



TRUE UP ORDER FOR FY 2015-16
FOR
MANIPUR STATE POWER COMPANY LIMITED
(MSPCL)

Petition No.2A of FY 2022

JOINT ELECTRICITY REGULATORY COMMISSION
FOR MANIPUR AND MIZORAM

TBL Bhavan, 2nd – 5th Floor, E-18 Peter Street, Khatla, Aizawl – 796001

Mizoram

Website: www.jerc.mizoram.gov.in

E-mail: jerc.mm@gmail.com

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**JOINT ELECTRICITY REGULATORY COMMISSION
FOR THE STATES OF MANIPUR AND MIZORAM**

TBL Bhawan, 2nd to 5th Floor, E-18, Peter Street, Khatla, Aizawl, Mizoram - 796001

PETITION NO. 2A OF FY 2022

In the matter of True-up for Distribution Business of FY 2015-16

AND

Manipur State Power Distribution Corporation Limited (the Petitioner)

Present:

1 Mr. Lalchharliana Pachuau

Chairperson

2 Mr. R. Thanga

Member

Date: 6th February, 2023 (Monday)

ORDER

After the enactment of Electricity Act 2003, various reforms have been initiated in the power sector including restructuring of integrated State Electricity Boards into separate companies. The Electricity Department of Manipur (EDM) has been restructured into two companies, namely the Manipur State Power Company Limited (MSPCL) and the Manipur State Power Distribution Company Limited (MSPDCL). The MSPCL is responsible for transmission function and for development of hydro potential in the State of Manipur. The MSPDCL is responsible for Distribution function within the State and trading of electricity as well as the operation and maintenance of the existing distribution and generation assets of EDM in the year 2014. Accordingly, Manipur State Power Corporation Limited has started functioning as a segregated commercial operation utility independently for transmission of electricity in the state of Manipur and to build, maintain and operate an efficient, coordinated and economical Intra State transmission system for smooth flow of electricity from a generating station to the load centers u/s 39 of the Electricity Act 2003 with effect from 1st February 2014.

The Commission, in exercise of powers vested under Section 62(1) read with Section 62(3) and Section 64(3) of the Electricity Act 2003 and Regulation-5.2 JERC(M&M) (Terms and conditions for determination of Tariff) Regulation 2010 (which was repealed w.e.f 1st April 2014 by New

Multi Year Tariff Regulations 2014) and other enabling provisions in this behalf, have issued Aggregate Revenue Requirement (ARR) and Retail Tariff for FY 2015-16 for transmission of electricity by MSPCL in the state of Manipur in its order dated 27.02.2015.

The Regulation-10 of MYT Regulation 2014 dt.09th June 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. In compliance, MSPCL had filed petition for True-Up of transmission business for the FY 2015-16 vide letter No.26/2/ED(Tech)/MSPCL/2014/418-26, dated 06.12.2022.

The Commission taking into consideration of all the facts, additional information/data and after prudence check of the claims as per the MYT Regulations 2014, approves the true up order for FY 2015-16 in the detailed analysis attached to this order.

The impact of true-up gap/ surplus shall be appropriated in the Tariff Orders to be made for FY 2023-24 onwards as felt necessary by the Commission.



(R. THANGA)
Member



(LALCHHARLIANA PACHUAU)
Chairperson

1. Truing Up of FY 2015-16 for MSPCL.

Petitioner's Submission

1.1 Background & Approach:

Section 62 of the Electricity Act, 2003 requires the Licensee to furnish details as may be specified by the Hon'ble Commission for determination of tariff.

Further, Regulation 10 of the JERC MYT Regulations, 2014, requires MSPCL to file Truing up of previous year before the Hon'ble Commission for determination and approval of Revenue Gap/(Surplus).

Based on the above provisions of the JERC MYT Regulations, 2014 read with JERC (Multi Year Tariff) (First Amendment) Regulations, 2019, and multiple directions of the Hon'ble Commission, MSPCL is filing the present petition for Final True up of FY 2015-16, FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21. MSPCL had filed the provisional true up of the six years from FY 15-16 to FY 20-21 based on the provisional account statements.

It may be noted that the present true-up Petition is based on the comparison of the actual expenses and revenue for FY 2015-16 with the expenses and revenue considered by the Hon'ble Commission in the Aggregate Revenue Requirement (ARR) of FY 2015-16 as decided in the JERC tariff Order dated 27 February 2015.

