

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

In the matter of:

Truing up of Annual Revenue Requirement for the FY 2010-11 of Meghalaya Energy Corporation Limited (MeECL)

And

In the matter of:

Meghalaya Power Distribution Corporation Limited – Petitioner (herein after referred to as MePDCL)

CORUM

Anand Kumar

Chairman

ORDER

Dated: 22.12.2014

This order is to true up the ARR of Meghalaya Power Distribution Corporation Limited for FY 2010-11. The ARR for FY 2010-11 was first determined by the Commission at Rs. 419.20 Crores in its Order dated 23.08.2010. The MePDCL has filed the Petition for true up of Aggregate Revenue Requirement (ARR) for FY 2010-11 along with audited annual accounts for FY 2010-11 on 24.09.2014. The Commission has admitted the Petition on 29.09.2014.

Meghalaya Energy Corporation Limited

1. The power supply Industry in Meghalaya had been under the control of the erstwhile Meghalaya State Electricity Board (MeSEB) from 21st January, 1975. The Government of Meghalaya issued a Notification on 31st March, 2010 “The Meghalaya Power Sector Reforms Transfer Scheme 2010” thereby giving effect to the transfer of assets, properties, rights, liabilities, obligations, proceedings and personnel of the erstwhile MeSEB to, namely, (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility; (iii) Meghalaya Power Generation Corporation Limited (MePGCL), the Generation Utility; & (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility. However, the Government of Meghalaya, vide

Notification dated 19th May 2011, notified that the transfer scheme of the MeECL be extended for another period of 1 (one) year with effect from 1st April, 2011. On 31st March 2012, Government of Meghalaya issued amendment to the above mentioned transfer scheme, to transfer Assets and Liabilities including all rights, obligations and contingencies with effect from 1st April 2012. The Government of Meghalaya issued latest notification on 23rd December 2013 thereby notifying the revised statement of Assets and Liabilities as on 1st April 2010 to be vested in Meghalaya Energy Corporation Limited.

2. The Meghalaya Energy Corporation Limited (MeECL) is functioning as a Holding Company and the other utilities, namely, Meghalaya Power Distribution Corporation Limited (MePDCL), the Meghalaya Power Generation Corporation Limited (MePGCL) and the Meghalaya Power Transmission Corporation Limited (MePTCL) have commenced commercial operation as independent entities from 1st April 2013 onwards.
3. The Meghalaya State Electricity Regulatory Commission (hereinafter referred to as “MSERC” or “the Commission”) is an independent statutory body constituted under the provisions of the Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.
4. Based on the Audited Statement of Accounts the True-up for FY 2010-11 the petitioner has proposed the following:

ARR 2010-11 Truing up proceeding and Analysis

5.1 The revenue and expenses of MeECL during 2010-11 as reflected in the audited accounts have been considered and compared with those contained in the earlier tariff order dated 23.08.2010 and a prudence check thereon exercised. The Commission has tried to make a balance between the interest of utility, consumers and other stakeholders while deciding the truing up for FY 2010-11. The details of ARR and revenue approved by the Commission for FY 2010-11 vide its order dated 23.08.2010 and actuals now furnished by the MePDCL as per audited accounts are furnished in the Table below:

**Table 5.1: Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2010-11
(Rs. Crore)**

Sl. No.	Particulars	FY 2010-11	
		Approved by MSERC	Actuals furnished by MePDCL
1	Power Purchase Cost Including Transmission Charges	238.77	303.88
2	Repair & Maintenance Expenses	19.51	22.79
3	Employee Expenses	122.13	156.30
4	Administration & General Expenses	9.58	11.75
5	Depreciation	17.08	27.02
6	Interest & Finance Charges	84.30	100.13
7	Other Debts (Incl Provisions for Bad Debts)	10.00	41.19
8	Income tax	4.94	-
9	Prior Period Charges/(Credits)	-	12.73
10	Revenue Expenditure	506.31	675.78
11	Less: Expenses Capitalised		
12	Interest & Finance Charges Capitalised	66.21	71.11
13	Employee Expenses Capitalised	10.24	9.49
14	Administration & General Expenses Capitalised	-	2.52
15	Net Revenue Expenditure	429.86	592.66
16	Return on Equity Capital	28.28	126.49

Sl. No.	Particulars	FY 2010-11	
		Approved by MSERC	Actuals furnished by MePDCL
17	Aggregate Revenue Requirement	458.14	719.16
18	Less: Non-Tariff Income		
19	Other Income	24.94	53.60
20	R.E Subsidy	14.00	12.63
21	Others (Amortization)	-	5.29
22	Net Aggregate Revenue Requirement	419.20	647.64
23	Revenue from Sale of Power	420.22	380.90
24	Net Surplus/(Deficit)	1.02	(266.74)

