

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 26/2021

In the matter of True-up of Generation Business for FY 2019-20

AND

Meghalaya Power Generation Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member

ORDER

(Dated:22.02.2022)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) has started functioning as a segregated commercial operation utility independently for power generated in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC MYT Regulations 2014 had approved Annual Revenue Requirement (ARR) for 2nd MYT control period of FY 2018-19 to FY 2020-21 in its order dated 31.03.2018 for MePGCL old projects and MLHEP.

The capital cost for 2x20 MW New Umtru project was approved along with ARR for FY 2017-18 (01.07.2017 to 31.03.2018) and ARR for 2nd MYT period FY 2018-19 to FY 2020-21 on 25.03.2020.

The capital cost for 1.5 MW Lakroh mini HEP was approved along with ARR for 2nd MYT control period FY 2018-19 to FY 2020-21 and 3rd MYT Control period FY 2021-22 to FY 2023-24 on 25.03.2021.

The ARR for FY 2019-20 was notified for MePGCL old projects including Sonapani, MLHEP, NUHEP and Lakroh MHP projects and petitioner were to implement the MYT Order dated 31.03.2018, the New Umtru order on 25.03.2020 and Lakroh project order on 25.03.2021 and file True up petitions along with audited Statement of accounts for FY 2019-20 for approval of the commission.

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

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

Regulation 11.3 shall be substituted by the following:

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

Accordingly MePGCL has filed petition for True-Up of Project wise Generation Business for the FY 2019-20 on 30.11.2021.

Commission admitted the petition on 06.12.2021 and registered as case no 26/2021.

Commission taking into consideration of all the facts and after prudence check as per the Regulations with reference to the audited accounts, approves true up for FY 2019-20 in the detailed analysis attached to this order.

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

Sd/-
Shri. Roland Keishing
(Member)

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

1. True up of Generation Business for FY 2019-20

1.1 Company Profile and Performance Overview

1.1.1 Company Profile

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

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

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

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

1.1.2 Performance Highlights

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

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

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

Table 1 : Existing Generation Capacity

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20*	22.07.1970
		II	10		24.07.1970
3	Umiam-Umtru Stage III	I	30	60	6.01.1979
		II	30		30.03.1979
4	Umiam-Umtru Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Sonapani Mini Hydel	I	1.5	1.5	27.10.2009
7	MLHEP (Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
8	NUHEP (New Umtru)	I	20	40	01.07.2017
		II	20		01.07.2017
9	Lakroh MHP	I	1.5	1.5	01.03.2019
	Total			356.2	

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

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

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

Table 2 : Historical Gross Energy Generation

(in MU's)

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

New Generation Capacity

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

Table 3 : Details of Upcoming Stations

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

Design Energy – Existing Generating Stations

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

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

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

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

Table 5 : Approved and Actual Generation Source Wise

Sl. No	Name of the Power Station	Approved by the Commission in Tariff Order for FY 2019-20						Actual generation MePGCL FY 2019-20		
		Gross Generation (MU)	Aux Cons (%)	Transformation Loss (%)	Total Loss (Aux + Transformation) (%)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)	Gross Generation (MU)	Aux Cons & Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage- I	116	0.7%	0.5%	1.2%	1.39	114.61	108.31	1.01	107.30
2	Umiam Stage- II	46	0.7%	0.5%	1.2%	0.55	45.45	55.25	0.33	54.92
3	Umiam-Umtru Stage-III	139	0.7%	0.5%	1.2%	1.67	137.33	141.83	0.86	140.97
4	Umiam-Umtru Stage-IV	207	1.0%	0.5%	1.5%	3.11	203.9	164.50	1.12	163.38
5	Umtru Power Station	39	0.7%	0.5%	1.2%	0.47	38.53	0	0	0
6	Mini Hydel (Sonapani)	5	0.7%	0.5%	1.2%	0.06	4.94	3.59	0.03	3.56
7	MyntduLeshka HEP	486.23	1.0%	0.5%	1.5%	7.29	478.94	421.65	3.67	417.98
8	New Umtru HEP	235	1.0%	0.5%	1.5%	3.52	231.48	181.43	1.30	180.13
9	Lakroh MHP	11.01	1.0%	0.5%	1.5%	1.15	9.86	2.11	0.03	2.08
	Total	1284.24				19.21	1265.04	1078.67	8.35	1070.32

Separate Petition for State Generation Plants

Clause 41.2 of the MSERC MYT Regulations, 2014 states that

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

MePGCL In accordance with MSERC MYT Regulations 2014, has filed project wise separate petitions for true up of FY 2019-20.

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

Commission has undertaken True up process in the following chapters.

2. TRUE UP OF ARR FOR MYNTDU LESHKA H.E. PROJECT(MLHEP) FOR FY 2019-20

2.1 Capital Cost and Asset Base of MLHEP

2.1.1 Capital Cost of MLHEP

Petitioner's Submission

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

The provision of the above stated regulation is given below:

"29 Additional Capitalization

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

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

Along with justifying the added capitalization of MLHEP after its commercial operation date, the capital cost of MLHEP for FY 2019-20 is attached as Annexure G. Given below is the summary of the capital cost as duly certified by the statutory auditors for MLHEP:

Table 6 : Audited Capital Cost of MLHEP for FY 2019-20**(Rs. Cr)**

Sl No	Particulars	Value of Assets at the beginning of the year	Additional during the year	Withdrawn during the year	Assets Value at the end of the year
1	Land	23.90	0	0	23.90
2	Buildings	146.67	0	0	146.67
3	Hydraulic Works	622.91	0	0	622.91
4	Other Civil Works	122.62	0	0	122.62
5	Plant & Machinery	364.11	0	0	364.11
6	Lines & cables	4.57	0	0	4.57
7	Vehicles	0.46	0	0	0.46
8	Furniture	0.08	0	0	0.08
9	Office Equipment	0.18	0	0	0.18
	Total	1285.52		0	1285.52

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

The opening and closing GFA of MLHEP for FY 2019-20, as per the segregated Statement of Accounts of MePGCL is shown in the table below.

Table 7 : Opening and closing GFA of MLHEP for FY 2019-20**(Rs. Cr.)**

Particulars	FY 2019-20 (Rs. Cr.)	Approved by MSERC
Opening GFA	1285.52	1283.64
Additions during the year	-	-
Retirements during the year	-	-
Closing GFA	1285.52	1283.64
Average GFA	1285.52	1283.64

MePGCL requested the Commission to approve Gross Fixed Assets for MLHEP as reflected in the SOA for FY 2019-20 as submitted in the above table.

Commission's Analysis

Commission considered GFA as on 31.03.2019 for MLHEP at Rs.1285.62 Crore in its True up order for FY 2018-19.

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

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

MePGCL has projected addition of assets during FY 2019-20 at Rs.0.093 Crore in the additional information/data.

The opening balance of GFA on 01.04.2019 considered at Rs.1285.62 Crore and closing balance as on 31.03.2020 at Rs.1285.71 crore for FY 2019-20.

Table 8 : Approved Gross Fixed Assets (GFA) for MLHEP for FY 2019-20

Particulars	FY 2019-20 (Rs. Cr.)
Opening GFA (01.04.2019)	1285.62
Additions during the year	0.09
Retirements during the year	0.00
Closing GFA (31.03.2020)	1285.71
Average GFA for FY 2019-20	1285.66

Commission considers capital cost of the MLHEP as approved above for FY 2019-20.

2.2 Depreciation

Petitioner's Submission

The Commission had approved depreciation of Rs. 55.18 Cr. for FY 2019-20 in its Multi Year Tariff Order dated 31.03.2018. As per the Statement of Accounts, the depreciation of MLHEP for the year FY 2019-20 True up is given below:

Table 9 : Depreciation as per SOA for MLHEP for FY 2019-20

Particulars	Amount for FY 2019-20(Rs. Cr.)	Approved Amount for FY 2019-20 (Rs. Cr.)	(Rs. Cr.)
			GAP/Surplus (+)/(-)
Land and land rights	-	-	-
Buildings	4.90	4.39	0.51
Hydraulic Works	32.89	29.56	3.33
Others Civil Works	4.10	3.68	0.42
Plant and Machinery	19.22	17.28	1.94
Lines and Cable Network	0.24	0.22	0.02
Vehicles	0.04	0.04	0
Furniture and Fixtures	0.005	0	0.005
Office Equipment	0.01	0.01	0
Total	61.41	55.18	(+)6.23

MePGCL requested the Commission to approve Depreciation gap of Rs. 6.23 Cr. for FY 2019-20.

Details of depreciation schedule for FY 2019-20 is provided as Annexure G. The asset base used for computation of depreciation for MLHEP is as per asset base in Section 6.2.

Commission's Analysis

Regulation 33.1 of MSERC MYT Regulations 2014 specifies that

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

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

- *The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.*
- *Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.*

MePGCL has reported addition of Rs.0.09 Crore in the gross fixed assets for the year FY 2019-20.

The Govt. Grants and contributions reported vide note no.17 of SOA stood at Rs.192.25 Crore.

The depreciation is computed as depicted in the table below.

Table 10 : Computation of Depreciation for MLHEP for True up of FY 2019-20

(Rs.Cr)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2019)	Additions during the year	Asset Value at the end of the year (31.03.2020)	90% of the Assets	Dep Rate	Depreciation
	1	2		4	6		7
1	Land	23.90	-	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	132.00	3.34 %	4.41
3	Hydraulic Works	622.94	-	622.94	560.65	5.28 %	29.60
4	Other Civil Works	122.70	-	122.70	110.43	3.34 %	3.68
5	Plant & Machinery	364.11	-	364.11	327.70	5.28 %	17.30
6	Lines & cables	4.57	-	4.57	4.11	5.28 %	0.22
7	Vehicles	0.46	-	0.46	0.41	9.50 %	0.04
8	Furniture	0.08	-	0.08	0.07	6.33 %	0.004
9	Office Equipment	0.19	0.09	0.28	0.21	6.33 %	0.01
10	Total	1285.62	0.09	1285.71	1135.58		55.26
11	Average rate of dep						4.86%
12	Avg Grants				192.25		
13	Less: Depreciation on Grants						9.34
14	Net Depreciation for True up (sl.no 10-13)						45.92

Commission approves depreciation for MLHEP at Rs.45.92 Crore for True up of FY 2019-20.

