

OGRA-6(2)-1(2)/2023-MFR

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED (SNGPL)

MOTION FOR REVIEW AGAINST AUTHORITY'S DETERMINATION OF FINAL
REVENUE REQUIREMENT FOR
FY 2021-22

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

DECISION

ON

FEBRUARY 22, 2024

BEFORE: -

MR. MASROOR KHAN, CHAIRMAN

MR. ZAIN-UL-ABIDEEN QURESHI, MEMBER (OIL)

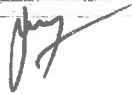
MR. MOHAMMAD NAEEM GHOURI, MEMBER (FINANCE)




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1. Background

- 1.1. Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan and is listed on Pakistan Stock Exchanges 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 for the activities of construction and operation of gas transmission and distribution pipelines and sale of natural gas. However, the petitioner's exclusive right to operate in the franchised areas had already ended on 30th June, 2010. The petitioner is also engaged in transportation and sale of RLNG.
- 1.2. The Authority, under Section 8(2) of the OGRA Ordinance, 2002 (the Ordinance) and rule 4(3) of the Natural Gas Tariff Rule 2002 (NGT Rules), had determined the total revenue requirement for FY 2021-22 (the said year) vide its order of Final Revenue Requirement (FRR) June 02, 2023 at Rs. 244,301 million, at an average Prescribed Price of Rs. 733.91/MMBTU.
- 1.3. Being aggrieved by this determination, the petitioner filed motion for review on July 01, 2023 under Section 13 of Ordinance read with Rule 16 of NGT Rules wherein it has filed review against various capital and revenue cost components. The petitioner has claimed average prescribed price at Rs. 749.77/MMBTU against the Authority's earlier determination of Rs. 733.91/MMBTU for the said year.

2. Authority's Jurisdiction and Determination Process

- 2.1. The petitioner has invoked the jurisdiction of the Authority under Section 13 of the Ordinance and Rule 16 of the NGT Rules. Section 13 provides the grounds on which a review petition can be filed, and is reproduced below: -

"13. Review of Authority decision.- The Authority may review, rescind, change, alter or vary any decision, or may rehear an application before deciding it in the event of a change in circumstances or the discovery of evidence which, in the opinion of the Authority, could not have reasonably been discovered at the time of the decision, or (in the case of a rehearing) at the time of the original hearing if consideration of the change in circumstances or of the new evidence would materially alter the decision."

- 2.2. It is clear from the above, that the issues brought forwarded/contended by the petitioner in the motion for review must necessarily be evaluated with reference to the provisions of afore-said Section 13 of the Ordinance and meet at least one of the two pre-conditions given therein referring to **change in circumstances** and **new evidence** for admission & decision of the motion. Further, the Authority may refuse leave for review if it considers that the review would not materially alter the decision under review.

3. Proceedings

- 3.1. The Authority issued notice of hearing on September 08, 2023 to the petitioner. Accordingly, hearing was held on September 14, 2023 at OGRA office, Islamabad. The petitioner led by Mr. Amir Tufail, Managing Director, made submission with the help of multi-media presentation and contended the merits of the case in detail as well.
- 3.2. The Authority heard the petitioner's submission. Accordingly, the discussion and decision in respect of issues contended by the petitioner during hearing as well as petition is made in the following manner:





4. Discussion & Decision of the Authority

i) Weighted Average Cost of Capital (WACC) – Effect of Super Tax

- 4.1. The petitioner has stated that in the determination the Authority although acknowledged the impact of recently levied super tax on the profitability of the company yet it has opined that since SSGC has not claimed such component, therefore, both the company should jointly take up the matter after seeking an advice from their tax consultant. *Keeping in view of the above, the petitioner has, however, submitted an independent legal opinion that in compliance with the direction. The petitioner has stated that as per opinion of the consultant, Super Tax is payable u/s 4C of the Ordinance on aggregate of various incomes and liability on account of super tax triggers when income exceeds the threshold of Rs. 150 million and is payable on varying rates depending upon the quantum of income. The petitioner has further stated that Honorable Lahore High Court has endorsed the imposition of super tax for tax year 2022. The consultant has expressed his opinion that the petitioner's jurisdiction presently lies in the province of Punjab, therefore, super tax is applicable to the company for tax year 2022.*
- 4.2. Further, the Authority notes that SSGCL, through seeking opinion from tax consultant, has formally requested OGRA to adjust super tax incorporation under WACC during the hearing of their petition in respect of FRR FY 2021-22. However, owing to loss incurred FY 2021-22; SSGCL is not obligated to pay such amount under this head.
- 4.3. However, in the case of SNGPL, the petitioner has requested to allow actual super tax payment made on account of super tax @ 4% to FBR; while providing supporting evidence of challan copies for the said year. The petitioner has accordingly informed OGRA that they made total payment of 408 million against super tax for the said year, segregated 44 million to RLNG business segment while Rs. 364 million against natural gas segment. *The Authority taking into consideration legal requirement of the petitioner, decides to allow Rs. 408 million as part of instant determination including Rs. 44 million relating to RLNG business segment for the said year.*

