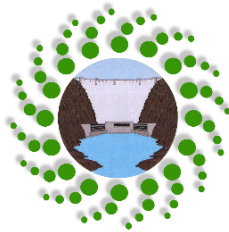


BEFORE  
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION  
SHILLONG

**PETITION**  
FOR  
**REVIEW OF**  
**ORDER DATED 25th SEPTEMBER 2018**  
ON  
**TRUE UP BUSINESS FOR FY 2015-16**

FILED BY



**MePGCL**

Generating Clean And Green Energy

MEGHALAYA POWER GENERATION CORPORATION LIMITED

Lum Jingshai, Short Round Road, Shillong - 793 001

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

FILING NO: \_\_\_\_\_

CASE NO \_\_\_\_\_

IN THE MATTER OF:                   Review Petition filed under Clause 22 of the MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014 , Clause 21 OF MSERC (Conduct Of Business) Regulations 2006 and sections 94 and 181 of Electricity Act 2003, on True Up FY 2015-16 Order of Meghalaya Power Generation Corporation Limited issued by the MSERC on 25<sup>th</sup> September 2018

AND

IN THE MATTER OF:                   Meghalaya Power Generation Corporation Limited  
THE PETITIONER                   Lumjingshai, Shillong

.....**PETITIONER**

THE PETITIONER, UNDER SECTIONS 94, 181 OF THE ELECTRICITY ACT 2003, CLAUSE 21 OF MSERC (CONDUCT OF BUSINESS) REGULATIONS 2006 AND CLAUSE 22 OF MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014, FILES FOR INITIATION OF PROCEEDINGS BY THE HONOURABLE COMMISSION FOR REVIEWING THE ORDER DATED 25-09-2018 FOR TRUE UP OF BUSINESS FOR FY 2015-16 OF MEGHALAYA POWER GENERATION CORPORATION LIMITED (herein after referred to as "MePGCL")

THE MEGHALAYA POWER GENERATION CORPORATION LIMITED RESPECTFULLY SUBMITS:

1. The petitioner, Meghalaya Power Generation Corporation Limited, is a state- owned generating company engaged in the business of generation of electricity.
2. Based on the MSERC (Multi Year Tariff) Regulations, 2014, MePGCL had filed its petition for True Up of FY 2015-16 on 9<sup>th</sup> January,2018.
3. After the admission of the above petitions, the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as 'MSERC' or 'the Hon'ble

Commission') issued the impugned order on 25<sup>th</sup> September 2018.

4. After analysis of the order and examination of the same with respect to the latest relevant data and facts, MePGCL feels that there is a need to review the impugned order dated 25<sup>th</sup> September 2018 based on the submissions, analysis and facts, which have been produced in this review petition, in the subsequent sections.
5. MePGCL prays before the Hon'ble Commission to admit the enclosed petition for review of its order on True Up of Generation Business for FY 2015-16 .

**PRAYER:**

MePGCL prays before the Hon'ble Commission to:

- Condone the delay in submission of this petition and admit the Petition for Review of Generation True Up order of FY 2015-16 dated 25<sup>th</sup> September 2018, as submitted herewith.
- Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.
- Permit submission of any additional information required by the Hon'ble Commission during the processing of this petition.
- And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case,

(A Lyngdoh)  
Superintending Engineer (PM)

For and on behalf of  
Meghalaya Power Generation Corporation Ltd

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## **1. Introduction**

The present petition is being filed as per clause 22 of MSERC (Multi Year Tariff) Regulations 2014, which is reproduced below:

### ***22 Review of Tariff Order***

*22.1 All applications for the review of tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:*

- a) the review petition is filed within sixty days for the date of the tariff order, and / or*
- b) there is an error apparent on the face of the record*

*22.2 On being satisfied that there is a need to review the tariff of any generating company or the licensee, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent of the face of the record.*

As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petitioner or any other person aggrieved by an order of the Hon'ble Commission to file a review petition based on new facts and information, which was/were not considered during the time of issue of order or on account of apparent errors or mistakes. MePGCL, in this petition is requesting the Hon'ble Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

The present petition is also being filed as per clause 21 of MSERC (Conduct of Business) Regulations 2006, which is reproduced below:

*"A person aggrieved by a decision or order of the Commission from which no appeal is preferred, or is not allowed to be preferred, can seek a review of the order if new and important facts which, after the exercise of due diligence, were not within his knowledge or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of record or for any other sufficient reason, by making an application within 60 days of the date of the order."*

Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days from the date of the order of the Hon'ble Commission, which is 25th September, 2018. It is also submitted in this context that MePGCL received a copy of the order only on 26-09-2018. MePGCL submits that due to unavoidable reasons, it is not able to submit this petition before the due date (i.e., 26-11-2018 since 25-11-2018 is sunday) and therefore, prays before the Hon'ble Commission to condone the period of delay from 26-11-2018 till the date of filing (30-11-2018) and kindly admit this review petition.

