OGRA-6(2)-1(3)/2020-DTRR

May 26, 2021

The Managing Director
Sui Northern Gas Pipelines Limited,
21-Kashmir Road,
Lahore

SUBJECT: SUI NOTHERN GAS PIPLINES LIMITED (SNGPL) - PETITION FOR DETERMINATION OF FINAL REVENUE REQUIREMENTS FOR FINANCIAL YEAR 2019-20

Dear Sir, السلام علیکم

Please refer to the subject noted above.

2. Find enclosed herewith a certified copy of decision of the Authority dated May 25, 2021 on the titled matter, please.

Best Regards,

OIL & GAS REGULATORY AUTHORITY
ISSUED
26 MAY 2021
ISLAMABAD

(Dr. Abdul Basit Qureshi)
Registrar
(For & on behalf of the Authority)
o/c

The Secretary,
Cabinet Division,
Cabinet Secretariat,
Islamabad.

The Secretary,
Ministry of Petroleum (Energy Division)
Pak Secretariat,
Islamabad.

N.O.O
SED (Gas)
HoD (F-I)

Finance-I Deptt.
Date: 26/5/2021 Time: 4:10

Company Secretary,
Sui Northern Gas Pipelines Limited,
21-Kashmir Road,
Lahore

No. OGRA 6(2)-1(3)/2020-DTRR

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED
FINAL REVENUE REQUIREMENT, FY 2019-20

UNDER

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

DECISION

May 25, 2021

Before:

Mr. Masroor Khan, Chairman

Mr. Noorul Haque, Vice Chairman/Member (Finance)

Mr. Muhammad Arif, Member (Gas)

Mr. Zain-ul-Abideen Qureshi, Member (Oil)

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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. However, petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010. 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/GoP).

1.2. The petitioner filed a petition on December 18, 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 2019-20 (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.

1.3. In the petition for the said year, the petitioner, for the actual sales of 347,771 BBTU, has worked out its FRR for the said year at Rs. 267,896 million, including Rs. 185,233 million being previous years' accumulated revenue shortfall. Based on the actual sales revenue on the basis of prescribed prices and actual sale mix, the petitioner has claimed an increase of Rs. 770.33/MMBTU in the average prescribed price for the said year. 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. 73,493 million (Rs. 277.51/ MMBTU) to be recovered from RLNG consumers. In addition, the petitioner has also separately factored the impact of Rs. 16,663 million on account of diversion of RLNG into domestic & commercial sector in winter and requested to include the same as cost of gas sold in the natural gas price for the said year.

1.4. The Authority, vide its order dated December 10, 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. 274,162 million (Rs. 706.91/MMBTU) for estimated sale volume of 366,060 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 RERR & Previous Year

			Rs/MMBtu
Particulars	**FY 2018-19**	**FY 2019-20**	
	FRR	**RERR**	**The Petition**
Sales volume (BBTU)	**387,131**	**366,060**	**347,771**
Cost of gas	477.02	568.18	553.62
UFG disallowance	(27.63)	(30.83)	(2.16)
Transmission & distribution	54.92	73.04	47.51
Depreciation	35.08	59.59	43.87
Late Payment Surcharge (Payable) & cost of short term borrowing	1.26	16.37	95.72
Impact of IAS 19 (Recognization of Actuarial Gains) for FY 2015-16 & Adoption of IFRS 9	(1.68)	-	10.28
Previous Year's Revenue Shortfall	6.24	-	532.63
WPPF	1.33	1.99	2.75
Total Operating Cost	**546.54**	**688.35**	**1,284.21**
Return on fixed assets	45.15	60.61	55.19
Other operating income	(37.42)	(42.05)	(39.26)
Avg Cost of service/ Prescribed price (PP)	**554.27**	**706.91**	**1,300.15**
Current average prescribed price	449.79	624.93	529.82
Increase in Average Prescribed Prices	**104.48**	**81.97**	**770.33**

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 The petitioner has claimed a net addition & deletion, Rs. 21,639 million & Rs. 641 million respectively in fixed assets during the said year. The depreciation has been claimed Rs. 14,686 million, resulting net addition in operating fixed assets from Rs. 127,305 million in FY 2018-19 to Rs. 133,617 million during the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out to Rs. 110,119 million and the required return at Rs. 19,194 million.

2.2.3 Total operating revenue have been claimed at Rs. 197,909 million in the petition as compared to Rs. 244,155 million provided in RERR, as detailed below:

Table 2: Comparison of Operating Revenues with RERR & Previous Year

				Rs. In Million	
Description	**FY 2018-19**	**FY 2019-20**		**Incr/(Decr) over RERR**	
	FRR	**RERR**	**The Petition**		
Sale at current prescribed price	174,127	228,763	184,257	(44,506)	-19%
Meter rental and service charges	2,022	2,391	2,140	(251)	-10%
Late payment surcharge and interest on arrears	9,393	6,445	7,614	1,169	18%
Amorization of deffered credit	1,625	3,512	2,369	(1,143)	-33%
Other operating income	1,447	3,044	1,530	(1,514)	-50%
Net Operating Revenues	**188,614**	**244,155**	**197,909**	**(46,246)**	**-19%**

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2.2.4 Net operating expenses have been claimed at Rs. 261,379 million in the petition as compared to Rs. 251,976 million provided in RERR, as detailed below:

Table 3: Comparison of Operating Expenses per the petition with RERR & Previous Year

Description	FY 2018-19	2019-20		*Rs. in Million*	
	FRR	RERR	The Petition	Inc/(Dec) over RERR	
Cost of gas	184,670	207,989	192,534	(15,455)	-7%
UFG Adjustments	(10,698)	(11,286)	(750)	10,536	-93%
Transmission & distribution Cost	21,261	26,737	16,537	(10,200)	-38%
Depreciation	15,997	21,815	15,255	(6,560)	-30%
Late Payment Surcharge (Payable) & cost of short term borrowing	487	5,992	33,274	27,282	455%
Impact of IAS 19 (Recognization of Actuarial Gains) for FY 2015-16 & Adoption of IFRS 9	(649)	-	3,574	3,574	0%
WPPF	515	729	955	226	31%
Total operating cost including cost of gas	**211,583**	**251,976**	**261,379**	**9,403**	**317%**

2.2.5 In view of above, the petitioner has projected the increase in prescribed prices at Rs. 770.33 per MMBTU, after including previous year revenue shortfall upto FY 2018-19 (i.e. Rs. 185,233 million - Rs. 532.63/MMBTU), as tabulated below:

Table 4: Computation of Average Increase in Prescribed Price per the petition

	Description	*Rs in Million*
A	Net operating revenues	197,909
B	Net operating expenses including WPPF	261,379
C	Shortfall (B-A)	63,470
D	Return required @ 17.43% on net fixed assets in operation	19,194
E	Shortfall in revenue requirement (D+C)	82,664
F	Previous year Revenue shortfall FY 2018-19	185,233
G	Total Revenue Shortfall (E+F)	267,897
H	Sales volume (BBTU)	347,771
Increase in the average prescribed price (Rs/MMBTU) (H/I*1000)		770.33

3. Proceedings

3.1. After evaluation of the concerned Departments and fulfillment of the requirements, the petition was presented before the Authority under Rule 5 of the Natural Gas Tariff Rules, 2002 for admission of the same which was admitted by the Authority on February 17, 2021. Accordingly, a Notice of Hearing was issued to the petitioner on February 17, 2021.

3.2. Accordingly, the Authority conducted Hearing in the instant matter on February 26, 2021 at OGRA Office, Islamabad. The following participants attended the hearing on behalf of the petitioner:

The Petitioner:

a) Mr. Ali Javaid Hamdani, Managing Director
b) Mr. Faisal Iqbal, Chief Financial Officer
c) Mr. Qaiser Masood, Distrb. - S
d) Mr. Kamran Akram, General Manager (RA)
e) Syed Muhammad Abdul Ghafoor, Chief Officer (RA)
f) Mr. Abaid Masood, Executive Officer (RA)

3.3. The petitioner made submissions with the help of multimedia presentation explaining the basis of its petition and also responded to the comments, observations and questions of the participants.

3.4. The petitioner, during the hearing, reiterated its concern about UFG adjustment on national Weighted Average Cost of Cost (WACOG) and requested the Authority to compute it on its respective WACOG. The petitioner has also requested the computation of RLNG cost of service at throughput volumes instead of designed capacity.

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

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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 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 pleas 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, in accordance with Rule 17(j) of NGT Rules. The Authority as per the existing framework and tariff regime in place determine the revenue requirement of the petitioner, providing stipulated return on net operating assets, while including various income and expenditure head as part of prescribe price.

6. Operating Fixed Assets

i) Summary

6.1. The petitioner has claimed a net addition & deletion, Rs. 21,639 million & Rs. 641 million respectively in fixed assets during the said year. The depreciation has been claimed Rs. 14,686 million, resulting net addition in operating fixed assets from Rs. 127,305 million in FY 2018-19 to Rs. 133,617 million during the said year. The petitioner has further claimed that, after adjustment of deferred credits, net average operating fixed assets eligible for return work out to Rs. 110,119 million, and required return to Rs. 19,194 million. In respect of LNG business, the return computes to Rs. 7,623 million. The detail as under;

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Table 5: Computation of Return on Operating Fixed Assets per the petition

		Rs. in Million
Description	Natural Gas	RLNG
Net operating fixed assets at beginning	127,305	50,891
Additions during the year (Net of adjustments & deletions)	21,639	5,529
Assets deleted during the year	(641)	-
Assets transferred to RLNG segment		
Total Addition	148,303	56,420
Depreciation with adjustment	14,686	4,804
Net operating fixed assets at closing	133,617	51,616
Average net assets	**130,461**	**51,254**
Deffered credit at beginning	20,270	5,325
Deffered credit at closing	20,415	9,710
Sub total	40,685	15,035
Average deffered credit	**20,343**	**7,518**
Average net fixed assets (A-B)	110,119	43,736
Return Required	17.43%	17.43%
Amount of return	**19,194**	**7,623**

6.2. Summary of capitalization claimed by the petitioner is as follows;

Table 6: Addition to Assets per the petition

Sr. No.	Particulars	DERR 2019-20	Petition FY 2019-20		
			Normal	RLNG	Total
1	Freehold land		78		78
2	Building on Free Hold land	130	79		79
3	Building on Lease Hold land		16		16
4	Transmission Mains	284	2,105	4,365	6,470
5	Compression	124	564	468	1,032
6	Distribution Mains	14,964	12,622	562	13,184
7	Measuring and Regulating	5,010	4,954	225	5,179
	Sub Total	**20,512**	**20,417**	**5,620**	**26,037**
8	Telecommunication Equipment	29	14	0	14
9	Plant & Machinery	358	270	2	272
10	Tools & Equipment	28	29		29
11	Motor Vehicles	177	340		340
12	Construction Equipment	187	336		336
13	Furniture & Fixture	33	21		21
14	Office Equipment	15	16		16
15	Computer Hardware	190	183		183
16	Computer System Software / Intangible Assets	79	4		4
	Sub Total	**1,096**	**1,212**	**2**	**1,214**
17	**Advance for Land**		-83		-83
	Grand Total	**21,608**	**21,546**	**5,622**	**27,168**

6.2 FREEHOLD LAND:

6.2.1 The petitioner has capitalized Rs. 78 million in respect of freehold land as per following sub-heads.

a. **Freehold land for Construction of SMS for New Towns/ Villages:**

6.2.2 The petitioner has capitalized an amount of Rs. 5 Million in respect of land for construction of SMS for new towns/ villages. It has been observed that the petitioner has not been able to capitalize any amount in respect of budget of FY 2019-20 and capitalization is in respect of previous year's budgets. The petitioner has stated that procurement/works against the budget of FY 2019-20 is in progress and involvement of revenue department etc. has resulted in delay in capitalization. ***Keeping in view the submission of the petitioner, the Authority allows capitalization of Rs. 5 Million in respect of land for construction of SMS for new towns/ villages.***

***b.* Freehold Land for Civil Construction Work:**

6.2.3 The petitioner has capitalized an amount of Rs. 6 Million in respect of free hold land for minor civil construction works such as construction of buildings, rooms etc. that are required to carry out the operational activities. ***In view of the submission of the petitioner and operational requirement, the Authority allows capitalization of Rs. 6 Million in respect of land for civil construction works.***

***c.* Land for Construction of SMS at Regi Lalma Model Town:**

6.2.4 The Petitioner has capitalized an amount of Rs. 35 Million in respect of land for construction of SMS for supply of gas to Regi Lalma Model town, Peshawar. The project was approved by the Authority in DERR for FY 2017-18 which included construction of 01 Nos SMS at Regi Lalma on 100% Cost Recovery basis. ***In view of the foregoing and keeping in view operational requirement, the Authority allows capitalization of Rs. 35 Million in respect of land for construction of SMS for supply of gas to Regi Lalma Model Town on 100 % cost recovery basis. However, the petitioner is not entitled to rate of return on the capitalized amount.***

d. Freehold Land for Distribution Development for New Towns and Villages:

6.2.5 The petitioner has capitalized Rs. 2 Million and Rs. 3 Million on account of freehold land for new town and villages in respect of budgets of FY 2007-08 and FY 2006-07 respectively. The petitioner submitted that advance for acquisition of these Land/ROW was extended in FY 2010-11 and FY 2011-12 and during execution, Transmission Lines were laid against Government Grant through respective year's annual Distribution Development Plan (DDP) budget. It has been stated by the petitioner that impact of same was/is also included in the amount of advances for land being submitted to OGRA each year. The petitioner further added that in FY 2019-20, title of the same has been awarded in the name of petitioner, after which these are being made part of capitalized fixed Assets. ***In view of the submissions made by the petitioner and***

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operational requirement, the Authority allows the capitalization amount of Rs. 2 Million and Rs. 3 Million in respect of land for Distribution Development for New Town and Villages.

e. Land for LPG Air Mix Project at Ayun:

6.2.6 The petitioner has claimed capitalization of Rs. 26 Million in respect of LPG Air Mix Project at Ayun. It is mentioned that ECC of the Cabinet in its meeting held on 26th March 2020 in Case No. ECC-98/12/2020 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. Moreover, ECC vide its meeting dated 24th December 2020 vide case NO. ECC-465/62/2020 approved Para 7 (ii) of the summary which states that:

"SNGPL be instructed to abandon the projects (Drosh, Ayun and Chitral Town) and dispose off the land and equipment with minimal loss possible through an open transparent process."

6.2.7 ***In view of the above, request of the petitioner is not tangible for consideration, therefore the Authority does not allow any capitalization amount for LPG Air Mix Plant at Ayun.***

f. Advance for Land for ROW:

6.2.8 The petitioner has claimed credit adjustments of Rs. 83 Million in respect of various miscellaneous projects against which the Advances for land for ROW has been paid. ***Keeping in view the operational requirement, the Authority allows the credit adjustments of Rs. 83 Million in respect of Advance for Land as claimed by the petitioner.***

6.2.9 The details of capitalization allowed by the Authority is given as under:

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Sr. No.	Details of Capitalization	DERR/ DRERR FY 2019-20	FY 2019-20 The Petition Indigenous	RLNG	Total	Allowed
						Rs. In Million
1	Construction of SMS new towns /modification /upgradation of SMS		5		5	5
2	Land for Civil Construction		6		6	6
3	Supply of Gas to Regi Lalma, Model Town, Peshawar (100% Cost Recovery Basis)		35		35	35
4	New Towns and Villages FY 2007-08		2		2	2
5	New Towns and Villages FY 2006-07		3		3	3
6	LPG Air Mix Project (Ayun)		26		26	-
	Total Free Hold Land		78		78	52
	Advance for Land					
7	Land for ROW		-83		-83	-83

6.3 BUILDING ON FREEHOLD LAND / LEASEHOLD LAND:

6.3.1 The Authority allowed Rs. 130 million under the head Building on freehold land in DERR FY 2019-20. The petitioner has stated that capitalized amount of Rs. 79 Million represents construction of building / civil works such as construction of stores, rooms, boundary wall, etc. at various regions of the petitioner. The capitalized amount includes Rs. 20 Million in respect of capitalization against archiving system/ company record at Manga that was allowed by the Authority in DRERR 2013-14. Moreover, it has been observed that the petitioner has not been able to capitalize any amount in respect of budget of FY 2019-20. The petitioner submitted that delay in capitalization was due to delay in selection of contractor which is a lengthy process under the prevailing procedures of PPRA.