ii) Human Resource Cost

- 4.4. The petitioner has requested to allow additional HR cost amounting to Rs. 4,115 million, thereby claiming Rs. 22,546 million as against the determination in FRR for Rs. 18,431 million for the said year. The petitioner has reiterated that revision of HR Benchmark parameters was carried out without due process of meaningful consultation and parameters were reappropriated unilaterally by the Authority.
- 4.5. The petitioner has argued that allowance on account of CPI was in vogue from last 2 decades and it was considered implied promise by the regulator that CPI component will continue to be part of HR benchmark formula. The petitioner has stated that after excluding of CPI component, the allowed HR cost for the said year is even less than the costs allowed in FY 2020-21 (Rs. 18,457 million). The petitioner has further argued that CPI is the only component within the HR benchmark formula which provides some cushion for award of annual increment as other parameters are stagnant and practically contributing nothing. The petitioner has stated that Government has allowed a total of 50% Adhoc Relief Allowance/ Disparity Reduction Allowance whereas employees of the petitioner have not been allowed any relief. The petitioner has reiterated to the Authority to evolve a meaningful consultation, and previous HR benchmark may be continued.
- 4.6. The Authority notes that HR benchmark was introduced in FY 2005 with the intent to allow fair, reasonable and legitimate HR cost through evaluating measurable parameters realized over a period of one year i.e. increase in sales volume (MMCF), increase in pipeline network (Km), Number of consumers and CPI etc. Prior to revision of revised HR benchmark, OGRA held discussions with SSGC & the petitioner. Accordingly, a well-elaborated and detailed decision encompassing the

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Authority's observations was issued on July 13, 2020. Moreover, the petitioner's contention for lesser HR cost over FY 2020-21 is not supported by the actual HR cost allowed including CWIP.

- 4.7. The Authority however notes its earlier observation that the petitioner has utilized funds on account of HR cost mainly to the benefit of its senior management grades that has created significant disparity with lower grades executives and subordinates. This point is of serious concern for the Authority as irrational decisions of the petitioners' management have led to adverse impacts on the operations of the company in terms of new hiring besides inciting sense of deprivation and inequality in its lower grade employees. The Authority further notes with concern that petitioner is diverting the demands and concerns of its subordinate staff as well as lower grades executives, arisen owing to inefficient policies of petitioner in the past, towards the Authority thereby itself accepting its incompetence and weak management to address genuine concerns. Moreover, such unprofessional practice is totally uncalled-for. The Authority has always appreciated legitimate expectations as well as judicious utilization of allowed costs thereby maintaining an equilibrium among the entire workforce.
- 4.8. Notwithstanding above, the Authority while taking note of the earlier disparity created by the petitioner in respect of its lower grade employees that has rather impacted adversely in view of the rising inflation as well, decides to allow 25% CPI while keeping intact all other components. This additional amount be utilized on priority to cater for the genuine demands of subordinate staff and to remove the wider disparity among their pay scales. The Authority, however, directs the petitioner to review its policies keeping in view the compliance exhibited by sister utility which has successfully been able to discontinue and rationalize its various policies in the light of the Authority's earlier directions (reference Authority's decisions: unparalleled time scales of each grade per para 7.28 of DERR FY 2020-21 dated July 13, 2020, wider disparity between the pay scales of executives and subordinates 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 per para 8.1.2(vi-vii) of RERR FY 2020-21 dtd February 11, 2021). However, desired actions on part of the petitioner are still missing. 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.
- 4.9. *In view of the above, the Authority re-calculates the HR benchmark at Rs. 18,975 million including IAS-19 Rs. 521 million.*

