

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION  
SHILLONG**

**CASE NO. 12/2020**

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

**AND**

Meghalaya Power Transmission 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 Transmission Corporation Limited has started functioning as a segregated commercial operation utility independently for power transmission in the state of Meghalaya with effect from 1<sup>st</sup> April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC MYT Regulations 2014 had approved ARR and Transmission Tariff for 3<sup>rd</sup> year FY 2017-18 of 1<sup>st</sup> MYT control period of FY 2015-16 to 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, MePTCL 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**

MePTCL is a deemed Licensee under section 14 of Electricity Act 2003 and had an agreement with MePDCL to transmit the power procured by it for distribution within the state of Meghalaya.

MSERC has issued Tariff Order under MYT Regulations 2014 for the 1<sup>st</sup> MYT Control Period FY 2015-16 to FY 2017-18 dated 30.03.2015 and Tariff order for 3<sup>rd</sup> year FY 2017-18 dated 31.03.2017 for the control period and directed MePTCL to execute the Tariff Order for FY 2017-18 and directed to file the True up petition along with audited accounts and C&AG report for approval of the commission.

Accordingly, MePTCL 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 30<sup>th</sup> November 2018.

After scrutiny of the petition, commission has called for additional information and details of the scheme wise and project wise capitalization achieved during the FY 2017-18.

In compliance, MePTCL has submitted the additional information called for vide their letter no. MePTCL/DT/T-21(Pt-VI)/2020-21/117 dated 24.07.2020.

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 Transmission Business for FY 2017-18

### 1.1 Performance Highlights

The key physical achievements of MePTCL are highlighted below:

**Table 1 : Voltage wise Transmission Line details as on 31.03.2018**

Details	Ckm
400 KV Line	4.43
220 KV Line	226.84
132 KV Line	995.56

**Table 2: Sub Station Details as on 31.03.2018**

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
1	400/220 kV	2X315	1	630
2	220/132 kV	2X160	1	320
3	220/132 kV	1X100	2	200
4	132/33 kV	1X50	1	50
5	132/33 kV	19X20	19	380
6	132/33 kV	2X12.5	2	25
7	132/33/11 kV	1x10	1	10
8	132/11 kV	2X10	2	20
9	132/33 kV	3X5	3	15
	<b>Total:</b>			<b>1650</b>

**Table 3: System Availability of MePTCL for FY 2015-16, FY 2016-17 and FY 2017-18**

Details	2015-16	2016-17	2017-18
System Availability	95.37 %	97.93.79%	98.83%

Regulation 70.3 of MSERC (Multi Year Tariff) Regulations, 2014 specifies that for full recovery of Transmission charges, Normative Annual Transmission Availability Factor (NATAF) of the Transmission system shall be 98% during the year. The Licensee has submitted the intra-state Transmission system availability for FY 2017-18 is 98.83%. The transmission system availability is marginally higher by 0.83% (98.83%-98%) than the minimum NATAF stipulated.

### 1.2 Background

MePTCL has claimed the truing up of ARR of FY 2017-18 based on the actual figures as per the Audited Statement of Accounts and Statutory Audit Report of MePTCL and MeECL for FY 2017-18 and C&AG comments for year ending 31<sup>st</sup> March 2018 of MePTCL and MeECL.

The Commission considering the statement of Accounts, C&AG audit report and other information submitted with the true up petition, has analyzed the claims of the licensee with reference to the MSERC (MYT) Regulations 2014 as detailed here under:-

## 2.0 Operation & Maintenance Expenses

### Petitioner's Submission

MePTCL submitted that the Commission has approved the Operation and Maintenance expenditures under the following heads:

- a) Employee Expenses
- b) Repair and Maintenance Expenses
- c) Administrative and General Expenses

In the absence of audited accounts, the Commission for passing the Tariff Orders considered only provisional/pre-audited figures of O&M cost heads. Now, since the audited accounts are available, the Petitioner submits before the Honorable Commission, the actual audited figures for truing up.

## 2.1 Employee Expenses

The MePTCL has submitted that the Commission had approved an amount of Rs. 19.90 Crore as employee expense of MePTCL for FY 2017-18 vide its Tariff Order where as the actual employee expenses incurred in FY 2017-18 as per the audited accounts is Rs. 61.73 crores as shown in Table below.

