



MEGHALAYA
STATE ELECTRICITY REGULATORY COMMISSION

Tariff(D) Petition No. 1 of 2010

In the matter of –

Tariff(D) Petition dated 12.02.2010 filed by the Meghalaya State Electricity Board (MeSEB) on 17.02.2010.

Meghalaya State Electricity Board (MeSEB) [unbundled and constituted into a holding company known as the Meghalaya Energy Corporation Limited(MeECL), with effect from 01.04.2010.]

Petitioner

Present : Shri. P.J. Bazeley, Chairman, MSERC.
Date of Order – 23 08 2010

O R D E R

1. The instant proceedings relate to the fixation of Electricity Tariff (Distribution) for the year 2010-11 in respect of the only distribution licensee in the State of Meghalaya, namely the Meghalaya State Electricity Board(MeSEB), known as the Meghalaya Energy Corporation Limited (MeECL) with effect from the 01.04.2010.



2. On 04.01.2010, the Petitioner namely the Meghalaya State Electricity Board(MeSEB), filed a petition under cover of their letter No.MeSEB/SE(RA)/42/19, dt.04.01.2010 (Annexure-1) stating that whereas their Review Petition 22.12.2009 (registered as Review Petition No.1 of 2009),seeking a review of the Commission's Tariff(D) Order dated 30.11.2009 for the year 2009-10 pended disposal by the Commission, MeSEB be granted 30(thirty) days time from the date of disposal of the said Review Petition No.1 of 2009, for the Petitioner to file the Tariff (D) Petition for the year 2010-11.
3. On 29.01.2010, the Commission disposed of the Review Petition No.1 Of 2009 and also passed orders on the Petition dated 04.01.2010 allowing MeSEB time till 17 February 2010 to file their Tariff(D) Petition for the year 2010-11
4. On 17.02.2010, the MeSEB, a deemed licensee under the Electricity Act, 2003, filed an application for determination of Annual Revenue Requirement (ARR) & Tariff(Distribution) for the year 2010-11.(Annexure 2).

THE PROCESS :

5. After careful examination, analysis and consideration of the Annual Revenue Requirement (ARR) & Tariff(Distribution) Petition for the year 2010-11, as filed by MeSEB, the Commission took the petition on record on 24.02.2010, but called for clarifications, as follows –

1. *“The Commission –*

- i) *notes that the data required to be submitted in Form 28 of the Meghalaya State Electricity Regulatory Commission (Furnishing of Details for Determination of Tariff) Regulation 2009, has not been furnished along with the tariff petition. Let this be done by the Petitioner;*
- ii) *notes from para 5 of the Tariff Petition that the Petitioner has projected generation of 250.00 MU's of power by the Myntdu Leshka HEP. Given that the aforesaid project is a 3 x 42 Megawatt HEP, let the Petitioner clarify, the projected number of units of the aforesaid project which are proposed to be commissioned within 2010-11, and, indicate the proposed dates of*



commissioning of each unit, to reflect the basis of calculation of the projected level of 250 MU's to be generated by the said project during the year 2010-11;

- iii) notes that the Petitioner has proposed an Annual Revenue Requirement of Rs.0.98 crores for payment of 'Interest on loan from CSS'. Let the Petitioner furnish details of actual amount paid as interest on loan from CSS, to the appropriate authority during each of the preceeding 5 (five) years, based on details reflected in the corresponding years audited statement of accounts / pre-audited statement of accounts, as the case may be;*
- iv) notes that while the Petitioner has proposed 'Other Income' at the level of Rs.24.94 crores during 2010-11, the actual 'Other Income' as per audited statement of accounts was Rs.30.69 crores during 2006-07 and Rs.32.39 crores during 2007-08. 'Other Income' has been shown as Rs.39.79 crores in the pre-audited statement of accounts for 2008-09. 'Other Income' during the year 2009-10 as proposed by the Petitioner and approved by the Commission is Rs.36.39 crores. Let the Petitioner give clear reasons, for decrease in the level of 'Other Income' to a level of Rs.24.94 crores during 2010-11;*
- v) notes that while the Petitioner has proposed an ARR of Rs.10.00 crores for covering 'Bad Debts' during the year 2010-11. The actual for the year 2006-07 and 2007-08, as per audited statement of accounts was Rs.Nil and Rs.2.22 crores respectively. Let the Petitioner clarify, details of the bad debts which are likely to be covered by the aforesaid provision of Rs.10.00 crores, during 2010-11;*
- vi) notes that the Annual Revenue Requirement (ARR) proposed by the Petitioner for the fiscal year 2010-11 includes provisions for (i). Repair & Maintenance Works, (ii). Employees Cost, (iii). Depreciation and (iv). Provision for income tax, which are disproportionately higher than actuals for the year 2008-09 as per pre-audited Statement of Accounts for that year, or the amounts proposed by the Petitioner and approved by the Commission for the fiscal year 2009-10. More specifically, the proposed ARR for (i). Repair & Maintenance Works, (ii). Employees Cost, (iii). Depreciation and (iv). Provision for income tax, are

 - (a) 51.6 %, 42.0 %, 221.7 % and 121.6 % higher than the respective actuals for the year 2008-09 as per pre-audited Statement of Accounts for that year, or*
 - (b) 37.2 %, 44.1 %, 192.5 % and 933 .0 % higher than the respective amounts proposed by the Petitioner and approved by the Commission for the fiscal year 2009-10.**

6. While noting as above, the Commission directed the Petitioner *to submit, the statement of provisional revenue income and revenue expenditure pertaining to the quarter ending 30.06.2009, 30.09.2009 and proposed levels of ARR for (i). Repair & Maintenance Works, (ii). Employees Cost, (iii). Depreciation and (iv). Provision for income tax, respectively, during 2010-11.*

- ii) to submit, the statement of provisional revenue income and revenue expenditure pertaining to the quarter ending 30.06.2009, 30.09.2009 and*



31.12.2009, with a view to enable the Commission to keep such figures in view, while evaluating the ARR for 2010-11 as proposed by the Petitioner in the instant ARR & Tariff(Distribution) Petition.

- iii) to submit to the Commission, all details etc., required in terms of the Commission's observations and directions at sub-paras i), ii), iii), iv), v) and vi) of para 2 and para 3 above, within fifteen days ending 10.03.2010. and*
- iv) to cause their Annual Revenue Requirement (ARR) and Tariff (Distribution) Petition for the year 2010-11 to be published, within 10 (ten) days, that is within Friday the 5th March 2010, in accordance with the provisions of sub-section(2) of Section 64 of the Electricity Act of 2003, in the same abridged format as done in respect of corresponding similar petitions for the year 2009-10 and earlier years. In doing so, let it be directed that the views, comments and suggestions from all interested Person(s), Parties and Organizations in writing, on the aforesaid ARR and Tariff (Distribution) Petition for the fiscal year 2010-11, may be submitted during office-hours on all working days, on or before Monday the 5th April 2010,*
7. On 01.04.2010, the Commission received intimation from the Petitioner vide their O.M. No.MeECL/302/2009/17, dated 01.04.2010 (Annexure-3) that the Meghalaya State Electricity Board had been corporatized with effect from 01 April 2010. with the formation of –
- (1).the Meghalaya Power Generation Corporation Limited (MePGCL),
 - (2).the Meghalaya Power Transmission Corporation Limited (MePTCL) and
 - (3).the Meghalaya Power Distribution Corporation Limited (MePDCL,
- as subsidiary Companies of the Meghalaya Energy Corporation Limited (MeECL). Thus, for the purpose of the instant proceeding, the Meghalaya Energy Corporation Limited (MeECL) is the successor in interest of the erstwhile Petitioner namely the Meghalaya State Electricity Board(MeSEB) and is therefore the deemed licensee, and the deemed Petitioner for the purpose of the instant Tariff(D) Proceedings for the year 2010-11.
8. On 06.04.2010, the Commission noted from records that the Petitioner (MeSEB) had published their Annual Revenue Requirement (ARR) and Tariff (Distribution) Petition for the year 2010-11 in the manner prescribed by the Commission on



26.02.2010. The petition had been duly published in the under mentioned newspapers -

- i) The Shillong Times, Shillong issue dated 3rd March, 2010,
- ii) The Mawphor, Shillong, issue dated 1st March, 2010.
- iii) The Chitylli, Jowai, issues dated 3rd & 9th March, 2010. and
- iv) The Janera, Tura issue dated 1st March, 2010.

In view thereof, the Commission held that there has been ample scope and opportunity for interested persons and parties to file their views, comments and suggestions thereon, within the given date, namely the 5th April, 2010. In doing so, the Commission noted that two numbers of representations, both dated 5th April, 2010 had been filed by (1). the Greater Shillong Crematorium & Mortuary Society(Annexure-4), and (2) the Byrnihat Industries Association(Annexure-5). The Commission caused copies of both the aforesaid representations to be furnished to the Petitioner (MeSEB), for their parawise comments thereon, within 15 days ending 21st April, 2010. The Commission also caused copies of both the aforesaid representations together with a copy of the Tariff (D) Application dated 12.02.2010 to be furnished to the Members of the State Advisory Committee for consideration and discussion during the State Advisory Committee Meeting which had since been convened on the 29th April, 2010.

9. On 28.04.2010, the Commission received a petition under cover of MeECL letter No. MeECL/SE(RA)/42/2010-11/50 dated 27th April, 2010, (Annexure-6) stating that the Hon'ble Appellate Tribunal for Electricity had passed Order on 19.4.2010 in Appeal No. 67 of



2010 & I.A No. 86 of 2010 setting aside the Commission's Tariff Order dated 29.01.2010 for the year 2009-10 and had remanded the matter back to the Commission for hearing the parties afresh and deciding the matter on the basis of materials placed before it during such hearing. The Petitioner (MeECL), therefore prayed that further process on the Tariff Petition 2010-11 may be taken up for disposal after the aforesaid remand order dated 19.4.2010 of the Hon'ble Tribunal has been disposed of. After due consideration, the Commission saw no merit in the contention of the Petitioner in so far as it relates to deferring the public hearing on the aforesaid Tariff Petition for 2010-11, which had been with widest possible publicity to all concerned, scheduled for 11:00 AM on that date(28.04.2010). The Commission, therefore, directed that the proceedings in respect of the Tariff Petition 2010-11 in the matter of Public Hearing fixed for that date (28.04.2010) will proceed, as scheduled. The Commission further observed that the said Remand Order of the Hon'ble Tribunal, as referred to by the Petitioner, in their said petition, will be taken up as soon as an authorized copy of the Order is received by the Commission from the Hon'ble Tribunal's Registry.

For the record, the Commission received a copy of the remand Order dated 19.04.2010 passed by the Hon'ble Tribunal on 26.05.2010 (Annexure-7). In compliance with the said Order dt.19.04.2010 of the Hon'ble Tribunal, the Commission followed due process, and passed Orders on 05.08.20010(Annexure-8), disposing of the matter.



10. On 28.04.2010. the Commission held a public hearing on the Petitioner's Tariff(D) Petition dated 12.02.2010, for the year 2010-11. The Record-Note of the Public Hearing is at Annexure-9 During the hearing the Representative of the Byrnihat Industries Association (BIA) placed on record their grievances arising out of the alleged billing for electricity supplies by the licensee (MeSEB / MeECL) at unit rates which were not in conformity with the rates approved by the Commission. The Representative of the (MeSEB / MeECL) denied the said allegation and alleged that the representative of the Byrnihat Industries Association was attempting to mislead and misguide the Commission. Given the contradictory nature of the aforesaid submissions, both the parties, namely the BIA and the MeECL were asked by the Commission to submit the factual position, supported by relevant record, through a sworn affidavit, to enable the Commission to take a view on the matter. The Commission further directed that sworn affidavits should be submitted by both the parties within 15 days ending 12.05.2010.
11. On 29.04.2010, the Commission held a meeting of the State Advisory Committee(SAC) to ascertain the SAC's views on the Petitioner's Tariff(D) Petition dated 12.02.2010 for the year 2010-11. The Record Note of deliberation at the said SAC meeting are placed at Annexure-10
12. The Commission noted that the following issues, which have significant ramifications on the projections contained in the Tariff (D) Petition for the year 2010-11, were raised by the SAC –



1. Employee Costs -

- i) there is an increase of Rs.44.01 crores over the approved level of the previous year , reflecting an increase of 42% which is unreasonable, given that the Tariff Petition shows an increase in man power from 3600 to 3650, that is by 50 heads only. Detailed justification needs to be provided for such an increase.
- ii) the Tariff Petition which was filed on 16.02.10 does not disclose details of the revised pay scales effective from 01 January 2010. Details of the revised pay scales needs to be placed on record, to enable a calculated decision to be taken.
- iii) the projected manpower : energy sold ratio of 3.04 has been calculated on the basis of total energy sold. If calculated on the basis of energy generated, the manpower : energy generated ratio will works out to 6.77, which is abnormally high and needs to be corrected by keeping arising revenue vacancies in abeyance, freezing fresh revenue recruitments and attempting to lay off surplus revenue staff, if any, through one-time measures such as golden-handshake, etc.,

2.DEPRECIATION

- i) there is an increase of Rs.31.30 crores on account of depreciation over the previous year, reportedly a consequence of commissioning of the Myntdu Leshka HE Project. It is learnt that even the first unit of the MLHEP is not likely to be commissioned before the second half of the year. As such, the depreciation costs, of all units of the project, for the entire year commencing 01 April, 2010 cannot be loaded onto the ARR for the year 2010-11. Only pro-rata amounts could be considered, based on a duly affirmed commissioning schedule for the MLHEP.

2. INTEREST & FINANCE CHARGES

- i). the Tariff Petition shows a major increase of Rs.20.44 crores for Interest & Finance charges, over the previous year. Details, dates and amounts of loans availed / proposed to be availed, against which the interest has been calculated have not been shown. The date of availing loan, loan amounts and the rate of interest at which the loan is availed, needs to be shown.
- ii). the projected increase of Rs.18.59 crores for interest on loan from Banks on capital investments and working capital, as reflected at Page 20 of the Tariff Petition, needs fuller justification.



4.WORKING CAPITAL

- i). the W.C calculated at 3 months estimated revenue sales is unjustified and unprecedented. Even if accepted, W.C loan to the extent of one month's revenue sales is more than sufficient as all electricity consumer's bills are payable within a fortnight, beyond which delayed payment charges are raised by the Board.
- ii). while projecting working capital requirements as at (i) above, with resultant interest burden thereon, the Board has projected a decrease in income from delayed payment charges to the extent of Rs.12.05 crores below the previous year, which is contradictory and needs fullest justification.

5.INCOME TAX

a provision of Rs.9.33 crores has been made for Income Tax in the Tariff Petition. This is against all accounting and business norms as Income Tax is not to be taken as a cost. Income tax is payable from the business organization's profits. A sum of Rs.28.28 crores is being earmarked, each year, as Return on Equity for the Board.

6.BAD DEBTS

the provision of Rs.10.00 crores for bad debts is extremely high and clearly avoidable with improved alertness and efficiency on the part of the Board. Genuine consumers should not be made to bear the brunt of inefficiencies of any type. Such bad debts, are in fact, disguised commercial losses and add to the already high AT & C losses.

7.TARIFF RATES

- i). About 90 % of the 2.56 lacs consumers of the Board are domestic consumers, who consume 39.80 % of the connected load. Domestic consumers represent almost the entire population of the State and the tariff affects their personal finances in a big way. In the matter of fixation of tariff, their bonafide interests deserve appropriate consideration. There should, therefore, be no increase in the rates for the domestic sector;



ii). the unit slabs for domestic consumers be revised and the existing Tariff for the first 100 units be made applicable to the first 400 units, since the lowest average consumption would exceed 300 units per household.

8. AGRICULTURAL TARIFF

The Government of India and all States Governments have been vigorously encouraging the growth of the Agriculture and food processing sector. As such, the present tariff for the Agriculture & sector merits being retained without any further increase of unit rates.

9. LOW POWER FACTOR

It is seen that the procedure for calculation of compensation charge for low power factor is proposed to be changed by billing on KVAH units at the rate applicable for KWHR units. This will be practical only if the Board ensures that KVAH meters are installed in the premises of all consumers, failing which the new procedure cannot be implemented, causing huge revenue loss to the Board. It is therefore proposed that in cases where KVAH meters are not installed, compensation charges may continue to be imposed on the earlier basis. Compensation charges for low power factor have been made applicable only for HT and LT supply. It is not understood why EHT consumers who draw over 250 MU's of energy annually are exempted from these charges.

10. TRANSMISSION & DISTRIBUTION LOSSES

the T & D losses are estimated at 27.08% as against the target of 15.69% as per the road map under the 11th Plan. These T & D losses are resulting in an annual loss of about Rs.180 crores to the Board. It needs to be borne in mind that even on purchased power there is a T & D loss of 27.08% which can clearly be avoided, if the larger consumers are allowed open access to power from the external sources, directly.

11. UNMETERED CONNECTIONS –

i). As per the tariff petition, 65% of the non-Kutir Jyoti consumers were unmetered during the year 2007-08. In addition 17% had defective meters. Only 18% of the non-Kutir Jyoti consumers had operative meters. In 2010-11 the situation has improved but even now 46% of the non-Kutir Jyoti consumers either have no



meters or have defective meters. Therefore, the Board cannot off-load the burden of high AT & C losses on account of non-metering, upon the consumers, as it is a situation created by themselves.

ii). the percentage of metered consumers has increased from 18% in 2007-08 to 54% in 2010-11, the T & D losses have not shown a proportionate improvement which clearly shows that there are reasons other than non-metering such as power theft, pilferage and meter tampering leading to such heavy T & D losses, the control of which does not appear to have been suitably addressed by the Board. Hence, the mere disallowance of 3% over the T & D losses allowed for FY 2009-10 may not, perhaps, be adequate in order to coax the Board to put its house in order.

12. MISCELLANEOUS

- a. The Board ought to have made a 3 part Tariff proposal for its diverse activities i.e. Generation, Transmission and Distribution. It should be made clear that a composite Tariff proposal will not be entertained from the year 2011-12 and onwards.
- b. Shallang area which is a growth centre located in a large industrial coal belt has no metering of electric connections, at all. Immediate remedial measures are called for.
- c. Billing of electricity consumers should be regular and on a monthly basis as provided for in the relevant regulations.

