



## **MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION SHILLONG**

Front Block Left Wing, 1<sup>st</sup> Floor, New Administrative Building,  
Lower, Lachumiere, Shillong, Meghalaya 793001

**Order on Case No. 30 of 2023**

**Petition of the Meghalaya Power Generation Corporation Ltd for approval of Aggregate Revenue Requirement for FY 2024-25 To FY 2026-27 & Generation Tariff for FY 2024-25**

**Coram**

**Shri. Chandan Kumar Mondol, Chairman**

**Shri. Ramesh Kumar Soni, Member (Law)**

**Petitioner:**

**Meghalaya Power Generation Corporation Ltd. (MePGCL)**

Lum Jingshai, Short Round Road,  
Shillong – 793 001

**Order**

**(Dated: 24<sup>th</sup> October 2024)**

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 01.04.2013.

This Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePGCL, suggestions/objections received from the

stakeholders upon public consultation process, and upon considering all other relevant material herein, has already issued Order for the true-up of Generation Business for FY 2021-22 dated 13.11.2023.

This Commission in exercise of its functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments had approved Aggregate Revenue Requirement (ARR) & Generation Tariff for FY 2022-23 vide Tariff Order dated 25.03.2022.

Further in accordance with the applicable regulatory provisions set out vide regulation 14 of the MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments specifies the following:

*“The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations.”*

The Petitioner herein being MePGCL, has filed a Petition for Truing up of Generation Business for FY 2022-23 & Aggregate Revenue Requirement for FY 2024-25 to FY 2026-27 and the Generation Tariff for FY 2024-25 on 30.11.2023.

The Commission dated 01.12.2023 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions were registered as under:

- MSERC Case No. 30/2023: MYT for Fourth Control Period FY 2024-25 to FY 2026-27 for MePGCL and Determination of Tariff for the FY 2024-25 of MePGCL.
- MSERC Case No. 34/2023: Truing up of Generation Business for the FY 2022-23.

This Commission taking into consideration of all the facts and additional information/data and prudence check as per the Regulations with reference to the audited annual accounts, after hearing the Petitioner and Stakeholders, approves Aggregate Revenue Requirement for FY 2024-25 to FY 2026-27 and Generation Tariff for FY 2024-25 in the detailed analysis annexed to this order.

This Order shall be effective from 1<sup>st</sup> April 2024 and until further orders.

Sd/-

**Ramesh Kumar Soni,  
Member (Law)**

Sd/-

**Chandan Kumar Mondol,  
Chairman**

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## **1. Background and Brief History**

### **1.1. Introduction**

- 1.1.1. The power generation in the state of Meghalaya is carried out by Meghalaya Power Generation Corporation Limited (MePGCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL).
- 1.1.2. The Power Supply Industry in the state of Meghalaya has been under the governance of erstwhile Meghalaya State Electricity board (MeSEB) since 21<sup>st</sup> January 1975. The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1<sup>st</sup> April 2012, the un-bundling of MeECL into MePDCL, MePGCL and MePTCL came into effect.
- 1.1.3. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) (*hereinafter referred to as "the Petitioner"*) has started functioning as a segregated commercial operation as a dedicated entity responsible for power generation in Meghalaya, effective from 1<sup>st</sup> April 2013.
- 1.1.1. The MSERC (*herein referred as "Commission"*) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (ERC) Act, 1998, which was superseded by 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.

### **1.2. Facts about this Case**

- 1.2.1. The petitioner, in compliance with the prevailing regulatory norms under Regulation 6.3 and 9 of the MSERC (Multi Year Tariff) Regulations, 2014, and subsequent amendments, the Petitioner has filed a Petition for MYT 2024-25 to 2026-27 and Generation Tariff 2024-25.
- 1.2.2. The Commission vide its letter dated 01.12.2023 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.
- 1.2.3. Subsequently on 08.12.2023 and 11.12.2023 abstract of the Petition were published in The Shillong Times- Shillong Edition, U Nongsain Hima and Salantini Janera, inviting objections/suggestions from stakeholders within 30(thirty) days from the date of publication.
- 1.2.4. This Commission on 22.02.2024 and 23.02.2024 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition, Nongsain Hima and Salantini Janera.

- 1.2.5. On 18.03.2024, in compliance of the due regulatory procedures public hearing of the submitted Petition for MYT 2024-25 to 2026-27 and Generation Tariff 2024-25 dated 30.11.2023 was conducted including the Petitioner and the stakeholders.
- 1.2.6. This Commission had received objections/suggestions from stakeholders i.e., BIA and JHMCA during the process of evaluating the submitted application for ARR of Generation Business for FY 2024-25 to FY 2026-27 dated 30.11.2023. The Petitioner has accordingly submitted its replies / responses to the issues raised by the stakeholders during the process which has been noted by this Commission.
- 1.2.7. Subsequently, due to the pronouncement of model code of conduct on account of the Lok Sabha Elections, issuance of Orders of the subject matter was upheld. The Commission dated 06.06.2024 issued the Order for ARR of Generation Business for FY 2024-25 to FY 2026-27.
- 1.2.8. Subsequently, on 01.08.2024 in pursuant to the Order dated 23.07.2024 of the Hon'ble High Court of Meghalaya in WP(C) 216 of 2024, this Commission admitted the application for rehearing of the Petitioner and notice for rehearing of the Petition for MYT of Generation Business for FY 2024-25 to FY 2026-27 and Generation Tariff 2024-25 were issued.
- 1.2.9. On 23.08.2024, the Commission had recalled its earlier order for MYT FY 2024-25 to FY 2026-27 and Generation Tariff for FY 2024-25.
- 1.2.10. On 03.09.2024, this Commission again issued publication of notice for rehearing of the application for MYT FY 2024-25 to FY 2026-27 and Generation Tariff for FY 2024-25.
- 1.2.11. On 03.10.2024, due consultative process was followed through public hearing of the submitted Petition for MYT of Generation Business for FY 2024-25 to FY 2026-27 and Generation Tariff for FY 2024-25 and the Petitioner and the stakeholders were directed for submission of their objections / suggestions.
- 1.2.12. This Commission has accordingly noted all replies / responses received within due date of 09.10.2024 from the Petitioner and the Stakeholders raised during the public consultation process. The Commission's analysis and ruling thereon are elaborated in the following sections.
- 1.2.13. Further, the apportionment of MeECL expenses shall be regulated as per the Commission's previous notifications and directives subject to prudence check.

## 2. Suggestions/Objections Received, Response of MePGCL and Commissions Views

### 2.1. General

- 2.1.1. Section 64 (2) of Electricity Act 2003 read with Regulation 18 of MSERC MYT Regulations 2014 mandates the Generation licensee to publish the Tariff petition in an abridged format in the leading newspapers inviting the objections/suggestions on the Tariff petition from the stakeholders.

In pursuance of the publication of the Tariff petition in the leading newspapers, M/s Byrnihat Industries Association (BIA) and Jaintia Hills Cement Manufactures Association (JHCMA) has filed written objections/suggestions on the petition filed by the MePGCL seeking approval of ARR for MYT control period FY 2024-25 to FY 2026-27 and Determination of Generation Tariff for FY 2024-25.

### 2.2. Objections / Suggestions of Stakeholders

#### 1. Byrnihat Industries Association (BIA)

##### Capex and Capitalization for the Fourth Control period

- 2.2.1. Commission vide order dated 16.11.2023 in Case No.20/2023 has approved the business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27 (hereinafter "Business Plan Order").

The Petitioner has outlined the following capitalization plan for each generation plant for fourth control period in the Petition.

**Table 1: Capitalisation plan for fourth control period**

						(Rs. Cr.)
Sl. No.	Financial Year	Lakroh	MLHEP	NUHEP	Bal. Project	Total
1	2024-25	0.6	1.00	0.00	0.00	1.60
2	2025-26	1.14	44.50	0.50	0.00	46.14
3	2026-27	0.00	76.38	0.14	1070.10	1146.62
4	<b>Grand Total</b>	<b>1.74</b>	<b>121.88</b>	<b>0.64</b>	<b>1070.1</b>	<b>1194.36</b>

- 2.2.2. It is submitted that as per the Business Plan Order, Commission has approved the capitalization as per Table 3.21 of the Order, which is reproduced below:

*"3.14 Fund Requirement & capitalization for the Control Period*

**Table 2 : Expected Capitalization in the Control Period**

						(Rs. Cr.)
Sl. No.	Category	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
1	Existing Plants	596.11	1.6	46.14	1191.71	1835.56
2	Upcoming	0	0	39.97	1469.93	1509.90

						(Rs. Cr.)
Sl. No.	Category	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
	Generation Plants/ S&I					
3	Survey Investigation	2.13	0	0	39.28	41.41
4	<b>Total Capitalization n (Generation)</b>	<b>598.24</b>	<b>1.6</b>	<b>86.11</b>	<b>2700.92</b>	<b>3386.87</b>

*\*Ganol Project has been commissioned in FY 2023-24 and the capital cost of the plant would be capitalized in FY 2023-24.*

2.2.3. It is submitted that the capitalization claimed by the Petitioner for FY 2026-27 is not in line with the approved capitalization in the Business Plan Order for the existing plants and the same is outlined in the following table:

**Table 3: Capitalisation approved and submitted for Fourth Control Period**

				(Rs. Cr.)
Financial Year	As per MePGCL	Approved	Variation	
2024-25	1.60	1.60	-	
2025-26	46.14	46.14	-	
2026-27	1146.62	1191.71	-45.09	
<b>Grand Total</b>	<b>1194.36</b>	<b>1239.45</b>	<b>-45.09</b>	

2.2.1. In view of the above, it is submitted that the Capitalization for FY 2026-27 has been understated by Rs. 45.09 Crore without any justification provided by the Petitioner in the petition. Therefore, the Objector requests the Commission may disallow the additional amount of Rs.45.09 Cr. as claimed by the Petitioner for FY 2026-27 during finalization of MYT for the period of FY 2024-25 to FY 2026-27.

2.2.2. It is pertinent to note that in Table 3.20 of the Business Plan Order, the CAPEX proposed and approved for the Fourth Control Period was Rs. 1240.44 Crore whereas in the Petition, the Petitioner has claimed the fund requirement of Rs. 1239.36 Crore for existing plants, resulting in understatement of CAPEX by Rs. 1.08 Crores. Table 3.20 of the Business Plan Order is reproduced below:

**Table 4: Fund Requirement for MePGCL Works**

						(Rs. Cr.)
Category	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Existing Plants	140.27	346.315	306.13	447.73	0	1240.44
On-Going/Upcoming Generation Plants	13.73	402.212	526.80	524.264	112.56	1579.56
Survey & Investigation	8.24	12.03	12.43	7.43	1.27	41.40
<b>Total Fund Requirement (Generation)</b>	<b>162.24</b>	<b>760.557</b>	<b>845.36</b>	<b>979.428</b>	<b>113.83</b>	<b>2861.41</b>

### **MePGCL Reply**

- 2.2.3. BIA has alleged that the capitalization claimed by the Petitioner for FY 2026-27 in the Petition is not in line with the approved capitalization in the Business Plan Order dated 16.11.2023 passed in Petition No.20/2023 for the existing plants. BIA has further alleged that the Capitalization for FY 2026- 27 has been understated by Rs. 45.09 Crores without any justification provided by the Petitioner in the Petition and that Commission may disallow the additional amount of Rs. 45.09 Crores.
- 2.2.4. The above allegations of BIA are baseless and devoid of merits. BIA has made the above allegations without having undertaken the proper analysis of the business plan. It is submitted that the Petitioner has claimed an amount of Rs.45 Crores towards Ganol Project, however, it was clearly stated in the business plan Petition that Commission may grant only an in-principle approval. In this regard, the following extract from Business Plan Order dated 16.11.2023 passed by Commission, inter-alia, reads as under:
- 3.Business Plan of MePGCL for the Control Period FY 2024-25 to FY 2026-27*
- 3.15. Summary of Capital Expenditure (CAPEX)*
- MePGCL would like to submit that though the Ganol project has been commissioned in FY 2023-24 and the entire project cost is expected to be capitalized in 2023-24. However, since the plant is still under stabilization phase and there might be some unforeseen expenses, balance works etc. Keeping this in view MePGCL has kept a provision of Rs. 45 Crs in the fourth control period i.e., FY 2024-25 to FY 2026-27. MePGCL requests Commission to grant in principle approval for the same. MePGCL would approach the Commission along with all the relevant details as when it incurs expenditure against the in-principle approval granted.*
- 2.2.5. Since the Ganol Project is not a part of the present Petition hence the amount of Rs.45 Crores has not been included in the instant Petition.
- 2.2.6. BIA has further alleged that in the Business Plan Order, the Capital Expenditure proposed and approved for the Fourth Control Period was Rs. 1240.44 Crores whereas in the present Petition the Petitioner has claimed the fund requirement of Rs. 1239.36 Crores for existing plants, resulting in understatement of Capital Expenditure by Rs.1.08 Crores.
- 2.2.7. In regard to the above, it is submitted that the total capital expenditure approved by the Commission in the Business Plan Order dated 16.11.2023 is Rs.1239.36 Crores. {Ref: Table 3.22and Annexure-I to the said order- In annexure I, please see internal page 79 of the Order- heading 'Total Capital Expenditure approved by MSERC/Govt/DPR/FI'}. Hence, the contention of BIA is baseless.

2.2.8. Regulation 11 of the MSERC (Multi Year Tariff) Regulations, 2014, and subsequent amendments, the Petitioner has filed an application for the True-up of FY 2022-23 vide petition dated 30.11.2023.

**Commission's View**

2.2.9. Commission noted the Response of the Utility.

**2.1. ARR for the Fourth Control Period FY 2024-25 To FY 2026-27 and Determination of Generation Tariff for FY 2024-25**

**a) Gross Fixed Assets (GFA)**

2.1.1. [Para (18-26)] It is humbly submitted that the GFA balances considered by the Petitioner for certain plants is not in line with the balances as approved by the Commission in the True up Order for FY 2021-22 in Case No. 4/2003 dated 13.11.2023 and after incorporating the capitalization for FY 2022-23. For the sake of convenience, the closing balance of FY 2022-23 and opening balance considered for FY 2023-24 considered by the Petitioner are depicted below:

**Table 5: Opening Balance of GFA of MePGCL as a whole for FY 2023-24 (Rs. Crore)**

Name of the Station	Cl. GFA for FY 2022-23	Op. GFA for FY 2023-24 as per MePGCL	Variation
MePGCL as a whole	1,944.86	2,351.07	-406.21
MLHEP	1,285.71	1,285.50	0.21
NUHEP	586.03	605.40	-19.37
LHEP	22.68	26.47	-3.79
MePGCL OLD PROJECTS INCLUDING SONAPANI	50.44	433.7	-383.26

2.1.2. As can be seen from the above table, the total variation in Closing GFA for FY 2022-23 and Opening GFA for FY 2023-24 considered by the Petitioner is overstated by Rs. 406.21 Crore. Due to Non availability of Audited Annual Accounts for FY 2023-24, any addition of GFA could not be justified. Therefore, the Commission may disallow the impact of such additional GFA during finalization of MYT.

2.1.3. In view of the above, the closing GFA for the FY 2022-23 must be considered as the opening GFA for the FY 2023-24. The Objector hereby proposes the following GFA for the fourth control period and request the Commission to consider the same.

**Table 6: GFA for fourth Control Period (Rs. Crore)**

GFA	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			

	MLHEP				MLHEP			
Opening GFA	1,285.50	1,285.50	1,286.50	1,331.00	1,285.71	1,285.71	1,286.71	1,331.21
Addition	-	1.00	44.50	76.38	-	1.00	44.50	76.38
Closing GFA	1,285.50	1,286.50	1,331.00	1,407.38	1,285.71	1,286.71	1,331.21	1,407.59
	NUHEP				NUHEP			
Opening GFA	605.40	605.40	605.40	605.90	586.03	586.03	586.03	586.53
Addition	-	-	0.50	0.14	-	-	0.50	0.14
Closing GFA	605.40	605.40	605.90	606.04	586.03	586.03	586.53	586.67
	LHEP				LHEP			
Opening GFA	26.47	26.47	27.07	28.21	22.68	22.68	23.28	24.42
Addition	-	0.60	1.14	-	-	0.60	1.14	-
Closing GFA	26.47	27.07	28.21	28.21	22.68	23.28	24.42	24.42
	Old Plants				Old Plants			
Opening GFA	433.70	433.70	433.70	433.70	50.44	50.44	50.44	50.44
Addition	-	-	-	1,070.10	-	-	-	1,115.19
Closing GFA	433.70	433.70	433.70	1,503.80	50.44	50.44	50.44	1,165.63
	Total MePGCL				Total MePGCL			
Opening GFA	2,351.07	2,351.07	2,352.67	2,398.81	1,944.86	1,944.86	1,946.46	1,992.60
Addition	-	1.60	46.14	1,146.62	-	1.60	46.14	1,191.71
Closing GFA	2,351.07	2,352.67	2,398.81	3,545.43	1,944.86	1,946.46	1,992.60	3,184.31

- 2.1.4. Further, the funding pattern was submitted by the Petitioner in Case No. 20/2023 whereby the Commission has accorded in-principal approval subject to sanction of working estimates by the competent authority and admissible with filing of references as notified during the control period FY 2024-25 to FY 2026-27.
- 2.1.5. However, it is observed that the funding pattern has been prepared on the consolidated basis for cumulative CAPEX of fourth control period with no bifurcation of debt: equity: grant requirement on yearly basis. Due to this, the Petitioner in its current petition, has submitted that the grant of Rs. 601.65 Crore for the work to be carried out in existing generating station will be available only in the last year of the fourth control period.
- 2.1.6. According to the standard practice followed by other states across India, each CAPEX programme is followed by Grant and Loan (Debt-Equity) combination with proper supporting documents. Assumption of such funding pattern of the Petitioner without any justification will result in additional burden of interest cost and Return on Equity on the end consumers.
- 2.1.7. Hence it is proposed to allocate the Grant of Rs. 601.65 Crore in the fourth control period based on the expected capitalization of the said station. The Objector hereby propose the following funding pattern for capitalization to be carried out by the Petitioner in the Fourth Control Period.

**Table 7: Proposed funding patter of Capitalisation for Fourth Control Period**

(Rs. Crore)

Funding Pattern	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27

	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Loan	-	0.70	31.15	15.65	-	0.70	12.24	34.56
Equity	-	0.30	13.35	6.71	-	0.30	5.25	14.81
Grant				54.02			27.01	27.01
Total	-	1.00	44.50	76.38	-	1.00	44.50	76.38
	NUHEP				NUHEP			
Loan		-	0.35	0.10	-	-	0.35	0.10
Equity		-	0.15	0.04	-	-	0.15	0.04
Grant								
Total	-	-	0.50	0.14	-	-	0.50	0.14
	LHEP				LHEP			
Loan		0.42	0.80	-	-	0.42	0.80	-
Equity		0.18	0.34	-	-	0.18	0.34	-
Grant								
Total	-	0.60	1.14	-	-	0.60	1.14	-
	Old Plants				Old Plants			
Loan		-	-	365.73	-	-	-	397.29
Equity		-	-	156.74	-	-	-	170.27
Grant				547.63				547.63
Total	-	-	-	1,070.10	-	-	-	1,115.19
	Total MePGCL				Total MePGCL			
Loan	-	1.12	32.30	381.48	-	1.12	13.39	431.95
Equity	-	0.48	13.84	163.49	-	0.48	5.74	185.12
Grant	-	-	-	601.65	-	-	27.01	574.64
<b>Total</b>	<b>-</b>	<b>1.60</b>	<b>46.14</b>	<b>1,146.62</b>	<b>-</b>	<b>1.60</b>	<b>46.14</b>	<b>1,191.71</b>

2.1.8. It is submitted that, in line with the approach adopted by this Commission in the True up of FY 2021-22 in Order dated 13.11.2023, the Objector has evaluated the grant component for FY 2022-23, amounting to Rs. 180.30 Crore for MLHEP, Rs. 25.43 Crore for Old plants (incl. Sonapani), Rs. 4.95 Crore for Lakroh MHP and no Grants for NUHEP (based on Govt. Notification on Equity infusion).

2.1.9. In view of the above and the proposed grant allocation in the fourth control period, the Objector hereby proposes the Movement of Grants for FY 2023-24 to FY 2026- 27, as outlined in the table below:

**Table 8: Proposed Movement of Grant for fourth Control period**

	(Rs. Crore)							
Grant	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Opening Grant	-	-	-	-	180.30	180.30	180.30	207.31
Addition	-	-	-	54.02	-	-	27.01	27.01
Closing Grant	-	-	-	54.02	180.30	180.30	207.31	234.32
	NUHEP				NUHEP			
Opening Grant	-	-	-	-	-	-	-	-
Addition	-	-	-	-	-	-	-	-
Closing Grant	-	-	-	-	-	-	-	-
	LHEP				LHEP			
Opening Grant	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95



Addition	-	-	-	-	-	-	-	-
Closing Grant	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
	<b>Old Plants</b>				<b>Old Plants</b>			
Opening Grant	135.06	135.06	135.06	135.06	25.43	25.43	25.43	25.43
Addition	-	-	-	547.63	-	-	-	547.63
Closing Grant	135.06	135.06	135.06	682.69	25.43	25.43	25.43	573.06
	<b>Total MePGCL</b>				<b>Total MePGCL</b>			
Opening Grant	140.01	140.01	140.01	140.01	210.67	210.67	210.67	237.68
Addition	-	-	-	601.65	-	-	27.01	574.64
<b>Closing Grant</b>	<b>140.01</b>	<b>140.01</b>	<b>140.01</b>	<b>741.66</b>	<b>210.67</b>	<b>210.67</b>	<b>237.68</b>	<b>812.32</b>

2.1.10. It is submitted that the Commission may consider the proposed Funding Pattern during finalization of MYT for FY 2024-25 to FY 2026-27, as mentioned above.

### **MePGCL Reply**

2.1.11. BIA has alleged that the GFA balances considered by the Petitioner for certain plants is not in line with the balances as approved by the Commission in the True up Order dated 13.11.2023 passed in Case No.4/2003 for FY 2021-22 and after incorporating the capitalization for FY 2022-23.

2.1.12. With regards to the above, it is submitted that detailed explanation has been provided in the Petition regarding the opening balances considered in the FY 2024-25. The Petitioner has considered the GFA balances as per the Fixed Asset Register submitted to the Commission.

2.1.13. BIA has further alleged that due to non-availability of Audited Annual Accounts for FY 2023-24, any addition of GFA could not be justified and that the Commission may disallow the impact of such additional GFA during finalization of MYT.

2.1.14. In regard to the above, it is submitted that the Commission has approved the capitalization of Rs.154.90 Crores in the business plan order for third control period and as of now the Petitioner is within the limit approved by the Commission.

2.1.15. Accordingly, the contention of the BIA is baseless as this would violate the principle of MYT laid down in Tariff Policy 2016 which states that:

*“MYT framework would minimise risks for utilities and consumers, promote efficiency and appropriate reduction of system losses and attract investments. It would also bring greater predictability to consumer tariffs on the whole by restricting tariff adjustments to known indicators of power purchase prices and inflation indices. The framework should be applied for both public and private utilities.”*

### **BIA has further alleged that:**

2.1.16. The funding pattern has been prepared on the consolidated basis for cumulative Capital Expenditure of fourth control period with no bifurcation of

debt: equity: grant requirement on yearly basis and that due to the same, in the present Petition the Petitioner has submitted that grant of Rs. 601.65 Crores for the work to be carried out in existing generating station will be available only in the last year of the fourth control period. According to the standard practice followed by other states across India, each Capital Expenditure programme is followed by Grant and Loan (Debt- Equity) combination with proper supporting documents. Assumption of such funding pattern of the Petitioner without any justification will result in additional burden of interest cost and Return on Equity on the end consumers. Hence it is proposed to allocate the Grant of Rs. 601.65 Crore in the fourth control period based on the expected capitalization of the said station.

- 2.1.17. The above contention of BIA is totally flawed and has been made to misguide the Commission. In the business plan, the Petitioner has clearly specified the funding pattern of each of the scheme under which the capital expenditure has been claimed. Further, expected date of capitalization of each scheme has also been provided in detail in the Business Plan Petition. It is submitted that the grants can be taken into account only once the scheme has been capitalized. Hence, the Petitioner submits that the actual grants should be considered in the funding pattern as submitted in the Petition and not on presumption basis as prayed for by BIA which defies the concept of accounting.

### **Commission's Views**

Commission noted the Response of the Utility.

#### **b) Gross Fixed Assets (GFA)**

- 2.1.18. [Para (27-35)] The Petitioner has claimed Depreciation for all 4 sets of plants as per the depreciation rate specified in the MYT Regulations 2014 and average rate of depreciation for FY 2022-23 has been considered for calculation of depreciation in the entire control period.

- 2.1.19. It is submitted that the methodology adopted by the Petitioner for the computation of the Depreciation is not aligned with the provisions of the MYT Regulations 2014. As per Regulation 33.1 of MYT Regulations 2014, Consumer contribution or capital subsidy/ grant etc. needs to be excluded from the asset value for the purpose of computation of Depreciation as shown below:

“33 Depreciation

*33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:*

- a) The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:*

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*

- b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.*
- c) The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.*
- d) Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time. Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.*
- e) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.*
- f) The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset."*

2.1.20. In view of the above Regulations, the opening GFA should be considered as per the closing GFA approved by this Commission for the FY 2021-22. Furthermore, the Petitioner has not provided for the amortization of assets while computing Depreciation which is strictly against the MYT Regulations, 2014. The Commission in the True up of FY 2021-22 in Order dated 13.11.2023, has clearly stated that the Grants reported against NEC, PDSF and DRIP needs to be appropriated in the MePGCL old projects. The relevant extracts of the True up Order of FY 2021-22 dated 13.11.2023 are reproduced below:

"3.2 ...

*The Status of Govt. Grants and contributions notified in the True up orders for FY 2020-21 vide page no.12 shall be made effective for computation of depreciation for FY 2021-22.*

Particulars	As on 1 <sup>st</sup> April 2020 (Rs. Cr)	Additions during the year (Rs. Cr)	Amortization (Rs. Cr)	Closing Grants as on 31.03.2021 (Rs. Cr)
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<b>Govt Grants (note no 17.1)</b>	<b>189.69</b>	<b>2.24</b>	<b>12.89</b>	<b>179.04</b>
Grants disclosed as Equity share capital	187.64	5.59	12.89	180.34
Grants disclosed as Equity share capital	187.64	57.39	12.89	232.14
Average Grants (Rs.187.64 Cr+Rs.232.14 Cr)/2				209.89

2.1.21. The Grants reported vide note no.15.1 and 17.2 of SoA for Rs.21.46 Crore against NEC, PDSF and DRIP shall be appropriated in the MePGCL old projects.

