MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG

CASE NO. 1/2021

In the matter of Review Petition on True-up of FY 2017-18 of
1st MYT Control Period FY 2015-16 to FY 2017-18.

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member (Law)

ORDER

(Dated: 05 .10 .2021)

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 has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC MYT Regulations 2014 had approved ARR and Generation Tariff for FY 2017-18 in its order dated 30.03.2017.

In accordance with Regulation- 11 of MYT Regulation 2014 dt.15.09.2014, Commission had approved the True Up business for FY 2017-18 with reference to the audited statement of accounts made available along with C&AG audit report after prudence check issued the true up orders on Dt.28.09.2020.

MePGCL has filed the instant petition for Review on True-Up Orders for FY 2017-18 passed on 28.09.2020, under Regulation 22.1 (a). Commission admitted the petition on 27.11.2020 and Registered as Case No. 1 of 2021.

Commission has examined the review petition filed by MePGCL with reference to the MSERC Regulations 2014 and submission of the petitioner and also considering the orders passed in the true up orders from FY 2013-14 to FY 2016-17, has passed the review orders.

Commission hereby notifies the licensee that, the impact of Review Order gap/surplus shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Sd/-	Sd/-
Member	**Chairman**
Shri. Roland Keishing	**Shri.P.W.ignty, IAS (Retd)**

Introduction

MePGCL has filed Review Petition against the True Up orders for FY 2017-18 passed by the commission on Dt.28.09.2020 under the Regulation 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

Commission observed that MePGCL has filed Review petition as per the Regulation 22.1 (a) of MSERC Regulations 2014 within 60 days from the date of True up orders.

The Petition is taken on record and registered as case no. 1 of 2021.

<u>Review of True Up Orders for FY 2017-18 Dt 28.09.2020</u>

1. **Separate Petition for Generating Stations**

Petitioner's Submission

Clause 41.2 of regulation 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"

As per the past tariff orders as well as the applicable regulations, MePGCL needs to file separate petitions for the different generating plants or stations. In accordance with the directives of the Hon'ble Commission and MSERC Tariff Regulations 2014, MePGCL filed separately true up gap claims for

1) Old plants including Sonapani
2) Leshka
3) New Umtru

Due to unavailability of segregated accounts for old plants and Sonapani, MePGCL filed a combined petition for all the old plants & Sonapani in accordance with the accepted precedent of filing as followed in the past.

However, in the present impugned order, the Hon'ble Commission has passed a combined true up order for the Old plants (including Sonapani), Leshka, and New Umtru. This appears to be a deviation from the existing norms which requires filing of separate ARR petitions/costs for different power stations and hence does not reflect the performance of individual stations. Hence, MePGCL requests the Hon'ble Commission to kindly review and pass separate true up gaps for NUHEP, MLHEP and Old Power Stations (including Sonapani) in the future years. This will be in compliance with the regulations and would give better clarity of true gaps for each cost head, not only for the utility but to the other stakeholders as well.

Commission's Analysis

Admittedly MePGCL has stated due to unavailability of segregated accounts for old plants and sonapani, Commission constrained to analyse and compute the ARR elements as per the Regulations.

Commission had analyzed admissible components of ARR as per the available records filed earlier through the audited accounts. Commission had also adopted the project wise segregated accounts for new projects like MLHEP and New Umtru while incorporating the capital cost of the old projects and sonapani as approved in the true up orders upto FY 2016-17.

The Licensee shall maintain project wise segregated accounts approved in the previous true up orders for all the future filings.

2. Gross Fixed assets, Capital Cost & Funding Pattern of Generating Plants

2.1 Old Plants Including Sonapani

Petitioner's Submission

The Hon'ble Commission has considered assets of only Umiam Stage-4 and Sonapani for considering asset base of old plants. It has not taken into account the fact that based on the audited Statement of Accounts for FY 2017-18, the total asset base of MePGCL is INR 2313.79 Cr out of which asset base of old plants is INR 427.15 Cr. The same was also verified by the auditor in asset wise break up of Old plants including Sonapani which the company had attached as **annexure** along with the true up petition. The table below again highlights the GFA break up of MePGCL plants:

Table 1 : Gross Fixed Asset of MePGCL Old Plants as per Audited Statement of Accounts (Including Sonapani)

Particulars	FY 2017-18 (Audited) (in INR Cr.)			
	MePGCL as a whole (a)	MLHEP (b)	NUHEP (c)	MePGCL old plants (including Sonapani) (d=a-b-c)
Opening GFA	1,712.13	1,286.64	-	425.49
Additions during the year	602.45	0.00	600.78	1.67
Retirements during the year	0.79	0.79	-	0.00
Closing GFA	2,313.79	1,285.86	600.78	427.15

The separately audited asset base of old plants including Sonapani is again attached along with this petition as **Annexure B**. It seems that the Hon'ble Commission has not considered this auditors' certificate while allowing the total assets of old plants and has relied on the provisional cost considered in a past order, thereby undermining the different cost components of old plants including Sonapani. As such, the Hon'ble

Commission is requested to review the capital cost as per the audited statement submitted herewith.

Note: As per above table, Old plants asset is INR 427.15 Cr. Excluding the asset not in use (INR 0.15 Cr as per Note 1 of MePGCL audited accounts), the old plants asset including Sonapani is INR 426.99 Cr. This is line with Annexure B (Old plants asset is INR 426.99 Cr).

Commission's Analysis

In the Tariff Order for FY 2013-14 of MePGCL, the commission had considered the capital cost of the old projects namely Umiam Stage IV at Rs.38.79 Crore and Sonapani at Rs.10.60 Crore, in view of fact that the life (35 years) of the old projects namely umiam stage I, Stage II and Stage III and Umtru Projects has been completed. Accordingly Capital cost of the old projects including sonapani was considered at Rs.49.39 Crore.

The Licensee has filed the audited accounts in the note 1 of SOA for a consolidated property, plant and equipment (GFA) instead of filing the Project wise Regulatory accounts & asset wise breakup as approved by the commission in the Tariff orders and true up orders upto FY 2016-17.

Commission has considered the Gross fixed assets approved in the true up orders upto FY 2016-17 at Rs.49.39 Crore for the MePGCL old projects including sonapani. Commission also considersed the GFA in respect of new projects MLHEP and New Umtru as approved in the Tariff orders and True up orders upto FY 2016-17 and the same figures have been adopted in the True up orders for FY 2017-18.

The Capital Cost as on 31.03.2016 was projected by the licensee as stated below.

Table 2 : GFA filed for approval of Capital Cost of MLHEP

(in Rs.Cr)

Opening GFA		Additions during year	Retirements	Closing GFA
GFA as on 01.04.2013	1141.83	101.21	0.00	1243.04
GFA as on 01.04.2014	1297.02	0.00	11.24	1285.78
GFA as on 01.04.2015	1286.13	0.00	0.00	1286.13
GFA as on 01.04.2016	1286.74	0.00	0.00	1286.74

The closing GFA for each year is projected as actual capitalization during FY 2012-13, FY 2013-14 based on the auditor's certificate for each year.

