

No. OGRA 6(2)-1(4)/2019-DTRR

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED
FINAL REVENUE REQUIREMENT, FY 2018-19

UNDER

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

DECISION

July 7, 2020

Before:

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




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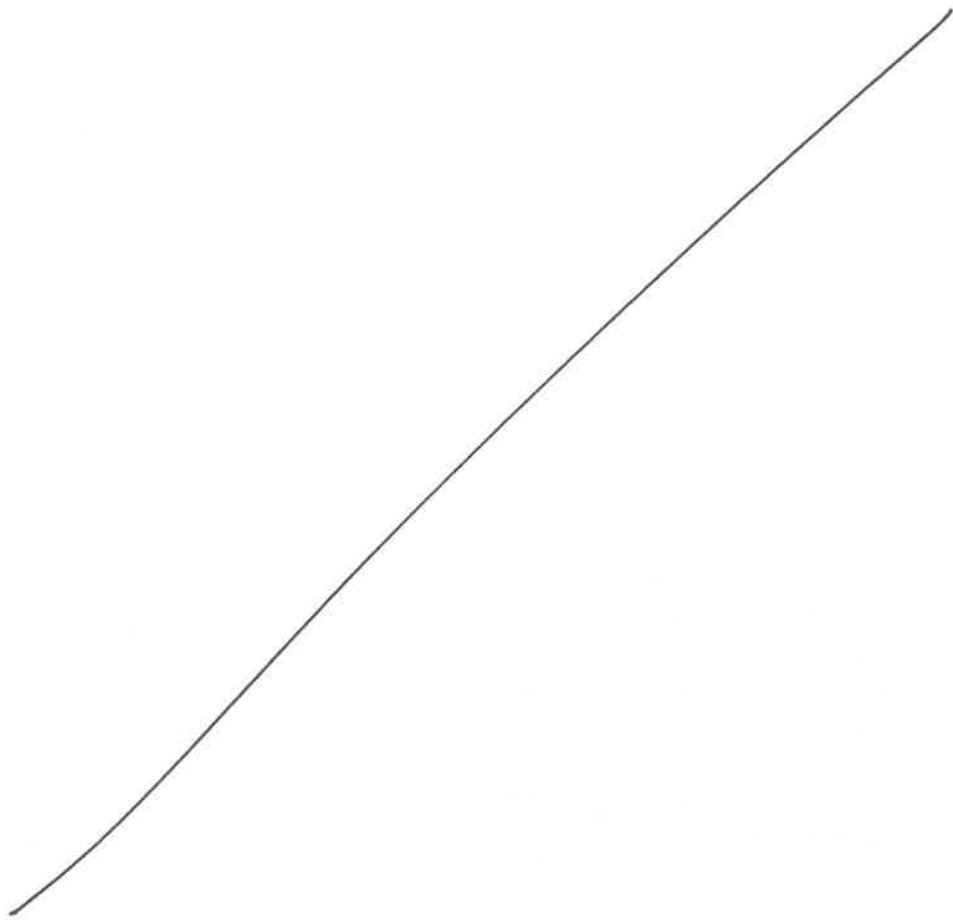
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1. Background

- 1.1. Sui Northern Gas Pipelines Limited (SNGPL/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, Punjab and Azad Jammu & Kashmir under the license granted by the Oil & Gas Regulatory Authority. It is engaged in the business of construction and operation of gas transmission and distribution pipelines, 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), in accordance with the decision of the Federal Government (FG).
- 1.2. The petitioner filed a petition on March 3, 2020 under Section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for FY 2018-19 (the said year) on the basis of its annual accounts, as initialed by its statutory auditors, after incorporating the effect of actual changes in the relevant factors in terms of Section 8(2) of the Ordinance. The petitioner has also provided a statement of accounts pertaining to RLNG business for the said year wherein it has claimed revenue shortfall at Rs. 21,140 million (Rs. 59.56 per MMBTU) to be recovered from RLNG consumers. The RLNG activity, as per decision of the FG is a ring-fenced and separate activity and its pricing is carried out under a different set of law. Accordingly, the instant decision of revenue requirement is only to the extent of the natural gas activity of the petitioner.
- 1.3. In the petition for the said year, the petitioner, for the actual sales of 391,311 BBTU, has worked out its FRR for the said year, including Rs. 122,177 million previous years' accumulated revenue shortfall, at Rs. 392,932 million and the revenue shortfall at Rs. 202,049 million. Based on the actual sales revenue on the basis of prescribed prices and actual sale mix, the petitioner has claimed an increase of Rs. 516.34 per MMBtu in the average prescribed price for the said year.
- 1.4. The Authority, vide its order dated February 27, 2019, had determined the petitioner's Review of Estimated Revenue Requirement (RERR) for the said year under Section 8(2) of the Ordinance at Rs. 280,347 million for estimated sale volume of 424,371 BBTU.

2. Salient Features of the Petition

- 2.1. The petitioner has submitted following statement of cost of service.

Table 1: Comparison of Cost of Service with DERR & Previous Year

Particulars	FY 2017-18	FY 2018-19		Rs/MMBtu
	FRR	DERR	RERR	FY 2019-19 The Petition
Sales volume (BBTU)	368,803	436,187	424,371	391,311
Cost of gas	422.39	451.94	460.45	485.25
UFG disallowance	(17.23)	(22.87)	(25.33)	(1.92)
Transmission & distribution	64.10	57.49	58.79	66.88
Operating cost of upgradation of CC&B	-	0.03	0.04	-
Depreciation	34.08	47.16	43.90	35.62
Late Payment Surcharge (Payable) & cost of short term borrowing	16.25	4.27	4.39	46.93
Corporate Social Responsibility (CSR)	-	1.14	1.17	-
Impact of IAS 19 (Recognition of Actuarial Gains) for FY 2015-16 & Adoption of IFRS 9	(7.78)	-	-	(0.80)
Other Operating Expenses (Exchange Loss)	4.66	-	-	11.42
Previous Year's Revenue Shortfall	250.80	67.27	69.15	312.22
WPPF	1.98	2.61	2.68	1.88
Total Operating Cost	769.24	609.04	615.24	957.4740
Return on fixed assets	41.53	48.27	45.38	46.67
Other operating income	(46.86)	(27.98)	(28.76)	(37.02)
Avg Cost of service/ Prescribed price (PP)	763.91	629.33	631.86	967.12
Current average prescribed price	448.26	399.45	512.17	450.78
Increase in Average Prescribed Prices	315.66	229.88	119.69	516.34

2.2. The petitioner has made the following submissions:

- 2.2.1. Annual return has been claimed at the rate of 17.43% of the value of its average net operating fixed assets (net of deferred credit) per license condition no. 5.2.
- 2.2.2. Gross addition in fixed assets during the said year has been claimed at Rs. 22,190 million and net addition, after accounting for deletion, adjustments and depreciation, at Rs. 2289 million, resulting in increase in net operating fixed assets from Rs. 125,017 million in FRR 2017-18 to Rs. 127,306 million for the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out to Rs. 104,773 million and the required return at Rs. 18,262 million.
- 2.2.3. Net operating expenses have been claimed at Rs. 374,670 million in the petition as compared to Rs. 261,089 million provided in RERR, as detailed below:






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Table 2: Comparison of Operating Expenses per the petition

Description	FY 2017-18	FY 2018-19		2018-19	Rs. in Million	
	FRR	DERR	RERR	The petition	Inc/(Dec) over RERR	
Sales volume (BBTU)	368,803	436,187	424,371	391,311	(33,060)	-8%
Cost of gas	155,780	197,131	195,401	189,882	(5,519)	-3%
UFG disallowance	(6,356)	(9,974)	(10,748)	(750)	9,998	-93%
Transmission & distribution	23,642	25,075	24,948	26,171	1,223	5%
Operating cost of upgradation of CC&B	-	15	15	-	(15)	-100%
Depreciation	12,568	20,569	18,632	13,937	(4,695)	(0.25)
Late Payment Surcharge (Payable) & cost of short term borrowing	5,992	1,863	1,863	18,364	16,501	886%
Corporate Social Responsibility (CSR)	-	496	496	-	(496)	-
Actuarial Gains) for FY 2015-16 & Adoption of IFRS 9	(2,871)	-	-	(312)	(312)	-
Other Operating Expenses (Exchange Loss)	1,718	-	-	4,468	4,468	-
Previous Year's Revenue Shortfall	92,496	29,344	29,344	122,177	92,833	-
WPPF	729	1,138	1,138	734	(404)	-36%
Total operating cost including cost of gas	283,698	265,657	261,089	374,670	119,100	46%
Return on fixed assets	15,317	21,056	19,259	18,262	(997)	-5%
Other operating income	(17,281)	(12,206)	(12,206)	(14,486)	(2,280)	19%
Net Revenue Requirement	281,734	274,507	268,142	378,445	115,822	0.59
Current sales revenue at prescribed price	165,318	174,236	217,351	176,396	(40,955)	-19%
Shortfall	116,416	100,271	50,791	202,049	156,777	0.78

2.2.4. In addition to operating cost including cost of gas, the return and cumulative prior years' adjustment has also been provided to work out the total shortfall claimed by the petitioner.

2.2.5. Net result of the petitioner's above mentioned claims is that there is a shortfall of Rs. 202,049 million after 17.43% return on average net operating assets and cumulative previous year's shortfall, which translates into an increase of Rs. 516.34 per MMBTU in the existing average prescribed price, as tabulated below:

Table 3: Computation of Average Increase in Prescribed Price per the petition

Description	Rs in Million
A Net operating revenues	190,882
B Net operating expenses including WPPF	252,493
C Shortfall (B-A)	61,611
D Return required @ 17.43% on net fixed assets in operation	18,262
E Shortfall in revenue requirement (D+C)	79,873
F Actual Revenue shortfall determined by Authority upto FY 2017-18	122,177
G Total Revenue Shortfall (E+F)	202,049
H Sales volume (BBTU)	391,311
Increase (Decrease) in the average prescribed price (Rs/MMBTU) (H/I*1000)	516.34



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3. Proceedings

- 3.1. The Authority issued notice of hearing on June 18, 2020 to the petitioner and the following interveners and related parties:
- i. The Secretary, Ministry of Energy (Petroleum Division) Government of Pakistan, Islamabad.
 - ii. Mr. Malik Luqman, Section Officer (Energy), Energy & Power Department, Government of Khyber Pakhtunkhwa, Peshawar.
 - iii. Mr. Ghulam Qadir Awan, Lahore.
 - iv. Chief Executive Officer, Khyber Pakhtunkhwa Oil & Gas Company, Peshawar.
 - v. Mr. Muhammad Aslam Chaudhry, Consumer, Lahore.
 - vi. Mr. Mohammad Kuli Khan, Chairman, All Pakistan Textile Mills Association, KPK Zone, Peshawar.
- 3.2. The hearing was held at Islamabad on June 24, 2020.
- 3.3. The petitioner was represented by a team of senior executives led by Mr. Amer Tufail, Acting Managing Director, who were given full opportunity to present the petition. The petitioner made submissions with the help of multimedia presentation explaining the basis of its petition and also responded to the comments, observations, objections, questions, and suggestions of the participants.

4. Determination

- 4.1. After detailed scrutiny of the petition, clarifications given by the petitioner, and valuable input from interveners and participants, the Authority determines as follows:

5. Authority's Jurisdiction and Determination Process

- 5.1. The Authority is obligated to determine the revenue requirement /prescribed prices of the petitioner in accordance with Section 8(1) and 8(2) of the Ordinance and License condition no. 5.2 of its integrated License.
- 5.2. The decisions issued by the Authority have always been strictly in accordance with the relevant provisions of Law. All the statutory requirements are firmly complied with before issuing any decision and in this whole process the Authority, very meticulously, ensures that public service utilities prosper in an efficient manner. The Authority, since its inception had issued all of its determinations, after going through the due process of transparent public hearings, while balancing the interest of all stakeholders, including



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general public, gas utilities, industrial consumers, etc. The checks and balances implemented by the Authority to improve the quality of service to consumers and bring efficiency in the overall management of the company have proved to be beneficial for the whole nation in measurable terms.

- 5.3. The Authority examines all applications and petitions in the light of relevant rules. Public notices are issued and all the stakeholders and are provided full opportunity to intervene / comment upon the issues pertaining to determination of revenue requirement, in writing and at public hearings, which are duly taken into account. Further, GoP's attention is specifically drawn to the submissions relating to policy matters for consideration, before deciding the retail prices for various categories of consumers.
- 5.4. The operating revenues, operating expenses and changes in asset base are scrutinized in depth, keeping in view the FG socio economic agenda and policy advices, in accordance with Rule 17(j) of NGT Rules, 2002. Further, Authority, in consultation with the FG and licensees in the natural gas sector has revised the tariff regime including the rate of return which is based on Weighted Average Cost of Capital (WACC) and the same is applicable from the current financial year.

6. Operating Fixed Assets

6.1. Summary

- 6.1.1. In respect of normal business, gross addition in fixed assets during the said year has been claimed at Rs. 31,324 million. The depreciation on the opening assets and added during the year has been claimed at Rs. 12,572 and deletion in assets at Rs. 850 million. Accordingly, net addition in assets after accounting for depreciation/deletion is Rs. 17,902 million, increasing the net opening fixed assets of Rs. 107,116 million to 125,018 million at the closing for the said year. After adjustment of deferred credit, the average value of operating fixed assets has been claimed at Rs. 116,067 million and the required return at Rs. 16,455 million. In respect of LNG business, the return computes to Rs. 7,504 million. The detail as under;

Table 4: Computation of Return on Operating Fixed Assets per the petition

Description	Rs. in Million	
	Natural Gas	RLNG
Net operating fixed assets at beginning	125,017	49,313
Additions during the year (Net of adjustments & deletions)	22,189	806
Assets deleted during the year	(963)	-
Assets transferred to RLNG segment	(5,837)	5,837
Total Addition	140,406	55,956
Depreciation	13,100	5,065
Net operating fixed assets at closing	127,306	50,891
Average net assets	126,162	50,102
Deffered credit at beginning	22,507	-
Deffered credit at closing	20,270	5,325
Sub total	42,777	5,325
Average deffered credit	21,388	2,663
Average net fixed assets (A-B)	104,773	47,439
Return Required	17.43%	17.43%
Amount of return	18,262	8,269

6.1.2. The comparative analysis of additions in fixed assets is as follows: -

Table 5: Summary of Capitalization

Sr. No.	Particulars	DERR 2018-19	Million Rs. Petition FY 2018-19		
			Normal	RLNG	Total
1	Freehold land	4	461	33	494
2	Building on Free Hold land	185	114		114
3	Transmission Mains	4,326	1,560	191	1,751
4	Compression	423	324	10	334
5	Distribution Mains	17,414	13,618	336	13,954
6	Measuring and Regulating	7,438	5,103	139	5,242
	Sub Total	29,790	21,181	708	21,889
7	Telecommunication Equipment	42	56	-	56
8	Plant & Machinery	405	277	3	279
9	Tools & Equipment	26	13	15	28
10	Motor Vehicles	193	271	1	271
11	Construction Equipment	238	205	52	257
12	Furniture & Fixture	75	48	1	49
13	Office Equipment	28	19		19
14	Computer Hardware	346	243	1	244
15	Computer System Software / Intangible Assets		162	1	163
	Sub Total	1,353	1,295	73	1,368
16	Advance for land		(286)	25	(261)
	Grand Total	31,143	22,189	806	22,995



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6.2. Freehold Land

6.2.1. The details of the land capitalized by the petitioner during FY 2018-19 is given in the table below: -

Table 6: Detail of Land

S.No	Details of Capitalization	FY 2018-19			Million Rs.
		DERR/DRERR	The Petition		Total
		Total	Indigenous	RLNG	FY 2018-19
1	Normal (A)	4	461	-	461
2	Advance for Land		-286		-286
3	Land Freehold (B)			33	33
4	Advance for Land (LNG)			25	25
	Total Free Hold (A+B)				494

6.2.2. The petitioner has claimed capitalization of Rs. 494 million against the head "land freehold" in FRR 2018-19 which includes Rs. 461 million for purchase of land for ROW against indigenous gas system and Rs. 33 Million for purchase of land for ROW under RLNG business. In addition, the petitioner has also claimed credited amount of Rs. 286 Mill for advance of land for Normal expenditure and Rs. 25 Million for RLNG.

