

**BEFORE**  
**MEGHALAYA STATE ELECTRICITY REGULATORY**  
**COMMISSION, SHILLONG**

**PETITION**  
**FOR**  
**TRUE UP OF FY 2016-17**

**FILED BY**



**MEGHALAYA POWER DISTRIBUTION**  
**CORPORATION LTD.**

**LumJingshai, Short Round Road, Shillong - 793 001**

**BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION**

At its office at Lower Lachumiere, Shillong – 793001

FILE / PETITION NO.....

IN THE MATTER OF

TRUE UP OF DISTRIBUTION BUSINESS FOR FY 2016-17 UNDER THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTIONS 62 & 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED, LUMJINGSHAI, SHILLONG – 793001, MEGHALAYA

**PETITIONER**

*The Petitioner respectfully submits as under:*

1. In exercising its powers conferred under the section 131 and 133 of the Electricity Act 2003, the State Government of Meghalaya notified “The Meghalaya Power Sector Reforms Transfer Scheme 2010” on 31st March 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities namely
  - a. **Meghalaya Energy Corporation Limited (MeECL)**: the Holding Company;
  - b. **Meghalaya Power Distribution Corporation Limited (MePDCL)**: the Distribution Utility;
  - c. **Meghalaya Power Generation Corporation Limited (MePGCL)**: the Generation Utility;
  - d. **Meghalaya Power Transmission Corporation Limited (MePTCL)**: the Transmission Utility.
2. However, the holding company - MeECL carried out the functions of distribution, generation and transmission utilities from 1st April 2010 onwards, even after restructuring. Therefore, through notification dated 31st March 2012, State Government notified an amendment to The Power Sector Reforms Transfer Scheme leading to effective unbundling of MeECL into MeECL (Holding Company), MePDCL (Distribution Utility), MePGCL (Generation utility) and MePTCL (Transmission Utility) from 1st April 2012.
3. On 23rd December 2013, the Government of Meghalaya has issued the latest transfer scheme notification thereby notifying the Assets and Liabilities as on 1st April 2010 to be vested in MeECL. Subsequently, the Government of Meghalaya has notified the 4<sup>th</sup> Amendment to the Notified Transfer Scheme dated 31st March 2010 on 29th April 2015, wherein the opening balances of all the four entities namely, MePGCL, MePTCL, MePDCL and MeECL as on 1st April 2012 have been notified.
4. MePDCL has begun segregated commercial operations as an independent entity from 1st April 2013.
5. The petitioner has submitted the actual expenses of MePDCL for truing up of FY 2016-17 based on the audited Statement of Accounts. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePDCL and MeECL for FY 2016-17 and C&AG comments for year ending 31<sup>st</sup> March 2017 of MePDCL are appended as **Annexure-A, Annexure B and Annexure C respectively**.
6. The expenses of the holding company, MeECL is apportioned equally among the generation, transmission and distribution utilities since the MeECL is an administrative setup for all the three subsidiaries and undertakes common corporate functions of the three companies.

7. The Meghalaya State Electricity Regulatory Commission (hereinafter referred to as “MSERC” or “the Hon’ble Commission”) is an independent statutory body constituted under the provisions of Part – X (Sections 76 to 109) of the Electricity Act (EA), 2003. The Hon’ble Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.
8. In exercise of its powers, MSERC had determined the segregated Aggregate Revenue Requirement (ARR) for MePDCL and tariff for FY 2016-17 in its tariff order dated 31st March 2016, in accordance with the MSERC Tariff Regulations, 2014.
9. Now, based on the provisions of Regulation 15 of the Tariff Regulations, 2014, MePDCL files this petition for approving the true-up of FY 2016-17.
10. The Board of Directors of MePDCL have accorded approval for filing of this petition and authorized the undersigned to file the petition accordingly. The copy of the Board’s resolution is hereby enclosed as **Annexure-D**.
11. The applicant, therefore, humbly prays before the Hon’ble Commission to pass appropriate order on the following:
  - a) Approval of true-up of expenses and revenue for FY 2016-17 as proposed in this Petition and allow the recovery of the true up gap in the tariff of FY 2019-20.
  - b) To pass such orders, as Hon’ble Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.
  - c) To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

(P Sahkhar)  
Superintending Engineer (R.A)

For and on behalf of  
Meghalaya Power Distribution Corporation Ltd

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## **1 Introduction**

### **1.1 Provisions of Law for True-up**

- 1.1.1 The Hon'ble Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15<sup>th</sup> September 2014. It is submitted that the Regulation 1.4 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) regulations, 2014 since amended, states as under:

*" 1.4 These Regulations shall be applicable for the determination of tariff in all cases covered under these regulations effective from April 1, 2015 and onwards up to 31<sup>st</sup> March 2018 and also for the next MYT control period beginning from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2021.*

*However, for all purpose including the review matters pertaining to the period prior to notification of these Regulations, the issues related to determination of tariff shall be governed by Regulation MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011."*

- 1.1.2 It is submitted that this Petition True up for FY 2016-17 is hereby filed, based on the information received for FY 2016-17, Audited Statement of Accounts of the utility and pursuant to the initial Tariff Order dated 31<sup>st</sup> March 2016.