The Licensee has not filed True up petition for FY 2013-14 and FY 2014-15 with the audit reports of C&AG including GFA details.

Commission has under taken Suo-moto true up as per the Regulations and admissible allowances for ARR has been notified in the tariff order dated 25.03.2020.

Table 3 : Gross Fixed Assets for MLHEP (Projections)

Particulars	FY 2013-14 (Actual in INR Crore)	FY 2014-15 (Actual in INR Crore)
Opening GFA (INR Cr)	1,141.83	1,285.78
Additions during the year (INR Cr)	155.19	0.35
Less: Discount Received (INR Cr)	11.24	-
Closing GFA (INR Cr)	1,285.78	1,286.13

The Capital cost of the MLHEP was approved at Rs.1134.28 Crore after adjusting the cost of the Infirm power at Rs.7.55 Crore excluding the value of work in progress as on the date of COD ie., 01.04.2013 as per the Regulations.

As could be observed in the projections that there is inconsistency in the GFA figures, Commission considers GFA for FY 2015-16 at Rs.1286.74 Crore as reported in audited SOA.

The GFA has been adopted for MLHEP at Rs.1278.80 Crore as on 31.03.2015 and closing GFA at Rs.1283.97 Crore as per the audited SOA for true up of business for FY 2015-16. Whereas the auditor has certified GFA as on 31.03.2016 at Rs.1286.74 Crore filed in the petition for approval of capital cost of MLHEP.

In view of inconsistency in the GFA data filed by the licensee, commission has considered GFA at Rs.1286.74 Crore for FY 2015-16 retrospectively, while reconsidering the difference in various elements of ARR from FY 2015-16 to FY 2017-18 in the review orders now approved.

The Licensee invariably shall file Project wise breakup of Regulatory accounts for all the future filings as per the Regulation 4.2 (c) of MSERC Regulations 2014.

2.2 NUHEP

Petitioner's Submission

The Hon'ble Commission has considered the capital cost and asset base of NUHEP as on 31.03.2018 for the purpose of true up as Rs 580.71 Cr. However, the Hon'ble Commission has erroneously considered grant as a portion of funding for NUHEP. This is contradictory to the actual funding of NUHEP which is only a mix of loan and equity in the ratio of 70:30.

Table 4 : Capital Cost and Funding Pattern of NUHEP

Particulars	Amount
Capital Cost and Asset Base as on 31.03.2018	**580.72**
Equity Portion of the Funding (30% of total)	174.22
Loan Portion of the Funding (70% of total)	406.50
Grant Portion of the Funding (0% of total)	0

Licensee stated that the commission in its order has considered Rs 128.37 Cr as grant in the project. **This is in spite of the fact that Govt. of Meghalaya vide notification dated 24.03.2015 stated that the money released under SPA, SCA, NEC and NLCPR is to be treated as equity for execution of the New Umtru HEP. Copies of various notifications of loan and equity disbursement are provided as Annexure – C (i) to (ii).** Infact, in this regard, MePGCL has again written to state government to issue another notification restating the equity portion of the funding of NUHEP. The letter is attached as Annexure D.

By considering grant as a part of NUHEP Project, the components of AFC like Depreciation, Return on Equity and Interest on Loan have been undermined. MePGCL is further ready to provide any other clarification on this issue if required. Based on the above submissions, MePGCL requests the Commission to consider the funding of NUHEP as shown in the Table 4 above.

Commission's Analysis

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 to be treated as equity. 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 Prepayment charges to HUDCO at Rs.308.96 Lakh out of Rs.128.37 Crore filed as equity.

The claim of the licensee 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.

Regulation 28.10 specifies that-

The following shall be excluded or removed from the capital cost of the existing and new project:

a) The assets forming part of the project, but not in use;
b) Decapitalisation of Asset;
c) In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and
d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.

The Licensee has stated that the State Govt. has been addressed for issue of notification restating the equity portion of the funding for NUHEP.

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 the licensee didn't file the information called for till date.

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.

Commission considers no change is required in this element for review.

3. Operation and Maintenance Expenses

3.1 MLHEP

Petitioner's Submission

The Hon'ble Commission has approved O&M Expenses of INR 28.34 Cr for FY 2017-18 based on the capital cost of INR 1134.28 Cr. and its subsequent escalations. However, the final capital cost of MLHEP is INR 1286.74 Cr, and the same has been approved by the Hon'ble Commission (As per ***Table 2: Gross Fixed Assets of the MePGCL for FY 2017-18***, of the True Up order for FY 2017-18, GFA of MLHEP as on 31.03.2017 is INR 1286.74 Cr.).

The same inadvertent error was also present in true up FY 2016-17 order for MePGCL, against which the company has filed a review and the order on the review petition is still due from the Hon'ble Commission. Hence the O&M Expenses for MLHEP for FY 2017-18, has been calculated in line with the regulations, and has been presented in the table below:

Table 5: O&M Expenses for Leshka (INR Crore)

Particulars	Amount
Project Cost	1286.74
O&M Expenses for FY 2013-14 (2% of Project Cost)	25.73
O&M Expenses for FY 2014-15 (5.72% escalation over previous Year)	27.21
O&M Expenses for FY 2015-16 (5.72% escalation over previous Year)	28.76
O&M Expenses for FY 2016-17 (5.72% escalation over previous Year)	30.41
O&M Expenses for FY 2017-18 (5.72% escalation over previous Year)	**32.15**

Accordingly, the petitioner requests the Hon'ble Commission to allow the additional claim of INR 3.81 Cr., for O&M of MLHEP in review as given below:

Table 6 : Additional O&M Claim of MePGCL (MLHEP) in Review

(INR Crore)

Particulars	FY 2017-18
MePGCL's Claim of O&M for MLHEP in the true up petition	32.15
Approved O&M for MLHEP by MSERC	28.34
Gap to be passed in the review petition	**3.81**

Commission's Analysis

As per Regulation 52.6 & of MSERC Regulations 2014-

The project cost already admitted by the Commission for purpose of tariff determination shall be considered as the original project cost.

As per Regulation 56.7 & of MSERC Regulations 2014-

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 O&M Expenses against MLHEP has been fixed on the original project cost of Rs.1134.28 Crore as per the Regulation 56.7 read with Regulation 52.6 and escalation of 5.72% was considered as per MSERC Regulations 2014 for determination of tariff for FY 2017-18.

The Claim of the licensee for consideration of project cost at Rs.1286.74 Crore is now considered from FY 2015-16. In view of the licensee's failure to file true up petition along with C&AG audit reports, where commission has undertaken Suo-moto true up for FY 2013-14 and FY 2014-15.

The O&M expenses for MLHEP is now reconsidered and computed as follows.

