Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings
(Economic Sector)

for the year ended 31 March 2013

Government of Himachal Pradesh

Report No. 2 of the year 2013

TABLE OF CONTENTS

Description	Reference to	
	Paragraph	Page No.
Preface		vii
Overview		ix-xii
CHAPTER-I: INTRODUCTION		
About the State Public Sector Undertakings	1.1-1.3	1
Audit Mandate	1.4-1.6	1-2
Investment in State PSUs	1.7-1.9	2-3
Budgetary outgo, grants/subsidies, guarantees and loans	1.10-1.12	4-5
Reconciliation with Finance Accounts of the Government	1.13-1.14	5-6
Performance of Public Sector Undertakings	1.15-1.17	6-7
Arrears in finalisation of accounts	1.18-1.22	7-8
Winding up of non-working PSUs	1.23-1.24	8-9
Accounts Comments	1.25-1.29	9-11
Internal Control/Internal Audit	1.30	11
Recoveries at the instance of audit	1.31	12
Response of the departments to Audit Report material	1.32	12
Follow up on Audit Reports	1.33	12-14
Status of placement of Separate Audit Reports	1.34	14
Disinvestment, Privatisation and Restructuring of PSUs	1.35	14
CHAPTER–II: PERFORMANCE AUDIT		
2.1 Beas Valley Power Corporation Limited		
Executive Summary		15
Introduction	2.1.1	16
Organisational set up	2.1.2	16
Audit objectives	2.1.3	16-17
Scope of Audit	2.1.4	17
Audit Methodology	2.1.5	17
Audit Criteria	2.1.6	17
Audit Findings	2.1.7-2.1.12	17-33
Financial Position	2.1.8	18
Time and Cost Overrun	2.1.8.1	18-19
Generation loss and subsidy incentives	2.1.8.2	19

Other factors contributing increase in project cost	2.1.8.3	19-22
Award of Civil works	2.1.8.4	22-23
Execution of Civil Works	2.1.8.5	23-28
Execution of Electro Mechanical Works	2.1.8.6	28-31
Blockade of fund on Transmission Lines	2.1.9	31
Quality Control	2.1.10	32
Extra expenditure on Local Area Development Activities	2.1.11	32-33
Environmental Issues	2.1.12	33
Conclusion		33-34
Recommendations		34
2.2 Power Purchase Agreements		
Executive Summary		35-36
Introduction	2.2.1-2.2.1.1	36-37
Organisational set up	2.2.2	37
Audit Objectives	2.2.3	37
Scope of Audit	2.2.4	37
Audit Methodology	2.2.5	37-38
Audit Criteria	2.2.6	38
Audit Findings	2.2.7-2.2.8.4	38-51
Status of PPAs executed by the Company	2.2.7.1	38-39
Deficiencies in finalisation of PPAs	2.2.7.2-2.2.7.2.4	39-41
Implementation of PPAs	2.2.7.3-2.2.7.3.5	41-47
Failure to initiate action against higher tariff	2.2.7.4-2.2.7.4.2	48-49
Monitoring	2.2.8-2.2.8.4	49-51
Conclusion		51
Recommendations		51-52
CHAPTER–III: AUDIT OF TRANSACTIONS		
GOVERNMENT COMPANIES		
Himachal Pradesh State Electricity Board Limited		
Implementation of power tariff	3.1	53-58
Loss of revenue due to non recovery of surcharge	3.2	59-60

Himachal Pradesh State Civil Supplies Corporation Limited		
Extra expenditure due to purchase of Soya Refined oil at higher rates	3.3	60-61
Himachal Pradesh State Forest Development Corporation Limited		
Avoidable payment of interest on discharge of royalty in advance	3.4	61-62
Excess payment of royalty	3.5	62-63
Non-recovery/avoidable payment of Education Cess on tax deducted at source	3.6	63-64
Excess payment of royalty and value added tax	3.7	64
Himachal Pradesh Power Corporation Limited		
Loss of interest due to delay in recovery of mobilisation advance	3.8	65-66
Excess payment of Infrastructure Development Charges	3.9	66-67
Excess payment of Net Present Value for diversion of forest land	3.10	67-68
Himachal Pradesh Tourism Development Corporation Limited		
Non recovery of Workers' Welfare Cess	3.11	69
Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh General Industries Corporation Limited		
Excess EPF contribution	3.12	70-71

APPENDICES

Appendix No.	Particulars	Reference to	
		Paragraph	Page No.
1.1	Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised as of 30 September 2013	1.1, 1.15 & 1.30	73-77
1.2	Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2013 in respect of Government companies and Statutory corporations	1.7	78-81
1.3	Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013	1.10 & 1.12	82-84
1.4	Statement showing investment made by the State Government in PSUs whose accounts are in arrears	1.21	85
1.5	Statement showing the detail of comments made by Statutory Auditors in respect of internal control/internal audit of working PSUs	1.30	86
1.6	Statement showing the department wise outstanding Inspection Reports and paragraphs	1.33	87
1.7	Statement showing the department wise draft paragraphs/performance audit reports replies to which are awaited	1.33	88

2.1.1	Details of time overrun on execution of various civil and electro mechanical works relating to Uhl Stage III	2.1.8.1	89
2.1.2	Details of main components of works involving substantial cost overrun	2.1.8.1	90
2.2.1	Statement showing the detail of interest loss due to non payment of first two installments of LADF by the IPPs	2.2.7.3.2 (i)	91
2.2.2	Statement showing the detail of short/non recovery of LADF charges	2.2.7.3.2 (ii)	92
2.2.3	Statement showing LADF charges leviable as *per* bench mark project cost fixed by HPERC	2.2.7.3.2 (iii)	93
2.2.4	Statement showing the details of non recovery of LD charges on projects up to 5 MW	2.2.7.3.3 (ii) (a)	94
2.2.5	Statement showing the details of extension allowed for COD over and above the limit prescribed in Hydro Power Policy	2.2.7.3.3.(ii) (c)	95
2.2.6	Details of projects indicating the amount of O&M charges and penal interest for delay in depositing	2.2.7.3.5 (i)	96
2.2.7	Statement showing the detail of project cost as *per* TEC and cost taken by the HPERC	2.2.7.4.1	97
2.2.8	Statement showing Actual Capacity Utilisation Factor of Hydro Electric Projects up to 5 MW	2.2.7.4.1	98
2.2.9	Statement showing details of energy exported (net saleable energy) by the IPP's (Up to 5.00 MW) to HPSEBL	2.2.7.4.1	99
3.1	Details of non-recovery of demand charges	3.1.1 (i)	100
3.2	Details of short recovery of CDVC	3.1.1 (iii)	101

3.3	Details of non levy of peak load exemption/violation charges	3.1.3	102-104
3.4	Details of Non Levy of Low Voltage Supply Surcharge	3.1.5	105-106
3.5	Statement showing the detail of amount of bill, due date of payment, actual date of credit, delay in days and amount of surcharge not recovered	3.2	107
3.6	Statement showing the detail of lots in respect of six Forest Working Divisions which were far away from National or State Highways	3.5	108-109
3.7	Details of excess payment of royalty and VAT paid due to treating these lots as next years lot for the purpose of payment of royalty	3.7	110
3.8	Statement showing the detail of excess EPF contribution towards its employees	3.12	111
Glossary of abbreviations			113-114

PREFACE

This Report deals with the results of test audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Himachal Pradesh under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are presented separately.

Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956 and audit of Statutory corporations is governed by their respective legislations.

The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

OVERVIEW

This Report contains 12 paragraphs and two Performance audit on 'Beas Valley Power Corporation Limited' and 'Power Purchase Agreements', involving ₹ 414.24 crore relating to non/short recovery due to non compliance of rules/regulations and terms & conditions of the contract agreements, non/ short levy of fixed demand charges, inadequate/ deficient monitoring of the progress of the projects, *etc*. Some of the major findings are mentioned below:

I. About the State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2013, the State of Himachal Pradesh had 19 working PSUs (17 companies and two Statutory corporations) and two non-working companies which employed 34,191 employees.

(Paragraph 1.1 to 1.6)

Investment in State PSUs

As on 31 March 2013, the investment (capital and long-term loans) in 21 PSUs was ₹ 7,193.64 crore. The total investment in State PSUs, 98.90 *per cent* was in working PSUs and the remaining 1.10 *per cent* in non-working PSUs. The total investment consisted of 45.33 *per cent* as capital and 54.67 *per cent* as long-term loans. The equity has increased from ₹ 1,414.80 crore in 2008-09 to ₹ 3,260.73 crore in 2012-13. Power sector accounted for over 83.73 *per cent* of the total investment in 2012-13. The Government contributed 1,018.60 crore towards equity, loans and grants/subsidies during 2012-13.

(Paragraph 1.7 to 1.10)

Performance of Public Sector Undertakings (PSUs)

Out of 19 working PSUs for which the accounts were received upto September 2013, nine PSUs earned profit of ₹ 20.93 crore and six PSUs incurred loss of ₹ 425.16 crore. Three working Government companies have not prepared their profit and loss accounts while in case of one working PSU, excess of expenditure over income was reimbursable by the State Government. Further, as per dividend policy of the State Government, all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by the State Government. Out of nine PSUs earned an aggregate profit of ₹ 20.93 crore, only Himachal Pradesh State Civil Supplies Corporation Limited declared a dividend of ₹ 0.35 crore, which was 10 *per cent* of its paid up share capital.

(Paragraph 1.15 and 1.17)

Arrears in finalisation of accounts

Twelve working PSUs had arrears of 20 accounts as of September 2013. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

(Paragraph 1.18 to 1.21)

II. Performance audit relating to Government Companies

Performance Audit relating to "Beas Valley Power Corporation Limited" and "Power Purchase Agreements" were conducted. Important audit findings are as under:

2.1 Beas Valley Power Corporation Limited

The Government of Himachal Pradesh decided (February 1999) to take up the execution of the Uhl Hydro Electric Project Stage-III through a Special Purpose Vehicle (SPV) namely Himachal Pradesh Jal Vidyut Vikas Nigam Ltd., which was subsequently renamed (November 2006) as Beas Valley Power Corporation Limited (Company).

The project initially estimated to cost ₹ 431.56 crore for commissioning (March 2007) during 10^{th} Plan is now anticipated to be completed at a cost of ₹ 940.84 crore by September 2014 involving cost overrun of ₹ 509.28 crore. This has resulted in increase in *per* MW cost from ₹ 4.32 crore envisaged in the DPR to ₹ 9.41 crore *per* MW and *per* unit cost of ₹ 2.35 to ₹ 3.94. The delay in commissioning the project has caused surrendering (October 2007) interest subsidy incentive of ₹ 5.63 crore.

{Paragraph 2.1.8.1 & 2.1.8.2 (ii)}

The project cost of Uhl Stage-III HEP was irregularly increased by ₹ 4.00 crore by charging the proportionate cost of 10 MW Ghanvi Stage-II HEP and assets created by HPSEBL which have no relation with this project.

{Paragraph 2.1.8.3(i)}

The Company did not observe standard procedure as laid down in CPWD manual, guidelines issued by the Central Vigilance Commission and non adoption of uniform criteria while finalising the bidding documents/contract agreements.

{Paragraph 2.1.8.3(ii)}

The Company incurred avoidable extra expenditure of ₹ 19.18 crore due to non compliance of various contractual and statutory provisions besides blocking of funds of ₹ 67.93 lakh on abandoned works.

(Paragraph 2.1.8.5)

The Company did not hand over the sites duly developed to the contractors in time resulted in extra expenditure of ₹ 38.61 crore on account of entry tax, overrun charges, insurance premium, hiring of mobile crane and price escalation.

(Paragraph 2.1.8.6.2)

2.2. Power Purchase Agreements

As *per* Hydro Power Policy notified (December 2006) by the State Government, the developer was permitted to establish, own, operate and maintain the Hydro Electric Project up to 40 years. Thereafter, the projects are to be transferred to the State Government.

To accelerate the development of small hydro projects a target of capacity addition of 409.94 Mega Watt (MW) was fixed during the period 2008-13, against which only 208.80 MW could be achieved.

(Paragraph 2.2.7.1)

In case of Neogal Hydro Project (15 MW), suitable clause for the recovery of survey and investigation expenditure was not inserted in the Implementation Agreement (IA); in absence of which the Company would not be able to recover survey and investigation expenditure of ₹ 4.81 crore.

(Paragraph 2.2.7.2.2)

The Company inserted a clause regarding provision of free power at 12 *per cent* in the PPA of Neogal Hydel Project instead of at 15/20 *per cent* as was envisaged in the Supplementary Implementation Agreement. This would result in total loss of free power to the State Government ₹ 41.20 crore during the entire operation life of the project.

(Paragraph 2.2.7.2.3)

The HPSEBL failed to recover survey and investigation charges of ₹ 3.24 crore from three private parties as *per* the terms and conditions of the PPA.

(Paragraph 2.2.7.3.1)

Though 28 hydro projects were commissioned after delays, no action to recover liquidated damages (LD) amounting to ₹ 3.71 crore was initiated by the HPSEBL as *per* provisions of PPAs.

{Paragraph 2.2.7.3.3(ii) to (iv)}

At the end of March 2013, an amount of ₹ 1.23 crore (including penalty of ₹ 6.93 lakh) on account of operation and maintenance (O&M) was recoverable from 11 power producers.

{Paragraph 2.2.7.3.5(i)}

The Company has not initiated any action on the directions of the Appellate Tribunal of Electricity issued in September 2009 for fixation of tariff based on project specific cost and capacity unitilisation factor (CUF) actually achieved resulting in an extra payment of ₹ 52.50 crore.

(Paragraph 2.2.7.4.1)

III Audit of Transactions

Transaction audit observations included in this Report highlight deficiencies in the management of State Government Companies, which had serious financial implications. Gist of some of the important audit observations is given below:

Himachal Pradesh State Electricity Board Limited failed to recover energy charges from consumers in accordance with applicable tariffs/laid down procedures and statutory provisions resulted in non/short recovery of ₹ 33.08 crore.

(Paragraph 3.1)

Himachal Pradesh State Civil Supplies Corporation Limited incurred an extra expenditure of ₹ 1.25 crore due to non placement of supply orders for imported oil and purchasing material at higher rates from a private party.

(Paragraph 3.3)

Himachal Pradesh Power Corporation Limited failed to recover mobilisation advance in a time bound manner which resulted in avoidable interest loss of ₹ 9.40 crore.

(Paragraph 3.8)

Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh General Industries Corporation Limited failed to limit employer's contribution towards Employees' Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 which resulted in excess contribution of ₹ 15.32 crore.

(Paragraph 3.12)

Chapter-I
Introduction

CHAPTER-1
INTRODUCTION

About the State Public Sector Undertakings

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Himachal Pradesh, the State PSUs occupy an important place in the State economy. The working PSUs registered a turnover of ₹ 4,945.29 crore **(Appendix 1.1)** as *per* their latest finalised Annual Accounts as of September 2013. Major activities of Himachal Pradesh State PSUs are concentrated in power sector. All State PSUs had employed 34,191 employees as on 31 March 2013.

1.2 As on 31 March 2013, there were 21 PSUs as *per* the details given in ***Table 1.1.***

Table-1.1

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government Companies[2]	17	2[3]	19
Statutory Corporations	2[4]	-	2
Total	**19**	**2**	**21**

One company, *i.e.*, Himachal Pradesh General Industries Corporation Limited was listed (April 1995) on the Delhi stock exchange**.**

1.3 No company was created/ merged or wound up during the year 2012-13.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government company includes a subsidiary of a

1 Non-working PSUs are those which have ceased to carry on their operations.

2 Includes three 619-B companies (Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited).

3 Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.

4 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by the Government(s), Government companies and Corporations controlled by the Government(s) is treated as if it was a Government company (deemed Government company) as *per* Section 619-B of the Companies Act, 1956.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as *per* the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory Corporations is governed by their respective legislations. Out of these two Statutory Corporations, the CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

1.7 As on 31 March 2013, the investment (capital and long-term loans) in 21 PSUs (including 619-B companies) was ₹ 7,193.64 crore as *per* details given in ***Table 1.2.***

Table-1.2

(Amount: ₹ in crore)

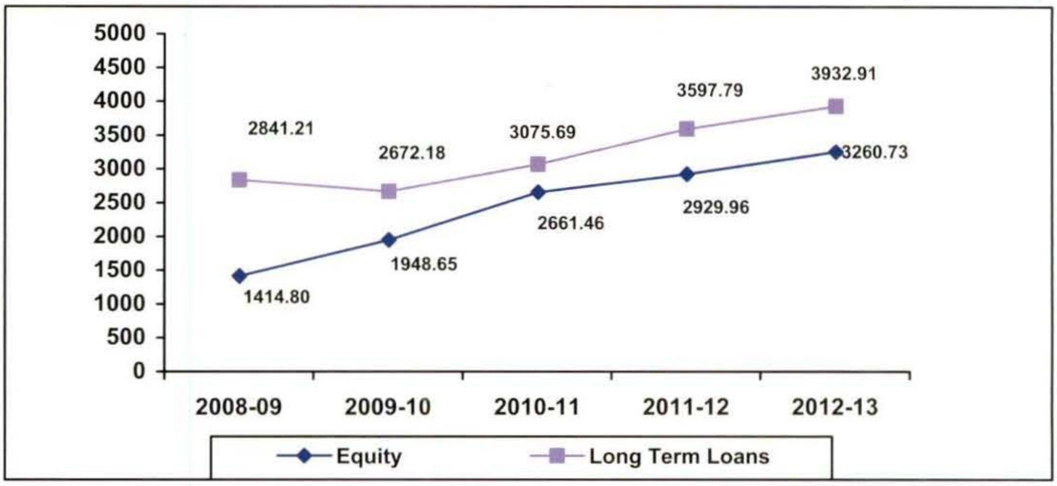
Nature of investment	Government Companies		Statutory corporations	Grand Total
	Working companies	Non-working companies		
Capital	2,659.18	18.64	582.91	3,260.73
Long Term Loans	3,697.77	60.15	174.99	3,932.91
Total	**6,356.95**	**78.79**	**757.90**	**7,193.64**

A summarised position of government investment in State PSUs is detailed in **Appendix 1.2**.

1.8 As on 31 March 2013, of the total investment in State PSUs, 98.90 *per cent* was in working PSUs and the remaining 1.10 *per cent* in non-working PSUs. The total investment consisted of 45.33 *per cent* as capital and 54.67 *per cent* as long-term loans. The equity has increased from ₹ 1,414.80 crore in 2008-09 to ₹ 3,260.73 crore in 2012-13 and the long term loans decreased from ₹ 2,841.21 crore in 2008-09 to ₹ 2,672.18 crore in 2009-10, but increased from ₹ 3,075.69 crore in 2010-11 to ₹ 3,932.91 crore in 2012-13 as shown in the **Chart -1.1.** legend.

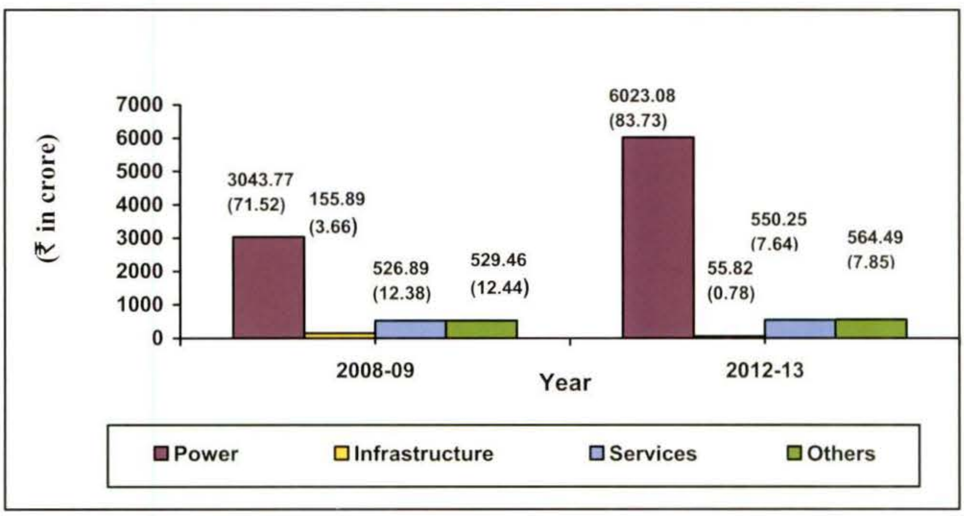
Chart-1.1

(₹in crore)



1.9 The investment in various important sectors both in absolute and relative terms at the end of 31 March 2009 and 31 March 2013 is indicated below in the bar **Chart -1.2.**

Chart-1.2



(Figures in brackets show the Sector percentage to total investment)

During 2008-13, the major investment was in the power sector. The percentage of investment in power sector has increased from 71.52 *per cent* in 2008-09 to 83.73 *per cent* in 2012-13 of total investment mainly due to incorporation of new companies[5] in power sector.

[5] Himachal Pradesh Power Transmission Corporation Limited (HPPTCL), Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Corporation Limited (HPPCL).

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 1.3**. The summarised details for the last three years ended 31 March 2013 are given in ***Table 1.3.***

Table-1.3

(Amount: ₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	162.91	5	227.19	6	303.23
2.	Loans given from budget	1	175.01	-	-	1	5.00
3.	Grants/Subsidy received	5	347.48	7	495.50	7	710.37
4.	Total Outgo (1+2+3)	10[6]	685.40	10[6]	722.69	10[6]	1,018.60
5.	Loans converted into equity	-	-	-	-	1	0.50
6.	Guarantees issued	5	54.65	6	1,278.60	7	1,567.31
7.	Guarantee Commitment	6	1,272.16	8	1,159.87	9	1,534.08
8.	Guarantee fee	2	0.20	1	0.01	2	0.07

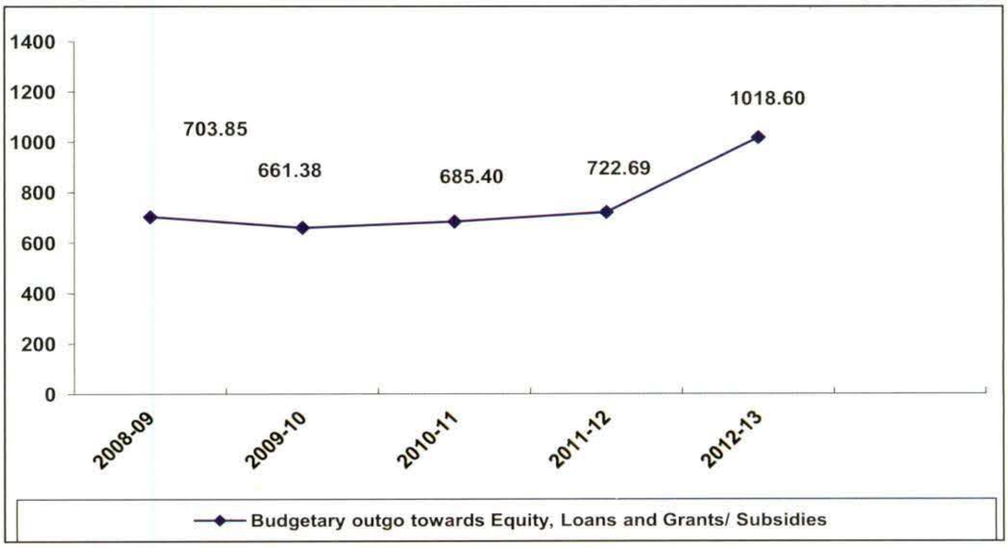
The increase in Grant/Subsidy during the year 2012-13 was mainly due to grant of subsidy to Himachal Road Transport Corporation (HRTC) on account of free/concessional travel facilities provided by the State Government to various sections of the society and grant of tariff roll back subsidy to Himachal Pradesh State Electricity Board Limited (HPSEBL). Further, the increase in Guarantees issued during 2012-13 was mainly due to loan guaranteed in respect of Himachal Pradesh State Forest Development Corporation Limited (HPSFDC) and HPSEBL.

[6] Represent actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidies from the State Government during respective years.

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in the **Chart-1.3.**

Chart-1.3

(₹ in crore)



The budgetary support in the form of equity, loans and grants/subsidies by the State Government during the years 2008-09 to 2012-13 showed a varying trend. The budgetary outgo which stood at ₹ 703.85 crore in 2008-09 decreased to ₹ 661.38 crore in 2009-10, but increased from ₹ 661.38 crore in 2009-10 to ₹ 1,018.60 crore in 2012-13. The increase was mainly due to grant of equity/loans and grants/subsidies to HRTC, HPRIDC and power sector companies.

1.12 During 2012-13, the Government had guaranteed loans aggregating ₹ 1,567.31 crore obtained by seven PSUs as given in the **Appendix 1.3.** At the end of 2012-13, guarantee commitment stood at ₹ 1,534.08 crore (nine PSUs) as against ₹ 1,159.87 crore (eight PSUs) during 2011-12.

Reconciliation with Finance Accounts of the Government

1.13 The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with the figures appearing in the Finance Accounts of the Government. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is indicated in ***Table 1.4.***

Table-1.4

(Amount: ₹ in crore)

Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
Equity	1,565.28	2,185.87	(-) 620.59
Loans	-[7]	1,213.14	-
Guarantees	1,533.18	1,534.08	(-)0.90

1.14 Audit observed that the differences occurred in respect of seven[8] PSUs out of which, the difference in respect of one company[9] was pending reconciliation since 1995-96. The difference in guarantees was also observed in respect of two PSUs *viz.* Himachal Pradesh State Handicrafts and Handloom Corporation Limited and Himachal Road Transport Corporation. The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences.

Performance of Public Sector Undertakings (PSUs)

1.15 Out of 19 working PSUs[10] for which the accounts were received up to 30 September 2013, nine PSUs earned profit of ₹ 20.93 crore and six PSUs incurred loss of ₹ 425.16 crore. Three[11] working Government companies have not prepared their profit and loss accounts whereas in respect of one working Government company *viz.* (Himachal Pradesh Road and Other Infrastructure Development Corporation Limited), excess of expenditure over income is reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Civil Supplies Corporation Limited (₹ 3.92 crore), Himachal Pradesh State Forest Development Corporation Limited (₹ 7.71 crore) and Himachal Pradesh State Industrial Development Corporation Limited (₹ 7.03 crore). The heavy losses were incurred by Himachal Pradesh State Electricity Board Limited (₹ 315.94 crore), Himachal Road Transport Corporation (₹ 80.65 crore), Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (₹ 14.73 crore) and Himachal Pradesh Financial Corporation (₹ 8.53 crore). Further, Summarised Financial Results including net profit/loss, turnover, return on capital employed, *etc.* of Government companies and Statutory corporations for the year for which accounts were finalised as of 30 September 2013 is given in **Appendix 1.1.**

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7 Government companies and Statutory corporations wise statement of outstanding loans is not included in the Finance Accounts for 2012-13.

8 HPPTCL, HPSEBL, HPFC, HRTC, HPSIDC, HBCF&DC and HPMF&DC.

9 Himachal Backward Classes Finance and Development Corporation.

10 For the year 2009-10 (two PSUs), 2010-11 (four PSUs), 2011-12 (six PSUs) and 2012-13 (seven PSUs).

11 Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

1.16 A review of latest three years Audit Reports of the CAG shows that the State PSUs incurred controllable/avoidable expenditure of ₹ 2,345.77 crore, expenditure which was not recoverable ₹ 294.21 crore and infructuous investment of ₹ 2.42 crore which were controllable with better management. The year wise details from Audit Reports of CAG as given in ***Table 1.5*** below are based on test check of records of PSUs.

Table-1.5

(Amount: ₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Expenditure not recoverable	189.15	10.05	95.01	294.21
Controllable/avoidable expenditure	703.53	1,323.52	318.72	2345.77
Infructuous Investment	-	1.91	0.51	2.42
Total	**892.68**	**1,335.48**	**414.24**	**2642.40**

1.17 The State Government had formulated (August 1982) a dividend policy under which all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by the State Government. As *per* their latest finalised accounts, nine PSUs earned an aggregate profit of ₹ 20.93 crore and only Himachal Pradesh State Civil Supplies Corporation Limited declared a dividend of ₹ 0.35 crore, which was 10 *per cent* of its paid up capital (₹ 3.51 crore).

Arrears in finalisation of accounts

1.18 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The details of progress made by working PSUs in finalisation of accounts by September of respective year are given in ***Table 1.6***.

