Case No. OGRA-6(2)-1(6)/2019-ERR

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED
ESTIMATED REVENUE REQUIREMENT, FY 2020-21

UNDER

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

DECISION

July 13, 2020

Before:

Ms. Uzma Adil Khan, Chairperson
Mr. Noorul Haque, Member (Finance)/Vice Chairman
Mr. Muhammad Arif, Member (Gas)

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<u>ANNEXURE</u>

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1. Background

1.1 Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan, and listed on Pakistan Stock Exchange. The petitioner is operating in the provinces of Khyber Pakhtunkhwa (KPK), Punjab and Azad Jammu & Kashmir (AJ&K) under the license granted by the Oil & Gas Regulatory Authority. It is engaged in the business of construction and operation of gas pipelines, transmission, distribution, and sale of natural gas and sale of gas condensate (as a by-product). The petitioner is also engaged in the business of Re-gasified Liquefied Natural Gas (RLNG) and transportation & sale of the same for the private parties on a commercial basis, in accordance with the decisions of the Federal Government (FG).

1.2 The petitioner filed the petition on December 31, 2019, for determination of estimated revenue requirement for FY 2020-21 (the said year) under Section 8(1) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(2) of the Natural Gas Tariff Rules, 2002 (NGT Rules).

1.3 The petitioner vides its letter dated February 12, 2020, submitted the amended petition wherein it has sought the approval in respect of certain capital projects, i.e. biometric machines, compressor package refurbishment, IT equipment, and construction of regional distribution building at Sahiwal. As per the decision of the FG, the petitioner has ring-fenced the operating fixed assets and operating costs related to the RLNG business. Accordingly, the petitioner, for the said year, has claimed a cumulative shortfall of Rs. 216,698 million *(the amounts have been rounded off to the nearest million here and elsewhere in this document)*, for the normal business of natural gas, Rs. 41,730 million transportation charges in respect of RLNG supplies and Rs. 905 million revenue shortfall in respect of LPG business. Also, the petitioner has separately claimed the impact of Rs. 73,890 million on account of diversion of RLNG to the domestic sector and requested to include the same in the natural gas or RLNG prices for the said year.

1.4 The Authority observes that the supply of RLNG is a ring-fenced activity as per the decision of the FG. Accordingly, tariff adjustment shall be restricted to the extent of determination relating to the revenue requirement of gas companies on account of the supply of indigenous gas to its consumers. However, cost of service for

RLNG activity is determined through this Order and shall be recovered through RLNG price from its consumer in accordance with policy guidelines of FG.

1.5 The petitioner vide its letter dated April 13, 2020, submitted the amended petition wherein it revised its cost of gas owing to an unprecedented reduction in oil prices. The petitioner has further informed that rationalization in operating cost was being done keeping in view the financial crunch in the country and GoP directions for austerity drives. Accordingly, the petitioner, for the said year, has claimed a cumulative shortfall of Rs. 198,972 million for the normal business of natural gas, Rs. 40,845 million transportation charges in respect of RLNG supplies.

1.6 The petitioner vides its letter dated May 02, 2020, submitted another amended petition (the petition) wherein it revised its estimates for distribution development and the related costs. Accordingly, the petitioner, for the said year, has claimed a cumulative shortfall of Rs. 201,253 million for the normal business of natural gas, Rs. 40,878 million transportation charges in respect of RLNG supplies.

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

Table1: Projected Cost of Service per Petition

Rs./MMBTU

PARTICULARS	FY 2020-21 The Petition
Volume (BBTU)	323,070
Cost of gas	504.68
UFG Adjustment	(2.32)
Operating Cost	87.19
Depriciation	73.16
Late Payment Surcharge & short term borrowing	65.61
Return on Assets	74.18
Additional Revenue Requirement for LPG Air Mix Proje	2.80
Other Operating Income	(55.55)
Shortfall upto FY 2017-18 - as per accounts	378.18
Shortfall FY 2018-19 as per RERR dtd 27.02.2019	66.38
Shortfall FY 2019-20 as per RERR dtd 11.12.2019	92.88
Average Prescribed Price	**1,287.19**
Current Average Prescribed Price	664.25
Increase in Average Prescribed Price	**622.94**

1.8 The Authority admitted the petition for consideration, as a prima facie case for evaluation existed and was otherwise in order.

1.9 A notice inviting interventions/comments on the petition from the consumers, the general public, and other interested/affected persons was published on March 13, 2020, and May 23, 2020, in daily local newspapers. The interventions received on the instant petition are placed as **Appendix**. The Authority further decided to hold a public hearing on June 24, 2020. The Authority received interventions/comments in the proceedings from the following persons/entities:

1. All Pakistan Textiles Processing Mills Association
2. All Pakistan CNG Association
3. Mr. Muhammad Aslam Chaudhry, Lahore
4. Mr. Hammad Khan, Chairman Real Owners CNG Association,
5. Mr. Zubair Khan, President CBA SNGPL
6. Council of All Pakistan Textiles Association
7. Pakistan Textile Exporters Association
8. Mr. Mehboob Elahi, Consultant Energy & Regulatory Affairs
9. Mr. Ghalab Khan Mehmend

1.10 The Authority accepted the above-mentioned applications for intervention.

2. Salient Features of the Petition

2.1. Following submissions have been made in the petition

2.1.1. The petitioner has claimed annual return at the rate of 17.43% of the net fixed assets in operation in accordance with the new tariff regime implemented effective July 2018.

2.1.2. The petitioner, on account of natural gas normal business, has projected a gross addition of Rs. 44,059 million in the fixed assets, resulting in a projected increase in the net operating fixed assets from Rs. 149,587 million per RERR FY 2019-20 to Rs. 170,010 million during the said year. Accordingly, the petitioner has claimed that after adjustment of deferred credits, the net average operating fixed assets eligible for return works out to Rs. 137,488 million, and the required return to Rs. 23,964 million for the said year.

2.1.3. The petitioner, in respect of LPG Air Mix Plants and RLNG, has projected addition to fixed assets at Rs. 1,834 million and Rs. 2,222 million respectively for the said year.

2.1.4. The petitioner has projected the net operating revenues at Rs. 232,544 million, detailed below and compared with previous years:

Table2: Comparison of Projected Operating Revenues with Previous Years:

Rs. In Million

Description	FY 2017-18 FRR	FY 2018-19 Actual*	FY 2019-20 RERR	FY 2020-21 The Petition	Incr/Decr over RERR	
*Net sales at current prescribed price	281,734	378,445	258,770	214,599	(44,171)	-17%
Meter rental and service charges	2,175	2,022	2,391	2,166	(225)	-9%
Late payment surcharge and interest on arrears	5,859	9,393	6,445	10,332	3,887	60%
Amorization of deffered credit	3,746	1,625	3,512	3,725	213	6%
Other operating income	1,356	1,447	3,044	1,722	(1,322)	-43%
Diversion of domestic gas impact	4,145	-	-	-	-	0%
Net Operating Revenues	**299,015**	**392,932**	**274,162**	**232,544**	**(41,618)**	-15%

* per FRR Petiton containing previous year shortfall

2.1.5. The petitioner has projected the net operating expenses at Rs. 408,928 million, as detailed below (and compared with previous years):

Table3: Comparison of Projected Operating Expenses with Previous Years

Rs. In Million

Description	FY 2017-18 FRR	FY 2018-19 Actual	FY 2019-20 RERR	FY 2020-21 The Petition	Incr/Decr over RERR	
Cost of gas	155,780	189,882	207,989	163,047	(44,942)	-22%
UFG adjustment	(6,356)	(750)	(11,286)	(750)	10,536	-93%
Transmision & Distribution	22,489	28,274	26,737	26,077	(660)	-2%
Gas internally consumed	910	1,253	1,216	1,305	89	7%
Depreciation	12,568	13,937	21,815	23,636	1,821	8%
Late Payment Surcharge (Payable) & cost of short-term borrowing	5,992	20,417	5,992	21,196	15,204	254%
Previous year shortfall	92,496	122,177	-	173,630	-	-
WPPF	729	734	729	788	59	8%
Total operating cost	**284,608**	**375,923**	**253,191**	**408,928**	**155,737**	**62%**

2.1.6. The petitioner has projected SNGPL's Weighted Average Cost of Gas (WACOG) for the said year at Rs. 504.68 per MMBTU. The cost of gas is linked with international prices of crude oil (Crude) and High Sulphur Fuel Oil (HSFO) per Gas Pricing Agreements (GPAs) executed between the producers and GoP.

2.1.7. The petitioner has projected UFG at 10.19%. The petitioner has, however, restricted its UFG adjustment to Rs. 750 million per Rule 20(1) of NGT Rules for the said year.

2.1.8. The petitioner has claimed previous years' revenue shortfall up to FY 2019-20 at Rs. 173,630 million. Accordingly, the petitioner, because of above, has projected an average increase in prescribed price at Rs. 622.94 per MMBTU, as detailed below:

Table 4: Computation of the requested increase in Average Prescribed Price

	Description	Rs. In Million
A	Net Operating revenues	232,544
B	Net Operating expenses	236,203
C	Shortfall (B-A)	3,659
D	Return required @ 17.43% on net operating assets	23,964
E	Shortfall in revenue requirement for FY 2020-21 (D+C)	27,623
F	Previous year shortfall	173,630
G	**Commulative Shortfall in revenue requirement (E+F)**	**201,253**
H	Sales Volume (BBTU)	323,070
I	**Average Increase in Prescribed Price (Rs/MMBTU) (G/H*1000)**	**622.94**

3. Proceedings

3.1. A public hearing was held at Islamabad on June 24, 2020, which was participated by the following;

Petitioner

i. The team led by Mr. Amir Tufail, Managing Director

Intervener/Participants

i. Mr. Ghiyas Abdullah Paracha (APCNGA),
ii. Mr. Shahid Sattar (Ex-Member (Energy Planning Commission),
iii. Mr. Hammad Khan, Chairman Real Owners CNG Association,
iv. Eng. Alam Zaib Khan

3.2. The petitioner made submissions in detail with the help of a multimedia presentation explaining the basis of its petition. The petitioner also responded to the comments, observations, objections, questions, and suggestions of the participants.

3.3. The substantive points made by the interveners during the hearing as well as in writing, pertaining to the instant petition and policy matters, are summarized below;

3.3.1. It was highlighted that gas sale volume is continuously decreasing. It reflects negative performance of the petitioner's management. In the light of decline in sale volume, addition in revenue requirement is absolutely uneconomical, imprudent and unjustified.

3.3.2. It was vehemently criticized that increase in HR cost has been demanded despite decrease in gas sales volume. In order to avoid increase in gas prices, HR cost and operational expanses <u>should be capped at the 2017 level</u>. Increase in gas prices has been sought only to bad governance and poor performance of the petitioner's management. The same, therefore, must not be allowed.

3.3.3. Massive assets capitalization is causing increase in gas prices whereas per Rule 17(J) of NGT Rules, only prudent, cost effective and economical efficient are liable to be added in rate base.

3.3.4. It was highlighted that the petitioner gave incomplete and misleading information under the head "capital expenditures", so the matter is of serious concern and defective for consumers.

3.3.5. Moreover, it was highlighted that petitioner does not provide technical and economic feasibility of capital assets projects as required in law. Therefore, the petition is illegal and cannot be entertained.

3.3.6. It was criticized that capital expenditure of Rs. 563 million for the construction of Sahiwal office, Rs. 2,534 million for the extension of transmission network, and Rs. 32,940 million for extending distribution network, has been included in the petition respectively, without evidence of feasibility report to prove cost effectiveness and economic efficiency of capital expenditure. Uneconomical capital expenditure will cause undue increase in gas price.

3.3.7. It was demanded that salary structure of the petitioner's employees be disclosed to the consumers.

3.3.8. Impact of CBA agreement 2020-21 has been projected at Rs. 4.6 billion. It was criticized that even the subordinate staff of the petitioner' is highly paid viz a viz other utility organization of Pakistan. At present, assistants, operators, drivers, welders, fitters, electricians etc. are being paid hefty salary package to the extent of Rs. 3 Lac per month. This salary package is equal to grade 18 of Government officers. Said CBA impact if allowed by OGRA shall increase the monthly wages of subordinate staff manifolds. This exceptionally high cost of salaries and wages is recovered from poor consumers through gas sale prices. It was accordingly opposed to allow the same.

3.3.9. The interveners highlighted that the strength of Sr. General Mangers / General Mangers has reached to tune of about 50 and chiefs to the figure of about 110. Deputy Chiefs are countless. The perks and benefits to the petitioner's officers have increased. Chauffeur driven cars of chiefs has been recently upgraded from Cultus to Toyota. For this purpose, about 100 new cars had been purchased. Recently three vehicles Fortuner branded each of Rs. 65 Lac has been purchased for the senior Management in addition to Honda Cars 1800cc already their use.

3.3.10. It was demanded that exorbitant increase in HR cost need independent inquiry / investigation in order to find reasons of increase in HR cost. It was opposed that further increase in HR cost is unjustified and adversely affecting the gas consumers. The same therefore should not be approved.

3.3.11. It was also criticized that the directors of the company do not bother about increase in HR cost since it is recovered from poor consumers without affecting their profits. The Directors are drawing Rs. 1 lac per meeting for attendance.

3.3.12. Free gas facility amounting to Rs. 272 million for the said year has estimated by the petitioner. It is unjustified keeping in view the performance of the petitioner, therefore, the same should not be allowed.

3.3.13. It was highlighted that owing to bad governance and poor financial management regarding Rs. 19,786 million payables as late payment surcharge has been included in the petition. It should not be approved without investigation and deciding reason of heavy surcharge as payable.

3.3.14. Amount of Rs. 300 million included in the petition under the head Legal expenses, is not justified with the evidence of fact. Achievement of legal department are required to be disclosed to find justification of the amount.

3.3.15. CNG Association demanded that indigenous gas prices for CNG sector be determined after consultation with stakeholders. There is clear rules & regulation for determination the CNG prices.

3.3.16. It was highlighted that only CNG sector is suffering, while other sectors are continuously using local and mix imported gas. The main reason for increase in CNG prices is dollar rate, electricity and petroleum prices. UFG & line losses be stopped to reduce the CNG tariff.

3.3.17. Continuity of gas supply and consumers interest are not jeopardized as mandated under OGRA laws and rules, in respect of circular debts, mismatch of sale prices with prescribed prices, sale of expensive RLNG, and dent in revenue required on account of UFG benchmark of both Sui Companies.

3.3.18. It was demanded that gas companies rate of return be reduced to 15% in accordance with MoE letter no. DGO(AC)-5(26)-19-20 Vol II, dated March 10, 2020. Gas companies should show their responsibility to reduce return on assets, the cost of gas and UFG to save the country and the consumers from extra financial burden in this crisis situation.

3.3.19. A proper rendition of RLNG accounts is made for revenue requirement of both companies as stipulated under ring fencing practices.

3.3.20. Cost of corporate governance and legal expenditure are strictly aligned with tangible results as these cost are ultimately borne by the consumers.

3.3.21. Regulatory accounts have not been provided to separately ascertain the cost of transmission and distribution as per the laws / regulations. Separate cost sheets for transmission and distribution per MMBtu / MSCF are made part of determinations.

3.3.22. The petitioner's petition's format needs to be improved, as most of the schedules are not legible and the write-up is disjointed as compared to SSGCL. Authority prescribes the uniform format.

3.3.23. OGRA tariff of natural gas is to be reduced by re-determination of gas prices according to gas pricing formula. The cross subsidy costs built into the existing tariff for CNG should be removed which will reduce gas tariff for CNG sector and support reasonable parity with petroleum prices. OGRA must ensure that the tariff determined by OGRA after hearing must be safe guarded and no any other expense / other sector's subsidy be additionally added to this tariff by the Government.

A. Responses Upon Interventions

3.4. The Oil and Gas Regulatory Authority performs its quasi judicial role being regulator in accordance with the Ordinance and the Rules, regulations. The Authority always performed its functions to expedite, to foster competition, increase private investment and ownership in the midstream and downstream petroleum industry and protect the public interest while respecting individual rights and provide effective and efficient regulations and for matters connected. The revenue requirement is the primary and statutory function of the Authority, which is performed as per the objectives of applicable statutes.

3.5. FG is empowered to issue policy guidelines as per section 21 of the Ordinance. The Authority determines the revenue requirement/tariff as per section 7 of OGRA Ordinance and the Natural gas Tariff Rules 2002, while keeping in view the comprehensive evaluation, analysis of data and all legal and factual propositions. As per section 8(2) OGRA Ordinance the Authority determines prescribed prices for the licensee for natural gas. However, sale prices for each category of retail consumers for natural gas are the domain of federal government.

3.6. This ERR of the petitioner was filed on 31st December, subsequently petitioner filed revised petition on February 12, April 15, and May 2, 2020. The said year i.e. 2020 is not a normal year when massive Covid-19 pandemic out break covered the whole world and world economy faced heavy crisis. Since Government announced ban on public gatherings, therefore it was a challenge to conduct public hearing. The Authority by adopting the SOP's of the FG conducted public hearings of the petitioner for DERR FY 20-21 in Islamabad and invited all the General public, interested, affected persons and stakeholders to attend in person or through virtual representation. The Authority also invited comments, suggestions and interventions for this DERR thrice from March to June. It is also pertinent to mention here that the Authority is empowered, not hold the hearing as provided under Section 9 of the Ordinance read with Rule 10(3) & (13) of NGTR, 2002 more particularly in these pandemic situation. But it was decided to hold public hearing to provide a fair, equal and transparent opportunity to general public and all stake holders to raise their comments, suggestions and interventions before the petitioner and the Authority.

4. Authority's Jurisdiction and Determination Process

4.1. The Authority is obligated to determine the total revenue requirement of the licensee under Section 8(1) of the Ordinance for a particular year after going through the due process of law. This primarily involves scrutiny of the petition, in-depth analysis of the estimates, the examination of operating and capital items, issuances of the notices to receive the valuable input/comments of all stakeholders, the opportunity of a public hearing and then determination of the total revenue requirement as per mandate under the legal framework. The Authority further notes that it has been able to curtail the petitioner's uneconomical costs to a greater extent through the introduction of efficiency benchmark and effective scrutiny and diligence. The Authority also fully supports the current Government initiative for austerity measures, which is already being implemented by it through its effective regulation. Accordingly, the Authority decision surely strikes a balance among the divergent interests of all stakeholders. The total revenue requirement of the licensee determined by OGRA under Section 8(1) or 8(2) of the Ordinance is sent to Federal Government to seek the advice regarding revision in sale price in respect of various categories of natural gas consumers.

4.2. Section 8(3) of the Ordinance empowers the FG to fix the consumer sale prices and advise OGRA the revision in gas sale prices and minimum charges in respect of natural gas retail consumers for notification in the official gazette. Accordingly, FG, keeping in view economic indicators, policy considerations in terms of uniform pricing across the country, Gas Development Surcharge and the inter category subsidies, etc. advises the gas sales prices and minimum charges for each retail category to OGRA. The same is notified in the official gazette. The Authority however observes that during past, FG under Section 8(3) of the Ordinance had advised insufficient revisions to OGRA, resulting in accumulation of previous year revenue shortfall in the total revenue requirement. The said matter, through Authority's decision of Review of Estimated Revenue Requirement (RERR) for FY 2019-20, was referred to FG to review its earlier decision of ECC of the Cabinet dated May 17, 2018, for the staggering of shortfall of the petitioner. The Authority however reiterates its view that all the categories of consumers must at least pay the average cost of service, keeping in view the existing cost of alternative or substitute sources of energy. Resultantly, there shall be no situation of unmet revenue requirement. This shall provide a level playing field for all concerned and avoid the situation of revenue shortfall faced to the licensee.

4.3. ***The Authority, as per the existing legal framework and tariff regime in place determine the revenue requirement of the petitioner, providing stipulated return on net operating assets while including various income & expenditure heads as part of the prescribed price.***

5. Operating Fixed Assets

5.1 Summary of Additions during the year

5.1.1. The petitioner, on account of natural gas normal business, has projected a gross addition of Rs. 48,115 million in the fixed assets, resulting in a projected increase in the net operating fixed assets from Rs. 149,587 million per RERR FY 2019-20 to Rs. 170,010 million during the said year. Accordingly, the petitioner has claimed that after adjustment of deferred credits, the net average operating fixed assets eligible for return works out to Rs. 137,488 million, and the required return to Rs. 23,964 million for the said year.

