TABLE 14 : GAIN/ (LOSS) ON ACCOUNT OF DISTRIBUTION LOSSES FOR FY 2020-21

Gain/(Loss) due to Distribution Losses				
S.No.	**Particulars**	**Unit**	**FY 2020-21 (with Approved Distribution Losses)**	**FY 2020-21 (with Actual Distribution Losses)**
1	Energy Sales	MUs	22,821.76	22,821.76
2	Distribution Losses	MUs	2,423.55	1,653.60
		%	9.60%	6.76%
3	Energy Requirement	MUs	25,245.31	24,475.37
4	Saving due to Distribution Losses	MUs		769.95
5	Average Power Purchase Cost	Rs./Unit		4.24
6	Gain/(Loss) due to Dist. Losses			**326.51**

3.6.13. As can be seen from the above, the total gain on account of lower distribution losses as compared to approved is Rs. 326.51 Crores. This gain is categorised as on account of controllable factors and the appropriate treatment is given below:

TABLE 15 : GAINS / (LOSS) - POWER PURCHASE EXPENSES

Rs in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Total Power Purchase Cost	11,843.65	10,949.27	326.51	567.87

3.6.14. Thus, as can be seen from the above table, the power purchase gain/(loss) due to controllable & uncontrollable factors are Rs. 326.51 Crores and Rs. 567.87 Crores respectively which would have to be passed on to the consumers as per the methodology approved by the Hon'ble Commission.

3.7. CAPITAL EXPENDITURE

3.7.1. Capital expenditure incurred by UGVCL in FY 2020-21 was Rs. 651.29 Crores. The actual capital expenditure by UGVCL during the FY 2020-21 is higher than that approved by the Hon'ble Commission. The scheme-wise capital expenditure incurred in FY 2020-21 against the expenditure approved by the Hon'ble Commission is as shown below:

TABLE 16 : CAPITAL EXPENDITURE

Rs. in Crores

	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
A	**Distribution Schemes**			-
	Normal Development Scheme	180.00	279.35	(99.35)
	System Improvement Scheme	40.00	72.29	(32.29)
	HVDS in selected sub-division	4.50	5.74	(1.24)
	Under Ground Cables	100.00	-	100.00
	Plan Load Management Transformer	4.00	-	4.00
	Others (VDS)	0.65	1.58	(0.93)
	Total	**329.15**	**358.96**	**(29.81)**
B	**Rural Electrification Schemes-Plan**			
	TASP(Wells and Petapara)	20.00	27.03	(7.03)
	Schedule Caste Sub Plan (Wells)	3.00	1.96	1.04
	Schedule Caste Sub Plan (Lighting)	2.50	0.93	1.57
	Electrificatio of Hutments	4.00	3.22	0.78
	Kutir Jyoti Scheme	0.40	1.25	(0.85)
	Dark Zone	100.00	146.14	(46.14)
	Sagarkhedu	4.00	0.74	3.26
	Sardar Krushi Jyoti Scheme (SKJY)	-	19.62	(19.62)
	Solar Home Light	15.00	-	15.00
	KSK(kisan Suryoday Yojana)		1.19	(1.19)
	AG Well(Feeder Bifurcation)		3.78	(3.78)
	SKY (excluding panels)		1.45	(1.45)
	Total	**148.90**	**207.30**	**(58.40)**
C	**Central Government Scheme Plan**		-	
	Revamped Distribution Sector Scheme	-	-	-
	RAPDRP Part A	2.05	-	2.05
	Integrated Power Development Scheme	-	1.44	(1.44)
	SCADA Part A	0.21	-	0.21
	Smart Grid	2.00	-	2.00
	Total	**4.26**	**1.44**	**2.82**
D	**Non Plan Schemes**		-	-
	RE Non Plan (Tatkal)	1.00	2.01	(1.01)
	AG Normal (SPA)	30.00	60.56	(30.56)
	Energy Conservation	0.10	-	0.10
	Total	**31.10**	**62.57**	**(31.47)**
E	**Other New Schemes**		-	-
	Automation and Computerisation	4.35	1.10	3.25
	Civil Works and New Buildings	12.00	7.13	4.87
	GIS in cities	0.20	-	0.20
	Other Schemes (Earthing)	0.80	-	0.80
	Other Repairing Work/Civil Work	2.00	-	2.00
	New Furnitures and Fixtures	1.00	0.78	0.22
	Vehicles	0.50	0.09	0.41
	DSM	2.00	-	2.00
	DISS	-	11.92	(11.92)
	Solar Pump	5.00	-	5.00
	Total	**27.85**	**21.03**	**6.82**
F	**Capital Expenditure Total**	**541.26**	**651.29**	**(110.03)**