1.2 Transmission Infrastructure:

MSPCL likes to submit that the power supply position in the State of Manipur is improving and the Petitioner is taking all the required steps to strengthen and develop the electricity infrastructure for end-to-end transmission of power within the State. The following table shows the details of Grid Sub Stations along with transformation capacity of MSPCL:

Table 1: Details of Grid Sub Stations along with transformation capacity (in MVA)

| Voltage level | FY 2015-16 | | FY 2016-17 | |
|---------------|-------------------|----------------|-------------------|----------------|
| | No. of Substation | Capacity (MVA) | No. of Substation | Capacity (MVA) |
| 400 KV | - | - | - | - |
| 132 KV | 11 | 417.00 | 13 | 497.00 |
| 33 KV | 69 | 518.20 | 73 | 540.20 |

| Voltage Level | FY 2017-18 | | FY 2018-19 | |
|---------------|------------------|----------------|------------------|----------------|
| | No. of Substatio | Capacity (MVA) | No. of Substatio | Capacity (MVA) |
| 400 KV | - | - | - | - |
| 132 KV | 14 | 548.30 | 16 | 598.30 |
| 33 KV | 83 | 591.50 | 84 | 596.50 |

| Voltage Level | FY 2019-20 | | FY 2020-21 | |
|---------------|-------------------|----------------|------------|-------------------|
| | No. of Substation | Capacity (MVA) | | No. of Substation |
| 400 KV | - | - | 1 | 315.00 |
| 132 KV | 16 | 598.30 | 16 | 638.30 |
| 33 KV | 92 | 817.15 | 95 | 862.15 |

Further, MSPCL has also established network of transmission lines within the state over the period. The Details of Transmission lines lengths along with voltage levels are provided in the table below:

Table 2: Details of Transmission Lines (in Ckt.Km)

| Transmission Line | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-------------------|----------|---------|----------|---------|---------|----------|
| 400 KV | - | - | - | - | - | 45.00 |
| 132 KV | 537.10 | 573.10 | 623.25 | 628.2 | 638.46 | 638.46 |
| 33 KV | 1,322.93 | 1,446.4 | 1,576.04 | 1,617. | 1,617.0 | 1,753.00 |

Commission Analysis:

The various details of transmission network and line lengths provided in the petition is taken on record for future record purpose.

1.3 Transmission Losses

Petitioner's Submission:

MSPCL likes to submit that all input and output points of transmission system have not been metered and the metering is being executed under the SAMAST scheme within the state. In view of the above, for the period under True-up, MSPCL has computed transmission loss based on the energy input & output figures as available. in the provisional True-up for the respective years. the Hon'ble Commission has also provisionally considered the same in the respective Tariff Orders.

Table 3: Transmission Loss (in %)

| Sl.No. | Year | Transmission Losses |
|--------|---------|---------------------|
| 1 | 2015-16 | 3.60% |
| 2 | 2016-17 | 3.60% |

| Sl.No. | Year | Transmission Losses |
|--------|---------|---------------------|
| 3 | 2017-18 | 7.97% |
| 4 | 2018.19 | 9.20% |
| 5 | 2019-20 | 8.89% |
| 36 | 2020-21 | 8.50% |

However, MSPCL would like to submit that the MSPCL is undertaking the metering of the feeders, under the SAMAST Scheme. SAMAST Scheme encompasses installation of 81 No. of Meters at 132 KV, 312 No. of Meters at 33 KV and 447 No. of Meters at 11 KV level and with the implementation of 33 KV system integration with SLDC and reliable communication for grid connectivity. The common NIT for SAMAST implementation in NER states was prepared by SAMAST Committee under NERPC under PSDF funding wherein the NIT was floated in two parts viz (i) for supply, installation, testing and commissioning of 0.25 class ABT meters and automated meter reading (AMR) solutions (ii) for supply, installation, testing and commissioning of IT solutions. NIT evaluation was completed and 2(two) separate LOAs were placed by NERPC on 23-09-2021. M/s Genus Power Infrastructure Limited has completed survey for the metering part and all metering points are identified. SAMAST project is being targeted to be completed before the end of March 2023 and accordingly, metering lot for pilot projects has reached the sites.

Therefore, it is submitted that only after post metering, MSPCL will be in a position to assess the actual losses as real time data would be available for all major substations and shall be able to identify the loss areas/transmission sections.

Accordingly, MSPCL requests the Hon'ble Commission to consider and allow the transmission loss as claimed for truing up of FY 2015-16.

Table 4: Transmission & Distribution Losses for FY 2015-16

| Particulars | Approved in ARR order | Approved - APR Order | Actual |
|--------------------------|-----------------------|----------------------|--------|
| Transmission Loss | 3.60% | 3.60% | 3.60% |

Commission Analysis:

The commission in the absence of accurate data availability, the transmission losses now claimed by the Licensee is considered for FY 2015-16.

1.4 Capital Work in Progress:

Petitioner's Submission:

MSPCL submits that in absence of audited accounts of MSPCL was not in position to compute opening balance for CWIP. However, accounts of MSPCL for the FY 2015-16 to FY 2020-21 has now been audited by C&AG and accordingly, MSPCL has considered opening balance for CWIP as per the audited accounts of respective years.

MSPCL further submits that it has also carried out direct capitalization of non- scheme assets. Accordingly, capitalization as shown below is not only pertaining to capitalization out of CWIP but also include direct capitalization.

