

The Petitioner has submitted the depreciation of INR 17.40 crore as per MYT Regulations 2018 as against the approved depreciation of INR 6.79 crores in MYT Order.

Commission's analysis

Regulation 30 of the MYT Regulations, 2018 stipulates the following:

“30. Depreciation

30.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.

30.2 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the capital cost of the asset.

30.3 Land other than the land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.

30.4 In case of existing assets, the balance depreciable value as on April 1, 2019, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2018, from the gross depreciable value of the assets.

30.5 The depreciation shall be chargeable from the first Year of commercial operations. In case of projected commercial operation of the assets during the Year, depreciation shall be computed based on the average of opening and closing value of assets:

Provided that depreciation shall be re-calculated during truing-up for assets capitalised at the time of truing up of each Year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission.

30.6 For Transmission Licensee, the depreciation shall be calculated at rates and norms specified in the prevalent CERC Tariff Regulations for transmission system.

30.7 The depreciation for a Distribution Licensee shall be calculated annually, based on the Straight Line Method, over the Useful Life of the asset at rates specified in Appendix I of the Regulations.

30.8 In addition to allowable depreciation, the Distribution Licensee shall be entitled to advance against depreciation (AAD), computed in the manner given hereunder:

AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these Regulations:

Provided that advance against depreciation shall be permitted only if the cumulative repayment upto a particular Year exceeds the cumulative depreciation upto that Year:

Provided further that advance against depreciation in a Year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation upto that Year.

30.9 The Distribution Licensee shall provide the list of assets added during each Year of Control Period and list of assets completing 90% of depreciation in the Year along with Petition for annual performance review, true-up and tariff determination for ensuing Year.

30.10 The remaining depreciable value for a Distribution Licensee shall be spread over the balance useful life of the asset, on repayment of the entire loan.”

The Commission has derived the weighted average rate of depreciation based on the asset wise depreciation rate prescribed in MYT Regulations, 2018, provided in the following table:

Table 70: Depreciation Rate (%)

Description	Rate
Plant & Machinery	3.60%
Buildings	1.80%
Furniture & Fixtures	6.00%
Land	0.00%
Vehicles	18.00%
Computers	6.00%
Office Equipment	6.00%

The overall depreciation rate is considered as the weighted average depreciation rate calculated based on the asset wise depreciation rates and asset classification as per the Fixed Asset Register of FY 2019-20. The closing GFA of the FY 2020-21 as approved in the APR has been considered as opening GFA of the FY 2021-22. Further, depreciation has been computed on average Gross Fixed Assets (GFA) after considering the net addition proposed during each year. The following table provides the calculation of depreciation as approved in the MYT order, Petitioner's submission and now approved by the Commission.

Table 71: Depreciation approved by the Commission for FY 2021-22 (In INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Opening Gross Fixed Assets	229.08	553.41	212.55
2	Addition During the FY	9.55	28.36	28.36
3	Adjustment/Retirement During the FY	0.00	0.00	0.00
4	Closing Gross Fixed Assets	238.63	581.77	240.91
5	Average Gross Fixed Assets	233.86	567.59	226.73
6	Weighted Average Depreciation rate (%)	2.90%	3.07%	3.64%
7	Depreciation	6.79	17.40	8.24

The Commission approves a depreciation of INR 8.24 Crore for the FY 2021-22.

5.12. Interest on Loan

Petitioner's submission

The petitioner has estimated the Interest and Finance charges as per the JERC MYT Regulations, 2018 for the year FY 2021-22. The Petitioner has submitted that the majority of capital assets are created out of the equity contribution from Andaman & Nicobar Administration only. The rate of interest considered is SBI MCLR as on 1st April of the relevant year plus 100 basis points.

Commission's analysis

Regulation 28 of the MYT Regulations, 2018 stipulates the following:

“28. Interest on Loan

28.1 The loans arrived at in the manner indicated in Regulation 26 on the assets put to use, shall be considered as gross normative loan for calculation of interest on the loan:

Provided that interest and finance charges on capital works in progress shall be excluded:

Provided further that in case of De-capitalization or retirement or replacement of assets, the loan capital shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.

28.2 The normative loan outstanding as on April 1, 2019, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2018, from the gross normative loan.

