

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 25/2021

In the matter of True-up of Generation Business for FY 2018-19

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member

ORDER

(Dated: 22. 02. 2022)

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 generated in the state of Meghalaya with effect from 1st April 2013.

MSERC in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations 2014 dated 15.09.2014 had approved Aggregate Revenue Requirement (ARR) for the control period FY 2018-19 to FY 2020-21 and Generation Tariff for FY 2018-19 in its order dated 31.03.2018.

The Regulation- 11 of MYT Regulation, 2014 stipulates that the Commission shall under take true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available subject to prudence check including pass through of impact of uncontrollable factors if any.

The Commission has amended the Regulation-11 of MYT Regulations, 2014 as below vide MSERC (Multi Year Tariff) (1st Amendment) Regulations, 2021.

Regulation 11.3 shall be substituted by the following:

"Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by a Statutory Auditor appointed by C&AG, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges"

Accordingly MePGCL has filed petition for True-Up of Project wise Generation Business for the FY 2018-19 on 30.11.2021. Commission admitted the petition on 06.12.2021 and registered as case no 25/2021.

Commission taking into consideration of all the facts and after prudence check as per the Regulations with reference to the audited accounts, approves true up for FY 2018-19 in the detailed analysis attached to this order.

Commission notifies that, the impact of true up gap/ surplus shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Sd/-
Shri. Roland Keishing
(Member)

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

1. Company Profile and Performance Overview

Petitioner's submission

1.1 Company Profile

The MePGCL is a Generation Company within the meaning of Section 2 (28) of the Electricity Act 2003. Further, Section 7 and 10 of the Electricity Act 2003 prescribe the following major duties of the Generating Company:

- To establish, operate and maintain generating stations, tie-lines, sub-stations and dedicated transmission lines connected therewith in accordance with the provisions of this Act or the rules or regulations made there under
- To supply electricity to any licensee in accordance with this Act and the rules and regulations made there under
- To submit technical details regarding its generating stations to the Appropriate Commission and the Authority.
- To co-ordinate with the Central Transmission Utility or the State Transmission Utility, as the case may be, for transmission of the electricity generated by it.

As per Meghalaya Power Sector Transfer Scheme, MePGCL has been vested with the function of generation of power by the State Government of Meghalaya. The Business Scope of the Company falls within the legal framework as specified in the Act and includes:

- To supply electricity to any licensee in accordance with this Act and the rules and regulations made there under,
- To initiate accelerated power development by planning and implementing new power projects,
- To operate the existing generating stations efficiently & effectively,
- To implement Renovation and Modernization for existing plants to improve performance through constant R & M activities, regular maintenance, etc.,
- Achieve high reliability and safety levels in all operational areas,
- Taking appropriate steps towards ensuring safety and adhering to environmental norms
- Adopt best industry practices to become the best and efficient generating company
- Other associated businesses like providing Training, Technical Consultancy services and O&M related services

1.2 Performance Highlights

The initial installed capacity when the erstwhile Meghalaya State Electricity Board (MeSEB) was bifurcated from the Assam State Electricity Board (ASEB) in 1975 was 65.2 MW. With the commissioning of Stage-III HEP (1979), Stage IV HEP (1992) & Sonapani Mini Hydel and increase of capacity of Umiam Stage-II (from 18MW to 20MW in 2012), MLHEP (3x42 MW) in 2013, New Umtru(2x20 MW) in 2017 and Lakroh (1*1.5 MW) in 2019, the installed capacity increased to 356.2 MW.

All the Generating Stations except Sonapani Mini Hydel Project, MLHEP and Lakroh Mini Hydel Project, as indicated in the Table below are hydel power stations with the main reservoir at Umiam.

MePGCL started functioning as an independent commercial entity from 1st April 2013. The power generated by the MePGCL stations is sold to MePDCL as per the long term Power Purchase Agreement and transmitted to MePDCL through MePTCL interface points. At present, MePGCL is having 9(nine) Hydro Generating stations. The details of existing stations are mentioned below:

Table 1 : Existing Generation Capacity

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
	Total			356.2	

**Increased Capacity from 18 MW to 20 MW in FY 2011-2012*

MePGCL had commissioned 356.2 MW by the end of FY 2018-19 and all 9(nine) stations are generating at full capacity in FY 2018-19 except Umtru Power Station. All generating Units of Umtru Power Station could not generate on account of aging of Civil and E&M works and increase in the hydraulic head due to increase in FRL of the common reservoir after completion of NUHEP.

Historical Energy Generation: All the generating stations, being hydro, the annual generation depends on the rainfall for the year. It is submitted that the target energy for the old plants needs to be determined based on the actual historical generation achieved in the last 5(five) years, since the plants are very old and some have even crossed their useful life and the design energy of these old plants cannot be taken as an accurate base for determination of target generation. The yearly generation of last 5 years for the generating stations is shown in the table below:

Table 2 : Historical Gross Energy Generation (MU)

Sl. No	Station	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	Umiam Stage-I	96.627	128.61	85.12	108.32	149.49
2	Umiam Stage -II	50.229	63.92	43.31	55.25	76.09
3	Umiam Stage -III	65.296	132.15	133.83	141.83	163.71
4	Umiam Stage-IV	166.116	217.48	166.61	164.50	188.32
5	Umtru Power Station	0	0	0	0	0
6	Sonapani MHP	7.633	7.47	7.12	3.59	6.08
7	Myntdu Leshka HEP	443.852	502.57	363.06	421.65	420.61
8	New Umtru HEP	-	167.79	179.82	181.43	229.80
9	Lakroh MHP	-	-	0.05	2.11	3.69
	Total	829.75	1219.99	978.92	1078.68	1237.80

New Generation Capacity

In addition to the existing capacity, MePGCL is also currently executing works of Ganol Small Hydro Project and Riangdo Mini Hydel project, which are proposed, for commissioning in FY 2022-23.

Table 3 : Details of Upcoming Stations

Sl No	New Station	Design Energy (MU)	Capex Outlay (Rs Cr.)	Debt (Rs. Cr)	Equity (Rs. Cr)	Grant (Rs. Cr)	Year of Commissioning (MM/YY)
1	Ganol SHP	67	507.71	223.11	54.62	229.98	2022-23
2	Riangdo SHP	17	33.99	11.4	2.59	20	2022-23

Design Energy – Existing Generating Stations

The design energy as approved by Commission for MePGCL power stations is provided in the table below:

Table 4 : Design Energy as approved by MSERC in Tariff Order FY 2018-19 and FY 2019-20

Name of Power Station	Design Energy (MU)	
	FY 2018-19	FY 2019-20
Umiam Stage I	116	116
Umiam Stage II	46	46
Umiam-Umtru Stage III	139	139
Umiam-Umtru Stage IV	207	207
Umtru	39	39
Sonapani Mini Hydel	5	5
MLHEP	486	486
NUHEP	235	235
Lakroh MHP	11.01	11.01
Total	1284.01	1284.01

The station-wise Generation Approved for FY 2018-19 and actual generation are provided in the table below:

Table 5 : Approved and Actual Generation Source Wise

Sl. No	Approved by the Hon'ble Commission in Tariff Order for FY 2018-19							Actual generation MePGCL FY 2018-19		
	Name of the Power Station	Gross Generation (MU)	Aux Cons (%)	Transformation Loss (%)	Total Loss (Aux + Transformation) (%)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)	Gross Generation (MU)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage- I	116	0.7%	0.5%	1.2%	1.39	114.61	85.12	0.93	84.19
2	Umiam Stage- II	46	0.7%	0.5%	1.2%	0.55	45.45	43.32	0.27	43.05
3	Umiam-Umtru Stage-III	139	0.7%	0.5%	1.2%	1.67	137.33	133.83	0.91	132.92
4	Umiam-Umtru Stage-IV	207	1.0%	0.5%	1.5%	3.11	203.9	166.61	1.12	165.49
5	Umtru Power Station	39	0.7%	0.5%	1.2%	0.47	38.53	0	0	0
6	Mini Hydel (Sonapani)	5	0.7%	0.5%	1.2%	0.06	4.94	7.12	0.05	7.07
7	MyntduLeshka HEP	486.23	1.0%	0.5%	1.5%	7.29	478.94	363.06	2.75	360.31
8	New Umtru HEP	235	1.0%	0.5%	1.5%	3.52	231.48	179.82	1.5	178.32
	Total	1273.23				18.06	1255.18	978.88	7.53	971.35

1.3 Separate Petition for State Generation Plants

Clause 41.2 of the MSERC MYT Regulations, 2014 states that

“Tariff in respect of a Generating Station under these Regulations may be determined Stage-wise, Unit-wise or for the whole Generating Station. The terms and conditions for determination of tariff for Generating Stations specified in this Part shall apply in like manner to Stages or Units, as the case may be, as to Generating Stations”

MePGCL In accordance with MSERC MYT Regulations 2014, has filed project wise separate petitions for true up of FY 2018-19 for;

1. Myntdu-Leshka HEP.
2. New Umtru HEP
3. Lakroh MHP
4. MePGCL Old plants (including Sonapani)

Commission has undertaken True up process for FY 2018-19 in the following chapters.

2. TRUE UP OF ARR FOR MYNTDU LESHKA H.E. PROJECT (MLHEP) FOR FY 2018-19

2.1 Capital Cost and Asset Base of MLHEP

2.1.1 Capital Cost of MLHEP

Petitioner's Submission

The Commission in its order for MLHEP dated 31st March 2018, had approved a capital cost of Rs. 1141.83 Cr. as certified by Statutory Auditors, as on 31.03.2013. However, the capital expenditure within the original scope of work continued even after 31-03-2013. As per Regulation 29 of the MSERC MYT Regulations 2014, additional capitalization is admissible up to FY 2015-16, which was the cut-off date for capital expenditure for the project.

The provision of the above stated regulation is given below:

"29 Additional Capitalization

29.1 The following capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:

- a) Due to Un-discharged liabilities within the original scope of work;*
- b) On works within the original scope of work, deferred for execution;*
- c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;*
- d) On account of change in law;*
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;*
- f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost"*

Given below is the summary of the capital cost of MLHEP for FY 2018-19 as per the segregated Statement of Accounts of MePGCL (**Annexure G**).

Table 6 : Audited Capital Cost of MLHEP for FY 2018-19

(Rs. Cr)

SL No	Particulars	Value of Assets at the beginning of the year	Addition during the year	Withdrawn during the year	Asset Value at the end of the year
1	Land	23.90	0	0	23.90
2	Buildings	146.68	0	0.006	146.68
3	Hydraulic Works	623.19	0	0.27	622.91
4	Other Civil Works	122.62	0	0	122.62
5	Plant & Machinery	364.17	0	0.06	364.11
6	Lines & cables	4.57	0	0	4.57
7	Vehicles	0.46	0	0	0.46
8	Furniture	0.08	0	0	0.08
9	Office Equipment	0.18	0	0	0.18
	Total	1285.85	0	0.34	1285.52

2.1.2 Asset Base of MLHEP**Petitioner's Submission**

The opening and closing GFA of MLHEP for FY 2018-19, as per the segregated Statement of Accounts of MePGCL is shown in the table below.

Table 7 : Gross Fixed Assets (GFA) of MLHEP for FY 2018-19

(Rs. Cr)

Particulars	Claimed for FY 2018-19	Approved by MSERC
Opening GFA	1285.85	1279.09
Additions during the year	-	4.55
Retirements during the year	0.34	-
Closing GFA	1285.52	1283.64
Average GFA	1285.69	1281.37

MePGCL requested the Commission to approve Gross Fixed Assets for MLHEP as reflected in the SOA for FY 2018-19 submitted in the above table.

Commission's Analysis

Commission had in its True up order for FY 2017-18 considered the capital cost of MLHEP at Rs.1285.95 Crore as of 31.03.2018.