6.3.2 In addition to above, the petitioner has capitalized an amount of Rs. 16 Million in respect of building on leasehold land for shifting of Offices from Shaheen Complex to LDA Plaza in Lahore.

6.3.3 ***In view of the justification provided by the petitioner, the Authority allows capitalization of Rs. 79 Million in respect of land freehold and Rs. 16 Million in respect of leasehold land. Moreover, the Authority directs the petitioner to increase its efforts to complete the work within minimum given time frame.***

6.3.4 The details of capitalization allowed by the Authority is given as under:

Sr. No.	Details of Capitalization	DERR	FY 2019-20 The Petition Indigenous	RLNG	Total	Allowed
						Rs. In Million
1	Building on Freehold Land	130	79	-	79	79
2	Building on Leasehold Land		16	-	16	16
	Total	130	95		95	95

6.4 TRANSMISSION (NORMAL AND 100 % COST RECOVERY BASIS):

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6.4.1 The petitioner has capitalized Rs. 6,470 million in respect of Transmission System as per following sub-heads.

a. Adhi - Sukho Transmission Loop Line:

6.4.2 The petitioner has capitalized an amount of Rs. 337 Million in respect of laying of 10" Dia X 11.5 KM Adhi – Sukho Transmission loopline. In addition, the petitioner has also capitalized an amount of Rs. 18 Million in respect of SMS Barakahu for the Adhi Sukho Infrastructure Development Project (IDP). The petitioner has confirmed that the transmission line has been successfully commissioned on 13.09.2019 whereas, the SMS has been commissioned on 30.11.2019. The petitioner submitted that the project with total capital outlay of Rs. 380.692 million was approved by the Board of Directors (BOD) in 486th meeting dated 25.04.2017 and subsequently was approved by OGRA in its decision on ERR FY 2017-18.

6.4.3 The Authority based on the information provided by the petitioner observes that overall expenditure of the project is Rs. 413.651 million against approved budget of Rs. 380.692 Million. The petitioner in respect of exceeding the budget has stated that stoppage of work caused by locals demanding gas for their villages and significantly higher material cost incurred as compared to the approved costs has resulted in increase in capitalized amount. The petitioner has further stated that rupee dollar parity variance is also one of the main reasons for increase in material cost. Moreover, the petitioner has further stated that since the project is in its completion phase, therefore, the regularization of overrun will be put up to BOD after financial completion of the project. The petitioner has accordingly requested the Authority to approve the expenditure as one-time special case as such instances rarely occur due to circumstances beyond petitioner's control.

6.4.4 ***The Authority observes that the petitioner has not obtained BOD approval in respect of enhancement of budget, however, keeping in view the justification provided by the petitioner and operational requirement, the Authority while directing the petitioner to submit approval of BOD for enhancement of budget in respect of the said project allows capitalization of Rs. 337 million for laying of 10" Dia X 11.5 KM Adhi – Sukho Transmission loopline as one-time special case. In addition, the Authority also allows Rs. 18 million in respect of construction of SMS Barakahu for the said project.***

b. Infrastructure Development Project for Northern Sources:

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6.4.5 The petitioner has capitalized an amount of Rs. 475 million in respect of IDP for Northern Sources Daudkhel - Mianwali Line (IDP) against the allocated budget of Rs. 341 million. It has been stated by the petitioner that project was approved by the Authority vide letter dated 14.11.2012 and the line has been successfully commissioned on 07.05.2020. The petitioner has also added that enhancement amounting to Rs. 932 million has been approved by BOD in 547th meeting dated 20.02.2020 and it was also decided that approval of enhanced budget shall be sought from OGRA at FRR level. The petitioner in respect of increase in capitalized amount stated that the project was approved in 2012 in accordance with the prevailing prices however the actual execution of the project took place in 2019. Moreover, the petitioner submitted following reasons for exceeding the budgeted amount:

i. The increase in material cost due to inflation as well as Dollar - Rupee parity,

ii. Thal canal crossing at two different crossings which lead to unforeseen expenses of Rs. 25 million,

iii. Change in pipeline route due to CPEC road crossings has resulted in an increase in length of approximately 40 Km to 51 Km which has resulted in increase in capitalized amount.

iv. The uplifting cost which was included in the Project cost was estimated according to the rates for 2012 however, the actual uplifting was done in 2018. The costs therefore increased due to increase in prices due to inflation.

v. The petitioner has also highlighted operational constraints such as acquisition of NOCs and local issues that resulted in delay in capitalization.

6.4.6 In addition to above, the petitioner has also capitalized an amount of Rs. 900 million against allocated budget of Rs. 1,600 million in respect of Northern Sources project Kohat to Dakhni. The petitioner has confirmed that the segment has been commissioned on 11th June 2020.

6.4.7 ***In view of the justifications provided by the petitioner and operational requirement, the Authority allows capitalization in respect of Northern Sources project of Rs. 475 Million in respect of Daudkhel-Mianwali Line and Rs. 900 million for Kohat Dakhni line.***

c. **Transmission line OGDCL's Dhok Hussain Well No. 1:**

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6.4.8 The petitioner has claimed capitalization of Rs. 130 million in respect of laying of 8-inch dia X 14.50 KM transmission line to receive gas from OGDCL's Dhok Hussain Well No. 1. The petitioner submitted that the project was approved in 517th meeting of BOD held on 28.01.2019 and subsequently allowed by the Authority in principle vide its decision dated 27-02-2019 on RERR for FY 2018-19 at a total capital cost of Rs. 226.281 million. Moreover, the petitioner has confirmed that the line has been commissioned on 28th June 2020. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 130 million in respect of laying of 8-inch dia X 14.50 KM transmission line.***

***d.* Construction of SMSs:**

6.4.9 The petitioner has capitalized Rs. 60 million in respect of construction of SMSs at Yazman, Shahwali and Rojhan along with minor adjustments/ modification in respect of other SMSs. The petitioner has capitalized Rs. 13 Million against allocated budget of Rs. 10.48 Million in respect of SMS Shahwali and has capitalized Rs. 15 million against allocated budget of Rs. 13.70 Million in respect of SMS Rojhan. However, the capitalization amount in respect of SMS Yazman is Rs. 30 million. The petitioner has stated that physical activities have been completed, however, slight increase in capitalization is due to impact of variation in material and construction cost.

6.4.10 In addition to above, it has been observed that capitalization in respect of construction of SMSs pertains to previous year's budget. The petitioner has submitted that delay in purchase of land and non-availability of material has caused delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement the Authority allows capitalization of Rs. 60 million in respect of Construction of SMS.***

e. Prior Years Adjustments: Laying of Distribution Mains (New Town):

6.4.11 The petitioner has claimed capitalization of Rs. 29 million against transmission lines undertook against new towns and villages in respect of prior year's budget. The petitioner submitted that cost adjustment is normally on account of material reconciliation with financial record/Civil works and pending contract payments. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 29 million for prior years adjustment in respect of laying of distribution mains for new towns and villages.***

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f. Rehabilitation of Transmission System (Modification/ Upgradations of SMSs etc.):

6.4.12 The petitioner has capitalized an amount of Rs. 35 million against rehabilitation of Transmission System such as upgradation/ modification, lowering of mains, sleeving jobs etc. It has further been observed that petitioner has capitalized only Rs. 10 million against the budget of FY 2019-20, whereas, rest of the amount pertains to previous year's budgets. The petitioner has stated that procurement against the budget of FY 2019-20 is in progress, however, delayed NOC, delivery of material and poor response from the bidders has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 35 million in respect of rehabilitation of transmission system.***

g. Cathodic Protection:

6.4.13 The petitioner has capitalized an amount of Rs. 10 Million in respect of Cathodic protection. It has been observed that the capitalization amount pertains to previous year's budget. The petitioner has stated that budget approved in FY 2019-20, has been sanctioned for execution of work, however most of the jobs are in progress yet, and will be completed/capitalized in due course of time. The delay in capitalization is due to non-availability of material. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs. 10 Million in respect of cathodic protection.***

h. Minor Capitalization in respect of Various Transmission lines:

6.4.14 The petitioner has claimed minor adjustments/ capitalization in respect of various transmission lines as per following details:

i. Rs. 4 Million in respect of IDP for supply of RLNG to KAPCO & GTPS (Muzaffargarh). The petitioner has stated that physical activities have been completed and adjustment costs are being recorded during financial completion/ reconciliation of the Project.

ii. Rs. 16 Million in respect of transmission system augmentation for Mardan-Sawat. The petitioner submitted that the project was approved in 473rd meeting of BOD held on 27.06.2016 and subsequently approved by OGRA in DERR for FY 2016-17. In addition, the petitioner has stated that physical activities have been

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completed and adjustment costs are being recorded during financial completion/ reconciliation of the Project.

iii. Credit adjustment of Rs. 3 Million in respect of Uplifting of Rehmat Pipeline/ Construction of Sargodha Pipeline (16" Dia X 21.1 KM). The petitioner stated that major physical activities have been completed and the amount represents cost adjustment on account of material reconciliation with financial record/Civil works and pending contract payments etc.

iv. Rs. 1 Million in respect of adjustments due to miscellaneous transmission lines. The petitioner has stated that the capitalization represents cost adjustment on account of material reconciliation with financial record/Civil works and pending contract payments etc.

6.4.15 In ***view of the justification provided by the petitioner, the Authority allows the capitalization/ adjustments as mentioned above.***

i. Supply of Gas to Regi Lalma, Model Town, Peshawar (100% Cost Recovery Basis):

6.4.16 The petitioner has claimed capitalization of Rs. 2 Million in respect of prior adjustments for supply of Gas to Regi Lalma, Model Town, Peshawar on 100% Cost Recovery Basis. The project for supply of gas to Regi Lalma has been approved by the Authority on 100 % cost sharing basis vide decisions taken in RERR/ ERR petitions for F.Y. 2013-14 and F.Y. 2017-18. ***Keeping in view the submission made by the petitioner, the Authority allows capitalization of Rs. 2 Million in respect of adjustment relating to supply of Gas to Regi Lalma. However, the petitioner shall not be entitled to rate of return on the capitalized amount being 100 percent cost sharing project.***

j. Laying of Distribution Mains on Cost sharing basis (SMS):

6.4.17 The petitioner has claimed capitalization of Rs. 93 Million in respect of SMS Cherat Cement factory having capacity of 30 MMCFD on 100% sharing basis. It has been observed that capitalization amount has slightly increased to Rs. 93 Million against the sanctioned budget of Rs. 90 Million by the petitioner. The petitioner submitted that main reason for overrun is the cost of materials. ***Keeping in view the justification provided by the petitioner and being 100 % cost sharing project, the Authority allows capitalization of Rs. 93 Million in respect of SMS Cherat cement factory. However, the petitioner shall not be entitled to rate of return on the capitalized amount.***

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k. IDP for Supply of RLNG To Punjab Power Plant (PPP), Jhang (100% Cost Recovery):

6.4.18 The petitioner has capitalized an amount of Rs. 3,597 Million for laying of 24 Inch dia x 93 Km transmission line and Rs. 400 Million in respect of SMS cum CMS which also includes Rs. 36 Million for metering gadgets for Punjab Power Plant near Trimmu Barrage, District Jhang. The petitioner has stated that the project was approved on 100 % cost sharing basis in 496th Meeting of the BOD held on 20.10.2017 and subsequently approved by OGRA vide letter dated 30.11.2017. The petitioner has confirmed that the transmission line has been successfully commissioned on 21.09.2019 whereas, SMS has been commissioned on 16.10.2019. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 3,597 Million in respect of 24 Inch dia x 93 Km transmission line and Rs. 400 Million in respect of SMS cum CMS for Punjab Power Plant near Trimmu Barrage District Jhang on 100 percent cost sharing basis and RLNG ring fenced mechanism. However, the petitioner shall not be entitled to rate of return on the capitalized amount being 100 % cost sharing and RLNG ring-fenced project.***

l. IDP for Supply of RLNG To Bhikki, Baloki, Haveli Bahadur Shah and Nandipur Power Plants (100% Cost Recovery):

6.4.19 The petitioner has claimed capitalization of Rs. 226 Million against 100 % cost sharing basis in respect of IDP for supply of RLNG to Bhikki, Baloki, Haveli Bahadur Shah and Nandipur Power Plants. The said projects were approved by the Authority on 100 % cost sharing basis vide letter dated 08-04-2016. The capitalization includes Rs. 224 Million for Nandipur and rest of the capitalization pertains to Baloki, Bhikki and Haveli Bahadur Shah Power Plants. ***Keeping in view the operational requirement, the Authority allows Rs. 226 Million on 100 percent cost sharing basis for supply of RLNG to Nandipur, Bhikki, Baloki and Haveli Bahadur Shah Power Plant. However, the petitioner shall not be entitled to rate of return on the capitalized amount being 100 percent cost sharing and RLNG ring-fenced projects.***

m. IDP for LNG Phase I & II Projects:

6.4.20 The petitioner has capitalized an amount of Rs. 61 Million in respect of IDP for LNG Phase-I and Rs. 55 Million in respect of LNG Phase-II projects. In addition, the petitioner has capitalized an amount of Rs. 27 Million relating to CP system for LNG Phase- I. The

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petitioner submitted that the projects were approved by the Authority in DERR 2015-16 and further has stated that physical activities have been completed and adjustment costs are being recorded during financial completion/ reconciliation of the Project. ***Keeping in view the submission made by the petitioner and operational requirement, the Authority allows capitalization of Rs. 143 Million in respect of LNG Phase I and II projects under RLNG ring-fenced mechanism.***

