

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 06 /2022

In the matter of Review Petition on True-up of FY 2018-19 and
FY 2019-20 and Review of Tariff Order dated 25.03.2022.

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member (Law)

ORDER

(Dated:30.09.2022)

1. MePGCL has filed the Review Petition on the True up orders dated 22.02.2022 for FY 2018-19 and FY 2019-20 and Review of Tariff Order dated 25.03.2022 for FY 2022-23.
2. Commission had approved True up orders for FY 2018-19 and FY 2019-20 as per Regulation 11 of MYT Regulations, 2014.
3. Regulation 22.2 of MYT Regulation 2014 specifies that the Commission shall under take the review of True up of the business considering the terms & Conditions laid down there in that.
 - a) the review petition is filed within sixty days from the date of the order
4. Commission considers that the petition is filed within 60 days of date of true up order and admitted the petition for Review of True up Order for FY 2018-19 as Case No.06 of 2022.
5. Commission taking into consideration of all the facts and additional claims through the review petition, considers review of the claims admitted in True up Order for FY 2018-19 dated 22.02.2022 in the chapters annexed to this order.
6. The Review of True up order for FY 2019-20 and Review of Tariff Order for FY 2022-23 are processed in separate orders.

Sd/-

**Shri. Roland Keishing
(Member)**

Sd/-

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

1 Introduction

Petitioner's Submission

- 1.1.** 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.

- 1.2.** 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."

- 1.3.** As such, the MSERC (Multi Year Tariff) Regulations 2014 and MSERC (Conduct of Business) Regulations 2007, provide for the petitioner or any other person aggrieved by an order of the 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 prays before the 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, as detailed in subsequent sections. At the outset, MePGCL would like to submit that for FY 2018-19 & FY 2019-20, the Commission while trueing up for these financial years in the impugned order, has drastically reduced the ARR of FY 2018-19 & FY 2019-20 from the actual figures submitted by MePGCL as per audited accounts without giving due justification for the same and also on account of errors apparent in the order. Also, some error apparent in the order for revision of Generation tariff for FY 2022-23 passed by Commission on 25th March, 2022. As such, MePGCL humbly prays before the Commission to kindly review the impugned order and consider the submissions made by MePGCL in this review petition.
- 1.4.** Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days of the date of the order of the Commission. MePGCL would like to submit that it is filing the review petition within the allowed timeline and as such, the Commission is requested to admit the same.

Commission's Analysis:

MePGCL has filed the petition for Review of True up orders for FY 2018-19 and FY 2019-20 issued on 22.02.2022 as per Regulation 22 of MSERC MYT Regulations 2014.

Commission considers that the Review petition has been filed within 60 days from the date of issue of True up orders for FY 2018-19.

The Review of True up order for FY 2019-20 and review of Generation Tariff dated 25.03.2022 are separately approved.

2 Review Petition on True Up Order for FY 2018-19

2.1. Separate Petitions for Generating Stations

Petitioner's Submission

Clause 41.2 of the Regulations 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 Commission and MSERC Tariff Regulations 2014. MePGCL had filed separately true up gap claims for,

- 1) Myntdu-Leshka Power plant.
- 2) New Umtru Power Plant
- 3) Lakroh MHP
- 4) Old plants (including Sonapani)

Due to unavailability of segregated accounts for old plants which were commissioned way back in the 1950's and 1960's, MePGCL filed a combined petition for all the old plants (including Sonapani) in accordance with the accepted precedent of filing as followed in the past.

Commission's Analysis

Commission considers the Review petition as filed by the MePGCL with a project wise claim, admittedly in the absence of segregated accounts for FY 2018-19 and FY 2019-20. The Review of True up order for FY 2019-20 is separately approved.

2.2. REVIEW OF TRUE UP ORDER FOR MLHEP

2.2.1. Depreciation

Petitioner's Submission

MePGCL has used the asset- wise breakup as per the audited accounts and their corresponding rates for computation of depreciation. The methodology used is in line with the MSERC Regulations.

The Commission has approved Rs. 46.90 Cr & Rs. 45.92 Cr. for depreciation in true up order for FY 2018-19 & FY 2019-20 respectively. The methodology used by the 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 Commission, which are submitted below:

- 1) Commission has not considered the depreciation of MeECL (for apportioned portion) as per the asset wise depreciation in the audited accounts (Table 13 of order, page-13). It has also adopted the methodology of using average rate of depreciation at 4.38% for FY 2018-19 and 4.86% for FY 2019-20. The methodology of using average depreciation rate on asset base is not in line with the regulations and not required when the asset wise break up is available. Further, the rationale or basis of using 4.38% & 4.86% as the average rate of depreciation for FY 2018-19 & FY 2019-20 respectively is not explained. It is important to note that most of the assets in the generation business are in the category of plant and machinery which has a depreciation rate of 5.28%.
- 2) The whole of grant amount as reflected in the true up order for FY 2018-19 and FY 2019-20 (page 11 of the orders) amounting to Rs. 191.34 crore & Rs. 192.25 crore, respectively, are not as per the audited statement of accounts. As per audited accounts for FY 2018-19 and FY 2019-20 the grant amount as on 31.03.2019 and as on 31.03.2021 are Rs. 186.37 Cr and Rs. 176.83 Cr, respectively.

However, the grant amount as per SOAs' are mainly for Umiam Stage-I and Umiam Stage-II HEPs carried over from the FY 2012-13 onwards. Moreover, the grants for MLHEP have been converted into equity by the State Govt. and approved by the Commission. Thus, the grant amount as mentioned in the True

up orders cannot be considered a part of grants for MLHEP. The details of grant amount has been submitted to the Commission vide letter No.MePGCL/D/GEN/MISC-43/PT-XVII/63,dt.13.01.2022, which shows that the grant amount are only for Survey & Investigation works and other projects which are not for MLHEP.

The grants of MePGCL assets are against survey & investigation of new projects and old plants only and not against Leshka. However, the Commission has considered the total asset base of Rs. 1285.61 Cr. & Rs. 1285.71 Cr. and grant amount of Rs. 191.34 Cr. & Rs. 192.25 Cr. for FY 2018-19 & FY 2019-20 respectively. **This implies major portion of grant belongs to MLHEP as per the calculation of the Commission (Table 11 & 10).** This seems to be an error on the part of the Commission.

In this context, it is important to refer to the Commission's Order for Approval of Capital Cost for Myntdu Leshka Hydel Electric Project (MLHEP) dated 30.03.2017, in which the Commission itself has approved the funding of Leshka as 70:30 in debts and equity and as such, there is no grant against Leshka.

- 3) Depreciation has been calculated by applying the depreciation rates on 100% of GFA, while the claim is made up to 90% of the asset value leaving 10% as salvage value. However, the depreciation computed by the Commission is on 90% of asset value.

Moreover, if the methodology adopted by the Commission is adopted to calculate the depreciation cost of MLHEP (Leshka) for FY 2018-19 & FY 2019-20, excluding grant component, the depreciation cost is estimated to be Rs. 61.34 Cr.& Rs. 61.41 Cr., which is more than the total depreciation cost approved by the Commission for the entire asset base of MePGCL.

Table 1: Estimation of Depreciation Cost of MLHEP (Leshka) as Per Orders issued by Commission

(Rs.Cr)			
Sr. No.	Particulars	FY 2018-19	FY 2019-20
1	Opening GFA	1285.95	1285.62
2	Additions during	0	0.09
3	Withdrawals during	0.34	0.00
4	Closing GFA	1285.61	1285.66
5	90% of the Average Assets	1135.69	1135.58
6	Average rate of Depreciation computed	4.38%	4.86%
7	Average Grant	191.34	192.25
8	Depreciation	46.90	45.92

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

Table 2 : Additional Depreciation Claim of MePGCL in Review

(Rs. Cr.)		
Particulars	FY 2018-19	FY 2019-20
MePGCL's Claim of Depreciation for MLHEP (1)	61.34	61.41
Depreciation approved by MSERC in the true up order (2)	46.90	45.92
Gap to be passed in the review petition (1-2)	14.44	15.49

Hence MePGCL requests the Commission to kindly pass an additional amount of **Rs. 14.44 Cr. & Rs. 15.49 Cr** for depreciation for FY 2018-19 & FY 2019-20, respectively.

Commission's Analysis

Commission has computed the Depreciation as per the Regulation 33.1 in the True up orders dated 22.02.2022 for MLHEP for Rs.46.90 Crore in the table no.11 for FY 2018-19.

The depreciation on the assets of MeECL was not considered since the assets were not deployed for Generation activities.

The Methodology adopted was to arrive at average rate of depreciation on Grants part for deduction from the admissible depreciation for FY 2018-19.

The rate of depreciation notified by CERC varies asset to asset and the computation of average rate adopted in table no.11 for FY 2018-19 is corresponding to average assets but not 5.28% as claimed for review.

The claim of MePGCL that, the Grant amount as per SOA's are mainly for Umiam stage I and Umiam stage II HEP carried over from FY 2012-13 onwards has no relevance, since project wise breakup figures were not filed in the petition nor disclosed in the audited accounts.

1. The average grants as reported vide note no.13.1 of SOA would be Rs.193.39 Crore and does not provide project wise breakup for FY 2018-19 which includes Rs.2.05 Crore apportionable to MePGCL Old Projects of Umiam Stage II.

The grants and contributions considered in the True up process are as reported in the audited accounts after adjusting the amortization grants vide note no.13.1 and 17.1 of audited SOA of FY 2018-19.

Commission has considered that the entire grants part filed by the MePGCL (in Sl.no.2 of the additional information dated 13.01.2022) is in the business of MePGCL, the Depreciation and RoE shall be exclusive of the govt. grants as per the Regulations.

Despite Commission had notified the project cost for MePGCL old projects including sonapani for Rs.49.39 Crore right from FY 2013-14, MePGCL has been projecting the project cost at Rs.391.24 Crore for FY 2015-16 and so on in the subsequent filings.

MePGCL has been utilising the grants provided by the Govt. of Meghalaya right from the commencement of the MLHEP project execution in 2007 till 2012 for Rs.288.02 Crore.

The annual fixed charges for Generation utility shall be computed based on the approved O&M costs, interest, depreciation and Return on equity etc., for determination of Generation tariff in the proportion of saleable MW capacity of the projects for entire Generation utility as per the Regulations.

The depreciation, Return on Equity and Interest and Finance charges however are computed based on the actual capital cost of the project and outstanding capital loans of MLHEP.

