

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO.02/2019

In the matter of True-up Business for the 2nd year FY2016-17
of 1stMYT Control Period FY 2015-16 to FY 2017-18.

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member (Law)

ORDER

(Dated:18.11.2019)

In exercise of its powers conferred under section 131 and 133 of the Electricity Act 2003, The Meghalaya Government notified "The Meghalaya Power Sector Reforms Transfer Scheme 2010" on 31st March 2010 leading to restructuring and unbundling of the erstwhile **Meghalaya State Electricity Board (MeSEB)** into four entities and Meghalaya Power Generation Corporation Limited is one of them. However **Meghalaya Energy Corporation Limited (MeECL)** carried out the functions of Generation, Transmission and Distribution from 1st April 2010 onwards. On 31st March 2012, State Government notified and amendment to the Power Sector Reforms Transfer Scheme 2010 leading to effective unbundling. Accordingly, Meghalaya Power Generation Corporation Limited has started functioning as a segregated commercial operation utility independently with effect from 1st April 2013.

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. MePGCL has filed petition for True-Up Business for the FY 2016-17 of 1stMYT Control Period FY2015-16 to FY2017-18 on 31-05-2019. Commission admitted the petition on 30-09-2019.

Commission taking into consideration off acts and after prudence check as per the Regulations, approves true up order for the FY2016-17.

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.

Member
Shri. Roland Keishing

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

Introduction

I. Company's profile and performance overview highlights

Table 1:Details of Exiting Stations in FY 2016-17(Table: 1 of the Petition)

Sl. No	Station Name	Type	No ofUnits/Capacity	COD	Capacity (MW)
1	Umiam Stage-I	Storage/ Pondage	4x9 MW	FY1965	36.00
2	Umiam Stage-II		2x10 MW	FY1970	20.00
3	Umiam Stage-III		2x30 MW	Unit1:FY1979 Unit2:FY1979	60.00
4	Umiam Stage-IV		2x30 MW	FY1993	60.00
5	Umtru Power Station	ROR with Pondage	4x2.8 MW	Unit1-3:FY1958 Unit4:FY1969	11.20
6	Sonapani HEP	ROR	1.5 MW	FY2010	1.50
7	Myntdu-Leshka HEP		3x42 MW	Unit1&2:FY2013 Unit3:FY2014	126
8	New Umtru	ROR with Pondage	2x20 MW	Unit-1 & 2: 2017	40.00
9	Lakroh MHP	ROR	1x1.5 MW	1 st March 2019	1.50
	Grand Total				356.20

Table 2:Historical Gross Energy Generation(MU)(Table: 2 of the Petition)

Sl. No	Station	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY 18-19
1	Umiam Stage-I	102.88	78.12	90.40	114.06	96.627	128.61	85.12
2	Umiam Stage-II	50.41	41.03	46.00	58.26	50.229	63.92	43.31
3	Umiam Stage-III	132.01	132.55	113.11	117.50	65.296	132.147	133.83
4	Umiam Stage-IV	185.25	173.64	162.72	185.01	166.116	217.476	166.61
5	Umtru Power Station	30.40	20.83	15.27	1.41	-	-	-
6	Sonapani HEP	7.21	5.37	5.75	6.29	7.633	7.47	7.12
7	Leshka HEP	198.38	410.22	409.38	445.93	443.852	502.57	363.06
	Grand Total	706.54	861.76	842.62	928.46	829.75	1225.80	978.886

II. True up of Generation Business for FY 2016-17

Table 3: Existing Generation Capacity FY 2016-17 (Table: 3 of the Petition)

Sl.No	Name Of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commission
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20	22.07.1970
		II	10		24.07.1970
3	Umiam Stage III	I	30	60	06.01.1979
		II	30		30.03.1979
4	Umiam Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Mini Hydrel (Sonapani)	I	1.5	1.5	27.10.2009
7	MLHEP(Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
Grand Total				314.700	

The MePGCL had commissioned 314.7 MW of Capacity by FY 2016-17, with seven(7) HEP's indicated above generating power except for one unit of **Umiam-III** and all units of **Umtru** due to technical and operational constraints as indicated in their True-up filings.

Table 4: Design Energy (in MU) as approved by MSERC in Tariff Order FY 2016-17

Name of Power Station	Design Energy (MU)
Umiam Stage I	116.29
Umiam Stage II	45.51
Umiam Stage III	139.40
Umiam Stage IV	207.50
Umtru Power Station	39.01
Mini Hydrel (Sonapani)	5.50
MLHEP Leshka	486.23
Grand Total	1039.44

Table 5: Station-wise Approved Vs. Actual Generation quantity (Table: 12 of the Petition)

