

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 6 /2023

In the matter of Review of True-up Order for FY 2020-21

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri. R.K. Soni, District Judge (Retd.), Member

ORDER

(Dated: 13. 11.2023)

1. MePGCL has filed the Review Petition on the True up orders dated 22.03.2023 for FY 2020-21.
2. Commission had approved True up order for FY 2020-21 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 passed and admitted the petition for Review of True up Order for FY 2020-21 as Case No. 6 of 2023.
5. Commission taking into consideration of all the facts and additional claims through the petition analyses claims admitted in True up Order for FY 2020-21 dated 22.03.2023 and approves the Review ARR in the chapters annexed to this order.

Sd/-

**R.K. Soni, District Judge (Retd.),
(Member)**

Sd/-

**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.** In addition to the above, clause 21 of MSERC (Conduct of Business) Regulations 2007, is also important for filing of review petitions, 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 requests 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 2020-21, Commission while truing up for these financial years in the impugned order, has drastically reduced the ARR of FY 2020-21 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. The true up for FY 2020-21 issued vide order dated. 22nd March.2023 has already adjusted in the generation tariff order for FY 2023-24. This adjustment of True up for FY 2020-21 adjusted in the generation tariff order for FY 2023-24 have to be reviewed since there are some flaws and error in the order. Therefore, the order issued by the Commission has to be reviewed and have to be adjusted in the review petition of generation tariff for FY 2023-24.As such, MePGCL requests 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 from the date of the order of the Commission, which is 22nd March, 2023. MePGCL would like to submit that it is filing the review petition within the allowed timeline and as such, Commission is humbly requests to admit the same.

The station-wise actual Generation approved for FY 2020-21 and actual generation are provided in the table below:

Table 1 : Actual Generation Source Wise

Sl. No	Approved by the Commission in Multi Year Tariff Order for FY 2020-21							Actual generation for FY 2020-21		
	Name of the Power Station	Gross Generation (MU)	Aux Cons (%)	Transformation Loss (%)	Total Loss (Aux + Transformation) (%)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)	Gross Generation (MU)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage- I	116	0.7%	0.5%	1.2%	1.39	114.61	149.49	0.96	148.53
2	Umiam Stage- II	46	0.7%	0.5%	1.2%	0.55	45.45	76.09	0.41	75.68
3	Umiam –Umtru Stage-III	139	0.7%	0.5%	1.2%	1.67	137.33	163.71	0.92	162.79
4	Umiam-Umtru Stage-IV	207	1.0%	0.5%	1.5%	3.11	203.9	188.32	1.18	187.14
5	Umtru Power Station	39	0.7%	0.5%	1.2%	0.47	38.53	0	0	0.00
6	Mini Hydel (Sonapani)	5	0.7%	0.5%	1.2%	0.06	4.94	6.08	0.06	6.02
7	Myntdu Leshka HEP	486.23	1.0%	0.5%	1.5%	7.29	478.94	420.61	3.5	417.11
8	New Umtru HEP	235	1.0%	0.5%	1.5%	3.52	231.48	229.8	1.48	228.32
9	Lakroh MHP	11.01	1.0%	0.5%	1.5%	1.15	9.86	3.69	0.049	3.64
	Total	1284.24				19.21	1265.04	1237.79	8.559	1229.23

Commission’s Analysis:

MePGCL has filed the petition for Review of True up orders for FY 2020-21 issued on 22.03.2023 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 2020-21.

2. REVIEW OF TRUE UP ORDER FOR FY 2020-21

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 was filed by the MePGCL with a project wise claim.

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 in its order 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 Commission has considered as Grant the amount of Rs. 5.59 crore, towards survey & investigation and preparation of DPRs in respect of five upcoming Hydel Projects. This amount has been disclosed in the SOA (Note 15.2) Grant towards cost of capital assets (State Govt.) converted into equity share pending allotment during FY 2020-21 in line with the Notification of Govt. of Meghalaya No. POWER-101/2014/190 Dated 24.03.2015. The Notification had stated that all grants received under SPA, SCA, NEC & NLCPR as Equity and accordingly the above amount has been treated as equity. It is therefore, prayed that the Commission consider reviewing this and treating this amount as equity. Further, since the amount is for survey & investigation works, it is

felt that that considering this amount in the tariff of MLHEP not correct and review on this is needed.

MSERC had sought the details of grants shown at note 17.1 “Details of movement in Grant and Subsidies” of SoA, amounting to Rs. 179.03 Crore. The same is given at table below:-

Table 2 : Details of Grants of MePGCL as on 31st March 2021

FY	Details	Amount (RS.)
FY 2020-21	PSDF Grant	16667914.60
	Grant For Dam Rehabilitation and Improvement Project (DRIP) Phase I & II	3986300.00
	Grant for setting up of the Dam Safety Cell	996000.00
	Grant For Purchase of Vehicle-State Dam Safety Cell	750000.00
	Total	1919296928.01
	Less: Amortisation during FY 2020-21	128908695.84
	Total as on 31-3-2021	1790388232.17

Commission in the True-up Order for FY2020-21 has stated that the Grants received against PSDF & DRIP-II shall be appropriated in the MePGCL Old Projects ARR. However, it may be mentioned that the Grants received against DRIP-II& PSDF are not only for old stations but also include MLHEP.

Commission has approved Rs.46.25 Cr. for depreciation in true up order for FY 2020-21. 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 adopted the methodology of using average rate of depreciation at 4.30% for FY 2020-21. 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 4.30% as the average rate of depreciation for FY 2020-21 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 average grant as reflected in the true up order for FY 2020-21 (page 13 of the order) amounting to Rs.209.89 crore, is not as per the audited statement of accounts, where the grant amount as on 31.03.2021 is shown as Rs.166.75 Cr. Further, the grant amount appearing in the SOA is mainly from the works for Renovation & Modernisation of Umiam Stage-I and Umiam Stage-II HEPs which has been carried over from the FY 2012-13 onwards and is not for MLHEP. Moreover, all the grants for MLHEP have been converted into equity by the State Govt. and approved by the Commission. Thus, it is felt that the above avg. grant amount as mentioned in the True up order cannot be considered a part of grants for MLHEP. MePGCL had submitted earlier to the Commission vide letter No. MePGCL/D/GEN/MISC-43/PT-XIX/61,dt.16.01.2023, that the grant amount is only for Survey & Investigation works and old projects and not for MLHEP and that all grants towards cost of capital assets (State Government) converted to Equity share capital pending allotment during financial year 2020-21, has been disclosed (Notes 15.1 and 15.2)

The Commission considered the total asset base of Rs.1285.71 Cr. and avg. grant amount of Rs.209.89 Cr. for FY 2020-21(Table 10).This implies that all this grant belongs to MLHEP. Further, it is not clear from how the Avg. grants of Rs. 209.89 Cr. is arrived at by the Commission in the order and not as per the SOA. 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 2020-21, excluding grant component, the depreciation cost is estimated to be INR 61.41 Cr., which is more than the total depreciation cost approved by the Commission for the entire asset base of MePGCL.

