

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

4th and 5th Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



ORDER ON TRUE-UP OF ARR FOR FINANCIAL YEAR 2008-09

Period –From April 2008 to March 2009

Petition Nos. 65/2009– MP Poorv Kshetra Vidyut Vitaran Co. Ltd.
43/2010– MP Paschim Kshetra Vidyut Vitaran Co. Ltd.
06/2010 – MP Madhya Kshetra Vidyut Vitaran Co. Ltd.

PRESENT:

Rakesh Sahni, Chairman

A.B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

Determination of true-up of Aggregate Revenue Requirement determined by MPERC for FY 2008-09 based on the true-up applications filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd.(East Discom), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. (Central Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. (West Discom) under Multi Year Tariff Principles.

Represented amongst others by (Petitioners) –

**MP Poorv Kshetra Vidyut
Vitaran Co. Ltd.
(East Discom)**

**MP Paschim Kshetra Vidyut
Vitaran Co. Ltd.
(West Discom)**

**MP Madhya Kshetra Vidyut
Vitaran Co. Ltd.
(Central Discom)**

Shri P.K. Singh,CE

Shri Gajra Mehta, CE

Shri A.R. Verma, GM & SE

ORDER

(Passed on this 06th Day of February 2014)

This order relates to the petition numbers 65/2009, 43/2010 and 06/2010 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. respectively (hereinafter referred to as East Discom, West Discom and Central Discom or licensee respectively and collectively as petitioners or Distribution Licensees or Discoms) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). These petitions have been filed by the Discoms seeking the true-up of Aggregate Revenue Requirement (ARR) determined by the Commission for the period from April 2008 to March 2009 vide retail supply tariff order issued on March 29, 2008.

2. As regards Annual Performance Review (APR), the Commission has reviewed the operational and financial performance parameters of the distribution licensees for FY 2008-09. The Commission has finalized this order based on the review and analysis of the past records, submissions, necessary information / clarifications submitted by the Discoms and views expressed by stakeholders.
3. Further the Commission has observed that petitioners have submitted the effect of finalization of opening balance sheets for the period FY 2005-06 to FY 2007-08 which is a step in the right direction and will lead to effective formulation of long term business plans of the utilities. As regards, the effect of finalization of opening balance sheets for the period FY 2005-06 to FY 2007-08, the Commission has already undertaken provisional true up of the said years based on the provisional accounts and prudent expenditure has been passed to ensure that adequate cost should be passed on to the Discoms. In case Discoms had already incurred expenditure different from the expenditure actually admitted by the Commission on account of the variation in finalization of the opening balance sheets the effect of the same will have to be considered. However, the Commission is of the view that consequent to the change in opening balance sheets certain items of ARR may have got changed and passing the effect of the same will be a detailed exercise which will be undertaken separately but not in this true-up order. In this regard, Discoms may have to file petitions separately to claim the effect of final opening balance sheets, if any, for the period FY 2005-06 to FY 2007-08.

Procedural history

Submission of petitions by Licensees

4. The Commission issued the retail supply tariff order for FY 2008-09 on March 29, 2008 in accordance with the terms and conditions for determination of tariff for distribution and retail supply regulations notified by the Commission on November 10, 2006. As per the provisions of the regulations, the Discoms should file the true-up petition for true-up of ARR for FY 2008-09 by October 31, 2009. In this regard, vide letter No. 2174 dated October 7, 2009 the Commission directed the Discoms to file the true up petition for FY 2008-09.

5. However, Discoms failed to comply with the directions of the Commission. Therefore, the Commission registered a Suo-Motu Petition (SMP) and scheduled hearing on November 10, 2009. Accordingly, the Commission vide order dated November 27, 2009 in the matter of aforementioned SMP after perusal of the submissions of the Discoms directed the West Discom and Central Discom to file the true up petitions. The relevant section of the order is reproduced below:

“The true-up petition for the year 2008-09 in respect of MP Poorv KVVCL, Jabalpur has been filed on 10.11.2009 and while this should be filed by the M.P. Paschim KVVCL, Indore by 30.11.2009 and by MP Madhya KVVCL, Bhopal by 21st December, 2009.”

6. In response to the Commission's order, Central Discom vide letter dated December 16, 2009 submitted that since annual audited accounts and financial statements of the Company for FY 2008-09 were under revision on account of the revision in power purchase cost by M.P. Power Management Company Ltd (erstwhile M.P. Power Trading Co. Ltd., Jabalpur), the power purchase cost for FY 2008-09 had not been finalized. In this regard, the Central Discom requested the Commission to extend the time for filing their true-up petition by January 15, 2010. The Commission after confirming the status as indicated by Central Discom, issued the directions to the Discoms to file appropriate petitions by January 15, 2010. Meanwhile East Discom had filed petition for true up of ARR for FY 2008-09 and subsequently the Commission again directed East Discom to re-submit the petition after revising the power purchase cost as finalized by M.P. Power Trading Co. Ltd., by January 15, 2010. In response to the above directions of the Commission, the West Discom vide letter dated January 15, 2010 requested the Commission to further extend the period for submission of the petition to January 31, 2010. East Discom also requested to be allowed to file their revised petition by January 31, 2010. The Commission accepted the request and directed the Discoms including Central Discom to file their petitions by January 31, 2010.
7. Subsequent to the Commission's direction to submit the true up petition by January 31, 2010, East Discom and Central Discom filed their petitions timely but West Discom failed to submit the true up petition in the stipulated timeline. Reminders were sent on May 24, 2010 and June 10, 2010. Detailed scrutiny of the petitions filed by East Discom and Central Discom was carried out. It was noted that the petitions were deficient in respect of vital information required for processing the true-up exercise. Accordingly, the East Discom and Central Discom were directed to file the requisite clarification/additional information to the Commission. In response, both the East Discom and Central Discom submitted information along with the revised petitions. Meanwhile on the basis of deficiencies observed in the filing of East Discom and Central Discom, the matter was also referred to West Discom so as to incorporate the requisite information in the petition and to file revised petition by July 31, 2010. However, West Discom filed the revised petition on December 31, 2010.

8. Meanwhile, the Discoms had filed an appeal before the Hon'ble APTEL on the order of the Commission for true-up of ARR of the distribution licensees for FY 2006-07 and subsequently for FY 2007-08. The issues raised in the appeals by the Discoms were pertaining to the determination of assessment of sale to the unmetered consumers and consequently the determination of power purchase requirement and cost. Hon'ble APTEL in the judgments in the matter of the appeals filed by the distribution licensees on the true-up orders of the Commission for FY 2006-07 and 2007-08, with regard to sale of energy, additional hours of supply of electricity to unmetered agricultural consumers, disallowance of power purchase cost and adjustment of loss level and power purchase thereon had given certain directions. The Hon'ble APTEL in the judgment dated 04/11/2011 in the appeal no150 of 2010 had directed as follows:-

*“24.(I). a) Energy sales and additional hour supply of power to agricultural consumers, b) Disallowance of power purchase cost and c) Adjustment of loss level and power purchase have already been decided in favour of the Appellants in view of the judgment dated 19.5.2010 in Appeal NO.145 of 2009. We have, however, given directions regarding the prudence check to be adopted by the State Commission for **actual energy supply to agricultural consumers** in paragraph 9 above. The same has to be followed.*

9. The State Commission has to apply prudence check with respect of computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the normative consumption based on the restricted hours of supply as directed in our order dated 04.03.2011 in R.P. No.10 of 2010.”

9. In compliance of aforementioned directives of the Hon'ble APTEL, vide order dated January 20, 2012 the Commission directed the Discoms to file an affidavit all relevant records in support of their contention of additional supply made to unmetered agricultural category of consumers during FY 2008-09. The Commission further directed that the relevant data/information should be got duly verified by the State load dispatch centre. The requisite data was to be submitted by April 30, 2012. The Discoms sought extension of time for filing the same up to June 30, 2012 which Commission accepted.
10. West Discom and Central Discom filed their replies in August, 2012 and East Discom filed reply on December 27, 2012. The data was examined by the Commission. It was observed that requisite information to enable the Commission to comply with the directions of Hon'ble APTEL in this regard was not furnished by the Discoms. The Commission scheduled the hearing on February, 5 2013. Vide order dated February 8, 2013, the Commission stated that on the basis of the information furnished by the Discoms, keeping the interest of the consumers in the State at large, in mind, it would not be in a position to concede their claim. The information/data/documents submitted by the Discoms were found inadequate to establish the quantum of sale to the unmetered category of consumers. The Commission provided Discoms another opportunity to substantiate their claim with appropriate data within 45 days. The Commission held the hearing on April 9, 2013 in this matter. Relevant extracts of the order dated April 9, 2013 are reproduced below which explains the situation:

“

2. *Hon'ble APTEL had given directions to the Commission, in its order while deciding appeal no. 150/2010 that the Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt.*

3. *During the hearing on 05.02.2013, the Commission observed that the data submitted by the petitioner in support of their claim of additional supply to un-metered agricultural consumers was grossly inadequate to lead to any conclusion. The only argument that appears to be decipherable is that the extra hours of supply during the rabi season should lead to pro-rata assessment over the bench marks prescribed by the Commission for the relevant months. The Commission gave another opportunity to the petitioners to present details in the next 45 days with directions that they establish their claim of sales in addition to the prescribed benchmarks with related data/ information/ evidence indicating feeder wise details of hours of supply vis-à-vis sale booked giving the methodology for arriving at such figures so that Commission could examine the prudence of such claim.*

4. *During the hearing on 9.4.2013, the distribution companies did not submit any new relevant data or information or document or any other evidence which could establish their claim for quantum of additional supply to the agricultural un-metered consumers due to additional hours of supply. The distribution companies also did not submit the methodology adopted or working calculations made by them to arrive at the quantum of sale claimed in addition to the prescribed benchmarks.*

5. *The Commission finds the argument of sale in addition to the prescribed benchmarks unacceptable at this juncture, in the absence of submission of supporting data. Since the petitioners have booked additional sales to unmetered agricultural consumers they need to furnish the methodology of calculation based on monthly and daily details of 11 kV feeder-wise number of hours of supply. SLDC data alone in this regard cannot convince the Commission that each distribution feeder was indeed actively supplying electricity to unmetered (or, for that matter, metered) agricultural consumers for the entire duration that the EHT lines showed supply.*

6. *The Commission had already stated earlier that assessment of actual supply in excess of bench marks is a detailed exercise for which comprehensive data is required. This data should be read from duly recorded details of actual hours of supply on each feeder. In the absence of such data, the Commission would not be able to convince itself of the petitioners' contention.*

7. *Section 55 of the Electricity Act, 2003 provides a clear mandate for supply of electricity through a correct meter. There is hardly any metering in agricultural consumers' connections of the state. Taking a considerate view on the pleadings of the Distribution companies, the Commission had directed metering on the agricultural predominant distribution transformers so that the use by un-metered agricultural consumers could be fairly assessed. The Distribution companies, in spite of repeated directions, have failed to achieve any significant progress nor have they submitted any*

proper analysis of duly authenticated consumption data of these DTRs meters which could lead to a fair assessment of consumption. The Commission observes that while the Distribution companies have failed to comply with the directions of the Electricity Act, 2003 with regard to metering, they have also not taken adequate steps to ensure that the alternate interim arrangement as directed by the Commission is implemented. Several meetings with the top management of the Distribution Companies in the past have failed to evoke reasonable results. The assurances given time and again by the distribution Companies have not materialized. The segment of un-metered consumption is growing every year which is highly undesirable and is against the law. The notion that the Distribution companies are trying to book some portion of their distribution losses under the garb of sale to un-metered agricultural consumers appears to be a reality. This belief is further strengthened by the fact that the situation as of now i.e. in the year 2013 as compared to the period of this true up of 2007-08 has not changed substantially. Individual agricultural consumers are not being provided with meters nor is there appears to be any serious effort to install meters on the agricultural DTRs. In addition, it was observed during the ARR/ Tariff determination exercise for FY 2013-14 that there are about 17 lakh un-metered domestic consumers in the rural area. It appears that un-metered connections are being willfully admitted to continue. On one hand the discoms claim additional supply to unmetered consumers on account of extra hours of supply while on the other they do not seem to be willing to provide meters on unmetered connections so that actual consumption gets recorded. Such a situation is detrimental to the interests of the honest paying consumers of the state as well as of the Distribution Companies themselves. The Commission is of the firm view that the consumers should not be made to pay for the inefficiencies of the Distribution Companies.

8. The Commission is convinced that the petitioners are not in a position to furnish any further information which would aid a proper consideration of true up claims. Under these circumstances the Commission has decided to proceed with the true up exercise on the basis of information available on record. Further action as per regulations be initiated.”

11. During the scrutiny of the true-up petitions, the Commission observed that the petitions still lack some requisite information to validate the true-up claims submitted by the Discoms. In this regard, the Discoms were further directed to submit additional information related to power purchase, reconciliation of sales, reconciliation of revenue, O&M expenses, interest on project loan, depreciation, bad debt, income tax and other expenses. East and Central Discom submitted their replies on December 16, 2013, while West Discom has submitted the same on December 13, 2013. It was also observed that certain data / information related to power purchase through MPPMCL required validation. Accordingly, a meeting was held with the representatives of the MPPMCL on December 27, 2013 to seek the necessary clarifications/ information.

Notification of true-up proposals for public information

12. The public notices in the matter were issued on August 8, 2013 and August 9, 2013 by the Discoms for inviting comments/objections from various stakeholders by August 31, 2013.
13. In response to the public notice, comments/suggestions from several stakeholders has been received. The list of the objectors is attached as Annexure 1.

Hearings

14. A public hearing was held on September 2, 2013 in the Commission's office at Bhopal. The comments/objections/suggestions given by the objectors were heard by the Commission and have been appropriately considered.

Gist of petitions

15. The gist of the true-up petitions submitted by the Discoms is given below:

Table I : Snapshot of the true-up petitions of Discoms for the period April 08 to March 09 (Rs. Crore)

Particulars	East Discom		West Discom		Central Discom	
	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09
Power Purchase Cost	2118.52	2328.52	2487.22	2977.50	1971.52	2237.45
Transmission Cost	220.70	224.55	282.67	281.55	242.44	241.11
O&M Expenses (net of Expenses Capitalised)	403.45	515.32	466.44	563.48	372.75	493.73
Interest on Loan & Finance Charges	18.24	36.37	27.92	27.60	11.53	-18.81
Interest on Working Capital	5.08	37.02	5.86	81.74	4.69	68.06
Interest on Consumer Security Deposit	22.07	13.27	31.96	19.90	22.49	15.29
Depreciation	30.69	85.07	36.11	96.28	28.88	87.35
Depreciation up to FY 2007-08 based on final opening balance sheet				102.86		
Depreciation reserved as per order on true up of FY 2007-08						40.57
Return on Equity	51.95	75.26	69.37	101.60	46.14	90.22
Bad & Doubtful Debts	27.80	22.30	35.28	25.92	26.94	23.80
Other Expenses	0.00	65.34	1.10	-24.42	0.00	23.69

Particulars	East Discom		West Discom		Central Discom	
	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09	Admitted in tariff order for FY 2008-09	Claimed for FY 2008-09
Income Tax	0.00	1.09		0.60		0.50
Net Effect of Final Opening Balance Sheet				-5.23		
As per true up order for FY 2007-08 dated 13.04.10 clause no. 1.45 allowable power purchase cost				201.45		
Less: Other Income	66.25	16.48	76.92	84.05	37.60	52.27
Net ARR	2832.23	3387.63	3367.01	4366.78	2689.79	3250.68
Revenue from Sale of Power	2779.53	2261.46	3527.88	2973.54	2694.06	2556.43
Revenue (Gap)/Surplus over ARR of FY 2008-09	(52.70)	(1126.17)	160.87	(1393.24)	4.27	(694.25)
Additional Revenue (Gap)/Surplus due to true up of MP Genco for the Period June-05 to March-06	(32.27)		(41.77)		(35.10)	
Additional Revenue (Gap)/Surplus due to true up of Discoms for the Period June-05 to March-06	85.48		(118.27)		31.69	
Total Revenue (Gap) /Surplus	0.51	(1126.17)	0.83	(1393.24)	0.86	(694.25)

16. The Commission has analyzed the petitions of the Discoms for true-up of ARR for FY 2008-09. The response of Discoms' representatives on the issues raised by the consumer associations and individual consumers/objectors were heard. After giving due consideration to the methodology and process of determination of expenditure and revenues as elaborated in the regulations, the Commission has determined the allowable revenue deficit / surplus, as detailed in the subsequent sections. Quantum of revenue deficit or surplus, as the case may be, shall be adjusted in the subsequent Annual Revenue Requirement of the licensees. Gist of the true-up of ARR as admitted for FY 2008-09 is given below:

Table II: Revenue Surplus/(Deficit) admitted in true-up of ARR for FY 2008-09 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				

Particulars	East Discom	West Discom	Central Discom	Total For State
Tariff Income	2,047.33	2,578.83	2,196.10	6,822.26
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	25.48	61.42	32.06	118.96
Other Income	163.48	170.49	150.25	484.22
Less : Delayed Payment Surcharge	146.99	147.86	130.05	424.90
Subsidy	188.65	394.71	360.33	943.69
Total Income (A)	2,277.95	3,057.59	2,608.69	7,944.23
EXPENSES				
Power Purchase				
Power Purchase Cost	1,886.54	2,448.56	1,783.32	6,118.42
MP Transco Charges	224.55	281.55	241.11	747.21
Total Power Purchase (Incl. Transmission) (B)	2,111.09	2,730.11	2,024.43	6,865.63
O&M Expenses (Net of Capitalisation)				
Employee Expenses	322.19	304.03	301.25	927.46
A&G Expenses	55.80	29.63	37.12	122.55
R&M Expenses	30.69	34.99	40.33	106.01
Total O&M (C)	408.68	368.65	378.70	1,156.02
Other Expenses				
Depreciation	36.06	40.18	35.59	111.84
Interest & Financing Charges on Project Loans	18.83	18.97	27.62	65.41
Interest and Finance Charges on working capital loans	0.00	1.89	0.00	1.89
Interest on Consumer Security Deposit	13.27	19.90	15.29	48.46
Return on Equity	62.57	73.75	64.50	200.82
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	(14.07)	(35.54)	0.42	(49.19)
Tax	0.00	0.00	0.00	0.00
Total Other Expenses (D)	116.67	119.15	143.42	379.23
Reserved as per order on true-up of FY 2007-08 (E)	0.00	201.45	0.00	201.45
Total Expenses F = (B + C + D+E)	2,636.44	3,419.36	2,546.54	8,602.34
Revenue Surplus / (Gap) G = (A-F)	(358.49)	(361.77)	62.15	(658.11)

