

آئل اینڈ گیس
ریگولیٹری اتھارٹی



Oil & Gas
Regulatory Authority

Case No. OGRA-6(2)-2(3)/2023-ERR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
DETERMINATION OF ESTIMATED REVENUE REQUIREMENT,
FY 2024-25

UNDER

SECTION 8 (1) OF THE OIL AND GAS REGULATORY
AUTHORITY ORDINANCE, 2002 AND
RULE 4 (2) OF NATURAL GAS TARIFF RULES, 2002

DECISION

ON

MAY 20, 2024

BEFORE:

MR. MASROOR KHAN, CHAIRMAN

MR. ZAINUL ABIDEEN QURESHI, MEMBER (OIL)

MR. MOHAMMAD NAEEM GHOURI, MEMBER (FINANCE)

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Plot No. 37 & 39, Mauve Area, G-10/4, Islamabad

پلاٹ نمبر 37 & 39، ماڈ ایریا، جی ٹین فور، اسلام آباد



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1. Background

- 1.1 Sui Southern Gas Company Limited (the petitioner) is a public limited company incorporated in Pakistan and is listed on Pakistan Stock Exchange Ltd. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by the Oil & Gas Regulatory Authority. It is engaged in the construction and operation of gas transmission and distribution pipelines and sale of natural gas.
- 1.2 The petitioner has filed a petition for Determination of its Estimated Revenue Requirement (DERR) for FY 2024-25 (the said year) on November 30, 2023, under Section 8(1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(2) of Natural Gas Tariff Rules, 2002 (NGT Rules). The petitioner then submitted an amended petition (the petition) on February 23, 2024, incorporating the impact of revised gas sale prices effective February 01, 2024. The petitioner has now requested the Authority to determine the total revenue requirement at Rs. 359,653 million, having a shortfall at Rs. 56,692 million including subsidy amounting to Rs. 3,134 million on account of Air-mix LPG projects. Accordingly, the petitioner has requested to increase the current prescribed price from Rs. 1,466.40/MMBTU to Rs. 1,740.80/MMBTU (Rs. 274.40/MMBTU) effective July 01, 2024.
- 1.3 Further, the petitioner has requested to allow the RLNG cost of service at Rs. 18,279 million (Rs. 39.56 per MMBTU) in respect of RLNG business for the said year. The petitioner has requested to recover it through monthly RLNG price from its RLNG consumers, being ring fenced in accordance with prevalent policy guidelines of Federal Government (FG/GoP).
- 1.4 The petitioner has submitted the following statement of cost of service:

Table 1: Projected Cost of Service per the petition

Particulars	FY 2024-25		
	Transmission	Distribution	The Petition
Projected sales volume (BBTU)	-	206,602	206,602
	<i>Rs. in Million</i>		
Cost of gas sold	-	270,980	270,980
UFG Adjustment	-	(14,652)	(14,652)
UFG Adjustment for Revenue Shortfall in Balochistan	-	20,929	20,929
Transmission and distribution cost	4,581	26,558	31,139
Gas internally consumed	618	106	724
Depreciation	968	8,992	9,960
Financial Charges on short term borrowing	2,590	9,910	12,500
Other charges including WPPF	281	4,024	4,305
Return on net average operating fixed assets	7,401	17,961	25,363
Other operating income	-	(4,729)	(4,729)
Subsidy for LPG Air-Mix Project	-	3,134	3,134
Total Revenue Requirement	16,439	343,213	359,653
Revenue at current prescribed prices	-	302,961	302,961
Shortfall	16,439	40,251	56,692
Average Prescribed Price for FY 2024-25 (Rs./MMBTU)			1,740.80
Current average prescribed price (Rs./MMBTU)			1,466.40
Increase requested in average prescribed price (Rs./MMBTU)			274.40

- 1.5 The Authority admitted the petition under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority.
- 1.6 A notice inviting interventions / comments on the petition from all stakeholders was published in daily local newspaper on March 5, 2024. The Authority received intervention requests from the following parties:
- All Pakistan Textile Processing Mills Association (APTPMA).
 - Karachi Chamber of Commerce and Industry (KCCI)
 - Korangi Association of Trade and Industry (KATI)
 - Pakistan LNG Ltd. (PLL)
 - All Pakistan CNG Association
 - Consumer Rights Commission of Pakistan (CRCP)
- 1.7 The Authority accepted the same for intervention. Accordingly, public hearings were held at Karachi and Quetta on March 18 & 20, 2024 respectively.



2. Salient Features of the Petition

2.1 The petitioner has made the following main submissions:

2.1.1 The petitioner has claimed market based annual return at the rate of 27.49% on net fixed assets in operation in pursuance of parameters provided in new tariff regime implemented effective FY 2018-19.

2.1.2 The petitioner has claimed addition in fixed assets of Rs. 76,118 million and depreciation of Rs. 10,152 million, resulting in claimed increase in net operating fixed assets from Rs. 68,119 million for FY 2023-24 to Rs. 134,085 million during the said year. The petitioner has further contended that, after adjustment of deferred credits, meter manufacturing plant and liquid handling facility for gas condensate in accordance with the principles set in new tariff regime and assets related to the LPG Air-Mix project, net average operating fixed assets eligible for return work out to Rs. 92,253 million and required return to Rs. 25,363 million at 27.49%.

2.2 The petitioner has projected operating revenues at Rs. 307,690 million, as detailed below, compared with previous years:

Table 2: Comparison of Projected Operating Revenues with Previous Years

Particulars						Rs. in million	
	FY 2021-22	FY 2022-23		FY 2023-24	FY 2024-25	Inc./ (Dec.) over RERR for FY 2023-24	
	FRR	RERR	Actual	RERR	The Petition	Rs.	%
Net sales at current prescribed prices	170,848	191,859	166,435	296,062	302,961	6,899	2
Late Payment Surcharge	1,953	1,061	2,205	1,070	1,074	4	0.35
Meter Manufacturing Profit	5	74	(61)	158	174	16	10
Sale of LPG/NGL and Condensate	3	(1)	5	37	9	(28)	(75)
Meter rentals	1,675	1,726	1,606	1,754	1,753	(0)	(0.02)
Amortization of deferred credits	632	584	679	688	551	(138)	(20)
Notional income on IAS 19 provision	547	766	1,432	1,065	-	(1,065)	(100)
Other income	1,372	1,167	1,380	1,167	1,167	-	-
Net Operating Revenues	177,036	197,236	173,680	302,001	307,690	5,688	2

2.3 The petitioner has projected operating expenses at Rs. 335,885 million, as detailed below, compared with previous years:

Table 3: Comparison of Projected Operating Expenses with Previous Years

Description						Rs. in million	
	FY 2021-22	FY 2022-23		FY 2023-24	FY 2024-25	Inc / (Dec) over RERR for FY 2023-24	
	FRR	RERR	Actual	RERR	The Petition	Rs.	%
Cost of gas	234,359	317,230	313,293	293,430	270,980	(22,450)	(8)
UFG Adjustment	(23,430)	(23,038)	(22,767)	(26,166)	(14,652)	11,514	(44)
Adjustment for Revenue Shortfall in Balochistan	-	-	-	-	20,929	20,929	100
Transmission and Distribution Costs	16,057	17,186	23,651	21,350	31,139	9,789	46
Gas Internally Consumed	511	922	908	820	724	(96)	(12)
Depreciation	1,779	7,511	6,080	7,639	9,960	2,321	30
Financial charges on short term borrowing	2,036	-	3,741	2,705	12,500	9,795	362
Re-Claimed Items	1,626	-	11,328	-	-	-	-
Exchange Gain/Loss	16,013	-	33,872	-	-	-	-
Other charges including WPPF	679	75	12,391	612	4,305	3,693	603
Net Operating Expenses	249,629	319,885	382,499	300,389	335,885	35,496	12

2.4 The petitioner has projected its weighted average input cost of gas for the said year at Rs. 1,036.76/MMCF. The cost of gas is linked with international prices of Crude and HSFO according to the Gas Pricing Agreements (GPAs) executed between the producers and GoP.

2.5 The petitioner has projected Unaccounted for Gas (UFG) at 12.10% for the said year. The petitioner has, however, requested to allow UFG adjustment at Rs. 14,652 million (i.e. 7.6% as per UFG benchmark) for the said year. Further, the petitioner has claimed to allow Rs. 20,929 million relating to UFG in Balochistan as revenue shortfall in the light of ECC/ Federal Cabinet decision dated 30.10.2023.

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- 2.6 The petitioner has claimed a subsidy amounting to Rs. 3,134 million on account of its Air-mix LPG Projects.
- 2.7 The shortfall in the projected revenue requirement after computing 27.49% return on average net operating fixed assets is estimated at Rs. 56,692 million, requiring an increase of Rs. 274.40 per MMBTU in the existing average prescribed price, as detailed below:

Table 4: Computation of Requested Average Increase in Prescribed Price

	Particulars	Rs. in million
		FY 2024-25
A	Net Operating Revenues	
	less: Net operating expenses excluding ROA	307,690
	Subsidy Air Mix LPG Project	335,885
B	Total Expenses	3,134
C	Surplus / (Shortfall)	339,019
D	Return required @ 27.49% on net fixed assets in operation	{(A) - (B)} (31,329)
E	Total surplus/ (shortfall) in revenue requirement (D - C)	25,363
F	Sale volume (BBTU)	(56,692)
G	Increase requested in existing average prescribed price Rs./MMBTU (E/F*1000)	206,602
		274.40

3. Proceedings

- 3.1 The following interveners/participants submitted their views, comments and suggestions.

Interveners / Participants (KARACHI):

- i) Mr. Malik Khuda Baksh, Chairman, CNG Owners Association
- ii) Mr. Yousaf Inam, Head of Sales & BD, PLL
- iii) Mr. Muhammad Abdullah Iqbal, Accounts Manager, Mokela Industries
- iv) Mr. Abdul Sami Khan, Chairman, Pakistan Petroleum Dealers Association (PPDA) and CNG Dealers Association
- v) Mr. Tariq Hassan, Member PPDA
- vi) Mr. Anwar Kamal, Member PPDA & CNG DA
- vii) Mr. Saeed Khan, Member PPDA & CNG DA
- viii) Mr. Tanveer Bari, Vice President KCCI
- ix) Mr. Ahmad Rasheed, LNG Proc (Head), PLL
- x) Mr. Muhammad Qasim, Ayaz, PLL
- xi) Mr. Imran Shahid, VP, Public Aid Committee, Jamat-e-Islami, Karachi
- xii) Mr. Saleem Parekh, APTMA
- xiii) Mr. Ahmad Azeem, Chairman Public Sector Utility, KCCI
- xiv) Mr. Rehan Javed, Consultant, KATI
- xv) Mr. Asim Riaz, Energy Advisor, APTMA
- xvi) Mr. Saleem Saleh, Secretary, APTMA
- xvii) Mr. Tariq Mansoor, Advocate
- xviii) Mr. Baleegh Hussain, Consumer

Interveners / Participants (QUETTA):

- i) Mr. Rahim Agha, President Anjuman e Tajran, Balochistan
- ii) Mr. Wali Afghan, General Secretary, Anjuman e Tajran, Balochistan
- iii) Mr. Khan Kakar, Dy Chairman, Anjuman e Tajran, Balochistan
- iv) Mr. Hazrat Ali, Dy Chairman, Anjuman e Tajran, Balochistan
- v) Mr. Zahoor Ahmad, Advocate
- vi) Mr. Hamza Arshad, QCCI
- vii) Mr. Abdul Rasheed, Consumer
- viii) Mr. Hikmat Ullah, Consumer
- ix) Mr. Aqib Chanzaib, Consumer





- x) Syed Ibad, Consumer
- xi) Mr. Abdul Rauf, Consumer
- xii) Mr. Jani Agha Darvesh, Consumer
- xiii) Mr. Khuda Baksh, Consumer
- xiv) Mr. Shabbir Ahmed, Consumer
- xv) Mr. Fahim Ahmed, Consumer
- xvi) Mr. Saif Ullah, Consumer
- xvii) Mr. Ghulam Sarwar, Consumer
- xviii) Mr. Sami Khan, Consumer
- xix) Mr. Mehboob Ali, Consumer
- xx) Syed Umar, Consumer
- xxi) Mr. Abdul Qayyum, Consumer
- xxii) Mr. Muhammad Baksh, Consumer
- xxiii) Mr. Muhammad Ramzan, Consumer
- xxiv) Mr. Sardar Imran, Consumer
- xxv) Mr. Rasheed Ahmed, Consumer
- xxvi) Mr. Asif Mehmood, Consumer
- xxvii) Mr. Mufti Zia Uddin, Consumer
- xxviii) Mr. Muhammad Ismail, Consumer
- xxix) Mr. Muhammad Munir, Consumer
- xxx) Mr. Noor Muhammad, Consumer

- 3.2 The petitioner's team was led by Mr. Imran Maniar, Managing Director and senior executives, who were given full opportunity to present the petition.
- 3.3 The petitioner made submissions in detail with the help of multimedia presentation explaining the major reasons for its claims including T&D expenses and fixed assets. The crux of the same is as under:
 - 3.3.1 The petitioner has explained that the petition has been filed in line with past practice, based on revised parameters and assumptions (i.e. latest international oil prices and exchange rate trend) and projected sales volume and purchases for calculating cost of gas.
 - 3.3.2 The petitioner has requested to allow ROR based on revised WACC at 27.49%, after incorporating the Super Tax at a rate of 10% for the said year, being their statutory obligation, falling under corporate tax.
 - 3.3.3 It was pointed out that company is suffering significant losses over past several years in Balochistan due to high UFG but is still carrying out the FG's socio-economic agenda for supply of gas. UFG issue regarding Balochistan region should be addressed separately by the Regulator in light of ECC's decision dated 30.10.2023 by the Federal Government.
 - 3.3.4 It has been requested to allow RLNG handling volumes since it is affecting the company's financial position. Moreover, the petitioner has also requested for revision in various T&D cost components owing to high inflationary impact.
 - 3.3.5 The petitioner has highlighted its achievements made during the last year for bringing improvement in the system as a going concern. It was informed that the company has segregated the industrial mains from other distribution networks for the better monitoring of UFG and reconciliation of gas supply and consumption.
 - 3.3.6 It was also highlighted that defective EVCs, Modems, and TBS (Town Border Station) have been replaced / installed.
- 3.4 The substantive points made by the interveners during the hearing are summarized below: -