**Table 4: Employee expense for FY 2017-18**

Particulars	Amount (Rs. Crores)
Salaries and wages	20.77
Contributions to provident and other funds	0.43
Staff Welfare Expenses	-
Apportionment of Employee Benefit Expenses (from Holding Company) **	36.46
<b>Total Employee Expense of MePTCL</b>	<b>57.65</b>
Employee Expenses of MeECL Apportioned (actuals)	<b>4.08</b>
<b>Net Actual Employee Expense for True up</b>	<b>61.73</b>
Approved in T. O	19.90
<b>Additional Claimed in True Up (Surplus)/Gap</b>	<b>41.83</b>

\*\* Note: Apportionment of employee expenses in Notice 19 of MePTCL Accounts is over and above the employed expenses in MePTCL audited accounts.

It is also submitted that the main reason for deviation in the actual and approved Employee expenses can be attributed to terminal benefits liabilities. The licensee would like to submit that it had not taken into account the terminal liabilities during the projection of employee costs .The adjustment due to this adds up to 26.35 Cr as per the

audited statement of accounts. The actual employee Expenses in FY 2017-18 has decreased by around 4.51% from the actuals of FY 2016-17 of INR 64.65 crores (approved in FY 2016-17 True up order).

## 2.2 Repair and Maintenance Expenses

MePTCL has submitted that 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 MePTCL are aged and thus demand more frequent Repairs and Maintenance. The assets of MePTCL are old and require regular maintenance to ensure uninterrupted operations. MePTCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been making necessary expenditure for R&M activities

It is further submitted that Commission had approved an amount of Rs. 4.6 crores as the R&M expense of MePTCL for FY 2017-18 Tariff Order. However, the actual R&M expenses incurred in FY 2017-18 as per the audited accounts is Rs. 2.79 crores as shown in Table below.

**Table 5: Details of R&M Expense for FY 2017-18**

Particulars	Amount (Rs. Crores)
Buildings	0.12
Plant and Equipment	0.24
Hydraulic works	
Civil Works	0.03
Lines & Cables	2.18
Vehicles	0.04
Furniture and Fixtures	0.03
Office equipment	0.04
CPS (Annual Maintenance Fees)	
R&M Expense	<b>2.67</b>
R&M Expenses of MeECL Apportioned (actuals)	0.12
Total R&M Expense (MePTCL+1/3rd MeECL)	<b>2.79</b>
Approved in T.O	4.6
Additional Claimed in True Up (Surplus)/Gap	<b>(1.81)</b>

## 2.3 Administrative and General Expenses

MePTCL submitted that the Commission had approved an amount of Rs. 25.17 crores as the A&G expense of MePTCL for FY 2017-18 vide its Tariff Order. However, the actual A&G expenses excluding bad debts and SLDC Charges incurred by MePTCL in FY 2017-18 as per the audited accounts is Rs. 2.31 crores as shown in Table below.

**Table 6: Details of A&G Expenses for FY 2017-18**

<b>Particulars</b>	<b>Amount (Rs. Crores)</b>
Insurance Charges	0.02
Rent, Rates and Taxes	0.00
Telegram, Postage, Telegraph and Telex charges	0.06
Training, conveyance and vehicle running expenses	1.51
Printing and stationery expenses	0.02
Auditors' remuneration	0.04
Consultancy Charges	0.00
License and registration charges	
Books & Periodicals	0.00
Fees and subscription expenses	0.00
Advertisement charges	0.04
Technical Fees	0.09
Legal and professional charges	0.09
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.05
Electricity and Water Charges	0.00
Bank Charges	0.00
Entertainment expenses	0.01
Miscellaneous expenses	0.01
Freight Charges	-
Loss on Investments	
<b>A&amp;G Expense</b>	<b>1.95</b>
A&G Expenses of MeECL Apportioned (actuals)	<b>0.83</b>
<b>Total A&amp;G Expense (MePTCL+1/3rd MeECL)</b>	<b>2.78</b>
Approved in T.O (Including Licensee fees of 0.03 Cr)	25.17
<b>Additional Claimed in True Up (Surplus)/Gap</b>	<b>(22.40)</b>

**Commission's Analysis**

Regulation 69.1 specifies that *Operation and Maintenance Expenses or 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 Expense*

Regulation 69.3 specifies - *The norms for O&M expenses on the basis of circuit kilometers of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the commission.*

The authenticity of the network data now submitted in the true up petition for FY 2017-18 is not validated duly certified by the Electrical inspector to the Government.

Whereas there is a variation in the network data filed in the MYT Petition for FY 2015-16 to FY 2017-18 with the now submitted network data.