## **2. Review of True Up FY 2015-16**

### **2.1. Separate Petitions for Generating Stations**

**Clause 41.2** of the MSERC MYT Regulations 2014 states that

*"Tariff in respect of a Generating Station under these Regulations may be determined Stage-wise, Unit-wise or for the whole Generating Station. The terms and conditions for determination of tariff for Generating Stations specified in this Part shall apply in like manner to Stages or Units, as the case may be, as to Generating Stations"*

As per the recent tariff orders as well as the applicable regulations, MePGCL needs to file separate petitions for the different generating plants or stations. In accordance with the directives of the Hon'ble Commission and MSERC Tariff Regulations 2014, MePGCL filed separately true up gap

claims for

- 1) Old plants including Sonapani
- 2) Leshka.

Due to unavailability of segregated accounts for old plants and Sonapani, MePGCL filed a combined petition for all the old plants & Sonapani in accordance with the accepted precedent of filing as followed in the passt.

However, in the present impugned order, the Hon'ble Commission has passed a combined true up order for the Old plants and Leshka. This appears to be a deviation from the existing norms which require filing of separate ARR petitions/costs for different power stations and hence does not reflect the performance of individual stations. Hence, MePGCL requests the Hon'ble Commission to kindly review and pass separate true up gaps for MLHEP and Old Power Stations(including Sonapani). This will be in compliance with the regulations and give better clarity of true gaps for each station not only for the company but to the other stakeholders as well.

## **2.2. Gross Fixed Assets & Capital Cost**

### **2.2.1. MLHEP**

The Hon'ble Commission in its order for Leshka dated 30<sup>th</sup> March 2017, had approved a capital cost of INR 1141.83 crore as certified by statutory auditors, as on 31.03.2013. However, the capital expenditure within the original scope of work continues even after 31-03-2013 . As per Regulation 29 of the MSERC MYT Regulations 2014, additional capitalization is admissible upto FY 2015-16, which was the cut-off date for capital expenditure for the project. The extract of the regulation is reproduced below:-

#### *29. Additional Capitalisation*

*29.1 The following capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:*

- a) Due to Un-discharged liabilities within the original scope of work;*
- b) On works within the original scope of work, deferred for execution;*
- c) To meet award of arbitration and compliance of final and un-appealable order or decree of a court arising out of original scope of works;*
- d) On account of change in law;*
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;*
- f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost:*

The impact of additional capitalisation on tariff shall be considered during True Up of each financial year, as per Regulatorion 29.2.

The audit certificate of capital cost of MLHEP (as on MARCH 31 2016) is attached as **Annexure A**. Hence, the revised capital cost as duly certified by the statutory auditors for Leshka is given below:

Table: Audited Capital Cost for Leshka **(Excluding Infirm Energy of Rs 7.55 Cr)**

S.I No	Particulars	GFA (as on 31.03.2015)	Addition	Rebates/Discount	Asset Values (as on 31.03.2016)
		(INR Crore)	(INR Crore)	(INR Crore)	(INR Crore)
1	Land	28.62	0.85	5.74	23.73
2	Buildings	145.60	0.25	0.03	145.82
3	Hydraulic Works	619.44	1.30	0.79	619.94
4	Other Civil works	116.88	6.63	1.50	122.01
5	Plant & Machinery	363.01	0.68	1.26	362.43
6	Lines & cables	4.54	0.00	-	4.54
7	Vehicles	0.24	0.22	-	0.46
8	Furniture	0.08	-	-	0.08
9	Office Equipment	0.18	-	-	0.18
	<b>Total</b>	1,278.58	9.93	9.32	1,279.19

Out of the net capital cost of INR 1286.74 crore, the revenue from the sale of infirm energy during the trial run is included as INR 7.55 Cr. Hence, the capital cost of Leshka as INR 1279.19 crore was used for computation of O&M Expenses for Leshka.

The Hon'ble Commission has, however, computed the O&M Expenses based on the provisional capital cost of Rs 1134.28 Cr. as on 31.03.2013. At the same time, while computing depreciation in Table 9 of the order, the Hon'ble Commission has considered GFA as Rs. 1283.97 Cr. It may be noted that the audited accounts of FY 2015-16 have been audited by C&AG and the same also reflects the capital cost of MLHEP as Rs. 1279.19 crores.