MSPCL submits the details of Capitalization from FY 2015-16 to FY 2020-21 as **Annexure – I** of the petition.

The summary of the approved and actual capital expenditure & capitalization for FY 2015-16 is tabulated below:

Table 5: CWIP and Capitalisation for FY 2015-16 (Rs.Crs)

| S. No. | Particulars | Tariff Order | APR Approved | Actuals |
|--------|---------------------|--------------|--------------|---------|
| 1 | Capital Expenditure | 310.83 | 261.35 | 341.55 |
| 2 | Capitalisation | 157.33 | 329.35 | 180.58 |

Based on above capital expenditure, MSPCL has computed closing CWIP as per audited accounts. Further, while computing closing balance of CWIP, MSPCL has excluding direct capitalization as reflected in the audited accounts

Table 6: Capital Work in Progress for FY 2015-16 (Rs. Crs)

| Sl. | Particulars | Actuals |
|-----|------------------------------|---------------|
| 1 | CWIP Opening Balance | 329.62 |
| 2 | Capital Investment | 341.55 |
| 3 | Less: Investment Capitalized | 108.59 |
| 4 | CWIP Closing Balance | 562.58 |

Therefore, it is requested to the Hon'ble Commission to kindly consider the above submission and approve the CWIP and Capitalization as computed above.

Commission analysis:

The CWIP figures indicated in the above table are correlatable with the values depicted in the Audited Accounts Statement for FY 2015-16 indicated in Note-8 and hence, it is acceptable for the true-up purpose.

1.5 Gross Fixed Assets (GFA) and Depreciation**Petitioner's Submission:**

MSPCL submits that it has considered opening balance for GFA and GFA addition during the year as per the audited accounts.

Regulation 28.1 of the JERC MYT Regulations 2014, provides that the depreciation shall be allowed on the capital cost as admitted by the Commission. Regulation, 28.2(ii) further provides that the depreciation shall be computed annually based on the straight-line method at the rates specified in the Annexure I of the MYT Regulations.

Accordingly, MSPCL has considered the rate of depreciation as per Annexure – I of the JERC MYT Regulations, 2014.

Further, as per the Accounting Standard 12- 'Accounting for Government Grants' read with Accounting Standard -10 'Property, Plant and Equipment' guidelines of Institute of Chartered Accountant of India (ICAI), depreciation should be claimed on net expenditure after excluding assets funded through government grants. In MSPCL, majority of the assets are funded through government grants and therefore, depreciation has not been claimed on the assets funded through government grants in the ARR in line with the practice followed by the Commission in the previous Tariff Orders. The details of computation of depreciation along with depreciation claimed (Non-grant assets) in trueing up for the FY 2015-16 is provided in the tables below.

Table 7: Depreciation for FY 2015-16 (Rs. Crs)

| Particulars | Opening | Additions | Closing | Average | Deprn. Rate | Depreciation |
|------------------------------------|----------------|------------------|----------------|----------------|--------------------|---------------------|
| Land & Land Development | - | 9.41 | 9.41 | 4.70 | 0.00% | - |
| Plant & Machin | 283.66 | 170.13 | 453.78 | 368.72 | 5.28% | 19.47 |
| Building | 25.24 | - | 25.24 | 25.24 | 3.34% | 0.84 |
| Furniture & Fittings | 0.23 | 0.20 | 0.43 | 0.33 | 6.33% | 0.02 |
| Computer | 0.01 | 0.51 | 0.52 | 0.26 | 15.00% | 0.04 |

| Particulars | Opening | Additions | Closing | Average | Deprn. Rate | Depreciation |
|---|---------------|---------------|---------------|---------------|-------------|--------------|
| Office | 0.08 | - | 0.08 | 0.08 | 6.33% | 0.01 |
| Vehicles | 0.30 | 0.33 | 0.64 | 0.47 | 9.50% | 0.04 |
| Total | 309.52 | 180.58 | 490.10 | 399.81 | | 20.42 |
| Percentage of assets non-funded through Grants | | | | | | 2.94% |
| Depreciation claimed for true-up | | | | | | 0.60 |

Based on above submission, summary of GFA, depreciation claimed and approved figures for the respective years are tabulated below:

Table 8: Gross Fixed Assets & depreciation of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals claimed |
|----------|------------------------------|--------------|--------------|-----------------|
| 1 | Opening GFA | 508.64 | 327.24 | 309.52 |
| 2 | Addition during the year | 157.33 | 329.35 | 180.58 |
| 3 | Total GFA at the end | 665.97 | 656.58 | 490.10 |
| 4 | Average GFA | 587.31 | 491.91 | 399.81 |
| 5 | Average rate of Depreciation | - | 1.60% | 5.11% |
| 6 | Depreciation | - | 7.87 | 20.42 |
| 7 | Depreciation allowed | 0.88 | 0.08 | 0.60 |

Accordingly, MSPCL requests the Hon'ble Commission to consider and allow depreciation as computed above.