Year	Project Cost (in Cr)	O&M Expenses (in Cr)	Already Approved	Difference
FY 2015-16	1286.74	25.73	25.36	0.37
FY 2016-17	1286.74	27.21	26.97	0.24
Total Difference	-	-	-	**0.61**
FY 2017-18	**1286.74**	**28.76**	**28.34**	**0.42**

Consequent to review of O&M expenses for MLHEP, revised O&M expenses for True up for FY 2017-18 shall be considered as detailed below.

Table 7 : Approved O&M Expenses for Review of True Up FY 2017-18

Particulars	Amount in Cr
O&M expenses for MLHEP	28.76 (Review)
New Umtru 1.7.2017 to 31.03.2018 (09/12)	8.71
MePGCL Old Projects	28.51
1/3rd Share of MeECL O&M xpenses	5.02
Total	**71.00**

Commission considers O&M expenses at Rs.71.00 Crore for Review of FY 2017-18 True up.

3.2 Old Plants Including Sonapani

Petitioner's Submission

The O&M Expenses for MePGCL as a whole (excluding MeECL apportioned) as per the audited statement of accounts is again given below for easy reference:

Table 8 : O&M Cost of MePGCL as Per SoA for FY 2017-18

(INR Crore)

Particulars	For MePGCL
Employee Cost	78.52
R&M Expenses	8.23
A&G Expenses	5.28
Total	**92.02**

*MePGCL is showing the O&M costs excluding MeECL apportioned since the MeECL apportioned has been already correctly approved in full as per the regulations. So there is no need for additional claim in revenue due to MeECL apportioned.

The Hon'ble Commission has approved the O&M cost for old plants for FY 2017-18 at INR 28.51 Cr. by escalating the O&M cost (at 5.72%) of FY 2016-17, which in turn was arrived at by escalating the O&M cost (at 5.72%) of FY 2015-16. It had approved for Old plants including Sonapani in its true-up order for FY 2015-16 at INR 25.51 Cr. The Hon'ble Commission had not given any justification of how it arrived at this reduced figure in its True Up order for FY 2015-16. The petitioner has already filed a review against the true up FY 2016-17. O&M claim stating the same fact and the order is still due from the Hon'ble Commission.

Further , the approved O&M cost for old plants (including Sonapani) for FY 2015-16, FY 2016-17 and FY 2017-18 is significantly lower than the O&M Expenses approved for old plants in true up of FY 2014-15 (INR 52.27 Cr) because of this different methodology which is starkly different from the audited O&M costs. . It is pertinent to note that non **allowance of Operation and Maintenance Expenses which are audited and verified limits the ability of the company to recover the prudent expenditure of salaries and payment of salaries to the staff of MePGCL** thereby directly impacting the sustainability of the generating company crucial for maintaining the power supply situation within the state.

Hence, the petitioner is reiterating its claim for old plants at INR 50.87 Cr as claimed in the True up petition, and is requesting the Hon'ble Commission to kindly allow the additional claim for O&M Expenses as given in the table below:

Table 9 : Additional O&M Claim of MePGCL (Old Plants including Sonapani) in Review

(INR Crore)

Particulars	**FY 2017-18**
MePGCL's Claim of O&M for old plants in Review (As claimed in True up Petition)	50.87
Approved O&M for old plants by MSERC	28.51
Gap to be passed in the review petition	**22.36**

Commission's Analysis

The O&M expenses were fixed for Generation activity shall mean the total of Employee cost, R&M and Administration & General expenses. The date of commencement of separate business from 01.04.2013 on the actuals reported and normalized as per the Regulation 56.3.

Commission had computed O&M expenses for MePGCL for first control period FY 2015-16 to FY 2017-18 includes the whole of O&M expenses for generation activity.

The O&M Expenses of Hydro Projects shall be fixed based on the approved project cost as per the Regulation 56.7.

The O&M Expenses fixed in the MYT FY 2015-16 to FY 2017-18 includes O&M expenses of MLHEP also. This was already notified by the commission in the Tariff order for FY 2013-14 and FY 2014-15.The MLHEP Project was declared commencement (COD) from 01.04.2013 and the O&M expenses fixed for MLHEP as per Regulations excluded from the O&M expenses normalized for generation activity of MePGCL old projects and sonapani.

Thus the O&M expenses approved for True up of MePGCL old plants and sonapani for FY 2017-18 does not require review.

3.3 MePGCL as a Whole

Petitioner's Submission

Based on the above claims, the petitioner, requests the Hon'ble Commission to allow an additional claim of INR 26.17 Cr. for the true up gap as presented in the table below:

Table 10: Additional O&M Claim of MePGCL in Review

(INR Crore)

Particulars	FY 2017-18
Additional Claim of O&M for MLHEP	3.81
Additional Claim of O&M for old plants	22.36
Gap to be passed in the review petition	**26.17**

Commission's analysis

As discussed in the fore going paragraphs, the Claim of the licensee against O&M expenses of MLHEP and MePGCL old projects has been considered and revised ARR for review true up is notified in this order.

4. Depreciation

Petitioner's Submission

MePGCL 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 2018 has been used for amortization of grants to arrive at the net depreciation. This methodology is in line with the MSERC Regulations. The errors and lack of clarity in the calculation of depreciation in the order has been highlighted below:

a) The Hon'ble Commission has approved INR64.30 Cr for depreciation in true up order. It has not at all given any justification or clarity on how it arrived at INR 57.65 Cr. and INR 25.46 Cr. as depreciation cost of Old projects & MLHEP, and NUHEP, respectively (Sl 6 and 13 in Table 9 of the order).
b) As per the Hon'ble Commission's calculation, the gross fixed asset of MLHEP is 1285.95 Cr and old plants is 49.39 Cr, however the grant portion is 190. 53 which implies MLHEP asset is made up of grant which is grossly incorrect since MLHEP is made of equity and loan components only. Further there is no grant component in NUHEP as stated in Section 2.2.2 of the petition.
c) The methodology used by the Hon'ble Commission for depreciation computation is not in line with MSERC (Multi Year Tariff) Regulations, 2014. The methodology of using average depreciation rate on asset base is not in line with the regulation, and not required when the asset wise break up and its corresponding depreciation is available. Further, the rationale or basis of using 4.38% as the average rate of depreciation is not explained
d) The effect of amortization of grants (INR 12.77 Cr as per Note 17 of the accounts) has already been taken into account by the utility in the component "other income" in the petition and also approved by the Hon'ble Commission in "Non-tariff and other income" head of the order. Considering it again in the calculation of depreciation (i.e. reducing the net GFA by grants amount) will lead to double accounting and undermine the ARR.