		Approved by the Hon'ble Commission in Tariff Order of FY 16-17						Actual MePGCL FY 2016-17			
Sl. No.	Power Station Name	Gross Generation (MU)	Aux Cons (%)	Transformation Loss (%)	Total Loss (Aux+ Transformation) (%)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)	Gross Generation (MU)	Total Loss (Aux+ Transformation) (%)	Auxl. Cons & Transformation Loss (MU)	Net Generation (MU)
	1	2	3	4	5=(3+4)	6=(2x5)	7=(2-6)	8	9	10=(8x9)	11=(8-10)
1	Umiam-I	116.29	0.70%	0.50%	1.20%	1.40	114.89	96.627	1.11%	1.077	95.55
2	Umiam-II	45.51	0.70%	0.50%	1.20%	0.55	44.96	50.229	0.675%	0.339	49.89
3	Umiam-III	139.40	0.70%	0.50%	1.20%	1.67	137.73	65.296	0.81%	0.53	64.76
4	Umiam- IV	207.50	1.00%	0.50%	1.50%	3.11	204.39	166.116	0.704%	1.17	164.94
5	Umtru Power Station	39.01	0.70%	0.50%	1.20%	0.47	38.54	0	0	0	0
6	Mini Hydel (Sonapani)	5.50	0.70%	0.50%	1.20%	0.07	5.43	7.63	0.786%	0.06	7.58
	Sub Total	553.21	-	-	-	7.27	545.94	385.898	0.821%	3.17	478.79
7	Leshka	486.23	1.00%	0.50%	1.50%	7.29	478.94	443.852	0.71%	3.15	440.70
	Total (including Leshka)	1039.43	-	-	-	14.56	1024.89	829.75	0.762%	6.32	823.43

III. The MePGCL has submitted the C&AG audit report dt.24.04.2019 pertaining to the FY 2016-17. Though the true-up for Leshka Plant is also due for Truing up for FY 2016-17, the MePGCL has only preferred to submit the true-up petition for all plants except the Leshka plant now. While the Commission feels that there is no reason why the Truing up for Leshka plant is not preferred and any further delay is unwarranted in the case of LESHKA Plant and therefore the Commission decides to consider the truing up of Leshka plant along with other plants together in this order itself as all the required information/data is readily available for carrying-out such true-up.

The Summary of the true up petition is as depicted below.

Table 6: Summary of Annual Fixed Charges(Approved vis-à-vis Actuals) FY 2016-17(Table: 29 of the Petition)

Particulars	Approved by MSERC	As per Audited So A for FY 2016-17			Gap/ (Surplus) (Rs.Crs)
	As per T.O of FY 2016-17 (Old Plants+Sonapani) (Rs.Crs)	True Up of MePGCL for FY 2016-17 (Old+NewPlants) (Rs.crs)	True Up FY 2016-17 (Leshka) (Rs.Crs)	True Up FY 2016-17 (Old Plants & Sonapani)	
1	2	3	4	5= (3-4)	6 = (5-2)
O&M Expenses	58.01	95.35	30.23	65.12	7.11
i)Employee Expenses		81.318			
ii)R&M Expenses		8.78			
iii)A&G Expenses		5.25			
Depreciation	10.64	80.48	61.47	19.01	8.37
Interest & Finance Charges	1.13	98.96	75.02	23.95	22.82
Interest on working capital	4.08	12.40	6.30	6.10	2.02
Return on Equity	9.43	110.57	53.72	56.85	47.42
SLDC Charges	1.00	1.00		1.00	0.00
Income tax Expense	-	-			
Misc.Expense & Bad Debts	-	24.00		24.00	24.00
Net Prior Period Items: Income(-)/Expense		(-)3.55	0.0	(-)3.55	(-)3.55
Total Annual Fixed Cost (AFC)	84.29	419.21	226.74	192.47	108.18
Less:- Non-Tariff Income	0.31	10.880	0.02	10.86	10.55
Less: Amortization of Grants		12.28	0	12.28	12.28
Net AFC	83.98	396.06	226.72	169.33	85.35
Adj. for True-Up deficit in FY 13-14 & Surplus in FY 14-15	0.90	0	0	0	(-)0.90
Approved ARR for FY 2016-17	84.88				84.45
Revenue from operations	84.88	236.97	130.13	106.84	21.96
Gap/(Surplus)	0	159.09	96.60	62.49	62.49

Commission had considered the audited Statement of Accounts and C&AG audit report for MePGCL and MeECL and had scrutinized element wise each of the expenditure reported/claimed in the petition and admitted as per the norms of the Regulations.

1. O&M Expenses:

Petitioner's Submission

The Hon'ble Commission had approved Rs. 58.01 Cr. towards O&M Expenses for ARR of FY 2016-17 for MePGCL's Old plants and Sonapani including one-third expense of MeECL. As per the Audited Statement of Accounts of MePGCL & MeECL, MePGCL requests the Hon'ble Commission to allow **Rs 65.12 Cr.** towards O&M expenses for FY 2016-17. In the case of Leshka plant the project Capital cost is considered at Rs.1279.19 crs during FY2013-14 and derived the O&M cost by adopting 2% on Capital cost and thereafter it is escalated at 5.72% in each year so as to get Rs.30.23 crs for FY 2016-17.

