MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016

Petition No. 53/2013

PRESENT:

Rakesh Sahni, Chairman

A. B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

Determination of True-up of Transmission Tariff for FY 2012-13 based on the petition filed by M. P. Power Transmission Co. Ltd., Jabalpur.

M. P. Power Transmission Co. Ltd., Jabalpur - Petitioner

Versus

(i) M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd., Jabalpur

(ii) M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd., Bhopal

(iii) M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd., Indore

(iv) M. P. Audyogik Kendra Vikas Nigam, (SEZ), Indore

Respondents

ORDER

(Passed on this 21st day of August' 2014)

1. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") and other stakeholders on 03rd July' 2014, at Bhopal in the matter of true up of Transmission Tariff for FY 2012-13. The Commission considered the documents available on record and orders issued by the Government of Madhya Pradesh (Energy Department) on 31st May' 2005 making the Transfer Scheme Rules effective from 1st June' 2005, (order No.3679/FRS/18/13/2002 dated 31.05.2005) and 3rd June' 2006 making the Madhya Pradesh Electricity Reforms Transfer Scheme Rules, 2006. The Commission also considered the Final Opening Balance sheets (as on 31.05.2005) notified by the State Government on 12th June' 2008 and reallocation of generating capacity among the three Distribution Companies & SEZ by the State Government vide order dated 29th March' 2012.

2. The Multi-Year Transmission Tariff (MYT) order for FY 2009-10 to FY 2011-12 was issued by the Commission on 11th January' 2010 in accordance with the MPERC (Terms & Condition for determination of Transmission Tariff)(Revision-I) Regulations, 2009 (RG-28 (I) of 2009) and its amendments (hereinafter referred to as "Regulations"). Subsequently, the Transmission Tariff for 2012-13 was determined by the Commission, on 17th April'2012.The subject matter is related to truing-up of the aforesaid order of the Commission.

3. On 7th October' 2013, MPPTCL filed an application seeking time extension for filing the true-up petition for FY 2012-13 up to 15th November' 2013. The aforesaid request of MPPTCL was considered by the Commission. On 14th November' 2013, MPPTCL filed the petition for true-up of the Transmission Tariff determined by the Commission for FY 2012-13.

4. Motion hearing in the matter was held on 11th December' 2013 when it was noted that the infirmities and discrepancies pointed out during scrutiny of the earlier true-up petition for FY 2011-12 were repeated in this petition also. The true-up order for FY 2011-12 was issued on the basis of supplementary submissions followed by a revised petition, after rectification of all such shortcomings filed by MPPTCL. Also, the petitioner had not followed the approach of the Commission in the last true-up order.

5. Vide daily order dated 12th December' 2013, the petitioner was directed to submit all required details in accordance with the approach followed by the Commission in its last true up order for FY 2011-12 issued on 11th November' 2013. Vide same order the information gaps/ infirmities identified in the petition were also communicated to the petitioner

6. Vide letter No. 9489 dated 31st December' 2013, MPPTCL requested the Commission to postpone the date of hearing mentioning that the finalization of Asset-Depreciation Register was under process. Considering the request of MPPTCL, the date of hearing was postponed to 25th February' 2014.

7. MPPTCL sought further time extension for three to four weeks to file the reframed petition along with the reconciled Asset-Depreciation Register which was under reconciliation stage. The aforesaid request of MPPTCL was considered and the date of hearing was further adjourned to 25th March' 2014.

8. Vide letters dated 22nd March' 2014 and dated 7th April' 2014, MPPTCL filed the reframed true-up petition for FY 2012-13 and the final reconciled Asset-Depreciation Register of the company (as on 1st June' 2005 and FY 2012-13) respectively.

9. MPPTCL claimed the following in its reframed petition.

(a) True-up amount for FY 2012-13

(Amount ₹ Crores)

S. No.	***Particulars***	***As per ARR approved by order dated 17.04.2012***	***As filed in this petition based on Audited Accounts***	***True-up Amount (Col. 4 – Col 3)***
1	***2***	***3***	***4***	***5***
1	*O&M Expenses*	*320.20*	*326.15*	*5.95*
2.	***Terminal Benefits -***			
2(i)	*Cash expenses*	*621.29*	*773.44*	*152.15*
2(ii)	*Provisioning*	*0.00*	*57.79*	*57.79*
2.	***Total -***	***621.29***	***831.23***	***209.94***
3.	*Depreciation*	*236.33*	*203.24*	*(-) 33.09*
4.i.	*Interest on Loan & Bank Charges*	*105.54*	*117.22*	*11.68*
4.ii.	*Interest on Working Capital*	*46.08*	*51.72*	*5.64*
4.iii.	*Interest on Normative Loan*	*0.00*	*0.00*	*0.00*
4.	***Total Interest***	***151.62***	***168.94***	***17.32***

S. No.	Particulars	As per ARR approved by order dated 17.04.2012	As filed in this petition based on Audited Accounts	True-up Amount (Col. 4 – Col 3)
1	**2**	**3**	**4**	**5**
5.	*Return on Equity*	*241.06*	*238.76*	*-2.30*
6.	*Taxes and Fee paid to MPERC*	*0.89*	*1.05*	*0.16*
7.	***TOTAL -***	***1571.39***	***1769.37***	***197.98***
8.	*Less Non-Tariff Income*	*45.00*	*9.39*	*35.61*
9.	***GRAND TOTAL -***	***1526.39***	***1759.98***	***233.59***

(b) **Sharing Of True-Up Amount -** The True-up amount to be shared by the Discoms and SEZ; which is as follows;

S. No.	Customer	As per order dtd. 17.04.2012		As per This Petition		True up (₹Crores)
		Capacity Allocated (MW)	Amount share (₹ Crores)	Capacity Allocated (MW)	Amount share (₹Crores)	
1	MP Poorva KVVCL	3045.38	455 .70	2547.52	525.32	69.62
2	MP Madhya KVVCL	3244.06	485.43	2713.72	559.59	74.16
3	MP Paschim KVVCL	3899.19	583.46	3261.75	672.60	89.14
4	MPAKVN for SEZ - Pithampur	12.00	1.80	12	2.47	0.67
5	**TOTAL -**	**10200.60**	**1526.39**	**8535**	**1759.98**	**233.59**

(c) **Transmission charges for non-conventional energy source based generating units connected on 132 kv or above voltage -**

The Commission has approved the Transmission Charges for FY 2012-13 in respect of the above mentioned category under Petition No. 49/2012, by its order dated 20th September' 2012. During 2012-13 there was only one consumer of 16 MW capacity namely M/s KS Oil Mills, Morena. The Transmission charge for this category has been worked out on Energy Based Pooled Method and the charges for FY 2012-13 are as given in the table hereunder;

S. No.	Particulars	Unit	Order 2012-13	True-up 2012-13
1	Annual Fixed Cost as per Tariff	₹Crores	1526.19	1759.98
2	Transmission System capacity	MW	10200.6	8535
3	Transmission charges per MW per Annum	₹Lacs / MW	14.96	20.62
4	Capacity of Non-conventional Energy based	MW	16	16

	Plants			
5	*Total Pooled Capacity*	*MW*	*10216.6*	*8551*
6	*Pooled Cost Addition*	*₹Crores*	*0*	*0*
7	*Total Pooled Cost*	*₹Crores*	*1526.39*	*1759.98*
8	*Energy expected to be transmitted*	*MU*	*44328*	*46847.52*
9	*Energy generated by Non-conventional Energy based Plant at 20% CUF with MW capacity*	*MU*	*28.03*	*28.03*
10	*Total Energy Handled*	*MU*	*44356.03*	*46875.55*
11	*Transmission Charges per Unit*	*₹/Unit*	*0.344*	*0.375*
			(Say 0.34)	***(Say 0.38)***
			Difference	***0.04 Paise***

10. With the above submission, MPPTCL prayed the following:
"Approve the True-up of Annual Fixed Cost for year 2012-13, as mentioned in Para 12.1, and allow True-up amount to be recovered from the Distribution Licensees and other Long Term Open Access customers as per Para 12.2 and Transmission charges for Non Conventional Energy Source based Generating Units connected on 132 KV or above voltage as per Para 12.3."

11. The case was heard on 22nd April' 2014 when the petition was admitted and the petitioner was directed to serve copies of the revised petition on all the respondents in the matter. The respondents were also directed to file their comments/ objections on the revised petition by 25th May' 2014.

12. MPPTCL filed its reply on 19th February' 2014 to the issues/ infirmities in this petition communicated to it by the Commission through Commission's order dated 12th December' 2013. Issue-wise response filed by MPPTCL in its letter dated 19th February' 2014 is as given below:-

Issue:

(i) Despite Commission's directives in para 41 of the last true-up Order for FY 2011-12, the petitioner has not filed the reconciled Asset-Depreciation Register. The depreciation for FY 2012-13 in the subject petition is based on the existing Asset-database and a small difference in the claim of depreciation is expected after reconciliation of Asset-Depreciation Register.

MPPTCL's Response:

"As the erstwhile MPSEB did not provide any details regarding the Assets matching with the final Opening Balance Sheet, the issue of finalizing the Asset details took some time. However, the same has now been finalized by a Chartered Accountant firm and only some fine tuning is being done. To this, Assets capitalized and incorporated in the Annual Accounts of the Company after 01.06.2005 are to be appended. The impact of the Asset base finalized now, shall be incorporated in the reframed True up Petition for FY 2012-13."

Issue:

(ii) The reply to the queries on the Audited Financial Statements for FY 2012-13 communicated vide Commission's letter No. 2975 dated 22.11.2013 is still awaited.

MPPTCL's Response:

"The reply to the queries on the Audited Financial Statements for FY 2012-13 has since been submitted to Hon'ble Commission by the Finance Wing of MPPTCL vide letter No. CFO/MPPTCL/111/ TU 12-13/2513 dtd. 21.12.2013."

List of works capitalized during FY 2012-13 in Annexure V of the petition

Issue:

(iii) The list of 132 projects in Annexure V of the petition includes several works with identical estimated amount followed by the actual amount capitalized. Similarly, the dates of completion and capitalization are also identical. The Commission would like to know the breakup for each of these works separately with clarity on the amount originally estimated, the actual cost incurred, the date of completion and the actual cost capitalized.

MPPTCL's Response:

"*Regarding the list of works capitalized in FY 2012-13 (as shown in Annexure-V of the Petition), it is submitted that a number of agencies are involved in completing a work. These agencies, on completion of the part of work allocated to them, capitalize the same in the prescribed format (Annexure-G). Thus, there are a number of entries against an estimate and all such Annexure-G entries are shown in the Annexure-V of the Petition and they have been summed up in the bottom for each work, with total estimated amount remaining the same as shown against each part of the work so capitalized. The capitalized value of each part of the work, total estimated cost, date of completion of* *each part of the work capitalized by an Agency etc. have been shown in the respective rows.”*

Issue:

(iv) The original scope of all works under each project along with the reference of their approval accorded from the competent authority be mentioned

MPPTCL’s Response:

“*The details of works capitalized in FY 2012-13 and reference of their approval is given in Statement-I enclosed with this reply.”*

Issue:

(v) It needs to be mentioned whether the projects/ works shown as capitalized during FY 2012-13 are new or part of some existing projects or under any R&M scheme. The aforesaid details be furnished in light of the relevant Regulations 17, 18 and 19 of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulation, 2009 and its amendments.

