آئل اینڈ گیس
ریگولیٹری اتھارٹی

Oil & Gas
Regulatory Authority

GUARDING PUBLIC INTEREST

Case No. OGRA-6(2)-1(4)/2020-ERR

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED
ESTIMATED REVENUE REQUIREMENT, FY 2021-22

UNDER

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

DECISION

August 17, 2021

Before:

Mr. Masroor Khan, Chairman
Mr. Muhammad Arif, Member (Gas)
Mr. Zain-ul-Abideen Qureshi, Member (Oil)

CERTIFIED TRUE COPY

CONTENTS

CERTIFIED TRUE COPY

ANNEXURES:

CERTIFIED TRUE COPY

1. Background

1.1 Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan, and listed on the stock exchanges at Karachi, Lahore and Islamabad. The petitioner is operating in the provinces of Punjab, Khyber Pakhtunkhwa (KPK) and Azad Jammu & Kashmir (AJ&K) under the license granted by Oil & Gas Regulatory Authority (OGRA). However, petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010.

1.2 The petitioner is engaged in the business of construction and operation of gas transmission and distribution pipelines and sale of natural gas. Moreover, in pursuance of Federal Government (FG/GoP) decision, the petitioner is engaged in transportation and sale of RLNG.

1.3 The petitioner filed the petition initially on December 31, 2020 for determination of estimated revenue requirement for FY 2021-22 (the said year) under Section 8(1) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(2) of the Natural Gas Tariff Rules, 2002 (NGT Rules). The petitioner claimed shortfall at Rs. 76,180 million and requested the Authority to increase its prescribed price by Rs. 200.79/MMBTU. The petitioner has also included previous years' cumulative shortfall of Rs. 302,587 million in the petition, requesting the Authority to allow aggregate increase in prescribed price of Rs. 998.31/MMBTU for the said year. The petitioner has also included the impact of RLNG volumes projected to be diverted to domestic & commercial consumers to the tune of Rs. 27,940 million as part of instant petition. Besides above, the petitioner has also claimed Rs. 41,762 million in respect of RLNG cost of supply.

1.4 The Authority observes that the supply of RLNG is a ring-fenced activity as per the decision of the FG. Accordingly, tariff adjustment as per the instant determination shall be restricted to the extent of determination relating to the natural gas revenue requirement of gas companies. However, cost of service for RLNG activity is determined through this Order and shall be recovered through RLNG price from its consumer in accordance with policy guidelines of FG.

1.5 Subsequently, the petitioner, vide its letter dated March 01, 2021 has submitted an amended petition (the petition), in compliance of the Authority's directives as per DERR FY 2020-21, thereby segregating the revenue requirement in terms of Transmission and Distribution & Sales activities. The petitioner, however, has also included certain capital nature projects. The petitioner has revised its shortfall at Rs. 71,199 million and requested the Authority to increase its prescribed price by Rs. 187.66/MMBTU. The petitioner has also revised its previous years' cumulative shortfall at Rs. 254,108 million upto RERR FY 2020-21 in its petition, requesting the Authority to allow aggregate increase in prescribed price of Rs. 857.40/MMBTU for the said year. Accordingly, average prescribed price has been claimed at Rs. 1,415.90/MMBTU. Besides above, the petitioner has also claimed Rs. 41,312 million in respect of RLNG cost of supply.

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

Table1: Projected Cost of Service per Petition

PARTICULARS	The Petition			
	Transmission	Transmission & Distribution	Selling	Transmission, Distribution & Sales
	Rs. in Million			
Sales Volume (MMBTU)				*379,409*
Cost of gas sold			191,172	**191,172**
Operating Cost	6,558	9,002	45,867	61,427
Depriciation	5,205	19,297	371	24,873
Return on Assets (@17.43%)	2,982	22,169	61	25,212
Subsidy for LPG Air-Mix Projects	-	167	-	167
UFG Adjustment			(750)	(750)
Other Operating Income	(280)	(3,380)	(15,342)	(19,002)
Total Revenue Requirement (A)	**14,465**	**47,255**	**221,379**	**283,099**
Sales Revenue at Current Prescribed Price (B)				211,900
Total Shortfall in Revenue Requirement for FY 2021-22 C=(A-B)	14,465	47,255	221,379	**(71,199)**
Current average prescribed price				**558.50**
Previous year Revenue Shortfall (upto RERR FY 2020-21) D				**(254,108)**
Increase in prescribed price Rs./ MMBTU w.e.f July 01, 2021				**(857.40)**

1.7 The Authority admitted the petition under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority.

1.8 A notice inviting interventions/comments on the petition from all stakeholders was published in daily local newspapers. Accordingly, the Authority received an intervention request from All Pakistan Textile Processing Mills Association (APTPMA). The Authority accepted the same for intervention. Public hearing notices were published in the national press on June 10, 2021. Accordingly, public hearings were held on June 22, 2021 and June 24, 2021 at Lahore and Peshawar respectively.

2. Salient Features of the Petition

2.1. Following submissions have been made in the petition:

2.1.1. The petitioner has claimed annual return at the rate of 17.43% of the net regulated fixed assets.

2.1.2. The petitioner has claimed segregated depreciation expense on transmission, distribution and gas sales activities for the said year.