13. BULK SUPPLY OF ELECTRICITY TO CANTONMENTS –

- a. In any Defence Cantonment, the load demand is of mixed nature and it primarily involves military-offices, domestic-quarters of defence personnel, hospital and water works, Also, there has never been any default in payment. Thus a special status needs to be given to Bulk Supply to Defence Cantonments by putting it in a separate category.
- b. Further, at places 33 KV systems are coming up which need extra infrastructure to be put up by Defence/Cantonment authorities. In other States, the tariff rates for 33 KV are lower than that for 11 KV. In view of above, following is proposed:-



- i). Categorise Defence in a separate category and fix tariff rates which should be lower than other categories or at least at par with Domestic Category.
- ii). The rates in case of bulk supply at 33 KV should be fixed lower than that at 11 KV".

13. The Commission felt that it was appropriate to obtain the Petitioner's response on each of the aforesaid issues. The Commission, therefore, directed the Petitioner (MeECL) to file their response to each of the 13 (thirteen) issue aforesaid, through a duly executed and sworn affidavit, within 15 days ending 28th May 2010.

14. On 11.05.2010, the BIA submitted a duly executed Affidavit of the same date.(see Annexure-11) in compliance with the direction of the Commission dated 28.04.2010, in which they reiterated the same issues as raised by them during the public hearing on 28.04.2010. The gist of their submissions are as follows –

Extract of Affidavit dated 11.05.2010 filed by BIA.

1. *...that the order dated 10.9.2009 was passed by the Hon'ble Commission truing the financials of the MeSEB for the financial years 2007-08 and 2008-09 and re-determination of the tariff of the MeSEB for the financial years 2008-09. By the Order, the Hon'ble Commission had found a substantial surplus in the hands of the MeSEB as compared to the projections made by MeSEB at the time of the earlier tariff order passed and consequently reduced the tariff applicable to various categories of consumers in the State of Meghalaya. The operative portion of the order dated 10.9.2009 passed by the Hon'ble Commission reads as under:*



“2.3.35 The Unit Rates of Demand Charges/Energy Charges are accordingly, hereby revised, and fixed in the manner specified in column(3) of Table-VII, below. These rates shall be deemed to have come into effect from 01 October 2008 and shall remain valid till the Tariff (D) is next revised by the Commission.

2.3.36 The Respondent (MeSEB) shall take effective steps to recover arrear-dues accordingly to these revised rates, from 01 October 2008 onwards, from all Consumer who have not yet paid as per Tariff (D) Rates for 2008-09, within 31 March 2010.

2.3.37 The Respondent (MeSEB) shall take effective steps to adjust excess amounts billed and collected as per Tariff (D) Rates for 2008-09, in terms of these revised rates, from all consumers who were billed and have paid-up as per the Tariff (D) Rates 2008-09, within 31 March 2010. Such adjustment are to be made against the future Demand/Energy Charge bills of all such consumers with a view to ensure that all amounts recovered in excess are fully adjusted within 31 March 2010.”

- 2.in view of the above direction of the Hon'ble Commission, MeSEB was required to raise all future bills in accordance with the tariff as determined by the Hon'ble Commission in the order dated 10.9.2009. In addition, MeSEB was also required to adjust the tariff recovered for the year 2008-09 in terms of the tariff determined by the Hon'ble Commission in the order dated 10.9.2009.*
- 3.that against the order dated 10.9.2009, MeSEB filed an appeal before the Hon'ble Appellate Tribunal, being Appeal No. 37 of 2010. In the said appeal, MeSEB did not seek any interim orders*



for stay of the order dated 10.9.2009 passed by the Hon'ble Commission and as such no interim orders were passed by the Hon'ble Tribunal.

4. *Subsequently, the Hon'ble Commission had passed an order dated 30.11.2009, determining the revenue requirements and tariff of the MeSEB for the financial year 2009-10. In the said order, the Hon'ble Commission had determined the tariff applicable to various categories of consumers in the State of Meghalaya including for the Respondents herein.*
5. *.... that MeSEB did not comply with the order dated 10.9.2009 or the order dated 30.11.2009 passed by the Hon'ble Commission in determining the tariff and has continued to charge tariff to the consumers at the enhanced rate contrary to the determination made by the Hon'ble Commission. Copies of the bills raised by the MeSEB on some of the industries in the months of October, November, December, 2009 and January, February, 2010 are attached herewith. The said bills clearly show that the MeSEB has been charging tariff on the Industrial consumers (IHT) at Rs.4.45 per unit, which is substantially higher than the tariff of Rs.3.33 per unit as determined by the Hon'ble Commission in the order dated 10.9.2009 and Rs.3.30 per unit as determined in the order dated 30.11.2009. The same practice has been followed by the MeSEB for the other categories of consumers including the EHT categories of consumers. The above act on the part of MeSEB is illegal and is contrary to provisions the Electricity Act, 2003 and in particular Section 45 and Section 62 of the Act which mandates that the tariff and charges to be recovered by the Distribution licensee shall be in accordance with the tariff determined by the Hon'ble Commission. Section 62(6) also provides that the licensee shall refund the tariff recovered in excess of the determination by*



the commission together with interest without prejudice to any other liability of the Licensee.

6. *....that only in the month of March, 2010 has MeSEB has revised the tariff to be charged from the consumers in accordance with the tariff as determined by the Hon'ble Commission in the order dated 30.11.2009. However, MeSEB has till date not taken any action to adjust the tariff of the consumers in compliance with the order dated 10.9.2009 passed by the Hon'ble Commission. On the other hand, the bills raised by the MeSEB continue to show the excess amounts billed as arrears on which delayed payment surcharge is payable.*
7. *that the most of the consumers forming part of the Respondent Association's members have paid tariff as per the order dated 10.9.2009 passed by the Hon'ble Commission and have adjusted the previous bills in terms of the order dated 10.9.2009 passed by the Hon'ble Commission. Consequently, for such consumers, there are no pending arrears to be recovered from the MeSEB, strictly applying the tariff as determined by the Orders of the Hon'ble Commission. However, there are some consumers of the Respondent's Association, who have paid excess tariff and are to be refunded the same by MeSEB. However, MeSEB has not effected such refund of tariff in terms of the Orders passed by the Hon'ble Commission. Even despite protests on the part of such consumers, MeSEB has not made any refunds or adjustments in the tariff of such consumers. On the other hand, when such consumers protested against the tariff as charged by MeSEB and sought to pay tariff only as per the orders passed by the Hon'ble Commission, MeSEB has threatened disconnection of electricity to such consumers for non payment of charges as per the claim of MeSEB. Copies of the disconnection notices issued by MeSEB to such consumers is attached hereto*
8. *.... that the consumers have been forced to pay the tariff as claimed by MeSEB on account of the threat of disconnection which would cause*



further damage to the consumers. Even for the consumers who have paid tariff strictly as per the orders passed by the Hon'ble Commission and have adjusted the excess tariff paid in terms of the orders passed by the Hon'ble Commission, MeSEB has continued to show the excess amounts not paid by the consumers as arrears attracting delayed payment surcharge. I say that such action of the MeSEB in charging tariff in violation of the orders passed by the Hon'ble Commission and showing the excess tariff as arrears and adding delayed payment surcharge is illegal and ought not to be allowed.

15. On 14.05.2010, the MeECL submitted a duly executed Affidavit of the same date.(see Annexure-12) in compliance with the direction of the Commission dated 28.04.2010, in which they reiterated the same position as stated by them during the public hearing on 28.04.2010 The gist of their submissions are as follows-

Extract of Affidavit dated 14.05.2010 filed by MeECL.

1. *The Hon'ble Appellate Tribunal for Electricity, New Delhi, while disposing the Appeal filed by the Byrnihat Industries Association (BIA) against the Tariff Order 2008-09 of the Hon'ble Commission dated 30.09.2008, had remitted the matter to the Hon'ble commission with a direction to undertake truing-up exercise of financial year 2007-08. The Hon'ble Commission, vide its Tariff Order dated 10.09.2009 has trued up the financials of MeECL for the FY 2007-08 & also of FY 2008-09 and revised the tariff with retrospective effect from 1st October 2008. Furthermore, the Hon'ble Commission had directed the MeECL to give effect to such retrospective downward adjustment, against the future demands/energy charge bills of all affected consumers with a view to ensure that all excess amounts collected by the MeECL are fully adjusted by 31.03.2010.*



2. *Being aggrieved by the Tariff Order dated 10.09.2009, the MeECL appealed before the Hon'ble Appellate Tribunal for Electricity, New Delhi against the Impugned Order dated 10.09.2009 passed by the Hon'ble Commission. Pending disposal of this Appeal, the members of BIA have been only making part payment on the electricity bills raised by the MeECL.*
3. *The BIA on 10.01.2010 filed Review Petition being R.P. No. 1 of 2010 seeking directions against the MeECL for non-implementation of the Impugned Order dated 10.09.2009 passed by the Hon'ble Commission for FY 2008-09. On 25.01.2010, the MeECL has filed its Reply to the said Review Petition thereby stating amongst other grounds as under:*
 - a) *that the MeECL has filed an appeal being Appeal No. 37 of 2010 before the Hon'ble Tribunal against the Impugned Order dated 10.09.2009, disposal of which was pending;*
 - b) *pending disposal of the Appeal No. 37 of 2010, the quantum of revenue collectable could not be ascertained;*
 - c) *that the members of BIA have been only making part payment on the electricity bills raised by the MeECL.*
4. *On 24.02.2010, the Hon'ble Commission disposed off the Review Petition No. 1 of 2010 thereby:*
 - a) *directing the MeECL to comply with the Impugned Order;*
 - b) *concluding that the ARR for the Accounting Year 2008-09 be finally trued up on the audited statement of accounts as duly audited by the CAG, as soon as it is received from the MeECL. Consequently, the revenue deficit or revenue surplus in the trued up ARR for FY 2008-09 would be adjusted while working out and fixing the ARR of the perspective year i.e. FY 2010-11.*
5. *The MeECL, vide letter No. MeSEB/SE(RA)/32/Pt-II/30 dated 26.03.2010 submitted before the Hon'ble Commission had sought extension of time beyond 31.03.2010 to comply with the Hon'ble Commission's Order*



dated 10.09.2009. The Hon'ble commission, vide its Order dated 31.03.2010 passed the Order that the Hon'ble Commission does not consider it appropriate to entertain the instant petition dated 26.03.2010 of the MeECL or pass any orders thereon, since the matter is sub-judice before the Appellate Tribunal.

6. *On 30.11.2009, the Hon'ble Commission disposed the Tariff Petition 2009-10 filed on 28.11.2008. The MeECL filed a Review Petition against this Tariff Order dated 30.11.2009, which was disposed by the Hon'ble Commission vide Tariff Order dated 29.01.2010. Accordingly, the bill for February 2010 has been raised as per the Reviewed Tariff Order 2009-10 issued by the Hon'ble Commission on 29.01.2010.*
7. *However, the Byrnihat Industries Association (BIA) filed a Stay Application before the Hon'ble Appellate Tribunal for Electricity, New Delhi, against the Review Tariff Order dated 29.01.2010, on the ground that Notice was not given to them by the Hon'ble Commission while disposing the Review Petition filed by MeECL.*
8. *The Hon'ble Tribunal for Electricity, New Delhi heard the Appeal of the BIA and stayed the Order dated 29.01.2010 of the Hon'ble Commission. Copy of the Stay Order dated 18.03.2010 is enclosed. In view of the above, the MeECL has no option but to implement the Hon'ble Commission's Tariff Order dated 30.11.2009 which is effective from December 2009. A copy of the said notification is enclosed.*
9. *.....that the MeECL never raised any bill which was beyond the tariff as fixed by the Hon'ble Commission..*
10. *.....that it has never been the intention of the MeECL to not comply with the directions of the Hon'ble Commission. In fact the MeECL has always been complying with the directions/orders of the Hon'ble Commission. It is submitted that the MeECL, under bonafide belief that its Appeal having been filed before the Appellate Tribunal*



for Electricity and that it has a strong case on merits, as also given the complexity in arriving at the figures of excess amount and making such adjustments particularly when the MeECL caters to a consumer base of more than two lakh consumers, inadvertently continued to raise bills on the basis of the tariff fixed by the Hon'ble Commission vide its Tariff Order dated 30.09.2008 and not the tariff as per the Impugned Order dated 10.09.2009. It may also be seen that the inadvertent billing is for the months of October 2009 & November 2009 only. It is submitted that the MeECL never raised any bill which was beyond the tariff as fixed by the Hon'ble Commission. The MeECL being a public body and a regulated entity cannot and will not retain any amount which is unjustified nor prudent.

11.that the information made in reply to the aforesaid letter (i) F.No. MSERC/Dist-Tar/10-11/16 dated 5th May 2010 and (ii) F.No. MSERC/Dist-Tar/10-11/19 dated 12th May 2010, is based on information as derived from the records.

16. The Commission carefully noted the position reflected in the aforesaid Affidavits filed by BIA on 11.05.2010 and by MeECL on 14.05.2010. The Commission noted that the position reflected in the aforesaid Affidavits are contradictory. The Commission, therefore, considered it expedient and appropriate to secure the counter-responses of both the said parties and directed that a copy of the Affidavit dated 11.05.2010 filed by Byrnihat Industries Association be furnished to MeECL, and a copy of the Affidavit dated 14.05.2010 filed by MeECL be furnished to Byrnihat Industries Association, giving an opportunity to both parties to file counter affidavits in response, if they so desire, within 15 days ending 28th May, 2010.



17. On 27.05.2010, the BIA filed a petition before the Commission seeking for 5 days additional time to file their counter affidavit in response to the MeSEB affidavit dated 14th May 2010. After due consideration, the Commission allowed the petition and directed that BIA may file their counter affidavit, if any, within 04.06. 2010.
18. On 27.05.2010, MeECL also filed a petition before the Commission, under cover of their letter No. MeECL / ACE (Comm) / SERA/42/Pt-II/2010-11/16 dated 27th May, 2010, seeking for two weeks additional time for filing their counter-affidavit in response to the BIA affidavit dated 11.05.2010. After due consideration, the Commission allowed the petition and directed that MeECL may file their counter affidavit, if any, within 10.06. 2010.
19. On the same date, that is 27.05.2010, MeECL also filed a petition before the Commission, under cover of their letter letter No. MeECL / ACE (Comm) / SERA/42/Pt-II/2010-11/15 dated 26th May, 2010, with reference to the Commission's Order dated 13.05.2010 and sought for two weeks additional time for filing of the required Affidavit, in response to the issues raised by the State Advisory Committee at the SAC Meeting held on 29.04.2010, on Tariff (D) Petition for 2010-11. After due consideration, the Commission allowed the petition and directed that MeECL may file their affidavit, if any, within 10.06. 2010.



20. In compliance to the Commission's Order dated 27.05.2010, the BIA filed an Affidavit vide their letter No.BIA/MSERC/2010-11, dated 02.06.2010 (Annexure-13), before the Commission on 02.06.2010, furnishing their counter response to the Affidavit dated 14.05.2010, filed by the MeECL. The Commission carefully examined the said Affidavit dated 02.06.2010 and noted that the gist of BIA's counter response is as follows –

Extract of Affidavit dated 02.06.2010 filed by B.I.A.

1.that the Petitioner has not complied with the order dated 10.9.2009 passed by the Hon'ble Commission in not only giving adjustment to the past excess tariff collected from the consumers in the State but has also issued the future bills at the old rate despite the re-determination of the tariff by the Hon'ble Commission vide order dated 10.9.2009.
2.that vide order dated 24.2.2010, the Hon'ble Commission had directed the petitioner to comply with the orders passed by the Hon'ble Commission. The Hon'ble Commission and also further held that the subsequent truing up to be carried out on the basis of the audited accounts shall be given effect to in the future tariff orders. On the issue of the truing up already conducted by the Hon'ble Commission, the petitioner was directed to comply with the order passed by the Hon'ble Commission. Despite the above, the petitioner did not comply with the order dated 10.9.2009 passed by the Hon'ble Commission.
3.that vide order dated 31.3.2010, the Hon'ble Commission had rejected the plea of the petitioner for extension of time beyond 31.3.2010 for compliance with the order dated 10.9.2009. However, till date the petitioner has not taken any action to comply with the directions given by this Hon'ble Commission.
4.that the subsequent tariff order dated 30.11.2009 passed by the Hon'ble Commission applicable for the period from December, 2009



was not complied with by the petitioner. Only after expiry of more than three months in the month of March, 2010 did the petitioner take steps to revise the bills as per the determination of tariff by the Hon'ble Commission vide the order dated 30.11.2009. However, till date the petitioner has not complied with the order dated 10.9.2009 passed by the Hon'ble Commission.

5. *....that the only ground for not complying with the orders passed by the Hon'ble Commission is that the petitioners have filed an appeal before the Hon'ble Appellate Tribunal for Electricity which is pending. However, there has been no application for stay filed by the petitioner or any stay granted by the Hon'ble Tribunal for the petitioner to not comply with the order passed by the Hon'ble Commission.*
6. *The parawise reply of the Respondent to the pleadings in the Affidavit dated 14.5.2010 filed by the Petitioner is as under-*

Paras 1 & 2 :

The Petitioner has repeatedly relied on the appeal before the Hon'ble Appellate Tribunal against the order dated 10.09.2010. However, the Appellate Tribunal has not stayed the order of the Hon'ble Commission dated 10.09.2009 and the said Order is in force. In the Order dated 10.09.2009, the Hon'ble Commission has given directives to the Petitioner to revise the bills for arrear charges latest by the end of March, 2010 as under:

“The respondents shall take effective steps to recover arrear dues according to their revised rates from 01 Oct. 2008 onwards that all consumers have not yet paid as per tariff (D) rate for 2008-09 within 31st March, 2010.

Some members of the BIA had paid at a higher rate as per previous commission's order dated 30.09.2008 for which the present commission had also given directives to MeSEB in its



order dated 10.09.2009 in para 23.3.7 which can be read as follows:

“The Respondent (MeSEB) shall take effective steps to adjust excess amounts billed and collected as per Tariff (D) Rates for 2008-09, in terms of these revised rates, from all consumers who were billed and have paid up as per the Tariff (D) Rates 2008-09, within 31 March 2010. Such adjustment are to be made against the future demand/energy charge bills of all such consumers with a view to ensure that all amounts recovered in excess are fully adjusted within 31 March 2010”.

In spite of the above clear directions, the Petitioner neither revised the bills for the period 1.10.2008 onwards, nor adjusted the excess amount paid by the consumers as per the Hon’ble Commission’s order dated 30.09.2008. In fact, the Petitioner threatened to disconnect the power supply to the industries who had paid the tariff at a higher rate and tried to adjust the excess amount in their future energy bills . In this regard a letter from Meghalaya Cements Limited is attached herewith.

All allegations to the contrary contained in Paras 1 & 2 are wrong and are denied.

