

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

5th Floor, "Metro Plaza", Bittan Market, Bhopal - 462 016



Petition No. 66 of 2015

PRESENT:

Dr. Dev Raj Birdi, Chairman

A.B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

True-up of Generation Tariff of MPPGCL's Thermal and Hydro Power Stations for FY 2014-15 Determined by MP Electricity Regulatory Commission vide Multi-Year Tariff order dated 01st April, 2013 and order dated 07th January, 2016, for Extension Unit 10 and 11 of Satpura Thermal Station, Sarni PH-IV.

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 20th May, 2016)**

1. Madhya Pradesh Power Generation Company Ltd. (hereinafter called "the petitioner" or "MPPGCL") has filed the subject petition on 09th November, 2016, for true-up of generation tariff for FY 2014-15, determined by the Madhya Pradesh Electricity Regulatory Commission (hereinafter called "the Commission or MPERC") vide Multi-Year tariff order dated 01st April, 2013 and order dated 07th January, 2016, for Extension Unit 10 & 11 of Satpura Thermal Power Station, Sarni PH-IV (hereinafter called "STPS PH-IV").
2. The Commission issued MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 {RG-26 (II) of 2012} (hereinafter referred to as "the Regulations, 2012") for the control period of FY 2013-14 to FY 2015-16 notified on 28th December, 2012. The Commission also issued the First Amendment to these Regulations on 13th December' 2013.
3. The subject true-up petition is filed under section 62 and 64 of Electricity Act, 2003, read with proviso 8.4 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 and based on the Annual Audited Accounts for FY 2014-15. The scrutiny of the subject true-up petition is based on the principles and methodology specified in the Regulations, 2012.
4. The details of the power stations covered in this true-up petition are as given below:

Table 1: Installed Capacity in MW

Sr. No.	Power House	Installed Capacity (in MW)	Year/Date of Commissioning
1	ATPS PH-II	2X120 MW = 240 MW	1977-78
2	ATPS PH-III	1X210 MW = 210 MW	10.09.2009
3	STPS PH-II & III	3X210+1X200 = 830 MW	1980-84
4	STPS PH-IV	2x250=500 MW	16.03.2014
5	SGTPS PH-I	2X210 MW = 420 MW	1993-94
	SGTPS PH-II	2X210 MW = 420 MW	1998-99
		840 MW	
6	SGTPS PH-III	1X500 MW = 500 MW	28.08.2008
7	Gandhi Sagar	5X23 MW = 115 MW	1960 to 1966
8	Pench HPS	2X80 MW = 160 MW	1986-87
9	Raighat HPS	3X15 MW = 45 MW	1998-99
10	Barqi HPS	2X45 MW = 90 MW	1988 & 1992
11	Bansagar PH-I	3X105 = 315 MW	1991 to 1992
	Bansagar PH-II	2X15 = 30 MW	1997-98
	Bansagar PH-III	3X20 = 60 MW	2001-02
12	Bansagar PH-IV	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 29.11.2006. 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 instant true-up exercise for FY 2014-15 has been carried out with respect to the Annual Capacity (fixed) Charges provisionally determined by the Commission for FY 2014-15 in its MYT order dated 01st April, 2013 and order dated 07th January 2016, for STPS Sarni PH-IV are as given below:

Table 2: Power Station Wise Annual Capacity (fixed) Charges allowed for FY 2014-15: (₹ in Crores)

Sr. No.	Power House	Annual Capacity (fixed) Charges for FY 2014-15
1	ATPS Chachai (PH-II)	112.62
2	ATPS Chachai (PH-III)	204.47
3	STPS Sarni (PH II&III)*	373.51
4	STPS Sarni, (PH-IV)	721.45
5	SGTPS (PH-1&2)	424.82
6	SGTPS (PH-III) 500 MW	423.81
7	Gandhi Sagar	15.20
8	Pench	26.59
9	Rajghat	13.82
10	Bargi	18.68
11	Bansagar (I to III)	170.53
12	Bansagar-IV (Jhinna)	14.45
13	Birsinghpur	6.75
14	Madhikheda	34.37
Total		2561.07

*Under the MYT order dated 01st April, 2013 the approved AFC for STPS Sarni PH-I, II&III was of ₹ 431.09Crores. However after decommissioning of Units of PH-I, the AFC of STPS Sarni (PH II & III) is considered after reduction of AFC of decommissioned units of PH I of ₹117.81Crores vide order dated 09th July, 2013 and addition of net special allowance of ₹60.23Crores as approved vide order dated 23th July, 2015.

7. Head wise break-up of Annual Capacity (fixed) charges for FY 2014-15 determined in MYT order dated 01st April, 2013 and in order dated 07th January, 2016, for STPS PH-IV are as given below:

Table 3: Head Wise Annual Capacity (fixed) Charges Allowed for FY 2014-15 (₹ in Crores)

S. No	Particulars	Allowed in MYT for FY 2014-15*	Allowed in STPS PH-IV final tariff order for FY 2014-15	Total
1	Return on Equity	338.23	93.22	431.45
2	Interest on Loan (including Interest on excess equity)	170.76	300.26	471.02
3	Depreciation	284.60	157.28	441.88
4	O & M Expenses	623.13	99.50	722.63
5	Cost of Sec.fuel oil	125.66	21.64	147.3
6	Compensation /Special Allowance	73.55	0.00	73.55
7	Intrest on Working capital	223.66	49.54	273.2
	Total Capacity (Fixed) Charges	1839.59	721.45	2561.07

*Under the MYT order dated 01st April, 2013 the approved ARR for STPS Sarni PH-I, II&III was of ₹431.09Crore. However after decommissioning of Units of PH-I, the ARR of STPS Sarni (PH II & III) is considered after reduction of ARR of decommissioned units of PH I of ₹117.81Crore vide order dated 09th July, 2013 and addition of net special allowance of ₹60.23Crore as approved vide order dated 23th July, 2015.

8. In the subject true-up petition, the petitioner broadly submitted the following:

- "a) The Energy (Variable) Charges has been billed in accordance to Proviso 41 of MPERC (Terms & Condition for determination of Generation Tariff) Regulation, 2012. 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 basis based on Audited Accounts of FY 2014-15.
- c) The expenses shown in Annual Audited Accounts for FY 2014-15 are of MPPGCL's share. The expenses as extracted from Annual Audited Accounts for FY 2014-15 for the shared portion have been factored to represent 100% capacity operated by MPPGCL to match with MPERC's Multi Year Tariff Order dated 01.04.2013.

- d) *The expenses of Rana Pratap Sagar and Jawahar Sagar indicated in the Annual Statements of Accounts for FY 2014-15 of MPPGCL have not been considered in this True up Petition since the Commission has not considered these projects in Tariff order, being operated by Rajasthan.*
- e) *The True up in respect of Bansagar PH-4 Small Hydro Project (Jhinna) has been considered in the instant True up petition based on provisional Tariff as approved by the Commission in MYT order. However, MPPGCL has filed separate petition for determination of Final Tariff for this station along with its Trueup up to FY-2013-14 before the Commission.*
- f) *MPPGCL has filed the petition for approval of Final Generation Tariff of 2x250 MW Extn. Unit No. 10 & 11 of STPS Sarni (Petition No. 13 of 2015) for the period 18.08.2013 to 31.03.2014 on actual basis and for FY 2014-15 and FY 2015-16 on projected basis. Accordingly the Trueing up of FY 2014-15 has been considered in the instant petition.*
- g) *As per the Regulation 26.5, the expenditure towards actual Pension & Terminal benefits is to be claimed by Transmission Licensee; hence MPPGCL has not claimed these expenses in its tariff petition.*
- h) *The 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 2015-16 (petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly the Trueing up of the same has been considered in the instant petition.*
- i) *The PH-1 of STPS, Sarni has not been considered in this trueup petition as all its units have been de-commissioned by FY 2013-14. Accordingly, order for petition No.15 of 2013 towards segregation of Fixed cost pertaining to PH-1, STPS, Sarni has been referred for element wise breakup of Fixed cost for PH-2&3 STPS, Sarni. Further, the assets pertaining to common services have been transferred to PH-2&3 for the purpose of tariff.*
- j) *MPPGCL is in process of filing the Final Tariff Petition of 2x600MW Shri Singaji Thermal Power Project, Khandwa for the period from CoD to FY 2015-16, accordingly, the trueup of SSTPP for FY 2014-15 shall be covered under the said petition.*

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

Table 4: Element-wise True-Up Amount for FY 2014-15 Claimed (Amount in ₹ Crores)

Particulars	Elements	Annual Fixed Charges for FY 2014-15		
		As per MPERC Orders	After Applying Actual Availability	Diff.
Annual Fixed Cost Elements	O & M Expenses	722.62	551.26	-171.37
	Compensation Allowance	13.31	9.26	-4.05
	Special Allowance	67.19	51.97	-15.22
	Interest on Loan + Excess Equity	477.07	400.74	-76.33
	Interest on W/C	274.11	211.56	-62.54
	Depreciation	450.07	398.70	-51.37
	RoE	428.99	363.93	-65.06
	Cost of Sec oil (normative)	147.30	107.12	-40.18
Less Non Tariff Income		0.00	35.39	35.39
Total		2580.66	2059.15	-521.51

Table 5: Power Station Wise True-Up Claimed (Amount in ₹ Crores)

Sr. No.	Station	As per MPERC Orders	After Applying Actual Availability	Diff.
1	ATPS PH-2	112.62	43.60	-69.02
2	ATPS PH-3	204.47	236.22	31.76
3	STPS PH-2&3	380.46	271.07	-109.39
4	STPS PH-4	734.10	460.12	-273.98
5	SGTPS PH-1&2	424.82	328.14	-96.67
6	SGTPS PH-3	423.81	442.23	18.41
	Thermal	2280.28	1781.38	-498.90
7	Gandhi Sagar	15.20	12.52	-2.68
8	Pench	26.58	25.91	-0.67
9	Rajghat	13.81	8.30	-5.51
10	Bargi	18.68	15.51	-3.18
11	Bansagar PH 1,2&3	170.53	164.01	-6.52
12	Bansagar PH-4 (Jhinna)	14.45	15.85	1.40
13	Birsinghpur	6.75	6.74	-0.02
14	Madhikheda	34.37	28.94	-5.43
	Hydro	300.39	277.78	-22.61
	Total	2580.66	2059.15	-521.51

10. In addition to above, the petitioner filed head-wise and power station-wise break-up of other charges as follows:

Table 6: Head-wise Other Charges Claimed (Amount in ₹ Crores)

S.No.	Particulars	Total
1	Rent ,Rates & taxes	2.25
2	Entry tax	1.52
3	Water Charges	54.53
4	Common Expenses	7.27
5	Cost of chemicals	3.06
6	Cost of consumables +Publications	7.41
7	MPERC Fees	1.46
8	SLDC Charges	0.63
	Total	78.13

11. The plant wise break up other charges filed by the petitioner is as follows:

Table 7: Power Station Wise others Charges Claimed (Amount in ₹ Crores)

S. No	Power Station	Total
1	ATPS PH-2	2.76
2	ATPS PH-3	2.41
3	STPS PH-2&3	11.64
4	STPS PH-4	5.89
5	SGTPS PH 1 &2	11.54
6	SGTPS PH-3	6.87
7	Thermal	41.12
8	Gandhi Sagar	8.17
9	Pench	0.44
10	Rajghat	0.42
11	Bargi	10.85
12	Bansagar PH-1,2 &3	13.19
13	Bansagar PH-4 (Jhinna)	0.66
14	Birsinghpur	0.34
15	Madhikheda	2.95
16	Hydro	37.01
	Total	78.13

12. The petitioner in subject petition has filed additional capitalization of ₹186.80 Crores, in thermal and hydel power stations during FY2014-15 as per Audited Books of Accounts and Asset-cum-Depreciation registers of respective power stations. The petitioner also filed the write-off of assets during FY 2014-15 in some of the power stations. Some of the assets in STPS PH-4 which were capitalized earlier by the petitioner are now filed as

transferred to CWIP. In SGTPS PH-1&2 assets of ₹1.74 Crore is also write off/adjusted due to price variation adjustments These assets are now filed under prior period written- off/adjustment in the subject true up petition.

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

- “(i) Approve Annual Fixed Charges and Other charges for FY 2014-15 and permit recovery of True up amount as per para 15, 16 & 17 & 18 in six equal monthly installments.*
- (ii) Allow additional capitalization as per Audited Annual Statements of Accounts for FY 2014-15 and accordingly permit additional Depreciation, RoE and Interest on excess equity.*
- (iii) Though MPPGCL has considered actual availability factor for working out of true up amount for Hydro stations. However, in accordance with proviso 49.1(b) of Regulations, 2012 and taking cognizance of critical hydro related issues & limitations as detailed in subsequent chapter, kindly permit recovery of full Capacity Charges for Hydro stations of MPPGCL without applying actual availability factor.*
- (iv) In accordance with proviso 8.5 of Regulation, 2012, allow interest on differential true up amount, if any.*

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

- (i) The installed capacity of MPPGCL’s share, as on 31st March, 2015 is 5237.20 MW (including its share in bilateral interstate projects), consisting of 4320 MW Thermal power stations and 917.2 MW Hydro power stations.*
- (ii) As on 31st March, 2015, MPPGCL is operating 5235 MW, consisting of 4320 MW thermal and 915.0 MW Hydro power stations. Out of this 133.30 MW capacity belongs to other States i.e., Rana Pratap Sagar and Jawahar Sagar installed outside the State.*

15. The subject true-up petition is based on the Annual Audited Accounts for FY 2014-15. The MYT order dated 01st April, 2013 was based on the Final Opening Balance Sheet notified by GoMP. The figures of the capital cost and funding admitted in the true-up order for FY 2009-10 issued by the Commission on 23rd March, 2012 were considered as base figures while finalizing the MYT Order for the control period FY 2013-14 to FY 2015-16.
16. The following developments have occurred subsequent to the MYT order for the period FY 2013-14 to FY 2015-16 issued on 01st April, 2013:
- i) The Commission issued the generation true-up orders for FY 2010-11, FY 2011-12 and FY 2012-13 based on the Annual Audited Accounts of the respective years.
 - ii) On 9th July, 2013, the order for STPS PH-I was issued by the Commission for segregation/re-determination of the Annual Capacity Charges from FY 2012-13 to FY 2015-16 considering the impact on de-commissioning of Unit No. 3. All five units of 62.5 MW each of STPS, Sarni PH-I have been de-commissioned by the petitioner till 31st March, 2014.
 - iii) On 23rd July, 2015, the order for approval of special allowance from FY 2011-12 to FY2015-16 for Unit No. 6, 7, 8 & 9 of PH-II & III of STPS, Sarni was issued in accordance with the applicable Regulations.
 - iv) On 18th November, 2015, the order for approval of final tariff for Bansagar IV (Jhinna) was issued by the Commission from FY 2006-07 to FY 2013-14, based on Audited Accounts.
 - v) On 7th January, 2016, the order for final generation tariff for 2x250 MW, STPS, Sarni Extn. Units No. 10 & 11 w.e.f CoD of Unit No. 10 to 31/03/2016, has been issued by the Commission.
 - vi) On 30th January, 2016, the Commission issued True-Up order for FY 2013-14 based on the Annual Audited Accounts of the FY 2013-14. The capital cost of the power stations under subject petition has been revised in this true-up order.
17. The Commission has taken into consideration all above mentioned orders while finalizing the instant true-up order. Therefore, in this true-up order, the base opening figures of GFA, Equity and loan components are considered in accordance with the true-up order for FY 2013-14 and final tariff order of the Bansagar PH-4 HPS & STPS PH-4 Ext. Unit No.10 &11.

Procedural History:

18. Motion hearing in the subject petition was held on 15th December, 2015, wherein it was observed by the Commission that the subject petition is not filed with all necessary supporting documents including Audited Books of Accounts which are essential for processing the subject true-up petition. Vide daily order dated 18th December, 2015, the petitioner was directed to file all supporting documents by 11th January, 2016, for admission of the petition.
19. Vide letter dated 11th January, 2016, the petitioner filed the additional information along with supporting documents as sought by the Commission.
20. Again the motion hearing in the subject petition was held on 19th January, 2016, 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 if any, by 25th February, 2016.
21. Vide its letter dated 30th January, 2016, the petitioner confirmed that the copies of petition have been served on all the respondents.
22. Subsequently, vide Commission's letter dated 29th February, 2016, the information gaps and discrepancies in the subject petition were communicated to the petitioner and it was asked to file a comprehensive reply along with all relevant supporting documents by 24th March, 2016.
23. By affidavit dated 22nd March, 2016, the petitioner filed its reply to the issues raised by the Commission.
24. On perusal of the response filed by the petitioner it was observed that the response filed by the petitioner on some issues either inadequate or lacking clarity.
25. Vide Commission's letter dated 18th April, 2016, the additional information gaps and discrepancies in the subject petition were communicated to the petitioner and it was asked to file a comprehensive reply along with all relevant supporting documents by 26th April, 2016. Vide letter dated 25th April, 2016, the petitioner filed its reply to the issues raised by the

Commission. The details of the issues raised in Commission's letters dated 29th February, 2016, and 18th April, 2016, along with the response filed by the petitioner by affidavit dated 22nd March, 2016, and 25th April, 2016, are mentioned in **Annexure-I** of this order.

26. Vide letter dated 14th March, 2016, the petitioner was asked to publish the public notice in newspapers in Hindi and English version inviting comments/suggestions from the stake holders. The petitioner was also asked to file its response on the comments if any, offered by the stakeholders by 20th April, 2016.
27. Vide letter dated 22nd March, 2016, MPPGCL had confirmed that the public notices inviting comments/suggestions from stake holders have been published on 22nd March, 2016, in the following news papers.
 - (i) Danik Bhaskar, Jabalpur (Hindi).
 - (ii) Raj Express, Gwalior (Hindi).
 - (iii) Pradesh Today, Bhopal (Hindi).
 - (iv) Pradesh Today, Indore (Hindi).
 - (v) Free Press, Bhopal (English).
28. Vide letter dated 16th April, 2016, 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 26th April, 2016, wherein only the representatives of the petitioner appeared.

Capital Cost

Petitioner's submission:

29. 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
(Amount in ₹ Crores)

Sr.	Power Station	Gross Block filed in the petition	Addition	Adjustment	Closing
1	ATPS PH-2	222.04	8.76	0.02	230.78
2	ATPS PH-3	1153.99	3.52	0.00	1157.51
3	STPS PH-1	3.03*	0.00	0.00	3.03
4	STPS PH-2&3	627.48	2.49	4.98	624.99
5	STPS PH-4	3093.09	98.63	42.08	3149.64
6	SGTPS PH 1 &2	2172.84	24.50	1.53	2195.81
7	SGTPS PH-3	2085.38	36.36	1.74	2120.00
8	Thermal	9357.85	174.26	50.35	9481.76
9	Gandhi Sagar	10.38	0.02	0.00	10.40
10	Pench	98.14	2.25	0.00	100.39
11	Rajghat	82.81	0.31	0.00	83.12
12	Bargi	86.97	0.29	0.00	87.26
13	Bansagar PH-1,2 &3	1163.01	6.16	0.05	1169.12
14	Bansagar PH-4	115.81	1.27	0.00	117.08
15	Birsinghpur	52.15	0.00	0.00	52.15
16	Madhikheda	216.03	1.96	0.00	217.99
17	Total Hydro	1825.30	12.262	0.05	1837.51
18	HQ	1.80	0.27	0.02	2.05
19	Total	11184.95	186.80	50.43	11321.32

*Assets of Common Services

30. The petitioner mentioned that the asset capitalization was carried out during FY 2014-15 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 details of assets capitalized and their funding have been submitted by the petitioner under the additional Capitalization.
31. The petitioner also mentioned that the Write off/ adjustments/ transfer of Asset was made in the Gross Fixed Assets of the various power stations. These adjustments have been reflected in the Audited Books of Accounts of MPPGCL for FY 2014-15.

Provision in Regulation's:

32. Regarding capital cost of the generating stations, Regulation 17.1 and 17.2 of the MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 provides as under:

- *"the Expenditure Incurred or Projected to be incurred on original scope of work, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (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, - up to the Date of Commercial operation of the Project, as admitted by the Commission, after prudent check shall form the basis for determination of Tariff.*

Capitalized initial spares subject to the ceiling norms as specified below:

- i) *Coal-based thermal generating stations - **2.5%** of original Project Cost.*
- (ii) *Hydro generating stations - **1.5%** of original Project Cost.*
- *Subject to prudent check, the capital cost admitted by the Commission shall form the basis for determination of Tariff:*

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

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

.....

Provided also that in case of the existing Projects, the capital cost admitted by the Commission prior to 1.4.2013 and the additional capital expenditure Projected to be incurred for the respective Year of the Tariff period during 2013-16, as may be admitted by the Commission, shall form the basis for determination of Tariff."

Commission's Analysis:

33. The petitioner filed the total opening Gross Fixed Assets (GFA) of **₹11184.95** Crores (as on 01st April, 2014) for its thermal and hydel power stations covered in the subject true-up petition. It also includes the Common assets of STPS PH-1 of ₹3.03 crores, which is not covered in the instant true-up petition.
34. 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 Audited Accounts is ₹3732.29 Crores whereas, the petitioner filed ₹186.80 Crores. Similarly, write-off/adjustment of assets is filed as ₹50.43 Crores whereas, this amount is recorded as ₹110.94 Crores in its Annual Audited Accounts, therefore, vide letter dated 29th February, 2016, the petitioner was asked to reconcile the figures regarding Opening Gross Fixed Assets, addition of assets, write off/ adjustment of assets and Closing Gross Fixed Assets recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2014-15. The reasons for any difference in the figures between the two records were also sought from the petitioner.
35. By affidavit dated 22nd March, 2016, the petitioner submitted the following:

"The power station wise break-up of the Opening Gross Block of fixed Assets, Assets added during the year & Closing Gross Block of Fixed Assets along with the Assets Written-off/Adjustments/Assets-not-in-use as per Annual Audited Books of Accounts of FY 2014-15 vis-a-vis claimed in the subject petition is annexed as Annexure-2A & 2B respectively of the additional submission.

Further, as desired, the Power Station wise comparative statements elaborating difference in the figures as per Audited Books of Accounts of FY 2014-15 and as claimed in subject petition & detailed in Asset-Cum- Depreciation Registers with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as Annexure-3A to 3E, respectively.”

36. With regard to the difference in figures in Audited Account vis-a-vis asset-cum-depreciation registers, the petitioner submitted the following reasons:
- a. In STPS PH-1, opening GFA as per Audited Account is ₹6.52 Crores, whereas, the figure filed in the petition and recorded in Asset Register is ₹3.03 Crores. This difference of ₹3.49 Crores is on account of asset addition in STPS- PH 1, 2 & 3 which were not claimed as special allowance was opted.
 - b. In STPS PH-2&3, opening GFA as per Audited Account is ₹803.73 Crores, whereas, the figure filed in the petition and recorded in Asset Register is ₹627.48 Crores. This difference of ₹176.25 Crores is on account of asset addition in STPS- PH 2 & 3 which were not claimed as special allowance was opted.
 - c. The Audited Account includes SSTPP which has the opening GFA of ₹3825.97 Crores as on 01.04.2014, as the petitioner has to file the separate Tariff Petition for SSTPP. Therefore, the petitioner has not considered this plant in the instant petition.
 - d. The opening Gross fixed assets in Rana Pratp Sagar HPS and Jawahar Sagar HPS is ₹18.86 Crores and ₹16.56 Crores respectively as per Audited Books of Accounts. However, the petitioner has not covered these power stations in the instant true up petition as these are not operated by MPPGCL.
 - e. In Bansagar PH-1, 2 & 3, the opening GFA is ₹1167.30 Crores as per Audited Account whereas, the figure filed in the petition and recorded in asset-cum-depreciation registers is ₹1163.01 Crores.

This difference of ₹4.30 Crores is on account of assets addition from FY 2006 to FY 2011 which were erroneously booked under Bansagar PH-4. The same were corrected while filing the final tariff petition of Bansagar PH-4.

- f. The asset addition in STPS PH- 2 & 3 as per Audited Account is ₹110.40 Crores whereas, the figure filed in the petition and recorded in Asset Register is ₹2.49 Crores. The difference of ₹107.91 Crores is on account of need based R&M works which are not claimed in the instant petition as Special Allowance opted from FY 12 onwards.
 - g. The asset addition in SSTPP PH-1 as per Audited Books of Accounts is ₹3397.22 Crores. However, this power station is not covered in the instant petition as the petitioner shall file a separate petition for this power station.
 - h. The assets addition in Bansagar PH- 1, 2 & 3 as per Audited Account is ₹1.84 Crores whereas, the figure filed in the petition and recorded in Asset Register is ₹6.16 Crores. The difference of ₹4.32 Crores is on account of reasons mentioned in aforesaid para e.
 - i. The asset write-off of ₹16.48 Crores is recorded for SSTPP PH-1 in the Audited Books of Accounts. However, this power station is not covered in the instant petition as the petitioner shall file a separate petition for this power station.
 - j. The asset write off/adjustments in Bansagar PH- 1, 2 & 3 as per Audited Account is ₹0.00 Crore whereas, the figure filed in the petition and recorded in Asset Register is, ₹0.05 Crore. This difference amount is on account of asset already considered as part of Gross Block of Bansagar PH-4 in the final tariff petition, hence reduced from the Gross Block of Bansagar PH-1, 2 & 3.
37. Regarding settlement of LD in ATPS 210 MW, in para 4.3.13 of the petition, the petitioner mentioned the following:

- a. *As per the Standard Accounting Principles, assets are recorded in*

books of accounts at the original value without deduction of Liquidated Damages.

- b. The amount of LD etc. remains withheld till the final settlement is made with the contractor and thereafter necessary entries with adjustments are made in the Books of Accounts.
- c. The settlement has not been made finally with the contractor and so the final amount of LD etc cannot be ascertained.

Therefore, MPPGCL has considered the project cost for ATPS 210 MW as capitalized in the books of accounts for calculating the depreciation.

38. The closing GFA of ₹10898.75 Crores (as on 31st March, 2014) for existing and new power stations as per the true-up order for FY 2013-14 (issued on 30th January, 2016), tariff order of STPS Ext. Unit No.10 & 11 (issued on 07th January, 2016) and Bansagar Jhinna HPS (issued on 18th November, 2015) has been considered as base figure for current true up. The stations-wise break-up of closing GFA and funding as admitted in the true up order for FY 2013-14 (final tariff order for STPS PH-IV) are as given below :

Table 9: Closing GFA Considered as on 31st March, 2014 (₹ in Crores)

Sr. No	Power Station	Closing GFA admitted by MPERC	Equity	Loan
1	ATPS PH-2	222.04	38.41	37.65
2	ATPS PH-3	1058.09	223.41	567.22
3	STPS PH-2 & 3	627.47	186.10	0.00
4	STPS PH-4	3007.19	601.44	2399.03
5	SGTPS PH 1 &2	2172.84	649.18	0.00
6	SGTPS PH-3	1986.10	571.96	879.77
	Thermal	9073.73	2270.50	3883.67
7	Gandhi Sagar	10.37	3.14	0.00
8	Pench	98.13	29.44	0.00
9	Rajghat	82.80	24.84	0.00
10	Bargi	86.97	26.11	0.00
11	Bansagar PH-1,2 &3	1163.00	348.91	0.00
12	Bansagar PH-4 (Jhinna)	115.58	34.67	30.60
13	Birsinghpur	52.15	15.65	0.00
14	Madhikheda	216.03	45.66	78.52
	Total Hydro	1825.03	528.42	109.12
	Total	10898.76	2798.92	3992.79

Prior period write-off/ adjustment:

STPS, Sarni: PH-4

39. With respect to past years/prior period write off/adjustment of assets, the petitioner submitted that the assets of ₹42.08 Crores which were capitalized during FY 2013-14 in STPS PH-4, were transferred back to CWIP as per Audited Books of Accounts for FY 2014-15. The petitioner further submitted that the aforesaid assets are reduced from the Gross Block of STPS PH-4 for the purpose of claiming depreciation.
40. Vide letter dated 29th February, 2016, the petitioner was asked certain queries regarding the above assets transferred back to CWIP and its corresponding funding (loan/equity) as follows:
- Reasons for write-off and transfer of such capitalized assets to CWIP.
 - Corresponding funding of the assets write-off during the year.
 - Corresponding cost components like ROE, interest on loan and depreciation allowed on such assets during FY 2013-14 in final tariff order.”
41. By affidavit dated 22nd March, 2016, the petitioner submitted the following:
- i) *The subject True up petition for FY 2014-15 has been filed by MPPGCL before the issuance of Final tariff order for STPS PH-4 (2x250MW) on 07.01.2015. Accordingly the figures of Gross Block, Loan & equity pertaining to STPS PH-4 have been considered as submitted in the Final tariff Petition (Pt.No.13 of 2015).*
 - ii) *The Commission vide order dated 07.01.2016 has determined the Final Tariff of STPS PH-4 for the period CoD to FY 2013-14.*
 - iii) *In light of above, it is further submitted that assets amounting to ₹42.08 Crore were capitalized at STPS PH-4 and captured in Books of Accounts during FY 2013- 14. These assets were part of Gross Block of ₹3093.09 Crores as on 31.03.2014 as reflected in Final Tariff petition of STPS PH- 4(2x250MW).*

- iv) During FY 2014-15 the above mentioned assets were transferred back to CWIP on account of non-completion of certain facilities and thus considered in the subject True up petition.
- v) The assets transferred to CWIP amounting to ₹42.08 Crores are funded from PFC Loan Component amounting to ₹33.66 Crores and from Equity Component amounting to ₹8.42 Crores.
- vi) The assets transferred to CWIP are majorly capitalized on 15.03.2014 and 31.03.2014 as detailed in Asset cum Depreciation Register already submitted before the Commission. Accordingly the ROE, interest on loan and depreciation allowed on such assets during FY 2013-14 in final tariff order is tabulated as under:

Table 10: Transfer to CWIP and Corresponding Funding Proposed (₹ in Crores)

Assets Amount Transferred to CWIP	Date of Capitalization	Days in Operation	Funding through loan	Funding through Equity	For days in Operation		
					Interest @12.97%	RoE Amount @ 15.55	Depreciation @ 5.23%
1.08	17-Aug-13	227	0.86	0.22	0.07	0.02	0.04
8.11	15-Mar-14	17	6.49	1.62	0.04	0.01	0.02
32.89	31-Mar-14	1	26.31	6.58	0.01	0	0
42.08			33.66	8.42	0.12	0.04	0.06

42. In view of the above, the assets and its corresponding funding for STPS PH 4 admitted by the Commission for FY 2013-14 in final tariff order have now been revised. The Commission vide final order dated 07th January, 2016, had consider the debt equity ratio of 80:20 as approved by the GoMP. The Commission has adopted the same ratio and reduced the funding corresponding to assets of ₹42.08 Crores. The detail of assets and funding after considering write-off considered in this order are as follows:

Table 11: STPS PH-4 written off and Funding (₹ In Crores)

Particular	Assets Written Off/ transferred to CWIP and its funding
Gross Fixed Asset	42.08
Loan component	33.66
Equity component	8.42

SGTPS-PH-3 (500 MW):

43. In para 4.3.55 of the subject petition, the petitioner submitted that the assets of ₹1.74 Crores are write off on the account of the Price variation adjustments in its Audited Books of Accounts of FY 2014-15. In table 4.5.3.1 of the instant petition, the petitioner mentioned that the aforesaid write off is done through the loan component and the loan balances as on 01.04.2014 has been adjusted accordingly.
44. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to file the following in respect of its claim regarding write-off assets of ₹1.53 Crores and ₹1.74 Crores in SGTPS, PH-1&2 and PH-3 respectively:
- Reasons for write-off of such assets.
 - The year of capitalization and funding of all such assets.
 - Whether the written-off assets have been considered while claiming Annual fixed cost components in the petition.
45. By affidavit dated 22nd March 2016, the petitioner submitted the following:
- i. *That during FY 2014-15 the Assets amounting to ₹1.74 Crores have been reduced from the Gross Block of SGTPS PH-3 on account of Price Variation adjustments in Audited Books of Accounts. Accordingly the same is considered in the subject petition.*
 - ii. *The year of capitalization of above mentioned asset is tabulated as under:*

Table 12: Capitalization and year of Capitalization (₹ in Crores)

Account Head	Asset Adjustment	Year of Capitalization
<i>Boiler Plant & Equipments</i>	<i>0.05</i>	<i>2009-2010</i>
<i>Turbine-Generator-Steam Power Generation</i>	<i>0.66</i>	<i>2009-2010</i>
<i>Coal Handling Plant & Handling Equipments</i>	<i>0.25</i>	<i>2010-2011</i>
<i>Instrumentation And Controls</i>	<i>0.76</i>	<i>2008-2009</i>
<i>Capital Spares</i>	<i>0.02</i>	<i>2011-12</i>
<i>Total</i>	<i>1.74</i>	

- iii. *In respect of funding, it to mention that these assets were funded through PFC loan No.20101011 drawn for SGTPS PH-3. Accordingly Loan reduction amounting to ₹1.74 Crores has been made by MPPGCL at SGTPS PH-3 in the subject petition for working out Interest & Finance Charges.*
- iv. *The assets adjustments were been duly reduced from the Gross Block of SGTPS PH-3 as detailed in Asset-Cum-depreciation Registers for FY 2014-15 submitted vide Annexure No.6A & 6B of letter No.57 dated 11.01.2016.*
- v. *Accordingly, in the subject petition, depreciation has been claimed on reduced Gross Block and Interest and Finance changes have been claimed on reduced Normative Loan.*
46. *By affidavit dated 22nd March, 2016, the petitioner also submitted the following:*
- "The Commission vide para No. 131 at page No.47 of True up order for FY 2013-14 has given inference about adjustment of Gross Block of SGTPS PH-3 by ₹10.32 Crores on account of Final Settlement of Liquidated Damages (LD) with BHEL as informed by MPPGCL. However, the impact of increase in Gross Block of SGTPS PH-3 by ₹10.32 Crores has been erroneously indicated in table No. 47 Sr. No. 5 on page no. 53 of said True-up order and corresponding funding through Loan component was not adjusted in the said order. MPPGCL therefore humbly request to kindly consider and permit the same in the subject petition."*
47. On perusal of above submission regarding the Capital cost and adjustment of LD in SGTPS PH 3, it is observed that the Liquidated Damages in SGTPS 500 MW has been settled and balance amount of ₹10.32 Crores pertaining to the portion of various taxes and duties has been refunded to M/s. BHEL in the month of August, 2013. Therefore, the Commission has revised the Capital Cost of SGTPS PH-3 from ₹1986.10 Crores (as admitted in last True Up order) to ₹1996.42 Crores in this order after adjustment of ₹10.32 Crores. The consequential revisions in loan and equity components are also made accordingly. The details of addition on account of LD adjustment and corresponding funding are as follows-

Table 13: Addition on account of LD and funding (₹ in Crores)

Particulars	Asset Addition on Account of adjustment of LD and corresponding funding
Assets Addition	10.32
Loan component	7.22
Equity component	3.10

48. With regard to prior period assets written off in SGTPS PH 3 of ₹1.74 Crores, it is observed that the petitioner has reduced the gross block of the assets in the Audited Financial Statements of FY 2014-15 and the Asset-cum-depreciation register filed with the petition. With regard to funding of asset write-off, the Commission has considered the same Debt-Equity ratio as approved in the final/true up order for the respective year.
49. In view of the above, the assets written off and its corresponding funding is as given below:

Table 14: Written off and Funding of SGTPS PH-3 (₹ in Crores)

Particular	Prior period Write-off and corresponding funding
Assets write-off	-1.74
Loan Component	-1.51
Equity Component	-0.23

ATPS PH 3 (210 MW)

50. In true-up order for FY 2011-12, the Commission admitted the assets addition of ₹81.24 Crores in ATPS 210 MW funded through loan of ₹20.09 Crores and equity of ₹0.98 Crores and the balance of ₹60.17 Crores considered under unpaid/un-discharged liability as on 31.03.2012.
51. Accordingly, in the true-up order for FY 2011-12, the Commission had considered the loan and equity components for the assets capitalized during FY2011-12 in ATPS 210 MW only to the extent of funding filed by the petitioner i.e. debt of ₹20.09 Crores and equity of ₹0.98 Crores. The petitioner was directed to file the funding pattern of un-discharged liability of ₹60.17 Crores (as on 31st March, 2012) with the true-up petition for FY2012-13.