MePGCL has projected retirements at Rs.0.34 crore for FY 2018-19, accordingly the GFA breakup is considered for True up of FY 2018-19 as depicted in the table below

Table 8 : Capital Cost of MLHEP Considered for True up of FY 2018-19**(Rs.Cr)**

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2018)	Addition during the year	Withdrawn during the year	Asset Value at the end of the year (31.03.2019)
1	Land	23.90	0.00	0	23.90
2	Buildings	146.68	0.00	0.006	146.67
3	Hydraulic Works	623.21	0.00	0.27	622.94
4	Other Civil Works	122.70	0.00	0.00	122.70
5	Plant & Machinery	364.17	0.00	0.06	364.11
6	Lines & cables	4.57	0.00	0	4.57
7	Vehicles	0.46	0.00	0	0.46
8	Furniture	0.08	0.00	0	0.08
9	Office Equipment	0.18	0.00	0	0.18
	Total	1285.95	0.00	0.34	1285.61

Table 9 : Approved Gross Fixed Assets (GFA) for MLHEP

Particulars	FY 2018-19 (Rs. Cr)
Opening GFA (01.04.2018)	1285.95
Additions during the year	-
Retirements during the year	0.34
Closing GFA (31.03.2019)	1285.61
Average GFA for FY 2018-19	1285.78

The Projection made vide table no.13 of petition for addition of assets at Rs.4.55 Crore represents FY 2019-20 in the business plan.

MePGCL has not filed asset wise breakup of capital cost of MLHEP separately in the SOA for FY 2018-19.

Commission considers capital cost of the MLHEP as approved above for FY 2018-19

2.2 Depreciation

Petitioner's Submission

The Commission had approved depreciation of Rs. 55.07 Cr. for FY 2018-19 in its tariff order. As per the Statement of Accounts, the depreciation of MLHEP for the year FY 2018-19 is given below:

Table 10 : Depreciation as per SOA for MLHEP for FY 2018-19**(Rs. Cr.)**

Particulars	Amount	Approved Amount	Gap/Surplus (+)/(-)
Land and land rights	-	-	-
Buildings	4.90	4.38	0.52
Hydraulic Works	32.83	29.51	3.32
Others Civil Works	4.10	3.67	0.43
Plant and Machinery	19.21	17.25	1.96
Lines and Cable Network	0.24	0.22	0.02
Vehicles	0.04	0.03	0.01
Furniture and Fixtures	0.005	0.0	0.005
Office Equipment	0.01	0.01	0
Total	61.34	55.07	(+) 6.26

MePGCL, requested the Commission to approve Depreciation gap of Rs. **6.26 Cr.** for FY 2018-19.

Commission's Analysis

Regulation 33.1 of MSERC MYT Regulations 2014 specifies that

- *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 upto 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.*

The Average Govt Grants and contributions reported as per note 13.1 of audited SOA are at Rs.191.34 Crore which includes Rs.18.00 Crore Grants received for Ganol SHP.

The depreciation is considered as per the Regulations as depicted in the table below.

Table 11 : Computation of Depreciation for MLHEP Considered for True up of FY 2018-19

(Rs. Cr.)

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

Commission approves depreciation for MLHEP at Rs.46.90 Crore for True up of FY 2018-19.

2.3 Return on Equity

Petitioner's Submission

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the MSERC MYT Regulations, 2014. MLHEP was funded with 30% equity component. As per the above provisions of MSERC MYT Regulations, 2014, and the asset base of MLHEP, the Return on Equity for MLHEP for FY 2018-19 is computed below:

Table 12 : Return on Equity for Myntdu Leshka HEP for FY 2018-19

(Rs. Cr.)

Particulars	ROE	Approved by MSERC	Gap/Surplus (+)/(-)
Audited Capital Cost of MLHEP (Rs. Cr) (a)	1285.69		
Equity Considered for RoE (INR Cr) (b=a*30%) (30% of funding is equity)	385.71		
RoE (%) (c)	14%		
RoE (d=b*c)	54.00	46.91	(+)7.09

MePGCL requested the Commission to approve the Return on Equity of Rs. 54.00 Cr and gap of Rs. 7.09 Cr for true up of FY 2018-19 for Myntdu Leshka HEP as computed above.

Commission's Analysis

Return on equity shall be computed as per Regulation 31 on the equity base determined in accordance with regulation 27 read with 28.10 and shall not exceed 14%.

Capital Cost of the MLHEP was considered at Rs. **1285.61 Crore** as of 31.03.2019. Average assets considered for computation of Return on equity and admissible ROE considered after deducting the govt. grants and contributions are as depicted in the table below.

Table 13 : Computation of Return on Equity for True up of FY 2018-19 for MLHEP

Sl.no	Particulars	Amount in Cr
1	Average GFA / Capital Cost for FY 2018-19	1285.78
2	Less: Average Grants	191.34
3	Net Assets	1094.44
4	70% Debt component	766.11
5	30% Equity	328.33
6	Return on Equity @ 14% (Sl.no 5*14%)	45.96

Commission approves Return on Equity of MLHEP at Rs.45.96 Crore for True up of FY 2018-19.

2.4 Operation and Maintenance Expenses

Petitioner's Submission

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."

The Commission had approved O&M Expenses of Rs. 29.97 Cr for FY 2018-19. The O&M expenses based on the Audited Statement of Accounts of MePGCL for FY 2018-19 are shown in the table below:

Table 14 : O&M Expenses for Myntdu Leshka HEP for FY 2018-19

(Rs. Cr.)

O&M expenses	Actual as per SOA	Approved by MSERC	GAP / Surplus (+)/(-)
Employees benefits expenses			
(a) Salaries and wages	21.69		
Other Expenses			
(a) Repairs and maintenance	2.77		
(b) Administrative and General Expenses	3.51		
Total (1+2)	27.97	29.97	(-)2.00

MePGCL requested the Commission to approve the trued up surplus of O&M expenses of Rs. (-) 2.00 cr. for MLHEP for FY 2018-19.

Commission's Analysis

MePGCL has claimed O&M expenses including R&M and Adm & General expenses at Rs.27.97 Crore for MLHEP for True up of business for FY 2018-19

As per Regulation 56.1 shall mean the total of all expenditure under the following heads:

- (a) Employee Cost
- (b) Repairs and Maintenance
- (c) Administration and General Expenses.

The projects commissioned on or after 01.04.2009, O&M expenses shall be fixed at 2% of the original project cost.

The O&M expenses for MLHEP has been fixed as on the COD and escalated at 5.72% year on year.

The O&M expenses for MLHEP is considered at Rs.27.97 Crore for MLHEP as claimed by the petitioner for True up of FY 2018-19.

2.5 Interest and Finance Charges

Petitioner's Submission

The Commission had considered Rs. 29.22 Cr. as Interest & Finance Charges for AFC of FY 2018-19 for MLHEP. However, based on the Audited Statement of Accounts, MePGCL humbly requests Commission to allow INR 74.77 Cr. towards Interest & Finance Charges with a gap of INR 45.55 crore for FY 2018-19 as shown in the following table:

Format-7

DETAILS OF LOANS FOR MLHEP FOR THE YEAR 2018-19 for MePGCL (Actual)									
(Rs. In Lakhs)									
Sl. No	Particulars	Opening Balance	Rate of Interest	Addition during the year	Repayment made during the year	Closing balance	Interest Accrued (Avg. of 3.7)*4	Amount of Interest paid	Purpose
1	2	3	4	5	6	7	8	9	10
1	BSE Bonds 2nd Series	5000.00	11.40%	0.00	5000.00	0.00	285.00	570.00	MLHEP (PW*)
2	PFC Loan MLHEP	16909.86	12.75%	0.00	1610.33	15299.53	2053.35	2173.37	MLHEP (PW*)
3	REC Loan MLHEP	18345.57	14.00%	0.00	2530.42	15815.15	2391.25	2114.24	MLHEP (PW*)
4	Federal Bank (MLHEP)	773.81	11.98%	0.00	773.81	0.00	46.35	95.51	MLHEP (PW*)
5	CBI (MLHEP)	2525.78	11.15%	0.00	834.33	1691.45	235.11	271.41	MLHEP (PW*)
6	PFC Loan 170 cr (MLHEP)	11720.93	11.75%	5000.00	1244.48	15476.45	1597.85	1567.78	MLHEP (PW*)
7	REC Loan 60 cr (MLHEP)	6000.00	11.25%	0.00	827.59	5172.41	628.45	685.06	MLHEP (PW*)
	Total	61275.95		5000.00	12820.96	53454.99	7237.36	7477.37	

Note:- *PW Project Works

Detailed Statement of Loans and interest accrued for MLHEP is provided at **Annexure G** of the segregated statement of accounts of MePGCL. It is submitted that Interest & Finance Charges are genuine and legitimate expenditure and requested the Commission to approve the entire interest & finance charges as shown above.

The Commission in its order for approval of Capital Cost and True up of FY 2013-14 & Provisional True up for FY 2014-15 and Annual Fixed Charges and Generation Tariff for MYT Control Period FY 2015-16 to FY 2017-18 for MLHEP, has approved the loan opening balance of MLHEP at Rs. 712.88 Crore and closing balance at Rs. 720.40 Crore for FY 2013-14. It has also approved an interest of Rs. 81.57 crore for FY 2013-14. The loan approved by the Commission includes 9.95% BSE Power Bonds of Rs. 120 Crore and 11.40 % BSE Power Bonds of Rs. 50 Crore (i.e., total Rs. 170 crore of Power Bonds). These bonds matured in October, 2017 and November, 2018, respectively (i.e., after 5 years and 6 years from Commercial Operation Date of the project). MePGCL had taken a loan

of Rs. 170 Crore from PFC for redemption of the bonds. As per Regulation 32.1 of MSERC MYT Regulations, 2014, bond or debenture is part of loan capital.

The weighted average depreciation rate of different assets (i.e., Buildings, Hydraulic Structures, Plants & Machineries, etc.) based on the Capital cost of MLHEP of Rs. 1286.74 Cr. certified by the Statutory Auditor (**Annexure-H**) and as per Depreciation rates given in the Depreciation Schedule of the MSERC Regulations, 2014 at pages 84 & 85, is derived as follows:

$$\begin{aligned}
 & \begin{array}{ccccc}
 \text{Buildings} & \text{Hydraulic works} & \text{Other civil works} & \text{Plant \& Machineries} & \text{Lines \& Cables} \\
 \hline
 & & & &
 \end{array} \\
 & = [(146.68 \times 3.34\%) + (623.60 \times 5.28\%) + (122.70 \times 3.34\%) + (364.57 \times 5.28\%) + (4.57 \times 5.28\%) + \\
 & \begin{array}{ccc}
 \text{Vehicles} & \text{Furniture} & \text{Office Equipment} \\
 \hline
 & &
 \end{array} \\
 & (0.46 \times 5.28\%) + (0.08 \times 6.33\%) + (0.18 \times 6.33\%)] / (146.68 + 623.60 + 122.70 + 364.57 + 4.57 + \\
 & \qquad \qquad \qquad 0.46 + 0.08 + 0.18) \\
 & = (4.90 + 32.93 + 4.1 + 19.25 + 0.24 + 0.024 + 0.51 + 0.24) / 1262.84 \\
 & = 62.19 / 1262.84 \\
 & = 4.92 \%
 \end{aligned}$$

The weighted average depreciation rate for MLHEP's assets is, therefore, 4.92 %.

The average loan approved by the Commission for MLHEP for FY 2013-14 is INR (712.88 + 720.40)/2, or Rs. 716.64 Crore including the INR 170 Crore Power Bonds while the total equity approved was Rs. 334.87 Crore. The average loan taken from financial institutions excluding the Power Bonds is, therefore, INR 546.64 Crore (i.e., Rs. 716.64 Crore – Rs. 170.00 Crore). For this total loan amount of Rs. 716.64 Crore, taking the repayment period of 12 years (as allowed under Regulation 33.1 (f)) and weighted average rate of depreciation at 4.92%, the accrued depreciation which is meant for repayment of loan principal is derived as shown below:-

Total Amount = Rs. 716.64 Cr. (average loan) + Rs. 334.87 Cr. (approved equity) = Rs. 1051.64 Cr.

Depreciation for 12 years = Rs. 1051.64 Cr. x 0.0492 x 90% x 12 years = Rs. 558.80 cr.

This total depreciation of Rs. 558.80 Cr. on loans (including the INR 170 cr. Power Bonds) and approved equity is just sufficient to meet the principal repayment of the loans taken from financial institutions only, i.e., Rs. 546.64 crore, while only Rs. 12.16 crore will be

left for repayment / redemption of the Power Bonds, assuming their maturity period at 12 years from FY 2013-14.