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- 3.4.1 It was contested that revenue shortfall in Balochistan is a pre-mature expense and the same shall be borne by equity holders of the petitioner and the GOP, rather than the other province.
- 3.4.2 It was also requested to take up the matter of natural gas distribution with the FG to allocate Sindh its rightful share under Article 158 of the Constitution, so that the industrial and business activities in the province may flourish. The foreign exchange reserves of Pakistan are already declining and the shortage of gas has aggravated the situation.
- 3.4.3 It has been pointed out that Rs. 46 billion claimed on account of gas infrastructure is unjustified on the basis that gas reserves have been depleting over the past four years. Therefore, the expenditure is not in line with the gas supplies.
- 3.4.4 It was requested that Rs. 84 billion under the head of efficiency improvements should not be allowed until the company brings in solid improvements in its overall operations.
- 3.4.5 The cross subsidies by the FG have been vehemently criticized. The loss-making domestic sector is being prioritized at the expense of the more efficient profit-making sectors.
- 3.4.6 It was highlighted that the gas sales prices for the export oriented captive power category have been increased by 150% in the past 4 months, which has made it impossible for the industry to carry on its operations efficiently.
- 3.4.7 It was also highlighted that export sector has been suffering while the E&P companies have been reporting an increase in EPS of 35-50%.
- 3.4.8 APTMA suggested that gas allocation to Export Oriented sector (zero-rated) may be prioritized and price be fixed at Rs. 780/MMBTU. Wellhead gas prices needs to be rationalized by lowering to \$2.7/MMBTU, being the maximum in the competitive industries of neighbouring countries.
- 3.4.9 It was argued that the gas sales prices for the power sector have remained the same and the industries are forced to pay the differential in the prices.
- 3.4.10 It was highlighted that gas theft has become a major issue but appropriate actions are not being taken by the petitioner. Moreover, gas is not available for consumption but gas meters are still working, showing faulty readings.
- 3.4.11 It was further brought to the attention that swapping arrangement between the petitioner and SNGPL is still in practice and the petitioner is forced to swap gas/ consume RLNG in its system. Resultantly, SNGPL's loss is being imposed on the petitioner, which is not acceptable by any mean.
- 3.4.12 It was pointed out that as a result of cost of gas equalization agreement between the petitioner and SNGPL, the consumers living in the provinces of Sindh and Balochistan will be forced to pay the price for consumers of Punjab and KP. This would again lead to additional burden on the SSGC's consumers, particularly the industrial consumers.
- 3.4.13 It was also highlighted that inadequate coordination between regulatory bodies i.e. OGRA & NEPRA, results in incoherent decision making and policy implementation. Electric power prices are being increased without the knowledge of fuel prices. This undermines regulatory efficacy and exacerbates the existing challenges in the energy sector.
- 3.4.14 It was also pointed out that allowance for UFG is only justified when the Key Monitoring Indicators have been complied with by the petitioner. However, the petitioner has been reporting significant losses above the UFG benchmark, thereby, rising questions on the ability of the petitioner.
- 3.4.15 It was argued that 27.49% return on average fixed assets demanded by the petitioner is not justified as the National Savings yield interest of around 20% only.

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- 3.4.16 It was also highlighted that high tariffs and intermittent supplies lead to a situation where owners of CNG Stations are thinking about switching to other businesses.
- 3.4.17 It was argued that the petitioner should be focusing towards other renewable sources of energy such as solar, biomass, etc. to cater the increasing energy needs.
- 3.4.18 It was pointed out that despite paying the hefty amount of gas bills, general consumers are getting gas with minimum pressure in the vicinity of Quetta.
- 3.4.19 It was demanded that upper ceiling of protected category of consumers may be enhanced upto 5 hm³, in view of the intensity of winter season and poverty level of population in Baluchistan.
- 3.4.20 It was also demanded that the hotel association in Quetta has not paid the gas bill for the last four months as a protest due to excessive hike in natural gas prices. The industrial sector in other provinces utilizes the gas produced by the Baluchistan province but no subsidy is being offered to consumers of Baluchistan.
- 3.4.21 It was argued that various charges have been imposed on consumers in the name of fixed charges, late payment surcharge and meter rentals. These charges should be abolished to ease the general public of Balochistan living below the poverty level.
- 3.4.22 It was argued that the consumers are not treated in a fair manner by the petitioner and billing issues are not resolved timely.

4. Authority's Jurisdiction and Determination Process

- 4.1 The Authority is obligated to determine the revenue requirement/prescribed prices of the petitioner in accordance with Section 8(1) and Section 8(2) of the Ordinance and License Condition No. 5.2 of its integrated license. The Authority, as per the existing framework and tariff regime in place, determines the revenue requirement of the petitioner, providing applicable return on net operating assets, while including various income and expenditure heads as part of prescribed price.
- 4.2 The operating revenues, operating expenses and changes in assets base are scrutinized in depth. Public hearing notices are issued to receive the valuable input of all the stakeholders. This ensures that all the statutory requirements are firmly complied with before issuing any decision. The Authority in this whole process, very strictly, allows the public service utilities to prosper in an efficient manner.
- 4.3 The Authority, since its inception, had issued all of its determinations after going through the due process while balancing the interest of all stakeholders, including general public, gas utilities, industrial consumers & etc. The checks and balances implemented by the Authority to improve the quality of service to consumers and bring efficiency in the overall management of the company have proved to be beneficial for the whole nation in measurable terms.
- 4.4 Section 8(3) of the Ordinance empowers the Federal Government to fix the consumer sale prices so as to ensure that revenue requirement determined by OGRA is fully met and advises OGRA the revision in gas sale prices and minimum charges in respect of natural gas retail consumers.
- 4.5 The Authority reiterates that all categories of consumers must at least pay the average prescribed 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. This shall provide a level playing field for all concerned and avoid the situation of revenue shortfall.



- 4.6 Besides above, the petitioner has reworked its Weighted Average Cost of Capital (WACC) at 27.49% based on revised data taken in respect of Pakistan Investment Bond (PIB), Pakistan Stock Exchange (PSX) and Karachi Interbank Offer Rate (KIBOR) upto December 2023 and has, accordingly, requested OGRA to allow this return on its net operating fixed assets.
- 4.7 The Authority notes that the petitioner has calculated Weighted Average Cost of Capital (WACC) at 27.49% after incorporating the 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.
- 4.8 The Authority notes that the super tax is imposed on profitable companies, whereas the petitioner is facing loss over the past few years. Therefore, impact of super tax is excluded from the WACC calculation for the said year. Accordingly, the same shall be evaluated at the time of FRR for the said year, based on the final payments made by the petitioner to the tax authorities.
- 4.9 *In the light of thereof, the Authority, as per the existing legal framework and tariff regime in place, resets the WACC at 25.92% on net operating assets for the year, based on the actual data upto December 2023, as per table below:*

Particulars	Formula	Revised working
Risk Free Rate: Rf (Last 10 year Average of 20 year's PIB)	A	12.26
Market Return (15 year average PSX-KSE 100 index)	B	19.69
Market Risk Premium	C=B-A	7.43
Market Risk Premium (Capped 11%, Floor 7%)	D	7.43
Beta Equity-Distribution	E	1.30
Cost of Equity (Re)	Re=Rf + beta x MRP	21.92
6 monthly Avg of last 12 months Kibor	F	21.80
Cost of Debt	Rd=F+2%	23.80
Tax rate (t)		0.29
WACC Pre Tax	{Re/(1-t) x 30%} + {Rd x 70%}	25.92

Note:

i) Last 10 year Average of 20 year's PIB: Data Available from 01.01.2014 to 31.12.2023.
 ii) 15 year average PSX-KSE 100 index: From FY 2009-10 to FY 2022-23 (Jul-23 to Dec-23)
 iii) 6 Monthly average of Kibor for the months of Jan-23 to Dec-23

5. Operating Fixed Assets

i. Summary of Additions during the year

5.1 Comparative analysis of projected additions in fixed assets with the previous years is as follows:

Table 5: Summarized Schedule of Projected Additions Compared with last FRR

Particulars	FY 2021-22 (FRR)		The Petition FY 2024-25 (ERR)				Total
	Indigenous Gas	RLNG	Transmission		Distribution & Sale		
			Indigenous Gas	RLNG	Indigenous Gas	RLNG	
1 Gas transmission pipeline	407	51	20,331	1,133			21,464
2 Compressors	1,261	314	4,192	5,866			10,058
3 Gas distribution system, related facilities and equipments	5,582	583			45,161	953	46,114
Other Assets							
4 Buildings	30		126		122		248
5 Plant and machinery	192		750		771		1,521
6 Furniture, equipments including computers and allied equipments	228		150		591		741
7 Computer software (Intangible) IT Deptt.	176		19		47		66
8 LPG Air Mix Projects	4				66		66
9 Telecommunication system	1		28		105		133
10 Appliances, loose tools and equipment	47		107	5	867		979
11 Vehicles	159		892	11	1,786		2,689
Assets related to Gas Activities	8,087	948	26,595	7,015	49,516	953	84,079

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ii. Gas Transmission Pipelines

- 5.2 The petitioner has projected an amount of Rs. 21,464 million for the transmission pipeline projects. The summary of projected pipelines projects for indigenous gas and RLNG related transmission network during the said year is as under:

Table 6: Requested Additions to Transmission Pipeline Network

Sr. No.	Description	Rs in Million	
		The Petition	
		Indigenous	RLNG
1	30" Dia x 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland (Kotri to Karachi)	16,969	
2	Re-routing of 24" and 12" Quetta pipelines from BiBi Nani Bridge (New)	3,104	
3	Supply of Gas to Karachi West Region (24" Dia x 31 KMs) - Leftover	155	
4	8" Dia x 102 KM pipeline from Jhal Maggi field - Leftover	103	
	RLNG Projects		
5	42" dia x 342 Km pipeline from Pakland to Nara (Leftover)		1,133
	Sub-total	20,331	1,133
	Total(Indigenous + RLNG)	21,464	

30" dia. x 125 Km pipeline from SMS Sindh University to SMS Pakland:

- 5.3 The petitioner has projected an amount of Rs. 16,969 million against the subject project.
- 5.4 The petitioner has stated that the subject pipeline project has been divided into four phases. The Phase-1 i.e. 30" dia. X 32-Km gas transmission pipeline from Baran to Jhampir (RS-4) has been commissioned on June 30, 2023. Phase-2, Phase-3 and Phase-4 are now planned to be completed in FY 2024-25 with capitalization amount of PKR 16,969 million. Whereas, procurement of line pipe with other allied material will also be initiated in FY 2024-25. As per the petitioner the change/revision in project cost is due to several factors such as current increase in the SBP's policy rate, inflation rate and variation in foreign exchange rates.
- 5.5 The Authority notes that in order to mitigate the system capacity & bottleneck of Indus Left Bank Pipeline (ILBP), surpassing of the design life of existing transmission pipeline (laid in 1955), to makeup the deficiency in pipeline capacity in ILBP transmission system and RLNG withheld issues in SSGC system due to capacity constraints, the instant transmission pipeline was projected by SSGC and the Authority has been allowing the said project since FY 2017-18. With respect to delaying of the instant project, the petitioner earlier had attributed it to the acquiring of Land/ROW issues.
- 5.6 *As the project is already in process and one No. of segment out of four segments has already been commissioned, therefore, the petitioner may continue with the on-going activities against the instant project and hence the Authority approves the subject project in principle in the said financial year i.e., 2024-25, subject to actualization at FRR stage.*

Re-routing of 24" and 12" Quetta pipelines from BiBi Nani Bridge (New)

- 5.7 The petitioner has projected an amount of Rs. 3,104 million against the subject project.
- 5.8 The petitioner has stated that re-routing of instant transmission pipelines is needed since these pipeline segments are laid along the river bed of Bolan River nearby the Pinjra bridge at the river crossing at Bibi Nani Bridge location. Due to narrow passage for floodwater at these locations; the flood condition develops huge external force on the pipelines, which may cause damage to the pipeline segments. In the recent flood of 2022 both pipelines near Bibi Nani bridge were ruptured. Subsequently, gas supply to Quetta, Mastung, Kalat, Pishin and other areas was suspended. The petitioner has further added that due to change in intensity and frequency of monsoon/global climatic conditions a long-term re-routing of about 15.5 Kilometer of 12" dia pipeline along with existing 18" flow line, bypassing the river bed at

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downstream of Pinjra Bridge and Horizontal Directional Drilling (HDD) of both 12" dia & 24" dia. pipelines segments has been planned to be executed in FY 2024-25 with an estimated cost of Rs. 3,104 million.

- 5.9 The Authority notes that in DERR FY 2023-24 it had already allowed an amount of Rs.563 million against the instant project. ***Keeping in view of the operational requirement of the said project of rerouting of the two transmission pipelines in the locality to ensure safety and smooth operations, the subject project is hereby allowed in principle in the said year with the directions to complete the same at the earliest.***

Supply of Gas to Karachi West Region (24" Dia x 31 KMs)

- 5.10 The petitioner has projected an amount of Rs. 155 million for leftover activities against the subject project.
- 5.11 The petitioner has stated that keeping in view the increasing demand of natural gas in Karachi city, it has planned to develop 24" dia. transmission pipeline infrastructure encompassing about 31Km for Karachi West Region in order to provide uninterrupted gas / RLNG supplies to the Western region of Karachi. The existing infrastructure is not sufficient to fulfil current as well as future load demands in the west region of Karachi distribution. The petitioner has informed that earlier line-pipe tender enquiry's bid validity period was expired, necessitating the cancellation of the tender. A new tender for line pipe was initiated, and the technical and commercial evaluation has been completed. Other allied material i.e. assorted valves, fittings, filtration equipment, pigging equipment, metering etc. are already under procurement process. The subject transmission pipeline project is planned to be commissioned in FY 2023-24, whereas, PKR 155 million has been proposed for land acquisition and leftover civil job in FY 2024-25.
- 5.12 The Authority notes that keeping in view of the operational requirement of the project to meet the gas demand in the Karachi distribution network, it has already allowed the subject project in principle at DERR FY 2023-24 stage, ***therefore, the Authority allows an amount of Rs.155 million for the leftover activities for the said project, subject to its actualization at FRR.***

8" Dia x 102 KM pipeline from Jhal Magsi field - Leftover

- 5.13 The petitioner has projected an amount of Rs. 103 million for the leftover activities against the titled project.
- 5.14 The petitioner has stated that the company's Board of Directors (BOD) had approved the subject project in February 2011, in order to receive indigenous gas from Jhal Magsi field. However, the petitioner could not execute the said project owing to law-and-order situation and the issues related to gas projection profiles and sharing of volumes between SSGC and SNGPL. The petitioner requested OGRA for immediate relief under Rule 5(7) of Natural Gas Tariff Rules, 2002 for the subject project, enclosing therewith MoE letter No. NG(II)-2(49)/22 dated September 15, 2022. Accordingly, OGRA, through letter No. OGRA-6(2)-2(5)/ 2022 dated November 02, 2022 allowed the project in principle, under the ibid Rule. Later, the project was also allowed in the DRERR FY 2022-23. Procurement of most of the material i.e. assorted valves, filter separators, vertical scrubbers, pigging equipment etc. is under process and near to completion. Further, purchase order for line pipe has also been placed on 04 August, 2023; whereas pipeline construction job would be initiated subject to security clearance and coverage provided by law enforcement agency to the asset and resources deployed during the project execution phase. The petitioner has further stated that the subject transmission pipeline project has been planned to be commissioned in FY 2023-24, Furthermore, PKR 103 million has been proposed against leftover work in FY 2024-25.
- 5.15 ***The Authority notes that keeping in view of the priority of injection of indigenous gas in the national grid, it has allowed the said project in its earlier determinations, and***

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therefore, the Authority hereby allows an amount of Rs.103 million for the leftover activities against the subject project for the said year, subject to actualization at FRR stage, as per the FG's directions specifically conveyed vide OGRA letter dated November 02, 2022 to complete the project within given timelines.

