

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
5th Floor, "Metro Plaza", E-5, Arera Colony, Bittan Market, Bhopal - 462016



Petition No.70/2010

PRESENT:

Rakesh Sahni, Chairman

C. S. Sharma, Member

IN THE MATTER OF:

Determination of True-up of Transmission Tariff for FY 2009-10 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 6th day of August, 2012)

1. The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and other stakeholders on 12th June, 2012 at Bhopal in the matter of true up of Transmission Tariff for FY 2009-10. 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 16th June, 2009.
2. The Commission notified MPERC (Terms & Condition for determination of Transmission Tariff) Regulation, 2009 (G-28 (I) of 2009) dated 30th April, 2009. The Multi-Year Tariff (MYT) Order dated 11th January, 2010 for FY 2009-10 to FY 2011-12 was based on this Regulation. The petitioner filed the subject petition vide its letter No.7680 dated 13th October, 2010 for True-up of the Transmission Tariff for FY 2009-10 determined by the Commission vide afore-mentioned MYT Order.
3. On preliminary scrutiny of the subject petition, the Commission vide letter No. MPERC/D(T)/3232 dated 26th November, 2010 sought clarifications and information gaps regarding Capex, GFA, Capitalization, Equity, Sub-SLDC Expenses, Employee Cost, Interest and Finance Charges, Loan Outstanding, Interest on Loan, Depreciation, Terminal Benefits etc. MPPTCL vide its letter No.178 dated 11th January, 2011 submitted its response on the issues raised by the Commission. The Commission vide its letter No.848 dated 11th March, 2011 sought further clarification on these issues from the petitioner with the observations that the opening figures for FY 2009-10 in this petition be tallied with the closing figures of FY 2008-09 as admitted in the true-up petition of transmission charges for FY 2008-09. MPPTCL vide its letter No.3447 dated 20th May, 2011 requested that the reframed true-up petition for FY 2008-09 is under preparation and sought permission to submit the reframed true-up petition for FY 2009-10 after acceptance of true-up petition for FY 2008-09 to ensure that there is no difference in base opening figures for FY 2009-10. The Commission vide letter No.1745 dated 6th June, 2011 considered the request with a condition that the subject petition shall be construed to be admitted by the Commission after submission of revised petition by the petitioner to the satisfaction of the Commission.

4. MPPTCL vide its letter No.7814 dated 24th October, 2011 submitted its revised petition in the matter. The Commission further found some discrepancies and information gaps in the aforesaid petition and vide letter No.3305 dated 12th December, 2011 sought information gaps regarding Equity, Equity held under current assets, Additional Return on Equity, Weighted average rate of interest, Depreciation, O&M expenses and terminal benefits claimed in the revised petition. The petitioner vide its letter No.385 dated 16th January, 2012 submitted its response on the information gaps observed by the Commission. The Commission observed that the response of the petitioner to most of the core financial issues like Equity, Current Assets and Term Loans was not explicitly clear. The petitioner was therefore, asked to submit its response and to depute the concerned senior officer(s) to discuss all such issues with the Commission's officers on 24th February, 2012. MPPTCL vide its letter No.1328 dated 18th February, 2012 submitted its response and a meeting of the officers of petitioner and officers of the Commission was held on 24th February, 2012 in the Commission's office at Bhopal. The Commission vide letter No.639 dated 3rd March, 2012 conveyed the record of discussion to the petitioner. The petitioner vide its letter No.2461 dated 3rd April, 2012 submitted para wise information to the record note of meeting.

5. The Commission vide letter No.1444 dated 3rd May, 2012 asked the petitioner to submit a draft public notice to publish the gist of the petition in English and Hindi news papers to invite comments / suggestions from all stake holders. MPPTCL vide its letter No.3397 dated 10th May, 2012 submitted documents in support of its contentions and also submitted a draft public notice in the matter. The Commission vide order sheet dated 17th May, 2012 admitted the petition and directed the petitioner to publish the public notice, as approved by the Commission, in English and Hindi version to invite comments / suggestions from various stake holders by 7th June, 2012 and fixed the date of public hearing on 12th June, 2012.

6. MPPTCL vide letter No.4300 dated 8th June, 2012 submitted that MPPTCL has not received any comments / suggestions from any of the stakeholders / public / respondents till 7th June, 2012. Accordingly the public hearing was held in the court room of the Commission on 12th June, 2012. No public representative / respondents appeared in the public hearing.

7. The Commission vide this Order has determined true-up amount of **₹53.99 Crores** for FY 2009-10. The details of true up amount approved by the Commission are as under :

Table:1 True up amount for FY 2009-10 (₹ in Crores)

S. No.	Particulars	As per ARR approved by order dated 11.01.10	As filed in original True-up petition	As filed in revised True-up petition	As approved by MPERC	True-up Amount (Col. 6- Col 3)
1	2	3	4	5	6	7
1.	O&M Expenses	208.48	227.08	227.08	215.48	7.00
2. (i)	Terminal Benefit / Cash Expenses	318.99	386.46	386.46	386.46	67.47
(ii)	Provision	-	83.06	83.06	-	-
3.	Depreciation	164.30	168.71	168.76	168.76	4.46
4.i.	Interest on Loan	118.79	123.54	115.89	115.84	-2.95
ii.	Interest on Working Capital	27.05	31.35	30.77	28.35	1.30
iii.	Interest on Normative	-	14.04	-	-	-
4.	Total Interest and finance charges	145.84	168.93	146.66	144.19	-1.65
5.	Return on Equity	206.40	197.59	191.92	185.47	-20.93
6.	Taxes and Fee paid to MPERC	1.08	0.76	0.76	0.76	-0.32
7.	TOTAL -	1045.09	1232.59	1204.69	1101.12	56.03
8.	Less Non-Tariff Income	(-) 12.00	(-) 4.65	(-) 5.43	-14.04	-2.04
9.	GRAND TOTAL -	1033.09	1227.94	1199.26	1087.08	53.99

8. The petitioner must take steps to implement the Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees in their Annual Revenue Requirement for FY 2013-14 and accordingly directs that these charges determined as above be recovered equally each month from beneficiaries during FY 2013-14.
9. Ordered as above, read with attached detailed reasons and grounds.

sd/-
(C. S. Sharma)
Member

sd/-
(Rakesh Sahni)
Chairman

Date: 6th August, 2012

Place: Bhopal

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CHAPTER 1

BACKGROUND OF THE ORDER

Introduction

- 1.1 This order relates to petition No.70 of 2010 filed by Madhya Pradesh Power Transmission Company Limited Jabalpur (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) for trueing up of the Transmission Tariff for FY 2009–10. MPPTCL is the owner of the transmission network previously owned by Madhya Pradesh State Electricity Board (hereinafter referred to as “MPSEB” or “Board”). MPPTCL has started functioning independently from 1st June, 2005. The order passed by the Commission for FY 2009-10 to FY 2011-12 was based on the Multi Year Tariff Principles i.e. on the performance benchmarks set by the Commission for multi year regime vide its notification dated 30th April, 2009 namely “Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2009.

Procedural History

- 1.2 In its Transmission Tariff Order for FY 2009-10 to FY 2011-12, the Commission determined the Transmission Tariff effective from 1st April 2009 and continued to be operative till 31st March 2012 under the multi year tariff. MPPTCL filed the petition for True-up of Transmission charges for FY 2009-10 vide its letter No.04-01/CRA Cell/F-147/9680 dated 13th October, 2010.
- 1.3 MPPTCL had initially requested in original petition to allow a true up of ₹194.85 Crores for FY 2009-10 on account of actual expenses incurred on O&M, Interest and finance charges, Return on equity, Depreciation and Pension liabilities etc. as per the audited accounts for the period 01.04.2009 to 31.03.2010. However, this True-up claim was revised to ₹166.17 Crores by the petitioner in the revised petition filed by the petitioner vide letter No.7814 dated 24th October, 2011 as given below:

Table 2: Status of claims filed by the MPPTCL**(₹ in Crores)**

S. No.	Particulars	As per ARR approved by order dated 11.01.10	As filed in original True-up petition	As filed in revised True-up petition
1	2	3	4	5
1. (i)	O&M Expenses	208.48	219.77	219.77
(ii)	MPSEB Expenses	-	7.31	7.31
2. (i)	Terminal Benefit / Cash Expenses	318.99	386.46	386.46
(ii)	Provision	-	83.06	83.06
3.	Depreciation	164.30	168.71	168.76
4.i.	Interest on Loan	118.79	123.54	115.89
ii.	Interest on Working Capital	27.05	31.35	30.77
iii.	Interest on Normative loan over qualifying equity		14.04	-
4.	Total Interest	145.84	168.93	146.66
5.	Return on Equity	206.40	197.59	191.92
6.	Taxes and Fee paid to MPERC	1.08	0.76	0.76
7.	TOTAL -	1045.09	1232.59	1204.69
8.	Less Non-Tariff Income	(-) 12.00	(-) 4.65	(-) 5.43
9.	GRAND TOTAL -	1033.09	1227.94	1199.26
10.				

- 1.4 The MPPTCL in its revised petition also proposed modifications to the Long Term Open Access for FY 2009-10 as under:

Table 3: Revised Open Access Charges in ₹ Crores as filed by the MPPTCL

S. No.	Customer	Capacity Allocated (MW)	Amount as per filing in this petition (₹ Crores)	Amount as per original Tariff (₹ Crores)	True-up to be shared (₹ Crores)
1	MP Poorva KVVCL (East)	2509	371.89	320.36	51.53
2	MP Madhya KVVCL (Central)	2736	405.53	349.34	56.19
3	MP Paschim KVVCL (West)	2834	420.06	361.86	58.20
4	MPAKVN for SEZ - Pithampur	12	1.78	1.53	0.25
5	TOTAL -	8091	1199.26	1033.09	166.17

- 1.5 The Commission vide its order dated 17th May, 2012 accepted the revised petition and directed the petitioner to arrange for publication of the approved public notice in newspapers for inviting comments/suggestions from stakeholders.
- 1.6 The public notice was published by the petitioner in following newspapers on 20th May, 2012:

Hindi News Papers:

Dainik Raj Express	-	Indore
Dainik Bhaskar	-	Bhopal
Dainik Nai Dunia	-	Gwalior
Dainik Deshbandhu	-	Jabalpur
Dainik Aacharan	-	Sagar
Dainik Awantika	-	Ujjain
Dainik Vindhya Bharat	-	Rewa

English News Paper:

Pioneer	-	Bhopal
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The last date for obtaining the comments / suggestions / objections was 7th June, 2012. MPPTCL vide letter No.4300 dated 8th June, 2012 submitted that MPPTCL has not received any comments / suggestions from any of the stakeholders / public / respondents till 7th June, 2012.

- 1.7 The public hearing in the subject true-up petition was held on 12th June, 2012 in the Court room of the Commission's office at Bhopal. No representative from any stakeholder / public / respondent appeared in the public hearing.

CHAPTER 2

STATUS OF THE TRANSMISSION COMPANY

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

MPPTCL is a company registered under Companies Act 1956 on 22nd November, 2001 with its head quarter at Jabalpur, for the purpose of undertaking the Intra-State Transmission activities in the State of Madhya Pradesh and was functioning under an O&M agreement with MPSEB ever since. The Government of Madhya Pradesh (GoMP) notified the transfer scheme vide its notification No.3679/FRS/18/13/2002 dated 31st May, 2005 in which MPPTCL was assigned assets and liabilities on a provisional basis.

- 2.2 MPPTCL commenced independent functioning from 1st June, 2005 consequent to the notification of its provisional Balance Sheet by the State Government on 31st May, 2005. The Government of Madhya Pradesh notified the final opening balance sheet on 12th June, 2008.

- 2.3 **Notification of Tariff Regulations for Second Control Period**

The Commission notified the MPERC (Terms and conditions for Determination of Transmission Tariff) Regulations, 2009 {RG-28 (I) of 2009} on 8th May, 2009 which was in force for a period upto March, 2012 from the date of commencement. The instant True-up application for FY 2009-10 is governed by these Regulations.

- 2.4 **Consideration of Final Opening Balance Sheet -**

On notification of the final Opening Balance Sheet (as on 31.05.2005), on 12th June, 2008, the Annual Accounts of MPPTCL for year FY 2007-08, FY 2008-09 and FY 2009-10 were prepared and got audited as per final Opening Balance Sheet. The true-up petitions for FY 2007-08 and FY 2008-09 were also submitted as per the final Opening Balance Sheet. The true-up petition for FY 2007-08 also contained the review of the tariff for FY 2005-06 and FY 2006-07, based on the final Opening Balance Sheet. The true-up petition for FY 2008-09 has also been disposed of by the order issued by the Commission on 26th December, 2011.

