Case No. OGRA-6(2)-1(4)/2023-RERR

IN THE MATTER OF
SUI NORTHERN GAS PIPELINES LIMITED
REVIEW OF ESTIMATED REVENUE REQUIREMENT, FY 2023-24

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002
AND NATURAL GAS TARIFF RULES, 2002

DECISION ON

FEBRUARY 02, 2024

Before:
Mr. Masroor Khan, Chairman
Mr. Zain-ul-Abideen Qureshi, Member (Oil)
Mr. Mohammad Naeem Ghouri, Member (Finance)

CERTIFIED TURE COPY

Table of Contents

1. **Background** 1
2. **The Petition** 1
3. **Proceedings and Public Interventions** 2
4. **Authority's Jurisdiction & Determination Process** 4
5. **Operating Fixed Asset** 5
5.3. Reinstatement of Assets: 5
5.4. Petitioned and Provisional Amounts: 6
5.5. Laying of Distribution Mains (100% Cost Sharing): 6
5.6. Motor Vehicles: 6
5.7. Establishment of Regional Office at Karak & Upgradation of CSC at Bannu & Hangu to Sub Area Offices: 7
5.8. Principle Approval of Capital Project: 9
5.9. LPG Air Mix Gilgit 9
5.10. Depreciation and ROA 10
6. **Operating Revenues** 10
i. **Sales Revenues at Existing Prescribed Price** 10
ii. **Other Operating Income** 10
7 **Operating Expenditures** 10
i. **Cost of Gas** 10
ii. **Gas Internally Consumed (GIC)** 12
iii. **Unaccounted for Gas (UFG):** 12
8 **Transmission & Distribution Cost (T&D)** 13
i. **Summary** 13
ii. **Human Resource Cost** 14
iii. **Repair & Maintenance** 16
iv. **UFG Control Activities** 17
v. **Rent, Rates, Royalty, Electricity & Telephones** 17
vi. **Legal & Professional Services** 18
vii. **Dispatch of Gas Bills** 19
viii. **Provision for doubtful debts** 19
ix. **Sports Related Activities** 19
x. **Cricket Expenses** Error! Bookmark not defined.
xi. **Bannu West Well-1 And Wali Well-1** 20
xii. **Other Operating Expenses** 20
9 **RLNG Cost of Service** 21
10 **Previous Year's Cumulative Shortfall** 23
11 **Determination** 23
12 **Public Critique, Views, Concerns, Suggestions** 24

ANNEXURES:

1. **Computation of Review Estimated Revenue Requirement FY 2023-24** 26
2. **Category wise Provisional Prescribed Price for FY 2023-24** 27

CERTIFIED TURE COPY

TABLES

Table 1: Projected Cost of Service per the Petition ... 2
Table 2: Breakup of Asset demanded Vs. Allowed at DERR for the said year ... 5
Table 3: Breakup of Assets claimed in RERR for Reinstatement ... 5
Table 4: Breakup of Cost of Gas ... 10
Table 5: Assumptions for Petitioner's WACOG ... 11
Table 6: Revised Parameters for WACOG ... 11
Table 7: GIC per the Petition ... 12
Table 8: UFG calculation Sheet ... 12
Table 9: Comparison of Projected T & D Cost with DERR ... 14
Table 10: Break up of HR Cost ... 14
Table 11: Petitioner HR Request based on 100%CPI ... 15
Table 12: Details of Leavers ... 16
Table 13: Table of Repair & Maintenance ... 17
Table 14: Historical comparison of Vehicle and Property Tax (Rs. in Million) ... 17
Table 15: Historical comparison of Legal Expenses ... 18
Table 16: Break up of litigation cases ... 18
Table 17: Breakup of Bannu & Wali West Per the Petition ... 20
Table 18: Comparative of Remaining T&D Expenses with DERR ... 20
Table 19: Transmission & Distribution Cost Allowed by the Authority ... 21
Table 20: RLNG's Cost of Service as claimed by the petitioner ... 22
Table 21: Computation of RLNG Cost of Service for the Said Year ... 22
Table 22: Previous years Shortfall ... 23
Table 23: Components of Revenue Requirement FY 2023-24 as allowed by the Authority: ... 23

CERTIFIED TURE COPY

1. Background

1.1. Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan, and listed on the Pakistan Stock Exchange Limited. The petitioner is operating in the provinces of Punjab, Khyber Pakhtunkhwa (KPK) and Azad Jammu & Kashmir (AJ&K) under the license granted by Oil & Gas Regulatory Authority. However, petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010.

1.2. The petitioner is engaged in the business of construction and operation of gas transmission and distribution pipelines and sale of natural gas. Moreover, in pursuance of Federal Government (FG/GoP) decision, the petitioner is engaged in transportation and sale of RLNG.

1.3. The Authority, under Section 8(1) of the OGRA Ordinance, 2002 (the Ordinance) determined the Estimated Revenue Requirement (DERR) of the petitioner for FY 2023-24 (the said year) vide its Order dated June 02, 2023 at Rs. 358,421 million. Based on the available revenues, the shortfall was determined at Rs. 120,115 million, translating into increase of Rs. 415.11 per MMBTU in the average prescribed price w.e.f. July 01, 2023. Impact of previous years' shortfall amounting to Rs. 422,552 million was not included in the above said price and the matter was referred to FG for an appropriate policy decision.

1.4. Being aggrieved with aforementioned determination, the petitioner has submitted Motion for Review (MFR) on July 02, 2023 under Section 13 of the Ordinance read with Rule 16 of Natural Gas Tariff Rules, 2002 (NGTR) seeking for increase in the average prescribed price for the said year.

2. The Petition

2.1. Subsequent to the above MFR, the petitioner has submitted its review petition under Section 8(2) of the Ordinance on October 04, 2023, incorporating the effect of changes in the projected cost of gas, latest international oil prices, Rupee US$ parity, revised projection of gas purchases & sales volume. Further, the petitioner has requested that the issues raised vide motion for review as referred in para 1.4 above, have also been made part of the instant petition.

2.2. FG, effective November 01, 2023, has revised category-wise natural gas sale price on October 30, 2023. Inclusion of diverted RLNG molecules to domestic consumers was allowed to be included as part of revenue requirement at full cost basis and further it was decided that "cost of gas equalization" mechanism shall be restored through an agreement between both sui companies. Accordingly, the petitioner has revised its petition on December 01, 2023 (the petition) while claiming entire cost of RLNG diversion while including actual changes in respect of actual purchases/sales i.e. July and August 2023.

2.3. Accordingly, the petitioner has claimed shortfall at Rs. 179,160 million and requested the Authority to increase its average prescribed price by Rs. 506.35/MMBTU for the said year. The petitioner based on total revenue requirement demanded an average prescribed price of Rs. 1,752.83/MMBTU for the said year, without previous years' shortfall. The petitioner has also requested to include Rs. 427,830 million, being previous years' accumulated shortfall upto RERR FY 2022-23 as part of instant petition, requesting the Authority to allow additional increase in average prescribed price of Rs. 1,209.14/ MMBTU for the said year. Accordingly, aggregate increase of Rs. 1,715.49/MMBTU in the existing price has been claimed, thereby requesting an average prescribed price at Rs. 2,961.98/MMBTU for the said year.

2.4. Moreover, the petitioner has claimed RLNG cost of service at Rs. 72,160 million i.e. Rs. 293.07MMBTU for the said year, being ring-fenced to be recoverable from RLNG consumers.

2.5. The petitioner's submission is summarized in the following statement of cost of service per MMBTU:

CERTIFIED TURE COPY

exchange parity has been kept at the level of the said year DERR. Further, the petitions have been revised thrice on the basis of revision in gas selling price effective November 2023, revised ECC policy guideline on RLNG diversion molecules and after incorporation of actual volumes for sales & purchases for the months of July and August 2023 for revenue requirement determination.

3.2.2. The petitioner has also requested to consider their Motion for Review against DERR for the said year as an integral part of the instant petition and accordingly merged it in RERR for the said year. The petitioner has also requested for revision in various T&D costs components owing to high inflationary impact.

3.2.3. The petitioner has highlighted that for the first time they have incorporated full cost of RLNG diversion molecules, as part of cost of gas, at RERR stage in the Revenue Requirement of (NG) Indigenous gas in line with the ECC Policy guidelines date 23.10.2023.

3.2.4. The petitioner has requested to allow ROR based on revised WACC at 22.60%, after incorporating the Super Tax at a rate of 10% for FY 2023-24, being their statutory obligation, falling under corporate tax. The petitioner highlighted that OGRA did not allow the financial impact of super tax at DERR stage under WACC calculation due to difference of opinion between SSGCL & SNGPL. Now formal legal opinion has been sought from tax consultant in compliance with the Authority's directions at DERR stage. Accordingly, WACC is requested at 22.60% effective FY 2023-24.

3.2.5. The petitioner stated the reason for increase in sale volume under NG segment is mainly due to inclusion of RLNG diversion volume (59 BCF) in the instant petition. Further, sales revenue has also been adjusted upward due to increase in gas sale prices w.e.f. November 01, 2023.

3.2.6. The petitioner claimed/projected reduced UFG disallowance in the instant petition as compared to DERR and stated that unilateral revision of basis of UFG computation has led to huge UFG disallowance for the said year. The petitioner has requested to reconsider previous UFG computation basis being more fair, just and appropriate for gas companies.

3.2.7. The petitioner has requested to allow adequate HR cost in the wake of hiring of new staff to recoup shortage of manpower, negotiate CBA Agreement FY 2021-23 (while Agreement for 2023-25 has also become due) and give economic relief to Executives/Subordinates. The petitioner stated the they have already requested immediate relief under Rule 5(7) of NGTR for HR cost which has not been decided/granted yet. Further, due to stagnation in steering parameters of HR Benchmark formula, existing framework is not suitable and requested to adopt simplified approach and allow reasonable annual increase equal to 100% CPI over the HR Benchmark Cost of FY 2020-21.

3.2.8. The petitioner has requested to allow RLNG cost of supply Rs. 293.07/MMBTU for said year. The petitioner stated that RLNG input has been projected at the level of 1033 MMCFD as currently on average 9 cargos are being imported by PSO while PLL is arranging 1 cargo under term contract. Furthermore, 100 MMCFD (approx.) is being retained by PLL for its sale to KE.

3.2.9. It was requested to allow Gilgit LPG Air Mix Plant Revenue Requirement of Rs. 697 million for the said year.

3.3. The substantive points made by the representative of Sarhad Chamber of Commer and Industry are summarized below:

3.3.1 It was highlighted that KPK's Industry is suffering owing to SNGPL's proposal of increase in tariff. Due to prevailing high tariff, the KPK industry is shifting out from KPK and even considering to move outside the country. It was reiterated that KPK, is producer of gas hence first right of use and priority should be given to KPK consumers. Further, RLNG price should not be charged to KPK consumers as adequate local supply is available in the province.

