

## CHAPTER-6

### AGGREGATE ANNUAL REVENUE REQUIREMENT FY24

#### 6.1 POWER PURCHASE COST:

In the Chapter “Energy Sales Projections” MESCOM has elaborated the projections made in respect of the energy sales for the years FY23 (RE) and FY24 (projections). Further, the energy requirement at generation point has also been arrived considering the projected distribution loss and transmission loss for the respective years.

In this Chapter, the energy requirement projected for the years FY23 (RE) and FY24 (projections) has been considered for estimations of power purchase cost to arrive at the aggregate annual revenue requirement for the control period.

a. Cost of power at generation point:

For FY23, MESCOM has applied the source wise quantum and cost as approved in the Tariff Order -2022. M/s PCKL has made available the source wise energy availability and related cost for FY24 which has been considered in the filing.

Power purchase cost incurred by MESCOM in previous years and the projected for future years are indicated in the below table;

Rs. in Cr.	
Year	Amount
FY20 (Actuals)	2541.03
FY21 (Actuals)	2814.73
FY22 (Appd. in TO-2022)	2738.02
FY22 (Actuals)	2256.67
FY23 (RE)	2311.52
FY24 (Projection)	3171.08

b. KPTCL Transmission Charges:

In the KPTCL Tariff Order -2022, Hon’ble Commission has approved the transmission charges, SLDC charges and POSOCO charges for FY23 and FY24 as below;

	FY23	FY24
KPTCL transmission charges	: Rs.383.26 Cr.	Rs.401.47 Cr.
SLDC charges	: Rs.2.46 Cr.	Rs.2.36 Cr.
POSOCO charges	: Rs.0.36 Cr.	Rs.0.36 Cr.

Accordingly, MESCOM has considered the above charges in the filing for FY23 and FY24.

c. Other Power Purchase Cost liabilities:

**AMR Power Private Ltd.:**

M/s AMR was having power purchase agreement with MESCOM which was executed on 02.08.2006. The tariff fixed for the project for sale of power to MESCOM was Rs. 2.80/unit. MESCOM filed a petition in OP No. 37/2012 on 09.08.2012 before Hon'ble KERC praying for quashing the Notice of Termination dated 22.07.2011 served by the generator. KERC passed an interim order dated 23.08.2012 to maintain status quo pending disposal of the main petition. The generator filed an appeal before Hon'ble ATE in appeal No. 223/2012 questioning the interim order of KERC dated 23.08.2012 to maintain the status quo. Hon'ble ATE disposed the appeal No. 223/2012 in the order dated 04.01.2013 with a direction to Hon'ble KERC to dispose the matter pending in OP No.37/2012 as expeditiously as possible and to pass appropriate order in accordance with law. Hon'ble KERC in the order dated 14.08.2013 dismissed the petition filed by MESCOM in OP No. 37/2012. Aggrieved by the order dated 14.08.2013 of Hon'ble KERC in OP No.37/2012, MESCOM filed an appeal No. 275/2013 seeking to execute wheeling & banking agreement for wheeling of energy. Hon'ble ATE passed an interim order on 27.03.2014 directing MESCOM to execute wheeling & banking. As a last resort, MESCOM had also challenged the Order dated 17.10.2014 of Hon'ble ATE in appeal no. 275/2013 before the Hon'ble Supreme Court of India in Civil Appeal No. 1665/2015. The Hon'ble Supreme Court of India while disposing of the Civil Appeal No.1665/2015 in the order dated 15.09.2016 has confirmed the order of APTEL.

In the letter dated 08.05.2017, M/s AMR Power Pvt Ltd, has claimed an amount of Rs.19070.00 lakhs (Rs. 15142.00 lakhs principal + Rs. 8345.00 lakhs interest- Rs. 4416.00 lakhs received) as receivable from MESCOM stated to be the liability of MESCOM towards energy supplied in the non-PPA period from 22.07.2011 to 16.10.2014. Meanwhile, M/s AMR Power Pvt Ltd, filed a petition in OP No 192/2017 on 24.11.2017 before Hon'ble KERC and sought direction to determine and fix the Market price for the energy supplied from 22.07.2011 to 16.10.2014 and such other reliefs.