Table 3 : Depreciation Cost of MLHEP (Leshka) As Per Order issued by Commission

Sl. No.	Particulars	FY 2020-21
1	Opening GFA (INR Cr.)	1285.71
2	Additions during (INR Cr.)	0.00
3	Withdrawals during (INR Cr.)	0.00
4	Closing GFA (INR Cr.)	1285.71
5	90% of the Average Assets (INR Cr.)	1135.62
6	Average rate of Depreciation computed	4.30%
7	Average Grant (INR cr)	209.89
8	Depreciation (INR Cr.)	46.25

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

Table 4 : Additional Depreciation Claim of MePGCL in Review

(Rs. Cr.)

Particulars	FY 2020-21
MePGCL's Claim of Depreciation for MLHEP (1)	61.41
Depreciation approved by MSERC in the true up order (2)	46.25
Gap to be passed in the review petition (1-2)	15.16

Hence MePGCL requests the Commission to kindly pass an additional amount of Rs. 15.16 Cr for depreciation for FY 2020-21 to be adjusted in the review petition for FY 2023-24.

Commission's Analysis

As already notified in the Commission's letter dated 14.12.2022, the Govt. Grants and Contributions towards capital cost not disclosed during FY 2019-20 shall be brought in to the books for FY 2020-21.

Accordingly Commission considered claw back of the undisclosed Govt. Grants and contributions for Rs.5.59 Crore for FY 2020-21 and Rs.114.82 Crore for FY 2019-20 and adjusted in the Depreciation and RoE of MLHEP, NUHEP and MePGCL old Projects.

The breakup of Govt. Grants and Contributions adjusted in the True up orders for FY 2020-21 is notified vide page no.12.

The breakup figures filed in the petition vide table no.01 has no relevance to the books of accounts.

The average rate of depreciation shall be considered on the opening and closing GFA for calculation of Depreciation to be deducted from the Gross allowance as per the Regulations.

Commission considers no Review for Depreciation is required for True up of FY 2020-21.

2.2.2. Return on Equity

Petitioner's Submission

Commission has approved Rs. 45.55 Cr. for FY 2020-21 for RoE in true up order. 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:

Commission has considered avg. grants of Rs.209.89 Cr (table 12 of the order) and it is not clear from how this is arrived at by the Commission in the order and not as per the SOA. This seems to be an error on the part of the Commission.

The grant amount in the SOA FY 2020-21 is Rs 179.03 Cr and which belongs to DRIP-II, Dam Safety, etc., but not MLHEP. By allocating this grant to MLHEP will 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 5 : Additional RoE Claim of MePGCL in Review

	(Rs. Cr.)
Particulars	FY 2019-20
MePGCL's Claim of Return on Equity for MLHEP (1)	54.00
Approved Return on Equity by MSERC for MLHEP (2)	45.00
Gap to be passed in the review petition (1-2)	8.45

Hence MePGCL requests the Commission to kindly pass an additional amount **Rs. 8.45 Cr** for depreciation for FY 2020-21, and to kindly adjust this amount in the review petition for FY 2023-24.respectively.

Commission’s Analysis

As clarified in the Depreciation chapter, Return on Equity has been computed after deducting the Average Grants as per the Regulations.

Commission considers no review is required on Return on Equity for True up of FY 2020-21.

2.2.3. Interest and Finance charges

Petitioner’s Submission

The Commission in its True Up order for FY 2020-21 has approved Interest and Finance Charges at Rs. 30.78 Cr., respectively. The details of loans for MLHEP are shown below:

Table 6 : MLHEP Loan Details

MLHEP Loans	FY 2020-21			
	As on 01st April 2020 (Rs. Cr.)	As on 31st March 2021 (Rs. Cr.)	Interest Rate (%)	Interest Accrued (Rs. Cr.)
PFC Loan	140.92	141.33	11.75%	11.97
REC Loan	132.85	127.98	11.25%	11.75
CBI	8.58	2.31	11.15%	1.08
PFC Loan (170 cr)	142.54	143.02	11.75%	12.11
REC Loan 60 cr	43.45	42.00	11.25%	3.93
PFC (14 Cr.)	7.55	1.44	11.50%	0.09
PFC (38 Cr.)	22.69	7.03	11.50%	0.86
PFC (22 Cr.)	22.00	13.91	11.50%	1.08
Total	538.58	479.04		42.87

As per the order (table 16), the Repayment amounts, Opening and Closing balance of loans mentioned in the impugned order are not matching with the loan statements provided in audited accounts. The closing balance of loans has been erroneously calculated as Rs. 257.12 Cr instead of Rs. 479.04 Cr for FY 2019-20.

Further, the Commission has not considered for allowing interest on take-out financing loan. MePGCL has taken a take-out 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 repay the bonds and clear the outstanding dues. Since, refinancing of loan is as per the guidelines of RBI, therefore, MePGCL request to kindly approve as filed in the review.

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

(Rs. Cr.)

Particulars	FY 2020-21
Interest and Finance Charges claimed by MePGCL in the True Up petition (1)	42.87
Interest and Finance Charges allowed by MSERC in the True Up order (2)	30.78
Additional Interest and Finance Charges to be allowed in the review petition (3=1-2)	12.09

The Commission is requested to allow an additional amount of Rs. 12.09 Cr for FY 2020-21 for Interest and Finance charge as shown in the table above.

Commission's Analysis

The Commission's analysis vide page no.21 of True up Order for FY 2020-21 is clear as to allowance of Interest on Capital loans as per the Regulations for the True up of FY 2020-21.

Commission considers no review is required on Interest and Finance charges for True up of FY 2020-21.

2.2.4. Interest on Working Capital

Petitioner's Submission

The Commission in its True Up order for FY 2020-21 has approved Interest on Working Capital at Rs. 4.69 Cr. 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 8 : IWC Claim of MLHEP

(Rs. Cr.)

