

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Kotdwar. The office of the Principal 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, Kotdwar, Pauri Garhwal for the period April 2017 to March 2018 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 A. P. Singh, AAO and Shri Vikas Dhyani, AAO under the partial supervision of Shri Mukesh Kumar, Sr. AO during the period from 22 June 2018 to 30 June 2018.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Vikas Dhyani, AAO and Shri Sunil Verma, Sr. Auditor under the partial supervision of Shri Mukesh Kumar, Sr. AO in which accounting records of the period from April 2016 to March 2017 were generally examined. In current audit, accounting records of the period from April 2017 to March 2018 were generally examined.

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

The function of the Electricity Distribution Division, Kotdwar is to distribute electricity to all over area of Kotdwar town and keep as well as expand the electricity distribution system to this area. The geographical jurisdiction of the division is within the area of Kotdwar under Pauri Garhwal.

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

Electricity Distribution Division, Kotdwar 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 and January 2018 was selected for detailed examination and June 2017 was selected for Arithmetical Accuracy.

(iii)

(In ₹)

| Year | Revenue | Expenditure | Profit |
|---------|----------------|--------------|--------|
| 2017-18 | 2,10,46,47,038 | 13,46,19,883 | -- |

(To the extent this information is available & applicable)

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

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

Part-IIA

Para 1: Undue benefit to consumer

Division issued (April 2005) a connection to a large and heavy consumer namely M/s Uttaranchal Iron & Spat Limited (Induction furnace) with a contracted load of 3000 kVA. The consumer applied (August 2014) for enhancement of existing load for further 6000 kVA in addition to existing load (3000 kVA) but enhancement of only 3000 kVA load was approved in addition to existing 3000 kVA in December 2014.

During scrutiny of records, it was seen that the consumer has never been regular in paying its electricity dues in time since April 2014. Thus, the division's decision to approve load enhancement of the consumer (December 2014) who was not regular in paying its electricity dues was not in order. As the consumer was not paying its dues, the electricity dues was piled up from ₹16.01 lakh in April 2014 to ₹ 182.32 lakh in November 2015. UPCL then decided (December 2015) to facilitate the defaulting consumer with the option of depositing its outstanding dues in 03 instalments (Ist instalment – ₹ 63.05 lakh upto 21.12.2015, ₹ 62.29 lakh upto 11.01.2016 and ₹ ₹63.15 lakh upto 10.02.2016) with specific conditions¹. The consumer defaulted in payment of even Ist instalment and was not regular in paying its monthly electricity bills upto August 2016. As the consumer defaulted, the action as per conditions of OM should have been taken against him which was not done. The outstanding dues accumulated to ₹ 222.93 lakh as on August 2016. The connection of the consumer was temporarily disconnected in August 2016 but the same was reconnected in November 2016 without realising outstanding dues. UPCL again (August 2016 & October 2016) facilitate the defaulting consumer with the option of depositing its outstanding dues in 04 instalments and 05 instalments respectively but the clause regarding “the facility of instalments will be given to the consumer once in a financial year” was missing in the OM. The instances of dishonour of cheques which was given in advance for the instalment were also noticed. The consumer filed a writ petition in the Honourable High Court. The court directed (30 November 2016) the petitioner to deposit the entire outstanding dues of ₹ 210.02 lakh along with late payment charges in 05 equal quarterly

¹ The electricity dues since December 2015 onwards will be paid upto the due date monthly, the facility of instalments will be given to the consumer once in a financial year, in case of default in payment of any instalments will attract disconnection of electricity of consumer without any prior notice which will further be reconnected after depositing all electricity disconnection/reconnection charges, if consumer fails to fulfil any conditions, the facility of payment through instalments will come to an end and recovery would be made as per rules and regulations of the company.