Hon'ble KERC has issued final order on 23.03.2021, as per the order the amount to be paid for the energy supplied for the period from 16.10.2011 to 16.10.2014 works out to Rs.2387.03 lakhs and interest (upto 21.10.2021) Rs.574.98 lakhs for which the Company released the amount to M/s. AMR Power Pvt Ltd on 22.10.2021. However, M/s.AMR Power Pvt. Ltd., has filed appeal before APTEL vide DFR 215 of 2021 to allow the petition in full and direct to pay the sum of **Rs. 190,70,41,093/-** . Case is pending for adjudication.

**UPCL:**

UPCL claimed interest on infirm energy charges. The interest claimed is Rs.22.43 Crs (Rs.22,43,21,751.00) as on 31.12.2021.

**6.2 Operation and Maintenance (O&M) Costs:**

The Operation and Maintenance (O&M) costs includes employee-related costs, repairs & maintenance costs and administrative & general costs. All the above sub components of the O&M costs are projected for the years FY23 (RE) and FY24 (projections) as detailed below;

MESCOM has considered the norms as prescribed in MYT regulations for projecting the various costs under the head 'O&M Expenses' and accordingly, the parameters considered for projections for the years FY23 (RE) and FY24 (projections).

- ✓ Actual O&M Expenses in the year FY22 as the base.
- ✓ Consumer growth index of 3.13%(3 year CAGR,FY18 to FY21).
- ✓ Weighted average inflation index of 6.16%
- ✓ Efficiency factor of 1%.

Weighted average inflation index of 6.96% is computed as follows:

Year	WPI	CPI	Comp. Series	Yt/Y1 =Rt	Ln Rt	Year (t-1)	Product [(t-1)*(LnRt)]
2010	89.70	61.10	66.82				
2011	98.20	66.50	72.84	1.09	0.09	1.00	0.09
2012	105.70	72.70	79.30	1.19	0.17	2.00	0.34
2013	111.10	80.60	86.70	1.30	0.26	3.00	0.78
2014	114.80	85.70	91.52	1.37	0.31	4.00	1.26
2015	110.30	90.80	94.70	1.42	0.35	5.00	1.74
2016	110.30	95.30	98.30	1.47	0.39	6.00	2.32
2017	114.10	97.60	100.90	1.51	0.41	7.00	2.88
2018	118.90	102.40	105.70	1.58	0.46	8.00	3.67
2019	121.20	110.20	112.40	1.68	0.52	9.00	4.68
2020	121.80	116.30	117.40	1.76	0.56	10.00	5.64
2021	135.00	122.00	124.60	1.86	0.62	11.00	6.85
A=Sum of the product column							30.25
B=6 times of A							181.51
C=(n-1)*n*(2n-1)							3036
D=B/C							0.059787
<b>Annual Escalation rate (exponential of D)</b>							<b>6.16%</b>

On the above elucidated norms / parameters, MESCOM has proceeded to project the O&M Expenses for the years FY23 (RE) and FY24 (projections) as below;

### 6.2.1 Employee Related Costs:

As per the Annual Accounts, employees cost incurred for FY22 is Rs.518.22 Cr, which has been considered as base cost projecting the employees expenses for FY23(RE) and FY24(projections) duly applying the normative inflation factor.

In FY23, 528 nos. of Junior Powermen have been recruited with monthly consolidated remuneration @ Rs.10,000/-, Rs.11,000/- and Rs.12,000/- for three years of probation period. Thus related cost has been factored for FY23(RE) and FY24(projections) as Rs.3.17 Cr and Rs.6.65 Cr, respectively.

Further, revision of pay scales of the employees on permanent roll is anticipated w.e.f. 01.04.2022. The probable rate of revision would be 22% on basic plus dearness pay with cascaded increase in allowances. This has been factored for FY24(projections) [including arrears of FY23] as Rs.234.12 Cr.

Calculations are given in the below table;

Rs. in Cr.

Particulars	FY22	FY23 (RE)	FY24 (proj)
Actual Expenses in FY22	518.22	-	-
Consumer Growth Index	-	3.13%	3.13%
Weighted Inflation Index	-	6.16%	6.16%
Efficiency Factor	-	1.00%	1.00%
Net Growth Rate	-	8.29%	8.29%
<b>Normative expenses</b>	-	<b>561.17</b>	<b>607.68</b>
Add: Cost of newly recruited JPM		3.17	6.65
Add: Additional employee cost due to the anticipated revision of pay scales		-	234.12
<b>Total projected cost:</b>		<b>564.34</b>	<b>848.45</b>

### 6.2.2 Repairs and Maintenance Costs:

As per the Annual Accounts, Repairs & Maintenance cost incurred for FY22 is Rs.63.66 Cr, which has been considered as base cost for projecting the Repairs & Maintenance expenses for FY23(RE) and FY24(projections) duly applying the normative inflation factor.