CHAPTER 3

TRANSMISSION SYSTEM AND PERFORMANCE OF MPPTCL

The petitioner has broadly submitted the following:

- 3.1 Intra-State Transmission System of MPPTCL comprises of EHV Lines and Sub-stations of various voltages. Position as on 31.03.2009 and 31.03.2010 is tabulated hereunder:

Table-4

S. No.	Voltage Level	As on 31.03.2009			As on 31.03.2010		
		EHV Lines	EHV Sub-Stations		EHV Lines	EHV Sub-Stations	
		Ckt. KMs	Number	MVA Capacity	Ckt. KMs	Number	MVA Capacity
1	400 KV	2343	4	3885	2343	4	3885
2	220 KV	9042	44	11970	9807	49	13610
3	132 KV	11514	168	13203	12411	174	14525
4	66 KV	61	1	20	61	1	20
TOTAL -		22960	217	29078	24622	228	32040

Transmission System Capacity

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

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

- 3.3 The power corresponding to Intra-State generating capacity is available to transmission system after deducting the auxiliary consumption. Similarly, power from the Central Sector generating stations is available at M.P. periphery after deduction of auxiliary consumption and losses in Inter-State transmission system. While determining transmission system capacity for the new control period from FY 2009-10 to FY 2011-12,

the above mentioned fact has been taken into consideration. The transmission system capacity for year FY 2009-10 has also been subjected to true-up on above mentioned basis. The Regulations provide that the Average Capacity during a year shall be taken as that served in previous year. Therefore, the transmission capacity during FY 2009-10 is taken as that existing as on 1st April, 2009.

- 3.4 The capacity for year 2009-10 is worked out taking into consideration the actual generating and contracted capacities as on 1st April, 2009 based on State Government's notification dated 16th June, 2009.

State Government Order for Capacity Allocation

- 3.5 The Government of Madhya Pradesh vide notification No.2088-F-RS-4-XIII-2001 dated 19th March, 2009 allocated the total available generating capacity of 7756.44 MW among the three Distribution Companies in the State. Subsequently, the State Government vide notification dated 16th June, 2009 allocated the capacity as on 16th June, 2009 to the Discoms.
- 3.6 Based on the State Government order dated 16th June, 2009, the total Generating Capacity as on 16th June, 2009 is summarized hereunder:

Table-5

S. No.	Source of Power	Firm (MW)	Infirm (MW)	Total MW
1	Central Sector (WR)	1931.00	153.12	2084.12
2	Central Sector (ER)	0.00	117.51	117.51
3	DVC	200.00	-	200.00
4	Indira Sagar Hydel	1000.00	0.00	1000.00
5	Sardar Sarovar Hydel	826.50	0.00	826.50
6	Omkareshwar Hydel	520.00	0.00	520.00
7	LANCO – Amarkantak	300.00	0.00	300.00
8	MP Genco – Thermal	2857.50	0.00	2857.50
9	MP Genco – Hydel	927.17	0.00	927.17
TOTAL -		8562.17	270.63	8832.80

Transmission Capacity as on 31.03.2009 (for FY 2009-10)

- 3.7 The transmission capacity for year 2009-10 is to be considered as that served last year i.e. on 31.03.2009. From the generating capacity as on 16th June, 2009 indicated above, the position as on 31.03.2009 is derived as hereunder:

Table :6

i.	Total capacity as on 16.06.2009 shown above	8832.80 MW
ii.	Less capacity of Amarkantak extension Unit came in commercial operation between 01.04.2009 and 16.06.2009	(-) 210.00 MW
iii.	Capacity share in Matatila (10 MW) and Rihand (45 MW) left out in State Govt. order	(+) 55.00 MW
iv.	Additional capacity allocated to SEZ, Pithampur from NTPC under Long Term Open Access	(+) 12.00 MW
TOTAL -		8689.80 MW

Subtracting the auxiliary consumption and Inter-State losses, the transmission capacity for FY 2009-10 is worked out as 8091.17 MW (Say 8091 MW).

- 3.8 The capacity allocation to Discoms is proposed on the following basis:
- (i). Total transmission capacity available for a particular year is apportioned in the percentage ratio as indicated in State Government order dated 16th June, 2009. SEZ allocation is treated as additional.
 - (ii). The capacity during the year is taken as that on 1st April i.e. beginning of year.
 - (iii). The fractional allocation worked out has been rounded off.
 - (iv). Since SEZ has availed additional power under Open Access from NTPC, and has been allocated capacity at MP periphery as 12 MW, same has been considered.

3.9 Based on above, the allocated transmission capacity proposed is tabulated hereunder :

Table-7

S. No.	Distribution Licensee	Percentage Allocation	Capacity Allocation for FY 2008-09 (MW)
1	MP Poorva Kshetra Vidyut Vitaran Company Ltd. Jabalpur.	31.06%	2509
2	MP Madhya Kshetra Vidyut Vitaran Company Ltd. Bhopal.	33.86%	2736
3	MP Paschim Kshetra Vidyut Vitaran Company Ltd. Indore.	35.08%	2834
4	Total Discoms -	100%	8079
5	SEZ Pithampur (Dhar)	-	12
6	GRAND TOTAL -	-	8091 MW

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

3.11 The Commission has observed that the total available generation capacity of 8832.80 MW is mentioned in GoMP's notification No.3513-F-3-24-2009-XIII dated 16th June, 2009 reallocating the generation capacity to Discoms. The petitioner enclosed the aforesaid GoMP's notification as Annexure-II with the petition. The petitioner provided a break-up of total net generation capacity of 8091 MW after deducting auxiliary consumption and intra-state losses in Annexure-III of the petition. The petitioner considered the following addition/subtraction of generating capacities which were not included in GoMP's notification :

- (i) ATPS Extension Thermal Power Station, CoD after 1st April, 2009 : 210 MW
- (ii) Power allocated to SEZ separately : (-) 12 MW
- (iii) Share in Matatila and Rihand : (-) 55 MW

3.12 The petitioner has further reallocated the transmission capacity of 8091 MW amongst the three Discoms as per GoMP's notification.

3.13 In view of the above, the allocated transmission capacity of 8091 MW as filed in the petition is considered in this order.

Marginal increase of losses in MPPTCL system during the Year 2009-10

- 3.14 During the year 2009-10 the losses of 4.19% were well below the benchmark of 4.70% fixed by the Company in its business plan. However there is a marginal increase in losses in comparison to FY 2008-09 level of 4.09% due to reasons mentioned below:

The main reason for marginal increase of losses from July, 2009 onwards in FY 2009-10 is due to change in trend of flow of power through Inter-state 220 KV Badod-Kota & 220 KV Badod-Modak lines, as compared to previous years. There has been an appreciable flow of Central Sector Power through these lines, and, consequent to these flows through MPPTCL's network transmission losses have gone up marginally.

Remedial action was taken which resulted in reduction of losses in the subsequent year (i.e. FY 2010-11) to 3.74%.

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

Table : 9

S. No.	Voltage Level	Percentage Losses in Year				
		2005-06	2006-07	2007-08	2008-09	2009-10
1	400 KV	1.40%	1.26%	1.21%	1.20%	1.19%
2	220 KV	3.26%	3.41%	2.55%	2.51%	2.86%
3	132 KV	1.60%	1.29%	1.15%	1.17%	1.03%
Over all System		5.23%	5.00%	4.09%	4.09%	4.19%

- 3.16 The MPPTCL has already taken note of the losses at 220 KV level, and made necessary provision in its Transmission Plan accordingly, which resulted in tangible reduction in 220 KV losses in the years 2007-08 and 2008-09. Marginal increase in losses in the year 2009-10 is due to reasons explained above. However, higher losses in 220KV system in comparison to 132KV system has already drawn attention of the top management of MPPTCL and about 49% of plan investment for FY 2009-10 has been done on 220 KV network system.

Transmission System Availability

- 3.17 Hon'ble Commission has fixed a target of Transmission System Availability as 98% for year 2009-10 in the MYT Regulations. The Transmission System Availability achieved during all the quarters of year is higher than the target fixed. This indicates proper maintenance of lines and sub-stations as well as prompt outage management. The achievements are shown hereunder:

Table : 10

S. No.	Period	Target Fixed	Actual Achieved
1	April-June'09	98.00%	98.22%
2	July-Sept.'09	98.00%	98.88%
3	Oct.-Dec.'09	98.00%	98.91%
4	Jan.-March'10	98.00%	99.47%
5	Annual 2009-10	98.00%	98.82%

CHAPTER 4

TRUE-UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2009-10

O&M Expenses

Petitioner's Submission

4.1 The petitioner has broadly submitted following in the petition :

The Commission has allowed O&M expenses of ₹208.48 Crores for FY 2009-10. These include Employee Cost, A&G and Repairs & Maintenance expenses during the year. It was however mentioned that if progress achieved is more than quantities considered in this order, higher amount of O&M will be allowed. The provision is based on the O&M Norms notified in para 37.1 of transmission tariff regulation notified on 8th May 2009, brought out hereunder:

Table : 11 : Norms for O&M Expenses

S. No.	Particulars	2009-10	2010-11	2011-12
LINES -		₹Lacs / 100 Ckt.KM / Annum		
1	400 KV Line	29.1	30.8	32.6
2	220 KV Line	23.4	24.8	26.2
3	132 KV Line	22.0	23.3	24.6
BAYS -		₹Lacs / Bay / Annum		
1	400 KV Bay	13.4	14.2	15.0
2	220 KV Bay	10.0	10.6	11.2
3	132 KV Bay	9.5	10.0	10.6

4.2 *The Commission while allowing O&M Expenses for control period, considered the following length of EHV Lines and Bays for the FY-10, being average of the projected capacity as on 01.04.09 and 31.03.10. The O&M expenses for year 2009-10 have been allowed as ₹208.48 Crores, considering following parameters;*

Table : 12

S. No.	Particulars	O&M Norms 2009-10	Parameters taken for FY-10	O&M Expenses allowed for 2009-10 (rounded to Lacs)
1	400 KV Line	₹29.1 Lacs/100 Ckt-KM	2343Ckt-KM	682.00
2	400 KV Bays	₹ 13.4 Lacs/Bay	60 Nos.	804.00
3	220 KV Line	₹23.4 Lacs/100 Ckt-KM	9368 Ckt-KM	2192.00
4	220 KV Bays	₹10.0 Lacs/Bay	343 Nos.	3430.00
5	132 KV Line	₹ 22.0 Lacs/100 Ckt-KM	11890 Ckt-KM	2616.00
6	132 KV Bays	₹ 9.5 Lacs/Bay	1171 Nos.	11125.00
TOTAL -		-	-	20848.00

Say ₹208.48 Crores

4.3 Network Expansion and O&M Expenses

The average assets on the basis of actual progress made during 2009-10 and the allowable O&M expenses for FY-10 based on approved norms, work out as under;

Table : 13

S. No.	Particulars	Assets			Approved Norms for 2009-10	Amount (₹in Lacs)
		As on 01.4.2009	As on 31.3.2010	Average		
1	400 KV Line in ckt-kms	2343	2343	2343	₹ 29.1 Lacs/100 Ckt-KM	681.81
2	220 KV Line in ckt-kms	9042	9807	9424.5	₹ 23.4 Lacs/100 Ckt-KM	2205.33
3	132 KV Line in ckt-kms	11575	12472	12023.5	₹ 22.0 Lacs/100 Ckt-KM	2645.17
4	400 KV Bay in Nos.	60	61	61	₹13.4 Lacs/Bay	817.40
5	220 KV Bay in Nos.	354	403	379	₹ 10.0 Lacs/Bay	3790.00
6	132 KV Bay in Nos.	1181	1311	1246	₹ 9.5 Lacs/Bay	11837.00
Total O&M Cost on the basis of Bays and Lines						21976.71

Say ₹219.77 Crores

4.4 Claim of O&M Expenses on Normative Basis

The O&M has been claimed as per network addition and on normative basis, as worked out under para 6.4, which is summarized below:

Table : 14 (₹ in Crores)

(i)	As per O&M Norms given in para 6.4 above	219.77
(ii)	As approved under MYT order	208.48
True-up Amount		11.29

The True-up of O&M Expenses worth ₹ 11.29 Crore over and above ₹ 208.48 Crores provided in MYT order dated 11.01.2010, may kindly be considered by Hon'ble Commission. MPSEB expenses of ₹7.31 Crore is also claimed separately.