Commission considers that the Govt. Grants and capital subsidies (public money) provided to the Generation utility shall not be left unaccounted in the process of Tariff determination (True up), the claim of MePGCL that the Govt.

grants does not pertain to MLHEP and hence the deduction from MLHEP True up ARR shall not be considered, cannot be maintained.

The Capital cost of the MePGCL old projects including Umiam Stage I & II determined by the commission (Rs.49.39 Crore) is less than the sum of the Govt. Grants, apportionment of Grants of Rs.225.46 Crore (not disclosed in the audited accounts), provided for Renovation and Modernization of Umiam Stage I and II whose capital cost is only Rs.2.05 Crore (capitalised) **would result in negative allowance of Depreciation, RoE etc., (True up) which ultimately shall be adjusted from the consolidated ARR of MePGCL for determination of Annual fixed charges and Generation Tariff.**

The details of Govt. Grants and subsidies submitted in the additional information/data dated 13.01.2022 includes pertaining assets not capitalised and projects not achieved CoD (Ganol SHP). The additional information filed on 13.01.2022 indicated amortization of Grants for Rs.73.98 Crore which has no details of year wise breakup.

The MSERC MYT Regulations 2014 provides that tariff determination for generation utility shall be exclusive of Govt. Grants and capital subsidies.

The Govt. Grants provided for New Umtru and Lakroh Projects however are separately maintained, accounted for in the process of determination of Tariff.

2. The methodology suggested by the petitioner is not in line with the MSERC MYT Regulations.

The approved Depreciation for True up of FY 2018-19 is as depicted in the Table below.

**Table 3 : Computation of Depreciation for MLHEP Considered for True up of FY 2018-19
(Review)**

(Rs. Cr.)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2018)	Withdrawn during the year	Asset Value at the end of the year (31.03.2019)	Average assets	90% of the Assets	Depreciation
	1	2	3	4	5	6	7
1	Land	23.90	0	23.90	-	-	-
2	Buildings	146.68	0.006	146.67	146.67	132.00	4.41
3	Hydraulic Works	623.21	0.27	622.94	623.08	560.77	29.61
4	Other Civil Works	122.70	0.00	122.70	122.70	110.43	3.69
5	Plant & Machinery	364.17	0.06	364.11	364.14	327.73	17.30
6	Lines & cables	4.57	0	4.57	4.57	4.11	0.22
7	Vehicles	0.46	0	0.46	0.46	0.41	0.04
8	Furniture	0.08	0	0.08	0.08	0.07	0.004
9	Office Equipment	0.18	0	0.18	0.18	0.16	0.01
10	Total	1285.95	0.34	1285.61	1261.88	1135.69	55.28
11	Average rate of dep (Col.7/5)						4.38%
12	Average Grants				191.34		
13	Less: Depreciation on Grants						8.38
14	Net Depreciation for True up (sl.no 10-13)						46.90

Commission considers the depreciation approved for FY 2018-19 in the True up Order at Rs.46.90 Crore requires no review.

The Review of Depreciation for FY 2019-20 is considered in the separate order.

2.2.2. Return on Equity

Petitioner's Submission

The Commission has approved Rs. 45.96 Cr. & Rs. 45.90 Cr. for FY 2018-19 & FY 2019-20 respectively, for RoE in true up orders. The methodology used by the Commission for RoE computation is not in line with MSERC (Multi Year Tariff) Regulations, 2014. The errors in the methodology used by the Commission are submitted below.

The Commission has considered grants of Rs. 191.34 Cr. & Rs. 192.25 Cr belonging to Umiam Stage – I & II for FY 2018-19 & FY 2019-20 respectively and has used these grants to reduce the GFA of MLHEP for RoE calculation, which is incorrect as highlighted above.

The issue of Return on Equity (methodology of MeECL& its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still subjudice. The corporation is reiterating the fact that the approved value of the Commission for Return on Equity is not in line with the Regulations. For the sake of brevity, MePGCL is not reiterating the grounds and the justification for the claim here since the matter is still subjudice.

Hence, based on the above, the additional claim of MePGCL for review in line with the claim in the true up petition is given below:

Table 4 : Additional RoE Claim of MePGCL in Review

Particulars	(Rs. Cr.)	
	FY 2018-19	FY 2019-20
MePGCL's Claim of Return on Equity for MLHEP (1)	54.00	53.99
Approved Return on Equity by MSERC for MLHEP (2)	45.96	45.90
Gap to be passed in the review petition (1-2)	8.04	8.09

Hence MePGCL requests the Commission to kindly pass an additional amount **Rs. 8.04 Cr. & Rs. 8.09 Cr** for depreciation or FY 2018-19 & FY 2019-20, respectively.

Commission's Analysis

As analyzed for the depreciation vide para 2.2.1, the treatment of Govt. Grants and capital subsidies shall considered for computation of Return on Equity for determination of Generation Tariff.

The Return on Equity is computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014.

Petitioner has stated that case no.46 of 2016 filed in the Hon'ble APTEL is still under subjudice. Commission shall however consider the issue of RoE on the basis of outcome of the APTEL orders.

The petitioner has not filed any additional information in connection with the review claim.

The govt. grants and contributions as reported in the audited SOA shall be considered for computation of debt equity ratio as per Regulations.

The computations adopted by the commission is in line with the MSERC MYT Regulations 2014.

Table 5 : Computation of Return on Equity for True up of FY 2018-19 for MLHEP (Review)

Sl.no	Particulars	FY 2018-19
1	Average GFA / Capital Cost for FY 2018-19	1285.78
2	Less: Average Grants	191.34
3	Net Assets	1094.44
4	70% Debt component	766.11
5	30% Equity	328.33
6	30% Equity for FY 2017-18 , FY 2018-19	328.86
7	Average Equity	328.60
8	Return on Equity @ 14% (Sl.no 7*14%)	46.00

Commission considers Return on Equity as computed above for Review of FY 2018-19.

2.2.3. Interest and Finance charges

Petitioner's Submission

The Commission in its True Up order for FY 2018-19 FY 2019-20 has approved Interest and Finance Charges at Rs. 44.85 Cr.& Rs. 36.27 Cr., respectively. The details of loans for MLHEP are shown below:

Table 6 : MLHEP Loan Details

MLHEP Loans	FY 2018-19				FY 2019-20			
	As on 01st April 2018 (Rs.Cr)	As on 31st March 2019 (Rs.Cr)	Inte-rest Rate (%)	Inte-rest (Rs.Cr)	As on 01st April 2019 (Rs. Cr)	As on 31st March 2020 (Rs.Cr)	Inte-rest Rate (%)	Inte-rest (Rs.Cr)
BSE Power Bonds-II (1)	50.00	0.00	11.40%	5.70	0	0	0	0
PFC Loan MLHEP	169.09	152.99	12.75%	21.73	152.99	140.92	12.75%	14.09
REC Loan (3)	183.45	158.15	14.00%	21.14	158.15	132.85	11.25%	18.04
Federal Bank (4)	7.73	0.00	11.98%	0.95	0	0	0	0
CBI (5)	25.26	16.91	11.15%	2.71	16.91	8.58	11.15%	2.55
PFC Loan (170 cr) (6)	117.20	154.76	11.75%	15.68	164.76	142.55	11.75%	13.90
REC Loan 60 cr (7)	60.00	00.00	11.25%	6.85	51.72	43.45	11.25%	5.87
Total	612.75	534.55		74.77	534.55	468.34		54.45

The Repayment amounts, Opening and Closing balance of loans mentioned in the impugned order are not matching with the loan statements provided by audited accounts. The closing balance of loans has been erroneously calculated as Rs. 379.94 Cr instead of Rs. 534.55 Cr. as mentioned in the table above, and as per the segregated accounts for FY 2018-19 and Rs. 282.35 Cr instead of Rs. 468.34 Cr for FY 2019-20.

Further, the Commission has not considered for allowing interest on take out financing loan. MePGCL has taken a takeout financing of Rs. 170.00 crore and Rs. 60.00 crore which is in-line with RBI Guidelines dated. 2.06.2016 attached in the true up petition to replace the bonds and clear the outstanding dues.

Table 7 : Additional IFC Claim of MePGCL Based on Revised Components

(Rs. Cr.)		
Particulars	FY 2018-19	FY 2019-20
Interest and Finance Charges claimed by MePGCL in the True Up petition (1)	74.77	54.45
Interest and Finance Charges allowed by MSERC in the True Up order (2)	44.85	36.27
Addnl. Interest & Finance Charges to be allowed in the review petition (3=1-2)	29.92	18.18

The Commission is requested to allow an additional amount of Rs. 29.92 Cr. & Rs. 18.18 Cr. for FY 2018-19 & FY 2019-20 respectively, for Interest and Finance charge as shown in the table above.

Commission's Analysis

The interest on loan capital shall be allowed as per the Regulation 32.1 for determination of ARR.

The closing balance of FY 2017-18 has been carried forward for FY 2018-19 as opening balance for computation of interest on outstanding loan capital.

The project was completed in the year 2013. The claim of MePGCL for interest on take out financing for FY 2018-19 shall not be admissible. The same has been notified in the True up orders dated 22.02.2022.

The interest and finance charges approved in the True up orders for FY 2018-19 are in line with the Regulations as depicted in the tables below.

Table 8 : Approved Interest on capital loans for FY 2018-19

(Rs. Cr)						
Sl.No	Loans availed for LESHKA Plant	Opening	Repaid	Closing loan	Avg loan	Interest
1	11.98%, Federal Bank	5.62	7.74	-2.12	1.75	0.21
2	11.15%, Central Bank of India	25.26	8.35	16.91	21.09	2.35
3	12.75%, from PFC	169.10	16.10	153.00	161.05	20.53
4	11.40%, from BSE-II	50.00	50.00	0.00	25.00	2.85
5	9.95%,from BSE-I	0.00	0.00	0.00	0.00	0.00
6	11.07%, from REC	183.46	25.31	158.15	170.81	18.91
	Total	433.44	107.50	325.94	379.70	44.85

Commission considers no review of Interest and Finance charges for True up of FY 2018-19.

The Interest and finance charges for FY 2019-20 are considered in Separate order.

2.2.4. Revenue from Operations

Petitioner's Submission

The Commission considered the revenue earned by MePGCL as a whole for FY 2018-19 is Rs. 358.36 Cr, out of which the revenue from MLHEP is Rs. 226.87 Cr. including Rs. 81.50 Cr (1/2). as revenue gap of FY 2013-14 and FY 2014-15 which shows that revenue from operation from MLHEP is Rs. 145.37 Cr.

