

Policy on provisioning and Writing Off of Bad and Doubtful Debts.

(a) Details of Revenue Arrears

1. At the time of the division of assets and liabilities between Uttar Pradesh Power Corporation Ltd. And Uttarakhand Power Corporation Ltd. on 12.10.2003, an amount of Rs. 629.25 Cr. under item revenue arrears and against these arrears Rs. 230.01 Cr. for provision for Bad and Doubtful Debts were transferred to UPCL on 08.11.2001.
2. According to the Commercial Diary the details of Revenue Arrears against the electricity supplied by UPCL is as follows on 31.03.2019:

Arrears as on 31-03-2019

| S. No. | Categories | Principal Amount (Rs. Cr.) | Surcharge (Rs. Cr.) | Total (Rs. Cr.) |
|--------|--------------------|----------------------------|---------------------|-----------------|
| 1.1 | Domestic | 461.88 | 155.62 | 617.51 |
| 1.2 | Commercial | 207.69 | 96.34 | 304.03 |
| 1.3 | L.T. Industry | 25.09 | 11.21 | 36.29 |
| 1.4 | H.T. Industry | 236.64 | 75.21 | 311.85 |
| 1.5 | Private Tube Well | 114.92 | 27.93 | 142.85 |
| 1.6 | Railway Traction | 0.07 | 0.11 | 0.18 |
| 1 | Non-Government | 1046.29 | 366.42 | 1412.71 |
| 2.1 | Public Lamps | 38.14 | 6.74 | 44.88 |
| 2.2 | Public Water Works | 72.00 | 66.64 | 138.64 |
| 2.3 | Irrigation | 83.17 | 51.67 | 134.85 |
| 2 | Government | 193.32 | 125.05 | 318.37 |
| 3 | Total Arrears | 1239.60 | 491.48 | 1731.08 |

3. According to the Financial Records the amount of revenue arrears as on 31.03.2019 is Rs. 1677.87 Cr., against which provision of Rs. 1209.00 Cr. has been made for bad and doubtful debts. As per approval of Board of Directors this provision is continuously being made equal to 2% of the revenue assessed for non-government categories since FY 2013-14. Earlier this provision was continuously being made equal to 5% of the total assessed revenue.
4. Hon'ble Uttarakhand Electricity Regulatory Commission has approved Rs. 103.74 Cr. in ARR from the FY 2001-02 to FY 2008-09 under item provision for bad and doubtful debts. After the FY 2008-09 no amount has been approved under this head by the Commission.

(b) Amount of Revenue Arrears Covered Under the Policy

The amount of irrecoverable revenue arrears to be written off under this scheme has been divided into two categories, i.e. irrecoverable revenue arrears and fictitious revenue arrears.

(c) Necessity of writing off the amount of revenue arrears

Against the electricity sold to the consumers the amount of revenue is indicated in the Uttarakhand Power Corporation Ltd. records as an income on the basis of the concept that this amount will be recovered by the due date mentioned in the bill, but if the recovery of any portion of the amount of this revenue is not ensured then it indicates that the total earning has been stated more than the actual earning in the books of accounts of the Company, due to which either the Company's profit is being shown more or loss is being shown less than the actual profit or loss. With the view to remove this lacuna, it is necessary that the amount of revenue indicated more than the recoverable amount of revenue should be written off in the books of accounts. Besides, it is also worth mentioning that for want of approved policy, no amount is being approved by the Hon'ble Uttarakhand Electricity Regulatory Commission for writing off bad and doubtful debts in the ARR.

(d) Irrecoverable Revenue Arrears and Procedure for their Witting Off

1. The irrecoverable revenue arrears means the amount of arrears which are due on account of the electricity supplied to the consumers and due to non-payment of this amount by the consumer and inability of the Corporation to secure recovery of this amount, it has been decided to classify it as irrecoverable arrears.
2. Under this policy if the payment of the final bill issued to the consumer, whose connection is permanently disconnected, is not made within 6 months from the date of issue of the bill, the amount of this bill shall be considered as irrecoverable revenue arrears. The amount of this irrecoverable revenue arrears shall be written off in the month of the expiry of six months, in the financial records by the Divisional office, but the above mentioned amount shall not be written off/reduced in the Consumers Ledger.
3. With a view to identify such consumers, they will be shown with red colour in the billing data based and an additional Code 'B' shall be allotted which will be indication of bad arrears. M.I.S./billing summary of such consumers shall be prepared separately. In the commercial diary the details of such consumers shall be indicated every month in separate forms. The format of such two forms is enclosed.
4. All possible efforts shall be made to recover the amount of arrears from such consumers by the Divisional Office. The most important action among these is recovery under Uttarakhand (U.P. Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification Order, 2002.
5. In addition, while providing new electricity connection in the campus in which old connection has been permanently disconnected, and the recovery of the amount of revenue arrears, which was written off considering it as irrecoverable, shall be ensured in accordance with the rules applicable in the Corporation.