instalments which was due on 31.12.2016,31.03.2017,30.06.2017,30.09.2017 & 30.12.2017 as well as payment of all subsequent bills on time failing which the order of court shall stand recalled automatically. The consumer did not pay even the Ist instalment (31.12.2016) and connection was again disconnected temporarily in February 2017 and the outstanding dues has reached to an alarming stage i.e ₹305.68 lakh as on March 2017. Recovery Certificate u/s-5 was issued to consumer in March 2017. In August 2017, the connection of the consumer was connected and the instalments of the consumer was again fixed by UPCL with first four monthly instalments of ₹ 25 lakh each and next four month instalments of ₹ 40 lakh each with the condition that after recovery of eight instalments the balance recovery would be recovered in four instalments and regular monthly bill would be paid by the consumer well in time failing which would attract disconnection of electricity supply. In January 2018, (before payment of first instalment of ₹ 40.00 lakh) UPCL again facilitated the consumer by rescheduling its instalments and fixed three monthly instalments of ₹ 15.00 lakh each (for the months January to March 2018). During the period August 2017 to March 2018, consumer is regular in payment of instalments but could not pay the full amount of monthly electricity bill. In June 2018, the instalments were again fixed by UPCL for 10 months amounting to ₹ 30.00 lakh late payment surcharge monthly. The first instalment was due by 25.06.2018 and paid by the consumer. The divisions decision for enhancement of load and to facilitate the consumer again and again by fixing instalments without taking action as per UPCL rules and regulation for recovery of dues resulted in undue favour to the consumer as its dues has arisen from ₹ 16.01 lakh (April 2014) to ₹ 4.33 crore (May 2018). Further, the consumer is not regular in full payment of its monthly electricity bills which is a violation of conditions of all the OMs for fixing of instalments to the consumer. Had UPCL taken stipulated action well in time, the chances of recovery of dues could have been better.

Division stated in its reply that the consumer was regular in paying its dues during the period from April 2014 to the period when additional load was sanctioned/ released to him. After that, the consumer was not paying its electricity dues as a result of which his connection was disconnected on 11.08.2016 and four equal monthly instalments for electricity dues upto July 2016 amounting to ₹ 21137839 were fixed. The consumer defaulted in payment of the Ist instalment and his connection is again disconnected on 31.08.2016. Further, five instalments for electricity dues upto September 2016 amounting to ₹ 24100701 were fixed at Headquarter level

and his connection is reconnected in November 2016 but consumer again defaulted and his connection is disconnected. The consumer filed a writ in Honourable High court, Nainital. The Honourable High court ordered for the reconnection of electricity and fixed four quarterly instalments for the electricity dues upto October 2016 amounting to ₹ 21002399. The due date of Ist instalment was 31.12.2016 which was defaulted by the consumer and his connection was disconnected on January 2017 but the same was again reconnected as consumer deposited ₹ 69.50 lakh at the time of reconnection. But consumer again defaulted in payment of monthly bills and other instalments. His connection was disconnected and demand notice under section-3 was issued against company and its directors in February 2017. The recovery certificate under section-5 was issued in March 2017. Further, 12 monthly instalments were fixed for the balance dues of the consumer at Corporation level in August 2017 and the connection was reconnected after receiving payment of first instalment by the consumer in August 2017. Since then, consumer is regularly paying its instalment and monthly electricity bills. As per past experience of the similar case, it was noticed that the recoveries were not possible through DM level whereas the full recoveries were made if instalment facility was provided to consumes. In the matter of total dues of ₹ 4.89 crore in August 2017 against which eight instalments of only total ₹ 2.60 crore was fixed, the division replied that in March 2018 the MCG amounting to ₹ 1.09 crore in March 2018 and amount of security deposited by the consumer was also to be adjusted. Rescheduling of instalments by fixing three monthly instalments of ₹ 15.00 lakh each (January to March 2018) against the already fixed four instalments of ₹ 40.00 lakh each (January to April 2018) was done by the headquarter office. Thus, proper actions against the defaulting consumer for recovery of electricity dues were taken time to time by the division.

The reply of the division is not convincing as it is clear from the billing history of the said consumer, he was not regular in payment of his monthly electricity dues since April 2014. His outstanding dues in April 2014 was 16.01 lakh which increased to ₹ 30.94 lakh in December 2014 (at the time of sanction/release of additional load of 3000kva). The said consumer was again and again facilitated by the company by fixing instalments for payment of electricity arrears despite defaulting every time. The divisions decision for enhancement of load and to facilitate the consumer again and again by fixing instalments without taking action as per UPCL rules and regulation for recovery of dues resulted in undue favour to the consumer as its dues has arisen from ₹ 16.01 lakh (April 2014) to ₹ 4.33 crore (May 2018). Further, the consumer is not

regular in full payment of its monthly electricity bills which is a violation of conditions of all the OMs for fixing of instalments to the consumer. Had UPCL taken stipulated action well in time, the chances of recovery of dues could have been better.

The matter was brought to the notice of the higher authorities.

Para 2: Avoidable expenditure of ₹ 48.58 Lakh due to non-installation of Lightning Arrester

Lightening Arrester (LA) is equipment which arrests the lightening and evacuates the same through proper earthing. LA is installed to protect the transformers and associated lines from damage through lightening. LA is required to be installed along with the transformers in hilly areas as the frequency of instances of lightening are high in these areas. Electricity Distribution Division, Kotdwar is covering mostly hilly area, which is very prone to natural calamity and lightening. Therefore, LA should be installed in all the transformers of the division to avoid damage.