3.7.2. Scheme wise deviation in capital expenditure is explained as under:

- **Normal Development Scheme:** Under the head Normal Development Scheme, generally expenses are incurred to meet with the Supply Obligation. During the FY 2020-21, growth of the Company in terms of number of consumers and load has exceeded than projected, therefore, company had to incur Rs. 279.35 Crore against approved Rs. 180 Crore.
    - Ahmedabad peripheral underground network with RMU network and consumer demand has also increased.
    - Various Line shifting works are also carried out under Normal Development scheme.
- **System Improvement Scheme:** The system improvement scheme i.e. S.I. scheme includes various activities such as bifurcation of feeders, overhead to underground cable conversion, new substation link line work, H.T. Aerial bunch conductor, replacement of deteriorated conductor, L.T. Aerial bunch conductor and distribution transformer review etc. The S.I. scheme is required for providing quality and reliable power supply to our esteemed consumers. As per the capital expenditure report for FY 2020-21, as against the approved cost for system improvement scheme of Rs. 40.00 Crore, UGVCL has incurred Rs. 72.29 Crore for activities related to the S.I. scheme. The cost is increased with reference to the approved work as UGVCL has carried out major work to help curb the low voltage pockets and also improve power supply quality/reliability based on overall feeder bifurcation work. In case Government Scheme are not available for such activities, then company has to carry out system improvement work under this scheme to meet the consumers expectations to the extent possible.
- **Under Ground cables scheme:** In Underground cables scheme, work related to conversion of overhead to underground network in the Mahanagar Palika area is undertaken and approved cost for this scheme is Rs. 100 crore. With regards to this scheme, the necessary DPR was not approved and hence execution of work was not carried out in FY 2020-21 and hence the approved capital expenditure is under utilized.
- **Sardar Krushi Jyoti Scheme (SKJY):** This is a scheme launched by the Government of Gujarat since FY 2017-18. During MYT petition, expenditure was not projected under this scheme. In this scheme, capex target of Rs. 33.68 Crore was envisaged for replacement of poles, insulator, feeder bifurcation work. There was variation in Scope of work as additional work of feeder bifurcation under SKJY scheme considered. Company had incurred Rs. 19.62 Crore against Rs. 33.68 Crore due to Covid-19.
- **Distribution Infrastructure Shifting Scheme (DISS):** This is Government of Gujarat granted scheme launched since 2015-16. During MYT petition, Expenditure was not projected under this scheme. In this scheme, Capex of Rs. 15.00 Crore

envisaged for shifting of HT /LT line and Transformers obstacle to Public road/Place under Mahanagar Palika / Nagar Palika and Gram panchayat etc. UGVCL has actually incurred Rs. 11.92 Crore against Rs. 15.00 Crore due to Covid-19 pandemic situation.

- **TASP (Wells & Petaparas):** This is Government of Gujarat granted scheme in Tribal Area & Petaparas covered under UGVCL for electrification of Agriculture wells. GUVNL has given target of 4114 no. of bore wells under this scheme. It is also submitted that target capital expenditure is projected on the basis of average cost of Line, however, actual capital expenditure is booked based on actual line work done which may increase/decrease depending upon the geographical area, ROW constraints for line erection work and material cost. Accordingly, capital expenditure actually incurred is Rs. 27.03 Crore instead of approved Rs. 20.0 Crore.

- **Darkzone:** The new Agriculture connections under this scheme are given to Farmers in Darkzone area as per Government of Gujarat Policy based on target given. This is continuous process of releasing connection and considering that there was a long list of pending applications to be cleared, the target was increased and accordingly the capital expenditure was increased to Rs. 146.14 Crore instead of Rs. 100 Crore. It is also submitted that the target for capital expenditure was projected based on average cost of Line, however, the actual capital expenditure is booked based on actual line work done which may increase/decrease depending upon the Geographical area, ROW Constraints for line erection work and material Cost.

- **AG Normal (SPA):** The new Agriculture connection under this scheme are given to Farmers as per Government of Gujarat Policy based on Target given, as this is continuous process of giving connection and for that to clear long back register pending applications Target increased and accordingly Capex increased to Rs. 60.56 Crore instead of Rs. 30 Crore. It is also to state that Target in CAPEX is projected on average cost of Line, however, the actual capital expenditure is booked based on actual line work done which may increase/decrease depending upon the geographical area, ROW Constraints for line erection work and material cost.

- **Solar Home light:** The deviation in Solar Home light scheme is due to scheme not being implemented by the Government in FY 2020-21.

- **Solar water pump:** The deviation in Solar Water Pump due to scheme not being implemented by the Government in FY 2020-21.

3.8. FUNDING OF CAPITALISATION

3.8.1. The funding of actual capitalisation is done through various sources categorised under four headings namely: Consumer Contribution, Grants, Equity and Debt. The detailed breakup of funding of capitalised asset during FY 2020-21 is mentioned in the table below.

TABLE 17 : FUNDING OF CAPITALISATION

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Capitalization	541.26	678.35	(137.09)
2	Less : Consumer Contribution	73.20	177.82	(104.62)
3	Less: Grants	122.90	54.86	68.04
4	**Balance Capitalization**	**345.16**	**445.68**	**(100.52)**
5	Debt @ 70%	241.61	311.97	(70.36)
6	Equity @ 30%	103.55	133.70	(30.15)

3.9. FIXED COST FOR FY 2020-21

3.9.1. The fixed cost of UGVCL for FY 2020-21 has been determined in accordance with the provisions of the GERC MYT Regulations, 2016. As outlined under the regulations, the fixed cost for UGVCL has been determined under the following major heads:

- Operation and Maintenance Expenses
- Depreciation
- Interest and Finance Charges
- Interest on Working Capital
- Income Tax
- Return on Equity

3.9.2. Net Annual Revenue Requirement of UGVCL has been computed after netting off expenses capitalised and Non-Tariff Income.