6. For the amount received against irrecoverable revenue arrears, an accounting entry shall be made in the financial records in the month of recovery of such arrears considering it as income, and this amount shall be credited to the consumer account in the ledger resulting in reduction in arrears. This amount of recovery shall also be considered while calculating AT&C losses.
7. In cases where it is not possible to recover the amount of electricity arrears even after adopting the procedure for recovery as land revenue by the District Magistrate and the District Magistrate has declared the amount of arrears as irrecoverable, the following Committee shall be authorized for writing off the said amount from the consumer ledgers:

| Amount of Arrears to be written off | Committee | Responsible officers for presenting the case before the committee |
|---|--|---|
| Maximum Rs. 5,000/- per case and maximum Rs. 50,000 per financial year | Concerned Superintending Engineer (Distribution) and concerned Executive Engineer (Distribution) | Concerned Executive Engineer (Distribution) |
| Maximum Rs. 10,000/- per case and maximum Rs. 1,00,000 per financial year | Concerned Chief Engineer (Distribution) and concerned Executive Engineer (Distribution) | Concerned Executive Engineer (Distribution) through the concerned Superintending Engineer (Distribution) |
| Without any limit for the amount | Director (Finance) and Director (Operations) subject to the approval of the Managing Director | Concerned Executive Engineer (Distribution) through the concerned Superintending Engineer (Distribution), Chief Engineer (Distribution) and Chief Engineer (Commercial) respectively. |

The decision will be taken by the Committee, regarding writing off the amount of revenue arrears after expressing its opinion on the possibility of the recovery of the amount of revenue arrears. Monthly report of the Committee regarding decision taken for writing off the amount of revenue arrears in the consumer ledgers shall be made available to the Chief Engineer (Commercial) by the committee by 07th of the next month. The details of the amount of arrears written off shall be presented by the Chief Engineer (Commercial) before the Board of Directors in every meeting.

(e) **Fictitious Revenue Arrears and Procedures of its Writing Off**

1. Fictitious Revenue Arrears is the amount which is accrued due to wrong billing to the consumers and the Corporation is required to remove this arrear amount from the consumers ledger as well as from the books of accounts. Fictitious Revenue Arrears also include that amount of the bill which has been considered wrong by the Hon'ble Court/Forum and according to the Orders of Hon'ble Court/Forum the Corporation has decided to reduce the amount of the bill.

2. Such connections shall be identified by the Divisional Offices which have been disconnected permanently and the payment of final bill has also been made by the consumer, but against this connection amount of arrears is erroneously being continued in the consumer ledger. The Divisional Office on priority basis shall write off/reduce this amount of fictitious revenue arrears and rectify the consumers ledger accordingly.
3. Such consumers shall be identified by the Divisional Office to whom electricity connection has not been issued by the Uttarakhand Power Corporation Ltd. but by mistake issuing of bills to the consumers has been started or two bills have been issued against single connection provided to any consumer. The Divisional Office on priority basis shall write off/reduce this amount of fictitious revenue arrears and shall rectify the consumers ledger accordingly.
4. The Divisional Office shall permanently disconnect and prepare a final bill of all such consumers which are lying in inoperative accounts and their status is being shown as N.B./S.B. Consequent to permanent disconnection, the calculated Fictitious Revenue Arrears shall be written off/reduced from the consumers ledger by the Divisional Office.
5. If the bill of the consumer is revised, due to wrong billing according to the Order of Hon'ble Court/Forum or for any other reason due to wrong billing, and due to which the amount of arrears related to previous year/years is reduced, then the amount of these arrears shall be written off/reduced in the consumer ledger.
6. It is necessary to keep in mind that the amount of revenue arrears that were transferred from one billing system to another billing system or one rate list to another rate list including amount of total arrears but which has not been removed from the first billing system or the first rate list, then these arrears shall not be reduced/written off from the commercial diary while reducing the amount of these arrears in the ledger since these arrears are not against any revenue assessment done earlier.
7. The revenue arrears written off/reduced in the consumer ledger in any month by the Divisional Office shall also be written off/reduced in the financial record of the same month. The arrears reduced in the ledger shall be continued to be shown in the statement of C.S.-4 and S.G.-4 of the commercial diary in line with the prevalent practices.