On account on the incorrect methodology and flaws inherent in the methodology adopted by the Hon'ble Commission, MePGCL requests the Hon'ble Commission to kindly allow the depreciation of Old Plants, NUHEP and MLHEP as claimed in true up petition and in line with the audited statement of accounts (Depreciation of 105.75 Cr as shown in Note 1: Property, Plant and Equipment of the audited accounts)

Table 11 : Additional Depreciation Claim of MePGCL in Review

(INR Crore)

Particulars	**FY 2017-18**
MePGCL's Claim of Depreciation for old Plants (a)	22.50
MePGCL's Claim of Depreciation for MLHEP (b)	61.30
MePGCL's Claim of Depreciation for NUHEP (c)	21.95
MePGCL's Net Claim of Depreciation in True Up Petition (d=a+b+c)	**105.75**
Depreciation approved by MSERC (e)	64.30
Gap to be passed in the review petition (f=d-e)	**41.45**

Hence, the petitioner requests, the Hon'ble Commission to kindly pass an additional amount **INR41.45 Cr** for depreciation.

The Hon'ble Commission had requested the details of capitalization for FY 2017-18 earlier and the same is being submitted along with the petition as **Annexure E**

Commission's Analysis

The Methodology of computation of Depreciation vide table no.9 of the true up orders for FY 2017-18 and adjustment of the grants part considered was in line with the MSERC Regulations and there are no errors and ambiguity in the computation of depreciation.

a) The GFA of MePGCL old projects and sonapani as claimed by the licensee in the true up petition for FY 2017-18 at Rs.427.15 Crore is not considered for computation of depreciation.

   Commission had in the Tariff order from FY 2013-14 considered the GFA of MePGCL old projects and sonapani at Rs.49.39 Crore in view of the fact that all other old projects have been completed their life time of service (35years) and held that no further depreciation need be allowed. Accordingly the Gross Fixed Assets of old projects is considered at Rs.49.39 Crore in the True up orders for FY 2017-18.

   The GFA of MLHEP and the New Umtru Projects is considered as reported and approved in the tariff order of the respective projects and the depreciation has been computed on the approved capital cost of the project vide table no. 9 of true up orders for FY 2017-18.

   The GFA shown as per the note 1 of audited SOA at Rs.2313.79 Crore as on 31.03.2018 shall not correspond to the GFA considered in the earlier true up orders for computation of depreciation in view of the detailed breakup given above.

   The Regulation 33.1 (a) to (f) of MSERC Regulations 2014 has been followed in the true up process and there is no ambiguity in the calculations and computation of depreciation.

   Commission considers no review of depreciation is required.

b) The Grants & Subsidies of MLHEP and old projects is considered as reported in the note no.11 of audited SOA at Rs.190.53 Crore (average) and considered for computation of depreciation as per the Regulations.

   The Licensee has not reported details of the capitalization through the audited accounts for FY 2017-18 but the grants received for the construction of New Umtru project as submitted in the petition for approval of capital cost is taken into account for computation of depreciation ROE & Interest on loans against New Umtru project after deducting the grant for Rs.128.37 Crore as per the Regulations 28.10, 31 read with 27, 32.1 and 33.1.

The analysis and computation of depreciation is considered after adjustment of cumulative grants and contributions available for the licensee, in line with MSERC Regulations 2014.

c) The Licensee has presented GFA of all the projects in a single statement vide note no.1 of SOA, raising the issue on the rationale or basis of using 4.38% as average rate of depreciation is not correct.

The 4.38% average depreciation noted in the table 9 was a typographical error for adjustment of depreciation on grants part, but not for computation of depreciation on the assets of MLHEP & New Umtru. The admissible depreciation for MLHEP was at 4.80% on the 90% of assets considered, similarly 4.87% for New Umtru project has been computed as per Regulations.

The 4.38% was on account of depreciation deducted on the grants part but not average rate of depreciation as mentioned in the petition. The error in the sl. no.7 & 14 of the table 9 was a typographical error is now corrected and table is revised.

Table 12 : Computation of Depreciation for FY 2017-18

(Rs.Cr.)

1	Opening GFA 31.03.2017 (Old projects & MLHEP) (49.39+1286.74)	1336.13
2	Retirements	-0.78
3	**Closing GFA 31.03.2017**	**1335.35**
4	Avg. GFA	**1335.74**
5	90% of GFA	1202.16
6	Depreciation for FY 2017-18	**57.65**
7	Average Rate of Depreciation (%)	**4.80%**
8	**Avg Grants Available for FY 2017-18**	**190.53**
9	**Less:** Depreciation on Grants	**9.15**
10	**Net Depreciation for Old Projects & MLHEP(6-9)**	**48.50**
11	**Average GFA of NUEHP**	580.72
12	90% of the Average Assets	522.65
13	Depreciation for FY 2017-18	25.46
14	Average rate of Depreciation (%)	**4.87%**
15	Grants Available	128.37
16	**Less:** Depreciation on Grants	6.25
17	**Net Depreciation for NUHEP (13-16)**	19.21
18	**Depreciation for 9 Months (01.07.2017 to 31.03.2018)**	**14.41**
19	**Total Depreciation for Old Projects, MLHEP & NUHEP (10+18)**	**62.91**

Regulation 22.2 of MSERC Regulations 2014 specifies that -

"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."

The rates of the depreciation notified by the CERC were employed for computation of depreciation is considered as per the Regulations on the approved capital cost in the True up orders for FY 2016-17 in the absence of project wise and asset wise breakup.

The analysis and computation considered for depreciation is as per the Regulations and revised for admissible depreciation for FY 2017-18 (Review).

d) The amortization of grants at Rs.12.77 Crore as reported in the note 17 of audited SOA as "other income" is considered in the true up orders for FY 2017-18. The calculation of depreciation (i.e. reducing the net GFA by grants amount) is as per the Regulations.

The depreciation has been computed on the capital cost already approved for MePGCL old projects, MLHEP and New Umtru projects is considered as per the Regulations.

Commission considers the depreciation admissible has been now allowed as per the MSERC Regulations 2014.

5. Interest on loan

5.1 NUHEP

Petitioner's Submission

The Hon'ble Commission has approved Interest on Loan for New Umtru at INR 27.82 Cr., considering New Umtru has a grant component of INR 128.37 Cr. But New Umtru has been entirely funded by equity and debt funding as stated in Section 2.2.2 of the petition.

Accordingly, the Interest on loan charges for New Umtru HEP for FY 2017-18 (Assuming 70% of total as debt) has been calculated as below:

Table 13: Interest and Finance Charges, NUHEP for FY 2017-18

(INR Crore)

Particulars	Approved by MSERC	Claim in Review
Opening Balance (a)	316.65	406.50*
Repaid (b)	23.58	23.58
Closing Balance (c=a-b)	293.07	382.92
Average Loan [d=(a+c)/2]	304.86	394.71
Interest Accrued (e=d*12.15%)	**27.82**	**35.97**
Additional Claim of review		**8.15**

Commission's Analysis

Commission had computed and considered admissible interest as per Regulation 32 read with Regulation 27 and Regulation 28.10 of MSERC Regulations 2014 in the 1st order dated 25.03.2020 (Capital Cost). The same amount of interest and finance charges has been allowed for True up for FY 2017-18.The analysis and Regulatory provisions stated in the True up orders is self explanatory.

