



**UTTARAKHAND ELECTRICITY REGULATORY COMMISSION**

**Vidyut Niyamak Bhawan, Near I.S.B.T., P.O.-Majra, Dehradun-248171**

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No. UERC/6/TF-240/14-15/2014/1914

Date: 20 January, 2015

To,

Managing Director,  
Uttarakhand Power Corporation Ltd. (UPCL),  
Urja Bhawan, Kanwali Road,  
Dehradun.

**Sub.: Filing of Petition for Annual Performance Review (APR) of FY 2014-15, Tariff  
Petition for FY 2015-16 and True-up of Expenses & Revenues for FY 2013-14.**

Sir,

This is with reference to the Technical Validation Session held on 15.01.2015 at 04.00 PM at the Commission's office on the above-mentioned subject. In this regard, the minutes of the said TVS meeting are enclosed as Annexure-A for information and necessary action at your end. You are required to submit your reply in seven copies alongwith the soft copy of the same accompanied with an affidavit.

Yours sincerely,

Encl. as above

  
(Neeraj Sati)  
Secretary  
7c

**Minutes of First Technical Validation Session held on January 15, 2015 in the matter of  
UPCL's Petition for True-up of Expenses & Revenues for FY 2013-14, Annual  
Performance Review (APR) of FY 2014-15, Tariff Petition for FY 2015-16**

**Present:**

**UERC**

1. Shri Neeraj Sati, Secretary, UERC
2. Shri Deepak Pandey, Director (Finance), UERC
3. Shri Prabhat Kishor Dimri, Director (Technical), UERC
4. Shri Rajnish Mathur, Director (Costing/Licensing), UERC
5. Shri K K Gupta, Deputy Director (Finance/Tariff), UERC
6. Shri Yashwardhan Dimri, Assistant Director (Technical), UERC
7. Shri Suresh Gehani, Consultant (ABPS Infrastructure Advisory Pvt. Ltd.)
8. Smt Monika Bhatt, Consultant (ABPS Infrastructure Advisory Pvt. Ltd.)

**UPCL**

1. Shri Atul Kr. Agarwal, Chief Engineer, UPCL
2. Shri S.K. Tamta, Chief Engineer (Commercial), UPCL
3. Shri Saied Ahmed, Superintending Engineer, UPCL
4. Shri M.A. Khan, General Manager (Finance), UPCL
5. Shri N.K. Kandpal, Dy. Chief Accounts Officer, UPCL
6. Shri S.K. Mehta, Assistant Accounts Officer, UPCL
7. Shri H.S. Rawat, Accountant, UPCL
8. Shri Kunal Singhal, Consultant, UPCL
9. Shri Himank Prakash, Consultant, UPCL.

1. UPCL is required to submit the details related to number of consumers, load and sales booked for FY 2013-14 for each category approved by the Commission separately for the sales booked on meter reading basis, unmetered basis and sales booked on provisional basis in the following format.

Category	Based on Actual Meter Reading			Unmetered Consumers			Based on Assessment			Total Sales (MU)
	No. of Consumers	Load/ Demand (kW)	Sales (MU)	No. of Consumers	Load/ Demand (kW)	Sales (MU)	Number of Consumers	Load/ Demand (kW)	Sales (MU)	

Assessment Billing to include bills raised in all cases except based on actual meter reading and unmetered.

2. At the onset of the TVS, Commission's officials raised doubt about the validity of the sales data submitted by UPCL for FY 2013-14. Based on the analysis of the SG-IV statement for FY 2013-14, it was discussed that the sales and revenue booked for some of the categories in certain divisions does not appears to be correct as the Average Billing Rate works out to be even lower than the Energy Charge component of tariff, which is practically not possible. Certain examples of such instances are given in table below:

