

MINUTES OF THE 13th MEETING OF THE BOARD OF DIRECTORS OF CESC HELD ON SATURDAY, THE 30th JUNE, 2007 AT 6.00 PM AT THE BOARD ROOM, KPTCL, CAUVERY BHAVAN, BANGALORE -560009

Present:

Shriyuths:

- | | | |
|------------------------------|----|----------------------|
| 1. Bharat Lal | .. | Chairman |
| 2. Vijayanarasimha | .. | Managing Director |
| 3. KV Srinivasamurthy | .. | Director (Technical) |
| 4. Smt. Aditi Raja | .. | Director |
| 5. S Pratap Kumar | .. | Director |
| 6. VM Chandragowda | .. | Director |
| 7. Vishvanath Hiremath | .. | Director |
| 8. BN Sathyaprema Kumar | .. | Director |
| 9. Smt. Parvathi Keshavachar | .. | Director |

In attendance:

R Balasubramanian .. Authorised Signatory

Leave of absence was granted to Smt. M Imkongla Jamir, Director

At the outset the Board was informed that vide GO No. EAN 56 EEB 2006 dated 11.6.2007, Smt. Parvathi Keshavachar, Dy. Secretary, Energy and Smt. M Imkongla Jamir, Dy Secretary III Finance Department GoK have been appointed as Directors in place of Shriyuths M Lokraj and Darpan Jain respectively. The Board noted and took on record the same. The Board welcomed the new directors and placed on record the services rendered by the outgoing directors

Item No.13/1: Confirmation of Minutes

The Board confirmed the minutes of the 11th & 12th meetings held on 30.12.2006 & 23.3.2007 respectively as circulated.

The Board also noted the follow up action taken in respect of the said minutes.

Item No.13/2: Revision of Schedule of rates-2007

13/2.01 Director Technical informed the Board that the revised Schedule of Rates for 2000 has been prepared by an Internal Committee of officers with the inputs from consultants who had also assisted MESCOM. The rates for various items are comparable to MESCOM.

13/2.02 The Board noted that the MESCOM SR has already been approved and hence the present proposal for revision of rates as annexed to the agenda notes could be agreed to. The Board therefore

Resolved that the Schedule of Rates for 2007 as annexed to the agenda notes be and is hereby approved and adopted with effect from 1.6.07

Item No.13/3: Implementation of Geographical Information System (GIS) in the jurisdiction of CESC, Mysore

13/3.01 The Board was informed about the proposal for implementation of Geographical Information System (GIS) throughout CESC jurisdiction, the scope and salient features of the tender, the prequalifications, the extent of participation, compliance to KTPP Law, the outcome of the pilot study carried out by the responsive firms and the recommendation of the Purchase Committee to have a presentation from the bidder to the Board.

13/3.02 The L1 firm M/s Reli e-Marg Software Consultants Pvt Ltd., Mysore made a detailed presentation before the Board about the pilot study and the software capabilities. Shri S Pratapkumar observed that the major cost was with reference to acquisition of data. He felt that the cost of GPS was on the higher side. The Managing Director clarified that the proposed device is superior to the GPS presently available in the market and was not comparable. Further other bidders have not been able to demonstrate the performance through pilot. Managing Director stated that if 12 more devices are procured, the entire exercise could be completed within six months. The Board noted that the deliverables were satisfactory and the proposal could be considered.

13/3.03 The Board felt that as this tender was a first of its kind among the ESCOMS, and as it would be useful for all ESCOMS, it would be advantageous to carryout negotiations with respect to hardware, software and price with reference to the evaluated price of Rs. 3.454 crores. In particular it would be appropriate to negotiate for a corporate license for the software, determine the number of persons to be deployed and institutionalize a mechanism for updating. The Board therefore

Resolved that a Sub-committee comprising Managing Director, Sriyuths Vishwanath Hiremath and BN Satyaprem Kumar Directors may examine the bid conditions, scope & reasonableness of the offer and further the Managing Director be and is hereby authorized to negotiate suitably with the L1 bidder M/s Reli e-Marg Software Consultants Pvt Ltd., Mysore, as regards price and other terms and conditions and to award the work at the negotiated amount after approval of Chairman

Item No.13/4: Review of Financial Performance

13/4.01 The Financial Adviser briefed the Board about the financial performance for the year 06-07 and 07-08 (*April to May 07*).

