BEFORE THE MEGHALAYASTATEELECTRICITYREGULATORYCOMMISSION

SHILLONG

CASE No.09/2020

IN THE MATTER OF

Petition filed by Meghalaya Power Distribution Company Limited (MePDCL) for Review of Tariff Order for FY 2020-21 dated 25th March 2020.

AND

Meghalaya Power Distribution Corporation Limited (the Petitioner)

Coram

Shri P W Ingty, IAS (Retd.)
Chairman

Shri R. Keishing
Member

(Order:31.08.2020)

MePDCL is a deemed Licensee in terms of Section14 of the Electricity Act 2003 (Here in after referred to as the Act) engaged in the business of Distribution of Power in the State of Meghalaya.

As per Regulation 22 of MSERC MYT Regulations 2014 MePDCL has filed petition on the 30th June 2020 for Review of Tariff Order for FY 2020-21.The same was provisionally admitted on the 31.07.2020.

Regulation 22 of MYT Regulation 2014 specifies that the Commission shall undertake the Review of Tariff Order for FY 2020-21 considering the terms & Conditions laid down there in.

Commission taking into consideration of all the facts and figures after prudence check as per the Regulations passed Review order for the FY 2020-21.

Member **Chairman**

1. Introduction

The present petition is filed as per clause22 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 fo r review of tariff can be admitted by the Commission under the following conditions:*

a) the review petition is filed within sixty days of 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"*

As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petition eror any other person aggrieved by an order of the Hon'ble Commission to file a review petition based on new facts and information, which was/were not considered during the time of issue of order or on account of apparent errors or mistakes. MePDCL, in this petition is requesting the Hon'ble 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.

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."

The filing of the present review petition was delayed due to the ongoing pandemic and since various facts of the order, and relevant documents had to be checked thoroughly before the petition was prepared and filed, MePDCL pleads before the Hon'ble Commission to condone the delay in the filing of the review petition for Tariff Order of the FY 2020-21 and requests the Hon'ble Commission to admit the same.

Commission's Views

Regulation 23 of MSERC MYT Regulations 2014 specifies that-

"No tariff or part of any tariff may be ordinarily amended, more frequently than once in any financial year, except FPPPA based on FPPPA formulae approved by the Commission from time to time. Provided that the consequential orders, which the Commission may issue to give effect to the subsidy by the State Government shall not be construed as amendment of the tariff notified."

Commission considers that there is no error apparent on the face of the record.

Commission considers that the petition has been filed belatedly by the licensee but due to the prevailing lockdown orders issued by the Govt. of India and state govt.the delay has been condoned and petition is taken on record.

2. Components for Review

It is submitted that the specific grounds on which the review is being sought have been identified against each aspect of the Order, on which review is being sought, in subsequent paragraphs.

2.1 Employee Expenses

Licensee Submission

The Hon'ble Commission in the order has escalated the Employee Expenses for FY 2017-18 (including MeECL apportioned employee cost) by inflation factor of 4.86% to arrive at Employee Expenses for FY 2020-21. However, the Commission has inadvertently considered an incorrect base Employee expense of MePDCL as Rs 92.04 Cr for FY 2017-18 that has led to understatement of Employee expenses approved for FY 2020-21. The Employee expenses for FY 2017-18 is Rs 128.50 Cr for the licensee as shown in the table below with references of the figures taken from the audited accounts. The Hon'ble Commission has correctly considered the MeECL Cost at Rs 12.24 as per the audited accounts as the apportioned expenses.

Table 1: EmployeeExpenses for FY 2017-18(In Rs Cr)

Sl.No	Particulars	Amount	Remarks
a)	MePDCL	128.50	As per Note 22 of MePDCL Audited Accounts FY 2017-18
b)	MeECL Apportioned	4.08	MeECL/3 (MeECL Expenses as per Note 17 of MeECL Accounts FY 2017-18)
	Total Employee Expenses (MePDCL+1/3rd MeECL)	**132.58**	

** Please Note: "Apportionment of MeECL Employee Expenses" in Note 22 of MePDCL Accounts is over and above the employee expenses in MeECL audited accounts. A Write up on the same is attached as annexure B.

The statutory audited accounts FY 2017-18 for MePDCL has already been shared with the Hon'ble Commission in the letter No MePDCL/SE(RA)/54(D)/Pt-V/2019-20/21dated 16 January 2020. The audited accounts FY 2017-18 of MeECL is attached as Annexure A

Based on the revised base value of Employee expenses, the expenses for FY 2020-21 and the additional claim in the review is given in the tables below:

Table 2: Computation of Employee Expenses for FY 2020-21

(In Rs Cr)

Particulars	FY 2017-18 (As per SOA) Incl. MeECL Cost	FY 2018-19 (Inflation rate at 4.86%)	FY 2019-20	FY 2020-21
Employee Expenses	132.58	139.02	145.78	152.86

Table 3: Additional Employee Expenses Claimed in Review

(In Rs Cr)

Sr. No.	Particulars	Amount
1	EmployeeExpenses allowed by MSERC in the Order (1)	120.13
2	Employee Expenses claimed by MePDCL in the Review (2)	152.86
3	**Additional Employee Expenses to be allowed in the review petition (=2-1)**	32.73

MePDCL requests the Commission to review the approved Employee Expenses and allow an additional amount of Rs 32.73 Cr as shown in the table above.