Particulars	East Discom	West Discom	Central Discom	Total For State
Additional revenue (Gap)/Surplus due to true-up of MP DISCOMs for the period June, 2005 to March, 2006 (H)	85.48	(118.27)	31.69	(1.10)
Net Surplus / (Gap) I= (G+H)	(273.01)	(480.04)	93.84	(659.21)

17. Ordered as above, read with attached detailed reasons, grounds and conditions.

(Alok Gupta)
Member

(A. B. Bajpai)
Member

(Rakesh Sahni)
Chairman

Dated: 06/02/2014
Place: Bhopal

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1. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2008 TO MARCH 2009

Sale of energy admitted in tariff order and filed in true-up petitions

- 1.1. The petitioners viz. MP Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), MP Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom) and MP Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom) filed their tariff petitions registered vide number 64/07, 63/07 and 65/07 respectively for determination of distribution and retail supply tariff for FY 2008-09. Discoms in the above petitions had filed the projected sales as shown in the Table below:

Table 1: Sales as projected by the Discoms for FY 2008-09 in tariff petitions

Particulars	East Discom	West Discom	Central Discom	Total
Sales projected for FY 2008-09 in tariff petitions	7367	9883	7134	24384

- 1.2. As against the above sale projections, the admitted sale of energy in the tariff order passed for determination of ARR and retail supply tariff for FY 2008-09, is as shown in the table below:

Table 2 : Sales admitted in retail supply tariff order for FY 2008-09 (in MU)

DISCOM	East Discom	West Discom	Central Discom	Total
LT sale	4472.07	6724.19	4837.33	16033.59
HT sale	2897.74	3157.30	2283.15	8338.19
Total sale	7369.81	9881.49	7120.48	24371.78

- 1.3. The net power purchase requirement of the Discoms was computed by the Commission based on the above mentioned sales and grossing it up with normative distribution loss level on the basis of GoMP's order dated December 28, 2006 .
- 1.4. The Discoms in the true-up petitions have filed the actual sales, which are less by about 20% than the projected sales admitted by the Commission in the tariff order for FY 2008-09. While scrutinizing the sales filed in true-up petitions by the distribution licensees, the Commission has also taken in consideration the audited accounts of all the three distribution licensees and annual & monthly R-15 statements of the distribution licensees for FY 2008-09. The quantum of sale of energy as indicated in the audited accounts and the R-15 statements is given in the table below:

Table 3 : Sales as per tariff order, audited accounts, monthly R-15 and true-up petitions for FY 2008-09- (MUs)

Particulars	East Discom	West Discom	Central Discom	Total
As admitted in tariff order	7369.81	9881.49	7120.48	24371.78
As per audited Balance sheet (Energy Sale)	6016.00	8331.29	6589.35	20936.64
As per monthly R-15 reports	6016.25	8331.28	6605.40	20952.93
As filed in true-up petitions	6028.09	8331.29	6605.40	20964.78

- 1.5. From the table above, it is evident that the sale of energy for all the three distribution licensees as admitted by the Commission in the tariff order for FY 2008-09 is more than the sales figures recorded in the audited accounts as well as their monthly R-15 statements.
- 1.6. It is further noted that the quantum of energy sale as filed in the present true-up petitions of West Discom and Central Discom is same as recorded in the monthly R-15 statement. In case of East Discom the energy sale as indicated in the audited accounts and the monthly R15 statements is less than the energy sale as filed in the true up petition. Further, these figures of actual energy sold are considerably less than the estimated sales admitted in the tariff order.
- 1.7. The Commission asked East Discom to submit justifications for variation in the sales as filed in the true-up petition, as indicated in the audited accounts and the monthly R15 statements.
- 1.8. East Discom replied that the sale of 6028.09 MU claimed in the petition is as per the energy audit report of the company. In the monthly R-15 report, residual corrections/adjustments of energy consumption of the unmetered consumers as per energy audit report are not made. These residual corrections are essential, as it is not possible to properly capture the influence of various unforeseeable and uncontrollable factors on monthly basis. This exercise can be carried out retrospectively only after a general qualitative and quantitative appraisal of the status at the end of a yearly load cycle. In view of the above, East Discom requested the Commission to consider the sales of 6028.09 MU as filed in the petition for undertaking the true-up of FY 2008-09.
- 1.9. As per the tariff order for FY 2008-09 benchmarks for assessment of sale to the unmetered category of domestic and agriculture consumers were prescribed, as shown in the table below:

Table 4 : Benchmarks for assessment of consumption for un-metered consumers

Rate of assessment of units for un-metered domestic connections (units per connection per month)		Rate of assessment of units for un-metered agricultural connections (units per HP per month)		
Urban	Rural	category	Rural	Urban
70	30	Permanent	100	130
		Temporary	130	150

1.10. Based on the analysis of the sales figures recorded in the annual R-15 statement and the monthly R15 statements submitted by the distribution licensees (the basic sales/billing data statement) for FY 2008-09, the Commission observed that the booking of sales to unmetered category of domestic and agriculture consumers has been made in excess of the prescribed benchmarks . As regards the same, following has been observed:

- (i) Total sales as per the “sum of monthly data aggregated for the financial year” reported in monthly R15 reports and the annual data as per final annual R15 reports for FY 2008-09 have variations.
- (ii) Total sale of energy recorded in monthly R-15 reports and the sale of energy calculated on the basis of benchmarks prescribed for assessment of sale to un-metered categories of domestic and agricultural consumers by the Commission are not same.

1.11. A summary of the sales booked to the unmetered categories of connections over the prescribed benchmark as observed from the monthly R15 statement is shown in the table below:

Table 5: Summary of sales to the unmetered category booked in excess over the prescribed benchmarks for FY 2008-09 (MUs)

Distribution Licensee	Unmetered Sales as per Monthly R15 statements	Unmetered Sales (calculated as per prescribed Benchmark)	Sales booked in excess over the prescribed benchmark
East Discom	1210.82	1059.45	151.37
West Discom	2792.83	2542.77	250.06
Central Discom	1862.80	1107.37	755.42
Total	5866.45	4709.59	1156.85

1.12. In the true-up order dated June 16, 2009 for FY 2006-07, the Commission had disallowed the sales in excess of the benchmarks booked by the Discoms. The Commission was not convinced with the fact that excess sales in unmetered categories were booked on account of extra hours of supply made to agriculture consumers or the consumption recorded in sample meters. The relevant section of the truing up order is reproduced below:

“The Commission is unable to concede the petitioner’s plea regarding incorporation of additional units other than those actually billed to consumers on the ground of extra hours of supply made to agricultural consumers or on the basis of consumption recorded in sample meters. The Distribution Licensees should have approached the Commission at appropriate time for revision in benchmarks for unmetered agricultural consumers if such benchmarks were deemed less than actual. The Regulation 3.7 of MPERC (Terms and Conditions of Tariff for Distribution and retail supply of electricity) 2005 notified on 5th December’2005 provided that “If for any abnormal situation like drought, supply to any category of consumer is to be varied, the licensee shall obtain prior approval of the Commission”.

The Commission has noted petitioner's contention that they have supplied some additional quantum of power to unmetered consumers without raising bills to them. The petitioners cannot supply free power to any category of consumers. Supply of power to any consumer without recovering its cost has direct bearing on power purchase cost since this extra energy is required to be purchased from the long term / short term sources and such additional power purchase cost becomes an unavoidable burden on consumers of other categories. The Commission therefore, rejects the plea of the petitioners to include such units not actually billed in sales."

- 1.13. Aggrieved with disallowing of excess sales over the prescribed benchmark of unmetered categories in the truing up order for FY 2006-07, petitioners filed an Appeal before the Hon'ble ATE. As regard the same, the Hon'ble ATE in the Judgment dated March 4, 2011 in Review Petition No. 10 of 2010 in Appeal No. 145 of 2009 stated as follows:

"17. In our opinion if the State Commission has to give an appropriate order providing for subsidy by the State Government, it would be necessary for the State Commission to apply prudence check to assess the additional energy supply made to unmetered agriculture consumers. The State Commission may assess the additional energy based on additional hours of actual supply made to agriculture following the directions of the State Government after scrutinizing the records of the distribution licensee and State Load Dispatch Centre or any other method that it may like to adopt. Learned counsel for the Respondent/ distribution licensee submitted some documents regarding additional supply to agriculture consumer but we find that these are not adequate to establish the additional supply made to unmetered agriculture consumers."

- 1.14. In the Judgment dated November 4, 2011 in Appeal No. 150 of 2010, the Hon'ble ATE further stated as follows:

"9. The learned Counsel for the State Commission has ventured to justify the impugned order. However, we are not able to agree with those arguments except that the State Commission has to apply prudence check with respect of computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the normative consumption based on the restricted hours of supply as directed in our order dated 4.3.2011 in RP No.10 of 2010. The State Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt. Therefore, we deem it fit to allow the Appeal in respect of the issues 1 to 3 in terms of judgment in 145 of 2010 dated 19.5.2010 with the above directions. Accordingly, ordered."

- 1.15. Taking cognizance of the fact that these directions would apply for true up determination in future also, the Commission directed the Discoms to submit the requisite information vide order dated May 17, 2013. The Discoms did not submit the required information which could justify their claim of supply in excess of prescribed benchmarks. This issue has been explained in detail at para 10 at pages v, vi and vii of this order.

- 1.16. In order to ascertain the factual position for FY 2008-09 the Commission again provided an opportunity to the Discoms to justify their claims by submitting appropriate justifications for such excess sales to the unmetered category as compared to the prescribed benchmark for FY 2008-09.
- 1.17. Vide their letters dated December 16, 2013 and December 13, 2013 respectively East Discom and West Discom had submitted that Commission had fixed the norms in respect of un-metered category of consumers in the tariff order for the purpose of billing only and not for restricting sales to such consumers. The tariff order did not impose any restriction on the quantum of units to be supplied to consumers or otherwise the hours of supply for metered as well as un-metered category. Discoms further, submitted that for un-metered category the Commission had not provided any formula for accounting of the realistic consumption. The Commission had provided norms only for assessment of consumption of un-metered categories of consumers for billing purpose. Therefore, it is not appropriate to compare the realistic consumption with the normative parameter meant for billing purpose and hence the revenue income for such cases cannot be compared with the realistic consumption. The quantum of supply to agricultural consumer varies depending upon rainfall and demand for irrigation from time to time. If the quantum of supply is less than the assessed units, then there would be no refund to the agricultural consumers. Similarly, if the quantum of supply is more than the assessed units, there cannot be any demand on the agricultural consumer to pay more for such additional use. It is, therefore, absolutely clear that the assessed consumption is for the billing purpose on the basis of load of the consumer in HP per month irrespective of the actual quantum of supply i.e. it may be less or more than the assessed units. The Discom further submitted that the economy of the Madhya Pradesh predominantly depends upon agriculture with majority of irrigation pumps being run on electricity. Discom submitted that it had made efforts to supply maximum power to the farmers for extended hours during rabi season.
- 1.18. The information regarding month wise actual average supply hours, demand met etc. as provided by SLDC has already been submitted before the Commission. Therefore, consumption should not be limited on the basis of the billing bench-mark and sales as claimed in the petition may be approved.
- 1.19. Vide letter dated December 16, 2013 Central Discom submitted that the Commission had fixed the norms for unmetered consumption for billing purpose and not for sale. Central Discom also quoted the following para from the Hon'ble ATE's judgment in Appeal No. 145 of 2009,
- "We conclude that no restriction is placed on Appellants to supply beyond 100/130 units per HP per month. Rather clause 3.6 required that supply not to be unduly restricted."*
- 1.20. The Commission is not convinced with the justification submitted by the Discoms. The Commission has observed that the Discoms have not substantiated the quantum of sales in excess of prescribed benchmarks to the un-metered categories of consumers with proper justification / documents/ data/ information/ methodology in case of the true up exercise for FY 2008-09.

- 1.21. Merely submitting indicative availability of supply hours at the EHV substation level would not suffice, as the agricultural consumption would depend on the supply actually available at the 11/0.4 kV DTR secondary side, the requirement of power depending on the season/ off season, ground water availability etc. Despite providing a number of opportunities the Discoms preferred to repeat the submission of information related to the data of SLDC supply hours and aggregate load of the agricultural consumers. They did not submit the details as to how they have been able to arrive at the quantum of assessed sale claimed for unmetered category of consumers. Unless they submit the detailed methodology and the calculations of assessments of energy sale claimed by them along with supporting documents, the Commission would not be in a position to ascertain the authenticity of their claims.
- 1.22. It is obvious from above mentioned situation that the Commission is not in a position to carry out the prudence check of additional sales with respect to computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the consumption assessed on prescribed benchmarks. Therefore, the Commission has considered the sales as per prescribed benchmarks for un-metered categories of connections for the purpose of this true up order. However, if the Discoms in future submit requisite information in support of their claim for additional supply to un-metered categories of connections, the Commission shall give it due consideration.
- 1.23. In view of the above, the Commission has admitted the sale to un-metered domestic and agricultural consumers as per benchmarks prescribed for assessment for these categories.
- 1.24. Details of energy sales as admitted in the tariff order for FY 2008-09, as per true-up filing of the distribution licensees and as admitted by the Commission for the purpose of the true up are given in the following table:-

Table 6 : Sale admitted for the true up (MUs)

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2008-09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008-09	As per Tariff Order FY 2008-09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008-09	As per Tariff Order FY 2008-09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008-09	As per Tariff Order FY 2008-09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008-09
LOW TENSION												
LV 1: Domestic Consumers	2290	1364	1348	1866	1666	1666	2084	1499	1477	6240	4529	4491
LV 2: Non - Domestic	371	292	292	470	412	412	501	405	405	1342	1109	1109

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2008-09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008- 09	As per Tariff Order FY 2008- 09	As per revised True up Petition FY 2008- 09	As admitted in True up Order FY 2008- 09	As per Tariff Order FY 2008- 09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008- 09	As per Tariff Order FY 2008- 09	As per revised True up Petition FY 2008-09	As admitted in True up Order FY 2008- 09
LV 3: Public Water Works and Streetlights	135	165	165	148	146	146	130	162	162	412	473	473
LV 4: Industry	252	189	188	435	355	355	243	169	169	929	714	712
LV 5: Agricultural Consumers	1425	1264	1118	3806	2786	2536	1880	2220	1486	7110	6269	5140
LT Total	4472	3274	3111	6724	5365	5115	4837	4455	3699	16034	13094	11925
HIGH TENSION												
HV 1: Railway Traction	423	423	423	316	350	350	724	667	667	1463	1439	1439
HV 2: Coal Mines	521	512	512	0	0	0	38	33	33	559	546	546
HV-3: Industrial/Non-Industrial	1127	1059	1059	2385	2191	2191	1245	1235	1235	4756	4485	4485
HV-4: Seasonal	4	3	3	10	15	15	2	2	2	16	19	19
HV-5: Public Water Works/HT Irrigation	73	59	59	220	202	202	97	84	84	390	345	345
HV-6: Township and Residential Colony	315	257	639	0	39	39	163	64	64	478	360	742
HV-7: Bulk Supply to Exemptees	446	440	58	226	170	170	15	67	67	686	677	295
HT Total	2898	2754	2754	3157	2967	2967	2283	2151	2151	8348	7871	7871
Grand Total HT + LT	7370	6028	5865	9881	8331	8081	7120	6605	5850	24382	20965	19796

Power Purchase Quantum and Cost Licensees' Submission

- 1.25. The power purchase quantum claimed by the Discoms in the true up petitions is less by (-) 939.59 MUs, (-) 1002.86 MUs and (-) 492.29 MUs in respect of East Discom, West Discom, and Central Discom respectively as compared to the quantum admitted in the tariff order. However, the cost of power purchase has gone up by Rs. 210.00 Crore (East Discom), 490.29 Crore (West Discom) and 265.92 Crore (Central Discom).
- 1.26. Discoms submitted that the Power Purchase Quantum (MU) admitted by the Commission was based on the loss trajectory as admitted by the GoMP vide letter dated December 28, 2006 which differs from the actual loss level of the Licensees. Discoms further submitted that the actual availability of power from the Central Generating Stations, Indira Sagar Project, Sardar Sarover, Omkareshwar, Amarkantak, and MP GENCO was less than what was admitted in the tariff order. Therefore, power was procured on short term basis to meet the demand of the consumers. This short-term power purchase has resulted in increase in power purchase cost.
- 1.27. East Discom submitted that the power purchase cost as per the audited annual accounts for FY 2008-09 is Rs. 2503.45 Crore. It further submitted that vide letter no. 1017 dated November 30, 2009 the MP Tradeco revised the bill for the energy supplied during FY 2008-09 and passed on the credit amount to the tune of Rs. 214.19 Crore. MP Tradeco thereafter raised the supplementary bill amounting to Rs. 39.26 Crore on February 15, 2010 resulting in the net credit amount of Rs. 174.93 Crore. East Discom submitted that this expense had not been adjusted in the audited accounts for FY 2008-09. Thus East Discom has claimed the power purchase cost of Rs. 2328.52 Crore for FY 2008-09 and requested the Commission to adjust the net credit amount of Rs. 174.93 Crore from the power purchase cost of FY 2008-09 mentioned in their account statements.
- 1.28. The quantum and cost of the power purchase during FY 2008-09 as per tariff order, audited accounts and claimed by the distribution licensees are shown in the table below:

Table 7: Power Purchase costs of the Licensees for FY 2008-09

Sl. No.	Distribution company	As per tariff order (A)		As per audited accounts (B)		As claimed in true-up Petitions (C)		Variation (C) – (A)	
		MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	11,224	2,119	10,290	2,503	10,284	2,329	-940	210
2	West Discom	14,473	2,487	13,407	2,949	13,470	2,978	-1,003	490
3	Central Discom	12,096	1,972	11,593	2,237	11,604	2,237	-492	266
4	Total for State	37,793	6,577	35,290	7,689	35,358	7,543	-2,435	966

1.29. The Government of Madhya Pradesh had issued notification dated March 19, 2008 for allocation of the generation capacities amongst the three distribution licensees of the State. The distribution licensees through East Discom submitted the statement of quantum of power purchased and cost as paid to the MP Tradeco in FY 2008-09. The MP Tradeco statement submitted by the East Discom indicates the data / information of power purchases made during the year, from different sources along with the breakup of variable charges, fixed charges and other expenses. It has been observed that there are variations in the quantum and cost of power purchase as per the Audited account, as claimed by the Discoms in their petitions and as per the MP Tradeco Statement. This is shown in the table below:

Table 8: Variation in Power Purchase quantum and cost as submitted by the Discoms

Particulars	East Discom		West Discom		Central Discom		Total for State	
	MU	Rs. Crore	MU	Rs. Crore	MU	Rs. Crore	MU	Rs. Crore
As filed in petition	10284.00	2328.52	13470.00	2977.50	11603.85	2237.45	35357.85	7543.47
As per the tradeco statement	10180.53	2328.52	13443.61	2743.26	11519.89	2252.90	35144.03	7324.68
As per the audited accounts	10290.00	2503.45#	13406.87	2948.55	11592.81	2237.45	35289.68	7689.45

East Discom has not considered the credit amount of Rs. 174.93 Crore as had been booked in its audited accounts

1.30. The Commission directed Discoms to submit justifications/ reasons for variations in power purchase quantum and cost. Vide letter dated December 16, 2013.

