

Audit Inspection report on the accounts of Uttarakhand Jal Vidyut Nigam Limited, Dehradun for the period from 04/2014 to 03/2015 was carried out in exercise of the power conferred by section 19 of the C &AG, DPC Act 1971 read with section 619 (3) (b) of the Companies Act 1956.. The transaction audit was conducted by Shri Amit Kumar Mishra, AAO, Shri A.P.Singh, AAO and Shri Vikas Dhyani, AAO under the supervision of Sh. Mukesh Kumar, AO during the period from 29-01-2016 to 29-02-2016.

The inspection report has been prepared on the basis of information furnished and made available by Uttarakhand Jal Vidyut Nigam Limited. The office of the Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation or non-submission of the records.

PART-1 A

(A) Introductory: The last audit of the Nigam was carried out by Sh. R. L. Sharma, AAO and Sh. A. P. Singh, AAO under the supervision of Sh. Sohrab Hussain, Sr. AO covering the period upto March 2014. During the present audit, the accounts/records of the Nigam were generally examined and a test check was conducted.

The following Officers held the charge of the Managing Director & Director (F)/ Executive Director (F) since last Audit to date.

Managing Director

Shri G. P. Patel last audit to 30.01.2015

Shri S. N. Verma 31.01.2015 to March 2015

Director (Finance)

Sh. C P Madan (I/c) Last audit to 30.01.2015

Sh. S. N. Verma 30.01.2015 to March 2015

(B) Outstanding paragraph of old Inspection Reports

Sl. No.	Period	Part II A	Part II B
1.	01/2002 to 12/2004	1,2,3,4	1
2.	01/2005 to 09/2005	1,2,3,4,5,6,7,8	1
3.	10/2005 to 03/2008	1 to 12	2,3&6
4.	04/2008 to 03/2014	1 to 10	1 to 4

(C) Persistent Irregularities

-----NIL-----

(D) Records not produced

-----NIL-----

Part II A

Para 1: Avoidable expenditure of ` 37.39 lakh in respect of payment made to credit rating agency.

Uttarakhand Jal Vidyut Nigam Limited (UJVNL) has been taking loans to meet debt requirement of various projects from Power Finance Corporation (PFC), Rural Electrification Company (REC) and Scheduled Banks. The effective rate of interest on loans from above Financial Institutions ranged from 12 to 13 percent and one percent guarantee fee payable to State Government. To avail the loans at cheaper rate from market through bond route, UJVNL decided to have credit rating from rating agency. UJVNL appointed Fitch Rating Limited for providing credit rating with Initial Rating Fee of ` 33.80 lakh (Plus applicable taxes) and Annual Surveillance Fee of ` 16.95 Lakh. Fitch Rating Agency assigned BBB+/stable to UJVNL vide their letter dated 29.01.2013. UJVNL wrote letters to PFC, REC and Punjab National Bank mentioning about the credit ratings and asking for additional rebate in the rate of interest being charged on present loans extended to it and on the proposals for the proposed loans. PFC vide its letter dated 03/10/2013 stated that as per PFC rating mechanism for state sector borrower, the state sector entities are evaluated with the reference to a set of internal and external factors which does not consider rating assigned by independent agencies and it has assigned A+ rating to UJVNL which is highest rating assigned by PFC to any borrower. Hence there will be no impact on rating of UJVNL due to rating assigned by FITCH India Pvt. Ltd. Further, REC intimated vide letter dated 24.06.2013 that it has already considered UJVNL as A+ borrower and have allowed maximum rebate. Punjab National Bank in its letter dated 09.09.2013 mentioned that concession in interest rate is extended to MSME borrower only. Since UJVNL is not categorized under MSME it is not found eligible for rebate. After considering replies of Financial Institutions, UJVNL decided to terminate the contract with Fitch Rating Limited as no benefit was received by UJVNL from the rating of Fitch Rating Limited.

Audit observed that UJVNL appointed Fitch Rating Limited for credit rating to avail loans at cheaper rate from Financial Institutions without inquiring from the lenders (PFC, REC) about its credibility or whether credit rating from independent agency would serve any purpose in respect of additional rebate in interest on prevailing loans from lenders. Moreover PFC and REC (central PSUs) are prime lenders providing financial assistance

to power projects in India. Had the UJVNL inquired, before appointing credit rating agency, about the relevance/benefit of credit rating from independent agency from primary lenders, expenditure of ` 37.36 lakh could have been avoided.

Management in its reply stated that PFC issued a policy during the year 2015-16, to offer additional rebate on certain projects with the pre condition of having credit rating from some credit rating agency by borrowers. To avail additional rebate the process of credit rating was re-initiated for the financial year 2015-16. M/s Fitch ratings vide letter dated 06.01.2016 has upgraded UJVNL to BBB+. The reply of management is not convincing as the rating was done in 2012-13 to avail rebate in interest from its lenders. At that time PFC and other lenders declined to consider the ratings assigned to UJVNL by Fitch rating agency for allowing rebate in interest on loans and UJVNL decided to terminate the contract as no gain received by it. Moreover, management is silent regarding the initial fees payment and annual surveillance charges paid when they approached rating agency for re-initiating the contract.