Since the depreciation accrued from FY 2013-14 to FY 2017-18 and FY 2018-19 when the Power Bonds become matured was much less, MePGCL was unable to meet the repayment of the bonds through depreciation which might lead to default in payment by MePGCL and breach of agreement made with all stakeholders.

MePGCL was thus compelled to avail take-out financing of Rs. 170 crore to redeem the bonds in FY 2017-18 & FY 2018-19, which is permissible as per RBI Guidelines dated 2nd June, 2016 for Refinancing of Project Loans (**Annexure I**).

MePGCL, requested the Commission to approve the loan of Rs. 170 crore taken for redemption of the Power Bonds and interest accrued thereon.

The Commission had approved the Capital Cost of MLHEP at Rs. 1134.28 Crore as on 31.03.2013 in its order for Approval of Capital Cost and True Up of FY 2013-14 & Provisional True Up of FY 2014-15 and AFC and Generation Tariff for MYT Control Period FY 2015-16 to FY 2017-18 for MLHEP. It has also stated that interest on loan capital shall be allowed on the outstanding balance of borrowed loans of Rs. 794.00 Crore which is 70% of the project cost of Rs. 1134.28 Crore excluding cost of infirm power (Page-65 of the order). However, it may be mentioned that the project cost of Rs. 1134.28 Crore was on accrual basis, i.e., though the expenditure is fully accounted, yet the actual payment for the full amount of Rs. 1134.28 Crore was not made due to fund constraints. Therefore, as per the books of accounts for FY 2013-14 the commission had approved the loan opening balance of Rs. 712.88 crore and loan closing balance of Rs. 720.40 Crore (average loan being Rs. 716.64 Crore), which is less than the approved loan of Rs. 794.00 Crore. Therefore, MePGCL was losing the interest on this loan shortfall during FY 2013-14, which was a gain to the consumers.

The capital cost approved for MLHEP, the loan component approved by the Commission and actual average loan from FY 2013-14 to FY 2017-18 are shown in the table below:-

Table 15 : Additional Loan Eligible for Take-out financing by MePGCL for MLHEP**(Rs Cr)**

FY	Capital Cost Approved	Loan Component (@ 70% of Project Cost)	Loan Component after Principal repayment (Loan tenure of 12 Years)	Actual Average Loan (as per SOA's)	Additional Loan eligible for take-out financing	Remarks
2013-14	1134.28	794.00	727.83	716.64	1.19	As per Tariff order dated 30.03.2017 on Approval of Capital Cost and True up of FY 2013-14 & Provisional True up of FY 2014-15 And AFC and Generation Tariff for MYT Control Period FY 2015-16 to FY 2017-18
2014-15	1278.62	895.03	828.86	718.70	110.16	
2015-16	1279.11	895.38	812.49	698.73	113.76	
2016-17	1279.41	895.59	805.31	644.71	160.60	
2017-18	1279.41	895.59	794.93	520.71	274.22	

Average additional loan eligible for take-out financing by MePGCL = $\frac{\text{Rs. } 659.93 \text{ Crore}}{5}$ = Rs. 131.99 Crore

Say = Rs. 132.00 Crore

MePGCL, therefore, is eligible for availing an average additional loan of Rs. 132.00 Crore during FY 2013-14 to FY 2017-18 as shown above. From FY 2013-14 to FY 2017-18, MePGCL had not availed this loan amount resulting in the gain to the consumers and loss to the Corporation. As stated before, the project cost of MePGCL was finalized on accrual basis, i.e., the accrued expenditure was booked in full to the project cost while the actual payment is less than the accrued expenditure because MePGCL was facing acute financial crunch and could not pay the outstanding dues of the project which were accounted in full in the project cost of MLHEP.

Regulation 32.1 which governs the interest and finance charges states as under:-

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.

Regulation 27 which governs the Debt-Equity Ratio specifies that equity in excess of 30% of the project cost shall be treated as normative loan. The loan component of the project is fixed at 70% of the approved project cost.

Therefore, in accordance with the above regulations, MePGCL is entitled to avail loan upto 70% of the approved project cost as shown in Table-17 above and can claim interest on this loan amount as permitted by the above regulations.

The Commission in its order dated 25.03.2021 on ARR for Control Period FY 2021-22 to FY 2023-24 & Generation Tariff for FY 2021-22, has stated that *“any borrowings after achieving COD shall not be taken into consideration for interest Computation”*.

In this connection, it may be pointed out that the Commission did not take into consideration the amount of loan which MePGCL is eligible to avail (i.e., 70% of approved project cost) as shown in Table-17 above and as permitted by Regulations 32.1 and 27 of the MSERC MYT Regulations, 2014. It has also not considered the fact that the project cost of MLHEP was arrived at on accrual basis, i.e., the accrued expenditure is more than the actual payment made on account of the fact that MePGCL was facing acute financial crisis and could not clear the outstanding dues like payment for land acquired and works completed before commissioning of the project which were lying pending for quite a number of years. It was only in FY 2017-18 that the Corporation opted to avail take-out financing of Rs. 60.00 Crore to clear the outstanding dues though it is eligible to avail an additional average loan of more than Rs. 60.00 Crore as shown in Table-17 above and as permitted by Regulations 32.1 and 27 of the MSERC MYT Regulations, 2014. This take-out financing is also in line with the RBI Guidelines dated 2nd June, 2016 for Refinancing of Project Loans (**Annexure I**).

MePGCL, requested the Commission to approve the take-out financing of Rs. 60 Crore and interest accrued thereon, which is in line with the RBI Guidelines for clearing the outstanding dues and as permitted by the regulations.

Commission's Analysis

Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

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.

The Claim of MePGCL for takeout financing for MLHEP as tabulated in the petition shall not be considered as the Regulations does not provide for allowing interest on takeout financing.

Therefore the interest on loan capital has been considered on the outstanding loans approved for True up of FY 2017-18 as per the Regulation 32.1.

Commission considers the interest on loan capital at actual outstanding as reported in the Statement of accounts vide note no.12 against the MLHEP project as depicted in the table below.

Table 16 : Interest on capital loans for FY 2018-19

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

Commission approves Interest and Finance charges for MLHEP at Rs.44.85 Crore for True up of FY 2018-19.

2.6 Interest on Working Capital

Petitioner's Submission

In accordance with the regulations, the Interest on Working Capital for MLHEP is computed below:

Table 17 : Interest on Working Capital for FY 2018-19

Particulars	MLHEP Actual	Approved	GAP / Surplus (-)/(+)
O&M expenses for one month (Rs. Cr.) (1) (27.97Cr /12)	2.33	4.80	(+) 1.13
Maintenance spares @ 15% of O&M expenses (2) (27.97*15%*1.06)	4.45		
Receivables equivalent to two months of Fixed cost (Rs. Cr.) (3)	37.28		
Total Working Capital Requirements (Rs. Cr.) (4=1+2+3)	44.06		
SBI PLR as on 1st April of the respective Financial Year (%) (5)	13.45%		
Interest on Working Capital (Rs. Cr.) (6=4*5)	5.93		

MePGCL requested the Commission to approve the Interest on Working Capital of Rs.5.93 Cr and gap of Rs. (+) 1.13 Cr. as computed above for FY 2018-19 for MLHEP.

Commission's Analysis

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

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

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

Table 18 : Approved Interest on Working Capital for FY 2018-19

Particulars	MLHEP Actual
O&M expenses for one month (Rs Cr.) (1) (27.97Cr /12)	2.33
Maintenance spares @ 15% of O&M expenses (2) (27.97*15%*1.06)	4.45
Receivables equivalent to two months of Fixed cost (Rs Cr.) (3)(165.65*2/12)	27.61
Total Working Capital Requirements (Rs Cr.) (4=1+2+3)	34.39
SBI PLR as on 1st April of the respective Financial Year (%) (5)	13.45%
Interest on Working Capital (Rs Cr.) (6=4*5)	4.62

Commission approves Interest on working capital at Rs.4.62 Crore for MLHEP for True up of FY 2018-19.

2.7 Prior Period Expenses

Petitioner's Submission

MLHEP has nil prior period expenses during FY 2018-19.

Commission's Analysis

Commission considers petitioner's claim as -NIL - Prior Period expenses for MLHEP for True up of FY 2018-19.

2.8 Non-Tariff Income

Petitioner's Submission

The total non-tariff income for MLHEP is Rs. 0.023 Cr. during FY 2018-19.

Commission's Analysis

Commission considers Non Tariff Income at Rs.0.023 Crore for True up of FY 2018-19.

2.9 Revenue from Operations

Petitioner's Submission

MePGCL has received Revenue of INR 226.87 Cr. for MLHEP from MePDCL towards sale of power for FY 2018-19, which includes INR 81.50 crore true up gap for FY 2013-14.

Commission's Analysis

Commission had notified ARR for MLHEP for FY 2018-19 at Rs.165.94 Crore. Whereas MePGCL has included in the ARR with Revenue Gap of True up for FY 2013-14 and FY 2014-15 for Rs.81.50 Crore in each of the FY 2018-19 and FY 2019-20.

Commission had in the True up orders dated 30.03.2017 directed that the Revenue Gap arisen because of approval of provisional Tariff for MLHEP at Rs.2.83/unit, and it would be apt for the MePDCL to claim this amount in ARR of FY 2018-19 separately, in lumpsum or which could be spread out in 2 to 3 years by MePDCL in its ARR petitions for FY 2018-19 onwards thus averting a Tariff Shock

Accordingly MePDCL has claimed the above Revenue Gap for Rs.81.50 Crore in the ARR of FY 2018-19 and Rs.81.50 Crore in the ARR of FY 2019-20 as power purchase cost of MLHEP and Commission had determined Retail Tariff for MePDCL including the Revenue Gap of MLHEP as claimed.

The submission of the MePGCL that the ARR for FY 2018-19 for Rs.226.87 Crore including Revenue Gap of MLHEP for Rs.81.50 Crore would result in double claim as analyzed above.

Thus the Revenue billed against MLHEP for Rs.226.87 Crore shall be excessive of Rs.81.50 Crore and would be a surplus of ARR for FY 2018-19 True up.

MePGCL has reported Revenue from Operations at Rs.358.36 Crore for FY 2018-19 vide note no.18 of SOA. Out of which Revenue from MLHEP is claimed through the invoices amounted to Rs.226.87 Crore including Rs.81.50 Crore as Revenue Gap.

Commission considers Revenue from operations for MLHEP at Rs.226.87 Crore as against approved ARR of Rs.170.28 Crore for True up of FY 2018-19 while declaring surplus of Revenue for Rs.56.59 Crore.

Commission considers Revenue from operations for MLHEP at Rs.226.87 Crore for True up of FY 2018-19.

2.10 Summary of Annual Fixed Cost – Myndtu Leshka HEP (MLHEP)

Petitioner's Submission

The summary of Annual Fixed Cost approved by the Commission for MLHEP vis-à-vis actual as per the Audited Statement of Accounts for FY 2017-18 is given below:

Table 19 : Summary of Annual Fixed Cost (Approved vis-à-vis Actuals) FY 2018-19

(Rs Cr)

Particulars	Actual	Approved in T.O	GAP/ Surplus (+)/ (-)
Depreciation	61.34	55.07	(+) 6.27
Return on Equity	54.00	46.91	(+) 7.09
O&M Expenses	27.97	29.97	(-) 2.00
Interest and Finance Charges	74.77	29.22	(+) 45.55
Interest on working capital	5.93	4.80	(+) 1.13
SLDC Charges	-	0.00	-
Net Prior Period Items: Income (-)/ Expense	0.00	-	-
Total Annual Fixed Cost (AFC)	224.01	165.97	
Less: Non-Tariff Income	0.023	0.03	(-) 0.01
Net AFC	223.99	165.94	(+) 58.05
Revenue from (i) Operation	145.37		
(ii) True up gap FY 2013-14	81.50		
Total Revenue	226.87		
Gap(+)/(Surplus)(-)			(-) 2.88

MePGCL requested the Commission to pass the surplus gap of INR (-) 2.88 Cr. for MLHEP under the truing up of FY 2018-19 and to be adjusted in the ARR of FY 2022-23.