The Commission has analyzed the actual energy sales, expenses and revenue and computed gains/losses in the process of truing up for FY 2010-11 as detailed below:

5.2 Category Wise Sales

5.2.1 The following table summarizes the category wise sales for FY 2010-11.

Table 5.2: Summary of Category Wise Sales for FY 2010-11

(MU)

Sl.No.	Category	Approved by the Commission in TO 2010-11	As per Actuals	Now approved in the Truing up
A	LT Category			
1	Dmestic (DLT)	264.68	308.18	308.18
2	Crematerium	0.22	0.23	0.23
3	Agriculture	0.63	0.36	0.36
4	Industrial (ILT)	6.14	5.01	5.01
5	Commercial (CLT)	41.94	48.74	48.74
6	General Purcpose (GPLT)	12.96	13.34	13.34
7	Water Supply (WSLT)	6.78	6.74	6.74
8	Public Lighting (PL)	2.11	1.33	1.33
	Total LT Category	335.46	383.93	383.93
B	HT Category			
1	Commercial (CHT)	13.19	15.33	15.33
2	General Purcpose (GPHT)	20.03	0	0
3	Bulk Supply (BSHT)	82.87	62.05	62.05

Sl.No.	Category	Approved by the Commission in TO 2010-11	As per Actuals	Now approved in the Truing up
4	Industrial (IHT)	350.25	285.59	285.59
5	Water Supply (WSHT)	27.18	27.02	27.02
6	Temporary Supply	0	1.7	1.7
7	Assam	0	15.22	15.22
	Total HT Category	493.52	406.91	406.91
C	EHT Category			
1	Industrial (IEHT)	237.12	193.34	193.34
	Total EHT Category	237.12	193.34	193.34
	Total sales within the state (A+B+C)	1066.1	984.18	984.18
	UI	35	121.13	121.13
	Grand Total	1101.1	1105.31	1105.31

The Commission in its Order dated 23.08.2010 for FY 2010-11 had approved actual sales at 1101.10 MU including UI/sales to other states of 35 MU. As per actuals the energy sales are 1105.31 MU including UI sales of 121.13 MU. Thus the sales within the state are 984.18 MU.

5.3 Transmission and Distribution Losses

5.3.1 The Commission in its Tariff Order for FY 2010-11 had approved T & D Loss projection at 27.08% for FY 2010-11. The MePDCL in its true up petition has furnished T & D Loss at 33.27%.

Commission's Analysis

5.3.2 Considering the data furnished by MePDCL in its Petition for True up for FY 2010-11 and the additional information furnished in Letter No. MePDCL/DD/T444/pt11/2014-15/22 dated 24.10.2014, the T&D loss works out to 33.40% as detailed in Table below:

Table 5.3: T&D Loss calculation of MeECL for FY 2010-11

Sl.No.	Source	Unit	FY 2010-11
1	Own Generation	MU	507.5
2	Power purchased from NTPC	MU	257.23
3	Less: Transmission loss at 2.43% on (2)	MU	6.25
4	Net energy from NTPC (2-3)	MU	250.98
5	Energy purchased from NER	MU	696.57
6	Less: Transmission loss at 3.32% on (4+5)	MU	31.46
7	Net energy available (1+4+5-6)	MU	1423.59
8	Add: UI/short term purchase	MU	175.36
9	Less: UI sales	MU	121.13
10	Net Power available for sale within the state	MU	1477.82
11	Energy sales within the state	MU	984.18
12	T&D Loss (10-11)	MU	493.64
13	T&D Loss	%	33.40%

The Commission accordingly approves T&D loss of 33.40% for FY 2010-11 after truing up as per actuals.

5.4 Own Generation

The summary of Own Generation approved in Tariff Order for FY 2010-11 and actuals furnished in the petition and now approved in true up are furnished in Table below:

Table 5.4: Own Generation in True up for FY 2010-11

Sl.No.	Particulars	Approved in Tariff Order for FY 2010-11	Actuals furnished in Petition	Now approved by the Commission in True up
1	Own Generation	533	507.50	507.50

The Commission accordingly now approves Own Generation at 507.50 MU as per actuals furnished by MePDCL by Truing up for FY 2010-11.