(f) Provision for Bad and Doubtful Debts

The electricity is supplied first of all to all categories of consumers by UPCL, and thereafter bills are issued against which payment is received. According to provisions of the UERC (Electricity Supply Code) Regulation, 2007, there is a provision of taking security amount from the consumers equivalent to the consumption of electricity of two billing cycles against this debt supply. Bills are issued once in two month to domestic category of consumers, six monthly for the category of private tube well consumers and to other category of consumers bills are issued once in a month. Thus, the arrears for more than four months on domestic consumers and arrears for more than two months on other consumers are unsecured and its

recovery also becomes doubtful. It is worth mentioning in this regard that electricity arrears do not create any charges on the property of the consumers. With a view to show the correct position of profit/loss in the financial records of the company, it is necessary to make suitable provision in these records for all bad and doubtful debts. Provision equivalent to about 72% of the arrears amount as at the end of March, 2019 has been made. In this regard, it is provided that the provision of bad and doubtful debts shall be reviewed annually on the reporting date of financial records, and the amount for this provision shall be kept equivalent to the level approved by the Board of Directors.

(g) Accounting Entries for making Provision Against the Arrears and Writing off the Arrears

| S. No. | Details | Accounting Entry | Authorized offices for making Accounting Entry |
|--------|---|--|--|
| 1 | For making provision against the arrears | AG 79.460 - Dr. AG 29.3 - Cr. | Entry will be made by the Headquarter |
| 2 | For writing off the arrears | AG 79.460 - Dr. AG 23.1/23.2/23.5 - Cr. | Entry will be made by the Divisional Offices |
| 3 | On recovery of the written off arrears. | AG 24.110 - Dr. AG 79.460 - Cr. | Entry will be made by the Divisional Offices |
| 4 | For adjusting the written off arrears with the provisions | AG 23.9 - Dr. AG 79.460 - Cr. | Entry will be made by the Headquarter |

(h) Procedure for temporary Disconnection, Permanent Disconnection and for Recovery of Electricity Dues under Uttarakhand (UP Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification Order, 2002

Detailed procedure for temporary disconnection, permanent disconnection, and recovery of electricity dues under Uttarakhand (UP Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification Order, 2002 are enclosed.



Temporary Disconnection, Permanent Disconnection and Procedure for Recovery of Electricity Dues under Uttarakhand (UP Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification Order, 2002

1- Temporary Disconnection

In case of non-payment of any electricity bill (even though it may be the first bill) by the consumer, his connection can be disconnected any time on the date of disconnection mentioned in the unpaid first bill or anytime thereafter. According to Section 56 of Electricity Act, 2003, the date of disconnection is after 15 days of the due date, but additional 15 days grace period is allowed for payment of bill to all categories of consumers by Hon'ble Uttarakhand Electricity Regulatory Commission, therefore, at present, the disconnection date is after 30 days of due date.

2- Permanent Disconnection

By getting his connection disconnected of his own violation by the consumer or due to non-payment of electricity dues by him the process of disconnecting his electricity connection is called permanent disconnection. Electric connection may be permanently disconnected in the following conditions:-

(i) On the request of the consumers

If the consumer wants to get his electric connection disconnected permanently of his own, he will have to apply in the prescribed form (enclosed). After getting Special Meter Reading of the consumer by the Divisional Office, his final bill will be issued. The receipt of payment of this final bill will be considered as "No Dues Certificate".

(ii) For Non-payment of electricity dues by the consumer

All such consumers who have not paid the electricity dues of three or more billing cycles whether their connection has been temporarily disconnected or not, but the process for permanent disconnection will be initiated after issuing 30 days notice. All such consumers who have not paid the bill within the aforesaid period and were allowed payment in instalments and were defaulter in depositing the instalments, the process of permanent disconnection will be initiated against them immediately. Besides, all such consumers who have not paid updated electricity dues within 6 month from the date of temporary disconnection, their connections will be permanently disconnected without issuing any prior notice.

3- Period of issuing final bill to the consumers in the process of permanent disconnection

- (i) According to the provisions of UERC (The Electricity Supply Code) Regulation, 2007, on the request of the consumer his electricity connection is to be permanently disconnected and final bill is to be issued to the consumer within 5 days of receiving his application for disconnection. The process of permanent disconnection against the consumers who do not pay the electricity dues is given in the following point No. (ii) to (v).