6.4.21 The details of capitalization allowed by the Authority is given as under:

Rs. In Million

Sr. No.	Description	Date of Commissioning	Project	DIA	Budgeted Length (KM)	Commissioning Length (KM)	Amount - FRR Petition 2019-20	Amount Allowed
1	Adhi - Sukho Transmission Loop Line	13-Sep-19	OTHER	10	11.5	11.5	337	337
2	SMS Bara Kahu (Adhi-Sukho) - (Phase-I)	30-Nov-19					18	18
3	Daudkhel - Mianwali Line (IDP) (Northern Gases)	7-May-20	IDP	10	50.7	50.7	475	475
4	Kohat - Dhakni IDP (Northern Gases)	11-Jun-20	IDP	24	54.3	19.83	900	900
5	Transmission Line ODGCL's Dhok Hussain Well No. I	28-Jun-20	OTHER	8	14.5	14.5	130	130
6	SMS Yazman 5 MMCFD (Bwp. Reg.)	30-Jun-20					30	30
7	SMS Shahwali	30-Jun-20					13	13
8	SMS Rojhan	3-Oct-19					15	15
9	Adjustments in respect SMS						2	2
10	Others Transmission Lines (Prior Year Adjustment)						29	29
11	Rehabilitation of Transmission System (Modification/upgradations of SMSs etc.)						35	35
12	Cathodic Protection						10	10
13	Transmission Loop Line (KAPCO) IDP for Supply of RLNG To KAPCO & GTPS (Muzaffargarh)						4	4
14	Mardan-sawat Transmission System Augmentation for Sawat						16	16
15	Uplifting of Rehmat Pipeline/ Construction of Sargodha Pipeline (16" Dia X 21.1 KM)						-3	-3
16	Misc. Budgets						1	1
17	Supply of Gas to Regi Lalma, Model Town, Peshawar (100% Cost Recovery Basis)						2	2
18	Laying of Distribution Mains on Cost Sharing Basis SMS Cherat Cement Factory 30 MMCFD	SMS 14/12/2019 CMS 13-Feb-2020					93	93
A						Total Indigenous System	2,105	2,105
19	IDP for Supply of RLNG To Punjab Power Plant (PPP), Jhang (100% Cost Recovery)	21-Sep-19	COST JOB	24	93	93	3,597	3,597
20	IDP for Supply of RLNG To Punjab Power Plant (PPP), Jhang (100% Cost Recovery) (SMS-cum-CMS)	16-Oct-19					400	400
21	IDP for supply of RLNG to Nandipur Power Plant (100 % Cost Recovery Basis)						224	224
22	IDP for supply of RLNG to Bhikki, Baloki and Haveli Bahadur Shah Power Plant (100 % Cost Sharing basis)						1	1
23	LNG-Phase-I						88	88
24	LNG-Phase-II						55	55
B						Total (RLNG System)	4,365	4,365
A+B						Total	6,470	6,470

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6.5 COMPRESSION SYSTEM AND EQUIPMENT:

6.5.1 The petitioner has capitalized Rs. 1,032 Million in respect of Compression Station equipment as per following sub-heads.

a. Compressor Overhauling Project:

6.5.2 The petitioner has claimed capitalization of Rs. 564 million in respect of compressor overhauling project. It has been added by the petitioner that five years project has been approved by OGRA vide letter No. OGRA-9(422)2016 dated 15-08-2016 with a projected cost of Rs. 2,065 million and this amount represents the 4th year tranche, procurements against which are in process. The petitioner further stated that mainly amounts have been capitalized against 3rd year tranche whereas the amounts will be capitalized against 4th year tranche in coming years. ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 564 million in respect of compressor overhauling project.***

b. Re-location of Gas Turbine Compressor Package and System Augmentation at Compression Station at AC-6 (Multan):

6.5.3 The petitioner has capitalized an amount of Rs. 93 Million in respect of re-location of Gas Turbine Compressor Package and System Augmentation at Compression Station at AC-6 (Multan) for Transmission of 1350 MMCFD of RLNG. The said project was approved by BOD in its 519th meeting held on 25.02.2019 and subsequently approved by the Authority in DERR 2019-20 under ring fenced mechanism. ***Keeping in view the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 93 Million in respect of relocation of gas turbine package and system augmentation under RLNG ring fenced mechanism.***

c. IDP for LNG-II Projects (Compressor Station Package upgradation at AC-4):

6.5.4 Moreover, the petitioner has capitalized Rs. 375 Million for upgradation of compressor station package at AC-4 in respect of IDP for LNG Phase II. The petitioner has informed that this capitalized amount is for Gas Turbine Driven Compressor Package Refurbishment and Control System. The petitioner submitted that budget amounting to Rs. 299 million was initially approved by BOD in its 486th meeting dated 25.04.2017 and subsequently approved in principle by OGRA vide letter dated 02.06.2017. The petitioner further added that during execution a shortfall of Rs. 94 Million arose due to inflation. The enhancement of the budget has been approved by BOD in its 550th meeting held on 11.04.2020 wherein, it was also decided that matter related to enhancement shall be taken up with OGRA at the time of FRR as the project is already in progress and if the same is stopped due to unavailability of budgetary provisions, the cost would further increase. ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 375 million under RLNG ring-fenced mechanism.***

6.5.5 ***Keeping in view the operational requirements and justification provided by the petitioner, the Authority allows capitalization of Rs. 564 million for indigenous system and Rs. 468 million in respect of LNG system. However, the capitalized amount in respect of RLNG system shall be treated under ring fenced mechanism.***

6.5.6 The details of capitalization allowed by the Authority is as under:

						Rs. In Million
Sr. No.	Details of Capitalization	FY 2019-20				
		DERR	The Petition			Allowed
			Indigenous	RLNG	Total	
1	Compression Overhauling Project (FY 2016-17 To FY 2020-21)		564		564	564
2	Re-location of Gas Turbine Compressor Package and System Augmentation at AC-6	98		93	93	93
3	Compressor Station upgradation at AC-4 for IDP-LNG-II			375	375	375
	Total	98	564	468	1,032	1,032

6.6 DISTRIBUTION SYSTEM MAINS:

6.6.1 The petitioner has capitalized Rs. 13,184 million in respect of Distribution System Mains as per following sub-heads.

a. Laying of Distribution Mains (New Towns):

6.6.2 The petitioner has informed that it has laid 3,893 Kms distribution lines at a cost of Rs. 6,246 Million. The petitioner has stated that an amount of Rs. 1,923 Million was erroneously capitalized under the financial record of Measuring and Regulating assets against laying of distribution mains under new towns and villages. The petitioner has further requested for consideration of this capitalized amount under the head Distribution Main. It has been observed that the petitioner has capitalized an amount of Rs. 124 Million in FY 2019-20, whereas rest of the amount pertains to previous year's budget. The petitioner submitted that non availability of NOCs from NHA, non-availability of material, site disputes, stay from the courts along with political interventions has resulted in delay in capitalization. ***Keeping in view the justification***

provided by the petitioner, the Authority allows capitalization of Rs. 8,169 Million in respect of laying of Distribution lines for new towns and villages.

b. Combing Mains:

6.6.3 The petitioner has informed that it has laid 370 Kms Combing Mains at a cost of Rs. 571 Million. ***Keeping in view the progress made by the petitioner and operational requirement, the capitalization of Rs. 571 Million against Combing Mains is allowed by the Authority.***

c. System Augmentation/ HO Reserves:

6.6.4 The petitioner has informed that it has laid 156 Kms distribution lines at a cost of Rs. 716 Million under the head system augmentation/ head office reserves. In addition, the petitioner has stated that an amount of Rs. 254 Million was erroneously capitalized under the financial record of Measuring and Regulating assets against sub head System Augmentation and Head Office Reserves. The petitioner has further requested for consideration of this capitalized amount under the head Distribution Main.

6.6.5 It has been observed that the petitioner has been able to capitalize an amount of Rs. 183 Million against budget of FY 2019-20, whereas, rest of the amount pertains to previous years. The petitioner submitted that non availability of NOCs from NHA, non-availability of material, site disputes, stay from the courts along with political interventions has resulted in delay in capitalization. ***In view of the foregoing and justification provided by the petitioner, the Authority allows capitalization of Rs. 970 million against system augmentation/ HO.***

d. Laying of Distribution Mains on 100 % Cost Sharing Basis:

6.6.6 The petitioner has informed that it has laid 274 Kms distribution lines on 100 % cost sharing basis at a cost of Rs. 725 Million. The capitalization amount includes Rs. 244 Million in respect of indigenous system and Rs. 481 Million for RLNG system. The petitioner has further informed that out of total capitalization, Rs. 16 million has been capitalized against budget of FY 2019-20, whereas rest of the amount is capitalized against budgets approved in previous years. The petitioner has stated that budget approved in FY 2019-20, has been sanctioned for execution of work, however most of the jobs are yet in progress and will be completed/capitalized in due course of time. ***In view***

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of the foregoing, the Authority allows capitalization of Rs. 244 Million for indigenous system and Rs. 481 Million against RLNG systems on 100 % cost recovery basis.

6.6.7 ***However, the petitioner shall not be entitled to rate of return on the capitalized amount allowed against 100 % cost recovery basis. Moreover, the capitalized amount allowed against RLNG shall be treated under ring fenced mechanism.***

e. System Rehabilitation and UFG Control Activities:

6.6.8 The petitioner has capitalized Rs. 944 Million for laying of 299 KMs of lines under the head System Rehabilitation and UFG Control Activities for various jobs such as underground network replacement, shifting of service lines etc. ***In view of the foregoing and keeping in view operational requirements the capitalized amount of Rs. 944 Million against System Rehabilitation and UFG Control Activities is allowed by the Authority.***

f. Installation of New Connections:

6.6.9 The petitioner has installed 270,058 Nos Domestic connections during the year and 1170 Nos of commercial / industrial connections. The petitioner has capitalized an amount of Rs. 3,339 Million (1724 Million under Distribution Mains & Rs. 1,615 Million under Measuring & Regulating) in respect of indigenous system and Rs. 228 Million (Rs. 81 Million under Distribution Mains & Rs. 147 Million under Measuring & Regulating) for RLNG system (ring fenced) as per following details;

Rs. In Million

Sr. No.	Details of Capitalization		FY 2019-20 DERR	The Petition Indigenous	The Petition RLNG	The Petition Total
1	New Connection (Domestic) including 10% additional Urgent Fee Connections	Distribution Mains	3,026	1,724	22	1,746
2	Industrial/Commercial Connections (Ring Fenced)		344	-	59	59
3	New Connection (Domestic) including 10% additional Urgent Fee Connections	Measuring & Regulating	1,902	1,615	18	1,633
4	Industrial/Commercial Connections (Ring Fenced)		383	-	129	129
		Total	5,655	3,339	228	3,568

6.6.10 The Authority at the time of Motion for Review for the said year allowed 300,000 gas connections to the petitioner. Moreover, the Authority, on the recommendation of Standing Committee on Energy further allowed 120,000 gas connections in principle for the FY 2019-20 and subject to actualization at the time of respective FRR. The petitioner highlighted that the targets were not achieved due to COVID-19 situation prevailing in

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the country. The Authority however observes that petitioner in most of the years remained unable to install connection as demanded by it. The pendency of more than 2.7 Million application substantiates the slow/ delayed progress of the petitioner on this account. The Authority has earlier also observed that petitioner mainly focuses only on the increase in targets for new connections which merely appears to be an effort to seek concession without any resolve to physically materialize it.

6.6.11 In the light above, the petitioner is directed to rationalize its requests and appropriately align the same within its capacity to deliver and accomplish the tasks so as to avoid necessary burden on existing consumers. ***However, keeping in view the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 3,339 Million (Rs. 1724 Million under Distribution Mains and Rs. 1,615 Million under Measuring & Regulating for indigenous system). Moreover, the Authority also allows Rs. 228 Million (Rs. 81 Million under Distribution Mains & Rs. 147 Million under Measuring & Regulating) for RLNG system. However, the capitalized amount in respect of RLNG system shall be treated under ring fenced mechanism.***

6.6.12 ***Keeping in view the above, the Authority allows capitalization of Rs. 13,184 million under the head of Distribution Development. However, the petitioner is not entitled rate of return on amount capitalized and allowed by the Authority against 100% cost sharing basis. Moreover, the capitalization in respect of RLNG system shall be treated under ring-fenced mechanism.***

6.6.13 The details of capitalization allowed by the Authority is given as under:

Rs. In Million

Sr. No.	Details of Capitalization	DERR/DRERR FY 2019-20	The Petition			Allowed
			Indigenous	RLNG	TOTAL	
1	Laying of Distribution Mains (New Town)	5,383	6,246		6,246	6,246
2	Laying of Distribution Mains (New Town) Erroneously Capitalized by petitioner in the Asset of Measuring & Regulation		1,923		1,923	1,923
3	Combing Mains	1,384	571		571	571
4	System Augmentation/H.O	811	716		716	716
5	System Augmentation/H.O (erroneously capitalized by the petitioner under the head Measuring and Regulating)		254		254	254
6	Laying of Distribution Mains on Cost Sharing Basis	2,600	244	481	725	725
7	System Rehabilitation and UFG Control Activities	1,122	944		944	944
8	New Connection (Domestic) including 10% additional Urgent Fee Connections	3,026	1,724	22	1,746	1,746
9	Industrial/Commercial Connections (Ring Fenced)	344	-	59	59	59
	Total	14,670	12,622	562	13,184	13,184

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6.7 MEASURING AND REGULATING:

6.7.1 The petitioner has capitalized Rs. 5,179 million in respect of Measuring and Regulating as per following sub-heads.

a. **Measuring and Regulating Assets for Laying of Distribution Mains Against 100 Percent Cost Recovery Basis:**

6.7.2 The petitioner has capitalized an amount of Rs. 115 Million for Measurement and Regulating assets against laying of distribution mains under 100% cost sharing basis. The capitalization amount includes Rs. 38 million against indigenous system and Rs. 77 Million for RLNG (ring fenced). It has been observed that the petitioner has capitalized an amount of Rs. 5 Million against the budget of FY 2019-20 whereas, the rest of the amount pertains to previous year's budget. The petitioner has submitted that non availability of NOCs from NHA, non-availability of material, site disputes, stay from the courts along with political interventions has resulted in delay in capitalization. ***In view of the submissions made by the petitioner and operational requirement, the Authority allows capitalization of Rs. 115 Million in respect of measurement and regulating assets on 100 percent cost sharing basis. However, the petitioner is not allowed rate of return on the capitalized amount being 100 percent cost sharing asset. Moreover, the amount allowed against RLNG system shall be treated under ring fenced mechanism.***

b. **Installation of New Connections:**

6.7.3 As discussed under the head Distribution Mains, the petitioner has installed 270,058 Nos Domestic connections during the year and has capitalized an amount of Rs. 1,615 Million in respect of Measuring and Regulating for indigenous system and Rs. 18 Million for RLNG system (ring fenced). In addition, the petitioner has capitalized an amount of Rs. 129 Million under ring fenced for 1170 Nos. industrial/ commercial consumers. ***The Authority keeping in view the operational requirement allows capitalization of Rs. 1,615 Million for indigenous system. Moreover, the Authority also allows Rs. 18 Million and Rs. 129 Million for RLNG system. The capitalized amount allowed against RLNG system shall be treated under ring fenced mechanism.***

c. **Construction of TBSs/ DRSs:**

6.7.4 The petitioner has claimed capitalization of Rs. 631 Million in respect of construction of 256 Nos. TBSs/DRSs against the allowed budget of Rs. 428 Million. In addition, the petitioner has stated that the amount of Rs. 51 Million was erroneously capitalized under the financial record for Distribution Mains against Construction of TBS/ DRS. The petitioner has further requested for consideration of the capitalized amount under the head of Measurement and Regulating.

6.7.5 It has been observed that out of total capitalization, the petitioner has been able to capitalize Rs. 426 million against budget of FY 2019-20, whereas rest of the amount is capitalized against budgets approved in previous years. The petitioner stated that non availability of material, site disputes, stay from the courts and delay in commissioning of main line has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 682 Million in respect of construction of TBS/DRSs.***

d. System Rehabilitation and UFG Control Activities:

6.7.6 The petitioner has capitalized Rs. 12 million in respect of UFG Control Activities for installation of TBS required on operational grounds for System Rehabilitation/UFG control activities. ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 12 Million in respect of installation of TBS required for system rehabilitation/ UFG Control activities.***

e. System Augmentation/ H.O:

6.7.7 The petitioner has capitalized Rs. 12 Million in respect of installation of TBS against System Augmentation/ Head Office reserves on operational grounds under the head Measuring & Regulating. ***Keeping in view the justification provided by the petitioner, the Authority allows Rs. 12 Million in respect of system augmentation/ H.O. reserves.***

f. Replacement of Old Meters:

6.7.8 The petitioner has capitalized Rs. 2,596 Million for replacement of 639,891 Nos of old meters against the allowed budget of Rs. 2,272 Million. The petitioner has submitted that the Authority has curtailed the petitioned amount based on historical capitalization amount with remarks subject to capitalization at FRR. The petitioner further added that it had proceeded with replacement of planed number of meters and the excess capitalization amount represents the escalation of cost under this head. ***In view of the***

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justification provided by the petitioner, the Authority allows capitalization of Rs. 2,596 Million for replacement of old meters.