Table-1.6

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of working PSUs	20	21	19	19	19
2.	Number of accounts finalised during the year	19	22	21	15	15
3.	Number of accounts in arrears	15	14	12	16	20
4.	Average arrears *per* PSU (3/1)	0.75	0.67	0.63	0.84	1.05
5.	Number of working PSUs with arrears in accounts	12	12	10	10	12
6.	Extent of arrears	1 to 3 years	1 to 2 years	1 to 2 years	1 to 2 years	1 to 3 years

1.19 The average number of accounts in arrears *per* working PSUs decreased from 0.75 in 2008-09 to 0.63 in 2010-11 but again increased to 0.84 in 2011-12 and 1.05 in 2012-13. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and finalise the accounts upto 2012-13.

1.20 Out of two non-working PSUs, Himachal Worsted Mills Limited had gone into liquidation process and Agro Industrial Packaging India Limited had finalised its accounts up to date.

1.21 The State Government had invested ₹ 290.21 crore (Equity: ₹ 52.56 crore, loans: ₹ 5.00 crore and grants: ₹ 232.65 crore) in six PSUs during the years for which accounts have not been finalised as detailed in **Appendix 1.4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

1.22 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (October 2013) with the Chief Secretary/Director, Institutional Finance and Public Enterprises to expedite clearance of backlog of arrears in accounts in a time bound manner.

Winding up of non-working PSUs

1.23 The number of non-working companies at the end of each year during the past five years is given in ***Table 1.7***.

Table-1.7

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Number of non-working companies	3	3	3	2	2[12]

There were two non-working PSUs (all companies) as on 31 March 2013. Of these, Himachal Worsted Mills Limited has commenced liquidation process.

[12] Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.

1.24 The stages of closure in respect of non-working PSUs are given in ***Table 1.8***.

Table-1.8

Sl. No.	Particulars		Companies
1.	Total No. of non-working PSUs		2
2.	Of (1) above, the No. under:		
	(a)	Liquidation by Court (liquidator appointed)	-
	(b)	Voluntary winding up (liquidator appointed)	1
	(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started	1

Accounts Comments

1.25 Fourteen working companies forwarded their 15 accounts to Audit during the period from October 2012 to September 2013. Of these, 13 accounts of 12 working companies were selected for supplementary audit. The audit reports of Statutory auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the Statutory auditors and the CAG are given in ***Table 1.9***.

Table-1.9

(Amount: ₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	45.20	2	56.40	3	32.81
2	Increase in loss	3	17.18	3	12.49	2	370.13
3.	Decrease in loss	-	-			1	0.63
4	Increase in profit	-	-			2	1.06
	Total	**9**	**62.38**	**5**	**68.89**	**8**	**404.63**

It can be seen that average impact of audit comments *per* account causing 'increase in profit/loss' or 'decrease in profit/loss' increased from ₹ 6.93 crore (2010-11) to ₹ 50.58 crore (2012-13). Thus, the quality of maintenance of accounts needs to be improved by the PSUs.

1.26 During the year, the Statutory auditors had given qualified certificates in respect of 15 accounts. Out of these, adverse certificates (which mean that accounts do not reflect a true and fair position) in respect of six accounts were given by the Statutory auditors. The compliance of companies with regard to the Accounting Standards remained poor as there were 63 instances of non-compliance in 14 Annual Accounts during the period from October 2012 to September 2013.

1.27 Some of the important comments in respect of the Annual Accounts of the companies during the period from October 2012 to September 2013 are stated below:

Himachal Pradesh State Electricity Board Limited (2010-11)

- Sundry receivable does not include an amount of ₹ 1.63 crore on account of leave salary and pension contribution recoverable in respect of employees of the Company who were on deputation with Himachal Pradesh Power Corporation Limited.

Himachal Pradesh Power Transmission Corporation Limited (2011-12)

- Other current liabilities is understated by ₹ 2.88 crore due to non-provisioning of compensation payable to land owners, in pursuance of award given by Land Acquisition Collector.

- Liability for employees' remuneration is understated by ₹ 66.27 lakh due to non-provisioning of leave salary and pension contribution payable to employees of the HPSEBL on deputation with the Company as on 31 March 2012.

1.28 Similarly, out of two working statutory corporations, HPFC forwarded its accounts to Audit during the period from October 2012 to September 2013 and one account in respect of HRTC was finalised during the same period. Of these, one account of a statutory corporation (HRTC) pertains to sole audit by the CAG. The audit reports of statutory auditors and the sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the Statutory auditors and the CAG are given in ***Table 1.10***.

Table-1.10

(Monetary value: ₹ in crore)

Sl. No.	Increase in loss	2010-11		2011-12		2012-13	
		No. of accounts	Monetary value	No. of accounts	Monetary value	No. of accounts	Monetary value
1.	Statutory Auditors' comments	1	0.89	-	-	-	-
2.	CAG's comments	1	156.73	1	2.74	2	70.32
	Total	**2**	**157.62**	**1**	**2.74**	**2**	**70.32**

The major impact of audit comments pertains to HPSEBL during 2010-11, HPFC during 2011-12 and HRTC during 2012-13.

1.29 From October 2012 to September 2013, the audit of accounts of HPFC for the year 2012-13 and HRTC for the year 2011-12 were completed. Some of the important comments in respect of the accounts of these statutory corporations are stated below:

Himachal Road Transport Corporation (2011-12)

- Equity share capital does not include an amount of ₹ 18.00 crore being the amount transferred by the State Government by way of re-appropriation from Major head during the year 2009-10.
- Pension fund trust is understated by ₹ 13.14 crore due to non accountal of amount payable to this Trust on account of pension contribution for the year 2004-05 to 2008-09.
- Salary and allowances does not include ₹ 38.03 crore payable to employees of the corporation as arrear of revised pay scale from January 2006 to October 2009.

Himachal Pradesh Financial Corporation (2012-13)

- Share application money includes an amount of ₹ 3.00 crore subsidy released through HPFC to Himachal Road Transport Corporation by the State Government.

Internal Control / Internal Audit

1.30 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of four companies for the year 2010-11[13] and 2011-12[14] and six companies[15] for the year 2012-13 are detailed in **Appendix 1.5.** It shows that PSUs need to improve their internal audit systems commensurately with the nature and size of business, devise suitable systems for provision of retiral dues, inventory management, introduction of information technology *etc.* for better results.

13 Sr. No. 1, 5, 6 and 13 of **Appendix 1.1.**

14 Sr. No. 2, 8, 16 and 17 of **Appendix 1.1.**

15 Sr. No. 7, 10, 11, 12, 14 and 15 of **Appendix 1.1**.

Recoveries at the instance of audit

1.31 The audit findings involving recoveries that came to notice in the course of test audit of accounts of the PSUs were referred to the PSUs/State Government through Audit Inspection Reports for further investigation and in case of overpayments/excess payment, recovery of the same under intimation to audit.

During the course of audit in 2012-13, recoveries of ₹ 153.36 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. Against this, an amount of ₹ 8.52 crore was recovered during the year 2012-13.

Response of the departments to Audit Report material

1.32 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2013, two performance audit (Beas Valley Power Corporation Limited and Power Purchase Agreements), and 12 audit paragraphs in respect of various State PSUs were issued to the Additional Chief Secretaries/Principal Secretaries of the concerned departments with the request to furnish replies within six weeks. However, in respect of two performance audit and eight transaction audit paragraphs included in the report, no reply was received from the State Government.

Follow-up on Audit Reports

Explanatory Notes outstanding

1.33 The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2009-10, 2010-11 and 2011-12 were presented to the State Legislature in April 2011, April 2012 and April 2013 respectively, five departments had not submitted explanatory notes on 24 out of 43 paragraphs/performance audits as of 30 September 2013, as indicated in ***Table 1.11.***

Table-1.11

Year of Audit Report (Commercial)	Date of presentation	Total paragraphs/ performance audits in Audit Report	Number of paragraphs/ performance audits for which explanatory notes were not received
2009-10	April 2011	13	1
2010-11	April 2012	16	10
2011-12	April 2013	14	13
Total		**43**	**24**

Department wise analysis is also given in ***Table 1.12***.

Table-1.12

Name of department	2009-10	2010-11	2011-12
Power	-	9	6
Food & Supplies	-	-	1
Tourism	-	-	2
Industries	-	-	2
Finance	1	1	2
Total	**1**	**10**	**13**

The Power Department was largely responsible for non-submission of explanatory notes, which did not submit explanatory notes on 15 out of 24 paragraphs/ performance audits.

Compliance to Reports of Committee on Public Undertakings (COPU)

The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 5 paragraphs pertaining to 4 Reports of the COPU, presented to the State Legislature between December 2011 and August 2012 had not been received as of September 2013 as indicated in ***Table 1.13.***

Table-1.13

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2011-12	1	1
2012-13 (up to 30.9.2013)	3	4
Total	**4**	**5**

Response to inspection reports, draft paras and performance audits

Audit observations made during audit and not settled on the spot were communicated to the heads of the Public Sector Undertakings (PSUs) and concerned departments of the State Government through inspection reports. The heads of PSUs were required to furnish replies to the inspection reports through respective heads of departments within a period of four weeks. Inspection reports issued up to March 2013 pertaining to 20 PSUs revealed that 4,279 paragraphs relating to 1,037 inspection reports remained outstanding at the end of 30 September 2013. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2013 is given in **Appendix 1.6**.

Similarly, performance audit reports and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, two performance audit reports, one thematic paragraph and seven draft paragraphs forwarded to two departments between February 2013 and September 2013, as detailed in **Appendix 1.7,** had not been replied so far.

It is also recommended that the Government may ensure (a) sending of replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as *per* the prescribed time schedule, (b) recovery of loss/outstanding advances/overpayments within the prescribed time schedule, and (c) revamping of the system of responding to audit observations.

Status of placement of Separate Audit Reports

1.34 Separate Audit Reports (SARs) issued by the CAG on the accounts of the two Statutory Corporations for the period up to 2011-12 have been placed (March 2013) in the State Legislature by the State Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.35 During the year 2012-13, there was no case of disinvestment and privatisation of Government companies and statutory corporations. The State Government had not prepared any plan for disinvestment of State PSUs.

Chapter-II
Performance Audit

CHAPTER-II
PERFORMANCE AUDIT

2.1 Beas Valley Power Corporation Limited

Executive Summary

The Government of Himachal Pradesh decided (February 1999) to take up the execution of the Uhl Hydro Electric Project Stage-III through a Special Purpose Vehicle (SPV) namely Himachal Pradesh Jal Vidyut Vikas Nigam Ltd., which was subsequently renamed (November 2006) as Beas Valley Power Corporation Limited (Company).

The project initially estimated to cost ₹ 431.56 crore for commissioning (March 2007) during 10^{th} Plan is now anticipated to be completed at a cost of ₹ 940.84 crore by September 2014 involving cost overrun of ₹ 509.28 crore. This has resulted in increase in *per* MW cost from ₹ 4.32 crore envisaged in the DPR to ₹ 9.41 crore *per* MW and *per* unit cost of ₹ 2.35 to ₹ 3.94. The delay in commissioning the project has caused surrendering (October 2007) interest subsidy incentive of ₹ 5.63 crore.

{Paragraph 2.1.8.1 & 2.1.8.2 (ii)}

The project cost of Uhl Stage-III HEP was irregularly increased by ₹ 4.00 crore by charging the proportionate cost of 10 MW Ghanvi Stage-II HEP and assets created by HPSEBL which have no relation with this project.

{Paragraph 2.1.8.3(i)}

The Company did not observe standard procedure as laid down in CPWD manual, guidelines issued by the Central Vigilance Commission and non adoption of uniform criteria while finalising the bidding documents/contract agreements.

{Paragraph 2.1.8.3(ii)}

The Company incurred avoidable extra expenditure of ₹ 19.18 crore due to non compliance of various contractual and statutory provisions besides blocking of funds of ₹ 67.93 lakh on abandoned works.

(Paragraph 2.1.8.5)

The Company did not hand over the sites duly developed to the contractors in time resulted in extra expenditure of ₹ 38.61 crore on account of entry tax, overrun charges, insurance premium, hiring of mobile crane and price escalation.

(Paragraph 2.1.8.6.2)

Introduction

2.1.1 The Government of Himachal Pradesh decided (February 1999) to take up the execution of Uhl Hydro Electric Project (Stage-III) by the Himachal Pradesh State Electricity Board (HPSEB) through Special Purpose Vehicle (SPV) namely Himachal Pradesh Jal Vidyut Vikas Nigam Limited, a company fully owned and promoted by the HPSEB which was subsequently renamed (November 2006) as Beas Valley Power Corporation Limited (Company). The Detailed Project Report (DPR) of the project was revised (October 1999) from 70 MW to 100 MW by utilising water of Neri and Rana Khad with designed potential of 391.19 million units (MUs) during 90 *per cent* dependable year[1] and 437.10 MUs during 50 *per cent* mean year[1]. Accordingly, the Techno Economic Clearance (TEC) was accorded (September 2002) by the Central Electricity Authority (CEA) for ₹ 431.56 crore for commissioning (March 2007) during 10th Plan. For execution of the project, a loan amounting to ₹ 331 crore was arranged from the Power Finance Corporation (PFC). The project was taken up for execution in October 2002 and now has been targeted for completion in September 2014. The cost of project was revised (March 2010) to ₹ 940.84 crore.

Organisational set up

2.1.2 The monitoring and control at Government level is done by the Principal Secretary (Multi Purpose Projects & Power – MPP&P) to the Government of Himachal Pradesh. The Managing Director is the executive head of the Company who is assisted by three Superintending Engineers (Works, Civil & Mechanical and Electrical) and Finance & Accounts Wing.

Audit objectives

2.1.3 The objectives of the performance audit were to assess whether:

- the project has been planned and implemented in strict compliance with norms, conditions and regulations laid down for establishment of hydro power projects;
- the contracts were awarded with due regard to economy and in a transparent manner;
- the execution of project was managed economically, effectively and efficiently;
- all claims of the contractors were properly scrutinised and passed in an efficient manner;

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1 For Mean and Dependable years, the run off the river data collected for any number of years is arranged in descending order. Mean year is the middle year. 90 *per cent* Dependable year is the 90/100th year of total years for which data is collected.

- the manpower requirement was realistic and its utilisation optimal; and
- there was a proper monitoring system in place to review the execution of project so as to take corrective measures to overcome deficiencies identified.

Scope of Audit

2.1.4 A performance audit was conducted from November 2012 to April 2013 to cover the execution of Uhl Hydro Electric Project (Stage-III) since November 2006 covering all the three circles (Design, Civil and Electro Mechanical) and Managing Director Office.

Audit Methodology

2.1.5 The performance audit commenced with an entry conference with the Managing Director of the Company in January 2013 explaining scope of audit, audit objectives and criteria. Records relevant to identi cation of project, allotment, approvals, statutory clearances, execution and environmental impact were scrutinised. Audit ndings have been discussed with the Managing Director of the Company in an exit conference held on 14 October 2013 and the replies of the Management received in October 2013 have been considered while finalising the report. The replies of the State Government were, however, awaited (October 2013).

Audit criteria

2.1.6 The audit criteria adopted for achievement of the audit objectives were:

- Guidelines issued by the Union Ministry of Power (MoP), CEA and the Central Water Commission (CWC) from time to time relating to development of hydro power projects.
- Agreements entered into with various contractors.
- Central Electricity Act, 2003; National Electricity Policy and Plan; Guidelines issued by the Union Ministry of Environment and Forests (MoE&F); Central Vigilance Commission (CVC) and Hydro Power Policy, 2006 of Government of Himachal Pradesh.

Audit Findings

2.1.7 Audit findings, arising from performance audit are discussed in succeeding paragraphs:

Financial Position

2.1.8 The financial position of the Company for the past five years ending March 2013 is given in ***Table 2.1.1***.

Table 2.1.1

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
A. Liabilities					
Paid up Capital[2]	146.84	173.04	214.54	259.16	282.25
Borrowings	198.69	298.95	388.98	467.00	526.50
Current Liabilities & Provisions	16.29	32.31	35.05	40.32	101.03
Total	**361.82**	**504.30**	**638.57**	**766.48**	**909.78**
B. Assets					
Gross Block	25.74	26.02	28.73	35.26	34.70
Less: Depreciation	1.01	1.42	1.92	2.71	3.39
Net Block	24.73	24.60	26.81	32.55	31.31
Capital Works-in-Progress	299.32	428.18	544.60	668.45	791.36
Current Assets, Loans and Advances	37.05	50.80	66.44	64.76	86.39
Assets not in use	0.72	0.72	0.72	0.72	0.72
Total	**361.82**	**504.30**	**638.57**	**766.48**	**909.78**
Debt equity ratio	1.35:1	1.73:1	1.81:1	1.80:1	1.87:1
IDC[3] Capitalised	47.08	76.84	118.08	169.70	230.29

The paid up capital increased from ₹ 146.84 crore in 2008-09 to ₹ 282.25 crore in 2012-13 and the debt equity ratio also increased from 1.35:1 to 1.87:1 due to increase in borrowing from ₹ 198.69 crore to ₹ 526.50 crore during the same period. The Company is yet to start commercial operations and therefore, it is not preparing its profit and loss accounts.

2.1.8.1 *Time and Cost overrun*

The Techno-Economic Clearance (TEC) for the construction of project was accorded (September 2002) by the Central Electricity Authority (CEA) with loan of ₹ 302.09 crore and equity of ₹ 129.47 crore with commissioning date of March 2007. The project is now targeted to be completed at a cost of ₹ 940.84 by September 2014 involving cost overrun of ₹ 509.28 crore mainly due to delay in completion of works. The date of award of various works, due date of completion, present status and delay/time overrun under each of the components ending March 2013 is detailed in **Appendix 2.1.1,** which shows that the delay in completion of works ranged between 12 and 72 months. The percentage increase in cost of main components ranged between 65 and 407 *per cent* and overall increase in cost was 118 *per cent* as *per* details given in

2 The HPSEB has made investment in the Company by arranging loan from Banks
3 Interest during construction.

Appendix 2.1.2. The time and cost overrun resulted in increase in *per* MW cost from ₹ 4.32 crore envisaged in the DPR to ₹ 9.41 crore *per* MW and *per* unit cost of ₹ 2.35 to ₹ 3.94. The main reasons for delay in completion of works were obtaining forest clearance for quarry sites four years after the receipt of TEC and environmental clearance, late handing over of sites by the Company to the contractors and non synchronisation of award of civil and electromechanical works with the progress of works.

2.1.8.2 The delay in execution of project resulted in:

(i) Generation loss

The delay of more than six years (March 2013) in commissioning the project has resulted in potential energy loss of ₹ 940.00 crore[4] including deferment of royalty payments of ₹ 112.80 crore at the rate of 12 *per cent* of deliverable energy to the State Government.

(ii) Loss of interest subsidy incentive

The Company availed interest subsidy incentive of ₹ 5.63 crore for this project under "Accelerated Generation and Supply Programme" (March 2003) of Government of India, MoP applicable for projects to be completed during 10th plan. The MoP directed the PFC (September 2007) to recover the subsidy along with interest in respect of projects which could not be completed within stipulated period. Accordingly, subsidy of ₹ 5.63 crore along with interest thereon amounting to ₹ 23.25 lakh had to be refunded (October 2007) by the Company.

The reasons such as delay in obtaining clearances and timely handing over of sites to the contractors were controllable by proper planning and effective monitoring by the Management whereby the cost of the project could have been minimised so as to reduce the generation cost. The other factors for increasing in cost and time overrun are discussed in succeeding paragraphs.

2.1.8.3 *Other factors contributing increase in project cost*

(i) Irregular booking of unrelated cost

The Deputy Chief Engineer (Electrical Design), HPSEBL, Sunder Nagar was assigned the preparation of tender documents, award of Electro-Mechanical works and approval of drawings in respect of 10 MW Ghanvi (Stage-II) HEP of the HPSEBL. In addition to this, the office was also assigned similar works of Uhl (Stage-III) HEP of the Company.

The entire employees cost and administrative & general expenses up to March 2012 amounting to ₹ 14.32 crore of this office had been fully charged to Uhl (Stage-III) HEP of the Company instead of allocating the same to both the projects proportionately. On this being pointed out in audit (January 2013), the office started bifurcation of expenditure between these two

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4 383.67 MUs x ₹ 3.57 (2007-08) + 383.67 MUs x ₹ 4.06 (2008-09) + 383.67 MUs x ₹ 4.04 (2009-10) + 383.67 MUs x ₹ 4.02 (2010-11) + 383.67 MUs x ₹ 4.41 (2011-12) + 383.67 MUs x ₹ 4.40 (2012-13)= ₹ 939.99 crore.

projects. The expenditure of ₹ 1.98 crore for the year 2012-13 was however allocated in the ratio 28:72. The allocable portion in respect of previous years expenditure to Ghanvi project in the same ratio works out to ₹ 4.00 crore which had been irregularly booked to the project.

(ii) Deviation from standard guidelines and procedure

The Company did not observe standard procedures as laid down in CPWD manual and guidelines issued by the CVC besides non adoption of uniform criteria while finalising the bidding documents/contract agreements as discussed below:

- The Company provided interest free mobilisation advances to M/s AIPL between November 2010 and February 2011 paid out of borrowed funds due to linking of its recovery with the progress of work instead of time bound manner as *per* CVC guidelines (April 2007).

The Management stated (October 2013) that decision to provide interest free advance had been taken by the competent authority after looking into ground realities and accordingly provision was made in the contract agreement. The reply was not acceptable as the interest free advance was paid out of borrowed funds and as such recoveries thereof should have been made in a time bound manner.

- The provisions regarding payment of price escalation for justified extended period on the basis of prices/wages prevailing at the time of stipulated date of completion or as prevailing for the period under consideration whichever is less was not inserted in the contract agreements in respect of four civil works with schedule completion period ranged from 24 months and 30 months as prescribed under Section 33.10 (3) of form CPWD 7 and 8.

The Management stated (October 2013) that the price escalation was paid strictly as *per* clause-10(C) of contract agreement. The reply was not acceptable as in all these cases the clause-10(C) was not applicable whereas; clause-10(CC) is applicable where the stipulated period of completion are more than 18 months which prescribed for payment on the basis of prices/wages prevailing at the time of stipulated date of completion or for the period under consideration whichever is less.

- The contract for supply and erection of Hydro Generating equipments in respect of Ghanvi Stage II was awarded (April 2008) by HPSEBL (own project) to M/s VA Tech Escher Wyse Flovel Limited, Faridabad with price adjustment subject to a ceiling of 15 *per cent* (plus or minus) of the contract price as compared to the ceiling limit of 20 *per cent* applied to the contract awarded to BHEL in respect of Uhl Stage III project of the Company, though both tenders were processed by the same wing of the HPSEBL in the year 2006.

The Management stated (October 2013) that the price variation claim (PVC) ceiling of 20 *per cent* in case of Uhl Stage-III and 15 *per cent* in case of Ghanvi have been approved by the HPSEB after deliberations. Also the quantum of work and completion time period for both the projects were different and could not be compared. The reply does not justify the acceptance of extra five *per cent* ceiling for price adjustment in the case of Uhl Project as compared to Ghanvi Stage II.

- While preparing bid documents, tenders and executing agreement (April 2003) with M/s. SSJV Pvt. Ltd. (Contractor), a provision for contractor's profit on extra and substituted items was kept at 25 *per cent* as against 20 *per cent* prescribed under Para 3.5 of the Guildelines for Preparation of Project Estimates for River Valley Projects issued by CWC. However, after rescinding the contract (April 2008) with the contractor, the provision of 20 *per cent* was restored while awarding the balance works to M/s CCPL and M/s Abir Infrastructure Pvt. Ltd.

The Management admitted (October 2013) that 25 *per cent* profit was only for extra items beyond the BOQ. The reply was not acceptable as the component of profit and overhead charges should have been kept as *per* the CWC guidelines and DPR.

- Tenders for the construction of Balancing-*cum*-Storage Reservoir of the project with an estimated cost of ₹ 15.98 crore were invited in June 2005 with earnest money (EM) at the rate of 0.25 *per cent* of the estimated cost as against one *per cent* prescribed under Clause 2 of the Standard Contract Clauses for domestic bidding circulated (April 2005) by Ministry of Statistics and Programme Implementation, Government of India.

The Management stated (October 2013) that the conditions governing the contract were approved by the BOD with the concurrence of the finance wing. The reply was not acceptable as the Company should have safeguarded its financial interests by inserting the clause in the contract as *per* the provisions *ibid.*

- Due to non insertion of standard clause as per CPWD Form 7/8 for recovery of security deposits from running bills of the contractors, the Company could not forfeit the required amount of security deposits in respect of 11 contracts awarded for construction of residential accommodation and execution of water supply scheme, the contracts of which were rescinded between November 2008 and May 2010.

The Management admitted (October 2013) that the Company was not aware of the latest amendments carried out in the CPWD manual and thus could not incorporate the same in the agreements executed during and after 2004.

(iii) Construction of buildings on unsafe site

The Company constructed non residential buildings (March 2009) after incurring an expenditure of ₹ 51.45 lakh. The assets so created were badly damaged (July 2009) before occupation due to land slides and had to be abandoned as *per* the recommendation (January 2012) of the Sr. Geologist. It was only after land slide that the Company came to know that the site on which constructions was made was unsafe being land slide prone area. This resulted in increase in cost of project by ₹ 51.45 lakh without any benefit.

The Management stated (October 2013) that no other site with requisite area/space was available and blasting in surrounding areas done for construction of project had also contributed to destabilise the zone. The reply was not acceptable as the area was prone to land slides which were also confirmed by the geologist deployed by the company.

Award of Civil works

2.1.8.4 The civil works of the Project mainly comprises of construction of reservoir, Head Race Tunnel (HRT), Trench Weir and intake structures, Aqueduct and Surge shaft, Pen Stock, Power House and Tail Race Channel *etc.* These works were divided into ten packages for the purpose of award and were awarded by the Company to eight contractors for a total cost of ₹ 220.74 crore. The scrutiny of contract agreements executed with various contractors showed that the Company incurred an avoidable expenditure of ₹ 56.67 lakh in following cases:

2.1.8.4.1 Undue favour to contractors

Clause 9.12 Chapter-IX Volume-II of the contract agreement executed with M/s SSJV provides that blasting for construction of HRT and its adits[5] shall be permitted only after making adequate provisions for the protection of persons, the works and public & private properties. It further stipulates that any damage done to the works or property by blasting shall be repaired by the contractor at his own cost. A sum of ₹ 17.27 lakh was paid (September 2008) by the Company to the owners of the houses and cowsheds (119 numbers in six villages) damaged between April 2003 and June 2003 due to blasting done by the contractor. The Company instead of recovering the same from the contractor as *per* the provisions *ibid.* charged the same to the project.

The Management stated (October 2013) that the work of HRT executed by the contractor was rescinded in April 2008 and the payment of damages was released in September 2008, therefore, the recovery could not be effected from the firm. The reply was not acceptable as recovery should have been made from the contractor immediately from the bills passed after June 2003.

2.1.8.4.2 Avoidable expenditure on award of work after rescinding

After rescinding the work from M/s SSJV in April 2008, the balance work of HRT was awarded (30 September 2008) to M/s CCPL for ₹ 59.94 crore with scheduled completion period of 24 month.

The work awarded to M/s CCPL was also rescinded (July 2010) as the contractor failed to achieve the targets and the left out work was further awarded (October 2010) to third contractor (M/s AIPL) at risk and cost of earlier contractors. In order to take up the lining work of tunnel by M/s AIPL, removal of 10,552.22 M^3 compact/loose muck involving expenditure of ₹ 83.91 lakh left out by the previous contractors was required. Out of this 5,202.77 M^3 compact/loose muck had been removed by incurring an

[5] A nearly horizontal passage from the surface in a tunnel.

expenditure of ₹ 39.40 lakh and the remaining work was in progress (March 2013). The amount had neither been recovered from the defaulting contractors nor included in the claims/counter claims filed against the contractor before the Arbitration.

The Management stated (October 2013) that once the HRT works are completed and final quantities are worked out, the revised cost on actual basis will be recoverable from the contractors. The reply was not acceptable as the Company would not be able to recover this amount due to non inclusion of above expenditure in the counter claim filed before the Arbitrator.

Execution of Civil Works

2.1.8.5 The scrutiny of records relating to execution of civil works showed that the Company incurred an avoidable extra expenditure of ₹ 19.18 crore due to non compliance of various contractual and statutory provisions besides blocking of funds of ₹ 67.93 lakh on abandoned works as discussed in the following paragraphs:

2.1.8.5.1 Extra payment to contractors

The work for construction of 8,477 meters long HRT (RD 424 meters to 8,901 meters) of the project was awarded (April 2003) to M/s SSJV for ₹ 69.58 crore. While executing the work the firm was directed to undertake controlled blasting at certain portions of HRT.