Table 7:O&M Expenses claimed for True up of FY 2016-17(Table: 20 of the Petition)

Particulars	For MePGCL (Rs. Cr.) (a)	For Leshka (Rs. Cr.) (b)	MeECL (Rs. Cr.)(C)	Total for Old Plants + Sonapani (Rs. Cr.) (a –b + c/3)
Employee Cost	77.11	30.23	12.63	65.12
R&M Expenses	8.64		0.44	
A&G Expenses	4.57		2.04	
Total	90.32		15.11	

Commission had provisionally estimated the O&M cost for the segregated companies since the final audited figures for the segregated companies were not available during the time of finalization of MYT of first control period. It may be observed that there is a deviation in the actual and approved O&M expenses with the actual employee cost being higher than the approved cost. The deviation in employee expenses can be attributed to **arrears due to Revision of Pay 2015 (ROP 2015)**. The arrears adjusted in FY 2016-17 due to ROP 2015 amounted to Rs. 13.53 Cr. as per the audited statement of accounts (Adjustment has been done in Salaries and Wages head of Employee Expenses and Accounting Code 75).

MePGCL would also like to submit that it had not taken into account the terminal liabilities during the projection of employee costs which is INR 21.96 Cr for FY 2016-17, accounted in Contribution to Provident and other funds head of Employee Expenses [Accounting Code 75.8 APP (Apportionment of Terminal Benefits)] in the audited accounts.

The Licensee as per Audited annual accounts of 2016-17 has reported Rs.95.35 Crore towards O&M Expenses for true up of FY2016-17 for old plants as well as for MLHEP

(Myntdu-LeshkaHydro-electricProject)and 1/3rdshareofMeECL as these are the plants existing during that financial year.

Commission's Analysis

Licensee has projected O&M expenses at Rs.95.35 Crore including Leskha Project and 1/3rd share of MeECL for True up of FY2016-17. Whereas Regulation 56(7) of MYT Regulations 2014 specifies that O&M expenses shall be allowedat2% of original project cost for determination of Tariff and as per **Regulation 56(5)**they shall be escalated at 5.72% p.a for subsequent year son year on year basis.

Earlier, the Commission has approved the O&M Expenses for the Old plants (including SONAPANI) at Rs.58.01 crs in its Tariff Order Dt.30.03.2016 for FY 2016-17. Commission had considered the O&M expenses for FY 2015-16 in the True up Order for MePGCL as a whole for Old plants and Leshka at Rs.50.87 Crore based on capital cost approved for true up of FY 2015-16 and after considering the approved capital costs for Leshka Project at Rs.1286.74 crs (Annexure –E to the true-up petition) for FY 2015-16 escalating at 5.72% for FY 2016-17, the O&M Cost stood at Rs.53.78 Crores for MePGCL.

O&M cost for MLHEP (LESHKA)has been fixed at Rs.25.36Crore and that of old plants including Sonapani has been admitted at Rs.25.51Crore for FY 2015-16. Accordingly, Commission while considering the above O&M costs escalated at 5.72% for the FY2016-17 for MePGCL, and approved at Rs.53.78 Crore which includes the O&M cost of Old plants and MLHEP as per Regulations. In addition the share of 1/3rd O&M Expenses of MeECL based on its audited accounts is considered at Rs.5.04 Crores.

Thereby the total O&M expenses approved for FY 2016-17 to be atRs.58.82Crorefor true up.

2. Interest and Finance Charges

Petitioner's Submission

Based on the Audited Statement of Accounts of MePGCL (Note 22) and Audited Statement of Accounts of MeECL (Note 19), MePGCL humbly requests the Hon'ble Commission to allow Rs.23.95 Crs towards Interest & Finance Charges for FY 2016-17. This also includes the Other Bank Charges & Guarantee Charges of Rs.3.10 Crs.

Table 8: Interest and Finance Charges Expense claimed for True up of FY 2016-17
(Table: 21 of the Petition)

Particulars	For MePGCL (a) (Rs. Cr.)	For Leshka (b) (Rs. Cr.)	For MeECL (C) (Rs. Cr.)	Old Plants + Sonapani (a+c/3-b) (Rs. Cr.)
Interest Expense on borrowings	143.66	75.02	10.398	23.95
Cost of raising finance	0.00			
Other banking and guarantee charges	3.10		0.002	
Less: Finance costs capitalized	51.27			
Total Finance Charges (MePGCL)	95.50		10.40	

MePGCL in their petition has claimed Rs.98.96 Crore towards interest including Sonapani, MLHEP and 1/3rd share of MeECL for true up of FY2016-17. Of which, it had attributed Rs.23.95 crs towards old plants and the balance of Rs.75.02 crs is for LESHKA Plant. The detailed break-up for the Loan interest amount of Rs.75.02 crs for LESHKA plant was also appended as Annx-F and for MePGCL the Schedule of loans are at Annx-G & H to the true-up petition for FY 2016-17.

Commission's Analysis

As per the Regulation-32.1 of MYT Regulation 2014, *“Interest and Finance charges on loan capital shall be computed upon the outstanding loans, duly taking into account the scheduling of loan amount, repayments, terms and conditions of loans agreement and lending rate applicable therein”.* Provided that the outstanding loan capital shall be so adjusted so as to make it consistent with the loan amount deduced in accordance with Regulation-27.

