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

Petition No. 02 of 2018

PRESENT:

Dr. Dev Raj Birdi, Chairman

Mukul Dhariwal, Member

Anil Kumar Jha, Member

IN THE MATTER OF:
True-up of Generation Tariff of MPPGCL's Thermal and Hydro Power Stations for FY 2016-17 determined by MP Electricity Regulatory Commission vide Multi-Year Tariff order dated 14th July' 2016 in petition No. 08 of 2016.

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

Vs.

1. **M.P. Power Management Company Ltd., 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 24th July' 2018)

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 29th December' 2017 for true-up of generation tariff for FY 2016-17 determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide Multi-Year Tariff order dated 14th July' 2016 in petition No 08 of 2016.

2. The Commission issued MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 {RG-26 (III) of 2015} (hereinafter referred to as "the Regulations, 2015") for the control period of FY 2016-17 to FY 2018-19 which was notified on 1st January, 2016.

3. The subject true-up petition has been filed by MPPGCL under section 62 and 64 of the Electricity Act, 2003, read with proviso 8.4 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 and the petition is based on the Annual Audited Accounts of MPPGCL for FY 2016-17. The scrutiny of the subject true-up petition is based on the principles and methodology specified in the Regulations, 2015.

4. The details of the power stations covered in the subject true-up petition are as given below:

Table 1: Installed Capacity in MW

Sr.	Power House	Installed Capacity	Year/Date of Commissioning
1	ATPS PH-3	1X210 MW = 210 MW	10.09.2009
2	STPS PH-2 & 3	3X210+1X200 = 830 MW	1980-84
3	STPS PH- 4	2x250=500 MW	16.03.2014
4	SGTPS PH- 1 SGTPS PH- 2	2X210 MW = 420 MW 2X210 MW = 420 MW } 840 MW	1993-94 1998-99
5	SGTPS PH- 3	1X500 MW = 500 MW	28.08.2008
6	SSTPP PH-1	2X600 MW = 1200 MW	28.12.2014
7	Gandhi Sagar	5X23 MW = 115 MW	1960 to 1966
8	Pench HPS	2X80 MW = 160 MW	1986-87
9	Rajghat HPS	3X15 MW = 45 MW	1998-99
10	Bargi HPS	2X45 MW = 90 MW	1988 & 1992
11	Bansagar PH- 1 Bansagar PH- 2 Bansagar PH- 3	3X105 =315 MW 2X15 = 30 MW } 425 MW 3X20 = 60 MW	1991 to 1992 1997-98 2001-02
12	Bansagar PH- 4 (Jhinna)	2x10= 20MW	30.08.2006
13	Birsingpur HPS	1X20 = 20 MW	1991-92
14	Madhikheda HPS	3X20 = 60 MW	2006-07

5. MPPGCL entered into Power Purchase Agreement (PPA) with MP Tradeco (now MPPMCL) on 29th November, 2006. The PPA provides that the tariff payable by MP Tradeco to MPPGCL and terms & conditions related thereto shall be as determined by the Commission.

6. The details of the power station-wise and component-wise Annual Capacity (fixed) Charges determined by the Commission for FY 2016-17 in its MYT order dated 14th July' 2016 are as given below:

Table 2: Power Station Wise Annual Capacity (fixed) Charges allowed for FY 2016-17:

(Rs. in Crore)

Sr No.	Power House	Annual Capacity (Fixed) Charges for FY 2016-17
1	ATPS Chachai PH-3	217.32
2	STPS Sarni PH- 2&3	370.02
3	STPS Sarni PH-4	717.85
4	SGTPS PH-1&2	420.90
5	SGTPS PH-3	417.31
6	SSTPP PH-1	1356.74
7	Gandhi Sagar	12.16
8	Pench	23.00
9	Rajghat	12.21
10	Bargi	15.09
11	Bansagar (I to III)	148.68
12	Bansagar-IV (Jhinna)	15.88
13	Birsinghpur	5.45
14	Madhikheda	31.63
	Total	**3764.24**

Table 3: Component Wise Annual Capacity (fixed) Charges Allowed for FY 2016-17

(Rs. in Crore)

S. No	Particulars	Allowed in MYT for FY 2016-17
1	Return on Equity	630.49
2	Interest on Loan (including Interest on excess equity)	964.77
3	Depreciation	748.39
4	O & M Expenses	970.56
5	Compensation Allowance	6.30
6	Special Allowance	77.15
6	Interest on Working capital	366.59
7	**Total Capacity (Fixed) Charges**	**3764.24**

7. The aforesaid Annual Capacity Charges were determined by considering the opening capital cost and funding as per true up Order for FY 2014-15. However, for SSTPP PH

1, the opening capital cost and funding were considered same as closing figures as on 31st March' 2015 considered in its provisional order.

8. The subject true-up petition has been filed by the petitioner adopting the following approach:

    a) *The Energy Charges (Variable Charges) has been billed in accordance to Proviso 28, 29 & 36.6 of MPERC (Terms & Condition for determination of Generation Tariff) (Revision-III) Regulation, 2015. Therefore no truing up of Energy Charges has been considered.*

    b) *Other Charges comprising of MPERC Fees, Water Charges, Rent, Rates & taxes, Entry Tax on R&M, Cost of Chemical & Consumable, Publication expenses and SLDC Charges have been claimed on actual based on Audited Accounts of FY 2016-17.*

    c) *The expenses shown in Audited Annual Statements of Accounts for FY 2016-17 are of MPPGCL's share. The expenses as extracted from Audited Annual Statements of Accounts for FY 2016-17 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's Multi Year Tariff Order dated 14.07.2016.*

    d) *The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 2016-17 of MPPGCL have not been considered in this True up Petition since Hon'ble Commission has not considered these projects in Tariff order, being operated by Rajasthan authorities.*

    e) *As per proviso 35.4 of the Regulation-2015 read with MYT Order dated 14.07.2016, the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee i.e. MPPTCL on '**pay as you go'** principal, subject to true-up in each year on availability of actual figures. Accordingly MPPGCL has not claimed these expenses in this True up tariff petition.*

9. Based on the above, the petitioner claimed the following true-up amount after applying actual availability on fixed cost elements:

Table 4: Component-wise true-Up amount for FY 2016-17 claimed (Rs. in Crore)

Particulars	Elements	Annual Fixed Cost FY 2016-17		
		As per MPERC Orders	MPPGCL as per norms	Difference
Fixed Cost Elements	O & M Expenses	970.56	959.77	-10.79
	Compensation Allowance	6.30	5.95	-0.35
	Special Allowance	77.15	77.15	0.00
	Interest on Loan+ Ex. Equity	964.78	1075.24	110.46
	Interest on W/C	366.63	377.19	10.56
	Depreciation	748.39	814.06	65.67
	RoE	630.48	647.65	17.17
Less: Non Tariff Income		0.00	34.2	34.20
Total		**3764.28**	**3922.81**	**158.52**

Table 5: Power Station Wise true-Up amount Claimed for FY 2016-17 (Rs. in Crore)

Sr. No.	Station	As per MPERC Orders	As considered by MPPGCL on Actual Availability	Diff.
1	ATPS PH-3	217.32	215.70	-1.62
2	STPS PH-2&3	370.02	366.69	-3.33
3	STPS PH-4	717.86	697.80	-20.07
4	SGTPS PH-1&2	420.89	385.34	-35.55
5	SGTPS PH-3	417.30	407.99	-9.31
6	SSTPP PH-1	1356.75	1584.21	227.46
	Thermal	**3500.14**	**3657.72**	**157.58**
7	Gandhi Sagar	12.17	12.13	-0.04
8	Pench	23.04	22.52	-0.53
9	Rajghat	12.21	7.44	-4.77
10	Bargi	15.09	15.87	0.79
11	Bansagar PH-1,2&3	148.67	152.10	3.43
12	Bansagar PH-4 (Jhinna)	15.87	16.22	0.35
13	Birsinghpur	5.45	6.16	0.71
14	Madhikheda	31.64	32.65	1.00
	Hydro	**264.14**	**265.08**	**0.94**
	Total	**3764.28**	**3922.81**	**158.52**

10. In addition to above, the petitioner also claimed other charges of Rs. 100.17 Crore in this petition. The head-wise and power station-wise break-up of other charges claimed in the subject petition are as given below:

Table 6: Head-wise Other Charges Claimed for FY 2016-17 (Rs. in Crore)

Sr. No.	Particulars	Total
1	Rent, Rates & Taxes	1.71
2	Entry Tax	3.81

3	Water Charges	83.41
4	Cost of Chemicals & Consumables	9.34
5	MPERC Fee + Publication Exp.	1.90
	Total	**100.17**

Table 7: Power Station Wise others Charges Claimed for FY 2016-17 (Rs. in Crore)

Sr. No.	Particulars	Total
1	ATPS PH-3	3.97
2	STPS PH-2&3	6.10
3	STPS PH-4	6.12
4	SGTPS PH-1&2	10.25
5	SGTPS PH-3	6.10
6	SSTPP PH-1	21.57
	Total Thermal	**54.10**
7	Gandhi Sagar	12.08
8	Pench	0.07
9	Rajghat	0.80
10	Bargi	10.68
11	Bansagar PH-1,2&3	16.34
12	Bansagar PH-4	0.81
13	Birsinghpur	0.51
14	Madhikheda	4.78
	Total Hydro	**46.07**
	Grand Total	**100.17**

11. In the subject petition, the petitioner has filed additional capitalization of Rs. 232.42 Crore, in thermal and hydel power stations during FY 2016-17 as per Annual Audited Accounts and Asset-cum-Depreciation registers of respective power stations. The petitioner also filed the write-off/ adjustment of assets in some of the power stations during FY 16-17.

12. With the above submissions, the petitioner prayed the following :

    (a) *Approve Annual Fixed Charges and Other charges for FY 2016-17 and permit recovery of True up amount as per para 20 & 21 in six equal monthly installments*.

    (b) *Allow additional capitalization as per Audited Annual Statements of Accounts for FY 2016-17 and accordingly permit additional Depreciation, RoE and Interest on excess equity.*

    (c) *MPPGCL has considered actual availability factor for working out of true up amount for Hydro stations. However, looking to the above facts & constraints, MPPGCL humbly request Hon'ble Commission to kindly take cognizance of* *critical issues related to Hydel Power Stations of MPPGCL and opt the CERC methodology of determination of norm for NAPAF in full or allow MPPGCL to recover of full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis.*

(d) *Allow separate recovery of balance Depreciation amounting to Rs. 25.67 Crore towards assets decommissioned at ATPS PH-2 at a later stage when finalized.*

(e) *In accordance with proviso 8.15 of Regulation, 2015, allow interest on differential true-up amount, if any.*

13. In the instant true-up petition, the petitioner mentioned the following:

    (i) The installed capacity of MPPGCL's share, as on 31st March' 2017 is 4997.20 MW (including its share in bilateral interstate projects), consisting of 4080 MW Thermal power stations and 917.20 MW Hydro power stations.

    (ii) As on 31st March' 2017, MPPGCL is operating 4995 MW, consisting of 4080 MW thermal and 915.0 MW Hydro power stations. Out of this 133.30 MW capacity belongs to other States i.e., Gandhi Sagar and Pench HPS.

14. The subject true-up petition is based on the Annual Audited Accounts of MPPGCL as a whole for FY 2016-17. The figures for the capital cost and funding admitted in the true-up order for FY 2015-16 issued by the Commission on 7th April' 2017 were considered for all station except SSTPP PH-1. At the time of filing the subject true petition, the final tariff order for SSTPP PH-1 was not issued; therefore in respect of SSTPP PH-1, MPPGCL has considered the capital cost and funding as filed in final tariff petition for SSTPP PH-1.

15. The final generation tariff for Unit No. 1 & 2 of 2x600 MW, Shri Singaji Thermal Power Project (SSTPP) PH-1 was determined on 30th December'2017 after the MYT order for FY 2016-17 to FY 2018-19 issued on 14th July, 2016.

16. Therefore, in this true-up order, the Commission has taken into consideration the base opening figures of Gross Fixed Assets (GFA), Equity and loan components as per the true-up order for FY 2015-16 and final generation tariff order of SSTPP PH-1.

Procedural History:

17. Motion hearing in the subject petition was held on 23th January' 2018 when the petition was admitted and the petitioner was directed to serve copies of petition on all Respondents in the matter. The respondents were also asked to file their response on the petition, by 15th February' 2018.

18. By affidavit dated 15th February' 2018, MPPMCL (Respondent No. 1) filed its comments on the subject petition. Vide letter dated 07th March' 2018, the petitioner filed its reply to the comments filed by the MPPMCL. The details of comments offered by the MPPMCL and petitioner's response are mentioned in **Annexure II** of this Order.

19. Vide Commission's letter dated 19th February' 2018, the information gaps and requirements of additional details/documents in the subject petition were communicated to the petitioner seeking their comprehensive reply along with all relevant supporting documents by 05th March' 2018.

20. Vide letter dated 05th March' 2018 followed by a supplementary submission dated 28th March' 2018, the petitioner filed its reply to the issues raised by the Commission. The details of the issues raised in Commission's letters dated 19th February' 2018, along with the response filed by the petitioner by letter dated 5th March' 2018 and 28th March' 2018 are mentioned in **Annexure-I** of the order.

21. Vide letter dated 19th February' 2018, the petitioner was asked to publish the public notice in newspaper in Hindi and English version inviting comments/ suggestions from the stakeholders. The petitioner was also asked to file its response on the comments if any, offered by the stakeholders.

22. Vide letter dated 21th February' 2018, the petitioner informed that the public notices inviting comments/suggestions from stakeholders have been published on 20th February' 2018 in the following news papers.
    - (i) Nav Bharat, Jabalpur (Hindi).
    - (ii) Danik Bhaskar, Indore (Hindi).
    - (iii) Nai Duniya, Bhopal (Hindi).
    - (iv) Raj Express, Gwalior (Hindi).
    - (v) Central Chronicle, (English).

23. Vide letter dated 12th March' 2018, the petitioner informed that no comment from any stakeholder was received in the matter. The public hearing in the subject true-up petition was held on **13th March' 2018,** wherein only the representatives of the petitioner appeared.

Capital Cost

Petitioner's submission:

24. The Petitioner submitted that the Gross fixed Assets as on 31st March' 2016 admitted by the Commission is Rs. 18479.18 Crore. The petitioner further submitted that the asset capitalization was carried out during FY 2016-17 in the existing stations as well as in the new projects. These asset additions were made on account of new assets capitalized under the head of Fixed Assets. The petitioner also mentioned that the write off/ adjustments/ transfer of Asset was made in the GFA of the various power stations.

25. The details of opening Gross Fixed Assets along with asset additions and adjustment/ deductions as filed by the petitioner are given below:

Table 8: Power station-wise break-up of fixed assets as per petition (Rs. in Crore)

S. no	Station	Gross Block admitted as on 31-03-2016	Adjustments		Adjusted Op. Gross Block as on 01-04-2016	Asset Additions during FY 2016-17	Asset Deductions during FY 2016-17	Adjustment for Common assets of STPS PH-1	Closing Balance of Gross Block as on 31-03-2017
			Transferred	Received at other TPS					
1	ATPS PH-3	1137.76	-2.99	-	1134.77	7.82	-4.22	-	1138.37
2	STPS PH-2&3	621.39	-0.97	-	620.42	5.12	-	6.01	631.55
3	STPS PH-4	3160.78	-0.004	-	3160.78	73.68	-48.04	-	3186.41
4	**STPS Total**	**3782.17**	**-0.97**	**0.00**	**3781.2**	**78.8**	**-48.05**	**6.01**	**3817.95**
5	SGTPS PH-1&2	2188.69	-	3.70	2192.39	14.12	-	-	2206.51
6	SGTPS PH-3	2034.09	-	0.16	2034.25	12.81	-	-	2047.06
7	**SGTPS Total**	**4222.78**	**0.004**	**3.86**	**4226.64**	**26.93**	**0.00**	**0.00**	**4253.57**
8	SSTPP PH-1	7493.66	-	0.004	7493.67	116.96	-27.31	-	7583.31
9	**Total Thermal**	**16636.37**	**-3.97**	**3.87**	**16636.27**	**230.5**	**-79.57**	**6.01**	**16793.21**
10	Gandhi Sagar	10.39	-	-	10.39	0	-	-	10.39
11	Pench	102.25	-	-	102.25	0.02	-	-	102.27
12	Rajghat	82.81	-	-	82.81	0.02	-	-	82.83
13	Bargi	87.19	-	-	87.19	0.56	-	-	87.75
14	Bansagar PH-1,2&3	1173.18	-	-	1173.18	0.17	-0.05	-	1173.3
15	Bansagar PH-4	116.85	-	-	116.85	-	-	-	116.85
16	Madhikheda	217.99	-	-	217.99	0.01	-	-	218.00
17	Birsinghpur	52.15	-	-	52.15	0.25	-	-	52.4
18	**Total Hydro**	**1842.81**	**0.00**	**0.00**	**1842.81**	**1.05**	**-0.05**	**0.00**	**1843.80**
19	HQ	-	-	-	3.26	0.87	-	-	4.13
	Total	**18479.18**	**-3.97**	**3.87**	**18482.34**	**232.42**	**-79.63**	**6.01**	**18641.14**

Provision in Regulation’s:

26. Regarding capital cost of the generating stations, Regulation 15.2 and 15.3 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides as under:

15.2 *“The Capital Cost of a new project shall include the following*:

a). the expenditure incurred or projected to be incurred up to the date of commercial operation of the project;

b). Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period shall form part of the capital cost.

c). Increase in cost in contract packages as approved by the Commission;

d). Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 17 of these Regulations;

e). capitalised Initial spares subject to the ceiling rates specified in Regulation 19 of these Regulations;

f). expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 20 of these Regulations; and

g). adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COS as specified under Regulation 24 of these Regulations..

15.3 The Capital cost of an existing project shall include the following:

a). the capital cost admitted by the Commission prior to 1.4.2016 duly trued up by excluding liability, if any, as on 1.4.2016;

b). additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 20; and

c). expenditure on account of renovation and modernization as admitted by the Commission in accordance with Regulation 21.”

Commission’s Analysis:

27. The petitioner has filed the total adjusted opening Gross Fixed Assets (GFA) of Rs. **18482.34** Crore (as on 01^{st} April’ 2016) for its thermal and hydel power stations covered in the subject true-up petition.

28. On scrutiny of the capital cost and additional capitalization in light of the Annual Audited Accounts, it was observed that total asset addition as per Annual Audited Accounts is Rs. 242.45 Crore whereas, the petitioner filed Rs. 232.42 Crore. Similarly, write-off/adjustment of assets is filed as Rs. 79.63 Crore whereas, this amount is recorded as Rs. 102.57 Crore in its Annual Audited Accounts. Therefore, vide Commission's letter dated 19th February' 2018, the petitioner was asked to file the power station wise Assets-cum-Depreciation registers for FY 2016-17 and the petitioner was also asked to reconcile the figures regarding Opening GFA, addition of assets, write-off/adjustment of assets and Closing GFA recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2016-17. Any difference in the figures between the two records was also required to be explained.

29. Vide letter dated 05th March' 2018, the petitioner submitted the following:

> *"As desired by Hon'ble Commission, the Power Station wise Assets-cum-Depreciation registers for FY 2016-17 was submitted vide Annexure 3A & 3B of this office letter No. 327 dated 05.03.2018.*
>
> *Further, as desired, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2016-17 & detailed in Asset-Cum-Depreciation Registers vis-à-vis as claimed by MPPGCL in subject petition with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as Annexure-4A, 4B, 4C, 4D, 4E, 4F, 4G & 4H respectively."*

30. The petitioner stated that the aforesaid difference in addition of 10.03 Crore is on account of Rajasthan State Electricity Board (RSEB) share of common assets amounting to Rs. 2.98 Crore booked in Annual Audited Accounts in STPS PH 1 but not claimed in the petition and addition towards need based R&M works for STPS are not claimed as special allowance opted by MPPGCL.

31. Further difference in deduction of Rs. 22.94 crore is on account of adjustment of Rs. 22.79 Crore in respect of assets capitalized at STPS PH 2&3 during FY 2015-16. As MPPGCL has opted for special allowance at STPS PH 2, no additional capitalization is allowed by Commission from FY 2011-12 onwards. Accordingly, the adjustment of Rs. 22.79 Crore with respect to assets added during FY 2015-16 has not been considered in the instant petition. Further, the capital spares of Rs. 0.31 Crore were capitalized at Rajghat HPS during FY 2014-15 and same were not permitted by the Commission in true up order for FY 2015-16. The adjustment of Rs. 0.15 Crore are with respect to said

capital spares not permitted by Commission. Accordingly, the same is not considered in the instant petition.

32. The Commission has considered the closing GFA , corresponding equity, loan and accumulated depreciation (as on 31st March' 2016) for existing and new power stations as per the true-up order for FY 2015-16 (issued on 7th April' 2017) and for SSTPP PH-1 as per the final tariff order dated 30th December' 2017 as opening balance in this true-up order of FY 2016-17. The stations-wise break-up of closing GFA and funding as admitted by the Commission in the aforesaid orders are as given below :

Table 9: Closing GFA and Funding Considered as on 31st March' 2016 (Rs. in Crore)

Sr. No	Power Station	Closing GFA admitted by the Commission	Equity	Loan	Accumulated Dep
1	ATPS PH-3	1137.76	260.07	515.53	364.37
2	STPS PH-2 & 3	621.39	184.28	-	564.72
3	STPS PH-4	3160.78	625.90	2217.60	357.35
4	SGTPS PH 1 &2	2188.69	650.10	0.00	1615.29
5	SGTPS PH-3	2034.09	575.05	718.14	737.47
6	SSTPP PH-1	7184.34	1370.00	5219.38	594.95
	Total Thermal	**16327.05**	**3665.40**	**8670.65**	**4234.15**
7	Gandhi Sagar	10.39	3.15	-	9.39
8	Pench	102.25	30.68	-	79.56
9	Rajghat	82.81	24.84	-	50.11
10	Bargi	87.19	26.18	-	65.31
11	Bansagar PH-1,2 &3	1173.18	351.97	-	709.45
12	Bansagar PH-4 (Jhinna)	116.85	35.05	19.19	62.62
13	Birsinghpur	52.15	15.65	-	37.47
14	Madhikheda	217.99	46.25	57.28	89.03
	Total Hydro	**1842.81**	**533.77**	**76.47**	**1102.94**
	Total	**18169.86**	**4199.18**	**8747.12**	**5337.09**

Prior period write-off/ adjustment:

Asset Transferred to Thermal Power Station

33. The petitioner submitted that during FY 2016-17 assets were transferred from ATPS to SGTPS and STPS to SGTPS and SSTPP PH-1 as per Audited Books of Accounts for FY 2016-17. Accordingly, the asset from the Gross Fixed Assets of respective Thermal Power Station along with corresponding effect on normative loan and equity balances has been taken. The details of asset transferred are as given below:

Table 10: Detail of asset transferred within Thermal Power Stations (Rs. in Crore)

Sr. no.	Particulars	Gross Block of Assets transferred	Adjustment	
			Normative loan	Normative Equity
	ATPS PH-3			
1	Transferred from ATPS PH-3	2.99	2.09	0.90
	Received at SGTPS PH-1&2	2.73	1.91	0.82
	Received at SGTPS PH-3	0.16	0.11	0.05
	STPS PH-2&3			
2	Transferred from STPS PH-2&3	0.97	0.00	0.29
	Received at SGTPS PH-1&2	0.97	0.00	0.29
	STPS PH-4			
3	Transferred from STPS PH-4	0.004	0.004	0.00
	Received at SSTPP PH-1	0.004	0.004	0.00
	Total			
4	Total transfer from ATPS & STPS	3.97	2.10	1.19
	Received at SGTPS PH-1&2	3.70	1.91	1.11
	Received at SGTPS PH-3	0.16	0.11	0.05
	Received at SSTPP PH-1	0.004	0.004	0.00

34. On perusal of above submission of the petitioner, vide Commission's letter dated 19th February' 2018, the petitioner was asked to explain the reason for transfer of assets as given below in ATPS PH 3:

    a. Reasons for transfer of such assets from ATPS PH-3 to SGTPS PH-1&2 and SGTPS PH-3.
    b. The year of capitalization and funding of all such assets.
    c. The petitioner has shown transfer of assets of Rs. 2.73 Crore and Rs. 0.16 Crore from ATPS PH-3 to SGTPS PH-1&2 and SGTPS PH-3 respectively whereas, the total of these two figures is Rs. 2.89 Crore which are not tallying with total transfer of assets worth Rs. 2.99 Crore from ATPS PH-3."

35. Vide letter dated 05th March' 2018, the petitioner submitted the following *:-*

    a. *The assets were transferred on account of its requirement at other Thermal Power Station for the efficient running & operation of units*.
    b. *As desired by Hon'ble Commission, the details of capitalization and funding is tabulated hereunder:-*

(in Rs. Crore)

Particulars	***Gross Block of Assets transferred***	***Year of Capitalization***	***Funding details***	
			Normative loan	***Normative Equity***
Transferred from ATPS PH-3	*2.99*	*Sept-2009*	*2.09*	*0.90*

Received at SGTPS PH-1&2	*2.73*	*May-2016*	*1.91*	*0.82*
Received at SGTPS PH-3	*0.16*		*0.11*	*0.05*

c. *Difference of Rs.0.10 Crore (Rs.2.99 Crs - Rs.2.89 Crs) is on account of assets of Rs. 0.10 Crore transferred from ATPS PH-3 to STPS PH-2&3, which were not put to use at STPS PH-2&3 during FY 2016-17 and kept under the Account Head- Assets not in use in the Audited Books of Accounts for FY 2016-17. Accordingly, the same is not added to the Gross Block of STPS PH-2&3."*

36. With regard to transfer of assets from STPS PH-2&3 to SGTPS PH-1&2, the petitioner submitted that a dozer amounting to Rs. 0.97 Crore was transferred from STPS Sarni to SGTPS Birsinghpur, which was already depreciated to 90% of its cost.

37. In view of the above, the Commission has considered the transfer of assets as claimed by the petitioner.

Details of Asset written off / De-capitalized /Adjustments
ATPS PH-3

38. With respect to prior period write off/adjustment of assets in ATPS PH-3, the petitioner submitted that during FY 2016-17, the following assets were written off/transferred back to CWIP in ATPS PH-3 as per Audited Books of Accounts for FY 2016-17. The assets are reduced from the Gross Block of ATPS PH-3 for the purpose of claiming depreciation for FY 2016-17. The corresponding Normative Equity/ Loan Balances have also been adjusted. The following are the detail of assets written off as submitted by the petitioner:

(Rs. in Crore)

Account Code	Details	Amount	Remark
10.52	Instrumentation and controls	0.20	Write-off
10.905	Computers	0.01	
10.58	Refrigerators and water coolers	0.001	
10.426	Ash bund related works	4.00	Transferred to CWIP
Total		**4.22**	

39. It is observed that out of Rs. 4.22 Crore, assets of Rs.0.22 Crore are written off and Rs. 4.00 Crore are transferred to CWIP. Therefore, vide Commission's letter dated 19th February' 2018, the petitioner was asked to inform the following:
    a). Reasons for write-off of such assets in ATPS PH-3.
    b). Reasons for Transfer to CWIP of such assets.

c). The year of capitalization and funding of all such assets.

d). Whether the written-off assets have been considered while claiming all Annual fixed cost components in the petition.

40. Vide letter dated 05th March' 2018, the petitioner submitted the following:-

a). The asset written-off at ATPS PH-3 amounting to Rs. 0.22 Crore comprises of Instrumentation and Control equipments, Computers and Refrigerators. These assets have already been de-commissioned and presently Not in Use and accordingly written-off from the Audited Books of Accounts of MPPGCL.

b). As per requirement of Indian Accounting Standard (INDAS), the expenditure of Rs.4.00 Crore, which was capitalized in FY 2015-16 is considered has deferred revenue Expenditure in FY 2016-17 and henceforth reduced from the Gross Block of ATPS.

c). As desired by the Commission, the statement elaborating the year of capitalization and funding of assets decapitalized /written-off is annexed is Annexure-23.

d). It is to confirm that the amount of decapitalized Assets has been reduced from the Gross Block of ATPS along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition."

41. In view of the above, it is observed that the asset amounting to Rs. 4.00 Crore transferred to CWIP during FY 2016-17 were capitalized in FY 2015-16. The remaining assest of Rs. 0.22 Crore were written off during FY 2016-17 and capitalized in the earlier years. Thus, the assets amounting to Rs. 4.22 Crore are reduced from the opening Gross Fixed Asset admitted in last true up order along with reduction in Debt and Equity in the same ratio as approved in the last true up order for FY 2015-16. The corresponding Debt- Equity are as given below:

Table 11: ATPS PH -3 written off and Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	4.22
Loan component	3.26
Equity component	0.96

STPS PH-4

42. With respect to prior period write off/adjustment of assets in STPS PH-4, the petitioner submitted that during FY 2016-17, there were adjustment in the value of Assets on account of Price Variation along with de-capitalization of certain assets in STPS PH-4

as per Audited Books of Accounts for FY 2016-17. The assets have been reduced from the Gross Block of STPS PH-4 for the purpose of claiming depreciation for FY 2016-17. The petitioner submitted that these assets are funded through Loan/Equity Component, the normative loan/ equity balance has been reduced proportionately. The following are the detail of asset written off submitted by the petitioner:

(Rs. in Crore)

Account Code	Details	Amount	Remark
10.233	Other buildings	0.01	Adjustment towards price variation
10.311	Cooling towers	0.15	
10.325	Misc. Works	0.001	
10.412	Railway sidings	0.03	
10.426	Ash Bund for Thermal Power Station	0.04	
10.507	Ash handling plant	0.13	
10.515	Coal handling plant & handling Equipments	0.32	
10.516	Oil tanks, oil handing plant & Equipments	0.01	
10.526	Flue Gas Stack for Thermal Power Station	0.05	
10.585	Agriculture pump set & piping etc	0.01	
10.586	Compressed Air System	0.0004	
10.587	Other Electrical Equipment For BoP	0.02	
Subtotal		**0.76**	
10.501	Boiler plant & Equipments	27.1	De-capitalized
10.521	Hydrogen Generation Plants	1.09	
10.542	Other transformers of power house	18.96	
10.587	Other Electrical Equipment For BoP	0.13	
Subtotal		**47.28**	
Total		**48.04**	

43. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to clarify its claim of write-off assets of Rs. 48.04 Crore in STPS PH-4. Out of which assets of Rs. 0.76 Crore are on account of price variation adjustment and Rs. 47.28 Crore are on account of de-capitalization of assets. The petitioner was asked to inform the reasons for de-capitalization along with the year of capitalization and funding of all such assets. The petitioner was also asked to confirm whether the written-off assets have been considered while claiming Annual Fixed Cost (AFC) components in the petition."

44. Vide letter dated 05th March' 2018, the petition submitted the following:

"As desired by the Commission, the statement elaborating the reasons of decapitalization of assets at STPS PH-4 along with year of capitalization and funding details is annexed is Annexure-24.

It is to confirm that the amount of decapitalized Assets has already been reduced from *the Gross Block of STPS PH-4 along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition."*

45. On scrutiny of the above submission, it is observed that the asset adjustment on account of price variation of Rs. 0.76 Crore was capitalized in the FY 2013-14. The remaining asset of Rs. 47.28 Crore decapitalized during FY 2016-17 were capitalized in FY 2013-14 and FY 2014-15. Thus, the assets of Rs. 48.04 Crore are reduced from the opening Gross Fixed Asset admitted in last true up order along with reduction in Debt and Equity in the same ratio as considered in last true up order. The corresponding Debt -Equity ratio are as given below:

Table 12: STPS PH -4 written off and Funding (Rs. in Crore)

Particular	Amount
Gross Fixed Asset	48.04
Loan component	38.53
Equity component	9.51

SSTPP PH-1

46. With respect to prior period write off/adjustment of assets in SSTPP PH-1, the petitioner submitted that during FY 2016-17, there were adjustment in the value of Assets on account of Price Variation along with de-capitalization of certain assets at SSTPP PH-1 as per Audited Books of Accounts for FY 2016-17. The aforesaid assets have been reduced from the Gross Block of SSTPP PH-1 for the purpose of claiming depreciation for FY 2016-17. The petitioner submitted that these assets are funded through loan/ equity component and the normative loan/ equity balance has been reduced, proportionately. The following are the details of asset written off as submitted by the petitioner:

(Rs. in Crore)

Account Code	Details	Amount	Remark
10.233	Other buildings	0.05	Price variation adjustment
10.325	Misc. Works	0.1	
10.426	Ash bund for thermal power station	1.43	
10.501	Boiler plant & equipments	4.13	
10.52	Instrumentation and controls	0.18	
10.585	D G Set for emergency Power	0.02	
Subtotal		**5.91**	
10.321	Reservoir, forbay and intake	0.52	De-Capitalized
10.325	Misc. Works	0.22	
10.426	Ash bund for thermal power station	3.9	
10.501	Boiler plant & Equipments	7.05	
10.542	Other transformers of power house	9.72	

Subtotal	**21.41**	
Total	**27.31**	

47. Vide Commissions letter dated 19th February' 2018, the petitioner was asked about its claim of write-off assets of Rs. 27.31 Crore in SSTPP PH-1, out of which assets of Rs. 5.91 Crore are on account of price variation adjustment and Rs. 21.41 Crore are on account of de-capitalization of assets. The petitioner was asked to inform the year of capitalization and funding of all such assets along with the reasons for de- capitalization of such assets. The petitioner was also asked to confirm whether the written-off assets have been considered while claiming Annual Fixed Cost (AFC) components in the petition.

48. Vide letter dated 05th March' 2018, the petitioner submitted the following:

> "*As desired by the Commission, the statement elaborating the reasons of decapitalization of assets at SSTPP PH-1 along with year of capitalization and funding details is annexed is Annexure-25.*
> *It is to confirm that the amount of decapitalized Assets has been reduced from the Gross Block of SSTPP PH-1 along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition.*"

49. On detailed scrutiny of the above submission, it is observed that the assets adjustment on account of price variation amounting of Rs. 5.91 Crore was capitalized in the FY 2013-14. The remaining assets of Rs. 21.41 Crore decapitalized during FY 2016-17 were capitalized during FY 2013-14 and FY 2014-15. Thus, the assets of Rs. 27.31 Crore have been reduced from the opening GFA admitted in the last true up order along with reduction in debt and equity in the same ratio admitted in last true up order. The corresponding Debt -Equity are as given below:

Table 13: SSTPP PH -1 written off and Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	27.32
Loan component	22.10
Equity component	5.21

Bansagar PH-1,2 & 3

50. With respect to prior period write off/adjustment of assets in Bansagar PH-1, 2 & 3, the petitioner submitted that during FY 2016-17, the assets of Rs. 0.05 Crore have been written off from computer head as per Audited Books of Accounts for FY 2016-17. The aforesaid assets have been reduced from the Gross Block of Bansagar PH-1, 2 & 3 for the purpose of claiming depreciation for FY 2016-17.

51. In view of the above, the Commission has considered the above mentioned written off. The corresponding Debt -Equity are as given below:

Table 14: Bansagar PH 1, 2 & 3 written off and Funding **(Rs. in Crore)**

Particular	Amount
Gross Fixed Asset	0.05
Loan component	0.00
Equity component	0.02

52. The power station wise closing GFA, equity, loan and cumulative depreciation as on 31st March' 2016 as admitted in the last true-up order for FY 2015-16 has now been revised on considering the impact of the write-off/adjustment of asset under prior period.