- 1.1.3 The Hon'ble Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15<sup>th</sup> September 2014 which is applicable for determination of tariff effective from 1 April 2015. Regulation 6.2 (c) (i) of the said Regulations specifies that a mid-term review petition must comprise truing up of the previous year i.e. the first year of the control period. Regulation 11 of the said Regulations lays down the general guiding principles for truing up and the provisions of the said Regulations are reproduced below for reference:

#### ***"11. Truing-Up***

*11.1 Where the Aggregate Revenue Requirement and expected revenue from tariff and charges of a Generating Company or Transmission Licensee or Distribution Licensee is covered under a Multi-Year Tariff framework, then such Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.*

*11.2 The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:*

*11.3 Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:*

*11.4 Provided further that once the Commission notifies the Regulations for submission of Regulatory Accounts applications for tariff determination and truing up shall be based on the Regulatory Accounts.*

*11.5 The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:*

- a) a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors;*
- b) Review of compliance with directives issued by the Commission from time to time;*
- c) Other relevant details, if any.*

*11.6 In respect of the expenses incurred by the Generating Company, Transmission Licensee and Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an applicant vis-a-vis the approved forecast as part of the truing up.*

*11.7 Upon completion of the truing up under Regulation 11.4 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 12 below, to factors within the control of the applicant (controllable factors) or to factors beyond the control of the applicant (uncontrollable factors):*

*Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 12.1 below shall be attributed entirely to controllable factors.*

*11.8 Upon completion of the Truing Up, the Commission shall pass an order recording:*

- a) the approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations;*
- b) Components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous year, shall be pass through as per Regulation 13 of these Regulations;*
- c) Tariff determined for the ensuing year.”*

*Provided further that a Mid-term Review of the Business Plan may be sought by the Generating Company, Transmission Licensee and Distribution Licensee through an application...”*

1.1.4 Section 61 & Section 62(c) & (d) of Electricity Act 2003 empower the Hon'ble Commission to determine tariff for wheeling and retail sale of electricity for the Distribution Licensee.

## **1.2 Submissions before the Hon'ble Commission**

1.2.1 MePDCL hereby submits the petition under section 61, 62(1)(c) & 62(1)(d) of the Electricity Act, 2003 and MSERC (Multi Year Tariff) Regulations, 2014 for approval of True Up FY 2016-17.

1.2.2 Parik & Co has been appointed as Statutory Auditor of MePDCL, and M/s V. Singhi has been appointed as Statutory Auditor of MeECL. The firms are chartered Accountancy firms, appointed as Statutory Auditors for the FY 2016-17 by the Comptroller & Auditor General of India (C&AG).

## 2 Truing Up for FY 2016-17

### 2.1 Background

While approving the ARR for FY 2016-17 in the MYT control period, and further review order on the same, the Hon'ble Commission had considered the pre-audited Statement of Accounts of FY 2012-13 and Audited Statement of Accounts of FY 2011-12. Now, since the audited Statement of Accounts for FY 2016-17 for MePDCL and MeECL are available, and as such, MePDCL is claiming the truing up of ARR of FY 2016-17 based on the actual figures as per the audited account statements with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePDCL and MeECL for FY 2016-17 and C&AG comments for year ending 31<sup>st</sup> March 2017 of MePDCL are appended as **Annexure-A, Annexure B and Annexure C respectively.**

### 2.2 Performance

#### 2.2.1 Availability of Energy:

The power availability in the state of Meghalaya is primarily from three key sources- (a) from the generating stations of MePGCL, (b) from the allocated share of central power sector generating companies like NEEPCO, NHPC and NTPC etc. and (c) from short term power purchase from IEX/bilateral trade and banking etc. The comparison of actual source wise energy availability and the approved energy availability in FY 2016-17, is provided in the table below:

**Table 1: Energy Available to MePDCL from various sources in FY 2016-17**

Sr. No.	Source	Approved availability (MUs)	Actual availability (MUs)
A	MePGCL	1107	823.43
B	Outside purchase		
1	NTPC	222	189.67
2	NHPC Loktak HEP	50	0.00
3	NEEPCO	556	119.46
4	OTPC Pallatana GPP	346	436.79
5	Free Power	58	75.13
C	Short Term (Bilateral/ Banking/ UI etc.)		
1	Mittal Processors Pvt. Ltd. (MPPL) – Swapping		204.18
2	Mittal Processors Pvt. Ltd. (MPPL) – Exchange		9.01
3	Meghalaya Power Ltd. (MPL) –Swapping		60.30
4	ACL (Swapping)		24.18
5	Power Trading Corporation India Ltd (PTCIL) - Swapping		22.32
6	Unscheduled Interchange (UI)		60.72
7	APPCL(Swap)		45.40
<b>D</b>	<b>Total Availability</b>	<b>2339.00</b>	<b>2070.59</b>

It may be observed from the above table that the actual power availability from MePGCL and central power sector utilities was less than the approved figures and as such, MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market etc. to meet the demand.

Also, power regulation from NEEPCO resulted in lower availability of power from the allocated sources.

Further, MePDCL would like to submit that under short term sources, MePDCL purchased most of the power under swapping arrangements during the lean season to meet the deficit by swapping power from the surplus monsoon season.

