MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Petition No. 63/2016

PRESENT:

Dr. Dev Raj Birdi, Chairman

A. B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

True-up of Transmission Tariff of MPPTCL Jabalpur for FY 2015-16 determined by M P Electricity Regulatory Commission vide Multi Year Tariff order dated 02nd April' 2013.

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 day of 15th May' 2017)

1. Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission" or "MPERC") heard the petitioner namely, M. P. Power Transmission Company Ltd., Jabalpur (hereinafter referred to as "MPPTCL" or "Transmission Licensee") and other stakeholders on **18th April' 2017**, at Bhopal in the matter of true up of Transmission Tariff for FY 2015-16. 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 19th March' 2013.

2. The Multi-Year Transmission Tariff (MYT) order for FY 2013-14 to FY 2015-16 was issued by the Commission on 02nd April' 2013 in accordance with the MPERC (Terms & Condition for determination of Transmission Tariff)(Revision-II) Regulations, 2012 (RG-28 (II) of 2012) (hereinafter referred to as "Regulations").

3. On **23rd November' 2016**, MPPTCL filed the true-up petition of the Transmission Tariff determined by the Commission for **FY 2015-16**. MPPTCL also submitted the Asset Depreciation Register for **FY 2015-16.**

4. Motion hearing in the matter was held on **24th January' 2017**. Vide daily order dated **25th January' 2017**, the petition was admitted and petitioner was directed to serve copies of the petition on all the respondents in the matter. Respondents were also directed to file their response if any, on the petition by **28th February' 2017.**

5. Subsequently, vide Commission's letter 168 dated **31st January' 2017**, the information gaps and the requirement of additional details/ data/ documents were communicated to the petitioner seeking its reply along with draft public notice (on the gist of the petition) by **25th February' 2017**.

6. Vide letter No. 04-01/CRA-Cell/F-103 / 810 dated **28th January' 2017**, MPPTCL confirmed service of the copies of petition to all the respondents in the matter.

7. Vide Commission's letter No. 392 dated **02nd March' 2017**, MPPTCL was asked to publish the Public Notice on the gist of subject petition in newspapers in English and Hindi version.

8. The Public Notice was published on **10th March' 2017** in the following English and Hindi newspapers as given below:

1.	Indore	-	Dainik Bhaskar (Hindi)
2.	Bhopal	-	Poineer (English)
3.	Jabalpur	-	Raj Express (Hindi)

9. Subsequently, vide 04-01/CRA/F-103 / 3225 dated **12th April' 2017**, MPPTCL informed that it has received no comments/ suggestions in the matter from any of the stakeholders/public/respondents till 01st April' 2017.

10. Public hearing in the matter was held on 18th **April' 2017** in court room of the Commission. The Commission received no comments/ suggestions in this matter from any respondent/ stakeholder. Only the representatives of MPPTCL appeared in the public hearing.

11. MPPTCL claimed the following in its petition.

(Amount ₹ Crores)

A) True-up for 2015-16

S. No.	***Particulars***	***As per ARR approved by order dated 02.04.2013***	***As filed in this petition based on Audited Accounts***	***True-up Amount (Col. 4 – Col 3)***
1	***2***	***3***	***4***	***5***
1	*O&M Expenses*	*390.09*	***442.18***	*52.09*
2	***Terminal Benefits -***			
2(i)	*Cash expenses*	*1185.27*	*1353.69*	*168.42*
2(ii)	*Provisioning*	*0.00*	*68.61*	*68.61*
2	***Total -***	***1185.27***	***1422.30***	***237.03***
3	*Depreciation*	*297.16*	***306.88***	*9.72*
4.i.	*Interest on Loan & Bank Charges*	*92.92*	*114.93*	*22.01*
4.ii.	*Interest on Working Capital*	*52.69*	*75.21*	*22.52*
4.iii.	*Interest on Normative Loan*	*0.00*	*0.00*	*0.00*
4	***Total Interest -***	***145.61***	***190.14***	***44.53***

5	*Return on Equity*	*305.57*	***321.84***	*16.27*
6	*Taxes and Fee*	*1.27*	***2.57***	*1.30*
7	*PPP Unitary Charges*	*0.00*	***37.63***	*37.63*
8	***TOTAL -***	***2324.97***	***2723.54***	***398.57***
9	*Less Non-Tariff Income*	*-20.98*	*-18.61*	*2.37*
10	***GRAND TOTAL -***	***2303.99***	***2704.93***	***400.94***

B) True-up regarding 2012-13

1	*Revised RoE & Interest on Working Capital amended thereof*	***289.11***	***350.20***	***61.08***
	GRAND TOTAL - A+B:	***2593.10***	***3055.13***	***462.02***

SHARING OF TRUE-UP AMOUNT -

The True-up amount is to be shared by the Discoms and SEZ; which is as follows;

(₹ in Crores)

S. N.	***Customer***	***Capacity to be Allocated** (MW)*	***Amount as per filing in this petition***	***Amount as per MYT Orders***	***True-up to be shared***
1	*MP Poorva KVVCL*	*4243.23*	*911.72*	*773.52*	*138.19*
2	*MP Madhya KVVCL*	*4520.15*	*971.22*	*823.95*	*147.27*
3	*MP Paschim KVVCL*	*5437.53*	*1168.33*	*992.42*	*175.91*
4	*MPAKVN for SEZ*	*18.00*	*3.87*	*3.21*	*0.66*
5	***TOTAL -***	***14218.91***	***3055.13***	***2593.10***	***462.02***

***Transmission charges for non-conventional energy source based generating units connected on 132 kv & above voltage** –*

Hon'ble Commission has approved the Transmission Charges for FY 2015-16 in respect of the above mentioned category by its order dated 21st October 2013. The Transmission charge for this category has been worked out on Energy Based Pooled for 2015-16 as given in the table hereunder;

S. No.	***Particulars***	***Unit***	***Order 2015-16***	***True-up 2015-16***
1	*Annual Fixed Cost as per Tariff*	*₹ Crores*	*1795.72*	*2704.93*
2	*Transmission System capacity*	*MW*	*14546*	*14218.91*

3	*Transmission charges per MW per Annum*	*₹ Lacs / MW*	*12.35*	*19.02*
4	*Capacity of Non-conventional Energy based Plants*	*MW*	*501*	*1524*
5	***Total Pooled Capacity***	*MW*	*15047*	*15742.91*
6	*Pooled Cost Addition*	*₹ Crores*	*0*	*0*
7	*Total Pooled Cost*	*₹ Crores*	*1795.72*	*2704.93*
8	*Energy expected to be transmitted*	*MU*	*69310*	*61097*
9	*Energy generated by Non-conventional Energy based Plant at 20% CUF with MW capacity*	*MU*	*878*	*2670.05*
10	*Total Energy Handled*	*MU*	*70188*	*63767.05*
11	*Transmission Charges per Unit*	*₹ / Unit*	*0.26*	*0.42*
Difference in paise		***0.16 paisa***		

12. With the above submission, MPPTCL prayed the following:

"Approve the True-up of Annual Fixed Cost for year 2015-16, as mentioned in Para 13.1, and allow True-up amount to be recovered from the Distribution Licensees and other Long Term Open Access customers as per Para 13.2 and Transmission charges for Non Conventional Energy Source based Generating Units connected on 132 KV or above voltage as per Para 13.3."

13. MPPTCL filed its reply on **25th February' 2017** to the issues/ infirmities in this petition communicated to it by Commission's letter dated **31st January' 2017.** Issue-wise response filed by MPPTCL in its letter dated **25th February' 2017** is as given below:-

(i) **Issue : -** In the financial statement for FY 2015-16 filed by MPPTCL with the Commission on 3rd November' 2016, the independent auditor has drawn the attention of the company on several issues including the following:

"Due to lack of co-ordination between various departments and lack of planning & monitoring of projects and their interrelated work at various stages, company's projects are being delayed. Also frequent changes in terms & conditions of EOI, relaxations given, extensions in time for completion of works/ projects even after proposed completion dates, non-providing facilities & materials on time and non-charging/ waiver of penalties are adversely effected efficiency of the company. The company is also suffered financial loss in terms of cost of borrowing and increased cost of projects. No responsibility has been fixed by the company and no action has been taken.

In view of the above, MPPTCL was required to submit its response on the above observations and also to inform the impact of the above observations on account of cost & time overrun if any, on the true-up amount claimed in the subject petition.

MPPTCL's Response: - " *Regarding the observation made by Hon'ble Commission on matter on which attention has been drawn by the Independent Auditor, it is submitted that the same was a general observation and despite request for specific occurrence no case was informed by them. Therefore specific comment is not possible, however the following reply given below was submitted as the Management's reply to the Auditor's Report;*

As far as some relaxation in terms of payment / pro-rata adjustment of advance is concerned, whenever such relaxation is given, the discount has been availed to protect the financial interest of the Company. Projects have been delayed mainly due to ROW issues and therefore, it cannot be stated that the Company has suffered financial losses in terms of cost of borrowing. All relaxations/ time extensions have been given after due diligence and competent approvals. Such decisions are to be taken by the management in the interest of Company's work."

(ii) **Issue : -** The original scope of work under each project capitalized during FY 2015-16 indicating the competent authority from whom the approval was accorded for all works be mentioned.

MPPTCL's Response : - *"MPPTCL has submitted the list of the works capitalized in 2015-16 in Annexure-V of the Petition. In the matter of approval by competent authority, it is to be submitted that there is a system for sanctioning of estimates, whereby an officer can only sanction those estimates that are within the financial sanctioning competencies of the post he is holding. The execution of any work is limited to the extent of these sanctioned estimates. Thus, all the works capitalized in 2015-16 have been sanctioned by competent authorities."*

(iii) **Issue :-** It needs to be mentioned whether the projects/ works shown as capitalized in FY 2015-16 are new works or a part of some existing projects or under any R&M scheme. The aforesaid details are required to be furnished in terms of the relevant Regulations 17, 18 and 19 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012.

MPPTCL's Response : - "*It is hereby intimated that the works capitalized in FY 2015-16 are new works only."*

(iv) **Issue : -** It is observed that a large number of works (about 196 nos.) were completed during FY 2010 to FY 2015 but these works are capitalized in FY 2015-16. Detailed reasons for delay in capitalization of all such works and consequential increase in IDC amount be submitted.

MPPTCL's Response : - *"In regard to the delay in Capitalization it is begged to submit that the delay in capitalization of a part or whole of the works occurs due to a few unavoidable reasons such as;*

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

ii. Delay in issue of NOC from Forest Department and fixation for crop/ tree compensation.

iii. Delay due to Court cases, Arbitration cases etc.

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

v. Multiple agencies involved in execution.

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

It may kindly be appreciated that the reasons are due to certain unavoidable circumstances and are mostly not attributable to MPPTCL. The delayed capitalization is mostly for a part of work only and not for the whole work. The increase in IDC on account of such delay is generally small. It may kindly be perused that the increase in IDC is being offset by the non-claiming of Interest & Depreciation for the period of delay.

However, it is to be submitted that efforts are made to capitalize major portions timely on the basis of the Provisional Annexure-G; the delayed part generally constitutes only a small portion of the total amount.

(v) **Issue : -** The scheduled date of commissioning of each project listed in Annexure V be submitted.

MPPTCL's Response : - "*The scheduled date of commissioning of works as per plan for the works capitalized in FY 2015-16 are indicated in Col. 10. of Statement-I, enclosed with this reply. It is also submitted that the plans are need based, thus some of the works may have to be rescheduled as per requirement."*

(vi) **Issue : -** If the commissioning of any project has been done beyond its scheduled date, the reasons for delay along with any penalty/ liquidated damage if any, imposed on the contractor/ vendor be submitted.