Sl. No	Particulars	FY 2020-21
1	O&M Expenses for one (1) month (Rs. 38.89 Cr./12) (a)	3.24
2	Maintenance Spares at 15% of O&M expenses escalated at 6% (b)	6.18
3	Receivables equivalent to two (2) months Net AFC (c)	33.79
4	Working Capital requirement (d=a+b+c)	43.21
5	Interest at 12.90% (e=d*12.90%)	5.57
6	Approved IWC as per True up Order	4.69
7	Additional IWC as per review of True up order	0.88

MePGCL claim additional gap of IWC for MLHEP for FY 2020-21 as Rs.0.88 Cr and request the Commission to consider the additional gap as shown above.

Commission's Analysis

Since, Commission has not considered any of the review claim made by the petitioner towards Depreciation, RoE and Interest and Finance charges, there shall be no change in the Interest on working capital approved for True up of FY 2020-21.

Commission Considers no review is required on Interest on Working Capital for True up of FY 2020-21.

2.2.5. Revised ARR & Net Additional Claim in Review for True Up of FY 2020-21

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.)			
Particulars	AFC as per review	Approved in the True up Order	Gap/(Surplus)
Depreciation	61.41	46.25	15.16
Return on Equity	54.00	45.55	8.45
Interest & Finance charges	42.87	30.78	12.09
O&M Expenses	38.89	38.89	0
Interest on Working Capital	5.57	4.69	0.88
SLDC Charges	0	0	0
Misc. Expense & Bad Debts	0	0	0
Net Prior Period items	0	0	0
Gross AFC	202.74	166.16	36.58
Less: Non-Tariff Income	0	0	0
Net AFC	202.74	166.16	36.58
Revenue from operations	58.68		
Gap (surplus)	144.06	107.48	36.58

MePGCL request the Commission to consider an additional revenue GAP for review of True up order for FY 2020-21 at Rs.36.58 Cr. to be kindly adjusted in the review petition for FY 2023-24.

Commission's Analysis

Commission has not considered any of the claims petitioned for Review, Accordingly the True up ARR for FY 2020-21 shall be as depicted in the table below.

Table 10 : Approved Revised ARR of MLHEP for FY 2020-21 (Review)

(Rs.Cr)

Particulars	Approved in the True up Order	AFC as per review	Now approved for Review
Depreciation	46.25	61.41	46.25
Return on Equity	45.55	54.00	45.55
Interest & Finance charges	30.78	42.87	30.78
O&M Expenses	38.89	38.89	38.89
Interest on Working Capital	4.69	5.57	4.69
SLDC Charges	0	0	0
Misc. Expense & Bad Debts	0	0	0
Net Prior Period items	0	0	0
Gross AFC	166.16	202.74	166.16
Less: Non-Tariff Income	0	0	0
Net AFC	166.16	202.74	166.16
Revenue from operations		58.68	58.68
Gap (surplus)	107.48	144.06	107.48

Commission considers Review True up for FY 2020-21 as notified above.

2.3. REVIEW OF TRUE UP FOR NUHEP FOR FY 2020-21

2.3.1. Funding pattern of NUHEP

Petitioner's Submission

Commission in its True up order dated 22.3.2023 for FY 2020-21 approved project cost of NUHEP as Rs. 580.72 Cr. (table 24 of the order). As per SOA FY 2020-21, the Gross Fixed assets (GFA) of NUHEP is given below:

Table 11 : Funding pattern of NUHEP for FY 2020-21

Particulars	FY 2020-21
Opening GFA	604.13
Closing GFA	605.38
Average GFA	604.75

(Rs. Cr.)

The actual loan amount of NUHEP from PFC 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). Out of Rs. 188.59 Cr., Rs. 24 Cr is to be infused for Ganol SHP. Therefore, Rs. 164.59 Cr. is the actual equity of NUHEP. MePGCL request the Commission to kindly consider the equity amount in the review petition.

Therefore, MePGCL requests the Commission to kindly review the Equity amount for NUHEP for FY 2020-21 at Rs. 164.59 Cr.

Commission's Analysis

Commission had approved Project cost of New Umtru at Rs.580.72 Crore.

Government contributed Equity at Rs.164.59 Crore (not Rs.188.59 Crore claimed in the petition)

Commission had approved Funding pattern at Rs.406.50 Crore as debt and actual Equity contributed for Rs.164.59 Crore.

Project Cost approved as on CoD	580.72
70% Debt	406.50
30% Equity (actual)	164.59

Commission considers no Review is required for True up of FY 2020-21.

2.3.2. Depreciation

Petitioner's Submission

Depreciation of NUHEP as per the segregated account for FY 2020-21 attached in the true up petition is given in the table below:

Table 12 : Computation of Depreciation of NUHEP for FY 2020-21

Sl No	Name of Asset	Value assets at beginning of the year (Crore)	Addition during the year (Crore)	Value assets at the end of the year (Crore)	Rate of Depreciation (%)	Depreciation charges of the year (Crore)
1	Land & land rights	0.475	1.18	1.66	-	
2	Buildings	95.16	-	95.16	3.34	3.18
3	Hydraulic works	311.63	0.005	311.64	5.28	16.45
4	Other civil works	33.23	-	33.23	3.34	1.11
5	Plant & Machinery	159.93	0.01	159.94	5.28&6.33	8.44
6	Lines & Cable network	3.56	0.06	3.62	5.28	0.19
7	Vehicles	0.03	-	0.03	9.50	0.004
8	Furniture & Fixtures	0.08	-	0.08	6.33	0.005
9	Office Equipment	0.02	-	0.02	6.33	0.0012
10	Assets not in use	-	-	-	-	-
11	Total	604.12	1.255	605.38	39.4	29.38

The Commission approved the depreciation for FY 2020-21 as Rs.25.66 Cr (table 28) of the True up order. Therefore, MePGCL request the Commission to consider the depreciation rate at Rs. 29.38 Cr. with a gap of Rs.3.72 Cr.

Commission's Analysis

Commission had approved the Depreciation on 90% of the average GFA at the approved rates as per the Regulations, whereas petitioner has calculated 100% of Gross fixed assets (Rs.605.38 Crore instead of Rs.580.72 Crore) for computation of depreciation.

Commission considers no review is required on Depreciation for True up of FY 2020-21

2.3.3. Return on Equity

Petitioner's Submission

Commission approved the RoE for FY 2020-21 as Rs.20.76 Cr. The Equity amount requested from the Commission to be considered is Rs. 164.59 Cr. Therefore, the ROE approved by the Commission in the order (table 30) is erroneous. MePGCL requests the Commission to kindly review the RoE of Rs.23.04 Cr. for FY 2020-21 as shown in the table below:

Table 13 : Computation of RoE for NUHEP for FY 2020-21 (Rs. in CR.)