6.7.9 ***Keeping in view the above, the Authority allows total capitalization of Rs. 5,179 million under the head of Measurement and Regulating. However, the petitioner is not entitled to rate of return on amount capitalized/ allowed by the Authority against 100% cost sharing basis. Moreover, the capitalization in respect of RLNG system shall be treated under ring-fenced mechanism.***

6.7.10 The details of capitalization allowed by the Authority is given as under:

					Rs. In Million	
Sr. No.	Details of Capitalization	FY 2019-20				
		DERR	The Petition			Allowed
		FY 2019-20	Indigenous	RLNG	TOTAL	
1	Laying of Distribution Mains on Cost Sharing Basis		38	77	115	115
2	New Connection (Domestic) Including 10% additional Urgent Fee Connections	1,902	1,615	18	1,633	1,633
3	Industrial/Commercial Connections (Ring Fenced)	383	-	129	129	129
4	Construction of TBS/DRs	453	631		631	631
5	Construction of TBS/DRs (erroneously capitalized under the head Distribution Mains		51		51	51
6	System Rehabilitation and UFG Control Activities		12		12	12
7	System Augmentation/H.O Reserves		12		12	12
8	Replacement of old Meters	2,272	2,596		2,596	2,596
	Total	5,010	4,954	225	5,179	5,179

6.8 PLANT, MACHINERY, EQUIPMENT AND OTHER ASSETS:

6.8.1 The Petitioner has capitalized an amount of Rs. 1,214 Million in respect of plant, machinery, equipment and other assets. The petitioner out of total capitalization has capitalized Rs. 1,212 Million in respect of indigenous system and Rs. 2 Million represents capitalization under LNG Projects as per following sub-heads.

a. Telecom Equipment:

6.8.2 The Petitioner has capitalized an amount of Rs. 14 Million with respect to telecom equipment pertaining to capitalization of previous year's budget. The petitioner has stated that procurements against this budget are in progress and likely will be matured in FY 2020-21. In addition, the petitioner has stated that non responsive tendering process, refloating of tenders and delay in delivery/ commissioning / testing time has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs. 14 Million in respect of Telecom Equipment.***

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b. Plant and Machinery:

6.8.3 The petitioner has capitalized an amount Rs. 272 Million against plant and machinery that include Rs. 270 Million against indigenous supply and Rs. 2 Million against RLNG system. It has been observed that out of the total capitalization, only Rs. 8 million has been capitalized against budget of FY 2019-20, whereas, rest of the capitalized amount pertains to previous year's budgets. The amount capitalized against RLNG system is for equipment related to LNG-I project that includes single impeller water pump with motor. In addition, the petitioner has stated that non responsive tendering process, refloating of tenders and delay in delivery/ commissioning / testing time has resulted in delay in capitalization. ***In view of the justification provided, the Authority allows capitalization of Rs. 272 Million against plant and machinery that includes capitalized amount of Rs. 270 Million for indigenous system and Rs. 2 Million against RLNG system. The amount allowed against RLNG system is to be treated against RLNG ring fenced mechanism.***

c. Tools and Equipment:

6.8.4 The petitioner has claimed Rs. 29 Million against Tools and Equipment. It has been observed that out of the total capitalization, only Rs. 1 million has been capitalized against budget of FY 2019-20, whereas, rest of the amount has been capitalized against previous year's budgets. The petitioner has stated that non responsive tendering process and refloating of tenders has resulted in delay in capitalization. ***In view of the justification provided, the Authority allows capitalization of Rs. 29 Million against tools and equipment.***

d. Motor Vehicles:

6.8.5 The petitioner has claimed capitalization of Rs. 340 Million against motor vehicles. It has been observed that out of total capitalization, only Rs. 73 million is capitalized against budget of FY 2019-20, whereas, rest of the amount has been capitalized against previous years budgets. The petitioner has stated that to avail the economy of scale procurement process against the total budget sanctioned for the year was initiated at once. However, owing to more delivery time involved/taken by supplier, capitalization is delayed. ***In view of the justification provided, the Authority allows capitalization of Rs. 340 Million against motor vehicles.***

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e. **Construction Equipment:**

6.8.6 The petitioner has claimed capitalization of Rs. 336 Million against construction equipment. It has been observed that the capitalization is in respect of previous year's budgets. The petitioner has stated that delay in delivery by supplier has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs. 336 Million against construction equipment.***

f. **Furniture and Fixture:**

6.8.7 The petitioner has claimed capitalization of Rs. 21 Million against furniture and fixtures. It has been observed that out of the total capitalization, only Rs. 4 million is capitalized against budget of FY 2019-20, whereas, rest of the amount has been capitalized against previous year's budgets. The petitioner has stated that prequalification of suppliers, centralized procurements and bulk supplies has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs. 21 Million against furniture and fixtures.***

g. **Office Equipment:**

6.8.8 The petitioner has claimed capitalization of an amount of Rs. 16 Million against office equipment and security systems. It has been observed that out of the total capitalization, only Rs. 2 million is capitalized against budget of FY 2019-20, whereas, rest of the amount has been capitalized against previous years budgets. The petitioner has stated that Non responsive tendering process, re-flotation of tenders and delayed delivery/commissioning time has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs 16 Million against office equipment and security systems.***

h. **Computer Hardware:**

6.8.9 The petitioner has capitalized an amount of Rs. 183 Million against computer hardware. It has been observed that out of the total capitalization, only Rs. 37 Million is capitalized against budget of FY 2019-20, whereas, rest of the amount has been capitalized against previous year's budgets. The petitioner has stated that considerable time taken, being an imported item and testing/ training procedures after delivery of equipment has delayed capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs 183 Million against computer hardware.***

i. Computer Software/ Intangible Items:

6.8.10 The petitioner has capitalized an amount of Rs. 4 Million against computer software/ intangible items. It has been observed that capitalization is in respect of previous year's budgets. The petitioner has stated that lengthy tendering process/ refloating of tender has caused delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs 4 Million against computer software and intangible items.***

6.8.11 ***The details of capitalization allowed by the Authority is as under:***

						Rs. In Million
Sr. No.	Details of Capitalization	FY 2019-20				
		DERR/DRERR	The Petition			Allowed
		FY 2019-20	Indigenous	RLNG	Total	
1	Telecom Equipment	29	14	-	14	14
2	Plant & Machinery	358	270	2	272	272
3	Tools & Equipment	28	29	-	29	29
4	Motor Vehicles	177	340		340	340
5	Construction Equipment	187	336	-	336	336
6	Furniture & Fixture	33	21		21	21
7	Office Equipment /Security Equipment	15	16		16	16
8	Computer Hardware	190	183		183	183
9	Computer Software/ Intangible Items	79	4		4	4
	Total	1,096	1,212	2	1,214	1,214

6.9 SUMMARY OF ASSETS ALLOWED BY THE AUTHORITY:

6.9.1 The details of Assets Allowed by the Authority are given as under:

							Rs. In Million
Sr. No.	Particulars	Petition FY 2019-20			Determined FY 2019-20		
		Normal	RLNG	Total	Normal	RLNG	Total
1	Freehold land	78		78	52		52
2	Building on Free Hold land	79		79	79		79
3	Building on Lease Hold land	16		16	16		16
4	Transmission Mains	2,105	4,365	6,470	2,105	4,365	6,470
5	Compression	564	468	1032	564	468	1032
6	Distribution Mains	12,622	562	13,184	12,622	562	13,184
7	Measuring and Regulating	4,954	225	5,179	4,954	225	5,179
	Sub Total	20,417	5,620	26,037	20,391	5,620	26,011
8	Telecommunication Equipment	14	0	14	14		14
9	Plant & Machinery	270	2	272	270	2	272
10	Tools & Equipment	29		29	29		29
11	Motor Vehicles	340		340	340		340
12	Construction Equipment	336		336	336		336
13	Furniture & Fixture	21		21	21		21
14	Office Equipment	16		16	16		16
15	Computer Hardware	183		183	183		183
16	Computer System Software / Intangible Assets	4		4	4		4
	Sub Total	1,212	2	1,214	1,212	2	1,214
17	Advance for Land	-83		-83	-83		-83
	Grand Total	21,546	5,622	27,168	21,520	5,622	27,142

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6.9.2 The Authority notes that air-mix LPG assets amounting to Rs. 145 million were inadvertently included in closing fixed Assets for FRR for FY 2018-19. Accordingly, the same are re-adjusted and excluded from the opening assets of the said year. Accordingly, net operating fixed assets at beginning are determined at Rs. 127,160 million as against Rs. 127,305 million claimed by the petitioner.

6.9.3 ***In view of the discussion made in respect of assets capitalization, the net closing fixed assets are determined at Rs. 133,354 million as against the petitioner's claim of Rs. 133,617 million for the said year.***

7 Operating Revenues

i) Operating Revenue

7.2 Total operating revenues have been claimed at Rs. 197,910 million in the petition, as against Rs. 244,155 million in RERR for the said year, as detailed below:

Table 7: Comparison of Operating Revenues with RERR & Previous Year

Rs. In Million

Description	FY 2018-19	FY 2019-20		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Sale at current prescribed price	174,124	228,763	184,257	(44,506)	-19%
Meter rental and service charges	2,022	2,391	2,140	(251)	-10%
Late payment surcharge and interest on arrears	9,393	6,445	7,614	1,169	18%
Amorization of deffered credit	1,625	3,512	2,369	(1,143)	-33%
Other operating income	1,447	3,044	1,530	(1,514)	-50%
Net Operating Revenues	**188,611**	**244,155**	**197,910**	**(46,245)**	**-19%**

ii) Sales Volume

7.3 The sales volume has dropped to 347,499 BBTU, witnessing a decrease of 8% for the said year, as against 376,576 BBTU per RERR for the said year. Category-wise comparison with previous year has been provided by the petitioner as under:

Table 8: Comparison of Category-wise Sales Volume with RERR & Previous Year

BBTU

Category	FY 2018-19	FY 2019-20		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Power including IPPs	57,642	40,807	23,957	(16,850)	-41%
Fertiizer (Fuel & Feed)	33,800	31,300	31,782	482	2%
Cement	142	737	139	(598)	-81%
Gen. Industry	17,699	32,364	9,141	(23,223)	-72%
CNG	27,015	25,812	21,906	(3,906)	-15%
Commercial	18,409	21,018	13,138	(7,880)	-37%
Sp. Commercial	1,087	369	2,937	2,568	696%
Domestic	200,922	177,652	209,696	32,044	18%
Bulk Domestic	13,953	14,012	13,707	(305)	-2%
Zero Rated	16,463	32,506	21,096	(11,410)	-35%
Grand Total	**387,132**	**376,577**	**347,499**	**(29,078)**	**-8%**

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7.4 The petitioner has explained that 8% reduction in sales volume over RERR is mainly due to supply constraints coupled with pandemic covid-19 and gradual switching of energy consumption on RLNG. The petitioner has argued that gas consumption by zero-rated (textile), CNG, Commercial, Cement and General Industries got severely hit during covid-19 pandemic in 2nd half of the said year. However, gas consumption by domestic consumers increased owing to switching of the indigenous consumers to RLNG volumes.

7.5 In *view of above, the Authority accepts the sales volume at 347,499 BBTU for as reported by the petitioner for the said year.*

iii) Sales Revenue at Prescribe Price

7.6 The petitioner has submitted the sales revenue at Rs. 184,257 million as against Rs. 188,738 million projected at the time of RERR, showing decrease of 2%. Category-wise comparison with RERR and previous year is given below:

Table 9: Historical Comparison of Category-wise Sales Revenue per the petition

Rs. in Million

Category	FY 2018-19	FY 2019-20		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Power including IPPs	40,834	30,914	23,461	(7,453)	-24%
Fertilizer (Fuel & Feed)	5,584	7,512	5,686	(1,826)	-24%
Cement	128	719	176	(543)	-76%
Gen. Industry	12,635	25,244	9,152	(16,092)	-64%
CNG	24,519	25,296	28,139	2,843	11%
Commercial	16,888	20,952	19,359	(1,593)	-8%
Domestic	65,917	58,597	70,900	12,303	21%
Bulk Domestic	-	-	10,747	10,747	
Zero Rated	9,891	19,504	16,637	(2,867)	-15%
Grand Total:	**176,396**	**188,738**	**184,257**	**(4,481)**	**-2%**

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

7.8 *In view of above, the Authority accepts the sales revenue at prescribed price Rs. 184,257 million for the said year.*

iv) Other Operating Income

7.9 The petitioner has reported other operating income at Rs. 13,653 million for the said year as against Rs. 15,392 million per RERR for the said year. Item-wise comparison is as under:

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Table 10: Historical Comparison of Other Operating Income

Rs. In Million

Description	FY 2018-19	FY 2019-20		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Meter rental and service charges	2,022	2,391	2,140	(251)	-10%
Late payment surcharge and interest on arrears	9,393	6,445	7,614	1,169	18%
Amorization of deffered credit	1,625	3,512	2,369	(1,143)	-33%
Other operating income	1,447	3,044	1,530	(1,514)	-50%
Net Operating Revenues	**14,487**	**15,392**	**13,653**	**(1,739)**	**-11%**

7.10 The petitioner has submitted that overall 11% reduction in net operating revenues has been witnessed mainly due to over-projection done by OGRA at the time of DERR for the said year under the sub-head of "other operating income". The petitioner has argued that revenues has now been reported on actual basis during the activities held during the said year.

7.11 Regarding late payment surcharge and interest on arrears, the petitioner has explained that Honorable Supreme Court of Pakistan, in the matter of GIDC, has decided to waive LPS accrued on GIDC. Accordingly, adjustments have been made in pursuance thereof. Any further adjustment, if arises, shall be made in forthcoming petition by the petitioner. The petitioner has, however, informed that 18% increase over RERR on account of LPS is mainly due to increase in trade debts.

7.12 The Authority as per para 16.7 decides to include Rs. 456 million being RLNG transportation income arisen under TPA Rules, 2018 as operating income for the said year.

7.13 ***In view of above, the Authority accepts the operating income under this head at Rs. 14,109 million for the said year as per table below;***

Table 11: Other Income Determined by The Authority

Rs. in Million

Description	FY 2019-20	
	The Petition	Determined by the Authoriy
Meter rental and service charges	2,140	2,140
Late payment surcharge and interest on arrears	7,614	7,614
Amorization of deffered credit	2,369	2,369
Other operating income	1,530	1,530
Transportation Income	-	456
Net Operating Revenues	13,653	14,109

8 Indigenous Gas Diversion to RLNG consumers

8.2 The petitioner has submitted that it has been swapping RLNG gas volume to indigenous consumers due to increased demand and severe winter season as gas reserves are depleting during the said year.

8.3 The petitioner has informed that a volume of 39,551 MMBTU of RLNG have been sold as indigenous gas to domestic and commercial consumers as at June 30, 2020. The petitioner has recorded the cost of RLNG swapping at Rs. 16,663 million on average sale price of domestic and commercial consumers (@ Rs. 421.30 per MMBtu) in the average cost of gas sold.