MPPTCL’s Response:

“*The works capitalized in FY 2012-13 are mostly new works, the status of the same has been indicated in the Statement-I enclosed with this reply.*”

Issue:

(vi) Some of the works had been completed during FY 2004 to FY 2010 but they are shown capitalized in FY 2012-13. Detailed reasons for delay in capitalization of all such works and consequential increase in IDC on account of delay.

MPPTCL’s Response:

“*The reasons for delayed capitalization are given in reply to Point-(f) below. It may kindly be appreciated that the reasons are due to some unavoidable circumstances and are mostly not attributable to MPPTCL. The delayed capitalization is mostly for a part of work only and not for the whole work. The increase in IDC, if any, on account of such delay is mostly insignificant in view of it being a partial fraction of the total project cost. The effect of consequential increase in IDC, though insignificant, results in a relatively lower Tariff on account of;*

(1) delayed capitalization to the extent of postponed Depreciation,

(2) decreased interest cost in revenue expenditure as in the event of timely Capitalization, the interest cost would have been booked in revenue expenditure &

(3) lower Return on Equity"

Issue:

(vii) The schedule date of commissioning of each project listed in Annexure V be mentioned. If the commissioning of any project was done beyond its scheduled date, the reason for delay if any, along with penalty/ liquidated damage imposed on the contractor/ vendor be also submitted.

MPPTCL's Response:

"The relevant details are also given in the Statement-I. As may kindly be seen therein, in case of delay, if any, the penalty has been recovered as per the Contract Clause."

Issue:

(viii) In some of the works, partial amount is shown as capitalized against their estimated amount. The reasons for less capitalization be submitted.

MPPTCL's Response:

"*As submitted above, Capitalization of some part or whole of the works gets delayed due to the few unavoidable reasons such as;*

i. Delay in final accounting of the material consumed by the Contractor due to multifarious reasons like pilferage, wastage, damage, return of material to Stores & completion of Stores formalities.

ii. Delay in finalization of arbitration cases.

iii. Delay in finalization & issue of orders of compensation related to forest or farmers on account of cumbersome process and involvement of multiple authorities of Revenue / Forest Departments.

iv. Delay due to audit or court cases.

v. Court cases filed by Cultivators / owners of land / any other person against the compensation fixed by the Revenue authorities.

However, efforts are made to capitalize major portions timely, the delayed part generally constitutes only a small portion of the total amount."

Issue:

(ix) It is mentioned in the petition that the works capitalized during FY 2012-13 are as per the 12th Capex Plan whereas no reference of approved Capex Plan is provided against each work as provided in the earlier true-up petitions. Reference of the approved Capex Plan be mentioned for each work.

MPPTCL's Response:

"*The reference of the approved Capex Plan of the relevant work capitalized in FY 2012-13 is submitted in Statement-I of this letter.*"

Issue:

(x) The capitalized amount of ₹5766.51 lakhs for item No. 73 (400 KV sub-station Pithampur) has abnormally exceeded the estimated amount of ₹639.81 lakhs. The capitalized amount of some other works at item No. 22, 25, 31, 49, 55, and 123 is also higher than the estimated amount. The reasons for higher capitalized amount be submitted.

MPPTCL's Response:

"*Regarding the entries in S. No. 22, 49 & 55, it is begged to submit that due to reference error, the incorrect row has been reflected. The same has now been rectified and it may be seen that the booked amount is well within the estimated costs.*

The entry for S. No. 25 is related to augmentation of Transformer and in this case the negative entry for the outgoing element is to be incorporated. On accounting of the same, the booked value may come within the estimated cost.

As far as the bookings for S. No. 31 & 123 is concerned, if the final bookings go beyond 5% of the estimated cost, then as per the existing procedures, the estimates shall be revised.

It is to be reiterated that the capitalization of G-forms is in parts and the same may or may not occur in the same year for all parts and thus, do not present the actual picture of the bigger canvas."

Issue:

(xi) In para 8.5 of the petition, the petitioner has submitted that the assets of ₹15.47 Cr. were withdrawn/ de-capitalized during the year. Details like nature of assets, date of commissioning, date of withdrawal, original cost, amount withdrawn/ de-capitalised along with the reasons of withdrawal and depreciation charged be submitted.

MPPTCL's Response:

"*The details of the Assets withdrawn of worth 15.47 Crores are given* in Statement-II *of this reply."*

Issue:

(xii) First proviso of Regulation 17.2 of MPERC (Terms and Conditions for determination of Transmission tariff) Regulations, 2009, provides that:

"Provided that prudent check of capital cost may be carried out based on the benchmark norms to be specified by the Central Commission from time to time."

The petitioner is required to establish that the capital cost incurred on each project is well within the benchmark norms specified by CERC.

MPPTCL's Response:

"The Capital cost of the projects is within the figures indicated in Investment Plan approved by Hon'ble MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects, through its carefully prepared Schedule of Rates which facilitate working out the correct project costs as also by way of working out the rate reasonability in every tender forming part of the project. Further, to the extent known to this Company, Hon'ble CERC has determined benchmark Capital cost for the Sub-stations associated with 400 / 765 KV Transmission System and not for 132 / 220 KV system, which has mostly been Capitalized as indicated in Annexure-V."

Interest and Finance Charges

Issue:

(xiii) In para 9.6 of the petition, it is mentioned that the net IDC during the year is ₹60.20 Cr. This amount of IDC appears quite high as compared to previous years. Draw Down schedule for calculation of IDC along with the reasons for high IDC amount during the year be submitted.

MPPTCL's Response:

"*The main reason for IDC during 2012-13 being higher than that of the previous year is that, upto FY 2010-11, major disbursements were received from low interest rate* loans (GoMP – ADB); whereas the disbursements received during FY 2012-13 have *mainly been of the loans pertaining to PFC, GoMP-T&P, GoMP-SCSP, GoMP-General etc. bearing higher interest rates. Further, in contrast to previous year in which the loans were mostly received during the last months, the same loans counted during FY 2012-13* *have borne the interest for the entire year thereby giving rise to higher Weighted Average Rate of Interest as shown in* Statement-III."

O&M Expenses

Issue:

(xiv) The petitioner is required to confirm that the O&M expenses have been worked out only on the works capitalized or completed and no CWIP is considered for this purpose.

MPPTCL's Response:

"*O&M Expenses are based on the Norms fixed by the Hon'ble Commission and the same are worked out only on the completed works i.e. Lines in Ckt. KMs and number of bays. It is confirmed that CWIP are not considered for this purpose."*

Issue:

(xv) The petitioner has filed an amount of ₹13.98 Cr. against arrears of wage revision paid during FY 2012-13. It is mentioned in Note 11 of the Audited Accounts that short term provision for wage revision arrears for FY 2012-13 is ₹13.98 Cr. whereas it is mentioned in other Note 8 of the same Audited Accounts that the long term provision for wage revision is ₹6.97 Cr. In view of the aforesaid, it may be clarified whether the amount of wage revision filed in the petition is actual or is the provisioning for FY 2012-13.

MPPTCL's Response:

"*The Wage Revision arrears amounting to ₹ 13.98 Crores, as shown in Petition, are actual."*

Issue:

(xvi) It needs to be confirmed whether the wage revision amount claimed in the petition pertains to MPPTCL employees only or it pertains to SLDC employees also.

MPPTCL's Response:

"*The Wage Revision amount details are submitted as Statement-IV in this letter."*

Issue:

(xvii) In Form-TUT 8 of the petition, it is observed that the petitioner has mentioned the useful life of major transmission assets. The basis of ascertaining the life of the each asset be submitted

MPPTCL's Response:

"*The useful life of major Transmission Assets as indicated in TUT-8 of the Petition is as per the Ministry of Power notification dtd. 29.3.1994 and MPSEB's DO No. 08-01/Vol/ 491 dtd. 23.10.2003. A copy of the chart showing the life of Assets is placed as Statement-V for reference.*"

Additional RoE

Issue:

(xviii) On perusal of the information filed in favor of the claims for additional RoE, the following is observed:

- The capitalized amount shown in Annexure VIII is much less than the estimated amount.

- The time period for completion of works has been reckoned from the time of start of work whereas the provisions under the Regulations provide that the time period is to be reckoned from the date of issue of tenders which shall be the date of start of work for transmission projects.

- The duration of works completed at Sr. No. 5 and 6 of Annexure VIII is much more than the time lines specified in Regulations.

In view of the above, the petitioner is required to explain the reasons for the above observations and submit modified Annexure VIII indicating the date of issue of tenders of each work for which additional RoE is claimed. The works which were completed beyond the time line specified in Regulations need not be included in the list.

MPPTCL's Response:

"*Regarding the observation made on Additional RoE, the following submissions are made for kind consideration;*

The Addl. RoE is claimed for the qualifying Assets only against the G-Form capitalized in that particular year. As mentioned earlier also, these G-Forms may be a part of the total project cost & may reflect full or final cost also. Thus the amount capitalized may not reflect the actual picture.

As directed, a modified Annexure-VIII is being prepared on the basis of date of issue of tender and the same shall be incorporated in the reframed Petition.

Issue:

(xix) A certificate showing that all parts of the concerned unit/element have been completed within the time line specified in the Regulations be submitted.

MPPTCL's Response:

"*As desired, a certificate shall be incorporated in the above said* ***Annexure-VIII*** *of the True up Petition."*

Issue:

(xx) The petitioner has claimed the amount of fee paid to MPERC/CERC as Regulatory fee during FY 2012-13. The details of fee paid to MPERC for determination of tariff/true-up for FY 2012-13 be submitted.

MPPTCL's Response:

The details of fee paid to MPERC / CERC in 2012-13 are as below;

S. No.	Particulars	Transaction Mode	Amount ₹ in Lacs
A.1	Fee paid to CERC for Petition for approval of Transmission Tariff for deemed Inter-State Lines belonging to MPPTCL for FY 2012-13.	Electronic Transfer dtd. 26.5.2012	2.44
	CERC -		**₹2.44**
	Say -		**₹ 0.02 Crores**
B.2	Fee paid to MPERC for filing of application for determination of Transmission Tariff for Non-conventional Energy Source for FY 2012-13.	DD No. 235921 dtd. 14.6.2012	0.10
3	Fee regarding review of True up order for FY 2009-10 at MPERC.	DD No. 352589 dtd. 27.8.2012	0.10
4	Fee for submission of True up Petition for Transmission Tariff for 2011-12 at MPERC.	Electronic Transfer dtd. 17.10.2012	1.00
5	Fee for FY 2013-14 remitted to MPERC for filing of Petition for determination of Transmission charges for MYT 2013-14 to 2015-16.	Electronic Transfer dtd. 21.1.2013	103.59
	MPERC -		**₹ 104.79**
	Say -		**₹1.05 Crores**

Now, the above figures are being incorporated in the reframed True up Petition.