13/4.02 The Board noted the improved collections as regards domestic, commercial and industrial installations. However, it expressed concern at the closing balance ratio to demand in respect of LT2 and LT5 categories. The Board desired the Managing Director to take steps to collect the outstandings from LT2, LT3 and LT5 categories.

Item No. 13/5: Advanced Certificate Programme in Power Distribution Management

13/5.01 The Board was informed about the long distance programmes offered by IGNOU for employees of Power Utilities, the salient features of the scheme support by Ministry of Power, the desirability of encouraging employees to take up the course and the incentives to be offered in this regard.

13/5.02 The Board welcomed the proposal to promote continuous learning through suitable courses. The Board authorized the Managing Director to extend suitable support by way of reimbursement of course fee and one time cash incentive to the top ranking successful candidates undergoing the course of IGNOU and other reputed organizations.

Item No. 13/6: Payment of Funeral Expenses of Rs. 2310/- to the dependants of Probationary Mazdoors who die while in service

13/6.01 The Board was informed about the decision taken to extend the concession of paying the funeral expenses of Rs.2310 to the dependents of the deceased probationary mazdoors while in service.

13/6.02 The Board noted the same .

Item No.13/7: Review of the Performance of Grameen Abhivrudhi Mandali, Kirguvalu, Malavalli Tq, Mandya dt.

13/7.01 The Board was apprised of the arrangement entered into with GAM for the Kirugavalu Section, the performance of the GAM, the report of the Internal Committee of Officers, the issues to be sorted out and the need to take a decision on the continuance of the arrangement.

13/7.02 The Board noted the complexity of the issues involved in the matter. After detailed discussions, the Board felt that a committee of the Board comprising Managing Director, Sriyuths VG Hiremath and BN Satyaprema Kumar, Directors could examine the position and give its recommendations to the Board. Accordingly, the Managing Director was authorized to bring up suitable proposals based on the recommendations of the sub committee as above.

Item No. 13/8: Computerization of Revenue accounts in Mysore Urban, Mandya and Hassan Divisions of CESC - extension of validity of contract period between Oct 05 to June 06

13/8.01 The Board was informed about the award of work to M/s CS Software Enterprise Ltd. Hyderabad by MESCOM regarding total revenue computerization in Mysore urban, Mandya and Hassan divisions prior to formation of CESC, the performance of the agency, the representation of the agency as to nonpayment of bills, the examination of the issues by a committee headed by DT, CESC, the recommendations of the committee, the termination of the contract in June 06 after the contract was extended from Sept. 05 to June 06 and the present proposal.

13/8.02 The Board noted that the Internal Committee headed by the DT had examined all aspects of the contract and has made the relevant proposals for finalizing the contract. The Board noted that as a result of the proposals 62, 24 & 22% deductions will have to be made for works carried out at Mysore, Mandya & Hassan respectively, as penalty to recover additional expenditure to the company due to non removal of ledger resulting in payment of Rs.75.85 lakhs as against the claim of Rs.136.33 lakhs made by M/s CS software. If any dispute is raised by the firm, the same could be settled by referring to the arbitrator as per clause 3.9 of the award.

The Board noted the complexity of the issues involved in the matter. After detailed discussions, the Board felt that a committee comprising Managing Director, Sriyuths VG Hiremath and BN Satyaprema Kumar, Directors could examine the position on the following:

- i) extension of the validity of the contract of M/s CS Software from 10/05 to 6/06, to make payment to the firm as no. payments are made pertaining to the period; the bills claimed by the firm is Rs. 83.39 lakhs (rounded) for this period;**
- ii) recovery of the amount of Rs. 60,46,230/- or penalty leviable @ 10% of billed amount whichever is higher which the amount incurred for parallel maintaining of ledgers from the final bill for the deference of service of the firm, along with other statutory taxes, advances made to the company**

iii) taking of deductions towards mobilization advance made by MESCOM to account while passing the final bills

and give its recommendations to the Board. Accordingly, the Managing Director was authorized to bring up suitable proposals based on the recommendations of the sub committee as above.