Commission had earlier considered the O&M expenses on the basis of actuals reported through the audited accounts for the true up of business for FY 2016-17 in the absence of validated network data.

Further, MeECL has reported Rs.12.04 crore towards employee cost (excluding apportionment of employee benefit expenses of MeECL) during FY 2017-18. The MeECL is holding company of MePGCL, MePTCL and MePDCL and is an administrative setup and undertakes common corporate functions of the generation, transmission and distribution companies and accordingly the expenses of MeECL (holding company) is being apportioned to the MePGCL, MePTCL and MePDCL equally. The 1/3<sup>rd</sup> share of MeECL employee cost is worked out at Rs.4.08 crore (12.24/3) and apportioned to MePTCL employee expenses and allowed in trueing up for FY 2017-18.

The Claim of the petitioner for consideration of the apportionment of employee benefit expenses from holding company at Rs.36.46 Crore reported in the Note 19 of MePTCL shall not be admissible, since the claim pertains to past and future liabilities. The True up exercise shall be limited to the expenditure incurred for the FY 2017-18 as per the Regulations.

The Repair & Maintenance (R&M) expenses and Administration & General (A&G) expenses are considered as claimed by MePTCL which are in line with audited accounts for FY 2017-18.

In the absence of validated network data, Commission considers the actual O&M expenses as reported for the FY 2017-18 shall be taken into account for True up as detailed below.

**Table 7: O&M Expenses considered for True up FY 2017-18****(Rs.Cr)**

<b>Particulars</b>	<b>Approved in T.O FY 2017-18</b>	<b>Claimed by MePTCL incl. 1/3<sup>rd</sup> MeECL</b>	<b>Approved for True up FY 2017-18 incl. 1/3<sup>rd</sup> MeECL cost</b>
Employee Expenses	19.90	61.73	25.28
R&M and A&G Expenses (Note no. 22 of MePTCL & Note 17 of MeECL SOA)	29.77 (4.60 + 25.17)	5.57 (2.79 + 2.78)	5.57 (2.79 + 2.78)
<b>Total</b>		<b>67.30</b>	<b>30.85</b>

**Commission approves total O&M Expenses at Rs.30.85 Crore for True up for FY 2017-18.**

## **2.4 Return on Equity**

### **Petitioner's Submission**

MePTCL has claimed Return on Equity at Rs. 59.15 Crore projecting the average equity contribution for FY 2017-18 at Rs.422.51 Crore which includes pending allotment of share holders equity for true up of the business for FY 2017-18 vide table no.7 of the petition as detailed in the table below:

**Table 8 Return on Equity for FY 2017-18 (in Rs. Cr.)**

<b>Particulars</b>	<b>Actuals of MePTCL (INR Crs.)</b>
Opening Equity (Shareholders Eq. +Pending Allotment)	421.19
Closing Equity (Shareholders Eq. +Pending Allotment)	423.82
Avg. Equity considered for true up	422.51
RoE (%)	14%
Return on Equity (in Rs. Cr.)	59.15
Equity Approved in T.O	9.43
Gap/(Surplus)	49.72

### **Commission's Analysis**

The Regulation 31.1 of the MSERC (MYT) Regulations, 2014 specify ***“Return on Equity shall be computed on the equity base determined in accordance with Regulation 27 and shall not exceed 14%”.***

Regulation 27.1 specify that actual equity shall be considered at 30% of the capital cost and equity in excess of 30% shall be treated as normative loan.



Conjoint reading of Regulations 31.1 and 27.1 explicitly specify that Return on Equity shall be provided on the Equity at 30% of the project cost.

The Commission had considered the closing equity at Rs.427.29 crore (net of grants) in true up for FY 2017-18 in the order dated 28.11.2019 and the same is considered as opening equity for FY 2017-18.

The Commission, as per the Regulations 27.1 of the MSERC (MYT) Regulations, 2014 has considered the rate of return on equity @14% and accordingly, has computed Return on Equity for true up of FY 2017-18 as detailed in the Table below:

**Table 9: Computation of Return on Equity for True up FY 2017-18**

(Rs. Crore)

Particulars	Now approved for True up of FY 2017-18
Opening GFA as on 31.03.2017	427.29
Additions during the FY 2017-18	12.72
Closing GFA as on 31.03.2018	440.01
Average GFA	433.65
<b>Less:</b> Grants & Subsidies available (Note no.10 & 8.4.1 of SOA)	31.66
Net Asset Cost	401.99
70% considered Debt	281.39
30% Considered Equity	120.60
Opening Equity	117.70
Average Equity (117.70+120.60)/2	119.15
Rate of return on equity	14%
Return on Equity	16.68

**Commission approves Return on Equity at Rs.16.68 Crore for True up of FY 2017-18**

## 2.5 Interest and Finance Charges

### Petitioner's Submission

MePTCL has claimed Interest and Finance charges at Rs.19.10 Crores which includes Rs.8.66 crore apportionment of MeECL interest and finance charges as detailed in Table below.