Issue:

(xxi) Bad debts written off for ₹ 563.87 Cr. are shown in Form TUT 10. Details of these bad debts and their impact on tariff be submitted.

MPPTCL's Response:

"An amount of ₹563.87 Crores has been written-off. It is on the basis of Equity Holder--State Government's letter No. 6566/R-4197/2013/XIII (attached as Statement-VI). The above does not constitute as an element of the Annual Revenue required. As such, the same shall have no impact on the True-up Petition submitted, more so considering that the same is surrender of surplus earned by the Equity Holder (GoMP)."

Issue:

(xxii) The Gross Block of ₹ 5262.01 Crs. and ₹ 5553.51 Crs. as on 01/04/2012 and 31/03/2013 respectively is mentioned in para 10.3 of the petition. On the other hand, note 12 of the audited financial statement shows Gross Block of ₹ 5256.71 Crs. and ₹5544.20 Crs. as on 01.04.2012 and 31.03.2013, respectively. The reason for difference in figures and the reconciled figures to be considered in the subject petition be submitted.

MPPTCL's Response:

"*The Gross Blocks as on 01.04.2012 and 31.03.2013 are ₹ 5262.01 and ₹ 5553.51 Crores respectively. The amount in note-12 is after accounting of Consumer Contribution deferred income of ₹5.31 and ₹9.31 Crores respectively i.e. ₹5262.01 – ₹5.31 = ₹5256.71 Crores and ₹5553.51 – ₹9.31 = ₹5544.20 Crores."*

13. On examination of the above mentioned response filed by MPPTCL, it was observed that the response on certain issues was still lacking clarity. Therefore, all such issues were communicated to the petitioner and a meeting with its concerned officers was convened on 9th May' 2014 in the office of the Commission to discuss the following issues:

(i) Details regarding original scope of work and reference of approval for the works capitalized during FY 2012-13.

(ii) Interest during construction capitalized in FY 2012-13

(iii) Scheduled date of commissioning and the treatment of penalty/LD deducted from the contractors.

(iv) Estimated amount of works capitalized during FY 2012-13.

(v) Details regarding de-capitalized assets.

(vi) Provision for the amount of wage revision.

(vii) Certificate regarding the projects completed within the specified time lines

14. Issue-wise response of MPPTCL during the meeting and filed in its letter No. 3349 dated 7th May' 2014 is as given below:

(i) Details regarding original scope of work and reference of approval for the works capitalized during FY 2012-13:

Issue:

In the Statement-1 enclosed with MPPTCL's reply dated 19th February' 2014, the original scope of works and the reference of approval for the list of works capitalized during FY 2012-13 were not mentioned.

MPPTCL's response:

The officers of MPPTCL submitted a revised Statement–1 (regarding list of works capitalized during FY 2012-13). The revised Statement-1 now provided the reference of its five year investment plan approved by the Commission. The officers of MPPTCL informed that the estimates of all works mentioned in statement-1 have been sanctioned by the respective competent authority. A soft copy of the revised statement-1 in excel sheet duly hyperlinked with the reference of approvals was also provided by MPPTCL. They stated that the scope of work in any estimate for transmission line or substation or any other work is the original scope of work. Addition of any part/element or any requirement over and above the original estimate is dealt with preparation of a separate estimate.

(ii) Interest during construction capitalized in FY 2012-13:

Issue:

The IDC in FY 2012-13 is much higher than the amount under this head last year. The amount of IDC capitalized during the year up to scheduled CoD of each project and its actual CoD was required to be submitted

MPPTCL's response:

The officers of MPPTCL submitted that during last year major disbursements were received from low interest rate loans (GoMP – ADB) whereas, the disbursements received in FY 2012-13 were pertaining to PFC, GoMP-T&P, GoMP-SCSP, GoMP-General loans etc. and these loans are carrying higher rates of interest. Further, these loans were mostly received during the last months of FY 2011-12 therefore, higher interest rate on these loans has been considered for the entire next financial year i.e. FY 2012-13.

They submitted a certificate of the Statutory Auditors certifying that the IDC for FY 2012-13 is ₹ 60.20 Crores (as stated in Note 24 of the Financial statements) wherein the interest income allocated to CWIP is ₹ 18.50 Crores (Note-21). As a result, the IDC capitalized with the Asset value during the year is only ₹41.70 Crores (₹ 60.20 Crores – ₹18.50 Crores). The break-up is as given below:

i. Capitalized with Account Code 10 - ₹ 9.01 Crores.
ii. Capitalized with Account Code 14 - ₹ 32.69 Crores.

(iii) Scheduled date of commissioning and the treatment of penalty/LD deducted from the contractors :

Issue:
The scheduled date of commissioning was not mentioned in the list of works. It was also not clarified whether the amount of penalty deducted from the contractors has been appropriately accounted for in the project cost capitalized during the year. All relevant documents in support of the aforesaid accounting regarding penalty/ liquidated damages were also sought.

MPPTCL's response:
The officers of MPPTCL stated that the schedule year of commissioning is only mentioned in the plan. Therefore, the year in which the work is planned to be completed has been indicated in Column No. 9 of the Statement-1 submitted by MPPTCL. They clarified that the penalty from contractors is deducted from the cost of the Assets capitalized during the year. They submitted copies of the following documents:

(a) Journal Voucher passed for transferring the penalty income for allocation in capital cost as Statement-3.
(b) Statement-4 for the disclosure in the Annual Accounts of FY 2009-10 in respect of treatment of penalty income.

(iv) Estimated amount of works capitalized during FY 2012-13:

Issue:
The estimated amount of works shown at S.Nos. 31 and 123 was sought. Complete details regarding negative entry and the revised estimates in respect of

capitalized works shown at S.Nos. 25, 31 and 123 were also sought from MPPTCL.

MPPTCL's response:

The officers of MPPTCL stated that there was a mistake in the booking amount of the capitalized works at S. No. 31 & 123 due to some reference error. They further submitted that the same has now been rectified and the booked amount is now well within the estimated costs. They further informed that as per the existing procedures, the estimates are revised, if the final booking amount exceeds 5% of the estimated amount. The capitalization of G-forms is done in parts therefore, the capitalization may or may not occur in the same year for all parts. MPPTCL shall submit the details of the actual estimated amount and the cumulative capitalized amount upto 31.03.2013 for the works at S.No. 31 and 123 in the list of works capitalized during FY2012-13.

(v) Details regarding de-capitalized assets:

Issue:

The account code for the de-capitalized assets was asked to identify the de-capitalized assets in the reconciled Asset-Depreciation Register. MPPTCL was also asked to confirm whether the impact of the de-capitalized Assets has been considered while calculating depreciation and equity in the petition.

MPPTCL's response:

The officers of MPPTCL informed that the account code for de-capitalized assets is 10.301. They also confirmed that the impact of de-capitalized assets has been taken into account while calculating depreciation and equity in the true-up petition for FY 2012-13.

(vi) Provision for the amount of wage revision:

Issue:

The amount of ₹ 13.98 Cr. is shown as provisioning for wage revision under Note 11 of Audited Accounts. MPPTCL was asked to confirm whether this amount has been actually paid by it.

MPPTCL's response:

The officers of MPPTCL submitted that the amount of ₹13.98 Crores has been actually paid as arrears (₹13.62 Crores for MPPTCL & ₹ 0.36 Crores for SLDC). The same amount i.e. ₹13.98 Crores is also foreseen for the next year.

Therefore, the same is shown in Note-11 as per revised Schedule-VI as provision for the amount of wage revision arrears to be paid in FY2013-14. They submitted that the amount of wage revision arrears to SLDC is also paid by MPPTCL therefore, this amount should be considered in the ARR of MPPTCL.

(vii) Certificate regarding the projects complete within specified time lines:

Issue:

Regarding the projects completed within the specified time lines, MPPTCL had not furnished any certificate. Even the details submitted regarding the projects completed within the specified guidelines in Annexure VIII were also unsigned.

MPPTCL's response:

The officers of MPPTCL submitted Statement-5 for the details of projects completed within the time line specified in Regulations. The aforesaid Statement-5 is now certified by the Superintending Engineer, O/o CE (EHT-Construction), MPPTCL, Jabalpur.

The officers of MPPTCL also filed a written submission in reply to all the above mentioned issues. They were suggested to modify the format of Annexure V (regarding the details of works capitalized during the respective financial year) so that the cumulative amount capitalized against each estimated work/ item along with all other details submitted by MPPTCL in this meeting be also mentioned in the next true-up petitions for FY2013-14 and onwards.

15. Vide Commission's letter No. 803 dated 15th May' 2014, the minutes of meeting were communicated to MPPTCL and it was asked to submit a draft public notice on the gist of the petition. MPPTCL submitted a draft public notice on 26th May' 2014 which was approved by the Commission and published by MPPTCL in the following newspapers:

i. Indore- Nai duniya (Hindi)
ii Bhopal- Raj Express (hindi)
iii Jabalpur-Hitvad (English)

16. Public hearing in the matter was held on 3rd July' 2014 in court room of the Commission. The Commission received no comments/ suggestions in the matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared at the public hearing.

TRUE-UP OF ARR FOR FY 2012-13

CAPITAL COST AND CAPITAL STRUCTURE

17. The petitioner filed a list of works completed during 01.04.2012 to 31.03.2013 with the petition. The aforesaid list contained a break-up of about 132 works capitalized during the year along with other work-wise details like particulars of work, estimated amount, date when work completed, amount capitalized and date of capitalization etc. A certificate dated 11.11.2013 by the Chief Financial Officer, MPPTCL Jabalpur certifying the following was also annexed with the petition:

*"It is certified that the works of EHV Lines and Sub-Stations amounting to **₹ 322.17** Crore have been capitalized in the Financial Year 2012-13 including assets funded through Consumer Contribution **₹ 19.21** Crore and withdrawal of **₹ 15.47** Crore is made from Gross Block on account of Augmentation, resulting net addition in the Gross Block of **₹287.49** Crore."*

18. Besides, MPPTCL filed the details of transmission lines and bays commissioned in FY 2012-13 (Annexure 4) of the petition in support of its O&M claims.

***Capital cost** –*

S. No.	*Particular*	*Unit*	*Total Assets*
1	*Capital cost as on 31.3.2012 as admitted vide order dtd. 11.11.2013*	*₹ Cr.*	*5250.66*
2	*Capital expenditure during FY 2012-13 as per Audited Accounts*	*₹ Cr.*	*322.17*
3	*Works capitalized through Consumer Contribution during FY 2012-13*	*₹ Cr.*	*(-) 19.21*
4	*Additional works kept in abeyance which were prior to 31.05.2005 and capitalized in FY 2011-12*	*₹ Cr.*	*29.31*
	Less Assets decapitalized during the year	*₹ Cr.*	*(-) 15.47*
5	*Net Additional Capital expenditure during FY 2012-13*	*₹ Cr.*	*316.8*
6	***Total Capital Cost as on 31.3.2013***	*₹ Cr.*	***5567.46***

***Funding of capital cost** –*

(₹ in Cr.)