iii) **Actuarial Losses/Gains Under IAS-19**

- 4.10. The petitioner has requested to allow actuarial losses/gains under IAS-19 considering the necessity of such cost in meeting the requirements of post-retirement benefits of the employees. The petitioner has stated that the Authority has consistently been allowing the same since inception. The petitioner requested that if the Authority considers that the same should be part of HR benchmark the same may also be considered subject to the condition that it should first be included in the base cost.
- 4.11. The Authority notes that the matter regarding allowance of actuarial gains/losses have reached finality through DERR 2021-22 that "IAS-19 cost be allowed as per actual" as an operating cost, and the same can be witnessed from HR computation for the said year. Besides above, the Authority had discontinued to allow adjustment on account of Actuarial losses/gains under IAS-19 as part of prescribed price; being a future liability which is adjusted/offset against OCI (other comprehensive income) in the financial statements. *In view of the same, the Authority maintains its earlier decision taken in FRR 2021-22.*



iv) **Legal & Professional Charges**

- 4.12. The petitioner has reiterated its request to allow Rs. 61 million amounts spent on account of arbitration in London Court of International Arbitration (LCIA), as the same was disallowed in DFRR 2021-22. The petitioner argued that at the time of negotiation of GSPAs with these power plants, the petitioner was not in favor of incorporation of international forum as a dispute resolution body, however, the management of these power plants in view of the intent of the Federal Government for privatization of the plants and attract foreign investors had insisted the inclusion of LCIA clause as a dispute resolution body. The petitioner has further highlighted that before approaching the LCIA under the dispute resolution provision of the GSPA, the matter was referred to the local expert who decided the case in favor of the petitioner. However, the GPPs did not agree to the decision of the local expert and the matter was referred to LCIA under relevant provisions of the GSPA. Since it was the other parties who approached the international forum therefore, the petitioner had no choice but to defend the case at the relevant forum. In view of the above explained facts and constraints, it is requested that the disallowed amount of Rs. 61 million under the heading of LCIA cost may kindly be allowed.
- 4.13. The Authority understands the contractual obligations of the petitioner and the FG's intent for privatization of the GPPs. Therefore, the petitioner's contention relating to arbitration expenses shall be dealt in totality including ToP as requested per para 5.6 upon the final verdict of the international courts. *Accordingly, Rs. 61 million relating to arbitration is pended for the said year.*
- 4.14. The petitioner has also requested to allow legal expense Rs. 203 million as against Rs. 145 million was allowed/fixed through FRR by the Authority for the said year. The petitioner highlighted that while allowing the budget of FY 2021-22 in RERR, the Authority has stated that any prudently incurred expense shall be considered at the time of FRR provided that the same are within the amount per ERR petition. The petitioner further stated that the amount of Rs. 145 million allowed against legal expenses is even far less than actual legal expenses of FY 2020-21 amounting to Rs. 182 million which was allowed by the Authority. The petitioner has stated that litigation against the company has significantly increased during the FY 2021-22 and total volume of litigation has increased by 16.07 %, due to supra mentioned reasons owing to which actual legal expenses incurred by the petitioner during FY 2021-22 has increased to Rs. 203 million from Rs. 182 million in comparison with last financial year. The petitioner requested that the amount disallowed under the head of legal cost may be allowed as the same is bare minimum cost which was incurred in carrying out the operations of the company.
- 4.15. The Authority notes that the petitioner has come up with the same generic justifications and observes with serious concern that the petitioner's resolve in restraining litigations cost is questionable. *As the petitioner has failed to offer any new justification, therefore, the Authority maintains its earlier decision taken in FRR for the said year.*

v) **Transmission and Distribution Expenses & Other Cost Components**

- 4.16. Regarding petitioner's contention to allow additional provision of Rs. 377 million under ECL besides Rs. 1,140 million allowed under provision for doubtful debts against their disconnected consumers, the Authority notes that in its determination of FRR FY 2021-22 the Authority has categorically stated that the matter of ECL has reached finality in light of previous years' determinations per FRR & MFRR for FY 2019-20. The Authority observes that no new justification provided on ECL provisioning; while the Authority has allowed provision for doubtful debts based on framework provided in DERR-FY 2016-17.
- 4.17. Besides above, the petitioner has requested to allow amount against sponsorship of chairs of universities and CSR activities viz; Rs. 12 million and Rs. 9 million respectively for the said year.