**Table 10 Details of Interest & Finance Charges claimed for FY 2017-18**

<b>Particulars</b>	<b>Amount (Rs. Crores)</b>
Interest	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	<b>6.19</b>
To Others	4.25
<b>Total Finance Charges (MePTCL)</b>	<b>10.45</b>
Apportioned Finance Charges from MeECL	<b>8.66</b>
<b>Net Interest and Finance Charges</b>	<b>19.10</b>
Approved in T.O.	8.80
<b>Additional Claimed in True Up (Surplus)/Gap</b>	<b>10.30</b>

MePTCL has requested to approve the entire interest & finance charges as shown above, as per Audited Accounts.

### **Commission's Analysis**

The Petitioner has claimed interest on the loans outstanding in the books of accounts for true up. The regulation 32.1 read with regulation 27.1 specify that *“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.”*

Regulation 32.2 specifies that – *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.

Commission had approved closing balances of loans for FY 2016-17 at Rs.30.98 Crores, whereas licensee has brought forward the opening loan at Rs.46.95 Crore vide note no.9 of SOA for FY 2017-18. The details of the additions of the loan is not presented in the loans schedule.

However the Schedule of loans depicted in the note no.9 of SOA is considered for computation of interest on capital loans as per regulations considering the opening balance Rs.46.95 Crore.

Licensee has not disclosed the repayment of loan during the FY 2017-18 against REC loan. In the absence of the details the repayment is considered at 10% of the outstanding loan for computation of interest. Licensee has shown repayment amount of Rs.13.37 Crore as default against state govt. loan. The same is considered as repayment.

The interest costs claimed on MeECL loans not considered, since the Regulation provides for interest cost only on capital loans borrowed by generation, transmission and distribution utilities.

**Table 11 Computation of Interest and Finance charges for True up of FY 2017-18**

(Rs. Crore)						
Sl. No	Particulars	REC Loan	REC of BIA 400/200 KV	State Govt Loan	Total	Weighted Average of Interest
1	Opening balance	-	6.34	40.61	46.95	
2	Additions during the year		5.71		5.71	
3	Repayment in default		1.20	13.37	14.57	
4	Closing balance		10.85	27.24	38.09	
5	Average Loan (46.95+42.52)/2		8.60	33.93	42.52	
6	Rate of Interest	-	11.00 %	9.31%	-	
7	Interest payable		0.95	3.16	4.11	9.67%
8	<b>Total Interest</b>				<b>4.11</b>	

Commission considers interest on capital loans at Rs.4.11 Crore for True up of FY 2017-18.

## 2.6 Interest on Working Capital

### Petitioner's Submission

Licensee has claimed Interest on working capital at Rs.4.73 crore as detailed in the Table below.

**Table 12 Interest on Working capital claimed for FY 2017-18**

Sl. No.	Particulars	Actuals of MePTCL (Rs. Crores)
A	O&M Expenses for 12 months	67.29
B	O&M Expense for 1 month (B/12)	5.61
C	Avg. Fixed Assets for FY 17-18 (MePTCL+1/3rd MeECL)	445.18
D	1% Spares on Opening GFA escalated by 6%	4.72
E	Receivables for 2 months	23.86
F	Total Working Capital (B+D+E)	34.19
G	SBI short term PLR as on 01 April 2017	13.85%
H	<b>Interest on Working Capital</b>	<b>4.73</b>
I	Approved in T.O	3.76
J	<b>Gap/(Surplus)</b>	<b>0.97</b>

MePTCL has requested to approve the interest on working capital at Rs.4.73 Crore for True up of FY 2017-18.

## Commission's Analysis

Regulation 34.2 stipulates the following components shall be considered for computation of Interest on working Capital for transmission utility.

- O&M expenses for one (1) month
- Maintenance spares at 1% of the historical cost escalated at 6% from the date of commercial operation; plus
- Receivables equivalent to two (2) months of transmission charges calculated on target availability level.