3.9.3. For True-Up, all the heads mentioned above have been categorized into Controllable or Uncontrollable expenses in line with provisions of GERC MYT Regulations, 2016. A head wise comparison of cost has been made between the values approved by the Hon'ble Commission vide MTR Order dated 24th April, 2019 and the actual expenses of UGVCL in FY 2020-21.

3.10. OPERATION & MAINTENANCE EXPENSES

3.10.1. Operations and Maintenance (O&M) expenses of UGVCL consists of the following elements:

- Employee expenses
- Repairs and Maintenance expenses
- Administrative and General expenses

Employee Cost

3.10.2. Employee expenses comprise of salaries, dearness allowance, bonus, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.

3.10.3. The employee cost incurred by the company is purely on the basis of the guidelines issued by competent authorities like the state government. The actual employee cost as per profit and loss account for FY 2020-21 was Rs. 583.45 Crores which excludes the provision made towards 7th Pay Commission of Rs. 33.05 Crore but includes Rs. 20.47 Crore of Re-measurement of defined benefit plans.

3.10.4. Accordingly, UGVCL has worked out a gain/ (loss) of Rs. 60.30 Crores on account of controllable employee cost.

3.10.5. The summary of the comparison of the actual employee expenses for FY 2020-21 vis-à-vis the expenses approved by the Hon'ble Commission is given in the table below:

TABLE 18 : EMPLOYEE COST FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Employee Cost	643.75	583.45	60.30	-

Repair & Maintenance Cost

3.10.6. Repairs and Maintenance expenses are incurred towards the day-to-day upkeep of the distribution network and form an integral part of the efforts towards reliable and quality power supply as also in the reduction of losses in the distribution system.

3.10.7. Repair and Maintenance expenditure is dependent on various factors. The assets of UGVCL are old and require regular maintenance to ensure uninterrupted operations. UGVCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been undertaking necessary expenditure for R&M activities. The GERC MYT Regulations, 2016 provides for R&M expenditure as a controllable expenditure. The actual R&M cost for FY 2020-21 is Rs. 101.48 Crores.

3.10.8. Accordingly, on the basis of comparison of actual R&M expenditure of UGVCL with the values approved by the Hon'ble Commission, there is a gain/(loss) of Rs. (28.98) Crores as indicated in the table below:

TABLE 19 : REPAIR & MAINTENANCE COST FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Repair & Maintenance Cost	72.50	101.48	(28.98)	-

Administration & General Expenses

3.10.9. Administration & General expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc.

3.10.10. The actual A&G expenses for FY 2020-21 were Rs. 92.60 Crores. As per the provisions of the GERC MYT Regulations, 2016, A&G expenses are categorised as controllable expenses and accordingly, the comparison of value approved by the Hon'ble Commission with the actual A&G expenses of UGVCL shows a gain/(loss) of Rs. 24.64 Crores as highlighted in the table below:

TABLE 20 : ADMINISTRATION & GENERAL EXPENSES FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Administration & General Charges	117.24	92.60	24.64	

Other Expenses Capitalised

3.10.11. The Other expenses including expenses capitalised, etc. are beyond the control of UGVCL and therefore are considered as uncontrollable.

TABLE 21: OTHER EXPENSES CAPITALISED

Rs in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Other Expenses Capitalised	(81.76)	(87.53)		5.77

O&M Expenses

3.10.12. After the combination of all the above parameters for FY 2020-21, UGVCL's actual O&M expenses were Rs. 690.00 Crores which is inclusive of Employee cost of Rs. 583.45 Crores, Repair & Maintenance Charges of Rs. 101.48 Crores and Administration & General Expenses of Rs. 92.60 Crores. Actual other expenses capitalized is Rs. (87.53) Crores for FY 2020-21 which is reduced from actual O&M expenses.

TABLE 22 : OPERATION & MAINTENANCE EXPENSES

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Employee Cost	643.75	583.45	60.30
2	Repair & Maintenance	72.50	101.48	(28.98)
3	Administration & General Charges	117.24	92.60	24.64
4	Other Expenses Capitalised	(81.76)	(87.53)	5.77
5	**Operation & Maintenance Expenses**	**751.73**	**690.00**	**61.73**

3.10.13. Comparison of actual O&M charges during FY 2020-21 with the value approved by the Hon'ble Commission reflects net gain/(loss) of Rs. 55.96 Crores on account of controllable factors and gain/(loss) of Rs. 5.77 Crores on account of uncontrollable factors to UGVCL.