Para 3:

The respondent reiterates that the Appellate Tribunal has not stayed or passed any interim orders in the Appeal No. 37 of 2010 that gives the Petitioner liberty so as not to implement the directions contained in Order dated 10.9.2009 passed by this Hon’ble Commission. The petitioner is making false and frivolous representations to the effect that the quantum of revenue collected will be revised by the Judgment in Appeal No. 37 of 2010. The members of the respondent have been making payments as per this



Hon'ble Commission's Orders only. All allegations to the contrary contained in Para 3 are wrong and are denied.

Para 4:

The contents of para 4 are baseless and are denied. The respondent submits that despite the Hon'ble Commission's directives in the review petition 1 of 2010 dated 24.02.2010 directing the petitioner to revise the bills, the petitioner did not take any endeavor or further steps to revise the bills or write off the arrear charges which are continued to be shown in the electricity bills of respondent's members despite the fact that all the dues have been paid by the members/consumers as per the order and directives of the Hon'ble Commission. Further, despite the Hon'ble Commission's order dated 24.02.2010 to adjust any revenue deficit or surplus in the ARR for 2008-09 to be adjusted in fixation of tariff for the FY 2010-11, the Petitioner is continuing to show the arrear charges as per the tariff order of the Hon'ble Commission's earlier order dated 30.09.2008. The intention of the Petitioner is not to comply with the Hon'ble Commission's order. The misleading statements made by the Petitioner in Para 4 are wrong and are denied.

Para 5-7:

The contents of Para 5 – 7 are misleading and baseless. The respondent submits that on 30.11.2009, the Hon'ble Commission fixed the tariff for the FY 2009-10, but the Petitioner did not raise the bills as per the said order dated 30.11.2009 for the months of December 2009 & January 2010 and raised the bills as per the Commission's earlier order dated 30.09.2008. Copies of the bills for the months of December 2009, January 2010 and February



2010 Bills are attached hereto.....All allegations to the contrary in Paras 5 – 7 are wrong and are denied.

Para 8:

The contents of Para 8 are a categorical admission by the Petitioner that they implemented the Hon'ble Commission's tariff order dated 30.11.2009, which was effective from December 2009 only after the directives of the Hon'ble Tribunal since they had no other option. However, the petitioner has continued to defy the Hon'ble Commission's Orders from time to time and the consumers of the respondent have been suffering on this account.

Para 9:

The Petitioner has stated in their para 9 that they never raised any bill which was beyond the tariff as fixed by the Hon'ble Commission. This is a false and mis-leading statement. If this statement is to be accepted, then the Petitioner should have issued the bills from October onwards as per the Hon'ble Commission's Order dated 10.09.2009, but the Petitioner continues to raise the bills as per the Commission's earlier order dated 30.09.2008, which was superseded vide the Hon'ble Commission's Order dated 10.09.2009. Copies of the bills raised at higher rate from October 2009 onwards are attached.

However, since the Petitioner failed to raise and correct the bills from the members of the respondent as per the Hon'ble Commission's Order dated 10.9.2009, most of the members paid all the arrear charges vide their letter No. BIA/MeSEB/09-10 dated 29.03.2010 at their own calculations as per the Hon'ble Commission's order dated 10.09.2009. A copy of the letter of the respondent to the Petitioner showing the payment of all



outstanding dues till March 2010 along with a copy of the statement showing all payments is attached hereto.

The Petitioner is still continuing to show arrear charges as per its own calculations and as per the earlier order dated 30.09.2008 which has been set aside by the Appellate Tribunal vide its Order dated.. Such acts on behalf of the Petitioner are causing unnecessary strain and audit problems to the members of the respondent.

Para 10 :

The Petitioner is making statements which are not supported by any evidence. The intention of the Petitioner to comply with the various Orders of this Hon'ble Commission have to be judged by the conduct of the Petitioner from October 2009 onwards and are clear from the records. As far the consumer base of more than 2 lacs is concerned the matter is concerned, the respondent submits that the Respondent has only around 100 members. The bills for the Respondent at least must be revised as soon as possible since all calculations have been done by the members themselves and have been placed before the Petitioner as well as this Hon'ble Commission. The respondent is raising the frivolous ground of more than 2 lacs consumers only to mis-direct and delay the entire issue.

7. that the Petitioner has not accepted in its affidavit that the billing for the month of October and November, 2009 is inadvertent. In such circumstances, it is prayed that the petitioner ought to be directed to immediately correct and revise the bills raised.
8.that many of the consumers including the members of the Respondents have paid tariff to the petitioner in terms of the order dated 10.9.2009 passed by the Hon'ble Commission and adjusted the excess tariff for the past period in terms of the order passed by the



Hon'ble Commission. However, the petitioner continues to show the excess tariff as per the bills raised as arrears recoverable and is charging delayed payment surcharge on such alleged arrears.

9.that the petitioner has issued disconnection notices to many consumers for non-payment of tariff as claimed by the Petitioner, which tariff is in contravention of the orders passed by the Hon'ble Commission. The petitioner ought to be directed not to take any such unilateral and coercive action to disconnect electricity consumers for non-payment of tariff charged in violation of the orders passed by the Hon'ble Commission.
 10.that there is no justification for the above action on the part of the petitioner. The petitioner should revise the bills as per the order dated 10.9.2009 passed by the Hon'ble Commission and comply with the same into letter and spirit.
 11.that for the consumers to whom the petitioner has not refunded the excess tariff collected, immediate steps should be taken by the petitioner to adjust the excess tariff collected in terms of the order passed by the Hon'ble Commission.
21. In compliance to the Commission's Order dated 27.05.2010, the MeECL filed an Affidavit dated 09.06.2010 before the Commission on 10.06.2010(Annexure-14), under cover of their letter No.MeECL/SE(RA)/42/Pt-II/31, dt. 10.06.2010 furnishing their counter response to the `Record Note of Public Hearing on 28th.April.2010'. The Commission carefully examined the said Affidavit dated 09.06.2010 and noted that the gist of MeECL's counter response is as follows –

Extract of Affidavit dated 09.06.2010 filed by MeECL.

1. **Power purchase.**
 - i) **Status as on 28th April 2010** – The power purchase costs as filed in the Tariff Petition 2010-11 at ANNEXURE VI are as below:



Sl. No	Sources	2008-09 (Audited)			2009-10 (Estimated)			2010-11 (Projected)		
		MU	Rate (Rs/U)	Total cost (Rs in crores)	MU	Rate (Rs/U)	Total cost (Rs in crores)	MU	Rate (Rs/U)	Total cost (Rs in crores)
1	Long term – Central sector share	905.96	1.70	154.14	746.16	1.82	135.84	806.61	1.89	152.11
2.	Short term									
A	Bilateral	41.94	3.46	14.52	100.65	7.68	77.28	30.00	4.00	12.00
B	Swapping	21.03		0.2774	21.50		0.20	70.00		0.65
	Total energy charge	968.83		168.94	868.31		213.32	906.61		164.76
3	Transmission charge			32.66			40.21			51.15
	Total charge (energy+transmission)	968.83	2.08	201.64	868.31	2.92	253.53	906.61	2.38	215.91

From the table above, it may be seen that:

- (a) *The average rate of long term purchase was Rs.1.70 per unit in 2008-09, estimated at Rs.1.82 per unit in 2009-10 and projected at Rs.1.89 per unit in 2010.*
- (b) *The average rate of short term bilateral purchase was Rs. 3.46 per unit in 2008-09, estimated at Rs.7.68 per unit in 2009-10 and projected at Rs.4.00 per unit in 2010-11.*
- (c) *The overall average rate of power purchase (energy plus transmission) was Rs 2.08 per unit in 2008-09, estimated at Rs. 2.92 per unit in 2009-10 and projected at Rs.2.38 per unit in 2010.*
- (d) *The rates for long term purchase and transmission charges are based on the tariff as determined by the Hon'ble Central Electricity Regulatory Commission.*
- Therefore, the projected average power purchase cost per unit for 2010-11 is lower compared to that of 2009-10.*

- ii) **Status after 28th April 2010** – *However, the power purchase cost for 2010-11 is being revised as indicated below, in view of the recent developments regarding availability of power. These developments are (i) Myntdu Leshka*



HEP had suffered extensive damage due to flash flood on 20th May 2010 and there will no generation from this hydel station in FY 2010-11. (ii) The generation from Umtru HEP is being affected due to works being taken up in connection with the construction of New Umtru HEP. (iii) The Ministry of Power, Govt. of India, vide letter No. NERPC/PA/2010 dated 12.03.2010, has revised the allocation of power to Meghalaya from the un-allocated power of NTPC stations of the Eastern Region.

Sl. No	Sources	2008-09 (Audited)			2009-10 (Provisional)			2010-11 (Projected)		
		MU	Rate (Rs/U)	Total cost (Rs in crores)	MU	Rate (Rs/U)	Total cost (Rs in crores)	MU	Rate (Rs/U)	Total cost (Rs in crores)
1	Long term – Central sector share	905.96	1.70	154.14	748.23	1.83	137.05	896.01	2.07	185.13
2.	Short term									
A	Bilateral	41.94	3.46	14.52	161.66	2.95	47.68	30.00	4.00	12.00
B	Swapping	21.03		0.28	37.38		1.20	50.00		0.65
	Total energy charge	968.93	5.16	168.94	947.27	1.96	185.93	976.01	2.03	197.78
3	Transmission charge			32.66			37.81			51.15
	Total purchase (energy+transmission)	968.93	2.08	201.60	947.27	2.36	223.74	976.01	2.55	248.93

From the table above, it may be seen that:

- (a).The average rate of long term purchase was Rs.1.70 per unit in 2008-09, provisional at Rs.1.83 per unit in 2009-10 and projected at Rs. 2.07 per unit in 2010.
- (b).The average rate of short term bilateral purchase was Rs. 3.46 per unit in 2008-09, provisional at Rs.2.95 per unit in 2009-10 and projected at Rs.4.00 per unit in 2010-11.
- (c) The overall average rate of power purchase (energy plus transmission) was Rs. 2.08 per unit in 2008-09, provisional at Rs. 2. 36 per unit in 2009-10 and projected at Rs. 2.55 per unit in 2010.



(d) The rates for long term purchase and transmission charges are based on the tariff as determined by the Hon'ble Central Electricity Regulatory Commission.

Therefore, the projected average power purchase cost per unit for 2010-11 has increased marginally compared to that of 2009-10.

2. **Repair & Maintenance Cost**

i). **Status as on 28th April 2010** – The MeECL had provided to the Hon'ble Commission the justifications for the proposed level of increase in the repair and maintenance cost vide para 2 (vi) (i) of the letter No. MeSEB/SE(RA)/42/37 dated 9th March 2010; and the same is reproduced below:

Details of Repairs & Maintenance Cost

R&M as per Statement of Accounts 2008-09 (including Generation) = Rs. 16.13 Cr

Add 10% normal increment for 2009-10 = Rs. 1.61 Cr

R&M estimated for 2009-2010 = Rs 17.74 Cr

Add 10% normal increment for 2010-11 = Rs 1.77 Cr

R&M estimated for 2010-2011 = Rs 19.51 Cr

Add R&M for MLHEP since expected to be commission in 2010-11 @ 0.50% of total cost of Rs.965.63 Cr = Rs 4.83 Cr

R&M Projected for 2010-11 = Rs 24.34 Cr

With the scheduled commissioning of MLHEP, the Repair & Maintenance Cost was projected to increase by Rs. 4.83 crores (based on the calculation shown above.) The normal increase without MLHEP was projected at 10% increment which amounts to Rs.1.77 crore. Therefore, the overall increase of Repair & Maintenance Cost is marginal.

iii) **Status after 28th April 2010** – Due to non-commissioning of MLHEP in 2010-11, the repair and maintenance expenses projected in paragraph 9.2 of the Tariff Petition at Rs.24.34 Cr, is now revised to Rs. 19.51 Cr.



3. **Interest and finance charges**

- i) **Status as on 28th April 2010** – In the Tariff Order 2009-10 dated 30th November 2009, the Hon'ble Commission has allowed the Interest and Finance Charges at Rs.71.34 Crores. The Hon'ble Commission had erroneously arrived at the above figure by deducting the Interest against Government loan twice. The MeECL in its Review Petition filed on 22.12.2009 has petitioned the Hon'ble Commission against this error. The Hon'ble Commission in its Order dated 29.01.2010 has allowed the Petition filed by MeECL and approved the Interest and Finance Charges for 2009-10 at Rs. 92.90 Crores. It may be mentioned that, subsequently the Appellate Tribunal of Electricity has stayed the Order dated 29.01.2010 on the ground of procedural errors and not on arithmetical error. Therefore, the Interest and Finance Charges projected in FY 2010-11 at Rs.89.78 Crores is much less than the level allowed by the Hon'ble Commission in its Tariff Order dated 29.01.2010.
- ii) **Status after 28th April 2010** – Due to non-commissioning of MLHEP in 2010-11, the interest and finance charges, after capitalization and excluding interest on State Government. Loan as projected in the Tariff Petition at Rs.54.24 Cr as shown below, is now revised to Rs.19.07 crore.

Sl No	Items	Projected in Tariff Petition 2010-11 (Rs.In Crore)
1	Total interest expenses	115.00
2	Less interest on State Government loan	25.22
3	Less interest capitalization	35.54
	Total	54.24

4. **Employee Cost**

The pay revision of the employees of MeECL is due from 1st January 2010. A copy of the order No. PB/46/2010/1 dated 2nd March 2010 requesting the Director (Finance) to make a draft proposal of the Revision of Pay 2010 is enclosed as ANNEXURE-A. The MeECL had provided to the Hon'ble Commission the justifications for the proposed level of increased in employee cost, vide para 2 (vi) (ii) of



the letter No. MeSEB/SE(RA)/42/37 dated 9th March 2010; and the same is reproduced below:

Details of Employees cost

Employee cost as per Statement of Accounts 2008-09	= Rs.104.79 Cr
Add 10% Normal Increment	= <u>Rs. 10.48 Cr</u>
Employees cost for 2009-10	= Rs.115.27 Cr
Add 10% Normal Increment	= Rs. 11.53 Cr
Add provision for Revision of Pay @ 20% (Approx)	= <u>Rs. 22.00 Cr</u>
Employees cost projected for 2010-11	= Rs.148.80 Cr

With the scheduled revision of pay to be effective from 1st January 2010, the employee cost is projected to increase by Rs. 22.00 crores (based on the calculation shown above). The normal increase without pay revision is projected at 10% increment which amounts to Rs.11.53 crore from 2009-10 to 2010-11. Therefore, the overall increase of employee cost is marginal.

5. **Consumer Metering** - All new connections provided by MeECL, including BPL connections under RGGVY Project, have been metered. Furthermore, the MeECL is actively taking up metering of all unmetered connections. It may also be mentioned that all EHT, HT and major LT consumers have been metered.
6. **Part payment of Electricity Bills** - The members of the Byrnihat Industries Association have been making part payment of electricity bills raised by MeECL since October 2008, on the ground that the Byrnihat Industries Association had appeal against the Tariff Order dated 30.09.2008 before the Hon'ble Appellate Tribunal for Electricity, New Delhi. A billing statement raised by MeECL for a particular consumer namely M/s Pioneer Carbide with effect from October 2008 to March 2010 and payment thereof is enclosed.



7. **Corporatization of MeSEB** – The Meghalaya Government in accordance with the Electricity Act 2003 has notified the Meghalaya Power Sector Reforms Scheme 2010 wherein the Meghalaya State Electricity Board has been unbundled into the Meghalaya Energy Corporation Limited as the Holding Company and Meghalaya Power Generation Corporation Limited, Meghalaya Power Transmission Corporation Limited & Meghalaya Power Distribution Corporation Limited as the Subsidiary Companies, with effect from 1st April 2010.

22. In compliance to the Commission's Order dated 27.05.2010, the MeECL also filed an Affidavit dated 09.06.2010 before the Commission on 10.06.2010, under cover of their letter No.MeECL/SE(RA)/42/Pt-II/32, dt. 10.06.2010(Annexure-15), furnishing their response to the issues raised by the State Advisory Committee on Tariff (D) Petition for 2010-11, at the SAC Meeting held on 29.04.2010. The Commission carefully examined the said Affidavit dated 09.06.2010 and noted that the gist of MeECL's counter response is as follows –

Extract of Affidavit dated 09.06.2010 filed by MeECL.

1. Employees cost

i. The percentage increase in employee costs during the last three years of the audited Balance Sheet and the Projections in the following two years are as follows:

Years	Audited / Projected	Employee Costs (Rs.in Cr)	Increase in Percentage	Reasons for Increase
2006-07	Audited	82.60	10.02%	Normal Annual Increment
2007-08	Audited	95.93	16.14%	Normal Annual Increment
2008-09	Audited	104.79	9.24%	Normal Annual Increment
2009-10	Projected	115.27	10.00%	Normal Annual Increment
2010-11	Projected	148.80	29.09%	1. 10% Normal Annual Increment 2. Plus 20% (approx) for Pay Revision.



The MeECL has provided to the Hon'ble Commission the justifications for the proposed level of increase in the employee cost vide para 2 (vi) (ii) of the letter No. MeSEB/SE(RA)/42/37 dated 9th March 2010, which is reproduced below:

Details of Employees cost

Employee cost as per Statement of Accounts 2008-09	= Rs.104.79 Cr
Add 10% Normal Increment	= <u>Rs. 10.48 Cr</u>
Employees cost for 2009-10	= Rs.115.27 Cr
Add 10% Normal Increment	= Rs. 11.53 Cr
Add provision for Revision of Pay @ 20% (Approx)	= <u>Rs. 22.00 Cr</u>
Employees cost projected for 2010-11	= Rs.148.80 Cr

ii. The Revision of Pay Scale with effect from 1st January, 2010 is still under process and will be intimated to the Commission as soon as the same is finalized. A copy of the letter No. PB/46/2010/1 dated 2nd March 2010 requesting the Director (Finance) to prepare the draft Revision of Pay 2010 effective from 1st January 2010 is enclosed.

iii. The observations of the Hon'ble Commission are noted.