4.5 Actual O&M Expenses As Per Audited Accounts

The audited accounts for FY 2009-10 indicate total of Employee cost, R&M and A&G expenses as ₹268.20 Crores. The figures are modified as per regulations to treat leave encashment on retirement as Employee cost (and not the terminal benefits), excluding MPERC fee from A&G etc. Further, it may also be mentioned that Hon'ble Commission in its order for SLDC Fee & Charges for previous years has allowed them O&M Expenses, whereas for Depreciation and Interest it is mentioned that the amount will be reimbursed by MPPTCL to SLDC. Therefore, no deduction in other items is done for SLDC's expenses (except O&M expenses).

Considering above-mentioned information and the additional information filed by the petitioner, the details of actual O&M expenses are as under:

Table : 15 (Amount ₹ in Crores)

S. No.	Particulars	Amount including provision	Amount excluding provision
(i)	Employee Cost	229.15	151.94
(ii)	A&G	16.18	14.35
(iii)	R&M	17.48	17.33
Total O&M Expenses		262.81	183.62

The above figures are informative only, as the petitioner has claimed O&M expenses on normative basis, as per tariff regulations.

Provisions of Regulations

4.6 Provision of O&M Norms in Regulation

Item 27 (Para 27.1 & 27.4) of MYT Regulations dated 8th May, 2009 provides that the O&M norms include effect of pay scale revision. The paras are reproduced hereunder:

"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.

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."

4.7 Provision for true-up of O&M Expenses -

Item 37 (Para 37.1 & 37.2) of MYT Regulations dated 8th May, 2009 provides that true up of O&M expenses will depend on length of lines and number of Bays. 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:

S.No.	Particulars	2009-10	2010-11	2011-12
LINES -		₹ Lacs / 100 Ckt-KM / Annum		
1	400 KV Line	29.1	30.8	32.6
2	220 KV Line	23.4	24.8	26.2
3	132 KV Line	22.0	23.3	24.6
BAYS -		₹ Lacs / Bay / Annum		
1	400 KV Bay	13.4	14.2	15.0
2	220 KV Bay	10.0	10.6	11.2
3	132 KV Bay	9.5	10.0	10.6

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.”

Commission's Analysis

- 4.8 The Operation and Maintenance (O&M) Expenses comprise of the Employee Expenses, Administrative and General (A&G) Expenses and Repairs and Maintenance (R&M) Expenses. The Commission determined these expenses in MYT Tariff Order for FY 2009-10 to FY 2011-12 on the basis of the norms specified by the Commission in its regulation namely “MPERC (Terms and Conditions for Determination of Transmission Charges) Regulations, 2009.
- 4.9 The Commission has specified norms for O&M expenses in Regulation 37. Applying the same norms on the projected Ckt. Kms. of line and the projected no. of bays during the control period, the permissible O&M expenses as per norms are as under:

Table :16

S. No.	Particulars	Assets			Approved Norms for 2009-10	Amount (₹ in Lacs)
		As on 01.4.2009	As on 31.3.2010	Average		
1	400 KV Line in ckt-kms	2343	2343	2343	₹ 29.1 Lacs/100 Ckt-KM	681.81
2	220 KV Line in ckt-kms	9042	9807	9424.5	₹ 23.4 Lacs/100 Ckt-KM	2205.33
3	132 KV Line in ckt-kms	11575	12472	12023.5	₹ 22.0 Lacs/100 Ckt-KM	2645.17
4	400 KV Bay in Nos.	60	61	61	₹ 13.4 Lacs/Bay	817.40
5	220 KV Bay in Nos.	354	403	379	₹ 10.0 Lacs/Bay	3790.00
6	132 KV Bay in Nos.	1181	1311	1246	₹ 9.5 Lacs/Bay	11837.00
Total O&M Cost on the basis of Bays and Lines						21976.71

Say ₹ 219.77 Crores

- 4.10 The Commission verified the actual length of lines in ckt.km. and number of bays as on 1st April, 2009 & 31st March, 2010 as filed in Para 6.4, Annexure-4A and form No.TUT P1 of the petition and also from the RoC reports submitted by the petitioner. Based on the norms specified by the Commission in the Regulation, the calculation for normative O&M expenses on the basis of bays and lines claimed by the petitioner is found in order.
- 4.11 Regulation 27.3 of the Fourth Amendment to MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-I) Regulations, 2009 notified on 3rd February, 2012 provides as under :

“For first Financial Year of the 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-a-vis those provided in the O&M charges.”

- 4.12 In response to the Commission's query, MPPTCL vide its letter No.04-01/CRA-Cell/F-73/2461 dated 3rd April, 2012 confirmed that the cash payment of arrears of ₹9.12 crores pertains to the arrears on account of 6th pay revision.
- 4.13 The Commission had considered an amount of ₹13.41 crores for FY 2009-10 in the O&M norms specified for FY 2009-10 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2009. The aforesaid amount of ₹13.41 crores against arrears was informed by the petitioner vide its letter No.04-01/CRA-Cell/2494 dated 13th March, 2009 during the process of framing Principal Regulations of Terms and Conditions for determination of Transmission Tariff Regulations for FY 2009-10 to FY 2011-12.
- 4.14 Considering the above-mentioned information supplied by the petitioner and the provisions under Regulations, the Commission has considered the O&M charges with arrears actually paid in FY 2009-10 as given below :

Table : 17

S. No.	Particulars	Amount (₹ crores)
1	Operation and Maintenance expenses based on norms	219.77
2	Arrears considered in the norms for FY 2009-10	13.41
3	Actual arrears paid	9.12
4	O&M expenses allowed in this order	215.48
5	O&M expenses allowed in MYT order	208.48
6	True-up amount	7.00

Terminal benefits expenses**Petitioner's Submission****4.15 Terminal Benefits Allowed under MYT Order**

Hon'ble Commission, under MYT order dated 11.01.2010 (Petition No.26/2009), allowed the following expenses for terminal benefits for FY 2009-10:

(i)	Current Pension for year	₹260.60 Crores
(ii)	Gratuity for year	₹58.11 Crores
(iii)	Annuity for year	₹0.28 Crores
	Total	₹318.99 Crores

Provisioning of ₹33.79 Crores claimed by the petitioner as per Accounts Standards AS-15 was not allowed in the tariff order. The terminal benefits as per regulations are not on normative basis. Therefore, true-up is required to be considered on actual basis.

4.16 Terminal Benefit Expenses As Per Audited Accounts

The terminal benefit expenses as per accounts are given in the following table;

Table : 18 (Amount ₹ in Lacs)

S. No.	Account Sub-head	Expenses Cash	Provisioning	Total
1	Pension	31406.43	6495.91	37902.34
2	Gratuity	7237.98	1809.79	9047.77
3	Annuity	2.03	0.00	2.03
4	Leave encashment on retirement	330.97	976.41	1307.38
5	GTIS 40% contribution	49.92	0.00	49.92
6	SCLIS 33% contribution	6.51	0.00	6.51
7	LIC contribution non-contributory GTIS	33.31	0.00	33.31
8	Workmen's compensation	2.87	0.00	2.87
9	Compassionate Assistance	0.49	0.00	0.49
10	Contribution EPF/ FPS for NMR work charged	(-) 5.98	0.00	(-) 5.98
	TOTAL	39064.53	9282.11	48346.64

As per the directives of Hon'ble Commission - Pension, Gratuity and Annuity are to be claimed under Terminal Benefits, whereas the leave encashment on retirement and others are part of the Employee cost. The petitioner therefore claims the following amount under terminal benefits for FY 2009-10:

Table : 19 (Amount ₹ in Crores)

S. No.	Particulars	Cash Expenses	Provisioning	Total
1	Pension	314.06	64.96	379.02
2	Gratuity	72.38	18.10	90.48
3	Annuity	0.02	0.00	0.02
Total		386.46	83.06	469.52

4.17 Reasons For Increase In Terminal Benefits

The terminal benefits for this year are compared to previous year in the following table:

Table : 20 (Amount ₹ in Crores)

S. No.	Particulars	Cash Expenses		Provisions	
		FY-10	FY-09	FY-10	FY-09
1	Pension	314.06	247.64	64.96	31.79
2	Gratuity	72.38	50.38	18.10	4.36
3	Annuity	0.02	0.05	0.00	0.00
Total		386.46	298.07	83.06	36.15

4.18 The main reasons for increase in terminal benefits as compared to last year are:

- (i) Cash payments against pension increased on account of payment of pension arrears on account of revision in pension w.e.f. 1st January 2006.
- (ii) Number of retirees added also contributed to increase in pension disbursement.
- (iii) The Gratuity limit has been increased from ₹3.5 Lacs to ₹10 Lacs. Therefore gratuity payment to the employees retired after 1.1.2006 also increased.
- (iv) As far as increase in amount of provisioning is concerned, the amounts are based on Actuary Report for 2009-10, making up under provisioning for past years, as shown in following table.

Table : 21 (Amount in ₹)

Statement Showing Provision of Terminal Benefit made during FY 2009-10						
S. No.		Particular	Gratuity	Pension	Leave Encashment	Total
1	---	Provision for FY 2009-10	78879540.24	366158739.03	18277337.85	463315617.11
2	Add	Under Provision for past years	118299419.00	306103076.00	85300000.00	509702495.00
3	Less	Actual Benefits paid	16199653.9	22670260.31	5936705.88	44806620.18
4		Net Provision for FY 2009-10	180979305.2	649591554.72	97640631.97	928211491.94

4.19 True-up For 2009-10

The true-up claim for FY 2009-10 against terminal benefits, may kindly be considered as given hereunder;

Table : 22 (Amount ₹ in Crores)

S. No.	Particulars	As allowed in MYT order	As claimed in Para 7.2	Net True-up
1	Cash Expenses	318.99	386.46	67.47
2	Provisioning as per AS-15	0.00	83.06	83.06
	TOTAL	318.99	469.52	150.53

True-up against terminal benefits for year 2009-10 = ₹150.53 Crores.

4.20 Actuarial Analysis 2010

The petitioner has got the Actuarial Analysis conducted by M/s K.A. Pandit, Consultants and Actuaries for assessing Terminal Benefit Liabilities in year 2009-10. The report has been submitted to Hon'ble Commission on 28th February 2010. Since the Regulations provide for allowing actual expenses on Terminal Benefits for year 2009-10, the True-up is claimed on actual expenses as per Audited Accounts.

Provisions of Regulations

4.21 Clauses 27.5 & 27.6 under Regulation provides that,

“.....Employees transfer to Companies from MPSEB is yet to take place. Actuarial analysis for assessment of unfunded terminal liabilities and segregation of this liability for pensioners, past service rendered by employees on rolls and current provision for serving employees is yet to be done despite repeated directions of this Commission. A scheme for funding this unfunded liability and operationalising Terminal Benefit Trust Fund, as envisaged in Rule 10 and 11 of Transfer Scheme Rules, 2003 is yet to be pronounced by the State Government.

As per the Commission’s view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on retail tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, following action need be taken in the matter of unfunded pension liabilities and terminal benefits of employees :

An actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission by 30th September, 2009. The M.P. Transmission Company Limited is charged with carrying out this activity.

The scheme for funding this unfunded liability is finalized and terms for operating Terminal Benefit Trust Fund are set by State Government by 31st December, 2009. The scheme so finalized be such that it ensures that burden of past unfunded liabilities does not become a charge eventually on Retail Tariff and that the scheme is equitable.

Since actions as in (a) and (b) above will take time, the existing arrangement of allowing funds for terminal benefits shall continue on actual payment basis, for one more Year only i.e. for FY 2009-10 to the Transmission Licensee. In the eventuality either of the actions, as in (a) and (b) above, are not completed within the time frame mentioned above, the Commission shall assess current pension contribution of existing employees for FY 2010-11 and onwards and shall allow such expenses only in the employee cost of Transmission Licensee pertaining to employees on the roles of Transmission Licensee from FY 2010-11 onwards.....”

Commission's Analysis

4.22 The Commission observed that the terminal benefits expenses have been mentioned as ₹390.64 Crores in para 7.2 of the petition and terminal benefits have been claimed as ₹386.46 Crores. The profit and loss account for the period ended 31st March, 2010 mentions cash terminal benefits cost of ₹389.75 Crores. The petitioner vide Commission’s letter No.3305 dated 12th December, 2011 was asked to clarify inconsistency in the figures.

