
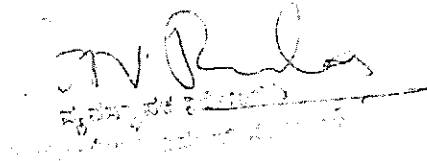


Sub: Minutes of the 23<sup>rd</sup> meeting of the Board

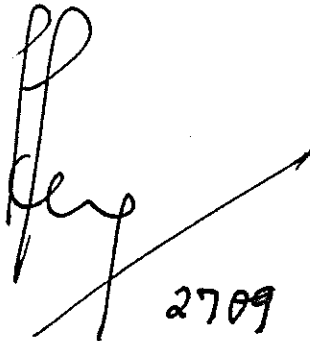
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The draft minutes of the 23<sup>rd</sup> meeting of the Board of Directors of the Company held on 19.06.09 is placed opposite for kind perusal and approval.

  
Authorized Signatory

MD)



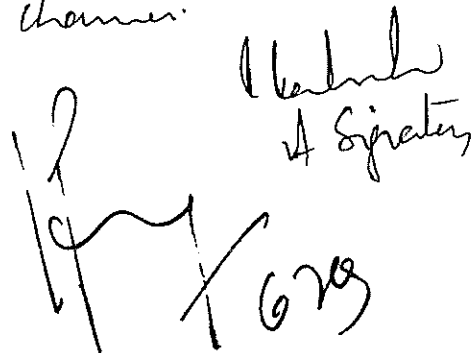
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of chairman.

Chairman)

  
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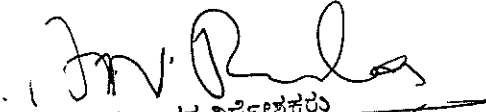
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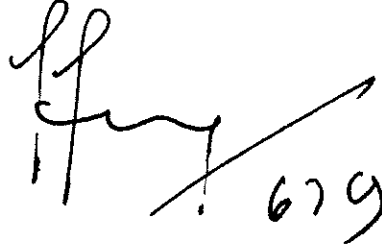
The draft minutes of the 23<sup>rd</sup> meeting of the Board of Directors of the Company held on 19.06.09 is placed opposite for kind perusal and approval.

  
Authorized Signatory

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Chairman)

  
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**MINUTES OF THE 23<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS OF CESC HELD ON FRIDAY The 19<sup>TH</sup> JUNE, 2009 AT 11.00 AM AT THE REGISTERED OFFICE MYSORE**

**Present:**

**Shriyuths:**

- |                             |    |                      |
|-----------------------------|----|----------------------|
| 1. K Jairaj                 | .. | Chairman             |
| 2. AN Ramesha               |    | Managing Director    |
| 3. R Veeranna Setty         | .. | Director - Technical |
| 4. S Sumanth                |    | Director             |
| 5. Alok Mohan               | .. | Director             |
| 6. Smt Parvathy Keshavachar |    | Director             |
| 7. Shivayogi C Kalasad      | .. | Director             |
| 8. L Ravi                   |    | Director             |

**By Invitation:**

A Devaprasad : Financial Adviser

**In attendance:**

R Balasubramanian : Authorised Signatory

Leave of absence was granted to Smt. Parvathi Keshavachar and Shri CS Shama Rao, Directors.

**Item No.23/1: Confirmation of the minutes of 22<sup>nd</sup> Board meeting**

23/01.01 The Board confirmed the minutes of the 22<sup>nd</sup> meeting held on 31<sup>st</sup> March, 2009 as circulated

**Item No. 23/2: Follow up on the minutes of 22<sup>nd</sup> meeting of the Board held on 31.03.09**

23/02.01 The Board noted the follow up action on the minutes of the 22<sup>nd</sup> Board meeting held on 31.03.09 with the following observations:-

- 1) **Item No. 22/3:** Financial Adviser informed that a meeting has been convened with the Statutory Auditors on 27.6.09 to clarify the doubts raised by them regarding the inventory control/payments towards poles. The Board desired that the auditors be convinced to drop their observation.
- 2) **Item No. 22/9:** The Board felt that exemption for procurement from KAVIKA under KTPP Act should be got extended by the GoK to

facilitate smooth procurement. The Board also felt that GoK should be addressed seeking a direction to KAVIKA to make three star transformers which are more energy efficient. It was noted that MEI and KAVIKA which depended on orders from the Energy sector were under the C&I department. It may be desirable to bring these organisations also under the Energy department in the overall interest of the sector. GoK should be addressed in this regard.