The Commission considered that the revenue earned by MePGCL as a whole for FY 2019-20 is Rs.287.40 Cr, out of which the revenue from MLHEP is Rs.233.29 Cr. including Rs. 81.50 Cr (2/2). as revenue gap of FY 2013-14 and FY 2014-15 which shows that revenue from operation from MLHEP is Rs. 151.79 Cr.

Commission's Analysis

Commission has considered Revenue from operations as reported in the note no.18 of audited accounts at Rs.358.36 Crore for FY 2018-19.

It is also stated in the accounts by MePGCL that the Revenue has been fully realized and recognized during FY 2018-19.

The revenue realized towards MLHEP project as analyzed in the annexure-I amounted at Rs.226.87 Crore including Rs.81.50 Crore (1/2) Revenue gap of FY 2013-14 and FY 2014-15.

It is to be notified that MePDCL has claimed Revenue gap pertaining to MLHEP for Rs.163.00 Crore in two installments at Rs.81.50 Crore towards power purchase cost of MePGCL which was duly admitted by the commission for FY 2018-19 and FY 2019-20. The Revenue gap of MLHEP for FY 2013-14 and FY 2014-15 of Rs.163.00 Crore was not part of the approved ARR for FY 2018-19.

The tariffs were fixed including the Revenue Gap of MLHEP for Rs.81.50 Crore (1/2) and realized by the MePDCL.

Commission considers the submission of the MePGCL for computation of Revenue Gap including MLHEP gap of Rs.81.50 Crore (1/2) for FY 2013-14 and FY 2014-15 for True up of FY 2018-19 in the Review.

Commission considers the Revenue from operations received for Rs.358.36 Crore as reported in the audited SOA for FY 2018-19 was including Rs.82.52 Crore related and not recognized during FY 2017-18.

Thus commission considers the MePGCL Revenue from operations for FY 2018-19 Review at Rs.275.84 Crore (Rs.358.36 Crore – Rs.82.52 Crore) out of which Revenue of MLHEP is Rs.226.87 Crore.

2.2.5. Revised ARR & Net Additional Claim in Review for True Up FY 2018-19

Petitioner's Submission

Based on the above submissions in response to the order, revised ARR for MLHEP is given below:

Table 9 : Revised AFC for MLHEP in Review

(Rs. Cr.)

	FY 2018-19			FY 2019-20		
Particulars	AFC as per review	Approved in the True up Order	Gap/ (Surplus)	AFC as per review	Approved in the True up Order	Gap/ (Surplus)
O&M Expenses	27.97	27.97	0.00	34.86	31.68	3.18
Depreciation	61.34	46.90	14.44	61.41	45.92	15.49
Interest & Finance charges	74.77	44.85	29.92	54.45	36.27	18.18
Interest on Working Capital	4.62	4.62	1.31	4.73	4.73	1.23
Return on Equity	54.00	45.96	8.04	53.99	45.90	8.09
SLDC Charges	0	0.00	0	0	0	0
Misc. Expense & Bad Debts	0	0.00	0	0	0	0
Net Prior Period items	0	0.00	0	0	0	0
Gross AFC	222.70	170.30	53.71	209.44	164.50	46.14
Less: Non-Tariff Income	0.02	0.023	0	0.04	0.029	0.003
Less: Amortization of Grants		-	0	0	0	0
Net AFC	222.68	170.28	52.40	209.44	164.50	44.90
Less: Revenue from operations (excluding True up gap 2013-14&2014-15 @Rs.81.50cr)	145.37			151.79		
Gap (surplus)	77.31		24.91	57.61		12.71

MePGCL request the Commission to consider a GAP for review of True up order for FY 2018-19 at Rs. 24.91Cr & for FY 2019-20 at Rs. 12.71 Cr.

Commission's Analysis

Commission has considered Revenue from operations for FY 2018-19 (Review) at Rs.226.87 Crore which includes Rs.81.50 Crore (1/2) related to Revenue Gap of MLHEP for FY 2013-14 and FY 2014-15.

MePGCL has submitted that the ARR of MLHEP for FY 2018-19 may be considered at Rs.145.37 Crore only for Review excluding the Revenue Gap of Rs.81.50 Crore (2/2) while considering the Revenue from Operations at Rs.226.87 Crore determining the Net gap of Rs. 24.95 Crore for Review of FY 2018-19.

Commission considers submission of the petitioner and the Revenue Gap of Rs.81.50 Crore (1/2) shall be factored for ARR (Review) for FY 2018-19. The Net Gap/(Surplus) for FY 2018-19 (Review).

Commission has examined review petition with reference to the audited accounts, Additional information submitted on 13.01.2022 and additional claims after prudence check, considers the ARR (Review) for FY 2018-19.

Based on the above analysis for Review of True up orders dated 22.02.2022 for FY 2018-19 is approved as depicted below.

Table 10 : Approved Revised ARR of MLHEP for FY 2018-19 (Review)

(Rs.Cr)

Particulars	Approved in the True up Order Dt.22.02.2022	AFC as per review petition	Now Approved for Review
O&M Expenses	27.97	27.97	27.97
Depreciation	46.90	61.34	46.90
Interest & Finance charges	44.85	74.77	44.85
Interest on Working Capital	4.62	4.62	4.62
Return on Equity	45.96	54.00	46.00
SLDC Charges	0.00	0	0.00
Misc. Expense & Bad Debts	0.00	0	0.00
Net Prior Period items	0.00	0	0.00
Gross AFC	170.30	222.70	170.34
Less: Non-Tariff Income	0.023	0.02	0.023
Less: Amortization of Grants	-		-
Net AFC	170.28	222.68	170.32
Add: Revenue Gap of FY 2013-14 and FY 2014-15 (1/2)			81.50
Net ARR			251.82
Less: Revenue from operations	226.87	145.37	226.87
Revenue Gap/(Surplus)	(56.59)	77.31	24.95

Commission considers the revised ARR for MLHEP at Rs.251.82 Crore for FY 2018-19 Review and a sum of Rs.24.95 Crore is determined as Revenue Gap.

The change in the already approved True up ARR for FY 2018-19 shall be revised in the ARR for MePGCL as a whole consolidated vide table no. 40 of this order and appropriated in the next tariff order.

2.3. REVIEW OF TRUE UP FOR NUHEP FOR FY 2018-19

2.3.1. Funding pattern of NUHEP

Petitioner's Submission

The Commission in its True up order dated 22.2.2022 for FY 2018-19 & FY 2019-20 approved project cost of NUHEP as Rs. 580.72 Cr.(table 26 & 25 of the orders). The actual loan amount is Rs. 440.30 Cr. The total Equity contribution for NUHEP is Rs. 188.59 Cr (156.00+32.59) (Notifications/letters from the State Govt. attached in the true up petition), including Rs. 24 Cr infused for Ganol SHP. In the true up orders dt.22.2.22 the equity amount to Rs. 32.59 Cr attached at Annexure J of the True up petition was omitted by the Commissioned. MePGCL request the Commission to kindly consider the equity amount in the review petition.

As per true up order for FY 2018-19, addition of loan and equity after adjusting the equity amount of Rs. 57.43 Cr. (Sanctioned on 29.3.2019) is not equal to the project cost (refer table 26). The equity amounting to Rs. 82.99 Cr is to be considered in the review petition. As per True up order for FY 2019-20, addition of loan and equity does not tally to the total project cost (refer table 25). The total equity of the project requested for review is Rs. 164.59 Cr. Therefore, MePGCL request the Commission to kindly consider the Equity amount for NUHEP for FY 2018-19 & FY 2019-20 as shown below:

Table 11 : Funding pattern of NUHEP for FY 2018-19 & FY 2019-20

(Rs. Cr.)			
Sl.No.	Particulars	FY 2018-19	FY 2019-20
1	Project Cost	580.72	580.72
2	Actual loan amount	440.30	440.30
3	Equity Contribution	82.59	164.59

Therefore, MePGCL request the Commission to kindly review the Equity amount for NUHEP for FY 2018-19 & FY 2019-20 at Rs. 82.59 Cr. and Rs. 164.59 Cr. respectively.

Commission's Analysis

The Project cost of New Umtru was approved by the Commission at Rs.580.72 Crore.

Regulation 27.1 of MSERC MYT Regulations 2014 specifies that,

"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."

The debt shall be considered 70% of the project cost amounts to Rs.406.50 Crore and equity shall be limited to 30% which amounts to Rs.174.22 Crore as per Regulation 27 of MSERC MYT Regulations 2014.

The MePGCL has projected Equity at Rs.82.59 Crore for FY 2018-19 out of which the Govt. of Meghalaya vide notification dated 26.11.2021 has converted the Grant and loan component made available as of 01.07.2017 for Rs.74.57 Crore and Rs.57.43 Crore converted as Equity with effect from 29.03.2019. Thus the total Equity Contribution amounted to Rs.132.00 Crore.

The claim of the petitioner as to the funding of the grant treated as equity by Govt. of Meghalaya for Rs.32.59 Crore vide reference attached as "Annexure-J" dated 13.12.2012, was notified as money released under SPA, NEC and NLCPR as loan continuous to be treated as loan in the Govt. notification dated 24.03.2015.

The Govt. Notification dated 24.03.2015 reads that money released under NLCPR as loan continues to be treated as loan. This supersedes all previous communications/orders on the subjects.

Thus there has been ambiguity prevailed for the treatment of grant as equity. (copies of the notifications are attached)

GOVERNMENT OF MEGHALAYA

POWER DEPARTMENT

No: PE.73/97/Vol.IV/217

Dated Shillong, the 13th day of December, 2012Notification

In supersession of all the following earlier correspondence/ Order etc. issued by the Power Department, Government of Meghalaya, the Governor is pleased to order for treating all the amount released as Grant in Aid as indicated below towards Equity contribution for construction of the 3 X 42 Mw Myntdu Leshka and New Umtru 2 X 20 MW HEP as mentioned below:

For Myntdu Leshka 3 X 42 MW HEP:

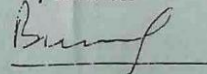
Sl No.	Sanction Letter	Amount in Lac	As per Sanction letter	To be treated as	Date of Effect
1	PE.73/97/Vol.IV/57 Dt 31.03.2007	3150.00	Grant	Equity	01.04.2010
2	PE.73/97/Vol.IV/109 Dt 31.03.2008	2372.40	Grant	Equity	01.04.2010
3	PE.73/97/Vol.IV/386 Dt 23.12.2008	8100.00	Grant	Equity	01.04.2010
4	PE.73/97/Vol.IV/185 Dt 31.03.2010	1000.00	Grant	Equity	01.04.2010
5	PE.73/97/Vol.II/417 Dt 22.12.2010	7740.00	Grant	Equity	22.12.2010
6	PE.73/97/Vol.II/486 Dt 25.01.2012	6440.00	Grant	Equity	25.01.2012

TOTAL=28802 Cr

For New Umtru 2X 20 MW HEP:

Sl No.	Sanction Letter	Amount in Lac	As per Sanction letter	To be treated as	Date of Effect
1	PE.95/2005/153 Dt 27.01.2009	1521.08	Grant	Equity	01.04.2010
2	POWER.44/2011/175 Dt 21.09.2011	1738.38	Grant	Equity	21.09.2011

By order Etc



(B.K. DEV VARMA)
Addl. Chief Secretary
Government of Meghalaya

GOVERNMENT OF MEGHALAYA
POWER DEPARTMENT

ORDERS BY THE GOVERNOR

NOTIFICATION

Dated, Shillong, the 24th March, 2015.

