Case No. OGRA-6(2)-2(3)/2020-RERR

IN THE MATTER OF

**SUI SOUTHERN GAS COMPANY LIMITED
REVIEW PETITION FOR ESTIMATED REVENUE REQUIREMENT
FY 2020-21**

UNDER

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

DECISION ON

January 27, 2021

Before:
Mr. Noorul Haque, Chairman
Mr. Muhammad Arif, (Member Gas)
Mr. Zain ul Abideen Qureshi, Member (Oil)

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1. Background

1.1 Sui Southern Gas Company Limited (the petitioner) is a public limited company, incorporated in Pakistan, and is listed on Pakistan Stock Exchanges Limited. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by Oil & Gas Regulatory Authority. However, Petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010. It is engaged in construction and operation of gas transmission and distribution pipelines & sale of Natural Gas.

1.2 The petitioner filed a petition on January 31, 2020 and subsequently amended petition on May 12, 2020, under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance), and Rule 4(2) of Natural Gas Tariff Rules, 2002 (NGT Rules), requesting for the determination of Estimated Revenue Requirement (DERR) for FY 2020-21 (the said year). The Authority vide its decision dated July 14, 2020 determined a surplus of Rs. 6,586 million (the amounts have been rounded off to the nearest million here and elsewhere in this document) including Rs. 50,983 million being shortfall for previous year up to FY 2017-18 and decrease of Rs. 18.30 per MMBTU in the average prescribed price w.e.f July 01, 2020.

1.3 Being aggrieved by this determination, the petitioner has submitted a motion for review on August 13, 2020 under Rule 16 of the NGT Rules seeking increase in current prescribed price of Rs. 750.90/MMBTU to Rs. 797.38/MMBTU (increase of Rs. 46.48 per MMBTU) w.e.f July 01, 2020.

1.4 M/s. All Pakistan Textile Mills Association (APTMA) also filed Motion for Review against the Authority's determination dated July 14, 2020. APTMA has requested the Authority to advise FG to revise the prescribed price for the licensee of the natural gas after incorporating changes in well-head prices.

2. Petition

2.1. Subsequent to the motion for review whereby it demanded an increase of Rs. 46.48/MMBTU, the petitioner has also submitted its review petition (the petition) on October 15, 2020, under Section 8(2) of the Ordinance, incorporating in the ERR the effect of changes in the projected cost of gas for the said year taking into account the latest oil prices in the international market, rupee US$ parity, revised projection of gas purchases and sales volume based on updated information. Accordingly, the petitioner has claimed aggregate increase in prescribed price of Rs. 78.95/MMBTU w.e.f. July 01, 2020. In view

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of request of the petitioner, the Authority decides to treat the said review motion as part of instant review petition.

2.2. The petitioner has submitted the following comparative statement of cost of service:

Table 1: Comparison of Projected Cost of Service per the petition with DERR

Particulars		Rs. / MMBTU
	FY 2020-21	
	DERR	The Petition
Projected Sale Volume (MMBTU)	**359,812**	**357,722**
Cost of gas Sold	604.01	627.77
UFG adjustment	(52.85)	-
UFG adjustment on RLNG volume handled basis (ring fence	-	(26.34)
Staggering of Financial Impact on account of SHC Order	(10.20)	(10.26)
Transmission and distribution cost including Others	46.79	65.98
Depreciation	19.03	19.60
Return on net average operating fixed assets	19.16	19.79
Previous year shortfall up to FY 2017-18	141.69	142.52
Other operating income	(19.74)	(19.86)
Subsidy for LPG Air-Mix Project	3.00	3.02
Cost of service / prescribed price	**750.90**	**822.20**
Current average prescribed price	**750.90**	**743.26**
Increase requested in average prescribed price w.e.f. 1-7-2020	-	**78.95**

2.3. The petitioner has envisaged the increase based on following claims for said year:

A. Cost of Gas
B. RLNG – Cost of Service
C. Allowance of UFG on RLNG volume handled
D. Capital Assets
E. UFG
F. Transmission and Distribution (T&D) Cost

2.4. The Authority admitted the petitions under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority on November 09, 2020.

2.5. Accordingly, a notice of Public Hearing was published in the leading newspapers on November 12, 2020 inviting interventions/ comments on the petition from the consumers, stakeholder and the general public for Hearing to be held in Karachi on November 23, 2020. However, due to 2nd wave of massive outbreak of Covid-19 and consistent increase in positivity percentage throughout the country, the National Command & Control Centre (NCOC) announced a policy to avoid public gatherings. Accordingly, the Authority decided to change the venue /. mode of public hearing in larger national interest and published virtual public hearing notices in newspapers on November 18, 2020. In response thereto, the Authority received following applications for intervention in the proceedings:

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i) All Pakistan Textile Mills Association (APTMA)
ii) Karachi Chamber of Commerce & Industry (KCCI)
iii) All Pakistan Textile Processing Mills Association

2.6. The Authority accepted all the applications mentioned above for intervention.

3. Proceedings and Public Interventions

Accordingly, public hearing held on November 23, 2020 at OGRA Office, Islamabad. The following interveners / participants presented their views / comments / suggestions:

Petitioner):

i) Mr. Amin Rajput, Managing Director
ii) Mr. Saeed Larik, Acting Deputy Managing Director
iii) Mr. Muhammad Wasim, Deputy Managing Director (Ops)
iv) Mr. Imran Farooqi, Deputy Managing Director (Corporate Services)
v) Mr. Fasihuddin Fawad, Chief Financial Officer
vi) Syed Adnan Sagheer, Acting Sr. General Manager (Transmission)
vii) Mr. Shehryar Kazmi, Acting Sr. General Manager (Customer Services)
viii) Mr. Asad Mustafa, Deputy General Manager (RA)

Interveners / Participants:

i) Mr. Atif Jamil Ur Rehman, Chairman Karachi Chamber of Commerce & Industry
ii) Mr. Muhammad Razziuddin, Consultant All Pakistan Textile Mills Association
iii) Mr. Muhammad Zubair Motiwala, Patron in Chief & Former Chairman, All Pakistan Textile Processing Mills Association
iv) Mr. Sameer Najmul Hassan, All Pakistan CNG Association
v) Mr. Muhammad Arif Bilvani, Consumer
vi) Mr. Irshad Qasim, Chairman, All Pakistan Ceramics Association
vii) Engr. Nisar Ahmad, Chairman, Site Association Karachi
viii) Mr. Tanveer Ahmed Bari, Karachi Chamber of Commerce & Industry
ix) Mr. Abdul Wahab Alam, H. Nizamuddin & Sons, Karachi
x) Syed Raza Abbass, Information Secretary, Sindh Petroleum & CNG Dealers Association

3.1. During the hearing, the petitioner made the following submissions. The petitioner's team

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answered questions of members of the Authority as well as interveners and participants.

3.1.1. Managing Director explained that the petitioner's RERR for the said year is reflecting a surplus of Rs. 22,745 million. However, after inclusion of Rs. 50,983 million, being unadjusted shortfall for prior years up to FY 2017-18, resulted in shortfall of Rs. 28,242 million or Rs. 78.95 per MMBTU for indigenous gas business.