6.2.3. The petitioner has capitalized Rs. 89 Mill. in respect of Land for Regional Office Gujrat. The company further stated that an amount of Rs.266 million for purchase of Land for Regional Offices Sargodha & Gujrat was allowed in DERR FY 2014-15 and out of this Rs.120 Million was for Gujrat Region. Moreover, after a lengthy process of procurement, land has been purchased during FY 2018-19. **Keeping in view the submission made by the company, the Authority allows capitalization of Rs. 89 Million in respect of Freehold land for Regional Office Gujrat.**

6.2.4. The petitioner has capitalized an amount of Rs. 12 Million in respect of land for right of way (ROW) representing minor adjustments recorded during financial completion of the project for Construction of (10" Dia X 11.5 KM Pipeline (Adhi-Sukho) - (Phase-I)). The petitioner has informed that the project has been completed in the previous. **Keeping in view the submission made by the company and operational requirement, the Authority allows capitalization of Rs. 12 Million against Freehold land for the project.**



- 6.2.5. The petitioner has claimed capitalization of Rs. 44 Million in respect of land for right of way (ROW) representing afterward adjustment costs for project of laying of 12" dia X 106 KM, loop line from Mardan to Swat. The petitioner has informed that the project was approved by OGRA in DERR for FY 2016-17 and around half of the pipeline length was capitalized in FY 2017-18, whereas, remaining portion is commissioned in FY 2018-19 and has been capitalized accordingly. **Keeping in view the submission made by the company and operational requirement, the Authority allows capitalization of Rs. 44 Million against Freehold land for the project.**
- 6.2.6. The company has capitalized an amount of Rs. 4 Million in respect of land acquired for right of way in respect of Uplifting of Rehmat Pipeline/ Construction of Sargodha Pipeline (16" Dia X 21.1 KM). The company has further added that the said project was approved by OGRA through its letter dt:21-07-2017. **Keeping in view the submission made by the company and operational requirement, the Authority allows capitalization of Rs. 4 Million against Freehold land for the said project.**
- 6.2.7. The petitioner has claimed capitalization of 167 Million against Misc Budget representing land for right of way (ROW) of miscellaneous transmission lines. The company, however, has not provided the detailed justification for capitalization of Rs. 167 Million for the same. In view of the foregoing, **the reasons given by the petitioner are not tangible for consideration of the request, therefore, the Authority does not allow any capitalization amount for Misc. Budgets**
- 6.2.8. The company has also claimed capitalization of Rs. 145 Million against LPG Air Mix plant in Chitral mentioning that Land has been purchased being pre-requisite of OGRA's licence for Construction of LPG Air Mix Plant. It is mentioned that the ECC of the Cabinet in its meeting held on 26th March 2020 in Case No. ECC-98/12/2020 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."

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- 6.2.9. In view of the above and ECC decision, the reasons given by the petitioner are not tangible for consideration of the request, therefore, the Authority does not allow any capitalization amount for LPG Air Mix Plant Chitral.
- 6.2.10. The petitioner has claimed against freehold land, capitalization of Rs. 28 Million w.r.t. RLNG project I & II on 100 % cost recovery basis and Rs. 5 Million in respect of IDP for IPP(s), works which were mainly completed in FY 2016-17. Keeping in view the justification provided by the company the capitalized amount of Rs. 33 Million for purchase of land for ROW under 100% cost recovery basis and LNG Project has been allowed by the Authority.
- 6.2.11. In view of the discussion above, the Authority allows capitalization amounting to Rs. 149 million against Freehold land related to indigenous gas system. Moreover, the Authority allows capitalization amounting Rs. 33 million for Freehold land related to RLNG.
- 6.2.12. However, the petitioner shall not be entitled to get any rate of return on Rs. 28 million incurred under 100% cost recovery basis. The capitalization of Rs. 5 Million & Rs. 28 Million in respect of RLNG shall be treated under the ring-fencing mechanism as per the policy of the Government of Pakistan.
- 6.2.13. The details of capitalization allowed by the Authority is given as under:

Table 7: Detail of Land capitalization allowed by the Authority

S.No	Details of Capitalization	Million Rs.				Allowed
		FY 2018-19			Total	
		DERR/DRERR	The Petition			
Total	Indigenous	RLNG	FY 2018-19			
1	Normal (A)	4	461	-	461	149
2	Advance for Land		-286		-286	
3	Land Freehold (B)			33	33	33
4	Advance for Land (LNG)			25	25	
	Total Free Hold (A+B)				494	181

- 6.2.14. The Authority advises the petitioner to bring the remaining amount of Rs. 312 million for Authority's consideration whether the expense merits re-validation in its ERR Petitions.





6.3. Building on Freehold Land

- 6.3.1. The Authority allowed Rs. 185 million under the head Building on freehold land in DERR FY 2018-19. However, the Petitioner has been able to capitalized an amount of Rs. 114 million including previous years' capitalization amounts. The capitalized amount of Rs. 114 Million represents construction of building / civil works such as construction of stores, rooms, boundary wall etc. at various regions of the company.
- 6.3.2. It has been observed by the Authority that the Petitioner has capitalized Rs. 5 million in FY 2018-19 whereas, as rest of the amount pertains to previous year's budget.
- 6.3.3. *Keeping in view the above, the Authority allows capitalization of Rs. 5 million for building on freehold land.*
- 6.3.4. *The Authority advises the petitioner to bring the remaining amount of Rs. 109 million for Authority's consideration whether the expense merits re-validation in its ERR Petitions.*

6.4. Transmission (Normal and 100 % Cost Recovery Basis)

- 6.4.1. The petitioner has informed that it had commissioned the below mentioned Transmission lines and SMSs during FY 2018-19:

Table 8: Transmission Mains (Normal and 100% cost recovery basis)

Sr. No.	Normal / Special Transmission Projects / 100 % Cost Recovery Basis	D.O.C	DIA	Commissioning Length (KM)	Million Rs.	
					DERR 2018-19	Capitalization claimed by SNGPL in TRR 2018-19 / previous
i	Additions - Special Project - A 12" Dia 48.21 Km Mardan-Swat Transmission oop Line	16-Feb-19	12	48		511
ii	Additions - 100% Cost Recovery Project - A 8" Dia 32.50 Km Matani To Regi Lalma Transmission Line	28-Jan-19	8	33		414
iii	DDP Budget: Construction of SMS under normal Budget				259	86
iv	Rehabilitation of Transmission System (Modification/upgrations of SMSs etc.)				86	153
v	Catholic Protection				95	179
vi	Additions - Other Special Project Sms Nilore					59
vii	Additions - Special Project (100% Cost Recovery) Sms Regi Lalma	31-Jan-19			-	34
viii	DDP- Cost Sharing Budget Sms Strategic Army Base Hospital At Rawalpindi 5 Mmcfid (Rwp. Reg.) (100 % Cost Recovery Basis)	14-Nov-18				32
ix	Adjustements agalnst Misc. Transmission Lines 100% Cost Recovery (Misc Transmission Lines)					93
	Total					1560

- 6.4.2. The petitioner has capitalized Rs. 1,560 Million against Normal transmission and 100 % cost recovery basis.
- 6.4.3. The Petitioner has claimed capitalization of Rs. 511 Million in respect of laying of 12" dia X 106 KM, loop line from Mardan to Swat. It has been informed the project has been commissioned on 16.02.2019. The company has further stated that the project was approved by BOD (473rd meeting held on 27-06-2016) for laying of 12" dia X 106 KM, loop line from Mardan to Swat and up-gradation of Nowshera Valve Assembly at the total cost of Rs.2,321 million and subsequently was approved by OGRA in DERR for FY 2016-17. It has further been stated that that around half of the pipeline length was capitalized in FY 2017-18, whereas, remaining portion is commissioned in FY 2018-19 and has been capitalized accordingly. ***Keeping in view the justification provided by the petitioner, operational requirement and since an on-going project therefore, the Authority allows the of capitalized amount of Rs. 511 Million for the said project.***
- 6.4.4. The petitioner has claimed Rs. 414 Million in respect of 8" Dia 32.50 Km Matani To Regi Lalma Transmission Line and has informed that the said project was commissioned on 28.01.2019. The company has stated that a budget of Rs.560 million was approved by OGRA in DERR FY 2017-18, owing to 100% Cost Recovery, not included in Rate Base. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows the capitalization amount of Rs. 414 Million under 100 % cost recovery basis for the project.***
- 6.4.5. The company has claimed capitalization of Rs. 86 Million against construction of SMSs. It has been observed that the petitioner has not been able to capitalized any amount in FY 2018-19 against the allowed budget of Rs. 259 Million by the Authority at the time of DERR 2018-19. ***In view of the foregoing, since the company has not been able to capitalized any amount against the budget of F.Y. 2018-19, therefore, the Authority does not allow any capitalized amount for construction of SMS. The remaining earlier amounts may first be brought at the ERR stage for revalidation and consideration.***
- 6.4.6. An amount of Rs. 153 Million has been capitalized by the company against rehabilitation of Transmission System. It has further been observed that only Rs. 10 Million against the allowed amount of Rs. 86 Million by the Authority at the time of ERR, has been capitalized by the petitioner during FY 2018-19, whereas, the rest of the amount pertains to previous years budgets. ***In view of the foregoing, since the company has been able to capitalized an amount of Rs. 10 Million against the***



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budget of F.Y. 2018-19, therefore, the capitalization of Rs. 10 Million is allowed by the Authority for rehabilitation of transmission system. The remaining earlier amounts may first be brought at the ERR stage for revalidation and consideration.

- 6.4.7. The petitioner has achieved Capitalization of Rs. 179 million w.r.t. Cathodic Protection against the budget of Rs. 95 Million allowed by the Authority in DERR 2018-19. It has further been observed that out of the total capitalized amount of Rs. 179 Million, Rs.171 million has been capitalized in FY 2018-19, whereas, rest of the amount pertains to the previous years budgets. ***Keeping in view the progress of the petitioner, since the Authority allowed Rs. 95 Million to the petitioner at the time DERR 2018-19, therefore, in view of the foregoing, the Authority allows the capitalized amount of Rs. 95 Million against Cathodic Protection.***
- 6.4.8. The company has capitalized an amount of Rs.59 Million against construction of SMS Nilore. The petitioner further stated that the project was approved by OGRA and the amount of Rs 381 Million was allowed by the Authority in DERR 2017-18 and construction of SMS Nilore was part of the project which have been constructed in F.Y. 2018-19. ***Keeping in view the justification provided by the petitioner and operational requirement, Authority allows the capitalized amount of Rs. 59 Million for SMS Nilore.***
- 6.4.9. The Petitioner has capitalized an amount of Rs. 34 Million in respect of construction of SMS Regi Lalma and further informed that a budget of Rs.560 million was approved by OGRA in DERR FY 2017-18 that also included construction of SMS 01 Nos SMS Regi Lalma on 100% Cost Recovery basis. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows the amount of Rs. 34 Million on 100 % cost recovery basis.***
- 6.4.10. An amount of Rs. 32 Million has been capitalized against construction of SMS Strategic Army Base Hospital at Rawalpindi on 100 % Cost Recovery Basis. The company confirmed that the said SMS was commissioned on 14.11.2018. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows the capitalized amount of Rs. 32 Million on 100 % cost recovery basis.***
- 6.4.11. Capitalization amount of Rs. 93 Million for adjustment against various transmission lines has been claimed by the petitioner for the Projects completed in previous years. As per the petitioner, the amount represents the minor adjustments recorded during financial completion of the project on 100 % cost sharing basis. ***Keeping in view the***




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justification provided by the petitioner and operational requirement, the Authority allows the amount of Rs. 93 Million on 100 % cost recovery basis

6.4.12. *Keeping in view the above and progress of the petitioner, the Authority allows capitalization of Rs. 1247 million under the head of Normal Transmission and 100 % Cost Recovery Basis against the claimed amount of Rs. 1,560 million, however, the Authority pends an amount of Rs. 313 million which had been incurred by the Petitioner in previous years.*

6.4.13. *The Authority advises the petitioner to bring the remaining amount of Rs. 313 million for Authority's consideration whether the expense merits re-validation in its next ERR Petitions.*

6.4.14. *The details of capitalization allowed by the Authority is given in the below mentioned table. However, the petitioner shall not be entitled to get any rate of return on an amount of Rs. 573 million mentioned at (Sr. No. ii, vii, viii&ix) of the below mentioned table i.e. incurred under the head 100% cost recovery basis as per below details:*

Table 9: Transmission Mains determined by the Authority

Million Rs.							
Sr. No.	Normal / Special Transmission Projects / 100 % Cost.Recovery Basis	D.O.C	DIA	Commissioning Length (KM)	DERR 2018-19	Capitalization claimed by SNGPL in TRR 2018-19 / previous	Capitalization Allowed by the Authority
i	Additions - Special Project - A 12" Dia 48.21 Km Mardan-Swat Transmission oop Line	16-Feb-19	12	48		511	511
ii	Additions - 100% Cost Recovery Project - A 8" Dia 32.50 Km Matani To Regi Lalma Transmission Line	28-Jan-19	8	33		414	414
iii	DDP Budget: Construction of SMS under normal Budget				259	86	0
iv	Rehabilitation of Transmission System (Modification/upgrations of SMSs etc.)				86	153	10
v	Catholic Protection				95	179	95
vi	Additions - Other Special Project Sms Nilore					59	59
vii	Additions - Special Project (100% Cost Recovery) Sms Regi Lalma	31-Jan-19			-	34	34
viii	DDP- Cost Sharing Budget Sms Strategic Army Base Hospital At Rawalpindi 5 Mmcfid (Rwp. Reg) (100 % Cost Recovery Basis)	14-Nov-18				32	32
ix	Adjustements against Misc. Transmission Lines 100% Cost Recovery (Misc Transmission Lines)					93	93
Total						1,560	1247

6.5. LNG Projects

- 6.5.1. The Authority, keeping in view the Ministry of Petroleum and Energy Resources' letter dated 5-11-2014 and subsequent letters relating to acute shortage of gas in the country and national importance of the project granted, in principle, approved LNG Phase-II of pipeline infrastructure development plan for upcoming LNG and anticipated indigenous supplies, vide its letter dated November 21, 2014.
- 6.5.2. The petitioner has capitalized an amount of Rs. 160 Million as Adjustment Against - LNG Lines for Infrastructure Development Program (IDP) for LNG (Phase-I & II). In addition, the company has capitalized an adjustment amount of Rs. 17 Million for IDP that include installation of Metering equipment's at RLNG based IPPs (Bhikkhi, Baloki, Haveli Bahadurshah & Nandipur) and Rs. 14 Million for the minor adjustment against 100 % cost recovery jobs.
- 6.5.3. Keeping *in view the above, the Authority allows the capitalization of Rs. 191 million under the head of LNG Projects during FY 2018-19 under the ring fencing mechanism, the detail as under;*

Table 10: The detail of capitalized LNG projects

Sr. No.	Description	D.O.C	DIA	COMMISSIONING LENGTH (KM)	Approved Budget	Capitalization claimed by SNGPL in TRR 2018-19 / previous	Capitalization Allowed by the Authority
x	Adjustment Against - LNG Lines Against IDP FOR LNG (Phase-I & II)			-		160	160
xi	Additions - Special Project (100% Cost Recovery) Previous year Adjustment Against IDP FOR IPPs					17	17
xii	Lines against 100% Cost Recovery					14	14
	Total					191	191

6.6. Compression System and Equipment: -

- 6.6.1. The Authority allowed to the petitioner Rs. 423 million under the head of Compression System and Equipment under regular budget in DERR FY 2018-19. The company informed that the Authority has already approved a plan for overhauling of the compressors spread over a period of five years (2016-17 to 2020-21) with a projected cost of Rs. 2,065 million.
- 6.6.2. The petitioner has further informed that out of the total capitalization, only Rs.324 million is capitalized against budget of FY 2018-19 w.r.t. Compressor Station equipment which is against the amount already allowed by OGRA. Moreover, a five years project has been approved by OGRA vide letter No. OGRA-9(422)2016 dt:15-08-



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2016 and this amount represents the 3rd year tranche, procurements against which are in process. Mainly amounts have been capitalized against 2nd year tranche whereas the amounts will be capitalized against 3rd year tranche in coming years, owing to which the leftover amounts are included in the revalidation list of budgets for FY 2019-20.