42" dia. × 342 Km pipeline from Pakland to Nara (Leftover) (RLNG)

- 5.16 The petitioner has projected an amount of Rs. 1,133 million for the leftover activities against the subject project.
- 5.17 The petitioner has stated that 42" dia. × 342 Km RLNG-II pipeline has been completed and now this pipeline is in full operation. Rs. 1,049 million was proposed in FY 2023-24 against pending payments for land acquisition based on the land survey in the year 2016 of ROW which has been carried forward and Rs. 1,133 million is expected in FY 2024-25 on account of land payment. The matter is sub-judice in Sindh High Court, Hyderabad Bench and after its judgement, the re-assessment land survey will be carried out.
- 5.18 The Authority notes that Pipeline Infrastructure Development Plan (PIDP) was already allowed vide letter OGRA-9(356)/2014-LNG dated 15.05.2015 and the amount of Rs. 1,133 million envisaged for the said year is a leftover work of already commissioned Phase-II of the RLNG Project. *Keeping in view of above, the leftover activity is hereby allowed in principle, subject to actualization at FRR stage.*
- 5.19 *The summary of the amount allowed by the Authority under Transmission Pipeline Network is as follows:*

Table 7: Additions in Transmission Pipeline Network

Sr. No.	Description	Rs in Million			
		The Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	30" Dia × 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland (Kotri to Karachi)	16,969		In Principle	
2	Re-routing of 24" and 12" Quetta pipelines from Bibi Nani Bridge (New)	3,104		In Principle	
3	Supply of Gas to Karachi West Region (24" Dia x 31 KMs)	155		155	
4	8" Dia × 102 KM pipeline from Jhal Magsi field	103		103	
	RLNG Projects				
5	42" dia × 342 Km pipeline from Pakland to Nara (Leftover)		1,133		In Principle
	Sub-total	20,331	1,133	258	
	Total (Indigenous + RLNG)	21,464		258	

iii. Compressors

- 5.20 The petitioner has projected Rs. 10,058 million under this head for the said year, the detail of which is as under:

Table 8: Requested Additions to Compressors

Sr. No.	Description	Rs in Million	
		The Petition	
		Indigenous	RLNG
1	01 New Compressor Unit at Sibbi	4,126	
2	Overhaul of DR-900 Turbo Compressor Model 2508 B including FSR installation charges at Shikarpur compressor station.	66	
	RLNG related Compressor Stations		
3	Additional 01 Unit of compressor at HQ-2 Nawabshsh for RLNG		4,964
4	Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges at Solar unit A HQ-2 Daur		500
5	Compressor HQ 2 Daur Nawabshah (Leftover)		378
6	Overhaul of Guascor Gas Generator FGLD 240 installed at HQ-2 Nawabshah		5
7	Overhaul of Guascor Gas Generator FGLD 240 installed at HQ-3 Hyderabad		5
8	Overhaul of Generac Gas Generator PG 198 installed at Shikarpur		3
9	Overhaul of parallel axis gear box of DR 990 Gas Turbine		5
10	HQ-2 Nawabshsh Solar Station Control Panel Battery Bank 24 V-DC (10 Cell)		6
	Sub-Total	4,192	5,866
	Total Compressors (Indigenous + RLNG)	10,058	

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01 New Compressor Unit at Sibbi:

- 5.21 The petitioner has projected an amount of Rs. 4,126 million against the subject project.
- 5.22 The petitioner has stated that for keeping the sustainability in gas supply and in view of the increasing demand of Quetta city and en-routed areas of Baluchistan, installation of 01 new compressor unit having 200 MMSCFD flow capacity was already proposed in its earlier ERRs. The petitioner has further stated that its Board of Directors has approved the Sibi Compressor Project in line with Engineering Consultant's recommendations, which comprises Refurbishment / Revamping of 02 nos. existing compressor units from 60 MMCFD to 120 MMCFD each and installation of 01 no. new unit of 120 MMCFD. The petitioner has further affirmed that the subject project is expected to be commissioned by June, 2024.
- 5.23 The Authority notes that in compliance with the directions of the Honorable High Court of Baluchistan and considering the hardships being faced by the general public due to low pressure of gas in extreme cold weather, the Authority approved Quetta Pipeline Capacity Enhancement Projects in its earlier determinations. Also, the Authority has already allowed an upfront amount of Rs.1700 million (50%) for the installation of new compressor unit project at Sibbi at DRERR FY 2023-24 stage.

Overhaul of DR-900 Turbo Compressor Model 2508 B including M/s Siemens FSR installation charges at Shikarpur compressor station

- 5.24 The petitioner has projected an amount of Rs. 66 million against the subject project.
- 5.25 The petitioner has stated that DR-900 Turbo Compressor Model 2508B is installed at Unit B Shikarpur Compressor Station and has clocked about 50,000 Hrs. The Compressor is to be overhauled at Shikarpur Compressor station site under the supervision of M/s Siemens.

RLNG Projects

Additional 01 Unit of Compressor at HQ-2 Nawabshah for RLNG

- 5.26 The petitioner has projected an amount of Rs. 4,964 million for additional 01 unit of compressor at HQ-2, Nawabshah.
- 5.27 The Petitioner has stated that it has developed an infrastructure of 42" dia x 371 KM Gas Transmission Pipeline from Port Qasim to Sawan in order to transport 1200 MMSCFD imported RLNG to SNGPL. As part of this infrastructure, 06 Nos. Gas Turbo Compressor Units (200 MMSCFD capacity each) were installed in 2016-17 at HQ-2, Nawabshah to deliver gas to Sawan at requisite pressure. The petitioner has further stated that besides these 06 Nos. Gas Turbo Compressor units, 02 nos. old Gas Turbo Compressor units with capacity of 120 MMSCFD each were relocated from HQ-Dadu and designated as stand-by units at HQ-2. The stand-by compressor units cover for 20% of total Station Design Flow. The petitioner's Transmission Department is of the view that the stand-by philosophy should be revisited and provision be made for stand-by units to cover for 40% of Station Flow.

Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges at HQ-2

- 5.28 The petitioner has projected an amount of Rs. 500 million for the subject project.
- 5.29 The petitioner has stated that Solar T-60 Gas Turbine Compressor Unit A Engine S/No. 2349T is installed at HQ-2 Daur Compressor station and has logged approx. 24,000 operating Hours. As per operating Hrs history Turbine Engine will be near to the recommended OEM 30K Hrs in FY 2024-25, therefore, turbine engine is proposed for an overhaul. After overhauling, turbine engine is expected to become fit for further operational life cycle and to keep the un-interrupted transport of gas flow to the SNGPL.

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Compressor at HQ-2 Daur, Nawabshah [leftover]

- 5.30 The petitioner has claimed an amount of Rs. 378 million against leftover activities for the subject project.
- 5.31 The petitioner has stated that payment against acquisition of 41-acre land has been released in FY 2022-23. Moreover, letter to proceed was issued to the contractor effective from May 22, 2023 for construction of transit mess. Rs. 201 million is expected in FY 2023-24 against construction of boundary wall around 41 acres newly acquired land and transit mess whereas installation of pressure regulation system at up-stream of compressor and leftover civil works of boundary wall and transit mess is expected to complete in FY 2024-25. with an estimated amount of PKR 378 million.

Other Projects (Sr. 06 to Sr. 10)

- 5.32 The petitioner has claimed a sum of amount of Rs. 24 million for the operational and maintenance requirements against the compressor stations installed at various locations.
- 5.33 *The Authority, keeping in view the justification provided by the petitioner and operational requirement, in principle allows the above compressor projects subject to actualization at FRR stage. However, the Authority does not allow any upfront amount at this stage and any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.*

iv. Gas Distribution System

- 5.34 The petitioner has projected an amount of Rs. 46,114 million for gas distribution system and related facilities & equipment.

Table 9: Requested Additions to Distribution Network

Sr. No.	Description	Rs. Million	
		The Petition	
		Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program		
2	Replacement /Repair of Undersized Meters	23,199	
3	Construction of TBS, PRS	4,855	
4	Others - CP Stations / Turbo Corrector with Solar Panel /EVC/Remote Monitoring Units/Meter Transportation / Insurance in Transit etc	86	
	Sub Total: UFG Control Program (A)	1,575	
5	Laying of Distribution Mains including services- Existing Areas	29,715	
6	Installation of New Connections (meters)	6,150	
7	New Towns	334	953
8	TBS Automation & Control - Automatic Pressure Management System (APMS) - Nos.100 TBSs	1,402	
	Sub Total: Normal (B)	1,000	953
9	Lyari old city area Karachi	8,886	
10	16" Dia x 10 KMs Pipeline from SMS KT to TBS Maymar CNG,	4,083	
11	Shahdad Kot city, District Qambar	595	
12	Thull city phase II Jacobabad	593	
13	Sakrand city, District Shaheed Benazirabad	144	
14	16" Dia x 9 KMs & 12" Dia x 2 KMs Distribution Project - Hub City	414	
	Sub-Total: Major Distribution Projects(C)	731	
	Sub-Total Gas Distribution System(A+B+C)	6,560	
	Total Gas Distribution System (Indigenous + RLNG)	45,161	953
		46,114	

Rehabilitation of Mains and Services-UFG Control Program

- 5.35 The petitioner has projected an amount of Rs 23,199 million for Rehabilitation Mains & Services for the said year. The above amount has been projected for Rehabilitation of 2,862 Km mains & services. The petitioner has planned to rehabilitate main & services of 2,177 Kms in Karachi, 512 Kms in interior Sindh and 173 Kms in Balochistan region. The petitioner has stated that majority of the network identified for rehabilitation is quite old and found to be prone to leakages. The petitioner has further stated that successful completion of rehabilitation works is expected to result in substantial UFG reduction and would also enable SSGC to operate the network at optimum pressures and solve the low-pressure complaints.

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- 5.36 The Authority notes that the petitioner has envisaged an enormous rehabilitation estimates for the said year, however, it could only rehabilitate 464 Kms, 260 Kms and 151 Kms in FY 2021-22, FY 2020-21 and FY 2019-20, respectively. Therefore, keeping in view the petitioner capabilities / capacity in the subject activity, ***the Authority based on last actualization i.e., FY 2021-22, hereby allows an upfront amount of Rs.2,188 million against the subject head for the said year, however, expense over and above the allowed amount shall be considered at FRR stage, subject to appropriate justifications.***

Replacement/ Repair of Undersized Meters

- 5.37 The petitioner has projected Rs. 4,855 million for replacement of 231,662 Nos. gas meters in Karachi, interior Sindh and Balochistan regions for the said year. The petitioner has planned to replace 3,030 industrial, 1,832 commercial and 226,800 domestic meters.
- 5.38 The Authority notes that the petitioner has planned to replace an exaggerated 50% of the total Industrial meters in the said year, at the cost of Rs. 2,288 million.
- 5.39 ***In view of above, the Authority allows an amount of Rs.1,831 million, based on the actual expenditure incurred during FY 2021-22, against this subhead in the said year, with the advice to comply with the OGRA's notified standards and also with the Authority's earlier direction regarding the utilization of removed meters given in DERR FY 2023-24 in para 5.75.***

Construction of TBSs, TRSs

- 5.40 The petitioner has projected an amount of Rs. 86 million for the Construction/Modification of TBS and PR stations.
- 5.41 ***Keeping in view the operational requirement, the Authority allows an upfront amount of Rs.86 million against this head during the said year subject to capitalization at FRR stage.***

CP Stations / Turbo Corrector with Solar Panel /EVC/Remote Monitoring Units/Meter Transportation / Insurance in Transit etc.

- 5.42 The petitioner has projected an amount of Rs. 1,575 million against the subject head. The projected items include installation/modification of CP stations (Rs.252 million), Standard EVCs (Rs. 832 million), Remote Monitoring Units (Rs. 34 million) and Turbo Correctors (Rs. 90 million). The petitioner has also envisaged an amount of Rs.363 million for transportation of pipes and Rs. 5 million for Meter Transportation & Insurance in Transit.
- 5.43 ***Keeping in view of operational requirement of the petitioner, the Authority allows an upfront amount of Rs. 603 million i.e., 50% of the projected amount against the installation/modification of CP stations, Standard EVCs, Remote Monitoring Units and Turbo Correctors. At the same time, the Authority does not allow any upfront amount against transportation of pipes and Meter Transportation & Insurance at this stage, however, any expenditure incurred against these items shall be considered at FRR stage.***

Laying of Distribution Mains including services- Existing Areas

- 5.44 The petitioner has projected Rs. 6,150 million for laying of 235 Km of Distribution Mains including services in existing areas for the said year.
- 5.45 The Authority notes that the petitioner managed to capitalize an amount of Rs. 1,476 million on Laying of 579 Kms Distributions Mains & Services for the year FY 2021-22. Keeping in view the capability of achievement, ***the Authority allows an amount of Rs. 1,476 million against this head for the said year, with the advice to ensure the compliance of the prevalent applicable policy of the Federal Government dated December 30, 2022 while carrying out such activities.***



Installation of New Connections (meters):

- 5.46 The petitioner has projected an amount of Rs. 1,287 million for the installation of 25,000 domestic meters on indigenous gas while 120 industrial and 350 commercial meters on RLNG. The petitioner has clarified that due to ongoing moratorium on Domestic New Gas Connections imposed by GoP, no new gas connections have been projected for FY 2024-25, however, domestic connections which were pending at the time of moratorium will be installed if allowed by MoE or also in case moratorium is lifted by the Federal Government. However, 5 Km radius schemes for new towns & villages have been projected for the said year, in line with the policy of the Federal Government.
- 5.47 ***Keeping in view of above, the Authority does not allow any upfront amount against this head. However, the Authority will consider new RLNG connections in line with the prevalent GoP's policy. In this regard, any prudently incurred expenditure shall be considered at the time of FRR for the said year. Further, as regards new RLNG services on 100% cost recovery, the Authority observes that the petitioner shall not be entitled to rate of return.***

New Towns

- 5.48 The petitioner has projected Rs. 1,402 million for 179 Kms extension in distribution network in order to supply gas to new towns & villages during the said year. The petitioner has informed that an amount of Rs. 1,278 million is over & above to be adjusted against grant and Rs. 124 million is from SSGC own resources. SSGC clarified that all schemes fall within 5 Km radius of Gas Producing fields in line with the order of Honorable Supreme Court of Pakistan & Honorable Sindh High Court.
- 5.49 The Authority notes that Ministry of Energy (Petroleum Division) also vide its letter Nos. NG(D)-16(91)/2022-IMP-Pt-I dated 30-12-2022 & 19-05-2023 has communicated CCOE's approved policy on execution of Gas Development Schemes and Provision of New Domestic Gas Connections, its relevant part is reproduced below:

"The gas schemes under the policy of 5-Km radius of gas fields may continue subject to availability of funding from Government, however, companies would consider viability of schemes based on depletion profile of producing fields."