Commission does not consider any more review for the true up orders.

5.2 Old Plants Including Sonapani

Petitioner's Submission

MePGCL is considering all the other loan components apart from interest on loan due to MLHEP and NUHEP (as shown in Table 6 of the order) as part of Old Plants including Sonapani. (Interest and Finance Charges for Old Plants including Sonapani = Total Interest and Finance Charges of MePGCL - Interest and Finance Charges for NUHEP-Interest and Finance Charges for MLHEP)

The Hon'ble Commission has not considered interest and finance charges of INR 8.60 Cr of Holding Company. In this regard, no justification has been given on why it has been disallowed. This is contrary to its approach in the O&M and other income head, where apportionment of MeECL expenses has been taken into account for calculations.

The Hon'ble Commission has also not taken into account other finance charges such as bank guarantee, whose details as per the audited SoA (Note 21 of MePGCL accounts) is given below:

Table 14 : Other Finance Charges

(INRCrore)

Particulars	**FY 2017-18**
Other Bank Charges (a)	0.005
Guarantee Charges (b)	2.864
Total Other Finance Charges (c=a+b)	**2.869**

Moreover, the Hon'ble Commission has **reduced overall IFC by reducing interest on grants and subsidies (INR 20. 96 Cr), which seems to be an error as there is no interest calculated or accrued on investments made through grants**. The interest calculation is done only on outstanding loan amount (and not asset value) which does not include grants and subsidies. Hence this approach of the Hon'ble Commission is incorrect. The same INR 20.96 Cr adjustment has led to understatement of the interest and finance charges of MePGCL.

On account on the incorrect methodology and flaws inherent in it, MePGCL requests the Hon'ble Commission to kindly pass an additional amount **INR32.43** Cr for true gap, as presented in the table below:

Table 15: Additional Interest & Finance Charge Claim of Old Plants in Review

(INRCrore)

Particulars	**Approved**	**Claim in review**	**Additional Gap to be Passed in Review**
MeECL interest and finance charges Apportioned (a)	-	8.60	8.60
Other Finance Charges (b)	-	2.87	2.87
Consideration of interest on grants element (c)	(20.96)	-	20.96
Capitalized Interest on Loan (d) **	**(14.20)**	**(14.20)**	**-**
Total	**(35.16)**	**(2.73) *** **	
Additional Claim of Review (e=a+b+c+d)			**32.43**

***As stated above, interest on grant has been deducted incorrectly since the loan statement pertain to loans taken by MePGCL and not grants (as assumed by MSERC)**
**** Interest Capitalized has been correctly deducted by MSERC and the same has been adjusted in review by MePGCL.**
***** The component is negative because of interest capitalized portion.**

Commission's Analysis

The Computation of interest and finance charges in the table no.6 of true up orders for FY 2017-18 is drawn as per the note 10 of the audited SOA and includes the outstanding loans against MLHEP as per Regulations and considered no loans are outstanding against MePGCL old projects. The interest claim of MeECL shall not be admissible as the holding company shall not operate lending business and note 10 of audited SOA disclose the loan drawn from REC was to meet cash gap.

The licensee has not drawn fresh loans for any new project commenced in the FY 2017-18, the guarantee charges claimed in the true up petition shall not be admissible. The Penal interest included in the True up petition shall not be admissible as per Regulation 32.2

The Interest component on the grants element shall not be admissible as per the Regulation 28.10 which is reproduced below.

Regulation 28.10 ,32.1 & 32.2 of MSERC MYT Regulations 2014 specifies that-

28.10 *- The following shall be excluded or removed from the capital cost of the existing and new project:*

(a) The assets forming part of the project, but not in use;

(b) De capitalisation of Asset;

(c) In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

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.

32.2 *-The interest and finance charges attributable to capital work in progress shall be excluded. Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.*

The adjustment of interest capitalization on the loans is as per the note 21 of audited SOA for Rs.14.20 Crore is considered as part of capital cost already approved against the new projects.

The analysis and computations of interest and finance charges is self explanatory and in line with the Regulations.

Commission considers no review of interest on loans is required.

5.3 MePGCL as a Whole

Petitioner's Submission

Based on the above claims, the petitioner, requests the Hon'ble Commission to allow an additional claim of INR 40.58 Cr. for the true up gap as presented in the table below:

Table 16: Additional O&M Claim of MePGCL in Review

(INR Crore)

Particulars	**FY 2017-18**
Additional Claim of O&M for NUHEP (a)	8.15
Additional Claim of O&M for old plants (b)	32.43
Gap to be passed in the review petition (c=a+b)	**40.58**

Commission's Analysis

The Claim as O&M (error) may not be correct. The figures mentioned in the table 12 relates to difference between already approved interest and now claimed in the review petition.

Commission already considered the claims and held no further allowance of interest shall be admissible for review.

6. Return on Equity

6.1 NUHEP

Petitioner's Submission

The Hon'ble Commission has allowed RoE for New Umtru at INR 14.25 Cr., considering New Umtru has a grant component of INR 128.37 Cr. But New Umtru has been entirely funded by equity and debt funding as stated in Section 2.2.2 of the petition. Accordingly, the Return on Equity for New Umtru HEP (30% of total asset base of 580.72 Cr) for FY 2017-18 has been calculated as below:

Table 17 : Interest and Finance Charges, NUHEP for FY 2017-18

(INR Crore)

Particulars	**Approved by MSERC**	**Claim in Review**
Capital cost	580.72	
Less: Grants Available	128.37	-
Net Capital Cost	452.35	580.72
30% Equity Capital considered (Regulation-27)	135.71	174.22
Return on Equity at 14%	19.00	24.39
R0E for 9 Months for NUHEP (01.07.2017 to 31.03.2018)	**14.25**	**18.29**
Additional Claim of review		**4.04**

As highlighted in the table above, the petitioner, requests the Hon'ble Commission to allow an additional claim of **INR 4.04** Cr for true up gap.

Commission's Analysis

Commission had notified capital cost of the New Umtru project and Regular Tariff for FY 2017-18 on 25.03.2020 wherein admissible Return on equity as per Regulations was approved at Rs.13.25 Crore based on the provisional capital cost at Rs.517.32 Crore on 01.07.2017.

Regulation 22.2 of MSERC Regulations 2014 specifies that-

"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."

Commission considering the opening GFA on 01.07.2017 at Rs.517.32 Crore and closing GFA on 31.03.2018 at Rs.580.72 Crore and average Assets at Rs.549.02 Crore as final capital cost has now revised Return on equity at Rs.13.25 Crore for the period 01.07.2017 to 31.03.2018 after deducting the grants from the capital cost as depicted in the table below.