Audit noticed (December 2012) that though there was no provision in the tender documents/contract agreement for payment of extra rates to the contractor for adopting different methodology of work yet the contractor was paid additional rates quoted by him in December 2003 over and above the agreed rates and an amount of ₹ 70.23 lakh was paid between September 2004 and March 2008 without approval of the competent authority.

The Management stated (October 2013) that the counter claim against the contractor has been filed before the Arbitral Tribunal to recover the payment released on above account.

2.1.8.5.2 Non compliance with statutory provisions

Section 21 of the Contract Labour (Regulation and Abolition) Act, 1970 provides that a contractor shall be responsible for payment of wages to each worker employed by him. Further, every principal employer shall nominate a representative to be present at the time of disbursement of wages by the contractor and it shall be the duty of such representative to certify the amounts paid. In case the contractor fails to make payment of wages within the prescribed period then the principal employer shall be liable to make payment of wages and recover the amount from the contractor.

Audit noticed (December 2012) that wages for the period from January 2008 to March 2008 was not paid to the workers by the contractor. The workers represented (10 April 2008) to the Company as well as to Labour Officer, Mandi for releasing of their wages and on the direction (28 April 2008) of

Labour Officer, the Company released (May 2008) the unpaid wages amounting to ₹ 45.26 lakh. The payment so made could have been avoided, had the Company regularly nominated its representative as *per* the provisions *ibid.* and on the basis of his report the payment of ₹ 21.21 lakh released on 11 March 2008 to contractor could have been withheld for adjustment against wages payable for January/February 2008.

Thus, failure of the Company in observing the provisions of the Act *ibid.* resulted in avoidable payment of ₹ 45.26 lakh.

The Management stated (October 2013) that the audit version regarding accumulation of amount due to non deployment of representative by the Company was not true as no such situation has arisen in the previous years ever since the award of work. Moreover, the amount has been placed as counter claim in the ongoing arbitration case between the contractor and the Company. The reply was not acceptable as this situation could have been avoided by adhering the statutory provisions *ibid.*

2.1.8.5.3 Non compliance with the contractual terms

Clause 18 (Volume-I) of contract agreements entered into with various contractors for execution of different civil packages stipulates that the contractor shall supply without charges the requisite number of persons with the means and materials, necessary for the purpose of counting, weighing and assisting in measurement or inspection of the work or material. Failing their doing so, the same may be arranged by the Engineer-in-charge at the expense of the contractors.

Audit noticed (February 2013) that neither the workers were provided by the concerned contractors nor the Company asked them to provide as and when required. For assisting in measurement or inspection of the works or material, 641 work orders for deployment of labour were issued (2005-13) by the Company on which an expenditure of ₹ 1.28 crore was incurred. Instead of recovering this amount from the contractors the same was charged to project cost resulting in an undue favour to the contractors.

The Management stated (October 2013) that outsourcing has been done due to scarcity of requisite manpower to watch the interest of work. The reply was not acceptable as it was mandatory on the part of the contractors to provide the required manpower and in case of scarcity of manpower the expenditure incurred on their behalf should have been recovered from them.

2.1.8.5.4 Undue favour to the contractor

The construction work of Balancing-*cum*-Storage Reservoir was awarded (June 2007) to M/s TRG at a cost of ₹ 36.23 crore with scheduled completion period of 24 months. The said work could not be completed in time owing to delay in finalisation of construction drawings by the Company (first drawing was issued during January 2008). The work was also badly hampered due to non arrangement of required quantity of Steel and Cement by the Contractor due to increase in cost and on the request of the contractor, the Company devised a new price variation formula to compensate hike in prices by amending existing formula under clause 10-C (b) (ii) of the agreement. The said package was still incomplete though provisional extension up to 30 June 2013 was allowed to the contractor.

Audit noticed (March 2013) that due to change in price escalation formula, the Company had to bear extra financial burden of ₹ 8.17 crore.

The Management stated (October 2013) that there was sharp hike in the prices of steel and cement hence new formula after splitting steel and cement component was devised. The reply was not acceptable as any future increase in prices as compared to the base price was already covered in the price escalation formula incorporated in the agreement. Further, the Company had to amend the formula to cover the price escalation due to delay in finalisation of construction drawings.

2.1.8.5.5 Non-recovery of mobilisation advances as per the agreed schedule

The Company granted Mobilisation Advance of ₹ 3.48 crore (July 2003 and December 2003 ₹ 1.74 crore each) and Machinery Advance of ₹ 2.00 crore (February 2003 and May 2006) to M/s SSJV (Contractor) as *per* clause 8.13 of the agreement with the condition that recovery would start from the stage the value of work done reaches 20 *per cent* and should be effected in such a way that the full advance including interest is recovered by the time value of work done reaches 80 *per cent* of the contracted amount. In addition to this a Special Advance of ₹ 2.00 crore (₹ 1.00 crore each in March 2007 and April 2007) was also allowed to speed up the progress of work which was not covered in the agreement. Thus, the contractor was paid ₹ 7.48 crore of total advance.

Audit noticed (March 2013) that the contract was rescinded in April 2008 and the Company thus was obliged to recover the full advance of ₹ 7.48 crore along with interest paid to the contractor. Against this the Company recovered only ₹ 3.83 crore thereby leaving ₹ 6.21 crore (*i.e.* advance of ₹ 3.65 crore and interest amounting to ₹ 2.56 crore as of March 2013) un-recovered.

The Management stated (October 2013) that the Company had now filed a civil suit (March 2011) in the High Court of Himachal Pradesh for recovery of outstanding advances.

2.1.8.5.6 Non-recovery of machinery rent

As *per* Clause 8.9 Vol-I Chapter-III of contract agreement, M/s Continental Construction Projects Limited (Contractor) was also provided machinery worth ₹ 3.05 crore by the Company on rent for the execution of balance work of HRT. Due to slow progress of work, the contract was rescinded (27 July 2010).

Audit noticed (December 2012) that the machinery rent was not recovered regularly every month from the contractor's running bills before rescinding the contract resulting in accumulation of rent of ₹ 42.68 lakh. Non recovery of rent also resulted in loss of interest thereon ₹ 23.30 lakh ending March 2013.

The Management stated (October 2013) that recovery had to be started after the contractor completed 20 *per cent* of the value of work and only 18.92 *per cent* work could be completed by the contractor till rescission of the work. The reply was not acceptable as the rent due should have been recovered regularly from the running bills instead of linking the same with progress of work.

2.1.8.5.7 *Blockade of funds on abandoned works*

The work for lift water supply scheme from river Beas to Project colony at Chullah was awarded (December 2006) to M/s Ashwani Goswami for ₹ 49.19 lakh with scheduled completion period of nine months. Due to slow pace of work the Company rescinded the contract (May 2010) after incurring an expenditure of ₹ 22.71 lakh and has not been re-awarded so far (March 2013) and the requirement of water has to be met by digging (February 2009) a Bore Well at a cost of ₹ 12.24 lakh.

Further, the construction work of Type IV buildings (Block-I and Block–II) was awarded (November 2005 and April 2007) at a cost of ₹ 73.02 lakh to two contractors. The construction work of Block I was stopped by M/s Ashwani Goswami after incurring an expenditure of ₹ 9.26 lakh. The contract was rescinded in November 2008 and was re-awarded in October 2009 but the contractor has not started the work though more than four years period has elapsed. M/s Maa Simsa Construction Company also stopped the construction work of Block II after receiving the payment of ₹ 35.96 lakh (89 *per cent* of work) during March 2012 and was incomplete till date (March 2013).

Thus, due to non completion of construction, the Company blocked funds of ₹ 67.93 lakh on the abandoned water supply scheme and partially constructed residential buildings.

The Management stated (October 2013) that a sum of ₹ 33.64 lakh had been deposited with Irrigation & Public Health (I&PH) Department in April 2013 for completion of lift water supply scheme but the work was yet to be started. As regards construction of buildings, the Management stated that the work relating to Block I could not be started due to filing of case by the contractor and the action to rescind the work relating to Block II would be taken up very shortly.

2.1.8.5.8 *Avoidable expenditure due to non allotment of vacant accommodation*

The Company constructed 78 sets (Type-I to III) of residential accommodation at project site, Chullah between February 2010 to March 2012 at a cost of ₹ 2.27 crore.

Audit scrutiny showed (March 2013) that the Company utilised only 39 sets out of total 78 sets up to March 2012. The remaining 39 sets had not been allotted so far (March 2013). The Company had hired a bus from HRTC to provide transport facility to its staff from Paprola to Project site (to and fro

100 Kms). The Company is also paying HRA and Conveyance Allowance to these employees availing bus facilities.

Thus, failure of the Company to allot vacant accommodation and to discontinue the transport facility after March 2012, resulted in an avoidable expenditure of ₹ 21.46 lakh (hiring of bus: ₹ 13.47 lakh, conveyance allowance: ₹ 5.41 lakh and HRA: ₹ 2.58 lakh) during 2012-13.

The Management stated (October 2013) that efforts are being made to allot the balance accommodation to the contractors/executing agencies on current market rates.

2.1.8.5.9 Extra financial assistance to contractors

The Company extended undue financial assistance of ₹ 4.80 crore to contractors over and above the contractual terms and conditions as discussed below:

(i) Clause 8.5 (b) Vol-I of the contract agreement entered into (30 October 2010) for execution of balance work of HRT with M/s AIPL stipulates that the electrical system for lighting *etc.* shall be handed over to the contractor for use on 'AS IS WHERE IS BASIS' and maintenance of the existing electrical system as the work progresses shall be done by the contractor at his own cost as *per* requirement.

Audit observed (January 2013) that the contractor procured additional 2.042 Km Armored Cable and 400 KVA servo voltage stabilizer *etc.* costing ₹ 17.62 lakh and the reimbursement of which was made (July 2011) to the contractor in violation of the agreement.

The Management stated (October 2013) that the material and equipments were provided to the contractor after approval of the BOD and on completion of the work the contractor would return the same to the Company. The reply was not acceptable as any further extension/augmentation of the existing system was to be done by the contractor at his own cost.

(ii) Clause 10 (i)(a) of the contract agreements entered into with five contractors[6] for execution of six civil packages provided that the contractors shall be responsible for arranging all materials required from the source(s) acceptable to the Company. Clause 10(d), further stipulates that if the contractors request the Company for issue of any material as may be available in the stores but not stipulated in the contract, the same may be issued to them for execution of works, however, the contractors have to pay the stock issue rates, storage charges (3 *per cent*), supervision charges (10 *per cent*) or the market price whichever is higher.

All the above mentioned contractors requested the Company for arranging cement for them. Since cement was the main item to be used in civil works as such it was not required to be supplied by the Company. The Company

6 M/s Pilot Engineers, M/s TRG Industries, M/s CCPL, M/s SSJV and M/s PES Engineers.

arranged the same by procuring cement from the H.P. State Civil Supply Corporation Limited and supplied to them regularly from September 2004 onwards.

Audit scrutiny (February 2013) showed the Company supplied total 4.80 lakh cement bags to these contractors during the period from September 2004 to March 2013 by procuring the same on rate contract for Government works without excise duty including storage and supervision charges ranging between ₹ 144 and ₹ 202 *per* bag against market rates which ranged between ₹ 168 and ₹ 338 *per* bag. Not only this, the recoveries were also made at stock issue rates including storage and supervision charges instead of at market price which was higher. This resulted in short recovery of ₹ 4.62 crore from five contractors on the supply of 4.80 lakh cement bags up to March 2013.

The Management stated (October 2013) that the contractors had not been given undue benefits as 13 *per cent* extra was being charged from them for supplying the cement departmentally in the interest of work for timely completion of project. The reply was not acceptable as the Company should have charged market price which was higher than stock issue rates (including 13 *per cent* departmental/handling charges) for issue of cement as *per* the terms and conditions of the contract.

2.1.8.5.10 Non recovery of damages

The retaining wall of Bassi Power House switchyard of HPSEBL, Joginder Nagar collapsed (July 2012) and damaged Tail Race Junction and control structure *etc.* of Uhl HEP-III Project of the Company. The losses on above account were assessed (November 2012) to ₹ 58.54 lakh by the Company. The Company requested (16 January 2013) the HPSEBL to recover this loss from the concerned contractor so that restoration work could be started.

Audit, however, noticed (February 2013) that neither the loss has been recovered nor restoration work started so far (March 2013).

The Management stated (October 2013) that the matter has been taken up with the contractor through HPSEBL for restoration of damaged structure.

Execution of Electro Mechanical Works

2.1.8.6 The Electro-Mechanical Works of the Project comprising of supply and erection of Hydro Generating Equipment and allied works were awarded to 11 contractors at a total cost of ₹ 133.66 crore between February 2007 and March 2012. The scrutiny of records relating to award and execution of these works revealed cases of avoidable extra expenditure of ₹ 39.82 crore as discussed below:

2.1.8.6.1 Avoidable payment due to faulty agreement

The contract for supply Hydro Generating Equipment was awarded to BHEL for ₹ 100.84 crore (February 2007) with completion period of August

2009. Further, as *per* the agreed price adjustment formula the price escalation was subject to a ceiling of 20 *per cent* (*plus/minus*) of the total 'contracted price'. The contractor was to be paid 10 *per cent* of the total ex-works amount as an interest free advance with in 15 days after signing of the contract {clause (1) (a)}.

Audit noticed (March 2013) that in two other contracts entered into (February 2010 and June 2012) with the contractors of Uhl Stage III[7] and Ghanvi Stage II[8] for supply of 415 V AC LT Switchgears Systems, the price adjustment ceiling of 20 *per cent* has been applied on '90 *per cent* of the contract price' after deduction of 10 *per cent* value of advance paid on signing of the agreement. The overall ceiling of 20 *per cent* for BHEL should also have been applied on 90 *per cent* of the contract price instead of total contracted price as the Company had also paid 10 *per cent* amount in advance to BHEL. Thus, imposition of 20 *per cent* ceiling limit on total contract price instead on 90 *per cent* value resulted in excess payment of price escalation of ₹ 1.21 crore to BHEL.

The Management stated (October 2013) that the contract with BHEL was signed earlier whereas other two contracts as referred in para were signed later on and hence these could not be used as guidelines for contracts already signed. The reply was not acceptable as the basic principle for imposition of restriction on contract price after deduction of interest free advance remained unchanged even with the passage of time.

2.1.8.6.2 Extra expenditure due to delay in handing over the sites

The Company awarded supply and erection of Hydro Generating equipments, its associated auxiliaries, Transformers and EOT crane to BHEL (Contractor) for ₹ 117.36 crore on 15 February 2007. The contractor was to supply the entire material/equipments up to 15 August 2009 and erection work was to be completed by 15 April 2010 on the developed sites to be provided by the Company.

It was noticed in audit (January 2013) that the sites were actually handed over in April 2009 against the agreed schedule of December 2007. Due to delay in handing over the sites the contractor could not start the work as per schedule dates. Consequently the Company had to incur an extra expenditure of ₹ 38.61 crore as detailed below:

- overrun charges of ₹ 3.55 crore for the period from 16 April 2010 to 31 March 2013 paid to the contractor for keeping establishment idle at site;
- additional charges amounting to ₹ 1.63 crore on hiring of mobile crane instead of EOT crane which could not be operationalised due to non construction of required columns and beams;
- entry tax of ₹ 1.84 crore (imposed from 7 April 2010 by the State Government) on goods received after 7 April 2010;

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7 M/s Prathoma Switchgears Private Limited.

8 M/s JVV Electro Tech Private Limited.

- insurance premium of ₹ 0.22 crore on comprehensive insurance policy for material beyond the contract completion period to June 2013;
- price escalation amounting to ₹ 13.55 crore on the material received after scheduled supply period of 16 August 2009 to 31 March 2013;
- incurring liability of ₹ 16.04 crore on account of removal of escalation limit of 20 *per cent* on price variation in respect of balance material received after December 2010 and erection work executed after April 2010;
- interest loss of ₹ 1.30 crore[9] on 132 KV SF6 circuit breakers: ₹ 1.78 crore and Butterfly Valves: ₹ 3.10 supplied by M/s ABB Limited and M/s TB Hydro Flovel Valves respectively between June 2009 to May 2012 which were lying unutilised (March 2013);
- interest loss of ₹ 0.48 crore on advance payment of ₹ 5.41 crore released to BHEL between March 2009 and March 2010 for supply of equipments of power house which were supplied late (120 to 919 days) due to non availability of site.

The Management admitted (October 2013) these facts and stated that due to non availability of civil fronts, the contract could not be completed in scheduled period of time and had to pay these charges.

The reply was not acceptable as these payments could have been avoided had the Company awarded the erection and supply of Hydro Generating equipments after proper planning for ensuring handing over the sites.

2.1.8.6.3 Non adjustment of advances

Against the works for supply and erection of Hydro Generating equipments awarded (February 2007) to BHEL, the initial 10 *per cent* advances of ₹ 10.08 crore on *ex works* amount of supply part (₹ 100.84 crore) and another 10 *per cent* mile stone advance of ₹ 10.08 against Bank Guarantee of ₹ 20.16 crore was allowed by the Company in September 2007 and March 2009 respectively as *per* the terms and conditions of the agreement. Both the advances were to be recovered in proportion to the value of items delivered at site up to the scheduled date of supply, *i.e.*, 15 August 2009. The materials were, however, not supplied by BHEL in time as the Company failed to provide sites/civil fronts by 15 December 2007 as *per* the agreed schedule. The developed sites were actually provided to BHEL by the Company in April 2009.

Audit noticed (April 2013) that due to delay in handing over the site, BHEL had to defer the supply and out of total advance of ₹ 20.16 crore only ₹ 4.59 crore could be adjusted up to the schedule date of supply, *i.e.*, 15 August 2009. The amount of ₹ 15.57 crore remained outstanding for recovery after the scheduled date of supply of material and had to be adjusted in piece meal thereafter and an amount of ₹ 1.16 crore was still to be adjusted

[9] Calculated at the rate of 14 *per cent per annum*.

(March 2013). Thus, due to failure in providing civil fronts, the company suffered an interest loss of ₹ 3.81 crore on late adjustment/unadjusted advances after the scheduled date of supply (15 August 2009) to March 2013.

Further, BHEL had also not replaced two Generating Transformers (GTs) which were damaged during transportation in January 2011 and June 2012 against which the Company had released payment of ₹ 3.92 crore during October 2010. This resulted in locking up of borrowed funds with consequential interest loss of ₹ 1.32 crore for the period from November 2010 to March 2013. This interest loss was avoidable had the Company adjusted the payment made against the supply of these GTs from subsequent payments released to BHEL for other electromechanical works of the power house.

Thus, the Company suffered interest loss of ₹ 5.13 crore on unadjusted advances and funds blocked on non replacement of damaged GTs.

The Management stated (October 2013) that the amount of advance was being recovered in proportion to the value of equipment delivered. Further, in respect of GTs, the Management stated that the payments have been made as *per* the terms and conditions of contract. The reply was not acceptable as there was abnormal delay in supply of material due to which the advance could not be recovered in time and the loss of interest was avoidable had the Company adjusted the advances against other payments released to BHEL.

Blockade of fund on Transmission Lines

2.1.9 The construction of 132 KV D/C Chullah–Hamirpur transmission line for evacuation of power from this project was started in July 2005 by the then HPSEB (now HPSEBL) with completion period of December 2009. In anticipation of construction work, the HPSEB procured line material valuing ₹ 7.98 crore between July 2006 and April 2009 and the payment was also released immediately after receipt of material from time to time. However, the work relating to erection of towers was started during May 2008 *i.e.* after a delay of 18 months from the receipt of last consignment (November 2006) of tower material and the work of stringing and sagging of the conductor & earth wire was awarded (May 2011) 24 months after the receipt of last installment of conductor. The line was completed in February 2013 but has not been test charged so far and was lying idle. The Company did not synchronise the procurement of material with the progress of associated civil work of the project, which ultimately placed an avoidable interest burden of ₹ 6.12 crore[10] on the project for the period August 2006 to March 2013.

The Management stated (October 2013) that land owners were not allowing to start the work at site without making payments to them. The reply was not acceptable as the work should have been awarded only after resolution of right of way problems.

10 Calculated at the rate of 14 *per cent per annum* at which the funds were arranged from PFC.

2.1.10 Quality Control

2.1.10.1 Non-rectification of sub-standard works

Clause 14 Volume-I of conditions governing the contract stipulates that if work has been executed with unskillful workmanship or with materials of any inferior description, the contractor shall, on demand in writing, which shall be made within the period of guarantee (Clause 39 vi), forthwith rectify and reconstruct the work so specified. In the event of his failing to do so, the Engineer-in-charge may rectify or re-execute the work as the case may be at the risk and expense of the contractor.

Audit scrutiny (February 2013) showed that required strength in some portion of concreting in HRT, Penstock and Reservoir was not achieved by the contractor. The value of work on the days of taking samples which failed the tests worked out to ₹ 64.04 lakh. The Company had initiated no action either to get the sub-standard works rectified from the contractors or to get them rectified at the risk and cost of the contractor as *per* the terms and conditions of the contract *ibid.* Therefore, the Company not only extended undue financial benefits to the contractors but also compromised with the quality and life of the Project.

The Management stated (October 2013) that in some cases concrete cubes had not achieved the required strength due to the reasons that proper care might have not been taken by the field staff at the time of casting of such concrete cubes. Further, during transporting the cubes for testing the edges of the cubes some times breaks and compressive strength remained below the required strength. The reply itself points towards negligence on the part of field staff thereby defeating the very purpose of conducting of such tests.

2.1.10.2 The construction of HRT was awarded to M/s SSJV in April 2003. After completion of work from outlet phase up to intermediate adit, the steel support system was found displaced/bulged out in some portion due to excessive pressure exerted by the poor stratum. The engineer of the Company responsible for supervision of this work failed to get the simultaneous concreting done from the contractor before releasing the payments. Subsequently, the remaining work was rescinded (April 2008) and rectification work was felt necessary before handing over the adit to other contractor. The repair work was completed (May 2010) at a cost of ₹ 16.21 lakh which had not been recovered from the Contractor so far (March 2013).

The Management stated (October 2013) that the claim against the contractor has been filed before the Arbitrator and the matter was *sub judice.*

Extra expenditure on Local Area Development Activities (LADA)

2.1.11 In accordance with the provision of Hydro Power Policy, 2006, the expenditure of 1.5 *per cent* of the cost of the HEP above five MW is required to be made for LADA by the developers. Accordingly, the Company made a provision of ₹ 14.11 crore for Local Areas Development Activities (LADA) in the cost estimates of the project. On the direction of LADC, the Company is executing the scheme itself and a sum of ₹ 10.87 crore had been spent up to March 2013 on LADA.

Audit scrutiny showed (March 2013) that departmental charges at the rate of 11 *per cent* amounting to ₹ 1.20 crore on expenditure incurred (₹ 10.87 crore) ending March 2013 had not been charged on the works executed by the Company under the scheme. This resulted in an extra expenditure of ₹ 1.20 crore on LADA.

The Management stated (October 2013) that the matter had been taken up with the Chairman of LADC in April 2012 and the Chairman has agreed to take up the issue with the Government of Himachal Pradesh for clarification which was still awaited.

Environmental Issues

2.1.12 Encroachment on forest land

The Company obtained permission for diversion of 19.4478 hectare of forest land for the construction of this project from the MoE&F in August 2004 after payment of Net Present Value and Compensatory Afforestation of ₹ 1.69 crore. During construction, the Department of Forest (DoF), Government of Himachal Pradesh noticed (November 2007) encroachment on 5.2667 hectare of forest land in Joginder Nagar range and raised a bill of ₹ 3.77 crore (including penalty of ₹ 93.28 lakh) towards violation of forest land. The DoF directed (22 February 2008) the Company to get the joint demarcation done by 31 March 2008 and if it is established that the forest area has actually been diverted over and above the approved diversion, the Company apart from getting the excess area regularised under Forest Conservation Act, 1980, shall also be liable to pay the amount for damages caused as *per* the bill raised. The DoF has repeatedly asked the Company (September 2009, December 2009 & May 2010) to deposit the amount. The Company had initiated no action either to get the land demarcated so as to ascertain the actual encroachment, if any, or settle the case with the DoF (March 2013).

The Management stated (October 2013) that the Company was constantly in touch with the revenue department for completing the re-demarcation process and the Company had not deposited any payment on account of penalty. The reply confirms the fact that the issue remained unsettled for over seven years after the encroachment was noticed.

Conclusion

The Project scheduled for Commissioning in March 2007 could not be completed and has now been scheduled for completion in September 2014. The abnormal delay in completion contributed to increase in cost of the project from ₹ 431.56 crore to ₹ 940.84 crore besides irregular booking of expenditure. Apart from this, non adoption of standard contract clauses/procedures and guidelines prescribed by the Government of India, CVC/CWC and instructions of CPWD manual *etc.* while preparing the bidding documents also contributed towards increase in cost. The delay further resulted in an energy loss worth ₹ 940.00 crore including deferment of royalty payments of ₹ 112.80 crore to the State Government by more than six years. The main reasons for delay were failure in timely processing of forest clearances for quarry sites and mismatch in planning for award/construction of various civil and electro-mechanical works. The Company also failed to monitor the works of the contractors and accepted the terms and conditions beyond contractual obligations. Further, while awarding and executing various civil and electromechanical works; the Company did not comply with various contractual and statutory provisions which resulted in avoidable payments to the contractors and loss of interest to the Company.

Recommendations

The Company may consider:

- strengthening of monitoring mechanism to avoid further cost and time overrun in future;
- ensuring compliance to standard contract clauses/guidelines as prescribed by the Government of India, Central Vigilance Commission/Central Water Commission and provisions of CPWD manual;
- awarding construction works after obtaining all required clearances; and
- ensuring synchronisation of civil and electromechanical works before award so as to avoid mismatch in construction activities and consequent financial losses.

The matter was reported to the State Government in July 2013; their reply was awaited (November 2013).

2.2 Power Purchase Agreements (PPAs)

Executive Summary

As *per* Hydro Power Policy notified (December 2006) by the State Government, the developer was permitted to establish, own, operate and maintain the Hydro Electric Project up to 40 years. Thereafter, the projects are to be transferred to the State Government.

To accelerate the development of small hydro projects a target of capacity addition of 409.94 Mega Watt (MW) was fixed during the period 2008-13, against which only 208.80 MW could be achieved.

(Paragraph 2.2.7.1)

In case of Neogal Hydro Project (15 MW), suitable clause for the recovery of survey and investigation expenditure was not inserted in the Implementation Agreement (IA); in absence of which the Company would not be able to recover survey and investigation expenditure of ₹ 4.81 crore.

(Paragraph 2.2.7.2.2)

The Company inserted a clause regarding provision of free power at 12 *per cent* in the PPA of Neogal Hydel Project instead of at 15/20 *per cent* as was envisaged in the Supplementary Implementation Agreement. This would result in total loss of free power to the State Government ₹ 41.20 crore during the entire operation life of the project.

(Paragraph 2.2.7.2.3)

The HPSEBL failed to recover survey and investigation charges of ₹ 3.24 crore from three private parties as *per* the terms and conditions of the PPA.

(Paragraph 2.2.7.3.1)

Though 28 hydro projects were commissioned after delays, no action to recover liquidated damages (LD) amounting to ₹ 3.71 crore was initiated by the HPSEBL as *per* provisions of PPAs.

{Paragraph 2.2.7.3.3(ii) to (iv)}

At the end of March 2013, an amount of ₹ 1.23 crore (including penalty of ₹ 6.93 lakh) on account of operation and maintenance (O&M) was recoverable from 11 power producers.

{Paragraph 2.2.7.3.5(i)}

The Company has not initiated any action on the directions of the Appellate Tribunal of Electricity issued in September 2009 for fixation of tariff based on project specific cost and capacity unitilisation factor (CUF) actually achieved resulting in an extra payment of ₹ 52.50 crore.

(Paragraph 2.2.7.4.1)

Introduction

2.2.1 The State Government notified (December 2006) its Hydro Power Policy with the objectives of speeding up power development in the State, making power sector a major source of revenue to the State and providing employment to the people of the State besides development of local areas. The Hydro Power Policy, 2006 was further revised in November 2009 by the State Government in pursuance of Government of India New Hydro Power Policy of 2008. As *per* policy in respect of private sector participation, the developer was permitted to establish, own, operate and maintain the project. The offered period for the projects up to 5 MW was 40 years after 30 months from the date of signing the Implementation Agreement (IA) and for the projects above 5 MW it was 40 years from the date of commencement of commercial operation. Thereafter, the projects are to be transferred to the State Government free of cost and free from all encumbrances. The power generated by the projects up to 5 MW was to be purchased by HPSEB (now HPSEBL).