MPPTCL's Response : - "*The relevant details, concerning penalty, are also given in Col. 11 & 12 of Statement-I".*

(vii) **Issue : -** In some of the works, partial amount is shown as capitalized against the estimated amount of works. The reasons for non capitalization of the complete estimated amount be submitted.

MPPTCL's Response :- :*It is humbly submitted that, Capitalization of some part or whole of the works gets delayed due to the some unavoidable reasons as mentioned in Point (c) above. As a result of such circumstances only a part of the works may get* *capitalized. It is once again prayed that efforts are made by Transco to capitalize major portions timely".*

(viii) **Issue :-** It is mentioned in the petition that the works capitalized during FY 2015-16 are as per the 12th Capex Plan whereas, no reference is given against each work as provided by MPPTCL with the additional submission in its earlier true-up petition. All such references be submitted.

MPPTCL's Response :- "*The reference of the approved Capex Plan of the relevant works capitalized in FY 2015-16 is submitted in Statement-I (Col. 9) attached with this letter for the kind consideration of the Hon. Commission please".*

(ix) **Issue : -** The capitalized amount of certain works at item No. 28, 71, 223, 266, 287 and 339 are higher than the estimated amount. The reasons for cost overrun along with scope of work be submitted.

MPPTCL's Response *: - "Regarding the observations of entries in S. No. 28, 71, 223, 266, 287 & 339 related to booking which is higher than the estimate amount, the following is begged to be submitted :-*

The entry at S. No. 28 is related to the work of LILO of 132KV Badnagar-Ratlam line at 132KV Bilpank Sub-station. The execution amount exceeded due to change of scope of line work causing revision in profile of line and tower type. Revision of estimate is under process and the estimate shall be revised as per the existing procedure.

The booking amount at S. No. 71 is for contingency estimate for 400 KV Sub-station at Chhegaon. Expenditure of ₹11.90 Lacs is booked against estimate cost of ₹ 510.4 Lacs under contingencies fund of sanctioned estimate of 400 KV Substation Chhegaon It is thus submitted that there is no cost overrun in this case.

In case of S. No. 223, the sanctioned estimate is for Augmentation of 20 MVA transformer by 40 MVA at 220 kv S/s Pandhurna of value ₹186.38 Lacs against which the bookings are of ₹195.21 Lacs (at SN. 223), ₹0.68 Lacs (at SN. 226) and (-) ₹1.11 Lacs (at SN. WD25) netting it to ₹194.78 Lacs. Thus, it may kindly be perused that the booked amount is within the permissible limit of +5% estimated cost.

In regard to S. No. 266, the sanctioned estimate is for Construction of 1 no. 36 kv 12 MVAR Capacitor Bank at 132 KV S/s Lahar, another entry for the same estimate is occurring at S. No. 267. Together the booking is for ₹4.47 lacs and it is submitted that the same thus is within the estimated cost of ₹35.63 lacs.

With respect to S. No. 287, the sanctioned estimate is for Construction of 132 KV Feeder Bay for Gopalpur & Nasrullagahj at 220 kv S/s Handia., another entry for the same estimate is occurring at S. No. 288. Together the booking is for ₹ 144.81 lacs against the estimated cost of ₹138.2 lacs. It is thus submitted that the amount booked is within the permissible limit of +5% estimated cost.

Regarding S. No. 339, it is to submit that it pertains to Construction of Shed at EHT site store in 132KV S/s Pateri Satna with an estimated cost of ₹4.14 Lacs. The amount booked under this estimate is ₹4.36 Lacs. The Cost variation is 5% which is within permissible limits.

Here, it is to be reiterated that the capitalization of G-forms is mostly done in parts and the same may or may not occur in the same year for all parts and thus, do not present the actual picture of the bigger canvas. In this context it is also to be submitted that generally the works are completed within the sanctioned amount but in rare cases a tthe time of execution of work some additional works may be required to be carried out as per site requirement, therefore cost may exceed. In these cases estimate are revised duly".

(x) **Issue : -** In some of the works (S.No. 9.10, 57, 58, 61, 62, 75, 76, 80, 81, 82, 85,86, 89, 90, 91 etc.), the name of work, estimate Nos. and estimated amount are same but these works are shown completed in two different rows showing different amount of capitalization. The reasons for the aforesaid discrepancies be submitted.

MPPTCL's Response : - *"Regarding entries in S. No. 9, 10, 57, 58, 61, 62, 75, 76, 80 to 82, 85, 86, 89, 90 & 91, it has been observed by the Hon. MPERC that although name of work, estimate no. and estimate amount are same but have been shown in different rows showing different amount of capitalization, in this context it is begged to submit that an estimate might be consisting of more than one head of booking or may have been operated by more than one agency completing the work on different days, in such cases there are more than one entry for the same estimate number."*

(xi) **Issue : -** The Capitalized amount of some works at item No. 24, 110, 178, 181, 215, 217, 232, 247, 254, 263 and 338 are shown negative. The reasons for showing negative capitalization be submitted.

MPPTCL's Response : - "*The capitalized amount of works at S. No. 24, 110, 178, 181, 215, 217, 232, 247, 254, 263 & 338 are shown as negative, here it is to be intimated that the minus value appears due to return of excess / balance material to Stores or return of augmented unit - after completion of work".*

(xii) **Issue : -** In para 8.3 of the subject petition, it is submitted that the assets of ₹13.20 Cr. have been withdrawn/de-capitalized during the year. The details like nature of assets, date of commissioning, date of withdrawal, original cost, cost withdrawn /de-capitalised along with reason of withdrawal and depreciation charged be submitted.

MPPTCL's Response : - "*Regarding the Assets withdrawn, of worth ₹ 13.20 Crores, details in respect of Nature of assets, Date of withdrawal, Gross cost and Cost withdrawn are enclosed as Statement-II of this reply. The reasons for withdrawal are mentioned in the statement while the depreciation amount is given in the Asset Register submitted along with the petition. The above is submitted for the kind consideration of the Hon. Commission."*

(xiii) **Issue :-** First proviso of Regulation 17.2 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012, provides that:

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

MPPTCL is required to demonstrate that the capital cost incurred on each project is at par with the benchmark norms specified by CERC.

MPPTCL's Response : - ***"****In the matter of prudent check of capital cost based on benchmark norms specified by CERC from time to time, it is submitted that the Capital cost of the projects completed by MPPTCL are normally within the figures indicated in Investment Plan approved by Hon'ble MPERC. On its part, the Company carries out prudent checks of the Capital cost of projects through its carefully prepared Schedule of Rates which facilitate working out the correct project costs in the initial stage, secondarily checks are also imposed by way of working out the rate reasonability in every tender forming part of the project which subsequently falls under the scrutiny of Audit too. Further, to the extent known to this Company, Hon'ble CERC has determined benchmark Capital cost for the Sub-stations associated with 400 / 765 KV Transmission System and not for 132 / 220 KV system, which are the major constituents of the Assets capitalized, as indicated in Annexure-V of petition".*

(xiv) **Issue : -** It needs to be confirmed on affidavit that the claim towards O&M expenses have been worked out only on the works capitalized or completed and no CWIP has been considered for this purpose.

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

(xv) **Issue : -** Note 12 of the Audited Accounts shows that short term provision for wage revision arrears for FY 2015-16 is Nil. and also Note 8 of the same Audited Accounts indicates that the long term provision for wage revision is NIL. In view of the aforesaid, it needs to be clarified whether the amount of wage revision filed in the petition is the actual amount paid to employees during FY 2015-16 or is it the provisioning?

MPPTCL's Response : - *"In reference to the amount paid on account of Wage Revision Arrears for 2015-16 it is submitted that the actual amount paid to the employees, amounts to ₹ 3.31 Crores. On payment of the same, no amount is balance to be paid against wage revision next year. Therefore, nil amount is indicated as provisioning in the Accounts under Short Term provisioning is mentioned in Note-12".*

(xvi) **Issue : -** Details of the balance amount to be paid against wage revision be submitted.

MPPTCL's Response :- *"As mentioned above, it is stated that no amount is balance to be paid as Wage Revision arrears next year i.e. 2016-17".*

(xvii) **Issue : -** Whether the wage revision amount claimed in the petition pertains to MPPTCL employees only or it includes the amount paid to SLDC employees also be clarified.

MPPTCL's Response :- *"In reference to the ₹ 3.31 Crores paid on account of Wage Revision Arrears for 2015-16, it is submitted that it includes the amount of SLDC also".*

(xviii) **Issue : -** It is observed that the petitioner has mentioned the useful life of major transmission assets in Form TUT-8 without giving any basis. The basis for ascertaining the life of each asset should be mentioned in the original petition itself.

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

(xix) **Issue : -** On perusal of the information filed for additional RoE, it is observed that the capitalized amount shown in Annexure VIII is much less than the estimated amount. It is also Observed that some works already completed before 1st April' 2015 are also included in the list. The reasons for aforesaid observations alongwith modified Annexure VIII be submitted.

MPPTCL's Response : - "*Regarding the observation made on Additional RoE, it is submitted for kind consideration that, the Addl. RoE is claimed for the qualifying Assets only against the G-Form capitalized in that particular year only. As mentioned earlier also, these G-Forms may be a part of the total project cost & may not reflect full or final cost. Thus if G-Forms capitalized are partial in nature the claim also is based on that portion only. Here it is also to be mentioned that care is taken for avoidance of double capitalization."*

(xx) **Issue : -** It needs to be clarified that all parts of the concerned unit/block /element have been completed within the time line.

MPPTCL's Response : - *"As desired, a certificate indicating that all parts of the concerned unit/ block/ element has been completed within the specified time line is placed as Statement–IV with this letter".*

(xxi) **Issue : -** The petitioner has claimed the fee paid to MPERC/CERC as Regulatory fee during FY 2015-16. The details of fee paid to MPERC only for determination of tariff /true-up for FY 2015-16 be submitted.

MPPTCL's Response : - "*The details of fee paid to MPERC / CERC in 2015-16 are given below for your kind consideration, please;*

S. No.	Particulars	DD/ RTGS No. & DT.	Amount (in ₹)	Sent To
1.	Fee for filing of application to consider allowing billing/recovery of Terminal Benefit expenses for Fy 2015-16 on "pay as you go principal"	RTGS No. SM139393812 UBINH15145032360 Dtd. 25.05.2015 from UBI	10000.00	Commission Secretary, MPERC, Bhopal
2.	Fee to MPERC for filling of True-up Petition for Transmission Tariff for FY 2014-15	RTGS No. SM165772295 UBINH15314508797 Dtd. 10.11.2015 from UBI	100000.00	

3.	*Fee paid to MPERC for Determination of Tariff of 2016-17 of MYT Fy 2016-17 to FY 2018-19*	*RTGS UBINH15365189886 Dtd. 31.12.2015*	*13226200.00*	
		TOTAL - `	***13336200.00***	

The above amount is also shown in Note-27 under the heading of "Fees & Other Charges Paid To MPERC" of the Annual Accounts, apart from the above under the head "Rates &Taxes", ₹. 1.234 Crores have also been paid independently. The same is also depicted in Note-27 separately. Thus, keeping in line with Clause 37.1 of the Regulations, a total of ₹. 1.334 Cr + ₹. 1.234 Cr. = ₹. 2.57 Crores has been claimed."

(xxii) **Issue : -** The bad debts of ₹ 497.93 Cr. are shown as written off in Form TUT 10. Details of these debts, alongwith the reason for considering these as bad debts and their impact on tariff be submitted.