3.3.2 It was highlighted that under the regulated regime, three fuel prices are prevailing in the country and huge difference in pricing has been observed to be charged to consumer. UFG losses have

CERTIFIED TURE COPY

reached exponentially high which need to be brought down. RLNG being expensive energy source, should be diverted to export industry/high earning business, instead of domestic consumer.

4. Authority's Jurisdiction & Determination Process

4.1. The Authority examined, in depth, all applications and petitions in light of relevant legal provisions. The instant petition has been filed under section 8(2) of the Ordinance. The instant petition is primarily focused on review of cost of gas of the petitioner based on actual changes in the wellhead gas prices and relevant factors. The wellhead gas prices for the said year are based on the actual prices of crude oil and HSFO during the period December, 2022 to November, 2023. The actual trend in rupee vs US$ rates in recent months is to be taken into account, along-with actual prices in the previous months, while determining cost of gas to ensure that the determination is rational and fair to all stakeholders. Moreover, the contents of the Motion for Review for the said year have been made integral part of the petition.

4.2. The operating revenues, operating expenses and changes in asset base are scrutinized keeping in view the justification and provisions of the law. Appropriate benchmarks are set to control inefficiencies. Accordingly, the decision is always based on logic and rationale striking a balance among stakeholders. Further, FG's attention is specifically drawn to the pleas relating to policy matters for consideration, before deciding the retail prices for various categories of consumers. The Authority further, wherever necessary, issues directions to the petitioner to streamline/resolve the matters under the regulatory and legal framework.

4.3. Section 8(3) of the Ordinance empowers the FG to fix the consumer sale prices. Accordingly, FG, keeping in view economic indicators, policy considerations in terms of uniform pricing across the country, Gas Development Surcharge and the inter-category subsidies, etc. advises the gas sales prices to OGRA & the same is accordingly notified by it in the official gazette.

4.4. The Authority, however, observes that during past, FG under Section 8(3) of the Ordinance had advised insufficient revisions to OGRA, resulting in accumulation of previous years' revenue shortfall in the total revenue requirement of the petitioner & as well as its sister utility. The Authority, in the instant determination as well as previous decisions, has already referred the matter of previous years' shortfall to FG for an appropriate policy decision. MoE needs to devise a mechanism for direct disbursement to sui companies without affecting the revenue requirement exercise and process for future determinations in the light of latest amendments in OGRA's act. Any inclusion of previous years' shortfall by FG, after latest amendments, shall not only jack up the price significantly for all categories of consumers but also attract litigation in various courts. The Authority, however, reiterates its view that all the categories of consumers must at least pay the average cost of service, keeping in view the existing cost of alternative or substitute sources of energy. Resultantly, there shall be no situation of unmet revenue requirement.

4.5. The petitioner has reworked Weighted Average Cost of Capital (WACC) at 22.06% after adjusting/incorporating the financial impact of Super Tax at a rate of 10% and requested OGRA to allow the same as part of rate of return on its operating fixed assets. The petitioner has argued that supper tax is corporate tax in nature and its statutory obligation to pay. Hence, the same be allowed as part of price.

4.6. The petitioner has further informed that it had made payment to the tune of Rs. 408 million on account of super tax for FY 2021-22 to FBR which comprises of Rs. 44 million to RLNG business segment while Rs. 364 million against natural gas segment.

4.7. The Authority considers that levy of super tax is a special matter requiring further deliberations. Accordingly, the same shall be evaluated at the time of FRR for the said year.

4.8. ***The Authority further observes that its sister utility has filed a review on computation of WACC and requested to allow it at 20.64% with slight adjustment. The Authority accepts the same and determines it at 20.64% for the said year.***

CERTIFIED TURE COPY

5. Operating Fixed Asset

5.1. The Authority at the time of DERR FY 2023-24 had allowed addition in operating fixed assets as per following details;

Table 2: Breakup of Asset demanded Vs. Allowed at DERR for the said year

Sr. No.	Particulars	Petition ERR FY 2023-24 (Rs. in Million)												Determined FY 2023-24 (Rs. in Million)											
		Distribution			Transmission			Sales			Total			Distribution			Transmission			Sales			Total		
		Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold	–	–	–	30	–	30	–	–	–	30	–	30	–	–	–	–	–	–	–	–	–	–	–	–
2	Building on Freehold land	141	–	141	141	–	141	43	–	43	325	–	325	38	–	38	38	–	38	12	–	12	87	–	87
3	Transmission Mains	–	–	–	1995	–	1995	–	–	–	1995	–	1995	–	–	–	623	–	623	–	–	–	623	–	623
4	Compression	–	–	–	755	–	755	–	–	–	755	–	755	–	–	–	70	–	70	–	–	–	70	–	70
5	Distribution Mains	19495	1358	20853	–	–	–	–	–	–	19495	1358	20853	8150	1358	9508	–	–	–	–	–	–	8150	1358	9508
6	Measuring and Regulating	12777	457	13234	–	–	–	–	–	–	12777	457	13234	4166	457	4623	–	–	–	–	–	–	4166	457	4623
	Sub Total	**32413**	**1815**	**34228**	**2921**	–	**2921**	**43**	–	**43**	**35377**	**1815**	**37192**	**12354**	**1815**	**14169**	**731**	–	**731**	**12**	–	**12**	**13097**	**1815**	**14912**
7	Telecommunication Equipment	0.1	–	0.1	65	–	65	–	–	–	65	–	65	–	–	–	65	–	65	–	–	–	65	–	65
8	Plant & Machinery	604	–	604	497	–	497	96	–	96	1196	–	1196	158	–	158	147	–	147	40	–	40	344	–	344
9	Tools & Equipment	181	–	181	4	–	4	–	–	–	185	–	185	27	–	27	1	–	1	–	–	–	28	–	28
10	Construction Equipment	565	–	565	35	–	35	–	–	–	600	–	600	205	–	205	13	–	13	–	–	–	217	–	217
11	Motor Vehicles	106	–	106	50	–	50	–	–	–	156	–	156	–	–	–	–	–	–	–	–	–	–	–	–
12	Furniture & Fixture	52	–	52	5	–	5	5	–	5	62	–	62	40	–	40	5	–	5	5	–	5	50	–	50
13	Office Equipment	42	–	42	5	–	5	10	–	10	57	–	57	35	–	35	5	–	5	10	–	10	50	–	50
14	Computer Hardware	44	–	44	–	–	–	664	–	664	708	–	708	10	–	10	–	–	–	225	–	225	235	–	235
15	Computer System Software / Intangible Assets	8	–	8	9	–	9	219	–	219	236	–	236	5	–	5	2	–	2	135	–	135	143	–	143
	Sub Total	**1602**	–	**1602**	**670**	–	**670**	**994**	–	**994**	**3266**	–	**3266**	**480**	–	**480**	**238**	–	**238**	**415**	–	**415**	**1132**	–	**1132**
	Grand Total	**34015**	**1815**	**35830**	**3591**	–	**3591**	**1037**	–	**1037**	**38643**	**1815**	**40458**	**12833**	**1815**	**14649**	**969**	–	**969**	**426**	–	**426**	**14228**	**1815**	**16044**

5.2. Now the petitioner has claimed reinstatements of following assets in its petition for Review against Authority's determination of ERR FY 2023-24;

Table 3: Breakup of Assets claimed in RERR for Reinstatement

Sr. No.	Particulars	ERR vs DERR - RERR FY 2023-24 (Rs. In Million)														
		ERR Petition			Determined			Allowed in Principle			RERR (Reinstatement)			Total RERR		
		Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold	30	–	30	–	–	–	30		30	30		30	30	–	30
2	Building on Freehold land	325	–	325	87	–	87			–	238		238	325	–	325
3	Transmission Mains	1995	–	1995	623	–	623	805		805	1293		1293	1916	–	1916
4	Compression	755	–	755	70	–	70	685		685	685		685	755	–	755
5	Distribution Mains	19495	1358	20853	8150	1358	9508			–	7846	3500	11346	15996	4858	20854
6	Measuring and Regulating	12777	457	13234	4166	457	4623	4258		4258	8611	–	8611	12777	457	13234
	Sub Total	**35377**	**1815**	**37192**	**13097**	**1815**	**14912**	**5778**	–	**5778**	**18703**	**3500**	**22203**	**31799**	**5315**	**37114**
7	Telecommunication Equipment	65	–	65	65	–	65			–	0		0	65	–	65
8	Plant & Machinery	1196	–	1196	344	–	344	356		356	852		852	1196	–	1196
9	Tools & Equipment	185	–	185	28	–	28			–	157		157	185	–	185
10	Construction Equipment	600	–	600	217	–	217			–	383		383	600	–	600
11	Motor Vehicles	156	–	156	–	–	–	75		75	156		156	156	–	156
12	Furniture & Fixture	62	–	62	50	–	50			–	12		12	62	–	62
13	Office Equipment	57	–	57	50	–	50			–	7		7	57	–	57
14	Computer Hardware	708	–	708	235	–	235			–	473		473	708	–	708
15	Computer System Software / Intangible Assets	236	–	236	143	–	143			–	93		93	236	–	236
	Sub Total	3266	–	3266	1132	–	1132	431	–	431	2133	–	2133	3264	–	3264
	Grand Total	**38643**	**1815**	**40458**	**14228**	**1815**	**16044**	**6209**	–	**6209**	**20835**	**3500**	**24335**	**35064**	**5315**	**40379**

5.3. Reinstatement of Assets:

5.3.1. The petitioner has requested for reconsideration of disallowed amounts in respect of various assets mentioned in the table above.

5.3.2. The petitioner has repeated its justifications already submitted at the time of its ERR petition. The Authority observes that at the time of DERR for the said year it had analyzed the request of the petitioner keeping in view the operational requirement and the ability of the petitioner to execute such

CERTIFIED TURE COPY

jobs and determined reasonable amounts at that stage. Moreover, the Authority has always urged the petitioner to project capital expenditures that are prudent, cost effective, realistic and economically efficient so as to avoid unnecessary cost impacts.

5.3.3. The Authority observes that the petitioner has merely repeated its earlier stance and has not provided any new evidence/ justification for review of earlier decisions. ***Therefore, the Authority maintains its original decisions, as per the above table, in respect of all heads except those discussed specifically hereunder.***

5.4. Petitioned and Provisional Amounts:

5.4.1. The petitioner while reproducing the petitioned and provisional allowed amounts against various heads has submitted that the Authority in its DERR FY 2023-24 has curtailed the petitioned amounts based on the historical capitalization trends with remarks as "Allowed provisionally". The petitioner has explained their understanding that the Authority has principally approved the petitioned amounts, however, the same has not been included in the rate base at ERR level and actual expenditures will be considered at FRR level subject to remaining within the petitioned amount. Accordingly, the petitioner submits that its Management has decided to proceed with the planned physical targets of FY 2023-24 and the same has been submitted to the Authority for record and reference at FRR level.