2.1.22. The computation of depreciation shall be as depicted in the table below for True up of FY 2021-22.

**Table 9: Computation of Depreciation for MLHEP True up for FY 2021-22**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Asset Value at the end of the year (31.03.2023)	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.90	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	146.67	132.00	3.34	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34	3.68
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28	17.30
6	Lines & cables	4.57	-	4.57	4.57	4.11	5.28	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33	0.004
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33	0.02
10	<b>Total</b>	<b>1285.71</b>	<b>0.00</b>	<b>1285.71</b>	<b>1285.71</b>	<b>1135.62</b>		<b>55.28</b>
11	<b>Average rate of depreciation (55.28/1135.63) *100</b>							<b>4.30%</b>
12	<b>90% of Avg. Grants</b>					<b>209.89</b>		
13	<b>Less: Depreciation on Grants</b>							<b>9.03</b>
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>46.25</b>

2.1.23. Commission approves Depreciation at Rs. 46.25 Crore for True up of FY 2021-22." Accordingly, following grants were considered against each plant in the said True-up order for FY 2021-22:

**Table 10: Grant Considered for each HEP in True up order for FY 2021-22 (Rs. Crore)**

Name of the Station	Grant
MePGCL as a whole	234.96
MLHEP	209.89

NUHEP	0
LHEP	11.75
MePGCL OLD PROJECTS INCLUDING SONAPANI	13.32

- 2.1.24. It is submitted that, in line with the approach adopted by this Commission in the True up of FY 2021-22 in Order dated 13.11.2023, the Objector, for FY 2022-23, has evaluated the grant component amounting to Rs. 180.30 Crore for MLHEP, Rs. 25.43 Crore for Old plants (incl. Sonapani), Rs. 4.95 Crore for Lakroh MHP and no Grants for NUHEP (based on Govt. Notification on Equity infusion).
- 2.1.25. In view of the above, and on consideration of the CAPEX, Capitalization and grant approved for the fourth control period in the Business Plan Order, the impact of the same is considered for computation of depreciation.
- 2.1.26. As far as the Rate of Depreciation is concerned, since the asset wise breakup of the capitalization is not available at this point of time, the average depreciation rate as computed for FY 2022-23 has been considered and the similar approach has been adopted by the Petitioner.
- 2.1.27. In view of the above arguments, the Objector submits that the Amortization of grants must also be considered for the computation of allowable depreciation for the Fourth Control Period as depicted in the table below:

**Table 11: Proposed Depreciation allowable for fourth Control Period (Rs. Crore)**

Depreciation	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Opening GFA	1,285.50	1,285.50	1,286.50	1,331.00	1,285.71	1,261.81	1,238.91	1,259.51
Less: land					23.90	23.90	23.90	23.90
Opening GFA without Land	1,285.50	1,285.50	1,286.50	1,331.00	1,261.81	1,237.91	1,215.01	1,235.61
Addition during the Year	-	1.00	44.50	76.38	-	1.00	44.50	76.38
Closing GFA	1,285.50	1,286.50	1,331.00	1,407.38	1,261.81	1,238.91	1,259.51	1,311.99
Average GFA	1,285.50	1,286.00	1,308.75	1,369.19	1,261.81	1,238.41	1,237.26	1,273.80
Rate of Depreciation	4.78%	4.78%	4.78%	4.78%	4.87%	4.87%	4.87%	4.87%
Depreciation	61.41	61.43	62.52	65.41	61.42	60.28	60.23	62.00
Less: Amortization of Grant	-	-	-	27.01	180.30	180.30	193.80	220.81
Depreciation on Grants	-	-	-	1.29	8.78	8.78	9.43	10.75
Net Depreciation	61.41	61.43	62.52	64.12	52.64	51.50	50.79	51.26
	NUHEP				NUHEP			
Opening GFA	605.40	605.40	605.40	605.90	586.03	586.03	586.03	586.53
Less: land					1.66	1.66	1.66	1.66
Opening GFA without Land	605.40	605.40	605.40	605.90	584.37	584.37	584.37	584.87
Addition during the Year	-	-	0.50	0.14	-	-	0.50	0.14
Closing GFA	605.40	605.40	605.90	606.04	584.37	584.37	584.87	585.01
Average GFA	605.40	605.40	605.65	605.97	584.37	584.37	584.62	584.94
Rate of Depreciation	4.85%	4.85%	4.85%	4.85%	4.87%	4.87%	4.87%	4.87%
Depreciation	29.39	29.39	29.40	29.42	28.45	28.45	28.46	28.48

Less: Amortization of Grant	-	-	-	-	-	-	-	-
Depreciation on Grants	-	-	-	-	-	-	-	-
Net Depreciation	29.39	29.39	29.40	29.42	28.45	28.45	28.46	28.48
	<b>LHEP</b>				<b>LHEP</b>			
Opening GFA	26.47	26.47	27.07	28.21	22.68	22.68	23.28	24.42
Less: land					-	-	-	-
Opening GFA without Land	26.47	26.47	27.07	28.21	22.68	22.68	23.28	24.42
Addition during the Year	-	0.60	1.14	-	-	0.60	1.14	-
Closing GFA	26.47	27.07	28.21	28.21	22.68	23.28	24.42	24.42
Average GFA	26.47	26.77	27.64	28.21	22.68	22.98	23.85	24.42
Rate of Depreciation	4.92%	4.92%	4.92%	4.92%	4.92%	4.92%	4.92%	4.92%
Depreciation	1.30	1.32	1.36	1.39	1.12	1.13	1.17	1.20
Less: Amortization of Grant	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Depreciation on Grants	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Net Depreciation	1.06	1.07	1.12	1.15	0.87	0.89	0.93	0.96
	<b>Old Plants</b>				<b>Old Plants</b>			
Opening GFA	433.70	433.70	433.70	433.70	50.44	50.44	50.44	50.44
Less: land					-	-	-	-
Opening GFA without Land	433.70	433.70	433.70	433.70	50.44	50.44	50.44	50.44
	<b>As per MePGCL</b>				<b>Proposed to be considered</b>			
Addition during the Year	-	-	-	1,070.10	-	-	-	1,115.19
Closing GFA	433.70	433.70	433.70	1,503.80	50.44	50.44	50.44	1,165.63
Average GFA	433.70	433.70	433.70	968.75	50.44	50.44	50.44	608.04
Rate of Depreciation	5.04%	5.04%	5.04%	5.04%	5.13%	5.13%	5.13%	5.13%
Depreciation	21.87	21.87	21.87	48.85	2.59	2.59	2.59	31.19
Less: Amortization of Grant	135.06	135.06	135.06	408.88	25.43	25.43	25.43	299.24
Depreciation on Grants	6.81	6.81	6.81	20.62	1.30	1.30	1.30	15.35
Net Depreciation	15.06	15.06	15.06	28.24	1.28	1.28	1.28	15.84
	<b>Total MePGCL</b>				<b>Total MePGCL</b>			
Average GFA	2,351.07	2,351.87	2,375.74	2,972.12	1,919.30	1,896.20	1,896.17	2,491.20
Rate of Depreciation	4.85%	4.85%	4.85%	4.88%	4.88%	4.88%	4.88%	4.93%
Depreciation	113.97	114.01	115.15	145.07	93.57	92.45	92.45	122.87
Less: Amortization of Grant	140.01	140.01	140.01	440.84	210.67	210.67	224.18	525.00
Depreciation on Grants	7.05	7.05	7.05	22.15	10.32	10.32	10.98	26.34
<b>Net Depreciation</b>	<b>106.92</b>	<b>106.96</b>	<b>108.10</b>	<b>122.92</b>	<b>83.25</b>	<b>82.12</b>	<b>81.46</b>	<b>96.53</b>

2.1.28. Due to non-availability of Audited Annual Accounts and asset wise break-up of MePGCL, it is humbly submitted that the computation and approval of Depreciation must be in line with MYT Regulations 2014 and the Objector requests this Commission to approve the depreciation for 4 set of plants of the Petitioner during finalization of MYT for FY 2024-25 to FY 2026-27, as shown above.

### **MePGCL Reply**

2.1.29. BIA has alleged that: the methodology adopted by the Petitioner for the computation of the Depreciation is not aligned with the provisions of the MSERC Tariff Regulations 2014. As per Regulation 33.1 of MSERC Tariff Regulations 2014, Consumer contribution or capital subsidy/ grant etc. needs

to be excluded from the asset value for the purpose of computation of Depreciation.

- 2.1.30. In regard to the above, it is submitted that the Petitioner has claimed the Depreciation strictly in accordance with the provisions of the MSERC Tariff Regulations 2014 and the grants have been apportioned in the plants based on the grants approved by this Commission in the respective capital cost orders. Since, the Commission has already considered the amortization of the grants as a non-tariff income in the previous true up orders, only the grants in the books of accounts in FY 2022-23 have been considered for the apportionment of grants. Further, it is relevant to note that the grants should be considered only against the assets capitalized and grants towards works under CWIP (Capital Works in Progress) ought to be excluded from the calculation. The Petitioner has provided a detailed justification for the same in Chapter 2 of the Petition.
- 2.1.31. It is further submitted that capitalization and the funding pattern of the capitalization have been considered strictly as per the business plan order for the fourth control period.

### ***Commission's Views***

Commission noted the Response of the Utility.

### **c) Return on Equity**

- 2.1.32. [Para (36-42)] The Petitioner has claimed Return on Equity (RoE) for all 4 set of plants as per closing equity of FY 2022-23 and has claimed 30% of the addition in GFA during the year, allegedly in accordance with the Regulation 27 of the 2014 MYT Regulations.
- 2.1.33. It is submitted that the methodology adopted by the Petitioner for the computation of the Return on Equity based on Equity is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for fourth control period.
- 2.1.34. The methodology adopted by this Commission in True-up Order for FY 2021-22 dated 13.11.2023 is reproduced below:

“3.3

*... Commission's Analysis*

*The Return on Equity is computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The Grants and contributions reported as per the accounts stood at Rs.209.89 Crore to be apportioned as already notified in the True up orders for FY 2020-21 dated 22.03.2023.*

*The Grants reported vide note no.15.1 and 17.2 of SoA for Rs.21.46 Crore against NEC, PDSF and DRIP shall be appropriated in the MePGCL old projects.*

**Table 12: Computation of Return on Equity for True up of FY 2021-22 for MLHEP**

Sl.no	Particulars	FY 2021-22
1	Average GFA / Capital Cost for FY 2021-22	1285.71
2	Less: Average Grants	209.89
3	Net Assets	1075.82
4	70% Debt component	753.07
5	30% Equity	322.75
6	Equity Considered for FY 2020-21	322.75
7	Average Equity for FY 2021-22	322.75
8	Return on Equity @ 14%	45.19

2.1.35. Commission considers Return on Equity at Rs.45.19 Crore for True up of FY 2021-22." In line with the above methodology, the Objector has proposed the following RoE for the FY 2022-23 as depicted in the table below:

**Table 13: Proposed RoE to be allowed for FY 2022-23**

(Rs. Cr)

Particular	MLHEP	NUHEP	MLHEP	Old plants + Sonapani	Total
Average GFA / Capital Cost for FY 2022-23	1,285.71	586.03	22.68	50.45	1,944.87
Less: Average Grants	180.30	-	4.95	25.43	210.67
Net Assets	1,105.41	586.03	17.73	25.02	1,734.20
70% Debt component	773.79	410.22	12.41	17.52	1,213.94
30% Equity	331.62	175.81	5.32	7.51	520.26
Actual Equity for FY 2021-22 as per Tariff Order	322.75	164.71	3.24	11.13	501.83
Average / Min Equity for FY 2022-23	327.19	164.71	3.24	9.32	504.46
Return on Equity @ 14%	14%	14%	14%	14%	14%
Return on Equity	45.81	23.06	0.45	1.30	70.62

2.1.36. It is submitted that, of the total average Grant of Rs. 210.67 Crore, the Petitioner has considered the grant of Rs. 140.01 Crore resulting into higher equity base and higher RoE burden on the end consumers.

2.1.37. In line with the grants considered in the Gross Fixed Assets section and in line with the methodology of the Commission in its previous Orders (ref. True up Order for FY 2021-22 dated 13.11.2023), it is humbly submitted that the Commission may allow RoE for the fourth control period as depicted in the table below:

**Table 14: Proposed RoE for the fourth Control Period**

(Rs. Cr)

Return on Equity	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Opening Equity	385.65	385.65	385.95	399.30	331.62	331.62	331.92	337.17
Addition	-	0.30	13.35	6.71	-	0.30	5.25	14.81
Closing Equity	385.65	385.95	399.30	406.01	331.62	331.92	337.17	351.98
Average Equity	385.65	385.80	392.63	402.65	331.62	331.77	334.55	344.58



Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	53.99	54.01	54.97	56.37	46.43	46.45	46.84	48.24
	<b>NUHEP</b>				<b>NUHEP</b>			
Opening Equity	181.62	181.62	181.62	181.77	164.71	164.71	164.71	164.86
Addition	-	-	0.15	0.04	-	-	0.15	0.04
Closing Equity	181.62	181.62	181.77	181.81	164.71	164.71	164.86	164.90
Average Equity	181.62	181.62	181.70	181.79	164.71	164.71	164.79	164.88
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	25.43	25.43	25.44	25.45	23.06	23.06	23.07	23.08
	<b>LHEP</b>				<b>NUHEP</b>			
Opening Equity	6.44	6.44	6.62	6.96	3.24	3.24	3.42	3.76
Addition	-	0.18	0.34	-	-	0.18	0.34	-
Closing Equity	6.44	6.62	6.96	6.96	3.24	3.42	3.76	3.76
Average Equity	6.44	6.53	6.79	6.96	3.24	3.33	3.59	3.76
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
	<b>As per MePGCL</b>				<b>Proposed to be considered</b>			
ROE	0.90	0.91	0.95	0.97	0.45	0.47	0.50	0.53
	<b>Old Plants</b>				<b>Old Plants</b>			
Opening Equity	89.59	89.59	89.59	89.59	7.51	7.51	7.51	7.51
Addition	-	-	-	156.74	-	-	-	170.27
Closing Equity	89.59	89.59	89.59	246.33	7.51	7.51	7.51	177.78
Average Equity	89.59	89.59	89.59	167.96	7.51	7.51	7.51	92.64
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	12.54	12.54	12.54	23.51	1.05	1.05	1.05	12.97
	<b>Total MePGCL</b>				<b>Total MePGCL</b>			
Opening Equity	663.30	663.30	663.78	677.62	507.08	507.08	507.56	513.30
Addition	-	0.48	13.84	163.49	-	0.48	5.74	185.12
Closing Equity	663.30	663.78	677.62	841.11	507.08	507.56	513.30	698.42
Average Equity	663.30	663.54	670.70	759.37	507.08	507.32	510.43	605.86
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<b>ROE</b>	<b>92.86</b>	<b>92.90</b>	<b>93.90</b>	<b>106.31</b>	<b>70.99</b>	<b>71.02</b>	<b>71.46</b>	<b>84.82</b>

2.1.38. In view of the above, is submitted that Commission may consider the proposed Return on Equity during finalization of MYT for FY 2024-25 to FY 2026-27, as shown above.

### ***MePGCL Reply***

2.1.39. BIA has alleged that: The Petitioner has claimed Return on Equity (RoE) for all 4 set of plants as per closing equity of FY 2022-23 and has claimed 30% of the addition in Gross Fixed Assets during the year, allegedly in accordance with the Regulation 27 of MSERC Tariff Regulations 2014. The methodology adopted by the Petitioner for the computation of the Return on Equity based on Equity is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for fourth control period.

2.1.40. In regard to the above, it is submitted that the Petitioner has given a detailed justification for the grants in the Chapter 2 of the Petition as well as in the individual chapters for each plant separately. The contention of BIA that Petitioner has adopted a flawed methodology for computation of the Return

on Equity in FY 2022-23 is baseless and vague. The Petitioner has computed the Return on Equity strictly in accordance with the provisions of the MSERC Tariff Regulations 2014 without any deviation. Hence, the contentions of the BIA are denied.

### ***Commission's Views***

Commission noted the Response of the Utility.

#### **d) Interest on Loan**

2.1.41. [Para (43-48)] The Petitioner has claimed Interest and Finance charges under the provisions of MYT Regulations 2014 and has considered the closing loan of FY 2022-23 as the opening loan of FY 2023-24 and subsequent addition has been considered as per the approved funding pattern of capitalization. Further, since the actual weighted average rate of interest would be available at the time of true up of respective years, the weighted average rate of interest for FY 2022-23 has been considered by the Petitioner for entire control period.

2.1.42. It is submitted that no clarification has been provided by the Petitioner with respect to the loan repayment considered for the calculation of interest on loan. It is submitted that repayment of the loan considered by the Petitioner is equivalent to loan repayment considered for FY 2022-23 without considering any repayment for the new loan resulting in higher interest amount burden on the end consumer. The Objector has considered a similar approach whereby the debt repayment of FY 2022- 23 as considered in the Objection for True up for FY 2022-23 is considered with an additional of 10% loan repayment of the additional loan.

*Regulation 32.1 of MYT Regulations 2014 provides as follows:*

*"32.1 Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.*

*Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27."*

2.1.43. It is submitted that the methodology adopted by the Petitioner for the computation of the Interest on Loan is flawed due to improper approach adopted during FY 2022- 23 resulting in erroneous opening balance considered for fourth control period. The Petitioner has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Commission in Case No. 4/2023 dated 13.11.2023. This has resulted into incorrect opening balance being considered by the Petitioner from FY 2023-24 thereby producing erroneous results.

2.1.44. Accordingly, the allowable Interest and Finance charges for the fourth control period is recomputed and depicted in the table below for the kind consideration of the Commission.

**Table 15: Interest and Finance Charges to be allowed for Fourth Control Period (Rs. Crore)**

Interest on Loan	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	<b>As per MePGCL</b>				<b>Proposed to be considered</b>			
	<b>MLHEP</b>				<b>MLHEP</b>			
Gross Opening Loan	899.85	899.85	900.55	931.70				
Cumulative Repayment	484.86	558.93	633.00	707.07				
Net Opening Loan	414.99	340.92	267.55	224.63	181.87	136.44	91.71	58.45
Repayment	74.07	74.07	74.07	74.07	45.43	45.43	45.50	46.79
Addition	-	0.70	31.15	15.65	-	0.70	12.24	34.56
Net Closing Loan	340.92	267.55	224.63	166.21	136.44	91.71	58.45	46.22
WAROI	10.13%	10.13%	10.13%	10.13%	11.45%	11.45%	11.45%	11.45%
Interest on Loan	34.54	27.10	22.76	16.84	18.23	13.06	8.60	5.99
	<b>NUHEP</b>				<b>NUHEP</b>			
Gross Opening Loan	423.76	423.76	423.76	424.11				
Cumulative Repayment	127.44	166.75	206.06	245.37				
Net Opening Loan	296.32	257.01	217.70	178.74	240.54	201.23	161.92	122.96
Repayment	39.31	39.31	39.31	39.31	39.31	39.31	39.31	39.35
Addition	-	-	0.35	0.10	-	-	0.35	0.10
Net Closing Loan	257.01	217.70	178.74	139.53	201.23	161.92	122.96	83.71
WAROI	11.31%	11.31%	11.31%	11.31%	11.75%	11.75%	11.75%	11.75%
Interest on Loan	29.06	24.62	20.21	15.74	25.95	21.34	16.74	12.14
	<b>LHEP</b>				<b>LHEP</b>			
Gross Opening Loan	15.03	15.03	15.45	16.25				
Cumulative Repayment	0.81	1.31	1.81	2.31				
Net Opening Loan	14.22	13.72	13.64	13.94	4.05	3.55	3.47	3.73
Repayment	0.50	0.50	0.50	0.50	0.50	0.50	0.54	0.66
Addition	-	0.42	0.80	-	-	0.42	0.80	-
Net Closing Loan	13.72	13.64	13.94	13.44	3.55	3.47	3.73	3.06
WAROI	10.18%	10.18%	10.18%	10.18%	10.50%	10.50%	10.50%	10.50%
Interest on Loan	1.40	1.39	1.38	1.25	0.40	0.37	0.38	0.36
	<b>Old Plants</b>				<b>Old Plants</b>			
Gross Opening Loan	209.22	209.22	209.22	209.22				
Cumulative Repayment	-	5.00	10.00	15.00				
Net Opening Loan	209.22	204.22	199.22	194.22	-	-	-	-
Repayment	5.00	5.00	5.00	5.00	-	-	-	-
Addition	-	-	-	365.73	-	-	-	397.29
Net Closing Loan	204.22	199.22	194.22	554.95	-	-	-	397.29
WAROI	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
Interest on Loan	9.56	9.33	9.09	25.98	-	-	-	9.30
	<b>Total MePGCL</b>				<b>Total MePGCL</b>			
Gross Opening Loan	1,547.85	1,547.85	1,548.97	1,581.27				
Cumulative Repayment	613.11	731.99	850.87	969.75				
Net Opening Loan	934.74	815.86	698.10	611.52	422.41	337.17	253.05	181.09
Repayment	118.88	118.88	118.88	118.88	85.24	85.24	85.35	86.80
Addition	-	1.12	32.30	381.48	-	1.12	13.39	431.95
Net Closing Loan	815.86	698.10	611.52	874.12	337.17	253.05	181.09	526.23
WAROI	8.52%	8.25%	8.16%	8.05%	11.74%	11.78%	11.85%	7.86%
Interest on Loan	74.55	62.45	53.43	59.81	44.58	34.77	25.71	27.79

- 2.1.45. It is submitted that due to non-availability of Audited Annual Accounts of the Petitioner, the Commission may consider the proposed Interest on Loan during MYT for FY 2024-25 to FY 2026-27, as shown above. However, actual interest rate will be computed at the time of finalization of ARR of the respective year.

***MePGCL Reply***

- 2.1.46. BIA has alleged that: no clarification has been provided by the Petitioner with respect to the loan repayment considered for the calculation of interest on loan. The repayment of the loan considered by the Petitioner is equivalent to loan repayment considered for FY 2022-23 without considering any repayment for the new loan resulting in higher interest amount burden on the end consumer. BIA has considered a similar approach whereby the debt repayment of FY 2022- 23 as considered in the Objection for True up for FY 2022-23 is considered with an additional of 10% loan repayment of the additional loan. The methodology adopted by the Petitioner for the computation of the Interest on Loan is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for fourth control period. The Petitioner has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Commission in Case No.4/2023 dated 13.11.2023. This has resulted into incorrect opening balance being considered by the Petitioner from FY 2023-24 thereby producing erroneous results.
- 2.1.47. It is submitted that the contention of the BIA that the Petitioner has adopted flawed methodology for computation of the interest on loan in the FY 2022-23 is baseless and denied. The Petitioner has adopted the methodology provided in Regulation 27 and Regulation 32 of MSERC Tariff Regulations 2014 to arrive at the amount of opening loan. Further, with regard to the loan repayment, MSERC Tariff Regulations 2014 nowhere specify that 10% of the outstanding amount shall be considered as loan repayment. Further, considering the fact that the Petitioner is yet to source loan for the upcoming capital expenditure during the fourth control period, it is practically impossible to predict loan repayment as of now. Accordingly, the Petitioner has considered the actual loan repayment in the FY 2022-23 for the subsequent years. Hence, it is respectfully submitted that the Commission may be pleased to reject the submissions made by BIA as the said submissions are infructuous.

***Commission's Views***

Commission noted the Response of the Utility.

**e) Operation and Maintenance Expenses**

- 2.1.48. [Para (49-60)] The Petitioner has computed O&M expenses by considering year by year escalation of 5.72% p.a. over the actual operation and maintenance expenses of FY 2022-23. Further the pay revision of MeECL and subsidiary companies is due in January 2025 and the estimated multiplication factor of 1.59 has been considered as an impact of wage revision in the old plants O&M expenses.
- 2.1.49. It is submitted that the Petitioner has not considered the impact of capitalized expenses and the same is proposed to be considered in the proportion to capitalized cost of FY 2022-23 allocated to each plant.
- 2.1.50. Further, as per the approach adopted for True-up of FY 2022-23, the Petitioner has calculated the total O&M expenses of MePGCL including the 1/3rd of the employee and A&G cost of MeECL and escalated the O&M cost beyond 5.72% for FY 2023-24 without any clarification. The escalation considered for each component of O&M cost is outlined in the table below:

**Table 16: Total O&M Expenses claimed by MePGCL for fourth control period with escalation rate (Rs. Crore)**

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Employee Expenses	131.14	144.29	163.62	172.98	182.88
Escalation Rate		10.03%	13.40%	5.72%	5.72%
R&M expenses	10.95	23.15	24.47	25.87	27.35
Escalation Rate		111.42%	5.70%	5.72%	5.72%
A&G expenses	9.42	10.67	11.28	11.92	12.6
Escalation Rate		13.27%	5.72%	5.67%	5.70%
Total O&M expenses	151.51	178.11	199.37	210.77	222.83
Escalation Rate		17.56%	11.94%	5.72%	5.72%

- 2.1.51. It is evident that escalation of 18% in total O&M expenses and 111.42% in R&M expenses in FY 2023-24 without any clarification is an undue burden on the consumers and cannot be accepted. Also, the approach of the Petitioner to calculate the total O&M expenses and exclude the normative expenses of MLHEP, NUHEP and LHEP for claiming the balance in the old existing plant is an erroneous approach and is contravene to the provisions of the MYT Regulations 2014.
- 2.1.52. With respect to 1/3rd Cost of MeECL included in the O&M cost, it is submitted that incorporating the O&M expenses towards Holding Company expenses while claiming O&M Expenses for its Generating Plants is against the provision of MYT Regulations 2014.
- 2.1.53. It is submitted that no provision of the MYT Regulations 2014 of the Commission allows expenditures of a Holding Company to be passed through in Tariff and the applicability of the MYT Regulations 2014 is only for Gencos, Transcos and Discoms as defined in the MYT Regulations 2014 shown below:

*“1.5 They shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;”*

2.1.54. The Petition is not in line with the above Regulatory provisions and the claim pertaining to Holding company expense is therefore not tenable. In accordance with the above reasoning, many SERCs disallow the expenditures pertaining to Holding company as evident from the UPERC observations from the Order dated 29.07.2021 which are shown below:

*“4.6.31. Thus, regarding UPPCL’s O&M Expenses, it is clear that the Commission had not allowed such expenses in the previous orders giving clear directions that from FY 2014-15 onwards the Licensees should manage procurement of power from the O&M Expenses allowed to them. Accordingly, the O&M expenses claimed by the State Discoms towards O&M Expenses of UPPCL allocated to them are not allowed. The Commission again reiterates that the procurement of power is the responsibility of the Distribution Licensees for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensees”.*

2.1.55. It is further observed that some of the State Discoms have claimed UPPCL’s O&M expenses by merging them as part of O&M expenses under different sub-heads i.e., employee, R&M & A&G expenses. As the Petitioners submitted that UPPCL has now allocated its O&M expenses to its subsidiary State Government Distribution Licensees, in the books of accounts with effect from FY 2019-20, the Commission has done the prudence check of O&M Expenses of UPPCL from the balance sheet of the State Discoms and the same, as found in the balance sheets, have been disallowed.” In view of the above, the claim of the Petitioner towards O&M Expenses of the Holding company is unjust and does not merit any consideration by the Commission and may be disallowed.

2.1.56. The Petitioner has also indicated that it would implement a Policy for revision of pay for its employees effective from 01.01.2025. The Petitioner has projected the impact of such revision of pay from 01.01.2025 onwards. Further, the Petitioner has considered the multiplying factor of 1.59 for computing the Revised Basic Pay. At the outset, it is most humbly submitted that such claim of the Petitioner is not backed by any documentary evidence or Government Notification and is only calculation based on certain assumption.

2.1.57. It is submitted that the claim towards revision of pay ought not to be admitted at this point and must be taken as a separate item during the time of True up. Since the policy of revision of pay is not within the control of the Company, the same could be allowed as a separate item as a pass through in during the time of True up pursuant to prudence check by this Commission. Also, the same has not been calculated as per the provisions specified in MYT Regulations 2014 and hence it is prayed to the Commission to allow the same post the notification from the Government.

2.1.58. Accordingly, considering the past approach as adopted by the Commission in the true-up tariff order, it is submitted that following O&M cost may be allowed for fourth Control Period:

**Table 17: O&M expenses to be allowed for fourth Control Period (Rs. Crore)**

O&M Expenses	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Base Normative O&M	37.42	39.56	41.82	44.22	37.42	39.57	41.83	44.22
Escalation Factor (%)	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
O&M Expenses computed	39.56	41.82	44.22	46.74	39.57	41.83	44.22	46.75
Less: capitalization					2.05	2.17	2.30	2.43
O&M Expenses computed	39.56	41.82	44.22	46.74	37.51	39.66	41.93	44.32
	NUHEP				NUHEP			
Base Normative O&M	18.63	19.69	20.82	22.01	15.34	16.22	17.15	18.13
Escalation Factor (%)	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
O&M Expenses computed	19.69	20.82	22.01	23.27	16.22	17.15	18.13	19.16
Less: capitalization					2.05	2.17	2.30	2.43
O&M Expenses computed	19.69	20.82	22.01	23.27	14.16	14.97	15.83	16.74
	LHEP				LHEP			
Base Normative O&M	0.60	0.64	0.67	0.71	0.56	0.59	0.63	0.66
Escalation Factor (%)	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
O&M Expenses computed	0.64	0.67	0.71	0.75	0.59	0.63	0.66	0.70
Less: capitalization					0.18	0.19	0.20	0.21
O&M Expenses computed	0.64	0.67	0.71	0.75	0.41	0.43	0.46	0.49
	Old Plants				MLHEP			
Base Normative O&M					37.66	39.81	42.09	44.50
Escalation Factor (%)					5.72%	5.72%	5.72%	5.72%
O&M Expenses computed	118.21	136.05	143.83	152.06	39.81	42.09	44.50	47.04
Less: capitalization					2.06	2.18	2.31	2.44
O&M Expenses computed	118.21	136.05	143.83	152.06	37.75	39.91	42.19	44.60
	<b>Total MePGCL</b>	<b>Total MePGCL</b>						
O&M Expenses computed	178.10	199.37	210.77	222.83	89.83	94.97	100.40	106.15

2.1.59. It is submitted that since O&M expenses is a controllable item, additional efforts are expected from the Petitioner to reduce the O&M cost. It is requested that the Commission may consider the proposed O&M during MYT for FY 2024-25 to FY 2026-27, as shown above.

### **MePGCL Reply**

2.1.60. BIA has alleged that the R&M expenses have been projected at an increase of 111.42%. In this regard, it is submitted that the error was due to inadvertent linking error and the same has been corrected and an additional submission has already been made to the Commission rectifying the error.

2.1.61. BIA has further contended that the impact of wage revision as projected by the Petitioner should not be considered at this time and shall be allowed as per actual at the time of true up. In this regard, it is submitted that the above contention of BIA is contrary to MYT Principle of reducing the gap between the projected and actual as laid down in the Tariff Policy 2016.

- 2.1.62. BIA has further contended that the O&M expenditure pertaining to the holding company should not be allowed. In this regard, it is submitted that few of the key functions such as accounting, audit, HR are under the holding company- Meghalaya Energy Corporation Limited and any expenses pertaining to these functions are ought to be considered as an expense specific to generation, transmission and generation business. Commission in Order dated 29.08.2023 passed in Case No.7/2023, has rejected similar objection raised by BIA, inter-alia, holding as under:

*Petitioner's Submission*

*It is submitted that the Cost approved by the Commission for Holding Company is not within the framework of the MYT Regulations 2014.*

*Commission's Analysis*

*MeECL holding company has been notified by the Govt. of Meghalaya to oversee the functions of Generation, Transmission and Distribution utilities.*

*The holding company (MeECL) was not provided with the Regulatory obligations for the expenditures incurred on behalf of the subsidiary corporations in the Reforms notifications 2010.*

*Commission considers that apportionment/sharing of holding company expenses (MeECL) is established practice right from the date of re-organization of MeSEB effective from 01.04.2013 and therefore Transmission cost considered for ARR of FY 2023-24 do not require any review.*

**Commission's Views**

Commission noted the Response of the Utility.