#### 2.2.2 Energy Sales:

The comparison of actual category wise energy sold to consumers and the approved sales by the Hon'ble Commission is shown in the table below:

**Table 2: Comparison of Energy Sales in FY 2016-17 (in MU)**

Sl. No.	Consumer Category	Approved in TO dt 31.03.2016	MePDCL Actual
	<b>LT Category</b>		
1	Domestic (DLT) (Including MeECL Establishments).	401.00	379.61
2	Commercial (CLT)	87.00	61.88
3	Industrial (ILT)	7.00	5.06
4	Agriculture (AP)	0.11	0.10
5	Public Lighting (PL)	1.52	0.45
6	Water Supply (WSLT)	12.00	10.52
7	General Purpose	32.00	21.86
8	Kutir Jyoti	26.00	24.62
9	Crematorium	0.19	0.20
	<b>HT Category</b>		
10	Industrial (HT)	230.00	141.65
11	Water Supply (WS HT)	31.00	24.07
12	Domestic (DHT)	25.00	20.47
13	Commercial (CHT)	29.00	25.75
14	Bulk Supply (HT)	56.00	64.75
	<b>EHT Category</b>		
15	Industrial (EHT)	160.00	173.64
16	ASEB (General purpose)	20.00	17.75
	<b>Total</b>	<b>1117.82</b>	<b>972.38</b>

The actual sales in FY 2016-17 for most of the categories (except industrial and domestic) were similar to the approved sales and there was an increase of demand in these categories in accordance with the increase considered in the ARR projections. While Industrial (HT) category saw less than approved sale but Industrial (EHT) witnessed higher than approved sale. The Domestic and commercial (LT) consumption is also increasing gradually due to population growth, commitment to 24x7 power supply across all categories of consumers along with rapid electrification in the rural areas under the impetus of GoI's

### 2.2.3 T&D losses:

The Hon'ble Commission had provided a target of 26% for overall T&D losses in FY 2016-17 and had accordingly worked out the availability of the power and energy to be sold during the year. The figure of 26% is inclusive of the intra state transmission losses in the network of MePTCL and the sub-transmission and distribution losses in the network of MePDCL.

However, the actual T&D losses in FY 2016-17 is shown in the table below:

**Table 3: Computation of T&D Losses for FY 2016-17**

Sr. No.	Particulars	Calculation	Amount
1	Power purchased from the Eastern Region (ER)	A	0
2	Inter-state transmission loss for ER	B	2.12%
3	Net power purchased from the ER	$C=A*(1-B)$	0



Sr. No.	Particulars	Calculation	Amount
4	Power purchased from the North -Eastern Region (NER)	D	821.1
5	Inter-state transmission loss for NER	E	3.20%
6	Net power available at state bus from external sources on long term	$F=(C+D)*(1-E)$	794.78
7	Power purchased from generating stations within the state	G	823.43
8	Power purchased from other sources	H	426.11
9	Power sold to other states (including swapping/UI/bilateral)	I	505.54
10	Net power available at state bus for sale of power within the state	$J=F+G+H-I$	1,538.77
11	Power sold to consumers within the state	K	972.38
12	Transmission & Distribution Losses	$L=J-K$	566.39
13	<b>Transmission &amp; Distribution Losses (%)</b>	<b><math>M=L/J</math></b>	<b>36.81%</b>

MePDCL submits before the Hon'ble Commission to kindly allow the actual T&D losses of 36.81% since the losses have increased on account of increased supply to rural areas and small LT domestic and KutirJyoti consumers and increase of LT:HT ratio. The HT sales are reducing on account of open access and the LT sales are increasing on account of rural electrification schemes and increased supply. The Utility is striving hard to improve the distribution infrastructure to deliver 24\*7 reliable power supply to all its consumers and at the same time down its losses through efficiency measures, which will lead to financial improvement of the licensee.

MePDCL submits the Hon'ble Commission to reconsider the T&D losses and approve the actual T&D losses as shown above.

### 2.3 Determination of Components of Annual Revenue Requirement (ARR) FY 2016-17

#### 2.3.1 Calculation Methodology

The Audited Statement of Accounts along with Statutory Audit Report and C&AG Report of MePDCL are now available and based on which, MePDCL has prepared the comparison of ARR sub components for FY 2016-17 and arrived at net Gap/ Surplus of the ARR components.

Since MeECL is a common holding company performing integrated common functions of all the three successor companies, the ARR of MeECL is to be shared by the three successor companies. As per the approach adopted by the Hon'ble Commission in its past Tariff Orders, MePDCL has considered equal allocations of ARR components of the holding company MeECL in the respective ARR of the three successor companies. As such, the figures of each component of ARR of the distribution company have been arrived at by adding the respective figure from the accounts of MePDCL and one third of the respective figures from the accounts of MeECL.

### 2.3.2 Components of Tariff

In accordance with the MYT Tariff Regulations 2014, the ARR of Distribution Company shall comprise of following components:

- (1) Power Purchase Cost Including Transmission Charges
- (2) Operation and Maintenance Expenses
- (3) Interest on Loan Capital
- (4) Interest on Working Capital
- (5) Depreciation as may be allowed by the Commission
- (6) Return on Equity as may be allowed by the Commission
- (7) Taxes on Income.
- (8) Provision of bad and doubtful debts

### 2.3.3 Power Purchase Cost

As provided earlier, MePDCL had procured power from Central generating stations, from generating stations of MePGCL as well as from other sources like exchange/swapping etc. All the State Generating stations being hydro are seasonal in nature and the annual generation depends on the rainfall for the year. In addition to this, there are power regulation on discom by NEEPCO. Taking all these factors into account, the power availability from the central generating stations and the generating stations of MePGCL was less than the approved figures; MePDCL had to resort to short-term power purchase to meet the demand.