5.4.2. As stated earlier, allowance by the Authority is made after analyzing the request of petitioner, its requirement vis-à-vis ability to execute the job. The determination at the time of ERR, as its name implies is based on estimates provided by the petitioner. The Authority considers it prudent to allow the respective amounts against each head on provisional basis as the figures normally achieve finality at the time of FRR. ***As such, the understanding conveyed by the petitioner is not correct and hence must proceed in light of the above clarification.***

5.5. Laying of Distribution Mains (100% Cost Sharing):

5.5.1. The petitioner has requested for correction of an erroneous submission at ERR level under the head, ***which is allowed by the Authority***.

Rs.in million

Erroneous Submission at ERR		Correct Bifurcation	
RLNG	Indigenous	RLNG	Indigenous
800	4,300	4,300	800

5.6. Motor Vehicles:

5.6.1. The Authority at the time of DERR had allowed Rs. 75 million in principle to the extent of operational vehicles only as against claim of the petitioner for Rs. 150 million.

5.6.2. The petitioner has submitted that for the last 6 years major portion of the approved budget, under this head, has been allocated for replacement of oldest operational vehicles, which have completed their useful life. In addition to the replacement of decades old vehicles some part of the budget is utilized for allocated vehicles handed over to senior executives as per their entitlement. Further, Board of Directors (BOD) are also strictly adhering to the GoP's austerity policy and had already curtailed the initial proposal of Rs.300 million to half, submitted at the time of ERR. Moreover, BOD has also approved following policy measures for procurement and usage of operational vehicles of the company:

CERTIFIED TURE COPY

i. The number of operational vehicles of each department as on 29.02.2020 has been fixed as respective capping limit and any addition will be allowed against the scrapping of the existing vehicle.

ii. In order to eliminate the misuse, unauthorized utilization of company operational vehicles shall be regarded as misconduct and be dealt with under the relevant provisions of HR manual.

iii. Specifications of all operational vehicles i.e., jeeps, single cabin and double cabin pickups shall be restricted to indenting / procurement of only standard makes while strictly banning fancy & luxury features like alloy rims, wider tyres, automatic transmission, cruise control, temperature / climate control, DVD players and screens etc.

iv. Indenting of luxury and expensive jeeps, cross overs and SUVs shall be completely banned.

5.6.3. The petitioner has further submitted that at present approximate numbers and financial impact of vehicles to be replaced (which have completed their useful life till June-22) is as follows:

Nature of Vehicle	Number of Vehicles	Rs in million	
		Per Unit Price (Approx.) [at the time of ERR]	Total Amount Required (Approx.)
APV	14	6.29	88
Boat	10	4.50	45
Bus	13	20.00	260
Motorcycle	1,292	0.12	155
Pick-up (S/Cabin) (4X2)	702	6.60	4,633
Suzuki Bolan	65	1.70	111
Toyota Hiace	41	10.00	410
Total	**2,137**		**5,702**

5.6.4. In view of the above submissions by the petitioner, the Authority has been requested to approve additional budget for procurement of operational and allocated vehicles, as due to shortage of vehicles, Company's operations are affecting badly. It has been submitted that if the shortage of vehicles is met through hiring of vehicles, it will also increase the operational cost.

5.6.5. In view of the submissions as given above by the petitioner and the fact that its BOD has already reduced the estimated amount to half i.e., Rs. 150 million alongwith policy measures to check unauthorized utilization of vehicles and banning of luxury SUVs etc. ***Moreover, the petitioner is directed to provide need assessment and rationale before initiation of purchase of the boats as mentioned in the above table. The Authority allows Rs. 150 million against this head for replacement of old vehicles meant for day-to-day operational activities.***

5.7. Establishment of Regional Office at Karak & Upgradation of CSC at Bannu & Hangu to Sub Area Offices:

5.7.1. The petitioner has referred to determination of ERR FY 2021-22 by the Authority wherein capital budget amounting to Rs. 103 million has been allowed partially in principle by the Authority for up- gradation of Karak Office only instead of establishment of regional office at Karak. However, remaining capital budget amounting to Rs. 49.44 million and revenue budget amounting to Rs. 228.74 million has not been allowed despite repeated requests through revenue requirements.

5.7.2. The petitioner vide its instant petition and letter No. RA-TAR-23-24-023 dated 13-11-2023 has prayed to the Authority for establishment of regional office at Karak along with up-gradation of consumer service centres (CSCs) at Bannu and Hangu to sub area offices. Following submissions have been made by the petitioner in this respect;

i. Currently, Karak office is under administrative control of Peshawar Region, whereas High UFG areas are approx. 130 Km away from Peshawar Regional Office and involves approximately 3-4 hours travel time and as such managing different development, Operational, Customer Services, maintenance and UFG control activities from Regional Office is difficult.

ii. Regional office at Karak is essentially required to ensure effective presence in Oil and Gas producing areas for creating deterrence to avoid recurrence of illegal taps & illegal networks/connections and to facilitate the consumers.

iii. After network laying against Phase-1 of network extension/rehabilitation, around 16,000 new gas connections have been provided and further installation of new connections is continued, which requires fully established independent office with all requisite resources, equipment/gadgets. Further, during FY2019-20 to FY2022-23, because of various UFG control activities i.e., illegal tap removal, registration of FIRs and underground leakage rectification etc., gas losses have reduced from 16,176 MMCF during FY2019-20 to 5,532 MMCF in FY2022-23 indicating a reduction of **10,644 MMCF.**

iv. To further strengthen the campaign against gas theft, 367 regular FC personnel and 43 Frontier constabulary have also been hired for gas theft control activities and protection of Transmission gas network in Oil and Gas producing areas of KPK.

v. It may be noted that present sub-area Kohat & D.I Khan, proposed sub-areas Hangu & Bannu, present CSC Lakki Marwat and CC Tank will be part of Karak region. All these offices will be looked after from the proposed regional office at Karak, which is located at a central position geographically of proposed regional setup and is the main district contributing in gas losses of SNGPL.

vi. Present consumer base of proposed Karak region is as under:

- Industry: 39 Nos.
- Commercial: 331 Nos.
- Special Domestic: 345 Nos.
- Domestic: 137,991 Nos.

This consumer base is quite enough to establish a separate small region which will further increase, as new connections are being installed in these areas.

vii. Local MNAs and other political notables have time and again pressed the petitioner to establish Regional Office at Karak to facilitate public.

viii. Southern districts of Khyber Pakhtunkhwa are strategically very important owing to production of around 400 MMCFD gas & 50,000 Barrels oil and as such is emerging as an energy hub of the country. Further, in wake of discoveries of new gas well/reserves from these areas, especially injection of gas from Wali/ Bettani, expected injection from Kot Palak (D.I Khan) and Shewa-1 (North Waziristan), injection of gas into national grid from Southern districts will add around 200 MMCFD. This will result in future network expansions alongwith provision of new gas connections.

5.7.3. In view of the above submissions the petitioner has requested the Authority for establishment of regional office at Karak, up-gradation of CSCs at Bannu and Hangu to sub area offices along with approval of the disallowed budgetary provisions.

5.7.4. The Authority, in view of the justifications submitted by the petitioner considers the establishment of a Regional Office at Karak to further enhance its efforts towards reduction of theft of gas in the vicinity, attend operational activities in the gas producing districts and amicable redressal of the complaints of consumers in the southern districts. However, as informed by the petitioner, the total budget required including capex & opex is as under:

Description	Karak	Sub Area & CSC	Total	Remarks
CAPEX	**103**	**49**	**152**	CAPEX for Karak Rs. 103 million has already been allowed.
OPEX				
Requirement of Executives	24	17	41	
Requirement of Subordinates	70	55	125	
Annual Recurring Expenditure	45	17	62	
Total OPEX	**139**	**89**	**229**	

5.7.5. ***The Authority allows establishment of a small Region at Karak for which the CAPEX amounting to Rs. 103 million for upgradation of Karak has already been allowed. However, amount of Rs. 49 million for the sub areas is not allowed at this stage.***

5.7.6. The Authority notes that the petitioner demanded Rs. 229 million on account of HR expenses for Karak and including sub areas & CSC offices. It is highlighted that the Authority has allowed sufficient amount under HR cost for the said year; accordingly, the petitioner should allocate/proportionate first this amounts on account of additional manpower hiring for required manpower therefore claiming separate amount for HR cost and T&D cost lack fairness and charged on consumers. ***Therefore, the Authority decides to disallow entire Rs. 229 million as OPEX demanded under Bannu and Hungu operating cost.***

5.8. Principle Approval of Capital Project:

5.8.1. The petitioner has requested the Authority to include the principally allowed assets/ special projects during the said year in the rate base. It has been submitted that although the same is being included in the rate base at the time of FRR, however, such practice is resulting into late/ non-recovery of revenue requirement and ultimately increasing the quantum of previous years unrecovered shortfall.

5.8.2. The Authority reiterates its stance that various fixed assets are allowed by the Authority in principle as unreasonable and unachievable estimated targets on higher side are usually set by the petitioner for laying of assets, only to collect return on the same throughout the year and reporting unsatisfactory progress at the year end. The petitioner through its past performance in respect of executing various jobs/ projects has exhibited lack of project planning and deficient execution. The Authority is therefore of the view that the petitioner usually does not meet the timeline for completion of various projects/ jobs on one pretext or the other. Hence, the Authority while keeping in view operational requirement, prudency of the projects/jobs and impact on consumer prices considers only prudent and reasonable claims. ***The Authority, therefore, maintains its earlier decision in this respect.***

5.9. LPG Air Mix Gilgit

5.9.1. The petitioner has projected subsidy amount of Rs. 697 million in respect of LPG Air Mix Plant at Gilgit. In this respect it has been observed that as per ECC decision in the matter, rate for highest slab of domestic consumer is applicable for LPG air-mix gas supplies. Therefore, as per latest notification of gas price, revenues in this respect have been reworked based on Rs. 4,000/MMBTU rate

CERTIFIED TURE COPY

of highest domestic slab as against Rs. 1,460/ MMBTU adopted by the petitioner. ***Accordingly, subsidy amount of LPG air mix has been revised at Rs. 591 million for the said year.***

5.10. Depreciation and ROA

5.10.1 In view of the above, the Authority decides to provisionally allow depreciation at Rs. 19,036 million for the said year. Consequently, ROA, in the light of decision as per paras above is computed at Rs. 18,893 million (@ 20.64%), based on net average operating assets for the said year.