- 3) **Item No.22/18:** The Board desired that in the matter or turnkey works awarded in Hassan sectors due care and caution shall be exercised to achieve the objective of the work.
- 4) **Item No. 22/19:** The Board noted that though it was approved to accept loans from Vijaya Bank and Corporation Bank, subsequently loans were availed from Canara Bank and Punjab and Sindh Bank as their rates were lower. The Board took on record the availment of loans from these two banks instead of Vijaya Bank and Corporation Bank approved earlier and ratified the action taken in this regard.
- 5) **Item No. 22/22:** The Board observed that subsequent to the CESC Board meeting a decision has been taken to explore the possibility of formulating a common SR for all the ESCOMS based on the weightage average of the purchases made by all the companies and that a team headed by MD/BESCOM is looking in to the same. The Board felt that the outcome of the exercise be awaited before taking a decision on the applicable SR to be adopted.

### **Item No. 23/3: Reconstitution of Purchase Committee and Audit Committee**

23/03.01 The Board noted and took on record the reconstitution of the Purchase and audit committees as under:

#### **Purchase Committee**

- 1) Shri AN Ramesha, MD/CEC : Chairman
- 2) Shri R Veeranna Setty, DT/CEC : Member
- 3) Shri S Sumanth, MD/MESCOM : Member
- 4) Shri SC Kalasad, Director (A&HR)KPTCL : Member
- 5) Shri Devaprasad, FA/CEC : Invitee

#### **Audit Committee**

- 1) Shri C Shama Rao, U/s, Finance : Chairman
- 2) Shri S Sumanth, MD/MESCOM : Member
- 3) Shri R Veeranna Setty, DT/CEC : Member
- 4) Shri SC Kalasad , GM(HR)KPTCL : Member
- 5) Shri Devaprasad, FA/CEC : Invitee

23/03.02 The Chairman desired the members to appreciate the role and responsibilities outlined in the communication from the Chairman to the MD and requested them to adhere strictly to the guidelines laid down.

23/03.03 While on the subject, Director (Administration and HR)/KPTCL and Director, GESCOM expressed the need to have a proper training budget and conducting company specific training programmes particularly with regard to procurement, audit management and other relevant issues. Chairman emphasized the need to allocate a suitable budget to meet the training needs of all employees in the company. He also stated that technical partnership could be entered into with institutions of repute of which there were many in Mysore.

**Item No.23/4: (Agenda 22/7: Deferred from previous Board meeting) Allocation of Rs.321.50 Crores Budget for the year 2009-10 to CESC**

23/04.01 The Managing Director briefed the Board about the details of the proposed capital budget including capital budget including the spill over works and new works proposed. The Board went through the provisions under various heads in detail. The observations /comments on the various items of expenditure are given below:

- 1) *The Board noted that in the matter of metering of BJKJ, metering shall not be made on huts as it is fire prone. Shifting of meters shall be at ESCOMS cost as per the prevailing rules.*
- 2) *Shri L Ravi, Director felt that though no provision is made for provision of metering of street light and BJKJ, the need for provision under this head would need to be verified.*
- 3) *Shri SC Kalasad, Director observed that the revenue budget has not been put up to this meeting and desired the same to be made available in the next meeting. He also felt that a good library is to be set up for the benefit of the engineering and other staff. Chairman felt that Engineers' Association could take the responsibility of designing and developing the concept for the library on innovative lines. A small R&D cell could also be thought of.*

- 4) *Shri SC Kalasad, Director also felt that some efforts should be made towards corporate social responsibility by the ESCOMS. Chairman desired that Director (A and HR) KPTCL and CS/KPCL and KPTCL could discuss and develop an approach paper for CSR measures by ESCOMS.*
- 5) *Shri Alok Mohan, IG (Vigilance)KPTCL and Director complimented the Managing Director for bringing clarity in the budget. He felt that the spill over works should be targeted for completion by end of September 2009. Thereafter, spill over should be avoided. Further, details of budget vs. actuals in terms of quantity and quality of work should also be presented. Outcomes of programmes in terms of improvement in voltage, increase in revenue, reliability and decrease in power purchase should be quantified. He observed that the benefits of the programmes implemented could be brought before the next Board. He also stated that programmes taken up during the year should as far as possible be completed within the same year.*
- 6) *Chairman observed that Rs.171.30 crores has been shown as savings due to efficiency on account of implementation of various programmes. He felt that there should be an action plan to ensure that the savings realised became sources of funding of the programmes. Chairman desired that press notes should be issued in respect of provision of AB cables as it is being done for the first time in CESC. He also suggested reviewing the provision towards replacement of electro mechanical meters, provision of LT distribution boxes, replacement of faulty DTCs and limiting the provisions to Rs.10 crores, Rs.5 crores and Rs.10 crores respectively. He advised to open a health club rather than a conventional gymnasium.*