Commission's Analysis & Views:

The Commission's analysis vide para 5.7 of ARR and Tariff Order FY 2020-21 is self-explanatory.

The Note 22 of SOA for FY 2017-18 indicates Rs.128.50 Crore which includes Rs.36.45 Crore representing apportionment of MeECL employee benefit expenses. As per the existing arrangement the employee expenses shall be shared by MePGCL, MePTCL & MePDCL equally. Thus the apportionment of entire employee benefit expenses against MePDCL is not maintainable. The Licensee had not submitted the audited accounts of MeECL for computation of ARR and Tariff for FY 2020-21. The Claim of MeECL employee benefit expense at Rs.36.45 Crore is found to be exorbitant considering the previous year's expenditure.

The Employee expenses shall be excess over the allowable employee expenses for ARR of FY 2020-21 as the computation of employee expenses has been considered in the absence of audited accounts for FY 2017-18 and FY 2018-19. This variation however shall be taken into account in the true up exercise for FY 2020-21 after filing the true up petition for FY 2020-21.

Commission does not consider any change of employee expense in the Review order for FY 2020-21.

2.2 Repair and Maintenance Expenses

Licensee Submission

The Hon'ble Commission in the order has escalated the base R & M Expenses of FY 2017-18 by inflation factor of 4.86% to arrive at R&M Expenses for FY 2020-21. However, the Hon'ble Commission has not considered the apportioned MeECL expenses in the total R&M Cost of FY 2017-18 which has led to understatement of R&M expenses approved for FY 2020-21. This is a contrast to the approach followed by the Commission in calculation of employee expenses where the apportioned MeECL expenses has been correctly considered. The R&M expenses of MePDCL is Rs 9.96 Cr and the apportioned expenses from MeECL is Rs 0.12 Cr as shown in the table below with references of the figures taken from the audited accounts.

Table 4: R&M Expenses for FY 2017-18

(In Rs Cr)

Sl.No	Particulars	Amount	Remarks
a)	MePDCL	9.96	As per Note 25 of MePDCL Audited Accounts FY 2017-18
b)	MeECL	0.12	MeECL/3 (MeECL Expenses as per Note 20 of MeECL Accounts FY 2017-18
	Total Employee Expenses (MePDCL+1/3rd MeECL)	**10.08**	

Based on the revised base value of R&M expenses, the expenses for FY 2020-21 and the additional claim in the review is given in the tables below:

Table 5: Computation of R&M Expenses for FY 2020-21

(In Rs Cr)

Particulars	FY 2017-18 (As per SOA) Incl. MeECL Cost	FY 2018-19 (Inflation rate at 4.86%)	FY 2019-20	FY 2020-21
R&M Expenses	10.08	10.57	11.08	11.62

Table 6: Additional R&MExpenses Claimed in Review

(In Rs Cr)

Sr. No.	Particulars	Amount
1	R&M expenses allowed by MSERC in the Order (1)	11.48
2	R&M expenses claimed by MePDCL in the Review (2)	11.62
3	**Additional R&M Expenses to be allowed in the review petition (2-1)**	0.14

MePDCL requests the Commission to review the approved R&M Expensesand allow an additional amount of Rs 0.14 Cr as shown in the table above.

Commission's Analysis &Views:

Commission had considered the R&M expenses of MePDCL as allowable for ARR of MePDCL. The Claim of the licensee at Rs.0.12 Crore against MeECL towards R&M expenses does not feature separately in the audited accounts for FY 2017-18 and MeECL has no plant &Machinery to consider R&M activity. However any expenses to be incurred for R&M shall be considered in the true up exercise for FY 2020-21 as per the Regulations.

Commission doesnot consider any change of R&M expenses for Review order.

2.3 Administrative & General Expenses

Licensee Submission

The Hon'ble Commission in the order has escalated thebase A&G Expenses of FY 2017-18 by inflation factor of 4.86% to arrive at Employee Expenses for FY 2020-21. However, the Hon'ble Commission has not considered the apportioned MeECL expenses in the total A&G Cost of FY 2017-18 which has led to understatement of A&G expenses approved for FY 2020-21. This is a contrast to the approach followed by the Commission in calculation of employee expenses where the apportioned MeECL expenses has been correctly considered. The A&G expenses of MePDCL is Rs 13.22 Cr and the apportioned expenses from MeECL is Rs 0.83 Cr as shown in the table below with references of the figures taken from the audited accounts.