5.1.2. Summary of addition to assets as claimed by the petitioner is as under;

Table 5: Summary of Addition to Assets per the Petition

Rs. in Million

Sr.	Particulars	Petition FY 2020-21		
		RLNG	Normal	Total
1	Building on Free Hold land		904	904
2	Transmission Mains	1,203	2,534	3,737
3	Compression	-	2,140	2,140
4	Distribution Mains	579	30,324	30,903
5	Measuring and Regulating	440	6,005	6,445
	Sub Total	**2,222**	**41,906**	**44,128**
6	Telecommunication Equipment		29	29
7	Plant & Machinery		945	945
8	Tools & Equipment		27	27
9	Construction Equipment		317	317
10	Motor Vehicles		200	200
11	Furniture & Fixture		31	31
12	Office Equipment		76	76
13	Computer Hardware		411	411
14	Computer System Software / Intangible Assets		117	117
	Sub Total:	**-**	**2,153**	**2,153**
	Grand Total:	**2,222**	**44,059**	**46,281**
15	LPG Air Mix		1,834	1,834
	Total:	**2,222**	**45,893**	**48,115**

5.2 Buildings on freehold land

5.2.1 The petitioner has requested for Rs. 904 million under the head which includes the following: -

Table 6: Addition to Buildings on Freehold Land:

Rs. in Million

Sr. #	Description	The Petition
1	Regular Capital Expenditure	341
2	Regional Office Sahiwal	563
	Total:	**904**

(a) Building on Freehold Land (Regular Capex)

5.2.2 The petitioner has requested for Rs. 341 Million under the head which includes the following:

i. Rs. 4 Million for construction of emergency exit at Main Office building H.Q (T) Fsd. in any unforeseen emergency.

ii. Rs. 89 Million for Construction of Residences, Stores, radio & battery room, boundary wall for additional transmission land, etc. at Transmission Sub-Office, Kohat, KPK to monitor / efficient use of company resources to handle emergency w.r.t. all the major gas fields located in KPK and transmission lines in that area. It has further been added that the major gas fields are located in KPK and operations associated with these fields are being managed by their Metering staff deputed at Transmission sub-office Kohat. Apart from this, around 600 KMs of the Transmission pipeline network is also being looked after from the above station. The staff (Executives/Subordinate) are required to be deployed at the station to perform round the clock duties to efficiently respond during any emergent situations. The current accommodation facilities for Executives/Subordinates are insufficient to cope with the above purposes and hence essentially required. All the construction works are the part of the approved Master Plan of Transmission sub-office Kohat and its execution is essentially required to make it fully operational and to facilitate the deployed staff.

iii. Rs. 18 Million for construction of Customer Service Center at Regional Distribution Office Abbottabad including the construction of new car parking due to the widening of Jab Nullah. The petitioner stated that existing CSC is just in a single room which is insufficient to accommodate the visitors/customers with improper waiting arrangements and washrooms. The new CSC would be constructed to improve the efficiency of the office to provide a better environment for customers due to the widening of Jab Nullah. Moreover, Customer services include one window operation for the consumers and total Consumers of the region are 184000 approx.

iv. Rs. 13 Million for construction of industrial Facilitation Center and upgradation of existing Customer Service Center at Regional Distribution Office Gujranwala. The company has stated that existing CSC is very old with insufficient space for office and washrooms and requires complete upgradation along with construction of new Industrial facilitation Centre for huge traffic of industrial customers being a major industrial city. In addition, the petitioner has provided the following information:

Total Domestic Consumers Appox	550,000
Total Industrial Consumers Appox	400
Total Exective deputed in CSC	1
facilitation Center	1
Total SN Staff in CSC	14
Total Casual Staff in CSC	18 including Fitters who are engaged with teams.

v. Rs. 38 Million for laying of upgraded / sewerage line, laying of tuff tiles, etc. at Main Building Regional Office Faisalabad.

vi. Rs. 130 Million for construction of Domestic Meter Inspection Shop (DMIS) at Faisalabad since the company is facing a shortage of space for Inspection and Flow Proving activity of Domestic Meter Inspection Shop.

vii. Rs. 49 Million for construction / civil work related to sheds, powerhouse, etc.

5.2.3 The past trend of actualization shows that the petitioner had been able to capitalize Rs. 112 million on an average under the head.

Decision:

5.2.4 *Keeping in view the justifications tendered by the petitioner and capitalization trend in the previous years, the Authority allows an amount of Rs. 52 Million as per following details:*

i. Rs. 2 Million for Construction of Emergency exit at Main Office building H.Q (T) Fsd.

ii. The reasoning provided by the petitioner for the construction of Residences, stores, etc. at Transmission Sub-office in Kohat is not prudent for consideration of the projected amount of Rs. 89 Million, therefore, the Authority does not allow any amount for the same. However, the petitioner is advised to utilize its resources efficiently for the handling of an emergency.

iii. The petitioner has projected Rs. 18 Million for Construction of Customer Service Center at Regional Distribution Office Abbottabad including the construction of new car parking, however, the keeping in view the justification provided by the petitioner the Authority allows Rs. 9 Million for Customer Service Center at Regional Distribution Office Abbottabad subject actualization at the time of FRR.

iv. The company has projected Rs. 13 Million for construction of industrial Facilitation Center and upgradation of existing Customer Service Center at Regional Distribution Office Gujranwala, however, keeping view the justification provided by the petitioner, The Authority allows Rs. 6 Million for construction of industrial Facilitation Center and upgradation of existing Customer Service Center at Regional

Distribution Office Gujranwala subject to actualization at the time of FRR.

v. *Keeping view, the justification provided by the company, Rs. 15 Million has been allowed by the Authority for Laying of Upgraded / sewerage line, laying of tuff tiles, etc. at Regional Office Faisalabad*

vi. *Rs. 130 Million has been projected for the construction of Domestic Meter Inspection Shop (DMIS) at Faisalabad. It has been mentioned that the company is facing a shortage of space for Inspection and Flow Proving activity of the Domestic Meter Inspection Shop. However, it has been observed that in the presence already existing metering workshop at Faisalabad, the requirement of Domestic Meter Inspection Shop (DMIS) is not justified. In view of the foregoing, the Authority does not allow the projected amount of Rs. 130 Million for construction of DMIS.*

vii. *In view of the request of the company, Rs. 20 Million has been allowed by the Authority for other operational requirements i.e. construction / Civil work related to sheds, powerhouse, etc.*

(b) Construction of Regional Office Sahiwal:

5.2.5 The petitioner has projected Rs. 563 Million for construction of Regional Office Sahiwal to accommodate all the functions of a Regional Office stating that adequate office space is required, which is not available at the existing office premises. The company has further added that being a Public Interest Project with enhanced facilities to customer along with efficient operations of the Company, the Board of Directors in its 530th meeting held on 26.06.2019 has advised to request the Authority again for approval of the construction of regional office building at Sahiwal.

5.2.6 It is mentioned that the Authority in decision taken in Motion for Review against DRERR FY 2018-19 decided as follows at Para 6.6.

Para 6.6:

The Authority observed that the impact of cost for construction of Regional office Building is much higher than the rent paid by the Company, therefore, the Authority is of the view that the company may construct the Regional Office building from its profit, however, the amount incurred on the project will not be made part of rate of return.

5.2.7 The Authority, further observes that the petitioner has not provided any new submission, justification and analysis to substantiate its stance on construction of Regional Office at Sahiwal.

Decision:

5.2.8 In view of the above and the submission made by the company, the Authority disallows the cost of Rs. 563 Million for construction of Regional Office Sahiwal and further advises the Petitioner to review other options e.g leasing, renting etc.

5.2.9 The table below summarizes the Authority`s Decision:

Table 7: Addition to Buildings on Freehold Land Determined by the Authority:

Rs. In Million

[illegible]	Description	[illegible]	[illegible]
1	Regular Capital Expenditure	341	52
2	Regional Office Sahiwal	563	-
	Total:	904	52

5.3 Transmission Mains:

5.3.1 The petitioner has projected an amount of Rs. 3,737 million for Transmission Mains, the breakup of which is as under: -

Table 8: Addition to Transmission Mains:

Rs. in Million

[illegible]	Description	[illegible]
1	Construction of new SMS's	400
2	Rehabilitation of Transmission System/ Upgradation of SMS's	179
3	Cathodic Protection System (CP System)	424
4	Chardda-Khazana-Tangi Transmission Network System Augmentation	1,531
5	Infrastructure Development work of Rashakai Special Economic Zone (SEZ)	1,203
	Total:	3,737

(a) Construction of new SMS's

5.3.2 The petitioner has projected Rs. 400 million for construction of new SMS's and Modification/ upgradation of SMS's proposed for commissioning of gas supply to schemes against ongoing / new projects. Accordingly, the Company in FY 2020-21, will likely undertake construction/ upgradation of 10 Nos. Sales Meter Stations.

5.3.3 The petitioner has projected the budget of Rs. 400 million that would be required for approximately 10 Nos. new SMS's.

Decision:

5.3.4 *Keeping in view the past trend, the Authority allows Rs. 215 million under this head subject to actualization at the time of FRR.*

(b) Rehabilitation of Transmission System/Upgradation of SMS's:

***i.* Rehabilitation of Transmission Pipeline**

5.3.5 The petitioner has informed that amount is mainly required to carry out different maintenance activities at the existing Transmission Network for better protections. The amount of Rs. 70 Million has been requested to cater maintenance jobs such as sleeving, modifications, upgradations, etc. and to undertake rehabilitation of the Transmission System in the event of an emergency. The rest of the amount of Rs. 75 Million has been projected for the works that include the construction of retaining walls in flood areas, lowering, and fillings, etc. The petitioner has projected a total amount of Rs. 145 million.

***ii.* Up-gradation of SMS's**

5.3.6 The petitioner has informed that Upgradation of SMSs is entirely a separate/dedicated project of larger scope for complete upgradation of SMSs, to resolve the capacity constraints, in view of injection of RLNG supplies in the system and has also given reference of Management approval and subsequent principle budget approval of OGRA for Rs. 1349/- million for upgradation of 15 nos. SMSs in Phase-I. The petitioner has further added that the projected budget of Rs. 14 Million shall encompass operationally required minor modifications; such as replacement of obsolete Big Joe regulators with latest pressure control valves having better pressure controlling mechanism to avoid over pressurizing of the distribution network which will help in reducing the UFG losses of the company, likewise, replacement of less accurate flow measuring equipment with more precise AGA compliant equipment which will help in reducing the losses of Transmission System. As regards the requisite budget of Rs. 20 Million, it has been mentioned that it is required for the procurement of material and fitting/equipment for the modification of SMSs, to remove the bottlenecks at SMSs, augmentation/modification of SMSs, which arise during the year for system optimization/rehabilitation as per routine annual requirement/practice.

5.3.7 The petitioner has requested a total of Rs. 179 Million under the above heads.

Decision:

5.3.8 ***Keeping in view, the operational requirements of the Transmission network and justification provided by the petitioner, the Authority allows Rs. 110 Million for Rehabilitation of Transmission Network that includes Rs. 35 Million to cater maintenance jobs such as sleeving, modifications, upgradations, etc. and to undertake rehabilitation of Transmission System in the event of emergency and Rs. 75 Million for the works that include the construction of retaining walls in flood areas, lowering, and fillings, etc. Moreover, the Authority also allows Rs. 34 Million for Up-gradation of SMS's subject to actualization at the time of FRR. The total amount allowed for Rehabilitation of Transmission System/Upgradation of SMS' is Rs. 144 Million subject to actualization at the time of FRR.***

(c) Cathodic Protection System (CP System)

5.3.9 The petitioner has projected an amount of Rs 424 Million against this head. The amount has been projected for replacement of old network and system rehabilitation of the system for implementation of KMI-16.

5.3.10 It is apprised that that Cathodic protection is 24/7 maintenance and mitigation process of underground pipelines against corrosion and that the overall percentage protection of its distribution network is already low and that new lines are also being laid and connected with the existing network whereas, old coating is deteriorating.

5.3.11 The petitioner has informed that the per-unit cost of Construction / Renovation is variable and depends on many factors. However, it has substantially increased from last year due to increased material costs. The high currency exchange rate i.e. USD to PKR is directly affecting the material cost & budget requirements have increased accordingly. The average per-unit cost of construction of the new CP station is Rs. 2.5 - 2.7 Million.

Decision:

5.3.12 ***Keeping in view the above, the operational requirements, and the past trends, the Authority allows Rs. 216 million under this head subject to actualization at the time of FRR.***

(d) Charsada-Khazana-Tangi Transmission Network System Augmentation:

5.3.13 The petitioner has added that the Board of directors at its 543rd meeting held on 02.12.2019 has approved the project of Charsadda-Khazana-Tangi Transmission network system augmentation to counter low-pressure problems in Mardan and Peshawar regions. Moreover, the petitioner has further been added that the Company vides its letter No. RA-TAR-20-21 (P)-002 dated December 26, 2019, requested the Authority to grant principle approval of phase I of the said project at a capital cost of 1,530.642 million, and the same has also been made part of this petition.

5.3.14 The company has planned to undertake the following system augmentation loop lines in Phase-I of the Project:

1. 10" dia x 27.75 KM Charsadda Offtake (Gulabad)- Charsadda transmission loop line.
2. 10" dia x 20.80 KM Charsadda - Khazana transmission loop line.

5.3.15 The company has added that after completion of phase 1, the capacity of the existing Charsadda - Khazana segment shall be enhanced to 25 MMCFD making it coherent with the anticipated peak load requirement on this segment and shall also improve partial relief low pressure / no gas suffering consumers on these consumers on these segments.

5.3.16 The Company has accordingly projected Rs. 1531 Million for the phase-1 of the said project.

Decision

5.3.17 ***In view of the submission made by the company and considering the operational requirement i.e. to facilitate the end consumers and to improve the low-pressure problem in the vicinity, the Authority allows the projected amount of 1531 Million for Phase-I in principle subject to actualization at the time of FRR for the respective year.***

(e) Infrastructure Development work of Rashakai Special Economic Zone (SEZ):

5.3.18 The petitioner has projected Rs. 1,257 million for infrastructure Development work of Rashakai special economic zone (SEZ).

5.3.19 The petitioner has informed that the GOP is developing special economic zones (SEZ) to boost industrialization in the country. Govt. of KPK has identified Rashakai SEZ and developing this through KPK Economic Zones Development and Management Company (KPEZDMC) and is a part of CPEC.

5.3.20 KPEZDMC has identified gas requirement of 30 MMSCFD for this SEZ and GOP directed SNGPL to prepare plans for the supply of 30 MMSCFD Rashakai SEZ.

5.3.21 All infrastructure development works required to supply 30 MMSCFD gas / RLNG to Rashakai SEZ shall be undertaken on 100 % cost recovery basis from GOP except metering gadgets cost which shall be borne by SNGPL and will be entitled rate of return i.e. to undertake 16"dia x 29.2 KM pipeline infrastructure development works at a budget of **1,203 Million** (100 % cost recovery) and to procure and install metering gadgets for above referred SEC at Rs. 54 Million (Company resources).

5.3.22 The Authority in pursuance of Rule 20 (XVIII) of Natural Gas Licensing Rules 2002 while considering the request of the company and approved the instant project vide letter OGRA-9(537)/2019 dated 08th June 2020 for laying of the following pipeline and subject to the following conditions: -

a) 16" dia x 29.2 KM Pipeline Infrastructure Development Works at a budgeted cost of Rs. 1,203 Million for the supply of 30 MMCFD gas / RLNG to Rashakai SEZ undertaken on a 100% cost recovery basis from GOP and the company will not be entitled to the rate of return on this amount.

b) Installation of metering gadgets for the above referred SEZ at the total budgeted cost of Rs. 54 Million will be from the Company's resources and is being evaluated in the ERR 2020-21.

c) SNGPL shall be responsible to undertake the operation and maintenance activity of the said pipeline built on a 100 % cost recovery basis.

Table 9: Transmission Mains (Normal) Allowed by the Authority:

Rs. in Million

Sr.#	Description	The Petition	Allowed
1	Construction of new SMS's	400	215
2	Rehabilitation of Transmission System/ Upgradation of SMS's	179	144
3	Cathodic Protection System (CP System)	424	216
4	Chardda-Khazana-Tangi Transmission Network System Augmentation	1,531	-
5	Infrastructure Development work of Rashakai Special Economic Zone (SEZ)	1,203	-
	Total:	3,737	575

5.4 Compression:

5.4.1 The petitioner projected Rs. 2,140 million on account of compression during the said year as per the following details:

Table 10: Compression Equipment per the Petition

Rs. in Million

Sr. #	Description	The Petition
1	Compression Overhaul Project (2016-21) (Year-5)	473
2	Compressor Package Refurbishment (Centaur T-47)	1,667
	Total:	2,140

a. Compression Overhaul Project (2016-21) (Year-5):

5.4.2 The petitioner has stated that the Authority has already approved the plan for overhauling of the compressors spread over 05 years (2016-17 to 2020-21) with a projected cost of Rs. 2,064.64 million for overhauling of 22 No. turbine engines (Centaur & Saturn) vide its letter dated August 15, 2016. The amount of Rs. 473 million is part of the project to be incurred by the petitioner during the FY 2020-21.

5.4.3 This is the last trench of the 5 Years special Project of Overhauling of Compressor Packages (FY 2016-21), already approved by OGRA through its letter No. OGRA 9(422)-2016 dated:15-08-2016.

5.4.4 It is also mentioned here that works amounting to Rs. 788 Million is already pending with the petitioner since 2018-19 i.e. Rs. 365 Million from F.Y 2019-20 and Rs. 423 Million from F.Y 2018-19.

Decision:

5.4.5 Keeping in view the above, the Authority does not allow any upfront amount under this head , since the compressors overhaul project (2016-21) was earlier approved by the Authority with allowances in respective years. Therefore, any expense under the said project may be brought for capitalization at the time of FRR.

b. Compressor Package Refurbishment (Centaur T-47):

5.4.6 The petitioner has stated that Special Project has been approved by the BOD (544th meeting held on 30-12-2019), with a total capital outlay of Rs.1667 million for refurbishment/ upgradation of 9 No.(s) compressor packages from Original Equipment Manufacturer.

5.4.7 It has been mentioned that Compressor Stations are an integral part of the Gas Transmission network and play a vital role in the transmission of gas to the consumption centers at adequate pressures and gas flows. The company is operating 11 Nos. compressor stations along the transmission pipeline based on Centaur and Saturn compressor packages.

5.4.8 The total strength of compressor packages installed at these stations is 69 Nos. out of which 43 packages are of Centaur family, tabulated below with their production life span;

Sr.#	Model	Year of Installation	No.of Packages
1	Centaur T-40 & T-45	1975-90	20
2	Centaur T-47	1994-95	9
3	Centaur T-50	2003	5
4	Centaur T-47 with C-402	2009-2016	9

5.4.9 It has been stated that the package systems of Centaur-47 packages installed during 1994-95 have become obsolete and require up-gradation to new technologies through package refurbishment. Since the entire package systems are integrated and designed for use with installed control systems therefore the current obsolete control system restricts any package improvement due to incompatibility thus calls for more unreliable operation. The subject up-gradation shall facilitate package refurbishment and safety systems upgrade, which shall enhance the life of the entire package for 15-20 years of operation. These package refurbishment and safety system upgrades include;

1. Up-gradation of obsolete control system
2. Up-gradation of Fuel System
3. Installation of Anti-Surge Control System
4. Up-gradation of Turbine Start System
5. Up-gradation of Fire detection and control system
6. Up-gradation of package Instrumentation by replacing analogue gadgetries.

5.4.10 The objective of package refurbishment, using the latest technical advancements in turbo machinery and safety standards, is to ensure the safe and uninterrupted operation of 9 nos. Centaur compressor packages (T-47 model) as the OEM M/s Solar has shown their inability to provide product or system support for these obsolete systems. Therefore, it has become a mandatory obligation to upgrade & refurbish these 9 packages to enhance their useful life for another 15-20 years of operation. The Company has referred to the Board of Directors, 544th meeting held on 30-12-2019 wherein, a special project was approved with a total capital outlay of Rs. 1667 million for refurbishment/upgradation of 9 No.(s) compressor packages from Original Equipment Manufacturer (OEM M/s Solar.

5.4.11 The funds required for upgradation of 9 Nos. packages, in two phases, are given by the petitioner as per the following details;

	FY	Description	Amount (Million Rs)
PHASE-I	2019-20	Engineering &Procurement for 5 Packages.	757.222
	2020-21	Construction, Installation, &commissioning - 5 Packages	70.012
		Total Cost for 5 Nos. Packages	**827.234**
PHASE-II	2021-22	Engineering &Procurement for 4 Packages.	798.891
	2022-23	Construction, Installation, &commissioning - 4 Packages	40.633
		Total Cost for 4 Nos. Packages	**839.524**
		GRAND TOTAL (PHASE-I & II) - Million Rs.	**1666.758**

Decision

5.4.12 ***The petitioner has segregated the total projected amount of Rs. 1,667 million in two phases i.e. Rs. 827 million in Phase one and Rs, 840 million in phase II with the main objective is to ensure the safe and uninterrupted operation of 9 nos. Centaur compressor packages (T-47 model). The Authority observes that since works amounting to Rs. 788 Million is already pending with the***

petitioner since 2018-19 i.e. Rs. 365 Million from F.Y 2019-20 and Rs. 423 Million from F.Y 2018-19 w.r.t. Compression Overhaul Project, therefore in the presence of already pending work and non-provision of the break-up of the analysis, the justification provided by the company is not tangible for consideration of the projected amount. In view of the foregoing, the Authority disallows the projected amount under compression package refurbishment. Moreover, the Authority advises the petitioner to bring this project separately or at the time of next ERR for Authority's consideration and approval.