As such, the Hon'ble Commission may kindly revise the approved capital cost of Leshka as Rs. 1279.19 crores as on 31.03.2016 instead of Rs. 1134.28 crores. This, in turn, will affect the approved O&M Expenses of MLHEP.

### 2.2.2. Old Plants including Sonapani

Based on the audited Statement of Accounts for FY 2015-16, MePGCL requests the Hon'ble Commission to reconsider the asset base including addition of 1/3rd of GFA of MeECL as per the table below (INR 428.5 crores) for further calculations.

<b>MePGCL as a whole (Including MLHEP) (1)</b>	
	<b>(Rs. in crore)</b>
<b>Particulars</b>	<b>FY 2015-16 (Audited)</b>
Opening GFA	1,702.34
Additions during the year	14.67

Retirements during the year	9.32
<b>Closing GFA</b>	<b>1,707.69</b>
<b>MLHEP(2)</b>	
	<b>(Rs. in crore)</b>
<b>Particulars</b>	<b>FY 2015-16 (Audited)</b>
Opening GFA	1,278.58
Additions during the year	9.93
Retirements during the year	9.32
<b>Closing GFA</b>	<b>1,279.19</b>
<b>MePGCL old plants (Excluding MLHEP) +1/3<sup>rd</sup> of MeECL (1-2)</b>	
	<b>(Rs. in crore)</b>
<b>Particulars</b>	<b>FY 2015-16 (Audited)</b>
Opening GFA	423.76
Additions during the year	4.74
Retirements during the year	-
<b>Closing GFA</b>	<b>428.5</b>

### 2.3. Operation and Maintenance

#### 2.3.1. MLHEP

The MePGCL in the previous section has justified the capital cost of Rs 1279.19 Cr as per the capital cost audit certificate attached as Annexure- A. Hence the O&M Expenses for MLHEP in FY 2015-16 , in line with the regulations, is given below:

<b>Particulars</b>	<b>Amount (INR Crore)</b>
<b>Project Cost</b>	<b>1279.19</b>
O&M Expenses for FY 2013-14 (2% of Project Cost)	25.58
O&M Expenses for FY 2014-15 (5.72% escalation over previous Year)	27.05
<b>O&amp;M Expenses for FY 2015-16 (5.72% escalation over previous Year)</b>	<b>28.59</b>

The Hon'ble Commission has allowed O&M Expenses of Rs 25.51 Cr in the true up order. Hence the additional claim for O&M of MLHEP in review is given below:

	<b>FY 2015-16 (Rs. in crore)</b>
<b>MePGCL's Claim of O&amp;M for MLHEP in the true up petition</b>	28.59



<b>Approved O&amp;M for MLHEP by MSERC</b>	25.51
<b>Gap to be passed in the review petition</b>	3.08

The company, as per the section above, is reiterating its claim of Rs 28.59 Cr as O&M cost for MLHEP.

### 2.3.2. Old Plants Including Sonpani

The approved O&M cost of Rs.25.51 crore in the order for FY 2015-16 for old plants is significantly less than the O&M Expenses approved for old plants in true up of FY 2014-15 (Rs 52.27 Cr) by Rs 27 Cr. The Hon'ble Commission has not given any justification on how it arrived at the figure and the reasons for such huge reduction in approved O&M expenses of old plants. It has also not considered the Net O&M Expenses as per the audited statement of accounts.

The sum of O&M Expenses for MePGCL as a whole and apportionment of MeECL expenses as per the audited statement of accounts is given below:

**(Rs. in crore)**

Particulars	For MePGCL (a)	MeECL (C)
Employee Cost	65.70	11.36
R&M Expenses	16.44	0.15
A&G Expenses	36.46	4.4
<b>Total</b>	<b>118.6</b>	<b>15.91</b>

The C&AG in his report/Comments on the accounts of MePGCL and MeECL for FY 2015-16, has not raised any objection /observation against the above O&M Expenditure of MePGCL and MeECL. Hence, the O&M Expenses for old plants including Sonapani will be the net of O&M Expenses as reflected in the Audited Statement of Accounts excluding the O&M Expenses for MLHEP as given below:

**(Rs. in crore)**

Particulars	For MePGCL (a)	For Leshka (b)	MeECL (C)	Total for Old Plants + Sonapani (a + c/3 - b)
Employee Cost	65.70	28.59	11.36	95.34
R&M Expenses	16.44		0.15	
A&G Expenses	36.46		4.4	
<b>Total</b>	<b>118.6</b>		<b>15.91</b>	

The actual O&M Expenses (barring the bad debt in A&G Expenses) in FY 2015-16 has increased by around 21.5% from the actual and approved value of INR 52.27 crores for FY 2014-15. The increase of 21.5% is justified given the implementation of Revision of Pay of 2015. A similar increase has been approved by the Hon'ble Commission for the transmission and distribution companies.