2.3 Return on Equity

Petitioner's Submission

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the MSERC MYT Regulations, 2014. MLHEP was funded with 30% equity component. As per the above provisions of MSERC MYT Regulations, 2014, and the asset base of MLHEP, the Return on Equity for MLHEP for FY 2019-20 is computed below:

Table 11 : Return on Equity for Myntdu Leshka HEP for FY 2019-20

Particulars	ROE	Approved by MSERC	GAP/Surplus (+)/(-)
Audited Capital Cost of MLHEP (Rs. Cr) (a)	1285.52		
Equity Considered for RoE (Rs. Cr) (b=a*30%) (30% of funding is equity)	385.66		
RoE (%) (c)	14%		
RoE (Rs. Cr.) (d=b*c)	53.99	46.93	(+) 7.06

It is therefore requested the Commission to approve the Return on Equity of Rs. 53.99 Cr and gap of Rs7.06Cr.for true up of FY 2019-20 for Myntdu Leshka HEP as computed above.

Commission's Analysis

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

The Govt Grants and contributions reported vide note no.17 of SOA stood at Rs.192.25 Crore.

Capital Cost of the MLHEP was considered at Rs. **1285.71 Crore** as of 31.03.2020.

Table 12 : Computation of Return on Equity for True up of FY 2019-20 for MLHEP

Sl.no	Particulars	Amount in Cr
1	Average GFA / Capital Cost	1285.66
2	Less: Average Grants	192.25
3	Net Capital Cost	1093.41
4	70% Debt component	765.39
5	30% Equity	328.02
6	Equity for FY 2018-19	327.72
7	Average Equity	327.87
8	Return on Equity @ 14% (Sl.no 7*14%)	45.90

Commission approves Return on Equity of MLHEP at Rs.45.90 Crore for True up of FY 2019-20.

2.4 Operation and Maintenance Expenses

Petitioner's Submission

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

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

The O&M expenses for FY 2019-20 as per SOA and as approved by Commission are shown in the table below:

Table 13 : O&M Expenses for Myntdu Leshka HEP for FY 2019-20

(Rs. Cr)

Sl. no	O&M expenses	Actual Amount	Approved by MSERC	GAP/Surplus (+)/(-)
1	Employees benefits expenses			
(a)	Salaries and wages	28.90		
2	Other Expenses			
(a)	Repairs and maintenance	4.29		
(b)	Administration, Operation and General Expenses	1.67		
	Total (1+2)	34.86	31.68	(+)3.18

MePGCL requested the Commission to approve the true up gap for O&M expenses at Rs. 3.18 cr. for MLHEP for FY 2019-20.

Commission's Analysis

MePGCL has claimed O&M expenses including R&M and Adm & General expenses at Rs.34.86 Crore for MLHEP for True up of business for FY 2019-20.

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

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

The O&M expenses for the projects commissioned on or after 01.04.2009 shall be fixed at 2% of the original project cost and shall be escalated at 5.72% year on year.

Accordingly the O&M expenses for MLHEP are approved at Rs. 31.68 Crore for True up of FY 2019-20.

2.5 Interest and Finance Charges

Petitioner's Submission

The Commission had considered Rs. 24.77 Cr. as Interest & Finance Charges for AFC of FY 2019-20 for MLHEP. However, based on the Audited Statement of Accounts, MePGCL humbly requests Commission to allow Rs. 54.45 Cr for FY 2019-20 with a gap of Rs. 29.68 Cr as shown in the table below.

Format 7

DETAILS OF LOANS FOR THE YEAR 2019-20 for MLHEP (Actuals)									
Sl. No.	Particulars	Opening Balance	Rate of Interest	Addition during the year	Repayment made during the year	Closing balance	Interest Accrued (Avg. of 3.7)*4	(Rs. In Lakhs)	
								Amount of Interest paid	Purpose
1	2	3	4	5	6	7	8	9	10
1	PFC Loan MLHEP	15299.53	12.75%	0.00	1207.98	14091.55	1873.68	1408.69	MLHEP (PW*)
2	REC Loan MLHEP	15815.15	14.00%	0.00	2530.42	13284.73	2036.99	1804.31	MLHEP (PW*)
3	CBI (MLHEP)	1691.45	11.15%	0.00	833.33	858.12	142.14	254.70	MLHEP (PW*)
4	PFC Loan 170 cr (MLHEP)	16476.45	11.75%	0.00	1221.83	14254.62	1746.7	1389.60	MLHEP (PW*)
5	REC Loan 60 cr (MLHEP)	5172.41	11.25%	0.00	827.59	4344.82	535.34	587.47	MLHEP (PW*)
	Total	53454.99			6621.15	46833.84	6334.85	5444.77	

Note:- *PW Project Works

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

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

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

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

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

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This total depreciation of Rs. 558.80 Cr. on loans (including the Rs. 170 cr. Power Bonds) and approved equity is just sufficient to meet the principal repayment of the loans taken from financial institutions only, i.e., Rs. 546.64 crore, while only Rs. 12.16 crore will be left for repayment / redemption of the Power Bonds, assuming their maturity period at 12 years from FY 2013-14.

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

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

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

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

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

Table 14 : Additional Loan Eligible for Take-out financing by MePGCL for MLHEP**(Rs. Cr)**

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

Average additional loan eligible for take-out financing by MePGCL = Rs. 659.93 Crore = Rs. 131.99 Crore
5

Say = Rs. 132.00 Crore

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

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

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

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

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

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

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

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

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

Commission's Analysis

Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

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

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

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

Therefore the interest on loan capital has been considered on the outstanding loans approved for True up of FY 2019-20 as per the Regulation 32.1.

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

Table 15 : Interest on capital loans for FY 2019-20

(Rs. Cr)

Sl.No	Loans availed for LESHKA Plant	Opening	Repaid	Closing loan	Avg loan	Interest
1	11.98%, Federal Bank	-2.12		0.00	0.00	
2	11.15%, Central Bank of India	16.91	8.33	8.58	12.75	1.42
3	12.75%, from PFC	153.00	12.08	140.92	146.96	18.74
4	11.40%, from BSE-II	0.00	0.00	0.00	0.00	0.00
5	9.95%,from BSE-I	0.00	0.00	0.00	0.00	0.00
6	11.07%, from REC	158.15	25.30	132.85	145.50	16.11
	Total	325.94	45.71	282.35	305.21	36.27

Commission approves Interest and Finance charges for MLHEP at Rs. 36.27 Crore for True up of FY 2019-20.

2.6 Interest on Working Capital

Petitioner's Submission

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

Table 16 : Interest on Working Capital for FY 2019-20

(Rs.Cr)

Particulars	MLHEP Actual	Approved	GAP/ Surplus (-)/(+)
O&M expenses for one month (1) (34.86Cr /12)	2.90	4.79	(+)1.17
Maintenance spares @ 15% of O&M expenses (2) (34.86*15%*1.06)	5.54		
Receivables equivalent to two months of Fixed cost (3)	35.06		
Total Working Capital Requirements (4=1+2+3)	43.50		
SBI PLR as on 1st April of the respective Financial Year (%) (5)	13.70%		
Interest on Working Capital (6=4*5)	5.96		

MePGCL requested the Commission to approve the Interest on Working Capital of Rs. 5.96 Cr and gap of Rs. 1.17 Cr. as computed above for FY 2019-20for MLHEP.

Commission's Analysis

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

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

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

Table 17 : Approved Interest on Working Capital for FY 2019-20

Particulars	MLHEP Actual
O&M expenses for one month (Rs. Cr.) (1) (31.68 Cr /12)	2.64
Maintenance spares @ 15% of O&M expenses (2) (31.68 *15%*6%)	5.04
Receivables equivalent to two months of Fixed cost (Rs. Cr.) (3)	26.63
Total Working Capital Requirements (Rs. Cr.) (4=1+2+3)	34.31
SBI PLR as on 1st April of the respective Financial Year (%) (5)	13.80%
Interest on Working Capital (Rs. Cr.) (6=4*5)	4.73

Commission approves Interest on working capital at Rs.4.73 Crore for MLHEP for True up of FY 2019-20.

2.7 Prior Period Expenses

Petitioner's Submission

MLHEP has nil prior period expenses during FY 2019-20.

Commission's Analysis

Commission considers Prior Period expenses for MLHEP as -NIL - for True up of FY 2019-20.

2.8 Non-Tariff Income

Petitioner's Submission

The total non-tariff income for MLHEP for FY 2019-20 was Rs. 0.0029 Cr calculated as per segregated Statement of Accounts of MePGCL.

Commission's Analysis

Commission considers Non Tariff Income at Rs.0.003 Crore for True up of FY 2019-20.

2.9 Revenue from Operations

Petitioner's Submission

MePGCL has received revenue of Rs. 233.29 Cr. for MLHEP from MePDCL towards sale of power for FY 2019-20 which includes Rs. 81.50 Cr true up gap for FY 2014-15.

Commission's Analysis

Commission had notified ARR for MLHEP for FY 2019-20 at Rs.163.31 Crore. Whereas MePGCL has included in the ARR with Revenue Gap of True up for FY 2013-14 and FY 2014-15 for Rs.81.50 Crore in each of the FY 2018-19 and FY 2019-20.

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

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

The submission of the MePGCL that the Revenue earned for FY 2019-20 at Rs. 233.29 Crore including Revenue Gap of MLHEP for Rs.81.50 Crore would result in double claim as analyzed above.

Thus the Revenue billed against MLHEP for Rs.233.29 Crore shall be excessive of Rs.81.50 Crore and would be a surplus of ARR for FY 2019-20 True up.

MePGCL has reported Revenue from Operations at Rs.287.40 Crore for FY 2019-20 vide note no.24 of SOA. Out of which Revenue from MLHEP is claimed through the invoices amounted to Rs.233.29 Crore including Rs.81.50 Crore as Revenue Gap related to FY 2013-14 and FY 2014-15.