3.1.2. The petitioner briefly explained the reasons for its claims including T&D expenses and fixed assets. The petitioner requested the Authority for upfront adjustment of HR cost and other expenses for its recovery as yearend allowance results in adjustment of GDS or accumulation of revenue shortfall.

3.2. The substantive points made by the interveners during the hearing are summarized as under;

3.2.1. It was highlighted that RERR scope is limited to the extent of actual changes in wellhead gas prices/cost of gas.

3.2.2. It was highlighted that dollar prices of crude oil and HSFO are volatile. Therefore, petitioner's estimates be checked by the Authority. Moreover, dollar parity has been taken by the petitioner at an exaggerated level, since in recent months appreciation in Pak Rupee parity against US$ has been observed.

3.2.3. Textile is one of the largest gas consumer group with record earnings of foreign exchange for the country showing 20% increase in exports. Increased cost, if any, to be allowed by the Authority shall affect/reduce textile sector exports.

3.2.4. Cross subsidy was vehemently opposed by textile sector since it affects its competitiveness in the international market.

3.2.5. It was requested to allow new gas connection to the export-oriented industry in Karachi as it would increase country export and bring foreign exchange. Ban, if any, needs to be abolished.

3.2.6. It was demanded that the exorbitant costs and expenditure of the petitioner's management must be capped or linked to actual performance improvement as the same is ultimately passed on to consumers.

3.2.7. Reduction in world oil prices must be passed on to the industry as per the defined formula otherwise it will have a devastating effect on Pakistan's economy.

3.2.8. It was demanded that gas companies be asked to cut their rate of return from 17.5% to 15%.

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3.2.9. It was demanded that LPG air mix capital and revenue expenditure be excluded to the calculated natural gas tariff and should be separated.

3.2.10. It was highlighted that December 2019 worst gas load shedding period has brought Sindh CNG Station sales to 22%. This has severely affected the petitioner's revenue stream by not supplying gas to the highest tariff buyer and depriving the government of significant revenue in the form of taxes.

3.2.11. Adequate RLNG cargoes and then swapping gas of Sindh's use elsewhere is not the only breach of GSA but also article 158 of the constitution.

3.2.12. Sindh Petroleum and CNG Dealer Association requested the Authority to dismiss the petitioner's petition so that CNG tariff be fixed at Rs. 780 per MMBTU i.e. local gas industrial tariff according to its GSA.

3.2.13. APTMA showed concern that the company has not uploaded its Audited Annual Accounts for FY 2017-18, FY 2018-19, and unaudited quarterly Accounts Q1, Q2, Q3, FY 2019-20 on the website which means that these yearly and quarterly accounts are still pending. As a result, analysis and suggestions cannot be properly made.

3.2.14. It was demanded that OGRA may conduct a forensic audit of the last five years to bring out the facts. Furthermore, owing to delay in finalization of Audited annual accounts any tariff increase after July 2018 tariff may become refundable or adjustable.

3.2.15. It was highlighted that new connection is not justifiable when there is shortage of gas in the country and demand of existing customers is currently not being met.

3.2.16. It was demanded that LPG cylinders should be encouraged by offering subsidy on the same. LPG imports must be encouraged.

3.2.17. APTMA suggested that Pakistan needs to capitalize on the post-covid-19 opportunities which cannot be achieved without OGRA's intervention and rationalization. Resultantly, Textile can bring massive employment and FOREX in future.

3.2.18. All Pakistan CNG Dealer Association stated that they are facing severe financial hardships owing to Corona pandemic. These are at verge of closure.

3.2.19. It was demanded that CNG sector tariff be reduced to compete with liquid fuels. The relief provided by the Government has shrunk the price difference between petrol & CNG, making CNG non-viable for the public.

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3.2.20. Interest of the consumers is one of the paramount consideration for the Authority which has been lost by OGRA in the past several years.

3.2.21. It was highlighted that Pakistan's export products that compete with either the export market or against imported goods have increasingly been rendered uncompetitive, especially when compared to neighbouring countries. This has led to a decrease in investments, the flight of capital, and deindustrialization on a massive scale.

3.2.22. It was highlighted that the gas tariff for the CNG sector is highest i.e. Rs. 1,283 per MMBTU among all sectors.

3.2.23. Increase in gas tariff is totally unjustified considering the latest revision as advised by FG.

3.2.24. It was highlighted that no details of accounts was provided to scrutinize neither they are audited.

3.2.25. It was demanded that transportation and distribution costs need to be brought down along with ROA.

3.2.26. It was highlighted that exchange rate for cost of gas should be estimated at Rs 160 per US$.

UFG & Capital Expenditure Related Interventions:

3.3. The substantive and relevant points made by the interveners including Karachi Chamber of Commerce & Industry, Mr. Tanveer Ahmed Barry, Mr. Arif Bilwani, Sindh Petroleum & CNG Dealer Association, and All Pakistan Textile Mills Association during the hearing as well as in writing are summarized below:

3.3.1. The quality of pipes used for gas transmission & distribution led to increase in UFG to this level along-with leakages, which also contribute to considerable reduction in gas pressure.

3.3.2. Shelving of 24"x30 km Kathore to Surjani pipeline will lead to continuation of the problems for industries at SITE area due to low gas pressure issues, hence shelving of the said pipeline was strongly objected.

3.3.3. Provision of 143,192 Nos. new gas connections in a situation, where existing ones have no gas for months, is a major issue.

3.3.4. UFG of the petitioner is higher than international standards. The industry has been demanding to probe the matter of UFG and conduct a technical and financial forensic

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audit so that this menace could be eradicated. This inefficiency on the part of the petitioner must not be passed on to genuine customers and requires attention of OGRA to bring the UFG in line or at par with international standards and best practices. It is reported that the UFG ratio in India and Bangladesh stands around 1.5 % to 3%. Therefore, it has been proposed that adjustment for UFG above benchmark may be reduced further.

3.3.5. New gas connections to export oriented industry in Karachi may be allowed as it would increase country's exports and business activities. If any ban has been imposed in this regard, the same is needed to be abolished.

3.3.6. According to Petroleum Division, Ministry of Energy, the petitioner and its sister utility face a cumulative loss of Rs. 50 billion every year due to theft & gas leakages, incompetence, mismanagement at all levels of policy making, regulatory and operational functions. The Prime Minister Inspection Commission has found almost $ 2 billion worth of losses taking place annually in the natural gas supply chain, due to incompetence and mismanagement at all levels of policymaking and operational functions.