6. Operating Revenues

i. Sales Revenues at Existing Prescribed Price

6.1 The petitioner has projected gas sales revenues at Rs. 441,044 million against estimated volume of 353,829 BBTU for the said year. The petitioner has offered revenue from domestic consumers against sale of RLNG volumes of 61,763 BBTU as part of instant petition in the light of Federal Cabinet's recent decision.

6.2 The Authority notes that the petitioner has not included RLNG diversion volumes as part of UFG computations claiming that no gas loss is being incurred during transmission & distribution of RLNG into the system. Such assumption by the petitioner is not in line with company's own stance on its UFG / volumetric adjustment as part of gas transportation agreements under OGRA (Gas) Third Party Access Rules, 2018. Accordingly, the decision on treatment of such UFG volumes is stated in respective part.

6.3 The Authority notes that based on the revised sale prices effective November 01, 2023, the category-wise prescribed prices as per DERR for said year are required to be re-adjusted to the extent of revenue requirement. Accordingly, the revenues from prescribed prices are revised to Rs. 434,724 million for the said year.

6.4 ***Keeping in view the above, the Authority includes gas sale volumes at 353,829 BBTU at provisional sale revenues of Rs. 434,724 million at revised prescribed price for the said year.***

ii. Other Operating Income

6.5 The petitioner kept other operating income at the level of DERR for the said year i.e. Rs. 17,929 million. The Authority accepts the same, being reasonable and earlier determined per DERR for the said year.

6.6 ***In view the above, total operating revenues are determined at Rs. 452,653 million on provisional basis for the said year.***

7 Operating Expenditures

i. Cost of Gas

7.1 The petitioner has projected aggregate cost of gas at Rs. 569,007 million, comprising of local gas cost at Rs. 336,079 million, based on projections of international oil prices. Moreover, the petitioner, in pursuance to Federal Cabinet's decision, has also projected Rs. 232,928 million on account of RLNG volumes diverted to domestic sector as part of Revenue Requirement, for the said year. The claim tabulated below:

Table 4: Breakup of Cost of Gas

Particulars	Volume in MMCF	Volume in MMBTU	Rs. in million
Cost of Indigneous Gas	312,251	292,067	336,079
Cost of RLNG to be diverted to indigneous gas consumers	58,861	61,763	232,928
Total Cost of Gas as claimed by the Petitioner	**371,112**	**353,829**	**569,007**

7.2 The petitioner has submitted that actual gas purchased volume for July & August, 2023 have been taken only while volumes for remaining ten months' purchases have been kept at the level of DERR for the said year. The petitioner submitted that local cost of gas is projected based on first six months actual data of imported crude oil and HSFO prices; while remaining six months estimated data has been used based on projection of international crude and HSFO prices, as tabulated below:

Table 5: Assumptions for Petitioner's WACOG

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.TON	Rs. / US$
July to December, 2023	December 2022 to May 2023	86.30	403.97	290.00
January to June, 2024	June 2023 to November, 2023	95.00	444.71	290.00
Average		90.65	424.34	290.00

7.3 The Authority observes that the well-head prices of gas for all fields are computed in accordance with agreements signed between the GoP and various gas producers, available on record and are notified in exercise of the powers vested in Authority under the Ordinance. The Authority observes that latest data of international oil prices are available upto November 30, 2023. Therefore, the Authority based on latest data in respect of Crude/HSFO & US$ exchange rate, recomputes local cost of gas at Rs. 332,558 million at petitioner's system as per table below:

Table 6: Revised Parameters for WACOG

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.TON	Rs. / US$
July to December, 2023	December 2022 to May 2023	86.30	393.44	287.49
January to June, 2024	June 2023 to November, 2023	88.99	471.64	290.00
Average		87.64	432.54	288.74

7.4 Regarding cost of RLNG, the petitioner has stated that entire diversion cost of RLNG has been claimed under Revenue Requirement of natural gas consumers in line with the summary approved by ECC in its meeting held on 23-10-2023 vide case No. ECC-319/41/2023 dated 23-10-2023 (ratified by Federal Cabinet No. 182/31/2023 dated 3-10-2023). The petitioner has projected RLNG diversion cost at Rs. 232,928 million against projected volume of 61,725 BBTU as part of cost of gas sold. The petitioner has claimed RLNG per unit price at Rs. 3,771/MMBTU (i.e. US$ 13/MMBTU, taking exchange rate at Rs. 290 against US$) for the said year. The same cost shall be actualized at year end, based on actual RLNG volumes imported during the year and actual cost of RLNG. Following components / parameters have been used for calculation of RLNG cost:

(i) LNG DES price,
(ii) Other imported related cost,
(iii) LNG supplier margin,
(iv) Terminal charges,
(v) SSGCL's cost of service upto SNGPL network,
(vi) Retainage cost

7.5 The Authority agrees to the computation of RLNG cost component as claimed by the petitioner, with slight adjustment on account average exchange rate of Rs. 288.74 against US$ in line with para 7.3 above. Accordingly, cost of RLNG is provisionally allowed at Rs. 231,916 million for the said year.

CERTIFIED TURE COPY

In view of the above, the Authority decides to allow total cost of gas at Rs. 564,474 million (Rs. 1,521.03/MMCF) on provisional basis for the said year.

ii. Gas Internally Consumed (GIC)

7.6 The petitioner has claimed GIC for the said year at Rs. 1,493 million under transmission system as per following detail;

Table 7: GIC per the Petition

Gas Internally Consumed - Indigenous					
Particulars	**MMCF**	**GCV**	**MMBTU**	**Avg. Cost Price**	**Rs. In Million**
Transmission System					
Compressors	1,498	938	1,405,401	1,062	1,493
Coating Plant	92	938	86,233	1,062	92
Residential Colonies	78	938	73,462	1,062	78
Sub Total	1,669		1,565,096		1,663
Distribution System					
Free Gas Facility	527	938	494,161	1,062	525
Co-Generation	86	938	80,861	1,062	86
Sub Total	613		575,022		611
GIC Indigenous	2,282		2,140,118		2,273
				GIC as per Petition	**1,493**
Gas Internally Consumed - RLNG					
Particulars	**MMCF**	**GCV**	**MMBTU**	**Avg. cost price**	**Rs. In Million**
GIC at SNGPL Network	3,002	1050	3,152,504	3,771	11,889
GIC at SSGC Network	1,472	1050	1,545,312	3,771	5,828
GIC RLNG	4,474		4,697,816		17,717

7.7 The Authority based on the historical rate of internal consumption provisionally calculates GIC for indigenous system at 1,092 MMCF against claimed volume of 1,498 MMCF and 2,963 MMCF against claimed volume of 3,002 MMCF in case of RLNG system. The volumes calculated in respect of GIC are subject to actualization at the time of respective FRR. ***Keeping in view of the above, the Authority decides to re-compute compressor- GIC at Rs. 1,661 million (i.e. 1,092x1,521.03/MMCF) for the said year.***

7.8 In addition to above, the petitioner has also included 1,472 MMCF as GIC at SSGC system in respect of RLNG segment to compute the net RLNG received in Transmission system of the petitioner. The Authority notes that the claim of the petitioner is proportionate to the volume allowed by Authority at the time of DERR for expected RLNG volumes to be injected.

7.9 The petitioner has also projected 27,450 MMCF @ 75 MMCFD on account of volume to be retained by SSGC for its sale to K-Electric during the said year. The petitioner added that volume being retained by SSGC is as per advice of GOP enabling K-Electric to produce electricity to mitigate the electricity load shedding in Karachi. The same is being allowed on provisional basis subject to actualization at the time of FRR.

iii. Unaccounted for Gas (UFG):

Table 8: UFG calculation Sheet

CERTIFIED TURE COPY

UFG CALCULATION SHEET

		RERR FY 2023-24			
		As per petition		As Calculated	
Gas Purchases		Indigenous gas (UFG)	RLNG to be Supplied to Transmission and Distribution consumers	Indigenous gas (UFG)	RLNG to be Supplied to Transmission and Distribution consumers
Transmission System		MMCF	MMCF	MMCF	MMCF
(Gas Received) in Transmission Indigenous	A	340,642		340,642	
RLNG received at FSRU	B		341,800		341,800
Retainage	C		(2,564)		(2,564)
Retained by SSGC	D		(27,450)		(27,450)
GIC at SSGC System	E		(1,472)		(1,472)
Net Gas Received in Trans. System of SNGPL	F=A+B+C+D+E	**340,642**	**310,315**	**340,642**	**310,315**
Gas used in operation of Tran. Sys	G	**(1,669)**	**(3,002)**	**(1,263)**	**(2,963)**
(i) Compression		(1,498)	(3,002)	(1,093)	(2,963)
(ii) Residential Colonies		(78)	-	(78)	-
(ii) Coating Plant		(92)	-	(92)	-
Gas Available in Transmission System	H=F+G	**338,974**	**307,312**	**339,379**	**307,352**
Gas sale on Transmission System	I	**88,508**	**139,018**	**88,508**	**139,018**
Gas passed to Distribution system through SMS	J	**249,239**	**167,177**	**249,239**	**167,177**
Loss in Tansmission System	K=H-I-J	1,226	1,117	1,632	1,156
% Loss or Gain in Transmission Sytem	L=K/F*100	**0.36%**	**0.36%**	**0.48%**	**0.37%**
UFG Allowed (%)				**0.36%**	
Allowed UFG Volume (MMCF)				**1226**	
Invalid Claim (MMCF)				**405.67**	
Distribution System					
Gas Received in Dist. System (Through SMS)	J	**249,239**	**167,177**	**249,239**	**167,177**
Gas internally consumed in **Distribution System (GIC)**	M	(613)	-	(613)	-
(i) Free Gas Facility		(527)	-	(527)	-
(ii) Co-Generation		(86)	-	(86)	-
(Gas available for Sale in Dist. Sytem)	N=J+M	248,626	167,177	248,626	167,177
Gas Delivered (Net Gas Sold)-(RLNG sales includes Diversion)	O	223,743	154,302	223,743	154,302
Loss in Distribution System	P=N-O	24,884	12,875	24,883	12,875
% age Loss in Distribution Sytem	Q=P/J*100	**9.98%**	**7.70%**	**9.98%**	
Allowed UFG (%)				**6.25%**	
Allowed UFG (MMCF)				**15577**	
Invalid Claim (MMCF)				**9306**	
Total UFG Volume (Transmission + Distribution)	R=P+K	26,110	13,992	26,515	14,031
Total % age UFG (Transmission + Distribution)	S=R/F*1000	**7.66%**	**4.51%**	**7.78%**	

7.10 The Authority, however, notes that allocation of indigenous gas fields is the prerogative of the FG based on legal framework including constitutional provisions and such allocated volumes are accordingly transported by the respective companies as per their areas of operations. However, in order to mitigate the shortfall on SNGPL's network a specific policy on ring fenced basis has been framed by the FG whereby import of RLNG for SNGPL's RLNG ringfenced customers has been allowed on full cost recovery basis. Moreover, recently the FG has also advised to include cost of RLNG diversion to domestic consumers of SNGPL on full cost recovery basis to enable sustained operations and supplies for it. Therefore, in all fairness cost of such diversion is relevant to SNGPL so as to ensure fair and equitable treatment in terms of charging of such cost and crediting full recovery thereof.

