

Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Dharchula. The office of the Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit Inspection of accounting records of Executive Engineer, Electricity Distribution Division, Dharchula for the period from October 2016 to July 2017 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act 1971 read with section 143 of Companies Act 2013. Audit inspection was conducted by Shri Roshan Lal Sharma, Assistant Audit Officer and Shri Ghanshyam Das Pal, Assistant Audit Officer during the period from 16.09.2017 to 20.09.2017.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Roshan Lal Sharma, AAO, Shri Khoob Chand AAO under the supervision of Shri B.C. Suyal, Sr. Audit Officer during the period from 14.11.2016 to 19.11.2016 in which accounting records of the period since inception to September 2016 were generally examined. In current audit, accounting records of the period from October 2016 to July 2017 were examined.

2. (i) **Functions and geographical jurisdiction of the unit:**

The function of the Electricity Distribution Division, Dharchula is to distribute electricity to rural and urban areas of Dharchula and keep as well as strengthen the electricity distribution system in that area. Geographical jurisdiction of the division is Dharchula area.

(ii) **Auditing methodology and scope of audit:**

Electricity Distribution Division, Dharchula was covered in the audit. Inspection reports of all independent Drawing and Disbursing officers are being issued separately. This inspection report is based on findings of audit, October 2016 months were selected for detailed examination on the basis of highest expenditure.

(` in lakh)

Year	Revenue (`)	Expenditure (`)	Profit
10/2016 to 07/2017	1127.43	1828.70	

*Profit not worked out at division level.

(iv) Organisation structure of the unit and reporting lines.

The Electricity Distribution Division, Dharchula is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

Part-II A

Para-1 Non-refund of unutilised government grant of ` 83.65 lakh.

In June, 2012 the then Chief Minister ordered to connect the villages of UREDA & UJVNL to UPCL grid at tehsil Dharchula in District Pithoragarh. UERC in its Tariff order Dated 06-05-2013 has also directed to UJVNL to hand over all of its distribution business to UPCL within six months of this order. In compliance of the said order and after the occurrence of the disaster on June 2013, UPCL had submitted the proposal to release service connections areas in Dharchula block (Pithoragarh) to the UPCL grid which are presently being fed by Small hydro projects of UREDA and UJVN Ltd. (existing 1500 consumers and new 1000 consumers) against which an estimate amount of ` 83.65 lakh was prepared and sent to Government. Government of Uttarakhand had sanctioned the amount against the Special Plan Assistance (Reconstruction) of ` 83.65 lakh (30 June 2014) against the estimate.

During the course of audit, it was seen that the division has neither executed the work nor refunded the said amount to Government but against the said work.

Division in its reply stated that the proposal for releasing service connections in the areas of Dharchula block (Pithoragarh) to the UPCL grid which are presently being fed by Small hydro projects of UREDA and UJVN Ltd. (existing 1500 consumers and new 1000 consumers) was submitted by the Pithoragarh division and after creation of Dharchula division in June 2014, the case was transferred to Dharchula division. The Division had received the WMCR of ` 83.65 for the year 2014-15. Due to Chief Minister announcement in 2012 and after Natural calamity in June 2013, all the consumers were temporary connected to UPCL grid by the division.

The reply of the division is not convincing as the division had not furnished the details of expenditure incurred against the said work and also not furnished any executed agreement made by the division against the said work.

Para-2 Delay in the execution of work due to lack of planning in apada work.

In June, 2012 the then Chief Minister ordered to connect the villages of UREDA & UJVNL to UPCL grid at tehsil Dharchula in District Pithoragarh. UERC in its Tariff order Dated 06-05-2013 has also directed to UJVNL to hand over all of its distribution business to UPCL within six months of this order. In compliance of the said order UPCL demanded ` 767.07 lakh to government of uttarakhand against the fund of Border Area Development Fund (BADP) for strengthening & Renovation of 11 KV /LT lines and sub-stations in MAY 2013.

Subsequently, Disaster occurred in June 2013 and the Micro Hydel Project of UJVNL and UREDA had washed away. Then UPCL restored the supply to the villages immediately on temporary basis against the order of Government and submitted a proposal of ` 1.94 crore for Strengthening and Renovation of distribution system to connect areas in Munsyari Block (Pithoragarh) to the UPCL grid which are presently being fed by Small Hydro Projects of UREDA and UJVNL.