53. The power station-wise opening GFA, normative equity, loan component including excess equity and cumulative depreciation as on 1st April' 2016 are workout as given below:

Table 15: Gross Fixed Assets **(Rs. in Crore)**

Sr. No	Power Stations	Gross Fixed Assets			
		Closing as on 31.03.2016	**Transfer/ Adjustments**	**Asset Written Off**	**Opening as on 01.04.2016**
1	ATPS PH-3	1137.76	-2.99	-4.22	1130.55
2	STPS PH-2 & 3	621.39	-0.97	-	620.42
3	STPS PH-4	3160.78	-0.004	-48.04	3112.74
4	SGTPS PH 1 &2	2188.69	3.70	-	2192.39
5	SGTPS PH-3	2034.09	0.16	-	2034.25
6	SSTPP PH-1	7184.34	0.004	-27.31	7157.03
	Thermal	**16327.05**	**-0.10**	**-79.57**	**16247.38**
7	Gandhi Sagar	10.39	-	-	10.39
8	Pench	102.25	-	-	102.25
9	Rajghat	82.81	-	-	82.81
10	Bargi	87.19	-	-	87.19
11	Bansagar PH-1,2 &3	1173.18	-	-0.05	1173.13
12	Bansagar PH-4	116.85	-	-	116.85
13	Birsinghpur	52.15	-	-	52.15
14	Madhikheda	217.99	-	-	217.99
	Total Hydro	**1842.81**	**0.00**	**-0.05**	**1842.76**
	Total	**18169.86**	**-0.10**	**-79.62**	**18090.14**

Table 16: Normative Equity **(Rs. in Crore)**

Sr. No	Power Stations	Normative Equity			
		Closing as on 31.03.2016	Transfer/ Adjustments	Asset Written Off	Opening as on 01.04.2016
1	ATPS PH-3	260.07	-0.90	-0.96	258.21
2	STPS PH-2 & 3	184.28	-0.29	-	183.99
3	STPS PH-4	625.90	0.00	-9.51	616.39
4	SGTPS PH 1 &2	650.10	1.11	-	651.21
5	SGTPS PH-3	575.05	0.05	-	575.10
6	SSTPP PH 1	1370.00	-	-5.21	1364.79
7	Gandhi Sagar	3.15	-	-	3.15
8	Pench	30.68	-	-	30.68
9	Rajghat	24.84	-	-	24.84
10	Bargi	26.18	-	-	26.18
11	Bansagar PH-1,2 &3	351.97	-	-0.02	351.95
12	Bansagar PH-4	35.05	-	-	35.05
13	Birsinghpur	15.65	-	-	15.65
14	Madhikheda	46.25	-	-	46.25
	Total	**4199.18**	**-0.03**	**-15.70**	**4183.44**

Table 17: Loan Balances Including Excess Equity **(Rs. in Crore)**

Sr. No	Power Stations	Normative Loan			
		Closing as on 31.03.2016	Transfer/ Adjustments	Asset Written Off	Opening as on 01.04.2016
1	ATPS PH-3	515.53	-2.09	-3.26	510.18
2	STPS PH-2 & 3	-	-	-	-
3	STPS PH-4	2,217.60	-0.004	-38.53	2,179.07
4	SGTPS PH 1 &2	-	1.91	-	1.91
5	SGTPS PH-3	718.14	0.11	-	718.25
6	SSTPP PH-1	5,219.38	0.004	-22.10	5,197.28
7	Gandhi Sagar	-	-	-	-
8	Pench	-	-	-	-
9	Rajghat	-	-	-	-
10	Bargi	-	-	-	-
11	Bansagar PH-1,2 &3	-	-	-	-
12	Bansagar PH-4	19.19	-	-	19.19
13	Birsinghpur	-	-	-	-
14	Madhikheda	57.28	-	-	57.28
	Total	**8747.12**	**-0.07**	**-63.88**	**8683.17**

Table 18: Cumulative Depreciation **(Rs. in Crore)**

Sr. No	Power Stations	Cumulative Depreciation			
		Closing as on 31.03.2016	Transfer/ Adjustments	Asset Written Off	Opening as on 01.04.2016
1	ATPS PH-3	364.37	-2.23	-0.08	362.06

2	STPS PH-2 & 3	564.72	-0.87	-	563.85
3	STPS PH-4	357.35	-0.00	-5.62	351.73
4	SGTPS PH 1 &2	1,615.29	2.87	-	1,618.16
5	SGTPS PH-3	737.47	0.14	-	737.61
6	SSTPP PH-1	594.95	0.00	-2.21	592.74
7	Gandhi Sagar	9.39	-	-	9.39
8	Pench	79.56	-	-	79.56
9	Rajghat	50.11	-	-	50.11
10	Bargi	65.31	-	-	65.31
11	Bansagar PH-1,2 &3	709.45	-	-0.02	709.43
12	Bansagar PH-4	62.62	-	-	62.62
13	Birsinghpur	37.47	-	-	37.47
14	Madhikheda	89.03	-	-	89.03
	Total	**5337.09**	**-0.09**	**-7.93**	**5329.07**

Additional Capitalization:

Petitioner's submission:

54. The petitioner submitted that the assets capitalization was carried out in the existing stations as well as in the new projects. These assets additions were made on account of new assets capitalized. In Para 4.3.43 of the subject petition, the petitioner filed the power station wise assets capitalization during FY 2016-17 as given below:-

Table 19: Additional Capitalization Claimed during FY 2016-17 (Rs. in Crore)

Sr. No.	Stations	Additional Capitalization
1	ATPS PH-3	7.82
2	STPS PH-2 & 3	5.12
3	STPS PH-4	73.68
4	SGTPS PH 1 &2	14.12
5	SGTPS PH-3	12.81
6	SSTPP PH-1	116.96
	Thermal	**230.50**
7	Gandhi Sagar	-
8	Pench	0.02
9	Rajghat	0.02
10	Bargi	0.56
11	Bansagar PH-1,2&3	0.17
12	Bansagar PH-4 (Jhinna)	-
13	Birsinghpur	0.25
14	Madhikheda	0.01
15	**Total Hydro**	**1.05**
16	HQ	0.87
17	**Total**	**232.42**

55. The Power station-wise details of Additional Capitalization and funding thereof through

Loans & Equity are detailed in Chapter "Additional Capitalization/De-Capitalization and funding thereof" of the subject petition.

Provision in Regulation

56. Regarding additional capitalization of the generating stations, Regulation 20.1, 20.2 and 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provided that:

20.1 "The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Un-discharged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law; and

(v) Change in law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff."

20.2 The capital expenditure incurred or to be incurred in respect of the new project on the following counts within the original scope of work after the cut-off date may be admitted by the Commission, subject to prudence check:

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

(ii) Change in law or compliance of any existing law:

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

(iv) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.

20.3 The capital expenditure, in respect of ***existing generating station*** *incurred or projected to be incurred on the following counts after the cut-off date, may be* *admitted by the Commission, subject to prudence check:*

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

(b) Change in law or compliance of any existing law;

(c) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

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

(e) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(f) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(g) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(h) 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) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(i) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016:

Provided further that any capital expenditure other than that of the nature specified above in (a) to (d) in case of coal based station shall be met out of

Compensation Allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation.

Commission's Analysis:

57. The petitioner filed additional capitalization of Rs. 232.42 Crore during FY 2016-17 in thermal and hydel power stations. With regard to additional capitalization filed by the petitioner, the Commission had sought several details/documents from the petitioner.

58. Based on the details of additional capitalization filed by the petitioner in the subject petition and its additional submissions, the Commission has examined the power station wise additional capitalization in light of the Annual Audited Accounts, asset-cum-depreciation and provisions under the Regulations as discussed below:

Additional Capitalization:

59. Vide Commission letter dated 19th February' 2018, the petitioner was asked to submit various details regarding additional capitalization in existing power stations in terms of Regulation 20 of MPERC (Terms & Conditions for Determination of Generation Tariff) Regulations, 2015. Vide letter dated 05th March' 2018, the petitioner filed its response on all the aforesaid issues raised by the Commission. The issues and response filed by the petitioner are detailed in Annexure-1 of this order.

60. Considering all details and documents regarding the existing power stations, the Commission has examined the power station-wise details in respect of additional capitalization of each power station separately as given below:

a) ATPS PH-3:

61. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The Commission vide order dated 1st May' 2012 has determined the final generation Tariff for this power station. The petitioner submitted that the additional capitalization of Rs. 7.82 Crore has been capitalized during FY 2016-17 and captured in Audited Books of Accounts.

62. The petitioner further submitted that the works under additional capitalization were carried out during FY 2016-17 and these works are within the original scope of cost estimate of Rs. 1242.14 Crore approved by GoMP dated 12.01.2011. The details of

assets capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 20: Details of Asset Capitalization claimed (Rs. in Crore)

A/c Code	Details	Amount
10.101	Land owned under full title	0.03
10.102	Land held under lease	0.03
10.233	Other buildings	0.03
10.311	Cooling towers	0.01
10.32	Plant, pipelines for water supply in res. Colony	0.04
10.401	Pucca roads	0.10
10.412	Railway sidings	0.02
10.501	Boiler plant & Equipments	0.39
10.502	Furnace/burners	0.10
10.503	Turbine-generator-steam power generation	0.16
10.507	Ash handling plant	0.10
10.509	Auxiliaries in steam power plant	0.004
10.512	Coal conveyor & crusher	0.08
10.515	Coal handling plant & handling Equipments	0.01
10.516	Oil tanks, oil handing plant & Equipments	0.0001
10.52	Instrumentation and controls	1.66
10.541	Transmission plant-transformers 100 kva & above	0.00
10.542	Other transformers of power house	0.003
10.544	Substation transformer & kiosks 100 kv & above	0.07
10.561	Switchgears including cable connections	0.10
10.563	Batteries including charging equipment	0.00
10.571	Communication equip-radio & high freq. carrier system	0.10
10.577	Air-conditioning plant-portable	0.003
10.58	Refrigerators and water coolers	0.003
10.583	Tools and tackles	0.001
10.599	Other misc. equip. including fire protection system	0.002
10.8	Furniture and fixtures	0.05
10.905	Computers	0.02
11.3	Capital spares	1.81
11.603	Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Turbine and Generator	1.86
11.602	Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Balance of work	1.03
Total		**7.82**

63. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to file several details/ documents regarding the additional capitalization with respect to ATPS PH-III. Vide letter dated 05th March' 2018, the petitioner filed its response to the queries raised by the Commission as follows:

"*The assets amounting to Rs. 7.82 Crore have been capitalized at 210MW ATPS*

Chachai during FY 2016-17 and captured in the Audited Books of Accounts. The same has been claimed accordingly in the subject True Up petition. The aforesaid additional capitalization of Rs.7.82 Crore comprises of the following:-

Particulars		**Amount (Rs. Crore)**
1	Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of ATPS PH-3(210MW).	0.85
2	Pollution Monitoring Equipments	1.65
3	Communication Metering Equipments	0.10
4	Capital Expenditure towards capital overhauling of Turbine & Generators under INDAS-16	1.86
5	Capital Expenditure towards capital overhauling of Balance of Works under INDAS-16	1.03
6	Capitalization under land head under Asset Retirement Obligation of INDAS-16	0.06
7	Works related to Ash handling System	0.10
8	Capital Spares	1.81
9	Other works related to building, Pucca roads, Coal conveyer etc	0.36
Total		**7.82**

In reference to aforesaid additional capitalization, following is to be submitted:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generations as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.*
  MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3%, already paid.
- *Accordingly, the differential Entry Tax liability was settled by MPPGCL. The Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure for up to commissioning) of ATPS PH-3 (210MW) was capitalized in the Books of Accounts.*

- *As the payment of Entry Tax is statutory in nature, the said capitalization of Rs. 0.85 Crore has been claimed under proviso 20.3(b) of MPERC Regulations 2015, for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*
- *Procurement of Pollution Monitoring Equipments has been carried out towards compliance of Statutory Environmental Norms. Similarly, Procurement of Communication and Metering Equipments at Power Stations have been carried out towards compliance of MPEGC/ IEGC/CEA directives. Both the said capitalization (total amounting to Rs.1.75 Crore) has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*
- *For FY 2016-17, the Annual Statement of Accounts of MPPGCL has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the Rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which are statutory/mandatory requirement and binding on companies w.e.f. FY 2016-17.*

  As per INDAS-16, Plant Property & Equipments provides as under:-

  "A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

  Further as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

  ***(a)** it is probable that future economic benefits associated with the item will flow to the entity; and*
  ***(b)** the cost of the item can be measured reliably.*

  According to above, MPPGCL has capitalized the amount of Capital Expenditure towards Capital Overhauling of Turbine & Generators & Balance of work in the Books of Accounts for FY 2016-17.
  Being a statutory requirement, the said capitalization of Rs.2.89 Crore is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of

any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at ATPS Chachai leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them, departmentally.

Therefore, as per statutory requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts 2016-17.

Being a statutory requirement, the said capitalization of Rs.0.06 Crore is claimed under proviso 20.3 (b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *The Works related to Ash Handling System amounting to Rs.0.10 Crore is claimed under proviso 20.3 (d) of MPERC Regulations 2015 which provides incurrence deferred works relating to ash pond or ash handling system in the original scope of work;*
- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at ATPS PH-3 and the same are capitalized in the Books of Accounts 2016-17. The said capitalization is claimed under proviso 20.1 (e) of MPERC Regulations 2009 which provides for "Procurement of initial Capital Spares within the Original Scope of Work", in accordance with the provisions of Regulation 17.1(b).*
- *Other works related to building Pucca roads, Coal conveyer amounting to Rs.0.36 Crore are the essential need based works at Power Station. The same is claimed under proviso 20.2(f) of MPERC Regulations 2012.*

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20101012 & 20701002 & internal resources as detailed in Table no.4.3.5.1 on page No. 44 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crore

Particulars	***PFC Loan No. 20701012 &***	***Equity***	***Total***

		20701002		
1	*Additions*			***7.82***
2	*Funding details*	*4.87*	*2.95*	***7.82***

The Asset additions made at ATPS PH-3 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization, deletions / transfer submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/ Order copies) is annexed as Annexure-5A, 5B & 5C."

64. On scrutiny of the aforesaid details filed by the petitioner, it is observed that the generating unit achieved CoD on 10th September' 2009 and the Cut-off date of the unit as per clause 4.1(l) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 was 31.03.2012. The additional capital expenditure in ATPS PH-3 is after the cut-off date of the unit. Therefore, the said additional capitalization needs to be examined in light of the relevant provisions under Regulations, 2015.

65. Regarding the additional capitalization of **existing generating station** (declared under commercial operation on a date prior to 1.4.2016) after cut-off date, Regulation 20.3 of the Regulations, 2015 provides as under:

""The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

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

(b) Change in law or compliance of any existing law;

(c) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

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

(e) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(f) Any liability for works admitted by the Commission after the cut-off date to the

extent of discharge of such liabilities by actual payments;

(g) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(h) 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) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due

to any additional work which has become necessary for successful and efficient plant operation;

(i) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016:

Provided further that any capital expenditure other than that of the nature specified above in (a) to (d) in case of coal based station shall be met out of Compensation Allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation."

66. On perusal of above submission of petitioner and provisions under aforesaid Regulation, it is observed that out of total additional capital expenditure of Rs. 7.82 Crore, the assets of Rs. 0.85 crore pertains to capitalization towards Entry tax liability of past years towards coal consumed during trail stage (fuel expenditure for up to commissioning) of ATPS PH-3 (210MW). The petitioner submitted that it was paying entry tax on coal at 2% and 3% since FY 2007-08, considering power generation as

manufacturing activity. However, the Commercial Tax Department was not accepting plea and was insisting MPPGCL to make payment of entry tax at 5%, the issue was finally resolved at GoMP level on the advice of Hon'ble High Court that entry tax shall be payable at 5% as against 2% and 3% already paid in past.

67. The capitalization of Rs. 1.65 Crore towards pollution monitoring and communication equipments have been carried out towards compliance of statutory environment norms and similarly Rs. 0.10 Crore towards Communication metering equipments have been carried out towards compliance of MPEGC/IEGC/CEA Directives.

68. It is observed that the aforesaid expenditure of Rs. 2.60 Crore towards entry tax, pollution monitoring and Communication metering equipments have been incurred in compliance of the existing law as per Regulation 20.3 (b) of Regulations, 2015 and have been capitalized in the Books of Accounts.

69. Further, the capitalization of Rs. 0.10 Crore towards ash handling system is covered under Regulation 20.3 (d) of Regulations, 2015 i.e. deferred works relating to ash pond or ash handling system in the original scope of work.

70. Regarding capital expenditure of Rs. 1.86 Crore towards capital overhauling of Turbine & Generators under INDAS-16, Capital Expenditure towards capital overhauling of Balance of Works under INDAS-16 of Rs. 1.03 Crore and Capitalization under land head under Asset Retirement Obligation of INDAS-16 of Rs. 0.06 Crore, the petitioner informed that the aforesaid expenditure has been capitalized due to change in Indian Accounting Standards.

71. The Commission has observed that the O&M Norms prescribed under Regulations, 2015 are based on the actual data and accounting practices adopted by the MPPGCL in past years and the subsequent changes in accounting standards do not have any impact on O&M norms set under the Regulations, 2015. Thus, the additional capitalization claimed by the petitioner on account of change in accounting standards is not considered in this order for the purpose of true-up of tariff. Further, the Commission has already considered the O&M expenses based on norms in the Regulation, 2015 hence, the aforesaid claim of Rs. 2.95 Crore is not considered in this Order.

72. Further, there is no provision under Tariff Regulations, 2015 for allowing additional capital expenditure of existing power station on works other than those mentioned in the Regulation 20.3 of MPERC Tariff Regulations, 2015. Thus the expenditure of Rs. 2.95 Crore, Capital spares of Rs. 1.81 Crore and other works related to building, pucca roads, coal conveyer of Rs. 0.36 Crore on account of change in accounting standards

are not considered in this Order.

73. Therefore, the additional expenditure of Rs. 2.70 Crore as capitalized in Annual Audited Accounts and recorded in Assets-cum-depreciation register has been allowed in ATPS PH-III in this order. The additional assets of Rs. 2.70 Crore have been funded through PFC loan and Equity. The details of additional capitalization and corresponding funding allowed in this order in ATPS PH-III are as given below:.

Table 21: Additional Capitalization and funding for ATPS PH-3 for FY 2016-17

(Rs. in Crore)

Particular	Original Approved Project Cost	Admitted by the Commission As on 01.04.2016	Addition During FY2016-17	Admitted as on 31.03.2017
Assets	1242.14	1130.55	2.70	1,133.25
Loan	908.89	510.18	1.89	512.07
Equity	226.76	258.21	0.81	259.02

b) STPS Sarni PH-2&3

74. The petitioner filed the additional capitalization of Rs. 5.12 Crore during FY 2016-17 in STPS PH-2&3, towards land, capital spares and cost of tree plant for tree cut down. The petitioner broadly submitted the following:

i. *MPPGCL has opted for Special Allowance for STPS PH-2&3. The Hon'ble Commission vide order dated 23.07.2015 in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni for FY 2011-12 to FY 2016-17 (petition No. 23 of 2015) has determined the Special Allowance for PH-2 & 3 of STPS Sarni. Accordingly, MPPGCL is not claiming any additional capitalization on these Units from FY 2011-12 onwards on account of R&M works.*

ii. *However, on following counts, capitalization made at STPS Ph-2&3 are considered in the instant petition:-*

- *Compliance to Indian Accounting Standard(INDAS) ,*
- *Statutory Payment related to land and*
- *Capital Spares found during Physical Verification*

iii. *The Account code wise details of asset capitalization FY2016-17 considered in instant petition are as follows:-*

A/c Code		Details	Amount
1	10.101	Land Owned Under Full Title	0.08
2	10.106	Cost of Tree Plant for Tree Cut Down (Provisional)	0.83
3	11.300	Capital Spares	4.21
Total			5.12

iv. The petitioner further submitted *that "Apart from above, it is to submit that the units of STPS PH-1 Sarni were decommissioned during FY 2012-13 & FY 2013-14. MPPGCL in the True up petition of respective years have submitted that though majority of Assets of said units have been decapitalized, the assets towards common services of STPS PH-1 amounting to Rs. 3.03 Crore of MPPGCL Share have been transferred to STPS PH-2&3. However, the Commission has not considered the same.*

v. *In the FY 2016-17, MPPGCL have now transferred share of Rajasthan Rajya Vidyut Prasaran Nigam Ltd in common service Assets of STPS PH-1 in its Books of Accounts amounting to Rs.2.97 Crore. It is to mention that these assets are already depreciated to the extent of 90%.*
Accordingly, MPPGCL in the instant petition has made the adjustment of Rs.6.01 Crore(3.03 Crore + 2.97 Crore) in the Gross Block of STPS PH-2&3 along with Normative Equity adjustment of Rs. 0.89 Crore corresponding to Assets of Rs. 2.97 Crore as mentioned above."

75. The Commission has observed that the petitioner has already opted the special allowance for STPS PH- 2&3 in accordance with the provisions under the applicable MPERC Tariff Regulations. Therefore, it is not entitled to claim additional capitalization in terms of the Regulations, 2015 in the subject petition.

76. With regard to the petitioner's claim of Rs. 3.03 Crore, the Commission has already decided this issue in earlier true-up order. Moreover, the MPPGCL has also started the process of de-capitalization of these units. Therefore, with the consistent approach, the decision of the Commission on this issue in earlier order is not reviewed in this order.

77. The petitioner also submitted that in FY 2016-17, MPPGCL have transferred share of Rajasthan Rajya Vidyut Prasaran Nigam Ltd in common service Assets of STPS PH-1 in its Books of Accounts amounting to Rs. 2.97 Crore. The petitioner has explicitly mentioned that these assets are already depreciated to the extent of 90%.

78. Further, as the assets transferred are already depreciated up to 90%, therefore the petitioner's claim of Rs. 2.97 Crore is not considered in this order.

79. In view of the above, the Commission has not considered the additional capitalization of Rs. 5.12 Crore and Rs. 6.01 Crore claimed by the petitioner in STPS PH-2&3 in this order.

c) STPS PH-4:

80. The Satpura Thermal Power Station Extension Unit No. 10 & 11 (250 MW) each achieved the CoD on 18.08.2013 and 16.03.2014 respectively. The Commission in its order dated 07th January' 2016 determined the final tariff of STPS, Sarni PH 4 up to 31.03.2014 on the basis of Audited Financial Statements for FY 2013-14 and for FY 2014-15 to FY 2015-16 on projected basis. Further, vide true up order for FY 2014-15 & FY 2015-16, the Commission has approved the additional Capitalization during FY 2014-15 & FY 2015-16.

81. The petitioner submitted that the additional capitalization is captured in Audited Books of Accounts for FY 2016-17 and carried out within the original cost estimate of Rs. 3514 Crore approved by GoMP vide letter dated 25.06.2007. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 22: Details of Additional Capitalization **(Rs. in Crore)**

A/c Code	Details	Amount
10.106	Cost of tree plant for tree cut down (provisional)	0.19
10.233	Other buildings	0.01
10.31	Cooling water system	0.44
10.311	Cooling towers	0.3
10.321	Reservoir, forbay and intake	0.4
10.325	Misc. Works	0.002
10.401	Pucca roads	0.22
10.412	Railway sidings	0.05
10.42	Boundary wall for civil buildings	0.02
10.426	Ash Bund for Thermal Power Station	0.09
10.501	Boiler plant & Equipments	15.5
10.503	Turbine-generator-steam power generation	3.37
10.507	Ash handling plant	0.41
10.515	Coal handling plant & handling Equipments	1.08
10.516	Oil tanks, oil handing plant & Equipments	0.03
10.52	Instrumentation and controls	0.65
10.521	Hydrogen Generation Plants	0.04
10.522	FO/LDO/HSD Tank	0.03
10.523	220 KV/400 KV Switch Yard	0.15
10.524	Water Treatment Plant	0.18
10.525	Effluent Treatment Plant / Sewage Treatment Plant	1.26
10.526	Flue Gas Stack for Thermal Power Station	0.11
10.527	Misc. Cranes & Hoists in Power Stations	0.4
10.528	DM Water Plant	0.06
10.542	Other transformers of power house	16.09

10.561	Switchgears including cable connections	0.09
10.578	Air-Conditioning & Ventilation System	6.34
10.585	Agriculture pump set & piping etc.	5.73
10.586	Compressed Air System	0.0002
10.587	Other Electrical Equipment For BoP	0.4
10.599	Other misc. equip. Including fire protection system	3.44
10.8	Furniture and fixtures	0.03
11.3	Capital Spares	16.60
Total		**73.68**

82. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to file several details/ documents regarding the aforesaid additional capitalization. Vide letter dated 05th March' 2018, the petitioner filed its response on the queries raised by the Commission as given below:

"The assets amounting to Rs. 73.68 Crore have been capitalized at STPS Sarni PH-4 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No.4.3.12.1 on page No. 47 of subject True Up petition of FY 2016-17.

The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 3514 Crore, which has already been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission in the petition of determination of Final Generation Tariff of STPS PH-4 (Petition No. 13 of 2015).

As the Date of Commercial operation (CoD) of extension Unit No. 10 & 11 of STPS, Sarni PH-4 (2x250 MW) was 18.08.2013 & 16.03.2014 respectively, therefore both the units are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance with the MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at STPS Sarni PH-4 is 31.03.2017.

The above capitalization comprises of Asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounts to Rs. 57.08 Crore and in Account 11.XXX (Capital Spares) amounting to Rs.16.60 Crore, respectively.

The aforesaid capitalization is claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015, which are reproduced hereunder:

- *Proviso 20.1 of MPERC Regulations 2012:-*

"20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:

(a) Un-discharged liabilities

(b) Works deferred for execution

(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)."

- *Proviso 20.1 of MPERC Regulations, 2015:*

"20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Un-discharged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

(v) Change in law or compliance of any existing law"

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20101003 & GoMP Equity as detailed in Table no.4.3.15.1 on page No. 48 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crore

Particulars		PFC Loan No. 20701003	Equity	Total
1	Additions			**73.68**
2	Funding details	2.54	43.9	**51.84**

The difference between the funding and additional capitalization amounting to Rs.21.54 is on account of retention amount of Bill, which will be made through Equity & Loans of subsequent years

In reference to replacement of asset it is to mention that 315 MVA Transformer of unit No11 of STPS Sarni amounting to Rs.18.86 Crore caught fire and damaged completely on 25.07.2016. Accordingly, the same was de-capitalized from Asset cum depreciation Registers of STPS PH-4

Sarni. The said Transformer was replaced by capitalization of new transformer amounting to Rs.14.98 Crore.

Apart from above, the Asset additions made at STPS PH-4 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and deletions / adjustments submitted in the subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-7A & 7B."

83. On perusal of the aforesaid details and documents filed by the petitioner, it is observed that the generating unit achieved CoD on 16.03.2014 and the Cut-off date of the unit as per proviso 4.1 (l) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 is 31.03.2017.The petitioner also informed that it has made a provision for cut down of trees. In view of aforesaid, the same is not considered in this order.

84. The petitioner informed that the additional capitalization of Rs. 73.68 Crore have been incurred as per Regulation 20.1 of Regulations, 2015. i.e. within the original scope of work, after the date of commercial operation and up to the cut-off date.

85. The petitioner confirmed that the additional assets of Rs. 73.68 Crore claimed in the subject petition have been funded through PFC loan 20701003 of Rs. 2.54 Crore and Rs. 49.30 Crore through equity. The difference between the funding and additional capitalization i.e. Rs. 21.84 Crore is on account of retention amount of bill, which will be made through Equity and Loan in subsequent years.

86. With regard to above un-discharged liability of Rs. 21.84 Crore, the Commission has observed that the additional capitalization and its corresponding funding to the extent of Rs. 21.84 Crore shall be allowed in the subsequent year/(s) i.e. the year in which actual payment shall be made by the petitioner. The petitioner shall be at liberty to claim the same in subsequent true up petitions.. Accordingly, the Commission has considered the additional capitalization of Rs. 51.65 Crore (i.e. Rs. 73.68 – Rs. 0.19 –Rs. 21.84 Crore) during FY 2016-17 in this order.

87. With regard to capitalization of capital spares, it is observed that the capital spares claimed by the petitioner for FY 2016-17 are within the ceiling norms specified under

Regulation 19 of Regulations, 2015. The eligibility of initial spares with regard to the Plant and Machinery is worked out as given below:

Table 23: Capital Spares **(Rs. in Crore)**

Particulars	Plant and Machinery Cost	Initial Spares	%
Plant and Machinery as on 31.03.2016	1685.88	50.57	3.00%
Addition During The Year	51.65	16.60	
Plant and Machinery as on 31.03.2017	1737.53	67.17	3.87%

88. In view of above, it is observed that the initial spares of Rs. 50.57 Crore have been admitted by the Commission till 31st March, 2016 and further claim of capital spares of Rs. 16.60 Crore are considered for FY 2016-17 as the same is within the ceiling norms prescribed in the Regulations.

89. The details of the additional capitalization and funding considered in this order are as given below:

Table 24: Approved capital cost and funding **(Rs. in Crore)**

Particular	Updated approved project Cost	Admitted by the Commission total amount		
		Admitted as on 01.04.2016	Additions During FY 2016-17	Admitted as on 31.03.2017
Assets	3514.00	3112.74	51.65	3164.39
Loan	2811.20	2179.07	36.16	2215.22
Equity	702.80	616.39	15.50	631.88

SGTPS PH-1&2

90. The petitioner filed the additional capitalization of Rs. 14.12 Crore during FY 2016-17 in SGTPS PH-1&2 as per Audited Books of Accounts of FY 2016-17. The details of assets capitalized submitted by the petitioner during FY 2016-17 are as given below:

Table 25: Additional Capitalization filed under SGTPS PH 1&2 **(Rs. in Crore)**

A/c Code	Details	Amount
10.102	Land held under lease	0.10
10.503	Turbine-generator-steam power generation	0.84
10.52	Instrumentation and controls	5.70
10.577	Air-conditioning plant-portable	0.02
10.581	Meter testing laboratory tools & Equipments	0.00
10.904	Others office equipments	0.01
10.905	Computers	0.01
11.300	Capital spares(found on Physical verification)	5.53
11.602	Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Balance of work	0.82
11.601	Expenditure on Major Inspection/ Capital overhaul/ Irregular event-	1.10

	Boiler	
Total		**14.12**

91. The petitioner submitted that the additional capitalization are funded through Loan and Equity as given below:

Table 26: Additional Capitalization and sources of Funding (Rs. in Crore)

Sr. No.	Particulars	Assets Added	GoMP Loan	Internal Sources/equity
1	Asset addition	14.12	6.57	7.55

92. Vide Commission's letter dated 19th February' 2018, certain queries/ information regarding the additional capitalization of existing power stations were sought from the petitioner.

93. Vide letter dated 05th March' 2018, the petitioner filed the following regarding the additional capitalization in SGTPS PH1&2:

"The assets amounting to Rs. 14.12 Crore were capitalized at SGTPS PH- 1 & 2 during FY 2016-17 as per Audited Books of Accounts. The same are claimed in instant True Up petition.

The Gross Block of PH-1 & 2 of SGTPS Birsinghpur was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. PH-1 & 2 of SGTPS Birsinghpur are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

In reference to aforesaid additional capitalization, following are to submit:

- *The capitalization made on account of procurement of Digital Automatic Voltage Regulator, Quality Monitoring System, 2 X 50 KVA UPS, DCS System, PLCC SCADA System, Conductivity Meter and Instrumentation & Control related Equipments which are carried out in compliance to directives of MoEF& CC Norms/ MPEGC /IEGC/CEA and is claimed under following proviso of MPERC Regulations:-*

(a) Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

(b) Being statutory requirement, the said capitalization is covered under proviso 20.3 (b) of MPERC Regulations 2015 which provides for

incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *A dozer amounting to Rs. 0.97 Crore was transferred from STPS Sarni to SGTPS Birsinghpur, which was already depreciated to 90% of its cost. Due to aging of Dozer, it was refurbished in incurring expenses of Rs. 0.82 Cr. so as to perform efficiently, during FY 2016-17. Further MPPGCL has incurred Capital Expenditure towards Capital overhaul of Boiler amounting to Rs.1.10 Crore. In accordance with INDAS-16, the aforesaid amount has capitalized in the Books of Accounts for FY 2016-17 & claimed under following proviso of MPERC Regulations:-*

(a) Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

(b) Being statutory requirement, the said capitalization is covered under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of capital expenditure under change in law or compliance of any existing law.

- *MPPGCL is having Land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them departmentally.*

  Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.

  Being a statutory requirement, the said capitalization of Rs.0.10 Crore is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Apart from above, based on the report submitted by the consultant, on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-1&2 and same were capitalized in the Books of Accounts.*

The said capitalization of Rs.5.53 Crore is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18. The supporting document in reference to GoMP Loan is annexed as Annexure-8.

The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

94. On perusal of the aforesaid details and documents filed by the petitioner, the Commission has observed that the above assets have been capitalized in the books of accounts of MPPGCL for FY 2016-17 and these assets are also recorded in Assets cum depreciation register for SGTPS PH-1&2.

95. It is further observed that the capitalization made on account of procurement of Digital Automatic Voltage Regulator of Rs. 0.84 Crore, Quality Monitoring System of Rs. 0.22 Crore, 2 X 50 KVA UPS of Rs. 0.41 Crore, DCS System of Rs. 3.25 Crore, PLCC SCADA System of Rs. 1.67 Crore, Conductivity Meter of Rs. 0.004 Crore and Instrumentation & Control related Equipments of Rs. 0.15 Crore, which was carried out in compliance with the directives of MoEF & CC Norms/MPEGC/IEGC/CEA, is covered under proviso 20.3 (b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law. Accordingly the Commission has considered the additional capitalization of Rs. 6.54 Crore during FY 2016-17

96. It is further observed that the additional capitalization of Rs. 14.12 Crore claimed by the petitioner is inclusive of Rs. 5.53 Crore towards old capital spares, this issue of old capital spare has been already dealt with by the Commission in its earlier order. Therefore, the same is not considered by the Commission in this order.

97. With regard to assets of Rs. 0.10 Crore towards “Asset Retirement Obligation of INDAS-16”, Rs. 0.82 Crore towards “Dozer Rehabilitation Cost (INDAS-16)” and Rs. 1.10 Crore towards “capital overhauling of Boiler (INDAS-16)” etc have been capitalized by the petitioner as per the requirement of INDAS-16. The same is not covered under any clause of Regulation 20.3 (a) to (i) of the Regulations, 2015. Therefore, the same are not considered by the Commission in this order.

98. Proviso to Regulation 20.3 of Regulations, 2015, provides that “the expenditure on acquiring the minor items shall not be considered for additional capitalization for

determination of tariff", thus the additional capitalization of Rs. 0.03 Crore towards computer, printer and office equipments are not considered in this order.

99. In view of the above, the additional capitalization of only Rs. 6.54 Crore being in compliance with the directives of MoEF& CC is considered in this order under MPERC (Terms and Condition for Determination of Generation Tariff) Regulations, 2015.

100. Considering the above, the following additional capitalization and its corresponding funding for SGTPS PH 1 & 2 for FY 2016-17 is considered by the Commission:

Table 27: Approved Additional Capitalization and Funding (Rs. in Crore)

Particulars	Additional Capitalization allowed in FY 2016-17	Loan	Equity
Additional capitalization	6.54	4.58	1.96

SGTPS PH-3 (1x500 MW):

101. In the subject petition, the petitioner filed the additional capitalization of Rs. 12.81 Crore in SGTPS Ext. Unit No. 5 for FY 2016-17, as per the Annual Audited Accounts. The details of the assets capitalized during FY 2016-17, in SGTPS 500 MW as filed by the petitioner are as given below:

Table 28: Details of Additional Capitalization (Rs. in Crore)

A/c Code	Details	Amount
10.102	Land held under lease	0.50
10.412	Railway sidings	1.48
10.42	Boundary wall for civil buildings	0.33
10.501	Boiler plant & Equipments	1.68
10.502	Furnace/burners	0.06
10.503	Turbine-generator-steam power generation	1.04
10.504	Plant foundations for steam power plant	0.0005
10.507	Ash handling plant	0.05
10.509	Auxiliaries in steam power plant	0.07
10.512	Coal conveyor & crusher	0.00001
10.515	Coal handling plant & handling Equipments	0.21
10.516	Oil tanks, oil handing plant & Equipments	0.01
10.52	Instrumentation and controls	0.18
10.541	Transmission plant-transformers 100 kva & above	0.01
10.543	Others trans. plant transformer kiosks, subs equip apparatus	0.33
10.544	Substation transformer & kiosks 100 kv & above	0.01
10.553	Material handling equipment – cranes	0.001
10.561	Switchgears including cable connections	0.06
10.565	Fabrication shop/workshop plant & Equipments	0.04
10.581	Meter testing laboratory tools & Equipments	0.0002
10.599	Other misc. equip. Including fire protection system	0.003

10.71	Trucks, tempos, trackers	1.78
10.904	Others office Equipments	0.02
10.905	Computers	0.04
11.3	Capital spares	4.91
	Total	**12.81**

102. Vide Commission's letter dated 19th February' 2018, several queries regarding the additional capitalization in SGTPS 500 MW were asked from the petitioner. Vide letter dated 05th March' 2018, the petitioner filed its response and same has been summarized as follows:

"The assets amounting to Rs.12.81 Crore have been capitalized at SGTPS PH-3 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL for FY 2016-17. The same has been claimed in the subject True Up petition.

As the extension Unit No. 5 of 500MW, SGTPS Birsinghpur has been commissioned on 28.08.2008, the same has governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The above additional capitalization comprises of following:-

Sr. No.	***Details of Asset***	***Amount***
1	*Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of SGTPS PH-3(500 MW).*	*3.71*
2	*Asset retirement obligation under INDAS -16*	*0.5*
3	*Railway Siding Penal Interlock*	*1.48*
4	*Boundary Wall related works*	*0.33*
5	*Surface Grinder Machine*	*0.04*
6	*Coal Dozer With Power Tilt*	*1.78*
7	*Computers , Peripherals and office Equipments*	*0.06*
8	*Capital Spares*	*4.91*
	Total	***12.81***

In reference to aforesaid additional capitalization, it is to submit that:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generations as a manufacturing activity. The Commercial Tax Department was not considering generation as* *manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.*

MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3%, already paid in past.

Accordingly, the differential Entry Tax liability of coal was settled by MPPGCL & the Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure up to commissioning) of SGTPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory in nature, the said capitalization of Rs. 3.71 Crore has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

  MPPGCL is having land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them, departmentally.

  Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.