Table 7:A&GExpenses for FY 2017-18

(In Rs Cr)

Sl.no	Particulars	Amount	Remarks
a)	MePDCL	13.22	As per Note 25 of MePDCL Audited Accounts FY 2017-18
b)	MeECL	0.83	MeECL/3 (MeECL Expenses as per Note 20 of MeECL Accounts FY 2017-18
	Total Employee Expenses (MePDCL+1/3rd MeECL)	**14.05**	

Based on the revised base value of A&Gexpenses, the expenses for FY 2020-21 and the additional claim in the review is given in the tables below:

Table 8: Computation of A&GExpenses for FY 2020-21

(In Rs Cr)

Particulars	FY 2017-18 (As per SOA) Incl. MeECL Cost	FY 2018-19 (Inflation rate at 4.86%)	FY 2019-20	FY 2020-21
A&G Expenses	14.05	14.74	15.45	16.20

Table 9: Additional A&GExpenses Claimed in Review

(In Rs Cr)

Sr. No.	Particulars	Amount
1	A&Gexpenses allowed by MSERC in the Order (1)	14.19
2	A&Gexpenses claimed by MePDCL in the Review (2)	16.20
3	**Additional A&G Expenses to be allowed in the review petition (=2-1)**	2.01

MePDCL requests the Commission to review the approved A&G Expensesand allow an additional amount of Rs 2.01 Cr as shown in the table above.

Commission's Analysis & Views

Commission had considered the A&G expenses of MePDCL as allowable for ARR of MePDCL. The Claim of the licensee at Rs.0.83 Crore against MeECL towards A&G expenses does not feature separately in the audited accounts for FY 2017-18. However any expenses to be incurred under A&G shall be considered in the true up exercise for FY 2020-21 as per the Regulations.

Commission does not consider any change in the A&G expenses for Review order.

2.4 Gross Fixed Assets

Licensee Submission

The Hon'ble Commission has revised the asset base for the control period FY 2018-19 to FY 2020-21. The Hon'ble Commission has reduced the approved capitalization of the control period to 14% of total approved earlier in MYT Order dated 31.03.2018 to arrive at closing balance GFA for FY 2020-21. The asset base approved by Commission for the control period is given below for reference:

Table 10: Approved Asset Basefor Control Period

(In Rs Cr)

Particulars	FY 2017-18 (Actual)	FY 2018-19	FY 2019-20	FY 2020-21
Opening GFA	427.30	440.02	457.30	528.26
Additions during the year	12.72	17.28	70.96	39.01
Retirements during the year	-	-	-	-
Closing GFA	**440.02**	**457.30**	**528.26**	**567.27**

The **actual capitalization in FY 2017-18 is 19% of the earlier approved** capitalization in the Business Plan Order dated 01.11.2017 as also stated by Commission. However, it is not clear why Commission has compared the actual capitalization in FY 2016-17 to the approved projected capitalization of FY 2017-18 to arrive at 14% figure. Given the fact that scheme works, capex and completion timelines will be specific for a given year, it is not correct to bring actual capitalization of FY 2016-17 and compare it with FY 2017-18 approved projected capitalization. The Licensee requests the Hon'ble Commission to consider 19% of the earlier approved capitalization as the capitalization for the control period. This is similar to the approach adopted by the Commission in present transmission tariff order dated 25 March 2020 where the Commission has considered the capitalization based on the actuals and approved projections of capitalization for FY 2017-18. Thus, considering capitalization as 19% of the earlier approved values, the gross fixed asset for the control period is shown in the table below:

Table 11: Asset Base for Control Period Considering 19% of Earlier Approved Capitalization

(In Rs Cr)

Particulars	FY 2017-18(Actual)	FY 2018-19	FY 2019-20	FY 2020-21
Opening GFA (a)	349.33	441.25	509.42	541.60
Capitalization Approved in Earlier Business Plan Order dated 01.11.2017 (b)	487.73	358.78	169.38	179.78
Capitalization for the Control Period (Considering 19% of Earlier Approved Capitalization based on FY 2017-18 Data) (c=19% of b)	92.07	68.17	32.18	34.16
Retirements during the year (d)	0.15			
Closing GFA (e=a+c-d)	**441.25**	**509.42**	**541.60**	**575.76**

The above asset base has been used in the subsequent sections for calculation of ARR components.

Commission's Analysis & Views:

Commission's Analysis in the ARR & Tariff Order FY 2020-21 vide para 5.10is self-explanatory as the computation is arrived in the absence of audited results from FY 2017-18 to FY 2018-19, thus the average performance for FY 2016-17 and FY 2017-18 worked out to be 14% was considered for capitalization. The claim of the licensee to consider 19% capitalization shall however be considered after filing of the true up petition along with audited accounts as per the Regulations.

Commission does not consider any change in the ARR and capitalization for Review orderforFY 2020-21.