7.11 ***In view of the same, UFG adjustment is provisionally re-worked at Rs. 14,771 million based on respective WACOG of the petitioner, computed at Rs. 1,521.03 MMCF for the said year.***

8 Transmission & Distribution Cost (T&D)

i. Summary

8.1 The petitioner has projected Rs. 51,193 million against T&D cost while allocating Rs. 24,084 million to natural gas segment (47%) and Rs. 27,108 RLNG (53%) for the said year. Comparison of T&D with DERR for the said year is as under:

Table 9: Comparison of Projected T & D Cost with DERR

Rs. in million

Sr. #	Description	FRR FY 2021-22	RERR FY 2022-23	DERR FY 2023-24	The Petition FY 2023-24	Diff	%age
1	Net HR Cost	22,546	19,554	20,268	32,939	12,671	63%
2	Stores, Spares and Supplies Consumed	686	880	1,056	1,400	344	33%
4	Repairs & Maintenance	1,467	1,448	1,486	2,200	714	48%
5	Fuel & Power	511	567	643	643	-	-
6	Stationery, Telegram and Postage	-	270	324	324	-	-
7	Dispatch of gas bills	163	180	216	370	154	71%
8	Rent, Rates, Electricity and Taxes	645	673	753	769	16	2%
9	Travelling	136	163	190	190	-	-
10	Transport	1,159	1,156	1,387	1,637	250	18%
11	Insurance	261	279	300	300	-	-
12	Legal and professional charges	321	280	210	347	138	66%
13	Consultancy for ISO 14001: 2004 & OHSAS 18000: 1999	7	12	13	13	-	-
14	Provision for doubtful debts	1,154	-	-	1,000	1,000	-
15	Gas Bills Collection Charges	593	666	660	660	-	-
16	Gathering charges on Bills Collection data	50	65	65	65	-	-
17	OGRA Fee	228	379	350	460	110	31%
18	Advertisement	183	235	239	239	-	0%
19	Security expenses	1,591	1,853	2,249	2,250	1	0%
20	UFG Control Activities	983	722	934	2,008	1,074	115%
21	Bank charges	6	11	12	12	-	0%
22	Protective supplies/ Clothing	54	77	92	92	-	0%
23	Staff training	42	23	25	90	65	260%
24	Recruitment expenses	-	-	-	-	-	
26	Sponsorship of chairs at Universities	12	-	-	4	4	
28	Outsourcing of Call Centre for Complaints Management	24	33	33	33	-	0%
29	Recovery through contractors - (Disconnected Consumers)	25	-		-	-	
30	Sports Related expenses	58	43	43	265	222	515%
31	Corporate Social Responsibility	19	10	10	10	-	0%
32	Facilities Provided by other companies	19	15	24	24	-	0%
35	Board meetings & directors' expenses	49	61	71	71	-	0%
36	Stores and Spares written off	13	-	-	-	-	
37	BANNU WEST WELL-1 AND WALI WELL-1	-	-	-	2,632	2,632	
38	Quality Assurance Program		-	-	92	92	
39	Expenses on uplifting of lines	104	-	-	-	-	
40	Others	244	225	268	555	287	107%
41	TOTAL OPERATING COST	33,351	29,880	31,920	51,693	19,773	62%
42	Less: Allocated to Fixed Capital expenditure	(367)	(500)	(500)	(500)	-	-
43	Net Operating Cost	32,984	29,380	31,420	51,193	19,773	63%
44	Allocation of T&D Cost to (System Gas)			16,638	24,081		
45	Allocation of T&D Cost to (RLNG)			14,782	27,108		

8.2 Various components of operating cost are discussed in the following paras:

ii. Human Resource Cost

8.3 The petitioner has projected an amount of Rs. 32,939 million excluding Rs. 4,500 relating to CWIP for the said year, while claiming increase on the basis of 100% CPI. The summary of HR breakup is tabulated below:

Table 10: Break up of HR Cost

CERTIFIED TURE COPY

	Description	FY 2023-24
1	**Salaries & Wages of Executives**	
2	Salaries	5,734
3	Others Perks, Allowances and Benefits	1,129
4	Incremental impact of IAS-19	(103)
5	**Medical & Welfare/Incremental impact of IAS-19**	615
6	Total Executive Salaries	**7,375**
7	**Subordinates/Wages & allowances**	
8	Wages	12,936
9	Bonus -(10-C, Agreement, Performance)	1,306
10	Badli/casual labour	1,650
11	Overtime (Including dinner/breakfast/conveyance)	800
12	Others Perks, Allowances and Benefits	3271
13	**Medical & Welfare/Incremental impact of IAS-19**	1,435
14	**Total Subordinate cost**	**21,398**
15	**CPI Impact**	2,109
16	**CBA Agreement FY 2021-23**	4,998
17	**Free Gas Facility (Previously part of GIC)**	368
18	**Total Executive and Subordinate cost**	**36,248**
19	**Allocation to CWIP**	**(4,500)**
20	**Net HR Cost**	**31,748**

8.4 The perusal of the above table shows that the petitioner provided breakup of Rs. 31,748 million as against Rs. 32,939 million claimed on account of HR cost as part of instant petition for the said year. The petitioner submissions are summarized below:

a) The petitioner has projected executive's salaries at Rs. 5,734 million after incorporating the impact of annual performance increment (i.e. avg. 7%) on existing actual salary of FY 2022-23.
b) The petitioner also claimed additional amount of Rs. 2,109 million being an allowance on account of CPI relating to last three years i.e. FY 2021-23.
c) The petitioner has projected wages of subordinate staff at Rs. 12,936 million after including the annual performance increment of 3.75% in the last year wages. Impact of CBA at Rs. 4,998 million has been separately claimed / projected.

8.5 The petitioner has stated that hyper-inflation prevailing in the country for last two years, has seriously impacted cost of living of its employees. The petitioner has further stated that the recently introduced HR benchmark in FY 2021-22 does not provide any cushion for increase in salary and wages owing to minimal increase in HR benchmark parameters including moratorium on new gas connections and T&D expansion while there has been decrease in gas supply volumes. Accordingly, the petitioner has requested to initiate consultative session with Sui Companies so as to allow them requisite genuine demand. The petitioner has requested the Authority to allow annual CPI % effective FY 2021-22, as tabulated below:

Table 11: Petitioner HR Request based on 100%CPI

(Rs. in million)

Description	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Last year Base cost (Net)		17,929	20,107	25,975
Amount requested without IAS 19	17,929	20,107	25,974	31,430
Increase from last year		2,178	5,867	5,455
Excess/Shortfall of HR Requirement vs proposal		-1,920	-2,518	956

8.6 The Authority, in the light of issues as raised by the Sui Companies and persistent demand for a consultative session, initiated the review process. Accordingly, OGRA's officers held meetings with both Sui Companies, where detailed presentations on salaries & wages, pay scales, perks & benefits, additional workforce requirement including outsourced activities and other HR policies were provided.

CERTIFIED TURE COPY

8.7 It has been observed that the petitioner emphasized that high separation rate of its employees especially from FY 2020-21 onwards, resulted in shortage of professional/technical workforce. The data reveals that superannuation as well as resignation from the company are two relevant factors. Regarding subordinates, 991 employees left the organization during last five years, out of which 671 (68%) employees reached the age of superannuation. The contention is although true as high separation rate from company may lead to shortage of technical workforce however majority of leavers reached superannuation and thus emphasis of the petitioner that it has not remained attractive for the market does not carry much weight. A table indicating the details of leavers is hereunder:

Table 12: ***Details of Leavers***

	2018-19	2019-20	2020-21	2021-22	2022-23
Executives	21	29	48	52	44
Subordinates	198	168	173	206	203

8.8 The Authority also refers to its earlier observations in this respect that HR management and planning has to be a long-term strategy of the company to set reasonable and non-discriminatory salary levels, devise appropriate policies in terms of career growth and built-in plan for additional workforce on a sustained basis considering retirement as well as increased operational activity. A rational HR policy to achieve long-term objectives of the company enables to meet the genuine HR requirements. The Authority however considers that the petitioner, being a public sector utility having guaranteed return on a cost -plus basis, must also be cognizant of the ground realities that its business / operational activities are on a decreasing pattern and accordingly the petitioner must rationalize its overall operating costs and review its polices viz; unparalleled time scales of each grade (reference per para 7.28 of DERR FY 2020-21 dated July 13, 2020), wider disparity between the pay scales of executives and subordinates (reference per para 8.1.2 (viii) of RERR FY 2020-21 dated February 11, 2021) and other policies e.g. club membership, medical parents, subsidized tea/coffee (reference per para 8.1.2(vi-vii) of RERR FY 2020-21 dtd February 11, 2021). It has also been observed that the salaries of executives as well as subordinates have been sufficiently increased by the petitioner in the previous years besides other benefits including promotions.

8.9 The Authority appreciates that SSGC, the sister utility company, has successfully been able to discontinue and rationalize its various policies in the light of the Authority's earlier directions. However, desired actions on part of the petitioner are still missing as it appears that the petitioner has not reviewed its policies and is rather continuing its past practices without considering the Authority's concerns. This approach of the petitioner has confirmed the conclusion that irrespective of the HR benchmark as decided by the Authority, expenditures have been incurred over and above the prescribed limit, therefore such expenditure, since been incurred as approved by the petitioner itself, the same shall be borne by it in all fairness. In the light thereof, the petitioner's Board of Directors (BoD) may consider to review its policies however in case of continuation of the same, the same must be financed through company's own profits.