Authority's Response Thereon:

3.4. The Authority has carefully considered all the submissions and arguments of the parties made in writing and at the public hearing relating to various heads of expenditures and UFG while making the decision in the relevant part of this determination. Moreover, as regards UFG, the License Condition (L.C.) No. 21 of the License granted to the petitioner stipulates as under:

> 21.1: The Licensee shall take all possible steps to keep UFG within acceptable limits. The Authority for this purpose in consultation with Licensee and experts, shall fix target of UFG for each financial year. The Authority may fix UFG target separately for each regulated activity.
>
> 21.2: The Licensee shall be entitled to claim the UFG to the extent of target fixed by the Authority under 6.5.2 for the purpose of determining its revenue requirement for each financial year.
>
> 21.3: In case the Licensee improves upon the UFG target prescribed by the Authority under Condition 21.1 for any financial year, the Licensee shall be

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entitled to retain the gain on that account. Conversely if the Licensee fails to meet the UFG target the loss on that account shall be borne by the Licensee and shall not form part of its total revenue requirements.

3.5. The petitioner in its various petitions pleads to restrict the UFG invalid claim at Rs. 750 million based on its own interpretation of Rule 20(1) of NGT Rules, 2002. However, ***the Authority in accordance with the above mentioned L.C. No. 21, disallows the UFG volume over and above the UFG-Benchmark set for the relevant year. Accordingly, out of projected UFG for the said year at 15.85% (67,476 MMCF), an invalid claim of 40,648 MMCF volume has been rejected by the Authority.***

3.6. Regarding 24"dia ×31 Km pipeline from SMS Kathore to SMS Surjani, the Authority notes that it has already allowed the petitioner to execute laying of the said pipeline in its earlier determinations viz DERR FYs 2017-18 and 2018-19; however, the petitioner has not executed the project without any tangible reason. The Authority, therefore, through the instant determination directs the petitioner to execute the said project on priority basis.

4. Authority's Jurisdiction, Determination Process

4.1. The Authority examined, in depth, all applications and petitions in light of relevant legal provisions. The instant petition has been filed under section 8(2) of the Ordinance. The instant petition is primarily focused on review of cost of gas of the petitioner based on actual changes in the wellhead gas prices and relevant factors. The wellhead gas prices for the said year are based on the actual prices of crude oil and HSFO during the period December, 2019 to November, 2020. The actual trend in rupee vs US$ rates in recent months is to be taken into account, along-with actual prices in the previous months, while determining cost of gas to ensure that the determination is rational and fair to all stakeholders.

4.2. The operating revenues, operating expenses and changes in asset base are scrutinized by the Authority in depth. Appropriate benchmarks are set in critical areas of operation to ensure that the cost of petitioner's inefficiencies and imprudence are not passed on to the consumers.

4.3. The process is followed in the letter and spirit of law. Public notices are issued and all stakeholders are provided full opportunity to intervene/comment upon issues

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pertaining to determination of revenue requirement, in writing and at public hearings. The Authority gives full consideration to observations, and comments of all stakeholders while determining revenue requirement as well as prescribed prices.

4.4. The overall function of tariff determination/revenue requirement as well as its scheme and evaluation criteria, is explicitly provided in the legal framework as defined in the OGRA Ordinance, NGT Rules and the respective licenses for regulated activities. Therefore, all the legal instruments are to be read together to understand the mechanism established to carry out the function prescribed under the Ordinance.

4.5. ***Moreover, the Authority, as per prevalent tariff regime, computes rate of return at 17.43% on the average net operating fixed assets while treating various income and expenditure heads decided therein.***

5. Operating Fixed Assets

5.1. The petitioner has requested to allow an additional amount of Rs. 2,911 million, detail of which is as under:

Table 2: Summary of Requested Addition in Fixed Assets

Rs. in Million

Particulars	RERR FY 2020-21							
	ERR		DERR		The Petition		Additional Amount Claimed by the Company	Variance Inc. /(Dec.) %
	Indigenous	RLNG	Indigenous	RLNG	Indigenous	RLNG		
Land	53	0	0	0				
Buildings	47	0	47	0	47			
Gas Transmission Pipelines	6,266	1,131	1,341	0	1,341			
Compressors	2,461	508	615	0	615			
Plant and Machinery	457	0	212	0	457		245	116
Gas Distribution System	13,230	0	5,421	0	7,076		1,655	31
Office Equipment, Furniture and Security Equipment, Computers and allied equipments	439	0	136	0	411		275	202
Computer Software	224	0	36	0	163		127	353
LPG Air Mix Projects	17	0	16	0	16			
Telecommunication Systems	119	0	61	0	61			
Appliances, Loose Tools and Equipments - Normal	274	0	28	0	274		246	879
Vehicles	395	0	219	0	327		108	49
Construction Equipment and Vehicles	434	0	44	0	299		255	580
Gross Assets	*24,416*	*1,639*	*8,176*	*0*	*11,087*		*2,911*	**36**

i. Gas Distribution System:

5.2. The petitioner has claimed an amount of Rs. 1,655 million which is in addition to Rs. 5,421 million, already allowed in DERR against the head of Gas Distribution System. Detail of the amounts projected on this account against various subheads is as under:

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Table 3: Summary of Requested Additions in Gas Distribution System

Rs. In Million

S.No	Description Of Segments	RERR FY 2020-21				
		ERR	DERR	The Petition	Additional Amount Claimed by the Company	Variance Inc. /(Dec.) %
1	New Towns	1,127	425	806	381	90
2	Smart Metering / GCV / V3 Index	1,500	375	1,500	1,125	300
3	Installation of EVCs, Modems, Filter Separators	199	50	199	149	298
	Grand Total	*2,826*	*850*	*2,505*	*1,655*	*195*

5.3. The petitioner has claimed an amount of Rs. 381 million against the subhead of 'New Towns' which is in addition to Rs. 425 million already allowed in DERR for the said year. The petitioner has stated that all the gas supply schemes projected for the said year pertain to villages falling within 5 Km radius of Gas Producing Fields.

5.4. The petitioner has added that out of the total claimed amount of Rs. 806 million, cost within per consumer cost criteria amounting to Rs. 91 million, is to be managed through its own resources, however, cost over and above criteria i.e Rs 715 million is to be provided by Government of Pakistan (GOP) through grants. The petitioner has stated that as the said matter for supply of gas to villages falling within 5 km radius of gas producing fields, is subjudice in the Honorable Supreme Court of Pakistan & Honorable Sindh High Court (SHC) under CP No. D-5841, the petitioner will undertake these schemes subject to receipt of over & above cost criteria share from the Federal Government.

5.5. The petitioner has clarified that capitalization of assets through grants received from Federal / Provincial Government forms part of deferred credit. The petitioner claims Return on Assets (ROA) net of deferred credit i.e. no return on assets capitalized through grants is claimed. The petitioner has also clarified that depreciation on assets capitalized through grants is charged and included in the overall depreciation on assets, however, its impact is nullified/mitigated through corresponding 'amortization of deferred credit'.

5.6. The Authority notes that Honorable Supreme Court of Pakistan while disposing of the Civil Petition No. 534 of 2020 on 05.03.2020 was satisfied that the Sindh High Court is taking steps for early implementation of their judgement dated 27.12.2013 and had referred certain technical and physical constraints faced by the petitioners to Sindh High Court. Subsequently, Honorable High Court of Sindh vide its order dated 02.11.2020 in CP No. 5841/2018 had ordered that, "*when this matter is next fixed for hearing, it is expected*

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that the Federal Government which has already obtained the required approvals for the money which the Federal Government should be paying to the SSGCL is in fact paid to SSGCL so that the SSGCL can carry out the works stipulated for the financial year 2020-21 and complete the same accordingly."