Commission considers Revenue from operations for MLHEP at Rs.233.29 Crore as against approved ARR of Rs.164.50 Crore for True up of FY 2019-20 while declaring surplus of Revenue for Rs.68.79 Crore.

Commission considers Revenue from operations for MLHEP at Rs.233.29 Crore for True up of FY 2019-20.

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

Petitioner's Submission

The summary of Annual Fixed Cost approved by the Commission for MLHEP vis-à-vis actuals as per the Audited Statement of Accounts for FY 2019-20 is given below:

Table 18 : Summary of Annual Fixed Cost (Approved vis-à-vis Actuals) FY 2019-20

(Rs Cr)			
Particulars	Actual	Approved	Gap/ Surplus (+)/(-)
Depreciation	61.41	55.18	(+) 6.23
Return on Equity	53.99	46.93	(+) 7.06
O&M Expenses	34.86	31.68	(+) 3.18
Interest and Finance Charges	54.45	24.77	(+) 29.68
Interest on working capital	5.96	4.79	(+) 1.17
SLDC Charges	-	-	-
Net Prior Period Items: Income (-)/ Expense	0.00	-	-
Total Annual Fixed Cost (AFC)	210.67	163.35	(+) 47.32
Less: Non-Tariff Income	0.0029	0.04	(+) (0.037)
Net AFC	210.67	163.31	47.36
Revenue from operations	233.29		(-)69.98
Total Gap/surplus			(-) 22.62

MePGCL requested the Commission to pass through the surplus gap of Rs.(-) 22.62 Cr. for MLHEP under the truing up of FY 2019-20 and to be adjusted in the ARR of FY 2022-23.

Commission's Analysis

The petition for MLHEP for True up of FY 2019-20 is scrutinized with reference to the approved ARR and with reference to True up gap approved for FY 2013-14 and FY 2014-15 notified in the commission's order dated 30.03.2017. After prudence check as per MSERC MYT Regulations 2014 the ARR is approved for True up of FY 2019-20 as depicted in the table below.

Table 19 : Approved ARR for MLHEP for True up of FY 2019-20

(Rs. Cr)				
Sl. no	Particulars	Approved in MYT Order	Actual	Now Approved for True up
1	Depreciation	55.18	61.41	45.92
2	Return on Equity	46.93	53.99	45.90
3	O&M Expenses	31.68	34.86	31.68
4	Interest and Finance Charges	24.77	54.45	36.27
5	Interest on working capital	4.79	5.96	4.73
6	SLDC Charges	-	-	-
7	Net Prior Period Items: Income (-)/	-	0.00	0.00

	Expense			
	Total Annual Fixed Cost (AFC)	163.35	210.67	164.50
8	Less: Non-Tariff Income	0.04	0.0029	0.003
	Net AFC	163.31	210.67	164.50

Commission approves Annual Fixed Cost at Rs. 164.50 Crore for True up of FY 2019-20.

3. TRUE UP OF ARR FOR NUHEP FOR FY 2019-20

Petitioners' Submission

3.1 Capital Cost and Funding Pattern of New Umtru HEP

3.1.1 Capital Cost of New Umtru

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

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

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

The provisions of the above stated regulation is given below:

“29 Additional Capitalization

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

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

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

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

Since the petition pertains to true up of FY 2019-20, capitalization up to 31st March 2020 has been used for computation of ARR components.

The capital cost and the Assets value of New Umtru HEP for FY 2019-20 is attached as **Annexure G**. Given below is the Gross Fixed Assets as on 31.03.2020

Table 20 : Capital Cost of NUHEP

Capital Cost	Amount (Rs. Cr.)
Capital Cost as on 31 March 2020	604.13

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

Table 21 : Actual Capital Cost of NUHEP for the FY 2019-20

S. No	Name of the Asset	Value of Assets at the beginning of the year	Addition during the year	Withdrawn during the year	Value of Assets at the year
1	Land & Land rights	0.40	0.07	-	0.48
2	Buildings	94.86	0.3	-	95.16
3	Hydraulic Works	310.60	1.0	0.001	311.64
4	Other Civil Works	32.37	0.85	-	33.23
5	Plant & Machinery	159.90	0.02	-	159.93
6	Lines & Cable Network	3.56	-	-	3.56
7	Vehicles	0.04	-	-	0.04
8	Furniture & Fixtures	0.08	-	-	0.08
9	Office Equipment	0.02	-	-	0.02
10	Assets not in use	-	-	-	-
	Total	601.88	2.24	0.001	604.13

The assets value of NUHEP for FY 2019-20 in asset wise break-up is attached as **Annexure G**.

Funding Pattern of NUHEP

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

Table 22 : Funding pattern of NUHEP for FY 2019-20

Capital funding	Total (Rs. Cr.)	Loan (Rs. Cr.)	Equity (Rs. Cr.)
Capital cost as on 31 st March 2019	601.88	440.30	161.58
Capital cost as on 31 st March 2020	604.13	440.30	163.83
Average Capital cost	603.00	440.30	162.71

As it can be clearly seen, there is no grant component in the NUHEP project. The Govt. of Meghalaya vide Notification No.PE.73/97/vol IV/217, dated. 13th December, 2012 has

notified the Equity infused by the State Govt. in NUHEP (Annexure-J) at Rs. 32.59 crore. The State Government has also vide Notification No.POWER.44/2011/659, dated 26th November, 2021 (Annexure K) converted grants and loans amounting to Rs. 132.00 crore into equity for NUHEP. The total amount of equity infused in NUHEP by the State Government is therefore Rs. 164.60 crore (**i.e., 32.59 Cr. + Rs. 132.00 Cr.**) against the total project cost of Rs. 604.90 crore expected upto FY 2020-21.

3.1.2 Asset Base of New Umtru HEP

The opening and closing GFA of NUHEP for FY 2019-20, as per the Audited Statement of Accounts of MePGCL is shown in the table below:

Table 23 : Gross Fixed Assets (GFA) of NUHEP

(Rs Cr.)	
Particulars	FY 2019-20 (Audited)
Opening GFA (a)	601.88
Additions during the year (b)	2.24
Retirements during the year (c)	0.001
Closing GFA (d=a+b-c)	604.13
Average GFA	603.00

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

Commission's Analysis

Commission had approved capital cost of New Umtru at Rs.582.13 Crore as on 31.03.2019.

MePGCL has reported addition of assets for Rs.2.24 Crore during the FY 2019-20.

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

Table 24 : Asset wise break up of GFA as on 31.03.2019

(Rs.Cr)			
Nature of Asset	Opening	Additions	Closing Value of Asset
Land	0.41	0.07	0.48
Buildings	91.57	0.30	91.87
Others Civil Works	30.72	0.85	31.57
Hydraulic Works	298.32	1.00	299.32
Plant & Machinery	155.70	0.025	155.72
Furniture & Fittings	0.10	0.00	0.10
Vehicles	1.83	0.00	1.83
Office Equipment	0.05	0.00	0.05
Lines & Cable Network	3.43	0.00	3.43
Total	582.13	2.24	584.37

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

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

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

The claim of the petitioner 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.

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

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

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

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

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

A. NLCPR

(i). DoNER

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

(ii). 10% State Share

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

B. SGA (Grant and Loan)

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

C. Loan from State Govt.

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

Grand Total = Rs.15600.38 Lakhs

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

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

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

Equity to be considered against New Umtru Project

as on the date of COD = Rs. 7457.38 Lakhs

Amount of equity released on 29.03.2019 = Rs.5743 Lakhs

Commission considers Funding pattern for New Umtru project for FY 2019-20 as detailed below.

Table 25 : Funding pattern for New Umtru project for FY 2019-20

Particulars	Amount in Rs. Crore
Project Cost approved as on COD ie., 01.07.2017	580.72
Equity contribution by Govt. as on 29.03.2019	132.00
Actual Loans availed by the MePGCL as per SOA	440.30

3.2 Depreciation

Petitioner's Submission

The petitioner presents the depreciation of NUHEP for the year FY 2019-20 true up as follows:

Table 26 : Depreciation for NUHEP

(Rs Cr.)			
Particulars	FY 2019-20	Approved	Loss/ (Gain)
Land and land rights			
Buildings	3.16		
Hydraulic Works	16.4		
Others Civil Works	1.08		
Plant and Machinery	8.44		
Lines and Cable Network	0.18		
Vehicles	0.004		
Furniture and Fixtures	0.007		
Office Equipment	0.001		
Total	29.29	NIL	29.29

The Depreciation for NUHEP approved by Commission for FY 2019-20 is not available. Only the AFC amounting to Rs. 26.00 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

Details of depreciation schedule for FY 2019-20 is provided as Annexure G. The asset base used for computation of depreciation for NUHEP is as per asset base in Section 9.3.

Commission's Analysis

MePGCL has furnished the asset wise breakup of Gross Fixed assets for computation of depreciation in the petition for Rs. 601.88 Crore, with an addition of Rs.2.24 Crore for FY 2019-20.

MePGCL was asked to furnish the project wise, scheme wise breakup of capital addition reported in SOA of FY 2019-20 for Rs.4.45 Crore vide commissions letter dated 10.12.2021.

MePGCL has submitted the additional information/data on 13.01.2022 in which the addition of assets is projected at Rs.2.24 Crore for FY 2019-20 as against Rs.1.09 Crore filed in the petition.

Commission has computed depreciation on 90% of the assets as per the Regulations for New Umtru project based on the asset wise break up in the True up for FY 2019-20.

The state govt. have issued notification on 26.11.2021 restating the grants and contributions provided for NUHEP be treated as equity. Therefore the grants part is treated as Nil and Rs.132.00 Crore considered as equity for execution of the project.