S. No.	*Particular*	*Assets*	*Equity*	*Loan*
1	*Opening Capital Cost as on 1.4.2012 as per True up order for FY 2011-12*	*5250.66*	*1491.24*	*1900.89*
2	*Net-off Capitalization during the year (considering Normative 70 : 30 Debt:Equity ratio)*	*316.80*	*95.04*	*221.76*
3	*Closing Capital Cost as on 31.3.2013*	*5567.46*	*1586.28*	*2122.65*

19. Commission's analysis:-

On perusal of the contents in the petition with regard to the true-up of the capital cost, the information gaps/ infirmities in the claims made by MPPTCL were communicated by the Commission and the response of MPPTCL on all such issues have been detailed in **para 12 to 14** of this order.

20. In the reframed petition, MPPTCL revised the figures of Accumulated depreciation, Net Fixed Assets and Depreciation during the year on account of the reconciled Asset-Depreciation Register. The amount of depreciation claimed by MPPTCL in its original petition has been now reduced by ₹ 16.75 Crores in the revised petition on account of reconciliation of assets.

21. In para 8.8 of the petition, MPPTCL has now claimed an amount of ₹ 1.59 Cr. towards depreciation of 47 works completed before 31.05.2005 but capitalized in 2011-12 for which the depreciation of ₹ 1.59 Cr. was disallowed in True-up order for 2011-12.

22. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of ₹19.21 Crore were funded through consumer contribution and withdrawal of ₹15.47 Crore was made from the gross block on account of Augmentation. Accordingly, a net addition of ₹287.49 Crore (out of total capitalized amount of ₹322.17 Crore in FY 2012-13) is shown in the certificate. The amount of ₹29.31 Crore shown as capitalized in FY 2011-12 for old 47 works (which were created much before the formation of the Company but shown capitalized in FY 2011-12) is included in the assets capitalized during the year. Accordingly, an amount of **₹ 316.80 Crore** for the assets capitalized during FY 2012-13 is considered in this Order as given below:

Capital Cost:

Sr. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2012 as admitted in true-up order for FY 2011-12 dated 11.11.2013	Rs. Cr.	5250.66
2	Additional Capital expenditure during FY12-13 as per Audited Accounts	Rs. Cr.	322.17
3	Works capitalized through Consumer Contribution	Rs. Cr.	19.21
4	Works prior to 31.05.2005 and capitalized in FY2011-12	Rs. Cr.	29.31
5	Less assets de-capitalized during the year	Rs. Cr.	(-)15.47
6	Net Additional Capital expenditure during FY12-13	Rs. Cr.	316.80
7	Total capital cost as on 31.3.2013	Rs. Cr.	5567.46

Funding of Capital Cost: **Rs. Cr.**

Sr. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2012 as per true-up order for FY11-12	5250.66	1491.24	1900.89
2	Additional Capitalization during the year (considering normative 70 - 30 debt - equity ratio)	316.80	95.04	221.76
3	Closing capital cost as on 31.03.2013	5567.46	1586.28	2122.65

23. As per provisions under MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-1) Regulations, 2009, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from Equity as per normative debt- equity ratio. Thus, GFA addition of **₹ 316.80 Crore** is considered to be funded from a loan of **₹ 221.76 Crore** and Equity of **₹ 95.04 Crore** as mentioned above.

The above figures of funding are considered in this order to work out interest and finance charges and Return on Equity.

ANNUAL FIXED COST

24. The Annual Fixed Cost (AFC) of a Transmission System consists of the following components:

(i) Return on Equity.
(ii) Interest and Finance Charges.
(iii) Depreciation
(iv) Operation and Maintenance Expenses.
(v) Terminal benefits.
(vi) Interest on working capital
(vii) Non-tariff Income.

The component-wise analysis of the Annual Fixed Cost in this true-up order is as given below:

(i) Return On Equity:

25. **Petitioner's Submission:** The petitioner broadly submitted the following:
"The MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-1) Regulations, 2009 notified on 8th May 2009 provide that;

i *The Return on Equity shall be computed in rupee terms on the paid up Equity Capital.*

ii *The Return on Equity shall be computed on pre-tax basis at the rate of 15.5% to be grossed up for tax.*

In the Tariff order dtd. 17.4.2012, Hon'ble Commission has allowed the RoE at the base rate of 15.5% on average Equity of ₹ 1555.26 Crores employed on completed Capital works, amounting to ₹ 241.06 Crores. Thus RoE allowed for FY 2012-13 is ₹ 241.06 Crores.

Equity Infused During 2012-13 *–*

The Balance Sheet incorporated in Audited Accounts for FY 2012-13, provide for following figures for Equity;

(i) Equity held on 31.03.2012 - ₹2184.44 Crores

(ii) Equity held on 31.03.2013 - ₹2375.64 Crores

Equity of ₹191.20 Crores is apparently infused during the year.

Qualifying Equity For ROE –

Eligible Equity for claim of RoE in line with the approach adopted by Hon'ble Commission in True up order for FY 2011-12 is worked out hereunder;

S. No.	***Particular***	***Unit***	***Amount for FY 2012-13***
1	*Opening Equity in FY 2012-13 (as per True up order of 2011-12 – closing Equity of previous year)*	*₹ Cr.*	*1491.24*
2	*Equity addition due to capitalization added during the year*	*₹ Cr.*	*95.04*
3	*Closing Equity in FY 2012-13*	*₹ Cr.*	*1586.28*
4	*Average Equity in FY 2012-13*	*₹ Cr.*	*1538.76*
5	*Return on Equity base rate*	*%*	*15.5*
6	*Tax rate actually paid during the year*	*%*	*0*
7	*Rate of Return on Equity*	*%*	*15.5*
8	***Return on Equity***	*₹ Cr.*	***238.51***
9	*Additional RoE from FY 2009-10 to FY 2012-13 in respect of projects completed within specified time limit*	*₹ Cr.*	*0.25*
10	***Total Return on Equity***	*₹ Cr.*	***238.76***

Projects Completed Within Specified Time Limit *–*

Proviso of Para 23.2 of Transmission Tariff Regulations provides that, in case of projects commissioned on or after 1st April 2009, an additional return of 0.5% shall be allowed if such projects are completed within the time line specified in Appendix-I of the Regulations. Format TUT-18 attached to this Petition indicates works completed during FY 2012-13, with date of starting and completing the work. It is submitted that most of the works are completed within time line specified in Appendix-I of the Regulations. It may however be mentioned that the Capitalization of specifically the big works take time, and only small works are Capitalized in the same year i.e. the year of completion. The details of works which were eligible for additional incentive in previous year have been submitted with the True-up petition of FY2011-12, a summary of the same is tabulated in Table-A to C below. The works Capitalized during 2012-13 which were completed from the year 2009-10 to 2012-13 are shown in Annexure-VIII attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works. From Annexure-VIII the token claim for this year is shown in Table-A to D below;

TABLE A *– FROM WORKS CAPITALIZED IN FY 2009-10 -*

(i)	*Value of G-forms of qualifying works*	*₹301 Lacs*
(ii)	*Equity employed with 70:30 ratio*	*₹90.3 Lacs*
(iii)	*0.5% Additional RoE*	*₹ 0.4515 Lacs*
	(A) Already allowed =	*₹ 0.005 Crores*

TABLE B *– FROM WORKS CAPITALIZED IN FY 2010-11 -*

(i)	*Value of G-forms of qualifying works*	*₹67.11 Crores*
(ii)	*Equity employed with 70:30 ratio*	*₹20.13 Crores*
(iii)	*0.5% Additional RoE*	*₹ 0.10 Crores*
	(B) Already allowed =	*₹ 0.10 Crores*

TABLE C *– FROM WORKS CAPITALIZED IN FY 2011-12 -*

(i)	*Value of G-forms of qualifying works*	*₹78.40 Crores*
(ii)	*Equity employed with 70:30 ratio*	*₹ 23.52 Crores*
(iii)	*0.5% Additional RoE*	*₹ 0.12 Crores*
	(C) Already allowed =	*₹ 0.12 Crores*

TABLE D *– FROM WORKS CAPITALIZED IN FY 2012-13 -*

(i)	*Value of G-forms of qualifying works*	*₹ 11.42 Crores*
(ii)	*Equity employed with 70:30 ratio*	*₹ 3.43 Crores*
(iii)	*0.5% Additional RoE*	*₹ 0.02 Crores*
	(D) Claim lodged this Year =	***₹ 0.02 Crores***

Total of (A) + (B) +(C)+(D) (0.005 + 0.10 + 0.12 + 0.02) = ₹ 0.25 Crores"

26. Provisions under Regulations:

The provisions in Clause 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-1) Regulation, 2009 provide that,

"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation

Provided that in case of Projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in Appendix-I.

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where ' t' is the applicable tax rate in accordance with clause 23.3 of this Regulation.

Illustration.-

(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.1133) = 17.481%

(ii) In case of the Transmission Licensee paying normal corporate tax @ 33.99% including surcharge and cess:

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

27. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in **para 12 to 14** of this order.

28. MPPTCL claimed an additional return of 0.5% on the Equity of such projects which were completed within the time limit specified in Appendix 1 of the Regulations. It is observed from the reply filed by MPPTCL that the details of projects completed within the time limit specified in Appendix I of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulation, 2009 have been submitted as modified Annexure 8. The aforesaid details are for 05 works having total capitalized amount of ₹ 11.42 Crores. The petitioner also furnished certificates of the concerned officers certifying that the aforesaid works were completed within the specified time limit. The additional return on Equity of **₹ 0.25 Crores** as claimed is considered in this true-up order.

29. In the last true-up order for FY 2011-12, the closing equity of FY 2010-11 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY 2010-11 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of ₹ 1491.24 Crores at the end of FY 2011-12 is considered as opening equity in this true-up order. The equity infusion of **₹ 95.04 Crore** during FY 2012-13 is considered as per preceding **para 22 and 23** of this order. Accordingly, the Return on Equity for FY 2012-13 is worked out as under:

Return on Equity:

S. No.	Particular	Unit	Amount for FY 2012-13
1	Opening Equity in FY 2012-13 (as per True up order of 2011-12 – closing Equity of previous year)	₹ Cr.	1491.24
2	Equity addition due to capitalization added during the year	₹ Cr.	95.04
3	Closing Equity in FY 2012-13	₹ Cr.	1586.28
4	Average Equity in FY 2012-13	₹ Cr.	1538.76
5	Return on Equity base rate	%	15.5
6	Tax rate actually paid during the year	%	0
7	Rate of Return on Equity	%	15.5
8	**Return on Equity**	₹ Cr.	**238.51**
9	Additional RoE from FY 2009-10 to FY 2012-13 in respect of projects completed within specified time limit	₹ Cr.	0.25
10	**Total Return on Equity**	₹ Cr.	**238.76**

30. In view of the above, the Commission allows the total Return on Equity of **₹ 238.76 Crore** including additional return on Equity of **₹ 0.25 Crore** in this order.