5.7. The Authority notes that the matter has been decided by the honorable Courts as mentioned above, ***therefore, the Authority, keeping in view the above, allows an additional amount of Rs. 381 million against the head of New Towns & Villages for the said year.***

5.8. The petitioner has claimed an amount of Rs. 1,125 million which is in addition to Rs. 375 million allowed in DERR for the said year against the subhead of Smart Metering/GCV/V3 Index.

5.9. The petitioner has stated that the items envisaged under this head are directly driven from its UFG control program and are directly related to technological advancement in improving measurement related systems. The petitioner has further stated that this is an aggregated project and includes Smart Technology and Supporting Software / Applications for V3 Meters (6 Cubic Meters / Hour Capacity, Smart Meters, Swivels, Non Return Valve, and Supporting Software / Applications for 9 & 12 Cubic Meters / Hour Capacity, Smart Meters, EVCs with Dual Pressure Sensors, Remote Pressure Sensors (0 PSI – 20 PSI), Annual maintenance fee, Deployment, and Training along with GCV Management Pilot Project.

5.10. The Authority observes that an amount of Rs. 292 million has been allowed against this head in DERR FY 2019-20. In this regard, the petitioner has informed that no capitalization has yet been carried out against this head during the said year.

5.11. ***The Authority vide its earlier determinations has already approved the above noted projects, therefore the petitioner may execute the same during the said year and claim actualized amount at FRR stage. The Authority, however, does not allow any upfront amount against this head at this stage.***

5.12. The petitioner has claimed an amount of Rs. 149 million, against the head of 'Installation of EVCs, Modems and Filter Separators', which is in addition to Rs. 50 million already allowed in DERR for the said year.

5.13. The petitioner has stated that in order to improve meter accuracy, EVCs installed on meters, which are more than 7 years old, are planned to be replaced. Moreover, a large number of EVCs have been planned to be procured during current year, therefore,

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reduction in the budgeted amount will badly affect the UFG control activities envisaged by the petitioner.

5.14. The Authority notes that installation of EVCs and Modems is an essential activity required for proper vigilance and monitoring of Consumer Meter Stations and hence to control UFG. *The Authority, therefore, allows the petitioner to execute the planned activity and actual cost incurred on this account may be submitted at the time of FRR for the said year.*

ii. Plant & Machinery; Appliances, Loose Tools & Equipments; and Construction Equipments:

5.15. The petitioner has claimed an amount of Rs. 746 million against the heads of Plant & Machinery; Loose Tools & Equipment; and Construction Equipments, which is in addition to Rs. 284 million already allowed in DERR for the said year. Major equipments projected to be procured during the said year include Generators, Solar Panels, Split Sleeve Leak Clamp for pipe, Gas Flow Computers, Control Valves, Chromatographs, Welding Plants, Transformer Rectifiers, Air Compressors, Odorizer Units, Drilling & Tapping Machine, Mobile Crane, Gas Leak Detectors, Meter Provers, Pipeline Locators, Pipe Layer, Excavator, Hydrostatic Pressurizing Pump, and Hydraulic Jack Hammer etc.

5.16. The petitioner has stated that it has undertaken an extensive overhead & underground leak survey program; repairing & re-habilitation of old leaky pipelines and extensive meter replacement. The petitioner has added that these activities play a vital role in controlling UFG and achieving KMI targets in respect of UFG benchmarking. The petitioner has further stated that replacement items are essentially required as in view of significant wear & tear, the maintenance cost increases considerably and become beyond economical repair.

5.17. The Authority notes that it has always allowed such expenditures which may contribute towards reduction in UFG of the petitioner, however, instead of reduction the petitioner's UFG has an increasing trend.

5.18. *Keeping in view the above, the Authority allows the petitioner to procure UFG related Plants & Machinery; Loose tools and Construction Equipments during the said year and claim actualized amount at FRR stage with tangible justification duly supported by its impact on UFG control. However, no additional upfront amount against these heads is allowed at this stage.*

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iii. Computer Hardware, Office Equipment, Furniture & Security Equipment, Computer Software and Vehicles:

5.19. The petitioner has claimed an amount of Rs. 510 million which is in addition to Rs. 391 million allowed in DERR FY 2020-21 against these heads.

5.20. The petitioner has stated that, unlike revenue expenses, capital expenditure is not based on past trends but based on its requirement for any specific period and only those expenditures which fulfill prudence test are kept in its budget and therefore may vary from year to year. The petitioner has requested the Authority to reconsider and allow projected amount considering the justifications provided against each item in ERR petition.

5.21. The Authority notes that the petitioner is required to project such capital expenditures in the petition which are prudent, cost effective and economically efficient. In evaluating a petition, the Authority tries to strike a balance, to the extent possible, in order to optimize the benefits to all persons likely to be affected by the Authority's determination on the petition. The projections under these heads appear to be greatly exaggerated and without economical justification.

5.22. ***Keeping in view the above, the Authority does not allow any additional upfront amount against these heads at this stage. The Authority shall, at the time of FRR, consider only such amounts which are prudently incurred during the said year.***

5.23. ***In view of the decisions made in preceding paras, depreciation and closing balance is re-worked on provisional basis at Rs. 6,857 million & Rs. 48,068 million respectively for the said year. The Authority has also included the adjustment impact of the assets relating to meter manufacturing plant and liquid handling facility for gas condensate in accordance with the principles set in new tariff regime.***

6 Operating Revenues

a. Sales Revenue at Existing Prescribed Prices

6.1 The petitioner has projected to decrease sales revenue by 4% from Rs. 276,768 million to Rs. 265,879 million for the said year.

6.2 The petitioner has later informed that it has re-worked the prescribed price revenues at Rs. 264,250 million, based on revised sales volumes at re-adjusted category-wise prescribed price after receipt of sale price advice. The petitioner has also informed that

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DERR for the said year has been challenged in the hon'rable Sindh High Court, Sindh. Therefore, the position of revenue requirement, being subjudice, may change based on the outcome of the final verdict.

6.3 *The Authority, considering the revised information, provisionally includes the revenues at prescribed price at Rs. 264,250 million for the said year.*

b. Meter Rental

6.4 The petitioner has claimed revision in domestic meter rental by Rs. 20/month in the light of ECC's decision in its meeting held on September 30, 2020, duly ratified by Federal Cabinet on October 06, 2020. Accordingly, additional operating revenue to the tune of Rs. 635 million has been offered for the said year.