2. Depreciation

i. The increase in depreciation during the last two years of the Audited Balance Sheet and the projections in the following two years are as below:

Years	Audited / Projected	Depreciation (Rs.in Cr)	Increase in Depreciation (Rs. in Cr)	Reasons for Increase
2007-08	Audited	12.90	0.28	Normal Annual Increment
2008-09	Audited	14.12	1.22	Normal Annual Increment
2009-10	Projected	15.53	1.41	Normal Annual Increment
2010-11	Projected	45.42	29.89	1. Normal Annual Increment 2. Depreciation including MLHEP



The MeECL has provided to the Hon'ble Commission the justifications for the proposed level of increase in the depreciation at para 2 (vi) (iii) of letter No. MeSEB/SE(RA)/42/37 dated 9th March 2010, which is reproduced below:

Details of Depreciation

Depreciation as per Statement of Accounts 2008-09	= Rs.14.12 Cr
Add 10% Normal Increment	= Rs. 1.41 Cr
Depreciation for 2009-10	= Rs.15.53 Cr
Add 10% Normal Increment	= Rs. 1.55 Cr
Add Depreciation for MLHEP at an average rate of 5.87% (approx) for half year of Commissioning on total cost of Rs.965.63 Cr.	
$965.63 \times \frac{5.87}{100} \times \frac{6}{12}$	= Rs.28.34 Cr

- ii. Depreciation projected for 2010-11 = Rs.45.42 Cr
- The Myntdu-Leshka HEP suffered extensive damages due to flash flood that occurred on the 20th May 2010 and as a result, there will be no commercial operation of the project in 2010-11. The depreciation expenses associated with this project will therefore be nil. The revised calculation is given below-

Details of Depreciation

Depreciation as per Statement of Accounts 2008-09 =	Rs.14.12 Cr
Add 10% Normal Increment	= <u>Rs. 1.41 Cr</u>
Depreciation for 2009-10	= Rs.15.53 Cr
Add 10% Normal Increment	= <u>Rs. 1.55 Cr</u>
Depreciation projected for 2010-11	= Rs.17.08 Cr

3. Interest & Finance charges

- i. The increase in Interest & Finance charges during the last three years of the audited Balance Sheet and Projection in the following next two years are as follows: (Rs. in Crores)

Years	Audited / Projected	Interest & Finance Charges	Increase in Interest & Finance Charges
2006-07	Audited	36.35	10.23
2007-08	Audited	59.57	23.22
2008-09	Audited	69.34	9.77
2009-10	Projected	89.28	19.94
2010-11	Projected	89.78	0.50



The detailed calculation of interest & finance charges is given below. The detailed statement showing the amount of loans availed, rate of interest, amount of interest, etc for the last three years are enclosed in **ANNEXURE B.**(Rs. in Crores)

Serial No	Particulars	2009-10 (Provisional)	2010-11 with 10% normal increment (projected)
1.	REC Loan MLHEP	25.61	28.17
2.	Bond Issue (MLHEP)	17.64	19.40
3.	PFC Loan (MLHEP)	6.29	6.92
4.	Federal Bank (MLHEP)	2.48	2.73
5.	CBI II (MLHEP)	3.75	4.12
6.	HUDCO (NUHEP)	2.43	2.67
7.	SBI II	5.99	6.59
8.	Federal Bank (NUHEP)	1.99	2.19
9.	REC (Re-scheduled)	7.64	8.40
10.	CBI	0.35	0.38
11.	Market Borrowing	3.44	3.78
12.	State Govt. Loan, CSS, APDRP, PGMY(RE), RGGVY (RE), NLCPR and MNP.	23.91	26.30
	Sub-total	101.52	111.65
13.	Penal Interest	3.84	0.54
14.	Cost of raising finance	2.64	1.32
15.	Other charges	4.21	2.10
	Sub-total	112.21	115.61
	Less:Interest on State Government Loan	22.93	25.83
	Net Interest	89.28	89.78

- ii. The increase in interest on loans from banks on capital investment and working capital is primarily due to the urgent need of funds for the completion of the Myntdu Leshka HEP and for the smooth execution of the works in respect of the New Umtru HEP.
- iii. Due to non-commissioning of MLHEP in 2010-11, the interest and finance charges, after capitalization and excluding interest on State Government Loan, projected in the Tariff Petition at Rs.54.24 Cr as shown below, is revised to Rs.19.07 crore.

Serial No	Items	Projected in Tariff Petition 2010-11 (Rs. In Crores)
1.	Total interest expenses	115.00
2.	Less interest on State Government loan	25.22
3.	Less interest capitalization	35.54
	Total	54.24



4. **Working capital**

- i. *The working capital was calculated at 3 months estimated revenue sales because as per the supply code, the consumer will be billed after 30 days. Clause 6 (2) of the Meghalaya Electricity Supply Code 2006 gives the consumer not less than 15 days time before the due date, for making the payment. Moreover, clause 16(1) specifies that if the consumer neglects or refuse to pay the bill for a period of one month (30 days) from the due date, the licensee shall serve him a notice of 15 clear days and disconnect the supply after the notice expires. This means that a defaulting consumer cannot be disconnected within a period of 90 days from the date of connection. Therefore, the provision of working capital estimated at three months estimated revenue is justified.*
- ii. *Decrease in income from delayed payment charges – The delayed payment charges from consumers for the year 2008-09 as per Audited Statement of Accounts were Rs. 32.28 crores. This represents a trend of 34.05% increase over the previous year. However, for the year 2009-10 only one-third of the trend is considered as normal incremental increase in DPC i.e. 1/3 of 34.05%=11.35% say 12% approximately. The calculation is shown below:*

DPC for 2008-09 (Audited)	= Rs.32.28 crores
Add normal increment @ 12% approximately	= Rs. 3.87 crores
Sub-Total	= Rs.36.15 crores
Less DPC written off against Govt. consumers	= Rs.17.76 crores
Total	= Rs.18.39 crores

5. **Income Tax**

- i. *In the Statement of Accounts for 2008-09, the provision for Income Tax liability has been earmarked @ 30% on Book profit amounting to Rs.4.21 Cr. i.e. 30% of (profit Rs. 50.14 Cr (-) prior period Rs.36.10 Cr). Hence, provision for Income Tax for 2008-09 is Rs.4.21 Cr. Since the expected Return on Equity for 2009-10 & 2010-11 have been projected at @ 14%, as per CERC Norms, and it amounts to Rs.28.28 Cr and which has duly been approved by the Commission, the Provision for Income Tax for 2009-10 is projected at the rate of 33% on the expected Return on Equity i.e. Rs.28.28 Cr which amounts to Rs.9.33 Cr. Similarly, provision for*



Income Tax for 2010-11 has also been projected @ 33% on the expected Returns on Equity i.e. Rs.28.28 Cr which amounts to Rs.9.33 Cr.

6. Bad Debts

Although the provision for Bad & Doubtful debts for the year 2008-09 was projected at Rs.6.27 crores, the actual amount of Bad debts for 2008-09 as per the audited Statement of Accounts amounted to Rs.18.48 crores which is inclusive of the DPC written off against Government consumers. Similarly, although the provision for Bad & Doubtful debts for the year 2009-10 was projected at Rs.10.00 crores, the actual amount of Bad debts as per provisional accounts amounts to Rs.21.70 crores which is inclusive of the bad debts written off against Non-Government Consumers. In view of the above, the projection of Rs.10.00 crores against bad debts for the year 2010-11 is perhaps justified.

7. Tariff Rates – *The Hon’ble Commission may decide as it deemed fit and proper.*

8. Agricultural Tariff – *The Hon’ble Commission may decide as it deemed fit and proper.*

9. Low Power Factor - *The MeECL, vide its letter No. MeECL / SE (RA) / 42 /53 dated 3rd May 2010 has given the clarification regarding its proposal for “Compensation charges for low power factor”. However, the issues raised herein are reproduced below.*

i.(a) EHT & HT Supply – All EHT and HT consumers have been installed with tri-vector (KVAH) meters.

(b). LT supply – Since the key determinant of power factor are the load characteristics at the consumer end, the MeECL has taken a policy decision that consumers with load characteristics having significant effect on the power factor should be installed with tri-vector (KVAH) meter. Accordingly, the following categories of LT consumers have been identified for installation with tri-vector (KVAH) meters – Industrial, Water Supply and Agricultural, as these have load characteristics having significant effect on the power factor.

ii.The MeECL had inadvertently omitted EHT supply from this proposal. The error is sincerely regretted.



10. Transmission & Distribution

The MeECL has consistently strived to reduce the overall T&D losses. The losses have shown a declining trend as may be seen from the figures herein. The actual T & D loss was 33.34% in FY 2007-08, 31.36% in FY 2008-09, provisional at 31.03% in FY 2009-10 and projected at 27.08% in FY 2010-11. Regarding the issue of open access to desiring consumers, the Hon'ble Commission has already initiated action on the matter.

11. Unmetered Connections

The Board has taken a policy decision that no new connection to any category of consumers shall be provided without meters. Efforts are being made to achieve 100% metering of consumers in the next two years. The metering of consumers is being done by the Board through its own resources and RGGVY scheme (for BPL consumers only).

12. Miscellaneous.

i. The Government of Meghalaya, on 31st March 2010, had notified the Meghalaya Power Sector Reforms Transfer Scheme 2010 and the same was intimated to the Hon'ble Commission. With the unbundling of the power sector into three Corporations separately for Generation, Transmission and Distribution, the Hon'ble Commission may kindly notify the Tariff Regulation for each Corporation, to enable submission of a tariff proposal separately by each Corporation.

ii. Shallang area: The status of consumer data in Shallang area is as below:

<i>Total No. of consumer</i>	<i>- 211</i>
<i>Consumers with meters</i>	<i>- 125</i>
<i>Consumers without meters</i>	<i>- 86</i>

The observations of the Hon'ble Commission are noted and efforts are being made to meter all electrical connections.

iii. The observation of the Hon'ble Commission is noted and efforts are being made to bill all the consumers on a monthly basis.



13. **Bulk Supply of Electricity to Defense Cantonments** – *The Hon’ble Commission may decide as it deemed fit and proper.*

23. On 10.06.2010, the MeECL filed an Affidavit dated 09.06.2010 before the Commission, purporting to be submission of a Revised Proposal to their Tariff(D) Petition dated 12.02.2010, in respect of availability of power, sale of energy and expenditure regarding tariff petition 2010-11, under cover of their letter No.MeECL/SE(RA)/42/Pt-II/33 dated 10.06.2010(Annexure-16). The gist of MeECL’s revised proposal is as follows –

Gist of Covering Letter No. MeECL/SE(RA)/42/Pt-II/33 dated 10th June 2010

.....that Myntdu Leshka HEP which was scheduled to be commissioned during the FY 2010-11 has suffered extensive damage due to a flash flood on 20th May 2010. As a result of this mishap, there will be no commercial operation of this hydel station during the FY 2010-11 and so there shall be no generation. In view of the latest developments in MLHEP, the following items were revised for 2010-11 (a) availability of power (b) sale of energy and (c) Expenditure (ARR). The MeECL has revised the tariff proposal with the availability of 1510.01 MU, sale of 1101.10 MU and T&D loss of 27.08%. The ARR was also revised to Rs.461.40 crore.

.....The MeECL in the Tariff Petition 2010-11 had proposed the tariff rates for all categories of consumers. Keeping the rates unchanged, the revenue at the revised energy sale is projected at Rs. 461.79 crore. Since the projected revenue at the rates proposed that the rates submitted in the Tariff Petition 2010-11 shall remain unchanged.

.....The MeECL therefore submits before the Hon’ble Commission to kindly consider the revised proposal submitted herein, only to the extent made in this petition.



Extract of Affidavit dated 09.06.2010 filed by MeECL

1. Energy availability

The energy availability during FY 2010-11 as projected in the Tariff Petition is required to be revised because of the following:

a) From own Generation

- i) Myntdu Leshka HEP which was scheduled to be commissioned during the FY 2010-11 has suffered extensive damage due to a flash flood on 20th May 2010. As a result of this mishap, there will be no commercial operation of this hydel station during the FY 2010-11 and so the generation shall be nil.
- ii) The generation from Umtru HEP is affected due to works being taken up in connection with the construction of New Umtru HEP. The generation from Umtru HEP. The generation from Umtru HEP is being considered for the periods from 01.04.2010 to 21.04.2010 and from July to October 2010 only. The power station shall be kept under total shut down for the remaining period of 2010-11.
- iii) Accordingly, the energy availability as shown in Table 5 of the Tariff Petition is revised as below:

Table 5 : Own Generation

(All figures are in MUs)

Serial No.	Source	2008-09 (Audited)	2009-10 (Provisional)	2010-11 (Projected)
1	Stage I	101.23	110.32	108.25
2	Stage II	55.41	51.18	48.71
3	Stage III	160.17	137.25	160.80
4	Stage IV	193.76	182.31	195.72
5	Umtru	43.56	48.22	18.16
6	Micro Hydel	0.00	2.15	4.50
7	Myntdu Leshka	0.00	0.00	0.00
8	Gross Generation	554.13	531.43	536.14
9	Auxiliary consumption	1.29	1.28	2.14
10	Net Generation	552.84	530.15	534.00

- b) **Power purchase** – The Ministry of Power, Government of India, vide letter No. NERPC/PA/2010 dated 12.03.2010, has revised the allocation of power to Meghalaya from the un-allocated power of NTPC stations of the Eastern Region. A copy of the letter is enclosed. As a result of this, the central sector share of MeECL with effect from March 2010 as shown in Table 2 of the Tariff Petition is revised as below:



Table 2: Share from Central Generating Stations (with effect from March 2010)

Serial No.	Name of Power Station	Capacity (MW)	% Share	MW Share
1	Loktak HEP, NHPC	105	12.14	12.75
2	Khandong HEP, NEEPCO	50	16.65	8.33
3	Kopili I HEP, NEEPCO	200	17.15	34.30
4	Kopili II HEP, NEEPCO	25	18.65	4.66
5	AGTPP, NEEPCO	84	11.34	9.53
6	AGBPP, NEEPCO	291	11.55	33.61
7	Doyang HEP, NEEPCO	75	11.23	8.42
8	Ranganadi HEP, NEEPCO	405	11.25	45.56
9	FSTPP, NTPC	1600	0.58	9.28
10	KHSTPP-I, NTPC	840	0.58	4.87
11	KHSTPP-II, NTPC	1500	1.60	24.00
12	TSTPP, NTPC	1000	0.58	5.80
	Total	6175		201.11

With the increased in allotment from central sector share, the purchase of power from outside sources as shown in Table 6 of the Tariff Petition is revised as below:

Table 6 : Power Purchase from Outside (All figures in MUs)

Serial No.	Source	2008-09 (Audited)	2009-10 (Provisional)	2010-11 (Projected)
I	LONG TERM SHARE			
1.	NEEPCO:			
A	Free Power	68.89	55.51	66.36
	Sub-Total (1A)	68.89	55.51	66.36
B	Purchase Power			
i	Kopli PS	99.32	507.94	88.50
ii	Kopli Stage-II PS	9.99		11.29
iii	Khandong PS	20.72		20.66
iv	AGTPP	72.28		71.53
v	AGBPP	199.40		194.36
vi	Ranganadi	176.70		146.42
vii	Doyang	25.60		23.29
	Sub-Total (1B)	604.01	507.94	556.05
2	NHPC:Loktak HEP	59.45	45.31	53.16
3	NTPC:			
i	FSTPP	61.66	139.47	37.56
ii	KHSTPP-I	31.71		24.12
iii	TSTPP	44.47		46.44
iv	KHSTPP-II	35.82		112.32
	Sub-Total (3)	173.61	139.47	220.44
	Total (I)	905.96	748.23	896.00
				1

<i>II</i>	SHORT TERM PURCHASE			
<i>A</i>	<i>Bilateral</i>			
<i>1</i>	<i>Shyam Century Ferro</i>	8.25	6.43	
<i>2</i>	<i>UI</i>	33.69	91.03	30.00
<i>3</i>	<i>RPG</i>		2.10	
<i>4</i>	<i>PTC</i>		56.74	
<i>5</i>	<i>NVVN</i>		5.36	
	<i>Sub-Total (IIA)</i>	41.94	161.66	30.00
<i>B</i>	<i>Swapping</i>			
<i>1</i>	<i>NVVN</i>	19.61	37.38	50.00
<i>2</i>	<i>TSECL</i>	1.42		
	<i>Sub-Total (IIB)</i>	21.03	37.38	50.00
	<i>Grand Total (I&II)</i>	968.93	947.27	976.01

3. Energy Sale

Pursuant to the revision in power availability, the energy sale as shown in Table 3 of the Tariff Petition is revised as below:

Table 3: Category-wise Energy Sale (All figures are in MUs)

Consumer category	2008-09 (Audited)	2009-10(Provisional)	2010-11 (Projected)
	Units (MU)	Units (MU)	Units (MU)
Domestic			
<i>LT</i>	209.72	214.60	220.55
<i>HT</i>	16.97	18.19	20.03
<i>KJ</i>	4.31	5.39	6.86
<i>Sub-Total</i>	231.00	238.18	247.43
Commercial			
<i>LT</i>	33.62	39.88	41.95
<i>HT</i>	10.03	12.36	13.19
<i>Sub-Total</i>	43.65	52.24	55.14
Industrial			
<i>LT</i>	4.95	5.63	6.14
<i>HT (Above 1MW)</i>	276.07	278.18	321.70
<i>HT (Below 1MW)</i>	18.92	25.46	28.55
<i>Sub-Total HT</i>	294.99	303.64	350.25
<i>EHT</i>	228.60	189.02	237.12
Public Service			
<i>PL</i>	1.50	1.99	2.11
<i>Public Water Works (LT)</i>	5.74	6.29	6.78
<i>Public Water Works (HT)</i>	23.96	25.27	27.18
<i>Sub-Total</i>	31.20	33.55	36.07
<i>AP</i>	0.50	0.62	0.63
General Purpose			
<i>LT</i>	9.20	11.85	12.96
<i>HT (Bulk Supply)</i>	64.86	6.77	68.05
<i>Sub-Total</i>	74.06	78.62	81.02
<i>Crematorium</i>	0.22	0.22	0.22
<i>Board's offices & Employees</i>	36.32	36.79	37.27



<i>Inter-State</i>			
<i>Assam (General Purchase)</i>	10.88	13.16	14.81
<i>Sub-Total</i>	10.88	13.16	14.81
<i>U.I/Bilateral</i>	88.23	40.66	35.00
<i>Swapping</i>		26.63	
<i>Sub-total</i>	88.23	67.29	35.00
<i>Total Sale</i>	1044.60	1018.96	1101.10

Energy balance

The energy balance proposed in paragraph 6 & Table 7 of the Tariff Petition is revised as below:

(All figures are in MUs)

Serial No.	Sources	Availability	Swapping	Availability
1	Own Generation	534.00	Less 50 MU during monsoon	484.00
2	Outside Sources	976.01	Add 50 MU during lean seasons	1026.01
3	Total	1510.01		1510.01

Table 7 : Energy Balance (All figures are in MUs)

Serial No.	Source	2008-09 (Audited)	2009-10 (Provisional)	2010-11 (Projected)
1	Net Own Generation	552.84	530.15	534.00
2	Power Purchased from outside	968.93	947.27	976.01
3	Total Energy	1521.77	1477.42	1510.01
4	T&D Loss (MUs)	477.17	458.46	408.91
5	T&D Loss (%)	31.36	31.03	27.08
6	Total Energy Sale	1044.60	1018.96	1101.10

4. Power Purchase Cost

- i) The availability of power from outside sources as shown in Table 6 above has been revised to 976.01 MU (purchase of 926.01 MU and swapping of 50 MU) at an expenditure of Rs.248.93 crore. The power purchase cost proposed in paragraph Table 8 of the Tariff Petition is revised as below.