Commission's Analysis

The petition for MLHEP for True up of FY 2018-19 is scrutinized with reference to the approved ARR and with reference to True up gap approved for FY 2013-14 and FY 2014-15 notified in the commission's order dated 30.03.2017. After prudence check as per MSERC MYT Regulations 2014 the ARR is approved for True up of FY 2018-19 as depicted in the table below.

Table 20 : Approved ARR for MLHEP for True up of FY 2018-19

(Rs. Cr)

Sl. no	Particulars	Approved in T.O	Actuals claimed	Now Approved for True up of FY 2018-19
1	Depreciation	55.07	61.34	46.90
2	Return on Equity	46.91	54.00	45.96
3	O&M Expenses	29.97	27.97	27.97
4	Interest and Finance Charges	29.22	74.77	44.85
5	Interest on working capital	4.80	5.93	4.62
6	SLDC Charges	0.00	-	0.00
7	Net Prior Period Items: Income (-)/ Expense	-	0.00	0.00
	Total Annual Fixed Cost (AFC)	165.97	224.01	170.30
8	Less: Non-Tariff Income	0.03	0.023	0.023
	Net AFC	165.94	223.99	170.28

Commission considers Net AFC at Rs.170.28 Crore for True up of MLHEP for FY 2018-19.

3. TRUE UP OF ARR FOR NUHEP FOR FY 2018-19

Petitioners' Submission

3.1 Capital Cost and Funding Pattern of New Umtru HEP

3.1.1 Capital Cost of New Umtru

The New Umtru HEP achieved its CoD on 1st July 2017. However, the MePGCL incurred additional capital costs on account of the following:

- a) Un discharged liabilities
- b) Works deferred for execution
- c) Additional works required for efficient functioning of the project

As per the regulations, the works which are within the original scope of works but deferred for execution and works due to un-discharged liabilities within the original scope of work, will form part of additional capitalization. As per Regulation 29 of the MSERC MYT Regulations, 2014 (the clause mentioned below) the project can have additional capitalization till 31st March 2020. The utility has incurred additional capital expenditure for NUHEP till 31ST March, 2020, which is within the cutoff date.

The provisions of the above stated regulation is given below:

"29 Additional Capitalization

29.1 The following capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:

- a) Due to Un-discharged liabilities within the original scope of work;*
- b) On works within the original scope of work, deferred for execution;*
- c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;*
- d) On account of change in law;*
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;*
- f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost"*

Provided that original scope of work along with estimates of expenditure shall beconsidered

29.2 Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.

Since the petition pertains to true up of FY 2018-19, capitalization upto 31st March 2019 has been used for computation of ARR components.

The capital cost and the Assets value of New Umtru HEP for FY 2018-19 are based as per the segregated statement of accounts of MePGCL attached as **Annexure G**. Given below is the Gross Fixed Asset as on 31.03.2019 :

Table 21 : Capital Cost of NUHEP

Capital Cost	Amount (Rs. Cr.)
Capital Cost as on 31 March 2019	601.88

Asset-wise break up of NUHEP asset base is given below:

Table 22 : Actual Capital Cost of NUHEP for the FY 2018-19

(Rs. Cr.)					
S. No	Name of the Asset	Value of Assets at the beginning of the year	Addition during the year	Withdrawn during the year	Value of Assets at the year
1	Land & Land rights	-	0.40	-	0.40
2	Buildings	94.86	-	-	94.86
3	Hydraulic Works	310.60	0.03`	-	310.63
4	Other Civil Works	31.80	0.578	-	32.37
5	Plant & Machinery	159.88	0.01	-	159.90
6	Lines & Cable Network	3.56	-	-	3.56
7	Vehicles	0.04	-	-	0.04
8	Furniture & Fixtures	-	0.076	-	0.07
9	Office Equipment	0.02	-	-	0.02
10	Assets not in use	-	-	-	-
	Total	600.78	1.09	-	601.88

The assets value of NUHEP for FY 2018-19 in asset wise break-up is attached as **Annexure G**.

Funding Pattern of NUHEP

The New Umtru HEP was funded by a mix of Loan and Equity as elaborated below.

Table 23 : Funding pattern of NUHEP for FY 2018-19

(Rs. Cr.)			
Capital funding	Total	Loan	Equity
Capital cost as on 1 st April 2018	600.78	440.30	160.48
Capital cost as on 31 st March 2019	601.88	440.30	161.58
Average Capital Cost	601.33	440.30	161.03

As it can be clearly seen, there is no grant component in the NUHEP project. The Govt. of Meghalaya vide Notification No.PE.73/97/vol IV/217, dated. 13th December, 2012 has notified the Equity infused by the State Govt. in NUHEP (**Annexure-J**) at Rs. 32.59 crore. The State Government has also vide Notification No.POWER.44/2011/659, dated 26th November, 2021 (**Annexure K**) converted grants and loans amounting to Rs. 132.00 crore

into equity for NUHEP. The total amount of equity infused in NUHEP by the State Government is therefore Rs. 164.60 crore (i.e., 32.59 Cr. + Rs. 132.00 Cr.) against the total project cost of Rs. 604.90 crore expected upto FY 2020-21.

3.1.2 Asset Base of New Umtru HEP

The opening and closing GFA of NUHEP for FY 2018-19, as per the Audited Statement of Accounts of MePGCL is shown in the table below:

Table 24 : Gross Fixed Assets (GFA) of NUHEP

(Rs Cr.)

Particulars	FY 2018-19
Opening GFA (a)	600.78
Additions during the year (b)	1.09
Retirements during the year (c)	-
Closing GFA (d=a+b-c)	601.88
Average GFA	601.33

The details of assets of NUHEP as stated above are attached as **Annexure G**. MePGCL requested the Commission to approve Gross Fixed Assets for NUHEP as submitted in the above table.

Commission's Analysis

Commission had approved capital cost of New Umtru at Rs.580.72 Crore as on 31.03.2019 in the Tariff Order dated 25.03.2020. The MePGCL has claimed the addition of the assets for Rs.1.41 Crore during the FY 2018-19 for True up.

The asset wise breakup of the capital cost has been considered as depicted in the table below.

Table 25 : Asset wise break up of GFA as on 31.03.2019

(Rs.Cr)

Nature of Asset	Opening value	Additions	Closing Value
Land	0.00	0.41	0.41
Buildings	91.57		91.57
Others Civil Works	30.72		30.72
Hydraulic Works	297.75	0.57	298.32
Plant & Machinery	155.35	0.35	155.70
Furniture & Fittings	0.02	0.08	0.10
Vehicles	1.83		1.83
Office Equipment	0.05		0.05
Lines & Cable Network	3.43		3.43
Communication	-		-
Total	580.72	1.41	582.13

The funding pattern for the project was considered taking into account the govt. grant and contributions at Rs.128.37 Crore as filed by MePGCL vide Annexure V (b) and Govt. of Meghalaya power department notification dated 24.03.2015.

MePGCL has filed a Review petition on the True up orders for FY 2017-18 claiming that the govt grants and contributions considered by the commission at Rs.128.37 Crore for computation of depreciation and ROE in the True up orders of New Umtru project was not correct and stated that Govt. of Meghalaya notification treating the Govt. Grant as equity will be submitted and requested to consider the Grant as equity of the government for computation of ROE in the True up of business for FY 2017-18.

As per the Govt. of Meghalaya notification dated 24.03.2015 filed as Annexure-V (b) for approval of capital cost and Provisional Tariff indicates that the release of funds by the Govt. initially was Grant in Aid. It is also stated there in the money released under SPA, NEC & NLCPR as loan continues to be treated as loan. The details of the amount made available includes 10% states share for Rs.481.33 Lakh, Loan Repayment to HUDCO at Rs.2937.23 Lakh and Pre-payment charges to HUDCO at Rs.308.96 Lakh out of Rs.128.37 Crore filed as equity.

The claim of MePGCL in the Review petition and Govt. Notification Dt.24.03.2015 filed as Annexure-V (b) does not communicate for treatment of Rs.128.37 Crore as equity fund made available by the state govt.

The MePGCL has stated that the State Govt. has been addressed for issue of notification restating the equity portion of the funding for NUHEP. It was notified in the review order for treatment of the Govt. grant as equity shall only be considered after the govt. of Meghalaya issues the notification restating the equity portion of the funding of NUHEP.

MePGCL was addressed to submit the Govt. Notification restating the Equity portion of funding for construction of NUHEP vide commission's letter dated 15.12.2020 and again on 16.07.2021. But MePGCL didn't file the information called for there in.

Commission had considered the capital cost of the New Umtru Project as per the data made available in the petition for approval of the capital cost. Commission had considered the Return on Equity on the 30% of the approved capital cost excluding the state govt. grant for Rs.128.37 Crore as per the Regulations.

MePGCL has not filed the govt. notification restating the equity portion of funding for construction of NUHEP, as such Commission has disposed the Review petition on 05.10.2021 treating the fund as Govt. Grant for Rs.128.37 Crore for FY 2017-18.

The MePGCL has filed the Govt. Notification dated 26.11.2021 along with the True up petition for FY 2018-19 on 30.11.2021 (The notification is annexed to this order) restating the govt. grants and loans as equity for execution of the New Umtru HEP for Rs. 132.00 Crore. The details are analyzed and incorporated for consideration of the equity part with effective date.

A. NLCPR

(i). DoNER

Sl.No.	Sanction letter	Amount in Lakh of Rupees	As per Sanction letter	To be treated as	Date of Effect
1.	No.POWER. 44/2011/259, Dt. 17.08.2012	1072.54	Grant	Equity	17.08.2012
	Total	1072.54			

(ii). 10% State Share

Sl. No.	Sanction letter	Amount in Lakh of Rupees	As per Sanction letter	To be treated as	Date of Effect
1.	PE. 95/2005/Pt-1/58 (b), dt. 31.03.2009	169.00	Loan	Equity	01.04.2010
2.	POWER. 44/2011/175, Dt. 21.09.2011	193.15	Loan	Equity	21.09.2011
3.	POWER. 44/2011/375, dt. 31.03.2016	119.17	Loan	Equity	31.03.2016
4.	POWER. 44/2011/ Pt.IV/198, dt. 31.03.2017	1.551	Loan	Equity	31.03.2017
	Total	482.871			

B. SGA (Grant and Loan)

Sl. No.	Sanction letter	Amount in Lakh of Rupees	As per Sanction letter	To be treated as	Date of Effect
1.	POWER. 44/2011/ Pt.II/62, dt. 31.03.2013	1800.00+ 200.00	Grant+Loan	Equity	31.03.2013
2.	POWER. 44/2011/Pt.IV/47, dt. 31.03.2014	2500.00+ 277.78	Grant+Loan	Equity	31.03.2014
3.	POWER. 44/2011/Pt.IV/67, dt. 26.03.2015	278.00	Grant	Equity	26.03.2015
4.	POWER. 44/2011/Pt.IV/287, dt. 29.03.2019	5743.00	Grant	Equity	29.03.2019
	Total	10798.78			

C. Loan from State Govt.

Sl. No.	Sanction letter	Amount in Lakh of Rupees	As per Sanction letter	To be treated as	Date of Effect
1.	PE. 84/87/Pt-I/105, dt. 29.03.2014	988.750	Loan	Equity	29.03.2014
2.	POWER. 84/87/Pt.I/133, dt. 29.05.2014	950.12	Loan	Equity	29.04.2014
3.	POWER. 84/87/Pt.I/149, dt. 03.09.2014	998.36	Grant	Equity	03.09.2014
4.	POWER. 84/87/Pt.I/157, dt. 27.01.2015	308.959	Grant	Equity	27.01.2015
	Total	3246.189			

Grand Total = Rs.15600.38 Lakhs

The Govt. notification stated that out of the Rs.15600.38 Lakhs, Rs.132.00 Lakhs allocated for construction of 2X20=40 MW New Umtru HEP and the unspent Rs.2400 Lakhs be infused as equity for Ganol SHEP.

Accordingly, Commission considers the equity part for New Umtru project commissioned on 01.07.2017 as detailed below ;

Equity Considered in the Govt. Order for New Umtru = Rs.13200 lakhs

Amount of equity released on 29.03.2019 = Rs.5743 Lakhs

This is considered as additional equity in FY 2019-20.