Table 11: Compression allowed by the Authority:

Rs. in Million

Sr. #	Description	The Petition	Allowed
1	Compression Overhaul Project (2016-21) (Year-5)	473	-
2	Compressor Package Refurbishment (Centaur T-47)	1,667	-
	Total:	**2,140**	-

5.5 Distribution Development:

5.5.1 The petitioner has projected an amount of Rs. 30,903 million for distribution mains, the breakup of which is as under:

Table 12: Distribution Development per the Petition

Rs. in Million

Sr. #	Description	The Petition
1	Laying of Distribution Mains (5905 Km)	21,560
2	Laying of Distribution Mains on Cost Sharing basis (250 Km)	857
3	System Rehabilitation	3,000
4	G.I Pipe and Fittings	422
5	KMI Implementation Plan (No. 14)	494
6	Service Lines Domestic (400,000)	3,881
7	Service Lines Industerial/commercial (Ring Fenced)	579
8	Laying of Distribution from SMS Rewat to Jinnah Ave.	110
	Total:	**30,903**

5.5.2 These assets are discussed in detail as under: -

i. **Laying of Distribution Mains, Combing Mains, Augmentation and Head Office Reserves**

5.5.3 The petitioner has projected Rs. 22,417 million for development of 6155 KMs distribution lines that include Rs. 857 Million for 250 KMs against cost recovery jobs. The breakup of 6155 KMs is given in the table below: -

Table 13:Breakup of Distribution Lines per the Petition

Head	Kms	Cost (Rs. in Millions)
Anticipated Scheme	5442	19575
Augmentation	130	1106
Combing Mains	300	779
Head Office Reserves	34	100
Cost Recovery Jobs	250	857
Total:	**6155**	**22417**

5.5.4 *The Authority keeping in view the trend analysis of cost per km over the past years and with no cut on kilometres of lines claimed by the petitioner or number of development schemes, allows Rs. 8771 million for 5442 Kms in respect of anticipated schemes, Rs. 210 million for 130 Kms in respect of System Augmentation, Rs. 484 million for Combing Mains (300 Kms) and Rs. 54 million w.r.t. Head Office Reserves (34 Kms) subject to actualization in the respective FRR.*

5.5.5 *However, the Authority apprises the FG that due to a continuous increase in the distribution network viz-a-viz depletion in the indigenous gas supplies/sales as mentioned by the petitioner in its Petition of ERR 2020-21, it will lead to increase in gas load shedding of domestic sector/consumers.*

ii. **Laying of Distribution Mains at Cost Sharing Basis**

5.5.6 The petitioner has projected Rs. 857 million under the head of laying of 250 Kilometers distribution mains of different diameters on cost-sharing basis.

5.5.7 *The Authority observes that the petitioner is not entitled to the rate of return on the said capitalization. The Authority, therefore, does not allow the amount of Rs. 857 million as projected by the Petitioner.*

iii. **System Rehabilitation**

5.5.8 The petitioner has projected an amount of Rs. 3000 million on account of Rehabilitation of Distribution System and stated that the amount is projected for replacement of old network and system rehabilitation of the system.

5.5.9 Further, OGRA has notified specific KMI 13 related to underground network replacement so the budget against this activity is essentially required.

5.5.10 *Keeping in view the trend analysis, the Authority allows Rs. 1,589 million under the head for system rehabilitation subject to actualization at the time of respective FRR.*

iv. G.I Pipe and Fittings

5.5.11 The petitioner has projected an amount of Rs. 422 million in this regard. The Authority is of the considered opinion that this direct cost should continue to be recovered/borne by the beneficiary/consumer. Therefore, the Authority disallows the claimed amount under the head as per its earlier decisions.

v. KMI Implementation Plan (KMI No. 14)

5.5.12 The petitioner has projected an amount of Rs. 494 million in respect of KMI No. 14 relating to Underground leakage identification and rectification.

5.5.13 It has been stated that this is the fourth tranche of the Special Budget proposed in the 5 Years KMI Implementation Plan. The amount is re-worked/revised, based on current requirements for the implementation of KMI-14

*5.5.14 **The Authority keeping in view the justification provided by the petitioner allows 50 % of the projected amount i.e. Rs. 247 Million subject to actualization at the time of FRR of the respective year.***

vi. Service lines for New Connections (Domestic and Ring Fenced)

5.5.15 The petitioner has projected Rs. 3,881 million for the provision of 400,000 new domestic Connections and Rs. 579 million for provision 5000 commercial and 450 Industrial connections (Under ring-fenced mechanism). The GOP vide its letter dated April 21, 2017, informed that the moratorium on new industrial and commercial connections may be relaxed enabling the Ministry of Energy to allocate RLNG volumes to these prospective consumers.

5.5.16 It has been stated that in ERR FY 2020-21, to cope-up with the pending applications for new connections, Company had proposed the installation of 400,000 domestic connections. The petitioner has mentioned that in DERR FY 2019-20, OGRA allowed the installation of 400,000 domestic connections but didn't consider the Company's request regarding compensation on UFG, etc. Foregoing to the above and keeping in view the pending applications for new connections, the installation of 400,000 domestic connections are being proposed in FY 2020-21.

5.5.17 *The Authority allows the projected amount of Rs. 579 million for 450 industrial and 5000 commercial connections and this amount is ring-fenced as per the policy of the GOP regarding RLNG/ECC decision.*

5.5.18 *Keeping in view the above position and trend analysis in the previous years along with per unit cost trend, the Authority allows Rs. 3,287 million for service lines for 400,000 new domestic connections (including 10% of the domestic connections on an urgent fee basis) under the head for FY 2020-21 subject to actualization at the time of respective FRR. The Authority also advises the petitioner to stagger the connections allowed by the Authority in a fair and equitable manner over a whole period of one year keeping in view the pendency in the respective region and also intimate the Authority the allocation with respect to each region.*

vii. Laying of Distribution from SMS Rewat to Jinnah Ave.

5.5.19 The petitioner has projected Rs. 110 Million against laying of Supply Main from Rewat to Jinnah Avenue.

5.5.20 It has been stated that the Board of Directors, in its 519th meeting held on 25.02.2019 had accorded approval to proceed with the laying of 16" dia × 28 Km supply main, from downstream of SMS Rawat to Jinnah Avenue near Centaurus, Islamabad, for the consumption of additional gas from Adhi Gas Field, at a budgeted cost of Rs. 588 million subject to OGRA approval. The OGRA, vide DERR FY 2019-20 has allowed 50% of the projected amount i.e. Rs. 294 million (Rupees two hundred ninety-four million) under the Head "System Augmentation" subject to actualization at the time of respective FRR. The authority has been requested that they may consider over and above expense at the time of FRR. The originally approved project amounting to Rs. 588 million (rupees five hundred eighty-eight million) is being financed through borrowed funds and recently BOD has accorded approval for borrowing Rs. 8455 million (Rupees eight billion four hundred fifty-five million), in the 542nd meeting held on 29-11-2019, which also includes this project. Management recommends that owing to liquidity constraints, the additional required budget of Rs. 110 million (Rupees one hundred ten million) in this project will also be financed through borrowed funds either through enhancing the borrowing facility for this project or through savings in borrowing of some other projects or through additional borrowings to this extent.

5.5.21 *The Authority observes that the reasons given by the Company are not prudent enough for consideration of the over and above the projected amount of Rs. 110 Million, therefore, the same is disallowed. The Authority may consider over and above expenses at the time of FRR.*

5.5.22 *In view of the above, the Authority allows the expenditure under Distribution Mains at Rs. 15,220 million as against Rs. 30,903 million as projected by the petitioner for the said year as per the Table given below: -*

Table 14: Distribution Development Allowed by the Authority:

Rs. in Million

Sr.#	Description	The Petition	Allowed
1	Laying of Distribution Mains (5905 Km)	21,560	9,518
2	Laying of Distribution Mains on Cost Sharing basis (250 Km)	857	-
3	System Rehabilitation	3,000	1,589
4	G.I Pipe and Fittings	422	-
5	KMI Implementation Plan (No. 14)	494	247
6	Service Lines Domestic (400,000)	3,881	3,287
7	Service Lines Industerial/commercial (Ring Fenced)	579	579
8	Laying of Distribution from SMS Rewat to Jinnah Ave.	110	-
	Total:	30,903	15,220

5.6 Measuring and Regulating Assets:

5.6.1 The petitioner has projected Rs. 6,445 million on account of addition under the head of Measuring and Regulating Assets.

5.6.2 The assets are discussed in detail as under: -

Table 15: Measuring and Regulating Assets claimed by the petitioner:

Rs. in Million

Sr.#	Description	Petition
1	New Domestic Connections including 10 % additional Urgent Fee Connections CMS (400,000)	2587
2	Construction of TBSs/DRSs	614
3	Replacement of Old Meters	2635
4	Industerial/ Commercial Connections CMS (Ring Fenced)	386
5	Installation of TBS on Operational Grounds	50
6	Installation / Replacement of DRS on Operational Ground	79
7	Pilot Project	40
8	Infrastructure Development work of Rashakai Special Economic Zone (SEZ)	54
	Total:	6445

5.7 Installation of New Connections

5.7.1 The petitioner has projected Rs. 2,587 million for 400,000 new domestic connections and Rs. 386 million for 450 industrial and 5000 commercial connections (under ring-fenced mechanism).

5.7.2 It has been stated that keeping in view the pending applications for new connections, installation of 400,000 domestic connections are being proposed in FY 2020-21.

5.7.3 The GOP vide its letter dated April 21, 2017, informed that the moratorium on new industrial and commercial connections may be relaxed enabling the Ministry of energy to allocate RLNG volumes to these prospective consumers.

5.7.4 *The Authority allows the projected amount of Rs. 386 million for 450 industrial and 5000 commercial connections and this amount is ring-fenced as per the policy of the GOP regarding RLNG/ECC decision.*

5.7.5 *Keeping in view the above position, the Authority allows 400,000 new domestic connections including (10% on the urgent fee basis of the domestic connections). The Demand Supply Position of the natural gas may be seen by the petitioner viz-a-viz its request. Based on the actual per-unit cost provided by the petitioner, Rs. 2,191 million is allowed by the Authority under the head for FY 2020-21 subject to actualization at the time of respective FRR.*

5.7.6 *The petitioner is also directed to strictly comply with the decision of the Supreme Court of Pakistan dated 1st March 2018, in Human Rights Case No. 6465-G of 2017, relating to the provision of new gas connection on a turn-merit basis in a fair, equitable and non-discriminatory manner keeping in view its capacity to undertake and complete the said jobs as well as the availability of gas. The Authority reiterates here that connections must be provided uniformly across its area of operation based on transparent set criteria for all regions and keeping in view the pendency in each region. Actual expenditure in this respect shall be assessed accordingly for allowance at the time of FRR.*

5.8 Construction of TBSs and DRSs

5.8.1 The Petitioner has informed that the budget for the installation of 325 Nos. new TBSs/DRS'S has been proposed against ongoing/new Government-funded schemes, cost-sharing schemes, and system augmentation, etc. The Petitioner has projected Rs. 614 million on account of TBSs/DRSs in its ERR Petition for FY 2020-21.

5.8.2 ***Keeping in view the operational requirement of the Petitioner, the past trend, and implementation of the KMI plan, the Authority allows Rs. 614 million as projected under the head for the said year***

5.9 Replacement of Old Meters

5.9.1 The petitioner has projected Rs. 2,635 million for the activity of meter replacement. It has been stated that the budget is essentially required for continuity of ongoing efforts of the company for ensuring measurement accuracy and detection of gas theft cases through replacement of suspected, tampered, defective, and schedule replacement meters. Moreover, OGRA has notified the ***Natural Gas Measurement Standards (Technical Standards) Regulations, 2019*** according to which, the company is required to comply with the revised criteria for Schedule Replacement of different categories of meters. Further OGRA has implemented the KMIs regime w.e.f. FY 2017-18 and advised 30 No KMIs, which also include the KMIs related to replacement of meters against defective, schedule category and minimum billed cases.

5.9.2 ***It is mentioned that the petitioner intends to replace 607,675 old/defective meters during FY 2020-21. Therefore, considering the importance of the UFG issue and the trend incurred in the previous years along with the cost per unit trend, the amount works out to be Rs. 2,256 Million which is allowed by the Authority under the head for the said year. However, the Authority expects that this exercise of replacement of meters shall lead to correct billing and there shall be a reduction in UFG as well this activity also relates to KMIs No. 6 to 12. The replacement of old meters may be verified at the time of FRR.***

5.10 TBS's & DRSs Installation on operational Ground

5.10.1 The petitioner has informed that an amount of Rs. 79 Million is proposed to meet the requirements of the replacement/modifications of the existing DRSs, which over time become obsolete and required maintenance and up-gradation. Usually, under this budget head/activity, components of the existing DRS are replaced/upgraded. Historically, expenditures against these activities made part/projected under routine TBS budgets. However, for better budgetary controls, the revenue requirements of the same are projected separately.

5.10.2 The petitioner has proposed 50 Million for installation of TBS under operational grounds, installed for the pressure optimization of the existing pipelines to supply the gas till the tail end.

5.10.3 ***Keeping in view the submissions made by the company, the Authority observes that the reason given by the petitioner is not prudent to allow separate amounts against TBS / DRS based on operational ground and therefore does not allow Rs. 79 Million w.r.t. DRS and Rs. 50 w.r.t. TBS Million as projected under the separate head.***

5.11 Special Project - Pilot Project of Installation of Digital Meters:

5.11.1 This is special/pilot project has been planned to undertake in view of the UFG Control activities. The Company has referred to the Board of Directors (BOD) meeting no 542nd held on November 29, 2019, whereby approval of 'Pilot Project of Pressure Compensated Digital Meters' has been granted.

5.11.2 It has been highlighted that the meters to be procured under this head will also have a feature of data storage and retrieval in addition to pressure compensation. However, there will be no change in terms of monthly reading and billing mechanism due to the compulsory requirement of meter image on the monthly bill.

5.11.3 It has been observed that the total number of 5000 pressure compensated digital meters shall be installed with an approximate cost of Rs. 8000 per meter with a total cost of 40 Million. The Authority considering the request of the petitioner allows 20 Million subject to actualization at the time of FRR for the respective year.

5.12 Infrastructure Development work of Rashakai Special Economic Zone (SEZ):

5.12.1 The petitioner has projected Rs. 1257 Million for infrastructure Development work of Rashakai special economic zone (SEZ).

5.12.2 The petitioner has informed that the GOP is developing special economic zones (SEZ) to boost industrialization in the country. Govt. of KPK has identified Rashakai SEZ and developing this through KPK Economic Zones Development and Management Company (KPEZDMC) and is a part of CPEC.

5.12.3 KPEZDMC has identified gas requirement of 30 MMSCFD for this SEZ. GOP directed SNGPL to prepare plans for the supply of 30 MMSCFD Rashakai SEZ.

5.12.4 All infrastructure development works required to supply 30 MMSCFD gas / RLNG to Rashakai SEZ shall be undertaken on 100 % cost recovery basis from GOP except metering gadgets cost which shall be borne by SNGPL and will be entitled to the rate of return i.e. to undertake 16 "dia x 29.2 KM pipeline infrastructure development works at a budget of 1203 Million (100 % cost recovery) and to procure and install metering gadgets for above referred SEC at Rs. 54 Million (Company resources).

5.12.5 The Authority in pursuance of Rule 20 (XVIII) of Natural Gas Licensing Rules 2002 while considering the request of the company and approved the instant project for laying of the following pipeline vide letter dated OGRA-9 (537)/2019 dated 08th June 2020.

5.12.6 *The Authority however allows in principle the amount of Rs 54 Million for metering gadgets for infrastructure Development work of Rashakai special economic zone (SEZ) subject to actualization at the time of FRR.*

5.12.7 *In view of the above, the Authority allows the expenditure under Measuring and Regulating Assets at Rs. 5,467 million as against Rs. 6,445 million as projected by the Petitioner for the said year as per the Table given below:*

Table 16: Measuring and Regulating Assets allowed:

Rs. in Million

Sr. #	Description	Petition	Allowed
1	New Domestic Connections including 10 % additional Urgent Fee Connections CMS (400,000)	2,587	2,191
2	Construction of TBSs/DRSs	614	614
3	Replacement of Old Meters	2,635	2,256
4	Industerial/ Commercial Connections CMS (Ring Fenced)	386	386
5	Installation of TBS on Operational Grounds	50	-
6	Installation / Replacement of DRS on Operational Grour	79	-
7	Pilot Project	40	20
8	Infrastructure Development work of Rashakai Special Economic Zone (SEZ)	54	-
	Total:	6,445	5,467

5.13 Machinery& Equipment and other Assets:

5.13.1 The petitioner has projected addition of Rs. 2153 million on account of "Plant, Machinery & Equipment and Other Assets" for the said year, break-up as follows:

Table 17: Detail of Additions to Plant, Machinery & Equipment, and Other Assets:

Rs. in Million

Sr. #	Description	The Petition
1	Telecommunication Equipment	29
2	Plant & Machinery	945
3	Tools & Equipment	27
4	Construction Equipment	317
5	Motor Vehicles	200
6	Furniture & Fixture	31
7	Office Equipment	76
8	Computer Hardware	411
9	Computer System Software / Intangible Assets)	117
	Total:	2,153

5.14 Telecommunication Equipment

5.14.1 The petitioner has projected Rs. 29 million on account of "Telecommunication Equipment" for the said year including video Conference Facilities at different Regional locations for better coordination. Further equipment is to be purchased for the up-gradation of the telecommunication facility.

5.14.2 *It may be mentioned here that last year the Authority allowed Rs. 29 million, under the same head.*

5.14.3 ***The Authority observes that an advanced and reliable telecommunication system is essential for effective control and security of distribution and transmission system, therefore, keeping in view the past trend, the Authority allows Rs. 29 million on this account for the said year as projected by the Petitioner subject to actualization at the time of FRR.***

5.15 Plant and Machinery

5.15.1 The petitioner has projected Rs. 945 million under the head Plant and Machinery. The petitioner has projected the amount for the purchase of different equipment like Fire Fighting Equipment, Metering Equipment, Survey Equipment, Power Plant Equipment, CP Equipment, etc. for Metering Workshop, CP department, P & D department and companywide requirements for Electrical Appliances, Power Plants, etc.

5.15.2 ***As per trend analysis, the average capitalization from 2013-14 to 2017-18 and keeping in view justifications advanced by the Petitioner and need assessment of the equipment required in day to day operations of the*** *petitioner and inflation over the years, Rs. 263 million is allowed by the Authority subject to actualization at the time of respective FRR.*

5.16 Tools and Equipment

5.16.1 The petitioner has projected Rs. 27 million on account of "Tools and Equipment" for the said year including Tool Kits and various loose tools.

5.16.2 *The Authority keeping in view the average capitalization for the last 5 years, allows Rs. 27 million subject to actualization in the respective FRR.*

5.17 Construction Equipment

5.17.1 The petitioner has projected an amount of Rs. 317 million for construction equipment and informed that different equipment is required to meet the operational requirements and a detailed list has been enclosed like Welding Plants, Excavator, Air Compressor, etc. to meet the operational requirement. The number of existing equipment is old, beyond economical repair, and that the expansion of network, operational and maintenance activities has also increased manifold, and the existing fleet of the equipment does not meet the requirement. Therefore, new equipment is essentially required.

5.17.2 *Moreover, under the subject head, the Authority has allowed sufficient amounts for purchase of the said equipment during the past years. However, keeping in view the actualization on an average basis in the last 5 years, the Authority allows Rs. 205 Million subject to actualization in the respective FRR.*

5.18 Motor Vehicles

5.18.1 The petitioner has projected Rs. 200 million on account of the purchase of motor vehicles. The projection has been made to meet the company wide operational requirement and for the replacement of old vehicles which has outlived its useful life and beyond economical repair. Moreover, to allocated vehicles to the executive staff (Grad-VII and above) as per company policy, are also provided through this budget.

5.18.2 *The trend shows that the petitioner has been able to capitalize on an average of Rs. 173 million during the past years. Based on the last trend and the average percentage capitalization made by the company in the previous years, the Authority allows Rs. 116 million under the head motor vehicles* *subject to actualization at the time of FRR. Any over and above expense may be considered by the Authority in the respective FRR. The Authority further advises the petitioner to review its policy for the replacement of old vehicles keeping in view their useful life in the future. The Authority also advised to prudently utilize the existing fleet before projecting the replacement of vehicles under this head.*

5.19 Furniture & Fixture

5.19.1 The petitioner has projected Rs. 31 million under the head of furniture & fixture. The petitioner has informed that the budget is required to meet the Companywide requirements, and projections are made, keeping in view the better utilization by its Civil Department.