Commission Analysis:

The logic behind Licensee claiming true-up depreciation amount only at 2.94% of the total depreciation of audited accounts appears adopting the same ratio of Commission allowed the depreciation in the tariff Order to the total depreciation claimed in the then petition for FY2015-16.

But, when verified the Capital Reserve balance available with the CWIP amount spent as per the Audited Accounts, there appears no need or necessity for the Licensee to go in for any own fund investment in the Fixed assets creation as the cumulative CWIP investment (Rs.671.77Cr) was only 64% of cumulative Capital Reserve balance (Rs.1041.52Cr) readily available and hence no own funds were spent for CAPEX during FY2015-16. For this reason, **the depreciation amounts allowable is limited to 1% of the annual depreciation allowed in the Audited Accounts as a matter of principle only and also to avoid burden to Consumers.**

So, then licensee claim that they had invested some of their own funds (i.e., 2.94%) for assets

creation is neither convincing nor correlatable with audited Accounts. The Licensee has adopted various depreciation rates to the existing assets as arrived at a true-up depreciation of Rs.20.42Cr on a normative basis, which is generally adopted at the time of ARR filing purpose to assess the depreciation amount for petition filing purpose. While in true-up process the expenditure allowability is comparable with incurred actuals but not with normative values.

As a matter of principle, the Commission would be pleased to allow only 1% of the **total depreciation** adopted in the annual financial accounts and not any more, as it would only be taxing the consumers for no reason if anything is allowed beyond 1%. The depreciation amount adopted in financial books of accounts approved by statutory auditor is Rs.8.4496Cr and **Rs.0.0845Cr being the 1% of it is considered by the Commission toward depreciation** as against the claim of Rs.0.60Cr preferred in true-up petition by MSPCL.

1.6 Operation and Maintenance (O&M) Expenses

Petitioner's Submission:

Regulation 62.5 of the JERC MYT Regulations, 2014 provides that the Operation and Maintenance (O&M) Expenses shall comprise of the following elements:

- a. Employee Expenses.
- b. Repair and Maintenance (R&M) Expenses.
- c. Administrative and General (A&G) Expenses.

MSPCL submits that the Annual Accounts of MSPCL from FY 2015-16 to FY 2020-21 has been audited by C&AG. Therefore, MSPCL has computed Operation and Maintenance Expenses of FY 2015-16 to FY 2020-21 by summarizing each of the components as mentioned above.

The following paras shows the detail computation of each component of O&M Expenses based on the Annual accounts for consideration & approval of the Hon'ble Commission.

1.6.1 Employee Expenses

MSPCL submits that employee expenses comprise costs towards salaries, medical expense reimbursement, other allowances and staff welfare expenses. Details of actual Employee Cost incurred by MSPCL for FY 2015-16 based on audited accounts and approved figures are as shown in the table below:

Table 9: Employee Expenses of FY 2015-16 (Rs. Cr.)

| Sl. No. | Employee Expenses | Tariff Order | APR Approved | Actuals |
|---------|--------------------------------|--------------|--------------|--------------|
| 1 | Salaries (Basic) | 33.76 | 26.62 | 25.01 |
| 2 | Medical Expenses Reimbursement | | | 0.09 |
| 3 | Grand Total | 33.76 | 26.62 | 25.10 |

Therefore, it is requested to the Hon'ble Commission to consider and allow the Employee Expenses as claimed by MSPCL

1.6.2 Repair and Maintenance Expenses

MSPCL submits that Repair & Maintenance Expenses include expenses on repair and maintenance of Plant and Machinery, Transformers, Lines, cable network, etc. It is important for MSPCL to incur the R&M expenses in order to maintain and strengthen the transmission system for quality power supply in the region and achieve system availability as specified in JERC MYT Regulations, 2014. The actual R&M expenses as per audited accounts for FY 2015-16 is tabulated below:

Table 10: Repair and Maintenance Expenses of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approve | Actuals |
|---------|--|--------------|-------------|-------------|
| 1 | Repairs & Maintenance - Building | 4.11 | 4.00 | 3.07 |
| 2 | Repairs & Maintenance- Plant & Machinery | | | 6.17 |
| 3 | Total R&M Expenses | 4.11 | 4.00 | 9.25 |

Accordingly, MSPCL Requested to the Hon'ble Commission to consider and approve the Repair and Maintenance Expenses of FY 2015-16 to FY 2020-21 as submitted above.

