.00
12	Return on Equity	0.91	0.45	0.39
13	Other Expenses	-	-	0.00
14	Lease Rent	-	4.64	0.00
15	Income Tax	0.11	2.09	0.53
16	**Total Expenditure**	**92.84**	**90.30**	**85.70**
17	Less: Other Income	0.10	0.18	0.18
18	**Aggregate Revenue Requirement**	**92.74**	**90.12**	**85.52**

Revenue from sale of power

Petitioner's Submissions

4.63 The Petitioner has submitted that the revenue from sale of power for FY 2012-13 is Rs. 90.35 Crore.

Commission's Analysis

4.64 The Commission has admitted the actual revenue of Rs 90.35 Crore from sale of power to the consumers as per the Audited Accounts for FY 2012-13.

Revenue Gap/Surplus for True-up Of ARR for FY 2012-13

4.65 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2012-13 for adjustment through Retail Tariffs in future:

Table 65: Revenue Gap/Surplus admitted by the Commission for FY 2012-13 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	**ARR**	**90.12**	**85.52**
2	Revenue from Sale of Power	90.35	90.35
3	**Revenue Gap / (Surplus) (1-2)**	**(0.24)**	**(4.83)**

5. TRUE UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2013-14

Sales

Petitioner's Submissions

5.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2013-14 as 193.63 MU.

Commission's Analysis

5.2 The Commission has observed that the Audited Accounts for FY 2013-14 does not indicate the actual sales. Further, on inquiry it was informed by the Petitioner that it does not have R-15 statement for FY 2013-14. Therefore, in absence of any authentic source for verification of actual sales, the Commission has admitted the actual sales as filed by the Petitioner. However, the Commission directs the Petitioner to submit the R-15 for truing up of subsequent years. Accordingly, the claimed sales and admitted sales for FY 2013-14 is as below:

Table 66: Category wise sales admitted by the Commission for FY 2013-14 (MU)

Sr. No.	Consumer category	As per tariff Order	As per True-up Petition	Admitted
1	**LT consumer categories**			
2	Non-Domestic		0.04	0.04
3	Public Water Works and Street Light	0.21	0.28	0.28
4	Industrial	0.22	0.10	0.10
5	**Total LT Sale**	**0.43**	**0.42**	**0.42**
6	**HT Consumer Categories**			
7	Industrial	224.04	193.21	193.21
8	Non-Industrial	0.00	-	-
9	Total HT Sale	**224.04**	**193.21**	**193.21**
10	**Total LT+HT Sale**	**224.47**	**193.63**	**193.63**

Power Purchase Required

Petitioner's Submissions

5.3 The Petitioner has submitted that its actual distribution loss for FY 2013-14 was 2.32% as against the admitted level of 3.70% by the Commission in tariff order for FY 2013-14. Power Purchase requirement claimed by the Petitioner for FY 2013-14 is 209.47 MU. Further, the Petitioner has claimed Intra-State and Inter-State losses of 3.00% and 3.69% respectively.

Commission's Analysis

5.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by it. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2013-14 and found it in line with the Petitioner's submission. The Commission has approved the Intra-State transmission losses as claimed by the Petitioner at 3.00% for FY 2013-14 as the same is equal to the actual MPPTCL losses for FY 2013-14. Further, with regard to Inter-State transmission losses, it is observed that the Petitioner has claimed 3.69% losses, whereas the actual PGCIL losses (Western Region) is 2.77%. Therefore, the Commission has approved the actual PGCIL losses of 2.77% for FY 2013-14. The Commission has computed distribution losses as 2.93% for FY 2013-14, as against 2.32% claimed by the Petitioner.

5.5 The energy balance / power purchase requirement on the basis of the sales and losses admitted by the Commission for the Petitioner for FY 2013-14 is presented in the following table:

Table 67: Power Purchase Requirement worked out by the Commission for FY 2013-14

Sr. No.	Particular	As per tariff Order	Claimed	Admitted
1	Total Sales (MU)	224.04	193.63	193.63
2	**Distribution loss (%)**	**3.70%**	**2.32%**	**2.93%**
3	Distribution loss (MU)	8.63	4.60	5.84
4	Input at AKVN boundary (MU)	233.10	198.24	199.47

Sr. No.	Particular	As per tariff Order	Claimed	Admitted
5	**Transmission loss (%)**	**3.16%**	**3.00%**	**3.00%**
6	Transmission loss (MU)	3.93	6.13	6.17
7	Input at G-T interface (MU)	237.03	204.37	205.64
8	**PGCIL Losses %**	**3.64%**	**3.69%**	**2.77%**
9	PGCIL Losses (MU)	4.71	5.10	3.83
10	**Power Purchase Requirement (MU)**	**241.74**	**209.47**	**209.47**

Power Purchase Cost & Transmission Charges

Petitioner's Submissions

5.6 The Petitioner has submitted that it has purchased power from various sources, viz., NTPC, MPPKVVCL and MPPMCL for FY 2013-14. Further, the power purchase also includes the over/under drawl and consequent Unscheduled Interchange (UI) charges applicable.

5.7 The monthly source-wise power purchase details as per the power purchase bills are submitted and the UI units and charges have been taken from the MP SLDC website.

5.8 There is some variation in the power purchase cost as claimed in the True up Petition and as considered in the annual accounts on account of various reasons as follows:

- The amount of Rs. 4.32 Crore as per the O&M agreement with MPPKVVCL is considered under the power purchase cost in the annual accounts for FY 2013-14, which is claimed separately under the R&M expense head of the O&M expenses in the present Petition.
- A power purchase bill of NTPC amounting to Rs. 1.76 Crore for the previous year was considered in the audited accounts of FY 2013-14 as it was paid during FY 2013-14. However, since it is claimed in the Petition for FY 2012-13, it is not claimed in the present Petition.
- Payment of Rs. 6.21 Crore towards UI charges for over/under drawal of power was made in FY 2013-14 was considered in the audited accounts of FY 2013-14, however, the same is claimed in the present Petition as it is lump sum payment towards UI charges and not actual cost of UI for FY 2013-14.

- The actual cost of Rs. 6.12 Crore towards UI charges for over/under drawal of power in FY 2013-14 is not considered in the annual accounts, however, the same is claimed in the present Petition.
- Moreover, MPIDC is entitled to the gross power purchase cost considering accrual basis of accounting however, in the audited annual accounts, the cost towards power purchase has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of power purchase cost is recorded in the annual accounts.

5.9 For further scrutiny of the power purchase cost, the Commission sought reconciliation of the power purchase cost as per Audited Account and Power Purchase Bills. In reply, vide email dated 27.12.2018, the Petitioner submitted reconciliation of power purchase cost for FY 2013-14 as follows:

Table 68: Reconciliation of Power Purchase Cost as submitted by the Petitioner for FY 2013-14 (Rs. Crore)

Particulars		Amount
As per Accounts		**80.29**
March 13 bill considered	less	1.76
Payment of UI	less	6.21
O&M Expenses	less	4.32
	Sub-total	**68.00**
Actual UI	add	6.12
Diff. due to gross amount	add	1.37
Total Claim		**75.49**

Table 69: Power Purchase Cost as per Bills as submitted by the Petitioner for FY 2013-14 (Rs. Crore)

Particulars	Amount
NTPC	29.36
MPPKVVCL	30.85
MPPMCL	-
UI	6.12
PGCIL	4.71
MPPTCL	4.41

Particulars	Amount
SLDC	0.00
WRLDC/ Other Charges	0.04
Total Claim	**75.49**

5.10 Further, the Petitioner has submitted that the PGCIL charges (for inter-state power purchase), MPPTCL charges (for intra-state power purchase) and SLDC charges are claimed based on the audited accounts for FY 2013-14 wherein the Transmission Charges have been considered under the head of total Power Purchase Cost and are not available separately.

5.11 The Petitioner has also submitted that it is entitled to the gross transmission charges considering accrual basis of accounting however, in the audited annual accounts, the cost towards transmission charges has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of transmission charges is recorded in the annual accounts.

Commission's Analysis

5.12 The Commission approves Power Purchase Cost on actual basis based on audited accounts and power purchase bills, after giving due consideration to the norms defined in the Regulations and Tariff Orders.

5.13 Based on the analysis of the Audited Accounts of FY 2013-14 of the Petitioner, it is observed that the all the expense (Transmission, SLDC & other charges) related to power purchase has been booked under the same head of Power Purchase Cost. Hence for the sake of clarity, the Commission has approved the total power purchase cost booked for the said year strictly as per the audited accounts, thereby not allowing any amount for which payment has not been made in the year for which truing is being done or not booked in the audited account. Accordingly, the Commission has considered the NTPC bill of FY 2012-13 of Rs. 1.76 Crore for which payment has been made in FY 2013-14.

5.14 Further, the Commission has not considered Rs. 4.32 Crore towards repair and maintenance expense under the head of power purchase expense and the treatment of the same has shown in the O&M Expenses section of this chapter. Also, the UI charges of Rs. 6.21 Crore for which payment has been made in FY 2013-14 has been considered, whereas the UI charges of Rs. 6.12 Crore, which is not booked in the Audited Accounts for FY 2013-14 has not been considered. Accordingly, the approved Power Purchase Cost for FY 2013-14 is as follows:

Table 70: Power Purchase Cost (inclusive of Transmission Charges) Admitted by the Commission for FY 2013-14 (Rs. Crore)

Power Purchase from	Claimed	As per Audited Accounts	Admitted
NTPC	29.36		
MPPKVVCL	30.85		
MPPMCL	-		
Unscheduled Interchange (Credit)	6.12		
Net Power Purchase Cost	66.32	**80.29**	**75.97**
Intra-State Transmission Charges	4.41		
Inter-State Transmission Charges	4.71		
SLDC Charges	0.04		
Total	**75.48**		

GFA and Capitalisation

Petitioner's Submissions

5.15 The Petitioner has submitted that the actual capitalization of during FY 2013-14 is Rs. 3.08 Crore as against Rs. 1.25 Crore approved by the Commission in the tariff order dated 10th September, 2013.

Commission's Analysis

5.16 The Commission has considered the closing balance of GFA admitted by it in the True-up order for the previous year as the opening balance of GFA for FY 2013-14. The Commission has admitted the capitalisation as per the Audited Accounts for FY 2013-14 as below:

Table 71: Capitalisation Admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Claimed	As per Audited Accounts	Admitted
1	Furniture and Fixture	0.00	0.00	0.00
2	Computers	0.00	0.00	0.00
3	Buildings	0.06	0.06	0.06
4	Plant and Machinery	3.02	3.02	3.02
5	**Total**	**3.08**	**3.08**	**3.08**

5.17 The GFA admitted for FY 2013-14 based on the capitalisation admitted by the Commission is as below:

Table 72: GFA Admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Claimed GFA	As per Audited Account	Admitted GFA
1	Opening GFA	12.74	12.74	12.74
2	Addition During the Year	3.08	3.08	3.08
3	Deduction	-	-	-
4	Closing GFA	15.81	15.81	15.81

Funding of Capitalisation

Petitioner's Submissions

5.18 The Petitioner has submitted that the funding of above mentioned capital expenditure is done through various sources which are mainly categorized under three headings namely:

i. Consumer Contribution;
ii. Equity; and
iii. Debt.

5.19 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution) for FY 2013-14 is through equity. However, in view of the provisions of the MYT Tariff Regulation, 2015, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT

Tariff Regulations, 2012 and also in line with the approach adopted by the Commission in the past.

Commission's Analysis

5.20 The Commission has continued with the approach of limiting the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2012. The consumer contribution and grants received during the year have been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). Accordingly, the approved funding of the capitalization admitted by the Commission for FY 2013-14 is as follows:

Table 73: Admitted funding for Capitalisation for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	As per tariff Order	Claimed	Admitted
1	Total Capitalisation	1.25	3.08	3.08
2	Consumer Contribution & Grants	0.00	0.17	0.40
3	Total Capitalisation to be Funded	1.25	2.90	2.68
4	Normative Debt	0.87	2.03	1.87
5	Normative Equity	0.37	0.87	0.80

Operations and Maintenance Expenses

Petitioner's Submissions

Employee Expenses

5.21 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2013-14 as incurred by the Petitioner based on the audited financials is Rs. 3.60 Crore which also includes DA and terminal benefits.

A&G Expenses

5.22 The Petitioner has submitted that actual A&G expenses incurred for FY 2013-14 is Rs. 2.50 Crore.

R&M Expenses

5.23 The Petitioner has submitted that in the Tariff Order for FY 2013-14, the Commission had noted that the Petitioner had filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated 26 March, 2013 and sought approval of these expenses over and above the regular O&M expenses. Under this agreement, the MPPKVVCL has to undertake all activities related to Repairs & Maintenance and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission, in view of the difficulties faced by the Petitioner in the past related to its power business, had considered the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers and also due to the fact that MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system.

5.24 The actual R&M expenses based on the audited accounts for FY 2013-14 is Rs. 4.32 Crore which also includes the additional O&M expenses admitted vide agreement between MPIDC and MPPKVVCL dated 26 March, 2013 as well as the other routine maintenance expenses not covered under the scope of the agreement.

5.25 Further, the Petitioner has submitted that MPIDC is an SEZ whose area of operation is limited and cost of activities carried out for providing power supply gets apportioned over a smaller area, consumer base and asset base as compared to other State Discoms which have a wide area of operation and thus have the benefit of economies of scale which is not available to the Petitioner. Hence, it would not be appropriate to link the R&M expenses with the Gross Fixed Asset of the SEZ area.

5.26 The Petitioner has been consistently providing power with higher reliability throughout the year to the industrial units of the SEZ which requires a robust R&M mechanism and which entails substantial cost. Accordingly, the R&M expenses actually incurred and paid by the Petitioner be admitted as a part of True up of ARR. State Electricity Regulatory Commissions in other States have also admitted additional charges such as Reliability Charges for uninterrupted / reliable supply of power. The Maharashtra Electricity Regulatory Commission has admitted Reliability Charges to be levied by the State Discom MSEDCL from the consumers of Pune vide its Order in Case No. 5 of 2008. The relevant extracts are reproduced below:

"3. MSEDCL, in its Petition, prayed as under:

"The Commission may accord

1. Approval of appointment of the Tata Power Co. Ltd. as Additional Supply Agency;

2. Approval and regularisation of power purchase from them for a period from 4th April 2008 upto 30th June 2008 and;

3. Approval of Reliability Charge to be recovered from consumers of Pune Circles of Ganeshkhind and Rasta Peth, for mitigating load shedding in Pune Circles."

35. Having heard the parties and after considering the material placed on record, the Commission is of the view as under:

…..

c) Since most of the consumers who attended the hearing, supported MSEDCL's proposal to procure additional power from TPC to mitigate load shedding in Pune Urban Circles, the Commission accords its acceptance to MSEDCL's proposal for additional power purchase to mitigate load shedding in Pune Urban Circles, and has determined the Reliability Charges in this Order."

5.27 The Petitioner has entered into the O&M agreement with MPPKVVCL which, is a Government-owned entity and the Commission also has considered such agreement and associated cost to be prudent in its Tariff Order for FY 2013-14 dated 10 September, 2013 vide Petition No. 38/2013. The relevant extract of the Order is reproduced below:

"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business,

it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system."

5.28 Although the term used in the agreement is O&M however, the scope of work under the agreement is related to R&M activities only and hence expenses incurred under the agreement should be considered as a part of R&M expenses only and not the O&M expenses.

5.29 All components of the O&M expenses viz., Employee expenses, A&G expenses and R&M expenses have been actually incurred by the Petitioner in the course of supply of power to the consumers of SEZ and the Commission may undertake an independent third party audit of such O&M expenses of MPIDC, if deemed fit, for approval as a part of True up of ARR.

5.30 The Regulation 46 and 48 of the Tariff Regulations, 2012 reads as under:

"46 Deviation from norms.
46.1 The Distribution Tariff to be recovered by the Distribution Licensees from the consumers may also be determined by the Commission in deviation of the norms specified in these Regulations.
…..
48 Power to Amend.
48.1 The Commission may, at any time add, vary, alter, modify or amend any provisions of these Regulations."