Para 2: Loss due to non taking of appropriate insurance cover of Project – ` 2.18 crore

Kaliganga I (4 MW) Small Hydro Project (SHP) work was awarded to M/s SCL-BFL(JV) dated 07.11.2007 for design, Supply, Installation, Commissioning, Testing and One year operation and maintenance. The project was commissioned on 18/19 July 2012. The COD was declared on 10.09.2012. Standard Fire and Special Perils policy of the project was taken by M/s SCL-BFL Joint Venture & Uttarakhand Jal Vidyut Nigam Ltd. after commissioning of project for the period 31.08.2012 to 30.08.2013 covering building and permanent structure, plant and equipment. The project was damaged on 16/17 June 2013 due to natural calamity in the Uttarakhand State. The project generated 11.60 MUs since commissioning i.e. July 2012 to June 2013 with an average monthly generation of 9.66 lakh units. Nigam also took the Industrial all risk policy for commissioned Large hydro projects & Small Hydro Projects. Industrial all risk insurance policy also covers loss of complete revenue due to reduction in turnover/output.

During scrutiny of records it was observed that Nigam has claimed generation loss of various projects also from insurance company after natural calamity occurred in Uttarakhand State in June 2013. Nigam should have taken Industrial All Risk policy to issue against loss due to business interruption for Kaliganga I, instead of taking Standard Fire and Special Peril Policy as the project was commissioned on 18/19 July 2012 and had started generation since then. Due to not taking appropriate policy cover for Kaliganga I SHP, Nigam had suffered a loss of ` 2.18 crore (9.66 lakh units x 6 months x ` 3.75 per unit). Had the Nigam taken All Industrial Risk Policy of the Kaliganga I, it could have claimed the generation loss of ` 2.18 crore from insurance company.

Management in its reply stated that one insurance policy was taken by the contractor and insurance company advised not to take two different policies as insurance premium will be multiplied for same property. It also stated that the loss of generation was due to stoppage of functioning of project due to silt etc. which is an exclusion in industrial risk policy. However, UJVNL shall be more careful in future and shall insist insurance company to take policy in future. Reply of management is not convincing as the project was commissioned on 18/19 July 2012 and had started generation since then and

insurance cover was taken up after commissioning of project. Moreover, the management's statement i.e. generation loss was due to stoppage of functioning of project due to silt etc. is also incorrect as the project was badly damaged in flood.

Para 3 : Loss of ` 38.00 lakh due to split of work.

The spillway of Maneri Dam (Maneri Bhali-1) was damaged adversely due to flash flood on 16/06/2013 & 17/06/2013 in Bhagirathi river. After considerable reduction in river discharge in September 2013, the losses in the spillway were examined and a proposal for renovation of spillway gate no. 1, 2, & 3 of Maneri Dam amounting to ` 759.01 lakh was prepared. As the work was quite important therefore after getting due approval, the short term tender notice was invited for the above mentioned work. Only two bidders participated against above work namely M/s Hightec Equipment and Service, New Delhi & Alpha Pacific System, New Delhi. M/s Hightec Equipment did not qualify in technical evaluation. M/s Alpha Pacific System was only qualified bidder, at the total cost of ` 7.48 crore.

Meanwhile, the routine as well as major overhauling of turbine, E & M unit of Tiloth Power House was expected to have a closure with effect from 31.05.2014 to 09.06.2014. Considering it, it was proposed that required maintenance of damaged part of spill way including replacement/repair of sill beam should also be taken care within the said closure. Keeping the exigency of repair work, time period available before monsoon and utilize the closure period it was decided to execute only the bare minimum repair work. The work was awarded to Nalkoop wing U.P. Jal Nigam, Noida amounting to ` 1.33 crore dated 31.05.2014 on urgent basis without taking approval from Central Purchase Committee (CPC). Remaining work was decided to be taken up separately through open tender. Further, the matter was brought to the notice of Central Purchase Committee (CPC) and it recommended (30.08.2014) to award the work of renovation of spillway of Gate no. 1,2&3 of Maneri Dam of Maneri Bhali-1 to M/s Alpha Pacific System at a cost of ` 7.48 crore. Thereafter, the contract for remaining work was awarded to M/s Alpha Pacific System on 10.10.2014 at a cost of ` 6.53 crore.

Audit noticed the following:

1. The work awarded to M/s Nalkoop wing U.P. Jal Nigam, Noida at a cost ` 1.33 crore dated 31.05.2014 on urgent basis to complete within 10 days during closure period was actually completed in January 2015. The actual period of closure was in August 2014. Therefore, the purpose of completing the work on urgent basis was defeated. Further, M/s Nalkoop wing requested vide its letter dated 13.06.2014 to increase the project cost by ` 75 lakh to ` 90 lakh.