Rs. in Cr.

Particulars	FY22	FY23 (RE)	FY24 (proj)
Actual Expenses in FY22	63.66	-	-
Consumer Growth Index	-	3.13%	3.13%
Weighted Inflation Index	-	6.16%	6.16%
Efficiency Factor	-	1.00%	1.00%
Net Growth Rate	-	8.29%	8.29%
<b>Expenses projected</b>	-	<b>68.93</b>	<b>74.64</b>

### 6.2.3 Administrative and General Costs:

As per the Annual Accounts, Administrative and General incurred for FY22 is Rs.107.03 Cr, which has been considered as base cost for projecting the Administrative and General expenses for FY23(RE) and FY24(projections) duly applying the normative inflation factor.

Rs. in Cr.

Particulars	FY22	FY23 (RE)	FY24 (proj)
Actual Expenses in FY22	107.03(*)	-	-
Consumer Growth Index	-	3.13%	3.13%
Weighted Inflation Index	-	6.16%	6.16%
Efficiency Factor	-	1.00%	1.00%
Net Growth Rate	-	8.29%	8.29%
<b>Expenses projected</b>	-	<b>115.91</b>	<b>125.52</b>

(\*) includes Rs.0.06 Cr, expenses relating to consumer education.

**6.2.4 ABSTRACT of Operation and Maintenance (O&M) Costs:**

(O&M Costs: Rs. in Cr)

Year	Employee Costs	R&M Costs	A&G Costs	Total O&M Costs
FY18 (Actual)	355.68	39.39	93.60	488.67
FY19 (Actual)	392.40	59.14	106.84	558.38
FY20 (Actual)	493.34	67.33	123.59	684.26
FY21 (Actual)	467.61	64.99	113.39	645.99
<b>FY22 (Appd. TO 2021)</b>	-	-	-	<b>796.62</b>
FY22 (Actual)	518.22	63.66	106.97	688.85
<b>FY23 (Appd. TO 2022)</b>	-	-	-	<b>762.76</b>
FY23 (RE)	564.34	68.93	115.91	861.58
FY24 (Projection)	848.45	74.64	125.52	1048.61

**6.3 DEPRECIATION:**

In the Tariff Order 2022, Hon'ble Commission has approved the CAPEX program of MESOM for the years FY23 and FY24 as Rs.661.92 Cr and Rs.506.43 Cr, respectively. MESCOM has considered the same and sector wise categorization of assets have been arrived and indicated in the Format-D15.

Net weighted average rate of depreciation in the year FY22 is 4.94% on the average of the opening & closing balances of value of assets, which has been considered to project the depreciation for the years FY23(RE) and FY24(projections), as detailed below;

Further, depreciation chargeable on the assets created out of Govt. Grants and Consumer Contribution received after 01.04.2016 is deducted in the respective years;

Rs. In Cr.

Year	Value of assets created out of consumer contribution and government grants	Depreciation charged
FY22	869.82	42.47
FY23(RE)	988.43 [869.82 + 118.61]	49.03
FY24(projections)	1107.04 [988.43 + 118.61]	55.38

(Rs. in Cr.)

Particulars	Average of Opening & Closing Assets in FY22 (Actuals)	Depreciation Provided in FY22 (Actuals)	%
Land and rights	11.53	0.09	
Buildings	183.62	6.32	
Hydraulic Works	3.89	0.18	
Other Civil Works	1.38	0.04	
Plant & Machinery, Lines, Cables, Networks / Service Lines / Metering equipment	3923.75	196.91	
Vehicles	13.44	1.09	
Furniture Fixtures	9.46	0.52	
Office Equipment	18.10	0.94	
<b>Total:</b>	<b>4165.17</b>	<b>206.09</b>	<b>4.94%</b>
In-tangible Assets		3.14	
<b>Grand Total</b>		<b>209.23</b>	
Less: Dep on assests created out of consumer contribution and govt grants		42.47	
<b>Net Depreciation</b>		<b>166.76</b>	

(Rs. in Cr.)