Regulation-28.10 of MYT Regulation 2014 specifies that *“any grant received from the central or state Govt. or any statutory body or authority for execution of the project which does not carry any liability of repayment shall be excluded from the capital cost for the purpose of computation of Interest on loan, return on equity and depreciation”.*

As per Regulation 55.1, Interest & Finance charges on Loan Capital shall be computed based on the outstanding loans, duly taking into account, the schedule of repayment terms & conditions of loan agreement and the lending rate prevailing therein.

The Commission had not considered any amount towards interest on loan capital for old plants of MePGCL in the Tariff Order for FY2016-17. The Interest on capital loans borrowed against MLHEP (LESHKA) as claimed in **Annexure-F** is Rs.75.015 crores against the total loan amount shown at Rs.680.268 crs. Whereas Commission had approved closing loan at Rs.660.32 Crores in the true up for FY 2015-16. The opening loan for FY 2016-17 shall be considered at Rs.660.32 Crores and interest on the outstanding loans shall be payable as applicable.

The Commission has considered interest on capital loans at Rs.72.87 Crore based on actual loan capital outstanding as on 31.03.2017. Average grants available at Rs.208.92 Crores as reported at note 9.58 & 11 of SOA.

Regulation 28.10 of MYT Regulations 2014 specifies that *“Capital cost of the existing and new project shall be excluded – Provided that, any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.”*

Table 9 : Interest and Finance charges approved for the True up of FY2016-17

(Rs.Crores)					
Loans availed for LESHKA Plant	Opening	Repaid	Closing loan	Avg loan	Interest
11.98%, Federal Bank	21.43	8.07	13.36	17.40	2.08
11.15%, Central Bank of India	39.84	6.25	33.591	36.72	4.09
12.75%, from PFC	201.31	12.08	189.229	195.27	24.90
11.40%, from BSE-II	50.00	0	50.00	50.00	5.70
9.95%, from BSE-I	120.00	0	120.00	120.00	11.94
11.07%, from REC	227.74	18.98	208.759	218.25	24.16
Total	660.32	45.38	564.94		72.87
Computation of Interest on grants	-	-	-	-	(-)24.84
Net Interest Admissible	660.32	45.38	564.94	612.63	48.03

*(Average Rate of Interest at 11.89% on average grants & subsidies of Rs.208.92 Crores)

The Interest amount paid against State Govt. Loans amounting to Rs.10.05 Crore is not considered as they noticed to be pertaining to new projects whose capital cost and final Tariff is not approved.

The outstanding loans for the FY 2016-17 are consistent with Regulation-27, therefore only the interest cost computed at Rs.48.03 Crore is considered for True up for FY2016-17 after adjusting interest on grants.

Commission approves net Interest Cost as Rs. 48.03Crore for true up of business for FY 2016-17.

3. Interest on Working Capital

Petitioner's Submission

Interest on Working Capital for MLHEP is computed as detailed below:

Table 10: Interest on Working Capital claimed for True up of FY 2016-17
(Table:22 of the Petition)

Sl. No.	Particulars	Approved by MSERC	MePGCL (a)	Leshka (b)	Old Plants +Sonapani (a)-(b)
A	O&M Expense for 1 month	4.84	7.95	2.52	5.43
B	Maintenance Spare at 15% O&M	8.70	14.30	4.53	9.77
C	Receivables for 2 months	14.12	66.01	37.79	28.22
D	Total Working Capital (A+B+C)	27.66	88.26	44.84	43.42
E	SBI short term PLR as on 01 April 2015	14.75%	14.05%	14.05%	14.05%
F	Interest on Working Capital	4.08	12.40	6.30	6.10

MePGCL submitted to approve the Interest on Working Capital of **INR 6.30 Cr** as computed above for FY 2016-17 MLHEP.

The petitioner has claimed Rs.12.40 Crs (as indicated above) towards Interest on working capital for all stations in their petition for true up of Business of FY 2016-17.

Commission's Analysis

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

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

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

Table 11: Computation of Interest on Working Capital (Rs.Crs)

Sl.	Particulars	(Rs.Crs)
1	O&M Expenses for one (1) month.	4.48
2	Maintenance Spares at 15% of O&M expenses calculated at 6%.	8.55
3	Receivables equivalent to two(2)months AFC.	31.90
4	Working Capital amount requirement	44.93
5	Interest at 14.05% (the SBI PLR rate as stated in petition)	6.31

Commission approves Interest on working capital at Rs.6.31 Crores for True-up for FY2016-17.

4. Depreciation

Petitioner's Submission

Commission had approved depreciation of Rs. 42.51 Cr. in its tariff order issued for FY 2016-17.