Table 27 : Computation of Depreciation for NUHEP for FY 2019-20

(Rs. Cr)

SI N o	Particulars	Value of Assets at the beginning of the year (01.04.2019)	Additions during the Year	Asset Value at the end of the year (31.03.2020)	Average assets	90% of Assets	Deprec iation
	1	2	3	4	5	6	7
1	Land	0.41	0.07	0.48	0.44	0.00	0.00
2	Buildings	91.57	0.30	91.87	91.72	82.55	2.76
3	Hydraulic Works	298.32	1.00	299.32	298.82	268.94	14.20
4	Other Civil Works	30.72	0.85	31.57	31.15	28.03	0.94
5	Plant & Machinery	155.70	0.02	155.72	155.71	140.14	7.40
6	Lines & cables	3.43	0.00	3.43	3.43	3.09	0.16
7	Vehicles	1.83	0.00	1.83	1.83	1.64	0.16
8	Furniture	0.10	0.00	0.10	0.10	0.09	0.005
9	Office Equipment	0.05	0.00	0.05	0.05	0.04	0.003
10	Total	582.13	2.24	584.37	583.25	524.92	25.62

Commission approves Depreciation at Rs.25.62 Crore for NUHEP for True up of FY 2019-20.

3.3 Return on Equity

Petitioner's Submission

It is submitted that the return on equity is computed as per Regulation 27 and 31 of the MSERC MYT Regulations, 2014. As per the above provisions of MYT Regulations, 2014, and the asset base of NUHEP, the Return on Equity for NUHEP for FY 2019-20 is computed as below:

Table 28 : Return on Equity for New Umtru HEP

Particulars	FY 2019-20	Approved	Loss/ (Gain)
Average Equity Base (Rs. Cr.) (a)	162.71		
30% of Capital Cost (b)	181.23		
Equity to be considered for RoE Calculations (c=lower of a and b)	162.71		
RoE (%) (d)	14%		
Return on Equity (Rs. Cr.) (e=c*d)	22.78	NIL *	22.78

The RoE for NUHEP approved by Commission for FY 2019-20 is not available. Only the AFC amounting to Rs. 26.00 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

It is, therefore, requested Commission to approve the Return on Equity of Rs. 22.78Cr for FY 2019-20 for true up of New Umtru HEP as computed above.

Commission's Analysis

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

MePGCL has claimed Return on Equity at Rs.22.78 Crore for True up of FY 2019-20.

The Govt. Grants and contributions have been converted into the equity for Rs.132.00 Crore. The RoE is considered for FY 2019-20 taking into account closing equity approved for FY 2018-19.

Table 29 : Computation of Return on Equity for True up of FY 2019-20 for NUHEP

Sl.no	Particulars	Amount in Cr
1	Equity contribution by Govt. FY 2019-20	132.00
2	Equity considered for FY 2018-19	74.99
3	Average Equity	103.49
4	Return on Equity @ 14% (Sl.no.3 *14%)	14.49

Commission approves Return on Equity at Rs. 14.49 Crore for True up of FY 2019-20.

3.4 Operation and Maintenance Expenses

Petitioner's Submission

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

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

NUHEP achieved CoD after 1.04.2009 and, therefore, its O & M expenses are fixed as per Regulation 56 (7) at 2% of Project Cost. For truing up, the O & M expenses are based on actuals as per SoA for FY 2019-20

Table 30 : O&M Expenses for New Umtru HEP for FY 2019-20

(Rs Cr)

Particulars	Amount	Approved	Loss/ (Gain)
Employee Benefits Expense	8.64		
Repairs & Maintenance and Administrative & General Expenses	1.63		
O&M Expenses for FY 2018-19 as per SoA	10.27	NIL*	10.27

The O &M expenses for NUHEP approved by Commission for FY 2019-20 are not available. Only the AFC amounting to Rs. 26.00 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL submits before the Commission to approve the O&M expenses of Rs. 10.27 Cr for FY 2019-20 for true up of New Umtru HEP as computed above.

Commission's Analysis

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

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

Regulation 56.7 specifies:-

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

MePGCL has claimed O&M expenses at Rs.10.27 Crore for True up of FY 2019-20.

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

The O&M expenses permissible for FY 2019-20 would be Rs.12.97 Crore.

Commission approves O&M expenses at Rs.10.27 Crore as per actuals as claimed for True up of FY 2019-20.

3.5 Interest & Finance Charges

Petitioner's Submission

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

“32 Interest and finance charges on loan capital

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

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

As detailed in the section 9.2 above, loan component for Capital cost of NUHEP is Rs. 440.30 Cr and the utility is fulfilling the interest obligations as on date.

The Interest on Loan for the control period is computed by considering interest obligation for the project loan. The loan statement along with repayment schedule is shown below. This is as per the segregated statement of accounts of MePGCL (Note 16 - Financial Liabilities (Borrowings): NUHEP Head). The loan is repayable in 14 years (with one year moratorium period) from its COD in quarterly installments as stated in the Note 16.

Table 31 : Details of Loans for FY 2019-20 for New Umtru HEP

(Rs Cr)

Sl. No.	Particulars	Opening Balance (a)	Rate of Interest (b)	Repayment during the year (c)	Closing Balance (d=a-c)	Interest Accrued (e=(a+d)/2*Average Interest Rate)
1	PFC Loan NUHEP	408.85	12.65%	31.59	377.25	49.72

The Interest on loan for NUHEP approved by Commission for FY 2019-20 is not available. Only the AFC amounting to Rs. 26.00 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

It is submitted that Interest & Finance Charges are genuine and legitimate expenditure and it is requested the Commission to approve the entire interest & finance charges of Rs. 49.72 Cr as mentioned above in the true up for FY 2019-20.

Commission's Analysis

Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

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

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

As per Regulation, the petitioner is entitled for a term loan of Rs.314.10 Crore as analyzed in the funding pattern.

The term loan outstanding for FY 2019-20 shall be at Rs.408.85 Crore and repayment of Rs.31.59 Crore and rate of interest at 11.75% is considered for computation of interest on capital loan.

Table 32 : Computation of Interest and Finance charges for FY 2019-20 for New Umtru HEP

(Rs. Cr)

Sl. No.	Particulars	Opening Balance (a)	Rate of Interest (b)	Repayment during the year (c)	Closing Balance (d=a-c)	Interest Admissible (e=(a+d)/2*11.75%)
1	PFC Loan NUHEP	408.85	11.75%	31.59	377.26	46.18

Commission approves Interest and Finance charges at Rs. 46.18 crore for True up of FY 2019-20.

3.6 Interest on Working Capital

Petitioner's Submission

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

Table 33 : Interest on Working Capital for FY 2019-20

(Rs.Cr)

Particulars	NUHEP Actual	Approved	Loss/ (Gain)
O&M expenses for one month (a) (10.26/12: O&M of 10.26 is for 12 months)	0.856		
Maintenance spares @ 15% of O&M expenses (b)(10.26*15%*1.06)	1.63		
Receivables equivalent to two months of Fixed cost (c) (119.58 *2/12)	19.95		
Total Working Capital Requirements (d=a+b+c)	22.43		
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.70%		
Interest on Working Capital (f=d*e)	3.07	NIL*	3.07

The Interest on Working Capital for NUHEP approved by Commission for FY 2019-20 is not available. Only the AFC amounting to Rs. 26.00 Cr which was allocated to NUHEP from the AFC of Old Stations is shown in the MYT order for FY 2018-19 to FY 2020-21.

MePGCL submits before the Commission to approve the Interest on Working Capital of Rs. 3.07 Cr as computed above for true up of FY 2019-20 for NUHEP.

Commission's Analysis

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

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

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

Table 34 : Approved Interest on Working Capital for FY 2019-20

(Rs.Cr)

Particulars	NUHEP Actual
O&M expenses for one month (a) (10.27 /12: O&M of is for 12 months)	0.86
Maintenance spares @ 15% of O&M expenses (b)(** (10.27*15%*6%)	1.63
Receivables equivalent to two months of Fixed cost (c)(96.56*2/12)	16.09
Total Working Capital Requirements (d=a+b+c)	18.58
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.80%
Interest on Working Capital (f=d*e)	2.56

Commission approves Interest on working capital at Rs. 2.56 Crore for NUHEP for True up of FY 2019-20.

3.7 Revenue from Operations

Petitioner's Submission

MePGCL has received Revenue of Rs. 25.95 Cr. for NUHEP from MePDCL towards sale of power for FY 2019-20 based on the AFC allocated to NUHEP from the AFC of Old Stations as approved by the Commission in its MYT order for FY 2018-19 to FY 2020-21.

Commission's Analysis

The Project wise, month wise analysis of sale of power Revenue has been verified with reference to the invoices and admitted Revenue from operations at Rs.25.95 Crore for FY 2019-20.

Commission approves Revenue from operations for New Umtru at Rs.25.95 Crore for True up of FY 2019-20.

3.8 Non Tariff Income

Commission's Analysis

Petitioner has not reported any Non Tariff income against New Umtru project for FY 2019-20.

3.9 Summary of Annual Fixed Cost – New Umtru HEP

Petitioner's Submission

The summary of Annual Fixed Cost approved by the Commission for NUHEP vis-à-vis actuals as per the Audited Statement of Accounts for FY 2019-20 is given below:

Table 35 : Summary of Annual Fixed Cost (Approved vis-à-vis Actual) FY 2019-20

(Rs Cr.)

Particulars	Actual	Approved New Umtru HEP	Loss/ (Gain)
Depreciation	29.29		
Return on Equity	22.78		
O&M Expenses	10.27		
Interest and Finance Charges	49.72		
Interest on working capital	3.07		
SLDC Charges	-		
Total Annual Fixed Cost (AFC)	115.12	26.00	
Less: Non-Tariff Income	-		
Net AFC	115.12	26.00	89.12
Revenue from operations	25.95		
Revenue gap (actual & approved)			0.05
Gap/ (Surplus)			89.17

MePGCL requested the Commission to pass through the additional gap of Rs. 89.17Cr. for NUHEP under the truing up of FY 2019-20 in the AFC of FY 2022-23

Commission's Analysis

Commission has scrutinized, the petition for New Umtru project analyzed, considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2019-20 as depicted in the table below.

Table 36 : Approved ARR for NUHEP for True up of FY 2019-20

(Rs. Cr.)