**Equity to be considered against New Umtru Project
as on the date of COD 01.07.2017 (132-57.43) = Rs. 7457.38 Lakhs**

Commission considers Funding pattern for New Umtru project as detailed below.

Table 26 : Funding pattern for New Umtru project

Sl. No	Particulars	Amount in Rs. Crore
1	Project Cost approved as on COD ie., 01.07.2017	580.72
2	30% equity capital as per Regulation	174.22
3	Loan to be considered (70% of Capital Cost)	354.30
4	Equity contribution by Govt. as on 01.07.2017	74.57
5	Actual Loans availed by MePGCL as per SOA	440.30

Accordingly Commission considers Equity at 74.57 Crore and actual loans at Rs.440.30 Crore for further computation of ARR components.

3.2 Depreciation

Petitioner's Submission

The petitioner presents the depreciation of NUHEP for the year FY 2018-19 true up as follows:

Table 27 : Depreciation for NUHEP

(Rs. Cr.)			
Particulars	FY 2018-19	Approved	Loss/ (Gain)
Land and land rights	-		
Buildings	3.17		
Hydraulic Works	16.4		
Others Civil Works	1.08		
Plant and Machinery	8.44		
Lines and Cable Network	0.19		
Vehicles	0.0037		
Furniture and Fixtures	0.0049		
Office Equipment	0.0012		
Total	29.29	NIL*	29.29

The Depreciation for NUHEP for FY 2018-19 approved by the Commission is not available. Only the AFC of Rs. 26.30 Cr apportioned from the AFC of old stations is available in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL, requested the Commission to approve Depreciation of Rs. 29.29 Cr for NUHEP for FY 2018-19.

Commission's Analysis

MePGCL has furnished the asset wise breakup of Gross Fixed assets for computation of depreciation in the petition for Rs. 600.78 Crore, though commission had approved asset wise breakup for the capital cost at Rs.580.72 Crore in the true up orders for FY 2017-18. MePGCL was asked to furnish the project wise, scheme wise breakup of capital addition for Rs.25.85 Crore reported in the audited accounts vide commission's letter dated 10.12.2021.

MePGCL has submitted the breakup vide their letter dated 13.01.2022, according to which the capital addition during the FY 2018-19 is shown at Rs.1.41 Crore as against Rs.1.09 Crore projected in the petition for New Umtru project.

Commission computed depreciation on 90% of the assets as per the Regulations for New Umtru project based on the asset wise break up approved in the True up orders for FY 2017-18 considering the additions during FY 2018-19 at Rs.1.41 Crore (after deducting the depreciation on grants part for Rs. 57.43 Crore additional equity to be considered in FY 2019-20) as depicted in the table below.

Table 28 : Computation of Depreciation for NUHEP for FY 2018-19**(Rs. Cr)**

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2018)	Additions during the Year	Asset Value at the end of the year (31.03.2019)	Average assets	90% of Assets	Depreciation
	1	2	3	4	5	6	7
1	Land	0.00	0.41	0.41	0.20	0.00	0.00
2	Buildings	91.57	0.00	91.57	91.57	82.41	2.75
3	Hydraulic Works	297.75	0.57	298.32	298.04	268.24	14.16
4	Other Civil Works	30.72	0.00	30.72	30.72	27.65	0.92
5	Plant & Machinery	155.35	0.35	155.70	155.52	139.97	7.39
6	Lines & cables	3.43	0.00	3.43	3.43	3.09	0.16
7	Vehicles	1.83	0.00	1.83	1.83	1.65	0.16
8	Furniture	0.02	0.08	0.10	0.06	0.05	0.003
9	Office Equipment	0.05	0.00	0.05	0.05	0.04	0.003
10	Total	580.72	1.41	582.13	581.42	523.10	25.54
11	Avg Depreciation (%)						4.88 %
12	Govt. Grants and Contributions available (132-74.57)					57.43	
13	Less: Dep on grants						2.80
14	Net Depreciation						22.74

Commission approves Depreciation at RS. 22.74 Crore for NUHEP for True up of FY 2018-19.

3.3 Return on Equity

Petitioner's Submission

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the MSERC MYT Regulations, 2014. As per the above provisions of MSERC MYT Regulations, 2014, and the asset base of NUHEP, the Return on Equity for NUHEP for FY 2018-19 is computed as shown below:

Table 29 : Return on Equity for New Umtru HEP

Particulars	FY 2018-19	Approved	Loss/ (Gain)
Average Equity Base (Rs. Cr.)(a)	161.03		
30% of Capital Cost(b)	180.40		
Equity to be considered for RoE Calculations (c=lower of a and b)	161.03		
RoE (%) (d)	14%		
Return on Equity (Rs. Cr.) (h=f*g)	22.54	NIL	22.54

The RoE for NUHEP for FY 2018-19 approved by Commission is not available. Only the AFC of Rs. 26.30 Cr apportioned from the AFC of old stations is available in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL requested the Commission to approve the Return on Equity of Rs. 22.54 Cr. for true up of FY 2018-19 for New Umtru HEP as computed above.

Commission's Analysis

Return on equity shall be computed as per Regulation 31 on the equity base determined in accordance with regulation 27.

MePGCL was asked to furnish the project wise, scheme wise breakup of capital addition for Rs.25.85 Crore reported in the audited accounts vide commission's letter dated 10.12.2021.

MePGCL has submitted the breakup vide their letter dated 13.01.2022, according to which the capital addition during the FY 2018-19 is shown at Rs.1.41 Crore as against Rs.1.09 Crore projected in the petition for New Umtru project.

As analyzed in para no.3.1.2 above, the equity contribution by state govt. is considered for computation of Return on equity including addition of asset during the FY 2018-19 as depicted in the table below.

Table 30 : Computation of Return on Equity for True up of FY 2018-19 for NUHEP

Sl.no	Particulars	Amount in Cr
1	GFA as on 01.04.2018	580.72
2	Additions during the year	1.41
3	Closing GFA	582.13
4	Average GFA	581.42
5	Less: Grants and contributions Available	57.43
6	Net GFA	523.99
7	Equity contribution by Govt. as on 01.07.2017	74.57
8	30% of Assets added in FY 2018-19 ie. (1.41*30%)	0.42
9	Closing Equity Considered	74.99
10	Average Equity	74.78
11	Return on Equity @ 14% (Sl.no.10 *14%)	10.47

Commission approves Return on Equity at Rs. 10.47 Crore for True up of FY 2018-19.

3.4 Operation and Maintenance Expenses

Petitioner's Submission

Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced below:

"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."

NUHEP achieved CoD after 1.04.2009 and, therefore, its O & M expenses are fixed as per Regulation 56 (7) at 2% of Project Cost. For truing up, the O & M expenses are based on actuals as per SoA.

Table 31 : O&M Expenses for New Umtru HEP for FY 2018-19

(Rs.Cr)			
Particulars	Amount	Approved	Loss/ (Gain)
Employee Benefits Expense	9.56		
Repairs and Maintenance and Administrative and General Expenses	1.29		
O&M Expenses for FY 2018-19 as SoA	10.85	NIL *	10.85

The O&M expenses for NUHEP approved by the Commission for FY 2018-19 are not available. Only the AFC of Rs. 26.30 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL requested the Commission to approve the O&M expenses of Rs.10.85 Cr. for NUHEP for FY 2018-19.

Commission's Analysis

As per Regulation 56.1 O&M expenses shall mean the total of all expenditure under the following heads:

- (a) Employee Cost
- (b) Repairs and Maintenance
- (c) Administration and General Expenses.

Regulation 56.7 specifies:-

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.

Commission had determined the O&M expenses as per the Regulations based on the approved capital cost of Rs.580.72 Crore at Rs.11.61 Crore for FY 2017-18. The O&M expenses shall be escalated at 5.72% year on year.

Thus the O&M expenses permissible for FY 2018-19 would be payable at Rs.12.27 Crore.

Commission approves O&M expenses at Rs.10.85 Crore as per actuals claimed by petitioner for True up of FY 2018-19.

3.5 Interest & Finance Charges

Petitioner's Submission

Regulation 32 read with regulation 27 of the MYT Regulations, 2014 provides the guidelines for computation of interest and finance charges. The relevant section of the regulation is reproduced below:

“32 Interest and finance charges on loan capital

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.”

As shown in the section 8.2 (Table-30) above, loan component for Capital cost of NUHEP is Rs. 440.30 Cr and the utility is fulfilling the interest obligations as on date.

The Interest on Loan is computed by considering interest obligation for the project loan. The loan statement along with repayment schedule is shown below. This is as per the audited accounts of **MePGCL (Note 12 - Financial Liabilities (Borrowings): NUHEP Head)**. The loan is repayable in 14 years (with one year moratorium period) from its COD in quarterly installments as stated in the Note 10.

Table 32 : Details of Loans for FY 2018-19 for New Umtru HEP

(Rs. Cr)							
Sl. No.	Particulars	Opening Balance (a)	Rate of Interest (b)	Repayment during the year (c)	Closing Balance (d=a-c)	Interest Accrued (e=(a+d)/2*Average Interest Rate)	Amount of Interest paid
1	PFC Loan NUHEP	440.30	12.65%	31.45	408.85	53.71	54.76

The Interest on loan for NUHEP for FY 2018-19 approved by Commission is not available. Only the AFC of Rs. 26.30 Cr apportioned from the AFC of Old Stations is available in the MYT order for FY 2018-19 to FY 2020-21. MePGCL requested the Commission to approve Rs. 54.76 Cr as interest on loan for NUHEP in the true up for FY 2018-19.

Commission's Analysis

Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

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.

MePGCL has reported opening loan at Rs.440.30 Crore vide note no.12 of audited SOA for FY 2018-19 and closing loan reported at Rs.408.85 Crore.

MePGCL is entitled for 70% of capital cost approved at Rs.580.72 Crore, thus the interest cost shall be admissible on actual loans at Rs.440.30 Crore.

Accordingly, Commission considers Interest and finance charges on the PFC loan at 12.65% after taking into account repayment for the year at Rs.31.45 Crore as projected in the petition.

Table 33 : Computation of Interest and Finance charges for FY 2018-19 for New Umtru HEP

(Rs. Cr)

Sl. No.	Particulars	Opening Balance (a)	Rate of Interest (b)	Repayment during the year (c)	Closing Balance (d=a-c)	Interest Admissible (e=(a+d)/2*Averag e Interest Rate)
1	PFC Loan NUHEP	440.30	12.65%	31.45	408.85	53.71

Commission approves Interest and Finance charges at Rs.53.71 crore for True up of FY 2018-19.

3.6 Interest on Working Capital

Petitioner's Submission

In accordance with the regulations, the Interest on Working Capital for NUHEP is computed below:

Table 34 : Interest on Working Capital for FY 2018-19

Particulars	NUHEP Actual	Approved	Loss/ (Gain)
O&M expenses for one month (Rs. Cr.) (a) (10.84/12: O&M of 10.84 is for 12 months)	0.90		
Maintenance spares @ 15% of O&M expenses (b)(Rs. Cr) ** (10.84*15%*1.06)	1.72		
Receivables equivalent to two months of Fixed cost (Rs. Cr.) (c) (117.06 *2/12)	20.10		
Total Working Capital Requirements (INR Cr.) (d=a+b+c)	22.72		
SBI PLR as on 1st April of the respective Financial Year (%) (e)	14.05%		
Interest on Working Capital (Rs. Cr.) (f=d*e)	3.19	NIL*	3.19

The IWC for NUHEP for FY 2018-19 approved by Commission is not available. Only the AFC of Rs. 26.30 Cr apportioned from the AFC of Old Stations is available in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL requested the Commission to approve the Interest on Working Capital of Rs. 3.19 Cr as computed above for FY 2018-19 for NUHEP.

Commission's Analysis

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

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

The Interest on working capital is computed as depicted in the table below

Table 35 : Approved Interest on Working Capital for FY 2018-19

Particulars	NUHEP Actual
O&M expenses for one month (Rs. Cr.) (a) (10.85/12: O&M of 10.85 is for 12 months)	0.90
Maintenance spares @ 15% of O&M expenses (b)(Rs. Cr) ** (10.85*15%*6%)	1.73
Receivables equivalent to two months of Fixed cost (Rs. Cr.) (c)(97.73*2/12)	16.29
Total Working Capital Requirements (Rs. Cr.) (d=a+b+c)	18.92
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.45%
Interest on Working Capital (Rs. Cr.) (f=d*e)	2.54

Commission approves Interest on working capital at Rs. 2.54 Crore for NUHEP for True up of FY 2018-19.