During scrutiny of the records, it was observed that during the period from 04/2017 to 03/2018, 125 transformers of various capacities of the division were damaged due to lightening and LA was not installed/ working properly on them. Non-installation of LA of above transformers resulted in avoidable expenditure in the form of cost of replacement of these transformers amounting to ₹ 48.58 Lakh.

If the division had identified the transformers in which the LA was either not installed or not working/out of order and installed/replaced the same well in time, cost of replacement of damaged transformers without LA and tripping could have been avoided.

Division accepted the audit observation and stated in its reply that instruction to all sub-divisional officers and junior engineers are being issued to check all the transformers in their area and to ensure that lightening arresters should be installed on them to avoid the transformers from lightening in future. Had the division taken these steps earlier, avoidable expenditure amounting to ₹ 48.58 Lakh could have been avoided.

The matter was brought to the notice of the higher authorities.

Para 3: Undue benefit to consumer

As per Indian Electricity Act, 2003, the payment of electricity dues should be made within due date mentioned in the bill. In case of default, the supply was required to be disconnected after seven days and a demand notice under section 3 of Dues Recovery Act, 1958 (giving 30 days' notice) was to be sent. If payment was not received, a Recovery Certificate (RC) under section- 5 of the said act was to be sent to the District Magistrate concerned to recover the dues as land revenue. Proper care was required to be taken that the particulars of the consumers were correct and permanent disconnection was duly finalized so that the RC's could be realized.

Division issued (November 2002) a connection to a large and heavy consumer namely M/s Uttaranchal Iron & Spat Limited (Induction furnace) with a contracted load of 2600 kVA.

During scrutiny of records, it was seen that the consumer has never been regular in paying its electricity dues in time since March 2014. As the consumer was not paying its dues, the electricity dues were piled up from ₹ 3.60 lakh in March 2014 to ₹ 1.32 crore in October 2016. The connection of the consumer was disconnected temporarily in October 2016 and Recovery Certificate u/s-5 was issued in December 2016 amounting to ₹ 1.03 crore after adjusting security amount. On request of consumers, UPCL decided (August 2017) to facilitate the defaulting consumer with the option of depositing its outstanding dues in 06 monthly instalments of ₹ 10.00 lakh each with specific conditions². The first instalment was due and should be paid by 15.10.2017. The consumer defaulted in payment of even IInd instalment (November 2017). The connection of the consumer was again disconnected temporarily in November 2017. The outstanding dues accumulated to ₹ 4.09 crore as on April 2018. As the consumer was in continuous default in making payment of regular electricity bills, the delay of division in disconnecting the connection well in time before disconnecting the same in October 2016 has resulted in accumulation of arrear from ₹ 3.60 lakh (April 2014) to ₹ 3.20 crore (June 2018).

Division stated in its reply that the connection of the consumer was temporarily disconnected in October 2016 and Recovery Certificate u/s-5 was issued to DM against him. In August 2017, Headquarter Office fixed the six monthly instalments amounting to ₹ 10 each of consumer. The Connection of the consumer was connected after payment of Ist instalment in October 2017. But

² In case of default in payment of any installments will attract disconnection of electricity of consumer without any prior notice which will further be reconnected after depositing all electricity disconnection/reconnection charges, if consumer fails to fulfill any conditions, the facility of payment through installments will come to an end and recovery would be made as per rules and regulations of the company.

the consumer defaulted in payment of second instalment and his connection was again disconnected temporarily in November 2017 and after six month of temporary disconnection, the connection was permanent disconnected in June 2018. The total arrear after adjusting the security deposit was ₹ 3.20 crore in June 2018. The reply of the division is not convincing as the consumer was in continuous default in making payment of regular electricity bills, the delay of division in disconnecting the connection well in time before disconnecting the same in October 2016 has resulted in accumulation of arrear from ₹ 3.60 lakh (April 2014) to ₹ 3.20 crore (June 2018).

The matter was brought to the notice of the higher authorities.

Sr.AO

/ES-I

Part- II- B

Para 1: Delay in pursuance of realization of Revenue

As per Indian Electricity Act 2003, the payment of electricity dues should be made within due date mentioned in the bill. In case of default, the supply was required to be disconnected after seven days and a demand notice under section 3 of Dues Recovery Act 1958 (giving 30 days' notice) was to be sent. If payment was not received, a Recovery Certificate (RC) under section- 5 of the said act was to be sent to the District Magistrate concerned to recover the dues as land revenue. Proper care was required to be taken that the particulars of the consumers were correct and permanent disconnection was duly finalized so that the RC's could be realized.