5.31 As can be seen from the above, as per the Clause 46 of Tariff Regulations, 2012, the Commission can determine Distribution Tariff in deviation from the norms and under Clause 48 of Tariff Regulations, 2012, the Commission also has the power to amend any provisions of these Regulation. Considering these factors and the above stated reasons, it is requested that the Commission allow the actual R&M expenses incurred for FY 2013-14 instead of the normative value.

MPERC Fees

5.32 The Petitioner has submitted that the actual MPERC Fees for FY 2013-14 is Rs. 0.01 Crore.

Commission's Analysis

5.33 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff;
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets; and
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per regulations.

5.34 It is observed that the Petitioner has claimed the Operation and Maintenance Expense as per the Tariff Regulations, 2012, as well as per the agreement dated March 26, 2013 between the Petitioner and MPPKVVCL. The Commission, while approving the tariff for FY 2013-14 vide order dated 10th September 2013, had approved the Operation and Maintenance expense as per the agreement considering the problem faced by the Petitioner. The relevant extract of the aforesaid order is as follows:

> *"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and*

MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system.

2.48 As regards the amount of O&M expenses mentioned in the agreement, the Commission observed that the petitioner has considered the base O&M expenses as admitted by the Commission for FY 2012-13 and the consultancy fee of Rs.30 lakh. It has been further escalated @ 7.93% and 8% for projecting O&M expenses and consultancy fee respectively for arriving at the total O&M expenses for FY 2013-14. The Commission finds it appropriate to admit the O&M expenses as Rs 4.28 Crore as per the agreement."

5.35 From above, it is ample clear that the Commission categorically took a view to allow Operation and Maintenance Expense as per the said agreement and hence, the Petitioner has to manage all its expenses related to Operation and Maintenance according to the said amount. It is to be noted that the approval of additional Operation and Maintenance expense will lead undue burden to the consumer of the Petitioner.

5.36 Hence, the Commission after due scrutiny of the tariff order for FY 2013-14 and Audited Accounts has admitted the total O&M expenses for FY 2013-14 as given in the Table below:

Table 74: O&M Expenses as admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Employee Expenses		3.60	
2	R&M Expenses	4.28	4.32*	4.13
3	A&G Expenses		2.50	
4	MPERC Fees	0.01	0.01	0.01
5	**Total O&M Expenses**	**4.29**	**10.43**	**4.14**

**Note: Petitioner has considered amount of Rs. 0.185 Crore twice in audited accounts*

Depreciation

Petitioner's Submissions

5.37 The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2012 have been considered for the computation of depreciation for FY

2013-14. The additions to asset have been considered as per the actual capitalisation for FY 2013-14.

5.38 The Petitioner further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for the currently. Accordingly, net depreciation on GFA for FY 2013-14 after reducing amortization on consumer contribution is Rs. 0.62 Crore.

Commission's Analysis

5.39 The Commission has considered the capitalization for FY 2013-14 as per the Audited Accounts. Depreciation has been computed considering the rates of depreciation as per MPERC Tariff Regulations on class of assets as depreciation model substantiated with the Asset Register was not submitted. The allowable depreciation for FY 2013-14, as worked out by the Commission, is summarized in the table below:

Table 75: Gross Depreciation admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Opening GFA	Net Addition during the year	Closing GFA	Gross Depreciation
1	Furniture & Fixtures	0.06	0.00	0.06	0.06
2	Computers	0.05	0.00	0.05	0.05
3	Buildings	3.01	0.06	3.07	3.04
4	Plant & Machinery	9.62	3.02	12.64	11.13
5	**Total**	12.74	3.08	15.81	14.27
6	**Depreciation Rate**				**4.87%**

Table 76: Net Depreciation admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	*12.74*
2	*Adjustment*	
3	*Opening Consumer contribution and Grants*	*3.63*
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	9.10
5	*Net addition to GFA*	*3.08*
6	*Addition in consumer contribution and grants*	*0.40*
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**2.68**
8	*Gross Closing GFA*	*15.81*

Sr. No.	Particulars	Admitted
9	*Closing Contribution and Grants*	*4.04*
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**11.78**
11	**Average GFA**	**10.44**
12	Depreciation Rate (%)	4.87%
13	**Depreciation**	**0.51**

Interest and Finance Charges

Petitioner's submissions

5.40 The Petitioner has submitted that for assessing interest charges on loans in FY 2013-14, the opening balance of Loans has been considered as the normative closing loan balance for the previous year. The loan addition in FY 2013-14 is considered at Rs. 2.03 Crore based on the actual capitalisation during FY 2013-14.

5.41 In line with the approach adopted by the Hon'ble Commission in its Tariff Order dated 10 September, 2013 and as prescribed by Tariff Regulations, 2012, repayment during the year has been considered equal to depreciation charged for the financial year.

5.42 Since the Petitioner does not have actual loans and hence in line with the Commission's methodology, since the True up of State Discoms for FY 2013-14 has not been carried out, the last available weighted average rate of interest of the West Discom of 10.61% as admitted by the Commission in its True up Order for the previous year for the State Discoms dated 17 March, 2016 is considered.

5.43 The Petitioner has submitted that the interest paid on consumer security deposit for FY 2013-14, in line with the provisions of the Tariff Regulations, 2012.

Commission's Analysis

5.44 The Commission has considered the opening loan balance as the closing loan balance of the previous Order. Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution) and repayment equivalent to admitted depreciation for the year. Interest on loan has been computed at average of opening and closing balance of loan at 8.54% as admitted by the Commission for three State Discoms in its True-up Order for FY 2013-14.

5.45 The Commission for True-up of ARR for FY 2013-14 has admitted the opening security deposit of and interest on consumer security deposit as per the Audited Accounts. The total interest and finance charges as admitted for FY 2013-14 is as below:

Table 77: Interest and finance charges admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Net Opening Loan (closing of previous year)	4.01	6.39	4.77
2	Addition to net debt during the year	0.59	2.03	1.87
3	Repayment during the year	0.39	0.62	0.51
4	Closing Loan	4.21	7.80	6.14
5	Interest Rate (%)	9.48%	9.48%	8.45%
6	**Interest on Loans**	**0.39**	**0.67**	**0.46**
7	**Interest on Consumer Security Deposit**	**0.94**	**1.23**	**1.23**
8	**Total Interest and Finance Charges**	**1.33**	**1.90**	**1.69**

Interest on Working Capital

Petitioner’s Submissions

5.46 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2012.

5.47 The rate of interest considered is the SBI Base Rate as on 1 April, 2013 plus 3.5% as provided in Tariff Regulations, 2012.

Commission’s Analysis

5.48 Tariff Regulations specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,

ii. O&M expenses for one month, and

iii. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

5.49 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and
ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

5.50 Further, as per the Regulations, the rate of interest on working capital shall be equal to the State Bank Base Rate as on 1st of April of the relevant year plus 3.50%. SBI base rate as on 1st April, 2013 was 9.70% accordingly, the Commission has considered rate of 13.20% (9.70% + 3.50%) for computing the interest on working capital for FY 2013-14. However, on analysis of the working capital requirement, it is observed that the net working capital for the Petitioner for FY 2013-14 comes out to be zero. Hence, the Commission has not admitted any interest on working capital, which is as below:

Table 78: Interest on Working Capital admitted by the Commission for FY 2013-14

(Rs. Crore)

Sr. No.	**Particulars**	**Months**	**Claimed**	**Admitted**
For wheeling activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.02	0.02
B) i)	Total of O&M expenses			4.14
B) ii)	1/12th of total O&M expenses	1.00	0.87	0.35
C)	Receivables			-
C) i)	Annual Revenue from wheeling charges		0.00	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working Capital (A+B ii) +Cii))		0.89	0.36
E)	Rate of Interest		13.20%	13.20%
F)	**Interest on Working capital**		**0.12**	**0.05**
For Retail activity				

Sr. No.	Particulars	Months	Claimed	Admitted
A)	1/6th of annual requirement of inventory for previous year	2.00	0.00	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges (as per audited accounts)			87.48
B) ii)	Receivables equivalent to 2 months average billing	2.00	14.65	14.58
C)	Power Purchase expenses			71.52
C) i)	1/12th of power purchase expenses	1.00	6.29	5.96
D	Consumer Security Deposit		11.19	11.19
E)	Total Working capital (A+B ii) - C i) - D)		(1.05)	(2.57)
F)	Rate of Interest		13.20%	13.20%
G)	**Interest on Working capital**		**(0.26)**	**(0.34)**
	Summary			
	For wheeling activity		**0.12**	**0.05**
	For Retail Sales activity		**(0.26)**	**(0.34)**
	Total Interest on working Capital		**(0.14)**	**(0.29)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner's Submissions

5.51 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.

5.52 As per Clause 33 of the MYT Regulations, 2015:

"33. Lease/ Hire Purchase charges.-

> *Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."*

5.53 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

5.54 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

5.55 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference,

> *"ii. Land Premium and Lease rent charges:*
>
> *…….*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."*

5.56 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.

5.57 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.

5.58 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

5.59 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2013-14.

Commission's Analysis

5.60 The Commission in its Regulations has clearly defined the expenses and costs that can be passed on to the consumers in its ARR. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

5.61 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

5.62 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

5.63 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

5.64 The Petitioner has submitted that it has considered the rate of return on equity at 16% as per MPERC Tariff Regulations, 2012. The Opening Equity for FY 2013-14 is considered as the closing normative equity of FY 2012-13.

Commission's Analysis

5.65 MPERC Tariff Regulations, 2012 specify that Return on Equity (RoE) shall be computed on pre-tax basis @ 16%. Therefore, the total equity identified along with RoE as admitted for FY 2013-14 is tabulated below:

Table 79: Return on Equity admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	As per tariff Order	Claimed	Admitted
1	Opening Equity (Closing of the previous year)	2.35	3.44	2.73
2	30% of addition to net GFA considered as funded through equity	0.25	0.87	0.80
3	Total equity associated with GFA at the end of the year	2.61	4.31	3.53
4	Average equity associated with GFA at the end of the year	2.48	3.88	3.13
5	Rate of Return on equity	16%	16%	16%
6	**Return on Equity**	**0.42**	**0.62**	**0.50**

Income Tax

Petitioner's Submissions

5.66 The Petitioner has not claimed any Income tax for FY 2013-14.

Commission's Analysis

5.67 As the payment towards income tax is zero, the Commission has not allowed any amount towards Income tax.

Other Income

Petitioner's Submissions

5.68 The Petitioner has submitted an amount of Rs. 0.43 Crore towards Other Income for FY 2013-14.

Commission's Analysis

5.69 The actual other income admitted as per audited accounts for FY 2013-14 is shown in the table below:

Table 80: Other Income admitted for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Other Income	0.43	0.43	0.43

5.70 The ARR as admitted for FY 2013-14 is presented in the following table:

Table 81: Aggregate Revenue Requirement admitted for FY 2013-14 (Rs. Crore)

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>As per Tariff Order</th><th>Claimed</th><th>Admitted</th></tr>
<tr><td>1</td><td>Power Purchase admitted</td><td>89.20</td><td>66.32</td><td rowspan="4">75.97</td></tr>
<tr><td>2</td><td>Inter-State transmission charges</td><td>2.78</td><td>4.71</td></tr>
<tr><td>3</td><td>Intra-State transmission charges</td><td>2.80</td><td>4.41</td></tr>
<tr><td>4</td><td>SLDC Charges</td><td>0.01</td><td>0.04</td></tr>
<tr><td>5</td><td>Employee Expenses</td><td rowspan="3">4.28</td><td>3.60</td><td rowspan="3">4.13</td></tr>
<tr><td>6</td><td>R&M Expenses</td><td>4.32</td></tr>
<tr><td>7</td><td>A&G Expenses</td><td>2.50</td></tr>
<tr><td>8</td><td>MPERC Fees</td><td>0.01</td><td>0.01</td><td>0.01</td></tr>
<tr><td>9</td><td>Depreciation</td><td>0.39</td><td>0.62</td><td>0.51</td></tr>
<tr><td>10</td><td>Interest & Finance Charges</td><td>1.33</td><td>1.90</td><td>1.69</td></tr>
<tr><td>11</td><td>Interest on Working Capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>12</td><td>Lease Rent</td><td>-</td><td>4.64</td><td>-</td></tr>
<tr><td>13</td><td>Return on Equity</td><td>0.42</td><td>0.62</td><td>0.50</td></tr>
</table>

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
14	Income Tax	0.14	-	-
15	**Total Expenses**	**101.36**	**93.71**	**82.81**
16	Less: Other income	0.02	0.43	0.43
17	**Total ARR**	**101.34**	**93.28**	**82.38**

Revenue from Sale of Power

Petitioner's Submissions

5.71 The Petitioner has submitted that the revenue from sale of power for FY 2013-14 is Rs. 87.48 Crore.

Commission's Analysis

5.72 The Commission has admitted the actual revenue of Rs. 87.48 Crore from sale of power to the consumers as per the Audited Accounts for FY 2013-14.

Revenue Gap/Surplus for true-up of ARR for FY 2013-14

5.73 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following revenue gap/surplus for FY 2013-14 for adjustment by the Petitioner through Retail Tariffs in future:

Table 82: Revenue Gap/Surplus admitted by the Commission for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	**ARR**	**93.28**	**82.38**
2	Revenue from Sale of Power	87.48	87.48
3	**Revenue Gap/(Surplus) (1-2)**	**5.80**	**(5.10)**

6. TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2014-15

Sales

Petitioner's Submissions

6.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2014-15 as 229.56 MU.

Commission's Analysis

6.2 The Commission has observed that the Audited Accounts for FY 2014-15 does not indicate the actual sales, therefore the Commission has verified the sales from the R-15 statement submitted by the Petitioner. Accordingly, the Commission has admitted the actual sales as filed by the Petitioner and as reflected in the R-15 statement for FY 2014-15. Accordingly, the claimed sales and admitted sales for FY 2014-15 are as below:

Table 83: Category wise sales admitted by the Commission for FY 2014-15 (MU)

Sr. No.	Consumer category	As per Tariff Order	As per True-up Petition (MU)	Admitted
1	**LT consumer categories**			
2	Non-Domestic	0.10	0.12	0.12
3	Public Water Works and Street Light	0.28	0.33	0.33
4	Industrial	0.07	0.10	0.10
5	**Total LT Sale**	**0.45**	**0.54**	**0.54**
6	**HT Consumer Categories**			
7	Industrial	217.70	229.02	229.02
8	Non-Industrial	-	-	-
9	Total HT Sale	**217.70**	**229.02**	**229.02**
10	**Total LT+HT Sale**	**218.15**	**229.56**	**229.56**

Power Purchase Requirement

Petitioner's Submissions

6.3 The Petitioner has submitted that its actual distribution loss for FY 2014-15 was 1.83% as against the admitted level of 3.50% by the Commission. Power Purchase requirement claimed by the Petitioner for FY 2014-15 is 242.13 MU. Further, the Petitioner has claimed Intra-State and Inter-State losses of 2.97% and 3.68% respectively.

Commission's Analysis

6.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by it. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2014-15 and found it in line with the Petitioner's submission. It is observed that the Petitioner has claimed higher Intra-State Transmission loss of 2.97%, whereas the actual MPPTCL losses for FY 2014-15 is 2.82% only. Hence, the Commission has approved Intra-State transmission loss of 2.82%. Further, with regard to Inter-State transmission loss, it is observed that the Petitioner has claimed loss of 3.68%, whereas the actual PGCIL loss (Western Region) is 3.80%. Therefore, the Commission has approved the actual Inter-State transmission losses of 3.80% for FY 2014-15.

6.5 Accordingly, the Commission has computed the distribution losses as 1.97%, as against 1.83% claimed by the Petitioner for FY 2014-15.