5.19.2 *Keeping in view the past trends of actualization, Rs. 29 million is allowed by the Authority subject to actualization at the time of FRR.*

5.20 Office Equipment

5.20.1 The petitioner has projected Rs. 76 million on account "Office Equipment" for the said year and informed that Companywide Office Equipment is compiled by Finance Department at Head Office and the amount is required to meet the companywide requirement of Photocopy machines/Fax machines/Security Equipment like CCTV Camera/Walkthrough Gates/Metal Detectors etc.

5.20.2 *The petitioner has projected Rs. 52 Million under Regular Capex w.r.t. Office Equipment. It has been noted that the petitioner has been able to capitalize at an average of 35 % under the head from 2012-13 to 2017-18 whereas the average capitalization comes to Rs. 15 Million. Therefore, keeping in view past trends Rs. 26 million is allowed by the Authority subject to actualization at the time of FRR.*

5.20.3 *The company has projected an amount of Rs. 24 Million for Installation of Biometric Machines at Sub-Regional Office and provided the region-wise break-up for installation of the same. The Authority observes that the company has not provided a tangible reason to substantiate its claim and decides not to allow any upfront under this head. Moreover, it has also been observed that the biometric machines are already in place in various offices/regions of the company. The Authority accordingly disallows the amount projected for this project.*

5.21 Computer Hardware

(a) Regular Capex

5.21.1 The petitioner has projected an amount of Rs. 356 million for procurement miscellaneous computer-related equipment. It has been stated that Computer Hardware is centrally procured by IT/MIS department to meet the company-wide requirement and issued to respective users after having detailed need analysis of the requirement.

5.21.2 Various Departments have requested for IT Equipment as detailed below:

(i) New Requirement

PC/Workstations:	189
Laptop:	56
Printers:	148
Printers(Network):	29
Color Printer:	4
UPS 1KVA:	219
Scanners:	92

(ii) Against Scrap

PC/Workstations:	24
Printers:	9
UPS 1KVA:	8
Scanners:	4

5.21.3 ***In view of the position as explained above and as per the past trends the Authority allows Rs. 238 million under the head subject to actualization at the time of FRR. The Authority further advised the Petitioner to review its policy for the replacement of computer hardware keeping in view its useful life in the future. The Authority also advised the Petitioner to prudently utilize the existing computer hardware before projecting the replacement under this head.***

(b) Pilot Project Digital Meters:

5.21.4 This is special/pilot project has been planned to undertake in view of the UFG Control activities. The Company has referred to the Board of Directors (BOD) meeting no 542nd held on November 29, 2019, whereby approval of 'Pilot Project of Pressure Compensated Digital Meters' has been granted.

5.21.5 The petitioner has projected this amount of Rs. 1.48 Million against 5 Nos desktop, 2 Nos printers, and 5 Nos laptops.

5.21.6 *In view of the above, the Authority allows 50% of the projected amount i.e. Rs. 0.74 Million subject to actualization at the time of FRR.*

(c) Installation of Biometric Machines at Sub-Regional Offices

5.21.7 The Petitioner has stated that the management of the company is committed to introduce and install a biometric system of attendance in sub-regional offices as well. The company has projected an amount of Rs. 19 Million under this head and provided the region-wise break-up for installation of the same.

5.21.8 *The Authority observes that the company has not provided a tangible reason to substantiate its claim and decides not to allow any upfront under this head. Moreover, it has also been observed that the biometric machines are already in place in various offices/regions of the company. The Authority accordingly disallows the projected amount for this project.*

(d) IT Equipment for New Executives

5.21.9 The petitioner has projected Rs. 35 million in ERR FY 2020-21, to meet the requirements of New Appointed Executives (260 numbers). The company will arrange 60 numbers of PCs from the existing Stock/Budgets.

5.21.10 *The company has not given any justification to substantiate its claim. In view of the same, the Authority does not consider the request of the petitioner and disallows the projected amount.*

5.22 Computer System Software / Intangible Assets

5.22.1 The petitioner has projected Rs. 117 million under this head. The Petitioner informed that mainly the budget is required to meet the operational requirements to purchase the license/ software etc. Outsourcing of electronic archiving of sales records.

5.22.2 *Keeping on view the justification provided by the Petitioner the Authority allows Rs. 58 million required to purchase license/ software, which is mainly required for operational purposes only subject to actualization at the time of FRR.*

5.22.3 *In view of the above,* **the** *Authority allows addition in assets on account of Plant, Machinery, and other assets at Rs. 993 million as against Rs. 2,153 million as projected by the Petitioner for the said year, as under:*

Table 18: Detail of Additions under Plant & Machinery:

Rs. in Million

Sr.#	Description	The Petition	Allowed
1	Telecommunication Equipment	29	29
2	Plant & Machinery	945	263
3	Tools & Equipment	27	27
4	Construction Equipment	317	205
5	Motor Vehicles	200	116
6	Furniture & Fixture	31	29
7	Office Equipment	76	26
8	Computer Hardware	411	239
9	Computer System Software / Intangible Assets)	117	58
	Total:	2,153	993

5.23 LPG Air Mix Plant

5.23.1 The petitioner has projected the following projections in terms of LPG Air Mix facilities.

LPG Air Mix Plants Additions for FY 2020-21					
Description	Chitral	Ayun	Drosh	Gilgit	Total
TOTAL (Rs. Million)	566.612	447.737	466.73	353	1834.08

5.23.2 The petitioner has referred to ECC decision mentioning that ECC accorded approval for installation of LPG Air mix plants at Chitral and Ayun in its meetings held on 31.10.2016 and accorded approval for Drosh in its meeting held on 17.08.2017.

5.23.3 The total number of consumers w.r.t. each LPG Air Mix plants are given as under:

Sr #	Locality	Consumers
1	**Chitral**	6,300
2	Ayun	2,000
3	Drosh	3,500

5.23.4 It is mentioned that the Authority in its decision of Motion for review against DERR FY 2019-20 dated 03.10.2019 has allowed the 50% of capital cost amounting to Rs. 454 million in the rate base for the project of installation of LPG Air Mix plant at Gilgit.

5.23.5 The Authority further observes that licence w.r.t. Chitral site is under process whereas, Construction Licences for LPG Air Mix sites at Ayun and Drosh have been granted by the Authority.

5.23.6 Moreover, the ECC of the Cabinet in its meeting held on 26th March 2020 in Case No. ECC-98/12/2020 and decided as follows:

"The Economic Coordination Committee of the Cabinet considered the Summary dated 18th March 2020, submitted by the Petroleum Division regarding Execution of ECC-Approved Liquefied Petroleum Gas (LPG) Air Mix Supply Projects by Sui Companies and decided to shelve installation of all LPG Air Mix Plants (approved earlier by the ECC), on which work has not been started as yet excluding two already commissioned LPG Air Mix Plants at Awaran and Bella and a plant near completion at Gilgit."

5.23.7 ***It has been observed that the petitioner has not provided the previous capitalization details with respect to LPG Air Mix facilities. The Authority in its decision of Motion for review against DERR FY 2019-20 dated 03.10.2019 has allowed the 50% of capital cost amounting to Rs. 454 million in the rate base for the project of installation of LPG Air Mix plant at Gilgit. In view of the foregoing and keeping in view, the above decision of ECC, the Authority, does not allow any amount under this head.***

5.24 Revalidation

5.24.1 The petitioner has added that in compliance of the direction of the Authority, the following is the summary of budgets, being submitted to the Authority for revalidation in FY 2020-21. The figures are estimated and prepared by accounting for capitalization actualized up to FY 2018-19 and capitalization projected for FY 2019-20 based on targets as well as physical progress communicated by different executing departments. Owing to this very reason, the provided figures may vary upon actualization of capitalization at the close of FY 2019-20, which will be reported/apprised to the Authority at the time of FRR 2019-20.

Description	Amount (Million Rs)
Special Projects (Transmission/Distribution)	16,663
Distribution Development	28,266
Regular Capital Expenditure	3,249
Total:	**48,178**

5.24.2 Following is the brief reasons for the delays in completion/capitalization of capital works/budgets, related to Transmission and Distribution Development activities and carried forward to next fiscal year owing to the following reasons;

5.24.3 The Company has a certain capacity to lay distribution network during each year. If the job numbers/distribution network approved during certain year is beyond the laying capacity of the Company, the same is carried forward to next year and pending work is completed accordingly.

5.24.4 During the last three years, a huge quantum of development work has been approved. Keeping in view the quantum of work, the company has also increased its laying capacity and outcome has increased significantly

5.24.5 After increasing laying capacity, the Company also completed previous years pending jobs along with newly approved jobs but still, the number of jobs have been carried forward to next year due to certain reasons.

5.24.6 The non-availability of requisite material like line pipe, fittings, coating material, etc. in required quantities was a major reason in the non-completion of jobs during the same fiscal year. Some of the critical items involved in pipeline laying like Valves, Flanges, Service Tees, Elbows, etc. came from international suppliers and the lead time of these items is around one year. The all above items are an essential part of pipeline laying and delay in any one item contributes to delay in completion of the whole project.

5.24.7 Moreover, TBS installation is essentially required for the commissioning of a newly laid network. Most of the material involved in TBS came from international suppliers and due to the above-mentioned reasons, TBS installation is sometimes delayed along with distribution network commissioning.

5.24.8 The involvement of NOC from other government agencies, like Railway, NHA, irrigation, TMA, etc. for laying of a pipeline is a major factor in the delay of some jobs.

5.24.9 Some jobs are stopped by locals due to political or other disputes at the site. These jobs remain pending for a long time unless the dispute is resolved.

5.24.10 Sometimes, work on certain jobs is stopped due to stay order from Court.

5.24.11 Sometimes many jobs are approved at the end of the fiscal year i.e. in May and June, keeping in view the availability of budget. The work on these jobs cannot be completed during the same year, therefore, they are carried forward to next year.

5.24.12 The projects are executed in phases. First of all, the supply main is laid, then distribution network and then TBS. The delay in any step will result in a delay in the subsequent step.

5.24.13 The Laying and commissioning of a network in any locality are not carried out simultaneously rather it is a stepwise procedure. It is important to note that commissioning involves different steps including crossings, tie-ins, installation of service tees of different sizes and TBSs, testing of network, and rectification. All these activities are time-consuming for which significant time is required. Therefore, it is not essential that after completion of laying works in any locality, 100 % commissioning is achieved in the same financial year, especially, the network which is laid at the end of the financial year.

5.24.14 The above are some major reasons which contribute to the delay of laying/commissioning of distribution network but on-site reasons are not limited to above and may include many other which may vary from site to site.

5.24.15 It may be mentioned here that the petitioner has not made part of the budgets approved by the Authority in the previous DERRs for revalidation by the Authority in ERR FY 2020-21, therefore, the Authority directs the Petitioner to bring such budgets in future for revalidation at ERR stage only for revalidation by the Authority keeping in view the Petitioner's overall capacity to undertake the development works, otherwise, in future, the Authority will only allow capitalization at FRR stage pertaining to respective DERR. The concept of seeking one-time revalidation/re-approval of the Authority for old/incomplete assets for a number of years especially when such budget amount had been allowed by the Authority in the rate base of each said year and received by the petitioner is not tenable/justified.

5.25 Summary of Assets Determined:

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

Table 19: Summary of Asset Addition Allowed by the Authority

Rs. in Million

Sr.	Particulars	Petition FY 2020-21			Determined FY 2020-21		
		RLNG	Normal	Total	RLNG	Normal	Total
1	Building on Free Hold land		904	904	-	52	52
2	Transmission Mains	1,203	2,534	3,737	-	575	575
3	Compression	-	2,140	2,140	-	-	-
4	Distribution Mains	579	30,324	30,903	579	14,641	15,220
5	Measuring and Regulating	440	6,005	6,445	386	5,081	5,467
	Sub Total	**2,222**	**41,906**	**44,128**	**965**	**20,349**	**21,314**
6	Telecommunication Equipment		29	29	-	29	29
7	Plant & Machinery		945	945	-	263	263
8	Tools & Equipment		27	27	-	27	27
9	Construction Equipment		317	317	-	205	205
10	Motor Vehicles		200	200	-	116	116
11	Furniture & Fixture		31	31	-	29	29
12	Office Equipment		76	76	-	26	26
13	Computer Hardware		411	411	-	239	239
14	Computer System Software / Intangible Assets		117	117	-	58	58
	Sub Total:	**-**	**2,153**	**2,153**	**-**	**993**	**993**
	Grand Total:	**2,222**	**44,059**	**46,281**	**965**	**21,342**	**22,306**
15	LPG Air Mix		1,834	1,834	-	-	-
	Total:	**2,222**	**45,893**	**48,115**	**965**	**21,342**	**22,306**

5.25.2 *As a consequence of adjustment on account of addition in assets for the said year, the depreciation expense claimed by the petitioner comes down to Rs. 22,845 million.* The Authority further directs the petitioner to submit its proposal on the basis of useful lives of capital assets in line with its sister utility while complying the FG directions in the matter within one month of the issuance of this Order, failing which the Authority shall act on its own and fixing the economic life of the assets at a reasonable level on the basis of rationale and justification.

5.25.3 *In view of the above, the Authority provisionally determines the closing net operating fixed assets for the said year at Rs. 148,084 million.*

6. Operating Revenues

i. Number of consumers

6.1. The petitioner has projected an increase in the number of consumers from 707,451,010 per DERR FY 2019-20 to 707,856,460 for the said year, as follows:

Table 20: Comparison of Projected Number of Consumers with Previous Years

Description	DERR FY 2019-20	Addition	The Petition
Domestic	707,369,331	400,000	707,769,331
Commercial	73,854	5,000	78,854
Industrial	7,825	450	8,275
	707,451,010	405,450	707,856,460

6.2. *The Authority accepts the petitioner's projections and allows the same for the said year.*

ii. Sales Volume

6.3. The petitioner has submitted that sale volume for the said year has been projected at 323,070 BBTU as against 366,060 BBTU in RERR FY 2019-20. Category-wise comparison with previous years has been provided as under:

Table 21: Comparison of Projected Gas Sales Volume with Previous Years

BBTU

Category	FY 2017-18 FRR	FY 2018-19 Actual	FY 2019-20 RERR	FY 2020-21 The Petition	Incr/Decr over RERR	
CNG	27,459	27,015	25,548	24,396	(1,152)	-5%
Power including IPPs	39,644	41,405	40,030	36,921	(3,109)	-8%
Commercial	20,601	18,409	20,096	18,030	(2,066)	-10%
Domestic	171,660	205,102	178,039	145,585	(32,454)	-18%
Gen. Industry	29,768	17,699	25,616	16,390	(9,226)	-36%
Zero Rated		16,463	29,225	14,986	(14,239)	-49%
Bulk Domestic	13,812	13,953	13,684	13,983	299	2%
Fertiizer (Fuel & Feed)	32,011	33,800	31,336	33,734	2,398	8%
Cement	191	142	647	1,209	562	87%
Sp. Commercial	353	1,087	695	2,383	1,688	243%
Captive Power	33,303	16,237	1,144	15,454	14,310	1251%
Grand Total	**368,802**	**391,312**	**366,060**	**323,070**	(42,990)	-12%

6.4. The petitioner has explained that gas sales volumes have been envisaged based on production projections by E&P companies. Gas sales volume to the "power sector" is projected to decrease owing to the reduction of supply from the dedicated gas field. Regarding domestic sales volume, the petitioner has informed that it has projected the volumes considering gas availability and annual average slab-wise actual monthly data for FY 2018-19. Further, allocation to the rest of the gas sector has been made per GOP policy keeping in view the natural gas supplies.

6.5. *In view of the above justification, the Authority accepts the petitioner's projections and determines the gas sale volumes at 323,070 BBTU for the said year.*

6.6. The Authority further observes that the petitioner, during winters, is diverting RLNG in the system gas to meet the demand of its consumers, particularly the domestic consumers in pursuance of the Government's directions. The recovery of the actual cost of service from such consumers is far less. Resultantly, the unmet revenue shortfall in respect of RLNG is persistently piling up. The Authority is of the firm view that it has been determining RLNG price under PL Ordnance, 1961 per the policy guidelines issued by the Government of Pakistan, which list down costs components/parameters, the aggregate of the sum form RLNG price. Moreover, load management including diversions in respect of natural gas or RLNG is a policy issue, decided by FG considering its sectoral priorities and socio-economic agendas. The Authority has also conveyed its viewpoint that FG, to end the existing backlog, disburse direct subsidy to the petitioner in respect of the cost of diversion subject to the condition that audit of entire RLNG supply chain is carried out to ascertain the actual quantum of recovery owing to diversions. The Authority further emphasizes that matter in respect of amendment in the Ordinance be carried out at the earliest so that no such impact arises in the future.

iii. Sales Revenue at Existing Prescribed Prices

6.7. The petitioner has projected sales revenue for the said year, at prescribed prices determined by the Authority for FY 2019-20, to decrease by 6%, from Rs. 228,764 million from RERR FY 2019-20 to Rs. 214,599 million. Category-wise comparison of sales revenue is given below:

Table 22: Comparison of Projected Sales Revenue with Previous Years:

Rs. in Million

Category	FY 2017-18 FRR	FY 2018-19 Actual	FY 2019-20 RERR	FY 2020-21 The Petition	Incr/Decr over RERR	
CNG	19,235	24,519	32,790	31,300	(1,490)	-5%
Power including IPPs	18,974	29,716	39,329	36,910	(2,419)	-6%
Commercial	14,749	16,888	25,836	23,132	(2,704)	-10%
Domestic	35,302	55,434	59,824	54,028	(5,796)	-10%
Gen. Industry	18,025	12,635	26,166	16,735	(9,431)	-36%
Zero Rated	-	9,891	22,969	11,779	(11,190)	-49%
Bulk Domestic	8,374	10,483	10,701	10,907	206	2%
Fertilizer (Fuel & Feed)	5,171	5,584	8,501	10,820	2,319	27%
Cement	145	127	827	1,544	717	87%
Sp. Commercial	244	769	657	1,666	1,009	154%
Captive Power	19,688	10,349	1,164	15,778	14,614	1255%
Grand Total:	**139,907**	**176,395**	**228,764**	**214,599**	**(14,165)**	**-6%**

6.8. The petitioner has explained that sales revenue in respect of various categories of consumers is in accordance with the projected sales volume. The petitioner has further elaborated that the overall decrease in sales revenue is due to a decrease in sales volume and the change in sales mix.

6.9. ***In view of the above, the Authority accepts the petitioners' projections under this head at Rs. 214,599 million for the said year.***

iv. ***Other Operating Income***

6.10. The petitioner has projected "other operating income" at Rs. 17,915 million during the said year as against Rs. 15,392 million provided in RERR for FY 2019-20, showing an increase of 16%. Comparison with previous years is given below:

Table 23: Comparison of Projected Other Operating Income with Previous Years:

Rs. In Million

Description	FY 2017-18 FRR	FY 2018-19 Actual	FY 2019-20 RERR	FY 2020-21 The Petition	Incr/Decr over RERR	
Meter rental and service charges	2,175	2,022	2,391	2,166	(225)	-9%
Late payment surcharge and interest on arrears	5,859	9,393	6,445	10,332	3,887	60%
Amorization of deffered credit	3,746	1,625	3,512	3,695	183	5%
Other operating income	1,356	1,447	3,044	1,722	(1,322)	-43%
Diversion of domestic gas impact	4,145	-	-	-	-	0%
Net Operating Revenues	**17,281**	**14,487**	**15,392**	**17,915**	**2,523**	16%

6.11. The Authority observes that the petitioner is projecting an increase in no. of customers and on the contrary 9% decrease in respect of meter rentals has been envisaged. The Authority considering the increase in the number of customers determines meter rental and service charges at Rs. 2,391 million i.e. at the level of RERR for FY 2019-20. The Authority observes that the petitioner has reasonably projected the rest of items under the head "other operating income". ***In view of the same, the Authority provisionally determines the same at Rs. 18,170 million for the said year.***

7. Operating Expenses

i. Cost of Gas Sold

7.1. The petitioner has projected the cost of gas sold for the said year at Rs. 163,047 million, based on projected purchased volume and projections of international prices of crude and HSFO.

7.2. The petitioner has adopted the following assumptions for computation of its cost of gas sold as ECC of the Cabinet in its decision of meeting held on May 17, 2018, had held the WACOG in abeyance:

Table 24: SNGPL's WACOG Parameters

Period of Avg. prices of Oil	Average C&F price		Exchange Rate
	Crude Oil	HSFO	
	US$/BBL	US$/M.TON	Rs./US$
December, 2019 to May, 2020	47.22	303	170
June, 2020 to November, 2020	35	280	170

7.3. The well-head gas prices on the basis of which 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. 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.