The rate of interest shall be at SBAR which prevailed on the 1st April of the financial year in which the petition is filed. The SBI PLR as on 1st April 2017 is at 13.85% and the same is considered for computing the interest on working capital in truing up for FY 2017-18.

The Commission as per the norms has computed the working capital requirement and interest on working capital based on the approved expenses in truing up for FY 2017-18 as given in the Table below:

**Table 13: Computation of Interest on Working Capital for True up of FY 2017-18**

Sl. No.	Particulars	Amount (Rs. crore)
1	O&M expenses for 1 month (Excl. MeECL)	2.15
2	1% Maintenance spares on opening GFA escalated at 6%	4.53
3	Receivables for 2 months	6.68
4	Total working capital (1+2+3)	13.36
5	SBI Short term PLR as on 1st April 2016	13.85%
6	Interest on working capital (4*5)	1.85

**Commission approves Interest on working capital at Rs 1.85 Crore for true up of FY 2017-18.**

## 2.7 Depreciation

### Petitioner's Submission

MePTCL has claimed Depreciation at Rs.21.84 Crore as detailed in Table below for true up of FY 2017-18.

**Table 14: Depreciation claimed for MePTCL in FY 2017-18**

Particulars	Amount (in Rs. Cr.)
Land	0.00
Buildings	0.46
Plant and Equipment	7.74
Furniture and Fixtures	0.05
Vehicles	0.02
Office equipment	0.35
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.00

Particulars	Amount (in Rs. Cr.)
Other Civil Works	0.36
Lines and Cable Network	12.86
Assets under lease	0.00
<b>Total Depreciation MePTCL</b>	<b>21.84</b>
Apportioned Depreciation from MeECL	0.20
<b>Total</b>	<b>22.04</b>
<b>Approved in T.O</b>	<b>22.29</b>
<b>Gap/(Surplus)</b>	<b>(0.25)</b>

MePTCL has requested to allow the depreciation of Rs 22.04 Crores for true up of FY 2017-18.

### Commission's Analysis

Commission has approved closing GFA as on 31.03.2017 at Rs.427.29 crore and as per the audited accounts closing GFA as on 31.03.2018 reported to be at Rs.440.01 Crores. The Additions to GFA is reported at Rs.12.72 Crore for FY 2017-18. The Licensee has reported government grants and subsidies at Rs.31.66 Crore vide note 8.4.1 and 10 of audited accounts.

As per Regulation 33, "the depreciation has to be calculated on 90% of the asset value at the rates indicated by the CERC vide annexure to CERC Regulations 2009 and depreciation shall be chargeable on prorata basis for the assets added for part of the year. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation."

The Commission, accordingly, computed the depreciation for FY 2017-18 as given in the Table below:

**Table 15: Computation of Depreciation for FY 2017-18**

Sl. No.	Particulars	Now approved for true up of FY 2017-18
1	Opening GFA (excl land cost)	427.29
2	Additions during the year	12.72
3	Closing depreciable value of GFA (excl land cost)	440.01
4	Average value of GFA (1+3)/2	433.65
5	<b>Less:</b> Grants and Subsidies as per Reg.33	31.66
6	Average GFA after the Grants	417.82
7	90% of Assets Considered for Depreciation	376.04
8	Average rate of Depreciation	4.68%
9	Depreciation as per Regulation	17.60
10	1/3 <sup>rd</sup> Depreciation on MeECL	0.20
11	Total Depreciation	17.80

**Commission approves depreciation at Rs.17.80 Crore for True up of FY 2017-18.**

## 2.8 SLDC Charges

### Petitioner's Submission

MePTCL claimed the SLDC Charges at Rs.1.15 Crore for True up of business for FY 2017-18 as approved in the Transmission Tariff Order.

### Commission's Analysis

As per Regulation 59, connectivity and SLDC charges shall be allowed as expense in the ARR of Transmission licensee.

**Commission approves SLDC charges at Rs.1.15 Crore for True up of FY 2017-18.**

## 2.9 Income from operations

### Petitioner's Submission

MePTCL submitted that the Income from transmission operations received at Rs.69.57 Crore as per Audited Statement Accounts for True up of business for FY 2017-18.

### Commission's Analysis

As per the note 16 of the audited accounts, Revenue from operations reported at Rs.69.57 Crore. The Audited accounts reveal that Rs.14.44 Crore non tariff income as other operating charges towards open access STU and point of connection charges from PGCIL was received. A Sum of Rs.1.99 Crore received from MePGCL and MePDCL towards SLDC charges. Thus totaling to a sum of Rs.16.43 Crore revenue from operations is considered as detailed below.