  Being a statutory requirement, the said capitalization of Rs. 0.50 Crore is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Capitalization of Railway siding interlock, boundary wall related works, Surface Grinder Machine, Coal Dozer, Capital Spares, Computers etc amounting to Rs.3.69 Crore is claimed under the following proviso of MPERC Regulations, 2005:*

  (1) As per Proviso 19 (2.9) (a) of MPERC Regulations,2005, which provides for capital expenditure actually incurred

after the commercial date of operation due to deferred liabilities within the original scope of work.

(2) As per Proviso 19 (2.9) (f) of MPERC Regulations, 2005, which provides any additional works/ services which became necessary for efficient and successful operation of generating station.

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-3 and same were capitalized in the Books of Accounts of FY 2016-17.*
  The said capitalization of Rs.4.91 Crore is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 18.

The aforesaid Additional Capitalization is funded through approved PFC loan No. 20101011 and internal resources of MPPGCL as detailed in Table no.4.3.23.1 on page No. 52 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crore

Particulars		***PFC Loan NO.20101011***	***Internal resources/ Equity***	***Total***
1	*Additions*			***12.81***
2	*Funding details*	*12.31*	*0.50*	***12.81***

The Asset additions made at SGTPS PH-3 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and assets transferred submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/ Order copies) is annexed as Annexure-10A & 10B. **"**

103. The aforesaid additional capitalization filed by the petitioner is required to be analysed in terms of Regulation 20.3 of Regulations, 2015, which provides that *"The capital*

expenditure, in respect of ***existing generating station*** *incurred or projected to be incurred on the following counts* ***after the cut-off date****, may be admitted by the Commission, subject to prudence check."*

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

(b) Change in law or compliance of any existing law;

(c) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

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

(e) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(f) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(g)Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(h) 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) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(i) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to nonmaterialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the

generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016:

Provided further that any capital expenditure other than that of the nature specified above in (a) to (d) in case of coal based station shall be met out of Compensation Allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernisation (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation.

104. On detailed scrutiny of aforesaid additional capitalization in light of above Regulation 20.3 of Regulations, 2015, it is observed that the expenditure towards entry tax of Rs. 3.71 Crore capitalized towards Entry Tax liability of past years towards coal consumed for commissioning activity has been incurred in compliance with the existing law and have been capitalized in Books of Accounts and recorded in Asset cum depreciation registers. Therefore, the additional capitalization of Rs. 3.71 Crore capitalized during FY 2016-17, in SGTPS Ext. Unit No. 5 is considered in this order in accordance with the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

105. Further, there is no provision under Tariff Regulations, 2015 for allowing additional capital expenditure of existing power station on works other than the mentioned in the Regulation 20.3 of Regulation, 2015. Thus, the balance additional capitalization of Rs. 9.10 crore towards Asset retirement obligation under INDAS -16 of Rs. 0.50 Crore, Railway Siding Penal Interlock of Rs. 1.48 Crore, boundary wall related works of Rs. 0.33 Crore, surface grinder machine of Rs. 0.04 Crore, coal dozer with power tilt of Rs. 1.78 Crore, computers, peripherals and office equipments of Rs. 0.06 Crore and capital spares of Rs. 4.91 Crore are not considered under additional capitalization for the purpose of true up in this order.

106. The petitioner also confirmed that the additional assets capitalized in SGTPS Unit No. 5 during FY 2016-17 are funded through PFC loan of Rs. 12.31 Crore and balance Rs. 0.50 from Equity. It is also observed that the actual capital expenditure and corresponding funding as on 31.03.2017 admitted by the Commission is within the approved project cost and funding. Accordingly, the details of the additional capitalization and funding considered in this order are as given below:

Table 29: Approved project cost and funding up to 31.03.2017 (Rs. in Crore)

Particular	Approved project Cost	Adjusted Capital Coat		
		As on 01.04.2016	Additions During FY2016-17	As on 31.03.2017
Assets	2300.00	2034.25	3.71	2037.96
Loan	1675.00	718.25	3.21	721.46
Equity	625.00	575.10	0.50	575.60

SSTPP PH 1:

107. The Unit No.1 & 2 (2x600 MW) of STPS PH-1 was commissioned on 01.02.2014 and 28.12.2014 respectively. The Commission vide order dated 30.12.2017 has determined the final generation Tariff from CoD of Unit No. 1 to 31st March, 2016. The petitioner submitted that the additional capitalization OF Rs. 116.96 Crore has been capitalized during FY 2016-17 in STPP PH-I and captured in Audited Books of Accounts.

108. The petitioner further submitted that the works under additional capitalization were carried out during FY 2016-17 and these works are within the original scope of cost estimate of Rs. 7820 Crore approved by GoMP dated 23.01.2015. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 30: Details of Additional Capitalization claimed by the petitioner: (Rs. in Crore)

Account Code	Details	Amount
10.101	Land owned under full title	0.71
10.102	Land held under lease	0.11
10.222	Residential colony for staff	0.01
10.233	Other buildings	0.08
10.31	Cooling water system	0.54
10.311	Cooling towers	0.59
10.321	Reservoir, forbay and intake	0.62
10.325	Misc. Works	0.46
10.401	Pucca roads	0.74
10.412	Railway sidings	9.83

10.42	Boundary wall for civil buildings	0.00
10.426	Ash bund for thermal power station	0.04
10.501	Boiler plant & Equipments	27.5
10.503	Turbine-generator-steam power generation	6.21
10.507	Ash handling plant	1.85
10.515	Coal handling plant & handling Equipments	9.71
10.516	Oil tanks, oil handing plant & Equipments	0.26
10.52	Instrumentation and controls	1.81
10.521	Hydrogen generation plant	0.07
10.522	Misc. Pumps	0.67
10.523	220kv/400kv switch yard	1.39
10.524	Water treatment plant	1.86
10.526	Flue gas stack for thermal power station	0.08
10.527	Misc. Cranes & hoists in power stations	0.23
10.542	Other transformers of power house	0.80
10.561	Switchgears including cable connections	0.08
10.563	Batteries including charging equipment	0.01
10.565	Fabrication shop/workshop plant & Equipments	0.58
10.578	A C & ventilation system	2.57
10.58	Refrigerators and water coolers	-
10.582	Equipments in hospitals/clinics	0.19
10.585	D G Set for emergency Power	0.36
10.586	Compressed air system	0.22
10.587	Other Electrical Equipments for BoP	1.75
10.588	Chemical lab Equipments	0.38
10.599	Other misc. equip. Including fire protection system	0.65
10.612	Underground cables - cable duct system	0.01
10.8	Furniture and fixtures	1.46
10.904	Others office equipments	0.21
10.905	Computers	0.13
11.3	Capital spares at generating stations	42.21
Total		**116.96**

109. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to file several details/ documents regarding the additional capitalization in SSTPP PH I. By letter dated 05th March' 2018, the petitioner filed its response to the queries raised by the Commission as given follows:

"The assets amounting to Rs.116.96 Crore have been capitalized at SSTPP Stage-I (2x600MW) Khandwa, during FY 2016-17 as captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No. 4.3.26.1 on page No.53 & 54 of subject True Up petition for FY 2016-17.

The aforesaid capitalization has been covered under the Original Scope of Work

Estimate of Rs.7820 Crore, which has already been approved by GoMP. The copy of said approval has already been submitted before the Commission in petition of determination of Final Generation Tariff of SSTPP Stage-I (Petition No. 09 of 2017).

The Date of Commercial operation (CoD) of Unit No. 1 & 2 of SSTPP Stage-I (2x600 MW) Khandwa is 01.02.2014 & 28.12.2014 respectively. Thus Stage-I, SSTPP governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance to MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at SSTPP Stage-I(2x600 MW) Khandwa is 31.03.2017.

The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounts to Rs. 74.75 Crore and in Account 11.XXX (Capital Spares) amounting to Rs.42.21 Crore respectively.

The aforesaid capitalization has been claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015 reproduced hereunder:

- *Proviso 20.1 of MPERC Regulations 2012:-*

"20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:
(a) Un-discharged liabilities
(b) Works deferred for execution
(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)."

- *Proviso 20.1 of MPERC Regulations, 2015:*

"20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Un-discharged liabilities recognized to be payable at a future date;

(j) Works deferred for execution;

(k) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

(l) Change in law or compliance of any existing law"

The aforesaid Additional Capitalization is funded through PFC loan No.20701001 and GoMP Equity as detailed in Table no.4.3.29.1 on page No. 54 of subject True-up petition. The Hon'ble Commission vide order dated 30.12.2017 has determined the Final Generation tariff of SSTPP PH-1, accordingly the funding details are revised and annexed as Annexure-11.

The Asset additions made at SSTPP PH-1 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by the Commission, the information towards additional capitalization and deletion submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-12A & 12B."

110. On scrutiny of the aforesaid details and documents filed by the petitioner, it is observed that the Unit No. 2 of power station achieved CoD on 28th December, 2014 and the Cut-off date of the unit as per clause 4.1(l) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, is 31.03.2017. The additional capital expenditure filed by the petitioner in SSTPP 2x600 MW is prior to cut-off date of the power station.

111. Out of the total additional capitalization of Rs. 116.96 Crore claimed by the petitioner, the additional capitalization of Rs. 42.21 Crore pertains to capital spares at generating station. The Regulation 19 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2015 provides that the initial spares for coal based thermal power stations shall be capitalized as a percentage of the plant and Machinery cost up to cut-off date at 4.0 %. It is observed that the capital spares claimed by the petitioner for FY 2016-17 are within the ceiling norms specified under the Regulation 19 of Regulations, 2015. The eligibility of initial spares with regard to the plant and Machinery is worked out as given below:

Table 31: Capital Spares (Rs. in Crore)

Particulars	Plant and Machinery Cost	Initial Spares	
Plant and Machinery as on 31.03.2016	3903.90	96.49	2.47%
Addition During The Year	116.96	42.21	
Plant and Machinery as on 31.03.2017	4020.86	138.70	3.45%

112. In view of the above, the capital spares of Rs. 42.21 Crore claimed by the petitioner in SSTPP PH-I during FY 2016-17 are admitted in this order as the same are within the ceiling norms prescribed in the Regulation, 2015.

113. The petitioner informed that the additional assets of Rs. 116.96 Crore have been funded through by PFC loan 20701001 of Rs. 43.94 Crore and balance Rs. 73.02 Crore through equity.

114. It is observed from the above that the additional capitalization has been capitalized in books of accounts for FY 2016-17 and recorded in asset cum depreciation registers and the same is within the original scope of work as per Regulation 20.1 of Regulations, 2015. Therefore, the additional capitalization (including initial spares) of Rs. 116.96 Crore capitalized during FY 2016-17, in SSTPP PH-1 is considered in this order in accordance with the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. The equity amount over and above the normative equity (i.e. 30%) is considered as normative loan in this order.

Table 32: Approved project cost and funding up to 31.03.2017 (Rs. in Crore)

Particular	Estimated approved project Cost	Admitted by the Commission as on 01.04.2016	During FY 2016-17	Closing Balance as on 31.03.2017
Assets	7820.00	7157.03	116.96	7273.99
Loan	6238.00	5197.28	81.87	5279.15
Equity	1582.00	1364.79	35.09	1399.88

Pench HPS:

115. The petitioner filed the additional capitalization of Rs. 0.02 Crore in Pench Hydro Power station during FY 2016-17 on account of expenses towards Computers and furniture and fixture.

116. The petitioner informed that the additional assets of Rs. 0.02 Crore in Pench HPS are capitalized in Annual Audited Accounts for FY 2016-17 and same have been funded through internal resources/ equity component. The details of the additional assets in Pench HPS filed in the petition are as follows:

Table 33: Details of Assets Capitalization **(Rs. in Crore)**

Sr. no	Acc. Code	Details	Amount
1	10.905	Computers	0.01
2	10.906	Furniture & Fixtures	0.01
Total			**0.02**

117. The Commission has observed that the above assets of Rs. 0.02 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in Asset-cum-Depreciation register of Pench HPS. Further, Proviso of Regulation 20.3 (i) of Tariff Regulation, 2015 provides that:

"Any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016".

In view of the aforesaid proviso, the expenditure of Rs. 0.02 Crore is not considered under additional capitalization in this order

Bargi HPS:

118. The petitioner filed the additional capitalization of Rs. 0.56 Crore in Bargi Hydro Power station during FY 2016-17 towards batteries including charging equipments, capital spares and other office equipments.

119. The petitioner confirmed that the additional assets of Rs. 0.56 Crore in Bargi HPS are capitalized in Annual Audited Accounts for FY 2016-17 and same has been funded through Loan of Rs. 0.41 Crore and balance from equity of Rs. 0.15 Crore. The details of the additional assets in Bargi HPS filed in the petition are as follows:

Table 34: Details of Additional Capitalization **(Rs. in Crore)**

Account Code	Details	Amount
10.52	Instrumentation and controls	0.03
10.542	Other transformers of power house	0.05
10.561	Switchgears including cable connections	0.06
10.563	Batteries including charging equipment	0.22
10.567	Lightning arrestors	0.01
10.583	**Tools and tackles**	**0.04**
10.904	**Others office Equipments**	**0.01**
10.905	**Computers**	**0.02**

10.906	**Furniture & fixture**	**0.05**
11.3	**Capital spares**	**0.08**
	Total	**0.56**

120. The Commission has observed that the assets of Rs. 0.56 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in Asset-cum-Depreciation register of Bargi HPS. As per proviso to Regulation 20.3(i), the additional capitalization towards furniture, computer, tools and tackles and other office equipments of Rs. 0.12 Crore are not considered in this order.

121. Further, the Commission in the previous true up order has disallowed the capital spares of old plants. With the consistent approach, the capital spares of Rs. 0.08 Crore are not considered in this order.

122. Accordingly, the additional capitalization of Rs 0.36 Crore is allowed under the Regulation 20.3(h) of the Regulations, 2015. The details of the additional capitalization and its funding considered in this order are as given below:

Table 35: Additional Capitalization and funding admitted (Rs. in Crore)

Particular	FY 2016-17
Asset Addition	0.36
Loan component	0.26
Equity component	0.11

Bansagar PH-1, 2 & 3 HPS:

123. The petitioner filed the additional capitalization of Rs. 0.17 Crore in Bansagar, PH-1, 2 & 3 during FY 2016-17. The details of same are as under:

Table 36: Details of Asset Capitalization (Rs. in Crore)

Sno	A/c Code	Details	Amount
1	10.800	Furniture & Fixtures	0.08
2	10.904	Other Office Equipments	0.04
3	10.905	Computers	0.06
		Total	**0.17**

124. The petitioner confirmed that the additional assets of Rs. 0.17 Crore in Bansagar PH 1, 2 & 3 capitalized in Annual Audited Accounts for FY 2016-17 and same has been funded through internal resources/ equity component.

125. The Commission has observed that the assets of Rs. 0.17 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in its Asset cum Depreciation register. However, as per the proviso to Regulation 20.3 (i), the additional capitalization towards the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016. Therefore, the Commission has not considered the additional capitalization of Rs. 0.17 Crore in Bansagar PH-1, 2 and 3 in this order.

Rajghat HPS:

126. The petitioner filed the additional capitalization of Rs. 0.02 Crore in Rajghat Hydro Power station during FY 2016-17 towards office furniture.

127. The petitioner confirmed that the additional assets of Rs. 0.02 Crore in Rajghat HPS are capitalized in Annual Audited Accounts for FY 2016-17 and same has been funded through internal source. The details of the additional assets in Rajghat HPS filed in the petition are as follows:

Table 37: Details of Additional Capitalization **(Rs. in Crore)**

Sno	Particulars	Loan	Equity/ Internal Source	Total
1	Additions(Office Furniture)			0.02
2	Funding details	0.00	0.02	0.02

128. The Commission has observed that the assets of Rs. 0.02 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in Asset-cum-Depreciation register of Bargi HPS. However, as per the proviso to Regulation 20.3 (i), the additional capitalization towards the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016. Therefore, the Commission has not considered the additional capitalization of Rs. 0.02 Crore towards office furniture in Rajghat HPS in this order.

Birsinghpur HPS:

129. The petitioner filed the additional capitalization of Rs. 0.25 Crore in Birsinghpur Hydro Power station during FY 2016-17 towards batteries including charging equipments, Air

compressor and other office equipments.

130. The petitioner confirmed that the additional assets of Rs. 0.254 Crore in Birsinghpur through loan of Rs. 0.25 Crore and equity of Rs. 0.002 Crore. The details of the additional assets in Birsinghpur HPS filed in the petition are as follows:

Table 38: Details of Additional Capitalization **(Rs. in Crore)**

Account Code	Details	Amount
10.563	Batteries including charging equipment	0.165
10.599	Air Compressor	0.087
10.904	Others office Equipments	0.002
Total		**0.254**

131. The Commission has observed that the assets of Rs. 0.254 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in Asset-cum-Depreciation register of Birsinghpur HPS. However, as per the proviso to Regulation 20.3, the additional capitalization towards the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016. Therefore, the Commission has not considered the additional capitalization of Rs. 0.002 Crore towards office equipments in Birsing'pur HPS in this order.

132. Accordingly, the additional capitalization of Rs. 0.252 Crore is allowed under the Regulation 20.3(h) of the Regulations, 2015. The details of the additional capitalization and its funding considered in this order are as given below:

Table 39: Additional Capitalization and funding admitted **(Rs. in Crore)**

Particular	FY 2016-17
Asset Addition	0.252
Loan component	0.252
Equity component	-

Madhikheda HPS:

133. In Madhikheda HPS, the petitioner has claimed additional capitalization of Rs. 0.01 Crore which is pertaining to addition in Printer and recorded in the Audited Books of Accounts of FY 2016-17.

134. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to justify

its claim of addition in fixed asset of the aforesaid Power Stations in light of the Regulation 20.1 of MPERC (Terms and Conditions for Determination of Generation tariff) Regulations, 2015.

135. The petitioner submitted that this additional capitalization is incurred through MPPGCL's own equity/internal sources.

136. The Commission has observed that the assets of Rs. 0.01 Crore are capitalized by the petitioner in the books of accounts for FY 2016-17 and recorded in Asset-cum-Depreciation register of Madikeda HPS. However, as per proviso 20.3 (i) to Regulation, 2015, the additional capitalization of Rs. 0.01 Crore towards minor assets i.e. office equipments is not considerable. Thus, the Commission has not considered the additional capitalization of Rs. 0.01 Crore in this order.

137. Based on the above, the power station wise additional capitalization and funding thereof considered in this true-up order for FY 2016-17 are as given below:

Table 40: Details of Asset Additions Admitted with corresponding Funding (Rs. in Crore)

Sr.	Power Stations	Addition admitted for FY2016-17		
No.		Asset Addition	Loan Component	Equity Component
1	ATPS PH-III	2.70	1.89	0.81
2	STPS PH-2&3	-	-	-
3	STPS PH-4	51.65	36.16	15.50
4	SGTPS PH-I&II	6.54	4.58	1.96
5	SGTPS PH-III	3.71	3.21	0.50
6	SSTPP PH-I	116.96	81.87	35.09
7	Gandhi Sagar	-	-	-
8	Pench	-	-	-
9	Rajghat	-	-	-
10	Bargi	0.36	0.26	0.11
11	Bansagar I, II &III	-	-	-
12	Bansagar PH-4 (Jhinna)	-	-	-
13	Birsinghpur	0.25	0.25	0.00
14	Madhikheda	-	-	-
Total		**182.17**	**128.21**	**53.97**

Debt-equity Ratio:

138. Regulation 25 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2015 provides that:

"25.1 For a project declared under commercial operation on or after 1.4.2016, the debt-equity ratio would be considered as 70:30 as on COD. If the equity

actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that:

a. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:

b. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:

c. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio."

139. Accordingly, the power station wise loan and equity for additional capitalization is considered in this order as per the provision under Regulations, 2015. Further, the actual additional capital expenditure and corresponding loan & Equity as admitted in this order are as given below:

Table 41: Details of Asset Addition with Corresponding funding (Rs. in Crore)

Sr. No.	Power Stations	Addition admitted for FY2016-17		
		Asset Addition	**Loan Component**	**Equity Component**
1	ATPS PH-III	2.70	1.89	0.81
2	STPS PH-2&3	-	-	-
3	STPS PH-4	51.65	36.16	15.50
4	SGTPS PH-I&II	6.54	4.58	1.96
5	SGTPS PH-III	3.71	3.21	0.50
6	SSTPP PH-I	116.96	81.87	35.09
7	Gandhi Sagar	-	-	-
8	Pench	-	-	-
9	Rajghat	-	-	-
10	Bargi	0.36	0.26	0.11
11	Bansagar I, II &III	-	-	-
12	Bansagar PH-4 (Jhinna)	-	-	-
13	Birsinghpur	0.25	0.25	-
14	Madhikheda	-	-	-
Total		**182.17**	**128.21**	**53.96**

Annual Capacity (fixed) Charges:

140. The tariff for supply of electricity from a thermal power generating station and hydro power generating station (comprises of Capacity (fixed) charge and Energy (variable) charge) is to be derived in the manner specified in the "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. The Annual Capacity (fixed) Charges consist of:

(a) Return on Equity;
(b) Interest on Loan Capital;
(c) Depreciation
(d) Interest on Working Capital;
(e) Operation and Maintenance Expenses;

a. Return on Equity:

Petitioner's submission:

141. With regard to the return on equity, the petitioner broadly submitted the following:

i). *The proviso 25.1 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 specifies debts Equity ratio of 70:30 of capital cost for the purpose of determination of Return on Equity.*

ii). *In accordance with above, the normative Equity as on 01.04.2016 admitted by the Commission in the True Up order for FY 2015-16 and considered in this true up petition.*

iii). *MPPGCL has filed the Final Tariff Petition of SSTPP PH-1(2x600MW) before Commission (Petition No.09 of 2017). The order on same is awaited. According the Normative Loan of SSTPP PH-1 as on 31.03.2016 submitted in the Final Tariff Petition is considered in the this true up petition.*

iv). *On account of Asset additions at the existing stations as well as new projects, there is infusion of Equity during FY 2016-17. The details regarding asset additions and funding thereof during FY 2016-17 is as given below:*

Table 42: Detail of Equity for additional assets claimed by the petitioner (Rs. in Crore)

Sr. no.	Stations	Additional Capitalization Claimed	Equity/Internal Resources	Equity 30% of GB	Normative Equity	Balance Excess Equity treated as Loan
1	ATPS PH-3	7.82	2.95	2.35	2.35	0.60
2	STPS PH-2&3	5.12	5.12	1.54	1.54	3.58
3	STPS PH-4	73.68	49.30	22.10	22.10	27.20
4	SGTPS PH-1&2	14.12	7.55	4.24	4.24	3.32
5	SGTPS PH-3	12.81	0.50	3.84	0.50	-
6	SSTPP PH-1	116.96	73.02	35.09	35.09	37.93
7	**Total Thermal**	**230.50**	**138.44**	**69.15**	**65.81**	**72.63**
8	Gandhi Sagar	-	-	-	-	-
9	Pench	0.02	0.02	0.01	0.01	0.02
10	Rajghat	0.02	0.02	0.01	0.01	0.01

11	Bargi	0.56	0.15	0.17	0.15	-
12	Bansagar PH-1,2 &3	0.17	0.17	0.05	0.05	0.12
13	Bansagar PH-4	-	-	-	-	-
14	Madhikheda	0.01	0.01	0.00	0.00	0.01
15	Birsinghpur	0.25	-	0.08	-	-
13	**Total Hydel**	**1.05**	**0.38**	**0.31**	**0.22**	**0.16**
14	HQ & S&I	0.87	0.87	0.26	0.26	0.61
Total		**232.42**	**139.69**	**69.73**	**66.29**	**73.40**

v). *As per proviso 30.2 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 the Return on Equity is to be computed at a base rate of 15.5% which is to be grossed up by the tax rate. Since MPPGCL has not paid any Corporate tax during FY-2016-17, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-*

Table 43: Return on Equity for FY 2016-17 claimed by the Petitioner (Rs. in Crore)

Sr. No.	Station	Adjusted * Normative opening Equity as on 01.04.2016	Normative Equity Addition due to Asset Addition	closing Normative Equity as on 31.03.2017	Average Equity	Return on Equity @ 15.5%
1	ATPS PH-3	259.11	2.35	261.45	260.28	40.34
2	STPS PH-2&3	184.88	1.54	186.42	185.65	28.78
3	STPS PH-4	611.49	22.10	633.59	622.54	96.49
4	SGTPS PH-1&2	651.21	4.24	655.45	653.33	101.27
5	SGTPS PH-3	575.10	0.50	575.60	575.35	89.18
6	SSTPP PH-1	1,361.81	35.09	1,396.89	1,379.35	213.80
7	**Total Thermal**	**3643.59**	**65.81**	**3709.40**	**3676.50**	**569.86**
8	Gandhi Sagar	3.15	-	3.15	3.15	0.49
9	Pench	30.68	0.01	30.69	30.68	4.76
10	Rajghat	24.84	0.01	24.85	24.84	3.85
11	Bargi	26.18	0.15	26.33	26.26	4.07
12	Bansagar PH-1,2&3	351.95	0.05	352.01	351.98	54.56
13	Bansagar PH-4	35.05	-	35.05	35.05	5.43
14	Madhikheda	46.25	-	46.26	46.26	7.17
15	Birsinghpur	15.65	-	15.65	15.65	2.43
16	**Total Hydro**	**533.76**	**0.22**	**533.98**	**533.87**	**82.75**
17	HQ	0.54	0.26	0.80	0.67	0.10
Total		**4177.89**	**66.29**	**4244.18**	**4211.04**	**652.71**

** After adjustment of written off and transfer of assets.*

Provision in Regulations:

142. Regulation 30 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Return on equity shall be computed in rupee terms, on the paid up equity capital determined in accordance with Regulation 25.

Return on equity shall be computed at the base rate of 15.50% for thermal generating stations and hydro generating stations:

Provided that:

(a) in case of projects commissioned on or after 1st April, 2016, an additional return of 0.5 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I**:

(b) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(c) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO):

(d) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective SLDC/RLDC, ROE shall be reduced by 1% for the period for which the deficiency continues:

Commission's analysis:

143. In this order, the Commission has considered the power station wise opening equity as on 1st April, 2016 as per the closing equity admitted in true-up order for FY 2015-16 and SSTPP PH 1 final tariff order. In some of the power stations, the closing normative equity as admitted by the Commission in last true up /final tariff orders have been revised in this order after considering the impact of some prior period additions/write-off/adjustment of assets filed by the petitioner.

144. The petitioner filed the additional capitalization in some of the thermal and hydel power stations for FY 2016-17 and claimed return on equity on additional equity infusion due to additional capitalization. The power station wise details of equity addition filed in the petition and considered by the Commission have been discussed in details in the additional capitalization of this order.

145. The Commission has considered the power station wise equity addition only to the extent of additional capitalization admitted in this true-up order. The equity over and above the normative equity is considered as normative loan.

146. Based on the above, the power station-wise break-up of normative equity eligible for return on equity in this true-up order is worked out as given below:

Table 44: Closing Normative equity for FY 2016-17 **(Rs. in Crore)**

Sr. No.	Power Station	Adjusted Opening Equity	Normative Equity Addition	Closing Equity
1	ATPS PH-3	258.21	0.81	259.02
2	STPS PH-2 & 3	183.99	-	183.99
3	STPS PH-4	616.39	15.50	631.88
4	SGTPS PH 1 &2	651.21	1.96	653.17
5	SGTPS PH-3	575.10	0.50	575.60
6	SSTPP PH-1	1364.79	35.09	1399.88
7	Gandhi Sagar	3.15	-	3.15
8	Pench	30.68	-	30.68
9	Rajghat	24.84	-	24.84
10	Bargi	26.18	0.11	26.29
11	Bansagar PH-1,2 &3	351.95	-	351.95
12	Bansagar PH-4	35.05	-	35.05
13	Birsinghpur	15.65	-	15.65
14	Madhikheda	46.25	-	46.25
	Total	**4183.44**	**53.96**	**4237.40**

147. Considering the above opening and closing balances of normative equity, the Return on equity for FY 2016-17 is worked out as follows:

Table 45: Return on Equity for FY 2016-17 **(Rs. in Crore)**

Sr. No.	Power Station	Average Equity	Base Rate of Return on Equity	Return on Equity
		Rs. Crores	**%**	**Rs. Crores**
1	ATPS PH-3	258.61	15.50	40.08
2	STPS PH-2&3	183.99	15.50	28.52
3	STPS PH-4	624.13	15.50	96.74
4	SGTPS PH-1&2	652.19	15.50	101.09
5	SGTPS PH-3	575.35	15.50	89.18
6	SSTPP PH-1	1382.34	15.50	214.26
	Total Thermal	**3676.61**		**569.87**
7	Gandhi Sagar	3.15	15.50	0.49
8	Pench	30.68	15.50	4.76
9	Rajghat	24.84	15.50	3.85
10	Bargi	26.23	15.50	4.07
11	Bansagar PH-1,2 &3	351.95	15.50	54.55
12	Bansagar PH-4	35.05	15.50	5.43
13	Birsinghpur	15.65	15.50	2.43
14	Madhikheda	46.25	15.50	7.17

	Total Hydro	**533.81**	15.50	**82.74**
Total		**4210.42**		**652.62**

Impact on Return on Equity of Prior period write-off/adjustment of assets:

148. The petitioner filed the write-off/adjustment of assets in some of the power stations in previous years. The revised power station wise GFA is worked out after considering the assets write-off/adjustment from the respective year in this order. Accordingly, the return on equity of the assets write-off/adjustment has been reworked for adjustment.

ATPS PH-3

149. In ATPS PH-3, the petitioner has filed the written off assets of Rs. 4.00 Crore due to assets transferred back to CWIP as already discussed under the chapter on "prior period written off/adjustment" in this order. The impact on return on Equity with respect to write off/adjustment in ATPS PH-3 has been worked out as under:

Table 46: Impact on Return on Equity for ATPS PH-3 (Rs. in Crore)

Particulars	FY 2015-16
Equity Component	0.91
Return on Equity (%)	15.50%
Return on Equity	0.07

STPS PH-4

150. In STPS PH-4, the petitioner has filed the written off assets of Rs. 48.04 Crore due to price variation adjustment and de-capitalization of asset as already discussed under the chapter on "prior period written off/adjustment" in the instant order. The impact on return on equity with respect to write off/adjustment in STPS PH-4 has been worked out as under:

Table 47: Impact on return on equity for STPS PH-4 (Rs. in Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Equity Component	9.30	9.51	9.51
ROE%	15.50%	15.50%	15.50%
Interest	**0.56**	**1.46**	**1.47**
Total ROE	**3.49**		

SSTPP PH-1

151. In SSTPP PH-1, the petitioner has filed the written off assets of Rs. 27.31 Crore due to price variation adjustment and de-capitalization of asset as already discussed in the chapter on "prior period written off/adjustment" in the instant order. The impact on return on equity with respect to write off/adjustment in SSTPP PH-1 has been worked out as

under:

Table 48: Impact on return on equity for SSTPP PH-1 **(Rs. in Crore)**

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Equity Component	3.36	5.21	5.21
ROE%	15.50%	15.50%	15.50%
Interest	**0.08**	**0.59**	**0.81**
Total ROE	**1.48**		

152. In view of the above, the effect of power station wise prior period adjustment on return on equity is summarized below:

Table 49: Summary of Prior period return on equity Adjustments **(Rs. in Crore)**

Sr. No.	Power Station	Return on Equity
1	ATPS PH-3	0.07
2	STPS PH-4	3.49
3	SSTPP PH-1	1.48
Total		**5.04**

b. Interest and finance charges on loan capital:

Petitioner's submission:

153. With regard to interest on loan, the petitioner broadly submitted the following:

a. *"The Power Station wise Normative opening loan balances as on 01.04.2016 (including excess equity) admitted by the Commission in the True Up order for FY 2015-16 and considered in instant petition as given below:*

S. No.	***Stations***	***Opening Bal as on 1-4-2016 (as per MPERC True up order for FY 16)***
1	*ATPS PH-3*	*515.53*
2	*STPS PH-4*	*2217.66*
4	*SGTPS PH-3*	*718.14*
5	***Total Thermal***	***3451.33***
6	*Bansagar PH-4*	*19.19*
7	*Madhikheda HPS*	*57.28*
8	***Total Hydro***	***76.47***
Total		***3527.80***

b. *MPPGCL has filed the Final Tariff Petition of SSTPP PH-1(2x600MW) before Hon'ble Commission (Petition No. 09 of 2017). The order on same is* *awaited. According the Normative Loan of SSTPP PH-1 as on 31.03.2016 submitted in the Final Tariff Petition is considered in the instant True up petition is Rs. 5433.52 Crore.*

c. *During FY 2016-17, Assets were transferred, decapitalized/written-off as reflected in Audited Books of Accounts for FY 2016-17. The same is elaborated in the Chapter 4.3 Additional Capitalization/Decapitalization and funding thereof.*

d. *Further, during FY 2016-17, loan drawls were made in existing as well as in new projects. The details of power Stations wise loan drawls in existing /new projects claimed in the instant petition is detailed in the Chapter-4.3 Additional Capitalization/de-capitalization & Funding thereof.*

The summery of assets addition and funding thereof along with working of Normative & excess Equity is tabulated as under:

Table 50: Adjusted Opening Normative Loan Balance (Rs. in Crore)

Stations		Opening Bal as on 1-4-2016 (as per MPERC True up order for FY 16)	Loan Adjustments in reference to			Adjusted Opening Bal. as on 01-04-2016
			Assets transfer from ATPS & STPS		Assets Decapitalized/price variation adjustment/write off	
1	ATPS PH-3	515.53	-2.09		-4.15	509.28
2	STPS PH-4	2217.66	0		-33.63	2184.03
3	SGTPS PH -1&2			1.91		1.91
4	SGTPS PH-3	718.14		0.11		718.25
5	SSTPP PH-1	5433.52		0	-19.12	5414.40
6	**Total Thermal**	**8884.85**	**-2.1**	**2.03**	**-56.9**	**8827.88**
7	Bansagar PH-4	19.19				19.19
8	Madhikheda HPS	57.28				57.28
9	**Total Hydro**	**76.47**	**-**	**-**	**-**	**76.47**
Total		**8961.32**	**-2.1**	**2.03**	**-56.9**	**8904.35**

e. *Considering, above, the power station wise Opening, Closing and Average balances of loan considering the repayment equal to depreciation charged during FY 2016-17 as per proviso 32.3 of MPERC Regulation 2015 are indicated below:-*

Table 51: Details of Closing and Average Balance (Rs. in Crore)

Stations	Adjusted Opening Balance	Additions	Total Additional Loan	Principal repayment (Dep)	Closing Balance as on

		as on 1/4/2016	Loan	Excess Equity			31/3/2017
1	ATPS PH-3	509.28	4.87	0.60	5.47	51.62	463.13
2	STPS PH-2&3	-	-	3.58	3.58	0.25	3.33
3	STPS PH-4	2184.03	2.54	27.20	29.74	161.92	2051.85
4	SGTPS PH-1&2	1.91	6.57	3.32	9.89	11.79	-
5	SGTPS PH-3	718.25	12.31	-	12.31	104.21	626.35
	SSTPP PH-1	5414.40	43.94	37.93	81.87	376.75	5119.53
6	**Total Thermal**	**8,827.88**	**70.22**	**72.63**	**142.85**	**706.54**	**8264.19**
7	Gandhi Sagar	-	-	-	-	-	-
8	Pench	-	-	0.02	0.02	0.02	-
9	Rajghat	-	-	0.01	0.01	0.01	-
10	Bargi	-	0.41	-	0.41	0.41	-
11	Bansagar PH-1,2 &3	-	-	0.12	0.12	0.12	-
12	Bansagar PH-4	19.19	-	-	-	6.16	13.03
13	Madhikheda	57.28	-	0.01	0.01	11.36	45.93
14	Birsinghpur	-	0.25	-	0.25	0.25	-
15	**Total Hydel**	**76.47**	**0.67**	**0.16**	0.83	**18.34**	**58.96**
16	HQ & S&I	1.18	-	0.61	0.61	0.30	1.48
	Total	**8905.53**	**70.89**	**73.40**	**144.29**	**725.18**	**8324.63**

154. The petitioner also claimed the interest on excess equity which is over and above the normative equity. The overall weighted average rate of interest was applied to arrive at the interest on excess equity in the subject petition.