Particulars	Average of Opening & Closing Assets for FY23 (RE)	Weighted Average Deprecation (%)	Depreciation for FY22 (Projections)
Land and rights	14.02		
Buildings	246.31		
Hydraulic Works	4.36		
Other Civil Works	1.61		
Plant & Machinery, Lines, Cables, Networks / Service Lines / Metering equipment	4397.99		
Vehicles	13.44		
Furniture Fixtures	10.40		
Office Equipment	18.21		
<b>Total:</b>	<b>4706.34</b>	<b>4.94%</b>	<b>232.17</b>
In-tangible Assets			2.38
<b>Grand Total</b>			<b>234.55</b>
Less: Dep on assets created out of consumer contribution and govt grants			49.03
<b>Net Depreciation</b>			<b>185.52</b>

(Rs. in Cr.)

Particulars	Average of Opening & Closing Assets for FY24 (Projections)	Weighted Average Depreciation (%)	Depreciation for FY24 (Projections)
Land and rights	16.62		
Buildings	311.48		
Hydraulic Works	4.86		
Other Civil Works	1.85		
Plant & Machinery, Lines, Cables, Networks / Service Lines / Metering equipment	4889.36		
Vehicles	13.44		
Furniture Fixtures	11.38		
Office Equipment	18.32		
<b>Total:</b>	<b>5267.31</b>	<b>4.94%</b>	<b>259.19</b>
Non-Tangible Assets			-
<b>Grand Total</b>			<b>259.19</b>
Less: Dep on assets created out of consumer contribution and govt grants			<b>55.38</b>
<b>Net Depreciation</b>			<b>203.81</b>

**Abstract:**

(Rs. in Cr.)

Year	Depreciation Amount in different years
FY18 (Actual)	90.39
FY19 (Actual)	125.69
FY20 (Actual)	166.65
FY21 (Actual)	193.14
<b>FY22 (Appd. TO 2021)</b>	<b>186.77</b>
FY22 (Actual)	166.76
<b>FY23 (Appd. TO 2022)</b>	<b>201.94</b>
FY23 (RE)	185.52
FY24 (Projection)	203.81

**6.4 INTEREST AND FINANCE COSTS:**

Interest and Finance costs include interest on capital loan, interest on working capital, interest on consumer deposits and other finance costs.

**6.4.1 Interest on Capital Loan:**

In the Tariff Order 2022, Hon'ble Commission has approved the CAPEX program of MESCOM for the years FY23 and FY24 as Rs.661.92 Cr and Rs.506.43 Cr, respectively.



MESCOM has estimated the capital borrowings of Rs.400 Cr and Rs.250 Cr for the years FY23(RE) and FY24(projections) after considering estimated internal resources as follows;

Year	Rs.in Cr.	
	FY23 (RE)	FY24 (projections)
CAPEX	661.92	506.43
85% of CAPEX	562.63	430.47
Less: Consumer contribution & Govt. Grants	118.61	118.61
Less: Consumer Security Deposit	37.05	37.05
Net:	406.97	274.81
<b>Estimated borrowings for CAPEX</b>	<b>400</b>	<b>250</b>

Considering the above interest on loan capital has been projected as indicated below.

MESCOM has considered the interest rate for estimating the interest on capital loan as follows;

- (i) Weighted average interest rate of FY22, i.e., 7.83% is considered for old loans.
- (ii) SBI MCLR rate as on 15.10.2022 is 8.25%. Considering 200 points on MCLR, the borrowing rate for new loans will be 10.25%.

Particulars	(Rs. in Cr.)		
	FY22 (Actual)	FY23 (RE)	FY24 (proj)
Opening Balance of loans	1209.54	1312.00	1498.52
Add: New Loan	290.00	400.00	250.00
Less: Repayments	187.54	213.42	243.42
Closing Balance of old loans	1312.00	1498.52	1505.16
Average Loan	1260.77	1405.26	1501.84
<b>Interest Paid</b>	<b>98.71</b>	<b>121.85</b>	<b>130.60</b>
Weighted Avg. Interest rate for old loans	7.83%	8.67%	8.70%
Weighted Avg. Interest rate for new loans	-	10.25%	10.25%

#### 6.4.2 Interest on Consumer Deposits:

Methodology adopted by the Hon'ble Commission in the Tariff Order 2022 has been followed for projecting the interest on consumer security deposit. Increase in consumer deposit in FY22 with reference to security deposit in FY21 is taken as the estimated additions for the years FY23(RE) to FY24(projections). Further, interest rate of 6.15%, as per RBI Notification dated 30-09-2022 has been considered for FY24 for estimating the interest on consumer deposits.

Accordingly, Interest on Consumer Deposits is projected as below;

Rs.in Cr.