The management stated in its reply that in June 2014, the average water discharge shot up on higher side and came in the range of 180-250 cumecs in June 2014. The officers of UP Jal Nigam visited the site on 13/06/2014 and asked to postpone the work due to increase in river discharge. Finally, the closure was accorded in August 2014. But the average daily discharge was in the Range of 200-400 cumecs with the maximum range of 884 cumecs in September 2014. In view of the then prevailing circumstances, the work was not executed and site was not handed over to UP Jal Nigam, therefore, penalty was not imposed. The reply of the management is not convincing as the main purpose of awarding the bare minimum work to M/s Nalkoop wing U.P. Jal Nigam, Noida was to utilize the closure period of 10 days (31.05.2014 to 09.06.2014) on urgent basis and that purpose was completely defeated. However, keeping the exigency of repair work, the Nigam itself analyzed the fact that bare minimum work of repair must have been done before monsoon but even, the site was not handed over to U.P. Jal Nigam till September 2014 which shows the complete ignorance from the Nigam's end.

2. The contract for remaining work was awarded to M/s Alpha Pacific System on 10.10.2014 at a cost of ` 6.53 crore. Once, UJVNL decided to execute the remaining portion of the work through open tender, awarding of remaining work through short-term tender was not in order. Moreover, the work was split between M/s Alpha Pacific System at a cost of ` 6.53 crore and M/s U.P. Jal Nigam at a cost of ` 1.33 crore which resulted in extra expenditure of ` 0.38 crore ($6.53 \text{ cr} + 1.33 \text{ cr} - 7.86 \text{ cr}$).

Nigam stated in its reply that on the urgent basis bare minimum repair work, was allotted to UP Jal Nigam and the equal quantities (which were ordered to UP Jal

Nigam) of the items were deducted from the scope of original BOQ while awarding contract to M/s Alpha Pacific Systems. The reply is not convincing as Once, UJVNL decided to execute the remaining portion of the work through open tender, awarding of remaining work through short-term tender was not in order.

Para 4: Undue favour to contractor resulted in extra cost of ` 2.38 crore

During unprecedented flood in the month of August 2012 and June 2013, almost all the protection works around the reservoir rim of Joshiyara Barrage got damaged thereby creating threat of damages to residential as well as commercial buildings situated alongwith both banks of the river. Therefore, to ensure safety of residential & commercial building adjoining to reservoir area of Joshiyara Barrage of Maneri Bhali-II, HEP the protection work is essentially required around Reservoir Rim which would also facilitate Nigam to maintain reservoir level upto 1108 mt. UJVNL took consultancy from WAPCOS Ltd. for the said work vide agreement 02 & 03/DGM/(CM-BV)/2013-14. WAPCOS suggested using M15 with plum concrete in construction of protection wall. Accordingly, in view of urgent need and shortage of time available before forthcoming monsoon, a short term tender was floated for the work of “Construction of protection wall around Reservoir Rim of Joshiyara Barrage of Maneri Bhali-II HEP at Uttarkashi” vide NIT no. 19/DGM(CM-BV)/Maneri/2013-14. The work was awarded to L1 bidder i.e. M/s Piyush Infratech Pvt. Ltd, Aurangabad at a cost of ` 63.77 crore as per agreement 6/DGM/(CM-BV)/Maneri/2013-14. One year time was given to M/s Piyush Infratech Pvt. Ltd, to complete the work from the date of start i.e. 08.02.2014. In first phase, on priority basis, the work of construction of protection wall upto EL level 1104 mt. was to be completed within 75 days from closure of reservoir.

During the scrutiny of relevant files it was seen that M/s Piyush Infratech Pvt. Ltd, was not having sufficient labour and equipments since start of the said work and there was delay due to which M10 material was used instead of M15 with plum concrete for construction of protection wall. General Manager Civil vide its letter dated 15.07.2014 stated DGM Civil that M/s Piyush Infratech Pvt. Ltd, was using M10 instead of M15 with plum concrete and directed to stop the use of M10. The approval for using M10 in

place of M15 with plum concrete in order to complete the work before monsoon was accorded on 15.09.14 considering the delay in completion of work because of insufficient manpower and machinery. The extra cost for using M10 in place of M15 with plum concrete was ` 2.38 crore. The fact remains that the work of construction of protection wall upto EL level 1104 mt which was to be completed within 75 days from closure of reservoir was completed in December 2015 on the right bank of the river and still not completed on the left bank. However, during this period closures for two times (10.03.2014 to 05.06.2014 & 20.02.2015 to 20.04.2015) have been taken for urgent works. It appears from above that the contractor was not having sufficient labour and machinery to complete, even that portion of work which was to be completed within 75 days of closure, despite incurring extra cost of ` 2.38 crore for using M10 in place of M15 with plum concrete for construction of protection wall. It is also to be noted that the natural calamity in Uttarkashi occurred in 16/17 June 2013 and the LOI for above work was given on 01.02.2014 and the contractor was very much aware about the natural calamity and conditions thereafter in Uttarkashi. Therefore, non availability of manpower in Uttarkashi is not the justifiable reasons for delay in work and using M10 in place of M15 with plum concrete as mentioned in the records.