7.4. The Authority, keeping in view the current trend of international oil prices and US $ exchange rate and other related factors, revised parameters for computation of cost of gas at the petitioner system is as below;

Table 25: Revised parameters:

Period of Avg. prices of Oil	Average C&F price		Exchange Rate
	Crude Oil	HSFO	
	US$/BBL	US$/M.TON	Rs./US$
December, 2019 to May, 2020	46.2487	218.7801	168
June, 2020 to November, 2020	35.0000	256.7101	170

7.5. ***Based on the above, the cost of gas is provisionally determined at Rs. 162,356 million (Rs. 446.31/MMCF the petitioner's respective WACOG) for the said year.*** The petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2020, 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 2020 and the trend of Rupee-Dollar exchange rate.

ii. **Gas Internally Consumed (GIC)**

7.6. The petitioner has claimed the GIC for the said year at Rs. 1,305 million.

Table 26: GIC Volume Claimed in the Petition:

Particulars	MMCF	GCV	MMBTU	Avg. cost price	M/Rs.
Transmission System					
Compressors	3,065	940	2,881,891	453	1,304.57
Coating Plant	100	940	94,308	453	42.691
Residential Colonies	74	940	69,349	453	31.393
Sub total	3,239		3,045,547		1,378.65
Distribution System					
Free Gas Facility	535	940	502,939	453	227.669
Co-Generation	95	940	89,281	453	40.415
Sub total	630		592,220		268.085
GIC Indigenous	3,869		3,637,767		1,646.74
			GIC as per Petition		1,304.57

7.7. The petitioner has stated that the Volume of Coating Plant, Residential Colonies, Free Gas Facility, and Co-Gen is projected at the level of FY 2018-19. Moreover, GIC relevant to the operations of compressors has been taken under the head of GIC. The gas consumed on account of free gas facility, residential colonies, co-generation, and coating plant has been booked under the relevant heads, i.e. HR cost and fuel and power.

7.8. The petitioner has submitted that 100 MMCF on account of 'Coating plant' and 74 MMCF deduced from the 'Residential Colonies' and 535 MMCF from 'Free gas facilities', has been allocated to the capitalization for the said year.

Table 27: GIC Volume Claimed in the Petition vs Determined

Description	FRR 2016-17		FRR 2017-18		FY 2020-21 The Petition		FY 2020-21 Determined by	
	RLNG	System	RLNG	System	RLNG	System	RLNG	System
Compression (metered) System		2,853		2,265		3,065		3,065
Compression (metered) RLNG	2,109		3,136		4,774		4,583	
Distribution (metered)		989		1,147				
Free Gas Facility						535		535
Coating Plant						100		100
Residential Colonies						74		74
Co-Generation						95		95
Total	**2,109**	**3,842**	**3,136**	**3,412**	**4,774**	**3,869**	**4,583**	**3,869**
COMPRESSION DETAILS								
Volume of gas handled/ Compressed (MMCF)	179701	500,605	277,411	458,291	397,839	386,911	397,839	386,911
GIC (MMCF)	2,109	3,842	3,136	3,412	4,774	3,869	4,583	3869
Volume of gas handled /Compressed Per GIC	85	130	88	134	83	100	87	100
GIC (%)	**1.17**	**0.77**	**1.13**	**0.74**	**1.20**	**1.00**	**1.15**	**1.00**

7.9. Based on the historical trend of capitalization for the past two years i.e. FY 2016-17 and FY 2017-18, the Authority provisionally accepts the Petitioner's GIC projection for the said year regarding indigenous gas. In the case of RLNG, it is taken at 4,583 MMCF against 4,774 MMCF by the petitioner subject to actualization at the time of respective FRR.

7.10. *In view of the above, the Authority, taking into account the revised cost of gas at the petitioner's system, determines the GIC at Rs. 1,288 million for the said year.*

iii. UFG Adjustment

Table 28: UFG Sheet

Particulars	MMCF Natural Gas (Normal		MMCF RLNG Business	
Gas Purchases	**As per Petition 2020-21**	**Determined by the Authority**	**As Per Petition 2020-21**	***Determined by the Authority**
Metered gas purchased	386,911	386,911	402,860	402,860
Retainage Allowed			3,021	3,021
Less RLNG Volume for Sale				
Less RLNG Carried for Third Party				
Energy Equilance			-	
Gas Available for Sale	386,911	386,911	399,839	399,839
Gas Internally Consumed (Metered)				
Transmission	3,239	3,239	6773	4,583
Distribution	630	630		
Compression				
Total GIC	**3,869**	**3,869**	**6,773**	**4,583**
Net Gas Available for Sale	383,042	383,042	393,065	395,255
Gas Sold (Billed)	343,616	343,616	379,583	379,583
Total Sales	343,616	343,616	379,583	379,583
UFG Volume	39,426	39,426	13,482	15,672
UFG %	10.19	10.19	3.43	
Working disallowance for SNGPL				
Metered gas purchased		386,911		
UFG Benchmark (Percentage)		5%		
Local Conditions Allowance Percentage (Provisional)		1.30%		
Allowed UFG Percentage		6.30%		
Allowed UFG Volume (MMCF)		24,375		
Disallowance (MMCF)		15,051		

* Subject to technical Audit

7.11. The petitioner has taken GIC volume mentioned in the RLNG business as 6773 MMCF in UFG sheet and has included both the GIC of SSGC network (1999 MMCF) and SNGPL Network (4774 MMCF). However, the Authority while determination has taken into account the GIC volume with respect to only SNGPL system only.

7.12. ***In view of the above, the Authority provisionally allows UFG adjustment at Rs. 7,041 million (Rs. 467.83/MMCF at national WACOG) for the said year.***

iv. Response to Interventions

7.13. Mr. Muhammad Aslam Chaudhry from Lahore, one of the interveners vide its various correspondences has shown his concerns over the capital expenditure/projections made by SNGPL w.r.t. the Transmission lines and Distribution keeping in view the economic viability and further adding that the existing network is sufficient to meet the new consumer target. Moreover, reservations have also been shown over various heads/projections in the petition such as GIC, UFG and capital expenditure for establishment of regional office Sahiwal alongwith additional budget for laying of supply main from Islamabad to Rawat.

7.14. All Pakistan CNG Association vide its letter dated 15.06.2020 has given reference of prevailing crises and highlighted the issues of Cost of Gas, UFG and rate of Return. The Association categorically has added that Ministry of Energy vide its letter to Gas utilities has also desired for reduction in the UFG benchmarks. Moreover, it has also been stated that UFG should be lowered down and eliminated to reduce the gas prices of all the sector and save money from extra financial burden in the covid-19 situation particularly.

7.15. Mr. Mehboob Elahi through his email has also shown his concerns over the exceeding UFG benchmarks and on useful economic lives of transmission and pipelines the company.

7.16. It is apprised OGRA is obligated to determine the total revenue requirement of the licensee under Section 8(1) of the Ordinance for a particular year after going through the due process of law. This primarily involves scrutiny of the petition, in depth analysis of the estimates, examination of operating and capital items, issuance of the notices to receive the valuable input/comments of all stakeholders, the opportunity of public hearing and then determination of the total revenue requirement as per mandate under the legal framework. Accordingly, the Authority decision surely strikes a balance among the divergent interests of all stakeholders.

7.17. The Authority observes that the interveners have mainly highlighted various operational and service issues being faced by them. Moreover, the interveners have also referred to various expenses projected by the petitioner in the petition such as laying of lines, establishment of regional office, impact of UFG etc. that ultimately will affect the end consumers.

7.18. It is mentioned that OGRA being a regulator is obligated to safeguard public interest and to ensure compliance of the petitioner to performance and service standard as advised by it from time to time. Moreover, as mentioned above, the petition of revenue requirement is done with thorough in-depth analyses and keeping in view the impact of the same on the end consumers. It is pertinent to mention that, UFG Control is the responsibility of the petitioner, which is a licensee of OGRA and is custodian of its Transmission and Distribution Network. Regarding control of UFG and measures taken by the Authority, it is mentioned that the Authority successfully concluded the UFG Study through a reputable firm i.e. KPMG and it, vide its letter No. OGRA-9(472)/2018 dated

February 28, 2018, sent the Key Monitoring Indicators (KMI's) to the petitioner for implementation to reduce UFG losses.

7.19. The Authority has carefully considered all the submissions and arguments of the parties made in writing and at the public hearings. Interveners' comments are mostly pertaining to increase demanded in various head of expenditures. The same have been considered while making the decision in the relevant part of this determination. The policy related issues shall be referred for the attention of the FG.

v. Transmission and Distribution Cost

7.20. The petitioner has projected a 5% increase in Transmission and Distribution (T&D) cost, from Rs. 25,962 million determined by the Authority for FY 2019-20 to Rs. 27,250 million for the said year, as detailed below:

Table 29: Comparison of Projected T & D Cost with Previous Years

Rs. in million

Particulars	FY 2017-18	FY 2018-19		FY 2019-20	FY 2020-21	Incr/ (Dec) over DERR FY 2019-20	
	FRR	RERR	Actuals	DERR	The Petition	Rs.	%
Human Resource Cost	14,961	15,206	18,842	16,922	18,726	1,804	11
Stores and Spares Consumed	774	764	719	892	800	(92)	(10)
Repair and Maintenance	1,341	1,215	1,353	1,580	1,500	(80)	(5)
Fuel and Power	350	285	429	356	452	96	27
Stationery, Telegram and Postage	154	130	160	204	200	(4)	(2)
Dispatch of gas bills	123	110	124	140	150	10	7
Rent, Rate, Electricity and Telephone	480	572	703	516	850	334	65
Traveling	150	163	194	163	200	37	23
Transport expenses	897	810	1,008	810	1,000	190	23
Insurance	246	235	221	235	270	35	15
Legal and Professional Services	227	190	292	203	345	142	70
Consultation for ISO 14001 & OHSAS 18000	4	8	5	5	5	-	-
Gas bills collection charges	472	460	460	540	600	60	11
Gathering charges of gas bills collection data	45	50	50	55	67	12	22
OGRA fee	217	256	254	291	432	141	48
Advertisement & publicity	189	180	246	198	258	60	30
Bank Charges	7	19	8	12	11	(1)	(8)
Uniforms & protective clothing's	89	38	49	43	100	57	133
Staff training and recruiting	11	12	21	12	28	16	133
Security expenses	907	798	898	1,000	1,500	500	50
Sui Northern Gas Training Institute	20	17	17	25	26	1	4
Provision for doubtful debts	-	1,584	1,506	1,539	1,693	154	10
Sponsorship of chairs at University	10	10	8	10	10	0	0
Executive Development programme	28	30	23	30	30	-	-
KMI Implementation Plan FY 2020-21 (UFG Control Activities)	765	708	994	-	1,271	1,271	-
Out Sourcing of call centre complaints management	27	24	23	-	41	41	-
Cost of Gas Blown off	173	-	161	-	-	-	-
Contribution to ISGSL	15	-	-		-	-	-
Sports Cell	48	88	71	48	80	32	67
Annual Sports/Cricket Expenses	40	40	49	40	10	(30)	(75)
Corporate Social Responsibility	11	11	23	10	20	10	100
Facilities provided by other companies	10	7	13	-	32	32	#DIV/0!
Board Meetings and Directors expenses	29	55	57	29	82	53	183
Construction Equipment Operating Cots	118		141	102	200	98	96
Recovery through contractors - (Disconnected Consumers)	26	23	9	23	60	37	161
Other expenses	42	114	53	54	70	16	30
Special Project: Pilot Project Digital Meters	-	-	-	-	7	7	-
Expenses for uplifting of lines	45	-	-	-	-	-	-
Subtotal Expenses	23,052	24,213	29,181	26,087	31,126	5,039	19
Allocated to fixed capital expenditures	(320)	(392)	(3,540)	(445)	(355)	90	(20)
Allocated to RLNG				(789)	(4,827)	(4,038)	512
T&D Expenses	22,732	23,821	25,640	24,854	25,945	1,091	4
Gas Internally Consumed	910	1,253	529	1,108	1,305	197	18
Total T&D Expenses incl. GIC	23,642	25,074	26,169	25,962	27,250	1,288	5

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

vi. Human Resource (HR) Cost

7.22. The petitioner has projected net HR Cost for the said year Rs. 18,884 million (including Rs. 3,148 million in respect of RLNG), thereby claiming a 11% increase over RERR FY 2019-20. The increase has been envisaged owing to an increase in salaries for executives at an average rate of 7% and CPI @ 7%. Furthermore, the Company has recently recruited 181 new executives (2019-20), out of which 172 has joined so far. The petitioner has further argued that a 20% increase in staff wages has been projected due to the finalization of CBA agreement FY 2017-19 and fixed annual increment @ 3.75% p.a.

7.23. The petitioner has further informed that earlier free gas facility was grouped as part of gas internally consumed; however, the same has now been made grouped under HR Cost as per the Authority's directions.

7.24. The Authority observes that the existing benchmark was provisional, and the same needs to be finalized based on changing business dynamics and judicious and prudent manpower strength and related costs. Intervenors have also been demanding capping of HR cost owing to hefty salaries and wages drawn by its executives / officers and staff. Accordingly, a number of historical analyses have been carried out to assess the cost pattern, cost & strength drivers, and relevance of existing parameters in the current scenario and their pattern trend with the petitioner's profit/return.

7.25. The Authority observes that during last seven years, the number of regular workforce has decreased which clearly indicates that the prevailing HR benchmark allowance of total 100% increase based on 50% CPI & operating parameters viz; "number of consumers with 60%", increase in "T&D network with 20%" and "gas sale volume with 20%" weightage in HR benchmark has now become irrelevant. The broader productivity linked benchmark was implemented by OGRA with the intent to allow management to run its business affairs in a prudent and rational manner. **However, the said freedom allowed by the regulator had not been properly executed by its management. The inbuilt factors in the benchmark to regulate the manpower strength had been used by the management to increase their salary structure.** Increases allowed in the past reinforce the Authority's viewpoint. It is noted that HR cost increased by 120% in the past six years i.e. from Rs. 8,592 million in FY 2012-13 to Rs. 18,910 million in FY 2018-19. It resulted in an increase of about 109% in average monthly salary including perks of executives from Rs. 128,119 in 2012-13 to Rs. 267,326 in FY 2018-19. In the case of subordinates per month salary including perks, a 141% increase has been observed from FY 2012-13 (Rs. 58,891) to FY 2018-19 (Rs. 141,693). It appears that the petitioner did not require additional manpower based on the parameters of the benchmark, therefore, it applied the whole increase in HR benchmark to the salaries and perks of existing employees resulting in such abnormal figures.

7.26. The Authority further notes that the petitioner's management is enjoying lavish perks e.g. Club membership, best option car entitlement policy, CFC petrol policy. Even in the past, bonuses were announced to its senior management in addition to their salaries. A snapshot of the salary structure for executives & subordinates is as under;

Table 30: Comparison of Salaries & Wages with Previous Years

Rs. In Million

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Salaries & Wages					
Executives					
Salaries	1,655	2,038	2,684	3,260	3,733
Gratuity	83	100	108	147	181
Pension	178	206	224	303	374
E.O.B.I	6	15	10	9	10
Long service Award	2	3	6	4	6
Housing and accommodations	1	-	0	0.49	0.29
Insurance (staff related)	27	30	19	20	28
Tea / coffee	21	21	20	22	21
Club membership/subscription	8	2	18	10	5
C.F.C Petrol	22	18	19	25	32
Others Welfare Exec.	3	5	4	3	5
sub-total	2,169	2,632	3,366	3,804	4,397
Incremental impact of IAS-19	89	51	65	83	-114
Total Salaries & Wages	2,258	2,683	3,431	3,887	4,282
Sub-total medical&welfare	341	379	412	367	430
Total Executive cost	2,599	3,062	3,843	4,255	4,713
Subordinates					
Wages & allowances					
Wages	4,618	6,548	7,422	7,900	8787.308
Bonus - 10C	-	-	681	555	0.687
- Agreement	-	-			
Overtime (Including dinner/breakfa	599	884		1,267	1275.802
Badli/casual labour	633	686	1,162	1,112	1,210
Gratuity	133	215	868	214	288
Pension	1,069	508	256	507	681
E.O.B.I	35	83	932	73	85
Long service Award	0	25	65	3	5
L.F.A	71	73	26	66	79
Insurance (staff related)	21	23	70	25	33
Impact of provision for HR	-		22		
Sundry welfare Staff	11	11	15		17
Uniform Clothing	3	6	4	21	3
Hajj Expenses	18	15	19	4	46
Workers children education cess	0	0	1	16	2
Expenses of SNPs (Re-instated)	195	240	247	3	0
sub-total	7,407	9,317	11,790	11,768	12,514
Incremental impact of IAS-19	(61)	473	318	1,080	465.97
Total wages&Allowances	7,346	9,790	12,108	12,847	12,979
Medical & Welfare	445	729	844	880	847
Total Subordinate cost	7,791	10,519	12,952	13,728	13,826
Total Executive and Subordinate cos	10,681	13,806	17,014	18,270	18,842

7.27. Moreover, detailed analysis of last five years w.r.t employees' strength and the operating parameters is carried out, which indicates that no rationale is seen in the increase by the company, in the number of employees in higher scales and decrease in the number of employees in lower scales, which is reflected in the table below;

Table 31: Comparison of Employee Strength & Operating Parameters

Executive Grade	2014-15	2015-16	2016-17	2017-18	2018-19
	Actuals				
1	71	96	22	5	5
2	306	376	294	139	144
3	460	525	666	500	488
4	234	261	261	372	364
5	130	125	118	195	194
6	80	101	97	143	141
7	58	67	61	81	81
8	34	31	35	97	94
9	6	6	11	11	8
10	2	2	2	1	2
Sub-Total	***1,381***	***1,530***	***1507***	***1,484***	***1,461***
Subordinate Grade	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
I	293	265	406	402	218
II	360	579	467	489	477
III	331	262	364	266	392
IV	548	342	336	379	385
V	1351	1,426	1,165	1,022	856
VI	1641	1,576	1,463	1,322	1,343
VII	1426	1,394	1,441	1,517	1,531
VIII	376	501	635	772	825
IX	1362	1,372	1,400	1,411	1,393
Sub-Total	***7,688***	***7,717***	***7,677***	***7,580***	***7,420***
Total	**9,069**	**9,247**	**9,184**	**9,064**	**8,881**
Casual Staff	**2,539**	**2,510**	**3,068**	**3,520**	**3,212**
Badli staff	341	339	292	301	248
	11,949	**12,090**	**12,544**	**12,885**	**12,341**
T & D network (Km)	107,670	111,798	119,659	131,694	139,555
Number of Consumers (No.)	5,054,256	5,315,885	5,736,589	6,341,508	6,771,919
Sales Volume (MMCF)	467,449	544,615	615,003	670,643	759,164

7.28. **The Authority further notes with serious concern that the petitioner has too wide scales, unparalleled with any public sector body. These scales are too wide that based on 5% annual increments it caters to about 110 years of service which is impractical by all stretch of the imagination. Normally, a scale covers for 20 years' service on a scale.** *The petitioner needs to review the scales and revise them to bring it in line with the scale of other similar organizations in the country.* **Moreover, the Authority notes with serious concerns that many employees are drawing salaries of over Rs. 1 million per month in addition to other perks.** *The petitioner, therefore, needs to review its existing salaries of all employees based on reviewed scales in line with other public sector transmission & distribution companies of the energy sector* and bring it down to ease the burden on consumers. Senior management salary has been compared with FG's current pay scales for grade 20 and above and huge disparity has been found. The comparison is as under;

Table 32: Comparison of Basic Pay Scales of SNGPL VS National Pay Scale (NPS)

					Rupees	
Years	**Grade-VIII**		**Grade-IX**		**Grade-X**	
	MIN	**MAX**	**MIN**	**MAX**	**MIN**	**MAX**
FY 2015-16	92,000	613,060	159,600	1,153,190	256,000	1,693,275
FY 2016-17	92,000	674,365	159,600	1,268,510	256,000	1,862,600
FY 2017-18	92,000	890,160	159,600	1,674,430	256,000	2,458,630
FY 2018-19	92,000	979,175	159,600	1,841,875	256,000	2,704,495
FY 2019-20	92,000	1,077,095	159,600	2,026,065	256,000	2,974,945
NPS	**Grade-20**		**Grade-21**		**Grade-22**	
w.e.f 2017	69,090	132,230	76,270	146,720	82,380	164,560

Today's companies are looking for profitable growth, however, the petitioner, on the other side is facing dwindling gas supplies. The petitioner, as per its license condition and the prevalent regime is entitled to a market-based return on assets. HR cost to return on asset ratio has also increased from 75% in FRR FY 2012-13 to 98% in FRR FY 2017-18 which shows continuous increases in HR cost by the petitioner.