6.5 *The Authority accepts Rs. 635 million on account of meter rental as per the discussion and decision in para 11.2 for the said year.*

6.6 *In view of the above, the Authority accepts the other operating income at Rs. 7,737 million after incorporating the additional amount of meter rent. Accordingly, total operating revenue is provisionally included at Rs. 271,987 million for the said year.*

c. RLNG Cost of Service/ Transportation Income

6.7 The petitioner has projected Rs. 9,321 million (Rs. 20.17 per MMBTU at gross capacity 1200 MMCFD) on account of RLNG cost of service for the said year. The breakup of the same is as under;

Table 4: Breakup of RLNG - Cost of Service/ Supply

	Rs. in Million
Revenue Expenditure Relating to RLNG	264
Gas Internally Consumed	1,709
Depreciation	1,595
Contribution to WPPF/Other Charges	659
ROA	5,094
Cost of Supply of RLNG	9,321

6.8 The Authority per the decision relating to GIC decides to exclude Rs. 1,709 million from RLNG cost of service for the said year. *Accordingly, RLNG cost of service is re-worked on provisional basis at Rs. 7,612 million (Rs. 16.47/MMBTU) per the table below;*

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Table 5: Breakup of RLNG Cost of Service / Supply as Calculated

Rs. in Million

Description	The Petition	As calculated
Quantitative Data (BBTU)	462,090	462,090
Revenue Expenditure Relating to RLNG	264	264
Gas Internally Consumed	1,709	-
Depreciation	1,595	1,595
Contribution to WPPF/Other Charges	659	659
ROA	5,094	5,094
Cost of Supply of RLNG	9,321	7,612
Cost of Supply of RLNG (Rs./MMBTU)	20.17	16.47

7 Cost of Gas

7.1 The petitioner has projected to increase in cost of gas from Rs. 217,332 million per the DERR to Rs. 224,566 million for the said year based on its projections of international prices of crude and HSFO, for the said year, as tabulated below:

Table 6: Assumption for Petitioner's Weighted Average Cost of Gas (WACOG)

Wellhead Gas Prices effective period	Avg. C&F Price of Crude Oil(US$/BBL)	Avg. C&F Price of HSFO(US$/M.Ton)	Exchange Rate (Rs./US$)
July to December 2020	46.3764	218.7760	168.0000
January to June 2021	41.7615	245.2352	170.0000

7.2 The petitioner used actual gas purchases volume for July and August 2020; and estimated volume for September, 2020 to June, 2021.

7.3 The prices from July-December, 2020 has been taken at actual oil prices. The second half i.e. January to June, 2021 has been drawn up from the actual monthly average of Crude /HSFO upto 12th October,2020. The rate of October 12, 2020 is applied for the entire month of November, 2020.

7.4 The Authority observes that the well-head prices of gas for all fields are computed in accordance with agreements signed between the GoP and various gas producers, available on record, and are notified in exercise of the powers vested in Authority under the Ordinance. At the time of DERR on July 13, 2020, estimated WACOG was computed on the basis of estimated well-head gas prices which, in turn, were based on international oil prices that were projected taking the price trends, then prevailing, into account.

7.5 The Authority observes that latest data of international oil prices and rupee dollar exchange rate are available upto November 30, 2020. Therefore, the Authority based on

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latest data, in respect of Crude/HSFO & US$ exchange rate, revised the parameters for the purpose of computation of cost of gas at petitioner's system as per table below:

Table 7: Revised Parameters for WACOG

Wellhead Gas Prices effective period	Avg. C&F Price of Crude Oil(US$/BBL)	Avg. C&F Price of HSFO(US$/M.Ton)	Exchange Rate (Rs./US$)
July to December 2020	54.4349	221.9151	164.7811
January to June 2021	42.5172	254.6061	162.5000

7.6 *In view of above, cost of gas is included at Rs. 224,612 million (computed at petitioner's WACOG of Rs. 533.45/MMCF) on provisional basis by the Authority.*

8 Un-Accounted For Gas

8.1 RLNG Volume Handling Impact:

8.1.1. The petitioner has claimed an amount of Rs. 11,300 million as an impact of handling RLNG Volume in its system for the said year.

8.1.2. The petitioner has stated that in response to Authority's determination dated 24 Dec 2018, it has clarified all the objections raised by the Authority in presentations, meetings and submissions through letters. The petitioner has further stated that notwithstanding to its stance on the issue of non-implementation of Policy Guidelines on RLNG volume handling by OGRA and the fact that the matter is under active consideration at Federal Government level; it has claimed UFG on volume handling basis relying on mandatory implementation of Policy Guidelines dated 11 May 2018. The petitioner has further submitted that in view of Authority's rejection, the said matter is still under consideration at ECC/FG level.

8.1.3. The Authority reiterates that under the relevant provisions of OGRA Gas TPA Rules, 2018 and Gas Transportation Agreement, pipeline losses due to handling of RLNG, if any, are to be claimed by the petitioner from the shipper. The Authority, therefore, maintains its earlier decision on the matter.

8.2 Revised Working/Calculation of UFG:

8.2.1. The petitioner has submitted revised working/calculation of UFG. The petitioner has stated that two months' actual gas purchase and gas sale volumes have been incorporated in the revised estimates. The petitioner has pointed out that the

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Authority vide para 6.1.4 of DERR has accepted/allowed the company's sales volume projections at 373,249 MMCF whereas while calculating UFG, the Authority has based its working on sales volume of FRR FY 2017-18 i.e. 355,337 MMCF.

8.2.2. The Authority notes that the petitioner, at the time of provisional determinations, has been consistently projecting notional numbers of sales volume at higher side thereby reducing the UFG percentage. However, at the time of FRR, UFG has been reported around 17%. Considering this practice by the petitioner, the Authority adopts the sales volume of FRR, while calculating the UFG percentage only. Accordingly, the Authority, for the purpose of calculating UFG adjustment, decides to consider sales volume of FRR FY 2017-18.

8.2.3. ***In view of above, the UFG adjustment is provisionally computed at Rs. 19,718 million at national WACOG of Rs. 485.10/MMCF.***

8.3 **Gas Internally Consumed (GIC):**

8.3.1. The petitioner has stated that they had projected a GIC volume of 1,076 MMCF however; the Authority allowed 713 MMCF based on GIC volumes of FRR FY 2017-18. The petitioner has added that actual figures of GIC for FY 2018-19 (i.e. 915 MMCF) and FY 2019-20 (1049 MMCF) depict that the GIC projections for the said year are in line with the actual trend of previous years and increase in GIC, post FY 2017-18, is on account of increase in compression hours. The petitioner has further stated that it is only asking for a 2.5% increase over actual figures for FY 2019-20, which is a nominal/normal increase.

8.3.2. The Authority in its DERR for the said year had allowed GIC volume of 713 MMCF based on the GIC figure of FRR FY 2017-18. The petitioner, in its justification, has relied upon the figures of FYs 2018-19 and 2019-20, which are not final yet. ***The Authority, therefore, maintains its earlier decision. Accordingly, GIC has been provisionally allowed at Rs. 380 million, based on revised petitioner's WACOG computed per para 7.6.***

9 **All Pakistan Textiles Mills Association (the Petitioner-II)**

9.1 The APTMA has filed a motion for review against DERR for the said year. The APTMA highlighted that decision of the hearing was announced by the Authority in a short time

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period, refraining the questions raised by interveners or APTMA. The APTMA highlighted that the decisions are not complying the objectives of the Government as well as Prime Minster. It was submitted that low GDP growth is directly proportional to high cost of production due to input price of gas and power.