Hence, MePGCL prays before the Hon'ble Commission to kindly allow the additional claim for O&M Expenses as given in the table below:

**(Rs. in crore)**

Particulars	FY 2015-16
MePGCL's Claim of O&M for old plants in the true up petition	95.34

Approved O&M for old plants by MSERC	25.51
<b>Gap to be passed in the review petition</b>	<b>69.95</b>

## 2.4. Return on Equity

The matter relating to the methodology of arriving at the ROE adopted by MePDCL as against that adopted by MSERC in APTEL Case no 46 of 2015, is still subjudice. MePGCL is reiterating the fact that the approved value of Hon'ble Commission for Return on Equity is not in line with the Regulations. For the sake of brevity, MePGCL is not reiterating the details, grounds and justification, which are already covered in the above mentioned case in APTEL.

Hence based on the above, the additional claim of MePGCL for review is given below:

**(Rs. in crore)**

<b>Particulars</b>	<b>FY 2015-16</b>
MePGCL's Claim of Return on Equity for MLHEP @ 14% of Rs. 383.76 crore (1)	53.73
MePGCL's Claim of Return on Equity for Old Plants and Sonapani @ 14% of Rs. 397.22 crore (2)	55.61
<b>MePGCL's Net Claim of Return on Equity in True Up Petition (3=1+2)</b>	<b>109.34</b>
Approved Return on Equity for old plants by MSERC (4)	46.22
<b>Gap to be passed in the review petition (3-4)</b>	<b>63.12</b>

## 2.5. Interest on Loan

### 2.5.1. Old Plants Including Sonapani

The Hon'ble Commission has allowed Interest on Loan for MLHEP at Rs 80.99 Cr. However, the Hon'ble Commission has not taken into account the interest amount of Rs 7.77 Cr on state govt. loans as per the audited statement of accounts. Details of the State Government Loans is given in **Annexure B** as an additional supporting document for claim of the interest amount. The Hon'ble Commission has also not taken onto account the finance charges whose details as per the audited SoA are given below:

**(Rs. in crore)**

<b>Particulars</b>	<b>FY 2015-16</b>
Other Bank Charges	0.002
Guarantee Charges	3.224
<b>Total Other Finance Charges</b>	<b>3.226</b>

Hence MePGCL prays before the Hon'ble Commission to kindly pass an additional amount **Rs 10.996 Cr** for true gap, as shown in the table below:

**(Rs. in crore)**

<b>Particulars</b>	<b>FY 2015-16</b>
Interest on State Govt Loan: 1	7.77

Other Finance Charges: 2	3.226
<b>Additional Claim of Review: 1+2</b>	<b>10.996</b>

## 2.6. Depreciation

MePGCL has used the asset- wise breakup as per the audited accounts and their corresponding rates for computation of depreciation. The grants capitalization as on 31st March, 2016 has been used for amortization of grants. The methodology used is in line with the MSERC Regulations.

The Hon'ble Commission has approved Rs 38.89 Cr for depreciation in true up order. The methodology used by the Hon'ble Commission for depreciation computation is not in line with MSERC (Multi Year Tariff) Regulations, 2014. Moreover, there are errors in calculation as well as in the methodology used by the Hon'ble Commission, which are submitted below

- 1) There is no grant contribution in Leshka asset. Grant contribution which is actually against old assets, has been fully depreciated and hence there is no need to reduce the asset amount by grant contribution.
- 2) When there is asset- wise breakup alongwith corresponding rates of depreciation, use of average depreciation rate does not seem to be justified.
- 3) There is no clarity on how the Hon'ble Commission arrived at average depreciation rate of 4.15% (there is also no clarity about the adjustment of grant in the average rate). It seems that the average rate is low (as compared to the depreciation rate of 5.28% for plant and machinery which has the highest share among the asset categories considering the nature of the company) because the effect of amortization of grants has been incorporated in the depreciation rate. The average depreciation rate is a net of grant contribution. However, grants have further been reduced from assets before multiplying with this average depreciation rate to calculate depreciation.