SI No	Particulars	Amount
1	Equity contributions by Govt.	164.59
2	30% of Capital cost (30% of 605)	181.5
3	Equity to be considered	164.59
4	Return on Equity @ 14% (Sl.no.3 * 14%)	23.04

Table 14 : Additional RoE Claim Based on Revised Components (Rs. in Cr.)

SI No	Particulars	FY 2020-21
1	RoE Charges claimed by MePGCL in the True Up petition (1)	23.04
2	RoE allowed by MSERC in the True Up order (2)	20.76
3	Additional RoE to be allowed in the review petition (3=1-2)	2.28

Commission is requested to allow an additional amount of Rs.2.28 Cr. for FY 2020-21 for Interest and Finance charge as shown in the table above.

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.”

As per Regulation 31 read with 27, equity shall be regulated for actual equity contribution limiting to the 30% of the capital cost approved.

Excess amount of equity more than 30% shall be treated as normative loan and interest allowed on excess contribution if any.

Commission had considered Rs.164.59 Crore Equity contribution and 30% of subsequent capital addition has been taken into account for Computation of Return on Equity as per the Regulations for True up orders for FY 2020-21.

Commission considers no review is required on Return on Equity for True up of FY 2020-21.

2.3.4. 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 15 : IWC Claim of NUHEP

(Rs. Cr.)		
Sl. No	Particulars	FY 2020-21
1	O&M Expenses for one (1) month (Rs.13.72 Cr./12) (a)	1.14
2	Maintenance Spares at 15% of O&M expenses escalated at 6% (b)	2.18
3	Receivables equivalent to two (2) months Net AFC (c)	16.84
4	Working Capital requirement (d=a+b+c)	20.16
5	Interest at 12.90% (e=d*12.90%)	2.60
6	Approved IWC as per True up Order	2.42
7	Additional IWC as per review of True up order	0.18

MePGCL claim additional gap of IWC for NUHEP for FY 2020-21 as Rs.0.18 Cr and requests the Commission to consider the additional gap as shown above.

Commission's Analysis

Since, Commission has not considered any of the review claim made by the petitioner towards Depreciation and RoE there shall be no change in the Interest on working capital approved for True up of FY 2020-21.

Commission Considers no review is required on Interest on Working Capital for True up of FY 2020-21.

2.3.5. Revised ARR & Net Additional Claim in Review for True Up FY 2020-21

Petitioner's Submission

Table 16 : Revised AFC for NUHEP in Review

(Rs. Cr.)

Particulars	AFC of NUHEP as per Review	AFC as per True up Order	Gap/(Surplus)
Return on Equity	23.04	20.76	2.28
Depreciation	29.38	25.66	3.72
Interest & Finance charges	32.32	32.32	0
O&M Expenses	13.72	13.72	0.00
Interest on Working Capital	2.60	2.42	0.18
SLDC Charges	-	-	-
Net Prior Period items	0	0	0
Gross AFC	101.06	94.88	
Less: Non-Tariff Income	0.01	0.01	0
Less: Amortization of Grants	-	-	-
Net AFC	101.05	94.87	
Revenue from operations	19.78		
Gap (surplus)	81.27	75.09	6.18

MePGCL requests the Commission to consider an additional revenue GAP for review of True up order for FY 2020-21 at Rs.6.18 Cr. to be adjusted in the review petition for FY 2023-24.

Commission's Analysis

Commission has not considered any of the claims petitioned for Review, Accordingly the True up ARR for FY 2020-21 shall be as depicted in the table below.

Table 17 : Approved ARR for NUHEP for True up of FY 2020-21 (Review)

(Rs. Cr.)

Particulars	AFC as per True up Order	AFC of NUHEP as per Review	Now Approved for True up
Return on Equity	20.76	23.04	20.76
Depreciation	25.66	29.38	25.66
Interest & Finance charges	32.32	32.32	32.32
O&M Expenses	13.72	13.72	13.72
Interest on Working Capital	2.42	2.60	2.42
SLDC Charges	-	-	-
Net Prior Period items	0	0	0
Gross AFC	94.88	101.06	94.88
Less: Non-Tariff Income	0.01	0.01	0.01
Less: Amortization of Grants	-	-	-
Net AFC	94.87	101.05	94.87
Revenue from operations		19.78	19.79
Gap (surplus)	75.09	81.27	75.08

Commission considers ARR for NUHEP in the Review for FY 2020-21 at Rs.94.87 Crore for true up orders dated 22.03.2023.

2.4. REVIEW OF TRUE UP FOR LAKROH MHP FOR FY 2020-21

2.4.1. Gross Fixed Assets (GFA)

Petitioner's Submission

The GFA for Lakroh MHP for FY 2020-21 is based as per segregated Accounts attached in the true up petition at Rs. 25.72 Cr. The GFA approved by the Commission in the true up order at Rs.22.41 Cr. is much less than the actual GFA as per the audited statement.

Therefore, MePGCL requests the Commission to kindly consider the GFA as per true up petition at Rs.25.72 Crore.

Commission's Analysis

Commission had approved Project cost of Lakroh MHP at Rs.21.05 Crore.

Particulars	Rs. In Cr
Opening GFA	21.05
Addition during Year	1.36
Closing GFA	22.41
Average GFA	21.73
Less: Grants	11.75
Net GFA	9.98

Commission Considers no review is required on GFA for True up of FY 2020-21

2.4.2. Depreciation

Petitioner's Submission

The Depreciation for Lakroh MHP for FY 2020-21 is based as per Segregated Accounts amounting to Rs.1.25 Cr. as per the rate of depreciation given in the regulations. The net depreciation approved by the Commission in the true up order at Rs. 0.41 Cr by deducting Depreciation on grants is incorrect.

Table 18 : Depreciation of Lakroh MHP for FY 2020-21

SI No	Name of Asset	Value assets at beginning of the year (Crore)	Addition during the year (Crore)	Value assets at the end of the year (Crore)	Rate of Depreciation (%)	Depreciation charges of the year (Crore)
1	Land & land rights	0.0027	-	0.0027		-
2	Buildings	2.25	0.18	2.43	3.34	0.08
3	Hydraulic works	9.35	0.27	9.62	5.28	0.50
4	Other civil works	1.80	0.41	2.21	3.34	0.07
5	Plant & Machinery	9.77	0.24	10.01	5.28&6.33	0.52
6	Lines & Cable network	1.15	0.26	1.41	5.28	0.07

7	Vehicles	-	-	-	9.5	-
8	Furniture & Fixtures	0.01	-	0.01	6.33	0.0007
9	Office Equipment	0.009	0.001	0.0096	6.33	0.0006
10	Assets not in use	-	-			-
11	Total	24.34	1.36	25.7		1.25

Therefore, MePGCL requests the Commission to kindly consider the depreciation as per true up petition at Rs.1.25 Cr.