9.2 APTMA in its motion for review on petitioner's DERR for the said year has submitted that UFG is a major issue for present Governments' momentum towards progress, industrialization and GDP growth. The APTMA inquired as to why the country keeps on suffering due to gas losses. It further emphasized that this aspect has not been adequately responded in the last determinations. The APTMA argued that the consumers should not continue to pay for UFG loss of the petitioner that is worth Rs. 24 billion for the said year (net of 4.5% allowed. Total loss is Rs. 37 billion)

9.3 The Authority has carefully considered the submissions and arguments of APTMA made in writing and at the hearing. The Authority notes that decision of DERR for the said year was issued after detailed scrutiny & in-depth analysis. Subsequently, the petitioner's demand was slashed down by Rs. 43/MMBTU through a well speaking Order. Therefore, the APTMA contention that decision was issued soon after hearing without basis is incorrect and without any basis and evidence.

9.4 The Authority further notes that the petitioner in its various petitions pleads to restrict the UFG invalid claim at Rs. 750 million based on its own interpretation of Rule 20(1) of NGT Rules. However, the Authority in accordance with the License Condition No. 21 adjusts the invalid claim of UFG volume over and above the UFG Benchmark set for the said year. Accordingly, out of projected UFG for the said year at 15.85% (67,476 MMCF), a volume of 40,648 MMCF has been refused due to invalid claim to the petitioner.

9.5 Regarding fixation of end consumers' tariff, the same is fixed by FG considering sectoral policies. The Authority is always of the firm view that all categories of consumers must at least pay average prescribed price. Regarding petitioner-II request for special tariff at Rs. 450/MMBTU for "export oriented textiles" including power generation plants, the APTMA may approach the GoP for appropriate decision, being the competent authority. All policy related issues had already been sent to FG by the Authority for their redressal, being the appropriate forum.

9.6 *In view of the foregoing, the Authority maintains its decision issued in respect of RERR for the said year.*

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10 Transmission & Distribution Cost

i. Human Resource Cost

10.1 The petitioner has stated that it requested the Authority to allow Rs. 17,312 million as HR cost which was restricted to the level of FRR FY 2017-18 i.e. Rs. 12,497 million. The petitioner has explained that since FY 2011-12 the existing formula had been applied by the Authority without any doubt and allowed the sui companies to maintain its HR cost including all perks, benefits within the limit by applying the formula given by the Authority.

10.2 The petitioner has also explained that long run practice had been discontinued by the Authority without any concrete justifications, deliberations and fixed HR cost (at the level of 2017-18) leaving the company in a very odd and difficult position and without considering inflation, market trends, Govt announcements etc.

10.3 The petitioner has argued that the perks and benefits offered by the company are Board approved and are in line with the other public sector companies. The exponential increase in commodity prices over the years, which is beyond Company's control, has increased the cost of perk and benefits. The petitioner has also explained that HR cost has not increased by 54% in the past six years as computed by OGRA, however, the actual cost of FY 2018-19 is Rs. 13,548 million rather than Rs. 14,156 million reflecting an increase of 22% in five years i.e. 4.4% per year as against applicable Consumer Price Index (CPI). The petitioner has argued that management has effectively kept the workforce / manpower numbers under checked besides the fact that over last few years the workload has increased manifolds. At present, the petitioner has already engaged the services of HR consultant to carryout workload manpower assessment and not increased its salary structure, but has aligned itself at 50th percentile to remain competitive and attractive.

10.4 The petitioner has submitted that salary and benefits of public sector companies cannot be compared with FG salaries as both are different set of services. Moreover, FG carries different perks and benefits which no public sector company could afford and offered.

10.5 *The Authority, after considering the submissions/arguments advanced by the petitioner, observes as under;*

10.5.1. Petitioner's performance in respect of UFG curtailment has remained quite dismal, as no reduction has been reported. The petitioner claims 100% compliance to KMIs,

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however the resultant UFG reduction is missing thus posing doubts on the effectiveness of petitioner's effort.

10.5.2. The linkage of operating parameter with HR benchmark was made to manage the company its manpower, 50% CPI was allowed to increase the salaries /wages. The Authority notes and reiterates its stance that freedom allowed by it has been used by sui companies to increase their salaries only. Moreover, initial pay scale was not adequately revised but increases were loaded at highest pay scales, thereby widening the parity among pay scales.

10.5.3. The Authority repeatedly advised the petitioner to rationalize its HR cost and review its HR policies in view of petitioner being public sector company and recovering all its cost through consumers. Various directives and advices to curtail the exorbitant expense have also been issued from time to time. The petitioner however did not paid heed to the serious observations rather kept on adding additional cost injudiciously pulling maximum benefits for senior management. Hence this attitude of the petitioner compelled the Authority to proceed with the reduction in the HR cost.

10.5.4. The petitioner could not present logical arguments to address the Authority's observations as part of DERR for the said year, rather only flimsy and non-convincing arguments have been repeated without truly focusing on the Authority's analysis for salaries & perks and other such policies.

10.5.5. The Authority did not allow any increase on this account while considering FG's agenda and initiatives for curtailment of commodities prices especially in the energy sector, the interveners' objection in this regard and earlier directions of the Authority. Further the petitioner was directed to review the pay scales, HR policies including perks to bring them to a rationalized and prudent level. However, in view of the reluctance of petitioner to review its scales & policies while shouldering the responsibility to its BoD, the Authority finds no convincing arguments for continuation of current wide salary scales, HR policies including club membership, tea/coffee, long service award, best option car entitlement, medical (parents) etc, to be recovered from the consumers. Hence, in case the petitioner intends to continue with its policies, the same be funded through company's own profits.

10.5.6. Moreover, the Authority notes with concern that there is noticeable disparity among

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the pay package of the senior management when compared with junior level staff / management. Senior management of the company enjoys maximum perks and benefits, which are far above comparable companies perks and benefits, whereas, the junior management / staff which are the driving force of the company attending the operational / emergency related jobs, are not treated equitably. This aspect creates sheer discrimination amongst the employees of same company leading to demotivation. The above aspect needs to be considered by BOD so as to rationalize the salaries and remove such disparity while remaining within the budget already allowed.