2.5 Depreciation

Licensee Submission

The Commission has considered Rs 13.20 Cr as depreciation for FY 2020-21 using the average depreciation rate on the total asset base of the licensee. The licensee has challenged the methodology of Commission in the review of true up order FY 2016-17 that is pending before the Hon'ble Commission. The other discrepancies in the computation of depreciation islisted below:

a) The average depreciation for MePDCL business FY 2017-18 as per the audited accounts is **4.98%** (Opening and Closing Asset Base: Rs 349.33 Cr, Rs 441.25 Cr and Depreciation of Rs 19.67 Cr: As per Note 1 of Accounts). The adjustment of amortization of grants should not be done to derive the average depreciation rate since asset base is being reduced by grant component to arrive at depreciable asset base for depreciation calculation.Moreover, it is not clear how the Commission has arrived at depreciation of 4.49% for FY 2017-18 and used it to compute depreciation for FY 2020-21.

b) While it is true that as per the clause 33 of the regulations that depreciation shall be allowed up to 90% of the cost of the asset, this does not imply that the rate of depreciation is to be multiplied on 90 % of cost for asset category, instead of 100% of the depreciable asset. The Hon'ble Commission has inadvertently calculated depreciation rate on 90 % of the average assets instead of whole 100% of the asset, thereby undermining the depreciation amount.

c) Commission has considered grants amount of Rs 199.91 Cr and reduced the total asset by the same amount to arrive at depreciable GFA. However, the grants contribution appearing in accounts (Note 11& Note 9.5.1) can either be a part of asset (already put into use) or part of capital works in progress. Considering the whole of grant as a part of GFA is incorrect.Moreover, the grants appearing **note 9.5.1** which has been considered by Hon'ble Commission for depreciation calculation, has been converted to equity and under equity pending allotment head as stated clearly in the Note 9.5.1 heading.

Share of grants part of GFA and CWIP has been proportionately derived from GFA and CWIP amount for FY 2017-18 as shown in the table below:

Table 12: Grants share of Gross Fixed Asset

(In Rs Cr)

Particulars	**Amount**	**Remarks**
Closing Value of Asset	441.25	Note 1 of the MePDCL FY 2017-18 Accounts
Closing Value of CWIP	654.28	Note 2 of the MePDCL FY 2017-18 Accounts
Grants and Subsidies	167.29	Note 11 of Accounts Not consideringamount of Rs 32.61 Cr which is part of equity (Note 9.5.1)
Grants share for GFA	**67.38**	Used for Depreciation Calculation

Based on the above inadvertent mistakes in the order and the revised asset base (As per Section 2.4, Table 11), the Licensee has calculated the deprecation for FY 2020-21 as per the Commission's methodology in the table below:

Table 13: DepreciationExpenses for FY 2020-21

(In Rs Cr)

Particulars	Amount	Remarks
Opening GFA excluding Land	540.32	• Excluding Land of Rs 1.28 Cr as per FY 2017-18 Accounts (Note 1) • Asset Base as per Table 11 above
Closing GFA excluding Land	574.48	
Average Value of Assets	557.40	
Grants and Subsidies	67.38	As calculated in Table 12
Net GFA	**490.02**	
Average depreciation (%) at FY 2017-18 level	4.98%	As stated in **Point a** above.
Net Depreciation	**24.40**	

Hence based on above, the additional claim of Utility for review is given below:

Table 14: Additional Depreciation Claimed in Review

(In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Depreciation expenses allowed by MSERC in the Order (1)	13.20
2	Depreciation expenses claimed by MePDCL in the Review (2)	24.40
3	**Additional Depreciation to be allowed in the review petition (=2-1)**	11.20

Commission's Analysis & Views:

Commission's Analysis in the ARR & Tariff Order FY 2020-21 vide para 5.11 is self-explanatory as the computation is arrived in the absence of audited results from FY 2017-18 to FY 2018-19. The claim of the licensee for higher depreciation shall however be considered after filing of the true up petition along with audited accounts as per the Regulations.

Commission does not consider any change in the Depreciation for Review Order for FY 2020-21.

2.6 Return on Equity

Licensee Submission

The Commission has considered Rs 13.77 Cr as Return on Equity for FY 2020-21 using the equity base as 30% of gross fixed asset base of MePDCL. The licensee has challenged the methodology of Commission in the review of true up order FY 2016-17 as well in APTEL which is under subjudice.