Commission's Analysis

Petitioner has not adopted the approved GFA in the petition for Review.

Commission had computed Depreciation as per the Regulations for the 90% approved GFA at Rs.21.73 Crore.

Commission Considers no review is required for computation of Depreciation for True up of FY 2020-21

2.4.3. Return on Equity

Petitioner's Submission

The RoE considered by the Commission for Lakroh MHP for FY 2020-21 is Rs. 0.42 Cr. Based on Average GFA (Rs.21.73 Cr), MePGCL review the RoE for Lakroh MHP as Rs.0.56 Cr. shown in the table below:

Table 19 : Return on Equity for Lakroh MHP for FY 2019-20

(Rs. Crore)

Particulars	Lakroh
Opening GFA	24.35
Addition during the year	1.36
Closing GFA	25.72
Average GFA	25.03
Less: Grant	11.75
Net GFA	13.285
Debt (70% GFA)	9.30
Equity (30% of GFA)	3.98
RoE (%)	14%
Return on Equity (in INR Cr.)	0.56

MePGCL humbly requests the Commission to allow Rs. 0.56 Cr. as ROE for true up of FY 2020-21 for Lakroh MHP.

Commission's Analysis

As per Regulation 31 read with 27, equity shall be regulated for actual equity contribution limiting to the 30% of the capital cost approved.

Commission had approved Return on Equity on 30% of the average GFA after deduction of capital grants as per the Regulations.

Commission considers no review is required on Return on Equity for True up of FY 2020-21.

2.4.4. Interest on Working capital

Petitioner's Submission

The IWC is calculated as per norm provided in the regulations. The revised IWC which MePGCL requests the Commission to consider in the review petition is calculated below:

Table 20 : IWC Claim of LAKROH MHP

(Rs. Cr.)

Sl. No	Particulars	FY 2020-21
1	O&M Expenses for one (1) month (Rs.0.54 Cr./12) (a)	0.045
2	Maintenance Spares at 15% of O&M expenses escalated at 6% (b)	0.085
3	Receivables equivalent to two (2) months Net AFC (c)	0.495
4	Working Capital requirement (d=a+b+c)	0.625
5	Interest at 12.90% (e=d*12.90%)	0.079

Table 21 : Additional Gap of IWC Claim for LAKROH MHP

(Rs. Cr.)

Sl. No	Particulars	FY 2020-21
1	IWC claim in the review petition (1)	0.079
2	IWC approved by Commission (2)	0.06
3	Gap-Additional IWC (1-2)	0.02

MePGCL requests Commission to kindly consider the Additional IWC in the review true up order at Rs. 0.02 Cr.

Commission's Analysis

Since, Commission has not considered any of the review claim made by the petitioner towards Depreciation and RoE there shall be no change in the Interest on working capital approved for True up of FY 2020-21.

Commission Considers no review is required on Interest on Working Capital for True up of FY 2020-21

2.4.5. Revised ARR & Net Additional Claim in Review for True Up FY 2020-21

Petitioner's Submission

Table 22 : Revised AFC for LAKROH in Review for FY 2020-21

(Rs. Cr.)

Particulars	AFC as per review	AFC as per True up Order	Gap/(Surplus)
O&M Expenses	0.54	0.54	0
Depreciation	1.25	0.41	0.84
Interest & Finance charges	0.43	0.43	0
Return on Equity	0.56	0.42	0.14
Interest on Working Capital	0.079	0.06	0.02
SLDC Charges	-	-	-
Gross AFC	2.86	1.86	1.0
Less: Non-Tariff Income	0	0	0
Net AFC	2.86	1.86	
Revenue from operations	0.50		
Gap (surplus)	2.36	1.36	1.0

MePGCL requests Commission to consider additional revenue GAP for review of True up order for FY 2020-21 at Rs.1.0 Cr. to be adjusted in the review petition for FY 2023-24.

Commission's Analysis

Commission has not considered any of the claims petitioned for Review, Accordingly the True up ARR for FY 2020-21 shall be as depicted in the table below.

Table 23 : Approved Revised ARR for LAKROH in Review for FY 2020-21 (Review)

(Rs. Cr.)

Particulars	AFC as per True up Order	AFC as per review	Now Approved for Review
O&M Expenses	0.54	0.54	0.54
Depreciation	0.41	1.25	0.41
Interest & Finance charges	0.43	0.43	0.43
Return on Equity	0.42	0.56	0.42
Interest on Working Capital	0.06	0.079	0.06
SLDC Charges	-	-	-
Gross AFC	1.86	2.86	1.86
Less: Non-Tariff Income	0	0	0
Net AFC	1.86	2.86	1.86
Revenue from operations		0.50	0.50
Gap (surplus)	1.36	2.36	1.36

Commission considers ARR for LAKROH MHP at Rs.1.86 Crore in the Review of true up orders of FY 2020-21.

2.5. TRUE UP FOR MePGCL OLD STATIONS INCLUDING SONAPANI FOR FY 2020-21

2.5.1. Gross Fixed Assets (GFA)

Petitioner's Submission

In the True Up order for FY 2020-21, the Commission has considered asset base of old plants at Rs. 51.42 Cr. (table 50 of the true up order). 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 INR 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 no.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 INR 49.39 Cr as value of old plants asset for FY 2020-21 appears not to be logical and seems to be an inadvertent error on the part of the Commission.

As per the directives of the Order for FY 2023-24, the breakup of the assets of Umiam Stage-IV is being work out and yet to be finalized. The same will be submitted after it is audited by the Chartered Accountant.