No. POWER-101/2014/190 - The Government of Meghalaya has been making available funds under Special Plan Assistance, Special Central Assistance, NLCPR & NEC from time to time for various projects of MeECL related to generation, transmission and distribution of electricity. The Government has decided to make available these funds after assessment of compelling demands from various sectors, as part of its priorities under the State Plan.

The following is therefore to be adhered to by MeECL and its subsidiaries in respect of the fund transferred by Government from 1st April, 2010 onwards:

1. Money released under SPA, SCA, NEC & NLCPR as grant in aid is to be treated as equity.
2. Money released under SPA, NEC & NLCPR as loan continues to be treated as loan.
3. Money released under SCA towards Ganol HEP to be treated as equity.

This supersedes all previous communication/orders on the subject.

Sd/-
(B.K. DEVI VARMA)
Addl. Chief Secretary to the Govt. of Meghalaya,
Power Department.

Memo No. POWER -101/2014/190-A
Copy forwarded to :-

Dated Shillong, the 24th March, 2015

1. P.S. to Minister, Power for kind information of the Minister.
2. P.S. to C.S. for kind information of the Chief Secretary.
3. Chairman-cum-Managing Director, Meghalaya Energy Corporation Limited (MeECL), Shillong.
4. Director (Finance), Meghalaya Energy Corporation Limited, Shillong.
5. Accountant General, Meghalaya, Shillong.
6. Chairman, Meghalaya State Electricity Regulatory Commission (MSERC), Shillong.

By Orders, etc.,

Shapthrap
Under Secretary to the Govt. of Meghalaya
Power Department.

NUHEP

EXHIBIT-V (6)

Sr No.	Release of funds/ payments	Date	Amount (in Lakhs)	Remarks
1	PE.95/2005/Pt-I/58 b dt 31st March 2009.	31st March 2009	169.01	10% State's share ✓
2	POWER/44/2011/175 dt 21st September 2011.	21st September 2011.	193.15	10% State's share ✓
3	POWER/44/2011/Pt-II/62 dt 31st March 2013.	31st March 2013.	200.00	SCA/SPA
4	POWER/44/2011/Pt-II/62 dt 31st March 2013.	31st March 2013.	1800.00	SCA/SPA
5	POWER/44/2011/Pt-IV/47 dt 31st March 2014.	31st March 2014.	2500.00	SCA/SPA
6	POWER/44/2011/Pt-IV/67 dt 26th March 2015.	26th March 2015.	278.00	SCA/SPA
7	PE.84/87/Pt-I/105 dt 29.03.2014		988.75	Loan repayments to HUDCO
8	POWER-84/87/Pt-I/131 dt 28.05.2014		950.12	Loan repayments to HUDCO
9	POWER-84/87/Pt-I/149 dt 03.09.2014		998.36	Loan repayments to HUDCO
10	POWER-84/87/Pt-I/157 dt 27.01.2015		308.96	Pre-payments charge to HUDCO
11	POWER-44/2011/375 dt 31.03.2016		119.17	10% State's share ✓
Total State released			8505.52	
NLCPR				
1	DNER/NLP/Meg/104/2007 dated 30.09.08		1521.08	NLCPR
2	DNER/NLP/Meg/104/2007 dated 03.05.11		1738.38	NLCPR
3	DNER/NLP/Meg/104/2007 dated 28.06.12		1072.54	NLCPR
Total NLCPR released			4332.00	
Grand total Equity			12837.52	
Remarks:				
	(Rs. in lakhs)			
NLCPR component	4345.96			
NLCPR released	4332.00			
Balance	13.96			

However, the claim of Rs.32.59 Crore converted as Equity vide notification 13.12.2012 is considered for funding pattern and computation of Return on Equity for FY 2018-19 pending rectification of the status notified in Govt. notification dated 24.03.2015.

The Equity contribution as per the Govt. notification dated 26.11.2021 for New Umtru Project as on 01.07.2017 was Rs.74.57 Crore which is analyzed on page no.28 of the True up orders for FY 2018-19 is now considered for Rs.107.16 Crore (Rs.74.57 Cr+Rs.32.59 Cr) in the Review.

Table 12 : Approved Funding pattern of NUHEP for FY 2018-19 & FY 2019-20

(Rs. Cr.)

Sl.No.	Particulars	FY 2018-19	FY 2019-20
1	Project Cost	580.72	580.72
2	70% of Project Cost (Reg. 27)	406.50	406.50
3	Actual Equity	107.16	164.59

The Govt. Notification dated 26.11.2021 indicates the Equity considered for New Umtru Project amounted at Rs.132.00 Crore. The computation of funding pattern is considered from the date of CoD and effective date of Govt. Grant converted into Equity as per the notification.

The Govt. Notification includes Rs.24.00 Crore infused as Equity for Ganol HEP has been excluded from the Total Equity Contribution granted for Rs.156.00 Crore.

Accordingly the Return on equity and interest on loan capital was computed for True up of business for FY 2018-19 in the respective table of True up order.

Table 13 : Approved Funding pattern for New Umtru project for FY 2018-19

Sl.No	Particulars	Amount in Rs. Crore
1	Project Cost approved as on COD ie., 01.07.2017	580.72
2	Loan to be considered (70% of Capital Cost) (Reg.27)	406.50
3	Equity contribution by Govt. as on 01.07.2017	107.16

The petitioner was entitled for borrowing of debt for Rs.406.50 Crore (70% of the project cost) for execution of the New Umtru project as per the Regulations. The loan component is considered at Rs.406.50 Crore for True up of Review for FY 2018-19.

The petitioner shall file actual equity funding with reference to the Govt. notifications for consideration in the future petitions.

Commission considers debt Equity Computation for FY 2018-19 as notified in the above table.

2.3.2. Depreciation

Petitioner's Submission

The Commission considered an amount of Rs. 57.43 crore as grant which was already converted into equity by the Government (copy of the Notification attached in the true up petition). Therefore, deduction of equity amounting to Rs. 57.43 crore is found to be incorrect and MePGCL request the Commission to consider the review on the Depreciation amount for FY 2018-19 as Rs. 25.54 Crore shown in the table below:

Table 14 : Computation of Depreciation of NUHEP for FY 2018-19

Sl. No.	Particulars	Value of Assets at the beginning of the year (1 st April, 2018)	Addition during the year	Value of Assets at the end of the year (31 st March, 2019)	Average Assets	90% of Assets	Depreciation
1	Land	0.00	0.41	0.41	0.21	0.0	0.00
2	Building	91.57	0.00	91.57	91.57	82.41	2.75
3	Hydraulic works	297.75	0.57	298.32	298.03	268.23	14.16
4	Other Civil Works	30.72	0.00	30.72	30.72	27.65	0.92
5	Lines & Cables	155.35	0.35	155.70	155.53	139.98	7.39
6	Plant & Machinery	3.43	0.00	3.43	3.43	3.09	0.16
7	Vehicle	1.83	0.00	1.83	1.83	1.65	0.16
8	Furniture	0.02	0.08	0.10	0.06	0.05	0.003
9	Office Equipment	0.05	0.00	0.05	0.05	0.05	0.003
10	Total	580.72	1.41	582.13	581.43	523.11	25.54

The grant contribution considered by the Commission in the True up order (table 28) is wrongly considered since this amount is “equity contribution”. Therefore, MePGCL, request the Commission to kindly consider as “equity contribution” not “grant contribution” as given in the order for FY 2018-19.

Commission's Analysis

Commission had notified capital cost of NUHEP at Rs.580.72 Crore on 25.03.2020 wherein the provisional ARR for FY 2018-19 to FY 2020-21 has been incorporated.

Commission approved Equity at Rs.136.16 Crore provisionally in the absence of audited accounts for FY 2018-19.

The Govt. Notification dated 26.11.2021 clearly indicates the Grant and Loan initially provided for Rs.132.00 Crore for New Umtru.

The Govt. notification dated 26.11.2021 provides the effect date of grant and loan to be treated as equity at Rs.74.57 Crore and also the Equity converted in notification

dated 13.12.2012 for Rs.32.59 Crore retaining the Grants part at Rs.57.43 Crore converted as Equity with effect from 29.03.2019.

Accordingly the depreciation for FY 2018-19 has been computed as per the Regulations in the table below for Review.

Table 15 : Approved Depreciation for NUHEP for FY 2018-19 (Review)

(Rs. Cr)							
SI No	Particulars	Value of Assets at the beginning of the year (01.04.2018)	Additions during the Year	Asset Value at the end of the year (31.03.2019)	Average assets	90% of Assets	Depreciation
	1	2	3	4	5	6	7
1	Land	0.00	0.41	0.41	0.20	0.00	0.00
2	Buildings	91.57	0.00	91.57	91.57	82.41	2.75
3	Hydraulic Works	297.75	0.57	298.32	298.04	268.24	14.16
4	Other Civil Works	30.72	0.00	30.72	30.72	27.65	0.92
5	Plant & Machinery	155.35	0.35	155.70	155.52	139.97	7.39
6	Lines & cables	3.43	0.00	3.43	3.43	3.09	0.16
7	Vehicles	1.83	0.00	1.83	1.83	1.65	0.16
8	Furniture	0.02	0.08	0.10	0.06	0.05	0.003
9	Office Equipment	0.05	0.00	0.05	0.05	0.04	0.003
10	Total	580.72	1.41	582.13	581.42	523.10	25.54
11	Avg Depreciation (%)						4.39 %
12	Govt. Grants and Contributions available (132-74.57)					57.43	
13	Less: Dep on grants						2.52
14	Net Depreciation						23.02

Commission considers depreciation as computed in the above table for Review of True up order for FY 2018-19.