5.5 Power Purchase

Power Purchase approved by the Commission in its Tariff Order dated 23.08.2010 for FY 2010-11, actual furnished by MePDCL and now approved by the Commission are furnished in Table below:

Table 5.5: Power Purchase by MePDCL during FY 2010-11

(MU)				
Sl. No.	Particulars	Approved in Tariff Order dated 23.08.2010	Actuals furnished	Now approved by the Commission
A	Eastern Region			
1	NTPC	220.44	257.23	257.23
2	NEEPCO	622.41	624.79	624.79
3	NHPC	53.16	71.78	71.78
4	Sub-Total (2+3)	675.57	696.57	696.57
B	Short Term Purchases			
(a)	Bilateral			
5	SCF	30	7.78	7.78
6	RPG		4.46	4.46
7	PTCIL		6.76	6.76
8	UI		89.83	89.83
9	Sub-Total (5+6+7+8)	30	108.83	108.83
(b)	Swapping			
10	NVVN	50	66.52	66.52
11	Total Short Term (9+10)	80	175.35	175.35
12	Total (1+4+11)	896.01	1129.15	1129.15

The Commission accordingly approves Power Purchase of 1129.15 MU during FY 2010-11 as per actual for True up.

5.6 Energy Balance

The Commission in its order dated 23.08.2010 had approved energy balance for FY 2010-11 detailed in Table below:

**Table 5.6: Energy Balance of MePDCL for FY 2010-11 approved in Tariff Order dated
23.08.2010**

		(MU)
Sl.No.	Particulars	Approved by the Commission in Tariff Order dated 23.08.2010
1	Own Generation	534
2	Energy purchase from ER	220.44
3	Energy purchase from NER	657.57
4	Bilateral purchase	30
5	Swapping	50
6	Total energy available	1510.01
7	T & D loss (MU)	408.91
8	T & D loss (%)	27.08%
9	Net energy available for sale	1101.10

The MePDCL in its true up Petition for FY 2010-11 has furnished actuals as detailed in the Table below:

Table 5.7: Energy Balance of MePDCL for FY 2010-11 furnished in the Petition

Sl.No.	Particulars	Actuals as per Petition (MU)
1	Own Generation	507.5
2	Energy purchase from ER	
3	NEEPCO	624.79
4	NTPC	257.23
5	Energy purchase from NER	
6	NHPC	71.78
7	Short term Power Purchase	
8	Bilateral purchase	
9	UI	89.84
10	PTCIL	6.76
11	SCF	7.78
12	RPG	4.46
13	Sub-Total (8+11)	108.84
14	Swapping	
15	NVVN	66.52
16	Total short term Power Purchase (13+15)	175.35

Sl.No.	Particulars	Actuals as per Petition (MU)
17	Total Power available (1+3+4+6+16)	1636.65
18	Transmission Loss	161.86
19	Net input energy (17-18)	1474.79
20	Energy sales	984.17
21	T&D Loss (MU)	490.62
22	T&D Loss (%)	33.27%

Commission's Analysis

The MePDCL has purchased power from Eastern Region as well as from North Eastern Region. During transmission of power from generating stations to distribution point it will undergo inter-state regional transmission loss besides intrastate transmission loss, which has to be taken into account to arrive at exact energy available for sale within the state.

The regional transmission losses of the respective regions for the FY 2010-11 are obtained. As per weekly losses from 27.09.2010 to 27.03.2011 of eastern region the average transmission loss is 2.43% with minimum 2.1% and maximum 3%. In respect of north eastern region as per the weekly losses from 29.03.2010 to 27.03.2011 the average transmission loss is 3.32% with minimum 2.80% and maximum 4.31%.

Applying the average transmission losses at 2.43% for Eastern Region and 3.32% for North Eastern Region and T&D loss at 33.40% the energy balance is worked out as detailed in Table below:

Table 5.8: Energy Balance of MePDCL for FY 2010-11 approved after truing up

(MU)

Sl.No.	Particulars	Now approved by the Commission
A	Energy Requirement	
1	Energy sales within state	984.18
2	T&D Loss (%)	33.40%
3	T&D Loss (MU)	493.64
4	Energy Requirement	1477.82

B	Energy Availability	
5	Energy purchase from ER	257.23
6	Interstate Transmission loss (%)	2.43%
7	Interstate Transmission loss (MU)	6.25
8	Net Energy from ER	250.98
9	Energy purchased for NER	696.57
10	Sub-Total (4+5)	947.55
11	Interstate Transmission loss (%)	3.32%
12	Interstate Transmission loss (MU)	31.46
13	Net Energy available (6-8)	916.09
14	Own Generation	507.5
15	Bilateral/UI purchase	108.84
16	Swapping	66.52
17	Total energy available (13+14+15+16)	1598.95
18	Surplus (17-4)	121.13

5.7 Power Purchase Cost

5.7.1 The Commission in its Tariff Order for FY 2010-11 had approved Power Purchase Cost at Rs. 238.77 crore for purchase of 1510 MU including own generation of 534 MU for the FY 2010-11 as detailed in Table below:

Table 5.9: Power Purchase cost approved for FY 2010-11 in Tariff Order dated 23.08.2010