The management stated in its reply that as per drawing submitted by M/s WAPCOS Ltd. Contractor had to construct a huge wall section as in comparison to what was mentioned in the contract. Contractor almost completed the said work in 88 days while managing director, UJVNL Ltd. on the genuine reason accorded approval to extend closure period of said work. Therefore, no penalty was imposed on contractor. The reply of the management is not convincing as the first priority of the work is to construct the wall upto the safe level for which another 59 days (20.02.2015 to 20.04.2015) closure was accorded but the same was significantly delayed by 20 months from the scheduled completion date. Hence, the contractor was not having sufficient labour and machinery to complete, even that portion of work which was to be completed within 75 days of closure, despite incurring extra cost of ` 2.38 crore for using M10 in place of M15 with plum concrete for construction of protection wall. Further, Nigam's decision not to impose penalty on contractor for such a huge delay also resulted in undue favour to the contractor.

Para 5: Undue favour to contractor resulted in extra cost of ` 1.40 crore

During unprecedented flood in the month of August 2012 and June 2013, almost all the protection works around MB-I got damaged thereby creating threat of damages to residential as well as commercial buildings situated along both banks of the river. Therefore, to ensure safety of residential & commercial building adjoining to reservoir area of Joshiyara Jhulapul to Tiloth bridge of Maneri Bhali-I, HEP the protection work was essentially required. UJVNL also took consultancy from WAPCOS Ltd. for the said work vide agreement 02 & 03/DGM/(CM-BV)/2013-14. WAPCOS suggested using M15 with plum concrete in construction of protection wall. Accordingly, in view of urgent need and shortage of time available before forthcoming monsoon, a short term tender was floated for the work of “Construction of protection wall around Maneri Bhali-I HEP at Uttarkashi” vide E tender no. 12/DGM(Civil)/2013-14. The work was awarded to L1 bidder i.e. M/s R.R. Constructions Pvt. Ltd, Hyderabad at a cost of ` 55.25 crore as per agreement 5/DGM/(CM-BV)/Maneri/2013-14. The entire work was to be completed within 18 months from the date of start of work i.e. 19.12.2014 to 18.06.2015. In first phase, on priority basis, the work of construction of protection wall upto EL level 1104 was to be completed within 75 days from closure of reservoir.

During the scrutiny of relevant files it was seen that M/s R. R. Constructions Pvt. Ltd, was not having sufficient labour and equipments since starting of the said work and there was delay due to which M10 material was used instead of M15 with plum concrete for construction of protection wall. It was also noticed that there were 5 transit mixture at site which were used by both R.R.Construction Pvt. Ltd and Piyush Infratech Pvt. Ltd for the MB I work and MB II work which also contributed to delay in completion of work. General Manager Civil vide its letter dated 15.07.2014 stated DGM Civil that M/s R. R.

Constructions Pvt. Ltd, was using M10 instead of M15 with plum concrete and directed to stop the use of M10. The approval for using M10 in place of M15 with plum concrete in order to complete the work before monsoon season was accorded on 15.09.14 considering the delay in completion of work because of insufficient manpower and machinery. The extra cost for using M10 in place of M15 with plum concrete was ` 1.40 crore. The fact remains that the work of construction of protection wall upto EL level 1104 which was to be completed within 75 days from closure of reservoir was completed in December 2015 on the right bank of the river and still not completed on the left bank. However, during this period closures for two times (10.03.2014 to 05.06.2014 & 20.02.2015 to 20.04.2015) have been taken for urgent works. It appears from above that the contractor was not having sufficient labour and machinery to complete, even that portion of work which was to be completed within 75 days of closure, despite incurring extra cost of `1.40 crore for using M10 in place of M15 with plum concrete for construction of protection wall. It is also to be noted that the natural calamity in Uttarkashi occurred in 16/17 June 2013 and the LOI for above work was given on 01.02.2014 and the contractor was very much aware about the natural calamity and conditions thereafter in Uttarkashi. Therefore, non availability of manpower in Uttarkashi is not the justifiable reasons for delay in work and using M10 in place of M15 with plum concrete as mentioned in the records.

The management stated in its reply that as per drawing submitted by M/s WAPCOS Ltd. Contractor had to construct a huge wall section as in comparison to what was mentioned in the contract. Contractor completed mostly the said work in 88 days while managing director, UJVNL Ltd. on the genuine reason accorded approval to extend closure period of said work. Therefore, no penalty was imposed on contractor. The reply of the management is not convincing as the first priority of the work is to construct the wall upto the safe level for which another 59 days (20.02.2015 to 20.04.2015) closure was accorded but the same was significantly delayed by 21 months from the scheduled completion date. Hence, the contractor was not having sufficient labour and machinery to complete, even that portion of work which was to be completed within 75 days of closure, despite incurring extra cost of ` 1.40 crore for using M10 in place of M15 with plum concrete for construction of protection wall. Further, Nigam's decision not to

impose penalty on contractor for such a huge delay also resulted in undue favour to the contractor.

Para 6: Blockade of funds to the tune of ` 1.25 crore.