8.4 The Authority notes that ECC, in case ECC-286/31/2020 dated July 03, 2020 had advised OGRA to allow the recovery of RLNG revenue shortfall, subject to verification of volume supplied to domestic and commercial consumers by OGRA. Accordingly, the Authority, in pursuance of ECC decision, has already initiated the process of conducting audit of entire supply chain through an international reputed firm. ***In view of the same, the Authority decides to adopt the volumes as claimed by the petitioner on provisional basis subject to final outcome of the audit. Accordingly, the Authority decides to include RLNG diversion cost as part of cost of gas sold at Rs. 20,955 million, calculated at average sale price of Rs. 529.82/MMBTU for the said year in the light of its earlier decision per FRR FY 2018-19. Any adjustment, based on volumes or otherwise shall be considered in future determinations.***

9 Cost of Gas

9.2 The petitioner has claimed cost of gas sold as per initialed accounts at Rs. 192,534 million (net of GIC) for the said year. The petitioner has explained that cost of gas has been worked out on the basis of its respective field-wise purchases (net of GIC) since national Weighted Average Cost of Gas (WACOG) has been put in abeyance in accordance with the decision of the FG effective May 18, 2018.

9.3 The petitioner has worked out its respective WACOG at Rs. 461.13/MMCF (i.e. Rs. 487.74/MMBTU) based on local gas purchases volume. RLNG volume, diverted to domestic and commercial consumers to meet their demand under gas load management, has also been included to calculate cost of gas sold.

9.4 The Authority observes that in the light of discussion at para 8.4 above, the cost of RLNG diversion is included as cost of gas sold for the said year.

9.5 ***In view of the above, the Authority determines the cost of gas sold at Rs. 196,826 million for the said year. The field-wise gross purchases is provided at Annex C.***

10 Unaccounted for Gas:

10.2 The petitioner has reported UFG at 12.20 % (47,805 MMCF) for the said year. In addition, the petitioner submitted that gas carried for PPL and POL is 139 and 130 MMCF respectively.

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The petitioner has also reported that 6,438 MMCF gas has been transported to Pak Arab as third-party volume in accordance with agreement signed with them.

i. **Energy Equivalence:**

10.3 The petitioner has provided detailed calculations for Energy Equivalence Volume i.e., 14,068 MMCF which includes energy equivalence related to PFC Consumers (8671 MMCF) and Energy Equivalence Volume of (5396 MMCF) in Distribution System.

10.4 The petitioner w.r.t. Energy Equivalence added that Indigenous Gas and RLNG have different GCV due to receipt of gas from different sources. RLNG is high GCV gas whereas indigenous gas GCV is less. However due to same pipeline these gases are mixed and commingled gas is supplied to consumers at GCV which 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 GCV 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.

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

10.5 The petitioner has reported GIC of 2,506 MMCF in the cost of gas sold statement, the break-up of the same is provided as under;

Table 12: Historical Analysis of GIC

				In MMCF
Description	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Transmission	2,853	2,265	1,697	1,432
Distribution	989	1,147	660	1,074
Total	3,842	3,412	2,357	2,506

10.6 GIC in transmission is 1,432 MMCF and comprises mainly of compression fuel being used in compressor stations, residential colonies, coating plants, ruptures and depressurizing etc; whereas GIC in distribution system is 1,074 MMCF (including Free Gas Facility, Co-generation, sabotage and purging).

10.7 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, Abbottabad areas etc, whereas indigenous gas from Southern sources and Swap Gas in lieu of RLNG has to be compressed, by using

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Compression Stations situated in Southern part of the system for transportation of the same to consumption centers of Multan, Faisalabad, Sheikhupura and Lahore areas. System Use Gas (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.

10.8 The Authority observes that out of total 2,506 MMCF gas on account of GIC, the petitioner has allocated 1178 MMCF gas to 'Compression' under this head amounting to Rs. 543 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 1074 MMCF (including Free Gas Facility, Co-generation, sabotage and purging) as summarized below:

System	Summary	Mcf	Amount(Rs.)
Transmission	Used in Offices	74,035	34,145,384
	Compressors	1,177,670	543,148,509
	Rupture	33,108	21,586,283
	Others	38,303	11,348,894
	Coating Plant	109,119	50,326,331
Transmission Total		**1,432,235**	**660,555,401**
Distribution	Used in Offices	57,125	26,346,576
	FGF	478,683	220,771,351
	Rupture	417,580	192,590,145
	Others	33,564	15,480,143
	Power Generation	86,624	39,951,522
Distribution Total		**1,073,576**	**495,139,737**
Total system GIC		**2,505,812**	**1,155,695,138**

10.9 ***In view of above, the Authority accepts the petitioner's claim at Rs. 543 million for the said year.***

iii. **Pressure factor Adjustment in UFG:**

10.10 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"*

10.11 In addition to above, the Authority vide 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

> *"6.3.2: The Authority, therefore, once again directs 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.

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."

10.12 The petitioner in compliance of the decisions of the Authority has excluded the volume of 2,982 MMCF due to pressure factor adjustment from the gas sales.

iv. **Performance as per KMI:**

10.13 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).

10.14 The petitioner along with implementation status of the KMI's has also submitted an Audit Report of Yousuf Adil, Chartered Accountants regarding KMI's for UFG Benchmark, which were considered by the Authority. The Authority has carried out in depth analysis and assessment of KMIs based on the information provided by the petitioner and observation of Auditor M/s Yousaf Adil. The Authority observes that the petitioner has claimed 99.908 % achievement in respect of its KMI implementation. However, the same cannot be substantiated in physical ***terms*** since there has been no tangible improvement/ reduction in UFG even though hefty expenditures have been allowed in the past years for reduction in UFG over and above all other related costs as contributed by consumers. Accordingly, based on the performance of the petitioner and assessment of KMIs, the allowance on this account has been worked out as 1.980 % and is incorporated in the UFG sheet.

v. **Loss due to sabotage activity/ruptures/unmetered:**

10.15 The petitioner has also claimed volume of 33 MMCF and 418 MMCF against '***sabotage*** activity/ruptures' 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.***

10.16 ***In view of the above, volume on account of rupture comes to 451 MMCF. Consequently, Rs. 214 million claimed under the head of other T&D is also disallowed.***

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Table 13: UFG Sheet

UFG CALCULATION SHEET					
		FRR 2019-20			
		As per Petition		As Calculated	
Gas Purchases		Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers	Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers
Transmission System		Volume (MMCF)		Volume (MMCF)	
(Gas Received) In Transmission Indigenous	A1	391,802		391,802	
Gas Received in Transmission RLNG			305,526		305,526
Taken out (+) Taken in (-) or (Line Pack)	B	39	702	39	702
Net Gas Received In Trans. System	C=A1+B	391,841	306,229	391,841	306,229
Gas used in operation of Tran. Sys. RLNG			(2,806)		(2,806)
Gas used in operation of Tran. Sys. (Indigenous gas)	D	(1,432)		(1,399)	
(i) Compression		(1,178)		(1,178)	
(ii) Residential Colonies		(74)		(74)	
(ii) Coating Plant		(109)		(109)	
(iii) Ruptures/Sabotage		(33)			
(iv) Other usage Depressurization purging etc		(38)		(38)	
Gas Available in Transmission System	E=C+D	390,409	303,423	390,442	303,423
Energy Equivalence Volume related to PFC consumers	F	(8,671)	8,671	- 8,671	8,671
Gas passed to Dist. System and sold to PFC	G	60,493	177,828	60,493	177,828
RLNG Stock Additional sale of LNG or vice versa	H	(22,121)	22,121	- 22,121	22,121
Gas passed to Distribution system through SMS	I	339,443	110,608	339,443	110,608
Loss in Tansmission System	J=E+F-G-H-I	3,923	1,536	3,956	1,536
% Loss or Gain in Transmission Sytem	K=J/C*100	1.00	0.50	1.01	0.50
Distribution System					
Gas Received in Dist. System (Through SMS)	A2	339,443	110,608	339,443	110,608
Gas carried for PPL	B	(139)		- 139	
Gas carried/consumed for Pak Arab	B1	(6,438)		- 6,438	
Gas carried for POL	C	(130)		- 130	
Energy Equalence Volume - Distribution	D	(5,396)	5,396	- 5,396	5,396
Gas internally consumed in **Distribution System (GIC)**	E	(1,074)		- 656	
(i) Free Gas Facility		(479)		- 479	
(ii) Co-Generation & Co -offices		(144)		- 144	
(iii) Sabotage		(418)			
(v) Purging		(34)		- 34	
(Gas available for Sale in Dist. Sytem)	F=A2+B+B1+C+D+E	326,266	116,004	326,683	116,004
Gas Sold					
Billed	G	313,558	87,107	313,558	87,107
Unrecovered Pilferage Volume reversed	H	- 12,130		-12,130	
Less: Pressure factor adjustment	I	- 2,982		-2,982	
RLNG Swap/diversion of LNG or vice versa	J	- 16,063	16,063	- 16,063	16,063
Gas sold but not Billed previous					
Gas sold but not Billed current					
Gas Delivered (Net Gas Sold)	K=G+H+I+J	282,383	103,170	282,383	103,170
Loss in Distribution System	L	43,883	12,834	44,300	12,834
% age Loss in Distribution Sytem	M=L/A2*100	12.93	11.60	13.05	11.60
Total UFG Volume (Transmission + Distribution)	N=J+L	47,805	14,371	48,256	14,371
Total % age UFG (Transmission + Distribution)	O=N/A1*100	12.20	4.70	12.32	
Working disallowance for SNGPL					
Gas Received (Gas available for Sale in Dist.		391,802		391802	
UFG Benchmark (Percentage)	5%			5%	
Local Conditions Allowance Percentage (Maximum)	2.6%			1.980%	
Allowed UFG Percentage	7.6%			6.98%	
Allowed UFG Volume (MMCF)				27,348	
UFG Invalid Claim (MMCF)				20,908	
SNGPL'S WACOG Rs. per MMCF				541.54	
Rs. in Million				11,323	
UFG Adjustment for FY 2018-19				419	

10.17 The Authority notes that SSGCL accounts for FY 2019-20 has yet not been audited, therefore, estimated WACOG has been used to compute UFG adjustment. *Accordingly, UFG adjustment works out to Rs. 11,323 million for the said year. Any further adjustment, based on national WACOG shall be made in forthcoming FRR's decision.*

10.18 *Further, based on SSGCL's WACOG FY 2018-19, national WACOG is computed Rs. 511.49/MMCF. Accordingly, additional UFG adjustment as per para 9.5.2 of FRR FY 2018-19 has been made to the tune of ~~amount~~ of Rs. 419 million (i.e. Rs. (11,117 -10,698) million).*

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11 Transmission and Distribution Cost

i. Summary

11.2 The petitioner claimed Rs. 16,523 million, including GIC, against the total transmission and distribution cost incurred Rs. 27,816 million, after allocating/apportioning Rs. 11,516 million to RLNG segment, as compared below:

Table 14: Comparison of T & D Cost with RERR and Previous Year

(Rs. in million)

Sr. No.	Description	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 The Petition	Diff Inc/(dec) over RERR Rs.	Diff Inc/(dec) over RERR %
1	HR Cost including IAS-19	15,036	16,922	16,974	52	0.31%
2	Rent, Rates, Royalty, Electricity and Telephones	563	541	596	55	10%
3	Transport expenses	942	810	920	110	14%
4	Fuel & Power	398	401	469	68	17%
5	Legal and Professional services	195	203	245	42	21%
6	Advertisement & publicity	208	198	235	37	19%
7	Protective clothing & Supplies	49	43	53	10	23%
8	Board Meeting and directors expenses	55	29	70	41	141%
9	Corporate Social Responsibility	11	10	48	38	380%
10	Other expenses	143	179	398	219	122%
11	Stores & spares consumed	719	892	484	(408)	-46%
12	Repairs & maintenance of system	1,353	1,580	1,519	(61)	-4%
13	Stationery, telegrams and postage	160	204	190	(14)	-7%
14	Travelling expenses	194	163	162	(1)	-1%
15	Insurance	221	235	245	10	4%
16	Dispatch of Gas Bills	124	140	133	(7)	-5%
17	ISO 14001 & OHSAS Certification	5	5	4	(1)	-20%
18	Gas bills collection charges	460	540	533	(7)	-1%
19	Gathering charges of collection data	50	55	41	(14)	-25%
20	Recovery through Contractor (Disconnected consumers)	9	-	10	10	
21	Staff Recruiting expenses	12	12	4	(8)	-67%
22	Staff Training Expenses	-	55	40	(15)	-27%
23	Security expenses	898	1,000	1,264	264	26%
24	Provision for doubtful debts	1,088	1,539	1,853	314	20%
25	Sponsorship of Chairs for Universities	8	10	8	(2)	-20%
26	KMI Implementation Plan FY 2021-22/ UFG Control Activities	994	-	947	947	
27	Outsourcing of Call Centre	24	27	26	(1)	-4%
28	Sports cell expenses / Annual Sports	88	88	36	(52)	-59%
29	OGRA fee	254	291	290	(1)	0%
30	Bank charges	8	12	9	(3)	-25%
31	Facilities provided by other companies	7	10	10	-	0%
	Gross T&D (excl. GIC)	24,276	26,194	27,816	1,622	6%
33	Less Allocation to CWIP (Other than HR Cost)	(266)	(1,234)	(320)	914	-74%
34	Less Allocation to RLNG	-	-	(11,516)	(11,516)	0%
35	Net T&D Cost (excl. CWIP & RLNG)	24,010	24,960	15,980	(8,980)	-36%
36	Gas internally consumed – indigenous	529	1,216	543	(673)	-55%
	Net T&D Cost	24,539	26,176	16,523	(9,653)	-37%

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

ii. Human Resource Cost

11.4 The petitioner has claimed increase of 0.31% because of HR cost from Rs. 16,974 million including IAS cost Rs. 274 million as against the amount allowed at Rs. 16,922 million in RERR for the said year. The petitioner, in pursuance of Authority's earlier directions, has provided its Auditor's certificate in respect of HR cost, thereby confirming actual HR cost including IAS-19 at Rs. 16,974 million for the said year. The

Auditor has further confirmed that Rs. 3,490 million has also been capitalized/charged to CWIP during the said year.

11.5 The Authority notes with serious concern that HR cost is around 96% of the net T&D cost related to indigenous supplies. Consistent increase in HR related cost besides Authority's clear direction raises questions of petitioner's attitude towards its compliance. In this regard, decision of FRR FY 2018-19 is referred, wherein the petitioner was advised to rationalize the costs including post retirement obligation. In case, the company intends to continue with its existing policies w.r.t club membership, subscription, tea/coffee, long service award & post retirement obligations, the same must be met from its own profit.

11.6 The Authority observes that at the time of DERR for the said year, HR cost was allowed based on HR benchmark parameters on provisional basis. The same parameters have been extended for the purpose of computation of HR cost for the said year. ***Accordingly, HR cost is computed at Rs. 16,597 million with IAS-19 Rs. 274 million. Out of total HR cost, Rs. 1,010 million relating to HR cost has been charged RLNG cost of service, being incremental cost for the said year per Annex D. The concept of sharing of surplus / shortfall has already been abandoned by the Authority per para 10.1.6 of FRR FY 2018-19.***

iii. Repair & Maintenance

11.7 The Petitioner claimed an amount of Rs. 1,519 million on account of Repair and Maintenance costs as against Rs. 1,580 Million provided in RERR for the said year. The comparison is given as under;

Table 15: Historical Comparison of Repair & Maintenance Activities

			Rs. In Million		
Description	2017-18	2018-19	2019-20		
	Gross	Gross	DERR	Gross	Net
Compression	19	19	24	17	17
Transmission	88	39	137	44	44
Distribution	828	805	1,001	861	837
Others (incl H.O. & service depts.)	407	491	418	597	546
Total	1,341	1,353	1,580	1,519	1,443

11.8 The petitioner in respect of transmission has added that due to unavailability of coating material (Coal Tar Enamel), recoating /rehabilitation activities on transmission lines could not be carried out in last two years. The petitioner further

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submitted that recoating works are now scheduled during FY 2020-21 with alternate material i.e. cold applied polymeric tapes and the expense will reflect accordingly.