1.31. East Discom submitted that the total power purchase quantum as mentioned in the Audited accounts, i.e. 10290 MU was based on the SEA available at the time of finalization of annual accounts. However, after the finalization of accounts, the SLDC had revised the SEA. As per the revised SEA, total energy purchased by East Discom through MP Tradeco is 10283.47 MU. East Discom further submitted that energy of about 0.99 MU was purchased from Mini-micro hydel project which was not included in SEA.

1.32. Thus a total 10284.46 MU's (10283.47 MU + 0.99 MU) of energy was purchased by them during FY 2008-09. East Discom submitted that in the MP Tradeco statement the quantum of energy purchased was based on the bills received from various generators, hence energy indicated in the MP Tradeco statement does not tally with the energy indicated in SEA. In view of the above, East Discom requested the Commission to consider the input energy as claimed in the petition.

- 1.33. Vide letter dated December 13, 2013, West Discom submitted that the total power purchase cost as per audited accounts was Rs. 2977.50 Crore (Rs. 2948.55 Crore as per schedule 6 of annual accounts and Rs. 28.96 Crore as per schedule 18 of annual accounts).
- 1.34. West Discom further submitted that MP Tradeco statement indicates purchase of 13443.61 MU as it does not include the purchase of 26.86 MU of power pertaining to supplementary bill for October, 2007 to March, 2008. As per the petition the total power purchase quantum of 13470 MU (i.e. 13443.61 MU + 26.86 MU) includes energy purchase pertaining to supplementary bill. Further, in the audited accounts the total power purchase quantum is 13406.87 MU which is as per the bills issued by MP Tradeco.
- 1.35. Vide letter dated December 16, 2013, Central Discom submitted that the quantum of power purchased as shown in the petition has been taken from the revised final SEA issued by SLDC, Jabalpur. Central Discom further submitted that the cost of power purchase and quantum was audited by statutory auditor and the figures of the audited accounts may be treated as authentic.
- 1.36. The Commission has analysed the submissions made by the Discoms regarding the power purchase quantum and cost claimed in the Petition. It has been observed that the three Discoms have followed different approaches for claiming the power purchase quantum for FY 2008-09. The Commission is of the view that a common approach should be considered for claiming the power purchase quantum by all the three Discoms. Thus maintaining a consistent approach the Commission has considered the actual power purchase quantum as indicated in the audited accounts of the Discoms.
- 1.37. West Discom submitted that the power purchase cost as per the audited accounts is Rs. 2977.50 Crore which also includes cost of Rs. 28.96 Crore as indicated in schedule 18 of the annual accounts. The Commission has observed that the mentioned cost of Rs. 28.96 Crore in schedule 18 of the audited accounts is a provision for power purchase in previous years and not actual purchase during FY 2008-09. Provisioning of cost is not admissible as pass through unless it is actually incurred. The Commission has considered the actual power purchase cost for West Discom as per the schedule 6 "PURCHASE OF POWER" for the purpose of trueing-up.
- 1.38. As per the power purchase statement submitted by the Discoms for FY 2008-09, MP Tradeco had purchased 35144.02 MU (including UI, short-term and bilateral purchases and the power sold outside the State) on behalf of distribution licensees from different generators. The summary of the power purchase for FY 2008-09 as per the MP Tradeco statement is shown in the Table below:

Table 9: Power Purchase quantum from various sources by distribution licensees through MP Tradeco in FY 2008-09

S. no.	Particulars	Power Purchase (MU)
1	MPPGCL	16435.53
2	NHDC (ISP + OHP) + SSP + Bargi+DVC	4153.39

S. no.	Particulars	Power Purchase (MU)
3	CPP + Wind	184.28
4	Central Sector (Eastern Region)	348.40
5	Central Sector (Western Region)	13117.91
6	Bilateral	436.10
7	UI	262.00
8	Short Term (Additional)	503.21
9	Total Energy Purchased	35440.82
10	Energy Sold	657.04
11	Net Energy Purchased	34783.78
12	Energy Banking and Exchange	360.24
14	Total	35144.02

1.39. Thus MP Tradeco had supplied 35144.02 MUs at a cost of Rs. 7322.15 Crore. The distribution company wise break-up is given below:

Table 10: Power Purchase by distribution licensees as per MP Tradeco Statement in FY 2008-09

East Discom		West Discom		Central Discom		Total for State	
MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
10180.53	2325.99	13443.61	2743.26	11519.89	2252.90	35144.02	7322.15
28.97%		38.25%		32.78%		100.00%	

1.40. In addition to the above, East Discom had also procured 0.99 MUs from mini/micro hydro stations at Rs. 0.41 Crore. East Discom has further claimed an amount of Rs. 2.12 Crore (Rs. 0.05 Crore + Rs. 2.07 Crore) as prior period bills of FY 2007-08 .

1.41. The Licensees have submitted the energy balance at “schedule 4a” in their respective petitions is shown in the table below:

Table 11: Energy Balance filed by Distribution Licensee for FY 2008-09

S. no.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	6,028.08	8,331.28	6,605.40	20,964.76
2	A. Distribution Losses (%)	37.23%	33.76%	38.93%	
	B. Distribution Losses (MU)	3,575.65	4,246.14	4,210.36	12,032.15
3	At T-D Interface (MU)	9,603.73	12,577.42	10,815.76	32,996.91
4	A. Transmission Loss of MPPTCL (%)	4.06%	4.86%	4.09%	
	B. Transmission Losses of MPPTCL (MU)	406.09	641.94	461.23	1,509.26
5	At MP Periphery	10,009.82	13,219.35	11,276.99	34,506.17
6	External Losses (%)	2.67%	1.86%	2.82%	

S. no.	Particulars	East Discom	West Discom	Central Discom	Total for State
7	External Losses (MU)	274.64	251.12	326.86	852.62
	Net Energy Requirement (MU)	10,284.46	13,470.47	11,603.85	35,358.79

1.42. It may be observed from the above table that as against the total power purchase requirement of 35358.79 MUs as filed by the distribution licensees the total power purchase quantum during FY 2008-09 is 35145.01 MU (35144.02 MU + 0.99 MU) as Tradeco statement. The distribution licensees have considered the actual distribution losses instead of normative loss levels as per GoMP notification. The percentage of external losses (PGCIL losses) as indicated above is also not uniform for all the three distribution licensees.

Commission's Analysis of Power Purchase Requirement

1.43. The Commission has scrutinized the variation in power purchase requirement as projected in the retail supply tariff order dated March 29, 2008 vis-à-vis the audited accounts. Details of power purchase including the Inter-state transmission charges as admitted by the Commission in the retail Supply tariff order for FY 2008-09 and as per the audited accounts of the distribution licensees are given in the table below:

Table 12: Power purchase quantum and cost admitted in tariff order and claimed in true-up as per the audited accounts.

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)	Difference claimed in true-up (A)-(B)
East Discom	Power Purchase Quantum (MUs)	11,223.59	10,290.00	-933.59
	Power Purchase Cost (Rs. Crore)	2,118.52	2,328.52*	210.00
West Discom	Power Purchase Quantum (MUs)	14,472.86	13,406.87	-1,065.99
	Power Purchase Cost (Rs. Crore)	2,487.21	2,948.55#	461.34
Central Discom	Power Purchase Quantum (MUs)	12,096.14	11,592.81	-503.33
	Power Purchase Cost (Rs. Crore)	1,971.53	2,237.45	265.92
Total for the State	Power Purchase Quantum (MUs)	37,792.59	35,289.68	-2,502.91
	Power Purchase Cost (Rs. Crore)	6,577.26	7,514.52	937.26

* Excluding the net credit amount of Rs. 174.93 Crore booked in accounts of FY 2009-10.

West Discom has claimed the power purchase cost of Rs. 2977.50 Crore including short provision for power purchase in previous years.

- 1.44. While estimating the power purchase quantum the Commission has followed the approach on the principle of grossing up the sale for working out power purchase requirement in accordance with the provisions of the regulations, as narrated below;
- i. The admitted actual sales (say X) made by the Licensees have been grossed up by the normative Loss levels (say Y) to arrive at the power required at the Discom periphery i.e. T-D boundary (say $Z=X/(1-Y)$).
 - ii. The quantum (Z) thus arrived has further been grossed up by the STU losses (MP Transco) (A) to arrive at the quantum of power required at the State boundary (Say $B=Z/(1-A)$);
 - iii. Finally, the quantum (B) is grossed up by the actual external losses (say C) to arrive at the total energy requirement i.e. $D=B/(1-C)$.
- 1.45. In order to compute the energy balance for distribution licensees, it is necessary to know the loss levels at each stage. Hence, inter-state transmission losses, intra-state transmission losses and distribution losses need to be identified correctly. The intra-state transmission loss as indicated in the true-up order of MPPTCL for FY 2008-09 is 4.09%. Accordingly, this loss level has been considered for the current true-up exercise. The Commission in the order dated March 29, 2008 had considered the normative distribution loss levels for each distribution company as notified by GoMP vide letter dated December 28, 2006.

Table 13: GoMP specified normative Distribution Loss trajectory for FY 2008-09 for Discoms (%)

Year	East Discom	West Discom	Central Discom
FY 2008-09	29.50%	27.00%	37.00%

- 1.46. The distribution loss levels for FY 2008-09 as notified by Govt. of MP have been considered for calculation of energy requirement for each distribution company.
- 1.47. With regard to external transmission losses of Power Grid system, the Commission directed the distribution licensees to submit the details of the actual losses in MUs as well as in percentage.
- 1.48. East Discom made available the actual losses occurred in the PGCIL system for East, West and Central Discoms through their letter dated July 8, 2010. These details are obtained from SLDC by East Discom. Accordingly, the external transmission losses were 274.64 MUs (2.67%) for East Discom, 315.76 MUs (2.72%) for West Discom and 361.63 MUs (2.70%) for Central Discom. The Commission has accepted the same .
- 1.49. Power purchase requirement calculated as per approach described above for the distribution licensees is shown in the table below:

Table 14: Analysis of Power purchase Quantum (MU)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	5,864.89	8,081.22	5,849.98	19,796.08
2	A. Distribution Losses (%)	29.50%	27.00%	37.00%	
	B. Distribution Losses (MU)	2,454.10	2,988.94	3,435.70	8,878.75
3	At T-D Interface (MU)	8,318.99	11,070.16	9,285.68	28,674.83
4	A. Transmission Loss of MPPTCL (%)	4.09%	4.09%	4.09%	
	B. Transmission Losses of MPPTCL (MU)	354.76	472.08	395.98	1,222.81
5	At MP Periphery	8,673.74	11,542.24	9,681.66	29,897.64
6	A. External Losses (%)	2.67%	2.72%	2.70%	
	B. External Losses (MU)	238.01	322.87	269.17	830.04
7	Net Energy Requirement (MU) admitted	8,911.75	11,865.11	9,950.83	30,727.69

1.50. Accordingly for East Discom, West Discom and Central Discom, the power purchase requirement of 8,911.75 MUs, 11,865.11 MUs and 9,950.83 MUs respectively has been admitted for the purpose of this true up.

Power purchase from all sources

1.51. In the retail supply tariff order dated March 29, 2008 for FY 2008-09 the Commission had admitted power purchase cost of Rs 6577.26 Crore for the distribution licensees. The Commission had considered 3579.97 MUs (1164.43 MUs for East Discom, 1382.48 MUs for West Discom and 1033.06 MUs for Central Discom) at the cost of Rs. 875.11 Crore (Rs. 284.64 Crore for East Discom, Rs. 337.94 Crore for West Discom and Rs. 252.53 Crore for Central Discom) as “Short term Purchase – MP Tradeco” at the rate of Rs. 2.44 per kWh in the admitted power purchase quantum and cost .

1.52. Based on the submissions of the Discoms, it has been observed that the actual power purchase for FY 2008-09 is inclusive of short term power purchase of 503.21 MUs at Rs. 384.86 Crore and UI charges for about 262.00 MUs at the cost of Rs. 49.30 Crore.

1.53. The power purchase cost also includes expenses of Rs. (-) 44.99 Crore Rs. (-) 47.06 Crore (+) Rs. 2.07 Crore for prior period bills. Further, an expense of Rs. (-) 51.07 Crore has also been indicated as other costs for arrangement of energy banking and exchange in FY 2008-09.

1.54. The summary of source-wise Power Purchase as submitted by the Discoms is given in table below:

Table 15: Details of source wise Power Purchase as filed for FY 2008-09

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges inc & FPA Other charges	Income Tax/FBT	Total Charges
I	NTPC	(MW)	(MW)	(MU)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
1	KSTPS (2100/448.88)	2100.00	448.88	3419.23	86.35	239.87	45.36	371.58
2	VSTPS - I (1260/420.12)	1260.00	420.12	3018.31	98.66	410.97	64.26	573.90
3	VSTPS-II (1000/301.22)	1000.00	301.22	2258.65	117.46	299.43	0.00	416.89
4	VSTPS-III(1000/223.4)	1000.00	223.40	1726.67	133.42	229.26	0.00	362.68
5	Kawas (656.20/158.50)	656.20	158.50	556.01	61.83	221.40	27.20	310.42
6	Gandhar (657.39/135.7)	657.39	135.70	638.75	72.82	155.31	32.08	260.22
7	SIPAT II (1000/161.05)	1000.00	161.05	650.32	57.42	55.44	0.33	113.19
8	KAPP (440/105.54 MW)	440.00	105.54	234.76	0.00	48.48	0.21	48.69
9	TARAPUR (1080/210.78)	1080.00	210.78	615.22	0.00	162.17	1.05	163.21
	Total NTPC WR	9193.59	2165.19	13117.91	627.96	1822.32	170.49	2620.77

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges inc FPA & Other charges	Income Tax/FBT	Total Charges
1	FSTPS (1600/21.44)	1600.00	14.56	88.92	4.44	14.69	0.69	19.81
2	TSTPS (1000/13.4)	1000.00	9.10	63.98	3.55	6.30	0.00	9.85
3	KHSTPS I (840/11.17)	840.00	7.48	46.92	2.77	6.94	0.71	10.42
4	KHSTPS II (1000/107.0)	1000.00	107.00	148.59	12.07	23.40	0.00	35.47
	Total NTPC ER	4440.00	138.14	348.40	22.82	51.33	1.39	75.55
	NTPC-Total (I)	13633.59	2303.33	13466.31	650.78	1873.65	171.89	2696.32
II	Bilateral Power Purchase							
1	RSEB (Chambal,Satpura)			436.10	0.00	137.79	0.00	137.79
2	UPPCL (Rihand,Matatila,Rajghat)			0.00	0.00	0.00	0.00	0.00
3	MSEB(Pench)			0.00	0.00	0.00	0.00	0.00
	Bilateral-Total (II)			436.10	0.00	137.79	0.00	137.79
III	Other Sources					0.00		
1	NHDC-Indira Sagar	1000.00	1000.00	1563.70	386.56	149.40	40.86	576.82
2	SSP (1450/826.5)	1450.00	826.50	1292.96	199.66	75.62	0.00	275.27
3	Omkareshwar	520.00	520.00	781.32	219.93	43.35	5.71	268.99
4	Bargi	10.00	10.00	2.29	0.00	1.16	0.00	1.16
5	Others 1 (Wind & CPP)			184.28	0.00	67.44	0.00	67.44
6	Others 2 (Short-Term purchase)			374.07	0.00	303.45	0.00	303.45

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges inc FPA & Other charges	Income Tax/FBT	Total Charges
7	Others 3 (UI)			262.00	0.00	49.30	0.00	49.30
8	DVC	1000.00	400.00	513.13	0.00	148.81	0.00	148.81
9	IEX Purchase			129.14	0.00	81.41	0.00	81.41
	Others-Total (III)	3980.00	2756.50	5102.88	806.15	919.92	46.58	1772.65
A	Grand Total (Other than State)	17613.59	5059.83	19005.29	1456.93	2931.37	218.46	4606.76
I	MP Genco – Thermal							
1	ATPS Chachai PH-1+2 (290.00MW)	290.00	290.00	969.81	42.73	113.46	0.00	156.19
2	ATPS-Chachai-PH3	210.00	210.00	9.45	0.00	2.75	0.00	2.75
3	STPS Sarni (1142.5 MW)	1142.50	1017.50	5864.43	178.96	768.24	0.00	947.20
4	SGTPS Birsingpur(840 MW)	840.00	840.00	4509.43	267.19	450.94	0.00	718.13
5	SGTPS Birsingpur(500 MW)	500.00	500.00	2496.80	163.97	475.28	0.00	639.24
	Thermal-Total (I)	2982.50	2857.50	13849.92	652.84	1810.66	0.00	2463.50
II	MP Genco – Hydel					0.00		
1	Gandhi Sagar (50%) 115 MW	115.00	57.50	53.09	5.84	0.76	0.00	6.60
2	R P Sagar (50%) 172 MW	172.00	86.00	156.57	0.00	23.64	0.00	23.64
3	Jawahar Sagar (50%) 99 MW	99.00	49.50	113.69	0.00	17.17	0.00	17.17
4	Pench (66.66%)160 MW	160.00	106.67	117.78	9.25	0.83	0.00	10.08