Sl. No	Particulars	Provisionally Approved ARR for New Umtru HEP FY 2019-20	Actuals	Now Approved for True up FY 2019-20
1	Depreciation	17.99	29.29	25.62
2	Return on Equity	19.09	22.78	14.49
3	O&M Expenses	12.98	10.27	10.27
4	Interest and Finance Charges	29.56	49.72	46.18
5	Interest on working capital	2.00	3.07	2.56
6	SLDC Charges	0.15	-	0.00
	Total Annual Fixed Cost (AFC)	81.82	115.12	99.12
7	Less: Non-Tariff Income	0.12	-	-
	Net AFC	81.70		99.12

Commission approves Annual Fixed Cost at Rs. 99.12 Crore for True up of FY 2019-20.

4. TRUE UP OF ARR FOR LAKROH MHP FOR FY 2019-20

Petitioner's Submission

The COD of Lakroh MHP was declared on 1st March, 2019. MePGCL did not file the MYT petition for the Lakroh MHP for the control period FY 2018-19 to FY 2020-21, since the completion cost of the project was not available as the project was still under construction then. However, the Commission allotted Rs. 0.34 Cr as ARR for Lakroh MHP from the AFC of Old Stations and Sonapani approved by the Commission for the FY 2019-20 (ref. Table 5.47, page 87 of tariff order dated 31-03-2018).

Commission's Analysis

As submitted by the petitioner the project completion and audit report was not ready as on 01.03.2019, the petition for capital cost and provisional ARR for FY 2019-20 to FY 2020-21 and ARR for 3rd MYT control period FY 2021-22 to FY 2023-24 was filed on 04.12.2020.

Commission had approved capital cost of 1.5 MW Lakroh MHP along with provisional ARR and Tariff for FY 2019-20 to FY 2020-21 and later ARR for 3rd MYT control period FY 2021-22 to FY 2023-24 was issued on 25.03.2021.

MePGCL has now filed True up petition for Lakroh MHP for FY 2019-20 on 30.11.2021.

4.1 Gross Fixed Assets and Depreciation

Petitioner's Submission

The GFA of Lakroh MHP for FY 2019-20, as per the Statement received from Accounts wing is Rs. 24.35 Cr.

Table 37 : Value of Asset and Depreciation for Lakroh MHP for FY 2019-20

(Rs. Cr.)

Name of Assets	Value of Asset at the beginning of the year (Actual)	Addition during the year (Actual)	Value of Asset at the end of the year (Actual)	Rate of Depreciation (%)	Depreciation for FY 2019-20
Land and land rights	0.0027	-	0.0027		-
Buildings	2.25	-	2.25	3.34	0.08
Hydraulic Works	9.35	-	9.35	5.28	0.50
Others Civil Works	1.73	0.07	1.80	3.34	0.06
Plant and Machinery	7.83	1.95	9.77	5.27&6.33	0.48
Lines and Cable Network	1.15	0.0008	1.15	5.28	0.06
Vehicles	-	-	-	9.50	-
Furniture and Fixtures	0.01	-	0.001	6.33	0.007
Office Equipment	0.003	0.005	0.0086	6.33	0.005
Assets not in use	-	-	-		-
Total	22.33	2.02	24.35		1.17

MePGCL requested the Commission to approve Rs. 1.17 Cr as Depreciation for Lakroh MHP in the true up of FY 2019-20.

Commission's Analysis

MePGCL has claimed depreciation against Lakroh MHP for Rs.1.17 Crore for FY 2019-20 projecting the capital cost at Rs.22.33 Crore. Whereas commission had approved capital cost of lakroh MHP at Rs.19.03 Crore as on 01.03.2019.

MePGCL has not filed True up petition for FY 2018-19 for the reason there was no transaction from the Lakroh Project except trial run generation which has been adjusted from the capital cost.

The Govt. Grant and contributions for execution of the project as reported was at Rs.11.75 Crore.

The Depreciation is computed taking into account of Govt. Grants as per the Regulations in the Table below.

Table 38 : Computation of Depreciation for Lakroh MHP for FY 2019-20

(Rs. Cr.)

Name of Assets	Value of Asset at the beginning of the year	Addition during the year	Value of Asset at the end of the year	Rate of Depreciation (%)	Average Assets	90% of assets	Depreciation for FY 2019-20
Land and land rights		-					-
Buildings	2.18	-	2.18	3.34	2.18	1.96	0.06
Hydraulic Works	8.98	-	8.98	5.28	8.98	8.08	0.43
Others Civil Works	1.66	0.07	1.73	3.34	1.69	1.52	0.05
Plant and Machinery	5.10	1.95	7.05	5.28	6.07	5.46	0.29
Lines and Cable Network	1.10	0.0008	1.10	5.28	1.10	1.00	0.05
Vehicles		-		9.50			
Furniture and Fixtures	0.009	-	0.009	6.33	0.009	0.008	0.00
Office Equipment	0.002	0.005	0.007	6.33	0.004	0.003	0.00
Total	19.03	2.02	21.05		20.03	18.03	0.88
Average rate of Depreciation							4.88%
Govt Grants and Contributions					11.75		
Less: Depreciation on Grants							0.57
Net Depreciation							0.31

Commission approves depreciation at Rs.0.31 Crore for True up of FY 2019-20.

4.2 Return on Equity

Petitioner's Submission

The equity base ratio is determined as per MSERC (Terms and Conditions for determination of tariff for generation from Renewable Energy Sources), Regulations, 2014

"17. Debt – Equity Ratio

(1). For determination of generation tariff, the debt-equity ratio shall be 70:30....."

Table 39 : Return on Equity for Lakroh MHP for FY 2019-20

Particulars	Lakroh
Opening GFA	22.33
Closing GFA	24.35
Average GFA	23.34
Debt (70% GFA)	16.34
Equity (30% of GFA)	7.00
RoE (%)	14%
Return on Equity (in Rs. Cr.)	0.98

MePGCL requested the Commission to allow Rs. 0.98 Cr. as ROE for true up of FY 2019-20 for Lakroh MHP.

Commission's Analysis

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

MePGCL has claimed RoE for Rs.0.98 Crore for True up of FY 2019-20.

The Return on Equity is considered taking into account the Govt. grants and contributions as per the Regulations in the table below.

Table 40 : Computation of Return on Equity for Lakroh MHP for FY 2019-20

Particulars	In Rs. Cr
Approved GFA	19.03
Addition during the year	2.02
Closing GFA	21.05
Average GFA	20.03
Less: Govt. Grants	11.75
Net GFA	8.28
Debt (70% GFA)	5.80
Equity (30% of GFA)	2.48
RoE (%)	14%
Return on Equity	0.35

Commission approves Return on Equity at Rs.0.35 crore for True up of FY 2019-20.

4.3 Operation and Maintenance Expenses

Petitioner's Submission

Since the segregated O&M expenses of Lakroh MHP are not available, the O&M expense for Lakroh MHP is calculated as approved by the Commission in its order dated 25-03-2021 for Approved of Capital Cost of Lakroh MHP at page-49, Table-3.4. The O&M expenses for FY 2018-19 was considered at 2% of the approved project cost (Rs. 19.03 crore), i.e., at Rs. 0.38 crore.

Table 41 : O & M expenses for Lakroh MHP for FY 2019-20

O & M expenses for Lakroh MHP	Amount (in crore)
O&M expenses for FY 2018-19 (@ 2% of Rs. 19.03 crore)	0.38
O&M expenses for FY 2019-20 (escalated at 5.72%)	0.40

MePGCL requested the Commission to allow the O&M expenses of Rs.0.40 Cr for Lakroh MHP for FY 2019-20.

Commission's Analysis

The O&M expenses claimed by the petitioner at Rs.0.40 Crore for FY 2019-20 is found to be admissible as per Regulation 56.7.

Commission approves O&M expenses at Rs.0.40 Crore for Lakroh mini HEP for True up of FY 2019-20.

4.4 Interest and Finance Charges

Petitioner's Submission

Based on the segregated Statement of Accounts for Lakroh MHP, MePGCL requested the Commission to allow Rs.0.57 Cr. towards Interest & Finance Charges for FY 2019-20 as shown in the following table.

Table 42 : Details of loan for Lakroh MHP for FY 2019-20

(Rs. In Lakhs)

Sl No	Particulars	Opening Balance	Rate of interest	Addition during the year	Repayment during the year	Closing balance	Interest Accrued (Avg. of 3,7)*4	Amount of Interest paid
1	2	3	4	5	6	7	8	9
1	PFC Loan Lakroh	534.10	11.25%	73.90	20.27	587.73	63.10	56.59
	Total	534.10		73.90	20.27	587.73	63.10	56.59

Commission's Analysis

Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

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

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

MePGCL has submitted PFC loan of Rs.5.34 Crore as opening balance and closing balance at Rs.5.88 Crore with repayment of loan of Rs.0.20 Crore to be considered for interest claim at 10.50 % as reported in the note no.16 of audited SOA. The repayment term being 15 years, the petitioner shall repay the loan at Rs.0.37 Crore per annum.

The interest on outstanding loan is considered in the table below.

Table 43 : Computation of Interest on loan for FY 2019-20 for LAKROH MINI HEP

(Rs. Cr)

Sl. No.	Particulars	Opening Balance (a)	Addition during the year (b)	Repayment during the year (c)	Closing Balance (d=a+b-c)	Average Loan	Interest Accrued (e=(a+d)/2*Avg Interest Rate (10.50%))
1	10.50% PFC Loan NUHEP	5.34	0.54	0.37	5.51	5.43	0.57

Commission approves Interest and Finance charges at Rs.0.57 crore as claimed by the MePGCL for True up of FY 2019-20.

4.5 Interest on Working Capital

Petitioner's Submission

The IWC is calculated on normative basis as provided in the regulations. The Interest on Working Capital for true up of FY 2019-20 for Lakroh MHP is presented in the table below.

Table 44 : Interest on Working Capital

(Rs. Cr.)			
Sl. No.	Particulars	Lakroh	Approved by MSERC
1	O&M Expense for 1 month	0.03	NIL
2	Maintenance Spare at 15% O&M*1.06	0.059	
3	Receivables for 2 months	0.53	
4	Total Working Capital (B+E+F)	0.619	
5	SBI short term PLR	13.70%	
6	Interest on Working Capital	0.085	

The Commission had allocated AFC of Rs. 0.34 Cr for Lakroh for FY 2019-20 from the AFC of Old Stations & Sonapani. This is as per the MYT Order for FY 2018-19 to FY 2020-21, which was implemented by MePGCL during FY 2019-20.