A comparison of source wise power purchase cost as per the Audited Accounts and approved Power Purchase Cost as per the Tariff Order for FY 2016-17 is shown in the following table.

**Table 4: Source wise Power Purchase Cost for FY 2016-17**

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Including Supplementary Bills (Rs Cr))	Unit cost/kWh
<b>NTPC</b>						
Farakka	28.00	11.41	4.07	0.00	0.04	
Kahalgaon I	15.00	6.07	4.05	0.00	0.34	
Kahalgaon II	75.00	29.11	3.88	0.00	-0.23	
Talcher	18.00	4.48	2.49	0.00	0.23	
Bongaigoan	86.00	35.29	4.10	189.67	105.23	5.55
				0.00	0.00	
<b>OTPC</b>				0.00	0.00	
OTPC Pallatana	346.00	85.89	2.48	436.79	130.19	2.98
				0.00	0.00	
<b>NEEPCO</b>				0.00	0.00	
Kopili Stage-I	85.00	8.66	1.02	17.36	60.71	34.98
Kopili Stage-II	8.00	1.41	1.77	0.70	0.76	10.90
Khandong HEP	17.00	5.45	3.20	2.45	2.77	11.30
Rangandai HEP	131.00	40.40	3.08	14.53	20.95	14.42
Doyang HEP	23.00	10.27	4.47	1.90	7.45	39.16
AGBPP	187.00	65.62	3.51	50.20	39.80	7.93
AGTPP	69.00	26.33	3.82	0.00	0.00	

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (Including Supplementary Bills (Rs Cr))	Unit cost/kWh
AGTPP C-Cycle	36.00	14.63	4.06	32.32	20.06	6.21
Free Power	58.00	0.00	0.00	75.13	0.00	
				0.00	0.00	
<b>NHPC</b>				0.00	0.00	
NHPC Loktak	50.00	15.33	3.07	0.00	3.82	
				0.00	0.00	
<b>MePGCL</b>				0.00	0.00	
Sonapani	5.00	0.94	1.88	7.58	1.18	1.56
Umiam Stage-I HEP	116.00	16.14	1.39	95.55	14.76	1.54
Umiam Stage-II HEP	46.00	8.97	1.95	49.89	9.37	1.88
Umiam Stage-III HEP	139.00	26.91	1.94	64.76	19.74	3.05
Umiam Stage-IV HEP	207.00	26.91	1.30	164.94	24.18	1.47
Umtru HEP	39.00	5.02	1.29	0.00	2.51	
Myntdu Leshka HEP	480.00	135.54	2.82	440.70	130.13	2.95
Umtru New	75.00	19.35	2.58	0.00	0.00	
R.P.O		6.35				
<b>Short Term</b>						
Mittal Processors Pvt. Ltd. (MPPL) - Swapping				204.18	5.40	0.26
Mittal Processors Pvt. Ltd. (MPPL) – Exchange				9.01	2.86	3.17
Meghalaya Power Ltd. (MPL) - Banking				60.30	0.00	0.00
APPCL(Swap)				45.40	1.33	0.29
Power Trading Corporation India Ltd (PTCIL) - Swapping				22.32	1.06	0.48
ACL (Swapping)				24.18	0.00	
Deviation Inter				54.36	11.40	2.10
Deviation Intra				6.36	-0.85	
POSOCO					1.04	
VAR Charges					-0.84	
<b>Total</b>	<b>2339.00</b>	<b>606.48</b>	<b>2.59</b>	<b>2070.59</b>	<b>615.39</b>	<b>2.97</b>

Details of Power Purchase invoices for FY 2016-17 have been attached as **Annexure E**. The actual average rate during FY 2016-17 was Rs. 2.97 per unit, whereas the approved average rate was only Rs. 2.59 per unit. In such a scenario, the power purchase surcharge was an uncontrollable element for the licensee. Since the Power Purchase Costs is legitimate and uncontrollable in nature, the Hon'ble Commission is requested to kindly approve the Power Purchase Cost as shown above while trueing-up.

### 2.3.4 RPO Compliances

Regarding the RPO compliance, it is submitted that MePDCL has not purchased any power from solar and wind sources but has purchased the-solar RECs (worth 2 MUs) during FY 2016-17. It has also procured enough surplus from other renewable sources (basically small hydro) and as such, it request Hon'ble Commission to waive of the remaining RPO compliance for solar. The details of purchase of energy are given below:

**Table 5: Renewable Purchase Obligation Approved**

Minimum quantum of purchase (in %) from renewable energy sources (in kWh) (Approved)					
Solar MUs	Solar (%)	Non Solar (MUs)	Non Solar (%)	Total MUs	Total
4.695	0.42%	17.662	1.58%	22.356	2%

**Table 6: Renewable Purchase Obligation Actual**

Quantum of purchase (in %) from renewable energy sources (in kWh) procured (Actual)					
Solar MUs	Solar (%)	Non Solar (MUs)	Non Solar (%)	Total MUs	Total
2.00	0.21%	58.17	5.98%	60.17	6.19%

**Table 7: Power Purchase from Small Hydro**

Details of Small Hydro for RPO Compliance		
Small Hydro Electric Plant	Installed Capacity (MW)	Power Procured (MU)
Kopili Stage-II	25	0.70
Sonapani	1.5	7.58
Umiam Stage-II	20	49.89
<b>Total</b>		<b>58.17</b>

### 2.3.5 Transmission Charges

MePDCL is required to pay the inter-state transmission charges to PGCIL and the intra-state transmission charges to MePTCL. The former charges are determined by CERC and the latter one is determined by MSERC.