23/04.02 The Financial Adviser made a presentation about the funds flow projection of CESC for the year 09-10 and the extent of gap with reference to the proposed budget of Rs.321.50 crores. The Board after discussions

**Resolved that that having regard to the financial stringency envisaged, it would be appropriate to limit the capital expenditure to Rs. 200 crores only. The Managing Director may prioritise the areas of expenditure within this limit**

**Item No. 23/5: Creation of a new Post in the rank of SEE and re-designate as General Manager (Admin and HRD)**

23/05.01 The Board was informed of the suggestion of the Chairman to have a HR wing in all ESCOMS headed by an officer of the rank of SE, the need for upgradation of the post of EE (Commercial) as SE (Elec/A&HR) and AEE as EE(Commercial) to meet the responsibilities proposed to be shouldered by the administration and HR wing in the ESCOMS.

23/05.02 The Board noted that the proposal for upgradation of a post in the rank of EE to SE and AEE to EE is necessary to take up the responsibility envisaged for the administration and HRD wing in the ESCOMS. However, the Board felt that these posts could be upgraded by abolishing vacant posts of Jr. Assistants/Assistants upgradation also has financial implications and needs to be offset by abolition of posts subject to the Managing Director identifying the posts for abolition. Accordingly, the Board after discussion

**Resolved that the proposal to upgrade the post of EE (Commercial) as SE(Elec-A & HR) and AEE(Elec) to EE(Commercial) be and is hereby approved subject to the Managing Director identifying and abolishing the vacant posts to the extent of financial implications of such up gradation**

**Item No.23/6: Authorizing PCKL to process the bidding activities pertaining to Establishment of minimum 5.0 MW and part there of capacity power plant at Taluk levels in the state of Karnataka and joint deed Agreement**

23/06.01 The Board was informed that a decision has been taken to establish 5 MW and above plants in each taluka on build, own, operate and maintain basis and that PCKL has been identified as the bid processing coordinator on behalf of ESCOMS. M/s PCKL is to be authorised by the CESC to carryout the bid process.

23/06.01 The Board noted the arrangement to go in for bid for establishment of 5 MW or more capacity power plants at Taluka

level and the role of PCKL in this regard. The Board, after discussion

- Resolved (i) that M/s PCKL be and is hereby authorised to carry out “Bidding process activities in respect of Establishment of minimum 5 MW and part there of capacity power plants at taluk levels on behalf of CESC;**
- (ii) that the Managing Director, CESC be and is hereby authorized to sign on behalf of CESC the Joint deed agreement as Annexed to this Agenda note with or without modifications as considered necessary**

**Item No.23/7: Creation of Divisional Stores at Arasikere Division**

23/07.01 The Board was informed of the background for the creation of Arasikere division during August 2003 by bifurcating Channarayapatna Division, the sub-divisions comprised in the Arasikere division, the location of the Stores on Channarayapatna and difficulties in sourcing materials from Channarayapatna for the Arasikere division works and the proposal to have separate divisional store for Arasikere division.

23/07.02 The Board noted that the creation of a division was to ensure total focus on the business activities and that it was logical that stores be established at Arasikere to meet the requirements of works in the division. However, it has to be ensured that division is created by utilizing the existing staff without incurring extra cost for smooth running of the division and giving service to the consumers. The Board advised the Managing Director that if people are deployed at Arasikere through re-organisation, the possibility of abolishing a few posts at the lower level could also be examined and given effect to. Subject to the above, the Board

**Resolved that the Managing Director be and is hereby authorised to create a Divisional Stores at Arasikere division to be manned by re-deployment of existing staff within CESC**



**Item No.23/8: Procurement of 3000 Nos. 15KVA, 3PH, 11KV/433V, 50 HZ wound or stacked core type, oil immersed, out door type, self cooled Distribution Transformer suitable for mounting on single RCC pole as per IS Standards**

23/08.01 The Board was apprised of the need for 15KVA transformers for the proposed HVDS scheme to be introduced in CESC, decision of the Board to await the outcome of the discussions in the MMR meeting, the recommendations emanating from the MMR meeting, salient features of the tender process and the proposal for procurement from L1 bidders at the negotiated rates which are competitive.