4.23 MPPTCL vide letter No.385 dated 16th January, 2012 submitted as under:

“The variation is because of transfer of certain heads from Terminal Benefits to Employee Cost, as per directives of Hon’ble Commission.

The head-wise details of trial balance against cash expenses and provisioning are given in table given in Para 7.2 of the Petition amounting the cash expenses as per Account’s head (75-8) as ₹390.64 Crores.

As per directives of Hon’ble Commission only Pension, Gratuity and Annuity are to be considered as ‘Terminal Benefits’ for tariff purpose, and other expenses (as given in table in Para 7.2 of the Petition) are to be considered as Employee Cost. Accordingly, Cash Expenses against Terminal Benefits are ₹386.46 Crores, which have been claimed in True-up Petition. Details are reiterated hereunder;

Table : 23 (₹ in Crores)

1	Pension	314.06
2	Gratuity	72.38
3	Annuity	0.02
Total		386.46

In Profit and Loss Account of the Company, Pension, Gratuity and Leave Encashment on retirement are treated as Terminal Benefits. From table given in Para 7.2 these are summed up as under;

Table : 24 (₹ in Crores)

1	Pension	314.06
2	Gratuity	72.38
3	E.L. encashment on retirement	3.31
Total		389.75

Therefore, all the three figures quoted are in order”.

- 4.24 The Commission observed that in petition “Annuity” has been filed under Terminal benefits, while in Profit & Loss account “Leave encashment on retirement” is considered under Terminal benefits.
- 4.25 The Commission does not allow provisioning under this head and allows cash terminal benefit expenses of ₹386.46 Crores Thus, true-up amount of ₹67.47 Crores is allowed for FY 2009-10 in this order.

Depreciation

Petitioner's Submission

4.26 The petitioner has broadly submitted as under:

Opening Balance Sheet

The Government of Madhya Pradesh has notified the final Opening Balance Sheet on 12th June 2008 in the position of 31.05.2005. The fixed assets transferred are shown as hereunder;

(i)	Opening Gross Block	₹2932.75 Crores
(ii)	Accumulated Depreciation	₹1205.95 Crores
(iii)	Net Fixed Assets	₹1726.81 Crores

The petitioner has claimed the true-ups for the year's upto 2008-09, on the basis of final opening Balance Sheet. The development upto 31.03.2009 in respect of Opening Gross Block, Accumulated Depreciation is shown in the following table;

Table :25 (Amount ₹ in Crores)

S.No.	Date as on	Gross Fixed Assets	Accumulated depreciation	Net Fixed Assets
1	31-05-2005	2932.75	1205.95	1726.81
2	31-03-2006	3092.46	1276.85	1815.61
3	31-03-2007	3341.54	1365.91	1975.63
4	31-03-2008	3575.98	1462.71	2113.27
5	31-03-2009	3954.12	1559.44	2394.68

Change in Regulations on Depreciation

Transmission tariff regulation upto period 31.03.2009 provided for claiming depreciation on Straight Line Method. In line with the mention in National Tariff Policy to avoid the need of AAD for repayment of loans, Hon'ble CERC rationalized the depreciation rates and formula. Hon'ble MPERC also rationalized the depreciation formula in the tariff regulations notified on 08.05.2009. Whereas the other provisions in this regard remain the same, the important changes are in respect of rates and formula for charging depreciation mentioned in para 25(i) (e) & (f) of the regulations are reproduced hereunder:

“(e) Depreciation shall be calculated annually based on ‘straight line method’ and at the rates specified in Appendix-II to these Regulations for the assets of the Transmission System.

Provided that, the remaining depreciation 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.

(g) 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 depreciation value of the assets. The rate of depreciation shall be continued to be charges 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%.

Appendix-II of the regulations provides for depreciation rates for different category of Assets.

Asset data base for working out Depreciation

The Petitioner has maintained an Asset Database for working out Depreciation for a particular year. The salient features of the database are;

- (i) The database is as per Final Opening Balance Sheet figures 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 31.03.2010.*
- (iii) The Depreciation rates after 31.05.05 have been taken as per Hon’ble MPERC’s Regulations applicable time to time.*
- (iv) Depreciation working formula is as per Straight Line Method of Depreciation*
- (v) The Depreciation ceases to further adding as soon as the Depreciation reaches 90% of Opening Gross Block. 10% is taken as scrap value.*

Updation in the Depreciation Model Software

The provisional 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 upto 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 change 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) The Opening Balance Sheet notified on 12th June 2008, transferred no Asset value out of Gross Block of ₹2932.75 Crores funded through contribution from consumers. In Asset capitalized from FY 2005-06 to FY 2009-10 too, no works have been capitalized as funded through consumer's contribution. Therefore, no Depreciation has been charged by the MPPTCL against contributory works, till FY 2009-10.

Addition of assets during FY 2009-10

Assets worth ₹ 592.69 Crores have been capitalized during year 2009-10. A withdrawal of assets worth ₹ 2.21 Crores has also been done during the year making a net addition of ₹590.48 Crores.

Depreciation for FY 2009-10

As per above procedure, the depreciation for 2009-10 computed from Asset data base Software model and comparison from last year is mentioned below;

Table : 26

(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
2008-09	3575.98	378.14	3954.12	1462.71	96.73	1559.44	2113.27	2394.68
2009-10	3954.12	590.48	4544.60	1559.44	168.76	1728.20	2394.68	2816.40

The category-wise details for FY 2009-10 are given hereunder:

Table : 27

(Amount ₹ in Crores)

S. No.	Particulars	Assets				Depreciation			
		Opening Balance of GFA	Addition During Year	Assets Retired	Closing Balance At End of Year	Opening balance of Depreciation	Additions	Withdrawals	Closing balance of Depreciation
1	Land & Land rights development etc	4.51	0.75		5.26	0.00	0.00	0.00	0.00
2	Buildings, hydraulic sys, other civil works, etc	58.21	0.52		58.73	20.01	1.94	0.00	21.95
3	S/S Plant & Machinery including LD	1752.22	285.40	2.21	2035.41	702.04	73.50	0.00	775.54
4	EHV Lines (>66KV) incl. capacitors, cables etc	2133.73	305.26		2438.99	835.38	92.73	0.00	928.11
5	Vehicles	0.13	0.27		0.40	0.02	0.03	0.00	0.05
6	Furniture, fitting, fixtures, etc	0.76	0.00		0.76	0.45	0.02	0.00	0.47
7	Office Equipments, Computers	4.56	0.49		5.05	1.54	0.54	0.00	2.08
8	Others	0.00	0.00		0.00	0.00	0.00	0.00	0.00
	Total	3954.12	592.69	2.21	4544.60	1559.44	168.76	0.00	1728.20

True-up of Depreciation for FY 2009-10

Table : 28

(i)	Depreciation claim as per Para 8.6 above	₹ 168.76 Crores
(ii)	Depreciation allowed in MYT order dated 11.01.2010	₹ 164.30 Crores
	True-up Claim -	₹ 4.46 Crores

Net true-up for Depreciation

₹ 4.46 Crores

Provisions of Regulations

4.27 Clause 25.1 of the Regulation 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.”*

Commission's Analysis

- 4.28 The Commission vide letter No.3305 dated 12th December, 2011 directed the petitioner to file final asset depreciation register. In response, MPPTCL vide its letter No.385 dated 16th January, 2012 submitted as under:

*“The Asset Depreciation register has been prepared from very beginning till 31.03.2010, and submitted alongwith the Petition. The Assets added in the register from 01.06.2005 to 31.03.2010 amounting to ₹1611.85 Crores (out of total ₹4544.60 Crores) are final based on G-forms value capitalized by the Accounts Wing of Transco from 01.06.2005 to 31.03.2010. As far as value of Opening Gross Block of ₹2932.75 Crores transferred by the MPSEB / State Government to the MPPTCL through Final Opening Balance Sheet (as on 31.05.2005) is concerned, the MPPTCL prepared Asset Database, based on estimate-wise details from field units. However, as the estimate-wise details are not transferred by MPSEB to Accounts Wing of MPPTCL, **the reconciliation so far could not be done**. The MPPTCL is exploring the possibility to get this task done in some alternate way.*

*Therefore, the Asset Register so far it relate to details of Assets upto 31.05.05 is **still provisional**”.*

- 4.29 The Commission vide letter No.316 dated 4th February, 2012 observed that the details of assets in asset register are still provisional, and therefore, directed MPPTCL to expedite the work of finalization of Asset register and file the same to the Commission at the earliest. In response, MPPTCL vide letter No.1328 dated 18th February, 2012 submitted that all out efforts are being made to get this work done at the earliest possible.
- 4.30 The Commission in last true-up order dated 26th December, 2011 allowed depreciation of ₹96.73 Crores for FY 2008-09. Considering aforesaid base the figures as approved by the Commission, MPPTCL has claimed depreciation for FY 2009-10 as under:

Table : 29

(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
2008-09	3575.98	378.14	3954.12	1462.71	96.73	1559.44	2113.27	2394.68
2009-10	3954.12	590.48	4544.60	1559.44	168.76	1728.20	2394.68	2816.40

- 4.31 The audited balance sheet of MPPTCL for FY 2009-10 shows addition of ₹590.48 Crores to GFA. The petitioner has also filed the list of works capitalized during FY 2009-10 in Annexure-V of the petition in which the total amount of ₹590.48 Crores tallies with the information contained in the balance sheet.
- 4.32 The Commission further observed that the audited balance sheet for FY 2009-10 does not mention any consumer contribution as source of fund and this was communicated to the petitioner vide Commission's letter No.1444 dated 3rd May, 2012. MPPTCL vide its letter No.3397 dated 10th May, 2012 submitted that prior to 31st March, 2010 these works were treated as deposit work and therefore not taken in the books as assets of the Company. The amount appeared in schedule of the current liabilities against deposit works since these assets prior to 31st March, 2010 were not taken in books. They did not contribute any tariff claim.
- 4.33 The Commission considers the depreciation figures submitted by the petitioner and allows depreciation of **₹168.76 Crores** for FY 2009-10 in this true-up order. The petitioner is directed to reconcile the depreciation figures and file the final assets depreciation register as soon as possible.

Table : 30

S. No.	Particulars	Allowed in MYT Order	As approved by MPERC	Net True-up (₹ Cr.)
1.	Depreciation	164.30	168.76	4.46

Capital Cost, Capital Structure, Debt Equity Ratio

4.34 On perusal of the information filed in the original petition, the Commission observed as under:

Table : 31

(Amount ₹ in Crores)

i)	Increase in Equity during FY 2009-10	786.23
ii)	Loan availed during FY 2009-10	416.07
iii)	Total source of funds increased in FY 2009-10 (i + ii)	1202.30
iv)	Amount involved in new CWIP during FY 2009-10	547.87
v)	Other GFA addition during FY 2009-10	12.01
vi)	Total fund utilized in creation of assets during FY 2009-10 (iv + v)	559.88

4.35 In view of the above mentioned figures, the petitioner vide Commission's letter No.845 dated 11th March, 2011 was asked to furnish the details of utilization / application of balance funds i. e. (₹1202.30 Crores – ₹559.88 Crores = ₹642.42 Crores) during FY 2009-10. Details of funds employed in both CWIP and GFA during the year i.e. loan and equity components were also asked to be indicated.

4.36 MPPTCL vide its letter No.7814 dated 24th October, 2011 submitted as under:

“The actual amount of loan received during the FY 2009-10 is ₹414.73 Crores in place of ₹416.07 Crores mentioned in the letter, Accordingly, the utilization of Loan and Equity is worked out in the following table:

Table : 32

S. No.	Particular	Loan	Equity	Total
1	CWIP on 01/04/2009	505.20	216.52	721.72
2	Capital received during the 2009-10	414.73	786.22	1200.95
3	Assets Capitalized during the year	330.21	260.27	590.48
4	Amount under CWIP on 31/03/2010	483.80	207.33	691.13
5	Amount yet to be allocated to Capital works (Presently in current Assets)	105.92	535.14	641.06

It may be submitted that the tariff is claimed on the Capitalized Asset only, and not on capital covered under S. No. 4 & 5 of above mentioned table”.

4.37 The Commission observed that the addition to GFA has been ₹590.48 Crores during FY 2009-10 as the GFA increased from ₹3954.12 Crores as on 31st March, 2009 to ₹4544.60 Crores as on 31st March, 2010 in the audited balance sheet.

