FROM : FAX NO. : 7 Dec. 2015 2:49PM P1

RAJIV BHATIA
SECRETARY

D.O. No. PSERC/Tariff/T/193/ 9114

Punjab State Electricity Regulatory Commission
S.C.O. No. 220-221, Sector-34-A,
Chandigarh.
Ph: (O) 0172-2648321, Fax: 0172-2664758

Dated : 07-12-15.

Subject: - Petition for Annual Revenue Requirement and Determination of Tariff filed by PSTCL for FY 2015-16 – Deficiencies.

Financial Advisor, PSTCL vide letter no. 3383/FA/ARR-601 dated 27.11.2015 has filed petition for Aggregate Revenue Requirement & Determination of Tariff for FY 2016-17. On preliminary scrutiny of the petition filed by PSTCL, the Commission has observed some deficiencies enclosed as Annexure-I (Financial) and Annexure-II (Technical).

You are, therefore, requested to ensure submission of the information/comments on these deficiencies to the Commission within 7 days. The petition will be taken on record only after receipt of satisfactory reply to these deficiencies.

Yours sincerely,

(RAJIV BHATIA)

DA/as above

Sh. U.K. Panda,
Chairman-cum-Managing Director,
Punjab State Transmission Corp. Ltd,
The Mall,
Patiala.

CC No 9115/ dated 07-12-15.
Financial Adviser, Punjab State Trans Corp Ltd, 3rd Floor, Shakti Sadan, Opp Kali Mata Mandir, Patiala.
Fax-0175-2206523

Annexure-A

Financial

1. Audit Report

I. The Comments of Comptroller and Auditor General of India on Audited Accounts for FY 2013-14 as per the Companies Act have not been furnished along with ARR for FY 2016-17 which may be furnished at the earliest.

II. Cost Audit Report and the Compliance Report duly authenticated and signed by the Cost Accountant in the specified formats (Performa A to H) as per the notification of Ministry of Corporate Affairs dated 07.12.2011 for FY 2012-13 and FY 2013-14 may be furnished. Prescribed Performa D may be furnished for each major zones and areas.

III. Comments of Board of Directors of PSTCL on the Independent Auditors report for FY 2012-13 and FY 2013-14 and comments on CAG's report for FY 2012-13 may be furnished.

2. Employee Cost

I. Head wise details of employee cost for STU and SLDC for H2 of FY 2015-16 and FY 2016-17 may be furnished. Details as per Annex I

II. Total employee cost as specified in Audited Annual Accounts for FY 2012-13 as Rs.300.11 crore and in FY 2013-14 as Rs.339.43 crore whereas, PSTCL claimed as employee cost Rs.308.32 crore in FY 2012-13 and Rs.356.03 crore in FY 2013-14 in ARR for FY 2016-17. The reconciliation of the same may be provided. The amount of Rs.8.08 crore under 'outsourced cost of manpower' for FY 2012-13 and Rs.16.42 crore in FY 2013-14 has been not considered as employee cost in Audited Annual Accounts by Auditor. The reason for considering the cost as employee cost along with supporting documents may be furnished.

III. Reason for increase in 'over time payment' in FY 2013-14 as compare to FY 2012-13 from Rs.3.99 crore to Rs.6.40 crore, increase in 'telephone allowance' in FY 2013-14 as compare to FY 2012-13 from Rs.0.02 crore to Rs.1.39 crore and Increase in 'outsourced cost of manpower' from Rs.8.08 crore to Rs.16.42 crore for FY 2012-13 to FY 2013-14 may be explained.

IV. PSTCL has not submitted number of employees deployed for each activity viz. Lines and Sub-station wise transmission during FY 2012-13, FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 which was also already asked to submit vide the Commission's letter dated 6.11.2015.

3. Repair & Maintenance

I. Head wise detail of Repair & Maintenance expenses for STU and SLDC for H2 of FY 2015-16 and FY 2016-17 may be furnished.

II. Substantial increase in 'Hydraulic works & civil works' under R&M expenses for STU for FY 2013-14 over previous year(FY 2012-13) from Rs.0.46 crore to Rs.0.71 crore may be explained.

4. Administrative & General (A&G) expenses

I. Head wise detail of Administrative & General expenses for STU and SLDC for H2 of FY 2015-16 and FY 2016-17 may be furnished.

II. Reasons of substantial increase in the following heads in FY 2013-14 may be explained:

a. Rent, Rates & Taxes
b. Conveyance & Travel charges
c. Expenses on Training
d. Contingency expenses
e. Other expenses
f. Freight
g. Material related expenses

5. Depreciation expenses

I. Reasons of difference in depreciation charges in Note-12 of Audited Annual Accounts Rs.108.14 crore and depreciation charges in Note-26 of Audited Annual Accounts Rs.105.55 crore for FY 2012-13 may be explained.

Also, the discrepancy in head wise details submitted under Note-12 and Note-26 to the Audited Accounts may be explained. e.g. Depreciation charges of Plant and Machinery in Note-12 is Rs.80.20 crore whereas, in Note-26 depreciation charges is Rs.70.76 crore. Reasons may be explained.

II. Similarly, reasons of difference in depreciation charges in Note-11 of Audited Annual Accounts as Rs.136.03 crore and depreciation charges in Note-24 of Audited Annual Accounts as Rs.136.84 crore for FY 2013-14 may be explained.

