

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO.11/2020

In the matter of True-up Business for 3rd Year FY 2017-18 of
1st MYT Control Period FY 2015-16 to FY 2017-18.

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

Shri P.W.Ingty, IAS (Retd), Chairman

Shri Roland Keishing, Member (Law)

ORDER

(Dated:28.09.2020)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Generation Corporation Limited has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC MYT Regulations 2014 had approved ARR and Generation Tariff for FY 2017-18 in its order dated 31.03.2017.

The Regulation- 11 of MYT Regulation 2014 dt.15.09.2014 stipulates that the Commission shall under take true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available along with C&AG audit report subject to prudence check including pass through of impact of uncontrollable factors.

In compliance, MePGCL has filed petition for True-Up Business for the FY 2017-18 on 30.06.2020. Commission admitted the petition on 20.08.2020.

Commission taking into consideration of all the facts and after prudence check as per the Regulations, approves true up for FY 2017-18 in the detailed analysis attached to this order.

Commission hereby notifies the licensee that, the impact of true up gap/ surplus shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Sd/-

Member

Shri. Roland Keishing

Sd/-

Chairman

Shri.P.W.Ingty, IAS (Retd)

Introduction

MePGCL has an agreement with MePDCL to supply energy generated in the hydro projects being maintained by MePGCL.

MSERC has issued Tariff Order under MYT Regulations 2014 for MYT Control Period FY 2015-16 to FY 2017-18 and Tariff order for 3rd year FY 2017-18 dated 31.03.2017 of MYT Period and directed MePGCL to execute the Tariff Order for FY 2017-18 in respect of MePGCL Old Projects, MLHEP and New Umtru Project and directed to file the True up petition along with audited accounts and C&AG report for approval of the commission.

Accordingly, MePGCL has filed petition for True up of FY 2017-18 along with audited Statement of Accounts and C&AG report on 30.06.2020.

The filing of the petition has been delayed beyond the schedule date of 30th November 2018.

After scrutiny of the petition, commission has called for additional information and clarification with regard to the financial reporting adopted by the licensee.

MePGCL has submitted the clarification to the query vide their letter dated 18.08.2020.

Commission after prudence check with reference to the MYT Regulations, audited statement of accounts for FY 2017-18 and C&AG report there on has analyzed the claims of the petitioner in the following element wise paragraphs and approved admissible expenditure and Revenue and finalized ARR.

True Up of Business for Generation for FY 2017-18

1. Capital Cost and Asset Base of MLHEP

Capital Cost of Leskha

Petitioner's Submission

The Hon'ble Commission in its order for MLHEP dated 30th March 2017, had approved a capital cost of INR 1141.83 Cr. as certified by Statutory Auditors, as on 31.03.2013. However, the capital expenditure within the original scope of work continued even after 31-03-2013. As per Regulation 29 of the MSERC MYT Regulations 2014, additional capitalization is admissible up to FY 2015-16, which was the cut-off date for capital expenditure for the project.

The provision of the above stated regulation is given below:

"29 Additional Capitalization

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 unappealable 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"*

Along with justifying the added capitalization of MLHEP after its date of commercial operation, the audit certificate of capital cost of MLHEP (as on March 31, 2016) is attached as **Annexure F**. Given below is the summary of the capital cost as duly certified by the statutory auditors for MLHEP:

Table 1: Audited Capital Cost for MLHEP

Sl. No	Particulars	GFA (as on 31.03.2015)	Addition	Rebates/ Discount	Assets Values (as on 31.03.2016)
1	Land	23.90	0.00	0.00	23.90
2	Buildings	146.68	0.00	0.00	146.68
3	Hydraulic Works	623.60	0.00	0.00	623.60
4	Other Civil works	122.70	0.00	0.00	122.70
5	Plant & Machinery	364.57	0.00	0.00	364.57
6	Lines & cables	4.57	0.00	0.00	4.57
7	Vehicles	0.46	0.00	0.00	0.46
8	Furniture	0.08	0.00	0.00	0.08
9	Office Equipment	0.18	0.00	0.00	0.18
	Total	1286.74	0.00	0.00	1286.74

The Hon'ble Commission in its true up FY 2016-17 order dated 18th November, 2019 has in fact approved the capital cost of MLHEP as Rs 1286.74 Cr (Page 7 of the order).