4.38 The GFA addition is considered as increase in capital cost and tabulated as under:

Table :33 (₹ in Crores)

Year	FY 2009-10		
	At the beginning of Year	Addition During Year	At End of Year
GFA	3954.12	590.48	4544.60

4.39 As per the provisions of the Regulations the Commission considers that the source of funding corresponding to assets addition will be 70% loan and 30% equity. Thus GFA addition of ₹590.48 is considered to be funded through a loan of ₹413.34 Crores and Equity of ₹177.14 Crores. This is tabulated as under:

Table : 34

Year	Source of Fund		
	Equity (30%)	Loan (70%)	Total GFA
FY 2009-10	177.14	413.34	590.48

4.40 Accordingly, the above figures of funding are considered in the order to work out interest and finance charges and Return on Equity.

Interest & Finance Charges

Petitioner's Submission

4.41 In its revised petition, the petitioner has submitted as under:

The Commission in MYT order dated 11.01.2010, allowed following Interest and Finance charges to MPPTCL for year 2009-10:

Table : 35

(i).	Interest & Finance Charges	₹118.79 Crores
(ii)	Interest on Working Capital	₹27.05 Crores
TOTAL -		₹145.84 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:

Table : 36

(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

The liabilities at the beginning of year i.e. 01.04.2009 are tabulated hereunder:

Table : 37 (Amount ₹ in Lacs)

S. No.	Particulars	Liabilities as on 01/04/2009			
		Principal Not Due	Principal overdue	Interest overdue	TOTAL
1	Loan from PFC - Unsecured	23401.94	0.00	0.00	23401.94
2	Loan from PFC - Secured	22330.86	0.00	0.00	22330.86
3	Loan from Canara Bank	2424.95	0.00	0.00	2424.95
4	Loan from SADA Gwalior	0.00	0.00	0.00	0.00
5	Bonds & Debentures	8156.58	2136.81	3639.54	13932.93
6	MP Genco	552.69	0.00	0.00	552.69
7	Direct Loans	930.99	698.23	545.32	2174.74
8	ADB	34528.21	2759.50	13123.25	50410.96
9	NABARD	2888.41	6396.75	4266.34	13551.50
10	General Loans	2688.47	402.90	1396.38	4487.75
11	Market Bonds	10379.58	6785.92	8032.78	25198.28
12	GoMP ADB 2323	17100.95	0.00	390.47	17491.42
13	GoMP ADB 2346	30877.32	0.00	465.32	31342.64
Total		156260.95	19180.11	31859.60	207300.66

Say ₹2073.01 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, details of which are tabulated hereunder:

Table : 38 (FY 2009-10)

S. No.	Loan Scheme	Weighted Average Rate of Interest
1	PFC Unsecured	10.72
2	PFC Secured	12.40
3	Canara Bank	10.25
4	Bonds & Debentures	12.01
5	MP Genco	9.45
6	State Govt. Direct	10.50
7	ADB 1869	10.62
8	NABARD	10.94
9	State Govt. - General	12.75
10	Market Bonds	11.77
11	ADB 2323	1.82
12	ADB 2346	1.82

Note:- The 'Weighted Average Rate of Interest' worked out on 'Principal Not Due' only, therefore, may differ from loan portfolio.

Overall Weighted Average Rate Of Interest For Year 2009-10

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. 01.04.2009, 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:

Table : 39

S. No.	Particulars	Principal not due as on 01-04-09	Rate of interest (%)	Interest
1	PFC - Unsecured	23401.94	10.72	2508.69
2	PFC - Secured	22330.86	12.40	2769.03
3	Canara Bank	2424.95	10.25	248.56
4	Bonds & Debentures	8156.58	12.01	979.61
5	MP Genco	552.69	9.45	52.23
6	State Govt. Direct	930.99	10.50	97.75
7	ADB 1869	34528.21	10.62	3666.90
8	NABARD	2888.41	10.94	315.99
9	General Loans	2688.47	12.75	342.78
10	Market Bonds	10379.58	11.77	1221.68
11	GoMP-ADB 2323	17100.95	1.82	311.24
12	GoMP-ADB 2346	30877.32	1.82	561.97
TOTAL -		156260.95	-	13076.41

$$\text{Weighted Rate of Interest} = \frac{13076.41}{156260.95} \times 100 = 8.37\%$$

Eligibility Of Interest For Year 2009-10

In accordance of para 24.2 of the regulations, the position of loans upto 31.03.2009 has been worked out, considering the actual loan repayments during each year. Whereas for FY 2009-10, the repayment is deemed as equal to Depreciation being claimed in the Petition.

For the purpose of working out the eligibility of interest for FY 2009-10, a statement has been prepared showing loans due at the beginning of the year, loans received during the year, principal and interest due and paid during the year and loans outstanding at the end of year.

However, as per regulations para 24.3 mentioned above, the interest claim for FY 2009-10 is worked out hereunder:

Table : 40

i.	Principal not due outstanding on 01-04-2009	₹1562.61 Crores
ii.	Loans received during 2009-10	₹414.73 Crores
iii.	Less repayment deemed as equal to depreciation for FY 2009-10	₹168.76 Crores
iv.	Principal not due outstanding as on 31-03-2010 (i+ii-iii)	₹1808.58 Crores
v.	Average of principal not due for FY 2009-10 (i+iv)/2	₹1685.60 Crores
vi.	Interest @ 8.37% the weighted average interest rate	₹141.08 Crores

Claim for True-up

The interest during construction has been taken from schedule 17 of the audited account as ₹25.99 Crores. The details of claim for true-up is as under:

i.	Gross interest claim	-	₹141.08 Crores
ii.	Less interest during construction	-	₹25.99 Crores
iii.	Net interest claim for 2009-10	-	₹115.09 Crores
iv.	Interest allowed in MYT order	-	₹118.79 Crores
v.	True up for 2009-10	-	(-) ₹3.70 Crores

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 2009-10**Table : 41**

i.	O&M expenses for one month (₹219.77 Crores / 12)	₹18.31 Crores
ii.	Maintenance spares @ 15% of the O&M expenses	₹32.97 Crores
iii.	Receivables equivalent to 2 months transmission charges (1199.26/6)	₹199.88 Crores
	Total working Capital	₹251.16 Crores
iv.	Interest on working capital @ 12.25% i.e. SBI's PLR rate as on 01-04-09	₹30.77 Crores

True -up Of Interest & Finance Charges for FY 2009-10**Table : 42**

(Amount in ₹ Crores)

S. No.	Particulars	As allowed in MYT order	As per this petition	True Up
1.	Interest on loans	118.79	115.09	(-) 3.70
2.	Bank charges as per schedule 17 of audited accounts	0.00	0.80	0.80
	Total Interest & Finance charges	118.79	115.89	(-) 2.90
3.	Interest on working capital	27.05	30.77	3.72
			NET CLAIM -	0.82

Provisions of Regulations

4.42 Clause 24 under MYT Regulation 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.”

4.43 Regulation 38.1 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.”*

4.44 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.”

Commission's Analysis

4.45 Schedule 17 of the audited balance sheet for FY 2009-10 shows that the interest and finance charges actually incurred by MPPTCL during the FY 2009-10 is as under:

S. No.	Particulars	For FY 2009-10
1	Secured Loans	28.18
2	Unsecured Loans	135.03
3	Interest on Borrowings (allotted by MPSEB)	0.91
4	Other Interest & Finance Charges	-
5	Bank Charges	0.80
	Total Interest and Finance Charges	164.93
7	Less: Interest Capitalized to WIP	25.99
	Total	138.94

4.46 MPPTCL in its original petition claimed interest on loan of ₹123.54 Crores, interest on working capital of ₹31.35 Crores and interest on normative loan (over qualifying equity) of ₹14.04 Crores making a total claim for interest and finance charges of **₹168.93 Crores**

4.47 Based on the observations of the Commission communicated to the petitioner, MPPTCL revised the petition and reworked its claim for interest on loan of ₹115.89 Crores and interest on working capital of ₹30.77 Crores thereby making a total claim for interest and finance charges was **₹146.66 Crores**

4.48 The Commission vide letter No.3232 dated 26th November, 2010 asked the petitioner to clarify the reason for difference of closing loan balance at the end of the year indicated in Para 9.2 of the petition and the audited accounts of FY 2009-10. The amount indicated in the petition was ₹2073.37 Crores while this is ₹2073.01 Crores in audited accounts.

4.49 The petitioner vide letter No.178 dated 11th January, 2011 submitted as under:

“The difference in figures of loans outstanding as on 01.04.2009, between petition as ₹2073.37 Crores and Account figure ₹2073.01 Crores is due to the change in Account policy. In accounts of FY 2008-09, the exchange rate variation of ADB 2323 and ADB 2346 schemes was separately given in Schedule-X, whereas in Account of FY 2009-10 this has been incorporated in loan itself as interest due. This is explained hereunder:

i.	Loan as on 31.03.09 as per Accounts of FY 2008-09	2073.37
ii.	Loan as on 01.04.09 as per Accounts of FY 2008-09	2073.01
Difference		0.36
i.	Exchange variation in ADB 2323	0.4204
ii.	Exchange variation in ADB 2346	(-) 0.0577
Net Effect		0.3627

MPPTCL also stated that there is no need to revise weighted average rate of interest in the petition, as the same has been computed on “Principal Not Due”, which is not changing by exchange rate variation (included in Interest due)”.

- 4.50 The petitioner was also asked to inform the changes, if any, in the amount of bond/debentures during FY 2009-10. The petitioner submitted there is no further change in bond / debentures during FY 2009-10 and the same figure as on 31st March, 2009 have been carried over in this year also.
- 4.51 The petitioner also stated that there has been no swapping, restructuring of loan during FY 2009-10, except conversion of overdue of Govt. of MP’s loan into Equity amounting to ₹330.84 Crores
- 4.52 The Commission observed that the rate of interest mentioned for each loan in Para 9.3 of the petition differs from the rate of interest for the corresponding loan filed in previous year’s true-up petitions. eg. rate of interest on PFC unsecured loan was mentioned as 11.24% for FY 2008-09 in the true-up petition of FY 2008-09, however, in the present petition it is mentioned as 14.22% for FY 2009-10. The petitioner was asked to clarify the aforesaid discrepancy.
- 4.53 The petitioner was also asked to submit the details of drawls and repayments made in all the loans/schemes during FY 2009-10. The petitioner was also asked to file year-wise complete details for rate of interest duly supported by the calculations for arriving at the weighted average rate of interest for each loan during FY 2009-10.

- 4.54 MPPTCL vide its letter No.7814 dated 24th October, 2011 revised the petition in which MPPTCL calculated weighted average rate of interest on “principal not due” only and the opening balance of the loan as on 1st April, 2009 was taken as the closing balance of the “principal not due” as on 31st March, 2009 filed in the petition for FY 2008-09.
- 4.55 Due to the above change in methodology the weighted average interest rate mentioned as **8.81%** in the original petition has reduced to **8.37%** in the revised petition and consequently the amount of interest has reduced from ₹137.73 Crores to ₹130.76 Crores in the revised petition.
- 4.56 The Commission further observed that the petitioner has indicated ₹105.92 crores as utilization of loan amount which is yet to be allocated to capital works (presently in current assets). MPPTCL was therefore, asked to clarify whether this amount of ₹105.92 Crores (which is yet to be allocated to capital works and presently in current assets) has been taken into account while working out weighted average rate of interest and corresponding interest and finance charges”.
- 4.57 In response, MPPTCL vide its letter No.385 dated 16th January, 2012 submitted that:
- For working out Weighted Average Rate of Interest, the total ‘Principal Not Due’ at the beginning and end of financial year is considered. It may be mentioned that if any amount remain in Bank Account etc., the interest earned on the same is subtracted as Non-tariff Income.*
- In FY 2009-10, new loans received are under ADB 2323 and ADB 2346, where rate for interest for total amount received is uniform i.e. 1.82%. Therefore, if any amount of this is treated in Current Assets and excluded, the Weighted Average Rate will still be the same i.e. 1.82%.*
- 4.58 The weighted average rate of interest on PFC unsecured loan is mentioned as 10.72% in para 9.3 of the petition. The petitioner vide Commission’s letter No.316 dated 4th February, 2012 was asked to submit detailed calculation sheet showing the correct weighted average rate of interest.
- 4.59 The Commission also sought details of Restructuring of loans done during the year (if any). Para 24 (b) of note to account of the audited balance sheet for FY 2008-09 mentions that the interest of ₹83.89 Crores has been withdrawn and discount of ₹51.67 Crores has been received. The impact of these figures, if any, on the details of loans submitted in annexure VI of the present petition was asked from the petitioner.