52. During the true up of FY 2012-13, it was observed that the petitioner has changed its stand by stating that the outstanding liability of ₹60.17 Crores as on 31st March 2012 in respect of ATPS PH-III has been paid to PFC through internal resources of ₹57.29 Crores and the loan of ₹2.88 Crores received during FY 2012-13. The Commission asked the petitioner to file all relevant documents including the certificates of PFC, who has received the amount of ₹57.29 Crores and disbursed the loan of ₹2.88 Crores to serve this liability which was outstanding for a long period.
53. Further, during the true up of FY 2012-13, the Commission had also asked the petitioner **to submit the approval of BoD for infusion of additional equity beyond the equity of ₹227.22 Crores already approved by BoD and GoMP on 13th September, 2010 and 12th January, 2011 respectively.**
54. In para 97 of true up order for FY 2012-13, the Commission mentioned the following:
- In view of the above, the Commission observed that the equity amount approved for the project by BoD and GoMP is ₹227.22 Crores and petitioner has not filed the desired details for enhancement of infusion of equity in the project. Therefore, the contention of petitioner in its additional submission on this issue is not considered in this order in line with the Commission's past approach for approval of equity limited to the extent of equity sanctioned by the Board of Directors of MPPGCL and GoMP. However, the petitioner is at liberty to approach the Commission on this issue with all relevant supporting documents with next true-up petition.*
55. During the processing of the instant petition, Vide letter dated 29th February, 2016, the Commission has once again, asked the petitioner to inform the actual funding status of aforesaid unfunded liability and justification with supporting documents in this regard.
56. In response to above, by affidavit dated 22nd March, 2016, the petitioner has submitted all the details as mention at annexure I of this order.

57. On perusal of above reply, it is observed by the Commission that the petitioner has now furnished the BoD approval dated 18th December, 2015 for approval of Equity amounting to ₹57.29 Crores for ATPS (210MW) as per the directions of Commission in the true up order for FY 2012-13. The petitioner also submitted that the balance funding of un-discharged liability met through ₹2.88 Crores by PFC loan.
58. In light of the submissions made by the petitioner, the Commission observed that the funding of Un-discharge liability of ₹60.17 Crores is now considered in this order, therefore the revised funding of ATPS PH - 3 as considered in the instant order is as follows:

Table 15: Funding of Undischarged Liability Approved (Amount in ₹ Crores)

Particulars	Loan	Equity	Total
As filed by the petitioner	22.97	58.27	81.24
As per Regulations (70/30)	56.87	24.37	81.24
Funding of corresponding assets admitted in True Order for FY 2011-12	20.09	0.98	21.07
Now Admitted	36.78	23.39	60.17

59. The above loan addition of ₹36.78 Crores and equity of ₹23.39 Crores has been added to the approved closing balance of loan of ₹567.22 Crores and equity of ₹223.41 Crores. Thus the revised closing loan and equity as on 31st March, 2014 become ₹604 Crores and ₹246.80 Crores respectively have been considered by the Commission in this order.
60. The power station wise closing GFA, equity, loan and cumulative depreciation as on 31st March, 2014 as admitted in the last true-up order for FY 2013-14 has now been revised on considering the retrospective impact of the write-off/adjustment of assets under prior period.
61. The power station-wise opening GFA, normative equity, loan component including excess equity and cumulative depreciation as on 1st April, 2014, are workout as given below:

Table 16: Gross Fixed Assets (Amount in ₹ Crores)

S. No	Power Stations	Gross Fixed Assets			
		Closing as on 31.03.2014	Addition on Account of LD	Write-off prior 31.03.2014	Opening as on 01.04.2014
1	ATPS PH-2	222.04	0.00	0.00	222.04
2	ATPS PH-3	1058.09	0.00	0.00	1058.09
3	STPS PH-2 & 3	627.47	0.00	0.00	627.47
4	STPS PH-4	3007.19	0.00	-42.08	2965.11
5	SGTPS PH 1 & 2	2172.84	0.00	0.00	2172.84
6	SGTPS PH-3	1986.1	10.32	-1.74	1994.68
	Thermal	9073.73	10.32	-43.82	9040.23
7	Gandhi Sagar	10.37	0.00	0.00	10.37
8	Pench	98.13	0.00	0.00	98.13
9	Rajghat	82.8	0.00	0.00	82.8
10	Bargi	86.97	0.00	0.00	86.97
11	Bansagar PH-1,2 & 3	1163	0.00	0.00	1163
12	Bansagar PH-4	115.58	0.00	0.00	115.58
13	Birsinghpur	52.15	0.00	0.00	52.15
14	Madhikheda	216.03	0.00	0.00	216.03
	Total Hydro	1825.03	0.00	0.00	1825.03
	HQ	0.00	0.00	0.00	0.00
	Total	10898.76	10.32	-43.82	10865.26

Table 17: Normative Equity (Amount in ₹ Crores)

S. No	Power Stations	Normative Equity			
		Closing as on 31.03.2014	Addition on Account of LD	Write off/Addition Prior 31.03.2014	Opening as on 01.04.2014
1	ATPS PH-2	38.41	0.00	0.00	38.41
2	ATPS PH-3	223.41	0.00	23.39	246.80
3	STPS PH-2 & 3	186.10	0.00	0.00	186.10
4	STPS PH-4	601.44	0.00	-8.42	593.02
5	SGTPS PH 1 & 2	649.18	0.00	0.00	649.18
6	SGTPS PH-3	571.96	3.10	-0.23	574.82
7	Gandhi Sagar	3.14	0.00	0.00	3.14
8	Pench	29.44	0.00	0.00	29.44
9	Rajghat	24.84	0.00	0.00	24.84
10	Bargi	26.11	0.00	0.00	26.11
11	Bansagar PH-1,2 & 3	348.91	0.00	0.00	348.91
12	Bansagar PH-4	34.67	0.00	0.00	34.67
13	Birsinghpur	15.65	0.00	0.00	15.65
14	Madhikheda	45.66	0.00	0.00	45.66
15	Total	2798.92	3.10	14.74	2816.76

Table 18: Loan Balances Including Excess Equity (Amount in ₹Crores)

S. No	Power Stations	Normative Loan			
		Closing as on 01.04.2014	Addition on Account of LD	Write off/Addition Prior 31.03.2014	Opening as on 01.04.2014
1	ATPS PH-2	37.65	0.00	0.00	37.65
2	ATPS PH-3	567.22	0.00	36.78	604.00
3	STPS PH-2 & 3	0.00	0.00	0.00	0.00
4	STPS PH-4	2399.03	0.00	-33.66	2365.37
5	SGTPS PH 1 & 2	0.00	0.00	0.00	0.00
6	SGTPS PH-3	879.77	7.22	-1.51	885.49
7	Gandhi Sagar	0.00	0.00	0.00	0.00
8	Pench	0.00	0.00	0.00	0.00
9	Rajghat	0.00	0.00	0.00	0.00
10	Bargi	0.00	0.00	0.00	0.00
11	Bansagar PH-1,2 & 3	0.00	0.00	0.00	0.00
12	Bansagar PH-4	30.60	0.00	0.00	30.60
13	Birsinghpur	0.00	0.00	0.00	0.00
14	Madhikheda	78.52	0.00	0.00	78.52
15	Total	3992.79	7.22	1.61	4001.62

Table 19: Cumulative Depreciation (Amount in ₹ Crores)

S. No	Power Stations	Cumulative Depreciation			
		Closing as on 31.03.2014	Addition on Account of LD	Write off/Addition Prior 31.03.2014	Opening as on 01.04.2014
1	ATPS PH-2	142.21	0.00	0.00	142.21
2	ATPS PH-3	210.71	0.00	0.00	210.71
3	STPS PH-2 & 3	564.72	0.00	0.00	564.72
4	STPS PH-4	47.16	0.00	-0.06	47.10
5	SGTPS PH 1 & 2	1502.97	0.00	0.00	1502.97
6	SGTPS PH-3	530.87	0.53	-0.45	530.94
7	Gandhi Sagar	9.39	0.00	0.00	9.39
8	Pench	75.82	0.00	0.00	75.82
9	Rajghat	42.83	0.00	0.00	42.83
10	Bargi	62.35	0.00	0.00	62.35
11	Bansagar PH-1,2 & 3	601.10	0.00	0.00	601.10
12	Bansagar PH-4	50.31	0.00	0.00	50.31
13	Birsinghpur	34.32	0.00	0.00	34.32
14	Madhikheda	66.42	0.00	0.00	66.42
15	Total	3941.18	0.53	-0.51	3941.19

Additional Capitalization:

Petitioner's submission:

62. 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 and assets transfer from of one unit to another unit of a plant under the head Fixed Assets. In para 4.3.53 of the petition, the petitioner filed the power station wise asset capitalization as given below:-

Table 20: Additional Capitalization Claimed (Amount in ₹ Crores)

S.No.	Stations	Additional Capitalization 2014-15
1	ATPS PH-2	8.76
2	ATPS PH-3	3.52
3	STPS PH-2 & 3	2.49
4	STPS PH-4	98.63
5	SGTPS PH 1 &2	24.50
6	SGTPS PH-3	36.36
	Thermal	174.26
7	Gandhi Sagar	0.02
8	Pench	2.25
9	Rajghat	0.31
10	Bargi	0.29
11	Bansagar PH-1,2&3	6.16
12	Bansagar PH-4 (Jhinna)	1.27
13	Birsinghpur	0.00
14	Madhikheda	1.96
	Total Hydro	12.27
	HQ	0.27
	Total	186.80

63. The Power station-wise details of Additional Capitalization and funding thereof through Loans & Equity are comprehensively detailed in the petition, in Chapter "Additional Capitalization/De-Capitalization and funding thereof".

Provision in Regulation

64. Regarding additional capitalization of the generating stations, Regulation 20 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 provided that:

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

- (a) Undercharged liabilities*
- (b) Works deferred for execution*
- (c) Liabilities to meet award of arbitration or for compliance of order or decree of a court,*
- (d) Change in Law,*
- (e) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)*

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

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

- (a) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*
- (b) Change in Law.*
- (c) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (d) In case of Hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the Generating Company) including due to geological reasons after adjusting for proceeds from any insurance scheme--:*

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

Commission's Analysis:

65. The petitioner filed additional capitalization of ₹186.80 Crores during FY 2014-15, in thermal and hydel power stations. With regard to additional capitalization filed by the petitioner, the Commission sought several details/documents from the petitioner.
66. Based on the details of additional capitalization filed by the petitioner in the subject petition and additional submissions filed through affidavits dated 22nd March, 2016 and 25th April, 2016, 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 in Existing Projects:

67. Vide letter dated 29th February, 2016 and 18th April, 2016, 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, 2012. By affidavit dated 22nd March, 2016 and 25th April, 2016, 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.
68. On examination of the details of additional capitalization filed by the petitioner, the Commission observed that the petitioner has claimed additional capitalization under the head of capital spare during FY 2014-15 also. The observations and findings of the Commission on the aforesaid claims are as given below:

Capital Spares - ATPS PH-2, STPS PH 2&3, SGTPS PH 1&2, Bansagar PH 1, 2 & 3, Rajghat HPS and Bargi HPS

69. While claiming the additional capitalization towards capital spares under various power stations such as ATPS PH-2, STPS PH 2&3, SGTPS PH 1&2, Bansagar PH 1, 2 & 3, Rajghat HPS and Bargi HPS, the petitioner stated that these capital spares had been acquired over the years and were lying under account head Capital Material Stock. These capital spares are transferred to account head of fixed assets in the Audited Books of Accounts of FY 2014-15.
70. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to justify its claim of capital spares in existing power stations in light of the regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.
71. In response to above, by affidavit dated 22nd March, 2016, the petitioner submitted the following:

" The existing Power Stations were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 12.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which does 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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation. Considering above, as desired by the Commission, the Power Station wise ceiling limit for capital spares as prescribed vide Proviso to Regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 works out as under:

Table 21: Capital Spares**(Amount in ₹Crores)**

Power Station		Gross Block as on 31.03.2014*	Ceiling Limit (%)	Ceiling Amount	Capital Spares Claimed
1	ATPS PH-2	222.04	2.50%	5.55	8.51
2	STPS PH-2&3	627.47	2.50%	15.69	2.49
3	SGTPS PH-1&2	2172.84	2.50%	54.32	9.31
4	Bansagar PH-1, 2&3	1163.00	1.50%	17.45	1.76
5	Rajghat HPS	82.80	1.50%	1.24	0.31
6	Bargi HPS	86.97	1.50%	1.30	0.30
Total		4355.12		95.55	22.68

*As admitted by MPERC in true up order for FY 2013-14

72. On perusal of the reply filed by the petitioner, the Commission observed that the petitioner had not claimed any additional capitalization against capital spares in respect of above plants in all the past years true up petitions from (FY 2005-06 to FY 2013-14). Moreover, in the subject petition, the petitioner for the first time has claimed the additional capitalization towards the capital spares in old existing power stations. Therefore, vide letter dated 18th April, 2016, the Commission sought the following information and details from the petitioner regarding the capital spares:

- a. *Why these capital spares have not been claimed during past nine years in earlier true-up/tariff petitions filed for FY 2005-06 to FY 2013-14.*
- b. *A detailed reply to the reasons for parking the capital spares (which were acquired over the years) in Capital Material Stock for a period of more than nine years without making any effort to transfer them in fixed assets of the Audited Book of Accounts be submitted.*
- c. *Whether MPPGCL has taken any action /corrective measures to avoid reoccurrence of such negligence in the accounting process? If yes, the same be informed to the Commission.*
- d. *The ledger of Capital Material Stock from the date of the purchase of all Capital Spares till March 2015 be submitted.*
- e. *Power station-wise details of capital spares indicating the amount claimed under additional capitalization be submitted.*
- f. *The petitioner is required to establish/demonstrate with supporting*

documents that the capital spares claimed under additional capitalization of each power station are under the original scope of works.

g. The petitioner is required to furnish the details of capital spares for each plant/units separately in the following table:-

S. No	Capital Spares as indicated in the Original Scope of Work	COD of the Plant/unit for which spares is claimed	Date of Purchase of spares	Amount of Capital Spares	Date by which the spares was put to Use	Reason for not put to use
1.						
2.						

73. In response to above, by affidavit dated 25th April' 2016, the petitioner has furnished the point wise reply as follows:

a. "It is to submit that the assets additions as and when claimed by MPPGCL in the true-up/tariff petitions are in accordance with Assets capitalized and captured in the Audited Books of Accounts of MPPGCL for respective years.

It is to inform that for compliance to Statutory Auditor's observation in books of accounts for FY 2011-12, MPPGCL has taken due care for capitalization of Assets under the head Capital Spares for ATPS & SGTPS 500 MW in prior years.

However, in case of existing (old) power stations, identification & classification of capital spares was tedious activity as it involves technical acquaintance. Further these spares were spread over stores of various power stations and at different locations, which required ample time and MPPGCL has made consistent efforts to streamline the same to comply with the auditor's observation made in FY 2011-12.

Henceforth the process of identification/classification of spares at existing (old) power stations was firmed up during FY 2014-

15 and consequently the same were transferred to the Account head – Capital Spares and captured in the Audited Books of Accounts of FY 2014-15. Accordingly, in the instant True up petition, MPPGCL has claimed these Capital Spares as asset addition by way of their transfer from Material Stock accounts to Capital Spares

- b. The process of identification & classification of capital spares acquired at various old power houses of MPPGCL was exceptionally complex in nature. The Opening Balance of Assets & Liabilities of old power houses were transferred to MPPGCL through **Final Opening Balance Sheet** notified by GoMP on 01.06.2008 which includes majority of these spares acquired by erstwhile MPEB/MPSEB over the period of time.

The Statutory Auditor of MPPGCL in the Audited Statement of Accounts for FY 2011-12 has given an audit observation towards capitalization of capital spares acquired at old power stations. (Copy enclosed as Annexure-1).

Accordingly, after various rounds of detailed discussions with HoD's of Power Houses, a methodology and mechanism has been drawn and set up at the stores of old power stations of MPPGCL to identify/classify the capital spares acquired at these power Stations over a period of time.

Being a technical process, it took ample time to make proper identification and accordingly on its finalization the respective amount pertaining to such assets were transferred to Account Head - Capital Spares in the Books of Accounts of FY 2014-15.

- c. As already detailed above, MPPGCL has now developed methodology & mechanism for capitalizing the Capital Spares as and when they are acquired at the power stations. The same can be well established from the Final Tariff petition of newly commissioned units of Power Stations of MPPGCL.

- d. As detailed in foregoing paras, majority of these spares were acquired by erstwhile MPEB/MPSEB and were transferred to MPPGCL as Opening Balance as on 01.06.2005 through Final Opening Balance Sheet. Further the power house wise statements detailing the item wise and date wise receipt of Capital Spares are annexed as Annexure-2.
- e. MPPGCL humbly request the Commission to kindly refer Annexure-2 above, wherein the power station wise details of Capital Spares claimed under additional capitalization are detailed and provided.
- f. In FY 2014-15, MPPGCL has completed the process of identification of Capital spares for old power stations; all of these Power Stations were in commercial operation at the time of their transfer to MPPGCL through Final Opening Balance Sheet. As per practice adopted by erstwhile MPSEB/MPEB's, capital spares were not depicted separately in the Books of Accounts and were generally shown in the Material Stock Accounts.

However, it is pertinent to mention that looking to the nature and complexities of operations of Thermal and Hydel plants, Original Equipment Manufacturers recommends purchase of mandatory/ insurance spares from time for time 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. (Emphasis supplied)

These plants were setup under the guidance and recommendations of Central Electricity Authority. Accordingly,

under the circumstances mentioned above, it is humbly requested to kindly consider the capital spares identified by the technical authorities of MPPGCL which also include purchase of capital spares at a later date as capital spares with the philosophy of efficient and successful operation of generating stations.

g. The desired information in requisite formation is as under:

Desired Information	Reply
<i>Capital spares as indicated in the original scope of work</i>	<i>Kindly Refer MPPGCL's Reply to Point (f)</i>
<i>CoD of Plants /units for which capital spares claimed</i>	kindly refer Annexure-2 <i>Capital Spares are considered to be Put to use as and when they are received at power stations.</i>
<i>Date of purchase of Capital Spares</i>	
<i>Amount of Capital Spares</i>	
<i>Date by which the spares was put to use</i>	
<i>Reasons if not put to use</i>	

74. The Commission observed that the date of purchase of capital spare in some of the power stations is prior to FY 1989-90 and the petitioner in the above reply clearly states that the capital spares are considered to be put to use as and when they are received at power stations. This shows that the said capital spares must have completed their useful life.
75. In its above reply, the petitioner also stated that majority of these spares were acquired by erstwhile MPEB/MPSEB and were transferred to MPPGCL as Opening Balance as on 01.06.2005 through Final Opening Balance Sheet. As the Commission has already considered the impact of final Open balance sheet while carrying out the exercise of true up in all past years, therefore further consideration of all such assets addition acquired before FY2004-05 would not be fair and appropriate at this stage.
76. Further, the approval of capital spares is governed by the following Regulations of MPERC Tariff Regulations.
- i) Regulation 19 of MPERC Tariff Regulations 2005, is reproduce below:
As per Proviso 19 (2.9) (e) of MPERC Regulations,2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulations 18.

ii) Regulation 17 of MPERC Tariff Regulations 2009, is reproduce below:

17.1 Capital cost for a Project shall include:

17.1 (b) capitalized initial spares subject to the ceiling norms as specified below:

(i) Coal-based/lignite-fired thermal generating stations - 2.5% of original Project Cost. (ii) Hydro generating stations - 1.5% of original Project Cost.

iii) Regulation 17 of MPERC Tariff Regulations 2012, is reproduce below:

17.1 Capital cost for a Project shall include:

17.1 (b) capitalized initial spares subject to the ceiling norms as specified below:

(i) Coal-based/lignite-fired thermal generating stations - 2.5% of original Project Cost. (ii) Hydro generating stations - 1.5% of original Project Cost.

77. In light of the above Regulations, the Commission has to ensure that the capital spares are well within the ceiling limit specified in the Regulations. On perusal of its response at point (f) of its reply regarding "Capital Spares as indicated in the original scope of work", it is observed that the petitioner has not furnished the essential information for computation of the ceiling limits of capital spares as prescribed under Regulations. Therefore, the response of petitioner in this regard is not to the satisfaction of the Commission. To compute the ceiling limits as per Regulations before allowing the very old assets as claimed by MPPGCL under capital spares, 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.
78. With regard to STPS PH 2&3, the petitioner has already opted the special allowance in accordance with the provisions under the applicable MPERC Tariff Regulations, therefore, it is not entitled to claim additional capitalization in terms of the aforesaid regulations in the subject petition.
79. In view of all above mentioned reasons, the Commission is not inclined to consider the additional capitalization against capital spares of the power stations/units mentioned in **para 69** of this order, however, the

petitioner is at liberty to claim the aforesaid additional capitalization against capital spares in its true petition for FY 2015-16 on furnishing all such information about capital spares which are not submitted to the satisfaction of Commission in its reply filed in instant petition.

80. Regarding the capital spares of the power plants such as ATPS PH-3, STPS PH-4, SGTPS PH-3, Bansagar PH-4 (Jhinna) and Madhikheda, the Commission has dealt with this issue in detail while examining the additional capitalization for each power station separately.
81. Considering all details and documents regarding the existing power stations, the Commission examined the power station-wise details in respect of additional capitalization of each power station separately as given below:

(a) ATPS Chachai PH-2 (2X120MW)

82. The petitioner filed the additional capitalization of ₹8.76 Crores during FY 2014-15 in ATPS PH-2. Out of this, ₹0.25 Crore pertains to the need based Renovation & Modernization scheme towards Boiler Plants & Equipments and other transformers of Power House and ₹8.51 Crores pertains to capital spares which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15.
83. The details of asset capitalized under the need based R&M scheme as filed by the petitioner are given below:

Table 22: Details of Asset Capitalized under the R&M Scheme

S. No.	Account Code	Particular	Amount In ₹ Crores
1	10.501	Boiler Plants & Equipment	0.12
2	10.542	Other Transformers of Power House	0.13
Total			0.25

84. Vide Commission's letter dated 29th February, 2016, several queries/information regarding the additional capitalization of existing power stations were sought from the petitioner:

85. By affidavit dated 22nd March, 2016, the petitioner filed the following regarding the additional capitalization in ATPS PH-2:

- (i) *"The assets amounting to ₹8.76 Crores were capitalized at ATPS Chachai PH-2 during FY 2014-15, as per Audited Books of Accounts.*
- (ii) *The above mentioned additional capitalization comprises of capital Spares amounting to ₹8.51 Crores which were acquired over the years for ATPS PH-2 and were lying under Account head Capital Material Stock Account.*
- (iii) *The same were transferred to Account head –Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition.*
- (iv) *The balance amount of ₹0.25 Crores pertains to asset additions towards works are covered under the Renovation and Modernization scheme at ATPS PH-2 (2x120 MW), which was approved by the Board of erstwhile MPSEB on 18.01.2004.*
- (v) *In the above context, it is to submit that the additional Capitalization under the said scheme at ATPS PH-2 has been already approved by the Commission in the True Up orders for FY 2008-09 to FY 2013-14.*
- (vi) *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 scope of work.*
- (vii) *Further, proviso 20.2 (f) of MPERC Regulations 2012 provides for admittance of capital expenditure which is considered indispensable by the Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.*
- (viii) *The Asset additions made at ATPS PH-2 are new assets and not against any write off in FY 2014-15. 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.*
- (ix) *The details of funding is tabulated as under:*

Table 23: Detail of funding of additional capitalization (₹ in Crores)

Particulars		Assets Added	PFC Loan No.20104021	Internal sources/equity
1	Asset addition towards need based R&M works	0.25	0.25	
2	Capital spares acquired over the years	8.51		8.51
	Total	8.76	0.25	8.51

86. Vide Commission's letter dated 29th February, 2016, the petitioner was asked the further course of action taken for Unit No. 3 and 4 of ATPS PH-II which are under forced outage since 12.01.2015 and 30.04.2014 respectively.
87. By affidavit dated 22nd March, 2016, the petitioner informed that the Unit No. 3 and 4 of ATPS PH-2 have been retired w.e.f. 13th January 2015 and 1 May 2014 respectively by order of CEA New Delhi vide no. CEA/ PLG/ PDM/ 545/ 2016 dated 04.03.2016. The copy of the same is annexed as Annexure-1.
88. The units of ATPS PH-II were commissioned during FY 1977-78 and completed its useful life. The Board of the erstwhile MPSEB approved the need based Renovation & Modernization scheme for ATPS PH-II (2 X 120 MW) on 18.01.2004. The estimated amount of ₹124.30 Crores under R&M scheme of ATPS PH-II was approved by the Board with the funding of ₹99.00 Crores through PFC loan No. 20104021 and ₹6.01 Crores through GoMP loan. The balance funding of ₹19.29 Crores was approved through equity/ internal resources of the company. The details of additional capitalization allowed by the Commission in previous years true-up/tariff orders under need based R&M scheme are as given below:

Table 24: Need Based R&M Scheme admitted as on 31.03.2014 (₹ in Crores)

Particular	Estimated approved amount by BoD under R&M scheme	Total amount admitted as on 31st March, 2014
Assets	124.30	99.31
Loan	105.01	90.63
Equity	19.29	8.68

89. In its true-up order for FY 2008-09, the Commission for the first time considered certain works under need based R&M scheme of ATPS PH-II which were necessary for running the power plant in accordance with Regulation 19(f) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2005.
90. While examining the subject petition, the Commission observed that the assets of ₹0.25 Crores are capitalized in the Books of Accounts of FY 2014-15, and these assets are covered under approved R&M scheme of ATPS PH-II. It is further observed that the aforesaid assets have also been recorded in Asset cum Depreciation register of ATPS PH-II for FY 2014-15. Therefore, the additional capitalization of ₹0.25 Crores during FY 2014-15, under the need based R&M scheme of ATPS PH-II is admitted in this order in terms of Regulation 20.2(f) of the Regulations' 2012.
91. The details of the additional capitalization and funding considered in this order for ATPS PH- II under need based R&M scheme are summarized as given below:

Table 25: Additional Capitalization and funding under R&M scheme for FY 2014-15 (₹ in Crores)

Particular	Estimated approved amount	Already allowed as on 31.03.2014	Considered for FY2014-15	Total Add. Cap. allowed as on 31.03.2015
Assets	124.30	99.31	0.25	99.56
Loan	105.01	90.63	0.25	90.88
Equity	19.29	8.68	0.00	8.68

92. The claim of ₹8.51 Crores towards capital spares in ATPS PH 2, which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15 has been discussed and not considered in the preceding paras.

(b) STPS Sarni PH-2&3 (3X210+200MW)

93. The petitioner filed the additional capitalization of ₹2.49 Crores during FY 2014-15 in STPS PH-2&3, towards capital spares which were acquired

before 01.04.2011 and lying under Account head Capital Material Stock which were now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15.

94. 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 aforesaid regulations in the subject petition.

(c) SGTPS PH-1&2:

95. The petitioner filed the additional capitalization of ₹24.50 Crore during FY 2014-15 in SGTPS PH-1&2. Out of this the assets of ₹0.73 Crores pertain to Turbine-Generator-steam Power Generation, ₹14.46 Crore for Ash Handling Plant, ₹0.01 Crore towards furniture & Fixtures and ₹9.31 Crore pertains to capital spares which were lying under Account head Capital Material Stock which were now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15.
96. The details of assets capitalized submitted by the petitioner during FY2014-15 are as given below:

Table 26: Additional Capitalization filed under SGTPS PH 1&2 (₹ in Crores)

S. No	Account Code	Details	Amount
1	10.503	Turbine-Generator-Steam and Power Generation	0.73
2	10.507	Ash Handling Plant	14.46
3	10.800	Furniture & Fixtures	0.01
	Total		15.19
		Capital Spare	9.31
	Total		24.50

97. With regard to funding of additional capitalization for FY 2014-15, in para 4.3.23 of the petition the petitioner had initially submitted that the additional capitalization are funded through MPPGCL's equity/Internal Sources as given below:

Table 27: Additional Capitalization and sources of Funding (₹ in Crores)

Particulars		Loan	Equity/ Internal resources	Total
1	Total Additions			24.50
2	Funding details		24.50	24.50

98. Vide Commission's letter dated 29th February' 2016, several queries/ information regarding the additional capitalization of existing power stations were sought from the petitioner. The petitioner was also asked to explain the reason for requirement of works pertaining to ash handling plant of ₹14.48 Crores in SGTPS PH 1&2, at this stage.
99. By affidavit dated 22nd March' 2016, the petitioner filed the following regarding the additional capitalization in SGTPS PH1&2:
- i) *The assets amounting to ₹24.50 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2014-15 as per Audited Books of Accounts.*
 - ii) *The above mentioned additional capitalization comprises of works related to Ash handling plant amounting to ₹14.46 Crores. Detailed explanation of said expenditure is elaborated at MPPGCL's reply to Point No (xiv) of Hon'ble Commission's observation.*
 - iii) *Further, the asset addition amounting to ₹9.31 Crores pertains to capital Spares which were acquired over the years for SGTPS PH- 1&2 and were lying under Account head Capital Material Stock Account. The same were transferred to Account head -Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition.*
 - iv) *The balance assets additions amount to ₹0.74 Crores towards works related to Turbine Generator.*
 - v) *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 original Capital costs.

vi) The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2014-15. 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.

vii) The funding pattern as elaborated at Table no. 4.3.21.1 & 4.3.22.1 on page No.48 of subject True up petition has been revised & tabulated as under (emphasis supplied):

Table 28: Capitalization and Funding (Amount in ₹ Crores)

Particulars		Assets Added	PFC Loan No.20104021	Internal Sources/equity
1	Asset addition Ash Handling Plant	14.46	14.46	
2	Capital spares acquired over the years	9.31		9.31
3	Other Minor Works	0.73		0.73
Total		24.50	14.46	10.04

100. Regarding the works pertaining to Ash Handling Plant, the petitioner submitted following:

- i) It is to submit that that the capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this bund till March 2015. As such, the construction of 2nd phase Ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5, which shall be common for all the powerhouses i.e. SGTPS PH-1, 2 & 3.
- ii) The Civil work of Ash Dyke was completed in March 2012 and the E&M works involving the extension of Ash slurry pipe lines, Recovery Water lines, Ash Slurry Booster Pumps etc were taken up subsequently and completed in FY 2014-15.
- iii) The apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based

on the quantum of work involved and to the extent of criteria for bifurcation.

iv) Accordingly, the additional capitalization of ₹15.19 Crores including ₹14.48 Crores pertaining to Ash Handling Plant have been booked at SGTPS PH 1 & 2 and claimed in subject petition.

101. The Commission has observed that the above assets have been capitalized in the books of accounts of MPPGCL for FY 2014-15, and these assets are recorded in assets cum depreciation register for SGTPS PH-1&2. Considering the reasons submitted by petitioner, the additional capitalization of ₹15.19 Crores is admitted in this order under MPERC (Terms and Condition for Determination of Generation Tariff) Regulations, 2005. The petitioner in aforesaid submission informed the funding pattern of asset capitalized in ash handling plant and other minor works. The same has been consider in this order.
102. Considering the above, the approved additional capitalization and its funding for SGTPS PH 1 & 2 for FY 2014-15 are as under-

Table 29: Approved Additional Capitalization and Funding (₹ in Crore)

Particulars	Additional Capitalization allowed in FY 2014-15	Loan	Equity
Assets Capitalized	15.19	14.46	0.73

103. The claim of ₹9.31 Crores towards capital spares in SGTPS PH 1 & 2, which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15 has been discussed and not considered in the in the preceding paras.

(d) Gandhi Sagar HPS:

104. The petitioner filed the minor additional capitalization of ₹0.02 Crores in Gandhi Sagar hydro power project. The petitioner submitted that the aforesaid capitalization is on account of construction of boundary wall for civil building. The petitioner also mentioned that the aforesaid

expenses are met from the internal resources of the company. The details of the assets capitalized during FY2014-15 are as follows.

Table 30: Details of Additional Capitalization (Amount in ₹ Crores)

S. No	Account Code	Details	Amount
1	10.42	Boundary Wall for Civil Buildings	0.02
	Total		0.02

105. In view of the above, the Commission observed that the additional capitalization of ₹0.02 Crores has been capitalized by the petitioner in the books of accounts for FY 2014-15 and recorded in asset cum depreciation register of Gandhi Sagar hydro power project. Therefore, the additional capitalization of ₹0.02 Crores during FY 2014-15, is considered in this order under Regulation 20.2(d) of MPERC (Terms and conditions for determination of Generation Tariff) Regulations, 2012. The details of the additional capitalization and funding considered for Gandhi Sagar HPS are as given below:

Table 31: Additional Capitalization and Funding considered for Gandhi Sagar HPS (Amount in ₹ Crores)

Particular	FY 2014-15
Asset addition	0.02
Loan component	0.00
Equity component	0.02

(e) Pench HPS:

106. The petitioner filed the additional capitalization of ₹2.26 Crores in Pench Hydro Power station during FY 2014-15 towards procurement of auxiliaries for Hydro Power Station and communication Equip-Radio & High freq. Carrier Sys.
107. The petitioner confirmed that the additional assets of ₹2.26 Crores in Pench HPS capitalized in Annual Audited Accounts for FY 2014-15 and same has been funded through internal resources/ equity component. The details of the additional assets in Pench HPS filed in the petition are as follows:

Table 32: Details of Assets Capitalization**(Amount in ₹ Crores)**

S. No	Account Code	Details	Amount
1	10.535	Auxiliaries in Hydro power Stations	2.25
2	10.571	Commu. Equip-radio & High Freq. Carrier Sys.	0.01
		Total	2.26

108. The Commission further observed that the assets of ₹2.26 Crores are capitalized by the petitioner in the books of accounts for FY 2014-15 and recorded in Asset-cum-Depreciation register of Pench HPS. Therefore, the additional capitalization of ₹2.26 Crores is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table 33: Additional Capitalization and funding admitted (₹ in crore)

Particular	FY2014-15
Asset Addition	2.26
Loan component	0.00
Equity component	2.26

(f) Rajghat HPS:

109. The petitioner filed the additional capitalization of ₹0.32 Crore in Rajghat Hydro Power station during FY 2014-15 towards office buildings and others. The petitioner claimed ₹0.01 Crore towards office buildings and others and balance ₹0.31 Crore towards capital spares which were lying under Account Head Capital Material Stock which were now transferred to Account head Fixed Assets in Audited Books of accounts of FY 2014-15.
110. The petitioner confirmed that the additional assets of ₹0.01 Crore in Rajghat HPS capitalized in Annual Audited Accounts for FY 2014-15, and same has been funded through internal resources/ equity component. The details of the additional assets in Rajghat HPS filed in the petition are as follows:

Table 34: Details of Additional Capitalization (₹ in crore)

S. No	Account Code	Details	Amount
1	10.211	Office Buildings	0.01
2	10.904	Others	0.00
		Total	0.01

111. The Commission observed that the assets of ₹0.01 Crore are capitalized by the petitioner in the books of accounts for FY 2014-15 and recorded in Asset-cum-Depreciation register of Rajghat HPS. Therefore, the additional capitalization of ₹0.01 Crore is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table 35: Additional Capitalization and funding admitted (₹ in Crores)

Particular	FY2014-15
Asset Addition	0.01
Loan component	0.00
Equity component	0.01

112. The claim of ₹0.31 Crore towards capital spares in Rajghat HPS, which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15 has been discussed and not considered in the in the preceding paras.

(g) Bargi HPS:

113. The petitioner filed the additional capitalization of ₹0.29 Crores in Bargi Hydro Power station during FY 2014-15 towards capital spares which were lying under Account Head Capital Material Stock were now transferred to Account head Fixed Assets in Audited Books of accounts of FY 2014-15
114. The claim of ₹0.29 Crore towards capital spares in Bargi HPS, which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15 has been discussed and not considered in the in the preceding paras.