Commission's Analysis

The licensee has projected the GFA, O&M expenses, Depreciation, ROE, Interest on loans Interest on Working Capital and other claims separately for MLHEP, MePGCL Old Projects and New Umtru Projects in the petition for True up of FY 2017-18.

Commission has consolidated all the claims as for MePGCL as a whole taking into account the closing balances of Trued down financial figures for FY 2016-17.

Commission considering the Trued down GFA for FY 2016-17 in respect of MePGCL Old projects, MLHEP and New Umtru Project additions during FY 2017-18 has computed the GFA for FY 2017-18 as depicted in the statement below as per audited Statement of Accounts for FY 2017-18.

Table 2 : Gross Fixed Assets of the MePGCL for FY 2017-18

Particulars	GFA as on 31.03.2017	Additions	Retirements	(Rs.Cr)
				Closing GFA as 31.03.2018
Old Projects	49.39	-	-	49.39
MLHEP	1286.74	-	0.78	1285.95
New Umtru (01.7.2017)	-	*580.72		580.72
Total GFA MePGCL	-	-	-	1916.06

* The New Umtru Project has been operationalised from 01.07.2017 and the capital cost approved at Rs.580.72 Crore as of 31.03.2018.

Commission approves GFA of the MePGCL at Rs.1916.06 Crore as detailed in the above table.

2. Operation and Maintenance Expenses

Petitioner's Submission

MePGCL has claimed O&M expenses for FY 2017-18 for True up of the business, project wise in the table no.15, 27 & 35 of the petition as detailed below and requested to approve the O&M expenses for True up:

Table 3: Operations and Maintenance Expenses Claimed for True Up FY 2017-18

Particulars	Amount in Cr
O&M expenses for MLHEP	32.15
New Umtru	9.01
MePGCL Old Projects incl. 1/3rd MeECL Cost	55.89
Total	97.04

Commission's Analysis

As per Regulation 56.1, 56.6 & 56.7 of MSERC Regulations 2014 specifies that-

56.1 Operation and Maintenance Expenses (O&M Expenses) shall mean the total of all expenditure under the following heads: -

(a) Employee Cost

(b) Repairs and Maintenance

(c) Administration and General Expenses.

56.6 In case of the hydro generating stations, which have not been in Commercial operation for a period of five years as on 1.4.2009, operation and maintenance expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation & resettlement works). Further, in such case, operation and maintenance expenses in first year of commercial operation shall be escalated @5.17% per annum up to the year 2007-08 and then averaged to arrive at the O&M expenses at 2007-08 price level. It shall be thereafter escalated @ 5.72% per annum to arrive at operation and maintenance expenses in respective year of the tariff period. (The impact of pay revision on employee cost for arriving at the operation and maintenance expenses for the year 2009-10 shall be considered in accordance with the procedure given in proviso to sub-clause (ii) of clause (f) of this regulation).

56.7 In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.

Commission had already approved the O&M expenses based on the approved project cost and has been allowing an escalation of 5.72% for year on year.

Accordingly O&M expenses in respect of the existing and new projects is considered for True up of the business for FY 2017-18 as detailed in the Table below:

As per the existing arrangement the O&M expenses of MeECL shall be shared equally by MePGCL, MePTCL and MePDCL.

The employee expenses of MeECL is reported to be at Rs.12.23 crore vide Note 17 of SOA and other expenses reported at Rs.2.84 Crore.

The share of 1/3rd expenses of MeECL (12.23+2.84) amounts to Rs.5.02 crore is apportioned to MePGCL O&M expenses for FY 2017-18 in the true up.

Table 4: Approved O&M expenses

Particulars	Amount in Cr
O&M expenses for MLHEP	28.34
New Umtru	8.71
MePGCL Old Projects	28.51
1/3 rd share of MeECL O&M Expenses	5.02
Total	70.58

Commission considers O&M expenses for True up of business for FY 2017-18 at Rs. 70.58 Crore.