4.60 In response, MPPTCL vide its letter No.1328 dated 18th February, 2012 and 1261 dated 3rd April, 2012 submitted the following :

- a) That there is no restructuring of loans during the year. The impact of FY 2009-10 account due to withdrawal of interest and discount received in FY 2008-09 is that the opening overdue interest liability of Bonds and Debentures is reduced by the same amount as compared to that of opening of FY 2008-09.
- b) A total loan of ₹414.72 cores was received during the year 2009-10, where as loan of only ₹105.92 Crores is indicated as yet to be allocated to capital works. Thus, PFC loan need not to be considered under this amount.
- c) That in Para 24.5 of the transmission tariff regulations as mentioned below gives a very flexible base to work out rate of interest:

“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 weighed average rate of interest of the Transmission Licensee as a whole shall be considered.”

- d) As per directives of Hon’ble Commission, it is even not taking the portfolio rate, but a suppressed rate worked out on the basis of ‘Principal Not Due’ only.
- e) That the issue of Restructuring of loan was analyzed by Hon’ble Commission at length while examining the ‘True-up’ Petition for FY 2008-09. However, it again submitted that although the credit has been passed on for withdrawal of interest amount to ₹83.89 Crores and discount of ₹51.67 Crores in FY 2008-09. MPPTCL subtracted both these amounts from eligible interest claim in True-up Petition for FY 2008-09. The entries in Annexure-VI of petition are therefore, correct and tallies with the Audited Annual Accounts. There is no impact of above on interest claims for FY 2009-10 onwards.

- f) That the amount of ₹105.92 Crores has been considered while working out Weighted Average Rate of interest for FY 2009-10, as the same was worked out on 'Principal Not Due' amount.

The loan receipt during FY 2009-10 is from following institutions:

Table : 45

i.	ADB 2323	₹160.42 Crores
ii.	ADB 2346	₹234.36 Crores
iii.	PFC Unsecured	₹19.95 Crores
TOTAL -		₹414.73 Crores

The PFC loan of small amount could be transferred to works in progress. The amount of ₹105.92 Crores is from loan from ADB 2323 and 2346.

The Weighted Average Rates of interest for ADB 2323 & ADB 2346 are enclosed with petition. It may kindly be seen that rate of interest remains the same i.e. 1.82%. As weighted average rate of interest is worked out based on portfolio of opening loan, it remains unaffected.

- 4.61 Since the explanation given above by the petitioner was not found adequate to the satisfaction of the Commission hence, the petitioner vide Commission's letter No.1444 dated 3rd May, 2012 was asked to file the calculation sheet in support of its contention.
- 4.62 MPPTCL vide its letter No.3397 dated 10th May, 2012 submitted as under:

"The amount of ₹105.92 Crores temporarily remained under current Assets of ADB Scheme 2323 and 2346 is apportioned to these schemes as under:

Table : 46

i.	ADB 2323	₹43.08 Crores
ii.	ADB 2346	₹62.84 Crores
TOTAL -		₹105.92 Crores

(I) ADB 2323

The table given in Annexure-XX of the True-up Petition is as under:

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	2	3	4	5=(3+4)/2	6=5*2
2009-10	1.82%	171.43	332.53	251.98	4.59
Weighted Average Rate of Interest -		(4.59 / 251.98)x100		1.82%	

If amount of ₹43.08 Crores is excluded from that received during year, the table is modified as under:

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	2	3	4	5=(3+4)/2	6=5*2
2009-10	1.82%	171.43	289.45	230.44	4.19
Weighted Average Rate of Interest -		(4.19 / 230.44)x100		1.82%	

The average rate is 1.82% in both the cases.

(II) ADB 2346 -

The table given in XXI of Petition is as under;

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	2	3	4	5=(3+4)/2	6=5*2
2009-10	1.82%	308.71	543.74	426.22	7.76
Weighted Average Rate of Interest -		(7.76 / 426.22)x100		1.82%	

If amount of ₹62.84 Crores is excluded from amount received during year, the table gets modified as under;

Year	Rate of Interest	Opening Balance of Principal Not Due	Closing Balance of Principal Not Due	Average Principal Not Due	Interest on average Principal Not Due
1	2	3	4	5=(3+4)/2	6=5*2
2009-10	1.82%	308.71	480.90	394.80	7.18
Weighted Average Rate of Interest -		(7.18 / 394.80)x100		1.82%	

Which is same as 1.82%.

The overall Weighted Average Rate of Interest is calculated in Para 9.4 of the True-up petition and reproduced hereunder:

Table : 47

(Amount ₹ in Lacs)

S. No.	Particulars	Principal not due as on 01-04-09	Rate of interest (%)	Interest
1	PFC – Unsecured	23401.94	10.72	2508.69
2	PFC – Secured	22330.86	12.40	2769.03
3	Canara Bank	2424.95	10.25	248.56
4	Bonds & Debentures	8156.58	12.01	979.61
5	MP Genco	552.69	9.45	52.23
6	State Govt. Direct	930.99	10.50	97.75
7	ADB 1869	34528.21	10.62	3666.90
8	NABARD	2888.41	10.94	315.99
9	General Loans	2688.47	12.75	342.78
10	Market Bonds	10379.58	11.77	1221.68
11	GoMP-ADB 2323	17100.95	1.82	311.24
12	GoMP-ADB 2346	30877.32	1.82	561.97
TOTAL -		156260.95	-	13076.41

$$\text{Weighted Rate of Interest} = \frac{13076.41}{156260.95} \times 100 = 8.37\%$$

The above mentioned rate of interest as 8.37%, also remain the same. As per Regulations, interest rate at beginning of year is to be considered. Neither the amount against ADB 2323 & ADB 2346 at beginning changed nor the rate of interest.”

- 4.63 Based on the submissions made above, the Commission has considered the weighted average rate as 8.37% for FY 2009-10. Regulation 24.3 of the MPERC (Terms and condition for determination of transmission tariff Regulation, 2009 states that 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 the present petition MPPTCL has claimed depreciation of ₹168.76 Crores and the same has been allowed by the Commission in this order.
- 4.64 In **Para 4.39** of this order, it is mentioned that for the purpose of this order, the net GFA addition of ₹590.48 Crores is considered as funded from loan of **₹413.34 Crores** and equity of **₹177.14 Crores**.
- 4.65 The Commission in its order on true-up of transmission tariff for FY 2008-09 dated 26th December, 2011 has considered principal not due as on 31st March, 2009 of ₹1562.97 Crores (in table under para 4.73 page 43 of that order). However, in the present petition

MPPTCL has submitted reasons for a difference of ₹0.36 Crore in this figure and stated that the principal not due as on 1st April, 2009 be considered as ₹1562.61 Crores.

- 4.66 The opening balance of principal not over due has been filed by MPPTCL as ₹1562.61 Crore in Annexure-VI of the petition, which is considered by the Commission.
- 4.67 In para 9.5 of the petition, MPPTCL has submitted that interest during construction was ₹25.99 Crores. The same has been considered by the Commission and hence the calculation for interest for FY 2009-10 is worked out as under:

Table : 48

₹ in Crores

S. No.	Particulars	Amount
1.	Principal not due as on 01/04/2009	1562.61
2.	Addition of loan during FY 2009-10 (as per Para 4.39 of order)	413.34
3.	Repayment (deemed as equal to depreciation)	168.76
4.	Principal not due as on 31/03/2010	1807.19
5.	Average of principal not due for FY 2009-10	1684.90
6.	Interest @ 8.37%	141.03

- 4.68 Thus, the table for true-up of interest on loan is as under:

Table : 49

₹ in Crores

S. No.	Particulars	Amount
1.	Interest allowed in the previous table	141.03
2.	Less : Interest during construction	25.99
3.	Bank charges	0.80
4.	Interest & Charges allowed for FY 2009-10	115.84
5.	Interest allowed under MYT order	118.79
6.	True-up for FY 2009-10	(-) 2.95

- 4.69 As per provisions of the Regulations, the interest on working capital for FY 2009-10 is computed and allowed in this order as under:

Table : 50

Working capital requirement for 2009-10 (₹ Crores)

i.	O&M expenses for one month (₹215.48 Crores / 12)	17.96
ii.	Maintenance spares @ 15% of the O&M expenses	32.32
iii.	Receivables equivalent to 2 months transmission charges (1087.08/6)	181.18
	Total working Capital	231.46
iv.	Interest on working capital @ 12.25% i.e. SBI's PLR rate as on 01-04-2009	28.35
v.	Interest on working capital allowed in MYT order	27.05
vi.	True-up allowed	1.30

Return on Equity (RoE)

Petitioner's Submission

4.70 Return on Equity allowed in MYT order dated 11.01.2010

The MPERC (Terms & Conditions for Determination of Transmission Tariff) 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.*

The Petitioner claimed RoE for 2009-10 in MYT Petition @ 17.664% i.e. grossing up the base rate of 15.5% with Minimum Alternate Tax of 12.25%. Hon'ble Commission allowed the RoE on qualifying Equity of ₹1168.51 Crores at the rate of 17.66% i.e. RoE of ₹206.40 Crores for 2009-10.

Equity Infused during 2009-10

The Balance Sheet incorporated in Audited Accounts for FY 2009-10, provide for following figures for Equity;

- (i). Equity held on 31.03.2009 - ₹1324.53 Crores*
- (ii). Equity held on 31.03.2010 - ₹2110.75 Crores*

An Equity of ₹786.22 Crores is infused during the year in following manner;

- (i). Cash Equity of ₹15100 Lacs received from the State Government during the year.*
- (ii). As per Government of Madhya Pradesh order No. F-5-24/2007/13 dtd. 31.03.2010, Interest Overdue of ₹33084.33 Lacs upto 31.10.2009 on GoMP Loans has been treated as Share Application Money Pending Allotment. [Notes to Accounts Para 4(c)]*
- (iii). During the period 2005-06 to 2008-09, MPSEB has serviced the debts of the Company under Cash Flow Mechanism. All such payments made by MPSEB, were adjusted against dues from Discoms (Being debtors of the Company). The above payment includes ₹30438.35 Lacs received by MPSEB from GoMP. Now GoMP vide its order No. F-5-3/2007/13 dtd. 05.06.2010 has clarified that the amount of ₹30438.35 Lacs paid by it to MPSEB was on account of Equity*

contribution. Hence, the said amount has been transferred to Share Application Money Pending Allotment by debiting Discoms. Equity for the said amount will be allotted to GoMP during FY 2010-11, as per the aforesaid order. [Notes to Accounts Para 4(b)]

Since the transactions belong to the period 2005-06 to 2008-09, the effect is considered in Accounts of FY 2009-10 only as per Accounting Standards No. 4, abstract of which is enclosed as **Annexure-VIII**.

The receipt of Equity during FY 2010 can be summarized as under:

Table : 51

i.	Cash Equity	₹151.00 Crores
ii.	Conversion of Interest Overdue as Equity by GoMP	₹330.84 Crores
iii.	Accounting corrections	₹304.38 Crores
TOTAL -		₹786.22 Crores

Qualifying Equity For ROE

Eligible Equity for claim of RoE as per Para 20.1 of Tariff Regulations is worked out hereunder;

(₹ in Crores)

i.	Gross Block of Assets as on 01.04.2009	3954.12
ii.	Gross Block of Assets as on 31.03.2010	4544.60
iii.	Gross Block of Assets as on (Average)	4249.36
iv.	Maximum Qualifying Equity (30%) with 70:30 Debt:Equity ratio	1274.81

Equity held under CWIP

(₹ in Crores)

S. No.	Date	Total CWIP	Funded by Loan	Funded by Equity
1	01.04.2009	721.72	505.20	216.52
2	31.03.2010	691.13	483.80	207.33

Development of Equity Amount

The Equity held at the beginning and the end of year is utilized as hereunder;

(₹ in Crores)

S. No.	Particulars	As on 01.04.2009	As on 31.03.2010
1	Total Equity held	1324.53	2110.75
2	Equity under CWIP	216.52	207.33
3	Equity temporarily held under current Assets	0.00	540.14
4	Equity Deployed on completed / capitalized Assets	1108.01	1368.28

Claim for ROE

(₹ in Crores)

(i)	Equity at the beginning of the year employed on Capitalized Works	1108.01
(ii)	Equity at the end of the year employed on Capitalized Works	1368.28
(iii)	Average Equity employed on Capitalized Works	1238.14
(iv)	RoE @ 15.5% Base rate as no Income Tax is paid during the year	191.91

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 2009-10, 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 works Capitalized during 2009-10 from the works completed in 2009-10 itself are shown in **Annexure-IX** attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works. From Annexure-VII the token claim is made as under;

(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
		₹0.005 Crore

True-up of RoE for 2009-10

(i)	RoE Eligibility as per True-up claim [Para 10.6 (iv)]	₹191.91 Crores
(ii)	Additional RoE as per Para 10.7 above	₹0.005 Crore
(iii)	RoE allowed in MYT order for 2009-10	₹206.40 Crores
(iv)	True-up amount	(-)₹14.49 Crores

Normative Loan

Since the average Equity is slightly less than the eligible Equity, there is no Normative Loan, to claim interest on it.