Table 8 : Power Purchase Cost for FY 2010-11

Serial No.	Source	2010-11 (Projected)		
		Energy (MUs)	Rate (Paisa/Unit)	Total Cost (Rs.In Cr)
I	LONG TERM SHARE			
I	NEEPCO:			
A	Free Power	66.36		
	Transmission Charge			
	Sub-Total (IA)	66.36		



<i>B</i>	<i>Purchase Power</i>			
<i>I</i>	<i>Kopli PS</i>	88.50	73.99	6.55
<i>Ii</i>	<i>Kopli Stage-II PS</i>	11.29	182.92	2.07
<i>Iii</i>	<i>Khandong PS</i>	20.66	118.92	2.46
<i>Iv</i>	<i>AGTPP</i>	71.53	204.19	14.61
<i>V</i>	<i>AGBPP</i>	194.36	211.97	41.20
<i>Vi</i>	<i>Ranganadi</i>	146.42	208.46	30.52
<i>Vii</i>	<i>Doyang</i>	23.29	395.75	9.22
	<i>Sub-Total (IB)</i>	556.05	191.73	106.61
2	<i>NHPC:Loktak HEP</i>	53.16	171.67	9.13
3	<i>NTPC:</i>			
<i>I</i>	<i>FSTPP</i>	37.56	325.08	12.21
<i>Ii</i>	<i>KHSTPP-I</i>	24.12	298.92	7.21
<i>Iii</i>	<i>TSTPP</i>	46.44	299.74	13.92
<i>Iv</i>	<i>KHSTPP-II</i>	112.32	320.96	36.05
	<i>Sub-Total(3)</i>	220.44		69.39
	<i>Sub-Total (I)</i>	896.01		185.13
<i>II</i>	<i>SHORT TERM PURCHASE</i>			
<i>A</i>	<i>Bilateral</i>			
1	<i>Shyam Century Ferro</i>			
2	<i>UI</i>			
3	<i>RPG</i>	30.00	400.00	12.00
4	<i>PTC</i>			
5	<i>NVVN</i>			
	<i>Sub-Total(IIA)</i>	30.00		12.00
<i>B</i>	<i>Swapping</i>			
1	<i>NVVN</i>	50.00		
2	<i>TSECL</i>			
3	<i>OPEN ACCESS CHARGES</i>			0.65
	<i>Sub-Total (IIB)</i>	50.00		0.65
<i>III</i>	<i>Reactive Energy Charges</i>			
<i>IV</i>	<i>Transmission Charges:</i>			
<i>I</i>	<i>PGCIL</i>			44.66
<i>Ii</i>	<i>RLDC Charges</i>			1.49
<i>Iii</i>	<i>AEGCL</i>			5.00
	<i>Sub-Total (IV)</i>			51.15
	<i>Grand Total (I to IV)</i>	976.01		248.93

Also, the power purchase cost as was indicated in the Tariff Petition 2010-11 filed earlier is revised and annexed herewith.

- b) The rate of power purchase from long term share is expected to increase over and above the rate projected in this Tariff Petition. This is because of the following reasons:-
- i). The rates proposed in this petition are pertaining to the FY 2008-09 which is based on the CERC's Regulation 2004-09. NEEPCO and NHPC had filed the tariff petition before the Hon'ble Central Electricity Regulatory Commission for the period 2009-10 to 2013-14, the disposal of which is pending. The MeECL in this petition has not incorporated the anticipated increase in power purchased



cost on this account. The summary of the petition filed by NEEPCO & NTPC is as below:

PROPOSED ANNUAL FIXED CHARGES OF CENTRAL SECTOR GENERATING STATION INNER
(Rs in lakhs)

Serial No	Name of station	Existing	Petition filed with CERC				
			2008-09	2009-10	2010-11	2011-12	2012-13
1.	Kopili-I HEP	5767.38	8249.60	8705.49	9290.84	10071.06	10938.58
2.	Kopili-II HEP	1295.11	1210.70	1214.81	1241.59	1238.58	1213.21
3.	Khandong HEP	1963.28	2872.50	3306.51	4562.64	5275.17	5223.12
4.	Doyang HEP	5850.00	9980.15	10474.84	11127.97	11778.05	9168.07
5.	Ranaganadi HEP	20340.81	32141.80	31797.11	31655.81	31342.92	32442.10
6.	AGBPP	23360.00	30738.18	30491.97	24022.49	24341.88	24744.10
7.	AGTPP	5271.00	7937.36	8100.76	7005.64	7198.66	7394.00
8.	Loktak HEP	5018.12	9796.99	10535.96	11131.05	11743.86	12320.42

ii) NEEPCO has filed petition for additional capitalization expenditure on their syndicate loan at actual interest rates for the period 01.04.2006 to 31.03.2009 for each of their power stations. Meanwhile, the Hon'ble Central Electricity Regulatory Commission has disposed some of their petitions. The MeECL in this petition has not incorporated the anticipated increase in power purchased cost on this account

5. Repair & Maintenance

Due to non-commissioning of MLHEP in 2010-11, the repair and maintenance expenses projected in paragraph 9.2 of the Tariff Petition at Rs.24.34 Cr, is now revised to Rs.19.51 Cr.

6. Depreciation

Due to non-commissioning of MLHEP in 2010-11, the depreciation projected in paragraph 9.5 of the Tariff Petition at Rs 45.42 Cr is now revised to Rs 17.08 Cr.

7. Interest & Finance charges

Due to non-commissioning of MLHEP in 2010-11, the interest and finance charges, after capitalization and excluding interest on State Government Loan, projected in the Tariff Petition at Rs.54.24 Cr as shown below, is revised to Rs.19.07 crore.



Serial No.	Items	Projected in Tariff Petition 2010-11 (Rs.In Crores)
1	Total interest expenses	115.00
2	Less interest on State Government Loan	25.22
3	Less interest capitalization	35.54
	Total	54.24

8. Annual Revenue Requirement (ARR)

The Annual Revenue Requirement (ARR) proposed in the Tariff Petition is revised as below: (All figures are in Rs.Crores)

Sl.No.	Items	2008-09 (Audited)	2009-10 (Prov)	2010-11 (Proj)
1.	Power purchase.	201.64	223.74	248.93
2.	Repair and maintenance	16.13	20.26	19.51
3.	Employee Cost	104.79	111.03	148.80
4.	Administrative and General expense	7.92	8.71	9.58
5.	Depreciation	14.12	17.08	17.08
6.	Interest and finance charges excluding State Govt. loan	69.34	72.70	85.28
7.	Provision for bad and doubtful debts	18.48	21.70	10.00
8.	Provision for Income Tax	4.21	4.94	9.33
9.	Net prior period	36.10	13.28	0.00
10.	Sub-total (1)	472.73	493.44	548.51
11.	Less other income	39.79	22.67	24.94
12.	Less Interest capitalized	48.33	58.65	66.21
13.	Less Employee cost capitalized	8.46	9.31	10.24
14.	Less Subsidy	11.70	13.68	14.00
15.	Sub-total(2)	108.28	104.31	115.39
16.	Net after deduction (1-2)	364.45	389.13	433.12
17.	Add Return on Equity	28.28	28.28	28.28
18.	Net Annual Revenue Requirement	392.73	417.41	461.60

9. Revenue at current tariff

Revenue projected for FY 2010-11 is calculated based on the revised projected sale of energy category-wise and rates of the existing tariff (Tariff Order dated 30th November 2009). At the prevalent tariff the revenue projected is Rs.402.31 Cr. The computation is attached to this petition, which may replace the computation furnished vide Tariff Petition 2010-11 filed earlier.

10. Revenue deficit at current tariff:

From the statement at paragraph 8 above, it may be seen that the ARR projected for FY 2010-11 is Rs.461.40 crore against the projected revenue of Rs 402.31 crore at existing tariff as indicated at paragraph 9 above. Thus the revenue deficit is Rs.59.09 crore. The revenue deficit at current tariff as shown in Table 17 of the Tariff Petition 2010-11 is revised as shown below:



Table 17 : Revenue Deficit at Current Tariff (All figures are in Rs. Crore)

Serial No.	Particulars	2010-11 (Projection)
1.	ARR projected for FY 10-11	461.40
2.	Revenue at prevalent rates as per Tariff Order dated 30.11.2009	402.31
3.	Surplus(+)/Shortfall(-)	(-) 59.09

- 11. Revenue at rates proposed in the Tariff Petition for financial year 2010-11:**
The MeECL in its Tariff Petition for 2010-11, had proposed the tariff rates for all categories of supply. The projected revenue at these proposed rates is calculated based on the revised projected category-wise sale of energy given at Table-3 above. The computation is attached to this petition, and may replace the Annexure furnished vide the Tariff Petition 2010-11 filed earlier. The projected revenue derived is Rs 461.79 crores.
- 12. Tariff proposal for financial year 2010-11:**
Since the projected revenue at the rates proposed in the Tariff Petition 2010-11 is Rs 461.79 crore against the revised ARR of Rs 461.40 crore, the MeECL therefore proposes that the rates submitted in the Tariff Petition 2010-11 shall remain unchanged.
24. After careful consideration of the Affidavit dated 09.06.2010 filed by the Petitioner, as reflected in para 23 above, the Commission passed Orders on 10.06.2010, to furnish a copy of the said Affidavit and enclosures thereto, to the only other party which has come up to be heard in the instant proceedings in the course of due process over the period 17.02.2010 till that date, namely the BIA, and allowed them (BIA) to file a counter affidavit if they so desired within 22.06.2010.
25. On 22.06.2010, the Commission considered and took on record the under-mentioned Affidavits –
- (1) Affidavit dated 02.06.2010 (Annexure-13), filed by BIA in response to Commission's Order dt.14.05.2010 read with Commission's Order dt.27.05.2010;
 - (2) Affidavit dated 09.06.2010 filed by the Petitioner under cover of their letter No.MeECL/SE(RA)/42/Pt-II/31, dt.10.06.2010



- (Annexure-14), in response to Commission's Order dt.14.05.2010 read with Commission's Order dt.27.05.2010;
- (3) Affidavit dated 09.06.2010 filed by the Petitioner under cover of their letter No.MeECL/SE(RA)/42/Pt-II/32, dt.10.06.2010 (Annexure-15), in response to Commission's Order dt.13.05.2010 read with Commission's Order dt.27.05.2010; and
- (4) Affidavit dated 21.06.2010(Annexure-17) filed by BIA in response to Commission's Order dt.10.06.2010.

In doing so, the Commission directed that copies of Affidavit at (2) and (3) above, filed by MeECL be furnished to BIA, and copies of Affidavits at (1) and (4) above be given to MeECL, for their information, fixing 06.07.2010 for appearance and final hearing of the concerned parties in the matter of ARR & Tariff(D) Petition for the year 2010-11 as filed by the Petitioner on 17.02.2010 and revised by them on 10.06.2010

26. On 24.06.2010, the Petitioner filed a petition before the Commission stating that their Officials were unavoidably occupied on 06.07.2010, and, seeking a short adjournment of the hearing fixed on 06.07.2010. After due consideration, the Commission allowed their prayer and rescheduled the hearing on 08.07.2010, with due notice to all concerned.
27. During hearing on 08.07.2010, Byrnihat Industries Association(BIA) was represented by learned Counsel Ms Swapna Seshadri and a three other Members of the BIA. The Meghalaya Energy Corporation Limited(MeECL) was represented by their learned Director Distribution Shri C.D.Saio and six Other Officials of the Corporation.
- i) In their oral submissions, the learned Counsel for Byrnihat Industries Association –
- (1) Reiterated the position stated in their affidavits dated 11.05.2010 (Annexure-11) and dated 02.06.2010 (Annexure-13), as reflected in paras 14 and 20 of this Order;



- (2) Stated that MeSEB / MeECL had failed to give effect to the revised distribution tariff rates, as well as the directions contained in the Commission's revised Tariff(D) Order dated 10.09.2009, and had continued to raise bills till April 2010, charging their consumers as per the higher tariff rates prescribed by the Commission vide its' Tariff(D) Order dated 30.09.2008 which had been modified by the Commission's revised Tariff(D) Order dated 10.09.2009, resulting in their having collected revenue much in excess of their permissible revenue requirement during the said period. Learned Counsel urged the Commission to assess the surplus revenue collected by the Petitioner during the year 2008-09 commencing 01.10.2008, and during the year 2009-10 and to fully adjust it against the revenue requirement for the year 2010-11 as may be assessed by the Commission;
- (3) Further, the learned Counsel contested the submission of the Petitioner relating to reduction of AT&C losses to the level of 26.07 percent during 2010-11, as per Annexure-V of their tariff petition dated 12.02.2010. Counsel alleged that the AT&C losses had reportedly increased during the previous year 2009-10 due to the Petitioner's operating inefficiencies and urged the Commission to ascertain the actual position and to impose suitable penalty while assessing their ARR for the current year.
- ii) In the oral submissions on behalf of MeECL, their learned Director Distribution –
- (1) Reiterated the position stated in their revised proposal as contained in their Affidavit dated 09.06.2010 submitted to the Commission on 10.06.2010.(see para 23 of these Orders);
- (2) Further, responding to the issues raised by the learned Counsel for BIA, the learned Director Distribution, MeECL stated as follows –



- (i) The AT&C losses have been continually reduced by MeSEB / MeECL and stood at 30.12 % during the year 2009-10. MeECL stands by their projected plan to reduce AT&C loss to 26.70 percent during 2010-11.
- (ii) The MeECL had billed consumers / realized electricity dues for the period ending 30.11.2009, at Tariff (D) Rates as fixed by the Commission vide its' Tariff(D) Orders dated 30.09.2008, pending decision of the Hon'ble Tribunal in Appeal No.37 of 2010, read with IA No.86 of 2010 against the Commission's Tariff (D) Order dated 10.09.2009.
- (iii) However, the HT and EHT category industrial consumers had not settled the billed amount for energy consumed, but had only made part payments based on tariff rates which were effective before the Tariff(D) Order dated 30.09.2008 was passed by the Commission, resulting in arrears.
- (iv) the MeSEB / MeECL had enforced the tariff rate for the year 2009-10 as specified by the Commission, with effect from 01.02.2010.

28. The Commission carefully considered the contents of the submissions made by the parties in their several Affidavits, as brought out in paras 14 through 23 of this Order, as well as during the hearing on 08.07.2010. In doing so, the Commission finds that the only issue of contention between the parties, though only indirectly relevant to the assessment of ARR or fixation of distribution tariff for the year 2010-11, is the continuance of billing by the Petitioner till January 2010, as per tariff rates specified by the Commission for the year 2008-09 vide its' Tariff(D) Order dated 30.09.2008, although the said tariff rates had been modified by the Commission in terms of its' Revised Tariff(D) Order dated 10.09.2009, besides tariff rates for the year 2009-10 having been notified with effect from



01.12.2009, vide Commission's Tariff(D) Order dated 30.11.2009. The Petitioner has sought to justify their action by relying on the Appeal filed by them before the Hon'ble Appellate Tribunal for Electricity in Appeal No.37 of 2010 read with IA No.86 of 2010, against the Commission's Tariff(D) Order dated 30.09.2009. The Commission's Tariff(D) Order dated 10.09.2009 had not been stayed or set aside by any Competent Authority, till it was partly set aside vide Hon'ble Tribunal's Order dated 10.08.2010. The MeSEB / MeECL were, therefore, bound till 10.08.2010, to comply with the said Tariff(D) Order dated 10.09.2009 and to implement the directions contained therein. By continuing to raise / realize electricity bills from consumers, for the period 01.10.2008 to 30.11.2009, as per rates fixed by Tariff(D) Order dated 30.09.2008, as admitted by them during hearing on 08.07.2010, the MeSEB / MeECL had, to that extent, violated the Commission's Tariff Order dated 10.09.2009, but violation of Commission's Order(s) is not an issue under consideration in this proceeding.

29.As regards, the contention of the BIA regarding AT&C losses, the Petitioner has already admitted vide their Affidavit dated 30.07.2010(Annexure 21) that their AT&C losses for the year 2009-10 increased to a provisional level of 40.05 percent from the actual level of 33.79 percent during the previous year. The Commission's direction in this regard will be recorded later in this Order, while dealing with the Petitioner's 'Revenue Requirement for Other Debts including provisions for Bad Debts'.

TRUING-UP

30.As regards the contention of the BIA as reflected in para 28 above, that the Petitioner has unfairly collected revenue in excess of their assessed ARR level, at higher distribution tariff rates, in violation of the Commission's decision, and that such excess should be adjusted from their assessed ARR for the year 2010-11, the Commission notes that the Audited Statement of Accounts for the year 2008-09 and the



Comptroller & Auditor General of India(CAG)'s Audit Notes thereon were received on 09.08.2010 from the MeECL, vide their letter No.MeECL/SE(RA)/4/Pt.IV/7, dated 06.08.2010. It was taken on record by the Commission on 13.08.2010 in Truing-up Proceeding No.2 of 2010, and the consequent truing-up process initiated. The truing-up is likely to be completed soon, following due process including notice of hearing on 07.10.2010, as fixed by the Commission, to all concerned. As such, the excess or deficit of revenue during the year 2008-09, as may be determined by the said Truing-up Proceedings, will be subsequently adjusted while assessing the subsequent year's ARR, in a manner as may be specified by the Commission through an appropriate Regulation.

31. Likewise the excess or deficit in revenue during the year 2009-10 will have to be determined on the basis of the Audited Statement of Accounts for the year 2009-10 and the CAG's Audit Notes thereon, as and when made by the CAG and received by the Commission from the Petitioner. Any excess or deficit in revenue during that year, will similarly be adjusted while assessing the subsequent year's ARR, in a manner as may be specified by the Commission through an appropriate Regulation.
32. Having placed its' findings and decisions on record in the preceding paras of this Order, more particularly in paras 28 to 31 hereof, the Commission proceeds to analyze the data on record and to decide a fair and equitable Annual Revenue Requirement(ARR) for the year 2010-11. Based on such ARR, the Commission will, thereafter, determine the distribution tariff rates for the year 2010-11.