28.3 Notwithstanding any moratorium period availed by the Transmission Licensee or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first Year of commercial operation of the project and shall be equal to the annual depreciation allowed in accordance with Regulation 30.

28.4 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Transmission Licensee or the Distribution Licensee:

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest:

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

28.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:

Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalization approved by the Commission for the Year.

28.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee.

28.7 The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee.

28.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.

28.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Transmission Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

28.10 The Transmission Licensee or the Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the equally between the beneficiaries and the Transmission Licensee or the Distribution Licensee and the Consumers of Distribution Licensee.

28.11 Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission.”

Hence, the rate of interest to be considered while determining the ARR shall be the weighted average interest rate of the actual loan portfolio. However, in absence of detailed data with respect to the actual loan portfolio, the Commission has considered the SBI 1 Year MCLR rate¹ plus 100 basis points as Rate of Interest, in accordance with the MYT Regulations, 2018

As per the MYT Regulations, 2018, if the equity deployed is more than 30% of the capital cost, then equity in excess of 30% is considered as normative loan. The Interest on Loan has been calculated on the average loan during the year with the opening loan for the FY 2021-22 considered equivalent to the closing loan approved in the APR for the FY 2020-21.

The following table provides the Interest on Loan as approved in the MYT order, Petitioner's submission and now approved by the Commission:

Table 72: Interest on loan approved by the Commission for FY 2021-22 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Opening Normative Loan	39.14	194.87	32.39
2	Add: Normative Loan During the year	6.69	19.85	19.85
3	Less: Normative Repayment equal to Depreciation	6.79	17.40	8.24
4	Closing Normative Loan	39.03	197.32	44.00
5	Average Normative Loan	39.08	196.09	38.20
6	Rate of Interest (%)	9.15%	8.75%	8.00%
7	Interest on Loan	3.58	17.16	3.06

¹ SBI 1 Year MCLR rate as on 15th May 2021

The Commission approves Interest on Loan as INR 3.06 Crore for the FY 2021-22.

5.13. Return on Equity (RoE)

Petitioner's submission

The Return on Equity (RoE) is computed in accordance with the MYT Regulations, 2018, wherein RoE is computed on 30% of the capital base if the actual equity deployed is more than 30% and the actual equity base if the equity deployed is less than 30%. Accordingly, the Petitioner has computed the Return on Equity at 16% on post-tax basis. The following table summarizes Petitioner's submission:

Table 73: Return on equity as submitted by the Petitioner (INR Crore)

S. No.	Particulars	FY 2021-22
1	Opening Equity Amount	166.02
2	Equity Addition during year (30% of Capitalization)	8.51
3	Closing Equity Amount	174.53
4	Average Equity Amount	170.28
5	Return on Equity (%)	16.00%
6	Total Return on Equity	27.24

Commission's analysis

Regulations 27.2 and 27.3 of the MYT Regulations, 2018 stipulate the following:

"27.2 The return on equity for the Distribution Wires Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use at post-tax rate of return on equity specified in the prevalent CERC Tariff Regulations for transmission system.

27.3 The return on equity for the Retail Supply Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use, at the rate of sixteen (16) per cent per annum."

RoE has been calculated on normative basis on the average of opening and closing of equity during the year at the rate of 16% (on post-tax basis) with an opening equity considered equivalent to the closing equity of FY 2020-21 as approved in the APR. Income Tax payable shall be considered taken on actual basis at the time of True-up. The following table provides the RoE approved in the ARR of FY 2021-22, the Petitioner's submission and RoE now approved by the Commission.

Table 74: RoE approved by the Commission for FY 2021-22 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Opening Equity	68.72	166.02	63.77
2	Additions on account of new capitalisation	2.87	8.51	8.51
3	Closing Equity	71.59	174.53	72.27
4	Average Equity	70.15	170.28	68.02
5	Rate of Return	16.00%	16.00%	16.00%
6	Return on Equity	11.22	27.24	10.88

The Commission approves Return on Equity of INR 10.88 Crore for the FY 2021-22.

5.14. Interest on Security Deposits

Petitioner's submission

The Petitioner has submitted that it does not collect security deposit from consumers in cash. The consumers are required to create a Term Deposit in scheduled bank equivalent to the security amount and a lien is created in favour of the FDA&N towards security deposit. Hence, Interest on Security deposits is not payable to the consumers. Therefore, EDA&N has not claimed Interest on Security deposit in the ARR.