8.10 ***Notwithstanding above, the Authority considers that contention regarding stagnancy of the operating parameters and prevalent hyperinflation are relevant. In view thereof, the Authority, hereby decides to allow 50% CPI adjustment for the said year, in addition to already placed HR benchmark to meet genuine and rational HR cost. Accordingly, HR cost is provisionally determined at Rs, 23,100 million including IAS cost as against Rs. 20,268 million allowed per DERR for the said year. Moreover, the petitioner must consider that the additional funds to the tune of Rs. 2,832 million on account of HR benchmark over DERR are utilized to meet the legitimate demands of CBA as well as low salary earning executive staff, on priority.***

iii. Repair & Maintenance

CERTIFIED TURE COPY

8.11 The Authority has provisionally allowed Rs. 1,486 million against claim of Rs. 2,200 million at the time of DERR for the said year on account of repair & maintenance expenses as per following detail;

Table 13: Table of Repair & Maintenance

Repair & Maintenance (Rs. In Million)		
Description	**Petition FY 2023-24**	**Allowed**
Compression	17	14
Transmission	75	42
Distribution	1261	818
Others (incl H.O. & service depts.)	847	612
Total	2200	1486

8.12 The petitioner has submitted that due to minimum wage rate increase by the GOP, expenses on account of janitorial services, billing disconnection teams and other contractors are expected to increase by almost 28%. In addition, there is increasing trend of customer complaints/ underground leakages and other operation & maintenance related complaints due to which contract payments have increased. With respect to computer related service level agreements (SLAs), the petitioner has submitted that majority of payments are in USD and the expenditure has increased owing to rupee dollar parity.

8.13 The Authority notes that the above submissions of the petitioner have been considered at the time of determination for ERR of the said year. Since, no new grounds for review of the decision have been made by the petitioner, ***therefore the Authority maintains its earlier decision.***

iv. UFG Control Activities

8.14 The Authority had allowed Rs. 934 million against claim of Rs. 2,008 million at the time of DERR for the said year on account of UFG control activities.

8.15 The petitioner while requesting the Authority for reconsideration of the disallowed budget has reiterated its submissions. The petitioner has submitted that reinstatement of disallowed amount is essentially required to meet inter-alia OGRA Performance and Service Standards, Rules, Environmental obligations and various UFG control programs.

8.16 ***The Authority observes that the petitioner has merely repeated its stance and no new justifications have been provided for reconsideration of the Authority's decision. Therefore, the Authority maintains its original decision in this respect.***

v. **Rent, Rates, Royalty, Electricity & Telephones**

8.17 The petitioner has requested to allow Rs. 769 million under the head of "Rent, Rates, Royalty, Electricity & Telephone" as against the Authority's determination of Rs. 753 million for the said year. The petitioner has requested to allow additional Rs. 16 million under the sub-head "Taxes".

8.18 The petitioner has submitted that it has claimed total amount of Rs. 23 million under the head of Taxes w.r.t. vehicle taxes, while the property taxes amounting to Rs. 16 million were erroneously claimed under the head of "others", which was disallowed. It is stated that OGRA allows expenditure on account of all taxes (property and vehicle/token tax etc) on overall basis. The comparative figures under the subject head is as under:

Table 14: Historical comparison of Vehicle and Property Tax *(Rs. in Million)*

Description	FRR 2020-21	FRR 2021-22	RERR 2022-23	DERR 2023-24	The petition
Vehicle Tax	16	16	23	23	23
Property Tax	7	13	1	-	16
Total Taxes	23	29	24	23	39

CERTIFIED TURE COPY

8.19 The petitioner submitted that these are essential payments to Government departments as per rates in vogue and cannot be avoided. The petitioner also highlighted that the current year expenditure booked till date is around Rs. 25 million while the expected annual expenditure is Rs. 30 million. Moreover, the Property tax rates also increase almost every year by the Provincial Govt. of Punjab, Khyber Pakhtunkhwa and ICT Administration. Accordingly, an amount of Rs. 16 million has been projected under this head.

8.20 ***Keeping in view of the above justifications, the Authority decides to allow additional Rs. 16 million to the extent of taxes for the said year.***

vi. Legal & Professional Services

8.21 The petitioner has requested to allow Rs. 347 million under the head of "Legal & Professional Services" as against Rs. 210 million determined per DERR for the said year. The petitioner has claimed a huge amount of Rs. 217 million as against allowed Rs. 145 million in DERR for the said year. The historical analysis of legal expenses is tabulated as under;

Table 15: Historical comparison of Legal Expenses

(Rs. in million)

Particulars	FRR FY 2019-20	FRR FY 2020-21	FRR FY 2021-22	RERR FY 2022-23	DERR FY 2023-24	The Petition
Legal Expenses	145	182	145	182	145	217

8.22 The petitioner has requested to allow additional Rs. 137 million and submitted that the allowance under this head for the said year is even less than the actual expenditure for past two years as well as OGRA's own determination for FY 2022-23. The petitioner has stated that projected increase under the head is mainly due to the rise in the number of cases related to RLNG supply, subsidy matters, gas tariff issues and other disputes. Litigation against the company has significantly increased, and there could be a projected 22% increase in total litigation if the current trend continues.

Table 16: Break up of litigation cases

Nature of cases	Criminal Cases	Suit filed by consumer	Suit for recovery	Total
Cases pending as on 30.6.2022	560	6,139	19,511	**26,210**
Cases Filed During July 22 to June 23	149	5,910	21,022	**27,081**
			Increase	**10%**

8.23 The petitioner has submitted that actual cost incurred during FY 2022-23 on account of professional charges only is Rs. 32 million. Further costs under this head are also required to be met alongside increased expenditure on the Auditor's certification. Moreover, due to the high inflation, it would not be possible for the Company to curtail the expenses at the level fixed by OGRA for the said year.

8.24 The Authority notes that huge pending court cases have exceeded an alarming number of 27,081 which represent the petitioner's sheer professional lethargy and demotivation to bring down these numbers. The Authority observes that similar justification has been provided by the petitioner since many years. The Authority intends to reduce litigation issues to avoid burden of this cost on gas consumer. The Authority further notes that the petitioner has not shown any firm commitment in reducing litigation cases and thus never comes up with new strategy and plan to reduce cost under this head. The Authority advises the management to place the matter before its Board of Directors to devise an effective policy and strategy to reduce exorbitant increase under the head of "Legal expenses", in the light of Authority's repeated directions. Similarly, the petitioner has not been able to provide any new justification on account of professional charges.

8.25 ***In view of above, the Authority decides to maintain its earlier decision and fixes legal and professional charges at Rs. 210 million for the said year.***

vii. Dispatch of Gas Bills

8.26 The petitioner has requested to allow Rs. 370 million under the head "Dispatch of Gas Bills" as against the Authority's determination of Rs. 216 million for the said year. The petitioner has requested to allow additional Rs. 154 million on account of gas bill distribution contracts. The petitioner has informed that tendering process was initiated in line with PPRA rules and fresh contracts were executed in January, 2023, with a weighted average delivery rate of Rs. 4.33/bill based on the lowest evaluated bids, which subsequently voluntarily reduced at Rs. 4.11/bill by the contractor. The petitioner stated that Rs. 152 million has already been utilized for gas bill distribution during the initial five months of the said year. Therefore, reduction in the requested amount would jeopardize the provision of gas bill distribution services.

8.27 ***In view of justification advanced by the petitioner, the Authority allows Rs. 370 million for the said year.***

viii. Provision for doubtful debts

8.28 The petitioner has requested to allow Rs. 1,000 million under the head of "Provision for Doubtful debts" as against the Authority's total disallowance in DERR for the said year. The petitioner has stated that the Authority has expressed its inability to allow any amount under this head until the company demonstrates and physically achieve efficiency in terms of reduction in litigation cases and bad debts. Moreover, the Authority has stated in the determinations that the company has been repeatedly advised to increase internal control system, management practices and recoveries. Whereby instead of increasing recoveries, doubtful debts are being increased which does not reflect good corporate governance measures being taken up.

8.29 The petitioner has highlighted that OGRA had itself prescribed the formula for calculation of such provision for doubtful debts and arbitrarily abolished the established regulatory practice without any justification. Moreover, under the new prevalent IFRS 9, Company has no option but to provide even against the active consumers. The petitioner has, therefore, requested to allow the petitioner amount for the above head.

8.30 Regarding the petitioner's physical demonstration on account of recovery, it has submitted that strenuous efforts are being made to arrange recoveries against disconnected consumers. The petitioner has highlighted that actual recoveries from active consumers have been approximately 99% of the current bills issued to them during FY 2020-21. Large number of industrial consumers are in litigation on one pretext or other, which the Company is continuously following up. No business in the world has zero default if the goods are sold on credit. Projected sales value for FY 2023-24 is Rs 1,500 billion of which the projected amount of provision for doubtful debts (Rs. 1,433 million) is only 0.01% which is negligible.

8.31 ***In view of the above justifications offered by the petitioner, the Authority, as per its benchmark in place, decides to allow Rs. 972 million under the head of provision of doubtful debts for the said year.***

ix. Sports Related Activities & Cricket Expenses.

8.32 The petitioner has requested to allow Rs. 136 million under the head "Sports Related Activities" as against the Authority's determination of Rs. 43 million for the said year. In addition, Rs. 129 million have also been requested for Cricket expenses. Historical trend of sports related activities is as under:

Rs. in million

Particulars	FRR FY 2021-22	RERR FY 2022-23	The Petition FY 2023-24	(Inc/Dec) over RERR 2022-23	
Sports related activities and Annual Sports	43	43	136	93	216%

8.33 The petitioner has submitted that the amount allowed by the Authority is insufficient to cover the salaries of players and officials for all games, leaving no room for participation in various sports

CERTIFIED TURE COPY

events. The petitioner has submitted that an amount of Rs. 73 million is essentially required for disbursement of salaries to all team players/officials. This amount includes an increase in salaries as compared to the previous year, aiming to retain talented players. Additionally, an amount of Rs. 45 million is required to cover the expenses associated with participating in the National Championships of each game. This is the minimum mandatory requirement to maintain membership in the respective sports federations to avoid possible suspension or ban from participating in their sports events.

8.34 Furthermore, the petitioner has requested to allow Rs. 129 million under the head "Cricket Expenses" over and above Rs. 136 million as mentioned above. The petitioner stated that its BOD has accorded principal approval for restoration of cricket operations in the light of various directions from relevant quarters of Government. The Authority notes with concern that "cricket expenses" fall squarely under the main head of Sport Activities; therefore, establishing separate head and request for provisioning of extra amount lacks rational and prudence.