6.6.3. Moreover, the company in respect of RLNG system has capitalized the amount of Rs. 10 Million against IDP-LNG Projects. The company has informed that this Project (IDP for LNG-II) has already been completed in FY 2017-18, however, minor adjustments are being capitalized during reconciliation process/financial completion.

6.6.4. *Keeping in view the operational requirements, the Authority allows capitalization of Rs. 324 million under regular budget and Rs. 10 million in respect of LNG Projects during FY 2018-19 under the ring fencing mechanism.*

Table 11: The detail of capitalized compressor system

S.No	Details of Capitalization	Million Rs. Per the petition			Allowed	
		FY 2018-19 DERR/DRERR	(Indigenous)	(RLNG)		Total
i	Compressor Station Equipment			10	10	334
ii	Compression Overhauling Project (FY 2016-17 To FY2020-21)	423	324		324	
Total					334	334

6.7. DISTRIBUTION SYSTEM MAINS

6.7.1. The petitioner has capitalized Rs. 13,954 million against as per under:

Table 12: The detail of Distribution Development

S. No	Details of Capitalization	DERR/DRERR	Claimed by the Petitioner (per the petition)		
		FY 2018-19	(Indigenous)	(RLNG)	Total
i	Laying of Distribution Mains (New Town)	12,266	7,469		7,469
ii	Combing Mains		724		724
iii	System Augmentation/H.O		919		919
iv	Laying of Distribution Mains on Cost Sharing Basis	3,506	940	189	1,128
v	System Rehabilitation and UFG Control Activities	1,547	1,064		1,064
i(a)	New Connection (Domestic) including 10% additional Urgent Fee Connections		2,501		2,501
ii(a)	Industrial/Commercial Connections (Ring Fenced)			147	147
vii	G.I.Pipe and Fittings				
Sub Total		17,319	13,618	336	13,954



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- 6.7.2. The petitioner has informed that it has laid 5254 Kms distribution lines at cost of Rs. 7469 Million. It has been observed that the petitioner has capitalized Rs. 1048 Million in F.Y. 2018-19, whereas, the rest of the mount pertains to previous years budgets. ***In view of the foregoing and keeping in view of the capitalization during FY 2018-19, the Authority allows the capitalized amount of Rs 1048 Million against laying of Distribution Lines for New towns and villages.***
- 6.7.3. The petitioner has informed that it has laid 532 Kms Combing Mains at a cost of Rs. 724 Million. ***Keeping in view the progress made by the company, the Authority allows capitalization of Rs. 724 Million against Combing Mains***
- 6.7.4. The petitioner has informed that it has laid 208 Kms distribution lines at a cost of Rs. 919 Million under the head system augmentation / head office reserves. It has been observed that the petitioner has capitalized 15 Million in F.Y. 2018-19, whereas, the rest of the amount pertains to previous years. ***In view of the foregoing and keeping in view the capitalization during FY 2018-19, the Authority allows the capitalized amount of Rs 15 Million against laying of Distribution Lines for head system augmentation / head office reserves.***
- 6.7.5. The petitioner has informed that it has laid 328 Kms distribution lines on 100 % cost sharing basis at a cost of Rs. 1128 Million. Moreover, the petitioner has capitalized 307 Million in F.Y. 2018-19, whereas, the rest of the mount pertains to previous years. The petitioner has capitalized Rs. 940 against indigenous supply and Rs. 189 Million against RLNG ring fencing. ***The Authority therefore allows capitalization of Rs. 940 Million for indigenous system and Rs. 189 Million against RLNG systems on 100 % cost recovery basis. The petitioner shall not be entitled to rate of return on the amount allowed against 100 % cost recovery basis, whereas, the capitalized amount allowed against RLNG shall be treated under ring fencing mechanism.***
- 6.7.6. Under the head System Rehabilitation and UFG Control Activities the petitioner has claimed capitalization of Rs.1064 Million. ***The Authority allows the capitalized amount of Rs. 1064 against System Rehabilitation and UFG Control Activities.***

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- 6.7.7. Moreover, the petitioner has installed 427,768 Nos Domestic connections during the year at capitalized amount of Rs. 2501 Million and at capitalized amount of Rs. 147 under ring fenced for 2643 Nos of industrial / commercial connections. **The Authority therefore allows capitalization of Rs. 2501 Million for indigenous system and Rs. 147 Million against RLNG systems. The capitalized amount allowed against RLNG shall be treated under ring fencing mechanism.**
- 6.7.8. **Keeping in view the above, the Authority allows capitalization of Rs. 6,628 million under the head of Distribution Development against the claimed amount of Rs. 13,954 million, however, the Authority pends an amount of Rs. 7,326 million under the above head. However, the petitioner is not entitled rate of return on amount capitalized and allowed by the Authority against 100% sharing basis and ring fencing mechanism i.e. Rs. 1128 Million and Rs. 147 Million respectively.**
- 6.7.9. **The Authority advises the petitioner to bring the remaining amount of Rs. 7,326 million for Authority's consideration whether the expense merits re-validation in its ERR Petition petitions.**
- 6.7.10. The detail of capitalization allowed by the Authority is given as under:

Table 13: Detail of capitalization of Distribution Development allowed by the Authority

S. No	Details of Capitalization	Million Rs.				Capitalization Allowed by the Authority
		DERR/DRERR FY 2018-19	Claimed by the Petitioner (per the petition)			
			(Indigenous)	(RLNG)	Total	
i	Laying of Distribution Mains (New Town)	12,266	7,469		7,469	1,048
ii	Combing Mains		724		724	724
iii	System Augmentation/H.O		919		919	15
iv	Laying of Distribution Mains on Cost Sharing Basis	3,506	940	189	1,128	1,128
v	System Rehabilitation and UFG Control Activities	1,547	1,064		1,064	1,064
i(a)	New Connection (Domestic) including 10% additional Urgent Fee Connections		2,501		2,501	2,501
ii(a)	Industrial/Commercial Connections (Ring Fenced)			147	147	147
vii	G.I.Pipe and Fittings					
	Sub Total	17,319	13,618	336	13,954	6,628

6.8. MEASURING AND REGULATING

6.8.1. The petitioner has capitalized Rs. 5,242 million during F.Y. 2018-19 as per following details:

Table 14: Detail of Measuring & Regulating Assets

S. No	Details of Capitalization	DERR/DRERR FY 2018-19	Million Rs. Claimed by the Petitioner (per the petition)		
			(Indigenous)	(RLNG)	Total
i	New Connection (Domestic) including 10% additional Urgent Fee Connections	4,666	2,352		2,352
ii	Industrial/Commercial Connections (Ring Fenced)	468		117	117
iii	Construction of TBS/DRs	591	504	22	525
iv	Replacement of old Meters	2,126	2,248		2,248
	Total	7,260	5,103	139	5,242

6.8.2. The petitioner has installed 427,768 Nos Domestic connections during the year at capitalized amount of Rs. 2,352 Million and at capitalized amount of Rs. 117 under ring fenced for 2643 Nos of industrial / commercial connections. **The Authority therefore allows capitalization of Rs. 2,352 Million for indigenous system and Rs. 117 Million against RLNG systems. The capitalized amount allowed against RLNG shall be treated under ring fencing mechanism.**

6.8.3. The petitioner has claimed a capitalization of Rs. 525 million under the head "Construction of TBSs/DRSS" out of which Rs. 328 million pertains to DERR for FY 2018-19 and the remaining amount pertains to the previous years. The capitalized amount claimed by the petitioner includes Rs. 20 Million representing few of the TBS/DRS constructed from the budget of "System Rehabilitation" and "Cost Sharing" budgets, owing to their very purpose of construction and Rs. 36 Million (Rs. 14 Million against indigenous system and Rs. 22 Million against RLNG System respectively) representing the TBSs installed against the cost sharing budget. **The Authority keeping in view the justification provided by the company allows Rs. 385 Million for construction of TBS / DRS which includes the capitalized amount against cost sharing basis i.e. Rs. 20 Million and Rs. 36 Million (Rs. 14 Million against indigenous system and Rs. 22 Million against RLNG System respectively). However, the petitioner is not entitled rate of return on the amount allowed against cost sharing basis.**



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- 6.8.4. The petitioner has capitalized 2248 Million against the head replacement of old meters whereas, the Authority allowed Rs. 2126 Million for the same at the time of DERR for FY 2018-19. *In the view of the foregoing, the Authority allows capitalization of Rs. 2126 Million against replacement of old meters.*
- 6.8.5. *Keeping in view the above, the Authority allows total capitalization of Rs. 4,980 million under the head of Measurement and Regulating against the claimed amount of Rs. 5,242 million, however, the Authority pends an amount of Rs. 263 million under the above head. However, the petitioner is not entitled rate of return on amount capitalized and allowed by the Authority against 100% sharing basis and ring fencing mechanism i.e. Rs. 35 Million and Rs. 139 Million respectively.*
- 6.8.6. *The Authority advises the petitioner to bring the remaining amount of Rs. 263 million for Authority's consideration whether the expense merits re-validation in its ERR Petitions.*
- 6.8.7. The details of capitalization allowed by the Authority is given as under:

Table 15: Detail of Measuring & Regulating Assets allowed by the Authority
6.8.8.

S. No	Details of Capitalization	Million Rs.				Capitalization Allowed by the Authority
		DERR/DRERR	Claimed by the Petitioner (per the petition)			
		FY 2018-19	(Indigenous)	(RLNG)	Total	
i	New Connection (Domestic) including 10% additional Urgent Fee Connections	4,666	2,352		2,352	2352
ii	Industrial/Commercial Connections (Ring Fenced)	468		117	117	117
iii	Construction of TBS/DRs	591	504	22	525	385
iv	Replacement of old Meters	2,126	2,248		2,248	2126
	Total	7,260	5,103	139	5,242	4,980

6.9. Plant, Machinery, Equipment & Other Assets

- 6.9.1. The Petitioner has informed that out of the total capitalization of Rs. 1,368 million, the company has capitalized Rs. 1,295 Million against regular expenditure under the different head and Rs. 73 Million represents capitalization under LNG Projects. The details of capitalization is given as under:



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Table 16: Detail of Plant, Machinery & Other Assets claimed by the petitioner

S.No	Description	DERR/DRERR	Claimed by the Petitioner (per the petition)		
			(Indigenous)	(RLNG)	Total
i	Telecom Equipment	42	56		56
ii	Plant & Machinery	405	277	3	279
iii	Tools & Equipment	26	13	15	28
iv	Motor Vehicles	193	271	1	271
V	Construction Equipment	238	205	52	257
vi	Furniture & Fixture	75	48	1	49
vii	Office Equipment/ Security Equipment	28	19		19
viii	Computer Hardware	346	243	1	244
ix	Intangible / Computer software		162	1	163
	Total	1,353	1,295	73	1,368

6.9.2. The petitioner has claimed capitalization of Rs. 56 Million with respect to telecom equipment's that includes Rs. 33 Million against special project for replacement of existing digital microwave whereas, the rest of amount has been claimed against capitalization of telecom equipment relating to indigenous system. The petitioner has added that the special project was approved by OGRA in FY 2009-10 and amount represent minor adjustment upon completion of the project. Moreover, the company out of the total capitalization, only have been able to capitalize Rs.1 million against budget of FY 2018-19, whereas rest of amount pertains to capitalization against previous years budgets. ***In view of the foregoing, the Authority allows the capitalization of Rs. 1 Million for telecom equipment's.***

6.9.3. Capitalization of Rs. 279 Million has been claimed by the petitioner against Plant and Machinery that includes Rs. 277 million against indigenous system and Rs. 2.5 Million against RLNG system. It has been observed that out of total capitalization of 277 Million, only Rs.13 million is capitalized against budget of FY 2018-19 whereas the rest of the amount is capitalized against previous years budgets. Moreover, capitalization of Rs. 2.5 Million against LNG-I project I is for main asset System of P&D department for geo mapping of Transmission Lines. ***In view of the foregoing, the Authority allows capitalization of Rs. 15 Million against plant and machinery that includes capitalized amount of Rs. 13 Million i.e. Capitalization achieved against the budget of F.Y. 2018-19 for indigenous system and Rs. 2.5 Million***

against RLNG system. The capitalization allowed against RLNG system is to be treated under ring fencing mechanism.

- 6.9.4. The petitioner has claimed Rs. 28 Million against tools and equipment that include Rs. 13 Million against indigenous supply and Rs. 15 Million against RLNG system. It has been observed that out of the total capitalization, only Rs.2.52 million is capitalized against budget of FY 2018-19, whereas, rest of the amount has been capitalized against previous years budgets. The amount capitalized against RLNG system is for equipment relating to LNG-I project such as Extruder Gearbox purchased for Uch Sharif Coating plant etc. ***In view of the foregoing, the Authority allows capitalization of Rs. 17 Million against tools and equipment's that include capitalized amount of Rs. 2.52 Million (Capitalization achieved against the budget of F.Y. 2018-19) for indigenous system and Rs. 15 Million against RLNG system. The amount allowed against RLNG system is to be treated against ring fencing mechanism.***
- 6.9.5. The Petitioner has claimed capitalization of Rs. 271 Million in respect of Motor vehicles that includes 271 Million against indigenous supply and Rs. 0.67 Million against RLNG system. It has been observed that out of the total capitalization, only Rs. 11 million is capitalized against budget of FY 2018-19, whereas the rest is capitalized against previous years budgets. The capitalized amount also includes Rs. 13 Million capitalized against Special Project (LPG Air Mix Plant at Gilgit). ***In view of the foregoing, the Authority allows the capitalization of Rs. 12 Million for motor vehicles. That includes 11 Million for indigenous system and Rs. 0.67 Million RLNG systems. The amount allowed against RLNG system is to be treated against ring fencing mechanism.***
- 6.9.6. The capitalization of Rs. 257 Million has been claimed against construction equipment's that includes Rs. 205 capitalization against indigenous system and Rs. 52 Million against RLNG supply. It has been observed that with respect to indigenous system out of the total capitalization, only Rs.4.39 million is capitalized against budget of FY 2018-19, whereas rest is capitalized against previous years budgets. The petitioner has also capitalized Rs. 52 Million for LNG-I project equipment's purchased for use in this project. ***In view of the foregoing, the Authority allows capitalization of Rs. 57 Million against construction equipment's that includes capitalized amount of Rs. 4.39 Million (Capitalization achieved against the budget of F.Y. 2018-19) for indigenous system and Rs. 52 Million against RLNG***



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system. The capitalization allowed against RLNG system is to be treated under ring fencing mechanism.