THE ANALYSIS

33.ANALYSIS OF DATA

A. Basis

1 The analysis and comparisons of data and consequential decisions , as recorded herein, are based on data submitted by the Petitioner, vide their –

- i. Annual Revenue Requirement (ARR and Tariff (D) Petition dated 12.02.2010 , hereinafter referred to as the Original Proposal (OP) (Annexure-2),
- ii. the Provisional Financial Data for the year 2009-10 as reported by the Petitioner vide their letter No. MeECL/SE(RA)/43/45, dated 10.06.2010, hereinafter referred to as the Provisional Data (PD) (Annexure-18),
- iii. and, the Revised Proposal for the year 2010-11 as contained in Petitioner's Affidavit dated 09.06.2010, submitted to the Commission vide their letter No. MeECL/SE(RA)/42/Pt-II/33, dated 10.06.2010 (Annexure-16), on the ground that the Myntdu Leshka Hydro Electric Project (MLHEP) which was scheduled to be commissioned during 2010-11, had suffered excessive damages due to flash flood which occurred on 20.05.2010, resulting in commercial operationalisation of the MLHEP not being possible during the year 2010-11, hereinafter referred to as the Revised Proposal (RP). Consequently, the Petitioner prayed for considering and accepting their revised proposal in respect of (a) availability of power (b) sale of energy and (c) revenue expenditure, inter-alia, the submission contained in their Original ARR and Tariff (D) Petition dated 12.02.2010, for the same year.



B. Generation and Procurement of Power – Energy Balance

1. The Commission notes that in their ARR and T(D) Petition dated 12.02.2010 the Petitioners indicated that they would generate 808.83 million units of energy (exclusive of auxiliary consumption), and procure 836.61 million units of energy through longterm State Share of central power as well as short term power purchase, totaling 1645.44 million units of energy, during 2010-11. The net energy for sale during 2010-11, after debiting T&D losses(445.63 million units or 27.08 %) would be 1199.81 million units.
2. Later, on 10 June 2010, the Petitioner submitted an Affidavit dated 09.06.2010, under cover of their letter No.MeECL(RA)/42/Pt-II/33, dated 10.06.2010 stating that they would generate a reduced level of 534.00 million units of energy (exclusive of auxiliary consumption), and procure 976.01 million units of energy from long term State Share of central power, as well as short term power purchase, totaling 1510.01million units of energy. The net energy for sale during 2009-10, after debiting T&D losses(408.91 million units or 27.08 %) would be 1101.10 million units.
3. The gist of the proposals set out against 1. and 2.above are tabulated in Table-I below –

TABLE-I

Sl.	Source of Energy	As projected in ARR cum Tariff(D) Petition dated 12.02.2010	As projected in Revised Proposal dated 12.02.2010	Remarks
1	Own Generation in MU's	808.83	534.00	
2	Procured from Outside State in MU.s	836.61	976.01	
3	Total Energy in MU's	1645.44	1510.01	
4	T&D Loss in MU's	445.63	408.91	
5	T&D Loss as a %	27.08 %	27.08	
6	Total Energy available for sale in MU's	1199.81	1101.10	



4. The Commission notes with concern that there is a wide gap between the Unrestricted Peak Demand and the Availability position, as well as the Restricted Peak Demand and the Availability position as seen from the Table-II below –

TABLE – II

POWER – DEMAND & AVAILABILITY POSITION				
Sl.No.	Position		During the year 2009-10 (Provisional)	During the year 2010-11 (Projected)
1	Peak Demand - Unrestricted		425.10 MW	431.60 MW
2	Peak Demand Met-	Restricted during Monsoon period	250.00 MW	320.00 MW
		Restricted during Lean period	220.00 MW	250.00 MW
3	Power Availability from own generation			
	i.	Peak during monsoon period	160 .00- 180.00 MW	210.00 – 2250.00 MW
	ii.	Average during monsoon period	95.65 MW	110.00 MW
	iii.	Peak during lean period	80.00 – 100.00 MW	110.00 – 130.00 MW
	iv.	Average during lean period	37.92 MW	42.00 MW
4	Power Availability from outside the State (CPU's, Free Power etc)		202.27 MW	181.16 MW
	i.	Peak during monsoon period	120.00 – 150.00 MW	105.00 – 135.00 MW
	ii.	Off-Peak during monsoon period	100.00 – 140.00 MW	85.00 – 125.00 MW
	iii.	Peak during lean period	100.00 – 120.00 MW	85.00 – 105.00 MW
	iv.	Off-Peak during lean period	60.00 – 85.00 MW	45.00 – 70.00 MW

5. The Petitioner is the only licensee in the State, as at present, and has the onus and obligation of meeting the demand for power, to such extent as the existing transmission network permits, by resorting to planned purchase of power through long-term Power Purchase Agreements (PPA's). The licensee is also expected to erect with dispatch missing transmission links, as well as undertake capacity-addition of existing transmission networks and setting up of new transmission networks, wherever necessary, to ensure uninterrupted flow of power to meet the demand of the consumers.



6. As such, it is unfortunate that the licensee has not taken adequate steps in this regard as yet, and the gap between demand and availability of power, both during peak as well as off-peak periods has increased to critical levels.
7. The Commission, therefore, directs the Petitioner as the sole distribution licensee in the State, as at present, to such take expeditious and effective steps as may be necessary to ensure that the peak as well as off-peak demand of power in the State, is adequately met and required quantum of energy provided, during all periods of the year.

CONCLUSIONS -

34. ANNUAL REVENUE REQUIREMENT FOR 2010-11

34.1 REVENUE REQUIREMENT FOR PURCHASE OF POWER INCLUDING TRANSMISSION CHARGES

- 1) The Commission notes that in their initial ARR and Tariff (D) Petition dated 12.02.2010, the Petitioner indicated power purchase cost, inclusive of transmission / wheeling charges during the year 2010-11, at the level of Rs.215.91 crores, inclusive of Rs.152.11 crores as cost of 806.61 million units(MU's) of long term share of central power, Rs.12.00 crores for short term purchase of 30.00 MU's of power, and Rs.0.65 crores as open access charges.
- 2) However, in their revised proposal in terms of their Affidavit dated 09.06.2010 submitted to the Commission under cover of their Letter No. MeECL/SE(RA)/42/Pt.II/33 dated 10.06.2010(Annexure-16), the Petitioner indicated power purchase cost, inclusive of transmission / wheeling charges



during the year 2010-11, at the increased level of Rs.248.93 crores, inclusive of Rs.185.13 crores as cost of 896.01 million MU's of long term share of central power, Rs.12.00 Crores for short term purchase of 30.00 MU's of power , and Rs.0.65 crores as open access charges.

- 3) Both the aforesaid proposals are reflected in Table-III below.
- 4) After careful consideration, the Commission finds that the proposed cost of long term share of central sector power totaling 896.01 million units, amounting to Rs.185.13 crores as shown in Table-III below, are reasonable and are therefore accepted and approved. Likewise the proposed cost of purchase of 30.00 million units of power, through short term purchase, amounting to Rs.12 crores is also accepted and approved. The proposed open access charges of Rs.0.65 crores is also reasonable and is accepted and approved.

TABLE – III

STATEMENT SHOWING PROPOSED POWER PURCHASE COST DURING 2010-11							
Serial No.	Source	2010-11 (Projected) <i>vide their OP</i>			2010-11 (Revised) <i>vide their RP</i>		
		Energy (MUs)	Rate (Paisa/Unit)	Total Cost (Rs.In Cr)	Energy (MUs)	Rate (Paisa/Unit)	Total Cost (Rs.In Cr)
I	LONG TERM SHARE						
1	NEEPCO:						
A	Free Power	66.36			66.36		
	Transmission Charge						
	Sub-Total (1A)	66.36			66.36		



B	Purchase Power						
I	Kopli PS	88.50	73.99	6.55	88.50	73.99	6.55
li	Kopli Stage-II PS	11.29	182.92	2.07	11.29	182.92	2.07
lii	Khandong PS	20.66	118.92	2.46	20.66	118.92	2.46
lv	AGTPP	71.53	204.19	14.61	71.53	204.19	14.61
V	AGBPP	194.36	211.97	41.20	194.36	211.97	41.20
Vi	Ranganadi	146.42	208.46	30.52	146.42	208.46	30.52
Vii	Doyang	23.29	395.75	9.22	23.29	395.75	9.22
	Sub-Total (1B)			106.61	556.05	191.73	106.61
2	NHPC:Loktak HEP	53.16	171.67	9.13	53.16	171.67	9.13
3	NTPC:						
I	FSTPP	0.00	0.00	0.00	37.56	325.08	12.21
li	KHSTPP-I	0.00	0.00	0.00	24.12	298.92	7.21
lii	TSTPP	0.00	0.00	0.00	46.44	299.74	13.92
lv	KHSTPP-II	131.04	277.54	36.37	112.32	320.96	36.05
	Sub-Total(3)	131.04		36.37	220.44		69.39
	Sub-Total (I)	806.61		152.11	896.01		185.13
II	SHORT TERM PURCHASE						
A	Bilateral						
1	Shyam Century Ferro	30.00	400 Paise/unit	12.00			
2	UI				30.00	400.00	12.00
3	RPG						
4	PTC						
5	NVVN						
	Sub-Total(IIA)	30.00		12.00	30.00		12.00
B	Swapping						
1	NVVN	70.00			50.00		
2	TSECL						
3	OPEN ACCESS CHARGES			0.65			0.65
	Sub-Total (IIB)	70.00		0.65	50.00		0.65
III	Reactive Energy Charges						
IV	Transmission Charges:						
I	PGCIL			44.66			44.66
li	RLDC Charges			1.49			1.49
lii	AEGCL			5.00			5.00
	Sub-Total (IV)			51.15			51.15
	Grand Total (I to IV)	906.61		215.91	976.01		248.93

5). Transmission / Wheeling Charges-

- The Commission notes that in their initial ARR and Tariff (D) Petition dated 12.02.2010, the Petitioner indicated power purchase cost during the year 2010-11, at the level of Rs.215.91 crores, inclusive of transmission / wheeling charges



totaling Rs.51.15 crores. This amount of Rs.51.15 crores consisted of the components reflected in Table-IV below –

TABLE-IV

Sl.No	Particulars	Amount
1.	Transmission / Wheeling Charges payable to Power Grid Corporation of India Limited (PGCIL)	Rs.44.66 crores
2.	Transmission / Wheeling Charges payable to Regional Load Despatch Centre (RLDC)	Rs. 1.49 crores
3.	Transmission/ Wheeling Charges payable to Assam Energy Generation Corporation Limited (AEGCL)	Rs. 5.00 crores
TOTAL		Rs.51.15 crores

2. The Commission further notes that in the revised proposal contained in the Petitioner's Affidavit dated 09.06.2010, filed before the Commission under cover of their Letter No. MeECL/SE(RA)/42/Pt.II/33 dated 10.06.2010, the Petitioner's projected an increased power purchase cost of Rs.248.93 crores, inclusive of transmission / wheeling charges totaling Rs.51.15 crores. This amount consisted of the same components as set out in Table-IV, above.
3. The Commission finds that the proposed amount of Rs.51.15 crores as transmission / wheeling charges is excessive and needs further analysis.
4. The analysis reflected in Table-V and Table-VI below reveals that the total average Transmission / Wheeling charges payable to PGCIL(NERLDC), RLDC and AGECL, taken together, amounted to 31 paise per unit during the year 2007-08 and 24



- paisa per unit during the year 2008-09, as per data given in the audited statement of accounts of those years.
5. During the year 2009-10, the Petitioner had proposed a total amount of Rs.52.02 as transmission / wheeling cost of 868.31 MU's of power, reflecting a total average transmission / wheeling charge of about 60 paisa per unit. The Commission had for reasons recorded in its' Tariff(D) Order dated 30.11.2009, approved a limited amount of Rs.36.90 crores only as Transmission / Wheeling charges for 868.31 MU's of energy, calculated on the basis of an average transmission / wheeling cost of 42 paisa per unit.
 6. The Commission has on record the report of the PGCL (NERLDC) vide its Letter No. NERLDC/Comml./103/359 dated 10.06.2010(Annexure-19) stating that the total dues payable by the Petitioner to PGCIL (NERLDC) as transmission / wheeling charges, during the year 2009-10 was Rs.28.47 crores, and the amount for such purpose, payable to RLDC was Rs.1.37 crores, both of which amounts are far less than what was approved by the Commission vide its Tariff(D) Order dated 30.11.2009, although the total amount of energy which was transmitted / wheeled during the year 2009-10 was 947.27 MU as per Affidavit dated 09.06.2010 filed by the Petitioner, as against the level of 868.31 MU's specified in the Commission Tariff Order dated 30.11.2010. On such basis, the average provisional Transmission / Wheeling cost of power during the



year 2009-10 works out to approximately 36 paise per unit as against 42 paise per unit approved by the Commission in its Order dated 30.11.2009.

TABLE – V

STATEMENT SHOWING CALCULATION OF AVERAGE TRANSMISSION OR WHEELING CHARGES							
Sl	Year	Total power purchased / wheeled in million units	Transmission / Wheeling Charges paid to PGCIL Rs.in crores	Transmission / Wheeling Charges paid to RLDC Rs.in crores	Transmission / Wheeling Charges paid to AEGCL Rs.in crores	Total transmission / wheeling charges Rs.in crores	Average per unit transmission / wheeling charge Paise per Unit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2007-08 (as per Audited SoA)	924.15	27.07	NA	NA	28.67	31 paise/unit
2	2008-09 (as per Audited SoA)	968.92	31.28	NA	NA	32.66	34 paise/unit
3	2009-10 (as proposed by MeSEB vide letter No.MESEB/SE(RA)/33/70 dt.19.11.2009)	868.31	40.34	1.68	10.00	52.02	60 paise/unit
4	2009-10 (as assessed and approved by the Commission)	868.31	31.26	1.68	3.90	36.84 Say 36.90	42 paise/unit
5	2009-10 (as per data for 2009-10 as submitted by PGCIL(NERLDC) vide their letter No.NERLDC/Comm/103/359, dated 10.06.2010), read with Affidavit dated 09.06.2010 filed by MeECL	947.27	28.47	1.37	3.90	33.74	36 paise/unit
6	2010-11 (as proposed by MeECL vide their Affidavit dated 09.06.2010, read with their letter No.MeECL/SE(RA)/42/Pt-II/33 dt.10.06.2010 read with earlier submissions)	976.01	44.66	1.49	5.00	51.15	57 paise / unit
7	2010-11 (as assessed and approved by the Commission)	976.01	At an average of 42 paise per unit			40.99	42 paise / unit

TABLE-VI						
Sl.	Year	Basis	Total quantity of power transmitted / wheeled in MU's	Total transmission / wheeling Cost Rs.in crores	Average Unit Cost in Paise per Unit	Remarks
[1]	[2]	[3]	[4]	[5]	[6]	(7)
1	2006-07	AEGCL Charges as per MeSEB vide letter No.MESEB/SE(RA)/33/70 dt.19.11.2009	203.05	3.05	15	
2	2007-08		249.21	3.74	15	
3	2008-09		231.07	3.47	15	
4	2009-10 Projected by MeSEB		NA	10.00	NA	
5	2010-11 Projected by MeSEB		NA	5.00	NA	

7. Noting the aforesaid position, the Commission sees no reasons to consider the over all transmission / wheeling charges payable to PGCIL, RLDC and AGCL collectively, to an amount exceeding 42 paise per unit, as approved by the Commission during 2009-10. The Commission decides to fix the total transmission charges at Rs.40.99 crores only, calculated on the basis of an average total transmission charge of 42 paise per unit for 947.2 MU's.
8. Consequently, the Commission reduces the total proposed power purchase cost of Rs.248.93 crores, by an amount of Rs.10.16 crores and fixes and approves power purchase cost inclusive of transmission charges at the level of Rs.238.77 crores, for the year 2010-11.

34.2 REVENUE REQUIREMENT FOR REPAIR AND MAINTENANCE

- (1)The Petitioner projected a revenue requirement of Rs.24.34 crores for meeting repair and maintenance costs during 2010-11 in their OP, reflecting an increase of about 20.1 percent over the provisional expenditure of Rs.20.26 crores for such purpose, during the previous year 2009-10 as per their PD. However, this projection was revised downwards to Rs.19.51 crores on 10.06.2010, due to reasons reflected in their RP, as set out above. The revised proposal was 3.7 percent below the previous year's provisional expenditure level for such purpose.
- (2)On careful consideration, the Commission approves the revised level of revenue expenditure of Rs.19.51 crores during 2010-11 for Repair and Maintenance, as proposed by the Petitioner in their RP.

34.3 REVENUE REQUIREMENT FOR EMPLOYEES COST

- (1)The Petitioner projected a revenue requirement of Rs.148.80 crores for meeting employee's cost during 2010-11 in their OP, reflecting an increase of about 34 percent over the provisional expenditure of Rs.111.03 crores for such purpose, during the previous year 2009-10 as per their PD. On being asked by the Commission to



justify the projected steep increase, the Petitioner stated that the increase was proposed to meet the cost of implementation of revised pay scales, during the year. On being further questioned on the matter during hearing on 08.07.2010, it was stated on behalf of the Petitioner that a proposal for revision of pay was under consideration, but no decision had yet been taken thereon. No order had yet been issued to notify revised pay scales, even on an adhoc or interim basis, till date.

- (2) On careful consideration, the Commission holds that all items of revenue expenditure for meeting employees costs has to be based on duly notified and authorized pay scales and allowances and with reference to the expenditure trend of the previous year, for such purpose. No increase in pay scales can be provided for, unless duly notified by competent authority. In the absence thereof, the Commission was not in a position to provide for a speculatively increased level of ARR for such purpose. The Commission therefore, decides to fix an ARR for meeting employees cost during 2010-11, at a level not exceeding 10 percent above, the likely provisional expenditure on employees costs during the previous year. The Commission therefore fixes the ARR for Employees Cost during 2010-11 at Rs.122.13 crores, which is 10 percent higher than the reported provisional expenditure of the previous year, leaving it open to the



Petitioner to come up for re-consideration and revised Orders, as and when, competent authority issue orders authorizing revised scales of pay and allowances during the current year.

34.4 REVENUE REQUIREMENT FOR ADMINISTRATION AND GENERAL EXPENSES

- (1)The Petitioner projected a revenue requirement of Rs.9.58 crores for meeting administration and general expenses costs during 2010-11 in their OP, reflecting an increase of about 9.9 percent over the provisional expenditure of Rs.8.71 crores for such purpose, during the previous year 2009-10 as per their PD.
- (2)On careful consideration, the Commission approves the proposed level of revenue expenditure of Rs.9.58 crores during 2010-11 for Administration and General Expenses, as proposed by the Petitioner in their RP.