7.30. Moreover, the Authority, since FY 2015-16 onwards, had also computed saving/surplus in HR benchmark cost on HR cost (net of capitalization) instead of gross HR cost. It had resulted in additional benefits to the company to the tune of Rs. 3,634 million. The Authority notes that during its latest determination in respect of SSGCL of FRR for FY 2017-18, it had computed its benchmark cost based on net HR cost (i.e. net of capitalization). The Authority believes that saving to be computed on the gross HR cost in order to implement the HR benchmark in true letter and spirit. ***In view of the same, the Authority reduces the revenue expenditure by Rs. 3,634 million, i.e. the additionally allowed previously from FY 2015-16 to FY 2017-18.***

7.31. The Authority, considering the analysis based on the petitioner data, is of the considered view that economy / cost-cutting measure in HR Cost is utterly required. Therefore, the continuation of the same perks & benefits by SNGPL may lead the company on the verge of collapse. FG is also advising both utilities to lower the price demand. Interveners have already been criticizing the hefty salaries drawn by the company's executives & subordinates and urged to curtail and capped it at the level FY 2017. ***The Authority, considering the mammoth increases during the last 05 years, FG's directions for reduction in prices and intervenrs' consistent factual stance on the matter, is also of the considered view that no further increase can now be jacked up as part of the price. Accordingly, HR cost is frozen at the level of FRR FY 2018-19 i.e. Rs. 15,144 million (including IAS-19 & RLNG).*** The petitioner needs to review its HR cost structure including perks, wide pay scales & other medical, club membership and car/petrol policies and bring it down to a reasonable level so that the same can be comparable with other similar public sector organization involved in the business of transmission & distribution of power sector. Moreover, FG latest policy i.e. Management Position Scales Policy, 2020 is relevant and referred which clearly statest MP scales be used as benchmark for determination of terms & conditions for hiring of skilled / qualified professionals from open market. Accordingly, the same revision by the petitioner in respect of pay scales & rest of policies shall be considered by Authority. In case the petitioner still intends to continue its current policies & salaries including perks, its financial impact may be met shareholders' profit. **The Authority, through this Order, also refers the matter in respect of revision of salary scale & other policies, to the FG to review these matters through its Directors present in Company's Board, so that FG's kitty, being a major shareholder also not affected by such Authority's decision.**

7.32. ***In view of above, the HR cost for the said year is determined at Rs. 11,510 million (Rs. 15,144 million, adjusted for Rs. 3,634 million additional benefits allowed per para 7.30 above for the said year.***

vii. **Repair & Maintenance Expenses**

7.33. The petitioner has projected "Repair & Maintenance" expenses for the said year at Rs. 1,500 million as against Rs. 1,580 million allowed in RERR 2019-20 and Rs. 1,341 million actual expenses for FY 2017-18. Historical comparison of "Repair &Maintenance" is given below:

Table 33: Comparison of Projected Repair & Maintenance Expenses:

Rs. in Million

Particulars	DFRR 2017-18	DERR 2019-20	Petition 2020-21	(Inc/Dec) over RERR 2019-20	
				Rs.	%
Compression	19	24	20	-4	-17%
Transmission	88	137	119	-18	-13%
Distribution	828	1,001	846	-155	-15%
Others (incl H.O. & service depts.)	407	418	515	97	23%
Total:	**1,342**	**1,580**	**1,500**	**-80**	**-5%**

7.34. The petitioner has submitted the budget under the sub-head "Compression" amounting to Rs. 20 Million. The projected budget shows a decrease in the projected amount as compared to F.Y. 2019-20. The petitioner has mentioned that activities that are included under this head include Repairing of turbine parts such as IGV inner rings, axial compressor discs, combustor liner, exhaust bellows, etc., repairing / overhauling of air compressors, top-end Overhauling of CAT Gensets, rehabilitation works such as civil repairing water tank, security watchtowers, trenches of Lube oil, Hydraulic lines, booster bypass lines, scrubber area floor repairing and replacement work and Repair/rehabilitation works of building, etc.

7.35. The petitioner has submitted that budgeted amount under the sub-head "Transmission" includes Rs. 119 million. The projected budget shows a decrease of 13 % as compared to last year. The petitioner has stated that activities include under this head relates to **Pipeline Operations** (Renovation/Repair of Repeater Stations and Security Huts, Repair of Valve Assembly Flooring, Restoration of earth cover i.e. Lose earth filling on ROW to cover exposures/washouts on account of heavy rains and flood, etc.), **Maintenance (**To carry out electrical & mechanical jobs e.g. Repairing of Transformers, Motors, Panels / Switch Gears, Breakers and Revamping of Cables Trenches, repairing of the emergency alarm system and smoke detection panels, third Party Inspection of Load Lifting/Construction Equipment) and **Civil Maintenance (**Repair/Renovation of office buildings and workshops, residential units at Terminal Stations, utility infrastructure such as roads, water supply lines and sewerage lines, Repair/replacement of windows/blinds and furniture etc.)

7.36. The petitioner has submitted that budgeted amount under the sub-head "Distribution" includes Rs. 846 million. The projected budget shows an decrease of 15 % as compared to last year, the petitioner has stated that activities included ditching & reinstatement on account of emergencies, cleaning Coating & Wrapping of Steel Line pipe, Welding Jobs for operational activities, Hiring of Skilled / Unskilled Labour for maintenance of TBS, CMS etc., Rectification of Complaints related Industrial, commercial and domestic consumers, Repair and maintenance of Distribution network against emergencies and operational requirements etc.

7.37. The petitioner has submitted that budgeted amount under the sub-head "Others (incl H.O. & service depts.)" includes Rs. 515 million. The projected budget shows an increase of 23 % as compared to last year. The petitioner has stated that activities include under this head relates to Janitorial Services in all offices, Disconnection meters of defaulted consumers, Repairs/renovation of lifts and office buildings, Oracle Utilities Customer Care and Billing Enterprise Edition Commercial and Industrial Customers - 100 in Customer Count Perpetual, Oracle Utilities Customer Care and Billing Enterprise Edition Residential Customers etc.

7.38. The Authority observes that recoating of transmission pipeline for protection and safety is a regular job. Accordingly, the Authority has always appreciated and allowed a reasonable amount under this head. ***Accordingly, the amount under this head is determined at Rs. 84 million for the said year based on the average capitalization over the years against the amount projected. Accordingly, it shall consider the actual expenses under this head at the time of FRR for the said year keeping in view the prudence and rationality.***

7.39. ***Under the sub-head "Distribution", the Authority keeping in view the past trend allows Rs. 645 Million under this head subject to actualization at the time of FRR.***

7.40. ***Under the head -head "Compression", the petitioner has projected an amount of Rs. 20 Million. The Authority keeping in view the past trend allows Rs. 19 Million under this head subject to actualization at the time of FRR.***

7.41. ***The petitioner under the head "Others (incl H.O. & service depts.)" has projected Rs. 515 Million. The Authority keeping in view the past trend allows Rs. 348 Million under this head subject to actualization at the time of FRR.***

7.42. ***In view of the above, the Authority determines the expenses under the head "Repair & Maintenance" at Rs. 1,095 million for the said year.***

viii. **Fuel & Power**

7.43. The petitioner has projected Rs. 452 million under the head "Fuel & Power". Historical comparison is given below: -

Table 34: Comparison of Projected Fuel & Power with Previous Years:

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Compression	28	25	13	13	12	(0.6)	-4%
Transmission	157	152	91	112	167	55	49%
Distribution	165	203	89	231	230	(0.9)	0%
Others (Incl. Co-Generation)	0.40	49	11	45	43	(2)	-5%
Total	**350**	**429**	**204**	**401**	**452**	**51**	**13%**

7.44. Under the sub-head "Transmission", Rs. 167 million has been projected with the expansion of the Transmission network, more repeater stations and more diesel gen-sets have been added to the system. The petitioner has further submitted that the extraordinary price hike of diesel oil/fuel over the period is one of the major factors for projecting the amount under this head.

7.45. The Authority notes that major reasons for projecting this gigantic increase of 49% under the sub-head of "Transmission" has been informed of the prices of diesel oil/fuel. The Authority, however, notes that the current situation is entirely changed and significant decreases in international oil prices have been observed along-with marked stability in Rupee-Dollar parity. These factors predict/envisage lower fuel prices. Because of the same, the Authority fixes it at the level of RERR FY 2019-20 i.e. Rs. 112 million.

7.46. ***In view of the above, the Authority accepts the claim and provisionally determines "fuel and Power" at Rs. 397 million for the said year.***

ix. Rent, Rate, Electricity, and Taxes

7.47. The petitioner has requested Rs. 850 million on account of "Rent, Rate, Electricity and Taxes" for the said year as compared to Rs. 542 million provided in RERR FY 2019-20. Historical comparison is given below:

Table 35: Comparison of Projected Rent, Rate, Electricity and Taxes with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Rent	232	277	147	247	335	88	36%
Royalty/ Internet services	43	47	21	45	60	15	33%
Telephone	54	44	19	60	71	11	18%
Electricity	123	156	98	165	193	28	17%
Pakistan Railway (line crossing charges)	1	155	-	-	158	158	100%
Water Conservancy	5	5	2	6	6	0.001	0.02%
Vehicles rates and taxes	22	12	10	18	27	9	47%
Others	8	6	5	0.15	0.30	0.15	101%
Total	**488**	**703**	**302**	**542**	**850**	**309**	**57%**

7.48. Under the sub-head "Rent", the petitioner has submitted that at present rates, it is paying around Rs. 235 million per year. The petitioner has explained that during FY 2019-20, additional budgets to the tune of Rs. 63 million have been projected for newly hired buildings for Lahore, Sargodha and Rawalpindi Region along with 10% escalation. Regarding the rest of the sub-heads, the petitioner has projected 10-15% increase over the actual expenditure of FY 2018-19.

7.49. The Authority notes that new building hired during FY 2019-20 indicates a gigantic increase of over 100% in the hiring of certain premises. Moreover, the decision for expansion in building for Lahore, Sialkot, and Sargodha is to be reviewed because indigenous supplies are declining. Moreover, the rent of the buildings and such all kinds of expenses are administrative expenses, not the core activity of the operation. The petitioner, being a public sector Company, must be cognizant while increasing its controllable expenditures. The petitioner, therefore, should always attempt to decrease such expenses to the possible extent.

7.50. The Authority further notes that very generic justification has been provided against all other sub-heads. The justification advanced by the petitioner as well as historical expenditure does not commensurate with the said claim. ***Regarding Pakistan Railways (line crossing charges), the Authority decides to pend the same subject to the actualization at year-end with the direction to amicably negotiate the charges at a reasonable level.***

7.51. ***In view of the above, the Authority decides to provisionally fix "rent, rate, electricity & taxes at the level of FY 2018-19 for the said year i.e. Rs. 548 million, pending the entire amount of Rs. 158 million against Pakistan Railway subject to the actualization at year-end.***

x. **Traveling Expenses**

7.52. The petitioner has requested Rs. 200 million on account of "Traveling Expenses" i.e. 23% increase for the said year over RERR FY 2019-2020. Historical comparison is given below:

Table 36: Comparison of Projected Traveling Expenses with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Executives	89	99	52	91	105	14	15%
Subordinates	59	77	41	60	78	18	30%
Conveyance (official)	(0.1)	16	4	10	15	5	45%
Travelling Directors/ Govt. officials	3	2	1	2	3	1	25%
Total	150	194	99	163	200	37	23%

7.53. The petitioner has submitted that increase in traveling expenses is mainly due to an increase in the company's distribution network (7,781 km) in FY 2018-19, which will further increase in FY 2019-20. Moreover, the establishment of new sub-regions and CSCs are also expected. In addition to this, TA/HA, conveyance charges breakfast & dinner claim or overtime charges/rates have also been revised.

7.54. The Authority observes that the petitioner has not substantiated its claim with plausible justification. ***Therefore, the Authority, keeping in view the actual declining gas sales decides to fix it at Rs. 163 million i.e. RERR for FY 2019-20 for the said year.*** The petitioner is further advised to adopt austerity measures and conserve the resources through new Techniques including IT-based applications, video conferencing, etc.

xi. **Transport Expenses**

7.55. The petitioner has projected transport expenses for the said year at Rs. 1,000 million as against Rs. 810 million provided in RERR for FY 2019-20 showing an increase of 23% as under:

Table 37: Comparison of Projected Transport Expenses with Previous Years:

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Compression	15	22	11	14	20	6	47%
Transmission	149	187	112	118	185	67	57%
Distribution	520	533	240	500	530	30	6%
Others (incl HO & service depts.)	214	266	150	178	265	87	49%
Total	897	1,008	513	810	1,000	190	23%

7.56. The petitioner has submitted that increase has been envisaged is to cater to the anticipated rise in fuel prices and other transport expenses. The Authority had earlier fixed RERR for FY 2019-20 at less than the actual expenses in FY 2017-18. The petitioner has further argued that the said projection has even been made at the lower side of FY 2018-19.

7.57. ***The Authority, considering the dwindling gas supply decides not to allow any increase on account of "Transport Expense" and determines it at Rs. 810 million for the said year.*** The Authority further reiterates its earlier directions in respect of switching from the conventional way of monitoring the operating activities, so that physical mobilization of resources and manpower can be saved by the use of IT-based applications, equipment, and technological surveillance on a real-time basis.

xii. **Legal and Professional Charges**

7.58. The petitioner has projected an expenditure of Rs. 345 million on account of "Legal and Professional Charges" for the said year as against Rs. 203 million provided in RERR for FY 2019-20, showing an increase of 70%. Historical comparison is given below:

Table 38: Comparison of Projected Legal & Professional Charges with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Legal Expenses	174	210	86	145	250	105	72%
Professional Charges	30	49	13	25	40	15	58%
Tax	5	13	8	9	21	12	133%
Audit	8	11	0	9	18	10	112%
Apprenticeship/Scholarship	8	7	3	12	12	-	0%
Others	2	3	11	3	4	1	33%
Total	227	292	122	203	345	142	70%

7.59. Regarding the sub-head "Legal", the petitioner has submitted that litigation against it has increased significantly over the years due to arbitration matters, LNG contracts, and revision in gas tariffs. Litigation pattern is raising at a high rate. During FY 2019, a total 1,569 number of cases have been filed and 614 number of cases have been decided. The Law Department had recovered Rs. 4,922 million in the last 2 years. The petitioner has further argued that eminent lawyers and law firms have been hired on special fees after taking Management approval in important matters i.e. LCIA, RLNG, GIDC, Arbitration, Policy matters, HR, etc., services. The Authority already restricted the legal charges at the lower side, therefore, the budget for FY 2019-20 has already exhausted, and still, a lot of payments are yet to be made.

7.60. The Authority agrees that court cases have increased in the past, resulting in higher expenditures. The Authority, however, is of the view that expenses under the head of 'Legal' have always allowed by it with a consistent approach. The Authority, in FRR FY 2017-18, had allowed a relatively sharp increase on a one-time basis keeping in view arbitration cases. During the last three years starting from FY 2016-17, an average of Rs. 183 million had been incurred against legal charges. The exorbitant and robust increase of Rs. 105 million in only one year severally impairs the consumers' interest and doubts the prudency of Company's decisions, and therefore, can't be allowed. ***In view of the same, the Authority restricts it at Rs. 183 million for the said year.*** The Authority is of the view that the petitioner must approach FG to resolve its policy-related issues of natural gas as well as RLNG instead of contending the same with courts. The Authority further directs the petitioner to enhance its in-house expertise in the larger public interest.

7.61. Regarding the sub-head "Professional", the petitioner has submitted that increase includes payments for conducting the technical audit of the company in compliance with condition no. 28 of the License issued to it by OGRA. An amount of Rs. 20 million has been utilized in conducting the technical audit of the company's operations. Moreover, consultancy charges to the tune of Rs. 7 million shall be required for management and litigation audit of Law department. The petitioner has argued that the Authority, at the time of DERR for FY 2019-20, had allowed only Rs. 25 million on account of professional charges that is even lesser than the Company's actual expenditure for FY 2018-19 and FY 2017-18.

7.62. The Authority notes that the above justification has also been advanced by petitioner in FRR FY 2018-19 petition, which means that the requisite audit has been carried out. ***In view of the same, the Authority restricts it at Rs. 25 million i.e. at the level of RERR FY 2019-20 for the said year.***

7.63. Regarding other claims, the Authority notes that no substantial justification has been provided by the company. ***Accordingly, the same is fixed at the level of FY 2018-19 for the said year.***

7.64. ***In view of the above, the Authority determines the expenses under the head "Legal and Professional Charges" at Rs. 242 million for the said year.***

xiii. **Provision for doubtful debts**

7.65. The petitioner has projected under this head for the said year at Rs. 1,693 million, thereby projecting an increase of 10% over RERR FY 2019-20. Historical comparison is given below:

Table 39: Comparison of Provision of doubtful debts with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Provision of doubtful debts	-	1,506	636	1,539	1,693	154	10%

7.66. The Authority observes that in respect of provision for doubtful debt, there is a benchmark introduced by the Authority, which accounts for the age of the trade debt, the cumulative balance of security deposit, and the propensity of default.

7.67. ***Accordingly, in view of the above, the Authority determines the expenses under this head "Provision for doubtful debt" at Rs. 728 million for the said year.***

xiv. Gathering charges on Bills Collection data

7.68. The petitioner has projected Rs. 67 million under this head for the said year as against Rs. 55 million per the RERR FY 2019-20. Historical comparison is given below:

Table 40: Comparison of Projected Gathering charges on Bills Collection data with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Gathering charges on bills collection data	45	50	26	55	67	12	22%

7.69. Under this sub-head "Gathering charges on bills collection data", the petitioner has submitted that the actual expenses under this head are mainly based on consumer payment behavior. The budget has been calculated on the basis of the existing rate of Rs. 2.10 per bill (stub). It is pertinent to mention here that the allowed budgets in FY 2017-18 and FY 2018-19 are fully utilized by the company. The petitioner, therefore, considering the past trend and expected bills to be issued during the said year, the claim is justified and hence be allowed.

7.70. The Authority notes that per bill envisaged by petitioner seems on the higher side. ***Moreover, considering the revised number/rate provided by the company, the Authority, based on actual trend, provisionally restricts it at Rs. 55 million i.e. at the level of RERR FY 2019-20 for the said year.***

xv. Advertisement & Publicity

7.71. The petitioner has projected Rs. 258 million under this head for the said year as against Rs. 198 million per the RERR FY 2019-20. Historical comparison is given below:

Table 41: Comparison of Projected Advertisement Expense with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Advertisement Expense	23	25		20	28	8	40%
Tender, Notice of Meeting Exp	23	43		26	34	8	31%
Customer Media Campaign Exp	143	178		152	196	44	29%
Total:-	189	246	91	198	258	60	30%

7.72. The petitioner has attributed the increase to enhanced media campaign on energy conservation, due to shortage/ curtailment in the supply of gas to consumers. As corporate responsibility, the company is also having massive campaigns regarding safety measures in the winter season. Awareness regarding gas theft policy is also one of the components of advertisement & publicity. Mostly all the above advertisements are transmitted during prime time hours of TV/ radio channels.

7.73. Regarding tender expenses, the petitioner has submitted that the tender fee has been increased from Rs. 1,500 per tender to Rs. 6,000 per tender in FY 2018-19. Considering this fact & others, a 12% increase has been projected over actual FY 2018-19 which is reasonable.

7.74. The Authority observes that the petitioner has always advanced similar justifications. The expenses under this head are although important to promote company strategy regarding safety, energy conservation, etc.; yet the same is not core activity, accordingly, it requires to economize effectively. It appears that no serious actions have been taken for promoting the above campaigns through digital advertisement. The Authority is of the firm & consistent view that all these awareness campaigns must be largely provided through gas bills, sending SMS, mobile application, emails, etc. so that more focused target marked be addressed.

7.75. The Authority further observes that the trend of actual expenditure for the said year reveals that the expenses under this head have been adequately provided in the past. Moreover, considering decreased revenues owing to declining gas supplies, no further increase can be allowed. ***The Authority, therefore, restricts the expenditure under the sub-heads "advertisement" & "customer media campaigns" at the level of RERR for FY 2019-20 i.e.; Rs. 172 million for the said year.***

7.76. ***Regarding the increase against tender expenses, the Authority accepts the petitioner's*** stance ***and determines it at Rs. 34 million for the said year.***

7.77. ***In view of the above, the Authority decides to fix it at Rs. 206 million for the said year.***

xvi. **Security Expenses**

7.78. The petitioner has projected Rs. 1,500 million under this head for the said year as against Rs. 1,000 million per the RERR FY 2019-20 showing an increase of 50%. Historical comparison is given below:

Table 42: Comparison of Projected Security Expense with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Security forces	609	656	334	670	1,100	430	64%
Security guards	298	243	151	330	400	70	21%
Total	**907**	**898**	**485**	**1,000**	**1,500**	**500**	**50%**

7.79. Under the sub-head "Security forces", the petitioner has submitted that agreement with security forces amounting to Rs. 852 million have already been finalized for FY 2019-20.