8.35 Considering that petitioner, being a corporate entity, encourages sports related activities however the Authority considers it important to impress that amounts on these accounts are to be spent on a cautious basis. Therefore, the Authority considering the importance of domestic and international sports as well as directions from Prime Minister Office for revival of cricket, decides to allow 50% of the amount claimed under Sports related activities. ***Accordingly, sports related activities are determined at Rs. 68 million for the said year.***

x. Bannu West Well-1 And Wali Well-1

8.36 The petitioner has submitted that the Authority has entirely disallowed Rs. 2,632 million on account of operating cost against pipeline infrastructure for Bannu & Walli Well, with the comments that the project is in initial stage. The petitioner has highlighted that 112 KM segments under said project have already been commissioned in FY 2022-23. The petitioner has further stated that negotiation with Frontier Corps for safe operation of pipeline in challenging areas is also at advanced stage and expected to be finalized soon. Therefore, the Authority is requested to allow operating cost (mainly security) under this head for safe operations. Projected breakup of is as under:

Table 17: Breakup of Bannu & Wali West Per the Petition

Description	PKR (Rs. in million)
Security Expenses	2,481
Salaries, Wages & Benefits	41
Repair and Maintenance of System	3
Store & Spares Consumed	18
Rent, Rate, Royalty, Electricity and Telephone	4
Travelling Expenses	3
Stationery, Printing and Postage	0
Transport Expenses	54
Fuel & Power	3
Other Expenses	26
Total	**2,632**

8.37 The Authority observes that the petitioner has been claiming additional amounts under the head of operating cost for upgradation Bannu West & Wali West, despite the fact that sufficient amounts have already allowed in respective heads i.e. security, HR, fuel and power. ***However, considering the security situation prevalent in the country and safety of 121 km pipeline, the Authority decides to principally allow the expense, subject to the actualization at the time of FRR. Moreover, the Authority directs the petitioner to claim the expense in related sub-heads, thereby avoiding creation of unnecessary accounts.***

xi. Other Operating Expenses

8.38 The petitioner has requested to allow Rs. 1,019 million under various heads as against the Authority's determination of Rs. 618 million for the said year as tabulated below:

Table 18: Comparative of Remaining T&D Expenses with DERR

CERTIFIED TURE COPY

			Rs. in million	
S. No	Description	DERR FY 2023-24	The Petition FY 2023-24	Difference Inc. /(dec)
1	OGRA Fee	350	460	110
2	Construction Equipment Operating Cost	193	400	207
3	Sponsorship of Chairs	-	4	4
4	Stores, Spared and Supplies consumed	1,056	1,400	344
5	Transport Expenses	1,387	1,637	250
6	Staff Recruiting and Training expenses	25	90	65
4	Remaining expenses	75	155	80
5	**Sub Total**	**618**	**4,146**	**1,060**

8.39 The Authority accedes to petitioner's contention on OGRA's Fee and allows Rs. 460 million for the said year. However, the Authority notes that petitioner request, w.r.t Stores, Spares & Consumed Expenses, Transport Expense, Staff Recruiting & Training Expenses, Recovery through contractor, Construction Equipment operating cost and Sponsorship of Chairs contains does not merit consideration as no new material argument and documentary evidence has been provided by the company in order to substantiate its claim. The Authority has already considered these arguments while deciding DERR petition for the said year. ***Therefore, any additional allowance for already decided items based on generic justifications holds no logic.***

8.40 In view of the above discussion, the Authority provisionally allows T&D costs as per table below:

Table 19: Transmission & Distribution Cost Allowed by the Authority

Rs. in million

Sr. #	Description	DERR	The Petition	As Allowed
1	Net HR Cost	20,268	32,939	23,100
2	Stores, Spares and Supplies Consumed	1,056	1,400	1,056
3	Repairs & Maintenance	1,486	2,200	1,486
4	Fuel & Power	643	643	643
5	Rent, Rates, Royalty, Electricity & Telephones	753	769	769
6	Travelling	190	190	190
7	Transport Expenses	1,387	1,637	1,387
8	Insurance	300	300	300
9	Legal & Professional Services	210	347	210
10	Security Expenses	2,249	2,250	2,249
11	UFG Control Activities	934	2,008	934
12	Provision for Doubtful Debt	-	1,000	972
13	OGRA Fee	350	460	460
14	Bannu West Well-1 And Wali Well-1	-	2,632	-
15	Stationery, telegrams and postage	324	324	324
16	Dispatch of Gas Bills	216	370	370
17	Gas bills collection charges	660	660	660
18	Gathering charges of collection data	65	65	65
19	Advertisement & publicity	239	239	239
20	Protective clothing & Supplies	92	92	92
21	Board Meeting and directors expenses	71	71	71
22	Construction Equipment Operating Cost	193	400	193
23	Staff Recruiting and Training	25	90	25
24	Sponsorship of Chairs	-	4	-
25	Outsourcing of call Centre	33	33	33
26	Sports Related Activities	43	136	68
27	Cricket Expenses	-	129	
28	Bank Charges	12	12	12
29	Facilities provided by Other Companies	24	24	24
30	Corporate Social Responsibility	10	10	10
31	Quality Assurance Program	-	92	-
32	Consultancy for ISO Certifications	13	13	13
33	Remaining expenses	75	155	75
34	**Sub Total**	**31,921**	**51,693**	**36,030**
35	*Less Allocation to CWIP*	*(500)*	*(500)*	*(500)*
36	**TOTAL T&D COST**	**31,421**	**51,193**	**35,530**
37	**Operating Costs- Allocated to Indigenous Gas**	**16,638**	**27,108**	**18,814**
38	**Operating Costs- Allocated to RLNG**	**14,782**	**24,084**	**16,715**

9 RLNG Cost of Service

CERTIFIED TURE COPY

9.1 The petitioner has claimed Rs. 72,160 million on account of RLNG cost of supply at Rs. 293.02/MMBTU for the said year as per table below:

Table 20: RLNG's Cost of Service as claimed by the petitioner

Particulars	
Quantitative Data:	*BBTU*
RLNG Input	358,890
Retainage / gas used in FSRU @ 0.75%	(2,692)
Retained by SSGC	(28,823)
GIC - SSGCL network @ 0.5%	(1,545)
GIC - SNGPL network @ 1.2%	(3,153)
UFG @ 4.5%	(14,691)
RLNG (Diverted to)/taken from System Gas	(61,763)
Net RLNG sold	**246,224**
Cost Components	***Million Rs.***
Amortization of Deferred Credit	(697)
LPS Income	(17,500)
Depreciation	2,583
Return on Assets	7,969
HR and other relevant costs allocated to RLNG	24,084
Gas Internally Consumed SNGPL	11,889
Gas Internally Consumed SSGC	5,828
Transportation charges payable to SSGC	10,279
Finance cost for working capital	27,500
WPPF	225
Total Rs. in Million	**72,160**
Rs/ MMBTU	**293.07**

9.2 Further, the petitioner stated that RLNG input volume has been projected at the level of 1033 MMCFD as currently on average 9 cargos are being imported by PSO while PLL is arranging 1 cargo under term contract. Furthermore, 100 MMCFD (approx.) is being retained by PLL for its sale to K Electric. Volumes of Retainage, GIC and UFG has been accordingly adjusted w.r.t the reduction in RLNG input. Besides above, the petitioner has requested to offset SSGCL's retained volume including other volumetric adjustments on account of GIC and retainage for the said year. Moreover, SSGCL transportation charges payable has been taken at Rs. 10,279 million as per their RERR determination for the said year. The petitioner offered LPS income from RLNG business Rs. 17,500 million for the said year (i.e. charged on delayed payments by the consumer due to non-compliance of contractual obligation).

9.3 Further, the petitioner has informed that it has made payment to PSO to the tune of Rs. 116,003 million since 2019 till April, 2023. Accordingly, financing for RLNG suppliers during the said year has been envisaged at Rs. 125 billion. Accordingly, an amount of Rs. 27,500 million on account finance cost for working capital for RLNG business has been claimed.

9.4 The Authority observes that issue of liquidity crunch in LNG/RLNG supply chain is duly acknowledged by MoE(PD) in its various meetings, however, upfront amount of Rs. 27,500 million is not justified. ***In the light thereof, the Authority decides to allow 50% claim i.e. Rs. 13,750 million subjects to the actualization at year end.***

9.5 In view of above and related decisions in preceding paras, the Authority decides to charge all directly attributable costs (CAPEX, OPEX) to RLNG cost of service and equitably include all operating income arising from RLNG business segment while computing the RLNG cost of service. ***Accordingly, RLNG cost of service is calculated on provisional basis as per table below subject to actualization at year end:***

Table 21: Computation of RLNG Cost of Service for the Said Year

CERTIFIED TURE COPY

Particulars		
Quantitative Data:	*BBTU*	*BBTU*
RLNG Input	358,890	358,890
Retainage / gas used in FSRU @ 0.75%	(2,692)	(2,692)
Retained by SSGC	(28,823)	(28,823)
GIC - SSGCL network @ 0.5%	(1,545)	(1,545)
GIC - SNGPL network @ 1.2%	(3,153)	(3,153)
UFG @ 4.5%	(14,691)	(14,691)
RLNG (Diverted to)/taken from System Gas	(61,763)	(61,763)
Net RLNG sold	246,224	246,224
Cost Components	*Million Rs.*	*Million Rs.*
Amortization of Deferred Credit	(697)	(697)
LPS Income	(17,500)	(17,500)
Depreciation	2,583	2,583
Return on Assets	7,969	7,456
HR and other relevant costs allocated to RLNG	24,084	16,715
Gas Internally Consumed SNGPL	11,889	11,889
Gas Internally Consumed SSGC	5,828	5,828
Transportation charges payable to SSGC	10,279	10,279
Finance cost for working capital	27,500	13,750
WPPF	225	225
Total Rs. in Million	72,160	60,528
Rs/ MMBTU	293.07	205.21

10 Previous Year's Cumulative Shortfall

10.1 The petitioner has claimed Rs. 427,830 million previous years' revenue shortfall and requested to include the same in tariff determination for the said year.

10.2 The petitioner has submitted that this revenue shortfall has emerged due to inadequate gas price revision by GoP and, therefore, requested to incorporate cumulative revenue shortfall as part of instant decision.

10.3 The Authority, taking into account its issued determinations, decides to determine previous years' cumulative shortfall at Rs. 422,552 million upto FY 2022-23, as tabulated below:

Table 22: Previous years Shortfall

Description:	Rs. in million
Shortfall upto FY 2018-19	167,091
Shortfall of FY 2019-20	37,755
Shortfall of FY 2020-21 (As per M/R against DFRR FY 2020-2	38,939
Shortfall of FY 2021-22 (As per FRR FY 2021-22)	69,587
Shortfall of FY 2022-23 (As per RERR FY 2022-23)	109,180
Total	422,552

10.4 ***The Authority has not included any impact as part of instant determination and decides to refer the matter in respect of previous years' shortfall to FG for devising appropriate policy so that the revenue shortfall as determined by OGRA is fully met.***

11 Determination

11.1 The Authority, after taking into consideration points raised by interveners, clarifications provided by petitioner, scrutiny of petition and available record, provisionally determines the shortfall in estimated revenue requirement for said year at Rs. 157,522 million (**Annexure-I**). Accordingly, the revenue requirement is provisionally allowed at Rs. 592,246 million for the said year as tabulated below:

Table 23: Components of Revenue Requirement FY 2023-24 as allowed by the Authority:

Million Rs.