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges inc FPA & Other charges	Income Tax/FBT	Total Charges
5	Ban Sagar I+II+III = 405 MW	405.00	405.00	1458.82	92.21	42.56	0.00	134.77
6	Jhinna HPS 20 MW	20.00	20.00	46.03	16.20	1.41	0.00	17.60
7	Brinsingpur Hydro 20 MW	20.00	20.00	41.55	3.86	0.34	0.00	4.19
8	Bargi 90 MW	90.00	90.00	422.14	9.94	0.68	0.00	10.62
9	Rajghat (50%) 45 MW	45.00	22.50	64.32	6.71	3.33	0.00	10.04
10	Madhikheda HPS 40 MW	60.00	60.00	111.63	24.04	11.74	0.00	35.78
	Hydel total (II)	1186.00	917.17	2585.61	168.05	102.45	0.00	270.49
	Total tax for genco (III)						0.59	0.59
B	MP genco generation total (I+II+III)	4168.50	3774.67	16435.53	820.89	1913.11	0.59	2734.59
C	Total power purchased (A+B)	21782.09	8834.50	35440.82	2277.82	4844.47	219.05	7341.35
D	Suppl. bills of previous years			0.00	-47.06	0.00	0.00	-47.06
E	Total inter-State transmission charges (PGCIL)			0.00	272.18	0.00	0.00	272.18
F	Other costs passed to Discoms - which cannot be apportioned station wise- see annexure 'A' enclosed			0.00	558.61	0.00	0.00	558.61
G	Less: sale of power			657.04	0.00	489.97	0.00	489.97
H	Less: other income			0.00	0.00	261.89	0.00	261.89

S. No.	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges inc FPA & Other charges	Income Tax/FBT	Total Charges
I	Banking and exchange of energy			360.24	-51.07	0.00	0.00	-51.07
J	Net total purchase cost and energy input to Discoms			35144.02	3010.48	4092.61	219.05	7322.15
K	Power purchase from mini/micro			0.99	0.05	0.41	0.00	0.46
L	Total			35145.01	3010.53	4093.02	219.05	7322.61
M	Tradeco 2007-08 bill not taken into accounts in 2007-08			0.00	2.07	0.00	0.00	2.07
N	Net total power purchase cost and energy input to Discoms			35145.01	3012.60	4093.02	219.05	7324.68

1.55. The aforementioned submissions of the Licensees have been examined in detail. As may be observed from the above table that the total power purchase cost also includes a significant cost of Rs. 558.61 Crore as “other costs passed to Discoms which cannot be apportioned station wise”. As regards the same, the Commission sought clarification on each of the cost heads included in the above mentioned cost from MP Tradeco (Now MPPMCL). A meeting was held on October 15, 2013 with their officials in which the component wise explanation was provided by MP Tradeco as summarized in the table below:

Table 16: Component-wise explanation for other cost in power purchase cost as submitted by MP Tradeco

S. No.	Particulars	(Rs. Cr.)	Explanation
I	Expenditure directly related to Power Purchase		
1	Capacity Index	0.2	Amount on account of revision of charges for FY 2008-09 and adjustment of FY 2007-08. Ledger account has been submitted for the same.
2	Exchange of Power (Trading Margin)	4.2	Trading Margin paid for exchanging of power @ 0.04 Rs/kWh for Banking purposes. Ledger Account has been submitted for the same.

S. No.	Particulars	(Rs. Cr.)	Explanation
3	Banking of Energy	133.3	It is a provisioning of net energy cost to be returned in the succeeding financial years.
4	Surcharge on delayed payment	11.06	Delayed payment of power purchase to the Generators.
5	Compensation Charges	0.02	Charges paid for not/less drawal of energy from scheduled.
6	Bank Charges	29.32	Letter of Credit Charges and other bank charges pertaining to power purchase. Ledger Account has been submitted for the same.
7	Application Fees for Securing Open Access	0.05	For sale or purchase of power through Exchanges
8	L C Charges	-1.09	Charges reimbursed by NTPC on LC given to NTPC
9	Open Access Charges on Exchange of Power	14.83	Charges paid to PGCIL for Banking of power
10	FLEE Charges	65.77	Frequency linked Energy Exchange Charges similar to U.I paid to Maharashtra and Gujarat.
11	PXI Purchases	0.09	Purchase of energy from PXI
12	Scheduling & Operating Expenses on Purchases – IEX	0.8	Charges related to Short term
13	Operating & Maintenance Charges	174.79	Cost pertaining to JV Generation Project
14	Rebate received during 05-06 from PTC reversed	2.84	Rebate booked in previous years which could not be availed for short term procurement of power
	Subtotal	436.16	
II	Indirect Expenditure		
1	Open Access Charges on Sales	9.18	Charges paid for sale of power
2	Fees to IEX purchases	0.13	Fees paid for procurement of short term power
3	Fees to IEX sales	0.08	Fees paid for sale of short term power
4	Compensation Reversed	25.89	Income booked in previous years has been reversed related to cases of non-drawal of energy by some parties. Decision on these cases is yet to be announced as these cases are still in Arbitration.
5	Scheduling & Operating Expenses on Sales – IEX	0.52	Open Access charges for sale of power through IEX
6	Scheduling & Operating Expenses on Sales – PXI	0.01	Open Access charges for sale of power through PXI
7	Interest Paid to NHDC	39.01	Securitization of amount paid on account of revision of tariff by CERC
8	Interest Paid to PGCIL (UI)	32.47	Penalty paid for non- payment of bill on time
9	Rebate on sale of power	8.36	Amount paid for timely payment of bill for selling of power
10	Difference due to rounding off	0.12	
	Subtotal	115.78	
III	Other Exp. (A &G, Salary etc.)	6.67	Salary, A&G expense and it also includes common expenses of MPSEB
	Total cost	558.61	

1.56. It may be observed from the above table that a significant amount of Rs. 133.30 Crore has been included as provision for banking charges which is not the actual expense. Hence the Commission has not considered the same in this true up. In addition to the same, certain charges related to the short term power purchase, other penal charges for delayed payment and expenses on account of pending arbitration have also not been admitted by the Commission. Details of other expenses which have not been considered by the Commission, are shown in the table below:

Table 17: Other expenses in power purchase cost not considered for FY 2008-09

S. No.	Particulars	As claimed (Rs. Cr.)	Reason for disallowance
I	Expenditure directly related to Power Purchase		
1	Banking of Energy	133.3	Pertains to the provisioning of net energy cost to be returned in the succeeding financial years and is not the actual cost.
2	Surcharge on delayed payment	11.06	The Commission has not considered the surcharge pertaining to Delayed Payment as the Commission is allowing working capital on normative basis therefore the charges related to delayed payment are not admissible as pass through .
3	Application Fees for Securing Open Access	0.05	These charges pertain to short-term power purchase. The short term power purchase quantum and cost on account of it being in excess of normative requirement, has not been admitted. Therefore, charges related to short term power purchase have not been considered..
4	PXI Purchases	0.09	Pertaining to short-term power and the reason for the same is explained in the above point 3.
5	Scheduling & Operating Expenses on Purchases – IEX	0.8	Pertaining to short-term power and the reason for the same is explained in the above point 3.
6	Rebate received during 05-06 from PTC reversed	2.84	Pertaining to short-term power and the reason for the same is explained in the above point 3.
II	Indirect Exp.		
7	Fees to IEX purchases	0.13	Pertaining to short-term power and the reason for the same is explained in the above point 3.
8	Fees to IEX sales	0.08	Pertaining to short-term power and the reason for the same is explained in the above point 3.
9	Compensation Reversed	25.89	Not considered as it is pending finalisation of the arbitration proceedings
10	Scheduling & Operating Expenses on Sales – IEX	0.52	Pertaining to short-term power and the reason for the same is explained in the above point 3.
11	Scheduling &	0.01	Pertaining to short-term power and the reason for the

S. No.	Particulars	As claimed (Rs. Cr.)	Reason for disallowance
	Operating Expenses on Sales – PXI		same is explained in the above point 3.
12	Interest Paid to PGCIL (UI)	32.47	Pertaining to short-term power and the reason for the same is explained in the above point 3.
	Total	207.24	

- 1.57. It may further be observed that the Power purchase cost also includes the other income of Rs. 261.89 Crore which has been adjusted in the total power purchase cost as claimed by the Discoms. The total power purchase cost as claimed by the Discoms also includes the revenue from the sale of energy outside MP for about 657.04 MUs at Rs. 489.97 Crore. The Commission has accepted such income and revenue earned by the distribution licensees during FY 2008-09.
- 1.58. As discussed earlier, there is a variation in the power purchase cost as per the Tradeco statement, as filed by the Discoms in their petitions and as per the audited accounts of Discoms. Discoms have not submitted any proper justification for such variation in the power purchase cost for FY 2008-09.
- 1.59. Further, the Discoms were required to link up the station-wise power purchase cost with the cost indicated in their audited accounts. The distribution licensees were not able to match the power purchase cost as indicated in their audited accounts vis-a-vis the source wise details furnished by MP Tradeco. Further, considering that the whole true up exercise is based on the audited accounts of the Discoms, the Commission has decided to admit the power purchase cost as per the audited accounts of the Discoms.
- 1.60. The Commission has noted that the Discoms had procured power in excess of requirement based on the normative losses. Similar situation had also arisen during the true-up exercise for FY 2006-07 and FY 2007-08. Hence, the Commission has decided to adopt the same approach as followed for the true-up for FY 2006-07 and FY 2007-08. The Commission has decided to apply the pooled cost of long term power (excluding the other expense disallowed by the Commission) procured by the Discoms to arrive at power purchase cost for the admitted quantum of energy. The power purchase cost as admitted by the Commission is given below:

Table 18: Admitted Power Purchase Cost

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Energy Procured as per audited accounts (MUs)	10290.00	13406.87	11592.81	35289.68
Cost of Power Purchase including Inter-State Transmission Charges as per audited accounts (Rs. Crore)	2328.52	2948.55	2237.45	7514.52
Less: Other Expenses not admitted (Rs. Crore)	64.60	79.27	63.36	207.23

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Cost of Power Purchase for FY 2008-09 (Rs. Crore)	2263.92	2869.27	2174.09	7307.28
Energy procured form Short Term Sources (MUs)	154.79	183.62	164.80	503.21
Energy Procured from Long Term Sources (MUs)	10135.21	13223.25	11428.01	34786.47
Cost of Short Term Power Purchase (Rs. Crore)	118.38	140.44	126.04	384.86
Power Purchase Cost for Long Term Power (Rs. Crore)	2145.54	2728.84	2048.05	6922.42
Per Unit Cost of Long Term Power (Rs. / kWh)	2.12	2.06	1.79	1.99
Quantum of Power Purchase Admitted (MUs)	8911.75	11865.11	9950.83	30727.69
Total Power Purchase Cost admitted (in Rs. Crore)	1886.54	2448.56	1783.32	6118.42

Transmission Charges

1.61. The Commission admitted the transmission charges of Rs. 745.82 Crore in the tariff order FY 2008-09 inclusive of additional cost of Rs. 74.36 Crore pertaining to MP Transco true up for FY 2006-07. The licensee wise details are shown in the table below:

Table 19 : Transmission Charges as admitted in the tariff order for FY 2008-09 (Rs. Crore)

Sl. No.	Name of the distribution company	Transmission Charges for FY 2008-09	MP Transco true up FY 2006-07	Total Transmission Charges admitted for FY2008-09
1	East Discom	198.69	22.01	220.70
2	West Discom	254.49	28.18	282.67
3	Central Discom	218.28	24.17	242.45
4	Total	671.46	74.36	745.82

1.62. In their respective petitions, the distribution licensees have submitted that the MP Power Transmission Company has recovered the aforementioned charges during the year. In addition the MP Power Transmission Company Ltd. also raised the fringe benefit tax and incentive for the FY 2007-08. Further, it has been observed that the Transmission Charges as claimed by West Discom and Central Discom are less than the Transmission Charges admitted by the Commission in tariff order for FY 2008-09. As per the audited accounts of FY 2008-09 the payment towards the transmission charges of MP Power Transmission Company Ltd. is shown in the table below:

Table 20 : Transmission Charges as claimed in true-up for FY 2008-09 (Rs. Crore)

Sl. No.	Company	Total Transmission charges admitted in tariff order for FY 2008-09	Transmission charges claimed as per audited account	Difference as claimed for true up
1	East Discom	220.70	224.55	3.85
2	West Discom	282.67	281.55	-1.12
3	Central Discom	242.45	241.11	-1.34
4	Total	745.82	747.21	1.39

1.63. East Discom provided the reason for the difference between the actual and the admitted transmission charges stating that Rs. 3.85 Crore has been paid towards the fringe benefit tax and incentive. West and Central discom did not provide any details in this regard.

1.64. The Commission has observed that the additional transmission charges towards taxes and incentives are as per the provisions of the regulations. Hence, the Commission has admitted the claim Rs. 1.39 Crore as indicated above towards the true up of intra-State transmission charges. The company wise expenses admitted are as shown in the table above.

Operation and Maintenance (O&M) Costs

Licensees' submission:

1.65. The Commission had admitted the total Operation and Maintenance Cost as Rs. 1242.65 Crore in the tariff order for FY 2008-09. The licensee wise O&M costs admitted in the tariff order is shown in the table below:

Table 21 : O&M Cost admitted in tariff order of FY 2008-09 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
O&M Cost admitted in tariff order for FY 2008-09	403.45	466.44	372.76	1242.65

1.66. Licensees have claimed the Operation and Maintenance expenses based on norms in accordance with MPERC tariff regulations, 2006. These norms are based on the number of metered consumers, metered sales, total network length at 11kV and 33kV, voltage levels and allowable multipliers for each parameter for the year under consideration. Also, in their submission, distribution licensees have referred to regulation 2.20 of the MPERC tariff regulations, 2006 stating that these norms exclude terminal benefits to be paid to employees, taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC. Norms for O&M as per regulation for FY 2007-08 to FY 2009-10 are shown in the table below:

Table 22 : Norms for O&M cost FY 2008-09

O&M charges (Rs. In lakhs)*	FY 2008-09
For Metered Consumers (Rs Lakh/1000 Consumer)	6.90
For Metered Sales (Rs Lakh/MU)	2.49
For HT Network length (Rs Lakh/100 ckt km)	17.00
For Transformation (33/11kV) (Rs Lakh/MVA)	1.62

*These norms excludes terminal benefits to be paid to the employees, taxes to be paid to the Govt. or local authorities and fees to be paid to MPERC, which the distribution licensee shall claim separately

1.67. The O&M expenses claimed by the Licensees as per above norms are given in the table below:

Table 23 : Normative O&M Expenses as claimed for FY 2008-09

Sl. No.	Particulars	East Discom	West Discom	Central Discom
I	Metered consumers (nos.) – opening	18,08848	20,85441	15,71612
ii	Metered consumers (nos.) – closing	18,24936	21,34866	15,86024
I	Average Metered consumers (nos.) - (average of i and ii above)	18,16892	21,10154	15,78818
II	O&M expenses Rs. Lakh per '000 metered consumers as per Regulation	6.90	6.90	6.90
A	Sub-total O&M expenses (I*II/1000)(Rs. Crore)	125.37	145.60	108.94
I	Metered sales (MU) – previous year	4614	5362	4468
ii	Metered sales (MU) - year in question (for which true-up is sought)	4805	5538	4743
I	Average sales (MU) - average of i and ii above	4710	5450	4605
II	O&M expenses Rs. Lakh per MU metered sales as per Regulation	2.49	2.49	2.49
B	Sub-total O&M expenses (I*II) (Rs. Crore)	117.28	135.71	114.68
I	Ckt-kms of HT (33kV and 11kV) lines - as at end of previous year	73727	65699	66180
ii	Ckt-kms of HT (33kV and 11kV) lines - as at end of year in question	77619	67162	68122
I	Average ckt-kms of HT lines - (average of i and ii above)	75673	66431	67151
II	O&M expenses Rs. Lakh per 100 ckt-km of HT lines as per Regulation	17.00	17.00	17.00
C	Sub-total O&M expenses (I*II/100) (Rs. Crore)	128.64	112.93	114.16
I	Cumulative transformation capacity of 33/11kV transformers in MVA - end of previous year	3767	5431	3865
ii	Cumulative transformation capacity of 33/11kV transformers in MVA - end of year in question	4804	5825	4497
I	Average transformation capacity - (average of i and ii above)	4285	5628	4181
II	O&M expenses Rs. Lakh per MVA as per Regulation	1.62	1.62	1.62

Sl. No.	Particulars	East Discom	West Discom	Central Discom
D	Sub-total O&M expenses (I*II) (Rs. Crore)	69.42	91.17	67.73
E	Other Expenses not covered under the Norms (MPERC Fees, Taxes to Govt. and Local Bodies etc.) (Rs. Crore)	2.98	1.80	1.30
F	Terminal Benefit (Rs. Crore)	81.90	76.26	86.92
G	Total O&M expenses (A+B+C+D+E+F) (Rs. Crore)	525.59	563.48	493.73

1.68. As per audited accounts submitted by Discoms the O&M expenses are shown in the table below:

Table 24 : O&M Expenses as per audited accounts for FY 2008-09 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
O&M expenses as per audited accounts (less capitalization)	513.40	474.19	481.15

Commission's View and Analysis on Operation and Maintenance Costs:

1.69. In the true-up petitions, the Discoms have claimed O&M expenses on normative basis.

1.70. The Commission is of the view that while framing Regulations on terms and conditions of determination of tariff, 2006 for Generation, Transmission and Distribution companies the O&M expenditure norms specified by the Commission for Generation, Transmission and distribution companies might have been understated for the Generation and Transmission Companies and overstated for the distribution companies. Therefore, the Commission has decided to follow a consistent approach of allowing actual O&M expenditure incurred during FY 2008-09 after exercising the prudent check as the same approach has been adopted for the true up of FY 2007-08 as evident from Para 1.58 stated below:

“1.58 Taking a comprehensive view of the actual O&M expenses vis-à-vis normative expenses of MP Power Transmission Co. Ltd., MP Power Generating Co. Ltd and the three Distribution Companies and also keeping in view that these O&M expenses have employee expenses as the major component and further that employee wages are decided common for all Companies, it is seen that the actual expenses are more than the normative expenses in the cases of Generation and Transmission Companies, while these are less than the normative in the case of Distribution Companies.”