155. In para 4.5.6 of the petition, the petitioner worked out the power station wise weighted average rate of interest. Considering above, the Power station wise Interest charges (including Intt. on excess equity) for FY 2016-17 was worked out by applying weighted average rate of interest on loans is indicated below:

Table 52: Interest on Loan and Excess Equity as filed **(Rs. in Crore)**

Stations		Avg. Bal.	Wt. Avg. Rate of Int.	Interest Amount
1	ATPS PH-3	486.21	12.30%	59.78
2	STPS PH-2&3	1.67	12.38%	0.21
3	STPS PH-4	2,117.94	12.15%	257.39
4	SGTPS PH-1&2	0.96	11.25%	0.11
5	SGTPS PH-3	672.30	12.28%	82.58
6	SSTPP PH-1	5,266.97	12.66%	667.02
7	**Total Thermal**	**8,546.05**		**1,067.09**
8	Gandhi Sagar	-	12.21%	-
9	Pench	-	12.21%	-
10	Rajghat	-	12.21%	-

11	Bargi	-	12.21%	-
12	Bansagar PH-1,2 &3	-	12.20%	-
13	Bansagar PH-4	16.11	12.21%	1.97
14	Madhikheda	51.61	12.25%	6.32
15	Birsinghpur	-	12.21%	-
16	**Total Hydel**	**67.72**	**97.71%**	**8.29**
17	HQ & S&I	1.33	10.50%	0.14
Total		**8,615.10**		**1,075.52**

Provision in Regulations:

156. Regulation 32 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations 2015, provides that:

"The loans arrived at in the manner indicated in Regulation ***25*** *shall be considered as gross normative loan for calculation of interest on loan.*

The normative loan outstanding as on 1.4.2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2016 from the gross normative loan.

The repayment for each of the year of the tariff period 2016-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de- capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.

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 depreciation allowed for the year or part of the year.

The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

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:

157. The petitioner claimed the interest on loan by applying the power station-wise weighted average rate of interest worked out by considering the actual loan portfolio as on 1st April' 2016.

158. Vide Commission's letter dated 19th February' 2018, the petitioner was asked to furnish the detailed working for weighted average rate of interest on term loan.

159. By letter dated 05th March' 2018, the petitioner submitted the detailed working of Weighted Average Rate of Interest along with the supporting documents in this regard.

160. On perusal of the aforesaid details filled by the petitioner, it is observed that while computing the weighted average rate of interest, the petitioner has considered the rate of interest of long term loan as well as short term loan. It was observed that it would not be appropriate to consider the short term loan interest rate while computing the power station wise weighted average rate of interest for computation of interest on term loan. Therefore, the Commission has worked out the weighted average rate of interest duly considering the rate of interest on term loan only.

Table 53: Power Station wise loan Balances including Excess Equity (Rs. in Crore)

Sr. No.	Power Station	Adjusted Opening Loan As On 01/04/2016	Loan addition	Normative Repayment	Closing Loan As On 31/03/2017
1	ATPS PH-3	510.18	1.89	51.39	460.69
2	STPS PH-2 & 3	-	-	0.00	-
3	STPS PH-4	2179.07	36.16	160.07	2055.16

4	SGTPS PH 1 &2	1.91	4.58	6.49	
5	SGTPS PH-3	718.25	3.21	104.04	617.42
6	SSTPP PH-1	5197.28	81.87	360.78	4918.38
7	Gandhi Sagar	-	-	0.00	-
8	Pench	-	-	0.00	0.00
9	Rajghat	-	-	0.00	0.00
10	Bargi	-	0.26	0.26	-
11	Bansagar PH-1,2 &3	-	-	0.00	0.00
12	Bansagar PH-4	19.19	-	6.17	13.02
13	Birsinghpur	-	0.25	0.25	-
14	Madhikheda	57.28	0.00	11.36	45.92
	Total	**8683.17**	**128.21**	**700.80**	**8110.58**

161. The power station- wise interest amount on loan (including excess equity) is worked out by applying the power station wise wt. average rate of interest on term loan only as given below:

Table 54: Power Station Wise Loan Balances including excess equity (Rs. in Crore)

Sr. No.	Power Station	Average Loan	Wt. Avg Rate of Interest	Interest Amount on Loan
1	ATPS PH-3	485.44	12.31%	59.74
2	STPS PH-2 & 3	-	12.52%	-
3	STPS PH-4	2117.11	12.15%	257.23
4	SGTPS PH 1 &2	0.96	8.88%	0.08
5	SGTPS PH-3	667.83	12.30%	82.14
6	SSTPP PH-1	5057.83	12.68%	641.51
7	Gandhi Sagar	-	0.00%	-
8	Pench	-	-	-
9	Rajghat	-	-	-
10	Bargi	-	-	-
11	Bansagar PH-1,2 &3	-	-	-
12	Bansagar PH-4	16.11	12.46%	2.01
13	Birsinghpur	-	0.00%	-
14	Madhikheda	51.60	12.27%	6.33
	Total	**8396.87**		**1049.05**

Impact on interest on loan of Prior period write-off/adjustment of assets:

162. The petitioner filed the write-off/adjustment of asset in some of the power stations for past years. The revised power station wise GFA is worked out after considering the assets write-off/adjustment from the respective year in this order. Accordingly, the interest on loan of the assets write-off/adjustment has been reworked for adjustment.

ATPS PH-3

163. In ATPS PH-3, the petitioner has filed the written off assets of Rs. 4.00 Crore due to assets transferred back to CWIP as already discussed in the chapter on “prior period

written off/adjustment" in this order. The impact on interest on loan with respect to write off/adjustment in ATPS PH-3 has been worked out as under:

Table 55: Impact on interest and finance charges for ATPS PH-3 (Rs. in Crore)

Particulars	FY 2015-16
Loan Component	4.00
Rate of Interest	12.70%
Interest	0.20

STPS PH-4

164. In STPS PH-4, the petitioner has filed the written off assets of Rs. 48.04 Crore due to price variation adjustment and de-capitalization of asset as already discussed under the chapter on "prior period written off/adjustment" in the instant order. The impact on interest on loan with respect to write off/adjustment in STPS PH-4 has been worked out as under:

Table 56: Impact on interest and finance charges for STPS PH-4 (Rs. in Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Loan Component	37.65	38.53	38.53
Rate of Interest	12.97%	12.98%	12.98
Interest	1.88	4.94	5.00
Total Interest	**11.83**		

SSTPP PH-1

165. In SSTPP PH-1, the petitioner has filed the written off assets of Rs. 27.31 Crore due to price variation adjustment and de-capitalization of asset as already discussed under the chapter on "prior period written off/adjustment" in this order. The impact on interest on loan with respect to write off/adjustment in SSTPP PH-1 has been worked out as under:

Table 57: Impact on interest and finance charges for SSTPP PH-1 (Rs. in Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Loan Component	14.24	22.11	22.11
Rate of Interest	12.96%	12.97%	12.75%
Interest	**0.29**	**2.11**	**2.82**
Total Interest	**5.22**		

166. In view of the above, the effect of power station wise prior period adjustment on interest and finance charges is summarized below:

Table 58: Summary of Prior period interest and finance charges Adjustments (Rs. in Crore)

Sr. No.	Power Station	Interest
1	ATPS PH-3	0.20
2	STPS PH-4	11.83
3	SSTPP PH-1	5.22
Total		**17.24**

d) Depreciation:

Petitioner's submission

167. With regard to the depreciation, the petitioner broadly submitted the following:

a. *"The Power Station wise break up of Fixed Assets as reflected in the Audited books of account FY 2016-17, along with asset additions and adjustment/deductions are tabulated below:-*

Table 59: Gross Block details for FY 2016-17 (Rs. in Crore)

	Power Station	Adjusted Op. Balance of Gross Block 01-04-2016	Asset Addition	Asset Deduction	Adjustment for Common assets of STPS PH-1	Cl. Balance of Gross Block 31-03-2017	Average Gross Block
1	ATPS PH-3	1134.77	7.82	-4.22		1138.37	1136.57
2	**ATPS Chachai**	**1134.77**	**7.82**	**-4.22**		**1138.37**	**1136.57**
3	STPS PH-2&3	620.42	5.12		6.01	631.55	625.98
4	STPS PH-4	3160.78	73.68	-48.04		3186.41	3173.59
5	**STPS Total**	**3781.20**	**78.80**	**-48.05**	**6.01**	**3817.95**	**3799.57**
6	SGTPS PH-1&2	2192.39	14.12			2206.51	2199.45
7	SGTPS PH-3	2034.25	12.81			2047.06	2040.65
8	**SGTPS Total**	**4226.64**	**26.93**	**0.00**	**0.00**	**4253.57**	**4240.10**
9	SSTPP PH-1	7493.67	116.96	-27.31		7583.31	7538.49
10	**Total Thermal**	**16636.27**	**230.50**	**-79.57**	**6.01**	**16793.21**	**16714.74**
11	Gandhi Sagar	10.39	0.00			10.39	10.39
12	Pench	102.25	0.02			102.27	102.26
13	Rajghat	82.81	0.02			82.83	82.82
14	Bargi	87.19	0.56			87.75	87.47
15	Bansagar PH-1,2&3	1173.18	0.17	-0.05		1173.30	1173.24
16	Bansagar PH-4	116.85	0.00			116.85	116.85
17	Madhikheda	217.99	0.01			218.00	218.00
18	Birsinghpur	52.15	0.25			52.40	52.28

	Power Station	Adjusted Op. Balance of Gross Block 01-04-2016	Asset Addition	Asset Deduction	Adjustment for Common assets of STPS PH-1	Cl. Balance of Gross Block 31-03-2017	Average Gross Block
19	**Total Hydro**	**1842.81**	**1.05**	**-0.05**	**0.00**	**1843.80**	**1843.31**
20	HQ	3.26	0.87			4.13	3.69
	Total	**18482.34**	**232.42**	**-79.63**	**6.01**	**18641.14**	**18561.74**

b. *The depreciation on the Gross Block has been computed based on the following:-*

- *The rates for depreciation are considered as approved by Hon'ble Commission in Appendix-II of MPERC Regulation of 2015.*
- *The salvage value of assets is considered as 10% i.e. none of the assets are depreciated more than 90% of the gross value.*
- *Proviso 33.7 of MPERC regulation 2015 specifies that 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%.*
- *In case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets for part of the year.*
- *The Assets additions on account of need based R&M works at STPS PH-2&3 is not considered as special allowance has opted for these units. However the works related to land has been considered.*
- *The assets in the records of MPPGCL are only for its own share,* therefore depreciation is computed for MPPGCL share only.

168. Considering the above, the depreciation on various power stations has been worked out by the petitioner as tabulated below:-

Table 60: Depreciation Claimed by Petitioner for FY 2016-17 **(Rs. in Crore)**

	Power Station	Average Gross Block	Wt. Av. Rate of Dep	Dep. Amount for FY 17
1	ATPS PH-3	1136.57	4.54%	51.62
2	**ATPS Chachai**	**1136.57**		**51.62**
3	STPS PH-2&3	625.98	0.04%	0.25
4	STPS PH-4	3173.59	5.10%	161.92
5	**STPS Total**	**3799.57**		**162.17**

Power Station		Average Gross Block	Wt. Av. Rate of Dep	Dep. Amount for FY 17
6	SGTPS PH-1&2	2199.45	2.00%	43.93
7	SGTPS PH-3	2040.65	5.11%	104.21
8	**SGTPS Total**	**4240.10**		**148.13**
9	SSTPP PH-1	7538.49	5.00%	376.75
10	**Total Thermal**	**16714.74**		**738.67**
11	Gandhi Sagar	10.39	0.00%	0.00
12	Pench	102.26	1.61%	1.64
13	Rajghat	82.82	4.35%	3.60
14	Bargi	87.47	1.95%	1.71
15	Bansagar PH-1,2&3	1173.24	4.38%	51.38
16	Bansagar PH-4	116.85	5.28%	6.16
17	Madhikheda	218.00	5.21%	11.36
18	Birsinghpur	52.28	2.48%	1.30
19	**Total Hydro**	**1843.31**		**77.14**
20	HQ	3.69	8.24%	0.30
Total		**18561.74**		**816.12**

Provision in Regulations:

169. Regulation 33 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

“*Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof. In case of the tariff of all the units of a generating station for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station taking into consideration the depreciation of individual units.*

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station for which single tariff needs to be determined.

The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station, weighted average life for the generating station shall be applied. Depreciation shall be chargeable from the first year at the commercial operation.

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 station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit shall not be allowed to be recovered at a later stage during the useful life and the extended life.

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

Land other than the 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.

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 effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

In case of the existing projects, the balance depreciable value as on 1.4.2016 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2016 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%.

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

The generating company shall submit the details of proposed capital expenditure during the fag end of the project (five years before the useful life) along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure during the fag end of the project.

In case of de-capitalization of assets in respect of generating station or unit thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services."

Commission's Analysis:

170. While determining the depreciation in this order, the Commission has worked out the revised opening Gross Fixed Assets and cumulative depreciation as on 1st April, 2016 after considering the impact of write-off/adjustment of asset on the admitted closing figures of assets admitted by the Commission in the last true-up order for FY 2015-16.

171. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY 2016-17. The issue of power station wise asset additions and "additional capitalization" admitted for FY 2016-17 has been discussed in preceding part of this order. The petitioner mentioned that in case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets for part of the year.

172. While determining the depreciation, the Commission has considered the same base figure of Opening GFA as the closing GFA admitted in the true up order for FY 2015-16 and final tariff order for SSTPP PH-1. Considering the impact of additional capitalization/assets addition and write-off/adjustment in various power stations, the adjusted/ revised opening GFA and cumulative depreciation as on 1st April, 2016 is worked out in this order. Based on the revised opening GFA, the closing GFA after considering the addition and write-off of asset during the year is worked out as given below:

Table 61: Power Station wise GFA Balances **(Rs. in Crore)**

Sr. No.	Power Station	Opening GFA	Addition	Closing GFA	Average GFA

1	ATPS, Chachai PH-III	1130.55	2.70	1133.25	1131.90
2	STPS, PH-2&3	620.42	0.00	620.42	620.42
3	STPS, PH-4	3112.74	51.65	3164.39	3138.56
4	SGTPS, PH-1&2	2192.39	6.54	2198.93	2195.66
5	SGTPS, PH-3	2034.25	3.71	2037.96	2036.11
6	SSTPP PH-1	7157.03	116.96	7273.99	7215.51
	Total Thermal	**16247.38**	**181.56**	16428.94	**16338.16**
7	Gandhi Sagar	10.39	0.00	10.39	10.39
8	Pench	102.25	0.00	102.25	102.25
9	Rajghat	82.81	0.00	82.81	82.81
10	Bargi	87.19	0.36	87.55	87.37
11	Bansagar PH (I to III)	1173.13	0.00	1173.13	1173.13
12	Bansagar IV (Jhinna)	116.85	0.00	116.85	116.85
13	Birsinghpur	52.15	0.25	52.40	52.28
14	Madhikheda	217.99	0.00	217.99	217.99
	Total Hydro	**1842.76**	**0.61**	1843.37	**1843.07**
Total		**18090.14**	**182.17**	**18272.31**	**18181.23**

173. In view of the above, the depreciation for FY 2016-17 has been worked out in this order by considering the weighted average rate of depreciation as per the power station-wise assets-cum-depreciation registers submitted by the petitioner.

174. It has been observed by the Commission that the closing cumulative depreciation in STPS PH 2&3 and Gandhi Sagar has already crossed the limit of 90% in FY 2014-15 true up order dated 20th May' 2016. Therefore, in terms of provisions under Regulation, 2015, the Commission has not allowed depreciation in these plants for FY 2016-17.

175. Regulation 33.7 of the Regulations, 2015 provides that the rate of depreciation shall be continued to be charged at the rate specified under Regulations, till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the assets till the maximum depreciation does not exceed 90%.

176. The Commission observed that the opening cumulative depreciation of SGTPS Ph 1&2, Pench HPS, Bargi HPS and Birsinghpur HPS exceeds 70%. Therefore, the balance depreciation of these power stations has been already spread over the balance useful life.

177. Based on the above, the power station-wise depreciation is worked out and considered for FY 2016-17 in this true-up order is as given below:

Table 62: Depreciation for FY 2016-17 **(Rs. in Crore)**

Sr. No.	Power Station	Wt. avg.rate Dep.	Dep.Amount	Opening Cumm.Dep.	Opening Cumm. Dep. % of Opening GFA	Closing Cumm. Dep.	Closing Cumm. Dep. % of Opening GFA
		%	**Rs Cr.**	**Rs Cr.**	**%**	**Rs Cr.**	**%**
1	ATPS, PH-3	4.54%	51.39	362.06	32.03%	413.45	36.48%
2	STPS, PH-2&3	0.00%	0.00	563.85	90.88%	563.85	90.88%
3	STPS PH-4	5.10%	160.07	351.73	11.30%	511.80	16.17%
4	SGTPS, PH-1&2	2.00%	43.91	1618.16	73.81%	1662.07	75.59%
5	SGTPS, PH-3	5.11%	104.04	737.61	36.26%	841.65	41.30%
6	SSTPP,PH-1	5.00%	360.78	592.74	8.28%	953.52	13.11%
	Total Thermal		**720.19**	**4226.15**		**4946.34**	
7	Gandhi Sagar	0.00%	0.00	9.39	90.38%	9.39	90.38%
8	Pench	1.61%	1.65	79.56	77.81%	81.21	79.42%
9	Rajghat	4.35%	3.60	50.11	60.51%	53.71	64.86%
10	Bargi	1.95%	1.70	65.31	74.91%	67.01	76.70%
11	Bansagar PH (I to III)	4.38%	51.38	709.43	60.47%	760.81	64.85%
12	Bansagar PH (IV)	5.28%	6.17	62.62	53.59%	68.79	58.87%
12	Birsinghpur	2.48%	1.30	37.47	71.85%	38.77	74.16%
13	Madhikheda	5.21%	11.36	89.03	40.84%	100.39	46.05%
	Total Hydro		**77.16**	**1102.92**		**1180.08**	
	Total		**797.35**	**5329.07**		**6126.42**	

Impact on Depreciation of Prior period write-off/adjustment of assets:

178. The petitioner filed the write-off/adjustment of asset in some of the power stations for past years. The revised power station wise opening GFA is worked out after considering the assets write-off/adjustment from the respective year in this order. Accordingly, the Depreciation of the assets write-off/adjustment has been reworked for adjustment. Therefore, the aforesaid adjusted opening cumulative depreciation considered in this order is as given below:

ATPS PH-3

179. In ATPS PH-3, the petitioner has filed the written off Rs. 4.00 Crore due to assets transferred back to CWIP as already discussed in the chapter on prior period written off/adjustment in this order. The impact on depreciation with respect to write off/adjustment in ATPS PH-3 has been worked out as under:

Table 63: Impact on Depreciation for ATPS PH-3 **(Rs. in Crore)**

Particulars	FY 2015-16
Assets	4.00

Rate of Depreciation	4.55%
Depreciation	0.09

STPS PH-4

180. In STPS PH-4, the petitioner has filed the written off assets of Rs. 48.04 Crore due to price variation adjustment and de-capitalization of asset as already discussed under the chapter on prior period written off/adjustment in this order. The impact on depreciation with respect to write off/adjustment in STPS PH-4 has been worked out as under:

Table 64: Impact on Depreciation for STPS PH-4 (Rs. in Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Assets	46.95	48.04	48.04
Rate of Depreciation	5.23%	5.07%	5.07%
Depreciation	**0.95**	**2.41**	**2.44**
Total Depreciation	**5.79**		

SSTPP PH-1

181. In SSTPP PH-1, the petitioner has filed the written off assets of Rs. 27.31 Crore due to price variation adjustment and de-capitalization of asset as already discussed under the chapter on prior period written off/adjustment in this order. The impact on depreciation with respect to write off/adjustment in SSTPP PH-1 has been worked out as under:

Table 65: Impact on depreciation for SSTPP PH-1 (Rs. in Crore)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Assets	17.60	27.32	27.32
Rate of Depreciation	5.10%	4.96%	5.07%
Depreciation	**0.14**	**1.00**	**1.39**
Total Depreciation	**2.52**		

182. In view of the above, the power station wise prior period adjustment of depreciation is summarized as given below:

Table 66: Summary of Prior period depreciation Adjustments (Rs. in Crore)

Sr. No.	Power Station	Depreciation
1	ATPS PH-3	0.09
2	STPS PH-4	5.79
3	SSTPP PH-1	2.52
Total		**8.40**

e) Operation and Maintenance Expenses:

Petitioner's submission

183. With regard to operation and maintenance expenses of thermal and hydel power

stations, the petitioner broadly submitted the following:

a. *In MPERC (Terms and conditions for determination of Generation Tariff) Regulations, 2015, MPERC has prescribed norms for O & M expenses as a function of the capacity of the plant. The O&M expenses as per provision 35.7, 35.8, 35.9 & 35.10 of the MPERC Tariff Regulations, 2015 comprises of Employee cost, Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost.*

b. *For the year FY 2016-17, O&M Charges in Rs. Lakh /MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-*

Table 67: Amount in Rs. Lakh/MW/Year

Thermal Station		**Approved by MPERC for FY 2016-17**
ATPS, Chachai	PH-3	24.20
STPS, Sarni	PH-2	24.20
	PH-3	24.20
	PH-4	27.00
SGTPS, Birsinghpur	PH-1	24.20
	PH-2	24.20
	PH-3	19.43
SSTPP Khandwa	PH-1	16.27
Hydro	All	9.64

184. The petitioner claimed the true-up of O&M expenditure as given below:

Table 68: Operation and maintenance claimed for FY 2016-17 (Rs. in Crore)

S. No.	**Station**	**As per MPERC orders/ Norms**	**As considered by MPPGCL on Actual Availability**	**Diff. Rs. Crore.**
1	ATPS PH-3	50.82	50.82	0.00
2	STPS PH-2&3	200.86	200.86	0.00
3	STPS PH-4	135.00	134.7	-0.30
4	SGTPS PH-1&2	203.28	192.05	-11.23
5	SGTPS PH-3	97.15	97.15	0.00
6	SSTPP PH-1	195.24	195.24	0.00
7	**Total Thermal**	**882.35**	**870.82**	**-11.53**
8	Gandhi Sagar	11.09	11.6	0.52
9	Pench	15.42	15.59	0.16
10	Rajghat	4.34	2.72	-1.62
11	Bargi	8.68	8.95	0.27
12	Bansagar PH-1,2&3	39.04	40.03	0.99

13	Bansagar PH-4	1.93	1.97	0.05
14	Birsinghpur	1.93	2.08	0.15
15	Madhikheda	5.78	6.01	0.23
16	**Total Hydro**	**88.21**	**88.95**	**0.74**
Total		**970.56**	**959.77**	**-10.79**

Provision in Regulations:

185. Regarding the operation and maintenance expenses of thermal power stations, Regulation 35.7 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015, provides as under:

> *“ 35.7 Operation and Maintenance Expenses for thermal and hydro power stations for the Tariff period shall be determined based on normative O&M expenses specified by the Commission in these Regulations. The normative operation and maintenance expenses for the thermal generating stations are specified separately for the thermal power stations commissioned on or before 31.03.2012 and the power stations commissioned on or after 01.04.2012. The normative operation and maintenance expenses are also specified separately for the existing and new projects.”*

Table 69: Operation and Maintenance Norms for Existing Thermal Generating Units

Units (MW)	***FY 2016-17***
	Rs. Lacs/MW
120	27.90
200/210/250	24.20
500	19.43

186. Above mentioned norms are applicable for the Thermal Generating Stations which were commissioned on or before 31.03.2012. The O&M Norms for new Thermal Generating units commissioned on or after 01.04.2012 are as under:

Table 70: Operation and Maintenance Norms for New Thermal Generating Units

Units (MW)	***FY 2016-17***
	Rs. Lacs/MW
45	32.07
200/210/250	27.00
300/330/350	22.54
500	18.08
600 and above	16.27

187. Further, Regulation 35.10 of the Regulations, 2015, regarding Hydro Power Stations provides the following norms:

Table 71: Operation and Maintenance Norms for Hydro Generating Units

Year	O&M Expenses Rs. in lakh/MW
2016-17	9.64

Commission's Analysis:

188. For Thermal and Hydel Power Stations, the Commission has worked out the power station wise annual O&M expenses by applying the norms on MW capacity of the generating unit. The power station wise operation and maintenance expenses allowed in this order are as given below:

Table 72: Operation and Maintenance Expenses for FY 2016-17

Sr. No.	Power Station	Capacity	Normative O&M Expenses	Annual O&M Expenses as per norms
		MW	Lacs/MW	Rs. in Crore
1	ATPS, Chachai PH-3	210	24.20	50.82
2	STPS PH 2&3	830	24.20	200.86
3	STPS, PH-4	500	27.00	135.00
4	SGTPS, PH-1&2	840	24.20	203.28
5	SGTPS, PH-3	500	19.43	97.15
6	SSTPP, PH-1	1200	16.27	195.24
7	Gandhi Sagar	115	9.64	11.09
8	Pench	160	9.64	15.42
9	Rajghat	45	9.64	4.34
10	Bargi	90	9.64	8.68
11	Bansagar PH-1,2&3	405	9.64	39.04
12	Bansagar PH-4	20	9.64	1.93
13	BiRs. Inghpur	20	9.64	1.93
14	Madhikheda	60	9.64	5.78
Total		**4995**		**970.56**

f) Compensation Allowance or Special allowance:

Petitioner's submission

189. With regard to the compensation allowance, the petitioner broadly submitted the following:

"The Hon'ble Commission in proviso 23 of the Regulation RG-26(III) of 2015 has also 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 as described below:

<u>SGTPS Birsinghpur</u>: *- The units No. 1 & 2 are older than 21 years, therefore* *the compensation allowance @ 1.00 Lakhs/MW/Year has been considered. The age of the Unit No. 3 & 4 will be in the age group of 11 to 15 years therefore compensation has been considered @ 0.50 Lakhs/MW/Year. "*

The total amount of Compensation Allowance claimed by the petitioner is as given below:-

Table 73: Compensation Allowance claimed by petitioner for FY 2016-17 (Rs. in Crore)

Sr. No.	Particulars	As per MPERC Regulation for FY 17	As considered by MPPGCL on Actual Availability
1	ATPS PH 3	0.00	0.00
2	**ATPS**	0.00	0.00
3	STPS PH 2	0.00	0.00
4	STPS PH 3	0.00	0.00
5	STPS PH 4	0.00	0.00
6	**STPS**	0.00	0.00
7	SGTPS PH 1	4.20	3.97
8	SGTPS PH 2	2.10	1.98
9	SGTPS PH 3	0.00	0.00
10	**SGTPS**	**6.30**	**5.95**
11	SSTPP PH-1	0.00	0.00
12	**SSTPP**	0.00	0.00
13	**Total Thermal**	**6.30**	**5.95**

Provision in the Regulations:

190. With regard to compensation allowance, Regulation 23.1 of the Regulations, 2015 provides that:

"In case of coal-based thermal generating station or a unit thereof, a separate compensation allowance shall be admissible to meet expenses on new assets of capital nature which are not admissible under Regulation 20 of these Regulations, and in such an event, revision of the capital cost shall not be allowed on account of compensation allowance but the compensation allowance shall be allowed to be recovered separately.

The Compensation Allowance shall be allowed in the following manner from the year following the year of completion of 10, 15, or 20 years of useful life:"

Table 74: Compensation Allowance for Thermal Generating Units (Rs. lakh/MW/Year)

Years	Compensation Allowance
0-10	*Nil*
11-15	*0.20*
16-20	*0.50*

21-25	*1.00*

Commission's Analysis:

191. Regulation 23.2 provides for admissibility of a separate unit-wise compensation allowance in Lakh/MW/year for different bands in years of operation of the thermal Generating Unit(s) up to 25 years i.e., its useful life only.

192. The compensation allowance is admissible only up to useful life of the thermal generating unit. The units of STPS, Sarni PH- II & III have completed their useful life and special allowance have already been opted by the petitioner for these units. Therefore, the compensation allowance is also not considered for these units in terms of the Regulations. With regard to the Units of SGTPS PH-I & II, the units have not completed their useful life. Therefore, these units are eligible for compensation allowance and the same has been worked out as under:

Table 75: Compensation allowance admitted for FY 2016-17 (Rs. in Crore)

Sr. No.	Power Station	Installed Capacity in MW	Years. of Operation	Compensation Expenses lakhs/MW	Compensation Expenses Allowed
1	SGTPS PH-I	420	1993-94	1.00	4.20
2	SGTPS PH-II	420	1998-99	0.50	2.10
	Total	**840**			**6.30**

g) Special Allowance:

Petitioner Submission:

193. With regard to the special allowance, the petitioner submitted the following:

" The Commission in proviso 21 read with proviso 22 of the Regulation RG-26(III) of 2015 for Renovation & Modernization has provided that in case of thermal generating stations, the Generating Company may by its discretion can avail a special allowance either for a unit or a group of units as compensation for meeting the requirement of expenses including Renovation & Modernization works beyond the useful life of the generating stations.

Further, the Commission vide order dated 14.07.2016 at para 114 page 58, has continued the Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni. Accordingly, the Truing up of the same has been considered in the instant petition.

Table 76: Special Allowance for FY 2016-17 **(Rs. in Crore)**

S. No	Particulars	As per MPERC Order for FY 16	MPPGCL as per Norms	Diff.
1	**STPS PH 2&3**	77.15	77.15	0.00
	Total	**77.15**	**77.15**	**0.00**

Provision in the Regulations:

194. With regard to special allowance, Regulation 22.2 of the Regulations, 2015 provides that:

"The Special Allowance shall be @ Rs. 7.5 lakh/MW/year for the year 2016-17 and thereafter escalated @ 6.35% every year during the balance period, unit-wise from the next financial year from the respective date of the completion of useful life with reference to the date of commercial operation of the respective unit of generating station:

Provided that in respect of a unit, which will opt for Special Allowance during the tariff period 2016-17 to 2018-19 and in commercial operation for more than 25 years as on 1.4.2016, this allowance shall be admissible from FY 2016-17:

Provided further that the special allowance for the generating stations, which, in its discretion, has already availed of a "special allowance" in accordance with the norms specified in clause (18.5) of Madhya Electricity Regulatory Commission(Terms and Conditions for Determination Generation Tariff) Regulations,2012, shall be allowed Special Allowance by escalating the special allowance allowed for the year 2015-16 @ 6.35% every year during the tariff period 2016-17 to 2018-19."

Commission's Analysis:

195. Regulation 22.1 of the Regulations, 2015 provides for the special allowance for such coal based thermal power stations not availing R&M for meeting the requirement of expenses including R&M beyond the useful life of generating station. Proviso toRegulations 22.2 of the Regulations 2015 further provides that the special allowance for generating stations already availed special allowance as per Regulations, 2012 shall be allowed special allowance by escalating the special allowance allowed for the year FY 2015-16 @ 6.35% every year during the Tariff period FY 2016-17 to FY 2018-19.

196. The Commission, vide order dated 14th July, 2016, determined the special allowance for Unit 6, 7, 8 & 9 of STPS, Sarni PH-2 & 3. Considering the said Order and aforesaid proviso, the Commission has admitted the special allowance as claimed by the petitioner is as given below:

Table 77: Special Allowance Allowed for FY 2016-17 (Rs. in Crore)

Sr. No.	Power Station	Special Allowance Rs. Lacks/MW	Total amount allowed
1	STPS PH-2&3	9.30	77.15

h) Interest on Working Capital:

Petitioner submission:

197. With regard to interest on working capital, the petitioner broadly submitted the following:

"The Working capital has been calculated in Hon'ble Commissions order dated 14.07.2016 in accordance to proviso 34 of Principal Tariff Regulations, 2015. Accordingly cost of Coal towards stock for 30 days for non-pit-head generating stations for generation corresponding to the NAPAF or the maximum coal stock storage capacity whichever is lower and cost of Coal for 30 days for generation corresponding to normative annual plant availability factor , 2 Months cost of main Secondary Oil corresponding to NAPAF, 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 2 months Receivables has been considered for calculating interest on Working Capital."

The Normative Interest on Working Capital as approved by the Commission in the Tariff order is reproduced below after applying Actual Availability:-

Table 78: Interest on Working Capital (Rs. in Crore)

Sr. No.	Station	As per MPERC Order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-3	17.43	17.43	-
2	STPS PH-2&3	63.4	63.4	-
3	STPS PH-4	50.02	50.02	-
4	SGTPS PH-1&2	66.47	66.47	-
5	SGTPS PH-3	42.03	42.03	-
6	SSTPP PH-1	118.97	133.24	(14.27)
7	**Total Thermal**	**358.32**	**372.59**	**(14.27)**
8	Gandhi Sagar	0.59	0.59	-
9	Pench	0.99	0.99	-
10	Rajghat	0.39	0.39	-
11	Bargi	0.58	0.58	-
12	Bansagar PH-1,2&3	4.34	4.34	-
13	Bansagar PH-4	0.4	0.4	-
14	Birsinghpur	0.17	0.17	-

15	Madhikheda	0.85	0.85	-
16	**Total Hydro**	**8.31**	**8.31**	**-**
Total		**366.63**	**380.90**	**(14.27)**

Provision in Regulations:

198. Regulation 34 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015 regarding working capital for coal based generating stations provides that:

"*The Working Capital for Coal based generating stations shall cover:*

(i) Cost of coal towards stock, if applicable, for 15 days for pit-head generating stations and 30 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal stock storage capacity whichever is lower;

(ii) Cost of coal for 30 days for generation corresponding to the normative annual plant availability factor;

(iii) Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil;

(iv) Maintenance spares @ 20% of operation and maintenance expenses specified in Regulation 35;

(v) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor; and

(vi) Operation and maintenance expenses for one month.

199. Regarding working capital for hydel power stations Regulation 34.1 (B) of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Hydro Generating Station, the Working Capital shall include:

(a) Receivables equivalent to two months of fixed cost;

(b) Maintenance spares @ 15% of operation and maintenance expenses

specified in Regulation 35; and

(c) Operation and maintenance expenses for one month.

200. Regarding interest rate on working capital, Regulation 34.3 of the MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

"Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2016 or as on 1st April of the year during the tariff period 2016-17 to 2018-19 in which the generating station or a unit thereof , is declared under commercial operation, whichever is later."

Commission's analysis:

201. While determining the interest on working capital, Regulations 34.2 of Regulations, 2015 provides that no fuel price escalation shall be provided during the tariff period for calculating the working capital. The details of working capital worked out by the Commission as per the provisions under the Regulations, 2015 are as given below:

(i) Cost of coal 60 days for pit head and 45 days for non pit head as considered vide MYT Order dated 14th July' 2016 is as follows.