**f) Interest on Working Capital**

- 2.1.63. [Para (61-62)] The Petitioner has claimed the Interest on Working capital for the Fourth Control period under Regulation 34.1(iii) of MYT Regulations 2014 and has considered SBI Advance Rate (PLR) as on 01 April 2023.
- 2.1.64. In view of the submissions made in the preceding section with respect to allowing the claim within the provisions of MYT Regulations 2014, the computation of interest on working capital is depicted below for the kind consideration of this Commission.

**Table 18: Interest on Working Capital allowable by MePGCL for FY 2022-23 (Rs. Crore)**

Interest on Working Capital	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
O&M Expenses	3.30	3.49	3.68	3.90	3.13	3.30	3.49	3.69
Maintenance Spares	6.29	6.65	7.03	7.43	5.96	6.31	6.67	7.05
Receivables	32.63	31.77	31.78	31.19	26.69	25.99	25.58	25.88
Total Working Capital	42.21	41.90	42.50	42.52	35.78	35.60	35.74	36.62



Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	6.27	6.22	6.31	6.31	5.31	5.29	5.31	5.44
	<b>NUHEP</b>				<b>NUHEP</b>			
O&M Expenses	1.64	1.73	1.83	1.94	1.18	1.25	1.32	1.39
Maintenance Spares	3.13	3.31	3.50	3.70	2.25	2.38	2.52	2.66
Receivables	17.82	17.26	16.72	16.19	15.75	15.10	14.47	13.85
Total Working Capital	22.59	22.31	22.06	21.82	19.18	18.73	18.31	17.90
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	3.36	3.31	3.28	3.24	2.85	2.78	2.72	2.66
	<b>LHEP</b>				<b>LHEP</b>			
O&M Expenses	0.05	0.06	0.06	0.06	0.03	0.04	0.04	0.04
Maintenance Spares	0.10	0.11	0.11	0.12	0.07	0.07	0.07	0.08
Receivables	0.69	0.70	0.71	0.71	0.37	0.37	0.39	0.40
Total Working Capital	0.84	0.86	0.89	0.89	0.47	0.48	0.50	0.52
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	0.12	0.13	0.13	0.13	0.07	0.07	0.07	0.08
	<b>Old Plants</b>				<b>Old Plants</b>			
O&M Expenses	9.85	11.34	11.99	12.67	3.15	3.33	3.52	3.72
Maintenance Spares	18.80	21.63	22.87	24.18	6.00	6.35	6.71	7.09
Receivables	28.41	31.57	32.95	41.46	6.62	6.96	7.32	13.82
Total Working Capital	57.06	64.54	67.80	78.31	15.76	16.63	17.54	24.62
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	8.47	9.58	10.07	11.63	2.34	2.47	2.61	3.66
	<b>Total MePGCL</b>						<b>Total MePGCL</b>	
Interest on Working Capital	18.22	19.25	19.79	21.32	10.57	10.61	10.70	11.83

### ***MePGCL Reply***

- 2.1.65. It is submitted that the variation in the interest on working capital as submitted by BIA is the result of the variation in the various components of ARR as justified above and hence there is no specific objection with regard to the interest on working capital.

### **Commission's Views**

Commission noted the Response of the Utility.

### **g) Non-Tariff Income**

- 2.1.66. [Page (63-64)] It is submitted that with respect to Non-Tariff Income claimed by Petitioner, no documents / data has been submitted to substantiate the claim. The Petitioner has failed to give justification for its claim of non-tariff income in Old Plants and has not allocated the same to the respective plants.

- 2.1.67. It is humbly requested that the Commission may allow such claim subject to prudence check.

### **MePGCL Reply**

- 2.1.68. BIA has alleged that:

with respect to Non-Tariff Income claimed by Petitioner, no documents/data has been submitted to substantiate the claim. The Petitioner has failed to give justification for its claim of non-tariff income in Old Plants and has not allocated the same to the respective plants.

2.1.69. In regard to the above, it is submitted that the non-tariff income has been claimed on assumption basis considering an escalation of 5% per year and there cannot be any documentary evidence for the same as of now.

### Commission's Views

Commission noted the Response of the Utility.

### h) Aggregate Revenue Requirement

2.1.70. [Page (65-68)] In accordance with the claims made by the Petitioner pertaining to each item of the ARR and the objections / clarification raised by the Respondent in the preceding section, the comparative statement of ARR and Revenue Gap / (Surplus) for True up for the FY 2022-23 is shown below:

**Table 19: ARR Proposed for fourth Control Period (Rs. Crore)**

ARR	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePGCL				Proposed to be considered			
	MLHEP				MLHEP			
Depreciation	61.41	61.43	62.52	64.12	52.64	51.50	50.79	51.26
Interest on Loan	34.54	27.10	22.68	13.61	18.23	13.06	8.60	5.99
Return on Equity	53.99	54.01	54.97	56.37	46.43	46.45	46.84	48.24
Operation and Maintenance	39.56	41.82	44.22	46.74	37.51	39.66	41.93	44.32
Interest on Working Capital	6.27	6.22	6.31	6.31	5.31	5.29	5.31	5.44
<b>ARR</b>	<b>195.77</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>	<b>160.12</b>	<b>155.96</b>	<b>153.46</b>	<b>155.25</b>
Non-Tariff Income	-	-	-	-	-	-	-	-
<b>Net ARR</b>	<b>195.77</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>	<b>160.12</b>	<b>155.96</b>	<b>153.46</b>	<b>155.25</b>
	NUHEP				NUHEP			
Depreciation	29.39	29.39	29.40	29.42	28.45	28.45	28.46	28.48
Interest on Loan	29.06	24.62	20.21	15.74	25.95	21.34	16.74	12.14
Return on Equity	25.43	25.43	25.44	25.45	23.06	23.06	23.07	23.08
Operation and Maintenance	19.69	20.82	22.01	23.27	14.16	14.97	15.83	16.74
Interest on Working Capital	3.36	3.31	3.28	3.24	2.85	2.78	2.72	2.66
<b>ARR</b>	<b>106.92</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>	<b>94.47</b>	<b>90.60</b>	<b>86.81</b>	<b>83.10</b>
Non-Tariff Income	-	-	-	-	-	-	-	-
<b>Net ARR</b>	<b>106.92</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>	<b>94.47</b>	<b>90.60</b>	<b>86.81</b>	<b>83.10</b>
	LHEP				LHEP			
Depreciation	1.06	1.07	1.12	1.15	0.87	0.89	0.93	0.96
Interest on Loan	1.40	1.39	1.38	1.25	0.40	0.37	0.38	0.36
Return on Equity	0.90	0.91	0.95	0.97	0.45	0.47	0.50	0.53
Operation and Maintenance	0.64	0.67	0.71	0.75	0.41	0.43	0.46	0.49
Interest on Working Capital	0.12	0.13	0.13	0.13	0.07	0.07	0.07	0.08
<b>ARR</b>	<b>4.12</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>	<b>2.20</b>	<b>2.23</b>	<b>2.34</b>	<b>2.40</b>
Non-Tariff Income	-	-	-	-	-	-	-	-
<b>Net ARR</b>	<b>4.12</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>	<b>2.20</b>	<b>2.23</b>	<b>2.34</b>	<b>2.40</b>
	Old Plant				Old Plant			
Depreciation	15.06	15.06	15.06	28.24	1.28	1.28	1.28	15.84
Interest on Loan	9.56	9.33	9.09	25.98	-	-	-	9.30
Return on Equity	12.54	12.54	12.54	23.51	1.05	1.05	1.05	12.97
Operation and Maintenance	118.21	136.05	143.83	152.06	37.75	39.91	42.19	44.60
Interest on Working Capital	8.47	9.58	10.07	11.63	2.34	2.47	2.61	3.66
SLDC charges	1.94	1.94	1.94	1.94	1.94	1.94	1.94	1.94
<b>ARR</b>	<b>165.78</b>	<b>184.51</b>	<b>192.53</b>	<b>243.37</b>	<b>44.36</b>	<b>46.65</b>	<b>49.07</b>	<b>88.30</b>
	As per MePGCL Proposed to be considered				Proposed to be considered			
Non-Tariff Income	4.67	4.90	5.15	5.41	4.67	4.90	5.15	5.41
<b>Net ARR</b>	<b>161.11</b>	<b>179.61</b>	<b>187.38</b>	<b>237.96</b>	<b>39.69</b>	<b>41.75</b>	<b>43.92</b>	<b>82.89</b>
	Total MePGCL				Total MePGCL			
Depreciation	106.92	106.96	108.10	122.93	83.25	82.12	81.46	96.53

Interest on Loan	74.55	62.45	53.35	56.58	44.58	34.77	25.71	27.79
Return on Equity	92.86	92.90	93.90	106.31	70.99	71.02	71.46	84.82
Operation and Maintenance	178.10	199.37	210.77	222.83	89.83	94.97	100.40	106.15
Interest on Working Capital	18.22	19.25	19.79	21.32	10.57	10.61	10.70	11.83
SLDC charges	1.94	1.94	1.94	1.94	1.94	1.94	1.94	1.94
<b>ARR</b>	<b>472.59</b>	<b>482.85</b>	<b>487.84</b>	<b>531.91</b>	<b>301.16</b>	<b>295.43</b>	<b>291.69</b>	<b>329.05</b>
Non-Tariff Income	4.67	4.90	5.15	5.41	4.67	4.90	5.15	5.41
<b>Net ARR</b>	<b>467.92</b>	<b>477.95</b>	<b>482.69</b>	<b>526.50</b>	<b>296.49</b>	<b>290.53</b>	<b>286.54</b>	<b>323.64</b>

Further as highlighted in the petition, the past gap to be allowed to be recovered in FY 2024-25 is depicted below:

**Table 20: Past Gap proposed to be recovered in FY 2024-25 (Rs. Crore)**

Particular	MLHEP	NUHEP	LHEP	Old plants	Total	Proposed by Respondent				
						MLHEP	NUHEP	LHEP	Old plants	Total
	<b>As per MePGCL</b>					<b>Proposed by Respondent</b>				
<b>ARR Claimed</b>	190.60	100.33*	4.18	179.60	474.71	155.96	90.60	2.23	41.75	290.53
Gap Allowed in 2021-22	72.19	54.42	1.15	-0.90	126.86	72.19	54.42	1.15	-0.90	126.86
Gap Claimed in 2022-23	-7.40	231.47	5.00	-77.77	151.29	-50.96	215.93	3.13	-173.70	-5.60
Gap of Terminal Liabilities	17.85	5.67	0.21	26.73	50.46	17.85	5.67	0.21	26.73	50.46
Total ARR after adjustment of Gap	273.24	391.88	10.53	127.66	803.32	195.04	366.62	6.72	-106.12	462.25

2.1.71. It is submitted that keeping in view the vision of Indian Energy Sector, it is suggested to evaluate more power purchase from Renewable Energy Sources like Solar, Wind etc. to optimize the Generation Cost of the Petitioner, which in turn would reduce the overall tariff cost of consumers across the state of Meghalaya.

2.1.72. The above aspects may be taken into consideration. The Objector craves leave to add to the submission mentioned above and also to submit such material with the leave of the Commission as may be necessary in the ARR determination process. The Objector also craves leave to make oral submissions in the public hearing to be conducted by the Commission.

### **MePGCL Reply**

2.1.73. It is submitted that the objection made by BIA under this head are the consequential impact of the objections made under the various components of the ARR which have been duly addressed by the Petitioner in the above paragraphs under relevant sections. Accordingly, with regard to the computation of overall Aggregate Revenue Requirement, no specific justification/ explanation is required.

2.1.74. In view of the above, it is submitted that the objections/suggestions of BIA are devoid of any merit and ought to be rejected. The contents of the Petition are reiterated. All allegations to the contrary are wrong and are denied. Commission may be pleased to take the submission of the Petitioner on records and allow the various components of the ARR as claimed in the Petition.

### **Commission's Views**

Commission noted the Response of the Utility.

## 2 **Objections by Jaintia Hills Cement Manufactures Association (JHCMA)**

### a) **Gross Fixed Assets**

2.1.75. MePGCL has submitted its Business Plan and the Commission has provisionally approved MePGCL's Capex and Capitalisation plan for the 4<sup>th</sup> Control Period.

2.1.76. The Capitalisation provisionally approved by the Commission for the 4<sup>th</sup> Control Period is shown in the Table below:

**Table 21: Approved Capitalization for 4th Control Period (Rs. Cr.)**

Financial Year	Lakroh	MLHEP	NUHEP	Old Projects	Grand Total
2024-25	0.6	1.00	0.00	0.00	1.60
2025-26	1.14	44.50	0.50	0.00	46.14
2026-27	0.00	76.38	0.14	1070.10	1146.62
Grand Total	1.74	121.88	0.64	1070.1	1194.36

2.1.77. As can be seen from the projected Capitalisation amounts MePGCL has very ambitious targets as regards Capitalisation and intends to complete Capital Works close to Rs. 1200 Crore in the next 3 years. The Objector has compared approved Capitalisation and Actual Capitalisation achieved by MePGCL in the last 3 years, as shown in the table below:

**Table 22: Capitalisation Achievement in last 3 Years (Rs. Crore)**

Financial Year		2020-21	2021-22	2022-23	Grand Total
Actual	Lakroh	1.36	0.27	0.05	1.68
	MLHEP	0.00	0.00	0.00	0.00
	NUHEP	1.25	0.41	0.03	1.69
	Old Project	0.07	0.08	1.28	1.43
	Grand Total	2.68	0.76	1.36	4.80
Approved	Lakroh	0.06	0.66	0.82	1.54
	MLHEP	1.49	2.98	5.18	9.65
	NUHEP	0.00	0.00	0.00	0.00
	Old Project	26.92	52.67	558.96	638.55
	Grand Total	28.47	56.31	564.96	649.74
Capitalization Achievement	Lakroh	2266.67%	40.91%	6.10%	109.09%
	MLHEP	0.00%	0.00%	0.00%	0.00%
	NUHEP	0.00%	0.00%	0.00%	0.00%
	Old Project	0.26%	0.15%	0.23%	0.22%
	Grand Total	9.41%	1.35%	0.24%	0.74%

2.1.78. From the above, it can be observed that the actual level of Capitalisation has been very low in last 3 years compared to claimed projected capitalisation. Also, in the years when major Capitalisation was supposed to take place, almost negligible capitalisation has been achieved. The average capitalisation

achievement in the last years amounts to only 4% of the approved capitalisation.

- 2.1.79. The Objector is of the view that this is only an attempt by MePGCL to inflate the ARR and get approval for higher Generation Tariff, which will have to be adjusted through a downward reduction at the time of true-up. Hence, the Commission is requested to limit the capitalisation for tariff computation purposes and allow only 4% of the capitalisation claimed. It may be noted that the resultant level of capitalisation has also not been achieved by MePGCL in the recent past. In case MePGCL achieves higher actual capitalisation, the impact of the same can be allowed at the time of true-up for the respective year.
- 2.1.80. Hence, the objector proposes the Capitalisation schedule as shown in the Table below:

**Table 23: Proposed Capitalisation for Fourth Control Period (Rs. Crore)**

Financial Year	Lakroh	MLHEP	NUHEP	Old Project	Grand Total
2024-25	0.02	0.04	0.00	0.00	0.06
2025-26	0.05	1.78	0.02	0.00	1.85
2026-27	0.00	3.06	0.01	42.80	45.86
Grand Total	0.07	4.88	0.03	42.80	47.77

### **MePGCL Reply**

- 2.1.81. JHCMA has contended that:

In the business plan, the Petitioner has projected very ambitious targets for the capitalization. In the past three years, actual level of capitalisation has been low compared to claimed projected capitalisation. Capitalization targets are merely an attempt of the Petitioner to inflate the ARR. Amount of Rs.47.77 Crores proposed capitalization should be allowed for the fourth control period.

In this regard, it is submitted that the capitalization claimed in the instant Petition is strictly as per the business plan approved by the Commission. In case, JHCMA had contentions towards the capital expenditure and capitalization, the same should have been raised at the time of proceedings of the Business Plan Petition and such objections does not have any relevance at this stage.

### **Commission's Views**

Commission noted the Response of the Utility.

#### **b) Depreciation for 4<sup>th</sup> Control period**

- 2.1.82. MePGCL has submitted that it has computed the Depreciation based on the average GFA of FY 2022-23.
- 2.1.83. The Objector has computed average GFA of FY 2022-23 according to the approach adopted by the Commission in the past true up orders.

- 2.1.84. Hence, the Objector requests the Commission to consider its average GFA for computing weighted average rate of Depreciation for Projection of Depreciation for the 4th Control Period.
- 2.1.85. The Objector also requests the Commission to consider the closing GFA of FY 2022-23 as computed by it to project future years' GFA.
- 2.1.86. The Depreciation computed by the Objector for the 4th Control Period is shown in the Tables below:

**Table 24: Computation of Depreciation for 4th Control Period for MLHEP (Rs. Crore)**

Depreciation	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening GFA	1285.5	1285.5	1286.5	1331	1285.71	1285.71	1285.75	1287.53
Closing GFA	1285.5	1286.5	1331	1407.38	1285.71	1285.75	1287.53	1290.59
Average GFA	1285.5	1286	1308.75	1369.19	1285.71	1285.73	1286.64	1289.06
Rate of Depreciation	4.78%	4.78%	4.78%	4.78%	4.30%	4.30%	4.30%	4.30%
Depreciation	61.41	61.43	62.52	65.41	49.75	49.75	49.79	49.88
Average Grants in GFA	0	0	0	27.01	225.62	225.62	225.62	226.70
Depreciation on Grants	0	0	0	1.29	9.70	9.70	9.70	9.75
Net Depreciation	61.41	61.43	62.52	64.12	40.05	40.05	40.09	40.13

**Table 25: Computation of Depreciation for Fourth Control Period for NUHEP (Rs. Crore)**

Depreciation	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening GFA	605.4	605.4	605.4	605.9	586.05	586.05	586.05	586.07
Closing GFA	605.4	605.4	605.9	606.04	586.05	586.05	586.07	586.08
Average GFA	605.4	605.4	605.65	605.97	586.05	586.05	586.06	586.07
Rate of Depreciation	4.85%	4.85%	4.85%	4.85%	4.38%	4.38%	4.38%	4.38%
Depreciation	29.39	29.39	29.4	29.42	23.11	23.11	23.11	23.11
Average Grants in GFA	0	0	0	0	0.00	0.00	0.00	0.00
Depreciation on Grants	0	0	0	0	0.00	0.00	0.00	0.00
Net Depreciation	29.39	29.39	29.4	29.42	23.11	23.11	23.11	23.11

**Table 26: Computation of Depreciation for 4<sup>th</sup> Control Period for Lakroh Small HEP (Rs. Crore)**

Depreciation	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening GFA	26.47	26.47	27.07	28.21	22.74	22.74	22.76	22.81
Closing GFA	26.47	27.07	28.21	28.21	22.74	22.76	22.81	22.81
Average GFA	26.47	26.77	27.64	28.21	22.74	22.75	22.78	22.81

Rate of Depreciation	4.92%	4.92%	4.92%	4.92%	4.40%	4.40%	4.40%	4.40%
Depreciation	1.3	1.32	1.36	1.39	0.90	0.90	0.90	0.90
Average Grants in GFA	4.95	4.95	4.95	4.95	5.23	5.23	5.23	5.23
Depreciation on Grants	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23
Net Depreciation	<b>1.06</b>	<b>1.07</b>	<b>1.12</b>	<b>1.15</b>	<b>0.67</b>	<b>0.67</b>	<b>0.67</b>	<b>0.67</b>

**Table 27: Computation of Depreciation for 4<sup>th</sup> Control Period for MePGCL old Stations (Rs. Crore)**

Depreciation	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening GFA with out Land	433.7	433.7	433.7	433.7	44.53	44.53	44.53	44.53
Closing GFA without Land	433.7	433.7	433.7	1503.8	44.53	44.53	44.53	87.33
Average GFA without Land	433.7	433.7	433.7	968.75	44.53	44.53	44.53	65.93
Rate of Depreciation	5.04%	5.04%	5.04%	5.04%	5.28%	5.28%	5.28%	5.28%
Depreciation	21.87	21.87	21.87	48.86	2.12	2.12	2.12	3.13
Average Grants in GFA	135.06	135.06	135.06	408.88	29.37	29.37	29.37	30.47
Depreciation on Grants	6.81	6.81	6.81	20.62	1.55	1.55	1.55	1.61
Net Depreciation	15.06	15.06	15.06	28.24	0.57	0.57	0.57	1.52

**Table 28: Proposed Depreciation vis-à-vis Depreciation claimed by MePGCL (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Claimed By MePGCL	61.43	29.4	1.07	15.06	62.52	29.4	1.12	15.06	64.12	29.42	1.15	28.24
Computed by Objector	40.05	23.11	0.67	0.57	40.09	23.11	0.67	0.57	40.13	23.11	0.67	1.52

### **MePGCL Reply**

- 2.1.87. JHCMA has requested to consider average GFA for computing Weighted average rate of Depreciation for Projection of Depreciation for the 4<sup>th</sup> Control Period and the closing GFA of FY 2022-23 to project future years GFA.
- 2.1.88. In regard to the above, it is submitted that the depreciation has been computed strictly as per the provisions of the MSERC Tariff Regulations 2014. The grants available in the books of accounts have been considered in proportion to the grants considered by the Commission in the determination of capital cost order for individual projects. It is reiterated that the Commission has considered NIL grants in MLHEP project capital cost order. Further, the grants

for NUHEP project have already been converted into equity, hence as on date, there is no grant in the said project. Further, with regard to the contention of JHCMA regarding the capitalization, it is submitted that this objection has no relevance as the capitalization has already been approved by the Commission in the Business Plan Order.

### Commission's Views

Commission noted the Response of the Utility.

#### c) Return on Equity for 4th Control Period

2.1.89. MePGCL has claimed opening equity of FY 2023-24 according to the closing equity claimed for FY 2022-23. The addition in equity has been claimed according to the funding claimed in the Business Plan of MePGCL.

2.1.90. The Objector has considered the opening Equity of MePGCL for FY 2023-24 equal to the closing Equity computed by the Objector for FY 2022-23. The Objector has considered the addition to GFA addition as proposed in the earlier section of this submission. The Debt:Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier.

Accordingly, the RoE computed by the Objector for the 4<sup>th</sup> Control Period is as under:

**Table 29: Computed Return on Equity for 4th Control period for MLHEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening Equity	385.65	385.65	385.95	399.3	316.99	318.03	318.03	318.31
Addition	0.00	0.30	13.35	6.71	1.04	0.01	0.27	0.40
Closing Equity	385.65	385.95	399.3	406.01	318.03	318.03	318.31	318.71
Average Equity	385.65	385.8	392.63	402.65	317.51	318.03	318.17	318.51
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
RoE	53.99	54.01	54.97	56.37	44.45	44.52	44.54	44.59

**Table 30: Computed Return on Equity for 4th Control period for NUHEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening Equity	181.61	181.61	181.61	181.76	175.81	175.82	175.82	175.82
Addition	0.00	0.00	0.15	0.04	0.00	0.00	0.00	0.00
Closing Equity	181.61	181.61	181.76	181.8	175.82	175.82	175.82	175.82
Average Equity	181.61	181.61	181.69	181.78	175.81	175.82	175.82	175.82
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	25.43	25.43	25.44	25.45	24.61	24.61	24.61	24.61



**Table 31: Computed Return on Equity for 4<sup>th</sup> Control period for Lakroh Small HEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening Equity	6.44	6.44	6.62	6.96	4.27	5.25	5.26	5.27
Addition	0	0.18	0.34	0	0.99	0.00	0.01	0.01
Closing Equity	6.44	6.62	6.96	6.96	5.25	5.26	5.27	5.27
Average Equity	6.44	6.53	6.79	6.96	4.76	5.25	5.26	5.27
Rate of ROE	14.00 %	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	0.9	0.91	0.95	0.97	0.67	0.74	0.74	0.74

**Table 32: Computed Return on Equity for 4<sup>th</sup> Control period for MePGCL old Stations (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Opening Equity	89.59	89.59	89.59	89.59	7.71	4.55	4.55	4.55
Addition	0.00	0.00	0.00	156.74	0.00	0.00	0.00	12.18
Closing Equity	89.59	89.59	89.59	246.33	4.55	4.55	4.55	16.73
Average Equity	89.59	89.59	89.59	167.96	6.13	4.55	4.55	10.64
Rate of ROE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
ROE	12.54	12.54	12.54	23.51	0.86	0.64	0.64	1.49

**Table 33: Computed ROE vis-a-vis ROE claimed by MePGCL (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Claimed by MePGCL	54.01	25.44	0.91	12.54	54.97	25.44	0.95	12.54	56.37	25.45	0.97	23.51
Proposed by Objector	44.52	24.61	0.74	0.64	44.54	24.61	0.74	0.64	44.59	24.61	0.74	1.49

### **MePGCL Reply**

- 2.1.91. JHCMA has alleged that the opening Equity of the Petitioner for FY 2023-24 is equal to the closing Equity computed by JHCMA for FY 2022-23.
- 2.1.92. It is submitted that the return on equity has been computed strictly as per the provisions of MSERC Tariff Regulations 2014. The grants available in the books of accounts have been considered in proportion to the grants considered by the Commission in the individual capital cost order. It is reiterated that the Commission has considered NIL grants in capital cost order pertaining to MLHEP project. Further, the grants for NUHEP project have already been converted into equity, hence as on date there is no grant in the said project. With regard to the contention regarding the capitalization, it is reiterated that this objection has no relevance as the capitalization has already been approved by the Commission in the Business Plan Order.

### **Commission's Views**

Commission noted the Response of the utility.

**d) Interest and Finance charges for 4<sup>th</sup> Control Period**

- 2.1.93. MePGCL has claimed opening loan of FY 2023-24 according to its claimed closing Loan in FY 2022-23. The addition in Loan has been claimed according to the funding claimed in the Business Plan of MePGCL.
- 2.1.94. The Objector has considered the opening loan of MePGCL for FY 2023-24 equal to the closing loan computed by the Objector for FY 2022-23. The Objector has considered the addition to GFA addition as proposed in the earlier section of this submission. The Debt:Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier. The loan repayment has been considered same as that projected by MePGCL.
- 2.1.95. Accordingly, the Interest and Finance Charges computed by the Objector for the 4th Control Period is as under:

**Table 34: Computation of Interest and Finance Charges for 4<sup>th</sup> Control Period for MLHEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Gross Opening Loan	899.85	899.85	899.85	899.85				
Cumulative Repayment	484.86	558.93	633.01	707.08				
Net Opening Loan	414.99	340.92	266.84	192.77	181.87	136.44	91.04	46.85
Repayment	74.07	74.07	74.07	74.07	45.43	45.43	45.43	45.43
Addition	0	0.7	31.15	15.65	0.00	0.03	1.25	0.63
Net Closing Loan	340.92	267.54	223.92	134.34	136.44	91.04	46.85	2.05
WAROI	10.13%	10.13%	10.13%	10.13%	10.24%	10.24%	10.24%	10.24%
Interest on Loan	34.53	27.1	22.68	13.61	16.29	11.64	7.06	2.50

**Table 35: Computation of Interest and Finance Charges for 4<sup>th</sup> Control Period for NUHEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Gross Opening Loan	423.76	423.76	423.76	423.76				
Cumulative Repayment	127.44	166.75	206.06	245.38				
Net Opening Loan	296.32	257.01	217.69	178.38	240.56	201.25	161.94	122.64
Repayment	39.31	39.31	39.31	39.31	39.31	39.31	39.31	39.31
Addition	0	0	0.35	0.1	0.00	0.00	0.01	0.00
Net Closing Loan	257.01	217.69	178.73	139.17	201.25	161.94	122.64	83.34
WAROI	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%
Interest on Loan	29.06	24.62	20.21	15.74	24.98	20.54	16.09	11.65

**Table 36: Computation of Interest and Finance Charges for 4<sup>th</sup> Control Period for Lakroh Small HEP (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Gross Opening Loan	15.03	15.03	15.03	15.03				
Cumulative Repayment	0.81	1.31	1.8	2.3				
Net Opening Loan	14.22	13.72	13.23	12.73	4.09	3.59	3.10	2.63
Repayment	0.5	0.5	0.5	0.5	0.50	0.50	0.50	0.50
Addition	0	0.42	0.8	0	0.00	0.02	0.03	0.00
Net Closing Loan	13.72	13.65	13.53	12.24	3.59	3.10	2.63	2.13
WAROI	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%	10.18%
Interest on Loan	1.4	1.39	1.38	1.25	0.39	0.34	0.29	0.24

**Table 37: Computation of Interest and Finance Charges for 4<sup>th</sup> Control Period for MePGCL old stations (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
Gross Opening Loan	209.22	209.22	209.22	209.22				
Cumulative Repayment	0	5	10	15				
Net Opening Loan	209.22	204.22	199.22	194.22	0.00	0.00	0.00	0.00
Repayment	5	5	5	5	0.00	0.00	0.00	0.00
Addition	0	0	0	365.73	0.00	0.00	0.00	28.43
Net Closing Loan	204.22	199.22	194.22	554.95	0.00	0.00	0.00	28.43
WAROI	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
Interest on Loan	9.56	9.33	9.09	25.98	0.00	0.00	0.00	0.67

**Table 38: Computed Interest and Finance charges by objector vis-à-vis claimed by MePGCL (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Claimed by MePGCL	27.1	20.21	1.39	9.33	22.68	20.21	1.38	9.09	13.61	15.74	1.25	25.98
Computed by Objector	11.64	20.54	0.34	0.00	7.06	16.09	0.29	0.00	2.50	11.65	0.24	0.67

### **MePGCL Reply**

2.1.96. JHCMA has considered:

the opening loan of the Petitioner for FY 2023-24 equal to the closing loan computed by the JHCMA for FY 2022-23. JHCMA has considered the addition to GFA addition as proposed in the earlier section of the objections. The Debt: Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier. The loan repayment has been considered same as that projected by the Petitioner.