(h) Bansagar PH-1, 2 & 3 HPS:

115. The petitioner filed the additional capitalization of ₹6.16 Crores in Bansagar, PH-1, 2 & 3 during FY 2014-15 out of which ₹0.08 were claimed towards land, procurement of computers & office Equipments. The details are as under:

Table 36: Details of Asset Capitalization**(₹ in Crores)**

S. No	Account Code	Details	Amount
1	10.101	Land Owned under Full Title	0.06
2	10.904	Other Office Equipments	0.02
3	10.905	Computers	0.00
Total			0.08

116. The petitioner also mentioned that the assets additions from FY2006-07 to FY2010-11 amounting to ₹4.32 Crores which pertains to Bansagar PH-1, 2 &3 were erroneously booked under Gross Block of Bansagar PH-4. The same has been got corrected and based on revised gross block the Final tariff petition of Bansagar PH-4(Jhinna) have been filed.
117. The above mentioned asset additions were not claimed by MPPGCL in its past true up petitions, the same are now claimed in Bansagar PH-1, 2 & 3, the details of assets capitalization filed are as under:

Table 37: Details of Asset Capitalization filed**(₹ in Crores)**

S. No	Account Code	Details	Amount
1	10.101	Land Owned under Full Title	0.52
2	10.105	Cost of Land Resettlement	0.03
3	10.301	Hy.Works Form part of Hy,Elec Sys.,dams,	0.40
4	10.305	Hy.Works Rcc Pipes, Surge tanks,Valves etc.	0.31
5	10.324	Tail Race Channel	0.55
6	10.531	Hydel Power Generation Plants	1.77
7	10.541	Transmission Plant -Transformers 100 KVA &	0.03
8	10.581	Meter testing laboratory Tools & Equipments	0.01
9	10.599	Other Misc.Equip Including Fire Protection System	0.43
10	10.740	Other vehicles	0.00
11	10.800	Furnitures & Fixtures	0.15
12	10.904	Others	0.03
13	10.905	Computers	0.11
Total			4.32

118. Apart from the above, the petitioner has claimed the capital spares of ₹1.76 Crore which were lying under Account Head Capital Material Stock has now transferred to Account head Fixed Assets in Audited Books of accounts of FY 2014-15.

119. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to submit clarification regarding claim of ₹4.32 Crores towards assets created during FY2006-07 to FY2010-11 which were erroneously booked under fixed assets of Bansagar PH-IV, Jhinna and difference in the figures of additional capitalization in Bansagar HPS mentioned in table 4.3.34.1 and 4.4.1.1 of the petition.
120. By affidavit dated 22nd March, 2016, the petitioner filed the following regarding the additional capitalization:
- i) *In the process of filing the Final tariff Petition of Bansagar PH-4(Jhinna), the voucher wise verification has been carried out, where in it was noticed that few assets of Bansagar PH-1, 2 & 3 were erroneously considered under Bansagar PH-4 in the earlier Final tariff Petition of Bansagar PH-4 (petition No.7/2013). The error was corrected and the revised project cost of ₹115.81 Crores as on 31.03.2014 was submitted in the said petition.*
 - ii) *Further vide Para 2.8 of Final tariff petition of Bansagar PH-4 filed on 11.05.2015, it was also requested before the Commission to permit the remaining addition with other power houses of Bansagar Complex in the True up petition of for FY 2014-15.*
 - iii) *The the Commission vide Para 51 & 52 of Final tariff order of Bansagar PH-4 took note of the aforesaid submission made by the MPPGCL Accordingly, MPPGCL in the True up petition for FY 2014-15 has claimed asset addition of ₹4.32 Crores for the period FY2006-07 to FY2010-11.*

In back drop of above, the point wise reply of MPPGCL is as under:

- a) *The Books of Accounts for Bansagar HPS are maintained for Bansagar Complex as a whole. The Power House wise break up is done for the purpose of tariff as the Commission has determined the Tariff of Bansagar PH-1, 2 & 3 and Bansagar PH-4 separately*
- b) *The statement elaborating the Power Station wise Gross Block details of MPPGCL as per Audited Books of Accounts from FY 06 to FY 15 is annexed as Annexure-19. Wherein the Gross Block*

details of Bansagar PH-1, 2 & 3 and Bansagar PH-4 are reflected separately.

- c) Based on above Statement, the difference between Asset Additions of Bansagar PH-4 as per Books of Accounts Vs as submitted in its Final tariff petition of Bansagar PH-4 and approved by the Commission is tabulated hereunder:

Table 38: (Amount in ₹ Crores)

Particulars	As Claimed in Final Tariff Petition of Bansagar PH-4	As per Books of Accounts	Diff.(Assets of Bansagar Ph-1, 2 &3 wrongly booked at Bansagar PH-4)
Capital Cost as on CoD	102.9		
Additions From Cod to Year End	4.09		
Total as on 31.03.2007	106.99	109.31	-2.32
Additions during FY 08	5.22	6.33	-1.11
Additions during FY 09	1.39	1.59	-0.2
Additions during FY 10	1.99	2.30	-0.31
Additions during FY 11	0.13	0.20	-0.07
Additions during FY 12	0.05	0.00	0.05
Additions during FY 13	0.05	0.05	0
Additions during FY 14	0	0.00	0
Total as on 31.03.2014	115.81	119.78	-3.97

- d) As evident from above table that the assets additions amounting to ₹3.97 Crores pertaining to Bansagar PH-1, 2 & 3 were erroneously booked at Bansagar PH-4 in the Books of Accounts. The error was corrected during FY-2014-15 as under:

(Amount in ₹ Crores)

Table 39:

Particulars	As Claimed in Final tariff Petition for Bansagar PH-4	As per Books of Accounts	Diff (Assets wrongly Booked at Bansagar PH-4)
Gross Block as on 31.03.2014	115.81	119.79	-3.98
Correction in FY 15 (Assets Transferred to Bansagar PH-1, 2&3)		-3.97	
Total as on 01.04.2015	115.81	115.81	0

e) Apart from above, assets amounting to ₹0.35 Crores, which were capitalized during FY2010-11 at Bansagar HPS, were erroneously not claimed by MPPGCL on view that same pertains to Bansagar PH-4. While filing the Final tariff Petition for Bansagar PH-4, it was found that said assets belong to Bansagar PH-1, 2 & 3. The table indicating the difference between the Asset additions at Bansagar PH-1, 2 & 3 as per Books of Accounts Vs as submitted by MPPGCL in its various true Up petitions and approved by the Commission is tabulated hereunder:

Table 40:**(Amount in ₹ Crores)**

Particulars	As admitted by MPERC vide true up orders	As per Books of Accounts	Diff. (Assets not claimed earlier)
Total as on 31.03.2008	1,243.93	1,243.93	0
Additions during FY 09	0	0	0
Additions during FY 10	0	0	0
Additions during FY 11	5.07	5.42	-0.35
Additions during FY 12	0.57	0.57	0
Additions during FY 13	-87.7	-87.7	0
	0.87	0.87	0
Additions during FY 14	0.22	0.22	0
Total as on 31.03.2014	1,162.96	1,163.31	-0.35

f) Accordingly the total Asset addition amounting to ₹4.32 Crores (₹3.97 Crs + ₹0.35 Crs) for the period FY 07 to FY 11 has been claimed by MPPGCL as detailed in Table No.4.3.31.1 at Page No.52 of instant petition. In this regard, the copies of supporting documents are already submitted before the Commission as Annexure No. 5J of letter No.57 dated 11.01.2016.

(Amount in ₹ Crores)

Table 41:

Particulars	Final position of Assets		
	Bansagar PH-1,2&3	Bansagar PH-4	Total
Gross Block as on 01.04.2014	1163.02	115.81	1278.83
Asset Additions for FY 06 to FY 11	4.32		4.32
Revised Gross Block as on 01.04.2014	1167.34	115.81	1283.15
Additions During FY 2014-15	1.84	1.27	3.11
Adjustment Entry	-0.05		-0.05
Gross Block as on 01.04.2015	1169.14	117.09	1286.22
As per Books of Accounts	1169.14	117.09	1286.22
Difference	0.00	0.00	0.00

g) The Final Position of Assets of Bansagar HPS as submitted in subject True Up petition vis-à-vis as per Books of Accounts is tabulated hereunder :

(Amount in ₹ Crores)

Table 42:

Particulars	Bansagar PH-1,2&3	Bansagar PH-4	Total	Reference
Asset additions during FY 2014-15	1.84	1.27	3.11	As reflected in table no.4.4.1.1 of True up petition for FY 2014-15
Asset additions during FY 2006-07 to FY 2010-11	4.32			
Total	6.16			As reflected in table no.4.3.4.1 of True up petition for FY 2014-15

121. The petitioner confirmed that the additional assets of ₹4.40 Crores in Bansagar, PH-1, 2 & 3 capitalized in Annual Audited Accounts for FY 2014-15, and have been funded through internal resources / equity component.
122. The petitioner submitted that the capitalization is claimed as per following Provisos of MPERC Regulations:
- Proviso 20.2(a) of MPERC Regulations, 2012 which provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.

ii) Proviso 20.2(d) of MPERC Regulations, 2012 which provides for incurrence of capital expenditure due to additional work, which become necessary for efficient and successful operation of generating station.

iii) 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.

123. The Commission observed that the assets of ₹4.40 Crores are capitalized by the petitioner in the books of accounts for FY 2014-15 and recorded in its Asset cum Depreciation register. The additional capitalization of ₹4.40 Crores is allowed in this order under the Regulation 20.2(d) of the Regulations, 2012.

124. The details of the additional capitalization and its funding considered in this order are as follows:

Table 43: Additional Capitalization and funding Admitted (₹ Crores)

Particular	FY 2014-15
Asset addition	4.40
Loan component	0.00
Equity component	4.40

125. The claim of ₹1.76 crore towards capital spares in Bansagar HPS 1, 2 & 3, which were lying under Account head Capital Material Stock and now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15 has been discussed and not considered in the in the preceding paras.

(i) Birsinghpur Hydrel:

126. The petitioner filed the additional capitalization of ₹0.002 Crore in Birsinghpur Hydro Power station during FY 2014-15 towards procurement of furniture & Fixtures.

127. The petitioner confirmed that the additional assets of ₹0.002 Crore in

Birsinghpur HPS capitalized in Annual Audited Accounts for FY 2014-15, and same has been funded through internal resources/ equity component. The details of the additional assets in Pench HPS filed in the petition are as follows:

Table 44: Details of Asset Capitalization (Amount in ₹ Crores)

S. No	Account Code	Details	Amount
1	10.800	Furniture & Fixtures	0.002
		Total	0.002

128. The Commission observed that the assets of ₹0.002 Crore are capitalized by the petitioner in the books of accounts for FY 2014-15, and recorded in Asset-cum-Depreciation register of Birsinghpur HPS. Therefore, the additional capitalization of ₹0.002 Crore is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table 45: Additional Capitalization and Funding Admitted (Amount in ₹ Crores)

Particular	FY2014-15
Asset Addition	0.002
Loan component	0.000
Equity component	0.002

Additional Capitalization in New Projects:

a) ATPS, Chachai PH-III (1x210 MW):

129. The Amarkantak Thermal Power Station Extension Unit No. 5 (210 MW) was commissioned on 10th September, 2009. The additional capitalization of ₹3.52 Crores is filed by the petitioner during FY 2014-15 in this generating unit. The petitioner submitted that the additional capitalization has been capitalized during FY 2014-15, and captured in Audited Books of Accounts.
130. The petitioner submitted that the works under additional capitalization were carried out during FY2014-15 and these works are within the original scope of cost estimate of ₹1242.14 Crores approved by GoMP dated 12.01.2011. The details of asset capitalized under the additional capitalization as filed by the petitioner are as given below:

Table 46: Details of Asset Capitalization claimed(₹ in Crore)

Sr. No.	Account Code	Details of Asset Capitalized	Amount in ₹ Crores
1	10.106	Cost of tree plantation for tree cut down (Provisional)	0.05
2	10.201	Buildings Containing Thermo Elec. Gen. Plant	0.002
2	10.501	Boiler Plant & Equipments	0.08
4	10.507	Ash handling plant	0.13
5	10.512	Coal Conveyer & crusher	0.00
6	10.515	Coal handling plant & handling equipments	0.23
7	10.551	Material handling Equipment-Earth-Movers,Bulldozer	0.95
8	10.561	Switchgears Including Cable connections	0.02
9	10.563	Battering Including Charging Equipment	0.00
10	10.571	Communications Equip –Radio& High Frequency Carrier Sus.	0.17
11	10.580	Refrigerators and Water Coolers	0.001
12	10.582	Equipments in Hospitals/Clinics	0.02
13	10.583	Tools and Tackles	0.18
14	10.800	Furniture & Fixtures	0.02
15	10.905	Computers	0.04
16	11.300	Capital Spares At Generating Stations	1.62
Total			3.52

131. Vide letter dated 29th February, 2016, the petitioner was asked to file several details/ documents regarding the additional capitalization in new power stations. By affidavit dated 22nd March, 2016, the petitioner filed its response to the queries raised by the Commission as follows:

- i) *The assets amounting to ₹3.52 Crores have been capitalized at ATPS Chachai (210MW) during FY 2014-15 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.9.1 on page No. 43 of subject True Up petition.*
- ii) *The aforesaid capitalization is covered under the Original Scope of Work Estimate of ₹1242.14 Crores for which approval has been accorded by the GoMP.*
- iii) *As the extension Unit No. 5 of ATPS Chachai (210MW) has been commissioned on 10.09.2009, the same is governed by MPERC Generation Tariff Regulations, 2009. Accordingly, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai was 31.03.2012.*
- iv) *The aforesaid additional capitalization comprises of works related to Ash Handling Plant amounting to ₹0.13 Crores, Material*

Handling Equipment ₹0.95 Crores, Coal Handling Plant ₹0.23 Crores, Capital Spares ₹ 1.62 Crores and other minor works.

- v) *The proviso 20.2(c) of MPERC Regulation, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to ₹0.13 Crores towards Ash Handling Plant under the said clause. It is to humbly submit that the Commission in the True up order for FY 2012-13 & FY 2013-14 has already permitted such expenditure under this head of the instant proviso.*
- vi) *The balance of additional capitalization amounting to ₹3.39 Crores (₹3.52 Crores – ₹0.13 Crores) has been claimed under proviso 20.2 (f) of MPERC Regulation, 2009 which provides for admittance of capital expenditure which is considered indispensable by the Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.*
- vii) *The aforesaid Additional Capitalization is funded through approved PFC Loan No.20701002.*

132. 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(j) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2009 was 31.03.2012. The additional capital expenditure in ATPS 210 MW is after the cut-off date of the unit. Therefore, such additional capitalization needs to be examined in light of the relevant provisions under Regulations, 2009.

133. Regarding the additional capitalization of thermal power stations after cut-off date, clause 20.2 of the Regulations, 2009 provides as under:

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

- a. *Liabilities to meet award of arbitration or for compliance of the order or decree of a court;*
- b. *Change in Law.*

c. *Deferred works relating to ash pond or ash handling system in the original scope of work; -----"*

134. Out of total additional capital expenditure of ₹3.52 Crores, ₹1.62 crore pertains to capital spare and balance assets pertains to Coal handling plant & handling equipments of ₹0.23 Crores, Ash handling plant ₹0.13 Crores, material handling Equipment of ₹0.95 Crores and some miscellaneous minor works. The above expenditures have been incurred and capitalized after cut-off date of the project, i.e. 31.03.2012. Clause (c) of the aforesaid Regulation specifically provides that the capital expenditure may be admitted by the Commission for the deferred works relating to ash pond or ash handling system in the original scope of work. However, there is no provision under Tariff Regulations, 2009 for allowing additional capital expenditure on deferred works / balance works other than the ash pond or ash handling system.
135. The petitioner confirmed that all the works under additional capitalization are within the original scope of work. Therefore, the additional expenditure of ₹0.13 Crores relating to ash pond or ash handling system is only allowed in this order. The additional assets of ₹0.13 Crores have been funded through PFC loan. Regarding the expenditure on other works after cut-off date of the generating station, these works are not allowed in this order in light of the provisions under MPERC Tariff Regulations, 2009. The Commission had also adopted the same approach in its true-up order for FY 2013-14 issued on 30th January, 2016.
136. Accordingly, the details of the additional capitalization and funding considered in ATPS PH 3 in this order are as given below:

Table 47: Additional capitalization and funding admitted (₹ in Crores)

Particular	Updated approved project Cost	Admitted by the Commission As on 31.03.2014	Funding Of Un-discharged liability Admitted	Addition During FY2014-15	Admitted as on 31.03.2014
Assets	1242.14	1061.61	0.00	0.13	1061.74
Loan	908.89	778.02	36.78	0.13	814.93
Equity	226.76	223.42	23.39	0.00	246.80

b) STPS, Sarni PH-IV:

137. 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 tariff of STPS, Sarni PH IV up to 31.03.2014 on the basis of Audited Financial Statements and for FY 2014-15 to FY 2015-16 on projected basis. In the subject true petition, the additional capitalization of ₹98.63 Crores is filed by the petitioner during FY 2014-15 in this generating unit. The major part of additional capitalization of ₹98.63 Crore pertain to Boiler Plant & Equipments of ₹12.46 Crores, Turbine-Generator-Steam Power Generation of ₹23.46 Crores, Hydrogen generation plant of ₹8.05 Crores, Other transformers of Power House of ₹23.85 Crores and capital spares of ₹11.38 Crores.
138. The petitioner submitted that the additional capitalization is captured in Audited Books of Accounts for FY 2014-15 and carried out within the original cost estimate of ₹3514 Crores 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 48: Details of Additional Capitalization

S. No.	Account Code	Details of Asset Capitalized	Amount (In ₹ Crores)
1	10.106	Cost of Tree Plant. for Tree Cut Down	0.29
2	10.310	Cooling Water System	0.62
3	10.311	Cooling Towers	0.24
4	10.321	Reservoir, For bay and Intake	0.20
5	10.325	Misc. Works	0.40
6	10.401	Pucca Roads	0.97
7	10.420	Boundary Wall for Civil Buildings	1.24
8	10.426	Ash Bund for Thermal Power Station	0.30
9	10.501	Boiler Plant & Equipments	12.46
10	10.503	Turbine-Generator-Steam Power Generation	23.46
11	10.507	Ash Handling Plant	0.51
12	10.515	Coal Handling Plant & Handling Equipments	1.16

13	10.520	Instrumentation and Controls	2.98
14	10.521	Hydrogen generation plant	8.05
15	10.523	220kv/400kv switch yard	3.48
16	10.524	Water treatment plant	0.39
17	10.526	Flue gas stack for thermal power station	0.04
18	10.527	Misc. cranes & hoists in power stations	0.21
19	10.528	DM Water Plant	0.13
20	10.542	Other Transformers of Power House	23.85
21	10.561	Switchgears Including Cable Connections	1.38
22	10.583	Tools and Tackles	0.01
23	10.585	D G Set for emergency Power	3.18
24	10.587	Other Electrical Equipments for BoP	1.58
25	10.800	Furniture & Fixtures	0.03
26	10.904	Other Office Equipments	0.02
27	10.905	Computers	0.06
28	11.300	Capital Spares At Generating Stations	11.38
Total			98.63

139. Initially, the petitioner has not filed the funding of additional capitalization in STPS PH-IV. However vide affidavit dated 22nd March, 2016 the petitioner filed the funding of additional capitalization as follows-

Particulars	PFC Loan No.20701003	Equity	Total
Additional Capitalization Funding	95.45	3.18	98.63

140. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to file several details/ documents regarding the additional capitalization in new power stations. By affidavit dated 22nd March, 2016, the petitioner filed its response on the queries raised by the Commission as given below.

- (i) *The assets amounting to ₹98.63 Crores have been capitalized at STPS Sarni PH-4 during FY 2014-15 as captured in Audited Books of Accounts.*
- (ii) *The aforesaid capitalization is covered under the Original Scope of Work Estimate of ₹3514 Crores, which has been approved by the GoMP.*

- (iii) *The Date of Commercial operation (CoD) of extension unit No.10 & 11 of STPS, Sarni PH-4 (2x250 MW) is 18.08.2013 & 16.03.2014 respectively. In accordance 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*
- (iv) *The above capitalization comprises of asset additions booked in the Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to ₹87.25 Crores and in Account 11.XXX (Capital Spares) amounting to ₹11.38 Crores respectively.*
- (v) *The said capitalization is claimed under the following proviso 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) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 17.1(b)."*

141. Vide Commission's letter dated 29th February, 2016, the petitioner was also asked to file to clarify on following major item of additional capitalization:

Table 49: Major item of Additional Capitalization

Details of Asset Capitalized	Amount in ₹ Cr.
Boiler Plant and Equipment	12.46
Turbine-Generator Steam power generation	23.46
Other transformers for power house	23.85

142. In reference of the above, the petitioner was asked to explain/submit the following:
- a. *How the generating units were commissioned and remained under operation without the aforesaid major BTG works.*

- b. *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.*
- c. *Capitalization booklet for capitalization of additional assets during FY 2014-15 duly certified by the statutory auditor and reconciled with the Balance Sheet be submitted.*
- d. *The amount against the balance IDC and start-up fuel capitalized during the year if any be informed separately.*
- e. *The claim of capitalized capital spares of ₹11.38 Crores need to be justified in light of the Regulation 17.2(b) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012.*
- f. *The assets capitalized till 31/03/2015 are more than the funding informed as on 31/03/2015. Justification for such unfunded liability needs to be filed.*

143. By affidavit dated 22nd March, 2016, the petitioner filed the following response on the queries raised by the Commission:

Reply of point a

- (i) *MPPGCL humbly submits that Unit No. 10 & 11 was declared on CoD w.e.f. 18.08.13 and 16.03.14 respectively. The systems / subsystems required to commission these units were available at the time of their operation.*
- (ii) *Moreover, out of 2 Station Transformers (ST) and 4 Nos. Unit Auxiliary Transformers (UAT) i.e. 2 Nos. UAT each for Unit No.10 & 11, 1 Station transformer and 2 UATs were available before commissioning of Unit No. 11.*
- (iii) *In addition, the Unit No.10 was under forced outage during 14.10.13 to 31.10.13 due to problem in Ash handling system which had resulted accumulation of ash up to top of ESP hopper. Subsequently, Unit No.10 was under forced outage during the period 15.01.14 to 21.06.14 due to problem in the Generator.*
- (iv) *Similarly the Unit 11 was under shut down during 09.09.14 to 24.09.14 and 25.10.14 to 07.11.14 due to heavy rain fall which had resulted accumulation of ash up to the top of ESP hopper.*
- (v) *During the outage of unit No.10, the station transformer of unit No.10 was utilized with interconnection facility for feeding supply*

to auxiliaries during commissioning of unit No.11 and thereafter generation from this unit.

- (vi) In the meantime the ST and UAT of unit No.11 was commissioned respectively on 28.05.2014 on 10.11.14. On availability of ST of unit No.11 on 28.05.14, the ST of unit No.10 was taken back for generation from unit No.10.
- (vii) The delay in commissioning of ST and UAT of unit No. 11 had not affected commissioning of unit No.11 and also generation from both units 10&11.
- (viii) As regards delay in commissioning of DG set is concerned, it is submitted that it has no direct relation with commissioning of Units therefore the units were continued generation.

Reply of point b

- (i) The major reasons that resulted delay in execution of such works (Station transformer, UAT and DG set) are due to delayed erection and commissioning by M/s BHEL. As per the provisions of contract, LD is to be recovered from the contractors who are responsible 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. However, LD amount is yet to be finalized and recovered from pending invoices of these two firms.

Reply of point C

- (i) It is to submit that the unit wise capitalization booklet of STPS PH-4 (2x250 MW) as on date of Commercial Operation(Cod) of respective units and up to 31.03.2014 has already submitted before the Commission in the matter of determination of Final generation Tariff of STPS PH-4 (2x250 MW).
- (ii) During FY 2014-15, assets amounting to ₹98.63 Crores have been capitalized at STPS Sarni PH-4 and captured in Audited Books of Accounts of FY 2014-15. The same has been claimed and detailed at Table No.4.3.16.1 on page No. 46 of subject True Up petition.

Reply of point D

- (i) *It is to submit that the amount of IDC as well as start up to fuel has already submitted before the Commission in the matter of determination of Final generation Tariff of STPS PH-4(2x250MW).*
- (ii) ***Further an amount of ₹4.91 Crores have been capitalized on account of Interest during construction during FY 2014-15 through Opening CWIP. Similarly an amount of ₹1.42 Crores has been capitalized on account of Start-up Fuel during FY 2014-15 through Opening CWIP.***

Reply of point E

- (i) *Kindly refer Annexure-11 of MPPGCL's reply to Point No. (vi) which elaborates MPPGCL's claim of capital spares in light of the Regulation 17.2(b) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012.*

Reply of point F

- (i) *In respect of funding of additional capitalization at STPS PH-4, it is to submit that MPPGCL has filed the subject True Up petition on dated 07.11.2015 before the issuance of Final Tariff Order of STPS Sarni PH-4 on dated 07.01.2016. Considering the funding approved by the Commission up to 31.03.2014 in the Final tariff order of STPS PH-4 (2x250MW), the Revised Funding Scenario is now worked out and annexed as Annexure-12 which clearly elaborated that there is no funding gap between assets capitalized and funding thereof as on 31.03.2015.*

144. Commission observed that the amount of ₹98.62 Crore of additional capitalization is inclusive of amount towards IDC and Start up fuel as follows:

Table 50: Additional Capitalization without IDC and Start up Fuel

Particulars	Amount in ₹ Crores
Total Additional Capitalization Filed	98.62
IDC	4.91
Start-Up Fuel	1.42
Net Additional Capitalization	92.29

145. With regard to Interest During Construction (IDC) and start-up fuel, vide order dated 07th January, 2016, the Commission has allowed the 97.93% of IDC and 98.09% of startup fuel as the petitioner had not capitalized full amount of IDC and start-up fuel on CoD of each unit. With the claim of above Additional IDC and start up fuel capitalization during FY 2014-15, the capitalization percentage is increased. By following the same approach adopted by the Commission in its order date 07th January, 2016, the detail of additional IDC and Start up fuel as filed and approved for FY 2014-15 are as follows:

Table 51: Details of Additional IDC and Start-up fuel expenses Approved:

(Amount in ₹ Crores)

IDC	Claimed	Approved
Total IDC	550.13	469.01
Total IDC Capitalized till FY 2013-14	538.72	459.28
% till FY 2013-14	97.93%	97.93%
IDC for FY 14-15	4.91	4.19
% till FY 2014-15	98.82%	98.82%

Start up Fuel	Claimed	Approved
Total Fuel	173.53	166.93
Total Fuel Capitalized till FY 2013-14	170.19	163.74
% till FY 2013-14	98.08%	98.09%
Start up fuel for FY 14-15	1.42	1.34
% till FY 2014-15	98.89%	98.89%

146. Based on above IDC and Start up fuel capitalization, the net additional capitalization to be considered by the Commission as follows:

Table 52: Additional Capitalization allowed:

Particulars	Amount in ₹ Crores
Net Additional capitalization	92.30
IDC Allowed	4.19
Start-Up Fuel	1.34
Total Additional Capitalization to be Allowed	97.83

147. With regard to capitalization of capital spares vide Commission letter dated 29th February, 2016, the petitioner was asked to justify its claim in the light of the Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.

148. By vide affidavit dated 22nd, March, 2016, the petitioner filed the details

of capital spares. On perusal of the same, it was observed that the capital spares claimed by the petitioner for FY 2014-15 are within the ceiling norms specified under the Regulations. The eligibility of initial spares with regard to the original project cost is worked out as given below:

Table 53: Capital Spare**(₹ in Crores)**

Power Station	Original Project Cost	Capital Spares till 31st March, 2014 admitted	Admitted capital Spares % of the original Project cost	Capital Spares filed in true-up of FY 2014-15	Total Capital Spares on 31/03/2015	Total capital spares % of the original capital Cost
STPS PH-IV	3514.0	29.72	0.85%	11.38	41.10	1.17%

149. In view of above, it is observed that the initial spares of ₹ 29.72 have been admitted by the Commission till 31st March, 2014 and further claim of capital spares of ₹11.38 Crores are admitted for FY 2014-15 as the same is within the ceiling norms prescribed in the regulations.
150. It is further observed that the generating unit achieved CoD on 16.03.2014 and the Cut-off date of the unit as per proviso 4(j) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 is 31.03.2017.
151. The petitioner confirmed that the additional assets of ₹97.83 **Crores** have been funded through by PFC loan 20701003 of ₹94.68 Crore and balance ₹3.15 through equity.
152. The petitioner has also filed written off of ₹42.08 in this plant, the same has been considered by the Commission. based on the above discussion and finding, the details of the additional capitalization and funding considered in this order are as given below:

Table 54: Approved capital cost and funding**(₹ in Crore)**

Particular	Updated approved project Cost	Admitted by the Commission total amount				
		As on 31.03.2014 as per final order	Prior Period Adjustments	As on 31.03.2014 after considering Prior Period Adjustments	Additions During FY2014-15	admitted as on 31.03.2015
Assets	3514.00	3007.19	-42.08	2965.11	97.83	3062.94
Loan	2811.20	2399.03	-33.66	2365.37	94.68	2460.04
Equity	702.80	601.44	-8.42	593.02	3.15	596.18

c) SGTPS, Birsingpur PH-III (1x500 MW):

153. In the subject petition, the petitioner filed the additional capitalization of ₹36.36 Crores in SGTPS Ext. Unit No. 5 for FY 2014-15, as per the Annual Audited Accounts. The major part of the assets capitalized during the year pertains to the Ash Bund of ₹24.15 Crores, Ash Handling Plant ₹6.19 Crores, & some other minor heads. The petitioner also claimed capital spares of ₹0.10 Crore capitalized during FY 2014-15. The details of the assets capitalized during FY2014-15, in SGTPS 500 MW as filed by the petitioner are as given below:

Table 55: Details of Additional Capitalization

S. No.	Account Code	Details of Asset Capitalized	Amount (In ₹ Crores)
1	10.401	Pucca Roads	0.64
2	10.412	Railway Sidings	1.73
3	10.425	Construction of Discharge Canal	0.03
4	10.426	Ash Bund for Thermal Power Station	24.15
5	10.501	Boiler Plant & Equipments	1.27
6	10.503	Turbine-Generator-Steam Power Generation	0.81
7	10.507	Ash Handling Plant	6.19
8	10.509	Auxiliaries in Steam Power Plant	0.04
9	10.520	Instrumentation and Controls	0.01
10	10.542	Other Transformers of Power House	0.04
11	10.576	Air-Conditioning Plant Static	0.40
12	10.588	Chemical Lab Equipments	0.41
13	10.599	Oth.Misc.Equip. Includ.Fire Protection System	0.05
14	10.800	Furniture & Fixtures	0.41
15	10.904	Other Office Equipments	0.06
16	10.905	Computers	0.02
17	11.300	Capital Spares	0.10
Total			36.36

154. Vide Commission's letter dated 29th February, 2016, several queries regarding the additional capitalization in SGTPS 500 MW were asked from the petitioner. By affidavit dated 22nd, March, 2016, the petitioner filed its response and same has been summarized as follows:

- (i) *The assets amounting to ₹36.36 Crores have been capitalized at SGTPS PH-3 during FY 2014-15 and captured in Audited Books of Accounts.*
- (ii) *These works are covered under the original work estimate of ₹ 2300 Crores, approved by GoMP.*
- (iii) *The extension unit No. 5 of SGTPS Birsinghpur (500MW) has been commissioned on 28.08.2008 and 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.*
- (iv) *The above additional capitalization comprises of asset additions booked in Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to ₹36.26 Crores and in Account 11.XXX (Capital Spares) amounting to ₹ 0.10 Crore.*
- (v) *The said additional capitalization is claimed under the following proviso of MPERC Regulations, 2005:*
 - i. *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.*
 - ii. *As per Proviso 19 (2.9) (e) of MPERC Regulations, 2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulation 18.*
 - iii. *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.*

iv. *Further, proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.*

v. *The aforesaid works are funded through approved PFC Loan No.20701011.*

155. Vide letter dated 29th February, 2016, the petitioner was asked to file a detailed reply on the following points regarding additional capitalization of new ash bund and ash handling plant:

- *Whether the assets and scope of work are common for these two additional works.*
- *The detailed break-up identifying the difference in nature of work required for Ash Handling System for different units of the power station."*

156. By affidavit dated 22nd March, 2016, the petitioner submitted its reply which is mentioned in Annexure-1 with this order.

157. With regard to additional capitalization of capital spares of ₹0.10 Crore, the Commission vide letter dated 29th February, 2016, the petitioner was asked to justify its claim in light of Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.

158. By affidavit dated 22nd March, 2016, the petitioner submitted the details of capital spares. On perusal of the details filed by the petitioner, it is observed that the capital spares claimed by the petitioner for FY 2014-15 are within the ceiling norms prescribed under the Regulations. The eligibility of initial spares with regard to the original project cost is worked out as given below:

Table 56: Capital spares**(₹ in Crores)**

Power Station	Original Project Cost (as admitted 31.03.2014)	Capital Spares till 31st March, 2014 admitted	Admitted capital Spares % of the original Project cost	Capital Spares filed in true-up of FY 2014-15	Total Capital Spares on 31/03/2015	Total capital spares % of the original Capital Cost
SGTPS PH-3	1996.52	49.65	2.49%	0.10	49.75	2.49%

159. It is observed that the capital spares of ₹49.65 Crores had been admitted by the Commission till 31st March, 2014 and further claim of the initial spares of ₹0.10 Crore are admitted for FY 2014-15 as the same is within the ceiling norms prescribed in the Regulation.

160. It is further observed that the additional capitalization has been capitalized in books of accounts for FY 2014-15, asset cum depreciation registers and within the original scope of Work. Therefore, the additional capitalization (including initial spares) of ₹36.36 Crores capitalized during FY 2014-15, in SGTPS Ext. Unit No. 5 is admitted in this order in accordance with the regulation 19 of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2005.