11.9 In respect of Distribution system, the petitioner has stated that actual expense amounting to Rs. 861 million includes an amount of Rs. 28 million on account of domestic meter inspection shops (DMIS). The petitioner added that DMIS activity was previously part of UFG control activities (KMI implementation plan) and was reported under that head. However, from FY 2019-20 this activity is being reported in regular repairs & maintenance budget. The petitioner, in respect of KMI No. 12 regarding testing of minimum-billed replaced meters has added that the said KMI do not cover all the activities performed in DMIS, therefore the expenses related to repair and maintenance has been included under the said head.

11.10 The Authority observes that expense in respect of head "Other including HO reserves" has increased over the allowed amount at the time of ERR. The petitioner submitted that major payments under this covers operational expenses like Service Level Agreements, IT related licenses like ORACLE Financials, IBM Lotus, CC&B ERP services & its storage and their related supports / software's. These payments are to be made in US Dollars on annual basis. The expense has increased significantly owing to the significant increase in USD as compared to Pak Rupee.

11.11 ***In view of the justification provided by the petitioner and operational requirement, the Authority allows expenditure of Rs. 1,519 Million in respect of various heads of Repair & Maintenance for the said year.***

iv. **Budget Against UFG Control Activities:**

11.12 The petitioner has claimed capitalization of Rs. 947 Million in respect of budget for UFG control activities. The petitioner submitted that the Authority has pended the budget under this head at the time of ERR. The petitioner has further stated that the UFG control activities were adversely affected by COVID-19 in the second half of the financial year, therefore, considering the safety of employees (field staff) rotation policy was implemented to run key operations and only limited staff was performing duties on daily basis.

11.13 The Authority at the time of ERR pended the expenses under the head UFG control related activities since the petitioner was not able to justify the expenses in the absence of specific details. The petitioner in its petition for FRR has provided breakup of the expenses incurred in respect of various UFG control activities.

11.14 Keeping *in view the operational requirement and to control UFG, the Authority allows Rs. 947 Million in respect of budget for UFG Control Activities.*

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

11.15 The petitioner has claimed Rs. 597 million on account of "Rent, Rates, Electricity and Taxes" for the said year as against Rs. 516 million provided in DERR for the said year, showing an increase of 10%. The comparison is given below:

Table 16: Historical Comparison of Rent, Rates, Electricity and Taxes expenses

					Rs. In Million	
Particular	**FY 2017-18 FRR**	**FY 2018-19 FRR**	**FY 2019-20 RERR**	**FY 2019-20 Petition**	**Inc/Dec over DERR FY 2019-20**	
Rent	232	250	247	314	66.8	27%
Royalty/ Internet services	43	45	45	41	(3.9)	-9%
Telephone	54	60	60	41	(19.0)	-32%
Electricity	123	135	165	177	12.5	8%
Pakistan Railway (line crossing charges)	1	50		-	-	
Water Conservancy	5	6	6	6	(0.4)	-7%
Vehicles rates and taxes	14	18	18	18	(0.1)	0%
Others	8				-	
Total:	**480**	**564**	**541**	**597**	**56.0**	**10%**

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

11.17 The Authority observes that normally increase under the head of "Rent" is around 5-8% annually. Therefore, 27% increase over RERR is not defendable. The rent of the buildings and such all kinds of expenses are administrative expenses, not the core activity of the operation. The petitioner, being a public sector Company, must be cognizant while increasing its controllable expenditures. The petitioner, therefore, should always attempt to decrease such expenses to the possible extent.

11.18 ***In view of above, the Authority restricts the "Rent" at Rs. 270 million (i.e. plus 8% increase over FRR-FY 2018-19) for the said year.*** Furthermore, the Authority directs the petitioner to take appropriate steps while hiring/leasing the premises in the light of provisions of Punjab Rented Premises Act, 2009 as advised by PPRA.

11.19 ***In view of above, the Authority determines the amount under this head "Rent, Rates, Electricity and Taxes" at Rs. 553 million for the said year.***

vi. **Legal and Professional Charges**

11.20 The petitioner has claimed expenditure of Rs. 245 million on account of "Legal & Professional Charges" for the said year as against Rs. 203 million provided in RERR for the said year, showing an increase of 21%. The comparison is given below:

Table 17: Historical Comparison of Legal & Professional Charges Expenses

Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
					Rs. In Million	
Legal	174	132	145	194	49	33%
Professional	30	30	25	18	(7)	-27%
Tax	5	13	9	14	5	60%
Audit	8	11	9	8	(1)	-7%
Apprenticeship/Scholarship	8	7	12	8	(4)	-36%
Others	2	3	3	3	(0)	-14%
Total:	227	195	203	245	42	21%

11.21 Under the head "Legal", the petitioner has submitted that at the time of RERR the allowed budget is even lesser than the actual expenditure of FY 2018-19. However, in the case of other professional charges such as litigation, advocate fee, court fee, skill gap analysis and tax consultancies has been maintained at reasonable level.

11.22 The Authority observes that the company was directed to avoid unnecessary litigation and reduce Legal expenses by utilizing in-house expertise/resources for litigation, being public utility company. The Authority, considering consistent increase in past decides to restrict legal expenses at RERR Rs. 145 million for the said year.

11.23 ***In view of above, the Authority determines the expenditure Rs. 196 million under the head "legal, and professional charges" for the said year.***

vii. **Advertisement and Publicity**

11.24 The petitioner has claimed Rs. 235 million under the head "Advertisement and Publicity expenses" for the said year as against Rs. 198 million provided in RERR for the said year, showing as increase of 19%. The historical comparison is as under;

Table 18: Historical Comparison of Advertisement & Publicity

Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
					Rs. In Million	
Advertisement & publicity	189	208	198	235	37	19%
Total:	189	208	198	235	37	19%

11.25 The petitioner has submitted that in the wake of awareness campaign of gas leakage and anti-Gas theft was launch for general consumer with the view to reduced such losses, advertisement expenses has been incurred during the year.

11.26 The Authority observes that the petitioner was already allowed 10% increase over RERR FY 2018-19 i.e. Rs. 198 million to cater enhanced requirement for advertisement. However, the petitioner made excessive spending under this account

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without providing tangible results and valid justification. ***In view of the same, the Authority decides to keep it at RERR for FY 2019-20 Rs. 198 million for the said year.***

viii. Security Expenses

11.27 The petitioner has claimed Rs. 1,264 million under the head "Security expenses" for the said year as against Rs. 1,000 million provided in RERR for the said year, showing as increase of 26%. The historical comparison is as under;

Table 19: Comparison of Security Expenses with Previous Years

					Rs. In Million	
Particular	FY 2017-18	FY 2018-19	FY 2019-20		Inc/Dec over RERR FY 2019-20	
	FRR	FRR	RERR	The Petition		
Security forces	609	656	670	916	246	37%
Security guards	298	243	330	348	18	5%
Total:	907	898	1,000	1,264	264	26%

11.28 The petitioner has submitted that security agreements has been finalized with security agencies after due deliberation and bidding process. These agreements are revised on annual basis. Accordingly, the lowest bidder is then granted the contract for providing security services. Detailed breakup of security forces expenses is as under:

Table 20: breakup of Security Forces Expenses with Previous Years

		Rs in million		
Description	FY 2018-19	FY 2019-20	Inc/(dec) over FY 2018-19	
Pakistan Rangers (Punjab)	133	108	(25)	-19%
Pakistan Rangers (Sindh)	-	103	103	
DCO Dera Bughti	14	15	1	9%
DPO Kashmore	9	5	(4)	-42%
Border Military Police	1	1	0.06	11%
Frontier Cops - Balochistan	16	15	(2)	-11%
HQ Frontier Constabulary- NWFP	127	75	(52)	-41%
Private Security Agencies	332	563	231	70%
Transport Expenses	21	27	6	29%
Others	4	4	0.33	9%
Total	656	916	260	40%

11.29 The Authority notes that petitioner has reported 37% increase under security forces over RERR for the said year. The perusal of information reveals that out of Rs. 916 million, Rs. 563 million has been reported under the sub-head of private security agencies for which no concrete justification has been provided by the petitioner. ***In view of the same, the Authority restricts it at the level of RERR i.e. Rs. 670 million.***

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11.30 ***In view of the above, the Authority decides to allow Rs. 1,018 million under the head of security expenses for the said year.***

ix. **Provision for Doubtful Debts**

11.31 The petitioner has claimed Rs. 1,854 million on account of provision for doubtful debts, as against Rs. 1,539 million determined in RERR, showing an increase of 20%.

Table 21: Comparison of Provision for Doubtful Debts with Previous Years.

					Rs. In Million	
Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
Provision for Doubtful Debts	1,584	1,088	1,539	1,854	315	20%
Total:	1,584	1,088	1,539	1,854	315	20%

11.32 The petitioner has submitted that out of Rs. 1,854 million, Rs. 611 million relates to the provision in respect of Expected Credit Loss (ECL) from gas debtors.

11.33 The Authority notes that the matter in respect of adoption of IFRS-9 with respect to ECL method has exhaustively been discussed & decided in its decision of FRR FY 2018-19 & MFR FRR FY 2018-19. The Authority is of the view that since the petitioner is operating on cost plus formula, therefore, any such provisioning against trade debts considering forward looking expectations shall only burden the natural gas consumers. SECP has already granted exemption with respect to ECL method on financial assets due from Government of Pakistan (including receivables in context of circular debt) till June 30, 2021. In view of the same precedent, the petitioner may take up the matter w.r.t exemption for its rest of financial assets/receivables.

11.34 Notwithstanding the above, the Authority observes that adoption of IFRS 9 in compliance to SECP regulations is the petitioner's obligation while preparing the statutory accounts. The Authority in this regard has no reservation. However, the cost on this account can't be included as part of assets based rate of return tariff regime.

11.35 ***In view of above, Rs. 1,243 million is allowed, being provision against disconnected consumers for the said year.***

x. **Sports Cell, Annual Sports & CSR**

11.36 The petitioner has claimed Rs. 85 million under this head for the said year as against Rs. 98 million provided in RERR for the said year. The historical comparison is as under;

Table 22: Sports Cell, Annual Sports & CSR

					Rs. In Million	
Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
Sports Cell	72	71	-	-	-	
Annual Sports/Cricket expenses	52	49	88	37	(51)	-58%
Corporate Social Responsibility (CSR)	13	23	10	48	38	380%
Total	138	142	98	85	(13)	-14%

11.37 The petitioner has explained that due to pandemic situation in the country, major sports events could not be held during the said year resulting in underutilization of the budget. Moreover, Prime Minister has banned participation of departmental cricket teams in Quid-e-Azam Trophy owing to which no expense has been incurred against cricket expense.

11.38 Under the head "CSR", the petitioner has submitted that Rs. 38 million has been paid on account of health activities i.e. contribution on account of Covid-19.

11.39 The Authority observes that as per the criteria defined in tariff regime developed for natural gas sector includes health and environment in the underdeveloped/gas producing districts, in the area of operation of the licensee. Contribution by the petitioner to GoP funds in respect of COVID-19, during this pandemic, needs to be met from company's own profit instead of burdening natural gas consumers. The petitioner, being public sector company, come forward to play its due role in this pandemic instead of claiming as part of price.

11.40 ***In view of above, the Authority decides to include the expenses on account of annual sport at Rs. 37 million for the said year.***

xi. **Board of Director meeting and Directors expenses**

11.41 The petitioner has claimed Rs. 70 million under BoD meeting and Director Expenses for the said year as against Rs. 29 million provided in RERR for the said year. The historical comparison is as under;

Table 23: Board of Director meeting and Director Expenses

					Rs. In Million	
Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
Board Meeting and directors expenses	29	57	29	70	41	141%
Total:	29	57	29	70	41	141%

11.42 The petitioner explained that company has constituted various sub committees of Board of Directors (Audit Committee, Risk Management & UFG Committee, Human

Resource & Remuneration Committee etc.) in compliance with Code of Corporate Governance Rules 2019. Meetings of Board and its sub committees are scheduled requirement basis. Moreover, it may also be noted that Rule 19(2) of the Public Sector Companies (Corporate Governance) Rules 2013 provides that director's remuneration packages shall encourage value creation and consequently directors shall align their interests with those of the Company.

11.43 The Authority observes that BoD meeting and director expenses is showing an increasing trend despite its clear earlier directions. The Authority reiterates its directions in respect of conduct of board meetings on meticulous basis while combining the agenda on monthly basis so as to restrict the expense at reasonable level.

11.44 ***In view of the above, the Authority restricts the expenses at Rs. 57 million i.e. FRR FY 2018-19, for the said year.***

xii. Other Expenses

11.45 The petitioner has claimed Rs. 398 million under this head for the said year that includes Rs. 146 million on account of 'construction equipment as against Rs. 156 provided at the time of RERR for said year.