Sl.No.	Particulars	Energy purchased (MU)	Amount (Rs. Crore)
1	Own Generation	534	NA
2	Central Share (NEEPCO+NTPC+NHPC)	896	185.13
3	Short terms	80	12.65
4	Inter-state transmission cost	-	40.99
	Total	1510	238.77

5.7.2 The MePDCL in its True up Petition has submitted Power Purchase Cost at Rs. 303.88 Crores for purchase of 1636.65 MU including own generation of 507.50 MU during FY 2010-11 as detailed in Table below:

Table 5.10: Power Purchase cost furnished by MePDCL for FY 2010-11

Sl.No.	Particulars	Energy purchased (MU)	Amount (Rs. Crores)
1	Own Generation	507.50	0.24
2	Central Share (NEEPCO+NTPC+NHPC)	953.79	215.74
3	Short terms	175.36	31.25
4	Inter-state transmission cost	-	56.64
	Total	1636.65	303.88

5.7.3 Commission's Analysis

As per annual accounts for FY 2010-11 the Power Purchase Cost is Rs. 303.88 Crores which includes short term purchases of Rs.31.25 crores.

The Commission has approved short term purchases @ Rs.4.00/kWh for FY 2010-11 in Tariff order dated 23rd August 2010. The Petitioner has made short term power purchases from PTCIL, SCF, RPG at a higher rate than the Commission approved rate of Rs.4.00/kWh. As per the records, no prior permission was sought for the short term purchases at a higher rate. Accordingly, the Commission has regulated the cost of the short term purchases from these sources and disallowed Rs.2.39 crores from the cost of short term purchases. In this connection, the licensee is advised to adhere with the norms stipulated in the tariff order while making expenditures.

The Commission, accordingly, approved the power purchases cost at Rs.301.48 crores for FY 2010-11 in true up as detailed in the Table below:

Table 5.11: Power Purchase cost as per annual accounts for FY 2010-11

Sl. No.	Particulars	Power Purchase Cost (Rs. Crores)
1	Fuel Cost	0.24
2	Power Purchase Cost – Central Share	215.74
4	Short term purchases	28.86
5	Inter-state transmission cost	56.64
	Total	301.48

The Commission accordingly approves Power Purchase cost at Rs. 301.48 Crores including fuel cost of Rs. 0.24 Crores in truing up for FY 2010-11 as per actuals.

5.8 Operation and Maintenance Expenses (O&M Expenses)

5.8.1 MePDCL has submitted that operation and maintenance expenses consist of the following elements.

- Employee Expenses – Comprise of salary dearness allowance, bonus, terminal benefits in the form of pension and gratuity, leave encashment and staff welfare expenses.
- Repairs and maintenance expenses – comprise expenses incurred for day to day up keep of the assets of MePDCL and form an integral part of the company's efforts towards reliable and quality power supply and reduction of losses in the system.
- Administrative and General Expenses – comprise of rents, telephone and other communication expenses professional charges, conveyance and travelling allowances.

5.9 Employee Expenses

5.9.1 The employee expenses approved by the Commission in its Tariff Order for FY 2010-11 and actuals furnished by the MePDCL in its petition and approved by the Commission are furnished in the Table below:

Table 5.12: Employee Expenses for FY 2010-11

Particulars	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	(Rs. Crore)
			Now approved by the Commission
Employee Expenses	122.13	156.30	130.16

5.9.2 Commission's Analysis

As verified from the annual accounts for FY 2010-11 out of the total employee expenses of Rs. 156.30 Crores, Rs. 55.10 crores are under the head terminal benefit and in the note to accounts the details of terminal benefits are furnished as under:

**Table 5.13: Details of Terminal benefits furnished in Note to annual accounts for FY
2010-11**

Sl.No.	Particulars	Amount (Rs.crore)
1	Terminal benefit expenses paid to pensioners/family pensioners	28.98
2	Payment made to pension trust for provision for terminal benefit of existing employees	2.92
3	Payable to pension trust for terminal benefits of existing employee	23.22
4	Total	55.12

As per the third amendment of the Meghalaya Power Sector Reforms Transfer Scheme, 2010 receivables from Government of Meghalaya for terminal benefits of existing and retired employees are Rs. 840 crores. As such payment of terminal benefits for pensioners/family pensioners is the responsibility of the pension trust or the Government of Meghalaya. Accordingly the contribution towards the terminal benefits to the Trust amounting Rs.2.92 crores and Rs.23.22 crores are not allowed in the true up exercise till the time Trust becomes fully functional. However till such time, Rs. 28.98 crores already paid by the petitioner to pensioners/family pensioners is being allowed as shown in audited records.