1.6.3 Administrative and General Expenses (A&G)

MSPCL submits that A&G Expenses comprise expense towards Conveyance and Travelling, Electricity Charges, Miscellaneous Expenses, Telephone Expenses, Fees and Subscriptions, Legal Charges, and Printing and Stationery. Following table shows Actual A&G expenses claimed by MSPCL for FY 2015-16 based on audited annual accounts:

Table 11: Administrative & General Expenses of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals |
|----------------|-------------------------------|---------------------|---------------------|----------------|
| 1 | Auditors Remuneration | 2.37 | 3.07 | 0.00 |
| 2 | Advertisement | | | 0.31 |
| 3 | Electricity Expenses | | | 3.01 |
| 4 | Hire Charges | | | 0.58 |
| 5 | Inaugural Expenses | | | 0.17 |
| 6 | Legal & Professional Fees | | | 0.33 |
| 7 | Legal Compensation | | | 0.46 |
| 8 | License & Renewals | | | 0.01 |
| 9 | Division Expenses | | | 0.08 |
| 10 | Meeting and Conference Bill | | | 0.06 |
| 11 | Office Expenses | | | 0.04 |
| 12 | Miscellaneous Expenses | | | 0.05 |
| 13 | JERC Fees | | | 0.01 |
| 14 | Internet Expenses | | | - |
| 15 | Filing Fees | | | 0.00 |
| 16 | Bank Charges | | | 0.01 |
| 17 | Penalty | | | - |
| 18 | Printing & Stationery | | | 0.13 |
| 19 | Telephone Expenses | | | 0.02 |
| 20 | Travelling Expenses | | | 0.29 |
| 21 | Training Expenses | | | 0.03 |
| 22 | Transformer Oil Expenses | | | - |
| 23 | Vehicle Running Expenses | | | - |
| 24 | Website Development Charges | | | 0.02 |
| 25 | Total A&G Expenses | | | 2.37 |

Therefore, MSPCL requests the Hon'ble Commission to consider and approve the A&G Expenses from FY 2015-16 to FY 2020-21 as submitted in the tables above.

1.6.4 Summary of O&M Expenses

Petitioner's Submission:

Based on above submission, MSPCL has summarized the actual O&M Expenses from FY 2015-16 to FY 2020-21 based on audited accounts. The actual expenses as compared to the approved figures for the respective years are provided below:

Table 12: Operation and Maintenance Expenses of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals |
|---------|-------------------------------|--------------|--------------|--------------|
| 1 | Employee Expenses | 33.76 | 26.62 | 25.10 |
| 2 | R&M Expenses | 4.11 | 4.00 | 9.25 |
| 3 | A&G Expenses | 2.37 | 3.07 | 5.61 |
| 4 | Total O&M Expenses | 40.24 | 33.69 | 39.96 |

Accordingly, it is requested to the Hon'ble Commission to consider and approve the O&M Expenses from FY 2015-16 to FY 2020-21 as submitted above.

Commission analysis:

The Commission has examined the actual expenses incurred towards each element of the O&M Expenses during FY 2015-16 with the Audited annual Accounts Statement submitted and found to be correlatable and verifiable with the O&M expenditure components such as Employee Cost, Repairs and maintenance and Administrative and General expenses. However, the actual Repair & Maintenance expenses for buildings as well as for Plant & machinery are appearing on the higher side than Tariff Order or APR approved figures. Commission inferred that, it could be due to post reforms structural arrangements & divisions undertaken by MSPCL after 1st February 2014 soon on attaining the Corporation status and hence, considered as one-time exemption for higher expenses in the initial years of reforms.

The Details of the O&M expenses as approved for true-up purpose is tabulated below for reference.

Table 13: Operation and Maintenance Expenses of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals f | Commission |
|---------|-------------------------------|--------------|--------------|--------------|--------------|
| 1 | Employee Expenses | 33.76 | 26.62 | 25.10 | 25.10 |
| 2 | R&M Expenses | 4.11 | 4.00 | 9.25 | 9.25 |
| 3 | Admn. & Genrl Expenses | 2.37 | 3.07 | 5.61 | 5.61 |
| 4 | Total O&M Expenses | 40.24 | 33.69 | 39.96 | 39.96 |

1.7 Interest and Finance Charges

Petitioner's Submission:

MSPCL submits that the entire capital expenditure of MSPCL *since its inception has been funded by the State Government through grants from Central*

Government Ministries and Agencies like Ministry of Power (MoP) through schemes of NEC, NLCPR, DONER or through State Plan Scheme. Therefore, the utility does not have any liabilities on account of long-term loans. Hence, there is no interest and finance charge approved by the Hon'ble Commission for the FY 2015-16. Accordingly, MSPCL has also not claimed any Interest and Finance Charges for truing-up for FY 2015-16.

Commission Analysis:

The commission is fully aware of that there was no need for MSPCL to draw any Long-term loans for creation of new capital assets as the funds are adequately provided by the Central, State and other agencies, which is also evident from the Capital Reserves fund availability as per the audited Accounts statements. Hence, no such charges were allowed towards Interest on Long-term debts right from its formation as Corporation.