It is submitted that the return on equity has been computed strictly as per the provisions of MSERC Tariff Regulations 2014. The grants available in the books

of accounts have been considered in proportion to the grants considered by the Commission in the individual capital cost order. It is reiterated that the Commission has considered NIL grants in MLHEP project capital cost order. Further, the grants for NUHEP project have already been converted into equity, hence as on date there is no grant in the said project. Further, with regards to the contention of JHCMA regarding the capitalization, it is reiterated that this objection has no relevance as the capitalization has already been approved by the Commission in the Business Plan Order.

### Commission's Views

Commission noted the Response of the utility.

#### e) O&M expenses for 4<sup>th</sup> Control Period

- 2.1.97. MePGCL has submitted that it has claimed O&M Expenses for FY 2023-24 to FY 2026-27 based on Regulation 56 of MSERC Tariff Regulations, 2014.
- 2.1.98. The Objector has computed the O&M Expenses for MePGCL for FY 2023-24 to FY 2026-27 by escalating the allowable O&M expenses for FY 2022-23, as detailed earlier, by 5.72% annually, to arrive at the O&M expenses for the Control Period.
- 2.1.99. The O&M expenses for the 4<sup>th</sup> Control Period are tabulated below:

**Table 39: O&M Expense Computed by Objector vis-à-vis claimed by MePGCL (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Claimed by MePGCL	41.80	22.00	0.70	136.10	44.20	22.00	0.70	143.80	46.80	23.30	0.80	152.10
Computed by Objector	40.33	15.65	0.57	42.72	42.64	16.55	0.60	45.16	45.08	17.49	0.63	47.75

### MePGCL Reply

- 2.1.100. JHCMA has contended that the O&M expenses for the fourth control period have been computed by them by 5.72% escalation over and above the allowable O&M expenses for FY 2022-23 annually.
- 2.1.101. In regard to the above, it is submitted that the JHCMA has not considered the terminal benefits in the O&M expenses for FY 2022-23 which are integral part of the employee expenses and hence O&M expenses. Further, JHCMA has not considered the impact of pay revision in the O&M expenses during the fourth control period. Non-consideration of the impact of pay revisions would result in the gap between the projections and actual expenses, which is contrary to the principles laid down in the National Tariff Policy 2016. Hence, the Commission may be pleased to consider the impact of pay revision as claimed by the Petitioner and allow the O&M expenses accordingly.

## Commission's Views

Commission noted the Response of the Utility.

### f) Interest on Working Capital for 4<sup>th</sup> Control Period

2.1.102. The Objector has computed the IoWC for the 4<sup>th</sup> Control Period in accordance with the MSERC Tariff Regulations and considering the components of Working Capital requirement as computed by the Objector in earlier sections of this submission. The computation of IoWC for the 4<sup>th</sup> Control Period by the Objector is given in the Tables below:

**Table 40: Computed IoWC for MLHEP for the 4<sup>th</sup> Control Period (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
O&M Expenses	3.3	3.49	3.69	3.9	3.18	3.36	3.55	3.76
Maintenance Spares	6.29	6.65	7.03	7.43	6.07	6.41	6.78	7.17
Receivables	32.63	31.77	31.78	31.19	23.98	23.58	23.22	22.89
Total Working Capital	42.22	41.9	42.5	42.52	33.23	33.36	33.55	33.81
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
IOWC	6.27	6.22	6.31	6.31	4.93	4.95	4.98	5.02

**Table 41: Computed IoWC for NUHEP for the 4<sup>th</sup> Control Period (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
O&M Expenses	1.64	1.73	1.83	1.94	1.23	1.30	1.38	1.46
Maintenance Spares	3.13	3.31	3.5	3.7	2.35	2.49	2.63	2.78
Receivables	17.82	17.26	16.72	16.19	15.05	14.44	13.84	13.24
Total Working Capital	22.59	22.31	22.06	21.82	18.63	18.23	17.84	17.48
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	3.36	3.31	3.28	3.24	2.77	2.71	2.65	2.60

**Table 42: Computed IoWC for Lakroh Small HEP for the 4<sup>th</sup> Control Period (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
O&M Expenses	0.05	0.06	0.06	0.06	0.04	0.05	0.05	0.05
Maintenance Spares	0.1	0.11	0.11	0.12	0.09	0.09	0.10	0.10
Receivables	0.69	0.7	0.71	0.71	0.39	0.40	0.40	0.39
Total Working Capital	0.84	0.86	0.89	0.89	0.52	0.54	0.54	0.55
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	0.12	0.13	0.13	0.13	0.08	0.08	0.08	0.08

**Table 43: Computed IoWC for MePGCL old stations for the 4<sup>th</sup> Control Period (Rs. Crore)**

Particulars	Claimed by MePGCL				Computed by Objector			
	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27

O&M Expenses	9.85	11.34	11.99	12.67	3.37	3.56	3.76	3.98
Maintenance Spares	18.79	21.63	22.87	24.18	6.43	6.79	7.18	7.59
Receivables	28.41	31.57	32.95	41.46	6.93	7.26	7.65	8.49
Total Working Capital	57.05	64.54	67.8	78.31	16.72	17.62	18.60	20.06
Rete of Interest	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%	14.85%
Interest on Working Capital	8.47	9.58	10.07	11.63	2.48	2.62	2.76	2.98

**Table 44: IoWC computed by Objector vis-a-vis claimed by MePGCL (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	ML HEP	NU HEP	Lakr oh	Old Plant	ML HEP	NU HEP	Lakr oh	Old Plant	ML HEP	NU HEP	Lakr oh	Old Plant
Claimed by MePGCL	6.22	3.28	0.13	9.58	6.31	3.28	0.13	10.07	6.31	3.24	0.13	11.63
Computed by Objector	4.95	2.71	0.08	2.62	4.98	2.65	0.08	2.76	5.02	2.60	0.08	2.98

### ***MePGCL Reply***

- 2.1.103. JHCMA has alleged that the components of normative Working Capital requirement are required to be revised according to the changes proposed by JHCMA in other heads of the ARR, as discussed earlier.
- 2.1.104. Regarding the above, it is submitted that since computation of interest on working capital is a consequential impact of the individual components hence the submissions made in respect of the individual components may be considered.

### **Commission's Views**

Commission noted the Response of the utility.

### **g) Accrued Terminal Benefits**

- 2.1.105. MePGCL has claimed the impact of actuarial valuation for the terminal benefits for FY 2024-25.
- 2.1.106. However, due to reasons elaborated earlier, the Objector submits that Nil amount should be allowed on account of accrued terminal benefits.

### ***MePGCL Reply***

- 2.1.107. The Petitioner would like to submit that, the objector's contention that NIL amount should be allowed on account of accrued terminal liabilities, that these liabilities are towards the accrued terminal benefits like Pension and Gratuity which the Commission has disallowed in the past owing to two reasons i.e., absence of trust and actuarial valuation. The both the conditions are now fulfilled and hence MePGCL is claiming this amount as recovery in tariff. However, to ensure that there is no excess burden on consumer MePGCL has claimed the recovery of the same in 15 years.

### Commission's Views

Commission noted the Response of the utility.

#### **h) Consolidated ARR for MePGCL as a whole and determination of tariff for 2024-25**

2.1.108. The comparison of the consolidated ARR claimed by MePGCL and the consolidated ARR computed by the Objector for the Control Period from FY 2024-25 to FY 2026-27 has been summarised in the Tables below:

**Table 45: Consolidated ARR for MePGCL as claimed by MePGCL for the Control Period from FY 2024-25 to FY 2026-27 (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Depreciation	61.43	29.4	1.07	15.06	62.52	29.4	1.12	15.06	64.12	29.42	1.15	28.24
Interest on Loan	27.1	20.21	1.39	9.33	22.68	20.21	1.38	9.09	13.61	15.74	1.25	25.98
Return on Equity	54.01	25.44	0.91	12.54	54.97	25.44	0.95	12.54	56.37	25.45	0.97	23.51
O&M Expenses	41.8	22	0.7	136.1	44.2	22	0.7	143.8	46.8	23.3	0.8	152.1
Interest on Working Capital	6.22	3.28	0.13	9.58	6.31	3.28	0.13	10.07	6.31	3.24	0.13	11.63
SLDC Charges	0	0	0	1.94	0	0	0	1.94	0	0	0	1.94
ARR	190.60	100.33	4.18	184.51	190.70	100.33	4.29	192.54	187.16	97.11	4.25	243.36
Non-Tariff Income	0.00	0.00	0.00	4.90	0	0	0	5.15	0	0	0	5.41
Review Gap 2020-21	0.00	0.00	0.00	0.00								
Gap Allowed in 2021-22	72.19	54.42	1.15	(0.90)								
Gap Claimed in 2022-23	(7.40)	231.47	5.00	(77.78)								
Gap of Terminal Liabilities	17.85	5.67	0.21	26.73								
Total Previous Gaps	82.64	291.56	6.36	(51.95)								
<b>ARR after Adjustment of Gaps</b>	<b>273.24</b>	<b>391.89</b>	<b>10.54</b>	<b>127.66</b>	<b>190.70</b>	<b>100.33</b>	<b>4.29</b>	<b>187.39</b>	<b>187.16</b>	<b>97.11</b>	<b>4.25</b>	<b>237.96</b>

**Table 46: Consolidated ARR for MePGCL as computed by the Objector for the Control Period from FY 2024-25 to FY 2026-27 (Rs. Crore)**

Particulars	2024-25				2025-26				2026-27			
	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Depreciation	40.05	23.11	0.67	0.57	40.09	23.11	0.67	0.57	40.13	23.11	0.67	1.52
Interest on Loan	11.64	20.54	0.34	0.00	7.06	16.09	0.29	0.00	2.50	11.65	0.24	0.67
Return on Equity	44.52	24.61	0.74	0.64	44.54	24.61	0.74	0.64	44.59	24.61	0.74	1.49
Operation and Maintenance	40.33	15.65	0.57	42.72	42.64	16.55	0.60	45.16	45.08	17.49	0.63	47.75
Interest on Working Capital	4.95	2.71	0.08	2.62	4.98	2.65	0.08	2.76	5.02	2.60	0.08	2.98
SLDC Charges	0.00	0.00	0.00	2.29	0.00	0.00	0.00	1.88	0.00	0.00	0.00	2.19
ARR	141.51	86.62	2.39	48.82	139.31	83.01	2.38	51.01	137.33	79.46	2.37	56.59
Non-Tariff Income	0.00	0.00	0.00	4.90	0.00	0.00	0.00	5.15	0.00	0.00	0.00	5.41
Review Gap 2020-21	0.00	0.00	0.00	0.00								
Gap/(Surplus) Allowed in 2021-22	72.19	54.42	1.15	(0.90)								
Gap/(Surplus) analyzed in 2022-23	34.32	71.50	1.03	(31.69)	34.32	71.50	1.03	(31.69)	34.32	71.50	1.03	(31.69)
Gap of Terminal Liabilities												
Total Previous Gaps	106.51	125.92	2.18	(32.59)	34.32	71.50	1.03	(31.69)	34.32	71.50	1.03	(31.69)
<b>ARR after Adjustment of Gaps</b>	<b>248.01</b>	<b>212.54</b>	<b>4.57</b>	<b>11.33</b>	<b>173.63</b>	<b>154.51</b>	<b>3.41</b>	<b>14.17</b>	<b>171.65</b>	<b>150.96</b>	<b>3.40</b>	<b>19.49</b>

### MePGCL Reply

2.1.109. It is submitted that the objection made by JHCMA under this head are the consequential impact of the objections made under the various components of the ARR which have been duly addressed by the Petitioner in the above paragraphs under relevant sections. Accordingly, regarding the computation of overall Aggregate Revenue Requirement for fourth control period, no specific justification/ explanation is required.

**Commission’s Views**

Commission noted the Response of the utility.

**i) Tariff for FY 2024-25**

2.1.110. The Generation Tariff for FY 2024-25 has been computed by dividing the computed ARR with projected Generation as per Business Plan Order. The computation is shown in the Table below:

**Table 47: Tariff of FY 2024-25 claimed by MePGCL and computed by Objector.**

Particulars	Claimed by MePGCL				Computed by Objector			
	MLHEP	NUHEP	Lakroh	Old Station	MLHEP	NUHEP	Lakroh	Old Station
ARR for 2024-25	273.24	391.89	10.54	127.66	248.01	212.54	4.57	11.33
Projected Generation	478.71	231.48	10.87	506.22	478.71	231.48	10.84	506.22
Rate (Rs/kWh)	5.71	16.93	9.70	2.52	5.18	9.18	4.22	0.22

**MePGCL Reply**

2.1.111. With regards to the determination of tariff for FY 2024-25, Petitioner would like to submit that, since tariff is based on the ARR and the individual components of which have been discussed in detailed in paragraph above, hence no specific justification for the same is required.

2.1.112. In view of the above, it is submitted that the objections/suggestions of JHCMA are devoid of any merit and ought to be rejected. The contents of the Petition are reiterated. All allegations to the contrary are wrong and are denied. The Commission may be pleased to allow truing up of expenses for FY 2022-2023, Multi-Year ARR for FY 2024-25 to FY 2026-27 and determination of generation tariff for FY 2024-25 of the Petitioner.

2.1.113. Further, the Petitioner craves leave of this Commission to make any additional submission if required or to submit additional details if directed by the Commission.

**Commission’s Views**

Commission noted the Response of the utility.



### 3. Company Profile and Performance Overview

#### 3.1. Company Profile and Performance Overview

##### Existing Generation stations and Installed Generation capacity

3.1.1. All the Generating Stations except Sonapani Mini Hydel Project and Lakroh, as indicated in the table below are hydel power stations with the main reservoir at Umiam for all the stages. Therefore, all these stages depend mainly on water availability in the Umiam reservoir. The total installed capacity of MePGCL projects as on 31.03.2019, is as shown in the table below:

**Table 48: Installed Capacity of MePGCL**

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20	22.07.1970
		II	10		24.07.1970
3	Umiam-Umtru Stage III	I	30	60	6.01.1979
		II	30		30.03.1979
4	Umiam-Umtru Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Sonapani Mini Hydel	I	1.5	1.5	27.10.2009
7	MLHEP (Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
8	NUHEP (New Umtru)	I	20	40	01.07.2017
		II	20		01.07.2017
9	Lakroh MHP	I	1.5	1.5	01.03.2019
<b>Total</b>				<b>356.20</b>	

3.1.2. MePGCL had commissioned 356.20 MW projects by the end of FY 2018-19 and all the projects, except Umtru Power station, are operating for full capacity during FY 2024-25. The generating Units of Umtru Power Station could not be operating on account of aging of Civil and E&M works and siltation of hydraulic works which prevented the project from generating power.

#### 3.2. Upcoming Projects

3.2.1. In addition to the existing capacity, MePGCL is currently executing works of Ganol SH Project and Riango SH Project which are proposed for commissioning in FY 2023-24 and FY 2024-25.

**Table 49: Details of Upcoming Plants**

Sl. No.	Name of the Plant	Design Energy (MU)	Capex Outlay (Rs. Cr.)	Debt (Rs. Cr.)	Equity (Rs. Cr.)	Grant (Rs. Cr.)	Year of Commissioning
1	Ganol SHP (3x7.5 MW)	67.00	507.71	223.11	54.62	229.98	01.08.2023
2	Riangdo SH Project (3 MW)	17.92	39.97	11.4	8.57	20	2025-26

3.2.2. MePGCL filed petition for approval of generic tariff for 22.5 MW Ganol SHP under Renewable Energy Sources Regulations 2014 for which the Tariff orders are issued separately.

### 3.3. Historical Yearly Generation for Last Five Years

3.3.1. All the Generating stations being hydro, the annual generation depends on the rainfall for the year. The yearly generation for last 5 years for the generating stations is shown in the table below:

**Table 50: Historical Energy Generation**

Sl. No.	Station	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
1	UMIAM Stage-I	85.12	108.32	149.49	64.92	113.65
2	UMIAM Stage -II	43.31	55.25	76.09	33.91	59.98
3	UMIAM Stage-III	133.83	141.83	163.71	110.19	123.69
4	UMIAM Stage-IV	166.61	164.5	188.32	125.26	169.89
5	Sonapani HEP	7.12	3.59	6.08	5.53	6.15
6	Leshka HEP	363.06	421.65	420.61	380.34	359.26
7	New Umtru	179.82	181.44	229.8	160.79	190
8	Lakroh MHP	0.05	2.11	3.69	3.98	3.41
	<b>Total</b>	<b>978.92</b>	<b>1078.69</b>	<b>1237.79</b>	<b>884.92</b>	<b>1026.03</b>

### 3.4. Design Energy

3.4.1. Commission considers the Design Energy for generating stations of MePGCL in Business Plan for the 4<sup>th</sup> Control Period from FY 2024-25 to FY 2026-27 as shown in the table below:

**Table 51: Design Energy of Generating Stations by MSERC in Tariff Order**

Sl. No	Name of the Station	Design Energy
1	Umiam Stage-I	116.00
2	Umiam Stage-II	46.00
3	Umiam Stage-III	139.00
4	Umiam Stage-IV	207.00
5	Sonapani	5.00

		(MU)
Sl. No	Name of the Station	Design Energy
6	Myntdu Leshka	486.00
7	New Umtru	235.00
8	Lakroh	11.00
9	Ganol SHP	67.00

### 3.5. Normative Plant Availability Factor (NAPAF) as approved in Business Plan

3.5.1. As per Regulation 58.1 of MYT Regulation, 2014 the Normative Plant Availability Factor norms for various types of hydro plants of MePGCL areas given below:

#### *58.1 Normative annual plant availability factor (NAPAF)*

- a) *Storage and pondage type plants where plant availability is not affected by silt and*
  - (i) *with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of upto 8 % ..... 90 %*
  - (ii) *with head variation between FRL and MDDL of more than 8% = (Head at MDDL/Rated Head) x 0.5+0.2*
- b) *Pondage type plant where plant availability is significantly affected by silt .... 85%*
- c) *Run -of- River type plants: NAPAF to be determined plant-wise, based on 10-day design energy data, moderated by past experience where available / relevant.*

#### **Note:**

- (i) *A further allowance may be made by the Commission under special circumstances, e.g., Abnormal silt problem or other operating conditions and known plant limitations.*
- (ii) *A further allowance of 5 % may be allowed for difficulties in the Northeast Region.*
- (iii) *In case of new hydroelectric project the developer shall have the option of approaching the Commission in advance for further above norms.*

**Table 52: NAPAF of MePGCL Generating Stations**

Sl. No.	Name of the Station	FY 2024-25	FY 2025-26	FY 2026-27
1	Umiam Stage-I	59.83%	59.83%	59.83%
2	Umiam Stage- II	85.00%	85.00%	85.00%
3	Umiam Stage- III	63.67%	63.67%	63.67%
4	Umiam Stage- IV	61.79%	61.79%	61.79%
5	Sonapani MHP	45.00%	45.00%	45.00%
6	Myntdu Leshka	39.00%	39.00%	39.00%
7	New Umtru	62.60%	62.60%	62.60%
8	Lakroh MHP	85.00%	85.00%	85.00%
9	Ganol SHP	34.00%	34.00%	34.00%

### 3.6. Auxiliary Energy Consumption

3.6.1. As per Regulation 58.2 of MYT Regulation,2014 the Auxiliary energy Norms for various types of hydro plants of MePGCL areas given below:

*58.2 Auxiliary energy Consumption:*

- Surface hydroelectric power generating stations with rotating exciters mounted on the generator shaft .....0.7% of energy generated.*
- Surface hydroelectric power generating stations with static excitation system.....1.0% of energy generated.*
- Underground hydroelectric power generating stations with rotating exciters.*
- mounted on the generator shaft ....0.9% of energy generated.*
- Underground hydroelectric power generating stations with static excitation system .....1.2% of energy generated.*

3.6.2. As per Regulation 58.3 of MYT Regulation,2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

*58.3 Transformation Loss:*

*From generation voltage to transmission voltage 0.5% of energy generated.*

*Only Umiam Stage IV, Myntdu Leshka, New Umtru HEPs are provided with Static Excitation System for which the Auxiliary consumption is 1.0% and other stations are provided with rotating exciter mounted on the generator shaft for which the auxiliary consumption is 0.7%.*

*As discussed above, Commission has considered Auxiliary Consumption (%) for Lakroh MHP and Ganol SH projects at 1%.*

**Table 53: Auxiliary Consumption and Transformation Loss**

Sl. No	Name of the Station	Auxiliary Consumption (%)	Transformation Loss (%)	Total (%)
1	Umiam Stage-I	0.7	0.5	1.2
2	Umiam Stage-II	0.7	0.5	1.2
3	Umiam Stage-III	0.7	0.5	1.2
4	Umiam Stage-IV	1.0	0.5	1.5

Sl. No	Name of the Station	Auxiliary Consumption (%)	Transformation Loss (%)	Total (%)
5	Sonapani MHP	0.7	0.5	1.2
6	Myntdu Leshka HEP	1.0	0.5	1.5
7	New Umtru HEP	1.0	0.5	1.5
8	Lakroh MHP	1.0	0.5	1.5
9	Ganol SHP	1.0	0	1.0

### 3.7. Summary of the Technical Details Considered for MePGCL Generating Stations.

3.7.1. As per Regulation 58.3 of MYT Regulation, 2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

**Table 54 : Technical Parameters**

Sl. No	Name of the Station	Installed Capacity (MW)	Type of Station	Type of Excitation	NAPAF (%)	Aux. Cons. (%)	Design Energy (MU)
1	Umiam Stage-I	36	Storage	Rotating Exciter as Generator	59.83	0.7	116
2	Umiam Stage-II	20	Pondage	Rotating Exciter as Generator	85.00	0.7	46
3	Umiam Stage-III	60	Pondage	Rotating Exciter as Generator	63.67	0.7	139
4	Umiam Stage-IV	60	Pondage	Static Excitation	61.79	1.0	207
5	Sonapani MHP	1.5	RoR	Rotating Exciter as Generator	45.00	0.7	5
6	Myntdu Leshka	126	RoR	Static Excitation	39.00	1.0	486
7	New Umtru	40	Pondage	Static Excitation	62.60	1.0	235
8	Lakroh MHP	1.5	RoR	Rotating Exciter as Generator	85.00	1.0	11
9	Ganol SHP	22.5	Pondage	Rotating Exciter as Generator	34.00	1.0	67

### 3.8. Gross and Net Generation

3.8.1. The Gross and Net Generation for various generating stations is as shown below:

**Table 55: Estimated Energy Gross and Net Generation for FY 2023-24**

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	139	0.7	0.5	1.2	1.668	137.332
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.940

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	67	1	0	1.0	0.67	66.20
	<b>Total</b>	<b>1312</b>				<b>18.427</b>	<b>1293.44</b>

3.8.1. The Gross and Net Generation for various stations as approved by the Commission for the Control period i.e., FY 2024-25 to FY 2026-27 based on Design Energy, Auxiliary Consumption and Transformation losses discussed in the earlier paras are given in the Tables below:

**Table 56: Gross and Net Generation approved for FY 2024-25**

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	139	0.7	0.5	1.2	1.668	137.332
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.94
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	67	1	0.5	1.5	1.005	65.995
	<b>Total</b>	<b>1312</b>				<b>18.427</b>	<b>1293.238</b>

**Table 57: Gross and Net Generation approved for FY2025-26**

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	139	0.7	0.5	1.2	0	0
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895

*MSERC Order on Aggregate Revenue Requirement of Generation Business for FY 2024-25 To FY 2026-27 & Generation Tariff for FY 2024-25 of MePGCL*

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.94
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	67	1	0.5	1.0	1.005	65.995
10	Riangdo	18	1	0.5	1.5	0.12	7.88
	<b>Total</b>	<b>1330</b>				<b>17.214</b>	<b>1163.786</b>

**Table 58: Gross and Net Generation approved for FY 2026-27**

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	129	0.7	0.5	1.2	1.548	127.452
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.94
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	67	1	0.5	1.0	1.005	65.995
10	Riangdo	18	1	0.5	1.5	0.27	17.73
	<b>Total</b>	<b>1320</b>				<b>18.912</b>	<b>1301.088</b>

## 4. Summary of Petition for 4<sup>th</sup> MYT Control period FY 2024-25 to FY 2026-27 and Generation Tariff for FY 2024-25

### 4.1. Separate Petition for MePGCL's Generating Stations

4.1.1. As per the recent tariff orders as well as applicable Regulations, MePGCL has filed separate petitions for the different generating plants. In accordance with the directives of the Hon'ble Commission and MSERC MYT Regulations 2014, the utility is filing a separate petition for,

- a) Myntdu Leshka Power Plant
- b) New Umtru
- c) Lakroh Mini HEP
- d) Old plants including Sonapani.

### 4.2. Capex and Capitalization Allowed by Commission in Business Plan for Fourth Control Period

4.2.1. Commission vide order dated 16.11.2023 has approved the business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The approved Capex and capitalization in the aforesaid order are tabulated below:

**Table 59: Approved Capitalization for Fourth Control Period FY 2024-25 to FY 2026-27**

(Rs. Cr.)						
Sl. No.	Financial Year	Lakroh	MLHEP	NUHEP	Old Project	Grand Total
1	2024-25	0.6	1.00	0.00	0.00	1.60
2	2025-26	1.14	44.50	0.50	0.00	46.14
3	2026-27	0.00	76.38	0.14	1070.10	1146.62
4	<b>Grand Total</b>	<b>1.74</b>	<b>121.88</b>	<b>0.64</b>	<b>1070.1</b>	<b>1194.36</b>

### 4.3. Summary of Capital Expenditure (Capex)

**Table 60: CAPEX-Station wise summary**

Sl. No	Station	CAPEX	Funding Pattern (Rs. Cr)		
			Equity	Debt	Grant
<b>A. Existing Stations</b>					
1	Umiam Stage-I HE Project (36 MW)	114.83	79.09	35.73	
2	Umiam Stage-II HE Project (20MW)	48.74	40.86	7.96	
3	Umiam Stage-III HE Project (60MW)	499.49	151.8	63.63	284.13
4	Umiam Stage-IV HE Project (60 MW)	31.67	11.02	20.74	
5	Umtru Power Station (11.2 MW)	0.10	0.09	0.1	
6	Sonapani MHP (1.5 MW)	0.34	0.102	0.24	
7	Myntdu Leshka HE Project (126MW)	46.85	42.175	4.92	
8	New Umtru HE Project (40MW)	0.64	0.126	0.1	
9	Lakroh MHP (1.5 MW)	1.74	1.57	0.17	
10	System Protection and Communication	8.99	2.697	6.29	
11	Dam Rehabilitation and Improvement Project	441.00	123.48		317.52



	(DRIP)				
12	Ganol SHP (22.5 MW)	45.00	13.50	31.50	
	<b>Total Existing projects</b>	<b>1239.36</b>	<b>466.521</b>	<b>171.39</b>	<b>601.65</b>
<b>B. On-going Generation plants</b>					
13	Riangdo SHP (3MW)	39.97	8.57	11.40	20.00
<b>Up-coming Generation Plants</b>					
14	Myntdu Leshka Stage-II HE Project (210 MW)	2187.88	113.81	248.24	1707.11
15	Umrina Stage-I SHP (6MW)	122.91	6.45	15.05	101.4
16	Nan-Ramnian (9MW)	163.7	1.44	3.36	158.9
17	Ganol Stage-II (14MW)	283.73	85.16	198.71	
18	Upper Khri Diversion Project	899.59	269.82	629.71	
	<b>Total On-going/Upcoming projects</b>	<b>3697.78</b>	<b>485.25</b>	<b>1106.47</b>	<b>1987.41</b>
<b>C. Survey &amp; Investigation</b>					
19	MLHEP-II (3X70) MW	2.13		0.21	1.92
20	UMNGI (2X31) MW	9.82		0.98	8.84
21	SELIM (2X40) MW	4.66		0.46	4.19
22	MAWBLEI(2X38) MW	5.62		0.56	5.06
23	NONGKOHLAIT(2X60) MW	8.84		0.88	7.96
24	Amkshar Stage-II (1X21) MW	3.01			3.01
25	Lower Rongdi SHP (1X15) MW	2.72			2.72
26	Nan Ramnian Umkhyrni Stage-II SHP (1X15) MW	2.79			2.79
27	Sidiguri SHP (1X13) MW	1.83			1.83
	<b>Total S&amp;I Works</b>	<b>41.42</b>	<b>0</b>	<b>3.107</b>	<b>38.31</b>
	<b>GRAND TOTAL (A+B+C)</b>	<b>4978.56</b>	<b>951.77</b>	<b>1280.97</b>	<b>2627.37</b>

MePGCL has submitted that only capital expenditure and capitalization for the existing plants have been considered in the instant Petition.