The breakup of Revenue is as follows:

**Table 16: Tariff & Non-Tariff Income for FY 2017-18**

SI	Particulars	Amount in Rs. Cr
	<b>Tariff Income</b>	
1	Transmission and Wheeling Charges	69.57
	<b>Non Tariff Income</b>	
2	SLDC charges from MePGCL & MePDCL	1.99
3	Open access charges STU, SLDC and POC charges (10.64 + 0.51 + 3.29)	14.44
4	<b>Sub-total (2+3)</b>	<b>16.43</b>
5	<b>Total (1+4)</b>	<b>86.00</b>

**Commission considers Income from operations at Rs.86 Crore which include Rs.16.43 Crore as Non Tariff Income for True up of FY 2017-18.**

## 2.10 Other Income

### Petitioner's Submission

MePTCL submitted that the Other Income received during the year at Rs.28.32 Crore in True up for FY 2017-18 as detailed in table below.

**Table 17 : Other income for MePTCL in FY 2017-18**

Particulars	Amount (Rs. Crores)
<b>A: Non-Tariff Income (Note 17)</b>	
Interest Income	2.12
Rental and Hiring Income	0.14
Discount Received	0.00
Fees and Penalties	0.07
Miscellaneous receipts	0.02
Amortization of Grant	1.64
<b>B: Other Operating Revenue (Note 16)</b>	
Transmission and Operating Charges	-
State Transmission Utility (STU) and Open Access Charges	10.64
State Load Dispatch Centre (SLDC) Charges	0.51
Point of Connection Charges (Inter State Transmission System, ISTS) from Power Grid Corporation of India Limited, PGCIL	3.29
<b>Total Other Income (MePTCL) (A+B)</b>	18.42
Apportionment of Other Income (from Holding Company)	9.90
<b>Total Other Income (MePTCL+1/3rd MeECL)</b>	28.32
Approved in T.O.	5.24
<b>Claimed in True Up (Surplus)/Gap</b>	23.08

The non-tariff income also includes amortization amount of Rs 1.64 Cr as per the audited statement of accounts. The Licensee has been able to increase non-tariff income in most of the heads. The benefit of the higher non-tariff income leading to lower true up gap for FY 2017-18 is proposed to be passed on to distribution licensee and in turn to the consumers. It is therefore prayed before the Honourable Commission to kindly approve the total Other Income as Rs 28.32 for true up of FY 2017-18 as computed above.

### Commission's Analysis

As per the audited accounts, MePTCL reported Other income at Rs.3.98 crore vide note no.17 which includes Amortization Grants at Rs.1.64 Crore and also prior period income reported to be Rs.0.25 Crore vide Note 18 of Statement of Accounts.

1/3<sup>rd</sup> Other income of MeECL is reported to be Rs.1.30 Crore and the apportionable Other income pertaining to MePTCL reported to be at Rs.6.19 Crore and also received prior period income at Rs.0.12 Crore vide note no.16 of SOA, 1/3<sup>rd</sup> of this apportioned to MePTCL at Rs.0.04 Crore.

Summing up of the above analysis the total other income is considered at (Rs.3.98 Cr + 0.25 Cr+Rs.1.30 Cr + Rs.6.19 Cr + Rs.0.04 Cr) = Rs. 11.76 Crore for True up of FY 2017-18.

Commission approves other income at Rs. 11.76 Crores for True-up of FY 2017-18

## 2.11 Prior Period Income/Expenses

### Petitioner's Submission

MePTCL has submitted Net Prior Period Income/Expenses at Rs.0.88 Crore for True Up of FY 2017-18 as detailed in the Tables below:

**Table 18 : Prior Period Income for FY 2017-18**

Particulars	MePTCL (in Cr.)	1/3rd of MeECL (in Cr.)
Other Excess Provision	0.00	-
Other Income	0.25	-
Income from Investments		0.03
Depreciation		0.011
<b>Prior period Income</b>	<b>0.25</b>	<b>0.04</b>
<b>Total Prior Period Income (MePTCL+1/3rd MeECL)</b>		<b>0.29</b>

**Table 19: Prior Period Expense for FY 2017-18**

Particulars	Expense (in Cr.)
Administration Expenses	0.00
Employees Costs	0.00
Depreciation	0.23
<b>Prior Period Expense (MePTCL)</b>	<b>0.23</b>
Apportioned Prior Period Expense from MeECL	0.93
<b>Total Prior Period Expense</b>	<b>1.17</b>
Total Prior Period Income(From Table 17 above)	0.29
<b>Net Prior Period Expense (1.17 – 0.29)</b>	<b>0.88</b>