- 6.9.7. The petitioner has claimed capitalization of Rs. 49 Million for furniture and fixture that includes Rs. 48 Million capitalization against indigenous system and Rs. 1 Million against RLNG supply. It has been observed that with respect to indigenous system out of the total capitalization, Nil has been capitalized against budget of FY 2018-19, whereas, rest of the amount is capitalized against previous years budgets. The petitioner has also capitalized Rs. 1 Million w.r.t.IDP for Supply of RLNG to Bhikki, Baloki & Haveli Bahadur Shah Power Plants, Jhang (100% Cost Recovery), further adding that the project has already been completed in previous years and the amount represents the minor adjustments recorded during financial completion of the project. **In view of the foregoing, the Authority allows total capitalization of Rs. 1 Million against furniture and fixtures that includes Rs. 1 Million against RLNG system. The amount allowed against RLNG system is to be treated against ring fencing mechanism. However, based on the progress of the company during FY 2018-19, the Authority does not allow any amount for indigenous system.**
- 6.9.8. The capitalization against office equipment is Rs. 19 Million. It has been observed that out of the total capitalization, only Rs.2 million is capitalized against budget of FY 2018-19, whereas, rest is capitalized against previous years budgets. **In view of the foregoing, the Authority allows the capitalization of Rs. 2 Million for office equipment's.**
- 6.9.9. The petitioner has capitalized an amount of Rs. 244 Million in respect of Computer hardware / software that includes Rs. 243 for indigenous system and Rs. 1 Million against RLNG system. It has been observed that w.r.t. indigenous system out of the total capitalization, only Rs.113 million is capitalized against budget of FY 2018-19, whereas rest is capitalized against previous years budgets. In addition to above, the petitioner has claimed Rs 1 Million capitalization w.r.t. LNG-II project for Desktop PC/Printers purchased for use of staff deployed at different site office for this project. **In view of the foregoing, the Authority allows capitalization of Rs. 114 Million against computer hardware / software that includes capitalized amount of Rs. 113 Million (Capitalization achieved against the budget of F.Y. 2018-19) for indigenous system and Rs. 1 Million against RLNG system. The amount allowed against RLNG system is to be treated against ring fencing mechanism.**
- 6.9.10. The petitioner has claimed capitalization of Rs. 163 Million for computer software / intangible assets that includes Rs. 162 Million capitalizations against indigenous

system and Rs. 1 Million for RLNG system. It has been observed that for indigenous system, out of the total capitalization, only Rs.115 million is capitalized against budget of FY 2018-19, rest is capitalized against previous years budgets. In addition to above, the petitioner has claimed Rs. 1 Million for LNG II project w.r.t. Pipeline Toolbox software purchased that have all the functional engineering modules needed to quickly solve day-to-day pipeline design, analysis, integrity and maintenance problems. ***In view of the foregoing, the Authority allows capitalization of Rs. 116 Million against computer software / intangible assets that includes capitalized amount of Rs. 115 Million (Capitalization achieved against the budget of F.Y. 2018-19) for indigenous system and Rs. 1 Million against RLNG system. The amount allowed against RLNG system is to be treated against ring fencing mechanism.***

6.9.11. ***Keeping in view the above and capitalization during FY 2018-19, the Authority allows capitalization of Rs. 335 million in total i.e. (Rs. 262 million under regular budget in the head of Plant, Machinery, Equipment and other Assets against the claimed amount of Rs. 1,295 million, and Rs. 73 million under LNG Projects) however, the Authority pends an amount of Rs. 1,032 million under the above head. Moreover, Rs. 73 million in respect of RLNG head shall be treated under the ring fencing mechanism as per the policy of the Government of Pakistan.***

6.9.12. ***The Authority advises the petitioner to bring the remaining amount of Rs. 1,032 million for Authority's consideration whether the expense merits re-validation in its ERR Petitions.***

Table 17: Detail of Plant, Machinery, Equipment & Other Assets allowed by the Authority

Million Rs.

S.No	Description	DERR/DRERR	Claimed by the Petitioner (per the petition)			Capitalization Allowed by the Authority
			(Indigenous)	(RLNG)	Total	
i	Telecom Equipment	42	56		56	1
ii	Plant & Machinery	405	277	3	279	15
iii	Tools & Equipment	26	13	15	28	17
iv	Motor Vehicles	193	271	1	271	12
V	Construction Equipment	238	205	52	257	57
vi	Furniture & Fixture	75	48	1	49	1
vii	Office Equipment/Security Equipment	28	19		19	2
viii	Computer Hardware	346	243	1	244	114
ix	Intangible / Computer software		162	1	163	116
	Total	1353	1295	73	1368	335

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6.10. **Summary of the Assets Allowed:**

6.10.1. The details summary of the Assets allowed are as under:

Table 18: Summary of Assets Allowed by the Authority

Sr. No.	Particulars	DERR 2018-19	Per petition FY 2018-19			Determined FY 2018-19		
			Normal	RLNG	Total	Normal	RLNG	Total
1	Freehold land	4	461	33	494	149	33	181
2	Building on Free Hold land	185	114		114	5		5
3	Transmission Mains	4,326	1,560	191	1,751	1,247	191	1,438
4	Compression	423	324	10	334	324	10	334
5	Distribution Mains	17,414	13,618	336	13,954	6,292	336	6,628
6	Measuring and Regulating	7,438	5,103	139	5,242	4,841	139	4,980
	Sub Total	29,790	21,181	708	21,889	12,858	708	13,566
7	Telecommunication Equipment	42	56	-	56	1		1
8	Plant & Machinery	405	277	3	279	13	3	15
9	Tools & Equipment	26	13	15	28	3	15	17
10	Motor Vehicles	193	271	1	271	11	1	12
11	Construction Equipment	238	205	52	257	4	52	57
12	Furniture & Fixture	75	48	1	49	-	1	1
13	Office Equipment	28	19		19	2		2
14	Computer Hardware	346	243	1	244	113	1	114
15	Computer System Software / Intangible Assets		162	1	163	115	1	116
	Sub Total	1,353	1,295	73	1,368	262	73	335
16	Advance for land	-	(286)	25	(261)	(286)	-	-286
	Grand Total	31,143	22,189	806	22,995	12,835	781	13,615

6.10.2. *All the pended assets pertaining to previous years may be brought in the next ERR for re-validation and consideration.*

6.11. **Revalidation of Budgets:**

6.11.1. It has been observed that company has tendency of capitalizing the amount of previous years petitions without bringing them in their respective ERR petitions under separate heads. On the other hand, the company brings non-capitalized assets in bulk for all the preceding years without taking into account the company's capacity and its ability to do projects in the respective ERR petition for re-validation. The company may like to bring only specific items which are doable in that respective year as being brought by the other company M/s Sui Southern Gas Company. The company may consult M/s SSGC so that similar modality can be followed by SNGPL for bringing non-capitalized assets in ERR petitions for re-validation.

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6.11.2. In view of the above, the company is again advised to bring the non-capitalized assets of the previous years in the ERR petitions under separate head **(made part of asset sheet)**, only to the extent of those assets that are doable / achievable in that particular financial year.

6.12. Closing Fixed Assets and Return

6.12.1. In view of above discussion made in respect of assets capitalization, the closing fixed assets with associated return and depreciation works out to as under

Description	Rs. in Million	
	Per Determination	
	Natural Gas	RLNG
Net operating fixed assets at beginning	125,017	49,313
Additions during the year (Net of adjustments & deletions)	12,835	781
Assets deleted during the year	(963)	-
Assets transferred to RLNG segment	(5,837)	5,837
Total Addition	131,052	55,931
Depreciation	12,745	5,065
Net operating fixed assets at closing	118,307	50,866
Average net assets	121,662	50,089
Deffered credit at beginning	22,507	-
Deffered credit at closing	20,270	5,325
Sub total	42,777	5,325
Average deffered credit	21,388	2,663
Average net fixed assets (A-B)	100,274	47,427
Return Required	17.43%	17.43%
Amount of return	17,478	8,266

7. Operating Revenues

7.1. Operating Revenue

7.1.1. Total operating revenues have been claimed at Rs. 190,883 million in the petition, as against Rs. 229,557 million in DERR for the said year, as detailed below:

Table 19: Comparison of Operating Revenues with Previous Year

Description	Rs. Million			
	FY 2017-18	FY 2018-19	FY 2018-19	Incr/Decr over RERR
	FRR	DERR	The Petition	
Net sales at current prescribed price	139,909	217,351	176,396	(40,955) -19%
Meter Rental and service charges	2,175	2,135	2,022	(113) -5%
Late Payment Surcharge and interest on arrears	5,859	4,719	1,625	(3,094) -66%
Amortization of deffered credit	3,746	3,152	9,393	6,241 198%
Other operating income	1,356	2,200	1,447	(753) -34%
Net operating Revenues	153,045	229,557	190,883	(38,674) -17%

7.2. Sales Volume

7.2.1. The sales volume has dropped to 391,310 BBTU, witnessing a decrease of 8% for the said year, as against 424,371 BBTU per RERR FY 2018-19. Category-wise comparison with previous year has been provided by the petitioner as under:

Table 20: Comparison of Category-wise Sales Volume

Category	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19	BBTU	
	FRR	DERR	RERR	The Petition	Growth	%
Power	72,947	49,644	43,717	57,642		32%
Cement	191	19,302	16,099	142		-99%
Fertilizer	32,011	33,096	32,909	33,800		3%
General Industries	29,768	36,374	27,678	17,699		-36%
Zero Rated	-	-	22,059	16,463		-25%
CNG	27,459	30,880	30,627	27,015		-12%
Commercial	20,955	30,091	27,878	19,495		-30%
Domestic	185,472	236,800	223,404	219,054		-2%
Total	368,803	436,187	424,371	391,310		-8%

7.2.2. The petitioner has explained that slight reduction in sales volume viz a viz RERR is due to supply constraints and gradual switching of energy consumption on RLNG.

7.2.3. The Authority observes that the petitioner has re-adjusted its sales volume and consequently the revenue owing to adjustment on account of Pressure factor. *Accordingly, the sales volume with slight reduction now comes to 387,121 BBTU. The Authority therefore accepts the same for the said year.*

7.3. Sales Revenue

7.3.1. The petitioner has submitted the sales revenue at Rs. 176,396 million as against Rs. 217,351 million projected at the time of RERR, showing decrease of 19%. Category-wise comparison with RERR and previous year is given below:

Table 21: Historical Comparison of Category-wise Sales Revenue per the petition

Category	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19	Million Rs.	
	FRR	DERR	RERR	The Petition	Incr/Decr over RERR	%
Power	38,663	22,700	30,281	40,834	10,553	35%
Cement	145	671	15,376	128	(15,248)	-99%
Fertilizer	5,171	16,285	7,228	5,584	(1,644)	-23%
General Industries	18,025	31,751	18,721	12,635	(6,086)	-33%
Industries Zero Rated			12,941	9,891	(3,050)	-24%
CNG	19,235	13,751	28,348	24,519	(3,829)	-14%
Commercial	14,993	15,595	25,979	16,888	(9,091)	-35%
Domestic	43,677	100,480	78,477	65,917	(12,560)	-16%
Total	139,909	201,232	217,351	176,396	(40,955)	-19%

7.3.2. The petitioner has submitted that above revenues are based on the existing prescribed/sale prices price determined by the Authority. Further, variation in sales revenue is due to change in sale mix.

7.3.3. *In view of reasons given above at Para. 6.2.3, the sales revenue at sale prices for the said year is determined at Rs. 174,127 million for the said year.*

7.4. Other Operating Income

7.4.1. The petitioner has reported other operating income at Rs. 14,487 million for the said year as against Rs. 12,206 million per DERR. Item-wise comparison is as under:

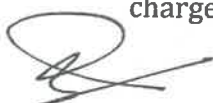
Table 22: Historical Comparison of Other Operating Income

Description	Million Rs.				
	FY 2017-18	FY 2018-19	2019-20	Incr/Decr over RERR	
	FRR	RERR	The Petition		
Meter Rental and service charges	2,175	2,135	2,022	(113)	-5%
Late Payment Surcharge and interest on arrears	5,859	4,719	1,625	(3,094)	-66%
Amortization of deferred credit	3,746	3,152	9,393	6,241	198%
Other operating income	1,356	2,200	1,447	(753)	-34%
Diversification of domestic gas impact	4,145	-	-		
Other operating revenue	17,281	12,206	14,487	2,281	19%

7.4.2. The petitioner has explained that the revenues under the head 'Meter Rental and Service Charges' are based on the actual results. The petitioner has submitted that the income on account of 'meter rental' has increased the income on account of 'service charges' has substantially decreased. The break up in comparative form given as under;

Description	FY 2018-19 (M. Rs.)	FY 2017-18 (M. Rs.)
Meter Rental	1,636	1,498
Testing, reconnection & Repair work	386	6,783
Rental and Service Charges	2,022	2,176

7.4.3. The Authority accepts the petitioner claim on account of 'meters rental and service charges' and accepts the same for the said year.



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7.4.4. Regarding the 66% reduction in Late Payment surcharge (LPS) income over RERR for the said year, the petitioner elaborated that OGRA has notified revised RLNG tariff from July, 2016 to June, 2017 retrospectively and tariff adjustment was charged to RLNG consumers accordingly. The same was challenged by industrial consumers before Lahore High Court, Lahore securing interim relief. Later on, these consumers also filed miscellaneous civil application in same Writ petitions challenging Cost of Supply component of RLNG tariff and succeeded to get interim relief not to charge Cost of Supply component of RLNG tariff through current bills. Further a number of industrial consumers have also got stay orders from different High Courts on system gas tariff(s) notified by OGRA dated 23-08-2013 & 31-08-2015. 3) Subsidy to Zero rated industrial sector is being released late by Government of Pakistan.

7.4.5. ***In view of above, the Authority accepts the operating income under this head at Rs. 14,487 million for the said year.***

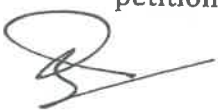
7.5. ***Indigenous Gas Diversion to RLNG consumers***

7.5.1. The petitioner has submitted that it has been swapping gas between RLNG and Indigenous consumers during the said year. The volumes from both sides normally compensate each other. However as at June 30, 2019, a volume of 29,029,501 MMBTU of RLNG has been sold as indigenous gas at the average prescribed price for the said year i.e.; @ Rs. 629.33 per MMBtu. The petitioner has accordingly factored the cost of RLNG swapping in the cost of gas.

7.5.2. Regarding the above arrangement, the petitioner has referred the decision of the ECC of the Cabinet taken in case ECC-37/09/2018 dated May 11, 2018 which inter-alia provides as under;

“(ii) SNGPL and SSGCL be allowed to manage gas loads on their system through RLNG System gas swap mechanism for which necessary provision of volumetric adjustment and financial impact may be made on cost neutral basis in the Sale Price of RLNG on a multiyear and ongoing basis through setting up of a deferral account by OGRA.”