The petitioner claims the depreciation of MLHEP for the year FY 2016-17 in true up as per the table given below:

Table 12: Depreciation of Assets claimed for True Up of FY 2016-17 (Table-23 of the Petition)

Particulars	MSERC Approved	MePGCL (a)	Leshka (b)	Old Plants + Sonapani (a+b)
		(Rs. Crs)	(Rs. Crs)	()Rs.Crs
Depreciation on Buildings	10.64	5.17	4.90	0.27
Depreciation on Hydraulic Works		38.86	32.92	5.94
Depreciation on Others Civil Works		4.90	4.10	0.81
Depreciation on Plant and Machinery		30.66	19.25	11.40
Depreciation on Lines and Cable Network		0.30	0.24	0.06
Depreciation on Vehicles		0.13	0.04	0.09
Depreciation on Furniture and Fixtures		0.13	0.00	0.12
Depreciation on Office Equipment		0.11	0.01	0.10
Appportioned Depreciation from MeECL		0.22		0.22
Total			80.48	61.47

Depreciation schedule for the MePGCL assets as a whole and Leshka is attached as **Annexure-I (b)**. The Depreciation schedule for MLHEP assets for FY 2016-17 is given in **Annexure-I (a)**. The Petitioner has claimed depreciation amount at **Rs.80.48 Crore for MePGCL old plants and MLHEP towards true-up of generation business in FY 2016-17** duly indicating separately Rs.61.47 Crs and Rs.19.01 Crs towards Leshaka plant and Old plants respectively.

Commission's Analysis

As per the Audited Statement of Accounts for FY 2016-17, the opening Gross Fixed Assets as on 31.03.2016 is shown as Rs.1696.15 Crore and the additions during the year to be Rs.16.08 Crore and retirements at Rs.0.105 Crore is indicated, thus the closing GFA for FY 2016-17 is arrived at as Rs. 1712.13 Crores for all the plants which also includes the Leshka plant and other projects together.

As per the Certification given by the Chartered Accountant dt 23rd Sept 2016, the opening GFA for MLHEP is indicated to be Rs. 1286.74 Crores for FY 2016-17. The Commission, while in the case of Old Plants (Umiam Stage-4 and Sonapani) had considered GFA at Rs.49.39 Crores as reflected in the Tariff Orders for FY 2013-14. All other plants are very old plants and have completed the useful plant life of 35 years and hence it is felt that no depreciation to be allowed for all such old plants any more except for the Umiam Stage-4 and Sonapani. The Licensee was asked to submit asset wise breakup for Umiam-4 & Sonapani plants valued at Rs.49.39 Crores, but the breakup figures are still awaited.

The Licensee has not yet filed true up petition for FY 2014-15 together with Asset wise Break-up in order to validate the opening GFA for FY 2015-16 in respect of old plants including Sonapani breakup for R&M of Umiam Stage-4.

In the case of MLHEP the asset wise breakup as indicated in this order shall be adopted in future filings also.

The Depreciation arrived at Rs.80.27 Crores as per the Note-1 of Statement of Accounts is also not matching with actual approved capital costs, whereas Licensee has claimed Rs.80.48 Crores for true up for FY 2016-17 towards MLHEP & Old Plants and also the 1/3rd share of MeECL depreciation amount.

The Opening Grants & subsidies for the FY 2016-17 is reported at Rs.193.41 Crores and the addition made during the year is Rs.9.25 Crores, closing grants reported at Rs.196.44 Crores. The average grants as per the Note 9.5 and note 11 of SOA stood at Rs.208.92 Crores.

The actual GFA for old plants and MLHEP are consolidated for the FY 2016-17 as detailed below.

Table 13: Consolidated Actual GFA considered for true up of FY2016-17

Particulars	Rs.Crores
Old Plants - (A)	49.39
Umiam Stage - 4	38.79
Sonapani	10.60
LESHKA (MLHEP) - (B)	1286.74
Land	23.90
Buildings	146.68
Hydraulic Works	623.6
Other Civil Works	122.7
Plant & Machinery	364.57
Lines & Cables	4.57
Vehicles	0.46
Furniture	0.08
Office Equipment	0.18
Total Assets of MePGCL 2016-17 (A & B)	1336.13
Average Grants for FY 2016-17 (Note 9.5 & 11 of SOA)	208.92

Commission Considers the Depreciation on the GFA computed in the table below and average rate of Depreciation at 4.15% in the absence of breakup of old assets for adjustment of grants part as per **Regulation 28.10 of MSERC MYT Regulations 2014** as detailed below

Table 14:Net Depreciation for FY 2016-17

		(Rs.Crs)
1.	OpeningGFA31.03.2016	1336.13
2.	AdditionsduringFY2016-17	16.08
3.	Withdrawals during FY 16-17 (as per note-1 of SoA)	0.105
4.	Closing GFA 31.03.2017	1352.11
5.	Average GFA(Excl. Land Value as per thenote1ofSoA)	1321.01
6	90% of the Average Assets	1188.91
7	Average rate of Depreciation as computed for FY 2015-16	4.15%
8	DepreciationforFY2016-17	49.34
9	Less: Depreciation on Avg. Grants (i.e.,Rs 208.92 crs)	8.67
10	Net Depreciation approved forFY2016-17 for MePGCL portion	40.67
11	1/3rd share of MeECL for 2016-17 considered for	0.21
12	Overall Depreciation allowed in true-up for FY 2016-17	40.88

Commission approves the total Depreciation at Rs.40.88 Crores duly considering the 1/3rd share of MeECL for true up of business for FY 2016-17.

5. Return on Equity

Petitioner's Submission

Commission had approved Rs. 9.43 Cr. as Return on Equity for ARR of FY 2016-17 for Old Plants & Sonapani on provisional basis.

