

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION  
SHILLONG**

**CASE NO.3 /2023**

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

**AND**

Meghalaya Power Transmission Corporation Limited (the Petitioner)

**Coram**

**P.W. Ingty, IAS (Retd.),**

**Chairman**

**R.K. Soni, District & Session Judge (Retd.),**

**Member**

**ORDER**

(Dated: 16. 11 . 2023)

1. MePTCL has filed the Review Petition on the True up orders dated 22.03.2023 for FY 2020-21.
2. Commission had approved True up order for FY 2020-21 as per Regulation 11 of MYT Regulations, 2014.
3. Regulation 22.2 of MYT Regulation 2014 specifies that the Commission shall under take the review of True up of the business considering the terms & Conditions laid down there in that.
  - a) the review petition is filed within sixty days from the date of the order
4. Commission considers that the petition is filed within 60 days of date of true up order passed and admitted the petition for Review of True up Order for FY 2020-21 as Case No.3 of 2023.
5. Commission taking into consideration of all the facts and additional claims through the petition analyses claims admitted in True up Order for FY 2020-21 dated 22.03.2023 and approves the Review ARR in the chapters annexed to this order.

Sd/-

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

Sd/-

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

## **1 Introduction**

### **Petitioner's Submission**

- 1.1.** The present petition is being filed as per clause 22 of MSERC (Multi Year Tariff) Regulations 2014, which is reproduced below:

#### ***22 Review of Tariff Order***

*22.1 All applications for the review of tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:*

- a) the review petition is filed within sixty days for the date of the tariff order, and / or*
- b) there is an error apparent on the face of the record*

*22.2 On being satisfied that there is a need to review the tariff of any generating company or the licensee, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent of the face of the record.*

- 1.2.** As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petitioner or any other person aggrieved by an order of the Commission to file a review petition based on new facts and information, which was not considered during the time of issue of order or on account of apparent errors or mistakes. MePTCL, in this petition is requesting the Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

- 1.3.** The present petition is also being filed as per clause 21 of MSERC (Conduct of Business) Regulations 2006, which is reproduced below:

*"A person aggrieved by a decision or order of the Commission from which no appeal is preferred, or is not allowed to be preferred, can seek a review of the order if new and important facts which, after the exercise of due diligence, were not within his knowledge or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of record or for any*

*other sufficient reason, by making an application within 60 days of the date of the order.”*

Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days of the date of the order of the Commission, which is 22<sup>nd</sup> March 2023.

**Commission’s Analysis:**

MePTCL has filed the petition for Review of True up orders for FY 2020-21 issued on 22.03.2023 as per Regulation 22 of MSERC MYT Regulations 2014.

Commission considers that the Review petition has been filed within 60 days from the date of issue of True up orders for FY 2020-21.

## 2 REVIEW PETITION ON TRUE UP ORDER FOR FY 2020-21

### 2.1. Interest and Finance Charges

#### Petitioner's Submission

The Commission stated that since there were no details of the State Govt. Loans in the audited statement of accounts for FY 2018-19 or 2019-20, the computed closing balance as per the True up order of FY 2019-20 at Rs.20.86 Crore only is considered. However, the Commission calculated the payable interest on these loans at an average interest rate. It is again stated that as per Note 28 of the audited Statement of accounts, the details of Loans and Finance Cost is shown in Table 1 below.

The Finance cost on the loan taken from the MeECL amounting to Rs.2.62 Cr (Note 28 of the SOA) was not considered by the Commission.

The details of the Finance cost of MePTCL is shown below:

**Table 1 : Finance Cost of MePTCL (Note 28 of MePTCL)**

(Rs.Cr)

Sl	Particulars	Rate of Interest	Finance Cost
1	REC loan	11.00 – 11.25%	1.3108
2	Loan from State Government	8.00 – 9.39%	3.6533
3	PFC STL 14 Cr	11.50%	1.7027
4	PFC STL 35 Cr	11.50%	2.0414
5	Loan from MeECL	11.75%	2.6219
	<b>Total Finance Cost</b>		<b>11.3301</b>

Further, the entire apportioned Finance cost of MeECL was not considered by the Commission. It may be pointed that the Finance cost of MeECL (Note 23 of MeECL SOA) includes the interest on loans taken by MeECL for the subsidiaries as detailed below :

**Table 2 : Finance Cost of MeECL (Note 23 of MeECL)**

(Rs. Cr)

For MePGCL	2.7447
For MePTCL	2.6219
For MePDCL	5.5515
<b>Total</b>	<b>10.9181</b>
Interest on CPS	0.0856
Interest on Bonds	26.3880
Cost of raising finance	0.1674
Guarantee charges	2.9415
<b>Total MeECL</b>	<b>40.5006</b>
<b>1/3<sup>rd</sup> MeECL</b>	<b>13.5002</b>

It may be pointed that even while the Commission disallowed the finance cost of MePTCL against the loan taken from MeECL and the apportioned Finance cost of MeECL, it has considered the entire Income of MeECL including the interest recovered from MePTCL for Rs.2.62 Crore in the calculation of Other Income.