161. The petitioner also confirmed that the additional assets capitalized in SGTPS Unit No. 5 during FY 2014-15 are funded through PFC loan only. It is also observed that the actual capital expenditure and corresponding funding as on 31.03.2015 admitted by the Commission is within the approved project cost and funding. The petitioner has also filed the write off assets of ₹1.74 Crore in this petition which is considered by the Commission. Accordingly, the details of the additional capitalization, write off and funding considered in this order are as given below:

Table 57: Approved project cost and funding up to 31.03.2015 (₹ in Crores)

Particular	Estimated approved project Cost	Admitted by the Commission					Total amount admitted as on 31.03.2015
		As on 31.03.2014	Addition on Account of LD	Prior Period Write off	Revised As on 31.03.2014	During FY2014-15	
Assets	2300	1986.10	10.32	1.74	1994.68	36.36	2031.04
Loan	1675	879.77	7.22	1.51	885.48	36.36	921.84
Equity	625	571.96	3.10	0.23	574.83	0.00	574.83

d) Madhikheda HPS:

162. In Madhikheda HPS, the petitioner has claimed additional capitalization of ₹1.96 Crore which pertaining to capital spares acquired over the years and lying under Account head Capital Material Stock which were now transferred to Account head Fixed Assets in the Audited Books of Accounts of FY 2014-15.
163. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to justify its claim of capital spares of the aforesaid Power Stations in light of the regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.
164. By affidavit 22nd March, 2016, the petitioner submitted the following for justification of its claim for additional capitalization in capital spares:

Table 58: Details of capital Spares filed by the Petitioner (Amount in ₹ Crores)

Power Station	Original Project Cost (as admitted by MPERC upto 31.03.2014)	Capital Spares filed in true-up of FY 2014-15	Total Capital Spares as on 31/03/2015	Total capital spares % of the original Capital Cost
Madhikheda	216.03	1.96	1.96	0.91%

165. As submitted by the petitioner this additional capitalization in incurred through MPPGCL's own equity/internal sources.
166. The Commission has observed that the above capitalization of capital spares are within the limit as prescribed in the Regulations, capitalized by the petitioner in the books of accounts for FY 2014-15 and recorded in Asset-cum-Depreciation register of Madhikheda HPS. Therefore, the additional capitalization of ₹1.96 Crores is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below:

Table 59: ₹in Crores

Particular	FY2014-15
Asset Addition	1.96
Loan component	0.00
Equity component	1.96

e) Bansagar PH-4 (Jhinna) HSP:

167. The petitioner filed the additional capitalization of ₹1.27 Crores in Bansagar PH-4 during FY 2014-15. Out of ₹1.27 Crore, ₹0.04 Crore pertains to Hydel Power Plants and the balance ₹1.23 Crores pertains to capital spares which were lying under Account Head Capital Material Stock were now transferred to Account head Fixed Assets in Audited Books of accounts of FY 2014-15.
168. The details of asset additions as claimed by the petitioner are as follows-

Table 60: Details of Additional Capitalization

S. No.	Account Code	Details of Asset Capitalized	Amount (In ₹Crores)
1	10.531	Hydel Power Generation Plants	0.04

169. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to justify its claim of additional capitalization in capital spares in light of the Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012.
170. By affidavit 22nd March, 2016, the petitioner submitted the following format for justification of its claim for additional capitalization in capital spares-

Table 61: Details of capital Spares filed by the Petitioner (Amount in ₹ Crores)

Power Station	Original Project Cost (as admitted upto 31.03.2014)	Capital Spares till 31st March, 2014 admitted by the commission	Capital Spares filed in true-up of FY 2014-15	Total Capital Spares on 31/03/2015	Total capital spares % of the original Capital Cost
Bansagar PH 4	115.58	0.00	1.24	1.24	1.07%

171. The petitioner has submitted that this additional capitalization is funded through MPPGCL's own equity/internal sources.
172. The Commission has observed that the above capitalization of capital spares are within the limit as prescribed in the Regulations, capitalized

by the petitioner in the books of accounts for FY 2014-15 and recorded in Asset-cum-Depreciation register of Bansagar PH 4. Therefore, the additional capitalization of ₹1.27 Crores is allowed under the Regulation 20.2(d) of the Regulations, 2012. The details of the additional capitalization and its funding considered in this order are as given below

Table 62: Additional Capitalization and funding admitted (₹ in Crore)

Particular	FY2014-15
Asset Addition	1.27
Loan component	0.00
Equity component	1.27

173. Based on the above, the power station wise additional capitalization and funding thereof considered in this true-up order for FY2014-15 are as given below:

Table 63: Details of Asset Additions Admitted with corresponding Funding (₹in Crores)

Sr. No.	Power Stations	Addition admitted for FY2014-15		
		Asset Addition	Loan Component	Equity Component
1	ATPS PH-II	0.25	0.25	0.00
2	ATPS PH-III	0.13	0.13	0.00
3	STPS PH-2&3	0.00	0.00	0.00
4	STPS PH-4	97.83	94.68	3.15
5	SGTPS PH-I&II	15.19	14.46	0.73
6	SGTPS PH-III	36.36	36.36	0.00
7	Gandhi Sagar	0.02	0.00	0.02
8	Pench	2.26	0.00	2.26
9	Rajghat	0.01	0.00	0.01
10	Bargi	0.00	0.00	0.00
11	Bansagar I, II &III	4.40	0.00	4.40
12	Bansagar PH-4 (Jhinna)	1.27	0.00	1.27
13	Birsinghpur	0.00	0.00	0.00
14	Madhikheda	1.96	0.00	1.96
Total		159.69	145.88	13.81

Write off/ Adjustment during the year:

174. The petitioner filed the write- off / adjustments of assets in some of the power stations as per Annual Audited Accounts for FY 2014-15 are as follows:

Table 64: Details of Assets Write-Off (₹ in Crores)

S. No.	Stations	Asset Amount	Acc. Dep amount	Remarks
1	ATPS PH-2	-0.02	-0.01	Write-off of assets
2	ATPS Total	-0.02	-0.01	
3	STPS PH-2&3	-4.98	-4.48	Write-off of assets
4	STPS PH-4	-42.08	-0.29	Assets Capitalized transferred to CWIP
5	STPS Total	-47.06	-4.77	
6	SGTPS PH-1&2	-1.53	-1.12	Write-off of assets
7	SGTPS PH-3	-1.74	-0.46	Adjustment due to price variation claim
8	SGTPS Total	-3.28	-1.58	
9	Total Thermal	-50.35	-6.36	
	Bansagar			Assets of ₹0.001 written- off
10	PH-1, 2 & 3	-0.05	-0.01	Asset of ₹ 0.047 Crores considered as asset addition at Bansagar PH-4 during FY 2012-13 hence reduced from Gross Block of Bansagar PH-1,2&3
11	Total Hydro	-0.05	-0.01	
12	HQ	-0.02	-0.01	Write-off of assets
	Total	-50.43	-6.38	

175. As filed, under STPS PH 4 assets have been reduced due to capitalized Assets transferred to CWIP and under SGTPS PH-3 due to price variation claim and these reductions pertain to earlier years. The Commission has considered the claim of petitioner. The GFA as approved by the Commission as on 31.03.2013 for STPS PH-4 and SGTPS-PH 3 has been revised as on 1.04.2014. Accordingly, the power station wise approved Gross fixed assets as on 01.04.2014 is as follows:

Table 65: Revised Opening GFA as on 31.03.2014 (₹ in Crores)

S.No	Power Stations	Gross Fixed Assets			
		Closing as on 31/03/2014	Addition on Account of LD	Write-off prior 31/03/2014	Opening as on 01/04/2014
1	ATPS PH-2	222.04	0	0	222.04
2	ATPS PH-3	1058.09	0	0	1058.09
3	STPS PH-2 & 3	627.47	0	0	627.47
4	STPS PH-4	3007.19	0	-42.08	2965.11

S.No	Power Stations	Gross Fixed Assets			
		Closing as on 31/03/2014	Addition on Account of LD	Write-off prior 31/03/2014	Opening as on 01/04/2014
5	SGTPS PH 1 & 2	2172.84	0	0	2172.84
6	SGTPS PH-3	1986.1	10.32	-1.74	1994.68
	Thermal	9073.73	10.32	-43.82	9040.23
7	Gandhi Sagar	10.37	0	0	10.37
8	Pench	98.13	0	0	98.13
9	Rajghat	82.8	0	0	82.8
10	Bargi	86.97	0	0	86.97
11	Bansagar PH-1,2 & 3	1163	0	0	1163
12	Bansagar PH-4	115.58	0	0	115.58
13	Birsinghpur	52.15	0	0	52.15
14	Madhikheda	216.03	0	0	216.03
	Total Hydro	1825.03	0	0	1825.03
	Total	10898.76	10.32	-43.82	10865.26

176. The Commission has also approved the written off/adjustment, which pertains to other power stations during FY 2014-15. Accordingly, status of power station wise opening and closing gross fixed assets after considering the additions and write-off/adjustment are as follow:

Table 66: Details of Closing GFA as on 31.03.2015 (₹ in Crores)

Sr. No.	Power Station	Opening GFA as on 01.04.2014	Additions during FY 2014-15	Write-off during FY 2014-15	Net Addition	Closing GFA as on 31.03.15
1	ATPS PH-2	222.04	0.25	-0.02	0.23	222.27
2	ATPS PH-3	1058.09	0.13	0.00	0.13	1058.22
3	STPS PH-2 & 3	627.47	0.00	-4.98	-4.98	622.49
4	STPS PH-4	2965.11	97.83	0.00	97.83	3062.94
5	SGTPS PH 1 & 2	2172.84	15.19	-1.53	13.66	2186.50
6	SGTPS PH-3	1994.68	36.36	0.00	36.36	2031.04
	Thermal	9040.23	149.76	-6.53	143.23	9183.46
7	Gandhi Sagar	10.37	0.02	0.00	0.02	10.39
8	Pench	98.13	2.26	0.00	2.26	100.39
9	Rajghat	82.80	0.01	0.00	0.01	82.81
10	Bargi	86.97	0.00	0.00	0.00	86.97
11	Bansagar PH-1-3	1163.00	4.40	-0.05	4.35	1167.35
12	Bansagar PH-4	115.58	1.27	0.00	1.27	116.85
13	Birsinghpur	52.15	0.00	0.00	0.00	52.15
14	Madhikheda	216.03	1.96	0.00	1.96	217.99
	Total Hydro	1825.03	9.92	-0.05	9.87	1834.90
	Total	10865.26	159.69	-6.58	153.10	11018.3

Debt-equity Ratio:

177. Regulation 21 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2012 provides that:

"In case of the generating station declared under commercial operation prior to 1.4.2013, debt-equity ratio allowed by the Commission for determination of Tariff for the period ending 31.3.2013 shall be considered. For the purpose of determination of Tariff of new generating station Commissioned or capacity expanded on or after 01.04.2013, debt-equity ratio as on the Date of Commercial operation shall be 70:30. The debt-equity amount arrived in accordance with this clause shall be used for calculation of interest on loan, return on equity and foreign exchange rate variation. Where equity actually employed is in excess of 30%, the amount of equity for the purpose of Tariff shall be limited to 30% and the balance amount shall be considered as loan. The interest rate applicable on the equity in excess of 30% treated as loan has been specified in Regulation 23. Where actual equity employed is less than 30%, the actual equity shall be considered."

178. Accordingly, the power station wise loan and equity for additional capitalization is considered in this order as per the provision under Regulations, 2012. Further, the actual additional capital expenditure and corresponding loan & Equity as admitted in this order are as given below:

Table 67: Details of Asset Addition with Corresponding funding (₹ in Crore)

Sr.No	Power Stations	Additions admitted for FY 2014-15		
		Asset Addition	Normative Loan	Normative Equity
1	ATPS PH-2	0.25	0.25	0.00
2	ATPS PH-3	0.13	0.13	0.00
3	STPS PH-2 & 3	0.00	0.00	0.00
4	STPS PH-4	97.83	94.68	3.15
5	SGTPS PH 1 & 2	15.19	14.46	0.73
6	SGTPS PH-3	36.36	36.36	0.00
7	Gandhi Sagar	0.02	0.01	0.01
8	Pench	2.26	1.58	0.68
9	Rajghat	0.01	0.01	0.00

Sr.No	Power Stations	Additions admitted for FY 2014-15		
		Asset Addition	Normative Loan	Normative Equity
10	Bargi	0.00	0.00	0.00
11	Bansagar PH-1,2 &3	4.40	3.08	1.32
12	Bansagar PH-4 (Jhinna)	1.27	0.89	0.38
13	Birsinghpur	0.00	0.00	0.00
14	Madhikheda	1.96	1.37	0.59
	Total	159.69	152.82	6.86

Annual Capacity (fixed) Charges:

179. 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 Regulations 40, 41 and 53 of "Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012. {RG-26 (II) of 2012}. The Annual Capacity (fixed) Charges consist of:

- (a) Return on Equity;
- (b) Interest and Financing Charges on Loan Capital;
- (c) Depreciation;
- (d) Lease/Hire Purchase Charges;
- (e) Operation and Maintenance Expenses;
- (f) Interest Charges on Working Capital;
- (g) Cost of Secondary Fuel Oil;
- (h) Special allowance in lieu of R&M or separate compensation allowance, wherever applicable:

a. Return on Equity:

Petitioner's submission:

180. The petitioner broadly submitted the following:

- a. *On account of Asset additions at the existing stations as well as new projects, there is infusion of Equity during FY 2014-15. The details regarding asset additions and funding thereof during FY 2014-15, were already provided in the Chapter of Additional Capitalization/de-capitalization and funding thereof.*
- b. *"MPPGCL has filed Final tariff petition for STPS PH-4(2x250MW) and Bansagar HPS PH-4(2x10 MW) before the Commission. The orders on same are awaited. Accordingly the Normative Equity Balance as worked out in respective petitions as on 31.03.2014 has been considered as opening Loan Balance for FY 2014-15.*
- c. *The details of funding towards additional capitalization during FY 2014-15 are as follows:*

Table 68: Detail of Funding for additional assets claimed by the petitioner (₹ in Crore)

Power Stations	Asset Added	Funding		Max. Equity 30% of Gross Block	Normative Equity	Balance excess equity	
		Loan*	Equity/Internal Resources*				
	A	B	C	D = (A x 30%)	E = C or D (W.E.L)#	F = C - E	
1	ATPS PH-2	8.76	8.11	8.51	2.63	2.63	5.88
2	ATPS PH-3	3.52	74.66	0.00	1.05	0	0
3	STPS PH-2&3	2.49	0.00	2.49	0.75	0.75	1.74
4	STPS PH-4	98.63	66.44	0.00	29.59	0	0
5	SGTPS PH-1&2	24.5	0.00	24.5	7.35	7.35	17.15
6	SGTPS PH-3	36.36	198.87	0.00	10.91	0	0
7	Total Thermal	174.26	348.07	35.5	52.28	10.73	24.78
8	Gandhi Sagar	0.02	0	0.02	0.01	0.01	0.02
9	Pench	2.25	0	2.25	0.68	0.68	1.58
10	Rajghat	0.31	0	0.31	0.09	0.09	0.22
11	Bargi	0.29	0	0.29	0.09	0.09	0.2
12	Bansagar PH-1,2 &3	6.16	0	6.16	1.85	1.85	4.31
13	Bansagar PH-4	1.27	0	1.27	0.38	0.38	0.89
14	Madhikheda	1.96	0	1.96	0.59	0.59	1.37
15	Birsinghpur	0.002	0	0.002	0	0	0
15	Total Hydel	12.27	0	12.27	3.68	3.68	8.59
16	HQ & S&I	0.27	0	0.27	0.08	0.08	0.19
Total		186.8	348.07	48.05	56.04	14.49	33.56

d. The normative Equity as on 31.03.2014 along with the average Equity works out as under:

Table 69: Normative Equity as claimed (₹ in Crores)

Station	Normative Equity for ROE as on 01-04-2014	Equity Adjustment towards assets reduced from Bansagar PH-1,2&3	Normative Equity Addition due to Asset Addition	Total Normative Equity for ROE as on 31-03-2015	Average Equity
1	ATPS PH-2	38.41	2.63	41.04	39.72
2	ATPS PH-3	246.81	0	246.81	246.81
3	STPS PH-2&3	187.6	0.75	188.35	187.98
4	STPS PH-4	576.99	0	576.99	576.99
5	SGTPS PH-1&2	649.16	7.35	656.51	652.83
6	SGTPS PH-3	571.96	0	571.96	571.96
7	Total Thermal	2270.93	0	2281.66	2276.29
8	Gandhi Sagar	3.14	0.01	3.15	3.14
9	Pench	29.44	0.68	30.12	29.78
10	Rajghat	24.84	0.09	24.94	24.89

11	Bargi	26.11		0.09	26.19	26.15
12	Bansagar PH-1,2&3	391.91	-0.05	1.85	393.71	392.81
13	Bansagar PH-4	34.74		0.38	35.12	34.93
14	Madhikheda	45.66		0.59	46.25	45.95
15	Birsinghpur	15.64		0	15.64	15.64
16	Total Hydro	571.48	-0.05	3.68	575.12	573.3
17	HQ	0.54		0.08	0.62	0.58
	Total	2842.95	-0.05	14.49	2857.4	2850.18

- e. As per proviso 21 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 {RG-26(II) of 2012} 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-14, MPPGCL has worked out the Return on Equity on pre tax basis at a base rate of 15.5% as tabulated below:-

Table 70: Return on Equity for FY 2014-15 (₹in Crores)

Station		Average Equity	RoE @ 15.5%
1	ATPS PH-2	39.72	6.16
2	ATPS PH-3	246.81	38.26
3	STPS PH-2&3	187.98	29.14
4	STPS PH-4	576.99	89.43
5	SGTPS PH-1&2	652.83	101.19
6	SGTPS PH-3	571.96	88.65
7	Total Thermal	2276.29	352.83
8	Gandhi Sagar	3.14	0.49
9	Pench	29.78	4.62
10	Rajghat	24.89	3.86
11	Bargi	26.15	4.14
12	Bansagar PH-1,2&3	392.81	60.89
13	Bansagar PH-4	34.93	5.41
12	Madhikheda	45.95	7.12
13	Birsinghpur	15.64	2.42
14	Total Hydro	573.30	88.86
15	HQ	0.58	0.09
	Total	2850.18	441.78

Provision in Regulations:

181. Regulation 22 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012. provides that:

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

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

Provided that in case of Projects commissioned on or after 1st April, 2013, an additional return of 0.5% shall be allowed if such Projects are completed within the timeline specified in Appendix-I :

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

The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the Year 2012-13 applicable to the Generating Company:

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

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

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

Where t is the applicable tax rate in accordance with Regulation 22.3.

Illustration.-

(i) In case of Generating Company paying Minimum Alternate Tax (MAT) say @ 20.01% including surcharge and cess:

Rate of return on equity = 15.50 / (1-0.2001) = 19.377%

(ii) In case of Generating Company paying normal corporate tax say @ 33.99% including surcharge and cess:

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

Commission's analysis:

182. in some of the power stations, the closing normative equity as admitted by the Commission in the subject true-up petition in its past 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
183. The petitioner filed the additional capitalization in some thermal and hydel power stations for FY2014-15 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.
184. 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.
185. The petitioner filed the write-off/adjustment of assets in some of the power stations based on the Annual Audited Accounts. Vide Commission's letter dated 29th February, 2016, the petitioner was asked to confirm whether the equity amount pertains to write-off/adjustment assets if any, has been accounted for in its claim for the equity component of the respective power station. The petitioner was also asked to confirm whether the return on equity pertains to these assets, has been reduced from the date/year of write-off/adjustment of all such assets.
186. By affidavit dated 22nd March, 2016, the petitioner submitted that equity reduction has been made at STPS PH-4, SGTPS PH-3 and Bansagar PH-1, 2&3 due to write-off/adjusted assets in these power stations. The petitioner also confirmed that the corresponding amount of equity in reference to assets write off at ATPS PH-2, STPS PH-2&3 and SGTPS PH-1&2 has not been reduced. Therefore, the corresponding write-off of equity amount of ₹ 1.97 Crores in aforesaid power stations has also considered in this order. Moreover, the Commission allowed the equity

addition in respect of un-discharge liability of ₹ 60.17 Crores in ATPS PH-3 which were not considered in true-up order for FY 2011-12.

187. 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 71: Closing Normative equity as on 31.03.2015 ₹ in Crores

Sr. No.	Power Station	Revised Normative Opening Equity	Normative Equity Addition	Equity reduced due to current year Write-off assets	Net Equity Addition	Normative Closing Equity
1	ATPS PH-2	38.41	0.00	0.00	0.00	38.41
2	ATPS PH-3	246.80	0.00	0.00	0.00	246.80
3	STPS PH-2 & 3	186.10	0.00	-1.49	-1.49	184.61
4	STPS PH-4	593.02	3.15	0.00	3.15	596.18
5	SGTPS PH 1 & 2	649.18	0.73	-0.46	0.27	649.45
6	SGTPS PH-3	574.82	0.00	0.00	0.00	574.82
7	Gandhi Sagar	3.14	0.01	0.00	0.01	3.15
8	Pench	29.44	0.68	0.00	0.68	30.12
9	Rajghat	24.84	0.00	0.00	0.00	24.84
10	Bargi	26.11	0.00	0.00	0.00	26.11
11	Bansagar PH-1, 2 & 3	348.91	1.32	-0.02	1.31	350.22
12	Bansagar PH-4	34.67	0.38	0.00	0.38	35.05
13	Birsinghpur	15.65	0.00	0.00	0.00	15.65
14	Madhikheda	45.66	0.59	0.00	0.59	46.25
	Total	2816.76	6.86	-1.97	4.89	2821.65

188. Considering the above opening and closing balances of normative equity, the Return on equity for FY 2014-15 is worked out as follows:

Table 72: Return on Equity for FY 2014-15

Sr. No.	Power Station	Average Equity	Rate of return on equity	Return on Equity
		₹ Crores	%	₹ Crores
1	ATPS PH-2	38.41	15.50	5.95
2	ATPS PH-3	246.80	15.50	49.13
3	STPS PH-2 & 3	185.35	15.50	28.73
4	STPS PH-4	594.60	15.50	92.13
5	SGTPS PH 1 & 2	649.32	15.50	100.64
6	SGTPS PH-3	574.82	15.50	89.37

Sr. No.	Power Station	Average Equity	Rate of return on equity	Return on Equity
		₹ Crores	%	₹ Crores
7	Gandhi Sagar	3.14	15.50	0.49
8	Pench	29.78	15.50	4.62
9	Rajghat	24.84	15.50	3.85
10	Bargi	26.11	15.50	4.05
11	Bansagar PH-1,2 &3	349.56	15.50	54.18
12	Bansagar PH-4	34.86	15.50	5.40
13	Birsinghpur	15.65	15.50	2.43
14	Madhikheda	45.95	15.50	7.12
	Total	2819.20		448.09

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

189. 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 ROE of the assets write-off/adjustment has been reworked for adjustment.

ATPS PH-3

190. The sources of funding of un-discharged liability of ₹60.17 has already been discussed under the chapter on prior period written off/adjustment in this order. The impact on RoE with respect to write off/adjustment in ATPS PH-3 have been worked out as under :

Table 73: Return on Equity

(Amount in ₹ Crores)

	FY 2011-12	FY 2012-13	FY 2013-14	Total
Particulars	AMOUNT	AMOUNT	AMOUNT	
Equity Component	23.39	23.39	23.39	
Rate of Return on Equity	15.50%	15.50%	15.50%	
RETURN ON EQUITY	3.63	3.63	3.63	10.89

SGTPS PH -3

191. In SGTPS PH-3, the petitioner has filed the write off ₹1.74 Crore due to price variation adjustments as already been discussed under the chapter on prior period written off/adjustment in the instant order. The impact on RoE with respect to write off/adjustment in SGTPS PH-3 have been worked out as under:

Table 74: Impact on RoE for SGTPS PH-3 (₹. in Crores)

Account Head	Asset Adjustment	Year Of Capitalization	Funding Through equity	Total RoE Amount
Rate of Return on Equity				
Boiler plant & Equipments	0.05	2009-10	0.00	0.00
Turbine-Generator-Steam Power generation	0.66	2009-10	0.00	0.00
Coal Handling Plant & Handling Equipments	0.25	2010-11	0.00	0.00
Instrumentation and Controls	0.76	2008-09	0.23	0.21
Capital Spares	0.02	2011-12	0.01	0.003
Total	1.74		0.23	- 0.211

192. Further, with regard to LD adjustment in SGTPS PH-3 of ₹10.32 Crore the Commission has considered the sources of funding as explained earlier under chapter on prior period written off/adjustment in this order. The impact on RoE with respect to write off/adjustment in SGTPS PH-3 have been worked out as under-

Table 75: Return on Equity on addition/adjustment of assets of ₹10.32 Crore (Amount in ₹ Crores)

Particulars	Amount
Equity Component	3.10
Rate of return on Equity	15.50%
Return on Equity	0.48

STPS PH-4

193. In STPS PH-4, the petitioner has filed the write off ₹42.08 Crore due to assets transferred back to CWIP as already been discussed under the chapter on prior period written off/adjustment in the instant order. The impact on RoE with respect to write off/adjustment in STPS PH-4 have been worked out as under:

Table 76: Impact on Return on Equity for STPS PH-IV (₹ in Crores)

Date of Capitalization	Amounts Transferred to CWIP	Days in Operation	Funding through Equity	ROE Amount @15.50%
17-08-2013	1.08	227	0.22	0.02
15-03-2014	8.11	17	1.62	0.01
31-03-2014	32.89	1	6.58	0.00
	42.08		8.42	0.04

194. In view of the above, the power station wise prior period adjustment of Return on Equity is summarized as given below:

Table 77: Summary of Prior Period Return on Equity Adjustment (₹ in Crores)

Sr.No.	Power Station	ROE
1	ATPS PH-3	10.88
2	SGTPS PH-3	0.27
3	STPS PH-4	-0.04
	Total	11.11

b. Interest and finance charges on loan capital:

Petitioner's submission:

195. The petitioner broadly submitted the following:

- a. "The Normative Power Station wise opening loan balances as on 1.4.2014, based on the True Up order for FY 2012-13 and the True Up petition filed by MPPGCL for FY 2013-14, are worked out as under:-

Table 78: (₹ in Crores)

Stations	Opening Bal as on 1-4-2013 (as per MPERC True up order for FY 13)	Receipts for FY 2013-14 in proportion to assets capitalized	loan reduction on account of asset deduction during FY 2013 14	Repayment (Dep FY 2013-14)	Opening Bal 1-4-2014
	(A)	(B)	(C)	(D)	(E)=(A)+(B)-(C)-(D)
1 ATPS PH-2	47.59	0.75		18.17	30.17
2 ATPS PH-3	615.11	7.28	1.02	54.56	566.81
4 SGTPS PH-3	979.62 *	30.04	28.90	120.24	860.52

5	Total Thermal	1642.32	38.07	29.92	192.97	1457.50
6	Bansagar PH-1,2&3	7.37			7.37	0.00
7	Madhikheda HPS	89.77 *			11.26	78.51
8	Total Hydro	97.14	0.00	0.00	18.63	78.51
Total		1739.46	38.07	29.92	211.60	1536.01

b. MPPGCL has filed Final tariff petition for STPS PH-4(2x250MW) and Bansagar HPS PH-4(2x10 MW) before the Commission. The orders on same are awaited. Accordingly the Normative Loan Balance as worked out in respective petitions as on 31.03.2014 has been considered as opening Loan Balance for FY 2014-15. On account of assets deduction made at SGTPS PH-3 as detailed in Chapter 4.3 - Addl. Capitalization/De-capitalization & funding thereof, the loan balances are proportionately reduced.

196. The power station wise closing and average balances of loan considering the repayment equal to depreciation charged during FY 2014-15 as per proviso 23.3 of the Regulations 2012 are indicated below:-

Table 79: Details of Closing and Average Balance (₹ in Crores)

Stations	Adjusted Opening Bal 01-04-2014	Loan Receipts Claimed	Principal repayment (Dep.)	Closing Bal 31-03- 2015	Av Bal
ATPS PH-2	30.17	8.11	20.8	17.48	23.82
ATPS PH-3	566.81	74.66	54.7	586.77	576.79
STPS PH-4	2411.16	66.44	159.64	2317.96	2364.56
SGTPS PH-3	858.78	198.87	107.6	950.05	904.42
Total Thermal	3866.92	348.07	342.73	3872.26	3869.59
Bansagar PH-4	23.56		6.18	17.38	20.47
Madhikheda	78.51		11.36	67.15	72.83
Total Hydro	102.07	0	17.54	84.53	93.3
HQ	1.18	0	0.21	0.97	1.07
Total	3970.17	348.07	360.48	3957.76	3963.96

197. By affidavit dated 22nd March, 2016, the petitioner also filed the adjustment of interest amount due to write-off of asset in SGTPS PH-3, The detailed Calculation in respect of Weighted Average Rate of Interest along with supporting documents were also filed by the petitioner.
198. The petitioner also claimed the interest on excess equity which is over and above the normative equity. The overall weighted average rate of interest is applied to arrive at the interest on excess equity.
199. Considering the above, the Power station wise interest on loan and excess equity for FY 2014-15 is worked out by the petitioner in accordance to the proviso 23 of the Generation Tariff Regulations, 2012 by applying power station wise weighted average rate of interest on loans and overall weighted average rate of interest on excess equity are indicated below:-

Table 80: Interest on Loan and Excess Equity as filed (₹in Crores)

Station		Intt. on Loan	Intt. on Excess Equity	Total
1	ATPS PH-2	3.00	1.34	4.33
2	ATPS PH-3	73.34	4.36	77.70
3	STPS PH-2&3	0.00	0.00	0.00
4	STPS PH-4	306.92	0.00	306.92
5	SGTPS PH-1&2	0.00	0.00	0.00
6	SGTPS PH-3	115.38	0.00	115.38
7	Total Thermal	498.64	5.70	504.34
8	Gandhi Sagar	0.00	0.00	0.00
9	Pench	0.00	0.00	0.00
10	Rajghat	0.00	0.00	0.00
11	Bargi	0.00	0.00	0.00
12	Bansagar PH-1,2 &3	0.00	1.44	1.44
13	Bansagar PH-4	2.62	0.06	2.67
14	Madhikheda	9.24	0.09	9.32
15	Birsinghpur	0.00	0.00	0.00
16	Total Hydro	11.85	1.59	13.44
17	HQ	0.11	0.02	0.14
Total		510.61	7.31	517.92

Provision in Regulations:

200. Regulation 23 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations 2012, provides that:

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

The normative loan outstanding as on 1.4.2013 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2013 from the gross normative loan.

The repayment for the Year of the Tariff period 2013-16 shall be deemed to be equal to the depreciation allowed for that Year.

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

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

Provided that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered.

Provided further that if the generating station does not have actual loan, then the weighted average rate of interest of the Generating Company as a whole shall be considered.

The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest.

The Generating Company shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and the Generating Company, in the ratio of 2:1.

The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing-----".

Commission's Analysis:

201. In the subject true-up petition, the Commission observed that the petitioner filed the power station wise interest on loan and interest on excess equity separately. It is further observed that in MYT order dated 1st April, 2013, the Commission allowed power station wise interest and financing charges including interest on excess equity. Separate interest on excess equity was not determined in the MYT order due to following reasons:
- a. In the final opening balance sheet, the equity amount allocated to MPPGCL was more than the normative equity. The equity amount over and above the normative equity was allocated to all existing power stations in proportion to their GFA as on 1st June, 2005
 - b. There were some of the power stations on which there was no outstanding loan as on 1st June, 2005 and it was not possible to arrived weighted average rate of interest for these power stations. In such circumstance, the Commission had decided to apply overall weighted average rate of interest on excess equity of all the power stations.
 - c. In the Tariff Regulations, 2005, for the tariff period FY2006-07 to FY2008-09, the repayments of loan were linked with the scheduled repayment of individual actual loan portfolio.
 - d. In the Tariff Regulations, FY2008-09 and FY2011-12, the repayments of loan have been linked with the depreciation for the period. In the MYT order dated 1st April, 2013, the equity over and above normative equity treated as loan and included in the loan components. The weighted average rate of interest of aforesaid power stations applied also on excess equity.
202. The petitioner filed the loan additions in respect of additional capitalization during FY 2014-15. It is observed that the petitioner filed loan additions of ₹348.07 Crores till 31.03.2015, whereas, the total additional capitalization during the year filed by the petitioner is ₹186.80 Crores which is funded from loan and equity component. In all previous

true-up/tariff orders, the Commission allowed funding in respect of additional capitalization only to the extent of additional capitalization admitted by it. Therefore, the loan amount pertains to additional capitalization to the extent of additional capitalization admitted in this order is considered by the Commission.

203. The petitioner also filed the write-off/adjustment of assets in some of the power stations based on the Annual Audited Accounts. Vide letter dated 29th February, 2016, the petitioner was asked to confirm whether the loan amount pertains to write-off/adjustment assets if any, has been accounted for in its claim of interest and finance charges of the respective power station. The petitioner was also asked to confirm whether the interest charges pertains to these assets have been reduced from the date/year of write-off/adjustment of assets.
204. By affidavit dated 22nd March, 2016, the petitioner confirmed that the corresponding amount of loan in reference to assets write-off/adjusted at various power stations has been accounted for in the subject true up petition from the date date/year of write-off/adjustment while working out interest and finance charges. The petitioner filed the power station wise working of loan balances and corresponding interest and finance charges in this regard.
205. Due to prior period assets written off/adjustment such as STPS PH IV written of ₹42.08 Crore, SGTPS PH 3 written of 1.74 Crore & assets addition in respect of settlement of ₹10.32 Crore and un-discharge liability of 60.17 Crore in ATPS PH 3, is also discussed under the prior period written off/adjustment of this order. In this true-up order, the power station wise normative closing loan balances as on 31st March, 2014 admitted by the Commission in its past true up/final tariff orders has now been revised considering the impact of write-off/adjustment of assets filed in the subject petition. The opening loan balances as on 1st April, 2014 is worked out accordingly. The closing loan balances as on 31st March, 2015, are worked out after considering the loan addition due to additional capitalization and normative repayment equal to depreciation in this regard.

206. Regarding to the weighted average rate of interest, the petitioner filed the power station wise and lender wise detailed statement for all the loan schemes outstanding as on 1st April, 2014. Considering the above, the power station-wise details regarding opening loan balances, loan additions and closing loan balances after considering the repayment equal to depreciation during the year as per Regulations, 2012 are as given below:

Table 81: Power Station wise loan Balances including Excess Equity (₹ in Crores)

Sr. No.	Power Station	Opening Loan	Loan addition	Loan amount for write-off assets during the Year	Net loan addition	Normative Repayment	Closing Loan
1	ATPS PH-2	37.65	0.25	0.00	0.25	18.23	19.67
2	ATPS PH-3	604.00	0.13	0.00	0.13	50.05	554.08
3	STPS PH-2 & 3	0.00	0.00	0.00	0.00	0.00	0.00
4	STPS PH-4	2365.37	94.68	0.00	94.68	152.81	2307.23
5	SGTPS PH 1 & 2	0.00	14.46	0.00	14.46	14.46	0.00
6	SGTPS PH-3	885.49	36.36	0.00	36.36	102.25	819.59
7	Gandhi Sagar	0.00	0.01	0.00	0.01	0.00	0.01
8	Pench	0.00	1.58	0.00	1.58	1.58	0.00
9	Rajghat	0.00	0.01	0.00	0.01	0.01	0.00
10	Bargi	0.00	0.00	0.00	0.00	0.00	0.00
11	Bansagar PH-1,2 & 3	0.00	3.08	-0.04	3.05	3.05	0.00
12	Bansagar PH-4	30.60	0.89	0.00	0.89	6.14	25.36
13	Birsinghpur	0.00	0.00	0.00	0.00	0.00	0.00
14	Madhikheda	78.52	1.37	0.00	1.37	11.25	68.64
	Total	4001.62	152.82	-0.04	152.79	359.83	3794.58

207. 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 as given below:

Table 82: Power Station Wise Loan Balances including excess equity (₹ in Crores)

Sr. No.	Power Station	Average Loan ₹ Cr.	Wt. Avg. rate of interest %	Interest amount on Loan ₹ Cr.
1	ATPS, Chachai PH-II	28.66	12.58%	3.61
2	ATPS, Chachai PH-III	579.04	12.72%	86.25
3	STPS, PH 2&3	0.00	12.96%	0.00
4	STPS, PH-4	2336.30	12.98%	303.13
5	SGTPS, Birsing'pur PH-1&2	0.00	9.64%	0.00

Sr. No.	Power Station	Average Loan	Wt. Avg. rate of interest	Interest amount on Loan
6	SGTPS, Birsing'pur PH-3	852.54	12.76%	108.87
7	Gandhi Sagar	0.0	13.00%	0.00
8	Pench	0.00	13.00%	0.00
9	Rajghat	0.00	13.00%	0.00
10	Bargi	0.00	13.00%	0.00
11	Bansagar (I to III)	0.00	12.87%	0.00
12	Bansagar IV	27.98	12.78%	3.58
13	Birsinghpur	0.00	13.00%	0.00
14	Madhikheda	73.58	12.68%	9.33
	Total	3898.10		514.76

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

208. 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

209. The sources of funding of un-discharged liability of ₹60.17 has already been 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 ATPS PH-3 have been worked out as under -

Table 83: (Amount in ₹ Crores)

	FY 2011-12	FY 2012-13	FY 2013-14	Total
Particulars	Amount	Amount	Amount	
Opening Excess Equity	34.70	36.78	36.78	
Interest Rate	11.51%	11.57%	11.81%	
Interest Amount	3.99	4.26	4.34	12.59

SGTPS PH-3

210. In SGTPS PH-3, the petitioner has filed the write off ₹1.74 Crore due to price variation adjustments as already been 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 SGTPS PH-3 have been worked out as under -

Table 84: Calculation for Interest Written off (Amount in ₹ Crores)

Assets	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	Total
Instrumentation and Controls	0.06	0.06	0.05	0.04	0.04	0.04	0.30
Boiler Plants and Equipments And Turbine Generator Steam Power Generation	0.00	0.08	0.08	0.06	0.07	0.07	0.35
Coal Handling Plant	0.00	0.00	0.03	0.02	0.03	0.03	0.10
Capital Spares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.06	0.14	0.16	0.13	0.14	0.14	0.75

211. Further, with regard to the ₹10.32 Crores addition on account of LD in SGTPS PH-3, the Commission has considered the sources of funding as explained earlier under chapter on prior period written off/adjustment this order. The impact on interest on loan with respect to prior period write off/adjustment in SGTPS PH-3 have been worked out as under-

Table 85: Interest and Finance charges (Amount in ₹Crores)

Particulars	Amount
Loan Component/Opening Loan	7.22
Repayment	0.53
Closing loan	6.70
Average Loan	6.96
Interest Rate	12.11%
Interest Amount	0.84

STPS PH-4

212. In STPS PH-4, the petitioner has filed the write off ₹42.08 Crores due to assets transferred back to CWIP as already been 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 have been worked out as under-

Table 86: Impact on interest and finance charges for STPS PH-4 (₹ in Crores)

Amounts Transferred to CWIP	Date of Capitalization	Days in Operation	Funding through Loan	Interest @ 12.97%
1.08	17-08-2013	227	0.86	0.07
8.11	15-03-2014	17	6.49	0.04
32.89	31-03-2014	1	26.31	0.01
42.08			33.66	0.12

213. In view of the above, the power station wise prior period adjustment of interest on loan is summarized as given below:

**Table 87: Summary of Prior period interest and finance charges Adjustments
(Amount in ₹ Crores)**

S. No.	Power Stations	Interest in ₹ Crores
1	ATPS PH-3	12.59
2	SGTPS PH-3	0.09
3	STPS, PH-4	-0.12
Total		12.56

**d) Depreciation:
Petitioner's submission**

214. 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 FY2014-15, along with asset additions and adjustment/deductions are tabulated below:-

Table 88: (Amount in ₹ Crores)

Power Station	Op. bal as on 31.3.14		Additions in FY 2013-14	Adjust Ments /write-off	Cl. bal as on 31.3.15		
	Gross Block	Asset not in use			Asset not in use	Cl. bal as on 31.3.14	
1	ATPS Chachai	1376.03	0	12.28	-0.02	0.05	1388.29
2	STPS Sarni	3903.34	40.85	209.02	-47.06	41.35	4065.3
3	SGTPS Total(Thermal & Hydel)	4310.36		60.86	-3.28		4367.94
4	Bansagar HPS	1283.11		3.11	-0.001		1286.22
5	SSTPP	3825.97		3397.22	-16.48		7206.71
COG& HS	Bargi HPS	86.97		0.29		-0.01	87.26
	Gandhisagar HPS	10.38		0.02		0	10.4
	Jawahar Sagar HPS	16.56					16.56
	Madikheda HPS	216.03		1.96			217.99
	Pench HPS	98.14		2.25			100.39
	R.P.Sagar HPS	18.86					18.86
	Rajghat HPS	82.81		0.31			83.12
	HQ & S&I	1.8		0.27	-0.02	0.03	2.05
COG&HS		531.54	0	5.11	-0.02	0.02	536.63
Total MPPGCL		15230.35	40.85	3687.61	-66.86	41.42	18851.1
As per Balance Sheet		15271		3621		18893	

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

- The rates for depreciation are considered as approved by the Commission in Appendix-II of Regulations 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.
- As per proviso 24.1 (f) of MPERC regulation 2009 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%
- The ATPS PH-2 has already completed their useful life. As such the depreciation is calculated based on the estimated useful life i.e. 08 years. This philosophy was adopted by MPPGCL from FY 2009-10 onwards.
- 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 is opted for these units.
- Assets of Common services at STPS PH-1 are transferred to STPS PH-2&3 for tariff purpose
- The assets in the records of MPPGCL are only for its own share hence depreciation is computed for MPPGCL share only.
- The Asset Capitalization at SSTPP Stage-I will be dealt through separate Tariff Petition.