3.7 Revenue from Operations

Petitioner's Submission

MePGCL has received Revenue of Rs. 26.44 Cr. for NUHEP from MePDCL towards sale of power for FY 2018-19 based on the AFC apportioned to NUHEP from Old stations as per MYT order dated 31-03-2018 for FY 2018-19.

Commission's Analysis

MePGCL has submitted in the True up petition that Revenue from Operations against NUHEP received at Rs.26.44 Crore.

The Revenue from sale of power has been considered for New Umtru Project at Rs.26.44 crore for FY 2018-19.

Commission approves Revenue from operations for New Umtru at Rs.26.44 Crore for True up of FY 2018-19.

3.8 Prior Period Expenses

Petitioner's Submission

NUHEP has Rs. 0.076 crore as prior period expenses for FY 2018-19

Commission's Analysis

Commission had not considered any prior period expenses for ARR and Tariff for FY 2018-19 and hence considered as -NIL- for True up.

3.9 Non Tariff Income

Petitioner's Submission

The Non Tariff income of NUHEP for FY 2018-19 was Rs. 0.037 crore.

Commission's Analysis

Commission considers the Non Tariff Income at Rs.0.037 Crore as reported by MePGCL for True up of FY 2018-19.

3.10 Summary of Annual Fixed Cost – New Umtru HEP

Petitioner's Submission

The summary of Annual Fixed Cost approved by the Commission for NUHEP vis-à-vis actual as per the Audited Statement of Accounts for FY 2018-19 is given below:

Table 36 : Summary of Annual Fixed Cost (Approved vis-à-vis Actual) FY 2018-19

(Rs Cr.)			
Particulars	Actual New Umtru HEP FY 2018-19	Approved New Umtru HEP FY 2018-19	Loss/ (Gain)
Depreciation	29.29	-	
Return on Equity	22.54	-	
O&M Expenses	10.85	-	
Interest and Finance Charges	54.76	-	
Interest on working capital	3.19	-	
SLDC Charges	-	-	
Total Annual Fixed Cost (AFC)	120.63	-	
Less: Prior period expenses	(-) 0.076		
Less: Non-Tariff Income	(-) 0.037	-	-
Net AFC	120.52	26.30	94.08
Revenue from operations	26.44		
Gap/ (Surplus)	94.08		

MePGCL requested the Commission to pass through the additional gap of Rs. 94.08 Cr. for NUHEP under the truing up of FY 2018-19 to be adjusted in the AFC of FY 2022-23

Commission's Analysis

Commission has scrutinized, the petition for New Umtru project analyzed, considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2018-19 as depicted in the table below.

Table 37 : Approved ARR for NUHEP for True up of FY 2018-19

(Rs. Cr.)				
Sl. no	Particulars	Provisionally Approved ARR for New Umtru HEP FY 2018-19	Actuals	Now Approved for True up FY 2018-19
1	Depreciation	17.93	29.29	22.74
2	Return on Equity	18.36	22.54	10.47
3	O&M Expenses	12.27	10.85	10.85
4	Interest and Finance Charges	33.42	54.76	53.71
5	Interest on working capital	2.00	3.19	2.54
6	SLDC Charges	0.15	-	0.00
	Total Annual Fixed Cost (AFC)	84.18	120.63	100.31
7	Less: Prior period expenses	-	(-) 0.076	0.00
8	Less: Non-Tariff Income	0.11	(-) 0.037	0.04
	Net AFC	84.07	120.52	100.27

Commission approves Net Annual Fixed Cost at Rs.100.27 Crore for True up of FY 2018-19.

4. TRUE UP OF ARR FOR LAKROH MHP FOR FY 2018-19

Petitioner's Submission

Lakroh MHP achieved its CoD on 1st March, 2019. The final tariff petition for the Control Period FY 2018-19 to FY 2020-21 was not filed by MePGCL since the completion/Capital Cost of the project was not known as the project was then under construction. However, the Hon'ble Commission had allotted Rs.0.45 crore as ARR to Lakroh MHP by deduction from the ARR of Old Stations (including Sonapani) for FY 2018-19.

The Commission in its order dated 25-03-2021, while approving the Capital Cost of Lakroh MHP and ARR for 2nd MYT Control period for FY 2018-19 to FY 2020-21 and ARR for 3rd MYT Control period for FY 2021-22 to FY 2023-24, had adjusted the AFC of Rs. 0.09 Cr for FY 2018-19 in the Capital cost of the project and had not allowed any AFC for FY 2018-19.

Since the project achieved COD in the last month of the financial year, true up for FY 2018-19 is not carried out by MePGCL.

Commission's Analysis

As submitted by the petitioner, the COD of the project was achieved at the end of FY 2018-19, MePGCL has not filed any true up claim for FY 2018-19.

Commission considers no transactions are to be carried out as Regulatory process for FY 2018-19.

5. TRUE UP OF ARR FOR MePGCL OLD PROJECTS INCLUDING SONAPANI FOR FY 2018-19

Petitioner's Submission

MePGCL had filed MYT petition for Old Stations including Sonapani & MLHEP for the control period for FY 2018-19 to FY 2020-21. However, in its order dated 31-03-2018, the Commission had considered New Umtru HEP and Lakroh MHP (which was then under construction) as part and parcel of old stations and had taken out a portion of the ARR approved for Old Stations (including Sonapani) and allocated it to New Umtru and Lakroh projects, resulting in the reduction of the ARR of Old Stations and Sonapani. The true up of Old Stations and Sonapani is presented in the succeeding paragraphs.

Commission's Analysis

MePGCL had filed petition for approval of capital cost for NUHEP on 29.11.2019 (whose COD was achieved on 01.07.2017) and a provisional Tariff was fixed at Rs.1.76 Ps/Kwh effective from 01.04.2020. Similarly petition for approval of capital cost for Lakroh MHP was filed on 04.12.2020 (for which COD was achieved on 01.03.2019) and a provisional tariff was approved effective from 01.04.2013. MePGCL had not filed the transactions taken place from 01.04.2013 to till 01.03.2019.

Commission had to segregate and process the ARR for second MYT control period FY 2018-19 to FY 2020-21 for MePGCL old projects including sonapani and MLHEP.

Commission had already notified that the fixed assets of MePGCL old projects shall be considered at Rs.49.39 crore while segregating the fixed assets of MLHEP and new umtru projects from the gross block.

MePGCL shall invariably file separate fixed assets base approved by the commission for MePGCL old projects, MLHEP, New Umtru and lakroh mini HEP in every petition to be filed for the commission's approval and orders.

5.1 Gross Fixed Assets

Petitioner's Submission

The opening and closing GFA of Old Plants including Sonapani for FY 2018-19, as per the Audited Statement of Accounts of MePGCL is shown in the table below:

Table 38 : Gross Fixed Assets of MePGCL's Old Plants (Including Sonapani) for FY 2018-19

Particulars	FY 2018-19 (in Rs. Cr.)				
	MePGCL as a whole	MLHEP	NUHEP	Lakroh MHP	MePGCL's Old Plants (including Sonapani)
	(a)	(b)	(c)	(d)	(d=a-b-c-d)
Opening GFA	2339.17	1285.86	600.78	-	452.53
Additions during the year	4.45	0.00	1.09	22.33	
Retirements during the year	0	0.34	-	-	
Closing GFA	2343.62	1,285.51	601.88	22.33	433.9
Average GFA	2341.40	1285.69	601.33	22.33	432.05

a: As per abstract from MePGCL's SOA for FY 2018-19 without Ind AS adjustment (**Annexure G**)

b: MLHEP asset as per section 4.2 of the petition

c: NUHEP asset as per Section 8.3 of the petition

Commission's Analysis

Commission had approved Gross fixed assets of MePGCL old projects in the ARR and Tariff order for FY 2018-19 along with projected capitalization vide table no.5.24.

Whereas MePGCL has not segregated the project wise fixed assets and reported the gross block in the audited statement of accounts for FY 2018-19 for entire MePGCL inclusive of MLHEP and New Umtru.

MePGCL has projected capital addition during the FY 2018-19 at Rs.25.85 Crore and Rs.4.45 Crore during FY 2019-20 reported in the audited accounts.

MePGCL was asked to furnish the project wise scheme wise breakup for the capitalization achieved during FY 2018-19 & FY 2019-20 vide commission's letter dated 10.12.2021.

MePGCL has submitted the breakup figures vide their letter dated 13.01.2022.

The Capitalization for Lakroh Mini HEP projected at Rs.22.31 Crore and Rs.1.41 Crore projected against New Umtru and also Rs.0.01 Crore against MLHEP.

MePGCL has claimed a capitalization of assets at Rs.2.05 Crore during FY 2018-19 without naming the project against which the capitalization is claimed.

The capitalization projected at Rs.0.012 Crore for FY 2018-19 against Ganol SHP shall not be considered, since the capital cost of the project and the Tariff was not approved by the commission.

MePGCL shall hence forth prepare the gross block of fixed assets for MePGCL old projects, MLHEP, New Umtru and lakroh as approved by the commission in the Tariff Orders from FY 2015-16 onwards and file the segregated project wise asset wise data in all the future filings.

Commission had already notified the capital cost of the MePGCL Old projects in the FY 2013-14 at Rs.49.39 Crore, since other old projects like Umiam Stage I to Stage III and Umtru Power station have completed their life term of 35 years.

MePGCL again projected the capital cost of MePGCL old projects including sonapani at Rs.452.53 Crore.

However the capitalization is projected against MePGCL old projects and sonapani in the additional information filed on 13.01.2022 considered against umiam stage II for renovation and modernization approved in the business plan for FY 2018-19 as depicted in the table below.

GFA of MePGCL Old Projects Considered for FY 2018-19

(Rs. Cr)

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

Commission considers GFA of MePGCL Old projects at Rs.51.31 Crore for True up of FY 2018-19.

5.2 Depreciation

Petitioner's Submission

The Commission had considered Rs.1.44 Cr. towards Depreciation for AFC of FY 2018-19. Now based on the actual figures of and assets capitalized, **MePGCL requested the Commission to allow the actual depreciation of Rs. 16.37 Cr. for true up of FY 2018-19 for Old Plants & Sonapani as shown below:**

Table 39 : Depreciation of Assets for FY 2018-19

(Rs. Cr.)

Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Lakroh (d)	Old Plants + Sonapani (a-b-c)	Approved by MSERC
Depreciation on Land and land rights	-	-	-	-	-	Total AFC approved was Rs. 51.74 Cr vide MYT order dated 31-03- 2018, out of which only Rs. 24.99 Cr was allocated to Old Stations & Sonapani
Depreciation on Buildings	8.42	4.9	3.17	0.006	0.344	
Depreciation on Hydraulic Works	52.02	32.83	16.40	0.04	2.75	
Depreciation on Others Civil Works	6.06	4.1	1.08	0.005	0.88	
Depreciation on Plant and Machinery	39.66	19.21	8.44	0.034	11.98	
Depreciation on Lines and Cable Network	0.57	0.24	0.19	0.005	0.14	
Depreciation on Vehicles	0.09	0.04	0.0037	-	0.046	
Depreciation on Furniture and Fixtures	0.13	0.005	0.005	0.0001	0.12	
Depreciation on Office Equipment	0.12	0.01	0.0012	0.000	0.10	
Apportioned Depreciation from MeECL	0.18					
Total	107.27	61.34	29.29	0.092	16.55	

Depreciation schedule for the MePGCL's assets is as per abstract from the SOA of MePGCL for FY 2018-19. Depreciation schedule for MLHEP and NUHEP is as per sections 4.3 & 8.4, respectively. Depreciation for Old plants including Sonapani is arrived at after adjusting depreciation of NUHEP and MLHEP in MePGCL's total Depreciation.