Tenders for Kaldigad Project (2X 4.5 MW) were invited and two major contracts, first for civil work and second for E & M works were awarded in 2009. The performance of civil contractor was very poor and after approval from Board on 11.05.2012, the civil contract was terminated on 07.08.2012. Due to unprecedented rains and cloudbursts in Asiganga valley on 03.08.2012 Kaldigad SHP was severely damaged. The technical committee visited site and submitted their recommendations and subsequently the DPR was prepared in house, which was approved by the Board on 27.09.2013. Ministry of Environment and Forest has declared Eco-Sensitive Zone in District Uttarkashi on 18.12.2012 wherein setting up of new hydro-electric power plants and expansion of existing plants on river Bhagirathi and all its tributary from Gaumukh to Uttarkashi except micro and mini hydel power projects is prohibited. Additional land was also required for construction of kaldigad SHP after flood and request for the same on the direction of District Magistrate Uttarkashi was sent to nodal officer. The case is pending with nodal officer in compliance of order of Hon'ble Supreme Court dated 13.08.2013. During meeting of High Power Committee headed by Chief Secretary, GoU on 03.12.2014 regarding ongoing and proposed works in Eco-sensitive Zone, no clearance shall be given for construction of any hydel projects. Despite the issue regarding clearance of projects, administrative approval for remaining civil and hydro mechanical works was accorded by Managing Director on 04.03.2014.

During scrutiny of records it was observed that despite of issue of clearance of the project, contractor for E & M works was permitted to supply material valuing 1.25 crore

on 29.04.2013 and 21.03.2014 after the date i.e. 18.12.2012 when MoEF declared the area as Eco-Sensitive Zone. UJVNL had not only ignored the declaration of MoEF and prepared (29.09.2013) in house DPR for remaining work after damage but also blocked its funds to the extent of ` 1.25 crore as the chances of utilization of material is remote in present circumstances.

Management in its reply stated that the MoEF notification is silent for the projects under construction wherein approval already given by MoEF. Kaldigad SHP was under construction when on the date of issue of notification and approval of land been accorded by MoEF on 21.04.2008. It also stated that power transformer was damaged during transit in the month of July 2012 and the same was again supplied by contractor in the month of March 2014 after repair from manufacturer. The reply of management is not convincing as MoEF permitted only mini and micro hydel projects in eco sensitive zone and High Power Committee headed by Chief Secretary, GoU on 03.12.2014 regarding ongoing and proposed works in Eco-sensitive Zone, no clearance shall be given for construction of any hydel projects. The case of additional land is also pending with nodal officer for the SHP after flood.

Para 7: Irregularity in tendering process

The spillway of Joshiyara Barrage of Maneri Bhali Stage II got badly damaged during flood 15.06.2013 to 17.06.2013. At the same time retention wall of the barrage also got damaged. In view of urgency and importance of work short term tender was invited for repair of spillway of gate 1 and 2 of Joshiyara Barrage. Only single bid was received from M/s Alpha Pacific System. As the work was essential and time bound in nature and had to be completed before onset of forth coming monsoon. Further any delay in execution of work may cause further damage to Joshiyara Barrage and ultimately loss of generation. In view of nature of work the contract was awarded to said contractor on 02.06.2014 with due date of completion on 12.12.2014 at value of ` 2.45 crore.

During scrutiny of records it was observed that the above work was started by contractor in February 2015 during closure period of barrage after 9 months from signing of contract. Further, during the above period of flood the retention wall of Joshiyara Barrage was also got damaged and work of construction of retention wall was started in closure period of barrage i.e. February 2014 to May 2014. The work of repair of spillway could be done during the same closure period if the contract was awarded in time. The purpose calling of short term tender and awarding the contract to single bidder due to urgency of work has been defeated as the work was started after nine months of signing the contract and work is still in progress till date. Moreover, if UJVNL had invited open tender instead of short term tender the more competitive rates from bidder could have been received.

Management in its reply stated that a tender was called for above work on 19.02.2014 and the same work was awarded after getting approval from Managing Director. During this period Lok Sabha elections were scheduled due to which LOI was given on 06.05.2014 and asked to start work from 13.05.2014. Contractor removed damaged stop log gate from Gate 1 which was necessary to start repair work of spillway. Afterwards contractor tried to construct coffer dam to carry out repair of spillway. The coffer dam could not be constructed as there was heavy discharge in Bhagirathi river and the work of construction coffer dam was suspended. The very necessary repair work of spillway was carried out when closure was taken for modification of TRC and the remaining work was completed upto February 2016. The reply of management is not convincing as the tender for same work should have been floated in such a manner so that the work of repair of spill way could have been done within the same closure period which had been taken for construction of retention wall. If the above repair work was done in closure period then there was no need for construction of coffer dam. Therefore, the expenditure incurred on construction of coffer dam was a futile exercise. The purpose of calling short term tender and awarding the contract to single bidder due to urgency of work has been defeated as the work was started after nine months of signing the contract and was completed in February 2016. In this regard the details of expenditure incurred on construction of coffer dam may be provided to audit.

Para 8: Loss due to non taking of insurance cover ` 41.81 lakh

Madhyamaheshwar SHP (3X5 MW) was severely damaged during the devastating flood on 16-17 June 2013 in Uttarakhand. Loss assessment committee was constituted to visit the SHPs of UJVNL damaged due to heavy rain and cloudburst during 15.06.2013 to 17.06.2013. As per loss assessment committee report UJVNL suffered loss of ` 5.60 crore. Insurance cover was taken by contractor for the structure of project and loss of ` 5.17 crore out of loss of ` 5.60 crore was covered under insurance.