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

Table 89: Depreciation Claimed by Petitioner for FY 2014-15 (₹ in Crores)

S. No.	Station	Op. Balance as on 01-04-2014		Dep. For FY 2014-15	Cl. Balance as on 31-03-2015		Cl.Acc.Dep as % of GB
		Asset GB	Acc. Dep		Asset GB	Acc. Dep.	
1	ATPS PH-2	222.04	144.83	20.8	230.79	165.63	72%
2	ATPS PH-3	1153.99	228.39	54.7	1157.5	283.09	24%
3	ATPS Chachai	1376.03	373.23	75.5	1388.29	448.72	32%
4	STPS PH-2&3	630.51	566.87	2.24	628.02	564.63	90%
5	STPS PH-4	3093.09	45.46	159.64	3149.64	204.81	7%
6	STPS Total	3723.6	612.33	161.88	3777.66	769.44	20%
7	SGTPS PH-1&2	2172.84	1504.93	68.69	2195.8	1572.5	72%
8	SGTPS PH-3	2085.38	562.82	107.6	2120	669.95	32%
9	SGTPS Total	4258.22	2067.74	176.29	4315.8	2242.45	52%
10	Total Thermal	9357.85	3053.3	413.67	9481.75	3460.61	36%
11	Gandhi Sagar	10.38	9.34	0.03	10.4	9.36	90%
12	Pench	98.14	75.89	1.96	100.39	77.85	78%
13	Rajghat	82.81	42.82	3.67	83.12	46.49	56%
14	Bargi	86.97	62.32	1.79	87.26	64.11	73%
15	Bansagar PH-1,2&3	1163.01	573.48	56.62	1169.13	630.1	54%
16	Bansagar PH-4	115.81	35.92	6.18	117.09	42.1	36%
17	Madhikheda	216.03	66.65	11.36	217.99	78	36%
18	Birsinghpur	52.15	34.32	1.62	52.15	35.94	69%
19	Total Hydro	1825.3	900.73	83.23	1837.53	983.95	54%
20	HQ	1.8	0.6	0.21	2.05	0.8	39%
Total		11184.95	3954.63	497.11	11321.3	4445.36	39%

216. In addition to above, the petitioner also filed the power station wise adjustment of depreciation towards prior period adjustment / write-off of assets in ATPS PH-2, STPS PH 2&3, STPS PH-4, SGTPS PH-1&2, SGTPS PH-3 and Bansagar PH-1, 2&3. The details of the adjustment of depreciation in aforesaid thermal stations are detailed in table 4.4.6.1 of the petition.

Provision in Regulations:

217. Regulation 24 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 provides that;

"For the purpose of tariff, depreciation shall be computed in the

following manner:

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

Provided that in case of Hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site. Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under Long-term power purchase agreement at regulated Tariff.

- (d) Land other than land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing asset depreciable value.*
- (e) Depreciation shall be calculated annually based on 'Straight Line Method' and at rates specified in Appendix-II to these Regulations for the assets of the generating station:
*Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from the Date of Commercial operation shall be spread over the balance Useful life of the assets.**
- (f) In case of the existing Projects, the balance depreciable value as on 1.4.2013 shall be worked out by deducting the cumulative depreciation including AAD as admitted by the Commission up to 31.3.2013 from the gross depreciable value of the assets. The rate*

of Depreciation shall be continued to be charged at the rate specified in Appendix-II till cumulative depreciation reaches 70%. Thereafter the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90%. -----."

Commission's Analysis:

218. On scrutiny of the subject petition, it was observed that the petitioner worked out the depreciation in ATPS 210 MW on total assets without deducting the amount of LD recovered from the vendors whereas, the capital cost was determined after accounting the LD in the final tariff orders. Vide letter dated 29th February, 2016, the petitioner was asked to file depreciation for this power station after deducting the amount of Liquidated Damages. By affidavit dated 22nd March, 2016, the petitioner filed the revised depreciation amount for ATPS 210 MW after deducting the LD from Gross Fixed Assets.
219. With regard to the cumulative depreciation of write-off/adjustment, by affidavit dated 22nd March, 2016, the petitioner submitted that the amount of accumulated depreciation against the assets written off at various power stations is considered in the asset-cum-depreciation register of various power stations submitted by MPPGCL. Accordingly, the closing accumulated depreciation of various power stations has been adjusted.
220. 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, 2014 after taking 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 2013-14, final tariff order dated 07th January, 2016 for STPS PH-IV and final tariff order dated 18th November 2015 for Bansagar PH-IV.
221. In the subject true-up petition, the petitioner claimed the additional capitalization as per the Annual Audited Accounts for FY2014-15. The issue of power station wise asset additions and "additional capitalization" admitted for FY 2014-15 has been discussed in detail 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. The petitioner further mentioned that the units of ATPS PH-2 has already completed their useful life. For this power station, the depreciation on new asset is calculated based on the estimated useful life i.e. 08 years. This philosophy was adopted by MPPGCL from FY 2009-10 onwards.

222. Considering the impact of additional capitalization/assets addition and write-off/adjustment in various power stations, the updated status of revised opening GFA and cumulative depreciation as on 1st April, 2014 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 90: Power Station wise GFA Balances (₹ in Crores)

Sr. No.	Power Station	Opening GFA	Addition	Current year Write-off	Net GFA Addition	Closing GFA	Average GFA
1	ATPS, Chachai PH-II	222.04	0.25	-0.02	0.23	222.27	222.15
2	ATPS, Chachai PH-III	1058.09	0.13	0.00	0.13	1058.22	1058.16
3	STPS, PH-2&3	627.47	0.00	-4.98	-4.98	622.49	624.98
4	STPS, PH-4	2965.11	97.83	0.00	97.83	3062.94	3014.38
4	SGTPS, PH-1&2	2172.84	15.19	-1.53	13.66	2186.50	2179.67
5	SGTPS, PH-3	1994.68	36.36	0.00	36.36	2031.04	2012.86
6	Gandhi Sagar	10.37	0.02	0.00	0.02	10.39	10.38
7	Pench	98.13	2.26	0.00	2.26	100.39	99.26
8	Rajghat	82.80	0.01	0.00	0.01	82.81	82.81
9	Bargi	86.97	0.00	0.00	0.00	86.97	86.97
10	Bansagar PH (I to III)	1163.00	4.40	-0.05	4.35	1167.35	1165.18
11	Bansagar IV (Jhinna)	115.58	1.27	0.00	1.27	116.85	116.22
12	Birsinghpur	52.15	0.00	0.00	0.00	52.15	52.15
13	Madhikheda	216.03	1.96	0.00	1.96	217.99	217.01
Total		10865.26	159.69	-6.58	153.10	11018.36	10941.81

223. In view of the above, the depreciation for FY 2014-15 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.

224. It has been observed by the Commission that the closing cumulative depreciation in STPS, PH 2&3 and Gandhi Sagar has crossed the limit of 90% in FY 2013-14 true up order dated 30th January, 2016, therefore for FY 2014-15 the Commission has not allowed depreciation in these plants.
225. Taking a consistent approach in line with that adopted in earlier MYT/tariff orders of the Commission, the petitioner is allowed to charge depreciation over the remaining life of the Power Stations which does not exceed to 90% as specified in Regulations, 2012
226. Based on the above, the power station-wise depreciation is worked out and allowed for FY2014-15 in this true-up order as given below:

Table 91: Depreciation for FY 2014-15 (₹ in Crores)

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
		%	₹ Cr.	₹ Cr.	%	₹ Cr.	%
1	ATPS, PH-II	8.21%	18.23	142.21	64.05%	160.44	72.19%
2	ATPS, PH-III	4.73%	50.05	210.71	19.91%	260.76	24.64%
3	STPS, PH-1&2	0.00%	0.00	564.72	90.00%	564.72	90.00%
4	STPS PH-4	5.07%	152.81	47.10	1.59%	199.91	6.53%
5	SGTPS, PH-1&2	3.13%	68.20	1502.97	69.17%	1571.17	71.86%
6	SGTPS, PH-3	5.08%	102.25	530.94	26.62%	633.20	31.18%
7	Gandhi Sagar	0.00%	0.00	9.39	90.00%	9.39	90.00%
8	Pench	1.95%	1.94	75.82	77.26%	77.76	77.46%
9	Rajghat	4.41%	3.65	42.83	51.73%	46.48	56.13%
10	Bargi	2.05%	1.78	62.35	71.64%	64.13	73.74%
11	Bansagar PH (I to III)	4.84%	56.39	601.10	51.69%	657.49	56.32%
12	Bansagar PH (IV)	5.28%	6.14	50.31	43.53%	56.45	48.31%
13	Birsinghpur	3.11%	1.62	34.32	65.81%	35.94	68.92%
14	Madhikheda	5.19%	11.25	66.42	30.75%	77.67	35.63%
	Total		474.33	3941.19		4415.52	

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

227. 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 depreciation of the assets write-off/adjustment has been reworked for adjustment.

SGTPS PH-3

228. In SGTPS PH-3, the petitioner filed the write-off/adjustment of asset of ₹1.74 Crores which pertains to FY 2008-09 to FY 2011-12. The Commission has worked out the Corresponding depreciation on the such asset as given below:-

Table 92: Depreciation Pertains to Write off in SGTPS PH-3 (₹ in Crores)

Account Head	Asset Adjustment	Year Of Capitalization	Total Depreciation Amount FY 2008-09 to FY 2013-14
Interest rate			
Boiler plant & Equipments	0.05	2009-2010	0.02
Turbine-Generator-Steam Power generation	0.66	2009-2010	0.17
Coal Handling Plant & Handling Equipments	0.25	2010-2011	0.05
Instrumentation and Controls	0.76	2008-2009	0.21
Capital Spares	0.02	2011-2012	0.00
Total	1.74		0.45

229. Further, with regard to the ₹10.32 Crores addition on account of LD adjustment in SGTPS PH-3, the impact on depreciation with respect to prior period write off/adjustment in SGTPS PH-3 has been worked out as under -

Table 93: Depreciation on addition of ₹10.32 Crores (Amount in ₹ Crores)

Particulars	Amount
Assets	10.32
Applicable Rate of Depreciation	5.10%
Depreciation Amount	0.53

STPS-4

230. With regard to STPS PH-4, the asset of ₹42.08 Crores of FY-2013-14 has been transferred back to CWIP. The impact on depreciation with respect to prior period write off/adjustment in STPS PH-4 have been worked out as under:

Table 94: Adjustment of Depreciation write off in STPS PH-4 (₹ in Crores)

Amounts Transferred to CWIP	Date of Capitalization	Days in Operation	Depreciation @5.23%
1.08	17-08-2013	227	0.04
8.11	15-03-2014	17	0.02
32.89	31-03-2014	1	0.00
42.08			-0.06

231. Considering the above, the power station wise prior period adjustment of depreciation is summarized as given below:

Table 95: Summary of Writ-off Depreciation Adjustment

Sr. No.	Power Stations	Depreciation in ₹ Crores
1	STPS, PH-4	-0.06
2	SGTPS, PH-3	0.07
	Total	0.01

e) Operation and Maintenance Expenses:

Petitioner's submission

232. 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) (Revision-II) Regulations, 2012, MPERC has prescribed norms for O & M expenses as a function of the capacity of the plant. The O&M expenses as per provision 36.1 & 50.1 of the MPERC Tariff Regulations, 2012 comprises of Employee cost, Repair & Maintenance (R&M) Cost and Administrative & General (A&G) Cost.-
- b. For the FY 2014-15, O&M Charges in ₹Lakh /MW specified by the Commission for various Thermal & Hydro power station of MPPGCL are tabulated below:-

Table 96: Amount in ₹ Lakh/MW/Year

Thermal Station		O&M Norms for FY 2014-15
ATPS	PH-2	28.83
	PH-3	19.63
STPS	PH-2	19.63
	PH-3	19.63
	PH-4	19.9
SGTPS	PH-1	19.63
	PH-2	19.63
	PH-3	14.80
Hydro	All	12.12

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

Table 97:**₹ in Crores**

Sr. No.	Station	As per order MPERC	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	69.19	24.46	-44.73
2	ATPS PH-3	41.22	42.09	0.87
3	STPS PH 2&3	162.93	126.02	-36.91
4	STPS PH-4	99.50	63.5	-36.00
4	SGTPS PH-1&2	164.89	120.25	-44.64
5	SGTPS PH-3	74.00	72.10	-1.90
6	Total Thermal	611.73	448.43	-163.30
7	Gandhi Sagar	13.94	12.20	-1.74
8	Pench	19.39	19.04	-0.35
9	Rajghat	5.45	3.48	-1.97
10	Bargi	10.91	10.59	-0.32
11	Bansagar 1,2&3	49.09	46.90	-2.19
12	Bansagar IV jhanna	2.42	2.26	-0.16
13	Birsinghpur	2.42	2.47	0.05
14	Madhikheda	7.27	5.89	-1.38
	Total Hydro	110.89	102.83	-8.06
	Total	722.62	551.26	-171.37

Provision in Regulations:

234. Regarding the operation and maintenance expenses of thermal power stations, Regulation 36.1 of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012, provides as

under,

"The Operation and Maintenance expenses admissible to existing thermal power stations comprise of employee cost, Repair & Maintenance (R&M) cost and Administrative and General (A&G) cost . These norms exclude Pension, Terminal Benefits and Incentive to be paid to employees, taxes payable to the Government, MPSEB expenses and fees payable to MPERC. The Generating Company shall claim the taxes payable to the Government and fees to be paid to MPERC separately as actual. The claim of pension and Terminal Benefits shall be dealt as per Regulation 26.5."

Table 98: Operation and Maintenance Norms for Existing Thermal Generating Units

Units (MW)	FY 2014-15 ₹ Lacs/MW
62.5	23.33
120	28.83
200/210/250	19.63
500	14.80

235. 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 99: Operation and Maintenance Norms for New Thermal Generating Units

Units (MW)	FY 2014-15 ₹ Lacs/MW
45	27.96
200/210/250	19.90
500	14.90

236. Further, Regulation 50.1 of the Regulations, 2012, regarding Hydro Power Stations provides the following norms;

Table 100:

Year	O&M Expenses in ₹ lakh/MW
2014-15	12.12

Commission's Analysis:

237. 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 101: Operation and Maintenance Expenses for FY 2014-15

Sr.No.	Power Station	Capacity	Normative O&M Expenses	Annual O&M Expenses as per norms
		MW	₹ Lack/MW	₹ Cr.
1	ATPS, Chachai PH-II	240	28.83	69.19
2	ATPS, Chachai PH-III	210	19.63	41.22
4	STPS PH 2&3	830	19.63	162.93
5	STPS, PH-4	500	19.90	99.50
6	SGTPS, PH-1&2	840	19.63	164.89
7	SGTPS, PH-3	500	14.80	74.00
8	Gandhi Sagar	115	12.12	13.94
9	Pench	160	12.12	19.39
10	Rajghat	45	12.12	5.45
11	Bargi	90	12.12	10.91
12	Bansagar PH-1,2&3	405	12.12	49.09
	Bansagar PH-4	20	12.12	2.42
13	Birsinghpur	20	12.12	2.42
14	Madhikheda	60	12.12	7.27
Total		4035		722.63

f) Compensation Allowance or Special allowance:

Petitioner's submission

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

"The Commission in Sec. 36.2 of the Regulations RG-26(II) of 2012 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 has been worked out as below:

ATPS Chachi :- The units of PH - 2 are older than 25 years and therefore compensation allowance for the plants have been considered based on MYT order permitted by the Commission under proviso 36.2 of Regulation RG-26(II), 2012 @ ₹0.84 Lakhs/MW/Year.

STPS, Sarni :- All the units of PH - 2 & 3 are above 25 years and therefore compensation allowance for the plants have been considered based on the MYT order permitted by the Commission under proviso 36.2 of the Regulation RG-26(II) of 2012 @ ₹0.84 Lakhs/MW/Year.

SGTPS Birsinghpur:-The units No.1 & 2 are older than 15 years therefore the compensation allowance @ ₹0.84 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 @ ₹0.19 Lakhs/MW/Year.

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

Table 102:**Amount in ₹Crores**

Sr.No.	Particulars	As per MPERC Regulations for FY 2014-15	As considered by MPPGCL on Norms
1	ATPS 2	2.02	0.71
2	ATPS 3	0.00	0.00
3	ATPS	2.02	0.71
4	STPS 2	3.44	2.66
5	STPS 3	3.53	2.73
6	STPS 4	0.00	0.00
7	STPS	6.97	5.39
8	SGTPS 1	3.53	2.57
9	SGTPS 2	0.80	0.58
10	SGTPS 3	0.00	0.00
11	SGTPS	4.33	3.15
12	Total	13.31	9.26

Provision in the Regulations:

239. With regard to compensation allowance, Regulation 36.2 of the Regulations, 2012 provides that,

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

Table 103:**(₹ lakh/MW/Year)**

Years	Compensation Allowance
0-10	Nil
11-15	0.19
16-20	0.44
21-25	0.84

Commission's Analysis:

240. Regulation 34.2 in MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 provided that besides several other components, the annual capacity (fixed) charges shall consist of special allowance also in lieu of R&M or separate compensation allowance wherever applicable. Further, Regulation 36.2 of the same Regulation provided for admissibility of a separate unit-wise compensation allowance in Lac/MW/year for different bands of years of operation of the thermal Generating Unit(s) up to 25 years i.e., its useful life only.
241. The compensation allowance is admissible only up to useful life of the thermal generating unit. The units of ATPS PH-II (2x120 MW) have completed their useful life. Therefore these units are not eligible for compensation allowance. Further, the units of STPS, Sarni PH- II & III have also 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 104: Compensation allowance admitted for FY 2014-15

Sr. No.	Power Station	Installed Capacity in MW	Years of Operation	Compensation Expenses ₹lakhs/MW	Compensation Expenses Allowed in ₹ Crores
1	SGTPS PH-I	420	1993-94	0.84	3.53
2	SGTPS PH-II	420	1998-99	0.19	0.80
Total Amount		840			4.33

g) Special Allowance:**Petitioner Submission:**

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

"The Commission in proviso 18.5 of the Regulations RG-26(II) of 2012 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 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 2015-16 (petition No. 23 of 2015) has determined the Special Allowance for PH-2&3 of STPS Sarni. Accordingly the Truing-up of the same has been considered in the instant petition.

Table 105: Special Allowance FY 2014-15**Amount in ₹ Crores**

S. No	Particulars	As per MPERC Order for FY 2014-15	MPPGCL as per Norms	Diff.
1	STPS PH 2&3	67.19	51.97	-15.22
	Total	67.19	51.97	-15.22

Provision in the Regulations:

243. With regard to special allowance, Regulation 18.5 of the Regulations, 2012 provides that,

A Generating Company on opting for alternative option in Regulation 18.4 of this Regulation shall be allowed special allowance @ ₹7.50 lakh/MW/Year in 2013-14 and thereafter escalated @ 7.93 % every Year during the Tariff period in 2013-16, Unit-wise from the next financial Year from the respective date of the completion of Useful life with reference to the COD of respective Units of generating station.

Provided that in respect of a Unit in commercial operation for more than 25 Years as on 1.4.2013, this allowance shall be admissible from the Year 2013-14

Commission's Analysis:

244. Under proviso to Regulation 18.5 of the Tariff Regulation 2012, for Renovation & Modernization, it is 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.
245. The Commission vide order dated 23rd July, 2015 determined the special allowance for Unit 6, 7, 8 & 9 of STPS, Sarni PH-2 & 3. Considering the said Order, the Commission has admitted the special allowance as claimed by the petitioner is as given below:

Table 106: Special Allowance Allowed for FY 2014-15

Sr. No.	Power Station	Special Allowance ₹ Lacks/MW	Total amount allowed ₹ Crores
1	STPS PH-2&3	8.09	67.19

h) Interest on Working Capital:

Petitioner submission:

246. The petitioner broadly submitted the following:

The Working capital has been calculated in the Commissions order dated 01.04.2013 in accordance to clause 37 & 51 of Principal Tariff Regulations, 2012. Accordingly cost of 45 days/2 months cost of coal, 2 Months cost of secondary oil, O&M expenditure for 1 month, 20% of Normative O&M Expenses as maintenance spares for thermal and 15% of Normative O&M Expenses as maintenance spares for Hydro and 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 107:

(In ₹ Crores)

S.No.	Station	As per MPERC Order	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	12.29	4.35	-7.95
2	ATPS PH-3	12.66	12.92	0.27
3	STPS PH-2&3	51.83	40.09	-11.74
4	STPS PH-4	50.44	32.19	-18.25
5	SGTPS PH-1&2	84.06	61.30	-22.76
6	SGTPS PH-3	52.58	51.23	-1.35
7	Total Thermal	263.85	202.08	-61.78
8	Gandhi Sagar	0.78	0.68	-0.1
9	Pench	1.21	1.19	-0.02
10	Rajghat	0.48	0.31	-0.17
11	Bargi	0.76	0.74	-0.02
12	Bansagar PH-1,2&3	5.38	5.14	-0.24
13	Bansagar PH-4	0.4	0.37	-0.03
14	Birsinghpur	0.23	0.23	0
15	Madhikheda	1	0.81	-0.19
14	Total Hydro	10.25	9.48	-0.77
	Total	274.11	211.56	-62.54

Provision in Regulations:

247. Regulation 37 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 regarding working capital for coal based generating stations provides that,

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

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

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

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

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

248. Regarding working capital for hydel power stations Clause 48.1 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 provides that,

"The Working Capital shall cover:

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

Commission's analysis:

249. In view of the above mentioned provision under Regulations, 2012, no fuel price escalation shall be provided during the tariff period for calculating the working capital. The mechanism/formulae for adjustment of coal cost and oil cost have already been provided in the Regulations. Further, normative O&M expenses are applicable for working capital purpose. Therefore, the working capital components like cost of coal, cost of oil, O&M expenses and cost of Maintenance spares of tariff order dated 01st April, 2013 and order dated 07th January, 2016, for STPS PH-4 remain unchanged.
250. Moreover, the State Bank of India Base rate as applicable/ prevailing on 01.04.2014 is 10.0% + 3.50% = 13.50%. Accordingly, no variation in the Interest rate is observed. Hence the Normative Interest on Working Capital as approved by the Commission in the tariff order dated 1st April, 2013 and order dated 07th January, 2016, for STPS PH-4 remain unchanged.

251. Also the petitioner has not claimed the true-up of working capital. Therefore, no truing up for interest on working capital is required in accordance with provisions under Regulations, 2012.

i) Cost of Secondary fuel oil for thermal power stations:

Petitioner's submission:

252. With regard to cost of secondary fuel oil, the petitioner broadly submitted the following:

The Secondary Fuel Oil consumption is to be considered as per the norms specified proviso 38 of the MPERC (Terms and conditions for determination of Generation Tariff) (Revision-II) Regulations, 2012. The prices of Furnace Oil/ HSD/LDO are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The Govt. of MP imposes Entry Tax @ 10% on Furnace Oil and LDO when bought from outside the state. HSD is presently exempted from Entry Tax. The power station wise details of Secondary Oil comprising of Furnace oil and LDO/HSD purchased in various months of FY 2014-15 is elaborated below:-

Accordingly the power station wise actual weighted average landed price and rate of Secondary Fuel Oil for the Trued up period is detailed below:-

Table 108:

(In ₹ Crores)

Particulars				ATPS Chachai	STPS Sarni	SGTPS Birsinghpur
1	Cost of Secondary Oil	Furnace Oil	₹ Lakhs	1153.49	5201.24	1905.23
2		LDO / HSD	₹ Lakhs	527.44	1421.15	1252.89
3		Total	₹ Lakhs	1680.93	6622.4	3158.12
4	Purchased Quantity	Furnace Oil	kL	2173.12	11511.2	4048.91
5		LDO / HSD	kL	758.28	2122.14	1957.29
6		Total	kL	2931.4	13633.34	6006.2
7	Rate of Secondary Oil FY2014-15	Furnace Oil	₹/kL	53080	45184	47055
8		LDO / HSD	₹/kL	69557	66968	64011
9		Total	₹/kL	57342	48575	52581

253. *Based on the actual weighted average rate of Secondary Fuel Oil, the power station wise true up amount before applying Actual Availability works out to be:-*

Table 109:

(Rate in ₹ /KL)

S. No.	Station	As per MPERC Orders	As considered by MPPGCL on Norms	Diff.
1	ATPS PH-2	12.81	15.67	2.86
2	ATPS PH-3	7.33	8.97	1.64
3	STPS PH-2&3 Sarni	50.06	46.35	-3.71
4	STPS PH-4 Sarni	21.65	18.08	-3.56
5	SGTPS PH-1&2	35.78	35.60	-0.18
6	SGTPS PH-3	19.68	19.58	-0.10
7	Total Thermal	147.30	144.25	-3.05

Provision in Regulation:

254. Regulation 38 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 provides that,

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

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

Where,

SFC - Normative Specific Fuel Oil Consumption in ml/kWh

LPSFi - Weighted Average Landed Price of Secondary Fuel in ₹/ml considered initially

NAPAF- Normative Annual Plant Availability Factor in percentage

NDY - Number of Days in a Year

IC - Installed Capacity in MW

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

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

$$SFC \times NAPAF \times 24 \times NDY \times IC \times 10 \times (LPSFy - LPSFi)$$

Where,

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

Commission's Analysis:

255. The above Regulation provides for a mechanism/formula for the adjustment of fuel oil expenses at the end of the each year of the tariff period. Further, the fuel oil consumption is to be considered as per norms specified in the clause 35.1 of MPERC (Terms and conditions for determination of Generation Tariff) (Revision-I) Regulations, 2012. However, the difference of actual weighted average landed price of fuel oil for the true-up period and the weighted average landed price of fuel considered in the Tariff order dated 1st April, 2013 and order dated 07th January, 2016, for STPS PH-4 shall be applied to arrive at the true-up of secondary fuel oil expenses in the annual fixed cost in FY 2014-15. The details of the actual weighted average rate of secondary fuel oil based on Audited Accounts for FY 2014-15 are worked out by the petitioner. The power station-wise details of actual weighted average rate of secondary oil worked out by the petitioner vis-à-vis approved in MYT order dated 1st April, 2013 and order dated 07th January, 2016, for STPS PH-4 are as given below:

Table 110:

(In ₹ Crores)

Name of Thermal Power Stations	As per MPERC Order	As per Actual	Diff.
ATPS PH-2 Chachai	46876	57342	10466
ATPS PH-3 Chachai	46876	57342	10466
STPS PH-2&3Sarni	47483	48575	1092
STPS PH-4 Sarni	58137	48575	-9562
SGTPS PH-1&2 Birsinghpur	52851	52581	-270
SGTPS PH-3 Birsinghpur	52851	52581	-270

256. While comparing the weighted average rate of secondary fuel oil allowed in the MYT order dated 01st April, 2013 and order dated 07th January, 2016, for STPS PH-4 and filed in the subject true-up petition, it was observed that there is abnormal increase in weighted average rate of secondary fuel oil in ATPS, Chachai. Vide letter dated 29th February, 2016, the petitioner was asked to explain the reasons for increase in weighted average rate of secondary fuel oil in ATPS, Chachai along with supporting documents in this regard.

257. By affidavit dated 22nd February, 2016, the petitioner submitted the following:

"The prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The supporting documents in respect of secondary oil procured during FY 2014-15, at thermal power station have already been submitted before the Commission vide Annexure-9 as additional supporting documents.

MPPGCL, wish to submit that Secondary Oil at ATPS was purchase in the month of June'2014 only. As part rack of Oil is not permitted by Indian Railways therefore consolidated requirement for the year has been purchased in one lot. It is further to submit that the Wt. Average Rate of Secondary Oil is governed by the rate and mix of Furnace Oil and LDO and are detailed in Table No.4.8.1.1 on page 99 of subject petition.

The Commission vide MPERC Regulation, 2012 proviso 38 provides for calculation of expenses on Secondary Fuel Oil Consumption on actual Landed Price of Secondary Fuel at the end of each year. The same methodology has been adapted in the subject petition

258. It is observed that the wt. average landed rate of Oil at STPS PH-4 is least among ATPS & STPS 2&3. Further, the petitioner mentioned that the Government of MP imposed entry tax @ 10% on Furnace Oil and Light Diesel Oil when brought from outside the state. High speed Diesel Oil is presently exempted from Entry Tax. This has impact on the Wt. Average landed rates of Secondary Fuel Oil of Power Stations.
259. Based on the above, the power station-wise secondary fuel oil expenses as per MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 and its amendment are worked out as given below;

Table 111: Secondary Fuel Oil Cost**(₹ in Crores)**

Sr. No	Power Station	NAPAF	Normative Gross Generation Considered	Normative Special Fuel Consumption	Wt. average Rate of Secondary Fuel Oil	Amount of Secondary Fuel Oil
		%	MU's	ml/kWh	₹/KL	₹in Crores
1	ATPS PH-2 Chachai	65%	1366.56	2.00	57342	15.67
2	ATPS PH-3 Chachai	85%	1563.66	1.00	57342	8.97
3	STPS PH-2&3Sarni	75%	5453.10	1.75	48575	46.35
4	STPS PH-4 Sarni*	85%	3723.00	1.00	48575	18.08
5	SGTPS PH-1&2 Birsinghpur	80%	5886.72	1.15	52581	35.60
6	SGTPS PH-3 Birsinghpur	85%	3723.00	1.00	52581	19.58
Total						144.25

Non-Tariff Income:**Petitioner's Submission:**

260. With regard to non tariff income, the petitioner broadly submitted the following:

The Power Station wise Non Tariff Income as per the Audited Books of Accounts for FY 2014-15 factored to 100% for the elements mentioned in proviso 31 (a) have been worked out and detailed in the table below:-

Table 112:**(₹ In Crores)**

S. No.	Station	Non Tariff Income
1	ATPS PH-2	2.52
2	ATPS PH-3	2.21
3	STPS PH-2&3	12.52
4	STPS PH-4	1.98
5	SGTPS PH-1&2	6.4
6	SGTPS PH-3	3.81
Total Thermal		29.45
7	Gandhi Sagar	0.81
8	Pench	0.78
9	Rajghat	0.29
10	Bargi	1.93
11	Bansagar 1,2&3	1.68
12	Bansagar PH-4	0.08
13	Birsinghpur	0.09
14	Madhikheda	0.28
Total Hydro		5.94
Total		35.39

Provision under Regulations:

- (a) *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/contractors, 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.*
- (b) *The 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:

261. On scrutiny it was observed that the petitioner filed non-tariff income of ₹35.39 Crores, whereas as per note 22 of Annual Audited Accounts, the other income is indicated as ₹51.49 Crores. Vide letter dated 29th February, 2016, the petitioner was asked to clarify/submit the following-
- *Reasons for difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true-up petition. The power station wise break-up of the amount on share basis and 100% operating capacity.*
 - *Breakup of amount of other miscellaneous receipt recorded in the Annual Audited Accounts.*
262. By affidavit dated 22nd March, 2016, the petitioner filed its response on the queries raised by the Commission as given below:
- *The amount of other income (non tariff income) i.e. ₹ 51.49 Crores, as per Note-22.1 of Audited Annual Statements of Accounts for FY 2014-15 includes amount of other income of*

SSTPS PH-1. The same are not considered in subject tariff petition as these stations are being covered by separate tariff petitions.

- *Further, the amount of Other Income i.e. ₹ 51.49 Crores, as per Note -22.1 of Audited Annual Statements of Accounts for FY 2014-15, includes interest from Fixed Deposit created from sale of Fly ashbin this regard it is to mention that MPPGCL vide letter No.07-12/Cs-MPPGCL/MPERC/Reg. FY-14-FY16/105 dated 24.01.2013, has made submission before the Commission as under:*
- *The Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 in regard to the amendments made in The Environment (Protection) Act, 1986 and The Environment (Protection) Rules,1986, provides for mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants.*
- *In compliance to the mandatory directives, the income from sale of fly ash along with ancillary income i.e. Interest from Fixed Deposit created from sale of fly ash has not been considered under Non Tariff Income.*
- *The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2015 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Note 22.1 of Annual Audited Accounts for FY 2014-15 for the shared portion have been factored to 100% basis.*

263. In the above reply, the petitioner has submitted the break-up of income of ₹51.49 Crores. Out of said income, ₹11.32 Crores pertains to SSTPP PH 1 and ₹5.58 Crore towards interest on fixed deposited from fly ash income. Further, the other income of shared portion have been factored to 100% basis, thus the petitioner has claimed other income of ₹35.39 Crores.

264. With regard to interest on fixed deposit from the income of fly ash, the Commission has considered this income as non tariff income.

265. Further, the income from sale of fly ash is also captured in Audited Account under the head of operating income. Proviso 31 (a) of MPERC (Terms and Conditions for Determination of Generation Tariff) Regulations, 2012 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 de-capitalized/written off assets, income from advertisements, interest on advances to suppliers/contractors, **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."* **(emphasis supplied)**

266. In view of the provisions under above mentioned Regulations, the Commission has considered the income from sale of fly ash and also the interest income on fixed deposit as non-Tariff Income. The petitioner has not provided plant wise break-up of income from sale of fly ash. Thus the Commission has apportioned the income in the ratio of gross generation of the Power Plants as submitted in the instant tariff petition.