6.6 Accordingly, the energy balance / power purchase requirement admitted by the Commission on the basis of the sales and losses for FY 2014-15 is presented in the following table:

Table 84: Power Purchase Requirement worked out by the Commission for FY 2014-15

Sr. No.	Particular	As per Tariff Order	Claimed	Admitted
1	Total Sales (MU)	218.15	229.56	229.56
2	**Distribution loss (%)**	**3.50%**	**1.83%**	**1.97%**
3	Distribution loss (MU)	7.91	4.28	4.60

Sr. No.	Particular	As per Tariff Order	Claimed	Admitted
4	Input at AKVN boundary (MU)	226.06	233.84	234.16
5	**Transmission loss (%)**	**2.97%**	**2.97%**	**2.82%**
6	Transmission loss (MU)	5.59	7.16	6.80
7	Input at G-T interface (MU)	231.65	241.00	240.96
8	**PGCIL Losses %**	**3.68%**	**3.68%**	**3.80%**
9	PGCIL Losses (MU)	5.14	1.13	1.17
10	**Power Purchase Requirement (MU)**	**236.79**	**242.13**	**242.13**

Power Purchase Cost & Transmission Charges

Petitioner's Submissions

6.7 The Petitioner has submitted that it has purchased power from various sources, viz., NTPC, MPPKVVCL and MPPMCL for FY 2014-15. Further, the power purchase also includes the over/under drawl and consequent Unscheduled Interchange (UI) charges applicable.

6.8 The monthly source-wise power purchase details as per the power purchase bills are submitted and the UI units and charges have been taken from the MP SLDC website.

6.9 There is some variation in the power purchase cost as claimed in the True up Petition and as considered in the annual accounts on account of various reasons as follows:

- The amount of Rs. 4.39 Crore as per the O&M agreement with MPPKVVCL is considered under the power purchase cost in the annual accounts for FY 2014- 15 which is claimed separately under the R&M expense head of the O&M expenses in the present Petition.

- A rebate on power purchase of an amount Rs. 0.11 Crore is considered in the annual accounts under the power purchase cost, however, the same is not claimed in the present Petition.

- The actual cost of Rs. 4.50 Crore towards UI charges for over/under drawal of power in FY 2014-15 is not considered in the annual accounts, however, the same is claimed in the present Petition.

- An amount of Rs. 2.53 Crore towards MPPMCL power purchase bills of past period (Rs. 1.93 Crore for FY 2011-12 and Rs. 0.61 Crore for FY 2012-13) were paid in FY 2014-15 and recorded in the annual accounts. However, they have been claimed in the respective years' Petitions and therefore not claimed in the present Petition.
- Moreover, MPIDC is entitled to the gross power purchase cost considering accrual basis of accounting however, in the audited annual accounts, the cost towards power purchase has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of power purchase cost is recorded in the annual accounts.

6.10 For further scrutiny of the power purchase cost, the Commission sought reconciliation of the power purchase cost as per Audited Account and Power Purchase Bills. In reply, vide email dated 27.12.2018, the Petitioner submitted reconciliation of power purchase cost for FY 2014-15 as follows:

Table 85: Reconciliation of Power Purchase Cost as submitted by the Petitioner for FY 2014-15 (Rs. Crore)

Particulars		Amount
As per Accounts		**96.20**
MPPMCL past Bills paid in 2015	less	2.53
O&M Expenses	less	4.39
Rebate on Power Sales	less	0.11
Difference - not reconciled	less	0.31
	Sub-total	**88.85**
Actual UI	Add	4.50
Total Claim		**93.36**

Table 86: Power Purchase Cost as per Bills as submitted by the Petitioner for FY 2014-15 (Rs. Crore)

Particulars	Amount
NTPC	8.50
MPPKVVCL	9.24
MPPMCL	65.82

Particulars	Amount
UI	4.50
PGCIL	1.51
MPPTCL	3.78
SLDC	0.01
WRLDC/ Other Charges	0.01
Total Claim	**93.36**

6.11 The Petitioner has submitted that the PGCIL charges (for inter-state power purchase), MPPTCL charges (for intra-state power purchase) and SLDC charges are claimed based on the audited accounts for FY 2014-15 wherein the Transmission Charges have been considered under the head of total Power Purchase Cost and are not available separately.

6.12 The Petitioner has submitted that it is entitled to the gross transmission charges considering accrual basis of accounting however, in the audited annual accounts, the cost towards transmission charges has been considered on actual payment basis which is net of all rebates/incentives/penalties etc. and hence a lower value of transmission charges is recorded in the annual accounts.

Commission's Analysis

6.13 The Commission approves Power Purchase Cost on actual basis based on audited accounts after verification from the power purchase bills and after giving due consideration to the norms defined in the Regulations and Tariff Orders.

6.14 Based on the analysis of the Audited Accounts of FY 2014-15 of the Petitioner, it is observed that all the expense (Transmission, SLDC & other charges) related to power purchase has been booked under the same head of Power Purchase Cost. Hence for the sake of clarity, the Commission has approved the total power purchase cost booked for the said year strictly as per the audited accounts, thereby not allowing any amount for which payment has not been made in the year for which truing is being done or not booked in the audited account. Accordingly, the Commission has considered the MPPMCL bill of previous years of Rs. 2.53 Crore for which payment has been made in FY 2013-14. Further, the Commission has not considered the amount booked for rebate on power purchase of Rs. 0.11 Crore.

6.15 Further, the repair and maintenance expense of Rs. 4.39 Crore booked under Power Purchase Expense has dealt separately in the O&M Expenses section of this chapter. Also, the UI charges of Rs. 4.50 Crore, which is not booked in the Audited Accounts for FY 2014-15 has not been considered. Accordingly, based on the above, the admitted power purchase cost is shown as below:

Table 87: Power Purchase Cost Admitted by the Commission for FY 2014-15 (Rs. Crore)

Power Purchase from	Claimed Cost	As per Audited Accounts	Admitted Cost
NTPC	29.36		
MPPKVVCL	30.85		
MPPMCL	-		
Unscheduled Interchange (Credit)	6.12		
Net Power Purchase Cost	66.32	96.20	**91.70**
Inter State Transmission charges	1.51		
Intra State Transmission charges	3.78		
SLDC & Other Charges	0.57		
Total	**93.92**		

GFA and Capitalisation

Petitioner's Submissions

6.16 The Petitioner has submitted that the total capitalization of during FY 2014-15 is Rs. 0.32 Crore, against the admitted capitalisation of Rs. 1.25 Crore in the Tariff Order dated 18 February, 2014. The capitalization is funded through consumer contribution of Rs. 3.58 Crore.

6.17 The Petitioner has further submitted that in case of MPIDC upto FY 2013-14, all the assets belonging to the SEZ area were transferred by Journal Voucher entry and disclosed in balance sheet of the sister company M/s SEZ (Indore) Limited. However, from FY 2014-15 this process has been stopped and all the assets have been transferred back to the balance sheet of MPIDC. Actually, all these assets were belonging to MPIDC only. Accordingly, in the opening balance of FY 2014-15, the assets were transferred from SEZ (Indore) Ltd. to MPIDC at Written Down Value

(WDV) computed as per the provisions of the Income Tax Act in place of book value. Hence, the value of the gross fixed asset was reduced in FY 2014-15 by the amount equivalent to the difference between the book value and the WDV as calculated as per Income Tax Act.

6.18 The opening net debt and equity considered by the petitioner for the computation of interest on loan and return on equity for FY 2014-15 is as follows:

Table 88: Calculation of Opening Equity & Net debt for FY 2014-15 as submitted by the Petitioner (Rs. Crore)

Sr. No.	Particulars	FY 2014-15 (Opening)
1	Total GFA	15.81
2	Consumer Contribution	1.43
3	Grants	-
4	GFA reduction	10.44
5	Balance Capitalisation for the year	3.94
6	Gross Debt	2.76
7	Equity	1.18
8	**Gross Debt**	**2.76**
9	Accumulated depreciation – considered as repayment	2.26
10	**Net Debt**	**0.50**

Commission's Analysis

6.19 It is observed that the Petitioner has been transferring its asset to the accounts of its subsidiary firm from FY 2010-11 to FY 2013-14. The Petitioner has stopped this practice in FY 2013-14 and returned the asset to the accounts of the Power Business at written down value after deducting the cumulative depreciation computed as per the provision of Income Tax Act, 2013. Hence, the Commission has considered the Opening GFA for FY 2014-15 as closing GFA of previous year and has adjusted depreciated assets of worth Rs. 10.45 crore booked as cumulative depreciation in FY 2014-15 to arrive at adjusted opening GFA for FY 2014-15 of Rs. 5.36 Crore. Accordingly, the admitted capitalisation and GFA as per the Audited Accounts for FY 2014-15 is as follows:

Table 89: Capitalisation Admitted for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Claimed	As per Audited Accounts	Admitted
1	Furniture and Fixture	0.00	(0.002)	(0.002)
2	Computers	0.00	0.001	0.001
3	Buildings	0.45	0.45	0.45
4	Plant and Machinery	(0.14)	(0.14)	(0.14)
5	**Total**	**0.32**	**0.32**	**0.32**

6.20 Further, in view of the above and admitted capitalization, admitted GFA for FY 2014-15 by the Commission is as below:

Table 90: GFA Admitted for FY 2014-15 (Rs Crore)

Sr. No.	Particulars	Amount
1	Opening GFA	15.81
2	Adjustment	10.45
3	Adjusted Opening GFA	5.36
4	Net Addition during the Year	0.32
5	Closing GFA	5.68

Funding of Capitalisation

Petitioner’s Submissions

6.21 The Petitioner has submitted that the funding of above mentioned capital expenditure is done through various sources which are mainly categorized under three headings namely:

i. Consumer Contribution;
ii. Equity; and
iii. Debt.

6.22 Further, the petitioner submitted that the consumer contribution exceeds the normative net debt component and hence the residual debt component is net off against the consumer contribution and the resultant net debt comes down to zero.

Similarly, considering the excess consumer contribution after set off of net debt is considered towards reduction of the normative equity funding of MPIDC. The detailed breakup of funding of capitalisation which took place during FY 2014-15 is mentioned in the table below:

Table 91: Funding of Capitalisation as submitted by Petitioner for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Approved	Actual
1	Total Capitalisation	0.92	0.32
2	Consumer contribution	-	3.58
3	Grants	-	-
4	Balance Capitalisation for the year	0.92	(3.27)
5	Debt	0.64	(0.50)
6	Equity	0.28	(1.18)
7	Balance unutilized amount	-	(1.59)

Commission's Analysis

6.23 The Commission has continued with the approach of limiting the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2012. On analysis of Audited Accounts of FY 2014-15, it is observed that the Petitioner has received a grant of Rs. 7.02 Crore, which has not been considered by the Petitioner. On query, the Petitioner submitted that the said grant has been received for establishment of 132 kV substation of total capital expenditure of approx. 19 Crore which is to be funded by GoMP and MPIDC in 50:50 proportion. The said project achieved COD in June 2017. Hence the grants shall also be considered to be capitalized during the year in which the asset is capitalized. Accordingly, the Commission has not considered this funding through grant for the asset capitalized during FY 2014-15. The consumer contribution and grants received during the year has been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). It is observed that the Consumer Contribution for FY 2014-15 exceeds the capitalization for the year. Hence, the balance Consumer Contribution of Rs. 3.27 Crore after offsetting capitalization for the FY 2014-15, shall be utilized in future years. Accordingly, the funding of capitalization allowed for FY 2014-15 is as per the table below:

Table 92: Admitted funding for Capitalisation for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Total Capitalisation	0.92	0.32	0.32
2	Consumer Contribution & Grants	-	3.58	3.58
3	Total Capitalisation to be Funded	0.92	(3.27)	-
4	Normative Debt	0.64	(0.50)	0.000
5	Normative Equity	0.28	(1.18)	0.000
6	Balance unutilized Amount	-	(1.59)	3.27*

**Note: Balance unutilized Amount of Consumer Contribution of Rs. 3.27 Crore shall be utilized in subsequent years.*

Operations and Maintenance Expenses

Petitioner's Submissions

6.24 The Petitioner has submitted that the Operations and Maintenance (O&M) Expenses consists of the following elements:

- Employee Expenses
- Repairs and Maintenance Costs
- Administrative and General Expenses
- MPERC Expenses

Employee Expenses

6.25 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2014-15 as incurred by the Petitioner based on the audited financials is Rs. 3.40 Crore which also includes DA and terminal benefits.

A&G Expenses

6.26 The Petitioner has submitted that actual A&G expenses incurred for FY 2014-15 is Rs. 0.79 Crore.

R&M Expenses

6.27 The Petitioner has submitted that in the Tariff Order for FY 2014-15, the Commission had noted that the Petitioner had filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated 26 March, 2013 and sought approval of these expenses over and above the regular O&M expenses. Under this agreement, the MPPKVVCL has to undertake all activities related to Repairs & Maintenance and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission, in view of the difficulties faced by the Petitioner in the past related to its power business, had considered the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers and also due to the fact that MPPKVVCL is a State Owned Distribution Licensee and has expertise in operation and maintenance of power distribution system.

6.28 The actual R&M expenses based on the audited accounts for FY 2014-15 is Rs. 4.39 Crore which also includes the additional O&M expenses admitted vide agreement between MPIDC and MPPKVVCL dated 26 March, 2013 as well as the other routine maintenance expenses not covered under the scope of the agreement.

6.29 Further, the Petitioner has submitted that MPIDC is an SEZ whose area of operation is limited and cost of activities carried out for providing power supply gets apportioned over a smaller area, consumer base and asset base as compared to other State Discoms which have a wide area of operation and thus have the benefit of economies of scale which is not available to the Petitioner. Hence, it would not be appropriate to link the R&M expenses with the Gross Fixed Asset of the SEZ area.

6.30 The Petitioner has been consistently providing power with higher reliability throughout the year to the industrial units of the SEZ which requires a robust R&M mechanism and which entails substantial cost. Accordingly, the R&M expenses actually incurred and paid by the Petitioner be admitted as a part of True up of ARR. State Electricity Regulatory Commissions in other States have also admitted additional charges such as Reliability Charges for uninterrupted / reliable supply of power. The Maharashtra Electricity Regulatory Commission has admitted Reliability Charges to be levied by the State Discom MSEDCL from the consumers of Pune vide its Order in Case No. 5 of 2008. The relevant extracts are reproduced below:

"3. MSEDCL, in its Petition, prayed as under:

"The Commission may accord

1. Approval of appointment of the Tata Power Co. Ltd. as Additional Supply Agency;

2. Approval and regularisation of power purchase from them for a period from 4th April 2008 upto 30th June 2008 and;

3. Approval of Reliability Charge to be recovered from consumers of Pune Circles of Ganeshkhind and Rasta Peth, for mitigating load shedding in Pune Circles."

35. Having heard the parties and after considering the material placed on record, the Commission is of the view as under:

…..

c) Since most of the consumers who attended the hearing, supported MSEDCL's proposal to procure additional power from TPC to mitigate load shedding in Pune Urban Circles, the Commission accords its acceptance to MSEDCL's proposal for additional power purchase to mitigate load shedding in Pune Urban Circles, and has determined the Reliability Charges in this Order."

6.31 The Petitioner has entered into the O&M agreement with MPPKVVCL which, is a Government-owned entity and the Commission also has considered such agreement and associated cost to be prudent in its Tariff Order for FY 2013-14 dated 10 September, 2013 vide Petition No. 58/2013. The relevant extract of the Order is reproduced below:

"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business,

it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system."

6.32 Although the term used in the agreement is O&M however, the scope of work under the agreement is related to R&M activities only and hence expenses incurred under the agreement should be considered as a part of R&M expenses only and not the O&M expenses.

6.33 All components of the O&M expenses viz., Employee expenses, A&G expenses and R&M expenses have been actually incurred by the Petitioner in the course of supply of power to the consumers of SEZ and the Commission may undertake an independent third party audit of such O&M expenses of MPIDC, if deemed fit, for approval as a part of True up of ARR.

6.34 The Regulation 46 and 48 of the Tariff Regulations, 2012 reads as under:

"46 Deviation from norms.

46.1 The Distribution Tariff to be recovered by the Distribution Licensees from the consumers may also be determined by the Commission in deviation of the norms specified in these Regulations.

…..