The State Government before implementation of Hydro Power Policy, 2006 fixed the flat *per* unit rate (1996) at ₹ 2.25 in respect of Hydro Projects up to 5 MW. After the implementation of Hydro Power Policy in December 2006 *per* unit rate was revised to ₹ 2.50. In respect of 31 projects (up to 5 MW) these rates were further revised to ₹ 2.95 *per* unit by the State Electricity Regulatory Commission in February 2010. The Hydro Power Policy, 2006 of the State Government also provides for exemption of royalty in the form of free power to be paid by the developers of projects up to 5 MW to the State Government up to 12 years of operation.

2.2.1.1 Steps in the allotment of Hydro Power Projects to Independent Power Producers (IPP)

The main steps in the allotment of hydro power project to the IPPs are such as survey and investigation, allotment of project, signing of MOU between the State Government and IPP, feasibility report, detailed project report, statutory clearances, implementation agreement, power purchase agreement, construction, completion/commissioning and realising the benefits by the State/Country and IPP *etc*.

Organisational Set up

2.2.2 The Principal Secretary (MPP & Power), Government of Himachal Pradesh is the administrative head in the Government, responsible for formulating policies relating to hydro power development in the State. The Director Energy and Himachal Pradesh Energy Development Agency (HIMURJA) have been designated as nodal agencies for hydro power development involving IPP. The allotment of power projects up to 5 MW has been entrusted to HIMURJA and above 5 MW to the Director of Energy. The Power Purchase Agreements (PPAs) are being executed by the Chief Engineer (Commercial) on behalf of Himachal Pradesh State Electricity Board Limited (HPSEBL).

Audit Objectives

2.2.3 The audit objectives of the performance audit were to assess whether:

- the PPAs were finalised in line with the established guidelines/rules/ regulations of the Government;
- the PPAs were implemented as *per* stipulated terms and conditions; and
- an effective monitoring mechanism to assess the implementation of PPAs was in place.

Scope of Audit

2.2.4 The performance audit of 29 PPAs out of total 114 PPAs executed between the period March 2000 to March 2013 was conducted during May 2013 to July 2013 by test check of records relating to 25 PPAs (23 commissioned between June 2002 and June 2012) up to 5 MW and 4 PPAs above 5 MW (all commissioned between February 2008 and May 2013) in the office of the Director of Energy, Chief Executive Officer - HIMURJA, State Load Dispatch Centre, Shimla and HPSEBL (Head office and nine divisions receiving supply of power). The sample was selected by simple random sampling without replacement method.

Audit Methodology

2.2.5 The performance audit commenced with an entry conference with the Principal Secretary (Multi-Purpose Projects and Power), Government of

Himachal Pradesh in May 2013 explaining scope of audit, audit objectives and criteria. Records relevant to execution of PPAs with IPPs by the HPSEBL were scrutinised during the period May 2013 to July 2013 for the period April 2008 to March 2013. Audit findings have been discussed with the Managing Director of the Company in an exit conference held on 31 October 2013 and the replies of the Management received in November 2013 have been incorporated while finalising the Report.

Audit Criteria

2.2.6 The audit criteria adopted for achievement of audit objectives were: -

- Electricity Act, 2003, Hydro Power Policy of Government of India/State Government and Rules and Regulations issued there under.
- Tariff orders for generating stations of IPPs issued by SERC from time to time.
- Model Power Purchase Agreement issued by HPERC in March 2003.
- PPAs/supplementary PPAs entered into by the State Electricity Board with various IPPs, Detailed Project Report (DPR), MIS reports from Regional Load Dispatch Center, Electrical Utilities and Generators (IPP).

Audit Findings

2.2.7 The following are the audit findings:

2.2.7.1 Status of PPAs executed by the Company

The PPAs for 114 projects with total installed capacity of 711.75 MW were entered into by the HPSEBL for injection of power at specified interconnection points designated by the Company during the period from June 1997 to March 2013. Out of these, 71 Hydro Projects with installed capacity of 591.15 MW were operational (March 2013) and remaining 43 projects (120.60 MW) were at various stages of implementation. 106 projects (up to 25 MW) with installed capacity of 409.94 MW were scheduled to be commissioned during the period 2008-13. However, it was noticed that only 45 projects with installed capacity of 208.80 MW could be commissioned ending March 2013 as detailed in ***Table-1.***

Table-1

(in MW)

Sl. No.	Description	2008-09	2009-10	2010-11	2011-12	2012-13
1	Capacity at the beginning of year	52.25	97.75	128.75	191.05	240.05
2	Capacity addition as *per* PPA/IAs	79.95	71.44	112.40	95.70	50.45
	Capacity addition as *per* PPA/IAs (in nos.)	19	18	32	21	16
3	Actual addition	45.50	31.00	62.30	49.00	21.00
	Actual addition (in No.)	9	7	16	8	5
4	Capacity at the end of the year	97.75	128.75	191.05	240.05	261.05
5	Shortfall in Capacity Addition	34.45	40.44	50.10	46.70	29.45
6	Percentage of shortfall	43.09	56.61	44.57	48.80	58.37

There was a short fall (ranging between 43.09 and 58.37 *per cent*) of 201.14 MW in capacity addition during 2008-13. Due to the gap in demand and supply, the Board had to draw 676.79 MUs (2008-12) over and above the scheduled energy from Northern Grid at higher rates during 2008-09 to 2011-12 as compared to the rate of ₹ 2.95 *per* unit allowed by the State Electricity Regulatory Commission in February 2010. Non completion of projects within the stipulated period had resulted in an extra expenditure of ₹ 84.26 crore on purchase of power from other sources during 2008-12.

It was observed (June 2013) that there were deficiencies in PPAs and their implementations. There were shortcomings in contract and project management during execution by HIMURJA, HPSEBL and the Director Energy, Government of Himachal Pradesh in many cases. Further, the provisions for levy of liquidated damages (LD) and extension charges were not adequate to cover the extra expenditure incurred by the Board on purchase of power from other sources. Even these LD were not imposed despite the fact that such punitive provisions were inserted in the PPAs. These have been discussed in the subsequent paras.

2.2.7.2 Deficiencies in finalisation of PPAs

Audit scrutiny of 29 PPAs executed by the HPSEBL with the various IPPs showed following deficiencies when compared with IAs, model PPA and guidelines issued by the State Electricity Regulatory Commission (SERC).

2.2.7.2.1 *Creation of reserves for capital maintenance*

As *per* Chapter 9 of the National Electricity Policy (NEP), renovation and modernisation activities are aimed at overcoming problems in operating units caused due to generic defects, design deficiency and ageing by re-equipping, modifying, augmenting them with latest technology/systems. R&M activities are undertaken in projects operating at Plant Load Factor[1] (PLF) of 40 *per cent* and below after assessing the performance and requirement of the units. Further, refurbishment activities are aimed at extending economic life of the units by 15 to 20 years which have served for more than 20 years or operating at PLF below 40 *per cent*. Necessary permission and clearance for R&M and refurbishment activities from SERC/CEA/State Government are to be obtained.

The PPAs executed by the HPSEBL with IPPs did not address the issue regarding creation of capital reserves for capital maintenance and in absence of which it was not clear as to how the extension of project life after completion of 20 years or refurbishment of plant in case PLF falls below 40 *per cent* would be ensured.

2.2.7.2.2 *Non insertion of clause for recovery of Survey and Investigation Charges*

In case of Neogal Hydro Project (15 MW) suitable clause for the recovery of survey and investigation expenditure was not inserted in the IA signed during January 2006 between the IPP and the Government of Himachal Pradesh. As a result, the HPSEBL would not be able to recover survey and investigation expenditure of ₹ 4.81 crore including interest of ₹ 1.11 crore up to March 2013.

The Management admitted (November 2013) that since there was no governing clause in the IA as such the same was not enforceable for recovery.

2.2.7.2.3 *Incorrect provision of rates for free power/royalty*

Clause 6.3 of the Supplementary Implementation Agreement (SIA) entered into (January 2006) with an IPP[2] for the execution of Neogal Hydel Project (15 MW) provides that if the developer fails to commission the project within the stipulated period for reasons solely attributable to the IPP except circumstances beyond its control, the quantum of royalty in the form of free power to the State Government shall be enhanced from 12 *per cent* to 15 *per cent* for first 12 years and thereafter 20 *per cent* for the remaining life (28 years) of the project. The project scheduled for commissioning during July 2009 was actually commissioned after a delay of 45 months in May 2013.

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1 PLF is the actual percentage utilisation of Generating Plant as compared to its designed capacity during the year.

2 M/s Om Power Corporation.

Audit noticed (July 2013) that the delay in commissioning the project was solely attributable to the developer as was evident from the notice issued by the HPSEBL for levy of LD, the developer was liable to pay free power to the Government at the rate of 15/20 *per cent* as *per* the provisions of the SIA *ibid.* The HPSEBL while executing the PPA (October 2006) with the developer failed to insert the provisions of royalty in the form of free power at the enhanced rates as *per* the IA *ibid.* and inserted clause regarding free power at the rate of 12 *per cent* for the entire project life instead of 15/20 *per cent* for the delay in commencement of the project. This would result in total loss of free power to the State Government amounting to ₹ 41.20 crore during the entire operation life of the project.

The Management stated (November 2013) that deduction of royalty at the rate of 15 *per cent* had been started from September 2013. The reply, however, does not address the issue as to how the recovery was started without amending the existing PPA.

2.2.7.2.4 Non furnishing of Performance Guarantee (PG)

Article 9 of the PPAs provides that the IPP should furnish PG for ₹ 20.00 lakh *per* MW in the shape of irrevocable Bank Guarantee/letter of credit on completion of debt servicing period or ten years from the COD which ever is earlier and valid for the remaining agreement period of 40 years. However, no provision for the submission of details of debt service period entered into by IPP with financial institutions to the HPSEBL was made in the PPAs. Thus, the actual due date for receipt of PG in respect of 70 commissioned projects could not be verified in audit.

2.2.7.3 Implementation of PPAs

PPAs entered into with IPPs govern the conditions for proper monitoring during construction, synchronisation, operation and maintenance (O&M), determination of purchase rate of power, levy of LD, payment of rents, taxes, cess, fee, revenues, duties and adherence to all the rules and regulations pertaining to the same.

Audit observed (June 2013) that the HPSEBL and HIMURJA did not enforce the terms and conditions of the agreements in many cases resulting in non/short recovery of LD, Local Area Development Fund (LADF), royalty, extension charges, *etc.* as discussed below: -

2.2.7.3.1 Non recovery of Survey and Investigation Charges

As *per* the provisions of the Hydro Power Policy, 2006 and Implementation Agreements (IA), the developer shall reimburse to the HPSEBL, the amount spent by the Board on survey/investigations and infrastructural works of the project along with interest at the rate of 10 *per cent per annum* compounded annually from the date of incurring of such expenditure up to the date of actual reimbursement; within three months of signing of IA.

Audit observed (July 2013) that in case of three[3] projects action to recover survey and investigation expenditure amounting to ₹ 3.24 crore incurred by the Board had not been initiated so far (July 2013) with delay ranged between 53 and 135 months from the date of signing of IA even after their commissioning despite provision for the same in the Hydro Policy/IA.

The Management stated (November 2013) that the notices have been served to deposit the survey and investigation charges as *per* the provisions of the PPAs. However, in respect of two projects (Sarwari II and Joiner) recoveries can not be enforced due to absence of recovery clause in their respective IAs.

2.2.7.3.2 Non/short levy of Local Area Development Funds

The Hydro Power Policy, 2006 provides that 1.5 *per cent* of the final cost of the projects above 5 MW and one *per cent* of the final cost of projects up to 5 MW shall be contributed towards LADF. The guidelines notified by the State Government for the management of LADF provide that:

- initially the LADF will be worked out on the basis of project cost as *per* DPR and on completion of project; the LADF will be worked out on the final completion cost. The balance amount worked out on the basis of final cost shall be deposited by the developer within one year of the commercial operation date (COD).
- contribution by the developer shall be made prior to the commissioning of the project in the following manners: -

(a) 10 *per cent* amount within three months of signing of IA;

(b) 15 *per cent* amount within 18 months of signing of IA; and

(c) balance 75 *per cent* in three equal installments during construction period.

In case of failure to adhere time schedule, the project developer shall be liable to pay interest at the rate of 12 *per cent* on the amount due on LADF.

Audit scrutiny of records showed that:

(i) In case of 13 projects (**Appendix 2.2.1**) which were under construction, IPPs failed to deposit first two installments (10 *per cent* and 15 *per cent*) of LADF within the stipulated time. LADF amount and interest thereon worked out to ₹ 65.32 lakh and ₹ 38.28 lakh respectively.

3 Patikari, Sarwari and Joiner.

(ii) In case of 19 commissioned projects (**Appendix 2.2.2**), LADF amounting to ₹ 3.77 crore had not been deposited by the developers. The delay ranged between six and 67 months from the date of commissioning. Besides, recovery of interest on LADF worked out to ₹ 1.44 crore (July 2013).

The HIMURJA as a nodal agency and the respective Deputy Commissioners failed to monitor the timely receipt of funds as *per* LADA guidelines and ensure that funds are recovered on final cost of the project.

(iii) Guidelines issued by the State Government stipulated that the LADF charges are recoverable on final cost of project, yet no action to procure the details of final cost/revised DPRs from the developers to work out the actual recovery had been initiated by HIMURJA so far (July 2013). It may be relevant to mention that the State Electricity Regulatory Commission (SERC) in its tariff order (December 2007) had taken *per* MW cost of project at ₹ 6.50 crore whereas as *per* Techno Economic Clearance (TEC) the project cost was less than the bench marked cost. Based on the bench marked cost of 15 projects commissioned after December 2007, potential short recovery of LADF and interest there on worked out to ₹ 2.16 crore and ₹ 0.79 crore respectively (**Appendix 2.2.3**).

(iv) Further, in nine projects allotted to IPPs prior to implementation of Hydro Power Policy, 2006 which were executed and commissioned during 2008-11, action to revise the IA was not initiated by the State Government due to which LADF amounting to ₹ 1.50 crore could not be recovered (July 2013); and

(v) The Government of Himachal Pradesh in pursuance of clause and clause 10.1 (b) and clause 10.2 (d) of the Hydro Power Policy, 2008 of Government of India, notified (November 2009) that an additional one *per cent* free power would be provided by IPPs which would be earmarked for LADF so as to provide regular source of income for welfare schemes, creation of additional infrastructure *etc.* on continuous basis over the life of the project. The above said provision was applicable to all projects commissioned/under execution and projects to be allotted in future. It was further provided that a suitable clause may be inserted in IA/SIA and wherever required SIA be signed with each developer to fulfill the requirement of the notification.

Audit observed (June/July 2013) that in the case of 57 IPPs/developers additional one *per cent* free power worked out to ₹ 4.91 crore could not be recovered during the period from 2010-13 due to non execution of supplementary agreements.

2.2.7.3.3 Non-levy of Liquidated Damages

(i) In case of PPAs entered into prior to 2004; no provisions for levy of liquidated damages (LD) for delay in completion had been made. Though necessary clause to recover LD is being inserted in all PPAs executed after 2004 but non insertion of this clause in respect of four[4] PPAs had resulted in loss of ₹ 27.90 lakh from developers for delay in completion so far (June 2013).

(ii) Article 16.2 of PPA entered into with IPPs stipulates that if all the generating units are not synchronised on or before the scheduled date specified in the concerned PPA, the IPP shall be liable to pay to the Board (now HPSEBL) LD for delay at the rate of ₹ 1000/- *per* MW *per* day subject to the maximum for 180 days after which it would constitute IPP event of default. Audit observed (July 2013) that:

(a) In case of 20 commissioned projects (**Appendix 2.2.4**) up to 5 MW, the synchronisation work of generating machines could not be completed within the stipulated period. Out of these, the delays in the cases of Panwi and Dunali projects were more than five years. In case of 17 projects which were completed with delays between November 2007 and May 2011, no action to recover the LD of ₹ 1.13 crore had been initiated by the HPSEBL as of July 2013.

(b) Similarly, the synchronisation work of four[5] projects (above 5 MW) was completed after a delay ranging between 71 and 180 days. Out of these, three projects were commissioned between January 2008 and October 2012 and one project during May 2013, but no action to recover LD in accordance with the provisions of PPAs had been initiated so far (May 2013). The bank guarantee in respect of two projects had also been released without recovering the LD. This had resulted in non recovery of LD of ₹ 67.53 lakh.

(c) In case of two projects[6], extension for IA was allowed by the nodal agency after recovering extension charges for 57 and 63 months. Similarly, in 11 other projects, extension in COD was allowed up to the actual date of completion without intimation to the Company. Since the rates for charging of LD (₹ 30,000 *per* MW *per* month) were three times of the extension charges (₹ 10,000 *per* MW *per* month) the developers preferred to approach the nodal agency for extension of COD instead of paying LD. In this situation the Company could not invoke the LD clause of 13 PPAs resulting in loss of ₹ 97.96 lakh **(Appendix 2.2.5)** to the Company.

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4 Sechi, Sahu, Chandni and Timbi.

5 Toss, Patikari, Beas Kund and Neogal.

6 Bailji Ka Nallah-II (3.5 MW) and Masli (5 MW).

(iii) Clause 6.20 of IA entered into (November 2001) with the Independent Power Producer[7] for the execution of 16 MW Patikari Hydro Electric Project stipulates that in case the COD is delayed beyond the scheduled date for reasons other than a Government default or a *force majeure*, the IPP shall pay to the Government for each day delay LD equivalent to 50 *per cent* of the amount corresponding to the average *per* day quantity of Government supply computed on the basis of annual generation (90 *per cent* dependable year) at the Bulk Supply HT tariff rate prevalent at that time. The total LD payable shall in no case exceed ₹ 6.00 lakh *per* MW of the uncommissioned capacity. The LD shall be payable by the IPP on monthly basis and in the event of default; the IPP shall be liable to pay interest at a rate being charged by State Bank of India on short term unsecured loan *plus* 3 *per cent per annum plus* interest tax.

Audit observed (July 2013) that the power producer failed to achieve the scheduled COD (31.08.2007) and the commercial operation of first unit was achieved on 6 February 2008 *i.e.* after a delay of 158 days. No action to recover the LD of ₹ 46.05 lakh[8] had been initiated by the HPSEBL so far (March 2013) which further resulted in interest loss of ₹ 27.63 lakh[9].

(iv) As *per* Hydro Power Policy, 2006 and IA, in the event of delay in COD of the project, the quantum of free power to the first party (State Government) shall be 12 *per cent plus* two tenth (0.2) percentage points for each period of 73 days or part thereof falling between the scheduled COD and actual COD of the project. This amount was payable in ten equal monthly installments from actual COD in addition to normal free power.

Audit observed (July 2013) that the scheduled COD for Beas Kund Hydro Project (9 MW) was 31 January 2012 and the project was actually commissioned (07 June 2012) after a delay of 127 days. The IPP was liable to pay an amount of free power component amounting to ₹ 45.61 lakh to the State Government for this delay which has not been recovered so far (July 2013).

The Management stated (November 2013) that upto October 2013 a sum of ₹ 1.08 crore had been recovered and for the recovery of balance amount notices had been served and the recovery would be effected from their energy bills if the amount is not paid during the notice period.

2.2.7.3.4 Loss on execution of PPA for lesser installed capacity

Implementation Agreement (IA) for construction of Toss Hydel Project (5 MW) was between the IPP[10] and HIMURJA in July 2004. As *per* the provisions of the IA, the developer has to execute PPA with HPSEBL within

7 M/s East India Petroleum Ltd.

8 (2046890 KWh x ₹ 2.25 *per* unit).

9 Calculated at the rate of interest of 12 *per cent per annum* for five years (April 2008 to March 2013).

10 M/s Sai Engineering Foundation, Shimla.

3 months from signing of the IA. The project was commissioned during December 2008; however, the PPA was entered into with HPSEBL during January 2009 after 53 months from signing of the IAs after commissioning of the project.

Audit noticed (July 2013) that the construction of the project was not done as *per* approved DPR. The IPP instead of installation of two 2x2500 KW units, installed single machine of 5 MW by providing pen stock of 1500 mm diameter against the designed diameter of 1100 mm.

(Penstock of 5MW Toss Hydro Electric Project with scope for 20 MW)

During March 2009, another IA for enhanced capacity of 20 MW was entered into with the State Government wherein it was also mentioned that the developer had already carried out necessary investigations and submitted the DPR for enhanced capacity of 20 MW against the allotted capacity of 5 MW. This was indicative of the fact that the developer had already taken up the construction of 20 MW project and PPA for 5 MW was signed with HPSEBL only to avoid payment of royalty which was exempted in respect of projects up to 5 MW. The developer synchronised 2nd unit of 5 MW on 31 May 2009 (*i.e.* within 79 days of signing of IA) with HPSEBL system and balance capacity of 10 MW was yet to be commissioned. The HPSEBL is purchasing power generated from additional capacity of 5 MW without any PPA.

Thus, by execution of IA for 5 MW instead of 20 MW the developer avoided payment of royalty amounting to ₹ 80.62 lakh[11] during the operation of first unit of 5 MW from December 2008 to May 2009. Further, the HPSEBL is purchasing power from other projects of the capacity above 5 MW at a rate ranging between ₹ 2.20 *per* unit and ₹ 2.25 *per* unit under short/long term

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11 3224906 KWh x 2.50=₹ 80.62 lakh.

agreements. The purchase of power without signing of revised PPA as was required after enhancement of capacity from 5 MW to 20 MW was not only contrary to the provisions of the Hydro Power Policy, 2006 but also resulted in an extra expenditure of ₹ 4.45 crore[12] during the period from June 2009 to March 2013. This would increase further till the signing of revised PPA.

The Management stated (November 2013) that the Company would execute the necessary PPA for enhanced capacity as per HPERC regulations and adjustment of tariff shall be done thereafter, which validated the contentions of audit.

2.2.7.3.5 Operation and maintenance charges for inter connection

Clause 6.2 of the agreement entered into for operation and maintenance (O&M) of inter connection facilities (required as *per* clause 3.3 of the PPA) with the power developers stipulates that HPSEBL shall intimate the tentative amount of normal O&M of inter connection facilities for each ensuing year on or after 15th February of preceding year. IPPs were liable to pay the tentative amount within one month of intimation failing which a penalty at the rate of 1.5 *per cent per* month was leviable In this connection, Audit noticed (July 2013) the following:

(i) At the end of March 2013, an amount of ₹ 1.23 crore (including penal interest of ₹ 6.93 lakh) was recoverable from 11 power producers as detailed in **Appendix 2.2.6.** In addition to this, the demand for O&M charges for the year 2013-14 amounting ₹ 24.46 lakh had not been raised by the concerned units against six projects.

(ii) Inter-connection point for Shyang and Tangling projects as *per* their PPAs was fixed at 220 KV Sub-station, Boktoo, but due to non-construction of the said Sub-station the IPPs were allowed to inject power in Board's system as temporary arrangement at Boktoo through existing 22 KV Nathpa - Pooh feeder without entering into supplementary agreement for recovery of O&M expenses. As a result, no O&M charges were being recovered from the IPPs since January 2009 (Shyang project) and December 2010 (Tangling).

Further, the generation of these two projects was being metered at respective power houses and their transmission losses are being deducted on the basis of standard formula, whereas, as *per* clause 2.2.72 of the respective PPAs the losses have to be deducted at the rate of 4.5 *per cent*. This had resulted in less deduction of transmission losses to the extent of 2.46 MUs (up to March 2013) valued at ₹ 72.54 lakh.

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12 177.95 MUs x 25 *paise* being the difference in rates as compared to the rate of ₹ 2.25 *per* unit for the projects above 5 MW installed capacity.

2.2.7.4 Failure to initiate action against higher tariff

2.2.7.4.1 In compliance with the statutory provisions, the SERC issued tariff orders on 31 small hydro projects and other issues in December 2007. As *per* these orders: -

(i) the capital cost for tariff determination was considered at ₹ 6.5 crore *per* MW which was inclusive of LADF and other charges;

(ii) if the developers get any capital subsidy/incentive from MNES/State Government, such subsidy/incentive shall not be adjusted against the capital cost;

(iii) based on the normative PLF of 45 *per cent* adopted by the different States, the SERC determined normative value of 45 *per cent* for PLF for tariff determination against 68 *per cent* PLF considered in 140 DPRs submitted by IPPs; and

(iv) the commission also fixed norms for O&M at 2.25 *per cent* of capital cost with 4 *per cent* escalation every year against CERC norms of 1.5 *per cent*.

Based on the above, fixed rate of ₹ 2.50 *per* unit (as *per* PPAs and Hydro Power Policy) was revised (December 2007) to ₹ 2.87 *per* unit. These rates were further revised to ₹ 2.95 *per* unit by the SERC in February 2010.

The Company filed an appeal against the orders of the SERC issued in December 2007, before the Appellate Tribunal for Electricity, Delhi (Tribunal) in the year 2008 (Appeal No. 65 of 2008). The Tribunal partly allowed the appeal of the Company and held (September 2009) that promoters and the Company shall be entitled to apply to the Commission for fixing project specific capital cost for any project in case the normative capital cost is not suitable to either of them. Similarly, if capacity utilization factor (CUF) of 45 *per cent* for a specific project is contested by either party, it may approach the Commission with the site specific CUF.

Audit scrutiny (July 2013) showed that out of these 31 projects, the project cost of 15 projects as *per* TEC was much below the benchmark cost of ₹ 6.50 crore *per* MW **(Appendix 2.2.7)**. The Company had not ascertained the actual completion cost of each project so as to approach the Commission for fixation of tariff based on project specific cost. Further, 19 projects actually achieved CUF ranging between 47 and 78 *per cent* (**Appendix 2.2.8**) which was higher compared to the normative CUF of 45 *per cent* considered for fixation of tariff.

In view of above, the Company should have approached the Commission for fixation of tariff based on project specific capital cost and actual CUF. The Company has not initiated any action on the directions of the Tribunal issued in September 2009 *ibid.* resulting in an extra payment of ₹ 52.50 crore[13] **(Appendix 2.2.9)** on purchase of 1,166.71 MUs during 2008-13.

The Management stated (November 2013) that there is no prudence in challenging each and every order of the Commission which has the role of protecting the interest of all stake holders including consumers.

The reply was not acceptable as it was equally the duty of the Company to safeguard its financial interests which were compromised by not initiating action as per the decision of the Appellate Tribunal *ibid.*

2.2.7.4.2 The developer of 5 MW Marhi Hydro Project, which was commissioned during January 2007, was also allowed the benefit of enhanced rates of ₹2.95 *per* unit. As these rates were revised after considering the payment of LADF and other charges which were not paid by the developer so far and similar benefit of these revised rates has not been allowed to eight IPPs (completed before the implementation of Hydro Power Policy) who have also not paid these charges. The HPSEBL did not raise this issue before the SERC and on the purchase of 137.93 MUs of power from this project during the period from April 2008 to March 2013, the HPSEBL passed on extra burden of ₹ 6.21 crore on the consumers which would further increase to ₹ 42.22 crore during the remaining operation life (40 years) of the project.

Monitoring

2.2.8 The Hydro Power Policy, 2006 stipulates that an agreement executed with the IPP shall remain in force up to the period of 40 years from the scheduled commercial operation date. Thereafter, the project shall be reverted to the State Government free of cost and free from all encumbrances. Accordingly, HIMURJA and Director of Energy (nodal agency for hydro power development involving IPP) should ensure the quality of construction of project and execution of works as *per* DPR so that the assets would remain in good condition at the time of reversion to the State Government on completion of 40 years.

2.2.8.1 Scrutiny of records in audit (July 2013) showed that no such monitoring mechanism was in place to ensure the quality of the civil and electro-mechanical works of the IPPs. Further, there was no mechanism to check the final/revised cost of the project based on which recovery of LADF, Workers' Welfare Cess and tariff was to be determined.

2.2.8.2 *Non-creation of an authority for management of Hydro Power Project*

The Hydro Power Policy, 2006, envisages creation of an authority for Hydro Power Project safety, management of water flow and discharge, release of

13 1166.71 MUs x (₹ 2.95 *per* unit -₹ 2.50 *per* unit) = ₹ 52.50 crore.

water downstream from the diversion point, upkeep/maintenance of the assets of the project besides imposing fine/penalty for violations. It was noticed that such an authority was not established as of July 2013. Resultantly, the required checks over water flow, upkeep/maintenance of the project and release of water downstream *etc.*, remained to be declined.