7.5.3. The Authority observes that ECC of the Cabinet in its decision has allowed the petitioner for swapping of natural gas and RLNG for the purpose of gas load




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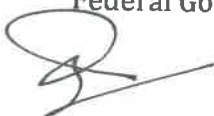


management on cost neutral basis. This transpires that petitioner may carry out the swapping arrangement whereby indigenous gas' and RLNG' volumes should compensate each other during a financial year and if such arrangement is exposed to the extent of price differential, the same shall part of deferral account. The instant case however is different and involve sale/transfer of RLNG molecules to SNGPL's natural gas consumers at the rate of indigenous gas. This treatment /transaction may be defensible from natural gas consumers' interests and perspectives, the RLNG consumers however will be bearing the burden of price delta owing to difference of costly RLNG price and inexpensive natural gas consumers. OGRA therefore directs the Petitioner to take up the matter with Federal Government for appropriate redressal since RLNG and natural gas as per decision of the Federal Government are two different petroleum products under the different set of law.

- 7.5.4. The Authority further notes that the petitioner has transacted the RLNG into natural gas system at prescribed prices of DERR for the said year. The prescribed price of the DERR was a provisional figure and the adoptability of the same is less convincing than the average sale price @ Rs. 449.79 per MMBtu which has realized upon sale of such RLNG volumes. Accordingly, the same is factored in cost of natural gas sold amounting to Rs. 13,057 million for the said year.
- 7.5.5. The Authority further observes that figures on account of RLNG and natural gas swapped volume owing to diversion and the transactions between Sui companies are required to be verified through third party auditors at the time of finalization of RLNG prices and deferral account. Accordingly, audit of entire supply chain shall be instituted at the said point in time.

8. Cost of Gas

- 8.1.1. The petitioner has claimed the cost of gas sold as per initialed accounts at Rs. 189,882 million (net of GIC) for the said year. The petitioner has explained that cost of gas has been worked out on the basis of national WACOG. However, effective May 2018, WACOG has been put in abeyance in accordance with the decision of the Federal Government.




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- 8.1.2. *The Authority observed that in the light of discussion at para above, the cost of RLNG diverted works out to Rs. 13,057 million included in the cost of gas for the said year.*
- 8.1.3. *In view of the above, the Authority determines the cost of gas for the said year at Rs. 184,670 million for the said year. The field wise gross purchases is provided at Annex C.*

9. Unaccounted for Gas:

- 9.1.1. The petitioner has reported UFG at 11.86 % (52,576 MMCF) for the said year.
- 9.1.2. The petitioner submitted audited figures and data showing Gas carried for PPL and POL (142 and 139 MMCF) respectively.

9.2. Energy Equivalence:

- 9.2.1. The petitioner has provided the detailed calculation for Energy Equivalence Volume i.e. 14,032 MMCF which includes Gas Passed to Distribution System and sold to PFC Consumers (9773 MMCF) and Energy Equivalence Volume of 4259 MMCF in Distribution System.
- 9.2.2. The petitioner w.r.t. Energy Equivalence added that Indigenous Gas and RLNG have different GCV due to receipt of gas from different sources. Since RLNG is high CV gas whereas indigenous gas CV is less. However due to same pipeline these gases are mixed and commingled gas is supplied to consumers which CV is different than receipt gas. Energy Equivalence has its relation with RLNG Swap GCV at receipt point and RLNG sales GCV and it decreases or increases with RLNG CV difference and quantity of RLNG sales. As RLNG is ring fenced activity therefore to deliver the required energy(MMBTU) to RLNG system, Extra volume is required. The difference of volume in receipt and delivery of RLNG to deliver required energy is termed as Energy Equivalence.

9.3. Pressure factor Adjustment in UFG

- 9.3.1. Moreover, the Authority in its decision of FRR 2017-18 decided at Para 12.1.5 as follows:

"The Authority further directs the petitioner to re-examine the application of correct pressure factor in the domestic consumers' gas bills and make any adjustment on this account to ensure the compliance of provision of clause 11 of the standard supply contract with the consumers.



Further, the compliance of said clause may be ensured henceforth to avoid the deviation from the standard supply contract viz a viz actual bills"

9.3.2. In addition to above, the Authority vide its another decision on Review of Estimated Revenue Requirement for F.Y. 2018-19 decided as follows at Paras 6.3.2 and 6.3.3

9.3.3. *"6.3.2: The Authority, therefore, once again directed the petitioner to pass on reversal / adjustment to the affected consumer due to application of pressure factor above 8 inches of water column across the board for the period from July 2018 to February 2019. The petitioner is also directed to strictly follow Clause-11 of the Standard Domestic Contract and stop application of Pressure Factor above 8 inches of W.C. in the domestic consumers gas bills in future.*

9.3.4. *6.3.3: in case of non-compliance, the volume booked by the petitioner by application of the said pressure factor, which is not in compliance with Clause-11 of the Contract shall be reversed in the respective FRR."*

9.3.5. The petitioner in its UFG calculation sheet for F.Y. 2018-19 has excluded/reversed the volume of 4066 MMCF due to pressure factor adjustment from the Sales.

9.4. Performance as per KMI

9.4.1. The Authority notes that it undertook a UFG study for determining UFG Benchmarks of the gas companies through a consultant of international repute vis M/s KPMG Taseer Hadi & Co. Chartered Accountants (KPMG).

9.4.2. The Petitioner alongwith the petition has submitted a number of files w.r.t. implementation status of the KMI's. Moreover, the petitioner has also submitted an Audit Report of EY Ford Rhodes, Chartered Accountants dated 14.04.2020 regarding KMI's for UFG Benchmark, which was considered by the Authority. Allowance for local operating conditions based on the performance as per KMIs has been worked out and is incorporated in the UFG sheet.

9.5. Loss due to sabotage activity/ruptures/unmetered

9.5.1. The petitioner has also claimed volume of 73 MMCF against 'sabotage activity/ruptures' and 281 MMCF in Transmission and Distribution Systems respectively. In this regard, the Authority notes that the Authority has already given 'Allowance for local operating conditions', as per recommendations of the UFG Study Report, therefore the Authority disallows the additional volume claimed against this head.




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Determination of Final Revenue Requirement of SNGPL
Financial Year 2018-19



Table 23: UFG Sheet:

UFG CALCULATION SHEET					
FRR 2018-19					
Gas Purchases		As per petition		Determined by The Authority	
		Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers	Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers
Transmission System					
(Gas Received) in Transmission Indigenous	A	443,374		443,374	
Gas Received in Transmission RLNG			328,928		328,928
Taken out (+) Taken in (-) or (Line Pack)	B	(89)	(282)	(89)	(282)
Net Gas Received in Trans. System	C=A+B	443,285	328,646	443,285	328,646
Gas used in operation of Tran. Sys.			(3,342)		(3,342)
Gas used in operation of Tran. Sys.	D	(1,770)		(1,697)	
(i) Compression		(1,379)		(1,379)	
(ii) Residential Colonies		(74)		(74)	
(ii) Coating Plant		(100)		(100)	
(iii) Ruptures/Sabotage		(73)			
(iv) Other usage Depressurization		(144)			
Gas Available in Transmission System	E=C+D	441,515	325,304	441,588	325,304
Energy Equivalence Volume related to PFC consumers	F	(9,773)	9,773	(9,773)	9,773
Gas passed to Dist. System and sold to PFC consumers	F1	95,486	218,547	95,486	218,547
RLNG Stock Additional sale of LNG or vice versa	G	(21,189)	21,189	(21,189)	21,189
Gas passed to Distribution system through SMS	H	353,070	94,092	353,070	94,092
Loss in Transmission System	I=E+F-F1-G-H	4,376	1,249	4,448	1,249
% Loss or Gain in Transmission System	J=I/C*100	0.99	0.38	1.00	0.38
Distribution System					
Gas Received in Dist. System (Through Gas carried for PPL	A	353,070	94,092	353,070	94,092
Gas carried for POL	B	- 142	-	- 142	
Energy Equivalence Volume - Distribution	C	- 139	-	- 139	
Gas internally consumed in Distribution	D	- 4,259	4,259	- 4,259	4,259
(i) Free Gas Facility	E	- 941	-	- 660	
(ii) Co-Generation		- 535	-	- 535	
(iii) Sabotage		- 95	-	- 95	
(v) Purging		- 281	-	-	
(Gas available for Sale in Dist. System)	F=A+B+C+D+E	347,590	98,351	347,870	98,351
Gas Sold					
Billed	G	322,522	80,838	322,522	80,838
Unrecovered Pilferage volume reversed	H	- 11,598	-	- 11,598	
Less Pressure factor adjustment	H1	- 4,066	-	- 4,066	
Unbilled/ lost in L& O effected Areas					
Pilferage volume detected against non RLNG Stock Additional sale of LNG or Gas sold but not Billed previous	I	- 7,469	7,469	- 7,469	7,469
Gas sold but not Billed current					
Gas Delivered (Net Gas Sold)	J=G+H+H1+I	299,389	88,307	299,389	88,307
Loss in Distribution System	K	48,200	10,044	48,481	10,044
%age Loss in Distribution System	L=K/A*100	13.65	10.67	13.73	10.67
Total UFG Volume (Transmission + Distribution)	M	52,576	11,293	52,930	11,293
Total % age UFG (Transmission + Distribution)	N	11.86	3.43	11.94	
Working disallowance for SNGPL					
Gas Received (Gas available for Sale in Dist. System)				443,374	
UFG Benchmark (Percentage)	5%			5%	
Local Conditions Allowance Percentage	2.6%			1.92%	
Allowed UFG Percentagee	7.6%			6.92%	
Allowed UFG Volume (MMCF)				30,699	
Disallowance (MMCF)				22,231	
WACOG (Rs./MCF)				481.21	
Disallowance (MMCF)				10,698	

9.5.2. The Authority observes that WACOG is based on both sui companies' data and works out to Rs. 481.21 per MCF. The accounts SSGCL for the said year however have not

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been audited yet. Accordingly, the authority adopts WACOG for the said year on provisional basis subject to adjustment if any.

9.5.3. *In view of above, UFG disallowance works out to Rs. 10,698 million for the said year.*

9.6. Gas Internally Consumed (GIC)

9.6.1. The petitioner has reported GIC of 2709 MMCF in the cost of gas soled statement, the break-up of the same is provided as under;

System	Summary	Mcf	Hm3
Transmission	Free Gas Facility	73,759	20,781
	Compressors	1,377,331	388,047
	Rupture	129,170	36,392
	Others	87,829	24,745
	Coating Plant	100,305	28,260
Transmission Total		1,768,394	498,225
Distribution	Free Gas Facility	534,924	150,709
	Rupture	280,898	79,140
	Others	30,218	8,514
	Power Generation	94,958	26,753
Distribution Total		940,998	265,115
Total system GIC		2,709,392	763,340

9.6.2. The Authority observes that out of total 2709 MMCF gas on account of GIC, the petitioner has allocated 1377 MMCF gas to 'Compression' under this head amounting to Rs. 529 million for the said year. The rest of the gas has been allocated to respective heads i.e; Free gas facility (Residential Colonies), Coating Plants, Ruptures Depressurizing etc. Further, GIC in distribution system is 941 MMCF (including Free Gas Facility, Co-generation, sabotage and purging)

9.6.3. The petitioner further added that Indigenous Gases from northern sources do not need compression as major portion of the same is used in the northern and nearby consumption centers of Peshawar, Rawalpindi/Islamabad, Abbotabad areas etc. whereas indigenous from Southern sources and Swap Gas in lieu of RLNG have to be compressed, by using Compression Stations situated in Southern part of the system, for transportation of the same to consumption centers of Multan, Faisalabad, Sheikhpura, Lahore areas. SUG (Compression Fuel) for southern Indigenous and Swap Gas/RLNG is allocated in the ratio of the actual quantities of indigenous gas and Swap Gas/RLNG being compressed at these compressor stations. Due to stated facts, GIC consumption in Southern part of the system is very high as compared to Northern system.

9.6.4. *In view of above, the Authority accepts the petitioner claim under this head and allows Rs. 529 million for the said year.*

10. Transmission and Distribution Cost

i. Summary

10.1.1. The transmission and distribution cost is higher by 8% i.e. from Rs. 23,821 million per DERR to Rs. 25,642 million per the petition, as compared below:

Table 24: Comparison of T & D Cost with DERR and Previous Year

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Rs. in million Incr/ (Dec) over DERR FY 2018-19	
	FRR	RERR	The Petition	Rs.	%
Human Resource Cost	14,961	15,206	18,842	3,636	24
Stores and Spares Consumed	774	764	719	(45)	(6)
Repair and Maintenance	1,341	1,215	1,353	138	11
Fuel and Power	350	285	429	144	51
Stationery, Telegram and Postage	154	130	160	30	23
Dispatch of gas bills	123	110	124	14	13
Rent, Rate, Electricity and Telephone	480	572	703	131	23
Traveling	150	163	194	31	19
Transport expenses	897	810	1,008	198	24
Insurance	246	235	221	(14)	(6)
Legal and Professional Services	227	190	292	102	54
Consultation for ISO 14001 & OHSAS 18000	4	8	5	(3)	(41)
Gas bills collection charges	472	460	460	-	-
Gathering charges of gas bills collection	45	50	50	-	-
OGRA fee	217	256	254	(2)	(1)
Advertisement	189	180	246	66	36
Bank Charges	7	19	8	(11)	(58)
Uniforms & protective clothing's	89	38	49	11	29
Staff training and recruiting	11	12	21	9	77
Security expenses	907	798	898	100	13
SNG training insititute	20	17	17	(0)	(2)
Provision for doubtful debts	-	1,584	1,506	(78)	(5)
Sponsorship of chairs at University	10	10	8	(2)	(21)
5 Years special training programme/Executive Development	28	30	23	(7)	(24)
Budget for UFG control related activities	765	708	994	286	40
Out Sourcing of call centre complaints management	27	24	24	(0)	(0)
Cost of Gas Blown off	173	-	161	161	-
Contribution to ISGSL	15	-	-	-	-
Sports Cell	48	48	71	23	47
Annual Sports/Cricket Expenses	40	40	49	9	21
Corporate Social Responsibility	11	11	23	11	100
Facilities provided by other companies	10	7	13	5	73
Board Meetings and Directors expenses	29	55	57	2	4
Recovery through contractors	26	23	9	(14)	(62)
CC&B Upgradation project	-	16	12	(4)	(24)
Other expenses	160	139	182	44	31
Expenses for uplifting of lines	45	-	-	-	-
Subtotal Expenses	23,052	24,213	29,182	4,969	21
Allocated to fixed capital expenditures	(320)	(392)	(3,540)	(3,148)	803
T&D Expenses	22,732	23,821	25,642	1,821	8
Gas Internally Consumed	910	1,126	529	(597)	(53)
Total T&D Expenses	23,642	24,947	26,171	1,224	5

10.1.2. Various components of operating cost are discussed in detail in the following paras.

ii. Human Resource Cost

- 10.1.3. The petitioner has claimed increase of 24% on account of HR cost from Rs. 15,206 million provided in RERR to Rs. 18,842 million for the said year. The petitioner has submitted that net HR Cost excluding incremental impact of IAS-19 for FY 2018-19 is Rs. 15,139 million which is within to the HR Cost benchmark cost for the said year.
- 10.1.4. The Authority observes that at the time of DERR, HR cost benchmark was extended since the study conducted by the gas utilities in connection with the man power assessment and consequently the benchmark was under evaluation. It is expected that the revised benchmark shall be enforced in the subsequent years. ***The Authority therefore extends HR cost benchmark for the said year and computes the HR cost per Annex B at Rs. 15,036 million (Rs. 15,144 million HR cost plus Rs. 674 million on account of IAS incremental impact minus Rs. 782 million allocated to RLNG segment).***
- 10.1.5. The Authority further notes that interveners in the various hearings have questioned the hefty pay and perks drawn by the petitioner's executives and requested OGRA to curtail the emoluments for the sake of consumers interests. It has been further emphasized that performance of the petitioner is not better than the power utility companies; accordingly, there is no justification to allow such fabulous packages to the SNGPL employees.
- 10.1.6. The Authority further observes that the HR cost as per accounts contains number of heads which have no plausible justification and nexus with the core activity of the petitioner i.e; club membership /subscription, Tea/coffee, long service award, hajj expenses etc;. Such expenses, if necessary, requires to be borne by the petitioner itself out of its profits. Furthermore, the expenses on accounts of medical (parents), overtime, free gas facility and significant cost of post retirement obligations requires to be rationalized in line with Authority earlier directions. In the wake of such overspendings, there is no justification to share 50% saving or surplus with the petitioner. Accordingly, the same has not been considered/factored in the HR cost benchmark given above. The Authority also reiterates its direction to rationalize the various costs heads under 'HR cost' as mentioned above.



iii. Repair & Maintenance

10.1.7. The petitioner has claimed Rs. 1353 million on account of "Repair & Maintenance" as against Rs. 1,215 million provided in DERR for the said year, showing an increase of 11%. The comparison is given below:

Table 25: Historical Comparison of Repair & Maintenance Activities


Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Compression	18	19	22	19	(3)	-13%
Transmission	82	88	101	39	(62)	-62%
Distribution	583	828	713	805	92	13%
Others (incl H.O. & service depts.)	309	407	379	491	112	29%
Total:	992	1,341	1,215	1,353	138	11%

10.1.8. The Authority observes that it has allowed Rs. 1,215 million under various sub-heads of "Repair & Maintenance activities" for the said year. The petitioner however has now claimed Rs. 1,353 million under this head. It has been observed that petition, under the sub-head 'Distribution' and 'Other (Incl H.O. & Service department)' has exceeded the limit allowed by the Authority and has also provided no cogent reasons to substantiate its claim. The Authority therefore restricts the expenditure under the ibid sub-heads at the level of DERR for the said year.