Particulars	FY22 (Actual)	FY23 (RE)	FY24 (proj)
OB of the security deposits	712.61	749.66	786.71
Add: Collection during the year	37.05	37.05	37.05
CB of the security deposits	749.66	786.71	823.76
<b>Average</b>	<b>731.14</b>	<b>770.39</b>	<b>805.24</b>
Rate of interest		4.25%	6.15%
<b>Interest on Consumer Security Deposits</b>	<b>29.11</b>	<b>32.74</b>	<b>49.52</b>

#### 6.4.3 Interest on Working Capital:

Interest on working capital has been projected for the year FY22 to FY25 as per the norms prescribed in the MYT regulations.

SBI MCLR rate as on 15.10.2022 for tenor of one year is 7.95%. With 250 points on MCLR, the working capital interest @ 10.45% has been considered.

(Interest on Working Capital: Rs. in Crores)

Year	FY22 (Actual)	FY23 (RE)	FY24 (proj)
1/12th of O&M Expenses	57.40	71.80	78.02
Opening GFA	3,944.04	4,386.23	5,026.42
1% on opening GFA	39.44	43.86	50.26
1/6th of Revenue	658.95	715.99	740.91
<b>Total Working Capital</b>	<b>755.79</b>	<b>831.65</b>	<b>869.19</b>
Rate of Interest (%)	10.45%	10.45%	10.45%
<b>Normative Interest on Working Capital</b>	<b>78.98</b>	<b>86.91</b>	<b>90.83</b>

#### 6.4.4 Cost of raising finance:

In the year FY22 MESCOM has incurred an expense of Rs.1.51 Cr towards cost of raising finance for capital loans. The same amount has been maintained for FY23(RE) and FY24(projections).

**6.4.5 ABSTRACT of Interest and Finance Costs:**

(Interest and Finance Costs: Rs. in Crores)

Year	Interest on Capital Loan	Working Capital Interest	Interest on consumer Deposit	Cost of raising finance	Total
FY18 (Actual)	51.62	49.36	34.02	1.10	136.10
FY19 (Actual)	67.79	49.99	34.15	1.84	153.77
FY20 (Actual)	84.96	52.45	39.85	1.08	178.34
FY21 (Actual)	98.61	54.01	30.15	1.58	184.35
<b>FY22 (Appd. TO 2021)</b>	<b>116.10</b>	<b>91.13</b>	<b>32.37</b>	<b>1.08</b>	<b>240.67</b>
FY22 (As prop.in APR)	98.71	55.32	29.11	1.51	184.65
<b>FY23 (Appd. TO 2022)</b>	<b>129.04</b>	<b>76.61</b>	<b>33.69</b>	<b>1.58</b>	<b>240.92</b>
FY23 (RE)	121.85	86.91	32.74	1.51	243.01
FY24 (Projection)	130.60	90.83	49.52	1.51	272.46

**6.4.6 Interest & Other expenses capitalized:**

In FY22 annual accounts no amount is reflected as 'Interest & other expenses capitalized'. Hence, MESCOM has not projected any amount in this regard for FY23(RE) and FY24(projections).

**6.5 OTHER DEBITS (including bad debts):**

Actual / projected 'Other Debits' charges for different years are tabulated below;

(Rs. in Crores)

Year	Amount
FY18 (Actual)	(1.55)
FY19 (Actual)	18.42
FY20 (Actual)	13.99
FY21 (Actual)	6.55
<b>FY22 (Appd. TO 2021)</b>	-
FY22 (Actuals)	9.43
<b>FY23 (Appd. TO 2022)</b>	-
FY23 (RE)	9.43
FY24 (projection)	9.43

**6.6 PRIOR PERIOD (CREDITS) / CHARGES:**

In FY22 annual accounts no amount is reflected as 'Prior period (Credits) / Charges'. Hence, MESCOM has not projected any amount in this regard for the control period.

**6.7 RETURN ON EQUITY:**

Paid up share capital, share deposit and reserves & surplus, *at the beginning of the year*, considered for projection of 'Return on Equity' for the years FY23(RE) and FY24(projections) is indicated below;

(Return on Equity: Rs. in Crores)

Year	FY22 (Actual)	FY23 (RE)	FY24 (proj)
Opening balance of paid up share capital	619.44	662.42	662.42
Share Deposit	34.96	0.75	0.75
Reserves & Surplus	178.43	211.13	337.01
Less: Recapitalized Security Deposit	(26.00)	(26.00)	(26.00)
<b>Total:</b>	<b>806.83</b>	<b>848.30</b>	<b>974.18</b>
Rate of ROE (grossed up with MAT) [*]	15.50%	18.7815%	18.7815%
<b>ROE (Projection)</b>	<b>125.88</b>	<b>159.32</b>	<b>182.97</b>

[\*] Considered 15.50% of return on equity duly grossed up with the applicable MAT of 17.472% which works out to 18.7815%, as approved in Tariff Order 2021.

