



Uttarakhand Electricity Regulatory Commission

'Vidyut Niyamak Bhawan',

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No. UERC/6/TF-284/15-16/2015/1567

Date: 15-Jan., 2016

To,

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

Sub.: Filing of Petition for True up for FY 2014-15, Annual Performance Review for FY 2015-16 and Multi Year Tariff for the Control Period FY 2016-17 to FY 2018-19.

Sir,

This is with reference to the Technical Validation Session held on 13.01.2016 at 11.00 AM 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.

Encl. as above

Yours sincerely,

(Neeraj Sati)
Secretary

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Minutes of Technical Validation Session held on January 13, 2016

in the matter of UPCL's Petition for True up for FY 2014-15, Annual Performance Review for FY 2015-16 and Multi Year Tariff for the Control Period FY 2016-17 to FY 2018-19.

Present:

UERC

1. Shri Subhash Kumar, Chairman, UERC
2. Shri Neeraj Sati, Secretary, UERC.
3. Shri Deepak Pandey, Director (Finance), UERC.
4. Shri Prabhat Kishor Dimri, Director (Technical), UERC.
5. Shri K.K. Gupta, Dy. Director (Finance/Tariff), UERC.
6. Shri Yashwardhan Dimri, Assistant Director (Technical), UERC.
7. Shri Gaurav Sabharwal, Assistant Director (Finance/Tariff), UERC.
8. Shri Gaurav Lohani, Assistant Director (Accounts), UERC.
9. Ms Divya Sood, Legal Consultant, UERC.
10. Shri Suresh Gehani, Consultant (ABPS Infrastructure Advisory Pvt. Ltd.).
11. Shri Namala K.M. Choudhary, Consultant (ABPS Infrastructure Advisory Pvt. Ltd.).

UPCL

1. Shri M.A. Khan, Director (Finance), UPCL.
2. Shri Atul Kumar Agarwal, Director (Operations), UPCL.
3. Shri A.K. Singh, Chief Engineer, UPCL.
4. Shri M. Iqbal, Dy. General Manager (F), UPCL.
5. Shri Neeraj Kumar Kandpal, Dy. Chief Accounts Officer, UPCL.
6. Shri K.A. Pal, Accounts Officer, UPCL.
7. Shri S.K. Mehta, Asstt. Accounts Officer, UPCL.
8. Shri Kunal Singhal, Consultant, UPCL.
9. Shri Himank Prakash, Consultant, UPCL.

At the onset of the meeting, Hon'ble Chairman elucidated upon the importance of Technical Validation Session that such meetings are being held so as to have better understanding of submissions and queries in the matter of Petitions made by the licensee and the information sought by the Commission. The Hon'ble Chairman stressed upon the need of accurate and timely reply to be submitted by the licensee resulting in curtailment in exchange of written correspondences between the Commission and licensee enabling in efficient utilisation of time so that the ARR proceedings may be completed within the stipulated timeframe as have been done in the previous financial years.

The queries raised by the Commission and the replies submitted by UPCL were discussed in detail and salient features of the discussions are as follows:

1. UPCL in response to the Commission's query has submitted the details of banking of energy during FY 2014-15 and the total of 809 MU has been shown as energy banked in FY 2014-15. In this regard, UPCL agreed to submit the following details:
 - Month wise Banking Details for each year separately from FY 2012-13 to FY 2014-15 and for the period April to November 2015 of FY 2015-16 separately showing the energy banked, return banking and net banked energy.
 - UPCL in its accounts for FY 2014-15 has made the provision for cost towards banked energy in FY 2014-15 which is in deviation to the practice adopted in the past. UPCL agreed to submit the detailed reasons for making the provision of cost towards banked energy in FY 2014-15, when no cost for such energy will be incurred in FY 2015-16 as the energy to be returned would be included as the power purchase cost. UPCL is also required to submit how such provision would be dealt in FY 2015-16.
2. UPCL in response to the Commission's query has submitted the comparison of source wise power purchase quantum and cost as approved in the Order for FY 2014-15 and actually incurred by UPCL for truing up purposes. Based on the information submitted, substantial variation in average rate/unit is observed for THDC and SJVNL. UPCL during the TVS replied that the power purchase cost for FY 2014-15 includes some past arrears. UPCL agreed to submit the source wise actual power purchase cost showing past arrears separately.
3. In response to the Commission's query regarding confirmation by UPCL that depreciation in FY 2014-15 is less than 90% of GFA for all assets, UPCL in its reply dated December 29, 2015 submitted that all such details have been provided to the Commission. However, these details are not yet provided to the Commission and UPCL agreed to submit the asset class wise depreciation details.
4. As per details submitted on Interest on Security Deposit for FY 2014-15, substantial variation is observed in interest on security deposit as per P&L Account and as paid/adjusted in consumers bills.

UPCL agreed to submit in detail the reasons for such variations and also to submit the year wise interest on security deposit as per P&L Account and as paid/adjusted in consumers bills for last 5 years till FY 2014-15. UPCL should refer to Table 3.22 of previous Tariff Order in this regard for preparation of details.