3. Interest and Finance Charges

Petitioner's Submission

MePGCL has claimed Interest and Finance charges for FY 2017-18 for True up of the business, project wise in the table no.37 of the petition as detailed below and requested to approve the Interest & Finance charges for True up:

Table 5: Interest and Finance Charges Expense for Old Plants including Sonapani

Particulars	MePGCL (a)	For Leshka (b)	New Umtru (c)	MeECL (d)	Total Old Plants (a-b-c +d/3)
Reference:	Note 21 of MePGCL Accounts	Section 4.3 of petition	Section 5.5 of petition	Note 18 of MeECL Accounts	
Interest Expense on borrowings	149.58	73.57	37.42	8.66	35.92
Cost of raising finance	0.01				
Other banking and guarantee charges	2.86				
Less: Finance costs capitalized	14.2				
Total Finance Charges (MePGCL)	138.25				

Commission's Analysis

Regulation 28.10, 32.1 & 32.2 of MSERC MYT Regulations 2014 specifies that-

28.10 - *The following shall be excluded or removed from the capital cost of the existing and new project:*

- (a) *The assets forming part of the project, but not in use;*
- (b) *De capitalisation of Asset;*
- (c) *In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and*
- (d) *the proportionate cost of land which is being used for generating power from generating station based on renewable energy:*

Provided that any grant received from the Central or State Government or any

statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

32.1-Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.

Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27.

32.2 -The interest and finance charges attributable to capital work in progress shall be excluded.

Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.

The loans schedule is drawn as per note no.10 of the SOA for FY 2017-18 considering the closing balance for MLHEP as of 31.03.2017 and the status of New Umtru project as of 31.03.2018 regulated as per 27 of chapter 3 MSERC MYT Regulations 2014. The Licensee has projected Rs.14.20 Crore finance costs capitalized during the year vide note no.21 of SOA. Outstanding loans on MePGCL Old projects considered as nil.

The Licensee has reported Grants & Subsidies at Rs.190.53 Crore vide note no.11 of SOA for FY 2017-18. The Interest cost shall be deducted on the Grants &Subsidies available for the FY 2017-18 as per the Regulation 28.10.

Table 6 : Interest on capital loans for FY 2017-18

						(Rs. Cr)
1	Loans availed for LESHKA Plant	Opening	Repaid	Closingloan	Avg loan	Interest
	11.98%, Federal Bank	13.36	7.74	5.62	9.49	1.14
	11.15%, Central Bank of India	33.591	8.331	25.26	29.42	3.28
	12.75%, from PFC	189.229	20.13	169.10	179.16	22.84
	11.40%, from BSE-II	50.00	0	50.00	50.00	5.70
	9.95%,from BSE-I	120.00	120.00	0.00	50%	5.97
	11.07%, from REC	208.76	25.30	183.46	196.11	21.71
	Total	564.94	181.50	433.44		60.64
2	Loans availed for New Umtru					
	(Regulated)	316.65	*23.58	293.07	304.86	27.82
3	Grand Total (Average rate =11%)	881.59	205.08	726.51	804.05	88.46
4	Less: Capitalized Interest on Loan					14.20
5	Net Total					74.26
6	Less: Interest on Grants & Subsidies (Rs.190.53*11%)					20.96
7	Net Interest Admissible (5-6)	881.59	205.08	726.51		53.30

* The Repayment of PFC loan against New Umtru is considered as proposed by the Licensee for FY 2017-18

Commission considers Rs.53.30 Crores Interest & Finance charges for True up of FY 2017-18

4. Depreciation

Petitioner's Submission

MePGCL has claimed Depreciation for FY 2017-18 for True up of the business project wise in the table no.16, 30 & 39 of the petition as detailed below and requested to approve the Depreciation for True up.

Table 7 : Depreciation Claimed for True Up FY 2017-18

Particulars	Amount in Cr
Dep for MLHEP (Tabel no.16)	61.30
New Umtru (Table no.30)	21.95
MePGCL Old Projects (Table no.39)	22.50
Total	105.75

Commission's Analysis

Regulation 33.1 of MSERC MYT Regulations 2014 specifies that-

"33.1 -For the purpose of tariff determination, depreciation shall be computed in the following manner:

- a) *The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*
- b) *For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.*
- c) *The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.*
- d) *Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.*

Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.

- e) *Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.*
- f) *The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset.”*

The Licensee has submitted that the details of the capitalization for New Umtru and existing projects are not available vide their letter no. MePGCL/D/GEN/Misc-43/2008/Pt-XIV/31 dated 21st July 2020.