During the course of audit it was seen that the estimate was revised to ` 155.23 lakh on 31/01/2014 against the earlier estimate of ` 194.10 lakh submitted on 16.9.2013 to the Government. NIT for the said work was invited in January 2014, the opening date of the bids was 20-03-2014. Three bidders submitted their bids and M/s T.S. Contractors, Takana Road, Pithoragarh was Lowest and the work was awarded to M/s T.S. Contractors for ` 71.67 lakh excluding centrally material (` 5569953.50) on 26 May 2014. The Schedule date of Completion of the project was 9 (Nine) months from the date of agreement, subject to the availability of material. The term of penalty was one percent subject to maximum of 10 *per cent* of total value of uncompleted work after 9 month of agreement subject to the availability of material. The work was completed in 04-10-2015 with a total cost of ` 83.15 lakh after the delay of 8 months 9 days from the schedule date of completion. The main reasons for delay was due to non inclusion of supply portion LT clamps amounting to ` 4.98 lakh in the agreement .Due to non inclusion of these items in the existing agreement, UPCL again invited the tender for the supply of the said items and M/s T.S. Contractors (same) was L1 for the said items and the work was awarded for the same contractor. The supply portion of LT clamps had already being approved by the competent authority in the estimate for awarding of contrat by the division. The whole work of Munsyari Block (Pithoragarh) was

completed ` 138.85 lakh against the sanctioned/released amount of ` 194.10 lakh in January 2016. The balance amount of ` 50.27 lakh was not refunded to the Government by the division till date and submitted utilisation certificate of full amount of ` 194.10 lakh.

Division in its reply stated that by mistake the LT supply is not included in the above agreement which was already approved by the competent authority for inclusion in the agreement, so that again tender was invited for the supply of the materials in March, 2015. Due to this the work got delayed by more than 8 months.

The reply of the Management is not convincing as the basic purpose of giving the grant was to restore the power supply in the Natural Calamity affected areas as soon as possible. Due to executing Apda work in unplanned manner the work got delayed by more than 8 months.

Para- 3 Delay in completion of Apada Work.

In June,2012 the then Chief Minister ordered to connect the villages of UREDA & UJVNL to UPCL grid at tehsil Dharchula in Distric Pithoragarh. UERC in its Tariff order Dated 06-05-2013 has also directed to UJVNL to hand over all of its distribution business to UPCL within six months of this order. In compliance of the said order UPCL demanded ` 767.07 lakh to government of Uttarakhand against the fund of Border Area Development Fund (BADP) for strengthening & Renovation of 11 KV /LT lines and sub-stations in MAY 2013.

Subsequently, Disaster occurred in June 2013 and the Micro Hydel Project of UJVNL and UREDA had washed away. Then UPCL restored the supply to the villages in immediately on temporary basis against the order of Government and sent four proposal for (i)construction of one 33/11 KV sub station at Tawaghat including land development cost & Cost of Control room and Switchgear for ` 2.35 crore (ii) Strengthening and Renovation of distribution system to connect areas in Dharchula Block (Pithoragarh) to the UPCL grid which are presently being fed by Small Hydro Projects of UREDA and UJVNL ` 4.96 crore (iii) Releasing service connections in the areas in Dharchula block (Pithoragarh) to UPCL gride which are presently being fed by SHP of UREDA and UJVNL (GSC to existing 1500 consumers and new 1000 consumers) ` 83.65 lakh and (iv) Strengthening and Renovation of distribution system to connect areas in Munsyari Block (Pithoragarh) to the UPCL grid which are presently being fed by Small Hydro Projects of UREDA and UJVNL ` 1.94 crore . All four proposals were submitted including 3 *per cent* Contingency and 15 *per cent* Supervision charge.

During the course of audit, it was seen that against the proposal of strengthening and renovation of distribution system to connect areas in Dharchula Block (Pithoragarh) to the UPCL grid which are presently being fed by SHPs of UREDA and UJVNL, amounting to ` 496.32 lakh was sanctioned by government and released ` 496.32 lakh against the same in June 2014. It was seen that the work was split out into two contracts. One for Repair & Replacement work of Damage of 11 KV, LT line & Transformers from UJVNL covered villages of Dharchula Section for ` 83.65 lakh to M/s Vijay Electricals, Tanakpur Road , Pithoragarh only labour portion of ` 83.65 lakh and other for construction of 3 Nos New 11 KV Feeder (Chaudasvelly, Darmavelly & Khela) emanating from proposed 33/11KV Sub-

station Tawaghat for ` 232.09 lakh to M/s T.S. Contractors. Takana Road, Pithoragarh only labour portion of ` 74.64 lakh under EDD Dharchula division. Both the agreements were entered on 26 May 2014. The Schedule date of Completion of both the projects were 9 (Nine) months from the date of Agreement, subject to the availability of material. The terms of penalty were one percent subject to maximum of 10 *per cent* of total value of uncompleted work after 9 month of agreement subject to the availability of material. The penalty terms of maximum of 10 percent of total value of *uncompleted work* is against the terms of General Conditions of Contract (GCC).