#### 4.4. ARR filed by Petitioner for MLHEP for the control period FY 2024-25 to FY 2026-27.

**Table 61: ARR of MLHEP for Control Period (projected)**

Particular	(Rs. Cr.)			
	2023-24	2024-25	2025-26	2026-27
Depreciation	61.41	61.43	62.52	64.12
Interest on Loan	34.53	27.10	22.68	13.61
Return on Equity	53.99	54.01	54.97	56.37
Operation and Maintenance	39.6	41.8	44.2	46.8
Interest on Working Capital	6.27	6.22	6.31	6.31
<b>ARR</b>	<b>195.77</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>
Non-Tariff Income	0	0	0	0
<b>Net ARR</b>	<b>195.77</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>

MePGCL requested Commission to approve the ARR for MLHEP as projected above.

**4.5. ARR filed by Petitioner for NUHEP for the control period FY 2024-25 to FY 2026-27**

**Table 62: ARR of NUHEP for Control Period (projected)**

Particular	(Rs. Cr.)			
	2023-24	2024-25	2025-26	2026-27
Depreciation	29.39	29.39	29.40	29.42
Interest on Loan	29.06	24.62	20.21	15.74
Return on Equity	25.43	25.43	25.44	25.45
Operation and Maintenance	19.7	20.8	22.0	23.3
Interest on Working Capital	3.36	3.31	3.28	3.24
<b>ARR</b>	<b>106.92</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>
Non-Tariff Income	0	0	0	0
<b>Net ARR</b>	<b>106.92</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>

MePGCL requested Commission to approve the ARR for NUHEP as projected above.

**4.6. ARR filed by Petitioner for Lakroh MHP for the control period FY 2024-25 to FY 2026-27**

**Table 63: ARR of Lakroh MHP for Control Period (projected)**

Particular	(Rs. Cr.)			
	2023-24	2024-25	2025-26	2026-27
Depreciation	1.06	1.07	1.12	1.15
Interest on Loan	1.40	1.39	1.38	1.25
Return on Equity	0.90	0.91	0.95	0.97
Operation and Maintenance	0.6	0.7	0.7	0.8
Interest on Working Capital	0.12	0.13	0.13	0.13
<b>ARR</b>	<b>4.12</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>
Non-Tariff Income	0	0	0	0
<b>Net ARR</b>	<b>4.12</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>

MePGCL requested Commission to approve the ARR for Lakroh Small HEP as projected above.

**4.7. ARR filed by Petitioner for Old Stations including Sonapani for the control period FY 2024-25 to FY 2026-27.**

**Table 64: ARR of MePGCL Old Stations for Control Period (projected)**

Particular	(Rs. Cr.)			
	2023-24	2024-25	2025-26	2026-27
Depreciation	15.06	15.06	15.06	28.24
Interest on Loan	9.56	9.33	9.09	25.98
Return on Equity	12.54	12.54	12.54	23.51
Operation and Maintenance	118.2	136.1	143.8	152.1
Interest on Working Capital	8.47	9.58	10.07	11.63
<b>ARR</b>	<b>1.94</b>	<b>1.94</b>	<b>1.94</b>	<b>1.94</b>
Non-Tariff Income	165.78	184.51	192.54	243.36
<b>Net ARR</b>	<b>4.67</b>	<b>4.90</b>	<b>5.15</b>	<b>5.41</b>

MePGCL requested Commission to approve the ARR for Old Stations (Including Sonapani) as projected above.

#### 4.8. Consolidated ARR For MePGCL as a whole and Determination of Tariff For 2024-25

Based on the calculation of the ARR for individual plants in the above chapters the consolidated ARR and Revenue Gap for MePGCL as a whole is tabulated below:

**Table 65: Consolidated ARR for MePGCL for Fourth Control Period (Projected)**

	FY 2024-25				FY 2025-26				FY 2026-27			
AFC	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant	MLHEP	NUHEP	Lakroh	Old Plant
Depreciation	61.43	29.40	1.07	15.06	62.52	29.40	1.12	15.06	64.12	29.42	1.15	28.24
Interest on Loan	27.10	20.21	1.39	9.33	22.68	20.21	1.38	9.09	13.61	15.74	1.25	25.98
Return on Equity	54.01	25.44	0.91	12.54	54.97	25.44	0.95	12.54	56.37	25.45	0.97	23.51
Operation and Maintenance	41.8	22.0	0.7	136.1	44.2	22.0	0.7	143.8	46.8	23.3	0.8	152.1
Interest on Working Capital	6.22	3.28	0.13	9.58	6.31	3.28	0.13	10.07	6.31	3.24	0.13	11.63
SLDC Charges	0.00	0.00	0.00	1.94	0.00	0.00	0.00	1.94	0.00	0.00	0.00	1.94
ARR	190.60	100.33	4.18	184.51	190.70	100.33	4.29	192.54	187.16	97.11	4.25	243.36
Non-Tariff Income	0.00	0.00	0.00	4.90	0.00	0.00	0.00	5.15	0.00	0.00	0.00	5.41
<b>Net ARR</b>	<b>190.60</b>	<b>100.33</b>	<b>4.18</b>	<b>179.60</b>	<b>190.70</b>	<b>100.33</b>	<b>4.29</b>	<b>187.39</b>	<b>187.16</b>	<b>97.11</b>	<b>4.25</b>	<b>237.96</b>
<b>Adjustment of Gaps</b>												
Review Gap 2020-21	0.00	0.00	0.00	0.00								
Gap Allowed in 2021-22	72.19	54.42	1.15	-0.90								
Gap Claimed in 2022-23	-7.40	231.47	5.00	-77.78								
Gap of Terminal Liabilities	17.85	5.67	0.21	26.73								
<b>Total Previous Gaps</b>	<b>82.64</b>	<b>291.56</b>	<b>6.36</b>	<b>-51.95</b>								
ARR after Adjustment of Gaps	<b>273.24</b>	<b>391.89</b>	<b>10.54</b>	<b>127.66</b>	<b>190.70</b>	<b>100.33</b>	<b>4.29</b>	<b>187.39</b>	<b>187.16</b>	<b>97.11</b>	<b>4.25</b>	<b>237.96</b>

(Rs. Cr.)

**Table 66: Calculation of Generation Tariff of Each Plant**

<b>Particular</b>	<b>MLHEP</b>	<b>NUHEP</b>	<b>Lakroh</b>	<b>Old Station</b>
ARR for 2024-25	273.24	391.89	10.54	127.66
Projected Generation	478.71	231.48	10.868	506.22
Rate (Rs/kWh)	5.71	16.93	9.70	2.52

MePGCL would like to submit that the per unit cost is inclusive of the previous year gaps as claimed in the table above.

MePGCL requests Commission to approve the Total ARR and per Unit Cost of each project as projected above.

## 5. Multi Year Tariff of the Fourth Control Period from FY 2024-25 To FY 2026-27 for MLHEP

### 5.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

5.1.1. The Opening GFA as on 01.04.2024 has been taken as the closing GFA of FY 2022-23, without considering any capitalization in the FY 2023-24. The subsequent addition has been considered as per the approved business plan for fourth control period.

5.1.2. The movement of GFA in the fourth control period is tabulated below:

**Table 67 : GFA for MLHEP for Fourth Control Period (Projected)**

(Rs. Cr.)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,285.50	1,285.50	1,286.50	1,331.00
2	Net Additional Capitalization	-	1.00	44.50	76.38
3	Closing GFA	1,285.50	1,286.50	1,331.00	1,407.38

#### Commission's Analysis

5.1.3. The closing GFA approved in the true-up order for FY 2022-23 has been considered as the opening balance for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26, and FY 2026-27, in alignment with the Commission's precedent in previous true-up orders.

5.1.4. The addition to the Gross Fixed Assets (GFA) has been approved as per capitalization outlined in the approved business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The petitioner's submissions are in accordance with the approved business plan.

5.1.5. Accordingly, the Commission approved the GFA for FY 2024-25, FY 2025-26 and FY 2026-27 are as follows:

**Table 68 : Approved GFA for MLHEP for Fourth Control Period**

(Rs. Cr.)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,285.71	1,285.71	1,286.71	1,331.21
2	Net Additional Capitalization	-	1.00	44.50	76.38
3	Closing GFA	1,285.71	1,286.71	1,331.21	1,407.59

**Commission approves GFA as above for MLHEP for the 4<sup>th</sup> MYT Control period.**

## **5.2. Grants and Funding Pattern**

### **Petitioner's Submission**

5.2.1. The funding structure for the capitalization, presented in the petition submitted has been accounted for in the approved Business Plan for the fourth control period.

**Table 69: Funding Pattern of Capitalization**

<b>(Rs. Cr.)</b>					
<b>Sl. No.</b>	<b>Funding Pattern of Capitalization</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
1	Loan	0.00	0.70	31.15	15.65
2	Equity	0.00	0.30	13.35	6.71
3	Grant	0.00	0.00	0.00	54.02
<b>4</b>	<b>Total</b>	<b>0.00</b>	<b>1.00</b>	<b>44.50</b>	<b>76.38</b>

5.2.2. Accordingly, the movement of grants in fourth control period for MLHEP has been tabulated below:

**Table 70: Movement of Grants**

<b>(Rs. Cr.)</b>					
<b>Sl. No.</b>	<b>Particular</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
1	Opening Grants	0.00	0.00	0.00	0.00
2	Addition	0.00	0.00	0.00	54.02
3	Closing Gants	0.00	0.00	0.00	54.02
<b>4</b>	<b>Average Grants</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>27.01</b>

### **Commission's Analysis**

5.2.3. For the control period FY 2024-25 to FY 2026-27, the Commission has maintained the same approach as adopted during the True-up process for FY 2022-23. The opening grant for each individual project is considered as the closing grant determined in the previous year, ensuring that it does not exceed the closing Gross Fixed Assets (GFA) approved for each respective project. The capitalization of additional grants for the year has been aligned with the Petitioner's additional submission, with a key stipulation that net depreciation, post adjustment of yearly grant amortization, remains non-negative. The closing value of capitalized grants for each commissioned asset is derived by summing the opening grant and the additional capitalization. Any balance of additional capitalization after grant adjustment is apportioned between debt and equity in a 70:30 ratio, as per regulatory norms.

5.2.4. The grant fund considered for MLHEP is tabulated below:

**Table 71 : Grants and funding pattern for MLHEP for Fourth Control Period**

(Rs. Cr.)

Sl. No.	Particulars	FY 2022-23 (True-up Approved)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,285.71	1,285.71	1,285.71	1,286.71	1,331.21
2	Addition of GFA	-	-	1.00	44.50	76.38
3	Deletion of GFA		-	-	-	-
4	Closing GFA	1,285.71	1,285.71	1,286.71	1,331.21	1,407.59
<b>5</b>	<b>Average GFA</b>	<b>1,285.71</b>	<b>1,285.71</b>	<b>1,286.21</b>	<b>1,308.96</b>	<b>1,369.40</b>
6	Opening Grant	232.14	232.14	232.14	232.14	232.14
7	Add-cap funded through grant	-	-	-	-	54.99
8	Closing Grant	232.14	232.14	232.14	232.14	287.13
<b>9</b>	<b>Average Grant</b>	<b>232.14</b>	<b>232.14</b>	<b>232.14</b>	<b>232.14</b>	<b>259.64</b>
11	<b>Addition of fresh equity for current year add-cap</b>	-	-	<b>0.30</b>	<b>13.35</b>	<b>6.42</b>
12	<b>Addition of fresh loan for current year add-cap</b>	-	-	<b>0.70</b>	<b>31.15</b>	<b>14.97</b>

**Commission considers average grant of Rs. 232.14 Cr, Rs. 232.14 Cr and Rs. 259.64 Cr. as average Grant of MLHEP for the control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

### 5.3. Depreciation

#### Petitioner's Submission

5.3.1. The depreciation has been calculated based on the average Gross Fixed Assets (GFA), with the GFA movement considered as shown in Table 39 of the petition submitted. Since the asset-wise breakup of the capitalization is currently unavailable, the weighted average depreciation rate for FY 2022-23 has been applied for the entire control period. MePGCL respectfully seeks the Hon'ble Commission's permission to claim the weighted average depreciation rate for the respective years during the true-up process, based on the actual asset breakup at that time.

5.3.2. The calculation of the depreciation is tabulated below:

**Table 72: Depreciation for MLHEP for Fourth Control Period (Projected)**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,285.50	1,285.50	1,286.50	1,331.00
2	Addition	-	1.00	44.50	76.38
3	Closing GFA	1,285.50	1,286.50	1,331.00	1,407.38



(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
4	Average GFA	1,285.50	1,286.00	1,308.75	1,369.19
5	Rate of Depreciation	4.78%	4.78%	4.78%	4.78%
6	Depreciation	61.41	61.43	62.52	65.41
7	Average Grants in GFA	-	-	-	27.50
8	Depreciation on Grants	-	-	-	1.29
9	<b>Net Depreciation</b>	61.41	61.43	62.52	64.12

5.3.1. MePGCL requested the Commission to approve the depreciation as proposed above.

### Commission's Analysis

5.3.2. The Commission has computed the allowable depreciation based on the approved closing Gross Fixed Assets (GFA) for FY 2022-23 as opening of FY 2023-24. The addition to GFA is mapped as per project specifications approved in the business plan for control period of FY 2024-25 to FY 2026-27.

5.3.3. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:*

*The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:*

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.*

*Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."*

5.3.4. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for MLHEP, as detailed in paragraph 5.2.3. The weighted average rate of depreciation is 4.87%, 4.88% and 4.89% for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

5.3.5. Accordingly, the depreciation approved for control period are as follows:

**Table 73 : Depreciation for MLHEP for FY 2022-23**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.90	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	146.67	132.00	3.34	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34	3.68
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28	17.30
6	Lines & cables	4.57	-	4.57	4.57	4.11	5.28	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33	0.004
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33	0.02
10	<b>Total</b>	<b>1285.71</b>	<b>0.00</b>	<b>1285.71</b>	<b>1285.71</b>	<b>1135.63</b>		<b>55.28</b>
11	<b>Average rate of depreciation (55.28/1135.63) *100</b>							<b>4.87%</b>
12	<b>90% of Avg. Grants</b>							<b>208.93</b>
13	<b>Less: Depreciation on Grants</b>							<b>10.17</b>
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>45.11</b>

**Commission approves Depreciation at Rs.45.11 Crore for FY 2022-23.**

**Table 74 : Depreciation for MLHEP for FY 2023-24**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.90	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	146.67	132.00	3.34	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34	3.68
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28	17.30
6	Lines & cables	4.57	-	4.57	4.57	4.11	5.28	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33	0.004
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33	0.02
10	<b>Total</b>	<b>1285.71</b>	<b>0.00</b>	<b>1285.71</b>	<b>1285.71</b>	<b>1135.63</b>		<b>55.28</b>
11	<b>Average rate of depreciation</b>							<b>4.87%</b>

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
	<b>(55.28/1135.63) *100</b>							
12	<b>90% of Avg. Grants</b>							<b>208.93</b>
13	<b>Less: Depreciation on Grants</b>							<b>10.17</b>
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>45.11</b>

**Commission approves Depreciation at Rs.45.11 Crore for FY 2023-24.**

*Table 75 : Depreciation for MLHEP for FY 2024-25*

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.9	23.90	-	0.00%	-
2	Buildings	146.67	-	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70	-	122.7	122.70	110.43	3.34%	3.69
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28%	17.30
6	Lines & cables	4.57	1.00	5.57	5.07	4.56	5.28%	0.24
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33%	0.00
9	Office Equipment	0.28		0.28	0.28	0.25	6.33%	0.02
10	<b>Total</b>	<b>1285.71</b>	<b>1.00</b>	<b>1286.71</b>	<b>1286.21</b>	<b>1136.08</b>		<b>55.30</b>
11	<b>Average rate of depreciation (55.30/1136.08) *100</b>							<b>4.87%</b>
12	<b>90% of Avg. Grants</b>							<b>208.93</b>
13	<b>Less: Depreciation on Grants</b>							<b>10.17</b>
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>45.13</b>

**Commission approves Depreciation at Rs.45.13 Crore for FY 2024-25.**

**Table 76 : Depreciation for MLHEP for FY 2025-26**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.9	23.90	-	0.00%	-
2	Buildings	146.67	-	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70	-	122.7	122.70	110.43	3.34%	3.69
5	Plant & Machinery	364.11	44.50	408.61	386.36	347.72	5.28%	18.36
6	Lines & cables	5.57	-	5.57	5.57	5.01	5.28%	0.26
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33%	0.00
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33%	0.02
10	<b>Total</b>	<b>1286.71</b>	<b>44.50</b>	<b>1331.21</b>	<b>1308.96</b>	<b>1156.55</b>		<b>56.38</b>
11	<b>Average rate of depreciation (56.38/1156.55) *100</b>							4.88%
12	<b>90% of Avg. Grants</b>							208.93
13	<b>Less: Depreciation on Grants</b>							10.19
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>46.20</b>

**Commission approves Depreciation at Rs.46.20 Crore for FY 2025-26.**

**Table 77 : Depreciation for MLHEP for FY 2026-27**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.9	23.90	-	0.00%	-
2	Buildings	146.67	-	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	76.38	699.32	661.13	595.02	5.28%	31.42
4	Other Civil Works	122.70	-	122.7	122.70	110.43	3.34%	3.69
5	Plant & Machinery	408.61	-	408.61	408.61	367.75	5.28%	19.42
6	Lines & cables	5.57	-	5.57	5.57	5.01	5.28%	0.26
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33%	0.00
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33%	0.02
10	<b>Total</b>	<b>1331.21</b>	<b>76.38</b>	<b>1407.59</b>	<b>1369.4</b>	<b>1210.95</b>		<b>59.26</b>
11	<b>Average rate of depreciation</b>							4.89%

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
	(59.26/1210.95)*100							
12	90% of Avg. Grants							233.67
13	Less: Depreciation on Grants							11.43
14	Net Depreciation for True up (Sl. no 10-13)							47.82

Commission approves Depreciation at Rs.47.82 Crore for FY 2026-27.

#### 5.4. Return on Equity (RoE)

##### Petitioner's Submission

5.4.1. The opening equity for FY 2023-24 has been taken as the closing equity of FY 2022-23. Additions to equity have been considered in accordance with the funding pattern of the capitalization, as presented in Table 40 of the petition submitted.

5.4.2. Based on this, the return on equity (RoE) has been calculated as follows:

**Table 78 : Return on Equity for MLHEP for Fourth Control Period**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening Equity	385.65	385.65	385.95	399.30
2	Addition	-	0.30	13.35	6.71
3	Closing Equity	385.65	385.95	399.30	406.01
4	Average Equity	385.65	385.80	392.63	402.65
5	Rate of ROE	14.00%	14.00%	14.00%	14.00%
6	<b>Return on Equity</b>	53.99	54.01	54.97	56.37

MePGCL prays Hon'ble Commission to approve the Return on Equity as depicted above.

#### Commission's Analysis

5.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

*“31 Return on Equity*

*31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

*Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.”*

5.4.4. The Commission has allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2022-23. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26 and FY 2026-27 excluding the average grants and contributions as outlined in table 71 above.

5.4.5. The approved equity and RoE for MLHEP for the control period FY 2024-25 to FY 2026-27 are as follows:

**Table 79 : Return on Equity for MLHEP for Fourth Control Period**

(Rs. Cr.)					
Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,285.71	1,285.71	1,286.71	1,331.21
2	Addition	-	1.00	44.50	76.38
3	Retirements	0	0	0	0
4	Closing GFA	1,285.71	1,286.71	1,331.21	1,407.59
5	Average GFA	1,285.71	1,286.21	1,308.96	1,369.40
6	Less: Average Grants	232.14	232.14	232.14	259.64
7	Net Assets	1,053.57	1,054.07	1,076.82	1,109.76
8	70% Debt component	737.50	737.85	753.77	776.83
9	30% Equity	316.07	316.22	323.05	332.93
10	<b>Return on Equity @ 14%</b>	<b>44.25</b>	<b>44.27</b>	<b>45.23</b>	<b>46.61</b>

**Commission approves Return on Equity at Rs.44.27 Crore, Rs.45.23 Crore and Rs. 46.61 crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## **5.5. Interest on Loan (IoL)**

### **Petitioner’s Submission**

5.5.1. MePGCL respectfully submits that the interest on loan has been calculated as outlined in Chapter 2 of the petition submitted. The closing loan balance for FY 2022-23 has been used as the opening loan balance for FY 2023-24, with

subsequent additions aligned to the approved funding pattern for capitalization, as detailed in the business plan.

- 5.5.2. Since the actual weighted average rate of interest will only be available at the time of trueing up for each respective year, the weighted average rate of interest for FY 2022-23 has been applied throughout the entire control period. MePGCL seeks the Hon'ble Commission's permission to claim the actual weighted average rate of interest during the true-up process of each respective year.

**Table 80 : Interest on Loan for MLHEP for Fourth Control Period**

Sl. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Gross Opening Loan	899.85	899.85	899.85	899.85
2	Cumulative Repayment	484.86	558.93	633.01	707.08
3	Net Opening Loan	414.99	340.92	266.84	192.77
4	Repayment for the year	74.07	74.07	74.07	74.07
5	Addition	-	0.70	31.15	15.65
6	Net Closing Loan	340.92	267.54	223.92	134.34
7	Weighted Average Rate of Interest (WAROI)	10.13%	10.13%	10.13%	10.13%
8	<b>Interest on Loan</b>	34.53	27.10	22.68	13.61

MePGCL prays Hon'ble Commission to approve the Interest on loan for MLHEP project as tabulated above.

### **Commission's Analysis**

- 5.5.3. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2022-23 as the opening loan balance for FY 2023-24. Addition of loan for current year has been considered as per Table 71 above. as mentioned under the current year debt addition for the additional capitalization for respective years.
- 5.5.4. Loan repayment values is considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2022-23 since, the actual weighted average rate will be determined based on actuals during the trueing up for each year.
- 5.5.5. The calculation of Interest on loan is tabulated below:

**Table 81 : Interest on Loan for MLHEP for Fourth Control Period**

**(Rs. Cr.)**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	182.19	137.08	92.65	77.60
2	Addition to Loan	-	0.70	31.15	14.97
3	Repayment	45.11	45.13	46.20	47.82
4	Closing Loan	137.08	92.65	77.60	44.75
5	Average Loan	159.63	114.86	85.12	61.17
6	Weighted Average Rate of Interest (WAROI)	11.59%	11.59%	11.59%	11.59%
7	Interest on Loan	18.50	13.31	9.87	7.09

**Commission considers Interest on Loan at Rs. 13.31 Crore, Rs. 9.87 Crore and Rs. 7.09 Crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 5.6. O&M Expenses

### Petitioner's Submission

5.6.1. MePGCL Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

5.6.2. MePGCL submits that, in accordance with the applicable regulations, the Operation and Maintenance (O&M) expenses for FY 2022-23 have been escalated at an annual rate of 5.72% to determine the O&M expenses for the fourth control period. The details of the O&M expenses for the fourth control period are presented in the table below:

**Table 82 : O&M Expenses for MLHEP for Fourth Control Period**

**(Rs. Cr.)**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	39.6	41.8	44.2	46.8

MePGCL prays the Hon'ble Commission to approve the O&M expenses for MLHEP as tabulated above.

### Commission's Analysis



- 5.6.3. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*“56 (7) “In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.”*

- 5.6.4. In accordance with Regulation 56(7) of the MYT Regulations, 2014, an annual escalation rate of 5.72% has been applied to the approved O&M expenses of Rs. 35.52 Crore for the true-up of FY 2022-23. This escalation is similarly applied for the subsequent years, resulting in the O&M expenses as outlined below:

**Table 83 : O&M Expenses for MLHEP for Fourth Control Period**

(Rs. Cr.)						
Sl. No.	Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	35.52	37.55	39.70	41.97	44.37

**Commission approves O&M for MLHEP at Rs. 39.70 Crore, Rs. 41.97 Crore and Rs. 44.37 Crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## **5.7. Interest on Working Capital (IoWC)**

### **Petitioner’s Submission**

- 5.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*“In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. “*

- 5.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 84 : Interest on Working Capital for MLHEP for Fourth Control Period**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	3.30	3.49	3.69	3.90
2	Maintenance Spares	6.29	6.65	7.03	7.43
3	Receivables	32.63	31.77	31.78	31.19
4	Total Working Capital	42.22	41.90	42.50	42.52
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	6.27	6.22	6.31	6.31

### Commission's Analysis

5.7.3. As per Regulation 34.1 (iii) of the MYT Regulations, 2014, the components of working capital will be:

*“34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.”*

5.7.4. The rate of interest is considered as per SBI prime lending rate as on 01.04.2023. Accordingly, the Commission considers Interest on Working Capital as depicted in the table below for the control period.

**Table 85: Interest on Working Capital for MLHEP for Fourth Control Period**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	3.13	3.31	3.50	3.70
2	Maintenance Spares	5.97	6.31	6.67	7.06
3	Receivables	25.08	24.58	24.74	25.21
4	Total Working Capital	34.18	34.20	34.91	35.96
5	Rate of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	5.08	5.08	5.18	5.34

**Commission approves Interest on working capital for MLHEP at Rs. 5.08 Crore, Rs. 5.18 Crore and Rs. 5.34 Crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

### 5.8. Summary of ARR

### Petitioner's Submission

- 5.8.1. The summary of ARR as submitted by the Petitioner for the control period for MLHEP is as shown below.

**Table 86 : Summary of ARR for MLHEP for Fourth Control Period (Projected)**

S.no	Particular	2023-24	2024-25	2025-26	2026-27
1	Depreciation	61.41	61.43	62.52	64.12
2	Interest on Loan	34.53	27.10	22.68	13.61
3	Return on Equity	53.99	54.01	54.97	56.37
4	Operation and Maintenance	39.6	41.8	44.2	46.8
5	Interest on Working Capital	6.27	6.22	6.31	6.31
6	ARR	195.77	190.60	190.70	187.16
7	Non-Tariff Income	0	0	0	0
8	Net ARR	195.77	190.60	190.70	187.16

MePGCL prays the Hon'ble Commission to approve the ARR for MLHEP as projected above.

### Commission's Analysis

- 5.8.2. The summary of ARR as approved by the Commission after prudence check of the petition filed by the licensee, for 4<sup>th</sup> MYT Control period for FY 2024-25, FY 2025-26 and FY 2026-27 as depicted in the table below:

**Table 87 : Summary of ARR for MLHEP for Fourth Control Period**

(Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	45.11	45.13	46.20	47.82
2	Return on Equity	44.25	44.27	45.23	46.61
3	Operation and Maintenance	37.55	39.70	41.97	44.37
4	Interest and Finance Charges	18.50	13.31	9.87	7.09
5	Interest on Working Capital	5.08	5.08	5.18	5.34
6	Gross ARR	<b>150.49</b>	<b>147.50</b>	<b>148.45</b>	<b>151.24</b>
7	Non-Tariff Income	-	-	-	-
8	Net ARR	<b>150.49</b>	<b>147.50</b>	<b>148.45</b>	<b>151.24</b>
9	Add: Revenue Gap/(Surplus) allowed in FY 2021-22		<b>72.19</b>		
10	Add: Revenue Gap/(Surplus) allowed		<b>-63.87</b>		

	in FY 2022-23				
11	Total ARR Recoverable	<b>150.49</b>	<b>155.82</b>	<b>148.45</b>	<b>151.24</b>

**Commission considers ARR for MLHEP for 4<sup>th</sup> MYT Control period at Rs. 155.82 Crore, Rs. 148.45 Crore and Rs. 151.24 Crore for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 6. Multi Year Tariff of the Fourth Control Period from FY 2024-25 To FY 2026-27 for NUHEP

### 6.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 6.1.1. The opening Gross Fixed Assets (GFA) as of 01.04.2024 have been considered as the closing GFA of FY 2022-23, without accounting for any capitalization during FY 2022-23. Subsequent additions to the GFA have been factored in accordance with the approved business plan for the fourth control period.
- 6.1.2. The movement of GFA during the fourth control period is detailed in the table below.

**Table 88 : GFA for NUHEP for Fourth Control Period (Projected)**

(Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	605.40	605.40	605.40	605.90
2	Net Additional Capitalization	-	-	0.50	0.14
3	Closing GFA	605.40	605.40	605.90	606.04

#### Commission's Analysis

- 6.1.3. The closing GFA approved in the true-up order for FY 2022-23 has been considered as the opening balance for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26, and FY 2026-27, in alignment with the Commission's precedent in previous true-up orders.
- 6.1.4. The addition to the Gross Fixed Assets (GFA) has been approved as per capitalization outlined in the approved business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The petitioner's submissions are in accordance with the approved business plan.
- 6.1.5. Accordingly, the Commission approved the GFA for FY 2024-25, FY 2025-26 and FY 2026-27 are as follows:

**Table 89 : GFA for NUHEP for Fourth Control Period (Approved)**

(Rs. Cr.)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	586.06	586.06	586.06	586.56
2	Net Additional Capitalization	-	-	0.50	0.14
3	Closing GFA	586.06	586.06	586.56	586.70

**Commission approves GFA as above for NUHEP for the 4<sup>th</sup> MYT Control period.**

## 6.2. Grants and Funding Pattern

### Petitioner's Submission

6.2.1. The funding pattern of the capitalization shown in the table above has also been considered in the approved Business plan for the fourth control period.