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 INR 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. 429.62 Cr is felt 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 2020-21. 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 24 : Gross Fixed Assets of MePGCL Old Plants (Including Sonapani)

Particulars	FY 2020-21 (Rs. in CRORE)				
	MePGCL as a whole (a)	MLHEP (b)	NUHEP (c)	Lakroh MHP (d)	MePGCL old plants (including Sonapani) (e=a-(b+c+d))
Opening GFA	2343.62	1285.52	604.13	24.35	429.62
Additions during the year	2.69	0	1.25	1.36	
Retirements during the year	0	0	-	-	
Closing GFA	2346.31	1285.52	605.38	25.72	429.69
Average GFA	2344.96	1285.52	601.33	25.03	429.65

As can be observed from the table above, the average asset base for old plants (including Sonapani) is Rs.429.65 Cr as per audited Statement of Accounts (SoA). But, as the Commission has approved just Rs. 51.42 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. MePGCL requests the Commission to kindly review the GFA of old stations

Commission’s Analysis

Commission has been notifying the actual GFA held with the MePGCL old projects from FY 2013-14 onwards by withdrawing the Capital cost of assets of old projects whose life term has been completed (35 years).

Despite, petitioner has been projecting full Gross Fixed Assets in all the petitions for ARR and True up petitions.

Commission has also issued a Directive to adopt the approved True up figures in all the petitions while asking to file the Regulatory accounts in all the petitions.

The Gross Fixed assets last approved in the True up orders for FY 2019-20 and subsequent True up for FY 2020-21 shall be validated as given below for FY 2020-21 review.

Table 25 : Approved Gross Fixed Assets of MePGCL old projects for True up of FY 2020-21

(Rs. Cr.)

Particulars	MePGCL's Old Plants (including Sonapani)
Opening GFA	51.38
Additions	0.07
Closing GFA	51.45
Average GFA	51.42

Commission considers no review is required on Gross Fixed Assets for True up of FY 2020-21

2.5.2. Depreciation

Petitioner's Submission

The Commission has approved Rs. 2.33 Cr. for depreciation in true up order for FY 2020-21. 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 Rs. 2346.31 Cr. as on 31st March, 2021. 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. 51.42 Cr for FY 2019-20. It also has considered grants to further reduce the asset base of MePGCL.
- 2) Depreciation grant amount for FY 2020-21 as per SoA amounting to Rs. 2.14 crore is for PSDF and DRIP. The works under DRIP are for MLHEP also and not only for old stations. Therefore, allocation of whole grant amount of Rs. 2.24 Cr. to old stations is not correct.
- 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, leaving 10% as salvage value. However, the depreciation computed by the Commission is on 90% of asset value.

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

Table 26 : Additional Depreciation Claim of MePGCL in Review

(Rs. Cr.)

Particulars	FY 2020-21
MePGCL's Claim of Depreciation for old Plants (1)	15.14
Depreciation approved by MSERC in the true up order (2)	2.33
Gap to be passed in the review petition (1-2)	12.81

MePGCL requests the Commission to pass an additional amount Rs.12.81 Cr for FY 2020-21, for depreciation

Commission's Analysis

The analysis of Depreciation vide para 5.2 of True up orders is clear segregating the Grants received against MePGCL old projects out of the total Grants reported in the audited accounts vide note no. 17.1 read with analysis of MLHEP vide page no.12 of True up orders.

Petitioner has not furnished asset wise breakup for Umiam Stage IV and Sonapani projects as called for from the Commission.

Apportionment of Holding company 1/3rd depreciation for Rs.0.09 Crore is now allowed for the Review as depicted in the table below.

Table 27 : Approved Depreciation of MePGCL Old projects for True up of FY 2020-21 (Review)

Sl.no	Particulars	Amount in Cr
1	GFA as on 31.03.2020	51.38
2	Additions during FY 2020-21	0.07
3	Total	51.45
4	Average Assets for FY 2020-21	51.42
5	90% of Average Assets	46.28
6	Deprecation at 5.28%	2.44
7	Average Grants available	2.14
8	Less: Dep on Grants (2.14*5.28%)	0.11
9	Net Depreciation (Sl.no 6-8)	2.33
10	Add: Apportionment of 1/3rd Depreciation of MeECL	0.09
11	Depreciation	2.42

Commission considers Depreciation at Rs.2.42 Crore for Review True up for FY 2020-21.

2.5.3. Return on Equity

Petitioner's Submission

The Commission has approved Rs.2.07 Cr for FY 2020-21, for RoE in true up order.

- 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. 51.42Cr for FY 2020-21.

The issue 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 28 : Additional RoE Claim of MePGCL in Review

Particulars	(Rs. Cr.)
	FY 2020-21
MePGCL's Claim of Return on Equity for Old Plants (1)	34.49
Approved Return on Equity by MSERC for old plants (2)	2.07
Gap to be passed in the review petition (3-4)	32.42

Hence MePGCL requests the Commission to kindly pass an additional amount Rs.32.42 Cr for FY 2020-21, for ROE.

Commission's Analysis

The analysis of Return on Equity vide para 5.3 is clear in the True up orders dated 22.03.2023.

Commission considers no review is required on RoE for the True up of FY 2020-21.

2.5.4. Operation and Maintenance

Petitioner's Submission

Commission has approved the Operation and Maintenance Expenses in its true up order for FY 2020-21 at Rs.44.86 Cr. MePGCL submitted O&M expenses of Rs.90.52 crore for FY 2020-21 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 2020-21 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 2020-21 which does tally with the actual expenses.

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 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. The apportionment of Terminal Benefits for FY 2020-21 for MePGCL audited by the Chartered Accountant i.e. M/s Dadhich & Associates (Annexure B) amounting to Rs. 63.16 Cr. (i.e. $56.84 + 18.95/3$) has been included in the O&M expenses for old stations including Sonapani and requested the Commission to kindly consider the Pension Trust of MePGCL.

MePGCL requests the Commission to kindly consider the additional claim of Rs. 64.78 Cr. for O&M expenses as shown below:

Table 29 : O&M Cost of MePGCL (Old Plants including Sonapani) for FY 2020-21

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)	Additional claim
	(a)	(b)	(c)	(d)	(e)=a-b-c-d		
Employee Cost	(i). Salaries and wages MePGCL=71.69 MeECL=13.10 (ii).Contribution to otherfunds MePGCL=1.369 MeECL=0.09 (iii). Pension Trust*=56.84+ (18.95/3)=63.16 TOTAL (i+ii+iii)= 149.41	38.89	13.72	0.54	109.64	44.86	64.78
R&M Expenses	7.48+(9.76*0.33)=10.70						
A&G Expenses	2.56+(0.37*0.33)=2.68						
Total	162.79						

**MeECL Pension Trust Fund for FY=2020-21 attached at Annexure B*

Hence, MePGCL requests the Commission to kindly allow the additional claim for O&M Expenses for old plants including Sonapani of Rs.109.64 Cr. for FY 2020-21 as given in the table above.