TABLE 23 : TREATMENT OF OPERATION & MAINTENANCE EXPENSES

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Employee Expenses	643.75	583.45	60.30	-
2	Repair & Maintenance Cost	72.50	101.48	(28.98)	-
3	Administration & General Charges	117.24	92.60	24.64	-
4	Other Expenses Capitalised	(81.76)	(87.53)	-	5.77
5	**Total O&M Expenses**	**751.74**	**690.00**	**55.96**	**5.77**

3.11. DEPRECIATION

3.11.1. UGVCL had been charging depreciation on fixed assets of the Company, on the useful life of the assets at rates prescribed under Schedule XIV to the Companies Act, 1956. The Company being engaged in electricity distribution business is covered under the Electricity Act, 2003 and provisions of the Electricity Act supersede the provisions of the Companies Act, 2013.

3.11.2. In case of Depreciation, the GERC MYT Regulations, 2016 provides that-

“Depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure I to these Regulations:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets:

Provided further that for a Generating Company or a Transmission Licensee or SLDC or a Distribution Licensee formed as a result of a Transfer Scheme, the depreciation on assets transferred under the Transfer Scheme shall be charged as per rates specified in these Regulations for a period of 12 years from the date of Transfer Scheme, and thereafter depreciation will be spread over the balance useful life of the assets”

3.11.3. Accordingly, UGVCL has calculated the Depreciation for FY 2020-21 in accordance with the provisions of the GERC MYT Regulations, 2016 and the aforementioned directives of the Hon’ble Commission.

3.11.4. The actual and approved depreciation for FY 2020-21 is as shown below:

TABLE 24 : FIXED ASSET AND DEPRECIATION FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Gross Block in Beginning of the year	7,612.00	7,771.86	
2	Additions during the Year (Net)	541.26	666.46	
3	Closing GFA	8,153.26	8,438.32	
4	Average GFA	7,882.63	8,105.09	
5	**Depreciation for the Year**	**273.65**	**367.01**	**(93.36)**
6	**Average Rate of Depreciation**	**3.47%**	**4.53%**	

3.11.5. The actual depreciation for FY 2020-21 as against the value approved by the Hon'ble Commission results into an uncontrollable gain/(loss) of Rs. (93.36) Crores as indicated below:

TABLE 25 : TREATMENT OF DEPRECIATION

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Depreciation	273.65	367.01	-	(93.36)

3.12. INTEREST & FINANCIAL CHARGES

3.12.1. For assessing actual Interest charges on Loans in FY 2020-21, UGVCL has considered the opening balance of loans for FY 2020-21 same as the closing loan approved by the Hon'ble Commission for FY 2019-20 in the True up Order dated 31st March, 2021. The loan addition in FY 2020-21 is computed at Rs. 311.97 Crores which consists of loans for funding the capitalization.

3.12.2. In line with the approach adopted by the Hon'ble Commission and as prescribed by GERC MYT Regulations, 2016 repayment during the year has been considered equal to the depreciation for the financial year.

3.12.3. Based on the provisions of the GERC MYT Regulations, 2016, the actual weighted average rate of interest during the year for Truing up of FY 2020-21 is 8.21% as against 9.96 % as approved by the Hon'ble Commission.

3.12.4. UGVCL has also considered the interest on security deposits of Rs. 73.03 Crore as per the provisions of the GERC MYT Regulations, 2016.

3.12.5. UGVCL submits that it has been allocated some guarantees of Govt. of Gujarat, for which it is required to pay the guarantee charges. These are the legacy loans which have come from the erstwhile GEB. These charges are, thus, beyond control of UGVCL and hence are required to be considered in the total financial cost.

3.12.6. The total Interest & Financial charges for FY 2020-21 computed by UGVCL as against that approved by the Hon'ble Commission is as shown below:

TABLE 26 : INTEREST & FINANCE CHARGES

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Opening Loans	759.11	628.05	
2	Loan Additions during the Year	241.61	311.97	
3	Repayment during the Year	273.65	367.01	
4	Closing Loans	727.07	573.01	
5	**Average Loans**	**743.09**	**600.53**	
6	Interest on Loan	74.03	49.27	
7	Interest in Security Deposit	99.87	73.03	
8	Other Bank Charges	-	2.02	
9	**Total Interest & Financial Charges**	**173.91**	**124.32**	**49.59**
10	Weighted Average Rate of Interest	**9.96%**	**8.21%**	

3.12.7. The GERC MYT Regulations, 2016 categorise the interest and finance charges as uncontrollable expenses. Any changes on account of changes in applicable interest rates should be considered as uncontrollable. Accordingly, UGVCL has considered deviation in the actual vis-à-vis the approved expenses towards interest and finance charges as uncontrollable. The same has been provided in the table given below:

TABLE 27 : TREATMENT OF INTEREST & FINANCE CHARGES

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Interest & Finance Charges	173.91	124.32		49.59

3.13. INTEREST ON WORKING CAPITAL

3.13.1. The interest on working capital has been calculated on the basis of the provisions of the GERC MYT Regulations, 2016.