- 5.50 In view of the above, ***the Authority in principle allows the petitioner to execute the projects against this head for the said year, provided the petitioner fully complies with the prevalent policies of the Federal Government. However, any prudently incurred expenditure within the estimated amount will be considered at FRR stage. Further, the Authority observes that the petitioner shall not be entitled to rate of return on grants.***

TBS Automation & Control - Automatic Pressure Management System (APMS) - Nos.100 TBSs

- 5.51 The petitioner has project Rs.1,000 million for TBS Automation & Control for the said year. The petitioner has stated that in FY 2023-24 it has successfully completed the pilot project for automating and remotely controlling 50 TBSs in the distribution network in Karachi. Keeping in view the substantial enhancement of operational effectiveness and efficiency, the petitioner plans to expand the automation infrastructure to additional 100 TBSs across the franchise area.
- 5.52 As per the petitioner, the project involves installation of remotely controlled pressure control valves, controllers and solar power setup along with communication and data gathering devices to ensure proper monitoring of sites from remote workstations. The project requires strategic investment of Rs. 1,000 million in FY 2024-25 leverages, intelligent pressure management technology to optimize operations, minimize UFG losses and enhance the efficiency and reliability of natural gas distribution network.

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5.53 The Authority encourages the petitioner to carry out such types of projects to resolve and overcome the operational constraints and bring necessary improvements in its operations in its franchised areas. The Authority hopes that with the completion of such projects the complaints of the consumers shall be resolved on priority.

5.54 ***Keeping in view of above, the Authority allows an upfront amount of Rs. 500 million i.e., 50% of the projected amount with the advice to complete such type of projects in amicable and effective manner, on a priority basis.***

Lyari old city area Karachi (Rs. 4,083 million)

5.55 The petitioner has estimated an amount of Rs.4083 million for the subject project.

5.56 The petitioner has stated that the steel pipeline network of Lyari 200 km is around 40-50 years old and has deteriorated with time due to the corrosive environment near the harbor area. It has gone deeper into the ground due to the construction of multiple layers of roads. Also, it has been encroached upon at various locations due to heavily populated (662,000 in 6 Km sq. as per the census of 2017) vertical mushroom growth adjacent to the port and harbor rendering the existing network under capacity and the increasing operating pressures to meet the gas supply requirement of 88,000 customers is not possible due to deteriorated network. Due to the depth, the underground leakage rectification work has become very difficult and beyond economical repair. The pipeline coating is badly damaged and the leakage is causing a UFG loss of 18,554 MCF/Month.

5.57 Furthermore, the petitioner in support of its claim provided economic and cost-benefit analysis. On the economic benefit side, the petitioner has claimed that the network will operate on optimum pressures and it would become leak-and rust-free thereby reducing consumer complaints of gas leakages and saving of gas and eventually the UFG will reduce. Also, cathodic protection costs will be eliminated, risk to human life and property due to leaky network will be minimized and foreign exchange will be saved as petitioner purchases gas in USD etc. Whereas, on the cost benefit side the petitioner has asserted that there will be substantial savings in terms of gas and UFG to the tune of Rs. 249.708 million per year and around 88,030 Nos. customers will be benefitted. Furthermore, there will be additional revenue generation due to savings of gas/UFG, to the tune of Rs. 345.889 million per year and average payback period would be 04 years.

5.58 ***The Authority notes that it has already allowed the subject project in principle, in pursuance of Rule 5(7) of NGT Rules along with the project mentioned at S.no. 14 of the above table. The Authority therefore by keeping in view the justifications of the project provided by the petitioner approves the subject project in principle, subject to actualization at the time of FRR.***

Distribution Pipeline Projects (Sr. No 10 to Sr. 14)

5.59 The petitioner has projected a total sum of amount of Rs. 2,477 million for the subject projects.

5.60 The petitioner has stated that the network is quite old i.e., around 27-35 years old. The underground leakage rectification has become uneconomical either due to the network having been damaged by floods or having gone deeper into the ground due to road construction. Furthermore, the petitioner has intimated that phase-I of the project at Sr No.12 rehabilitation of half of the network was completed in the year 2023 and now the petitioner plans to rehabilitate the remaining half of the network. Furthermore, as regards the project at Sr No.13 & 14 the petitioner has stated that the network has become saturated and is unable to sufficiently cater to the pressure and volume requirements of Industrial and commercial customers. By the completion of these project, the gas supply and the pressure situation shall be improved.

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- 5.61 ***Keeping in view the operational requirements and justifications provided by the petitioner, the Authority approves these projects in principle subject to the actualization at the time of FRR.***
- 5.62 ***The summary of allowed amounts against subheads under Gas Distribution System are tabulated below:***

Table 10: Additions to Distribution Network as Determined by the Authority

Sr. No.	Description	Rs. Million			
		Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program				
2	Replacement / Repair of Undersized Meters	23,199		2,188	
3	Construction of TBS, PRS	4,855		1,831	
4	Others - CP Stations / Turbo Corrector with Solar Panel / EVC/Remote Monitoring Units/Meter Transportation / Insurance in Transit etc	86		86	
		1,575		603	
	Sub Total: UFG Control Program (A)	29,715		4,708	
5	Laying of Distribution Mains including services- Existing Areas	6,150		1,476	
6	Installation of New Connections (meters)	334	953		
7	New Towns	1,402			
8	TBS Automation & Control - Automatic Pressure Management System (APMS) - Nos.100 TBSs	1,000		500	
	Sub Total : Normal (B)	8,886	953	1,976	
9	Lyari old city area Karachi	4,083			
10	16" Dia x 10 KMs Pipeline from KT to TBS Maymar CNG	595			
11	Shahdad Kot city, District Qambar	593			
12	Thull city phase II Jacobabad	144			
13	Sakrand city, District Shaheed Benazirabad	414			
14	16" Dia x 9 KMs & 12" Dia x 2 KMs Distribution Project - Hub City	731			
	Sub-Total: Major Distribution Projects(C)	6,560			
	Sub-Total Gas Distribution System(A+B+C)	45,161	953	6,684	
	Total Gas Distribution System (Indigenous + RLNG)	46,114		6,684	

v. Buildings

- 5.63 The petitioner has projected an amount of Rs. 248 million against this head. The petitioner envisages to undertake different works i.e., civil works for CP stations at various locations, construction of boundary wall, flooring works etc.
- 5.64 Historical trend analysis suggests that the petitioner on an average capitalized an amount of Rs. 54 million during FY 2017-18 to FY 2021-22. Further, the petitioner has capitalized an amount of Rs. 30 million in the FY 2021-22 against this head which is substantially low against the projected amount.
- 5.65 ***In view of the Company's operational capabilities to execute such jobs and historical trend in this head, the Authority allows an amount of Rs. 54 million in the subject head, subject to actualization at FRR stage.***

vi. Plant and Machinery

- 5.66 The petitioner has projected an amount of Rs 1,521 million against the subject head. The petitioner has planned to procure major Plants and Equipment during the said year which includes Air compressors, Welding plants, Fusion machines and Generators etc.
- 5.67 The Authority notes that the petitioner capitalized on average an amount of Rs. 178 million per year during the period FY 2017-18 to FY 2021-22, further, the petitioner has capitalized an amount of Rs. 192 million in the FY 2021-22 against this head. ***Therefore, the Authority allows an upfront amount of Rs. 192 million against this head for the said year, subject to actualization at FRR stage.***

vii. Furniture, Security & Office Equipment and Computer & Allied Equipment.

- 5.68 The petitioner has projected an amount of Rs. 741 million for the said year against the subject head.

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- 5.69 Major components of projections include Computers and Allied equipment (Rs 487 million), Office equipment (Rs 154 million), Furniture (Rs 36 million), and Security equipment (Rs 64 million). Historical trend analysis shows that the petitioner on an average has capitalized an amount of Rs 174 million annually during the period from FY 2017-18 to FY 2021-22, further, the petitioner has capitalized an amount of Rs. 228 million in the FY 2021-22 against this head.
- 5.70 *Keeping in view of above, the Authority allows an amount of Rs. 228 million under the said head.*

viii. Computer Software (Intangible)

- 5.71 The petitioner has projected Rs. 66 million for procurement of various softwares during the said year. Major items envisaged to be procured during the said year include Oracle Application Additional User licenses for ERP (25 million), CC&B Additional Licenses qty. 50,000 with one year support (12.5 million) and 08 Nos. of other Licenses/ applications (Rs.28.5 million).
- 5.72 *Keeping in view the operational requirement and justifications provided by the petitioner, the Authority allows an amount of Rs 33 million (50% of the estimated amount) for the procurement of above said items for the said year, however, any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.*

ix. LPG Air-Mix Projects

- 5.73 The petitioner has projected an amount of Rs. 66 million to be capitalized on LPG Air-Mix Plants at various locations which include Gawadar (Rs. 31 million), Noshki (Rs 08 million), Surab (Rs. 11 million), Kot Ghulam Muhammad (Rs. 10 million), Awaran (Rs. 03 million) and Bela (Rs. 2 million). The salient items against this subhead comprises of construction of building at Gawadar, procurement of vehicles and various office equipment for different LPG Air-Mix plants.
- 5.74 *Keeping in view of the petitioner's claim, the Authority allows an upfront amount of Rs. 33 million i.e., 50% of the projected amount for the said plants for the said year. Moreover, the petitioner is directed to comply with ECC decision dated 06-04-2020 regarding execution of ECC-Approved Liquefied Petroleum Gas (LPG) Air Mix Supply Projects by Sui Companies.*
- 5.75 The Authority further observes that the petitioner has envisaged operating cost at Rs. 482 million for the said year on higher side, while comparing actual cost incurred during FY 2022-23 (Rs. 303 million) and July-December, 2023 (Rs. 137 million). *In the light thereof, the operating cost relating to LPG air-mix projects is allowed at Rs. 303 million for the said year.*
- 5.76 *In view of above, the Authority re-calculates the subsidy on account of air-mix LPG projects at Rs. 2,954 million for the said year.*

x. Telecommunication System

- 5.77 The petitioner has projected Rs. 133 million against the subject head for the said year. Major items include the installation of additional repeater station / Telecom Link (Rs.80 million) and replacement of tower guys (Rs.24 million). The petitioner has stated that the installation of additional link has been proposed due to the instability of the existing link. Installation of new repeater station would bring stability in the communication link from HQ-1 to RS-2 and would provide alternate link and enhance the reliability of the entire communication system.

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5.78 ***Keeping in view the operational requirement and justifications provided by the petitioner, the Authority allows an amount of Rs. 66 million (50% of the estimated amount) for the above said items for the said year, however, any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.***

xi. Appliances, Loose Tools & Equipment

5.79 The petitioner has projected an amount of Rs. 979 million (including Rs. 5 million of RLNG). The petitioner has envisaged an amount of Rs. 265 million for procurement of different tools and equipment while Rs.713 million has been estimated for Research and Development activities for UFG reduction i.e., Mobile Gas Leak Detection (Rs. 600 million), Path Markers (EMS) (Rs. 100 million) and Ergonomically Designed Plunger Rods for Gas Leak Detection (Rs. 13 million).

5.80 The Authority notes that the petitioner on procuring the appliances and loose tools has capitalized on average an amount of Rs. 19 million during the period FY 2017-18 to FY 2021-22, further, the petitioner has capitalized an amount of Rs. 47 million in the FY 2021-22 against this head.

5.81 ***Keeping in view of above, the Authority allows an amount of Rs.47 million for the procurement of appliances, loose tools and equipment, Furthermore, the Authority also allows an amount of Rs.600 million against the research and development projects for UFG reduction, for the said year subject to actualization at FRR stage.***

xii. Vehicles

5.82 The petitioner has projected an amount of Rs. 2,689 million for procurement of 882 Nos. Operational vehicles (39 Nos Addition + 843 Nos Replacement). The petitioner has informed that most of the vehicles to be replaced are more than 10-15 years old.

5.83 The Authority notes that the petitioner on an average has capitalized an amount of Rs. 164 million during the period from FY 2017-18 to FY 2021-22, further, the petitioner has capitalized an amount of Rs. 483 million in the FY 2022-23 against this head.

5.84 ***Keeping in view the operational requirement and need assessment, the Authority hereby allows an upfront amount of Rs. 483 million under this head for the said year. Further, the Authority, in principle, allows claim against the head for RLNG activities for vehicles. However, all such expenses made against RLNG project will be actualized at FRR stage.***

xiii. Fixed Assets Determined by the Authority

5.85 The value of additions in assets requested by the petitioner and determined by the Authority for the said year, is as under:

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Table 11: Summary of Asset Additions Determined by the Authority

Particulars	FY2024-25 (ERR)					Determined by the Authority FY 2024-25 (ERR)					Rs. in Million
	Transmission		Distribution & Sale		Total	Transmission		Distribution & Sale		Total	
	Indigenous Gas	RLNG	Indigenous Gas	RLNG		Indigenous Gas	RLNG	Indigenous Gas	RLNG		
Gas transmission pipeline	20,331	1,133			21,464	258				258	
Compressors	4,192	5,866			10,058					In principle	
Gas distribution system, related facilities and equipments			45,160	953	46,113			7,704		7,704	
Buildings	126		122		248	27		27		54	
Plant and machinery	750		771		1,521	95		97		192	
Furniture, equipments including computers and allied equipments	150		591		741	46		182		228	
Computer software (Intangible) IT Deptt.	19		47		66	10		24		33	
LPG Air Mix Projects			66		66			33		33	
Telecommunication system	28		105		133	14		52		66	
Appliances, loose tools and equipment	107	5	867		979	5		42		47	
Vehicles	892	11	1,786		2,689	160		323		483	
Assets related to Gas Activities	26,595	7,015	49,515	953	84,078	615		8,483		9,098	

6. Unaccounted for Gas (UFG)

- 6.1 The petitioner has quoted point No. (ii) of the ECC proposal/approval which was conveyed, vide Ministry of Energy (PD) letter No. DGO(AC)-5(26)/2023-24 dated November 07, 2023, has accordingly worked out separately the UFG of Balochistan to the tune of 23,442 MMCF which translates into 57.63% UFG and has claimed the UFG disallowance of Baluchistan mainly as part of the revenue shortfall due to gas diversion from Sindh Industrial area in winter months thereby requesting to allow the same as net off to the overall UFG disallowance.
- 6.2 The Authority considers that since the matter regarding revenue shortfall in Balochistan is under-consideration of the Federal Government and therefore, the Authority shall consider the same at the time of FRR for the said year once clarifications / policy guidelines are issued by the FG.
- 6.3 The petitioner, while calculating its UFG, has included a volume purchased by PLL and carried for KE i.e., 54,750 MMCF, as part of its gross indigenous gas supplies. The Authority pursuing the petitioner's clarifications observes that PLL's gas is not transported through the SSGC's T&D network, rather said volume is injected into petitioner's system at Custody Transfer Station (CTS) Port Qasim and is supplied to KE from PLL injection point at the same CTS through pipeline laid specifically by KE without any further involvement of petitioner's T&D network. Moreover, the agreement executed between the SSGC and the PLL is an Interconnection agreement rather an access arrangement and does not involve any transportation of gas under TPA arrangement. **Therefore, the Authority is not allowing this inclusion.**

7. UFG Benchmark:

- 7.1 The Authority observed at the time of DERR of FY 2022-23 that the UFG benchmark remained in effect for five (05) years starting from FY 2017-18, based on the study conducted by M/s KPMG Taseer Hadi & Co. Chartered Accountants (KPMG) in 2016-17 where UFG benchmark was fixed at 5 % with an additional allowance of 2.6 % built on account of local challenging conditions and linked to implementation/ progress of 30 Nos. KMIs.
- 7.2 As the natural gas market liberalized, it made headway for segregation of regulated activities of transmission, distribution and sales. Accordingly, the Authority, in the FY 2022-23, provisionally applied separate UFG benchmarks for transmission and distribution networks at 0.14 % & 6.25 %, respectively.