It is requested that the Commission maintain a consistent approach in considering all the expenditures as well as the Incomes. If the other income of MeECL amounting to Rs.2.62 Cr is to be maintained, then it is requested that in the interest of justice the finance cost against the same amount claimed as finance cost of MePTCL may also be considered.

Based on the above submissions the Licensee is reiterating its claims of Finance cost amounting to Rs. 24.83 Cr. as has been submitted in its True Up petition. It is requested that the Commission consider and pass the additional gap of Rs. 21.97Cr. as shown in the table below:

**Table 3 : Interest & Finance charges Based on Revised Components**

(In Rs. Cr)		
Sl. No.	Particulars	Amount In Rs. Cr.
1	Interest & Finance charges claimed by MePTCL in the True Up petition (1)	24.83
2	Interest & Finance charges allowed by MSERC in the True Up order (2)	2.86
<b>3</b>	<b>Additional Interest &amp; Finance charges to be allowed in the review petition(=2-1)</b>	<b>21.97</b>

### **Commission's Analysis**

Commission had considered loan capital from State Government for ongoing transmission works at Rs.20.86 Crore in the true up for FY 2019-20 as on 31.03.2020.

Commission had considered closing loan from state govt. at Rs.20.86 Crore for FY 2019-20 true up. The same is carried forward for FY 2020-21 as per the Regulation 32.1 of MSERC MYT Regulations 2014. The Regulation reads that Interest cost shall be admissible on loan capital only.

Whereas Licensee projected Opening Loan Capital from State Government at Rs.41.48 Crore in the audited accounts for FY 2020-21 without reference to the outstanding loan capital approved by the Commission, whereby further loan drawl for Rs.20.62 Crore shall be irrational considering the Capital addition to the network and does not

qualify for admission of the interest cost. The additional loan reported to be vide note no.16 of SoA which reads reference to the details of the same should be drawn to note 9.4 of SoA. It is to be mentioned that there is no note no.9.4 in the Statement of Accounts for FY 2020-21 and licensee has not disclosed the purpose of loan.

It is reiterated that the loans drawn for other than approved capital works shall not be admissible for Interest cost.

The claim of interest on PFC STL for Rs.14.00 Crore and PFC STL for Rs.35.00 Crore and Loan from MeECL does not merit consideration for computation of interest cost for Review as per the Regulations.

Licensee claiming for Review of Interest on Loans projected drawn by MeECL for subsidiary utilities MePGCL, MePTCL & MePDCL for FY 2020-21 and also interest on CPS, Interest on bonds, cost of raising finance and guarantee charges shall not be admissible for the above reasons and the Business plan approved for FY 2018-19 to FY 2020-21 and FY 2021-22 to FY 2023-24 does not provide to borrow loan capital for claiming additional gap.

**Commission does not consider the claim of the licensee for Review of Interest on additional gap projected for True up of FY 2020-21.**

## **2.2. Depreciation**

### **Petitioner's Submission**

MePTCL has used the asset-wise breakup as per the audited accounts and their corresponding rates for computation of depreciation. The grants capitalization as on 31st March, 2020 has been used for amortization of grants. The methodology used is in line with the MSERC and CERC Regulations.

The details of Depreciation & Amortization Expenses, as per the audited SoA (Note 2) and the apportioned amount of MeECL for FY 2020-21, are given below. The same was claimed by the Licensee in the true up petition also.

**Table 4 : Depreciation & Amortization Expenses FY 2020-21**

(In Rs. Cr)

Particulars	FY 2020-21
Depreciation Charge (1)	21.82
Amortization of grants (2)	1.64
<b>Net Depreciation Charge of MePTCL (3=1+2)</b>	<b>23.46</b>
Depreciation Charge claimed by the Licensee for the apportioned amount of MeECL (4)	0.09
<b>Net Depreciation Charge claimed by the Licensee in the true up petition (=3+4)</b>	<b>23.55</b>

The Commission has approved Rs 17.49 Cr for depreciation in true up order. The Commission did not consider the apportioned depreciation of MeECL. It is requested that the same be considered by the Commission.