1.8 Return on Equity

Petitioner's Submission:

Regulation-22 of MYT Regulation, 2014 provides that equity for the purpose of ROI shall be 30% of capital cost or actual equity, whichever is lower. Further, Regulation 26 of MYT Regulation provides that RoE shall be allowed at the rate of 15.50% of Equity as determined under regulation 22.

MSPCL submits that the entire capital expenditure of MSPCL since its inception has been funded by the State Government. Therefore, MSPCL has not claimed any return on normative Equity. However, during the formation of the company the actual equity was Rs. 10.05 Cr. Therefore, MSPCL has computed Return on Equity for FY 2015-16 based on actual Equity base of MSPCL as per audited accounts.

Further, MSPCL has not incurred any tax liability during FY2015-16. Accordingly, **MSPCL has not claimed Income Tax for truing up of FY 2015-16.**

Detail computation of RoE claimed for truing up of FY 2015-16 based on audited accounts and approved figures are tabulated below:

Table 14: Return on Equity (RoE) of FY 2015-16 (Rs. Cr.)

| Return on Equity | Tariff Order | APR approved | Actuals |
|-----------------------------------|---------------------|---------------------|----------------|
| Average Equity | 10.00 | - | 10.05 |
| Rate of Return on Equity % | 15.50% | - | 15.50% |

| Return on Equity | Tariff Order | APR approved | Actuals |
|-----------------------------------|--------------|--------------|---------|
| RoE (Excluding Tax) | 1.55 | - | 1.56 |
| Tax/MAT Rate (%) | 20.01% | - | - |
| MAT Tax (in Rs.) | 0.31 | - | - |
| Grand Total RoE (including | 1.86 | 1.95 | 1.56 |

Therefore, MSPCL requests to the Hon'ble Commission to consider and approve the Return on Equity (RoE) based on audited accounts of FY 2015-16 to FY 2020-21 as tabulated above

Commission Analysis:

It is a fact and evident from the Audited annual Accounts statement that MSPCL has not incurred any tax liability during FY 2015-16. Hence, the ROE is admissible without any grossing of the ROE with MAT rate. The MSPCL, appears to be quiet sincerely admitting the facts and limited their return on Equity only RoE rate of 15.50% only is acceptable and Commission approves only Rs.1.56Cr as against the Tariff Order approved Rs.1.85Cr without any MAT adjustment.

1.9 Interest on Working Capital (IoWC)

Petitioner's Submission:

As per the JERC MYT Regulations 2014, MSPCL is entitled for interest on working capital as per the norms provided. The norms state that the working capital shall cover the following:

- "a) Operation and maintenance expenses for one month; plus*
- b) Maintenance spares at one (1) percent of the historical cost escalated at 6% from the date of commercial operation; plus*
- c) Receivables equivalent to one (1) month of transmission charges calculated on target availability level; minus*
- d) Amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from Transmission System Users.*

- e) Interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed."*

In accordance with the above provision, MSPCL has considered the interest rate based on the Advance Rate of SBI applicable as on 1st April 2022 i.e. 12.30% for computation of normative Interest on Working Capital for the FY 2015-16.

However, MSPCL submits that the Interest on Working Capital is a normative component available to licensees regardless of actual expenditure towards the same as per the

regulation 29.2 of MYT Regulations, 2014. As per the above principle, Hon'ble Commission has approved the IoWC for respective years in the MYT order. Therefore, MSPCL has computed IoWC on normative basis for trueing up of FY 2015-16.

The detail computation of Interest on normative working capital and approved figures are tabulated below:

Table 15: Interest on Working Capital (IoWC) of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR approve | Actuals |
|---------|------------------------------------|--------------|-------------|--------------|
| 1 | O&M Expenses for one month | 3.29 | 2.8 | 3.33 |
| 2 | Maintenance of Spares (1% of | 5.08 | 3.59 | 4.27 |
| 3 | Receivables for 1 month | 4.64 | 2.07 | 2.67 |
| 4 | Total working capital | 13.01 | 8.40 | 10.27 |
| 5 | Rate of interest | 14.75% | 14.75% | 12.30% |
| 6 | Interest on Working Capital | 1.92 | 1.24 | 1.26 |

Commission's Analysis;

In the above calculation the cost element Receivables for (1) one month is considerable. But as there is no such monthly transmission charges billing mechanism exists for revenue realization between MSPCL and MSPDCL, this component is devoid to include in Working Capital interest calculation, since MSPCL had foregone its basic right to claim Transmission Charges from MSPDCL in each month. But what is contrary to reasoning is that the MSPCL is regularly paying monthly Electricity charges to MPPDCL, which is evident from Administrative and General expenses claimed in each year for true-up.