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7.3 *The Authority decides to continue the same benchmark provisionally for the said year till the time it may be modified by the Authority on the basis of a fresh UFG study on benchmark for the petitioner. However, the Authority directs that the activities performed by the petitioner under KMIs shall continue to achieve progressive reduction in UFG.*

7.4 *Keeping in view of above and its working of GIC at paras 11.6-11.7, the Authority calculated UFG for the said year as under:*

Table 12: Unaccounted for Gas

UFG CALCULATION SHEET		MMCF	
ERR FY 2024-25			
		As per petition	As Calculated
Gas Purchases			
Transmission System			
(Gas Received) in Transmission Indigenous	A	316,820	262,070
Gas used in operation of Tran. Sys	B	(699)	(699)
(i) Compression		(393)	(393)
(ii) Company own use		(269)	(269)
(ii) Gas Purged		(37)	(37)
Gas Available in Transmission System	C=A+B	316,121	261,371
Gas passed to Distribution system through SMS	D	315,679	260,928
Loss in Transmission System	E=C-D	442	443
% Loss or Gain in Transmission System	F=E/A*100	0.14%	0.17%
UFG Allowed (%)			0.14%
UFG Allowed (MMCF)			367
Invalid Claim (MMCF)			76
Distribution System			
Gas Received in Dist. System (Through SMS)	G	315,679	260,928
Gas Sold			
Gas Sales	H	212,992	212,992
Energy imbalance/Deemed Sales	I1	8,927	8,927
Gas carried for KE under TPA	I2	54,750	
Third Party Damages	I3	1,128	
Total Gas Sales	J=H+I1+I2+I3	277,797	221,919
Loss in Distribution	K=C-J	37,882	39,009
% age Loss in Distribution System	L=K/G*100	12.00%	14.95%
% UFG Allowed	M		6.25%
Allowed UFG (MMCF)	N=MxG		16,308
Invalid Claim	O=K-N		22,701
Total UFG Volume (Transmission + Distribution)	P=E+K	38,324	39,452
Total % age UFG (Transmission + Distribution)	Q=P/A*100	12.10%	15.05%
Working disallowance for SSGCL			
Gas Received			262,070
Effective Allowed UFG (MMCF) (T+D)			16,675
Invalid claim (MMCF) (T+D)			22,777

7.5 *In view of the computation as per above table, the Authority allows UFG adjustment at Rs. 23,757 million at average cost of gas of Rs.1,043.04/MMCF) from the revenue requirement for the said year.*

8. Depreciation and ROA

8.1 *Keeping in view of above, the Authority decides to allow depreciation Rs. 8,053 million on provisional basis for the said year. Consequently, ROA is computed at Rs. 15,419 million based on net average operating assets for the said year.*

9. Operating Revenues

i. Sales Volume

9.1 The petitioner has projected gas sales volume at 206,602 BBTU, thereby projecting 2% decrease over RERR FY 2023-24. Category-wise comparison with previous years has been provided as under:



Table 13: Comparison of Projected Gas Sales Volume with Previous Years

Category	Volume in BBTU					
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Inc. / (Dec.) over RERR FY 2023-24	
	FRR	RERR	RERR	The Petition	Rs.	%
Cement	1,036	271	92	-	(92)	(100)
CNG Stations	635	863	500	-	(500)	(100)
Captive Power	53,074	69,385	55,783	41,808	(13,975)	(25)
Commercial	7,651	8,780	6,063	5,309	(754)	(12)
Nooriabad Power Plant	-	5,436	4,615	4,252	(363)	(8)
General Industries	71,372	56,939	49,166	47,699	(1,467)	(3)
Power	11,703	15,436	-	-	-	-
Fertilizer - feed stock	19,595	19,983	13,588	14,162	574	4
Domestic	94,689	99,906	81,407	93,372	11,965	15
Total: -	259,756	277,000	211,213	206,602	(4,611)	(2)

9.2 The petitioner has explained that no gas sales volume has been projected in respect of power sector owing to shifting of consumers such as KE to RLNG. Moreover, cement and CNG sector are on least priority. Further, the petitioner has explained that reduction in gas sales volume in respect of different categories including general industries is due to shift of most of the consumers using indigenous gas to RLNG, considering the depleting gas supplies. Moreover, the petitioner has stated that the gas volume available for sale against each category of consumers has been projected keeping in view the FG load management policy in respect of gas supply to different sectors.

9.3 *In view of the above, the Authority accepts the petitioner's sales volume projections at 206,602 BBTU for the said year.*

ii. Sales Revenue at Existing Prescribed Prices

9.4 The petitioner has projected gas sale revenues at Rs. 302,961 million as against Rs. 309,723 million, thereby showing a decrease of 2% over RERR FY 2023-24. Category-wise comparison of sales revenue is given below:

Table 14: Comparison of Projected Sales Revenue with Previous Years

Particulars	Rs. In Million					
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Inc. / (Dec.) over RERR for FY 2023-24	
	FRR	RERR	RERR	The Petition		%
Cement	1,323	345	206	-	(206)	(100)
CNG Stations	871	1,171	1,342	-	(1,342)	(100)
Commercial	9,613	10,872	15,403	7,784	(7,619)	(49)
Captive Power	50,179	64,092	98,984	61,307	(37,677)	(38)
General Industries	63,439	49,335	82,102	69,946	(12,156)	(15)
Power	10,034	13,229	-	-	-	-
Nooriabad Power Plant	-	4,659	4,846	6,235	1,389	29
Domestic	29,389	42,121	98,854	136,921	38,067	39
Fertilizer - Feedstock	5,999	6,035	7,985	20,767	12,782	160
Total Sales Revenues	170,848	191,859	309,723	302,961	(6,762)	(2)

9.5 The petitioner has submitted that overall decrease in gas revenue is in line with its sales volume envisaged for the said year, as per the reasons explained in para 9.2 above. The petitioner has further submitted that revenues i.e. Rs. 302,961 million have been calculated in accordance with average prescribed price issued by OGRA at the time of RERR for FY 2023-24.

9.6 The Authority observes that the petitioner has computed gas sales revenues including minimum charges at average prescribed price rate of Rs. 1466.40/MMBTU, thereby projecting additional revenues. The Authority further observes that minimum charges have been notified at Rs. 107.37/month as per the advice of FG. Moreover, revised category-wise

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prescribed price has been issued by OGRA. *Accordingly, the Authority re-calculates gas sales revenues at Rs. 301,737 million against sales volume 206,602 MMBTU for the said year.*

iii. Other Operating Income

9.7 The petitioner has projected other operating income at Rs. 4,729 million for the said year. A comparison with previous years is given below:

Table 15: Comparison of Projected Other Operating Income with Previous Years

Particulars	Rs. in million						
	FY 2021-22	FY 2022-23		FY 2023-24	FY 2024-25	Inc./(Dec.) over RERR for FY 2023-24	
	FRR	RERR	Actual	RERR	The Petition	Rs.	%
Late Payment Surcharge	1,953	1,061	2,205	1,070	1,074	4	0.4
Meter Manufacturing Profit	5	74	(61)	158	174	16	10
Sale of LPG/NGL and Condensate	3	(1.49)	5	37	9	(28)	(75)
Meter rentals	1,675	1,726	1,606	1,754	1,753	(0)	(0)
Amortization of deferred credits	632	584	679	688	551	(138)	(20)
Notional income on IAS 19 provision	547	766	1,432	1,065	-	(1,065)	(100)
Other income	1,372	1,167	1,380	1,167	1,167	-	-
Net Operating Revenue	6,187	5,377	7,246	5,939	4,729	(1,211)	(20)

9.8 The Authority notes that the petitioner has under-projected Late Payment Surcharge (LPS) at Rs. 1,074 million, considering the recent revision in gas sale price. Moreover, actual income against LPS for FY 2022-23 has been reported at Rs. 2,205 million. *In the light thereof, the Authority re-computes the said income at Rs. 2,205 million i.e. at the level of actual FY 2022-23 for the said year.*

9.9 The petitioner has explained that revenue from Meter Manufacturing Plant (MMP) has been projected to increase from Rs. 158 million to Rs. 174 million i.e. increase by 10% over RERR FY 2023-24, as meter production is expected to increase owing to a MoU signed with SNGPL to enhance capacity of production of domestic gas meters. The petitioner and SNGPL are willing to work towards exploring the possibilities of establishing a new meter manufacturing company on joint ownership basis. Moreover, income from sale of gas condensate has been projected at Rs. 9 million due to reduced offtakes from Badin field, which have decreased over time due to depletion around 70%.

9.10 The Authority observes that the petitioner has treated "Notional Income on IAS-19" as non-operating without citing any justification. The Authority notes that the matter in respect of treatment of notional income on IAS-19 has been exhaustively discussed and decided by it in its various earlier determinations. Therefore, claiming the same as non-operating income against the Authority's directions tantamounts to non-compliance. The Authority, per its principal decision taken in its various previous determinations, continues to treat notional income on IAS-19 as operating income. *Accordingly, Rs. 1,595 million has been included as operating income in revenue requirement calculation, computed at 21.66%, based on the opening & closing balance data as provided by the petitioner.*

9.11 The Authority has also observed that the petitioner has under-projected "Other income" at Rs. 1,167 million. *The Authority, considering the actual incomes for FY 2021-22 & FY 2022-23, decides to include the other income at Rs. 1,380 million i.e. actual for FY 2022-23 for the said year.*

9.12 *In view of above, the Authority includes "other operating income" at Rs. 7,667 million for the said year, as detailed below: -*

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Table 16: : Summary of Other Operating Income as Allowed

Particulars	Rs. in million	
	FY 2024-25	
	The Petition	As Determined
Late Payment Surcharge	1,074	2,205
Meter Manufacturing Profit	174	174
Sale of LPG/NGL and Condensate	9	9
Meter rentals	1,753	1,753
Amortization of deferred credits	551	551
Notional income on IAS 19 provision	-	1,595
Other income	1,167	1,380
Operating Revenue	4,729	7,667

10. RLNG Cost of Service

10.1 The petitioner has projected Rs. 18,279 million (Rs. 41.73 per MMCF or 39.56 per MMBTU at designed capacity of 1,200 MMCFD) on account of RLNG cost of service for the said year. The breakup of the same is as under: -

Table 17: Breakup of RLNG - Cost of Service as Claimed

	Rs. in Million
Total RLNG Energy in MMCF	438,000
Revenue Expenditure	423
Depreciation	1,686
Contribution to WPPF	1,277
Excise Duty	4,621
Financial Charges for RLNG	2,005
ROA	8,267
Cost of Supply of RLNG	18,279
Cost of Supply of RLNG Rs./MMCF	41.73
Cost of Supply of RLNG Rs./MMBTU	39.56

- 10.2 The petitioner has requested the Authority to allow Rs. 2,005 million on account of financial charges on short-term borrowing cost for the said year. The petitioner has submitted that Rs. 25 billion has been arranged through commercial borrowing for stability of PSO's liquidity issues in RLNG supply chain and smooth running of its operational activities after the directives of MoE and approval of ECC/Federal Cabinet. In view of the same, the petitioner has requested to allow the said amount on account of financial charges for the said year.
- 10.3 The petitioner has requested the Authority to allow Federal Excise Duty (FED) amounting to Rs. 4,621 million in RLNG pricing for said year as per order of FBR on RLNG re-gasification activity. The petitioner has explained that the Authority is notifying provisional RLNG prices on monthly basis without considering the FED component. Resultantly, FED liability has been accumulating since inception of RLNG business, which is expected to be Rs. 24,000 million till FY 2023-24. In view of the same, the Authority is requested to consider the FED component for RLNG monthly price notification.
- 10.4 The Authority observes that it has been determining pipeline tariff / RLNG cost of service in the instant determination, to be recovered through monthly RLNG pricing, carried out under section 43-B of the OGRA Ordinance. Therefore, any payment related to re-gasification activity could not become part of instant determination. **Accordingly, the same is excluded from RLNG cost of service for the said year.**
- 10.5 Further, the Authority notes that the petitioner is at loss over the past few years, therefore, as per the decision relating to WPPF in its previous determinations, decides to exclude

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Rs. 1,277 million from RLNG cost of service and shall consider the same at the time of FRR based on actualization.