23/08.02 The Board observed that 15 KVA transformers are being procured for the first time and that there was no track record for assessing its efficiency and performance. It would be necessary to ascertain the failure rate of such transformers in other ESCOMS where they have been deployed and to check the test report from the manufacturers. Apart from this aspect, the Board noted with concern the apparent collusion among the bidders as almost all the firms have quoted the same price. The Board felt that it would not be proper to encourage such cartels by distributing the orders among the L1 firms. It was noted that in the State Housing Police Corporation, the system of reverse auction had also been introduced wherein the bidders have to indicate their prices in an open option on the day of the submission of the bid. This approach had helped to break the cartel and obtain more competitive offers for Police Housing Corporation. The Police Housing Corporation are also following e-tendering procedure and offering consultancy to other organizations. The Board therefore felt that the Managing Director could go in for short term tender and consider the reverse auction methodology as in the Police Housing Corporation for obtaining better results. The Board after discussion

**Resolved that tender dated 24.10.08 for procurement of 3000 Nos. of 15 KVA transformers be cancelled and the Managing Director be and is hereby authorised to go in for short term tenders of 15 days for obtaining competitive rates**

**Item No.23/9: Filing an application for Approval of Annual Performance review for FY 09 and tariff filing for the FY-10**

23/09.01 The Financial Adviser briefed the Board about the tariff filing proposals initiated for the year 2009-10, the extent of deficit and need to raise the tariff to bridge the gap.

23/09.02 The Board noted with concern the short fall even after proposed tariff hike. The Board noted that the tariff filing by all ESCOMS is being done in a coordinated manner and that necessary decision for seeking tariff increase would be forthcoming after review by the Energy Department. In the meanwhile, the Board concurred with the proposal to file application for annual performance review of FY 09 and tariff for FY 10. Accordingly the Board

**resolved that the Managing Director be and is hereby authorised**

- (a) to file the relevant revised ARR / tariff applications before the Hon'ble KERC;**
- (b) to approve the filing of revised ARR / tariff applications in coordination with other ESCOMS and guidelines of GoK;**
- (c) to authorize the Superintending Engineer (Ele.), Commercial, Corporate Office, CESC Mysore to receive all notices, sign all papers and pleadings to be filed before the Hon'ble Commission for and on behalf of CESC**

**Item No.23/10: Rural Electrification Works in 3 Blocks of Kodagu District under RGGVY Scheme**

23/10.01 The Board was informed of the rural electrification works taken up in Kodagu district, the scope of work involved, the revision in project cost and the revised proposals submitted to REC, clearance of the project with approved project cost, non availment of advance mobilization fund, the cost of coverage of BPL households beyond the limit prescribed by REC and the status of works.

23/10.02 The Board noted that the Zonal Chief Engineer has taken up the works in all the villages of Kodagu district to be implemented irrespective of the cost of providing connection to BPL households even in excess of the norms fixed by REC. Further, the REC had also indicated to the Chief Engineer to communicate approval to the agency provided the cost of the project work did not exceed the sanctioned amount of Rs.44.76 crores.

23/10.03 The Board felt that the dues to the agency implementing the works, the dues from REC are all to be worked out and REC should be addressed in the matter duly explaining the action taken to carry out the works to cover the villages irrespective of the norms for BPL being exceeded but within the project cost of Rs.44.76 crores. The Board desired that the Managing Director may pursue the matter with REC through a detailed letter and obtain concurrence as well as release of funds for the said works by the end of the month. Accordingly, the Board

- (i) **noted the action of the Zonal Chief Engineer in meeting REC and taking action to continue the works;**
- (ii) **advised the Managing Director to contact REC to approve the project and release payments forthwith. *The Managing Director may also meet the CMD of REC and request him in person. Thereafter, if no response is forthcoming, a letter from the Chairman may also be got issued to CMD of REC in the matter.***

#### **Item No.23/11: Implementation of NJY on partial turnkey basis in CESC**

23/11.01 The Managing Director briefed the Board of the action initiated for taking up NJY in CESC to an extent of Rs. 497.48 crores in 24 talukas, the budget allocation made during FY 10 and the methodology of execution with major materials being supplied departmentally.