In the present order, the Commission has inadvertently considered whole of grants for asset base without due consideration that grants can be part of capital works in progress. The points have been highlighted in detail in the above depreciation section (Point C of Section 2.5).A such, based on the above apparent errors in the order and the revised asset base (As per Section 2.4, Table 11), the Licensee has calculated the return on equity for FY 2020-21 as per the Commission's methodology in the table below:

Table 15: Return on Equityfor FY 2020-21

Particulars	Amount (in Rs.Cr)
Opening GFA	541.60
Closing GFA	575.76
Average Value of Assets	558.68
Grants and Subsidies	67.38
Net GFA	491.30
Equity 30% of GFA for FY 2020-21	147.39
Return on Equity at 14 %	**20.63**

Hence based on above, the additional claim of Utility for review is Rs 6.86 Cr as shown in the table below:

Table 16: Additional Return on Equity Claimed in Review

(In Rs Cr)

Sl. No.	Particulars	Amount
1	Return on Equity allowed by MSERC in the Order (1)	13.77
2	Return on Equity claimed by MePDCL in the Review (2)	20.63
3	Additional Return on Equity to be allowed in the review petition (=2-1)	6.86

Commission's Analysis & Views:

Commission's Analysis in the ARR & Tariff Order FY 2020-21 vide para 5.14 is self-explanatory, as the computation is arrived in the absence of audited results from FY 2017-18 to FY 2018-19. The claim of the licensee for higher allowance of ROE shall however be considered after filing of the true up petition along with audited accounts as per the Regulations.

Commission does not consider any change in the Return on Equity for Review Order forFY 2020-21.

2.7 Interstate Transmission Charges (PGCIL)

Licensee Submission

The Commission has approved Rs 58.98 Cr as interstate transmission charges for FY 2020-21. It is not clear how the Commission has arrived at the amount based on the information submitted by licensee in the letter dated 16 Jan 2020.Infact, the Licensee has submitted audited accounts, Ferro Alloy Consumption details and Energy Balance in the letter dated 16 January 2020 without any submission on power purchase costs in it.

The Utility in this review petition has arrived at the interstate transmission charges for FY 2020-21 based on the PGCIL charges for March and April 2020. Given the fact that, PGCIL charges depends on per MW charge and there has no change in MW allocation for MePDCL, interstate transmission charges based on the March and April Charges will be a more realistic estimate of FY 2020-21 charges. Given below is the calculation to arrive at PGCIL charges for FY 2020-21.

Table 17: Interstate Transmission Charges for FY 2020-21

(Rs. in Cr)

Particulars	Amount
PGCIL Charges for March 2020 (a)	6.61
PGCIL Charges for April 2020 (b)	6.32
Average PGCIL Charges for a month (c=average of a, b)	6.47
Projected PGCIL Charges for the year (d=c*12)	**77.58**

Moreover, a lower approved PGCIL costs will not enable the licensee to pay the dues on time to PGCIL which may lead to power regulation for the licensee. The PGCIL bills for March and April 2020 are attached as Annexure C for reference.Hence based on above, the additional claim of Utility for review is given below:

Table 18: Additional Interstate Transmission Charges Claimed in Review

(In Rs Cr)

Sl. No.	Particulars	Amount
1	Interstate Transmission Charges allowed by MSERC in the Order (1)	58.98
2	Interstate Transmission Charges claimed by MePDCL in the Review (2)	77.58
3	**Additional Interstate Transmission Charges to be allowed in the review petition (=2-1)**	18.60

Commission's Analysis &Views :

Commission's Analysis for computation of estimated power purchase cost for FY 2020-21 including PGCIL Transmission charges vide table 5.9 of ARR and Tariff Order dated 25.03.2020 is based on the additional information filed by the Licensee on 16.01.2020 vide Annexure IV power availability table upto September 2019 in the absence of audited results for FY 2017-18 to FY 2018-19 and as per the Regulations.

The Claim of the licensee based on the post dated invoice dated 07.04.2020 & 06.05.2020 for consideration of ARR and Tariff Order for FY 2020-21 dated 25.03.2020 filed for Review petition shall not be valid and not maintainable. However the actual PGCIL charges shall be considered on filing of the true up petition along with audited accounts for FY 2020-21 based on the invoices as per the Regulations.

Commission does not consider any change of PGCIL Charges for now in the Review Order for FY 2020-21.

2.8 Interest on Working Capital

Licensee Submission

Based on the above submissions for review, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

Table 19: Interest on Working Capital Based on Revised Components

(inRs.Cr)

Particulars	Amount
O&M Expenses for one (1) month (180.69/12) **(a)**	15.06
Maintenance Spares at 1% of Opening GFA Historical Cost escalated by 6% (Opening Asset Base of MePDCL for FY 2020-21as per Table11) *1%*1.06 **(b)**	5.74
Receivables equivalent to two (2) months **(C)** (901.45/6)	150.24
Working Capital requirement (d=a+b+c)	**171.04**
SBI short term PLR	13.80%
Interest on Working Capital (f=d*e)	**23.60**

There also seems to be clerical error in the computation of working capital components in the order (Table 5.33 of the order).

a) In the &M Expenses for one (1) month component in the calculations on the Hon'ble Commission, the total O&M expenses (excluding MeECL)should amounts to Rs 131.79 Cr as against Rs 1016.13 used in the calculation (FY 2020-21: Employee Cost of 106.11 excluding MeECL, R&M of 11.48 Cr and A&G of 14.19 Cr)

b) In the calculation of the receivable's component, the prevailing tariffs for FY 2020-21 will be the new tariff approved by MSERC. Thus, revenue at revised tariff (i.e. prevailing tariff for FY 2020-21) should be considered for receivables, which amounts Rs 703.76 (Table 5.46 of the order). The corrected IWC for FY 2020-21 as per the figures approved by MSERC is given below:

Table 20: Corrected Interest on Working Capital Based on Commission's Data (Table 5.33 of Order)

Particulars	MSERC Order	Corrected IWC with data as per the order
O&M Expenses for one (1) month (131.79/12 as mentioned in Point a above) (a)	8.84	10.98
Maintenance Spares at 1% of Opening GFA Historical Cost escalated by 6% (Opening Asset Base of MePDCL for FY 2020-21) *1%*1.06 (b)	5.46	5.46

Receivables equivalent to two (2) months (c) (703.76/6 as mentioned in point b above)	114.9	117.29
Working Capital requirement (d=a+b+c)	**129.20**	**133.74**
SBI short term PLR	13.80%	13.80%
Interest on Working Capital (f=d*e)	**17.83**	**18.46**

Based on the above submissions, the petitioner now humbly requests Hon'ble Commission to allow additional amount of INR 5.77 Cr. for Interest on Working Capital as shown in the table below:

Table 21: Additional Claim for Interest on Working Capital

(inRs.Cr)

Sr. No.	Particulars	Amount
1	Interest on Working Capital allowed by MSERC	17.83
2	Interest on Working Capital claimed by MePDCL as per the Review (As per Table 19 above)	23.60
3	**Additional Interest on Working Capital to be allowed in the review petition (=2-1)**	**5.77**

Commission's Analysis & Views:

Commission's Analysis in the ARR & Tariff Order FY 2020-21 vide para 5.13 is self explanatory, as the computation is arrived in the absence of audited results from FY 2017-18 to FY 2018-19. The holding company (MeECL) is not a Revenue generating utility, the working capital requirement need not be factored with the O&M cost of MeECL. The claim of the licensee for higher allowance of Interest on Working Capitalshall be limited to the activities of distribution business.

Commission does not consider any change in the Interest on Working Capital for Review ofFY 2020-21.

3. Revised ARR & Net Additional claim in Review for ARR FY 2020-21

Licensee Submission

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

Table 22: Revised ARR and Additional Amount Claimed in Review

(Rs. in cr)

Particulars	Approved in Present Order	MePDCL Claim in Review	Additional Gap to be Passed
Power Purchase Cost	736.96	736.96	-
Transmission Charges (PGCIL)	58.98	77.58	18.60
Transmission Charges (MePTCL)	52.45	52.45	-

Particulars	Approved in Present Order	MePDCL Claim in Review	Additional Gap to be Passed
Employee Expenses	120.13	152.86	32.73
Repair & Maintenance Expenses	11.48	11.62	0.14
Administration & General Expenses	14.19	16.20	2.01
Depreciation	13.2	24.40	11.20
Interest and Finance Charges	6.58	6.58	-
Interest on Working Capital	17.83	23.60	5.77
Return on Equity	13.77	20.63	6.86
Gross Annual Revenue Requirement (ARR)	**1045.57**	**1122.90**	**77.33**
Less: Non-Tariff Income and Other income	71.6	71.60	-
Less: R.E. Subsidy	0	0.00	-
Less: Sale of Surplus Power	325.33	325.33	-
Net ARR for FY 2020-21	**648.64**	**725.97**	77.33
Add:Revenue Gap for FY 2015-16	15.00	15.00	-
Add: Revenue Gap for FY 2016-17	173.44	173.44	-
Less: Revenue Surplus for FY 2014-15	-12.96	-12.96	-
Net ARR after Adjustments	**824.12**	**901.45**	**77.33**

Based on the above submission, MePDCL requests the Hon'ble Commission to pass an additional amount of Rs 77.33 Cr as claimed in this review petition.

Commission's Analysis & Views:

The ARR and Tariff Order has been computed in the absence of the audited results of FY 2017-18 & FY 2018-19 and the estimates have been computed based on the trued down values of FY 2016-17 and SOA for FY 2017-18 certified by the statutory auditors.

Commission considers that the claim of the Licensee for Review of ARR and Tariff Order dated 25.03.2020 does not merit for Review as per the Regulations and ARR provisions and Tariffs does not require any amendment. The ARR dated 25.03.2020 already approved shall remain unaltered for FY 2020-21.

Table 23: Approved ARR for Review of FY 2020-21

(Rs. in cr)

Particulars	Approved in Review for FY 2020-21
Power Purchase Cost	736.96
Transmission Charges (PGCIL)	58.98
Transmission Charges (MePTCL)	52.45
Employee Expenses	120.13
Repair & Maintenance Expenses	11.48
Administration & General Expenses	14.19

Particulars	Approved in Review for FY 2020-21
Depreciation	13.2
Interest and Finance Charges	6.58
Interest on Working Capital	17.83
Return on Equity	13.77
Gross Annual Revenue Requirement (ARR)	**1045.57**
Less: Non-Tariff Income and Other income	71.6
Less: R.E. Subsidy	0
Less: Sale of Surplus Power	325.33
Net ARR for FY 2020-21	**648.64**
Add:Revenue Gap for FY 2015-16	15.00
Add: Revenue Gap for FY 2016-17	173.44
Less: Revenue Surplus for FY 2014-15	-12.96
Net ARR after Adjustments	**824.12**

The Licensee shall execute the order and file petition for True up along with audited accounts for FY 2020-21.