The basic reason for allowing of **Receivables** and **O&M Expenses** for one month's period in Working capital needs is to manage the same from short-term borrowings to meet the working capital needs on a continuous revolving basis in each month to meet the financial funding needs towards O&M Expenses since the receivables billed will not be realised immediately on their issuance but after a lapse of one month's time or so. But, where is question of O&M expenses funding need in working capital, when the right to raise monthly revenue transmission charges billing is foregone by the Licensee. Moreover, the state government is also releasing its Grants-in-aid support and it is being received by MSPCL to covers the O&M Expenses obligation which includes Employee cost, Administration & General expenses and Repairs and maintenance expenses. Since, the need for arrangement of revenue natured funds doesn't arise in the case of MSPCL due to Government grants-in-aid being provided towards revenue expenses, this component is also to be withdrawn for the purpose working capital need determination.

Therefore, in assessing Interest on working Capital requirement the only element to be taken into cognizance is **Maintenance of Spare** and working capital-based interest be allowed at 12.30% p.a on the amount so derived by applying 1% of the GFA at the beginning of the financial year. It is appreciable that the Licensee has generously preferred to claim the rate of Interest for working capital at 12.30% on notional basis only instead of preferring the rate interest as allowed in the Tariff order. In reality, the MSPCL has no need or necessity to go in for short-term borrowing to manage the working capital fund needs and had not spent any amount on that count from the Audited Accounts cost elements.

The working capital interest now being allowed to MSPCL is a matter of principle since Commission had earlier considered it in the Tariff Order issued for the relevant financial year. The detailed calculation adopted by the Commission for working capital interest is shown in the table below for comprehension.

Table 16: Interest on Working Capital (IoWC) of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | Actuals | Commission approved |
|----------------|------------------------------------|---------------------|----------------|----------------------------|
| 1 | O&M Expenses for one month | 3.29 | 3.33 | -- |
| 2 | Maintenance of Spares (1% of GFA) | 5.08 | 4.27 | 3.095 |
| 3 | Receivables for 1 month | 4.64 | 2.67 | -- |
| 4 | Total working capital | 13.01 | 10.27 | 3.095 |
| 5 | Rate of interest | 14.75% | 12.30% | 12.30% |
| 6 | Interest on Working Capital | 1.92 | 1.26 | 0.3807 |

Therefore, the admissible amount of working capital interest amount is Rs.0.38 Crs as against the claim of Licensee for an amount of Rs.1.26Crs for the FY 2015-16.

1.10 Non-Tariff Income

The non-tariff income (NTI) for MSPCL is mainly on account of SLDC charges, interest from bank accounts, Contingency Charges, Dividend income and Agency Charges earned for supervision of deposit works. The details of Non-Tariff Income earned by MSPCL for FY 2015-16 based on audited accounts as compared to NTI approved by the Hon'ble Commission are as shown in the below:

Table 17 : Non-Tariff Income of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals |
|---------|---------------------|--------------|--------------|--------------|
| 1 | SLDC Charges | 0.35 | - | 3.81 |
| 2 | Agency Charges | - | - | 4.99 |
| 3 | Contingency Charges | - | - | 0.56 |
| 4 | Interest from bank | 0.03 | - | 1.70 |
| 5 | Dividend Income | - | - | - |
| 6 | Other Interest | - | - | - |
| 7 | Other income | - | - | 0.27 |
| 8 | Grand Total | 0.38 | 11.48 | 11.33 |

Therefore, MSPCL requests to the Hon'ble Commission to consider and allow the Non-Tariff Income claimed as per audited accounts of FY 2015-16

Commission's Analysis:

The Non-Tariff Income amount approved by the Commission is at Rs.11.3270Cr upon verification with the Audited Annual accounts of MSPCL for the relevant financial year.

1.11 Aggregate Revenue Requirements

Petitioner's submission:

Based on above paras, MSPCL submits the summary of Aggregate Revenue Requirement for truing up of FY 2015-16 to FY 2020-21.

Table 18 : Aggregate Revenue Requirements of FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals | Difference (Actuals-ARR) |
|---------|--------------------------------------|--------------|--------------|--------------|--------------------------|
| 1 | Employee costs | 33.76 | 26.2 | 25.10 | (8.66) |
| 2 | Repair & Maintenance expense | 4.11 | 4.00 | 9.25 | 5.14 |
| 3 | Adm & Gen. Expenses | 2.37 | 3.07 | 5.61 | 3.24 |
| 4 | Depreciation | 0.88 | 0.08 | 0.60 | (0.28) |
| 5 | Interest & Finance Charges | - | - | - | - |
| 6 | Interest on Working capital | 1.92 | 1.24 | 1.26 | (0.66) |
| 7 | Add: Return on Equity | 1.55 | 1.95 | 1.56 | 0.01 |
| 8 | Income Tax | 0.31 | - | - | (0.31) |
| 9 | Total Cost | 44.90 | 36.96 | 43.38 | (1.52) |
| 10 | Less: Non-Tariff income | 0.38 | 11.48 | 11.33 | 10.95 |
| 11 | Less: Expenses Capitalized | - | 0.69 | - | - |
| 12 | Aggregate Revenue Requirement | 43.76 | 24.79 | 32.05 | (11.71) |

1.11.1: Revenue Gap/(Surplus)

MSPCL submits that it has booked revenue received from MSPDCL as Transmission Charges during the respective years. Accordingly, MSPCL has computed the Revenue Gap/(Surplus) for the FY 2015-16 considering the proposed ARR & revenue for the respective years.