**Table 90 : Funding Pattern of Capitalization (Projected)**

(Rs. Cr.)					
Sl. no.	Funding Pattern of Capitalization	2023-24	2024-25	2025-26	2026-27
1	Loan	0.00	0.00	0.35	0.10
2	Equity	0.00	0.00	0.15	0.04
3	Grant	0.00	0.00	0.00	0.00
4	Total	0.00	0.00	0.50	0.14

6.2.2. Accordingly, the movement of grants in fourth control period for NUHEP has been tabulated below:

**Table 91: Movement of Grants**

(Rs. Cr.)					
Sl. No.	Details of Grants	2023-24	2024-25	2025-26	2026-27
1	Opening Grants	0.00	0.00	0.00	0.00
2	Addition	0.00	0.00	0.00	0.00
3	Closing Grants	0.00	0.00	0.00	0.00
4	Average Grants	0.00	0.00	0.00	0.00

### Commission's Analysis

6.2.3. The Commission has followed the same principle as described in paragraph 5.2.3 above. During true-up of FY 2022-23, the grant for NUHEP was not considered since vide notification no. POWER.44/2011/659, dated 26<sup>th</sup> November 2021, the grant was converted into equity. This approach is consistently applied to FY 2023-24 and throughout the control period i.e., FY 2024-25, FY 2025-26, and FY 2026-27.

6.2.4. The grant fund considered for NUHEP is tabulated below:

**Table 92 : Grants for NUHEP for Fourth Control Period**

(Rs. Cr)

Sl. No	Particulars	FY 2022-23 (True-up Approved)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	586.03	586.06	586.06	586.06	586.56

Sl. No	Particulars	FY 2022-23 (True-up Approved)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
2	Addition of GFA	0.03	-	-	0.50	0.14
3	Deletion of GFA		0	0	0	0
4	Closing GFA	586.06	586.06	586.06	586.56	586.70
5	<b>Average GFA</b>	586.05	586.06	586.06	586.31	586.63
	Opening Grant	-	-	-	-	-
6	Add-cap funded through grant	-	-	-	-	-
7	Closing Grant	-	-	-	-	-
	<b>Average Grant</b>	-	-	-	-	-
8	Addition of fresh equity for current year add-cap	0.01	-	-	0.15	0.04
9	Addition of fresh loan for current year add-cap	0.02	-	-	0.35	0.10

**Commission considers average grant of -NIL- Grant for NUHEP for the control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

### 6.3. Depreciation

#### Petitioner's Submission

6.3.1. Depreciation has been calculated based on the average Gross Fixed Assets (GFA), with the GFA movement considered as outlined in Table 48 above. As the asset-wise breakup of capitalization is not available at this stage, the weighted average rate of depreciation from FY 2022-23 has been used for calculating depreciation across the entire control period. MePGCL respectfully requests the Hon'ble Commission to allow the actual weighted average rate of depreciation for each year during the true-up process, based on the detailed asset breakup at that time.

6.3.2. The depreciation calculation is provided in the table below:

**Table 93 : Depreciation for NUHEP for Fourth Control Period**

(Rs. Cr.)					
S.no.	Depreciation	2023-24	2024-25	2025-26	2026-27
1	Opening GFA	605.40	605.40	605.40	605.90
2	Closing GFA	605.40	605.40	605.90	606.04
3	Average GFA	605.40	605.40	605.65	605.97
4	Rate of Depreciation	4.85%	4.85%	4.85%	4.85%

					(Rs. Cr.)
S.no.	Depreciation	2023-24	2024-25	2025-26	2026-27
5	Depreciation	29.39	29.39	29.40	29.42
6	Average Grants in GFA	0.00	0.00	0.00	0.00
7	Depreciation on Grants	0.00	0.00	0.00	0.00
8	Net Depreciation	29.39	29.39	29.40	29.42

### Commission's Analysis

6.3.3. The Commission has computed the allowable depreciation based on the approved closing Gross Fixed Assets (GFA) for FY 2022-23 as opening of FY 2023-24. The addition to GFA is mapped as per project specifications approved in the business plan for control period of FY 2024-25 to FY 2026-27.

6.3.4. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:*

*The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:*

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.*

*Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."*

6.3.5. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for NUHEP, as detailed in table 92. The weighted average rate of depreciation is 4.88%, 4.88% and 4.88% for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

6.3.6. Accordingly, the depreciation approved for control period are as follows:



**Table 94 : Depreciation for NUHEP for FY 2022-23**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.66	0.03	1.69	1.68	-	-	-
2	Buildings	91.87	-	91.87	91.87	82.68	0.03	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	0.05	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	0.03	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	0.05	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	0.05	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	0.10	0.16
8	Furniture	0.10	-	0.10	0.10	0.09	0.06	0.01
9	Office Equipment	0.05	-	0.05	0.05	0.05	0.06	0.00
10	<b>Total</b>	<b>586.02</b>	<b>0.03</b>	<b>586.05</b>	<b>586.04</b>	<b>525.92</b>		<b>25.68</b>
11	<b>Average rate of depreciation (25.68/525.92) *100</b>							4.88%
12	<b>90% of Avg. Grants</b>							-
13	<b>Less: Depreciation on Grants</b>							-
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.68</b>

**Commission approves Depreciation at Rs.25.68 Crore for FY 2022-23.**

**Table 95 : Depreciation for NUHEP for FY 2023-24**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.66		1.66	1.66	-	0.00%	-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	3.34%	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	5.28%	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	5.28%	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	-	0.1	0.10	0.09	6.33%	0.01
9	Office Equipment	0.05	-	0.05	0.05	0.05	6.33%	0.00
10	<b>Total</b>	<b>586.02</b>	<b>0</b>	<b>586.02</b>	<b>586.02</b>	<b>525.924</b>		<b>25.68</b>
11	<b>Average rate of depreciation</b>							4.88%

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
	<b>(25.68/525.924) *100</b>							
12	<b>90% of Avg. Grants</b>							-
13	<b>Less: Depreciation on Grants</b>							-
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.68</b>

**Commission approves Depreciation at Rs.25.68 Crore for FY 2023-24**

**Table 96 : Depreciation for NUHEP for FY 2024-25**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.66		1.66	1.66	-	0.00%	-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	3.34%	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	5.28%	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	5.28%	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	-	0.1	0.10	0.09	6.33%	0.01
9	Office Equipment	0.05	-	0.05	0.05	0.05	6.33%	0.00
10	<b>Total</b>	<b>586.02</b>	<b>0</b>	<b>586.02</b>	<b>586.02</b>	<b>525.924</b>		<b>25.68</b>
11	<b>Average rate of depreciation (25.68/525.924) *100</b>							4.88%
12	<b>90% of Avg. Grants</b>							-
13	<b>Less: Depreciation on Grants</b>							-
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.68</b>

**Commission approves Depreciation at Rs.25.68 Crore for FY 2024-25.**

**Table 97 : Depreciation for NUHEP for FY 2025-26**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.66	-	1.66	1.66	-	0.00%	-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	3.34%	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	5.28%	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	5.28%	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	-	0.1	0.10	0.09	6.33%	0.01
9	Office Equipment	0.05	0.50	0.55	0.30	0.27	6.33%	0.02
10	<b>Total</b>	<b>586.02</b>	<b>0.5</b>	<b>586.52</b>	<b>586.27</b>	<b>526.149</b>		<b>25.69</b>
11	<b>Average rate of depreciation (25.69/526.149) *100</b>							4.88%
12	<b>90% of Avg. Grants</b>							-
13	<b>Less: Depreciation on Grants</b>							-
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.69</b>

**Commission approves Depreciation at Rs.25.69 Crore for FY 2025-26.**

**Table 98 : Depreciation for NUHEP for FY 2026-27**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.66	-	1.66	1.66	-	0.00%	-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	3.34%	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	5.28%	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	5.28%	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	-	0.1	0.10	0.09	6.33%	0.01
9	Office Equipment	0.55	0.14	0.69	0.62	0.56	6.33%	0.04

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
10	<b>Total</b>	<b>586.52</b>	<b>0.14</b>	<b>586.66</b>	<b>586.59</b>	<b>526.437</b>		<b>25.71</b>
11	<b>Average rate of depreciation (25.71/526.437) *100</b>							4.88%
12	<b>90% of Avg. Grants</b>							-
13	<b>Less: Depreciation on Grants</b>							-
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.71</b>

**Commission approves Depreciation at Rs.25.71 Crore for FY 2026-27.**

#### **6.4. Return on Equity (RoE)**

##### **Petitioner's Submission**

- 6.4.1. The opening equity for FY 2023-24 has been taken as the closing equity of FY 2022-23. Any addition to equity has been factored in based on the funding pattern of capitalization, as outlined in Table 49 in the petition submitted.
- 6.4.2. Accordingly, the Return on Equity (RoE) has been calculated and is presented in the table below.

**Table 99: Return on Equity for NUHEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening Equity	181.61	181.61	181.61	181.76
2	Addition	0.00	0.00	0.15	0.04
3	Closing Equity	181.61	181.61	181.76	181.80
4	Average Equity	181.61	181.61	181.69	181.78
5	Rate of ROE	14.00%	14.00%	14.00%	14.00%
6	<b>Return on Equity</b>	<b>25.43</b>	<b>25.43</b>	<b>25.44</b>	<b>25.45</b>

MePGCL requested Commission to approve the Return on Equity as depicted above.

### Commission's Analysis

6.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

*"31 Return on Equity*

*31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

*Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."*

6.4.4. The Commission has allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in true-up order for FY 2022-23 for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26 and FY 2026-27 excluding the average grants and contributions as outlined in table 92 above.

6.4.5. The approved equity and RoE for NUHEP for the control period FY 2024-25 to FY 2026-27 are as follows:

**Table 100 : Return on Equity for NUHEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	586.06	586.06	586.06	586.56
2	Addition	-	-	0.50	0.14
3	Retirements	-	-	-	-
4	Closing GFA	586.06	586.06	586.56	586.70
5	Average GFA	586.06	586.06	586.31	586.63
6	Less: Average Grants	-	-	-	-
7	Net Assets	586.06	586.06	586.31	586.63
8	70% Debt component	410.24	410.24	410.42	410.64
9	30% Equity	175.82	175.82	175.89	175.99
10	<b>Return on Equity @ 14%</b>	<b>24.61</b>	<b>24.61</b>	<b>24.63</b>	<b>24.64</b>

**Commission approves Return on Equity at Rs.24.61 Crore, Rs.24.63 Crore and Rs. 24.64 crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

## 6.5. Interest on Loan (IoL)

### Petitioner's Submission

- 6.5.1. MePGCL submits that the interest on loan has been determined in accordance with the detailed explanation provided in Chapter 2 of the petition submitted. The closing loan balance for FY 2022-23 has been considered as the opening balance for FY 2023-24, with subsequent additions accounted for based on the approved funding pattern for capitalization in the business plan.
- 6.5.2. Since the actual weighted average rate of interest will only be available at the time of the true-up for the respective years, the weighted average rate of interest for FY 2022-23 has been applied across the entire control period. MePGCL seeks the Hon'ble Commission's approval to claim the actual weighted average rate of interest during the true-up process for the respective years.
- 6.5.3. The detailed calculation of the interest on loan is tabulated below.

**Table 101 : Interest on Loan for NUHEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Gross Opening Loan	423.76	423.76	423.76	423.76
2	Cumulative Repayment	127.44	166.75	206.06	245.38
3	Net Opening Loan	296.32	257.01	217.69	178.38
4	Repayment for the year	39.31	39.31	39.31	39.31
5	Addition	-	-	0.35	0.10
6	Net Closing Loan	257.31	217.69	178.73	139.17
7	Weighted Average Rate of Interest (WAROI)	11.31%	11.31%	11.31%	11.31%
8	<b>Interest on Loan</b>	29.06	24.62	20.21	15.74

MePGCL prays Hon'ble Commission to approve the Interest on loan for NUHEP project as tabulated above.

### Commission's Analysis

- 6.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2022-23 as the opening loan balance for FY 2023-24. Addition of loan for current year has been considered as per Table 92 above. as mentioned under the current year debt addition for the additional capitalization for respective years.

6.5.5. Loan repayment values is considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2022-23 since, the actual weighted average rate will be determined based on actuals during the trueing up for each year, in line with the Commission’s precedent in prior true-up orders.

6.5.6. The calculation of Interest on loan is tabulated below:

**Table 102: Interest on Loan for NUHEP for Fourth Control Period**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	254.19	228.52	202.84	177.50
2	Addition to Loan	-	-	0.35	0.10
3	Repayment	25.68	25.68	25.69	25.71
4	Closing Loan	228.52	202.84	177.50	151.89
5	Average Loan	241.36	215.68	190.17	164.69
6	Weighted Average Rate of Interest (WAROI)	11.31%	11.31%	11.31%	11.31%
7	Interest on Loan	27.29	24.39	21.50	18.62

**Commission considers Interest on Loan at Rs. 24.39 Crore, Rs. 21.50 Crore and Rs. 18.62 Crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

## 6.6. O&M Expenses

### Petitioner’s Submission

6.6.1. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*“56 (7) “In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.”*

6.6.2. MePGCL submits that, in accordance with the applicable regulations, the Operation and Maintenance (O&M) expenses for FY 2022-23 have been escalated at an annual rate of 5.72% to determine the O&M expenses for the fourth control period. The details of the O&M expenses for the fourth control period are presented in the table below:

**Table 103 : O&M Expenses for NUHEP for Fourth Control Period as submitted by the Petitioner.**

**(Rs. Cr.)**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	19.7	20.8	22.0	23.3

MePGCL prays the Hon'ble Commission to approve the O&M expenses for NULHEP as tabulated above.

### Commission's Analysis

6.6.3. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

6.6.4. In accordance with Regulation 56(7) of the MYT Regulations, 2014, an annual escalation rate of 5.72% has been applied to the approved O&M expenses of Rs. 13.44 Crore for the true-up of FY 2022-23. This escalation is similarly applied for the subsequent years, resulting in the O&M expenses as outlined below:

**Table 104 : O&M Expenses for NUHEP for Fourth Control Period as approved by the Commission.**

**(Rs. Cr.)**

Sl. No.	Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
4	O&M for MLHEP as per True-Up for FY 2022-23	13.44	14.21	15.02	15.88	16.79

**Commission considers O&M expenses for NUHEP at Rs. 15.02 Crore, Rs. 15.88 Crore and Rs. 16.79 Crore for 4<sup>th</sup> MYT Control period for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

### 6.7. Interest on Working Capital (IoWC)

#### Petitioner's Submission



6.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*“In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. “*

6.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 105: Interest on Working Capital for NUHEP for Fourth Control Period as submitted by the Petitioner.**

**(Rs. Cr)**

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	1.64	1.73	1.83	1.94
2	Maintenance Spares	3.13	3.31	3.50	3.70
3	Receivables	17.82	17.26	16.72	16.19
4	Total Working Capital	22.59	22.31	22.06	21.82
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	3.36	3.31	3.28	3.24

### **Commission’s Analysis**

6.7.3. As per Regulation 34.1 (iii) of the MYT Regulations, 2014, the components of working capital will be:

*“34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.”*

- 6.7.4. The interest on working capital is considered as per SBI prime lending rate as on 01.04.2023. Accordingly, the Commission considers Interest on Working Capital as depicted in the table below for the control period.

**Table 106: Interest on Working Capital for NUHEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	1.18	1.25	1.32	1.40
2	Maintenance Spares	2.26	2.39	2.52	2.67
3	Receivables	15.77	15.42	15.08	14.76
4	Total Working Capital	19.22	19.06	18.93	18.83
5	Rate of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	2.85	2.83	2.81	2.80

- 6.7.5. Commission Considers Interest on Working Capital at Rs.2.83 Crore, Rs.2.81 Crore and Rs.2.80 Crore for 4<sup>th</sup> MYT Control Period FY 2024-25, FY 2025-26 and FY 2026- 27 respectively.

## 6.8. Summary of ARR

### Petitioner's Submission

- 6.8.1. The summary of ARR as submitted by the Petitioner for the control period for NUHEP is as shown below.

**Table 107 : Summary of ARR for NUHEP for Fourth Control Period as submitted by the Petitioner.**

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	29.39	29.39	29.40	29.42
2	Return on Equity	29.06	24.62	20.21	15.74
3	Operation and Maintenance	25.43	25.43	25.44	25.45
4	Interest and Finance Charges	19.7	20.8	22.0	23.3
5	Interest on Working Capital	3.36	3.31	3.28	3.24
6	Gross ARR	106.92	103.56	100.33	97.11

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
7	Non-Tariff Income	0	0	0	0
8	Net ARR	106.92	103.56	100.33	97.11

MePGCL prays the Hon'ble Commission to approve the ARR for NUHEP as projected above.

**Commission's Analysis**

6.8.2. The summary of ARR as approved by the Commission for the control period for NUHEP is as shown below.

**Table 108 : Summary of ARR for NUHEP for Fourth Control Period**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	25.68	25.68	25.69	25.71
2	Return on Equity	24.61	24.61	24.63	24.64
3	Operation and Maintenance	14.21	15.02	15.88	16.79
4	Interest and Finance Charges	27.29	24.39	21.50	18.62
5	Interest on Working Capital	2.85	2.83	2.81	2.80
6	Gross ARR	<b>94.64</b>	<b>92.53</b>	<b>90.51</b>	<b>88.55</b>
7	Non-Tariff Income	-	-	-	-
8	Net ARR	<b>94.64</b>	<b>92.53</b>	<b>90.51</b>	<b>88.55</b>
9	Add: Revenue Gap/(Surplus) allowed in FY 2021-22		<b>54.42</b>		
10	Add: Revenue Gap/(Surplus) allowed in FY 2022-23		<b>208.61</b>		
11	Total ARR Recoverable	<b>94.64</b>	<b>355.56</b>	<b>90.51</b>	<b>88.55</b>

**Commission considers ARR for NUHEP for 4<sup>th</sup> MYT Control period at Rs. 355.56 Crore, Rs. 90.51 Crore and Rs. 88.55 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

## 7. Multi Year Tariff of the Fourth Control Period from FY 2024-25 To FY 2026-27 for Lakroh Mini HEP

### 7.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 7.1.1. The opening Gross Fixed Assets (GFA) as of 01.04.2024 have been considered as the closing GFA of FY 2022-23, without accounting for any capitalization during FY 2022-23. Subsequent additions to the GFA have been factored in accordance with the approved business plan for the fourth control period.
- 7.1.2. The movement of GFA during the fourth control period is detailed in the table below.

**Table 109: GFA for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	26.47	26.47	27.07	28.21
2	Net Additional Capitalization	-	0.60	1.14	-
3	Closing GFA	26.47	27.07	28.21	28.21

#### Commission's Analysis

- 7.1.3. The closing GFA approved in the true-up order for FY 2022-23 has been considered as the opening balance for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26, and FY 2026-27, in alignment with the Commission's precedent in previous true-up orders.
- 7.1.4. The addition to the Gross Fixed Assets (GFA) has been approved as per capitalization outlined in the approved business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The petitioner's submissions are in accordance with the approved business plan.
- 7.1.5. Accordingly, the Commission approved the GFA for FY 2024-25, FY 2025-26 and FY 2026-27 are as follows:

**Table 110: GFA for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	22.73	22.73	23.33	24.47
2	Net Additional Capitalization	-	0.60	1.14	-
3	Closing GFA	22.73	23.33	24.47	24.47

**Commission considers GFA at Rs. 23.33 Crore, Rs. 24.47 Crore and Rs. 24.47 Crore for the control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 7.2. Grants and Funding Pattern

### Petitioner's Submission

7.2.1. The funding pattern of the capitalization shown in the table above has also been considered in the approved Business plan for the fourth control period.

**Table 111: Funding Pattern of Capitalization (Projected)**

S.no	Funding Pattern of Capitalization	2023-24	2024-25	2025-26	2026-27
1	Loan	0.00	0.42	0.80	0.00
2	Equity	0.00	0.18	0.34	0.00
3	Grant	0.00	0.00	0.00	0.00
4	Total	0.00	0.60	1.14	0.00

7.2.2. Accordingly, the movement of grants in fourth control period for Lakroh Mini HEP has been tabulated below:

**Table 112: Movement of Grants**

Details of Grants	2023-24	2024-25	2025-26	2026-27
Opening Grants	4.95	4.95	4.95	4.95
Addition	0.00	0.00	0.00	0.00
Closing Grants	4.95	4.95	4.95	4.95
Average Grants	4.95	4.95	4.95	4.95

### Commission's Analysis

7.2.3. As per grant adjustment outlined in para 5.2.3 above, the Commission has adjusted the grant for Lakroh MHP as detailed in the table below:

**Table 113 : Grants for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2022-23 (True-up Approved)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	22.68	22.73	22.73	23.33	24.47
2	Addition of GFA	0.05	-	0.60	1.14	-
3	Deletion of GFA	-	-	-	-	-
4	Closing GFA	22.73	22.73	23.33	24.47	24.47
5	<b>Average GFA</b>	<b>22.71</b>	<b>22.73</b>	<b>23.03</b>	<b>23.90</b>	<b>24.47</b>
	Opening Grant	11.75	11.75	11.75	11.75	11.75
6	Add-cap funded through grant		-	-	-	-
7	Closing Grant	11.75	11.75	11.75	11.75	11.75
	<b>Average Grant</b>	<b>11.75</b>	<b>11.75</b>	<b>11.75</b>	<b>11.75</b>	<b>11.75</b>
8	<b>Addition of fresh equity for current year add-cap</b>	<b>0.01</b>	-	<b>0.18</b>	<b>0.34</b>	-
9	<b>Addition of fresh loan for current year add-cap</b>	<b>0.03</b>	-	<b>0.42</b>	<b>0.80</b>	-

**Commission approves Rs. 11.75 Cr., for all year as average Grant of Lakroh Mini HP for the control period FY 2024-25, FY 2025-26, and FY 2026-27.**

### 7.3. Depreciation

#### Petitioner's Submission

7.3.1. The depreciation has been computed on the basis of the average Gross Fixed Assets (GFA). The movement of GFA has been considered as shown in Table 57 above. Furthermore, since the asset-wise breakup of the capitalization is not available at this stage, the weighted average rate of depreciation for FY 2022-23 has been applied for the calculation of depreciation across the entire control period. MePGCL respectfully seeks the Hon'ble Commission's approval to adjust the weighted average rate of depreciation based on the actual asset-wise breakup at the time of truing up for the respective years.

7.3.2. The detailed calculation of depreciation is presented below.

**Table 114 : Depreciation for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	26.47	26.47	27.07	28.21
2	Closing GFA	26.47	27.07	28.21	28.21
3	Average GFA	26.47	26.77	27.64	28.21
4	Rate of Depreciation	4.92%	4.92%	4.92%	4.92%
5	Depreciation	1.30	1.32	1.36	1.39
6	Average Grants in GFA	4.95	4.95	4.95	4.95
7	Depreciation on Grants	0.24	0.24	0.24	0.24
8	<b>Net Depreciation</b>	1.06	1.07	1.12	1.15

MePGCL prays the Hon'ble Commission to approve the depreciation as proposed above.

### Commission's Analysis

7.3.3. The Commission has computed the allowable depreciation based on the approved closing Gross Fixed Assets (GFA) for FY 2022-23 as opening of FY 2023-24. The addition to GFA is mapped as per project specifications approved in the business plan for control period of FY 2024-25 to FY 2026-27.

7.3.4. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:*

*The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:*

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.*

*Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."*

7.3.5. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for Lakroh Mini HP, as detailed in table no. 113 above. The weighted average rate of depreciation is 4.90%, 4.91% and 4.92% for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

7.3.6. Accordingly, the depreciation approved for control period are as follows:

**Table 115 : Depreciation for Lakroh Mini HEP for FFY 2022-23**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-	-	-	-	-	-	-
2	Buildings	2.36	-	2.36	2.36	2.12	0.03	0.07
3	Hydraulic Works	9.32	0.05	9.37	9.34	8.41	0.05	0.44
4	Other Civil Works	2.18	-	2.18	2.18	1.96	0.03	0.07
5	Plant & Machinery	7.29	-	7.29	7.29	6.56	0.05	0.35
6	Lines & cables	1.52	-	1.52	1.52	1.37	0.05	0.07
7	Vehicles	-	-	-	-	-	0.10	-
8	Furniture	0.01	-	0.01	0.01	0.01	0.06	0.00
9	Office Equipment	0.01	-	0.01	0.01	0.01	0.06	0.00
10	<b>Total</b>	<b>22.68</b>	<b>0.05</b>	<b>22.73</b>	<b>22.71</b>	<b>20.44</b>		<b>1.00</b>
11	<b>Average rate of depreciation (1.00/20.44) *100</b>							0.05
12	<b>90% of Avg. Grants</b>							10.58
13	<b>Less: Depreciation on Grants</b>							0.52
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>0.48</b>

**Commission approves Depreciation at Rs. 0.48 Crore for FY 2022-23.**

**Table 116 : Depreciation for Lakroh Mini HEP for FY 2023-24**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-	-	0	-	-	0.00%	-
2	Buildings	2.36	-	2.36	2.36	2.12	3.34%	0.07
3	Hydraulic Works	9.32	-	9.32	9.32	8.39	5.28%	0.44
4	Other Civil Works	2.18	-	2.176	2.18	1.96	3.34%	0.07
5	Plant & Machinery	7.29	-	7.29	7.29	6.56	5.28%	0.35



(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
6	Lines & cables	1.52	-	1.52	1.52	1.37	5.28%	0.07
7	Vehicles	-	-	0	-	-	9.50%	-
8	Furniture	0.01	-	0.009	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01	-	0.008	0.01	0.01	6.33%	0.00
10	<b>Total</b>	<b>22.683</b>	<b>-</b>	<b>22.683</b>	<b>22.683</b>	<b>20.415</b>		<b>1.00</b>
11	<b>Average rate of depreciation (1.00/20.415) *100</b>							4.89%
12	<b>90% of Avg. Grants</b>							10.58
13	<b>Less: Depreciation on Grants</b>							0.52
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>0.48</b>

**Commission approves Depreciation at Rs.0.48 Crore for FY 2023-24**

**Table 117 : Depreciation for Lakroh Mini HEP for FY 2024-25**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-		0	-	-	0.00%	-
2	Buildings	2.36		2.36	2.36	2.12	3.34%	0.07
3	Hydraulic Works	9.32		9.32	9.32	8.39	5.28%	0.44
4	Other Civil Works	2.18		2.176	2.18	1.96	3.34%	0.07
5	Plant & Machinery	7.29		7.29	7.29	6.56	5.28%	0.35
6	Lines & cables	1.52	0.60	2.12	1.82	1.64	5.28%	0.09
7	Vehicles	-		0	-	-	9.50%	-
8	Furniture	0.01		0.009	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01		0.008	0.01	0.01	6.33%	0.00
10	<b>Total</b>	<b>22.683</b>	<b>0.6</b>	<b>23.283</b>	<b>22.983</b>	<b>20.685</b>		<b>1.01</b>
11	<b>Average rate of depreciation (1.01/20.685) *100</b>							4.90%
12	<b>90% of Avg. Grants</b>							10.58
	<b>Less:</b>							0.52

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
13	Depreciation on Grants							
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>0.50</b>

**Commission approves Depreciation at Rs.0.50 Crore for FY 2024-25.**

**Table 118 : Depreciation for Lakroh Mini HEP for FY 2025-26**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-		0	-	-	0.00%	-
2	Buildings	2.36		2.36	2.36	2.12	3.34%	0.07
3	Hydraulic Works	9.32		9.32	9.32	8.39	5.28%	0.44
4	Other Civil Works	2.18		2.176	2.18	1.96	3.34%	0.07
5	Plant & Machinery	7.29	1.14	8.43	7.86	7.07	5.28%	0.37
6	Lines & cables	2.12		2.12	2.12	1.91	5.28%	0.10
7	Vehicles	-		0	-	-	9.50%	-
8	Furniture	0.01		0.009	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01		0.008	0.01	0.01	6.33%	0.00
10	<b>Total</b>	<b>23.283</b>	<b>1.14</b>	<b>24.423</b>	<b>23.853</b>	<b>21.468</b>		<b>1.05</b>
11	<b>Average rate of depreciation (1.05/21.468) *100</b>							4.91%
12	<b>90% of Avg. Grants</b>							10.58
13	<b>Less: Depreciation on Grants</b>							0.52
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>0.54</b>

**Commission approves Depreciation at Rs.0.54 Crore for FY 2025-26.**

**Table 119 : Depreciation for Lakroh Mini HEP for FY 2026-27**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-		0	-	-	0.00%	-

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
2	Buildings	2.36		2.36	2.36	2.12	3.34%	0.07
3	Hydraulic Works	9.32		9.32	9.32	8.39	5.28%	0.44
4	Other Civil Works	2.18		2.176	2.18	1.96	3.34%	0.07
5	Plant & Machinery	8.43		8.43	8.43	7.59	5.28%	0.40
6	Lines & cables	2.12		2.12	2.12	1.91	5.28%	0.10
7	Vehicles	-		0	-	-	9.50%	-
8	Furniture	0.01		0.009	0.01	0.01	6.33%	0.00
9	Office Equipment	0.01		0.008	0.01	0.01	6.33%	0.00
10	<b>Total</b>	<b>24.423</b>	<b>-</b>	<b>24.423</b>	<b>24.423</b>	<b>21.981</b>		<b>1.08</b>
11	<b>Average rate of depreciation (1.08/21.981) *100</b>							4.92%
12	<b>90% of Avg. Grants</b>							10.58
13	<b>Less: Depreciation on Grants</b>							0.52
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>0.56</b>

**Commission approves Depreciation at Rs.0.56 Crore for FY 2026-27.**

#### **7.4. Return on Equity (RoE)**

##### **Petitioner's Submission**

7.4.1. The opening equity for FY 2023-24 has been taken as the closing equity of FY 2022-23. Any addition to equity has been factored in based on the funding pattern of capitalization, as outlined in Table 58 in the petition submitted.