Commission's analysis

Regulation 28.11 of the MYT Regulations, 2018 stipulates the following:

"Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission. "

Since, the Petitioner has not collected any consumer security deposit. Therefore, the Commission has not approved any Interest on Security Deposits as the interest amount on fixed deposits is not available with Petitioner in cash.

Accordingly, the Commission approves Interest on Security Deposit as NIL for the FY 2021-22.

5.15. Interest on Working Capital

Petitioner's submission

The interest on working capital has been calculated based on the normative principles outlined in the MYT Regulations, 2018.

The working capital requirement for the Control Period has been computed considering the following

- Receivable of two months of billing
- O&M Expenses of one month
- Maintenance Spares at 40% of repair and maintenance expenses for one month
- Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit Receipt

The SBI 1 year MCLR as on 1st April 2020 plus 200 basis points i.e. 9.75% (7.75% + 2%) has been considered for computation of interest on working capital. The following table provides the Interest on working Capital proposed for FY 2021-22.

Table 75: Interest on Working Capital submitted by the Petitioner (INR Crore)

S. No.	Particulars	FY 2021-22
1	O&M Expense - 1 month	18.70
2	Maintenance Spare @ 40% of R&M Exp - one month	24.94
3	Two Months Receivables	37.48
4	Less : Amount held as Security Deposit	0.00
5	Total Working Capital	81.12
6	Interest Rate	9.75%

S. No.	Particulars	FY 2021-22
7	Interest on Working Capital	7.91

Commission's analysis

Regulation 52 of the MYT Regulations, 2018 stipulates the following:

"52. Norms of Working Capital for Distribution Wires Business

52.1 The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Wires Business for the Financial Year, computed as follows:

(a) O&M Expenses for one (1) month; plus

(b) Maintenance spares at 40% of repair and maintenance expenses for one (1) month; plus

(c) Receivables equivalent to two (2) months of the expected revenue from charges for use of distribution wires at the prevailing tariff;

Less:

(d) Amount, if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from distribution system users except the security deposits held in the form of Bank Guarantees:

Provided that at the time of truing up for any Year, the working capital requirement shall be re-calculated on the basis of the values of components of working capital approved by the Commission in the truing up."

Further, Regulation 31.3 of the MYT Regulation, 2018 stipulates the following:

31.3 The interest on working capital shall be a payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures. 31.4 The rate of interest on working capital shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 200 basis points.

The Commission has computed the Interest on Working Capital for FY 2021-22 in accordance with the MYT Regulation, 2018. The interest rate has been considered as 9.75% (1 year MCLR as on 1st April 2020 i.e. 7.75% + 200 basis points). The computation of interest on working capital is shown in the following table:

Table 76: Interest on Working Capital approved by the Commission for FY 2021-22 (INR Cr)

S. No	Particulars	FY 2021-22
1	O&M Expense for 1 month	18.16
2	Maintenance spares at 40% of R&M expenses for one (1) month;	1.82
3	Receivables equivalent to two (2) months of the expected revenue from charges for use of distribution wires at the prevailing tariff	26.80
4	Less: Amount held as security deposits	0.00
5	Net Working Capital	46.79
6	Rate of Interest (%)	9.75%
	Interest on Working Capital	4.56

The Commission approves the Interest on Working Capital as INR 4.56 Crore for the FY 2021-22.

5.16. Income Tax

Petitioner's submission

The Petitioner has not made any submission has been made in this regard.

Commission's analysis

Regulation 32 of MYT Regulations, 2018 stipulates the following:

"32. Tax on Income

32.1 The treatment of tax on income for a Transmission Licensee shall be in accordance with the prevalent CERC Tariff Regulations.

32.2 The Commission in its MYT Order shall provisionally approve Income Tax payable for each Year of the Control Period, if any, based on the actual income tax paid, including cess and surcharge on the same, if any, as per latest audited accounts available for the Distribution Licensee, subject to prudence check.

32.3 Variation between Income Tax actually paid, including cess and surcharge on the same, if any, and approved, if any, on the income stream of the Licensed business of the Distribution Licensees shall be reimbursed to/recovered from the Distribution Licensees, based on the documentary evidence submitted at the time of truing up of each Year of the Control Period, subject to prudence check.