48 Power to Amend.

48.1 The Commission may, at any time add, vary, alter, modify or amend any provisions of these Regulations."

6.35 As can be seen from the above, as per the Clause 46 of Tariff Regulations, 2012, the Commission can determine Distribution Tariff in deviation from the norms and under Clause 48 of Tariff Regulations, 2012, the Commission also has the power to amend any provisions of these Regulation. Considering these factors and the above stated reasons, it is requested that the Commission allow the actual R&M expenses incurred for FY 2014-15 instead of the normative value.

MPERC Fees

6.36 The Petitioner has submitted that the actual MPERC Fees for FY 2014-15 is Rs. 0.01 Crore.

Commission's Analysis

6.37 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff;
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets; and
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per regulations.

6.38 It is observed that the Petitioner has claimed the Operation and Maintenance Expense as per the Tariff Regulations, 2012, as well as per the agreement dated March 26, 2013 between the Petitioner and MPPKVVCL. The Commission while approving the tariff for FY 2013-14 vide order dated 10th September 2013 had approved the Operation and Maintenance expense as per the agreement considering the problem faced by the Petitioner. The relevant extract of the aforesaid order is as follows:

> *"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and*

MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system.

2.48 As regards the amount of O&M expenses mentioned in the agreement, the Commission observed that the petitioner has considered the base O&M expenses as admitted by the Commission for FY 2012-13 and the consultancy fee of Rs.30 lakh. It has been further escalated @ 7.93% and 8% for projecting O&M expenses and consultancy fee respectively for arriving at the total O&M expenses for FY 2013-14. The Commission finds it appropriate to admit the O&M expenses as Rs 4.28 Crore as per the agreement."

6.39 Further, the Commission while approving the tariff order for FY 2014-15 had noted as follows:

"2.53 Accordingly, for FY 2014-15 the Commission has considered escalation @ 7.93% on the O&M expenses and @ 8% on consultancy fee admitted in the tariff order for FY 2013-14. The Commission has admitted expenses of Rs. 4.27 Crore against O&M and Rs. 0.35 Crore against consultancy fee for FY 2014-15, totaling to Rs. 4.62 Crore."

6.40 From above, it is ample clear that the Commission categorically took a view to allow Operation and Maintenance Expense as per the said agreement and hence, the Petitioner has to manage all its expenses related to Operation and Maintenance according to the said amount only. Accordingly, the Commission after due scrutiny of the tariff order for FY 2014-15 and Audited Accounts has admitted the total O&M expenses for FY 2014-15 as given in the Table below:

Table 93: O&M Expenses admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Employee Expenses	4.62	3.40	4.39
2	R&M Expenses		4.39	
3	A&G Expenses		0.79	
4	MPERC Fees	0.01	0.01	0.01
5	**Total O&M Expenses**	**4.63**	**8.60**	**4.40**

Depreciation

Petitioner's Submissions

6.41 The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2012 have been considered for the computation of depreciation for FY 2014-15. The Petitioner has further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for the currently. Accordingly, net depreciation on GFA for FY 2014-15 after reducing amortization on consumer contribution is Rs. 0.61 Crore.

Commission's Analysis

6.42 The Commission has considered the capitalization for FY 2014-15 as per the Audited Accounts. Depreciation has been computed considering the rates of depreciation as per MPERC Tariff Regulations on class of assets as depreciation model substantiated with the Asset Register was not submitted. The allowable depreciation for FY 2014-15, as worked out by the Commission, is summarized in the table below:

Table 94: Gross Depreciation admitted for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Adjusted Opening GFA	Net Addition during the year	Closing GFA	Gross Depreciation
1	Furniture & Fixtures	0.04	0.00	0.04	**0.04**
2	Computers	0.00	0.00	0.00	**0.00**
3	Buildings	0.78	0.45	1.23	**1.00**
4	Plant & Machinery	4.54	-0.14	4.40	**4.47**
5	**Total**	**5.36**	**0.32**	**5.68**	**5.52**
6	**Depreciation Rate**				**4.94%**

**Note: Adjustment of GFA amounting to Rs. 10.45 Crore considered during FY 2014-15*

Table 95: Net Depreciation admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	*15.81*
2	*Adjustment*	*10.45*
3	*Opening Consumer contribution and Grants*	*4.04*
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**1.33**
5	*Net addition to GFA*	*0.32*

Sr. No.	Particulars	Admitted
6	*Addition in consumer contribution and grants*	*0.32*
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**-**
8	*Gross Closing GFA*	5.68
9	*Closing Contribution and Grants*	4.35
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**1.33**
11	**Average GFA**	**1.33**
12	Depreciation Rate (%)	4.94%
13	**Depreciation**	**0.07**

** Consumer Contribution addition for FY 2014-15 has been restricted to net addition for FY 2014-15 at Rs. 0.32 Crore. Balance consumer contribution stands at Rs. 3.27 Crore, which shall be utilized in subsequent years.*

Interest and Finance Charges

Petitioner's submissions

6.43 The Petitioner has submitted that for assessing interest charges on loans in FY 2014-15, the opening balance of Loans has been considered as the normative closing loan balance for the previous year. The loan addition in FY 2014-15 has been considered as Rs. (0.50) Crore based on the actual capitalisation during the year and reduction of asset.

6.44 In line with the approach adopted by the Commission in its Tariff Order dated 18th February, 2014 and as prescribed by Tariff Regulations, 2012, repayment during the year has been considered equal to depreciation charged for the financial year.

6.45 Since the Petitioner does not have actual loans and hence in line with the Commission's methodology, since the True up of State Discoms for FY 2013-14 and FY 2014-15 has not been carried out, the last available weighted average rate of interest of the West Discom of 9.48% as admitted by the Commission in its True up Order for FY 2012-13 for the State Discoms dated 17 March, 2016 is considered.

6.46 The Petitioner has submitted that the interest of Rs. 1.07 Crore has been paid on consumer security deposit for FY 2014-15, in line with the provisions of the Tariff Regulations, 2012.

Commission's Analysis

6.47 Adjusted opening GFA for FY 2014-15 of Rs. 5.68 Crore, net of opening consumer contribution of Rs. 4.04 Crore, is Rs. 1.33 Crore. Accordingly, the gross opening debt for FY 2014-15 is Rs. 0.93 Crore. It is observed that the cumulative repayment at the beginning of the year is Rs. 2.11 Crore, which is higher than gross opening loan, therefore, the net opening loan for FY 2014-15 has been considered as nil.

6.48 Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution). Since, the net capitalization for the year is nil due to excess consumer contribution, net loan addition is also nil.

6.49 Further, since net opening loan and loan-addition during the year is nil, the repayment during the year has been considered as nil. Therefore, the normative repayment which is equal to depreciation of Rs. 0.07 Crore allowed for FY 2014-15 as per Regulation will be adjusted in the loan repayment for future years.

6.50 Interest on loan has been computed at average of opening and closing balance of loan at 9.72% as admitted by the Commission for three State Discoms in their Retail Supply Order for FY 2014-15.

6.51 The Commission for True-up of ARR for FY 2014-15 has admitted the opening security deposit of and interest on consumer security deposit as per the Audited Accounts. The total interest and finance charges as admitted for FY 2014-15 is as below:

Table 96: Interest and Finance charges admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Gross GFA	15.81	15.81
2	Adjustment	10.44	10.45
3	Consumer Contribution	1.43	4.04
4	Net GFA	3.95	1.33
5	Gross Debt at the beginning of the year	2.76	0.93
6	Cumulative Repayment at the beginning of year	2.26	2.11
7	Cumulative Depreciation at the beginning of year	2.26	2.11
8	Net Opening Loan (closing of previous year)	0.50	-

Sr. No.	Particulars	Claimed	Admitted
9	Addition to net debt during the year	(0.50)	-
10	Repayment during the year	-	-
11	Closing Loan	-	-
12	Interest Rate	9.48%	9.72%
13	**Interest on Loans**	**0.02**	**-**
14	**Interest on Consumer Security Deposit**	**1.07**	**1.07**
15	**Total Interest and Finance Charges (12+13)**	**1.09**	**1.07**

Interest on Working Capital

Petitioner's Submissions

6.52 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2012.

6.53 The rate of interest considered is the SBI Base Rate as on 1 April, 2014 plus 3.5% as provided in Tariff Regulations, 2012.

Commission's Analysis

6.54 Tariff Regulations specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power
ii. Purchase cost of one month and any consumer security deposit,
iii. O&M expenses for one month, and
iv. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

6.55 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and
ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

6.56 Further, as per the Regulations, the rate of interest on working capital shall be equal to the State Bank Base Rate as on 1st of April of the relevant year plus 3.50%. SBI base rate as on 1st April, 2014 was 10.00% accordingly, the Commission has considered rate of 13.50% (10.00% + 3.50%) for computing the interest on working capital for FY 2014-15. The summary of interest on working capital admitted by the Commission for FY 2014-15 is shown in the Table below:

Table 97: Interest on Working Capital admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Months	Claimed	Admitted
For wheeling activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.02	0.02
B) i)	Total of O&M expenses			4.40
B) ii)	1/12th of total	1.00	0.72	0.37
C)	Receivables			-
C) i)	Annual Revenue from wheeling charges		0.00	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working Capital (A+B ii) +Cii))		0.74	0.39
E)	Rate of Interest		13.50%	13.50%
F)	**Interest on Working capital**		**0.10**	**0.05**
For Retail Sales activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.01	0.01
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges (as per audited accounts)			82.99
B) ii)	Receivables equivalent to 2 months average billing	2.00	13.84	13.83
C)	Power Purchase expenses			87.35
C) i)	1/12th of power purchase expenses	1.00	6.24	7.28
D	Consumer Security Deposit		11.09	12.77
E)	Total Working capital (A+B ii) - C i) - D)		(2.78)	(6.21)

Sr. No.	Particulars	Months	Claimed	Admitted
F)	Rate of Interest		13.50%	13.50%
G)	**Interest on Working capital**		**(0.37)**	**(0.84)**
	Summary			
	For wheeling activity		**0.05**	**0.05**
	For Retail Sales activity		**(0.37)**	**(0.84)**
	Total Interest on working Capital		**(0.32)**	**(0.79)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner's Submissions

6.57 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.

6.58 As per Clause 33 of the MYT Regulations, 2015:

> *"33. Lease/ Hire Purchase charges.-*
> *Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."*

6.59 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

6.60 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

6.61 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference,

> *"ii. Land Premium and Lease rent charges:*
>
> *……*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."*

6.62 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.

6.63 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.

6.64 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

6.65 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2014-15.

Commission's Analysis

6.66 The Commission in its Regulations has clearly defined the expenses and costs that can be passed on to the consumers in its ARR. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

6.67 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

6.68 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

6.69 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

6.70 The Petitioner has submitted that it has computed the return on equity considering a rate of return on equity at 16% as per MPERC Tariff Regulations, 2012. The Opening Equity for FY 2014-15 is considered as the closing normative equity for the previous year.

Commission's Analysis

6.71 Tariff Regulations specify that RoE shall be computed on pre-tax basis @ 16% as per MPERC Tariff Regulations, 2012. The total equity identified along with RoE as admitted for FY 2014-15 is tabulated below:

Table 98: Return on Equity admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Opening Equity	2.39	1.18	0.40
2	30% of addition to net GFA considered as funded through equity	0.20	(1.18)	-
3	Total equity associated with GFA at the end of the year	2.58	-	0.40
4	Average equity associated with GFA at the end of the year	2.49	-	0.40
5	Rate of Return on equity	16%	16%	16%
6	**Return on Equity**	**0.40**	**0.09**	**0.06**

Income Tax

Petitioner's Submissions

6.72 The Petitioner has not claimed any Income tax for FY 2014-15.

Commission's Analysis

6.73 Since, the Petitioner has not made any payment towards income tax, the Commission has approved Income Tax as nil.

Other Income

Petitioner's Submissions

6.74 The Petitioner has submitted an amount of Rs. 0.05 Crore towards Other Income for FY 2014-15.

Commission's Analysis

6.75 It is observed that the Petitioner has not adjusted the rebate on power purchase received during FY 2014-15 in power purchase as well other income. Therefore, the Commission considered the same as part of other income. Accordingly, the actual other income admitted as per audited accounts for FY 2014-15 is shown in the table below:

Table 99: Other Income admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Other Income	0.05	1.20

6.76 The ARR as admitted for FY 2014-15 is presented in the following table:

Table 100: Aggregate Revenue Requirement admitted by the Commission for FY 2014-15 (Rs. Crore)

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>As per Tariff Order</th><th>Claimed</th><th>Admitted</th></tr>
<tr><td>1</td><td>Power Purchase admitted</td><td>74.86</td><td>88.06</td><td rowspan="4">91.70</td></tr>
<tr><td>2</td><td>Inter-State transmission charges</td><td>2.87</td><td>1.51</td></tr>
<tr><td>3</td><td>Intra-State transmission charges</td><td>3.31</td><td>3.78</td></tr>
<tr><td>4</td><td>SLDC Charges</td><td>0.01</td><td>0.57</td></tr>
<tr><td>5</td><td>Employee Expenses</td><td rowspan="3">4.62</td><td>3.40</td><td rowspan="3">4.39</td></tr>
<tr><td>6</td><td>R&M Expenses</td><td>4.39</td></tr>
<tr><td>7</td><td>A&G Expenses</td><td>0.79</td></tr>
<tr><td>8</td><td>MPERC Fees</td><td>0.01</td><td>0.01</td><td>0.01</td></tr>
<tr><td>9</td><td>Depreciation</td><td>0.40</td><td>0.61</td><td>0.07</td></tr>
<tr><td>10</td><td>Interest & Finance Charges</td><td>1.37</td><td>1.09</td><td>1.07</td></tr>
<tr><td>11</td><td>Interest on Working Capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>12</td><td>Lease Rent</td><td>-</td><td>2.65</td><td>-</td></tr>
<tr><td>13</td><td>Return on Equity</td><td>0.40</td><td>0.09</td><td>0.06</td></tr>
</table>

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
14	Income Tax	0.14	-	-
15	**Total Expenses**	**87.98**	**106.36**	**97.30**
16	Less: Other income	0.71	0.05	1.20
17	**Total ARR**	**87.27**	**106.32**	**96.10**

Revenue from Sale of Power

Petitioner's Submissions

6.77 The Petitioner has submitted that the revenue from sale of power for FY 2014-15 is Rs. 82.99 Crore.

Commission's Analysis

6.78 The Commission has admitted the actual revenue of Rs. 82.99 Crore from sale of power to the consumers as per the Audited Accounts for FY 2014-15.

Revenue Gap / Surplus for true-up of ARR for FY 2014-15

6.79 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2014-15 for adjustment through Retail Tariffs in future years:

Table 101: Revenue Gap/ Surplus admitted by the Commission for FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	**ARR**	**87.27**	**106.32**	**96.10**
2	Revenue from Sale of Power	87.27	82.99	82.99
3	**Revenue Gap / (Surplus) (1-2)**	**0.00**	**23.33**	**13.11**

7. TRUE UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2015-16

Sales

Petitioner's Submissions

7.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2015-16 as 286.14 MU.

Commission's Analysis

7.2 The Commission has observed that the Audited Accounts for FY 2015-16 does not indicate the actual sales, therefore the Commission verified the sales from the R-15 statement submitted by the Petitioner. Accordingly, the Commission has admitted the actual sales as filed by the Petitioner and as reflected in the R-15 statement for FY 2015-16. Accordingly, the claimed sales and admitted sales for FY 2015-16 is as below:

Table 102: Category-wise sales admitted by the Commission for FY 2015-16

Sr. No.	Consumer category	As per Tariff Order	As per True-up Petition (MU)	Admitted by the Commission (MU)
1	**LT consumer categories**			
2	Non-Domestic	0.04	0.31	0.31
3	Public Water Works and Street Light	0.41	0.34	0.34
4	Industrial	0.11	0.12	0.12
5	**Total LT Sale**	**0.56**	**0.77**	**0.77**
6	**HT Consumer Categories**			
7	Industrial	220.12	285.37	285.37
8	Non-Industrial	0.00	0.00	0.00
9	Total HT Sale	**220.12**	**285.37**	**285.37**
10	**Total LT+HT Sale**	**220.68**	**286.14**	**286.14**

Power Purchase Required

Petitioner’s Submissions

7.3 The Petitioner has submitted that its actual distribution loss for FY 2015-16 was 2.22% as against the admitted level of 3.30% by the Commission. Further, the Petitioner has submitted that the actual Intra-State losses as 3.00%. Based on the above, Power Purchase requirement claimed by the Petitioner for FY 2015-16 is 301.68 MU.