The detail computation of the Revenue Gap/(Surplus) of MSPCL for the FY 2015-16 to FY 2020-21 is as tabulated below:

Table 19: Revenue Gap/(Surplus) of FY 2015-16 (Rs. Cr.)

| Particulars | Tariff Order | APR Approved | Actuals Incurred |
|---|--------------|--------------|------------------|
| Net ARR for Transmission | 43.76 | 24.79 | 32.05 |
| Revenues from Transmission Charges/ Revenue Grants Received from Govt. | 43.76 | 24.79 | 38.12 |
| Revenue Gap/(Surplus) | - | - | (6.06) |

Commission's Analysis:

The Commission had examined all the relevant ARR (Aggregate revenue requirement) components with reference to the actual expenditure incurred and reflected in their Audited Accounts Statement for FY 2015-16 by MSPCL and arrived at each element wise expenditure component allowable vis-a vis Tariff Order approved figures and determined the Revenue Gap/surplus accrued to MSPCL as per the table placed below:

Table 20: Aggregate Revenue Requirements & Revenue Gap approved by Commission for FY 2015-16 (Rs. Cr.)

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals | Commission approved |
|---------|--------------------------------------|--------------|--------------|--------------|---------------------|
| 1 | Employee costs | 33.76 | 26.2 | 25.10 | 25.10 |
| 2 | Repair & Maintenance expense | 4.11 | 4.00 | 9.25 | 9.25 |
| 3 | Adm & Gen. Expenses | 2.37 | 3.07 | 5.61 | 5.61 |
| 4 | Depreciation | 0.88 | 0.08 | 0.60 | 0.085 |
| 5 | Interest & Finance Charges | - | - | - | - |
| 6 | Interest on Working capital | 1.92 | 1.24 | 1.26 | 0.38 |
| 7 | Add: Return on Equity | 1.55 | 1.95 | 1.56 | 1.56 |
| 8 | Income Tax | 0.31 | - | - | -- |
| 9 | Total Cost | 44.90 | 36.96 | 43.38 | 41.985 |
| 10 | Less: Non-Tariff income | 0.38 | 11.48 | 11.33 | 11.327 |
| 11 | Less: Expenses Capitalized | - | 0.69 | - | - |
| 12 | Aggregate Revenue Requirement | 43.76 | 24.79 | 32.05 | 30.658 |
| 13 | Revenue Realised from | 43.76 | 0 | 0 | 0 |

| Sl. No. | Particulars | Tariff Order | APR Approved | Actuals | Commission approved |
|-----------|---|--------------|--------------|---------------|---------------------|
| | MSPDCL | | | | |
| 14 | Revenue grants from State Govtt. | 0 | 0 | 38.115 | 38.115 |
| 15 | Revenue Surplus (14-12) | | | 6.065 | 7.457 |

The peculiarity in arriving at the revenue Gap/Surplus of MSPCL is that, here we need to compare the actuals expenses spent with that of revenue grants received from State Government instead of with the amount of revenue realization from Transmission charges levied, because of non-existence of such mechanism adopted to raise monthly transmission charges billing by MSPCL on MSPDCL from the time both the entities were divided into two separate entities. For this reason, the admissible expenditure for 2015-16 allowed by the Commission is compared with the extent of grants in aid from Government of Manipur through MSPDCL (Manipur State Power Distribution Company Limited) and the revenue surplus/gap is derived.

As seen from the above table, the MSPCL had made a surplus amount of Rs.7.457 Crs after the true-up procedure carried out by the Commission adopting the procedure laid down in the MYT Regulation 2014.

As per the Regulation clause- 10 to 13, any surplus gained by the Licensee under controllable factors, 1/3rd of such gains shall be passed on as a rebate in the tariffs over such period as may be stipulated in the Order of the Commission under Regulation-10.6. The balance amount (2/3rd) of such gain may be utilized at the discretion of the Licensee.

Accordingly, the 1/3rd portion the surplus amounting to Rs.2.4856Crs needs to be passed on to Transmission network users of Manipur as a rebate in tariffs over such period as may be stipulated by the Commission in the Order. The duration during which period it needs to be passed on to network users would be decided after truing-up of all the years from FY2015-16 to FY2020-21 under examination now.



**JOINT ELECTRICITY REGULATORY COMMISSION
FOR MANIPUR AND MIZORAM**

TBL Bhawan, 2nd to 5th Floor,
Peter Street, E-18, Khatla, Aizawl, Mizoram, 796001

Website: www.jerc.mizoram.gov.in

e-mail: jerc.mm@gmail.com