267. In view of the above, the non tariff income considered in this order is as given below:

Table 113: Non -Tariff income Admitted for FY 2014-15 (₹ in Crores)

S.No	Power Stations	Amount	Interest on FD Created from Ash Income	Fly Ash Income	Total Non Tariff Income
1	ATPS PH-2	2.52	0.15	0.43	3.11
2	ATPS PH-3	2.21	0.14	1.41	3.75
3	STPS PH-2&3	12.52	0.22	3.54	16.28
4	STPS PH-4	1.98	0.13	1.86	3.97
5	SGTPS PH-1&2	6.40	3.10	3.16	12.66
6	SGTPS PH-3	3.81	1.85	2.82	8.48
	Total Thermal	29.44	5.59	13.22	48.25
7	GANDHI SAGAR	0.81	0.00	0.00	0.81
8	PENCH	0.78	0.00	0.00	0.78
9	RAJGHAT	0.29	0.00	0.00	0.29

S.No	Power Stations	Amount	Interest on FD Created from Ash Income	Fly Ash Income	Total Non Tariff Income
10	BARGI	1.93	0.00	0.00	1.93
11	BANSAGAR PH-1,2&3	1.68	0.00	0.00	1.68
12	BANSAGAR PH-4	0.08	0.00	0.00	0.08
13	BIRSINGHPUR	0.09	0.00	0.00	0.09
14	MADHIKHEDA	0.28	0.00	0.00	0.28
	Total Hydro	5.94	0.00	0.00	5.94
	TOTAL	35.38	5.59	13.22	54.19

Other Charges:

268. The petitioner broadly submitted the following:

"Other Charges comprises of Rent, Rates & Taxes, MPERC Fees, Entry Tax on R&M, Water Charges, Cost of Chemical, Cost of Consumable, Publication Charges & SLDC 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.

269. Considering the above elements, the overall Other Charges work out by the petitioner is ₹78.13 Crores as given below:

Table 114: (Amount in ₹Crores)

Power Station	Rent, Rates & Taxes	Entry Tax	Water Charges	Cost of Chemicals	Cost of Cons. + Pub. Exp.	MPERC Fee	SLDC Charges	Comm on Expenses	Total
1 ATPS PH-2	0.011	0.105	1.668	0.321	0.119	0.073	0.048	0.413	2.759
2 ATPS PH-3	0.01	0.092	1.459	0.281	0.105	0.064	0.042	0.361	2.414
3 STPS PH-2&3	0.367	0.72	3.466	1.155	3.224	0.254	0.167	2.289	11.642
4 STPS PH-4	1.12	0.001	2.638	0.332	1.325	0.375	0.1	0	5.892
5 SGTPS PH-1&2	0.057	0.353	7.134	0.611	1.495	0.257	0.169	1.467	11.543
6 SGTPS PH-3	0.034	0.21	4.246	0.364	0.89	0.153	0.1	0.873	6.871

7	Total Thermal	1.599	1.48	20.612	3.064	7.159	1.176	0.627	5.404	41.121
8	Gandhi Sagar HPS	0.008	0	7.899	0	-0.055	0.035		0.278	8.165
9	Pench HPS	0.005	0	0	0	0	0.049		0.386	0.44
10	Rajghat HPS	0.005	0	0	0	0.288	0.014		0.109	0.415
11	Bargi HPS	0.434	0	10.168	0	0.007	0.028		0.217	10.854
12	Bansagar PH-1,2&3	0.182	0.034	12.218	0	-0.064	0.124		0.697	13.191
13	Bansagar PH-4	0.009	0.002	0.603	0	-0.003	0.01		0.034	0.655
14	Birsinghpur HPS	0.001	0	0.291	0	0.046	0.006		0	0.344
15	Madhikheda HPS	0.012	0	2.743	0	0.028	0.018		0.145	2.946
16	Total Hydro	0.655	0.037	33.922	0	0.248	0.284	0	1.866	37.011
	Total	2.254	1.517	54.534	3.064	7.407	1.46	0.627	7.27	78.132

Commission's analysis:

270. With regard to the other charges, para 5.16 and 5.17 of the MYT order dated 01st April, 2013 stated as follows:

"The petitioner claimed MPERC fee payable to the Commission and water charges payable to GoMP under the head of other charges in the petition. The petitioner is allowed to recover fee paid by the petitioner to MPERC for determination of tariff and water charges on usage of water levied by the GoMP from the beneficiaries on pro-rata basis as per provisions under Regulations.

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 36 and 50 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012 subject to true-up based on Audited Accounts."

271. In the MYT order dated 01st April, 2013, the petitioner was allowed to recover fee paid to MPERC for determination of generation tariff. Therefore, the petitioner is allowed to recover the actual fee paid to MPERC in light of the Regulations 36.1 and 50.1 of the Regulations, 2012.

272. The petitioner claimed the water charges for thermal and hydel power stations. In MYT order dated 1st April, 2013, the Commission allowed water charges on usage of water levied by the GoMP from the beneficiaries on pro-rata basis. Therefore, the petitioner is allowed to

recover water charges in this order on actual basis as allowed in Commission tariff order dated 1st April' 2013.

273. The petitioner also claimed SLDC charges in accordance with the Regulation 39 of the Regulations, 2012, which provides that,

"SLDC Charges and Transmission Charges as determined by the Commission shall be considered as expenses, if payable by the generating stations."

Therefore, the petitioner is allowed to recover these charges paid to SLDC for FY 2014-15 from the beneficiaries on pro-rata basis.

274. In addition to the other charges as approved above, the petitioner is entitled to recover the rent, rates and taxes payable to the government and taxes levied by the Statutory Authorities and cost of chemicals and consumables in accordance with the Regulations, 2012 on pro-rata basis.

Summary of Annual Capacity (fixed) charges:

275. The details of the head wise and power station wise Annual Capacity (fixed) Charges for FY 2014-15 determined in the MYT order dated 01st April, 2013 and order dated 07th January, 2016, for STPS PH-4 vis-a-vis allowed in this true-up order at normative Plant Availability Factor are summarized in the tables as given below:

**Table 115: Head Wise Annual Capacity Charges at Normative Availability
(Amount in ₹Crores)**

Head	Cost Allowed in MPERC Orders	Cost Determined in this order	Difference Amount
ROE	431.45	448.09	16.64
Interest on Loan including interest on Excess Equity	471.02	514.76	43.74
Depreciation	441.88	474.34	32.46
O&M Expenses	722.63	722.63	0.00
Secondary Fuel Oil Expenses	147.30	144.25	-3.05
Compensation Allowance/Special Allowance	73.55	71.52	-2.03
Interest on Working Capital	273.20	273.20	0.00
Total AFC	2561.07	2648.80	87.77
Less: Non Tariff Income	0	54.19	54.19
Net AFC	2561.07	2594.61	33.56

**Table 116: Power Station wise Annual Capacity Charges at normative availability
(Amount in ₹Crores)**

Sr.No	Power Station	Allowed In MPERC Orders	Cost Determined in this Order	Difference Amount
1	ATPS PH 2	112.62	121.84	9.22
2	ATPS PH 3	204.47	244.52	40.05
3	STPS (Sarni) PH 2 &3	373.51*	340.75	-32.76
4	STPS (Sarni) PH 4	721.45	711.17	-10.28
5	SGTPS (Birsinghpur) PH 1 &2	424.82	445.06	20.24
6	SGTPS (Birsinghpur) PH 3	423.81	438.25	14.44
	Thermal Total	2260.68	2301.59	40.91
7	CHAMBAL Gandhi Sagar	15.20	14.40	-0.80
8	PENCH TOTLADOH HPS	26.59	26.37	-0.22
9	RAJGHAT HPS	13.82	13.15	-0.67
10	BARGI HPS	18.68	15.57	-3.11
	BANSAGAR Tons			
	BANSAGAR Silpara			
11	BANSAGAR Devlond	170.53	163.36	-7.17
12	BANSAGAR Jhinna (SHP)	14.45	17.86	3.41
13	BIRSINGHPUR HPS	6.75	6.61	-0.14
14	MADHIKHEDA HPS	34.37	35.70	1.33
	Hydro TOTAL	300.39	293.02	-7.37
	Grand Total	2561.07	2594.61	33.56

***After reduction PH-1 and addition of Special allowance in STPS PH-2&3**

276. the above cost determined in this order is inclusive the prior period cost adjustment due to write-off/adjustment of assets in some power stations as worked out is given below:

Table 117:**(₹ in Crores)**

Sr.No.	Power Stations	Return on Equity	Depreciation	Interest on Loan	Total
1	ATPS PH-3	10.88	0.00	12.59	23.47
2	STPS PH-4	-0.04	-0.06	-0.12	-0.21
3	SGTPS PH-3	0.27	0.07	0.09	0.43
Total		11.11	0.01	12.56	23.69

Normative Annual Plant Availability Factor:

277. The above-mentioned 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 40 and 53 of MPERC (Terms & Conditions for determination of Generation Tariff) Regulations, 2012, for thermal and hydel power stations respectively. A comparison of normative vis-à-vis actual Plant Availability Factor as certified by SLDC for FY 2014-15 in respect of thermal and hydel power stations is as given below:

Table 118: Normative Vs Actual NAPAF (%) for FY 2014-15:

Name of TPS	As per MPERC Regulations, 2012	MPPGCL Actuals	Difference
ATPS PH-2 Chachai	65.00%	22.98%	-42.02%
ATPS PH-3 Chachai	85.00%	88.59%	3.59%
STPS PH-2&3Sarni	75.00%	58.01%	-16.99%
STPS PH-4 Sarni	85.00%	49.00%	-36.00%
SGTPS PH-1&2 Birsinghpur	80.00%	58.34%	-21.66%
SGTPS PH-3 Birsinghpur	85.00%	80.64%	-4.36%

Hydro Power Stations	As per MPERC Regulations, 2012	MPPGCL Actuals	Difference
Gandhi Sagar	85.00%	63.80%	-21.20%
Pench	85.00%	81.95%	-3.05%
Rajghat	85.00%	23.51%	-61.49%
Bargi	85.00%	81.04%	-3.96%
Bansagar PH-1,2&3	85.37%	77.76%	-7.61%
Bansagar PH-4	85.00%	73.80%	-11.20%
Birsinghpur	85.00%	88.22%	3.22%
Madhikheda	85.00%	52.68%	-32.32%

Recovery of Annual Capacity (Fixed) Charges

278. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to existing thermal generating stations for the FY 2014-15 are calculated in accordance with the regulation 40 of the MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012 which provides that;

- The fixed charge shall be computed on annual basis, based on norms specified under these Regulations, and recovered on monthly basis under Capacity Charges .The total capacity charges payable for a generating station shall be shared by its Beneficiaries as per their respective percentage share / allocation in the capacity of the generating station.
- The Capacity Charge (inclusive of incentive) payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae :

- (i) For generating stations in commercial operation for less than ten (10) Years: on 1st April of the financial Year:
 $(AFC \times NDM / NDY) \times (0.5 + 0.5 \times PAFM / NAPAF)$ (in ₹):

Provided that in case the Plant Availability Factor achieved during a Year is less than 70%, the total fixed charge for the Year shall be restricted to

$AFC \times (0.5 + 35 / NAFY) \times (PAFY / 70)$ (in ₹).

- (ii) For generating stations in Commercial Operation for ten (10) Years or more on 1st April of the Year:
 $(AFC \times NDM / NDY) \times (PAFM / NAFY)$ (in ₹)

Where,

AFC - Annual fixed charge computed for the Year, in Rupees.

NDM - Number of Days in the Month

NDY - Number of Days in the Year

PAFY - Plant Availability Factor achieved during a Year, in percent.

NAPAF - Normative Annual Plant Availability Factor in percentage

PAFM - Plant Availability Factor achieved during the Month, in percent:

- Full Capacity Charges shall be recoverable at Normative Annual Plant Availability Factor (NAPAF) specified in Regulation 35. Recovery of Capacity Charges below the level of Normative Annual Plant Availability Factor will be on pro rata basis. At zero availability, no Capacity Charges shall be payable.

279. The annual capacity (fixed) charges of a hydro generating station are computed, based on norms specified under Regulations, 2012 and recovered under capacity charges (inclusive of incentive) and energy charge in accordance with clause 53 of the Regulations, 2012:

280. The recovery of Annual capacity (fixed) charges (inclusive of incentive) payable to thermal and hydel generating stations for the FY 2014-15 as per Regulation as is follows:

Table 119: Power Station wise Annual Capacity Charges (including prior period adjustments) approved for FY2014-15:

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

(Amount in ₹ Crores)

ATPS PH-II

Sr.No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	5.19	5.95	2.10	-3.09
2	Interest on Loan including interest on Excess Equity	5.04	3.61	1.27	-3.77
3	Depreciation	6.08	18.23	6.45	0.37
4	O&M Expenses	69.19	69.19	24.46	-44.73
5	Secondary Fuel Oil Expenses	12.81	15.67	5.54	-7.27
6	Compensation Allowance	2.02	0.00	0.00	-2.02
7	Special Allowance	0.00	0.00	0.00	0.00
8	Interest on Working Capital	12.29	12.29	4.34	-7.95
	Total AFC	112.62	124.95	44.17	-68.45
9	Less: Non Tariff Income	0.00	3.11	3.11	3.11
	Net AFC	112.62	121.84	41.07	-71.55

Table 120:

ATPS PH-III

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	34.63	49.13	50.17	15.54
2	Interest on Loan including interest on Excess Equity	64.13	86.25	88.07	23.94
3	Depreciation	44.50	50.05	51.11	6.61
4	O&M Expenses	41.22	41.22	42.09	0.87
5	Secondary Fuel Oil Expenses	7.33	8.97	9.16	1.83
6	Compensation Allowance	0.00	0.00	0.00	0.00
7	Special Allowance	0.00	0.00	0.00	0.00
8	Interest on Working Capital	12.66	12.66	12.93	0.27
	Total AFC	204.47	248.28	253.52	49.05
9	Less: Non Tariff Income	0.00	3.75	3.75	3.75
	Net AFC	204.47	244.52	249.77	45.30

Table 121:

STPS PH-II & III

Sr.No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	27.20	28.73	22.22	-4.98
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	14.28	0.00	0.00	-14.28
4	O&M Expenses	162.93	162.93	126.02	-36.91
5	Secondary Fuel Oil Expenses	50.06	46.35	35.85	-14.21
6	Compensation Allowance	0.00	0.00	0.00	0.00
7	Special Allowance	67.19	67.19	51.97	-15.22
8	Interest on Working Capital	51.83	51.83	40.09	-11.74
	Total AFC	373.49	357.03	276.15	-97.34
9	Less: Non Tariff Income	0.00	16.28	16.28	16.28
	Net AFC	373.49	340.75	259.87	-113.62

Table 122:

STPS PH-IV

Sr. No	Particulars	Allowed in Final Tariff Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	93.22	92.13	58.80	-34.42
2	Interest on Loan including interest on Excess Equity	300.26	303.13	193.47	-106.79
3	Depreciation	157.28	152.75	97.49	-59.79
4	O&M Expenses	99.50	99.50	63.50	-36.00
5	Secondary Fuel Oil Expenses	21.64	18.08	11.54	-10.10
6	Compensation Allowance	0.00	0.00	0.00	0.00
7	Special Allowance	0.00	0.00	0.00	0.00
8	Interest on Working Capital	49.54	49.54	31.62	-17.92
	Total AFC	721.44	715.14	456.43	-265.01
9	Less: Non Tariff Income	0.00	3.97	3.97	3.97
	Net AFC	721.44	711.17	452.46	-268.98

Table 123:

SGTPS PH-I&II

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	100.61	100.64	73.39	-27.22
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	35.15	68.20	49.74	14.59
4	O&M Expenses	164.89	164.89	120.25	-44.64
5	Secondary Fuel Oil Expenses	35.78	35.60	25.96	-9.82
6	Compensation Allowance	4.32	4.33	3.15	-1.17
7	Special Allowance	0	0	0.00	0.00
8	Interest on Working Capital	84.06	84.06	61.30	-22.76
	Total AFC	424.81	457.72	333.79	-91.02
9	Less: Non Tariff Income	0.00	12.66	12.66	12.66
	Net AFC	424.81	445.06	321.13	-103.68

Table 124:

SGTPS PH- III

Sr. No	Particulars	Allowed in MPERS Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	85.81	89.37	87.07	1.26
2	Interest on Loan including interest on Excess Equity	91.66	108.87	106.08	14.42
3	Depreciation	100.1	102.33	99.70	-0.39
4	O&M Expenses	74.00	74.00	72.10	-1.90
5	Secondary Fuel Oil Expenses	19.68	19.58	19.07	-0.61
6	Compensation Allowance	0.00	0.00	0.00	0.00
6	Special Allowance	0.00	0.00	0.00	0.00
7	Interest on Working Capital	52.58	52.58	51.23	-1.35
	Total AFC	423.8	446.72	435.27	11.45
8	Less: Non Tariff Income	0.00	8.48	8.48	8.48
	Net AFC	423.8	438.25	426.79	2.97

Table 125:
GANDHI SAGAR HPS

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	0.48	0.49	0.37	-0.11
2	Interest on Loan including interest on Excess Equity	0	0.00	0.00	0.00
3	Depreciation	0	0.00	0.00	0.00
4	O&M Expenses	13.94	13.94	10.46	-3.48
5	Interest on Working Capital	0.78	0.78	0.59	-0.19
	Total AFC	15.20	15.21	11.41	-3.79
6	Less: Non Tariff Income	0	0.81	0.81	0.81
	Net AFC	15.20	14.40	10.60	-4.60

Table 126:
PENCH HPS

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return on Equity	4.47	4.62	4.45	-0.02
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	1.51	1.94	1.87	0.36
4	O&M Expenses	19.39	19.39	18.70	-0.69
5	Interest on Working Capital	1.21	1.21	1.17	-0.04
	Total AFC	26.58	27.15	26.18	-0.40
6	Less: Non Tariff Income	0.00	0.78	0.78	0.78
	Net AFC	26.58	26.37	25.40	-1.18

Table 127:
RAJGHAT HYDEL

Sr.	Particulars	Allowed	Determined in this order	True-Up at
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No		in MPERC Order	At Normative PAF	At Actual PAF	actual availability
1	Return On Equity	3.85	3.85	1.06	-2.79
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	4.03	3.65	1.01	-3.02
4	O&M Expenses	5.45	5.45	1.51	-3.94
5	Interest on Working Capital	0.48	0.48	0.13	-0.35
	Total AFC	13.81	13.44	3.72	-10.09
6	Less: Non Tariff Income	0.00	0.29	0.29	0.29
	Net AFC	13.81	13.15	3.43	-10.38

**Table 128:
BARGI HYDEL**

Sr. No	Particulars	Allowed in MYT Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	4.05	4.05	3.86	-0.19
2	Interest on Loan including interest on Excess Equity	0.00	0.00	0.00	0.00
3	Depreciation	2.96	1.78	1.70	-1.26
4	O&M Expenses	10.91	10.91	10.40	-0.51
5	Interest on Working Capital	0.76	0.76	0.72	-0.04
	Total AFC	18.68	17.50	16.68	-2.00
6	Less: Non Tariff Income	0.00	1.93	1.93	1.93
	Net AFC	18.68	15.57	14.75	-3.93

**Table 129:
BANSAGAR PH-I, II & III**

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	57.84	54.18	49.35	-8.49
2	Interest on Loan including interest on Excess Equity	0	0.00	0.00	0.00
3	Depreciation	58.22	56.39	51.37	-6.85
4	O&M Expenses	49.09	49.09	44.71	-4.38
5	Interest on Working Capital	5.38	5.38	4.90	-0.48
	Total AFC	170.53	165.04	150.33	-20.20
6	Less: Non Tariff Income	0	1.68	1.68	1.68
	Net AFC	170.53	163.36	148.65	-21.88

Table 130:

BANSAGAR PH-IV

Sr.	Particulars	Allowed	Determined in this order	True-Up at
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No		in MYT Order	At Normative PAF	At Actual PAF	actual availability
1	ROE	4.65	5.40	4.69	0.04
2	Interest on Loan including interest on Excess Equity	2.08	3.58	3.10	1.02
3	Depreciation	4.90	6.14	5.33	0.43
4	O&M Expenses	2.42	2.42	2.10	-0.32
5	Interest on Working Capital	0.40	0.40	0.35	-0.05
	Total AFC	14.45	17.94	15.58	1.13
6	Less: Non Tariff Income	0.00	0.08	0.08	0.08
	Net AFC	14.45	17.86	15.50	1.05

Table 131:

BIRSINGHPUR HYDEL

Sr. No	Particulars	Allowed in MYT Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	2.43	2.43	2.52	0.09
2	Interest on Loan including interest on Excess Equity	0	0.00	0.00	0.00
3	Depreciation	1.67	1.62	1.68	0.01
4	O&M Expenses	2.42	2.42	2.52	0.10
5	Interest on Working Capital	0.23	0.23	0.24	0.01
	Total AFC	6.75	6.70	6.96	0.21
6	Less: Non Tariff Income	0	0.09	0.09	0.09
	Net AFC	6.75	6.61	6.87	0.12

Table 132:

MADHIKHEDA

Sr. No	Particulars	Allowed in MPERC Order	Determined in this order		True-Up at actual availability
			At Normative PAF	At Actual PAF	
1	Return On Equity	7.03	7.12	4.41	-2.62
2	Interest on Loan including interest on Excess Equity	7.85	9.33	5.78	-2.07
3	Depreciation	11.22	11.25	6.97	-4.25
4	O&M Expenses	7.27	7.27	4.51	-2.76
5	Interest on Working Capital	1.00	1.00	0.62	-0.38
	Total AFC	34.37	35.98	22.30	-12.07
6	Less: Non Tariff Income	0.00	0.28	0.28	0.28
	Net AFC	34.37	35.70	22.02	-12.35

Table 133: Head wise Annual Capacity Charges at Normative and Actual availability:

(₹ Crores)

Sr.	Particulars	Allowed	Determined in this order	True-Up
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No.		in MPERC MYT/Fin al order	At Normative Availability	At Actual Availability	at Actual Availabi lity
1	Return on Equity	431.45	448.09	364.48	-66.97
2	Interest on Loan including interest on excess equity	471.02	514.76	397.78	-73.24
3	Depreciation	441.88	474.34	374.41	-67.47
4	O&M Expenses	722.63	722.63	543.33	-179.30
5	Compensation Allowance	6.35	4.33	3.15	-3.20
6	Special Allowance	67.19	67.19	51.97	-15.22
7	Sec. Fuel Oil Expenses	147.30	144.25	107.12	-40.18
8	Interest on Working Capital	273.20	273.20	210.23	-62.97
TOTAL AFC		2561.07	2648.80	2052.48	-508.54
9	Less: Non-Tariff Income	0.00	54.19	54.19	54.19
10	Net AFC	2561.07	2594.61	1998.29	-562.78

Table 134: Power Station wise Annual Capacity Charges at normative availability: (₹Crores)

Sr.No	POWER STATIONS	Allowed in MPERC Orders	Determined in this order		True-Up at Actual Availability
			At Normative Parameters	At Actual Parameters	
1	ATPS PH 2	112.62	121.84	41.07	-71.55
2	ATPS PH 3	204.47	244.52	249.77	45.30
3	STPS (Sarni) PH 2&3	373.51	340.75	259.87	-113.64
4	STPS (Sarni) PH 4	721.45	711.17	452.46	-268.99
5	SGTPS (Birsinghpur) PH 1 &2	424.82	445.06	321.13	-103.69
6	SGTPS (Birsinghpur) PH 3	423.81	438.25	426.79	2.98
	Thermal Total	2260.68	2301.59	1751.08	-509.60
7	CHAMBAL Gandhi Sagar	15.20	14.40	10.60	-4.60
8	PENCH TOTLADOH HPS	26.59	26.37	25.40	-1.19
9	RAJGHAT HPS	13.82	13.15	3.43	-10.39
10	BARGI HPS	18.68	15.57	14.75	-3.93
11	BANSAGAR Tons	170.53		148.65	
	BANSAGAR Silpara				
	BANSAGAR Devlond				
12	BANSAGAR Jhinna (HPS)	14.45	17.86	15.50	1.05
13	BIRSINGHPUR HPS	6.75	6.61	6.87	0.12
14	MADHIKHEDA HPS	34.37	35.70	22.02	-12.35
	Hydro TOTAL	300.39	293.02	247.21	-53.18
	Grand Total	2561.07	2594.61	1998.29	-562.78

281. This order is for the true-up of the Multi-year tariff order dated 01st April, 2013 to the extent it was applicable for FY 2014-15 and the final tariff order dated 07th January, 2016, for STPS PH-IV. The petitioner must take steps to implement the order after giving seven (7) days' public notice in accordance

with Clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendments and recalculate its bills for the energy supplied to Distribution Companies of the State / M.P. Power Management Company Ltd. since 1st April, 2014 to 31st March, 2015. The petitioner must also provide information to the Commission in support of having complied with this Order. The deficit/surplus amount as a result of this true-up shall be passed on to the three Distribution Companies of the state in terms of Regulation 8.5 of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012 in the ratio of energy supplied to them in FY 2014-15 in six equal monthly installments.

With the above directions, this petition is disposed of.

(Alok Gupta)
Member

(A. B. Bajpai)
Member

(Dr. Dev Raj Birdi)
Chairman

Date : 20th May, 2016

Place: Bhopal

Annexure-1

Summary of Issue wise response filed by the petitioner:

Operational Performance:

i) Issue:-

The performance of the some new and existing thermal power stations is inferior than their past year's performance. It is further noted that there is a substantial negative true up amount of ₹-109.39 Crores to ₹ - 273.98 Crores on account of poor performance of the unit at STPS, Sarni. The petitioner is required to explain the reasons for its poor operational performance of STPS, Sarni units.

MPPGCL's Response:-**STPS Sarni PH-2 &3**

The unit No 6, 7 & 9 at STPS, were under long planned outage for Need Base R&M activities which has affected the availability for this power station as detailed hereunder:

- 200 MW unit No. 6 at STPS , was under shut from 1st July 2014 to 20 Sept 2014 , causing loss of generation of 389.85 MU.
- 210 MW unit No.7 at STPS, was stopped from 12 December 2014 to 20 February 2015, causing loss of generation of 355.59 MU.
- 210 MW unit No. 9 at STPS, was stopped from 8th August 2014 to 18 October 2014 , causing loss of generation of 358.70 MU.

Further, old units of STPS PH-2&3 were facing the Coal supply problem (shortage /poor quality of coal) from coal companies. As a result the units either had to be stopped or had to be run on partial load causing generation loss as detailed below-

- In the month of May, June-14, Dec-14 & March-15 some units were kept under shutdown, causing loss of Generation of 278 MU.
- During April-14 to March -15 units of STPS had to run on partial load, causing loss of Generation of 190 MU.
- Units had to run on partial load, during the month of April to March-15, which caused loss of Generation of 489 MU.

Accordingly, due to reduced actual availability there is substantial loss on account of Fixed Cost amounting to ₹-109.39 Crores as detailed in subject petition.

It is to submit that the Need base R & M activities in unit no 6, 7, 8 & 9 of STPS Sarni have been completed. As a result of need based activities, better availability in old units has been achieved during FY 2015-16.

STPS Sarni PH-4

The Extn. Unit No. 10 & 11 of STPS Sarni were commissioned by MPPGCL during FY 2013-14. There were teething problems during initial stages of operation of these units. The Generators of 2X250 MW units had major outages due to **manufacturing faults**. The problems were also

experienced in **Ash Disposal system of newly commissioned units of STPS Sarni** which has now been rectified. Due to the problem in Ash Disposal system, these units had to be operated at lower load as detailed below-

- 250 MW Unit No. 10 at STPS was under shutdown from 15th January 2014 to 21 June 2014 due to damage in Generator stator overhang portion, causing loss of generation of 486.74 MU during current financial year.
- 250 MW Unit No. 10 at STPS was stopped from 16 November to 29 November 2014 to attend Ash evacuation problem, causing loss of generation of 78.5 MU.
- 250 MW Unit No. 11 at STPS was stopped from 20 January 2015 to 25 Feb 2015 due to Generator problem, causing loss of generation of 210.75 MU.

Now the problem has been rectified and the units are running at full load.

Further, the new units of STPS Sarni were also facing the coal supply problem (shortage/ poor quality of coal) from Coal Companies. As a result the units either had to be stopped or had to be run on partial load as detailed below-

- Due to poor Coal Quality, units had to run on partial load, during the month of April to March.15, which caused loss of Generation of 390 MU.
- Due to Coal Shortage problem during April-14 to March -15 units had to run on partial load, causing loss of Generation of 74 MU

The above reasons have resulted in lower capacity utilization of machines than envisaged, during FY 2014-15.

The Forced outages resulted in frequent start and stop of units which subsequently resulted in higher oil consumption. Further, partial outage also caused higher oil consumption. Due to these reasons the loss was also incurred in terms of higher heat rate. Some of teething troubles appeared in the initial phase of stabilization of these new units also resulted in poor performance on these fronts; however most of them have been rectified now.

Accordingly, due to reduced Actual Plant Availability there is substantial loss on account of Fixed Cost amounting to ₹-273.98 Crores as detailed in subject petition.

ii) Issue:-

The new units of STPS PH-IV, Ext. Unit NO. 10 and 11 were commissioned on 18.08.2013 and 16.03.2014 respectively. The details

of the operating parameters achieved by these units during FY 2014-15 are as given below:

Performance of STPS PH-IV during FY 2014-15

Particular	Unit	Norms (A)	Actual (B)	Diff. (B-A)
Plant Availability Factor	%	85.00	49.00	- 36.00
Aux. Energy Consumption	%	8.50	10.91	2.41
Gross Station Heat rate	kCal/kWh	2400	2923	523
Specific Oil Consumption	ml/kWh	1.00	3.29	2.29

In view of the above, the petitioner is required to explain the reasons for poor performance of the aforesaid new generating units along with action taken for improvement of the performance of these units.

MPPGCL's Response:-

*The Extn. Unit No.10 & 11 of STPS Sarni were commissioned during FY 2013-14. As elaborated above, there were teething problems during initial stages of operation of these units. The Generators of 2X250 MW units had major outages due to **manufacturing faults**. The problems were also experienced in Ash Disposal system of newly commissioned units of STPS Sarni which has been reviewed from the design point of view and modified. However, unless the modification was done, these units had to be operated at lower load as detailed below-*

- *250 MW Unit No. 10 at STPS, was under shutdown from 15th January 2014 to 21st June 2014 due to damage in Generator stator overhang portion, causing loss of generation of 486.74 MU during current financial year.*
- *250 MW Unit No. 10 at STPS was stopped from 16th November to 29th November 2014 to attend Ash evacuation problem, causing loss of generation of 78.5 MU*
- *250 MW Unit No. 11 at STPS was stopped from 20 January 2015 to 25 Feb 2015 due to Generator problem, causing loss of generation of 210.75 MU.*

Further, the new units of STPS Sarni were also facing the coal supply problem (shortage/ poor quality of coal) from Coal Companies. As a result

the units either had to be stopped or had to be run on partial load as detailed below-

- Due to poor Coal Quality, units had to run on partial load, during the month of April to March.15, which caused loss of Generation of 390 MU.
- Due to Coal Shortage problem during April-14 to March -15 units had to run on partial load, causing loss of Generation of 74 MU

The above reasons have resulted in lower capacity utilization of machines than envisaged, during present year.

The Forced outages resulted in frequent start and stop of units which subsequently resulted in higher oil consumption. Further, partial outage also caused oil consumption. Due to these reasons the loss was also incurred in terms of higher heat rate. Some of teething troubles appeared in the initial phase of stabilization of these new units also resulted in poor performance on these fronts.

It is to submit that all out efforts are made by MPPGCL for improvement in performance of these units as detailed hereunder:

- a) The problem faced in Generator of units at STPS PH IV has been rectified by M/S BHEL.
- b) Engineering solution has been worked out and modification in FLY ASH disposal system of STPS # 10 & 11 has been carried out and units are now available for full load operation.
- c) To ensure sufficient quantity of domestic coal for thermal powers stations of MPPGCL, Coal diversion plan from one power station to other has been prepared.
- d) To ensure coal quality third party coal sampling is being done regularly.
- e) Efforts are being made to minimize the Unit tripping by adopting best O&M practices.

In view if above, it is submit that improvement in all performance parameters shall be reflected during FY2015-16.

Issue:-

- iii) **Unit No. 3 and 4 of ATPS PH-II are under forced outage since 12.01.2015 and 30.04.2014 respectively. The petitioner is required to inform the further course of action taken for these units under outage since long.**

MPPGCL's Response:-

*It is to submit that Unit No. 3 and 4 of ATPS PH-2 have been retired w.e.f. 13th January 2015 and 1 May 2014 respectively by order of CEA New Delhi vide No. CEA/ PLG/ PDM/ 545/ 2016 dated 04.03.2016. The copy of the same is annexed as **Annexure-1**.*

Asset cum depreciation Registers:

iv) Issue:-

The petitioner has filed the power station wise Assets-cum-depreciation registers for FY 2014-15. The petitioner is required to reconcile the figures regarding Opening Gross Fixed Assets, addition of assets, write-off/adjustment of assets and Closing Gross Fixed Assets recorded in the Assets-cum-depreciation registers with the figures in Annual Audited Accounts for FY 2014-15. Any difference in the figures between the two records be explained.

MPPGCL's Response:-

*The Power station-wise break-up of the Opening Gross Block of Fixed Assets, Assets added during the year & Closing Gross Block of Fixed Assets along with the Assets Written-off/Adjustments/Assets-not-in-use as per Annual Audited Books of Accounts of FY 2014-15 vis-a-vis claimed in the subject petition is annexed as **Annexure-2A & 2B** respectively.*

*Further, as desired, the Power Station wise comparative statements elaborating difference in the figures as per Audited Books of Accounts of FY 2014-15 and as claimed in subject petition & detailed in Asset-Cum-Depreciation Registers with respect to Opening Gross Block, Assets Addition, Write off/Adjustment/ Assets-not-in-use etc. along with reasons/explanations are annexed as **Annexure-3A to 3E**, respectively.*

Additional Capitalization in new power stations:

v) Issue:-

With regard to the additional capitalization during FY 2014-15 in new power stations, the petitioner is required to submit the details of additional capitalization in terms of Regulation 20.1 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012. The petitioner is also required to file a comprehensive reply to the following issues with all relevant supporting documents in favor of its claim for additional capitalization:

- **Whether the addition of assets in new power stations (like ATPS 210 MW, SGTPS 500 MW, STPS Ext. Unit NO. 10 & 11, Madhikheda HPS and Jhinna HPS) are on account of the reasons (a) to (e) in clause 20.1 of the Regulations, 2012.**

- **Whether the assets capitalized during the year are under original scope of work. Supporting documents be also filed in this regard.**
- **If the capitalization of assets has been done beyond the cut-off date, the petitioner is required to justify its claim with reference to the provision under Regulation 20.2 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012.**
- **Statement showing the detailed break-up of the project cost originally approved by the competent as on 31st March'2015 with respect to each project along with supporting documents be filed by the petitioner.**
- **Approved vis-à-vis actual funding for aforesaid works be also filed.**

MPPGCL's Response:-

As desired by Hon'ble Commission, the information in respect of Additional Capitalization carried out at new Power Stations i.e. ATPS 210 MW, SGTPS 500 MW, STPS Ext. Unit No. 10 & 11, Madhikheda HPS and Bansagar-PH-4 (Jhinna) HPS are detailed hereunder:-

ATPS 210MW Extn. Unit No. 5, Chachai:

The assets amounting to ₹3.52 Crores have been capitalized at ATPS Chachai (210MW) during FY 2014-15 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.9.1 on page No. 43 of subject True Up petition. The supporting documents in this regard have already been submitted before Hon'ble Commission vide Annexure No.5B of letter No.57 dated 11.01.2016.

*The aforesaid capitalization is covered under the Original Scope of Work Estimate of ₹1242.14 Crores for which approval has been accorded by Hon'ble GoMP. The copy of said approval has already been submitted before the Hon'ble Commission, however for ready reference the same is once again annexed as **Annexure-4**.*

As the extension Unit No. 5 of ATPS Chachai (210MW) has been commissioned on 10.09.2009, the same is governed by MPERC Generation Tariff Regulations, 2009. Accordingly, the Cut-off date for the purpose of Additional Capitalization at 210 MW ATPS, Chachai was 31.03.2012.