2.3.3. Return on Equity

Petitioner's Submission

The Commission approved the RoE for FY 2018-19 as Rs. 10.47 Cr. The Equity amount requested from the Commission to be considered is Rs. 82.99 Cr. (As calculated in the table 7 above). Therefore, the ROE considered by the Commission (table 30) is erroneous. MePGCL request the Commission to kindly review the RoE of Rs. 11.65 Cr. for FY 2018-19.

The Commission approved the RoE for FY 2019-20 as Rs. 14.49 Cr. The Equity amount requested from the Commission to be considered is Rs. 164.59 Cr. (As calculated in the table 7 above). Therefore, the ROE approved by the Commission in the order

(table 30) is erroneous. MePGCL request the Commission to kindly review the RoE of Rs. 17.36 Cr. for FY 2019-20.

Commission's Analysis

Regulation 27.1 of MSERC MYT Regulations 2014 specifies that,

“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.”

The govt. notification dated 26.11.2021 clearly indicated the total grant and loan to be treated as equity for Rs.156.00 Crore which includes Rs.24.00 Crore related to Ganol SHEP yet to be commissioned.

The govt. notification provides dates of grant and loan to be treated as equity, and accordingly the equity contribution shall be considered for Return on equity which has been computed in the table no.30 of the true up orders of FY 2018-19. Thus there is no error in computation of RoE for FY 2018-19 as depicted below.

Table 16 : Approved Return on Equity for True up of FY 2018-19 for NUHEP

Sl.no	Particulars	Amount in Cr
1	GFA as on 01.04.2018	580.72
2	Additions during the year	1.41
3	Closing GFA	582.13
4	Average GFA	581.42
5	Less: Grants and contributions Available	57.43
6	Net GFA	523.99
7	Equity contribution by Govt. as on 01.07.2017	107.16
8	30% of Assets added in FY 2018-19 ie. (1.41*30%)	0.42
9	Closing Equity Considered	107.58
10	Average Equity	107.37
11	Return on Equity @ 14% (Sl.no.10 *14%)	15.03

Commission considers Return on equity at Rs.15.03 Crore for Review of True up for FY 2018-19.

2.3.4. Interest and Finance charges

Commission considered the Project loan for Rs.406.50 Crore as per the Regulations for Review of True up orders for FY 2018-19 and interest on loan capital is approved at Rs.49.43 Crore.

Commission considering the Review petition the funding pattern has been computed in the para 2.3.1 above and debt component has been revised as per the Regulations for Rs.406.50 Crore for FY 2018-19 and interest on loan capital has been revised in the table below.

Table 17 : Approved Interest and Finance charges for FY 2018-19 (Review) for New Umtru HEP

(Rs. Cr)

Sl. No.	Particulars	Opening Balance (a)	Rate of Interest (b)	Repayment during the year (c)	Closing Balance (d=a-c)	Average Loan (e=a+d/2)	Interest Admissible (f=e*b)
1	PFC Loan NUHEP	406.50	12.65%	31.45	375.05	390.78	49.43

Commission considers revised interest on loan capital at Rs.49.43 Crore for Review of True up for FY 2018-19.

2.3.5. Interest on Working Capital

Petitioner's Submission

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.

Table 18 : IWC Claim of NUHEP

(Rs. Cr.)

Sl. No	Particulars	FY 2018-19	FY 2019-20
1	O&M Expenses for one (1) month (Rs. 10.85 Cr./12) (a)	0.90	0.86
2	Maintenance Spares at 15% of O&M expenses escalated at 6% (b)	1.73	1.63
3	Receivables equivalent to two (2) months Net AFC (c)	17.21	16.53
4	Working Capital requirement (d=a+b+c)	19.84	19.02
5	Interest at 13.80% (e=d*13.80%)	2.73	2.62
6	Approved IWC as per True up Order	2.54	2.56
7	Additional IWC as per review of True up order	0.19	0.06

MePGCL claim additional gap of IWC for NUHEP for FY 2018-19 as Rs. 0.19 Crore & FY 2019-20 as Rs. 0.06 Cr and request the Commission to consider the additional gap as Rs. 0.13 crore for FY 2018-19 & Rs. 0.06 Cr for FY 2019-20 as shown above.

Commission's Analysis

The additional claim filed by the Petitioner was due to wrong adoption of rate of interest for FY 2018-19.

The Petitioner has adopted 13.80 % interest rate instead of prevailing rate of interest at 13.45% for FY 2018-19.

There has been a typographical error in computation of average depreciation in the True up order for 4.88% instead of 4.39%.

Due to the above changes the computation of Interest on Working capital got changed and accordingly approved the interest on working capital as depicted in the table below for Review of FY 2018-19.

Table 19 : Approved Interest on Working Capital for FY 2018-19 (Review)

(Rs.Cr)

Sl. No	Particulars	NUHEP Actual
a	O&M expenses for one month (10.85/12)	0.90
b	Maintenance spares @ 15% of O&M expenses $^{**}(10.85*15\%*6\%)$	1.73
c	Receivables equivalent to two months of Fixed cost $(98.29*2/12)$	16.38
d	Total Working Capital Requirements (d=a+b+c)	19.01
e	SBI PLR as on 1st April of the respective Financial Year (%)	13.45%
f	Interest on Working Capital (f=d*e)	2.55

Commission approves Interest on Working capital at Rs.2.55 Crore for FY 2018-19 Review.

2.3.6. Revised ARR & Net Additional Claim in Review for True Up FY 2018-19 & FY 2019-20

Petitioner's Submission

Table 20 : Revised AFC for NUHEP in Review

(Rs. Cr.)

Particulars	FY 2018-19			FY 2019-20		
	AFC of NUHEP as per Review	Approved in the True up Order	Gap/ (Surplus)	AFC of NUHEP as per Review	Approved in the True up Order	Gap/ (Surplus)
O&M Expenses	10.85	10.85	0	10.27	10.27	0
Depreciation	25.54	22.74	2.8	25.62	25.62	0
Interest & Finance charges	53.71	53.71	0	46.18	46.18	0
Interest on Working Capital	2.73	2.54	0.13	2.62	2.56	0.06
Return on Equity	11.65	10.47	1.18	17.36	14.49	2.87
SLDC Charges	-	-	-	-	-	-
Net Prior Period items	0	0	0	0	0	0
Gross AFC	104.48	100.31	4.17	102.05	99.12	
Less: Non-Tariff	0.04	0.04	0	0	0	0

Particulars	FY 2018-19			FY 2019-20		
	AFC of NUHEP as per Review	Approved in the True up Order	Gap/ (Surplus)	AFC of NUHEP as per Review	Approved in the True up Order	Gap/ (Surplus)
Income						
Less: Amortization of Grants	-	-	-	-	-	-
Net AFC	104.44	100.27	4.17	102.05	99.12	2.93
Revenue from operations	26.44			25.95		
Gap (surplus)	78.00		73.83	76.1		73.17

MePGCL request the Commission to consider a GAP for review of True up order for FY 2018-19 at Rs. 73.83 Cr & for FY 2019-20 at Rs. 73.17 Cr.

Commission's Analysis

Commission has examined review petition with reference to the audited accounts, and additional claims after prudence check has considered the ARR (Review) as depicted in the table below for FY 2018-19.

Table 21 : Approved ARR for NUHEP for FY 2018-19 (Review)

Particulars	FY 2018-19		
	Approved in the True up Order Dt.22.02.2022	AFC of NUHEP as per Review	Now approved for Review
O&M Expenses	10.85	10.85	10.85
Depreciation	22.74	25.54	23.02
Interest & Finance charges	53.71	53.71	49.43
Interest on Working Capital	2.54	2.73	2.55
Return on Equity	10.47	11.65	15.03
SLDC Charges	-	-	-
Net Prior Period items	0	0	0
Gross AFC	100.31	104.48	100.88
Less: Non-Tariff Income	0.04	0.04	0.04
Less: Amortization of Grants	-	-	-
Net AFC	100.27	104.44	100.84
Revenue from operations	26.44	26.44	26.44
Gap	73.83	78.00	74.40

Commission considers ARR at Rs.74.40 Crore for NUHEP in the Review for FY 2018-19.

2.4. REVIEW OF TRUE UP FOR LAKROH MHP FOR FY 2018-19

The Petitioner has not filed any Review Claim for Lakroh MHP in view of the fact that the project CoD was achieved on 01.03.2019 and no transactions were taken place for FY 2018-19.

2.5. TRUE UP FOR MePGCL OLD STATIONS INCLUDING SONAPANI FOR FY 2018-19

2.5.1. Gross Fixed Assets (GFA)

Petitioner's Submission

In the True Up order for FY 2018-19 & FY 2019-20, the Commission has considered asset base of old plants at Rs. 51.31 Cr & Rs. 51.38 Cr. respectively (as mentioned in page 41 & page 46 of the true up orders). The Commission considered only assets of Umiam Stage-4 and Sonapani including renovation and modernization for Umiam Stage-II.

The Commission has referred to Tariff Order of FY 2013-14 for the cost of Umiam Stage – IV and Sonapani amounting to Rs. 49.39 Cr. In the tariff order of FY 2013-14 the project cost of Stage – IV was based on the DPR cost (as mentioned in “Table – 9 Depreciation” Page number- 76 of MePGCL Tariff Order for FY 2013-14 dated 30.03.2014). However, the actual project cost of Umiam Stage IV is much higher than the DPR cost. Thus, using the cost of Rs. 49.39 Cr as value of old plants asset for FY 2018-19 & FY 2019-20 appears not to be logical and seems to be an inadvertent error on the part of the Commission.

As most of the old plants of MePGCL had crossed their useful life, Renovation & Modernization works were undertaken to increase their useful life. This further added to capitalization and value of asset base which needs to be recovered through depreciation, RoE, etc. In this context, it is important to note that the Commission in its Tariff Order for MePGCL for FY 2014-15 dated 10.04.2014, has considered R&M cost of Umiam Stage-I and II (“Table: Depreciation” Page number 65), for capital cost calculation of the old plants (including Sonapani).

Infact, the Commission in its Tariff order for MePGCL for FY 2015-16 dated 30.03.2015 (Table- 8, page-64 of the order), has considered the average GFA at Rs. 391.24 Crore as on 31.03.2015. Considering this and subsequent capitalization due to

R&M works for old plants, opening asset value for old plants of Rs. 452.53 Cr & Rs. 404.07 Cr is justified.