(Rs in Crore)

Sr. No	Power Station	Cost of coal as per MYT Order dated 14th July' 2016
1	ATPS PH-3	41.35
2	STPS PH-2 & 3	189.28
3	STPS PH-4	115.38
4	SGTPS PH 1 &2	191.81
5	SGTPS PH-3	113.18
6	SSTPP PH-1	321.86
	Total	**972.86**

(ii) Cost of main secondary fuel oil for two months equivalent to normative plant availability factor as considered in MYT Order dated 14th July' 2016 as stated below is considered:

(Rs in Crore)

Sr. No	Power Station	Cost of Secondary fuel as per MYT Order dated 14th July' 2016
1	ATPS PH-3	1.38
2	STPS PH-2 & 3	5.42

3	STPS PH-4	1.06
4	SGTPS PH 1 &2	4.03
5	SGTPS PH-3	2.22
6	SSTPP PH-1	1.85
	Total	**15.96**

(iii) Maintenance spares as considered in MYT Order dated 14th July' 2016 as stated below is considered:

(Rs in Crore)

Sr. No.	Station	Maintenance spares 20% of O&M for thermal and 15% of O&M for Hydel Station
1	ATPS PH-3	10.16
2	STPS PH-2&3	40.17
3	STPS PH-4	27
4	SGTPS PH-1&2	40.66
5	SGTPS PH-3	19.43
6	SSTPP PH-1	39.05
7	**Total Thermal**	**176.47**
8	Gandhi Sagar	1.66
9	Pench	2.31
10	Rajghat	0.65
11	Bargi	1.3
12	Bansagar PH-1,2&3	5.86
13	Bansagar PH-4	0.29
14	Birsinghpur	0.29
15	Madhikheda	0.87
16	**Total Hydro**	**13.23**
Total		**189.70**

(iv) O&M expenses for one month for the purpose of working capital as considered in MYT Order dated 14th July' 2016 has been considered:

(Rs in Crore)

Sr. No.	Station	O&M expenses for one month
1	ATPS PH-3	4.24
2	STPS PH-2&3	16.74
3	STPS PH-4	11.25
4	SGTPS PH-1&2	16.94
5	SGTPS PH-3	8.10
6	SSTPP PH-1	16.27
7	**Total Thermal**	**73.54**
8	Gandhi Sagar	0.92

9	Pench	1.29
10	Rajghat	0.36
11	Bargi	0.72
12	Bansagar PH-1,2&3	3.25
13	Bansagar PH-4	0.16
14	Birsinghpur	0.16
15	Madhikheda	0.48
16	**Total Hydro**	**7.34**
Total		**80.88**

(v) Receivables have been worked out on the basis of two months of fixed cost (determined in this order) and energy charges (as determined in MYT order dated 14th July' 2016) as given below:

(Rs in Crore)

Sr. No.	Station	Receivable
1	ATPS PH-3	77.90
2	STPS PH-2&3	237.95
3	STPS PH-4	231.80
4	SGTPS PH-1&2	260.84
5	SGTPS PH-3	182.20
6	SSTPP PH-1	577.57
7	**Total Thermal**	**1568.27**
8	Gandhi Sagar	2.03
9	Pench	3.80
10	Rajghat	2.03
11	Bargi	2.50
12	Bansagar PH-1,2&3	24.89
13	Bansagar PH-4	2.66
14	Birsinghpur	0.97
15	Madhikheda	5.25
16	**Total Hydro**	**44.12**
Total		**1612.39**

202. Further, the State Bank of India Base rate as applicable/ prevailing on 01.04.2016 is 9.30% + 3.50% = 12.80%. Accordingly, the interest on working capital is worked as under:

Table 79: Interest on Working Capital for FY 2016-17 **(Rs. in Crore)**

S.No.	Station	As per MPERC Order	As considered as per Norms
1	ATPS PH-3	17.43	17.28
2	STPS PH-2&3	63.40	62.66
3	STPS PH-4	50.02	49.47
4	SGTPS PH-1&2	66.47	65.83

5	SGTPS PH-3	42.03	41.62
6	SSTPP PH-1	118.97	122.44
7	**Total Thermal**	**358.32**	**359.31**
8	Gandhi Sagar	0.59	0.59
9	Pench	0.99	0.95
10	Rajghat	0.39	0.39
11	Bargi	0.58	0.58
12	Bansagar PH-1,2&3	4.34	4.35
13	Bansagar PH-4	0.40	0.40
14	Birsinghpur	0.17	0.18
15	Madhikheda	0.85	0.84
16	**Total Hydro**	**8.31**	**8.28**
Total		**366.63**	**367.59**

i) Non-Tariff Income:

Petitioner's Submission:

203. The Power Station wise Non Tariff Income as per the Audited Books of Accounts for FY 2016-17 on 100% operating capacity have been worked out by the petitioner as follows:

Table 80: Non Tariff Income Claimed for FY 2016-17 (Rs. in Crore)

Stations		Other income as per Note 26.1 of Fin. A/cs	Material at site related income	Derivative income & Deposit Disconnected income as per INDAS	Net Surcharges of FY 17	Net Surcharges of last year FY 16	Instt. Of FDs of unused R&M funds* POWER GRID	Net Income	Claimed by the Petitioner (Sahre basis)
1	ATPS PH-3	29.87	13.94	0.18	9.93	1.41	0.10	4.30	4.30
2	STPS PH-2&3	68.97	22.71	-	39.27	2.62	0.41	3.96	3.96
3	STPS PH-4	38.81	10.54	0.58	23.65	2.34	0.24	1.46	1.46
4	SGTPS PH-1&2	97.37	40.45	-	39.74	3.78	0.67	12.73	12.73
5	SGTPS PH-3	57.96	24.08	0.58	23.65	2.25	0.24	7.16	7.16
6	SSTPP PH-1&2	133.60	8.32	60.21	56.77	5.89	0.57	1.84	1.84
7	**Total Thermal**	**426.58**	**120.04**	**61.55**	**193.01**	**18.29**	**2.23**	**31.45**	**31.45**
8	Gandhi Sagar	3.41	0.32	-	2.72	0.01	0.05	0.30	0.60
9	RP Sager	-	-	-	-	0.09	-	(0.09)	-
10	J Sager	-	-	-	-	0.07	-	(0.07)	-
11	Left Bank Canal	7.78	-	-	-	-	-	7.78	-
12	Pench	5.81	0.26	-	5.05	0.06	0.08	0.36	0.54
13	Rajghat	1.19	-	-	1.06	0.01	0.02	0.10	0.19

14	Bargi	4.71	0.15	-	4.26	0.06	0.04	0.20	0.20
15	Bansagar PH-1,2 &3	21.37	0.65	0.12	19.16	0.26	0.19	0.99	0.98
16	Bansagar PH-4	1.06	0.03	-	0.95	0.01	0.01	0.06	0.05
17	Birsinghpur	1.17	0.08	-	0.95	0.01	0.01	0.12	0.12
18	Madhikheda	3.08	0.07	-	2.84	0.09	0.03	0.05	0.06
19	**Total Hydel**	**49.58**	**1.56**	**0.12**	**36.99**	**0.67**	**0.43**	**9.80**	**2.74**
20	HQ & S&I	-	-	-	-	-		-	-
	Total	**476.14**	**121.60**	**61.67**	**230.00**	**18.96**	**2.66**	**41.25**	**34.20**

Provision under Regulations:

204. With Regard to Non Tariff income, Regulation 53 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015 provides that:

53.1 Any income being incidental to the business of the Generating Company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the de-capitalized/written off assets, income from advertisements, interest on advances to suppliers /contractor. , income from sale of ash/rejected coal, and any other miscellaneous receipts other than income from sale of energy shall constitute the non tariff income.

53.2The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Fixed Charge of the Generation Company:

Provided that the Generation Company shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission from time to time. Non tariff income shall also be Trued-up based on Audited Accounts.

Commission's Analysis:

205. On analyzing the details filed in the subject petition, it was observed that the petitioner has worked out non-tariff income of Rs. 34.20 Crore on share basis, whereas as per note 26 of Annual Audited Accounts, the other income is indicated as Rs 476.14 Crore Vide Commission's letter dated 19th February' 2018, the petitioner was asked to clarify/submit the following:

a).In table No. 4.8.4.1 of the petition, the petitioner has mentioned the power station wise break up of only limited items of other income. Therefore, the petitioner is required to furnish the power station wise break-up of each item of other income as indicated in Note 26 of Annual Audited Accounts.

b). In Para 4.8.3 of the petition, it is mentioned that the other income of Rs. 476.14 Crore also includes the following income:

(i) Net Surcharge for FY 2016-17 and FY 2015-16 in respect of delayed payment of Bills for sale of power to MPPMCL.
(ii) Income towards material found at site.
(iii) Fair value on Embedded Derivative.

The petitioner is required to explain the reasons for not considering the aforesaid items under non tariff income.

c). In Para 4.8.3 (c) of the petition, the petitioner has stated that it has recognized notional income of Rs. 45.90 Crore for 2x660MW SSTPP PH-2, Khandwa in respect of gain from FERV. The petitioner is required to explain the same with supporting documents in this regard.

206. Vide letter dated 05th March' 2018, the petitioner filed its response on the above issues as given below:

a). *As desired by Commission, the power station wise break-up of each item of other income as indicated in Note 26 of Annual Audited Accounts is annexed as* ***Annexure-30.***

b). *It is to submit that, MPPCGL has provided detailed justification/reasons with respect to aforesaid items in Chapter-4.8(Non Tariff Income) of subject petition.*

c). *MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17. The said Accounting Standard provides for recognition of notional income on account of expected gain from Foreign Exchange (Embedded Derivative). Accordingly, in compliance to INDAS, MPPGCL has recognized notional income of Rs. 45.90 Crore at 2x660MW SSTPP PH-2, Khandwa (**under construction**) in the Financial Statement of Accounts for FY 2016-17.*

*This amount of Rs. 45.90 Crore is merely a **Book adjustment and no actual cash is received by MPPGCL**, the corresponding impact of this book adjustment can be seen at Note No. 4 **Other Financial Assets – Non***

Current *item No. 4 at page 23 of Audited Statement of accounts for FY 2016-17.*
The supporting document in this regard is annexed as ***Annexure-33.***

As this income is expected gain and purely notional value in nature and *pertains to Power Station under construction whose Tariff has not yet determined by Hon'ble Commission. MPPGCL, therefore humbly requests before Hon'ble Commission not to consider this amount of Rs. 45.90 Crore as part of Non Tariff income.*

207. On detailed scrutiny of the petition and additional submission in respect of non tariff income filed by the petitioner, it is observed that the note 26.1 of Annual Audited Accounts for FY 2016-17 indicated the other income of Rs. 476.14 Crore. The aforesaid other income includes the following income on shared basis.

Sr. No.	Particular	Rs. in Crore
1	Other income as per note 26.1 of Annual Audited Accounts	471.14
2	Material at site related income	121.59
3	Derivative income & Deposit Disconnected income as per INDAS	61.67
4	Net Surcharges of FY 17	230.00
5	Net Surcharges of last year FY 16	18.96
6	Instt. Of FDs of unused R&M funds and POWER GRID	2.66
7	Net Income (1-2-3-4-5-6)	41.25
8	**Non tariff Income on share basis filed in the petition**	**34.20**

208. On perusal of the aforesaid details and Annual Audited Accounts for FY 2016-17, the Commission has observed the following:-

i. Regarding the income towards material found on site, the petitioner submitted that as per Prevailing accounting system, the material issued to divisions for O&M was booked as consumption in books of accounts. The petitioner has carried out third party verification for the material laying in the local stores at various divisions as on 31st March' 2017. The material of Rs. 121.59 Crore was found and this amount was booked under other income in Annual Audited Accounts for FY 2016-17. The petitioner further submitted that any expenditure over and above the O&M norms has to be borne by MPPGCL. Therefore, the amount of Rs. 121.39 Crore is only a Book adjustment and no actual cash is received by petitioner. The impact of this is indicated at Note No.6 (b) of the Annual Audited Accounts.

ii. With regard to income towards Surcharge of Rs. 230 Crore and Rs. 18.96 Crore levied by MPPGCL on MPPMCL during FY 2016-17 and FY 2015-16 respectively, the petitioner submitted that the GoMP vide letter dated 12.04.2017directed to waive off the surcharge levied by MPPGCL on MPPMCL during FY 2015-16 and FY 2016-17. The petitioner waived off the amount of Rs. 248.96 Crore and same has been indicated as other income in note 31.1 and note 31.9 (other expenses) in Annual Audited Accounts for FY 2016-17.

    In view of the above, there is no amount in cash received against surcharge and it is only book adjustment, therefore, this amount is not considered under non tariff income.

iii. The petitioner submitted that it has adopted Indian Accounting Standard (INDAS) from FY 2016-17, which provides for recognition of notional income on account of expected gain from Foreign Exchange (Embedded Derivative), Accordingly, the notional income of Rs. 45.90 Crore at 2x660MW SSTPP PH-2 is recognized in the Annual Audited Accounts for FY 2016-17. However, this is only a book adjustment and also the SSTPP PH 2 is not part of the subject petition. Therefore, income is not considered as non tariff income in this order.

iv. The petitioner submitted that it has entered into contract with POWERGRID (PGCIL) for O&M of Plant & Equipments at Substations at SGTPS, Birsinghpur and STPS, Sarni. The petitioner further submitted that as per the requirement of financial accounts, the amount received / receivable towards O&M charges is to be treated as Other Income in Audited Books of Accounts of MPPGCL. The petitioner has recorded receivable amount of Rs. 0.29 Crore and submitted that it’s a reimbursement towards expenditure incurred by MPPGCL for FY 2016-17. Further, the petitioner has not considered interest receivables of Rs. 2.37 Crore from unused funds from GoMP for need based and essential works at power stations amounting to Rs. 81.82 Crores in July’2016

209. The aforesaid income are captured in Annual Audited Account under the head of operating income. Proviso 53.1 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 provides that:

Any income being incidental to the business of the generating company derived from sources, including but not limited to the disposal of assets, income from investments, rents, income from sale of scrap other than the decapitalized/ written off assets, income from advertisements, interest on advances to suppliers/contractors, income from sale of fly ash/rejected coal, and any other *miscellaneous receipts other than income from sale of energy shall constitute the non tariff/other income."*

210. In view of the provisions under above mentioned Regulations, the Commission has considered the interest income of Rs. 2.37 Crore on fixed deposit of unused R&M funds and income receivable of Rs. 0.29 Crore in terms of contract towards O&M of plant and Equipments at substation at SGTPS Birsinghpur and STPS, Sarni as non-Tariff Income.

211. Accordingly, the non tariff income considered in this order is as given below:

Table 81: Non -Tariff income admitted for FY 2016-17 (Rs. in Crore)

Stations		Net Income	Claimed by the Petitioner (Share Basis)	Approved Non Tariff Income (including Instt. Of FDs of unused R&M funds* POWER GRID)
1	ATPS PH-3	4.30	4.30	4.40
2	STPS PH-2&3	3.96	3.96	4.37
3	STPS PH-4	1.46	1.46	1.70
4	SGTPS PH-1&2	12.73	12.73	13.40
5	SGTPS PH-3	7.16	7.16	7.40
6	SSTPP PH-1&2	1.84	1.84	2.41
7	**Total Thermal**	**31.45**	**31.45**	**33.68**
8	Gandhi Sagar	0.30	0.60	0.65
9	RP Sager	(0.09)	-	-
10	J Sager	(0.07)	-	-
11	Left Bank Canal	7.78	-	-
12	Pench	0.36	0.54	0.62
13	Rajghat	0.10	0.19	0.21
14	Bargi	0.20	0.20	0.24
15	Bansagar PH-1,2 &3	0.99	0.98	1.17
16	Bansagar PH-4	0.06	0.05	0.06
17	Birsinghpur	0.12	0.12	0.13
18	Madhikheda	0.05	0.06	0.09
19	**Total Hydel**	**9.80**	**2.74**	**3.17**
20	HQ & S&I	-	-	-
Total		**41.25**	**34.19**	**36.85**

j) Other Charges:

Petitioner's Submission:

212. With regard to other charges, the petitioner broadly submitted the following:

"Other Charges comprises of Rent, Rates & Taxes, MPERC Fees, Entry Tax, Water Charges, Cost of Chemical, Cost of Consumable, Publication Charges. Water Charges which are payable to Government have been paid based on rates specified by GoMP. Rent, Rates and Taxes for power stations has been taken on actual. SLDC charges have claimed in accordance with Regulation 39 allocated to Thermal Power Stations on MW capacity basis.

As per the Regulation 26.5, the expenditure towards actual Pension & Terminal benefits shall be claimed by Transmission Licensee; accordingly MPPGCL had not claimed these expenses in this True up tariff petition."

213. Considering the above elements, the following Other Charges are worked out and claimed by the petitioner for FY 2016-17:

Table 82: Other Charges Claimed **(Rs. in Crore)**

S.No.	Power Station	Rent, Rates & Taxes	Entry Tax	Water Charges	Cost of Chemicals & Consumables	MPERC Fee + Publication Exp.	Total
1	ATPS PH-3	0.01	0.28	3.17	0.42	0.10	3.97
2	STPS PH-2&3	0.17	1.07	2.84	1.77	0.25	6.10
3	STPS PH-4	1.22	0.65	3.22	0.88	0.15	6.12
4	SGTPS PH-1&2	0.02	0.93	7.19	1.85	0.25	10.25
5	SGTPS PH-3	0.01	0.55	4.28	1.10	0.15	6.10
6	SSTPP PH-1	0.16	0.27	18.31	2.10	0.72	21.57
7	Total Thermal	1.59	3.75	39.01	8.12	1.63	54.10
8	Gandhi Sagar HPS	0.01	0.00	11.62	0.41	0.04	12.08
9	Pench HPS	0.00	0.00	0.02	0.00	0.05	0.07
10	Rajghat HPS	0.00	0.00	0.00	0.79	0.01	0.80
11	Bargi HPS	0.01	0.00	10.64	0.00	0.03	10.68
12	Bansagar PH-1,2&3 HPS	0.08	0.05	16.09	0.00	0.12	16.34
13	Bansagar PH-4 HPS	0.00	0.00	0.80	0.00	0.01	0.81
14	Birsinghpur HPS	0.00	0.00	0.48	0.02	0.01	0.51
15	Madhikheda HPS	0.01	0.00	4.76	0.00	0.02	4.78
16	Total Hydro	0.12	0.05	44.40	1.22	0.28	46.07
Total		**1.71**	**3.81**	**83.41**	**9.34**	**1.90**	**100.17**

Commission's analysis:

214. With regard to the other charges, In Para 173 of the MYT order dated 14th July' 2016, the following is mentioned by the Commission:

"The petitioner is allowed to recover the rate, rent and taxes payable to the Government, cost of chemicals and consumables, fees to be paid to MPERC as per Regulations 35.7 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015 subject to true-up based on audited accounts. The petitioner is allowed to recover water charges on usage of water, levied by the GoMP from the beneficiaries on pro-rata basis as per provisions under Regulations subject to true-up based on audited accounts."

215. In the MYT order dated 14th July' 2016, the petitioner was allowed to recover the rate, rent and taxes payable to the Government, cost of chemicals and consumables based on Audited Accounts. Therefore, the petitioner is allowed to recover the aforesaid expenses in light of the Regulations 35.7 of the Regulations, 2015 in this Order.

216. The petitioner claimed the water charges, publication expenses and fee paid to MPERC for determination of Tariff for thermal and hydel power stations. Therefore, the petitioner is allowed to recover water charges in this order on actual basis as allowed in Commission tariff order dated 14th July' 2016 under Regulation 52 (5) of Regulations, 2015.

217. The petitioner is also allowed to recover fee paid to MPERC for determination of Tariff and Publication expenses in light of the Regulation 52 (5) of the Regulations, on actual basis based on Annual Audited Accounts.

Summary of Annual Capacity (fixed) charges:

218. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2016-17 determined in the MYT order dated 14th July, 2016 vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized as given below:

Table 83: Head Wise Annual Capacity Charges at Normative Availability (Rs. in Crore)

Sr. No.	Head	Cost Allowed in MYT Order dated 14th July (A)	Cost Determined in this order (B)	Difference Amount (B-A)
1	Return on Equity	630.48	652.62	22.14
2	Interest on Loan including interest on Excess Equity	964.78	1049.05	84.27
3	Depreciation	748.39	797.35	48.96
4	O&M Expenses	970.56	970.56	(0.00)
5	Secondary Fuel Oil Expenses		6.30	6.30
6	Compensation Allowance/Special Allowance	83.45	77.15	(6.30)
7	Interest on Working Capital	366.59	367.59	1.00

8	**Total AFC**	**3764.24**	**3920.61**	**156.36**
9	Less: Non Tariff Income	0.00	36.85	36.85
10	**Net AFC**	**3764.24**	**3883.76**	**119.51**

Table 84: Power Station wise Annual Capacity Charges at normative availability (Rs. in Crore)

Sr. No.	Power Station	Cost Allowed in MYT Order dated 14th July (A)	Cost Determined in this order (B)	Difference Amount (B-A)
1	ATPS PH 3	217.33	214.92	(2.41)
2	STPS (Sarni) PH 2 & 3	370.02	364.82	(5.20)
3	STPS (Sarni) PH 4	717.85	696.81	(21.04)
4	SGTPS (Birsinghpur) PH 1 & 2	420.90	407.10	(13.80)
5	SGTPS (Birsinghpur) PH 3	417.31	414.70	(2.61)
6	SSTPP PH-1	1356.74	1523.86	167.12
	Thermal Total	**3500.15**	**3622.20**	**122.05**
7	Gandhi Sagar	12.16	11.51	(0.65)
8	Pench HPS	23.00	22.15	(0.85)
9	Rajghat HPS	12.21	11.97	(0.24)
10	Bargi HPS	15.09	14.79	(0.30)
11	Bansagar 1,2&3	148.68	148.16	(0.52)
12	Bansagar Jhinna (HPS)	15.88	15.87	(0.01)
13	Birsinghpur HPS	5.45	5.70	0.25
14	Madhikheda HPS	31.63	31.40	(0.23)
	Hydro TOTAL	**264.10**	**261.56**	**(2.54)**
	Grand Total	**3764.24**	**3883.76**	**119.51**

219. The above charges determined in this order are exclusive of the prior period cost adjustment due to write-off/adjustment of assets in some power stations as worked out below:

Table 85: Prior Period Cost Adjustment (Rs. in Crore)

Sr.No.	Power Stations	Return on Equity	Depreciation	Interest on Loan
1	ATPS PH 3	0.07	0.09	0.20
2	STPS PH 4	3.49	5.79	11.83
3	SSTPP PH-1	1.48	2.52	5.22
Total		**5.04**	**8.40**	**17.24**

Normative Annual Plant Availability Factor:

220. The Annual Capacity (fixed) Charges as allowed in this order are on normative annual 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 36 and 37 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2015, for thermal and

hydel power stations respectively. A comparison of normative vis-à-vis actual Plant Availability Factor (as certified by SLDC) for FY 2016-17 in respect of thermal and hydel power stations is as given below:

Table 86: Normative Vs Actual NAPAF (%) for FY 2016-17

Name of Power Station	As per MPERC Regulations, 2015	MPPGCL Actuals	Difference
Thermal Power Stations			
ATPS PH-3, Chachai	85.00%	86.39%	1.39%
STPS PH-2&3, Sarni	75.00%	86.16%	11.16%
STPS PH-4, Sarni	85.00%	84.81%	-0.19%
SGTPS PH-1&,2 Birsinghpur	80.00%	75.58%	-4.42%
SGTPS PH-3 Birsinghpur	85.00%	93.69%	8.69%
SSTPP PH-1, Singaji	85.00%	88.18%	3.18%
Hydro Power Stations			
Gandhi Sagar	85.00%	92.91%	7.91%
Pench	85.00%	86.80%	1.80%
Rajghat	85.00%	21.46%	-63.54%
Bargi	85.00%	90.66%	5.66%
Bansagar PH-1,2&3	85.37%	89.68%	4.31%
Bansagar PH-4	85.00%	89.52%	4.52%
Birsinghpur	85.00%	98.36%	13.36%
Madhikheda	85.00%	91.65%	6.65%

Recovery of Annual Capacity (Fixed) Charges

221. The recovery of Annual capacity (fixed) charges payable to existing thermal generating stations for the FY 2016-17 are calculated in accordance with the Regulation 36 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2015 which provides that:

36.1 The fixed cost of a thermal generating station shall be computed on annual basis, based on norms specified under these Regulations, and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by the beneficiaries as per their respective percentage share / allocation in the capacity of the generating station.

36.2 The capacity charge's payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

CC1= (AFC/12)(PAF1 / NAPAF) subject to ceiling of (AFC/12)

CC2 = ((AFC/6)(PAF2 / NAPAF) subject to ceiling of (AFC/6)) – CC1

CC3 = ((AFC/4) (PAF3 / NAPAF) subject to ceiling of (AFC/4)) – (CC1+CC2)

CC4 = ((AFC/3) (PAF4 / NAPAF) subject to ceiling of (AFC/3))–(CC1+CC2+CC3)

CC5 = ((AFC x 5/12) (PAF5 / NAPAF) subject to ceiling of (AFC x 5/12)) – (CC1+CC2 +CC3 +CC4)

CC6 = ((AFC/2) (PAF6 / NAPAF) subject to ceiling of (AFC/2)) – (CC1+CC2 +CC3+CC4 + CC5)

CC7= ((AFC x 7/12) (PAF7 / NAPAF) subject to ceiling of (AFC x 7/12)) – (CC1+CC2 +CC3 +CC4 + CC5 + CC6)

CC8 = ((AFC x 2/3) (PAF8 / NAPAF) subject to ceiling of (AFC x 2/3)) – (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7)

CC9 = ((AFC x 3/4) (PAF9 / NAPAF) subject to ceiling of (AFC x 3/4)) – (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7+ CC8)

CC10= ((AFC x 5/6) (PAF10 / NAPAF) subject to ceiling of (AFC x 5/6)) – (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7 + CC8 + CC9)

CC11 = ((AFC x 11/12) (PAF11 / NAPAF) subject to ceiling of (AFC x 11/12)) – (CC1+CC2+CC3 +CC4 + CC5 + CC6 + CC7 + CC8 + CC9 + CC10)

CC12 = ((AFC) (PAFY / NAPAF) subject to ceiling of (AFC)) – (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7 + CC8 + CC9 + CC10 + CC11)

222. The annual capacity (fixed) charges of a hydro generating station are computed, based on norms specified under Regulations, 2015 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 37 of the Regulations, 2015.

223. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal and hydel generating stations for the FY 2016-17 as per Regulation are as given below:

Power Station wise Annual Capacity Charges (including prior period adjustments) approved for FY 2016-17:

(Recovery at Normative vis-à-vis actual Availability):

Table 87:

ATPS PH-3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	38.25	40.01	40.01	1.76
2	Interest on Loan	60.66	59.54	59.54	(1.12)
3	Depreciation	50.16	51.30	51.30	1.14

4	O&M Expenses	50.82	50.82	50.82	-
5	Interest on Working Capital	17.43	17.28	17.28	(0.15)
	Total AFC	**217.33**	**218.96**	**218.96**	**1.64**
6	Less: Non Tariff Income	0	4.40	4.40	4.40
	Net AFC	**217.33**	**214.56**	**214.56**	**(2.76)**

Table 88:

STPS PH-2 & 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	28.61	28.52	28.52	(0.09)
2	O&M Expenses	200.86	200.86	200.86	-
3	Special Allowance	77.15	77.15	77.15	-
4	Interest on Working Capital	63.40	62.66	62.66	(0.74)
	Total AFC	**370.02**	**369.19**	**369.19**	**(0.83)**
5	Less: Non Tariff Income	-	4.37	4.37	4.37
	Net AFC	**370.02**	**364.82**	**364.82**	**(5.20)**

Table 89:

STPS PH-4 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	94.79	93.25	93.04	(1.75)
2	Interest on Loan	275.72	245.40	244.85	(30.87)
3	Depreciation	162.33	154.28	153.93	(8.40)
4	O&M Expenses	135.00	135.00	134.70	(0.30)
5	Interest on Working Capital	50.02	49.47	49.36	(0.66)
	Total AFC	**717.85**	**677.40**	**675.89**	**(41.97)**
6	Less: Non Tariff Income	-	1.70	1.70	1.70
	Net AFC	**717.85**	**675.70**	**674.19**	**(43.67)**

Table 90:

SGTPS PH-1 & 2 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	100.66	101.09	95.50	(5.16)
2	Interest on Loan	-	0.08	0.08	0.08
3	Depreciation	44.18	43.91	41.49	(2.69)
4	O&M Expenses	203.28	203.28	192.05	(11.23)
5	Compensation Allowance	6.30	6.30	5.95	(0.35)
6	Interest on Working Capital	66.47	65.83	62.19	(4.28)
	Total AFC	**420.90**	**420.50**	**397.26**	**(23.63)**
7	Less: Non Tariff Income	-	13.40	13.40	13.40
	Net AFC	**420.90**	**407.10**	**383.86**	**(37.03)**

Table 91

SGTPS PH- 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	89.10	89.18	89.18	0.08
2	Interest on Loan	84.65	82.14	82.14	(2.51)
3	Depreciation	104.37	104.04	104.04	(0.33)
4	O&M Expenses	97.15	97.15	97.15	-
5	Interest on Working Capital	42.03	41.62	41.62	(0.41)
	Total AFC	**417.31**	**414.13**	**414.13**	**(3.17)**
6	Less: Non Tariff Income	-	7.40	7.40	7.40
Net AFC		**417.31**	**406.73**	**406.73**	**(10.57)**

Table 92

SSTPP PH-1 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	196.70	212.78	212.78	16.08
2	Interest on Loan	535.27	636.30	636.30	101.03
3	Depreciation	310.57	358.25	358.25	47.68
4	O&M Expenses	195.24	195.24	195.24	-
5	Interest on Working Capital	118.97	122.44	122.44	3.47
	Total AFC	**1356.74**	**1525.01**	**1525.01**	**168.26**
6	Less: Non Tariff Income	0.00	2.41	2.41	2.41
Net AFC		**1356.74**	**1522.60**	**1522.60**	**165.85**

Table 93:

GANDHI SAGAR HPS **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	0.49	0.49	0.51	0.02
2	O&M Expenses	11.09	11.09	11.60	0.51
3	Interest on Working Capital	0.59	0.59	0.62	0.03
	Total AFC	**12.16**	**12.16**	**12.73**	**0.56**
4	Less: Non Tariff Income	0.00	0.65	0.65	0.65
Net AFC		**12.16**	**11.51**	**12.08**	**(0.09)**

Table 94:

PENCH HPS **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	4.67	4.76	4.81	0.14
2	Depreciation	1.96	1.65	1.66	(0.30)
3	O&M Expenses	15.42	15.42	15.59	0.17

4	Interest on Working Capital	0.95	0.95	0.96	0.01
	Total AFC	**23.00**	**22.77**	**23.01**	**0.01**
5	Less: Non Tariff Income	0.00	0.62	0.62	0.62
Net AFC		**23.00**	**22.15**	**22.39**	**(0.61)**

Table 95:

RAJGHAT HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	3.85	3.85	2.41	(1.44)
2	Depreciation	3.63	3.60	2.26	(1.37)
3	O&M Expenses	4.34	4.34	2.72	(1.62)
4	Interest on Working Capital	0.39	0.39	0.24	(0.15)
	Total AFC	**12.21**	**12.18**	**7.63**	**(4.58)**
5	Less: Non Tariff Income	0.00	0.21	0.21	0.21
Net AFC		**12.21**	**11.97**	**7.42**	**(4.79)**

Table 96:

BARGI HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	4.05	4.07	4.20	0.15
2	Depreciation	1.78	1.70	1.76	(0.02)
3	O&M Expenses	8.68	8.68	8.96	0.28
4	Interest on Working Capital	0.58	0.58	0.60	0.02
	Total AFC	**15.09**	**15.03**	**15.53**	**0.44**
5	Less: Non Tariff Income	-	0.24	0.24	0.24
Net AFC		**15.09**	**14.79**	**15.29**	**0.20**

Table 97:

BANSAGAR PH-1, 2 & 3 **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	54.28	54.55	55.93	1.65
2	Depreciation	51.01	51.38	52.68	1.67
3	O&M Expenses	39.04	39.04	40.03	0.99
4	Interest on Working Capital	4.34	4.35	4.46	0.12
	Total AFC	**148.68**	**149.33**	**153.10**	**4.43**
5	Less: Non Tariff Income	-	1.17	1.17	1.17
Net AFC		**148.68**	**148.16**	**151.93**	**3.26**

Table 98:

BANSAGAR PH-IV **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order	Determined in this order	True-Up at actual

		dated 14th July, 2016 (A)	At Normative PAF (B)	At Actual PAF (C)	PAF (C-A)
1	ROE	5.43	5.43	5.58	0.15
2	Interest on Loan	2.00	2.01	2.06	0.06
3	Depreciation	6.12	6.17	6.33	0.21
4	O&M Expenses	1.93	1.93	1.98	0.05
5	Interest on Working Capital	0.40	0.40	0.41	0.01
	Total AFC	**15.88**	**15.93**	**16.36**	**0.48**
6	Less: Non Tariff Income	-	0.06	0.06	0.06
Net AFC		**15.88**	**15.87**	**16.30**	**0.42**

Table 99:

BIRSINGHPUR HYDEL **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	2.43	2.43	2.62	0.19
2	Depreciation	0.92	1.30	1.40	0.48
3	O&M Expenses	1.93	1.93	2.08	0.15
4	Interest on Working Capital	0.17	0.18	0.20	0.03
	Total AFC	**5.45**	**5.83**	**6.29**	**0.84**
5	Less: Non Tariff Income	-	0.13	0.13	0.13
Net AFC		**5.45**	**5.70**	**6.16**	**0.71**

Table 100:

MADHIKHEDA **(Rs. in Crore)**

Sr. No.	Particulars	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ROE	7.17	7.17	7.45	0.28
2	Interest on Loan	6.48	6.33	6.58	0.10
3	Depreciation	11.36	11.36	11.80	0.44
4	O&M Expenses	5.78	5.78	6.01	0.23
5	Interest on Working Capital	0.85	0.84	0.88	0.03
	Total AFC	**31.63**	**31.49**	**32.72**	**1.08**
6	Less: Non Tariff Income	-	0.09	0.09	0.09
Net AFC		**31.63**	**31.40**	**32.63**	**0.99**

Table 101: Head wise Total Annual Capacity Charges allowed in this Order (Rs. in Crore)

Sr. No.	Head Wise	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	Return on Equity	630.49	647.57	642.54	12.05
2	Interest on Loan	964.77	1031.81	1031.56	66.79
3	Depreciation	748.39	788.94	786.91	38.52
4	O&M Expenses	970.56	970.56	959.79	(10.77)
5	Compensation Allowance	6.30	6.30	5.95	(0.35)
6	Special Allowance	77.15	77.15	77.15	-
7	Interest on Working Capital	**366.59**	367.59	363.92	(2.67)
8	**Total AFC**	**3764.24**	**3889.92**	**3867.82**	**103.57**
9	Less: Non Tariff Income	**0.00**	36.85	36.85	36.85
10	**Net AFC**	**3764.24**	**3853.07**	**3830.97**	**66.72**

Table 102: Power Station wise Annual Capacity Charges allowed in this Order:

(Rs. in Crore)

Sr. No.	POWER STATIONS	Allowed in MYT Order dated 14th July, 2016 (A)	Determined in this order		True-Up at actual PAF (C-A)
			At Normative PAF (B)	At Actual PAF (C)	
1	ATPS PH 3	217.33	214.56	214.56	(2.77)
2	STPS (Sarni) PH 2&3	370.02	364.82	364.82	(5.20)
3	STPS (Sarni) PH 4	717.85	675.70	674.19	(43.66)
4	SGTPS (Birsinghpur) PH 1&2	420.90	407.10	383.86	(37.04)
5	SGTPS (Birsinghpur) PH 3	417.31	406.73	406.73	(10.58)
6	SSTPP PH 1	1356.74	1522.60	1522.60	165.86
	Thermal Total	**3500.15**	**3591.52**	**3566.77**	**66.62**
7	Gandhi Sagar	12.16	11.51	12.08	(0.08)
8	Pench	23.00	22.15	22.39	(0.61)
9	Rajghat HPS	12.21	11.97	7.42	(4.79)
10	Bargi HPS	15.09	14.79	15.29	0.20
11	Bansagar 1,2&3(HPS)	148.68	148.16	151.93	3.25
12	Bansagar Jhinna (HPS)	15.88	15.87	16.30	0.42
13	Birsinghpur HPS	5.45	5.70	6.16	0.71
14	Madhikheda HPS	31.63	31.40	32.63	1.00
	Hydro TOTAL	**264.10**	**261.56**	**264.20**	**0.10**
	Grand Total	**3764.24**	**3853.07**	**3830.97**	**66.72**

224. This order is for the true-up of the Multi-year tariff order passed by the Commission on 14th July, 2016 to the extent it was applicable for FY 2016-17. 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, 2015 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, 2016 to 31st March, 2017. 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 8.15 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015, in the ratio of energy supplied to them in FY 2016-17 in six equal monthly installments.

With the above directions, this petition is disposed of.

(Mukul Dhariwal) **Member**	**(Anil Kumar Jha)** **Member**	**(Dr. Dev Raj Birdi)** **Chairman**

Date : 24th July'2018

Place: Bhopal

Annexure-1

Response filed by the petitioner on the issues raised by the Commission:

1. Issue

A. Operational Performance:

On going through the actual performance on the operational parameters of MPPGCL's thermal power stations during FY 2016-17, it is observed that the actual Auxiliary Energy Consumption (%) and Station Heat Rates (in kCal/kWh) are higher than the norms specified under MPERC (Terms and Conditions for determination of Tariff) Regulations 2015, as mentioned below:

Normative V/s Actual Auxiliary Consumption (%) for FY 2016-17

Name of TPS	(Normative) As per MPERC Regulation, 2015	Actually achieved by MPPGCL	Difference
ATPS Chachai PH-3	9.00%	9.65%	0.65%
STPS Sarni PH-2 & 3	10.00%	11.23%	1.23%
STPS Sarni PH-4	8.50%	10.23%	1.73%
SGTPS PH-1 & 2	9.00%	10.53%	1.53%
SSTPP Khandwa PH-1	5.25%	7.4%	2.2%

Normative V/s Actual Station Heat Rates for FY 2016-17 in kCal/kWh

Name of TPS	(Normative) As per MPERC Regulation, 2015	Actually achieved by MPPGCL	Difference
STPS Sarni PH-2 & 3	2700	2945	245
STPS Sarni PH-4	2400	2515	115
SGTPS PH-1 & 2	2600	2922	322
SGTPS Birsinghpur PH-3	2425	2514	89
SSTPP Khandwa PH-1	2384	2485	101

In view of above, the petitioner is required to explain the reasons for lower operational performance of the aforesaid generating units along with action if any, being taken for improvement of the performance of these units.

MPPGCL's Response*:-*

As desired by Hon'ble Commission, the Power House wise reasons for higher Auxiliary consumption are detailed hereunder:-

ATPS PH-3 Chachai:-

In this regard, MPPGCL wish to submit that in past this issue was raised before Hon'ble Commission in True Up Tariff petition for FY 2015-16 and on following grounds it was requested to permit Auxiliary Consumption @ ***9.67%****:-*

- *<u>GUARANTEED AUXILARY CONSUMPTION</u> as certified by M/s. BHEL at full load condition (210000 KW) is 19300 KW i.e.* ***9.19%*** *which excludes the auxiliary consumption of Coal Handling plant, Water pumping station, CW intake plant, Oil pumping unit, dewatering facilities and plant coal siding, which has been found to be approximately* ***0.48%*** *depending on Monsoon, Weather conditions, coal supplies, etc. and varies over the month each year. Thus, total auxiliary consumption of the plant has been found to be* ***9.67%.***
- *<u>PLANT WATER REQUIREMENT:-</u> The requirement of water for this Power House is met from very old* ***Suthna Lake****. As there is very little inflow of rain water in the lake, it is to be filled by pumping water from* ***Sone River*** *by using 2 to 3 Dam filling pumps, which further increase the auxiliary consumption. These pumps run round the clock for about eight months in a year depending on actual rainfall.*
- *<u>Due to high Switch Yard losses:</u> - Total 11 Feeders are charged at ATPS, Chachai including feeders and yard voltage is running higher due to partially loaded feeders. The two nos. of Traction feeders of Anuppur are also charged from ATPS end.*

MPPGCL humbly request Hon'ble Commission to kindly consider the above facts and permit Aux. consumption @9.67% at ATPS PH-3.