23/11.02 The Board noted that the budget provision is Rs.100 crores and the company is likely to face severe financial stringency in view of purchase of high cost power. It further noted

that the company has requested for equity of Rs.100 crores and special grant of Rs.500 crores. Under these circumstances, it may not be possible to take up the NJY works for an amount of Rs.500 crores as per NITs notified. It maybe prudent to limit NJY works to about 70 feeders in the CESC jurisdiction within a budget of Rs.100 crores. The MD and his team of officers may prioritise the feeders to be selected for coverage under NJY with reference to objective criteria such as maximum agricultural load/number of IP sets/ TC failures. Accordingly, the Board

**Resolved (1) to take NJY works in about 70 feeders at a total cost of Rs.100 crores in the first phase during /FY-10;**

**(2) to authorise the Managing Director select feeders / talukas on the basis of objective criteria such as maximum agricultural load/number of IP sets/TC failures;**

**(3) to take up the balance works in phases in coming years subject to availability of funds;**

**(4)A Committee comprising MD/CEC, MD/MESCOM, DT/CEC and Shri L Ravi, Director could examine the scope for reduction in estimated cost of Rs. 1.4 crores per feeders as projected**

#### **Item No.23/12: Providing the Posts of Accounts Officers to the Additional Works Divisions**

23/12/01 The Financial Adviser briefed the Board about creation of additional divisions to meet the work load for administrative convenience. The Board was further informed that the additional works divisions are being looked after by existing Accounts Officers who are finding it difficult to meet the needs of the existing as well as additional divisions. Hence, there is a need to provide 5 posts of Accounts Officers for these additional work divisions.

23/12.02 The Board noted that there was a need to provide Accounts Officers to the five additional divisions created and that these could be manned by shifting of three posts of Accounts Officers, who are entrusted with revenue monitoring functions. For the remaining two divisions, Accounts Officers posts can be

provided by abolishing five vacant posts of Jr. Assistants thus ensuring that there are no additional financial implications due to restructuring as proposed. The Board concurred with the need to provide Accounts Officers to the five divisions and

**Resolved that the proposal to man the five divisions viz., additional CAD Mysore, Mandya O&M division, Kollegal works division, Nagamangala works and Arasikere works division with one Accounts officer each through shifting and up gradation of posts as indicated in the agenda note be and is hereby approved**

**Item No.23/13: Approval to raise short term Loan of Rs.50 crores**

23/13.01: The Financial Adviser apprised the Board about the borrowings of CESC, the outcome of the enquiry process and the competitiveness of the offers received. He also briefed the Board about the debt equity ratio and the eligibility of the Company.

23/13.02 The Board after discussions

**Resolved that the proposal to avail short tem loan of Rs. 50 crores from M/s Canara Bank at 12% interest i.e. minus BPLR rate of 2.5% per annum of interest be and is hereby approved and the Managing Director be and is hereby authorised to take necessary steps to avail the loan and execute all documents necessary under common seal of the Company**

**Item No.23/14: Vigilance activities**

23/14.01 The Board reviewed the progress in respective of the activities of vigilance wing and expressed its satisfaction at the steps taken to intensify the vigilance activities.

23/14.02 Shri Alok Mohan, IG (Vigilance), KPTCL and Director pointed out that there was a tendency for cases to be mixed up in terms of attribution to MRT, Vigilance and O&M and there is therefore duplication/overlap of the cases. He desired that the field officers be clarified that the cases can be attributed only to the complainant whether in MRT, Vigilance or O&M wings. Only

those brave enough to file the case in the first instance can take credit for the same.

**Item No. 23/15: Performance Review**

23/15.01 Financial Adviser briefed the Board of the billing and collection during Financial year 08-09 and the current year. He informed that the collection had come down at the commencement of the Financial year but had started picking up subsequently. He stated that CESC could achieve a monthly target of Rs.70crores and it is proposed to improve the collection to about Rs.85 crores per month.

23/15.02 The Board noted that apartments were being classified both under LT and HT and this should be looked into. It was clarified that KERC has indicated apartments having less than three floors can be classified as LT and those above three floors as HT. Shri Alok Mohan, Director felt that DCB format was faulty and there were not enough columns to capture the date to indicate the collection of arrears and current demand. Shri L Ravi, Director desired that programmes to be made for disconnected cases.