Commission's Analysis

Despite segregating the asset wise breakup for the MLHEP and New Umtru projects by the commission in the true up orders for FY 2017-18, petitioner has not filed segregated asset wise breakup figures for MePGCL old projects including sonapani and has projected depreciation to be considered for FY 2018-19 for all the projects in one spell in table no.06 of the petition vide para no.13.1, while claiming separate ARR and Annual Fixed Charges for the MePGCL old projects, MLHEP and New Umtru for True up of FY 2018-19 and FY 2019-20 and revision of Tariff for FY 2022-23.

MePGCL was asked to furnish the project wise scheme wise breakup for the capitalization achieved during FY 2018-19 as also the breakup of Govt. Grants and Contributions vide commission's letter dated 10.12.2021.

Petitioner has submitted the breakup figures vide their letter dated 13.01.2022.

Petitioner has claimed capitalization of Rs.2.05 Crore during FY 2018-19, but not specified against which existing unit of old projects the capitalization is claimed.

However the capitalization of Rs.2.05 Crore is considered for computation of depreciation and Return on Equity against Umiam Stage II for renovation and modernization approved in the business plan for True up of FY 2018-19.

Commission considers the depreciation against MePGCL old projects on the GFA approved for FY 2017-18 including additions to the gross block reported in the audited statement of accounts for FY 2018-19 as depicted in the table below.

Table 40 : GFA of MePGCL Old Projects Considered for Depreciation for FY 2018-19

(Rs. Cr)

Particulars	Value of Assets at the beginning of the year (01.04.2018)	Additions during the Year	Retirement during the year	Asset Value at the end of the year (31.03.2019)	Average assets	90% of Assets	Depreciation @ 5.28%
1	2	3	4	5	6	7	8
Umiam Stage IV	38.79	0.00	-	38.79	38.79	34.91	1.84
Sonapani	10.60	0.00	-	10.60	10.60	9.54	0.50
Umiam Stage II		2.05	0.13	1.92	1.98	1.79	0.05
Total	49.39	2.05	0.13	51.31			2.39

Commission approves depreciation at Rs.2.39 Crore for MePGCL Old Projects for True up of FY 2018-19.

5.3 Return on Equity

Petitioner's Submission

As per Audited Statement of Accounts for MePGCL for FY 2018-19, the average equity base has been considered as Rs. 789.78 Cr. (average of opening and closing balance of equity for FY 2018-19), including average equity capital pending allotment. Based on this, Equity base for Sonapani and old plants is Rs. 33.89 Cr as shown in the tables below:

Table 41 : Return on Equity for MePGCL FY 2018-19

(Rs Cr)

Particulars	MePGCL
Equity Share Capital as on 31st March 2018 (a) (Note 10 of MePGCL Accounts)	782.79
Equity Share Capital as on 31st March 2019 (b) (Note 10 of MePGCL Accounts)	796.78
Equity considered for true up [c= ((a+b) / 2]	789.78
RoE (%) (d)	14%
Return on Equity (in Rs. Cr.) (e=c*d)	110.57

Table 42 : Return on Equity for Old Plants & Sonapani FY 2018-19

Particulars	MePGCL (a)	Leshka HEP (b)	New Umtru HEP (c)	Old Plants + Sonapani (a-b-c)	Approved
Equity considered for true up (1) (Rs. Cr)	789.78	386.71	161.03	242.04	Total AFC 51.74Cr. (Out of which only Rs. 24.99 Cr was given to Old Stations & Sonapani (ref.Table 5.47, pg 87 of Tariff Order)
RoE (%) (2)	14%	14%	14%	14%	
Return on Equity (Rs. Cr.) (3=1*2)	110.57	54.14	22.54	33.89	

MePGCL would like to submit that the issue of Return on Equity of MeECL& its subsidiaries vs. methodology of MSERC (APTEL Case no 46 of 2015& 367 of 2017) is still subjudice. The utility is reiterating the fact that the claim of MePGCL is in line with the MSERC MYT Regulations. For the sake of brevity, MePGCL is not reiterating the grounds and the justification for the claim here since the matter is subjudice. Hence, the utility would like to retain its methodology as per the past petitions & stand on equity base determination which is in line with MSERC Regulations and the Transfer Notification Scheme of the State Government.

It is, therefore, requested the Commission to approve the Return on Equity of INR 33.89 Cr for true up of FY 2018-19 for Old plants including Sonapani as computed above.

Commission's Analysis

As already analyzed the capital cost of MePGCL old projects is considered at Rs.51.44 Crore, the return on equity shall be considered on 30% of the capital cost as per the Regulations after adjustment of grants. Accordingly ROE against MePGCL old projects is considered for True up of FY 2018-19 as depicted in the table below.

Table 43 : Computation of ROE for MePGCL Old projects for FY 2018-19

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

Commission approves Return on Equity at Rs.2.11 Crore for True up of FY 2018-19.

5.4 Operation and Maintenance Expenses

Petitioner's Submission

The Commission had approved INR 30.14 Cr. towards O&M Expenses for AFC of FY 2018-19 for MePGCL's Old Plants and Sonapani. The O&M expenses of MePGCL as a whole based on the audited statement of Accounts for FY 2018-19 are shown in the tables below:

Table 44 : O&M Expense for MePGCL as a whole for FY 2018-19

(Rs. Cr)

Particulars	Employee Cost	A&G Expenses	R&M Expenses	Total
MePGCL (a)	89.54	4.65	6.22	100.41
Apportionment MeECL (b)	5.07 (i.e.15.21/3)	0.98 (i.e.2.93/3)	0.10 (i.e.,0.31/3)	6.15
Total MePGCL Claim in True Up (a + b/3)	94.61	5.63	6.32	106.56

Based on the total MePGCL's O&M expenses, the O&M expenses for Old Plants including Sonapani is arrived at by adjusting the O&M expenses for NUHEP and MLHEP as shown in the table below:

Table 45 : O&M Expenses for Old Plants including Sonapani for FY 2018-19

(Rs. Cr)

Particulars (a)	MePGCL + MeECL Apportioned ** (b)	For Leshka (c)	For NUHEP (d)	Total Old Plants (e=a-c-d)	Approved by MSERC
Employee Cost	94.61	27.97	10.85	67.74	Total AFC 51.74Cr. (Out of which only INR 24.99 Cr was given to Old Stations & Sonapani (ref.Table 5.47, pg 87 of Tariff Order dated.31.03.2018))
A&G Expenses	5.63				
R&M Expenses	6.32				
Total	106.56				

** From Table 62 above

MePGCL requested the Commission to allow INR 67.74 Cr of O&M expenses for Old Plants including Sonapani as shown in the table above in the true up of FY 2018-19.

Commission's Analysis

As per Regulation 56.5 of MSERC MYT Regulations 2014-

"The O&M expenses for 2009-10 shall be escalated further at the rate of 5.72% per annum to arrive at the operation and maintenance expenses for the subsequent years of the tariff period."

Commission had fixed O&M expenses at Rs.56.86 Crore for MePGCL old projects and sonapani for FY 2017-18 as per Regulations which includes under construction projects namely MLHEP and Lakroh.

The O&M expenses of under construction projects have been segregated on their achieving COD and allocated as detailed in the table below.

Particulars	MePGCL Old projects incl.sonapani	Allocated for MLHEP COD FY 13-14	Allocated for Lakroh COD FY 19-20	Remainder of MePGCL O&M exp
	1	2	3	(4=1-2+3)
O&M expenses fixed for FY 2017-18	56.86	28.35	-	28.51
Escalated for FY 2018-19	60.11	29.97	-	30.14
Escalated for FY 2019-20	63.55	31.68	0.40	31.47

The O&M expenses indicated in column no.2,3 & 4 shall be subject to escalation at 5.72 % year on year as per the Regulations 56.5 and 56.7.

Thus O&M expenses for MePGCL old projects shall be Rs.30.14 Crore for FY 2018-19 after deducting O&M expenses of MLHEP.

MeECL has reported Rs.18.44 Crore O&M expenses through the audited accounts for FY 2018-19.

As per the existing arrangement 1/3rd share of O&M expenses of MeECL shall be apportioned to MePGCL old projects for FY 2018-19.

1/3rd share being Rs.6.14 Crore shall be included in the O&M expenses of MePGCL old projects as detailed below.

Table 46 : O&M expenses for True up of FY 2018-19

Particulars	MePGCL Old Projects	MeECL	Total
O&M Expenses for FY 2018-19 (Rs.Cr)	30.14	6.14	36.28

MePGCL has projected O&M expenses for old projects including sonapani at Rs.67.74 Crore for FY 2018-19 in the True up petition vide table no.65.

Whereas commission had approved the O&M expenses for FY 2018-19 at Rs.30.14 Crore in the MYT Order dated 31.03.2018.

As per the audited accounts vide note no. 22, the employee benefit expenses reported at Rs.97.78 Crore which includes Rs.45.47 Crore towards apportionment of employee benefit expenses from holding company. The petitioner has projected capitalization of employee benefit expenses for Rs.8.25 Crore.

Commission had held discussions in connection with the True up petitions submitted by the power utilities.

“The Meghalaya Power Sector Reforms and Transfer Scheme,2010, in its provisions laid down in clause 9, state that the Holding company, MeECL will be responsible for setting up a pension Trust Fund and it will also take necessary action to operate it, maintain it

and ensure progressive funding of the pension Trust Fund. All benefits of retired MeECL employees relating to pension and all other terminal benefits of retired employees are to be met from this Trust Fund. This is a statutory provision.

The state commission must keep in mind the Consumer's interests and is therefore of the firm view that the entire burden for the pension and other terminal benefits cannot be passed on to tariff. MeECL must initiate operational zing of the Pension Trust Fund and progressive funding of the pension Trust Fund must be done without further delay. The state commission on its part and in keeping with existing regulatory provisions will be willing to allow not the entire amount but some part of the claimed amount in the true up petition to be included in the ARR. This will be strictly subject to immediate action on progressive funding of the Pension Trust Fund."

MePGCL was asked to submit nature of liability with breakup of serving employees and retired employees for the apportionment of employee benefit expenses from holding company claimed for Rs.45.47 Crore in the commission's letter dated 15.12.2021.

MePGCL has submitted the breakup figures in their letter dated 12.01.2022 as detailed below for the apportionment of employee benefit expenses from holding company for Rs.45.47 Crore as detailed below.

FY 2018-19	Serving Employees	Retired Employees	Total
Monthly Salary of Serving Employees and staff welfare expenses incl NPS etc(Rs.Cr)	11.95	-	11.95
Monthly pension and terminal benefits payable (Rs.Cr)	-	33.52	33.52
Total (Rs.Cr)	11.95	33.52	45.47

Commission considers that the pension and terminal benefits included in the apportionment from Holding company for Rs.33.52 Crore shall be met from the **Trust funds** as notified by the Govt. of Meghalaya in the reforms notification transfer scheme 2010.

The monthly salaries and staff welfare expenses for Rs.11.95 Crore shall however be apportioned to O&M expenses of MePGCL for True up of FY 2018-19.

Thus summing up of the O&M expenses and apportionment of employee benefit expenses from Holding Company for MePGCL old projects including sonapani shall be as given in table below.

Table 47 : Approved O&M expenses for True up of FY 2018-19

(Rs.Cr)

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

Commission approves O&M expenses at Rs.39.98 Crore inclusive of MeECL O&M expenses for True up of FY 2018-19.

5.5 Interest & Finance Charges

Petitioner's Submission

Based on the MePGCL's Statement of Accounts for FY 2018-19 (Note 12.60) and MeECL's Statement of Accounts for FY 2018-19 (Note 19 & 19.1), **MePGCL requested the Commission to allow INR 8.46 Cr. towards Interest & Finance Charges** as shown below.

Table 48 : Interest and Finance Charges for Old Plants including Sonapani

(Rs. Cr.)

Particulars	MePGCL SOA (a)	MeECL SOA (b)	Total Old Plants c =(a+b)	Approved
Amount of interest paid	1.42	7.05 (1/3 of 21.14)	8.47	Total AFC 51.74Cr. (Out of which only INR 24.99 Cr was given to Old Stations & Sonapani (ref.Table 5.47,pg 87 of Tariff Order for FY 2018-19 dated.31.03.2021)

Detailed Statement of all the Loans along with the purpose of loans is given in Note 12.6 of MePGCL 's SOA and Note 19 & 19.1 of MeECL's SOA for FY 2018-19.