As per Audited Statement of Accounts for FY 2016-17, the average equity base has been considered as Rs. 789.79 Cr. (average of opening and closing balance of equity for FY 2016-17), including average equity capital pending allotment of Rs. 172.46 Cr. Based on this, Equity base for Sonapani and old plants is Rs. 406.04 Cr.

Table 15: Return on Equity claimed for MePGCL for true up of FY 2016-17 (Table-24 of petition)
(Rs.Cr)

Particulars	MePGCL
Equity Share Capital as on 31 st March, 2017 (a)	690.60
Equity Share Capital as on 31 st March, 2016 (b)	610.34
Equity Share Capital Pending Allotment as on 31 st March, 2017 (c)	106.18
Equity Share Capital Pending Allotment as on 31 st March, 2016 (d)	172.46
Equity considered for true up [e= ((a+b)+(c+d))/2]	789.79
RoE (%) (f)	14%
Return on Equity (in Rs. Cr.) (g=e*f)	110.57

Table 16: Return on Equity claimed for Old Plants (incl Sonapani) and LESHKA for true up of FY 2016-17
(Table 25 of the Petition)

Particulars	MePGCL (in Rs. Cr) (a)	Leshka (in Rs. Cr) (b)	Old Plants + Sonapani (in Rs. Cr) (a)-(b)
Equity considered for true up (1)	789.79	383.74	406.04
RoE (%) (2)	14%	14%	14%
Return on Equity (in Rs. Cr.) (3=1*2)	110.57	53.72	56.85

The prevalent regulations do not restrict allowing of return on equity capital pending allotment. MePGCL submitted that the issue of Return on Equity (methodology of MeECL & its subsidiaries vs. methodology of MSERC: APTEL Case no. 46 of 2015) is still sub judice. The company is reiterating the fact that the ROE approved by the commission for Old stations and Sonapani 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 sub – judice. Hence, MePGCL would like to retain its methodology as per the past petitions & stand on equity base determination, which is in line with MSERC Regulations and Transfer Scheme notified by the State Government.

The Petitioner has claimed Return on Equity at Rs.110.57 Crore for Old projects and MLHEP for true up of the FY 2016-17 which constitutes an amount of Rs.53.72 Crs towards the MLHEP.

Commission's analysis

Commission had approved the ROE at Rs.9.43 Crore (TO 15-16pg-98) against old projects as well as Sonapani plant in the Tariff orders for FY 2015-16. Besides, the Commission had provisionally approved ROE against MLHEP plant at Rs.46.90 Crore (T.O 15-16pg-76) on considering the Equity Capital base at Rs.334.98 Crore for the FY2015-16.

The Petitioner has claimed the Equity Capital for MLHEP at Rs.383.76 Crore and Rs.397.22 Crore against old projects including Sonapani. The addition of assets to the Project was done with the borrowed funds against which interest chargeable to Tariff has been allowed at actuals.

Commission considers the Return on Equity as admissible for tariffs against old projects including Sonapani and also MLHEP for FY2016-17 as depicted in the table below.

Table 17: Return on Equity approved for true up of FY2016-17

Particulars	Rs.inCrs
Capital cost of old projects including Sonapani as on 31.03.2016	49.39
MLHEP – (LESHKA) avg assets (certified by Auditor Ajit Paul 23.09.2016)	1286.74
Opening Assets MePGCL	1336.13
Closing Assets	1352.11
Average Assets	1344.12
Less: Average Grants Available for FY2016-17	208.92
Net Assets for MePGCL (after grants)	1135.20
30% Equity Capital considered (Regulation-27)	340.56
Return on Equity at 14%	47.68

The Commission considers Return on Equity at Rs.47.68 Crore for true up of FY 2016-17.

6. SLDC and Connectivity Charges

Petitioner's Submission

The Hon'ble Commission had considered Rs. 1 Cr. towards SLDC Charges for ARR of FY 2016-17, which is also reflected as per the Audited Statement of Accounts (Note 20) of MePGCL for FY 2016-17. Hence, MePGCL requests the commission to consider the same for True up of FY 2016-17.

Licensee has submitted that Rs.1.00 Crore towards SLDC charges for FY 2016-17, as has been reflected in the audited statement of Accounts is considered for true-up of FY 2016-17.

Commission's Analysis

Commission had approved in the Tariff order dt 30.03.2016 for SLDC ARR for FY 2016-17 at Rs.2.00 Crore to be shared by MePTCL and MePGCL at 50%.

The Commission approves Rs.1.00 Crore towards 50% of SLDC cost as expense for the FY 2016-17 for true up as claimed by the Licensee.