In the absence of details of capitalization, the opening GFA as on 31.03.2017 is adopted and closing GFA is considered as per the petition for MLHEP and the GFA for New UMTRU is adopted as approved in the Tariff Order for FY 2017-18 provisionally considering the capital cost for the project at Rs.580.72 Crore. As also the GFA in respect of MePGCL Old projects is considered at Rs.49.39 Crore.

The Licensee has not complied with the directives issued to submit the asset wise breakup for all the filings for consideration of ROE and Depreciation.

The asset wise breakup considered for depreciation is drawn in the table below:

Table 8 : Consolidated Actual GFA considered for true up of FY 2017-18

(Rs.Cr)

Particulars	Opening Assets as on 31.03.2017	Closing Assets as on 31.03.2018
Old Plants - (A)	49.39	49.39
Umiam Stage - 4	38.79	38.79
Sonapani	10.60	10.60
LESHKA (MLHEP) - (B)	1286.74	1285.95
Land	23.90	23.90
Buildings	146.68	146.68
Hydraulic Works	623.6	623.21
Other Civil Works	122.7	122.70
Plant & Machinery	364.57	364.17
Lines & Cables	4.57	4.57
Vehicles	0.46	0.46
Furniture	0.08	0.08
Office Equipment	0.18	0.18
Total Assets of MePGCL 2016-17 (A & B)	1336.13	1335.34
New Umtru (C)	580.72	580.72
Land	0.00	0.00
Buildings	91.57	91.57

Particulars	Opening Assets as on 31.03.2017	Closing Assets as on 31.03.2018
Hydraulic Works	299.54	299.54
Other Civil Works	30.72	30.72
Plant & Machinery	155.40	155.40
Lines & Cables	3.43	3.43
Vehicles	0.04	0.04
Furniture	0.00	0.00
Office Equipment	0.02	0.02
Total GFA (A+B+C)	1916.85	1916.06

Table 9: Computation of Depreciation for FY 2017-18

		(Rs. Cr.)
1	Opening GFA 31.03.2017 (Old projects & MLHEP)	1336.13
2	Retirements	-0.78
3	Closing GFA 31.03.2017	1335.35
4	Avg. GFA	1335.74
5	90% of GFA	1202.16
6	Depreciation for FY 2017-18	57.65
7	Average Rate of Depreciation (%)	4.32%
8	Avg Grants Available for FY 2017-18	190.53
9	Less: Depreciation on Grants	8.23
10	Net Depreciation for Old Projects & MLHEP(6-9)	49.42
11	Average GFA of NUHEP	580.72
12	90% of the Average Assets	522.65
13	Depreciation for FY 2017-18	25.46
14	Average rate of Depreciation (%)	4.38%
15	Grants Available	128.37
16	Less: Depreciation on Grants	5.62
17	Net Depreciation for NUHEP (13-16)	19.84
18	Depreciation for 9 Months (01.07.2017 to 31.03.2018)	14.88
19	Total Depreciation for Old Projects, MLHEP & NUHEP (10+18)	64.30

Commission considers Depreciation at Rs.64.30 Crore for True up in FY 2017-18

5. Return on Equity

Petitioner's Submission

MePGCL has claimed Return on Equity for FY 2017-18 for True up of the business, project wise in the table no.17,31,& 41 of the petition as detailed below and requested to approve the Return on Equity for True up.

Table 10 : Return on Equity Claimed for True up FY 2017-18

Particulars	Amount in Cr
ROE for MLHEP (Table no.17)	54.04
ROE for NUHEP (Tabel no.31)	16.79
MePGCL Old Projects (Table no.41)	35.27
Total	106.10

Commission's Analysis

Regulation 28.10 & 31.1 read with 27.1 of MSERC MYT Regulations 2014 specifies that-

28.10 *The following shall be excluded or removed from the capital cost of the existing and new project:*

- (a) *The assets forming part of the project, but not in use;*
- (b) *De capitalisation of Asset;*
- (c) *In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and*
- (d) *the proportionate cost of land which is being used for generating power from generating station based on renewable energy:*

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

31.1 *Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

27.1 *For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;*

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

Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

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

Commission considering the GFA Computations at Table no. 8 calculated the admissible Return on Equity as detailed in the table below.

