

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016



Petition No.17 of 2013

PRESENT:

Rakesh Sahni, Chairman

A. B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

True-up of Generation Tariff for FY 2010-11 determined by MP Electricity Regulatory Commission vide MYT order dated 3rd March, 2010.

M.P. Power Generating Company Ltd, Rampur, Jabalpur : PETITIONER

Vs.

- 1. M.P. Power Management Company Ltd., Rampur, Jabalpur**
- 2. M.P. Power Transmission Co. Ltd. Jabalpur**
- 3. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur**
- 4. Uttar Pradesh Power Corporation Ltd (UPPCL), Lucknow**
- 5. MSEB (Holding Co) & Maharashtra State Transmission Co. Ltd., Mumbai**

RESPONDENTS

ORDER

(Passed on this day of 26th September, 2013)

1. The petitioner M.P. Power Generation Company Ltd. (hereinafter called “MPPGCL”) has filed the subject petition on 18th March, 2013 for true-up of generation tariff for FY2010-11 determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called “the Commission”) vide Multi Year Tariff (MYT) order dated 3rd March, 2010.
2. The Commission issued MPERC (Terms & Conditions for determination of Generation Tariff) Regulations’ 2009 (Revision-I) (hereinafter referred to as “the Regulations”) on 30.04.2009. These Regulations were based on multiyear tariff principles prescribing norms of operation for the control period from FY 2009-10 to FY 2011-12. The Commission has scrutinized the subject petition based on the principles and methodology specified in the Regulations, 2009 and its amendments.
3. Vide MYT order dated 3rd March, 2010, the Commission approved the annual capacity charges and energy charge rates for the Multi Year Tariff period from FY 2009-10 to FY 2011-12. The aforesaid MYT order was based on the provisional opening balance sheet notified by GoMP since the last true-up order issued by the Commission for FY 2006-07 was also based on the provisional opening balance sheet. It is worth mention that the petitioner took the impact of final opening balance sheet first time in its audited accounts for FY 2007-08 and filed the petition for true-up of FY 2007-08 based on the same audited accounts.
4. The Commission had also issued the true-up orders for FY 2007-08, FY 2008-09 and FY 2009-10 on 24th January, 2011, 22nd March, 2012 and 23rd January, 2013 respectively considering the impact of final opening balance sheet. MPPGCL has submitted the subject true-up petition for FY 2010-11 based on the Final Opening Balance Sheet and Audited Annual Statements of Accounts for FY 2010-11.
5. The petitioner has submitted that M.P. Power Management Co. Ltd. (MPPMCL) and the three DISCOMS of MP have entered into a management and corporate functions agreement on 05.06.2012, whereby the three DISCOMS engaged MPPMCL to represent them in all the proceedings relating to power procurement and tariff petitions filed or to be defended before CERC, MPERC and other regulatory authorities, Appellate Tribunals, High Courts, Supreme Court and CEA etc.. Therefore, the three DISCOMS were not made respondents separately in this petition.

6. The power station-wise details of the annual capacity charges and energy charges allowed by the Commission in MYT order dated 3rd March, 2010 for FY 2010-11 are as given below:

Table No. 1:

Sr. No.	Power Station	FY2010-11	
		Fixed charges (₹ Crores)	Energy charges (Paisa per unit)
1	ATPS Chachai PH-II	70.25	113.08
2	STPS Sarni	352.30	133.81
3	SGTPS Birsinghpur (PH-1&2)	382.15	112.34
4	SGTPS Birsinghpur 500MW	376.27	100.30
5	Gandhi Sagar	8.19	-
6	Pench	15.35	-
7	Rajghat	10.76	-
8	Bargi	12.34	-
9	Bansagar (I to III)	146.70	-
10	Bansagar-IV (Jhanna)	14.31	-
11	Madhikheda	27.92	-
12	Birsinghpur	5.86	-

7. The Commission has issued separate tariff orders for final generation tariff of new generating units like SGTPS Birsinghpur 500MW and Madhikheda hydro power stations. Further, the petition for final generation tariff of Bansagar-IV (Jhinna) was also filed separately by the petitioner and the Commission's order in the aforesaid petition has been challenged before the Hon'ble Appellate Tribunal for Electricity. Therefore, the same shall be considered by the Commission after decision of the Hon'ble Appellate Tribunal for Electricity on the issues challenged by MPPGCL. Hence, these new generating units are not included in this true-up order.
8. The petitioner claimed the true-up amount on the following basis :
- "The Energy Charges (Variable Charges) has been billed in accordance to Proviso 39 of MPERC (Terms & Condition for determination of Generation Tariff) Regulation, 2009. Therefore, no truing up of Energy Charges has been considered.*
 - Other Charges comprising of MPERC Fees, Common Expenses, Water Charges, Rent, Rates & taxes, Cess on Aux. Consumption, Entry Tax on R&M and SLDC Charges have been claimed on actual basis based on Audited Accounts of FY 2010-11.*

- c. *The expenses shown in Audited Annual Statements of Accounts for FY 2010-11 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2010-11 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's MYT Order dated 03.03.2010. The expenses incurred in projects namely SGTPS 500MW, ATPS 210 MW Extn. Unit No.5 and Bansagar IV have been deducted on MW basis, since petition for determination of Final tariff for these projects have been filed separately, which is based on Audited Expenditures upto FY 2010-11, therefore Trueup of these new projects upto FY 2010-11 is not required.*
- d. *The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 11 of MPPGCL, have not been considered in this True up Petition since the Commission has not considered these projects in MYT order, being operated by Rajasthan authorities.*
- e. *As per the Regulation 26.6 the expenditure towards actual Pension & Terminal benefits is to be claimed by Transmission Licensee, hence MPPGCL had not claimed these expenses in its tariff petition.*
- f. *Arrears on account of revision of pay scale of employees in accordance with the 6th Pay Commission recommendations has been claimed separately as per books of accounts for FY 10 & FY 11 which works out to ₹ 105.09 Crores for FY 10 and ₹ 0.37 Crores for FY 11."*
9. The petitioner submitted that the difference between Tariff approved by the Commission for FY 2010-11 in its MYT order dated 3rd March, 2010 vis-à-vis the true-up requirement after applying Actual Availability on fixed cost elements of thermal power stations and actual Availability applicable on capacity charges only for Hydro Power Stations based on 100% capacity of the plants operated by MPPGCL is worked out to ₹ (-147.26) Crores as given below :

Table No. 2:

True-up Requirement for FY 2010-11:

(Amount in ₹ Crores)

Particulars	Elements	Total Cost FY 2010-11		
		As per MYT Order	As per Actual	Diff.
Fixed Cost Elements	O & M Expenses	422.38	301.91	-120.47
	Compensation Allowance	11.09	6.11	-4.98
	Special Allowance	16.52	12.41	-4.11
	Interest on Loan	57.55	33.11	-24.44
	Interest on W/C	104.72	74.25	-30.47
	Depreciation	174.69	156.25	-18.44
	Return on Equity	142.02	160.84	18.82
	Cost of Sec Oil (Normative)	74.93	52.07	-22.86
	Other charges	-	59.69	59.69
	Grand Total	1003.90	856.64	-147.26

10. The petitioner also submitted the Power station wise break up of true up amount after applying actual Availability on fixed cost elements of thermal power stations and actual Availability applicable on capacity charges for Hydro Power Stations is worked out as under:

Table No. 3:

True-up Requirement for FY 2010-11:

(Amount in ₹ Crores)

S. No.	Station	As per MYT Order	As per Actuals	Diff.
1	ATPS PH-2	70.25	38.73	-31.52
2	STPS	352.30	308.86	-43.44
3	SGTPS PH 1&2	382.15	279.14	-103.00
4	Total Thermal	804.70	626.73	-177.97
5	Gandhi Sagar	8.19	10.61	2.42
6	Pench	15.35	20.50	5.16
7	Rajghat	10.76	7.87	-2.89
8	Bargi	12.33	20.35	8.03
9	Bansagar 1,2&3	146.71	164.76	18.05
10	Birsinghpur	5.87	5.82	-0.05
11	Total Hydro	199.20	229.91	30.71
	Grand Total	1003.90	856.64	-147.26

11. With the above submissions, the petitioner requested the Commission to :
 - a. *Approve Annual Fixed Charges and Other charges for FY 2010-11 and permit recovery of True up amount in six equal monthly installments.*
 - b. *Allow additional capitalization as per audited books of accounts for FY 2009-10 and FY 2010-11.*
 - c. *Allow arrears towards revision of pay scale of employees in accordance with the 6th Pay Commission recommendations as per para 15(f).*
12. The petitioner has mentioned that the installed capacity of the MPPGCL share, as on 15.02.2013 is 3687.2 MW (including its share in bilateral interstate projects), consisting of 2700.0 MW Thermal and 917.2 MW Hydro power. The petitioner has further mentioned that as on 15.02.2013, MPPGCL is operating 3785 MW, consisting of 2870.0 MW thermal and 915.0 MW Hydro power. Out of this 233.3 MW capacity belongs to other States. On the other hand, MPPGCL also has a share of 135.5 MW in hydro generation projects i.e., Rana Pratap Sagar and Jawahar Sagar installed out of the State. The petitioner has also submitted that the Central Electricity Authority vide letter No. CEA/PLG/DMLF/545/2012/219 dated 22.01.2013 approved the decommissioning / retirement of Unit No. 3 (PH-I) of 62.5 MW of Satpura Thermal Power Station, Sarni, (M.P.) with effect from 01.10.2012 and deleted 62.5 MW from the installed capacity of the country. Subsequently the Government of MP, Department of Energy vide letter No. F-3/114/13/10 Bhopal dated 31.01.2013 has also accorded approval for decommissioning of Unit No. 3 of STPS, Sarni w.e.f 01.10.2012.
13. The petitioner further mentioned that the Annual Statement of Accounts of MPPGCL is prepared for the portion actually owned by MPPGCL and not for the capacity operated by MPPGCL. Therefore, the expenses as extracted from the Annual Statement of Accounts of MPPGCL for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's Order.
14. In the subject true-up petition, the petitioner filed the additional capitalization during FY2010-11 in thermal and hydel power stations as per annual audited accounts. The petitioner filed the additional capitalization for FY2009-10 also whereas no additional capitalization in any power station was filed by the petitioner in the true up petition for FY2009-10.

Procedural History

15. The case was listed for motion hearing on 27th April, 2013. Vide daily order dated 27th April, 2013, the Commission admitted the petition and the petitioner was directed to serve the copy of the petition on all the respondents in the matter and file a draft public notice to be published in the news papers for inviting comments/objection from stakeholders.
16. By affidavit dated 29th May, 2012, the petitioner submitted the draft public notice for approval of the Commission.
17. The public notice on the subject petition was published by the petitioner on 23rd June, 2013 for inviting comments/suggestions from various stakeholders in the following newspapers:
 - a. Dainik Peoples Samachar, Jabalpur –Hindi
 - b. Dainik Nav Dunia, Bhopal – Hindi
 - c. Dainik Swadesh, Gwalior – Hindi
 - d. Dainik Choutha Sansar, Indore – Hindi
 - e. Dainik Central Chronical, Bhopal – English
18. No comment from any stakeholder was received in the matter. The public hearing in the subject petition was held on 23rd July, 2013 wherein only the representatives of the petitioner appeared.
19. Vide Commission's Order dated 27th April' 2013, the petitioner was asked to submit some additional information along with supporting data/ documents by 30th May' 2013. By affidavit dated 29th May 2013, MPPGCL submitted its response to the issues raised by the Commission. Issue wise response filed by the petitioner are as given below:
 - (i) **Issue:- The following details regarding additional capitalization during FY 2009-10 & FY 2010-11 with all relevant supporting documents as per clause 20 of MPERC Regulations, 2009.**
 - **The year-wise schemes of asset addition with full details along with approved/sanctioned estimated cost & actual cost.**

MPPGCL's Response :-

"The power station wise details of amount originally sanctioned for Capital Works as claimed in the petition are detailed as under:

ATPS PH-2, Chachai:

The Board of erstwhile MPSEB had passed a resolution in the 23rd meeting held on 23.06.2004, accorded approval for availing financial assistance from M/s PFC for carrying out R&M works at 2x120MW Units 3 & 4 (Power House-2) of ATPS Chachai (Copy enclosed as Annexure-1). Accordingly M/s PFC has sanctioned Loan bearing No. 20104021 amounting to ₹ 99.00 Crores against the estimated project cost of ₹ 124.30 Crores (Copy enclosed as Annexure-2). The Energy Department, GoMP vide letter dated 26.08.2004 has granted Guarantee to M/s PFC for the aforesaid Loan. (Copy enclosed as Annexure-3). It is here to mention that the Commission in the True up order for FY 09 has permitted the additional capitalization from FY 06 to FY 09 against the above R&M works and has already acknowledged this loan and allowed Interest & Finance charges in the True-up order for FY 2009-10.

STPS Sarni:

The Energy Department, Government of MP, had accorded administrative approval towards need based R&M activities & capital works at STPS Sarni vide order dated 21.02.2007 & 07.05.2007 amounting to ₹ 12.00 Crores & ₹13.40 Crores respectively. Copies of said approvals are enclosed as Annexure-4A & 4B. The said amount has been funded from M/s PFC Loan bearing No. 20704001 and GoMP Loans. The details / Agreements of these loans have already been submitted to Commission vide letter dated 20.02.2013, however the copies of above said loans are again enclosed as Annexure- 5A & 5B for ready reference please.

SGTPS PH-1&2 Birsinghpur:

The Energy Department, Government of MP, had accorded approval towards need based R&M activities & capital works at SGTPS PH-1&2, Birsinghpur vide order dated 21.02.2007 amounting to ₹ 24.00 Crores. The copy of said approval is enclosed as Annexure-6. The said amount has been funded from M/s PFC Loan bearing No. 20704002. The details / Agreements of this loan has already been submitted to Commission vide letter dated 20.02.2013, however the copies of above said loans are again enclosed as Annexure- 7A & 7B for ready reference please.”

- **Details of all such works (along with their estimated amount or actual expenditure) which are either completed or to be completed under additional capitalization as on 31st March, 2012.**

MPPGCL's Response :-

“Though the said petition is for Trueup of FY-11, however as desired by Commission the detailed status of R&M activities and capital works completed upto 31.03.2012 and balance works to be completed in respect of ATPS PH-2, Chachaj; STPS Sarni and SGTPS PH-1&2 Birsinghpur are annexed as Annexure-8A, 8B & 8C respectively.”

- **The nature of additional works executed in each unit.**

MPPGCL's Response :-

“Year wise and Power House wise details of asset addition and nature of additional capital works as recorded in Audited books of Accounts for FY 10 & FY 11 are annexed as Annexure-9.”

- **Reference of any approval, if accorded for above works by any competent authority. Approval of the Commission, if any.**

MPPGCL's Response:-

The details of approval of competent authorities for above said R&M activities and capital works have already been provided in reply to point 3(i)(1,2&3) above (refer Annexure-1, 4A, 4B & 6).

- **The details of cost benefit earned for each need based R&M work.**

MPPGCL's Response:-

“Works carried out were essential to efficiently run the power house therefore benefit earned is not measurable.”

- **Details of the power station wise funding for additional capitalization.**

MPPGCL's Response :-

“Year-wise and Power house wise details of funding for additional capitalization through Loan and Equity/Internal Resources as claimed in the instant petition are annexed as Annexure-10.”

- **Whether the addition of asset is on account of the reasons in clause 20 of the Regulations, 2009.**

MPPGCL's Response:-

"It is here to mention that the works being carried out at ATPS, PH-2 were sanctioned to erstwhile MPSEB and later on transferred to MPPGCL under Transfer scheme as per Section 131 of the Electricity Act 2003.

Further the Capital works / procurement of spares of capital nature at STPS PH-2&3 and SGTPS PH-1&2 were administratively approved by Government of MP in year 2007 in lieu of Power Sector Reform and were initiated by MPPGCL falling under Proviso 19 {2.9(f)} of Terms & Condition for determination of Generation Tariff Regulation, 2005. The Commission in its order dated 25.04.2011 para 3 in Petition No. 24/2011 has directed to claim the capital expenditure as and when incurred through tariff petitions and In-principle approval is not required separately.

The asset additions as captured in books of accounts for FY 10 & FY 11 have been considered in accordance to proviso 8.4 of Regulation, 2009 in this True-up."