STPS PH-2&3 Sarni:-

- *The Units of STPS PH-2&3 were of proposed for retirement, as such all major remedial activities have already deferred.*
- *The Reserve Shut Down (RSD) & Backing down on PH 2 & 3 by MPPMCL to the tune of approx. 62% & 88% respectively has contributed mainly towards higher Auxiliary Consumption, as essential auxiliaries had to run during Reserve Shut Down.*

STPS PH-4 Sarni:-

- *The Reserve shut down (RSD) & Backing down by MPPMCL for units is to the tune of about 31%.*

- *Partial loading of units was also due to problem in ash handling of plant.*

SGTPS PH-1 &2 Birsinghpur:-

- *The Reserve shut down (RSD) & Backing down on PH 1 & 2 by MPPMCL are nearly to the tune of 36 % & 39 %. Frequent starting and stopping of units have mainly contributed to higher Auxiliary Consumption.*
- *During forced outage of units, essential auxiliaries had to run which is also one of the causes for higher Auxiliary Consumption.*
- *The Old BFP cartridges have also contributed to some extent for higher Auxiliary Consumption.*

SSTPS PH-I Khandwa:-

- *The Reserve shut down (RSD) & Backing down by MPPMCL are to the tune of 67 % which is main reason of higher Auxiliary Consumption. The Power House wise reasons for higher Station Heat Rate are detailed hereunder:-*

STPS PH-2&3 Sarni:-

- *The Units of STPS PH-2&3 have already been proposed for retirement, as such all major activities of capital nature were deferred.*
- *The Reserve Shut Down (RSD) & Backing down of units and frequent starting and stopping of units has mainly contributed to higher Station Heat Rate.*
- *The High pressure passing of Drain Valves, weak insulation, air ingress in Boiler etc. have also caused higher Station Heat rate.*

STPS PH-4 Sarni:-

- *The Reserve shut down (RSD) & Backing down of units has mainly contributed to higher Station Heat Rate.*
- *Partial loading due to problem in ash handling system to some extent is also the reason for higher Station Heat Rate.*
- *Frequent starting and stopping of units is also causing higher Heat rate.*

SGTPS PH-1 &2 Birsinghpur:-

- *The Reserve shut down (RSD) & Backing down on units has mainly contributed to higher Station Heat Rate*
- *The Tube leakages of Air Heater & the Tube leakages of Boiler have also contributed to higher Heat rate.*

SGTPS PH-3 Birsinghpur:-

- *Backing down on unit has mainly contributed to higher Station Heat Rate*
- *The Tube Leakages of Boilers of units were contributed to higher Heat rate.*

SSTPS PH-I Khandwa:-

- *The frequent starting & stopping of units due The Reserve shut down (RSD) is main reason for higher Heat Rate*
- *Due to the Partial loading during backing down and increasing of load under flexible operating condition, efficiency of plant is affected badly, resulting in higher heat rate*

Action/Measures taken For Improvement in performance

- *Thorough overhauling during planned maintenance is envisaged for Unit No. 1, 2, 3 & 5 of SGTPS Birsinghpur.*
- *Need based essential works of SGTPS PH-1 & 2 are proposed to be taken up.*
- *Efforts are being made to reduce the Cost of coal at SSTPP to enable operation of units under MoD.*
- *Modification in Fly Ash disposal system of STPS Unit No. 10 & 11 Sarni has been carried out to avoid recurring problems of ash disposal.*
- *MPPGCL has adapted best O&M practices to bring about overall improvement in the performance of its Power Stations*

2. Issue

It is further observed that even though the power station-wise norms for Annual Plant Load Factor (PLF) are specified in MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015, the petitioner has not filed the power station-wise actual Annual Plant Load Factor achieved during FY 2016-17.

Therefore, the petitioner is required to file the power station-wise actual Annual PLF achieved during FY 2016-17. The reasons for poor PLF if any, be also filed by the petitioner.

MPPGCL's Response:-

As desired by Hon'ble Commission, the Power Station wise actual Plant Load Factor (PLF) achieved during FY 2016-17 is tabulated hereunder:-

POWER STATION	PLF in (%)
ATPS PH-3	80.51
STPS PH-2	25.98
STPS PH-3	9.45
STPS PH-4	53.97
STPS Complex	31.28
SGTPS PH-1	42.83
SGTPS PH-2	43.92
SGTPS PH-3	84.00
SGTPS Complex	58.53
SSTPP PH-1	23.54
TOTAL THERMAL	40.49

Further, the power Station wise reasons for shortfall in Plant Load Factor (PLF) are detailed hereunder:-

ATPS Chachai:-

- *Due to low system demand, 210 MW unit No 5 ATPS Chachai was kept under reserved shut down, during July, Aug & Sept.16, which is resulting in loss of Generation/PLF.*

STPS Sarni:-

- *Due to low system demand, units of STPS same were kept under reserved shut down, which has caused loss of Generation /PLF during FY 17.*
- *Due to low system demand, units of STPS Sarni were also run on partial load, which has caused loss of Generation /PLF.*

SGTPS Birsinghpur:-

- *Due to low system demand, units of PH I & PH-II at SGTPS Birsinghpur were kept under reserved shut down, which has caused loss of Generation*
- *Units of SGTPS Birsinghpur were also run on partial load due to low system demand, which has caused loss of Generation/PLF*

SSTPP Khandwa:-

- *Unit No 1&2 of SSTPP Khandwa were kept under reserved shut down, due to low system demand, causing loss of Generation/PLF during FY 2016-17.*

During the year, unit No 1&2 of SSTPS Khandwa were run on partial load also, due to low system demand, causing loss of Generation/PLF.

3. Issue

On perusal of the Normative vs actual Annual Plant Availability Factor of Hydro Power Stations indicated in Table 2.2.1.2 of the petition, it is observed that seven out of eight hydro power stations have achieved PAF above normative PAF specified under Regulations, 2015 and the petitioner has earned incentive for aforesaid power station on the PAF over and above the normative PAF.

In view of the above, the petitioner is required to explain the reasons for seeking relaxation in PAF of Hydro power station in para 2.3 of the petition.

MPPGCL's Response:-

The details regarding Recovery of full Capacity Charges for Hydro Station on Capacity Index Basis have already been elaborated in length in para 2.2 & 2.3 of Chapter-2 of the subject petition.

The Hon'ble Commission in its order dated 06.05.2016 has stated in para 5 (vi) that the matter is sub-judiced in the Hon'ble Supreme Court of India under C.A. No. 6320 of 2011 admitted by Apex Court, therefore the same cannot be dealt or discussed in this order for petition No. 4 of 2016.

In accordance with the methodology adapted by Hon'ble CERC, MPPGCL has already represented the issue of recovery of Capacity (Fixed) Charges of Hydro Power Stations of MPPGCL in various petitions and forums and the same has well elaborated in para 2.3 of subject petition.

Looking to the facts & constrains of hydro power stations of MPPGCL and proviso 40.3 of MPERC Regulations, 2015, MPPGCL humbly request Hon'ble Commission to kindly take cognizance of critical challenges related to Hydro Power Stations of MPPGCL and either opt the CERC methodology for determination of norms for NAPAF or allow MPPGCL to recover of full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis

4. Issue

The petitioner has filed the power station wise details of Actual Plant Availability Factor achieved during FY 2016-17. A copy of the statement duly certified by SLDC indicating power station-wise actual Annual Plant Availability Factor for FY 2016-17 be furnished by the petitioner. The petitioner is also required to file the copy of final bills raised by MPPGCL to MPPMCL for FY 2016-17.

MPPGCL's Response:-

As desired by Hon'ble Commission the Month wise copies of SLDC statements indicating the actual Annual Plant Availability Factor for FY 2016-17 along with copy of final bills raised by MPPGCL to MPPMCL for FY 2016-17 were already submitted by MPPGCL vide Annexure-1 & 2 of letter No. 327 dated 05.03.2018.

5. Issue

Regulation 8.7 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2015 provides that the generating company shall carry out the truing up of tariff of generating station based on the performance of following controllable parameters:

a. Station Heat Rate;

b. Secondary fuel oil consumption;

c. Auxiliary Energy consumption

In view of the above, the petitioner is required to file the monthly details of aforesaid performance parameters actually achieved vis-a-vis normative parameters under the MPERC Tariff Regulations, 2015. The petitioner is also required to file the details of financial gain if any, on account of controllable parameters and shared with the beneficiaries in light of the Regulation 8.9 of the Regulations, 2015.

MPPGCL's Response:-

As desired by Hon'ble Commission, the Month-wise details of Operational performance parameters actually achieved vis-a-vis normative parameters under the MPERC Tariff Regulations, 2015 namely Station Heat Rate, Secondary Oil Consumption & Auxiliary Energy Consumption is annexed as Annexure-1A, 1B & 1C.

Further, it is to submit that MPPGCL in all has not achieved any financial gains on account of controllable parameters. Hence there is no sharing of gains with beneficiaries. The Power House wise detailed working in this regard is annexed as Annexure-2A, 2B, 2C, 2D, 2E, 2F & 2G respectively.

6. Issue

B. Annual Audited Accounts

The Annual Audited Accounts for FY 2016-17 filed by the petitioner is for generating company as a whole whereas; MPPGCL has filed the power station/house-wise tariff in the subject petition. Therefore, the petitioner is required to file the power station/house-wise break-up of all the schedule of the Annual Audited Accounts duly certified by Statutory Auditor.

MPPGCL's Response:-

As desired by Hon'ble Commission, the Power Station wise and Element wise breakup of Schedules/Notes of Profit & Loss Account of MPPGCL for FY 2016-17 is annexed as Annexure-3.

7. Issue

At page 65 of the petition, the petitioner has indicated the Indian Accounting Standard (INDAS) adjustment of opening GFA, additions during the year, deduction/ adjustment and closing GFA. The petitioner is required to mention the reasons for such adjustments. The petitioner is also required to provide impact of INDAS on current Annual Audited Accounts in terms of changes and impact on the true-up claimed in the subject petition.

MPPGCL's Response:-

As desired by Hon'ble Commission, reasons for adjustments in GFA with respect to Indian Accounting Standard (INDAS) is as under:-

- *The reconciliation of Gross Block tabulated at Page 65 of subject petition with the figures of Gross Block as reflected in Audited Financial Statement of Account are as under:-*

<table>
<tr><th>Particulars</th><th>As at 01.04.16</th><th>Additions</th><th>Deductions / Adjustments</th><th>As at 31.03.17</th></tr>
<tr><td>Total as per Books</td><td>19311.88</td><td>254.25</td><td>-103.62</td><td>19462.51</td></tr>
<tr><td rowspan="2">INDAS Adjustments</td><td>20.60</td><td>-4.39</td><td>-60.17</td><td rowspan="2">0.00</td></tr>
<tr><td>43.90</td><td></td><td>0.06</td></tr>
<tr><td>Total as reflected in Note-2 in Audited Accounts for FY 2016-17</td><td>19376.38</td><td>249.86</td><td>-163.73</td><td>19462.51</td></tr>
</table>

- *The adjustment of Rs. 60.17 Crores is on account of expenditure towards Gond Bahera Coal Block allocated to MPPGCL. Based on the initial assessment, the coal block was appearing viable therefore MPPGCL got* *feasibility done for said Coal Block. In this regard, a geographical Survey Report was prepared by CMPDI Dhanbad.*

After conducting the detailed study, the coal block was found to be unviable. In the process, MPPGCL has incurred as expenditure of Rs.60.17 Crores towards the study and other expenses.

Accordingly, MPPGCL has surrendered the Coal Block and the same is accepted by Govt. of India.

As per INDAS requirement, the expenditure of Rs. 60.17 Crores is primarily recognized as asset and thereafter impaired from the Audited Books of Accounts of MPPGCL for FY 2016-17.

In reference to impact of INDAS on the true-up claimed in the subject petition, it is to mention that due to applicability of INDAS, various asset additions/adjustments were made in the Audited Books of Accounts for FY 2016-17 at different power Stations and claimed in the subject petition. The same are elaborated at MPPGCL's reply on Point No. (x) in response of Commission's Observation.

8. Issue

The petitioner is required to file the power station wise Assets-cum-Depreciation registers for FY 2016-17. The petitioner is also required to reconcile the figures regarding Opening GFA, addition of assets, write-off/adjustment of assets and Closing GFA recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2016-17. Any difference in the figures between the two records is required to be explained.

MPPGCL's Response:-

As desired by Hon'ble Commission, the Power Station wise Assets-cum-Depreciation registers for FY 2016-17 was submitted vide Annexure 3A & 3B of this office letter No. 327 dated 05.03.2018.

Further, as desired, the Power Station wise comparative statements elaborating the difference between the figures as per Audited Books of Accounts of FY 2015-16 & detailed in Asset-Cum-Depreciation Registers vis-à-vis as claimed by MPPGCL in subject petition with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as Annexure-4A, 4B, 4C, 4D, 4E, 4F, 4G & 4H respectively.

9. Issue

In table 4.4.1.1 of the petition, the petitioner has filed the power station wise break-up of Gross Fixed Assets including additions and deductions as per the Annual Audited Accounts. In the aforesaid table, it is observed that the assets addition and deduction in respect of STPS Sarni is not tallied with the figures of additional addition and deduction claimed in the petition. Similarly in Rajghat HPS (in the aforesaid table), the petitioner has indicated deduction of Rs. 0.15 Crore whereas, the petitioner has not claimed any deduction in respect of Rajghat HPS in the petition.

In view of above, the petitioner is required to explain the reasons for difference in the figures claimed in the subject petition vis-à-vis recorded in aforesaid table in light of its Annual Audited Accounts.

MPPGCL's Response:-

Kindly refer Annexure-4D & Annexure-4E , wherein the difference between the figures as per Audited Books of Accounts of FY 2015-16 vis-à-vis as claimed by MPPGCL in subject petition with respect to Power House wise Assets Addition & Asset Deduction(Write off/Adjustment etc) along with detailed reasons/explanations have provided by MPPGCL.

10. Issue

C. <u>Additional Capitalization in existing power stations:</u>

Regarding additional capitalization in existing power stations claimed during FY 2016-17, the petitioner is required to submit the details of additional capitalization in terms of Regulation 2015 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. The petitioner is also required to file a power station wise comprehensive reply to the following issues with all relevant supporting documents:

- Whether the addition of assets in existing power stations is on account of the reasons (a) to (i) in clause 20.3 of the Regulations, 2015.
- Whether the petitioner has taken due care in writing-off the assets from the original cost in case of any expenditure on replacement of old asset.
- Whether the effect of writing off the value of the original asset from the original cost on replacement of the old asset has been considered in the asset registers.

- The details of asset addition for each work along with approved/sanctioned estimated completion cost & actual cost.
- Reference of any approval if accorded, for the above works by the competent authority, be also submitted.
- Approved funding pattern and actual funding of aforesaid additional capitalization along with supporting documents, be filed.
- The Petitioner is required to file the power station wise information in the following format in respect of assets addition during the year.

Sr. No	Name of Assets	Asset Additions (Rs. Cr.)	Detailed reasons of Asset Additions	Provision of Regulations under which Add. Cap. filed	Reference of supporting doc. enclosed with this reply

MPPGCL's Response:-

The Power Station wise reply of MPPGCL towards additional Capitalization claimed in instant petition is as under:-

ATPS 210MW Extn. Unit No. 5, Chachai:

The assets amounting to Rs. 7.82 Crores have been capitalized at 210MW ATPS Chachai during FY 2016-17 and captured in the Audited Books of Accounts. The same has been claimed accordingly in the subject True Up petition. The aforesaid additional capitalization of Rs.7.82 Crores comprises of the following:-

	Particulars	*Amount (Rs. Crores)*
1	*Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of ATPS PH-3(210MW).*	*0.85*
2	*Pollution Monitoring Equipments*	*1.65*
3	*Communication Metering Equipments*	*0.10*
4	*Capital Expenditure towards capital overhauling of Turbine & Generators under INDAS-16*	*1.86*
5	*Capital Expenditure towards capital overhauling of Balance of Works under INDAS-16*	*1.03*
6	*Capitalization under land head under Asset Retirement Obligation of INDAS-16*	*0.06*
7	*Works related to Ash handling System*	*0.10*

Particulars		Amount (Rs. Crores)
8	Capital Spares	1.81
9	Other works related to building, Pucca roads, Coal conveyer etc	0.36
Total		**7.82**

In reference to aforesaid additional capitalization following is to be submitted:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generations as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.*

MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3%, already paid.

Accordingly, the differential Entry Tax liability was settled by MPPGCL. The Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure for up to commissioning) of ATPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory in nature, the said capitalization of Rs. 0.85 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Procurement of Pollution Monitoring Equipments has been carried out towards compliance of Statutory Environmental Norms. Similarly, Procurement of Communication and Metering Equipments at Power Stations have been carried out towards compliance of MPEGC/ IEGC/CEA directives. Both the said capitalization (total amounting to Rs.1.75 Crores) has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

- *For FY 2016-17, the Annual Statement of Accounts of MPPGCL has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the Rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which are statutory/mandatory requirement and binding on companies w.e.f. FY 16-17.*

As per INDAS-16, Plant Property & Equipments provides as under:-

"A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

Further as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

(c) *it is probable that future economic benefits associated with the item will flow to the entity; and*
(d) *the cost of the item can be measured reliably.*

According to above, MPPGCL has capitalized the amount of Capital Expenditure towards Capital Overhauling of Turbine & Generators & Balance of work in the Books of Accounts for FY 2016-17.

Being a statutory requirement, the said capitalization of Rs.2.89 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at ATPS Chachai leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them, departmentally.

Therefore, as per statutory requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts 2016-17.

Being a statutory requirement, the said capitalization of Rs.0.06 Crores is claimed under proviso 20.3 (b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *The Works related to Ash Handling System amounting to Rs.0.10 Crores is claimed under proviso 20.3 (d) of MPERC Regulations 2015 which provides incurrence deferred works relating to ash pond or ash handling system in the original scope of work;*
- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at ATPS PH-3 and the same are capitalized in the Books of Accounts 2016-17. The said capitalization is claimed under proviso 20.1 (e) of MPERC Regulations 2009 which provides for "Procurement of initial Capital Spares within the Original Scope of Work", in accordance with the provisions of Regulation 17.1(b).*
- *Other works related to building Pucca roads, Coal conveyer amounting to Rs.0.36 Crores are the essential need based works at Power Station. The same is claimed under proviso 20.2(f) of MPERC Regulations 2012.*

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20101012 & 20701002 & internal resources as detailed in Table no.4.3.5.1 on page No. 44 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

Particulars		**PFC Loan No. 20701012 & 20701002**	**Equity**	**Total**
1	Additions			**7.82**
2	Funding details	4.87	2.95	**7.82**

The Asset additions made at ATPS PH-3 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization, deletions / transfer submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/ Order copies) is annexed as Annexure-5A, 5B & 5C.

STPS PH-2 & 3, Sarni:

MPPGCL has opted for Special Allowance for STPS PH-2 & 3 from FY 2011-12 onwards. The Hon'ble Commission vide order dated 23.07.2015 in Petition

no. 23 of 2015 filed in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni from FY 2011-12 to FY 2015-16, has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2011-12 onwards on account of Renovation & Modernization works.
However, capitalizations made at STPS PH-2 & 3 are considered in the instant petition on following counts:-

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at STPS PH 2 & 3 Sarni leased by Forest Deptt. On directions from Deptt. of Forest, MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them departmentally.
Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts.

Being a statutory requirement, the said capitalization of Rs. 0.83 Crores, is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Compensation paid for Land amounting to Rs 0.08 Crores, being a statutory requirement, the said capitalization is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at STPS PH- 2 & 3 and same are capitalized in the Books of Accounts. The said capitalization of Rs. 4.21 Crores is claimed under proviso 19 (2.9(e)) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18.*

The aforesaid Additional Capitalization is funded through internal resources/equity of MPPGCL as detailed in Table no.4.3.9.2 on page No. 46 of subject True-up petition.

The Asset additions made at STPS PH-2&3 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and assets transferred / adjustments submitted in the subject petition in the prescribed format along with supporting documents (Accounting vouchers/ Order copies) is annexed as Annexure-6A, 6B & 6C.

STPS (2x250MW) Extn. Unit No. 10 & 11 Sarni:

The assets amounting to Rs. 73.68 Crores have been capitalized at STPS Sarni PH-4 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No.4.3.12.1 on page No. 47 of subject True Up petition of FY 2016-17.

The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 3514 Crores, which has already been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission in the petition of determination of Final Generation Tariff of STPS PH-4 (Petition No. 13 of 2015).

As the Date of Commercial operation (CoD) of extension Unit No. 10 & 11 of STPS, Sarni PH-4 (2x250 MW) was 18.08.2013 & 16.03.2014 respectively, therefore both the units are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance with the MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at STPS Sarni PH-4 is 31.03.2017.

The above capitalization comprises of Asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounts to Rs. 57.08 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.16.60 Crores, respectively.

The aforesaid capitalization is claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015, which are reproduced hereunder:

- *Proviso 20.1 of MPERC Regulations 2012:-*

"20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:

(a) Un-discharged liabilities

(b) Works deferred for execution

(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)."

- *Proviso 20.1 of MPERC Regulations, 2015:*

"20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(iv) Un-discharged liabilities recognized to be payable at a future date;

(v) Works deferred for execution;

(vi) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

(vii) Change in law or compliance of any existing law"

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20101003 & GoMP Equity as detailed in Table no.4.3.15.1 on page No. 48 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

Particulars		PFC Loan No. 20701003	Equity	Total
1	Additions			**73.68**
2	Funding details	2.54	43.90	**51.84**

The difference between the funding and additional capitalization amounting to Rs.21.54 is on account of retention amount of Bill, which will be made through Equity & Loans of subsequent years

In reference to replacement of asset it is to mention that 315 MVA Transformer of unit No11 of STPS Sarni amounting to Rs.18.86 Crores caught fire and damaged completely on 25.07.2016. Accordingly, the same *was de-capitalized from Asset cum depreciation Registers of STPS PH-4 Sarni. The said Transformer was replaced by capitalization of new transformer amounting to Rs.14.98 Crores.*

Apart from above, the Asset additions made at STPS PH-4 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and deletions / adjustments submitted in the subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-7A & 7B.
It is requested before Hon'ble Commission to kindly permit the same.

SGTPS PH-1 & 2, Birsinghpur:

The assets amounting to Rs. 14.12 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2016-17 as per Audited Books of Accounts. The same are claimed in instant True Up petition.

The above mentioned additional capitalization comprises of following:-

	Particulars	**Amount in Rs. Crores**
1	Capitalization under land head under Asset Retirement Obligation of INDAS-16	0.10
2	Digital Automatic Voltage Regulator	0.84
3	Quality Monitoring System	0.22
4	2 X 50 KVA UPS	0.41
5	Max Series DCS System	3.25
6	PLCC SCADA System	1.67
7	Conductivity Meter	0.004
8	Instrumentation and Control related Equipments	0.15
9	Computer, Printer and Office Equipments	0.03
10	Capital Spares found on physical verification	5.53
11	Dozer Rehabilitation Cost (INDAS-16)	0.82
12	Capital Expenditure towards capital overhauling of Boiler(INDAS-16)	1.10
	Total	**14.12**

The Gross Block of PH-1 & 2 of SGTPS Birsinghpur was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. PH-1 & 2 of SGTPS Birsinghpur are governed by MPERC (Terms and Conditions for *determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.*

In reference to aforesaid additional capitalization, following are to submit:

- *The capitalization made on account of procurement of Digital Automatic Voltage Regulator, Quality Monitoring System, 2 X 50 KVA UPS, DCS System, PLCC SCADA System, Conductivity Meter and Instrumentation & Control related Equipments which are carried out in compliance to directives of MoEF& CC Norms/ MPEGC /IEGC/CEA and is claimed under following proviso of MPERC Regulations:-*

(c) Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

(d) Being statutory requirement, the said capitalization is covered under proviso 20.3 (b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *A dozer amounting to Rs. 0.97 Crores was transferred from STPS Sarni to SGTPS Birsinghpur, which was already depreciated to 90% of its cost. Due to aging of Dozer, it was refurbished in incurring expenses of Rs. 0.82 Cr. so as to perform efficiently, during FY 2016-17. Further MPPGCL has incurred Capital Expenditure towards Capital overhaul of Boiler amounting to Rs.1.10 Crores. In accordance with INDAS-16, the aforesaid amount has capitalized in the Books of Accounts for FY 2016-17 & claimed under following proviso of MPERC Regulations:-*

(c) Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.

(d) Being statutory requirement, the said capitalization is covered under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of capital expenditure under change in law or compliance of any existing law.

- *MPPGCL is having Land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out* *plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them departmentally.*

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.

Being a statutory requirement, the said capitalization of Rs.0.10 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Apart from above, based on the report submitted by the consultant, on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-1&2 and same were capitalized in the Books of Accounts.*

The said capitalization of Rs.5.53 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18.

The aforesaid Additional Capitalization is funded through sanctioned of GoMP Loan No. F-5-01/2016-13 and Internal resources of MPPGCL as detailed in Table no.4.3.18.1 on page No. 45 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

	Particulars	***GoMP loan***	***Equity***	***Total***
1	*Additions*			***14.12***
2	*Funding details*	*5.57*	*43.90*	***51.84***

The supporting document in reference to GoMP Loan is annexed as Annexure-8.

The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and asset transferred submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) are annexed as Annexure-9A & 9B.

SGTPS PH-3 (500MW) Extn. Unit No.5 Birsinghpur:

The assets amounting to Rs.12.81 Crores have been capitalized at SGTPS PH-3 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL for FY 2016-17. The same has been claimed in the subject True Up petition.

As the extension Unit No. 5 of 500MW, SGTPS Birsinghpur has been commissioned on 28.08.2008, the same has governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The above additional capitalization comprises of following:-

	Details of Asset	**Amount in Rs. Crores**
1	Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of SGTPS PH-3(500 MW).	3.71
2	Asset retirement obligation under INDAS -16	0.50
3	Railway Siding Penal Interlock	1.48
4	Boundary Wall related works	0.33
5	Surface Grinder Machine	0.04
6	Coal Dozer With Power Tilt	1.78
7	Computers , Peripherals and office Equipments	0.06
8	Capital Spares	4.91
	Total	**12.81**

In reference to aforesaid additional capitalization, it is to submit that:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generations as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.*
MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3%, already paid in past.

Accordingly, the differential Entry Tax liability of coal was settled by MPPGCL & the Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure up to commissioning) of SGTPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory in nature, the said capitalization of Rs. 3.71 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them, departmentally.
Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.

Being a statutory requirement, the said capitalization of Rs. 0.50 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Capitalization of Railway siding interlock, boundary wall related works, Surface Grinder Machine, Coal Dozer, Capital Spares, Computers etc amounting to Rs.3.69 Crores is claimed under the following proviso of MPERC Regulations, 2005:*

(3) As per Proviso 19 (2.9) (a) of MPERC Regulations,2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.

(4) As per Proviso 19 (2.9) (f) of MPERC Regulations, 2005, which provides any additional works/ services which became necessary for efficient and successful operation of generating station.

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost*

Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-3 and same were capitalized in the Books of Accounts of FY 2016-17.

The said capitalization of Rs.4.91 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 18.

The aforesaid Additional Capitalization is funded through approved PFC loan No. 20101011 and internal resources of MPPGCL as detailed in Table no.4.3.23.1 on page No. 52 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

Particulars		PFC Loan NO.20101011	Internal resources/ Equity	Total
1	Additions			**12.81**
2	Funding details	12.31	0.50	**12.81**

The Asset additions made at SGTPS PH-3 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and assets transferred submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/ Order copies) is annexed as Annexure-10A & 10B.
It is requested before Hon'ble Commission to kindly permit the same.

SSTPP Stage-I (2x600MW) Khandwa:

The assets amounting to Rs.116.96 Crores have been capitalized at SSTPP Stage-I (2x600MW) Khandwa, during FY 2016-17 as captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No. 4.3.26.1 on page No.53 & 54 of subject True Up petition for FY 2016-17.

The aforesaid capitalization has been covered under the Original Scope of Work Estimate of Rs.7820 Crores, which has already been approved by Hon'ble GoMP. The copy of said approval has already been submitted before *the Hon'ble Commission in petition of determination of Final Generation Tariff of SSTPP Stage-I (Petition No. 09 of 2017).*

The Date of Commercial operation (CoD) of Unit No. 1 & 2 of SSTPP Stage-I (2x600 MW) Khandwa is 01.02.2014 & 28.12.2014 respectively. Thus Stage I, SSTPP governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance to MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at SSTPP Stage-I(2x600 MW) Khandwa is 31.03.2017.

The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounts to Rs. 74.75 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.42.21 Crores respectively.

The aforesaid capitalization has been claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015 reproduced hereunder:

- *Proviso 20.1 of MPERC Regulations 2012:-*

  "20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:

  (a) Un-discharged liabilities

  (b) Works deferred for execution

  (c) Change in Law

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

- *Proviso 20.1 of MPERC Regulations, 2015:*

  "20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

  (a) Un-discharged liabilities recognized to be payable at a future date;

(b) Works deferred for execution;
(c) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;
(d) Change in law or compliance of any existing law"

The aforesaid Additional Capitalization is funded through approved PFC loan No.20701001 and GoMP Equity as detailed in Table no.4.3.29.1 on page No. 54 of subject True-up petition. The Hon'ble Commission vide order dated 30.12.2017 has determined the Final Generation tariff of SSTPP PH-1, accordingly the funding details are revised and annexed as Annexure-11.

The Asset additions made at SSTPP PH-1 are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization and deletion submitted in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-12A & 12B.

Bargi HPS :

The assets amounting to Rs. 0.56 Crores were capitalized at Bargi HPS during FY 2016-17 as per Audited Books of Accounts of MPPGCL.

The Gross Block of Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. Further Bargi HPS is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The above mentioned capitalization is on account of need based essential and statutory works as detailed hereunder:-

Particulars	Amount (Rs. Crores)
CMRI, ABT Meter and Vibration Meter	0.03
Power Transformer	0.05
SF 6 Breaker	0.06
Station Battery and PLCC Battery	0.22
Lightening Arrestor	0.01
Electronic Liquid Cleaner	0.04
Computer & Peripherals	0.07

Particulars	Amount (Rs. Crores)
Capital Spares found on physical verification	*0.08*
Total	***0.56***

The abovementioned capitalization is made towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

The aforesaid Additional Capitalization is funded through sanctioned GoMP Loan No. F-5-01/2016-13 and Internal resources of MPPGCL as detailed in Table no.4.3.36.1 on page No.57 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

	Particulars	GoMP loan	Internal resources	Total
1	*Additions*			***0.56***
2	*Funding details*	*0.41*	*0.15*	***0.56***

The supporting document in reference to GoMP Loan is annexed as Annexure-13.

The Asset additions made at Bargi HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-14.

Birsinghpur HPS:

The assets amounting to Rs. 0.25 Crores were capitalized at Birsinghpur Hydel Power Station during FY 2016-17 as per Audited Books of Accounts of MPPGCL for 2016-17.

The Gross Block of Birsinghpur HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The above mentioned capitalization is on account of need based essential and statutory works as detailed hereunder:-

Particulars	***Amount (Rs. Crores)***
220V HDP Battery Bank Con. of 110 with all Accessories	*0.17*
Air Compressor	*0.09*
Other minor Equipments	*0.002*
Total	***0.25***

The abovementioned capitalization is made towards compliance of directives of IEGC/CEA. The said capitalization was claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further, Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure, which has become necessary for efficient operation of generating station, other than coal based stations.

The aforesaid Additional Capitalization is funded through sanctioned GoMP Loan No. F-5-01/2016-13 and Internal resources of MPPGCL as detailed in Table no.4.3.40.1 on page No.57 of subject True-up petition. The same is summarized hereunder:-

in Rs. Crores

Particulars		***GoMP loan***	***Internal resources***	***Total***
1	*Additions*			***0.25***
2	*Funding details*	*0.25*	*0.002*	***0.25***

*The supporting document in reference to GoMP Loan is annexed as Annexure-15**.***

The Asset additions made at Birsinghpur HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years *shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.*

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-16.

<u>Bansagar PH-1, 2 & 3, HPS:</u>

The minor asset addition towards procurement of Computers, Furniture & office Equipments as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Bansagar PH-1, 2 & 3 Hydel Power Station amounts to Rs.0.17 Crores.

The Gross Block of Bansagar PH-1,2&3 HPS were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & have governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure, which has become necessary for efficient operation of generating station other than coal based stations.

The aforesaid Additional Capitalization is funded through internal resources of MPPGCL as detailed in Table no.4.3.31.1 on page No.55 of subject True-up petition.

The Asset additions made at Bansagar HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-17.

Pench HPS :

The minor asset addition towards procurement of Computers & Furniture as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Pench Hydel Power Station amounts to Rs.0.02 Crores.

The Gross Block of Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & was governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization was claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

The aforesaid Additional Capitalization is funded through internal resources of MPPGCL as detailed in Table no.4.3.33.1 on page No.56 of subject True-up petition.

The Asset additions made at Pench HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-18.

Madhikheda HPS:

The minor asset addition towards procurement of office Equipments as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Madhikheda Hydel Power Station amounts to Rs.0.01 Crores.

The Unit No. 1, 2 &3 of Madhikheda HPS have been commissioned on 28.08.2006, 09.09.2006 & 18.08.2007 respectively and are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

The aforesaid Additional Capitalization is funded through internal resources of MPPGCL as detailed in Table no.4.3.37.1 on page No.57 of subject True-up petition.

The Asset additions made at Madhikheda HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-19.

Rajghat HPS:

The minor asset addition towards procurement of Furniture as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Rajghat Hydel Power Station amounts to Rs.0.02 Crores.

The Gross Block of Rajghat HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

The aforesaid Additional Capitalization is funded through internal resources of MPPGCL as detailed in Table no.4.3.37.1 on page No.57 of subject True-up petition.

The Asset additions made at Rajghat HPS are new assets and not against any write off in FY 2016-17. Any write-off against replacement in future years shall be dealt in accordance to the Regulations and due care shall be taken in respective True up petitions.

As desired by Hon'ble Commission, the information towards additional capitalization claimed in subject petition in the prescribed format along with supporting documents (Accounting vouchers/order copies) is annexed as Annexure-20.

Head Quarter

It is to submit that in its earlier True up petitions, MPPGCL has proposed the minor assets capitalized at Head Quarter situated at Jabalpur (MP) to be treated as part of assets of the nearest power station i.e. Bargi HPS. However, the Hon'ble Commission has not given cognizance to the same. MPPGCL in the instant True up petition has again claimed the capitalization amounting to Rs.0.87 Crores at Head Quarter as per the Audited books of Accounts of MPPGCL.

It is humbly requested before Hon'ble Commission to kindly permit the same.

11. Issue

The petitioner has filed the additional capitalization of Rs. 7.82 Crores in ATPS Ext. Unit No. 5. The major works/ components filed under aforesaid additional capitalization are observed as given below:

A/c Code	Details	Amount (Rs Crore)
10.520	Instrumentation and controls	1.66
11.300	Capital spares	1.81
11.603	Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Turbine and Generator	1.86
11.602	Expenditure on Major Inspection/ Capital overhaul/ Irregular event -Balance of work	1.03

The petitioner is required to justify its claim with reference to the provision under Regulation 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

MPPGCL's Response:-

As desired by Hon'ble Commission, the item wise justification is as under:-

Instrumentation & Controls:-

Under this Account head, procurement of Pollution Monitoring Equipments has been carried out towards compliance of Statutory Environmental Norms. The said capitalization amounting to Rs.1.66 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Capital Spares:-

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at ATPS PH-3 and same were capitalized in the Books of Accounts 2016-17.
The aforesaid capital Spares were part of original scope of work and were acquired within the cutoff date.
The said capitalization of Rs.1.86 Crores is claimed under proviso 20.1 (e) of MPERC Regulations 2009 which provides for "Procurement of initial Capital Spares within the Original Scope of Work", in accordance with the provisions of Regulation 17.1(b).

Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Turbine and Generator & Balance of Work:-
The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 16-17.
As per INDAS-16 for Plant Property & Equipments provides as under:-

"A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

Further as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

In accordance with above, MPPGCL has capitalized the amount of Capital Expenditure towards Capital Overhauling of Turbine & Generators & Balance of work in the Books of Accounts for FY 2016-17 amounting to Rs. 1.86 Crores and Rs.1.03 Crores, total amounting to Rs.2.89 Crores.

Being a statutory requirement, the said capitalization of Rs.2.89 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

It is requested before the Hon'ble Commission to kindly permit the same.

12. Issue

In para 4.3.4 of the petition, it is mentioned that the additional capitalization includes capitalization amounting to Rs. 0.85 Crores towards impact of payment of entry tax liability of coal consumed during trial stage fuel expenditure towards commissioning of ATPS PH-3. It is further mentioned that the asset capitalization indicated under Account code 10.101, 10.102, 11.602 & 11.603 are towards compliance of Indian Accounting Standards (INDAS).