Further it was seen that due to not making proper planning, the UPCL could not supply centralised materials (11 KV lighting Arrestor) to the contractor in time and after vigorous pursuance by the contractor, the division then awarded (September, 2015) another supply portion of the said material to the same contractor after inviting NIT. Due to this the both the works were completed in May & August 2016 after the delay of 18 months from the schedule date of completion amounting to ` 431.95 lakh against the released amount of ` 496.32 lakh. Further, it was seen that the balance amount of ` 64.37 lakh was not refunded to Government by the Division till date and submitted utilisation certificate for the full amount of ` 496.32 lakh.

Division in its reply stated that the work was split out due to urgency of the work and the work was got delay due to non availability of material in Central Store Haldwani. The estimate of the work was approved after inclusion of 3 (three) percentage contingency and 15 per centage supervision charges, So that utilization certificate has been submitted to the full amount.

The reply of the division is not acceptable, as if the division had made proper planning for execution of the work, the work could be completed in time. Charging 3 percent contingency and 15 percent supervision charge is not in order, as the created assets lying with UPCL and UPCL will earn revenue to that assets.

Part-II B

Para: 1 Avoidable loss of energy in distribution – ` 2.22 cr.

The main function of distribution division is to receive the energy and distribute it among the consumers in such a way that loss of energy in distribution (line loss) should not exceed the norms fixed by the Uttarakhand Electricity Regulatory Commission (UERC). The UERC had fixed a norm of 15 *per cent* for the year 2016-17. To achieve the norms, UERC had also identified some causes due to which there is loss of energy in distribution and suggested remedial measures to reduce distribution losses as detailed below:-

Causes for transmission losses-

- (i) Un-authorized extraction of electricity.
- (ii) Defective metering system.
- (iii) Wrong estimation of consumed energy.
- (iv) Non-rectification of defective meters.

Measures:-

- (i) Installation of Electronic Meters to control theft.
- (ii) Regular checking of unauthorized extraction of electricity.
- (iii) Rectification of defective meters.

Test check of relevant records revealed that during the period 10/2016 to 03/2017 and 04/2017 to 6/2017, T&D losses were 30.20 *per cent* and 35.46 *per cent* against the allowable norms of 15 *per cent* for the year fixed by the UERC. Thus transmission losses were on very higher side than the prescribed norms. Excess T&D losses resulted in loss of ` 2.22 cr (by taking the cost of energy at an average of ` 2.30 per unit) as detailed below:

Sr. No.	Particulars	Energy in Million Units	
		10/2016 to 3/2017	4/2017 to 6/2017
1	Energy received during the period	47.742 M.U.	11.737 M.U.
2	Sale of Energy	33.323 M.U.	7.575 M.U.
3	Loss of Energy (1-2)	(30.20%) 14.419 M.U.	(35.46%) 4.162 M.U.
4	Permissible Loss as per norms (15 <i>Per cent</i>)	7.16 M.U.	1.76 M.U.
5	Avoidable loss of energy in distribution (3-4)	7.26 M.U.	2.40 M.U.
Cost of avoidable loss of energy = 9.66 X 10,00,000 X 2.30 = Rs22218000. Say ` 2.22 crore			

It is evident from the above that the Division failed to control the T&D losses of energy within the prescribed norms.

In this regard audit observed that:

- i. In July 2017, 4319 meters were mechanical meters and out of them only 112 mechanical meters were replaced by electronic meters during April 2017 to August 2017 and balance 4207 mechanical meter were yet to be replaced as on August 2017. Thus the Division failed to replace all the mechanical meters by electronic meters as advised by the UERC.
- ii. During the period 09/2016 to June 2017, no raids were carried out by the Division.. Considering the fact that the distribution losses were on very higher side than the prescribed norms of UERC, the Division is required to increase number of raids to ascertain unauthorized extraction of power.
- iii. Against total 28307 connections in July 2017, 2516 meters (8.89 *per cent*) were defective which was higher than the prescribed norms of UERC *i.e. 2 per cent*.

Thus, the Division was yet to take corrective measures as advised by the UERC. Had the corrective measures as suggested by UERC been taken by the Division, the distribution losses suffered by the Company could have been minimized.

Management in its reply stated that old GI wires are being replaced to new wire in all sub-divisions and the division is also reducing the HT / LT ratio to minimise the line loss. Further, the Division is also replacing the defective/ mechanical meters and also trying to stop the unauthorised extraction of the power by sudden checking.

The reply is not acceptable as due to higher T&D losses, the Division had lost the energy amounting to ` 2.22 crore.