Table 11: Return on Equity approved for true up of FY 2017-18

Sl.No	Particulars	In Rs.Cr
1	Capital cost of old projects including Sonapani as on 31.03.2017	49.39
2	MLHEP – (LESHKA)	1286.74
3	Opening Assets MePGCL	1336.13
4	Closing Assets	1335.35
5	Average Assets	1335.74
6	Less: Average Grants Available for FY 2017-18	190.53
7	Net Assets for MePGCL (after grants)	1145.21
8	30% Equity Capital considered (Regulation-27)	343.56
9	Return on Equity at 14%	48.10
10	ROE for New Umtru	
11	Capital cost	580.72
12	Less: Grants Available	128.37
13	Net Capital Cost	452.35
14	30% Equity Capital considered (Regulation-27)	135.71
15	Return on Equity at 14%	19.00
16	ROE for 9 Months for NUHEP (01.07.2017 to 31.03.2018)	14.25
17	Total ROE for MePGCL (9+16)	62.35

Commission Considers Return on Equity at Rs.62.35 Crore for True up of FY 2017-18.

6. Interest on Working Capital

Petitioner's Submission

MePGCL has claimed Interest on Working capital for FY 2017-18 for True up of the business, project wise in the table no.18,32 & 38 of the petition as detailed below and requested to approve the Interest on Working Capital for True up.

Table 12 : Interest on Working Capital Claimed for True up FY 2017-18

Particulars	Amount in Cr
MLHEP (Table no.18)	6.25
NUHEP (Tabel no.32)	2.32
MePGCL Old Projects (Table no.38)	5.98
Total	14.55

Commission's analysis

As per the Regulations 34.1(iii) interest on working capital shall be allowed on the following components for determination of Tariff.

- O&M Expenses for one (1) month
- Maintenance Spares at 15% of O&M expenses escalated at 6%
- Receivables equivalent to two (2) months of Fixed cost

The computation of Interest on working capital is computed in the table below

Table 13: Computation of Interest on Working Capital

Sl. No	Particulars	(Rs.Crs)
1	O&M Expenses for one (1) month Excl. MeECL Cost	5.46
2	Maintenance Spares at 15% of O&M expenses escalated at 6%.	0.87
3	Receivables equivalent to two (2) months AFC.	37.26
4	Working Capital amount requirement	43.59
5	Interest at 13.85 % (the SBI PLR rate as stated in petition)	6.04

Thus the Commission approves Interest on working capital at Rs.6.04 Crore for True-up for FY 2017-18.

7. Prior Period Expenses

Petitioner's Submission

MePGCL has claimed Prior period Items for FY 2017-18 for True up of the business, project wise in the table no.42 of the petition for Rs.40.59 Crore and requested to approve the Prior period items for True up.

Commission's Analysis

Commission had not considered any Prior Period Expenses in the ARR and Tariff Order for FY 2017-18.

The Claim of MePGCL includes inadmissible expenses such as employee benefit expenses, depreciation, interest, bad debts and other charges.

Commission does not consider Prior Period expenses claimed by the Licensee for True up.

8. SLDC Charges

Petitioner's Submission

MePGCL has submitted & claimed SLDC Charges Rs.1.15 Crore for FY 2017-18 True up of the business project vide para 6.7 of the petition and requested to approve the SLDC Charges.

Commission's Analysis

Regulation 42 of MSERC MYT Regulations 2014 specifies that

42.1 *SLDC and Connectivity charges are determined by the Commission and payable by the generating companies shall be considered as expenses.*

42.2 *SLDC and Transmission charges paid for the energy sold outside the state shall not be considered as expenses for determining generation tariff.*

Commission considers SLDC charges at Rs.1.15 Crore as expense for True up of business for FY 2017-18.

7. Non Tariff & Other Income

Petitioner's Submission

MePGCL has submitted that Non Tariff Income received for FY 2017-18 in the table no.43 of the petition for Rs.25.14 Crore which includes Rs.9.90 Crore Other income of MeECL and requested to approve the Non Tariff Income for True up of FY 2017-18.

Commission's Analysis

As per the Audited SOA, Licensee has reported the Other Income at Rs.15.24 Crore which includes Rs.12.77 Crore Amortization Grant vide note 17 of SOA. Also Prior Period income is reported to be at Rs.5.08 Crore vide note 18 of SOA. Thus totaling other income of MePGCL at Rs.20.32 Crore.