5. UPCL while submitting the employee expenses for FY 2013-14 and FY 2014-15 has shown the amount of enhanced pension separately. On a specific query whether enhanced pension amount is included in total employee expenses booked in annual accounts, UPCL confirmed that enhanced pension amount is included in total employee expenses booked in annual accounts. UPCL agreed to submit the basis for arriving enhanced pension amount for each year.
6. UPCL in its Petition has computed the Return on Average Equity during the year, while as per the provisions of UERC Tariff Regulations, 2011 and UERC Tariff Regulations, 2015, Return on Equity is permissible on opening equity only.
7. The pre-paid metering scheme was discussed in detail and UPCL agreed to submit the modification to pre-paid metering scheme by January 25, 2016.
8. UPCL agreed to submit the category wise actual sales for FY 2015-16 till October 2015.
9. As regards to actual bad debts written off during FY 2014-15, UPCL agreed to submit the details of bad debts written off and confirmed that amount shown as bad debts written off does not include any billing adjustments.
10. UPCL in its reply submitted that it has not claimed any provisioning for bad debts during FY 2014-15 and actual bad debts written off during the year has been claimed. In this regard, UPCL agreed to clarify whether the provisions for bad debts allowed by the Commission till FY 2014-15 are sufficient or not. UPCL also agreed to submit the year wise details of provisions for bad debts allowed by the Commission and actual bad debts written off corresponding to the arrears created subsequent to the formation of UPCL and also those bad debts written off which pertained prior to creation of UPCL.
11. UPCL on the issue of provision of Bad Debts vide its reply dated December 29, 2015 submitted that provision for bad debts has been considered in accordance with Regulation 31 of the Tariff Regulations, 2015. Regulation 31 of the Tariff Regulations, 2015 stipulates as follows:

"The Commission may allow a provision for bad and doubtful debts upto one percent (1%) of the estimated annual revenue of the distribution licensee, subject to actual writing off of bad debts by it in the previous years.

Provided further that where the total amount of such provisioning allowed in previous years for bad and doubtful debts exceeds five (5) percent of the receivables at the beginning of the year, no such appropriation shall be allowed which would have the effect of increasing the provisioning beyond the said maximum."

UPCL agreed to submit the detailed justification for claiming receivables in accordance with the provisions of the Regulations.

12. In response to the Commission's query regarding segregation of assets capitalised into LT and HT/EHT works along with the means of financing of same, UPCL in its reply submitted that segregation of assets for FY 2013-14 has already been submitted to the Commission and for FY 2014-15, the segregation is being done by field units and the same is expected to be completed by May 2016. During the meeting, it was discussed that this information is very critical for carrying out the truing up and UPCL agreed to submit this information by January 28, 2016. UPCL also agreed to submit the Electrical Inspector Certificate for the HT/EHT schemes capitalised till date, for which the certificates are yet to be submitted, at the earliest. UPCL was also asked to submit the financing of the HT/EHT works for which certificates were submitted by it.
13. UPCL in its submission dated December 29, 2016 submitted the actual details of power purchase for period April to October 2015 and the Commission vide its letter dated January 5, 2016 asked UPCL to submit the basis of average rates worked out with respect to Uttar Bharat, RV Akash Ganga, Metro Frozen and Jay Ace Technologies with reference to the rates specified by the Commission in the Regulations. UPCL vide its replies dated January 11, 2016 submitted that the average rate considered included some arrears amount. This issue was discussed in detail and UPCL agreed to submit the following information:
 - a. Year-wise Arrears amount separately with details of arrears.
 - b. Correct the typo error of period mentioned in the table as April to October, 2015 instead of FY 2014-15.
 - c. For some of the projects, UPCL is receiving the Generation Based Incentive (GBI). UPCL agreed to submit a detailed write up on modalities of GBI and year-wise amount of average tariff paid to Generator, GBI claimed and GBI received.
14. In response to the Commission's query regarding Material cost variance of Rs 198.86 Crore and provision of obsolete stock material of Rs 14.52 shown as Non Tariff Income in Annual Accounts for FY 2014-15, UPCL clarified that some of it pertains to Repairs & Maintenance expenses and some pertains to capital expenditure. UPCL in this regard agreed to submit the following:
 - a. Year wise details of the Material Cost Variance and obsolete stock provisioning pertaining to Repairs & Maintenance expenses.
 - b. Year wise details of the Material Cost Variance and obsolete stock provisioning pertaining to Capital Expenditure
 - c. UPCL's proposal regarding treatment of these components of Non Tariff Income for carrying out the truing up for FY 2014-15.

15. In response to the Commission's query regarding average consumption per employee as 320 units per month, UPCL submitted the Committee Report. However, the figure of 320 units per month is not clearly substantiated in the Committee Report. UPCL agreed to submit the complete billing details of sample size of 780 employees including the period for which the consumption of these 780 employees were considered to arrive at an average consumption per employee.
16. UPCL has submitted the treatment of assets sent for repairs. In this regard, UPCL to submit the complete details of assets sent for repairs since 2001-02 onwards for each year in compliance to the directions issued by the Commission in the previous Tariff Order. It was discussed that this information is very crucial for carrying out the truing up of ARR for previous years.
17. As regards the study to assess the load consumption of thrasher, cane crusher and rice huller consumption, UPCL submitted the study could not be completed as the officers were engaged in works related to Kumbh Mela. UPCL agreed to carry out the study for two divisions and submit the details to the Commission.
18. As regards the billing deficiencies observed with respect to average rate for some of the categories found to be even lower than the energy charges for respective category, UPCL informed that corrective measures are being taken to improve such deficiencies. However, as several billing deficiencies have been observed in actual sales and revenue for FY 2014-15, UPCL agreed to submit its proposal for appropriate treatment of such deficiencies for carrying out the truing up for FY 2014-15. UPCL also agreed to confirm whether energy received from Open access is part of industrial sales.
19. UPCL agreed to submit the updated status on compliance to various directions issued by the Commission in previous Tariff Order.
20. UPCL agreed to submit the information in the phased manner in hard as well as soft copy and the last date for submission of entire information is fixed as January 28, 2016.