Table 24: Summary of Other Expenses under T&D

					Rs. In Million	
Particular	FY 2017-18 FRR	FY 2018-19 FRR	FY 2019-20 RERR	FY 2019-20 Petition	Inc/Dec over DERR FY 2019-20	
Construction equipment operating cost	118	141	102	146	44	43%
Subscriptions	1	3	3	3	(0)	-6%
Newspapers, books & periodicals	3	3	6	3	(3)	-54%
CC&B Upgradation project				5	5	#DIV/0!
Cost of gas blown off due to sabotage activities				214	214	#DIV/0!
Stock exchange fee	3	1	4	3	(0)	-1%
Entertainment expenses	11	9	11	6	(4)	-41%
Outside services employed - govt / local authority		2	0	(0)	(1)	-162%
Sundries	15	15	17	10	(7)	-40%
CNIC verification	9	8	13	8	(5)	-41%
Total:	**160**	**182**	**156**	**398**	**242**	**155%**

11.46 The petitioner has claimed Rs. 214 million on account cost of gas blown off due to sabotage activities for the said year. The Authority observes that cost of gas blown against rupture/sabotage have been disallowed in Para 10.16 above. ***Accordingly, Rs. 214 million is disallowed on this account for the said year.***

11.47 ***In view of above, the Authority determines other T&D expenses under this head at Rs. 184*** million ***for the said year.***

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

11.48 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 as under:

Table 25: Summary of Remaining T&D Expenses

Sr. No.	Description	FY 2018-19	FY 2019-20 (Rs. in Million)		Inc/(dec) over RERR	
		FRR	RERR	The Petition	Rs.	%age
1	Stores & spares consumed	719	892	484	(408)	-46%
2	Fuel & Power	398	401	469	68	17%
3	Transport expenses	942	810	920	110	14%
4	Staff Training Expenses		55	40	(15)	-27%
5	Stationery, telegrams and postage	160	204	190	(14)	-7%
6	Gathering charges of collection data	50	55	41	(14)	-25%
7	Staff Recruiting expenses	12	12	4	(8)	-67%
8	Dispatch of Gas Bills	124	140	133	(7)	-5%
9	Gas bills collection charges	460	540	533	(7)	-1%
10	Bank charges	8	12	9	(3)	-25%
11	Sponsorship of Chairs for Universities	8	10	8	(2)	-20%
12	Travelling expenses	194	163	162	(1)	-1%
13	ISO 14001 & OHSAS Certification	5	5	4	(1)	-20%
14	Outsourcing of Call Centre	24	27	26	(1)	-4%
15	OGRA fee	254	291	290	(1)	0%
16	Facilities provided by other companies	7	10	10	-	0%
17	Protective clothing & Supplies	49	43	53	10	23%
18	Insurance	221	235	245	10	4%
19	Recovery through Contractor (Disconnected consumers)	9	-	10	10	
	Total	3,644	3,905	3,631	(274)	-7%

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

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

Table 26: Remaining Transmission & Distribution Cost Determined by the Authority

Sr. No.	Description	Per Petition	Adjustments	Determination (Rs. in million)
1	Net HR Cost	16,974	(377)	16,597
2	Repairs & maintenance of system	1,519	-	1,519
3	Rent, rates, royalty, electricity and telephones	596	(43)	553
4	Legal and Professional services	245	(49)	196
5	Advertisement & publicity	235	(37)	198
6	Security expenses	1,264	(246)	1,018
7	Provision for doubtful debts	1,853	(610)	1,243
8	KMI Implementation Plan FY 2021-22/ UFG Control Activities	947	-	947
9	Annual Sport & Corporate Social Responsibility	84	(47)	37
10	Board Meeting and directors expenses	70	(13)	57
11	Other expenses	398	(214)	184
12	Other Operting expenses	3,631	-	3,631
13	Gross Operating Cost (excl. GIC)	27,816	(1,637)	26,180
14	Less Allocation to CWIP (Other than HR Cost)	(320)	-	(320)
15	Less Allocation to RLNG	(11,516)	10,506	(1,010)
16	Net charged to Operating Cost excl. GIC	15,980	8,869	24,850
17	Gas internally consumed – Indigenous	543	-	543
18	Net charged to Operating Cost incl. GIC	16,523	8,869	25,393

12 Impact of IAS 19 (Recognition of Actuarial Gains)

12.1 The petitioner has claimed Rs. 3,574 million on account of impact of IAS-19 (recognition of actuarial gain) for the said year. The petitioner has submitted that it is mandatory under IAS-19 that re-measurements of the net defined benefit liability (asset) recognized in Other Comprehensive Income (OCI), comprising of actuarial gains and losses. As actuarial gains/losses is computed based on differences between the previous actuarial assumptions vs. the actual occurred during the year.

12.2 The petitioner has explained that during the period under its review, the petitioner's liability/actuarial loss has been increased due to decrease in the discount rate from 14.50% to 9.25%. Further, increase in subordinate salary after conclusion of CBA agreement for 2017-19 also contributed to the increase in actuarial losses.

12.3 The Authority notes that it has been allowing post retirement obligations over & above the HR cost based on the actuarial valuation report since FY 2013-14. The petitioner, being public listed company is required to comply SECP regulations which as per Companies Ordinance refer IAS/IFRS in the presentation of financial statement. Year-wise post retirement obligation based on actuarial valuation is as under:

Table 27: Historical Analysis of Impact of IAS-19 (Recognition of Actuarial (gain)/loss)

Rs. in Million

Description	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
SNGPL	3,245	5,014	3,779	2,451	(2,871)	(312)

12.4 The Authority, however, notes that petitioner's claim under this head has been increasing at an alarming rate. It has been noted with serious concern that 18% & 28% increase in average salary of executives & subordinates while valuing pension & gratuity schemes has been reported by the actuary. This questions the reasonability and rationality of input data and experience adjustments based on actuals of the company. Its sister utility company has been managing almost same level of organizational structure and similar policies at a nominal annual requirement. In this regard, decision of FRR FY 2018-19 is referred wherein the petitioner was advised to rationalize the costs including post retirement obligation. However, such irrational increases as reported in actuary reports holds no merit for consideration. ***In view of the same, the Authority decides to restrict post retirement obligation at 25% of claimed amount (i.e. Rs. 894 million) as part of price. The Authority further reiterates its directions to review and rationalize its terminal benefit policy and bring it down to a reasonable level so that***

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the same can be comparable with other similar public sector organization involved in the business of transmission & distribution of power sector. The Authority, therefore, refers the matter in respect of revision of terminal benefits to Company's management for presentation of matter before its Board of Directors. In case the petitioner still intends to continue its current policy, its financial impact may be met through its shareholders' profit.

13 Late Payment Surcharge in respect of gas suppliers and Markup on Running Finance

13.1 The petitioner has claimed Rs. 32,525 million on account of LPS in respect of gas suppliers and Rs. 749 million on account of finance cost of short term borrowing for the said year, detail as below;

	Rs. In Million
Gas Suppliers	**LPS Accrued**
PAKISTAN PETROLEUM LIMITED	15,545
OIL & GAS DEVELOPMENT COMPANY LIMITED	12,626
GOVERNMENT HOLDINGS (PVT) LTD.	3,044
SUI SOUTHERN GAS COMPANY LTD.	1,039
OTHERS	271
Total	**32,525**

13.2 The Authority observes that matter in respect of LPS payable has been exhaustively discussed & decided in FRR FY 2018-19 & MFR FY 2018-19. The Authority is of the firm view that payables along with LPS in respect of state owned entities is a matter of 'circular debt' which burden of payment cannot be shifted to general consumers till its final settlement by GoP. *In view of the same, the Authority decides to pend the impact of Rs. 32,525 million as part of revenue requirement for the said year, and advises the petitioner to take up the matter with the Ministry of Energy for amicable final settlement.*

13.3 *Regarding, LPS in respect of other gas producers (non-government), the Authority accepts the petitioner LPS amounting to Rs. 271 million and also allows the cost of short term borrowing amounting to Rs. 749 million based on the actual expenses.*

14 Punjab Worker Welfare Fund (PWWF) & Workers Profit Participation Fund (WPPF)

14.1 The petitioner has claimed Rs. 267 million on account of "Punjab Workers Welfare Fund Act 2019 (PWWF)" for the said year. The petitioner has explained that PWWF Act has been promulgated in December 2019, applicable on total income (i.e. under section 4(1) of Punjab Workers Welfare Fund Act 2019 states that *"Every establishment or a part thereof, the total income of which in any year of account commencing on or after the*

date of closing of accounts on 30th of June or 31st of December, as the case may be, is not less than rupees five hundred thousand, shall be liable to pay to the Fund in respect of that year a sum equal to two percent of its total income"). Accordingly, the petitioner has requested to allow Rs. 267 million for the said year in compliance of the Act.

14.2 The petitioner has also claimed Rs. 688 million against Worker Profit Participation Fund (WPPF) for the said year. The petitioner reiterate that the said amount is being claimed as the applicable worker profit participation Act 1968.

14.3 The Authority observes that WPPF is an operating expense in pursuance of the tariff regime implemented by OGRA for natural gas sector. After 18th amendment in the Constitution of Islamic Republic of Pakistan, labor law regime had been devolved to provinces. In pursuance thereof, Government of Punjab has promulgated Punjab Workers Welfare Act, 2019. Therefore, recording of WPPF on two laws simultaneously is in contradiction of the constitution of Pakistan. Auditor General of Pakistan, after enactment of 18th amendment, had also objected to the petitioner's claim on account of WPPF. The Authority notes that the petitioner has not been making WPPF payments to its employees owing to absence of necessary legislation by the provincial government. ***After the promulgation of PWWF Act, 2019 by Punjab Revenue Board, recording of WPPF is incorrect and hence can't be allowed. Moreover, the Authority directs the petitioner to present the matter in respect of its past accumulated provision of WPPF (i.e. Rs 2,479 million upto June 30, 2019 reported per petitioner's initialed accounts) before its Board of Directors for decision in accordance with the applicable law.***

14.4 ***In view of above, the Authority decides to allow Rs. 267 million on account of PWWF for the said year. Any adjustment, if required, based on statutory accounts shall be made in forthcoming FRR determination.*** The Authority further notes that WPPF adjustment for FY 2017-18 & FY 2018-19 on the basis of statutory accounts are yet pending. ***Therefore, the Authority, as per the data provided by the petitioner, adjusts Rs. 96 million & Rs. 160 million for FY 2017-18 & FY 2018-19 respectively as part of instant determination.***

15 Cumulative revenue shortfall pertaining to previous years'

15.1 The petitioner has claimed Rs. 185,233 million on account of cumulative revenue shortfall pertaining to previous years. The petitioner has submitted that this revenue shortfall has emerged due to inadequate increase in gas prices by GoP and therefore, requested to incorporate cumulative revenue shortfall as part of instant decision.

15.2 ***The Authority notes that decision for MFR FRR FY 2018-19 has been issued. Accordingly, cumulative revenue shortfall pertaining to previous years is determined at Rs. 167,091 million upto FY 2018-19.***

16 RLNG Transportation Cost & Other Allied Matters

16.1 The petitioner has claimed Rs. 87,148 million on account of RLNG cost of supply for the said year. The Authority has been requested to allow Rs. 329.07/MMBTU as RLNG cost of supply based on actual throughput volume 264,835 MMBTU (952 MMCFD @ 1.01 GCV) for the said year. The computation of Transportation charges is made as under;

Table 28: RLNG's Cost of Service FY 2019-20 as claimed by the petitioner

Particulars	Rs. in Million The Petition
Quantitative Data	**BBTU**
RLNG Input	350,788
Retainage / gas used in FSRU	(1,548)
GIC	(2,954)
UFG	(12,669)
RLNG sold as System gas	(39,551)
Retained by SSGC	(29,231)
Net RLNG handled/Sold	264,835
Cost Components	***Million Rs.***
Amortization of Deferred Credit	(656)
Late Payment Surcharge	(7,627)
Transportation Income	(456)
Depreciation	3,857
Return on Assets	7,623
T&D including HR and other relevant costs allocated to RLNG	11,515
Finance cost on LNG Borrowing FY 2015-16-2018-19 & FY 2019-20	16,976
Transportation charges -SSGC	8,319
Gas Internally Consumed SSGCL	-
Gas Internally Consumed SNGPL	4,111
Mark up on Running Finance	2,495
RLNG Margin on sale of stock to SSGCL	2,618
Differential of rate of RLNG sold	38,373
Total	**87,148**
Rs/ MMBTU	329.07

16.2 The petitioner, during the hearing, reiterated its concern that RLNG cost of supply should be based on throughput volumes, as the application of pipeline designed capacity leave it under recovery. The petitioner has also requested to exclude volumes on account of RLNG diversion toward domestic & commercial consumers and volume retained by SSGCL, while computing RLNG cost of service rate.

16.3 The petitioner has further informed that share of RLNG supplies has now reached 45% of entire sales; accordingly, proportionate T&D cost amounting to Rs. 11,515 million has been charged to RLNG cost of service.

16.4 The Authority notes that RLNG cost of service was determined on incremental cost basis at the time of DERR/RERR under the ring fenced mechanism. The Authority notes that matter of T&D cost on allocation basis was neither brought up by the petitioner at the time of submission of its petition of ERR for the said year nor in any review of ERR.

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Therefore, any change at the time of FRR shall not be appropriate and may attract litigation. The Authority, therefore, considering its earlier submission and subsequent determinations decides to restrict its claim to incremental cost only. ***Accordingly, the Authority, based on incremental cost basis, decides to allocate Rs. 1,010 million being HR cost determined per para 11.6 as part of cost of service of the said year.***

16.5 The Authority further observes that matter of inclusion of LPS and finance related cost has reached finality, therefore, contending the already decided issues with no new justification is not tenable. The Authority further observes that the petitioner has included Rs. 8,319 million as transportation charges to SSGCL. The Authority notes that SSGCL's petition for FY 2019-20 has not yet been received. Therefore, this figure however has been adopted on provisional basis.

16.6 Regarding petitioner's contention to work out the RLNG cost of service at throughput volumes, the Authority notes that all the submissions made by the petitioner have already been extensively discussed and deliberated in all its previous decisions and hence has reached finality. Moreover, Federal Cabinet vide its decision in the matter of policy guidelines with respect to sale price of RLNG has allowed both sui companies to manage gas loads in terms of volumes & financial impact on cost neutral basis. Therefore, any volumetric adjustment as well as corresponding cost can't be allowed as part of RLNG cost of service. The Authority further notes that third party access regime has been implemented to move towards liberalization of the gas industry so as to foster competition, reduction in tariff while improving energy supply situation through additional volumes injection by potential shippers. In the light of same, it is prudent to calculate the tariff on total system capacity that shall lead to maximum utilization of capacity and bring efficiency into the system.

16.7 Regarding transportation income of Rs. 456 million arisen under TPA Rules, 2018, the Authority includes the same as part of operating income in the revenue requirement for the said year in the light of tariff regime for regulated natural gas sector in Pakistan.

16.8 ***In view of above, the transportation charges are determined at Rs. 24,264 (Rs. 57.06 per MMBTU) at installed capacity of 425,209 BBTU for the said year.***

Table 29: Computation of Transportation Charges FY 2019-20

		Rs. in Million
Particulars	The Petition	As Computed
Quantitative Data	BBTU	
RLNG Input	350,788	442,380
Retainage / gas used in FSRU	(1,548)	(1,548)
GIC	(2,954)	(2,954)
UFG	(12,669)	(12,669)
RLNG sold as System gas	(39,551)	-
Retained by SSGC	(29,231)	-
Net RLNG handled/Sold	264,835	425,209
Cost Components	*Million Rs.*	
Amortization of Deferred Credit	(656)	(656)
Late Payment Surcharge	(7,627)	-
Transportation Income	(456)	-
Depreciation	3,857	3,857
Return on Assets	7,623	7,623
T&D including HR and other relevant costs allocated to RLNG	11,515	1,010
Finance cost on LNG Borrowing FY 2015-16-2018-19 & FY 2019-20	16,976	-
Transportation charges -SSGCL	8,319	8,319
Gas Internally Consumed SNGPL	4,111	4,111
Mark up on Running Finance	**2,495**	-
RLNG Margin on sale of stock to SSGCL	2,618	-
Differential of rate of RLNG sold	**38,373**	
Total	**87,148**	24,264
Rs/MMBTU	329.07	57.06

17 Summary of Discussion & Decisions

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

17.2 ***In exercise of its powers under Section 8(2) of the Ordinance, the Authority determines the FRR for the said year at Rs. 246,814 million as against petitioner's claim of Rs. 280,573 million, as tabulated below:***

Table 30: Components of FRR for FY 2019-20 as Determined by the Authority

		Million Rs.
Description	Demanded by the petitioner	Determined by the Authority
Cost of gas	192,534	196,826
UFG disallowance	(750)	(11,742)
Transmission & distribution	17,273	26,142
Depreciation	15,255	15,255
Late Payment Surcharge (Payable) & cost of short term borrowing	32,525	271
Impact of IAS 19 - Recognization of Actuarial Losses/(gains) for FY 2019-20	3,574	894
Other Operating Expenses (Exchange Loss)	13	13
WPPF including previous years adjustment	955	11
Adjustment of LPG Air Mix Assets FY 2018-19	-	(13)
Return on operating Assets	19,194	19,158
Total	280,573	246,814

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17.3 ***The petitioner's actual net operating income is Rs. 198,366 million and thus there is a shortfall of Rs. 48,448 million for the said year (Annex-A) resulting in an average prescribed price of Rs. 669.13/ MMBTU for the said year.***

17.4 The Authority notes that it has been determining prescribed prices on annual basis as per its mandate provided in the Ordinance. However, owing to insufficient sale price revision by the FG in the past, the petitioner remained unable to meet the shortfall in the revenue requirements as determined by the Authority for each financial year. Accordingly, this backlog on account of insufficient revision in gas sale prices is persistently piling up and has now touched Rs. 215,540 million. The Authority, therefore, in the instant determination, has determined the prescribed price based on the revenue requirement for the said year i.e. FY 2019-20 only and decides to refer the matter in respect of recoupment of previous years' shortfall to the FG so that appropriate actions be taken in this respect.