The aforesaid additional capitalization comprises of works related to Ash Handling Plant amounting to ₹0.13 Crores, Material Handling Equipment ₹ 0.95 Crores, Coal Handling Plant ₹0.23 Crores, Capital Spares ₹1.62 Crores and other minor works.

The proviso 20.2(c) of MPERC Regulation, 2012 provides for admittance of deferred works related to ash pond or ash handling system in the original

scope of work. Accordingly, MPPGCL has claimed the additional capitalization amounting to ₹0.13 Crores towards Ash Handling Plant under the said clause. It is to humbly submit that the Hon'ble Commission in the True up order for FY 2012-13 & FY 2013-14 has already permitted such expenditure under this head of the instant proviso.

The balance of additional capitalization amounting to ₹3.39 Crores (₹3.52 Crores – ₹0.13 Crores) has been claimed under proviso 20.2 (f) of MPERC Regulation, 2009 which provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

The aforesaid Additional Capitalization is funded through approved PFC Loan No.20701002 as detailed in Table no. 4.3.11.1 & 4.3.12.1 on page No. 44 of subject True up petition.

Further, as desired, the statement indicating the details of work completed & to be completed as on 31.03.2015 at ATPS PH-3 (210MW) is annexed as **Annexure - 5**.

SGTPS 500MW Extn. No.5 Birsinghpur:

The assets amounting to ₹36.36 Crores have been capitalized at SGTPS PH-3 during FY 2014-15 and captured in Audited Books of Accounts. The same has been claimed and detailed at Table No.4.3.26.1 on page No. 49 of subject True Up petition. The supporting documents in this regard are already submitted before Hon'ble Commission submitted vide Annexure No.5F of letter No.57 dated 11.01.2016.

These works are covered under the original work estimate of Rs. 2300 Crores, approved by GoMP. The copy of approval and relevant supporting documents has already been submitted before the Hon'ble Commission, the same is once again as annexed as **Annexure-6** for ready reference please.

The extension unit No. 5 of SGTPS Birsinghpur (500MW) was commissioned on 28.08.2008 and 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 additional capitalization comprises of asset additions booked in Audited Books of Accounts for FY 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to ₹36.26 Crores and in Account 11.XXX (Capital Spares) amounting to ₹0.10 Crores.

The said additional capitalization 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) (e) of MPERC Regulations, 2005, which provides for procurement of initial spares included in the original project cost subject to ceiling Norms laid down in Regulation 18.
- (3) 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 ...

Further, proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

The aforesaid works are funded through approved PFC Loan No. 20701011 as detailed in Table no. 4.3.28.1 & 4.3.29.1 on page No. 50 & 51 of subject True Up petition.

As desired by Hon'ble Commission, the statement indicating the details of work completed and to be completed as on 31.03.2015 at SGTPS PH-3 (500MW) is annexed as **Annexure - 7**.

Apart from above, MPPGCL wish to further submit that the Hon'ble Commission vide para No. 131 at page No.47 of True up order for FY 2013-14 has given inference about adjustment of Gross Block of SGTPS PH-3 by ₹10.32 Crores on account of Final Settlement of Liquidated Damages (LD) with BHEL as informed by MPPGCL. However, the impact of increase in Gross Block of SGTPS PH-3 by ₹10.32 Crores has been erroneously indicated in table No. 47 Sr. No. 5 on page no. 53 of said True-up order and corresponding funding through Loan component was not adjusted in the said order. MPPGCL therefore humbly request to kindly consider and permit the same in the subject petition.

STPS (2x250MW) Extn. Unit NO. 10 & 11 Sarni:

The assets amounting to ₹98.63 Crores have been capitalized at STPS Sarni PH-4 during FY 2014-15 as captured in Audited Books of Accounts. These assets have been claimed as detailed at Table No.4.3.16.1 on page No. 46 of subject True Up petition. The supporting documents in this regard have already been submitted before Hon'ble Commission submitted vide Annexure No.5D of letter No.57 dated 11.01.2016.

The aforesaid capitalization is covered under the Original Scope of Work Estimate of ₹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); the same is once again annexed as **Annexure-8** for ready reference please.

The Date of Commercial operation (CoD) of extension unit No.10 & 11 of STPS, Sarni PH-4 (2x250 MW) is 18.08.2013 & 16.03.2014 respectively. In accordance 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 2014-15 under Account Code 10.XXX (Fixed Assets) amounting to ₹87.25 Crores and in Account 11.XXX (Capital Spares) amounting to Rs.11.38 Crores respectively.

The said capitalization is claimed under the following proviso 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

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

The details of funding with respect to aforesaid capitalization are annexed as **Annexure-9**.

Further, as desired, the statement indicating the details of works completed and to be completed as on 31.03.2015 at STPS PH-4 (2x250MW) is annexed as **Annexure -10**.

Madhikheda HPS:

The capital Spares amounting to ₹1.96 Crores were acquired over the years for Madhikheda HPS and were lying under Account head Material Stock Account (Capital). These assets were transferred to Account head – Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition as Capital Spares in the instant petition. The supporting documents in this regard have already been submitted before Hon'ble Commission vide Annexure No.5K of letter No. 57 dated 11.01.2016.

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 Cut-off date for the purpose of Additional Capitalization.

The said capitalization is claimed under 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.

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.

The capital spares claimed are within the ceiling limit for capital spares as prescribed vide Proviso regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2012 as elaborated below:

₹ in Crores

Power Station	GFA as on 31.03.2014 *	Ceiling Limit (%)	Amount	Capital Spares Claimed
Madhikheda HPS	216.03	1.50%	3.24	1.96

***as Admitted by Hon'ble Commission vide True up order for FY -14.**

The aforesaid capitalization is funded through internal resources of as detailed in Table no. 4.3.28.1 & 4.3.29.1 on page No. 57 of subject True Up petition.

Bansagar PH-4(Jhinna) HPS:

The assets amounting to Rs.1.27 Crores have been capitalized at Bansagar PH-4(Jhinna) HPS during FY 2014-15 and captured in Audited Books of Accounts. The supporting documents in this regard are already submitted before Hon'ble Commission submitted vide Annexure No.5J of letter No.57 dated 11.01.2016.

The above mentioned additional capitalization comprises of capital Spares amounting to Rs.1.24 Crores which were acquired over the years for Bansagar PH-4(Jhinna) HPS) and were lying under Account head Capital Material Stock Account. The same were transferred to Account head – Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition. The balance amount of 0.03 Crores pertains to minor asset additions.

The Unit No. 1 & 2 of Bansagar PH-4(Jhinna) HPS has been commissioned on 20.08.2006 & 30.08.2006 respectively and 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 under the following 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.

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.

The capital spares claimed are within the ceiling limit for capital spares as prescribed vide Proviso regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2012 as elaborated below:

₹ in Crores

Power Station	Gross Block as on 31.03.2014	Ceiling Limit (%)	Amount	Capital Spares Claimed
Jhinna HPS	115.58	1.50%	1.73	1.24

***as Admitted by Hon'ble Commission vide Final Tariff order for Bansagar(Jhinna).**

The aforesaid capitalization is funded through internal resources of as detailed in Table no. 4.3.37.1 on page No. 54 of subject True Up petition.

vi) Issue:-

The petitioner has claimed the capital spares in several new power station. The petitioner is required to justify its claim in light of the Regulation 17.1 (b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulations, 2012. The petitioner is also required to file the power station wise following details in light of the aforesaid Regulation:

Original project Cost	Capital Spares till 31st March, 2014 admitted by Commission	Admitted capital spares % of the original capital cost	Capital Spares filled in true-up petition for FY 2014-15	Total Capital Spares as on 31/12/2015	Total capital spares % of original capital cost
Rs. Cr.	Rs. Cr.	%	Rs. Cr.	Rs. Cr.	%

MPPGCL's Response:-

It is to humbly submit that the detailed explanation/justification towards capital spares claimed at various new power stations is already elaborated at MPPGCL's reply to Point (v) of Hon'ble Commission's observation.

*Further, as desired power station wise details of capital spares in specified format is as annexed as **Annexure-11**.*

vii) Issue:-

The petitioner has filed the additional capitalization of ₹98.63 Crores in STPS Ext. Unit No. 10 & 11. The major works/components filed under additional capitalization are given below:

Details of Asset Capitalized	Amount in ₹ Cr.
Boiler Plant and Equipment	12.46
Turbine-Generator Stream power generation	23.46
Other transformers for power house	23.85

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 the aforesaid major BTG works.**
- b. 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.**
- c. Capitalization booklet for capitalization of additional assets during FY 2014-15 duly certified by the statutory auditor and reconciled with the Balance Sheet be submitted.**
- d. The amount against the balance IDC and start-up fuel capitalized during the year if any, be informed separately.**
- e. The claim of capitalized capital spares of ₹11.38 Crores need to be justified in light of the Regulation 17.2(b) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012.**
- f. The assets capitalized till 31.03.2015 are more than the funding informed as on 31.03.2015. Justification of such unfunded liability needs to be filed.**

MPPGCL's Response:-

a. MPPGCL humbly submits that Unit No. 10 & 11 was declared on CoD w.e.f. 18.08.13 and 16.03.14 respectively. The systems / sub-systems required to commission these units were available at the time of their operation.

Moreover, out of 2 Station Transformers and 4 Nos. Unit Aux. Transformers each for Unit No.10 & 11, 1 Station transformer and 2 UATs were available before commissioning of Unit No. 11.

In addition, the Unit No.10 was under forced outage during 14.10.13 to 31.10.13 due to problem in Ash handling system which had resulted accumulation of ash up to top of ESP hopper. Subsequently, Unit No.10 was under forced outage during the period 15.01.14 to 21.06.14 due to problem in the Generator.

Similarly the Unit 11 was under shut down during 09.09.14 to 24.09.14 and 25.10.14 to 07.11.14 due to heavy rain fall which had resulted accumulation of ash up to the top of ESP hopper.

During the outage of unit No.10, the station transformer of unit No.10 was utilized with interconnection facility for feeding supply to auxiliaries during commissioning of unit No.11 and thereafter generation from this unit.

In the meantime the ST and UAT of unit No.11 was commissioned respectively on 28.05.2014 on 10.11.14. On availability of ST of unit No.11 on 28.05.14, the ST of unit No.10 was taken back for generation from unit No.10.

The delay in commissioning of ST and UAT of unit No. 11 had not affected commissioning of unit No.11 and also generation from both units 10&11.

As regards delay in commissioning of DG set is concerned, it is submitted that it has no direct relation with commissioning of Units therefore the units were continued generation.

b. The major reasons that resulted delay in execution of such works (Station transformer, UAT and DG set) are due to delayed erection and commissioning by M/s BHEL. As per the provisions of contract, LD is to be recovered from the contractors who are responsible 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. However, LD amount is yet to be finalized and recovered from pending invoices of these two firms.

c. *It is to submit that 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 submitted before Hon'ble Commission in the matter of determination of Final generation Tariff of STPS PH-4.*

During FY 2014-15, assets amounting to ₹98.63 Crores have been capitalized at STPS Sarni PH-4 and captured in Audited Books of Accounts of FY 2014-15. The same has been claimed and detailed at Table No.4.3.16.1 on page No. 46 of subject True Up petition. The supporting documents in this regard have already submitted before Hon'ble Commission vide Annexure No.5C of letter No.57 dated 11.01.2016.

d. *It is to submit that the amount of IDC as well as start upto fuel has already submitted before Hon'ble Commission in the matter of determination of Final generation Tariff of STPS PH-4(2x250MW). Further an amount of ₹4.91 Crores have been capitalized on account of Interest during construction during FY 2014-15 through Opening CWIP. Similarly an amount of Rs.1.42 Crores has been capitalized on account of Start-up Fuel during FY 2014-15 through Opening CWIP.*

e. *Kindly refer **Annexure-11** of MPPGCL's reply to Point No. (vi) which elaborates MPPGCL's claim of capital spares in light of the Regulation 17.2(b) of MPERC (Terms and Conditions for determination of Generation tariff) Regulations, 2012.*

f. *In respect of funding of additional capitalization at STPS PH-4, it is to submit that MPPGCL has filed the subject True Up petition on dated 07.11.2015 before the issuance of Final Tariff Order of STPS Sarni PH-4 on dated 07.01.2016. Considering the funding approved by the Hon'ble Commission upto 31.03.2014 in the Final tariff order of STPS PH-4 (2x250MW), the Revised Funding Scenario is now worked out and annexed as **Annexure-12** which clearly elaborated that **there is no funding gap between assets capitalized and funding thereof as on 31.03.2015.***

viii) Issue:-

In ATPS 210 MW, there was outstanding liability of ₹60.17 Crores against the assets of ₹81.24 Crores admitted in true-up order for FY 2011-12 issued on 1st October, 2014. In the aforesaid true up order it was directed to file the funding pattern of un-discharged liability of

₹60.17 Crores as on 31st March, 2012. The petitioner is required to inform the actual funding status of aforesaid unfunded liability and justification with supporting documents in this regard.

MPPGCL's Response:-

It is humbly submit that, in the process of determination of True up of Power Stations of MPPGCL for FY2012-13, MPPGCL vide letter dated 30.01.2015 & 10.04.2015 has submitted exhaustive information towards funding gap of ₹60.17 Crores at ATPS PH-3 (210MW) along with supporting documents. The same is reproduced by Hon'ble Commission on Page No. 37-40 of True Up order dated 05.10.2015 for FY 2012-13.

However, as desired by Hon'ble Commission, the said information is again furnished as under:

- Hon'ble Commission in Final tariff order of ATPS PH-3 (210 MW) dated 01.05.2015 read with True up order for FY 2011-12 dated 01.10.2014 has considered funding in proportion to asset capitalized as tabulated hereunder:*

₹ in Crores

Financial year	Assets admitted By MPERC	PFC Loan	Equity	Total Funding	Diff. of Funding
FY 2009-10 (as on CoD)	906.11	691.87	214.24	906.11	0
FY 2009-10 (from CoD to 3.03.2010)	0	0	0	0	0
FY 2010-11	70.55	62.35	8.20	70.55	0
FY 2011-12	81.24	20.08	0.98	21.06	-60.17
Total	1057.90	774.30	223.42	997.72	-60.17

- The Hon'ble Commission vide True order dated 01.10.2014 for FY 2011-12 has directed MPPGCL to provide the details of funding gap at ATPS PH-3 amounting to ₹60.17 Crores. Accordingly, MPPGCL has verified the sources of funding of tangible and intangible assets capitalized at ATPS PH-3 (210MW).*
- On scrutinizing the past records of MPPGCL and erstwhile MPSEB, it was found that during FY 2009-10, there was gap in the amount of IDC levied upon MPPGCL by M/s PFC amounting*

to ₹167.33 Crores and its corresponding funding. On further examining the records it was found that the amount of ₹57.29 Crores has been paid to M/s PFC towards **Interest During Construction (IDC)** for Loan No. 20101012 through the Cash Flow Mechanism of erstwhile MPSEB, prevailing at that point of time. As this payment was made through Cash Flow Mechanism (CFM) of erstwhile MPSEB/MP Tradeco, this amount was not captured as source of funding in the final tariff petition of ATPS 210MW.

- The supporting documents in reference to payment of amount of ₹57.29 Crores to M/s PFC along with relevant Accounting vouchers of Erstwhile MPSEB/MP Tradeco are enclosed as **Annexure-13** for kind reference please.
- This amount of ₹57.29 Crores was paid by erstwhile MPSEB/MP Tradeco from its resources under CFM, therefore the same is to be treated as internal resources/Equity of the MPPGCL.
- Adopting the methodology of Hon'ble Commission towards Funding with respect to Asset capitalized, MPPGCL has accordingly readjusted the said amount of ₹57.29 Crores towards funding gap as under:

Financial year	Assets admitted by MPERC	Funding				Diff of Funding
		PFC Loan	Equity	Internal resources	Total Funding	
FY 2009-10 (as on CoD)	906.11	691.87	214.24	0	906.11	0
FY 2009-10	0	0	0	0	0	0
FY 2010-11	70.55	62.35	8.2	0	70.55	0
FY 2011-12	81.24	20.08	0.98	57.29	78.35	-2.88
FY 2012-13	1.50	4.38*	0	0	4.38	2.88
Total	1059.40	778.68	223.42	57.29	1059.40	0

* ₹1.50 Crores towards additional capitalization & ₹2.88 Crores against the balance funding difference.

- It is evident from aforesaid table the funding difference of ₹ 60.17 Crores was adjusted mainly from ₹57.29 Crores (Internal

resources) and balance Rs.2.88 Crores from PFC Loan draws (loan No.20701002) in FY 2012-13.

- The total PFC loan draws (Loan No.20701002) during FY 2012-13 amount to ₹53.82 Crores. The party wise / date wise PFC Loan draws is enclosed as **Annexure-14** for kind reference please

Considering above, the Hon'ble Commission Vide True Up order dated for FY 2012-13 Para 96 & 97 at Page 41 has directed MPPGCL to submit the approval of BOD for infusion of additional equity amounting to ₹57.29 Crores in next true up petitions.

Accordingly, MPPGCL has acquired the requisite BoD approval of Equity amounting to ₹57.29 Crores for ATPS (210MW) and same is annexed as **Annexure-15**.

The corresponding Return on Equity and Interest on Loan & Excess Equity has been worked out by MPPGCL from FY 12 to FY 15 and annexed as **Annexure-16**. It is humbly prayed before Hon'ble Commission to kindly permit the same.

Issue:-

ix) With regard to the settlement of LD in ATPS 210 MW, the petitioner has informed that the final settlement has not been made with the contractor till date and once the final settlement is made the same shall be informed to the Commission. Accordingly, MPPGCL has considered the project cost as capitalized in the books of accounts for the purpose of calculating depreciation. The petitioner is required to inform the amount of LD settlement as and when finally settled with M/s. BHEL.

MPPGCL's Response:-

It is to humbly submit that the process of final settlement of Liquidated Damages (LD) with M/s BHEL of ATPS (210MW) is under way. As and when the final settlement is made the same shall be informed to Hon'ble Commission in due course of time.

x) Issue:-

In SGTPS 500 MW, the petitioner has claimed additional capitalization of ₹36.36 Crores out of which assets of ₹24.15 Crores pertains to new ash bund. It is observed that the petitioner has also claimed additional capitalization of ₹14.46 Crores under SGTPS PH-1&2 in the head of Ash

handling Plant". The petitioner is required to file a detailed reply in this regard on the following points:

- Whether the assets and scope of work are common for these two additional works.
- The detailed break-up identifying the difference in the nature of work required for Ash Handling System for different units of the power station.

MPPGCL's Response:-

It is to submit that the capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this Ash bund till March 2015.

As such, the construction of 2nd phase ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5. The New Ash bund and the associated Ash Handling Plant are common for SGTPS PH-1, 2 &3. However, apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based on the quantum of work involved and to the extent of criteria for bifurcation.

Further, as desired, detailed break-up identifying the difference in the nature of work required for Ash Handling System for different units of the power station is as under:

Ash Disposal System:-

Ash Slurry Disposal System of PH-1 (Unit no. 1&2), PH-2 (Unit No. 3&4) & PH-3 are situated in one complex of SGTPS, Birsinghpur having their own ash slurry disposal pump houses separately equipped with the pumps, motors, gear boxes, coupling, valves, plug gates, other accessories and C&I as per the system requirement.

The bottom ash slurry, coarse ash slurry and at times the fly ash slurry (wet condition) of the respective power houses are discharged to the ash slurry sumps of respective Power Houses and further it is being conveyed to the existing Ash Dyke phase-I through ash slurry disposal pipe lines.

The four (4) Nos. of ash slurry pipe lines have been provided for each of the Power Houses. Each ash slurry pipe stream of PH-1 & PH-2 is provided with the two (2) pumps in series, whereas, ash slurry pipe series of SGTPS PH-3 are provided with the three (3) Nos. of pumps in series which are capable enough to dispose the ash slurry to the then existing ash dyke (1st Phase). Since the capacity of existing ash dyke was nearly exhausted, the slurry was required to be discharged in new ash dyke (2nd Phase), hence one Ash slurry booster pump in each series of all the power houses has been installed additionally and slurry lines were to be extended upto new ash dyke.

Ash Water Recovery System:

There are two (2) separate floating barges, one for (PH-1&-2) and the other one for PH-3. These are equipped with necessary pumps & accessories to discharge the recovered water through the pipe lines (2 lines of 400NB for PH-1 & PH-2 and one line of 400NB for PH-3) to target boxes and thereafter water flows under gravity to the power house through single pipe line i.e. 600NB for PH-1 & 2 and 450NB for PH-3. These two lines alongwith the associated system were also to be extended upto new ash bund.

It may be mentioned here that installation of recovery water system is must to meet out the zero discharge concept as per statutory requirement in this regard. The system has therefore been provided for 2nd phase ash bund.

Additional Capitalization in existing power stations:**xi) Issue:-**

Regarding additional capitalization in existing power stations claimed during FY 2014-15, the petitioner is required to submit the details of additional capitalization in terms of Regulation 2012 of MPERC (Terms and Conditions for determination of generation tariff) Regulations, 2012. 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 (d) in clause 20.2 of the Regulations'2012.**
- **Whether the petitioner has taken due care in writing-off the asset 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.**

MPPGCL's Response:-

As desired by Hon'ble Commission, the information in respect of Additional Capitalization carried out at existing Power Stations is detailed hereunder:

ATPS Chachai PH-2 :

The assets amounting to ₹8.76 Crores were capitalized at ATPS Chachai PH-2 during FY 2014-15 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.3.1 at page No. 43 & Table No.4.3.6.1 at page No.42 of subject petition. In this regard the copies of supporting documents were already submitted before the Hon'ble Commission as Annexure No.5A of letter No.57 dated 11.01.2016.

The above mentioned additional capitalization comprises of capital Spares amounting to ₹8.51 Crores which were acquired over the years for ATPS PH-2 and were lying under Account head Capital Material Stock Account. The same were transferred to Account head –Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition.

The balance amount of ₹0.25 Crores pertains to asset additions towards works are covered under the Renovation and Modernization scheme at ATPS PH-2, which was approved by the Board of erstwhile MPSEB on 18.01.2004. Copy of the same is enclosed as **Annexure-17**. In the above context, it is to submit that the additional Capitalization under the said scheme at ATPS PH-2 has been already approved by Hon'ble Commission in the True Up orders for FY 09 to FY 14.

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 scope of work.

Further, proviso 20.2 (f) of MPERC Regulation 2012 provides for admittance of capital expenditure which is considered indispensable by the Hon'ble Commission for running the thermal generating station provided in such case compensation allowance shall not be admissible.

The Asset additions made at ATPS PH-2 are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.4.1 & 4.3.6.1 on page No. 41-42 of subject True up petition. Same is tabulated as under:

₹Crores

	Particulars	Assets Added	PFC Loan No. 20104021	Internal resources /equity
1	Asset addition towards need based R&M works	0.25	0.25	

2	Capital spares acquired over the years	8.51		8.51
Total		8.76	0.25	8.51

Further, as desired, the statement indicating the details of work completed & to be completed as on 31.03.2015 at ATPS PH-2 towards Renovation and Modernization scheme is annexed as **Annexure – 18**.

STPS PH-2 & 3 :

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 from FY 2011-12 to FY 2015-16 (petition No. 23 of 2015) 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 R&M works.

However, the Capital spares amounting to ₹20.98 Crores, which were acquired over the years for STPS PH-2&3 and were lying under Account head Capital Material Stock, were transferred to Account head-Fixed Assets in the Audited Books of Accounts of FY 2014-15. Out of aforesaid capital spares the amount of ₹2.49 Crores pertains to Capital spares acquired before 01.04.2011. Accordingly the same is considered as asset addition in the instant True Up petition as detailed at Table No.4.3.14.1 at page No. 45 page No.42 of subject petition.

In this regard the copies of supporting documents are already submitted before the Hon'ble Commission as Annexure No.5D of letter No.57 dated 11.01.2016.

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.

The Asset additions made at STPS PH-2&3 are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.14.1 on page No.45 of subject True up petition.

SGTPS PH-1 & 2 :

The assets amounting to ₹24.49 Crores were capitalized at SGTPS PH- 1 & 2 during FY 2014-15 as per Audited Books of Accounts. The same is claimed in instant True Up petition as detailed at Table No.4.3.20.1 at page No. 47

& Table No.4.3.22.1 at page No.48 of subject petition. In this regard the copies of supporting documents are already submitted before the Hon'ble Commission as Annexure No.5E of letter No.57 dated 11.01.2016.

The above mentioned additional capitalization comprises of works related to Ash handling plant amounting to ₹14.46 Crores. Detailed explanation of said expenditure is elaborated at MPPGCL's reply to Point No(xiv) of Hon'ble Commission's observation.

Further, the asset addition amounting to ₹9.31 Crores pertains to capital Spares which were acquired over the years for SGTPS PH-1&2 and were lying under Account head Capital Material Stock Account. The same were transferred to Account head -Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition.

The balance assets additions amount to ₹0.74 Crores towards works related to Turbine Generator.

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 original Capital costs.

The Asset additions made at SGTPS PH-1&2 are new assets and not against any write off in FY 2014-15. 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.

The funding pattern as elaborated at Table no. 4.3.21.1 & 4.3.22.1 on page No.48 of subject True up petition has been revised & tabulated as under:

₹Crores

Particulars		Assets Added	PFC Loan No 20101011	Internal resource /equity
1	Asset addition Ash Handling plant	14.46	14.46	
2	Capital spares acquired over the years	9.31		9.31
3	Other minor works	0.73		0.73
Total		24.50	14.46	10.04

Gandhi Sagar HPS:

The minor works towards Boundary wall for Civil Building amounting to ₹0.02 Crores were capitalized at Gandhi Sagar HPS during FY 2014-15 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.38.1 on page No. 54 of subject petition. In this regard the copies of supporting documents are already submitted before

the Hon'ble Commission as Annexure No.5G of letter No.57 dated 11.01.2016.

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 20.2 (d) of MPERC Regulations,2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

The Asset additions made at Gandhi Sagar HPS are new assets and not against any write off in FY 2014-15. 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

The details of funding are elaborated at Table no. 4.3.39.1 on page No.54 of subject True up petition.

Pench HPS :

The assets amounting to ₹2.26 Crores were capitalized at Pench HPS during FY 2013-14 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.40.1 on page No.55 of subject petition. In this regard the copy of supporting documents is already submitted before the Hon'ble Commission as Annexure No.5H of letter No.57 dated 11.01.2016.

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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

The Asset additions made at Pench HPS are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.41.1 on page No.55 of subject True up petition

Rajghat HPS:

The asset addition amounting to ₹0.31 Crores were capitalized at Rajghat HPS during FY 2014-15 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.42.1 & 4.3.44.1 on page No. 55-56 of subject petition. In this regard the copies of supporting

documents are already submitted before the Hon'ble Commission as Annexure No.5I of letter No.57 dated 11.01.2016.

The above mentioned additional capitalization comprises of capital Spares amounting to ₹0.30 Crores which were acquired over the years for Rajghat HPS and were lying under Account head Capital Material Stock Account. The same were transferred to Account head –Capital Spares in the Audited Books of Accounts of FY 2014-15 and accordingly claimed as asset addition in the instant petition.

The balance minor asset additions amount to ₹0.01 Crores.

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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

The Asset additions made at Rajghat are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.45.1 on page No.56 of subject True up petition

Bargi HPS:

The Capital spares amounting to ₹0.29 Crores, which were acquired over the years for Bargi HPS and were lying under Account head Capital Material Stock, were transferred to Account head-Fixed Assets in the Audited Books of Accounts of FY 2014-15. The same is considered as asset addition in the instant True Up petition as detailed at Table No.4.3.49.1 at page No. 58 of subject petition. In this regard the copy of supporting documents is already submitted before the Hon'ble Commission as Annexure No.5M of letter No.57 dated 11.01.2016.

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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

The Asset additions made at Bargi HPS are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.49.1 on page No.58 of subject True up petition.

Bansagar PH-1,2&3 :

The assets amounting to ₹1.84Crores were capitalized at Bansagar PH-1, 2 & 3 HPS during FY 2014-15 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.30.1 on page No. 51 & Table No.4.3.53.1 on page No. 53 of subject petition. In this regard the copy of supporting documents is already submitted before the Hon'ble Commission as Annexure No.5J of letter No.57 dated 11.01.2016.

The aforesaid additional capitalization comprises of Capital spares amounting to ₹1.76 Crores, which were acquired over the years for Bargi HPS and were lying under Account head Capital Material Stock, were transferred to Account head-Fixed Assets in the Audited Books of Accounts of FY 2014-15.

The balance asset addition is made on account of compensation paid for land amounting to ₹0.06 Crores and procurement of office equipments amounting to ₹0.02 Crores.

Apart from above, MPPGCL has claimed assets additions from FY-07 to FY-11 amounting to ₹4.32 Crores which pertains to Bansagar PH-1,2 &3 & was erroneously booked under Gross Block of Bansagar PH-4. The same has been got corrected and based on revised gross block the Final tariff petition of Bansagar PH-4 (Jhinna) have been filed. The detailed explanation in this regard is elaborated at MPPGCL's reply to Point No (xv) of Hon'ble Commission's observation.

Henceforth the total asset addition of ₹6.16 Crores (₹1.76 Crs+₹0.06 Crs+₹4.32 Crs) is claimed in subject petition at Bansagar PH-1,2 &3 HPS..

The said capitalization is claimed under Provisos of MPERC Regulations:

- Proviso 20.2(a) of MPERC Regulations, 2012 provides for incurrence of capital expenditure, towards liabilities to meet award of arbitration or compliance of the order or decree of the court.
- Proviso 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which become necessary for efficient and successful plant operation.
- 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.

The Asset additions made at Bansagar PH-1, 2 & 3 HPS at are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.34.1 on page No.53 of subject True up petition.

Bansagar PH-4 (Jhinna) HPS:

The asset addition amounting to ₹1.27 Crores were capitalized at Bansagar PH-4(Jhinna) HPS during FY 2014-15 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.35.1 on page No. 53 of subject petition. In this regard the copies of supporting documents are already submitted before the Hon'ble Commission as Annexure No.5J of letter No.57 dated 11.01.2016.

The aforesaid additional capitalization comprises of Capital spares amounting to ₹1.23 Crores, which were acquired over the years for Bansagar PH-4 (Jhinna) HPS and were lying under Account head Capital Material Stock, were transferred to Account head-Fixed Assets in the Audited Books of Accounts of FY 2014-15.

The balance minor asset addition amounts to ₹0.04 Crores towards procurement of auxiliaries at Hydel Power Station.

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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

The Asset additions made at Bansagar PH-4(Jhinna) HPS are new assets and not against any write off in FY 2014-15. 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.

The details of funding are elaborated at Table no. 4.3.37.1 on page No.54 of subject True up petition.

Birsinghpur HPS:

The minor asset addition towards procurement of Furniture & computers amounting to ₹0.002 Crores were capitalized at Birsinghpur HPS during FY 2014-15 as per Audited Books of Accounts. Same is claimed in subject True Up petition as detailed at Table No.4.3.46.1 on page No. 57 of subject petition. In this regard the copies of supporting documents are already submitted before the Hon'ble Commission as Annexure No.5L of letter No.57 dated 11.01.2016.

The details of funding are elaborated at Table no. 4.3.47.1 on page No.57 of subject True up petition.

xii) Issue:-

The petitioner has claimed the capital spares in some of the existing power stations capitalized during FY 2014-15 as follows:

Sr. No.	Power Station	Capital Spares (₹ in Crores)
1	ATPS PH-2	8.51
2	STPS PH 2 & 3	2.49
3	SGTPS, PH 1 & 2	9.31
4	Bansagar PH-1,2 &3	1.76
5	Rajghat HPS	0.31
6	Bargi HPS	0.3
TOTAL		22.68

In view of the above, the petitioner is required to justify its claim of capital spares in aforesaid existing power stations in light of the regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2012.

MPPGCL's Response:-

It is humbly submitted before Hon'ble Commission to kindly refer MPPGCL's reply to Point No. (xi) of Hon'ble Commission's observation wherein MPPGCL has made detailed justification towards its claim of Capital Spares at existing Power Station.

Further it is to mention that the Existing Power Stations were transferred to MPPGCL through Final Opening Balance Sheet notified by GoMP on 12.08.2008 and governed by MPERC (Terms and Conditions for determination of Generation tariff), Regulations 2005 (G-26 of 2005), which does 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 20.2 (d) of MPERC Regulations, 2012 provides for incurrence of capital expenditure due to additional work, which are necessary for efficient and successful plant operation.

Considering above, as desired by Hon'ble Commission, the Power Station wise ceiling limit for capital spares as prescribed vide Proviso regulation 17.1(b) of MPERC (Terms and Conditions for determination of Generation Tariff) Regulation, 2012 works out as under:

₹ in Crores

Power Station		Gross Block as on 31.03.2014 *	Ceiling Limit (%)	Ceiling Amount	Capital Spares Claimed
1	ATPS PH-2	222.04	2.50%	5.55	8.51
2	STPS PH 2 & 3	627.47	2.50%	15.69	2.49
3	SGTPS, PH 1 & 2	2172.84	2.50%	54.32	9.31
4	Bansagar PH-1,2 &3	1163.00	1.50%	17.45	1.76
5	Rajghat HPS	82.80	1.50%	1.24	0.31
6	Bargi HPS	86.97	1.50%	1.30	0.30
TOTAL		4355.12		95.55	22.68

***As admitted by MPERC vide True up order for FY-14 dated 30-01-2016.**

xiii) Issue:-

In ATPS PH-II, the petitioner has claimed additional capitalization of ₹8.76 Crores whereas the funding of ₹16.62 Crores is claimed during FY 2014-15. The petitioner is required to explain the reasons for this discrepancy.

The petitioner is also required to confirm whether the capital spares of ₹8.51 Crores capitalized during the year are part of need based R&M scheme approved for this power house. Supporting documents like R&M scheme initially approved by GoMP be also filed by the petitioner.

MPPGCL's Response:-

It is to submit that Hon'ble Commission in the earlier True up orders has considered funding in proportion to asset capitalized. The amount of ₹16.62 Crores towards loan funding at ATPS PH-2 represents the balance loan draws to be claimed by MPPGCL at ATPS PH-2 considering the loan draws permitted upto 31.03.2014.

The funding details with respect to assets capitalized at ATPS PH-2 are tabulated hereunder:

₹ Crores

Particulars		Assets Added	PFC Loan No. 20104021	Internal resources /equity
1	<i>Asset addition towards need based R&M works</i>	0.25	0.25	
2	<i>Capital spares acquired over the years</i>	8.51		8.51
Total		8.76	0.25	8.51

Further, in respect of procurement of capital spares of ₹8.51 Crores at ATPS PH-2, it is to submit that these were not part of need based R&M scheme approved for this power house.

xiv) Issue:-

In SGTPS PH-1&2, the petitioner has claimed additional capitalization of ₹15.19 Crores out of which ₹14.48 Crores pertains to Ash Handling Plant. The petitioner is required to explain the requirement of such works at this stage.

MPPGCL's Response:-

It is to submit that that the capacity of the then existing Ash Dyke (1st phase Ash Bund) was estimated to exhaust up to FY 2010-11, however, MPPGCL managed discharging the ash slurry into this bund till March 2015.

As such, the construction of 2nd phase Ash bund was conceptualized along with construction of SGTPS Extn. Unit No.5, which shall be common for all the powerhouses i.e. SGTPS PH-1, 2 & 3.

The Civil work of Ash Dyke was completed in March 2012 and the E&M works involving the extension of Ash slurry pipe lines, Recovery Water lines, Ash Slurry Booster Pumps etc were taken up subsequently and completed in FY 2014-15.

The apportionment of the expenditures incurred on these facilities has been made for each of the three power houses broadly based on the quantum of work involved and to the extent of criteria for bifurcation.

Accordingly, the additional capitalization of ₹15.19 Crores including ₹14.48 Crores pertaining to Ash Handling Plant have been booked at SGTPS PH 1 & 2 and claimed in subject petition.

xv) Issue:-

The petitioner has mentioned that out of the total additional capitalization of ₹6.16 Crores, in Bansagar PH-1, 2 & 3, assets of ₹4.32 Crores pertain to assets created during FY07 to FY11 which were erroneously booked under fixed assets of Bansagar PH-IV, Jhinna. The petitioner has further mentioned that the same has been corrected in final tariff petition of Bansagar PH-IV, but not claimed in earlier true up petitions for Bansagar PH-I, II & III.