The Authority, after considering the justification advanced by the petitioner, notes that no new material argument or evidence has been provided in order to substantiate company's stance. Since the Authority had already considered these arguments while deciding FRR petition for the said year, therefore allowing such amount based on generic justifications hold no logic. In view of the above, the Authority decides to maintain these operating expenses at the level of FRR for the said year, the same is tabulated below:

(Rs. in million)

Sr #	Description	FY 2021-22			
		FRR	DFRR	MFRR	Allowed
1	HR Cost	22,546	18,431	22,546	18,976
2	Transport expenses	1,159	1,159	1,159	1,159
3	Legal and Professional services	321	201	321	201
4	Staff Recruiting expenses/ Staff Training & executives	42	35	35	35
5	Sponsorship of Chairs for Universities	12	-	12	-
6	Sport related expenditure	58	48	48	48
7	Corporate Social Responsibility	19	-	9	-
8	Provision for doubtful debts	1,154	1,140	1,140	1,140
10	Remaining T&D expenses	8,263	8,263	8,263	8,263
	Gross T&D Cost	33,574	29,277	33,533	29,822
11	Allocation to CWIP (Others)	(367)	(367)	(367)	(367)
	Net T&D Cost after CWIP	33,207	28,910	33,160	29,455
	Allocated to Indigenous	16,515	15,482		15,774
	Allocation to RLNG	16,692	13,428		13,681

4.18. Regarding petitioner's request for revision of UFG's disallowance calculation at National WACOG, the Authority notes that matter has reached finality through its various earlier determinations. *In view of the same, the Authority maintains its decision taken at FRR for the said year.*

4.19. *In view of above, the maintains T&D costs at Rs. 15,774 million allowed in FRR for the said year.*

vi) **UFG Benchmark – Performance as per KMIS**

4.20. The petitioner has submitted that the Authority has incorporated an allowance of 1.985% against "Local Conditions Component" of UFG Benchmark equivalent to assessed achievement of 76.33% against claimed achievement of 99.707% by the petitioner.

4.21. In this respect the petitioner has made following submissions relating to Authority's observations at the time of DFRR:

- i. The petitioner has submitted that improvement in the specifications of Domestic meters has already been intimated to Authority during FRR petitions in past years. Moreover, as regards corrective action with respect to the reduction in minimum billed cases, the petitioner has added that the Authority has already been apprised that such cases cannot be eliminated due to dependence on gas consumption pattern of the consumers.
- ii. The petitioner is cognizant of losses in high UFG areas of KPK that contribute to around 24 - 25% of the total volumetric loss of Company, for which efforts are being made for reduction and its sustainability.
- iii. The petitioner in respect of selection of small sample size has apprised that auditor selected sample against different KMIs at its own discretion and neither interference in selection of sample size of any KMI nor influence in the findings given in the Audit report was made. The petitioner also added that complete data was sent to Authority at the time of FRR and the Authority could have validated the data to its entire satisfaction.
- iv. In respect of court cases, the petitioner has highlighted that the cases have to be decided by competent Courts, however, the relevant officers have actively followed these cases to ensure their presence during proceedings of the cases. Therefore, any delay in decision of cases cannot be attributed to SNGPL.

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v. The petitioner has mentioned that different UFG contributing factors should not be discussed in isolation as they are dependent on each other and direct quantification of each factor is not possible.

4.22. Further, as regards observations of Authority regarding reporting of progress against different KMIs and ineffective implementation, the petitioner mentioned that progress achieved against different KMIs and the corresponding supporting data was furnished at time of FRR while also responding to the queries raised.

4.23. The Authority at the time of FRR analyzed the achievement against different KMI's based on the information provided by the petitioner viz-a-viz auditor comments while giving detailed observation in its decision. The Authority notes that petitioner has been advancing similar justification in its earlier petitions, in respect of achievement of 100 % claim relating to different KMIs.

4.24. The Authority reiterates that KMIs are to be executed to increase network visibility, carry out rehabilitation, curtail theft and improve recoveries where the overall objective is not only the reduction in company-wide average UFG but to specifically identify the problem areas. The petitioner should focus objectively on the root cause and undertake suitable actions to eradicate such issues for sustainable reduction in UFG rather than just achieving numerical numbers.