On account of the incorrect methodology and flaws inherent in it and also based on the asset value requested to be considered above, MePGCL requests the Hon'ble Commission to kindly allow the depreciation **as claimed in true up petition.**

**(Rs. in crore)**

<b>Particulars</b>	<b>FY 2015-16</b>
MePGCL's Claim of Depreciation for old Plants (1)	6.52
MePGCL's Claim of Depreciation for MLHEP (2)	60.79
<b>MePGCL's Net Claim of Depreciation in True Up Petition (3=1+2)</b>	<b>67.32</b>
Depreciation approved by MSERC (4)	38.89
<b>Gap to be passed in the review petition (3-4)</b>	<b>28.43</b>

Hence MePGCL prays before the Hon'ble Commission to kindly pass an additional amount **Rs 28.43** Cr for depreciation.

## 2.7. Interest on Working Capital

Based on the above submissions for review, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

### 2.7.1. MLHEP

(Rs. in crore)

Sl.No	Particulars	FY 2015-16
1	O&M Expenses for one(1) month (Rs.28.59 Crore/12)	2.383
2	Maintenance Spares at 15% of O&M expenses escalated at 6%	4.546
3	Receivables equivalent to two(2) months Net AFC	38.428
4	Working Capital requirement	45.357
5	Interest at 14.75%	6.690

### 2.7.2. Old Plants Including Sonapani

(Rs. in crore)

Sl.No	Particulars	FY 2015-16
1	O&M Expenses for one(1) month (Rs. 95.34 Crore/12)	7.95
2	Maintenance Spares at 15% of O&M expenses escalated at 6%	15.16
3	Receivables equivalent to two(2) months AFC	25.14
4	Working Capital requirement	48.25
5	Interest at 14.75%	7.12

Based on the revised Interest on Working Capital for old plants & MLHEP, MePGCL requests the Hon'ble Commission to kindly pass the net additional claim on IWC as given below:

(Rs. in crore)

Particulars	FY 2015-16
MePGCL's Claim of Interest on Working Capital for MLHEP in Review (1)	6.69
MePGCL's Claim of Interest on Working Capital for Old Plants & Sonapani in Review (2)	7.12
<b>MePGCL's Net Claim of Interest on Working Capital in Review (3=1+2)</b>	13.81
Approved Interest on Working Capital by MSERC (4)	7.18
<b>Gap to be passed in the review petition (3-4)</b>	6.63

### 3. Revised ARR & Net Additional Claim in Review for True Up FY 2015-16

Based on the above submissions in response to the order, revised ARR for MLHEP & Old Plants including Sonapani is given below:

#### Revised ARR for MePGCL in Review

(Rs. in crore)

Particulars	MLHEP	Old Plants Including Sonapani	Net MePGCL
O&M Expenses	28.59	95.34	123.93
Depreciation	60.79	6.52	67.31
Interest & Finance charges	80.99	11.00	91.99
Interest on Working Capital	6.69	7.12	13.81
Return on Equity	53.73	55.61	109.34
SLDC Charges		1.05	1.05
Net Prior Period items			0.00
<b>Gross AFC</b>	<b>230.79</b>	<b>176.63</b>	<b>407.42</b>

<b>Less: Non-Tariff Income</b>	0.22	25.78	26.00
<b>Net AFC</b>	<b>230.57</b>	<b>150.85</b>	<b>381.42</b>
Revenue from operations	130.45	75.30	205.75
<b>Gap (surplus)</b>	<b>100.12</b>	<b>75.55</b>	<b>175.67</b>

Based on the revised ARR and cost heads derived above, the net additional amount to be passed is given below:

(Rs. in crore)

SI. No	Particulars	MSERC Approved	MePGCL Claim in Review	Additional Gap to be Passed
1	O&M Expenses	50.87	123.93	73.06
2	Depreciation	38.89	67.31	28.42
3	Interest & Finance charges	80.99	91.99	11.00
	Interest on Working Capital	7.18	13.81	6.63
	Return on Equity	46.22	109.34	63.12
	SLDC Charges	1.05	1.05	
4	Net Prior Period items	0.00	0.00	
5	<b>Gross AFC</b>	<b>225.20</b>	407.42	182.22
6	<b>Less: Non-Tariff Income</b>	26.00	26.00	
7	<b>Net AFC</b>	<b>199.20</b>	381.42	182.22
	Revenue from operations	205.75	205.75	
<b>8</b>	<b>Gap (surplus)</b>	<b>-6.55</b>	175.67	182.22

Based on the above submission, MePGCL prays before the Hon'ble Commission to kindly approve an additional amount of **INR 182.22 Cr** as per the review petition and allow for its recovery in the ARR for FY 2019-20.