As such the net employee expenses are Rs. 130.16 Crores (156.30 –2.92-23.22).

The Commission accordingly approves employee expenses at Rs. 130.16 Crore in truing up for FY 2010-11.

5.10 Repairs & Maintenance Expenses (R & M Expenses)

5.11.1 R&M Expenses approved by the Commission for FY 2010-11 in its Tariff Order dated 23.08.2010 and actuals furnished by the MePDCL and now approved by the Commission are furnished in the Table below:

Table 5.14: R & M Expenses for FY 2010-11

Particulars	(Rs. Crore)		
	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
R&M Expenses	19.51	22.79	22.79

Looking at the nature and volume of civil works and maintenance of old generating plants including large distribution network the Commission feels that actual expenditure as given in the audited record should be allowed.

The Commission approves R & M Expenses at Rs. 22.79 Crores in truing up for FY 2010-11 as per actuals.

5.11 Administrative and General Expenses (A & G Expenses)

5.11.1 (A & G) Expenses approved by the Commission in its Tariff Order for FY 2010-11 and actuals furnished by the MePDCL and now approved by the Commission are furnished in the Table below:

Table 5.15: (A & G) Expenses for FY 2010-11

Particulars	(Rs. Crore)		
	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
A & G Expenses	9.58	11.75	11.75

5.11.2 Commission's Analysis

As verified from the annual accounts for FY 2010-11 the total (A&G) Expenses are Rs. 11.75 Crore. Accordingly, the Commission is allowing the A & G cost as per audited accounts.

The Commission accordingly approves (A & G) Expenses of Rs. 11.75 Crores in truing up for FY 2010-11.

5.12 Depreciation

5.12.1 Depreciation approved by the Commission in its Tariff Order dated 23.08.2010 for FY 2010-11 and actuals furnished by MePDCL and now approved by the Commission in truing up for FY 2010-11 are furnished in the Table below:

Table 5.16: Depreciation in truing up for FY 2010-11

Particulars	(Rs. Crore)		
	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
Depreciation	17.08	27.02	25.0

5.12.2 Commission's Analysis

The Commission in its Tariff Order dated 23.08.2010 had approved for Depreciation of Rs.17.08 crore for FY 2010-11 based on depreciation rates notified by CERC (Terms and conditions of Tariff) Regulations, 2004. CERC has revised the said regulations w.e.f 1.4.2009 in CERC (Terms and conditions of Tariff) Regulations, 2009 in which the rates of depreciation were also revised. Now the MePDCL has stated that the depreciation is calculated as per revised rates which are in order as the effective date of operation of the revised CERC Regulations is prior for FY 2010-11. As per the annual accounts of FY 2010-11 the depreciation accounted is Rs.27.02 crore. However the Commission allows Rs. 25.0 crores as the depreciation charges after considering the observations mentioned in the Audit Report.

Accordingly, the Commission allows Rs.25.0 crores towards depreciation based on the annual accounts in truing up for FY 2010-11.

5.13 Interest and Finance charges

5.13.1 Interest and Finance charges approved by the Commission in its Tariff Order dated 23.08.2010 for FY 2010-11 and actuals furnished by MePDCL and now approved by the Commission in truing up are furnished in Table below:

Table 5.17: Interest and Finance Charges in truing up for FY 2010-11

Particulars	(Rs. Crore)		
	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
Interest and Finance Charges	84.30	100.13	91.90

5.13.2 Commission's Analysis

As verified from the annual accounts for FY 2010-11, out of the Interest and finance Charges of Rs. 100.75 Crore, Rs. 1.07 crore relating to penal interest in respect of capital liabilities and Rs. 3.60 crore relating to other charges for which details are not furnished. Payment of penal interest is due to late payment of loan amount which should not be passed on to the consumers. Further, the interest includes (i) interest on State Government Loans - Rs.0.62 crore, (ii) Interest on OECF Loans – Rs.1.56 crore and (iii) Interest on JBIC Loan – Rs.0.25 crore totaling to Rs.2.43 crore. The Petitioner has not furnished the details of payments made against the said loans during FY 2010-11. Hence, the Commission has disallowed Rs.2.43 crores being the interest on the said loans in true up for FY 2010-11. In addition to above the Commission further disallows Rs. 1.75 crores interest on account of observations reflected in the Audit Report. Thus the total amount disallowed is Rs.8.85 crores (Rs.4.67 crores + Rs.2.43 crores +1.75 crores).

So the net interest and finance charges are Rs. 91.9 Crores (100.75-8.85)

The Commission accordingly approves Interest and Finance charges at Rs. 91.9 Crores in truing up for FY 2010-11.

5.14 Other debits (Including provision for bad debts)

The MePDCL has furnished other debits (including provision for bad debts) at Rs. 41.19 crore for FY 2010-11.