The effects of Amortization of Grants is already taken into account by the Licensee in the component "Other Income" ( as per Note 26 of Accounts) and also approved by the Commission in the Non tariff and Other Income head (Table 24 of the True up Order). Considering it again in the calculation of depreciation will lead to double accounting and undermine the ARR. Details is shown in Table 6 below showing inclusion of Amortization in the Other Income of MePTCL. It is thus requested that the amortization as calculated by the Commission amounting to Rs.3.88 Crore in Table 20 of the True up Order be withdrawn.

While it is true that as per Clause 33 of the Regulation, depreciation shall be allowed upto a maximum of 90% of the cost of the asset, this does not imply that the rate of depreciation is to be multiplied on 90% of the cost of all asset instead of 100% of the depreciable asset. Further by calculating depreciation on the average asset instead of the actual value, the Commission has further undermined the depreciation amount.

Based on the above submissions the Licensee is reiterating its claims of Rs.23.55 Cr. as has been submitted in its True Up petition and it is requesting the Commission to pass the additional gap of Rs. 6.06 Cr. as shown in the table below.

**Table 5 : Depreciation Based on Revised Components**

(In Rs. Cr)

Sr. No.	Particulars	Amount in Rs. Cr.
1	Depreciation claimed by MePTCL in the True Up petition (1)	23.55
2	Depreciation allowed by MSERC in the True Up order (2)	17.49
<b>3</b>	<b>Additional Depreciation to be allowed in the review petition (=2-1)</b>	<b>6.06</b>

## Commission's Analysis

Commission had computed the depreciation in accordance with Regulation 33.1 (a) of the MSERC MYT Regulations 2014 after deducting the depreciation on the Govt. grants and consumer contributions towards capital assets netting off the Amortization of Grants and contributions for Rs.1.64 Crore in the True up order dated 22.03.2023.

The Non-Tariff/other income as per the audited statement of accounts of MePTCL was at Rs.2.55 Crore which includes sum of Rs.1.64 crore towards Amortization of grants and Amortization of consumer contributions.

MeECL, as holding company, shall not transact the business of Bank deposits, other non operating income such as Rental on hiring equipment, fees and penalties, sale of tender forms and miscellaneous receipts which are related to transactions of subsidiary utilities

However, the depreciation claim on MeECL assets is now considered for Review of True up of FY 2020-21.

Licensee has claimed Rs. 0.09 Crore being 1/3<sup>rd</sup> Depreciation of MeECL for True up of FY 2020-21.

It is to be mentioned that there shall be no outgoing cash transaction for Depreciation allowed in the ARR, the impact of a change in the Depreciation (Rs.0.09 Crore) does not alter material cash transaction between the MePTCL and MeECL.

As per the Audited Accounts of MeECL, Depreciation computed at Rs.0.26 Crore which works out to Rs.0.09 Crore being 1/3<sup>rd</sup> of the charge to be shared by MePTCL is allowed for Review of True up of FY 2020-21.

**Table 6 : Computation of Depreciation for Review of True up for FY 2020-21**

(Rs. Cr)

Particulars	Opening Bal as 01.04.2020	Additions	Closing Bal as on 31.03.2021	Avg	90%	% of Dep	Amt of Dep
Land	4.10	0.00	4.10	4.10	-	-	-
Buildings	14.80	0.06	14.86	14.83	13.35	3.34	0.45
Plant and Equipment	152.94	0.54	153.48	153.21	137.89	5.28	7.28
Furniture and Fixtures	0.89	0.03	0.92	0.91	0.82	6.33	0.05
Vehicles	0.10	0.00	0.10	0.10	0.09	9.50	0.008
Office Equipment	5.62	0.00	5.62	5.62	5.06	6.33	0.32
Hydraulic works	0.09	0.00	0.09	0.09	0.08	5.28	0.004
Other Civil works	10.75	0.63	11.38	11.06	9.95	3.34	0.33

Lines and Cable Network	272.00	0.38	272.38	272.19	244.97	5.28	12.93
<b>Total</b>	<b>461.29</b>	<b>1.64</b>	<b>462.93</b>	<b>462.11</b>			<b>21.37</b>
Avg Depreciation						<b>4.62</b>	
Avg Grants Available						<b>83.96</b>	
Less: Dep on Grants							<b>3.88</b>
<b>Net Depreciation</b>							<b>17.49</b>
<b>1/3<sup>rd</sup> of MeECL Dep</b>							<b>0.09</b>
<b>Depreciation allowed for Review</b>							<b>17.58</b>