10.1.9. *In view of above, the Authority determines the expenditure under 'Repair & Maintenance' at Rs. 1,150 million for the said year.*

iv. Fuel & Power

10.1.10. The petitioner has claimed Rs. 429 million on account of "Fuel & Power" as against Rs. 285 million provided in DERR for the said year, showing an increase of 51%. The comparison is given below:



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Table 26: Historical Comparison of Fuel & Power expenses

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Compression	27	28	12	25	13	111%
Transmission	91	157	100	152	52	52%
Distribution	137	165	172	203	30	18%
Co-Generation	-	-	-	49	49	-
Others (incl HO)	0.43	0.40	0.09	0.24	0.15	161%
Total:	255	350	285	429	145	51%

- 10.1.11. Under the head "Compression", the petitioner has submitted that an exorbitant increase of 111% has witnessed due to the fact that compressors at different points mainly at AC-4 (Uch Sharif) and AC-1X (Bhong) remained fully operational during the year. Therefore, more turbine oil was issued against the budget allocated at the time of DERR. Furthermore, under the sub-head "Distribution" and "Co-Generation", electricity rate and gas price tariff has been incremented for the said year respectively, as compared to FY 2017-18. The petitioner has further submitted that Co-generation was earlier part of GIC till DERR FY 2018-19, whereas in DERR FY 2019-20, the Authority advised to allocate/book these expenses under the relevant heads. Hence, since motion for review decision for DERR FY 2019-20, Co-generation has been part of Fuel & Power and in FRR for FY 2018-19.
- 10.1.12. The Authority observes that the activities under the sub-head 'compression', 'transmission' and 'co-generation', are linked with the dispatch of gas from south to north which triggers more consumption of oil and increased cost of gas used for self-generation. Therefore, expenses under these heads are allowed with the direction that concerted efforts should always be in place to bring the expenses down.
- 10.1.13. In respect of 'distribution', the Authority observes that the petroleum / gas prices and electricity rates which are main element under this sub-head have not gone up to the extent it has been claimed by the petitioner. Further, the same has not been substantiated by the petitioner. This shows lack of austerity measures and weak budgetary controls the cost of which cannot be passed on to the consumers. Accordingly, the same is restricted at the level of DERR for the said year.

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10.1.14. *In view of above, the Authority determines the amount under this head at the level of DERR i.e. Rs. 398 million for the said year.*

v. **Rent, Rates, Electricity and Taxes**

10.1.15. The petitioner has claimed Rs. 703 million on account of "Rent, Rates, Electricity and Taxes" for the said year as against Rs. 572 million provided in DERR for the said year, showing an increase of 23%. The comparison is given below:

Table 27: Historical Comparison of Rent, Rates, Electricity and Taxes expenses

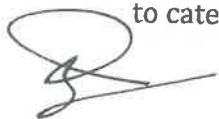
Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Rent	217	232	210	277	67.0	32%
Royalty/ Internet services	41	43	40	47	7.3	18%
Telephone	39	54	40	44	4.0	10%
Electricity	93	123	100	156	56.4	56%
Pakistan Railway (line crossing charges)	97	1	155	155	-	0%
Water Conservancy	3	5	4	5	0.9	22%
Vehicles rates and taxes	11	14	15	12	(3.5)	-23%
Others	6	8	8	6	(1.7)	-21%
Total:	507	480	572	703	130.529	23%

10.1.16. Under the head "Rent", the petitioner has explained that increment is mainly on account of revision in annual agreements with the Landlords.

10.1.17. The Authority observes that 32% increase over DERR or 19% over FRR under the sub-head "Rent" is not defensible. Normally increase under this head is 5-10%. The Authority therefore restricts the expenses under this head at the level of FRR plus 8% escalation to cater for annual increase.

10.1.18. Under the head "Electricity", an upward increase of approximately 56% in the electricity tariff during the current Financial Year compared to FY 2017-18, due to which expenses of the Company on this account witnessed a sharp increase.

10.1.19. The Authority accedes petitioner pleas that the electricity tariff has increased. However, 27% increase over one year (FRR FY 2017-18) is simply not defensible. This shows rather injudicious approach in the utilization of resources. The Authority therefore allows Rs. 135 million i.e; at the level of FRR plus 10% increase to cater for increase in tariff and usage.








10.1.20. Under the sub-head 'railway, the petitioner has explained that amount shows 'accrual adjustment' no expense as such has been paid yet. The Authority keeping in view the previous stance that earlier stance that the accrual under this head be booked only if the amount between the parties have agreed and the expense is certain to happen. Since this is not the situation, the Authority therefore disallows the expenditure under this head.

10.1.21. ***In view of above, the Authority determines the amount under this head "Rent, Rates, Electricity and Taxes" at Rs. 500 million for the said year.***

vi. Transport

10.1.22. The petitioner has claimed expenditure of Rs. 1,008 million on account of "Transport" for the said year as against Rs. 810 million provided in DERR for the said year, showing an increase of 24%. The comparison is given below:

Table 28: Historical Comparison of Transport Expenses

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Compression	12.141	14.664	13.600	22.239	8.639	64%
Transmission	109.391	149.472	118.000	186.666	68.666	58%
Distribution	462.617	519.559	500.000	532.806	32.806	7%
Others (incl HO & service depts.)	165.945	213.578	178.400	266.011	87.611	49%
Total:	750.094	897.273	810.000	1,007.722	197.722	24%

10.1.23. Under this head "Transport", the petitioner has submitted that petroleum product prices have been increased during the said year, as compared to the FY 2017-18. Moreover, laying of supplemental T&D network during the year also resulted in increase in transport expense for monitoring and maintenance purposes.

10.1.24. The Authority observes that the gas prices are also continually rising up. Accordingly, there is need to adopt austerity measures and curtail such expenses.

In view of above, the Authority determines Rs. 942 million under this head i.e; at the level of FRR plus 5 % increase for enhanced usage.

vii. **Legal and Professional Charges**

10.1.25. The petitioner has claimed expenditure of Rs. 292 million on account of "Legal & Professional Charges" for the said year as against Rs. 190 million provided in DERR for the said year, showing an increase of 54%. The comparison is given below:

Table 29: Historical Comparison of Legal & Professional Charges Expenses

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. in Million	
					Inc/Dec over DERR FY 2018-19	
Legal	170	174	132	210	78	59%
Professional	16	30	19	49	30	158%
Tax	10	5	15	13	(2)	-16%
Audit	8	8	11	11	-	0%
Apprenticeship/Scholarship	4	8	10	7	(3)	-33%
Others	0	2	3	3	(0)	0%
Total:	208	227	190	292	102.217	54%

- 10.1.26. Under the head "Legal", the petitioner has submitted that Litigations against the company has incremented significantly due to Arbitration is consequential, including International Arbitration etc. LNG contracts, Promulgation of Gas Act 2016, Execution proceedings, Filing of Complaints against culprit's/gas pilferers, FIRs / Challans in Courts of Law, Increment in number of consumers due to expansion of Company's network.
- 10.1.27. The petitioner has explained that it is receiving astronomically huge number of cases for filing of recovery suits against disconnected defaulter consumers for recovery of outstanding amount of gas bills in reverence of 16 Regions of the Company which requires Court fee at the rate of 7.5% to be affixed on the plaint for recovery over and above Rs. 25,000/- in province of Punjab whereas in province of Khyber Pakhtunkhwa court fee of 7.5% is required to be affixed on the plaint irrespective of amount subject to maximum of Rs. 15,000/-.
- 10.1.28. The petitioner further submitted that litigation pattern has been raised at a high rate i.e. out of total 33,367/- number of cases, total 8458/- number of cases have been filed and 2287/- number of cases have been decided during the fiscal year 2018-19.
- 10.1.29. Under the head "Professional", the petitioner has submitted that Rs. 30 million has been included in the petition FY 2018-19 for conducting the technical audit of the company in compliance of condition no. 28 of the License issued to SNGPL by

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- OGRA. An amount of Rs. 20 million has been utilized in conducting the technical audit of the company's operations.
- 10.1.30. The Authority observes that the petitioner stance under this head is only repetition and contains no concrete justification in the support of its claim relating increase under the heads. The Authority observes that increase under the sub-head "Legal" provides no rationale when the same is neither core activity nor commensurate with any benefit attained.
- 10.1.31. Further, the Authority observes that despite spending significant amount on this account, no substantial recoveries have been observed. In fact, litigation cases and expenses are continuously increasing without any corresponding benefit. Further, the petitioner has already sanctioned reasonable amount in the previous year especially for arbitration matter and legal suits against the permanent defaulter to recover liability. The recovery from the defaulter have not walkout satisfactory results.
- 10.1.32. The Authority further observed that the petitioner is hiring outside legal counsel to deal such cases and spend hefty amount on this account. The petitioner should utilized its in-house legal team for such issues and advised that the petitioner undertake concrete efforts to improve its customer services.
- 10.1.33. The Authority further observes that during the last financial year, a significant amount under this head was allowed on the matter of 'foreign arbitration'. The same is neither regular feature nor had the part of DERR for the said year.
- 10.1.34. Regarding the conduct of technical audit, the Authority observes that no approval for such expenses has been obtained despite the same is significant amount. Further, the purposed and indicative benefit of such audit has not been shared.
- 10.1.35. ***In view of above, the Authority restricts the expenditure under the head' legal, and professional charges at the level of DERR and accordingly determines the amount under this head at Rs. 184 million for the said year.***

viii. Advertisement

- 10.1.36. The petitioner has claimed expenditure of Rs. 246 million on account of "Advertisement" for the said year as against Rs. 180 million provided in DERR for the said year, showing an increase of 36%. The comparison is given below:

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Table 30: Historical Comparison of Advertisement Expenses

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Advertisement	163	189	180	246	66	36%
Total:	163	189	180	246	66	36%

- 10.1.37. Under this head "Advertisement", the petitioner has submitted that 'On the Direction of Government for launching a truculent media campaign on anti-gas theft, an additional budget of Rs. 25 million was approved by BOD.
- 10.1.38. Moreover, PPRA has revised tenders uploading fee from Rs. 1,500 per tender to Rs. 6,000 per tender from 01.02.2017. The supplemental expense of approximately 18 million is to cater the incremental impact of Rs. 12 million for the current year and Rs. 6 million for the previous year.
- 10.1.39. The Authority observes that it has always appreciated petitioner's efforts in respect of media campaigns for educating consumers. The Authority has always emphasized on consumer's education derived from these media campaigns. However, abnormal increase not commensurate with tangible benefits in unjustified. The petitioner should negotiate / bargain reasonable tariff or rates while launching its media campaigns. Moreover, other constructive measures including SMS, emails, signboards during high consumption months, consumer awareness messages on related official websites, gas bill can be used for consumer education.
- 10.1.40. *In view of above, the Authority determines the amount under this head at Rs. 208 million i.e; at the level of FRR plush 10 % escalation keeping in view the justification advanced by the petitioner above.*

ix. Staff Training and Recruiting Expenses

- 10.1.41. The petitioner has claimed Rs. 21 million under the head "Staff training and Recruiting Expenses" for the said year as against Rs. 12 million provided in DERR for the said year, showing as increased of 77%. The historical comparison is as under;







Table 31: Historical Comparison of Staff Training & Recruiting Expenses

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Inc/Dec over	
					DERR FY 2018-19	
Staff training and recruiting expenses	5.744	10.999	12.000	21.286	9.286	77%
Total:	5.744	10.999	12.000	21.286	9.286	77%

10.1.42. The petitioner has submitted that recruitment against Executive cadre was initiated and major expenses have been incurred on conduct of third party recruitment test.

10.1.43. The Authority observes that it has always appreciated the continuous training activities which are infact essential for professionals to be well-informed with latest technologies to control the operating activities on latest dynamics. The expenses however appear to be on higher side viz a viz DERR. Further, the Authority observes that it had obviated the petitioner for further recruitment unless the manpower assessment study achieves its concurrence. Authority further observes that petitioner was required to submit detailed proposal or plan for inland and foreign trainings and benefits expected from such trainings. The same however has not been submitted yet.

10.1.44. ***In view of above, the Authority restricts the expenditure under this head at the level of DERR i.e; Rs 12 million for the said year.***

x. Cost of Gas Blown Off

10.1.45. The petitioner has claimed Rs. 161 million on account of cost of gas blown of owing to ruptures/sabotage activates for the said year.

10.1.46. The Authority observes that the cost pertaining to above head has already been disallowed under the head of GIC in UFG sheet in which a volume of 73 MMCF in transmission system and 281 MMCF in distribution system has been disallowed to the petitioner for sabotage activities as company is being allowed a local area condition allowance for the same reasons.