7.80. Regarding security guards, the projected annual expenditure for FY 2019-20 is Rs. 360 million based on revised agreements with security agencies to cater to the requirement of 1,244 number of security guards at an average rate of Rs. 24,000 (approx.) per guard per month. Accordingly, a 10% increase in the proposed budget has been envisaged for the said year.

7.81. ***The Authority notes that the security situation is improved. Therefore, projecting a gigantic increase of 50% over one year cannot be allowed. The Authority considering the improved security situation provisionally allows Rs. 1,000 million for the said year and directs the petitioner to review its existing agreements in larger national interest in this special circumstances.***

xvii. **KMI Implementation Plan FY 2020-21 (UFG Control Activities)**

7.82. The petitioner has projected an operational expense of Rs. 1,271 million on account of UFG Control Activities. It is mentioned that UFG control activities are the necessary activities to reduce the UFG of Company, the Authority therefore allows Rs. 636 million under this head against the amount projected by the petitioner, in line with the capital expenditure allowed for these activities.

xviii. **Protective supplies / Clothing**

7.83. The petitioner has projected Rs. 100 million under this head "Protective supplies / Clothing" for the said year as against Rs. 43 million per the RERR FY 2019-20 showing an increase of 133%. Historical comparison is given below:

Table 43: Comparison of Projected Protective supplies / Clothing with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Protective supplies/ Clothing	89	49	19	43	100	57	133%

7.84. The petitioner has submitted that the Procurement of Protected Equipment (PPE's) is being done for all relevant employees to prevent them from potential injuries. The requirement of revenue budget for protective clothing (PPEs) is prepared to keep in view the staff working at operational sites of the Company are exposed to various hazards. It has a large workforce in Punjab and KPK with versatile operations of high-pressure gas pipelines, compressor stations, and other operational processes like welding, hydrostatic testing, etc. Moreover, the estimated cost is forecasted considering the 10% rise in current market prices of the aforementioned PPE's.

7.85. The Authority has always appreciated the implementation of HSE Standards, where required and allowed justified and rational cost to Sui Companies to execute operational activities. However, the above said claim in existing circumstances and above said justification do not commensurate a 133% increase. ***The Authority considering the operational requirement and historical trend decides to allow a 10% increase over FY 2018-19 and provisionally determines Rs. 54 million for the said year.***

xix. **Staff training and recruiting expenses**

7.86. The petitioner has projected Rs. 28 million under the head of "staff training & recruiting expenses" for the said year as against Rs. 12 million per the RERR FY 2019-20 showing an increase of 133%. Similarly, Rs. 56 million has further been claimed as part of the instant petition in respect of training under the heads of Sui Northern Gas Training Institute (SNGTI) & Executive Development Program (EDP). Historical comparison is given below:

Table 44: Comparison of Projected Staff training and recruiting, SNGTI & EDP expenses with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Staff training & recruiting expenses	11	21	2	12	28	16	133%
SNGTI	20	17	8	25	26	9	54%
Executive Dev. Program	28	23	10	30	30	7	32%
Total	**48**	**39**	**18**	**55**	**84**	**44**	**112%**

7.87. The petitioner has submitted that initially an amount of Rs. 42 million was proposed against the above head. However, austerity measures have been taken by the Company to rationalize its T&D costs. Hence, the further recruiting of staff has been delayed for the time being and the relevant budget has been slashed. The breakup of the claim is as under;

Table 45: Breakup of Claim per the Petition

(Rs. In million)

Particulars	The Petition FY 2020-21
Foreign Training	12
Local Training	2
Sub-Total	*14*
Recruiting expenses	14
Total	**28**

7.88. Under the sub-head "Staff Training & recruiting expenses", the petitioner has submitted that the amount includes foreign & local training. The executives shall be nominated for foreign training courses on a need basis after due approval of the management. The petitioner has informed that training cost is proposed at Rs. 700,000 per participant for training proposed abroad during the said year for 17 participants. The budget proposed for foreign training is equivalent to the budget approved by the Authority for FY 2019-20. Regarding staff recruitment, the petitioner has informed that subordinate staff will be hired during the said year, and accordingly the amount has been petitioned.

7.89. The Authority observes that indigenous supplies are decreasing & on the contrary the petitioner is now considering fresh appointments. Past trend of employee strength shows that the petitioner had able to manage its workload through casual/contingent staff even RLNG work was initiated and the dedicated network was laid down. A large no. of executives had already been hired last year. Therefore, in current circumstances, need assessment for additional hiring is essentially required. ***In view of the same, the Authority while considering declining indigenous supplies, pends the same and decided to consider/allow the actual expenditure, if incurred, to the touchstone prudence based on need assessment, as provided by the petitioner.***

7.90. Regarding training expenditure, the Authority notes that the said expenditure has been projected under three different heads viz; staff training, SNGTI & EDP and no concrete justification has been provided. ***In view of the same, the Authority decides to fix it at Rs. 35 million against the head of "training" and directs the petitioner to project / book all types of training including local / foreign & development / promotion under one head.***

xx. Sponsorship of chairs at Universities

7.91. The petitioner has projected Rs. 10 million under this head "Sponsorship of Chair at Universities" for the said year. Historical comparison is given below:

Table 46: Comparison of Projected Sponsorship of Chairs at Universities expense with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Sponsorship of chairs at universities	10	8	8	10	10	-	0%

7.92. The petitioner has informed that the beneficiaries of sponsorship on this account have always been the University of Engineering and Technology Peshawar, University of Engineering and Technology Lahore, and the University of the Punjab Lahore. Rs. 3.32 million each is paid to these educational institutions every year for conducting research activities related to Gas Engineering and alternate energy.

7.93. The Authority observes that the tariff regime for the natural gas sector is now in place where clear criteria has been provided for Corporate Support Responsibility (CSR) related activities. The Authority, however, notes that the sponsorship chair in these developed cities does not fall under the said criteria. The Authority appreciates the company's initiative for supporting the universities in the field of research, but the same be met from its profits. ***Accordingly, the Authority decides to disallow the same from the revenue requirement determination.***

xxi. Outsourcing of Call Centre for Complaints

7.94. The petitioner has projected Rs. 41 million under this head for the said year as against Rs. 27 million per the RERR FY 2019-20 showing an increase of 50%. Historical comparison is given below:

Table 47: Comparison of Projected Outsourcing of Call Centre for Complaints expense with Previous Years:

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Outsourcing of Call Centre for Complaints Management	27	24	7	27	41	14	50%

7.95. The new agreement is in the process of finalization. The amount has been proposed keeping in view the expected requirement under this head. The old agreements are set to expire on Feb 29, 2020.

7.96. ***The Authority understands the importance of call centers for complaint resolutions. The Authority is, however, of the view that Company should restrict the expenditure at a reasonable limit, which negotiating the new contract. The Authority considering the operational activities and the historical expenditure, as envisaged in the instant petition provisionally allow Rs. 30 million i.e. 10% increase over RERR FY 2019-20 for the said year.***

xxii. **Recovery through contractors - (Disconnected Consumers)**

7.97. The petitioner has projected Rs. 60 million under this head "Recovery through contractors - (Disconnected Consumers)" for the said year as against Rs. 23 million per the RERR FY 2019-20 showing an increase of 161%. Historical comparison is given below:

Table 48: Comparison of Projected Recovery through Contractors expense with Previous Years:

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Recovery through Contractors	26	9	2	23	60	37	161%

7.98. The petitioner has explained that the minimum recovery has initially calculated at 2% i.e. Rs. 847 million on which anticipated commission to recovery contractors was Rs. 120 million. However, considering the past trend, the budget has already slashed to Rs. 60 million. The petitioner further argued that it is thriving hard to meet its recovery targets, therefore, the expenditure under this head cannot be reduced further. However, the actual expenditure will be based on the amount of recoveries from defaulted consumers.

7.99. The Authority, after analyzing the additional information provided by the petitioner, notes that the commission paid to the contractor does not commensurate to its recovery amount, meaning thereby that lopsided contracts/agreements have been signed and no performance-based KMI, s have been agreed. The Authority is also of the view that due vigilance is exercised while contracting the service to third parties, based on the bitter fact that natural gas supplies are declining. There is tough competition in the market, therefore, terms of reference are drafted in such a manner that only efficient and result-oriented companies may apply and succeed.

7.100. ***The Authority, however, considering the historical trend, decides to allow the expenditure at Rs. 25 million (i.e. 10% increase over FY 2019-20) subject to the actualization at year-end considering the recovery amount vis-à-vis commission paid.***

xxiii. **Sports Related Activities**

7.101. The petitioner has projected Rs. 90 million under "Sports-related activities" for the said year as against Rs. 88 million per the RERR FY 2019-20. Historical comparison is given below:

Table 49: Comparison of Projected Sports related Activities with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Sports Cell	48	71	22	48	80	32	67%
Annual sports	40	49	-	40	10	(30)	-75%
Total	88	119	22	88	90	2	2%

7.102. Under this head "Sports Cell", the petitioner has submitted that since the establishment of the Sports Cell in December 2012, the Cell is organizing annual sports for its employees. Currently, it has been managing eight (08) sports teams and mountaineering in different events at the National and International level. Expenses are being incurred for sports kits, food, ground rent, and other allied arrangements, etc. covered in annual sports budget. The petitioner has informed that it has claimed a 13% increase in actual expenses over FY 2018-19.

7.103. The Authority always appreciating sports-related activities. However, a 67% increase under the sub-head of "sports cell" with generic justification can't be allowed. The Authority can only allow economic and operational expenditures to ensure smooth operations of the company. Moreover, scrutiny based on actual data reveals that the share of expenditure on the national game of hockey is relatively on the lower side. The same be reviewed and more emphasis is given for the development of the national game.

7.104. ***In view of the above, sports cell is restricted at the level of RERR FY 2019-20 i.e. Rs. 48 million. Accordingly, sports-related activities are provisionally determined at Rs. 58 million.*** The Authority is of the firm view that the petitioner, considering dwindling natural gas supplies, must incur expenditure to the touchstone prudence, as enhanced spending without rationale impact the sustainability of the petitioner and unnecessarily jack up the gas price.

xxiv. **Corporate Social Responsibility (CSR)**

7.105. The petitioner has projected Rs. 20 million under this head "CSR" for the said year as against Rs. 10 million per the RERR FY 2019-20 showing an increase of 70%. Historical comparison is given below:

Table 50: Comparison of Outsourcing of Call Centre for Complaints expense with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Corporate Social Responsibility	11	23	5	10	20	10	100%

7.106. Under this head, "CSR" the petitioner has submitted that OGRA has advised to carry out CSR activities in the field of Environment, Health, and Education for the less privileged community in the gas-producing districts. In order to carry out projects such as installation of RO (Reverse Osmosis) plants and promotion of education in the less privileged gas producing districts, the amount for CSR budget has been increased.

7.107. ***In view of the above, the Authority allows 50% of projected expenditure to be incurred strictly in accordance with the criteria as set in tariff regime for the natural gas sector in Pakistan formulated/implemented by it and fixes it at Rs. 10 million for the said year.*** The Authority reiterates its view that the company can carry out additional CSR activities in cities for other projects too, however, the same shall be funded through the Company's own profits.

xxv. **Facilities Provided by other companies**

7.108. The petitioner has projected Rs. 32 million under this head "Facilities provided by other companies" for the said year as against Rs. 10 million per the RERR FY 2019-20 showing an increase of 218%. Historical comparison is given below:

Table 51: Comparison of Facilities provided by other companies expense with Previous Years:

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Facilities provided by other companies	10	13	-	10	32	22	220%

7.109. The petitioner has submitted that as per existing Services Agreement with M/S PPL, a number of services are being availed by it for its employees and their eligible dependents posted at Sui Gas field including medical, electricity, telecommunication, housing clerical / labor, security services, water supply, petrol/diesel, air tickets, manpower, material assistance, and mess facilities, etc. The presence of the Company's technical staff at the gas wellhead is necessary for monitoring purposes.

7.110. The Authority understands the operational requirement of the petitioner at Sui fields of M/s PPL. The Authority, however, considering the historical trend as indicated in the above table, is of the firm view that over-exaggeration has been envisaged, which cannot be allowed. Both are public limited companies and hence are advised to negotiate and agree on reasonable terms and conditions in such a manner that only operational activities are carried out in an optimal manner.

7.111. In view of the above, the expenditure is provisionally allowed at Rs. 14 million (10% increase over FY 2018-19) for the said year.

xxvi. Other Expenses

7.112. The petitioner has projected Rs. 352 million for the said year under this account, thereby estimating a 64% increase over FY 2019-20. The comparative analysis of the same is provided below:

Table 52: Comparison of projected "Other Expenses" with Previous Years

(Rs. In million)

Particulars	FRR 2017-18	Actual 2018-19	July - Dec. 2019	RERR FY 2019-20	The Petition FY 2020-21	(Inc/Dec) over RERR 2019-20	
Construction equipment operating cost	118	141	71	102	200	98	96%
5 years training program	-	-	-	30	-		
Subscriptions	1	3	1	3	3	0.30	10%
Newspapers, books & periodicals	3	3	1	6	7	1	9%
Board meetings & directors' expenses	29	57	32	29	82	53	183%
Stock exchange fee	3	1	2	4	4	-	0%
Entertainment expenses	11	9	3	11	16	5	47%
Outside services employed - govt./ local authority	0.44	2	-	0.44	7	6	1378%
Sundries	15	15	3	17	22	4	24%
CNIC verification	9	8	3	13	13	-	0%
Total (Indigenous):	189	240	118	215	352	137	64%

7.113. The petitioner under the sub-head "construction equipment operating cost", has submitted that the projection for the said year is based on expenses booked in FY 2018-19 plus 20% cumulative factor for two years. The petitioner further submitted that increase has been envisaged mainly due to a significant increase in POL prices as well impact of a higher cost of repair & maintenance due to Pak Rupee devaluation.

7.114. Regarding, "Board meeting and Director Expenses" the petitioner has submitted that after the promulgation of new companies Act, 2017, and as a result of public sector companies (Corporate Governance) Rules. 2013, which advise the public sector companies for the formation of different committees of the Board like, audit committee, Risk management committee, Nomination Committee, Human Resource Committee, and procurement Committee. During seven months of the financial year 2019-20, 41 Board and its Committee meetings have been convened to address operational and financial challenges faced by the company. It is expected that Approximately 30 meetings of the Board and its committee would be convened in the next five months of the FY 2019-20 to address the issue, which includes but not limited to the Annual accounts, RLNG, Receivable and payable, etc. In view of the same, Rs. 82 million has been claimed for the said year. The intervenors are also criticizing number of meetings held seperatley on different agendas and per meeting fee charged by the dirctors.

7.115. The Authority notes with serious concern that on one side, natural gas supplies are decreasing and on the contrary, the petitioner is envisaging an increase of expenditures. In this changing business dynamics, where expensive natural gas in hampering all classes of consumers, there is a dire need to curtail all un-economical expenditures and restrict them at a reasonable level. The petitioner, being public sector Company, must follow austerity measures drive initiated by the current Government and stop unnecessarily incurring expenditures. Regarding Board Meeting, the Authority reiterates its earlier directions for conducting multiple meetings in a single day while clubbing related agendas in the same meetings.

7.116. *In view of the above, the Authority curtail the "other expenses" at Rs. 204 million (i.e. 10% increase over RERR FY 2019-20) with the directions to incur the expenses judiciously.*

xxvii. **Special Project: Pilot Project Digital Meters.**

7.117. The petitioner has claimed Rs. 7 million pertaining to HR on account pilot project for digital meters. The same cannot be allowed by the Authority, as the petitioner, in current declining gas supplies should make efforts to utilize its existing staff for its new projects rather than hiring new staff.

xxviii. **Remaining Items of Transmission & Distribution Cost**

7.118. The items of transmission and distribution cost, except those dealt with in above paras, are projected by the petitioner at Rs. 1,448 million as given below:

Table 53: Remaining Items of Transmission and Distribution Expenses

Rs. in million

Particulars	FY 2017-18	FY 2018-19		FY 2019-20		FY 2020-21	Incr/ (Dec) over DERR FY 2019-20	
	FRR	RERR	Actuals	DERR	July-December, 2019	The Petition	Rs.	%
Stores and Spares Consumed	774	764	719	892	373	800	(92)	(10)
Consultation for ISO 14001 & OHSAS 18000	4	8	5	5	2	5	-	-
Stationery, Telegram and Postage	154	130	160	204	88	200	(4)	(2)
OGRA fee	217	256	254	291	59	432	141	48
Bank Charges	7	19	8	12	4	11	(1)	(8)
	1,157	1,177	1,145	1,404	526	1,448	44	3

7.119. The Authority observes that the remaining items of T&D expense have been reasonably projected by the petitioner and therefore, provisionally accepts the same, for the said year, at Rs. 1,448 million.

xxix. Transmission & Distribution Cost Determined by Authority

7.120. *In view of the examination in para ii to xxiii above, the Authority provisionally determines operating cost for the said year at Rs. 18,624 million, as per the table follows:*

Table 54: Summary of T&D Cost Determined by the Authority

Rs. in Million

Particulars	FY 2020-21	
	The Petition	Determined by the Authority
Human Resource Cost	18,884	11,510
Stores and Spares Consumed	800	800
Repair and Maintenance	1,500	1,095
Fuel and Power	452	397
Stationery, Telegram and Postage	200	200
Dispatch of gas bills	150	150
Rent, Rate, Electricity and Telephone	850	548
Traveling	200	163
Transport expenses	1,000	810
Insurance	270	270
Legal and Professional Services	345	242
Consultation for ISO 14001 & OHSAS 18000	5	5
Gas bills collection charges	600	600
Gathering charges of gas bills collection data	67	55
OGRA fee	432	432
Advertisement & publicity	258	206
Bank Charges	11	11
Uniforms & protective clothing's	100	54
Staff training and recruiting	28	7
Security expenses	1,500	1,000
Sui Northern Gas Training Institute	26	13
Provision for doubtful debts	1,693	728
Sponsorship of chairs at University	10	0
Executive Development programme	30	15
KMI Implementation Plan FY 2020-21 (UFG Control Activities)	1,271	636
Out Sourcing of call centre complaints management	41	30
Sports Cell	80	48
Annual Sports/Cricket Expenses	10	10
Corporate Social Responsibility	20	10
Facilities provided by other companies	32	14
Recovery through contractors - (Disconnected Consumers)	60	25
Other expenses	352	204
Special Project: Pilot Project Digital Meters	7	0
Subtotal Expenses	**31,284**	**20,287**
Allocated to fixed capital expenditures	(355)	(355)
Allocated to RLNG	(4,853)	(2,597)
T&D Expenses	**26,077**	**17,335**
Gas Internally Consumed	1,305	1,288
Total T&D Expenses incl. GIC	**27,382**	**18,624**

8. Workers Profit Participation Fund (WPPF)

8.1. The petitioner has projected WPPF at Rs. 788 million. The same has been recomputed on account of adjsutments per the decision for the said year.

9. LPG Air Mix Cost

9.1. The petitioner has claimed Rs. 905 million revenue shortfalls (Rs. 3,835 per MMBTU) in the revenue requirement of the LPG Air Mix segment for the said year.

9.2. ***The Authority per paras 5.23.6 and 5.23.7 decides to disallow Rs. 905 million claimed on account LPG air-mix cost for the said year.***

10. Late Payment Surcharge-Payable (LPS) & Short Term Borrowing

10.1. The petitioner has claimed Rs. 21,196 million under this head on account of late payment surcharge payable to gas creditors (Rs. 19,786 million) and short term borrowing (Rs. 1,410 million) under the head for the said year. The petitioner has pleaded that due to inadequate revision in the gas sale prices, it is facing serious financial crunch resulting to delay in payment to gas suppliers and arrangement of short-term borrowings to offset its immediate liabilities. The petitioner has explained that the above-stated LPS has been claimed in line with the Authority's earlier decisions. The petitioner has accordingly requested to allow the same for the said year.

10.2. The Authority notes that the matter has been extensively discussed and decided as part of FRR for FY 2018-19. The Authority is of the view that the petitioner's receivables and payables along with LPS in respect of state-owned entities is affecting matter of 'circular debt'. The Authority, therefore, advises the petitioner to take up the same with the Ministry of Energy for an amicable settlement. The Authority, in view of pending ultimate settlement and LPS stuck from the industry owing to court orders, cannot only pass the LPS liability to the consumers. ***Accordingly, the same is pending & shall be considered at the time of FRR subject to the actualization at year-end based on revision in prices advised by FG and circular debt position.***

10.3. The Authority, however, accepts the petitioner's claim to the extent of LPS in respect of other gas producers (non-government) and also allows the cost of short term borrowing. ***The Authority after perusal of latest outstanding dues,***

and considering the revised monetary policy announced by State Bank of Pakistan decides to allow 50% claim on account short term borrowings and fixes it at Rs. 705 million on provisional basis subject to the actualization at year-end based on revision in prices advised by FG and circular debt position.