4.25. *In view of the above, since no new tangible justification/evidence has been provided by the petitioner for review, therefore, assessment made at the time of DFRR 2021-22 is fair and appropriate.*

vii) **Adjustment of WPPF**

4.26. The petitioner has stated that the Authority allowed provisional amount against WPPF expense for the said year Rs. 1,113 million under NG and RLNG segments, whereas the petitioner revised computation based on their final accounts and requested to adjust the same as under:

(Million Rs.)

Description	Indigenous	RLNG	Total
As per DFRR	828	285	1,113
As per Accounts	728	88	816
Adjustment Required	100	197	297

4.27. Keeping in view of the above, the Authority accepts the adjustments and revised WPPF amount under indigenous and RLNG segment accordingly.

viii) **Adjustment of Depreciation & Return on Assets (ROA)**

4.28. The petitioner has stated that the Authority through decision on FRR for the said year has disagreed with the company's stance regarding change in category of capitalization from Indigenous gas to RLNG and accordingly allowed the claimed amount under the head of indigenous gas as approved at the time of respective ERRs. Furthermore, while determining the capitalization against Advances for Land, adjustments Rs. 235 million have been allowed against commissioned assets only against claimed capitalization of Rs. 429 million. Summary of the same is as under:

(Million Rs.)

Description	As per DFRR			Revised			Difference		
	System	RLNG	Total	System	RLNG	Total	System	RLNG	Total
Depreciation	13,833	1,724	15,557	13,840	1,784	15,624	7	60	66
RoA (@ 16.60%)	20,757	6,321	27,078	20,706	6,315	27,021	(51)	(6)	(57)

4.29. The Authority accepts the adjustment in closing assets at Rs. 152,753 million & allows adjustment in depreciation and ROA as tabulated under:

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Description	As per DFRR			Revised		
	System	RLNG	Total	System	RLNG	Total
Depreciation	13,833	1,724	15,557	13,840	1,784	15,624
RoA (@ 16.60%)	20,757	6,321	27,078	20,706	6,315	27,021

5. **RLNG Cost of Service**

i) **RLNG cost of supply- system use gas (SUG) at SSGC network**

- 5.1. The petitioner stated that the Authority, through FRR for the said year, allowed SSGCL's GIC expense (i.e. at local system gas price of SSGCL) in connection with transportation of the petitioner's RLNG from port Qasim to Sawan delivery point. The petitioner argued that such treatment will result into lower recovery from the end consumer under RLNG price at one hand and creation of dispute between the parties on the other. The Authority at best could value the system gas volume at system gas price and RLNG volumes at RLNG price. The petitioner requested the Authority to review its decision regarding valuation of SUG/GIC in SSGC network at system gas price and calculate the same by using the respective prices of the gases used therein and also give detailed justifications and reasons for usage of such prices.
- 5.2. The Authority notes that GIC used by SSGC for transportation of the petitioner's RLNG was allowed based on the reconciled volumes provided by both the companies while GIC cost was allowed at indigenous cost. Therefore, additional documentary evidence was also sought from SSGCL. Accordingly, its sister utility had also confirmed the petitioner's claim at Rs. 10,900 million. *In the light thereof, the Authority has already allowed Rs. 3,938 million in FRR for the said year, hence Authority allows remaining balance of Rs. 6,962 million claimed on account of SSGCL GIC.*

ii) **RLNG cost of supply - Markup on Running Finance**

- 5.3. The petitioner has stated that the Authority acknowledged the fact that it has to borrow the funds in order to keep the RLNG supply chain functioning, however, did not allow markup on Running Finance in DFRR FY 2021-22 narrating that the same cannot be allowed retrospectively. The petitioner has submitted that the Authority on one hand is accounting for the LPS income as operating and crediting the same to the consumers through RLNG price while on the other hand it has disallowed the corresponding finance cost which the company has incurred in borrowing the same funds on which LPS Income has been accrued, due to delayed payment by RLNG consumed. The petitioner has requested to allow markup on running finance in the cost of supply of RLNG in line with the treatment of RLNG LPS income being treated as operating income.
- 5.4. The Authority agreed in principle, as a stopgap arrangement, to treat financial charges on short term borrowings as an operating expense considering liquidity crunch, being faced by SNGPL, for timely payment to LNG/RLNG suppliers. *However, the petitioner's contention of allowing Rs. 6,360 million of markup allowance of past years retrospectively does not merit consideration being time-barred transaction, while SNGPL operating under guaranteed return tariff regime.*

iii) **RLNG cost of supply - Take or Pay Income**

- 5.5. The petitioner stated that in the motion for review determination for FY 2019-20, the Authority while calculating the RLNG cost of supply has treated Take or Pay (TOP) income as other operating income thereby reducing the per unit cost of supply to be recovered from the RLNG consumers. The petitioner has further requested to reverse this credit adjustment of Rs. (24.50)/MMBTU in the cost of supply of FY 2019-20 on account of TOP income and LPS income in respect of RLNG consumers for prior years.
- 5.6. The Authority notes that the TOP income was offered separately under RLNG revenue requirement submitted by the petitioner. Keeping in view of the above, TOP income was recognized and treated