The Other income in respect of MeECL reported to be at Rs.29.70 Crore which includes Rs.25.79 Crore to be apportioned in their respective share to MePGCL, MePDCL & MePTCL vide note 15 of SOA. The actual other income related to MeECL amounts to $Rs.3.91/3 = Rs.1.30$ Crore + Rs.6.48 Crore (represent MePGCL share) = Rs.7.78 Crore to be apportioned as other income of MeECL. MeECL also reported prior period income at Rs.0.12 Crore vide note no.16 of SOA, $1/3^{rd}$ of this to be apportioned to the MePGCL at Rs.0.04 Crore.

Thus the other income of MeECL to be apportioned to MePGCL shall be (Rs.1.30 Cr + Rs.6.48 Cr +Rs.0.04 Cr)=Rs.7.82 Crore.

Commission considers the Non Tariff & Other income of MePGCL shall be as detailed below

Non Tariff & Other income of MeGCL	Rs.15.24 Cr
Prior Period Income of MePGCL	Rs.5.08 Cr
$1/3^{rd}$ share of MeECL Other Income	Rs.7.82 Cr
Total Non Tariff & Other Income	Rs.28.14 Cr

Commission considers the Non Tariff and other Income for True up of business at Rs.28.14 Crore for FY 2017-18

Adjustment of Revenue Gap/Surplus for FY 2013-14 and FY 2014-15

The Revenue Gap and Surplus approved in the provisional True up for FY 2013-14 and FY 2014-15 at Rs.14.42 Crore (Gap) and Rs.6.86 Crore (Surplus) respectively which was included in the ARR for FY 2017-18 has been set-off in the Suo-Moto orders approved in the ARR for FY 2020-21.

8. Revenue from Operations

Petitioner's Submissions

MePGCL has submitted that Revenue from Operations received for FY 2017-18 in the table no.44 of the petition for Rs.191.36 Crore. The project wise break up of revenue shown in the petition as Rs.100.49 Cr for Leshka, Rs.40.39 Crore for New Umtru and RS. 50.47 Crore for MePGCL Old Projects and requested to approve the Revenue from Operations for True up of FY 2017-18.

Commission's Analysis

MePGCL has reported Revenue from Operations at Rs.191.36 Crore vide note no.16 of SOA.

Commission had approved ARR for FY 2017-18 at Rs.280.58 Crore which includes Rs.184.36 Crore for MLHEP and Rs.96.22 Crore for MePGCL Old projects in the Tariff order dated.....

Commission had approved a provisional tariff at Rs.2.18 Ps/kwh for New Umtru project on dt.06.11.2017.

The Commission also approved ARR and final Tariff against New Umtru Project in the Tariff Order dated 25.03.2020 for Rs.58.67 Crore authorising the licensee to claim at Rs.1.76 Ps/kwh for the energy supplied to MePDCL.

Thus total ARR would become Rs.339.25 Crore for actual generation of 1219.17 MU during the FY 2017-18.

MePGCL has reported vide table no.12 of the petition that net generation (after adjusting auxiliary consumption and transformation loss at 8.78 MU) to be at 1211.22 MU in all the projects including New Umtru.

Breakup of Figures of Energy generated as reported vide table no.12 of petition on SOA as follows

Project Name	Approved Energy (MU)	Gross Generation (MU)	Aux. Consumption and Transformation loss (MU)	Net Energy Supplied (MU)
MePGCL Old Projects	552.00	549.63	3.96	545.67
MLHEP	486.23	502.57	1.40	501.17
New Umtru	180.94	167.79	3.42	164.38
Total	1219.17	1219.99	8.78	1211.22

The Licensee has claimed project wise sale of power bills on MePDCL for FY 2017-18 as detailed in the following table

Table 14 : Sale of Power Bills Claimed from MePDCL after allowing rebate for FY 2017-18