MPPTCL's Response :- *"The amount of ₹ 497.93 Crore, indicated in TUT-10, has been written-off of under receivables from Discoms, as per the Energy Dept., GoMP Order No 7310/R 3483/2015/XIII, Dated08.09.2016. A copy of this order is placed as Statement-V. The above does not constitute as an element of the Annual Revenue required. As such, the same shall have no impact on the True-up Petition submitted, more so considering that the same is sacrifice of surplus made by the Equity Holder (GoMP)".*

(xxiii) **Issue : -** The gross block of ₹6807.78 Crs. as on 01/04/2015 and ₹7572.46 31/03/2016 respectively are mentioned in para 10.5 of the petition whereas, the gross block of ₹6784.54 Crs. and ₹ 7549.24 Cr. as on 01/04/2015 and 31/03/2016 respectively is mentioned in Note 13 of the Audited Accounts. The reasons for variation in figures of the petition and those in Audited Accounts be submitted and if required, reconciled statement be also submitted.

MPPTCL's Response : - *"The Gross Block as shown in Para 10.5 of the Petition deals with Normative loan. Here it is to be submitted that ₹ 6807.78 Crores are the closing figures of the True-up order dated 18.04.2016 (Please refer Page 16, 18 & 32) for FY 2015-16; in line with the procedure used in the previous years the same has been utilized as base figures for determination of the normative loan component (as derived from Para 9.5 of the Petition).*

The amount in Note-13 of Accounts is after accounting of Consumer Contribution deferred income, a comparative tabulation is submitted hereunder for the kind perusal of the Hon'ble Commission. It may please be perused that either way the component of normative loan comes out to be NIL :-

S. No.	***Interest on Normative Loan***	***As per Para 10.5 of Petition***	***As per Accounts figure***
a	*Gross Block of Assets as on 01.04.2015*	*6807.78*	*6784.54*
b	*Gross Block of Assets as on 31.03.2016*	*7572.46*	*7549.24*

	Net of Consumer Contribution		
c	*Gross Block of Assets (Average)*	*7190.12*	*7166.89*
d	*Maximum Qualifying Equity (30%) with 70:30 Debt: Equity ratio*	*2157.04*	*2150.07*
e	*Equity at the beginning of the year employed on Capitalized Works*	*1958.37*	*1958.37*
f	*Equity at the end of the year employed on Capitalized Works*	*2187.78*	*2187.78*
g	*Average Equity employed on Capitalized Works*	*2073.08*	*2073.08*
h	*Qualifying Equity*	*2157.04*	*2150.07*
i	*Normative Loan component (only if (g)>(h))*	***Nil***	***Nil***

14. On perusal of the response filed by the petitioner, the Commission observed that the response of the petitioner on certain issues was still lacking clarity. Vide Commission's letter No. 392 dated **02nd March' 2017**, the observations on the above response of MPPTCL were communicated and its response was sought by **25th March' 2017**.

15. Vide letter No. 04-01/CRA Cell/F-103/2724 dated **25th March'2017**, MPPTCL submitted its point-wise reply. Issues-wise response submitted by M.P. Power Transmission Co. Ltd., Jabalpur is as below:-

(a) **Issue : -**The details of all such works wherein the booking limit has crossed 5% of the estimated amount and the estimates were revised/ to be revised be submitted.

MPPTCL's Response : - *"With respect to the matter of all such works wherein the booking limit has crossed 5% of the estimated amount and the estimates were/ are to be revised; it is to be submitted that the list of the works capitalized in 2015-16 has been enclosed as Annexure-V of the Petition. Among these works the following works have recorded bookings beyond the 5% limit;*

S No (Anx -V)	***Name of work***	***ESTIMATE NO***	***DATE/ YEAR***	***Estimate Amount Rs Lacs***	***Executed amt Rs. Lacs***	***Dt of W/C***
28	*Lilo of 132KV Badnagar-Ratlam line at 132KV S/S Bilpank.*	*01010422 1120218*	*15.02.13*	*91.37*	*265.84*	*06-Feb-16*
164	*I no.132KV Feeder bay for Gautampura, Depalpur S/s.*	*01020888 8110269*	*24-12-11*	*88.43*	*120.63*	*28-Oct-15*

The entry at S. No. 28 is related to the work of LILO of 132KV Badnagar-Ratlam line at 132KV Bilpank Sub-station. The execution amount exceeded due to change of *scope of line work causing revision in profile of line and tower type. The case has been put up to the concerned authority of the Company and presently the process of revision under existing procedure is under progress. A copy of the letter of CE (EHT: Construction) regarding this subject is enclosed as Annexure-A.*

The entry at S. No. 164 is related to the work of 132KV Feeder bay for Gautampura, at Depalpur Sub-station. The final accounting of return of material/ bills and final G-form preparation is under process. It is to be submitted for the kind consideration of Hon. MPERC that if the final booking goes beyond the estimated amount the estimate shall be revised as per procedures.

Here, it is to be reiterated that the capitalization of G-forms is mostly done in parts and the same may or may not occur in the same year for all parts and thus, do not present the actual picture of the bigger canvas. In this context it is also to be mentioned that generally the works completed within the sanctioned amount but in rare cases at the time of execution of work some additional works are required to be carried out as per site requirement, therefore if cost overrun is observed the estimates are revised duly."

(b) **Issue : -** It is observed that penalty has been recovered from contractors in several projects. It needs to be clarified whether the amount of penalty deducted from contractors has been appropriately considered in the project cost capitalized during the year. All relevant documents in support of treatment of penalty/ liquidated damages in the capital cost be submitted.

MPPTCL's Response :- "*Regarding the matter of recovery of penalty from contractors, MPPTCL begs to submit that penalty/ liquidated damages imposed/ recovered from the contractors is deducted from the cost of the Assets capitalized during the year. This fact is also disclosed at point no. 1.3.5 of the Note -1 titled "Significant Accounting Policies" of the Financial Statements of FY 2015-16 (Annual Audited Accounts).*

In this matter copy of the point no. 1.3.5 of the Note -1 titled "Significant Accounting Policies" of Annual Audited Accounts and the Journal Voucher depicting above fact is enclosed for as Annexure-B to this submission."

(c) **Issue : -** Under what provision of applicable MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-III) regulations, 2012, the claim of Rs. 61.08 Crores towards revised RoE & IWC amended for FY 2012-13 due to payment of Income Tax for FY 2012-13 (Assessment Year FY 2013-14) has been made in para 10.8 of the subject petition whereas, the true up order has been issued for FY 2012-13 & FY 2013-14.

MPPTCL's Response : - "*With respect to the observation on the claim of Rs. 61.08 Crores towards revised ROE and IWC amended for FY 2012-13, it is submitted that this claim has arisen due to payment of Income Tax for FY 2012-13 (Assessment Year FY 2013-14) (indicated in Para 10.8 of the Petition) because only on the 28th of December 2015 the Income Tax Department issued Certificate/ Assessment Order taking cognizance of the MAT payment for FY 2012-13 (AY 2013-14), the same has been submitted as Annexure – XV of the said petition. As the Assessment Order dated*

28.12.2015, has now confirmed payment of MAT, thus the prior period claim could only be raised now and not earlier.

It is further submitted that, the same has been lodged under Clause 23.3, 23.4 and 28.1 of the "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (Revision –I) Regulations, 2009 {RG-28 (I) of 2009}" which governs the control period of the claim.
The above referred Clauses are reproduced below -

23.3 The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2008-09 applicable to the Transmission Licensee,:

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee in line with the provisions of the relevant finance acts of the respective year during the Tariff Period shall be trued up separately for each year of the Tariff Period.

23.4 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.

28.1. 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.

*It is also submitted that the "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (Revision –II**)** Regulations, 2009 pertaining to the control period FY 2013-14 to FY 2015-16 is in agreement with the regulation of the previous control period and states the following:-*
23.3 The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2012-13 applicable to the Transmission Licensee:

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee in line with the provisions of the relevant finance acts of the respective year during the Tariff Period shall be trued up separately for each year of the Tariff Period.

23.4 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.

28.1. 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 State Bank of India's Base Rate as on 1st of April of that year plus 3.50%. 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."*

(d) **Issue : -** The written-off amount of Rs. 0.06 Crore on account of Miscellaneous Losses and write Off as shown in TUT 10 attached with the petition is not observed in the Audited Account. Therefore, the head/ schedule wherein, aforesaid amount is accounted for / recorded in the Audited accounted be informed.

MPPTCL's Response : - *"Apropos the written off amount of Rs.0.06 Crores, indicated in TUT-10, it is humbly submitted that the same has been written-off of under Miscellaneous Losses and write-off. It constitutes as one of the elements of Sub-head "MISCELLANEOUS" under Note-27 of the Annual Accounts. The break-up of this Rs. 0.06 Crores is as follows:-*

Head 79.523 Loss on obsolescence of stores (stock): Rs. 628332.00
Head 79.573 Loss due to theft/robbery: Rs. 477.00
Sum of above: Rs. 628809.00 (ie.Rs.0.06 Cr)"

(e) **Issue : -** The petitioner's contention that the negative capitalized amount is due to return of excess/balance materials to stores needs to be clarified in details.

MPPTCL's Response :- "*With respect to the subject of the negative capitalized amount of works at S. No. 24, 110, 178, 181, 215, 217, 232, 247, 254, 263 & 338 of Annexure-V of the petition, it is to be submitted that the minus value appears due to return of excess / balance material to Stores or return of augmented units - after completion of work. In this regard the copy of the capitalization G-Forms of the above works is enclosed for the kind perusal of the Hon'ble Commission as Annexure-C to this reply. The difference in value of G-forms and capitalized amount is attributable to Overhead/ Interest loaded at Head Office."*

(f) **Issue : -** The account code for the de-capitalized assets during the year be informed so that the same may be linked with the reconciled Asset-Depreciation Register. It needs to be confirmed whether the impact of these de-capitalized assets has been considered while claiming depreciation and equity in the petition.

MPPTCL's Response : - "*Regarding the subject of withdrawal / de-capitalization of Assets of worth ₹13.20 Crores, it is to be submitted that no separate code is being used for such instances, the bookings are done in the mother code only. However, it is to be submitted that for ease of identification they have been indicated in Annexure-V of the petition and Asset Register with serial nos. beginning with the letters "WD".*

Here, it is also to be submitted that they are depreciated at the designated rates for the concerned period, also it is confirmed that the withdrawn assets are included in the net asset worth and therefore have been appropriately considered in equity related calculations of the subject petition."

16. On perusal of the response filed by the petitioner, the Commission observed that the response of the petitioner on certain issues needs more clarity. Vide Commission's letter No. 551 dated **04th April' 2017**, MPPTCL was asked to explain/clarify certain issues in particular to the delay in approval of revised estimate of works completed long ago and also to the issues related to income tax by **12th April' 2017**.

17. Vide letter No. 04-01/CRA Cell/F-103/3255 dated **12th April' 2017**, MPPTCL submitted its point-wise reply. Issues-wise response submitted by M.P. Power Transmission Co. Ltd., Jabalpur is as below:-

(A) Issue : Variance in executed amount in estimate N0. 010104221120218 :

(a) The executed amount (Rs.265.84 lacs) has been increased almost three times from the estimated amount (Rs. 91.37 lacs) in execution of work by MPPTCL for LILO of 132kV Badnagar-Ratlam line at 132kV S/s Bilpank.

(b) The aforesaid increase in executed amount is on account of increase in length of line from 1 km to 2.87 kms and erection of E series tower against provision of ND series tower in the original estimate.

(c) As per letter of SE (EHT-C) Ujjain enclosed with the reply, the total cost of work comes to Rs.305.96 lacs.

(d) The work has been completed on 6th February' 2016 but the revision of estimate/ approval from the competent authority for revised cost has not been obtained till date after a period of more than a year from the date of completion of work.

In view of the above status, MPPTCL was asked to inform the following:

(i) The reasons for such a long delay in revision of estimate / approval of actual cost of work from the competent authorities.