- **Whether the petitioner has taken due care in writing off the gross value of the original asset from the original cost in case of any expenditure on replacement of old asset.**

MPPGCL's Response:-

"No expenditure booked on replacement of old assets."

- **Whether the effect of writing off the gross value of the original asset from the original cost on replacement of the old asset has been considered in the asset registers.**

MPPGCL's Response :-

"Not applicable in FY 10 & 11. However asset pertaining to office equipments of minor nature at STPS Sarni have been written off in FY 10 and the effect has been taken into consideration in the Asset Register. The Asset-cum-Depreciation register has been already submitted to Commission."

- (ii) **Issue:- Whether the additional capitalization claimed for PH-2 & 3 of STPS Sarni is part of capital expenditure approved by the Commission for need based R&M in Unit 6, 7, 8 & 9 of STPS, Sarni.**

MPPGCL's Response :-

"The additional capitalization claimed for PH-2 & 3 of STPS Sarni relates to R&M works detailed in reply Para 3(i)(2), and are not the part of capital expenditure approved by the Commission for need based R&M in Unit 6, 7, 8 & 9 of STPS, Sarni."

- (iii) **Issue:- The power station wise detailed break-up of assets addition recorded in the consolidated Audited Accounts of the company as a whole for FY 2009-10 and 2010-11.**

MPPGCL's Response :-

"The Power Station wise breakup of Gross Block of Fixed Assets of MPPGCL as per Audited Annual Statement of Accounts for FY 10 & FY 11 is annexed as Annexure-11."

- (iv) **Issue:- While going through the funding for additional capitalization, it is observed that there is mismatch between the funding and assets created through this funding. Therefore, year-wise details of funding and asset created through this funding in light of the information filed in the petition is required to be informed.**

MPPGCL's Response :-

"The details of funding of additional capitalization through Loan component and Equity/ Internal Resources have provided in Annexure-10."

- (v) **Issue:- The status of normative equity as on 1st April, 2010 is missing in the table 4.6.6.1 of the petition. Therefore, the status of equity as on 01.04.2010 clearly indicating the addition of equity on account of additional capitalization be filed.**

MPPGCL's Response :-

"The Power house wise details of Equity as on 01.04.2010 and Equity addition on account of asset addition, is annexed as Annexure-12."

- (vi) **Issue:-** With regard to the contention in Para 4.6.3 of the petition for correction in equity of ATPS PH-II, the year-wise development of equity since 01.06.2005 (as admitted by the Commission in its True up Order for FY 2007-08) indicating year-wise addition (as admitted by the Commission) and deductions on account of de-capitalization of any unit/(s) to arrive at the equity of ATPS PH-2 as on 01.04.2009 be submitted.

MPPGCL's Response :-

"The details of equity in respect of ATPS PH-2 from 01.06.2005 to 01.04.2009, after considering the decapitalization of ATPS PH-1, are annexed as Annexure-13."

- (vii) **Issue:-** Detailed break-up of each loan scheme clearly indicating opening balances, amount received during the year, scheduled repayment during the year, actual repayment made during the year, actual closing balance of each loan, loan in CWIP, loan in existing power stations, overdue payment made during the year.

MPPGCL's Response :-

"The Interest & Finance charges as claimed in the instant Trueup petition are governed by proviso 23 of Regulation, 2009, however as desired, the statement showing the loan wise details of opening balance, amount received during the year, repayment, closing balance, loan in CWIP and running projects are annexed as Annexure-14."

- (viii) **Issue:-** Base calculation along with supporting documents for power station wise weighted average rate of interest.

MPPGCL's Response :-

"The Power station wise details of weighted average rate of interest as claimed in the True up petition for FY 11 is annexed (Annexure-15 A, 15B & 15C)."

- (ix) **Issue:-** The power station wise details of non-tariff income in FY 2009-10 and FY 2010-11 as per Audited Accounts of the respective years.

MPPGCL's Response :-

“Though Non-Tariff Income is not component of Regulation,2009, however as desired by the Commission, the power station wise details of Non-Tariff income as per Schedule-16 read with Schedule-23 of Audited Statement of Accounts for FY 10 and FY 11 of MPPGCL are annexed as Annexure 16.”

- (x) **Issue:- Copy of SLDC statement indicating power station wise actual plant availability factor for the year.**

MPPGCL's Response :-

“Desired information is annexed as Annexure-17.”

- (xi) **Issue:- Copy of the monthly bills for actual recovery of capacity charges and energy charges of thermal and Hydel power stations during FY10-11.**

MPPGCL's Response :-

“Desired information is annexed as Annexure-18.”

- (xii) **Issue:- The reasons with details and supporting documents be explained for abnormal increase in weighted average rate of secondary fuel oil in ATPS Chachai as compared to weighted average rate of secondary fuel oil in other two thermal power stations.**

MPPGCL's Response :-

“MPPGCL likes to clarify that the Secondary Fuel Oil (Furnace oil + LDO) at ATPS Chachai, are not being regularly procured on monthly basis. The rate specified in MYT Petition for FY 10 to FY 12 submitted by MPPGCL was ₹33905/-. However, the Commission in its query dated 16.12.2009 had desired the Wt. Average rates of Sec. oil for Jan'09 to March'09 which were submitted on provisional basis on store records on consumption basis, as no Secondary Oil was procured during these months.

Further, as it can be seen from the Table No. 4.7.1.1 at page 54 of the petition, the Secondary Fuel oil at ATPS based on requirement have been procured in the month of May'10 and Oct'10 only, as the Oil companies do not supply part rack. The details of Furnace Oil and LDO actually procured and its weighted average Landed prices/rate are enclosed as Annexure-19. It can be seen from Table no. 4.7.2.1 of the petition that the actual Wt. Average landed rate of Secondary Fuel oil of ATPS, Chachai is at par with that of the adjoining Power Station i.e. SGTPS, Birsinghpur.”

(xiii) **Issue:-** The petitioner has claimed of ₹ 105.09 Crores and ₹ 036 Crore against the arrears on wage revision during FY 2009-10 and FY 2010-11 respectively whereas, the amount of arrears on wage revision is recorded as ₹ 102.75 Crore and ₹ 0.356 Crore in FY 2009-10 and FY 2010-11 respectively in Schedule-19 of the Audited Accounts of MPPGCL. Therefore, the following clarifications are required.

- **The reasons for difference in amount of arrears claimed for FY 2010-11 vis-a-viz the amount recorded in Schdule-19 of the Audited Accounts.**

MPPGCL's Response :-

“The amount claimed in the True Up petition for FY 11 towards arrears of employees in on 100% basis, whereas the amount recorded in Schedule-19 of Annual Statement of Accounts is on shared basis.”

- **The basis for allocation of arrears to various power stations under Table 4.8.2.1 of the subject petition.**

MPPGCL's Response :-

“The arrears shown in Table No. 4.8.2.1 for FY 10 and Table No. 4.8.4.1 for FY 11 are as per booking in Account code 75.675 as captured in Annual Statement of Accounts for FY 10 Sch.19 item No.12 & FY 11 Sch.19 item No. 12 scaled to 100%. The working statement in this regard is enclosed as Annexure-20.”

- **The amount of arrears claimed in the petition is not allocated to any new power station whereas the amount recorded in Schedule-19 of Audited Accounts is for whole MPPGCL. The reasons for excluding new power stations in Table 4.8.2.1 of the petition be explained.**

MPPGCL's Response :-

“The amount arrears due wage revision of employees claimed in True Up petitions of FY 11 for FY 10 & FY 11 pertains to the period upto 31.08.2008 i.e. prior to the commissioning of new thermal power stations, hence same were not considered in final generation tariff of new thermal power stations. However Madhikheda HPS (2x20MW+1X20MW) was commissioned during 2007 & 2008 and the amount pertaining to arrears was not claimed in final generation tariff petition hence it is now been considered in the instant petition for claiming wage revision arrears. MPPGCL humbly request for kindly allow the same.”

20. On perusal of the abovementioned response, the Commission observed that the information furnished for additional capitalization was still inadequate to determine the capital cost. Therefore, the petitioner was asked to file the information duly filled up in the format enclosed with the Commission's letter dated 21st June'2013. Vide additional submission dated 20th July, 2013, the petitioner filed the details of power station-wise additional capitalization along with its funding and approvals from appropriate authorities. In its aforesaid letter dated 20th July, 2013, the petitioner broadly submitted the following;

ATPS Chachai PH-2 (2X120MW)

- a. “The Renovation and Modernization scheme of ₹ 124.30 Crores for ATPS PH-2(2x120 MW) was approved by the Board of erstwhile MPSEB on 18-01-2004 .*
- b. The said R&M scheme was financed through PFC loan No. 20104021 of ₹ 99.00 Crores, GoMP Loan of ₹ 6.01 Crores and balance was financed through equity/internal resources of the company.*
- c. Out of the above, the additional Capitalization of ₹ 19.00 Crores and 0.99 Crores for ATPS PH-1&2 was admitted by the Commission in its True Up order for FY 2008-09. The aforesaid amount as admitted by the Commission includes ₹ 17.87 Crores against additional capitalization for ATPS PH-II.*

- d. *The actual expenditure incurred by MPPGCL under this scheme as on 31-3-2011 is ₹ 95.36 Crores, out of which ₹ 60.14 Crores was capitalized in the Audited books of Accounts for FY 11 and was completely financed through the debt component (PFC & GoMP loan).*
- e. *The details of assets capitalized in FY 2010-11 along with the copy of loan documents have been submitted by MPPGCL in its letter dated 29-05-2013. As desired, MPPGCL submitted the duly filled up prescribed format towards Additional Capitalization carried out at ATPS PH-2 as Annexure-1.”*

STPS Sarni PH-2&3

- a. *“The need based R&M activities and capital works in STPS, Sarni was approved by the Energy Department GoMP dated 21.02.2007 in lieu of Power Sector reforms amounting to ₹ 36.00 Crores (out of which ₹ 17.00 Crores pertains to STPS).*
- b. *Another R&M Scheme of STPS was approved by Energy Department GoMP vide letter dated 07-05-2007 amounting to ₹ 13.40 Crores. Apart from above, the other necessary need based capital works related to Railway siding and replacement of sleepers and other buildings amounting to ₹ 21.07 Crores which were also are carried out at STPS Sarni.*
- c. *All the said works were financed by PFC Loan No.20704001 & GoMP loans amounting to ₹ 18.55 Crores & ₹ 12.62 Crores respectively and balance expenses through internal resources of the company.*
- d. *One number Generator Transformer of capacity 250 MVA, 15.75KV/240KV as spare, was procured from PFC Loan No.20704002, suitable for SGTPS Unit No. 1, 2, 3 & 4 and STPS Unit No. 6&7. This transformer was either to be kept as SGTPS, Birsinghpur or STPS Sarni. Incidentally, one of the Generator Transformer at STPS Sarni PH-2 had gone faulty and badly damaged; hence the above mentioned spare was installed at STPS. The asset was then taken into books of accounts of STPS Sarni and capitalized. Accordingly, a proportionate amount of cost of transformer met from PFC Loan No.20704002 has been considered for STPS Sarni PH-2 which amounts to ₹ 9.48 Crores.*
- e. *MPPGCL has availed Special Allowance at STPS PH-1, hence no additional capitalization has been claimed at STPS PH-1 for FY 10 & FY 11 in the instant petition.*
- f. *The assets capitalized at STPS PH-2 amounts to ₹ 10.22 Crores & ₹ 31.92 Crores for FY 10 & FY 11 respectively as per the Audited books of Accounts for respective years and the same has been claimed by MPPGCL*

in the instant True Up petition. The details of assets capitalized at STPS PH-2&3 in FY 10 & FY 11 along with the copy of loan documents have already been submitted before Commission vide letter dated 29-05-2013. Further, as desired, the duly filled up prescribed format towards Additional Capitalization carried out at STPS PH-2&3 is annexed as Annexure-2.”

SGTPS Birsingpur PH-1&2

- a. *“The need based R&M activities and capital works approved by the Energy Department GoMP dated 21.02.2007 in lieu of Power Sector reforms amounts to ₹ 36.00 Crores. (out of which ₹ 18.82 Crores pertains to SGTPS PH-1& 2).*
- b. *All the said works were financed through PFC Loan No.20704002 amounting to ₹ 16.20 Crores & GoMP loan amounting to ₹ 2.62 Crores. Further, one number Generator Transformer of capacity 250 MVA, 15.75KV/240KV as spare, was procured from PFC Loan No.20704002, suitable for SGTPS Unit No. 1, 2, 3 & 4 and STPS Unit No. 6&7. However as explained in earlier para the same has been installed at STPS Sarni.*
- c. *The assets capitalized at SGTPS PH-1 (unit No. 1&2) amounts to ₹ 4.51 Crores and ₹4.59 Crores for FY 10 & FY 11 respectively as per the Audited Books of Accounts for respective years and the same has been claimed in the instant true up petition for FY 10-11.*
- d. *The details of assets capitalized at SGTPS PH-1 & 2 in FY10 & 11 along with Loan documents have already been submitted before the Commission vide letter dated 29.05.2013.*
- e. *Further, as desired, the duly filled up prescribed format toward Additional Capitalization carried out at SGTPS PH-1&2 is annexed as Annexure-3.”*

Bansagar PH-1, 2 &3

- a. *“A spare Generator Transformer of Capacity 130MVA for Bansagar PH-1 (3x105MW) (Tons) was procured vide order No.07-10/T-24/ORD-267/1086 dated 21.08.2006 and capitalized in the books of accounts in FY-11.*
- b. *The total expenditure amounting to ₹ 5.07 Crores was financed partly from GoMP Loan No. F5/41/2007/13 dated 30.03.2008 amounting to ₹ 2.60 Crores (debt component) and balance ₹ 2.47 Crores from internal recourses of MPPGCL (equity component).*

- c. *The details of assets capitalized at Bansagar PH-1-3 in FY 10- 11 along with the copy of loan documents have already submitted before the Commission.”*
21. By affidavit dated 2nd August, 2013, the petitioner further filed its written submission on the issues of capital expenditure towards additional capitalization of Bansagar and STPS Sarni, liability towards R&R Korba, additional liability towards GoMP loan and justification for rate of depreciation considered on new assets. The petitioner broadly submitted the following:
- i. In respect of Bansagar HPS, the petitioner filed the documents regarding approval from the competent authority for asset additions and order placed on M/s BHEL.
 - ii. With regard to STPS, Sarni, the petitioner has claimed additional capitalization of ₹ 10.22 Crores for FY09-10 towards procurement of 250MVA Generator Transformer for PH-II. The petitioner has also claimed additional capitalization of ₹ 31.92 Crores in STPS, Sarni as detailed below:
 - *“Procurement of one No. spare Generator Transformer 250 MVA 15.75 KV/220 KV from M/s TELK Ltd, Ernakulam, Kerala amounting to ₹ 8.99 Cr vide order No.SE/STP/ET&I/II/EM.II/PT-07/1054 dated 01.08.2009. The purchase was approved by CMD (MPPGCL) vide No. 1036 dated 30.08.2009.*
 - *Modification works of main Railway track from Goradongri to Sarni siding amounting to ₹ 7.09 Cr was capitalized in FY 11, the gist of railway siding works at STPS, Sarni is enclosed(Annexure-3B). The copies of various order placed on M/s Steel Authority of India Ltd, Jabalpur, M/s Vishal Nirmitti Pvt. Ltd, Nagpur and M/s Annapurna Traders, Sarni along with its approval from competent authority are enclosed (Annexure 3C to 3J)*
 - *Capital expenditure amounting to ₹ 8.83 Cr towards acquisition of Forest Land under lease for construction of new Ash Bund was capitalized in FY11. The copy of letter dated 08.04.2009 indicating the payment made in this regard is enclosed (Annexure-3K).*
 - *Capital expenditure amounting to ₹ 1.98 Cr was capitalized in FY10-11 under the head switchgears including cable connections towards supply, installation, retrofitting, modification, engineering and commissioning works of ABB make 6.6 KV breakers. The copies of orders are enclosed.*
 - *Capital Expenditure amounting to ₹ 5.15 Cr was capitalized in FY11 under the head buildings towards construction of school building and bus stop at STPS, Sarni vide order No. 3086 dated 20.07.2009 on M/s Ramky Infrastructures Ltd, Bhopal details enclosed (Annexure-3M).”*

22. With regard to the higher rate of depreciation charged for new asset additions in the Asset Cum depreciation register of such power stations who have outlived their useful life, the petitioner submitted the following:

“the Appendix-II of MPERC (Terms and Conditions for determination of Generation tariff) Regulation, 2009 does not specify the life of individual assets and speaks only for useful life of newly commissioned power stations as such while preparing the Asset-Cum-Depreciation register, the balance depreciation of power station who have outlived their useful life, has been spread over the span of 4 years from the date of asset capitalization. Accordingly the revised Asset-Cum-Depreciation registers were submitted before Commission vide letter dated 02.02.2012 incorporating the issue of negative assets as well as balance depreciation of plants who have out lived their useful life. This philosophy and procedure was appreciated, acknowledged & approved by the Commission in the True Up order for FY 09-10.