MePGCL requested the Commission to allow RS.0.085 Cr. as Interest on Working Capital for true up of FY 2019-20 for Lakroh MHP.

Commission's Analysis

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

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

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

Table 45 : Approved Interest on Working Capital for FY 2019-20

Particulars	Lakroh
O&M expenses for one month (Rs. Cr.) (a) (0.40 /12: O&M of is for 12 months)	0.03
Maintenance spares @ 15% of O&M expenses (b)(Rs. Cr) ** (0.40*15%*6%)	0.06
Receivables equivalent to two months of Fixed cost (Rs. Cr.) (c)(1.63 *2/12)	0.27
Total Working Capital Requirements (Rs. Cr.) (d=a+b+c)	0.36
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.80%
Interest on Working Capital (Rs. Cr.) (f=d*e)	0.05

Commission approves Interest on working capital at Rs. 0.05 Crore for lakroh mini HEP for True up of FY 2019-20.

4.6 Prior Period items and Non Tariff income

Petitioner's Submission

The Prior Period Expense & Non-Tariff Income for Lakroh MHP for FY 2019-20 is NIL.

Commission's Analysis

Commission considers submission of the petitioner for True up of FY 2019-20.

4.7 Revenue from Operations

Petitioner's Submission

As per the segregated statement received from Accounts wing, the revenue for FY 2019-20 is RS. 0.20 Cr for Lakroh MHP.

Commission's Analysis

Commission considers Revenue from Operations at Rs.0.20 Crore with rebate for FY 2019-20.

4.8 Annual Fixed Cost and Revenue Gap/Surplus for FY 2019-20

Petitioner's Submission

The summary of Annual Fixed Cost approved by the Commission for Lakroh MHP vis-à-vis actuals as per the Statement of Accounts for FY 2019-20 is given below.

Table 46 : ARR for LAKROH MINI HEP for True up of FY 2019-20

Particulars	Actual as per Statement received from Accounts	Approved by MSERC as per MYT Order for MYT for FY 2018-19 to FY 2020-21	Gap/ (Surplus)
a	b	c	d=(b-c)
Depreciation	1.17		
Return on Equity	0.98		
O&M Expenses	0.40		
Interest and Finance Charges	0.57		
Interest on working capital	0.085		
SLDC Charges	-		
Net Prior Period Items: Income (-)/ Expense	-		
Total Annual Fixed Cost (AFC)	3.21	0.34	2.87
Less: Non-Tariff Income		-	
Net AFC	3.21	0.34	
Revenue from operation	0.20		0.14
GAP/SURPLUS			3.00

MePGCL requested the Commission to pass through the additional gap of Rs. 3.00 Cr. under the truing up of FY 2019-20 for Lakroh MHP to be adjusted in the Tariff for FY 2022-23.

Commission's Analysis

Commission has scrutinized, the petition for Lakroh MHP analyzed, considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2019-20 as depicted in the table below.

Table 47 : Approved ARR for LAKROH MINI HEP for True up of FY 2019-20

(Rs. Cr.)

Sl. no	Particulars	Provisionally Approved ARR for LAKROH MINI HEP FY 2019-20	Actuals	Now Approved for True up FY 2019-20
1	Depreciation	0.32	1.17	0.31
2	Return on Equity	0.31	0.98	0.35
3	O&M Expenses	0.40	0.40	0.40
4	Interest and Finance Charges	0.63	0.57	0.57
5	Interest on working capital	0.05	0.085	0.05
6	SLDC Charges		-	
	Total Annual Fixed Cost (AFC)	1.71	3.21	1.68
7	Less: Non-Tariff Income		-	
	Net AFC			1.68

Commission approves Annual Fixed Cost at Rs.1.68 Crore for True up of FY 2019-20.

5. TRUE UP OF ARR FOR MePGCL OLD PROJECTS INCLUDING SONAPANI FOR FY 2019-20

5.1 Gross Fixed Assets of old plants and Sonapani for FY 2019-20

Petitioner's Submission

The opening and closing GFA of Old Plants including Sonapani for FY 2019-20, as per the Audited Statement of Accounts of MePGCL is shown in the table below.

Table 48 : Gross Fixed Assets of MePGCL's Old Plants (Including Sonapani) for FY 2019-20

Particulars	FY 2019-20 (Rs. Cr.)				
	MePGCL as a whole	MLHEP	NUHEP	Lakroh	MePGCL Old Plants (including Sonapani)
	(a)	(b)	(c)	(d)	(d=a-b-c-d)
Opening GFA	2313.79	1285.51	601.88	22.33	404.07
Additions during the year	25.85	0.00	2.25	2.01	21.59
Retirements during the year	0.47	0.0	-	-	-
Closing GFA	2339.17	1,285.51	604.13	24.34	425.19
Average GFA	2326.48	1,285.51	603.00	23.34	414.63

a: As per abstract from MePGCL's SoA for FY 2019-20 without Ind AS adjustment

b:MLHEP asset as per section 6.2 of the petition

c: NUHEP asset as per Section 9.3 of the petition

d. Lakroh MHP asset Section 11.0 of the petition

Commission's Analysis

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

Petitioner again projected the capital cost of MePGCL old projects including sonapani at Rs.404.07 Crore as against Rs.51.31 Crore approved as on 31.03.2019. Despite the petitioner was asked to submit asset wise breakup in the 2nd MYT ARR FY 2018-19 to FY 2020-21 vide page no.81, the project wise asset wise breakup is not filed for the capital cost of MePGCL old projects including sonapani.

MePGCL was asked to submit the breakup of project wise scheme wise addition of capital during the FY 2019-20 as reported in the SOA for Rs.4.45 Crore as also the breakup of Govt. Grants and Contributions vide commission's letter dated 10.12.2021.

MePGCL has submitted the additional information/data vide their letter dated 13.01.2022 in which capital addition is projected at Rs.0.07 Crore against MePGCL old projects including sonapani. The capital addition at Rs.0.013 Crore projected against Ganol SHP shall not be considered, since the project capital cost and Tariff was not approved.

The capital cost of the MePGCL old projects and sonapani shall be considered for FY 2019-20 as depicted in the table below.

Table 49 : GFA of MePGCL Old Projects Considered for FY 2019-20 True up
(Rs. Cr)

SI No	Particulars	Value of Assets at the beginning of the year (01.04.2019)	Additions during the Year	Asset Value at the end of the year (31.03.2020)
1	MePGCL Old Projects Incl. Sonapani	51.31	0.07	51.38

5.2 Depreciation

Petitioner's Submission

Based on the actual figures and assets capitalized, MePGCL requested the Commission to allow the depreciation of RS. 15.39 Cr. for true up of FY 2019-20 for Old Plants & Sonapani.

Table 50 : Depreciation of Assets for FY 2019-20

Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Lakroh MHP (d)	Old Plants + Sonapani e = (a-b-c-d)	Approved by MSERC
Depreciation on Land and land rights	-	-	-	-	-	Total AFC approved was RS. 56.20 Cr. (Out of which only RS. 29.86 Cr was given to Old Stations & Sonapani (ref.Table 5.47, pg 87 of Tariff Order, DATED31-03-2018))
Depreciation on Buildings	8.35	4.9	3.17	0.075	0.205	
Depreciation on Hydraulic Works	51.55	32.89	16.40	0.49	1.77	
Depreciation on Others Civil Works	5.99	4.1	1.08	0.06	0.75	
Depreciation on Plant and Machinery	39.18	19.23	8.44	0.48	11.03	
Depreciation on Lines and Cable Network	0.51	0.24	0.19	0.006	0.07	
Depreciation on Vehicles	0.11	0.044	0.004	-	0.062	
Depreciation on Furniture and Fixtures	0.14	0.005	0.007	0.0001	0.127	
Depreciation on Office Equipment	0.12	0.01	0.0012	0.001	0.107	
Apportioned Depreciation from MeECL	0.15			-	0.15	
Total	106.10	61.41	29.29	1.17	14.27	

Depreciation schedule for the MePGCL's assets is as per audited accounts. Depreciation for Old plants including Sonapani is arrived at after adjusting depreciation of MLHEP, NUHEP and Lakroh MHP in MePGCL's total Depreciation.

Commission's Analysis

MePGCL has projected addition of the assets during FY 2019-20 at Rs.21.59 Crore vide table no.71 of the petition as against the Rs.0.07 Crore addition submitted in the additional information/data on 13.01.2022. The asset wise breakup for existing projects is not furnished.

In the absence of breakup figures the depreciation is computed at 5.28% on the 90% assets for True up of FY 2019-20.

Table 51 : GFA of MePGCL Old Projects Considered for Depreciation for FY 2019-20

Sl.no	Particulars	Amount in Cr
1	GFA as on 31.03.2019	51.31
2	Additions during FY 2019-20	0.07
3	Total	51.38
4	Average Assets for FY 2019-20	51.34
5	90% of Average Assets	46.21
6	Depreciation at 5.28%	2.44
7	Govt. Grants reported for FY 2018-19	2.05
8	Less: Dep on Grants	0.11
9	Net Depreciation	2.33

Commission approves depreciation at Rs. 2.33 Crore for MePGCL Old Projects for True up of FY 2019-20.

5.3 Return on Equity

Petitioner's Submission

As per Audited Statement of Accounts for MePGCL for FY 2019-20, the average equity base has been considered as RS. 797.85 Cr. (average of opening and closing balance of equity for FY 2019-20). Based on this Equity base, the RoE for Old Plants and Sonapani is RS. 33.80 Cr as shown in the table 71 & 72 below.