Commission’s Analysis

7.4 On analysis of the petitioner submissions, it was observed that the Petitioner has not provided any authentic document to verify the actual power purchase. Therefore, the Commission directed the Petitioner to submit the bills of power purchase, which were submitted by it. Accordingly, the Commission verified the power purchase quantum through power purchase bills for FY 2015-16 and found it in line with the Petitioner’s submission.

7.5 As regards Intra-State transmission losses, it was observed that the Petitioner had claimed MPPTCL transmission losses as 3.00%, whereas the actual MPPTCL losses for FY 2015-16 were 2.88%. Accordingly, the Commission has approved the intra-state transmission losses as 2.88% for FY 2015-16.

7.6 Further, the Commission has computed the distribution losses for FY 2015-16 as 2.34%, as against 2.22% claimed by the Petitioner.

7.7 Further, MPIDC has executed a long-term power purchase agreement with MPPMCL for a quantum of 40 MW with effect from 1 April, 2015 on 29th March, 2016. Accordingly, the Petitioner has not claimed any Inter-State transmission loss as it will solely rely on MPPMCL for all future power procurement. Therefore, no inter-state transmission losses have been considered by the Commission. The energy balance / power purchase requirement on the basis of the sales admitted by the Commission for FY 2015-16 is presented in the following table:

Table 103: Power Purchase Requirement worked out by the Commission for FY 2015-16

Sr. No.	Particular	As per Tariff Order	Claimed	Admitted
1	Total Sales (MU)	220.68	286.14	286.14
2	**Distribution loss (%)**	**3.30%**	**2.22%**	2.34%
3	Distribution loss (MU)	7.53	6.49	6.85
4	Input at AKVN boundary (MU)	228.21	292.63	292.99
5	**Transmission loss (%)**	**3.00%**	**3.00%**	**2.88%**
6	Transmission loss (MU)	7.06	9.05	8.69
7	Input at G-T interface (MU)	235.27	301.68	301.68
8	**PGCIL Losses %**	**0.00%**	**0.00%**	**0.00%**
9	PGCIL Losses (MU)	-	-	-
10	**Power Purchase Requirement (MU)**	**235.27**	**301.68**	**301.68**

Power Purchase Cost & Transmission Charges

Petitioner's Submissions

7.8 The Petitioner has submitted that it will solely rely on MPPMCL for all future power procurement. For FY 2015-16, the Petitioner has proposed the procurement of 32 MW power from MPPMCL @ Rs. 3.48 per unit. Further, MPIDC has executed a long-term power purchase agreement with MPPMCL for a quantum of 40 MW with effect from 1 April, 2015 on 29th March, 2016.

7.9 The entire power has been sourced from MPPMCL and the actual cost of power purchased charged by MPPMCL is based on the terms of the Power Purchase Agreement executed between MPIDC and MPPMCL. The Petitioner has submitted power purchase cost of Rs. 105.71 Crores for FY 2015-16.

7.10 The variation in the approved and the actual power purchase expenses is on account of the change in the cost of power purchase from MPPMCL and change in quantum of power purchased on account of higher actual sales in FY 2015-16 vis-à-vis the sales approved by the Commission in its Order dated 23rd March 2015.

7.11 The actual intra-state transmission charges for FY 2015-16 are Rs. 4.07 Crores and SLDC charges are Rs. 0.12 Crores. The Petitioner has requested the Commission to approve the actual intra-state transmission charges and SLDC charges for FY 2015-16.

Commission's Analysis

7.12 The Commission has analyzed the audited accounts of the Petitioner for FY 2015-16 and accordingly finds it appropriate to consider power purchase expenses of Rs. 105.71 Crore for FY 2015-16 as per the audited accounts for computation of Power Purchase Cost, after verification from the power purchase bills. It is to be noted that the amount booked under rebate of power purchase of Rs. 2.53 Crores for FY 2015-16 has been considered under the head of 'Other Income' by the Commission. Also, the amount booked towards repair and maintenance expense of Rs. 4.74 Crores has not been considered in Power Purchase cost, and same has been addressed in the O&M Expenses section of this Order.

7.13 In the absence of the actual power purchase quantum mentioned in the audited accounts, the Commission has prorated the Power Purchase cost as per the power purchase quantum admitted in this Order for FY 2015-16.

7.14 Further, the intra-state transmission charges and SLDC charges have been approved as submitted as the same are as per the audited accounts for FY 2015-16.

7.15 Accordingly, the total power purchase cost inclusive of intra-state transmission charges and SLDC charges admitted by the Commission for FY 2015-16 is as below:

Table 104: Power Purchase Cost Admitted by the Commission for FY 2015-16

(Rs. Crore)

<table>
<tr><th>Power Purchase from</th><th>As per Tariff Order</th><th>Claimed</th><th>As per Audited Accounts</th><th>Admitted</th></tr>
<tr><td>MPPMCL</td><td rowspan="7">77.91</td><td>109.02</td><td rowspan="7">109.90</td><td rowspan="7">109.90</td></tr>
<tr><td>Unscheduled Interchange (Credit)</td><td>3.31</td></tr>
<tr><td>Net Power Purchase Cost</td><td>105.71</td></tr>
<tr><td>Inter State Transmission charges</td><td>-</td></tr>
<tr><td>Intra State Transmission charges</td><td>4.07</td></tr>
<tr><td>SLDC & Other Charges</td><td>0.12</td></tr>
<tr><td>Total</td><td>109.90</td></tr>
</table>

GFA and Capitalisation

Petitioner's Submissions

7.16 The Petitioner has submitted that the total capitalization during FY 2015-16 is Rs. 1.96 Crore as against the admitted capitalisation of Rs. 0.93 Crore in the Tariff Order dated 23rd March 2015. The capitalization is funded through consumer contribution of Rs. 0.24 Crore.

7.17 The Petitioner has further submitted that in case of MPIDC upto FY 2012-13 all the assets belonging to the SEZ area were transferred by Journal Voucher entry and disclosed in balance sheet of the sister company M/s SEZ (Indore) Limited. However, from FY 2013-14 this process has been stopped and all the assets have been transferred back to the balance sheet of MPIDC. Actually, all these assets were belonging to MPIDC only. Accordingly, in the opening balance of FY 2013-14, the assets were transferred from SEZ (Indore) Ltd. to MPIDC at Written Down Value (WDV) computed as per the provisions of the Income Tax Act in place of book value. Hence, the value of the gross fixed asset was reduced in FY 2013-14 by the amount equivalent to the difference between the book value and the WDV calculated as per Income Tax Act.

7.18 While, the value of the Gross fixed asset which is partly created from consumer contribution was reduced as mentioned previously, the total cumulative value of the consumer contribution in the balance sheet remained same as earlier in annual accounts. On account of this, while the value of the gross fixed assets was reduced from Rs. 12.01 Crore to Rs. 5.36 Crore during FY 2013-14, the consumer contribution increased from Rs. 4.04 Crore to Rs. 4.44 Crore.

7.19 In normal course of action, the detail of the consumer contribution received from consumers is recorded in the balance sheet and the same is considered for the purpose of tariff determination. However, considering the foregoing discussion regarding the accounting adjustments undertaken in FY 2013-14 and to ensure that MPIDC is not unnecessarily burdened, it is proposed to proportionately reduce the consumer contribution being considered for the purpose of tariff determination process. This will ensure that MPIDC will continue to recover adequate interest costs and return on equity during the life of the asset which has been partly funded through its own funds.

7.20 The value of the opening consumer contribution for FY 2015-16 computed in line with the above discussion is shown as under:

Table 105: Calculation of Opening Consumer Contribution for FY 2015-16 as submitted by the Petitioner (Rs. Crore)

Sr. No.	Particulars	Amount (Rs. Crore)
1	GFA as on 1st April 2013	12.11
2	Consumer contribution as on 1st April 2013	4.04
3	Addition to GFA	0.03
4	Addition to Consumer contribution	0.40
5	Reduction in GFA due to asset transfer	6.77
6	Proportionate reduction in consumer contribution considered due to assets transfer	2.48
7	Closing GFA for FY 2013-14	5.36
8	Closing consumer contribution for FY 2013-14	1,.96
9	Addition during FY 2014-15	0.57
10	Closing consumer contribution for FY 2014-15	2.53
11	**Opening consumer contribution for FY 2015-16**	**2.53**

7.21 The opening net debt and equity considered by the Petitioner for computation of the interest on loan and return on equity for FY 2015-16 is as follows:

Table 106: Calculation of Opening Equity & Net debt for FY 2015-16 as submitted by the Petitioner (Rs. Crore)

Sr. No.	Particulars	FY 2015-16 (Opening)
1	Total GFA	5.68
2	Consumer Contribution	2.53
3	Grants	-
4	Balance Capitalisation for the year	3.15
5	Gross Debt	2.20
6	Equity	0.94
7	**Gross Debt**	**2.20**
8	Accumulated depreciation – considered as repayment	2.00
9	**Net Debt**	**0.20**

Commission's Analysis

7.22 The Commission has considered the Opening GFA for FY 2015-16 as closing GFA of previous year and has considered the closing consumer contribution of Rs. 4.35 Crore for FY 2014-15 as the opening consumer contribution for FY 2015-16.

7.23 Accordingly, the admitted capitalisation, as per the audited accounts for FY 2015-16, is as below:

Table 107: Capitalisation admitted for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Furniture and Fixture		0.16	0.16
2	Computers		-	-
3	Buildings	**0.93**	1.71	1.71
4	Plant and Machinery		0.08	0.08
5	**Total**		**1.96**	**1.96**

7.24 Further, in view of the above admitted capitalization, GFA admitted for FY 2015-16 by the Commission is as below:

Table 108: GFA admitted for FY 2015-16 (Rs Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	**Opening GFA**	**13.01**	**15.81**	**15.81**
2	Adjusted Opening GFA	-	**5.68**	**5.68**
2	Net Addition during the Year	0.93	1.96	1.96
3	**Closing GFA**	**13.94**	**7.64**	**7.64**

Funding of Capitalisation

Petitioner's Submissions

7.25 The Petitioner has submitted that the funding of above-mentioned capital expenditure is done through various sources which are mainly categorized under three headings namely:

i. Consumer Contribution;

ii. Equity; and

iii. Debt.

7.26 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution and grants) capitalized during FY 2015-16 is through equity. However, in view of the provisions of the MYT Regulation, 2012, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT Regulations, 2012 and also in line with the approach adopted by the Hon'ble Commission in the past.

7.27 The detailed break-up of funding of capitalisation which took place during FY 2015-16 is mentioned in the table below:

Table 109: Funding of Capitalisation as submitted by Petitioner for FY 2015-16

(Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Actual
1	Total Capitalisation	0.92	1.96
2	Consumer contribution	-	0.24
3	Grants	-	-
4	Balance Capitalisation for the year	0.92	1.72
5	Debt	0.64	1.20
6	Equity	0.28	0.51

Commission's Analysis

7.28 The Commission has continued with the approach of limiting the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2012.

7.29 The consumer contribution and grants received during the year have been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). Further, it is seen that the Consumer Contribution and Grants for FY 2015-16 (including the balance consumer contribution of FY 2014-15) exceeds the capitalization for the year. Hence, the balance Consumer Contribution and Grants of Rs. 1.55 Crore, after offsetting capitalization for FY 2015-16, shall be utilized in the future years. Accordingly, the funding of capitalization allowed for FY 2015-16 is as per the table below:

Table 110: Admitted funding of Capitalisation for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	**Total Capitalisation**	**0.93**	**1.96**	**1.96**
2	**Consumer Contribution & Grants**	**0.26**	**0.24**	**1.96**
3	Total Capitalisation to be Funded	0.67	1.72	NIL
4	**Normative Debt**	**0.47**	**1.20**	**NIL**
5	**Normative Equity**	**0.20**	**0.51**	**NIL**

Note: Balance unutilized Amount of Consumer Contribution of Rs. 1.55 Crore shall be utilized in the subsequent years

Operations and Maintenance Expenses

Petitioner's Submissions

Employee Expenses

7.30 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2015-16 as incurred by the Petitioner based on the audited financials is Rs. 3.66 Crore which also includes DA and terminal benefits.

A&G Expenses

7.31 The Petitioner has submitted that actual A&G expenses incurred for FY 2015-16 is Rs. 0.70 Crore.

R&M Expenses

7.32 The Petitioner has submitted that MPIDC has entered into an agreement with MPPKVVCL, Indore dated 26th March 2013 to carry out all R&M Expenses of its Electrical Network situated in the Special Economic Zone Phase I and Phase II in Pithampur area of the Dhar District and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the Special Economic Zone area for an initial period of 3 years from the effective date. Based on this agreement, the R&M expenditure for FY 2015-16 is Rs. 4.74 Crore.

7.33 It is submitted that the Hon'ble Commission had not considered this expenditure while approving the O&M expenses for FY 2015-16.

7.34 In view of the same, the Hon'ble Commission is requested to consider these as genuine R&M expenses and approve the same.

MPERC Fees

7.35 The Petitioner has submitted that the actual MPERC Fees for FY 2015-16 is Rs. 0.02 Crore.

Commission's Analysis

7.36 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff;
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets; and
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per regulations.

7.37 It is observed that the Petitioner has claimed the Operation and Maintenance Expenses as per the Tariff Regulations, 2012 and as per the agreement dated March 26, 2013 between the Petitioner and MPPKVVCL. The Commission while approving the tariff for FY 2013-14 vide order dated 10th September 2013 had approved the Operation and Maintenance expenses as per the agreement considering the problem faced by the Petitioner. The relevant extract of the aforesaid order is as follows:

> *"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has*

requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system.

2.48 As regards the amount of O&M expenses mentioned in the agreement, the Commission observed that the petitioner has considered the base O&M expenses as admitted by the Commission for FY 2012-13 and the consultancy fee of Rs.30 lakh. It has been further escalated @ 7.93% and 8% for projecting O&M expenses and consultancy fee respectively for arriving at the total O&M expenses for FY 2013-14. The Commission finds it appropriate to admit the O&M expenses as Rs 4.28 Crore as per the agreement."

7.38 The Commission while approving the tariff order for FY 2015-16 had noted as follows:

'' 2.43 Accordingly, for FY 2014-15 the Commission had already considered escalation on O&M expenses of 7.93% and consultancy fee of 8% as admitted in the tariff order of FY 2013-14. For FY 2015-16, on same premise the Commission has admitted O&M expenses and consultancy fee as Rs. 4.62 Crore and Rs. 0.37 Crore, total Rs. 4.99 Crore.''

7.39 Further, the Commission while approving the tariff order for FY 2015-16 had approved the O&M expenses on a consolidated basis rather than element-wise as provided in the MYT Regulations, 2012 considering the agreement executed by MPIDC for O&M of the SEZ area.

Table 111: O&M expenses admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Employee Expenses	4.99	3.66	4.74
2	R&M Expenses		4.74	
3	A&G Expenses		0.70	
4	MPERC Fees		0.02	0.02
5	**Total O&M Expenses**	**4.99**	**9.12**	**4.76**

7.40 From the above, it is amply clear that the Commission categorically took a view to allow Operation and Maintenance Expense as per the said agreement and hence, the Petitioner has to manage all its expenses related to Operation and Maintenance according to the said amount only. Accordingly, the Commission, after due scrutiny of the tariff order for FY 2015-16 and audited accounts, has admitted the total O&M expenses for FY 2015-16 as shown in the table above.