Months	Umiam -I	Umiam -II	Umiam -III	Umiam IV	Umtru Power station	Sonapani Mini Power Station	MLHEP	NUHEP	Total
Apr-17	10989285	4690653	14670762	19308141	2833333	696763	166402549	0	219591486
May-17	11658285	5070018	14722448	19023674	2833333	784637	145645729	0	199738124
Jun-17	13334167	5895498	20334638	28237638	2833333	901955	222453798	0	293991027
Jul-17	19498899	8987333	23213534	35750840	2833333	1019642	239558570	92980764	423842915
Aug-17	27193120	12559248	23182678	48142515	2833333	973058	231257484	96730032	442871468
Sep-17	26028769	12067470	15881693	43982360	2833333	954860	219521443	102370419	423640347
Oct-17	22042397	10080946	22913592	40937141	-4222	1048056	189991461	105903031	392912402
Nov-17	9175305	4463216	12913946	16113406	2833333	685494	33266308	88137038	167588046
Dec-17	16196714	7150868	20203776	27558010	2829038	892492	90444208	76022022	241297128
Jan-18	15657853	6692165	19256312	25286608	-4705	884105	87565617	67140335	222478290
Feb-18	15395605	6581206	18407538	23898584	-4047	781257	80224041	61405168	206689352
Mar-18	16185188	7011289	19370996	24971079	-4299	725772	80183556	57488590	205932171
Apr 17 to Sep 17 (Suppl . Bill)	0	0	0	0	-29460	0	0		-29460
Nov 17 & Dec 17 (Credit Bills)					-8300				-8300
Total	203355587	91249910	225071913	353209996	22607336	10348091	1786514764	748177399	3440534996

Whereas MePGCL has filed for True Up claim with the Revenue from Operations at Rs.191.36 Crore vide table no.45 of the petition, But the Project wise sale of power claimed from MePDCL as per the invoices found to be Rs.344.05 Crore.

Project Name	Approved ARR (in Rs.Cr)	Revenue Reported through Petition (in Rs.Cr)	Sale of Power Claimed from MePDCL (Rs.Cr)
MePGCL Old Projects	96.22	50.47	90.58
MLHEP	184.36	100.49	178.65
New Umtru	58.67	40.39	74.82
Total	339.25	191.35	344.05

The audited SOA reveals vide note no.16, the Revenue from sale of power to related party MePDCL at Rs.191.35 Crore.

It is observed that the licensee has under reported revenue receipts when compared with the summary of the sale of power bills as shown in the above table no. 14

On a query, the licensee has stated in their letter dated 18.08.2020 that the financial reporting is followed as per the Accounting Standards-18 which shall not be considered for True up of business.

Commission considers that the financial reporting shall be on accrual basis as is being done for the previous years. MePDCL has also claimed power purchase cost of MePGCL at Rs.356.34 Crore for True up of FY 2017-18.

In view of the above analysis and Regulatory stipulations, the Revenue from operations is considered actuals at Rs.344.05 Crore as analyzed vide table no.14 for True up of business for FY 2017-18.

C&AG Observations as per C&AG Report:

vide para A (2) (b)

The C&AG has observed that Rs.0.17 Crore being the short charged depreciation from FY 2009-10 to FY 2017-18 on the value of switch gear including cable connections created during FY 2009-10 but capitalized during the FY 2017-18. This has correspondingly resulted in understatement of Depreciation for the year by Rs.0.17 Crore.

2 (C) Other Current Assets

Receivables against Remittances of Cash and Cash Equivalent Rs.139.18 Crore

This include Rs.1.67 Crore being the amount receivable for sale of power (Temporary) from various contractors for the construction of New umtru HEP. This receivable for the sale of power is due to Distribution Company (MePDCL) and not the revenue of MePGCL. This has resulted in overstatement of Other Current Assets and other current liabilities by Rs.1.67 crore cash.

Vide para B

Statement of Profit and Loss Income

Other Income (Note-17) Rs.15.24 Crore

This is understand by Rs.1.02 Crore due to non-accounting of the agency charges (7.50 per cent of the total project cost) received by the holding company (Meghalaya Energy Corporation Limited) from the Education Department, Government of Meghalaya on behalf of the Company against construction of School under Rashtriya Madhyamik Siksha Abhiyan Scheme. This has correspondingly resulted in overstatement of 'loss for the year' and understatement of other current assets-Receivables from Meghalaya Energy Corporation Limited' (Not-7) by Rs.1.02 Crore each.