- (ii) On the expiry of the period of notice or within the period of 7 days after the expiry of 6 months from the date of temporary disconnection, Orders will be sent to remove the line to the Sub-Divisional officer by the Divisional Office.
- (iii) On receiving the Orders to remove the Corporation's installation, line, meter etc., the Sub Divisional Officer will direct the Junior Engineer and within 15 days after receiving the order ensure receipt of progress report of removing the line in the Divisional Office from the Junior Engineer.
- (iv) The Sub Divisional Officer will make available to the Divisional Office the report of removing line meter etc. next day after it is received in the Sub-Divisional Office.
- (v) Final bill will be issued by the Divisional Office within 7 days after receiving the report from the Sub-Divisional Officer.

Thus, in the process of permanent disconnection of the consumer who do not pay the electricity dues, final bill will be issued to the consumers within 30 days, after the expiry of notice period or end of six months period from the date of temporary disconnection.

4- Electric Connection Disconnection Fees

This fee will be charged according to the applicable Tariff Order. The applicable rates at present are as follows:

- | | |
|--|------------|
| (i) Consumers having load more than 100 BHP/75 kV | Rs. 300.00 |
| (ii) Domestic and Industrial consumers having load upto 100 BHP/75 kV. | Rs. 200.00 |
| (iii) Other Consumers | Rs. 100.00 |

5- Assessment of the material missing from the connection site

Action of removing meter from the campus of permanently disconnected consumers shall be taken by the Junior Engineer/Sub-Divisional Officer, the details of which shall be indicated in permanent disconnection report and Measurement book and that will be final. The following action will be taken in case the material is not found at the connection site of the consumer:

- (i) The present value of the meter will be charged to the consumer.
- (ii) Nothing will be charged to the consumer for the material to whom connection was released through cable.
- (iii) The consumer who were given connections by making line and line material was not available at those connections, in such cases, the decision regarding the material/its value shall be taken by Executive Engineer (Distribution) at his own discretion after giving reasons, which will be final.



6- Determination of date of Permanent Disconnection

The date of temporary disconnection will be considered as date of permanent disconnection and electric dues will be taken from the consumer upto that date only.

7- Committee for deciding the date/month of temporary electric disconnection

In case where the date of temporary disconnection is not known or connection material is not available at the site, the Committees constituted as under shall be competent to determine the date/month of temporary disconnection:-

| S. No. | Consumer Category | Committee |
|--------|---|---|
| 1 | Domestic and non-domestic Consumers for load upto 75 kW covered under Rate List RTS-1 and RTS-2 | Concerned Sub Divisional Officer Concerned Accountant (Revenue) Concerned Junior Engineer |
| 2 | Private Tube Well/pumping set consumers covered under Rate List RTS-4 | Concerned Executive Engineer Concerned Sub Divisional Officer |
| 3 | Industrial consumers for load upto 75 kW covered under Rate List RTS-7 | Concerned Accountant (Revenue) Concerned Junior Engineer |

On the basis of inspection of connection site / enquiry with the line staff or resident of nearby places and checking of records of consumers ledger, meter reading, meter binders etc, the above mentioned Committees shall decide the probable disconnection date/month, which shall be final.

8- Adjustment of Security and Interest on the same

Consequent upon permanent disconnection, after calculating the electric dues as above, dues will be decided against the consumers. In these dues, after adjusting the security deposited by the consumer and interest earned on the same upto the date of permanent disconnection, final dues will be decided against the consumer.

9- Late Payment Surcharge on Permanently Disconnected Consumers

After the action of permanent disconnection, late payment surcharge for the minimum period out of the following shall be levied:-

- (i) Period from the date of permanent disconnection upto the date of payment; or
- (ii) Period from the date of permanent disconnection upto the date of sending notice under Section -5 of Uttarakhand (UP Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification order, 2002 or;
- (iii) 8 months

10- Issuing notice under Section 3 and 5 of Uttarakhand (U.P. Government Electricity Undertaking (Dues Recovery) Act, 1958) Adaptation and Modification Order, 2002

- (i) There is a provision of issuing notice to the consumers who do not pay the electric dues after the expiry of 30 days from the due date of payment of the bill under Section 3 of the aforesaid Act. Therefore, notice may be issued to the consumers who do not pay the electric dues, under section 3, within 7 days of the expiry of 30 days from the due date of the bill.

- (ii) There is a provision of issuing notice under Section 5 of the Act, to the consumers who do not pay the electric dues within 30 days of the issue of notice under Section 3 of the Act. Therefore, notice may be issued to the consumers who do not pay the electric dues, under section 5, within 7 days on the expiry of 30 days. Recovery of electricity dues under this Section is done by the District Magistrate similar to Land Revenue.

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