Depreciation

Petitioner's Submissions

7.41 The Petitioner has submitted that the amount of depreciation has reduced substantially due to reduction in opening GFA. The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2012 have been considered for the computation of depreciation for FY 2015-16. The Petitioner has further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for the year. Accordingly, net depreciation on GFA for FY 2015-16 after reducing amortization on consumer contribution is Rs. 0.29 Crore.

Commission's Analysis

7.42 The Commission has considered the capitalization for FY 2015-16 as per the Audited Accounts. Depreciation has been computed considering the rates of depreciation as per MPERC Tariff Regulations, 2012 on class of assets as depreciation model substantiated with the asset register has not been submitted. The Commission has worked out the net depreciation for FY 2015-16 as summarized in the tables below:

Table 112: Gross Depreciation admitted for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	Rate of depreciation (%)	Opening GFA	Net Addition during the year	Closing GFA	Gross Depreciation
1	Furniture & Fixtures	6.33%	0.04	0.16	0.21	**0.12**
2	Computers	5.28%	0.00	0.00	0.00	**0.00**
3	Buildings	3.34%	1.23	1.71	2.94	**2.09**
4	Plant & Machinery	5.28%	4.40	0.08	4.48	**4.44**
5	**Total**		**5.68**	**1.96**	**7.64**	**6.66**
6	**Depreciation rate**					**4.69%**

Table 113: Depreciation admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	*5.68*
2	*Adjustment*	*-*
3	*Opening Consumer contribution and Grants*	*4.35*
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**1.33**
5	*Net addition to GFA*	*1.96*
6	*Addition in consumer contribution and grants*	*1.96**
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**-**
8	*Gross Closing GFA*	*7.64*
9	*Closing Contribution and Grants*	*6.31*
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**1.33**
11	**Average GFA**	**1.33**
12	Depreciation Rate (%)	4.69%
13	**Depreciation**	**0.06**

**Note: Consumer Contribution addition for FY 2015-16 has been restricted to net addition for FY 2015-16 at Rs. 1.96 Crore. Balance consumer contribution of Rs. 1.55 Crore shall be utilized in subsequent years.*

Interest and Finance Charges

Petitioner's submissions

7.43 The Petitioner has submitted that for assessing interest charges on loans in FY 2015-16, the opening balance of loan has been considered as the normative closing loan balance for the previous year. The loan addition in FY 2015-16 has been considered as Rs. 1.20 Crore based on the actual capitalisation during the year.

7.44 In line with the approach adopted by the Hon'ble Commission in its Tariff Order dated 23rd March 2015 and as prescribed by Tariff Regulations, 2012, repayment during the year has been considered equal to depreciation charged for the financial year.

7.45 Since the Petitioner does not have actual loans and hence in line with the Commission's methodology, the weighted average rate of interest of three state Discoms of 9.36% as approved by the Hon'ble Commission in its Tariff Order dated 17th April, 2015 is considered. The interest & finance charges of Rs. 0.06 Crore is being claimed by the Petitioner for FY 2015-16.

7.46 The Petitioner has submitted that interest of Rs. 1.03 Crore has been paid on consumer security deposit for FY 2015-16, in line with the provisions of the Tariff Regulations, 2012.

Commission's Analysis

7.47 Opening GFA for FY 2015-16, net of opening consumer contribution of Rs. 4.35 Crore, is Rs. 1.33 Crore. Accordingly, the gross opening debt (70% of the adjusted opening GFA) for FY 2015-16 is Rs. 0.93 Crore. It is observed that the cumulative repayment at the beginning of the year is Rs. 2.11 Crore, which is higher than gross opening loan. Therefore, the net opening loan for FY 2015-16 has been considered as nil.

7.48 Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution). Since, the capitalization (net of consumer contribution) for the year is nil due to balance consumer contribution of the previous year, net loan addition is also nil.

7.49 Further, since net opening loan and loan addition during the year is nil, the repayment during the year has been considered as nil. Therefore, the unutilized depreciation of Rs. 0.13 Crore allowed in true-up for FY 2014-15 and FY 2015-16 will be adjusted in the loan repayment for subsequent years.

7.50 Since the Petitioner does not have actual loans, interest on loan has been computed at average of opening and closing balance of loan at 9.36% as admitted by the Commission for three State Discoms in their Retail Tariff Order for FY 2015-16.

7.51 The Commission, for True-up of ARR for FY 2015-16, has admitted the opening security deposit and interest on consumer security deposit as per the audited accounts. The total interest and finance charges admitted for FY 2015-16 is as below:

Table 114: Interest and Finance charges admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Gross opening GFA	13.01	5.68	5.68
2	Opening Consumer Contribution	4.76	2.53	4.35
3	Net opening GFA	8.25	3.15	1.33
4	Gross Debt at the beginning of the year	5.78	2.20	0.93
5	Cumulative Repayment at the beginning of year	2.11	2.00	2.11
6	Cumulative Depreciation at the beginning of year			2.17
7	Net Opening Loan	3.67	0.20	-
8	Addition to net debt during the year	0.47	1.20	-
9	Repayment during the year	0.32	0.29	-
10	Closing Loan	3.82	1.11	-
11	Interest Rate (%)	10.20%	9.36%	9.36%
12	**Interest on Loans**	**0.38**	**0.06**	**-**
13	**Interest on Consumer Security Deposit**	**1.00**	**1.03**	**1.03**
14	**Bank Charges**	**0.01**	**-**	**-**
15	**Total Interest and Finance Charges (11+12+13)**	**1.39**	**1.09**	**1.03**

Interest on Working Capital

Petitioner's Submissions

7.52 The Petitioner has submitted that the interest on working capital has been calculated on the basis of normative parameters as provided in the Tariff Regulations, 2012.

7.53 The rate of interest considered by the Petitioner is the State Bank Advance Rate (SBAR) as on 1st April 2015 as provided in MYT Regulations, 2012.

Commission's Analysis

7.54 Tariff Regulations specify that the working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power
ii. Purchase cost of one month and any consumer security deposit,
iii. O&M expenses for one month, and
iv. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

7.55 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and
ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

7.56 Further, as per the Regulations, the rate of interest on working capital shall be equal to the State Bank Base Rate as on 1st of April of the relevant year plus 3.50%. SBI base rate as on 1st April, 2015 was 10.00% accordingly, the Commission has considered rate of 13.50% (10.00% + 3.50%) for computing the interest on working capital for FY 2015-16. The summary of the interest on working capital admitted by the Commission for FY 2015-16 is shown in the Table below:

Table 115: Interest on Working Capital admitted by the Commission for FY 2015-16

(Rs. Crore)

Sr. No.	Particulars	Months	Claimed	Admitted
For wheeling activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.01	0.01
B) i)	Total of O&M expenses			4.76
B) ii)	1/12th of total O&M expenses	1.00	0.76	0.40

Sr. No.	Particulars	Months	Claimed	Admitted
C)	Receivables			-
C) i)	Annual Revenue from wheeling charges			-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working Capital (A+B ii) +Cii))		0.77	0.40
E)	Rate of Interest		14.75%	13.50%
F)	**Interest on Working Capital**		**0.11**	**0.05**
For Retail activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.00	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges (as per the audited accounts)			97.21
B) ii)	Receivables equivalent to 2 months average billing	2.00	16.22	16.20
C)	Power Purchase expenses			105.71
C) i)	1/12th of power purchase expenses	1.00	9.16	8.81
D	Consumer Security Deposit		13.43	12.77
E)	Total Working capital (A+B ii) - C i) - D)		(6.37)	(5.37)
F)	Rate of Interest		14.75%	13.50%
G)	**Interest on Working capital**		**(0.94)**	**(0.73)**
	Summary			
	For wheeling activity		**0.11**	**0.05**
	For Retail Sales activity		**(0.94)**	**(0.73)**
	Total Interest on working Capital		**(0.83)**	**(0.67)**
	Total Interest on Working Capital admitted		**-**	-

Lease Rent

Petitioner's Submissions

7.57 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognized by the Commission.

7.58 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

7.59 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

7.60 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference,

> *"ii. Land Premium and Lease rent charges:*
>
> *…….*
>
> *The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."*

7.61 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.

7.62 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.

7.63 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations 2012.

7.64 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2015-16.

Commission's Analysis

7.65 The Commission in its Regulations has clearly defined the expenses and costs that can be passed on to the consumers in its ARR. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

7.66 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

7.67 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

7.68 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

7.69 The Petitioner has submitted that it has computed return on equity considering a rate of return on equity at 16% as per MPERC Tariff Regulations, 2012. The Opening Equity for FY 2015-16 is considered as the closing normative equity for the previous year.

Commission's Analysis

7.70 Tariff Regulations specify that RoE shall be computed on pre-tax basis @ 16% as per MPERC Tariff Regulations, 2012. The total equity identified along with RoE as admitted for FY 2015-16 is tabulated below:

Table 116: Return on Equity admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Opening Equity	2.54	0.94	0.40
2	30% of addition to net GFA considered as funded through equity	0.20	0.51	- *
3	Total equity associated with GFA at the end of the year	2.74	1.46	0.40
4	Average equity associated with GFA at the end of the year	2.64	1.20	0.40
5	Rate of Return on equity (%)	16%	16%	16%
6	**Return on Equity**	**0.42**	**0.19**	**0.06**

** Note: 30% of the addition to GFA is after netting-off the impact of consumer contribution amount*

Income Tax

Petitioner's Submissions

7.71 The Petitioner has not claimed any Income Tax for FY 2015-16.

Commission's Analysis

7.72 Since, the Petitioner has not made any payment towards income tax, the Commission has approved Income Tax as nil.

Other Income

Petitioner's Submissions

7.73 The Petitioner has submitted an amount of Rs. 0.13 Crore towards 'Other Income' for FY 2015-16.

Commission's Analysis

7.74 The actual other income admitted as per audited accounts for FY 2015-16 is shown in the table below. It is to be noted that rebate on purchase of power of Rs 2.533 Crore has been considered as part of the 'Other Income' for FY 2015-16.

Table 117: Other Income admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	Other Income	0.32	0.13	2.60

7.75 The ARR as admitted for FY 2015-16 is presented in the following table:

Table 118: Aggregate Revenue Requirement admitted by the Commission for FY 2015-16 (Rs. Crore)

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>As per Tariff Order</th><th>Claimed</th><th>Admitted</th></tr>
<tr><td>1</td><td>Power Purchase admitted</td><td>77.91</td><td>105.71</td><td rowspan="4">109.90</td></tr>
<tr><td>2</td><td>Inter-State transmission charges</td><td>-</td><td>-</td></tr>
<tr><td>3</td><td>Intra-State transmission charges</td><td>3.95</td><td>4.07</td></tr>
<tr><td>4</td><td>SLDC Charges</td><td>0.01</td><td>0.12</td></tr>
<tr><td>6</td><td>Employee Expenses</td><td rowspan="2">4.99</td><td>3.66</td><td rowspan="2">4.74</td></tr>
<tr><td>6</td><td>R&M Expenses</td><td>4.74</td></tr>
</table>

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
7	A&G Expenses		0.70	
8	MPERC Fees	0.01	0.02	0.02
9	Depreciation	0.32	0.29	0.06
10	Interest & Finance Charges	1.39	1.09	1.03
11	Interest on Working Capital	-	-	-
12	Lease Rent	-	2.19	-
13	Return on Equity	0.42	0.19	0.06
14	Income Tax	0.14	-	-
15	**Total Expenses**	**89.15**	**122.79**	**115.82**
16	Less: Other income	0.32	0.13	2.60
17	**Total ARR**	**88.83**	**122.66**	**113.23**

Revenue from Sale of Power

Petitioner's Submissions

7.76 The Petitioner has submitted that the revenue from sale of power for FY 2015-16 is Rs. 97.21 Crore.

Commission's Analysis

7.77 The Commission has admitted the actual revenue of Rs. 97.21 Crore from sale of power to the consumers as per the audited accounts for FY 2015-16.

Revenue Gap/Surplus for true-up of ARR for FY 2015-16

7.78 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2015-16 for adjustment through Retail Tariffs in future:

Table 119: Revenue Gap / Surplus admitted by the Commission for FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	As per Tariff Order	Claimed	Admitted
1	**ARR**	**88.83**	**122.66**	**113.23**
2	Revenue from Sale of Power	88.83	97.21	97.21
3	**Revenue Gap / (Surplus) (1-2)**	**-**	**25.44**	**16.01**

8. TRUE UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2016-17

Sales

Petitioner's Submissions

8.1 The Petitioner has submitted the actual category-wise sales (in MU) for FY 2016-17 as 314.61 MU.

Commission's Analysis

8.2 The Commission has observed that the Audited Accounts for FY 2016-17 does not indicate the actual sales, therefore the Commission verified the sales from the R-15 statement submitted by the Petitioner. Accordingly, the Commission has admitted the actual sales as filed by the Petitioner and as reflected in the R-15 statement for FY 2016-17. Accordingly, the claimed sales and admitted sales for FY 2016-17 is as below:

Table 120: Category wise sales admitted by the Commission for FY 2016-17 (MU)

Sr. No.	Consumer category	Claimed	Admitted
1	**LT consumer categories**		
2	Non-Domestic	0.45	0.45
3	Public Water Works and Street Light	0.53	0.53
4	Industrial	0.10	0.10
5	**Total LT Sale**	1.08	1.08
6	**HT Consumer Categories**		
7	Industrial	313.54	313.54
8	Non-Industrial	0.00	0.00
9	Total HT Sale	313.54	313.54
10	**Total LT+HT Sale**	**314.61**	**314.61**

Total Power Purchased

Petitioner's Submissions

8.3 The Petitioner has submitted that its actual distribution loss for FY 2016-17 was 2.87% in spite of increase in LT sales by about 40% in FY 2016-17 compared to the previous year, resulting in higher distribution losses for FY 2016-17 as compared to the previous year.

8.4 The Petitioner has submitted that the losses have reduced considerably in a limited span of time, despite of the fact that distribution network has increased because of the 40% increase in consumption.

8.5 The Petitioner has requested the Commission to approve the higher distribution loss levels on actuals as a drastic reduction of about 40% from 3.30% for the previous year to 2.00% for FY 2016-17 is difficult to achieve.

8.6 The Petitioner has submitted that it had met its entire power requirement for FY 2016-17 from MPPMCL, considering the actual distribution losses, transmission losses at 2.88% and not considering the loss in external system (PGCIL loss). Power purchase requirement claimed by the Petitioner for FY 2016-17 is 333.50 MU

Commission's Analysis

8.7 It is observed that the actual MPPTCL losses for FY 2016-17 is 2.71% only, as against 2.88% claimed by the Petitioner. Hence, the Commission has approved the Intra-State losses for FY 2016-17 at 2.71%.

8.8 The Commission has computed the actual distribution losses for the Petitioner as 3.04%, as against 2.87% claimed by the Petitioner for FY 2016-17. Since the actual distribution losses for FY 2016-17 are higher than normative, the Commission has approved the normative distribution losses of 2.00% for FY 2016-17 as specified in the Tariff Regulations for computing the energy requirement.

8.9 The energy balance / power purchase requirement on the basis of the sales and losses admitted by the Commission for the Petitioner for FY 2016-17 is presented in the following table:

Table 121: Power Purchase Requirement worked out by the Commission for FY 2016-17

Sr. No.	Particular	Claimed	Admitted
1	Total Sales (MU)	314.61	314.61
2	**Distribution loss (%)**	**2.87%**	**2.00%**
3	Distribution loss (MU)	9.29	6.42
4	Input at AKVN boundary (MU)	323.90	321.03
5	**Transmission loss (%)**	**2.88%**	**2.71%**
6	Transmission loss (MU)	9.60	8.94
7	Input at G-T interface (MU)	333.50	329.97
8	**PGCIL Losses %**	**0.00%**	**0.00%**
9	PGCIL Losses (MU)	0	-
10	**Power Purchase Requirement (MU)**	**333.50**	**329.97**

Power Purchase Cost & Transmission charges

Petitioner's Submissions

8.10 The Petitioner has submitted that it has executed a long-term power purchase agreement with MPPMCL for a quantum of 40 MW with effect from 1st April, 2015 on 29th March, 2016 and that it had met its entire power requirement from MPPMCL for FY 2016-17 amounting to Rs. 117.56 Crore including prior period expenses of Rs. 1.49 Crore and prior period adjustments of PGCIL charges worth Rs. 0.02 Crore. These charges have been shown as a part of power purchase cost in the audited financials for FY 2016-17. However, for the sake of filing of this Petition, it has been classified as part of transmission charges for FY 2016-17.