In view of the above, the petitioner is required to indicate the occurrence of such aforesaid error and corrections thereof with duly reconciled figures recorded in past years balance sheet and final capital cost of Bansagar PH-IV admitted by the Commission. There is also a difference in the figures of additional capitalization in Bansagar HPS mentioned in table 4.3.34.1 and 4.4.1.1 of the petition. The aforesaid discrepancy be also addressed by the petitioner.

MPPGCL's Response:-

In the process of filing the Final tariff Petition of Bansagar PH-4(Jhinna), the voucher wise verification has been carried out, where in it was noticed that few assets of Bansagar PH-1, 2 & 3 were erroneously considered under Bansagar PH-4 in the earlier Final tariff Petition of Bansagar PH-4 (petition No.7/2013). The error was corrected and the revised project cost of ₹ 115.81 Crores as on 31.03.2014 was submitted in the said petition.

Further vide Para 2.8 of Final tariff petition of Bansagar PH-4 filed on 11.05.2015, it was also requested before Hon'ble Commission to permit the remaining addition with other power houses of Bansagar Complex in the True up petition of for FY 2014-15.

The Commission vide Para 51 & 52 of Final tariff order of Bansagar PH-4 took note of the aforesaid submission made by the MPPGCL Accordingly, MPPGCL in the True up petition for FY 2014-15 has claimed asset addition of ₹4.32 Crores for the period FY- 07 to FY-11.

In back drop of above, the point wise reply of MPPGCL is as under:

- *The Books of Accounts for Bansagar HPS are maintained for Bansagar Complex as a whole. The Power House wise break up is done for the*

purpose of tariff as the Hon'ble Commission has determined the Tariff of Bansagar PH-1, 2 & 3 and Bansagar PH-4 separately

- The statement elaborating the Power Station wise Gross Block details of MPPGCL as per Audited Books of Accounts from FY 06 to FY 15 is annexed as **Annexure-19**. Wherein the Gross Block details of Bansagar PH-1, 2 & 3 and Bansagar PH-4 are reflected separately.
- Based on above Statement, the difference between Asset Additions of Bansagar PH-4 as per Books of Accounts Vs as submitted in its Final tariff petition of Bansagar PH-4 and approved by Hon'ble Commission is tabulated hereunder:

₹Crores			
Particulars	As Claimed in Final Tariff Petition of Bansagar PH-4	As per Books of Accounts	Diff. (Assets of Bansagar PH-1,2,&3 wrongly booked at Bansagar PH-4)
Capital Cost as on CoD	102.90*		
Additions from CoD to Year end	4.09		
Total as on 31.03.2007	106.99	109.31	-2.32
Additions during FY 08	5.22	6.33	-1.11
Additions during FY 09	1.39	1.59	-0.20
Additions during FY 10	1.99	2.30	-0.31
Additions during FY 11	0.13	0.20	-0.07
Additions during FY 12	0.05	0.00	0.05
Additions during FY 13	0.05	0.05	0
Additions during FY 14	0	0	0
Total as on 31.03.2014	115.81	119.79	-3.97

***The Hon'ble MPERC has deducted penalty amounting to ₹0.24 Crores from said amount in the Final tariff order.**

- As evident from above table that the assets additions amounting to ₹3.97 Crores pertaining to Bansagar PH-1, 2 & 3 were erroneously booked at

Bansagar PH-4 in the Books of Accounts. The error was corrected during FY-2014-15 as under:

₹Crores			
Particulars	As Claimed in Final Tariff Petition of Bansagar PH-4	As per Books of Accounts	Diff. (Assets wrongly Booked at Bansagar PH-4)
Gross Block as on 31.03.2014	115.81	119.79	-3.97
Correction In FY 15 (Assets Transferred to Bansagar PH-1,2&3)		-3.97	
Total as on 01.04.2015	115.81	115.81	0

- Apart from above, assets amounting to ₹0.35 Crores, which were capitalized during FY-11 at Bansagar HPS, were erroneously not claimed by MPPGCL on view that same pertains to Bansagar PH-4. While filing the Final tariff Petition for Bansagar PH-4, it was found that said assets belong to Bansagar PH-1, 2 & 3. The table indicating the difference between the Asset additions at Bansagar PH-1, 2 & 3 as per Books of Accounts Vs as submitted by MPPGCL in its various true Up petitions and approved by Hon'ble Commission is tabulated hereunder:

₹ Crores				
Particulars	As admitted by MPERC vide true up orders	As per Books of Accounts	Diff. (Assets not claimed earlier)	
Total as on 31.03.2008	1,243.93	1,243.93	0	
Additions during FY 09	0	0	0	
Additions during FY 10	0	0	0	
Additions during FY 11	5.07	5.42	-0.35	
Additions during FY 12	0.57	0.57	0	
During FY 13	WRD adj.	-87.7	-87.7	0
	Additions	0.87	0.87	0

Additions during FY 14	0.22	0.22	0
Total as on 31.03.2014	1,162.96	1,163.31	-0.35

- Accordingly the total Asset addition amounting to ₹4.32 Crores (₹3.97 Crs + ₹0.35 Crs) for the period FY 07 to FY 11 has been claimed by MPPGCL as detailed in Table No.4.3.31.1 at Page No.52 of instant petition. In this regard, the copies of supporting documents are already submitted before the Hon'ble Commission as Annexure No.5J of letter No.57 dated 11.01.2016.
- The Final Position of Assets of Bansagar HPS as submitted in subject True Up petition vis-à-vis as per Books of Accounts is tabulated hereunder :

Particulars	₹Crores		
	Final Position of Assets		
	Bansagar PH-1,2&3	Bansagar PH-4	Total
Gross Block as on 01.04.2014	1163.02	115.81	1278.83
Asset addition for FY 06 to FY 11	4.32		4.32
Revised Gross Block as on 01.04.2014	1167.34	115.81	1283.15
Additions During FY 2014-15	1.84	1.27	3.11
Adjustment Entry	-0.05		-0.05
Gross Block as on 01.04.2015	1169.14	117.09	1286.22
As per Books of Accounts	1169.14	117.09	1286.22
Difference	0.00	0.00	0.00

- It is humbly request before the Hon'ble Commission to kindly permit the same.

On the issue of difference in the figures of additional capitalization at Bansagar HPS mentioned in table 4.3.34.1 and 4.4.1.1 of the subject petition, it is to submit that Table No. 4.3.41.1 reflects the total assets additions of Bansagar PH-1,2&3 including the asset additions for the period FY 07 to FY 11, while Table No.4.4.1.1 represents Total assets additions at Bansagar HPS as per Books of Accounts of FY 2014-15. For ease in understanding the same is tabulated as under:

₹Crores

Particulars	Bansagar PH-1,2&3	Bansagar PH-4	Total	Reference
Asset addition during FY 15	1.84	1.27	3.11	As reflected in Table No.4.4.1.1 of True up petition for FY 15
Asset addition for FY 07 to FY 11	4.32			
Total	6.16			As reflected in Table No.4.3.41.1 of True up petition for FY 15

Write-off / Adjustment/de-commissioned assets:**xvi) Issue:-**

With regard to the write-off/adjustment of assets claimed in the petition, the petitioner is required to confirm whether such assets have been account for in annual Audited accounts and recorded in asset-cum-depreciation registers of respective power stations. If there is any difference in the figures, the petitioner is required to explain the reasons for difference in figures of each power station.

MPPGCL's Response:-

It is to submit that that the assets write off/adjustments as detailed in Table 4.4.6.1 at Page 70 of subject petition are as per Audited Books of Accounts for FY 2014-15 and were recorded in Asset-cum-Depreciation register of FY 2014-15 of respective power stations submitted before Hon'ble Commission vide Annexure No. 6A & 6B of letter No.57 dated 11.01.2016.

Further, kindly refer **Annexure-3C** wherein difference in the figures as per Audited Books of Accounts of FY 2014-15 and as claimed in subject petition with respect to Write off/ Adjustment etc. has been elaborated along with reasons.

xvii) Issue:-

In STPS PH-2&3, the petitioner has claimed the write-off asset of ₹4.92 Crores during the year. The petitioner is required to file a comprehensive reply to the following issues:

- Reason for write-off the assets in STPS PH-2&3.
- Year of capitalization of such assets and reconciled in Audited accounts be informed.
- Corresponding cumulative depreciation and funding (loan/equity) pertains to such write-off assets if any be also informed.
- All the five units of STPS PH-I have been de-capitalized. The balance depreciation if any, in respect of these units, be informed.

MPPGCL's Reply:-

It is to submit that the Assets amounting to ₹4.98 Crores written-off at STPS PH-2&3. These assets were capitalized way back in 1980-85 and had outlived their useful life. Due to efflux of time and technological advancements the said assets are not compatible for use and thus Written-off during FY 2014-15 in the Audited Books of Accounts. Accordingly the same is considered in the subject petition.

As desired, the year of capitalization of above mentioned written-off assets is tabulated as under:

Account Head	Asset Written-off (Rs. Crs)	Year of Capitalization
<i>Other Transformers of Power House</i>	<i>0.685</i>	<i>1979-1980</i>
<i>Typewriters</i>	<i>0.001</i>	<i>1981-1982</i>
<i>Other Office Equipments</i>	<i>0.001</i>	<i>1984-1985</i>
<i>Boiler Plant & Equipments</i>	<i>0.900</i>	<i>1979-1980</i>
<i>Boiler Plant & Equipments</i>	<i>0.540</i>	<i>1982-1983</i>
<i>Boiler Plant & Equipments</i>	<i>2.855</i>	<i>1983-1984</i>
Total	4.982	

Further as desired the statement indicating the cumulative depreciation and pertaining to such write-off assets is as follows-

Account Head	Asset Written- off (₹ Crs)	Cumulative Accumulated Depreciation (₹Crs)	Acc. Dep. as % of Gross Block
Other Transformers of Power House	0.685	0.616	90%
Typewriters	0.001	0.001	90%
Other Office Equipments	0.001	0.001	90%
Boiler Plant & Equipments	0.900	0.810	90%
Boiler Plant & Equipments	0.540	0.486	90%
Boiler Plant & Equipments	2.855	2.570	90%
Total	4.982	4.483	90%

In respect of funding, it to mention that these assets were acquired way back by erstwhile MPEB/MPSEB in 80's and presumed to be funded through Loan/internal resources of erstwhile MPEB/MPSEB. Accordingly no Loan/Equity reduction has been made by MPPGCL in the subject petition.

As desired the balance depreciation of STPS PH-1, 2 & 3 works out to ₹3.27 Crores. The detailed working in this regard is annexed as **Annexure-20**.

Apart from above, MPPGCL wish to further submit that the Hon'ble Commission vide para No.149 at page No.53 of True up order for FY 2013-14 has considered Assets amounting to ₹31.96 Crores towards de commissioned at STPS PH-1 during FY 2013-14 as against ₹28.93 Crores submitted by MPPGCL in True up petition for FY 2013-14 and accordingly adjusted the Gross Block of STPS. In this regard MPPGCL submits as under:

- MPPGCL has availed **Special Allowance at STPS PH-1** from 01.04.2009 onwards and henceforth not claimed any additional capitalization carried out at STPS PH-1 from FY 10 onwards. Accordingly, the Gross Block of STPS PH-1 as on 01.04.2009 remained intact at ₹40.01 Crores.
- In the Audited Books of Accounts for FY 10 to FY 12, asset capitalization was carried out at STPS PH-1 amounting to ₹7.34 Crores. Accordingly the Gross Block as on 31.03.2012 amounted to ₹47.36 Crores.

- During FY 2012-13, unit No. 3 & 5 of STPS PH-1 were de-commissioned, accordingly the assets pertaining to these units amounting to ₹9.33 Crores were reduced from Gross Block of STPS PH-1 as per Books of Accounts of FY 2012-13. The said amount includes asset additions for the period FY 10 to FY 12 amounting to ₹1.27 Crores.
- Considering above, MPPGCL in the True Up petition for FY 2012-13 has considered assets amounting to ₹8.06 Crores (₹9.33 Crs-₹1.27 Crs) towards de-commissioning of unit No.3 & 5 of STPS PH-1 during FY 2012-13. The same was approved by Hon'ble Commission vide Table No.33 at Page No.42 of true up order for FY 2012-13.
- Further during FY 2013-14, Unit No.1, 2 & 4 of STPS PH-1 were de-commissioned, accordingly the assets pertaining to these units amounting to ₹31.52 Crores were reduced from Gross Block of STPS PH-1 as per Books of Accounts of FY 2013-14. The said amount includes asset additions for the period FY 10 to FY 12 amounting to ₹2.59 Crores.
- Considering above, MPPGCL in the True Up petition for FY 2013-14 has considered assets amounting to ₹28.93 Crores (₹31.52 Crs-₹2.59 Crs) towards de-commissioning of Unit No. 1, 2 & 4 of STPS PH-1 during FY 2013-14.
- However, the Hon'ble Commission vide para No.149 at page No.53 of True up order for FY 2013-14 has considered Assets amounting to ₹31.96 Crores towards de commissioned at STPS PH-1 during FY 2013-14.
- The Final position of Gross Block of STPS PH-1 as per Audited Books of Accounts Vs as submitted in True up petition for FY 2014-15 is tabulated hereunder:

₹Crores

Particulars	As per Books of Accounts	As per true up petitions
Gross Block as on 01.04.2009	40.01	40.01
Additions during FY 10 to FY 12	7.34	
Gross Block as on 01.04.2012	47.35	40.01
Assets Decommissioned during FY 13	-9.33	-8.06

Assets Decommissioned during FY 14	-31.52	-28.93
Remaining assets retained as part of Common services as on 01.04.2015	6.50	3.03

- As reflected in table above, the assets retained as part of Common services amounting to ₹3.03 has been considered as part of Gross Block of STPS PH-2&3 as detailed in table No.4.4.2.1 at page No.66 of true up petition for FY 2014-15.
- It is therefore humbly requested to kindly consider the same.

xviii) Issue:-

In STPS PH-IV, the assets of ₹42.08 Crores which were capitalized and captured in Books of Accounts during FY 2013-14 have now been transferred back to CWIP. On scrutiny of the petition, it is observed that the corresponding funding (loan/equity) has not been reduced by the petitioner. The petitioner is required to inform the following:

- **Reasons for write-off and transfer of such capitalized assets to CWIP.**
- **Corresponding funding of the assets write-off during the year.**
- **Corresponding cost components like ROE, interest on loan and depreciation allowed on such assets during FY 2013-14 in final tariff order.**

MPPGCL's Response:-

It is to submit that the subject True up petition for FY 2014-15 has been filed by MPPGCL before the issuance of Final tariff order for STPS PH-4 (2x250MW) on 07.01.2015. Accordingly the figures of Gross Block, Loan & equity pertaining to STPS PH-4 have been considered as submitted in the Final tariff Petition (Pt.No.13 of 2015).

The Hon'ble Commission vide order dated 07.01.2016 has determined the Final Tariff of STPS PH-4 (2x250MW) for the period CoD to FY 2013-14.

In light of above, the MPPGCL submits as under:

- *The assets amounting to ₹42.08 Crore were capitalized at STPS PH-4 and captured in Books of Accounts during FY 2013-14. These assets were part of Gross Block of ₹3093.09 Crores as on 31.03.2014 as reflected in Final Tariff petition of STPS PH-4(2x250MW).*

- During FY 2014-15 the above mentioned assets were transferred back to CWIP on account of non-completion of certain facilities and thus considered in the subject True up petition.
- The assets transferred to CWIP amounting to ₹42.08 Crores are funded from PFC Loan Component amounting to ₹33.66 Crores and from Equity Component amounting to ₹8.42 Crores.
- The assets transferred to CWIP are majorly capitalized on 15.03.2014 and 31.03.2014 as detailed in Asset cum Depreciation Register already submitted before Hon'ble Commission. Accordingly the ROE, interest on loan and depreciation allowed on such assets during FY 2013-14 in final tariff order is tabulated as under:

Asset Amount Transferred to CWIP	Date of capitalization	Days in operation	Funding Through Loan	Funding Through Equity	For days in Operation		
					Interest @12.97 %	RoE Amount @15.5 %	Depreciation @ 5.23%
1.08	17-Aug-13	227	0.86	0.22	0.07	0.02	0.04
8.11	15-Mar-14	17	6.49	1.62	0.04	0.01	0.02
32.89	31-Mar-14	1	26.31	6.58	0.01	0.00	0.00
42.08			33.66	8.42	0.12	0.04	0.06

Note: The Wt Av Rate of Interest and Depreciation is considered as approved by Hon'ble Commission in Final tariff order

xix) Issue:-

The petitioner has also claimed write-off assets of ₹1.53 Crores and ₹1.74 Crores in SGTPS PH-1&2 and PH-3 respectively. The petitioner is required to inform the following:

- Reasons for write-off of such assets in SGTPS.
- 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 Reponse:-

SGTPS PH-1&2

It is to submit that the Assets amounting to ₹1.53 Crores written-off at SGTPS PH-1&2. The majority of these assets was capitalized way back in 1990-2000. Due to efflux of time and technological advancements the said assets are not compatible for use and thus Written-off during FY 2014-15 in the Audited Books of Accounts. Accordingly the same is considered in the subject petition.

As desired, the year of capitalization of above mentioned written-off assets is tabulated as under:

Account Head	Asset Written-off (₹ Crores)	Year of Capitalization
<i>Oil Tanks, Oil Handling Plant & Equipments</i>	<i>0.03</i>	<i>1992-93</i>
<i>Instrumentation And Controls</i>	<i>0.13</i>	<i>2002-03</i>
<i>Ash Handling Plant</i>	<i>0.31</i>	<i>1990-91</i>
<i>Boiler Plant & Equipments</i>	<i>1.05</i>	<i>1999-00</i>
<i>Other Office Equipments</i>	<i>0.01</i>	<i>2005-06</i>
Total	1.53	

In respect of funding, it to mention that these assets were acquired way back by erstwhile MPEB/MPSEB and presumed to be funded through Loan/internal resources of erstwhile MPEB/MPSEB. Accordingly no Loan/Equity reduction has been made by MPPGCL in the subject petition.

The assets written-off were been duly reduced from the Gross Block of SGTPS PH-1&2 as detailed in Asset Cum depreciation Registers for FY 2014-15 submitted vide Annexure No.6A & 6B of letter No.57 dated 11.01.2016.

Accordingly the depreciation has been claimed during FY 2014-15 on reduced Gross Block.

SGTPS PH-3

It is to submit that during FY 2014-15 the Assets amounting to ₹1.74 Crores have been reduced from the Gross Block of SGTPS PH-3 on account of Price Variation adjustments in Audited Books of Accounts. Accordingly the same is considered in the subject petition.

As desired, the year of capitalization of above mentioned asset adjustment is tabulated as under:

Account Head	Asset Adjustment (₹ Crs)	Year of Capitalization
<i>Boiler Plant & Equipments</i>	<i>0.05</i>	<i>2009-2010</i>
<i>Turbine-Generator-Steam Power Generation</i>	<i>0.66</i>	<i>2009-2010</i>
<i>Coal Handling Plant & Handling Equipments</i>	<i>0.25</i>	<i>2010-2011</i>
<i>Instrumentation And Controls</i>	<i>0.76</i>	<i>2008-2009</i>
<i>Capital Spares</i>	<i>0.02</i>	<i>2011-2012</i>
Total	1.74	

In respect of funding, it to mention that these assets were funded through PFC loan No.20101011 drawn for SGTPS PH-3 .Accordingly Loan reduction amounting to ₹1.74 Crores has been made by MPPGCL at SGTPS PH-3 in the subject petition for working out Interest & Finance Charges.

The assets adjustments were been duly reduced from the Gross Block of SGTPS PH-3 as detailed in Asset Cum depreciation Registers for FY 2014-15 submitted vide Annexure No.6A & 6B of letter No.57 dated 11.01.2016.

Accordingly, in the subject petition, depreciation has been claimed on reduced Gross Block and Interest and Finance changes have been claimed on reduced Normative Loan.

Depreciation:

xx) Issue:-

In ATPS 210 MW, the petitioner has calculated the depreciation on total assets without considering of LD recovered from the vendors. In the final tariff order for ATPS 210 MW, the capital cost has been considered by the Commission after accounting for the amount of LD. Therefore, the petitioner is required to file Depreciation for this power station accordingly.

The petitioner is also required to confirm whether the depreciation of write-off /adjustment assets have been adjusted in its claim from the date/year of its write-off/adjustment.

MPPGCL's Reply:-

MPPGCL has considered the Gross Block of Fixed Assets of ATPS 210 MW as recorded in the Audited Books of Accounts for the purpose of calculation of Depreciation.

However, as desired, the calculation sheet of amount of depreciation after deduction of LD worked out and is annexed as **Annexure -21**.

Further, it is to submit that amount of cumulative depreciation towards assets written-off/ adjustments at various Power Stations has been adjusted as detailed in Table No.4.4.6.1 at page No.70 of subject petition.

Return on Equity:

xxi) Issue:-

The petitioner has shown write-off/adjustment assets in some of the power stations. The petitioner is required to confirm whether the equity amount pertains to write-off/adjustment assets if any, has been accounted for in its claim for the equity component for the respective power station. The petitioner is also required to confirm whether the return on equity pertains to these assets have been reduced from the date/year of write-off /adjustment of assets. Detailed working be also filed in this regard.

MPPGCL's Reply:-

As desired the detailed working with respect to funding of Assets write-off/adjustments is annexed as **Annexure-22**.

Further it is to inform that the equity amount pertaining to write-off/adjustment assets (if any), has been reduced the equity component of the respective power station for working out Return on equity.

Interest and finance charges:

xxii) Issue:-

With regard to the adjustment of funding of write-off /adjustment assets, it is observed in table 4.5.3.1 of the petition that the petitioner has adjusted a loan amount of ₹1.74 Crores in SGTPS 500 MW and ₹0.05 Crores in Bansagar PH-1, 2 &3 in table 4.7.6.1 of the petition.

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 respective power station. Detailed working be filed in this regard.

MPPGCL's Reply:-

Kindly refer **Annexure-22** which elaborates the funding of Assets write-off/adjustments.

Further it is to inform that the loan amount pertaining to write-off/adjustment assets (if any), has been reduced the Loan component of the respective power station for working out Interest & Finance Charges.

The thorough working of Interest Charge with respect to assets of ₹1.74 Crores adjusted at SGTPS PH-3 is annexed as **Annexure-23**.

Cost of secondary fuel oil:

xxiii) Issue:-

While going through the details of the cost of secondary fuel oil filed in the petition, it is observed that the wt. average rate of sec. fuel oil in ATPS, Chachai is on higher side. The petitioner is required to file the reasons for the same along with the supporting documents.

MPPGCL's Reply:-

MPPGCL wish to submit that the prices of Furnace Oil / High Speed Diesel / Light Diesel Oil are decided by Ministry of Petroleum, GoI as such MPPGCL has no control over it. The supporting documents in respect of secondary oil procured during FY 2014-15 at thermal power station have already been submitted before Hon'ble Commission vide vide Annexure No.9 of letter No.57 dated 11.01.2016.

MPPGCL, wish to submit that Secondary Oil at ATPS was purchase in the month of June'2014 only. As part rack of Oil is not permitted by Indian Railways therefore consolidated requirement for the year has been purchased in one lot. It is further to submit that the Wt. Average Rate of Secondary Oil is governed by the rate and mix of Furnace Oil and LDO and are detailed in Table No. 4.8.1.1 on page 99 of subject petition.

The Hon'ble Commission vide MPERC Regulation, 2012 proviso 38 provides for calculation of expenses on Secondary Fuel Oil Consumption on actual Landed Price of Secondary Fuel at the end of each year. The same methodology has been adapted in the subject petition.

Non tariff income:

xxiv) Issue:-

The petitioner has considered non-tariff income of ₹35.39 Crores whereas, as per Annual Audited Accounts Note-22, the other income is ₹51.49 Crores. In view of the aforesaid, the petitioner is required to clarify/submit the following:

- Reason of difference in the amount recorded in Balance Sheet vis-à-vis amount filed in the subject true up petition. The power station wise break-up of the amount on share basis and 100% operating capacity basis be also filed.
- Breakup of amount of other miscellaneous receipt recorded in the Audited accounts.

MPPGCL's Response:-

As desired, the reasons for difference in amount of Non Tariff Income as per Note-22 of Audited Annual Statements of Accounts and as filed in True Up Petition for FY 2013-14 are detailed here under:

- i) The amount of Other Income (Non Tariff Income) i.e. ₹51.49 Crores, as per Note -22.1 of Audited Annual Statements of Accounts for FY 2014-15 includes amount of other income of SSTPP PH-1. The same are not considered in subject Tariff petition as these stations are being covered by separate tariff petitions.*
- ii) Further, the amount of Other Income i.e. ₹51.49 Crores, as per Note - 22.1 of Audited Annual Statements of Accounts for FY 2013-14 includes interest from Fixed Deposit created from sale of Fly ash. In this regard it is to mention that MPPGCL vide letter No. 07-12/Cs-MPPGCL/MPERC/Reg. FY14-FY16/ 105 dated 24.01.2013, had made submission before Hon'ble Commission as under:

 - *The Extra Ordinary Gazette Notification issued by Government of India, Ministry of Environment and Forest dated 3rd November 2009 in regard to the amendments made in THE ENVIRONMENT (PROTECTION) ACT, 1986 and THE ENVIRONMENT (PROTECTION) RULES,1986, provides for mandatory directives for utilization of Fly Ash (all category of Ashes) generated at the Thermal Power Plants.*
 - *In compliance to the mandatory directives, the income from sale of Fly-Ash along with ancillary income i.e. Interest from Fixed Deposit created from sale of Fly ash has not been considered under Non Tariff Income.**
- iii) The Expenses/income shown in of Audited Annual Statements of Accounts for FY 2014-15 are for MPPGCL's share. For the purpose of tariff, the figures of other income as per Note -22.1 of Audited*

Annual Statements of Accounts for FY 2014-15 for the shared portion have been factored to 100% basis.

iv) Considering the above facts, the detailed working of Non Tariff Income is annexed as **Annexure -24**.

Further as desired the break-up of amount of other miscellaneous receipts recorded under head-Other Income as per Note -22.1 of Audited Annual Statements of Accounts for FY 2014-15 is Annexed as **Annexure-25**.

By affidavit dated 27th April, 2016, MPPGCL has filed its response on the issues raised by the Commission vide letter dated 18th April, 2016,. Issue wise response filed by the petitioner are as follows:

Capital Spares:

A. Issue

The petitioner has claimed the capital spares under additional capitalization during FY 2014-15 in existing power stations. By affidavit dated 22nd March'2016, the petitioner has filed the following details:

Power Station	GFA as on 31.03.2014*	Ceiling Limit (%)	Ceiling Amount ₹ Cr.	Capital Spares Claimed ₹Cr.
1 ATPS PH-2	222.04	2.50%	5.55	8.51
2 STPS PH-2&3	627.47	2.50%	15.69	2.49
3 SGTPS PH-1&2	2172.84	2.50%	54.32	9.31
4 Bansagar PH1,2&3	1163.00	1.50%	17.45	1.76
5 Rajghat HPS	82.80	1.50%	1.24	0.31
6 Bargi HPS	86.97	1.50%	1.30	0.30
TOTAL	4355.12		95.55	22.68
*As admitted by MPERC vide True up order for FY-14 dated 30.01.2016				

In all the past years true up petitions from (FY 2005-06 to FY 2013-14), the petitioner had not claimed any additional

capitalization against capital spares in respect of above plants. In the subject petition the petitioner for the first time has claimed the additional capitalization towards the capital spares in old existing power stations. In view of the above, the petitioner was asked to clarify certain issues: The point wise Response of MPPGCL is as under:-

- a. Why these capital spares have not been claimed during past nine years in earlier true-up/tariff petitions filed for FY 2005-06 to FY 2013-14.**

MPPGCL's Response:

It is to submit that the assets additions as and when claimed by MPPGCL in the true-up/tariff petitions are in accordance with Assets capitalized and captured in the Audited Books of Accounts of MPPGCL for respective years.

It is to inform that for compliance to Statutory Auditor's observation in books of accounts for FY 2011-12, MPPGCL has taken due care for capitalization of Assets under the head Capital Spares for ATPS & SGTPS 500 MW in prior years.

However, in case of existing (old) power stations, identification & classification of capital spares was tedious activity as it involves technical acquaintance. Further these spares were spread over stores of various power stations and at different locations, which required ample time and MPPGCL has made consistent efforts to streamline the same to comply with the auditor's observation made in FY 2011-12.

Henceforth the process of identification/classification of spares at existing (old) power stations was firmed up during FY 2014-15 and consequently the some were transferred to the Account head – Capital Spares and captured in the Audited Books of Accounts of FY 2014-15. Accordingly, in the instant Trueup petition, MPPGCL has claimed these Capital Spares as asset addition by way of their transfer from Material Stock accounts to Capital Spares.

Issue:

- b. A detailed reply to the reasons for parking the capital spares (which were acquired over the years) in Capital Material Stock for a period of more than nine years without making any effort to transfer them in fixed assets of the Audited Book of Accounts be submitted.**

MPPGCL's Response:

*The process of identification & classification of capital spares acquired at various old power houses of MPPGCL was exceptionally complex in nature. The Opening Balance of Assets & Liabilities of old power houses were transferred to MPPGCL through **Final Opening Balance Sheet** notified by GoMP on 01.06.2008 which includes majority of these spares acquired by erstwhile MPEB/MPSEB over the period of time.*

*The Statutory Auditor of MPPGCL in the Audited Statement of Accounts for FY 2011-12 has given an audit observation towards capitalization of capital spares acquired at old power stations. (Copy enclosed as **Annexure-1**).*

Accordingly, after various rounds of detailed discussions with HoD's of Power Houses, a methodology and mechanism has been drawn and set up at the stores of old power stations of MPPGCL to identify/classify the capital spares acquired at these power Stations over a period of time.

Being a technical process, it took ample time to make proper identification and accordingly on its finalization the respective amount pertaining to such assets were transferred to Account Head - Capital Spares in the Books of Accounts of FY 2014-15.

Issue:

- c. Whether MPPGCL has taken any action /corrective measures to avoid reoccurrence of such negligence in the accounting process? If yes, the same be informed to the Commission.**

MPPGCL's Response:

As already detailed above, MPPGCL has now developed methodology & mechanism for capitalizing the Capital Spares as and when they are acquired at the power stations. The same can be well established from the Final Tariff petition of newly commissioned units of Power Stations of MPPGCL.

Issue:

- d. The ledger of Capital Material Stock from the date of the purchase of all Capital Spares till March 2015 be submitted.**

MPPGCL's Response:

As detailed in foregoing paras, majority of these spares were acquired by erstwhile MPEB/MPSEB and were transferred to MPPGCL as Opening Balance as on 01.06.2005 through **Final Opening Balance Sheet**. Further the power house wise statements detailing the item wise and date wise receipt of Capital Spares are annexed as **Annexure-2**.

Issue:

- e. Power station-wise details of capital spares indicating the amount claimed under additional capitalization be submitted.**

MPPGCL's Response:

MPPGCL humbly request Hon'ble Commission to kindly refer **Annexure-2** above, wherein the power station wise details of Capital Spares claimed under additional capitalization are detailed and provided.

Issue:

- f. The petitioner is required to establish/demonstrate with supporting documents that the capital spares claimed under additional capitalization of each power station are under the original scope of works.**

MPPGCL's Response:

In FY 2014-15, MPPGCL has completed the process of identification of Capital spares for old power stations; all of these Power Stations were in commercial operation at the time of their transfer to MPPGCL through **Final Opening Balance Sheet**. As per practice adopted by erstwhile MPSEB/MPEB's, capital spares were not depicted separately in the Books of Accounts and were generally shown in the Material Stock Accounts.

However, it is pertinent to mention that looking to the nature and complexities of operations of Thermal and Hydel plants, Original Equipment Manufacturers recommends purchase of mandatory/ insurance spares from time 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, under the circumstances mentioned above, it is humbly requested to kindly consider the capital

spares identified by the technical authorities of MPPGCL which also include purchase of capital spares at a later date as capital spares with the philosophy of efficient and successful operation of generating stations.

Issue:

- g. The petitioner is required to furnish the details of capital spares for each plant/units separately in the following table:-**

S.No.	Capital Spares as indicated in the Original Scope of Work	CoD of Plants /unit for which capital spares claimed	Date of Purchase Capital Spares	Amount of Capital Spares	Date by Which the Spares was put to use	Reasons if not put to use
1						

MPPGCL's Response:

The desired information in requisite formation is as under:

Desired information	Response
<i>Capital Spares as indicated in the Original Scope of Work</i>	<i>Kindly refer MPPGCL' s Response to Point(f)</i>
<i>CoD of Plants /unit for which capital spares claimed</i>	Kindly refer Annexure-2
<i>Date of Purchase of Capital Spares</i>	
<i>Amount of Capital Spares</i>	
<i>Date by Which the Spares was put to use</i>	<i>Capital Spares are considered to be Put to use as and when they are received at power stations.</i>
<i>Reasons if not put to use</i>	

Additional Capitalization in STPS PH-4:

B. Issue:

With regard to additional capitalization in STPS PH-4, the details of works under original scope of work, works completed till 31st

March, 2015 and balance works to be completed in form TPS-5B be submitted. The petitioner is also required to submit the asset-wise details of original scope of work for STPS PH-4 approved by the competent authority.

*As desired by the Hon'ble Commission the updated details in Form-5B of STPS PH-4 (2x250MW), Sarni as on 31.03.2015 is annexed as **Annexure-3.***

*Further as desired the asset wise details of works capitalized / held under CWIP as on 31.03.2015 covered under original scope of work is annexed as **Annexure-4.***

Non-Tariff Income:

C. Issue

In Account Code 62.369 of the Annexure-25 of additional submission the petitioner has mentioned the ₹3.76 Crore as other miscellaneous receipts. The petitioner is required to provide the breakup of the same.

MPPGCL's Response

As desired by Hon'ble Commission the breakup of ₹3.76 Crores booked as Misc. receipts under the head other income in the Annual Statement of Accounts for FY 2014-15 of MPPGCL is tabulated as under:

in ₹Crores

Particulars	Amount
<i>Penalty deducted from coal contractors for loading /unloading of Coal, penalty from coal liaisioning.</i>	<i>0.58</i>
<i>Lease rent on BORBN wagons</i>	<i>0.10</i>
<i>Penalty deducted on release of retention money</i>	<i>0.14</i>
<i>Stale cheque</i>	<i>0.08</i>
<i>Interest income on FD's made by Rites Ltd.</i>	<i>0.10</i>
<i>O&M Billing to NVDA,</i>	<i>1.57</i>
<i>Amount received from candidates who come for vocational training in MPPGCL & Amount deposited by candidates during recruitment process etc.</i>	<i>0.59</i>
<i>Other petty receipts towards deduction on EMD refund etc</i>	<i>0.60</i>
Total	3.76

Funding Pattern:**D. Issue**

The petitioner has submitted that the additional capitalization of ₹24.49 Crore in SGTPS PH-1&2 for FY 2014-15. In this regard, the petitioner has indicated the funding of the aforesaid additional capitalization by way of MPPGCL's Equity/Internal Sources. However, by affidavit dated 22nd March.2016, the petitioner has submitted that this capitalization is met through ₹14.46 Crores by PFC Loan No. 20101011 and ₹10.04 Crores by Equity/Internal Sources. The petitioner is required to clarify whether the funding of ₹24.49 Crores has been done through its own equity/internal resources or through PFC loan also.

MPPGCL's Response

As desired, MPPGCL humbly submits that the funding breakup of ₹24.49 Crores claimed as Additional Capitalization at SGTPS PH-1&2 is tabulated as under:-

₹Crores

	Particulars	Assets Added	PFC Loan No 20101011	Internal resource / Equity
1	Asset addition towards Ash Handling plant	14.46	14.46	
2	Capital spares acquired over the years	9.31		9.31
3	Other works	0.73		0.73
	Total	24.5	14.46	10.04

As clearly evident from above table that out of ₹24.49 Crores, ₹14.46 Crores (towards Ash Handling Plant) is funded through PFC loan No. 20101011. The balance amount of ₹10.04 Crores (Capital Spares & other works) are funded through Internal Resources.