The aforesaid philosophy of charging depreciation has also been acknowledged by the statutory and AG Audit as reflected in the Significant Accounting Policies & notes on Accounts point No. 5b in Audited Annual Statement of Accounts for FY-11 already submitted to Commission.”

23. Vide letter dated 17th August, 2013, the petitioner further submitted the details of additional capitalization in STPS, Sarni and SGTPS, Birsingpur along with copy of approval for the works from the competent authority and their funding. With regard to the additional capitalization of ₹ 8.83 Crores towards land for Ash bund in STPS, Sarni., the petitioner through aforesaid letter submitted the following:

“As the existing Ash Bund at STPS Sarni, which is spread over 922 acres of land, has already exhausted its capacity in 1988-89. MPPGL has been, somehow, managing the ash disposal task Units No.1 to 9, with present arrangement by raising the height of the Ash bund. The height of existing ash bund has been raised from the initial levels of as low as 422.02 M to 460.50 M. Disposal of ash being generated from unit No.1 to 9 of STPS shall not be possible beyond May-June’2012 with the present method of raising the height and the construction of new ash bund became inevitable. The issue was well addressed by MPPGCL before the Commission during their visit to STPS Sarni from 26.4.2007 to 29.04.2007. The Commission has appreciated the need and acknowledged vide letter dated 30.05.2007 (copy enclosed as Annexure-1).

Subsequently, MPPGCL had filed a petition before the Commission (registered by the Commission as 24 of 2011) for permitting Capital expenditure of ₹ 53.22

Cr towards new Ash bund. Further the Commission in its Order dated 25th April'2011 (copy enclosed as Annexure-2) it was mentioned that Commission may consider the actual expenditure when actually incurred.

In this regard, it is to submit that MPPGCL has made payment amounting to ₹12.15 Crores in FY-10 to District Forest Officer North Betul towards acquisition of 111 Hectare Forest Land under lease etc for new Ash Bund scheme vide cheque No.503277 dated 04.04.09 (copy enclosed as Annexure-3). **This expenditure has been made from internal resources of ₹ 8.83 Crores and was capitalized in account code No.10.102 (Land held under lease) after taking possession of land under lease in FY11 in PH-2&3 STPS Sarni (emphasis supplied).** With the above contention, it is requested to permit the capital expenditure of ₹ 8.83 Crores in this head.”

Capital Cost

Petitioner's submission:

24. The petitioner (in Para 4.3 of the petition) submitted that the following values of Gross block of Assets and Accumulated depreciation of MPPGCL are taken as per the Annual Statement of Accounts:

Table No. 4: Opening Gross Block & and asset addition: ₹ Crores

S. No.	Stations	Gross Block as on 1-4-2009	Asset Additions in FY 10	Asset Additions in FY 11	Gross Block as on 31-3-2011
1	ATPS PH-2	141.12	0.00	60.14	201.26
2	STPS PH-1*	40.02	0.00	0.00	40.02
3	STPS PH-2&3	591.17	10.22	31.92	633.32
4	STPS Total	631.19	10.22	31.92	673.34
5	SGTPS PH-1&2	2163.72	4.51	4.59	2172.824
6	Total Thermal	2936.04	14.73	96.65	3047.42
7	Gandhi Sagar	10.3	0.03	0.01	10.33
8	Pench	96.24	0.02	0.00	96.27
9	Rajghat	82.81	0.00	0.00	82.81
10	Bargi	87.03	0.00	0.00	87.03
11	Bansagar PH-1-3	1243.93	0.00	5.07	1249.00
12	Birsinghpur	52.15	0.00	0.00	52.15
13	Total Hydro	1572.44	0.05	5.08	1577.58
14	HQ	0.44	0.60	0.05	1.08
	Total	4508.92	15.39	101.77	4626.08

*** Asset Additions for STPS PH-1 amounting to ₹ 3.85 Crores are not considered as Special allowance had been claimed for it.**

Table No. 5: Accumulated depreciation : ₹ Crores

S.No.	Stations	Acc. Dep. As on 1/4/2009	Dep for FY 10 considering Asset Additions	Dep for FY 11 considering Asset Additions	Acc. Dep. As on 31/3/2011
1	ATPS PH-2	78.2	6.08	10.90	95.18
2	STPS PH-1	31.76	1.06	1.06	33.89
3	STPS PH-2&3	444.51	23.65	31.54	499.71
4	STPS Total	476.27	24.72	32.61	533.60
5	SGTPS PH-1&2	1109.86	91.76	92.13	1293.75
6	Total Thermal	1664.34	122.55	135.64	1922.53
7	Gandhi Sagar	8.07	0.3	0.31	8.68
8	Pench	61.29	3.17	3.17	67.63
9	Rajghat	25	4.03	4.03	33.06
10	Bargi	48.67	2.96	2.96	54.60
11	Bansagar PH-1-3	332.25	58.17	58.51	448.93
12	Birsinghpur	25.26	1.67	1.67	28.59
13	Total Hydro	500.54	70.29	70.64	641.48
	Total	2164.91	192.93	206.37	2564.21

Provision in the Regulation:

25. With regard to the capital cost of the generating stations, Regulation 17.2 of the Regulations, 2009 provided as under:

“Subject to prudent check, the capital cost admitted by the Commission shall form the basis for determination of Tariff:

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 :

Provided further that in cases where benchmark norms have not been specified by the Central Commission, prudent check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of Tariff :

Provided also that the Commission may issue guidelines for vetting of capital cost of hydro-electric Projects by independent agency or expert and in that event the capital cost as vetted by such agency or expert may be considered

by the Commission while determining the Tariff for the hydro *generating station* :

Provided also that the Commission may issue guidelines for scrutiny and approval of Commissioning schedule of the hydro-electric Projects of a developer, not being a State controlled or owned company as envisaged in the Tariff policy as amended vide Government of India Resolution No 23/2/2005-R&R (Vol.IV) dated 31st March 2008 :

Provided also that in case the site of a Hydro generating station is awarded to a developer (not being a State controlled or owned Company), by a State Government by following a two stage transparent process of bidding, any Expenditure Incurred or committed to be incurred by the Project developer for getting the Project site allotted shall not be included in the capital cost...

Provided also that in case of the existing Projects, the capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure Projected to be incurred for the respective Year of the Tariff period during 2009-12, as may be admitted by the Commission, shall form the basis for determination of Tariff."

Commission's analysis:

26. In Para 4.3 of the petition, the petitioner submitted the break-up of opening GFA as on 1st April, 2009. The petitioner has filed the additional capitalization of ₹15.39 during FY2009-10 as per audited accounts of FY 2009-10. Accordingly, the total opening gross fixed assets of ₹ 4524.31 Crores as on 1st April, 2010 has been filed in the petition. The petitioner has also filed the additional capitalization of ₹101.77 Crores during FY2010-11. The details of opening and closing GFA filed by the petitioner are as given below:

Opening GFA as on 01.04.2009	-	₹ 4508.92 Crores
Asset additions during FY2009-10	-	₹ 15.39 Crores
Asset additions during FY2010-11	-	₹ 101.77 Crores
Closing GFA as on 31.03.2011	-	₹ 4626.08 Crores

27. The Commission issued true-up order for FY2009-10 on 23rd January 2013 in Petition No. 61 of 2012. In the aforesaid true-up petition, the petitioner had not filed additional capitalization in any power station. The details of additional capitalization for FY09-10 and FY10-11 are discussed in para 32 to 39 of this order.
28. Vide Commission's true-up order for FY2009-10 dated 23rd January, 2013, an amount of ₹ 4508.91 crores as closing GFA for FY 2009-10 was admitted by the

Commission. No additional capitalization was filed by the petitioner in the true-up petition for FY2009-10. The stations-wise break-up of closing GFA for FY 2009-10 as admitted in last true-up order is given below :

Table No. 6: (₹ Crores)

Sr. No.	Power Station	Opening & Closing GFA as per true-up order FY2009-10
1	ATPS	141.12
2	STPS	631.19
3	SGTPS	2163.73
4	Gandhi Sagar	10.29
5	Pench	96.24
6	Rajghat	82.80
7	Bargi	87.03
8	Bansagar	1243.92
9	Birsinghpur	52.15
10	HQ	0.44
Total		4508.91

The power station wise closing GFA as admitted in the last true-up order is considered as opening GFA in this true-up order.

Additional Capitalization:

Petitioner's submission:

29. In the subject true-up petition, the petitioner has filed the additional capitalization during FY2009-10 and FY2010-11. The power station wise details of additional capitalization filed by the petitioner are as given below:

Table No. 7: ₹ Crores

Sr. No.	Power Stations	Additional Capitalization as filed in the petition	
		FY2009-10	FY2010-11
1	ATPS PH-II	0.00	60.14
2	STPS Complex	10.22	31.92
3	SGTPS PH-I&II	4.51	4.59
4	Gandhi Sagar	0.03	0.01
5	Pench	0.02	0.00
6	Rajghat	0.00	0.00
7	Bargi	0.00	0.00
8	Bansagar I, II & III	0.00	5.07
9	Birsinghpur	0.00	0.00
10	HQ	0.60	0.05
Total		15.39	101.77

30. The petitioner has mentioned that the assets addition of ₹ 3.85 Crores in STPS, PH-I are not considered since special allowance has been claimed for it. Regarding the claim of additional capitalization, the petitioner, in para 4.3.3 of the petition broadly submitted the following;

ATPS PH-2, Chachai:

“The Board of erstwhile MPSEB had accorded approval for availing financial assistance from M/s PFC towards R&M works at 2x120MW Units 3 & 4 (Power House-2) of ATPS Chachai. Accordingly PFC Loan bearing No. 20104021 amounting to ₹ 99.00 Crores against the estimated project cost of ₹ 124.30 Crores was availed by MPSEB supported by GoMP guarantee & undertaking. The copies of the documents have submitted before the Commission vide this office dated 20.02.2013 and No.309 dated 07.03.2013 in the matter of MYT petition for control period FY 14 to FY 16. The Commission has already acknowledged this loan and permitted Interest & Finance Charges in the True-up order for FY09-10.

STPS Sarni:

The Energy Department, GoMP, had accorded approval towards R&M activities & works at STPS Sarni vide order dated 21.02.2007 & 07.05.2007 amounting to ₹12.00 Crores & ₹13.40 Crores respectively. Copies of said documents have submitted before Commission vide this office letter No. 222 dated 20.02.2013 and No.309 dated 07.03.2013 in the matter of MYT petition for control period FY 14 to FY 16. The said amount has been funded from M/s PFC Loan bearing No. 20704001 and GoMP Loans.

SGTPS PH-1&2 Birsinghpur:

The Energy Department, GoMP, had accorded approval towards R&M activities & works at SGTPS PH-1&2, Birsinghpur vide order dated 21.02.2007 amounting to ₹ 24.00 Crores. The copies of documents have submitted before Commission vide this office letter No. 222 dated 20.02.2013 and No.309 dated 07.03.2013 in the matter of MYT petition for control period FY 14 to FY 16. The said amount has been funded from M/s PFC Loan bearing No. 20704002.”

Provision in the Regulation

31. With regard to the additional capitalization of the generating stations, Regulation 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 provided that:

“ The capital Expenditure Incurred or projected to be Incurred, on the following counts within the original scope of work, after the Date of Commercial operation and may be admitted by the Commission, subject to prudent check:

(a) Undercharged liabilities

(b) Works deferred for execution

(c) liabilities to meet award of arbitration or for compliance of order or decree of a court,

(d) Change in Law,

(e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)

Provided that the details of works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for Tariff.

The capital Expenditure Incurred on the following counts after the Cut off date may, in its discretion, be admitted by the Commission, subject to prudent check:

(a) liabilities to meet award of arbitration or for compliance of the order or decree of a court;

(b) Change in Law.

(c) Deferred works relating to ash pond or ash handling system in the original scope of work;

(d) In case of Hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the Generating Company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and Expenditure Incurred due to any additional work which has become necessary for successful and efficient plant operation :

Provided that in respect sub-clauses (d) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for Additional Capitalization for determination of Tariff for the Tariff period under these Regulations.”

Commission’s analysis:

32. In the last true-up petition for FY2009-10, the petitioner had not filed any additional capitalization in any power station during the year. In para 4.1 of the aforesaid true-up petition, the petitioner mentioned that *“No additional capitalization was considered for existing stations.”*
33. In para 29 of the true-up order for FY2009-10 dated 23rd January, 2013, the Commission had mentioned that *“The petitioner has not filed any claim for additional capitalization in any power station. Hence, no claim for additional capitalization is considered in this order. Therefore, the closing GFA as on 31.03.2010 is same as the opening GFA shown above.”*
34. Vide Commission’s order dated 27th April, 2013, the petitioner was asked to file several details regarding additional capitalization during FY09-10 and FY10-11 filed in the petition with all relevant supporting documents as per clause 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009.
35. By affidavit dated 29th May, 2013, the petitioner filed its response on the issues raised by the Commission. The petitioner’s response on additional capitalization has been already discussed in **para 19** of this order. Vide additional submission dated 20th July, 2013, the petitioner filed some more details on power station wise additional capitalization along with their funding and approvals from competent authorities. The same has been discussed in **para 20** of this order.
36. During the public hearing on 23rd July, 2013, it was observed that the details of additional capitalization in respect of STPS, Sarni and SGTPS, Birsingpur filed by the petitioner are inconsistent and lacks clarity. The petitioner through its written submissions dated 2nd August, 2013 and 17th August, 2013 filed some more details related to additional capitalization and its funding. These details have been discussed in **para 20 to 23** of this order.
37. In its last submission dated 4th September, 2013, the petitioner filed the updated status of funding details of additional capitalization in respect of STPS, Sarni PH-I&II and all other power stations of MPPGCL for FY09-10 and FY10-11 as given below:

Table No. 8:**Asset addition during FY2009-10 and its funding details filed for STPS, Sarni:**

Asset Description	Asset Capitalized (₹ Crores)	Funding in ₹ Crores				
		PFC 20704001	PFC 20704002	GoMP Loan	Equity	Total
Generator Transformer of 100 KVA	10.11		9.48	0.63		10.11
Other Assets (Tools & tackles, Misc eq., Furniture & office equipments)	0.11				0.11	0.11
Total during FY2009-10	10.22	0	9.48	0.63	0.11	10.22

Asset addition during FY2010-11 and its funding details filed for STPS, Sarni:

Asset Description	Asset Capitalized (₹ Crores)	Funding in ₹ Crores				
		PFC 20704001	PFC 20704002	GoMP Loan	Equity	Total
Generator Transformer of 100 KVA	9.00	8.80		0.20		9.00
6.6 KV SF-6 Breakers /switchgears	1.94	1.94				1.94
Land held under lease for new Ash Bund	8.83				8.83	8.83
Railway Siding works	6.32			6.32		6.32
Other Buildings (School and Bus stand)	5.15			5.15		5.15
Auxiliaries at steam Power Plant	0.18			0.18		0.18
Other Transformer	0.11			0.11		0.11
Other Assets (Equipments for Hospitals, Tools & tackles, Misc equip., Furniture, computers & office eq.)	0.39				0.39	0.39
Total during FY2010-11	31.92	10.74	0.00	11.96	9.22	31.92

Table No. 9:**Power Station wise Asset addition and its funding filed by the petitioner: ₹ Crores**