7. Prior Period Items & Bad Debts

Petitioner's Submission

Commission had not approved any amount for Prior Period Expense for MePGCL in the ARR for FY 2016-17. However, according to Audited Statement of Accounts, MePGCL and MeECL, both had incurred some Prior Period Items, the details of which are summarized below:

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

Table 18: Prior Period Expenses and Income (Table 26 of the Petition)

Particulars	MePGCL (in Rs. Cr) (a)	MLHEP (in Rs. Cr) (b)	Old Plants + Sonapani (in Rs. Cr) (a)-(b)
Expenses			
Employee Benefit Expenses	0.000	0.00	-3.553
Finance Costs	0.000		
Administration, Operating and General Expenses	0.000		
Total Expenses Prior Period (1)	0.000		
Income			
Interest Income from Banks	12.788		
Depreciation	0.016		
Finance Costs	0.000		
Other Income	0.000		
Amortization of grants	1.962		
Total Amount due to adjustments in compliance with Comments of the C&AG (Already adjusted in FY 2015-16 True Up Order of Non-Tariff Income)	-11.21		
Total Income Prior Period (2)	3.556		
Net Prior Period Expenses of MeECL Apportioned (actuals) (3)	0.003		
Net Prior Period Items (4=1+3-2)	-3.553		

Commission in its true up order dated 25th September, 2018, has adjusted non-tariff income by an amount Rs 11.21 Cr. [C&AG report of MePGCL on Interest on Fixed Deposits (note A9 of C&AG Report)- Rs. 8.71 Cr.; and C&AG report of MePGCL on interest accrued and due on fixed deposits (note B1)- Rs. 2.50 Cr.], based on the CA&G Comments for FY 2015-16. The company has adjusted the same in the FY 2016-17 audited accounts in the prior period income head (Note 19). Since the Hon'ble Commission has already adjusted the same in true up order for FY 2015-16, the Utility is reducing the prior period income of FY 2016-17 by the same amount to avoid double adjustment and understatement of ARR for MePGCL.

Based on the above submission relating to adjustments arising out of the C&AG's Comments and the prior period table given above, MePGCL prays before the Hon'ble Commission to allow a prior period expense of Rs -3.553 Cr [(-) ve as Prior Period Income > Prior Period Expenses] in the true up for FY 2016-17

The Petitioner has preferred to claim prior period items at Rs. (-)3.55Crore (Net) and Bad debts at Rs 24.00 crs for True up of FY 2016-17.

Commission's Analysis

Commission had not approved any prior period items in the ARR for the FY 2016-17. Commission has considered all the prior period related items in the non-tariff income separately. As per the Independent Auditor's Report, that *an amount of Rs.2399.70 lakhs (i.e., Rs.24.00 crores) dues from MePDCL (group company) has been written off as Related Party Expenses on the basis of a resolution passed by the Board of Directors.* Commission considers that Bad debts for a generating company are generally the dues from the Distribution companies represent cost of power sold. These dues from such company as bad debt cannot be allowed and there is no provision for write-off in the Regulations. MePGCL shall recover any such dues by all means and shall not claim in true-up by preferring to pass it on to the consumers.

The Licensee has projected a negative prior period income at Rs. 3.553 Crores (Table No.26 of the petition) which is a positive prior period income.

Commission considers the above transaction as prior period income at Rs.3.553 Crores for true up exercise and this has been featured in the Non Tariff & Other income table no.12 of this order.

8. Non-Tariff Income

Petitioner's Submission

Commission had approved Rs. 0.31 Cr. as Non-Tariff Income in the ARR of FY 2016-17. However, based on the Audited Statements of Accounts for MePGCL & MeECL, MePGCL humbly requests the Commission to approve Rs 10.86 Cr. as other income for true up of FY 2016-17 for Old Plants & Sonapani.

Table 19: Non-Tariff Income claimed for true up of FY 2016-17 (Table 27 of Petition)

Particulars	MePGCL (Rs. Cr) (a)	Leshka (Rs. Cr) (b)	Old Plants + Sonapani (Rs. Cr) (a)-(b)
Interest Income	6.27	0.02	10.86
Rental and Hiring Income	0.33		
Rebates	0.01		
Fees and Penalties	0.11		
Sale of scrap, tender forms and others	0.07		
Miscellaneous receipts	0.11		
Total Other Income	6.90		
Other Income of MeECL Apportioned	3.98		
Net Actual Other Income for True Up	10.88		

The Petitioner had submitted that based on the audited Statement of Accounts, Non- Tariff Income received against old projects and Sonapani is at Rs.6.58 Crore and indicated the Non-Tariff income received against MLHEP is Rs.0.22 Crore for the FY 2016-17.

Commission's Analysis

Commission had considered the non Tariff income at Rs.0.31 Crore for old projects in the Tariff Order for FY 2016-17.

As per the audited statement of accounts for the FY 2016-17, the net Non-Tariff income is reported at Rs.34.23 Crores (including all other Incomes). The licensee has proposed deduction of Rs.11.21 Crores which was adjusted in the FY 2015-16 true up as per the C&AG observations. Thus the net non Tariff & other income of MePGCL amounted to Rs.23.02 Crores.

The audited Accounts of MeECL revealed that other Income received at Rs.11.93 Crores of which Rs.3.22 Crores being the 1/3rd share is apportioned to MePGCL for True up.

Summing up of the above, the Non-Tariff income and other income amounted to Rs.26.25 Crores is considered for true up of FY 2016-17 as detailed in the table below.