10.6 Notwithstanding the above observations, the Authority has consistently been exercising judicious approach to allow all rational costs while deciding the revenue requirements thereby protecting rights of all affected parties. In this case, although the Authority has serious reservations on the decisions taken by the petitioner's management in the past years, ignoring Authority's directives in the matter, yet the Authority is also cognizant of implications of previous years disallowance on petitioners staff, specifically lower ranks as observed at para 10.5.6 above. In view of the same, the Authority, on compassionate grounds, *allows HR cost at the level of RERR FY 2019-20 i.e; Rs. 14,936 million excluding IAS 19 cost.*

10.7 ***The Authority further finds it imperative and obligatory for the BoD of the petitioner to take cognizance of the ever increasing HR cost without any tangible and evident benefits to the company including UFG reduction, improvement in service quality, efficiency in operations through focused and objective oriented management policies and initiatives, etc. The Authority's observations at para 10.5 above, more specifically 10.5.5 and 10.5.6 above, are hence referred to petitioner's BoD for an appropriate and rational decision on the HR cost duly addressing the concerns of the Authority while judiciously allocating HR allowance among executives and subordinate' staff.***

ii. Repair and Maintenance

10.8 The petitioner had projected an amount of Rs. 2,728 million in ERR petition, however, the Authority based on operational requirement and capitalization trend allowed an amount of Rs. 1,567 million in DERR for the said year. The petitioner has stated that the claimed amount of Rs. 2,728 million includes an amount of Rs. 1,336 million for UFG control activities. The petitioner has added that they have undertaken an extensive overhead and

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underground leak survey along-with repairing activities, rehabilitation of old leaky pipelines & extensive meter replacement. These activities also play a vital role in achieving KMI targets viz network visibility, leakage rectification, inspection of CMSs and their rectifications and eradication of theft.

10.9 The petitioner has added that the amount has been capped by the Authority at the level of FRR FY 2017-18 without even considering the inflationary trend which is around 9%. The allowed amount of Rs. 1,567 million for FY 2020-21 is even 15% lower than the actual amount incurred in FY 2018-19 and 4% lower than the amount allowed in FY 2019-20.

10.10 The petitioner stated that increase in projected cost, under this head, is due to increase in maintenance cost of transmission & distribution business activities, maintenance activities of building/vehicle as well as software development / maintenance, etc. The petitioner has stated that reduction in the budgeted amount may badly affect the UFG control activities, therefore, the rationalized amount of Rs. 2,728 million may be allowed under the said head.

10.11 The Authority notes that it has always allowed such expenditures which may contribute towards reduction in UFG of the petitioner. At the same time, it observes that the petitioner's projections have always been on higher side as compared to actuals at year end while UFG reduction on this account could not be substantiated.

10.12 The Authority has been allowing expenditures for reduction of UFG over and above all other related costs. During the last ten years (2010-2019), the Authority allowed an aggregate of Rs. 28 billion additional expenditure to control UFG whereas although the petitioner has been claiming additional expenditures every year but the percentage of UFG controlled as a result of additional expenditures allowed by the Authority and incurred by the petitioner has never been identified since there has been no actual reduction in UFG whatsoever inspite of such hefty expenditures.

10.13 Region wise UFG numbers, as reported by the petitioner, during the last four years are as under:

Table 9: Region-wise Average UFG (Percentages)

	Karachi	Hyderabad	Nawabshah	Larkana	Sukkur	Balochistan
2014-15	9.8	8.4	28.3	34	22.6	44.7
2015-16	10.6	6.2	32.7	37	23.1	48.3
2016-17	10.8	6.5	29.2	29.4	14.7	44.3
2017-18	13.9	7.7	31.5	29.8	19	47

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10.14 There has been no tangible improvement in reduction of UFG inspite of spending hefty amounts contributed by the consumers as part of prescribed price. The Authority takes serious view of this state of affairs and expects the petitioner to make all out efforts to reduce and bring the UFG percentage downing to the benchmark prescribed by the Authority on the basis of third party UFG study.

10.15 ***Keeping in view the above, the Authority has been allowing the petitioner to carry out UFG related repair & maintenance activities for the last several years, however, the Authority, keeping in view the historical trend, does not allow any additional upfront amount against this head at this stage.***

iii. Electricity Charges

10.16 The petitioner projected Rs. 352 million as against the Authority's determination of Rs. 278 million, i.e. 20% increase over actual FY 2018-19. The petitioner has explained that the actual cost in FY 2019-20 has remained at Rs. 286 million which is around 3% increase than the already allowed amount for the said year. The petitioner has argued for 20% increase over FY 2019-20, thereby justifying the company's estimates at Rs. 352 million. The petitioner has submitted that cost of electricity is increasing at an alarming pace. In view of the Above, the petitioner has requested the Authority to allow the entire amount.

10.17 The Authority notes that no concrete justification has been provided by the petitioner. ***In view of the same, the Authority decides to maintain its earlier decision subject to the actualization at the time of FRR, to be assessed based on touchstone prudence and tangible justification.***

iv. Stores, Spares, Supplies & Consumed and Gas bill collection charges

10.18 The Authority notes that the petitioner has failed to provide concrete justification in support of its claim against Stores, Spares, supplies & consumed and Gas bill collection charges. In view of the same, the Authority decides to maintain its earlier decision per DERR for the said year. Accordingly, net T&D cost before GIC is allowed at Rs. 17,619 million on provisional basis as per the table below:

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Table 10: T&D Cost Allowed by the Authority

Rs. in Million

Particulars	FY 2020-21	
	The Petition	Allowed
HR Cost	17,312	14,936
Stores, spares and supplies consumed	1,361	798
Repairs & maintenance	2,728	1,567
Electricity	352	278
Gas bills collection charges	239	197
Other Remaining T&D Cost	2,137	2,137
Sub-total Cost	**24,130**	**19,913**
Less: Recoveries / Allocations	2,344	2,294
Net T&D Cost before GIC	**21,786**	**17,619**

11 Fixed and Variable Charges

11.1 The petitioner has requested the Authority to review the existing fixed and variable charges notification and revised the meter rent for domestic consumers at the level of Rs. 40 per month w.e.f September 01, 2020. The petitioner has referred Ministry of Energy (Petroleum Division)'s letter communicating increase in meter rent for domestic consumers.

11.2 The Authority notes that no specific comments, observation, or objection was raised by any of the interveners or participants in the public hearing. *The Authority in the light of Federal Cabinet's decision revises meter rental at Rs. 40/-per month w.e.f September 01, 2020 placed at Annexure-III. The Authority however, directs the petitioner to recover the arrears on this account in 03 equal installments. Accordingly, additional revenues amounting to Rs. 635 million in respect of meter rental has been included per the petitioner's information, thereby reducing the revenue requirement for the said year.*

12 Previous Year Revenue Shortfall

12.1 The petitioner has included Rs. 50,983 million being shortfall relating to previous years in the light of DERR for the said year.

12.2 *In view of the above, the Authority includes Rs. 50,983 million in the light of its determination for the said year.*

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13 Public Critique, Views, Concerns, Suggestions

13.1 The Authority has recorded concerns of interveners and participants in Para 3 above, which include matters relating to policy and do not fall under the purview of Authority but affect the consumers. Specific attention of Federal Government is drawn to these issues for consideration and necessary action.

14 Determination

14.1 The Authority, after taking into consideration points raised by interveners, clarifications provided by petitioner, scrutiny of petition and available record, provisionally determines shortfall in estimated revenue requirement for said year at Rs. 14,270 million including prior year shortfall Rs. 50,983 million, as referred in para 12.2, owing to availability of cushion (**Annexure-I**). Accordingly, prescribed price at Rs. 778.59/MMBTU has been determined by the Authority against each category of consumer as determined u/s 8(2) of the Ordinance.