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as operating income under RLNG cost of supply after recognizing RLNG as a separate business activity. Moreover, the Authority in its determination of Motion for Review Final Revenue Requirement had observed that final settlement on take or pay is dependent on final verdict of Court, therefore impact of the same that shall be considered by the Authority purely on merits of the case and touchstone prudence.

- 5.7. Regarding the credit adjustment of Rs. 24.50/MMBTU in the RLNG cost of supply of FY 2019-20, the Authority notes that the same was computed by crediting both TOP and LPS incomes in FY 2018-19 based on actual throughput volume which resulted in decrease in RLNG cost of supply by 24.50/MMBTU. The same was incorporated in MFR 2019-20; which detailed working is provided hereunder:

Particulars	FRR	FRR based on Actual throughput
	2019-20	2018-19
Quantitative Data (MMBTU)		
RLNG Input	442,380	399,723
Retainage / gas used in FSRU	(1,548)	(1,533)
GIC	(2,954)	(3,465)
UFG	(12,669)	(10,763)
RLNG sold as System gas	-	(29,030)
Retained by SSGC	-	-
Net RLNG handled/Sold	425,209	354,932
Fixed Cost (Million Rs.):		
Amortization of Deferred Credit	(656)	(792)
Take or pay basis upto FY 2018-19	-	(9,726)
Late Payment Surcharge upto FY 2018-19	-	(3,179)
Depreciation	3,857	4,105
Return on Assets	7,623	8,269
Transportation charges payable to SSGC	8,319	7,274
Other operating costs including WPPF	1,010	782
Markup on RE	-	-
	20,154	6,733
GIC/Repair & maintenance & fuel & power	4,111	4,824
Variable Cost (Million Rs.):	4,111	4,824
Fixed Cost (Rs./MMBTU):	47.40	18.97
Variable Cost (Rs./MMBTU):	9.67	13.59
RLNG Cost of Service	24,265	11,557
RLNG Cost of Service (Rs./MMBTU)	57.07	32.56
Adjustment on account of FY 2018-19		24.50

- 5.8. The Authority observes that SSGC's FRR for the said year has been issued wherein RLNG Cost of Service has been computed at Rs. 9,726 million. Accordingly, the same is incorporated in petitioner's cost of service. Keeping in view of the above, the Authority in the light of the request of the petitioner and above discussions, allows readjustments in WPPF, Depreciation, ROA and T&D costs for the said year in para 4.27, 4.29 and 4.17 above, and reworked RLNG cost of service at Rs. 143.52/MMBTU as per table below on provisional basis subject to adjustment based on the volumes ascertained by the audit on this account, as per table below:




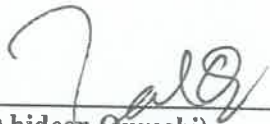
RLNG Cost of Service As Allowed

Description	The Petition	As allowed
Quantitative Data	BBTU	
RLNG Input (net off opening / closing stock in FSRU and pipelines)	393,485	393,485
Retainage / gas used in FSRU	(1,443)	(1,443)
GIC	(4,424)	(4,424)
UFG	(7,949)	(7,949)
RLNG sold as System gas	(43,253)	(43,253)
Retained by SSGC	(47,715)	(47,715)
Net RLNG handled/Sold	288,700	288,701
Cost Components:	<i>Million Rs.</i>	
Amortization of Deferred Credit	(383)	(383)
Late Payment Surcharge upto FY 2021-22	(10,714)	(7,534)
Depreciation	1,784	1,784
Return on Assets	6,520	6,315
Adjustment on account of super tax	-	44
Gas Internally Consumed (SNGPL)	7,459	7,459
GIC-SNGPL's RLNG used by SSGC for transportation of RLNG (Upto FY 2021-22)	10,901	10,901
Transportation charges payable to SSGC	8,566	9,726
Mark up on Running Finance for FY 2021-22 and previous years upto FY 2020-21	6,360	-
HR & Other operating costs	15,402	13,681
Take or Pay Income	4,421	-
WPPF & PWWF (including prior year Adjustments)	(307)	(307)
Total Cost of Supply for FY 2021-22	50,008	41,686
Cost of Supply for FY 2021-22 (Rs/MMBTU)	173.22	144.39
Prior Year Adjustmen per MFRR 2019-20	24.50	-
Aggregated Cost of Service (Rs./MMBTU)	197.72	144.39