17.5 ***Accordingly, the prescribed prices for each category of retail consumers for the said year stands adjusted to the extent of notified gas sale prices as advised by the GoP during the said year.***

17.6 ***The Authority further directs the petitioner to make the concerted efforts to reduce all the avoidable costs particularly the finance related costs, UFG-thefts, currency exchange loss, LPS and Transmission and distribution cost. Moreover, the petitioner is directed to undertake concerted efforts to reduce gas theft and losses.***

Zain-ul-Abideen Qureshi Member (Oil)

Muhammad Arif Member (Gas)

Noorul Haque Vice Chairman /Member (Finance)

Masroor Khan (Chairman)

May 25, 2021

REGISTRAR
Oil & Gas Regulatory Authority Islamabad

A. Final Revenue Requirement for FY 2019-20

ANNEXURE-A

Million Rs.

	Particulars	The Petition	Adjustment	Determined by the Authority
	Gas sales volume -MMCF	358,789		358,789
	BBTU	347,771		347,771
"A"	**Net Operating revenues**			
	Net sales at current prescribed price	184,257		184,257
	Rental & service charges	2,140		2,140
	Amortization of deferred credit	2,369		2,369
	Late Payment Surcharge	7,614		7,614
	Other operating income	1,530	456	1,986
	Total income "A"	**197,909**		**198,366**
"B"	**Less Expenses**			
	Cost of gas sold	192,534	4,292	196,826
	UFG Adjustment	(750)	(10,573)	(11,323)
	UFG Adjustment FY 2018-19 as per revised WACOG		(419)	(419)
	Transmission and distribution cost	15,981	8,869	24,850
	Gas internally consumed	543	-	543
	Impact of IAS-19-Recognization of Acturial Losses/Gain FY 2019-20	3,574	(2,681)	894
	Depreciation	15,255	-	15,255
	Late Payment Surcharge (Payable) & cost of short-term borrowing	32,525	(32,254)	271
	Markup on Running Finance	749	-	749
	Provision for Exchange Loss	13	-	13
	Punjab Workers Welfare Fund (PWWF)	267	-	267
	Previous Years Adjustment WPPF FY 2017-18 & FY 2018-19	-	(256)	(256)
	Workers Profit Participation Fund FY 2019-20	688	(688)	-
	Adjustment of LPG Air Mix Assets FY 2018-19	-	(13)	(13)
	Total expenses "B"	**261,379**	**(33,723)**	**227,656**
"C"	**Operating profit / (loss)(A - B)**	**(63,470)**	**34,180**	**(29,290)**
	Return required on net assets:			
	Net assets at begining	127,305	(145)	127,160
	Net assets at ending	133,617	(263)	133,354
		260,922	*(408)*	260,514
	Average fixed net assets (I)	**130,461**	**(204)**	**130,257**
	Deferred credit at begining	20,270		20,270
	Deferred credit at ending	20,415		20,415
		40,685		40,685
	Average net deferred credit (II)	**20,343**		**20,343**
"D"	**Average operating assets (I-II)**	**110,119**	**(204)**	**109,915**
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required (D*17.43%)	19,194	(36)	19,158
"F"	(Excess) / shortfall FY 2019-20 - (E-C)	**82,664**	**(34,215)**	**48,448**
	Average Ince/(Dec) in Prescribed Price FY 2019-20 - (Rs/MMBTU) w.e.f 01.07.2019	***237.70***	***(98.39)***	***139.31***
"G"	**Total Revenue requirement FY 2019-20 - (E+B)**	**280,573**	**(33,758)**	**246,814**
	Average Prescribed Price (PP) FY 2019-20 w.e.f 01.07.2019 (Rs/MMBTU)	**767.52**	**(98.39)**	**669.13**

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B. Prescribed Prices for FY 2019-20

ANNEXURE-B

	Particulars	w.e.f. July 01, 2019	w.e.f. January 01, 2020
		Rs./MMBTU	
(i)	**Domestic Consumers:**		
	a) Standalone meters		
	b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;		
	Upto 0.5 hm^3 per month	121.00	121.00
	Upto 1 hm3 per month	300.00	300.00
	Upto 2 hm3 per month	553.00	553.00
	Upto 3 hm3 per month	738.00	738.00
	Upto 4 hm3 per month	1,107.00	1,107.00
	Above 4 hm3 per month	1,460.00	1,460.00
	c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including Captive Power.		
	All off-takes at flat rate of	780.00	780.00
(ii)	**Special Commercial Consumers (Roti Tandoors)**		
	Upto 0.5 hm^3 per month	121.00	121.00
	Upto 1 hm3 per month	300.00	300.00
	Upto 2 hm3 per month	553.00	553.00
	Upto 3 hm3 per month	738.00	738.00
	Above 3 hm3 per month	1,283.00	1,283.00
(iii)	**Commercial :**		
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels including hotel industry, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.		
	All off-takes at flat rate of	1,283.00	1,283.00
(iv)	**Ice Factories:**		
	All off-takes at flat rate of	1,283.00	1,283.00
(v)	**Industrial:**		
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.		
	All off-takes at flat rate of	1,021.00	1,021.00
(vi)	**Captive Power :**		
	Captive Power plant/unit means an industrila undertaking/unit carrying out the activity of power production (with or without co-generation) for self-consumption and/or for sale of surplus power to a Distribution Company or bulk-power consumer.		
	All off-takes at flat rate of	1,021.00	1,021.00
(vii)	**CNG Stations:**		
	All off-takes at flat rate of	1,283.00	1,283.00
(viii)	**Cement Factories:**		
	All off-takes at flat rate of	1,277.00	1,277.00
(ix)	**Fertilizer Factories:**		
(1)	**Pak American Fertilizer Company Limited, Daudkhel.**		
(a)	**For gas used as feed stock for fertilizer**		
	All off-takes at flat rate of	300.00	300.00
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**		
	All off-takes at flat rate of	1,021.00	1,021.00
(2)	**Pak Arab Fertilizer Limited, Multan.**		
(a)	**For gas used as feed stock for fertilizer**		
	All off-takes at flat rate of	300.00	300.00
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**		
	All off-takes at flate rate of	1,021.00	1,021.00
(3)	**Dawood Hercules Chemicals Limited, Chichoki Mailan, Sheikhupura District.**		
(a)	**For gas used as feed stock for fertilizer.**		
	All off-takes at flate rate of	300.00	300.00
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**		
	All off-takes at flate rate of	1,021.00	1,021.00
(4)	**Pak-China Fertilizer Limited/Hazara Phosphate Plant Limited, Haripur.**		
(a)	**For gas used as feed stock for fertilizer.**		
	All off-takes at flate rate of	300.00	300.00
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**		
	All off-takes at flate rate of	1,021.00	1,021.00
(5)	**ENGRO Fertilizer Company Limited**		
(a)	**For gas used as feed stock for fertilizer**		
	All off-takes at provisional flate rate of	$300.00	$300.00
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**		
	All off-takes at flate rate of	1,021.00	1,021.00
(x)	**Power Stations:**		
(a)	WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.		
	All off-takes at flate rate of	824.00	824.00
(b)	WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.		
	Commodity Charge		
	All off-takes at flate rate of	824.00	824.00
(xi)	**Liberty Power Limited's Gas Turbine Power Plant (Phase1) at Daharki:**		
	All off-takes at flate rate of	1,295.88	1,221.78
(xii)	**Independent Power Producers:**		
	All off-takes at flate rate of	824.00	824.00

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C. Cost of Gas Sold Statement

ANNEXURE-C

FIELD NAME	VOLUME				RATE	AMOUNT
	BBTU/D	MMCFD	MMCF	B-BTU	RS/MMBTU	RS IN MILLION
OPENING STOCK OF GAS	65	74	2,216	1,962	440.34	864.056
GAS PURCHASED DURING 2019-20						
SUI-SML	181	189	69,110	66,120	469.31	31,031
SUI-SUL	9	9	3,418	3,321	468.53	1,556
TOTAL SUI	190	198	72,528	69,441	469.27	32,587
LOTI	12	14	5,081	4,243	216.94	920
PIRKOH	0	0	22	18	167.57	3
DHURNAL	-	-	-	-	-	-
DAKHNI	16	15	5,426	5,760	231.18	1,332
ADHI	56	52	19,008	20,470	231.24	4,733
BHANGALI	-	-	-	-	-	-
RATANA	0	0	72	81	681.12	55
RATANA MEYAL	0	0	147	157	680.22	107
SADKAL	1	0	159	187	802.48	150
DHODAK	1	1	444	508	461.06	234
QADIRPUR(PROCESSED)	129	148	54,147	47,362	468.35	22,182
QADIRPUR(DEHYDERATED)	-	-	-	-	-	-
QADIRPUR(LIBERTY POWER LTD-RAW)	22	26	9,510	7,947	423.56	3,366
QADIRPUR(PERMEATE)	17	24	8,889	6,078	422.96	2,571
DEHYDRATION CHARGES @ RS 3.52			-	-	-	28
TOTAL QADIRPUR	168	198	72,546	61,386	458.51	28,146
PARIWALI	3	3	1,085	1,164	486.94	567
PINDORI	0	0	55	62	498.04	31
TURKWAL	-	-	-	-	-	-
DHULIAN	0	0	52	56	157.46	9
MEYAL	1	1	295	319	157.46	50
BELA/UCHHRI	-	-	-	-	-	-
HASSAN	2	3	1,274	910	416.06	379
ZAMZAMA-SNGPL	8	11	3,860	3,081	520.08	1,603
ZAMZAMA-GUDDU	-	-	-	-	-	-
TOTAL ZAMZAMA	8	11	3,860	3,081	520.08	1,603
SAWAN	17	17	6,084	6,153	536.58	3,301
CHANDA	8	7	2,429	2,766	455.51	1,260
REHMAT-MUBARIK	-	-	-	-	-	-
SAQIB-1A	-	-	-	-	-	-
BADAR	9	16	5,803	3,330	367.27	1,223
KANDKOT	19	23	8,353	6,817	262.91	1,792
MAKORI	0	0	78	81	432.06	35
MAKORI EAST	62	60	22,044	22,786	568.09	12,944
MANZALAI-GURGURI	-	-	-	-	-	-
MANZALAI-CPF	25	23	8,553	9,031	450.78	4,071
CHACHAR	1	1	534	454	235.15	107
MELA	8	7	2,447	2,806	434.04	1,218
NASHPA	78	75	27,341	28,682	434.99	12,476
SALSABIL	4	4	1,361	1,358	624.68	848
SALSABIL-CHILTAN	-	-	-	-	-	-
TAJJAL	0	0	149	151	388.36	59
KOONJ	0	0	96	84	409.33	34
MAMIKHEL	13	12	4,465	4,713	530.19	2,499
SHIEKHAN	-	-	-	-	-	-
MARAMZAI	123	118	43,054	45,048	573.71	25,845
DOMIAL	-	-	-	-	-	-
MARI DEEP	-	-	-	-	-	-
LATIF	12	12	4,393	4,442	649.33	2,884
MARI ENGRO	70	97	35,522	25,726	263.44	6,777
SOGHARI	8	7	2,741	2,912	893.02	2,600
MARDANKHEL	47	45	16,296	17,217	727.87	12,532
KALABAGH	4	3	1,170	1,308	896.04	1,172
MAKORI DEEP	12	12	4,385	4,537	847.59	3,845
JHANDIAL	4	3	1,274	1,366	843.95	1,153
TOLANJ	3	3	1,233	1,248	566.50	707
TOLANJ WEST	7	7	2,483	2,511	849.47	2,133
DHOK HUSSAIN	0	0	28	28	939.13	26
TOGH 1	0	0	2	2	826.92	2
TOTAL GAS PURCHASED	993	1,050	384,374	363,401	474.55	172,451
LESS: SUPPLIED TO PPL	(0)	(0)	(139)	(133)	470.33	(62.337)
	993	1,050	384,236	363,269	474.55	172,389
EXCISE DUTY			-	-	-	3,633
	993	1,050	384,236	363,269	484.55	176,021
EQUALISATION OF COST-SSGCL			-	-	-	-
GST ON EXEMPT COSUMERS			-	-	-	762
EXCHANGE LOSS/(GAIN)			-	-	-	14
AVG.RATE FOR 2019-20	993	1,050	384,236	363,269	486.68	176,797
TRANSP.CHARGES-ZAMZAMA/HASSAN			-	-	-	384
GROSS PURCHASES	993	1,050	384,236	363,269	487.74	177,181
EXCHANGE LOSS/(GAIN)			-	-	-	(14)
GAS INTERNALLY CONSUMED	(6)	(7)	(2,506)	(2,369)	487.83	(1,156)
CLOSING STOCK OF GAS	(69)	(73)	(2,177)	(2,064)	486.39	(1,004)
GAS AVAILABLE FOR SALE	986	1,043	381,769	360,798	487.45	175,871
UN-ACCOUNTED FOR GAS	(143)	(131)	(47,808)	(52,379)	-	-
NET GAS SOLD BUT NOT BILLED	(0)	(0)	(147)	(158)	-	-
ENERGY EQUALENCE VOLUME TO LNG	-	(38)	(14,068)	-	-	-
GAS SOLD	842	874	319,746	308,261	570.53	175,871
ADD: RLNG SOLD AS SYSTEM GAS	108	104	38,185	39,551	529.82	20,955
PAK ARAB TRANSPORTATION						
GAS RECEIVED FOR TRANSPOTATION	17	20	7,297	6,292		
GAS DELIVERED	(17)	(18)	(6,438)	(6,332)		
NET GAS SOLD-SYSTEM	953	983	358,789	347,771	565.97	196,826

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D. HR Benchmark computation

ANNEXURE-D

Particulars	FRR FY 2018-19	FRR FY 2019-20	
	Per OGRA	The Petition	Per OGRA
SNGPL	Million Rs.	Million Rs.	Million Rs.
HR benchmark Cost Parameters			
Base Cost	13,656	15,144	15,144
CPI factor	7.34%	11.12%	11.12%
T & D network (Km)	139,555	145,476	145,476
Number of Consumers (No.)	6,771,919	7,043,147	7,043,147
Sales Volume (MMCF)	759,164	649,946	649,946
Unit Rate (Rs,/unit)			
T&D network (Rs./Km)	**103,695**	**108,516**	**108,516**
No. of Consumers (Rs./Consumer)	**2,153**	**2,236**	**2,236**
Sale Volume (Rs./MMCF)	**20,363**	**19,948**	**19,948**
HR Cost Build-up (Million Rs)			
Cost CPI -50%	501	842	842
T & D network (Km) -25%	3,618	3,947	3,947
Number of Consumers (No.) - 65%	9,479	10,238	10,238
Sales Volume (MMCF) - 10%	1,546	1,297	1,297
HR Benchmark Cost	**15,144**	**16,323**	**16,323**
IAS Cost (incremental impact)	674	274	274
Total HR Benchmark Cost with IAS-19	**15,818**	**16,597**	**16,597**
Cost Allocated to RLNG segment	(782)	-	(1,010)
Total HR Benchmark Cost	15,036	16,597	15,587

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