

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
**World Trade Centre, Centre No.1, 13th Floor, Cuffe Parade, Mumbai 400005**  
**Tel. 022 22163964/65/69 Fax 22163976**  
**Email: mercindia@merc.gov.in**  
**Website: [www.mercindia.org.in/](http://www.mercindia.org.in/) [www.merc.gov.in](http://www.merc.gov.in)**

**Case No. 24 of 2012**

**Date: 25 April, 2016**

**CORAM:**      **Shri Azeez M. Khan, Member**  
                     **Shri. Deepak Lad, Member**

**In the matter of**

**Implementation of the ATE Judgment dated 13 March, 2015 in Appeal No. 221 of 2014 filed by Mula Pravara challenging the Commission's Order dated 18 June, 2014 in Case No. 24 of 2012 regarding determination of charges payable pursuant to ATE Judgment dated 16 December, 2011 in Case No. 39 of 2011.**

The Mula Pravara Electric Co-Operative Society Ltd. (MPECS) ..... Petitioner

Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) ..... Respondent

**Appearance:**

Advocate/Representative for the Petitioner      :      Shri Bhavesh Panjuani (Advocate)

Advocate/Representative for the Respondent      :      Shri Piyush Raheja (Advocate)

**Daily Order**

Heard the Advocates of the Petitioner and the Respondent.

Advocate of MPECS sought directions of the Commission on whether the entire Petition ought to be pleaded or their pleading should focus on comments on the Asset Valuation Report submitted by M/s. Alia Consulting Solutions Pvt. Ltd. The Commission suggested that since earlier proceedings are on the record, MPECS may focus on its submissions on the report.

Advocate for MPECS stated that the Report submitted by M/s. Alia Consulting Solutions Pvt. Ltd. needs revision for following reasons:-

1. User charges for February, 2011 and March 2011 have not been considered even though MSEDCL has been using the MPECS' distribution assets since February, 2011.
2. Carrying cost would require revision on account of consideration of payout for the months of February, 2011 and March 2011. Also the carrying cost needs to be computed on monthly basis.
3. Price escalation of 5% ought to have been considered, as in the absence of MPECS' distribution network, MSEDCL would have required to erect new network which requires a considerable time.
4. Lease hold lands have not been taken into consideration in asset valuation. Also, total area of lands owned by MPECS is not 1,33,700 sq.mm. as stated in Report but 1,36,000 sq.mm. The land being used by MSEDCL for its newly erected control rooms should also be accounted in asset valuation.
5. The Report has worked out the replacement cost of substations as Rs. 28.56 Cr., although the asset value is stated in the report as Rs. 30.20 Cr.
6. Balance life of MPECS' assets ought to have been reckoned as 19 years or at least 15 years as adopted by ASCI in its report. ASCI report contains valuation duly certified by the Chartered Accountant.
7. The cost incurred by MPECS towards VRS ought to have been considered as this has reduced the salary and wages cost and MSEDCL has benefited due to reduced liability for O & M expenses.

Advocate for MSEDCL made the following submissions:

1. The sample size chosen for physical verification is inadequate, as low as 4% for majority of assets. The sampling percentage should have been higher considering the actual site conditions.
2. The deteriorated condition and obsolescence of the assets require to be taken into consideration for asset valuation and charges determination.
3. Repairable Distribution Transformers (DT) cannot be utilized by MSEDCL due to high cost of repairing of these DTs.
4. In accordance with the ratio laid down by the Supreme Court in Case of MSEB V/s. Thana Electric Supply Co., value of the assets would have to be calculated on the depreciated book value and not by replacement cost method.
5. Balance life of the HT and LT lines has been assumed to be equal to balance of life of substations. Since valuation for these Lines is a major component, a more realistic approach needed to be considered.
6. Cost of debt ought to have been taken as per MPECS' balance sheet.
7. MSEDCL was compelled to carry out upgradation of the network to meet increase in demand and to ensure reliability of supply to consumers. The Report does not factor these replacements. For upgraded and replaced assets, user charges cannot be paid to MPECS.

To a query raised by the Commission, MSEDCL stated that it has not computed or proposed any specific revision in the asset valuation and the charges payable to take into account the expenditure incurred by it on assets replaced by it.

Refuting the claims of MSEDCL, MPECS stated the following:

1. There is no record which indicates that the issue of deteriorated condition of assets was ever raised by MSEDCL. This is the first time such issue has been raised.
2. The objection raised regarding inadequate sample size was not raised by MSEDCL when the sampling plan was shared among the parties.
3. The questions raised by MSEDCL in the written submission about the consultant's credentials were not raised by it when the Commission published the notice and invited bids for consultancy services, stipulating the eligibility requirements for the consultant.
4. MSEDCL has not suggested methodology for asset valuation.
5. Considering the fact that there are no adequate safety measures in place for substations by MSEDCL, additional cost towards insurance of these assets should also be considered.
6. The Supreme Court Judgment is not relevant as it is related to takeover of distribution assets by the erstwhile State Electricity Board.
7. The amount deposited by MSEDCL with the Commission as per Supreme Court Judgment should be released at the earliest without any TDS.
8. MSEDCL has retained all the assets of MPECS and it now cannot claim that it is not using some these assets.

In response, MSEDCL stated that:

1. The reason for not considering the entire land for asset valuation has been duly recorded in the Report.
2. MPECS may not be entitled to any O & M expenses as the assets are being maintained by MSEDCL.
3. MSEDCL was compelled to utilize the land outside the substations to build new control rooms as the existing control rooms were in a deteriorated condition.
4. The Report clarifies its assumptions on balance life vis-à-vis the assumptions made in ASCI report.

**The Case is reserved for Order.**

Sd/-  
**(Deepak Lad)**  
Member

Sd/-  
**(Azeez M. Khan)**  
Member