6. Conclusion / Decision

- 6.1. In view of the foregoing, the motion for review against the Authority determinations of Final Revenue Requirement for said year is hereby disposed off. The petitioner's actual net operating income is Rs. 187,392 million against Total Revenue Requirement, net of revenues of Rs. 244,812 million and thus there is a shortfall of Rs. 70,098 million for the said year (Annex. A). The average prescribed price comes to Rs. 735.44/ MMBTU. Accordingly, petition for motion for Review of Final Revenue Requirement for the said year is disposed off.
- 6.2. *All other directions/decisions issued at DERR/RERR for the said year, unless specifically revised/amended, shall remain in full force and effect.*


(Mohammad Naeem Ghauri)
Member (Finance)


(Zain-ul-Abideen Qureshi)
Member (Oil)


(Masroor Khan)
Chairman

Islamabad: February 22, 2024


Senior Registrar
Oil & Gas Regulatory Authority
Islamabad



Motion for Review Final Revenue Requirement FY 2021-22

Annex-A

Particulars	FRR FY 2021-22	The petition	Rs. in million	
			Adjustment	As allowed
Gas sales volume -MMCF	343,303	343,303	-	343,303
BBTU	332,877	332,877	-	332,877
"A" Net Operating revenues				
Net sales at current prescribed price	174,714	174,714	-	174,714
Rental & service charges	4,116	4,116	-	4,116
Late Payment Surcharge and interest on arrears	4,795	4,795	-	4,795
Amortization of deferred credit	1,753	1,753	-	1,753
Transportation Income	818	818	-	818
Other Operating Income	1,196	1,196	-	1,196
Total income "A"	187,392	187,392	-	187,392
"B" Less Expenses				
Cost of gas sold	205,051	205,051	-	205,051
UFG adjustment	(2,498)	(2,092)	(406)	(2,498)
T& D cost, net of capital allocation	15,482	17,758	(1,984)	15,774
Gas internally consumed	824	824	-	824
Depreciation	13,833	13,840	-	13,840
Late Payment Surcharge (Payable)	387	387	-	387
Finance cost for working capital	789	789	-	789
Impact of IAS-19 - Recognition of Actuarial Gains/Losses	-	1,691	(1,691)	-
Effect of Adoption of IFRS 9 (Expected Credit Loss) FY 2020-2021 & 2021-22	-	377	(377)	-
Exchange Loss	1,705	1,705	-	1,705
Adjustment of Super Tax	-	-	364	364
WPPF & PWWF adjustment	648	548	-	548
Total expenses "B"	236,221	240,878	(4,094)	236,784
"C" Operating profit / (loss)(A - B)	(48,829)	(53,486)	4,094	(49,392)
Return required on net assets:				
Net assets at beginning	139,226	139,226	-	139,226
Net assets at ending	153,366	152,753	-	152,753
	292,592	291,979	-	291,979
Average fixed net assets (I)	146,296	145,990	-	145,990
Deferred credit at beginning	20,422	20,422	-	20,422
Deferred credit at ending	22,082	22,082	-	22,082
	42,504	42,504	-	42,504
Average net deferred credit (II)	21,252	21,252	-	21,252
"D" Average operating assets (I-II)	125,044	124,738	-	124,738
Return required on net assets	16.60%	17.14%	(0.54)	16.60%
"E" Amount of return required	20,757	21,380	(674)	20,706
"F" Excess / (Shortfall) FY 2021-22 - gas operations	(69,586)	(74,866)	4,768	(70,098)
"G" Average Inc/(Dec) in Prescribed Price FY 2021-22	(209.05)	(224.91)	14.32	(210.58)
"I" Total Revenue requirement FY 2021-22, net of revenues	244,301	249,580	(4,768)	244,812
Average Prescribed Price (Rs./MMBTU)	733.91	749.77	(14.32)	735.44

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