4. Revenue at Tariffs and Revenue Gap

4.1 Revenue at Earlier Tariffs for FY 2018-19

Licensee submission

Commission in the order considering the connected load as approved in the business plan for the FY 2020-21 has computed the Revenue at existing Tariff at Rs.689.37Crorefor 1062.34MU energy sales. However, the Commission had failed to make adjustment of power factor for HT consumers with KVAh billing, leading to overstatement of revenue at existing tariff. The revenue at existing tariff amounts to Rs 662.33 Cr in line with the licensee submissions in the tariff petition and is given below for reference:

Table 24: Revenue for FY 2020-21 atEarlier Tariff of FY 2018-19

Sl.	Category	Load(MVA)	Tariff Fixed Charges (Rs/KW/Month)	Fixed Charges Revenue (In Rs Cr)	Energy Tariff (Rs/KWh)	MUs Approved	Avg Tariff	Revenue from Energy Charge (In Rs Cr)	Total Revenue (In Rs Cr)
Revenue at FY 2018-19 Tariff: Revenue at Tariff in place before FY 2020-21 approved tariff									
		1	2	3=1*2	4	5	6	7=4*5	8=(7+3) or 6*5
	LT Category								
1	Kutirjyoti	57.84				34.03	3.35		11.41
2	Domestic	457.62	50	24.71		436.62		222.70	247.41
3	Commercial	85.70	110	10.18		67.40		48.02	58.20
4	Industrial LT	12.38	110	1.47	6	5.06		3.04	4.51
5	Public Lighting	0.08	110	0.01	6.5	0.20		0.13	0.14
6	LED Fittings	0.31	50	0.00	4.25	0.82		0.35	0.35
7	Water supply	7.88	110	0.94	6.7	14.04		9.41	10.34
8	General Purpose	15.38	110	1.83	6.9	29.71		20.50	22.33
9	Agriculture	0.28	100	0.03	3	0.10		0.03	0.06
	Crematorium	0.14			4.1	0.22	4.43		0.10
			Rs./kVA/month						
	HT Category								
1	Domestic (HT)	21.15	200	5.08	6.2	20.68		12.82	17.90
					Rs./kVAh				
2	Commercial (HT)	33.62	200	8.07	6.6	31.60		18.77	26.84
3	Industrial (HT)	86.20	200	20.69	6.6	89.30		53.05	73.73
4	Ferro Alloy	9.93	200	2.38	4.46	52.35		21.01	23.40
5	Public water supply	7.80	200	1.87	6.5	24.07		14.08	15.95
6	General Purpose / BS	44.88	200	10.77	6.2	82.50		46.04	56.81

Sl.	Category	Load(MVA)	Tariff Fixed Charges (Rs/KW/Month)	Fixed Charges Revenue (In Rs Cr)	Energy Tariff (Rs/KWh)	MUs Approved	Avg Tariff	Revenue from Energy Charge (In Rs Cr)	Total Revenue (In Rs Cr)
	EHT Category								
1	Ferro Alloy	36.45	200	8.75	4.36	123.92		48.63	57.37
2	Industrial EHT	32.25	200	7.74	6.2	49.72		27.75	35.49
	Total	**909.89**				**1062.34**		**546.31**	**662.33**

a) As we can see above, For Sl No 1-10 of LT category and Sl No 1 of the HT categories: Revenue at existing tariff in the above table matches with the revenue as per Commission's order (Table 5.43 of the order)

b) For Sl No 2-6 of HT Category and Sl No 1-2 of EHT Category, revenue at existing tariff in the above table is lower (compared to Table 5.43 of the order) because of the due adjustments of power factor **(PF=0.9)** to be made to fixed and energy tariffs of categories with KVAh billing to arrive at revenue at existing tariff.

However, the Commission in the table 5.43 of the order has inadvertently not adjusted power factor to fixed and energy tariffs of categories with KVAh billing to arrive at revenue at existing tariff. This has overstated the revenue at existing tariff for the consumer categories with KVAh billing.

Based on the above submissions, the licensee requests the Hon'ble Commission to consider revenue at existing tariff of Rs 662.33 Cr as shown in the table above and in line with the petitioner's submission in the tariff petition **(Table 11 of the tariff petition FY 2020-21)**

Commission's Analysis & Views

The methodology for computation of connected load in respect of LT Categories vide para 5.19 of Tariff Order is considered as proposed by the licensee in the tariff petition and arrived at the fixed charges as adopted by the licensee vide table no.9,10 &11 of the tariff petition.