2.2.8.3 Non execution of works as per approved DPRs

Article 3 of the PPAs envisages that the IPP shall design and construct the project in accordance with the Prudent Utility Practices, relevant technical specification and in line with the provisions of DPR. The IPP shall also furnish to HPSEBL half yearly progress report by 31 March and 30 September every year indicating achievement *vis-à-vis* targets, spillages, if any, and the remedial action intended to be taken. However, no provision for the physical verification of assets on completion of project, submission of revised DPR, cost audit and model specification of machines have been made in any of the 29 PPAs test checked in audit. Due to non submission of revised DPRs and actual cost of the project, actual expenditure incurred on Local Area Development Activities and payment of workers' welfare cess by the Company, could not be ascertained.

Audit further observed (June 2013) that in case of seven[14] hydel projects commissioned during June 2004 to February 2012, the residential colonies were not constructed by the IPPs though there was a provision for the construction of permanent buildings at a cost of ₹ 2.62 crore in their DPRs. The Company had failed to ensure the execution of work as *per* the provisions of the DPRs. The deviation in construction work would not only result into direct loss to the Government at the time of taking over the project after completion of 40 years but also placed extra burden on the consumers due to fixation of tariff after considering this cost.

(Residential colony at Marhi, Hydro Electric Project 5 MW)

[14] Aleo, Beas Kund, Sarbari II, Tangling, Rakchad, Sechi and Maujhi.

2.2.8.4 Non-establishment of Multi-Disciplinary Committee

As *per* the Hydro Power Policy, a multi disciplinary committee under the chairmanship of the Chief Minister was to be constituted to monitor the issues arising during the implementation of the projects such as employment related monitoring, relief and rehabilitation, review of progress of LADC's schemes, Environmental Impact Assessment (EIA) plan, restoration of facilities which got damaged because of implementation of the projects, quality control mechanism of the project, *etc.* Audit noticed that such a Committee was not constituted in the State as of July 2013.

Conclusion

The performance audit has disclosed non-compliance of the provisions of Hydro Power Policy, Implementation Agreements (IAs) and Power Purchase Agreements (PPAs), inefficient monitoring mechanism at the level of the Company and delay in completion of projects. The PPAs did not address the issue regarding creation of capital reserves for capital maintenance to ensure extension of project life. Survey and investigation charges were not recovered by the Company from the Independent Power Producers (IPPs) as per the provisions of the PPAs. There was short recovery of Local Area Development Fund (LADF) from various developers. Though, 28 hydro projects were commissioned after delays, no action to recover liquidated damages was initiated by the Company as *per* provisions of PPAs and power was being purchased from one project without entering into PPA at higher rates. The Company had also not initiated any action on the directions of the Appellate Tribunal of Electricity issued in September 2009 for fixation of tariff based on project specific cost and capacity utilisation factor (CUF) actually achieved resulting in an extra payment to IPPs. Higher tariff rate allowed to one project without recovery of LADF also resulted in an extra expenditure. Lack of monitoring led to non-construction of residential buildings by seven IIPs. These deficiencies could have been prevented by establishing an Authority/Multi-Disciplinary Committee as envisaged in the Hydro Power Policy to ensure compliance of various provisions thereof and management of Hydro Power projects.

Recommendations

The Government/Company may consider to:

- ensure compliance of various terms and conditions of the Implementation Agreement/ Power Purchase Agreement incorporating suitable clauses as *per* Hydro Power Policy and model Power Purchase Agreement to safeguard the financial interests of the Government/Company;

- insert a suitable liquidated damages clause for imposition of adequate penalty so as to ensure timely completion of project;
- introduce a system to ascertain the actual completion cost of each project and to verify the execution of works as *per* the provisions of the Detailed Project Report (DPR) so as to approach the Commission for fixation of project specific tariff; and
- strengthen monitoring mechanism to resolve the issues arising during the implementation of the projects so as to ensure timely completion of the projects and review the progress of local area development schemes for overall efficient execution of projects.

The matter was reported to the State Government in September 2013; their reply was awaited (November 2013).

Chapter-III
Audit of Transactions

CHAPTER-III
AUDIT OF TRANSACTIONS

Important audit findings emerging from test check of transactions made by the State Government companies/corporations are included in this Chapter.

GOVERNMENT COMPANIES

Himachal Pradesh State Electricity Board Limited

3.1 Implementation of power tariff

Non billing of consumers in accordance with applicable tariffs/ laid down procedures and statutory provisions resulted in non/short recovery of ₹ 33.08 crore.

The source of revenue of the Company is from sale of power to its consumers and generation of revenue depends on efficiency of billing. Therefore, prompt and accurate billing is essential for effective generation of revenue. As on 31 March 2013, the billing of all categories of consumers except large supply consumers was being done at sub-division level on the basis of tariff approved by the State Electricity Regulatory Commission from time to time. The billing for large supply consumers was done through central billing cells established at circle level.

The audit scrutiny noticed cases of non billing of consumers in accordance with laid down procedures/applicable tariffs, violation of various provisions of Indian Electricity Act, 2003, Supply Code (May 2009), non recovery of fixed demand charges, contract demand violation, peak load exemption, violation, low voltage supply surcharge and enhanced charges for un-authorised use of power *etc.* involving total non/short recovery of ₹ 33.08 crore as discussed in the succeeding paragraphs.

3.1.1 Non/short levy of fixed demand/violation charges

Schedule of tariff applicable from time to time envisages the levy of demand charges *per* KVA, on 90 *per cent* of the contract demand or actual recorded demand whichever is higher. Further in case the recorded demand exceeds the sanctioned contract demand, the consumer shall be charged Contract Demand Violation Charges (CDVC) on *per* KVA basis at specified rates on the excess demand recorded over and above the sanctioned contract demand. HPERC in its supply code issued in May 2009 further provided that in case of High Tension/Extra High Tension (HT/EHT) supply, where the licensee has completed the work required for supply of electricity to an applicant, but the applicant is not ready or delays to receive supply of electricity or does not avail the full contract demand, the licensee shall, after a notice of sixty days, charge on *pro rata* basis, fixed/demand charges on the sanctioned contract demand as *per* the relevant Tariff Order.

(i) Non recovery of fixed demand charges

Audit scrutiny showed that non recovery of demand charges as *per* the provisions *ibid.* resulted in non-recovery of ₹ 9.19 crore in respect of 21 consumers as detailed in the **Appendix 3.1**

The Management stated (November 2013) that since the concept of levy of fixed demand charges was new as such field units could not implement the provisions of Supply Code in right perspective. However, proper guidelines have now been issued to implement the provisions of Supply Code.

(ii) Short recovery of demand charges

In case of nine[1] large supply consumers in three circles (Una, Solan and Nahan), the field units of the Company released (February 2011) the un-built load. Out of these, in eight cases recoveries of demand charges were made on the basis of their earlier built up contract demand instead of sanctioned contract demand and in one case load retention charges were recovered after 33 months (6 May 2008 to 6 February 2011) which stand discontinued (May 2009) after the implementation of Supply Code. This had resulted in short recovery of ₹ 1.60 crore during the period June 2009 to March 2013.

(iii) Short recovery of contract demand violation charges (CDVC)

In seven units, CDVC for drawl of power over and above the sanctioned contract demand were not recovered from 198 consumers which resulted in short recovery of CDVC (at the rate of ₹ 300/ *per* KVA upto March 2011 and thereafter three times of demand charges) of ₹ 1.39 crore **(Appendix 3.2)** during April 2011 to September 2012.

The Management stated (November 2013) that an amount of ₹8.93 lakh has been recovered and the balance amount as *per* circulars would also be recovered.

3.1.2 Non billing of consumers on the basis of demand recorded at the substation

As *per* the instructions issued (November 2003) by the Company, the metering and billing of consumer being fed through dedicated feeder should be done at Grid Sub-station from where power supply to the consumer emanates. Further, HPERC in its Supply Code (May 2009) had also provided that if the supply to HT/EHT consumers is given from a dedicated feeder for exclusive use, the meter and metering equipment may be installed at the licensee/company Sub-station.

[1] M/s Tigahsha Metelic, Paddar Tyers and Rubber, Shivalik Container, Wire Product, Orient Power Solution System, Aspees Sons, Aush Industries, Jay Precision Products India and Him Chem.

Audit noticed that non compliance of these instructions resulted in less recovery of ₹ 1.33 crore from two consumers as detailed below: -

(i) In case of one large supply consumer[2] the peak and normal demand recorded at 132/33 KV Sub-station Kandrori in nine months (for which variation was recorded) between November 2011 and November 2012 was much higher as compared to the demand recorded/charged through energy meter installed at the consumer premises. On the basis of recorded current in amps at 132/33 KV Sub-station, the drawl of load in KVA for peak and normal hours was up to 5.547 MVA and 7.542 MVA against the charged demand of 4.5 MVA and 5.630 MVA respectively. The energy meter was installed in the premises of the consumer during October 2010 for which 21 meter readings were taken. On downloading of data, the meter reset button is pushed to record demand/ energy consumption data for the next meter reading which is known as maximum demand (MD) reset.

Audit noticed (March 2013) that against 21 meter readings the actual MD resets were 124 which indicate that MD was reset at least five times during each meter reading. The load surveys were not downloaded to check the actual contract demand availed by the consumer during each meter reading. Non compliance of instructions *ibid.* resulted in under charging of ₹ 94.59 lakh (including Demand charges: ₹ 18.37 lakh, Contract demand violation charges (CDVC): ₹ 55.10 lakh and Peak load violation charges (PLVC): ₹ 21.12 lakh).

(ii) One large supply consumer[3] under Damtal Sub-division was being fed through an independent 33 KV feeder from 132/33 KV Sub-station, Kandrori. The scrutiny of log sheets of Sub-station in audit disclosed (March 2013) that during June 2011 to September 2011 and November 2011 the consumer was billed for a contract demand ranging between 2,539.65 KVA and 2,700.6 KVA against the demand of 3,247 KVA and 3,560.70 KVA calculated/worked out on the basis of hourly consumption in KWh recorded at 132/33 KV Sub Station Kandrori. The field unit had taken no action to ascertain the reasons for this difference. This resulted in short recovery of CD/CDVC to the extent of ₹ 37.96 lakh.

The Management stated (November 2013) that the issues regarding non billing of consumers on the basis of demand recorded at substation as pointed out by audit were being enquired in to and further action to recover the necessary amount would be taken accordingly.

3.1.3 Non levy of peak load exemption/violation charges

Schedules of Tariff prescribe levy of peak load exemption charges in case the power is required to run industrial units during peak hours. For drawl of power during peak hours[4] without sanction or drawls of power over and above the exempted load for peak hours; the consumers are liable to pay Peak Load

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2 M/S Met Trade India Limited.

3 M/s I.D.Sood.

4 April to October 7.00 PM to 10.00 PM, November to March 6.30 PM to 9.30 PM.

Violation Charges (PLVC) at the rates prescribed in the Schedules of Tariff. HPERC in its tariff order applicable from July 2005 had specifically clarified that the light load as *per* test report shall be deemed to be exempted for peak load hours. In order to implement two part tariff for large (November 2001) and medium supply consumers (April 2005), the Company had installed electronic Time of Day (TOD) meters capable of recording demand and energy consumption during normal, peak and night hours. Since the peak load exemption and violation rates were much higher; downloading of data for peak hours slots was of utmost importance.

Audit noticed (March 2013) 546 cases of non levy of peak load violation/exemption charges amounting to ₹ 13.38 crore as detailed in **Appendix 3.3.**

The Management stated (November 2013) that the field units had been directed to verify the records and necessary recoveries wherever applicable would be made accordingly. The Management further stated that after serving notices to the consumers, recovery of ₹ 16.57 lakh had been made.

3.1.4 Wrong application of tariff

Schedules of tariff provide for levy of Bulk Supply Tariff to general or mixed load consumers (MES, Railway, CPWD, construction power, Hospital, Departmental/private colonies) *etc.* where further distribution to various residential and non residential building is to be undertaken by the consumers for own bonafide use and not for sale to other consumers with or without profit.

Audit noticed (March 2013) that in three[5] cases under Baddi and Barotiwala Sub-divisions, connection for mixed load to run Hospital, sale of power to private colony and Shopping Mall *cum* Multiplex had been released between December 2006 and May 2011 under Non Domestic Non Commercial (NDNC)/Commercial category. As the connections had been released at single point supply and were being used for further distribution (to residential/ non residential buildings and shops), these consumers should have been categorized as Bulk Supply Consumers instead of NDNC/Commercial. This led to incorrect application of tariff with consequential under charging of ₹ 76.34 lakh during the period from December 2006 to January 2013.

The Management stated (November 2013) that as *per* clarification obtained from the HPERC in October 2013 the Bulk Supply tariff shall not be applicable. The Audit is of the view that the clarification given by the Executive Director (TFA) of HPERC had not been interpreted by the Management appropriately.

3.1.5 Non levy of Low Voltage Supply Surcharge (LVSS)

HPERC in its annual tariff orders has specified the 'Standard Supply Voltage' (SSV) in KV for supply of electricity under each category of consumers. It

[5] M/s ESI Corporation at Barotiwala, Nicholas Piramal and Homeland Citi at Baddi.

has also been provided that consumers availing electricity supply at a voltage lower than the SSV shall, in addition to other charges, be charged LVSS, for each level of specified step down from the SSV to the level of actually availed supply voltage. Further, HPERC in its tariff order for the year 2007-08 directed that henceforth no connection shall be released to Power Intensive Units (PIU) on voltage less than 33 KV without the provision of an independent feeder with control sub-station. The Company had also clarified (September 2010) that the PIU consumers having connected load between one and two MW released at voltage less than 33 KV after 16th April 2007 are liable for LVSS.

In this regard Audit scrutiny (March 2013) showed that the consumers were allowed to draw electricity at voltage lower than the prescribed standard without charging LVSS amounting to ₹ 2.40 crore in respect of eight consumers as detailed in **Appendix 3.4.**

The Management stated (November 2013) that wherever the LVSS have to be recovered the necessary recoveries are being effected.

3.1.6 Unauthorised use of power

Section 126 of Indian Electricity Act, 2003 provides that if on inspection of any premises of a consumer, the inspecting officer comes to a conclusion that such consumer is indulging in unauthorised use of electricity, he shall provisionally assess to the best of his judgment the electricity charges payable by such person. The explanation (b)(iv) to the section *ibid.* define 'unauthorised use of electricity' means the uses of electricity for the purpose other than for the usage of electricity was authorised. The assessment under this section shall be made at a rate equal to twice the tariff applicable for the relevant category of services. Further, the Hon'ble Supreme Court of India in its judgement[6] had concluded that the cases of excess load consumption than the connected load *inter alia* would fall under Explanation (b) (iv) to Section 126 of 2003 Act.

Audit noticed (March 2013) that the assessment for unauthorised usage of power was not done as *per* the provisions *ibid.* resulting in non recovery of ₹ 2.84 crore enhanced charges as detailed below:

(i) In case of 10[7] industrial consumers under Operation Circles, Solan and Nahan variation between the recorded and sanctioned contract demand for the period from January 2010 to September 2012 was between 20 to 213 *per cent*, which was indicative of the fact that the consumers were using power unauthorisedly. The field units had taken no action to physically check their connected load due to which action under section 126 of the Act *ibid.* to recover ₹ 1.16 crore could not be initiated.

6 The Executive Engineer *versus* M/s Sri Seetaram Ricemill (Para 58) delivered on 20 October 2011.

7 Account No.(₹ in crore) TLS-1:0.04, SW-154: 0.09, APJ-1:0.03, GMI-2: 0.14, HS-1:0.11, LP-415:0.53, MS-143:0.07, KAI-54:0.03, JAST-1:0.03 and LP-787:0.09.

(ii) A commercial connection under Sub-division, Barotiwala with a connected load of 19.470 KW (21.63 KVA) was released (July 2010) to one consumer[8] with sub metering to record consumption of other consumers to whom the flats had been sold. During the period from August 2010 to November 2012 the monthly energy consumption of the connection was between 0.30 lakh and 0.99 lakh units (between 161 KVA and 195 KVA) which was much higher to the permissible limit of 0.07 lakh[9] units on sanctioned load which indicated that the consumer had extended the load unauthorisedly. On the basis of energy consumption, the consumer should had been billed under two part tariff and charged enhanced energy charges for un-authorised drawl of power. Failure to check the load of the consumer had deprived the Company to recover ₹ 65.37 lakh as enhanced charges recoverable under Section 126 of the Act *ibid.*

(iii) Twelve[10] industrial consumers under Tahliwal and Nalagarh II Sub-divisions were provided power connections between August 2007 and March 2010 with restricted contract demand and drawl of power during night hours only. Audit noticed (March 2013) that these restrictions were not adhered to by the consumers and the consumers availed the load during peak and normal hours above the restricted load for which the consumers were liable to pay enhanced energy charges at the rate of ₹ 2.80 *per* KVAh on 9,32,207 KVAh and CD violation charges at the rate of ₹ 300 *per* KVA on 23,084 KVA to the extent of ₹ 1.03 crore.

The Management stated (November 2013) that these cases could not be got verified on case to case basis and action shall be taken as *per* the reasoned orders of the Assessing Officer as required under Section 126 of the Indian Electricity Act, 2003.

3.1.7 Under charging for temporary supply

Schedule of tariff applicable from April 2008 envisages the levy of demand charges at the rate of ₹ 300/*per* KVA on the contract demand for temporary supply of power. Audit noticed (March 2013) that in three[11] cases under Operation Circles, Nahan, Dalhousie and Solan demand charges were levied on 90 *per cent* of the contract demand instead of sanctioned CD[12]. This resulted in short recovery of ₹ 18.87 lakh (amount calculated at the rate of ₹ 300 *per* KVA up to March 2011 and ₹ 350 *per* KVA thereafter).

The above points were reported to the State Government in June 2013; their reply was awaited (November 2013).

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8 M/s Hill View Group.

9 Worked out at 60 *per cent* demand factor, 20 hours a day and 30 days in a month.

10 (₹ in crore) M/s S.K. Raps: 0.05, S.R.Steel: 0.22, Himalaya Kraft: 0.06, VIP Pharma: 0.05, NICE Indu: 0.11, U Drug: 0.05, S.B. Stone Crusher: 0.03, Doon Stone Crusher: 0.15, Jindal Padding: 0.08, C.L Chem: 0.11, LS-159: 0.07 and A.H care:0.05.

11 M/s USV Limited, Met Trade India and Indian Technomac.

12 Sanctioned Contract Demand : 899 KVA, 150 KVA and 1000 KVA.

3.2 Loss of revenue due to non recovery of surcharge

Failure of the Company in issuing specific instructions to ensure receipt of energy charges deposited through cheques as *per* the provisions of the Electricity Supply Code, 2009 resulted in non recovery of surcharge of ₹ 41.33 lakh from the Industrial Consumers.

Clause 5.3.1 (i) read with Clause 5.3.5 of the Electricity Supply Code, 2009 provides that the payment of the bills of industrial consumers (Large, Medium and Small supply) will be effected within a period of ten days from the date of delivery of bills in cash, local cheques, demand draft, bank transfer, e-banking, credit/debit card or in such manner as the licensee may notify. General Condition- 'L' of Part-I of Schedule of tariff as approved by the Himachal Pradesh Electricity Regulatory Commission (HPERC) from time to time further provides for levy of late payment surcharge at the rate of 2 *per cent per* month and part thereof on energy charges only from the above categories of consumers.

The test check of energy bills of Industrial Consumers having energy bills of ₹ 20.00 lakh and above issued by the Central Billing Cell, Operation Circle, Una of the Himachal Pradesh State Electricity Board Limited (Company) in audit (December 2012) revealed that the cheques were deposited by the Industrial Consumers on the last day of the due dates and the amounts thereof were credited to the account of the Company after a delay ranging between 2 and 17 days without levy of late payment surcharge. The receipt of payment after delay without levy of surcharge was in violation of the provisions *ibid.* Neither the period of ten days for payment through cheques from the date of delivery of energy bills was specified for these consumers nor the directions in line with the provisions were ever issued to the concerned banks to clear such cheques and credit the amount to the accounts of the Company within due date of payment. Also, the Company had never investigated the reasons for delayed clearances of the local cheques deposited by these consumers without any surcharge.

The receipt of payment after delay without surcharge in one circle alone resulted in revenue loss of ₹ 41.33 lakh on account of surcharge during the period from May 2011 to October 2012 as detailed in the **Appendix 3.5.** In the absence of any specific instructions to collect payment through cheques before scheduled due date similar loss due to evasion of payment of surcharge by consumers in other Circles of the Company cannot be ruled out.

The Chief Engineer Operation (North), Dharamsala stated (May 2013) that the matter was being looked into and all the official concerned had been advised to keep a strict watch on bank balances of such consumers while accepting the cheque from them so that the Company does not suffer such type of financial loss in future.

The reply points towards the fact that the present system is deficient and is required to be improved so as to ensure recovery of energy bills within a period of ten days from the date of delivery of bills as *per* the provisions of the

Electricity Supply Code, 2009 failing which the payments deposited through cheques should be received from the consumer along with the prescribed amount of surcharge.

The matter was reported to the State Government in June 2013; their reply was awaited (November 2013).

Himachal Pradesh State Civil Supplies Corporation Limited

3.3 Extra expenditure due to purchase of Soya Refined oil at higher rates

The Company incurred an extra expenditure of ₹ 1.25 crore due to non placement of supply orders for imported oil and purchasing material at higher rates from a private party.

Government of India, Ministry of Consumer Affairs, Food and Public Distribution implemented a scheme for distribution of subsidised imported edible oil during 2008-09 which was further extended up to March 2010. As some of the States failed to lift the substantial quantities of oil under the subsidised scheme in 2008-09, the Government of India decided (August 2009) that imported edible oil would thenceforth be contracted by Central PSUs only after signing a detailed agreement with States and after receipt of advance payment/bank guarantee. Accordingly, the Himachal Pradesh State Civil Supplies Corporation Limited (Company) executed an agreement with the PEC Limited (a Government of India Undertaking) in September 2009 to cover the demand of imported edible oil for September 2009 to March 2010. Clause 2 (ii) of the agreement provided that the buyer shall make 10 *per cent* payment as advance to the PEC Limited and balance at the time of delivery of crude Soya Bean Oil in loose to the packers for refining/packing.

Audit observed (February 2011) that the Company, despite entering into an agreement with PEC Limited, purchased 15.00 lakh litres Soya refined oil for November 2009 from open market at the rate of ₹ 43.55 *per* litre from M/s Ruchi Soya Industries against the imported oil rates of ₹ 37.86 *per* litre. However, the imported Soya refined oil (22.00 lakh litres) was procured from PEC Limited for the month of December 2009 by depositing the advance payment in November 2009 at the rate of ₹ 37.86 *per* litre. Thus, non-placement of supply order for 15.00 lakh litres Soya refined oil for November 2009 on PEC Limited resulted in an extra expenditure of ₹ 85.35 lakh[13].

Further, the Company requested (November 2009) PEC Limited to procure 2500 MT oil for the month of January and February 2010 for which it demanded (7 December 2009) 10 *per cent* advance payment of ₹ 1.17 crore. However, no advance was paid inspite of the approval of the Managing

[13] 15.00 lakh litre x ₹ 5.69 (₹ 43.55-₹37.86)=₹ 85.35 lakh.

Director obtained in December 2009 to deposit the said amount. Meanwhile, the Company finalised tender in favour of M/s Ruchi Soya Industries, Indore on 6 January 2010 for procurement of 15.00 lakh litre Soya Refined Oil for the month of February 2010 at the rate of ₹ 49.77 *per* litre, which was higher by ₹ 2.65 *per* litre as compared to PEC Limited rates of ₹ 47.12. This also resulted in an extra expenditure of ₹ 39.75 lakh. The advance of ₹ 1.17 crore was actually deposited during 2nd week of February 2010 with PEC Limited which was demanded for the supply of January and February 2010 and the supplies thereagainst were received in March 2010 and onwards. Thus, failure of the Company in procuring imported oil resulted in avoidable expenditure of ₹ 1.25 crore on procurement of 15 lakh litres Soya Refined Oil each for the months of November 2009 and February 2010 from a private party.

The State Government admitted (April 2013) the fact that the Company had confirmed the demand of 2500 MTs Soya Refined Oil to PEC Limited in November 2009 and stated that the Company did not remit the advance due to the fact that the earlier booked quantity was not completed, besides non availability of adequate ready stock with PEC Limited.

The reply was not based on facts because non completion of earlier booked supply was not due to any capacity constraints of the PEC Limited but due to delay in lifting of supply by the transporters appointed by the Company, as was evident from repeated messages sent by the PEC Limited to the Company.

Himachal Pradesh State Forest Development Corporation Limited

3.4 Avoidable payment of interest on discharge of royalty in advance

Failure of the Company in availing the benefit of extended period for payment of royalty in respect of low lying lots for the year 2007-08 and high lying lots for the year 2008-09 resulted in avoidable payment of interest of ₹ 58.83 lakh.

Royalty for trees taken over by the Himachal Pradesh State Forest Development Corporation Limited (Company) from the Government of Himachal Pradesh, Department of Forest (Department) for exploitation is required to be paid to the Government in installments depending upon the working period of lots. Delay in payment of royalty attracts interest at the rate of 9 *per cent per annum*.

The working of low lying lots for the year 2007-08 and high lying lots for the year 2008-09 allotted to the Company by the Department for exploitation was delayed due to the intervention of the Hon'ble High Court of Himachal Pradesh. In view of this, the Pricing Committee of the State Government in its meeting held on 19 August 2008 decided (item No.12) to allow one year extra time for working on low lying lots of 2007-08 and high lying lots of 2008-09 without charging any extension fee and interest on royalty. Consequently, the revised time schedule for payment of royalty for low lying lots/ high lying lots of 2007-08/2008-09 was 18 September 2009 and 28 February 2010 respectively with a grace period of 90 days. Meanwhile, the Company had already deposited the first installment in respect of low lying lots for the year 2007-08 amounting to ₹ 113.25 lakh in June/July 2008.

Audit noticed (May 2012) that the Company, without keeping in view the extended period for payment of royalty in respect of low lying lots for the year 2007-08 (18 September 2009) and for high lying lots for the year 2008-09 (28 February 2010), deposited second installment of low lying lots for the year 2007-08 amounting to ₹ 2.28 crore and first installment of high lying lots of 2008-09 amounting to ₹ 3.04 crore in September 2008 and March 2009 respectively. Further, as the Company was going through a financial crunch the payment of royalty was made after availing cash credit limit from Kangra Central Co-operative Bank at the interest rate ranging between 10 to 11.50 *per cent per annum*.

Thus, the failure of the Company in availing the benefit of extended time schedule for payment of royalty of ₹ 5.32 crore, as allowed by the Pricing Committee in August 2008, resulted in avoidable payment of interest amounting to ₹ 58.83 lakh during the period from September 2008 to February 2010.

The matter was reported to the Management (July 2012) and the State Government (March 2013); their replies were awaited (November 2013).

3.5 Excess payment of royalty

Failure of the Company in restricting the payment of royalty to 50 *per cent* of the prescribed rates for road alignment forest lots resulted in excess payment of royalty and VAT amounting to ₹ 39.22 lakh.

The Pricing Committee (PC) of the State Government decided (May 2011) that royalty will be charged at the rate of 100 *per cent* in respect of road alignment lots which are near to National or State Highways and at a rate of 50 *per cent* in respect of other road alignment lots. The payment of royalty and VAT in respect of timber lots allotted to the Company by the State Forest Department was to be made by the Corporate Office of the Company on receipt of details from the field units.

Six[14] Forest Working Divisions (FWDs) of the Company received 46 lots during 2010-11 and 2011-12 from the Forest Department of the State Government which were away from the National or State Highways. As *per* the decision of the PC *ibid.*, the royalty in respect of these lots was payable at the rate of 50 *per cent* of royalty rates applicable for the relevant year. It was, noticed in audit (May 2012 and January 2013) that the concerned Forest Working Divisions did not intimate the Corporate Office of the Company that these lots were far away from National or State Highways. The Corporate Office, however, released the payment of royalty for these lots at 100 *per cent* rates taking them to be near the National or State Highways. This resulted in

[14] Chamba, Chopal, Dharamsala, Kullu, Mandi and Rampur.

excess payment of royalty and VAT amounting to ₹ 39.22 lakh (as detailed in the **Appendix 3.6**).

The Management while accepting (May 2013) the contentions of the audit in principle stated that the revised data sheet has been sent to the Forest Department for their concurrence. The amount of royalty and VAT paid in excess will be adjusted against the due payments after receipt of concurrence of the Forest Department.