5.14.1 Commission's Analysis

To a query the MePDCL in their letter no MePDCL DD/T4444/Pt-11/2014-15/32 dated 24.11.2014 has furnished the details of other debits as follows:

Table 5.18: Other debits for FY 2010-11 furnished by MePDCL

Sl.No.	Particulars	Amount (Rs.crore)
1	Computation of loss due to foreign exchange rate variation	37.43
2	Provision for bad debts written off	2.53
3	In fructuous capital expenses written off	1.20
4	Compensation relating to injuries and death etc	0.26
5	Total	41.42

In view of the non consideration of OECF/JBIC loans, the foreign exchange rate variation of Rs. 37.43 crore is not considered and the balance amount of Rs. 3.99 crores allowed.

The Commission accordingly approves other debits of Rs. 3.99 crores for FY 2010-11 after true up.

5.15 Prior Period Expenses

The MePDCL has furnished prior period income and expenditure as detailed in Table below:

Table 5.19: Prior Period Income and Expenditure for FY 2010-11

(Rs. Crore)

Sl.No.	Particulars	FY 2010-11
A	Income relating to previous year	
1	From consumers	0.06
2	Excess provision	0.28
3	Other income	0.24
	Sub-Total	0.58
B	Expenditure relating to previous year	
4	Power Purchase	1.28
5	Employee costs	2.91
6	Depreciation	0.13

7	Interest & Finance charges	6.39
8	A&G Expenses	0.0007
9	Other expenses	2.60
	Sub-Total	13.31
10	Net Expenses	12.73

To a query the MePDCL has furnished details in respect of prior period and other expenses. The Commission after considering the details allowed prior period charges at Rs. 3.61 crores for FY 2010-11.

The Commission approves prior period expenses at Rs. 3.61 crores for FY 2010-11 for True up.

5.16 Expenses capitalized

A summary of the expenses capitalized approved by the Commission in its Tariff Order dated 23.08.2010 for FY 2010-11 and actuals furnished by the MePDCL in its Petition and now approved by the Commission are furnished in Table below:

Table 5.20: Expenses capitalized for FY 2010-11

Sl. No.	Particulars	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
1	Interest & Finance charges capitalized	66.21	71.11	71.11
2	Employee cost capitalized	10.24	9.49	9.49
3	A&G Expenses capitalised	-	2.52	2.52
4	Total Expenses capitalized	76.45	83.12	83.12

5.17 Income Tax

A summary of the Income Tax approved by the Commission in its Tariff Order dated 23.08.2010 for FY 2010-11 and actuals furnished by the MePDCL as per annual accounts and now approved by the Commission are furnished in Table below:

Table 5.21: Income Tax for FY 2010-11**(Rs. Crore)**

Sl.No.	Particulars	Approved by Commission in Tariff Order for FY 2010-11	Actuals furnished in the Petition	Now approved by the Commission
1	Income Tax	4.94	-	-

5.18 Return on Equity

The Commission in its Tariff Order dated 23.08.2010 had approved RoE at Rs. 28.28 crore at 14% on equity of Rs. 202 crores.

The MePDCL in its Petition has claimed Rs. 126.49 crores at 14% on equity of Rs. 903.53 crore as per audited accounts.

Commission's Analysis

To a query the MePDCL in its letter no MePDCL/DD/2014-15/T444/Pt-11/35 dated 24.11.2014 has furnished opening balance sheet of the Meghalaya Power Sector Reforms Transfer Scheme, 2010 (3rd amendment) notified by government of Meghalaya in its notification no Power 79/2009 dated 23.12.2013. While deciding on the return on the equity, the Commission has taken into account the size of completed assets and assets which does not carry any liability of repayment. As considered in the Commission's order dated 23.8.10, the Commission is allowing Rs.28.28 crores as the return on equity to be passed through in the truing up of FY 2010-11.

Accordingly, the Commission has considered Return on Equity at Rs. 28.28 crores in true up for FY 2010-11.

5.19 Non-Tariff Income (Other Income)

5.19.1 The MePDCL has furnished other income at Rs. 53.60 crore for FY 2010-11 as against Rs. 24.94 crore approved by the Commission in its ARR for FY 2010-11 dated 23.08.2010. the MePDCL has submitted that as per Hon'ble Supreme Court's Order dated 28.08.2012 bills of industrial (H.T & E.H.T) consumers were revised from October, 2008 onwards, which has load to change is delayed payment surcharge. As per the direction

of the Hon'ble Commission transaction audit was conducted by statutory auditor for the revised bills and as per the statutory auditor certificate the delayed payment surcharge has been reduced by Rs. 26.45 crore, from 80.05 crore to Rs. 53.60 crore and hence requested to approve other income of Rs. 53.60 crore for FY 2010-11.