Power Stations	FY 2009-10			FY 2010-11		
	Asset Additions	Loan	Equity	Asset Additions	Loan	Equity
1 ATPS PH-2	0.00	0.00	0.00	60.14	60.14	0.00
2 STPS PH-2&3	10.22	10.11	0.11	31.92	22.70	9.22
3 SGTPS PH-1&2	4.51	4.51	0.00	4.59	4.59	0.00
4 Gandhi Sagar	0.03	0.00	0.03	0.01	0.00	0.01
5 Pench	0.02	0.00	0.02	0.00	0.00	0.00
6 Rajghat	0.00	0.00	0.00	0.00	0.00	0.00
7 Bargi	0.00	0.00	0.00	0.00	0.00	0.00
8 Bansagar PH-1,2 &3	0.00	0.00	0.00	5.07	2.60	2.47
9 Birsinghpur	0.00	0.00	0.00	0.00	0.00	0.00
10 HQ	0.60	0.60	0.00	0.05	0.05	0.00
Total	15.39	15.22	0.16	101.77	90.07	11.70

38. On scrutiny of the aforesaid details filed by the petitioner, the Commission observed the following;

A. ATPS Chachai PH-2 (2X120MW)

- (i) In the instant petition, the petitioner has filed the additional capitalization of ₹ 60.14 Crores for ATPS PH-II during FY2010-11 under Renovation and Modernization scheme approved by the Board of erstwhile MPSEB on 18.01.2004.
- (ii) The estimated amount ₹ 124.30 Crores under R&M scheme of ATPS PH-II was approved with the funding of ₹ 99.00 Crores through PFC loan No. 20104021 and ₹ 6.01 Crores through GoMP loan. The balance funding of ₹ 19.29 Crores was approved through equity / internal resources of the company.
- (iii) In true-up order for FY2008-09 dated 22nd March, 2012, the Commission admitted the additional capitalization mentioning that the works under the R&M scheme of ATPS PH-II were need based and necessary for running of the power house in accordance with the proviso 19 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2005. The Commission allowed assets addition of ₹ 19.99 Crores during FY2007-08 and FY2008-09, wherein ₹17.87 Crores (₹ 16.97 Crores capitalized in FY07-08 and ₹ 0.91 Crores Capitalized in FY08-09) pertains to ATPS, PH-II under aforesaid R&M scheme and ₹ 2.12 Crores pertains to ATPS, PH-I.
- (iv) In the aforesaid true-up order for FY2008-09 dated 22nd March, 2012, the Commission considered the PFC loan scheme No. 20104021 and allowed loan amount of ₹ 55.44 Crores under the scheme for above R&M works. It was mentioned in the true-up order for FY2008-09 that the interest on this loan may be considered only after commencement of the repayment. Therefore, the interest on this loan scheme was also allowed in true-up order for FY2009-10 after commencement of the repayment under this loan scheme.
- (v) In the subject petition, the petitioner has filed the additional capitalization of ₹ 60.14 Crores during FY2010-11. The petitioner has also confirmed that the additional assets have been capitalized in the Audited books of accounts for FY2010-11 and are financed only through the debt component.

- (vi) The above-mentioned additional capitalization of ₹ 60.14 Crores claimed in the petition under R&M scheme have been verified from the Asset-cum-depreciation register of ATPS PH-II for FY2010-11 and also from the break-up of schedule 5 of the Annual Audited Accounts for FY2010-11 submitted by the petitioner. Details of the assets addition and nature of works under additional capitalization as per audited accounts in ATPS PH-II are given below:

Table No. 10:

Year of Capitalization	Additional Capitalization in ATPS PH-II under R&M works (Asset Description)	Amount (₹ Crores)
FY09-10	Nil	0.00
FY10-11	Boiler plant and equipment	16.51
	Turbine Generator- Steam Power Generation	41.01
	Auxiliary in Steam Power Plant	0.092
	Transformer 100 KVA and above	0.27
	Other Transformers	1.63
	Batteries including other charging equipments	0.45
	Meter testing tools and equipments	0.14
	Other office equipments	0.02
	Computers	0.01
	Total	60.14

- (vii) In view of the above, the Commission observed that the assets of ₹ 60.14 Crores are capitalized by the petitioner in books of accounts of FY10-11 under R&M scheme of ATPS PH-II. It is further observed that the Commission has already allowed the capitalization of assets under this R&M scheme in true-up order for FY2008-09.
- (viii) Therefore, the additional capitalization of ₹ 60.14 Crores during FY2010-11 under aforesaid R&M scheme of ATPS PH-II is allowed in this order. The details of the additional capitalization in ATPS PH-II and its funding is summarized as given below:

Table No. 11:

₹ Crores

Particular	Estimated approved amount	Recognized in true-up Order FY2008-09	Admitted in this true-up order for FY2010-11	Total amount allowed
Assets	124.30	17.87	60.14	78.01
Loan	105.01	*55.44	22,57	78.01
Equity	19.29	0.00	0.00	0.00

*Loan amount of ₹ 55.44 Crores was recognized but interest allowed in FY2009-10 after commencement of repayment.

B. STPS Sarni PH-2&3:

- (i) In the subject petition, the petitioner filed the asset addition/ additional capitalization of ₹ 10.22 Crores and 31.92 Crores in STPS, Sarni PH-2&3 during FY2009-10 and FY2010-11 respectively. The petitioner in the true-up petition for FY2009-10 confirmed that the additional capitalization in STPS, Sarni during FY2009-10 is nil.
- (ii) The petitioner submitted that the additional assets in STPS, Sarni were funded through PFC loan scheme Nos. 20704001, 20704002, loan from GoMP and equity infusion through internal sources.
- (iii) Vide another additional submission dated 20th July, 2013, the petitioner changed the funding status of these new assets in STPS, Sarni. The petitioner has not explicitly filed the estimated approved amount in respect of the additional capitalization of STPS, Sarni. Therefore, the petitioner is directed to file the exact estimated approved amount of additional capitalization of these units in the next true-up petition.
- (iv) The loan schemes No. 20704001 & 20704002 of PFC have not been filed by the petitioner in any previous tariff/true-up petition. However, these schemes were referred in the periodic reports submitted by MPPGCL and the reply filed by the MPPGCL in one Suo-moto petition. The aforesaid loan schemes are filed first time in the instant true-up petition. Therefore, the Commission has considered the funding of additional capitalization through these schemes in this order.
- (v) By affidavit dated 29th May, 2013, MPPGCL confirmed that the additional capitalization filed in the subject petition is not under the R&M scheme approved by the Commission for STPS, Sarni vide order dated 7th November, 2012 in petition No. 56/2012. Details of asset addition and nature of additional works capitalized under R&M works in STPS PH-II&III are given below:

Table No. 12:

STPS PH-2&3:		(₹ Crores)
Year of Cap.	Asset Description	Amount
FY09-10	Transformer 100 KVA and above	10.11
	Tools and Tackles	0.09
	Misc. equipments incl. fire protection system	0.01
	Office Equipments	0.01
	Total	10.22
FY10-11	Land held under lease	8.83
	Other buildings	5.15
	Railway siding	6.33
	Auxiliary in Steam Power Plant	0.18
	Transformer 100 KVA and above	9.00
	Other Transformers	0.11
	Switchgear incl. cable connections	1.94
	Equipment and Hospitals	0.03
	Tools and Trackles	0.34
	Misc. equipments incl. fire protection system	0.01
	Total	31.92

- (vi) Above additional capitalization has been checked and tallied with the break-up of Schedule 5 of the Audited accounts and Asset cum depreciation register for each year filed by MPPGCL.
- (vii) The petitioner further submitted that the payment of ₹ 12.15 Crores has been made to DFO Batul towards acquisition of 111 Hector Forest Land under lease. This expenditure has been made from internal resources of MPPGCL. Out of the aforesaid payment, an amount of ₹ 8.83 Crores was capitalized after taking possession of land under lease in FY2010-11 in PH-2&3 of STPS, Sarni.
- (viii) With regard to the capitalization of land for Ash bund, the Commission in its order dated 20th April, 2011 in petition No. 24/2011 mentioned that *“the Regulations do not provide for seeking in-principle approval of capital expenditure projected to be incurred by a Generating Company. However, the Regulations provide that capital expenditure may be admitted subject to prudence check as and when it is filed for the purpose of tariff determination by a Generating Company.”*

- (ix) As mentioned by MPPGCL, the existing capacity of the ash bund has already been exhausted and the construction of new ash bund became inevitable. Therefore, the expenditure capitalized towards land for ash bund is allowed under Regulation 20.2 (c) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009.
- (x) The expenditure on other assets, as mentioned in aforesaid table and capitalized in Audited Accounts of FY2009-10 and FY2010-11, are found necessary for efficient operation of the power station. Therefore, these new assets are considered under additional capitalization in this order.
- (xi) Vide letter dated 4th September, 2013, the petitioner confirmed the funding patterns of new assets capitalized in STPS, Sarni PH-2&3 during FY09-10 and FY10-11. The details of year wise additional capitalization and its funding as considered in this order are given below:

Table No. 13: (₹ Crores)

Particular	FY2009-10	FY2010-11
Asset addition	10.22	31.92
Loan component	10.11	22.70
Equity component	0.11	9.22

C. SGTPS Birsingpur PH-1&2:

- (i) In the subject petition, the petitioner has filed the additional capitalization of ₹ 4.51 Crores and ₹ 4.59 Crores in SGTPS, Birsingpur PH-1&2 during FY2009-10 and FY2010-11 respectively. In the true-up petition for FY2009-10, the petitioner had confirmed that the additional capitalization in SGTPS, Birsingpur during FY2009-10 was nil.
- (ii) The petitioner has submitted that the above-mentioned assets were funded through PFC loan scheme No. 20704002 and loan from Government of Madhya Pradesh. No equity infusion is filed in the additional capitalization of SGTPS, Birsingpur.
- (iii) The loan scheme No. 20704002 of PFC has not been filed by the petitioner in any previous tariff/true-up petition. However, this scheme was referred in the periodic reports submitted by MPPGCL and the reply

filed by the MPPGCL in one Suo-moto petition. The aforesaid loan scheme is filed first time in the instant true-up petition. Therefore, the Commission has considered the funding of additional capitalization from this scheme in this order.

- (iv) Above additional capitalization has been checked and tallied with the break-up of Schedule 5 of the Audited accounts and Asset cum depreciation register for each year filed by MPPGCL.
- (v) Details of asset addition and nature of works under additional capitalization in SGTPS PH-1&2 during FY2009-10 and FYFY2010-11 are as given below:

Table No. 14:

SGTPS PH-1&2

Year of Capitalization	Asset Description	Amount (₹ Crores)
FY09-10	Turbine Generator-Steam Power Generation	4.51
FY10-11	Turbine Generator-Steam Power Generation	4.57
	Air Conditioning Plant-Static	0.01
	Computers	0.01
	Total	4.59

- (vi) As submitted by MPPGCL, the above mentioned works/assets are found necessary for efficient operation of the power station. Therefore, the additional capitalization of aforesaid additional assets is allowed in this order. The details of the year wise additional capitalization and its funding admitted in this order are as given below:

Table No. 15: (₹ Crores)

Particular	FY2009-10	FY2010-11
Asset addition	4.51	4.59
Loan component	4.51	4.59
Equity component	0.00	0.00

D. Bansagar PH-1, 2 & 3

- (i) The petitioner filed the additional capitalization of ₹ 5.07 Crores in Bansagar, PH-1, 2 & 3 during FY2010-11 **for capitalizing the spare Generator Transformer of capacity 130 MVA for Bansagar PH-I**. The petitioner has confirmed that the aforesaid asset has been funded

through GoMP loan No. F5/41/2007/13 of ₹ 2.60 Crores and balance ₹ 2.47 Crores from equity component. By affidavit dated 2nd August, 2013 the petitioner submitted that the approval for aforesaid asset was granted by CMD (MPPGCL) vide letter No. 2321 dated 24/10/2005 and was capitalized in books of account for FY 2010-11.

- (ii) Regulation 20.2(d) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that “In case of Hydel Power Station any capital expenditure or additional work which has become necessary for successful and efficient plant operation may be admitted by the Commission after prudent check.”
- (iii) The aforesaid additional asset of ₹ 5.07 Crores has been verified from the Asset-cum-depreciation register of Bansagar HPS for FY2010-11 and also from the break-up of schedule 5 of the Annual Audited Accounts for FY2010-11 submitted by the petitioner.
- (iv) In view of the above, the Commission observed that the petitioner has capitalized the aforesaid asset in its books of accounts of FY2010-11. Therefore, the additional asset of ₹ 5.07 Crores are considered under Regulation 20.2(d) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 in Bansagar. The details of additional capitalization and its funding admitted in this order are as given below:

Table No. 16: (₹ Crores)

Particular	FY2009-10	FY2010-11
Asset addition	0.00	5.07
Loan component	0.00	2.60
Equity component	0.00	2.47

39. In addition to above additional capitalization, the petitioner has also capitalized asset amounting to ₹ 0.03 Crores in Gandhi Sagar in respect of office equipments and ₹ 0.02 Crores in Pench for Metering Equipments. In view of the above, the power station wise capital cost considered in this true-up order for FY2010-11 are as given below:

Table No. 17:

₹ Crores

Sr. No.	Power Stations	Opening GFA as on 01.04.2010 as per true-up order FY2009-10	Asset addition during FY 09-10	Asset addition during FY 10-11	Closing GFA as on 31.03.2011
1	ATPS PH-II	141.12	0.00	60.14	201.26
2	STPS Complex	631.19	10.22	31.92	673.33
3	SGTPS PH-I&II	2163.73	4.51	4.59	2172.83
4	Gandhi Sagar	10.29	0.03	0.01	10.33
5	Pench	96.24	0.02	0.00	96.26
6	Rajghat	82.80	0.00	0.00	82.80
7	Bargi	87.03	0.00	0.00	87.03
8	Bansagar I, II &III	1243.92	0.00	5.07	1248.99
9	Birsinghpur	52.15	0.00	0.00	52.15
Total		4508.47	14.78	101.73	4624.98

Annual Capacity (fixed) Charges:

40. The tariff for supply of electricity from a thermal power generating station and hydro power generating station comprises of capacity charge and energy charge to be derived in the manner specified in the Regulations 38, 39 and 50 of "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2009. {RG-26 (I) of 2009} and its amendments." The annual Capacity (fixed) Charges consist of:
- Return on Equity;
 - Interest and Financing Charges on Loan Capital;
 - Depreciation;
 - Lease/Hire Purchase Charges;
 - Operation and Maintenance Expenses;
 - Interest Charges on Working Capital;
 - Cost of Secondary Fuel Oil;
 - Special allowance in lieu of R&M or separate compensation allowance, wherever applicable:

a) Return on Equity:

Petitioner's submission:

41. The petitioner submitted the following power station wise GFA and equity for RoE:

Table No. 18: **₹ Crores**

Particulars		GFA as on 1/4/2009 considered by the petitioner	Permissible Equity 30% of Gross Block	Actual equity employed till 1.4.2009	Equity for RoE as on 1.4.2009 filed by the petitioner
1	ATPS PH-2	141.12	42.34	39.63	39.63
2	STPS Complex	631.19	189.36	223.17	189.36
3	SGTPS PH-1&2	2163.72	649.12	746.11	649.12
4	Gandhi Sagar	10.3	3.09	3.53	3.09
5	Pench	96.24	28.87	38.58	28.87
6	Rajghat	82.81	24.84	28.39	24.84
7	Bargi	87.03	26.11	29.86	26.11
8	Bansagar 1,2 & 3	1243.93	373.18	426.46	373.18
9	Birsinghpur	52.15	15.64	17.88	15.64
10	HQ	0.44	0.13	0.72	0.13
Total		4508.92	1352.68	1554.33	1349.97

42. The petitioner submitted that the asset additions made in FY2009-10 and FY2010-11 are claimed in this true up petition. The details of equity addition during FY 09-10 & FY 10-11 in new assets and Return on equity are filed in the petition as follows.

Table No. 19: **₹ Crores**

Station		Equity for ROE as on 1-4-2009	Equity Addition due to Asset Addition	Total Equity for ROE as on 31-3-2011	RoE @ 15.50%
1	ATPS PH-2	39.63	0.00	39.63	6.14
2	STPS	189.36	10.97	200.33	30.20
3	SGTPS PH-1&2	649.12	0.00	649.12	100.61
4	Total Thermal	878.11	10.97	889.08	136.96
5	Gandhi Sagar	3.09	0.01	3.10	0.48
6	Pench	28.87	0.01	28.88	4.48
7	Rajghat	24.84	0.00	24.84	3.85
8	Bargi	26.11	0.00	26.11	4.05
9	Bansagar PH-1,2 &3	373.18	1.52	374.7	57.96
10	Birsinghpur	15.64	0.00	15.64	2.42
11	Total Hydro	471.73	1.54	473.27	73.24
12	HQ	0.13	0.00	0.13	0.02
Total		1349.97	12.51	1362.48	210.22

43. The petitioner informed that the Commission has permitted Return on Equity in the MYT Order to ₹ 153.22 Crores and against the same the actual Return on Equity for FY2010-11 is ₹ 210.51 Crores. The equity allocated to HQ is nominal and as such has been linked to nearest power station i.e. Bargi HPS for simplicity. Considering the same, the True up on account of Return on Equity for the existing stations works out to ₹ 68.49 Crores

Provision in the Regulation:

44. Regulation 22 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

“Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 21.

Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per Regulation 22.3 of this Regulation:

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

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

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 Generating Company:

Provided that return on equity with respect to the actual tax rate applicable to the Generating Company, in line with the provisions of the relevant Finance Acts of the respective Year during the Tariff period shall be trued up separately.

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 Regulation 22.3. “*

Commission's analysis:

45. In the last true-up order for FY2009-10 issued on 23rd January, 2013, the opening balances of normative equity eligible for return was considered as admitted in true-up order for FY2008-09. While processing the true-up petition for FY2009-10 it was confirmed by the petitioner that "no additional capitalization for FY2009-10 is considered for existing stations". Thus, the equity addition due to additional assets during FY2009-10 was nil. Therefore, the same closing normative equity as on 31.03.2010 was considered in aforesaid true-up order.
46. The same opening normative equity as considered in last true-up order for FY2009-10 is considered in this true-up order. In the subject true-up petition, the petitioner has filed the additional capitalization for FY2009-10 and FY2010-11 and claimed return on equity on additional equity also. In this order the Commission has considered the power station wise equity addition only to the extent of additional capitalization admitted in this true-up order. With regard to ATPS PH-2 and SGTPS PH-1&2, no equity infusion in new assets is filed by the petitioner. Therefore, same normative equity as admitted in last true-up order for FY2009-10 is considered in these power stations.
47. Further, the normative equity of ₹ 189.36 Crores for STPS, Sarni is filed by the petitioner whereas the closing balance of the last true-up order for FY2009-10 was ₹ 187.82 Crores. In para 4.6.4 of the petition, the petitioner has clarified the following;

"The petitioner has submitted that in STPS Sarni, the Commission has made adjustments of ₹ 4.72 Crores towards Gross Block of STPS Sarni at para 27 page 12 of True up Tariff Order for FY 10. However the corresponding correction towards the maximum permissible equity of STPS Sarni was not made and the RoE was allowed on ₹ 187.82 Crores which needs to be corrected as ₹ 189.36 Crores and the corresponding RoE adjustments of ₹ 0.24 Crores may kindly be permitted."

48. From para 26 of true-up order for FY2009-10, it is evident that the adjustment of ₹ 4.72 Crores in Gross Fixed Assets of STPS, Sarni was done but the corresponding adjustment in normative equity of this power station was not made in that order.

Therefore, the request of the petitioner is considered and the normative equity of STPS, Sarni is adjusted/corrected accordingly in this order.

49. In view of the above, the power station-wise break-up of normative equity eligible for return on equity as approved in this true-up order is as given below:

Table No. 20:**Amount in ₹ Crores****Return on Equity for FY2010-11:**

Sr. No.	Power Station	Opening Normative Equity for the year	Normative equity addition during FY09-10	Normative equity addition during FY10-11	Closing normative equity
1	ATPS, PH-II	33.46	0.00	0.00	33.46
2	STPS, Sarni	189.17	0.11	9.22	198.50
3	SGTPS (PH-1&2)	649.12	0.00	0.00	649.12
4	Gandhi Sagar	3.09	0.01	0.01	3.11
5	Pench	28.87	0.01	0.00	28.88
6	Rajghat	24.84	0.00	0.00	24.84
7	Bargi	26.11	0.00	0.00	26.11
8	Bansagar (I to III)	373.18	0.00	1.52	374.70
9	Birsinghpur	15.65	0.00	0.00	15.65
Total		1343.49	0.13	10.75	1354.37

Table No. 21:**Return on Equity for FY2010-11:**

Sr. No.	Power Station	Average normative equity for the year	Applicable base rate of return	Return on Equity
		₹ Crores	%	₹ Crores
1	ATPS, PH-II	33.46	15.50	5.19
2	STPS, Sarni	193.84	15.50	30.04
3	SGTPS (PH-1&2)	649.12	15.50	100.61
4	Gandhi Sagar	3.10	15.50	0.48
5	Pench	28.87	15.50	4.48
6	Rajghat	24.84	15.50	3.85
7	Bargi	26.11	15.50	4.05
8	Bansagar (I to III)	373.94	15.50	57.96
9	Birsinghpur	15.65	15.50	2.43
Total		1348.93		209.08

b) Interest and finance charges on loan capital:**Petitioner's submission:**

50. The petitioner filed the power station-wise loan drawl till 01.04.2009 and also during FY2009-10 and FY2010-11 due to additional capitalization as given below:

Table No. 22: Amount in ₹ Crores

S.No.	Stations	Till 1/4/2009	FY 09-10	FY10-11	Total
			1	ATPS PH-2	0.0
2	STPS	10.84	2.46	23.12	36.42
3	SGTPS PH-1&2	0.06	18.92	0.0	18.98
4	Bargi	0.0	0.0	0.04	0.04
5	Bansagar 1,2&3	2.6	0.0	9.46	12.06
6	HQ	1.18	0.0	0.0	1.18
Total		14.69	49.29	41.31	105.29

51. The petitioner also submitted the details of power station-wise loan balances considering the additional loan and repayment equal to depreciation charged during FY2010-11 as given below;

Table No. 23: Amount in ₹ Crores

Stations	Opening Bal 1/4/2010	Loan Receipts FY 09 to FY 11	Principal repayment (Dep)	Closing Bal 31- 03-2011	Avg Bal
ATPS PH-2	53.5	36.6	10.9	79.21	66.35
STPS	0.0	36.42	32.61	3.82	1.91
SGTPS PH 1&2	168.01	18.98	92.13	94.86	131.44
Bargi	0.0	0.04	0.04	0	0
Bansagar PH-1-3	176.74	12.06	58.51	130.29	153.51
HQ	0.0	1.18	0.09	1.09	0.54
Total	398.25	105.29	194.24	309.26	353.75

52. Power station-wise Interest charges for FY 2010-11 are worked out by the petitioner in accordance with Regulation 23 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2009 considering repayment equal to depreciation and applying weighted average rate of interest on loans as indicated below:

Table No. 24:

Stations	Av Bal	Wt.Av.Rate of Intt	Interest Amount
ATPS PH-2	66.35	11.43%	7.59
STPS	1.91	11.19%	0.21
SGTPS PH 1 & 2	131.44	9.58%	12.59
Bargi	0	0.00%	0
Bansagar PH-1,2&3	153.51	8.70%	13.36
HQ	0.54	10.50%	0.06
Total	353.75		33.80

Provision in the Regulation:

53. Regulation 23 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that:

“The loans arrived at in the manner indicated in Regulation 21 shall be considered as gross normative loan for calculation of interest on loan.

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

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

Notwithstanding any moratorium period availed by the Generating Company, 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 generating station does not have actual loan, then the weighted average rate of interest of the Generating Company 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 Generating Company 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 Generating Company, 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-----“.

Commission’s analysis:

54. In the true-up order for FY 2008-09 issued on 22nd March, 2012, the Commission considered the loan addition on account of additional capitalization against need based R&M from FY 2005-06 to FY 2008-09. In the true-up order for FY2009-10 issued on 23rd January, 2013, the opening balances of loan was considered as admitted by the Commission in true-up order for FY 2008-09. During FY2009-10, no additional loan was considered in the true-up order. Therefore, the closing balances of loan were worked out after considering the repayment during the year. The closing balance of loan as on 31.03.2010 as worked out in last true-up order is considered as opening balance as on 01.04.2011 in this order.
55. The petitioner also filed the loan additions in respect of additional capitalization during FY2009-10 and FY2010-11. The Commission has allowed additional loan amount only to the extent of additional capitalization admitted in this order.
56. PFC loan scheme No. 20104021 in respect of Renovation and Modernization of ATPS PH-II has been already admitted in true-up order for FY2008-09. Therefore, the loan amount under this scheme to the extent of asset capitalized only during FY2010-11 in books of accounts is allowed in this order. The petitioner submitted that the additional capitalization in STPS PH-2&3 and SGTPS PH-1&2 funded through PFC loan no. 20704001, 20704002 and loan from GoMP. The balance part of STPS PH-2&3 has been funded through internal resources.
57. With regard to the additional capitalization in Bansagar HPS, the petitioner has submitted that the GoMP loan No. F5/41/2007/13 of ₹ 2.60 Crores has been utilized

for capitalizing the new assets during FY2010-11 in this power station. Therefore, the same loan amount is allowed for Bansagar HPS in this order.

58. The power station-wise details of opening loan balances and loan additions as admitted in this true-up order for FY 2010-11 after considering the repayment equal to depreciation during the year as per Regulations, 2009 is given below:

Table No. 25:

Power Station wise loan balances: Amount in ₹ Crores

Sr. No.	Power Station	Opening Loan Balance	Loan Addition during FY09-10	Loan Addition during FY10-11	Repayment equal to depreciation	Closing Loan Balance
1	ATPS, PH-II	53.50	0.00	22.57	9.27	66.80
2	STPS, Sarni	0.00	10.11	22.70	31.58	1.23
3	SGTPS (PH-1&2)	168.01	4.51	4.59	91.94	85.17
4	Gandhi Sagar	0.00	0.00	0.00	0.00	0.00
5	Pench	0.00	0.00	0.00	0.00	0.00
6	Rajghat	0.00	0.00	0.00	0.00	0.00
7	Bargi	0.00	0.00	0.00	0.00	0.00
8	Bansagar (I to III)	176.74	0.00	2.60	58.39	120.95
9	Birsinghpur	0.00	0.00	0.00	0.00	0.00
Total		398.25	14.62	52.46	191.18	274.15

59. Considering the above power station-wise loan balances, the interest amount is worked out by applying the power station wise weighted average rate of interest filed by the petitioner as given below:

Table No. 26:

Power Station wise Interest on loan: Amount in ₹ Crores

Sr. No.	Power Station	Average of loan	Applicable rate of interest (%)	Interest Amount
1	ATPS, PH-II	60.15	11.43	6.88
2	STPS, Sarni	0.61	11.19	0.07
3	SGTPS (PH-1&2)	126.59	8.65	10.95
4	Gandhi Sagar	0.00		0.00
5	Pench	0.00		0.00
6	Rajghat	0.00		0.00
7	Bargi	0.00		0.00
8	Bansagar (I to III)	148.85	8.70	12.95
9	Birsinghpur	0.00		0.00
Total		336.20		30.84

c) Interest on Excess Equity:**Petitioner's submission:**

60. The petitioner submitted that the proviso 21.2 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that where equity actually employed is in excess of 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan.
61. The petitioner further submitted that the Commission vide order dated 27.12.2012 has determined the Power Station wise amount of excess equity for the Power Stations transferred through Final Opening Balance Sheet after making normative repayment upto 31.3.09, same has been considered by the petitioner for the purpose of calculation of interest on excess equity for FY 10-11. Further there are additions made in excess equity on account of additional capitalization which are detailed in the chapter of Return on Equity.
62. Accordingly, the power station wise excess equity and interest thereon after applying the weighted average Rate of Interest is worked out by the petitioner as under:

Table No. 27:**Amount in ₹ Crore**

	Station	Excess Equity as on 1-4-2010 as approved by the Commission	Excess Equity addition due to Assets addition during FY 10 & FY 11	Repayment equal to balance dep. For FY 11	Total Excess Equity as on 31-3-2011	Average Equity	Intt. On Excess equity @ 10.28%
1	ATPS PH-2	3.71	0	0	3.71	3.71	0.38
2	STPS, Sarni	15.07	0	0	15.07	15.07	1.55
3	SGTPS PH-1&2	60.04	0	0	60.04	60.04	6.17
4	Gandhi Sagar	0	0.03	0.03	0	0	0
5	Pench	3.28	0.02	3.17	0.13	1.7	0.18
6	Rajghat	0	0	0	0	0	0
7	Bargi	0	0	0	0	0	0
8	Bansagar	31.99	0.95	0	32.94	32.46	3.34
9	Birsinghpur	0	0	0	0	0	0
10	HQ	0.59	0	0	0.59	0.59	0.06
	Total	114.68	1	3.19	112.49	113.58	11.68

Provision in the Regulation:

63. Regulation 21.2 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

“Where equity actually employed is in excess of 30%, the amount of equity for the purpose of Tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in Regulation 23. Where actual equity employed is less than 30%, the actual equity shall be considered.”

Commission’s analysis:

64. Vide Order dated 27th December, 2012, the Commission reworked the amount of excess equity and the interest on excess equity (by considering the normative repayment from 01.06.2005 i.e. the date of inception of the company) in compliance with the directions of Hon’ble Appellate Tribunal in Appeal No. 121 of 2011. The revised year-wise excess equity and the interest amount for FY 05-06 to FY 08-09 has been reworked and allowed by the Commission in its aforesaid order dated 27th December, 2012.
65. The true-up order for FY09-10 issued on 23rd January, 2013 was also based on the same approach considered in Commission’s above-mentioned order dated 27.12.2012.
66. In view of the above, the power station wise opening balance of excess equity as on 01.04.2010 is considered same as closing balance of excess equity as on 31.03.2010 as per true-up order for FY2009-10. The repayment of excess equity equal to balance depreciation is considered in this order also. The petitioner has filed the additional capitalization in FY09-10 and FY10-11. The additional excess equity is considered in Bansagar and Gandhi Sagar hydro power stations for FY10-11 to the extent of additional capitalization admitted in this order.
67. The excess equity opening and closing balances is worked out by considering the excess equity addition on account of additional capitalization during FY2010-11 and repayment equal to balance depreciation during FY2010-11 as given below:

Table No. 28:
Excess Equity for FY10-11: ₹ Crores

Sr. No.	Power Station	Opening excess equity	Excess equity addition during FY10-11	Repayment equal to balance dep.	Closing excess equity
1	ATPS, PH-II	3.71	0.00	0.00	3.71
2	STPS, Sarni	15.07	0.00	0.00	15.07
3	SGTPS (PH-1&2)	60.04	0.00	0.00	60.04
4	Gandhi Sagar	0.00	0.02	0.02	0.00
5	Pench	3.28	0.01	3.17	0.12
6	Rajghat	0.00	0.00	0.00	0.00
7	Bargi	0.00	0.00	0.00	0.00
8	Bansagar (I to III)	31.99	0.95	0.00	32.94
9	Birsinghpur	0.00	0.00	0.00	0.00
Total		114.09	0.97	3.19	111.88

* No excess equity addition during FY2009-10

68. Accordingly, the interest amount on excess equity is worked out by applying the applicable overall weighted average rate of interest on all power stations for FY2010-11 as given below:

Table No. 29:
Interest on Excess Equity for FY10-11:

Sr. No.	Power Station	Average excess equity	Rate of interest	Interest Amount on excess equity	Total Interest Amount (interest on excess equity and loan)
		₹ Crores	%	₹ Crores	₹ Crores
1	ATPS, PH-II	3.71	10.28	0.38	7.26
2	STPS, Sarni	15.07	10.28	1.55	1.62
3	SGTPS (PH-1&2)	60.04	10.28	6.17	17.12
4	Gandhi Sagar	0.00	10.28	0.00	0.00
5	Pench	1.70	10.28	0.17	0.17
6	Rajghat	0.00	10.28	0.00	0.00
7	Bargi	0.00	10.28	0.00	0.00
8	Bansagar (I to III)	32.46	10.28	3.34	16.29
9	Birsinghpur	0.00	10.28	0.00	0.00
Total		112.98		11.61	42.46

Liabilities against R&R Korba PFC Loan:

69. The petitioner filed the additional liability of ₹ 5.26 Crores against PFC loan Nos. 20104016 and 20104017 in respect of R&R Korba loan transferred to MPPGCL. The petitioner has linked this additional loan liability with STPS, Sarni. The details of the R&R Korba Loan Liability is as given below:

Loan Details	FY2010-11 (₹ Crores)	Apportioned to Power Station
PFC Loan No. 20104016 A	3.56	STPS, Complex
PFC Loan No. 20104016 A	1.70	STPS, Complex
Total	5.26	

70. Vide additional submission dated 2nd August, 2013, the petitioner submitted the following:

“In the True Up order for FY 08-09, the Commission has admitted the Loan liability towards R&R Korba PFC Loan No. 20104016 & 20104017 of ₹ 17.19 Crores which was transferred to MPPGCL through Final Opening Balance Sheet dated 12-06-2008 and allowed interest on same. Here it is to mention that the final bifurcation of said liability between erstwhile MPSEB and CSEB was pending before the court of Law at the time of notification of Final opening Balance Sheet. The Final settlement in this regard has been made and an additional loan amount of ₹ 5.25 crore has been transferred to MPPGCL. The same has been recorded in the Books of Accounts of MPPGCL for FY2010-11 and thus considered by MPPGCL as reflected in table No. 4.4.3.1 page 42 of the subject petition. The supporting documents/ communications in this regard are enclosed (Annexure – 6).”