Commission's Analysis

Commission has allowed O&M expenses in the True up orders as admissible as per the Regulations including 1/3rd share of R&M and Adm & General expenses of MeECL.

The analysis of O&M expenses vide para 5.4 is clear in the True up orders and requires no review as claimed in the petition for FY 2020-21.

2.5.5. Interest and Finance Charges

Petitioner's Submission

The Commission in its True Up order for FY 2020-21 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.14.82 Cr. in review of true up order as shown below:

Table 30 : Additional IFC Claim of MePGCL based on Revised Components

(Rs Cr.)	
Particulars	FY 2020-21
Interest and Finance Charges claimed for old stations including Sonapani in the True Up petition (1)	14.82
Interest and Finance Charges allowed by MSERC in the True Up order (2)	0.00
Interest and Finance Charges claimed by MePGCL in the review (3)	14.82
Additional Interest and Finance Charges to be allowed in the review petition (4=3-2)	14.82

Commission's Analysis

The analysis of Interest and Finance charges vide para 5.5 in is clear in the True up orders and requires no review as claimed in the petition for FY 2020-21.

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:

Table 31 : IWC Claim of Old stations including Sonapani

(Rs. Cr.)		
Sl. No	Particulars	FY 2020-21
1	O&M Expenses for one (1) month (Rs.109.64 Cr./12) (a)	9.14
2	Maintenance Spares at 15% of O&M expenses escalated at 6% (b)	17.43
3	Receivables equivalent to two (2) months Net AFC (c)	30.23
4	Working Capital requirement (d=a+b+c)	56.81
5	Interest at 12.90% (e=d*12.90%)	7.32

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 32 : Additional IWC Claim of MePGCL in Review

(Rs. Cr.)	
Particulars	FY 2020-21
MePGCL's Revised Claim of Interest on Working Capital for old Plants in Review (1)	7.32
Approved Interest on Working Capital by MSERC (2)	1.72
Gap to be passed in the review petition (3=1-2)	5.61

Commission's Analysis

Commission has considered Review of Depreciation whereby a sum of Rs.0.09 Crore more expenditure shall be approved in the Review True up of FY 2020-21. Accordingly the Interest on working capital shall be as computed in the table below.

Table 33 : Computation of Interest on Working Capital for True up FY 2020-21 (Review)

		(Rs. Cr)
S.No	Particulars	FY 2020-21
1	O&M expenses for one month excl. MeECL cost (33.27 /12)	2.77
2	Maintenance spares @ 15% of O&M expenses (33.27*15%*6%)	5.29
3	Receivables equivalent to two months of Fixed cost (31.97*2/12)	5.33
4	Total Working Capital Requirements (4=1+2+3)	13.39
5	SBI PLR as on 1st April of the respective Financial Year (%) (e)	12.90%
6	Interest on Working Capital (6=4*5)	1.73

Commission considers Interest on working capital at Rs.1.73 Crore for True up of FY 2020-21 (Review).

2.5.7. Revised ARR & Net Additional Claim in Review for True Up FY 2020-21

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 34 : Revised AFC for MePGCL in Review for FY 2020-21

				(Rs. Cr.)
Particulars	AFC as per review	AFC as per True up Order	Gap/(Surplus)	
O&M Expenses	109.64	44.86	0.42	
Depreciation	15.14	2.27	12.87	
Interest & Finance charges	14.82	0	14.82	
Return on Equity	34.49	2.07	32.42	
Interest on Working Capital	7.32	1.72	2.13	
SLDC Charges	1.48	1.48	0	
Gross AFC	182.89	52.40	130.49	
Less: Non-Tariff Income	14.80+4.90=19.75	18.86		
Net AFC	163.14	33.54	129.60	
Revenue from operations	95.88			
Gap (surplus)	67.26	-62.34	4.92	

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 considered the ARR (Review) as depicted in the table below for FY 2020-21.

Table 35 : Revised ARR for FY 2020-21 for MePGCL Old projects (Review)

(Rs. Cr.)			
Particulars	AFC as per True up Order	AFC as per review	Now approved for Review
O&M Expenses	44.86	109.64	44.86
Depreciation	2.27	15.14	2.42
Interest & Finance charges	0	14.82	0
Return on Equity	2.07	34.49	2.07
Interest on Working Capital	1.72	7.32	1.73
SLDC Charges	1.48	1.48	1.48
Gross AFC	52.40	182.89	52.56
Less: Non-Tariff Income	18.86	14.80+4.90=19.75	18.86
Net AFC	33.54	163.14	33.70
Revenue from operations	178.16	95.88	178.16
Gap (surplus)	(144.62)	67.26	(144.46)

Commission considers ARR of MePGCL at Rs.33.70 Crore for Review of True up of FY 2020-21.

3. Consolidated ARR for MLHEP, New Umtru, Lakroh MHP and MePGCL Old Projects for Review True up of FY 2020-21.

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 36 : Revised AFC for MePGCL in Review for FY 2020-21

(Rs. Cr.)

Particulars	MLHEP			NUHEP			Lakroh			Old Plants		
	as per review	as per order	gap	as per review	as per order	gap	as per review	as per order	gap	as per review	as per order	gap
O&M Expenses	38.89	38.89	0	13.72	13.72	0	0.54	0.54	0	102.12	44.86	0.42
Depreciation	61.41	46.25	15.16	29.38	25.66	3.72	0.41	0.41	0	15.14	2.27	12.87
Interest & Finance charges	42.87	30.78	12.09	32.32	32.32	0	0.43	0.43	0	14.82	0	14.82
Return on Equity	54	45.55	8.45	23.04	20.76	2.28	0.56	0.42	0.14	34.49	2.07	32.42
Interest on Working Capital	5.57	4.69	0.88	2.6	2.42	0.18	0.19	0.06	0.13	3.86	1.72	2.14
SLDC Charges	0	0	0	0	0	0	0	0	0	0	0	0
Net Prior Period items	0	0	0	0	0	0	0	0	0	0	0	0
Gross AFC	202.7	166.2	36.58	101.1	94.88	6.18	2.86	1.86	1.0	182.89	52.40	130.49
Less: Non-Tariff Income	0	0	0	0.01	0.01	0	0	0	0	19.75	18.86	
Net AFC	202.7	166.2	36.54	101.1	94.87	6.18	2.86	1.86	1.0	163.14	33.54	129.60
Revenue from operations	58.68			19.78			0.5			95.88		
Gap (surplus)	144.1	107.52	36.58	81.27	75.09	6.18	2.36	1.36	1.0	67.26	(61.34)	4.92

MePGCL requests the Commission to kindly review the additional gap of MLHEP, NUHEP, Lakroh and Old stations including Sonapani at Rs. 36.58 Cr., Rs. 6.18 Cr., Rs. 1.0 Cr. and Rs. 4.92 Cr. respectively, to be adjusted in the review petition of tariff for FY 2023-24.