Particulars	Claimed by the peitioner	As allowed
Cost of gas sold	569,007	564,474
UFG (disallownce) / allowance	(4,618)	(14,771)
Transmission and distribution cost	28,175	19,652
Gas internally consumed	1,493	1,661
Depreciation	19,983	19,036
Late Payment Surcharge (Payable)		
Workers Profit Participation Fund	640	640
Return on assets	22,756	18,893
Additional revenue requirement for LPG Air-Mix Projects	697	591
Other operating income	(17,929)	(17,929)
Total Revenue Requirement (excluding Previous year shortfall)	**620,204**	**592,246**

11.2 Provisional prescribed prices against each category of consumers for the said year are attached as **Annexure-II**. ***The Authority has decided not to include previous years' shortfall, as discussed in para 10.3 as part of instant determination and decides to refer it to FG for an appropriate policy decision.*** The Authority, as a matter of principle under legal domain, is of the view that all the categories of consumers should at least pay the average cost of service or the average prescribed price except wherever FG policy guidelines have been provided, which shall be implemented accordingly.

11.3 The Authority, under Section 8(2) of the Ordinance refers the instant determination to the FG for natural gas sale price advise. Under Section 8 (3) of the Ordinance, the FG is required to advise the Authority, within 40 days of advice from the Authority of revision of prescribed prices, the minimum charges and the sale price for each category of retail consumers, for notification in the Official Gazette by the Authority.

11.4 The revised provisional prescribed price determined, under Section 8(2) of the Ordinance, against each category of consumers is subject to the condition that these *"may be re-adjusted upon receipt of Federal Government advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers provided that the overall increase in the average prescribed price remains unchanged so that the petitioner is able to achieve its total revenue requirements in* accordance with Section 8 (6) (f) of the Ordinance."

12 Public Critique, Views, Concerns, Suggestions

12.1 The Authority has recorded critique, views, concerns, and suggestions of the interveners and participants given in Para 3 above. The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in chapter 3 above for due consideration. The petitioner should focus and make concerted efforts on reduction of UFG, improvement of internal control systems, increase of efficiency, quality of service, emergency response plan, and effective cost control/reduction measures should be taken to remain financially viable instead of making all out of efforts to seek passing on of costs associated with its own inefficiencies, malpractices, thefts, bad debts and alike to the consumers.

CERTIFIED TURE COPY

12.2 All other directions/decisions issues at DERR for the said year, unless specifically revised/amended under the RERR, shall remain in full force and effect.

Mohammad Naeem Ghouri
Member (Finance)

Zain-ul-Abideen Qureshi (Member Oil)

Masroor Khan
(Chairman)

Senior Registrar
Oil & Gas Regulatory Authority
Islamabad

1. Computation of Review Estimated Revenue Requirement FY 2023-24

Rs. in million

		DERR FY 2023-24	The Petition FY 2023-24	Adjustment	As allowed
	Gas sales volume -MMCF	308,130	371,112	-	371,112
	BBTU	289,358	353,829	-	353,829
"A"	Net Operating revenues				
	Net sales at current prescribed price	238,306	441,044	(6,320)	434,724
	Rental & service charges	4,416	4,416	-	4,416
	Late Payment Surcharge and interest on arrears	7,549	7,549	-	7,549
	Amortization of deferred credit	3,154	3,154	-	3,154
	Transportation Income	760	760	-	760
	Other operating income	2,050	2,050	-	2,050
	Total income "A"	**256,235**	**458,973**	(6,320)	**452,653**
"B"	**Less Expenses**				
	Cost of gas sold (Indigneous Gas only)	329,903	336,079	(3,521)	332,558
	Cost of RLNG		232,928	(1,012)	231,916
	UFG Adjustments	(11,076)	(4,618)	(10,153)	(14,771)
	T& D cost, net of capital allocation	16,638	27,108	(8,294)	18,814
	Gas internally consumed	1,105	1,493	168	1,661
	Depreciation	19,108	19,983	(947)	19,036
	Finance cost for Working capital	838	838	-	838
	Operating Cost of Upgradation of Bannu & Hangu	-	229	(229)	
	WPPF	640	640	-	640
	Total expenses "B"	**357,156**	**614,680**	(23,989)	**590,692**
"C"	**Operating profit / (loss)(A - B)**	**(100,921)**	**(155,707)**	17,669	**(138,038)**
	Return required on net assets:				
	Net assets at begining	114,293	114,293	-	114,293
	Net assets at ending	109,413	129,373	(23,238)	106,135
		223,706	*243,666*	(23,238)	*220,428*
	Average fixed net assets (I)	**111,853**	**121,833**	(11,619)	**110,214**
	Deferred credit at begining	20,155	20,155	-	20,155
	Deferred credit at ending	17,200	17,200	-	17,200
		37,355	**37,355**	-	**37,355**
	Average net deferred credit (II)	**18,678**	**18,678**	-	**18,678**
"D"	**Average operating assets (I-II)**	**93,176**	**103,155**	(11,619)	**91,536**
	Return required on net assets	20.60%	22.06%	(0.014)	20.64%
"E"	Amount of return required	19,194	22,756	(3,863)	18,893
"F"	Excess / (Shortfall) FY 2023-24 - gas operations (C-E)	**(120,115)**	**(178,463)**	21,532	**(156,931)**
"G"	Additional revenue requirement for LPG Air-Mix Projects		697	(106)	591
"H"	Excess /(Shortfall) FY 2023-24 without previous years shortfall (E-G)	**(120,115)**	**(179,160)**	21,638	**(157,522)**
	Average Inc/(Dec) in Prescribed Price FY 2023-24 (Rs. /MMBTU)	**415.11**	**506.35**	(61.15)	**445.19**
"I"	**Total Revenue requirement FY 2023-24 net off revenues**	**358,421**	**620,204**	(27,958)	**592,246**
	Average Prescribed Price (PP) FY 2023-24(Rs./MMBTU)	**1,238.68**	**1,752.83**	(79)	**1,673.82**

CERTIFIED TURE COPY

2. Category wise Provisional Prescribed Price for FY 2023-24

Rupees per MMBTU

		Description	Current Sale Prices	Average Prescribed Prices FY 2023-24
1		**Domestic consumers**		
	A	***STAND ALONE METERS***		
	B	***mosques, churches, temples, madrassas, other religious places and hostels attached thereto***		
		Protected:		
		Upto 0.25 hm3 per month	121.00	1,673.82
		Upto 0.50 hm3 per month	150.00	1,673.82
		Upto 0.60 hm3 per month	200.00	1,673.82
		Upto 0.90 hm3 per month	250.00	1,673.82
		Non-Protected:		
		Upto 0.25 hm3 per month	300.00	1,673.82
		Upto 0.6 hm3 per month	600.00	1,673.82
		Upto 1 hm3 per month	1,000.00	1,673.82
		Upto 1.5 hm3 per month	1,200.00	1,673.82
		Upto 2 hm3 per month	1,600.00	1,673.82
		Upto 3 hm3 per month	3,000.00	1,673.82
		Upto 4 hm3 per month	3,500.00	1,673.82
		above 4hm3 per month	4,000.00	1,673.82
		November 01, 2023.		
		**Protected Category to pay a fixed charge of Rs. 50/- (Less Meter Rent Rs. 40/-) w.e.f. 01.07.2023 and Rs. 400/- w.e.f. November 01, 2023.* ***Non-protected Category to pay fixed charge of Rs. 500/- (Less Meter Rent Rs. 40/-) w.e.f. 01.07.2023 and Rs. 1,000/- for consumption upto 1.5 hm3 and Rs. 2,000 for consumption above 1.5 hm3 w.e.f. November 01, 2023.*		
		[Protected Category: Includes a domestic consumer whose average consumption of last 4 winter months i.e., November to February shall be below or equal to 0.9 hm3. *Non-Protected Category: Includes a domestic consumer other than the one in protected category.]* *As per past practice, there will be one preceding slab benefit available to domestic consumer w.e.f. July 01, 2023 upto October 31, 2023.* *w.e.f. November 01, 2023, there shall be one preceding slab benefit available to domestic consumers except for consumers above 4hm3.*		
		Government and semi-Government offices, hospitals, Clinics, Maternity Homes, Government guest houses, Armed Forces messes and langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutionsalong with Hostels and Residential Colonies to whom Gas is supplied through bulk meters including captive power. *The tariff for captive gas use int his category will be charged as per captive power catergory.*		
		The tariff for captive gas use int his category will be charged as per captive power catergory i.e. Rs. 1,200 per MMBTU w.e.f. 01-07- 2023 & Rs. 2,500 per MMBTU w.e.f. 01-11- 2023.		
		All off-takes at flat rate of	2,000.00	1,673.82
2		***COMMERCIAL CONSUMERS*** *All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theaters, private offices, corporate homes/firms etc.*		
		All off-takes at flat rate of	3,900.00	1,673.82
3		**Special Commercial Consumer (Roti Tandoor)**		
		Upto 50 Cubic Meters Per Month	110.00	1,673.82
		Upto 100 Cubic Meters Per Month	110.00	1,673.82
		Upto 200 Cubic Meters Per Month	220.00	1,673.82
		Upto 300 Cubic Meters per Month	220.00	1,673.82
		Over 300 Cubic Meters per month	700.00	1,673.82
4		***Ice Factories***		
		All off-takes at flat rate of	3,900.00	1,673.82
5		***General Industrial consumers*** *All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.*		
		All off-takes at flat rate of	2,200.00	1,673.82
6		***Captive Power***		
		All off-takes at flat rate of	2,500.00	1,673.82
7		**Zero Rated Consumers (Industrial & Captive)**		
		General Industry: *All off-takes at flat rate of*	2,100.00	1,673.82
		Captive: *All off-takes at flat rate of*	2,400.00	1,673.82
8		**CNG Stations**		
		All off-takes at flat rate of	3,600.00	1,673.82
9		***Cement Factories***		
		All off-takes at flat rate of	4,400.00	1,673.82
10		***Fertilizer Factories***		
	(a)	***Engro Fertilizer Company limited***		
		Feed stock: *All off takes at flat rate of*	$0.70	1,673.82
		Gas used for Fuel for Electricity Generation, steam and housing colonies	1,580.00	1,673.82
11		***POWER STATIONS***		
	(a)	***WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Station, Nishatabad, Faisalabad***		
		All off takes at flat rate of	1,050.00	1,673.82
	(b)	***WAPDA's Natural Gas Turbine Station, Nishatabad, Faisalabad***		
		All off takes at flat rate of	1,050.00	1,673.82
		Fixed Charge (Rupee per month)	390,000	390,000
12		***Independent Power Projects***		
		All off-takes at flat rate of	1,050.00	1,673.82

CERTIFIED TURE COPY