3.13.2. In line with the First Amendment to the GERC MYT Regulations, 2016 dated 2nd December, 2016, the rate of interest considered is the weighted average of the 1-year MCLR of the State Bank of India during the year plus 250 basis points. This rate works out to 9.57%. Also, as per these Regulations, one month of receivables are to be considered for calculation of interest on working capital. Further, the amount held as security deposit from consumers under clause (a) and clause (b) of sub-section (1) of Section 47 of the Electricity Act 2003 except the security deposit held in the form of Bank Guarantees is to be deducted from it. Since the interest on working capital for FY 2020-21 incurred by UGVCL is nil, UGVCL has not claimed interest on working capital for FY 2020-21 as shown below:

TABLE 28 : INTEREST ON WORKING CAPITAL

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	O & M expenses	62.64	57.50	
2	Maintenance Spares	76.12	77.72	
3	Receivables	1,078.50	1,048.38	
4	Amount held as security deposit from consumers	1,597.98	1,663.12	
5	**Total Working Capital**	**(380.72)**	**(479.53)**	
6	Rate of Interest on Working Capital	10.65%	9.57%	
7	**Interest on Working Capital**	-	-	-

3.14. PROVISION FOR BAD DEBTS

3.14.1. The actual bad debts written off in FY 2020-21 are shown in the following table:

TABLE 29: BAD & DOUBTFUL DEBTS WRITTEN OFF

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Bad and Doubtful Debts	0.31	0.04	0.27

3.14.2. A comparison of the actual value with the figure approved by the Hon'ble Commission for FY 2020-21 shows a gain/(loss) of Rs. 0.27 Crores on account of controllable factors as shown in the table below:

TABLE 30 : TREATMENT OF BAD & DOUBTFUL DEBTS WRITTEN OFF

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Bad and Doubtful Debts	0.31	0.04	0.27	

3.15. RETURN ON EQUITY

3.15.1. As per the GERC MYT Regulations, 2016, a return @ 14% on the equity base is considered as reasonable and allowed by the Hon'ble Commission. Accordingly, UGVCL has computed the Return on Equity considering a rate of return at 14%.

3.15.2. For assessing actual return on equity for FY 2020-21, UGVCL has considered the opening balance of equity of FY 2020-21 as the closing balance of equity of FY 2019-20 approved by the Commission in the True up Order dated 31st March, 2021 and additions during the year as already discussed in the above paragraphs have been considered. The return on equity for FY 2020-21 is as shown below:

TABLE 31 : RETURN ON EQUITY

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Opening Equity Capital	1,604.40	1,614.96	(10.56)
2	Equity Additions during the Year	103.55	133.70	(30.15)
3	Closing Equity	1,707.94	1,748.66	(40.72)
4	Average Equity	1,656.17	1,681.81	(25.64)
5	Rate of Return on the Equity	14%	14%	-
6	**Return on Equity**	**231.86**	**235.45**	**(3.59)**

3.15.3. A comparison of the actual Return on Equity for FY 2020-21 with the amount approved by the Hon'ble Commission shows a net uncontrollable gain/ (loss) as indicated below.

TABLE 32 : TREATMENT OF RETURN ON EQUITY

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Return on Equity	231.86	235.45		(3.59)

3.16. INCOME TAX

3.16.1. The actual tax paid in FY 2020-21 was Rs. 21.07 Crores as against Rs. 14.38 Crores approved by the Hon'ble Commission as shown below:

TABLE 33 : INCOME TAX

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Income Tax	14.38	21.07	(6.69)

3.16.2. It is submitted that Income Tax being a statutory expense, any variation on this account is uncontrollable. Accordingly, UGVCL requests the Hon'ble Commission to consider the same as an uncontrollable loss and allow the entire expenditure towards income tax without any deduction.

3.16.3. A comparison of actual taxes for FY 2020-21 with the amount approved by the Hon'ble Commission shows an uncontrollable gain/(loss) of Rs. (6.69) Crores as indicated in the table below:

TABLE 34 : TREATMENT OF INCOME TAX

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Provision for Tax / Tax Paid	14.38	21.07		(6.69)

3.17. NON-TARIFF INCOME FOR FY 2020-21

3.17.1. The Non-Tariff Income of UGVCL considered for FY 2020-21 is Rs. (54.48) Crores as against Rs. 138.68 Crores approved by the Hon'ble Commission results in an uncontrollable gain/(loss) of Rs. 193.16 Crores.

3.17.2. The variation of actual Non-Tariff income from the approved value is due to the treatment of EAC Opinion (Expert Advisory Committee of Institute of Chartered Accountants of India) on deferred income adopted by UGVCL and other state owned utilities in Gujarat.

3.17.3. Statutory Auditor while conducting the statutory audit of UGVCL for the FY 2019-20 has drawn a reference to Note no. 40 of the Financial Statement, which is stated below:

"We draw attention to note No.40 to the Ind AS financial statements wherein the Company has changed the method of accounting regarding writing back balances from grants/ consumer contribution related to certain depreciable assets from hitherto 10% on reducing balance basis to 5.28% on straight line basis prospectively commencing from the financial year 2016/17. However, in our opinion the effect of such change has to be worked out retrospectively commencing from the date on which the depreciable assets related to which the grants/ consumer contribution has been received have been capitalized in the books of account and effect of such change be accounted for in the opening balance of grants/ consumer contribution.