(ii) The reasons for capitalization and claiming such cost of work which is not approved by the competent authority.

MPPTCL's Response:

"*Regarding the observation made by Hon'ble Commission on matter of reason for delay in revision of estimate, it is submitted that the work for LILO of 132 KV Badnagar – Ratlam line at 132 KV S/s Bilpank was charged on 06.02.2016. It is also to be submitted that, regarding the line, court cases and matter of crop compensation could only be resolved in May 2016.*

It is begged to submit that because of the above issues the revision of estimate got delayed, and as the line was already charged, in anticipation of revision of estimate, Annexure-G of the completed and accounted portion was prepared timely.

In the matter of reasons for capitalization and claiming such cost of work which is not approved by the competent authority it is to be submitted for kind consideration of the Commission that –

i) Execution of a work is only taken up by the field organization after competent approval of the work i.e. sanction of estimate, placement of contract award etc.

ii) On completion of the work, the expenditure incurred is capitalized in stages through Annexure-G as per prevailing practices.

iii) Only in case the cost observed through Annexure-Gs are found to exceed the initial estimated amount, steps towards revising of estimate are initiated."

(B) Issue: Claim of revised RoE on account of Demand notice issued by Income-Tax Department -

From Annexure XV in the subject true up petition, it was observed that the income-tax return was filed by MPPTCL for the assessment year FY 2013-14 on 30th September' 2013 mentioning a loss of Rs. 28.88 Crores. Further, the case was selected under scrutiny and statutory notice u/s. 143(2) of the Income- tax Act, 1961 was issued on 02nd September' 2014. As per the order dated 28th December' 2015 issued by Assistant Commissioner of Income-Tax, Jabalpur and the Notice of Demand under Section156 of the Income-Tax Act, 1961, a gross demand of Rs.33.69 lacs was raised. In view of the aforsaid, MPPTCL was asked to inform the following:

(i) Whether it has preferred any appeal before the Income-Tax Department against the aforesaid order.

(ii) The basis / reasons for computation of the aforesaid gross demand of Rs. 33.69 lacs against the loss of Rs. 28.88 Crores filed by MPPTCL. The supporting documents/reply filed by MPPTCL with Income-Tax Department in this regard may also be submitted.

(iii) The status of Income –Tax filed by MPPTCL for Assessment Year FY 2014-15 onwards be also informed.

MPPTCL's Response :

***"**Hon. Commission has desired information/ clarification on the matter of Income Tax returns and given in Annexure – XV of the petition. The point wise reply to the same are submitted as below;*

(a) No appeal has been preferred before the Income Tax Department against the aforesaid order as the same is not required.

(b) Regarding computation of tax it is to be submitted that Section 115JB of Income Tax Act construes: -

In case of a company, the income tax payable on the total income as computed under the Income Tax Act, in respect of previous year relevant to the assessment year 2012-13 or thereafter is less than 18.5% of its book profit, such book profit shall be deemed to be the total income of the assessee and the tax payable by the *assessee on such total income (Book Profit) shall be the amount of the income tax at the rate of 18.5%.*

Thus in case of a company, income tax payable shall be higher of the following two amounts –

(1) Tax on total income computed as per the normal provision of the Act by charging applicable normal rate and special rate if any income included in the total income of the Company is taxable at special rate. <u>(In our case there is loss of Rs 28.88 crore hence tax payable is Zero)</u>

(2) 18.5% of book profits. <u>(Book profit is Rs. 1.67 crore on which MAT @ 18.5% plus surcharge & Ed cess i.e., Rs 33.69 lacs is payable).</u>

Therefore, demand of gross tax of Rs. 33.69 lacs is correct.

In support of above, copies of following documents are placed alongside for kind reference –

i. Statement of Profit & Loss Accounts for FY 2012-13 enclosed as Annexure-I.

ii. MAT Audit Report for AY 2013-14 (FY 2012-13) enclosed as Annexure-II.

iii. Income Tax Return acknowledgement and computation AY 2013-14 (FY 2012-13) enclosed as Annexure-III.

(c) Income Tax return for AY 2014-15 (FY 2013-14) has been duly filed and assessment of the same is pending with the authorities."

18. Vide No. 04-01/CRA Cell/F-103/3421 dated18th April' 2017, MPPTCL confirmed that the revised estimate for the work of LILO of 132kV Badnagar- Ratlam line at 132kV Substation Bilpank has been sanctioned vide No 01-010-4221-17-0009 dated 17th April' 2017 for an amount of ₹ 268.44 lacs

19. In para 2.2 to 2.6 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of **14218.91** MW for FY 2015-16 and its allocation among Discom and SEZ and the same is considered in this true-up order.

CAPITAL COST AND CAPITAL STRUCTURE

20. The petitioner filed a list of works completed during FY 2015-16 with the petition. The aforesaid list contained a break-up of about 343 works capitalized during the year along with other work-wise details like particulars of work, estimated amount, date when work completed, amount capitalized and date of capitalization etc. A certificate by the Chief Financial Officer, MPPTCL Jabalpur certifying the following was also annexed with the petition:

*"It is certified that the works of EHV Lines, Sub-Stations and other assets amounting to **₹ 1362.68** Crore have been capitalized in the Financial Year 2015-16 which includes assets funded through Consumer Contribution valuing **₹ 584.79** Crore.*

*Withdrawals/Adjustments amounting to ₹**13.20 Crore** have been done during the year. This resulted in net addition of ₹764.69 Crores in the Gross Block.”*

21. Besides, MPPTCL filed the details of transmission lines and bays commissioned in FY 2015-16 (Annexure 4) of the petition in support of its O&M claims.

(₹ in Crores)

S. No.	*Particular*	*Unit*	*Total Assets*
1	*Capital cost as on 31.3.2015 as admitted vide Order dated 18.04.2016*	*₹Cr.*	*6807.78*
2	*Capital expenditure during FY15-16 based on audited accounts*	*₹Cr.*	*1362.68*
3	*Works capitalized through Consumer Contribution during FY 2015-16*	*₹Cr.*	*584.80*
4	*Addl works kept in abeyance if any*	*₹Cr.*	*0*
	Less assets de-capitalized during the year	*₹Cr.*	*13.20*
5	*Net Additional Capital expenditure during FY 2015-16*	*₹Cr.*	*764.68*
6	*Total capital cost as on 31.3.2016 (net)*	*₹Cr.*	*7572.46*

Funding of Capital Cost:

(₹ in Crores)

S. No.	*Particular*	*Assets*	*Equity*	*Loan*
1	*Opening capital cost as on 01.04.2015 as per true-up order for FY2014-15*	*6807.78*	*1958.37*	*2990.877*
2	*Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)*	***764.68***	***229.40***	***535.28***
3	*Closing capital cost as on 31.03.2016*	*7572.46*	*2187.78*	*3526.15*

22. **Commission’s analysis:-**

On perusal of the contents in the petition with regard to true-up of the capital cost, the information gaps/ infirmities in the claims made by MPPTCL were communicated by the Commission and the response of MPPTCL on all such issues has been detailed in **paragraphs 13 to 17** of this order.

23. As per the certificate of the Chief Financial Officer, MPPTCL, Jabalpur, the assets of **₹584.79** Crore were funded through consumer contribution and withdrawal of **₹13.20**

Crore was made from the gross block. Accordingly, addition of ₹**764.69** Crore (out of total capitalized amount of ₹**1362.68** Crore in FY 2015-16) is shown in the certificate. Therefore, an amount of ₹ **764.69 Crore** for the assets capitalized during FY 2015-16 is considered in this order as given below:

(₹ in Crore)

Sr. No.	Particular	Total Assets
1	Capital cost as on 31.3.2015 as admitted vide Order dated 18.4.16	6807.78
2	Capital expenditure during FY15-16 as per audited accounts	1362.68
3	Works capitalized through Consumer Contribution during FY 2015-16	584.79
4	Less assets de-capitalized during the year	13.2
5	Net Additional Capital expenditure during FY 2015-16	764.69
6	Total capital cost as on 31.3.2016	7572.47

The funding of Capital Cost as on 31.03.2016 on normative Debt : Equity ratio is considered as given below:

(₹ in Crore)

Sr. No.	Particular	Assets	Equity	Loan
1	Opening capital cost as on 01.04.2015 as per true-up order for FY14-15	6807.78	1958.37	2990.88
2	Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)	**764.69**	**229.40**	**535.28**
3	Closing capital cost as on 31.03.2016	7572.47	2187.77	3526.16

24. As per provisions under MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-II) Regulations, 2012, the Commission has considered that the source of funding corresponding to the assets addition is 70% from loan and 30% from Equity as per normative debt- equity ratio. Thus, GFA addition of ₹ **764.69 Crore** is considered to be funded from a loan of ₹ **535.28 Crore** and Equity of ₹ **229.40 Crore** as mentioned above.

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

25. The Commission observed that MPPTCL has also filed GFA and claimed corresponding Loan, Equity & Depreciation in respect of some work for which technical sanction was not obtained from the competent authority till filing of subject petition. Therefore, the petitioner is directed to ensure revision and sanction of all such works expeditiously wherein the executed amount exceeds sanctioned estimated amount. MPPTCL is also directed to ensure that the capital cost and its corresponding Loan, Equity & Depreciation etc be claimed for such works only for which technical sanction has been obtained from the competent authority before filing any true up petition in future.

ANNUAL FIXED COST

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

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

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

(i) Return On Equity:

27. Petitioner's Submission: The petitioner broadly submitted the following:

"The MPERC (Terms & Conditions for Determination of Transmission Tariff) (Revision-II), Regulations, 2012 notified on 14th December 2012 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 base rate of 15.5% to be grossed up for tax .

In the Tariff order dtd. 18.04.16, Hon'ble Commission has allowed the RoE at the base rate of 15.5% on average Equity of ₹ 1869.68 Crores employed on completed Capital Works, amounting to ₹289.80 Crores for FY 2015-16.

***EQUITY INFUSED DURING 2015-16** –*

The Balance Sheet incorporated in Audited Accounts for FY 2015-16, provide for following figures for Equity;

(i). Equity held on 31.03.2015 - ₹2546.64 Crores
(ii). Equity held on 31.03.2016 - ₹2687.70 Crores

An equity worth ₹141.06 Crores has been infused during the year, after accounting of reserves & surplus the net value comes out for the year under consideration as ₹ 2531.21 Crores.

QUALIFYING EQUITY FOR ROE –

Eligible Equity for claim of RoE in line with the approach adopted by Hon'ble Commission in True up order for FY 2011-12 is worked out taking opening figures as per the True-up order for 2015-16, the same is tabulated as hereunder;

S. No.	***Particular***	***Unit***	***Amount for FY 2015-16***
1	*Opening Equity in FY 2014-15 (closing equity of last year as per order)*	*₹Cr.*	*1958.373*
2	*Equity addition due to additional capitalization considered during the year*	*₹Cr.*	*229.40*
3	*Closing Equity in FY 2015-16*	*₹Cr.*	*2187.78*
4	*Average Equity in FY 2015-16*	*₹Cr.*	*2073.08*
5	*Return on equity base rate*	*%*	*15.50*
6	*Tax rate actually paid during the year*	*%*	*0.00*
7	*Rate of return on Equity*	*%*	***15.50***
8	***Return on equity***	*₹Cr.*	***321.33***
9	*Additional RoE from FY09-10 to FY15-16 in respect of projects completed within specified time limit*	*₹Cr.*	***0.51***
10	***Total Return on Equity -***	*₹Cr.*	***321.84***

Regarding the above it is also to be submitted that, keeping in tune with the approach of Hon. Commission towards calculating RoE as indicated in the True-up orders of previous years, the Format TUT-19 covering RoE has been suitably modified.