**Status of Debt Equity Ratio:**

Particulars	FY22 (Actual)	FY23 (RE)	FY24 (proj)
GFA Closing Balance	4386.23	5026.42	5508.16
Debt	1312.00	1498.58	1505.16
Equity	922.43	1048.31	1179.80
Normative Debt @ 70% of GFA	3070.36	3518.49	3855.71
Normative Equity @ 30% of GFA	1315.87	1507.93	1652.45
<b>% of actual DEBT on GFA</b>	<b>29.91%</b>	<b>29.81%</b>	<b>27.33%</b>
<b>% of actual EQUITY on GFA</b>	<b>21.03%</b>	<b>20.86%</b>	<b>21.42%</b>

From the above table, it is clear that the debt equity amount lies within the normative debt equity ratio of 70:30 on the closing balances of GFA.

**6.8 PROVISION FOR TAX:**

In line with the norms adopted by the Hon'ble Commission in the Tariff Orders, MESCOM has not claimed separately any amount towards income tax as the RoE projections are considered duly factoring MAT.

**6.9 FUNDS TOWARDS CONSUMER RELATIONS:**

Hon'ble Commission has allowed an amount of Rs.50 lakhs towards Consumer Education / Relations activities. The same amount has been projected for the years FY23(RE) and FY24(projections). In the year FY22, actual amount incurred under this head is Rs.0.06 Cr..

## 6.10 Regulatory Assets;

### **To consider the Truing up results of previous year in the Truing up exercise of year under consideration.**

Determination of the Retail Supply Tariff chargeable by the Company to its consumers is governed by KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and the amendments made thereon from time to time, whereby KERC is required to determine the Tariff in a manner that the Company recovers its Power purchase cost as well as other prudently incurred expenses and earns post tax return of 15.50% p.a. on KERC approved Equity.

Accordingly Hon'ble Commission is determining the tariff based on the estimations submitted by the Company each year at the beginning of the year itself. Later, on finalization of accounts for the respective year, Hon'ble Commission will carry out the process of Annual Performance Review (Truing up), based on the audited accounts of the Company and the actual deficit / surplus will be carried forward for determination of tariff for future year/years.

For example, the Truing up deficit of FY 2016-17 was carried forward by the Hon'ble Commission for estimation/ determination of Tariff for FY 2018-19, as the Audited accounts of FY 2016-17 was made available to the Hon'ble Commission in the middle of the FY 2017-18.

Accordingly the Truing up deficit of FY 2016-17 amounting to Rs. 553.83 Crs was carried forward for estimation/ determination of Tariff for FY 2018-19 as detailed below:

Rs. In Crs

Sl. NO.	Particulars	Truing up of FY 2016-17	Estimation of FY 2018-19
1.	Approved Expenses for the current year	3372.13	2691.87
2	True up gap of FY 2016-17	-	<b>553.83</b>
3	Total Expenses (1+2)	3372.13	3245.70
4	Total Revenue	2818.30	3103.65
5	<b>Surplus (+)/Deficit (-) (4-3)</b>	<b>(-)553.83</b>	<b>(-)142.05</b>

It can be seen from the above table that, deficit of FY 2016-17 amounting to Rs. 553.83 Crs was carried forward for estimation/ determination of Tariff for FY 2018-19.

However, after finalization of the accounts for the year 2018-19, while passing the True up Order for this year, the deficit of the year 2016-17 which was considered for estimation **was not carried forward** by the Hon'ble Commission as detailed in the table below:

**Table -2**

Rs. In Crs

Sl. NO.	Particulars	Estimation of FY 2018-19	As per Audited Accounts	As per APR order of KERC for FY 2018-19
1.	Approved Expenses for the current year	2691.87	3131.06	3037.25
2	True up gap of FY 2016-17	<b>553.83</b>	<b>553.83</b>	<b>0.00</b>
3	Total Expenses (1+2)	3245.70	3684.89	3037.25
4	Total Revenue	3103.65	3352.25	3270.80
<b>5</b>	<b>Surplus (+)/Deficit (-) (4-3)</b>	<b>(-)142.05</b>	<b>(-)332.64</b>	<b>(+)233.55</b>