Particulars	FY 2017-18 (01.07.2017- 31.03.2018)
GFA as on 01.07.2017 (OB)	**517.32**
GFA as on 31.03.2018 (CB)	**580.72**
Avg .Project Cost	549.02
Less: Govt. Grants	128.37
Net Capital Cost	420.65
70% Debt	294.45
30% Equity	126.20
Avg Equity	-
Approved ROE @ 14%	17.67
ROE for 9 Months	**13.25**

The assumption of the licensee for computation of equity capital without deducting grants part is not in line with Regulation 28.10 & 31 read with 27 of MSERC Regulations 2014.

Commission considers the computation of Return on Equity is as per the Regulatory provisions.

6.2 MLHEP

Petitioner's Submission

The Hon'ble Commission has not arrived at a separate Return on Equity component for MLHEP. As per the Hon'ble Commission's methodology, the gross fixed asset of MLHEP is 1285.95 Cr and old plants is 49.39 Cr. However, the grant portion is 190. 53 which implies MLHEP asset is made of grant as per this methodology. This is incorrect since MLHEP is made of equity and loan components only. Thus, the Hon'ble Commission's approach of reducing the asset base of MLHEP by grant component (of old projects) is not justified.

MLHEP has been funded with 30% equity component. As per Regulation 27 and 31 of MYT Tariff Regulations, 2014, and the approved asset base of MLHEP, the Return on Equity for MLHEP for FY 2017-18 is computed as below:

Table 18 : Return on Equity for Leshka HEP

Particulars	FY 2017-18
Audited Capital Cost of MLHEP (INR Cr) (a)	1286.74
Equity Considered for RoE (INR Cr) (b=a*30%) (30% of funding is equity)	386.02
RoE (%) (c)	14%
RoE (INR Cr.) (d=b*c)	**54.04**

The petitioner, therefore, requests the Hon'ble Commission to kindly approve the Return on Equity of INR54.04Cr.for Leshka HEP as computed above.

Commission's Analysis

Regulation 27.1 specifies *"any grant obtained for execution of project shall not be considered as a part of capital structure for the purpose of debt equity ratio"*

Commission had approved project cost for MLHEP which is inclusive of equity contribution by way of Govt.grant. The Licensee shall not repay the equity contribution funded by the Govt. as grant for execution of the MLHEP project.

Regulation 28.10 specifies "Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;"

The audited SOA reveal that the Govt. grants and subsidies reported to be at Rs.190.53 Crore cumulatively. Whereas the equity contribution for MLHEP by the state govt. was at Rs.288.02 Crore as notified on 24.03.2015. Thus the grants part does not include in the

Govt. grant reported vide note no.11 of audited SOA. The Claim of licensee cannot be maintained.

The Return on Equity for MLHEP has been considered as per Regulation 27 read with 31 of MSERC Regulations 2014 and requires no further review.

6.3 Old Plants Including Sonapani

Petitioner's Submission

As stated in Section 2.2.1 of the petition, the opening and closing asset base of old plants including Sonapani is 425.49 Cr and 427.15 Cr, thus the average asset base is 426.32 Cr.

The Hon'ble Commission, while approving the Equity base has considered the whole grant amount to be a part of GFA and has reduced the Net GFA without taking into account that grants can also be a part of CWIP. Thus, only the grant portion of the asset base (not grant portion of CWIP) has to be deducted to arrive at the asset base for equity calculation. The grant portion of the asset base is INR 168.72 Cr as shown in the table below:

Table 19 : Grant Portion of Asset

(INR Crore)

Particulars	**FY 2017-18**
Grants and Subsidies as on 31st March 2018 (a) *(Note 11- GRANTS AND SUBSIDIES)*	187.64
Total Assets as on 31st March 2018 (b)	2313.79
CWIP as on 31st March 2018 (c)	233.32
Grant portion of Asset (d=a*(1-c/b))	**168.72**

Thus, the asset base for equity calculations has been arrived at by deducting the grant portion of asset from the average asset base of old plants. Subsequently the return on equity for old plants including sonapani is INR 10.82 Cr as shown in the table below:

Table 20 : RoE Claim of Old Plants including Soaping in Review

(INR Crore)

Particulars	**FY 2017-18**
Opening Assets MePGCL (Old Plants including Sonapani) (a)	425.49
Closing Assets (b)	427.15
Average Assets [c=(a+b)/2]	**426.32**
Less: Average Grants Available for FY 2017-18 (d)	168.72
Net Assets (after grants) (e=c-d)	**257.60**
30% Equity Capital considered (Regulation-27) (f=e*30%)	77.28
Return on Equity at 14% (g=f*14%)	**10.82**

Commission's Analysis

The ROE against old project was considered based on the approved capital cost of Rs.49.39 Crore.

As already analyzed and clarified vide paragraph 4 of this order (ie., Depreciation), the capital cost of the old projects was considered at Rs.49.39 Crore and Capital cost arrived at Rs.1335.74 Crore inclusive of capital cost of MLHEP and ROE has been allowed after Govt. grant as per Regulation 28.10.

Commission considers that the Return on Equity has been allowed as per the Regulations vide table no. 11 of true up orders and no further review is required.

6.4 MePGCL as a whole

Petitioner's Submission

Based on the above, the petitioner, requests the Hon'ble Commission to allow an additional claim of INR 20.80 Cr in the review, as given below:

Table 21 : Additional RoE Claim of MePGCL in Review

(INR Crore)

Sl.No	Particulars	FY 2017-18
1	MePGCL's Claim of Return on Equity for old Plants (a)	10.82
2	MePGCL's Claim of Return on Equity for MLHEP (b)	54.04
3	MePGCL's Claim of Return on Equity for NUHEP (c)	18.29
4	**MePGCL's Net Claim of Return on Equity in Review (d=a+b+c)**	**83.15**
5	Approved Return on Equity for old plants by MSERC (e)	62.35
6	**Gap to be passed in the review petition (f=d-e)**	**20.80**

Commission's Analysis

In view of the project wise analysis and clarification given in foregoing paragraphs, commission considers no further review for Return on equity shall be considered.