7.4.2. Accordingly, the Return on Equity (RoE) has been calculated and is presented in the table below.

**Table 120 : Return on Equity for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening Equity	6.44	6.44	6.62	6.96
2	Addition	-	0.18	0.34	-

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
3	Closing Equity	6.44	6.62	6.96	6.96
4	Average Equity	6.44	6.53	6.79	6.96
5	Rate of ROE	14.00%	14.00%	14.00%	14.00%
6	<b>Return on Equity</b>	0.90	0.91	0.95	0.97

**MePGCL prays Hon'ble Commission to approve the Return on Equity as depicted above.**

### Commission's Analysis

7.4.3. As per Regulation 31 read with 27 of MSERC MYT Regulations 2014

*"31 Return on Equity*

*31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

*Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."*

7.4.4. The Commission has allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in true-up order for FY 2022-23 for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26 and FY 2026-27 excluding the average grants and contributions as outlined in table no. 113 above.

7.4.5. The approved equity and RoE for Lakroh Mini HP for the control period FY 2024-25 to FY 2026-27 are as follows:

**Table 121 : Return on Equity for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	22.73	22.73	23.33	24.47
2	Addition	-	0.60	1.14	-
3	Retirements	-	-	-	-
4	Closing GFA	22.73	23.33	24.47	24.47
5	Average GFA	22.73	23.03	23.90	24.47
6	Less: Average Grants	11.75	11.75	11.75	11.75
7	Net Assets	10.98	11.28	12.15	12.72
8	70% Debt component	7.68	7.89	8.50	8.90
9	30% Equity	3.29	3.38	3.64	3.82
10	<b>Return on Equity @ 14%</b>	<b>0.46</b>	<b>0.47</b>	<b>0.51</b>	<b>0.53</b>

**Commission approves Return on Equity at Rs.0.47 Crore, Rs.0.51 Crore and Rs. 0.53 crore for 4<sup>th</sup> MYT control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

### **7.5. Interest on Loan (IoL)**

#### **Petitioner's Submission**

- 7.5.1. MePGCL submits that the interest on loan has been computed in accordance with the detailed explanation provided in Chapter 2 in the petition submitted. The closing loan balance for FY 2022-23 has been treated as the opening loan balance for FY 2023-24, with subsequent additions based on the approved funding pattern of capitalization outlined in the business plan. As the actual weighted average rate of interest will be available during the true-up process for the respective years, the weighted average rate of interest for FY 2022-23 has been applied across the entire control period.
- 7.5.2. MePGCL respectfully requests the Hon'ble Commission to allow the actual weighted average rate of interest to be claimed at the time of truing up for the respective years.
- 7.5.3. The calculation of interest on loan is presented below.

**Table 122 : Interest on Loan for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Gross Opening Loan	15.03	15.03	15.03	15.03
2	Cumulative Repayment	0.81	1.31	1.80	2.30
3	Net Opening Loan	14.22	13.72	13.23	12.73
4	Repayment for the year	0.50	0.50	0.50	0.50
5	Addition	-	0.42	0.80	-
6	Net Closing Loan	13.72	13.65	13.53	12.24
7	WAROI	10.18%	10.18%	10.18%	10.18%
8	<b>Interest on Loan</b>	1.40	1.39	1.38	1.25

**MePGCL prays Hon'ble Commission to approve the Interest on loan for Lakroh Mini HEP project as tabulated above.**

#### **Commission's Analysis**

- 7.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2022-23 as the opening loan balance for FY 2023-24. Addition of loan for current year has been

considered as per Table no. 113 above. as mentioned under the current year debt addition for the additional capitalization for respective years.

7.5.5. Loan repayment values is considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2022-23 since, the actual weighted average rate will be determined based on actuals during the trueing up for each year, in line with the Commission's precedent in prior true-up orders.

7.5.6. The calculation of Interest on loan is tabulated below:

**Table 123 : Interest on Loan for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	3.58	3.10	3.03	3.29
2	Addition to Loan	-	0.42	0.80	-
3	Repayment	0.48	0.50	0.54	0.56
4	Closing Loan	3.10	3.03	3.29	2.73
5	Average Loan	3.34	3.06	3.16	3.01
6	Weighted Average Rate of Interest (WAROI)	10.18%	10.18%	10.18%	10.18%
7	Interest on Loan	0.34	0.31	0.32	0.31

**Commission considers Interest and Finance charges at Rs. 0.31 Crore, Rs.0.32 Crore and Rs.0.31 Crore for 4<sup>th</sup> MYT Control period for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 7.6. O&M Expenses

### Petitioner's Submission

7.6.1. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

7.6.2. MePGCL submits that, in accordance with the applicable regulations, the Operation and Maintenance (O&M) expenses for FY 2022-23 have been

escalated at an annual rate of 5.72% to determine the O&M expenses for the fourth control period.

- 7.6.3. The details of the O&M expenses for the fourth control period are presented in the table below:

**Table 124: O&M Expenses for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	0.64	0.67	0.71	0.75

MePGCL prays the Hon'ble Commission to approve the O&M expenses for Lakroh Mini HEP as tabulated above.

### Commission's Analysis

- 7.6.4. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

- 7.6.5. In accordance with Regulation 56(7) of the MYT Regulations, 2014, an annual escalation rate of 5.72% has been applied to the approved O&M expenses of Rs. 0.54 Crore for the true-up of FY 2022-23. This escalation is similarly applied for the subsequent years, resulting in the O&M expenses as outlined below:

**Table 125: O&M Expenses for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	0.54	0.57	0.60	0.63

**Commission considers O&M expenses for Lakroh Mini HP at Rs. 0.57 Crore, Rs. 0.60 Crore and Rs.0.63 Crore for 4th MYT Control period for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 7.7. Interest on Working Capital (IoWC)

### Petitioner's Submission

7.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

7.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 126:: Interest on Working Capital for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	0.05	0.06	0.06	0.06
2	Maintenance Spares	0.10	0.11	0.11	0.12
3	Receivables	0.69	0.70	0.71	0.71
4	Total Working Capital	0.84	0.86	0.89	0.89
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	0.12	0.13	0.13	0.13

### Commission's Analysis

7.7.3. As per Regulation 34.1 (iii) of the MYT Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital*



34.1(iii) In case of hydro power generating stations, working capital shall cover:

Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations.”

- 7.7.4. The interest on working capital is considered as per SBI prime lending rate as on 01.04.2023. Accordingly, the Commission considers Interest on Working Capital as depicted in the table below for the control period.

**Table 127: Interest on Working Capital for Lakroh Mini HEP for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	0.04	0.05	0.05	0.05
2	Maintenance Spares	0.09	0.09	0.10	0.10
3	Receivables	0.31	0.32	0.34	0.35
4	Total Working Capital	0.44	0.46	0.49	0.51
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	0.07	0.07	0.07	0.08

**Commission Considers Interest on Working Capital at Rs. 0.07 Crore, Rs.0.07 Crore and Rs.0.08 Crore for 4<sup>th</sup> MYT Control Period FY 2024-25, FY 2025-26 and FY 2026- 27 respectively.**

## 7.8. Summary of ARR Petitioner’s Submission

- 7.8.1. The summary of ARR as submitted by the Petitioner for the control period for Lakroh Mini HEP is as shown below.

**Table 128 : Summary of ARR for Lakroh Mini HEP for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
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1	Depreciation	1.06	1.07	1.12	1.15
2	Interest and Finance Charges	1.40	1.39	1.38	1.25
3	Return on Equity	0.90	0.91	0.95	0.97
4	Operation and Maintenance	0.6	0.7	0.7	0.8
5	Interest on Working Capital	0.12	0.13	0.13	0.13
6	Gross ARR	<b>4.12</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>
7	Non-Tariff Income	-	-	-	-
8	Net ARR	4.12	4.18	4.29	4.25

MePGCL prays the Hon'ble Commission to approve the ARR for Lakroh Small HEP as projected above.

### **Commission's Analysis**

7.8.2. The summary of ARR as approved by the Commission for the control period for Lakroh Mini HEP is as shown below.

**Table 129: Summary of ARR for Lakroh Mini HP for Fourth Control Period**

(Rs. Cr.)					
Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	0.48	0.50	0.54	0.56
2	Return on Equity	0.46	0.47	0.51	0.53
3	Operation and Maintenance	0.54	0.57	0.60	0.63
4	Interest and Finance Charges	0.34	0.31	0.32	0.31
5	Interest on Working Capital	0.07	0.07	0.07	0.08
6	Gross ARR	<b>1.89</b>	<b>1.92</b>	<b>2.04</b>	<b>2.11</b>
7	Non-Tariff Income	-	-	-	-
8	Net ARR	1.89	1.92	2.04	2.11
9	Add: Revenue Gap/(Surplus) allowed in FY 2021-22		<b>1.15</b>		
10	Add: Revenue Gap/(Surplus) allowed in FY 2022-23		<b>2.74</b>		
11	Total ARR Recoverable	<b>1.89</b>	<b>5.81</b>	<b>2.04</b>	<b>2.11</b>

**Commission considers ARR for Lakroh Mini HP for 4<sup>th</sup> MYT Control period at Rs. 5.81 Crore, Rs. 2.04 Crore and Rs. 2.11 Crore for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 8. Multi Year Tariff of the Fourth Control Period from FY 2024-25 To FY 2026-27 for Old Stations including Sonapani.

### 8.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 8.1.1. The opening Gross Fixed Assets (GFA) as of 01.04.2024 have been considered as the closing GFA of FY 2022-23, without accounting for any capitalization during FY 2022-23. Subsequent additions to the GFA have been factored in accordance with the approved business plan for the fourth control period.
- 8.1.2. The movement of GFA during the fourth control period is detailed in the table below:

**Table 130: GFA for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	433.70	433.70	433.70	433.70
2	Net Additional Capitalization	-	-	-	1070.10
3	Closing GFA	433.70	433.70	433.70	1503.80

#### Commission's Analysis

- 8.1.3. The closing GFA approved in the true-up order for FY 2022-23 has been considered as the opening balance for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26, and FY 2026-27, in alignment with the Commission's precedent in previous true-up orders.
- 8.1.4. The addition to the Gross Fixed Assets (GFA) has been approved as per capitalization outlined in the approved business plan for generation business for fourth control period i.e., FY 2024-25 to FY 2026-27. The petitioner's submissions are in accordance with the approved business plan.
- 8.1.5. Accordingly, the Commission approved the GFA for FY 2024-25, FY 2025-26 and FY 2026-27 are as follows:

**Table 131: GFA for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

(Rs.Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	51.74	51.74	51.74	51.74
2	Net Additional Capitalization	-	-	-	1,070.10

(Rs.Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
3	Closing GFA	51.74	51.74	51.74	1,121.84

**Commission considers GFA at Rs. 51.74 Crore, Rs. 51.74 Crore and Rs. 1121.84 Crore for the control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

## 8.2. Grants and Funding Pattern

### Petitioner's Submission

8.2.1. The funding pattern of the capitalization shown in the table above has also been considered in the approved Business plan for the fourth control period.

**Table 132: Funding Pattern of Capitalization (Projected)**

S.no	Funding Pattern of Capitalization	2023-24	2024-25	2025-26	2026-27
1	Loan	0.00	0.00	0.00	365.73
2	Equity	0.00	0.00	0.00	156.74
3	Grant	0.00	0.00	0.00	547.63
4	Total	0.00	0.00	0.00	1070.10

8.2.2. Accordingly, the movement of grants in fourth control period for Old Stations including Sonapani has been tabulated below:

**Table 133: Movement of Grants**

Details of Grants	2023-24	2024-25	2025-26	2026-27
Opening Grants	135.06	135.06	135.06	135.06
Addition	0.00	0.00	0.00	547.63
Closing Grants	135.06	135.06	135.06	682.69
Average Grants	135.06	135.06	135.06	408.88

### Commission's Analysis

8.2.3. As per grant adjustment considered is outlined in para 5.2.3 above, the Commission has adjusted the grant for old stations including Sonapani as detailed in the table below:

**Table 134: Grants for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

Sl. no	Particulars	FY 2022-23 (True-up Approved)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	50.46	51.74	51.74	51.74	51.74
2	Addition of GFA	1.30	-	-	-	1,070.10
3	Deletion of GFA	0.02	-	-	-	-
4	Closing GFA	51.74	51.74	51.74	51.74	1,121.84
5	<b>Average GFA</b>	51.10	51.74	51.74	51.74	586.79
	Opening Grant	22.46	22.46	22.46	22.46	22.46
6	Add-cap funded through grant		-	-	-	770.47
7	Closing Grant	22.46	22.46	22.46	22.46	792.93
	<b>Average Grant</b>	<b>22.46</b>	<b>22.46</b>	<b>22.46</b>	<b>22.46</b>	<b>407.70</b>
8	<b>Addition of fresh equity for current year add-cap</b>	<b>0.38</b>	-	-	-	<b>89.89</b>
9	<b>Addition of fresh loan for current year add-cap</b>	<b>0.89</b>	-	-	-	<b>209.74</b>

**Commission considers average grant of Rs. 22.46 Crore, Rs. 22.46 Crore and Rs. 407.70 Crore, for all year as average Grant of Lakroh Mini HP for the control period FY 2024-25, FY 2025-26, and FY 2026-27 respectively.**

### **8.3. Depreciation**

#### **Petitioner's Submission**

8.3.1. The depreciation has been computed based on the average Gross Fixed Assets (GFA), with the GFA movement considered as detailed in Table 66 in the petition. Since the asset-wise breakup of capitalization is not available at this time, the weighted average rate of depreciation for FY 2022-23 has been applied for the entire control period. MePGCL respectfully requests the Hon'ble Commission to allow the weighted average rate of depreciation to be adjusted as per the actual asset breakup at the time of truing up for each respective year.

8.3.2. The calculation of depreciation is provided in the table below:

**Table 135: Depreciation for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	433.70	433.70	433.70	433.70
2	Closing GFA	433.70	433.70	433.70	1503.80
3	Average GFA	433.70	433.70	433.70	968.75
4	Rate of Depreciation	5.04%	5.04%	5.04%	5.04%
5	Depreciation	21.87	21.87	21.87	48.85
6	Average Grants in GFA	135.06	135.06	135.06	408.88
7	Depreciation on Grants	6.81	6.81	6.81	20.62
8	<b>Net Depreciation</b>	15.06	15.06	15.06	28.24

### Commission's Analysis

8.3.3. The Commission has computed the allowable depreciation based on the approved closing Gross Fixed Assets (GFA) for FY 2022-23 as opening of FY 2023-24. The addition to GFA is mapped as per project specifications approved in the business plan for control period of FY 2024-25 to FY 2026-27.

8.3.4. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:*

*The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:*

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to maximum of 90 % of the capital cost of the asset.*

*Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time."*

8.3.5. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for old station including Sonapani, as

detailed in table no. 134 above. The weighted average rate of depreciation is 5.28%, 5.28% and 4.80% for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

**Table 136: Depreciation for Old Stations including Sonapani for FY 2022-23**

		Rs. Cr.
Sl. No.	Particulars	Amount
1	GFA as on 31.03.2022	50.46
2	Additions during FY 2022-23	1.30
3	Retirements	0.02
<b>4</b>	<b>Closing GFA</b>	<b>51.74</b>
5	Average Assets for FY 2022-23	51.10
6	90% of Average Assets	45.99
7	Deprecation at 5.28% (45.99*5.28%)	2.43
8	90% of Average Grants Available	20.21
9	<b>Less: Dep on Grants (20.21*5.28%)</b>	<b>1.07</b>
<b>10</b>	<b>Net Depreciation (sl.no.7 - sl.no.9)</b>	<b>1.36</b>

**Commission approves Depreciation at Rs. 1.36 Crore for FY 2022-23.**

**Table 137: Depreciation for Old Stations including Sonapani for FY 2023-24**

		Rs. Cr.
Sl. No.	Particulars	Amount
1	GFA as on 31.03.2022	51.74
2	Additions during FY 2022-23	0.00
3	Retirements	0.00
<b>4</b>	<b>Closing GFA</b>	<b>51.74</b>
5	Average Assets for FY 2022-23	51.74
6	90% of Average Assets	46.56
7	Deprecation at 5.28% (46.56*5.28%)	2.46
8	90% of Average Grants Available	20.21
9	<b>Less: Dep on Grants (20.21*5.28%)</b>	<b>1.07</b>
<b>10</b>	<b>Net Depreciation (sl.no.7 - sl.no.9)</b>	<b>1.39</b>

**Commission approves Depreciation at Rs. 1.39 Crore for FY 2023-24**

**Table 138: Depreciation for Old Stations including Sonapani for FY 2024-25**

Sl. No.	Particulars	Rs. Cr.
		Amount
1	GFA as on 31.03.2022	51.74
2	Additions during FY 2022-23	0.00
3	Retirements	0.00
<b>4</b>	<b>Closing GFA</b>	<b>51.74</b>
5	Average Assets for FY 2022-23	51.74
6	90% of Average Assets	46.56
7	Deprecation at 5.28% (46.56*5.28%)	2.46
8	90% of Average Grants Available	20.21
9	<b>Less: Dep on Grants (20.21*5.28%)</b>	<b>1.07</b>
10	<b>Net Depreciation (sl.no.7 - sl.no.9)</b>	<b>1.39</b>

**Commission approves Depreciation at Rs. 1.39 Crore for FY 2024-25.**

**Table 139: Depreciation for Old Stations including Sonapani for FY 2025-26**

Sl. No.	Particulars	Rs. Cr.
		Amount
1	GFA as on 31.03.2022	51.74
2	Additions during FY 2022-23	0.00
3	Retirements	0.00
<b>4</b>	<b>Closing GFA</b>	<b>51.74</b>
5	Average Assets for FY 2022-23	51.74
6	90% of Average Assets	46.56
7	Deprecation at 5.28% (46.56*5.28%)	2.46
8	90% of Average Grants Available	20.21
9	<b>Less: Dep on Grants (20.21*5.28%)</b>	<b>1.07</b>
10	<b>Net Depreciation (sl.no.7 - sl.no.9)</b>	<b>1.39</b>

**Commission approves Depreciation at Rs. 1.39 Crore for FY 2025-26.**

#Note: From FY 2022-23 to FY 2025-26 the asset break-up is not given. For FY 2025-26 the addition of capitalization is mapped according to respective assets as per specification detailed in business plan.



**Table 140: Depreciation for Old Stations including Sonapani for FY 2026-27**

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-		0	-	-	0.00%	-
2	Buildings	-		0	-	-	3.34%	-
3	Hydraulic Works	-	475.74	475.74	237.87	214.08	5.28%	11.30
4	Other Civil Works	-	8.47	8.47	4.24	3.81	3.34%	0.13
5	Plant & Machinery	-	580.78	580.78	290.39	261.35	5.28%	13.80
6	Lines & cables	-	4.61	4.61	2.31	2.07	5.28%	0.11
7	Vehicles	-		0	-	-	9.50%	-
8	Furniture	-		0	-	-	6.33%	-
9	Office Equipment	-	0.50	0.5	0.25	0.23	6.33%	0.01
10	<b>Total</b>	<b>51.74</b>	<b>1,070.10</b>	<b>1,121.84</b>	<b>586.79</b>	<b>528.11</b>		<b>25.35</b>
11	<b>Average rate of depreciation (1.08/21.981) *100</b>							4.80%
12	<b>90% of Avg. Grants</b>							366.93
13	<b>Less: Depreciation on Grants</b>							17.62
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>7.74</b>

**Commission approves Depreciation at Rs.7.74 Crore for FY 2026-27.**

#### **8.4. Return on Equity (RoE)**

##### **Petitioner's Submission**

8.4.1. The opening equity for FY 2023-24 has been taken as the closing equity of FY 2022-23. Any addition to equity has been factored in based on the funding pattern of capitalization, as outlined in Table 67 in the petition.

8.4.2. Accordingly, the Return on Equity (RoE) has been calculated and is presented in the table below.

**Table 141: Return on Equity for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening Equity	89.59	89.59	89.59	89.59
2	Addition	0.00	0.00	0.00	156.74
3	Closing Equity	89.59	89.59	89.59	246.33
4	Average Equity	89.59	89.59	89.59	167.96
5	Rate of ROE	14.00%	14.00%	14.00%	14.00%
6	<b>Return on Equity</b>	12.54	12.54	12.54	23.51

### Commission's Analysis

8.4.3. As per Regulation 31 read with 27 of MSERC MYT Regulations 2014

*"31 Return on Equity*

*31.1 Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.*

*Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."*

8.4.4. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as allowed approved in true-up order for FY 2022-23 for FY 2023-24. This approach is consistently applied throughout the control period i.e., FY 2024-25, FY 2025-26 and FY 2026-27 excluding the average grants and contributions as outlined in table 134 above.

8.4.5. The approved equity and RoE for Old stations including Sonapani for the control period FY 2024-25 to FY 2026-27 are as follows:

**Table 142: Return on Equity for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	51.74	51.74	51.74	51.74
2	Addition	-	-	-	1,070.10
3	Retirements	-	-	-	-
4	Closing GFA	51.74	51.74	51.74	1,121.84
5	Average GFA	51.74	51.74	51.74	586.79
6	Less: Average Grants	22.46	22.46	22.46	407.70
7	Net Assets	29.28	29.28	29.28	179.09
8	70% Debt component	20.49	20.49	20.49	125.36
9	30% Equity	8.78	8.78	8.78	53.73
10	<b>Return on Equity @ 14%</b>	<b>1.23</b>	<b>1.23</b>	<b>1.23</b>	<b>7.52</b>

8.4.6. Commission approves Return on Equity at Rs. 1.23 Crore, Rs. 1.23 Crore and Rs. 7.52 Crore for the 4<sup>th</sup> control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

### 8.5. Interest on Loan (IoL)

#### Petitioner's Submission

8.5.1. MePGCL submits that the interest on loan has been computed in accordance with the detailed explanation provided in Chapter 2 in the petition submitted. The closing loan balance for FY 2022-23 has been treated as the opening loan balance for FY 2023-24, with subsequent additions based on the approved funding pattern of capitalization outlined in the business plan. As the actual weighted average rate of interest will be available during the true-up process for the respective years, the weighted average rate of interest for FY 2022-23 has been applied across the entire control period.

8.5.2. MePGCL respectfully requests the Hon'ble Commission to allow the actual weighted average rate of interest to be claimed at the time of truing up for the respective years.

8.5.3. The calculation of interest on loan is presented below.

**Table 143: Interest on Loan for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Gross Opening Loan	209.22	209.22	209.22	209.22
2	Cumulative Repayment	0.00	5.00	10.00	15.00
3	Net Opening Loan	209.22	204.22	199.22	194.22
4	Repayment for the year	5.00	5.00	5.00	5.00
5	Addition	0.00	0.00	0.00	365.73
6	Net Closing Loan	204.22	199.22	194.22	554.95
7	WAROI	4.68%	4.68%	4.68%	4.68%
8	<b>Interest on Loan</b>	9.56	9.33	9.09	25.98

MePGCL prays Hon'ble Commission to approve the Interest on loan for Old Stations (Including Sonapani) project as tabulated above.

#### Commission's Analysis

8.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the approved true-up order for FY 2022-23 as the opening loan balance for FY 2023-24. Addition of loan for current year has been

considered as per Table 134 above. as mentioned under the current year debt addition for the additional capitalization for respective years.

8.5.5. Loan repayment values is considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2022-23 since, the actual weighted average rate will be determined based on actuals during the trueing up for each year, in line with the Commission's precedent in prior true-up orders.

8.5.6. The calculation of Interest on loan is tabulated below:

**Table 144: Interest on Loan for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	0.21	-	-	-
2	Addition to Loan	-	-	-	209.74
3	Repayment	0.21	-	-	7.74
4	Closing Loan	-	-	-	202.00
5	Average Loan	0.11	-	-	101.00
6	Weighted Average Rate of Interest (WAROI)	4.68%	4.68%	4.68%	4.68%
7	Interest on Loan	0.005	-	-	4.73

8.5.7. Commission approved Interest and Finance charges at Rs. 4.73 Crore for 4<sup>th</sup> MYT Control period for FY 2026-27 respectively.

## **8.6. O&M Expenses**

### **Petitioner's Submission**

8.6.1. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

8.6.2. MePGCL submits that, in accordance with the applicable regulations, the Operation and Maintenance (O&M) expenses for FY 2022-23 have been escalated at an annual rate of 5.72% to determine the O&M expenses for the fourth control period.

8.6.3. The details of the O&M expenses for the fourth control period are presented in the table below:

**Table 145: O&M Expenses for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Salaries and wages	83.22	99.07	104.73	110.72
2	Gratuity Expenses	3.63	3.84	4.06	4.29
3	Leave Encashment Expenses	13.45	14.22	15.04	15.90
4	Pension Expenses	26.61	28.13	29.74	31.44
5	Contribution to provident and other funds	3.05	3.23	3.41	3.61
6	Staff welfare expenses	-	-	-	-
7	Apportionment of Employee Benefit Expenses (from Holding Company)	12.61	13.33	14.09	14.90
8	Total Employee Expenses	142.57	161.81	171.07	180.86
9	Less Employee Capitalized	-	-	-	-
10	Net Employee Expenses	142.57	161.81	171.07	180.86
11	1/3rd of Employee Expenses (MeECL)	1.71	1.81	1.91	2.02
12	Total Employee Expenses	144.29	163.62	172.98	182.88
13	R&M Expenses	23.15	24.47	25.87	27.35
14	A&G Expenses	10.67	11.28	11.92	12.60
15	Total Projected O&M Expenses	178.10	199.37	210.78	222.84
16	O&M Expenses- MLHEP	39.57	41.83	44.22	46.75
17	O&M Expenses- NUHEP	19.69	20.82	22.01	23.27
18	O&M Expenses- Lakroh	0.64	0.67	0.71	0.75
19	Total	59.90	63.32	66.94	70.77
20	O&M Expenses of Old Plants	118.21	136.05	143.83	152.06

MePGCL prays the Hon'ble Commission to approve the O&M expenses for Old Stations (Including Sonapani) as tabulated above.

#### **Commission's Analysis**

8.6.4. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*“56 (7) “In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years.”*

- 8.6.5. In accordance with Regulation 56(7) of the MYT Regulations, 2014, an annual escalation rate of 5.72% has been applied to the approved O&M expenses of Rs. 37.79 Crore for the true-up of FY 2022-23. This escalation is similarly applied for the subsequent years, resulting in the O&M expenses as outlined below:

**Table 146: O&M Expenses for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	37.79	39.95	42.24	44.65

**Commission considers O&M expenses for MLHEP at Rs. 39.95 Crore, Rs. 42.24 Crore and Rs.44.65 Crore for 4<sup>th</sup> MYT Control period for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

## **8.7. Interest on Working Capital (IoWC)**

### **Petitioner’s Submission**

- 8.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*“In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. “*

- 8.7.2. The SBI Advance Rate as on 01.04.2023 comes out to be Rs. 14.85%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 147: Interest on Working Capital for Old Stations including Sonapani for Fourth Control Period as submitted by the Petitioner**

(Rs. Cr)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	9.85	11.34	11.99	12.67
2	Maintenance Spares	18.79	21.63	22.87	24.18
3	Receivables	28.41	31.57	32.95	41.46
4	Total Working Capital	57.05	64.54	67.80	78.31
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%
6	<b>Interest on Working Capital</b>	8.47	9.58	10.07	11.63

### Commission's Analysis

- 8.7.3. As per Regulation 34.1 (iii) of the MYT Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

- 8.7.4. The interest on working capital is considered as per SBI prime lending rate as on 01.04.2023. Accordingly, the Commission considers Interest on Working Capital as depicted in the table below for the control period.

**Table 148: Interest on Working Capital for Old Stations including Sonapani for Fourth Control Period as approved by the Commission.**

(Rs. Cr.)

Sl. no	Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M Expenses	3.15	3.33	3.52	3.72
2	Maintenance Spares	6.01	6.35	6.72	7.10
3	Receivables	6.67	7.27	8.01	12.15
4	Total Working Capital	15.83	16.96	18.25	22.97
5	Rete of Interest	14.85%	14.85%	14.85%	14.85%

6	<b>Interest on Working Capital</b>	2.35	2.52	2.71	3.41
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**Commission Considers Interest on Working Capital at Rs. 2.52 Crore, Rs.2.71 Crore and Rs.3.41 Crore for 4<sup>th</sup> MYT Control Period FY 2024-25, FY 2025-26 and FY 2026- 27 respectively.**

## **8.8. SLDC Charges**

### **Commission's Submission**

8.8.1. Petitioner has not projected the SLDC Charges as expenses in the petition. The SLDC expenses towards connectivity charges as determined by the Transmission licensee shall be allowed for the ARR as per the Regulations.