**Commission considers Depreciation at Rs.17.58 Crore for Review of True up for FY 2020-21.**

### 2.3. Other Income

#### Petitioner's Submission

Commission has approved the Trued up Other Income of FY 2020-21 amounting to Rs.6.48 Cr at Table 24 of the Order. The details of the approved Other Income are as follows:

**Table 7 : Other Income**

(in Rs Cr)

<b>Particulars</b>	<b>Amount</b>
Interest Income ( From Banks)	0.65
Rental and Hiring Income	0.15
Discount Received	0.00
Fees and Penalties	0.08
Sale of tender forms	0.03
Miscellaneous receipts	0.00
Amortization of Grant	1.64
<b>Total of MePTCL (Note 26)</b>	<b>2.55</b>
1/3 <sup>rd</sup> of Other Income of MeECL	1.31
Apportionable Other Income of MePTCL out of Rs.10.92 Cr	2.62
<b>Total of MeECL (Note 21)</b>	<b>3.93</b>
<b>Total Other Income MePTCL + MeECL</b>	<b>6.48</b>

While the Commission did not consider the apportioned Finance Cost of MeECL as shown at Table 2 above, it has considered the apportionable Other Income of MeECL amounting to Rs.2.62 Cr as detailed in Table 6 above. In the interest of justice, it is requested that the Commission consider both the apportioned Finance Cost of MeECL as it has approved the apportionable Other income of MeECL amounting to Rs.2.62 Crore as shown in Table 6 above.

The petitioner requests the Commission for necessary rectification and allow the Finance Cost as petitioned at SI 2.1 above.

Additionally, as detailed in SI 2.2 above, the Amortization is already considered and approved by the Commission as shown at Table 6. Hence, it is requested that the amortization deducted by the Commission in the calculation of Depreciation at Table 20 of the True up Order may be withdrawn and necessary correction may be issued.

### **Commission's Analysis**

Commission had approved other income as reported in the audited accounts as well as 1/3<sup>rd</sup> share of MeECL Other Income for True up of FY 2020-21 for Rs.6.48 Crore.

The claim of the apportioned finance cost of MeECL shall not be treated as income, the income and expenditure are two separate nature of Transactions. MeECL business cannot be treated as profit making utility like Distribution Company and no separate ARR and Tariff order is provided in the Regulations for MeECL.

It may be mentioned that, MeECL has been collecting the other income received on behalf of the subsidiary utilities and accounted for in the statement of accounts.

MeECL, as holding company, shall not transact the business of Bank deposits, other non operating income such as Rental on hiring equipment, Training fees, penalties, sale of scrap and miscellaneous receipts which are related to transactions of subsidiary utilities.

As per the existing arrangement 1/3<sup>rd</sup> of the O&M expenses shall be shared by the subsidiary companies (MePGCL, MePTCL and MePDCL).

**Commission Considers no review is required for computation of Other income for True up of FY 2020-21.**

## **2.4. Interest on Working Capital**

### **Petitioner's Submission**

The Commission while calculating the Interest on Working Capital has considered only the O&M expenses of MePTCL excluding that of MeECL. It may be pointed that while calculating the O&M expenses only the Employee expenses of MePTCL and that of the existing employees of MeECL were considered. Further the approved

apportioned employee's expense of MeECL are for those services which are utilized in common by all the three subsidiaries. Hence it is requested that in the interest of justice, the Interest on Working Capital may be considered on the entire approved O&M expenses.

Based on the revision of components, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

**Table 8 : Interest on Working Capital Based on Revised Components**

(Rs. Cr)

Particulars	FY 2020-21
O&M Expenses for one (1) month (58.86/12) (a)	4.91
Maintenance Spares at 1% of Opening GFA (b)	4.90
Receivables equivalent to two (2) months at prevailing tariffs (c)	19.25
<b>Working Capital requirement (d=a+b+c)</b>	<b>29.05</b>
SBI short term PLR as on 01 April 2015 (e)	12.90%
<b>Interest on Working Capital (f=d*e)</b>	<b>3.75</b>

Based on the above submission, the Commission is requested to review the additional claim of the Licensee for Interest on Working Capital as shown in the table below:

**Table 9 : Interest on Working Capital Based on Revised Components**

(Rs. Cr)

Sr. No.	Particulars	Amount in Rs. Cr.
1	Interest on Working Capital claimed by MePTCL in the Review petition (1)	3.75
2	Interest on Working Capital allowed by MSERC (2)	2.95
3	<b>Additional Interest on Working Capital to be allowed in the review petition (3=2-1)</b>	<b>0.80</b>

### Commission's Analysis

Commission has considered Review of Depreciation whereby a sum of Rs.0.09 Crore more expenditure shall be approved in the Review True up of FY 2020-21.