11. Cumulative revenue shortfall pertaining to previous years'

11.1. The petitioner has claimed Rs. 173,630 million on account of cumulative revenue shortfall pertaining to previous years. The Authority observes that FRR for FY 2018-19 of the petitioner has now been issued. ***Accordingly, the commulative revenue shortfall is computed at Rs. 192,631 million. The same has not been included as per para 14.2 as part of instant determination.***

12. RLNG Cost of Service & Other Allied Matters

12.1. The petitioner has ring-fenced the expenses on account of "RLNG cost of service" and computed the rate at Rs. 102.08 per MMBTU based on the total revenue requirement of Rs. 40,878 million and energy volume throughput at 1103 MMCFD @ 1055 BBTU. In the working, the petitioner has also included Rs. 8,245 million on account of finance cost on working capital and LNG financing.

12.2. The petitioner has submitted that it has included T&D cost relating to RLNG as the company's resources are being utilized for the sale of RLNG. It argued that RLNG sales volume has increased and indigenous gas is showing a downward trend over the years. The petitioner has highlighted that it has been incurring T&D expenditures indigenous & RLNG businesses. Accordingly, Rs. 4,827 million may be allowed as part of the RLNG cost of service. The petitioner has also claimed working capital (Rs. 2,820 million) & finance cost (Rs. 5,425 million) of RLNG in the above computation.

12.3. The Authority observes that the petitioner has again computed the transportation charges on throughput volume as against the capacity of the pipeline. ***The Authority notes that all issues relating to the computation of RLNG cost of service whether relating to the SSGCL rate have been discussed & decided in its all previous determinations, and the same is being maintained.***

12.4. Regarding the petitioner's claim regarding 'financial charges' amounting to Rs. 5,425 million, the Authority observes that this issue has already been extensively deliberated. In all fairness, it is reiterated that there is no logic to claim financial charges in connection with the creation of the fixed assets while the 'return' @ 17.43% on the same is also provided. If the petitioner's claim is accepted, it shall result in a double impact at the cost of consumers. ***The Authority, therefore, maintains its earlier stance and rejects the petitioner's claim on this account.*** Regarding finance cost for working capital, the Authority is of the view that the petitioner has been carrying out RLNG business since FY 2015. The petitioner's back-to-back agreements with its consumers are already in field, therefore, the petitioner must make a recovery mechanism more efficient. The petitioner, being a public sector company, must consider all commercial aspects while negotiating the terms and conditions with its bulk consumers. After promulgation of TPA Rules, 2019, both Sui companies strive for maximum utilization of its network capacity and increase the competitiveness by curtailing its uneconomical costs. ***Therefore, no such cost can be allowed as part of RLNG cost of service.***

12.5. Regarding Rs. 4,827 million on account of HR and other relevant costs, the Authority notes that the petitioner for the very first time has come up with the allocation policy w.r.t RLNG T&D costs based on the respective portion in sale volume, T&D network & no. of consumers for transmission & distribution activity separately. The Authority notes that the Company had been incurring the costs in respect of indigenous and RLNG functions, but had not separated them on actual activity basis for preceding years. Therefore, the actual impact owing to increased RLNG activity is not available at the moment. It has, therefore, developed a formula on the basis of cost behavior and drivers for segregation of budget/cost. Accordingly, 16% of the total cost is charged to RLNG function based on a fair share of costs keeping in view their proportion of operations.

12.6. The Authority agrees to the petitioner's contention for allocation of costs on a fair & just basis. The Authority, however, observes that RLNG price is being determined under PL Ordinance, 1967 in accordance with the cost components as well as the parameters issued by FG. To keep RLNG price at a competitive level, it had been advised OGRA to charge cost on an incremental basis as part of RLNG price. Accordingly, the Authority, while formulating the Tariff Regime for Natural Gas Sector in Pakistan and Networking Code under TPA Rules, 2019 decided to adopt the prevalent policy for charging costs. The Authority, however, based on existing circumstances, where natural gas supplies are declining and RLNG business activity share is increasing, is of the view that the existing policy for charging of cost on "incremental basis" needs to be reviewed keeping in view the very fact that natural gas consumers' prices have also not been sufficiently revised. The majority of the bulk consumers of the petitioner company have now been switched to RLNG, and its related cost, therefore, needs to be charged/recovered from the respective business segment.

12.7. ***In view of the above, the Authority, through this Order, refers the matter to the FG for review of its existing policy based on changing business dynamics. Till such time, the Authority, based on best estimations provided by the petitioner upon its directions, decides to charge Rs. 2,597 million, being incremental cost as part of RLNG cost of service charges.***

12.8. In view of the above, the RLNG cost of Service is provisionally determined at Rs. 25,538 million (Rs. 58.24/MMBTU) as per the following table:

Table 55: RLNG Cost of Service Determined by the Authority:

Description	The Petition	Determined by the Authority
		MMCF
Quantitative Data	BBTU	
RLNG Input	**425,017**	462,090
Retainage / gas used in FSRU @ 0.75%	(3,188)	(3,466)
GIC - SSGCL network @ 0.5%	(2,109)	-
GIC - SNGPL network @ 1.2%	(5,037)	(4,583)
UFG @ 3.43%	(14,224)	(15,574)
Net RLNG sold	**400,460**	**438,468**
Cost Components	**Million Rs.**	
Amortization of Deferred Credit	(72)	(72)
Depreciation	3,741	3,702
Return on Assets	7,053	7,089
HR and other relevant costs allocated to RLNG	4,853	2,597
Gas Internally Consumed SNGPL	8,059	5,105
Transportation charges payable to SSGC	9,000	7,117
Finance cost for working capital	2,820	-
Finance cost on LNG financing	5,425	-
Total	**40,879**	**25,538**
Rs/ MMBTU	**102.08**	**58.24**

1. Input volume has been taken as 1200 MMCFD as against 1104 MCFD projected by SNGPL at GCV of 1055 BTU/SCF.

2. GIC has been valued at the average purchase price of Rs. 837/MMBTU @ Rs. 162/US$, assuming brent price @ $30/bbl and slope as 13.37% plus additional port charges as s $0.16/MMBTU while other cost on account of custom duty, regasification charges and retainage @ $1/MMBTU has been taken.$0.16/MMBTU while other cost on account of custom duty, regasification charges and retainage @ $1/MMBTU has been taken. The petitioner has, however, computed brent at $ 65 @ Rs. 162.5/$ against above parameters.

3. GIC has been aligned with decision in respect of GIC. Brent has been assumed at an average of USD$ 40 @ Rs. 169/US$.

12.9. The Authority further observes that the petitioner has claimed Rs. 73,998 million being the cost of RLNG diverted to indigenous domestic & commercial consumers. The Authority notes that its viewpoint in respect of cost recovery through natural gas price/revenue requirement determination is categorical and consistent. ***The Authority is of the firm view no such cost can be included in revenue requirement determination till such time that both i.e. natural gas & RLNG pricing are dealt under one set of law i.e. OGRA Ordinance, 2002.***

13. Discussion & Decisions

i. Summary

13.1 In view of the justifications submitted and arguments advanced by the petitioner in support of its petition, comments offered by the participants, scrutiny by the Authority and detailed reasons recorded by the Authority in earlier paras, the Authority recapitulates and decides to:

a) **determine estimated addition in fixed assets at Rs. 22,306 million for and depreciation charges at Rs. 22,845 million;**

b) **accept sales revenue at the current prescribed price at Rs. 214,599 million;**

c) **accept operating incomes at Rs. 18,170 million**

d) **determine the cost of gas at Rs. 162,356 million.**

e) **determine the UFG adjustment at Rs. 7,041 million;**

f) **determine T&D expenses at Rs. 17,335 million as against Rs. 26,077 million claimed by the petitioner;**

13.2 In exercise of its powers under the Ordinance and NGT Rules, the estimated revenue requirement for the said year is determined at Rs. 219,542 million as tabulated below:

Table 56: Components of DERR for FY said year as Determined by the Authority

Rs. in Million

Particulars	Claimed by the Petitioner	Determined by the Authority
Cost of gas sold	163,047	162,356
UFG (disallowance) / allowance	(750)	(7,041)
Transmission and distribution cost	26,077	17,335
Gas internally consumed	1,305	1,288
Depreciation	23,636	22,845
Late Payment Surcharge (Payable) & cost of short-term borrowing	21,196	705
Wokers Profit Participation Fund	788	-
Return on Assets	23,964	22,053
Additional Revenue Requirement for LPG Air-Mix Projects	905	-
Total Revenue Requirement (exc. Previous year shortfall)	**260,168**	**219,542**
Previous Years Shortfall in Revenue Requirement	173,630	-
Total Revenue Requirement	**433,798**	**219,542**

13.3 The petitioner's total operating income is estimated at Rs. 232,769 million as against the revenue requirement of Rs. 219,542 million and thus there is a surplus of Rs. 13,227 million in its estimated revenue requirement for the said year. In order to adjust this surplus, the Authority hereby makes, on a provisional basis, downward average revision of Rs. 40.94 per MMBTU in the petitioners' average prescribed price for the said year (**Annexure-A**).

13.4 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 of the requirement of Rule17(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. Determination

14.1 The Authority, after taking into consideration points raised by interveners, clarifications provided by the petitioner, scrutiny of the petition, and available record, provisionally determines the surplus in estimated revenue requirement for the said year at Rs. 13,227 million (**Annexure-I**). Accordingly, the revenue requirement is determined at Rs. 219,542 million (Rs. 623.31/MMBTU).

14.2 The Authority observes that FG in the past had advised insufficient revisions to OGRA in respect of natural gas sale prices and resultantly the petitioner remained unable to meet the shortfall as determined by OGRA in the respective revenue requirements. Accoridngly, the backlog is persistently piling up. ***The Authority, considering the FG's stance in respect of sale price revisions, had not included any financial impact relating to previous years' shortfall as part of the instant determinations as decided in para 11.1. Regarding inclusion of previous year shortfall, the Authority through this Order refers the matter to FG for adequate revisions it deems appropriate.*** The FG, under Section 8(3) of the Ordinance may advise natural gas sale price to OGRA, after inclusion of previous years shortfall, as deemed appropriate, considering its socio-economic agendas and sectoral policies. In case the Federal Governemnt decide not to burden the consumers, it may please alternatively consider payment of subsidy to the company to meet its prior years shortfall.

14.3 The revised provisional prescribed price is subject to the condition that it *"may be re-adjusted upon receipt of Federal Government advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers*

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

14.5 Further, under Section 8 (4) of the Ordinance, if the FG fails to so advise within the said 40 days and the prescribed price for any category of retail consumers determined by the Authority is higher than the most recently notified sale price for that category of retail consumers, the Authority shall be obligated to notify in the Official Gazette the prescribed price as determined by the Authority to be the sale price for the said category of retail consumers.

14.6 In view of the above legal position, FG may take necessary action under Section 8 (3) of the Ordinance and advise the Authority of the revised sale price for each category of retail consumers of natural gas for notification in the Official Gazette within the stipulated time period.

15. Directions

15.1 In addition to the directions issued by the Authority in its previous determinations, the petitioner is further directed to: -

i) **submit** *a review petition to the Authority latest by October 15, 2020, 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 2020 and the trend of Rupee-Dollar exchange rate.*

ii) **submit** *the progress report in respect of capital projects and region-wise UFG on a quarterly basis.*

iii) **submit** *in tabulated form, the reduction in UFG in each region vis a vis expenditure incurred compared with allowed by the Authority, at the time of respective FRR.*

iv) **segregate** *costs & revenues in terms of activities viz; transmission, distribution & sale so that tariff against each activity be ascertained.*

v) **ensure ring-***fencing of RLNG related capital and revenue cost as a separate segment.*

vi) **submit** *its proposal on the basis of useful lives of capital assets in line with its sister utility while complying the FG directions in the matter* *within one month of the issuance of this Order, failing which the Authority shall act on its own and fixing the economic life of the assets at a reasonable level on the basis of rationale and justification.*

vii) **review** *its HR cost structure including perks, wide pay scales & other medical, club membership and car/petrol policies and bring it down to a reasonable level so that the same can be comparable with other similar public sector organization involved in the business of transmission & distribution of power sector.*

viii) **expedite** *the recovery from defaulting consumers and curtail ever-increasing expenses under the provision for doubtful debt.*

ix) **economize** *capital & revenue expenditures, utilize the resources efficiently and effectively and avoid/curtail non-productive /non-development expenditure in order to protect consumer interest as well.*

x) **submit** *the petition in proper & legible format, complete in all respect containing necessary analysis in comparative form & fiscal targets/plans. Further, the existing template of the petition may be revised/reviewed and be submitted within thirty days for prior approval of the Authority.*

xi) **share**, *on a regular basis, the monthly gas production and consumption data with the provinces and address their reservations in this regard. Further, compliance with the Constitution and Law provisions must be ensured in letter & spirit.*

xii) **switch** *from the conventional way of monitoring the operating activities, so that physical mobilization of resources and manpower can be saved by the use of IT-based applications, equipment, and technological surveillance on a real-time basis.*

xiii) **adopt** *austerity measures and conserve the resources through new Techniques including IT-based application, video conferencing, etc.*

xiv) **curtail** *all non- productive expenses within reasonable limit since there is now a* **change** *in business dynamics the natural gas owing decrease in volume is an expensive product.*

xv) *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 in para. 3 above. The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in Para. 3 above for due consideration.

Muhammad Arif
(Member Gas)

Noorul Haque
(Member Finance)

Uzma Adil Khan
(Chairperson)

The Islamabad,
July 13, 2020

A. Computation of Estimated Revenue Requirement for FY 2020-21

Million Rs.

	Particulars	The Petition	Adjustment	Determined by the Authority
	Gas sales volume -MMCF	343,616	-	343,616
	BBTU	323,070	-	323,070
"A"	**Net Operating revenues**			
	Net sales at current prescribed price	214,599	-	214,599
	Rental & service charges	2,166	225	2,391
	Late Payment Surcharge and interest on arrears	10,332	-	10,332
	Amortization of deferred credit	3,725	-	3,725
	Other operating income	1,722	-	1,722
	Total income "A"	**232,544**	**225**	**232,769**
"B"	**Less Expenses**			
	Cost of gas sold	163,047	(691)	162,356
	UFG (disallownce) / allowance	(750)	(6,291)	(7,041)
	Transmission and distribution cost	26,077	(8,742)	17,335
	Gas internally consumed	1,305	(17)	1,288
	Depreciation	23,636	(791)	22,845
	Late Payment Surcharge (Payable) & cost of short-term borrowing	21,196	(20,491)	705
	Workers Profit Participation Fund	788	-	-
	Total expenses "B"	**235,298**	**(37,810)**	**197,488**
"C"	**Operating profit / (loss)(A - B)**	**(2,754)**	**38,035**	**35,281**
	Return required on net assets:			
	Net assets at begining	149,587	-	149,587
	Net assets at ending	170,010	(21,926)	148,084
		319,597	*(21,926)*	*297,671*
	Average fixed net assets (I)	**159,799**	**(10,963)**	**148,836**
	Deferred credit at begining	22,423	-	22,423
	Deferred credit at ending	22,198	-	22,198
		44,621	-	**44,621**
	Average net deferred credit (II)	**22,310**	-	**22,310**
"D"	**Average operating assets (I-II)**	**137,488**	**(10,962)**	**126,526**
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required	23,964	(1,944)	22,053
"F"	(Excess) / Shortfall FY 2020-21 - gas operations	26,718	(39,945)	(13,227)
"G"	Additional revenue requirement for LPG Air-Mix Projects	905	(905)	-
"H"	Excess /(shortfall) FY 2020-21 without previous years shortfall	27,624	(40,851)	(13,227)
	Average Ince/(Dec) in Prescribed Price FY 2020-21 (Rs/MMBTU)	**85.51**	**(126.45)**	**(40.94)**
"I"	**Total Revenue requirement FY 2020-21**	**260,167**	**(40,625)**	**219,542**
"J"	**Average Prescribed Price (PP) FY 2020-21(Rs./MMBTU)**	**749.75**	**(126.45)**	**623.31**

B. Existing Sales Prices

Sr. no.	Particulars	Rs./MMBTU
1	**Domestic Consumers:**	
	a. Standalone meters	
	b. Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto.	
	Upto 0.5 hm^3 per month	121.00
	Upto 1 hm3 per month	300.00
	Upto 2 hm3 per month	553.00
	Upto 3 hm3 per month	738.00
	Upto 4 hm3 per month	1,107.00
	Above 4 hm3 per month	1,460.00
	The billing mechanism will be revised so that the benefit of one previous/preceding slab is available to domestic consumer (residential use).	
	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. The tariff for captive gas use in this category will be charges as per captive powe category per category below;	
	All off-takes at flat rate of	780.00
2	**Special Commercial Consumers (Roti Tandoors)**	
	Upto 0.5 hm^3 per month	110.00
	Upto 1 hm3 per month	110.00
	Upto 2 hm3 per month	220.00
	Upto 3 hm3 per month	220.00
	Above 3 hm3 per month	700.00
3	**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 including hotel industry, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.	
	All off-takes at flat rate of	1,283.00
4	**Ice Factories:**	
	All off-takes at flat rate of	1,283.00
5	**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	1,021.00
6	**Registered manufacturers or exporters of five zero-rated sectors and their captive power namely: Textile (including jute) carpets, leather, sports and surgical goods.**	
	All off-takes at flat rate of	786.00
7	**Captive Power :** Captive Power plant/unit means an industrile 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	1,021.00
8	**CNG Stations:**	
	All off-takes at flat rate of	1,283.00
9	**Cement Factories:**	
	All off-takes at flat rate of	1,277.00
10	**Fertilizer Factories:**	
	a. Pak American Fertilizer Company Limited, Daudkhel. b. Pak Arab Fertilizer Limited, Multan. c. Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhupura District. d. Pak-China Fertilizer Limited/Hazara Phosphate Plant Limited, Haripur.	
	Feed Stock: All off takes at flat rate of	300.00
	Gas used for fuel electricity Generation, Steam and housing colonies	1021.00
	e. ENGRO Fertilizer Company Limited	
	Feed Stock: All off takes at flat rate of	114.10
	Gas used for fuel electricity Generation, Steam and housing colonies	1021.00
11	**Power Stations:**	
	a. **WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.**	
	All off-takes at flate rate of	824.00
	b. **WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.**	
	All off-takes at flate rate of	824.00
	Fixed Charge (Rupee per month)	975,000.00
	c. **Liberty Power Limited's Gas Turbine Power Plant (Phase1) at Daharki:**	
	All off-takes at flate rate of	1,221.78
12	**Independent Power Producers:**	
	All off-takes at flate rate of	824.00

C. List of Abbreviations

Words	Abbreviations
APTMA	All Pakistan Textile Mills Association
BBTU	Billion British Thermal Unit
BOD	Board of Directors
CIP	Close Interval Potential Survey
CSC	Customer Services Centre
CAPEX	Capital Expenditure
CPI	Consumer Price Index
CBA	Collective Bargaining Agent
C.P System	Cathodic Protection System
C&F Price	Carriage and Freight Price
DERR	Determination of Estimated Revenue Requirement
DRS	District Regulator Station
DCVG	Direct Current Voltage Gradient
DMC	Data Monitoring Committee
ECC	Economic Co-ordination Committee
EWT	Extended Well Test
FG	Federal Government
FRR	Final Revenue Requirement
GDS	Gas Development Surcharge
GOP	Government of Pakistan
GI	Galvanized Iron
GPA	Gas Purchase Agreement
GIDC	Gas Infrastructure Development Cess
GIC	Gas Internally Consumed
HSFO	High Sulfur Fuel Oil
ISGSL	Inter State Gas System Limited
KPMG	Klynveld Peat Marwick Goerdeler
KPOGCL	Khyber Pakhtunkhwa Oil and Gas Company Limited
KMI	Key Management Infrastructure
LPS	Late Payment Surcharge
LNG	Liquefied Natural Gas
MMBTU	Million Metric British Thermal Unit
MMCFD	Million Standard Cubic Feet per Day.
MPNR	Ministry of Petroleum & Natural Resources
NGRA	Natural Gas Regulatory Authority
NGT Rules	Natural Gas Tariff Rules
NTC	National Telecommunication Corporation
OGRA	Oil and Gas Regulatory Authority
PDA	Peshawar Development Authority

PPL	Pakistan Petroleum Limited
RLNG	Re-gasified Liquefied Natural Gas
SNGPL	Sui Northern Gas Pipeline Limited
SSGCL	Sui Southern Gas Company Limited
SMS	Sale Meter Station
SCADA	Supervisory Control And Data Acquisition
TPF	Tolang Processing Facility
TBS	Town Border Station
T&D Cost	Transmission and Distribution Cost
UFG	Un-accounted for Gas
UHF	Ultra High Frequency
WACOG	Weighted Average Cost of Gas
WPPF	Workers Profit Participation Fund