14.2 The Authority, as a matter of principle under legal domain, is of the view that all the classes of consumers should at least pay the average cost of service or the average prescribed price except wherever FG policy guidelines have been provided, which shall be implemented accordingly.

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

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

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

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

14.7 The petitioner should focus and make concerted efforts on reduction of UFG, improvement of internal control systems, increase of efficiency, quality of service, emergency response plan, and effective cost control/reduction measures should be taken to remain financially viable instead of making all out of efforts to seek passing on of costs associated with its own inefficiencies, malpractices, thefts, bad debts and alike to the consumers.

Zain ul Abideen Qureshi
Member (Oil)

Muhammad Arif
Member (Gas)

Noorul Haque
Chairman

Islamabad, January 27, 2021

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

I. Computation of Revised Estimated Revenue Requirement for FY 2020-21

Rs. in Million

	Particulars	The Petition	The Adjustment	As Calculated
	Gas sales volume -MMCF	369,336		369,336
	BBTU	357,722		357,722
"A"	**Net Operating Revenues**			
	Net sales at current prescribed price	265,879	(1,629)	264,250
	Meter rentals	855	635	1,489
	Amortization of deferred credit	530	-	530
	Sale of LPG	962	-	962
	Sale of condensate	(11)	-	(11)
	Sale of NGL	555	-	555
	Late payment surcharge	1,248	-	1,248
	Meter manufacturing profit	29	-	29
	Other operating income	2,935	-	2,935
	Total Operating Revenue "A"	272,982	(994)	271,987
"B"	**Less: Operating Expenses**			
	Cost of gas	224,566	46	224,612
	UFG Adjustment	-	(19,718)	(19,718)
	UFG adjustment on RLNG volume handled basis (ring fence)	(9,423)	9,423	-
	Staggering of Financial Impact on account of SHC Order	(3,672)	-	(3,672)
	Transmission and distribution cost	21,786	(4,167)	17,619
	Gas internally consumed	573	(192)	380
	Depreciation	7,011	(154)	6,857
	Other charges	1,243	-	1,243
	Total Operating Expenses "B"	242,083	(14,762)	227,321
"C"	**Operating profit (A-B)**	30,899	13,768	44,666
	Return required on net operating fixed assets:			
	Net operating fixed assets at beginning	46,615	-	46,615
	Net operating fixed assets at ending	50,419	(2,352)	48,068
		97,034	(2,352)	94,683
	Average net operating assets (I)	48,517	(1,176)	47,341
	Net LPG air mix project asset at beginning	2,627	-	2,627
	Net LPG air mix project asset at ending	2,538	-	2,538
		5,165	-	5,165
	Average net LPG air-mix assets (II)	2,583	-	2,583
	Net MMP at beginning	251	-	251
	Net MMP at ending	265	-	265
		516	-	516
	Average net MMP assets (III)	258	-	258
	Net LHF (condensate) at beginning	7	-	7
	Net LHF (condensate) at ending	7	-	7
		15	-	15
	Average net LHF assets (IV)	7	-	7
	Deferred credit at beginning - Assets related to Natural Gas Activity	5,118	-	5,118
	Deferred credit at ending - Assets related to Natural Gas Activity	5,271		5,271
		10,388	-	10,388
	Average net deferred credit (V)	5,194	-	5,194
	"D" Average (I-II-III-IV-V)	40,607.82	(1,176)	39,432
"E"	Return required @ 17.43%	7,078	(205)	6,873
"F"	Shortfall / (Surplus) in return required (E-C) (Gas Operations)	(23,821)	(13,972)	(37,793)
"G"	Additional revenue requirement for Air-Mix LPG Projects	1,080	-	1,080
"H"	**Shortfall / (Surplus) H=(F+G)**	(22,741)	(13,972)	(36,713)
	Increase/(decrease) in average prescribed price FY 2020-21 (Rs. / MMBTU)	(63.57)	(39.06)	(102.63)
	Average Prescribed Price (Rs./MMBTU) for FY 2020-21 (Rs./MMBTU)	679.68	(43.61)	636.07
"I"	Prior years Revenue Shortfall	50,983	-	50,983
"J"	**Total Shortfall / (Surplus) J=(H+I) (including prior year)**	28,242	(13,972)	14,270
"K"	**Increase in average prescribed price after previous year shortfall *(Rs. / MMBTU) w.e.f July 01, 2020***	78.95	(39.06)	39.89
"L"	**Total estimated revenue requirement (including prior year shortfall)**	301,224	(14,967)	286,257
"M"	Average Prescribed Price (Rs. per MMBTU)	822.20	(43.61)	778.59

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II. Provisional Prescribed Prices for RERR FY 2020-21

	Particulars	Average Prescribed Price w.e.f. 1st July, 2020
(i)	**Domestic Consumers:**	
	Upto 50 cubic metres per month	778.59
	Upto 100 cubic metres per month	778.59
	Upto 200 cubic metres per month	778.59
	Upto 300 cubic metres per month	778.59
	Upto 400 cubic metres per month	778.59
	Above 400 cubic metres per month	778.59
	The billing mechnism will be revised so that the benefit of one previous /slab is available to domestic consumer (residential use.)	
(ii)	**Special Commercial Consumers (Roti Tandoors)**	
	Upto 50 M^3 per Month	778.59
	Upto 100 M^3 per Month	778.59
	Upto 200 M^3 per Month	778.59
	Upto 300 M^3 per Month	778.59
	Over 300 M^3 per Month	778.59
(iii)	**Commercial :** All off-takes at flat rate of	778.59
(iv)	**Ice Factories:** All off-takes at flat rate of	778.59
(v)	**Industrial:** All off-takes at flat rate of	778.59
(vi)	**Export Oriented (General Industry)** All off-takes at flat rate of	778.59
(vii)	**Export Oriented (Captive)** All off-takes at flat rate of	
(viii)	**Captive Power :** All off-takes at flat rate of	778.59
(ix)	**CNG-Region-I:** All off-takes at flat rate of	778.59
(x)	**CNG-Region-II:** All off-takes at flat rate of	
(xi)	**Cement Factories:** All off-takes at flat rate of	778.59
(xii)	**Fauji Fertilizer Bin Qasim Limited**	
	(i) For gas used as feed-stock for Fertilizer	778.59
	(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	778.59
(xiii)	**Power Stations** All off-takes at flat rate of	778.59
(xiv)	**Pakistan Steel** All off-takes at flat rate of	778.59
(xv)	**Independent Power Producers** All off-takes at flat rate of	778.59

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III Fixed and Variable Charges

S. No.	Description	Existing Charges	Proposed	Fixed by OGRA
(B)	Domestic			
8	Meter Rental	Rs. 20/- per month	Rs. 40/- per month	Rs. 40/- per month
				w.e.f September 01, 2020

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