A comparison of the actual and approved transmission charges of FY 2016-17 is given below:

**Table 8: Comparison of Transmission Charges for FY 2016-17 (INR Crore)**

Sr. No.	Particulars	Approved in TO Dated 31.03.2016	Actuals
1	Inter-state transmission charges	58.00	117.15
2	Intra state transmission charges	83.30	83.28
	<b>TOTAL</b>	<b>141.30</b>	<b>200.43</b>

Since the transmission charges are uncontrollable in nature for MePDCL (intra state transmission charges are the charges billed by MePTCL to discom based on approved transmission tariff for FY 2016-17 and the same is also reflected in audited statement of accounts for MePTCL), it is therefore requested before the Hon'ble Commission to kindly approve the transmission charge at Rs 200.43 Cr while truing-up.

### 2.3.6 Operation and Maintenance Expenses (O&M Expenses)

Operations and Maintenance (O&M) Expenses of the Company consists of the following elements:

- Repairs and Maintenance expenses: Repairs and Maintenance Expenses are incurred for the day to day upkeep of the assets of MePDCL and form an integral part of the Company's efforts towards reliable & quality power supply and reduction of losses in the system.
- Employee Expenses: Employee expenses comprise of salaries, dearness allowance, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.
- Administrative and General Expenses: Administrative expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances and other debits.

#### 2.3.6.1 Repairs and Maintenance Expenses (R & M expenses)

Repair & Maintenance expenses are dependent on various factors such as age of assets, nature of terrain, load served, volume of infrastructure, etc. Most of the lines and substations of MePDCL are aged and thus demand more frequent Repairs and Maintenance. The assets of MePDCL are old and require regular maintenance to ensure uninterrupted operations. MePDCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been making necessary expenditure for R&M activities. The R&M Expenses incurred by MePDCL and one-third of that incurred by the holding company, MeECL is as shown below:

**Table 9: R&M expenses for FY 2016-17 (INR Crore)**

<b>R&amp;M Expense</b>	<b>MePDCL</b>
Buildings	0.17
Plant and Equipment	1.61
Hydraulic Works	0.00
Civil Works	0.05
Lines & Cables	7.51
Vehicles	0.32
Furniture and Fixtures	0.04
Office equipment	0.27
<b>R&amp;M Expenses incurred by MePDCL (actuals) (1)</b>	<b>9.96</b>
R&M Expenses of MeECL Apportioned (actuals) (2)	0.098
<b>Net Actual R&amp;M Expense for True up (1+2)</b>	<b>10.06</b>

MePDCL humbly requests Hon'ble Commission to allow the actual R&M expenses of Rs 10.06 Crores for true up of FY 2016-17

#### 2.3.6.2 Employee Expenses

The employee expenses incurred by MePDCL and the share of MeECL to be borne in FY 2016-17 as per the audited Statement of Accounts are as shown below:

**Table 10: Employee expenses for FY 2016-17 (INR Crore)**

<b>Particulars</b>	
Salaries and wages	109.79
Contributions to provident and other funds	22.33
Staff welfare expenses	0.02
<b>Total Employee Expense of MePDCL</b>	<b>132.14</b>
Employee Expenses of MeECL Apportioned (actuals)	4.21
<b>Net Actual Employee Expense for True up</b>	<b>136.35</b>

The summary of the comparison of the actual Employee Expenses for FY 2016-17 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the table below:

**Table 11: True up of Employee Expenses for FY 2016-17 (INR Crore)**

<b>Particulars</b>	<b>Approved in TO Dated 31.03.2016</b>	<b>Actuals</b>
Employee Cost	90.00	136.35

It may be observed that main reason for deviation in the actual and approved Employee expenses can be attributed to arrears from revision of pay order 2010 and 2015 (the implementation of both the pay revisions have taken place during this duration i.e between the period for which baseline was available at the time of MYT finalization and FY 2015-16).

The arrears in Revision of Pay adjusted in FY 2016-17 is Rs 25.52 Cr as per the audited statement of accounts (Adjustment has been done in Salaries and Wages head of Employee Expenses Note 22 and Accounting Code 75).

The licensee would also like to submit that it had not taken into account the terminal liabilities during the projection of employee costs which is INR 21.96 Cr for FY 2016-17 (Accounted in Contribution to provident and other funds head of Employee Expenses) in the audited accounts. It is pertinent to note that the actual employee Expenses in FY 2016-17 has increased only by around 9.8 % from the actual and approved values of FY 2015-16 of INR 124.18 crores. The increase of 9.8 % is justified given the implementation of Revision of Pay and the inflation adjustment wrt previous year.