The Commission is of the view that the norms prescribed by the Commission for O&M expenditure while framing the Regulations on terms and conditions of tariff for Generation, Transmission and Distribution Companies might have been understated for the Generation and Transmission Companies and overstated for the Distribution Companies. This could be due to the fact that the Regulations on terms and conditions of tariff were framed just after unbundling of power utilities from erstwhile MPSEB and the actual break up of total O&M expenses for generation, transmission and distribution segments was not available. Therefore, the base figures for computation of norms for O&M expenditure were taken from the common base of erstwhile MPSEB and apportioned among generation/transmission/distribution segments on the basis of information made available at that time. The Commission has decided to follow a consistent approach of allowing actual O&M expenditure incurred during FY 2007-08 after exercising the prudent check, as has also been done for the true up of 2006-07 for the Distribution Companies.”

- 1.71. The O&M expenses admitted by the Commission in the tariff order for FY 2008-09, claimed in the true-up petitions and actual O&M expenses as per the audited accounts are given in the table below:

Table 25 : O&M expenditure admitted in tariff order vis-a-vis claimed in true-up petition and audited accounts (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2008-09 (Based on norms)	403.45	466.44	372.76	1242.65
Amount claimed in true-up (Based on norms)	525.59	563.48	493.73	1582.80
Actual as per audited accounts	513.40	474.19	481.15	1468.74

- 1.72. The head wise break-up of O&M expenses amongst Employee cost, R&M expenses and A&G expenses as per the audited accounts is shown in the table below:

Table 26 : Head wise O&M expenses as per audited accounts for FY 2008-09 (Rs. Crore)

Heads of O&M (Net of capitalization)	East Discom	West Discom	Central Discom	Total
R & M	30.69	34.99	40.33	106.01
Employee cost	410.23	382.81	382.17	1175.21
A& G	72.48	56.39	58.65	187.51
TOTAL	513.40	474.19	481.15	1468.74

- 1.73. The Commission has undertaken the prudence check of the actual expenditure as mentioned in the audited accounts of the distribution licensees for FY 2008-09. East, West and Central distribution licensees have claimed Terminal Benefits of Rs 81.90 Crore, Rs. 76.26 Crore and Rs. 86.92 Crore, respectively under the employee costs. The Commission observed that as per audited accounts of East, West and Central distribution licensees, the sum of Gratuity, provision of Gratuity, Pension Payments, provision for Pension Payments, Annuity under Terminal Benefits, provision for Terminal Benefits are Rs. 82.92 Crore, Rs. 76.26 Crore and Rs. 80.90 Crore, respectively. The licensees have requested that in accordance with the "MPSEB Terminal Benefits Fund Rules, 2006", the successor Companies of erstwhile MPSEB are required to contribute in "MPSEB Terminal Benefit Trust". The Commission has already discussed this issue in true-up order for FY 2007-08 in Para 1.61 that the distribution licensees had only made the provisions in the audited accounts. Further, while undertaking true up exercise of Transmission tariff order for FY 2008-09 the Commission had admitted Rs. 294.83 Crore towards the Terminal Benefits, which includes the share of Terminal Benefits for all successor Companies of MPSEB.
- 1.74. The Commission has observed that the actual payments made for pension and terminal benefits to all pensioners/retirees of erstwhile MPSEB and its successor entities have already been admitted to MPPTCL and no funds had been transferred to terminal benefit trust by these Companies. Therefore, the Commission does not find it appropriate to consider any provisioning made under the head "Terminal Benefits to Employees" in this true up. Therefore, the Commission has not admitted the expenses of Rs 81.90 Crore, Rs. 76.26 Crore and Rs. 86.92 Crore against terminal benefits claimed by East, West and Central distribution licensees.
- 1.75. It is further observed that in the schedules of employee cost in the audited accounts, Bonus and Ex-gratia of Rs.6.03 Crore for East Discom, Rs. 2.94 Crore for West Discom and Rs. 0.73 Crore for Central Discom have been included. However, the breakup of this amount in terms of Bonus paid as per statutory requirement and Ex-gratia paid to employees ineligible for bonus has not been mentioned. In this regard, the Commission asked the Discoms to submit the break-up of the above expense. In response, the details submitted by the licensees are shown in the table below:

Table 27 : Segregation of bonus and ex-gratia entry given under employee cost schedule of audited accounts in to bonus, ex-gratia, provisions and other incentives (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
Bonus	0.91	0.42	0.71
Ex-gratia		2.52	0.02
Provision for bonus and Ex-gratia	6.03		
Total	6.94	2.94	0.73

- 1.76. The Commission is of the view that the Bonus is admissible as employee cost, ex-gratia and payment of incentive is not admissible under employee cost as the same should have been paid out of RoE / profit. Further the Commission has also not considered provisioning for expenses which have not been actually incurred.
- 1.77. The Commission observed that in the audited accounts of East Discom, amount of total bonus & ex-gratia is mentioned as Rs 6.03 Crore instead of Rs 6.94 Crore as claimed. Considering this principle the Commission has considered the bonus amount of Rs. 0.91 Crore, Rs. 0.42 Crore, and Rs. 0.71 Crore respectively for East, West and Central Discom
- 1.78. As regards A&G expenses, audited accounts of East, West and Central distribution licensees have shown "insurance" expenses under the "Administrative and General Expenses" schedule of Rs. 8.58 Crore, Rs. 13.07 Crore and Rs. 10.59 Crore respectively. The Discoms have stated that these are provisions and no expense has actually been incurred against this head. Therefore, the Commission has not admitted any insurance expenses.
- 1.79. Further audited accounts of East, West and Central distribution licensees have shown expenses against the "Allocation of Common Expenses from MPSEB" under the "Administrative and General Expenses" schedule of Rs. 8.09 Crore, Rs. 13.69 Crore and Rs. 10.94 Crore respectively. The Commission had already made it clear in FY 2007-08 trueing-up order to the successor Companies of the erstwhile Board that it will not admit any expenses for meeting the expenses of the Board as the latter has already been unbundled into five Companies and the Board. Therefore, in the present case the claim of MPSEB expenses has not been admitted.
- 1.80. The Commission has admitted the net R&M expenses of Rs 30.60 Crore and Rs 34.99 Crore and Rs 40.33 Crore for East, West and Central Discoms as per their audited accounts.
- 1.81. Based on the above, the Commission admits the O&M expenses (net of capitalization), which have been actually incurred by the distribution licensees (as per their audited accounts except the terminal benefits to employees, ex-gratia, insurance, allocation of common expenses of MPSEB), as shown in the following table:-

Table 28 : O&M expenditure admitted in the true-up (Rs. Crore.)

Particulars	East Discom	West Discom	Central Discom	Total
R&M Expenses (As per Audited Balance Sheet) - Net of Capitalisation	30.69	34.99	40.33	106.01
Employees expenses (As per Audited Balance Sheet) - Net of Capitalisation	410.23	382.81	382.17	1,175.21
Less: Terminal Benefits Expenses	82.92	76.26	80.90	240.08
Less: Ex-Gratia, provisions and other incentives	5.12	2.52	0.02	7.66
Total Employees Expenses	322.19	304.03	301.25	927.47
A&G Expenses (As per Audited Balance Sheet) - Net of Capitalisation	72.47	56.39	58.65	187.51
Less: Insurance	8.58	13.07	10.59	32.24
Less: Common Expenses of MPSEB	8.09	13.69	10.94	32.72

Total A&G Expenses	55.80	29.63	37.12	122.55
Grand Total	408.68	368.65	378.70	1,156.03
Amount admitted by Commission in this true-up	408.68	368.65	378.70	1,156.03

Interest & Finance Charges

1.82. The interest and finance charges comprise of (i) interest on project specific loans, (ii) the interest charges on Consumer Security Deposits, (iii) the interest charges on working capital loans and (iv) the cost of raising finance and other charges from the lending agencies.

1.83. As per audited accounts Interest & Finance Charges claimed by East, West, and Central Discoms in the true-up petitions are shown in the table below :

Table 29 : Interest and finance charges claimed in the petition as per audited accounts (Rs. Crore)

Interest & Finance Charges	East Discom	West Discom	Central Discom	Total
Interest on Loan				
State Government Loans	32.80	36.75	24.67	94.22
NABARD			0.78	0.78
APDRP			15.78	15.78
ADB	3.53		5.95	9.48
PFC-RTL			4.31	4.31
PFC	4.56	8.50		13.06
REC Loan + Interest on Society REC deposit	12.63	5.90	8.45	26.98
HUDCO	17.13			17.13
JBIC REC Loan	3.41	0.96		4.37
Bonds (SLR)		7.25		7.25
Total	74.05	59.37	59.94	193.36
Interest on Consumers Deposits	13.27	19.90	15.29	48.46
Total	87.32	79.27	75.23	241.82
Interest on Borrowings for Working Capital	37.02	81.74	68.06	186.82
Total	124.34	161.01	143.29	428.64
Cost of Raising Finance and bank charges	1.93	4.86	2.04	8.83
Other Charges				0.00
Interest on Overdue principal		3.62		3.62
Total	126.27	169.49	145.33	441.09
Less: Interest Capitalized	39.61	40.25	82.40	162.26
Net Total	86.66	129.24	62.93	278.83

Interest on Project Loans**Licensees' submission:**

1.84. East Discom, West Discom and Central Discom have claimed project loans interest of Rs. 36.37 Crore, Rs. 27.60 Crore and Rs. (20.42) Crore as against Rs. 18.24 Crore, 27.92 Crore and Rs. 11.53 Crore admitted in tariff order for FY 2008-09. Details of claims submitted by Discoms are as follows:

Table 30 : Interest on Project Loans claimed by East Discom (Rs. Crore)

Sr. No.	Source	As claimed (A)	Admitted in the tariff order (B)	Variance (A-B)
On New Long Term Loans				
1	REC	1.27	15.24	58.81
2	ADB	0.86		
3	REC-JBIC	3.41		
4	HUDCO	17.13		
On Existing Long Term Loans				
5	PFC	4.56	15.24	58.81
6	REC	11.36		
7	ADB	2.67		
8	GoMP-APDRP, NABARD, WB	32.8		
9	Interest Charges on Project Loan	74.05	15.24	58.81
10	Add other finance charges	1.93	3	-1.07
11	Less: Interest Capitalized	39.61	-	39.61
12	Net Interest and Finance on project loan	36.37	18.24	

Table 31 : Interest on Project Loans claimed by West Discom (Rs. Crore)

Sr. No.	Source	As claimed (B)	Admitted in the tariff order (A)	Variance (B-A)
1.	State Govt. Loans	36.75		
2.	PFC	8.50		
3.	REC	5.90		
4.	Bonds (SLR)	7.25		
5.	JBIC-REC Loan	0.96		
6.	Interest Charges on Project Loan	59.37		
7.	Less: Interest Capitalized	40.25		

Sr. No.	Source	As claimed (B)	Admitted in the tariff order (A)	Variance (B-A)
8.	Net Interest charges	19.12	24.92	(5.80)
9.	Add: Other finance charges	4.86	3.00	1.86
10.	Add: Interest on overdue principal	3.62	0	3.62
11.	Net Interest and Finance on project loan	27.60	27.92	(0.32)

Table 32 : Interest on Project Loans claimed by Central Discom (Rs. Crore)

Sr. No.	Source	As claimed (B)	Admitted in the tariff order (A)	Variance (B-A)
	Interest on Loan			
1	GoMP Loans	24.67		
2	REC LOAN + Interest on society REC deposits	8.45		
3	NABARD	0.78		
4	APDRP	15.78		
5	ADB	5.95		
6	PFC-RTL	4.31		
7	Total Project Loan	59.94		
8	Less: Interest Capitalized	82.40		
9	Cost of raising finance and bank charges	2.04	0.58	1.46
10	Net Interest and Finance on project loan	(20.42)	11.53	(31.95)

Commission's Analysis on Interest on Project Loans:

1.85. The Commission has examined the claims of the distribution licensees as per their filing in true-up petitions and their audited accounts. As per Regulations 2.10 to 2.13 of the MPERC tariff regulations 2006, interest and finance charges are admissible for loans which can be linked with the assets capitalised till FY 2008-09. The regulations further stipulate that interest and finance charges on the works under progress shall be excluded and shall be considered as part of capital cost of the assets after its capitalisation. In the absence of information related to loans mapping with specific assets, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work under progress. Further, Regulation 2.5 of MPERC tariff regulation 2006, states that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Accordingly, the Commission has adopted the following principles for computing interest on project loans.

Principles adopted for calculation of interest on project loans

1.86. In the true-up order for Distribution and Retail Supply tariff order for FY 2007-08, the interest on project loans was admitted on the fixed assets created till March 31, 2008 on the basis of audited accounts for FY 2007-08. The Commission has adopted the same methodology for allocating the Gross Fixed Assets (GFA) addition during the year into debt and equity as explained below:

1. Allocation of fixed assets into debt and equity as on March 31, 2008 has been considered as per the true-up order of FY 2007-08.
2. Net addition to GFA during FY 2008-09 has been worked out after subtracting the consumer contribution amount from total addition to GFA as available in the audited accounts of the Discoms. Further, the Commission has also considered the consumer contribution amount on account of finalisation of opening balance sheet as mentioned in audited accounts of the Discoms for FY 2008-09.
3. 30% of the net addition to GFA during FY 2008-09 has been considered as funded through equity and added to the total equity considered at the end of FY 2007-08, as per the true-up order for FY 2007-08.
4. Balance of net addition to GFA has been considered as having been funded through debt and added to the total debt considered at the end of FY 2007-08. In absence of the actual dates of capitalization of individual assets, 50% of the net addition to GFA is considered for allowing interest on project loans, so that the principle of pro-rata basis can be followed.
5. In accordance with the regulation 2.10 of MPERC tariff regulations, 2006 scheduled debt repayments as submitted by Discoms in format - Sch. 11, have been considered for computing the interest and finance charges. Actual repayments have not been considered since there had been defaults in repayment of principal by the Licensee during FY 2008-09. In reply to query of the Commission regarding weighted average interest rate on loans, East, West and Central Discoms submitted the actual weighted average interest rate as 9.38%, 9.05% and 8.74%, respectively which has been considered by the Commission.
6. The Discoms have claimed other financing charges of Rs. 1.93 Crore of East Discom, Rs. 4.86 Crore of West Discom and Rs. 2.04 Crore of Central Discom respectively as per their audited accounts, which have been admitted.

1.87. Discom wise interest on project loans computation and the details of expenses admitted are shown in the table below:

Table 33 : Interest on Project Loans admitted by Commission (Rs. Crore)

Particulars		East Discom	West Discom	Central Discom	Total for State
Opening Debt associated with GFA (as on 31 st March 2008 as per FY 2007-08 true-up order)	A	164.82	200.95	256.14	621.91
GFA Addition	B	302.96	60.87	300.40	664.23
Consumer Deposit and Grants utilized	C	63.98	14.31	23.28	101.57
Net GFA Addition during the year	D=B-C	238.98	46.56	277.12	562.66
GFA Adjustment added during FY 2008-09	E	2.24	119.82	56.37	178.43
Consumer Deposit and Grants Adjustment added during FY 2008-09	F	117.11	189.29	149.77	456.17
Net GFA Adjustment added during the year	G=E-F	(114.87)	(69.47)	(93.40)	-277.74
Addition to GFA considered during the year after considering adjustment	H=D+G	124.11	(22.91)	183.73	284.93
70% of addition to net GFA considered as funded through debt	I=70%*H	86.87	(16.04)	128.61	199.44
Debt repayment during the year (Scheduled)	J	56.17	74.15	55.59	185.91
Closing debt associated with GFA	K=A+I-J	195.52	110.76	329.16	635.44
Average debt associated with Loan	L=Average(A,K)	180.17	155.86	292.65	628.68
Weighted average rate of interest (%) on all loans as per Discoms	M	9.38%	9.05%	8.74%	9.00%
Interest on Project Loans	N=L*M	16.90	14.11	25.58	56.59
Other Finance cost	P	1.93	4.86	2.04	8.83
Interest cost admitted on project loans in true-Up	Q=N+P	18.83	18.97	27.62	65.42
Interest cost admitted in the tariff order on project loans	R	18.24	27.92	11.53	57.69

Interest on Working capital**Licensees' submission:**

1.88. Discoms have claimed interest on working capital as per the audited accounts. East, West and Central Discoms have claimed Rs. 37.02 Crore, Rs. 81.74 Crore and Rs. 68.06 Crore as per audited accounts as against Rs. 5.08 Crore, Rs.5.86 Crore and Rs.4.69 Crore admitted by the Commission in the tariff order for FY 2008-09.