Commission's Views:

The Licensee shall carry out the transactions in the books of accounts of MePGCL as observed by the C&AG and true and fair report filed in the next financial year.

9. Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2017-18

Petitioner's Submission

The Summary of Annual fixed charge approved by the Commission for existing generating stations vis-a-vis actual as per the Audited Statement of Accounts for FY 2017-18 for MePGCL and proportionate expense of MeECL are as given below.

Table 15: The Claim of the MePGCL towards True-Up for FY 2017-18

(in Rs Cr)

Particulars	Approved by MSERC	As per Audited SoA for FY 2017-18				Loss/ (Gain) (f=e-a)
	AFC 2017-18 (Old Plants + Sonapani) (a)	True Up of MePGCL (Old + New Plants) (b)	True Up of Leshka (c)	True Up of New Umtru (d)	True Up of (Old Plants + Sonapani) (e=b-c-d)	Loss/ (Gain) (f=e-a)
O&M Expenses	61.52	97.04	32.15	9.01	55.89	(5.63)
Depreciation	10.64	105.75	61.30	21.95	22.50	11.86
Interest and Finance Charges	1.82	146.91	73.57	37.42	35.92	34.10
Interest on working capital	4.41	14.55	6.25	2.32	5.98	1.57
Return on Equity	9.43	111.70	54.04	16.79	40.87	31.44
SLDC Charges	1.15	1.15			1.15	0.00
Net Prior Period Items: Income (-)/ Expense		37.35	-3.25		40.59	40.59
Total Annual Fixed Cost (AFC)	88.97	514.45	224.07	87.49	202.89	113.92
Less: Non-Tariff Income	0.31	25.14	0.03	0.03	25.08	24.77
Net AFC	88.66	489.31	224.04	87.46	177.81	89.15
Adjustment due to Gap of True up of FY 2013-14	14.42					(14.42)
Adjustment due to Surplus of true up of FY 2014-15	-6.86					6.86
Approved AFC for FY 2017-18	96.22	489.31	224.04	87.46	177.81	81.59
Revenue from operations	96.22	191.36	100.49	40.39	50.47	45.75
Gap/ (Surplus)	0	297.95	123.55	47.07	127.34	127.34

MePGCL requests the commission to pass through the additional gap of Rs. 127.34 Crore under the truing up of FY 2017-18 for Old plants including Sonapani.

Commission's analysis:

Commission after Prudent Check of the claims of the Licensee with reference to MSERC MYT Regulations 2014, Audited Statement of Accounts and C&AG observations for MePGCL & MeECL consolidated and approved for true up of MePGCL business for FY 2017-18 including MLHEP & New Umtru projects as depicted in the table below.

Table 16: Approved ARR for True-up of Business for FY 2017-18

(Rs.Cr)

Sl. No	Particulars	Claimed in Petition				Now Approved In True Up for FY 2017-18
		Leshka Projects	MePGCL Old projects	New Umtru	MePGCL Claim	
1	O&M Expenses	32.15	55.89	9.01	97.04	70.58
2	Depreciation	61.30	22.50	21.95	105.75	64.30
3	Interest & Finance charges	73.57	35.92	37.42	146.91	53.30
4	Interest on Working Capital	6.25	5.98	2.32	14.55	6.04
5	Return on Equity	54.04	40.87	16.79	111.70	62.35
6	SLDC Charges		1.15		1.15	1.15
7	Net Prior Period items	-3.25	40.59		37.35	0
	Gross AFC	224.07	202.89	87.49	514.45	257.72
	Less: Non-Tariff Income	0.03	25.08	0.03	25.14	28.14
8	Net AFC	224.04	177.81	87.46	489.31	229.58
9	Add: Adj. of prov. True up Gap for FY 2013-14 & 2014-15		0			-
	Approved AFC for FY 2017-18	224.04	177.81	87.46	489.31	229.58
10	Revenue from operations	100.49	50.47	40.39	191.36	344.05
11	Revenue gap (-)/Surplus (+)	123.55	127.34	47.07	(-)297.95	114.47

The Commission approves the **Net surplus of Revenue Rs. 114.47 crores** as per the above table for true up of the MePGCL Old projects including Sonapani & Leshka project & New Umtru Project for the FY 2017-18 which shall be appropriated in the next Tariff orders.

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