Accordingly the Interest on working capital shall be as computed in the table below.

**Table 10 : Computation of Interest on Working Capital for True up of FY 2020-21**

(Rs.Cr)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) ( 41.00/12)	3.42
2	1% Maintenance spares on opening GFA escalated at 6%	4.89
3	Receivables for 2 months (87.56*2/12)	14.59
4	Total working capital (1+2+3)	22.90
5	SBI Short term PLR as on 1st April 2020	12.90%
6	Interest on working capital (4*5)	<b>2.95</b>

**Commission considers Interest on Working Capital at Rs.2.95 Crore for Review of True up for FY 2020-21.**

## 2.5. Revised ARR & Net Additional Claim in Review for True up FY 2020-21

### Petitioner's Submission

Based on the above submission, the revised ARR and additional amount claimed for MePTCL in review is given below:

**Table 11 : ARR Based on Revised Components**

(Rs. Cr)

Sl. No	Particulars	MSERC Approved (1)	MePTCL Claimed in Review (2)	Additional Gap to be Passed (3=2-1)
1	Return on Equity	16.07	16.07	0
2	O&M Expenses	58.86	58.86	0
3	Interest on Loan Capital	2.86	24.83	21.97
4	Interest on Working Capital	2.95	3.75	0.8
5	Depreciation	17.49	23.55	6.06
6	SLDC Charges	1.33	1.33	0
7	Prior Period expense	0	0	0
8	Income Tax	0	0	0
9	<b>Total Annual Expenditure</b>	<b>99.56</b>	<b>128.39</b>	<b>28.83</b>
10	Less: SLDC ARR	2.66	2.66	0.00
11	Less: Other Income	6.48	6.48	0.00
12	<b>Gross Annual Expenditure</b>	<b>90.42</b>	<b>119.25</b>	<b>28.83</b>
13	Suo moto of 2013-14 & 2014-15	1.75	1.75	0
14	True up FY 2015-16	-5.72	-5.72	0
15	True up FY 2016-17 review	-0.74	-0.74	0
16	<b>Total ARR</b>	<b>85.71</b>	<b>114.54</b>	<b>28.83</b>

### Commission's Analysis

Commission has reviewed the claim of the licensee and admissible expenditure has been allowed in the ARR for True up of FY 2020-21 as depicted in the table below.

**Table 12 : Approved Aggregate Revenue Requirement for True up of FY 2020-21 (Review)**

Sl. No	Particulars	Approved in True up	Claimed for Review	Now Approved for Review of True up
1	Return on Equity	16.07	16.07	16.07
2	O&M Expenses	58.86	58.86	58.86
3	Interest on Loan Capital	2.86	24.83	2.86
4	Interest on Working Capital	2.95	3.75	2.95
5	Depreciation	17.49	23.55	17.58
6	SLDC Charges	1.33	1.33	1.33
7	Prior Period expense	0	0	0
8	Income Tax	0	0	0
9	<b>Total Annual Expenditure</b>	<b>99.56</b>	<b>128.39</b>	<b>99.65</b>
10	Less: SLDC ARR	2.66	2.66	2.66
11	Less: Other Income	6.48	6.48	6.48
12	<b>Gross Annual Expenditure</b>	<b>90.42</b>	<b>119.25</b>	<b>90.51</b>
13	Suo moto of 2013-14 & 2014-15	1.75	1.75	1.75
14	True up FY 2015-16	-5.72	-5.72	-5.72
15	True up FY 2016-17 review	-0.74	-0.74	-0.74
16	<b>Total ARR</b>	<b>85.71</b>	<b>114.54</b>	<b>85.80</b>

**Commission approves ARR at Rs. 85.80 Crore for Review of True up for FY 2020-21.**

## 2.6. Revenue Gap/Surplus for Review of True up for FY 2020-21.

Commission after considering the claims of the licensee in the Review petition approves the Revenue gap as depicted in the Table below for True up of FY 2020-21.

**Table 13 : Approved Revenue Gap/(Surplus) for Review of True up for FY 2020-21**

		(Rs. Cr)
sl	Particulars	FY 2020-21
1	Approved Net ARR	85.80
2	Revenue from Operations as per audited SOA	67.10
3	<b>Revenue Gap</b>	<b>18.70</b>

**Commission approves Revenue Gap at Rs. 18.70 Crore in Review of True up exercise for FY 2020-21. The Revenue Gap approved above shall be appropriated in the next Tariff Order.**

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

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