Item No.13/9: Conveying formal approval for collection of Electricity Bills of CESC at Post Offices through E- payment system

13/9.01 The Board was briefed about the customer friendly initiatives taken by GESCOM for easy payment, the present proposal to utilize the postal net work and the financial implications.

13/9.02 The Board welcomed the proposal and felt that the concept of ATPs should also be pursued in greater measure. As regards the commercial terms, it was informed that the postal authorities had already approved a price of Rs. 5.00 per bill up to 100 bills and Rs. 4.00 per bill beyond 100 bills in one day as per letter of the Chief Post Master General of Karnataka vide letter no. DO No.BD/37-3/KPTCL dtd 6.6.07 to MD, KPTCL. **The Board accordingly authorized the Managing Director to tie up with the Postal Organisation for introducing the collection of electricity bills through post offices in CESC w.e.f. 1.8.07.**

ItemNo.13/10: Signing of PPA with Hassan Thermal Power (P) Ltd.

13/10.01 The Board was informed about the initialing of PPA with the Hassan Thermal Power (P) Ltd. in respect of its 1x500 mws plant along with other ESCOMS.

13/10.02 The Board noted that the PPA envisaged power purchase at reasonable rate and hence ratified the action taken in initialing the PPA.

ItemNo.13/11: ERC filing for the year FY 08-10 and tariff filing for the year FY-08 of CESC under MYT Principle

13/11.01 The Board was apprised of the details of ERC filing for FY 08-10 and for FY08 under MYT Principle.

13/11.02 The Board noted that even after proposing a tariff of 90 paise per unit, the additional revenue would be Rs. 187.47 crores leaving a gap of Rs. 47.94 crores. The Board felt that steps should be taken to reduce losses and improve collection to sustain the viability of the Company.

13/11.03 The Board after discussions took on record the ERC and tariff filing as annexed to the agenda note and

Resolved that the ERC filing for FY 08-10 and tariff filing for FY 08 under MYT as indicated to the Board agenda note be and is hereby approved and the advance action taken is ratified

ItemNo.13/12: Retirement of Sri KV Srinivasmurthy, DT

13/12.01 The Board noted the retirement of Sri KV Srinivasmurthy on 30.6.07 and placed on record the services rendered by him as Director Technical.

ItemNo.13/13: Annual Accounts for 2006-07 - status

13/13.01 The Financial Adviser briefed the Board about the status of accounts for 2006-07 and the progress of audit by the statutory auditors.

13/13.02 The Board after noting the Provisional Accounts desired that the Audit Committee may examine the same in consultation with the Statutory Auditors and obtain the approval of the Board for being handed over to the Auditors/CAG for certification.

ItemNo.13/14:Formation of Special Purpose Vehicle - providing necessary Authority on behalf of the Company

13/14.01 The Board was apprised of the contents of G.O.No.EN 138 PPC 2006 dated 07-04-2007. In the preamble to the said order, it was indicated that each of the ESCOMs have to contribute Rs.1,00,00,000/- (Rs. One Crore only) as Seed Capital for the proposed Special Purpose Vehicle. Since the intention of the order appeared to indicate establishing of a Government Company, it was decided to consider the investment in the following manner:

- (a) To invest a sum of Rs.100,00,000/- (*Rupees One Crore only*) in terms of G.O. No. EN 138 PPC 2006 B'lore, dated 07th April 2007 as detailed below:
 - i) Rs.1,00,000/ (Rs. One lakh only) towards Equity share capital of the proposed new company as noted below:
 - a) One Equity share of Rs.1000/ on behalf of Principal Secretary, Energy Department (By name),
 - b) One Equity share of Rs.1000/ on behalf of Managing Director, KPTCL (By name),
 - c) 98 Equity shares of Rs.1000/ each on behalf of respective ESCOM to be held in the name of Managing Director (By name).
 - ii) Rs.99,00,000/-(Rs. Ninety Nine lakhs only) towards Seed Money of the proposed new company.