(ii) Interest and Finance Charges:

31. Petitioner's submission: The petitioner broadly submitted the following:

"Hon'ble Commission under order dated 17.04.2012, allowed following Interest and Finance charges to MPPTCL for year 2012-13;

(i)	*Interest & Finance Charges*	*₹105.54 Crores*

(ii)	*Interest on Working Capital*	*₹46.08 Crores*
	TOTAL -	***₹151.62 Crores***

Loans Transferred Through Opening Balance Sheet -

The Govt. of M.P. has notified the final Opening Balance Sheet on 12th June' 2008, as referred in Chapter 1 of this Petition. Loan liabilities of ₹1313.21 Crores are indicated in the Balance Sheet and a liability of ₹5.53 Crores is indicated in the footnote as loan from MP Power Generating Company Ltd., making a total of ₹1318.74 Crores. Details of these are mentioned hereunder;

(Amount ₹in Lacs)

S. No.	Particulars	Opening Balance at the beginning of the year			
		Principal Not Due	Principal Due	Interest overdue	TOTAL
1	Loan from PFC - Unsecured	30990.54	0.00	0.00	30990.54
2	Loan from PFC - Secured	0.00	0.00	0.00	0.00
3	Loan from Canara Bank	0.00	0.00	0.00	0.00
4	Loan from SADA Gwalior	720.00	480.00	302.80	1502.80
5	Bonds & Debentures	29692.14	7655.06	11545.70	48892.90
6	MP Genco	553.00	0.00	0.00	553.00
7	Direct Loans	0.00	0.00	0.00	0.00
8	ADB	20844.32	0.00	0.00	20844.32
9	NABARD	7619.10	1215.02	0.00	8834.32
10	General Loans	2876.59	214.78	0.00	3091.37
11	Market Bonds	15964.95	1200.55	0.00	17165.50
	TOTAL -	**109260.64**	**10765.41**	**11848.50**	**131874.55**

A Statement showing the growth in the above mentioned liabilities upto FY 2012-13 has been prepared and enclosed as Annexure-VI. The liabilities at the beginning of year i.e. 01.04.2012 are tabulated hereunder;

As on 01.04.2012

S. No.	Particulars	Balance at the beginning of year			
		Principal not overdue	Principal overdue	Interest overdue	Total
	2012-13				
A1	Loan From PFC Unsecured	13186.20	0.00	0.00	13186.20
A2	Loan From PFC Secured	26096.97	0.00	0.00	26096.97
A3	Loan from Canara Bank	0.01	0.00	0.00	0.01
A4	Loan From SADA Gwalior	0.00	0.00	0.00	0.00

S. No.	Particulars	Balance at the beginning of year			
		Principal not overdue	Principal overdue	Interest overdue	Total
A5	Bonds & Debentures	0.00	5392.00	2783.81	8175.81
A6	**MPGENCO**	552.69	0.00	0.00	552.69
i	Direct Loans	232.75	1396.47	608.29	2237.51
ii	ADB	30068.11	7219.73	10279.45	47567.29
iii	NABARD	124.08	9161.08	3627.69	12912.85
iv	General Loans	17623.01	3791.36	1577.89	22992.26
v	Market Bonds	1853.45	15312.05	5391.84	22557.34
vi	**NET GOMP ADB 2323**	**41882.33**	**0.00**	**1808.09**	**43690.42**
vii	**NET GOMP ADB 2346**	**58977.43**	**0.00**	**2838.08**	**61815.51**
viii	TRIBAL SUB-PLAN	3080.00	420.00	318.34	3818.34
ix	SC SUB-PLAN	4620.00	630.00	476.46	5726.46
	TOTAL -	**198297.03**	**43322.69**	**29709.94**	**271329.66**

Say ₹2713.30 Crores

Weighted Average Rate of Interest in case of each category of Loans -

Hon'ble Commission has desired that the Rate of Interest for each category of loans such as PFC, ADB, State Govt. etc. should be worked out by considering rate of interest of various loan installments received during the year. Accordingly, the computation of interest for each category is done and enclosed as Annexure, details of which are tabulated hereunder;

(FY 2012-13)

S. No.	Loan Scheme	Weighted Average Rate of Interest	Details shown in Annexure
1	PFC Unsecured	11.55%	**Annexure-X**
2	PFC Secured	12.36%	**Annexure-XI**
3	MP Genco	9.70%	**Annexure-XII**
4	State Govt. Direct	10.50%	**Annexure-XIII**
5	ADB 1869	10.61%	**Annexure-XIV**
6	NABARD	10.50%	**Annexure-XV**
7	State Govt. - General	14.50%	**Annexure-XVI**
8	Market Bonds	8.34%	**Annexure-XVII**
9	ADB 2323	1.76%	**Annexure-XVIII**
10	ADB 2346	1.76%	**Annexure-XIX**
11	TSP	14.50%	**Annexure-XX**
12	SCSP	14.50%	**Annexure-XXI**
13	GoMP JICA IDP-217	1.5%	**Annexure-XXII**

Note: i. *The 'Weighted Average Rate of Interest' worked out in above mentioned Annexure are based on 'Principal Not Due' only, therefore, may differ from loan portfolio.*

ii. *These rates have been modified excluding the amount of loan under Current Assets if any.*

Overall Weighted Average Rate Of Interest For Year 2012-13 -

As per Para 24.5 of the transmission tariff regulations notified on 8th May' 2009;

"The rate of interest shall be the weighted average rate of interest calculated on the basis the actual loan portfolio at the beginning of each year applicable to the project."

Accordingly, the weighted rate of interest is worked out on the basis of the principal not due outstanding at the beginning of the year i.e. 01.04.2012, and on the rate of interest against various loans as worked out in Para 9.3 above. The working is shown in the following table:-

(Amount ₹ in Lacs)

S. No.	Particulars	Principal not due as on 01-04-12	Rate of interest (%)	Interest
1	PFC - Unsecured	13186.20	11.55%	1523.01
2	PFC - Secured	26096.97	12.36%	3225.59
3	Canara Bank	0.00	0.00	0.00
4	Bonds & Debentures	0.00	0.00	0.00
5	MP Genco	552.62	9.70%	53.61
6	State Govt. Direct	232.75	10.50%	24.44
7	ADB 1869	30068.11	10.61%	3190.23
8	NABARD	124.08	10.50%	13.03
9	General Loans	17623.01	14.50%	2555.34
10	Market Bonds	1853.45	8.34%	154.58
11	GoMP-ADB 2323	41882.33	1.76%	737.13
12	GoMP-ADB 2346	58977.43	1.76%	1038.00
13	TSP	3080.00	14.50%	446.60
14	SCSP	4620.00	14.50%	669.90
15	GoMP JICA IADP-217	0.00	1.5%	0.00
TOTAL -		**198297.03**	**-**	**13631.44**

$$\textbf{Weighted Rate of Interest} = \frac{13631.44}{198297.03} \times 100$$

$$= \mathbf{6.87\%}$$

Eligibility Of Interest For Year 2012-13 -

Para 24.2 and 24.3 of the Transmission Tariff Regulations notified on 08.05.09 states the following;

"24.2 The normative loan outstanding as on 01-04-2009 shall be worked out by deducting the cumulative repayment as admitted by the commission upto 31-03-2009 from gross normative loan.

24.3 The repayment for each year of the tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that year."

In accordance with the above, the position of loans up to 31.03.2013 has been worked out in Annexure-VI, considering the actual loan repayments during each year. The repayment is deemed as equal to Depreciation being claimed in the True-up Petition for 2012-13.

Further, Hon'ble Commission vide its order dtd. 12.12.2013 has directed to consider its approach regarding the True up order for FY 2011-12.

In line with the approach & True up order for FY 2011-12, the interest claim for FY 2012-13 is worked out hereunder:"

***Interest On Loan** –*

S. No.	Particular	Unit	Amount as per true-up order 2011-12	Amount for FY 2012-13
1	Opening Loan	₹ Cr.	1757.56	1685.09
2	Loan addition for additional Capitalization considered	₹ Cr.	143.33	221.76
3	Repayment equal to Depreciation during the year	₹ Cr.	215.8	203.24
4	Closing Loan	₹ Cr.	**1685.09**	**1703.61**
5	Average Loan	₹ Cr.	**1721.32**	**1694.35**
6	Weighted Average Rate of Interest as claimed	%	6.56	6.87
7	**Interest on Loan**	₹ Cr.	**112.92**	**116.40**
8	Financing charges as per Audited Accounts	₹ Cr.	1.29	0.82
	Net Interest -	₹ Cr.	**114.21**	**117.22**

32. Provisions of Regulations:

Clause 24 of MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-1) Regulations, 2009 provides that:

"The loans arrived at in the manner indicated in Regulation 20 shall be considered as gross normative loan for calculation of interest on loan.

The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

The repayment for each Year of the Tariff period 2009-12 shall be deemed to be equal to the depreciation allowed for that Year.

Notwithstanding any moratorium period availed by the Transmission Licensee, the repayment of loan shall be considered from the first Year of commercial operation of the Project and shall be equal to the annual depreciation allowed.

The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Project:

> *Provided that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.*
>
> *Provided further that if the Transmission System, does not have actual loan, then the weighted average rate of interest of the Transmission Licensee as a whole shall be considered.*

The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest. The Transmission Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Transmission Licensee, in the ratio of 2:1.

The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing. In case of dispute, any of the parties may make an application in accordance with the MPERC (Conduct of Business) Regulation, 2004, as amended from time to time:

Provided that the Transmission Customers shall not withhold any payment on account of the interest claimed by the Transmission Licensee during the pendency of any dispute arising out of re-financing of loan."

33. Commission's Analysis

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues has been discussed in detail in **para 12 to 14** of this order.