Table 20: Non-Tariff income and other income for True up of FY 2016-17

Details of Non-Tariff Income considered for FY 2016-17	MePGCL	MeECL
		(1/3 rd)
Interest Income - A	6.2661	0.6107
From Banks	5.6204	0.1357
From Others	0.6457	0.4750
Non-Tariff Income - B	12.9141	0.3037
Rentals & Hiring	0.3295	0.0304
Rebates / Training	0.0077	0.0450
Fees & Penalties	0.1126	0.0328
Scrap sale, tender forms & Others	0.0745	0.1863
Misc. receipts	0.1101	0.0091
Amortization of grants	12.2797	-
Exceptional items - C	0.280	-
Prior Period Income – D (Note 17)	14.766	0.004
Interest Income from Banks	12.788	0.0031
Depreciation	0.0157	
Amortization of Grants	1.9617	0.0005
Other Income	0.0002	
Adjusted in FY 2015-16 True up	-11.21	

Details of Non-Tariff Income considered for FY 2016-17	MePGCL	MeECL
		(1/3 rd)
Prior Period expenses - E	-	0.0025
Subsidiaries Interest income - F	-	2.3092
Non Tariff Income Approved by Commission for True-up	23.02	3.230
Total Non Tariff Income		26.25

Commission Considers Rs.26.25 Crore as Non-Tariff Income (i.e., MePGCL= Rs.23.02 crs and MeECL share as 3.23crs)for the true up of FY 2016-17.

9. Revenue from Operations

Petitioner's Submission

As per the Audited Statement of Accounts (Note 16), MePGCL has received Revenue of Rs. 106.84 Cr. for Old plants & Sonapani from MePDCL towards sale of power for FY 2016-17.

Table 21:Revenue from operations(Table: 28 of the Petition)

Particulars	MePGCL (in Rs. Cr) (a)	Leshka (in Rs. Cr) (b)	Old Plants + Sonapani (in Rs. Cr) (a)-(b)
Actual Revenue for True Up	236.97	130.13	106.84

Commission analysis:

Commission approves Revenue from operations for Rs.236.97 Crores for True up of FY 2016-17

10. Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2016-17

Petitioner's Submission

The Petitioner as per his true up petition, it has preferred the overall claim of Rs.396.06 crores of ARR as against the revenue from operation of Rs.236.97 crs in respect of the Old Plants (including SONAPANI plant) and for LESHKA plant together and thereby his overall claim for the deficit of Rs.159.09 crs and the details are as per the table given below:

Table 22: The Claim of the MePGCL towards True-Up for FY 2016-17

Sl. No	Particulars for FY 2016-17	MePGCL Claim 2016-17		
		Old Plant	Leshka plant	All Plants
1	O&M Expenses	65.12	30.23	95.35
2	Depreciation	19.01	61.47	80.48
3	Interest & Finance charges	23.95	75.02	98.97
4	Interest on Working Capital	6.10	6.30	12.4
5	Return on Equity	56.85	53.72	110.57
6	SLDC Charges	1.00	0	1.00
7	Bad debts & other expn	24.00	0	24.00
8	Net Prior Period items	-3.55	0	-3.55
	Gross AFC	192.48	226.74	419.22
	Less: Non-Tariff Income	23.14	0.02	23.16
8	Net AFC	169.34	226.72	396.06
9	Add: Adj. for true up Gap for FY 2013-14 & 2014-15	0	0	0
	Approved AFC for FY 2016-17	169.34	226.72	396.06
10	Revenue from operations	106.84	130.13	236.97
11	Surplus/(Deficit)	-62.50	-96.59	-159.09

Commission analysis:

Commission after Prudent Check of the claims of the Licensee with reference to audited statement of Accounts and C&AG observations of MePGCL & MeECL approves the true up of MePGCL business for FY 2016-17 including MLHEP as depicted in the table below.

Table 23: Approved ARR for True-up of Business for FY2016-17

(Rs.Crores)

Sl. No	Particulars	As per T.O for Old Plants	MePGCL Claim			Approved For True Up
			Leshka Plant	Old & Leshka plants for 2016-17	MePGCL Claim Total	
1	O&M Expenses	58.01	26.81	84.82	95.35	58.82
2	Depreciation	10.64	42.51	53.15	80.48	40.88
3	Interest & Finance charges	1.13	74.85	75.98	98.97	48.03
4	Interest on Working Capital	4.08	5.63	9.69	12.40	6.31
5	Return on Equity	9.43	46.90	56.33	110.57	47.68
6	SLDC Charges	1.00	0.40	1.40	1.00	1.00
7	Bad debts & other expn	0	0	0	24.00	0
8	Net Prior Period items	0	0	0	(-)3.55	-
	Gross AFC	84.29	197.10	281.39	419.22	202.72
	Less: Non-Tariff Income	0.31	0	0.31	23.16	26.25
8	Net AFC	83.98	197.10	281.06	396.06	176.47
9	Add: Adj. for true up Gap for FY 2013-14 & 2014-15	0.90	0	-	0	-
	Approved AFC for FY 2016-17	84.88	197.10	281.96	396.06	176.47
10	Revenue from operations	84.88	197.10	281.96	236.97	236.97
11	Surplus /(Deficit)	0	0		(159.09)	60.50

The Commission approves the **net surplus amount of Rs. 60.50crores** as per the above table for true up of the Old plants including Sonapani & Leshka plant for the FY 2016-17 which shall be appropriated in the next Tariff orders.

Secretary