PROJECTS COMPLETED WITHIN SPECIFIED TIME LIMIT –

Proviso of Clause 23.2 of Transmission Tariff Regulations provides that, in case of projects commissioned on or after 1st April 2009/ 2013, 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 the required information related to works completed during FY 2015-16. It is submitted that although the works may have been completed within time line specified in Appendix-I of the Regulations, Capitalization of specifically the big works generally take time, and only small works are Capitalized in the same year i.e. the year of completion. The details of works which were eligible for additional incentive in previous year have been submitted with the earlier True-up petitions, a summary of the same is tabulated in Table-A to B below. The eligible works from those capitalized during 2015-16 and which were completed from the year 2009-10 to 2015-16 are shown in Annexure-VIII attached with this Petition. For other works claim will be lodged in subsequent True-up, on Capitalization of works.

From Annexure-VIII the claim for this year is shown in Table-A & B below;

FROM WORKS CAPITALIZED IN PREVIOUS YEARS -

S No	Addl. RoE already allowed in Previous Years through True-up	₹ Crores
1	For Works Capitalized In FY 2009-10	0.005
2	For Works Capitalized In FY 2010-11	0.100
3	For Works Capitalized In FY 2011-12	0.120
4	For Works Capitalized In FY 2012-13	0.020
5	For Works Capitalized In FY 2013-14	0.120
6	For Works Capitalized In FY 2014-15	0.070
A	**TOTAL -**	**0.435**

FROM WORKS CAPITALIZED IN FY 2015-16 -

(i)	Value of G-forms of qualifying works	₹ 54.92 Crores
(ii)	Equity employed with 70:30 ratio	₹ 16.48 Crores
(iii)	0.5% Additional RoE	₹ 0.07 Crores
	(B) Claim lodged this Year =	**₹ 0.07 Crores**

Total of (A) + (B) = ₹0.435 + 00.070 Crores = ₹0.505 Crores

Say ₹0.51 Crores

NORMATIVE LOAN –

If the average Equity is more than the eligible Equity, the same is to be treated as Normative Loan, and this "Normative loan" is eligible for interest at the rate 5.14% as indicated in Para 9.4 covering overall Weighted Average Rate of Interest for Year 2015-16. On the basis of Chapter-IX & X, formulated on lines of True up order for FY 2011-12, with opening figures based on True up Order for FY 2014-15, the following is obtained;

(Amount ₹ in Crores)

a	Gross Block of Assets as on 01.04.2015	6807.78
b	Gross Block of Assets as on 31.03.2016 Net of Consumer Contribution	7572.46
c	Gross Block of Assets (Average)	7190.12
d	Maximum Qualifying Equity (30%) with 70:30 Debt:Equity ratio	2157.04
e	Equity at the beginning of the year employed on Capitalized Works	1958.373
f	Equity at the end of the year employed on Capitalized Works	2187.78
g	Average Equity employed on Capitalized Works	2073.08

h	*Qualifying Equity*	*2157.04*
i	*Normative Loan component (only if (g)>(h))*	***Nil***

TRUE-UP OF RoE FOR FY 2015-16 *–*

(Amount ₹ in Crores)

(i)	*RoE Eligibility as per True-up claim [Para 10.3 (8)]*	*321.33*
(ii)	*Additional RoE as per Para 10.4 above*	*0.51*
(iii)	*Total RoE claimed*	*321.84*
(iv)	*RoE allowed in MYT order for 2015-16*	*305.57*
(v)	***True-up amount***	***16.27***

DUTIES AND FEES -

MPPTCL has paid Fee amounting of ₹ 1.334 Crores to Hon'ble MPERC/CERC as Regulatory fees during year 2015-16; which is claimed under a separate head. Apart from above Rates &Taxes to the tune of Rs. 1.234 Crores have also been paid, keeping in line with Clause 37.1 of the Regulations the same is claimed separately. Thus a total of Rs. 1.334 Cr + Rs. 1.234 Cr. = Rs. 2.57 Crores is claimed against a permitted amount of ₹ 1.27 Crores.

TAXES -

a) *Clause 23.3 of the Regulation, covering FY 2015-16, states that - The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2012-13 applicable to the Transmission Licensee.*

Payment made on account of Tax is depicted in TUT-17. The Company has paid an amount of Rs. 1.02 Crores as MAT as per Return filed for FY 2015-16 (AY 2016-17), however the Income Tax Department has yet to issue Certificate/ Assessment Order taking cognizance of the same, thus pending materialization of which the revised rate of Return on equity as defined in Clause 23.4 has not been applied now. It is, therefore, requested that permission to claim the same at a grossed up base rate, on receipt of the Certificate/ Assessment Order confirming payment of MAT with the future True-up Petitons may please be granted.

b) *On the 28th of December 2015 the Income Tax Department has now to issued Certificate/ Assessment Order taking cognizance of the MAT payment for* ***FY 2012-13*** *(AY 2013-14), the same is submitted as Annexure – XV of this petition.*

As the Assessment Order now confirms payment of MAT the following submissions are made for the kind consideration of the Hon. Commission.

Clause 23.3 of the Regulation says - The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2008-09 applicable to the Transmission Licensee:

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee in line with the provisions of the relevant finance acts of the respective year during the Tariff Period shall be trued up separately for each year of the Tariff Period.

Also Clause 23.4 states - 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. Therefore it is submitted-

i. *The MAT Tax rate for 2012-13 is 18.5%*
ii. *The MAT surcharge rate for 2012-13 is 5.0% on above*
iii. *The CESS rate for 2012-13 is 3.0% on sum of above two.*
iv. *Total tax rate is 18.5%+(5% of 18.5%)+(3% of (18.5%+(5% of 18.5%))*
= 18.5% + 0.925% + 0.583% = 20.008%

As Return on equity is to be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 20; the following revision is submitted for True-up figures of 2012-13 as passed by the Hon. Commission vide Order dated 21.08.2014 as prior period Expenses/ Income, as tabulated below :-

a) Return on Equity: (reference to Para 25 of True-up Order dtd 21.8.2014)

Sr. No	**Particular**	**Amount for FY 2012-13 allowed**	**Amount for FY 2012-13 now claimed**	**Difference claimed now for 2012-13**
1	*Opening Equity in FY 2011-12 (as per True-up order of 2012-13 dt 21.8.14)*	*1491.24*	*1491.24*	*0*
2	*Equity addition due to capitalization in FY-13*	*95.04*	*95.04*	*0.00*
3	*Closing Equity employed in FY 2012-13*	*1586.28*	*1586.28*	*0.00*
4	*Average Equity employed in FY 2012-13*	*1538.76*	*1538.76*	*0.00*
5	*Return on equity base rate*	*15.50%*	*15.50%*	*0.00%*
6	*Tax rate actually paid during the year*	*0*	*20.008%*	*20.008%*
7	*Rate of return on Equity*	*15.50%*	*19.377%*	*3.877%*
8	***Return on equity***	***238.51***	***298.17***	***59.66***
9	*Additional RoE for FY09-10 to FY12-13*	*0.25*	*0.25*	*0.00*
10	***Total return on equity in Rs Crores***	***238.76***	***298.42***	***59.66***

b) Interest on working capital (reference to Para 54 of True-up Order dt.21.8.2014)

Sr. No	**Particular**	**Amount for FY 2012-13 allowed**	**Amount for FY 2012-13 now claimed**	**Difference claimed for FY 2012-13 now**
i.	*O&M expenses for one month (Rs 326.51 Crores / 12)*	*27.21*	*27.21*	*0.00*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*48.97*	*48.97*	*0.00*
iii.	*Receivables equivalent to 2 months transmission charges (earlier Rs 1701.18 Cr. – Now on impact of (a) above becomes*	*283.53*	*293.71*	*10.18*

	Rs 1772.22 Cr.)			
	Total working Capital	*359.71*	*369.89*	*10.18*
iv.	*Interest on working capital @ 14%* *Base rate as on 01.04.2012 was 10%+4%*	***50.36***	***51.78***	***1.43***

Total Claim in Rs. Crores (a+b)	***289.11***	***350.20***	***61.08***

As the above mentioned MAT expenses has been incurred and the claim for the above amount has not been made during Truing-up process for 2012-13, *the same is now submitted for the kind consideration of the Hon. Commission."* *(Emphasis Supplied)*

28. Provisions under Regulations:

The provisions under Clause 23 of MPERC (Terms & Conditions for determination of Transmission Tariff) (Revision-II) Regulation, 2012 provide that,

"Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per this Regulation
Provided that in case of Projects commissioned on or after 1st April, 2013, 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 23.4 of this Regulation.

Illustration.-

(i) In case of the Transmission Licensee paying Minimum Alternate Tax (MAT) @ 20.1% including surcharge and cess:
Rate of return on equity = 15.50/ (1-0.201) = 19.38%

(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%"

29. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in **paragraphs 13 to 17** of this order.

30. MPPTCL claimed an additional return of 0.5% on the Equity of such projects which were completed within the time limit specified in Appendix 1 of the Regulations. It is observed from the reply filed by MPPTCL that the details of projects completed within the time limit specified in Appendix I of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulation, 2012 have been submitted as Annexure VIII. The aforesaid details are for 31 works having total capitalized amount of ₹ **45.11** Crore. The additional return on Equity of ₹ **0.07 Crores** is claimed by MPPTCL in this petition.

31. In the para 10.4 and Annexure VIII of the petition , MPPTCL has claimed the additional return of equity of ₹ 0.07 Crores for the works completed within the time limit specified in Appendix 1 of the Regulations. It is observed from Annexure VIII that MPPTCL claimed additional RoE for augmentation works also and such works not are not covered under works mentioned in **Appendix 1** of the Regulations. Therefore, the additional RoE is considered only for those works which are mentioned in Appendix 1 of Tariff Regulations. Accordingly, an amount of ₹ 0.03 is considered as additional RoE (considering works capitalized for ₹ 18.29 Crore) for FY 2015-16. Accordingly, the total additional RoE is worked out as ₹(0.44+0.03) =₹0.47Crore.

32. In the last true-up order for FY 2014-15 the closing equity of FY 2013-14 was considered as equity employed on capital cost at the beginning of year. The equity infusion during FY 2014-15 was also considered only for the assets created and capitalized during that year. Similarly, the equity amount of ₹ **1958.37** Crore at the end of FY 2014-15 is considered as opening equity in this true-up order. The equity infusion of ₹ **229.40 Crore** during FY 2015-16 is considered as per preceding **para 24** of this order. Accordingly, the Return on Equity for FY 2015-16 is worked out as under:

Return on Equity:

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	Opening Equity as on 01.04.2015(as per True up order of 2014-15- closing Equity of previous year)	₹ Cr.	1958.37
2	Addition due to additional capital expenditure during the year	₹ Cr.	229.4
3	Closing Equity as on 31.03.2016	₹ Cr.	2187.77
4	Average Equity	₹ Cr.	2073.07

5	Return on equity base rate	%	15.5
6	Tax rate actually paid during the year (No Tax Paid)	%	-
7	Applicable Rate of return on Equity	%	15.5
8	**Return on equity**	₹ Cr.	**321.33**
9	Additional RoE from FY09-10 to FY15-16 in respect of projects completed within specified time limit	₹ Cr.	**0.47**
10	**Total return on equity worked out (8+9)**	**₹ Cr.**	**321.80**

33. In view of the above, the Commission has allowed the total Return on Equity of ₹ **321.80 Crore** including additional return on Equity of ₹ **0.47 Crore** in this order.