During scrutiny of records, it was noticed that the demand notices u/s 3 and Recovery Certificate u/s 5 were issued to the following defaulting consumers in November 2004:

| S.N. | Name of Consumer | Date of Ist RC-5 issued | Date of IInd RC-5 issued | Amount |
|--------------|----------------------------|--------------------------------|---------------------------------|-----------------|
| 1 | M/s Shahji Steel Pvt Ltd. | 148-16/11/2004 | 24/01/2017 | 17830732 |
| 2 | M/s Kamakhya Spat Pvt Ltd. | 146-16/11/2004 | 24/01/2017 | 12852901 |
| 3 | Maharshi Steels Pvt Ltd. | 102-02/07/2003 | 24/01/2017 | 64219293 |
| 4 | M/s R.L. Steels | 200-03/2003 | 24/01/2017 | 4605487 |
| Total | | | | 99508413 |

It can be seen from above that huge dues against these four defaulting consumers were pending for realization. The demand notices under section 3 and Recovery Certificate under section-5 had been issued to them long back but no pursuance for recovery was done by the division upto December 2016. In January 2017, Recovery Certificate under section-5 were again issued to them. Further, the two RCs (S.No 1 &2) in the name of consumer Sanjay swaroop, Muzaffarnagar amounting to ₹3.07 crore were returned by DM office in March 2017 with the reasons that the main defaulter had expired and the second defaulter (wife of main defaulter) was not living in that address. Also, the building/residence of the defaulters was not in the name of

main/second defaulter. Also, the updated position of recovery of remaining two consumers (S.No. 3 & 4) amounting to ₹ 6.88 crore after issuing RC-5 were not available in the division.

As the substantial dues were to be recovered from these consumers, the division should have taken timely action and issued RC-5. The divisions negligence in these cases resulted in a substantial loss of ₹ 3.07 crore as the chances of recovery of these dues are almost nil at present time.

Division stated in its reply that the above mentioned four connections were disconnected and section-3 and section-5 had been issued as per the rules of corporation. When no reply from District Magistrate was received after a lapse of considerable time then duplicate RC-5 was issued in January 2017 with reference to notices under section-3 which was issued in 2004. In these RCs, duplicate copy could not be marked erroneously. The reply of the division is not convincing as copies of any correspondence with District Authorities in this regard were not found in the record of the division after issuing the RCs in 2004 which showed that no pursuance with district authorities for recovery of dues was made by the division till January 2017. Hence, the division's negligence in these cases resulted in a substantial loss of ₹ 3.07 crore as the chances of recovery of these dues are nil at present time.

The matter was brought to the notice of the higher authorities.

Para 2: Poor maintenance of DTR Metering

Part A of R-APDRP scheme includes Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders. The main objective is to acquire meter data from selected DTR's, Feeders, HT services, and Boundary meters automatically from remote avoiding any human intervention, monitor important distribution parameters, use meter data for accurate billing purposes and generate exceptions and MIS reports for proper planning, monitoring, decision support and taking corrective actions on the business activities by the management. It will help in reduction in AT&C losses; establishment of IT enabled energy accounting / auditing system, improvement in billed energy based on metered consumption and improvement in collection efficiency.

As per records/details of damaged/bypass DTR metering system installed in Kotdwar town area, it was observed that a total number of 192 meters/ modems were installed against which only 110 (57.29 percent) meters/modems were working/ communicative. Remaining 82 (42.71 percent) were not working/non-communicative as on June 2018 which is beyond control, this will adversely affect accuracy of energy inflow/ outflow and measurements of AT&C losses and shows that one of the basic objective of implementation of Part A of R-APDRP scheme, to record accurate inflow/ outflow of energy, to reduce AT& C losses and to improve revenue collection efficiency was defeated.

Division stated the audit observation and stated in its reply that failure in DTRs metering is due to discontinuity of regular network. At present, all the DTRs meters/ modems are being checked and repaired. The reply of the division is not convincing as more than 40 *per cent* of modems were non-communicative till date which shows that purpose of installation of DTR metering system in Kotdwar town is defeated. Also, efforts to control the failure of DTR metering were not sufficient.

The matter was brought to the notice of the higher authorities.