Provisions of Regulations

4.71 The provisions in Clause 23 of the MPERC (Terms & Conditions for determination of Transmission Tariff) Regulation, 2009 provides 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%

Commission's Analysis

4.72 On scrutiny of the equity part in the petition, the Commission observed an increase of ₹786.23 Crores in equity during FY 2009-10 and that this equity was infused by the State Government on account of several reasons but no asset was informed as created out of this addition of equity. The Commission vide letter No.3232 dated 26th November, 2010 sought clarification and supporting documents with regard to the equity infusion of ₹786.23 Crores during FY 2009-10, as claimed in the petition.

4.73 In response, the petitioner vide letter No.178 dated 11th January, 2011 submitted as under:

- a) *The equity of ₹151.00 Crores has been received from the State Government in Cash.*
- b) *Equity of ₹330.84 Crores has been transferred to MPPTCL (Applicant) by State Government's order No. F-05-24/2007/13 Bhopal dated 31.03.2010 placed on Folder-III at Page-11. This equity has been infused against the adjustment of Overdue Interest of ₹317.54 Crores and penal interest overdue of ₹13.30 Crores outstanding as on 31.10.2009 against State Government loans allocated to the MPPTCL. The details of these loans have been placed on Folder – III at page 12 & 13.*
- c) *A non plan Equity of ₹1018.39 Crores has been distributed among 5 Companies vide State Government order No. 05-03/2007/13 Bhopal dated 05.06.2020. Amount of ₹304.38 Crores has been allocated to the MPPTCL. The State Government order and details of Equity received are placed on Folder-III at Page 14 & 15.*
- d) *The total Equity addition during 2009-10 as per above mentioned details is summarized as hereunder:*

Table : 52*(Amount ₹ in Crores)*

<i>i.</i>	<i>Cash from Budget provision</i>	<i>151.00</i>
<i>ii.</i>	<i>By Converting overdue interest against State Govt. loan into Equity.</i>	<i>330.84</i>
<i>iii.</i>	<i>Against non plan Allocation</i>	<i>304.38</i>
<i>Total</i>		<i>786.22</i>

4.74 The Commission vide letter No.848 dated 11th March, 2011 asked MPPTCL to submit the reasons for taking into account Equity infusion of ₹304.38 Crores in the account of FY 2009-10 while GoMP's letter dated 7th July, 2010 stated that the share capital amount

(₹304.38 Crores) indicated in their letter is to be shown as transfer entry in the financial account of FY 2010-11 of the Companies.

4.75 In response, MPPTCL vide its letter No.7814 dated 24th October, 2011 submitted that,

The Government of MP in letter dated 7th July 2010, has asked to make accounting transfer in year 2010-11, but in view of provisions in Accounting Standards No. 4, the Equity receipt has been taken in the accounts of FY 2009-10 only.

4.76 MPPTCL further submitted that since the transactions belong to the period FY 2005-06 to FY 2008-09, the effect is considered in accounts of FY 2009-10 only as per the Accounting Standard No.4.

4.77 From the above submission by the petitioner, the Commission observed that the contention in reply is not clear in terms of Accounting Standard No.4 filed by the petitioner and the directions of State Government in its letter dated 7th June, 2010. The petitioner vide Commission's letter No.3305 dated 12th December, 2011 was therefore, asked to file an explanatory reply on this issue.

4.78 MPPTCL's vide its letter No.385 dated 16th January, 2012 responded that the concerned provision in Para 8.2 of the Accounting Standards AS-4 is reproduced hereunder:

"8.2 Adjustment to assets and liabilities are required for events occurring after the Balance Sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existing at the Balance Sheet date. For example, an adjustment may be made for a loss of trade receivable account, which is confirmed by the insolvency of a customer which occurs after the Balance Sheet date.

In the instant case the MPPTCL, got the information about the change in the amounts of the Debtors and Equity pertaining to period prior to FY 2009-10. Hence necessary adjustment was made in the accounts alongwith the proper disclosure in the Notes to Accounts Point No. 4(b) to show the true and fair view.

The Accounts of the MPPTCL have been Audited for FY 2009-10, with above mentioned change."

4.79 The Commission further observed that an amount of ₹304.38 Crores was paid by GoMP to MPSEB on account of equity contribution vide GoMP order dated 5th June, 2010. The petitioner has further indicated that the actual amount of loan worth ₹414.73 Crores was received during FY 2009-10 making a total of ₹1200.95 Crores for the capital received during FY 2009-10. The petitioner in Para 10.5 of the petition submitted the status of total

equity, equity under CWIP and equity deployed on completed/capitalized assets as on 1st April, 2009 to 31st March, 2010 wherein an amount of ₹540.14 Crores is shown as “equity temporarily held under current assets as on 31st March, 2010”.

- 4.80 On the other hand, the petitioner in its aforesaid response indicated equity of ₹535.14 Crores against the amount yet to be allocated to capital works (presently in current assets). The above two statements indicated variance with each other hence, the petitioner was asked to clarify this issue.
- 4.81 The petitioner was also asked to furnish the details with explanation for ₹540.14 Crores shown as equity temporarily held under current assets in Para 5.10 of the petition.
- 4.82 MPPTCL vide its letter No.385 dated 16th January, 2012 responded that the correct amount at both the place is ₹535.14 Crores which is by mistake reported as ₹540.14 Crores in the table given under Para 10.5 of the petition. The corrected table is given hereunder:

Table : 53 (₹ in Crores)

S. No.	Particulars	As on 01.04.2009	As on 31.03.2010
1	Total Equity held	1324.53	2110.75
2	Equity under CWIP	216.52	207.33
3	Equity temporarily held under current Assets	0.00	535.14
4	Equity Deployed on completed / capitalized Assets	1108.01	1368.28

Since only Equity Employed on Completed / Capitalized Works is eligible for claiming the RoE, the above minor correction does not alter the ARR claim.

The amount received / adjusted say at the end of financial year may not get converted to fixed Assets or CWIP, and may appear in current Assets as inventories, Advance to suppliers, Bank balance etc., which is a normal process. This amount subsequently get transferred to the CWIP and finally to fixed Assets.

- 4.83 The Commission further sought details of Gross Block funded by this amount of ₹330.84 Crores pertaining to “conversion of Interest overdue as Equity” and its implications on ARR items like Return on Equity, etc.
- 4.84 With regard to details of internal accrual of ₹42.79 Cr from free reserves the Commission observed that these entries pertain to true-up of FY 2009-10 based on audited accounts for

FY 2009-10, hence, the present status after a period of almost 2 years after the end of that financial year was sought.

- 4.85 In response, MPPTCL vide its letter No.1328 dated 18th February, 2012, with regard Equity infusion of ₹304.38 Crores submitted as under:

“The GoMP in their order dtd. 05/06/10 had mentioned that the “Transfer Entry” is to be passed in FY:10-11 in the Books of GoMP by the office of AG Gwalior. These are the adjustment entries for the non-plan equity given upto FY:08-09 by the GoMP to MPSEB for settlement of guaranteed loans transferred to unbundled entities through final opening balance sheet in FY:05-06 to 08-09. Therefore, the non-plan equity was to be made available to unbundled entities for the settlement of guaranteed loans. It may also be seen from the voucher No. 680005 dtd. 28/06/10 of MPSEB that the equity of MPSEB from GoMP upto year 08-09 has been transferred to MPPTCL which is a “rectification entry”. Further, there is no direction issued by the GoMP to MPPTCL that MPPTCL is also required to account for such adjustment in FY:10-11.

Regarding accounting by Discoms, they are separate entity and are preparing their accounts as per their policy and procedures. There are many instances when transactions were accounted by MPPTCL but same were accounted by Discoms subsequently eg. Incorporation of final opening balance sheet, provision for true-up etc.

Further, if GoMP had issued various orders (copy enclosed for ready reference) of non-plan equity for settlement of guaranteed loans directly to unbundled entities then the amount of ₹304.38 Crores would have been accounted for by MPPTCL in FY:05-06 to 08-09 only. Even if the same would have accounted by MPPTCL in FY:10-11, the impact of the same would have been only on equity and amount receivable from Discoms in FY:05-06 to FY:08-09. Therefore, the accounts of FY:09-10 of MPPTCL is giving ‘True & Fair View’ in this regard.

It is pertinent to mention here that the MPPTCL is preparing its account as per accounting standards issued by ICAI. There are many instances when timing of actual transactions and date of accounting of such transaction defers due to compliance of AS by MPPTCL”.

- 4.86 With regard to “Conversion of Interest overdue as Equity of ₹330.84 Cr., MPPTCL responded that no gross block is funded through this equity in FY 2009-10. It is also to be mentioned that the tariff is claimed only on loan / equity invested on completed assets.

4.87 With regard to “Details of internal accrual of ₹42.79 Cr from free reserves, MPPTCL responded that it may “again be submitted that the TUT-18, show only the works completed in FY 2009-10, and entries in no way pertain to the ‘True-up’ for FY 2009-10. The true – up is related to works actually capitalized during the year, which are given in Annexure-V of the petition. Till date accounts for FY 2010-11 are prepared. Therefore there may be majority of works completed in FY 2009-10 but not capitalized till FY 2010-11. At this stage even the exact amount capitalized against works given in TUT-18 (completed in FY 2009-10) may not be available”.

4.88 The MPPTCL vide its letter No.2461 dated 3rd April, 2012 further submitted as under:

Equity Infusion of ₹304.38 Crores

(i). In this regard, it may be submitted that the State Government’s letter dated 05.06.2010, request the A.G., Gwalior to show the transfer entry / reallocation in **2010-11**, whereas these reallocations are for the past period from FY 2005-06 to FY 2008-09. Since this fact came to the cognizance of the Finance Section of the Company in June 2010 and the Audited Accounts of the Company for FY 2009-10 were in process of finalization, the cognizance of this transfer entry was taken in the accounts of FY 2009-10, as per the accounting standards (AS-4) issued by ICAI. The clarification from the State Government has not been sought, since the Accounting Standards provide for such entries, specifically when the transfer entries have been for past period i.e. FY 2005-06 to FY 2008-09. In case the transaction would have been done from the MPSEB to the Companies in the relevant years only, the MPPTCL would have the advantage of increase in Equity right from FY 2005-06 gradually increasing till 2008-09, as per statement-I attached to the letter of the State Govt. No. F-5-3/2007 thirteen Bhopal dated 5th June 2010.

It is not known that why other entities have not viewed the transaction in view of Accounts Standards AS-4.

The MPPTCL has included Equity receipt of ₹304.38 Crores in view of submissions made above, which may kindly be considered by Hon’ble Commission, while taking its considerate view on this issue.

(ii). *The portion of this Equity for which tangible Assets could be created and Capitalized has been taken for RoE claim, as indicated in Table-2 shown in Para 10.5, of the Petition. As desired by the Hon’ble Commission, the table is further elaborated in the forthcoming Point I(iii).*

(iii). The Equity receipt of ₹786.22 Crores is taken in accounts for FY 2009-10, with mode of transfer from the State Government as given in the table contained in Para 10.2 of the Petition. Relevant notes to Accounts (Para 4-b & 4-c of notes to Audited Accounts) are also reproduced in Para 10.2.

The Equity and Loan received are used for creation of new Assets, whereas at a time some part of expenditure remain in works under progress and Bank Accounts, inventories and advance to suppliers etc. The Audited Accounts does not show these bifurcations into Loan and Equity. However, for eligibility of Tariff claims, these are bifurcated and given in following table; with efforts to keep Debt : Equity ratio as 70 : 30.