*Regulation 59.1 of MSERC MYT Regulations 2014 specifies that-*

*Connectivity charges and SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the state shall not be considered as expenses for determining generation tariff.*

8.8.2. Accordingly, Commission approves SLDC charges as expense in the MYT ARR for 4<sup>th</sup> Control period.

**Table 149: Computation of SLDC Charges**

(Rs. Cr)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
<b>SLDC Charges</b>	3.46	5.66	10.28

**Commission considers SLDC charges at Rs. 3.46 Crore, Rs. 5.66 Crore and Rs. 10.28 Crore for the 4<sup>th</sup> control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

## **8.9. Non-Tariff Income**

### **Commission's Submission**

8.9.1. The Non-tariff Income claimed as Rs. 4.90 Crore, Rs. 5.15 Crore and Rs. 5.41 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively. The same has been approved for MYT purpose. Commission approved the non-Tariff income as depicted below:

**Table 150: non-Tariff and other Income for the control period**

(Rs. Cr)



Particulars	FY 2024-25	FY 2025-26	FY 2026-27
<b>Non-Tariff Income</b>	4.90	5.15	5.41

### 8.10. Annual Revenue Requirement (ARR)

#### Petitioner's Submission

- 8.10.1. The petitioner has submitted revised breakup of Aggregate Revenue Requirement vide letter dated 23.01.2024 seeking correction in the projected ARR table for MYT control period.
- 8.10.2. Based on the computation of the individual components the Aggregate Revenue Requirement of Old Stations (Including Sonapani) for fourth control period is tabulated below:

**Table 151: Summary of ARR for Old Stations including Sonapani for Fourth Control Period**

Sl. No.	Particular	(Rs. Cr.)			
		2023-24	2024-25	2025-26	2026-27
1	Depreciation	15.06	15.06	15.06	28.24
2	Interest on Loan	9.56	9.33	9.09	25.98
3	Return on Equity	12.54	12.54	12.54	23.51
4	Operation and Maintenance	106.60	123.80	130.90	138.40
5	Interest on Working Capital	7.75	8.82	9.26	10.78
6	ARR	<b>153.49</b>	<b>171.51</b>	<b>178.80</b>	<b>228.84</b>
7	Non-Tariff Income	4.67	4.90	5.15	5.41
8	Net ARR	<b>158.16</b>	<b>176.41</b>	<b>183.95</b>	<b>234.24</b>

- 8.10.1. MePGCL requested Commission to approve the ARR for Old Stations (Including Sonapani) as projected above.

#### Commission's Analysis

- 8.10.2. The petitioner has wrongly computed the Gross Total of ARR. Petitioner has submitted additional information vide letter dated 23.01.2024 seeking correction in the projected ARR table for MYT control period.
- 8.10.3. Commission after prudence check of the petition filed by the licensee has computed the ARR as depicted in the table below:

**Table 152: Summary of ARR for Old Stations including Sonapani for Fourth Control Period**

**(Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	1.39	1.39	7.74
2	Return on Equity	1.23	1.23	7.52
3	Operation and Maintenance	39.95	42.24	44.65
4	Interest and Finance Charges	-	-	4.73
5	Interest on Working Capital	2.52	2.71	3.41
	SLDC Charges	3.46	5.66	10.28
	<b>Gross ARR</b>	<b>48.55</b>	<b>53.23</b>	<b>78.33</b>
7	Non-Tariff Income	4.90	5.15	5.41
8	<b>Net ARR</b>	<b>43.64</b>	<b>48.08</b>	<b>72.92</b>
9	Add: Revenue Gap/(Surplus) allowed in FY 2021-22	<b>-0.90</b>		
	Add: Revenue Gap/(Surplus) allowed in FY 2022-23	<b>-175.26</b>		
10	<b>Total ARR Recoverable</b>	<b>-132.52</b>	<b>48.08</b>	<b>72.92</b>

**Commission considers ARR for old station including Sonapani for 4<sup>th</sup> MYT Control period at Rs. (-) 132.52 Crore, Rs. 44.26 Crore and Rs. 64.37 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

### **8.11. Accrued Terminal Benefits**

#### **Petitioner's Submission**

8.11.1. MePGCL has submitted that as per the directions of the Commission it has done the actuarial valuation for the terminal benefits. The terminal liabilities for the period from 2013 to 2022- 23 after considering the payment of Rs. 860 Cr made to the trust comes out to be Rs. 2441.39 Cr which has been accounted for as Actuarial Loss in the FY 2022-23 in the books of accounts of MePDCL, MePGCL, MePTCL and MeECL as under:

**(Rs. Cr.)**

Sl. No.	Company	Amount
1	MeECL	21.15
2	MePDCL	1272.22
3	MePGCL	749.84
4	MePTCL	398.17
<b>5</b>	<b>Total</b>	<b>2441.39</b>

8.11.2. MePGCL submitted that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.

However, MePGCL also takes the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Commission in one year as that would result in substantial tariff shock.

8.11.3. In view of the above MePGCL would like to propose that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal instalments without any carrying cost. Hence MePGCL proposes an additional recovery of Rs.49.99 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.

8.11.4. MePGCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits. Also, since these are not the actual O&M expenses MePTCL would not claim the said expenses for computation of working capital and escalation of O&M expenses.

8.11.5. Accordingly, MePGCL requested the Commission to allow the additional recovery of Rs. 50.46 Cr in 2022-23.

8.11.6. Accordingly, the total Gap of FY 2022-23 comes out to be Rs.201.75 Cr.

### **Commission's Analysis**

8.11.7. The petitioner has approached the Commission for recovery of past period Terminal liabilities through their True Up & ARR petitions for FY2022-23 & FY2024-25 respectively. In this regard, the Petitioner has shared an actuarial valuation report showcasing a liability of Rs **343991.88 Lakhs with a cutoff date of 31.03.2023**. In this context, it is pertinent to mention that the Commission has earlier disallowed the recovery of past period Terminal liabilities, with the observation that the Pension Trust entrusted with the responsibility to manage and settle all the Terminal liability claims was not in place.

8.11.8. However, as per the documentary evidence submitted by the Petitioner it is established that for the period under consideration i.e., during the period FY2024-25, the quoted Pension trust has already been institutionalized and made operational. Thus, Commission thinks it appropriate to evaluate the claim of the Petitioner w.r.t recover the past period Terminal Liability claims.

8.11.9. Presently, as per the submissions made by the Petitioner and the actuarial valuation report of the past Terminal Liability and also taking into consideration the audited Statement of accounts (SoA) submitted by the

Petitioner, Commission has evaluated the facts of the case and wish to follow the understated principal w.r.t recovery of past period Terminal Liabilities:

1. As per the SOA and the documentary evidence submitted by Petitioner, it is understood that as on the date of effectiveness of the Power Sector Reforms Transfer Scheme 2010, the Govt. of Meghalaya was supposed to contribute **Rs. 84004.24 Lakhs.** to the said pension trust. However, the Govt. of Meghalaya has not made any contribution to the Pension trust till 2023-24. However, in the year 2023-24, Govt. of Meghalaya has contributed an amount of Rs 16894.49 Lakhs to the Pension Trust.
2. Thus, considering the carrying cost of 7.35% i.e., 10 yr. G-Sec rate over the period when no contribution was provided by the Govt. of Meghalaya, Commission has independently worked out an outstanding liability of Rs 193690.98 Lakhs as on 01.04.2024 against Govt. of Meghalaya towards the quoted pension trust.
3. After taking into consideration the total Terminal Liability as per the Actuarial Valuation report, the contribution to Pension Fund by Govt. of Meghalaya in 2023-24 and the total o/s liability payable by Govt. of Meghalaya as on 01.04.2024, Commission has worked out an amount of Rs 150209.02 Lakhs as recoverable by the 4 utilities i.e., MeECL, MePGCL, MePTCL & MePDCL as past period Terminal Liabilities through their tariffs.
4. Commission is also of the considerate view that passing the whole of the balance recoverable pension amount from consumers i.e., Rs 150209.02 Lakhs in a single year might lead to a huge tariff shock. Additionally, the Petitioner in its petition has also prayed for recovery of past period dues in 10 – 15 yrs.
5. Taking the above matters in to consideration, Commission has decided to allow recovery of the balance amount of Rs 150209.02 Lakhs from the consumers through an annual recovery mechanism through tariff over and above the normal admissible ARR over a period of 10 yrs. starting FY 2023-24. Also, since the amount is being recovered over a period 10 years, Commission has decided to consider an annual carrying cost of 7.35% i.e., 10 Yr. G-Sec rates for computation of the annual instalment and accordingly the annual instalment is calculated to be Rs 21733.70 Lakhs in total for all 4 utilities put together.
6. Taking the above into consideration commission has computed the following as the annual instalment recoverable through tariff by each of the 4 utilities:

<b>Entity</b>	<b>Annual Pension recover on account of Terminal Liabilities (Rs Cr.)</b>
MeECL	1.88
MePDCL	113.18
MePGCL	66.71
MePTCL	35.42

- 8.11.10. Additionally, since the cost of pension MeECL is to be borne by the other 3 entities in equal proportion, so Commission allows the figures as represented in the table below to be recovered by the 3 utilities i.e., MePDCL, MePTCL & MePGCL through their annual tariff over and above their normal ARR for the year starting FY 2023-24 till FY 2033-34:

<b>Entity</b>	<b>Annual Pension recover on account of Terminal Liabilities (Rs Cr.)</b>
MePDCL	113.81
MePGCL	67.34
MePTCL	36.05

- 8.11.11. The Petitioner is hereby directed to timely deposit the amount realized on account of pension through the approved ARR for the year in the Pension Trust.
- 8.11.12. Additionally, the Petitioner is also directed to approach Govt. of Meghalaya for an early remittance of the outstanding amount due from Govt. of Meghalaya on account past period Terminal Liabilities with accrued interest thereof as mentioned above, to ensure that the Pension trust has sufficient funds to cater to the future Terminal Liabilities.

## 9. Generic Tariff for Ganol SHP for FY 2024-25

- 9.1.1. Commission vide Case No. 1/2024 order dated 13.03.2024 approval of generic tariff for Ganol small hydro project (3x7.5 MW = 22.5MW) of MePGCL under regulation 11 of MSERC (Terms and Conditions for determination of tariff for generation from renewable energy sources) Regulations, 2014 has determined levelized tariff.

Regulation 11 of MSERC RE Regulations 2014 specifies.

*1) Generic tariff shall be determined on the petition filed by eligible RE generator for such renewable energy technologies indicated in Regulation 4.*

*2) The Generic Tariff would be based on normative parameters as per the norms specified in these regulations for each type of renewable energy source and the year of commissioning of the plant.*

*3) The tariff determined being normative, no true up of any parameter, including additional capitalization, for whatsoever reasons shall be taken up during the validity of the tariff; any short fall or gain due to performance or other reasons is to be borne / retained by the RE based generating stations.*

As per Regulation 4.

*Eligibility Criteria*

*".....2 (b) Small hydro Project – located at the sites approved by State Nodal Agency / State Government using new plant and machinery and installed power plant capacity to be lower than or equal to 25 MW at single location."*

- 9.1.2. Accordingly, Commission as per review order Case No. 3/ 2024 approved levelized Tariff of Rs. 4.77/ kWh for 40 years of the lifetime of the project effective from 01.08.2023.
- 9.1.3. Petitioner has proposed an annual generation of 66.20 MU for FY 2024-25. Accordingly, Commission approved ARR for the period at **Rs. 31.58 Crore.**

## 9.2. Consolidated ARR for MePGCL Old Plants projects including Sonapani, MLHEP, New Umtru project and Lakroh projects for 4<sup>th</sup> MYT Control Period FY 2024-25 to FY 2026-27

9.2.1. Commission after Prudence check of the petition considering the additional information dated 18.01.2024 & 23.01.2024, the objections raised by the stakeholders, the response of the MePGCL for the objections, the minutes of the public hearing process and views of the State advisory committee, has approved Annual Revenue Requirement for 4<sup>th</sup> Control period FY 2024-25 to FY 2026-27 as depicted in the table below.

**Table 153: Consolidated ARR for, MLHEP, New Umtru, Lakroh projects and MePGCL Old Projects including Sonapani for 4th MYT Control Period FY 2024-25 to FY 2026-27**

(Rs. Cr)

Sl. No.	Particulars	Projected by MePGCL			Approved by the Commission		
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2024-25	FY 2025-26	FY 2026-27
<b>For Myntdu Leshka Hydro Electric Project (MLHEP)</b>							
1	Depreciation	61.43	62.52	64.12	45.13	46.20	47.82
2	Return on Equity	54.01	54.97	56.37	44.27	45.23	46.61
3	Operation and Maintenance	41.8	44.2	46.8	39.70	41.97	44.37
4	Interest on Loan	27.10	22.68	13.61	13.31	9.87	7.09
5	Interest on Working Capital	6.22	6.31	6.31	5.08	5.18	5.34
6	<b>Gross ARR</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>	<b>147.50</b>	<b>148.45</b>	<b>151.24</b>
7	<b>Less: Non-Tariff Income</b>	0	0	0	0	0	0
8	<b>Net ARR</b>	<b>190.60</b>	<b>190.70</b>	<b>187.16</b>	<b>147.50</b>	<b>148.45</b>	<b>151.24</b>
<b>For New Umtru</b>							
1	Depreciation	29.39	29.40	29.42	25.68	25.69	25.71
2	Return on Equity	25.43	25.44	25.45	24.61	24.63	24.64
3	Operation and Maintenance	20.8	22.0	23.3	15.02	15.88	16.79
4	Interest on Loan	24.62	20.21	15.74	24.39	21.50	18.62
5	Interest on Working Capital	3.31	3.28	3.24	2.83	2.81	2.80
6	<b>Gross ARR</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>	<b>92.53</b>	<b>90.51</b>	<b>88.55</b>
7	<b>Less: Non-Tariff Income</b>	0	0	0	0	0	0
8	<b>Net ARR</b>	<b>103.56</b>	<b>100.33</b>	<b>97.11</b>	<b>92.53</b>	<b>90.51</b>	<b>88.55</b>
<b>For Lakroh</b>							
1	Depreciation	1.07	1.12	1.15	0.50	0.54	0.56
2	Return on Equity	0.91	0.95	0.97	0.47	0.51	0.53
3	Operation and Maintenance	0.7	0.7	0.8	0.57	0.60	0.63
4	Interest on Loan	1.39	1.38	1.25	0.31	0.32	0.31
5	Interest on Working Capital	0.13	0.13	0.13	0.07	0.07	0.08
6	<b>Gross ARR</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>	<b>1.92</b>	<b>2.04</b>	<b>2.11</b>
7	<b>Less: Non-Tariff Income</b>	0	0	0	0	0	0
8	<b>Net ARR</b>	<b>4.18</b>	<b>4.29</b>	<b>4.25</b>	<b>1.92</b>	<b>2.04</b>	<b>2.11</b>
<b>For MePGCL Old Projects Including Sonapani</b>							
1	Depreciation	15.06	15.06	28.24	1.39	1.39	7.74
2	Return on Equity	12.54	12.54	23.51	1.23	1.23	7.52
3	Operation and Maintenance	123.80	130.90	138.40	39.95	42.24	44.65
4	Interest on Loan	9.33	9.09	25.98	-	-	4.73

(Rs. Cr)

Sl. No.	Particulars	Projected by MePGCL			Approved by the Commission		
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2024-25	FY 2025-26	FY 2026-27
5	Interest on Working Capital	8.82	9.26	10.78	2.52	2.71	3.41
6	SLDC	1.94	1.94	1.94	3.46	5.66	10.28
7	<b>Gross ARR</b>	<b>171.51</b>	<b>178.80</b>	<b>228.84</b>	<b>48.55</b>	<b>53.23</b>	<b>78.33</b>
8	<b>Less: Non-Tariff Income</b>	4.90	5.15	5.41	4.90	5.15	5.41
9	<b>Net ARR</b>	<b>176.41</b>	<b>183.95</b>	<b>234.24</b>	<b>43.64</b>	<b>48.08</b>	<b>72.92</b>
<b>Grand Total ARR</b>							
1	MLHEP	190.60	190.70	187.16	147.50	148.45	151.24
2	New Umtru	103.56	100.33	97.11	92.53	90.51	88.55
3	Lakroh	4.18	4.29	4.25	1.92	2.04	2.11
4	MePGCL	176.41	183.95	234.24	43.64	48.08	72.92
	<b>Net Total ARR excluding Ganol</b>	<b>474.75</b>	<b>479.27</b>	<b>522.76</b>	285.59	289.08	314.82
	<b>Net Total ARR including Ganol</b>				<b>317.17</b>	<b>320.56</b>	<b>346.30</b>

### 9.3. Total ARR Recoverable for FY 2024-25

9.3.1. Commission considering the ARR for the FY 2024-25 has computed the Revenue Gap including the True up revenue gap/ (surplus) for FY 2021-22 and FY 2022-23 as per Commission's directive for determination of Generation Tariff for FY 2024-25 as detailed below.

**Table 154: Total ARR Recoverable for FY 2024-25**

(Rs. Cr.)						
Sl. No.	Project Name	MLHEP	NUHEP	Lakroh	MePGCL	Total
1	Net ARR for FY 2024-25	147.50	92.53	1.92	43.64	285.59
2	Add: Revenue Gap/Surplus for FY 2021-22	72.19	54.42	1.15	-0.9	126.86
3	Add: Revenue Gap/Surplus for FY 2022-23	-63.87	208.61	2.74	-175.26	-27.78
4	Add: Comprehensive income for FY 2022-23					0.63
5	Comprehensive Income/ Expenses (Pension)					66.71
6	Comprehensive Income/ Expenses (1/3 MeECL) (Pension) for FY 2023-24					0.63
7	Total ARR Recoverable	155.82	355.56	5.81	-132.52	452.62
8	<b>Total ARR Recoverable including Ganol SHP</b>					<b>484.20</b>

**Commission approves total ARR recoverable for FY 2024-25 at Rs. 484.20 Crore for MePGCL.**



## 10. Generation Tariff For 2024-25 for MePGCL.

- 10.1.1. Annual Fixed charges for the FY 2024-25 for MePGCL Old Projects including Sonapani, MLHEP, New Umtru and Lakroh Projects. As per Regulation 57

*“57 Computation Annual Fixed charges and Energy charges for Hydro generating stations.*

*57.1 Capacity Charges:*

- (1) *The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, that is to say, in the capacity excluding the free power to the home State:*

*Provided that during the period between the date of commercial operation of the first unit of the generating station and the date of commercial operation of the generating station, the annual fixed cost shall provisionally be worked out based on the latest estimate of the completion cost for the generating station, for the purpose of determining the capacity charge and energy charge payment during such period.*

- (2) *The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be.*

*= AFC x 0.5 x NDM / NDY x (PAFM / NAPAF) (in Rupees) Where,*

*AFC = Annual fixed cost specified for the year, in Rupees. NAPAF= Normative plant availability factor in percentage*

*NDM = Number of days in the month*

*NDY = Number of days in the year*

*PAFM = Plant availability factor achieved during the month, in percentage*

- (3) *The PAFM shall be computed in accordance with the following formula:*

*PAFM = 10000 x  $\Sigma$  DCi / {N x IC x (100 - AUX)} %*

Where,

*AUX = Normative auxiliary energy consumption in percentage*

*DC<sub>i</sub> = Declared capacity (in ex-bus MW) for the *i*th day of the Month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch Centre after the day is over.*

*IC = Installed capacity (in MW) of the complete generating station*

*N = Number of days in the month*

**57.2 Energy Charges:**

(1) *The Energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex power plant basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be:*

*= (Energy charge rate in Rs. / kWh) x {Scheduled energy (ex-bus) for the month in kWh} x (100 – FEHS) / 100.*

(2) *Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of clause (4):*

*ECR = AFC x 0.5 x 10 / {DE x ( 100 – AUX ) x ( 100 – FEHS )}*

Where,

*DE = Annual design energy specified for the hydro generating station, In MWh, subject to the provision in clause (6) below.*

*FEHS = Free energy for home State as fixed from time to time, by competent authority.*

(3) *In case actual total energy generated by a hydro generating station during a year is less than the design energy for reasons beyond the control of the generating company, the following treatment shall be applied on a rolling basis:*

(i) *in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the ECR for the year following the year of energy shortfall shall be*

*computed based on the formula specified in clause (2) with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the shortfall, till the energy charge shortfall of the previous year has been made up, after which normal ECR shall be applicable.*

*(ii) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply: Suppose the specified annual design energy for the station is DE MWh, and the actual energy generated during the concerned (first) and the following (second) financial years is A1 and A2 MWh respectively, A1 being less than DE. Then, the design energy to be considered in the formula in clause (5) of this Regulation for calculating the ECR for the third financial year shall be moderated as  $(A1 + A2 - DE)$  MWh, subject to a maximum of DE MWh and a minimum of A1 MWh.*

*(iii) Actual energy generated (e.g. A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by  $100 / (100 - AUX)$ .*

*(4) In case the energy charge rate (ECR) for a hydro generating station, as computed in sub clause (2) above, exceeds eighty paise per kWh, and the actual saleable energy in a year exceeds  $\{ DE \times ( 100 - AUX ) \times ( 100 - FEHS ) / 10000 \}$  MWh, the Energy charge for the energy in excess of the above shall be billed at eighty paise per kWh only: Provided that in a year following a year in which total energy generated was less than the design energy for reasons beyond the control of the generating company, the energy charge rate shall be reduced to eighty paise per kWh after the energy charge shortfall of the previous year has been made up.*

*(5) The concerned Load Despatch Centre shall finalize the schedules for the hydro generating stations, in consultation with the beneficiaries, for optimal utilization of all the energy declared to be*

*available, which shall be scheduled for all beneficiaries in proportion to their respective allocations in the generating station.*

**Table 155: Project wise Annual Fixed Charges and Energy charges for MePGCL for FY 2024-25**

Sl. No	Name of the Power Station	Claimed						Approved					
		Installed Capacity (MW)	Design Generation (MU) as approved in Business Plan	Net Generation (MU) as approved in Business plan	Annual Fixed Charge (Rs. Cr)	Capacity Charge (Rs. Cr)	Energy Charge (Rs/Unit)	Installed Capacity (MW)	Design Generation (MU) as approved in Business Plan	Net Generation (MU) as approved in Business plan	Annual Fixed Charges (AFC)	50% Capacity Charge (Rs. Cr)	Energy Charge (Rs/Unit)
		1	2	3	4	5	6	7	8	9	10	11	12= (10/8)
1	Umiam I	36	116	114.61	32.18	16.09	1.38	36	116	114.61	47.23	23.62	4.07
2	Umiam II	20	46	45.45	12.76	6.38	1.38	20	46	45.45	26.24	13.12	5.70
3	Umiam III	60	139	137.33	38.56	19.28	1.38	60	139	137.33	78.72	39.36	5.66
4	Umiam IV	60	207	203.9	54.43	28.71	1.38	60	207	203.9	78.72	39.36	3.80
5	Sonapani (Mini Hydel)	1.5	5	4.94	1.38	0.39	1.38	1.5	5	4.94	1.97	0.98	3.94
	<b>Sub-Total</b>	<b>177.2</b>	<b>513</b>	<b>506.23</b>	<b>142.32</b>	<b>70.85</b>		<b>177.5</b>	<b>513</b>	<b>506.23</b>	<b>232.87</b>	<b>116.44</b>	<b>4.54</b>
6	MLHEP	126	486	478.71	342.75	171.37	3.57	126	486	478.71	165.31	82.65	3.40
7	NUHEP	40	235	231.48	298.88	149.44	6.45	40	235	231.48	52.48	26.24	2.23
8	Lakroh MHP	1.5	11.01	10.87	6.47	3.23	2.98	1.5	11.01	10.84	1.97	0.98	1.79
9	Umtru power	11.2											
10	Ganol SHP							22.50	67	66.20	31.58		4.77
	<b>Total</b>	<b>356.2</b>	<b>1245.01</b>	<b>1227.29</b>	<b>790.42</b>	<b>395.21</b>		<b>345</b>	<b>1245.01</b>	<b>1227.26</b>	<b>484.20</b>	<b>226.31</b>	<b>3.69</b>

**Table 156: Project wise Annual Fixed Charges and Energy charges for FY 2024-25**

Sl. No	Name of the Power Station	Installed Capacity (MW)	Design Generation (MU)	Net Generation (MU)	Annual Fixed Charges (AFC)	50% Capacity Charge (Rs. Cr)	Average Tariff (Rs/kWh)
1	Umiam I	36	116	114.61	47.23	23.62	4.07
2	Umiam II	20	46	45.45	26.24	13.12	5.70
3	Umiam III	60	139	137.33	78.72	39.36	5.66
4	Umiam IV	60	207	203.9	78.72	39.36	3.80
5	Sonapani	1.5	5	4.94	1.97	0.98	3.94
<b>6</b>	<b>Sub-Total</b>	<b>177.5</b>	<b>513</b>	<b>506.23</b>	<b>232.87</b>	<b>116.44</b>	<b>4.54</b>
7	MLHEP	126	486	478.71	165.31	82.65	3.40
8	NUHEP	40	235	231.48	52.48	26.24	2.23
9	Lakroh MHP	1.5	11.01	10.84	1.97	0.98	1.79
10	Ganol SHP	22.5		66.20	31.58	15.79	4.77
<b>11</b>	<b>Total</b>	<b>345</b>	<b>1245.01</b>	<b>1227.26</b>	<b>484.20</b>	<b>226.31</b>	<b>3.69</b>

- a. MePGCL shall claim 50 % of the annual fixed charges in 12 monthly instalments from the beneficiary MePDCL.
- b. Energy charges shall be claimed for actual generation during the month as per Average tariff in the above table.

## 11. Summary of Order for MePGCL

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
<b>ARR Components</b>			
Depreciation	72.70	73.82	81.83
Return on Equity	70.59	71.59	79.30
O&M Expenses	95.24	100.68	106.44
Interest and Finance Charges	38.01	31.69	30.75
Interest on working capital	10.50	10.78	11.62
SLDC Charges	3.46	5.66	10.28
Net Prior Period Items: Income (-)/ Expense	-	-	-
<b>Gross ARR</b>	<b>290.49</b>	<b>294.23</b>	<b>320.22</b>
Less: Non-Tariff Income	4.90	5.15	5.41
<b>Net ARR</b>	<b>285.59</b>	<b>289.08</b>	<b>314.82</b>
Add: Revenue Gap/(Surplus) as per the Review Order for FY 2017-18	-	-	-
Add: Revenue Gap/(Surplus) as per the Review Order for FY 2018-19	-	-	-
Add: Revenue Gap/(Surplus) as per the Review Order for FY 2019-20	-	-	-
Add: Revenue Gap/(Surplus) as per the Review Order for FY 2020-21			
Add: Revenue Gap/(Surplus) as per Order for FY 2021-22	126.85		
Add: Revenue Gap/(Surplus) as per Order for FY 2022-23	-27.78		
<b>Total ARR recoverable (excluding pension)</b>	<b>385.29</b>	<b>289.08</b>	<b>314.82</b>
<b>Add: Gap of Terminal Liabilities</b>			
<b>Comprehensive Income/ Expenses (Pension)</b>	66.71	66.71	66.71
<b>Comprehensive Income/ Expenses (1/3 MeECL) (Pension)</b>	0.63	0.63	0.63
<b>Total ARR recoverable (including pension) Excluding Ganol SHP</b>	<b>452.62</b>	<b>356.41</b>	<b>382.15</b>
<b>Total ARR recoverable (including pension) Including Ganol SHP</b>	<b>484.20</b>	<b>387.89</b>	<b>413.63</b>

## 12. Recovery of Arrears

- 12.1.1. The Commission considers that in case of any recovery of arrear, the same shall be billed in 9 equal instalments starting December 2024.

### **13. Commission's Directives**

#### **Earlier Directives**

#### **1) Assets Records and Project wise Breakup**

Commission had called for the asset wise breakup for the Capital cost of Umiam stage IV being considered in the Tariff orders from FY 2013-14 at Rs.38.60 Crore.

#### **Status:**

The Umiam-Umtru Stage-IV HEP was commissioned in the year 1992 and due to non-availability of the asset's details, the project cost of Umiam-Umtru Stage-IV HEP has been based on the projected cost as per DPR as of March 1979 at Rs. 38.79 Crore, which is much lower than the actual completions cost of the project. MePGCL, erstwhile MeSEB commissioned the project way back in 1992 but was not in position to immediately work out on the completion cost of the project as it has taken some time to dig out all the records on the expenditures made for the project. Finally, after all records have been dug out, the work out on the detail assets for Umiam-Umtru Stage-IV HEP was completed and finalized at Rs. 133.87 crore as on 31.03.2022. The details of assets have been worked out as per available records and based on the historical value of Gross Fixed Assets on commissioning along with the additional capital expenditure.

#### **Commission's Views**

Whereas the petitioner MePGCL has projected project cost of Umiam Stage IV finalized at Rs.133.87 Crore as on 31.03.2022 in their letter No. MePGCL/D/GEN/Misc-43/2008/Pt-XX/118 dated 04<sup>th</sup> August 2023.

Commission in view of the unmatched project cost direct the utility to furnish the document of approved project cost by the Commission for Rs.133.87 Crore along with the copy of the sanctioned working estimate.

Commission had in the letter dated 07<sup>th</sup> June 2023 called for the copy of approved project cost which is still awaited.

The petitioner would be depriving ARR provisions in the Tariff Order as long as the information called for by the Commission is not made available.

MePGCL shall appreciate the necessity of the prime record and arrange to furnish the required information so as to validate the project cost in the ARR for FY 2024-25.



**2) Regulatory Accounts**

MePGCL shall maintain and file Regulatory accounts along with Tariff Petition and for True up petition as mandated in Regulation 4.2 (c) of MYT Regulations 2014.

**Status:**

MePGCL has submitted the formats for proposed Regulatory Accounts on 24.11.2023 and sought for approval of the commission.

**Commission's View:**

Commission had already communicated the approval separately for the same.

## **14. Applicability of the Order**

This Order shall come into effect from 1<sup>st</sup> April 2024.

The Petition of Meghalaya Power Generation Corporation Limited in Case No. 30 of 2023 stands disposed of accordingly.

Sd/-  
**Ramesh Kumar Soni,**  
**Member (Law)**

Sd/-  
**Chandan Kumar Mondol,**  
**Chairman**