Table 52 : Return on Equity for MePGCL FY 2019-20

(Rs Cr)

Particulars	MePGCL
Equity Share Capital at 31st March 2019 (a) (MePGCL Accounts)	796.78
Equity Share Capital at 31st March 2020 (b) (MePGCL Accounts)	798.91
Equity considered for true up [c= ((a+b)/2)]	797.85
RoE (%) (d)	14%
Return on Equity (e=c*d)	111.69

Table 53 : Return on Equity for Old Plants & Sonapani FY 2019-20**(Rs Cr)**

Particulars	MePGCL (a)	MLHEP (b)	New Umtru (c)	Lakroh (d)	Old Plants + Sonapani (a-b-c-d)	Approved
Equity considered for true up (1)	797.85	386.71	162.71	7.0	241.43	Total AFC approved was RS. 56.20 Cr. (Out of which only RS. 29.86 Cr was given to Old Stations & Sonapani (ref. Table 5.47, pg 87 of Tariff Order, DATED 31-03- 2018)
RoE (%) (2)	14%	14%	14%	14%	14%	
Return on Equity (RS. Cr.) (3=1*2)	111.69	54.14	22.78	0.98	33.80	

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

It is therefore requested the Commission to approve the Return on Equity of RS. 33.80 Cr for true up of FY 2019-20 for Old plants including Sonapani as computed above.

Commission's Analysis

MePGCL has claimed Return on Equity at Rs.33.80 Crore for FY 2019-20 projecting the equity at Rs.241.43 Crore vide table no.74 of the petition.

Whereas capital cost of the project was approved at Rs.51.31 Crore for FY 2018-19.

MePGCL was asked to submit breakup of the Govt. Grants and contributions vide commission's letter dated 10.12.2021.

The Petitioner has submitted the breakup of Govt. Grants and contributions vide their letter dated 13.01.2022 in which it is stated that the renovation and modernization of umiam stage I & II funded by JBIC.

The return on equity is considered on 30% of average assets for FY 2019-20 after deducting the Govt. Grants as per the Regulations as depicted in the table below.

Table 54 : Computation of ROE for MePGCL Old projects for FY 2019-20**(Rs.Cr)**

Sl. no	Particulars	Amount in Cr
1	Opening GFA Considered for MePGCL Old projects as on 31.03.2019	51.31
2	Additions during the year	0.07
3	Closing GFA as on 31.03.2020	51.38
4	Average GFA	51.34
5	Less: Govt Grants	2.05
6	Net GFA	49.29
7	30% equity considered for FY 2018-19	15.10
8	30% equity considered for FY 2019-20	14.78
9	Average Equity	14.94
10	ROE at 14% (Sl.no.9*14%)	2.09

Commission approves Return on Equity at Rs.2.09 Crore for True up of FY 2019-20.

5.4 Operation and Maintenance Expenses

Petitioner's Submission

The Commission had approved RS. 31.87 Cr. towards O&M Expenses for AFC of FY 2019-20 for MePGCL's Old Plants and Sonapani. As per audited accounts, the O&M expenses for FY 2019-20 for MePGCL as a whole are shown in the table below.

Table 55 : O&M Expense for MePGCL as a whole for FY 2019-20

Particulars	Employee Cost	A&G Expenses	R&M Expenses	Total
MePGCL (a)	59.38	10.30	9.82	79.51
Apportionment MeECL (b)	48.60	2.48 (7.44/3)	0.043 (0.13/3)	51.12
Less other expenses capitalized	9.64	0.60		10.24
Total MePGCL Claim in True Up (a + b)	98.35	12.18	9.84	120.39

Table 56 : O&M Expenses for Old Plants including Sonapani (Rs. Cr) for FY 2019-20

Particulars	MePGCL + MeECL Apportioned (a)	MLHEP (b)	NUHEP (c)	Lakroh MHP (d)	Total Old Plants (d=a-b-c-d)	Approved by MSERC
Employee Cost	98.35	34.86	10.27	0.40	74.84	Total AFC approved was RS. 56.20 Cr. (Out of which only Rs. 29.86 Cr was given to Old Stations & Sonapani (ref.Table 5.47, pg 87 of Tariff Order, dated 31-03-2018))
A&G Expenses	12.18					
R&M Expenses	9.84					
Total	120.37					

Note: Apportionment of MeECL's Employee Expenses (as per Note 27). Based on the total MePGCL's O&M expenses, the O&M expenses for Old Plants including Sonapani has been arrived at by adjusting the O&M expenses for MLHEP, NUHEP and Lakroh MHP as shown in the table above.

MePGCL requested the Commission to allow Rs. 74.84 Cr of O&M expenses for Old Plants including Sonapani as shown in the table above.

Commission's Analysis

As per Regulation 56.5 of MSERC MYT Regulations 2014

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

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

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

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

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

The O&M expenses of MeECL reported to be Rs.23.93 Crore to be shared at 1/3rd by MePGCL, MePTCL and MePDCL.

Thus the O&M expenses for MePGCL including 1/3rd share of MeECL O&M expenses shall be admissible for True up of FY 2019-20 as detailed below.

Table 57 : O&M expenses for True up of FY 2019-20 for MePGCL Old Projects

(Rs.Cr)

Particulars	MePGCL Old Projects	1/3 rd MeECL	Total
O&M Expenses for FY 2019-20	31.47*	7.98	39.45

Whereas commission has approved the O&M expenses for FY 2019-20 at Rs.31.47 Crore excluding O&M expenses of lakroh projects for Rs.0.40 Crore.

MePGCL has projected O&M expenses for old projects including sonapani at Rs.74.84 Crore for FY 2019-20 in the True up petition vide table no.76.

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

“The Meghalaya Power Sector Reforms and Transfer Scheme,2010, in its provisions laid down in clause 9, state that the Holding company, MeECL will be responsible for setting up a pension Trust Fund and it will also take necessary action to operate it, maintain it and ensure progressive funding of the pension Trust Fund. All benefits of retired MeECL employees relating to pension and all other terminal benefits of retired employees are to be met from this Trust Fund. This is a statutory provision.

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

MePGCL was asked to submit nature of liability with breakup of serving employees and retired employees for the apportionment of employee benefit expenses from holding company claimed for Rs.42.97 Crore in the commission’s letter dated 15.12.2021.

As per the audited accounts vide note no. 27, MePGCL has reported the employee benefit expenses at Rs.98.35 Crore (after capitalization for Rs.9.64 Crore) which includes Rs.48.60 Crore apportionment of employee benefit expenses from holding company.

MePGCL has submitted the breakup figures in their letter dated 14.01.2022 as detailed below for the apportionment of employee benefit expenses from holding company for Rs.48.60 Crore as detailed below.

(Rs.Cr)

FY 2019-20	Serving Employees	Retired Employees	Total
Monthly Salary of Serving Employees incl. staff welfare expenses contribution to PF	14.14	-	14.14
Monthly pension and terminal benefits payable	-	34.46	34.46
Total	14.14	34.46	48.60

Commission considers that the pension and terminal benefits included in the apportionment from Holding company for Rs.34.46 Crore shall be met from the **Trust funds** as notified by the Govt. of Meghalaya in the reforms notification transfer scheme 2010.

The monthly salaries and welfare expenses for Rs.14.14 Crore shall however be apportioned to O&M expenses of MePGCL for True up of FY 2019-20.

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

Table 58 : Approved O&M expenses for True up of FY 2019-20 for MePGCL Old Projects
(Rs.Cr)

Particulars	MePGCL	1/3 rd MeECL	Total
O&M Expenses	31.47	7.98	39.45
Monthly Salary of Serving Employees and staff welfare expenses incl contribution to PF		14.14	14.14
Gross O&M expenses	31.47	22.12	53.59
Less: O&M expenses capitalized (Note.27)			9.64
Net O&M expenses for True up			43.95

Commission approves O&M expenses at Rs.43.95 Crore inclusive of MeECL O&M expenses for True up of FY 2019-20.

5.5 Interest & Finance Charges

Petitioner's Submission

MePGCL had received loans from the State Government for its Old Stations during FY 2019-20. As per SOA s' of MePGCL (Note 16.7) and MeECL (Note 22&22.1), MePGCL humbly requested the Commission to allow Rs. 10.24 Cr. towards Interest & Finance Charges for FY 2019-20 as shown in the table below.

Table 59 : Interest and Finance Charges for Old Plants including Sonapani

(Rs. Cr.)

Particulars	MePGCL (a)	MeECL (b)	Total Old Plants c =(a+b)	Approved
Amount of interest paid	1.39	8.85 (1/3 rd of Rs. 26.54 Cr)	10.24	Total AFC approved was Rs. 56.20 Cr. (Out of which only Rs. 29.86 Cr was given to Old Stations & Sonapani (ref.Table 5.47, pg 87 of Tariff Order, dated 31-03-2018)

Statement of all the loans for old stations along with the purpose of loans are as shown in Note 16.7 of MePGCL's SOA and Note 22 & 22.1 of MeECL's SOA for FY 2019-20.

Commission's Analysis

As per the note no.16 of audited accounts, no fresh borrowings reported against MePGCL old projects, the interest and finance charges claimed shall not be considered.

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

Commission considers no interest cost shall be admissible against MePGCL old projects in the True up for FY 2019-20.

5.6 Interest on Working Capital (IWC)

Petitioner's Submission

The Commission Based on the relevant norms for working capital provided in MSERC MYT Regulations 2014, MePGCL requested the Commission to allow Rs.5.65 Cr. as Interest on Working Capital for true up of FY 2019-20 for old plants & Sonapani.

Table 60 : Interest on Working Capital FY 2019-20

(Rs. Cr.)			
Sl. No.	Particulars	MePGCL (a)	Approved by MSERC
1	O&M Expense for 1 month (a)	6.24	Total AFC approved was Rs. 56.20 Cr. (Out of which only Rs. 29.86 Cr was given to Old Stations & Sonapani (ref. Table 5.47, pg 87 of Tariff Order, dated 31-03-2018))
2	Maintenance Spare at 15% O&M escalated @ 15% from the CoD (b)	11.90	
3	Receivables for 2 months (c)	23.14	
4	Total Working Capital (a+b+c)	41.28	
5	SBI short term PLR as on 01 April 2019	13.70%	
6	Interest on Working Capital	5.65	

Commission's Analysis

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

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

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

Table 61 : Computation of Interest on Working Capital for True up FY 2019-20

(Rs. Cr)	
Particulars	NUHEP Actual
O&M expenses for one month excl. MeECL cost (a) (31.47 /12)	2.62
Maintenance spares @ 15% of O&M expenses (b) ** (31.47*15%*6%)	5.00
Receivables equivalent to two months of Fixed cost (c)(29.07*2/12)	4.84
Total Working Capital Requirements (d=a+b+c)	12.46
SBI PLR as on 1st April of the respective Financial Year (%) (e)	13.80%
Interest on Working Capital (f=d*e)	1.72

Commission approves interest on working capital at Rs.1.72 Crore for True up of FY 2019-20.