34. Interest and Finance Charges

Regarding higher IDC during FY 2012-13, MPPTCL submitted the following:

"The main reason for IDC during 2012-13 being higher than that of the previous year is that, upto FY 2010-11, major disbursements were received from low interest rate loans (GoMP – ADB); whereas the disbursements received during FY 2012-13 have *mainly been of the loans pertaining to PFC, GoMP-T&P, GoMP-SCSP, GoMP-General etc. bearing higher interest rates. Further, in contrast to previous year in which the loans were mostly received during the last months, the same loans counted during FY 2012-13 have borne the interest for the entire year thereby giving rise to higher Weighted Average Rate of Interest"*

Accordingly, the Commission has allowed **₹ 117.22** Crores against Interest and Finance charges for FY 2012-13 in this order as **Interest on Loan** –

S. No.	Particular	Unit	Amount for FY 2012-13
1	Opening Loan	₹ Cr.	1685.09
2	Loan addition for additional Capitalization considered	₹ Cr.	221.76
3	Repayment equal to Depreciation during the year	₹ Cr.	203.24
4	Closing Loan	₹ Cr.	**1703.61**
5	Average Loan	₹ Cr.	**1694.35**
6	Weighted Average Rate of Interest as claimed	%	6.87
7	**Interest on Loan**	₹ Cr.	**116.40**
8	Financing charges as per Audited Accounts	₹ Cr.	0.82
	Net Interest -	₹ Cr.	**117.22**

(iii) Depreciation:

35. Petitioner's submission:

The petitioner broadly submitted the following:

Asset Data Base For Working Out Depreciation –

"The Petitioner has finalized an Asset Register with the Gross Fixed Assets & Accumulated Depreciation figures matching with Opening Balance Sheet as indicated in

Para 8.1 of this Petition. This base is utilized for extending the data base till 2012-13; the salient features of the database are;

(i) *The Gross Fixed Assets & Accumulated Depreciation figures in this database is matched as per Final Opening Balance Sheet notified on 12th June 2008 in the position of 31.05.05.*

(ii) *The works Capitalized during subsequent years have been entered in the data base till 31.03.2013.*

(iii) *The Depreciation rates after 31.05.05 have been taken as per Hon'ble MPERC's Regulations applicable from time to time.*

(iv) *Depreciation working formula is as per Straight Line Method of Depreciation*

(v) *The Depreciation ceases to further add-up as soon as the Depreciation reaches 90% of Opening Gross Block. Balance 10% is scrap value.*

Updation In The Depreciation Model Software –

The Asset data base has been modified in light of above mentioned provisions in the following respect;

(i) *In case of assets created on or after 01.04.2009, the depreciation rates as per Appendix-II of the Regulation will continue up to 31st March of the year closing after a period of 12 years. Thereafter rate automatically changes equal to remaining depreciation out of 90% limit divided by the balance life of assets.*

(ii) *In case of assets commissioned prior to 01.04.2009, the depreciation w.e.f. 01.04.2009 will be booked at the rates mentioned in Appendix-II of regulations till the depreciation reaches 70% of the book value. Thereafter the rate of depreciation automatically changes as equal to 20% residual value (90% - 70%) divided by remaining life of assets.*

(iii) *All assets are depreciated to maximum 90% of book value. Thereafter no depreciation is charged.*

(iv) *Hon'ble Commission has prescribed the procedure to account for the Depreciation on Assets formed under Consumers' Contribution. Hon'ble Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. No works funded through Consumers' Contribution Assets have been capitalized upto 31.03.2010. Such Assets have been capitalized in 2011-12 and 2012-13. The Depreciation on these Assets have been computed*

as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim.

Since the adjustment has been given in Depreciation itself, the amortization is not shown again as other income.

No Depreciation has been charged by the MPPTCL against contributory works, till FY 2009-10.

***Change In Yearly Depreciation Because Of Asset Register Reconciliation** – Regarding reconciliation of Asset Register, it was earlier submitted that this work got delayed due to the fact that the MPSEB has not furnished the estimate-wise details of Assets while transferring the Asset through Final Opening Balance Sheet dtd. 12th June 2008 in the position of 31.5.2005. It has also been submitted that the Assets from 01.06.2005 are final and reconciled with the accounts. As mentioned earlier, a Committee had been formed to finalize this job. The Assets have been identified and reconciled with the Opening Gross Block of the Opening Balance Sheet. On finalization of the Asset details as on 01.06.2005, a small difference was expected.*

The Asset Register has since been finalized and because of change in base constituents some difference vis-à-vis the amount earlier claimed under Depreciation has been observed. These yearly differences of accumulated depreciation are tabulated below;

Table I: Earlier claimed *(₹ in Crores)*

S. No.	Date as on	Gross Fixed Assets	Accumulated Depreciation	Net Fixed Assets	During the year GFA	During the year Depreciation
1	31.05.2005	2932.75	1205.95	1726.81	-	-
2	31.03.2006	3092.46	1276.85	1815.61	159.71	70.90
3	31.03.2007	3341.54	1365.91	1975.63	249.08	89.06
4	31.03.2008	3575.98	1462.71	2113.27	234.44	96.80
5	31.03.2009	3954.12	1559.44	2394.68	378.14	96.73
6	31.03.2010	4544.60	1728.20	2816.40	590.48	168.76
7	31.03.2011	5045.91	1929.61	3116.31	501.31	201.41
8	31.03.2012	5309.90	2147.00	3162.89	263.99	217.39
					TOTAL -	**941.05**

Table II: Now claimed due to change in Data base *(₹ in Crores)*

S. No.	Date as on	Gross Fixed Assets	Accumulated depreciation	Net Fixed Assets	During the year GFA	During the year Depreciation
1	31.05.2005	2932.75	1205.95	1726.80	-	-
2	31.03.2006	3092.47	1273.70	1818.77	159.72	67.75
3	31.03.2007	3341.55	1357.07	1984.48	249.08	83.37
4	31.03.2008	3575.99	1447.81	2128.18	234.44	90.74
5	31.03.2009	3954.13	1544.23	2409.90	378.14	96.42
6	31.03.2010*	4544.60	1711.06	2833.54	590.47	166.83
7	31.03.2011*	5045.92	1919.01	3126.91	501.32	207.95
8	31.03.2012*	5309.90	2130.25	3179.65	263.98	211.24
* Depreciation Net off of CC				**TOTAL**		**924.30**
Difference of Table I & II above :						**(-) 16.75**

Addition Of Assets During FY 2012-13 –

Assets worth ₹ 322.18 Crores have been capitalized during year 2012-13. The list of assets capitalized along with certificate is enclosed as Annexure – V. Assets worth ₹15.47 Crores have been withdrawn making a net addition of ₹306.71 Crores.

It is pertinent to mention here that, while capitalizing the Assets (₹ 306.71 Crores) the IDC capitalized is only ₹ 41.70 Crores as against total IDC of ₹ 60.20 Crores, after adjusting interest earned amounting to ₹18.50 Crores on Fixed Deposits. Since ₹18.50 Crores are reduced in Assets as per Accounting Standard-16 (AS-16), this has not been again considered in 'Non Tariff Income'. Details in this regard are given in subsequent Chapter No. 11.

Depreciation For FY 2012-13 –

As per above procedure, the depreciation (excluding depreciation on assets formed under consumer's contribution) for 2012-13 computed from reconciled Asset Register and comparison from last year is mentioned below;

(Amount ₹ in Crores)

YEAR	Gross Fixed Assets			Provision For Depreciation			Net Fixed Assets	
	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	Addition During Year	At End of Year	At the beginning of Year	At the End of Year
2011-12	5045.92	263.98	5309.90	1919.01	207.95	2130.25	3126.91	3179.65
2012-13	5309.90	306.71	5616.62	2130.25	218.40	2348.64	3179.65	3267.98

The category-wise details for FY 2012-13 are given in TUT-7 & 8.

Depreciation On 47 Works Capitalized In 2011-12 *–*

Under Petition No. 75/2012, vide the order on True up of Transmission Tariff for FY 2011-12 dtd. 2nd February 2013, Hon'ble Commission had not allowed Capitalization of 47 No. of works at that stage. As the reconciliation process is now complete and the above works do not appear in the list of works previously capitalized, it is prayed that corresponding Depreciation of these works amounting to ₹ 1.59 Crores disallowed previously in True up of 2011-12 be allowed as prior period expenses.

True-Up Of Depreciation For Fy 2012-13 -

(i)	*Depreciation claim as per Para 8.7 above*	*₹ 218.40 Crores*
(ii)	*Depreciation amount to be adjusted as per Para 8.5*	*(-) ₹ 16.75 Crores*
(iii)	*Depreciation claimed as per Para 8.8*	*₹ 1.59 Crores*
	NET -	***₹ 203.24 Crores***
(iv)	*Depreciation allowed in MYT order dated 17.04.2012*	*₹ 236.33 Crores*
	True-up Claim -	***(-) ₹ 33.09 Crores***

Net True-up for Depreciation (-) ₹ 33.09 Crores*"*

36. Provisions under Regulations:

Clause 25.1 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-1) Regulations, 2009 provides that,

"For the purpose of Tariff, depreciation shall be computed in the following manner:

a) The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission

b) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.

c) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

d) Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

e) *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Appendix-II to these Regulations for the assets of the Transmission System:*

Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

Provided further that the Consumer contribution or capital subsidy / grant etc for asset creation shall be treated as per the Accounting Rules notified and in force from time to time.

f) *In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70 %. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.*

g) *Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro rata basis."*

37. In para 41 of the true-up of transmission tariff order for FY 2011-12 passed on 11th November' 2013, it was noted that the Asset-Depreciation records of MPPTCL were not reconciled by the petitioner. Therefore, the Asset-Depreciation records as filed by MPPTCL while processing the aforesaid true-up petition for 2011-12 were considered in the aforesaid true-up order. MPPTCL was directed to ensure that finally reconciled Asset-Depreciation records be submitted to the Commission on or before the submission of the next true-up petition for FY 2012-13. In compliance with the aforesaid directives of the Commission, MPPTCL has filed the reconciled Asset-Depreciation Register of the company as on 1st June' 2005 and also for FY 2012-13 along with the reframed petition.

38. On scrutiny of the claim of depreciation in the reframed petition, the information gaps alongwith clarification on certain issues were sought from MPPTCL. All such issues alongwith the response of MPPTCL have been discussed in the preceding part of this order. A meeting with the concerned officers of MPPTCL was also convened in the office of the Commission on 9th May' 2014 to discuss certain issues particularly related to the reconciled Asset-Depreciation Register and capitalization/ decapitalization of assets.

39. MPPTCL was asked to inform the account code for decapitalized assets to identify those assets in the reconciled Asset-Depreciation Register. It was also asked to confirm whether the impact of decapitalized assets has been considered while calculating depreciation and equity claim in the petition.

40. MPPTCL informed the account code for decapitalized assets and confirmed that the impact of decapitalized assets has been taken into account while calculating depreciation and equity in the subject petition.

41. In the reframed petition, MPPTCL submitted that the Asset Register has been finalized and some difference in the amount of depreciation claimed by it in past years has been observed. Year-wise difference in Accumulated Depreciation, Net Fixed Assets and Depreciation has been submitted by the petitioner in para 8.5 of its reframed petition.

42. In para 8.8 of the petition, MPPTCL submitted that the reconciliation process is now completed and **no work out of the list of 47 nos. works is included in the list of works caplitalized before '2005**. Therefore, the corresponding depreciation of ₹ 1.59 Crores disallowed by the Commission in para 43 of the last true-up order for FY 2011-12 be allowed as prior period expenses.

In view of the above and the details alongwith reconciled Asset-Depreciation Register filed by the petitioner, the following depreciation for FY 2012-13 is allowed in this order:

Depreciation:

Sr. No.	Particular	Unit	Amount for FY 2012-13
1	Closing Gross fixed assets as on 31.03.2013	Rs. Cr.	5567.46
2	Depreciation as filed in the petition	Rs. Cr.	218.40
3	Less depreciation on account of reconciliation of Asset Register		(-)16.75
4	Depreciation on the assets/works completed prior to 31.05.2005 and capitalized in FY 2011-12(Disallowed in True-up Order for FY 2011-12	Rs. Cr.	1.59
5	**Depreciation during the year**	**Rs. Cr.**	**203.24**
6	Opening Cumulative Depreciation FY 2012-13	Rs. Cr.	2145.41
7	Closing Cumulative Depreciation FY 2013-14	Rs. Cr.	2348.65

(iv) Operation and Maintenance Expenses:

43. Petitioner's Submission:

The petitioner broadly submitted the following:

O&M expenses during FY 2012-13 -

"On scrutiny of the claim of O&M in the reframed petition, the information gaps alongwith clarification on certain issues were sought from MPPTCL. All such issues alongwith the response of MPPTCL have been discussed in preceding part of this order. A meeting with the concerned officers of MPPTCL was also convened at the office of the Commission on 9th May' 2014 to discuss certain issues particularly related to the reconciled Asset-Depreciation Register and capitalization/ decapitalization assets.