Commission's Analysis on Interest on working capital:

1.89. As per regulation 2.26 of the MPERC tariff regulations 2006, interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the normative working capital loan. Interest rate equivalent to short-term prime lending rate of State Bank of India as on 1st April of relevant year plus 2% shall be taken for working out the interest cost on working capital. The Commission has observed that the Discoms have not submitted the separate working capital requirement for the wheeling and retail supply activity. For working out the interest expense on working capital, the Commission has considered the GFA, O&M expenses, power purchase expenses, consumer security deposit as admitted by the Commission in this true up order. Accordingly, the Commission has computed the interest on working capital as shown in the table below:

Table 34 : Interest on Working Capital admitted by the Commission (in Rs. Crore)

Sl. No.	Particulars	East Discom	West Discom	Central Discom	Total
A	Annual requirement of inventory (1% of Opening GFA)	16.39	18.05	16.88	51.32
A(i)	1/6 th of Annual requirement of inventory	2.73	3.01	2.81	8.55
B	O&M expense admitted by the Commission in this true-up	408.68	368.65	378.70	1,156.02
B(i)	1/12 th of above O&M expenses	34.06	30.72	31.56	96.34
C	Total Annual Revenue including subsidy and other income excludes ED, Cess				
C(i)	Receivables equivalent to 2 months average billing	432.41	555.88	415.7	1,404.01
D	Power Purchase expenses	1,886.54	2,448.56	1,783.32	6,118.42
D(i)	1/12th of power purchase expenses	157.21	204.05	148.61	509.87
E	Consumer Security Deposit	374.62	372.28	449.51	1,196.40
F	Total Working capital (A(i)+B(i) + C(i) – D(i)- E)	(62.63)	13.29	(148.03)	(197.37)
G	Rate of Interest	14.25%	14.25%	14.25%	14.25%
H	Interest on Working capital	(8.92)	1.89	(21.09)	(28.12)
I	Interest on Working capital admitted	0.00	1.89	0.00	1.89

Interest on Consumer Security Deposits**Licensees' submission:**

1.90. Discoms have claimed interest on consumer security deposit as per the audited accounts. East, West and Central Discoms have submitted claims for Rs. 13.27 Crore, Rs. 22.07 Crore and Rs. 19.90 Crore respectively as against Rs. 22.07 Crore, Rs.34.03 Crore and Rs.22.49 Crore admitted by the Commission in the tariff order for FY 2008-09.

Commission's Analysis on Consumer Security Deposit:

1.91. As per the regulation 2.11 of tariff regulations 2006, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the tariff order for FY 2008-09 the Commission admitted the interest on consumer security deposit @ 6%. The Commission observed that the actual interest claims as per audited accounts of the Discoms are less than 6% of security deposit held. Therefore, the Commission has admitted the interest amount on consumer security deposit as per the audited accounts of the distribution licensees. Summary of interest on consumer security deposits admitted in tariff order, claimed in the true-up petition and admitted in this true up is given in table below:

Table 35 : Interest on Consumer Security Deposit admitted (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2008-09	22.07	34.03	22.49	78.59
Claimed in true up petition for FY2008-09	13.27	19.90	15.29	48.46
Admitted in this true-up order as per audited balance sheet	13.27	19.90	15.29	48.46

Return on Equity**Licensees' submission:**

1.92. Discoms have claimed return on equity @ 14%. East, West and Central Discoms have claimed return on equity @ 14% (post tax) as Rs. 75.26 Crore, Rs 101.60 Crore, Rs 90.22 Crore respectively as against Rs. 51.95 Crore, Rs 69.37 Crore, Rs. 46.14 Crore admitted by the Commission in the tariff order for FY 2008-09.

Commission's Analysis on Return on Equity:

1.93. As explained in the section on the item of Interest and Finance charges, the equity contribution has been considered as 30% on the net GFA addition during the year. Opening value of equity for FY 2008-09 has been considered as closing equity of FY 2007-08 as admitted by the Commission and 30% of net GFA addition has been considered as equity addition during the year. Further, rate of return on equity has been considered as per MPERC tariff regulations, 2006 @ 14%. The computation of return on equity as admitted is shown in the table below:

Table 36 : Return on Equity admitted by the Commission (Rs. Crore)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Opening Equity identified with GFA as on 31/03/2008 as per true-up order of 2007-08	428.34	530.20	433.14	1,391.68

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
2	30% of addition to net GFA considered as funded through equity (As on 31st March 2009)	37.23	(6.87)	55.12	84.48
3	Closing Equity Considered for Return from addition during 2008-09	465.57	523.33	488.26	1,477.16
4	Average Equity identified with GFA and considered for Return for FY 2008-09	446.96	526.76	460.70	1,434.42
5	RoE @14% admitted in true-up of FY 2008-09	62.57	73.75	64.50	200.82
6	RoE admitted in tariff order FY2008-09	51.95	69.37	46.14	167.46

Depreciation

Licensees' Submission:

East Discom:

- 1.94. East Discom has claimed depreciation on fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994. It further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted.
- 1.95. On the basis of the audited accounts for FY 2008-09, the licensee has claimed opening balance of the fixed assets as on April 1, 2008 as Rs. 1639.06 Crore, addition during the year of Rs. 305.20 Crore thus closing balance of the fixed assets as Rs. 1944.26 Crore. Depreciation claimed by East Discom in true-up petition is Rs. 85.07 Crore as against the depreciation of Rs. 30.69 Crore admitted in the tariff order for FY 2008-09. Further, East Discom also submitted the adjustment in depreciation of previous years on account of notification of final opening balance sheet as Rs 43.38 Crore. Details of GFA as per audited accounts are shown in the Table below:

Table 37 : Details of GFA of East Discom for FY 2008-09 as per audited accounts (Rs. Crore)

SL No	Particulars	As per audited accounts	Adjustment as on 01.04.2008	Addition during the year	Balance as on 31.03.2009
1	Land & Land rights	2.17	0.00	(1.34)	2.16
2	Building and Civil Works	21.99	(2.98)	0.79	19.81
3	Hydraulic Works	9.67	(0.03)	0.00	9.64

SL No	Particulars	As per audited accounts	Adjustment as on 01.04.2008	Addition during the year	Balance as on 31.03.2009
4	Other Civil Works	2.85	0.12		2.73
5	Plant & Machinery	386.29	6.60	121.56	514.45
6	Line Cable Networks etc.	1200.48	(1.78)	154.92	1353.63
7	Vehicles	2.95	0.02	0.05	2.98
8	Furniture & fixtures	1.70	0.34	0.03	2.08
9	Office Equipments	7.16	0.24	0.33	7.72
10	Expenditure on Assets not belonging to company	3.79	0.00	25.28	29.07
	Total (1 to 10)	1639.06	2.24	302.96	1944.26

1.96. Details of opening accumulated depreciation, addition during the year, adjustment during the year and closing balance of the accumulated depreciation are as follows:

Table 38 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of East Discom (Rs. Crore)

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2008	Addition during the Year	Adjustment	Closing balance of Depreciation on 31.03.2009
1	Land, Land rights and lease hold	0.14	0.02	0.02	0.17
2	Building and Civil Works	12.15	0.62	(5.96)	6.81
3	Hydraulic Works	7.29	0.17	0.30	7.76
4	Other Civil Works	1.46	0.06	0.09	1.62
5	Plant & Machinery	239.79	18.78	5.67	264.24
6	Line Cable Networks etc.	790.66	64.68	42.74	898.08
7	Communication equipment	-	-	-	-
8	Meters, including metering equipment	-	-	-	-
9	Vehicles	2.73	0.05	0.07	2.65
10	Furniture & fixtures	1.52	0.03	-0.13	1.62
11	Office Equipments	3.47	0.67	0.58	4.72

Sr.	Particulars	Opening balance of	Addition	Adjustment	Closing balance of
12	Assets of Partnership projects etc. (included in above heads)	-	-	-	-
13	Assets taken over & pending final valuation	-	-	-	-
14	Any other items	-	-	-	-
15	Total (1 to 14)	1,059.21	85.07	43.38	1,187.66
16	Depreciation capitalised	-	-	-	-
17	Net depreciation (15-16)	1,059.21	85.07	43.38	1,187.66

1.97. In reply to a query asked by the Commission to submit depreciation based on rates specified in MPERC tariff regulations, East Discom submitted the depreciation separately for FY 2005-06, FY 2006-07, FY 2007-08 and FY 2008-09 as Rs. 43.85 Crore, Rs. 55.89 Crore, Rs. 58.57 Crore and Rs. 66.62 Crore respectively.

West Discom:

1.98. West Discom has claimed depreciation on fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994. Discom further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted.

1.99. On the basis of the audited accounts for FY 2008-09, the Discom has claimed opening balance of the fixed assets as on April 1, 2008 as Rs. 1805.22 Crore, addition during the year of Rs. 180.69 Crore thus closing balance of the fixed assets is Rs. 1985.91 Crore. Depreciation claimed by the West Discom is Rs. 96.28 Crore as against the depreciation of Rs. 36.11 Crore admitted in the tariff order for FY 2008-09. Further, West Discom also submitted the adjustment in depreciation on account of notification of final opening balance sheet as Rs 122.72 Crore. The submission of the West Discom of depreciation is shown in the table below :

Table 39 : Details of GFA for FY 2008-09 (Rs. Crore)

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2008	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2009
1	Land & Land rights	4.96	(0.08)	4.87
2	Building and Civil Works	33.08	0.25	33.34
3	Hydraulic Works	6.55	0.02	6.56
4	Other Civil Works	2.95	(0.06)	2.89
5	Plant & Machinery	583.85	84.57	668.42
6	Line Cable Networks etc.	1255.08	94.19	1255.08
9	Vehicles	5.19	0.08	5.27

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2008	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2009
10	Furniture & fixtures	2.00	0.12	2.13
11	Office Equipments	5.75	1.58	7.34
	Total (1 to 11)	1,805.22	180.69	1985.91

1.100. Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation on Fixed Assets on Straight Line Method provided in the Central Government Circular No. S.O.266 (E) dated 29th March, 1994 is shown in the table below:

Table 40 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of West Discom (Rs. Crore)

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2008	Additions during the year	Changes during the year (due to final opening balance sheet)	Closing balance of Depreciation as in 31.03.09
1	Land & Land rights	0.08	0.02	0.00	0.09
2	Building and Civil Works	12.41	0.98	0.92	14.31
3	Hydraulic Works	3.17	0.11	0.17	3.45
4	Other Civil Works	1.61	0.08	0.07	1.75
5	Plant & Machinery	311.08	29.74	37.71	378.53
6	Line Cable Networks etc.	729.09	64.66	83.42	877.18
7	Vehicles	4.67	(0.01)	(0.10)	4.56
8	Furniture & fixtures	1.51	0.07	0.09	1.67
9	Office Equipments	2.09	0.64	0.43	3.16
10	Total (1 to 11)	1065.71	96.28	122.72	1284.71

1.101. West Discom further claimed Rs. 102.86 Crore as the difference of depreciation admitted in true up orders and depreciation based on finalization of opening Balance sheet from FY 2005-06 to FY 2007-08 as shown in the Table below:

Table 41 : Depreciation claimed up to FY 2007-08 based on final Balance Sheet (Rs. Crore)

Year	Depreciation as per Account (Based on final Opening Balance Sheet)	Depreciation admitted in true-up orders	Difference	Depreciation as per regulation 2005
	(1)	(2)	(1)-(2)	

Year	Depreciation as per Account (Based on final Opening Balance Sheet)	Depreciation admitted in true-up orders	Difference	Depreciation as per regulation 2005
	(1)	(2)	(1)-(2)	
FY 2005-06	64.16	54.82	9.34	64.16
FY 2006-07	78.73	33.87	44.86	39.20
FY 2007-08	87.68	39.02	48.66	44.08
Total	230.57	127.71	102.86	147.44

1.102. West Discom has also submitted the depreciation of Rs. 47.71 Crore for FY 2008-09 as per the rates specified in the MPERC tariff regulation, 2006. However, in the petition it has claimed depreciation by applying the rate of depreciation notified by Ministry of Power Government of India.

Central Discom:

1.103. Central Discom has claimed depreciation on fixed assets based on depreciation rate specified by the Commission in the MPERC tariff regulations, 2006. Central Discom further submitted that the Commission vide truing up order for FY 2007-08 has stated that final view on effects of the opening balance sheet will be taken as and when it would be filed in future true-ups. The depreciation as indicated vide GoMP notification no. 3679/FRA/18/13/2002 dated May 31, 2005 will be considered as and when filed. Accordingly, effect of final opening balance sheet notified by GoMP on June 12, 2008 has been considered and reworked the financial statements for FY 2005-06, FY 2006-07 and FY 2007-08.

1.104. Central Discom submitted the re-worked depreciation as per MPERC tariff regulation, 2006 for FY 2007-08 as shown below:-

Table 42 : Details of reworked GFA and Depreciation for FY 2007-08 (Rs. Crore)

S. No.	Particulars	Gross Block GFA			Depreciation				
		Opening Gross Block	Asset added during the year	Closing Gross Block	Opening Accumulated Depreciation	Depreciation on Old Assets	Depreciation on Assets Added	Total Depreciation during the year	Closing Accumulated Depreciation
1	Unclassified assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Land &	6.94	0.00	6.94	0.44	0.00	0.00	0.00	0.44

S. No.	Particulars	Gross Block GFA			Depreciation				
		Opening	Asset	Closing	Opening	Depreciatio	Depreci	Total	Closing
	Land Rights								
3	Leaseholds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Buildings	17.56	3.73	21.29	7.16	0.32	0.03	0.35	7.51
5	Hydraulic Works	1.33	0.00	1.33	0.90	0.03	0.00	0.03	0.94
6	Railway sidings & Roads	0.99	0.00	0.99	0.42	0.02	0.00	0.02	0.44
7	Plant and Machinery	491.45	213.26	704.71	390.24	29.49	6.40	35.88	426.13
8	Lines Cable Network	872.57	126.80	999.38	576.02	31.41	2.28	33.70	609.72
9	Furniture and Fixtures	1.40	0.21	1.61	3.62	0.08	0.01	0.09	4.22
10	Office Equipment	3.54	1.13	4.67	1.37	0.21	0.03	0.25	1.62
11	Vehicle	3.28	0.01	3.29	4.13	0.59	0.00	0.59	4.72
12	Capital expenditure on assets not owned by board	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Miscellaneous Equipments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	1,399.06	345.16	1,744.21	984.31	62.15	8.76	70.91	1,055.73

1.105. Central Discom further submitted that according to Para 1.107 and 1.108 of the true-up order of FY 2007-08 dated April 13, 2010, the Commission has admitted depreciation of Rs 30.34 Crore and accordingly the balance claim of depreciation on account of final opening Balance Sheet is Rs. 40.57 Crore (Rs. 70.91 Crore-Rs. 30.34 Crore) claimed in their petition.

1.106. On the basis of the audited accounts for FY 2008-09, the Central Discom has claimed opening balance of the fixed assets as on April 01, 2008 as Rs. 1744.21 Crore, addition during the year of Rs. 300.40 Crore. Thus closing balance of the fixed assets is Rs. 2044.62 Crore. Depreciation claimed by the Central Discom in true-up petition is Rs. 87.33 Crore as against the deprecation admitted in the tariff order for FY 2008-09 of Rs. 28.88 Crore. Details submitted by the Central Discom are shown in the table below:

Table 43 : Details of GFA for FY 2008-09 (Rs. Crore)

S. No.	Particulars	Opening balance of GFA as on 01.04.2008	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2009
1	Unclassified assets	0.00	0.00	0.00
2	Land & Land Rights	6.94	0.00	6.94
3	Leaseholds	0.00	1.04	1.04
4	Buildings	21.29	0.54	21.83
5	Hydraulic Works	1.33	0.00	1.33
6	Railway sidings & Roads	0.99	0.03	1.02
7	Plant and Machinery	704.71	186.27	890.98
8	Lines Cable Network	999.38	108.83	1,108.20
9	Furniture and Fixtures	1.61	0.20	1.81
10	Office Equipment	4.67	3.41	8.08
11	Vehicle	3.29	0.09	3.38
12	Capital expenditure on assets not owned by board	0.00	0.00	0.00
13	Intangible Assets	0.00	0.00	0.00
14	Miscellaneous Equipments	0.00	0.00	0.00
	Total	1,744.21	300.40	2,044.62

1.107. Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation as per CERC norms submitted by Central Discom are as follows:

Table 44 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of Central Discom as per CERC norms for FY 2008-09 (Rs. Crore)

S. No.	Particulars	Depreciation				
		Opening Accumulated Depreciation	Depreciation on Old Assets	Depreciation on Assets Added	Total Depreciation during the year	Closing Accumulated Depreciation
1	Unclassified assets	0.00	0.00	0.00	0.00	0.00
2	Land & Land Rights	0.44	0.00	0.00	0.00	0.44
3	Leaseholds	0.00	0.00	0.00	0.00	0.00
4	Buildings	7.51	0.38	0.00	0.39	7.90

S. No.	Particulars	Depreciation				
		Opening	Depreciation	Depreciation	Total	Closing
5	Hydraulic Works	0.94	0.03	0.00	0.03	0.97
6	Railway sidings & Roads	0.44	0.02	0.00	0.02	0.45
7	Plant and Machinery	426.13	42.28	5.59	47.87	474.00
8	Lines Cable Network	609.72	35.98	1.96	37.94	647.65
9	Furniture and Fixtures	4.22	0.10	0.01	0.10	4.82
10	Office Equipment	1.62	0.28	0.10	0.38	2.00
11	Vehicle	4.72	0.59	0.01	0.60	5.32
12	Capital expenditure not owned by board	0.00	0.00	0.00	0.00	0.00
13	Intangible Assets	0.00	0.00	0.00	0.00	0.00
14	Miscellaneous Equipments	0.00	0.00	0.00	0.00	0.00
	Total	1,055.73	79.66	7.67	87.33	1,143.56

Table 45 : Depreciation claimed by Central Discom for FY 2008-09 (Rs. Crore)

Sr. No.	Particulars	Admitted in the tariff order (A)	As claimed (B)	Variance (B-A)
1	Land and Building rights	0.01	0.03	0.02
2	Building & Civil Works	0.30	0.84	0.54
3	Hydraulic Works	0.07	0.03	(0.04)
4	Other Civil Works	0.01	0.03	0.02
5	Plant & Machinery	4.96	28.95	23.99
6	Line Cable Networks etc.	22.43	56.92	34.49
7	Vehicles	-	0.00	0.00
8	Furniture & Fixtures	0.02	0.06	0.04
9	Office Equipments	0.25	0.49	0.24
11	Total	28.06	87.35	59.29
	Depreciation for FY 06 as per tariff order	0.82		(0.82)
	Total Depreciation	28.88	87.35	58.47

1.108. Accordingly, Central Discom claimed Rs 127.92 Crore (i.e., Rs 87.35 Crore for FY 2008-09 + Rs 40.57 Crore for FY 2007-08) of total depreciation including balance claim of depreciation on account of final opening balance sheet.