5.19.2 Commission's Analysis

Non Tariff Income comprises of

- (a) Delayed payment surcharge
- (b) Meter rent
- (c) Customer charges
- (d) Income from investments
- (e) Misc. receipts from consumers
- (f) Trading Income
- (g) Prior period income
- (h) Interest on staff loans and advances
- (i) Recovery of theft and pilferage of energy
- (j) Any other income

Thus Non Tariff Income as per audited annual accounts for FY 2010-11 are as detailed in Table below:

Table 5.23: Non-Tariff Income as per audited accounts for FY 2010-11

Sl. No.	Particulars	Amount
1	Other Income	80.05
2	Meter Rent	1.47
3	Recovery for theft of power and malpractice	0.01
4	Wheeling charges recoveries	1.86
5	ISC charges from consumers	3.23
6	Total	86.62

The other income includes delayed payment surcharges of Rs. 70.06 crore. Since the revision of bills based on Supreme Court's Order dated 28.08.2012 took place during FY

2012-13, the adjustments due to revision of bills will be considered while truing up of ARR for FY 2012-13. As such Non Tariff Income for FY 2010-11 is considered at Rs. 86.62 crore.

The Commission accordingly approves Non-Tariff Income for FY 2010-11 at Rs. 86.62 crore on true up.

5.20 Revenue from Sale of Power

5.20.1 The MePDCL has furnished revenue from sale of power at Rs. 380.90 crore for FY 2010-11 as per actual as against Rs. 420.22 crore considered in Tariff Order dated 23.08.2010 for FY 2010-11.

5.20.2 Commission's Analysis

The Commission has considered the total revenue for FY 2010-11 from the audited accounts. The actual revenue from sale of power as per audited accounts is Rs. 374.32 crore including revenue from UI sales of Rs. 14.51 crore.

The MePDCL has shown meter rent of Rs. 1.47 crore and recoveries from theft of power and malpractices at Rs. 0.01 crore under revenue from sale of power which comes under Non-Tariff Income. Hence the same are considered under Non-Tariff Income.

The Commission accordingly approves revenue from sale of power at Rs. 374.32 crores including revenue from UI sales of Rs. 14.51 crores as per audited accounts for FY 2010-11 on true up.

5.21 R.E. Subsidy

5.21.1 The MePDCL has furnished revenue subsidy at Rs. 12.63 crores for FY 2010-11 as against Rs. 14.00 crores considered in Tariff Order dated 23.08.2010 for FY 2010-11.

5.21.2 Commission's Analysis

The Commission has verified audited annual accounts for FY 2010-11. The actual revenue subsidy is Rs. 12.32 crores, subsidy towards loss on account of flood Rs. 0.31 crores, totaling to Rs. 12.63 crores and amortization of grant is Rs. 5.29 crores.

The Commission accordingly approves revenue subsidy at Rs. 12.32 crores subsidy towards loss on account of flood is Rs. 0.31 crores totaling to Rs. 12.63 crores and amortization of grant at Rs. 5.29 crores for FY 2010-11 for true up.

5.22 Financial loss due to AT&C loss

5.22.1 Revenue billed and Revenue realized during FY 2010-11 for the purpose of computation of AT&C loss for FY 2010-11 as per audited records is as detailed in the table below:

Revenue billed

Particulars	Amount (Rs. Crore)
Total Revenue from sale of power as per accounts	374.32
Less: UI Sales	14.51
Revenue billed	359.81

Revenue collected

Particulars	Amount (Rs. Crore)
Opening balance of Receivables	129.07
Add: Revenue billed in 2010-11	359.81
sub-total	488.88
Less: Closing balance of Receivables	183.46
Revenue Realized	305.42
Add: RE Subsidy	12.32
Revenue realized considered for AT&C loss Computations	317.74

5.22.2 The computation of AT&C loss in FY 2010-11 works out to 41.19 % as shown in the Table below:

Table 5.24: Computation of AT&C loss in FY 2010-11

Sl. No.	Particulars	Calculation	Unit	Actuals furnished by MePDCL	Now approved by the Commission
1	Generation (own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	507.50	507.50
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	967.29	1091.45
3	Input energy (metered export) by the DISCOM at interface point of DISCOM network	C	MU	0	121.13
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	$D=A+B-C$	MU	1474.79	1477.82
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	984.17	984.18
6	Energy billed to un-metered consumers within the licensed area of the DISCOM	F	MU	0	0
7	Total Energy billed	$G=E+F$	MU	984.17	984.18
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs. Crore	366.39	359.81
9	Amount realized by the DISCOM out of the amount billed at H#	I	Rs. Crore	386.78	317.74
10	Collection efficiency (%) (=Revenue realized /Amount billed)	$J=(I/H) \times 100$	%	105.57%	88.31%
11	Energy realized by the DISCOM	$K=J \times G$	MU	1038.94	869.12
12	Distribution loss (%)	$L=\{(D-G)/D\}$	%	33.27%	33.40%
13	AT&C Loss (%)	$M=\{(D-K)/D\} \times 100$	%	29.55%	41.19%