Non accounting of the above effect has resulted into understatement of balance of grants/ consumer contribution as on 31st March, 2020 by Rs. 18,934.82 lakhs and overstatement of balance of 'Retained Earnings' by like amount. Had the above been accounted for, the balance of grants/ consumer contribution would have been Rs. 1,66,292.7 lakhs and balance of 'Retained Earnings' would have been Rs. 15,353.51 lakhs as on 31st March, 2020 as against the reported figures of Rs. 1,47,357.84 and Rs. 34288.33 lakhs respectively."

3.17.4. Statutory Auditor has further drawn attention that the above change in method was made by the Company as there was a mismatch of the grants recognized in the Statement of Profit and Loss versus the related depreciation expenses. Thus, the Company has changed the method of recognition of deferred income in order to align the recognition of deferred income with the related depreciation expenses. As the provision for treatment of deferred income to be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset are same in AS 12 and Ind AS - 20, the change was not mandated by Ind AS - 20. Hence, the Company changed the method in order to correct an error. Since the assets related to which grants/consumer contribution received have been capitalized in the books of accounts, the effect of such change should be worked out retrospectively and accounted for in the opening balance of Deferred Government Grants, Subsidies and Consumer Contribution towards capital assets by 18934.82 crore as at 31 March, 2020. Disclosure of the above facts in Note no. 40 instead of giving accounting effect does not suffice the purpose. Further, similar Comment was also raised in all group companies of GUVNL by C&AG Office.

3.17.5. Accordingly, in FY 2020-21, GUVNL on behalf of all group companies, has sought the opinion of the Expert Advisory Committee (EAC) of Institute of Chartered Accountants of India on the following issues:

a. Is the selection and application of Reducing Balance Method (or Written Down Value) for recognizing government grants in the previous year's i.e., from F.Y. 2004-05 to F.Y. 2015-16 an error?
b. If the above, is in affirmative, then what are the implications on the audit opinions including supplementary audit on the compliance of accounting standards in the earlier years as well as on the truthfulness and fairness of the financial statements?
c. If conclusion to question 1 is that it is not an error, can the selection and application of Straight Line Method from F.Y. 2016-17 be considered as a correction of prior period error?

3.17.6. In response EAC vide its opinion no. EAC/1753/21 dated 16 June, 2021 has stated that the selection and application of RBM (or WDV) for recognizing government grants in the previous years, i.e., from F.Y. 2004-05 to F.Y. 2015-16 is an error. Accordingly, the Committee is of the view that in the financial year 2016-17, the change in the method of recognizing deferred income/grant should be considered as prior period item and not a change in an accounting estimate. Further the Committee notes from the above that adjustments arising from events and transactions before the date of transition to Ind AS (i.e. on 1.4.2016) should be recognized directly in retained earnings.

3.17.7. Accordingly, GUVNL vide its letter dated 5 July, 2021 forwarded the EAC opinion to the Office of C&AG for their information and in response, Office of C&AG vide its letter dated 20 July, 2021 addressed to MD, UGVCL has requested to give accounting effect to the audit comment by giving retrospective effect to the change in method of recognition of grant in proportion of the deprecation expense in line with Statutory Auditor's qualification/ C&AG comment and EAC opinion in the current year's financial statements (FY 2020-21).

3.17.8. In calculating the amount of prior period error which is to be adjusted in Reserve and Surplus (Retained Earnings) of 1st April, 2019 and Deferred Income of FY 2019-20, following points are considered;

a. Not practicable / feasible to identify individual assets against which grants / consumer contribution is received.
b. Amortization of Consumer Contribution/Grants starts from FY 2005-06 (Date of unbundling of GEB).

c. Period/Useful Life of Network Assets is considered 35 years (As per GERC MYT Regulations, 2016) and Grants/Consumer Contribution are amortized fully 100% over the period of 35 years.

d. Amortization of Consumer Contribution/Grants from 2005-06 to 2010-11 @ 4.75% on SLM basis (Then prevailing rate of deprecation of Companies Act) & from FY 2011-12 till now @ 5.28% on SLM basis (As per existing GERC's depreciation rates prescribed in GERC MYT Regulations, 2016) for first 12 years and then after remaining balance of grant/consumer contribution amortized over remaining 23 years (As per GERC's methodology of calculating depreciation in GERC MYT Regulations, 2016)

e. The amortization of Consumer Contribution/Grants is amortized for full year in the year of receipt irrespective of timing of grants/consumer contribution received at any point of time

f. There is no salvage value for Grants/Consumer Contribution and accordingly it is amortized fully 100% unlike depreciation, which is calculated upto 90% and 10% salvage value of Asset is considered as per GERC MYT Regulations, 2016.

3.17.9. **Transfer of Grant to GETCO:** Consequent to closure of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS) projects, the proportionate share of Government Grants received against the said projects by UGVCL has been transferred to GETCO as per stipulated guidelines of the scheme. Accordingly, the Company has decreased the government grant balance by the amounts transferred to profit and loss in the earlier years, with the consequential impact on deferred tax expense related balances and the opening retained earnings (reserves and surplus) as on April 1, 2019 and the profit of the comparative period.