Para-2 Non issuance of Recovery Notice u/s -5 amounting to ` 136 lakh

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation) provides that in case a consumer does not pay electricity dues against him, within 15 days from the receipt of bill, his connection would be disconnected and demand notice for recovery of electricity dues will be issued u/s 3 of UP Electricity Dues and Recovery Act 1958, for depositing of due against him within 30 days. In case consumer again fails to deposit the dues in the stipulated period then a recovery certificate (RC) U/S-5 of UP Electricity dues and recovery Act 1958 would be issued through concerned Dist. Authority. All such action for recovery of dues should be completed within six months.

During scrutiny of records, it was noticed that the division had issued recovery notice u/s 3 to 350 consumers amounting to ` 136.28 lakh (upto 03/2017) against which no recovery was made. The issuance of notice u/s-5 to 350 consumers (` 136 lakh) was pending for more than 12 months as per above mentioned manual. Non issuance of recovery certificate u/s 5 shows lack of proper pursuance of dues by the division. This resulted in blocking of fund of ` 136 lakh.

Further it was also seen that since inception to the date of audit the division had not issued any recovery certificate under section-5.

Management stated that notice U/s-5 has not been issued due to agitation of local public representatives and Davia Aapda territory. Now instructions have been issued to all SDOs/ JEs for conversion of section-3 to section-5.

The reply is not acceptable as due to non issuance of the notices U/s- 5 as per prescribed procedure the revenue as stated above could not be realised.

Para-3 Huge Arrear against Commercial Consumers of ` 510.25 lakh.

The UPCL provides electricity to the consumers of different categories. One of the most important functions of the division is to realize the electricity charges from the consumers. Commercial and Revenue Manual of Uttar Pradesh Power Corporation (which has been adopted by Uttarakhand Power Corporation) *inter-alia* provides that in case a consumer does not deposit electricity dues within 30 days from the date of receipt of bill, his connection would be liable to be disconnected and a demand notice for recovery of electricity dues will be issued U/s 3 for depositing of dues against him within 30 days. In-case consumer does not deposit the dues within stipulated period a recovery certificate (R.C.) will be issued U/s – 5 through District authorities. All such action for recovery of electricity dues should be completed within six month.

Scrutiny of records, revealed that as on 30 September 2016 the arrear of Commercial 1670 consumers was ` 377.05 lakh which increased to ` 510.25 lakh as on June 2017. So a huge amount of 510.25 lakh was pending for realization from Commercial consumers.

It revealed that during 09/2016 to 06/2017 the outstanding dues increased by ` 133.20 lakh. Pendency of huge dues against these consumers revealed that the recovery of the dues was not pursued vigorously.

Review of top 100 defaulters (non-government consumers) as on September 2017 revealed that an amount of ` 56.67 lakh was recoverable for 39 to 78 months. It is evident that the position of arrears has reached to an alarming stage and if the division does not take serious efforts under section 3 and 5 to realize the outstanding dues, financial position of UPCL will be affected.

Management stated that the realisation of arrears has been affected due to Daviya Aapda and remote area. Now, all the officers are being instructed to organise camp for realising the arrear.

The reply is not acceptable as the arrears of ` 510.25 lakh is yet to be realised.

Para-4 Avoidable expenditure of ` 8.32 lakh resulted in delay in releasing of New LT Connections.

As per UERC (Release of New LT Connections, Enhancement and Reduction of Loads) Regulation 2013, if the distribution division concerned failed to release the LT Connection, in the stipulated period as fixed by the Commission, a penalty on the division will be imposed as per laid down norms of UERC.

Scrutiny of records provided by the division revealed that during the period from September 2014 to July 2017 consumers applied for New L.T. Connections but division failed to release the New L.T. Connections in the stipulated period, consequently UERC imposed penalty of ` 8.32 lakh.

Division in its reply stated that the penalty imposed by UERC will be submitted to UERC after receiving instruction from the Head Quarter, office, Dehradun.

The matter is brought to the notice of higher management.

Part III

Detail of unsettled paras of previous inspection reports:-

Inspection Report period and number	Part- II (A) para number	Part-II (B) para number
Since inspection to September 2016	-	1,2,3,4

Compliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 68 was issued to the Company. In turn division stated that replies of these outstanding paras of old Inspection Reports are being prepared and same would be furnished as early as possible.

Part IV

Best practices of the unit

No good practices or innovation noticed during the course of audit

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude toward Electricity Secondary Works Division Dehradun and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Following documents were not produced during audit:

NIL

2. Persistent irregularities.

NIL

3. The following officers held the charge of head of the office during the audit period:

Sl. no.	Name	Post
1.	Shri. Chandan Basnet 12.06.2014 to 22.08.2017	Executive Engineer
2.	Shri Amit Kataria 23.08.2017 to till date.	Executive Engineer
2.	Shri. L.P. Shah, 12.06.2014 to 31.08.2017	Accountant

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (concerned sector) within one month of receipt of the letter.

Sr.AO/ES-1