32.4 Under-recovery or over-recovery of any amount from the Consumers on account of such tax having been passed on to them shall be adjusted every Year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. The Distribution Licensee may include this variation in its truing up Petition:

Provided that tax on any income stream other than the core business shall not be a pass-through component in tariff and tax on such other income shall be borne by the Distribution Licensee."

Since the Petitioner has paid no Income tax in the previous years, no income tax liability is computed for the FY 2021-22 and the same shall be Trued-up based on the actual income tax paid by the Petitioner.

Table 77: Income Tax approved by the Commission for FY 2021-22 (INR Crore)

S. No	Particulars	FY 2021-22
1	Income Tax	0.00

5.17. Provision for Bad & Doubtful Debts

Petitioner's submission

The Petitioner has not proposed any provision for bad and doubtful debts during the FY 2021-22.

Commission's analysis

Regulation 62 of the MYT Regulations, 2018 stipulates the following

"62. Provision for bad and doubtful debts

62.1 The Commission may allow bad debts written off as a pass through in the Aggregate Revenue Requirement, based on the trend of write off of bad debts in the previous years, subject to prudence check:

Provided that the Commission shall true up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write off of bad debts excluding delayed payment charges waived off, if any, during the year, subject to prudence check:

Provided also that the provision for bad and doubtful debts shall be limited to 1% of the annual Revenue Requirement of the Distribution Licensee:

Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised.”

The Commission also has not considered any Provision for Bad & Doubtful Debts for the FY 2021-22. The same shall be accounted for as per actuals during the True-up of respective years.

5.18. Non-Tariff Income

Petitioner’s submission

The Petitioner has estimated the non-tariff income of INR 3.25 crore for FY 2021-22 as approved by the Commission in MYT Order.

Commission’s analysis

Regulation 64 of the MYT Regulations, 2018 stipulates the following:

“64. Non-Tariff Income

64.1 The amount of Non-Tariff Income relating to the retail supply of electricity as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by the Distribution Licensee:

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of tariff.

64.2 The Non-Tariff Income shall inter-alia include:

- (a) Income from rent of land or buildings;*
- (b) Income from sale of scrap;*
- (c) Income from statutory investments;*
- (d) Interest on advances to suppliers/contractors;*
- (e) Rental from staff quarters;*
- (f) Rental from contractors;*
- (g) Income from hire charges from contractors and others;*
- (h) Income from advertisements, etc.;*

- (i) Meter/metering equipment/service line rentals;
- (j) Service charges;
- (k) Consumer charges;
- (l) Recovery for theft and pilferage of energy;
- (m) Rebate availed on account of timely payment of bills;
- (n) Miscellaneous receipts;
- (o) Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- (p) Prior period income, etc.:

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income:

Provided further that any income earned by a Distribution Licensee by sale of power to other Distribution Licensees or to Consumers as per Section 49 of the Act using the existing power purchase agreements or bulk supply capacity allocated to the Distribution Licensee's Area of Supply shall be reduced from the Aggregate Revenue Requirement of the Distribution Licensee for the purpose of determination of tariff. Such reduction shall be carried out in accordance with Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017, as amended from time to time."

The Commission approves the NTI in line with the approved figures of MYT Order. The same shall be Trued-up on actual basis at the time of true-up. The NTI approved for FY 2021-22 has been shown in the following table:

Table 78: Non -tariff Income approved by the Commission for FY 2021-22 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Non- Tariff Income	3.25	3.25	3.25

The Commission approves Non-Tariff Income of INR 3.25 Crore for the FY 2021-22.

5.19. Aggregate Revenue Requirement (ARR)

Petitioner's submission

Based on the expenses as detailed above, the Petitioner has submitted the net aggregate revenue requirement of INR 906.14 crore as against the approved net aggregate revenue requirement of INR 844.31 crore in MYT Order.

Commission's analysis

On the basis of the detailed analysis of the cost parameters of the ARR the net revenue requirement as approved in MYT order, Petitioner's submission and now approved by the Commission for FY 2021-22 is shown in table below:

Table 79: Aggregate Revenue Requirement approved by the Commission for FY 2021-22 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Power Purchase Cost	349.27	442.77	474.27