During scrutiny of records, it was noticed that no insurance policy was taken for construction of residential building, playground and water supply line for residential building valuing 43.12 lakh which resulted in loss to the same extent. Moreover, despite the repeated requests of UJVNL for submitting the insurance claims for damaged structure as mentioned above, contractor had not submitted the insurance claim till date. UJVNL had decided to recover the loss of ` 5.17 crore by forfeiting the performance bank guarantee submitted by the contractor as he failed to lodge the insurance claim in due course. UJVNL also decided to terminate the contract as the contractor showed its unwillingness to work on the same rates due to drastic changes in topography of the project site.

Management in its reply stated that the work of residential building was completed in 2011. As per prevailing practice of UJVNL, comprehensive insurance policy is not done for small contracts and structures. Work of Madhyamaheshwar SHP was heavily damaged during flood of 16-17 June 2013. The contractor's request to enhance the cost

of turnkey or convert it to item rate contract was not accepted by Nigam and scrapped the contract. Contractor requested to resolve the issue through Arbitration Tribunal. The matter is sub-judice in Arbitration Tribunal. Contractor had not submitted insurance claim inspite of repeated request. The invocation of bank guarantee had been issued to the concerned bank. Contractor requested for abeyance of encashment of Bank guarantee. Nigam had claimed ` 5.17 crore as counter claim in Arbitration Tribunal. Reply of management is not convincing as Nigam should have taken proper insurance cover for all structures irrespective of size as these SHPs are located in earthquake and flood prone areas. Moreover, Nigam was not able to force the contractor to lodge claims of losses which defeated the purpose of having insurance policy. Further it is not clearly stated in reply whether Nigam had encashed the Bank Guarantee of contractor for not submitting the claims.

Para 9: Penalty of ` 18.18 crore due to nonpayment of guarantee fee in time.

Government of Uttarakhand (GoU) extends guarantee on the loans taken by the State PSUs and charges guarantee fee at the rate of one per cent on outstanding loan at the beginning of the financial year. In case of deferment of payment of guarantee fee in time, the applicable rate increases to two per cent.

UJVNL took loan from PFC for the MB II project and availed the guarantee from GoU . Prior to commissioning of project on 15.03.2008 guarantee fee was paid subsequent to the financial year in which it became due. Due to delay in payment of guarantee fee by the UJVNL, the penal rate of interest (additional one per cent) became due on the UJVNL which amounted to Rs 18.18 crore on April 2012. UJVNL requested GoU to waive off the additional one percent guarantee fee, which was not accepted by the Government. Therefore, a provision for the same was made in the accounts of the UJVNL.

It was observed in audit that UERC (Commission) has disallowed the payment of penalty by UJVNL in the Tariff Order of the UJVNL for 2012-13. The Commission has also not allowed the same in final true-up of the UJVNL of 2012-13 issued on 10 April 2014. As the Commission/ Regulator have disallowed the penalty amount in the tariff of the UJVNL it had to bear it on its own resources, resulting into loss of Rs 18.18 crore as this was not included in the tariff.

In the reply management stated that it has been paying Government Guarantee fee on regular basis and government has never demanded the additional guarantee fee and

payment of additional guarantee fee shall be made against specific demand of GoU. The reply of the management is not convincing as Management of UJVNL had asked State Government to waive off the additional Guarantee fee vide their letter no 386/MD/UJVNL/MB II (PFC) dated 15/9/2009, however, State Government has not exempted UJVNL from paying the same till date. It is clear from above that UJVNL is now forced to bear the said amount from internal resources.

Matter is brought to the notice of management.

Para 10: Loss of ` 30.16 crore due to extra expenditure on controllable factors in Maneri Bhali-II (MB-II) in 2013-14

Uttarakhand Electricity Regulatory Commission (UERC) determines the tariff of UJVNL as provided in the section 86 of the Electricity Act and UERC (terms and conditions for determination of tariffs) Regulation 2011. The Commission offers tentative tariff to a project based on presumptive figures and the same is finalized in true up after submission of actual expenditure incurred by a company on the project for the year concerned based on audited accounts. For allowing extra expenditure on true up, commission bifurcates expenditure into controllable and uncontrollable expenditures. Any controllable expenditure which is incurred in excess of the norms is disallowed by UERC as it represents inefficient operations by the company and consumer should not be charged for the inefficiency of the company.

Scrutiny of the petition and the final tariff (after true up) awarded by UERC in respect of MB-II revealed that against interest paid to PFC (IDC & other financial charges) of ` 287.57 crore till 2013-14, UERC allowed only ` 257.41 crore to UJVNL. The extra interest which company had to pay was because of time overrun of the project. Thus, UJVNL had to bear a loss of ` 30.16 crore on account of controllable factors.

Management stated in its reply that main work of MB II were completed in 2007 but the Dharasu Power House could not be commissioned due to rehabilitation and resettlement

problems for submergence area of Joshiyara reserve. As per design it was essential to fill up reserve up to El 1108 m for commissioning of the project as per design requirement to get design energy and peaking benefits. Also, the work of protection wall on the periphery of reservoir could not be constructed till date.