7. Interest on Working Capital

Petitioner's Submission

7.1. NUHEP

Table 22 : Interest on Working Capital Claim of NUHEP

(INR Crore)

Sl. No	Particulars	FY 2017-18
1	O&M Expenses for one (1) month (INR 8.71 Crore/12)	0.73
2	Maintenance Spares at 15% of O&M expenses escalated at 6%	1.38
3	Receivables equivalent to two (2) months Net AFC (INR 87.23 Cr /6. Net AFC of 87.23 Cr as shown in Table 24)	14.53
4	Working Capital requirement	16.64
5	Interest at 13.85%	**2.31**

7.2. MLHEP

Table 23 : Interest on Working Capital Claim of MLHEP

(INR Crore)

Sl. No	Particulars	FY 2017-18
1	O&M Expenses for one (1) month (INR 32.15 Crore/12)	2.68
2	Maintenance Spares at 15% of O&M expenses escalated at 6%	5.11
3	Receivables equivalent to two (2) months Net AFC (INR 214.15 Cr/6. Net AFC of 214.15 Cr as shown in Table 24)	35.69
4	Working Capital requirement	43.48
5	Interest at 13.85%	**6.02**

7.3. Old Plants Including Sonapani

Table 24 : Interest on Working Capital Claim of MePGCL Old Plants including Sonapani

(INR Crore)

Sl.No	Particulars	FY 2017-18
1	O&M Expenses for one (1) month (INR55.89 Crore/12)	4.66
2	Maintenance Spares at 15% of O&M expenses escalated at 6%	8.89
3	Receivables equivalent to two (2) months AFC (INR 105.33 Cr/6. Net AFC of 105.33 Cr as shown in Table 24)	17.55
4	Working Capital requirement	31.10
5	Interest at 13.85%	**4.31**

7.4. MePGCL as a whole

Based on the above, the petitioner, requests the Hon'ble Commission to allow an additional claim of INR 20.80 Cr. as true up gap, as given below:

Table 25 : Additional IWC Claim of MePGCL in Review

(INR Crore)

Particulars	FY 2017-18
MePGCL's Claim of IWC for old Plants (a)	4.31
MePGCL's Claim of IWC for MLHEP (b)	6.02
MePGCL's Claim of IWC for NUHEP (c)	2.31
MePGCL's Net Claim of IWC in Review (d=a+b+c)	**12.64**
Approved IWC by MSERC (e)	6.04
Gap to be passed in the review petition (f=d-e)	**6.17**

Commission's analysis

Commission had approved O&M expenses for FY 2017-18 vide table no.4 of the True up orders for Rs.65.98 Crore excluding 1/3rd share of MeECL O&M expenses for Rs.5.02 Crore.

Commission had already notified in the previous true up orders that MeECL is a holding company which does not require working capital in the functioning of the business.

Commission had not factored the 1/3rd share of O&M expenses of MeECL for computation of interest on working capital of MePGCL.

The O&M expenses against MLHEP has now been reworked considering the capital cost at Rs.1286.74 Crore and consequent O&M Expenses have been increased to Rs.28.76 Crore as against Rs.28.34 Crores allowed in the True up orders.

Considering the revision of O&M expenses against the MLHEP, the interest on working capital has been revised in the statement depicted below

Table 26 : Computation of Interest on Working Capital

Sl. No	Particulars	(Rs.Crs)
1	O&M Expenses for one (1) month Excl. MeECL Cost (Rs.65.98/12)	5.50
2	Maintenance Spares at 15% of O&M expenses escalated at 6%.	10.49
3	Receivables equivalent to two (2) months AFC.	36.93
4	**Working Capital amount requirement**	52.92
5	Interest at 13.85 % (the SBI PLR rate as stated in petition)	7.33

Commission approves the interest on working capital at Rs.7.33 Crore for review of FY 2017-18.

8. Prior Period Expenses

Petitioner's Submission

The Hon'ble Commission has rejected MePGCL's claim for Prior Period expenses, without any justification and any clarity. At the same time, the Hon'ble Commission has allowed Prior period income in the Non-tariff and Other Income head (Chapter 7 of the order). Hence the approach considered by the Hon'ble Commission has been inconsistent with regard to approval of prior period income and disapproval of prior period expenses. The prior period income has been separately approved by the Hon'ble Commission (Non-tariff and Other Income head, i.e, Chapter 7 of the order), thus MePGCL is only claiming the prior period expenses in this head.

The prior period expenses are legitimate expenses borne by the company. Detailed break up of prior period expenses along with justification is given in the Note 24 and 27.5 of the MePGCL audited accounts. Note 24 of the accounts clearly state the prior expenses at 41.53 Cr. Based on this submission, the petitioner requests the Hon'ble Commission to allow the net prior period expenses at INR 41.53 Cr.

Commission's Analysis

Commission had already notified through true up orders that the expenses are inadmissible. The prior period expenses of Rs.41.53 Crore represent the receivable towards sale of power and expense shown at Rs.35.10 Crore does not impact actual revenue considered for True up in FY 2017-18 which shall be transacted between the MePDCL and MePGCL as inter corporation transaction.

The Prior period depreciation is a non cash item and does not affect the determination of tariff in FY 2017-18. MePGCL may incorporate the transaction in the books of accounts.

Commission has been allowing **employee benefit expenses** without any deductions in all the true up orders.

The reversal and rectification entries claimed to be prior period expenses does not impact determination of tariff for FY 2017-18, MePGCL may incorporate the transactions in the books of accounts.

Commission considers no review of prior period expenses is required.

9. Revenue from Operations

Petitioner's Submission

For MePGCL accounts, with regards to the revenue from operations/ power sale to MePDCL for FY 2017-18, there has been a change in the Accounting Policy. As a result, the Accounting of Revenue has been reworked as per IND AS 18. The clause 18 states that revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

It may be noted that in FY 2017-18, the bill raised by MePGCL to MePDCL amounts to INR 356.14 Cr as stated in the order. However, in view of the above change in accounting policy, the revenue from operation by MePGCL to MePDCL has been reworked and booked on actual realization basis, with certain assumptions and conditions, having material impact on the revenue as under:

Table 27 : MePGCL's Claim of Revenue from Operations

Particulars	FY 2017-18 (INR Cr.)
Allotment of funds towards Employee Cost, O&M, R&M (a)	61.76
Interest of Loan paid by MePGCL(b)	93.15
Apportionment of Employee Cost of Holding Company towards MePGCL(c)	36.46
Total (d=a+b+c)	**191.36**

Based on the above calculation, an amount of INR 191.36 Cr. has been recognized as Revenue in the Books of MePGCL for sale of power billed to MePDCL during FY 2017-18.The balance amount of INR 164.79 Cr. was not recognized as revenue in FY 2017-18 and will be accounted as and when there is certainty of realization from MePDCL in the subsequent years.

Based on the above submission, MePGCL request the Hon'ble Commission to consider INR 191.36 Cr as revenue from sale power in line with the audited accounts. The remaining unrealized amount of INR 164.79 will be adjusted in the subsequent years, when the same will be realized from MePDCL. Thus, the adjustment due to this head in the review is INR 152. 69 Cr as shown in the table below:

Table 28 : MePGCL's Claim of Revenue from Operations in Review

Particulars	FY 2017-18 (INR Cr.)
MePGCL's Claim in the Review (As claimed in true up)	191.36
Approved by the Hon'ble Commission	344.05
Adjustment to be done in Review due to additional revenue allowed in the order	**(152.36)**

Commission's Analysis

Commission has already notified the details of the project wise Revenue from sale of power considered in the Review orders of MePDCL with reference to the invoices raised by MePGCL for FY 2017-18 and considered at Rs.352.65 Crore. A copy of the Power Purchase bills claimed by MePGCL after allowing rebate for FY 2017-18 is attached.