71. On scrutiny of the documents filed by the petitioner in Annexure 6 of its reply, the Commission observed that an amount of ₹ 33.90 Crores was additionally devolved on MPSEB as per Gol final order dated 04.11.2004. Out of this amount only ₹ 27.49 Crores was recognized by MPSEB and same was allocated to MPPGCL. The balance amount of ₹ 6.22 Crores was considered as contingent liability of generic nature and parked with successor Companies namely MPPTCL, East Discom, Central Discom and West Discoms. It is further observed from the letters issued by Power Finance Corporation to MPSEB and MPPGCL (enclosed with Annexure 6) that the loan liability of ₹ 5.26 Crores was payable by MPSEB after bifurcation of liability between MPSEB and CSEB.
72. In light of the aforesaid status recorded in the documents, the matter was further taken up with MPPGCL. Vide letter No. 07-12/CS-MPPGCL/MPERC/Pt.No. 17 of 2013/1146 dated 19/09/2013, MPPGCL informed the following:

“It is to inform that the matter in respect of Additional Contingent Liabilities including PFC Korba R&R loans are still sub-judice before Hon’ble Supreme Court and the final order in this regard is awaited.

Further, the notes to Annexure-I of Final Opening Balance Sheet of MPPGCL as notified by GoMP on 12.06.2008, clearly defines the procedure of settlement of Contingent Liability on account of Govt. of India’s order dated November 2004, in lieu of bifurcation of asset and liabilities between MPSEB and CSEB, that will be apportioned between the companies of erstwhile MPSEB and residual MPSEB then (now M.P. Power Management Co. Ltd.) separately.”

73. Therefore, this additional liability of ₹ 5.26 Crores against PFC loan Nos. 20104016 & 20104017 in respect of R&R Korba is not considered in this True-up order. However, the Petitioner is at liberty to claim the interest and finance charges on this contingent liabilities with appropriate documents in support of its claim in the forthcoming true-up petition as and when the status on this liability attains finality.

d) Depreciation:

Petitioner’s submission

74. The petitioner has considered the power station wise details of Opening Gross Block of Assets as on 01.04.2010 as per Audited books of Accounts after considering the asset additions during FY2009-10 and FY2010-11 as per audited accounts of the respective year.
75. The petitioner submitted that the depreciation on the Gross Bock, as per the Annual Statement of Accounts for FY 2010-11, has been computed on the following basis:
- The rates for depreciation are considered as approved by the Commission in Appendix-II of Regulation G-26(I) of 2009.
 - The salvage value of assets is considered as 10% i.e. none of the assets are depreciated more than 90% of the gross value.
 - The rate of depreciation continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%.Thereafter, the remaining depreciable value is spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%.

- The detailed working of depreciation has been filed to Commission in the form of Asset-Cum-depreciation register vide letter dated 02-02-12 which includes additional capitalization in respective years.
- The power station wise Accumulated Depreciation as on 01.04.2010 after considering the depreciation on asset additions in FY2010 is considered.

76. The petitioner mentioned the following:

- The assets in the records of MPPGCL are only for its share. Thus, the depreciation is computed for the MPPGCL share only.
- The Depreciation for ATPS PH-3 (210MW), SGTPS PH-3 (500 MW), Bansagar IV (Jhinna) HPS, Madhikheda HPS has been claimed separately in their final tariff petition filed with the Commission.
- The Depreciation on Asset Additions at STPS PH-1 during FY 2010-11 is not considered as Special allowance has been claimed for it.
- Considering the above principles, the depreciation on the various assets of the power stations has been computed for FY2010-11 as given below:

Table No. 30:

Amount in ₹ Crore

S. No.	Station	Op. Balance as on 1/4/2010		Dep. For FY 11	Cl. Balance as on 1/4/2011		Cl. Acc. Dep as % of GB
		Asset GB	Acc. Dep		Asset GB	Acc. Dep	
1	ATPS PH-2	141.12	84.28	10.9	201.26	95.18	67%
2	STPS PH-1*	40.02	32.83	1.06	40.02	33.89	85%
3	STPS PH-2&3	601.39	468.16	31.54	633.32	499.71	83%
4	STPS Total	641.41	500.99	32.61	673.34	533.6	83%
5	SGTPS PH-1&2	2168.24	1201.62	92.13	2172.824	1293.75	60%
6	Total Thermal	2950.77	1786.89	135.64	3047.42	1922.53	65%
7	Gandhi Sagar	10.33	8.37	0.31	10.33	8.68	84%
8	Pench	96.27	64.46	3.17	96.27	67.63	70%
9	Rajghat	82.81	29.03	4.03	82.81	33.06	40%
10	Bargi	87.03	51.64	2.96	87.03	54.6	63%
11	Bansagar PH-1,2&3	1243.93	390.42	58.51	1249	448.93	36%
12	Birsinghpur	52.15	26.92	1.67	52.15	28.59	55%
13	Total Hydro	1572.5	570.84	70.64	1577.58	641.48	41%
14	HQ	1.04	0.11	0.09	1.08	0.2	20%
	Total	4524.31	2357.84	206.37	4626.08	2564.21	57%

* Dep. on new asset at STPS PH-1 not is considered as Special allowance claimed for it.

Provision in the Regulation:

77. Regulation 24 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that;

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

- (a) The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission*
- (b) The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
- (c) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*

Provided that in case of Hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site.

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under Long-term power purchase agreement at regulated Tariff.

- (d) Land other than land held under lease and the land for reservoir in case of hydro generating station 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 generating station:*

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

- (f) In case of the existing Projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation including Advance Against Depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the*

remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%. -----“

Commission’s analysis:

78. The Commission while determining the depreciation in this order has considered the opening gross block and cumulative depreciation as on 1st April, 2010 as per the true-up order for FY 2009-10 issued by the Commission on 23rd January, 2013.
79. As per the Regulations, the rate of depreciation shall be continued to be charged at the rate specified 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%.
80. While issuing the MYT order, the Commission observed that the accumulated depreciation in Pench and Bargi Hydro Power Stations reached upto 70% of gross block in FY 2010-11 and FY 2011-12 respectively. As per the provision of the Regulation, the balance depreciation for these two stations is required to be spread over the balance useful life of the project from the year. Hence, the depreciation in case of these two projects was worked out as per the Regulation. In the other projects, the accumulated depreciation reaches upto 70% of gross block and they have also completed their useful life. The Commission allowed to charge the depreciation at the rate specified in the Regulations till the accumulated depreciation achieved upto 90% of the gross block.
81. In the subject petition, the petitioner filed the additional capitalization for FY2009-10 and FY2010-11. The Commission has discussed the issue of power station wise asset addition in paras **31 to 38** of “additional capitalization” and admitted the power station wise additional capitalization in this Order. Considering the above, the status of cumulative depreciation as on 1st April, 2010 and its percentage with respect to gross block is as given below:

Table No. 31:

Depreciation for FY2010-11:

Sr. No.	Power Station	Opening Gross Block	Opening Cumulative Depreciation	Cumulative Depreciation % of GB	Assets addition during FY09-10	Assets addition during FY10-11	Closing Gross Block
		₹ Crores	₹ Crores	%	₹Crores	₹ Crores	₹ Crores
1	ATPS, PH-II	141.12	83.72	59.33	0.00	60.14	201.26
2	STPS, Sarni	631.19	497.11	78.76	10.22	31.92	673.33
3	SGTPS (PH-1&2)	2163.73	1199.83	55.45	4.51	4.59	2172.83

4	Gandhi Sagar	10.29	8.37	81.34	0.03	0.01	10.33
5	Pench	96.24	64.41	66.93	0.02	0.00	96.26
6	Rajghat	82.80	29.03	35.06	0.00	0.00	82.80
7	Bargi	87.03	51.63	59.32	0.00	0.00	87.03
8	Bansagar (I to III)	1243.91	390.43	31.39	0.00	5.07	1248.98
9	Birsinghpur	52.15	26.92	51.62	0.00	0.00	52.15
Total		4508.46	2351.45		14.78	101.73	4624.97

82. The Commission, after arriving at the opening and closing gross block and the opening accumulated depreciation as on 1st April, 2010, has computed the depreciation for FY 2010-11 by considering the weighted average rate of depreciation as worked out from the power station-wise assets-cum-depreciation registers submitted by the petitioner. Based on the above, the power station-wise depreciation allowed in this true-up order for FY2010-11 is as given below:

Table No. 32: Depreciation for FY2010-11

Sr. No.	Power Station	Average Gross Block	Applicable rate of Depreciation	Amount of Depreciation	Closing Cumulative Depreciation	Closing Cumulative Dep. % of Closing GB
		₹ Crores	%	₹ Crores	₹ Crores	%
1	ATPS, PH-II	171.19	5.41	9.27	92.99	46.20
2	STPS, Sarni	652.26	4.84	31.58	528.69	78.52
3	SGTPS (PH-1&2)	2168.28	4.24	91.94	1291.77	59.45
4	Gandhi Sagar	10.31	2.98	0.31	8.68	84.02
5	Pench	96.25	3.29	3.17	67.58	70.20
6	Rajghat	82.80	4.87	4.03	33.06	39.93
7	Bargi	87.03	3.41	2.97	54.60	62.73
8	Bansagar (I to III)	1246.44	4.68	58.39	448.82	35.93
9	Birsinghpur	52.15	3.20	1.67	28.59	54.82
Total		4566.71		203.32	2554.77	

83. The above table indicates that the closing cumulative depreciation for the year FY 2010-11 in STPS, Sarni and Gandhi Sagar has crossed the limit of 70% of gross block and they have also completed their useful life. The petitioner is allowed to charge the depreciation at the rate specified in the Regulations till the cumulative depreciation reaches 90% of the gross block.
84. The closing cumulative depreciation in Pench HPS has also crossed the limit of 70% of gross block during FY2010-11 however, it has not completed its useful life. Therefore, the balance depreciation of this power station shall be spread over during balance useful life from FY2011-12 and onwards.

e) Operation and Maintenance Expenses:**Petitioner's submission**

85. The petitioner submitted that the O&M expenses as per provision 34.1 of MPERC Tariff Regulation 2009 comprises of employee cost , Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost. For the year FY10-11, O&M Charges in ₹ Lakh /MW specified by the Commission for various thermal Hydel power station of MPPGCL.
86. The petitioner further submitted the comparison of O&M expenditure approved by Commission and as considered by MPPGCL as per norms tabulated below:

Table No. 33:**₹ Crores**

S. No.	Station	As per MYT Order	As considered by MPPGCL	Difference
1	ATPS PH-2	45.46	45.46	0
2	STPS	196.89	196.89	0
3	SGTPS PH-1&2	127.34	127.34	0
4	Total Thermal	369.69	369.69	0
5	Gandhi Sagar	7.26	7.26	0
6	Pench	10.1	10.1	0
7	Rajghat	2.84	2.84	0
8	Bargi	5.68	5.68	0
9	Bansagar 1,2&3	25.56	25.56	0
10	Birsinghpur	1.26	1.26	0
11	Total Hydro	52.69	52.69	0
Total		422.38	422.38	0

Provision in the Regulation:

87. Clause 34.1 of the Regulation regarding Thermal Power Stations provides that,

“The Operation and Maintenance expenses admissible to existing thermal power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost . These norms exclude Pension, Terminal Benefits and Incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government

and fees to be paid to MPERC separately as actuals. The claim of pension and Terminal Benefits shall be dealt as per Regulation 26.”

Table No. 34:

O&M Norms for Thermal Generating Units: ₹ Lacs/MW

Units (MW)	FY 09-10	FY 10-11	FY 11-12
62.5	21.42	22.74	24.13
120	17.84	18.94	20.1
200/210/250	14.28	15.16	16.09
500	10.7	11.36	12.05

88. Further, Regulation 47.1 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009, regarding Hydro Power Stations provides that, “The Operation and Maintenance Expenses admissible to existing Hydro power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost. These norms exclude pension, terminal benefits and incentives to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actuals. The claim of Pension and Terminal Benefits shall be dealt as per Regulation 26.

Table No. 35:

O&M Norms for Hydel Power Stations

Year	O&M Expenses in ₹ In lakh/MW
FY 9-10	5.96
FY 10-11	6.31
FY 11-12	6.68

Commission’s analysis:

89. For thermal and hydel Power Stations, the Commission has fixed norms for annual O&M expenses based on MW capacity of the unit. The same norms are applied for calculation of annual O&M expenses. Considering the MW capacity of the existing units as on 31st March, 2009 covered under this true-up order, the O&M expenses are computed as per the norms prescribed in the Regulation.
90. Based on the above, the following total O&M expenses for FY2010-11 are allowed by the Commission in this true-up order:

Table No. 36:

Operation and Maintenance Expenses for FY10-11:

Sr. No.	Power Station	Installed Capacity in MW	L ₹ Per MW norms of O&M expenses	Normative O&M expenses in ₹Crores
1	ATPS, Chachai PH-II	240	18.94	45.46
2	STPS, Sarni PH-I	312.5	22.74	71.06
3	STPS, Sarni PH-II&III	830	15.16	125.83
4	STPS, Sarni	1142.5	17.23	196.89
5	SGTPS (PH-1&2)	840	15.16	127.34
6	Gandhi Sagar	115	6.31	7.26
7	Pench	160	6.31	10.10
8	Rajghat	45	6.31	2.84
9	Bargi	90	6.31	5.68
10	Bansagar (I to III)	405	6.31	25.56
11	Birsinghpur	20	6.31	1.26
Total				422.38

Arrears on wage Revision:**Petitioner's submission:**

91. The petitioner broadly submitted the following:

"The petitioner has submitted that the proviso 8.4 of MPERC Generation Tariff Regulation, 2009 provides that while determining Operation and Maintenance expenses norms, an element for payment of prior period arrears upto 31.08.2008 on account of revision of pay scales of employees in accordance with the 6th Pay Commission recommendation as implemented by the Generating Company has been included. This shall also be trued up.

In the True-up Tariff petition for FY 09-10, the impact on account of wage revision was included in the O&M expenses claimed by MPPGCL. The details were elaborated in Forms in Schedule-5 item no. 21 and its power station wise details in Schedule-5b total amounting to ₹ 104.47 Crores. Further on including arrears of Madhikheda HPS, the total arrears for FY2009-10 and FY2010-11 worked out is tabulated below:- "

Table No. 37:

₹ Crores

S. No.	Power Station	Arrears on Account of Wage Revision – FY 10	Arrears on Account of Wage Revision - FY 11
1	ATPS PH-2	19.39	0.035
2	STPS	45.28	0.089
3	SGTPS PH-1&2	24.5	0.074
4	Gandhi Sagar	1.73	0.027
5	Pench	1.7	0.026
6	Rajghat	0.75	0.014
7	Bargi	0.64	0.018
8	Bansagar 1,2&3	10.35	0.033
9	Birsinghpur	0.14	0.032
10	Madhikheda	0.62	0.016
Total		105.09	0.365

Provision in the Regulation:

92. With regard to the payment of arrears to employees on account of revision of pay scale of the employees, Regulations 26.2 and 26.3 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that;

“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 Generating Company at the commencement of the Tariff period have been escalated at the rate of 6.14% considering a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60: 40.

For first financial Year of the control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employee cost, which has been escalated @ 6.14% in subsequent Years. The Commission has also considered expenditure on payment of arrears up to 31.08.2008 during the Financial Years 2009-10 to 2011-12 as one third each year based on estimate.”