MePDCL humbly requests Hon'ble Commission to allow the actual employee expense of Rs 136.35 Crores for true up of FY 2016-17

### **2.3.6.3 Administration and General Expenses (A & G Expenses)**

The A & G expenses incurred by MePDCL and the share of MeECL to be borne in FY 2016-17 as per the audited Statement of Accounts is as shown below:

**Table 1: A&G Expenses for FY 2016-17 (INR Crore)**

<b>Particulars</b>	
Insurance Charges	0.04
Bad debts written off	13.93
Rent, Rates and Taxes	0.05
Telegram, Postage, Telegraph and Telex charges	0.18
Training, conveyance and vehicle running expenses	5.20
Printing and stationery expenses	0.43
Auditors' remuneration	0.06
Consultancy Charges	2.93

<b>Particulars</b>	
License and Registration Charges	0.01
Technical fees	0.00
Books & Periodicals	0.00
Fees and subscription expenses	0.00
Advertisement charges	0.10
Legal and professional charges	0.32
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.12
Electricity and Water Charges	0.01
Discount allowed	0.21
Entertainment expenses	0.00
RAPDRP Energy Charges	0.04
Miscellaneous expenses	0.03
<b>A&amp;G Expenses incurred by MePDCL (actuals)</b>	<b>23.65</b>
A&G Expenses of MeECL Apportioned (actuals)	0.68
<b>Net Actual A&amp;G Expense for True up</b>	<b>24.33</b>

The summary of the comparison of the actual A&G Expenses for FY 2016-17 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the Table below:

**Table 2: True up of A&G Expenses for FY 2016-17(INR Crore)**

<b>Particulars</b>	<b>Approved in TO Dated 31.03.2016</b>	<b>Actuals</b>
A&G Expenses	62.00	24.33

MePDCL humbly requests Hon'ble Commission to allow the actual A & G expense of Rs 24.33 Crores for true up of FY 2016-17

### 2.3.7 Depreciation

Depreciation as booked in the Statement of Accounts for FY 2016-17 for MePDCL and the apportioned amount of MeECL for various classes of assets is shown below:

**Table 14: Depreciation for FY 2016-17 (INR Crore)**

<b>Asset Class</b>	<b>MePDCL</b>
Land	0.00
Buildings	0.16
Plant and Equipment	1.53
Furniture and Fixtures	0.03
Vehicles	0.01
Office equipment	0.09
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.00
Other Civil Works	0.10
<b>Lines and Cable Network</b>	<b>13.13</b>
Assets under lease	0.00
Apportioned Depreciation from MeECL	0.22
<b>Total</b>	<b>15.28</b>

Following table shows the comparison of the actual Depreciation vis-à-vis the Depreciation approved by the Hon'ble Commission in its various tariff orders for FY 2016-17.

**Table 15: True up of Depreciation for FY 2016-17 (INR Crore)**

Particulars	Approved in TO Dated 31.03.2015	Actuals
Depreciation	8.36	15.28

MePDCL would like to submit that during the time of approval of ARR of FY 2016-17, the segregated account statements for the new successor companies were not available and as such, the figures were calculated on a provisional basis. Now, since the audited statement of accounts are available, the true up is being done based on the actual value of opening assets and the assets capitalized during the year. It is submitted that the component wise depreciation is computed as per the provisions of Tariff Regulations, 2014. As such, the Hon'ble Commission is requested to kindly approve the actual depreciation as per the audited accounts.

MePDCL humbly requests Hon'ble Commission to allow the depreciation of Rs 15.28Crores for true up of FY 2016-17

### 2.3.8 Interest and Financial Charges

It is submitted that the actual interest cost of Rs. 42.52 Crore of Interest & Finance Charges pertains to project loan for schemes like R APDRP and other State Government schemes as well as various financial charges for raising bank guarantee, security etc. The following table shows the summary of the actual Interest and Finance Charges for FY 2016-17 as per audited statement of accounts (Note 23)

**Table 16: True up of Interest and Finance Charges for FY 2016-17**

Particulars	Amount (in Rs. Cr.)
<b>Interest:</b>	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	4.67
To Others	30.11
Cost of raising finance	0.65
Other banking and guarantee charges	3.63
<b>Total Finance Charges(MePDCL)</b>	<b>39.06</b>
Apportioned Finance Charges from MeECL	3.47
<b>Net Interest and Finance Charges</b>	<b>42.52</b>

Details of Statement of Loans and break up of State Government Loans have been provided as **Annexure F and Annexure G** respectively. It is submitted that Interest & Finance Charges are genuine and legitimate expenditure and the Hon'ble Commission may kindly approve the entire interest & finance charges as shown above, as per Audited Accounts.

### 2.3.9 Interest on Working Capital

Working capital requirement for a distribution utility in Meghalaya is determined on a normative basis by the Regulation 34.3 of MYT Tariff Regulations, 2014. Now, based on the actual data for the components of working capital, the interest on working capital is computed below:



**Table 17: Computation of Interest on Working Capital for FY 2016-17**

<b>Particulars</b>	<b>Amount</b>
O&M for 1 Months (INR Crore) (170.74/12)	14.23
Maintenance Spares (INR Crore) (Calculated on Average Asset Base of Rs 355.625 Cr for MePDCL +1/3 MeECL)	3.56
Receivables for 2 Months (INR Crore) (1217.23-153.76-4.78-50.82)/6	172.63
<b>Total (INR Crore)</b>	<b>190.42</b>
Interest Rate (%)	14.05%
<b>Interest on Working Capital (INR Crore)</b>	<b>26.75</b>

MePDCL humbly requests Hon'ble Commission to allow the Interest on Working Capital of Rs 26.75 Crores for true up of FY 2016-17.