8.11 The Petitioner further submitted that it had received an amount of Rs. 1.97 Crore in FY 2016-17 pertaining to UI adjustments of the prior years.

8.12 The Petitioner has submitted that it had not incurred any Inter-state transmission charges as the entire power requirement had been met from MPPMCL during FY 2016-17.

8.13 The Petitioner has submitted that it had incurred intra-state transmission charges of Rs. 8.48 Crore during FY 2016-17 including Rs 0.02 Crore of prior period adjustments pertaining to PGCIL charges and SLDC charges of Rs. 0.01 Crore.

Commission's Analysis

8.14 The Commission approves Power Purchase Cost on actual basis and not on accrual basis of accounting, hence after analyzing the audited accounts of the Petitioner, the Commission has approved the total power purchase cost booked for the said year strictly as per the audited accounts, after verification from power purchase bills and after giving due consideration to norms approved by the Commission in Regulations and Tariff Orders.

8.15 Based on the analysis of the Audited Accounts of FY 2016-17 of the Petitioner, it is observed that the all the expense (Transmission, SLDC & other charges) related to power purchase has been booked under the same head of Power Purchase Cost. Hence for the sake of clarity, the Commission has considered the total power purchase cost booked for the said year strictly as per the audited accounts, thereby not allowing any amount for which payment has not been made in the year for which truing is being done or not booked in the audited account. Accordingly, the Commission has considered the PGCIL charges of previous years of Rs. 0.02 Crore for which payment has been made in FY 2016-17. Further, the Commission has not considered the amount booked for rebate on power purchase of Rs. 0.15 Crore.

8.16 Further, the Commission has not considered the claim for Rs. 3.59 Crore towards repair and maintenance expense and has addressed the same in the O&M Expenses section of this Order. Also, the UI charges of Rs. 1.97 Crore and prior period expense of Rs. 1.49 Crore, which is booked in the Audited Accounts for FY 2016-17 has been considered. In the absence of the actual power purchase quantum mentioned in the audited accounts, the Commission has prorated the Power Purchase cost as per the power purchase quantum admitted in this Order for FY 2016-17. The admitted power purchase cost for FY 2016-17 is as below:

Table 122: Power Purchase Cost & Transmission Charges Admitted by the Commission (Rs. Crore) for FY 2016-17

Particulars	Claimed	Admitted
Power purchase from MPPMCL	116.07	**122.86**
MPPMCL: Prior period adjustments	1.49	
Unscheduled Interchange (Credit)	-1.97	
Net Power Purchase Cost	115.59*	

Intra-State Transmission Charges	8.46	
Inter-State Transmission Charges	0.02	
SLDC Charges	0.01	
Total Power Purchase & Transmission Charges	**124.08**	

**Rs 0.02 Crore corresponding to the prior period adjustments of PGCIL have been claimed as transmission charges*

GFA and Capitalisation

Petitioner's Submissions

8.17 The Petitioner has submitted that the opening value of the gross fixed asset of Rs. 7.61 Crore for FY 2016-17 has been considered as per the closing value of gross fixed asset for the previous year as submitted in the Petition for True-up of ARR for the previous year.

8.18 The Petitioner has submitted that the additions to asset have been considered as per the actual capitalisation for FY 2016-17. The actual capitalization of the Petitioner pertaining to power business for FY 2016-17 is Rs. 3.12 Crore.

Commission's Analysis

8.19 The Commission has considered the closing balance of GFA admitted by it in the True-up order for the previous year as the opening balance of GFA for FY 2016-17. The Commission has admitted the capitalisation as per the Audited Accounts for FY 2016-17 as below:

Table 123: Capitalisation Admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Computers	0.01	0.01
2	Buildings	0.23	0.23
3	Plant and Machinery	2.87	2.87
4	**Total**	**3.12**	**3.12**

8.20 The GFA admitted for FY 2016-17 based on the capitalisation admitted by the Commission is as below:

Table 124: GFA Admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Opening GFA	7.61	7.64
2	Addition During the Year	3.12	3.12
3	Deduction	0.00	-
4	Closing GFA	10.73	10.75

Funding of Capitalisation

Petitioner's Submissions

8.21 The Petitioner has submitted that the funding of above-mentioned capital expenditure is done through various sources which are mainly categorised under three headings namely:

i. Consumer Contribution;
ii. Equity; and
iii. Debt.

8.22 The Petitioner has submitted that the entire funding of the assets (other than those funded through consumer contribution) for FY 2016-17 is through equity. However, in view of the provisions of the MYT Tariff Regulation, 2015, the quantum of equity has been restricted at 30% of the total funding requirement and the remaining quantum is treated as normative debt. This is in line with the provisions of the MYT Tariff Regulations, 2015 and also in line with the approach adopted by the Commission in the past.

Commission's Analysis

8.23 The Commission has continued with the approach of limiting the quantum of equity to 30% of the total funding requirement and the remaining quantum is treated as normative debt, in line with the provisions of the MYT Tariff Regulations, 2015. It is observed that the balance of Consumer Contribution and Grants stood at Rs. 1.55 Crore at the end of FY 2015-16. Further, the consumer contribution and grants received during the year have been considered as per Audited Accounts (without netting of amortization as considered by Petitioner). Accordingly, the consumer contribution addition for the FY 2016-17, i.e., Rs. 0.54 Crore and balance consumer contribution of Rs. 1.55 Crore from previous year have been utilized to fund the capitalisation of Rs. 3.12 Crore. The balance amount of capitalization is funded by debt and equity. Accordingly, the Funding allowed is as per the table below:

Table 125: Admitted funding of Capitalisation for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Total Capitalisation	3.12	3.12
2	Consumer Contribution (including balance from past)	0.54	2.09
3	Total Capitalisation to be Funded	2.57	1.02
4	Normative Debt	1.80	0.72
5	Normative Equity	0.77	0.31

Operations and Maintenance Expenses

Petitioner's Submissions

8.24 The Petitioner has submitted that the Operations and Maintenance (O&M) Expenses consists of the following elements as per Clause 34.1 of the MYT Regulations, 2015:

- Employee Expenses
- Repairs and Maintenance Costs
- Administrative and General Expenses
- MPERC Expenses

Employee Expenses

8.25 The Petitioner has submitted that employees of its various department like planning, commercial, technical, legal, and financial & accounts, administrative etc. are involved in activity of power business. The actual employee expenses for FY 2016-17 as incurred by the Petitioner based on the audited financials is Rs. 3.03 Crore which also includes DA and terminal benefits.

A&G Expenses

8.26 The Petitioner has submitted that actual A&G expenses incurred for FY 2016-17 is Rs. 1.47 Crore, which is lower than normative A&G expenses set by the Commission in the MYT Regulations, 2015.

R&M Expenses

8.27 The Petitioner has submitted that it has entered into an agreement with MPPKVVCL, Indore dated 26 March, 2013 to carry out all R&M Expenses of its Electrical Network situated in the Special Economic Zone Phase I and Phase II in Pithampur area of the Dhar District and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the Special Economic Zone area for an initial period of 3 years from the effective date. For first six months of the current financial year, MPPKVVCL was carrying out all R&M activities. Subsequently, the Petitioner has entered into agreement with PTC India Ltd. on 29 September, 2016 for R&M activities of its electrical network and other consultancy services at lower rates.

8.28 The Petitioner has submitted that the Commission had considered this expenditure in its earlier Tariff Order for the FY 2013-14, FY 2014-15 and FY 2015-16. The relevant extracts of the Tariff Order for FY 2013-14 dated 10 September, 2013 has been reproduced below:

> *"2.47 The Commission noticed that the petitioner has filed O&M expenses as per the Regulations and has also filed the expenses as per the agreement signed with MPPKVVCL, Indore dated March 26, 2013. The petitioner has requested that the expenses in accordance with the agreement executed by them with MPPKVVCL be allowed. MPPKVVCL has to undertake all activities related to O&M expenses and also to provide consultancy services in various techno-commercial matters relating to the distribution and supply of electricity in the SEZ area. The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers. MPPKVVCL is a State owned Distribution Licensee and has expertise in operation and maintenance of power distribution system. [Emphasis Added]"*

8.29 Since, various distribution of power related aspects have improved considerably, including:

- The distribution loss levels have reduced;

- Scheduling practices have been optimized resulting into effective procurement;
- Number of incoming and outgoing feeders have been optimized and increased resulting into redundant supply, appropriate loading levels, load bifurcation and further reduction of distribution losses.

8.30 The Petitioner has also submitted that a part of R&M expenses (Rs 3.59 Crore) incurred for FY 2016-17 is reflected as part of Power Purchase Cost in the audited financials. However, for the purpose of filing of this Petition, the Petitioner has re-classified the same as a part of the R&M expenses.

MPERC Fees

8.31 The Petitioner has submitted that the actual MPERC Fees for FY 2016-17 is Rs. 0.02 Crore.

Commission's Analysis

8.32 Operation and Maintenance expenses comprise of the following heads:

- Employees Expenses which includes the salaries, dearness allowance, dearness pay, other allowances and retirement benefits paid to the staff;
- Repair and Maintenance (R&M) Expenses, which include all expenditure incurred on the maintenance and upkeep of transmission and distribution assets; and
- Administrative and General Expenses, which include all expenditure incurred in operating a business such as telephone charges, regulatory and consultancy fees such as energy auditing and chartered accountant fees, conveyance and travel expenses, water charges etc.
- MPERC Fees, is the fees payable to the MPERC as per Regulations.

8.33 It is observed that the Petitioner has claimed the Operation and Maintenance Expense as per the Tariff Regulations, 2015, and as per the agreement dated March 26, 2013 with MPPKVVCL and agreement dated October 1, 2016 with PTC. However, the Commission has considered Employee, Administrative & General (A&G) and Repair & Management (R&M) expenses as per the norms given in the MYT Regulations, 2015. As regards consideration of R&M contract in the R&M expenses, the

Commission deemed it appropriate to consider R&M expenses as per the provisions of the Regulations and is of the view that the Petitioner should manage its R&M contract under the normative O&M expenses. The Commission has considered the dearness allowance, terminal benefits and pension paid as per the audited account of FY 2016-17.

8.34 Accordingly, based on the Petitioner's submission and provisions of Regulations, the total O&M expenses admitted by the Commission for FY 2016-17 as given in the Table below:

Table 126: O&M Expenses admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Employee Expenses	3.03	3.02
2	R&M Expenses	3.61	0.38
3	A&G Expenses	1.47	1.91
4	MPERC Fees	0.02	0.02
5	**Total O&M Expenses**	**8.13**	**5.33**

Depreciation

Petitioner's Submissions

8.35 The Petitioner has submitted that the rates of depreciation as specified in the MYT Regulations, 2015 have been considered for the computation of depreciation for FY 2016-17. The additions to asset have been considered as per the actual capitalisation for FY 2016-17.

8.36 The Petitioner further submitted that it has reduced the amortization of the assets capitalized from the consumer contribution for the currently. Accordingly, net depreciation on GFA for FY 2016-17 after reducing amortization on consumer contribution is Rs. 0.33 Crore.

Commission's Analysis

8.37 The Commission has considered the capitalization for FY 2016-17 as per the Audited Accounts. Depreciation has been computed considering the rates of depreciation as per MPERC Tariff Regulations, 2015 on class of assets as depreciation model substantiated with the Asset Register was not submitted. The Commission has computed the depreciation for FY 2016-17, as shown in the tables below:

Table 127: Gross Depreciation admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Opening GFA	Net Addition during the year	Closing GFA	Gross Depreciation
1	Furniture & Fixtures	0.21	0.00	0.21	**0.21**
2	Computers	0.00	0.01	0.02	**0.01**
3	Buildings	2.94	0.23	3.17	**3.06**
4	Plant & Machinery	4.48	2.87	7.36	**5.92**
5	**Total**	**7.64**	**3.12**	**10.75**	**9.19**
6	**Depreciation Rate**				**4.66%**

Table 128: Net Depreciation admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Admitted
1	*Gross Opening GFA*	7.64
2	*Adjustment*	-
3	*Opening Consumer contribution and Grants*	6.31
4	**Net Opening GFA (Sr. No. 1 - Sr. No. 2 - Sr. No. 3)**	**1.33**
5	*Net addition to GFA*	3.12
6	*Addition in consumer contribution and grants*	2.09
7	**Net Addition during the year (less Consumer Contribution) (Sr. No. 5 - Sr. No. 6)**	**1.02**
8	*Gross Closing GFA*	10.75
9	*Closing Contribution and Grants*	8.40
10	**Net Closing GFA (Sr. No. 8 - Sr. No. 9)**	**2.35**
11	**Average GFA**	**1.84**
12	Depreciation Rate (%)	4.66%
13	**Depreciation**	**0.09**

Interest and Finance Charges

Petitioner's submissions

8.38 The Petitioner has submitted that for assessing interest charges on loans for FY 2016-17, the opening balance of loan has been considered to be equal to closing loan balance of the same for the previous year. The additions to loan for FY 2016-17 has been considered based on the actual capitalisation during the year.

8.39 The repayment of the loan during the year has been considered equal to depreciation charged for the financial year as per clause 31.3 of the MYT Regulations, 2015. Since the Petitioner does not have actual loans, the weighted average rate of interest of three state Discoms of 8.97% as admitted by the Commission in its Retail Supply Tariff Order for the FY 2016-17 dated 5 April, 2016 has been considered in line with the approach adopted by the Commission in its earlier Tariff Orders in approving the Interest and finance charges.

8.40 The Petitioner has submitted that the actual interest paid on consumer security deposit for FY 2016-17, as per the audited annual accounts.

Commission's Analysis

8.41 Opening GFA for FY 2016-17, net of opening consumer contribution of Rs. 6.31 Crore, is Rs. 1.33 Crore. Accordingly, the gross opening debt (70% of the adjusted opening GFA) for FY 2016-17 is Rs. 0.93 Crore. It is observed that the cumulative repayment at the beginning of the year is Rs. 2.11 Crore, which is higher than gross opening loan. Therefore, the net opening loan for FY 2016-17 has been considered as nil.

8.42 Loan addition during the year has been considered as 70% of capitalization (net of consumer contribution). Repayment during the year has been considered equivalent to admitted depreciation for the year and balance unutilized depreciation available from past years. Interest on loan has been computed at an average of opening and closing balance of loan at 8.97% as admitted by the Commission for three State Discoms in their Retail Supply Tariff Order for FY 2016-17.

8.43 The Commission for True-up of ARR for FY 2016-17 has admitted the opening security deposit and interest on consumer security deposit as per the Audited

Accounts. The total interest and finance charges as admitted for FY 2016-17 is as below:

Table 129: Interest and finance charges admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Gross opening GFA	7.64	7.64
2	Opening Consumer Contribution	2.77	6.31
3	Net opening GFA	4.87	1.33
4	Gross Debt at the beginning of the year	3.41	0.93
5	Cumulative Repayment at the beginning of year	2.29	2.11
6	Cumulative Depreciation at the beginning of year		2.24
7	Net Opening Loan	1.11	-
8	Addition to net debt during the year	1.80	0.72
9	*Unutilised depreciation of past years*	-	*0.13*
10	*Depreciation during FY 2016-17*	*0.33*	*0.09*
11	Repayment during the year	0.33	0.21
12	Closing Loan	2.58	0.50
13	Interest Rate (%)	8.97%	8.97%
14	**Interest on Loans**	**0.17**	**0.02**
15	**Interest on Consumer Security Deposit**	**1.02**	**1.02**
16	**Total Interest and Finance Charges (11+12+13)**	**1.19**	**1.04**

Interest on Working Capital

Petitioner's Submissions

8.44 The Petitioner has submitted that the Interest on working capital has been calculated on the basis of normative parameters as provided in the Clause 22.1 of the MYT Regulations, 2015 which have been reproduced below:

> *"22. Working capital.-*
>
> *22.1. Following shall be included in the working capital for supply activity of the Licensee:*
> *(1) Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit, O&M expenses for one*

month, and Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

22.2. Following shall be included in the working capital for wheeling activity of the Licensee:
(i) O&M expenses for one month, and Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year."