Commission's analysis on depreciation claims:

1.109. The Commission has specified the following methodology for computation of depreciation in the tariff Regulations notified on November 10, 2006:

1. *The value base for the purpose of depreciation shall be historical cost.*
2. *Depreciation rates for determination of allowable depreciation shall be as per Annexure-I of the Regulation.*

1.110. Depreciation rates given in the above Regulations are same as the depreciation rates specified in Central Electricity Regulatory Commission (CERC) Regulations. However, depreciation claimed by the distribution licensees are based on Central Government's circular No. S. O. 266 (E) dated March 29, 1994 except Central Discom, which has claimed depreciation based on MPERC tariff regulations, 2006. In the true-up order for FY 2005-06 dated January 16, 2008 the Commission had clarified that irrespective of the accounting practice followed by the Discoms, the Commission will admit depreciation as per the depreciation rates specified in the tariff regulations.

1.111. Further, Discoms have submitted the effect of finalization of opening balance sheets for the period FY 2005-06 to FY 2007-08 which is a step in the right direction and will lead to effective formulation of long term business plans of the utilities. As regards, the effect of finalization of opening balance sheets for the period FY 2005-06 to FY 2007-08, the Commission has already undertaken true up of the said years based on the provisional accounts submitted by the Discoms. Accordingly prudent expenditure has been considered in said true-ups to ensure that adequate costs are passed on to Discoms. However, in case Discoms had made expenditure different from the expenditure admitted by the Commission on account of the variation in finalization of opening balance sheet then the effect of the same need to be considered. However, the Commission is of the view that consequent to the change in opening balance sheets some of the items of ARR may have got changed and considering the effect of the same will be a detailed exercise which will be undertaken separately but not in this true-up order. Discoms may file separate petitions to claim the effect of final opening balance sheets for the period FY 2005-06 to FY 2007-08.

1.112. As regards the effect of final opening balance sheets in FY 2008-09, the Commission has recomputed the depreciation considering the adjustment in GFA submitted by the Discoms in the audited accounts for FY 2008-09.

- 1.113. Further, the Commission has observed that the opening GFA of Central Discom for FY 2008-09 is not matching with the closing GFA for FY 2007-08 as per audited account in the truing up for FY 2007-08. Central Discom has taken the effect of adjustment of GFA in the opening GFA for FY 2008-09 instead of considering during the year. However, the Commission does not find it appropriate to make adjustment in the opening GFA for FY 2008-09. Therefore, the Commission has considered opening GFA for FY 2008-09 same as closing GFA for FY 2007-08 as admitted in the truing up for FY 2007-08. The difference of the opening GFA for FY 2008-09 and closing GFA for FY 2007-08 has been considered as GFA adjustment for FY 2008-09. Accordingly, the Commission has considered the adjustment in GFA for East, West and Central Discoms as Rs 2.25 Crore, Rs 119.82 Crore and Rs 56.37 Crore, respectively, for computing the depreciation for FY 2008-09.
- 1.114. As regards depreciation rate, the Commission has observed that the depreciation claims as have been submitted by West and Central Discoms as per MPERC tariff regulations, 2006 are Rs.47.71 Crore and Rs. 87.35 Crore. In reply to the query of the Commission regarding depreciation claims as per MPERC Tariff Regulations, 2006, East Discom has submitted depreciation claim of Rs. 66.62 Crore.
- 1.115. The Commission has observed that depreciation claimed by the Discoms have not been duly substantiated with the detailed asset wise registers to ensure that claims made are only against those assets which have not been fully depreciated. Discoms also did not submit these details despite repetitive directions in the past. The Commission has observed that the East, West and Central Discoms have claimed depreciation rates of 5.01%, 3.37% and 4.83% respectively which are higher than the depreciation rates considered by the Commission in FY 2007-08 truing up order. Thus, any abrupt change in the weighted average depreciation rate would not be prudent for consideration. Accordingly, in this true up order the Commission has considered the same depreciation rates .i.e. 2.12%, 2.24%, and 2.00% for East, West and Central Discoms, as considered in the true up order for FY 2007-08. The Commission further states that a final view would be taken as and when detailed Fixed Asset Register is filed. The Commission has admitted depreciation for FY 2008-09 as shown in the table below:

Table 46 : Depreciation admitted (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Opening GFA on April 1, 2008 (as per audited balance sheet)	1639.06	1805.22	1687.85	5,132.13
Addition to GFA during the year net of Consumer Contribution	124.11	-22.91	183.72	284.92
Closing GFA on 31 March, 2009	1763.17	1782.31	1871.57	5,417.05
Average GFA	1701.11	1793.77	1779.71	5,274.59
Rate of Depreciation	2.12%	2.24%	2.00%	2.12%
Depreciation admitted by the Commission	36.06	40.18	35.59	111.83

Other items of ARR

1.116. Apart from the above discussed components of ARR, there are certain other items which form part of the Aggregate Revenue Requirement. These include bad debts, other miscellaneous expenditure, any prior period expenses / credits, income tax and fringe benefit tax etc. These components are analyzed in the following section:

Bad and doubtful debts**Licensees' submission:**

1.117. Discoms have claimed the bad and doubtful debts as per the audited accounts as shown in the table below:

Table 47 : Bad Debts claimed by distribution licensees (Rs. Crore)

Discoms	Bad Debts actually Written off (Current Assets)	Provision for Bad Debts write-off	Total Charged to P&L Account
East	0.00	22.30	22.30
West	25.92	77.88	103.80
Central	23.80	152.73	176.53

Commission's Analysis on Bad and Doubtful debts:

1.118. It has been observed from the above table that East Discom has not actually written-off any bad debts. Out of total bad debts claimed in the petition Rs 22.30 Crore charged to P&L account is the provisioning for bad debt. West Discom has actually written-off Rs. 25.92 Crore as bad debts out of a total of Rs. 103.80 Crore charged to P&L account. In case of Central Discom, it has claimed to have actually written-off the bad debt of Rs.23.80 Crore out of total amount of Rs. 176.53 Crore charged to P&L account.

1.119. The tariff regulations provide for allowing bad debts as amount actually written-off subject to the maximum of 1% of the sales revenue. The Commission has noted that bad and doubtful debts actually written off for West and Central distribution licensees are lower than the maximum permissible limit i.e. 1% of sales revenue as specified in the MPERC Tariff Regulations, 2006 while the East Discom has not actually written-off any bad debts. Further, vide letter dated October 24, 2013 the Commission had asked Discoms to submit the details of actual bad debt written-off and delayed payment surcharge. In reply, East, West and Central Discoms submitted segregation of actual bad and doubtful debt into delayed payment surcharge written off, principal amount written off under any scheme or otherwise, as shown in the table below:

Table 48 : Segregation of actual Bad Debts submitted by distribution licensees (Rs. Crore)

Actual bad debt written off	East Discom	West Discom	Central Discom	State
Delayed payment surcharge	15.62	25.92	38.71	80.25
Principal amount written off under any scheme	0.00	0.00	2.70	2.70
Principal amount actual written off without any scheme	0.00	0.00	0.00	0.00
Total actual bad debt written off	15.62	25.92	41.41	82.95

1.120. As regards delayed payment surcharge, the Commission has already taken a view in truing up order for FY 2007-08 that the surcharge is not an income therefore the amount written-off against it shall also not be considered as expense. The Commission has also not considered principal amount written off under any scheme as it has been waived off by the company.

1.121. Discoms have neither stated the efforts they made for recovery of the principal amount nor given any reasoning for such waiver except that waiver has been made under some scheme. Accordingly, no expenses are admitted against actual bad and doubtful debts for East, West and Central Discom.

Any other expenses

Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit)

Licensees' submission:

1.122. The Discoms have claimed the following expenses under misc. losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 49 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Discoms (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
Misc. Losses & Write-offs	16.58	0.98	0.42
Sundry Expenses		0.48	
Net Prior Period Charges / (Credit)	52.80	(25.89)	73.87
Extra ordinary credits (including losses on account of flood, fire, cyclone etc)	(4.04)		(50.59)
Total other expenses claimed in this true-up	65.34	(24.42)	23.69

Commission's Analysis:

- 1.123. The Commission has observed that Discoms have not provided any details with regard to other expenses claimed. In this regard, vide letter dated October 24, 2013, the Commission directed Discoms to submit the details of claims of expenses against misc. losses & write-offs / sundry expenses / net prior period charges – (credits) . In response West and Central Discoms have re-submitted the expenses figures of break-up of items as available in their audited annual accounts with no further details or explanation. The Commission has given due consideration for admitting the expenses based on the details furnished by the Discoms.
- 1.124. East Discom has submitted that it has considered impact of final opening balance sheet on various items. The effect of changes in various items of profit and loss account for the last three financial years was given in the profit and loss account of FY 2008-09 as Extraordinary Items.
- 1.125. East Discom has further submitted that sundry expenses also includes amount of surcharge of Rs. 15.62 Crore waived off under Krishak Rahat Yojna and Suvidha Yojna schemes. East Discom has submitted that prior period items include:
- i). Employee cost related to previous year amounting Rs. 49.22 Crore due to wage revision arrears had been discharged by the company whereas the provision for the same was supposed to be made by the MPSEB in its books of accounts during the FY 2003-04 and FY 2004-05.
 - ii). Interest and other finance charges related to previous year Rs. 3.57 Crore covered in prior period expenses was recorded as per the statutory auditor's suggestion. The interest income on RGGVY from Oriental Bank of Commerce is to be treated as a part of capital grant and hence, the interest income taken in FY 2006-07, FY 2007-08 are treated as prior period expenses and consequently credited to 55.300 capital account.
- 1.126. Considering above submissions of the Discoms, the Commission has undertaken detailed head wise analysis of Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) as claimed in the petition and mentioned in the audited accounts of the Discoms.
- 1.127. As regards the other expenses claimed by East Discom, the Commission has observed that Extraordinary Items are primarily pertaining to effect of final opening balance sheet. The Commission has already stated that the effect of final opening balance sheet will be dealt separately. Thus in this true-up order the Commission has not considered the prior-period expenses.
- 1.128. Employee cost has been claimed by East Discom against arrears of previous years as Rs 49.22 Crore. However, it is observed that this amount has not been actually disbursed in 2008-09. The Commission has included the amount of arrears for disbursement in FY 2010-11 and for subsequent period in MYT regulation.

- 1.129. Therefore, any claim with regard to prior period employee expenses has not been considered in this true-up. Further, as regards earning of interest related to previous years as Rs 3.57 Crore against RGGVY grants, the Commission has not considered the same in this true-up as the Commission has already undertaken true up of previous years on normative basis.
- 1.130. The expenses against write -off of the surcharge under Krishak Rahat Yojna & Suvidha Yojna claimed by East discom under miscellaneous losses have not been considered by the Commission as the surcharge has been waived off by the company. Thus, based on the detailed analysis of various heads mentioned in the audited annual accounts, the Commission has considered miscellaneous losses, surcharge and write off as Rs 0.96 Crore, extra ordinary items expenses of Rs (15.03) Crore including other misc. receipts, and bad & doubtful debts for East Discom.
- 1.131. West Discom has claimed excess provision for interest and finance charges in prior periods as Rs 0.05 Crore and other excess provision in prior periods as Rs 5.81 Crore, operating expenses of previous years as Rs 14.66 Crore, employees cost relating to previous years as Rs 1.13 Crore and interest and other finance relating to previous years as Rs 1.18 Crore. The Commission has not considered the prior period charges as requisite details have not been furnished.
- 1.132. Accordingly the Commission has considered miscellaneous losses, surcharge and write off as Rs 0.98 Crore, interest income for prior periods as Rs 16.00 Crore and other income related to prior periods as Rs 21.00 Crore.
- 1.133. Central Discom has considered short provision for income tax Rs 0.13 lakh and supplementary energy bill for June, 06 to March 07 as Rs 73.87 Crore under the head of prior period expenses. Central Discom has further submitted expenses under extra ordinary items as Rs (50.59) Crore, which includes impact of finalisation of balance sheet on depreciation and interest and financial charges. Since the Commission has not considered the expenses on account of finalisation of opening Balance Sheets Therefore, 0.42 Crore as other expenses have been considered under misc. losses and write-off.
- 1.134. Accordingly, the Commission admits the expenses against the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 50 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) admitted by Commission (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Miscellaneous losses& Write-offs	0.96	0.98	0.42	2.36
Sundry Expenses		0.48		0.48
Net prior period charges	0.00	(37.00)	0.00	(37.00)
Interest Income for Prior Periods		(16.00)		(16.00)
Other income related to prior periods		(21.00)		(21.00)
Extra ordinary items	(15.03)	0.00	0.00	(15.03)

Particulars	East Discom	West Discom	Central Discom	Total
Other misc. Receipts	(5.88)			(5.88)
Bad & Doubtful Debts provided for dues from Cons.	(113.14)			(113.14)
Bad debts written-off from consumers	103.99			103.99
Total other expenses admitted by the Commission	(14.07)	(35.54)	0.42	(49.19)
Admitted in tariff order	0.00	1.10	0.00	1.10

Fringe Benefit Tax

Licensees' submission:

1.135. As per the audited accounts and true-up petitions of the Licensees, the following expenses under fringe benefit tax have been claimed:

Table 51 : Fringe Benefit Tax claimed by distribution licensees (Rs. Crore)

Particulars	East	West	Central	Total
Provision for Fringe Benefit Tax	1.09	0.60	0.50	2.19

1.136. As regards the Commission's query regarding details of fringe tax paid, East, West and Central Distribution licensees submitted that actual tax paid for FY 2008-09 is nil and therefore no expense under this item has been considered.

Reserved as per order on true-up of FY 2007-08

1.137. West Discom submitted that as per truing-up order of FY 2007-08 dated April 13, 2010 para 1.45 as stated below:

"1.45 The detailed scrutiny of the information filed to substantiate the power purchase cost as indicated in the audited accounts of the Distribution Companies revealed that the West discom had included Rs.201.45 crore as short term power purchase for FY 2006-07 for which no further details have been submitted in the petition. This amount has, therefore, not been considered in this true up and shall be considered as and when proper justification for its admissibility is submitted by the said discom. This amount has been reduced from the power purchase cost as indicated in the audited accounts of West discom."

1.138. West Discom has claimed of Rs. 201.45 Crore for short term power purchase of FY 2007-08 in FY 2008-09 truing-up ARR. The Commission finds West Discom claim as valid as the claim made is not against any short term purchase from the market but against the infirm power purchase from CGS stations. Thus, the Commission has admitted the same in this order.

Treatment of true-up of DISCOMs for the period June, 2005 to March, 2006

1.139. The Commission had included the Surplus/(Gap) of Discoms admitted in the truing up of FY 2005-06 in the tariff order dated March 29, 2008. Surplus/ (Gap) amount included in the tariff order of FY 2008-09 for East, West and Central Discoms are Rs. 85.48 Crore, Rs. (118.27) Crore and Rs. 31.69 Crore respectively. However, the Commission has observed that Discoms have not claimed the impact of truing up Surplus/(Gap) amount of FY 2005-06. The Commission has considered the amount of East, West and Central Discoms of Rs. 85.48 Crore, Rs. (118.27) Crore and Rs. 31.69 Crore in the truing-up for FY 2008-09.

2. REVENUE FROM SALE OF POWER

Sale of Power

East Discom

- 2.1. The Commission had admitted the 7369.81 MU sales at the revenue of Rs. 2779.53 Crore for various categories of consumers as projected by the East Discom, in the Distribution and Retail Supply tariff order for FY 2008-09,. . The Licensee couldn't achieve the projected sales. The actual sales as filed are 6028.08 MU and the revenue was Rs. 2261.46 Crore including subsidy of Rs. 188.65 and provision of Rs. 3.53 Crore made for unbilled revenue in the books of account.

West Discom

- 2.2. The Commission had admitted the 9881.49 MUs sales at the revenue of Rs. 3527.88 Crore for various categories of consumers as projected by the West Discom, in the Distribution and Retail Supply tariff order for FY 2008-09. . The Licensee couldn't achieve the projected sales. The actual sales as filed are 8331.28 MUs and the revenue was Rs. 2973.54 Crore excluding tariff subsidy of Rs.394.71 Crore.

Central Discom

- 2.3. The Commission had admitted 7120.49 MUs sales at the revenue of Rs. 2694.06 Crore for various categories of consumers as projected by the Central Discom, in the Distribution and Retail Supply tariff order for FY 2008-09. The Discom submitted that on a best effort basis it couldn't meet the projected sales. The actual sales as filed are 6605.40 MUs and the revenue was Rs. 2556.43 Crore including subsidy.

Commission's Analysis

- 2.4. Discoms have booked the revenue from sale of power excluding subsidy and other income to the tune of Rs. 2047.33 Crore, Rs. 2578.83 Crore and Rs. 2196.10 Crore for East, West and Central distribution licensees respectively as per their audited accounts.
- 2.5. As per the petitions, Discoms had implemented retail tariffs as per the tariff order FY 2008-09. Based on the same the following revenue has been booked in the audited accounts.

Table 52 : Revenue from sale of power as per Audited accounts

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power (Rs. Crore)	2047.33	2578.83	2196.10	6822.26

2.6. Discoms have received tariff subsidy from State Government other than the revenue from sale of power as reported in the audited balance sheets. Discoms have also received other income and non-tariff income during FY 2008-09 as shown in the audited accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following income, as reported in audited accounts, for this true-up exercise :

- Non-tariff income
- Subsidy received from State Govt.
- Other income

Non Tariff income

2.7. In addition to the revenue from sale of power, the non-tariff income has been considered separately as stated below for Discoms as per their respective audited accounts:

Table 53 : Non tariff income (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Misc. charges from consumers	7.73	1.32	16.63	25.68
2	Income from wheeling charges	0.13	18.54	0.00	18.67
3	Meter rent	13.69	16.11	13.35	43.15
4	Recoveries for theft of Power/Malpractice	3.94	25.44	2.09	31.46
5	Total non tariff income	25.48	61.42	32.06	118.96

Subsidy and Grants

2.8. The Licensees' audited accounts for FY 2008-09 reveal the receipts of revenue subsidy of Rs. 188.65 Crore, Rs. 394.71 Crore and Rs. 360.33 Crore from the Government of Madhya Pradesh by East, West and Central Discoms respectively., The Commission has considered this amount in the income of Discoms being a part of the revenue from sale of power to the subsidized consumers in this true-up order, as shown in the table below.