The reply of the Management is an admission of the fact that the excess royalty and VAT have been paid which has not been adjusted so far (May 2013). Even if the State Government agreed to adjust the excess royalty paid, the Company still would not be able to recover the VAT amounting to ₹ 4.74 lakh paid to tax authorities. Further, the Company needs to issue necessary instructions to its field units to send complete details of each lot to the Corporate Office so as to avoid re-occurrence of such type of omissions resulting in avoidable expenditure in future.

The matter was reported to the State Government in June 2013; their reply was awaited (November 2013).

3.6 Non-recovery/avoidable payment of Education Cess on tax deducted at source

Failure of the Company in recovering the Education Cess from the purchaser of timber up to September 2009 as *per* the terms and conditions of sale of timber coupled with its regular deposit up to March 2013 even after its discontinuance in October 2009 by the Government of India resulted in loss of ₹ 25.53 lakh to the Company.

As *per* condition 4 of auction/sale of timber; the bid by the bidder shall be inclusive of all taxes whether VAT as applicable and TDS (except surcharge and education cess) under Section 206-C read with section 44 AC of the Income Tax Act 1961. This clearly implies that the Education Cess has not been included in the bid price and will have to be recovered from the bidder in addition to bid price. Further, Education Cess was applicable up to September 2009 at the rate of 3 *per cent* {*i.e.* 2 *per cent* Education Cess (EC) and one *per cent* Secondary and Higher Education Cess (S&HEC)} on the amount of 2.5 *per cent* income tax deducted at source. However, no EC and S&HEC were applicable with effect from 1 October 2009 (Finance Act, 2009) on the tax deducted at source, except in case of payment of salary to residents and non residents.

Audit scrutiny (May 2011) of records showed that the Company did not recover Education Cess amounting to ₹ 3.51 lakh in addition to bid amount from various purchasers[15] of timber as *per* the terms and conditions of the auction during the period from April 2009 to September 2009. Since, this was

[15] At six Himkashtha Sale depots, namely Mantaruwala, Baddi, Swarghat, Dhanotu, Nurpur and Bhadroya.

not recovered from the purchasers; the Company had to deposit the same from its own resources. Further, the Company also deposited ₹ 22.02 lakh on account of EC and S&HEC along with the TDS during the period from October 2009 to March 2013 which was discontinued with effect from October 2009 as *per* the Finance Act, 2009.

Thus, failure of the Company in recovering the element of EC and S&HEC paid on TDS during the period from April 2009 to September 2009 coupled with its irregular payment with effect from October 2009 to March 2013 resulted in loss of revenue of ₹ 25.53 lakh to the Company.

The matter was reported to the State Government/Management in February 2013; their replies were awaited (November 2013).

3.7 Excess payment of royalty and value added tax

Failure of the Company in treating the forest lots for the years in which actual extraction work was started for the payment of royalty resulted in excess payment of royalty and VAT amounting to ₹ 20.72 lakh.

As *per* decision taken by the Pricing Committee (Department of Forests) in a meeting held on 28 October 1999, all the marking lists containing category/species-wise details of trees marked for extraction which are taken over by the Divisional Manager before 15 September in case of sub-tropical areas and 15 December for the temperate areas will be considered to have been sent for the year in question. If there is any delay, these lots will be considered for the subsequent year. Further, the Pricing Committee decided (September 2007) {Item No.1(A)(iii)} that the lots handed over after the stipulated date of handing over, unless otherwise stated, shall be considered as next year's lot except in cases where the Company manages to start work on the lot during the same year. Such lots shall be considered as lots of the year of handing over.

Audit noticed (February/May 2012) that Forest Working Divisions, Shimla, Sawra and Mandi received five lots during 2008-09 after due dates and the Divisional Managers of these divisions allotted/started the extraction work during the year of receipt (2008-09). In view of the decision of the Pricing Committee *ibid.* these lots were to be treated as the lots for the year 2008-09. However, the Company treated these lots as the lots for the year 2009-10 and paid royalty applicable for the year 2009-10 which was higher as compared to the rates for the year 2008-09. Thus, the failure of the Company in correctly regulating the payment of royalty by treating these five lots for the year in which the actual extraction work was started resulted in excess payment of royalty and VAT amounting to ₹ 20.72 lakh (as detailed in the **Appendix 3.7**).

The matter was reported to the Management (July 2012) and the State Government (March 2013); their replies were awaited (November 2013).

Himachal Pradesh Power Corporation Limited

3.8 Loss of interest due to delay in recovery of mobilisation advance

Failure of the Company to recover mobilisation advance in a time bound manner resulted in avoidable interest loss of ₹ 9.40 crore.

Common contractual and financial prudence demands that recoveries of interest free advances made to the contractors out of borrowed funds should be made promptly so as to avoid any extra financial loss of interest to the Company. To regulate such recoveries, the Central Vigilance Commission (CVC) had also issued guidelines (April 2007) which stipulated that recovery of mobilisation advance to any contractor should time based and not to be linked with the progress of works so as to reduce the scope for its misuse.

The Himachal Pradesh Power Corporation Limited (the Company) awarded (June 2010) the works relating to construction of 100 MW Sainj Hydro Electric Project to M/s Hindustan Construction Company Limited at a total cost of ₹ 431.00 crore with the scheduled date of completion of July 2014 (48 months). As *per* provisions contained in clause 14.2 of the contract agreement entered into (June 2010) with the contractor, an interest-free mobilisation advance aggregating ₹ 43.10 crore[16] was allowed to the contractor in three instalments between August 2010 and March 2011 which was released as *per* stipulated time schedule against bank guarantee of the corresponding amount.

Audit observed (February 2012) that the entire amount of the advance so allowed remained with the contractor up to 1 February 2013 without any recovery as the contractor failed to execute specified 30 *per cent* quantity of work even after the expiry of 31 months (up to January 2013) from the date of award (June 2010) against the scheduled time of completion of work of 48 months due to slow pace of work attributed to him only. The recovery against mobilisation advance was, however, started from February 2013 in the 23rd running account bill when the agreed 30 *per cent* progress of works was achieved by the contractor. The delay in adjustment of advance assumes significance as the Company has been borrowing funds for the execution of this project from the Asian Development Bank carrying interest at the rate of 10 *per cent per annum*. Thus, linking its recovery with the progress of work instead of recovering it in a time bound manner as *per* CVC's guidelines *ibid.* resulted in avoidable loss of interest of ₹ 9.40 crore[17].

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16 ₹ 21.55 crore in August 2010, ₹ 10.77 crore in February 2011 and ₹ 10.78 crore in March 2011.

17 The interest loss has been worked out at the rate of 10 *per cent per annum* from the date of release of installments to 1 February 2013.

The State Government stated (June 2013) that the advance payment has been made to the contractor as *per* the clause 14.2 of General Condition of Contract. Further, as *per* the revised guidelines of February 2008 the decision to stipulate interest free mobilisation advance rests at the level of the Board of Directors in the organisation.

The reply did not address the core issue raised by Audit that recovery of interest free mobilisation advance should be in a time bound manner on monthly basis and should not be linked with the progress of work as stipulated in the CVC guidelines especially when the advance had been released from the interest bearing borrowed fund.

3.9 Excess payment of Infrastructure Development Charges

Payment of advance cost share towards infrastructural development charges in addition to full estimated cost resulted in excess payment of infrastructure development charges of ₹ 38.60 lakh to HPSEBL.

Regulation 8 of the Himachal Pradesh Electricity Regulatory Commission (Recovery of Expenditure for Supply of Electricity) Regulations, 2005, *inter alia*, envisaged that the applicant shall, before the commencement of work, deposit 100 *per cent* estimated cost of the works involved, on receipt of demand from distribution licensee. Condition 3.2 of Chapter-III of Himachal Pradesh Electricity Supply Code, 2009 stipulates that in case of a new connection exceeding 100 KW load, the consumer shall apply for grant of Power Availability Certificate (PAC) on payment of advance cost share towards Infrastructure Development Charges (IDC) at the rate of ₹ 1000/- *per* KW of the load applied for. Condition No. 3.2.5 further stipulates that on submission of application for supply of connection, the licensee should adjust the amount of the advance cost share towards initial estimated amount payable under the Himachal Pradesh Electricity Regulatory Commission (Recovery of Expenditure for Supply of Electricity) Regulations, 2005.

With a view to construct the Sainj Hydro Electric Project, the Himachal Pradesh Power Corporation Limited required power connection from the Himachal Pradesh State Electricity Board (now HPSEBL). To supply construction power to the Company, the existing substation at Sainj was required to be augmented along with construction of 11 KV dedicated feeder. On the basis of estimates prepared by the HPSEBL for this work, the Company deposited the entire infrastructure cost of ₹ 4.09 crore in April 2009. After completion of all the formalities, the Company applied for (September 2011) consolidated PAC with total connected load of 3,860 KW and Contract Demand of 4,290 KVA power required for construction of Sainj Hydro Electric Project.

During audit it was noticed that while issuing PAC in January 2012 in favour of Sainj Hydro Electric Project for a load of 3,860 KW with contract demand of 4,290 KVA, the HPSEBL also demanded ₹ 41.88 lakh, which included ₹ 38.60 lakh on account of advance cost share towards infrastructural development charges at the rate of ₹ 1000 *per* KW for total connected load of 3,860 KW along with a non refundable earnest money of ₹ 3.28 lakh as security deposits. Since the Company had already deposited full infrastructure cost of ₹ 4.09 crore in April 2009, the demand of ₹ 38.60 lakh on account of advance cost share towards infrastructural development charges was not justified. The Company instead of protesting the demand for advance cost share towards infrastructural development charges, deposited the entire cost of ₹ 38.60 lakh in January 2012. Thus, the deposit of advance cost share towards infrastructural development charges, in addition to full estimated cost, resulted in excess payment of Infrastructure Development Charges of ₹ 38.60 lakh to the HPSEBL.

The Management stated (May 2012) that their office was stressing upon the HPSEBL authorities for refund of the said amount as *per* the clarifications/instructions issued by HPERC. The Management further added (August 2012) that the Supply code 2009 was notified in May 2009 which made it mandatory to have a PAC for any applicant exceeding 100 KW demand and accordingly the payment of ₹ 38.60 lakh was deposited with HPSEBL in January 2012 for availing PAC for a load of 3,860 KW. Moreover, release of connection has not been achieved and final adjustment would be made after release of connection is fully achieved.

Both the replies of the Management are contradictory to each other. Further, the reply given later on is not acceptable as the advance cost share towards infrastructural development charges was to be paid in advance at the time of application for load and was adjustable at the time of depositing the estimated cost. In this case the company had deposited the entire cost (April 2009) before the issue of PAC and as such there was no necessity to deposit advance cost share towards infrastructural development charges in January 2012.

The matter was reported to the Government in May 2013; their reply was awaited (November 2013).

3.10 Excess payment of Net Present Value for diversion of forest land

Failure of the Company in verifying the details of calculation of NPV as intimated by the Forest Department before release of payment for diversion of forest land resulted in excess payment of NPV amounting to ₹ 95.03 lakh with consequential interest loss of ₹ 33.26 lakh.

Government of India, Ministry of Environment & Forest (MoE&F) accorded approval (14 September 2009) for diversion of about 48 hectare forest land in Kullu District in favour of Himachal Pradesh Power Corporation Limited (Company) for the construction of 100 MW Sainj, Hydro Electric Project (Project). Paragraph-2 of the sanction stipulates that the State Government shall charge the Net Present Value (NPV) of the diverted forest area from the user agency as *per* the guidelines issued by the Ministry of Environment and Forests (MoE&F) in February 2009. The funds as received from the user agency were required to be transferred to *Ad-hoc* CAMPA, New Delhi.

Accordingly, a bill amounting to ₹ 4.30 crore on account of NPV of 47.993 hectare of diverted land was raised by the Forest Department in September 2009. The bill was raised by applying the rates of ₹ 8.97 lakh *per* hectare as applicable for dense forest having density between 10 to 40 *per cent*. The payment was released by the Company on 25 September 2009.

Audit noticed (February 2012) that there were 2,344 trees in this particular forest area (as mentioned by the Conservator of Forests, National Park, Shamshi) on the basis of which actual density of the diverted forest worked out to 6.11 *per cent* (*i.e.* less than 10 *per cent*). Therefore, the diverted land had a forest cover of less than 10 *per cent* and fell under the category of 'Open Forest' for which a rate of ₹ 6.99 lakh *per* hectare was applicable for computation of NPV. Thus, the payment of NPV at the rates ₹ 8.97 lakh *per* hectare which was applicable for 'Dense Forest' having forest density between 10 to 40 *per cent* resulted in excess NPV payment of ₹ 95.03 lakh to the Forest Department. As the Company is constructing project with funds borrowed from the Asian Development Bank, the payment of excess NPV further resulted in interest loss of ₹ 33.26 lakh[18] during the period from October 2009 to March 2013.

The Management stated (January 2013) that the Forest Department had clarified that the density calculation of any forest was based on the ocular/ visual estimate by the forest officials and field functionaries followed by ground truthing. In this case, the same procedure had been followed and therefore, the rates charged by the Forest Department were correct. The Management further stated (March 2013) that the State Government has prescribed (January 2004) the procedure for determining the percentage wherein 100 *per cent* forest cover for mixed crop of tree (mature and young) shall be worked out by taking one mature tree equal to two young tree or *vice versa* . Since the number of trees involved in the proposal depicts presence of high number (949) of mature trees (class III and above) and has to be classified as *per* notification *ibid.* and accordingly the calculation done by the DFO justify the rates applied.

The reply was not satisfactory as the Company should have asked for the details of calculation in support of the NPV bill before release of payment. The second reply of the Management (March 2013) was not only in contradiction to its earlier reply but also an afterthought to justify release of payment without any details of calculation. This was evident from the fact that the percentage of density still remained less than 10 *per cent*, even if worked out on the basis of details now furnished in the second reply.

The matter was reported to the Government in February 2013; their reply was awaited (November 2013).

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[18] ₹ 95.03 lakh at the rate of 10 *per cent per annum* simple interest from October 2009 to March 2013 (42 months).

Himachal Pradesh Tourism Development Corporation Limited

3.11 Non recovery of Workers' Welfare Cess

Failure of the Company in recovering the Workers' Welfare Cess from the contractors resulted in non-recovery of ₹ 14.22 lakh besides attracting penalty for non-payment of cess to the cess authorities.

Government of India notified (November 1995) "The Building and other Construction Workers' Welfare Cess Act, 1996" with a view to augment the resources for the Building and Other Construction Workers' Welfare. As *per* the Act, cess was to be levied and collected at such rates not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer. Accordingly, the Government of Himachal Pradesh, belatedly, framed (4 December, 2008) rules which became applicable with effect from 8 December, 2008. The State Government also constituted (March 2009) the Workers Welfare Board for this purpose. According to the rules, all Government Departments and Public Sector Undertakings carrying out construction activities were required to deposit cess with the Himachal Pradesh Building and Other Construction Workers Welfare Board on the total cost of construction incurred excluding cost of land and compensation paid to workers under the Workmen's Compensation Act.

In view of the above, the Company was required to deduct workers welfare cess from December 2008 at the rate of one *per cent* of the cost of construction in respect of the bills from different contracts entered into by the Company and remit the amount of cess so deducted to the cess authorities.

We noticed (February 2012) that despite the above instructions of the Government, the Company did not recover the cess from the Contractors' bills as required under the Act *ibid.* Resultantly, during 2009-10, 2010-11 and 2011-12 (up to November 2011), against the expenditure of ₹ 1,421.65 lakh incurred by Company on various contracts, the Workers' Welfare Cess amounting to ₹ 14.22 lakh could not be recovered from the contractors.

Non-recovery from the contractors not only violated the provisions of Cess Rules, 1998 but was also punishable for non-payment of cess to the authorities as *per* Section 9 of the *ibid.* Act.

The State Government while admitting (April 2013) the fact that there was abnormal delay of three years in implementation of said rules stated that the delay in deducting the cess was due to non availability of related documents which were to be supplied by the Labour Department for getting registration in this regard. The registration certificate was issued in November 2011 and after that the Company started deduction of labour cess.

The reply of the State Government was not acceptable as the necessary formalities should have been completed immediately after notification of rules by the State Government in December 2008.

Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh General Industries Corporation Limited

3.12 Excess EPF contribution

Failure to limit employer's contribution towards Employees' Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 resulted in excess contribution of ₹ 15.32 crore.

Para 29 (1) of the Employees' Provident Funds Scheme, 1952 (Scheme) provides that the contribution payable by an employer under the scheme shall be twelve *per cent* of the basic wages, dearness allowance and retaining allowance (if any) payable to each employee to whom the Scheme applies. Para 26 A (2) of the Scheme further provides that where the monthly pay of an employee exceeds ₹ 6,500, the contribution payable by the employer shall be limited to the amount payable on a monthly pay of ₹ 6,500. Para 29 (2) of the Scheme also provides that the contribution payable by an employee to whom the Scheme applies, if he/she so desires, could be an amount exceeding the above limit subject to the condition that employer shall not be under an obligation to pay any contribution over and above his contribution payable under the Scheme. Accordingly, all Public Sector Undertakings covered under the Scheme were required to restrict their contribution to the prescribed limit.

Audit noticed (April 2011 and January 2012) that the Himachal Pradesh Tourism Development Corporation Limited (HPTDC), Himachal Pradesh State Civil Supplies Corporation Limited (HPSCSC) and Himachal Pradesh General Industries Corporation Limited (HPGIC) contributed employers' share at the rate of twelve *per cent* of the pay without applying the prescribed limit of ₹ 6,500 in contravention of the provisions of the Scheme *ibid.* This resulted in an excess contribution of ₹ 15.32 crore during the years 2009-10 to 2012-13 by the three companies (as *per* details given in **(Appendix 3.8)**.

The State Government in respect of HPSCSC stated (May 2013) that the para 29(1) of the Employees Provident Funds Scheme provides only rates of contribution i.e., twelve *per cent* of the basic wages, dearness contribution and retaining allowance and para 29(2) provides the contribution payable by employee under this scheme be equal to the contribution payable by the employer in respect of such employee. The Management of HPGIC stated (June 2012) that the HPGIC was formed on 01 April 1988 upon the transfer of industrial units of Himachal Pradesh State Industrial Development Corporation Limited to erstwhile Himalaya Fertilizers Limited and some of the employees working in HPSIDC Head Office were transferred to HFL which was later re-named as HPGIC and these employees are covered under Provident Fund Trust Rules applicable from 1 April 1975. The State Government in respect of HPTDC stated (September 2013) that the BOD of the Company decided (June 2012) that the contribution of the employer towards EPF be linked with profit or loss of the Company. In case the

Company in a particular year after making CPF contribution runs in to loss then from the next year onward the contribution will be restricted on ₹ 6,500.

The reply of the State Government was not acceptable as para 26 (6) and para 26 A (2) of the Scheme do not empower the employer to contribute over and above the limit fixed under para 29 and as such, the excess contribution was in violation of the Employees Provident Funds Scheme, 1952 and the reply of HPGIC was not tenable as the employees pointed out by audit belonged to Country Liquor Bottling Plants, Mehatpur and Parwanoo, of the Company who were covered under Employees' Provident Funds Scheme, 1952. The reply in respect of the HPTDC was also not tenable as the BOD was not empowered to link the statutory limit with the profit or loss of the Company.

Shimla
The 29 JAN 2014

(SATISH LOOMBA)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 3 FEB 2014

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Refer paragraph 1.1, 1.15 and 1.30)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised as on 30 September 2013

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Himachal Pradesh Agro Industries Corporation Limited	2010-11	2013-14	(-) 4.83	0.07	0.08	(-) 4.98	39.62	(-)10.54	11.80	(-)18.75	(-)4.66	(-) 4.91	**(-) 105.36**
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2011-12	2012-13	(-) 14.24	0.12	0.37	(-) 14.73	39.58	(-)9.66	38.76	(-) 70.01	4.42	(-)14.61	**(-) 330.54**
3.	Himachal Pradesh State Forest Development Corporation Limited	2009-10	2011-12	9.75	1.53	0.51	7.71	136.82	(-)56.08	11.71	(-) 40.95	126.45	9.24	7.31
Sector wise total				**(-) 9.32**	**1.72**	**0.96**	**(-) 12.00**	**216.02**	**(-) 76.28**	**62.27**	**(-) 129.71**	**126.21**	**(-) 10.28**	**(-) 8.15**
FINANCING														
4.	Himachal Backward Classes Finance and Development Corporation	2009-10	2012-13	0.77	0.31	0.01	0.45	1.56	-	10.18	4.33	23.28	0.76	3.26
5.	Himachal Pradesh Mahila Vikas Nigam	2010-11	2012-13	0.16	-	-	0.16	0.40	(-)0.59	6.05	0.41	6.47	0.16	2.47
6.	Himachal Pradesh Minorities Finance and Development Corporation	2010-11	2012-13	0.01	0.32	0.02	(-)0.33	0.60	0.63	6.95	(-)3.11	16.94	(-)0.01	**(-)0.06**
Sector wise total				**0.94**	**0.63**	**0.03**	**0.28**	**2.56**	**0.04**	**23.18**	**1.63**	**46.69**	**0.91**	**1.95**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INFRASTRUCTURE														
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2012-13	2013-14	-	-	-	-[4]	-	-	25.00	-	1027.37	-	-
8.	Himachal Pradesh State Industrial Development Corporation Limited	2011-12	2012-13	7.24	-	0.21	7.03	25.83	0.79	30.82	16.89	42.65	7.03	16.48
Sector wise total				**7.24**	**-**	**0.21**	**7.03**	**25.83**	**0.79**	**55.82**	**16.89**	**1070.02**	**7.03**	**0.66**
MANUFACTURE														
9.	Himachal Pradesh General Industries Corporation Limited	2011-12	2012-13	0.73	0.21	0.08	0.44	26.10	0.44	7.16	(-)3.47	6.22	0.65	10.45
Sector wise total				**0.73**	**0.21**	**0.08**	**0.44**	**26.10**	**0.44**	**7.16**	**(-)3.47**	**6.22**	**0.65**	**10.45**
POWER														
10.	Beas Valley Power Corporation Limited	2012-13	2013-14	-	-	-	-[5]	-	-	282.25	-	-	-	-
11.	Himachal Pradesh Power Corporation Limited	2012-13	2013-14	-	-	-	-[5]	-	-	1002.89	-	-	-	-
12.	Himachal Pradesh Power Transmission Corporation Limited	2011-12 2012-13	2012-13 2013-14	- -	- -	- -	-[5] -[5]	- -	- -	166.70 172.49	- -	- -	- -	- -
13	Himachal Pradesh State Electricity Board Limited	2010-11	2012-13	(-)63.83	141.59	110.52	(-)315.94	2935.18	(-)360.47	971.78	(-) 885.59	4598.11	(-) 174.35	**(-)3.79**
Sector wise total				**(-)63.83**	**141.59**	**110.52**	**(-)315.94**	**2935.18**	**(-)360.47**	**2429.41**	**(-) 885.59**	**4598.11**	**(-) 174.35**	**(-)3.79**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
14	Himachal Pradesh State Civil Supplies Corporation Limited	2012-13	2013-14	5.19	0.25	1.02	3.92	1121.92	0.27	3.51	25.14	32.54	4.17	12.81
15.	Himachal Pradesh State Electronics Development Corporation Limited	2012-13	2013-14	0.58	-	0.06	0.52	39.43	(-)1.04	3.72	1.21	7.87	0.52	6.61
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2011-12	2012-13	0.72	-	0.04	0.68	21.22	-	8.75	(-)20.38	(-)2.87	0.68	(-)23.69
17.	Himachal Pradesh Tourism Development Corporation Limited	2011-12	2012-13	2.43	0.07	2.34	0.02	68.43	(-) 31.18	12.30	(-) 16.93	14.46	0.09	0.62
Sector wise total				**8.92**	**0.32**	**3.46**	**5.14**	**1251.00**	**(-)31.95**	**28.28**	**(-)10.96**	**52.00**	**5.46**	**10.50**
Total A (All sector wise working Government companies)				**(-)55.32**	**144.47**	**115.26**	**(-)315.05**	**4456.69**	**(-)467.43**	**2606.12**	**(-) 1011.21**	**5899.25**	**(-)170.58**	**(-)2.89**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit / Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
FINANCING														
1.	Himacal Pradesh Financial Corporation	2012-13	2013-14	(-)1.92	6.55	0.06	(-)8.53	8.71	0.40	99.57	(-)127.43	245.18	(-)1.98	**(-)0.81**
Sector wise total				**(-)1.92**	**6.55**	**0.06**	**(-)8.53**	**8.71**	**0.40**	**99.57**	**(-)127.43**	**245.18**	**(-)1.98**	**(-)0.81**
SERVICE														
2.	Himachal Road Transport Corporation	2011-12	2012-13	(-)49.58	12.22	18.85	(-)80.65	479.89[6]	(-)69.92	439.00	(-)653.45	(-)143.28	(-)68.43	**(-)47.76**
Sector wise total				**(-)49.58**	**12.22**	**18.85**	**(-)80.65**	**479.89[6]**	**(-)69.32**	**439.00**	**(-)653.45**	**(-)143.28**	**(-)68.43**	**(-)47.76**
Total B (All sector wise working Statutory corporations)				**(-)51.50**	**18.77**	**18.91**	**(-)89.18**	**488.60**	**(-)70.32**	**538.57**	**(-)780.88**	**(+)101.90**	**(-)70.41**	**(-) 69.10**
Grand Total (A + B)				**(-)106.82**	**163.24**	**134.17**	**(-)404.23**	**4945.29**	**(-)537.75**	**3144.69**	**(-)1792.09**	**6001.15**	**(-)240.99**	**(-)4.02**
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	Agro Industrial Packaging India Limited	2011-12 2012-13	2012-13 2013-14	(-) 0.24 (-) 0.16	- -	- -	(-) 0.24 (-) 0.16	- -	(-) 4.76 (-) 5.52	17.72 17.72	(-)78.04 (-)78.20	(-) 0.21 (-) 0.37	(-) 0.24 (-) 0.16	**(-)114.29** **(-)43.24**
Sector wise total				**(-) 0.16**	**-**	**-**	**(-) 0.16**	**-**	**(-) 5.52**	**17.72**	**(-)78.20**	**(-) 0.37**	**(-) 0.16**	**(-)43.24**

(Figures in column 5 (a) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURE														
2.	Himachal Worsted Mills Limited	2000-01	2001-02	(-)0.01	-	-	(-)0.01	-	-	0.92	(-)5.44	(-)0.64	(-)0.01	(-)1.56
Sector wise total				**(-)0.01**	**-**	**-**	**(-)0.01**	**-**	**-**	**0.92**	**(-)5.44**	**(-)0.64**	**(-)0.01**	**(-)1.56**
Total C (All sector wise non working Government companies)				**(-)0.17**	**-**	**-**	**(-)0.17**	**-**	**(-)5.52**	**18.64**	**(-)83.64**	**(-) 1.01**	**(-)0.17**	**(-)16.83**
Grand Total (A + B + C)				**(-)106.99**	**163.24**	**134.17**	**(-)404.40**	**4945.29**	**(-)543.27**	**3163.33**	**(-)1875.73**	**6000.14**	**(-)241.16**	**(-)4.02**

1 Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

2 Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

3 Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

4 Excess of expenditure over income is reimbursable by the State Government.

5 Companies (serial no. A-10, 11 and 12) have not prepared the profit and loss accounts.

6 Includes subsidy of ₹ 97.40 crore received during the year on account of issue of free/concessional passes and running buses on uneconomical routes.