As such, MePGCL requests the Commission to kindly review the asset base figures and consider actual asset base as per “Note 1: Property, Plant and Equipment” of the audited Statement of Accounts of MePGCL for FY 2018-19 & FY 2019-20. The petitioner also requests the Commission to reconsider the asset base of Old stations including Sonapani after segregating the assets of MLHEP, NUHEP and Lakroh MHP from MePGCL as a whole as per the table below for further calculations.

Table 22 : Gross Fixed Assets of MePGCL Old Plants (Including Sonapani)

Particulars	FY 2018-19 (Rs.Cr)				
	MePGCL as a whole (a)	MLHEP (b)	NUHEP (c)	Lakroh MHP (d)	MePGCL old plants (including Sonapani) (d=a-(b+c+d))
Opening GFA	2339.17	1285.86	600.78	-	452.53
Additions during the year	4.45	-	1.09	22.33	-
Retirements during the year	0	0.34	-	-	-
Closing GFA	2343.62	1285.51	601.88	22.33	433.9
Average GFA	2341.40	1285.69	601.33	22.33	432.05

As can be observed from the table above, the average asset base for old plants (including Sonapani) is Rs. 432.05 Cr as per audited Statement of Accounts (SoA). But, as the Commission has approved just Rs. 51.31 Cr. as the asset base of old plants, **this has led to significant under recovery of various components of ARR such as RoE, depreciation, O&M.**

Table 23 : Gross Fixed Asset of MePGCL Old Plants (Including Sonapani)

Particulars	FY 2019-20 (Rs. in Crore)				
	MePGCL as a whole (a)	MLHEP (b)	NUHEP (c)	Lakroh MHP (d)	MePGCL old plants (including Sonapani) (d=a-(b+c+d))
Opening GFA	2313.79	1285.51	600.88	22.33	404.07
Additions during the year	25.85	0	2.25	2.01	21.59
Retirements during the year	0.47	0	-	-	-
Closing GFA	2339.17	1285.51	604.13	24.34	425.19
Average GFA	2326.48	1285.51	603.00	23.34	414.63

As can be observed from the table above, the average asset base for old plants (including Sonapani) is Rs. 414.63 Cr as per audited Statement of Accounts (SoA).

But, as the Commission has approved just Rs. 51.38 Cr. as the asset base of old plants, this has led to significant under recovery of various components of ARR such as RoE, depreciation, O&M.

Commission's Analysis

Commission had notified the project cost of Umiam Stage IV and Sonapani at Rs.49.39 Crore in the Tariff orders dated 30.03.2014 in view of the fact that all the old projects viz; Umiam Stage I,II,III, Umtru have already completed their lifespan of 35 Years.

The petitioner claimed project cost of Umiam stage IV is much higher than the DPR cost which the commission had notified at Rs.49.39 Crore.

Commission had been notifying old project cost at Rs.49.39 Crore till date, whereas petitioner has never been turned up to file actual project cost approved by the commission in respect of Umiam stage IV and sonapani projects in any of the filings.

The capital cost of old projects Umiam stage I,II,III towards renovation and modernization, however is being considered on filing of the capitalization data for determination of return on equity, depreciation etc.,

The claim of the petitioner as to the, commission considered average GFA at Rs.391.24 Crore as on 31.03.2015 for old projects was as filed by MePGCL in the Tariff petition.

Whereas the Commission had adopted the GFA of old projects at Rs.49.39 Crore only for computation of depreciation and return on equity etc in true up of FY 2015-16 and subsequent years. The GFA adopted for FY 2018-19 and FY 2019-20 was also an incremental value considering the capitalization filed by the petitioner as depicted below.

Table 24 : Approved GFA of MePGCL Old Projects Considered for FY 2018-19

(Rs. Cr)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2018)	Additions during the Year	Retirement during the year	Asset Value at the end of the year (31.03.2019)
	1	2	3	4	5
1	Umiam Stage IV	38.79	0.00	0.00	38.79
2	Sonapani	10.60	0.00	0.00	10.60
3	Umiam Stage II	-	2.05	0.13	1.92
	Total				51.31

In view of the above status, commission considers no review is required in GFA for True up of FY 2018-19 in respect of MePGCL old projects including sonapani.

2.5.2. Depreciation

Petitioner's Submission

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 2019 has been used for amortization of grants. The methodology used is in line with the MSERC Regulations.

The Commission has approved Rs. 2.39 Cr. for depreciation in true up order for FY 2018-19 and Rs. 2.33 Cr for FY 2019-20. The methodology used by the 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 Commission, which are submitted below:

- 1) The Commission has rejected the claim of the company for total asset value as per Statement of Accounts (SoA) of MePGCL for FY 2018-19 at Rs. 2343.62 Cr. as on 31st March 2019 and Rs. 2339.17Cr as on 31st March, 2020. It has considered only the DPR cost of Umiam Stage-4 and Sonapani and R&M of Umiam Stage-II, for considering the asset base of old plants at Rs. 51.31 Cr. for FY 2018-19 and Rs. 51.38 Cr for FY 2019-20. It also has considered grants to further reduce the asset base of MePGCL.
- 2) Depreciation has been calculated by applying the depreciation rates on 100% of GFA, while the claim is made up to 90% of the asset, leaving 10% as salvage value. However, the depreciation computed by the Commission is on 90% of asset value.
- 3) The effect of amortization of grants (Rs. 12.76 Cr as per Note 17 of the accounts for FY 2018-19 and Rs. 12.85 for FY 2019-20) has already been taken into account by the utility in the component "other income" in the petition and also approved by the Commission in "Non-tariff and other income" head (Table 20:Non-Tariff income and other income head of the order). Considering it again in the calculation of depreciation (i.e reducing the net GFA by grants amount) will lead to double accounting and undermine the ARR.

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

Table 25 : Additional Depreciation Claim of MePGCL in Review

(Rs. Cr.)

Particulars	FY 2018-19	FY 2019-20
MePGCL's Claim of Depreciation for old Plants (1)	16.55	14.27
Depreciation approved by MSERC in the true up order (2)	2.39	2.33
Gap to be passed in the review petition (1-2)	14.16	11.94

Commission's Analysis

The GFA as clarified in the previous paragraph is adopted at Rs.49.39 Crore for computation of depreciation while capitalization and de-capitalization for Rs.2.05 Crore filed in the additional information dated 13.01.2022 is factored in the computation of depreciation.

The adjustment of Govt. Grants in the depreciation of MePGCL old projects for FY 2018-19 not taken effect in the True up orders is now **revised** in the review process as depicted below.

Table 26: Approved Depreciation for FY 2018-19 Review

(Rs. Cr)

Particulars	Value of Assets at the beginning of the year (01.04.2018)	Additions during the Year	Retirement during the year	Asset Value at the end of the year (31.03.2019)	Average assets	90% of Assets	Depreciation @ 5.28%
1	2	3	4	5	6	7	8
Umiam Stage IV	38.79	0.00	-	38.79	38.79	34.91	1.84
Sonapani	10.60	0.00	-	10.60	10.60	9.54	0.50
Umiam Stage II		2.05	0.13	1.92	1.98	1.79	0.05
Govt Grants Available		2.05					(-) 0.11
Total	49.39	2.05	0.13	51.31			2.28

The adjustment of Govt. Grants in the depreciation of MePGCL old projects for FY 2019-20 however has been given effect in the true up orders.

The depreciation against old projects including sonapani for FY 2018-19 is considered at Rs.2.28 Crore as against Rs.2.39 Crore approved in the true up orders dated 22.02.2022. The change in the depreciation shall be appropriated in the next tariff order.

2.5.3. Return on Equity

Petitioner's Submission

Hence MePGCL requests the Commission to kindly pass an additional amount Rs. 14.16 Cr & Rs. 11.94 Cr for FY 2018-19 & FY 2019-20, respectively, for depreciation.

The Commission has approved Rs. 2.11 Cr. for FY 2018-19 and Rs. 2.09 Cr for FY 2019-20, for RoE in true up orders.

- 1) The whole of grant amount has been considered to be a part of GFA and subtracted while calculating the Net GFA without considering that grants can also be a part of Capital Works In Progress (CWIP)
- 2) The Commission has considered only the asset of Stage IV HEP and Sonapani as capital cost for all old plants and approved GFA at Rs. 51.31 Cr for FY 2018-19 and Rs. 51.38 Cr for FY 2019-20.

The issue of Return on Equity (methodology of MeECL& its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still subjudice. The corporation is reiterating the fact that the approved value of the Commission for Return on Equity is not in line with the Regulations. For the sake of brevity, MePGCL is not reiterating the grounds and the justification for the claim here since the matter is still subjudice.

Hence, based on the above, the additional claim of MePGCL for review in line with the claim in the true up petition is given below:

Table 27 : Additional RoE Claim of MePGCL in Review

Particulars	(Rs. Cr.)	
	FY 2018-19	FY 2019-20
MePGCL's Claim of Return on Equity for Old Plants (1)	33.89	33.80
Approved Return on Equity by MSERC for old plants (2)	2.11	2.09
Gap to be passed in the review petition (3-4)	31.78	31.71

Hence MePGCL requests the Commission to kindly pass an additional amount **Rs. 31.78 Cr.** & Rs. 43.95 Cr for FY 2018-19 & FY 2019-20, respectively, for ROE.

Commission's Analysis

As already clarified for the para 2.5.1, the GFA of MePGCL old projects is adopted at Rs.49.39 crore with subsequent additions/retirements for computation of Return on equity for FY 2018-19 as per the Regulations after deducting the Govt. Grants and contributions as depicted in the table below.

Table 28 : Approved ROE for MePGCL Old projects for FY 2018-19

(Rs.Cr)					
Sl. no	Particulars	Opening GFA	Addition	Retirement	Closing GFA
1	GFA Considered for MePGCL Old projects	49.39	2.05	0.13	51.31
2	Less: 100% Grants during the year	-			2.05
3	Average Assets				50.35
4	70% Debt		-		35.24
5	30% Equity		-		15.10
6	ROE at 14% (Sl.no.5*14%)		-		2.11

Commission considers no review is required for the Return on equity approved in true up orders for FY 2018-19 dated 22.02.2022.

2.5.4. Operation and Maintenance

Petitioner's Submission

The Commission has approved the Operation and Maintenance Expenses in its true up order for FY 2018-19 as Rs. 39.98 crore, and for FY 2019-20 at Rs. 43.95 Cr. MePGCL submitted O&M expenses of Rs. 67.74 crore for FY 2018-19 and Rs. 74.84 crore for FY 2019-20 which includes apportionment of MeECL's expenses based on the audited accounts.