Commission has not considered Kvah billing in the Tariff Order dated 25.03.2020 and was directed the Licensee to submit certain information of list of consumers and contracted load with the financial implications to the licensee for introduction of Kvah billing. But the licensee did not comply with the directions. The Licensee was asked to continue with the existing billing system till the above data was made available to the commission vide para 5.25 of Tariff Order.

Commission does not consider any change in the assessment of Revenue from Tariffs for Review Order of FY 2020-21.

4.2 Revenue Gap at Existing Tariff for FY 2020-21

Licensee Submission

Based on the above submissions, the revenue gap for FY 2020-21 at existing tariff of FY 2018-19 has been arrived at as follows:

Table25: Revenue Gap at Tariff of FY 2018-19

Particulars	Amount (Cr)	Remarks
Total Revenue Requirement in FY 2020-21	901.45	As per Table 22 of Section 3
Less: Projected Revenue at Existing Tariff Rates of FY 2018-19	662.33	As per Table 23 of Section 4.1
Revenue Gap for FY 2020-21	**239.12**	

Commission's Analysis & Views:

Commission considered no change in the ARR elements and assessment of Revenue from the approved Tariffs for Review.

Commission does not consider any change in the Revenue Gapfor Review of FY 2020-21.

4.3 Expected Revenue and Revenue Gap at Approved Tariffs for FY 2020-21

Licensee Submission

Based on the tariff hike suggested by the Hon'ble Commission i.e increase in fixed charges for consumer categories (As per Chapter 9:"Approved Tariffs for FY 2020-21" in the order), the additional revenue from the increase in fixed charges tariff is Rs 14.39 Cr (As per Section 5.23 of the order). Thus, the total revenue at approved tariff for FY 2020-21 is **Rs 676.72 Cr** (Rs 662.33 Cr from Table 24 above + Additional Rs 14.39 Cr due to increase in fixed charges)

The revenue gap pending for recovery from tariff is shown in the table below:

Table26: Revenue Gap at approved tariff of FY 2020-21

(inRs.Cr)

Particulars	Amount
Total Revenue Requirement in FY 2020-21	901.45
Less: Revenue at Approved Tariff Rates for FY 2020-21	676.72
Revenue Gap	224.73

The licensee has not been able to increase its revenue considerably in last fiscal year due to no tariff order for FY 2019-20 from the Hon'ble Commission. At the same time, the mounting costs due to higher power purchase costs and inflation is increasing the revenue and cost gap for the Corporation. In spite of the roadblocks, the Utility is striving hard to improve the distribution infrastructure to deliver 24*7 reliable power supply to all its consumers.

MePDCL humbly requests the Commission to pass additional revenue gap of Rs 224.73 Cr via revision of tariff for FY 2020-21.

Commission's Analysis & Views:

Commission considered no change in the ARR elements and assessment of Revenue from the approved Tariffs for Review.

Commission does not consider any change in the Revenue Gapfor Review of FY 2020-21.

5. **Wheeling Charges**

Licensee Submission

Based on the review of components in this review petition, the wheeling charges due to the revised ARR is given in the table below:

Table 27: Wheeling Charges based on Revised ARR Claims

Particulars	FY 2020-21
ARR of MePDCL for FY 2020-21 excluding Non- Tariff income (1122.90-71.60)(In Rs Cr)	1051.30
Less: Power Purchase cost of MePDCL(In Rs Cr)	736.96
Less: Transmission Charges of MePTCL& PGCIL(In Rs Cr)	130.03
ARR – PPC - Transmission Charges(In Rs Cr)	**184.31**
Energy Sales (MU)	1062.34
Wheeling Charges (184.31/ 1062.34) (In Rs/Unit)	**1.73**

Commission's Analysis & Views:

Commission considered no change in the ARR elements and assessment of Revenue from the approved Tariffs for Review.

Commission does not consider any change in the Wheeling Charges for Review of FY 2020-21.

Conclusion

Regulation 23.1 specifies that-

"No tariff or part of any tariff maybe ordinarily amended, more frequently than once in any financial year, except FPPPA based on FPPPA formulae approved by the Commission from time to time. Provided that the consequential orders, which the Commission may issue to give effect to the subsidy by the State Government shall not be construed as amendment of the tariff notified."

Commission considers that the ARR and tariff orders are passed in the absence of audited results up to FY 2018-19. The MePDCL has not filed the relevant true up petitions along with C&AG audit report before issue of Tariff Order for FY 2020-21.

The estimates have been computed for determination of Tariff for FY 2020-21as per the Regulations based on the actual performance in the previous years.

However, variations if any, after execution of the Tariff order for the FY 2020-21,shall be considered at the time of examining the True Up petitions and filing of audited accounts along with C&AG audit report as per Regulations.

The Review petition hereby stands disposed of.

Member **Chairman**