S.No	Division	Category	ABR (Rs./kWH)
1	EDD Uttarkashi	Domestic other than BPL	2.18
2	EDD, Pithoragarh	Domestic other than BPL	2.36
3	EDD Rishikesh	Mixed Load	3.08
4	EDD (N) Dehradun	Mixed Load	3.42
5	EDD Gopeshwar	Mixed Load	2.98
6	EDD Uttarkashi	Non Domestic other than Snowbound	3.63
7	EDD Almora	LT Industry	3.82
8	EDD Gopeshwar	HT Industry	3.38
9	EDD Almora	HT Industry	3.61
10	EDD Srinagar	Public Lamps	2.59
11	EDD Bageshwar	Public Lamps	3.06
12	EDD (U) Roorkee	Jal Nigam	0.97
13	EDD Rishikesh	Other Water works and plastic recycling plants	3.56
14	EDD (U), Roorkee	Other Water works and plastic recycling plants	3.85
15	EDD (U), Roorkee	State Tubewell	-10.28
16	EDD (R), Haridwar	State Tubewell	1.92
17	EDD, Gopeshwar	Pump Canal	0.80

Similarly, certain cases of very high ABR was also pointed out to UPCL.

The energy sold in case of EDD (U) Roorkee for Other Works and Plastic Recycling Plants is shown as 7.543 MU in SG-IV statement with number of consumers as 16 and load as 231 kW, hence, the average consumption per kW/month works out to 2721.14 units per kW per month. The Commission to verify this had a meeting with EDD (U) Roorkee officials on January 15, 2015 and they provided the statement showing number of consumers as 8 and total consumption as 0.127 MU in FY 2013-14. Similarly, the consumption in Public Lamps category ranged from 105.52 units/kW/month in EDD (R), Haridwar to 1167.86 units/kW/month in EDD, Almora.

UPCL agreed to examine such anomalies and submit its replies. UPCL also agreed that there was some discrepancy in compilation of sales figures. UPCL suggested that the revenue figures submitted are actual figures and, hence, the revenue amount may be considered as base and the actual sales can be derived from the revenue figures by applying Average Billing Rate.

UPCL is also required to check whether open access sales data is adjusted in sales data of HT Industry Category for FY 2013-14 and submit the details to the Commission.

3. UPCL vide its reply dated 29.12.2014 at point 4 has submitted the total capitalization of Rs 239.97 Cr. in FY 2013-14. In this regard, UPCL is required to submit the detailed scheme wise

breakup of capitalization of Rs 239.97 Crore alongwith the details of approvals granted by the competent authorities and the segregation of works into LT and HT works. UPCL is also required to submit the clearances of Electrical Inspector for HT works capitalised during FY 2013-14.

4. UPCL vide its reply dated 29.12.2014 at Annexure C has submitted the clearance certificates of Electrical Inspector issued in respect of HT/EHT Assets from FY 2007-08 (for Rs. 198.73 Cr.). In this regard, it is observed that in some of the Certificates issued by Electrical Inspector, EI has raised certain observations. UPCL is required to submit the status of compliance with regard to the observations raised by Electrical Inspector and whether the same has been accepted by the Electrical Inspector. (Please refer Pages 40, 53 to 57, 74 and 91)
5. The data of Interest on Security Deposit from FY 2008-09 to FY 2013-14 is not matching with that given in audited accounts as well as compliance to the directives submitted in November 2014. In this regard, UPCL is required to submit the actual data of Interest on Security Deposit reconciled with audited accounts along with comparison of same with the Commission approved figures.
6. UPCL in its reply dated December 29, 2014 to query no. 7 has submitted details of non- tariff income. It is observed that an amount of Rs 9500 has been claimed under UI charges received from NRLDC. UPCL in this regard should clarify the nature of such receipt from NRLDC.
7. UPCL should submit the amount booked under the following heads and the accounting treatment done in this regards.
  - i. Wheeling charges received from Open Access Consumers.
  - ii. Receipts pertaining to Cross Subsidy Surcharge and Additional surcharge
8. UPCL in its reply dated 29.12.2014 to query no. 8 has submitted the figure of IDC as Rs 34.84 Cr. for FY 2013-14. In this regard, UPCL is required to provide the clarification whether this IDC is included in Rs 239.97 Cr of Capitalization. Further, UPCL is required to provide the calculation of Rs 34.84 Cr.
9. UPCL in Annexure D of its reply dated 29.12.2014 has claimed interest on AREP loans, R-APDRP, Part-A and Part-B loans for FY 2014-15 and FY 2015-16. UPCL in light of the sanctions accorded by the Financial Institutions to these loans should justify as to how the interest liability would fall due on it for these loans. Similarly, interest on State Government loans has been claimed. UPCL should also submit the details of this loan.
10. UPCL was asked to confirm that depreciation in FY 2013-14 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011. In reply, UPCL submitted that depreciation as on 31.03.2014 was less than 90% of GFA. UPCL was asked to submit the same in respect of each asset and not the gross block as in case of gross block the accumulated depreciation would never be 90% of the GFA as each year certain additions are made to the gross block. UPCL informed that the asset