Table : 54 (₹ in Crores)

S. No.	Particulars	Employed on Capitalized Assets	Under CWIP	Others (Current Assets etc.)	TOTAL
1	Equity held as on 01.04.2009	1108.01	216.52	-	1324.53
2	Equity received during 2009-10 (Cash + Adjustment)	-	-	-	786.22
3	Equity received & adjusted against	260.27	(-) 9.19	535.14	786.22
4	Allocation from Equity received				
(A)	From cash Equity	151.00	-	-	151.00
(B)	From Equity of ₹304.38 Crores on account of Equity transfer from FY 2005-06 to 2008-09	100.08	-	204.30	304.38
(C)	From conversion of loan to Equity	-	-	330.84	330.84
(D)	From CWIP as on 01.04.2009	9.19	(-) 9.19	-	0.00
5	Equity held as on 31.03.2010	1368.28	207.33	535.14	2110.75

The RoE has been claimed on the average of ₹1108.01 Crores and ₹1368.28 Crores (₹1238.14 Crores) only, which is less than 30% of the Average Gross Block during the year i.e. the Assets physically available and financially capitalized.

(iv)-C. The Interest Overdue of ₹330.84 Crores has been converted into Equity. Therefore, this amount appears in 'Interest Paid' during the year from State Government loans. In Annexure-VI, Column-9 of the Petition (Interest paid) this amount can be tallied as under;

Table : 55 (*₹ in Lacs*)

<i>S. No.</i>	<i>Particulars</i>	<i>Interest Paid (conversion to Equity)</i>
1	Direct Loans	545.51
2	ADB (1869)	15174.95
3	NABARD	4531.16
4	General Loan	1730.57
5	Market Bonds	10246.34
6	ADB-2323	390.48
7	ADB-2346	465.32
TOTAL -		33084.33

Say ₹330.84 Crores

It may kindly be perused that on account of above conversion, the Interest Overdue of ₹318.59 Crores as on 01.04.2009 reduced to ₹83.69 Crores as on 31.03.2010 (adding interest accrued during the year).

(v).The amount of ₹641.06 Crores is worked out from figures of finance received, capitalization and CWIP as mentioned in following table;

Table : 56

<i>S. No.</i>	<i>Particulars</i>	<i>Loan</i>	<i>Equity</i>	<i>Total</i>
1	CWIP as on 01.04.2009 from Balance Sheet on 70 : 30 ratio	505.20	216.52	721.72
2	Finance receipt during the year	414.72	786.22	1200.94
3	Assets capitalized during the year	330.20	260.27	590.47
4	Amount under CWIP on 31.04.2010 on 70:30 ratio	483.80	207.33	691.13
5	Amount under current Assets & others (1+2 – 3 – 4)	105.92	535.14 *	641.06
* REMARKS – (i) Adjusted from loan to Equity ₹330.84 Crores Under current Assets ₹204.30 Crores Total - ₹535.14 Crores				

Conversion of Interest Overdue as Equity of ₹330.84 Crores

In reference to this issue, the table given under Para-1(iii) above may kindly be perused, where ₹330.84 Crores [S. No. 4 (c)] are shown not to form Assets, consequently no RoE is claimed on it, as clear from footnote of above mentioned table.

This is also substantiated from the table given under Para 1(iv) [S. No. 5].

- 4.89 As detailed in **Para 4.39** of this order, the Commission has considered the equity of ₹177.14 Crores as source of fund during FY 2009-10 in this order.
- 4.90 The Commission in Para 4.104 of its order of true-up of transmission tariff for FY 2008-09 dated 26th December, 2011 considered equity of ₹1324.53 Crores as on 31st March, 2009. The same has been considered by the petitioner in table under Para 10.5 of its petition.
- 4.91 Further the petitioner has submitted the equity deployed on capital assets as ₹1108.01 Crores as on 1st April, 2009.
- 4.92 Thus, considering the petitioner submission and the amount considered by the Commission in the previous true-up order for FY 2008-09 and also the equity infusion of ₹177.14 Crores during FY 2009-10, the calculation for return on equity is as under:

Table : 57

₹ in Crores

(i)	Equity at the beginning of the year employed on Capitalized Works	1108.01
(ii)	Equity infusion (used in creation of Assets) during FY 2009-10	177.14
(iii)	Equity at the end of the year employed on Capitalized Works	1285.15
(iv)	Average Equity employed on Capitalized Works	1196.58
(v)	RoE @ 15.5% Base rate as no Income Tax is paid during the year	185.47
(vi)	RoE allowed in MYT order	206.40
(vii)	True-up allowed	-20.93

Additional Return on Equity

Petitioner's Submission

4.93 The petitioner has also claimed additional return on equity of 0.5% on such works completed within the timeline specified in Appendix-I of the Regulation. The petitioner has claimed an amount of ₹3.01 Crores against G-forms of qualifying works.

4.94 The Commission observed that the petitioner has enclosed a list of these four works in the petition but has not filed the work completion certificate in this regard.

4.95 In response, MPPTCL vide its letter No.385 dated 16th January, 2012 submitted the following :

“The amount of ₹3.01 Crores is the total value of Assets Capitalized, in this category. 0.5% additional RoE on Equity is claimed, which is only ₹0.005 Crore.

Works completion and capitalization certificate for all the works (including these 4 works) capitalized by the Joint Director (Accounts), MPPTCL, Jabalpur is already attached on Page 67 of the Petition.”

4.96 The Commission further observed that the undated Certificate of JD(Accounts) MPPTCL in the petition is certifying only the year of Capitalization of works without specifying the relevant annexure of the list of works annexed with the petition. Moreover, the certificate pertains to an amount of ₹592.69 Crores while the amount of works shown as capitalized in Annexure V of the petition is ₹590.47 Crores. Since there are only four such works for which the petitioner is claiming additional RoE, therefore, MPPTCL was asked to furnish separate certificate / document certifying the date of issue of tender & CoD of works confirming the fulfillment of the provisions under Tariff Regulations, 2009.

4.97 MPPTCL in response enclosed a Certification from the EHT construction wing, which is responsible for execution of works.

4.98 Further MPPTCL vide its letter No.2461 dated 3rd April, 2012 submitted that *the table given in Para 8.6 of the Petition may kindly be referred where addition of Assets during the year is detailed for an amount of ₹592.69 Crores. On the other hand an amount of ₹2.21 Crores is subtracted for Assets excluded making net addition of ₹590.48 Crores. The certificate from the CFO is modified and enclosed to make above adjustment clear.*

4.99 The Commission allows additional Return on Equity of ₹0.005 Crore as claimed by the petitioner. Thus, total RoE of ₹185.469 Crores + ₹0.005 Crore = ₹185.474 Crores i.e. **₹185.47 crores** is allowed for FY 2009-10 in this order.

Taxes, Duties and Fees

Petitioner's submission

4.100 *The MPPTCL has paid Fee amounting of ₹0.76 Crore to MPERC during year 2009-10 for continuation of tariff for FY 2010-11, which shall be billed directly to the beneficiaries as pass through.*

Commission's Analysis

4.101 The Commission accept MPPTCL's submission and allows provisions for taxes, duty and fee of ₹0.76 Crore.

Non Tariff Income

Petitioner's submission

4.102 *Other receipts of ₹8.53 Crores include miscellaneous receipts against capital as well as revenue. Therefore, these are categorized in two categories, first the receipts not covered under Non-tariff income and other covered under Non-tariff income as given below:*

[A] Charges not covered under Non-Tariff Income

(Amount ₹ in Lacs)

i.	<i>Sale of Store's scrap being capital receipt. The scrap value of 10% is not allowed in Tariff in Depreciation</i>	245.08
ii.	<i>Adjustment for physical verification of Stores</i>	4.32
iii.	<i>Adjustment in Bonds / Debentures value as discount received, in Loan Capital, value and not as revenue earned</i>	12.61
iv.	<i>Delayed payment charges</i>	3.29
TOTAL -		265.30
Say ₹2.65 Crores		

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

(Amount ₹ in Lacs)

i.	Interest Income	7.99
ii.	Application fees for Open Access	43.70
iii.	Hire charges for filter machine	70.70
iv.	Consultant services charges received	320.83
v.	Sale of Tender forms	29.57
vi.	Applications under RTI charges	0.02
vii.	Recovery of transport facilities	4.28
viii.	Ground rent	0.23
ix.	Rent of Staff quarters / Water charges/ Guest House	22.35
x.	Recovery of telephone charges	10.58
xi.	Other MISC receipts	77.92
xii.	Less : SLDC	(-) 45.34
TOTAL -		542.83

Say ₹5.43 Crores

Commission's Analysis

- 4.103 Schedule 13 of the audited balance sheet of FY 2009-10 shows interest income of ₹8.61 crores in FY 2009-10. Application fee for open access customers was ₹0.44 Crore, miscellaneous receipt was ₹8.03 Crores and delayed payment surcharge were ₹0.03 Crore.
- 4.104 Schedule VI of the audited balance sheet shows that the opening balance of FDs was ₹135 Crores and closing balance was ₹104.30 Crores thus the average balance of FDs during the year was ₹119.65 Crores. Interest Income of FDs @ 8% should have been ₹9.6 Crores.
- 4.105 Opening balance with schedule bank was ₹20.15 Crores and the closing balance ₹122.47 Crores. The Commission has considered interest income as ₹8.61 Crores as per schedule 13 of the balance sheet.
- 4.106 In its submission, MPPTCL has segregated other income of ₹8.08 Crores as charges to be covered under non-tariff income of ₹5.43 Crores and ₹2.65 crores as not covered under non-tariff income.
- 4.107 In view of the above, the Commission considers the petitioner's submission and approves other income of ₹8.61 Crores + ₹5.43 crores = **₹14.04 Crores** in this order.

True-up amount for FY 2009-10

4.108 Based on the analysis made in preceding paragraphs, the Commission finally determines the true-up of ₹53.99 Crores for FY 2009-10 and this amount shall be adjusted in the bills of Long term open access customers of MPPTCL. The details of true up are tabulated hereunder:

Table:58 True up amount for FY 2009-10**(₹ in Crores)**

S. No.	Particulars	As per ARR approved by order dated 11.01.10	As filed in original True-up petition	As filed in revised True-up petition	As approved by MPERC	True-up Amount (Col. 6– Col 3)
1	2	3	4	5	6	7
1.	O&M Expenses	208.48	227.08	227.08	215.48	7.00
2. (i)	Terminal Benefit / Cash Expenses	318.99	386.46	386.46	386.46	67.47
(ii)	Provision	-	83.06	83.06	-	-
3.	Depreciation	164.30	168.71	168.76	168.76	4.46
4.i.	Interest on Loan	118.79	123.54	115.89	115.84	-2.95
ii.	Interest on Working Capital	27.05	31.35	30.77	28.35	1.30
iii.	Interest on Normative	-	14.04	-	-	-
4.	Total Interest and finance charges	145.84	168.93	146.66	144.19	-1.65
5.	Return on Equity	206.40	197.59	191.92	185.47	-20.93
6.	Taxes and Fee paid to MPERC	1.08	0.76	0.76	0.76	-0.32
7.	TOTAL -	1045.09	1232.59	1204.69	1101.12	56.03
8.	Less Non-Tariff Income	(-) 12.00	(-) 4.65	(-) 5.43	-14.04	-2.04
9.	GRAND TOTAL -	1033.09	1227.94	1199.26	1087.08	53.99

4.109 The true-up amount of ₹53.99 Crores for FY 2009-10 shall be recovered by the Transmission Licensee in 12 equal installments during FY 2013-14.

CHAPTER 5

OBJECTONS AND COMMENTS ON PETITION

5.1 The Commission vide order dated 17th May, 2012 accepted the petition after obtaining required information from the petitioner for processing the petition. The Commission directed the petitioner to arrange for publication of the public notice in the news papers seeking comments/suggestions/objections from the stakeholders.

5.2 The public notice was published by the petitioner in following newspapers on 20th May, 2012:

Hindi News Papers:

Dainik Raj Express	-	Indore
Dainik Bhaskar	-	Bhopal
Dainik Nai Dunia	-	Gwalior
Dainik Deshbandhu	-	Jabalpur
Dainik Aacharan	-	Sagar
Dainik Awantika	-	Ujjain
Dainik Vindhya Bharat	-	Rewa

English News Paper:

Pioneer	-	Bhopal
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5.3 The last date for obtaining the comments / suggestions / objections was 7th June, 2012.

5.4 The Commission held a public hearing on the subject tariff petition of MPPTCL at Bhopal on 12th June, 2012 in the Court Room of the Commission's office. The public hearing was attended by representatives of the petitioner and no representative of any respondent or public attended the public hearing.

5.5 During the course of public hearing, the representative of the petitioner informed that they received no comments/suggestions from any stakeholders till date. The Commission also not received any comments / suggestions from any stakeholders. The representatives of the petitioner stated that their filing is already complete and they have no additional submission in the matter.