The reply of the management is not satisfactory as reasons provided by management were not considered by the Regulator (UERC), which has considered it as controllable and therefore not allowed the expense on the same in tariff. Thus, unwarranted delay of project due to slow implementation of planned activities resulted into non allowance of extra interest paid on loan (due to time overrun of project) in tariff and UJVNL had to bear a loss of ` 30.16 crore as this was not allowed in tariff.

Matter is brought to the notice of the Management.

Para 11: Nigam deprived of revenue of ` 97.80 crore due to delay in award of contract for modification of Tail Race Channel, Maneri Bhali II.

Maneri Bhali II project (76x4=304 MW) was commissioned on 15 March 2008 at reservoir level El 1104 m. At the time of availability of water to run all the four machines at full load in July 2008, excessive vibrations on the machines were observed by Nigam. Due to excessive vibrations all four units of power house were not able to run continuously at their designed capacity of 76 MW each and presently running at 267 MW against 304 MW. Nigam invited various experts to study these excessive vibrations and it was noticed by experts that vibrations were caused due to typical layout of Tail Race Channel (TRC) and evacuation of water from the TRC is not steady. Afterwards the study on Computational Fluid Dynamics (CFD) analysis for TRC was carried out by Sardar Vallabhbhai National Institute of Technology (SVNIT), Surat, Gujarat. SVNIT submitted its report in December 2010. It was suggested in the report that existing tailrace configuration is not suitable for proper evacuation of the flow from all turbine units running at full load and also apprised Nigam that the rated 304 MW and as well as 334 MW (up-rated) cannot be reached safely unless the evacuation from tailrace is improved. SVNIT suggested some modifications in TRC. To comply the above recommendations, an estimate of ` 24.15 crore was prepared on the basis of

recommendations of M/s WAPCOS Ltd, the consultant of UJVNL. The administrative approval of modification of TRC work was accorded on 17.11.2011. In agendas of 71 & 72 board meeting dated it is mentioned that the aforesaid work may be awarded immediately without any delay as after modification of TRC, the generation would increase by 30 MW at reservoir level El 1104 m and additional revenue of ` 39.12 crore per annum would be earned. However, Notice Inviting Tender (NIT) for aforesaid work was published in newspaper as late as 25.05.2014 & 26.05.2014. The contract was awarded to L-1 bidder, namely, M/s GSCO Infrastructure Pvt. Ltd on 19.09.2014 at ` 26.93 crore.

Audit observed that the CFD analysis by SVNIT was submitted to Nigam in December 2010 and administrative approval for aforesaid work was accorded in November 2011 after 11 months of SVNIT report. The NIT from the prospective bidders were invited after two and half years of administrative approval i.e. 17.11.2011 and contract was awarded. The delay in inviting tender and awarding contract deprived the Nigam of additional generation of 208.1 MUs at existing reservoir level El 1104 m and resulted in loss of revenue of ` 97.80 crore (` 39.12 crore x 2.5) till date. Moreover had the contract been awarded in time, Nigam could have saved ` 2.78 crore (` 26.93 cr – ` 24.15 cr) as the estimate of ` 24.15 crore was prepared in 2011 and contract was awarded after delay of two and half years at a higher cost of ` 26.93 crore in September 2014.

Management stated in its reply that first tender for modification of TRC was invited in 19/08/2011 which was scrapped on 09/02/2012 as bidders did not fulfil the required qualification criteria. As the work required specialization, tender for providing consultancy services was called on 17/10/2012 which was cancelled due to non receipt of tender on 13/12/2012. Second tender for providing consultancy was invited on 15/12/2012 and LOI was issued to M/s Wapcos on 20/09/2013. On the recommendations of M/s Wapcos NIT for modification work of TRC was invited on 24/05/2014. As the work was of very specific and precise nature hence time taken to complete all process before finalization of tender is justified.

The reply of the management is not convincing as SNVIT furnished its study report in December 2010 and management took 22 months to realize that its a specific job when in 17/10/2012 first tender for consultancy was invited. Further,second tender for consultancy was invited on 15/12/12 and LOI was issued as late as on 29/09/2013 after a delay of nine months. The reply of the management highlights the laxity on the part of management in process of modification of the TRC, which was crucial for achieving the maximum generation. It is clear from above that management did not put in necessary effort to avoid delay, which was directly associated with the potential generation loss.