class wise GFA is not available. UPCL agreed to submit its reply in this regard.

11. UPCL vide its reply dated 29.12.2014 submitted the bad and doubtful debts written off during FY 2013-14 as Rs 47.01 Crore. In this regard, UPCL is required to provide the category wise details of write off of Rs 47.01 Crore and the nature of write offs.
12. UPCL vide its reply dated 29.12.2014 at point 14 had enclosed a policy for capitalisation of employee as well as A&G expenses which did not clearly specify what portion of A&G and employee expenses were to be capitalised by the divisions. In this regard, UPCL was asked to submit the basis on which such expenses have been capitalised by it. UPCL agreed to provide the same.
13. UPCL vide its reply dated 29.12.2014 at point 17 has submitted that Rs 29.98 Cr. pertains to salary to the Uttarakhand Purva Sainik Kalyan Nigam Limited Employees. UPCL clarified that 2200 of its employees (class 3 & 4) are outsourced from the Uttarakhand Purva Sainik Kalyan Nigam Ltd. In this regard, UPCL is required to submit the copies of relevant orders of Government and the basis on which the increase in the expenses on this head has been projected for FY 2014-15 and FY 2015-16. Similarly UPCL was also asked to submit the reason for increase in the contribution towards EPF and pension and gratuity for FY 2013-14 vis-a-vis FY 2012-13.
14. UPCL vide its reply dated 16.12.2014 has submitted the revised Form 4.3 (A&G Expenses). In this regard, UPCL is required to submit the details of Miscellaneous Expenses for FY 2013-14 as given in S. No. B8 of Form 4.3.
15. UPCL vide its reply dated 29.12.2014 at point 18(ii) has submitted that it has incurred professional charges of Rs 1.42 Cr. in FY 2013-14 and this includes Rs 1.18 Cr. of third party inspection charges of RGGVY works. It is observed that UPCL has claimed charges 0.86 Cr. in FY 2014-15 against 0.24 Cr. (=1.42 Cr. - 1.18 Cr.) in FY 2013-14 provided in this reply. In this regard, UPCL is required to submit separate note on professional charges. Further, UPCL to clarify as to why the charges towards third party inspection has not been capitalised.  
  
Further, UPCL is also required to submit the justification of the significant increase proposed for FY 2014-15 vis-a-vis FY 2013-14 under Telephone, postage charges, conveyance and travelling, Vehicle running expenses, Printing and Stationery, Advertisement separately.
16. UPCL vide its reply dated 29.12.2014 at point 20 has submitted the details of interest on REC loan at Annexure J. UPCL has clarified that this is linked to disbursement date of loan under NEF. In this regard, UPCL is required to submit the copy of supporting documents of NEF.
17. During the discussions, UPCL informed that when the assets are sent for repair, their depreciated value is reduced from Gross Fixed Assets for that particular year and when the asset is received back after repairs, the original value is added back to GFA. In this regard, UPCL to submit the year-wise complete details from FY 2001-02 to FY 2013-14 of such assets as follows:

- a. Value of Asset sent for repair and corresponding reduction from GFA as reflected in annual accounts and means of finance