Para 3: Penalty due to delay in release of new LT connection

As per UERC Regulation 2013 (Release of new LT connections, Enhancement and reduction of loads), If the distribution division concerned failed to provide LT connection to the consumers applying in the stipulated time, a penalty on the division will be imposed as per laid norms of UERC.

The scrutiny of the records of the divisions for 2017-18 revealed the following:

| Year | No. of cases of delay in release of connection | Amount of Penalty |
|-------------|---|--------------------------|
| 2017-18 | 51 | 9,38,670 |

It is evident from above that penalty of ₹ 9.39 lakh was imposed on the division during the period 2017-18 for not releasing the connections in the stipulated time. Delay in releasing the connections to the consumers resulted in avoidable loss to the division in the form of penalty but inconvenience to the consumers also.

Division accepted the audit observation and stated in its reply that UERC levied penalty of ₹ 9.39 crore due to delay in release of 51 new LT connections. It is being ensured that there will be no delay in release of New Service Connection and no such penalty shall be levied on the division in future. In this regard, all the sub-divisional officers have been directed for compliance of the same. Had the division taken the sincere efforts well before in time, the penalty of ₹ 9.39 lakh due to delay could have been avoided.

The matter was brought to the notice of the higher authorities.

Para 4: Non- realization of Revenue

The purpose of establishing distribution division in different parts of the State is to provide electricity to the consumers of different categories. One of the most important functions of the division is to realize electricity charges consumed by the consumes. The realisation as per the targets fixed by the UPCL is intimated monthly to the division indicated efficiency of the division and good financial health of the UPCL. The revenue collected/ realised by the division is intimated through monthly commercial diary of the distribution division. Review of the commercial diary of the division for the month of March 2018 revealed that there are huge arrears pending for realisation from almost all the categories of consumers as follows:

| (₹ in Lakh) | | | |
|----------------|------------------------------|---------------------------------|---------------------------------|
| Sl. No. | Category of Consumers | Arrears as on March 2017 | Arrears as on March 2018 |
| 1. | Government Consumers | 414.94 | 1146.92 |
| 2. | Non Government Consumer | 6984.82 | 7732.62 |
| Total | | 7399.76 | 8879.54 |

The arrears has risen up to an alarming stage amounting to ₹ 8879.54 lakh as on March 2018 in comparison to previous year's i.e. ₹ 7399.76 lakh which is harmful for the sound financial health of the Company.

Division accepted the audit observation and stated in its reply that all the sub-divisional officers and employees are being directed to take action against defaulting consumers for recovery of dues. The updated position of recovery of dues would be intimated to audit.

The matter was brought to the notice of the higher authorities.

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Details of unsettled paras of previous inspection reports:-

| Sl. No. | Period of AIR | Part II-A | Part II-B |
|---------|--------------------|-----------|-----------------|
| 1. | 04/2000 to 03/2001 | 1 to 4 | 1,2 |
| 2. | 04/2001 to 03/2002 | 1,2 | 1 to 12 |
| 3. | 04/2002 to 05/2003 | 1 to 4 | 1,2,3 |
| 4. | 06/2003 to 09/2004 | -- | 3 to 6 |
| 5. | 10/2004 to 09/2005 | 1 | 1 to 5 |
| 6. | 10/2005 to 09/2006 | 1 | 1 to 5 |
| 7. | 10/2006 to 09/2007 | 1 to 5 | 1 to 6 |
| 8. | 10/2007 to 09/2008 | 1 to 7 | 1 to 2 |
| 9. | 10/2008 to 03/2011 | 1 to 3 | 1 to 2 |
| 10. | 04/2011 to 03/2013 | 1 to 3 | 1 to 6 |
| 11. | 04/2013 to 03/2014 | 1 to 4 | 1 |
| 12. | 04/2014 to 03/2015 | -- | 1 to 5 |
| 13. | 04/2015 to 03/2016 | 1 | 1 to 6 |
| 14. | 04/2016 to 03/2017 | 3,4 & 6 | 1,2,3,4,5,7 & 8 |

Compliance report of unsettled paras of previous inspection report-

| Inspection report period and number | Para No. Audit observation | Compliance report | Comments of Audit Party | Remarks |
|-------------------------------------|----------------------------|-------------------|-------------------------|---------|
| - | - | - | - | - |

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

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

Though 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:**

| Sr. no. | Name | Post |
|----------------|---|--------------------|
| (i) | Shri Anil Kumar Verma (since last audit to 26.06.2017) | Executive Engineer |
| (ii) | Shri Raghuraj Singh (since 26.06.2017 to till date) | Executive Engineer |

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 (ES) within one month of receipt of the letter.

Sr. AO/ES-I