**Item No. 23/16: Appointment of Cost Auditors for the FY 2009-10**

23/16.01 The Board was informed of the need to appoint Cost Auditors for the year 2009-10, the willingness of the existing Auditors and the proposal to continue their services in view of their satisfactory performance. The Board after discussion

**Resolved that M/s GNV Associates, Bangalore be appointed as Cost Auditors for the year 2009-10 at a fees of Rs. 50,000 plus service tax and out of pocket expenses at actuals**

**Item No. 23/17: Approval of pending Labour contract bills**

23/17.01 Financial Adviser informed the Board that about 498 bills amount to Rs.19.84 lakhs are pending for payment since 1993 to 2004 and that the claimants have been continuously pursuing their cases.

23/17.02 The Board observed that though the bills pertain to KEB era and prior to formation of CESC, it was morally bound to honour them if they are genuine. The FA and the Chief Engineer could scrutinize these bills and the MD/DT could admit the bills if they are valid and genuine and amounts not paid earlier. It shall be thoroughly verified that there are no prior payments. Subject to these observations the Board authorised the MD/DT to process the bills for payments with necessary safe guards.

**Item No. 23/18: Ratification of up gradation of the Post of Asst., Executive Engineer-Civil, Hassan Circle to Executive Engineer-Civil**

23/18.01 The Board was informed of the decision to upgrade the post of AEE (Civil) Hassan to EE(Civil) and the posting of an officer to this upgraded post by KPTCL.

23/18.02 The Board noted that the up gradation of the post has been carried out as part of the HR measures of KPTCL and that an officer has also been posted to the upgraded post. The Board after discussions

**Resolved that approval be and is hereby accorded for up gradation of post of AEE (Civil) Hassan Circle to EE(Civil)**

**Item No. 23/19: Strengthening of Project Cell at Corporate Office**

23/19.01 The Board noted the need for strengthening of the project cell at Corporate office in view of the programmes under RGGVY, R-APDRP and NJY and SCADA. The Board further noted the need to augment the cell with three posts of EEs, two posts of AEEs and two posts of AEs.

23/19.02 The Board after discussion concurred with the need to augment the cell. Accordingly, the Board

**Resolved that the Managing Director be and is hereby authorised to augment the project cell by providing three posts of EEs, two posts of AEEs and two posts of AEs through suitable conversion/shifting/ redeployment without incurring additional expenditure.**

**Item No. 23/20: Sanctioning of an additional Rs.25 lakhs for construction of training institute building at Kadakola**

23/20.01 The Board was informed of the request by KEBEA for an additional grant of Rs.25 lakhs for augmenting the training institute at Kadakola.

23/20.02 The Board noted that training was an important activity in the context of rapid expansion in the sector and that training infrastructure needed to be strengthened. As the existing training institute at Kadakola was rendering good service, it could be given further support. Accordingly, the Board

**Resolved that a sum of Rs. 25 lakhs be approved as grant to the Training Institute at Kadakola to be released in two instalments of Rs. 15 lakhs and Rs.10 lakhs respectively**

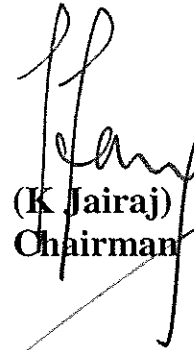
**Item No. 23/21: Extension of GIS to LT net work**

23/21.01 The Board was informed that MD/MESCOM had been requested to study the existing GIS scheme in Mysore and the feasibility of extending the GIS support to LT net work and the issues involved in this process.

23/21.02 MD/MESCOM briefed the Board about the salient features of the existing scheme, the areas for improvement and that it was feasible and desirable to integrate the existing scheme with the LT net work. He suggested that such a scheme could be extended to all ESCOMS and the system operated with NRSA maps for greater accuracy. However, the utility of the system would continue only if updation is carried out continuously.



23/21.03 The Board noted that the system was compatible with the proposed R-APDRP scheme also. The Board felt that in view of the likely usefulness as brought out by MD, MESCOM in his report, the Managing Director could discuss with the agency and obtain a more comprehensive picture of the benefits that would accrue by extending the same to LT network. It would be necessary to quantify the benefits at the field level for extending the system throughout the CESC and also in other ESCOMS. The Managing Director was requested to give the feed back after discussions with the agency.



(K. Jairaj)  
Chairman