The MePGCL has raised the revenue of Rs.257.13 Crore for FY 2020-21 as per SOA at Note 24 this includes of Rs. 82.26 Crore which is the balance amount which was already considered by the Commission in FY 2017-18. The revenue from operation for FY 2020-21 is Rs. 174.87 Crore; this is as per the Power purchase Bill submitted to MePDCL (page 58 of the order).

The revenue considered by the Commission at Rs. 257.13 crore in the order is not correct and this cause double deduction from the ARR. And, this will cause deduction in the tariff of old stations. Therefore, this has to be review and adjusted in the tariff for FY 2024-25.

The total revenue from operation for FY 2020-21 of MePGCL is Rs. 174.85 Cr., mentioned at page 58 of the order. The revenue from operation from old projects as mentioned in table 57 of the order at Rs. 178.16 Crore is erroneous, since the revenue from old stations is Rs.95.88 Cr. Therefore, the surplus showing Rs. (144.62) Cr. for old

stations has to review and also the total gap of Rs. 39.30Cr. for all stations is erroneous.

Commission has availed at this figure of Rs. 178.16 Cr. by adding again the revenue from operation of Rs. 82.26 Cr. which has already been recognized & considered in FY 2017-18.MePGCL submit the Review on true up order for kind consideration of the Commission.

Further, the Net Revenue Gap presented in the true up order at Rs. 39.30 Cr for MePGCL for FY 2020-21 adjusted in the tariff order for FY 2023-24 have to be reviewed based on facts and actual. Therefore, MePGCL requests the Commission to kindly consider the review petition.

Commission's Analysis

Table 37 : Consolidated ARR for MLHEP, New Umtru, Lakroh and MePGCL Old Projects for True up of FY 2020-21 (Review)

(Rs. Cr)						
Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Plants	Total for MePGCL
1	Depreciation	46.25	25.66	0.41	2.42	74.74
2	Return on Equity	45.55	20.76	0.42	2.07	68.80
3	O&M Expenses	38.89	13.72	0.54	44.86	98.01
4	Interest and Finance Charges	30.78	32.32	0.43	0	63.53
5	Interest on working capital	4.69	2.42	0.06	1.73	8.90
6	SLDC Charges	-	-	-	1.48	1.48
	Total Annual Fixed Cost (AFC)	166.16	94.88	1.86	52.56	315.46
7	Less: Non-Tariff Income	0.00	0.01	0.00	18.86	18.87
	Net ARR	166.16	94.87	1.86	33.70	296.59

4. Consolidation of Revenue Gap/Surplus in the True up Review of FY 2020-21 for MePGCL

Petitioner's Submission

The details showing the Gap/(Surplus) of each station is shown in the table below:

Table 38 : Net Gap/(Surplus) for FY 2020-21

						(Rs. Cr)
Sl. No	Particulars	MLHEP (a)	New Umtru (b)	Lakroh MHP (c)	MePGCL Old Station (d)	Total for MePGCL (e=a+b+c+d)
1	Net AFC approved in the true up order	166.20	94.87	1.86	33.54	296.43
2	Net AFC as per review petition	202.7	101.10	2.97	163.14	469.91
3	Revenue from Operation FY 2020-21	58.68	19.78	0.50	95.88	174.87
4	Gap during the year as per review of true up order (2-3)	144.06	81.27	2.36	67.26	295.49
5	Net Rev gap for FY 20-21 adjusted in FY 23-24 (as per order dt.30.01.23)	107.48	75.08	1.36	(144.62)	39.30
6	LESS: Revenue allocated to old stations which was already adjusted by Commission in FY2017-18	-	-	-	82.26	82.26
7	GAP to be considered for FY 2020-21 after deducting Rs.82.26 Cr. which was already adjusted by the Commission in FY 2017-18 (5-6)	107.48	75.08	1.36	(62.36)	121.56
8	Additional GAP to be considered for FY 2020-21 to be adjusted in FY 2023-24 (4-7)	36.58	6.18	1.0	4.92	48.67

From the table above, the NET GAP of MePGCL submit in the review petition for FY 2020-21 is Rs. 121.56 Cr. instead of Rs. 39.30 Cr. as arrived by the Commission.

Based on the above, the additional Gap of Rs.36.58 Cr, Rs.6.19 Cr., Rs. 1.0 Cr. and Rs.4.92 Cr for MLHEP, NUHEP, Lakroh and Old stations including Sonapani, respectively, which has to be adjusted in the review petition for FY 2023-24.

Commission's Analysis

The MePGCL has filed Project wise petition for True up ARR for FY 2020-21 with the combined Audited Accounts.

MePGCL has reported Revenue from Operations at Rs. 257.13 Crore vide note no.24 of audited accounts.

MePGCL reported vide note no.24.1 that "In the year 2017-18, Company had not recognized the income amounting Rs.3,647,860,402.00 in absence of certainty of their realization. Out of the Rs.1,647,860,402.00, Rs.825,173,653.00 had been recognized

by the company during the FY 2018-19 as revenue. The balance 822,686,749.00 has been recognized as revenue during the FY 2020-21.”

Part of Revenue of Rs.82.27 Crore out of the Revenue Received for Rs.257.13 Crore during the FY 2020-21 cannot be considered for Apportionment against the previous year FY 2017-18 which is inappropriate and not prudent.

Commission has analyzed the Revenue from operations as reported in the audited accounts for FY 2020-21 vide note no. 24 after prudence check the true up of ARR is approved as depicted in the table below and arrived net Revenue Gap/Surplus for Review.

Table 39 : Consolidated Revenue Gap/Surplus for MePGCL as a whole for True up of FY 2020-21 (Review)

(Rs.Cr)

Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Projects	Total for MePGCL
1	Net ARR	166.16	94.87	1.86	33.70	296.59
2	Less: Revenue from Operations	58.68	19.79	0.50	178.16	257.13
	Net Revenue Gap/Surplus	107.48	75.08	1.36	(144.46)	39.46

Commission approves Net Revenue Gap at Rs. 39.46 Crore for MePGCL Review True up of FY 2020-21 and the impact shall be appropriated in the next Tariff Order.

Sd/-
R.K. Soni, District Judge (Retd.),
(Member)

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