- 10.6 Regarding impact of HR cost relating to RLNG business segment, Rs. 3,636 million is included in the light of discussion per para 12.2 and 12.5 above. Moreover, the Authority re-computes ROA at Rs. 7,794 million in the light of decision per para 4.9 above.
- 10.7 *In view of above, RLNG cost of service is re-worked at Rs. 15,302 million (Rs. 34.94 MMCF or Rs. 33.11 / MMBTU) per the table below: -*

Table 18: RLNG - Cost of Service as Determined

Description	Rs. in Million
	As Determined
Quantitative Data (MMCF)	438,000
Quantitative Data (MMBTU)	462,090
Revenue Expenditure	4,029
Depreciation	1,474
Financial Charges for RLNG	2,005
ROA	7,794
Cost of Supply of RLNG	15,302
Cost of Supply of RLNG (Rs./MMCF)	34.94
Cost of Supply of RLNG (Rs./MMBTU)	33.11

11. Operating Expenses

i. Cost of Gas

- 11.1 The petitioner has projected the cost of gas at Rs. 270,980 million i.e.; Rs.1,036.76/MMCF for the said year, based on projected purchased volume and projections of international prices of crude and HSFO. The petitioner's cost of gas is based on the following assumptions/pricing parameters:

Table 19: SSGCL's Cost of Gas Parameters

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil US\$/BBL	HSFO US\$/M. Ton	Rs./US\$
July to December 2024	December, 2023 to May, 2024	65.94	432.06	307
January to June 2025	June 2024 to November, 2024	66.14	229.54	313
Averages		66.04	330.80	310

- 11.2 The international average prices of crude and HSFO during the immediately preceding period of December to May are used as the basis for calculating the estimated well-head gas prices for the period July to December, and similarly oil prices during the immediately preceding period of June to November are used to calculate the projected well-head gas prices for the period January to June. The well-head gas prices on the basis of which the cost of gas is determined are indexed to the international prices of crude or HSFO per GPAs between the GOP and the producers and are notified bi-annually, effective on 1st July and 1st January each year.
- 11.3 The Authority has reworked the parameters for computation of average cost of gas for the said year based on latest trend observed in the average prices of HSFO and Crude. Wellhead gas prices effective July to December, 2024 have been calculated on the basis of actual average prices of HSFO and crude during the period December 01, 2023 to April 30, 2024. The same has been adopted for next six months i.e. January-June-2025, based on international price estimation. However, any adjustment based on actual international prices shall be reviewed / considered at the time of RERR for the said year. Regarding Rupee Dollar



parity, the Authority observes that the same currently shows stable trend owing to improved economic indicators. Therefore, keeping in view the trend of international oil prices and prevalent US\$ currency exchange rate, revised parameters for computation of cost of gas at the petitioner system are as below:

Table 20: Revised Cost of Gas Parameters

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 2024	December, 2023 to May, 2024	84.7157	447.4244	278.00
January to June 2025	June 2024 to November, 2024	84.2581	443.9832	280.00
Averages		84.4869	445.7063	279.00

11.4 **Based on above, the Authority re-calculates cost of gas at Rs. 272,620 million for the said year.** The petitioner is, however, directed to submit a review petition to the Authority for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude, HSFO during the period June to November, 2024 and the trend of Rupee-Dollar exchange rate.

ii. Gas Internally Consumed (GIC)

- 11.5 The petitioner has projected GIC-metered of 699 MMCF for the said year. As per the details of the GIC, the petitioner has projected 393 MMCF against compression fuel, 269 MMCF for Company own use and 37 MMCF for Gas purging.
- 11.6 The Authority notes that the petitioner's claim of GIC for 699 MMCF for the said year is comparatively on lower side considering the last year actualization i.e., 731 MMCF in FY 2021-22. **In view of the above, the Authority allows the estimated GIC volume of 699 MMCF for the said year.**
- 11.7 **In view of the above, the Authority re-computes the GIC at Rs. 729 million (at the rate of Rs. 1,043.04/MMCF) calculated at respective average cost of gas for the said year.**

12. Transmission and Distribution (T&D) Cost

i. Summary

- 12.1 The petitioner has projected transmission and distribution cost at Rs. 31,863 million including GIC for the said year, projecting an increase of 44% over RERR FY 2023-24, as per details below: -

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Table 21: Historical Comparison of T&D Cost

Particulars	FRR	RERR	Actual	RERR	Actual July- Dec, 2023	The Petition	Transmission	Distribution & Sale	Rs. Million Inc./Dec. over RERR FY 2023-24	
	2021-22	FY 2022-23		FY2023-24		FY2024-25			Rs.	%
	Salaries, wages, and benefits at benchmark	16,029	17,187	19,568	21,633	8,536	24,032	2,428	21,604	2,399
Meter Removal Services- Outsourced	-	-	24	-	-	359	-	359	359	100%
Recovery pursuasion of Disconnected	-	-	-	-	-	721	-	721	721	100%
Repairs & maintenance	1,926	2,076	2,651	1,801	1,369	3,571	469	3,102	1,770	98%
Stores, spares and supplies consumed	808	878	1,176	1,054	572	1,910	390	1,520	856	81%
Advertisement	74	118	68	89	38	158	-	158	69	78%
Traveling	80	103	103	103	61	179	97	82	76	74%
License & Tariff Petition Fee to OGRA	50	87	110	99	50	170	-	170	71	72%
Professional Charges	46	48	69	92	19	158	14	144	66	72%
Others	129	137	168	164	78	275	43	232	111	68%
Meter reading by contractors	101	109	115	131	59	197	-	197	66	50%
Electricity	240	280	319	336	229	504	134	370	168	50%
Security expenses	862	868	1,180	952	594	1,372	910	462	120	44%
Material used on consumers installations	32	20	23	38	-	48	-	48	10	26%
Insurance including royalty	42	127	113	131	61	164	69	95	33	25%
Rent, rate & taxes	222	271	214	278	102	347	34	313	69	25%
Postage & bill delivery by Contractors	128	136	114	136	56	151	1	150	15	11%
Legal Charges	72	96	82	102	56	105	12	93	3	3%
Gas bills collection charges	235	251	229	288	116	291	-	291	3	1%
Sub-total Cost	21,067	22,792	26,326	27,428	11,996	34,712	4,401	30,111	7,284	27%
Less: Recoveries / Allocations	2,151	2,333	2,223	2,198	-	3,543	21	3,522	1,345	61%
HR cost relating to RLNG	2,860	3,273	2,583	3,880	8	30	-	30	3,850	-99%
T&D Cost before GIC	16,057	17,186	21,520	21,350	11,988	31,139	4,580	26,559	9,789	46%
Add: Gas consumed internally	511	922	3,039	820	-	724	618	106	(96)	-12%
Net T&D Cost including GIC	16,568	18,108	24,559	22,170	11,988	31,863	5,198	26,665	9,693	44%

ii. Human Resource (HR) Cost

- 12.2 The petitioner has projected HR cost to increase by 11% from Rs. 21,633 million per RERR for FY 2023-24 to Rs. 24,032 million for the said year. The petitioner had requested the Authority to review the HR Benchmark formula considering the stagnancy of operating parameters and incorporate the impact of CPI going forward to cater the legitimate needs of the company.
- 12.3 The Authority observes that the petitioner, while calculating HR benchmark cost, has over-projected RLNG sales volume for the said year as against its sister utility's projection claimed as part of its respective ERR petition. Accordingly, slight adjustment in RLNG sales volume based on SNGPL's demand has been made. The Authority directs the petitioner to project its RLNG volumes, duly reconciled with SNGPL while providing documentary evidence of each claim, while submitting its petitions with OGRA. Any claim, lacking evidence, shall not be allowed as part of price.
- 12.4 The Authority further observes that matter of revision in HR benchmark formula has been finalized after detailed deliberation with both sui companies, taking into account the inflation as well as operational issues faced by them. The Authority notes that the CPI is currently showing downward trend in comparison to last year owing to improved economic indicators. The Authority observes that recent CPI published in the Federal Bureau of Statistics for the month of April, 2024 at 17%. Accordingly, based on recent indicators, CPI is adopted at 15% for the said year.
- 12.5 Accordingly, HR benchmark cost has been allowed at Rs. 20,228 million including Rs. 3,636 million relating to RLNG business segment, subject to the actualization at year end. Accordingly, HR cost is allowed as per table below: -

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Table 22: HR Allowed by the Authority

Particulars	Rs. In Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	24,032	2,428	21,604
As Allowed for NG	16,592	1,678	14,914
As Allowed for RLNG business	3,636	-	-

iii. Recovery campaign and Persuasion of Disconnected Consumers

- 12.6 The petitioner has claimed Rs. 1,080 million on account of “Budget Provision for Recovery Persuasion of Disconnected Customers - Outsourced” for the said year. The petitioner has stated that during the Covid-19 pandemic, default base of consumers drastically increased, when all the recovery operations were halted due to lock down. The allowance of payment on installments by the Government further contributed to the issue.
- 12.7 The petitioner has further submitted that due to the increase in domestic defaulters and having limited manpower and resources, the recovery section of the petitioner had been unable to target all the defaulters, particularly in the regions of Interior Sindh and Balochistan. This led to accumulation of outstanding amounts over the years. Consequently, outsourcing of recovery drive was done in FY 2022-23. Besides above, the recovery of defaulted amount from disconnected customers through persuasion and recovery initiatives is also required. Therefore, to recover outstanding amount from disconnected customers, the petitioner’s management has planned to outsource the persuasion activity through service provider contract.
- 12.8 For the above-mentioned purpose, the recovery drive of defaulters, both live and disconnected, requires amount of Rs. 1,080 million for the said year, out of which Rs. 359 million relates to the recovery against live customers and Rs. 721 million is requested against disconnected customers. By utilizing this amount, a recovery of almost Rs. 10,014 million is expected by the petitioner.
- 12.9 The petitioner has explained that Recovery Department is making all out efforts to reach maximum number of defaulters to make payment by disconnecting gas supply of the customers to recover the outstanding balances from defaulters and to get the gas supply restored as per policy. The petitioner has emphasized that the other utility company of Karachi i.e. Karachi Electric has adopted the same recovery approach. Also, two major commercial banks have outsourced their recovery effects.
- 12.10 *The Authority observes that it has already accorded principal approval to the petitioner subject to actualization at the year end. The Authority reiterates its earlier directive and directs the petitioner to provide detailed report showing progress on category-wise meter disconnection, re-connection & recovery of outstanding amount.*

iv. Repair & Maintenance

- 12.11 The petitioner has projected an amount of Rs. 3,571 million to be spent on repair and maintenance related to Gas transmission & distribution pipeline (Rs 2,542 million), Ultra sonic meter maintenance contract (Rs.72 million), Plant & machinery & Equipment (Rs 49 million), Motor Vehicles (Rs 126 million), Buildings (Rs 216 million), Computer and Allied equipment (Rs 71 million) and Software maintenance (Rs 383 million) etc. The petitioner plans to execute activities like coat and wrap of the transmission & distribution pipelines to prevent corrosion, which in case of otherwise leads to possible leakage of gas. Similarly, the petitioner intends to conduct over/ underground leakage surveys, based on which rectification of gas leakage on distribution network is to be carried out.

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12.12 **Keeping in view of above, the Authority hereby determines an amount of Rs. 1,925 million based on actualization i.e. FY 2021-22 against this head with the directions to exercise prudent expenditure while remaining within the allowed amount.**

Particulars	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	3,571	467	3,102
As Allowed	1,925	250	1,675

v. **Stores, Spares and Supplies Consumed**

12.13 The petitioner has projected Rs. 1,910 million under this head, an increase of 81% over previously allowed Rs. 1,054 million in RERR 2023-24. The breakup of the same is as under:-

Table 23: Historical Comparison of Projected Stores Spares and Supplies Consumed

Particulars	Rs. in Million									
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%
Stores, Spares and Supplies consumed	808	878	1,177	1,054	572	390	1,520	1,910	856	81

12.14 The petitioner states that this head includes costs for Pipeline Maintenance, Head Office, Freight and Handling, Petrol and Lubricants, Printing and Stationery and Gas Bills Printing Charges. The petitioner has claimed that cost of such items has significantly increased due to hyperinflation. Another important aspect highlighted is the extensive UFG reduction and control efforts planned by the petitioner, which would add up to the claimed amount.

12.15 The Authority notes that the gas bills printing charges under the head have been projected to increase by 95% over a year. In the petition for Estimated Revenue Requirement for FY 2023-24, the petitioner had mentioned the revision of the gas bill printing agreement and was directed by the Authority to ensure rationality and prudence while revising the bill printing rate. However, such an increase, excluding the impact of inflation, raises questions on the ability of the petitioner's management for negotiations to efficiently reduce costs.

12.16 The Authority agrees to the petitioner's contention of prevalent inflation, however, allowing 81% increase over RERR FY 2023-24 on an overall basis is not justified. **The Authority, therefore, keeping in view the projected operational activities coupled with anticipated inflation including US\$ parity, decides to allow Rs. 1,159 million i.e. 10% increase over RERR FY 2023-24 under this head for the said year. The table is as under:**

Particulars	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	1910	390	1,520
As Allowed	1159	237	922

vi. **Advertisement Charges**

12.17 The petitioner has claimed an amount of Rs. 158 million for the said year, depicting an increase of 78% over RERR FY 2023-24. The historical comparison is as under:-

Table 24: Historical Comparison of Projected Advertisement Charges

Particulars	Rs. in Million									
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%
Advertisement	74	118	68	89	38	-	158	158	69	78

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12.18 The historical trend of segregated advertisement expenses is as under:-

Particulars	FY 2021-22	FY 2022-23	July-Dec 2023	Rs. Million FY 2024-25
	FRR	Actual	Actual	The Petition
Tender Advertisement	31	30	16	73
Operational Advertisement	6	12	6	12
Customer Campaign	33	19	13	65
Corporate Image Building	4	6	2	9
Sub Total	74	67	37	158

12.19 The petitioner has stated that the projected increase is due to adherence to OGRA's directives to conduct customer campaigns regarding gas theft, gas leakages, energy conservation during winters, price revision campaign, tender advertisements, communication of warnings to gas defaulters and marketing of SSGC Mobile Application. Since these campaigns were not launched last year due to delayed tendering process, their impact has been included in this year's revenue requirement.

12.20 Moreover, the petitioner has mentioned that advertising tariffs of both print and electronic media have significantly increased over the last few months due to PKR devaluation and inflation. Therefore, to cover high costs of business operations and effectively conduct the desired campaigns, additional budget is required by the petitioner.

12.21 The petitioner has submitted that annually around 1600 tenders need to be uploaded on Public Procurement Regulatory Authority (PPRA) website and two widely circulated newspapers to comply with PPRA Rules. The petitioner has further explained that per tender cost on PPRA website is Rs. 30,000/-. Moreover, around 70 tender notices need to be published at a cost of Rs. 350,000/- per tender. Therefore, the petitioner requires an amount of Rs. 73 million under the sub head of tender advertisement to be able to comply with the statutory requirements.

12.22 The Authority notes that past expenditure on account of advertisement was also allowed on similar basis and the petitioner was applauded for effectively carrying out its activities within a certain budget. The Authority further notes that the petitioner has incurred Rs. 74 million during FY 2021-22 and Rs. 67 million in FY 2022-23 under the above head. The Authority further highlights that during the first six months of FY 2023-24, the petitioner's actual expenditure is Rs. 37 million. Therefore, an increase of 78% (Rs. 89 million) over the amount of RERR FY 2023-24 is not justifiable. Moreover, majority shares in the company are held by the government. So, its advertisement should be released through Press Information Department (PID) at government rates.

12.23 The Authority reiterates its directions to negotiate reasonable tariff or rates while launching its campaigns at print as well as digital media. Furthermore, the petitioner needs to conduct a thorough audit of advertisement costs incurred in the past and dive deep into the previous campaigns to analyze the performance and expected results.

12.24 **Keeping in view the above justification and historical trend, the Authority decides to fix advertisement expense at the level of RERR 2023-24 i.e. Rs. 89 million for the said year. The table is as under;**

Particulars	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	158	-	158
As Allowed	89	-	89

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vii. Traveling

12.25 The petitioner has estimated an amount of Rs. 179 million under the head of Traveling expenses for the said year, thereby showing an increase of 74% over RERR 2023-24, as tabulated below;

Table 25: Historical Comparison of Projected Traveling Expense

Particulars	Rs. in Million									
	FY 2021-22	FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%
Traveling	80	103	103	103	61	97	82	179	76	74

12.26 The petitioner has stated that due to the current inflation in the country as well as the world, air ticket prices have significantly increased by 200% to 300%. Furthermore, a rise in hotel booking rates has also been observed and this increasing trend seems to continue for the upcoming period as well.