3.17.10. It is important to state that the Financial Statements for FY 2018-19 and previous periods were already closed, hence the relevant accounting entry of such prior period error/adjustments has been passed in FY 2019-20 and FY 2020-21. The accounting entries which has been passed in FY 2019-20 and FY 2020-21 for such prior period error/adjustments are shown in the Table Below:

TABLE 35 : DEFERRED INCOME CLAIM CALCULATION

Rs. in Crores

Sr. No.	Particular	Original Accounts	GETCO (IPDS & DDUGJY)	Restated Accounts	Difference
1	Opening balance of Govt. Grants & Subsidies towards Cost of Capital Assets for FY 2019-20	412.33	30.46	458.07	76.20
1 (A)	Grant Addition: during the year	83.01	-	79.68	-3.33
2	Opening balance of Consumer Contribution towards Capital Assets for FY 2019-20	952.66	-	1,078.14	125.48
2 (A)	CC Addition: during the year	157.46	-	157.46	-
3 (A)	Grant transferred to P&L	44.01	-	42.40	-1.61
3 (B)	CC transferred to P&L	87.86	-	79.83	-8.03
3	Deferred Income towards Govt. Grants/ Subsidies and Consumer Contribution towards Cost of Capital Assets for FY 2019-20 (3A + 3B)	131.88	-	122.24	-9.64

4	Closing balance of Govt. Grants & Subsidies towards Cost of Capital Assets for FY 2019-20 (1 + 1A – 3A)	451.32	30.46	495.34	74.47
5	Closing balance of Consumer Contribution towards Capital Assets for FY 2019-20 (2 + 2A – 3B)	1,022.25	-	1,155.77	133.51
6	**Total (4 + 5)**	**1,473.58**	**30.46**	**1,651.11**	**207.98**

3.17.11. Hence, UGVCL has reduced Rs. 207.98 Crore as Reversal of Grant and Consumer Contribution from Non-Tariff income of Rs. 153.50 Crore earned during FY 2020-21 and net Non-tariff income is considered for claim.

3.17.12. Accordingly, UGVCL has considered Rs. (54.48) Crores as Non-tariff Income for the FY 2020-21 in comparison to the approved values of Rs. 138.68 Crores as shown in the table below:

TABLE 36 : TREATMENT OF NON-TARIFF INCOME

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Total Non-Tariff Income	138.68	(54.48)		193.16

3.18. AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21

3.18.1. Based on above, the table below summarises the actual Aggregate Revenue Requirement of UGVCL for FY 2020-21 as against the value approved by the Hon'ble Commission.

TABLE 37 : AGGREGATE REVENUE REQUIREMENT FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Deviation
1	Cost of Power Purchase	11,843.65	10,949.27	894.38
2	Operation & Maintenance Expenses	751.74	690.00	61.73
2.1	Employee Cost	643.75	583.45	60.30
2.2	Repair & Maintenance	72.50	101.48	(28.98)
2.3	Administration & General Charges	117.24	92.60	24.64
2.4	Other Expenses Capitalised	(81.76)	(87.53)	5.77
3	Depreciation	273.65	367.01	(93.36)
4	Interest & Finance Charges	173.91	124.32	49.59
5	Interest on Working Capital	-	-	-
6	Provision for Bad Debts	0.31	0.04	0.27
7	**Sub-Total [1 to 6]**	**13,043.26**	**12,130.65**	**912.60**
8	Return on Equity	231.86	235.45	(3.59)
9	Provision for Tax / Tax Paid	14.38	21.07	(6.69)
10	**Total Expenditure (7 to 9)**	**13,289.50**	**12,387.17**	**902.32**
11	Less: Non-Tariff Income	138.68	(54.48)	193.16
12	**Aggregate Revenue Requirement (10 - 11)**	**13,150.82**	**12,441.66**	**709.16**

3.19. SHARING OF GAINS & LOSSES

3.19.1. GERC MYT Regulations, 2016 specifies the Mechanism for treatment of Gains and Losses on account of Uncontrollable and Controllable expenses. The methodology approved by the Hon'ble Commission for sharing of such gains/ losses is as follows.

Mechanism for sharing of gains or losses on account of Un-controllable factors

"23.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

23.2 The Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

23.3 Nothing contained in this Regulation 23 shall apply in respect of any gain or loss *arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time."*

Mechanism for sharing of gains or losses on account of controllable factors

"24.1 The approved aggregate gain to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6;

(b) The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

24.2 The approved aggregate loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6; and

(b) The balance amount of loss, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee."

3.19.2. As indicated above, UGVCL has identified all the expenditure heads under controllable and uncontrollable categories. The gain/ (loss) for UGVCL arising as a result of True Up for FY 2020-21 may be suitably passed through in the Tariff as per mechanism specified by the Hon'ble Commission.

3.19.3. Based on the methodology prescribed in the GERC MYT Regulations, 2016, UGVCL has classified various heads of expenses as Controllable & Uncontrollable. The head wise losses/gains have been dealt in the above sections. During FY 2020-21, UGVCL has incurred a net gain/(loss) of Rs. 382.74 Crores on account of controllable factors while the net gain/(loss) attributable to uncontrollable factors for FY 2020-21 is Rs. 326.42 Crores.

3.19.4. The following Table summarizes net gain/ (loss) to UGVCL during FY 2020-21 on account of controllable & uncontrollable factors.