It can be seen from the above table that, the gap of FY 2017 amounting to Rs. 553.83 Crs which **was carried forward as a cost while arriving at the ARR/ Tariff determination for FY 2018-19, was not carried forward by the Hon'ble Commission in the process of APR of same year.** However, the entire revenue recovered during the year 2018-19 (Rs. 3270.80 Crs) which includes the revenue recovered on account of gap of FY 2017 was factored in the APR. By doing so, Hon'ble Commission has wrongly arrived at APR Surplus of Rs. 233.55 Crs for the year 2018-19 in place of actual gap (deficit) of Rs. 332.64 Crs. **Hence it is opined that, the True-up Gap of FY 2016-17 which was determined, approved and allowed by Hon'ble KERC amounting to Rs. 553.83 Crs was remained unrealized.**

Since the revenue recovered during the year 2018-19 (Rs. 3270.80 Crs) is inclusive of the revenue towards the deficit of FY 2016-17 also, while carrying out True-up of FY 2018-19, the Hon'ble Commission, either should have carried forward the True-up gap of FY 2016-17 (Rs. 553.83 Crs) in expenditure side (as was done while estimating) OR the revenue of the year 2018-19 should have been reduced to that extent, so that exclusive revenue and expenses of year 2018-19 are considered for arriving at actual Truing up gap of the year 2018-19.

Hon'ble KERC is carrying out Truing up exercise (APR Process) every year since 2007-08 as per KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006. The details of surplus/deficit arrived in the APR process of MESCOM by KERC in each year since FY 2007-08 is as below:

**Table -3** Rs. In Crs

Sl. No.	FY	The tariff order in which ARR was done	Net ARR as per APR order	Net revenue as per APR order	Deficit (-) surplus (+) for the year	Cumulative Deficit (-) surplus (+)
1	2	3	4	5	6	7
1	2007-08	25.11.2009	942.69	900.58	-42.11	-42.11
2	2008-09	25.11.2009	1141.93	1047.68	-94.26	-136.37
3	2009-10	07.12.2010	1171.76	1175.25	3.50	-132.87
4	2010-11	28.10.2011	1428.03	1347.65	-80.38	-213.25
5	2011-12	06.05.2013	1529.70	1598.59	68.89	-144.36
6	2012-13	12.05.2014	1997.31	1748.73	-248.57	-392.93
7	2013-14	02.03.2015	1866.77	1952.77	86.00	-306.93
8	2014-15	30.03.2016	2046.84	2191.35	144.51	-162.42
9	2015-16	11.04.2017	2758.95	2363.21	-395.74	<b>-558.16</b>
10	2016-17	30.05.2018	3372.13	2818.30	-553.83	-1111.99
11	2017-18	30.02.2019	3184.86	3156.64	-28.22	-1140.21
12	2018-19	04.11.2020	3037.25	3270.80	233.55	-906.66
13	2019-20	09.06.2021	3859.55	3756.41	-103.15	<b>-1009.81</b>
	<b>Total</b>		<b>28337.77</b>	<b>27327.96</b>	<b>-1009.81</b>	

**Since, Hon'ble KERC is not carrying forward the previous gaps as narrated above, the total gap approved by Hon'ble Commission upto FY 2019-20 amounting to Rs. 1009.81 Crs was remained unrecovered.**

It is evident from the records that, though the Hon'ble Commission is taking into account the surplus or the deficit of the relevant year for determining the tariff for ensuing financial year, it was not recovered in the real sense, as Hon'ble Commission has considered the entire revenue as the revenue of the year under consideration for APR but has not considered the previous year's gap on expenditure side. It is very conspicuous from the APR format that, the gap figure of the previous year which was considered in the tariff determination is missing in

the APR of respective year. This missing figure is the reason for not passing on of the gap of the previous/ earlier years.

During filing APR for FY 2018-19, Company had requested the Hon'ble Commission to consider the deficit of previous years upto FY 2016-17 amounting to Rs. 1111.98 Crs. However the claim of the Company was rejected by Hon'ble Commission stating that, "**As per the decisions of the Hon'ble ATE, True up of ARR once done cannot be re-opened at subsequent point of time**". In this regard it is once again submitted that MESCOM is not requesting for reopening or redoing of the APR of any earlier years for determination of the surplus or deficit of the respective years. MESCOM has already conceded for the APR results carried out by the Hon'ble Commission except non-considering of previous year's gap. The only appeal to the Hon'ble Commission is, to pass on the result of APR of the respective years in the current APR, to this Company.