### Commission's Analysis

MePTCL has provided the details of the prior period expenses and income for FY 2017-18 as detailed below:

#### 1. MePTCL

##### Prior Period Expenses (FY 2017-18)

Particulars	Amount	Nature
Depreciation	104,261.00	It pertains to the acceptance of Advice-Transfer-Debit (ATD) raised by Head Quarter Subsidiary A/cs (Meghalaya Energy Corporation Limited, MeECL) through Adjustment Voucher, in respect of Vehicles and depreciation provided thereof from the Financial Year 2015-16 to Financial Year 2017-18.



Particulars	Amount	Nature
	451,717.85	This pertains to the provision for depreciation including prior periods on various Fixed Assets of T&T, Tura Division, converted from Capital Works-in-Progress during the year 2017-18.
	1,731,252.95	
	2,287,231.80	
Administration Expenses	7,500.00	This pertains to rectification towards short provisioning done during the year 2015-16 with regards to Statutory Audit Fees.
Employees Costs	11,000.00	This pertains to part payment of Duty-pay in respect of Shri. NimisonSangma, Technician w.e.f. January 2015 to July 2015 vide Voucher No. 19 dated 7-4-2017 (T&T Tura Division)
<b>Total</b>	<b>2,305,731.80</b>	

#### Prior Period Income (FY 2017-18)

Particulars	Amount	Nature
Other Excess Provision	15,534.00	This pertains to correction towards excess provision of Cost Audit Fees made during the Financial Year 2013-14
Other Income	12,294.00	This pertains to CPS Contribution booked in excess in Previous Years (T&T Byrnihat Division)
	2,428,169.00	This pertains to rectifications entries relating to PSDF
	24,000.00	This pertains to recovery of excess salaries booked (April, 2015 to March, 2017) ( T&T Tura Division)
	2,464,463.00	
<b>Total</b>	<b>2,479,997.00</b>	

## 2. MeECL

#### Prior Period Expenses (FY 2017-18)

Particulars	Amount	Nature
Interest	24,500,000.00	It relates to Interest Incomes overbooked, relating to previous years with respect to Investments made out of Pension Funds.
	3,189,975.00	It relates to Interest incomes relating to previous years with respect to Investments made out of Principal Account
	481,810.00	It relates to Interest payable on CPS to the subscribers without PRAN (hence, not registered with NSDL) from Financial Year 2011-12 to 2016-17. The said Interest is to be borne by the Company. The same had not been accounted for earlier.
	<b>Total</b>	<b>28,171,785.00</b>

**Prior Period Income (FY 2017-18)**

<b>Particulars</b>	<b>Amount</b>	<b>Nature</b>
Depreciation	319,493.00	It relates to rectification towards excess depreciation provided in Previous Years, with regards to vehicles that belonged to and consequently have been transferred to Meghalaya Power Generation Corporation Limited (MePGCL) and Meghalaya Power Transmission Corporation Limited (MePTCL)
Income from Investments	307,035.88	It relates to rectification towards Dividend earned and reinvested on Investments of previous years, pertaining to Pension Section.
	544,888.75	It relates to rectification entries passed with regards to the net income during redemption of investments being made in yesteryears, in the Pension Section.
	851,924.63	
<b>Total</b>	<b>1,171,417.63</b>	

Commission had not considered any prior period expenses and Revenue in the tariff order for FY 2017-18.

The Depreciation expense of 0.23 Crores of MePTCL shown is a non cash item, there shall be no outgo from the business, as such effect of the transactions shall not impact the tariff to be claimed from MePDCL.

Other Income of 0.25 Crore of MePTCL is already considered under other Income vide Para 2.10 above.

Other expenses & income of MeECL related to adjustments pertaining to previous years and does not indicate cash transactions for current year.