TABLE 38 : NET GAIN/ (LOSS) FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)	Gain/(Loss) due to Controllable Factors	Gain/(Loss) due to Uncontrollable Factors
1	Cost of Power Purchase	11,843.65	10,949.27	326.51	567.87
2	Operation & Maintenance Expenses	751.73	690.00	55.96	5.77
2.1	Employee Cost	643.75	583.45	60.30	-
2.2	Repair & Maintenance	72.50	101.48	(28.98)	-
2.3	Administration & General Charges	117.24	92.60	24.64	-
2.4	Other Expenses Capitalised	(81.76)	(87.53)	-	5.77
3	Depreciation	273.65	367.01	-	(93.36)
4	Interest & Finance Charges	173.91	124.32	-	49.59
5	Interest on Working Capital	-	-	-	-
6	Provision for Bad Debts	0.31	0.04	0.27	-
7	Return on Equity	231.86	235.45	-	(3.59)
8	Provision for Tax / Tax Paid	14.38	21.07	-	(6.69)
9	**ARR (1 to 8)**	**13,289.50**	**12,387.17**	**382.74**	**519.58**
10	Non - Tariff Income	138.68	(54.48)	-	193.16
11	**Total ARR (9-10)**	**13,150.82**	**12,441.66**	**382.74**	**326.42**

3.20. REVENUE FOR FY 2020-21

3.20.1. During the FY 2020-21, UGVCL's actual revenue amounted to Rs. 12,580.53 Crores. Provision no longer required for bad debt of Rs. 2.16 Crore is not offered as other income because provision made for bad debt is not allowed as expense as part of ARR by the Hon'ble Commission. The break-up is as follows:

TABLE 39 : REVENUE FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Approved)	FY 2020-21 (Actual)
1	Revenue from Sale of Power	8,532.19	11,749.02
2	Revenue from FPPPA	3,908.85	
3	Other Income (Consumer related)	120.80	243.14
4	**Total Revenue excluding subsidy (1 + 2 + 3)**	**12,561.84**	**11,992.16**
5	Agriculture Subsidy	511.92	588.37
6	**Total Revenue including subsidy (4 + 5)**	**13,073.76**	**12,580.53**

3.21. REVENUE (GAP) / SURPLUS FOR FY 2020-21

3.21.1. The Hon'ble Commission in its MYT Order dated 24th April, 2019 has approved Aggregate Revenue Requirement of Rs. 13,150.82 Crores for FY 2020-21. The Hon'ble Commission had also added Revenue (Gap) / Surplus of Rs. 141.72 Crores due to Truing up of FY 2018-19 in the Aggregate Revenue Requirement.

3.21.2. As per the mechanism specified in the GERC MYT Regulation 2016, UGVCL proposes to pass on a sum of 1/3rd of total gain/(loss) on account of controllable factors i.e. Rs. 127.58 Crores and total gain/(loss) on account of uncontrollable factor i.e. Rs. 326.42 Crores to the consumers. Adjusting these to the net Aggregate Revenue Requirement, UGVCL has arrived at the Revised Aggregate Revenue Requirement for FY 2020-21 at Rs. 12,555.11 Crores.

3.21.3. This revised Aggregate Revenue Requirement is compared against the revised income under various heads including Revenue from sale of power of Rs. 11,749.02 Crores, other consumer related Income of Rs. 243.14 Crores, agriculture subsidies of Rs. 588.37 Crores and GUVNL profit allocation of Rs. 25.34 Crores, summing up to a Total Revenue of Rs. 12,605.88 Crores. Accordingly, total Revenue (Gap) / Surplus of UGVCL for FY 2020-21 after treatment of gain/(loss) due to controllable / uncontrollable factors is computed at Rs. 50.77 Crores as shown in the table below:

TABLE 40 : REVENUE (GAP) / SURPLUS FOR FY 2020-21

Rs. in Crores

Sr. No.	Particulars	FY 2020-21 (Actual)
1	Aggregate Revenue Requirement originally approved for FY 2020-21	13,150.82
2	Less: (Gap) / Surplus of FY 2018-19	141.72
3	Less: Gain / (Loss) on account of Uncontrollable factor to be passed on to Consumer	326.42
4	Less: Gain / (Loss) on account of Controllable factor to be passed on to Consumer (1/3rd of Total Gain / Loss)	127.58
5	**Revised ARR for FY 2020-21 (1 - 2 - 3 - 4)**	**12,555.11**
6	Revenue from Sale of Power	11,749.02
7	Other Income (Consumer related)	243.14
8	**Total Revenue excluding Subsidy (6 + 7)**	**11,992.16**
9	Agriculture Subsidy	588.37
10	GUVNL Profit / (Loss) Allocation	25.34
11	**Total Revenue including Subsidy (8 + 9 + 10)**	**12,605.88**
12	**Revenue (Gap)/ Surplus after treating gains/(losses) due to Controllable/ Uncontrollable factors (11 - 5)**	**50.77**

3.21.4. The Hon'ble Commission is requested to approve above mentioned Revenue (Gap) / Surplus and allow UGVCL to recover the same in FY 2022-23.