- b. Year in which asset after repairs was received back and corresponding adjustment in GFA as reflected in annual accounts and means of finance.
18. UPCL vide its reply dated 29.12.2014 at point 23 has submitted the computation of opening equity. It was pointed out to UPCL's officials that the deletion in assets has not been factored while computing the equity. Similarly, the adjustment for asset sent for repairs and assets received after repairs has not been factored thereby implying that for a single asset, additions and servicing thereof of loan and equity would have been claimed more than once. UPCL agreed to this anomaly. UPCL is required to submit the correct computation of equity.
  19. UPCL vide its reply dated 29.12.2014 at point 25 has submitted the revenue from tariff of Rs 3773.78 Cr in annual accounts for FY 2013-14 which included Delayed Payment Surcharge (DPS). In this regard, UPCL is required to submit the detailed breakup of this amount along with bifurcation into DPS.
  20. UPCL is required to submit the monthly trial balance as on 30-09-2014 by January 25, 2015.
  21. UPCL vide its reply dated 29.12.2014 at point 29 has submitted the details of works carried out/to be carried out under Deviya Apada. In this regard, UPCL is required to submit the details of current status of capex and CWIP in FY 2014-15 alongwith the means of finance of the same.
  22. UPCL vide its reply dated 29.12.2014 at point 30 has submitted the details of recruitment and employees to be retired in UPCL. In this regard, UPCL is required to provide the details of recruitment planned in FY 2014-15 and FY 2015-16 including current status of recruitment for FY 2014-15 and FY 2015-16 with tentative date of joining for new employees. Further, UPCL is required to submit the reasons for not meeting the recruitment targets envisaged during FY 2013-14 and FY 2014-15.
  23. UPCL vide its reply dated 29.12.2014 at point 31 at Annexure M has submitted the documentary evidence in support of its claim of projected impact of enhanced pension. In this regard, UPCL is required to provide the details of impact of enhanced pension of Rs 17.23 Cr. for FY 2013-14. Further, it is also required to provide the criteria for proposing the same as Rs. 18.87 Crore and Rs. 20.66 Crore for FY 2014-15 and FY 2015-16, respectively with computations. UPCL is also required to submit the justification for claiming it in tariff when the Government had directed it to meet the facility to be offered to the employees from its own resources.
  24. As regard the datagaps dated 9.12.2014 UPCL was asked to provide the rationale for assuming 5% escalation for each year on AFC of Central Generating Stations. UPCL vide its reply dated 16.12.2014 submitted that it has assumed 5% y-o-y escalation in line with the assumption taken in the Tariff Petition for FY 2014-15. In this regard, UPCL is required to submit the bills of all Central Generating Stations including NHPC Ltd. for September 2014 to December 2014.
  25. UPCL in S.No. 1 at Note No. 2 of audited Balance Sheet as on March 31, 2014 has shown the adjustment of amount of Rs 30.15 Cr. in consumer contribution on account of AS-12. However, Rs. 81.73 Crore is still pending adjustment on this head in addition to the Government Grant of Rs. 120.26 Crore. In this regard, UPCL is required to provide the detailed justification for not

carrying out the adjustment for the same.

26. UPCL in Note No. 8 of audited Balance Sheet as on March 31, 2014 has shown the trade payables for Power Purchase as Rs 12,16,21,79,483/-. In this regard, UPCL is required to submit the detailed breakup of the same.
27. UPCL in Note No. 9 of audited Balance Sheet as on March 31, 2014 has shown interest accrued and due on secured borrowings, interest accrued and due on un-secured borrowings, interest accrued but not due on security deposits and interest accrued but not due on borrowings as other current liabilities. In this regard, UPCL is required to submit the detailed breakup of the same including the period since when these expenses are lying unpaid.
28. UPCL is required to submit the commercial diary of November 2014 and December 2014 by January 30, 2015 and February 28, 2015, respectively.
29. UPCL was informed that the compliance of directives submitted by it was improper and inadequate and was informed that it was required to submit the latest status of all the directives given in earlier tariff orders. In this regard, it was decided that a meeting on compliance of directives would be held during the last week of February, 2015 by which UPCL should try and ensure compliances of all the directives issued by the Commission.
30. For PWW category, UPCL has proposed to change the tariff structure from kVAH basis to kWH basis. In this regard, UPCL to submit as to how the billing was being done for such PWW consumers from FY 2009-10 to FY 2013-14.

**UPCL is required to submit the replies and the additional information by January 27, 2015.**