(ii) Interest and Finance Charges:

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

***"SANCTION UNDER TARIFF ORDER FOR FY 2015-16* -**

Hon'ble Commission under order dated 02.04.2013, allowed following Interest and Finance charges to MPPTCL for year 2015-16;

(i).	*Interest & Finance Charges*	*₹92.92 Crores*
(ii)	*Interest on Working Capital*	*₹ 52.69 Crores*
TOTAL -		***₹145.61 Crores***

LOANS TRANSFERRED THROUGH OPENING BALANCE SHEET -

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

(Amount ₹in Lacs)

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

10	General Loans	2876.59	214.78	0.00	3091.37
11	Market Bonds	15964.95	1200.55	0.00	17165.50
	TOTAL -	**109260.64**	**10765.41**	**11848.50**	**131874.55**

A Statement showing the position of the above mentioned liabilities as on FY 2015-16 has been prepared and enclosed as Annexure-VI.

WEIGHTED AVERAGE RATE OF INTEREST -

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 applicable during the year. Accordingly, the computation of interest for each category for FY 2015-16 is done and enclosed as Annexures, details of which are tabulated hereunder;

S. No.	**Loan Scheme**	**Weighted Average Rate of Interest**	**Details shown in Annexure**
1	PFC Secured	12.60 %	Annexure- X (a)
2	PFC Unsecured	12.54 %	Annexure- X (b)
3	GoMP JICA IDP-217	1.50 %	Annexure- X (c)
4	State Govt. - General	15.46 %	Annexure- XI (a)
5	Market Bonds	8.30 %	Annexure- XI (b)
6	ADB 1869	10.61 %	Annexure- XII (a)
7	ADB 3066	2.14 %	Annexure- XIII (a)
8	ADB 2323	2.014 %	Annexure- XIII (b)
9	ADB 2346	2.014 %	Annexure- XIII (c)
10	SCSP	15.57 %	Annexure- XIV (a)
11	TSP	15.86 %	Annexure- XIV (b)

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

OVERALL WEIGHTED AVERAGE RATE OF INTEREST FOR 2015-16

As per Clause 24.5 of the Transmission Tariff Regulations;
"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."

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. 01.04.2015, 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:-

(₹in Crores)

S. No.	Particulars	Principal not due as on 01.04.2015	Rate of interest (%)	Interest
1	PFC Unsecured	47.03	12.54%	5.90
2	PFC Secured	192.30	12.60%	24.23
3	ADB 1869	234.78	10.61%	24.91
4	State Govt. - General	127.17	15.46%	19.66
5	Market Bonds	6.09	8.30%	0.51
6	ADB 2323	411.08	2.014%	8.26
7	ADB 2346	609.12	2.014%	12.27
8	TSP	30.40	15.86%	4.82
9	SCSP	31.46	15.57%	4.90
10	GoMP JICA IDP-217	427.69	1.50%	6.42
11	ADB 3066	104.35	2.14%	2.23
TOTAL -		**2221.47**	**-**	**114.11**

$$\text{Weighted Rate of Interest} = \frac{114.11}{2221.47} \times 100 = 5.14\%$$

ELIGIBILITY OF INTEREST FOR YEAR 2015-16 -

Clause 24.2 and 24.3 of the Transmission Tariff Regulations notified on 14.12.12 states the following;

"24.2 The normative loan outstanding as on 01-04-2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2013 from gross normative loan.

24.3 The repayment for each year of the Tariff period 2013-16 shall be deemed to be equal to the depreciation allowed for that year."

In accordance with the above, the position of loans up to 31.03.2016 has been worked out in Annexure-VI, considering the actual loan repayments during each year. The repayment of loan is deemed as equal to Depreciation being claimed in the True-up Petition for 2015-16. Further, Hon'ble Commission vide its order dtd. 12.12.2013 has directed to adopt its approach regarding the True up order for FY 2011-12.

In line with the approach & True up order for FY 2011-12 & also 2012-13 to 2014-15, the interest claim for FY 2015-16 is worked out as hereunder:

CAPITAL COST – (₹in Crores)

S. No.	Particular	Unit	Total Assets
1	Capital cost as on 31.3.2015 as admitted vide Order dated 18.04.2016	₹Cr.	6807.78

2	*Capital expenditure during FY15-16 based on audited accounts*	*₹Cr.*	*1362.68*
3	*Works capitalized through Consumer Contribution during FY 2015-16*	*₹Cr.*	*584.80*
4	*Addl works kept in abeyance if any*	*₹Cr.*	*0*
	Less assets de-capitalized during the year	*₹Cr.*	*13.20*
5	*Net Additional Capital expenditure during FY 2015-16*	*₹Cr.*	*764.68*
6	*Total capital cost as on 31.3.2016 (net)*	*₹Cr.*	*7572.46*

FUNDING OF CAPITAL COST –

(₹in Crores)

S. No.	***Particular***	***Assets***	***Equity***	***Loan***
1	*Opening capital cost as on 01.04.2015 as per true-up order for FY2014-15*	*6807.78*	*1958.37*	*2990.877*
2	*Net-off Capitalization during the year for RoE calculations (considering normative 70 - 30 debt - equity ratio)*	***764.68***	***229.40***	***535.28***
3	*Closing capital cost as on 31.03.2016*	*7572.46*	*2187.78*	*3526.15*

INTEREST ON LOAN –

(₹in Crores)

S. No.	***Particular***	***Unit***	***Amount as per True-up order FY 2014-15***	***Amount claimed for FY 2015-16***
1	*Opening Loan*	*₹Cr.*	*1917.48*	*2060.97*
2	*Loan addition for additional Capitalization considered*	*₹Cr.*	*413.92*	*535.28*
3	*Repayment equal to depreciation during the year*	*₹Cr.*	*270.43*	*306.88*
4	*Closing Loan*	*₹Cr.*	***2060.97***	***2289.37***
5	*Average Loan*	*₹Cr.*	***1989.22***	***2175.17***
6	*Wt. average rate of interest as claimed*	*%*	*5.35*	*5.14%*
7	***Interest on Loan***	*₹Cr.*	***106.44***	***111.80***
8	*Financing charges as per audited accounts*	*₹Cr.*	*3.15*	*3.13*
9	***Net interest allowed in this True-up order***	*₹Cr.*	***109.59***	***114.93***

INTEREST DURING CONSTRUCTION V/s INTEREST CAPITALIZED -

The worksheet for Interest During Construction (IDC) and IDC capitalized is enclosed as Annexure-VII of the Petition.

NET INTEREST CLAIMED FOR FY 2015-16

i.	*Gross Interest claim as per Para 9.5*	-	*₹ 114.93 Crores*
ii.	*Interest allowed in order dtd. 02.04.2013*	-	*₹ 92.92 Crores*
iii.	*True up claim of interest (i-ii)*	-	***₹ 22.01 Crores***

35. Provisions of Regulations:

Clause 24 of MPERC (Terms & Conditions for Determination of Transmission Tariff)(Revision-II) Regulations, 2012 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 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

The repayment for each Year of the Tariff period 2013-16 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."

36. Commission's Analysis

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues has been discussed in detail in **paragraphs 13 to 17** of this order.

37. Accordingly, the Commission has allowed ₹ **114.93** Crores against Interest and Finance charges for FY 2015-16 in this order as given below:

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	Opening Loan	₹ Cr.	2060.97
2	Loan addition for additional Capitalisation considered	₹ Cr.	535.28
3	Repayment equal to depreciation during the year	₹ Cr.	306.88
4	Closing Loan	₹ Cr.	**2289.37**
5	Average Loan	₹ Cr.	**2175.17**
6	Wt. average rate of interest as claimed	%	5.14%
7	**Interest on Loan**	₹ Cr.	**111.8**
8	Financing charges as per audited accounts	₹ Cr.	3.13
9	**Net interest allowed in this true-up order**	₹ Cr.	**114.93**

(iii) Depreciation:

38. Petitioner's submission:

The petitioner has broadly submitted the following:

"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*

Hon'ble Commission had directed the Petitioner to reconcile the Asset Register and work out the Depreciation during the year on the above. The details of this Asset Register was *submitted during the Truing-up process of 2012-13 for perusal of the Hon'ble Commission. The Opening Gross Blocks and Net Blocks of the Asset Register were reconciled & were of the same value as given in the Final Opening Balance Sheet. There was no change in Assets capitalized after 1.6.2005 which in turn were the same as submitted earlier and reconciled with the accounts. The depreciation for FY 2014-15 was also worked out on the basis of this reconciled Asset Register.*

Continuing with the Asset Register thus submitted, by extending the figures of GFA - Depreciation for the year, Accumulated Depreciation & Net Fixed Assets for 2015-16 has been worked out, as summarized in the following table;

(Amount ₹ in Crores)				
S. No.	**Date as on**	**Gross Fixed Assets**	**Accumulated Depreciation**	**Net Fixed Assets**
1	**2**	**3**	**4**	**5**
1	31/03/2014	6296.45	2589.08	3707.37
2	31/03/2015	6928.81	2859.51	4069.30
3	31/03/2016	8278.30	3166.39	5111.91

***ADDITION OF ASSETS DURING FY 2015-16** –*

Assets inclusive of Consumer Contribution worth ₹ 1362.68 Crores have been capitalized during the year and Assets of value ₹ 13.20 Crores have been withdrawn, The above figure is inclusive of value ₹ 584.8 Crores that have been capitalized on account of consumer contributions. Thus, a net addition worth of ₹ 1362.68 - ₹ 584.8 – ₹ 13.20 = ₹ 764.68 Crores have been Capitalized during the year 2015-16 after taking care of assets capitalized on account of Consumer Contribution/ Deferred income of worth ₹ 584.8 Crores.

The certificate of works completion and capitalization by (F&A) is given in and list of Assets capitalized is enclosed as Annexure–V.

***DEPRECIATION AGAINST CONSUMER'S CONTRIBUTION WORKS** –*

Hon'ble Commission has prescribed the procedure to account for the Depreciation on Assets formed under consumer's contribution. Hon'ble Commission also mentioned to review this since 31.05.2005, the date of Opening Balance Sheet transfer. It is to mention that no such Assets have been capitalized till 31.03.2010. Such Assets have been capitalized in FY 2010-11 onwards only. The Depreciation on these Assets have been computed as per other Assets. Thereafter, these Assets are tabulated separately in Depreciation Model and Depreciation charged on these has been subtracted from total Depreciation claim.

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

***DEPRECIATION FOR FY 2015-16** –*

*As per above procedure, the Depreciation (**excluding Depreciation on Assets formed under Consumer's Contribution**) for 2015-16, computed from Asset Register & Software model and comparison from previous year, is given below;*

(Amount ₹ in Crores)

YEAR	Gross Fixed Assets			Provision For Depreciation			Net Fixed Assets	
	At the beginning of Year	Addi-tion 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
2014-15	6296.45	632.36	6928.81	2589.08	270.43	2859.51	3707.37	4069.30
2015-16	6928.81	1349.49	8278.30	2859.51	306.88	3166.39	4069.30	5111.91

The category-wise details for FY 2015-16 are given in Format TUT-7 & 8.