Para 12: Delay in commissioning of Kaldigad Small Hydro Project

UJVNL invited tender for Design, Supply installation of complete civil work in January 2007 for the construction of Kaldigad Small Hydro Project (2X4.5 MW) in Uttarakashi. Four bidders had submitted their bids. After opening of technical bid (10.09.2007) the three bidders were qualified for opening of price bid. The validity of the offer was 180 days i.e. 7-3-2008. After opening of price bid (24.12.2007) M/s Hydel construction Pvt. Ltd came out was L1 bidder. The meeting was held with Hydel construction Pvt. Ltd on 28/02/2008 and the total bid price was ` 34.55 crore. At the time of submission of bid documents, the L1 bidder submitted Bank Guarantees of ` 42 lakh in the shape of Earnest Money Deposit (EMD). The validity period of Bank Guarantee was upto 7-3-2008 till the date of validity period of Offer. In 28 Feb 2008, the Nigam wrote a letter to M/s Hydel Construction to extend Bank Guarantee submitted as EMD which was expiring 7 March 2008. In response to above, the contractor wrote a letter on 20-03-2008 stating that he had no interest in the work as the validity period of its offer had expired on 07.03.2008

(clause “20.2 of section 1 of the tender prior to expiration of the bid validity period, the Employer may request bidders to extend the period of validity of bids. The request and the responses shall be made in writing. If a bid security is requested in accordance with ITB 21, it shall also be extended for a corresponding period. A Bidder may refuse the request without forfeiting its bid security. A Bidder granting the request shall not be required or permitted to modify its bid). Nigam started re-tendering process, and the work was awarded to M/s New Asian Construction Company on 23-12-2008 at a cost of ` 35.83 crore.

During the scrutiny of relevant files it was seen that due to delay in finalization of tender the Nigam could not forfeit the EMD amount of ` 42.00 lakh submitted by the contractor (M/s Hydrel construction Pvt. Ltd. Chandigarh) and awarded the contract at a higher rate of ` 1.28 crore (` 35.83 cr – ` 34.55 cr) to the New Asian Construction Company for the same work.

Further it was also seen that the Nigam released ` 3.58 crore interest free mobilization advance to M/s New Asian Construction Company on 21/02/2009. In addition to this the Nigam has terminated the contract on 21 July 2012 with M/s New Asian Construction Company due to poor performance. On one hand, Nigam had taken loan for this project and on other hand it released interest free mobilization advance to contractor which resulted in the interest loss of ` 1.35 crore (July 2012).

The management stated in its reply that M/s Hydrel Construction vide its letter dated 20.03.2008 refused to extend the validity of their bid stating that he had no interest in the work as the validity period of its offer had expired on 07.03.2008. As per clause “20.2 of the Bidder may refuse the request of extension of their bid without forfeiting its bid security. The management further stated that the contract with M/s New Asian Construction Company was terminated due to poor performance of the Company and the bank guarantee amounting to ` 3.58 crore was forfeited. Further, there is no provision in the contract document for recovery of advance and interest thereof. Hence, when the contract with M/s New Asian Construction Company was terminated Bank Guarantee of `

3.58 crore against the advance of ` 2.87 crore was forfeited. The reply of the management is not convincing as if there is a provision of advance in the contract document, there must have been recovery schedule too. Further, Performance Bank guarantee is taken from the contractor for satisfactory completion of the work and not against the recovery of advances to contractor. If the performance of the contractor is too poor, bank guarantee should have been forfeited and the same was done. But advances were also to be recovered time to time but Nigam failed to recover the same which resulted in non-recovery of advance to the tune of ` 2.87 crore and huge delay in the commissioning of the project.

Part- II B

Para1: Blockade of fund in form of Mobilization Advance

UJVNL had extended Mobilization Advance to the various contractors during October 2008 to April 2009. As per Uttarakhand Procurement Rule 2008 effective from May 2008, section 48 (2), the advances shall be subject to payment of interest, till the amount is deducted or adjusted. A bank guarantee or adjustment of advance should be taken to secure the repayment or adjustment of advance. In case bank guarantee is taken its authenticity and validity period should be checked before acceptance.

Scrutiny of the records of the company revealed that following mobilization advances are still outstanding despite passage of more than six years:

<i>S.No</i>	<i>Details of advance payment</i>	<i>Date on which advance was paid</i>	<i>Amount of mobilization advance</i>	<i>Outstanding Advances on 31 march 2015</i>
1	Srinivasa Const. (KaligangaII)	March 2009	25195987	13524087
2	VSHydro (Asiganga I)	Oct 2008	8683133	7403260
3	M/S Avantika (Asiganga II)	April 2009	26396500	14954322

All the above advances were provided to the contractors after Uttarakhand Procurement Rule came into force, which was in violation of the said rule. Also, the company could not adjust the amount of mobilization advance extended to the contractor till date. The original bank guarantee provided by the contractor has already expired in all the above cases and company has no mechanism to protect its financial interest in the above cases which may result into loss of the said amount in case the Nigam fails to recover the mobilization advance thus extended.

The management stated in its reply that in respect of advance provided to Srinivasa const.the outstanding amount of ` 1.35 crore will be recovered from the under process final bill of the contractor; in respect of M/S Avantika the amount of pending dues (` 322.03 lakhs) exceeds the advance recoverable and only ` 8.68 lakh is recoverable from VS Hydro which will be adjusted against the pending bill of `189.45 lakhs. The reply of the management in respect of advance provided to Srinivasa Const is not convincing as it has not disclosed the amount of bills pending and it has also not provided the copy of the valid bank guarantee to substantiate their claim. Thus in absence of above it could not be ascertained that management has taken sufficient steps to safeguard their financial interest.

Matter is brought to the notice of the Management.

Part III

-----NIL-----

Audit Officer/ES-I