8.45 The rate of interest considered is the State Bank Advance Rate (SBAR) as on 1st April 2016 as provided in clause 36 of the MYT Regulations, 2015.

Commission's Analysis

8.46 Tariff Regulations specify that the Working capital for supply activity of the licensee shall consist of:

i. Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,
ii. O&M expenses for one month, and
iii. Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

8.47 Working capital for wheeling activity of the licensee shall consist of:

i. O&M expenses for one month, and
ii. Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.

8.48 Further, as per the Regulations, the rate of interest on working capital shall be equal to the State Bank Prime Lending Rate as on 1st of April of the relevant year. SBI PLR rate as on 1st April, 2016 was 14.05% accordingly, the Commission has considered the same for computing the interest on working capital for FY 2016-17. The summary of interest on working capital admitted by the Commission for FY 2016-17 is shown in the Table below:

Table 130: Interest on Working Capital admitted by the Commission for FY 2016-17

(Rs. Crore)

Sr. No.	Particulars	Months	Claimed	Admitted
For wheeling activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.08	0.01
B) i)	Total of O&M expenses			5.33
B) ii)	1/12th of total O&M expenses	1.00	0.68	0.44
C)	Receivables			-
C) i)	Annual Revenue from wheeling charges		0.00	-
C) ii)	Receivables equivalent to 2 months average billing of wheeling charges	2.00	0.00	-
D)	Total Working capital (A+B ii)+Cii))		0.75	0.45
E)	Rate of Interest		14.05%	14.05%
F)	**Interest on Working capital**		**0.11**	**0.06**
For Retail Sales activity				
A)	1/6th of annual requirement of inventory for previous year	2.00	0.00	0.00
B)	Receivables			-
B) i)	Annual Revenue from Tariff and charges			105.98
B) ii)	Receivables equivalent to 2 months average billing	2.00	17.66	17.66
C)	Power Purchase expenses			114.39
C) i)	1/12th of power purchase expenses	1.00	10.34	9.53
D	Consumer Security Deposit		15.13	15.13
E)	Total Working capital (A+B ii) - C i) - D)		(7.81)	(7.00)
F)	Rate of Interest		14.05%	14.05%
G)	**Interest on Working capital**		**(1.10)**	**(0.98)**
	Summary			
	For wheeling activity		**0.11**	**0.06**
	For Retail Sales activity		**(1.10)**	**(0.98)**
	Total Interest on working Capital		**-**	**(0.92)**
	Total Interest on working Capital admitted		**-**	**-**

Lease Rent

Petitioner's Submissions

8.49 The Petitioner has submitted that it is the SEZ developer who is responsible for providing various services to the business units who setup their factories in the SEZ premises. As a deemed licensee, the Petitioner also supplies power to the occupants of the SEZ. For this purpose, MPIDC (SEZ Developer) has provided land to power business of the Petitioner for setting up its infrastructure necessary for providing power to the industrial units. Against this land which has been allocated to the power business, the Petitioner is charging lease rent for the area allocated to the power business which is a separate business unit within the company and is a distribution licensee recognised by the Commission.

8.50 As per Clause 33 of the MYT Regulations, 2015:

> *"33. Lease/ Hire Purchase charges.-*
> *Lease charges for assets taken on lease by Distribution Licensee shall be considered as per lease agreement provided the charges are considered reasonable by the Commission."*

8.51 Lease rent is a legitimate expense and should be permitted to be recovered as an expense through the ARR. The lease rent is being charged by MPIDC as it is an opportunity cost lost for the SEZ business as they could have leased out this land to some other industry and received lease rent against it.

8.52 Further, as a distribution licensee, in normal course of action, the Petitioner would have purchased this land for establishment of its power distribution infrastructure. The cost incurred for purchase of land gets capitalized and the Commission allows depreciation, interest on loan and return on equity chargeable on account of this cost as part of ARR. Accordingly, this expenditure, in the form of either lease rent or depreciation, interest on loan and return on equity chargeable on the capital cost incurred by the Petitioner, is inevitable.

8.53 The Petitioner has sought lease rent in its review petition 86 of 2012 and the Commission in its Order dated 21st December, 2012 has disallowed lease rent sighting reason of non-payment. The relevant part of the same is reproduced here below for reference.

"ii. Land Premium and Lease rent charges:

…….

The Commission considered the matter and observed that in the instant case since no actual payments are being made to the SEZ on account of land premium or lease rent such notional expense cannot be charged to the consumers. The claim made by the petitioner in this regard is not sustainable."

8.54 The Petitioner has submitted that as it has now made all past payments towards lease rent, the Commission is requested to approve lease rent on actual basis as incurred by the Petitioner.

8.55 There have been instances in other states wherein the Commission has allowed this expenditure pertaining to lease rental as a pass through in the tariff over and above the other expenses.

8.56 A precedence in this matter can be seen in case of approval of the Truing-up of FY 2013-14 and FY 2014-15, Provisional Truing-up of FY 2015-16, and Projection of ARR for the 3rd Control Period FY 2016-17 to FY 2019-20 for the transmission licensee MEGPTCL in Maharashtra by the Hon'ble MERC in Case no. 50 of 2016. In the said case, the land for Akola-II Sub-station was initially to be purchased and handed over by MSETCL to MEGPTCL, however, later on based on management decision, the land was later leased out to MEGPTCL. Accordingly, while the total capital cost of land in the overall capital cost was reduced, the corresponding increase in the lease rental for the same was factored as additional Operation and Maintenance (O&M) expenses in the ARR for the Control Period. Considering the facts of the case, the Hon'ble Commission had admitted the least rent for Akola II Sub-station over and above the normative O&M expenses of MEGPTCL prescribed in the MYT Regulations.

8.57 The Petitioner has requested the Commission to allow lease rent charged to MPIDC to the power business as a legitimate expenditure as part of the ARR for FY 2016-17.

Commission's Analysis

8.58 The Commission in its Regulations has clearly defined the expenses and costs that can be passed on to the consumers in its ARR. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

8.59 The recovery of asset utilization in form of depreciation, return on equity and interest on debt has been defined on some premise of adequate costs after detailed deliberation and stakeholder consultation. Whereas there is no reliable basis of the amount of lease rental being claimed by the Petitioner.

8.60 Further, the submission of the Petitioner that it has paid the lease rent is also not correct. Such expense has not been paid in actuals and is only a book entry from one department of Petitioner Company to another, which cannot be called as expense for passing it to ARR. The Commission in provisional true up for FY 2010-11 and FY 2011-12 had not allowed the lease rent, which was upheld by the Hon'ble APTEL also in Appeal No. 71 of 2013 filed by the Petitioner. Aggrieved by the same the Petitioner has filed an Appeal before the Hon'ble Supreme court of India, which is sub judice.

8.61 Accordingly, with respect to the view taken by the Commission in order for provisional true up of FY 2010-11 and FY 2011-12, the Commission has not admitted the lease rent as claimed by the Petitioner. The expense in form of lease rent has not been considered as legitimate expense to be passed on in the ARR.

Return on Equity

Petitioner's Submissions

8.62 The Petitioner has submitted that as per clause 30.2 of the MYT Regulations, 2015,

> *"30.2. Return on equity shall be computed on pre-tax basis at the rate 16%.Any expenses on payment of Income Tax shall be allowed extra on actual basis on the licensed business of Distribution Licensee."*

8.63 Accordingly, the Petitioner has computed the return on equity considering a rate of return on equity at 16%.

8.64 The opening equity for FY 2016-17 is considered to be equal to closing value for the previous year as submitted in True up Petition for the previous year. Since the Petitioner did not have any tax liability for FY 2016-17, no tax on income has been claimed by the Petitioner.

Commission's Analysis

8.65 RoE has been computed on pre-tax basis @ 16% as per provisions of MPERC Tariff Regulations, 2015. The total equity identified along with RoE as admitted for FY 2016-17 is tabulated below:

Table 131: Return on Equity admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Equity associated with GFA as on the beginning of the year	1.46	0.40
2	30% of addition to net GFA considered as funded through equity	0.77	0.31
3	Total equity associated with GFA at the end of the year	2.23	0.70
4	Average equity associated with GFA at the end of the year	1.85	0.55
5	Rate of Return on equity (%)	16%	16%
6	**Return on Equity**	**0.30**	**0.09**

Income Tax

Petitioner's Submissions

8.66 The Petitioner has not claimed any Income tax for FY 2016-17.

Commission's Analysis

8.67 Since, the Petitioner has not made any payment towards income tax, the Commission has approved Income Tax as nil.

Other Income

Petitioner's Submissions

8.68 The Petitioner has submitted an amount of Rs. 0.09 Crore towards Other Income for FY 2016-17.

Commission's Analysis

8.69 The actual other income admitted as per audited accounts for FY 2016-17 is shown in the table below:

Table 132: Other Income admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Other Income	0.09	1.62

8.70 The ARR as admitted for FY 2016-17 is presented in the following table:

Table 133: Other Income admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Power Purchase admitted	115.59	122.86
2	Inter-State transmission charges	0.02	
3	Intra-State transmission charges	8.46	
4	SLDC Charges	0.01	
5	Employee Expenses	3.03	3.02
6	R&M Expenses	3.61	0.38
7	A&G Expenses	1.47	1.91
8	MPERC Fees	0.02	0.02
9	Depreciation	0.33	0.09
10	Interest & Finance Charges	1.19	1.04
11	Interest on Working Capital	0.00	-
12	Lease Rent	2.19	-
13	Return on Equity	0.30	0.09
14	Income Tax	-	-
15	**Total Expenses**	**136.21**	**129.41**
16	Less: Other income	0.09	1.62
17	**Total ARR**	**136.13**	**127.79**

Revenue from Sale of Power

Petitioner's Submissions

8.71 The Petitioner has submitted that the revenue from sale of power for FY 2016-17 is Rs. 105.83 Crore.

8.72 The Petitioner has also provided a rebate to its consumers, amounting to Rs 0.15 Crore, for prompt payment of the bills. The same has been subtracted from the revenue from sale of power to arrive at the Net revenue from the sale of power for FY 2016-17.

Commission's Analysis

8.73 The actual revenue for FY 2016-17 from sale of power has been admitted as per audited accounts of FY 2016-17. The Commission has not considered the rebate on sale provided by the petitioner as the rebate has been provided by the petitioner on prompt payment at its behest. Accordingly, the admitted revenue from sale of power for FY 2016-17 by the Commission is as follows:

Table 134: Revenue from Sales as admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	Revenue from the sale of power	105.98	105.98
2	Less: Rebate on power sales	0.15	-
3	**Net Revenue from the Sale of Power for FY 2016-17**	**105.83**	**105.98**

Revenue Gap/Surplus for true-up of ARR for FY 2016-17

8.74 Based on the scrutiny of various cost components regarding revenue income and expenditures of Petitioner, the Commission has considered the following Revenue Gap / (Surplus) for FY 2016-17 for adjustment through Retail Tariffs in future:

Table 135: Revenue Gap/Surplus admitted by the Commission for FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Claimed	Admitted
1	**ARR**	**136.13**	**127.79**
2	Revenue from Sale of Power	105.83	105.98
3	**Revenue Gap/ (Surplus)**	**30.30**	**21.82**

9. PUBLIC SUGGESTIONS AND COMMENTS ON LICENSEE'S PETITION

9.1 After admission of the True-up Petitions for FY 2010-11 to FY 2016-17 filed by the Petitioner, public notice comprising the gist of the True-up proposals were published by Petitioner on 15th March, 2018, in the prominent English and Hindi newspapers (Free Press General in English and Nai Duniya in Hindi Language on 15th March 2018) requesting the Stakeholders to file their objections/comments/suggestions latest by 3rd April, 2018. Further, the gist of the Petitions was uploaded on the Commission's and the Petitioner's websites.

9.2 In response to the Public Notice, M/s Pithampur Audhyogik Sangathan (PAS) has filed their comments in true up Petition. Subsequently, the Commission held public hearing on 05th April, 2018 at its office.

9.3 While a number of Suggestions / Objections / Comments have been received and given due consideration by the Commission, only the salient ones received related to the true up petition, have been grouped together according to the nature of the Suggestions / Objections and are summarized in this chapter as given in the following paragraphs.

ISSUE No. 1: O&M Expenses

Stakeholder Comments

The O&M expenses claimed by the Petitioner are very high considering that 99% of the Petitioner's power demand is at 33 kV level and all 33 kV equipment and power transformer are maintained by the Transmission licensee and is paid for in the Transmission Tariff.

The Consultant and O&M agencies were not appointed through competitive bidding from FY 2013-14 to FY 2016-17, which has resulted in a disproportionate increase in the O&M expenses with respect to the increase in GFA as against the values for FY 2010-11 to FY 2012-13.

PTC India Ltd has not done any work as it has sub-contracted all the work to external agencies. The list of total employees employed by the Petitioner for SEZ Power Business should be cross-checked.

The present O&M Contract should be cancelled and new agency should be appointed based on bidding.

Petitioner's Response

Petitioner submitted that information on all R&M activities carried out by MPPKVVCL till September 2016 has been submitted in the previous Tariff Petitions. Subsequently, MPIDC has entered into agreement with PTC India Ltd. on 29 September, 2016 for R&M activities of its electrical network at lower rates which resulted into a reduction of costs by more than Rs. 1.5 Crore per annum.

Further, the Hon'ble Commission in its order of FY 2015-16 for MPIDC also observed:

> *"….The Commission is of the view that looking at the difficulties faced by the petitioner in the past related to its power business, it would be prudent to consider the contract between the petitioner and MPPKVVCL, Indore in the interest of the consumers….."*

Reputed companies such as MPPKVVCL and PTC have been contracted since FY 2013-14 for carrying out R&M activities and providing consultancy on techno-commercial matters. The contract was executed with PTC to further optimize the costs.

The contract with PTC has resulted into achievement of following benefits:

- PTC has been making considerable efforts in reduction of distribution losses at MPIDC and is striving hard to bring the same in the trajectory as approved by MPERC. Since the taking over of work by PTC, distribution losses have been reduced by more than 50%;
- PTC has assisted MPIDC in upgradation of their connectivity levels to grid and successfully facilitated the upgradation from 33 kV to 132 kV voltage levels;
- PTC, also having an expertise in power trading and scheduling, is providing day-to-day assistance to MPIDC for optimum scheduling resulting into effective procurement;

- PTC is also assisting MPIDC in rationalization of its power procurement strategy.
- With PTC managing R&M activities, loss levels and network interruptions have been reduced to a considerable level and thus improving quality supply of power to SEZ consumers.

The employee cost is allotted to power business is based on the actual efforts deployed by the employees of MPIDC for managing the power business and associated activities. List of the employees along with their percentage of employee cost allocation is already provided as part of the Petition.

ISSUE No. 2: Power Purchase Cost

Stakeholder Comments

The power allocation from NTPC was discontinued based on the letter ref. 2122/2014/2013 of the then PS (Energy) and no attempt was made for allocation from other economic power source. Instead, a costlier long term PPA was signed with MPPMCL.

Petitioner's Response

In line with directives from the Commission, the Petitioner has duly finalized the long-term power purchase agreement with MPPMCL considering the power plants capacities allocated as per notification from GoMP dated 30 March, 2016. The long-term power purchase agreement is applicable with effect from 01 April, 2015.

Commission's views on Stakeholder submissions on above issues

The Commission has taken note of comments/suggestions/ observations of the Stakeholder related to the true up petitions and Petitioner's response to them. However, in case any comment/ suggestion/ observation is not specifically elaborated, it does not mean that the same has not been considered. The Commission has considered the issues raised by the Stakeholder and Petitioner's response while carrying out the detailed analysis of True-up ARR Petition for FY 2010-11 to FY 2016-17 as detailed in the subsequent sections of this Order.

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