Commission's Analysis

As per the note no.12 of audited accounts, no fresh borrowings reported against MePGCL old projects, the interest and finance charges claimed shall not be admissible.

The interest on capital loans shall be eligible for determination of Tariff as per Regulations and 1/3rd interest cost projected against loan from MeECL other than capital loan shall not be admissible.

Commission considers -NIL- interest cost against MePGCL old projects in the True up for FY 2018-19.

5.6 Interest on Working Capital (IWC)

Petitioner's Submission

The Commission had allowed INR 2.49 Cr. for MePGCL's Old Plants & Sonapani towards Interest on Working Capital for AFC of FY 2018-19. As per the relevant norms for working capital provided in MSERC MYT Regulations 2014, **MePGCL requested the Commission to allow Rs.5.16 Cr. as Interest on Working Capital for true up of FY 2018-19 for old plants & Sonapani.**

Table 49 : Interest on Working Capital FY 2018-19

(Rs. Cr.)

Sl. No.	Particulars	MePGCL	Approved by MSERC
1	O&M Expense for 1 month (A)	5.65	Total AFC INR 51.74Cr. (Out of which only INR 24.99 Cr was given to Old Stations & Sonapani (ref. Table 5.47, pg 87 of Tariff Order, dated.31-03-2018))
2	Maintenance Spare at 15% O&M (B)	10.77	
3	Receivables for 2 months ©	21.96	
4	Total Working Capital (A+B+C)	38.39	
5	SBI short term PLR as on 01 April 2018	13.45%	
6	Interest on Working Capital	5.16	

Commission's Analysis

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

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

The Interest on working capital is computed based on approved ARR elements as depicted in the table below.

Table 50 : Computation of Interest on Working Capital for True up FY 2018-19

(Rs. Cr.)

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

Commission approves interest on working capital at Rs.1.52 Crore for True up of FY 2018-19.

5.7 SLDC and Connectivity Charges

Petitioner's Submission

As per the Audited Statement of Accounts (Note 21) of MePGCL for FY 2018-19, SLDC's charge is INR 1.20 Cr. Hence, **MePGCL requested the Commission to consider INR 1.20 Cr for True up of FY 2018-19** as SLDC's charges.

Commission's Analysis

Commission considers SLDC charges payable to Transmission utility as expense for connectivity for FY 2018-19.

5.8 Prior Period Items

Petitioner's Submission

As per the Audited Statement of Accounts, MePGCL the Prior Period Expense for MePGCL's old plants & Sonapani is NIL

Commission's Analysis

Commission had not considered any prior period items in the ARR and Tariff order for FY 2018-19 and hence prior period items considered as -NIL- for True up.

5.9 Non-Tariff Income

Petitioner's Submission

Based on the Statements of Accounts for **MePGCL, the utility requested the Commission to approve Rs.15.98 Cr.** as Non tariff income for true up of FY 2018-19 for Old Plants & Sonapani as shown below:

Table 51 : Non Tariff Income FY 2018-19

(Rs Cr.)					
Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Lakroh (d)	Old Plants + Sonapani (e=a-b-c-d)
Non tariff income	16.04	0.023	0.0369	-	15.98

Commission's Analysis

MePGCL has reported other income vide note no.19 of audited SOA at Rs.16.04 Crore for FY 2018-19.

The apportion able MeECL other income reported in the audited SOA vide note no.16 stood at Rs.5.44 Crore.

Summing up of both the Non Tariff and Other income, commission considers Rs.21.48

Crore for True up of business for FY 2018-19.

5.10 Revenue from Operations

Petitioner's Submission

As per the Audited Statement of Accounts of MePGCL for FY 2018-19, MePGCL had received Revenue of INR358.56 Cr. (i.e., Rs. 82.52 Cr revenue of FY 2017-18 which is recognized in FY 2018-19 including INR 81.5 Cr true up gap of FY 2013-14 for MLHEP) from MePDCL towards sale of power for FY 2018-19 (Ref Note 18 of MePGCL's SOA for FY 2018-19 and segregated account 1(v)). The Hon'ble Commission had recognized a revenue of INR 352.65 Cr for FY 2017-18 against the revenue of INR 191.35 Cr as per MePGCL's SOA for FY 2017-18 in its Review order for FY 2017-18. The net revenue of MePGCL for FY 2018-19 (excluding INR 82.52 Cr. revenue of FY 2017-18 which is recognized in FY 2018-19 and INR 81.50 Cr True up gap for FY 2013-14) is INR 194.34 Cr. Out of this total revenue of INR 194.34 Cr., the revenue of Old Stations including Sonapani is INR 22.53 Cr. as shown in the table below, based on the ARR and tariff approved by the Commission vide its order dated 31-03-2018.

Table 52 : Revenue from Operations for Old Plants including Sonapani

Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Old Plants + Sonapani (a-b-c)
Revenue from Operations for True Up(INR Cr)	194.34 (276.86-82.517)	145.37	26.44	22.53

Commission's Analysis

Commission had approved ARR for MePGCL old projects including sonapani at Rs.51.74 Crore for FY 2018-19 on 31.03.2018 against which MePGCL reported Revenue at Rs.22.53 Crore only for True up.

Commission considers Revenue from Operations at Rs.22.53 Crore against MePGCL old projects for True up of FY 2018-19.

5.11 Annual Fixed Cost and Revenue Gap/Surplus for FY 2018-19

Petitioner's Submission

Table 53 : Summary of Annual Fixed Cost for FY 2018-19

(Rs. Cr.)

Particulars	True Up of MePGCL (Old + Plants)	Approved AFC 2018-19 (Old Plants + Sonapani)	GAP / SURPLUS (+)/(-)
Depreciation	16.55		
Return on Equity	33.89		

O&M Expenses	67.74		
Interest and Finance Charges	8.47		
Interest on working capital	5.16		
SLDC Charges	1.20		
Net Prior Period Items: Income (-)/ Expense	-		
Total Annual Fixed Cost (AFC)	133.01		
Less: Non-Tariff Income	15.98		
Net AFC	117.03	24.99	92.04
Revenue from operations	22.53		2.46
Revenue Gap/ (Surplus)			94.50

MePGCL requested the Commission to pass through the **additional gap of Rs. 94.5 Cr.** under the truing up of FY 2018-19 for Old Plants including Sonapani to be adjusted in the ARR of FY 2022-23.

Commission's Analysis

The True up petition for MePGCL old projects has been scrutinized with reference to the audited statement of accounts for FY 2018-19 and as per Regulations after Prudence check approved the ARR for FY 2018-19 as depicted below.

Table 54 : Approved ARR for MePGCL Old Projects for True up of FY 2018-19

(Rs. Cr.)

Sl. no	Particulars	Approved AFC 2018-19 (Old Plants + Sonapani)	True Up Actuals of MePGCL (Old + Plants)	Approved for True up of FY 2018-19
1	Depreciation	1.44	16.55	2.39
2	Return on Equity	2.84	33.89	2.11
3	O&M Expenses	30.14	67.74	39.98*
4	Interest and Finance Charges	26.75	8.47	0.00
5	Interest on working capital	2.49	5.16	1.52
6	SLDC Charges	1.21	1.20	1.20
7	Net Prior Period Items: Income (-)/ Expense	0.00	-	0.00
	Total Annual Fixed Cost (AFC)	64.87	133.01	47.20
8	Less: Non-Tariff Income	13.13	15.98	21.48
	Net AFC	51.74	117.03	25.72

* Inclusive of 1/3rd of MeECL O&M expenses.

Commission approves Annual Fixed Cost at Rs.25.72 Crore for MePGCL old projects for True up of FY 2018-19.

6. Consolidated ARR for MLHEP, New Umtru and MePGCL Old Projects for FY 2018-19 True up.

Table 55 : Consolidated ARR for MLHEP, New Umtru and MePGCL Old Projects for True up of FY 2018-19

(Rs. Cr)

Sl. no	Particulars	MLHEP	New Umtru	MePGCL Old Plants	Total for MePGCL
1	Depreciation	46.90	22.74	2.39	72.03

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

Consolidation of Revenue Surplus in the True up of FY 2018-19 for MePGCL

MePGCL has submitted that the sale of power Revenue realized at Rs.358.36 Crore which includes Rs.82.52 Crore towards Revenue identified related to FY 2017-18 and Rs.81.50 Crore Revenue Gap of MLHEP for FY 2013-14 and FY 2014-15 while reporting the project wise Revenue as analyzed amounted to Rs.275.84 Crore (Annexure-I).

MePGCL has stated that the Revenue earned at Rs.358.36 Crore includes Rs.164.79 Crore relating to the unrecognized Revenue for FY 2017-18 out of which Rs.82.52 Crore is now recognized in FY 2018-19. Thus the Revenue earned for FY 2018-19 would be Rs.194.34 Crore.

Therefore the Revenue from Operations for all the projects of MLHEP, NUHEP and MePGCL old projects shall be considered at Rs.358.36 Crore as reported in the audited accounts as against the admissible True up ARR for Rs.296.27 Crore for True up of FY 2018-19 for MePGCL as a whole as depicted in the table below.

Table 56 : Consolidated Revenue Gap/Surplus for MLHEP, New Umtru and MePGCL Old Projects for True up of FY 2018-19

(Rs.Cr)

Sl. no	Particulars	MLHEP	New Umtru	MePGCL Old Plants	Revenue identified for FY 2017-18	Total for MePGCL
1	Net ARR	170.28	100.27	25.72	0.00	296.27
2	Less : Revenue from Operations	226.87	26.44	22.53	82.52	358.36
	Revenue Gap/(Surplus)	-56.59	73.83	3.19	- 82.52	(62.09)

Therefore Commission approves Revenue surplus at Rs. (-) 62.09 Crore for MePGCL True up of FY 2018-19 and shall be appropriated in the Next Tariff Orders.

(Annexure-I)

Power Purchase Bills Claimed by MePGCL for FY 2018-19

Months	Umiam –I	Umiam –II	Umiam – III	Umiam IV	Umtru Power station	Sonapani Mini Power Station	MLHEP	NUHEP	Lakroh Mini HEP(COD 01.03.2019)	Total
Apr-18	4115937	2704640	6488177	5873144	697221	170931	78892930	18611457	0	117554437
May-18	3369456	2160978	6465296	5846294	696621	172802	131272928	21799340	0	171783715
Jun-18	3084758	1919902	6997761	6273407	696291	228578	175953670	24220818	0	219375185
Jul-18	3153872	1957215	7335020	6808207	689787	165167	213941570	29858467*	0	263909305
Aug-18	3040313	1863075	7206277	7115864	692259	222245	201178639	29956176*	0	251274848
Sep-18	4704079	2889450	7506778	8157189	691425	221627	171664044	30517122	0	226351714
Oct-18	3594889	2252156	7116103	6284016	691803	235863	103412258	24636375	0	148223463
Nov-18	3632844	2286552	6675903	5606510	696231	197457	81664021	20459203	0	121218721
Dec-18	2857520	1732918	5273714	4801436	695883	195038	73985334	17480569	0	107022412
Jan-19	3129448	1946511	5479876	4904544	694017	190294	76631305	16480296	0	109456291
Feb-19	3174823	1984260	5240270	4643157	698919	159157	72017624	15309049	121366**	103348625
Mar-19	2943523	1835647	5294415	4660969	697947	142334	73140318	15088753	122775**	103926681
										1943445397
True Up Gap for FY 2013-14 & 14-15 (1/2)							815000000			815000000
Gross Bill	40801462	25533304	77079590	70974737	8338404	2301493	2268754641	264417625	244141	2758445397
Less: 1% rebate	408014.62	255333.04	770795.9	709747.4	83384.04	23014.93	22687546.41	2644176.25	2441.41	27584453.97
Net Bill	40393447.38	25277971	76308794	70264990	8255019.96	2278478.07	2246067095	261773448.8	241699.59	2730860943

* The bills are admitted as per Revised Invoice dated 28.09.2018

** COD of 1.5 MW Lakroh Mini HEP was declared on 01.03.2019. Commission had not determined any Tariff for the FY 2018-19. The Cost of power drawn by MePDCL however is admitted as purchase.