### 2.3.10 Prior Period Expenses

It is submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The following Table provides the details of the Prior Period Expenses for FY 2016-17

**Table 18: Prior Period Expenses for FY 2016-17**

<b>Particulars</b>	<b>Amount in Rs Cr</b>
<b>Expenses</b>	
Short Provision On Power Purchased In Previous Years	0.000
Employees Costs - Relating To Previous Years	0.000
Administration, Operating and General Expenses	0.001
Repairs and Maintenance to Works	0.000
<b>Total Expenses Prior Period</b>	<b>0.001</b>
<b>Incomes</b>	
Interest Income from Banks	8.125
<b>Other Incomes</b>	<b>0.484</b>
Amortization of grants	0.962
<b>Total amount due to C&amp;AG Comments adjustments (Already adjusted in FY 2015-16 True Up Order of Non Tariff Income)</b>	<b>-5.04</b>
<b>Total Income Prior Period</b>	<b>4.531</b>
<b>Net Prior Period Expenses of MeECL Apportioned (actuals)</b>	<b>-0.001</b>
<b>Net Prior Period Items</b>	<b>-4.531</b>

The Hon'ble Commission in its true up order dated 25 Sept 2018 of MePDCL for FY 2015-16 has adjusted non-tariff income by an amount of Rs 5.04 Cr based on the C&AG Comments for FY 2015-16. The licensee has adjusted the same in the 2016-17 audited accounts in the prior period income head (Note 20). Since the Hon'ble Commission has already adjusted the same in true up order for FY 2015-16, the Licensee is reducing the prior period income of FY 2016-17 by the same amount to avoid double adjustment and understatement of ARR for discom.

Based on the above submission for C&AG Comment adjustment and prior period table given above, the Licensee requests the Hon'ble Commission to allow a prior period expense Rs -4.53 Cr [(-)ve as prior period income is greater than prior period expenses] in the true up for FY 2016-17.

### 2.3.11 Amortization

The Hon'ble Commission in the final true up order of FY 2014-15 and FY 2015-16 dated 6 Sept 2018 and 25 Sept 2018 respectively has allowed the amount of amortization as a separate head rather than approving the same under depreciation head.

In line with the same approach as followed by Commission, the Licensee is requesting the Hon'ble Commission to allow the amortization amount of Rs 4.78 Cr as per the audited statement of accounts (Amortization of Grants and Subsidies Head of Note 19).

### 2.3.12 Return on Equity

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the Tariff Regulations, 2014. As per the above provisions of MYT Tariff Regulations, 2014, the computation of Return on Equity is shown below:

**Table 19: True up of Return on Equity for FY 2016-17(INR Crore)**

Sr. No.	Particulars	Actuals
1	Opening Equity 31.03.2016 (Including Equity Pending Allotment)	810.42
2	Closing Equity 31.03.2017 (Including Equity Pending Allotment)	811.62
3	Average Equity for RoE	811.02
4	Equity Capital considered for RoE Computation	811.02
5	RoE (%)	0.14
6	<b>Return on Equity (INR Crore)</b>	<b>113.54</b>

As per Audited Statement of Accounts for MePDCL for FY 2016-17, the average equity base has been considered as INR 811.02 (average of opening and closing balance of equity for FY 2016-17) Crores including average equity capital pending allotment of INR 46.63 Crores). The prevalent regulations does not restrict allowing of return on equity on equity capital pending allotment.

The issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of Hon'ble Commission for Return on Equity is not in line with the Regulations. In sake of brevity, MePDCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice. Hence, the utility would like to retain its methodology as per the past petitions & stand on equity base determination as per the earlier petitions which is in line with MSERC Regulations and Transfer Notification Scheme.

It is therefore prayed before the Hon'ble Commission to kindly approve the Return on Equity of Rs 113.54 for true up of FY 2016-17 as computed above.

### 2.3.13 Other Income

A summary of the other income as per Audited Accounts of MePDCL for FY 2016-17 has been given in the table below:

**Table 19: Other Income in FY 2016-17 (INR Cr)**

Sr. No.	Particulars	Actuals
<b>A</b>	<b>Other Income</b>	
	<b>Interest Income:</b>	
	From Banks	6.78
	From Others	-
	<b>Other non-operating Income:</b>	
	Rental and Hiring Income	0.02
	Discount Received	0.00
	Fees and Penalties	0.00
	Sale of scrap, tender forms and others	0.02
	Miscellaneous receipts	0.22
<b>B</b>	<b>Revenue Subsidies and Grant</b>	
	R.E. Subsidies	20.50
	Revenue Grants for Other Expenditures	2.00
<b>C</b>	<b>Other operating revenues-</b>	
	Meter Rent	2.90
	Margin Money from Regulated Power	35.55
	Reconnection Fees	0.02
	Delayed Payment Charges Collected From Consumers	4.89
	Rebates on Purchase of Energy	0.03
	Other Charges From Consumers	8.56
	Related Party Transactions:	-
	Adjustment of Purchase of Power from Meghalaya Power Generation Corporation Limited (MePGCL)	24.00
	Adjustment of Wheeling (Transmission) Charges from Meghalaya Power Transmission Corporation Limited (MePTCL)	17.03
<b>D</b>	Apportioned Other Income from MeECL	3.98
	<b>Total Non Tariff Income (A + B + C+D)</b>	<b>126.48</b>

It is submitted that MePDCL has been able to increase its Other Income in FY 2016-17 from the approved limits of the Hon'ble Commission and the benefit of the same is proposed to be passed on to the consumers. It is therefore prayed before the Honourable Commission to kindly approve the Other Income as Rs 126.48 for true up of FY 2016-17 as computed above.