The petitioner is required to clarify the aforesaid contention for its claim with reference to the provisions under Regulation 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

MPPGCL's Response:-

As desired by Hon'ble Commission, the item wise justification is as under:-

<u>Entry Tax liability of coal:-</u>

MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generation as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.

MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at

GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3% already paid in past.

Accordingly, the differential Entry Tax liability was settled by MPPGCL. The Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure for up to commissioning) of ATPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory is in nature, the said capitalization of Rs. 0.85 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Additional Capitalization under Account Code 10.102 & 10.103 (Asset retirement Obligation):-

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 16-17.

As per INDAS-16 for Plant , Property & Equipments, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.

MPPGCL is having land at ATPS Chachai leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them, departmentally.

Therefore, as per statutory requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts 2016-17.

Being a statutory requirement, the said capitalization of Rs.0.06 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Additional Capitalization under Account Code 11.602 & 11.603 (Expenditure on Major Inspection/ Capital overhaul/ Irregular event - Turbine and Generator & Balance of Work):-

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 16-17. As per INDAS-16 for Plant Property & Equipments provides as under:-

"A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

Further as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

(a) *it is probable that future economic benefits associated with the item will flow to the entity; and*

(b) *the cost of the item can be measured reliably.*

In accordance with above, MPPGCL has capitalized the amount of Capital Expenditure towards Capital Overhauling of Turbine & Generators & Balance of work in the Books of Accounts for FY 2016-17 amounting to Rs. 1.86 Crores and Rs.1.03 Crores, total amounting to Rs.2.89 Crores.

Being a statutory requirement, the said capitalization of Rs.2.89 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law. It is requested before the Hon'ble Commission to kindly permit the same.

13. Issue

In para 4.3.7 of the petition, it is mentioned that the additional capitalization of Rs. 5.12 Crores in STPS PH 2&3 are considered towards the following:-

a) Compliance to Indian Accounting Standard(INDAS) ,

b) Statutory Payment related to land and

c) Capital Spares found during Physical Verification

In view of above, the petitioner is required to explain its aforesaid contention and justify its claim in term of provision under Regulation 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015. Further, the petitioner has already availed the Special Allowance for these units. Therefore, the petitioner is required to explain the reasons for its claim of additional capitalization in light of the provisions under Regulations.

MPPGCL's Response*:-*

As desired by Hon'ble Commission, the item wise justification are as under:-

Additional Capitalization under Account Code 10.106 in compliance to Indian Accounting Standard(INDAS):-

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 16-17.

As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.

MPPGCL is having land at STPS PH 2 & 3 Sarni leased by Forest Deptt. On directions from Deptt. of Forest, MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the same work done by them departmentally.

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts.

Being a statutory requirement, the said capitalization of Rs. 0.83 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides *for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

Statutory Payment related to land:-

Compensation paid for Land amounting to Rs 0.08 Crores, being a statutory requirement, the said capitalization is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Capital Spares found during Physical Verification:-

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at STPS PH- 2 & 3 and same were capitalized in the Books of Accounts. The Gross Block of STPS PH-1 was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP and is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005). Accordingly, The said capitalization of Rs.5.53 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18.

14. Issue

In Para 4.3.10 of the petition, the petitioner has claimed the adjustment of Rs. 6.01 Crore in STPS PH-2&3. The petitioner is also required to justify its claim in term of MPERC tariff Regulations.

MPPGCL's Response:-

It is to submit that the units of STPS PH-1 Sarni have already been decommissioned during FY 2012-13 & FY 2013-14. MPPGCL in the True up petition of respective years have submitted that though majority of Assets of said units have already been decapitalized, the assets towards common services of STPS PH-1 amounting to Rs. 3.03 Crores of shares of MPPGCL have been transferred to STPS PH-2 & 3. However, the Hon'ble Commission has not considered the same in the True up order for FY 2013-14.

In the FY 2016-17, MPPGCL have now transferred share of Rajasthan Rajya Vidyut Prasaran Nigam Ltd in common service Assets of STPS PH-1 in its

Books of Accounts amounting to Rs.2.97 Crores. It is to mention that these assets are already depreciated to the extent of 90%.

Accordingly, MPPGCL in the instant petition has made the adjustment of Rs.6.01 Crores (3.03 Crores + 2.97 Crores) in the Gross Block of STPS PH-2 & 3 along with Normative Equity adjustment of Rs. 0.89 Crores corresponding to Assets of Rs. 2.97 Crores as mentioned above.

The Gross Block of STPS PH-1 was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP and is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005). Accordingly, the said adjustment of Rs.6.03 Crores is considered in accordance with Proviso 19 of MPERC Regulation 2005.

15. Issue

The petitioner has filed the additional capitalization of Rs. 73.68 Crores in STPS Ext. Unit No. 10 & 11. The major works/components filed under additional capitalization are as follows:

A/c Code	Details	Amount (Rs Crore)
10.501	Boiler plant & Equipments	15.50
10.542	Other transformers of power house	16.09
10.578	Air-Conditioning & Ventilation System	6.34
10.585	Agriculture pump set & piping etc.	5.73
10.599	Other misc. equip. Including fire protection system	3.44
11.300	Capital Spares	16.60

In reference of the above, the petitioner is required to explain/submit the following:

a) How the generating units were commissioned and remained under operation without some of the aforesaid major works.

b) The reasons for delay in execution of such works. If the delay is attributable to contractor, the details of penalty deducted/to be deducted as per contract be submitted.

c) Capitalization booklet for capitalization of additional assets during FY 2016-17 duly certified by the statutory auditor and reconciled with the Annual Audited Accounts.

d) The petitioner submitted the corresponding funding of Rs. 2.54 Crores from PFC Loan and Rs. 49.30 Crores from Equity/internal resources. The petitioner is required to submit the sources of balance funding for the assets of Rs. 21.54 Crores capitalized during FY 2016-17.

MPPGCL's Response:-

The point wise reply is as under:-

a) *It is to submit that unit No.10&11 were commissioned on 18.08.13 and 16.03.14 respectively with required systems/sub systems. Some miscellaneous equipments of boiler & transformer package were not available at the time of CoD of units. These were of minor nature and did not put any hurdle in achieving CoD of units. Similarly, AC & Ventilation system and other miscellaneous equipments including Fire protection system were available only at critical places (were essentially required) for CoD of units. As such, both units remained under operation for generation without these items/equipments.*

b) *The major reasons that resulted delay in execution of such works are due to delays in erection and commissioning by M/s BHEL (for Main Power Block) and M/s MBEL (for BoP contract). As per the provisions of contract, LD is to be recovered from the contractors for the delay in execution of works. LD is applicable on M/s BHEL for delays in execution of works pertaining to Main power Block and M/s MBEL for delays in execution of works of Balance of plant.*

Some punch points of Main Power Block & BoP contract are pending. The PG test of AHP and AC & Ventilation System against the BoP Contract are still pending. Therefore, the LD amount as per contract could not be worked out yet w.r.t. M/s BHEL & M/s MBEL.

c) *The unit wise capitalization booklet of STPS PH-4 (2x250 MW) as on date of Commercial Operation(CoD) of respective units and upto 31.03.2014 has already been submitted before Hon'ble Commission in the petition of determination of Final generation Tariff of STPS PH-4 (2x250 MW).*

d) *During FY 2015-16, assets amounting to Rs.73.68 Crores have been capitalized at STPS Sarni PH-4 and captured in Audited Books of Accounts of FY 2016-17. The same has been claimed and detailed at Table No.4.3.12.1 on page No. 47-48 of subject True Up petition. In this regard, kindly refer Annexure 4A to 4H, wherein the details of Power House wise capitalization as per Audited Books of Accounts vis a vis claimed in instant petition has been elaborated.*

e) *It is to submit that the funding is to be arranged for the amount payable in a phased manner as per the terms of the contracts due to which the amount required to be funded at any point of time is much less than the 100% value of the work/supply. Accordingly, the difference between the funding and* *additional capitalization amounting to Rs.21.54 is on account of retention amount of Bill, which will be made through Equity & Loans of subsequent years.*

16. Issue

The petitioner has filed the additional capitalization of Rs. 14.12 Crores in SGTPS PH 1&2. In para 4.3.17 of the petition, the petitioner has mentioned that the asset capitalization indicated under Account code 10.102, 11.602 & 11.603 are towards compliance with Indian Accounting Standards (INDAS) and capital spares are found during Physical Verification of Assets at Power Station.

The petitioner is required to file a detailed note explaining its aforesaid contention in order to justify its claim in terms of Regulation 20.3 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

MPPGCL's Response:-

The assets amounting to Rs. 14.12 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2016-17 as per Audited Books of Accounts. The same are claimed in instant True Up petition.

The above mentioned additional capitalization comprises of following:-

Particulars		***Amount in Rs. Crores***
1	*Capitalization under land head under Asset Retirement Obligation of INDAS-16(Account Code-10.102)*	*0.10*
2	*Digital Automatic Voltage Regulator*	*0.84*
3	*Quality Monitoring System*	*0.22*
4	*2 X 50 KVA UPS*	*0.41*
5	*Max Series DCS System*	*3.25*
6	*PLCC SCADA System*	*1.67*
7	*Conductivity Meter*	*0.004*
8	*Instrumentation and Control related Equipments*	*0.15*
9	*Computer, Printer and Office Equipments*	*0.03*
10	*Capital Spares found on physical verification*	*5.53*
11	*Dozer Rehabilitation Cost (INDAS-16) under Account Code-11.602*	*0.82*
12	*Capital Expenditure towards capital overhauling of Boiler(INDAS-16) under Account Code-11.603.*	*1.10*
Total		***14.12***

The Gross Block of PH-1 & 2 of SGTPS Birsinghpur was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. Further PH-1 & 2 of SGTPS Birsinghpur are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The capitalization made on account of procurement of Digital Automatic Voltage Regulator, Quality Monitoring System, 2 X 50 KVA UPS, DCS System, PLCC, SCADA System, Conductivity Meter and Instrumentation & Control related Equipments in compliance to the directives of MoEF& CC Norms/ MPEGC /IEGC/CEA and is claimed under following proviso of MPERC Regulations:-

- *Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.*
- *Being statutory requirement, the said capitalization is covered under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

Additional Capitalization under Account Code 11.602 & 11.603 (Expenditure on Major Inspection/ Capital overhaul/ Irregular event):-

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 2016-17.

A dozer amounting to Rs. 0.97 Crores was transferred from STPS Sarni to SGTPS Birsinghpur, which was already depreciated to 90% of its cost. Due to aging of Dozer, it was refurbished so as to perform efficiently on which an amount of Rs.0.82 Crores was incurred during FY 2016-17. Further, MPPGCL has incurred Capital Expenditure towards Capital overhaul of Boiler amounting to Rs.1.10 Crores. The same were booked under the Account code 11.602 & 11.603.

As per INDAS-16 for Plant Property & Equipments provides as under:-
"A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

Further, as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

(a) *it is probable that future economic benefits associated with the item will flow to the entity; and*

(b) *the cost of the item can be measured reliably.*

In accordance with INDAS-16, the aforesaid amount (Rs. 0.82 + Rs.1.10 Crores) has capitalized in the Books of Accounts for FY 2016-17 & claimed under following proviso of MPERC Regulations:-

- *Proviso 19 (2.9) (f) of MPERC Regulations,2005 provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.*

- *Being statutory requirement, the said capitalization is covered under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of capital expenditure under change in law or compliance of any existing law.*

Additional Capitalization under Account Code 10.102 in compliance to Indian Accounting Standard(INDAS):-

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 2016-17.

As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.

MPPGCL is having Land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt. to get the work done by them departmentally. Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.

Being a statutory requirement, the said capitalization of Rs.0.10 Crores is claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Capital Spares found during Physical Verification:-

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Apart from above, based on the report submitted by the consultant, on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-1&2 and same were capitalized in the Books of Accounts.

The said capitalization of Rs.5.53 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18.

It is humbly requested before Hon'ble Commission to kindly permit the same.

17. Issue

The petitioner has filed the additional capitalization of Rs. 12.81 Crores in SGTPS PH 3. In Para 4.3.22 of the petition, the petitioner has stated that additional capitalization includes capitalization amounting to Rs.3.71 Crores towards impact of payment of entry tax liability of coal consumed during trial stage fuel expenditure towards commissioning of SGTPS PH-3. Further, the capitalization indicated under Account Code 10.102 is on account of compliance of Indian Accounting Standard (INDAS). In view of forgoing, the petitioner is required to justify its claim in term of Regulation 20.3 of MPERC Tariff Regulations, 2015.

MPPGCL's Response:-

As desired by Hon'ble Commission, the item wise justification are as under:-

Entry Tax liability of coal:-

MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generations as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal. MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3% already paid in past.

Accordingly, the differential Entry Tax liability of coal was settled by MPPGCL & the Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure up to commissioning) of SGTPS PH-3 (210MW) was capitalized in the Books of Accounts. As the payment of Entry Tax is statutory in nature, the said capitalization of Rs. 3.71 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

Capitalization under Account Code 10.102 is compliance of Indian Accounting Standard (INDAS)

The Annual Statement of Accounts of MPPGCL for FY 2016-17 has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 2016-17.

As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs. MPPGCL is having land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the work done by them, departmentally.

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17. Being a statutory requirement, the said capitalization of Rs. 0.50 Crores, is claimed under proviso 20.3(b) of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.It is humbly requested before Hon'ble Commission to kindly permit the same.

18. Issue

The petitioner has filed the additional capitalization of Rs. 116.96 Crores in SSTPP PH 1. In Para 4.3.28 of the petition, the petitioner has stated that additional capitalization includes capitalization amounting to Rs. 6.07 Crores towards impact of payment of entry tax liability of coal consumed during trial stage fuel expenditure towards commissioning of SSTPP PH-1(2x600MW). In view of above the petitioner is required to elaborate its claim and justify it in term of Regulation, 2015.

MPPGCL's Response:-

It is to submit that MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generation as a manufacturing activity. The Commercial Tax Department was not considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal. MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. It was decided that Entry tax shall be payable @ 5% as against 2% and 3% already paid in past.

Accordingly, the differential Entry Tax liability of coal was settled by MPPGCL & the Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure up to commissioning) of SSTPP PH-1 (2x600MW) was capitalized in the Books of Accounts. As the payment of Entry Tax is statutory is in nature, the said capitalization of Rs.6.07 Crores has been claimed under proviso 20.3(b) of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

19. Issue

With regard to additional capitalization of capital spares of STPS PH-2&3, SGTPS PH-1&2 and Bargi HPS, the Commission in its true up order for FY2014-15, has directed the following to MPPGCL:

"The petitioner is expected to furnish all information clearly indicating the capital spare already included in the original project cost prior to 1st April 2014, so that the ceiling limit up to the year under consideration could be checked in totality. "

The petitioner is required to furnish the above information as directed by the Commission in the aforesaid order.

MPPGCL's Response:-

It is to submit that MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant and based on accounting principles, MPPGCL has identified the Capital Spares at STPS PH-2&3, SGTPS PH-1&2 and Bargi HPS. The same were capitalized in the Books of Accounts for FY 2016-17.

The detailed item wise list of capital Spares capitalized at STPS PH-2&3, SGTPS PH-1&2 and Bargi HPS is annexed as Annexure 21A, 21B & 21C.

It is to mention that the Opening Balance of Assets & Liabilities of aforesaid old power houses were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 01.06.2008. However, looking to the nature and complexities of operations of Thermal and Hydel plants, Original Equipment Manufacturers recommends purchase of mandatory/ insurance spares from time of erection for meeting out unforeseen conditions and to reduce the down time of these units.

Further, it may be appreciated that during the construction of old power stations, any of the terms & conditions of present regulations were not in force. Hence, at this point of time, it is not significant to link present terms of regulations with commissioning period of old plants and its scope of work.

These plants were setup under the guidance and recommendations of Central Electricity Authority. Accordingly, it is humbly requested to kindly consider the capital spares identified at STPS PH-2&3, SGTPS PH-1&2 & Bargi HPS with the philosophy of efficient and successful operation of generating stations.

20. Issue

The petitioner has claimed the capital spares in ATPS PH-3, STPS PH-4, SGTPS PH-3 and SSTPP PH-1. The petitioner is required to justify its claim in light of the Regulation 19 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2015.

MPPGCL's Response:-

As desired by Hon'ble Commission, the power Station wise justification towards ceiling limit of capital Spares in light of provisions of MPERC Regulations is annexed as Annexure 22.

21. Issue

D. <u>Write-off/ Adjustment/ de-commissioned assets:</u>

With regard to the write-off/ adjustment of assets claimed in the petition, the petitioner is required to confirm whether such assets have been accounted for in annual audited accounts and recorded in Asset-cum-Depreciation registers of respective power stations. The petitioner is also required to explain the reasons for difference in figures if any, its each power station.

MPPGCL's Response:-

It is to submit that that the assets write off/adjustments as detailed in Para 4.3.46 at Page 61-64 of subject petition are as per Audited Books of Accounts for FY 2016-17. The same were recorded in Asset-cum-Depreciation register of FY 2016-17 of respective power stations already submitted vide letter No 327 dated 05.03.2018.

Further, kindly refer Annexure-4E, wherein, the difference in the figures as per Audited Books of Accounts of FY 2016-17 and as claimed by MPPGCL in subject petition with respect to Write off/ Adjustment etc. has already been elaborated along with reasons / justifications.

22. Issue

In ATPS PH 3 the petitioner has submitted that the asset of Rs. 2.99 Crores has been transferred from ATPS PH 3 to SGTPS PH-1&2 and SGTPS PH-3. The petitioner is required to inform the following in this regard:

- *Reasons for transfer of such assets from ATPS PH-3 to SGTPS PH-1&2 and SGTPS PH-3.*
- *The year of capitalization and funding of all such assets.*
- *The petitioner has shown transfer of assets of Rs. 2.73 Crores and Rs. 0.16 Crores from ATPS PH-3 to SGTPS PH-1&2 and SGTPS PH-3 respectively whereas, the total of these two figures is Rs. 2.89 Crore which is not tallying*

with total transfer of assets worth Rs. 2.99 Crores from ATPS PH-3. Therefore, the petitioner is required to clarify the same.

MPPGCL's Response:-

The point wise reply is as under:-

- *The assets were transferred on account of its requirement at other Thermal Power Station for the efficient running & operation of units.*
- *As desired by Hon'ble Commission, the details of capitalization and funding is tabulated hereunder:-*

in Rs. Crores

Particulars	Gross Block of Assets transferred	Year of capitalization	Funding details	
			Normative loan	Normative Equity
Transferred from ATPS PH-3	*2.99*	*Sept-2009*	*2.09*	*0.90*
Received at SGTPS PH-1&2	*2.73*	*May-2016*	*1.91*	*0.82*
Received at SGTPS PH-3	*0.16*		*0.11*	*0.05*

- *Difference of Rs.0.10 Crores (Rs.2.99 Crs - Rs.2.89 Crs) is on account of assets of Rs. 0.10 Crores transferred from ATPS PH-3 to STPS PH-2&3, which were not put to use at STPS PH-2&3 during FY 2016-17 and kept under the Account Head- Assets not in use in the Audited Books of Accounts for FY 2016-17.*

Accordingly, the same is not added to the Gross Block of STPS PH-2&3.

23. Issue

The petitioner has claimed write-off assets of Rs. 4.22 Crores in ATPS PH-3. Out of Rs. 4.22 Crore, asset of Rs.0.22 Crore is written off and Rs. 4.00 Crore is transferred to CWIP. The petitioner is required to inform the following:

- Reasons for write-off of such assets in ATPS PH-3.
- Reasons for Transfer to CWIP of such assets.
- The year of capitalization and funding of all such assets.
- Whether the written-off assets have been considered while claiming all Annual fixed cost components in the petition.

MPPGCL's Response:-

The point wise reply is as under:-

- *The asset written-off at ATPS PH-3 amounting to Rs. 0.22 Crores comprises of Instrumentation and Control equipments, Computers and Refrigerators.*

These assets have already been de-commissioned and presently Not in Use and accordingly written-off from the Audited Books of Accounts of MPPGCL.

- *As per requirement of Indian Accounting Standard (INDAS), the expenditure of Rs.4.00 Crores, which was capitalized in FY 2015-16 is considered has deferred revenue Expenditure in FY 2016-17 and henceforth reduced from the Gross Block of ATPS PH-1.*
- *As desired by Hon'ble Commission, the statement elaborating the year of capitalization and funding of assets decapitalized /written-off is annexed is Annexure-23.*
- *It is to confirm that the amount of decapitalized Assets has been reduced from the Gross Block of ATPS PH-1 along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition.*

24. Issue

The petitioner has claimed write-off assets of Rs. 48.04 Crores in STPS PH-4. Out of which asset of Rs. 0.76 Crore is on account of adjustment in price of asset due to price variation and Rs. 47.28 Crore is on account of de-capitalization of assets. The petitioner is required to inform the reasons for de-capitalization along with the year of capitalization and funding of all such assets. The petitioner is also required to confirm whether the written-off assets have been considered while claiming Annual Fixed Cost (AFC) components in the petition.

MPPGCL's Response:-

As desired by Hon'ble Commission, the statement elaborating the reasons of decapitalization of assets at STPS PH-4 along with year of capitalization and funding details is annexed is Annexure-24.

It is to confirm that the amount of decapitalized Assets has already been reduced from the Gross Block of STPS PH-4 along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition.

25. Issue

The petitioner has claimed write-off assets of Rs. 27.31 Crores in SSTPP PH-1, out of which asset of Rs. 5.91 Crore is on account of adjustment in price of asset due to price variation and Rs. 21.41 Crore is on account of de-capitalization of assets. The petitioner is required to inform the year of capitalization and funding of all such assets along with the reasons for de-capitalization of such assets. The petitioner is also required to confirm whether the written-off assets have been considered while claiming Annual Fixed Cost (AFC) components in the petition.

MPPGCL's Response:-

As desired by Hon'ble Commission, the statement elaborating the reasons of decapitalization of assets at SSTPP PH-1 along with year of capitalization and funding details is annexed is Annexure-25.

It is to confirm that the amount of decapitalized Assets has been reduced from the Gross Block of SSTPP PH-1 along with its corresponding funding while claiming the Annual Fixed Cost (AFC) components in the petition.

26. Issue

Return on Equity:

The petitioner has shown write-off/adjustment assets in some of the power stations. It needs to confirm whether the equity amount pertaining to write-off/ adjustment assets if any, has been accounted for in the equity component of the respective power station. The petitioner is also required to confirm whether the return on equity pertains to these assets has been reduced from the date/ year of write-off/ adjustment of assets. Detailed working be also filed in this regard.

MPPGCL's Response:-

The corresponding amount of Equity in reference to assets decapitalized/adjusted at various power stations has already been accounted in the subject true up petition while working out Return on Equity. The same is detailed in Para 4.7.4 of subject true up petition for FY 2016-17.

Further, as desired, the detailed power house wise working in this regard is annexed as Annexure-26.

27. Issue

Interest and Finance Charges:

With regard to the adjustment of loan of write-off/ adjustment assets, the petitioner is required to confirm whether the loan amount of the write-off/ adjustment assets of other stations if any, has been accounted for in its claim for the loan component for the respective power station. The petitioner is also required to confirm whether the interest charges pertain to loan amount of these assets have been adjusted for the respective power station. Detailed working be also filed in this regard.

MPPGCL's Response:-

The corresponding amount of Equity in reference to assets decapitalized/adjusted at various power stations has already been accounted in the subject true up petition while working out Interest & Finance Charges. The same is detailed at Para 4.5.3 of subject true up petition for FY 2016-17.

Further, as desired, the detailed power house wise working in this regard is annexed as Annexure-27.

28. Issue

Basis of the power station-wise weighted average rate of interest on term loan worked out in the petition is required to be filed by the petitioner along with supporting documents.

MPPGCL's Response:-

As desired by Hon'ble Commission, the detailed working of Weighted Average Rate of Interest along with supporting documents is annexed as Annexure-28.

29. Issue

Depreciation

Basis of the power station-wise weighted average rate of depreciation worked out in the petition is required to be filed by the petitioner along with supporting documents.

MPPGCL's Response:-

In the subject petition, MPPGCL has claimed the depreciation on the Gross Block based on weighted Average Rate of depreciation worked out in the Power House wise Asset cum Depreciation registers of MPPGCL for FY 2016-17. The same have already been submitted vide this office letter No.327 dated 05.03.2018. The approach is in line with the methodology adopted by Hon'ble Commission in the past Tariff/True up orders of MPPGCL. The Wt. Average Rate of depreciation worked out in Asset Cum Depreciation registers are in line with following principles:-

- *The rates for depreciation are considered as approved by Hon'ble Commission in Appendix-II of Regulation G-26(II) of 2012.*
- *The salvage value of assets is considered as 10% i.e. none of the assets are depreciated more than 90% of the gross value.*

- *Proviso 33.7 of MPERC regulation 2015 specifies that 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%.*
- *In case of asset addition made during the year, the depreciation is charged on prorata basis based on the commercial operation of the assets for part of the year.*
- *The assets in the records of MPPGCL are only for its own share, therefore depreciation is computed for MPPGCL share only.*
- *The Assets additions on account of need based R&M works at STPS PH-2&3 is not considered as special allowance has opted for these units. However the capitalization on account of essential statutory works has been considered.*

30. Issue

In table 4.4.10.1 of the petition, the petitioner has filed the power station-wise details of assets deduction and corresponding Accumulated Depreciation reduction during FY 2016-17. The petitioner is required to mention the basis for the aforesaid contention.

MPPGCL's Response:-

It is to submit that the assets decapitalized at various Power Stations are reduced from the Gross Block of Power Stations admitted by Hon'ble Commission as reflected in table No.4.4.12.1 at page No.74 of subject petition. The corresponding accumulated Depreciation of decapitalized assets are reduced from the accumulated depreciation admitted by the Hon'ble commission in order to maintain the parity between the figures of Gross Block and its corresponding Accumulated depreciation as reflected in Table 4.4.15.1 at page No.77 of subject petition.

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31. Issue

Interest on Working Capital

The petitioner has claimed revision in Interest on Working Capital in SSTPP PH-I based on the final tariff petition filed by it. However, the Commission has issued the final tariff order which has already been for SSTPP PH-I on 30th December' 2017. The petitioner is required to file the interest on working capital for SSTPP PH-I based on the final tariff order issued by the Commission.

MPPGCL's Response:-

As desired by Hon'ble Commission, the detailed working of interest on Working Capital based on Final Tariff Order of SSTPP PH-1 (2x600MW) dated 30.12.2017 is annexed as Annexure-29. The Working Capital and Interest thereon is detailed below:-

Year	Coal cost for gen. for two month	Oil Cost 2 months	Maint. Spare 20% of O&M	Receivable 2 months	O&M expense 1 month	Total WC	Rate of Interest (9.3+3.5) %	Interest on WC
FY 2016-17	396.95	3.81	39.05	661.39	16.27	**1117.47**	12.80%	**143.04**

32. Issue

<u>Other Charges</u>

The power Station-wise break-up of "Other Charges" claimed in the petition are based on 100% operating capacity only. Therefore, the petitioner is required to file the power station-wise break-up of aforesaid "Other Charges" on share basis also and reconcile these numbers with the figures recorded in Annual Audited Accounts.

MPPGCL's Response:-

As desired by the Commission, the breakup of other charges on share basis duly matched with figures recorded in Annual Audited Accounts are as under:-

<u>Cost of Chemical & Consumables</u>

The cost of Chemicals and Consumables as captured in audited Books of accounts for FY 2016-17 at point No. 27.2 , Sl. No. 2 & 3 at page 67, factored to represent 100% capacity operated by MPPGCL has been worked out and detailed in the table below:-

In Rs. Crores

S.No.	Stations	On Shared basis as per Point No.27.2, Page No. 73 Sl. No.(2+3) of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
1	ATPS PH-3	0.4157	0.4157	**0.4157**
2	STPS PH-2&3	1.7686	1.7686	**1.7686**
3	STPS PH-4	0.8834	0.8834	**0.8834**
4	SGTPS PH-1&2	1.8538	1.8538	**1.8538**

S.No.	Stations	On Shared basis as per Point No.27.2, Page No. 73 Sl. No.(2+3) of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
5	SGTPS PH-3	1.1035	1.1035	**1.1035**
6	SSTPP PH-1	2.0966	2.0966	**2.0966**
7	**Total Thermal**	**8.1216**	**8.1216**	**8.1216**
8	Gandhi Sagar HPS	0.2067	0.4134	**0.4134**
9	Pench HPS	0.0000	0.0000	**0.0000**
10	Rajghat HPS	0.3932	0.7865	**0.7865**
11	Bargi HPS	0.0000	0.0000	**0.0000**
12	Bansagar PH-1,2&3	0.0000	0.0000	**0.0000**
13	Bansagar PH-4 HPS	0.0000	0.0000	**0.0000**
14	R.P. Sagar HPS	0.0011	0.0023	-
15	J. Sagar HPS	0.0026	0.0052	-
16	Birsinghpur HPS	0.0198	0.0198	**0.0198**
17	Madhikheda HPS	0.0000	0.0000	**0.0000**
18	**Total Hydro**	**0.6235**	**1.2271**	**1.2197**
Total		**8.7451**	**9.3487**	**9.3413**

Water Charges

The Water Charges as captured in audited Books of accounts for FY 2016-17 at point No. 27.2 , Sl. No.1 on page 67 amounts to Rs. 97.23 Crores. Further, at Sl. No. 9, the Water cost capitalized in SSTPP PH-2, Khandwa amounts to Rs. 19.60 Crores. Hence, the total Water Charges pertaining to the Units in operation is Rs. (97.23 – 19.60 = 77.63) Crores. Accordingly, these charges have been factored to represent 100% capacity operated by MPPGCL. The Power station wise details of Water Charges paid in FY 2016-17 are shown in Table below:-

In Rs. Crores

S. No.	Stations	On Shared basis as per Point No.27.2, Page No. 67 Sl. No.(1) less capitalized at Sl. No.(9)of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
1	ATPS PH-3	3.1646	3.1646	**3.1646**
2	STPS PH-2&3	2.8371	2.8371	**2.8371**
3	STPS PH-4	3.2160	3.2160	**3.2160**
4	SGTPS PH-1&2	7.1942	7.1942	**7.1942**
5	SGTPS PH-3	4.2823	4.2823	**4.2823**
6	SSTPP PH-1	18.3135	18.3135	**18.3135**
7	**Total Thermal**	**39.0076**	**39.0076**	**39.0076**
8	Gandhi Sagar HPS	5.8100	11.6199	**11.6199**
9	Pench HPS	0.0116	0.0175	**0.0175**
10	Rajghat HPS	0.0000	0.0000	**0.0000**
11	Bargi HPS	10.6402	10.6402	**10.6402**
12	Bansagar PH-1,2&3	16.0898	16.0898	**16.0898**
13	Bansagar PH-4 HPS	0.7946	0.7946	**0.7946**
14	R.P. Sagar HPS	0.0400	0.0800	-
15	J. Sagar HPS	0.0000	0.0000	-

S. No.	Stations	On Shared basis as per Point No.27.2, Page No. 67 Sl. No.(1) less capitalized at Sl. No.(9)of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
16	Birsinghpur HPS	0.4793	0.4793	**0.4793**
17	Madhikheda HPS	4.7579	4.7579	**4.7579**
18	**Total Hydro**	**38.6235**	**44.4793**	**44.3993**
Total		**77.6311**	**83.4869**	**83.4069**

Rent, Rates & Taxes.

The Rent, Rate & Taxes as captured in audited Books of accounts for FY 2016-17 at point No. 31.1 Sl. No. 1 (Rent) & 3 (Rates & Taxes) page 73, amounting to Rs. 0.19 Crores & Rs. 1.51 Crores respectively, total amounting to Rs. 1.71 Crores. These amounts have been factored to represent 100% capacity operated by MPPGCL. The Power station wise details Rent, Rate & Taxes in FY 2016-17 are shown in table below:

In Rs. Crores

S.No.	Stations	On Shared basis as per Point No.31.1, Page No. 73 Sl. No.(1+3) of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
1	ATPS PH-3	0.013	0.013	**0.013**
2	STPS PH-2&3	0.174	0.174	**0.174**
3	STPS PH-4	1.218	1.218	**1.218**
4	SGTPS PH-1&2	0.016	0.016	**0.016**
5	SGTPS PH-3	0.009	0.009	**0.009**
6	SSTPP PH-1	0.160	0.160	**0.160**
7	**Total Thermal**	**1.590**	**1.590**	**1.590**
8	Gandhi Sagar HPS	0.005	0.009	**0.009**
9	Pench HPS	0.002	0.002	**0.002**
10	Rajghat HPS	0.002	0.003	**0.003**
11	Bargi HPS	0.012	0.012	**0.012**
12	Bansagar PH-1,2&3 HPS	0.083	0.083	**0.083**
13	Bansagar PH-4 HPS	0.004	0.004	**0.004**
14	R.P. Sagar HPS	0.002	0.004	-
15	J. Sagar HPS	0.002	0.004	-
16	Birsinghpur HPS	0.000	0.000	**0.000**
17	Madhikheda HPS	0.006	0.006	**0.006**
18	**Total Hydro**	**0.117**	**0.128**	**0.121**
Total		**1.708**	**1.719**	**1.711**

Entry Tax on Repair & Maintenance

The Entry Tax paid to the Government on Repair & Maintenance as captured in audited Books of accounts for FY 2016-17 at point No. 31.8, Sl. No. 7 page 75, amounts to Rs. 3.81 Crores This amounts have been factored to represent 100% capacity operated by MPPGCL. The Power station wise details of Entry Tax on Repair & Maintenance in FY 2016-17 are shown in Table below:

In Rs. Crores

S.No.	Stations	On Shared basis as per Point No.31.8, Page No. 75 Sl. No.(7) of Balance Sheet for FY 17	Factored to 100% basis	Consider in True up Petition for FY 17
1	ATPS PH-3	0.2800	0.2800	**0.2800**
2	STPS PH-2&3	1.0727	1.0727	**1.0727**
3	STPS PH-4	0.6461	0.6461	**0.6461**
4	SGTPS PH-1&2	0.9279	0.9279	**0.9279**
5	SGTPS PH-3	0.5523	0.5523	**0.5523**
6	SSTPP PH-1	0.2745	0.2745	**0.2745**
7	**Total Thermal**	**3.7534**	**3.7534**	**3.7534**
8	Gandhi Sagar HPS	0.0004	0.0007	**0.0007**
9	Pench HPS	0.0007	0.0010	**0.0010**
10	Rajghat HPS	0.0001	0.0003	**0.0003**
11	Bargi HPS	0.0006	0.0006	**0.0006**
12	Bansagar PH-1,2&3 HPS	0.0486	0.0486	**0.0486**
13	Bansagar PH-4 HPS	0.0024	0.0024	**0.0024**
14	R.P. Sagar HPS	0.0000	0.0000	-
15	J. Sagar HPS	0.0000	0.0000	-
16	Birsinghpur HPS	0.0001	0.0001	**0.0001**
17	Madhikheda HPS	0.0004	0.0004	**0.0004**
18	**Total Hydro**	**0.0532**	**0.0540**	**0.0540**
Total		**3.8066**	**3.8075**	**3.8075**

MPERC FEES

The details of Fees actually paid to MPERC consist of Fees Annual Fees for FY 2016-17 amounting to Rs. 1.498 Crores, Fee for filing Trueup Tariff Petition for FY 2015-16 amounting to Rs. 0.01 Crores, Annual fees paid for SSTPP PH-1 for the period FY-14 and FY-15 demanded by Hon'ble Commission vide letter No. MPERC/645 dated 27.04.2017 paid vide this office letter No.07-12/CS-MPPGCL/MPERC Fee/SSTPP Stage-1/513 dated 09.05.2017 amounting to Rs. 0.36 Crores. This amount was erroneously overlooked by Hon'ble

Commission in head Other Charges at page 75 of Order while determining the Final Tariff for SSTPP Stage-1 in petition No. 09 of 2017. Accordingly same has been considered in this petition.