93. Regulation 26.3 of the second amendment to MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 notified on 24th February 2012 provides as under;

“For first Financial Year of the control period, the impact of implementation of 6th Pay Commission recommendations has been considered in employees cost, which has been escalated @6.14% in subsequent years. The Commission has also considered expenditure on payment of arrears upto 31.08.2008 during the financial years 2009-10 to 2011-12 as one third each

year based on estimate submitted by the Generation Company. Any unpaid arrears standing at the end of the control period from FY 2009-10 to FY 2011-12 shall be treated on actually paid based for FY 2012-13. The actual arrears payments made in each year of the control period shall be trued up vis-à-vis those provided in the O&M charges.”

Commission’s analysis:

94. On scrutiny of the subject petition, the Commission observed that the petitioner has claimed ₹ 105.09 Crores and ₹ 036 Crore against the arrears on wage revision during FY 2009-10 and FY 2010-11 respectively whereas, the amount of arrears on wage revision is recorded as ₹ 102.75 Crore and ₹ 0.356 Crore in FY 2009-10 and FY 2010-11 respectively in Schedule-19 of the Audited Accounts of MPPGCL. In view of the aforesaid, vide Order dated 27th April, 2013, the petitioner was asked to clarify the following:
- a. The reasons for difference in amount of arrears claimed for FY 2010-11 vis-a-viz the amount recorded in Schdule-19 of the Audited Accounts.
 - b. The basis for allocation of arrears to various power stations under Table 4.8.2.1 of the subject petition.
 - c. The amount of arrears claimed in the petition is not allocated to any new power station whereas the amount recorded in Schdule-19 of Audited Accounts is for whole MPPGCL. The reasons for excluding new power stations in Table 4.8.2.1 of the petition be explained.
95. In response, by affidavit dated 29th May, 2013, the petitioner submitted the following;
- a. *“The amount claimed in the True Up petition for FY 11 towards arrears of employees in on 100% basis, whereas the amount recorded in Schedule-19 of Annual Statement of Accounts is on shared basis.*
 - b. *The arrears shown in Table No. 4.8.2.1 for FY 10 and Table No. 4.8.4.1 for FY 11 are as per booking in Account code 75.675 as captured in Annual Statement of Accounts for FY 10 Sch.19 item No.12 & FY 11 Sch.19 item No. 12 scaled to 100%. The working statement in this regard is enclosed as Annexure-20.*

c. The amount arrears due wage revision of employees claimed in True Up petitions of FY 11 for FY 10 & FY 11 pertains to the period upto 31.08.2008 i.e. prior to the commissioning of new thermal power stations, hence same were not considered in final generation tariff of new thermal power stations. However Madhikheda HPS (2x20MW+1X20MW) was commissioned during 2007 & 2008 and the amount pertaining to arrears was not claimed in final generation tariff petition hence it is now been considered in the instant petition for claiming wage revision arrears. MPPGCL humbly request for kindly allow the same.”

96. While prescribing the operation and maintenance norms in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009, the Commission had considered an amount of ₹ 18.69 Crores for arrears against wage revision of employees each year from FY2009-10 to FY2011-12 as impact of 6th pay Commission recommendations
97. Considering the above-mentioned provision under Regulations and the information filed by the petitioner as per its Audited Accounts, the Commission has allowed the additional O&M charges on account of difference in amount of arrears actually paid in FY2009-10 and FY2010-11 and that considered under O&M norms, as given below:

Table No. 38:

₹ Crores

Operation and Maintenance Expenses for FY10-11:

Sr. No.	Power Station	Arrears on 6th Pay wage revision for FY09-10 and FY10-11	*Arrears for FY09-10 & FY10-11 considered in norms	Balance amount of arrears allowed in this order	Total normative O&M expenses including balance arrears admitted in this order
1	ATPS, PH-II	19.422	6.93	12.496	57.95
2	STPS, PH-I	1.687	0.60	1.085	72.15
3	STPS, PH-II&III	43.681	15.58	28.104	153.93
4	STPS, Complex	45.368	16.18	29.190	226.08
5	SGTPS (PH-1&2)	24.574	8.76	15.811	143.15
6	Gandhi Sagar	1.760	0.63	1.132	8.39
7	Pench	1.729	0.62	1.112	11.21
8	Rajghat	0.761	0.27	0.490	3.33
9	Bargi	0.654	0.23	0.421	6.10
10	Bansagar (I to III)	10.384	3.70	6.681	32.24
11	Birsinghpur	0.171	0.06	0.110	1.37
Total		104.82	37.38	67.44	489.82

* Total arrears have been apportioned among each power station in the same percentage of power station-wise arrears claimed in the petition.

f) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable :

Petitioner’s submission

98. The petitioner submitted that the Regulation 54.2 of the Regulations, 2009 has permitted “Compensation Allowances” to the Thermal Generating stations depending upon their age to meet the requirement of capital nature of minor assets. Accordingly Compensation Allowance for various Thermal Power Stations of MPPGCL has been worked out by it as described below:

STPS Sarni :- All the units of PH - 2 &3 are above 25 years therefore, compensation allowance @ 0.65 lakhs/MW/Year basis has been considered. As per clause 32.2 (h) of MPERC’s Regulation, 2009, the Compensation Allowance for PH-1 has not been considered as MPPGCL is claiming Special Allowance for this power house.

SGTPS Birsinghpur :- The units No.1 & 2 are older than 15 years therefore, the compensation allowance @ 0.35 lakhs/MW/Year has been considered. The age of the Unit No.3 will be in the age group of 11 to 15 years therefore compensation has been considered @ 0.15 Lakhs/MW/Year.

ATPS, Chachai :- The units are older than 25 years therefore, the compensation allowance for the plants have been considered based on the norms permitted by the Commission under Sec. 34(2) of Regulation RG-26(I) of 2009 @ 0.65 lakhs/MW/Year.

99. The total amount of compensation allowance as worked out by the petitioner is given in the table below:-

Table No. 39:

Compensation Allowance – FY 2010-11			Amount in ₹ Crores		
S. No	Particulars	As per MPERC Regulation	As per Actual	Diff.	
Thermal	1	ATPS 2	1.56	1.56	0.00
	2	ATPS Chachai	1.56	1.56	0.00
	3	STPS 1	2.03	0.00	-2.03
	4	STPS 2	2.67	2.67	0.00
	5	STPS 3	2.73	2.73	0.00
	6	Sarni	7.43	5.40	-2.03

7	SGTPS 1	1.47	1.47	0.00
8	SGTPS 2	0.63	0.63	0.00
9	SGTPS 3	0.00	0.00	0.00
10	SGTPS	2.10	2.10	0.00
11	Total Thermal	11.09	9.06	-2.03

100. The petitioner further submitted that the Units of STPS, Sarni PH-1 are planned for their closure, soon after the commencement of 2x250 MW Units of STPS, Sarni. MPPGCL opts to avail this special allowance for these five units. Accordingly the same has been included in the Annual Fixed cost of the Station.

Special Allowance FY 11 : Amount in ₹ Crores.

S. No.	Particulars	As per MPERC Regulation	As per Actual	Diff.
1	STPS PH 1	16.52	16.52	0.00

Provision in the Regulation:

101. With regard to the special allowance, clause 18.5 of the Regulation provides that,

“A Generating Company on opting for alternative option in Regulation 18.4 of this Regulation shall be allowed special allowance @ ₹ 5 lakh/MW/Year in 2009-10 and thereafter escalated @ 5.72 % every Year during the Tariff period in 2009-12, Unit-wise from the next financial Year from the respective date of the completion of Useful life with reference to the COD of respective Units of generating station.

Provided that in respect of a Unit in commercial operation for more than 25 Years as on 1.4.2009, this allowance shall be admissible from the Year 2009-10. “

102. With regard to compensation allowance, clause 34.2 of the regulation further provides that,

“In case of coal-based or lignite-fired thermal generating station, a separate compensation allowance Unit-wise shall be admissible to meet expenses on new assets of capital nature including in the nature of minor assets, in the following manner from the Year following the Year of completion of 10, 15, or 20 Years of Useful life:”

Table No. 40:

Years of operation	Compensation Allowance (₹ lakh/MW/Year)
0-10	Nil
11-15	0.15
16-20	0.35
21-25	0.65

Commission's analysis:

103. In the Regulations, 2009, the Commission has provided that the Generating Company, in case of thermal generating stations, may at its discretion avail a special allowance either for a unit or a group of units as compensation for meeting the requirement of expenses including the R&M works beyond the useful life of the generating station. In such case, the revision of capital cost shall not be considered and the option once exercised shall be final.
104. In MYT petition, the petitioner for the period FY 2009-10 to FY 2011-12 opted for special allowance for units of STPS, PH-I and the Commission in MYT order dated 3rd March, 2010 allowed the special allowance for STPS, PH-I.
105. In the subject true-up petition, the petitioner submitted that the units of STPS, Sarni, PH-1 are planned for their closure, soon after the commissioning of 2x250 MW units of STPS, Sarni. The petitioner opts to avail the special allowance for these five units. The special allowance is allowed by the Commission as per Regulations, 2009 as given below :

Power Station	Capacity in MW	Special Allowance in ₹ Lacs/MW	Total amount in ₹ Crores
STPS, Sarni PH-I	312.5	5.29	16.52

106. Regulation 32.2 in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provided that besides several other components, the annual capacity (fixed) charges shall consist of special allowance also in lieu of R&M or separate compensation allowance wherever applicable. Further, Regulations 34.2 of the same Regulation provided for admissibility of a separate

unit-wise compensation allowance in ₹ Lac/MW/year for different bands of years of operation of the thermal Generating Unit(s) up to 25 years i.e., its useful life only. Therefore, the compensation allowance is admissible to those Thermal Generating Units only who have not availed expenditure on Renovation and Modernization for the purpose of extension of life beyond its useful life or opted for Special Allowances in lieu of R&M. Accordingly, the compensation allowance is allowed for the following Thermal Generating Units in this true-up order:

Table No. 41:**Compensation Allowance admitted for FY10-11:**

Sr. No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed in Rs Crores
1	SGTPS PH-I	420	16 to 20	0.35	1.47
2	SGTPS PH-II	420	11 to 15	0.15	0.63
3	SGTPS PH-I&II	840		0.25	2.10
Total Amount					2.10

107. The compensation allowance for some generating units, having completed their useful life in FY 2009-10 was erroneously allowed in last true up order for FY 2009-10. The same is corrected in this Order as given below:

Table No. 42:**Compensation Allowance allowed in FY09-10: (₹ Crores)**

Sr. No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses lakhs/MW	Compensation Expenses adjusted for FY09-10
1	ATPS PH-II	240	Above 25	0.65	(-1.56)
2	STPS PH-II	410	Above 25	0.65	(-2.67)
3	STPS PH-III	420	Above 25	0.65	(-2.73)
Total Amount					(-6.96)

108. The units of STPS, Sarni PH-I have completed their useful life and special allowance is already allowed for these units as mentioned above. Therefore, no compensation allowance is allowed to these units as per Regulations. In view of the above, the net compensation allowance is worked out in this order as given below:

Power Station	Net Compensation Allowance allowed (₹ Crores)
ATPS PH-II	(-1.56)
STPS, Sarni	(-5.40)
SGTPS, Birsingpur	2.10
Total	(-4.86)

g) Interest on Working Capital:

Petitioner submission:

109. The petition submitted the following:

“The Working Capital in MYT order dated 03.03.2010 has been calculated in accordance with clause 35 & 48.1 of Principal Tariff Regulation 2009 and its first amendments. Accordingly, cost of 45 days/2 months cost of coal, 2 Months cost of secondary oil, O&M expenditure for 1 month, 20% of Normative O&M Expenses as maintenance spares for thermal and 15% of Normative O&M Expenses as maintenance spares for Hydro and two months receivables has been considered for calculating interest on Working Capital.

However, as per the procedure adopted in True-up Tariff order for FY 09-10 by the Commissions, no truing up for interest on Working Capital is required for FY 10-11 in accordance with clause 8.4 of MPERC’s Regulations, 2009 the interest on Working Capital for FY 10-11 has been considered as per MYT order dated 03.03.2010.”

Table No. 43:

Name of Power House	As per MYT Order	As per MPPGCL Actual
ATPS PH 2	7.5	7.5
STPS	54.5	54.5
SGTPS PH 1&2	37.15	37.15
Thermal	99.15	99.15
Gandhi Sagar	0.37	0.37
Pench	0.6	0.6
Rajghat	0.3	0.3
Bargi	0.41	0.41
Bansagar 1,2&3	3.73	3.73
Birsinghpur	0.16	0.16
Hydro Total	5.57	5.57
Total	104.72	104.72

Provision in the Regulation:

110. Regulation 35 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 regarding working capital for coal based generating stations provides that,

“The Working Capital for Coal based generating stations shall cover:

- (i) Cost of coal for 45 Days for pit-head generating stations and two months for non-pit-head generating stations, corresponding to the normative availability;*
- (ii) Cost of secondary fuel oil for two months corresponding to the normative availability:*

Provided that in case of use of more than one secondary fuel oil, cost of fuel oil stock shall be provided for the main secondary fuel oil.

- (iii) Maintenance spares @ 20% of the normative O&M expenses;*
- (iv) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the Normative Annual Plant Availability Factor; and*
- (v) Operation and Maintenance expenses for one month.*

The cost of fuel shall be based on the landed cost incurred (taking into account normative transit and handling losses) by the Generating Company and Gross Calorific Value of the fuel as per actual for the preceding three months and no fuel price escalation shall be provided during the Tariff period.”

111. Clause 48.1 of the Regulations regarding working capital for hydel power stations provides that,

“The Working Capital shall cover:

- (i) Maintenance spares @ 15% of normative O&M expenses;*
- (ii) Receivables equivalent to two months of fixed cost; and*
- (iii) Operation and Maintenance Expenses for one month.”*

Commission’s analysis:

112. In view of the above-mentioned clause of the Regulations, 2009, no fuel price escalation shall be provided during the Tariff period for calculating the working capital. Moreover, the mechanism/formulae for adjustment of coal cost and oil cost have already been provided in the Regulation. Therefore, no truing up for interest on working capital is required in accordance with Regulation 8.4 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2009.

h) Cost of Secondary fuel oil for thermal power stations:**Petitioner's submission:**

113. The petitioner submitted the following:

“The Secondary Fuel Oil consumption is to be considered as per the norms specified clause 33 of the Regulation, 2009. The power station wise details of the Secondary Oil comprising of Furnace oil and LDO/HSD purchased in various months of FY2010-11 are elaborated in para 4.7.1 of the petition. Accordingly, the power station wise actual weighted average landed price and rate of Secondary Fuel Oil for the Trued up period is detailed below:-

Table No. 44:

Particulars				ATPS Chachai	STPS Sarni	SGTPS Birsinghpur
1	<i>Cost of Secondary Oil</i>	<i>Furnace Oil</i>	<i>₹ Lakhs.</i>	1330.20	12985.27	1836.89
2		<i>LDO / HSD</i>	<i>₹ Lakhs</i>	565.24	1504.28	1068.06
3		<i>Total</i>	<i>₹ Crores</i>	1895.44	14489.55	2904.95
4	<i>Purchased Quantity</i>	<i>Furnace Oil</i>	<i>kL</i>	4403.64	42244.87	6110.78
5		<i>LDO / HSD</i>	<i>kL</i>	1321.97	3672.95	2524.75
6		<i>Total</i>	<i>kL</i>	5725.61	45917.82	8635.53
7	<i>Rate of Secondary Oil</i>	<i>Furnace Oil</i>	<i>₹/kL</i>	30206.85	30738.09	30059.77
8		<i>LDO / HSD</i>	<i>₹/kL</i>	42757.24	40955.82	42303.67
9		<i>Total</i>	<i>₹/kL</i>	33104.57	31555.40	33639.49

Provision in the Regulation:

114. Regulation 36 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 provides that,

“Expenses on Secondary fuel oil in Rupees shall be computed corresponding to normative Specific Fuel Oil Consumption (SFC) specified in Regulation 33, in accordance with the following formula:

$$= SFC \times LPSFi \times NAPAF \times 24 \times NDY \times IC \times 10$$

Where,

- SFC - Normative Specific Fuel Oil Consumption in ml/kWh*
LPSFi - Weighted Average Landed Price of Secondary Fuel in ₹./ml considered initially
NAPAF- Normative Annual Plant Availability Factor in percentage
NDY - Number of Days in a Year

IC - Installed Capacity in MW

Initially, the landed cost incurred by the Generating Company on secondary fuel oil shall be taken based on actuals of the weighted average price of the three preceding months and in the absence of landed costs for the three preceding months, latest procurement price for the generating station, before the start of the Year.