#### 2.3.14 Revenue from Sale of Power

A summary of the revenue from sale of power as per Audited Accounts of MePDCL for FY 2016-17 has been given in the table below:

**Table 20: Revenue from sale of power in FY 2016-17 (Rs. Cr)**

Particulars	Approved in TO Dated 31.03.2016	Actuals
Revenue from sale of power within state	696.41	542.82

<b>Particulars</b>	<b>Approved in TO Dated 31.03.2016</b>	<b>Actuals</b>
(including Assam) (Rs in Cr)		
Revenue from sale of short term surplus power outside state (Rs in Cr)	262.07	50.82
<b>TOTAL (Rs in Cr)</b>	<b>958.48</b>	<b>593.65</b>
Units sold within state (MU)	1117.82	972.38
Units sold outside state (MU)	806.64	505.54

**Table 21: Break Up of Units Outside State Sale**

<b>Particulars</b>	<b>Units (MUs)</b>
Swapping	353.38
Exchange	62.59
UI	69.68
Solar	19.89
<b>Total</b>	<b>505.54</b>

It is submitted that the reduction in the revenue is because of the reduced amount of units sold both within the state and outside state and the change in sales mix within the state, which is uncontrollable. Further, it is pertinent to note that out of 505.54 MUs sold outside the state, 353.38 MUs are through swapping which is adjusted with power purchase during different time period. As such, there is no significant revenue earned from the power sold under swapping. As such, the Hon'ble Commission is requested to consider this aspect while allowing the actual revenue from sale of surplus power outside the state. It is pertinent to note that the Hon'ble Commission in its order on 30th March 2017 on review of tariff order of FY 2016-17 had already considered this aspect and allowed the actual revenue from sale of surplus power considering the swapping quantum. Also, the per unit income sale of power through trading is dependent on the market and the same is uncontrollable for MePDCL. As such, MePDCL requests the Hon'ble Commission to allow the revenue as per the audited statement of accounts.

### 2.3.15 Aggregate Technical & Commercial (AT & C) Losses

The total revenue billed for sale of power within the state is Rs. 542.82 crores, which excludes the Electricity Duty billed and the revenue from sale of power outside state.

The revenue collected and AT&C loss for FY 2016-17 is calculated as shown below.

**Table 22: AT&C Loss for FY 2016-17**

<b>Particulars (MePDCL)</b>	<b>Amount</b>
Opening balance of receivables from sale of power within the state	270.19
Revenue from sale of power within the state in FY 2016-17	542.82
<b>Total</b>	<b>813.011</b>
Less: Closing balance of receivables from sale of power within the state	317.48
<b>Revenue realized in FY 2016-17 from sale of power within the state</b>	<b>495.53</b>
<b>Collection Efficiency</b>	<b>91.29%</b>
T&D losses	36.81%
<b>AT&amp;C Losses</b>	<b>42.31%</b>

### 3 Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2016-17

The above section details the actual expense and revenue components along with the difference from the same with the approved figures of MSERC. The explanation for the difference in each of the component has also been provided as required.

MePDCL has also submitted the justification of each component being controllable or uncontrollable on part of MePDCL. Based on the above clause, the table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2016-17 over and above the figures approved by the Honourable Commission in the Tariff order dated 31.03.2016

**Table 23: Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2016-17 (INR Crore)**

Particulars	MePDCL Actuals	Approved in TO dated 31.03.2016	Loss/ (Gain)
Power Purchase Cost	653.15	606.48	46.67
Transmission Charges (PGCIL)	117.15	58.00	59.15
Transmission Charges (MePTCL)	83.28	83.30	(0.02)
Employee Expenses	136.35	90.00	46.35
Repair & Maintenance Expenses	10.06	6.29	3.77
Administration & General Expenses (Including Bad Debt)	24.33	62.00	(37.67)
Depreciation	15.28	8.36	6.92
Interest on Loan	42.52	15.81	26.71
Interest on Working Capital	26.75	17.90	8.85
Prior Period Charges /(Credits)	(4.53)	-	(4.53)
Return on Equity	113.54	9.43	104.11
<b>Total Expenses</b>	<b>1,217.89</b>	<b>957.57</b>	<b>260.32</b>
Less: Non-Tariff Income			
Less: R.E. Subsidy			
Less: Subsidy against Power Purchase	126.48	85.36	41.12
Less: R.E. Subsidy Against Loss On Account Of Flood, Fire Cyclone Etc			
Less: Revenue Grant for Other Expenditure			
Less: Ammortization of Grants	4.78		4.78
Less: Sale of Surplus Power	50.82	262.07	(211.25)
Less: Revenue from Sale of Power	542.82	696.41	(153.59)
Unadjusted Revenue Gap from FY 2016-17 ARR tariff Order to be adjusted in True Up FY 2016-17		24.73	(24.73)
Adjustment due to True Up FY 2011-12, FY 2012-13, FY 2013-14, Prov True Up FY 2014-15 in Tariff Order FY 2016-17		111.00	(111.00)
<b>Net Gap / (Surplus)</b>	<b>492.98</b>	<b>(0.00)</b>	<b>492.98</b>

MePDCL humbly request the Hon'ble Commission to pass through gap of INR 492.98 Crore under the truing up of FY 2016-16 in the ARR of FY 2019-20.