**Thus commission does not consider any prior period income/expenses for True up of FY 2017-18.**

### 3. Aggregate Revenue Requirement (ARR) for True up of FY 2017-18

#### Petitioner's Submission

MePTCL has submitted that the aggregate revenue requirement/Transmission charges have been arrived at by aggregating all the expenses detailed in the previous sections. The Petitioner has projected the revised ARR for true up of FY 2017-18 as detailed in the table below:

**Table 20: ARR claimed in True Up for FY 2017-18**

Sl. No.	Particulars	MSERC Approved (FY 2017-18)	MePTCL Actuals	Gap / (Surplus)
1	Return on Equity (RoE)	9.43	59.15	49.72
2	Operation and Maintenance Expenses (i+ii+iii)	49.67	67.29	
i	Employee Expenses	19.90	61.73	41.83
ii	R&M Expenses	4.60	2.79	(1.81)
iii	A&G Expenses	25.17	2.77	(22.40)
3	Interest and Finance charges	8.80	19.10	10.30
4	Interest on Working Capital	3.76	4.73	0.97
5	Depreciation	22.29	22.04	(0.25)
6	SLDC charges	1.15	1.15	-
7	Prior Period expense		0.88	0.88
8	Total Annual Expenditure	95.10	174.37	79.27
9	Less:SLDC ARR	2.30	1.99	0.31
10	Less: Other Income	5.24	28.32	(23.08)
11	Adjustment due to True Up FY 2013-14 Review, True Up FY 2014-15 in Tariff Order FY 2017-18	20.08		(20.08)
12	Net ARR (8-9-10+11)	107.64	144.06	36.42
13	Revenue from Tariff/ Operation	107.64	69.57	(38.07)
14	True Up Gap (12-13)	-	74.49	74.49

MePTCL requested to approve the gap of Rs. 74.49 Cr under the trueing up of FY 2017-18.

#### Commission's Analysis

Commission after prudence check of the claims of the licensee with reference to MSERC MYT Regulations 2014, Audited Statement of Accounts, considers Aggregate Revenue Requirement in true-up for FY 2017-18 is as depicted in Table below.

**Table 21: Approved ARR for True Up for FY 2017-18**

Sl. No.	Particulars	Approved in Tariff Order, dated 31.03.2017 (FY 2017-18)	Claim of MePTCL in true-up for FY 2017-18	Approved for True UP FY 2017-18
<b>1</b>	Operation and Maintenance Expenses (i+ii+iii)	<b>49.67</b>	<b>67.29</b>	<b>30.85</b>
<b>I</b>	Employee Expenses	19.90	61.73	25.28
<b>ii</b>	R&M Expenses	4.60	2.79	2.79
<b>iii</b>	A&G Expenses	25.17	2.77	2.78
<b>2</b>	Return on Equity (RoE)	9.43	59.15	16.68
<b>3</b>	Interest and Finance charges	8.80	19.10	4.11
<b>4</b>	Interest on Working Capital	3.76	4.73	1.85
<b>5</b>	Depreciation	22.29	22.04	17.80
<b>6</b>	SLDC charges	1.15	1.15	1.15
<b>7</b>	Prior Period expense		0.88	-
<b>8</b>	<b>Total Annual Expenditure</b>	<b>95.10</b>	<b>174.37</b>	<b>72.43</b>
<b>9</b>	Less: SLDC ARR / Revenue	2.30	1.99	2.30
<b>10</b>	Less: Non Tariff & Other Income	5.24	28.32	28.19
<b>11</b>	Adjustment due to True Up FY 2013-14 Review, True Up FY 2014-15 in Tariff Order FY 2017-18	20.08	-	-
<b>12</b>	<b>Net ARR (8-9-10+11)</b>	<b>107.64</b>	<b>144.06</b>	<b>41.94</b>

**Commission Approves Net ARR / Transmission Charges at Rs. 41.94 Crore for True-up of FY 2017-18.**

#### 4. Revenue Gap / (Surplus) for FY 2017-18

The Commission, based on the detailed analysis, has considered the ARR/Transmission charges and the revenue gap in true up for FY 2017-18 as detailed in the Table below:

**Table 22: Revenue Gap/ (surplus) approved for true up of FY 2017-18**

(Rs. Crore)

Sl. No	Particulars	Approved for FY 2017-18 in Tariff order dated 31.03.2017	Claimed by MePTCL in true up for FY 2017-18	Now approved in true up for FY 2017-18
1	<b>Aggregate Revenue Requirement</b>	107.64	144.06	41.94
2	Transmission charges approved/recovered	107.64	69.57	69.57
3	<b>Revenue Gap / (Surplus) for the year (1-2)</b>	--	<b>74.69</b>	<b>(27.63)</b>

The Commission, accordingly, has approved **revenue gap/(surplus)** at Rs. **(27.63)** crore for FY 2017-18 as detailed in the table above. The Revenue surplus shall be appropriated in ARR of the Next Tariff Order to be issued.

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