Also, the discrepancy in head wise details submitted under Note-11 and Note-24 to the Audited Accounts may be explained. e.g. Depreciation charges of Plant and Machinery in Note-11 is Rs.63.98 crore whereas, in Note-24 depreciation charges is Rs.88.98 crore. Reasons may be explained.

III. In para 2 of Annexure-1 of Main Audit Report for FY 2012-13, Auditor has pointed out that the fixed assets as per the fixed assets register has not been reconciled with the book balance of fixed assets. The vehicle under Note no. 12 has Gross block of Rs.69284143/- whereas, accumulated depreciation is Rs.82773839/- showing a credit WDV of Rs. 13489696/-. In some units as per fixed assets register the gross block of fixed assets are showing credit balances. In some units the depreciation provided on the block is more than the value of gross blocks of fixed assets. These differences are required to be reconciled. The effect on depreciation due to difference pointed out by Auditor may be worked out and furnished.

IV. In para 9 of Annexure-1 of Main Audit Report for FY 2012-13 and para 7 of FY 2013-14, Auditor has pointed out that no adjustment has been made on decommissioned assets on the fixed assets. PSTCL may provide the details of decommissioned assets for FY 2012-13 and FY 2013-14. The effect on depreciation due to difference pointed out by Auditor may be worked out and furnished.

V. According to the accounting policy submitted by PSTCL, depreciation has been charged as per the specified Companies Act, 1956 whereas the company is governed by the Electricity Act, 2003. Therefore, it may be confirmed that the depreciation charges in Annexure-(1) of Vol.-II of ARR have been calculated as per PSERC Regulations. In case calculation in Annexure-(1) is based on rates specified in Companies Act, 1956, the same may be recalculated and furnished based on rate of depreciation as per Electricity Act, 2003/PSERC Regulations for FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16.

VI. As per Para 21, Independent Auditor Report has pointed out that PSTCL is having Rs. 67.52 crore credit toward receipt for Deposit Work and Rs. 41.14 crore towards Contribution Work under long term liabilities and Rs. 6.92 crore credit towards Public Works miscellaneous deposit under Other current liabilities. The effect on deprecation as per rate of depreciation specified in Electricity Act 2003/PSERC Regulation may be worked out and furnished.

6. Interest & Finance Charges

The audit certificate of capital expenditure of Rs.741.73 crore for FY 2014-15 may be furnished.

7. Capital Work in Progress

I. In para 3 of Annexure-1 of Main Audit Report for FY 2012-13, Auditor pointed out that capital work in progress under the Head Fixed Assets include debit Balance of Rs. 140.07 lac as advance to suppliers and contractors No detail of advances is available. The CWIP at the year has not been reconciled. Capital work in progress includes Credit Balance of Rs. 17522930/- for other building, Turbine and generator Credit balance of Rs.1540107/-, T/F and equipment above 100 KVA Credit balance of Rs. 12660/-, Meter Testing credit balance of Rs. 1511685/-, Overhead lines above 66 KV credit balance of Rs. 6433252/-, Jeep & Motor credit balance of Rs. 326032/-.

II. At para 3 of Annexure-1 of Main Audit Report for FY 2013-14, Auditor points out that the Capital Work in Progress under the head fixed assets include debit balance of Rs.3.55 crore as advance to suppliers and contractors for which no detail of advances is available.

III. The Auditor pointed out that Capital Work in Progress has been overstated by Rs. 3.30 crore and Rs. 14.70 crore in FY 2012-13 and FY 2013-14 respectively.

Based on above observations of Auditor, the complete detail of capital work in progress for FY 2012-13 and FY 2013-14 with the effect on the value of asset may be worked out and provided.

8. Tax on Income

The Auditor in his report has expressed opinion that the profit has been overstated by Rs. 24.56 crore on item 4, 10, 14, 17, 18 of Annexure-1 attached to Main Audit Report. The Auditor has also expressed that the quantification in respect of items no. 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, 13, 15, 16, 19, 20 and 21 of Annexure-1 attached with Main Audit Report has not been quantified. The effect of the items on which the quantification has not been may kindly be calculated and intimidated. It may also be certified that the overstated profit due to these items has been considered at the item of paying the income tax by PSTCL. View of Management/BoD on the issues pointed out by Auditor may be placed on record.

9. Prior Period Income

The details of finance cost of Rs.0.21 crore, depreciation cost of Rs. 3.32 crore, R&M cost of Rs.0.03 crore and A&G cost of Rs. 0.05 crore as provided in Note 32 of Audited Account for FY 2012-13 and details of depreciation cost of Rs. 2.52 crore and R&M cost of Rs. 0.29 crore as provided in Note 30 of Audited Accounts for FY 2013-14 may be furnished. Clearly indicating the specific period/years to which the item actually relates.

Annexure- B

Technical

1. It has been submitted in the ARR that the overall Transmission System Availability as certified by Chief Engineer/SLDC in FY 2012-13 and FY 2013-14 were 99.93% and 99.87% respectively. PSTCL in the ARR has petitioned to approve incentive of Rs.8.43 crore and Rs.19.94 crore respectively for FY 2012-13 and 2013-14, as admissible as per PSERC Tariff Regulations. It needs to be confirmed by Chief Engineer/SLDC that the Transmission System Availability has been determined as per applicable Tariff Regulations/CERC Regulations.