Appendix 1.2

(Refer paragraph 1.7)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[7]				Loans[8] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	Septem-ber 1970	9.84	1.96	-	11.80	7.05	1.01	-	8.06	0.68:1 (-)	191
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	31.19	1.50	6.07	38.76	12.00	-	0.38	12.38	0.32:1 (0.19:1)	309
3.	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	11.71	-	-	11.71	-	-	101.80	101.80	8.69:1 (9.46:1)	2375
Sector wise total				**52.74**	**3.46**	**6.07**	**62.27**	**19.05**	**1.01**	**102.18**	**122.24**	**1.96:1 1.90:1**	**2875**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	10.46	-	-	10.46	-	-	12.71	12.71	1.22:1 (1.18:1)	18
5.	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	7.09	0.10	-	7.19	-	-	-	-	-	6
6.	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	Septem-ber 1996	8.09	-	-	8.09	-	-	14.53	14.53	1.80:1 (1.76:1)	13
Sector wise total				**25.64**	**0.10**	**-**	**25.74**	**-**	**-**	**27.24**	**27.24**	**1.06:1 (1.01:1)**	**37**
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	25.00	-	-	25.00	-	-	-	-	- -	2
8.	Himachal Pradesh State Industrial Development Corporation Limited	Industries	Novem-ber 1966	30.82	-	-	30.82	-	-	-	-	-	172
Sector wise total				**55.82**	**-**	**-**	**55.82**	**-**	**-**	**-**	**-**	**-**	**174**

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital [7]				Loans[8] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
9.	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	7.04	-	0.12	7.16	2.97	-	-	2.97	0.41:1 (0.41:1)	181
Sector wise total				**7.04**	**-**	**0.12**	**7.16**	**2.97**	**-**	**-**	**2.97**	**0.41:1 (0.41:1)**	**181**
POWER													
10.	Beas Valley Power Corporation Limited	MPP & Power	March 2003	-	-	282.25	282.25	-	-	526.50	526.50	1.87:1 (1.80:1)	242
11.	Himachal Pradesh Power Corporation Limited	MPP & Power	December 2006	352.68	-	650.21	1002.89	1098.41	-	36.62	1135.03	1.13:1 (0.96:1)	819
12.	Himachal Pradesh Power Transmission Corporation Limited	MPP & Power	August 2008	63.79	-	108.70	172.49	-	-	61.36	61.36	0.36:1 (0.68:1)	104
13	Himachal Pradesh State Electricity Board Limited	MPP & Power	December 2009	1021.78[9]	-	-	1021.78[9]	19.11	-	1801.67	1820.78	1.78:1 (1.89:1)	18,550
Sector wise total				**1438.25**	**-**	**1041.16**	**2479.41**	**1117.52**	**-**	**2426.15**	**3543.67**	**1.43:1 (1.45:1)**	**19,715**
SERVICE													
14.	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	September 1980	3.51	-	-	3.51	-	-	-	-	- (0.03:1)	922
15.	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	3.72	-	-	3.72	1.65	-	-	1.65	0.44:1 (0.48:1)	65
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	9.22	0.03	-	9.25	-	-	-	-	- (0.06:1)	84
17.	Himachal Pradesh Tourism Development Corporation Limited	Tourism & Civil Aviation	September 1972	12.30	-	-	12.30	-	-	-	-	-	1679
Sector wise total				**28.75**	**0.03**	**-**	**28.78**	**1.65**	**-**	**-**	**1.65**	**0.06:1 (0.08:1)**	**2750**
Total A (All sector wise working Government companies)				**1608.24**	**3.59**	**1047.35**	**2659.18**	**1141.19**	**1.01**	**2555.57**	**3697.77**	**1.39:1 (1.40:1)**	**25732**

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[7]				Loans[8] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	Industries	April 1967	92.98	-	6.59	99.57	11.80	-	117.46	129.26	1.30:1 (1.48:1)	37
Sector wise total				**92.98**	**-**	**6.59**	**99.57**	**11.80**	**-**	**117.46**	**129.26**	**1.30:1 (1.48:1)**	**37**
SERVICE													
2.	Himachal Road Transport Corporation	Transport	Septem-ber 1974	467.90	15.44	-	483.34	-	-	45.73	45.73	0.09:1 (0.14:1)	8,419
Sector wise total				**467.90**	**15.44**	**-**	**483.34**	**-**	**-**	**45.73**	**45.73**	**0.09:1 (0.14:1)**	**8,419**
Total B (All sector wise working Statutory corporations)				**560.88**	**15.44**	**6.59**	**582.91**	**11.80**	**-**	**163.19**	**174.99**	**0.30:1 (0.39:1)**	**8,456**
Grand Total (A + B)				**2169.12**	**19.03**	**1053.94**	**3242.09**	**1152.99**	**1.01**	**2718.76**	**3872.76**	**1.19:1 (1.22:1)**	**34,188**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	Horticulture	February 1987	16.75	-	0.97	17.72	60.15	-	-	60.15	3.39:1 (3.22:1)	3
Sector wise total				**16.75**	**-**	**0.97**	**17.72**	**60.15**	**-**	**-**	**60.15**	**3.39:1 (3.22:1)**	**3**

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital [7]				Loans[8] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
1.	Himachal Worsted Mills Limited	Industries	October 1974	-	-	0.92	0.92	-	-	-	-	-	-
Sector wise total				-	-	**0.92**	**0.92**	-	-	-	-	-	-
Total C (All sector wise non working Government companies)				**16.75**	-	**1.89**	**18.64**	**60.15**	-	-	**60.15**	3.23:1 (3.06:1)	**3**
Grand Total (A + B + C)				**2185.87**	**19.03**	**1055.83**	**3260.73**	**1213.14**	**1.01**	**2718.76**	**3932.91**	**1.21:1 (1.23:1)**	**34191**

Notes: Above includes three Section 619-B companies at Sr. No. A-10 to A-12.

7 Paid up capital includes share application money.

8 Loans outstanding at the close of 2012-13 represent long-term loans only.

9 Investment of ₹ 575.25 crore shown by the Company in its own projects has been qualified by the Statutory Auditors as fictitious investment in accounts for the year 2010-11.

Appendix 1.3

(Refer paragraph 1.10 and 1.12)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[10]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	-	5.00	4.43	4.95	0.25	9.63	8.00	0.43	-	-	-	-
2.	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	-	-	-	98.95	90.00	-	-	-	-
3	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	-	-	-	-	1.13	-	-	-	-
Sector wise total		**-**	**5.00**	**4.43**	**4.95**	**0.25**	**9.63**	**106.95**	**91.56**	**-**	**-**	**-**	**-**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	0.28	-	-	-	-	-	15.00	13.23	-	-	-	-
6.	Himachal Pradesh Minorities Finance and Development Corporation	0.64	-	-	0.02	-	0.02	18.00	14.53	-	-	-	-
Sector wise total		**0.92**	**-**	**-**	**0.02**	**-**	**0.02**	**33.00**	**27.76**	**-**	**-**	**-**	**-**

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[10]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	-	-	-	305.73	-	305.73	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**305.73**	**-**	**305.73**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
8.	Himachal Pradesh Power Corporation Limited	202.18		-	-	-	-	-	-	-	-	-	-
9.	Himachal Pradesh Power Transmission Corporation Limited	5.79	-	-	-	-	-	-	-	-	-	-	-
10	Himachal Pradesh State Electricity Board Limited	50.00		-	226.25	5.00	231.25	1396.76	1320.66	-	-	-	-
Sector wise total		**257.97**	**-**	**-**	**226.25**	**5.00**	**231.25**	**1396.76**	**1320.66**	**-**	**-**	**-**	**-**
SERVICE													
11.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	3.78	0.83	-	4.61	0.60	0.60	-	0.50	-	0.50
12.	Himachal Pradesh Tourism Development Corporation Limited	-	-	5.56	1.93	3.07	10.56	-	-	-	-	-	-
Sector wise total		**-**	**-**	**9.34**	**2.76**	**3.07**	**15.17**	**0.60**	**0.60**	**-**	**0.50**	**-**	**0.50**
Total A (All sector wise working Government companies)		**258.89**	**5.00**	**13.77**	**539.71**	**8.32**	**561.80**	**1,537.31**	**1,440.58**	**-**	**0.50**	**-**	**0.50**

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[10]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	-	-	-	-	-	-	-	63.50	-	-	-	-
Sector wise total		-	-	-	-	-	-	-	**63.50**	-	-	-	-
SERVICE													
2.	Himachal Road Transport Corporation	44.34	-	-	170.66[11]	-	170.66[11]	30.00	30.00	-	-	-	-
Sector wise total		**44.34**	-	-	**170.66[11]**	-	**170.66[11]**	**30.00**	**30.00**	-	-	-	-
Total B (All sector wise working Statutory corporations)		**44.34**	-	-	**170.66[11]**	-	**170.66[11]**	**30.00**	**93.50**	-	-	-	-
Grand Total (A + B)		**303.23**	**5.00**	**13.77**	**710.37**	**8.32**	**732.46**	**1567.31**	**1534.08**	-	**0.50**	-	**0.50**

10 Figures indicate total guarantees outstanding at the end of the year.

11 Also includes subsidy of ₹ 97.40 crore released by the State Government during 2012-13 for bridging the gap of losses sustained by the Corporation on account of free/concessional facilities provided to the various sections of society and running buses on uneconomical routes. Subsidy so provided has been taken as passenger income instead of subsidy.

Appendix 1.4

(Refer paragraph 1.21)

Statement showing investment made by the State Government in PSUs whose accounts are in arrears

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid-up capital as *per* latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Equity	Loan	Grants/subsidy	Others
Working companies/corporations			₹ in crore				
1	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2011-12	38.76	-	5.00	4.43	-
2	Himachal Backward Classes Finance and Development Corporation	2009-10	10.18	0.28 (2012-13)	-	-	-
3	Himachal Pradesh Mahila Vikas Nigam	2010-11	6.05	1.14 (2011-12)	-	0.01 (2011-12)	-
4	Himachal Pradesh Minorities Finance and Development Corporation	2010-11	6.95	0.50 (2011-12) 0.64 (2012-13)	-	0.01 (2011-12) 0.02 (2012-13)	-
5	Himachal Pradesh State Electricity Board Limited	2010-11	971.78	50.00 (2012-13)	-	226.25	-
6	Himachal Pradesh Tourism Development Corporation Limited	2011-12	12.30	-	-	1.93	-
	Total		**1046.02**	**52.56**	**5.00**	**232.65**	

Appendix 1.5

(Refer paragraph 1.30)

Statement showing the detail of comments made by Statutory Auditors in respect of internal control/internal audit of working PSUs

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Appendix 1.7
1.	Non-existence of system of preparing short/long-term business plan	1	1
2.	Inadequate monitoring of outstanding dues from outside parties	7	1,2,5,12,13,15 and 17
3.	Non-existence of system of sending statement of accounts and obtaining confirmation from the debtors	10	1,2,5,6,10,11,12,13,15 and 17
4.	Non-provision of retirement benefits as *per* AS-15	11	1,2,5,6,7,10,12,13,14,15 and 17
5.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	7	2,6,8,11,13,15 and 17
6.	Non-fixation of minimum/ maximum limits of store and spares	6	1,2,13,14,15 and 17
7.	Absence of internal audit system commensurate with the nature and size of business of the company	10	1,2,5,6,11,12,13,14,15 and 17
8.	Non-preparation of internal audit manual/standards/guidelines	9	1,2,5,6,7,11,12,15 and 17
9.	No approved IT strategy/plan	12	1,2,5,6,7, 8, 11,12, 13, 14,15 and 17
10.	Non-formulation of Corporate Social Responsibility policy	5	5,7,8,15 and 17

Appendix 1.6

(Refer paragraph 1.33)

Statement showing the department wise outstanding Inspection Reports and paragraphs

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Years from which outstanding
1	Horticulture	3	12	60	2006-07
2	Industries	4	24	81	2005-06
3	Forest	1	7	109	2005-06
4	Pubic Works	1	4	21	2008-09
5	Welfare	3	4	9	2007-08
6	Food and Supplies	1	3	20	2005-06
7	Tourism and Civil Aviation	1	12	30	2007-08
8	MPP and Power	4	855	3474	2005-06
9	Transport	1	114	472	2005-06
10	IT	1	2	3	2009-10
	Total	**20**	**1037**	**4279**	

Appendix 1.7

(Refer paragraph 1.33)

Statement showing the department wise draft paragraphs/performance audit reports replies to which are awaited

Sl No.	Name of Department	No. of draft/thematic paragraphs	No. of performance audit	Period of issue
1	MPP & Power	4	2	February 2013 to September 2013
2	Forest	4	-	February 2013 to June 2013
	Total	**8**	**2**	

Appendix 2.1.1

(Refer paragraph 2.1.8.1)

Details of time overrun on execution of various civil and electro mechanical works relating to Uhl Stage III

Sl. No.	Details of work	Date of award	Scheduled date/time of completion	Revised date of completion	Present status	Time over run (in months) up to March 2013)
01.	Construction of Neri Intake Works	16.04.2005	15.08.2007 (27 months)	December 2011	Completed (December 2011)	51 months
02.	Construction of Rana Khad Civil Works	26.07.2005	25.11.2007 (27 months)	December 2011	Completed (December 2011)	48 months
03.	Construction of Balancing cum storage Reservoir	13.06.2007	12.07.2009 (24 months)	July 2013	In progress	44 months
04.	M.S. Pipe Aqueduct over Rana Khad.	24.02.2007	23.08.2008 (18 months)	June 2014	In progress	55 months
05.	Construction of Head Race Tunnel	02.04.2003	01.05.2007 (48 months)	June 2014	In progress	71 months
06.	Construction of Penstock.	27.05.2005	26.12.2007 (30 months)	September 2013	In progress	63 months
07.	Construction of Power House and Tail Race Channel (a) switch yard	19.06.2007	18.01.2010 (30 months)	August 2013	In progress	38 months
08.	Construction of Surge Shaft of UHL HEP-III (100 MW)	18.05.2009	17.12.2010 (18 months)	January 2012	Completed (January 2012)	12 months
09.	Supply, Erection, Testing of 3000mm & 3400mm Butterfly valves.	18.05.2009	17.12.2010 (18 months)	June 2014	In progress	27 months
10.	Gates, Trash Racks etc.	03.06.2009	02.01.2011 (18 months)	September 2013	In progress	27 months
11.	Electro-Mechanical	15.02.2007	14.04.2010 (38 months)	September 2014	In progress	35 months
12.	Sub-Station equipments	25.04.2008	24.04.2009 (12 months)	June 2013	In progress	47 months
13.	T-Transmission	Awarded in piece meal	March 2007	June 2013	In progress	72 months

Appendix 2.1.2

(Refer paragraph 2.1.8.1)

Details of main components of works involving substantial cost overrun

Sl. No.	Component	Original cost	Revised cost	Cost over run	Percentage increase
		(₹ in crore)			
1.	Trench weir & intake structure - Neri Khad	0.80	3.71	2.91	364
2.	Water conductor system – Neri intake to reservoir	6.69	33.90	27.21	407
3.	Water conductor system – Rana intake to reservoir	3.04	9.87	6.83	225
4.	Storage reservoir at Khuddar	13.15	50.94	37.79	287
5.	Surge Shaft	1.77	8.90	7.13	403
6.	T-Transmission	9.14	26.60	17.46	191
7.	Trench weirs & intake structure at Rana Khad	2.12	5.14	3.02	142
8.	Aqueduct over Rana Khad and Laban Khad	4.54	10.02	5.48	121
9.	Head Race Tunnel	63.02	128.46	65.44	104
10.	Pen Stock	42.41	79.08	36.67	86
11.	Electro Mechanical Works	115.32	194.72	79.40	69
12.	Power House & Tail Race	13.17	21.75	8.58	65
13.	Other miscellaneous works	156.39	367.79	211.40	135
Total		**431.56**	**940.84**	**509.28**	**118**

Appendix 2.2.1

(Refer paragraph 2.2.7.3.2 (i))

Statement showing the detail of interest loss due to non payment of first two installments of LADF by the IPPs

Sl. No.	Name of project	Capacity in MW	Cost (₹ in crore)	Month of IA	Month of 1st installment after IA/HPP	Amount due i.e. 10 *per cent* of one *per cent* of capital cost (₹ in lakh)	Delay in months (up to June 2013)	Interest on 1st installment at the rate of 12 *per cent.* (₹ in lakh)	Month of 2nd installment due	Amount due i.e. 15 *per cent* of one *per cent* of capital cost (₹ in lakh)	Delay in months	Interest on 2nd installment at the rate of 12% (₹ in lakh)
1	Hul-II	3.40	18.83	6/2005	3/2007	1.88	75	1.41	5/2008	2.82	61	1.72
2	Suil-II	5.00	31.30	2/2008	5/2008	3.13	61	1.91	7/2009	4.70	47	2.21
3	Binwa-II	4.50	29.28	5/2000	3/2007	2.93	75	2.20	5/2008	4.39	61	2.68
4	Barseu	3.00	17.60	5/2003	3/2007	1.76	75	1.32	5/2008	2.64	61	1.61
5	Gramang	5.00	29.45	6/2009	9/2009	2.94	45	1.32	11/2010	4.42	31	1.37
6	Koltu	1.80	11.89	5/2003	3/2007	1.19	75	0.89	5/2008	1.78	61	1.09
7	Sharan	2.60	14.98	5/2002	3/2007	1.5	75	1.12	5/2008	2.25	61	1.37
8	Dogri	2.50	15.58	6/2005	3/2007	1.56	75	1.17	5/2008	2.34	61	1.43
9	Gumma-II	2.50	14.19	6/2005	3/2007	1.42	75	1.07	5/2008	2.13	61	1.30
10	Hamel	2.00	11.41	9/2006	3/2007	1.14	75	0.86	5/2008	1.71	61	1.04
11	Jabbal	2.00	11.41	9/2006	3/2007	1.14	75	0.86	5/2008	1.71	61	1.04
12	Rajpur	4.50	28.82	2/2008	5/2008	2.88	61	1.76	7/2009	4.32	47	2.03
13	Upper Manglad	5.00	26.56	2/2008	5/2008	2.66	61	1.62	7/2009	3.98	47	1.87
		Total				**26.13**		**17.52**		**39.19**		**20.76**
		Total LADF				**₹ 26.13 + ₹ 39.19=₹ 65.32 lakh**						
		Toal Interest				**₹ 17.52 + ₹ 20.76 = ₹3 8.28 lakh**						

Appendix 2.2.2

(Refer paragraph 2.2.7.3.2 (ii))

Statement showing the detail of short/non recovery of LADF charges

Sl. No.	Project	Capacity in MW	Cost ₹ in crore	Date of IA	Date of Commissioning	LADA amount due @ 1% of capital cost (₹ in lakh)	Amount Paid (₹ in lakh)	Balance amount (₹ in lakh)	Delay in months	Interest (₹ in lakh)
1.	Chandni	3.00	16.98	30.30.2000	28.11.2008	16.98	0	16.98	55	9.34
2.	Masli	5.00	24.12	28.10.2002	24.12.2012	24.12	12.06	12.06	6	0.72
3.	Tarella-II	5.00	29.58	22.12.2005	02.03.2009	29.58	26.59	2.99	51	1.52
4.	Sainj	5.00	35.96	26.07.2004	09.05.2010	35.96	18.00	17.96	37	6.65
5.	Balsio	4.95	29.43	22.12.2005	25.06.2012	29.43	3.64	25.79	12	3.09
6.	Balij Ka Nallah	3.50	21.77	24.10.2002	16.06.2012	21.77	5.22	16.55	12	1.99
7.	Timbi	3.00	16.73	30.03.2000	22.02.2011	16.73	0	16.73	28	4.68
8.	Tarella	5.00	29.58	14.05.2003	15.11.2007	29.58	2.96	26.62	67	17.84
9.	Gaj-II	1.50	10.50	08.06.2005	14.01.2011	10.50	1.00	9.50	29	2.76
10.	Iqu	4.50	28.55	31.05.2000	18.02.2011	28.55	2.81	25.74	28	7.21
11.	Suman Sarwari	5.00	34.98	28.08.2002	30.10.2012	34.98	17.00	17.98	8	1.44
12.	Sechi	4.50	29.53	03.08.2001	01.02.2012	29.53	12.00	17.53	17	2.98
13.	Sahu	5.00	28.17	03.09.2003	22.04.2008	28.17	0	28.17	62	17.47
14.	Lower Baij Nath	1.00	6.62	27.12.2000	15.08.2009	6.62	0	6.62	46	3.05
15.	Jariah	5.00	23.14	25.07.2006	31.01.2011	23.14	0	23.14	29	6.71
16.	Sarbari	4.50	28.51	14.05.2003	17.05.2008	28.51	0	28.51	61	17.39
17.	Toss	5.00	26.60	20.07.2004	26.12.2008	26.6	0	26.60	54	14.36
18.	Andhra-II	5.00	30.50	20.07.2004	12.06.2009	30.5	0	30.50	48	14.64
19.	Manglad	4.50	26.56	24.07.2007	28.05.2010	26.56	0	26.56	37	9.83
					Total	**477.81**	**101.28**	**376.53**		**143.67**

Appendix 2.2.3

(Refer paragraph 2.2.7.3.2 (iii))

Statement showing LADF charges leviable as *per* bench mark project cost fixed by HPERC

Sl. No.	Project	Capacity in MW	Cost as per TEC (₹ in crore)	Designed energy (in MUs)	COD	Project cost taken by HPERC	LADF as *per* TEC	LADF as *per* bench mark cost fixed by HPERC	Amount paid	Balance	Interest
						(₹ in crore)		(₹in lakh)			
1.	**Banner-III**	5	27.85	26.94	21.06.2009	32.50	27.85	32.17	22.90	9.27	4.61
2.	**Brindidhar**	5	28.91	27.87	29.03.2010	32.50	28.91	32.17	23.82	8.35	3.39
3.	**Iqu-II**	5	27.76	27.06	30.12.2008	32.50	27.76	32.17	22.80	9.37	5.24
4.	**Luni-II**	5	26.49	32.52	12.11.2009	32.50	26.49	32.17	18.00	14.17	6.23
5.	**Luni-III**	5	27.83	35.61	31.05.2009	32.50	27.83	32.17	21.00	11.17	5.63
6.	**Upper Awa**	5	29.13	33.55	14.05.2008	32.50	29.13	32.17	25.00	7.17	4.57
7.	**Upper Khauli**	5	28.63	27.34	29.12.2010	32.50	28.63	32.17	23.60	8.57	2.67
8.	**Rukti-II**	5	30.36	28.84	30.11.2011	32.50	30.36	32.17	20.45	11.72	2.29
9.	**Tangling**	5	29.83	22.74	13.12.2010	32.50	29.83	32.17	27.70	4.47	1.44
10.	**Chirchind**	5	25.90	--	25.02.2011	32.50	25.90	32.17	25.00	7.17	2.10
11.	**Balij**	5	27.59	32.46	17.06.2012	32.50	27.59	32.17	2.76	29.41	3.57
12.	**Tarela-III**	5	30.80	--	25.05.2011	32.50	30.80	32.17	30.50	1.67	0.50
13.	**Brahal**	4	42.45	24.6	12.07.2010	32.50	42.45	42.45	0	42.45	14.85
14.	**Maujhi-II**	5	27.68	34.96	11.06.2010	32.50	27.68	32.17	0	32.17	11.58
15.	**Shuang**	3	17.95	11.42	22.01.2009	19.50	17.95	19.30	0	19.30	10.23
				Total		**474.50**	**429.16**	**479.96**	**263.53**	**216.43**	**78.90**

Appendix 2.2.4

{Refer paragraph 2.2.7.3.3 (ii) (a)}

Statement showing the details of non recovery of LD charges on projects up to 5 MW

Sl. No.	Name of project	Capa-city (in MW)	Date of IA	Extended date of IA/COD	Completion date as *per* IA	Actual date of completion	LD charges to be recovered for delay subject to maximum for 180 days	LD Charges (Figures in ₹)
1	Dikleri	2.00	12.01.2009	30.06.2010	30.06.2012	16.05.2013	180	360000
2	Dunali	5.00	18.11.2002	20.03.2006	20.03.2008	16.05.2013	180	900000
3	Sahu	5.00	03.09.2003	20.09.2005	20.09.2007	22.04.2008	-	No provision
4	Tarella	5.00	14.05.2003	20.09.2005	20.09.2007	15.11.2007	55	275000
5	Tarella-II	5.00	22.12.2005	-	21.06.2008	02.03.2009	180	900000
6	Tarella-III	5.00	31.12.2007	30.06.2008	30.06.2010	25.05.2011	180	900000
7	Upper Tarella	5.00	22.12.2005	-	21.06.2008	10.09.2009	180	900000
8	Binwa Parai	5.00	07.06.2007	07.02.2008	06.02.2010	09.05.2011	180	900000
9	Brahal	4.00	08.06.2005	31.05.2007	31.05.2009	07.12.2010	180	720000
10	Lower Baijnath	1.00	27.12.2000	20.03.2006	20.03.2008	15.08.2009	180	180000
11	Panwi	4.00	03.08.2001	02.09.2005	20.09.2007	09.05.2013	180	720000
12	Shyang	3.00	07.07.2004	-	22.09.2007	22.01.2009	180	540000
13	Tangling	5.00	20.07.2004	05.01.2007	05.01.2009	13.12.2010	180	900000
14	Chirchind	5.00	16.05.2001	31.01.2007	31.01.2009	25.02.2011	180	900000
15	Sarbari	4.50	14.05.2003	20.03.2006	20.03.2008	17.05.2008	57	256500
16	Andhra-II	5.00	20.07.2004	20.09.2005	20.09.2007	12.06.2009	180	900000
17	Manglad	4.50	24.04.2007	23.04.2008	23.04.2010	28.05.2010	35	157500
18	Sainj	5.00	26.07.2004	31.12.2006	31.12.2008	09.05.2010	180	900000
19	Chandni	3.00	30.03.2000	20.09.2005	20.09.2007	28.11.2008	-	No provision
20	Timbi	3.00	30.03.2000	20.10.2005	20.10.2007	22.02.2011	-	No provision
						Total		**1,13,09,000**

Appendix 2.2.5

{Refer paragraph 2.2.7.3.3 (ii) (c)}

Statement showing the details of extension allowed for COD over and above the limit prescribed in Hydro Power Policy

Sl. No	Project	Capacity (in MW)	Extension allowed for COD (months)	Permissible limit (months)	Excess period (months)	LD leviable @ ₹ 1000 *per* day *per* MW and up to maximum 180 days (Figures in ₹)
1.	Bailso	5	36	6	30	900000
2.	Baner-III	5	13	6	7	900000
3.	Drindhidhar	5	25	6	19	900000
4.	Iqu	5	32	6	26	900000
5.	Maujhi-II	5	23	6	17	900000
6.	Upper Khauli	5	31	6	25	900000
7.	Rakchad	5	20	6	14	900000
8.	Chakshi	2	29	6	23	360000
9.	Suman Sarwari	5	45	6	39	900000
10.	Toss	5	7	6	1	165500
11.	Chandni	3	14	6	8	540000
					Total (A)	**8265500**
1.	Bailji Ka Nallah-II	3.5	57	42	15	630000
2.	Masli	5	63	42	21	900000
					Total (B)	**1530000**
					Grant Total (A+B)	**97,95,500**

Appendix 2.2.6

{Refer paragraph 2.2.7.3.5 (i)}

Details of projects indicating the amount of O&M charges and penal interest for delay in depositing

Sl. No.	Name/installed capacity of the project	Period	O&M charges recoverable	Penal interest for delay in depositing
			(₹in lakh)	
1.	Brahamganga (5MW)	4/08 to 3/13	18.94	4.11
2.	Toss (5 MW)	4/10 to 3/13	6.90	0.75
3.	Chakshi (2MW)	4/12 to 3/13	4.60	0.44
4.	Jirah (4MW)	4/10 to 3/13	-	0.57
5.	Lingti (0.4 MW)	2/10 to 3/12	12.85	-
6.	Titang (0.8 MW)	4/07 to 3/12	31.23	
7.	Sainj (5MW)	4/11 to 3/13	7.83	1.06
8.	Manal (3MW)	4/12 to 3/13	5.53	-
9.	Timbi (3MW)	4/12 to 3/13	4.11	
10.	Rakchad (5MW)	4/11 to 3/13	6.35	
11.	Manglad (4.5 MW)	4/11 to 3/13	17.52	
	Total		**115.86**	**6.93**

Appendix 2.2.7

(Refer paragraph 2.2.7.4.1)

Statement showing the detail of project cost as *per* TEC and cost taken by the HPERC

Sl. No	Project	Capacity in MW	Cost as *per* TEC (₹ in crore)	Designed energy (in MU)	COD	Project cost taken by HPERC (₹ in crore)
1	Banner-III	5	27.85	26.94	21.06.2009	32.50
2	Brindidhar	5	28.91	27.87	29.03.2010	32.50
3	Iqu-II	5	27.76	27.06	30.12.2008	32.50
4	Luni-II	5	26.49	32.52	12.11.2009	32.50
5	Luni-III	5	27.83	35.61	31.05.2009	32.50
6	Upper Awa	5	29.13	33.55	14.05.2008	32.50
7	Upper Khauli	5	28.63	27.34	29.12.2010	32.50
8	Rukti-II	5	30.36	28.84	30.11.2011	32.50
9	Tangling	5	29.83	22.74	13.12.2010	32.50
10	Chirchind	5	25.90	--	25.02.2011	32.50
11	Balij	5	27.59	32.46	17.06.2012	32.50
12	Tarela-III	5	30.80	--	25.05.2011	32.50
13	Brahal	4	22.67	24.6	12.07.2010	26.00
14	Maujhi-II	5	27.68	34.96	11.06.2010	32.50
15	Shuang	3	17.95	11.42	22.01.2009	19.50