10.1.47. ***In view of above, the Authority rejects the petitioner claim on this account.***

xi. Sports Cell, Annual Sports & CSR

10.1.48. The petitioner has claimed Rs. 142 million under this head for the said year as against Rs. 99 million provided in DERR for the said year. The historical comparison is as under;



Table 32: Sports Cell, Annual Sports & CSR

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Sports Cell	50.07	71.90	48.00	70.59	22.59	47%
Annual Sports/Cricket expenses	47.81	52.40	40.00	48.56	8.56	21%
Corporate Social Responsibility (CSR)	9.91	13.45	11.42	22.78	11.37	100%
Total	107.79	137.74	99.42	141.93	42.52	43%

- 10.1.49. The petitioner explained that actual expenditure under the head “Sports Cell & Annual Sports”, is even lesser than FRR FY 2017-18. It is additionally pertinent to mention here that the Authority has predicated its decision at the level of FRR FY 2016-17.
- 10.1.50. Under the head “CSR” the petitioner has not provided any reasons / justification of exorbitant increase i.e. 100%.
- 10.1.51. The Authority observes that undertaking of sports related activities by organization is appreciated; the same however should be in reasonable limits. The Authority, keeping in view the change in business dynamics interalia more proportion of RLNG in energy mix has even curtailed the expenses under these to pass on consumers. Even if such activities are necessary for the better image of the organization it may be funded from the petitioner own resources. Further CSR as per tariff regime is on equal proportion basis between consumer and company. Accordingly, the half of the total amount forms part of revenue requirement.
- 10.1.52. *In view of above, the Authority determines the expenses under this head at the level of DERR i.e. Rs. 99 million for the said year.*

xii. Corporate Social Responsibility (CSR)

- 10.1.53. The petitioner has submitted that it has spent Rs. 23 million under the head CSR during the said year in respect of various projects related to health, environment and education. Further the projects have been undertaken in the relatively remote and un-privileged areas.
- 10.1.54. The Authority observes that the petitioner has provided the detail breakup of the CSR activities related to Health, environment and education which have been undertaken during the said year. *The Authority accepts the same with 50%*

contribution from the petitioner's profits, in accordance with the existing tariff regime in place.

xiii. Facilities provided by other Companies

10.1.55. The petitioner has claimed Rs. 13 million under this head for the said year, as against Rs. 7 million provided in DERR for the said year, showing an increase of 73%. The historical comparison is as under;

Table 33: Historical Comparison of Facilities provided by others Companies

Particular	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 (DERR)	FY 2018-19 Petition	Rs. In Million	
					Inc/Dec over DERR FY 2018-19	
Facilities Provided by other companies	10.717	10.000	7.220	12.500	5.280	73%
Total:	10.717	10.000	7.220	12.500	5.280	73%

10.1.56. The petitioner has not provided any reasonable justification, under this head in the support of 73% increase over one year.

10.1.57. *The Authority restricts the expenses under this head at the level of DERR i.e. Rs. 7 million.*

xiv. Other Expenses

10.1.58. The petitioner has claimed Rs. 182 million under this head for the said year which includes Rs. 141 million on account of 'construction equipment as against Rs. 102 provided at the time of DERR for said year.

10.1.59. The Authority observes that there has been persistent increase under the sub-head 'construction equipment' which has never been justified based on the tangible reason. The Authority therefore restricts the same at the level of DERR for FY 2018-19.

10.1.60. *In view of above, the Authority determines the expenses under this head at the level of DERR i.e. Rs. 143 million for the said year.*

10.1.61. 'under the head 'Director' Fee and Board Meetings', the petitioner claim for the said year has been restricted to the extent of DERR for the said year. The Authority in this regard however refers its other decisions wherein expenditure under this head has been slashed since the same are exaggerated and owing to increased gas prices, the consumers cannot bear the same. The Authority therefore directs the petitioner

to control the expenses under this head and the upcoming petitions should bear the compliance to Authority directions.

xv. **Remaining T&D Expenses not discussed above**

10.1.62. The Authority observes that the remaining expenses not discussed above have been either under the allowed limits or have allowed based on the proper justification by the petitioner

xvi. **Transmission & Distribution Cost Determined by the Authority**

10.1.63. In view of above discussion, the Authority decides the T&D expenses as under;

Table 34: Transmission & Distribution Cost Determined by the Authority

Particulars	Rs. in million		
	FRR FY 2019-20		
	Demanded	Adjustment	Allowed
Human Resource Cost	18,842	(3,806)	15,036
Stores and Spares Consumed	719	-	719
Repair and Maintenance	1,353	(203)	1,150
Fuel and Power	429	(31)	398
Stationery, Telegram and Postage	160	-	160
Dispatch of gas bills	124	-	124
Rent, Rate, Electricity and Telephone	703	(203)	500
Traveling	194	(194)	(0)
Transport expenses	1,008	(66)	942
Insurance	221	-	221
Legal and Professional Services	292	(108)	184
Consultation for ISO 14001 & OHSAS 18000	5	-	5
Gas bills collection charges	460	-	460
Gathering charges of gas bills collection data	50	-	50
OGRA fee	254	-	254
Advertisement	246	(38)	208
Bank Charges	8	-	8
Uniforms & protective clothing's	49	-	49
Staff training and recruiting	21	(9)	12
Security expenses	898	-	898
SNG training insititute	17	-	17
Provision for doubtful debts	1,506	-	1,506
Sponsorship of chairs at University	8	-	8
5 Years special training programme/Executive Development Program	23	-	23
Budget for UFG control related activities	994	-	994
Out Sourcing of call centre complaints management	24	-	24
Cost of Gas Blown off	161	(161)	-
Sports Cell	71	(23)	48
Annual Sports/Cricket Expenses	49	(9)	40
Corporate Social Responsibility	23	(12)	11
Facilities provided by other companies	13	(6)	7
Board Meetings and Directors expenses	57	(2)	55
Recovery through contractors	9	-	9
CC&B Upgradation project	12	-	12
Other expenses	182	(39)	143
Subtotal Expenses	29,182	(4,910)	24,272
Allocated to fixed capital expenditures	(3,540)	-	(3,540)
T&D Expenses	25,642	(4,910)	20,732
Gas Internally Consumed	529	-	529
Total T&D Expenses	26,171	(4,910)	21,261



xvii. **Other Expenses (Exchange loss)**

- 10.1.64. Under the sub-head, the petitioner has claimed Rs. 4,468 million which comprises Rs. 2,415 on account of 'Exchange loss' and Rs. 2,053 million on account of reversal of LPS in respect of Pakistan Army for the said year.
- 10.1.65. The Authority observes that exchange loss on account of gas purchases is admissible expenditure as appearing in the "cost of gas sold statement" for the said year. Accordingly, the same is allowed for the said year as claimed by the petitioner. ***The Authority however directs the petitioner to take maximum efforts to avoid such cost to the possible extent.***
- 10.1.66. Regarding the reversal of LPS on account of Pak Army, the petitioner has submitted that MES wing of Pak Army is in default of payment against LPS amounting to Rs. 2,053 million upto Jun-19 over the period of almost 20 years. They are contesting payment of LPS on pleas of audit observations, non-provision/allocation of budget for payment of said surcharge and apprehension that Government consumers should be exempted from payment of LPS.
- 10.1.67. The petitioner has submitted that although we are constantly pursuing concerned authorities of General Headquarters (GHQ), Rawalpindi for recovery of LPS by arranging meetings and correspondence in this regard. At present, the said matter of non-payment of LPS by MES Pak Army is pending for decision with the office of Prime Minister of Pakistan.
- 10.1.68. ***The Authority observes that LPS receivable from MES wing of Pak army is running issue and also lying with the esteemed Prime Minister, accordingly, the same cannot be reversed. Further, there is no provision under the existing framework to pass such cost of default to consumers. In view of above, the Authority rejects the petitioner claim on this account.***

10.2. **Effect of adoption of IFRS-9 for FY 2017-18 and impact of IAS 19 (Reorganization of Actuarial Gains) for FY 2018-19**

- 10.2.1. The petitioner has claimed Rs. 337 million on account of Effect of Adoption of IFRS-9 (Expected Credit Loss) for FY 2017-18 and also submitted that In July 2014, the International Accounting Standards Board (IASB) issued IFRS 9 'Financial Instruments' (IFRS 9 or the standard) effective for annual periods beginning on or after 01 January 2018. The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 985 (I)/2019 dated September 02, 2019 and further

clarification vide its letter No. EMD/233/414/2002 dated September 13, 2019 has exempted the application of IFRS 9 with respect to Expected Credit Losses method on financial assets due from Government of Pakistan (including receivables in context of circular debt) till June 30, 2021. Consequently, the Company has also been exempted from the application of IFRS 9 with respect to Expected Credit Losses method on financial assets due from Government of Pakistan.

- 10.2.2. credit losses are required to be made using expected loss model . Under Local regulations provisions are made when there is an objective evidence of impairment (i.e. incurred loss model). This is a fundamental shift in provisioning when compared to local regulations.
- 10.2.3. IFRS 9, warrants impairment requirements based on forward-looking expectations about the credit losses. This model applies to debt instruments, loans, lease receivables, contract receivables, trade receivables and to off-balance sheet credit exposures such as financial guarantees and loan commitments. The IFRS usually allows a provision matrix as a practical expedient for determining ECL on trade receivables. Under such matrix short term receivables are grouped into various customers' segments that have similar loss patterns such as by geography, product type, aging buckets etc. The historical loss rates derived for each segment of customers is adjusted to incorporate forward looking information and then applied to the current portfolio of receivables to determine expected credit loss.
- 10.2.4. The Authority observes that the adoption of IFRS 9 in compliance to SECP regulations is the petitioner's obligation while preparing the statutory accounts. Authority in this regard has no reservation. However, the cost on this account is not justified to be formed part of assets based rate of return tariff regime. The provisioning under this IFRS model applies to debt instruments, loans, lease receivables, contract receivables, trade receivables and to off-balance sheet credit exposures such as financial guarantees and loan commitments which have no relevance gas price computation methodology under the current tariff regime in place. ***The Authority therefore does not concur the cost to allow under this head.***
- 10.2.5. Regarding the gain on account of IAS 19 - Recognition of Actuarial Losses/(gains) for FY 2018-19 amounting to Rs. 649 million for the said year, ***the Authority observes that the same is part of HR cost and tariff regime in place, the same is therefore allowed.***

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10.3. **Late Payment Surcharge in respect of gas suppliers and cost of short term borrowing**

10.3.1. The petitioner has claimed Rs. 17,987 million on account of LPS in respect of gas suppliers and Rs. 377 million on account of finance cost of short term borrowing for the said year as against the same cost at Rs. 5,875 and Rs, 117 million respectively during FY 2017-18.

10.3.2. The Authority observes that entire huge amount of LPS payable under this head is almost in respect of state owned entities, detail as below;

Detail of LPS Accrued (Payable)		Million Rs.
Name of the Company	FY 2017-18	Million Rs.
Government Holdings (Pvt) Ltd	315	1,307
Mari Petroleum Limited	6	24
OGDCL	1,545	6,231
POL	110	254
PPL	3,084	9,032
SSGCL	616	1,030
OTHERS	199	110
Total	5,875	17,987

10.3.3. The Authority observes that as per information provided by the petitioner, no amount on account of LPS has been paid during the said year. Resultantly, LPS payable to gas suppliers on the close of financial year increased from Rs. 25 billion during FY 2017-18 to Rs. 43 billion for the said year, while total amount of outstanding liability payable to gas supplier is Rs. 311 billion including interest of Rs. 37 billion. On the other hand, the Authority observes that total amount receivable on account of gas sales only from the Government entities is around Rs. 19 billion while in respect of private entities, LPS during the said year has not been booked as per court orders.

10.3.4. The Authority observes that the petitioner case in view of receivables and payables along with LPS in respect of state owned entities is infact matter of 'circular debt'. The Authority therefore advises the petitioner to take up the same with the Ministry of Energy for amicable settlement. The Authority, in view of pending ultimate settlement of LPS payables and LPS receivables stuck from the industry owing to court orders, cannot only pass the LPS liability to the consumers.

10.3.5. **Accordingly, the Authority accepts the petitioner claim to the extent of LPS in respect of other gas producers (non-government) amounting to Rs. 110 million and also allows the cost of short term borrowing amounting to Rs. 377 million.**



10.3.6. *The Authority further directs the petitioner to undertake the matter of LPS payables with Federal Government since the same is part of circular debt and if any amount under this head is not relevant to circular debt, the same may be amicably settled. Accordingly, the Authority shall consider the petitioner's claim on actual payment basis.*

10.4. **Cumulative revenue shortfall pertaining to previous years'**

10.4.1. The petitioner has claimed Rs. 122,177 million on account of cumulative revenue shortfall pertaining to previous years'

10.4.2. The Authority observes that above shortfall claimed by the petitioner is included in the revenue requirement in accordance with the decision of the ECC of the Cabinet dated 17.5.2018. Accordingly, the same is included for the said year.

10.5. **RLNG related Matters**

a. Transportation Charges

10.5.1. The Authority observes that petitioner has ring-fenced the expenses on account of "Transportation Charges" and computed the rate at Rs. 83.40 per MMBTU on the basis of total revenue requirement of Rs. 32,024 Million and energy volume through put at 383,962 BBTU. The computation of Transportation charges is made as under;

Table 35: Computation of Transportation Charges FY 2018-19

Particulars	Per SNGPL working	Per OGRA Determination
Quantitative Data	At Actual Throughput	
	BBTU	
RLNG input Volume	399,723	399,723
Retainage / gas used in FSRU	(1,533)	(1,533)
GIC - SNGPL network	(3,465)	(3,465)
GIC - SSGCL network	-	-
UFG	(10,763)	(10,763)
Net RLNG handled/sold	383,962	383,962
Cost Components	<i>Million Rs.</i>	
Amortization of Deferred Credit	(792)	(792)
Depreciation	4,105	4,105
Return on Assets	8,267	8,267
Gas Internally Consumed SNGPL	4,824	4,824
Transportation charges payable to SSGC	7,274	7,274
Late Payment Surcharge	(2,179)	-
Late Payment Surcharge (Adjustment of FY 2017-18)	(813)	-
Finance Cost on LNG Borrowings (FY 2015-16 to FY 2017-18)	5,289	-
Finance Cost on LNG Borrowings FY 2018-19	5,398	-
Mark up on Running Finance	650	-
incremental HR cost	-	782
Total	32,022	24,460



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- 10.5.2. The Authority observes that the petitioner, in the said revenue requirement, has included Late Payment Surcharge and other finance related cost, as appearing in the table above, which has no nexus and rationale for the determination of transportation charges. Transportation charges simply relevant to cost associated with the dispatch of energy molecules from one point to other through petitioner's pipeline network. The Authority therefore disallows the LPS and finance related cost as part of transportation charges.
- 10.5.3. The Authority further observes that the petitioner has included Rs. 7,274 million as transportation charges SSGCL. This figure however has not been decided in SSGCL determination. The Authority therefore adopts the same on provisional basis, the same shall be revised in accordance with SSGCL's determination.
- 10.5.4. The Authority further observes that the petitioner has worked out the transportation charges based on the actual throughput viz a viz gross pipeline capacity. Further, the petitioner has explained that due to usage of same network of the petitioner for system gas and RLNG, UFG of RLNG can't be calculated separately. Also, the GIC figure has been charged on monetary basis.
- 10.5.5. The Authority observes that there seems to be inherent limitation to precisely compute the actual UFG and GIC in respect of RLNG segment separately for the purpose of computation of transportation charges. Further the matter of cost of supply/transportation charge is subjudice as per verdict of Hon'ble Lahore High Court, Lahore. Accordingly, this issue of cost of supply particularly UFG and GIC shall be finalized in the light of final court judgment. Till that the Authority adopts the petitioner figures however at the gross throughput per the natural gas network codes. Further, HR cost pertaining to LNG segment has been allocated under this head. Further, any increment operating cost which pertains to RLNG segment is required to be under this head.
- 10.5.6. ***In view of above, the transportation charges are provisionally determined at Rs. 24,462 million. Accordingly, the transport charges at gross throughput of 446, 067 BBTU (as per DERR level) works out to Rs. 54.83 per MMBTU for the said year.***

b. Revenue Surplus/shortfall on account of RLNG Supply

- 10.5.7. The petitioner has submitted that revenue shortfall on account of RLNG activity at Rs. 21,140 million translating into increase in RLNG prices @ Rs. 59.56 per MMBTU for the said year

- 10.5.8. The Authority observes that RLNG pricing, as per legal framework provided by the FG, is carried out under Petroleum Product (Petroleum Levy) Ordinance 1967. Further, as per decision of the FG regarding "RLNG pricing, allocation & allied matters" expenses on this account is a ring-fenced activity, separately maintained and entirely recovered from RLNG consumers. Accordingly, contention of the petitioner shall be addressed while determining the RLNG pricing, in accordance with the decision of the ECC of the cabinet dated May 11, 2018.