12.27 A detailed breakdown of the projected traveling expenditure depicts that 83% of the total expenses relate to the 'Other Traveling' sub-head. This comprises of TA/DA for employees, traveling of directors and Government officials and accommodation expenses. Moreover, there also has been a prominent increase in the costs of local traveling for the sub-ordinate category.

12.28 The Authority notes that the amount projected by the petitioner does not hold sufficient rationale. The Authority has always advised the petitioner to be prudent and cautious while incurring expenditure on account of traveling but the petitioner has always attributed general inflation for the increase.

12.29 The Authority reiterates its earlier suggestions to make maximum use of technological modes to conduct meetings on all scales. Only those meetings should be held in person where physical presence of the management/executives is compulsory. The company should encourage remote work and virtual meetings whenever required.

12.30 Additionally, the Authority advises the petitioner to review its corporate travel policy and check if the system is robust enough to cover and reasonably control every area of travel spend- transportation and hotel bookings, meal allowances, site expenditure, etc. Moreover, the management should compare the company's corporate transport expenses with industry benchmarks for better control purposes.

12.31 ***In view of the above, the Authority decides to allow travel expenses at Rs. 113 million i.e. 10% increase over RERR FY 2023-24 for the said year.***

Particulars	Rs. In Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	179	97	82
As Allowed	113	61	52

viii. Professional Charges

12.32 The petitioner has projected an amount of Rs. 158 million under the head of professional charges for the said year i.e. 72% increase over RERR 2023-24 for the said year as per table below;





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Table 26: Historical Comparison of Projected Professional Charges

Particulars	Rs. in Million										
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Professional Charges	46	48	69	92	19	14	144	158	66	72	

12.33 The petitioner has submitted that Rs. 158 million has been estimated on account of professional charges due to consultancy for planned hirings at different positions and various HR related projects i.e. Manpower Assessment Exercise, degree verification of around 4,200 subordinate staff and Management Trainee Program for which the petitioner pays half the test fee.

12.34 The petitioner has further submitted that professional charges pertain to HSE & QA, IMS certifications, National Environment Quality Standards (NEQS) monitoring compliance of OGRA condition 16.1, revision of technical specifications, IEE/EIA. The petitioner highlighted that SSGC system is operating on Supervisory Control and Data Acquisition (SCADA) system for real time monitoring and control of high-pressure gas pipeline in Sindh & Baluchistan. In order to secure SCADA system from any vulnerability, the BOD has recommended Vulnerability and Penetration Test (VAPT). Subsequent to the report submission by third party, the petitioner shall evaluate the recommendations for strengthening security of system.

12.35 In addition, the petitioner has also submitted that various tax advisory and consultancy services are expected to be undertaken, involving billions of rupees and needs funds for revision of technical specifications of its security systems for the said year. Therefore, the petitioner has requested the Authority to allow Rs. 158 million against this head for the said year.

12.36 The Authority, after detailed analysis of the justifications provided by the petitioner and supporting documentation, considers that the petitioner's claims of intended consultancies are not consistent with the petitioner's ability to conduct all these activities on such a large scale. Furthermore, the petitioner's actual expenditure under this head for FY 2022-23 is Rs. 92 million.

12.37 *In view of the above, the Authority considering the justification and the petitioner's capacity to execute the projects, decides to allow Rs. 101 million i.e. 10 % increase over RERR FY 2023-24 for the said year. The table is as under:*

Particulars	Rs. in Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	158	14	144
As Allowed	101	9	92

ix. Other Charges

12.38 The petitioner has projected Other Charges at Rs. 275 million for the said year as against Rs. 164 million earlier allowed in RERR 2023-24, showing an increase of 68%, as shown below:

Table 27: Historical Comparison of Projected Other Charges

Particulars	Rs. in Million										
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Other Charges	129	137	168	164	78	43	232	275	111	68	

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- 12.39 The petitioner has stated that enhanced figure is based on increase in number of meetings, contingencies, and Director's Training Program, inclusive of the impact of inflation. The petitioner has further explained that this head also comprises of other expenses like water conservancy charges, mineral water/ dispensers' cost, value added services, satellite communication, internet services, web hosting services and other maintenance charges.
- 12.40 The Authority notes that justifications provided by the petitioner are very generic to substantiate the claim. It is to be noted that Rs. 67 million i.e. 24% of the total expenditure under the head relates to Director's fees. Due to galloping inflation and financial crunch, the Authority directs the petitioner to be vigilant while forecasting its budget as such demands ultimately burden the end consumers. Moreover, the Authority has directed the companies several times to be cautious while planning and conducting meetings of its directors and merge the agendas in fewer meetings with the intent to follow the austerity drive initiated by the FG at all levels. The gas utilities, being public sector companies, should always be considerate of the economic conditions of all categories of consumers and act for the welfare of society.
- 12.41 *In view of the above justification as well as historical trend, the Authority decides to restrict the amount at the level of RERR FY 2023-24 i.e. Rs. 164 million for the said year.* The table is as under:

Particulars	Rs. In Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	275	43	232
As Allowed	164	25	139

x. Meter reading by Contractors

- 12.42 The petitioner has claimed meter reading by contractors at Rs. 197 million for the said year, projecting an increase of 50% over RERR for FY 2023-24 (Rs. 131 million), as shown below:

Table 28: Historical Comparison of Projected Meter Reading by Contractors

Particulars	Rs. in Million										
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./ (Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Meter Reading by Contractors	101	109	115	131	59	-	197	197	66	50	

- 12.43 The petitioner has explained that increase in this expense is mainly due to the expected revision of rates as existing contracts expired in June 2023. The petitioner has stated that in house meter readers are being offered better rates than out sourced readers, which creates a rate disparity in the sector. In house meter readers take advantage of this difference in rate and hire services of outsourced meter readers for their work at lower rates. Moreover, the outsourced meter readers may be overburdened with excessive work and resultantly be involved in meter reading irregularities because of unfair wages. In order to tackle such a situation, the petitioner is focusing on replacement of meter reading contracts with manpower/service contracts. In view of the same, the petitioner has requested to allow Rs. 197 million under this head for the said year.
- 12.44 The Authority appreciates the initiatives taken by the petitioner to improve the service and principally agrees with the contentions of the petitioner. However, justification provided by the petitioner does not substantiate for an upfront increase of 50%. Moreover, the petitioner has also failed to provide the TORs of new contract. **Therefore, the Authority decides to allow Rs. 131 million i.e. at the level of RERR FY 2023-24 for the said year.** The table is as under:

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Particulars	Rs. In Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	197	-	197
As Allowed	131	-	131

xi. Electricity Charges

12.45 The petitioner has projected electricity expenses at Rs. 504 million for the said year, thereby claiming an increase of 50% over RERR FY 2023-24. The comparison with previous years is as follows:

Table 29: Historical Comparison of Projected Electricity Charges

Particulars	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Electricity	240	280	319	336	229	134	370	504	168	50%	

12.46 The petitioner has explained that the enhanced amount is required under the sub head of electricity charges to meet the expected increase in electricity tariff for the said year.

12.47 The Authority considers the fact that National Electric Power Regulatory Authority (NEPRA) increases the electricity cost every month on account of Fuel Price Adjustment (FPA). Recently, a hike of Rs. 7/unit in electricity prices has been allowed by the power sector regulator. Despite the rise in electricity tariff, the projections of the petitioner for the said year are unreasonably on a higher side as compared to the actual expenditure incurred for FY 2022-23. Considering the operational requirements of the company, the Authority directs the petitioner to adopt austerity measures while projecting expenses to avoid unnecessary burden being transferred to the end consumer.

12.48 *In view of the above justification and historical trend, the Authority decides to allow Rs. 370 million i.e. 10% increase over RERR FY 2023-24 for electricity charges for the said year. The table is as under:*

Particulars	Rs. in Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	504	134	370
As Allowed	370	98	272

xii. Security Expenses

12.49 The petitioner has projected security expenses at Rs. 1,372 million for the current year, an increase of 44% over RERR FY 2023-24. The comparison with previous years is tabulated below:

Table 30: Historical Comparison of Projected Security Expenses

Particulars	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Security expenses	862	868	1,180	952	594	910	462	1,372	420	44%	

12.50 The petitioner has stated that the increase in security expenses is due to expected increase in minimum wages. The petitioner has also stated that high projection is due to increase in fuel charges and revised agreements with security agencies to cope up with security needs at

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important locations. The petitioner has emphasized that actual expenditure during FY 2022-23 was incurred at Rs. 1,180 million.

- 12.51 *In view of above, the Authority decides to allow security expense at Rs. 1,298 million i.e. 10% increase over actual FY 2022-23 for security expenses for the said year. The table is as under:*

Particulars	Rs. in Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	1,372	910	462
Allowed	1,298	861	437

xiii. Material Used on Consumers Installations

- 12.52 The petitioner has projected an amount of Rs. 48 million, an increase of 26% over RERR FY 2023-24. Breakup of the same is as under:-

Table 31: Historical Comparison of Material used on Consumers Installations

Particulars	Rs. in Million										
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Material used on consumer installations	32	20	23	38	-	-	48	48	10	26	

- 12.53 The petitioner has explained that the actual expenditure on account of material and labour consumed may be allowed in view of the hyperinflation. The Authority agrees to the contentions made by the petitioner based on historical trend as well as prevalent inflation.
- 12.54 *The Authority, decides to provisionally allow Rs. 42 million i.e. 10% increase over RERR FY 2023-24 on account of material used on consumers installations for the said year. The table is as under:*

Particulars	Rs. in Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	48	-	48
Allowed	42	-	42

xiv. Insurance Including Royalty and Rent, Rates & Taxes

- 12.55 The petitioner has projected insurance expense and rent, rates & taxes to increase by 25% over RERR FY 2023-24, as detailed in the below table:

Table 32: Historical Comparison of Insurance Including Royalty and Rent, Rates & Taxes

Particulars	Rs. in Million										
	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25			Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	Actual July-Dec, 2023	Transmission	Distribution & Sale	The Petition	Rs.	%	
Insurance including royalty	42	127	113	131	61	69	95	164	33	25%	
Rent, rate & taxes	222	271	214	278	102	34	313	347	69	25%	
Total	264	398	327	409	163	103	408	511	102	25%	

- 12.56 The petitioner has submitted that the main reasons for these insurance estimates are continuous increase in insurance costs, rising inflation and more assets being insured. Furthermore, the petitioner stated that inclusion of new assets and strict trends of insurance market are further attributing to the costs.
- 12.57 In respect of rent, rates and taxes, the petitioner has mentioned that major cost is due to the rented premises where the petitioner carries out its activities. Many locations are under the process of relocations with high bids, thereby relating to an increase in the rent account head.

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Additionally, the petitioner has to pay vehicle tax for about 1,600 vehicles, along with related permit charges.

- 12.58 *In view of the above submissions/justification provided by the petitioner, the Authority decides to allow Rs. 450 million i.e. 10% increase over RERR FY 2023-24 under the sub heads for the said year as under:*

Particulars	Rs. in Million		
	FY 2024-25		
	Total	Transmission	Distribution & Sales
The Petition	511	103	408
Allowed	450	91	359

xv. **Remaining Items of Transmission and Distribution Cost**

- 12.59 The items of transmission and distribution costs, except those dealt with in sub-para ii to xiv of para 12.1 above, are projected by the petitioner at Rs. 717 million for the said year, as per table below:

Table 33: Historical Comparison of Remaining Item of Projected T&D Expense

Particulars	FRR	RERR	Actual Unaudited	RERR	Actual July-Dec, 2023	The Petition	Transmission	Distribution & Sale	Rs. in Million	
									Inc./(Dec.) over RERR FY 2023-24	
	2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Rs.	%				
License & Tariff Petition Fee to OGRA	50	87	110	99	50	170	-	170	71	72%
Legal Charges	72	96	82	102	56	105	12	93	3	3%
Postage & bill delivery by Contractors	128	136	114	136	56	151	1	150	15	11%
Gas bills collection charges	235	251	229	288	116	291	-	291	3	1%
Total remaining T & D Cost	485	570	535	625	278	717	13	704	716	115%

- 12.60 *The Authority observes that the remaining items of T&D expense have been reasonably projected by the petitioner. However, the Authority re-calculates the annual license fee based on FRR petition for FY 2022-23 & RERR FY 2023-24 at Rs. 434 million, therefore, determines the same at Rs. 981 million for the said year.*

- 12.61 *In view of the examination in sub-para ii to xv of para 12.1 above, the Authority determines T & D cost for the said year at Rs. 19,872 million as against Rs. 31,139 million excluding GIC claimed by the petitioner, as follows:*

Table 34: Summary of T&D Cost determined by the Authority

Particulars	Rs. in Million			
	FY 2024-25			
	The Petition	Transmission	Distribution & Sale Activities	As determined by the Authority
Salaries, wages, and benefits at benchmark	24,032	2,428	21,604	20,228
Professional Charges	158	14	144	101
Meter Removal Services- Outsourced	359	-	359	-
Recovery persuasion of Disconnected consumers	721	-	721	-
Repairs & maintenance	3,571	469	3,102	1,925
Stores, spares and supplies consumed	1,910	390	1,520	1,159
Advertisement	158	-	158	89
Traveling	179	97	82	113
Others	275	43	232	164
Meter reading by contractors	197	-	197	131
Electricity	504	134	370	370
Security expenses	1,372	910	462	1,298
Material used on consumers installations	48	-	48	42
Insurance including royalty	164	69	95	144
Rent, rate & taxes	347	34	313	306
Remaining T&D Cost	717	13	704	981
Sub-total Cost	34,712	4,601	30,111	27,051
Less: Recoveries / Allocations	(3,543)	-	3,522	(3,543)
T&D Cost before GIC	31,169	4,580	26,589	23,508
Less: HR cost allocated to RLNG	(30)	-	(30)	(3,636)
Net T&D Cost before GIC	31,139	4,580	26,559	19,872

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13. Other Expense

- 13.1 The petitioner has projected Rs. 1,248 million (excluding provision for doubtful debts) for the said year under this head as against Rs. 63 million over RERR FY 2023-24. The historical trend is as under;

Table 35: Historical Comparison of Projected Other Expense

Particulars	Rs. in Million						
	FY 2021-22	FY 2022-23		FY 2023-24	FY 2024-25	Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	The Petition	Rs.	%
Sports Club Expenses	31	38	3	49	62	13	26%
Corporate Social Responsibility	4	13	7	7	8	1	14%
WPPF	166	-	793	-	1,172	1,172	100%
Other/Auditor's Fee	9	25	7	7	7	-	-
Total	210	75	810	63	1,248	1,185	1881%