Table 29 : Power Purchase Bills Claimed by MePGCL after allowing rebate for FY 2017-18

Months	Umiam -I	Umiam -II	Umiam -III	Umiam IV	Umtru Power station	Sonapani Mini Power Station	MLHEP	NUHEP	Total
Apr-17	10989285	4690653	14670762	19308141	0	696763	166402549	0	**216758153**
May-17	11658285	5070018	14722448	19023674	0	784637	145645729	0	**196904791**
Jun-17	13334167	5895498	20334638	28237638	0	901955	222453798	0	**291157694**
Jul-17	19498899	8987333	23213534	35750840	0	1019642	239558570	92980764	**421009582**
Aug-17	27193120	12559248	23182678	48142515	0	973058	231257484	96730032	**440038135**
Sep-17	26028769	12067470	15881693	43982360	0	954860	219521443	102370419	**420807014**
Oct-17	22042397	10080946	22913592	40937141	-4222	1048056	189991461	105903031	**392912402**
Nov-17	16941543	7478860	22389701	29893604		1014829	107576001	88137038	**273431576**
Dec-17	16196714	7150868	20203776	27558010	0	892492	90444208	76022022	**238468090**
Jan-18	15657853	6692165	19256312	25286608	-4705	884105	87565617	67140335	**222478290**
Feb-18	15395605	6581206	18407538	23898584	-4047	781257	80224041	61405168	**206689352**
Mar-18	16185188	7011289	19370996	24971079	-4299	725772	80183556	57488590	**205932171**
									3526587250
Apr 17 to Sep 17 (Suppl . Bill)	0	0	0	0	-29460	0	0		**-29460**
Nov 17 & Dec 17 (Credit Bills)					-8300				**-8300**
Total	**211121825**	**94265554**	**234547668**	**366990194**	**-55033**	**10677426**	**1860824457**	**748177399**	**3526549490**

Commission considers MePGCL Power Purchase bills at Rs.352.65 Crore for Review of True up orders for FY 2017-18.

The Submission of the MePGCL vide their letter dated 18.08.2020 as to adoption of accounting standard 18, commission has already disagreed and held that the reporting shall be on accrual basis only.

It is also notified that MePDCL has claimed in the Review petition towards power purchase cost from MePGCL at Rs.354.43 Crore for FY 2017-18. After scrutiny of the invoices, Commission has approved sale of power Revenue for MePGCL at Rs.352.65 Crore.

In view of the detailed analysis in the Review Orders for FY 2017-18, Commission considers no further review is required.

10. Aggregate Revenue Requirement and Revenue Gap/Surplus for Review of True up FY 2017-18

Petitioner's Submission

Based on the above submissions in response to the order, revised ARR for NUHEP, MLHEP & Old Plants including Sonapani is given below:

Table 30 : Revised ARR for MePGCL in Review

(INR Crore)

Particulars	NUHEP	MLHEP	Old Plants Including Sonapani	Net MePGCL
O&M Expenses	8.71	32.15	55.89	96.75
Depreciation	21.95	61.30	22.50	105.75
Interest & Finance charges	35.97	60.64	(2.73)	93.88
Interest on Working Capital	2.31	6.02	4.31	12.64
Return on Equity	18.29	54.04	10.82	83.15
SLDC Charges			1.15	1.15
Net Prior Period items			41.53	41.53
Gross AFC	**87.23**	**214.15**	**133.47**	**434.84**
Less: Non-Tariff Income			28.14	28.14
Net AFC	**87.23**	**214.15**	**105.33**	**406.70**
Revenue from operations	40.39	100.49	50.47	191.35
Gap (surplus)	**46.84**	**113.66**	**54.86**	**215.35**

Based on the revised ARR and cost heads explanation for additional amount to be passed (Section 2), net additional amount to be passed is given below:

Table 31 : Additional Gap to be passed for MePGCL

(INR Crore)

Sl. No	Particulars	MSERC Approved	MePGCL Claim in Review	Additional Gap to be Passed
1	O&M Expenses	70.58	96.75	26.17
2	Depreciation	64.30	105.75	41.45
3	Interest & Finance charges	53.30	93.88	40.58
4	Interest on Working Capital	6.04	12.64	6.60
5	Return on Equity	62.35	83.15	20.80
6	SLDC Charges	1.15	1.15	
7	Net Prior Period items	0.00	41.53	41.53
8	**Gross AFC**	**257.72**	**434.84**	**177.12**
9	**Less:** Non-Tariff Income	28.14	28.14	
10	**Net AFC**	**229.58**	**406.70**	
11	Revenue from operations	344.05	191.35	(152.69)
12	**Gap (surplus)**	**-114.47**	**215.34**	

Based on the above submission, the petitioner prays before the Hon'ble Commission to kindly allow an amount Rs 215.34 as true up gap for FY 2017-18 as per the revised claim in the review petition.

Commission's analysis:

Commission has examined the review petition filed by MePGCL with reference to the MSERC Regulations 2014, the true up orders for FY 2017-18 and submission of the petitioner and also considering the orders passed by the commission in respect of true up orders from FY 2013-14 to FY 2016-17, has finalized review orders and revised ARR approved as depicted in the table below.

Table 32 : Approved ARR for True up of FY 2017-18 Review

(INR Crore)

Sl. No	Particulars	MSERC Approved in True UP FY 17-18 order dt.28.09.2020	MePGCL Claim in Review Petition	Now Approved in the Review on True up order for FY 2017-18
1	O&M Expenses	70.58	96.75	71.00
2	Depreciation	64.30	105.75	62.91
3	Interest & Finance charges	53.30	93.88	53.30
4	Interest on Working Capital	6.04	12.64	7.33
5	Return on Equity	62.35	83.15	61.35
6	SLDC Charges	1.15	1.15	1.15
7	Net Prior Period items	0.00	41.53	0.00
8	**Gross AFC**	**257.72**	**434.84**	**257.04**
9	**Less:** Non-Tariff Income	28.14	28.14	28.14
10	**Net AFC**	**229.58**	**406.70**	**228.90**
11	**Add:** O&M Expenses as revised for FY 2015-16 & FY 2016-17 (para 3.1)			**0.61**
12	Revenue from operations	344.05	191.35	352.65
13	**Gap (surplus)**	**-114.47**	**215.34**	**(123.14)**

The Commission approves the Net surplus of Revenue Rs. 123.14 Crore in the Review for FY 2017-18. A sum of Rs.114.47 Crore has already been adjusted in the ARR for FY 2021-22, the remaining Rs.8.67 Crore shall be appropriated in the ARR for FY 2022-23.

Sd/-

Member

Shri. Roland Keishing

Sd/-

Chairman

Shri.P.W.ignty, IAS (Retd)

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