It appears that the Commission has adopted an erroneous approach in calculating the O&M cost for old plants (excluding Sonapani) for FY 2018-19 & FY 2019-20 by escalating the O&M cost for old plants as approved in the true up order for FY 2017-18 at 5.72%; instead of considering the actual value of the O&M components such as Employee Cost, R&M Expenses, and A&G Expenses, as per the audited SoA for MePGCL for FY 2018-19 & FY 2019-20.

The Commission in its recent orders has adopted the new approach of considering 2% of project cost, with year-on-year escalation clause for O&M cost calculation for old plants, instead of considering the actual O&M expense as per Statement of Accounts. But, as mentioned in the previous section, as per Clause 56.7 of MSERC

(Multi Year Tariff) Regulations 2014, this is applicable only for the projects which have achieved their COD post 01.04.2009. Hence, this approach of calculating O&M cost is not applicable for old plants since it is not in line with the Regulations.

O&M expense for old plants accounts for O&M activities undertaken across all the old generation plants. Thus, the consideration of assets of only Umiam Stage-IV (among all old plants) and Sonapani MHP for O&M cost calculation of old plants is incorrect and has led to significant under recovery of the O&M cost of old plants.

The Commission has also approved Rs. 18.09 Cr. & Rs. 22.12 Cr as the apportioned share of O&M Expenses of MeECL, towards O&M expense calculation in line with claim of the Utility

The sum of O&M Expenses for MePGCL as a whole, Myntdu-Leshka, NUHEP, Old stations including Sonapani and apportionment of MeECL expenses in order to arrive at O&M expenses for old plants as per the audited statement of accounts is given below and the MePGCL request the additional claim for O&M expenses as below:

Table 29 : O&M Cost of MePGCL (Old Plants including Sonapani) for FY 2018-19

(Rs.Cr)

Particulars	For MePGCL (including apportionment MeECL)	For Myntdu- Leshka	For NUHEP	Total Claim for Old Plants &Sonapani (including MeECL apportioned)	Approved in the True up order for Old Stations (Sonapani)	Additional claim
	(a)	(b)	(c)	(d)=a-b-c		
Employee Cost	94.61	27.97	10.85	67.74	39.98	27.76
R&M Expenses	6.32					
A&G Expenses	5.63					
Total	106.56 *					

*As per audited accounts FY 2018-19

Table 30 : O&M Cost of MePGCL (Old Plants including Sonapani) for FY 2019-20

(Rs. Cr.)

Particulars	For MePGCL (including apportionment MeECL)	For Myntdu -Leshka	For NUHEP	For Lakroh MHP	Total Claim for Old Plants &Sonapani (including MeECL apportioned)	Approved in the True up order for Old Stations (Sonapani)	Additio nal claim
	(a)	(b)	(c)		(d)=a-b-c		
Employee Cost	98.35	34.84	10.27	0.04	74.84	43.95	30.89
R&M Expenses	9.84						
A&G Expenses	12.18						
Total	120.37 *						

*As per audited accounts FY 2019-20

Hence, MePGCL prays before the Commission to kindly allow the additional claim for O&M Expenses for old plants including Sonapani of Rs. 27.76 Cr. & Rs. 30.89 Cr. for FY 2018-19 & FY 2019-20, respectively as given in the table above:

Commission's Analysis

The averment of MePGCL that the O&M expenses of old projects was computed for only Umiam stage IV and sonapani is not correct.

The assumption of MePGCL that the O&M cost was calculated at 2% of the project cost only for the projects which have achieved their CoD post 01.04.2009 is also not correct.

MePGCL shall refer to the Regulation 56.3 of MSERC MYT Regulations 2014 according to which the base line O&M expenses was fixed includes the O&M expenses of MLHEP and Lakroh projects which were under execution. The base line O&M expenses were escalated at 5.72% year on year. This assumption was also notified in the Tariff order for FY 2013-14 and FY 2014-15 and O&M expenses were allowed in the subsequent tariff orders till the MLHEP and Lakroh projects have achieved the CoD.

The base line O&M expenses have been segregated excluding the O&M expenses computed for MLHEP and Lakroh projects at 2% of project cost approved leaving the balance O&M expenses to be retained with MePGCL old projects.

The O&M expenses approved for FY 2018-19 includes the MeECL O&M expenses and apportionable monthly salary of serving employees amounted at Rs.18.09 Crore.

The claim submitted in table no.19 of the Review petition projecting MePGCL old stations O&M expenses approved at Rs.67.74 Crore for FY 2018-19 is not correct.

MePGCL has reported capitalization of O&M expenses at Rs.8.25 Crore for FY 2018-19 vide note.22 of SOA which was deducted from the admissible O&M expenses of Rs.48.23 Crore for FY 2018-19.

Table 31 : Approved O&M expenses for True up of FY 2018-19 (Review)

(Rs.Cr)

Particulars	MePGCL	1/3 rd MeECL	Total
O&M Expenses	30.14	6.14	36.28
Monthly Salary of Serving Employees and staff welfare expenses including Contribution to NPS		11.95	11.95
Gross O&M Expenses	30.14	18.09	48.23
Less: O&M expenses capitalized (Note 22)			8.25
Net O&M expenses for True up			39.98

In view of the clarification, Commission considers no review is required for O&M expenses approved in the True up orders of FY 2018-19 dated 22.02.2022.

2.5.5. Interest and Finance Charges

Petitioner's Submission

The Commission in its True Up order for FY 2018-19 & FY 2019-20 has considered the Interest and Finance Charges for old stations including Sonapani as NIL. Moreover, the Commission has not considered the IFC of holding company. This is contrary to its approach in the O&M and other income head, where apportionment of MeECL expenses has been taken into account for calculation.

MePGCL requests the Commission to kindly consider the additional amount of Rs. 8.47 Cr & Rs. 10.24 Cr. in review of true up order as shown below:

Table 32 : Additional IFC Claim of MePGCL based on Revised Components

(Rs Cr.)

Particulars	FY 2018-19	FY 2019-20
Interest and Finance Charges claimed for old stations including Sonapani in the True Up petition (1)	8.47	10.24
Interest and Finance Charges allowed by MSERC in the True Up order (2)	0.00	0.00
Interest and Finance Charges claimed by MePGCL in the review (3)	8.47	10.24
Additional Interest and Finance Charges to be allowed in the review petition (4=3-2)	8.47	10.24

Commission's Analysis

As per Regulation 32 of MSERC MYT Regulations 2014, Interest on loan capital shall be allowed for determination of Tariff for FY 2018-19.

The capital cost of the MePGCL old projects was determined by the commission at Rs.49.39 Crore only. Interest on other than capital loans projected for MeECL shall not be considered.

MePGCL has not borrowed fresh loans against MePGCL old projects during FY 2018-19 as per the note no.12 of audited SOA.

MePGCL has submitted additional information/data on 13.01.2022 wherein it is stated that the grants and contributions received towards cost of capital assets at Rs.123.94 Crore (OECF) and Rs.101.52 Crore (JBIC) for renovation and modernization works of Umiam stage I, Umiam stage II respectively was not disclosed in the audited accounts.

Commission considered Interest and Finance charges as admissible for FY 2018-19 Review.

In view of the above status, interest and finance charges claimed for review shall not be admissible for FY 2018-19.

2.5.6. Interest on Working Capital

Petitioner's Submission

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:

Based on the revised Interest on Working Capital for old plants including Sonapani, MePGCL requests the Commission to kindly pass the net additional claim on IWC as given below:

Table 33 : Additional IWC Claim of MePGCL in Review

Particulars	(Rs. Cr.)	
	FY 2018-19	FY 2019-20
MePGCL's Revised Claim of Interest on Working Capital for old Plants in Review (1)	5.16	5.65
Approved Interest on Working Capital by MSERC (2)	1.52	1.72
Gap to be passed in the review petition (3=1-2)	3.64	3.93

Commission's Analysis

The apportionable O&M expenses and maintenance spares of MeECL shall not be factored for computation of working capital requirement.

The computation of working capital in the True up order require no review for FY 2018-19.

The ARR components in the Review process are not changed considerably and do not necessitated change in the computation of working capital requirement.

Table 34 : Interest on Working Capital as approved in True up FY 2018-19

Particulars	in Rs. Cr
O&M expenses for one month excl. MeECL Cost (a) (30.14/12)	2.51
Maintenance spares excl. MeECL @ 15% of O&M expenses (b) $^{**}(30.14*15\%*6\%)$	4.79
Receivables equivalent to two months of Fixed cost (c)(24.19*2/12)	4.03
Total Working Capital Requirements (d=a+b+c)	11.33
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.45%
Interest on Working Capital (f=d*e)	1.52

Commission considers no change in the Interest on working capital for FY 2018-19 Review.

2.5.7. Revised ARR & Net Additional Claim in Review for True Up FY 2018-19 & FY 2019-20.

Petitioner's Submission

Based on the above submissions in response to the order, revised ARR for MLHEP, NUHEP, Lakroh and Old plants including Sonapani are given below:

Table 35 : Revised AFC for MePGCL in Review for FY 2018-19

(Rs. Cr.)

Particulars	MLHEP	NUHEP	Old Plants (Incl. Sonapani)
O&M Expenses	27.97	10.85	67.74
Depreciation	61.34	25.54	16.55
Interest & Finance charges	74.77	53.71	8.47
Interest on Working Capital	4.62	2.73	5.16
Return on Equity	54.00	11.65	33.89
SLDC Charges	0	0	
Misc. Expense & Bad Debts	0	0	
Net Prior Period items	0	0	
Gross AFC	222.70	104.48	131.81
Less: Non-Tariff Income	0.02	0.04	
Less: Amortization of Grants	-	-	21.48
Net AFC	222.68	104.44	110.33
Revenue from operations	145.37	26.44	22.53
Gap/(Surplus)	77.31	78.00	87.80

Table 36 : Revised AFC for MePGCL in Review for FY 2019-20

(Rs. Cr.)

Particulars	MLHEP	NUHEP	Lakroh	Old Plants (Incl. Sonapani)
O&M Expenses	34.86	10.27	0.04	74.84
Depreciation	61.41	25.62	1.17	14.27
Interest & Finance charges	54.45	46.18	0.57	10.24
Interest on Working Capital	4.73	2.62	0.07	5.65
Return on Equity	53.99	17.36	0.49	33.80
SLDC Charges	0	0	0	
Net Prior Period items	0	0		
Gross AFC	209.44	102.05	2.70	138.80
Less: Non-Tariff Income	0.03	0	0	20.98
Less: Amortization of Grants	-	-	-	-
Net AFC	209.40	102.05	2.70	117.82
Revenue from operations	151.79	25.95	0.20	27.96
Gap (surplus)	57.61	76.10	2.50	89.86

Commission's Analysis

Commission has examined review petition with reference to the audited accounts, additional information and additional claims as per the MSERC MYT Regulations 2014 after prudence check has considered the ARR (Review) as depicted in the table below for FY 2018-19.