TRUE-UP OF DEPRECIATION FOR FY 2015-16 -

(i).	*Depreciation claim as per Para 8.5 above*	*₹ **306.88** Crores*
(ii)	*Depreciation allowed in MYT order dated 02.04.2013*	*₹**297.16** Crores*
	True-up Claim -	***(+) ₹ 9.72 Crores***

39. Provisions under Regulations:

Clause 25.1 of MPERC (Terms and Conditions for determination of Transmission Tariff) (Revision-II) Regulations, 2012, 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 1.4.2013 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2013 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.”*

40. Commission’s Analysis:

In view of the Asset-Depreciation Register filed by the petitioner, the following Depreciation for FY 2015-16 is allowed in this order:

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	Closing Gross fixed assets as on 31.03.2016	₹ Cr.	7572.47
2	**Depreciation during the year**	**₹ Cr.**	**306.88**
3	Opening Cumulative Depreciation FY 2015-16	₹ Cr.	2859.52
4	Closing Cumulative Depreciation FY 2015-16	₹ Cr.	3166.4

(iv) Operation and Maintenance Expenses:

41. Petitioner’s Submission:

The petitioner broadly submitted the following:

"Hon'ble Commission has allowed O&M expenses of ₹ 390.09 Crores for FY 2015-16. This covers 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 the Transmission Tariff Regulation. The same is as hereunder…………

Hon'ble Commission while allowing O&M Expenses for the year 2015-16 in the above referred order and tabulated in Para 5.1, considered the following length of EHV Lines and Bays as an average of the projected capacity as on 01.04.15 and 31.03.16. The O&M expenses for year 2015-16 have been allowed as ₹390.09 Crores, considering following parameters;

S. No.	***Particulars***	***O&M Norms 2015-16 ₹ in Lacs***	***Parameters taken for 2015-16***	***O&M Expenses allowed for 2015-16 (rounded to ₹In Lacs)***
1	*400 KV Line*	*39.1 /100 Ckt-KM*	*3164 Ckt-KM*	*1237*
2	*400 KV Bays*	*18*	*98*	*1764*
3	*220 KV Line*	*31.5 /100 Ckt-KM*	*11613 Ckt-KM*	*3658*
4	*220 KV Bays*	*13.5*	*525*	*7088*
5	*132 KV Line (incl. of 66 KV)*	*29.6 /100 Ckt-KM*	*15364 Ckt-KM*	*4548*
6	*132 KV Bays*	*12.7*	*1631*	*20714*
			TOTAL in LACS -	***39009***

PROVISION FOR TRUE UP OF O&M EXPENSES -

Item 37 (Clause 37.1 & 37.2) of MYT Regulations notified on 14.12.2012 provides that true up of O&M expenses will depend on length of Lines and number of Bays. The relevant Clauses 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, incentive & arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC & any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt as per Regulation 27.4."*

***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."*

NETWORK EXPANSION AND O&M EXPENSES FOR FY - 2015-16 –

The average voltage-wise length of line & Bays on the basis of actual progress made during the year and the allowable O&M expenses for FY- 2015-16 based on approved norms, is worked out as under;

S. No.	**Particulars**	**O&M Norms for 2015-16 ₹In Lacs**	**Parameters taken for FY 2015-16**	**O&M Expenses for 2015-16 ₹in Lacs)**
1	400 KV Line	39.1 /100 Ckt-KM	3074.45 Ckt-KM	1202
2	400 KV Bays	18.0 /Bay	119 Nos.	2142
3	220 KV Line	31.5 /100 Ckt-KM	11970.42 Ckt-KM	3771
4	220 KV Bays	13.5 /Bay	590 Nos.	7965
5	132 KV Line (incl. of 66 KV)	29.6 /100 Ckt-KM	15734.66 Ckt-KM	4657
6	132 KV Bays	12.7 /Bay	1903 Nos.	24168
TOTAL -		**₹ in Lacs**	**-**	**43905**

Say ₹439.05 Crores

List of Lines and Bays added during 2015-16 is enclosed as Annexure-IV A&B.

ACTUAL O&M EXPENSES AS PER AUDITED ACCOUNTS –

The Regulations provide for claiming O&M Expenses on normative basis on certain heads. The actual O&M Expenses are therefore for information only. The details of O&M Expenses actually incurred are given in formats TUT-3 to TUT-5.

PROVISION FOR ARREARS -

Regarding the Arrears, Clause 37.1 of Regulations notified on 14.12.2012 stipulates the following;

> *"**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, incentive & arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government and fees to be paid to MPERC & **any arrears paid to employees separately as actual**. The claim of pension and terminal benefits shall be dealt as per Regulation 27.4."*

*Accordingly **₹ 3.13** Crores are being claimed as per actual over & above the normative O&M claims.*

CLAIM OF O&M EXPENSES – TRUE UP -

Net True up of O&M Expenses for FY 2015-16 is tabulated hereunder;

S. No.	***Particulars***	***Amount (₹ Crores)***
1	*O&M claim as per O&M Norms worked out in Para 6.3 above*	*439.05*
2	*O&M claim for Wage Revision payment s as per Para 6.6*	*3.13*
3	*Total O&M claim (1+2)*	***442.18***
4	*O&M Expenses allowed in Tariff order for FY 2015-16*	*390.09*
5	*True up amount of O&M Expenses (3-4)*	***52.09***
		Net True up Claim (O&M): 52.09 Crores

42. Provisions under Regulations:

Regulation 27.0 in MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2012 and its fourth amendment provides as under:

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

27.2. Normative O&M expenses other than expenses on payment of arrears to employees on account of revision of pay scales of the employees in accordance with Sixth Pay Commission recommendations, as implemented by the State Transmission Utility at the commencement of the Tariff Period have been escalated at the rate of 7.93% considering a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40.

27.3 On examination of the details gathered from MPPTCL regarding transmission network parameters being considered for calculation of normative expenses and actual expenditure from FY 2007-08 to FY 2010-11 and the expenditure assessed by MPPTCL for FY 2011-12 (on account of non availability of the audited balance sheet for FY 2011-12) in respect of Employee expenses, Repair & Maintenance expenses and Administrative & General expenses, it was found that the normative O&M expenses allowed in the last control period was higher than the actual expenditure incurred by MPPTCL. The actual O&M expenses had been 89.6% of the normative O&M expenses. The Commission has considered the actual expenses for FY 2010-11 as base figures, linked them with the parameters used for calculation of normative O&M expenses, multiplied it with annual escalation factor of 6.14% till FY 2012-13 (up to last control period) and thereafter @ 7.93 % to arrive at the normative O&M norms for the period of present control period of FY 2013-14 to FY 2015-16.

27.4 The Commission has notified MPERC (Terms and Condition for allowing Pension and Terminal Liabilities of Personal of Board and Successor Entities) Regulations, 2012 (G-38 of 2012) on 20th April, 2012. The expenses towards pension and terminal liabilities will be allowed as per the provisions of aforesaid Regulations.

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

27.6. Any saving achieved by a Licensee in any Year shall be allowed to be retained by it. The Licensee shall bear the loss if it exceeds the targeted O&M expenses for that Year.

43. Provision for true-up of O&M Expenses:

The true up of O&M expenses will depend on length of lines and number of Bays as per Regulation 37 of MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2012 . 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 substation. These norms exclude Pension, Terminal Benefits, incentive and arrears to be paid to employees, taxes payable to the Government and fee payable to MPERC. The Transmission Licensee shall claim the taxes payable to the Government, fees to be paid to MPERC and any arrears paid to employees separately as actuals. The claim of pension and terminal benefits shall be dealt-with as per Regulation 27.4. The norms for O&M expenses per 100 ckt-km and per bay shall be as under:

Norms for O&M expenses per 100 Ckt. km and per bay

S. No.	***Particulars***	***FY 2013-14***	***FY 2014-15***	***FY 2015-16***
	Lines	***₹Lakh / 100ckt km / annum***		
1.	*400 kV Lines*	*33.6*	*36.2*	*39.1*
2.	*220 kV Lines*	*27.0*	*29.2*	*31.5*
3.	*132 kV Lines*	*25.4*	*27.4*	*29.6*
	Bays	***₹Lakh / Bay / annum***		
1.	*400 kV Bay*	*15.5*	*16.7*	*18.0*
2.	*220 kV Bay*	*11.5*	*12.5*	*13.5*
3.	*132 kV Bay*	*10.9*	*11.8*	*12.7*

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.

37.3. The terminal benefits shall be paid as provided in Regulation 27.4."

44. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in detail in **paragraphs 13 to 17** of this order.

45. The actual line length in ckt-kms and number of bays as on 1st April 2015 to 31st March 2016 as filed by the petitioner have been verified with the regular returns being filed by the Reporter of Compliance of MPPTCL. Based on the norms specified in MPERC (Terms and conditions for determination of Transmission Tariff) Regulation, 2012 and its amendments, the O&M Expenses are worked out to **₹442.18 Crores** for FY 2015-16 as given below:

S. No.	Particulars	Assets			Approved Norms for 2015-16	Amount (₹ in Lacs)
		As on 31.3.2015	As on 31.3.2016	Average		
1	400 KV Line in Ckt-KMs	3074.45	3074.45	3074.45	₹ 39.1 Lacs/ 100 Ckt-KM	1202.1
2	220 KV Line in Ckt-KMs	11801.08	12139.76	11970.42	₹31.5 Lacs/ 100 Ckt-KM	3770.68
3	132 KV Line in Ckt-KMs	15319.45	16149.87	15734.66	₹ 29.6 Lacs/ 100 Ckt-KM	4657.46
4	400 KV Bay in Nos.	117	121	119	₹ 18.00 Lacs/ Bay	2142
5	220 KV Bay in Nos.	574	606	590	₹ 13.50 Lacs/ Bay	7965
6	132 KV Bay in Nos.	1820	1986	1903	₹ 12.70 Lacs/ Bay	24168.1
Total O&M Cost on the basis of Bays and Lines –						**43905.3**

Say ₹ 439.05 Crores

46. MPPTCL submitted that an amount of ₹3.13 Crores has been actually paid as arrears. It includes the amount of SLDC also. MPPTCL submitted that the amount of wage revision arrears to SLDC is also paid by MPPTCL therefore, this amount should be considered in the ARR of MPPTCL.

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

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	Amount of wage revision filed & allowed	₹ Cr.	3.13
2	O&M expenses as per norms allowed in this order	₹ Cr.	439.05
	Total O&M expenses including arrears	**₹ Cr.**	**442.18**

(v) Terminal Benefits:

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

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

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

Hon'ble Commission therefore in its order dtd. 02.04.2013; in Clause 3.63 has considered the Terminal Benefit and Pension expenses for FY 2014-15 on provisional basis on "Pay as you go" principles payable to the extent of ***₹ 677.00*** *Crores as allowed in the MYT order. The actual expenses for this period to be considered during the process of True up of Transmission Tariff for FY 2015-16.*

Further vide Order dated 12th August' 2015, with a view to remove difficulties in timely payment of pension etc. to the retired personnel, Hon'ble Commission in its order has allowed to bill and recover the difference amount of ₹508.27 Crores (₹ 1185.27 - ₹ 677) over and above the Annual Revenue Requirement determined by the Commission for FY 2015-16, without any interest, to be claimed in equal monthly instalments during FY 2015-16.

TERMINAL BENEFITS AS PER AUDITED ACCOUNTS -

The Audited Accounts of MPPTCL, listed out the following expenses against Terminal Benefits for FY 2015-16 as compared to the previous year;

TERMINAL BENEFIT COST -

PARTICULARS	***AS AT 31.03.2015***	***AS AT 31.03.2016***
(A) CASH -		
Gratuity	*164.05*	*277.38*
Pension	*873.40*	*1076.31*
Leave Encashment	*5.03*	*8.89*

TOTAL (A) -	***1042.48***	***1362.58***
(B) PROVISIONS -		
Gratuity	*11.45*	*9.66*
Pension	*48.12*	*49.21*
Leave Encashment	*2.06*	*1.52*
Provision for employees of MPPMCL	*10.87*	*9.74*
TOTAL (B) -	***72.50***	***70.13***
TOTAL (A+B) -	***1114.98***	***1432.71***

TRUE-UP CLAIM FOR TERMINAL BENEFITS -

As per directive of Hon'ble Commission, the E.L. encashment on retirement is to be excluded from Terminal Benefit claims, and treated as Employee Cost. Accordingly, only Pension, Gratuity are considered for claim of Terminal Benefits True-up for FY 2015-16. (Shown in Annexure-IX).