13/14.02 It was also decided to authorize the MD, CESC to sign as a subscriber to MOA & AOA of the proposed New Company. Since the work relating to incorporation of the Company was to be entrusted to Mr. R. Sridhara, Company Secretary, KPTCL, it was decided to authorize Officer suitably.

In this context, the following resolution was passed:

Resolved that approval of the Board be and is hereby accorded to the following:

- a)To invest a sum of Rs.1,00,00,000/- (*Rupees One Crore only*) in terms of G.O. No. EN 138 PPC 2006 B'lore, dated 07th April 2007 as detailed below:
 - i) Rs.1,00,000/ (Rs. One lakh only) towards Equity share capital of the proposed new company as noted below:

- a) One Equity share of Rs.1000/ on behalf of Principal Secretary, Energy Department (*by name*).
 - b) One Equity share of Rs.1000/ on behalf of Managing Director, KPTCL (*by name*)
 - c) 98 Equity shares of Rs.1000/ each on behalf of respective ESCOM to be held in the name of Managing Director (*by name*).
- ii) Rs.99,00,000/-(*Rs. Ninety Nine lakhs only*) towards Seed Money of the proposed new company
- a) to authorize the Managing Director to sign as a subscriber to MOA & AOA of the proposed new company and to do all such acts which would facilitate the authorized person to take all steps for the incorporation of new Company
 - b) to authorize Sri R.Sridhara, Company Secretary, KPTCL, Bangalore to take all steps for the incorporation of new Company

Item No. 13/15: Authorisation to the Director (Procurement) to handle the bidding process for procurement of power

13/15.01 The Board was informed of the proposal to go in bidding for procurement of power through State Power Procurement Coordination Centre. The Board was further informed about the proposal to invite expression of interest for procurement of 1500 MWs of power on medium term basis and 2500 MW of power on long term basis under competitive bidding process. Also SPCC has called for expression of interest for establishing 1000 MW coal based power plant at Chamalapur, Ghataprabha and Jewargi. It is necessary that the SPCC is authorized to act on behalf of all the ESCOMS as desired in the guidelines issued in the MoP dated 19.01.05.

13/15.02 After discussions, the Board

Resolved that pursuant to the provisions of the Companies Act 1956 and compliance thereof and as permitted under the Memorandum of Association and Articles of Association of the Company, approval of the Board be and is hereby accorded

I(A) Long term basis – 2500 MW:

for procurement of power on long term basis, through tariff based competitive bidding under Case 1, as permitted under the Electricity Act 2003 and subsequent guidelines thereof.

I(B) Medium term basis- 1500 MW:

for procurement of power on medium term basis, through tariff based competitive bidding under Case 1, as permitted under the Electricity Act 2003 and subsequent guidelines thereof.

I(C) Chamalapur Project:

for procurement of power by establishing 1000 MW Coal based power plants at Chamalapura, Mysore District, Karnataka through tariff based competitive bidding under Case 2, as permitted under the Electricity Act 2003 and subsequent guidelines thereof.

I (D) Gulbarga Project:

for procurement of power by establishing 1000 MW Coal based power plants at, Jewargi Gulbarga District, Karnataka through tariff based competitive bidding under Case 2, as permitted under the Electricity Act 2003 and subsequent guidelines thereof.

I (E) Ghataprabha Project:

for procurement of power by establishing 1000 MW Coal based power plants at Ghataprabha, Belgaum District, Karnataka through tariff based competitive bidding under Case 2, as permitted under the Electricity Act 2003 and subsequent guidelines thereof.

II. FURTHER RESOLVED THAT the State Power Procurement Co-ordination Centre (SPPCC) a committee set up by the Government of Karnataka or any of the successors of SPPCC, be and is hereby authorised to handle the bidding process including but not limited to, inviting bids from power project developers/traders, issuing bid documents and all other related documents, evaluating the bids submitted by the bidders, selecting the successful bidder, and take all other steps required to be taken by the Company in this regard.

III. FURTHER RESOLVED THAT the SPPCC is authorised to represent CESC to discharge the rights & obligations under the power purchase agreement proposed to be entered into between MESCOM, BESCO, GESCOM, HESCO and CESC and the successful bidder upon completion of the bidding process.

**Sd/-
(Bharat Lal)
Chairman**