Table 37 : Revised ARR for FY 2018-19 for MePGCL Old projects (Review)

(Rs. Cr.)

Particulars	Approved in the True up Order	AFC as per Review	Now approved for Review
O&M Expenses	39.98	67.74	39.98
Depreciation	2.39	16.55	2.28
Interest & Finance charges	0.00	8.47	0.00
Interest on Working Capital	1.52	5.16	1.52
Return on Equity	2.11	33.89	2.11
SLDC Charges	1.20		1.20
Net Prior Period items	0.00		0.00
Gross AFC	47.20	131.81	47.09
Less: Non-Tariff Income	21.48		21.48
Less: Amortization of Grants	0.00	21.48	0.00
Net AFC	25.72	110.33	25.61
Revenue from operations	22.53	22.53	22.53
Gap	3.19	87.80	3.08

The revised net gap out of the review process for Rs. (0.11) Crore for FY 2018-19 shall be appropriated in the next Tariff orders against MePGCL old projects.

2.6. TRUE UP ORDER FOR FY 2018-19

Petitioner's submission

Under page No. 53, it is stated that "Revenue earned Rs. 358.36 Crore which includes Rs. 82.52 Crore towards revenue identified related to FY 2017-18...."

The above Statement is not correct, as per Note-18 of the Statement of Account for FY 2018-19, "Rs. 8251.73 lakh has been recognized by the company during the current year 2018-19 as revenue". It means the total revenue earned for FY 2018-19 would be Rs. 275.84 Crore (Rs. 358.36 Cr. – Rs. 82.52 Cr) and not "Rs. 194.34 Crore". **It may be pointed out that the Commission had considered a revenue of Rs. 352.65 crore instead of Rs. 191.35 Cr as reflected in the SoA for FY 2017-18 in its review order for true up of FY 2017-18 and had deducted this amount while arriving at the true up gap of FY 2017-18. Therefore, deducting Rs. 82.52 crore which is part of the above revenue for FY 2017-18 recognized by the Commission while arriving at the true up gap of FY 2018-19 amounts to double deduction.**

The revised ARR as per the Review petition of the Order is Rs. 437.51 Crore and the actual Revenue for the year recovered is Rs. 275.84 Crore. The net deficit will be Rs. 243.11 Crore instead of surplus of Rs. 62.09 Crore as approved by the Commission.

Further, the MePGCL raised bill of Rs. 81.50 Crore each against arrear of true-up gap for the FY 2013-14 and FY 2014-15 for MLHEP for FY 2018-19 & FY 2019-20 each year. The Gap/(Surplus) of each station is shown in the table below:

Table 38 : Net Gap/(Surplus) for FY 2018-19

(Rs.Cr)						
Sl. No.	Particulars	MLHEP	New Umtru	MePGCL Old Station	Rev recognized for 17-18	Total for MePGCL
1	Net AFC	222.68	104.44	110.33		437.51
2	Rev from Operation (including true up recovery)	226.87	26.44	22.53	82.52	275.84
3	Recovery against True-up gap (2013-14 & 2014-15)	81.50				81.50
4	Revenue recovery for the year	145.37	26.44	22.53		194.34
5	Net Rev gap for FY 18-19 (1-4)	77.31	78.00	87.80		243.11

As per the Review of the True-up order dated.22.2.22, the actual deficit is Rs. 243.11 Crore against the Commission's order for a surplus of Rs. 62.09 Crore.

Commission's Analysis

Commission had approved ARR for MePGCL at Rs.217.68 Crore for FY 2018-19 including MLHEP against which MePGCL has raised invoices on MePDCL for Rs.275.84 Crore including Rs.81.50 Crore towards Revenue gap of MLHEP for FY 2013-14 and FY 2014-15 (part) **which is not the part of Approved ARR for Rs.217.68 Crore.**

The Revenue Gap of MLHEP for Rs.81.50 Crore was included in the power purchase cost of MePGCL in the ARR of MePDCL and Tariffs were fixed including the Gap of Rs.81.50 Crore and realized the tariff charges by MePDCL for FY 2018-19.

Table 39 : Approved ARR in True up of FY 2018-19

(Rs. Cr)					
Sl. no	Particulars	MLHEP	New Umtru	MePGCL Old Plants	Total for MePGCL
1	Depreciation	46.90	22.74	2.39	72.03
2	Return on Equity	45.96	10.47	2.11	58.54
3	O&M Expenses	27.97	10.85	39.98	78.80
4	Interest and Finance Charges	44.85	53.71	0.00	98.56
5	Interest on working capital	4.62	2.54	1.52	8.68
6	SLDC Charges	0.00	0.00	1.20	1.20
7	Net Prior Period Items: Income (-)/ Expense	0.00	0.00	0.00	0.00
	Total Annual Fixed Cost (AFC)	170.30	100.31	47.20	317.81
8	Less: Non-Tariff Income	0.02	0.04	21.48	21.54
	Net AFC	170.28	100.27	25.72	296.27

Whereas MePGCL has received a Revenue of Rs.358.36 Crore as reported vide note no.18 in the Audited SOA for FY 2018-19.

The profit and loss account also disclosed the Revenue from operations at Rs.358.36 Crore.

Thus there is a surplus Revenue of Rs.82.52 Crore as reported in the audited accounts.

MePGCL has stated vide note (a) that “for the current year company earned Revenue amounting to Rs.358.36 Crore from the distribution company which is fully realized by the company and recognized during FY 2018-19.”

MePGCL has also stated vide note (b) that “for the previous year company has not recognised income amounting Rs.164.79 Crore in FY 2017-18 in absence of certainty of their realisation. Out of the Rs.164.79 Crore, Rs.82.52 Crore has been recognised by the company during the current year FY 2018-19 as Revenue as it is realised now.”

It is to be mentioned that all the financial reporting shall be on **accrual basis** for electricity utilities as notified by the Department of Power, Govt. of India. The disclosure of income of previous year in the subsequent year shall not be adopted and shall not be valid for True up.

The MePGCL has reported the Revenue from operations during the FY 2017-18 at Rs.191.36 Crore as against which the month wise project wise sale of power bills raised on MePDCL amounted at Rs.352.65 Crore for FY 2017-18. MePDCL has discharged the liability as claimed by MePGCL for Rs.352.65 Crore which was also approved in the true up for FY 2017-18.

Thus MePGCL has understated the Revenue for FY 2017-18 for Rs.161.29 Crore (Rs.352.65 Crore - Rs.191.36 Crore).

Commission had approved the True up ARR for FY 2017-18 with a surplus of Revenue for Rs.123.14 Crore and adjusted the surplus Revenue of Rs.123.14 Crore in the ARR of FY 2021-22 and FY 2022-23 at Rs.114.47 Crore and Rs.8.67 Crore respectively.

The disclosure of MePGCL vide note (b) above shall not be a valid reporting to be considered for FY 2018-19. **The Statutory Auditors in their independent auditors report to the members of MePGCL vide item no.3 “Key Audit Matters” have also disclosed to the effect that the MePGCL has earned the Revenue amounting to Rs.358.36 Crore from the MePDCL which is fully realized by the company and recognized during the FY 2018-19.**

The Statutory Auditors have further disclosed that an amount of Rs.82.27 Crore which is Revenue of FY 2017-18 is neither recognized as prior period income nor shown it as a receivable income in FY 2018-19. Hence Sundry Debtors is understated to that extent.

It may be observed that MePDCL has discharged power purchase liability of MePGCL for Rs.275.84 Crore for FY 2018-19 which includes Rs.81.50 Crore (part) towards MLHEP Revenue Gap for FY 2013-14 and FY 2014-15. Whereas MePGCL has reported Revenue earned during the FY 2018-19 for Rs.358.36 Crore as a result Revenue from operations received in excess by Rs.82.52 Crore for which correct classification should have been made in the audited accounts for FY 2018-19 as pointed out by the statutory auditors.

MePGCL has submitted in the Review petition that the Revenue realized for Rs.358.36 Crore for FY 2018-19 included Rs.82.52 Crore related to FY 2017-18.

Commission is of the view that the excess Revenue of Rs.82.52 Crore stated to be related to FY 2017-18 as claimed from MePDCL which was not disclosed during FY 2017-18 has been regulated as surplus for FY 2017-18, shall be excluded from the Total Revenue received in FY 2018-19 (Review) from Rs.358.36 Crore (Rs.358.36 Cr-Rs.82.52 Cr = Rs.275.84 Cr).

Commission approves the revised ARR for FY 2018-19 Review at Rs.296.49 Crore while considering the Revenue from operations at actual for Rs.358.36 Crore as reported in the audited accounts for FY 2018-19 which includes the Revenue of Rs.82.52 Crore related to FY 2017-18 and Rs.81.00 Crore pertaining to True up for FY 2013-14 and FY 2014-15 of MLHEP as depicted below.

Table 40 : Consolidated Revenue Gap/Surplus from operations for FY 2018-19 (Review)
(Rs.Cr)

Sl. no	Particulars	MLHEP	New Umtru	MePGCL Old Plants	Total for MePGCL
1	Approved ARR	170.32	100.84	25.61	296.77
2	Add: Rev. Gap of FY 2013-14 & FY 14-15 (1/2)	81.50	-	-	81.50
3	Total ARR	251.82	100.84	25.61	378.27
4	Less: Revenue from Operations	226.87	26.44	22.53	275.84
5	Revenue Gap/(Surplus)	24.95	74.40	3.08	102.43

The variation due to the Review of True up orders for FY 2018-19 shall be appropriated in the Next Tariff Order.

Table 41 : Project wise Approved ARR for FY 2018-19 for True up (Review)
(Rs.Cr)

Particulars	Approved ARR for FY 2018-19
MLHEP	24.95
New Umtru	74.40
MePGCL old plants	3.08
Total Gap for FY 2018-19 Review	102.43

The Review Petition of MePGCL for True up of FY 2018-19 Stands disposed off.

Sd/-
Shri. Roland Keishing
(Member)

Sd/-
Shri. P.W. Ingty, IAS (Retd)
(Chairman)