5.7 SLDC and Connectivity Charges

Petitioner's Submission

As per the Audited Statement of Accounts (Note 26) of MePGCL's for FY 2019-20, SLDC's charge is Rs. 1.68Cr. Hence, MePGCL requested the Commission to consider Rs. 1.68 Cr for True up of FY 2019-20 towards SLDC charges.

Commission's Analysis

Commission considers SLDC charges at Rs.1.68 Crore projected by the petitioner as expense for True up of FY 2019-20.

5.8 Prior Period Items

Petitioner's Submission

As per the Audited Statement of Accounts of MePGCL for FY 2019-20, the Prior Period Expense for MePGCL is NIL

Commission's Analysis

Commission considers submission of the petitioner.

5.9 Non-Tariff Income

Petitioner's Submission

Based on the segregated Statements of Accounts for MePGCL, the utility requested the Commission to approve Rs. 16.09 Cr. as other income for true up of FY 2019-20 for Old Plants & Sonapani as shown in the table below:

Table 62 : Non Tariff Income FY 2019-20

(Rs Cr.)					
Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Lakroh (d)	Old Plants + Sonapani (e=a-b-c-d)
Non tariff income	16.10	0.0029	0.0046	-	16.09

Commission's Analysis

MePGCL has reported non tariff and other income at Rs.16.10 Crore vide note no.25 of SOA.

The Other income from MeECL is reported to be at Rs.4.88 Crore vide note no.20 of SOA.

Summing up of the above analysis, the non tariff and other income amounts to Rs.20.98 Crore for FY 2019-20.

Commission considers Non Tariff and Other income at Rs.20.98 Crore for True up of business for FY 2019-20.

5.10 Revenue from Operations

Petitioner's Submission

As per the Audited Statement of Accounts (Note 24), MePGCL had received Revenue of Rs. 287.40 Cr. (including Rs. 81.5 Cr true up gap for MLHEP for FY 2014-15) from MePDCL towards sale of power for FY 2019-20. The revenue from old plants is Rs. 27.96 crore as shown in the table below:

Table 63 : Revenue from Operations for Old Plants including Sonapani

(Rs. Cr)

Particulars	MePGCL (a)	Leshka (b)	New Umtru (c)	Lakroh (d)	Old Plants + Sonapani (a-b-c)
Revenue from Operations for True Up	287.40(including Rs. 81.5 Cr Prov. True up gap of MLHEP for FY 2014-15)	233.29 (inc.81.5 Cr true up gap for FY 2014-15)	25.95	0.20	27.96

Commission's Analysis

The Revenue from operations is verified from the project wise invoices raised on MePDCL and assessed at Rs.27.96 Crore for old plants and sonapani

Commission considers Revenue from operations at Rs.27.96 Crore for True up of FY 2019-20 for Old plants and sonapani.

5.11 Annual Fixed Cost and Revenue Gap/Surplus for FY 2019-20

Table 64 : Summary of Annual Fixed Cost (Approved vis-à-vis Actual) FY 2019-20

(Rs.Cr)

Particulars	True Up of MePGCL (Old + Plants)	Approved AFC 2019-20 (Old Plants + Sonapani)	Gap / Surplus
Depreciation	14.27		
Return on Equity	33.80		
O&M Expenses	74.84		
Interest and Finance Charges	10.24		
Interest on working capital	5.65		
SLDC Charges	1.68		
Net Prior Period Items: Income (-)/ Expense	-		
Total Annual Fixed Cost (AFC)	140.49		
Less: Non-Tariff Income	16.09		
Net AFC	124.40	29.86	94.54
Revenue from operations	27.96		1.9
Gap/ (Surplus)			96.44

MePGCL requested the Commission to consider the **additional gap of Rs. 96.44 Cr.** under the truing up of FY 2019-20 for Old Plants including Sonapani to be adjusted in the ARR of FY 2022-23.

Commission's Analysis

The True up petition for MePGCL old projects has been scrutinized with reference to the audited statement of accounts for FY 2019-20 and as per Regulations after Prudence check approved the ARR for FY 2019-20 as depicted below.

Table 65 : Approved ARR for MePGCL Old Projects for True up of FY 2019-20

(Rs. Cr.)

Sl. no	Particulars	Approved AFC 2019-20 (Old Plants + Sonapani)	True Up Actuals of MePGCL (Old + Plants)	Approved for True up of FY 2019-20
1	Depreciation	3.09	14.27	2.33
2	Return on Equity	5.41	33.80	2.09
3	O&M Expenses	31.87	74.87	43.95
4	Interest and Finance Charges	26.34	10.24	0.00
5	Interest on working capital	2.67	5.65	1.72
6	SLDC Charges	1.27	1.68	1.68
7	Net Prior Period Items: Income (-)/ Expense	0.00	-	-
	Total Annual Fixed Cost (AFC)	70.65	140.49	51.77
8	Less: Non-Tariff Income	14.45	16.09	20.98
	Net AFC	56.20	124.40	30.79

Commission approves Annual Fixed charges at Rs.30.79 Crore for MePGCL old projects for True up of FY 2019-20.

6. **Consolidated ARR for MLHEP, New Umtru, Lakroh MHEP and MePGCL Old Projects for FY 2019-20 True up.**

Table 66 : Consolidated ARR for MLHEP, New Umtru and MePGCL Old Projects for True up of FY 2019-20

(Rs. Cr)

Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Plants	Total for MePGCL
1	Depreciation	45.92	25.62	0.31	2.33	74.18
2	Return on Equity	45.90	14.49	0.35	2.09	62.83
3	O&M Expenses	31.68	10.27	0.40	43.95	86.30
4	Interest and Finance Charges	36.27	46.18	0.57	0.00	83.02
5	Interest on working capital	4.73	2.56	0.05	1.72	9.06
6	SLDC Charges	0.00	0.00	0.00	1.68	1.68
	Total Annual Fixed Cost (AFC)	164.50	99.12	1.68	51.77	317.07
7	Less: Non-Tariff Income	0.003	0.00	0.00	20.98	20.98
	Net AFC	164.50	99.12	1.68	30.79	296.09

Consolidation of Revenue Surplus in the True up of FY 2019-20 for MePGCL

MePGCL has submitted that the sale of power Revenue realized at Rs.287.40 Crore which includes Rs.81.50 Crore Revenue Gap of MLHEP for FY 2013-14 and FY 2014-15 while reporting the project wise Revenue as analyzed amounted to Rs.287.40 Crore (Annexure-I).

Therefore the Revenue from Operations for all the projects of MLHEP, NUHEP, Lakroh and MePGCL old projects shall be considered at Rs.287.40 Crore as reported in the audited accounts as against the admissible True up ARR for Rs.296.09 Crore for True up of FY 2019-20 for MePGCL as a whole as depicted in the table below.

Table 67 : Consolidated Revenue Gap/Surplus for MLHEP, New Umtru and MePGCL Old Projects for True up of FY 2019-20

(Rs.Cr)

Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Plants	Total for MePGCL
1	Net AFC	164.50	99.12	1.68	30.79	296.09
2	Less: Revenue from Operations	233.29	25.95	0.20	27.96	287.40
	Net Revenue Gap/Surplus	-68.79	73.17	1.48	2.83	8.69

Commission approves Net Revenue gap at Rs. 8.69 Crore for MePGCL for True up of FY 2019-20 and shall be appropriated in the Next Tariff Orders.

(Annexure-I)

Power Purchase Bills Claimed by MePGCL for FY 2019-20

Months	Umiam -I	Umiam -II	Umiam - III	Umiam IV	Umtru Power station	Sonapani Mini Power Station	MLHEP	NUHEP	Lakroh Mini HEP(COD 01.03.2019)	Total
Apr-19	3414062	2104526	6099405	5457841	736938	89512	87686392	15189270	154447	120932393
May-19	3858804	2461159	6979201	6123747	734550	93106	137479328	17014698	157017	174901610
Jun-19	3592460	2265891	6942330	6492340	732552	95572	182928393	19173320	192818	222415676
Jul-19	5556858	3623639	9045869	9551869	731946	125897	211817035	27796873	167705	268417691
Aug-19	4917947	3149058	8957832	7799245	730908	217587	175292441	26796936	130027	227991981
Sep-19	3843195	2373235	8139088	7610740	734778	220006	174650584	28406779	130147	226108552
Oct-19	5527589	3511814	8932486	8473625	735270	223287	155747179	28747745	195800	212094795
Nov-19	5018666	3165894	9190943	7780632	738222	209736	96439974	23556293	232944	146333304
Dec-19	6703459	4411325	9572771	7541820	737604	187862	77072756	22206300	168645	128602542
Jan-20	4640765	2992003	8328129	6750596	735468	176118	75293312	18996549	158538	118071478
Feb-20	3436355	2114994	6061754	5266258	739932	157271	72108145	15652058	155581	105692348
Mar-20	4022799	2576923	6787855	5651752	738330	157133	71432803	15990114	153740	107511449
										2059073819
True Up Gap for FY 2013-14 & 14-15 (1/2)							815000000			815000000
Gross Total	54532959	34750461	95037663	84500465	8826498	1953087	2332948342	259526935	1997409	2874073819
Less: 1% Rebate	545329.59	347504.61	950376.63	845004.7	88264.98	19530.87	23329483.42	2595269.35	19974.09	28740738.19
Total	53987629.41	34402956	94087286	83655460	8738233.02	1933556.13	2309618859	256931665.7	1977434.91	2845333081