The secondary fuel oil expenses shall be subject to fuel price adjustment at the end of the each Year of Tariff period as per following formula:

$$SFC \times NAPAF \times 24 \times NDY \times IC \times 10 \times (LPSF_y - LPSF_i)$$

Where,

$LPSF_y$ = The weighted average landed price of secondary fuel oil for the Year in ₹/ml.

Commission's analysis:

115. The above Regulation provides for a mechanism/formula for the adjustment of fuel oil expenses at the end of the each year of the tariff period. Further, the fuel oil consumption is to be considered as per norms specified in the Regulations. However, the difference of actual weighted average landed price of fuel oil for the true-up period and the weighted average landed price of fuel considered in the MYT order shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2010-11. The details of the actual wt. average rate of secondary fuel oil based on audited accounts for FY 2010-11 are worked out by the petitioner. The power station-wise details of actual wt. average rate of secondary oil worked out by the petitioner vis-à-vis approved in MYT order are as given below:

Table No. 45:

₹/kL

Name of TPS	Allowed in MYT Order for FY10-11	As Actual filed in the petition for FY10-11	Difference
ATPS Chachai	30691	33105	2414
STPS Sarni	31618	31555	-63
SGTPS Birsinghpur	33170	33639	469

116. While comparing the weighted average rate of secondary fuel oil allowed in MYT order and filed in the subject petition, it was observed that there is abnormal increase in weighted average rate of secondary fuel oil in ATPS, Chachai as compared to weighted average rate of secondary fuel oil in other two thermal power

stations. Vide daily order dated 27th April, 2013, the petitioner was asked to explain the reasons with details and supporting documents in this regard.

117. By affidavit dated 29th May, 2013, the petitioner submitted the following:

“ MPPGCL likes to clarify that the Secondary Fuel Oil (Furnace oil + LDO) at ATPS Chachai, are not being regularly procured on monthly basis. The rate specified in MYT Petition for FY 10 to FY 12 submitted by MPPGCL was ₹ 33905/-. However, the Commission in its query dated 16.12.2009 had desired the Wt. Average rates of Sec. oil for Jan’09 to March’09 which were submitted on provisional basis on store records on consumption basis, as no Secondary Oil was procured during these months.

Further, as it can be seen from the Table No. 4.7.1.1 at page 54 of the petition, the Secondary Fuel oil at ATPS based on requirement have been procured in the month of May’10 and Oct’10 only, as the Oil companies do not supply part rack. The details of Furnace Oil and LDO actually procured and its weighted average Landed prices/rate are enclosed as Annexure-19. It can be seen from Table no. 4.7.2.1 of the petition that the actual Wt. Average landed rate of Secondary Fuel oil of ATPS, Chachai is at par with that of the adjoining Power Station i.e. SGTPS, Birsinghpur.”

118. Based on the above, the actual power station-wise secondary fuel oil expenses as per MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2009 are as given below;

Sr. No.	Particulars	Unit	Sec. fuel oil cost		
			ATPS PH-II	STPS Complex	SGTPS PH-I&II
1	Installed Capacity	MW	240.00	1142.5	840.00
2	NAPAF	%	57.00%	79.37%	80.00%
3	Gross Gen.	MU	1198.37	7943.588	5886.72
4	Sp. Oil Consumption	ml/KWh	2.50	1.84	1.00
5	Quantity of Oil required	KL	2995.92	14616.2	5886.72
6	Wt. Avg. Price of Sec. fuel	₹	33105	31555	33639
7	Sec. Oil Cost	₹ Crores	9.92	46.12	19.80
Total		₹ Crores	75.84		

Other Charges

Petitioner's Submission

119. The petition broadly submitted the following:

“Other Charges comprises of Common Expenses, Cess on auxiliary consumption, Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges & SLDC charges. Water Charges and Cess which are payable to Government have been paid based on rates specified by GoMP. Common expenses are expenditure incurred in management of cash flow etc and honoring the directives of GoMP the same have been paid to MPSEB in accordance to GoMP notification dated 03.06.2006. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 37 allocated to Thermal Power Stations on MW capacity basis. As per the Regulation 26.6 the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee, accordingly MPPGCL had not claimed these expenses in its tariff petition.

Commission's analysis:

120. In this true-up petition, the petitioner has claimed the Other Charges which comprises of Common Expenses, Cess on auxiliary consumption, Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges & SLDC charges. The petitioner has submitted that the water charges and Cess which are payable to Government have been paid based on rates specified by GoMP. Common expenses are expenditure incurred in management of cash flow etc and have been paid to MPSEB in accordance to GoMP notification dated 03.06.2006. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 49 allocated to various Thermal Power Station on MW capacity basis. The petitioner has further submitted that as per the Regulation 26.6 the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee. Accordingly, MPPGCL had not claimed the aforesaid expenses in its tariff petition.

121. With regard to the other charges, para 4.14 of the MYT order dated 3rd March, 2010 stated as follows:

“The petitioner has claimed MPERC fee, MPSEB expenses, Cess on auxiliary consumption and water charges in the petition. The petitioner is allowed to recover the fee paid by the petitioner to MPERC for determination of generation tariff, water charges and cess on usage of water for hydro stations and E.D. and cess on auxiliary power consumption levied by the Statutory Authorities from the beneficiaries on pro-rata basis. The Commission has not allowed the MPSEB expenses since the erstwhile MPSEB has already been disintegrated into its successor companies and one of them has been entrusted with the responsibility of trading company i.e. MP Power Transmission Co. Ltd. The Commission has not been allowing the MPSEB common expenses in past to any of the successor entities.”

122. In the MYT order for FY 2009-10 to FY 2011-12, the petitioner was allowed to recover fee paid to MPERC for determination of generation tariff, water charges and cess on usage of water for hydro power stations and E.D. and cess on auxiliary power consumption levied by the Statutory Authorities from the beneficiaries on pro-rata basis. Therefore, the Commission has allowed these other charges in this true-up order and the petitioner is allowed to recover these expenses on actual basis.
123. The petitioner has also claimed SLDC charges in accordance with the Regulation which provides that,
- “SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations.”*
124. Therefore, the petitioner is allowed to recover these charges paid to SLDC for FY 2010-11 from the beneficiaries on pro-rata basis.
125. The Commission had not allowed the MPSEB common expenses in MYT order. Therefore, these expenses are not allowed in this order also.
126. In addition to the other charges as approved above, the petitioner is entitled to recover the taxes in accordance with Regulation, 2009 on pro-rata basis payable to the Government, taxes levied by Statutory Authorities and fees paid to MPERC as actuals.

Summary of annual capacity (fixed) charges:

127. The power station-wise annual capacity charges for FY 2010-11 allowed in MYT order vis-a-vis allowed in this true-up order are summarized in the tables as given below:

Table No. 47:**Power Station wise Annual Capacity Charges for FY2010-11:**

ATPS PH-II				₹ Crores
Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	3.74	5.19	1.45
2	Interest on Loan including interest on excess equity	1.60	7.26	5.66
3	Depreciation	1.21	9.27	8.06
4	O&M Expenses	45.46	57.95	12.49
5	Compensation Allowance	1.56	-1.56	-3.12
6	Special Allowance	0.00	0.00	0.00
7	Fuel Oil Expenses	9.19	9.92	0.73
8	Interest on Working Capital	7.50	7.50	0.00
Total AFC		70.25	95.52	25.26

STPS Complex:				₹ Crores
Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	19.64	30.04	10.40
2	Interest on Loan including interest on excess equity	2.61	1.62	-0.99
3	Depreciation	8.50	31.58	23.08
4	O&M Expenses	196.89	226.08	29.19
5	Compensation Allowance	7.43	-5.40	-12.83
6	Special Allowance	16.52	16.52	0.00
7	Fuel Oil Expenses	46.21	46.12	-0.09
8	Interest on Working Capital	54.50	54.50	0.00
Total AFC		352.30	401.07	48.77

SGTPS PH-I&II:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	68.44	100.61	32.17
2	Interest on Loan including interest on excess equity	36.66	17.12	-19.54
3	Depreciation	90.92	91.94	1.02
4	O&M Expenses	127.34	143.15	15.81
5	Compensation Allowance	2.10	2.10	0.00
6	Special Allowance	0.00	0.00	0.00
7	Fuel Oil Expenses	19.53	19.80	0.28
8	Interest on Working Capital	37.15	37.15	0.00
Total AFC		382.15	411.88	29.75

Gandhisagar:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	0.33	0.48	0.15
2	Interest on Loan including interest on excess equity	0.00	0.00	0.00
3	Depreciation	0.23	0.31	0.08
4	O&M Expenses	7.26	8.39	1.13
5	Interest on Working Capital	0.37	0.37	0.00
Total AFC		8.19	9.55	1.36

Pench:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	2.83	4.48	1.65
2	Interest on Loan including interest on excess equity	0.31	0.17	-0.14
3	Depreciation	1.51	3.17	1.66
4	O&M Expenses	10.1	11.21	1.11
5	Interest on Working Capital	0.60	0.60	0.00
Total AFC		15.35	19.62	4.27

Rajghat:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	2.68	3.85	1.17
2	Interest on Loan including interest on excess equity	0.92	0.00	-0.92
3	Depreciation	4.02	4.03	0.01
4	O&M Expenses	2.84	3.33	0.49
5	Interest on Working Capital	0.30	0.30	0.00
Total AFC		10.76	11.51	0.75

Bargi:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	2.50	4.05	1.55
2	Interest on Loan including interest on excess equity	0.48	0.00	-0.48
3	Depreciation	3.26	2.97	-0.29
4	O&M Expenses	5.68	6.10	0.42
5	Interest on Working Capital	0.41	0.41	0.00
Total AFC		12.34	13.52	1.19

Bansagar PH-I, II and III:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	40.17	57.96	17.79
2	Interest on Loan including interest on excess equity	14.68	16.29	1.61
3	Depreciation	62.57	58.39	-4.18
4	O&M Expenses	25.56	32.24	6.68
5	Interest on Working Capital	3.73	3.73	0.00
Total AFC		146.70	168.60	21.90

Birsingpur hydel:

₹ Crores

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	1.69	2.43	0.74
2	Interest on Loan including interest on excess equity	0.29	0.00	-0.29
3	Depreciation	2.47	1.67	-0.80
4	O&M Expenses	1.26	1.37	0.11
5	Interest on Working Capital	0.16	0.16	0.00
Total AFC		5.86	5.63	- 0.24

Table No. 48:**Head wise Annual Capacity Charges at normative availability: ₹ Crores**

Sr. No.	Particular	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	Return on Equity	142.02	209.08	67.06
2	Interest on Loan including interest on excess equity	57.55	42.46	-15.09
3	Depreciation	174.69	203.32	28.63
4	O&M Expenses	422.39	489.82	67.43
5	Compensation Allowance	11.09	-4.86	-15.95
6	Special Allowance	16.52	16.52	0.00
7	Fuel Oil Expenses	74.92	75.84	0.92
8	Interest on Working Capital	104.72	104.72	0.00
Total AFC		1003.90	1136.91	133.01

Table No. 49:**Power Station wise Annual Capacity Charges at normative availability: ₹ Crores**

Sr. No.	Power Station	Allowed in MYT order	Determined in this true-up order	Difference Amount
1	ATPS, Chachai PH-II	70.25	95.52	25.26
2	STPS, Sarni Complex	352.30	401.07	48.77
3	SGTPS (PH-1&2)	382.15	411.88	29.75
4	Gandhi Sagar	8.19	9.55	1.36
5	Pench	15.35	19.62	4.27
6	Rajghat	10.76	11.51	0.75
7	Bargi	12.34	13.52	1.19
8	Bansagar (I to III)	146.70	168.60	21.90
9	Birsinghpur	5.86	5.63	-0.24
Total cost worked out		1003.90	1136.91	133.01

128. The above-mentioned annual capacity (fixed) charges as allowed in this order are on normative plant availability factor (NAPAF) of thermal and hydel power stations. The recovery of annual capacity (fixed) charges of thermal and hydel power stations shall be made by the petitioner in accordance with the Regulations 38 and 50 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2009, respectively. A comparison of normative vis-à-vis actual Plant Availability Factor as certified by SLDC for FY 2010-11 in respect of thermal and hydel power stations is as given below:

Table No. 50:

Normative Vs Actual NAPAF (%) for FY 2010-11:

Thermal Power Stations (%)			
Name of TPS	Normative	Actuals	Difference
ATPS Chachai PH-2	57.00	23.38	-33.62
STPS Sarni	79.37	59.62	-19.75
SGTPS Birsinghpur PH-1 & 2	80.00	53.96	-26.04

Table No. 51:

Hydro Power Stations (%)				
S. No.	Name of HPS	Normative	Actuals	Difference
1	Gandhi Sagar	85.00	72.87%	-12.13
2	Pench	85.00	93.59%	08.59
3	Rajghat	85.00	17.29%	-67.71
4	Bargi	85.00	74.27%	-10.73
5	Bansagar 1,2&3	85.00	73.84%	-11.16
6	Birsinghpur	85.00	86.58%	1.58

Table No. 52:

Design Energy vis-à-vis actual Generation of Hydro Power Stations (MU's):

Sr. No.	Name of HPS	Design Energy on 100% Capacity	Design Energy on share basis	Actual Generation on share basis
1	Gandhi Sagar	420.80	210.40	43.99
2	Pench	315.36	208.14	201.78
3	Rajghat	87.60	43.80	20.06
4	Bargi	508.08	508.08	396.52
5	Bansagar 1,2&3	1156.00	1156.00	803.48
6	Birsinghpur	52.00	52.00	31.83

Recovery of Annual Capacity (Fixed) Charges

129. The Annual capacity (fixed) charges (inclusive of incentive) payable to thermal generating station for the year FY 2010-11 are calculated in accordance with the clause 38.2 of the Regulations, 2009 as given below :

Table No. 53:

Capacity Charges for Thermal Power Stations :					₹ Crores
Sr. No.	Power Station	Allowed in MYT order	Allowed in this true-up order		True-up amount
			At normative availability	At actual availability	
	Thermal Power Stations				
1	ATPS, Chachai PH-II	70.25	95.52	39.18	-31.07
2	STPS, Sarni Complex	352.30	401.07	301.27	-51.03
3	SGTPS (PH-1&2)	382.15	411.88	277.81	-104.34
	Total	804.70	908.47	618.26	-186.44

130. The annual capacity (fixed) charges of a hydro generating station are computed, based on norms specified under Regulations, 2009 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 50 of the Regulations, 2009 as given below :

Table No. 54:

Capacity and Energy Charges for Hydel Power Stations					₹ Crores
Sr. No.	Power Station	Allowed in MYT order	Allowed in this true-up order		True-up amount
			At normative availability	At actual availability and actual gen.	
	Hydel Power Stations				
1	Gandhi Sagar	8.19	9.55	5.09	-3.10
2	Pench	15.35	19.62	20.35	5.00
3	Rajghat	10.76	11.51	3.82	-6.94
4	Bargi	12.34	13.52	11.21	-1.13
5	Bansagar (I to III)	146.7	168.60	132.12	-14.58
6	Birsinghpur	5.86	5.63	4.60	-1.26
	Total	199.20	228.44	177.20	-22.00

131. This order is for the true-up of the Multi-Year generation tariff Order of 03/03/2010 to the extent it was applicable for FY 2010-11. The petitioner must take steps to implement the Order after giving seven (7) days' public notice in accordance with Clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendments and recalculate its bills for the energy supplied to Distribution Companies of the State / M.P. Power Management Company Ltd. since 1st April, 2010 to 31st March, 2011. The petitioner must also provide information to the Commission in support of having complied with this Order. The deficit/surplus amount as a result of this true-up shall be passed on to the three Distribution Companies of the state in terms of Regulation 8.5 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2009 in the ratio of energy supplied to them in FY 2010-11 in six equal monthly installments.

132. The petition No.17/2013 stands disposed of in terms of the above.

Ordered accordingly.

sd/-
(Alok Gupta)
Member

sd/-
(A. B. Bajpai)
Member

sd/-
(Rakesh Sahni)
Chairman

Date : 26th September, 2013

Place : Bhopal