10.6. Summary of Discussion & Decisions

- 10.7. 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:
- 10.8. determine the sale revenue at prescribed prices for the said year at Rs. 174,127 million.
- 10.9. accepts the late payment surcharge and interest on arrears for said year at Rs. 1,625 million
- 10.10. accepts the other operating income at Rs. 1,447 million;
- 10.11. determine the transportation charges on account of RLNG provisionally at Rs. 24,460 million (Rs. 54.83 per MMBtu) for the said year.
- 10.12. gross addition in fixed assets at Rs. 12,835 million;
- 10.13. allow closing balance of fixed assets at Rs. 118,307 million;
- 10.14. accept the cost of gas at Rs. 184,670 million;
- 10.15. determine UFG at 11.938% based on which adjustment over the benchmarks works out to Rs. 10,698 million;
- 10.16. allow T&D cost including GIC at Rs. 21,2611 million;
- 10.17. allow cumulative revenue shortfall pertaining to previous years' Rs. 122,177 million;
- 10.18. *In exercise of its powers under Section 8(2) of the Ordinance, the Authority determines the FRR for the said year at Rs. 351,236 million as against petitioner's claim of Rs. 392,932 million, as tabulated below:*



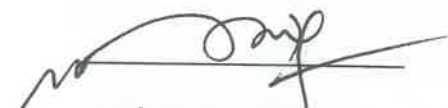
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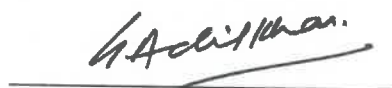
Table 36: Components of FRR for FY 2018-19 as Determined by the Authority

Description	Million Rs.	
	Demanded by the petitioner	Determined by the Authority
Cost of gas	189,882	184,670
UFG disallowance	(750)	(10,698)
Transmission & distribution	26,171	21,261
Depreciation	13,937	13,582
Late Payment Surcharge (Payable) & cost of short term borrowing	18,364	487
Effect of adoption of IFRS-9 for FY 2017-18 and impact of IAS 19 (Reorganization of Actuarial Gains) for FY 2018-19.	(312)	(649)
Other Operating Expenses (Exchange Loss)	4,468	2,415
WPPF	734	515
Return	18,262	17,478
Cumulative Revenue Shortfall	122,177	122,177
Total	392,932	351,236

- 10.19. *The petitioner's actual net operating income is Rs. 188,613 million and thus there is a shortfall of Rs. 162,623 million (Including Rs. 122,177 million pertaining to precious years), for the said year (Annex. A). The Average prescribed price comes to Rs.869.86 / MMBTU.*
- 10.20. *The Authority decides to carry forward the entire shortfall for the said year. The prescribed prices for each category of retail consumers for the said year are accordingly stand adjusted to the extent of notified gas sale prices as advised by the Federal Government during the said year.*
- 10.21. *The Authority further directs the petitioner to make the concerted efforts to reduce all the avoidable costs particularly the finance related costs, currency exchange loss, LPS and Transmission and distribution cost.*
- 10.22. *The Authority further directs that concerted efforts be undertaken to reduce gas losses since the same is loss to national exchequer as well.*


Muhammad Arif
Member (Gas)


Noorul Haque
Member (Finance)


Uzma Adil Khan
(Chairperson)


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

Monday, July 6, 2020



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A. Final Revenue Requirement for FY 2018-19

		Million Rs.		
Particulars		The Petition	Adjustment	FRR FY 2018-19
	Gas sales volume -MMCF			
	BBTU	406,518	-	406,518
	Calorific Value	391,311	(4,180)	387,131
"A"	Net Operating revenues	963	-	963
	Net sales at current prescribed price	176,396	(2,269)	174,127
	Rental & service charges	2,022	-	2,022
	Late Payment Surcharge and interest on arrears	1,625	-	1,625
	Amortization of deferred credit	9,393	-	9,393
	Other operating income	1,447	-	1,447
	Total income "A"	190,882	(2,269)	188,613
"B"	Less Expenses			
	Cost of gas	189,882	(5,212)	184,670
	UFG disallowance	(750)	(9,948)	(10,698)
	Transmission & distribution	26,171	(4,910)	21,261
	Depreciation	13,937	(355)	13,582
	Late Payment Surcharge (Payable) & cost of short term borrowing	18,364	(17,877)	487
	Effect of adoption of IFRS-9 for FY 2017-18 and impact of IAS 19 (Reorganization of Actuarial Gains) for FY 2018-19.	(312)	(337)	(649)
	Other Operating Expenses (Exchange Loss)	4,468	(2,053)	2,415
	WPPF	734	(219)	515
	Total expenses "B"	252,493	(40,911)	211,582
"C"	Operating profit / (loss) (A - B)	(61,611)	38,642	(22,969)
	Return required on net assets:			
	Net assets at beginning	125,017	-	125,017
	Net assets at ending	127,306	(8,999)	118,307
	Average fixed net assets (I)	252,323		243,324
	Deferred credit at beginning	126,161	-	121,662
	Deferred credit at ending	22,507	-	22,507
	Average net deferred credit (II)	42,777		42,777
"D"	Average operating assets (I-II)	104,773	(4,500)	100,274
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required	18,262	(784)	17,478
"F"	Excess /(shortfall) FY 2018-19	(79,873)	39,426	(40,447)
"I"	Average Inc/(Dec) in Prescribed Price FY 2018-19 (Rs/MMBTU)	204.12	(99.64)	104.48
"J"	Total Revenue requirement FY 2018-19 - Million Rs.	270,755	(41,695)	229,060
"K"	Average Prescribed Price (PP) FY 2018-19(Rs/MMBTU)	654.90	(100.63)	554.27
"L"	Previous Years' accumulated Revenue Shortfall	(122,177)	-	(122,177)
"M"	Average (Inc)/Dec in Prescribed Price owing to previous years Revenue Shortfall (Rs/MMBTU)	312.22	3.37	315.60
"N"	Total Revenue Shortfall (F+L) including previous years shortfall	(202,049)	39,426	(162,623)
"O"	Total Increase /(Decrease) in prescribed prices FY 2018-19 including previous years' revenue shortfall	516.34	(96.27)	420.07
"P"	Average prescribed prices FY 2018-19 including previous years' revenue shortfall	967.12	(97.26)	869.86

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B. HR Cost Benchmark FY 2018-19

Particulars	FRR FY 2017-18	FRR FY 2018-19	
	Per OGRA	Per SNGPL Computation	Per OGRA
SNGPL	Million Rs.		Million Rs.
HR benchmark Cost Parameters			
Base Cost	12,168	13,656	13,656
CPI factor	3.92%	7.34%	7.34%
T & D network (Km)	131,694	139,555	139,555
Number of Consumers (No.)	6,341,508	6,771,919	6,771,919
Sales Volume (MMCF)	670,643	759,164	759,164
Unit Rate (Rs./unit)			
T&D network (Rs./Km)	101,686	103,695	103,695
No. of Consumers (Rs./Consumer)	2,121	2,153	2,153
Sale Volume (Rs./MMCF)	19,785	20,363	20,363
HR Cost Build-up (Million Rs)			
Cost CPI -50%	238	501	501
T & D network (Km) -25%	3,348	3,618	3,618
Number of Consumers (No.) - 65%	8,743	9,479	9,479
Sales Volume (MMCF) - 10%	1,327	1,546	1,546
HR Benchmark Cost	13,656	15,144	15,144
IAS Cost (incremental impact)	1,306	674	674
Cost Allocated to RLNG segment			(782)
Total HR Benchmark Cost	14,961	15,818	15,036

Determination of Final Revenue Requirement of SNGPL
Financial Year 2018-19

ANNEXURE-C



C. Cost of Gas Sold Statement

FIELD NAME	VOLUME				RATE RS/MMBTU	AMOUNT RS IN MILLION
	BBTU/D	MMCFD	MMCF	B-BTU		
OPENING STOCK OF GAS						
GAS PURCHASED DURING 2018-19	5	6	2,127	1,997	374.44	747.828
SUI-SML	180	189	68,863	65,771	414.52	27,263.754
SUI-SUL	25	26	9,535	9,263	417.72	3,869.492
TOTAL SUI	206	215	78,398	75,035	414.92	31,133.246
LOTI	12	15	5,316	4,454	179.78	800.798
PIRKOH	0	0	80	68	168.47	11.386
DHURNAL	-	-	-	-	-	-
DAKHNI	17	16	5,889	6,263	191.46	1,199.079
ADHI	65	60	21,882	23,565	191.17	4,505.060
BHANGALI	-	-	-	-	-	-
RATANA	0	0	17	19	518.68	9.943
RATANA MEYAL	3	3	1,053	1,123	509.71	572.324
SADKAL	1	1	261	306	749.47	229.384
DHODAK	1	1	422	483	383.98	185.590
QADIRPUR (PROCESSED)	146	167	60,941	53,404	395.67	21,130.770
QADIRPUR (DEHYDRATED)	-	-	-	-	-	-
QADIRPUR (LIBERTY POWER LTD-RAW)	30	36	13,039	10,911	352.60	3,847.241
QADIRPUR (PERMEATE)	31	45	16,272	11,259	356.14	4,009.665
DEHYDRATION CHARGES @ RS 3.52	-	-	-	-	-	-
TOTAL QADIRPUR	207	247	90,252	75,574	384.07	29,026.083
PARIWALI	3	3	1,049	1,120	419.75	470.033
PINDORI	0	0	14	16	405.89	6.633
TURKWAL	-	-	-	-	-	-
DHULIAN	1	1	207	222	157.46	34.886
MEYAL	1	1	308	330	157.46	52.026
BELA/UCHHRI	-	-	-	-	-	-
HASSAN	4	6	2,245	1,565	357.25	558.925
ZAMZAMA-SNGPL	14	18	6,542	5,214	454.66	2,370.616
ZAMZAMA-GUDDU	-	-	-	-	-	-
TOTAL ZAMZAMA	14	18	6,542	5,214	454.66	2,370.616
SAWAN	18	18	6,490	6,532	480.89	3,141.246
CHANDA	6	6	2,027	2,329	373.71	870.322
REHMAT-MUBARIK	-	-	-	-	-	-
SAQIB-1A	-	-	-	-	-	-
BADAR	10	17	6,195	3,557	318.48	1,132.725
KANDKOT	51	62	22,669	18,565	223.89	4,156.511
MAKORI	0	0	169	174	357.25	62.308
MAKORI EAST	69	66	24,257	25,056	496.99	12,452.567
MANZALAI-GURGURI	-	-	-	-	-	-
MANZALAI-CPF	23	22	7,930	8,392	387.54	3,252.300
CHACHAR	2	3	915	740	210.00	155.488
MELA	9	8	2,900	3,324	373.27	1,240.814
NASHPA	89	85	30,851	32,412	376.53	12,203.769
SALSABIL	5	5	1,958	1,956	536.96	1,050.359
SALSABIL-CHILTAN	0	0	62	54	408.03	22.021
TAJJAL	1	1	322	324	334.05	108.349
KOONJ	0	0	167	144	(299.36)	(43.089)
MAMIKHEL	21	20	7,302	7,727	458.03	3,539.040
SHIEKHAN	-	-	-	-	-	-
MARAMZAI	136	130	47,620	49,811	491.03	24,458.669
DOMIAL	-	-	-	-	-	-
MARI DEEP	-	-	-	-	-	-
LATIF	19	18	6,715	6,756	566.52	3,827.549
MARI ENGRO	65	89	32,531	23,564	216.42	5,099.818
SOGHARI	6	6	2,143	2,280	789.91	1,800.674
MARDANKHEL	45	42	15,423	16,319	628.90	10,262.889
KALABAGH	4	4	1,384	1,539	815.56	1,255.167
MAKORI DEEP	4	4	1,441	1,488	746.86	1,111.420
JHANDIAL	7	6	2,334	2,490	743.93	1,852.250
TOLANJ	6	6	2,120	2,138	488.36	1,044.354
TOLANJ WEST	9	9	3,376	3,406	748.57	2,549.403
TOTAL GAS PURCHASED	1,141	1,214	443,235	416,435	402.88	167,772.935
LESS: SUPPLIED TO PPL	(0)	(0)	(142)	(136)	414.82	(56.229)
Total	1,141	1,214	443,093	416,300	402.87	167,716.706
EXCISE DUTY	-	-	-	-	-	4,162.997
Total	1,141	1,214	443,093	416,300	412.87	171,879.703
EQUALISATION OF COST-SSGCL	-	-	-	-	-	-
GST ON EXEMPT COSUMERS	-	-	-	-	-	-
EXCHANGE LOSS/(GAIN)	-	-	-	-	-	653.947
AVG.RATE FOR 2018-19	1,141	1,214	443,093	416,300	420.28	2,427.527
TRANSP.CHARGES-ZAMZAMA/HASSAN	-	-	-	-	-	174,961.177
GROSS PURCHASES	1,141	1,214	443,093	416,300	420.88	251,820
EXCHANGE LOSS/(GAIN)	-	-	-	-	-	175,212.997
GAS INTERNALLY CONSUMED	(7)	(7)	(2,709)	(2,546)	415.02	(2,427.527)
CLOSING STOCK OF GAS	(5)	(6)	(2,216)	(1,962)	440.34	(1,056.462)
GAS AVAILABLE FOR SALE	1,134	1,206	440,295	413,789	414.73	(864.056)
UN-ACCOUNTED FOR GAS	(141)	(133)	(48,510)	(51,627)	-	171,612.779
NET GAS SOLD BUT NOT BILLED	0	0	107	119	-	-
ENERGY EQUALENCE VOLUME TO LNG	-	(38)	(14,032)	-	-	-
GAS SOLD	993	1,035	377,860	362,281	473.70	171,612.779
ADD: RLNG SOLD AS SYSTEM GAS	80	79	28,658	29,030	449.79	13,057
NET GAS SOLD-SYSTEM	1,072	1,114	406,518	391,311	471.93	184,670

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D. List of Abbreviations

Words	Abbreviations
BBTU	Billion British Thermal Unit
BOD	Board of Directors
CAPEX	Capital Expenditure
CPI	Consumer Price Index
CBA	Collective Bargaining Agent
CSR	Corporate Social Responsibility
DERR	Determination of Estimated Revenue Requirement
DC	Date of commissioning
DRERR	Determination of Review of Estimated Revenue Requirement
DRS	District Regulator Station
ECC	Economic Co-ordination Committee
FG	Federal Government
FRR	Final Revenue Requirement
GDS	Gas Development Surcharge
GOP	Government of Pakistan
GIDC	Gas Infrastructure Development Cess
GIC	Gas Internally Consumed
GPPs	Government Power Producers
HR	Human Resource
ISGSL	Inter State Gas System Limited
KMIs	Key Monitoring Indicators
KPMG	Klynveld Peat Marwick Goerdeler
KPOGCL	Khyber Pakhtunkhwa Oil and Gas Company Limited
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
MoU	Memorandum of Understanding
NGRA	Natural Gas Regulatory Authority
NGT Rules	Natural Gas Tariff Rules
OGRA	Oil and Gas Regulatory Authority
RLNG	Re-gasified Liquefied Natural Gas
ROW	Right of way
SNGPL	Sui Northern Gas Pipeline Limited
SSGCL	Sui Southern Gas Company Limited
SMS	Sale Meter Station
SCADA	Supervisory Control And Data Acquisition
TBS	Town Border Station
T&D Cost	Transmission and Distribution Cost
UFG	Un-accounted for Gas
WACOG	Weighted Average Cost of Gas
WWF	World wild Foundation
WPPF	Workers Profit Participation Fund