- 13.2 Regarding Workers' Profit Participation Fund, an amount of Rs. 1,172 million has been claimed for the said year, which constitutes 94% of the total amount claimed. The Authority notes that the petitioner has been reporting loss from last couple of years. Therefore, projecting such huge amount shall unnecessarily jack up the price. ***In the light thereof, the Authority decides to exclude Rs. 1,172 million under this head, subject to the actualization at year end.***
- 13.3 Moreover, the expenses projected under the head of sports expenses seem on a higher side as compared with FRR FY 2021-22 and actual expenditure for FY 2022-23. The Authority notes that the petitioner was allowed Rs. 38 million under this head at the time of RERR FY 2022-23. However, the actual expenditure incurred during FY 2022-23 was only Rs. 3 million. ***Therefore, the Authority decides to allow 50% of the claimed amount i.e. Rs. 31 million under this head for the said year.***
- 13.4 ***The remaining expenses under this head are reasonably projected by the petitioner and accepts the same. Therefore, the Authority decides to determine Rs. 46 million as against the claimed amount i.e. Rs. 1,248 million under the head of other expenses for the said year.***

i. Provision for Doubtful Debts

- 13.5 The petitioner has projected "Provision for doubtful debts" for the said year at Rs. 3,057 million as against Rs. 549 million over RERR FY 2023-24, as per table below:-

Table 36: Historical Comparison of Projected Provision for Doubtful Debts

Particulars	Rs. in Million						
	FY 2021-22	FY 2022-23		FY 2023-24	FY 2024-25	Inc./(Dec.) over RERR FY 2023-24	
	FRR	RERR	Actual	RERR	The Petition	Rs.	%
Provision for doubtful debt	380	-	1,654	549	2,466	1,917	349%
The Financial impact of IFRS (ECL)	-	-	648	-	591	591	100%
Total	380	-	2,302	549	3,057	2,508	457%

- 13.6 The petitioner has estimated and claimed Expected Credit Loss (ECL) at Rs. 591 million for all consumer categories in the light of International Financial Reporting Standard (IFRS)-9 for the said year.
- 13.7 The Authority notes that the petitioner's annual revenue requirement is being assessed independently, taking into account the criteria outlined in the legal framework and the prevailing circumstances at that specific time. Furthermore, any determinations made in the past regarding any cost/revenue components do not guarantee similar treatment in the future, as revenue requirement for each financial year is being carried out on standalone basis. The Authority notes that the petitioner has misunderstood its decision regarding the ECL allowance over the years. OGRA has not proscribed the petitioner from complying with SECP regulations while preparing its account. The implementation of accounting standards

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by a statutory regulator does not necessarily require the regulator to consider its impact on its licensee operating under a cost-plus regime.

13.8 *The Authority, on the basis of information provided by the petitioner as well as its initiatives on account of recoveries provision from FY 2023-24 decides to allow provision against disconnected consumers at Rs. 1,233 million i.e. 50% of disconnected customers subject to the actualization as per OGRA's policy of disconnected customer for the said year.* Further, the Authority directs the petitioner to demonstrate and physically achieve efficiency in terms of increased recoveries, reduction in litigation cases and bad debts in order to cut down its ever-increasing provisions.

13.9 *Consequent upon the deduction / adjustments in various components of revenue requirement as discussed above, the Authority determines other charges at Rs. 1,279 million as against Rs. 4,305 million for the said year.*

ii. Financial charges on short term borrowing

13.10 The petitioner has projected Rs. 12,500 million on account of financial charges on short-term borrowings for the said year. The petitioner has explained that the company is trapped under severe liquidity crisis, which are not in sole control of the petitioner and arisen owing to insufficient gas price revision in the past. Circular debt followed by negative internal generation and huge GDS receivables are the major obstacles for the petitioner in carrying out capital expenditures and making payments to the creditors on its own. Accordingly, the petitioner raises finances cumulatively for CAPEX as well as for financing GDS.

13.11 The Authority notes that the petitioner was allowed financial charges on short-term borrowing solely on account of insufficient gas price revision. The Authority further notes that gas sale prices have been sufficiently revised in the recent past and surplus revenues are available in the petitioner's system. Therefore, allowing such a huge amount on upfront basis on this premise is unfounded. *In view of the same, the Authority decides to pend the same for the said year, subject to the actualization at year end.*

14. Determinations

14.1 In exercise of its powers under Section 8(1) of the Ordinance and NGT Rules, the estimated revenue requirement (net of other income) for the said year is allowed at Rs. 289,501 million (as tabulated below):

Table 37: Components of ERR for the said year as Allowed

Particulars	Rs. in Million	
	Claim by the Petitioner	As allowed
Sales Volume in BBTU	206,602	206,602
Cost of gas sold	270,980	272,620
UFG adjustment	(14,652)	(23,757)
Adjustment for Revenue Shortfall in Balochistan	20,929	-
Transmission and distribution cost	31,139	19,872
Gas internally consumed	724	729
Depreciation	9,960	8,053
Other charges including Financial Charges	16,805	1,279
Return on net average operating fixed assets	25,363	15,419
Additional revenue requirement for Air-Mix LPG Projects	3,134	2,954
Less Other operating income	(4,729)	(7,667)
Total Estimated Revenue Requirement (net of other income)	359,653	289,501

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- 14.2 The provisionally allowed expenses are subject to adjustments on the basis of review under section 8(2) of the Ordinance, and later after scrutiny of auditors initialed accounts of the petitioner for the said year, provided these expenses are substantiated with appropriate justification and analysis in the form acceptable to the Authority.
- 14.3 The Authority considers it important and essential to impress upon the petitioner that this provisional determination of estimated revenue requirement for the said year pre-supposes that the petitioner would, in any case, faithfully and with responsibility conduct its affairs in full compliance with the requirement of Rule 17(1)(h) & Rule 17(1)(j) of the NGT Rules, as reproduced below:

Rule 17(1)(h)

“tariffs should generally be determined taking into account a rate of return as provided in the license, prudent operation and maintenance costs, depreciation, government levies and, if applicable, financial charges and cost of natural gas;”

Rule 17(1)(j)

“only such capital expenditure should be included in the rate base as is prudent, cost effective and economically efficient;”

- 14.4 In view of the above, total estimated sales revenue is determined at Rs. 301,737 million as against the net of revenue requirement at Rs. 289,501 million and thus there is a surplus of Rs. 12,236 million in its estimated revenue requirement for the said year. In order to adjust this surplus, the Authority hereby makes downward revision of 4% (Rs. 59.23 per MMBTU) in the prescribed price on provisional basis, thereby determining the average prescribed price at Rs. 1,401.25/MMBTU for the said year (Annexure-A).
- 14.5 Provisional prescribed prices against each category of consumers for the said year, effective from July 1, 2024, are attached as **Annexure-B** in comparison with existing sale price.
- 14.6 The revised provisional prescribed prices are subject to re-adjustment upon receipt of FG 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."

15. General Directions


- 15.1 In addition to the directions issued by the Authority in its previous determinations, the petitioner is further directed to:
- 15.2 *submit a review petition to the Authority for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO during the period June to November 2024 and the trend of Rupee-Dollar exchange rate.*
- 15.3 *proportionately allocate the transmission and distribution costs as per natural gas & RLNG business sale.*
- 15.4 *Board of Directors is requested to take effective measures to reduce cost of service by effectively monitoring of all input costs.*
- 15.5 *expedite the recovery from defaulting consumers and curtail ever-increasing expenses under the provision for doubtful debt, litigation cases and cost relating thereto.*
- 15.6 *to devise and implement action plan keeping in view the factors that contribute towards UFG specifically in Baluchistan. Further, the issue of low pressure of gas encountered by the*





- consumers in the province, be addressed on priority by adopting appropriate operational measures including augmentation of its distribution network.*
- 15.7 *implement OGRA Gas (Third Party Access) Rules, 2018 by finalizing the long outstanding agreements/applications if pending with the petitioner.*
- 15.8 *vigorously proceed against the non-consumers / illegal connections in accordance with applicable laws interalia including Gas (Theft Control and Recovery) Act, 2016, which is in field with full force, so as to reduce the overall UFG in its franchised area.*
- 15.9 *all the relevant contentions of the intervener as summarized in chapter 3 of this order be carefully noted and complied / addressed in letter & spirit under the ambit of the regulatory framework.*

16. Public Critique, Views, Concerns, Suggestions

- 16.1 The Authority has recorded critique, views, concerns and suggestions of the interveners and participants given above. The Authority, keeping in view the 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.


Zainul Abideen Qureshi,
Member (Oil)


Mohammad Naeem Ghouri,
Member (Finance)


Masroor Khan,
Chairman


Senior Registrar
Oil & Gas Regulatory Authority
Islamabad

Dated: May 20, 2024



A. Computation of Estimated Revenue Requirement for FY 2024-25

Particulars	Rs. in Million			
	RERR 2023-24	The Petition 2024-25	The Adjustment	Determined by the Authority
Gas sales volume -MMCF				
BBTU	213,823	212,992		212,992
"A" Net Operating Revenues	211,213	206,602		206,602
Net sales at current prescribed price	309,723	302,961	(1,224)	301,737
Meter rentals	1,754	1,753	-	1,753
Amortization of deferred credit	688	551	-	551
Sale of condensate	37	9	-	9
Late payment surcharge	1,070	1,074	1,131	2,205
Meter manufacturing profit	158	174	-	174
Notional Income on IAS-19	1,065	-	1,595	1,595
Other operating income	1,167	1,167	213	1,380
Total Operating Revenue "A"	315,662	307,690	1,714	309,404
"B" Less: Operating Expenses				
Cost of gas	293,430	270,980	1,640	272,620
UFG Adjustment	(26,166)	(14,652)	(9,106)	(23,757)
Adjustment for Revenue Shortfall in Balochistan	-	20,929	(20,929)	-
Transmission and distribution cost	21,350	31,139	(11,267)	19,872
Gas internally consumed	820	724	5	729
Depreciation	7,639	9,960	(1,907)	8,053
Financial charges on short term borrowing	2,705	12,500	(12,500)	-
Other charges including WPPF	612	4,305	(3,026)	1,279
Total Operating Expenses "B"	300,389	335,885	(57,090)	278,795
"C" Operating profit / (loss) (A-B)	15,273	(28,195)	58,804	30,609
Return required on net operating fixed assets:				
Net operating fixed assets at beginning	70,992	68,119	-	68,119
Net operating fixed assets at ending	68,119	134,085	(65,532)	68,553
Average net operating assets (I)	69,556	101,102	(32,766)	68,336
Net LPG air mix project asset at beginning	980	972	-	972
Net LPG air mix project asset at ending	972	935	-	935
Average net LPG air-mix assets (II)	976	954	-	954
Net MMP at beginning	62	36	-	36
Net MMP at ending	36	10	-	10
Average net MMP assets (III)	49	23	-	23
Net LHF (condensate) at beginning	2	2	-	2
Net LHF (condensate) at ending	2	2	-	2
Average net LHF assets (IV)	2	2	-	2
Deferred credit at beginning - Assets related to Natural Gas Activity	8,462	8,159	-	8,159
Deferred credit at ending - Assets related to Natural Gas Activity	8,159	7,608	-	7,608
Average net deferred credit (V)	8,311	7,884	-	7,884
"D" Average (I-II-III-IV-V)	60,243	92,253	(32,766)	59,487
Rate of Return	20.64%	27.49%	-1.57%	25.92%
"E" Return required	12,432	25,363	(9,944)	15,419
"F" Shortfall / (Surplus) (E-C) (Gas Operations)	(2,841)	53,558	(68,749)	(15,190)
"G" Additional revenue requirement for Air-Mix LPG Projects	2,842	3,134	(180)	2,954
"H" Shortfall / (Surplus) H=(F+G)	-	56,692	(68,928)	(12,236)
Increase/(decrease) in average prescribed price FY 2024-25 (Rs. / MMBTU)	-	274.40	(333.63)	(59.23)
Total estimated revenue requirement FY 2024-25, net of revenues	309,723	359,653	(70,153)	289,501
Average Prescribed Price for FY 2024-25 (Rs./MMBTU)	1,466.40	1,740.80	(339.55)	1,401.25

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B. Existing Category-wise Sale Price & Provisional Prescribed Prices for FY 2024-25

	Particulars	Existing Sale Price	Avg. Prescribed
			Price effective FY 2024-25
		Rs./MMBTU	
(i) Domestic Consumers:			
	a) Standalone meters		
	b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;		
	* Protected:		
	Upto 0.25 hm ³ per month	200.00	1,401.25
	Upto 0.50 hm ³ per month	250.00	1,401.25
	Upto 0.60 hm ³ per month	300.00	1,401.25
	Upto 0.90 hm ³ per month	350.00	1,401.25
	** Non-Protected:		
	Upto 0.25 hm ³ per month	500.00	1,401.25
	Upto 0.6 hm ³ per month	850.00	1,401.25
	Upto 1 hm ³ per month	1,250.00	1,401.25
	Upto 1.5 hm ³ per month	1,450.00	1,401.25
	Upto 2 hm ³ per month	1,900.00	1,401.25
	Upto 3 hm ³ per month	3,300.00	1,401.25
	Upto 4 hm ³ per month	3,800.00	1,401.25
	above 4hm ³ per month	4,200.00	1,401.25
	As per past practice, there will be one preceding slab benefit available to domestic consumer.		
	c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including captive power.		
	All off-takes at flat rate of	2,900.00	1,401.25
(ii) Special Commercial Consumers (Roti Tandours)			
	Upto 0.5 hm ³ per month	110.00	1,401.25
	Upto 1 hm ³ per month	110.00	1,401.25
	Upto 2 hm ³ per month	220.00	1,401.25
	Upto 3 hm ³ per month	220.00	1,401.25
	Over 3 hm ³ per month	700.00	1,401.25
(iii) Commercial:			
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels, malls, places of entertainment like cinemas, clubs, theaters and private offices,		
	All off-takes at flat rate of	3,900.00	1,401.25
(iv) Ice Factories:			
	All off-takes at flat rate of	3,900.00	1,401.25
(v) General Industrial:			
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.		
	All off-takes at flat rate of	2,150.00	1,401.25
(vi) Export Oriented (General Industry):			
	All off-takes at flat rate of	2,150.00	1,401.25
(vii) Export Oriented (Captive):			
	All off-takes at flat rate of	2,750.00	1,401.25
(viii) Captive Power (General Industry):			
	Captive Power Plant/ Unit means an industrial undertaking/unit carrying out the activity of power production (with or without co-generation) for self-consumption and/or for sale of surplus power to a Distribution Company or bulk-power consumer.		
	All off-takes at flat rate of	2,750.00	1,401.25
(ix) CNG			
	All off-takes at flat rate of	3,750.00	1,401.25
(x) Cement Factories:			
	All off-takes at flat rate of	4,400.00	1,401.25
(xi) Fertilizer Companies			
	(i) For gas used as feed-stock for Fertilizer	1,597.00	1,401.25
	(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	1,597.00	1,401.25
(xii) Power Stations			
	All off-takes at flat rate of	1,050.00	1,401.25
(xiii) Pakistan Steel			
	All off-takes at flat rate of	2,150.00	1,401.25
(xiv) Independent Power Producers			
	All off-takes at flat rate of	1,050.00	1,401.25