MPPTCL was asked to inform the account code for decapitalized assets to indentify those asset in the reconciled Asset-Depreciation Register. It was also asked to confirm whether the impact of decapitalized assets has been considered while calculating depreciation and equity claim in the petition.

"The average assets on the basis of actual progress made during the year and the allowable O&M expenses for FY-13 based on approved norms, work out as under;

S. No.	***Particulars***	***Assets***			***Approved Norms for 2012-13***	***Amount (₹in Lacs)***
		As on 01.4.2012	***As on 31.3.2013***	***Average***		
1	*400 KV Line in Ckt-kms*	*2343*	*2448*	*2396*	*₹34.50 Lacs/ 100 Ckt-KM*	*826.47*
2	*220 KV Line in Ckt-kms*	*11085*	*11333*	*11209*	*₹27.70 Lacs/ 100 Ckt-KM*	*3104.95*
3	*132 KV Line in Ckt-kms*	*13690*	*14043*	*13887*	*₹26.00 Lacs/ 100 Ckt-KM*	*3605.38*
4	*400 KV Bay in Nos.*	*70*	*85*	*78*	*₹15.90 Lacs/ Bay*	*1240.20*
5	*220 KV Bay in Nos.*	*462*	*491*	*477*	*₹11.90 Lacs/ Bay*	*5676.30*
6	*132 KV Bay in Nos.*	*1475*	*1524*	*1500*	*₹11.20 Lacs/ Bay*	*16800.00*
Total O&M Cost on the basis of Bays and Lines						***31253.29***

Say ₹312.53 Crores

List of Lines and Bays added during 2012-13 is enclosed as Annexure-IV A&B. The relevant details of O&M Expenses are given in Formats TUT-3 to TUT-5.

The amount of arrears of Wage Revision paid during FY 2012-13 is ₹13.62 Crores for MPPTCL.

Para 3(iii) of Regulations {AGR-28(I) (iv) of 2012} notified on 17.02.2012 amended Para 27.3 is as under;

*"**27.3** For first Financial Year of control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employees cost, which has been escalated @6.14% in subsequent Years. The Commission has also considered expenditure on payment of arrears upto 31.8.2008 during the financial years 2009-10 to 2011-12 as one third each year based on estimate submitted by the Transmission Licensee. Any unpaid arrears standing at the end of the control period from FY 2009-10 to FY 2011-12 shall be treated on actually paid basis for FY 2012-13. The actual arrears payments made in each year of the control period shall be trued up vis-à-vis those provided in the O&M charges."*

Accordingly, ₹13.62 Crores are being claimed as O&M Expenses above normative claim for MPPTCL only (excluding SLDC).

Net True up of O&M Expenses for FY 2012-13 is tabulated hereunder;

S. No.	***Particulars***	***Amount (₹Crores)***
1	*O&M claim as per O&M Norms worked out in Para 6.3 above*	*312.53*
2	*O&M claim for Wage Revision payment s as per Para 6.4*	*13.62*
3	*Total O&M claim (1+2)*	*326.15*
4	*O&M Expenses allowed in Tariff order for FY 2012-13*	*320.20*
5	*True up amount of O&M Expenses (3-4)*	*5.95*
		Net True up Claim (O&M): 5.95 Crores

44. Provisions under Regulations:

Regulation 27.0 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 and its fourth amendment provides as under:

*"**27.1** Operation and Maintenance expenses shall be determined for the Tariff Period based on normative O&M expenses specified by the Commission in these Regulations.*

27.2 *Normative O&M expenses other than expenses on payment of arrears to employees on account of revision of pay scales of the employees in accordance with*

Sixth Pay Commission recommendations, as implemented by the State transmission Utility at the commencement of the Tariff Period have been escalated at the rate of 6.14% considering a weighted average of Wholesale price Index and Consumer Price Index in the ratio of 60:40.

***27.3** For first Financial Year of control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employees cost, which has been escalated @6.14% in subsequent years. The Commission has also considered expenditure on payment of arrears upto 31.8.2008 during the financial years 2009-10 to 2011-12 as one third each year based on estimate submitted by the Transmission Licensee. Any unpaid arrears standing at the end of the control period from FY 2009-10 to FY 2011-12 shall be treated on actually paid basis for FY 2012-13. The actual arrears payments made in each year of the control period shall be trued up vis-à-vis those provided in the O&M charges.*

***27.4** In case of repair & maintenance and administrative & general expenses, average of financial years 2005-06, 2006-07 and 2007-08 audited figures have been taken as base for the financial year 2006-07. This has been escalated Year-wise at inflation rate of 6.14% to arrive at the amounts allowed for the control period."*

Provision for true-up of O&M Expenses:

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37. The relevant paras are reproduced hereunder:

*"**37.1** The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The norms for O&M expenses have been fixed on the basis of circuit kilometers of transmission lines and number of bays in sub-station. These norms exclude pension, terminal benefits and incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actual. The claim of pension and terminal benefits shall be dealt as per Regulation 27. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:*

LINES -				**₹ Lacs / 100 Ckt-km / Annum**	
		FY2009-10	**FY2010-11**	**FY2011-12**	**FY2012-13**
1	400KV	29.1	30.8	32.6	34.5
2	220 KV	23.4	24.8	26.2	27.7
3	132 KV	22.0	23.3	24.6	26.0

BAYS -					**₹ Lacs / Bay / Annum**
1	400 KV	13.4	14.2	15.0	15.9
2	220 KV	10.0	10.6	11.2	11.9
3	132 KV	9.5	10.0	10.6	11.2

37.2 *The total allowable O&M expenses for the Transmission Licensee shall be calculated by multiplying the average number of bays and 100 ckt-km of line length for the Year with the applicable norms for O&M expenses per bay and per 100 ckt-km respectively. In support of its claim for allowable O&M expenses, the Licensee shall submit before the Commission, the actual or projected circuit kilometers of line lengths and number of bays for each voltage level separately for each Year of the Tariff Period as the case may be."*

45. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in detail in **para 12 to 14** of this order.

46. The actual line length in ckt-kms and number of bays as on 1st April 2012 to March 2013 as filed by the petitioner have been verified with the regular returns being filed by the Reporter of Compliance of MPPTCL. Based on the norms specified in MPERC (Terms and conditions for determination of Transmission Tariff) Regulation, 2009 and its amendments, the O&M Expenses are worked out to **₹312.53 Crores** for FY 2012-13 as given below:

S. No.	**Particulars**	**Assets**			**Approved Norms for 2012-13**	**Amount (₹ in Lacs)**
		As on 01.4.2012	**As on 31.3.2013**	**Average**		
1	400 KV Line in Ckt-kms	2343	2448	2396	₹ 34.50 Lacs/ 100 Ckt-KM	826.47
2	220 KV Line in Ckt-kms	11085	11333	11209	₹ 27.70 Lacs/ 100 Ckt-KM	3104.95
3	132 KV Line in Ckt-kms	13690	14043	13887	₹ 26.00 Lacs/ 100 Ckt-KM	3605.38
4	400 KV Bay in Nos.	70	85	78	₹ 15.90 Lacs/ Bay	1240.20
5	220 KV Bay in Nos.	462	491	477	₹ 11.90 Lacs/ Bay	5676.30
6	132 KV Bay in Nos.	1475	1524	1500	₹ 11.20 Lacs/ Bay	16800.00
Total O&M Cost on the basis of Bays and Lines						**31253.29**

Say ₹ 312.53 Crores

47. During the meeting held with the officers of MPPTCL on 9th May' 2014, they submitted that the amount of ₹13.98 Crores has been actually paid as arrears (₹ 13.62 Crores for MPPTCL & ₹ 0.36 Crores for SLDC). The same amount i.e. ₹13.98 Crores is foreseen for the next year also. They submitted that the amount of wage revision arrears to SLDC is also paid by MPPTCL therefore; this amount should be considered in the ARR of MPPTCL.

48. In view of the above, the following O&M expenses including the amount of wage revision is allowed in this order:

Sr. No.	Particular	Unit	Amount for FY 2011-12
1	Amount of wage revision filed & allowed	Rs. Cr.	13.98
2	O&M expenses as per norms allowed in para 46	Rs. Cr.	312.53
	Total O&M expenses including arrears	**Rs. Cr.**	**326.51**

(v) Terminal Benefits:

49. Petitioner's submission: The petitioner broadly submitted the following:

"Hon'ble Commission has notified the "MPERC (Terms & Conditions for allowing Pension and Terminal Benefits liabilities of personnel of Board and successor Entities) Regulations, 2012 (G-38 of 2012)" on 20th April 2012. Para 1.2 of the Regulations provide;

> *"These Regulations shall come into force with immediate effect from the date of their publication in the official Gazette of the Government of Madhya Pradesh. For Tariff determination purposes its provisions will be given effect to in the financial year following the year of its publication."*

Hon'ble Commission therefore in its order dtd. 17.4.2012 allowed the Terminal Benefits for FY 2012-13 on the earlier practice of 'Pay as you go" basis. It has been mentioned in Para 2.35 of the order "………. The Commission has recently passed Tariff order for retail supply on 31st March 2012 for FY 2012-13 wherein, the Commission has allowed Terminal Benefit and Pension expenses for FY 2012-13 on provisional basis on "Pay as you go" principles payable to MP Transco to the extent of ₹ 621.29 Crores in Para 3.89 of that order. The same is considered in this order also. The actual expenses for this period shall be considered during the process of True up of Transmission Tariff for FY 2012-13."

Therefore;

Total Terminal Benefits for all the Companies allowed for FY 2012-13	***₹621.29 Crores***

Terminal Benefits As Per Audited Accounts -

The Audited Accounts of the MPPTCL, listed out the following expenses against Terminal Benefits for FY 2012-13 as compared to previous year i.e. FY 2011-12;

TERMINAL BENEFIT COST -

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
(A) CASH -		
Gratuity	154.73	200.97
Pension	618.71	450.96
Leave Encashment	9.69	5.92
TOTAL (A) -	783.13	657.85
(B) PROVISIONS -		
Gratuity	5.96	6.18
Pension	43.32	39.34
Leave Encashment	0.64	1.06
Provision for employees of MPPMCL	8.51	3.98
TOTAL (B) -	58.43	50.56
TOTAL (A+B) -	841.56	708.41

True-Up Claim For Terminal Benefits -

As per directive of Hon'ble Commission, the E.L. encashment on retirement is to be excluded from Terminal Benefit claims, and treated as Employee Cost. Accordingly, only Pension, Gratuity are considered for claim of Terminal Benefits True-up for FY 2012-13. (Shown in Annexure-IX).