It is prayed before the Hon'ble Commission to consider the trued up deficit balances to the extent of Rs. 1009.81 Crs, as shown in the **Table-3** above, in the truing up exercise of the FY 2021-22 which is under consideration in this appeal petition.

#### 6.10 ABSTRACT - Annual Revenue Requirement (Rs. In Cr.):

Projections of the expenditures in all the sub heads are detailed in the respective prescribed formats D1 to D21 and the values are abstracted in the below table;

Particulars	FY22		
	As approved in TO-2021	As per Accounts	As proposed for APR
Power Purchase Cost	2738.02	2256.67	2256.67
KPTCL Transmission charges	318.18	320.58	320.58
SLDC Charges	2.59	2.59	2.59
O&M Costs	796.62	688.85	688.85
Depreciation	186.77	209.23	166.76
Interest & Finance Charges	240.67	160.98	184.65
Interest & Finance Charges Capitalized	-2.10	-	-
Other Debits	-	9.43	9.43
Extraordinary Items	-	44.09	44.09
Funds towards consumer relations	0.50	0.06	0.06
<b>TOTAL:</b>	<b>4281.25</b>	<b>3692.48</b>	<b>3673.68</b>
Return on Equity	151.67	-	125.88
APR (Surplus) / Deficit	103.15	-	-
Reg. Assets as per TO-2020/carrying cost	61.47	-	12.29
Other Income	(89.88)	(123.39)	(80.92)
Regulatory Assets as per accounts	-	351.92	-
Trued up deficits of previous years	-	-	-
Regulatory Assets requested	-	-	-
<b>ARR:</b>	<b>4507.65</b>	<b>3921.01</b>	<b>3730.93</b>



Particulars	FY23	FY24
	RE	Projections
Power Purchase Cost	2,311.52	3171.08
KPTCL Transmission charges	383.26	401.47
SLDC Charges	2.46	2.36
Other Power Purchase Liabilities	-	212.50
O&M Costs	749.18	1048.61
Depreciation	185.52	203.81
Interest & Finance Charges	243.01	272.46
Interest & Finance Charges Capitalized	-	-
Other Debits	9.43	9.43
Extraordinary Items	-	-
Funds towards consumer relations	0.50	0.50
<b>TOTAL:</b>	<b>3884.88</b>	<b>5322.22</b>
Return on Equity	159.32	182.97
APR (Surplus) / Deficit	341.96	(222.78)
Regulatory Assets as per TO-2020	-	-
Regulatory Assets as per accounts	-	-
Other Income	(74.36)	(68.01)
Trued up deficits of previous years	906.66	1009.81
Regulatory Assets requested	(906.66)	(1009.81)
<b>ARR:</b>	<b>4,311.80</b>	<b>5214.40</b>

**6.11** It is to be submitted before the Hon'ble Commission to consider the projected Aggregate Annual Revenue Requirement of MESCOM as elaborated above. The enclosed formats from A1 to D24 have contained the costs under each sub heads of income / expenditure.

**6.12 CAPITAL INVESTMENT PROGRAMME:**

In the Tariff Order 2022, Hon'ble Commission has approved the CAPEX for MESCOM for FY23 and FY24 as Rs.661.92 Cr and Rs.506.43 Cr, respectively. MESCOM has considered the same in the current filings.

**6.13 RPO compliance for FY23(RE) and FY24(projections):**

Considering the projected source wise energy, as depicted in Format D1, RPO compliance in respect of Non-solar and Solar have been estimated in the below given tables for the years FY23(RE) and FY24(projections).

**Estimated RPO Compliance:**

<b>Sl. No.</b>	<b>Particulars</b>	<b>FY23 (RE)</b>	<b>FY24 (proj)</b>
1.	Total power purchase quantum from all sources excluding Hydro-energy	3859.43	4799.76
2.	Non-Solar RE purchased under PPA route	625.46	666.85
3.	Solar RE purchased under PPA route	835.44	845.74
<b>4.</b>	<b>Total (3+4)</b>	<b>1460.90</b>	<b>1512.59</b>
<b>5.</b>	<b>RPO Compliance(%)</b>	<b>37.85%</b>	<b>31.51%</b>
6.	RPO Target(%)	25.00%	26.50%

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