(Amount ₹in Crores)

S. No.	***Particulars***	***Terminal Benefit Expenses***		
		Cash	***Provision***	***TOTAL***
1	*Pension*	*1076.31*	*49.21*	*1125.52*
2	*Gratuity*	*277.38*	*9.66*	*287.04*
3	*Provision for employees of MPPMCL*	*-*	*9.74*	*9.74*
	TOTAL -	***1353.69***	***68.61***	***1422.3***

True-up for FY 2015-16 for Terminal Benefits is worked out hereunder;

(Amount ₹in Crores)

S. No.	***Particulars***	***Cash***	***Provision***	***TOTAL***
1	*Claim for the year*	*1353.69*	*68.61*	*1422.3*
2	*Allowed in MYT order*	*1185.27*	*0*	*1185.27*
3	***True-up***	***168.42***	***68.61***	***237.03***

49. Provisions under Regulations:

MPERC (Terms and Conditions for determination of transmission tariff) (Revision-II) Regulation, 2012 provides as following:

"In the Principal Regulations, the Regulations 27.6 shall be substituted as under:

27.6(a) The expenses towards pension and other terminal benefits in respect of all personnel of MPSEB/MPEB and its all successor entities who are entitled as per their service conditions for pension and other terminal benefits shall *continue to be allowed in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. of the respective tariff year during the control period.*

(b) The above expenses at (a) for each financial year shall be a pass through in the Aggregate Revenue Requirement of MP Power Transmission Co. Ltd. and permitted to the extent of the provisions made by the MP Power Transmission Co. Ltd. subject to prudence check by the Commission. This provisioning shall be subject to further review at the time of the true-up of the ARR of respective year and shall be allowed to the extent of actual payments made."

50. Commission's Analysis:

The figures filed by MPPTCL have been tallied with the Audited Balance Sheet filed by it for FY 2015-16. Based on the information/ clarifications filed by the petitioner and the provisions under MPERC (Terms and Conditions for determination of Transmission Tariff) Regulations, 2012 and its amendment, an amount of **₹ 1353.69 Crores** for Terminal Benefits is allowed in this true-up order for FY 2015-16. The amount of provisioning under this head is not allowed by the Commission as per the approach adopted in all past true-up orders. The details of Terminal Benefits allowed in this order are given below:

Terminal Benefits:

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	Pension as per audited accounts	₹ Cr.	1076.31
2	Gratuity as per audited accounts	₹ Cr.	277.38
3	Provisions	₹ Cr.	0.00
4	Annuity	₹ Cr.	0.00
5	**Total amount of terminal benefits**	**₹ Cr.**	**1353.69**

(vi) Interest On Working Capital:

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

The Interest on Working Capital is to be worked out on normative basis as per Clause 38 and 28 of the Transmission Tariff Regulations. The working is given in Format TUT -16 and summarized in the following table;

Working capital requirement for 2015-16

i.	*O&M expenses for one month (₹ 442.18 Crores / 12)*	*₹ 36.85 Crores*
ii.	*Maintenance spares @ 15% of the O&M expenses*	*₹ 66.33 Crores*
iii.	*Receivables equivalent to 2 months Transmission charges*	*₹ 453.92 Crores*
	Total Working Capital --	*₹ 557.10 Crores*
iv.	*Interest on working capital @ 13.5 % i.e.*	*₹ 75.21 Crores*

	SBI's Base rate as on 01.04.2015 plus 3.5%	

TRUE UP OF INTEREST & FINANCE CHARGES FOR FY 2015-16 -

S. No.	*Particulars*	*As allowed in Tariff order*	*As per this petition*	*True Up*
1	*Interest on loans*	*92.92*	*111.80*	*18.88*
2	*Bank charges as per Note 24 of audited accounts*	*0*	*3.13*	*3.13*
Total Interest & Finance charges -		***92.92***	***114.93***	***22.01***
3	*Interest on working capital*	*52.69*	*75.21*	*22.52*
NET TRUE UP Rs. in Crores -				***44.53***

52. Provisions under Regulations

Clause 38.1 of MPERC (Terms and Conditions for determination of transmission tariff) (Revision-II) Regulation, 2012 provides as following:

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

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

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

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

Further, Regulation 28.1 provides that,

"Rate of interest on working capital to be computed as provided subsequently in these Regulations shall be on normative basis and shall be equal to the short term Prime Lending Rate of State Bank of India as on 01st April of that year plus 3.5%.. 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."

53. Commission's Analysis:

As per norms under Regulations, the interest on working capital for FY 2015-16 is worked out and allowed in this true-up order as given below:

Interest on working capital:

Sr. No.	**Particular**	**Unit**	**Amount for FY 2015-16**
1	O&M expenses for one month (442.18/12)	₹ Cr.	36.848
2	Maintenance spares @ 15% of the O&M expenses (442.18x0.15)	₹ Cr.	66.3
3	Receivables equivalent to two months transmission charges (2634.27/6)	₹ Cr.	439.05
4	Total working capital(1+2+3)	₹ Cr.	542.198
5	Applicable rate of interest on working	%	13.50%

	capital @13.5% (SBI Base rate 01.04.2015 + 3.5 = 13.5%)		
6	**Amount of working capital**	**₹ Cr.**	**73.2**

(vii) Non-Tariff Income:

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

"*Other Income of ₹ 17.23 Crores is shown in Note 21 of Audited Accounts. This income has been bifurcated in two categories, as shown hereunder after excluding ₹ 0.68 Crores the Other Income of SLDC.*

(Amount ₹ in Crores)

i	*Application fees for Open Access*	*0.79*
ii	*Hire charges for contractors etc.*	*1.37*
iii	*Consultant services charges received*	*11.25*
iv.	*Sale of Tender forms*	*0.79*
v	*Applications under RTI charges*	*0.00*
vi.	*Recovery of transport facilities*	*0.06*
vii.	*Ground rent*	*0.00*
viii.	*Rent of Staff quarters / Water charges/ Guest House*	*0.68*
ix.	*Recovery of telephone charges*	*0.10*
x.	*Other MISC receipts*	*0.87*
xi.	*Profit on Sale of Store's scrap*	*3.35*
		0.00
xi.	*Less : Income considered in SLDC's Account*	*-0.65*
	TOTAL -	***18.61***

Say ₹ 18.61 Crores.

Therefore, Non Tariff Income for FY 2015-16 is : ***₹ 18.61*** *Crores against* ***₹ 20.98*** *Crores allowed vide order dated 02.04.2013 for the year 2015-16."*

55. Commission's Analysis:

In Note. 22 for "Other Income" in the Audited Financial Statements of MPPTCL for FY 2015-16, it is recorded that Miscellaneous Receipts of ₹ 18.60 Crore Therefore, as claimed by MPPTCL, an amount of ₹ **18.61 Crore** is considered as Non-Tariff Income in this true-up order:

Sr. No.	Particular	Unit	Amount for FY 2015-16
1	**Net amount of non-tariff income**	₹ Cr.	**18.61**

56. True-up amount allowed for FY 2015-16 in this order:

Based on the analysis made in preceding paragraphs, the Commission has determined the true-up amount of **₹ 330.28 Crore** for FY 2015-16. This amount shall be adjusted in the bills of long term open access customers of MPPTCL in FY 2018-19. Details of true-up amount determined in this order are tabulated hereunder:

True up amount for FY 2015-16:

Sr. No.	**Particular**	**Unit**	**Allowed in MYT order for FY2015-16**	**Allowed in this true-up order for FY 2015-16**	**True-up amount**
1	Return on Equity	₹Cr.	305.57	**321.80**	16.23
2	Interest and finance charges on loan	₹Cr.	92.92	**114.93**	22.01
3	Depreciation	₹Cr.	297.16	**306.88**	9.72
4	Operation and Maintenance expenses	₹Cr.	390.09	**442.18**	52.09
5	Interest on working capital	₹Cr.	52.69	**73.20**	20.51
6	Terminal benefits	₹Cr.	1185.27	**1353.69**	168.42
7	Provisioning for terminal benefits	₹Cr.	0	0	0
8	Fee paid to MPERC	₹Cr.	1.27	2.57	1.3
9	PPP Unitary Charge	₹Cr	0	**37.63**	37.63
10	Non-Tariff Income	₹Cr.	-20.98	**-18.61**	2.37
Total		**₹Cr.**	**2303.99**	**2634.27**	**330.28**

57. In para 2.2 to 2.6 and Annexure III of the petition, MPPTCL filed the Transmission Capacity of **14218.91 MW** and its allocation among Discom and SEZ and the same is considered in this true-up order.

58. The above true-up amount shall be recoverable from the Discoms and SEZ as given below:

		As per order dtd. 21.10.2013		**As per this Order**		
		Capacity Allocated	**Amount share**	**Capacity Allocated**	**Amount share**	**True up Amount**
S. No	**Customer**	(MW)	(₹ Cr)	(MW)	(₹ Cr.)	(₹ Cr)
1	MP Poorva KVVCL	4339.08	687.28	4243.23	786.12	98.84
2	MP Madhya KVVCL	4621.95	732.09	4520.15	837.43	105.34
3	MP Paschim KVVCL	5566.97	881.77	5437.53	1007.39	125.62
4	MPAKVN for SEZ	18	2.85	18	3.33	0.48
TOTAL -		**14546**	**2303.99**	**14218.91**	**2634.27**	**330.28**

59. In the para 10.8 b) of the petition, MPPTCL claimed ₹ 61.08 Crore against additional RoE and IWC for FY 2012-13 due to payment of Income Tax for FY 2012-13 (Assessment Year 2013-14). It was observed from Annexure XV in the subject true up petition that the income-tax return was filed by MPPTCL for the Assessment Year 2013-14 on 30th September' 2013 mentioning a **loss of ₹28.88 Crores**. Further, the case was selected under scrutiny and statutory notice u/s. 143(2) of the Income- tax Act, 1961 was issued on 02nd September' 2014. As per the order dated 28th December' 2015 issued by Assistant Commissioner of Income-Tax, Jabalpur and the Notice of Demand under Section156 of the Income-Tax Act, 1961, a gross demand of ₹ 33.69 lacs was raised to MPPTCL.

60. Commission's Analysis:

The information gaps/ infirmities regarding this issue were communicated to the petitioner and the petitioner's response on all such issues have been discussed in detail in **paragraphs 13 to 17** of this order. On perusal of the contention of petitioner in the subject petition as also the reply to the issues identified by the Commission and communicated to the petitioner, the Commission has observed that the aforesaid claim by the petitioner is for FY 2012-13 for which the true up exercise has been completed and true up order has also been issued on 21st August 2014. MPPTCL is the State Transmission Utility for the sole purpose of undertaking Intra-state transmission activities under Section 39(1) of the Act and as per documents placed by it on record, an amount of ₹ 33.69 lacs has been actually paid by MPPTCL to the Income Tax Department. The aforesaid amount paid by it is considered as deferred tax liability. Therefore, in terms of Regulation 30 of MPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2012, MPPTCL is allowed to recover the amount of ₹ 33.69 lacs directly from the Long term Customers in proportion to transmission capacity allocated to them in FY 2012-13.

61. The petitioner must take steps to implement this Order after giving public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fees payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendment. The petitioner must also provide information to the Commission in support of having complied with this order. The true-up amount as determined by the Commission in Para 56 and 58 of this order shall be recovered by MPPTCL in 12 equal installments during FY 2017-18. The Commission shall consider the additional transmission charges determined in this order for the Distribution Licensees/ Long term Open access customers of MPPTCL in their Annual Revenue Requirement for FY 2018-19. Ordered accordingly.

(Alok Gupta)	(A.B.Bajpai)	(Dr. Dev Raj Birdi)
Member	**Member**	**Chairman**

Date: 15th May'2017

Place: Bhopal