Further a Publication expenses amounting to total Rs. 0.03 Crores was incurred towards payment of Bills pertaining to Publication of Public Notices of various petitions during said period. The amount being nominal, it has been directly linked to ATPS PH-3. The above details are shown in table below:-

In Rs. Crores

S. No.	Stations	MPERC Fees paid for FY 2016-17	MPERC Fee for SSTPP PH-1 for the period FY-14 &15	Fee towards Trueup Petition for FY 2015-16	Tariff Related Publication Expenses in FY 2016-17	Total MPERC Fee considered in FY 16-17
1	ATPS PH-3	0.0630		0.0006	0.0331	**0.0967**
2	STPS PH-2&3	0.2490		0.0022		**0.2512**
3	STPS PH-4	0.1500		0.0013		**0.1513**
4	SGTPS PH-1&2	0.2520		0.0022		**0.2542**
5	SGTPS PH-3	0.1500		0.0013		**0.1513**
6	SSTPP PH-1	0.3600	0.3600	0.0000		**0.7200**
7	**Total Thermal**	**1.2240**	**0.3600**	**0.0076**	**0.0331**	**1.6247**
8	Gandhi Sagar HPS	0.0345		0.0003		**0.0348**
9	Pench HPS	0.0480		0.0004		**0.0484**
10	Rajghat HPS	0.0135		0.0001		**0.0136**
11	Bargi HPS	0.0270		0.0002		**0.0272**
12	Bansagar PH-1,2&3	0.1215		0.0011		**0.1226**
13	Bansagar PH-4 HPS	0.0060		0.0001		**0.0061**
14	R.P. Sagar HPS	-	-	-	-	-
15	J. Sagar HPS	-	-	-	-	-
16	Birsinghpur HPS	0.0060		0.0001		**0.0061**
17	Madhikheda HPS	0.0180		0.0002		**0.0182**
18	**Total Hydro**	**0.2745**	**0.0000**	**0.0024**	**0.0000**	**0.2769**
Total		**1.4985**	**0.3600**	**0.0100**	**0.0331**	**1.9016**

33. Issue

<u>Non Tariff Income</u>

In table No. 4.8.4.1 of the petition, the petitioner has mentioned the power station wise break up of only limited items of other income. Therefore, the petitioner is required to furnish the power station wise break-up of each item of other income as indicated in Note 26 of Annual Audited Accounts.

MPPGCL's Response:-

As desired by Hon'ble Commission, the power station wise break-up of each item of other income as indicated in Note 26 of Annual Audited Accounts is annexed as Annexure-30.

34. Issue

In Para 4.8.3 of the petition, it is mentioned that the other income of Rs. 476.14 Crores also includes the following income:

a. Net Surcharge for FY 2016-17 and FY 2015-16 in respect of delayed payment of Bills for sale of power to MPPMCL.

b. Income towards material found at site.

c. Fair value on Embedded Derivative.

The petitioner is required to explain the reasons for not considering the aforesaid items under non tariff income.

MPPGCL's Response:-

It is to submit that, MPPCGL has provided detailed justification/reasons with respect to aforesaid items in Chapter-4.8(Non Tariff Income) of subject petition. However, as desired by Hon'ble Commission, the same is elaborated as under:-

<u>Net Surcharge for FY 2016-17 & FY 2015-16:-</u>

MPPGCL, in accordance with the provisions of Power Purchase Agreement (PPA) is entitled to recover Surcharge on delayed payments of bills for sale of power to MPPMCL as per terms & conditions of MPERC Regulations. The Net Surcharge worked out for FY 2016-17 and levied upon MPPMCL amount to Rs. 230 Crores. During FY 2015-16, the Net Surcharge Levied by MPPGCL on MPPMCL amounted to Rs. 18.96 Crores; the same was included under the head Non Tariff income in FY 2015-16. This amount has been deducted by Hon'ble Commission in Trueup Order for FY 2015-16.

However, due to severe Liquidity crunch of MPPMCL as Discoms are under precarious financial position, GoMP vide letter No. 2332/7312/2017/13 dated 12.04.2017 has directed MPPGCL to Waive-off the Surcharge levied by MPPGCL on MPPMCL during FY 2015-16 & 2016-17 total amounting to Rs. 248.96 Crores (Rs.230 Crores + Rs.18.96 Crores).

*In compliance to the directives of GoMP vide letter dated 12.04.2017 **(Annexure-31)**, MPPGCL has waived off this amount of Surcharge amounting to Rs. 248.96 Crores (Rs. 230 Crores + Rs. 18.96 Crores) in the Annual Statement of Accounts for FY 2016-17. The same is reflected in item No. 8 of <u>Note No. 31.1 – Other Expenses</u> of Annual Statement of Accounts for FY 2016-17 read with Note 31.5 at page 74.*

It is pertinent to mention that the very purpose of permitting surcharge is to compensate the incidental cost e.g. increase in Working Capital requirements for the periods of delays and turbulences created in smooth operation of business due to delays in making payments to supplier / Contractors etc. Thus, in no manner the surcharge permitted in accordance with Regulations be considered as Non-Tariff Income. MPPGCL humbly submits that doing so, it will defeat the very purpose of providing the Proviso of Surcharge in tariff regulations.

In addition to above, it is further to submit that the benefit of writing-off of Surcharge levied has already been passed to Beneficiaries. As such, after considering the same, MPPGCL will deprive twice, without any fault on its part.

Considering the above facts, it is humbly requested to not consider Surcharge Income as part of Non-Tariff Income.

<u>Income Towards Material found at site:-</u>

MPPGCL has inherited its Accounting System form erstwhile MPSEB. As per these practices, materials issued to divisions were booked as consumption. This limitation was also observed by the Statutory Auditors of MPPGCL in the past. The above practice was followed since inception of MPEB (i.e. the parent organization of MPSEB & MPPGCL). With a view to improve upon the system, MPPGCL had carried out third party verification/valuation of all the materials lying in the local (site) stores in various divisions of Thermal & Hydel Stations. As per the valuation carried out by third party on 31.03.2017, total material amount to Rs.121.59 Crores (Excluding Interstate projects) were found. This amount has been booked under the head Other Income in the Audited Statement of Accounts for FY 2016-17 but pertains to preceding years since past i.e. of prior period.

*Hon'ble Commission has prescribed O&M Norms for thermal and Hydel Power Stations of MPPGCL. Any expenditure over and above the said Norms has to be borne by MPPGCL. The aforesaid prior period amount of Rs. 121.59 Crores is over and above the Normative O&M Expenses allowed to MPPGCL. The detailed working in this regard is annexed as Annexure-32**.***

*Here, it is to mention that this amount of Rs. 121.39 Crores **is merely a Book adjustment only and no actual cash is received by MPPGCL**, the corresponding impact of this book adjustment can be seen at Note No.6 (b) – Inventories at page 25 of Audited Statement of accounts for FY 2016-17. Accordingly, it is humbly requested before Hon'ble Commission, not to consider this amount of Rs. 121.59 Crores as Income (Prior Period amount) and also not as part of Non Tariff income.*

<u>Fair value gain on Embedded Derivative:-</u>

*MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17. The said Accounting Standard provides for recognition of notional income on account of expected gain from Foreign Exchange (Embedded Derivative). Accordingly, in compliance to INDAS, MPPGCL has recognized notional income of Rs. 45.90 Crores at 2x660MW SSTPP PH-2, Khandwa (**under construction**) in the Financial Statement of Accounts for FY 2016-17.*

*This amount of Rs. 45.90 Crores **is merely a Book adjustment** and no actual cash is received by MPPGCL, the corresponding impact of this book adjustment can be seen at Note No. 4 Other Financial Assets – Non Current item No. 4 at page 23 of Audited Statement of accounts for FY 16-17.*

As this income is expected gain and purely notional value in nature and pertains to Power Station under construction, who's Tariff has not yet determined by Hon'ble Commission. MPPGCL, therefore humbly requests before Hon'ble Commission not to consider this amount of Rs. 45.90 Crores as part of Non Tariff income. It is requested before Hon'ble Commission to kindly consider the same.

35. Issue

In Para 4.8.3 (c) of the petition, the petitioner has stated that it has recognized notional income of Rs. 45.90 Crores for 2x660MW SSTPP PH-2, Khandwa in respect of gain from FERV. The petitioner is required to explain the same with supporting documents in this regard.

MPPGCL's Response:-

*MPPGCL has adopted Indian Accounting Standard (INDAS) from FY 2016-17. The said Accounting Standard provides for recognition of notional income on account of expected gain from Foreign Exchange (Embedded Derivative). Accordingly, in compliance to INDAS, MPPGCL has recognized notional income of Rs. 45.90 Crores at 2x660MW SSTPP PH-2, Khandwa (**under construction**) in the Financial Statement of Accounts for FY 2016-17.*

*This amount of Rs. 45.90 Crores is merely a **Book adjustment and no actual cash is received by MPPGCL**, the corresponding impact of this book adjustment can be seen at Note No. 4 **Other Financial Assets – Non Current** item No. 4 at page 23 of Audited Statement of accounts for FY 2016-17. The supporting document in this regard is annexed as Annexure-33.*

***As this income is expected gain and purely notional value in nature and** pertains to Power Station under construction whose Tariff has not yet determined by Hon'ble Commission. MPPGCL, therefore humbly requests before Hon'ble Commission not to consider this amount of Rs. 45.90 Crores as part of Non Tariff income.*

MPPGCL Humbly request Hon'ble Commission to kindly consider the above submission while determining the True-up for FY 2016-17.

Annexure -2

<u>Petitioner's Response on MPPMCL's Comments on the subject True up Petition</u>

MPPMCL's Comment:

Para (III) That, the petitioner MPPGCL has prayed the above true up based on the Additional Capital Expenditure incurred in the MPPGCL's Thermal and hydro Power Stations during the financial year 2016-17. It is respectfully submitted that the petitioner is entitled only for those Additional capital expenditures which are permitted under 'Regulation 20' of the MPERC (Terms and conditions for determination of Generation Tariff) Regulation, 2015. It is respectfully submitted that except Shri Singaji Thermal Power Station all other Power Stations of MPPGCL are more than 8 years old and are governed by 'Regulation 20.3' of the Regulation 2015. This Regulation 20.3 of Regulations 2015 is reproduced as under:-

" 20.3 The capital expenditure, in respect of existing generating station incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

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

(b) Change in law or compliance of any existing law;

(c) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

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

(e) Any liability for works executed prior to the cut-off date, after prudence check of the details of such un-discharged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(f) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(g) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations, the claim shall be substantial with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(h) 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) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(i) Any capital expenditure found justified after prudence check necessitated on account of modification required or done in fuel receiving system arising due to non-materialization of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. 1.4.2016.

Provided further that any capital expenditure other than that of the nature specified above in (a) to (d) in case of coal based station shall be met out of Compensation Allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernization (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation."

On the examination of the 'Regulation 20.3,' it may kindly be seen that, the 'Regulation 20.3' only permits the Additional capital Expenditure on very specific and limited counts such as liability to met award of arbitration, decree of court of law, change in law, deferred work relating to ash pond liability for works executed prior to cut-off date. But, on perusal of the details of Additional Capitalization submitted by the petitioner, it is observed that almost all the counts for which, the approval of Additional Capital expenditure incurred in various power stations of MPPGCL has been requested are not covered under ‘Regulation 20.3.’ Therefore, the answering respondent opposes each and every Additional Capital Expenditure claimed by the petitioner which is not covered under ‘Regulation 20’ of the ‘Regulation 2015’ and request to this Hon’ble Commission that not to allow any such Additional Capital Expenditure. Without prejudice to the above, the power station-wise comment of the answering Respondent is as under:-

(i) **ATPS 210 MW PH3-**

The plant was commissioned on 10.09.2009 and as such no capitalization prayed under para 4.3.3 of the petition may kindly be allowed. Further, the expenditure claimed under account head 10.101, 10.102, 11.602 and 11.603 on the reference of INDAS is also not allowed under provision of ‘Regulation 2015’ and therefore shall not be allowed.

(ii) **STPS PH-2 & 3-**

The petitioner has claimed capitalization for compliance of Indian Accounting Standards, cost of Tree Plants (statutory payment) and capital spares found during physical verification. It is respectfully submitted that accounting provisions of INDAS and Additional Capitalization provision of Regulations 2015 are different and therefore the petitioner is not entitled for Additional Capitalization claimed under account code 10.101 of para 4.3.8. Further, cost of Tree Plant is not a statutory payment under Provisions of Regulation 2015 and therefore may not be considered.

Further, the Commission has already disallowed the transfer of decommissioned common service assets of STPS PH-1 to STPS PH-2&3 and therefore, the claim of the petitioner for adjustment of Rs. 6.01 Crore in the Gross Block of STPS PH-2&3 shall not be allowed.

(iii) **STPS PH-4-**

The unit no.10 of the PH-4 was commissioned on 18.08.2013 and the cut-off date i.e. 31.03.2016. As the cut-off date has been passed no additional capital expenditure incurred during year 2016-17 prayed under para 4.3.12 of the petition against unit no.10 is admissible and therefore it is respectfully prayed to the Hon’ble Commission not to allow such expenditure. Further, many of the items claimed under head additional capitalization mentioned in table no.4.3.12.1 such as cost of tree plants, Misc. works, furniture, and fixtures etc. are not admissible under the provisions of Regulation 20.3 and as such it is respectfully prayed that the same shall not be allowed.

(iv) **<u>SGTPS PH 1&2 and PH-3 –</u>**

As already submitted in foregoing paras, expenditure prayed under para 4.3.16 and 4.3.2.0 is not admissible and therefore the same shall not be allowed.

(v) **<u>SSTPP PH-I –</u>**

Many of the items mentioned in Table no.4.3.26.1 are not admissible under the provisions of Regulation 20.3 and therefore it is respectfully prayed that expenditure on such items shall not be allowed.

(vi) **<u>Bansagar PH-1, 2 & 3, Pench HPS, Bargi HPS, Madhikheda HPS, Rajghat HPS, Birsinghpur HPS and Head Quarters –</u>**

The petitioner has claimed expenditure on acquiring minor assets such as furniture, office equipments, computers, tools and tackles etc. brought after the cut-off date which are not allowed under 'Regulation 20' of 'Regulation 2015' and therefore the answering Respondent opposes the claim and pray to the Hon'ble Commission to disallow all such expenditures.

MPPGCL's Response*:*

It is to submit that the additional capitalization claimed by MPPGCL in the instant True up petition is in accordance with the respective MPERC Regulations. The Power Station wise reply of MPPGCL towards additional Capitalization claimed in instant petition is as under:-

<u>ATPS 210MW Extn. Unit No. 5, Chachai:</u>

The assets amounting to Rs. 7.82 Crores have been capitalized at 210MW ATPS Chachai during FY 2016-17 and captured in the Audited Books of Accounts. The same has been claimed accordingly in the subject True Up petition.

The aforesaid additional capitalization of Rs.7.82 Crores comprises of the following:-

Particulars		***Amount (Rs. Crores)***
1	*Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of ATPS PH-3.*	*0.85*
2	*Pollution Monitoring Equipments*	*1.65*
3	*Communication Metering Equipments*	*0.10*
4	*Capital Expenditure towards capital overhauling of Turbine & Generators under INDAS-16*	*1.86*
5	*Capital Expenditure towards capital overhauling of Balance of Works under INDAS-16*	*1.03*

6	*Capitalization under land head under Asset Retirement Obligation of INDAS-16*	*0.06*
7	*Works related to Ash handling System*	*0.10*
8	*Capital Spares*	*1.81*
9	*Other works related to building, Pucca roads, Coal conveyer etc*	*0.36*
	Total	***7.82***

In reference to aforesaid additional capitalization it is to submit as under:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generation as a manufacturing activity. The Commercial Tax Department was not accepting the plea of considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal.*

MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. In the matter it was decided that Entry tax shall be payable @ 5% as against 2% and 3% already paid in past.

Accordingly, the differential Entry Tax liability was settled by MPPGCL. The Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure for up to commissioning) of ATPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory is in nature, the said capitalization of Rs. 0.85 Crores has been claimed under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Procurement of Pollution Monitoring Equipments has been carried out towards compliance of Statutory Environmental Norms. Similarly, Procurement of Communication and Metering Equipments at Power Station has been carried out towards compliance of MPEGC/ IEGC/CEA directives. Both the said capitalization (total amounting to Rs.1.75 Crores) has been claimed under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

- *For FY 2016-17, the Annual Statement of Accounts of MPPGCL has been prepared on the basis of Indian Accounting Standards (INDAS) prescribed under Section 133 of the Companies Act read with the rule 3 of Companies (Indian Accounting Standard) Rules, 2015 and Companies (Indian*

Accounting Standard) amendment Rules, 2016, which is a statutory/mandatory requirement and binding on companies w.e.f. FY 16-17.

As per INDAS-16, Plant Property & Equipments provides as under:-

"A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied"

Further as per INDAS-16, the cost of an item of Property, Plant and Equipment shall be recognized as an asset if, and only if:

2) *it is probable that future economic benefits associated with the item will flow to the entity; and*
3) *the cost of the item can be measured reliably.*

According to above, MPPGCL has capitalized the amount of Capital Expenditure towards Capital Overhauling of Turbine & Generators & Balance of work in the Books of Accounts for FY 2016-17.

Being a statutory requirement, the said capitalization of Rs.2.89 Crores is claimed under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at ATPS Chachai leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the work done by them, departmentally.
Therefore, as per statutory requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts 2016-17.
Being a statutory requirement, the said capitalization of Rs.0.06 Crores is claimed under proviso 20.3 of MPERC Regulations 2015, which provides for

incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *The Works related to Ash Handling System amounting to Rs.0.10 Crores is claimed under proviso 20.3 (d) of MPERC Regulations 2015 which provides incurrence deferred works relating to ash pond or ash handling system in the original scope of work;*

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at ATPS PH-3 and same are capitalized in the Books of Accounts 2016-17. The said capitalization is claimed under proviso 20.1 (e) of MPERC Regulations 2009 which provides for "Procurement of initial Capital Spares within the Original Scope of Work", in accordance with the provisions of Regulation 17.1(b).*

- *Other works related to building, Pucca roads, Coal conveyer, amounting to Rs.0.36 Crores are the essential need based works at Power Station. The same is claimed under proviso 20.3 of MPERC Regulations 2012.*

STPS PH-2 & 3, Sarni:

MPPGCL has opted for Special Allowance for STPS PH-2 & 3 from FY 2011-12 onwards. The Hon'ble Commission vide order dated 23.07.2015 in Petition no. 23 of 2015 filed in the matter of recovery of Special Allowance for Unit No. 6, 7, 8 & 9 of STPS, Sarni from FY 2011-12 to FY 2015-16, has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly, MPPGCL has not claimed any additional capitalization on these Units from FY 2011-12 onwards on account of Renovation & Modernization works.

However, capitalizations made at STPS PH-2 & 3 are considered in the instant petition on following counts:-

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at STPS PH 2 & 3 Sarni leased by Forest Deptt. On directions from Deptt. of Forest, MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the work done by them departmentally.

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts.

Being a statutory requirement, the said capitalization of Rs. 0.83 Crores, is claimed under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Compensation paid for Land amounting to Rs 0.08 Crores, being a statutory requirement, the said capitalization is claimed under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co. (Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at STPS PH- 2 & 3 and same are capitalized in the Books of Accounts. The said capitalization of Rs. 4.21 Crores is claimed under proviso 20.1 (iii) of MPERC Regulations 2015, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 19.*

It is to submit that the units of STPS PH-1 Sarni have already been decommissioned during FY 2012-13 & FY 2013-14. MPPGCL in the True up petition of respective years have submitted that though majority of Assets of said units have been decapitalized, the assets towards common services of STPS PH-1 amounting to Rs. 3.03 Crores of MPPGCL Share have been transferred to STPS PH-2 & 3. However, the Hon'ble Commission has not considered the same.

In the FY 2016-17, MPPGCL have now transferred share of Rajasthan Rajya Vidyut Prasaran Nigam Ltd in common service Assets of STPS PH-1 in its Books of Accounts amounting to Rs.2.97 Crores. It is to mention that these assets are already depreciated to the extent of 90%.

Accordingly, MPPGCL in the instant petition has made the adjustment of Rs.6.01 Crores (3.03 Crores + 2.97 Crores) in the Gross Block of STPS PH-2 & 3 along with Normative Equity adjustment of Rs. 0.89 Crores corresponding to Assets of Rs. 2.97 Crores as mentioned above.

In view of above, it is requested before Hon'ble Commission to kindly permit the same.

STPS (2x250MW) Extn. Unit No. 10 & 11 Sarni:

The assets amounting to Rs. 73.68 Crores have been capitalized at STPS Sarni PH-4 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No.4.3.12.1 on page No. 47 of subject True Up petition of FY 2016-17.

The aforesaid capitalization is covered under the Original Scope of Work Estimate of Rs. 3514 Crores, which has been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission in the matter of determination of Final Generation Tariff of STPS PH-4 (Petition No. 13 of 2015).

As the Date of Commercial operation (CoD) of extension Unit No. 10 & 11 of STPS, Sarni PH-4 (2x250 MW) was 18.08.2013 & 16.03.2014 respectively, therefore both the units are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance with the MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at STPS Sarni PH-4 is 31.03.2017. The definition of "Cut-off date"" as per MPERC Regulation 2012 is reproduced hereunder:-

"Cut-off date means 31st March of the year closing after two years of the year of commercial operation of the ***Project****, and in case the Project is declared under commercial operation in the last quarter of a year, the Cut-off date shall be 31st March of the year closing after three years of the year of commercial operation"*

The above capitalization comprises of Asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounting to Rs. 57.08 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.16.60 Crores respectively. This includes the capitalization amounting to Rs. 6.17 Crores towards impact of Entry Tax liability of coal consumed during the trial stage (Fuel Expenditure up to commissioning) of STPS PH-4 (2x250 MW).

The aforesaid capitalization is claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015 reproduced hereunder:

- *Proviso 20.1 of MPERC Regulations 2012:-*

"20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:

(a) Un-discharged liabilities

(b) Works deferred for execution

(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)."

- *Proviso 20.1 of MPERC Regulations, 2015:*

"20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- *Un-discharged liabilities recognized to be payable at a future date;*
- *Works deferred for execution;*
- *Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;*
- *(v) Change in law or compliance of any existing law"*

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

SGTPS PH-1 & 2, Birsinghpur:

The assets amounting to Rs. 14.12 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2016-17 as per Audited Books of Accounts. The same are claimed in instant True Up petition.

The above mentioned additional capitalization comprises of following:-

Particulars		Amount in Rs. Crores
1	Capitalization under land head under Asset Retirement Obligation of INDAS-16	0.10
2	Digital Automatic Voltage Regulator	0.84
3	Quality Monitoring System	0.22
4	2 X 50 KVA UPS	0.41
5	Max Series DCS System	3.25
6	PLCC SCADA System	1.67
7	Conductivity Meter	0.004
8	Instrumentation and Control related Equipments	0.15
9	Computer, Printer and Office Equipments	0.03
10	Capital Spares found on physical verification	5.53

Particulars		Amount in Rs. Crores
11	Dozer Rehabilitation Cost (INDAS-16)	0.82
12	Capital Expenditure towards capital overhauling of Boiler(INDAS-16)	1.10
Total		**14.12**

The Gross Block of PH-1 & 2 of SGTPS Birsinghpur was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. Further PH-1 & 2 of SGTPS Birsinghpur are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The capitalization made on account of procurement of Digital Automatic Voltage Regulator, Quality Monitoring System, 2 X 50 KVA UPS, DCS System, PLCC SCADA System, Conductivity Meter and Instrumentation & Control related Equipments are carried out in compliance to directives of MoEF& CC Norms/ MPEGC /IEGC/CEA and is claimed under following proviso of MPERC Regulations:-

- *Proviso 19 (2.9) (f) of MPERC Regulations, 2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in original Capital costs.*
- *Being statutory requirement, the said capitalization is covered under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.*

Further, a dozer amounting to Rs. 0.97 Crores was transferred from STPS Sarni to SGTPS Birsinghpur, which was already depreciated to 90% of its cost. Due to aging of Dozer, it was refurbished so as to perform efficiently on which an amount of Rs.0.82 Crores was incurred during FY 2016-17.

Further MPPGCL has incurred Capital Expenditure towards Capital overhaul of Boiler amounting to Rs.1.10 Crores. In accordance with INDAS-16, the aforesaid amount has capitalized in the Books of Accounts for FY 2016-17 & claimed under following proviso of MPERC Regulations:-

- *Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient* *and successful operation of generating station but not include in original Capital costs.*

- *Being statutory requirement, the said capitalization is covered under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of capital expenditure under change in law or compliance of any existing law.*

MPPGCL is having Land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the work done by them departmentally.

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17. Being a statutory requirement, the said capitalization of Rs.0.10 Crores is claimed under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Apart from above, based on the report submitted by the consultant, on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-1&2 and same are capitalized in the Books of Accounts.

The said capitalization of Rs.5.53 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial Capital Spares within the original scope of work, in accordance with the provisions of Regulation 18.

SGTPS PH-3 (500MW) Extn. Unit No.5 Birsinghpur:

The assets amounting to Rs.12.81 Crores have been capitalized at SGTPS PH-3 during FY 2016-17 and captured in Audited Books of Accounts of MPPGCL for FY 2016-17. The same has been claimed in the subject True Up petition.

As the extension Unit No. 5 of SGTPS Birsinghpur (500MW) has been commissioned on 28.08.2008, the same has been governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The above additional capitalization comprises of following:-

Details of Asset		Amount in Rs. Crores
1	Capitalization towards Entry tax liability of past years towards coal consumed during trail stage fuel expenditure for commissioning of SGTPS PH-3(500 MW).	3.71
2	Asset retirement obligation under INDAS -16	0.50
3	Railway Siding Penal Interlock	1.48
4	Boundary Wall related works	0.33
5	Surface Grinder Machine	0.04
6	Coal Dozer With Power Tilt	1.78
7	Computers , Peripherals and office Equipments	0.06
8	Capital Spares	4.91
Total		**12.81**

In reference to aforesaid additional capitalization, it is to submit as under:

- *MPPGCL was paying Entry Tax @ 2% and 3% on coal since 2007-08 considering power generation as a manufacturing activity. The Commercial Tax Department was not accepting the plea of considering generation as manufacturing activity and was insisting MPPGCL to make payment of Entry Tax @ 5% on coal. MPPGCL had therefore taken up the matter before Hon'ble High Court. Subsequently, on the advice of Hon'ble High court, issue was resolved at GoMP level. In the matter it was decided that Entry tax shall be payable @ 5% as against 2% and 3% already paid in past.*

Accordingly, the differential Entry Tax liability of coal was settled by MPPGCL & the Entry Tax pertaining to coal consumed during trail stage (Fuel Expenditure up to commissioning) of SGTPS PH-3 (210MW) was capitalized in the Books of Accounts.

As the payment of Entry Tax is statutory is in nature, the said capitalization of Rs. 3.71 Crores has been claimed under proviso 20.3 of MPERC Regulations 2015, which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *As per INDAS-16, the cost of Land includes the costs of site Dismantlement, Removal and Restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.*

MPPGCL is having land at SGTPS Birsinghpur leased by Forest Deptt. On directions from Forest Deptt., MPPGCL is required either to carry out *plantation work on the site defined by the Forest Deptt. or make payment to Forest Deptt to get the work done by them, departmentally.*

Accordingly, as per requirement of INDAS-16, MPPGCL has recognized the amount of expenditure to carry out plantation work and capitalized the same in the Books of Accounts of FY 2016-17.Being a statutory requirement, the said capitalization of Rs. 0.50 Crores, is claimed under proviso 20.3 of MPERC Regulations 2015 which provides for incurrence of Capital Expenditure under Change in Law or compliance of any Existing Law.

- *Capitalization of Railway siding interlock, boundary wall related works, Surface Grinder Machine, Coal Dozer, Capital Spares, Computers etc amounting to Rs.3.69 Crores is claimed under the following proviso of MPERC Regulations, 2005:*

As per Proviso 19 (2.9) (a) of MPERC Regulations,2005, which provides for capital expenditure actually incurred after the commercial date of operation due to deferred liabilities within the original scope of work.

As per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides any additional works/ services which became necessary for efficient and successful operation of generating station .

- *MPPGCL has conducted physical verification of Inventory and Valuation of Material at Site of its power stations by M/s KB Saxena & Co.(Cost Accountants). Based on the report submitted by the consultant on accounting principles, MPPGCL has identified the Capital Spares at SGTPS PH-3 and same are capitalized in the Books of Accounts of FY 2016-17.*

The said capitalization of Rs.4.91 Crores is claimed under proviso 19(e) of MPERC Regulations 2005, which provides for Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 18.

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

SSTPP Stage-I (2x600MW) Khandwa:

The assets amounting to Rs.116.96 Crores have been capitalized at SSTPP Stage-I (2x600MW) Khandwa, during FY 2016-17 as captured in Audited Books of Accounts of MPPGCL. The same have been claimed and detailed at Table No. 4.3.26.1 on page No.53 & 54 of subject True Up petition for FY 2016-17.

The aforesaid capitalization has been covered under the Original Scope of Work Estimate of Rs.7820 Crores, which has been approved by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission in the matter of determination of Final Generation Tariff of SSTPP Stage-I (Petition No. 09 of 2017).

The Date of Commercial operation (CoD) of Unit No. 1 & 2 of SSTPP Stage-I (2x600 MW) Khandwa are 01.02.2014 & 28.12.2014 respectively. Thus Stage I, SSTPP governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012.

In accordance to MPERC (Terms and Conditions for determination of Generation tariff), Regulations, 2012, the Cut-off date for the purpose of Additional Capitalization at SSTPP Stage-I(2x600 MW) Khandwa is 31.03.2017. The definition of "Cut-off date"" as per MPERC Regulation 2012 is reproduced hereunder:-

*" Cut-off date means 31st March of the year closing after two years of the year of commercial operation of the **<u>Project</u>**, and in case the Project is declared under commercial operation in the last quarter of a year, the Cut-off date shall be 31st March of the year closing after three years of the year of commercial operation"*

The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2016-17 under Account Code 10.XXX (Fixed Assets) amounting to Rs. 74.75 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.42.21 Crores respectively.

This includes the capitalization amounting to Rs. 6.07 Crores towards impact of Entry Tax liability on coal consumed during the trial stage (Fuel Expenditure up to commissioning) of SSTPP PH-1(2x600 MW).

The aforesaid capitalization has been claimed under the following provisos of MPERC Regulations, 2012 & MPERC Regulations, 2015 reproduced hereunder:

- Proviso 20.1 of MPERC Regulations 2012:-

"*20.1 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 up to cut-off date may be admitted by the Commission, subject to prudent check:*

(a) Un-discharged liabilities

(b) Works deferred for execution

(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).”

- Proviso 20.1 of MPERC Regulations, 2015:

“20.1 The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

Un-discharged liabilities recognized to be payable at a future date;
(ii) Works deferred for execution;
(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;
(iv) Change in law or compliance of any existing law”

In view of above, it is humbly requested before Hon’ble Commission to kindly permit the same.

<u>Bargi HPS :</u>

The assets amounting to Rs. 0.56 Crores were capitalized at Bargi HPS during FY 2016-17 as per Audited Books of Accounts of MPPGCL.

The Gross Block of Bargi HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP. Further Bargi HPS is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The above mentioned capitalization is on account of need based essential and statutory works as detailed hereunder:-

Particulars	***Amount (Rs. Crores)***
CMRI, ABT Meter and Vibration Meter	*0.03*
Power Transformer	*0.05*
SF 6 Breaker	*0.06*
Station Battery and PLCC Battery	*0.22*
Lightening Arrestor	*0.01*
Electronic Liquid Cleaner	*0.04*
Computer & Peripherals	*0.07*
Capital Spares found on physical verification	*0.08*
Total	***0.56***

The abovementioned capitalization is made towards compliance of directives of IEGC/MPEGC/CEA. The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

Birsinghpur HPS :

The assets amounting to Rs. 0.25 Crores were capitalized at Birsinghpur Hydel Power Station during FY 2016-17 as per Audited Books of Accounts of MPPGCL for 2016-17.

The Gross Block of Birsinghpur HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The above mentioned capitalization is on account of need based essential and statutory works as detailed hereunder:-

Particulars	Amount (Rs. Crores)
220V HDP Battery Bank Con. of 110 with all Accessories	0.17
Air Compressor	0.09
Other minor Equipments	0.002
Total	**0.25**

The abovementioned capitalization is made towards compliance of directives of IEGC/CEA. The said capitalization was claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further, Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure, which has become necessary for efficient operation of generating station, other than coal based stations.

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

Bansagar PH-1, 2 & 3, HPS :

The minor asset addition towards procurement of Computers, Furniture & office Equipments as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Bansagar PH-1, 2 & 3 Hydel Power Station amounts to Rs.0.17 Crores.

The Gross Block of Bansagar PH-1,2&3 HPS were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & have governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005, which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure, which has become necessary for efficient operation of generating station other than coal based stations.

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

Pench HPS :

The minor asset addition towards procurement of Computers & Furniture as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Pench Hydel Power Station amounts to Rs.0.02 Crores.

The Gross Block of Pench HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & was governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization was claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

It is humbly requested before Hon'ble Commission to kindly permit the same.

Madhikheda HPS:

The minor asset addition towards procurement of office Equipments as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Madhikheda Hydel Power Station amounts to Rs.0.01 Crores.

The Unit No. 1, 2 &3 of Madhikheda HPS have been commissioned on 28.08.2006, 09.09.2006 & 18.08.2007 respectively and are governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for any Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

Further Proviso 20.3 (g) of MPERC Regulations, 2015 provides for incurrence of any additional capital expenditure which has become necessary for efficient operation of generating station other than coal based stations.

In view of above, it is humbly requested before Hon'ble Commission to kindly permit the same.

Rajghat HPS :

The minor asset addition towards procurement of Furniture as captured in the Annual Statement of Accounts of MPPGCL for FY 2016-17 at Rajghat Hydel Power Station amounts to Rs.0.02 Crores.

The Gross Block of Rajghat HPS was transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP & is governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which do not specify for Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed as per Proviso 19 (2.9) (f) of MPERC Regulations,2005 which provides for incurrence of capital expenditure, which become necessary for efficient and successful operation of generating station but not include in the original Capital costs.

It is humbly requested before Hon'ble Commission to kindly permit the same.

Head Quarter

It is to submit that in its earlier True up petitions, MPPGCL has proposed the minor assets capitalized at Head Quarter to be treated as part of assets of the nearest power station i.e. Bargi HPS. However the Hon'ble Commission has not given cognizance to the same. MPPGCL in the instant True up petition has again claimed the total capitalization amounting to Rs.0.87 Crores at Head Quarter as per the Audited books of Accounts of MPPGCL.

Further Proviso 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

It is to mention that, the Hon'ble Commission vide letter dated 19.02.2018 has desired additional information along with supporting documents towards additional claimed by MPPGCL at Thermal & Hydel power Stations. The work of consolidating the desired information along with all supporting documents is under process & same shall be submitted by MPPGCL shortly.

MPPMCL's Comment:

Para(IV) That, the petitioner which working out the Annual Fixed Cost of the Generating Stations, considered the Gross Block of SSTPP PH-1 as on 31.03.2016 submitted in the Final Tariff petition of SSTPP PH-1. The Hon'ble Commission on 30.12.2017 has passed the final tariff order for SSTPP, Stage-1 and therefore the Gross Block as approved by the Hon'ble Commission in the order dated 30.12.2017 may kindly be considered for determination of Annual Fixed Cost.

MPPGCL's Response:

It is to submit that MPPGCL has filed the subject True up petition for FY 2016-17 on 29.12.2017 before Hon'ble Commission. Till that date, the Final Generation Tariff of SSTPP PH-1(2x600 MW) Khandwa was not determined by Hon'ble Commission. Accordingly, MPPGCL has considered the figures of Gross Block as on 01.4.2016 as submitted in the Final Tariff petition of SSTPP PH-1(2x600 MW) Khandwa which are in accordance with the Audited Books of Accounts of MPPGCL.

Subsequently, The Hon'ble Commission vide its order dated 30.12.2017 has determined the Final Generation Tariff of SSTPP PH-1(2x600 MW) Khandwa.

It is therefore requested before Hon'ble Commission to kindly consider the impact of Final Generation Tariff order of SSTPP PH-1 (2x600 MW) Khandwa in the subject True up Petition

MPPMCL's Comment:

Para(V) That, the Hon'ble Commission vide order dated 26.04.2016 passed in petition no. 04/2016 has already decided and disallowed recovery of full capacity charges for Hydro Stations on Capacity Index Basis therefore, this prayer of the petitioner shall not be considered.

MPPGCL's Response:

The details regarding Recovery of full Capacity Charges for Hydro Station on Capacity Index Basis have already been elaborated in length in para 2.2 & 2.3 of Chapter-2 of the subject petition.

There seems some misinterpretation of order of MPERC on part of MPPMCL on the said issue. The Hon'ble Commission in its order dated 06.05.2016 has stated in para 5 (vi) that the matter is sub-judiced in the Hon'ble Supreme Court of India under C.A. No. 6320 of 2011 admitted by Apex Court, therefore the same cannot be dealt or discussed in this order for petition No. 4 of 2016.

In accordance with the methodology adapted by Hon'ble CERC, MPPGCL has already represented the issue of recovery of Capacity(Fixed) Charges of Hydro Power Stations of MPPGCL in various petitions and forums and the same has well elaborated in para 2.3 of subject petition.

Looking to the facts & constrains of hydro power stations of MPPGCL and proviso 40.3 of MPERC Regulations, 2015, MPPGCL humbly request Hon'ble Commission to kindly take cognizance of above mentioned critical challenges related to Hydro Power Stations of MPPGCL and either opt the CERC methodology of determination of norms for NAPAF or allow MPPGCL to recover of full Capacity Charges for Hydro stations of MPPGCL on Capacity Index basis.
In view of the above, it is humbly requested before Hon'ble Commission to kindly permit the same.