Table 54 : Subsidy and Grants (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Subsidy and Grants received from GoMP in Rs. Crore	188.65	394.71	360.33	943.69

Other Income

Licensees' Submission

2.9. Discoms have claimed other income as per audited accounts as shown in the table below.

Table 55 : Other Income claimed (as per audited accounts) by Discoms (Rs. Crore.)

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
A	Income from Investment, Fixed & Call Deposits				
1	Interest from Banks		0.01	0.22	0.23
2	Interest on FDR/Investment	1.52	2.04	0.44	4.00
A	Sub-Total (A)	1.52	2.05	0.67	4.23
B	Other non tariff income				
1	Delayed Payment Surcharge	146.99	147.86	130.05	424.90
2	Interest & Penal Interest on Advance to Suppliers		0.35	0.32	0.67
3	Interest on loans and Advances to staff	0.18	0.08	0.30	0.56
4	Scrap Sales			11.92	11.92
5	Lease Rent			0.07	0.07
6	Staff Recoveries			3.55	3.55
7	Income/Fee/Collection against staff welfare activities	0.03	0.005		0.035
8	Miscellaneous services/receipts	14.75	15.98	3.37	34.11
9	Income from trading (Other than electricity)		4.17		4.17
B	Sub-Total (B)	161.96	168.44	149.58	479.99
C	Total Other Income (A+B)	163.48	170.49	150.25	484.21
D	Total Other Income (excluding DPS) (C – B1)	16.48	22.63	20.20	59.32

2.10. The Commission has not considered the delayed payment surcharge as part of income of the Discoms in accordance with the provisions of MPERC tariff regulations, 2006 as any additional interest on working capital for the delayed payment is also not considered.

2.11. Accordingly, the Commission admits the other income of Rs. 16.48 Crore, Rs 22.63 Crore, and Rs 20.20 Crore for East, West and Central Discoms.

2.12. Based on the preceding explanations, the total revenue admitted by the Commission for the period April, 2008 to March, 2009 is shown in the table below:

Table 56 : Total Revenue, Non-tariff Income and Subsidy admitted (Rs. Crore.)

Name of the distribution company	Revenue from sale of power	Non-tariff Income	Revenue Subsidies from GoMP	Other income (excluding DPS)	Total Revenue income admitted for true-up
East Discom	2,047.33	25.48	188.65	16.48	2,277.94
West Discom	2,578.83	61.42	394.71	22.63	3,057.59
Central Discom	2,196.10	32.06	360.33	20.20	2,608.69
Total	6,822.26	118.96	943.69	59.32	7,944.23

3. REVENUE SURPLUS / (DEFICIT) ADMITTED

3.1. Based on the scrutiny of various cost components regarding revenue income and expenditure of the Discoms, the Commission considers the following surplus / (deficit) for the period April' 08 to March' 09 as allowable for pass through in the ARR for subsequent period, for recovery by the Licensee through retail tariffs as shown in the table below:

Table 57 : Revenue Surplus / (Deficit) admitted in true-up of ARR for FY 2008-09 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				
Tariff Income	2,047.33	2,578.83	2,196.10	6,822.26
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	25.48	61.42	32.06	118.96
Other Income	163.48	170.49	150.25	484.22
Less : Delayed Payment Surcharge	146.99	147.86	130.05	424.90
Subsidy	188.65	394.71	360.33	943.69
Total Income (A)	2,277.95	3,057.59	2,608.69	7,944.23
EXPENSES				
Power Purchase				
Power Purchase Cost	1,886.54	2,448.56	1,783.32	6,118.42
MP Transco Charges	224.55	281.55	241.11	747.21
Total Power Purchase (Incl. Transmission) (B)	2,111.09	2,730.11	2,024.43	6,865.63
O&M Expenses (Net of Capitalisation)				
Employee Expenses	322.19	304.03	301.25	927.46
A&G Expenses	55.80	29.63	37.12	122.55
R&M Expenses	30.69	34.99	40.33	106.01
Total O&M (C)	408.68	368.65	378.70	1,156.02
Other Expenses				
Depreciation	36.06	40.18	35.59	111.84
Interest & Financing Charges on Project Loans	18.83	18.97	27.62	65.41
Interest and Finance Charges on working capital loans	0.00	1.89	0.00	1.89
Interest on Consumer Security Deposit	13.27	19.90	15.29	48.46
Return on Equity	62.57	73.75	64.50	200.82

Particulars	East Discom	West Discom	Central Discom	Total For State
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	(14.07)	(35.54)	0.42	(49.19)
Tax	0.00	0.00	0.00	0.00
Total Other Expenses (D)	116.67	119.15	143.42	379.23
Reserved as per order on true-up of FY 2007-08 (E)	0.00	201.45	0.00	201.45
Total Expenses F = (B + C + D+E)	2,636.44	3,419.36	2,546.54	8,602.34
Revenue Surplus / (Gap) G = (A-F)	(358.49)	(361.77)	62.15	(658.11)
Additional revenue (Gap)/Surplus due to true-up of MP DISCOMs for the period June, 2005 to March, 2006 (H)	85.48	(118.27)	31.69	(1.10)
Net Surplus / (Gap) I= (G+H)	(273.01)	(480.04)	93.84	(659.21)

4. PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' PETITIONS:

Date of publication of public notice in newspapers: 8th & 9th August 2013

Last date for receiving the objections: 31st August, 2013

- 4.1. In response to the public notices issued by the Discoms, the objections received against the petition filed by the West, East and Central Discom were only three. The list of the objectors is given below:

Table 58 : List of Objectors

Sl. No.	Name of the Objector
1.	M/s Ujjas Energy Ltd.
2.	Electricity Consumers Society
3.	Vardhman Yarns
4.	The Madhya Pradesh Textile Mills Association

Date of public hearing: 02nd September, 2013

- 4.2. Suggestions from the objectors and response of the Discoms thereon are summarized in the following paragraphs.

Issue No. 1: Excess Expenditure

Issue raised by objector:

- 1) Objector submitted that normative ARR components were achievable with reasonable efficiencies. However, the Discoms have failed to achieve the reasonable efficiencies in operations.
- 2) Objector submitted that the Commission has been revising the retail tariff almost every year since 2001. These tariffs were fixed based on admitted ARR which takes into account past performance and reasonable efficiencies. Thus, the true up costs if any should have been marginal surplus or deficit. The picture however is entirely different and is against any normal expectations.

Response of Discoms:

- 1) West Discom submitted that the cost claimed in the petition is based on the provision of the tariff regulations and Annual Audited Accounts of the Company. Further justification and explanation regarding each element of the cost has also been given in the petition.
- 2) Central Discom submitted that the figures admitted in tariff order are based on the estimation and the actual expenditure may be different on account of various reasons which have been elaborated in the true- up Petition.
- 3) East Discom has not submitted any reply.

Commission's view:

The Commission has undertaken detailed analysis of the reasons submitted by Discoms for the increase in actual expenses of the ARR components vis-a-vis the ARR admitted by the Commission in the tariff order for admitting the expenses in true-up in accordance with the provisions of MPERC tariff regulations, 2006. Thus the Commission has admitted cost based on normative levels, that too, after due prudence check for expenses against each item of ARR.

Issue No. 2: Reconciliation of figures with the Annual Accounts

Issue raised by objector:

- 1) Objector submitted that true up costs have been prepared as per tariff regulations and the actual cost have been taken from the audited balance sheets, thus the following needs to be clearly brought out through the statement of Profit & Loss Accounts as per Balance Sheet:
 - a) The revenue such as delayed payment surcharge etc. has not been considered.
 - b) Subsidies from State Government should be reconciled with State Govt. accounts.
 - c) Some expenditure has been considered as notional and not actual.
- 2) Objector submitted that true up cost may also reflect a statement of cash losses incurred and how these are met such as deferring payment to supplier, defaulting on payment of interest and principle amount of loans etc.. It is further submitted that the gap must also be reflected in the defaults and the same should be considered as a part of true up amount.

Response of Discoms:

- 1) West Discom submitted that the true-up petition has been submitted before the Commission strictly as per Formats prescribed in the Regulations.
- 2) Central Discom submitted that the
 - a. Revenue has been charged as per Regulations.
 - b. Subsidies from State Government are reconciled with State Government.
 - c. All the expenses in the Books have been taken on accrual basis.

- 3) Central Discom submitted that the Company's Books of Accounts have been prepared on accrual basis. It is therefore difficult to match these with cash losses incurred.

Commission's view:

The Commission agrees with the submission of the Discoms that it is not possible to match the true-up amount filed in the petition and loss amount mentioned in the audited accounts. However, the Commission has carried out the detailed prudence check of each item of the expenditure in accordance with the provisions of tariff regulations and has not considered any provisioning of expense in the accounts of the Discoms unless it is actually incurred prudently.

Issue No. 3: Interest on working capital

Issue raised by objector:

Objector submitted that the interest on Working capital is notional and may not be admitted.

Response of Discoms:

Discoms submitted that the interest on working capital has been claimed in the petition based on the provisions of the regulations and audited accounts. It has been further submitted that the actual interest on working capital is much higher than the amount claimed in the petition.

Commission's view:

The Commission has computed the interest on Working capital as per provisions of tariff regulations while carrying out the trueing up.

Issue No. 4: Depreciation

Issue raised by objector:

- 1) As West Discom has submitted that the depreciation is not a cash flow and thus it is suggested that it may be limited to what is admitted in the approved ARR.
- 2) It is suggested that depreciation should be admitted as per Company's Act 1956 and not on the basis of Generally Accepted Accounting Principles and accounting standards as submitted by the Central Discom.

Response of Discoms:

- 1) West Discom submitted that the depreciation claimed in the petition is as per the provision of the regulation.
- 2) Central Discom has not submitted the reply.

Commission's view:

The Commission has computed the depreciation expense as per the tariff regulations based on GFA addition admitted during the year.

Issue No. 5: Return on Equity**Issue raised by objector:**

Objector requested the Commission that the return on equity be limited to what is admitted in the tariff order.

Response of Discoms:

West and Central Discom submitted that the return on equity claimed in the petition is as per the provision of the tariff regulation. It further submitted that in the tariff order, Return on Equity was admitted based on estimated equity component of capitalization of assets however in the true-up order, Return on Equity should be admitted considering the actual capitalisation of assets.

Commission's view:

The Commission has computed the revised Return on Equity as per the tariff regulations based on GFA addition admitted during the year.

Issue No. 6: Revenue & Other Income**Issue raised by objector:**

- 1) Objector submitted that the other income figures are not consistent and need to be checked. He further requested that the delayed payment surcharge be considered as income which will reduce deficit significantly.
- 2) Objector submitted that a certain rate of realization per unit is admitted by the Commission. It is seen the actual rate is much lower in spite of the increase in H.T. consumption, lowering of agriculture consumption and a large amount available as State Government subsidy. He requested the Commission to examine the same.

Response of Discoms:

- 1) West Discom submitted that the other income shown in the petition is based on audited accounts of the Company. It further submitted that the revenue amount shown in the petition is based on the audited accounts of the Company.
- 2) Central Discom submitted that as per MPERC Regulation {RG-35(I) of 2012} Clause No. 41, the Delayed Payment Surcharge is not considered as income. It further submitted it is not correct to say that agriculture consumption is lowering which may be observed from the following figures:-

Year	Consumption (in MUs)
2011-12	2790.11
2010-11	2536.98
2009-10	2305.27
2008-09	2209.40

Moreover as far as the subsidy from the Government is concerned, it is mainly tariff subsidy i.e. subsidy on account of the subsidized billing to those consumers for which GoMP is willing to give subsidy.

Commission's view:

The Commission has undertaken head wise detailed prudence check of the other income submitted by the Discoms in the petition as well as in the audited accounts. The other income has been admitted accordingly.

As regards Delayed Payment Surcharge, the Commission agrees with the submission of Discoms that Delayed Payment Surcharge cannot be considered as revenue in accordance with the provisions of tariff regulations as Commission does not allow any additional interest on working capital for the delayed payment by Discoms.

Issue No. 7: Power Purchase and Transmission Charges

Issue raised by objector:

- 1) Objector submitted that the true up amount claimed by the Discoms and the cost of power purchased is very high. He submitted that it is quite evident that during the two financial years either Distribution losses have increased than the prescribed trajectory or power have been purchased at higher cost than the approved by the Commission. Objector requested the Commission to examine the excess power drawal and cost of power purchased before deciding the claim of Discoms.
- 2) Objector sought following clarification regarding the abnormal increase in the Power Purchase cost:
 - a) Whether increase in the power purchase was approved by the Commission?
 - b) Whether the power purchase costs are reasonable?
 - c) If penalties for overdrawn power are levied these are within reasonable limits.
 - d) Whether any such costs already admitted to Generation & Transmission company and considered in ARR?
 - e) Whether the T & D losses were within prescribed limits?

Response of Discoms:

- 1) The Discoms submitted that the
 - a. Power purchases are approved/ admitted by the Commission.
 - b. Power Purchase cost is reasonable.
 - c. Overdrawn power is within reasonable limits.
 - d. Power Purchase cost pertains to Generation & Transmission Companies.
 - e. The Licensee is trying its level best to curb the T&D losses.
- 2) Discoms further submitted that the approved ARR presents projections on the basis of previous years' actual data while the true-up is based on actual data for a particular year. Hence there

may be variation between data shown in True-up and admitted ARR in the tariff order. Further the power purchase cost also varied due to reasons like variation in inflation etc. Further reasons observed for the variation in claimed power purchase cost in true-up with respect to admitted cost in tariff order are as under:

- a. Being a distribution licensee, it is obligatory for Discoms to provide supply as per the requirement of the consumer. Thus the quantum of power purchased also varies.
- b. It can be observed from the power purchase cost that in some cases charges based on actual and paid to the generating stations are different than admitted in tariff order.

Commission's view:

The Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchased by the Discoms as detailed in preceding sections of this order.

Issue No. 8: Operation & Maintenance (O&M) Cost

Issue raised by objector:

- 1) Objector requested the Commission to consider and approve the O&M claim as per the norms of the relevant Clauses of the Regulation.
- 2) Objector requested the Commission to allow the Operation & Maintenance Costs as the lowest of the following two:
 - a) O& M costs as per Regulations with GFA calculations fully checked.
 - b) Actual O & M costs, however the increase in A&G expenses and R&M expenses may not be admitted.

Response of Discoms:

- 1) West Discom submitted that the cost claimed in the petition is based on the provision of the Regulation and Audited Annual Accounts of the Company. Further justification and explanation regarding each element of the cost has also been given in the petition.
- 2) Central Discom submitted that the O&M expenses should be admitted on the actual basis.

Commission's view:

The Commission has admitted actual O&M cost after undertaking prudence check of the details submitted by the Discoms as elaborated in the preceding sections of this order

Issue No. 9: Interest & Finance Charges

Issue raised by objector:

- 1) Objector requested the Commission to allow the Interest & Finance Charges as lowest of the actual payments and interest charges as approved in the tariff order.
- 2) Objector submitted that the Interest & Finance Charges are normative figures considering 70% as loan net of consumer's contribution. As regard the same, he suggested that the lowest of the following may be admitted as Interest & Finance Charges:
 - a) The charges approved in tariff order.
 - b) The actual payment

Response of Discoms:

West Discom submitted that the interest and finance charges claimed in the petition are as per the provisions of the regulation and audited accounts of the company.

East and Central Discom have not submitted any reply.

Commission's view:

The Commission has computed the Interest and Finance Charges as per the tariff regulations based on admitted GFA addition.

Issue No. 10: Interest on Consumer Security Deposits

Issue raised by objector:

Objector requested the Commission to permit the interest on consumer security deposits in accordance to Security Deposit, Regulation, 2005 along with its amendments.

Response of Discoms:

Discoms have not submitted any reply.

Commission's view:

The Commission has approved the Interest on Consumer Deposit in accordance with the prevailing tariff regulations.

Issue No. 11: Bad and Doubtful Debts

Issue raised by objector:

- 1) Objector requested the Commission that the actual bad and doubtful debts waived off may be admitted as 1% in accordance to the relevant Regulation.

- 2) Objector submitted that the list of bad and doubtful debts actually waived off be admitted after the list is made public.

Response of Discoms:

- 1) West Discom submitted that the details of actual bad and doubtful debt written off have already been given in the petition.
- 2) Central Discom submitted that as per the accounting policies, the bad and doubtful debts are accounted for in the financial statements.

Commission's view:

The Commission has admitted the Bad and Doubtful Debts in accordance with the tariff regulations duly applying prudence check of each sub-item as detailed in the relevant preceding section of this order.

Issue No. 12: Taxes

Issue raised by objector:

Objector submitted that only the Actual statutory payments of tax may be admitted.

Response of Discoms:

Discoms submitted that the true-up filing is based on the actual expenses and the same may be allowed as legitimate expenses.

Commission's view:

For trueing up purpose the Commission has considered the actual income tax paid by the Discoms.

Issue No. 13: Financial Position of Discoms.

Issue raised by objector:

- 1) Objector submitted that the tariff has fixed based on approved ARR which takes into consideration past performance and efficiency, thus the true up claims is on a very high side. This shows a very grim financial position of the Discoms which requires immediate attention to improve their financial status. He requested the Commission to examine the true up petitions as per relevant Regulation, Guidelines and their directive on the ARR for the period of true up.
- 2) Objector submitted that such a significant gap concludes that the Discoms have become financially sick and beyond redemption. As regard the same, he suggested to
 - a) Declare the Discoms sick and procedures similar to Board for Industrial & Financial Reconstruction be initiated.
 - b) Discoms should be offered to power ministry for financial restructuring. The loss burden can then be shared by State and Central Govt. and the banks. The consumers will be spared of the burden.

- c) Form a high level Committee comprising of power sector experts be appointed to find out reasons of failure and suggest remedial measures.

Response of Discoms:

Discoms have not submitted the reply.

Commission's view:

While carrying out the truing up the Commission has carried out detailed analysis including reasons submitted by Discoms for variations in admitted and actual expenditure and has admitted the expenses against various items of ARR after undertaking detailed prudence check of the actual expenditure submitted by the Discoms. Other issues mentioned by the objector do not relate directly to the subject petition, which is a truing up exercise for the past period.

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