34.5 REVENUE REQUIREMENT FOR DEPRECIATION COST

- (1)The Petitioner projected a revenue requirement of Rs.45.42 crores for covering depreciation costs during 2010-11 in their OP, reflecting an increase of over 265 percent over the provisional expenditure of Rs.17.08 crores for such purpose, during the previous year 2009-10 as per their PD. On being asked, by the Commission, to justify the projected increase in depreciation cost, the



Petitioner responded by stating that the depreciation cost of its capital assets of the MLHEP had been reflected in the proposal, since the said project was supposed to be commissioned during the year 2010-11. However, this projection was revised downwards to Rs.17.08 crores on 10.06.2010, due to reasons reflected in their RP, as set out above. The revised proposal was at par with the previous year's provisional expenditure level.

- (2) On careful consideration, the Commission approves the revised level of depreciation costs of Rs.17.08 crores during the year 2010-11, as proposed by the Petitioner in their RP.

34.6 REVENUE REQUIREMENT FOR INTEREST AND FINANCE CHARGES:

- (1) The Petitioner projected a revenue requirement of Rs.89.78 crores for meeting interest and finance charges during 2010-11 in their OP, reflecting an increase of about 23.5 percent over the provisional expenditure of Rs.72.70 crores for such purpose, during the previous year 2009-10 as per their PD. However, this projection was revised downwards to Rs.85.28 crores on 10.06.2010, due to reasons reflected in their RP, as set out above. The revised proposal was 17.3 percent above the previous years provisional expenditure level.
- (2) The Commission notes that the aforesaid amount of Rs.85.28 crores includes an amount of Rs 0.98 cores for



payment of interest on loans received under the Centrally Sponsored Scheme (CSS). However, in response to the Commission's query, the Petitioner has clarified vide Letter No.MESEB/SE(RA)/42/37, dated 09.03.2010 (Annexure-20) that they have not paid any interest on Loans under CSS to the Central Government during the previous years . As such, the Commission holds that it will not be prudent to burden the consumer with this expenses of Rs.0.98 crore through the ARR, since the provision for such purpose, earlier allowed by the Commission, has not been passed on to the Central Government, but appears to have been retained by the Petitioner for undisclosed purposes.

- (3) On careful consideration, the Commission decides to reduce the proposed revised amount of Rs.85.28 crores by Rs.0.98 crores, and to approve a revenue requirement of Rs.84.30 crores for meeting 'Interest & Finance Charges' during the year 2010-11.

34.7 REVENUE REQUIREMENT FOR OTHER DEBITS INCLUDING PROVISION OF BAD DEBTS

- (1) The Petitioner projected a revenue requirement of Rs.10.00 crores for meeting other debits including provision for bad debts during 2010-11 in their OP, reflecting a decrease of about 54 percent from the provisional expenditure of Rs.21.70 crores for such



purpose, during the previous year 2009-10 as per their PD.

- (2) On careful consideration, the Commission notes that the Petitioner has not offered any justification for the occurrence of such bad debts. On being questioned during hearing, the representative of the Petitioner stated that this provision was made to enable the Petitioner to write off bad debts arising from uncollectable arrears of electricity bills of the previous years. Such write-off of uncollectable arrears of electricity bills of the previous years is an indicator of the commercial inefficiency of the Petitioner to bill and collect electricity dues in a business like manner. The Commission notes with concern that such write-offs reflect camouflaged AT&C losses, over and above the accounted for AT&C losses which increased from the level of 33.79 percent during 2008-09 to a level of 40.05 percent during the year 2009-10, as reported by MeECL vide their Affidavit dated 30.07.2010, submitted to the Commission under cover of their letter No.MeECL/SE(RA)/43/55, dated 30.07.2010. **(Annexure-21)**
- (3) The Commission, therefore, directs the Petitioner to improve its organizational efficiency in the matter of billing and collection of electricity dues from all categories of consumers. It is essential for the Petitioner to control its AT&C loss from any further increase and to continue to



further decrease it below the level of 33.79 percent achieved during 2008-09.

- (4) On careful consideration, the Commission approves the proposed level of revenue expenditure of Rs.10.00 crores for 'Other Debits including Bad Debts' during 2010-11 as proposed in the OP, but places on record that the Commission may not be in a position to consider any similar revenue requirement for writing-off bad debts arising from uncollectable arrears of electricity bills, while considering ARR petitions in future.

34.8 REVENUE REQUIREMENT FOR OTHER (Miscellaneous) – Prior Period Credit / Charges

The Petitioner did not project any revenue requirement for Other (Miscellaneous) – Prior Period Credit / Charges during the year 2010-11 in their OP.

34.9 REVENUE REQUIREMENT FOR PROVISION OF INCOME TAX

- (1) The Petitioner projected a revenue requirement of Rs.9.33 crores for covering income-tax dues during 2010-11 in their OP, reflecting an increase of about 88.8 percent on the provisional expenditure of Rs.4.94 crores for such purpose, during the previous year as per their PD.



(2) In view thereof, the Commission decides to approve a reduced amount, equivalent to the previous year's provisional level of expenditure for such purpose amounting to Rs.4.94 crores, for meeting 'Income-Tax dues' during the year 2010-11. The Petitioner is at liberty to come back to the Commission for seeking review of this outlay, in due course, if adequate justification arises therefore.

34.10 GROSS ANNUAL REVENUE REQUIREMENT

Based on the decisions of the Commission, recorded above, the gross annual revenue requirement of the Petitioner for the year 2010-11 amounts to Rs. (238.77 plus 19.51 plus 122.13 plus 9.58 plus 17.08 plus 84.30 plus 10.00 plus 4.94), totaling Rs.506.31 crores.

34.11 EXPENSES TO BE CAPITALISED AND DEBITED FROM ASSESSED REVENUE REQUIREMENT :

A. Interest & Finance Charges:

- i) The Petitioner projected an amount of Rs.35.54 crores to be capitalized against interest and finance charges and debited from the revenue requirement during 2010-11 in their OP, reflecting a decrease of 39.4 percent from the level of provisional expenditure of Rs.58.65 crores for such purpose, during the previous year as per their PD. However, this projection was revised upwards to Rs.66.21



crores on 10.06.2010, due to reasons reflected in their RP, as set out above. The revised proposal was 12.9 percent above the previous year's provisional expenditure level.

- ii) On careful consideration, the Commission decides to approve the proposed, revised amount of Rs.66.21 crores as 'Interest & Finance Charges' to be capitalized and debited from the revenue requirement during the year 2010-11.

B. Employees Cost:

- i) The Petitioner projected an amount of Rs.10.24 crores to be capitalized against employees cost and debited from the revenue requirement during 2010-11 in their OP, reflecting an increase of about 10 percent on the level of provisional expenditure for such purpose, during the previous year as per their PD.
- ii) On careful consideration, the Commission approves the proposed amount of Rs.10.24 crores as 'Employees Cost' to be capitalized and debited from the revenue requirement during the year 2010-11.

34.12 TOTAL AMOUNT TO BE CAPITALISED AND DEDUCTED FROM REVENUE REQUIREMENT:

Thus, the Commission approves capitalizing a total expenditure of Rs.(66.21 plus 10.24) crores, totalling Rs.76.45 crores and debiting this amount from the assessed gross revenue requirement of 506.31 crores.



34.13 NET REVENUE REQUIREMENT:

The assessed net revenue requirement for the proposed year 2010-11 therefore stands at Rs.(506.31 minus 76.45) = Rs.429.86 crores, which reflects a 7.3 percent increase on the previous year(2009-10)'s requirement of Rs.400.50. crores(as per Commission's Order dated 05.08.2010 in Remand Proceedings No.1 of 2010.), based on the provisional financial data of that year, as furnished by the Petitioner.

34.14 OTHER INCOME TO BE DEBITED FROM ASSESSED NET REVENUE REQUIREMENT:**A. Other Income :**

- i) The Petitioner projected an amount of Rs.24.94 crores as other income to be debited from the assessed net revenue requirement during 2010-11 in their OP, reflecting an increase of about 10 percent on the provisional amount of other income during the previous year as per their PD.
- ii) On careful consideration, the Commission decides to note the level of other income at Rs.24.94 crores for being debited from the net revenue requirement during the year 2010-11, as proposed by the Petitioner in their RP.

B. Rural Electrification subsidy:

- i) The Petitioner projected an amount of Rs.14.00 crores as the amount of Subsidy likely to be received from the



State Government, against rural electrification, during 2010-11 in their OP, reflecting a 2.3 percent increase on the provisional receipt of Rs.13.68 crores for such purpose, during the previous year as per their PD.

- ii) On careful consideration, the Commission decides to note the likely level of subsidy to be received during the year 2010-11 against Rural Electrification at Rs.14.00 crores, as proposed by the Petitioner in their RP.

34.15 TOTAL OTHER INCOME TO BE DEBITED FROM NET REVENUE REQUIREMENT:

Thus, the Commission approves a total amount of Rs.(24.94 plus 14.00) crores, totaling Rs.38.94 crores to be deducted from the net revenue requirement of 429.86 crores, during the proposed year 2010-11

34.16 REVENUE REQUIREMENT AFTER DEDUCTING OTHER INCOME:

The assessed revenue requirement after deduction 'Other Income' stands at Rs.(429.86 minus 38.94) crores, totaling Rs.390.92 crores for the year 2010-11.

34.17 RETURN ON EQUITY :

The equity base of the Petitioner is Rs.202.00 crores. The Commission decided to continue to allow 14 percent



return on equity amounting to Rs.28.28 crores, as allowed during the previous year, 2010-11.

34.18 ANNUAL REVENUE REQUIREMENT FOR THE YEAR 2010-11:

Consequently, the Commission assesses and approves an Annual Revenue Requirement (ARR) of Rs.(390.92 plus 28.28) crores, totaling Rs.419.20 crores for the year 2010-11.

34.19 TOTAL ENERGY SALES IN MU's DURING THE YEAR 2010-11:

(a)The Petitioner projected total energy sales during 2010-11 at the level 1199.81 MU's reflecting a 33.9 percent increase over the provisional revenue sales of 896.09 MU's during the previous year as per their PD.

(b)However, the Petitioner revised the total energy sales downwards on 10.06.2010, due to reasons reflected in their RP, to the level of 1101.10 MU's, reflecting an increase of 22.9 percent over the previous year's energy sales. The Commission noted the proposed level of 1101.10 MU's for energy sales during the year 2010-11.



34.20 OVERALL AVERAGE UNIT COST OF POWER (OAUC)

For a total energy sales of 1101.10 MU's during 2010-11, the Commission has approved an ARR of Rs.419.20 crores, resulting in an average unit cost of power of 381 paisa per unit, during the year 2010-11.

35 TABULATION

Details of the decisions of the Commission as reflected in paras 1 to 20 above, are tabulated alongside relevant reference data of earlier years in Table –VII below.

(continued on Pg 77)



TABLE – VII

Rs.in crores

STATEMENT SHOWING THE ARR FOR 2010-11 proposed by MeSEB vide their ARR & Tariff(D) Petition dated 12.02.2010, the REVISED PROPOSAL FOR 2010-11 vide MeECL Affidavit dated 09.06.2010 and the ARR AS APPROVED BY THE COMMISSION vide its' Tariff(D) Order dated 23.08.2010							
Sl. No.	Items	2009-10			2010-11		
		ARR 2009-10 as approved by the MSERC vide its' Revised T(D) Order dt. 30.11.2009	ARR 2009-10 as per provisional financial data for 2009-10, as submitted by MeECL vide letter No.MeECL/SE(RA)/43/45, dt.10.06.2010	REVISED ARR 2009-10 as approved by the MSERC vide its' Order dt. 05.08.2010 in Remand Proceedings No.1 of 2010	ARR 2010-11 as proposed by MeSEB vide their T(D) Petition dt.12.02.2010	REVISED ARR 2010-11 as proposed by MeECL vide their Revised T(D) Petition dt.10.06.2010	ARR 2010-11 as approved by the MSERC vide its' T(D) Order dt. 23.08.2010
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(10)
1	(i). Purchase of Power incldg. Trans. Charges	250.24	223.74	223.74	215.91	248.93	238.77
2	Repair & Maintenance	17.74	20.26	20.26	24.34	19.51	19.51
3	Employees cost	103.24	111.03	111.03	148.80	148.80	122.13
4	Administration and General expenses	8.71	8.71	8.71	9.58	9.58	9.58
5	Depreciation	15.53	17.08	17.08	45.42	17.08	17.08
6	Interest & Finance Charges	71.34	72.70	72.70	89.78	85.28	84.30
7	Other Debits (including provision for Bad Debts)	10.00	21.70	10.00	10.00	10.00	10.00
8	Other (Misc) – Prior period Credit / Charges	0.00	13.28	0.00	0.00	0.00	0.00
9	Provision for Inc.tax	0.00	4.94	4.94	9.33	9.33	4.94
10	Gross Annual Revenue Requirement	476.80	493.44	468.46	553.16	548.51	506.31
11	Less: Expenses Capitalised i) Interest & Finance Charges	58.20	58.65	58.65	35.54	66.21	66.21
	ii) Other Expenses	9.31	0.00	0.00	0.00	0.00	0.00
	iii). Employee Cost		9.31	9.31	10.24	10.24	10.24
12	Total amount to be capitalised	67.51	67.96	67.96	45.78	76.45	76.45
13	Net Revenue Requirement	409.29	425.48	400.50	507.38	472.06	429.86



Sl.No.	Items	2009-10			2010-11		
		ARR 2009-10 as approved by the MSERC vide its' Revised T(D) Order dt. 30.11.2009	ARR 2009-10 as per provisional financial data for 2009-10, as submitted by MeECL vide letter No.MeECL/SE(RA)/43/45, dt.10.06.2010	REVISED ARR 2009-10 as approved by the MSERC vide its' Order dt. 05.08.2010 in Remand Proceedings No.1 of 2010	ARR 2010-11 as proposed by MeSEB vide their T(D) Petition dt.12.02.2010	REVISED ARR 2010-11 as proposed by MeECL vide their Revised T(D) Petition dt.10.06.2010	ARR 2010-11 as approved by the MSERC vide its' T(D) Order dt 23.08.2010
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(10)
14	Less Other Income etc.:						
	i) Other Income	36.39	22.67	22.67	24.94	24.94	24.94
	ii) R.E.Subsidy						
	iii) Subsidy against power purchased	13.68	13.68	13.68	14.00	14.00	14.00
	iv) Recovery against supply of power to Government Departments	0.00	0.00	0.00	0.00	0.00	0.00
	v) Fiscal Loss for failure to cause 3% reduction of AT&C loss			0.00	0.00	0.00	0.00
		11.80	0.00	55.27			
15	Total Other Income to be debited from Net ARR	61.87	36.35	91.62	38.94	38.94	38.94
16	Revenue Requirement after deducting Other Income	347.42	389.13	308.88	468.44	433.12	390.92
17	Add: Return on equity	28.28	28.28	28.28	28.28	28.28	28.28
18	ARR for the Year 2010-11	375.70	417.41	337.16	496.72	461.40	419.20
19	TOTAL ENERGY SALES in MU's	1013.97	1013.97	896.09	1199.81	1101.10	1101.10
20	Avg Unit Cost of Power in Paise / Unit	371	412	376	414	419	381

36 DETERMINATION OF DISTRIBUTION TARIFF FOR THE YEAR 2010-11

- 1) Clause (g) of Section 61 of the Electricity Act of 2003, as amended till date, provides..... “ that the Appropriate Commission shall, subject to the provisions of the Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely

 (g). that the tariff progressively reflects the cost of supply of electricity and also reduces cross-subsidies.....”
- 2) The National Tariff Policy also enjoins upon the State Commissions with reference to the above, to achieve the objective of the tariff progressively reflecting the cost of supply of electricity, with the target of ensuring that latest by the end of the year 2010-11, tariffs are within +/- 20 % of the average cost of supply, based on the approach of a gradual reduction in cross subsidy.
- 3) The Commission notes that generally the average cost of delivery of electricity at EHT level is a little cheaper than the average cost of delivery of electricity at HT level. Similarly, the average cost of delivery of electricity at HT level is a little cheaper than the average cost of delivery of electricity at LT level. It therefore follows that the average per unit rate of cost of sale of electricity should be cheapest for the EHT category, a little higher for the HT category and the highest for the EHT category.
- 4) Keeping in view the position indicated in sub paras 1), 2) and 3) above, the Commission analyzed the existing tariff as specified by the Commission in its' Tariff(D) Order dated 30.11.2009 and finds the position to be, as reflected in Table-VIII below. More specifically -
 - i. The existing average cost of supply of electricity, or per unit rate is 371 paise per unit, as per Tariff(D) Order dated 30.11.2009;
 - ii. The actual average rate fixed by the Commission for being charged from the consumers, varies widely and ranges –



TABLE – VIII

STATEMENT SHOWING COMPARISON OF CATEGORYWISE AVERAGE UNIT RATE WITH OVERALL AVERAGE UNIT RATE DURING 2009-10					
Sl	Category	Slab	Average Unit Rate (AUR)	Overall Average Unit Rate (OAUR) or Average Cost of Supply	Deviation % of Category AUR from OAUR
			2009-10		
L T CATEGORY					
1	Domestic		290	371	(-) 21.8
2	MeECL Employees		10	371	(-) 97.3
3	Crematorium		290	371	(-) 21.8
4	Agriculture		156	371	(-) 57.9
5	Kutir Jyoti		29	371	Na
6	Industrial		736	371	(+) 98.3
7	Commercial		538	371	(+) 45.0
8	General Purpose		548	371	(+) 47.7
9	Water Supply		454	371	(+) 22.4
10	Public Lighting		506	371	(+) 36.4
H T CATEGORY					
1	Commercial		547	371	(+) 47.4
2	General Purpose		503	371	(+) 35.6
3	Bulk Supply		514	371	(+) 38.5
4	Industrial		382	371	(+) 3.0
5	Water Supply		369	371	(-) 0.5
EHT CATEGORY					
1	Industrial		375	371	(+) 1.1

a) **For Low Tension Connections – from**

- i) 10 paise per unit from the Petitioner(MeSEB's) Employees, to
- ii) 29 paise per unit under the Kutir Jyoti Programme, to



- iii) 156 paise per unit for use of electricity for Agricultural Purposes, to
- iv) 290 paise per unit for domestic consumption, to 454 paise to 736 paise per unit for different types of commercial, industrial, etc., consumption

b) For High Tension Connections – from

- i) 369 paise per unit for use of electricity for operating water supply systems, to
- ii) 382 paise per unit for use in Industry, to
- iii) 503 paise per unit for use for general purposes, to
- iv) 514 paise per unit for bulk supply to consumers such as multiplexes, cantonment, etc., to
- v) 547 paise per unit for use for commercial purposes.

b) For Extra High Tension Connections

- i. at 375 paise per unit for use in Industry.