The claim is given in the following table;

(Amount ₹in Crores)

S. No.	Particulars	Terminal Benefit Expenses			REMARKS
		Cash	Provision	Total	
1	Pension	618.71	43.32	662.03	The provisioning for employees of MPPTCL & MPPMCL has been made in accordance with Accounting Principles.
2	Gratuity	154.73	5.96	160.69	
3	Provision for employees of MPPMCL	-	8.51	8.51	
	TOTAL -	773.44	57.79	831.23	

True-up for FY 2012-13 is worked out hereunder;

(Amount ₹in Crores)

S. No.	Particulars	Cash	Provision	Total
1	Claim for the year	773.44	57.79	831.23
2	Allowed in MYT order	621.29	-	621.29
3	**True-up**	**152.15**	**57.79**	**209.94**

50. Provisions under Regulations:

Fourth amendment to MPERC (Terms and Conditions for determination of transmission tariff) (Revision-I) Regulation, 2009 provides as following:

> *"In the Principal Regulations, the Regulations 27.6 shall be substituted as under:*
>
> *27.6(a) The expenses towards pension and other terminal benefits in respect of all personnel of MPSEB/MPEB and its all successor entities who are entitled as per their service conditions for pension and other terminal benefits shall continue to be allowed in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. of the respective tariff year during the control period.*
>
> *(b) The above expenses at (a) for each financial year shall be a pass through in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. and permitted to the extent of the provisions made by the MP Power Transmission Co. Ltd. subject to prudence check by the Commission. This provisioning shall be subject to further review at the time of the true-up of the ARR of respective year and shall be allowed to the extent of actual payments made."*

51. Commission's Analysis:

The figures filed by MPPTCL have been tallied with the Audited Balance Sheet filed by it for FY 2012-13. Based on the information/ clarifications filed by the petitioner and the provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 and its amendment, an amount of ₹ 773.44 Crores for Terminal Benefits is allowed in this true-up order for FY 2012-13. The amount of provisioning under this head is not allowed by the Commission as per the approach adopted in the last true-up order. The details of Terminal Benefits allowed in this order are given below:

Sr. No.	Particular	Unit	Amount for FY 2011-12
1	Pension as per audited accounts	Rs. Cr.	618.71
2	Gratuity as per audited accounts	Rs. Cr.	154.73
3	Provisions	Rs. Cr.	0.00
4	Annuity	Rs. Cr.	0.00
5	**Total amount of terminal benefits**	**Rs. Cr.**	**773.44**

(vi) Interest On Working Capital:

52. Petitioner's submission: Petitioner broadly submitted the following:

"Interest On Working Capital –

The interest on working capital is to be worked out on normative basis as per Para 38 and 28 of the transmission tariff regulations.

Working Capital Requirement For 2011-12

i.	*O&M expenses for one month (₹ 312.53 Crores / 12)*	*₹ 26.04 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*₹ 46.88 Crores*
iii.	*Receivables equivalent to 2 months transmission charges (1702.19/6)*	*₹ 283.70 Crores*
	Total working Capital	***₹ 356.62 Crores***
iv.	*Interest on working capital @ 12.25% i.e. SBI's Base rate plus 4%, Base rate as on 01.04.2012 8.25% + 4% = 12.25%*	*₹ 43.68 Crores*

53. Provisions under Regulations

Regulation 38.1 of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009 provides as under:

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

(1) Maintenance spares @ 15% of the O&M expenses specified in Regulation 37.1;

(2) Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

(3) Operation and Maintenance expenses for one month."

Further, Regulation 28.1 provides that,

"Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the short term Prime Lending Rate of State Bank of India as on April 1 of the relevant Year. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures."

54. Commission's Analysis:

As per norms under Regulations, the interest on working capital for FY 2012-13 is worked out and allowed in this true-up order as given below:

Interest on working capital:

Sr. No.	Particular	Unit	Amount for FY 2012-13
1	O&M expenses for one month	Rs. Cr.	27.21
2	Maintenance spares @ 15% of the O&M expenses	Rs. Cr.	48.97
3	Receivables equivalent to two months transmission charges	Rs. Cr.	283.53
4	Total working capital	Rs. Cr.	359.71
5	Applicable rate of interest on working capital (SBI base rate plus 4%)	%	14%
6	**Amount of interest on the working capital allowed in this order**	**Rs. Cr.**	**50.35**

(vii) Non-Tariff Income:

55. Petitioner's submission: The petitioner broadly submitted the following:

*"**Other Income -***

Other Income of ₹13.20 Crores is shown in Note 21 of Audited Accounts. The income has been bifurcated in two categories, as shown hereunder after excluding ₹ 0.66 Crores the Other Income of SLDC.

[A] Charges not covered under Non-Tariff Income –

(Amount ₹in Crores)

i.	*Sale of Store's scrap being capital receipt. The scrap value of 10% is not allowed in Tariff in Depreciation*	*3.14*
ii.	*Delayed payment charges*	*0.00*
	TOTAL -	***3.14***
		Say ₹ 3.14 Crores

[B] Charges to be covered under Non-Tariff Income –

(Amount ₹in Crores)

i.	*Interest Income*	*0.12*
ii.	*Application fees for Open Access*	*0.76*
iii.	*Hire charges for contractors etc.*	*4.01*
iv.	*Consultant services charges received*	*3.43*
v.	*Sale of Tender forms*	*0.47*
vi.	*Applications under RTI charges*	*0.00*
vii.	*Recovery of transport facilities*	*0.06*
viii.	*Ground rent*	*0.01*
ix.	*Rent of Staff quarters / Water charges/ Guest House*	*0.38*
x.	*Recovery of telephone charges*	*0.12*
xi.	*Other MISC receipts*	*0.69*
xii.	*Less : Income considered in SLDC's Account*	*(-) 0.66*
	TOTAL -	***9.39***

Say ₹9.39 Crores.

Therefore, Non Tariff Income for FY 2012-13 is - ₹9.39 Crores.

Interest Earned On Fixed Deposits -

The interest earned on Fixed Deposits has also been taken as 'Other Income', and passed on to Long Term customers till 2008-09. Since FY 2009-10, the MPPTCL's Accounts with disclosure adopted "Accounting Standard-16" (AS-16), Para-11 of which is reproduced hereunder;

*"**Para-11**. The financing arrangements for a qualifying Asset may result in an enterprise obtaining borrowed funds and incurring associated borrowing cost before some or all of the funds are used for expenditure on the qualifying Asset. In such circumstances, the funds are often temporarily invested pending their expenditure on qualifying Asset. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred".*

Above provision indicate that if any interest is earned on Fixed Deposit of capital amount, the interest earned should directly go to the IDC (as negative value) and net IDC should be capitalized with Asset value.

Thus, the interest earned on Fixed Deposit should have two components, first the interest earned on amount under revenue category which is to be treated as "Non Tarff" or 'Other Income" whereas interest earned on capital amount temporarily kept under Fixed Deposit should not be a part of Non Tariff Income as per AS-16, but should directly be used to reduce borrowing costs eligible for Capitalization. Thus the net effect of adopting AS-16 is that the interest earned on capital amount temporarily invested, will not come in 'Non Tariff Income' but the Long Term customers are benefitted by reduction in Asset value and corresponding reduction in Depreciation loading. It is also submitted for consideration that following of Accounting Standards is obligatory on the part of the Company under the Companies Act, 1956.

Accounts Schedules / Notes V/S Tariff Claim -

In Note-21 of Annual Accounts, the interest on Bank deposits is first shown under 'Other Income' as ₹ 18.62 Crores, out of which ₹ 18.50 Crores has been transferred to CWIP, having net ₹ 0.12 Crores as Interest Income to be allocated as "Other Income". This *has apparently been done to show interest earned on capital and other than capital funds.*

<u>A certificate from the Statutory Auditor is attached as Annexure- XXIII which certifies the above matter</u>.''

56. Commission's Analysis:

(i) **Interest earned on Fixed Deposit** –

MPPTCL has now furnished a Certificate from its statutory auditor (R. Shah and Company, Charted Accountants) certifying utilization of interest earned on Fixed Deposits in reducing IDC for capitalization in FY2012-13 with the reframed petition. In view of the certificate by the Chartered Accountant filed by MPPTCL and Para 11 of Accounting Standard 16 (AS-16), the request of MPPTCL to consider the interest earned on Fixed Deposit of capital amount for reduction of borrowing cost eligible for capitalization is considered in this true-up order. Accordingly an amount of **₹ 9.39 Crores** is considered as Non-Tariff Income in this true-up order:

57. True-up amount allowed for FY 2012-13 in this order:

Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of **₹ 174.79 Crores** for FY 2012-13. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2015-16. Details of true-up amount determined in this order are tabulated hereunder:

True-up of Annual Revenue Requirement for FY2012-13:

Sr. No.	Particular	Unit	Allowed in MYT order for FY2012-13	Allowed in this true-up order for FY 2012-13	True-up amount
1	Return on Equity	Rs. Cr.	241.06	238.76	(-)2.30
2	Interest and finance charges on loan	Rs. Cr.	105.54	117.22	11.68
3	Depreciation	Rs. Cr.	236.33	203.24	(-)33.09
4	Operation and Maintenance expenses	Rs. Cr.	320.20	326.51	6.31
5	Interest on working capital	Rs. Cr.	46.08	50.35	4.27
6	Terminal benefits	Rs. Cr.	621.29	773.44	152.15
7	Provisioning for terminal benefits	Rs. Cr.		-	-
8	Fee paid to MPERC	Rs. Cr.	0.89	1.05	0.16
9	Non-Tariff Income	Rs. Cr.	-45.00	-9.39	35.61
	Total	Rs. Cr.	**1526.39**	**1701.18**	**174.79**

58. In para 2.2 to 2.7 of the petition, the transmission capacity and its allocation among Discoms and SEZ has been submitted by MPPTCL. Considering the same actual transmission capacity of 8535 MW mentioned in the aforesaid paragraphs and worked out in Annexure III of the petition, the above true-up amount shall be recoverable from the Discoms and SEZ as given below:

S. No.	Customer	As per order dtd. 17.04.2012		As per true-up order		True up (₹Crores)
		Capacity Allocated (MW)	**Amount share** (₹Crores)	**Capacity Allocated** (MW)	**Amount share** (₹ Crores)	
1	MP Poorva KVVCL	3045.38	455 .70	2547.52	507.77	52.07
2	MP Madhya KVVCL	3244.06	485.43	2713.72	540.89	55.46
3	MP Paschim KVVCL	3899.19	583.46	3261.75	650.13	66.67
4	MPAKVN for SEZ - Pithampur	12.00	1.80	12	2.39	0.59
5	**TOTAL -**	**10200.60**	**1526.39**	**8535**	**1701.18**	**174.79**

59. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees/ Long term Open access customers of MPPTCL in their Annual Revenue Requirement for FY 2015-16 and accordingly directs that these charges as determined above be recovered in 12 equal installments during FY 2015-16.

Ordered accordingly

(Alok Gupta)	**(A.B.Bajpai)**	**(Rakesh Sahni)**
Member	**Member**	**Chairman**

Date:21st August'2014

Place: Bhopal