Appendix 2.2.8

(Refer paragraph 2.2.7.4.1)

Statement showing Actual Capacity Utilisation Factor of Hydro Electric Projects up to 5 MW

(Generation in MUs & CUF in per cent)

Sl. No	Project	Capacity in MW	2008-09		2009-10		2010-11		2011-12		2012-13	
			Generation	CUF	Generation	CUF	Generation	CUF	Generation	CUF	Generation	CUF
1	Marhi	5	29.86	68.17	30.83	70.38	29.39	67.10	24.85	56.73	22.98	52.46
2	Upper Awa	5	21.66	49.45	23.87	54.49	24.75	56.50	31.11	71.02	29.67	67.73
3	IKU-II	5	-	-	-	-	-	-	-	-	20.55	46.91
4	Tarella-II	5	-	-	19.93	45.50	22.55	51.48	27.02	61.68	30.08	68.67
5	Luni-III	5	-	-	-	-	20.37	46.50	23.35	53.31	21.61	49.33
6	Upper Tarella	5	-	-	-	-	21.74	49.63	20.91	47.73	23.88	54.52
7	Luni-II	5	-	-	-	-	-	-	24.98	57.03	19.73	45.04
8	Manglad	5	-	-	-	-	-	-	26.75	67.85	25.63	65.01
9	Drinidhar	5	-	-	-	-	-	-	-	-	25.58	57.71
10	Gaj-II	5	-	-	-	-	-	-	8.26	62.86	7.90	60.12
11	Brahal	5	-	-	-	-	-	-	-	-	17.41	49.68
12	Upper Khauli	5	-	-	-	-	-	-	-	-	22.36	51.05
13	Rakchad	5	-	-	-	-	-	-	34.04	77.71	30.85	70.43
14	Binua Parai	5	-	-	-	-	-	-	26.93	61.48	23.16	52.87
15	Tarella-III	5	-	-	-	-	-	-	-	-	29.46	67.26
16	Rukti-II	5	-	-	-	-	-	-	-	-	22.39	51.11
17	Chakshi	2	-	-	-	-	-	-	-	-	8.34	47.68
18	Dehar-II	1.5	-	-	-	-	-	-	6.73	51.21	7.93	60.35
19	Chirchind	5	-	-	-	-	-	-	23.84	54.42	30.26	69.08

Appendix 2.2.9

(Refer paragraph 2.2.7.4.1)

Statement showing details of energy exported (net saleable energy) by the IPP's (Up to 5.00 MW) to HPSEBL

(In units)

Sl. No.	Name of Project.	Capacity MW	2008-09	2009-10	2010-11	2011-12	2012-13	Total Units purchased by HPSEBL
1	Kothi	0.2	1099204	1270904	1123911	1224019	1084235	5802273
2	Juthed	0.1	199109	177265	202014	246774	109641	934803
3	Gharola	0.1	431030	471707	270540	436330	323310	1932917
4	Upper Awa	5	21668500	23871943	24759286	31116545	29676110	131092384
5	Purthi	0.1	152898	114882	114039	69410	93459	544688
6	Sural	0.1	293741	408236	380332	159280	202560	1444149
7	IKU-II	5	756100	12799699	16259946	19378484	20559694	69753923
8	Shyang	3	351000	10370900	7299900	8500016	8606078	35127894
9	Tarella-II	5	460000	19933295	22556365	27021853	30085334	100056847
10	Luni-III	5		12561068	20369121	23354957	21618629	77903775
11	Upper Tarella	5		7293771	21740335	20912323	23884417	73830846
12	Luni-II	5		4834940	14716630	24985789	19730445	64267804
13	Baner-III	5		4519550	10198250	12284700	11589131	38591631
14	Manglad	4.5			18569100	26750200	25631300	70950600
15	Drinidhar	5			11430600	17884125	25583250	54897975
16	Sainj	5			14419568	7639200	13266600	35325368
17	Maujhi-II	5			745650	13476600	14786200	29008450
18	Tangling	5			1655475	13191062	14206938	29053475
19	Gaj-II	1.5			1284100	8261300	7903300	17448700
20	Brahal	4			3889300	15498000	17412500	36799800
21	Upper Khauli	5			1348650	18476000	22360425	42185075
22	Rakchad	5			2368800	34040700	30852700	67262200
23	Chirchand	5			741418	23839421	30262060	54842899
24	Timbi	3			60937	3497764	3260638	6819339
25	Dehar-II	1.5				6730300	7935900	14666200
26	Tarella-III	5				12321924	29464247	41786171
27	Rukti-II	5				3270340	22398114	25668454
28	Sechi	4.5				1396600	17456900	18853500
29	Chakshi	2				251100	8340400	8591500
30	Belij	5					11270708	11270708
	Total	**109.6**	**25411582**	**98628160**	**196504267**	**376215116**	**469955223**	**1166714348**
								1166.71 MUs

Appendix 3.1

{Refer paragraph 3.1.1(i)}

Details of non-recovery of fixed demand charges as *per* Supply Code 2009

Sl. No.	Name of Circle	No of consumers	Period of non-recovery	Amount recoverable (₹ in crore)	Remarks
1	Solan and Nahan	5	6/2009 to 9/2012	2.21	The delay in issue of notices to release the power connection, ranged between 4 and 30 months, to the consumers to whom connections were released between June 2009 and September 2012 resulted in non recovery of fixed demand charges.
2	---do---	8	6/2009 to 3/2013	6.47	The Consumers to whom connections were released between May 2007 and November 2011 failed to built-up their full connected load till March 2013, had neither surrendered un-built load nor the same was cancelled by the Company, resulted in non recovery of fixed demand charges.
3	Una, Solan and Nahan	8	6/2009 to 3/2013	0.51	In seven cases, the consumers failed to avail the connection after the expiry of 60 days notices and no action was initiated against them to recover demand charges for un-availed contract demand. Further, in one case notice period was extended by recovering load retention charges instead of fixed demand charges.
		21	**Total**	**9.19**	

Appendix 3.2

{Refer paragraph (3.1.1 (iii)}

Details of short recovery of CDVC

Sl. No	Name of Operation Circle	Name of ESD	No. of Consumers	Amount (₹ in lakh)
1	Solan	Baddi	31	18.62
		Nalagarh	10	9.76
		Barotiwala	51	15.74
	Total: (i)			**44.12**
2	Nahan	Kala Amb	37	32.23
		Poonta Sahib	16	9.75
		Nahan Circle	29	18.60
	Total: (ii)			**60.58**
3	Dalhousie	Damtal	24	34.63
	Total: (iii)			**34.63**
	G. Total: (i)+(ii)+(iii)		**198**	**139.33**

Appendix 3.3

(Refer paragraph 3.1.3)

Details of non levy of peak load exemption/violation charges

Sl. No.	Name of circle	Number/category of Consumers	Period of first MRI	Amount (₹in crore)	Remarks
1	Dalhousie, Una and Solan	147 (Medium Supply Consumers)	4/2008 to 6/2012	3.53	In six sub divisions the downloading of data through Meter Reading Instrument (MRI) for normal, peak and night hours was commenced between April 2008 and June 2012 instead of from the date of implementation of two part tariff (April 2005) to Medium Supply Consumers. On the basis of this data 147 medium supply consumers to whom exemptions to run their units during peak hours were not allowed, PLVC though levied after downloading[1] of data through MRI but such charges prior to MRI were not recovered from them resulting in non recovery of PLV and energy charges to the extent of ₹ 3.53 crore for cumulated energy consumption of 45.46 lakh KVAh and drawl of load of 31.710 MVA over and above the light load.
2	Solan	125 (Medium Supply Consumers)	4/2005 to 6/2012.	1.49	In the case of medium supply consumers to whom exemption to run their units during peak hours was allowed or cumulated energy consumption during peak hours slots was though technically justified with reference to the connected light load, yet no action to recover peak load exemption charges for energy consumption of 50.45 lakh KVAh recorded prior to downloading of data was initiated resulting in short recovery of ₹ 1.49 crore
3	Dalhausie	6 (Large Supply Consumers)	4/2011	1.22	The energy data was downloaded from April 2011 instead of November 2001 from which two part tariff was made applicable to Large Supply Consumers. The consumers, though not allowed to run their units during peak hours, yet their cumulative energy consumption and drawl of power in KVA during peak hours much higher to the permissible limit for light load which indicated that the consumers ran their units during peak hours. Despite this, no action to recover PLVC for the cumulated demand of 14.190 MVA and energy consumption of 12.26 lakh KVAh prior to the month of downloading of data was initiated resulting in non recovery of ₹ 1.22 crore.

[1] Monthly energy data recorded/downloaded through meter reading instrument to raise energy bills to the consumers under two part tariff.

4	Dalhausie	8 (Large Supply Consumers)	4/2011 to 4/2012	1.34	Similarly, in case of eight large supply consumers to whom peak load exemption was allowed during May 2008 and April 2009, peak load exemption energy charges on 40.89 lakh KVAh were not levied due to non down loading of data resulting in short recovery of peak load exemption charges of ₹ 1.34 crore.
5	Una, Nahan, Solan and Dalhousie	5 (Large Supply Consumers)	4/2010 to 1/2013	1.05	General condition of peak load exemption orders provides that the consumer is required to pay processing fee for the sanction of load to run their industrial units during peak hours within 15 days of the sanction, failing which sanction would be applicable from the date of deposit of processing fee. It was also provided that in case of infringement of any of the condition of supply of power the sanction shall be cancelled. Audit noticed that three industrial consumers under Una and Dalhousie circles deposited the processing fee after 15 days and were liable to pay violation charges of ₹ 32.16 lakh for energy consumption and load availed prior to the date of deposit of requisite fee. Further, in two cases under Nahan and Solan Circles enhanced security amount demanded by the Company was not deposited in one case and in another case the bank guarantee was not renewed as *per* the terms and conditions of the sanction orders. Despite these violations, the consumers were allowed to draw power during peak hours without levy of violation charges to the extent of ₹ 73.01 lakh. This resulted in non recovery of violation charges of ₹ 1.05 crore.
6	Dalhausie	7 (Large Supply Consumers)	4/2011	0.76	In five cases to whom no peak load exemption was allowed, the energy consumption during peak hours was much higher (between 2250 KVAh and 66660 KVAh) to their sanctioned light load ranging between 1.20 KVA and 19.88 KVA. The quantum of load on the basis of energy consumption works out to 31.25 KVA and 925 KVA respectively. Further the drawl of load by the two consumers being fed through dedicated feeders (132/33 KV Sub-Station, Kandrori) as *per* recorded current was between 2,611 KVA and 3,543 KVA against the sanctioned light load of 10.175 and 675 KVA. The central billing cell had taken no action to down load the load survey of these seven consumers so as to recover PLVC which works out to ₹ 76.48 lakh[2].

2 Demand charges ₹ 65.35 lakh and Energy charges ₹ 11.13 lakh.

7	Dalhousie, Solan and Nahan)	248 Medium Supply consumers	4/2007 to 2/2013	3.99	Schedule of tariff applicable from April 2007 prescribe levy of peak load exemption charges at the rate of ₹ 50 *per* KVA (subsequently revised to ₹ 60/ *per* KVA from April 2012) on exempted load drawn during peak hours. The HPERC in its tariff order (July 2005) had specified that the light load as *per* test report shall be deemed to have been exempted; as such no separate peak load exemption was required for light load. The Chief Engineer (Commercial) of the Company clarified (August 2012) that peak load exemption charges are to be recovered on the light load also. Thus, due to delay in clarifying the issue, correct tariff could not be implemented during the last five years. Consequently, peak load exemption charges to the extent of ₹ 3.99 crore could not be recovered on their light load.
	Total	**546**		**13.38**	

Appendix 3.4

(Refer paragraph 3.1.5)

Details of Non Levy of Low Voltage Supply Surcharge

Sl. No.	Name of circle	Name of consumers	Standard Voltage (KV)	Actual supply Voltage(KV)	Period	Amount (₹ in lakh)	Remarks
1	Solan and Nahan	M/s Hemkunth Iron & Steel Limited and M/s Indian Technomac Limited. (2 concumers)	33/66/132	11 and 33	4/2010 to 12/2012	76.11	The Connected Load of these consumers was verified below one MW and 10 MW, whereas; as *per* test reports their actual connected load was 1.05 MW (including light load of 51.310 KW) and 10.01 MW respectively. The calculation for total load was done by rounding off the capacity of each motor instead of rounding after adding the load of all the machines. The SSV based on actual connected load of these consumers was 33 KV being Power Intensive Units and 66/132 KV instead of 11 KV and 33 KV at which the connections have been released. Wrong verification of connected load had resulted in non levy of LVSS to the extent of ₹ 76.11 lakh .
2	Solan	M/s Gilbart Ispat Ltd. And M/s Jai Jwala Steel Pvt. Ltd. (2 consumers)	132/33	66 and 11	1/2008 to 1/2013	46.44	Under Barotiwala Sub Division two connections with connected load of 11.757 MW and 3.998 MW were released during March 2006 and May 2005 respectively at supply voltage of 66 KV and 11 KV against the Standard Voltage of 132 KV and 33 KV. Though LVSS for supply of power at low voltage was being charged from these consumers but for 47 months (M/s Gilbert Ispat Limited: 30 months and M/s. Jai Jawala Steel Private Limited: 17 months) between January 2008 and January 2013 these charges were not recovered resulting in under charging of ₹ 46.44 lakh.

3	Una and Solan	M/s AB Tools, HM Steel and Tigakasha Metalic (3 consumers)	33	11	8/2007 to 2/2011	43.93	Power connections to three power intensive units with connected load below one MW were released on 11 KV. These consumers subsequently extended their connected load between August 2007 and February 2011 at 11 KV and after extension their cumulative connected load exceeded one MW for which the standard supply voltage was 33 KV and as such the consumers were liable to pay LVSS to the extent of ₹ 43.93 lakh (at the rate of two to three *per cent* of energy charges) as *per* the instruction for having power connection below standard supply voltage of 33 KV.
4	Solan	M/s Hindustan Lever Limited. (one consumer-3 units)	33	11	9/2005 to 2/2013	73.30	Sale circular no. 5/2001 of the erstwhile Board provides for clubbing of loads of consumer having more than one connection in the same premises but the work is carried out by one proprietor and such consumer shall be asked to get the load clubbed so as to charge as one connection. However three separate power connections with total connected load of 3.853 MW were released (August 2005) to one consumer at 11 KV in the same premises under Barotiwala Sub-division instead of one connection at 33KV Standard Supply Voltage. The irregularity was pointed out by audit during 2006-07 but no action for clubbing of load as *per* the instructions *ibid* has been initiated by the Company so far (March 2013). This had resulted in revenue loss of ₹ 73.30 lakh to the Company for non levy of LVSS.
					Total	**239.78**	

Appendix 3.5

(Refer paragraph 3.2)

Statement showing the detail of amount of bill, due date of payment, actual date of credit, delay in days and amount of surcharge not recovered

(Figures in ₹)

Sl. No.	Account No.	Due date	Amount of Bill	Surcharge	Surcharge	Delay in days
1	GLP.1/LS	16.5.11	3903137	66680	21.5.11	5
2	GSSS.1/2	16.5.11	4400298	75618	23.5.11	7
3	GNF-1	16.5.11	5254783	89654	23.5.11	7
4	GNF-1	14.6.11	4473509	76538	18.6.11	4
5	GSSS-1	14.6.11	2731150	47874	20.6.11	6
6	GLP-1	14.6.11	3115445	53598	20.6.11	6
7	GLP-1	15.7.11	3078300	55638	22.7.11	7
8	GSSS-1	15.7.11	2450392	23592	22.7.11	7
9	GLP-1	16.8.11	3129530	53936	20.8.11	4
10	GSSS-1	16.8.11	3682829	63842	20.8.11	4
11	GSSS-2	16.8.11	2277659	39652	20.8.11	4
12	GLP-1	15.9.11	4296335	73456	21.9.11	6
13	GSSS 1	15.9.11	4950582	85064	27.9.11	12
14	GSSS 2	15.9.11	3151052	54276	21.9.11	6
15	GLP 1	10.10.11	4052838	69393	19.10.11	9
16	GSSS 2	15.12.11	3799388	64954	20.12.11	5
17	GTM 2	15.12.11	2333118	39764	23.12.11	8
18	GSSS-1	15.12.11	6102445	104078	23.12.11	8
19	GLP-1	15.12.11	4086582	69848	23.12.11	8
20	GNF-1	16.01.12	4874589	83317	19.01.12	3
21	GTM-2	16.01.12	2381943	40571	23.01.12	7
22	GLP-1	14.02.12	4742406	80787	23.02.12	9
23	GSSS-1	14.02.12	7171784	133868	23.02.12	9
24	GSSS-2	14.02.12	4997561	96932	29.02.12	15
25	GNF-1	15.03.12	5754206	97919	20.03.12	5
26	GSSS-2	15.03.12	5452830	94530	29.03.12	14
27	GSSS-1	15.03.12	7691438	132662	27.03.12	12
28	GLP-1	15.03.12	4605533	78519	27.03.12	12
29	GSSS-2	16.04.12	5810990	100484	18.04.12	2
30	GSSS-1	16.04.12	7977607	137304	23.04.12	7
31	GLP-1	15.05.12	4810871	81890	18.04.12	2
32	GNF-1	15.05.12	6170810	112564	21.05.12	6
33	GSSS-2	15.05.12	6423065	112893	21.05.12	6
34	GSSS-1	15.05.12	8583795	150462	21.05.12	6
35	GLP-1	15.05.12	5043555	88496	21.05.12	6
36	GSSS-1	15.06.12	8108331	140007	27.06.12	12
37	GSSS-2	15.06.12	5092200	86892	30.06.12	15
38	GLP-1	15.06.12	4826264	82575	27.06.12	12
39	GLP-1	16.07.12	4321078	78504	25.07.12	9
40	GSSS-1	16.07.12	7503720	136246	24.07.12	8
41	GNF-1	16.07.12	5743180	98705	25.07.12	9
42	GSSS-1	14.08.12	7603152	131629	24.08.12	10
43	GLP-2	14.08.12	5031044	85982	29.08.12	15
44	GSSS-2	14.08.12	4747708	81196	24.08.12	10
45	GSSS-2	15.09.12	10081481	142387	28.09.12	13
46	GLP-1	15.10.12	4444341	77000	01.11.12	17
47	GSSS-1	15.10.12	7815944	137888	01.11.12	17
		Total	**239080798**	**4133256**		

Appendix 3.6

(Refer paragraph 3.5)

Statement showing the detail of lots in respect of six Forest Working Divisions which were far away from National or State Highways

(Amount in ₹)

Sl. No.	Name of Forest Working Division	Lot No.	Amount of royalty paid at 100 *per cent* royalty rates	Amount actually to be paid at 50 *per cent* rates	VAT paid at 13.75 *per cent* on Column -5.	Excess payment of royalty and VAT (5+6)
1	2	3	4	5	6	7
1	**Kullu**	4/2011-12 (Chaurla-Khanipande)	44713	22357	3074	25431
2		5/2010-11 (Nagujhir-Mashana	47036	23518	3234	26752
3		6/2010-11 (Dughilog-Dupkan	14168	7084	974	8058
4		7/2010-11 (Bhekhi-Sari)	11382	5691	783	6474
5		1/2011-12 (Seraj-Khorage to Bhalan	167052	83526	11484	95010
6		2/2011-12 (Seraj – Naglari Sarchi Bandal	2573094	1286547	176900	1463447
7		3/2011-12 Seraj Thatibir Seuli jouri	69735	34868	4794	39662
8		2/2010-11 (Khakrunala-Shogi) – Kasol	44709	22355	3074	25429
9		3/2010-11 (Khorage-Bhallan- Kasol	2852	1426	196	1622
10		Jibhi to Tandi – Seraj	405764	202882	27896	230778
11	**Mandi**	Ghiyagi to Sajwar	178476	89238	12270	101508
12		2/2010-11 Naglari-Sarehi Bandal	357634	178817	24587	203404
13		3/2010-11 Thatibir-Seuli	16757	8379	1152	9531
14		4/11-12-Hanogi to Bandhi	87159	43580	5992	49572
15		6/11-12- Dudarto Bharoun	6960	3480	479	3959
16		5/11-12- Jarol to Juganath	23906	11953	1644	13597
17		9/11-12-Bhakli to Kholanan	167896	83948	11543	95491
18		6/10-11- Bounchhari to Kandha	1075500	537750	73941	611691
19		7/10-11- Tandi to Nandi	69498	34749	4778	39527
20		4/10-11- Ahjoo Basahi to Ropri Khazoor	4713	2356	324	2680
21	**Rampur**	01/2011-12 (Anni)	122519	61260	8423	69683
22		02/2011-12 (Anni)	357950	178975	24609	203584

23	**Chopal**	R-38/2011-12 (Sarakali to Kiari Shillan)	392440	196220	26980	223200
24	**Dharam-shala**	1/2010-11	3947	1974	271	2245
25		2/2010-11	23965	11982	1647	13629
26		3/2010-11	46383	23191	3188	26379
27		4/2010-11	25048	12524	1722	14246
28		3/2011-12	16516	8258	1135	9393
29		43/2010-11-Palampur	55770	27885	3834	31719
30		44/2010-11-Palampur	60803	30401	4180	34581
31		45/2010-11-Palampur	19927	9963	1370	11333
32		46/2010-11-Palampur	59119	29559	4064	33623
33		47/2010-11-Palampur	22758	11379	1564	12943
34		48/2010-11-Palampur	20194	10097	1388	11485
35		49/2010-11-Palampur	9386	4693	645	5338
36		50/2010-11-Palampur	15946	7973	1096	9069
37		51/2010-11-Palampur	4635	2317	318	2635
38		52/2010-11-Palampur	59338	29669	4079	33748
39		53/2010-11-Palampur	19374	9687	1332	11019
40		54/2010-11-Palampur	61679	30839	4240	35079
41	**Chamba**	1/2011-12/Bharmour (Dalli-Jeena RA)	6728	3364	463	3827
42		2/2011-12/Bharmour (Link Road Gharoh)	8393	4196	577	4773
43		3/2011-12/Bharmour (Dalli-Arga RA)	1420	710	98	808
44		6/2011/12/Bharmour (Harchhu Plani-RA)	66663	33331	4583	37914
45		21/2011-12/Bharmour (Deoki-Kardotta Bridge Jharoutha-RA)	40745	20372	2801	23173
46		22/2011-12/Bharmour (Machhetar to Juan) RA	4435	2217	305	2522
		Total		**34,47,540**	**4,74,031**	**39,21,571**

Appendix 3.7

(Refer paragraph 3.7)

Details of excess payment of royalty and VAT paid due to treating these lots as next years lot for the purpose of payment of royalty

(Figures in ₹)

Sl. No.	Lot No.	Name of FWD	Specie	Volume (M3)	Royalty rates for the year 2009-10 *per* M3	Royalty rates for the year 2008-09 *per* M3	Royalty paid (5 x 6)	Royalty payable (5 x 7)	Excess royalty and VAT paid (8-9 plus VAT @12.5%)
1	2	3	4	5	6	7	8	9	10
1	1/2009-10	Sawra	Deodar	163.980	5664	4315	928783	707574	
			Kail	78.760	2944	2388	231869	188079	
			Fir	88.390	836	677	73894	59840	
			Total	**331.130**			**1234546**	**955493**	**313935**
2	2/2009-10	Sawra	Deodar	60.140	5664	4315	340633	259504	
			Kail	512.230	2944	2388	1508005	1223205	
			Fir	101.460	836	677	84821	68688	
			Eucalyptus	20.200	1097	685	22159	13837	
			Total	**694.030**			**1955618**	**1565234**	**439182**
3	1/2009-10	Shimla	Deodar	273.241	5664	4315	1547637	1179035	
			Kail	665.869	2944	2388	1960318	1590095	
			Fir	506.143	836	677	423136	342659	
			Chil	3.974	626	431	2488	1713	
			B/L	1108.833	481	297	533349	329323	
			Total	**2558.060**			**4466928**	**3442825**	**1152116**
4	1/2009-10	Mandi	Deodar	87.100	5664	4315	493334	375837	
			Kail	4.590	2944	2388	13513	10961	
			Chil	45.440	626	431	28445	19585	
			Total	**137.130**			**535292**	**406383**	**145023**
5	2/2009-10	Mandi	Deodar	10.135	5664	4315	57405	43733	
			Kail	1.290	2944	2388	3798	3081	
			Fir	30.590	836	677	25573	20709	
			Total	**42.015**			**86776**	**67523**	**21660**
								Grand total	**20,71,916**

Appendix 3.8

(Refer paragraph 3.12)

Statement showing the detail of excess EPF contribution towards its employees

(₹ in crore)

Sl. No.	Name of Company	Year	Number of employees	Employers' share contributed	Employers' share to be contributed at the rate of ₹ 9,360 per employee	Excess contribution
1	HPTDC	2009-10	1435	3.24	1.34	1.90
		2010-11	1349	3.33	1.26	2.07
		2011-12	1374	3.63	1.29	2.34
		2012-13	1754	4.86	1.64	3.22
2	HPSCSC	2009-10	680	1.77	0.64	1.13
		2010-11	736	1.96	0.69	1.27
		2011-12	708	1.90	0.66	1.24
		2012-13	882	2.63	0.83	1.80
3	HPGIC	2010-11	97	0.27	0.09	0.18
		2011-12	103	0.27	0.10	0.17
		Total		**23.86**	**8.54**	**15.32**

Glossary of abbreviations

Glossary of abbreviations	
Abbreviation	**Expanded form**
BHEL	Bharat Heavy Electrical Limited
BOD	Board of Directors
BOQ	Bill Of Quantities
CAG	Comptroller and Auditor General of India
CD	Contract Demand
CDVC	Contract Demand Violation Charges
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
COD	Commercial Operation Date
COPU	Committee on Public Undertakings
CPWD	Central Public Works Department
CUF	Capacity Utilisation Factor
CVC	Central Vigilance Commission
CWC	Central Water Commission
DoF	Department of Forests
DPR	Detailed Project Report
EC	Education Cess
EIA	Environmental Impact Assessment
EM	Earnest Money
EPF	Employees' Provident Fund
FWDs	Forest Working Divisions
GDP	Gross Domestic Product
GT	Generating Transformers
HBCF&DC	Himachal Backward Classes Finances and Development Corporation
HEP	Hydro Electric Project
HPERC	Himachal Pradesh Electricity Regulatory Commission
HPFC	Himachal Pradesh Financial Corporation
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPMF&DC	Himachal Pradesh Minorities Finance and Development Corporation
HPP	Hydro Power Policy
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPRIDC	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
HPSCSC	Himachal Pradesh State Civil Supply Corporation Limited
HPSEB	Himachal Pradesh State Electricity Board
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSIDC	Himachal Pradesh State Industrial Development Corporation Limited
HPTDC	Himachal Pradesh Tourism Development Corporation Limited
HRA	House Rent Allowance
HRT	Head Race Tunnel

HRTC	Himachal Road Transport Corporation
HT/EHT	High Tension/ Extra High Tension
IA	Implementation Agreement
IDC	Infrastructure Development Charges
IPPs	Independent Power Producers
LADA	Local Area Development Activities
LADC	Local Area Development Committee
LADF	Local Area Development Fund
LD	Liquidated Damages
LVSS	Low Voltage Supply Surcharge
MD	Maximum Demand
MoE&F	Ministry of Environment and Forests
MoP	Ministry of Power
MoSPI	Ministry of Statistics and Programme Implementation
MOU	Memorandum of Understanding
MT	Metric Tonne
MU	Million Units
NDNC	Non Domestic Non Commercial
NEP	National Electricity Policy
NPV	Net Present Value
O&M	Operation and Maintenance
PAC	Power Availability Certificate
PC	Pricing Committee
PFC	Power Finance Commission
PG	Performance Guarantee
PIU	Power Intensive Units
PLF	Plant Load Factor
PLVC	Peak Load Violation Charges
PPAs	Power Purchase Agreements
PSUs	Public Sector Undertakings
S&HEC	Secondary & Higher Education Cess
SARs	Separate Audit Reports
SERC	State Electricity Regulatory Commission
SIA	Supplementary Implementation Agreement
SPV	Special Purpose Vehicle
SSV	Standard Supply Voltage
TDS	Tax Deducted at Source
TEC	Techno Economic Clearance
TOD	Time of Day
VAT	Value Added Tax