- 5) The detailed position reflected in Table – VIII. above shows that the average unit rate of different categories. vary widely, from (-) 97.3 percent below the average cost of supply to (+) 98.3 percent above the average cost of supply.
- 6) The Commission, therefore, proposes to suitably adjust the tariff for the year 2010-11, such that tariff in the State progressively reflects the cost of supply of electricity and reduces cross-subsidies, at the earliest.
- 7) The Commission further notes that as the present, electricity supply in the State can broadly be classified as follows –
- i. LT Domestic Category for domestic consumption, including consumption for Agricultural purposes, Kutir Jyoti Program and Crematorium;
 - ii. LT Non-domestic Category for non-domestic purposes including consumption by industry, commercial establishments, general purposes and for water supply systems and street lighting.
 - iii. HT Category, and
 - iv. EHT Category



37 L.T.CATEGORY - Domestic

1) **Tariff for electricity consumed for Domestic Lighting-**

The Commission notes that 56.0 percent of the total electricity consumed for domestic lighting purposes is consumed by consumers whose consumption comes within the first slab of 100 units per month. Likewise, 27 percent of the total electricity consumed for domestic lighting purposes is consumed by consumers whose consumption comes within the next slab of 100 units per month. Only 17 percent of the total electricity consumed for domestic lighting purposes is consumed by consumers whose consumption exceed 200 units per month. **In view thereof, the Commission held that for the year 2010-11, it was just and fair to –**

- i. **retain the existing price structure of 225 paise per unit for the first slab of 100 units.,**
- ii. **price the next slab of 100 units per month at 250 paise per unit, and**
- iii. **fix the price for consumption exceeding 200 units per month at 300 paise per unit**

2) **Tariff for electricity consumed for Domestic Lighting by**

the employees of the Petitioner(MeECL) – In their tariff petition, the Petitioner has sought for continuance of practice of charging their employees a token amount of 10 paise per unit of electricity consumed. It is noted that the energy projected to be consumed by the Petitioner's employees for domestic purposes during 2010-11 is equivalent to 16.9 percent of the total energy consumed for domestic purposes in the State. After due careful consideration, the Commission holds that it is neither appropriate nor expedient to allow the Employees of the Petitioner to continue to consume electricity at the token rate of 10 paise per unit, since in doing so the burden of the uncovered cost of sale is passed on to other category of consumers. The Commission therefore



decides that the average unit rate of electricity as fixed for the domestic category of consumers shall be the unit rate for electricity consumed by the Petitioner's Employees. However, the Petitioner, that is MeECL is at liberty to provide electricity to their Employees at whatever unit rate they may decide, provided the difference between the amount as fixed above and the amount realized from their Employees at such rate as the Petitioner decides, is subsidized upfront by the MeECL, from their own sources other than revenue from sale of power.

- 3) Tariff for electricity consumed by Crematorium.** After careful consideration of the submissions of the Greater Shillong Crematorium & Mortuary Society as reflected in the earlier part of these Orders, the Commission holds that keeping in view the humanitarian nature of no-profit no-loss services being rendered by the Society in the matter of cremation of the deceased remains of people of all faiths, it would be fair and expedient to charge them at the same rate as is being charged for LT Category of domestic consumption of electricity, although their connected load places them under HT Category of consumers. Keeping in view their connected load of 128 kVA and their consumption profile which is projected to be of the order of 0.22 million units during 2010-11, the Commission decides to fix the tariff for this category of consumption by specifying a lumpsum Fixed Charge of Rs.4200.00 per month and an unit rate of 250 paise per unit, which when taken together, averages at 273 paise per unit.
- 4) Tariff for electricity consumed for agricultural purposes** Less than 0.06 percent of the total electricity sales in the State is consumed for agricultural purposes. As such, the tariff for this category of consumption is retained at existing level, namely Rs.30.00 per KW load as Fixed Charges and Rs.1.30 per unit as Energy Charges.



5) Tariff for electricity consumed under the Kutir Jyoti Programme The unit rate for electricity supplies to consumers under the Kutir Jyoti Programme is determined under the programme parameters and averages 24 paise per unit, as per proposal received from the Petitioner. The total energy sales to this category of consumers is less than 0.63 percent of the total sales. **In view thereof, the Commission accepts the proposed pricing for the Kutir Jyoti category of consumers.**

Based on the decisions recorded in sub-para 1) to sub-para 5) above, the Commission fixes the Tariff(D) for the year 2010-11 in respect of the 5 categories mentioned above, as shown in the Table IX below.

38 L.T.CATEGORY – Non-Domestic

Electricity consumed by – Industrial Units, Commercial Establishments, General Purposes, Water Supply Projects, And Public Lighting

In considering the Tariff (D) for the L.T.Category of electricity consumed by Industrial Units, Commercial Establishments, General Purposes, Water Supply Projects, and Public Lighting, the Commission notes that the average cost of 265.53 MU's of electricity by the LT Category of Domestic, MeECL Employee, Crematorium, Agriculture, and Kutir Jyoti categories of consumers at the overall average unit rate of 381 paise is Rs.10,116.70 lakhs, but the net amount to be realized as per Tariff(D) rates specified in Table-IX above, works out to Rs.7066.00 lakhs, giving rise to a deficit of Rs.3050.70 lakhs, which has to be covered by the cross subsidization burden being passed on to the remaining categories of consumers, who have been projected by the Petitioner to consume (remaining LT Category Consumers= 69.93 MU's + HT Category Consumers = 493.52 MU's + EHT Category Consumers= 237.12 MU's), totaling 800.57 MU's of electricity during the year 2010-11.



TABLE-IX

STATEMENT SHOWING CATEGORYWISE and SLABWISE TARIFF(D) in respect of Domestic, MeECL, Employees, Crematorium, Agriculture and Kutir Jyoti categories as fixed vide Tariff(D) Order dated 23.08.2010 for the year 2010-11										
Sl.	Category	Fixed Chargs per KW in Rupees per month	Slab	UNIT RATE AS FIXED VIDE TARIFF ORDER DATED 23.08 10 In Paise per Unit	Estimated Billing Demand in kVA	Estimated Sale of Energy in MU's	REVENUE			Average Unit Rate In Paise per Unit
							from Fixed / Demand Charges Rs.in lakhs	from Energy Sales Rs. in lakhs	TOTAL Rs. in lakhs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
LT CATEGORY										
1	Domestic (DLT)	25	First 100 Units	225	208259	123.51	624.78	2778.97	6017.20	273
			Next 100 Units	250		59.55		1488.75		
			Above 200 Units	300		37.49		1124.70		
						220.55		5392.42		
2	MeECL Employees	Nil		273	na	37.27	0.00	1017.47	1017.47	273
3	Crematorium	Fixed lump sum p.m 4200.00		250	128	0.22	0.50	5.50	6.00	273
4	Agriculture (AP)	30		130	281	0.63	1.01	8.19	9.20	146
5	Kutir Jyoti	Na		Na	7191 Connections	6.86	0.00	16.13	16.13	24
	Sub-total for special LT categories					265.53	626.29	6439.71	7066.00	266

39 After careful consideration, the Commission decides to fix the tariff for the LT Category : Non-domestic consumers at 16.0 percent above the overall average unit rate of 381 paise per unit, that is at 442 paise per unit

40 Similarly for the HT Category Consumers - the Commission decides to fix the tariff at 11.0 percent above the overall average unit rate of 381 paise per unit, that is at 442 paise per unit, and



- 41 Likewise for the EHT Category Consumers - the Commission decides to fix the tariff at 06.0 percent above the overall average unit rate of 381 paise per unit, that is at 404 paise per unit, as shown in detail at Table-X below –

TABLE – X

STATEMENT SHOWING COMPARISON OF CATEGORYWISE AVERAGE UNIT RATE WITH OVERALL AVERAGE UNIT RATE DURING 2010-11				
Sl	Category	Average Unit Rate (AUR)	Overall Average Unit Rate (OAU) or Average Cost of Supply	Deviation % of Category AUR from OAU
		2010-11		
LT CATEGORY				
1	LT Domestic Category for domestic consumption, including consumption for Agricultural purposes, Kutir Jyoti Program and Crematorium; as fixed vide sub-para 5 read with Table-KKK, above	266	381	(-) 30.0 %
2	LT Non-domestic Category for non-domestic purposes including consumption by industry, commercial establishments, general purposes and for water supply systems and street lighting.	442	381	(+) 16.0 %
3	H.T.Category	423	381	(+) 11.0 %
4	EHT Category	404	381	(+) 6.0 %

- 42 **Road-Map for compliance with Section 61(g) of the Electricity Act 2003 read with National Tariff Policy –**

1. The Commission notes that the Distribution Tariff decided by these Orders, is already compliant with the provisions of Section 61(g) of the Electricity Act of 2003 and the National Tariff Policy, that is the distribution tariff is within +/- 20 percent of the average cost of supply, except in respect of domestic consumption, consumption for agricultural purposes, consumption under the Kutir Jyoti Program and consumption in Crematoria under the L.T Category .



2. The Commission, therefore, hereby prescribes the road-map to comply with the requirements of Section 61 of the said Act. The road map is reflected in Table-XI below –

TABLE-XI

ROAD MAP FOR COMPLIANCE WITH THE PROVISION OF SECTION 61(g) OF THE ELECTRICITY ACT 2003, read with THE CONNECTED PROVISIONS OF THE NATIONAL TARIFF POLICY RELATING TO DISTRIBUTION TARIFF BEING BROUGHT WITHIN +/- 20 PERCENT OF THE COST OF SUPPLY WITHIN 2010-11					
Sl	Category	Deviation % of Distribution Tariff from the cost of supply			
YEAR		2010-11	2011-12	2012-13	2013-14
1	LT Domestic Category for domestic consumption, including consumption for Agricultural purposes, Kutir Jyoti Program and Crematorium; as fixed vide sub-para 5 read with Table-KKK, above	(-) 30.0 % NON-COMPLIANT	(-) 26.0 % NON-COMPLIANT	(-) 22.0 % NON-COMPLIANT	(-) 18.0 % COMPLIANT
2	LT Non-domestic Category for non-domestic purposes including consumption by industry, commercial establishments, general purposes and for water supply systems and street lighting.	(+) 16.0 % COMPLIANT	(+) 14 % COMPLIANT	(+) 12.0 % COMPLIANT	(+) 10 % COMPLIANT
3	H.T.Category	(+) 11.0 % COMPLIANT	(+) 9.0 % COMPLIANT	(+) 7.0 % COMPLIANT	(+) 5.0 % COMPLIANT
4	EHT Category	(+) 6.0 % COMPLIANT	(+) 4.0 % COMPLIANT	(+) 2.0 % COMPLIANT	(+) 0.0 % COMPLIANT

43 **Based on the decisions recorded** in sub-para 6) and 7) above, the Commission fixes the Tariff(D) for 2010-11 in respect of the –

- 1) LT Non-domestic Category of consumers which includes consumption by industry, commercial establishments, general purposes, water supply systems and street lighting;
- 2) H.T Category of consumers, and
- 3) E.H.T Category of consumers, as shown in Table-XII below -.



TABLE-XII

STATEMENT SHOWING CATEGORYWISE and SLABWISE TARIFF(D) as fixed vide Tariff(D) Order dated 23.08.2010 for the year 2010-11									
Sl.	Category	Fixed Chargs per KW in Rupees per month	UNIT RATE AS FIXED VIDE TARIFF ORDER DATED 13.08 10	Estimated Billing Demand in Kva	Estimated Sale of Energy in MU's	REVENUE			Average Unit Rate In Paise per Unit
						from Fixed / Demand Charges Rs.in lakhs	from Energy Sales Rs. in lakhs	TOTAL Rs. in lakhs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
LT CATEGORY									
6	Industrial(ILT)	50	336	10804	6.14	64.82	206.30	271.12	442
7	Commercial (CLT)	50	387	38675	41.94	232.05	1623.08	1855.13	442
8	General Purpose	50	397	9784	12.96	58.70	514.51	573.21	442
9	Water Supply (WSLT)	50	399	4837	6.78	29.02	270.52	299.54	442
10	Public Lightning(PL)	50	433	323	2.11	1.94	91.36	93.30	442
TOTAL				280282	335.46	1012.82	9145.48	10158.30	303
H.T CATEGORY Per KVA/month									
1	Commercial CHT	100	339	9240	13.19	110.88	447.14	558.02	423
2	General Purpose including Domestic GPHT	100	370	8880	20.03	106.56	741.11	847.67	423
3	Bulk Supply BSHT	100	371	36135	82.87	433.62	3074.48	3508.10	423
4	Industrial (IHT)	100	383	117533	350.25	1410.40	13414.58	14824.98	423
5	Water Supply(WSHT)	100	399	5535	27.18	66.42	1084.48	1150.90	423
TOTAL				177323	493.52	2127.88	18761.79	20889.67	423
EHT CATEGORY Per KVA/month									
15	EHT – Industrial	100	361	84525	237.12	1014.30	8560.03	9574.33	404
TOTAL				84525	237.12	1014.30	8560.03	9574.33	404

44 COMPLETE TARIFF CHART

The Commission hereby summarizes the Distribution Tariff for the fiscal year 2010-11, for each category and slab, as indicated in Table XIII, below,.



TABLE – XIII

STATEMENT SHOWING CATEGORYWISE and SLABWISE TARIFF(D) as fixed vide Tariff(D) Order dated 23.08.2010 for the year 2010-11											
Sl.	Category	Fixed Chargs per KW in Rupees per month	Slab	UNIT RATE AS FIXED VIDE TARIFF ORDER DATED 13.08 10	Estimated Billing Demand in kVA	Estimated Sale of Energy in MU's	REVENUE			Average Unit Rate In Paise per Unit	
							from Fixed / Demand Charges Rs.in lakhs	from Energy Sales Rs. in lakhs	TOTAL Rs. in lakhs		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
LT CATEGORY											
1	Domestic (DLT)	25	First 100 Units	225	208259	123.51	624.78	2778.97	6017.20	273	
			Next 100 Units	250		59.55		1488.75			
			Above 200 Units	300		37.49		1124.70			
						220.55		5392.42			
2	MeECL Employees	Nil		273	na	37.27	0.00	1017.47	1017.47	273	
3	Crematorium	Fixed lump sum p.m 4200.00		250	128	0.22	0.50	5.50	6.00	273	
4	Agriculture (AP)	30		130	281	0.63	1.01	8.19	9.20	146	
5	Kutir Jyoti	Na		Na	7191 Connections	6.86	0.00	16.13	16.13	24	
	Sub-total for special LT categories					265.53	626.29	6439.71	7066.00	266	
6	Industrial (ILT)	50		336	10804	6.14	64.82	206.30	271.12	442	
7	Commercial (CLT)	50		387	38675	41.94	232.05	1623.08	1855.13	442	
8	General Purpose	50		397	9784	12.96	58.70	514.51	573.21	442	
9	Water Supply (WSLT)	50		399	4837	6.78	29.02	270.52	299.54	442	
10	Public Lightining(PL)	50		433	323	2.11	1.94	91.36	93.30	442	
	TOTAL					280282	335.46	1012.82	9145.48	10158.30	303



H.T CATEGORY									
Sl.	Category	Demand Charge per KVA per month Rs.per KVA per month	UNIT RATE AS FIXED VIDE TARIFF (D) ORDER DATED 13.08 10 Paise per Unit	Estimated Billing Demand in kVA	Estimated Sale of Energy in MU's	REVENUE			Average Unit Rate
						from Fixed / Demand Charges Rs. in lakhs.	from Energy Sales Rs. in lakhs.	TOTAL Rs. in lakhs.	In Paise per Unit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Commercial CHT	100	339	9240	13.19	110.88	447.14	558.02	423
2	General Purpose including Domestic GPHT	100	370	8880	20.03	106.56	741.11	847.67	423
3	Bulk Supply BSHT	100	371	36135	82.87	433.62	3074.48	3508.10	423
4	Industrial (IHT)	100	383	117533	350.25	1410.40	13414.58	14824.98	423
5	Water Supply (WSHT)	100	399	5535	27.18	66.42	1084.48	1150.90	423
TOTAL				177323	493.52	2127.88	18761.79	20889.67	423
EHT CATEGORY									
15	EHT – Industrial	100	361	84525	237.12	1014.30	8560.03	9574.33	404
TOTAL				84525	237.12	1014.30	8560.03	9574.33	404
TOTAL for inside State Sales				542130	1066.10	4155.00	36467.30	40622.30	381
OUTSIDE STATE SALES (BILATERAL / UI)					35.00			1400.00	400
GRAND TOTAL					1101.10				42022.30
APPROVED ARR FOR 2010-11									41920.00 (+)102.30

45 **The tariff as fixed above** ,shall come into effect from the 1st.day of September 2010 and shall remain effective till the 31st.day of March 2011, or the date of the Commission's Orders fixing distribution tariff for the fiscal year 2011-12, whichever is later.



46 GENERAL REMARKS

1. The instant Tariff(D) Order arises out of the ARR & Tariff(D) Petition dated 12.02.2010, filed by the Petitioner on 17.02.2010 and taken on record by the Commission on 24.02.2010. The instant Order was proposed to be passed within 16.06.2010. However, on 10.06.2010, before the due Order could be passed by the Commission, the Petitioner filed an Affidavit dated 09.06.2010, under cover of their letter No.MeECL/SE(RA)/42/Pt-II/33, dated 10.06.2010, purporting to be a Revised Proposal to their ARR & Tariff(D) Petition dated 12.02.2010, in respect of availability of power, sale of energy and expenditure. The details of their submissions therein, had to be meticulously scrutinized, analyzed, cross-checked and evaluated, with reference to facts on record. In view thereof, the time frame for passing these Orders, as specified by sub-section(3) of Section 64 of the Electricity Act of 2003, as amended till date, could not be adhered to.
2. The Commission places on record its gratitude to the Officers of the MeSEB / MeECL, for their fullest cooperation in carrying out the exercise of determining the Annual Revenue Requirement and Tariff (Distribution) for the year 2010-11.

Given under the hand and seal of the Meghalaya State Electricity Regulatory Commission, this 23rd.day of August, 2010, at Shillong.

P.J.Bazeley
Chairman
Meghalaya State Electricity Regulatory Commission