Accordingly AT&C loss as per audited accounts works out to 41.19% as against 38.64% approved in Commission's Order dated 30.09.2014. The penalty for failure to cause

minimum reduction in AT&C loss in FY 2010-11 works out to Rs. 19.99 crore as shown in Table below:

Table 5.25: Truing up financial loss for failure to achieve a minimum of 3% reduction in AT&C loss during FY 2010-11

Sl. No.	Particulars	Unit	FY 2010-11
1	Maximum permissible AT&C loss for MePDCL during FY 2009-10	%	38.64%
2	Mandatory minimum reduction of AT&C loss	%	3.00%
3	Maximum permissible AT&C loss for MePDCL during FY 2010-11	%	35.64%
4	Actual AT&C loss in FY 2010-11	%	41.19%
5	Short fall in minimum reduction	%	5.55%
6	Energy sale in FY 2010-11	MU	984.18
7	Average rate for sale of power in FY 2010-11 (359.81/984.18)	Rs./kWh	3.66
8	Short fall in amount of energy 5.55% of 984.18MU	MU	54.62
9	Penalty for not reducing the loss by 5.55% at Rs.3.66/kWh	Rs. Crore	19.99

Therefore the Commission now fixes the penalty for failure to achieve the minimum required reduction of AT&C loss in FY 2010-11 at Rs. 19.99 crore.

The trued up ARR for FY 2010-11 therefore works out to Rs. 411.31 crores as against Rs. 419.20 crores determined in the order dated 23.08.2010.

After working out the net revenue as per the audited records the deficit in the year 2010-11 is Rs. 36.99 crore as against surplus of Rs.1.02 crore determined in Commission's Order dated 23.08.2010.

The computation of ARR is as mentioned below:

5.23 ARR approved in truing up for FY 2010-11

The Aggregate Revenue Requirement (ARR) approved in Tariff Order dated 23.08.2010 for FY 2010-11 and the actual submitted by the MePDCL in truing up and now approved by the Commission in truing up are furnished in Table below:

Table 5.26: ARR approved in Truing up for FY 2010-11

(Rs. Crore)

Sl. No.	Particulars	FY 2010-11		
		Approved by MSERC	MePDCL (Actual)	Now approved by the Commission
1	Power Purchase Cost Including Transmission Charges	238.77	303.88	301.48
2	Repair & Maintenance Expenses	19.51	22.79	22.79
3	Employee Expenses	122.13	156.3	130.16
4	Administration & General Expenses	9.58	11.75	11.75
5	Depreciation	17.08	27.02	25.0
6	Interest & Finance Charges	84.3	100.13	91.9
7	Other Debts (Including Provisions for Bad Debts)	10	41.19	3.99
8	Income tax	4.94	-	-
9	Prior Period Charges/(Credits)	-	12.73	3.61
10	Revenue Expenditure	506.31	675.78	590.68
11	Less: Expenses Capitalised			-
12	Interest & Finance Charges Capitalised	66.21	71.11	71.11
13	Employee Expenses Capitalised	10.24	9.49	9.49
14	Administration & General Expenses Capitalised	-	2.52	2.52
15	Net Revenue Expenditure	429.86	592.66	507.56
16	Return on Equity Capital	28.28	126.49	28.28
17	Aggregate Revenue Requirement	458.14	719.16	535.84
18	Less: Non-Tariff Income			
19	Other Income	24.94	53.6	86.62
20	R.E Subsidy	14	12.63	12.63
21	Others (Amortization)	-	5.29	5.29
22	Financial loss for 3% reduction in AT&C loss			19.99
23	Net Aggregate Revenue Requirement	419.2	647.64	411.31
24	Revenue from Sale of Power (incl. UI)	420.22	380.9	374.32
25	Net Surplus/(Deficit)	1.02	(266.74)	(36.99)

The true up for FY 2010-11 is accordingly decided as discussed in the foregoing paragraphs of this order and the true up application of the licensee is disposed of in the light thereof.

It may be mentioned that in the process for deciding the present FY 2010-11 true up, Commission had given opportunity to the consumers, including BIA and other stakeholders to be heard. Their responses, verbal or written, and also the rejoined by BIA were considered during the exercise.

(ANAND KUMAR)
CHAIRMAN, MSERC