2.1.3. The petitioner has projected subsidy at Rs. 167 million against LPG Air Mix project.

2.1.4. The petitioner has projected the operating revenues at Rs. 230,901 million as per the following table:

Table2: Comparison of Projected Operating Revenues with Previous Years

Rs. In Million

Description	FY 2018-19 FRR	FY 2019-20 FRR	FY 2020-21 RERR	FY 2021-22 The Petition	Incr/(Decr) over RERR	
Sale at current prescribed price	174,124	184,257	204,761	211,900	7,139	3%
Meter rental and service charges	2,022	2,140	3,810	4,100	290	8%
Late payment surcharge and interest on arrears	9,393	7,614	10,332	9,348	(985)	-10%
Amorization of deffered credit	1,625	2,369	3,725	3,660	(65)	-2%
Other operating income	1,447	1,986	1,722	1,894	172	10%
Net Operating Revenues	**188,611**	**198,366**	**224,350**	**230,901**	**6,551**	**3%**

CERTIFIED TRUE COPY

2.1.5. The petitioner has projected the net operating expenses at Rs. 276,889 million, as detailed below and compared with previous years:

Table3: Comparison of Projected Operating Expenses with Previous Years

						Rs. in Million
Description	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Inc/(Dec) over RERR	%age
	FRR	FRR	RERR	The Petition		
Cost of gas	184,670	207,989	166,193	191,172	**24,979**	**15%**
UFG Adjustment	(10,698)	(11,286)	(7,534)	(750)	**6,784**	**-90%**
Transmission & distribution Cost	20,612	26,737	24,656	24,796	**140**	**1%**
Depreciation	15,997	21,815	22,870	24,873	**2,003**	**9%**
Late Payment Surcharge (Payable) & cost of short term borrowing	487	5,992	-	35,778	**35,778**	
WPPF	515	729	392	853	**461**	**118%**
LPG Air Mix project				167	**167**	
Total operating cost including cost of gas	**211,583**	**251,976**	**206,577**	**276,889**	**70,145**	**34%**

2.1.6. The petitioner has projected its Weighted Average Cost of Gas (WACOG) for the said year at Rs. 451.87/MMCF. The cost of gas is linked with international prices of crude oil (Crude) and High Sulphur Fuel Oil (HSFO) as per Gas Pricing Agreements (GPAs) executed between the producers and GoP.

2.1.7. The petitioner has projected UFG at 7.39%. The petitioner has, however, restricted its UFG adjustment to Rs. 750 million as per Rule 20(1) of NGT Rules for the said year.

2.1.8. The petitioner has claimed previous years' revenue shortfall up to FY 2020-21 at Rs. 254,108 million. Accordingly, the petitioner has projected an average increase in prescribed price at Rs. 857.40 per MMBTU, as detailed below:

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

Description		*Rs in Million*
A	Net operating revenues	230,902
B	Net operating expenses including WPPF	276,889
C	Shortfall (B-A)	45,987
D	Return required @ 17.43% on net fixed assets in operation	25,212
E	Shortfall in revenue requirement (D+C)	71,199
F	Previous year Revenue shortfall upto FY 2020-21	254,108
G	Total Revenue Shortfall (E+F)	325,307
H	Sales volume (BBTU)	379,409
Increase in the average prescribed price (Rs/MMBTU) (H/I*1000)		857.40

3. Proceedings

3.1. Public hearings were held at Lahore and Peshawar on 22 June, 2021 & 24 June, 2021 respectively, participated by the following;

Public Hearing at Lahore on 22 June, 2021

i) Petitioner's team led by Mr. Syed Javed Hamdani, Managing Director.

Interveners / Participants:

i) Mr. Ghiyas Paracha, All Pakistan CNG Association,

ii) Capt. Raja Shuja Anwar, All Pakistan CNG Association,

CERTIFIED TRUE COPY

iii) Mr. Khalid Latif, Chairman, All Pakistan CNG Association,
iv) Mr. Muhammad Ilyas, All Pakistan CNG Association,
v) Mr. Sehrish Zeeshan, Federation of Pakistan Chamber of Commerce & Industry,
vi) Mr. Muhammad Zaman, Secretary General, All Pakistan CNG Association,
vii) Mr. Ali Waqar, Dawn News
viii) Mr. Sudhir Ahmed, BOL News
ix) Mr. Muhammad Luqman, SAMAA TV

Public Hearing at Peshawar on 24 June, 2021

i) Petitioner's team led by Mr. Ejaz Ahmad Chaudhry, Dy. Managing Director (S) and Mr. Faisal Iqbal, CFO.

Interveners / Participants:

3.2. The following interveners / participants presented their comments:

i) Mr. Pervaiz Khan Khattak, KPCCI & All Pakistan CNG Association,
ii) Mr. Fazal Moqueem Khan, Chairman, All Pakistan CNG Association,
iii) Mr. Muhammad Ashif, Managing Director, Zameendara CNG,
iv) Mr. Ghalib Khan, Evergreen CNG,
v) Mr. Tahir Zai, Hamzai CNG,
vi) Mr. Tahir Khan, Real CNG,
vii) Mr. Shoaib Khan, Real CNG.

3.3. The petitioner made submissions in detail with the help of a multimedia presentation explaining the basis of its petition. The petitioner also responded to the comments, observations, objections and questions of the participants as well as the Authority. The main points of the petitioner are summarized below:

3.2.1 The petitioner requested to allow previous years' revenue shortfall upto RERR FY 2020-21 as part of current year price. It was requested to compute its UFG disallowance per its respective WACOG instead of national WACOG as cost equalization agreement between sui companies had been dismantled by Economic Coordination Committee (ECC) since May, 2018. It was argued that additional dent of Rs. 3.6 billion was incurred during last two financial years i.e., FY 2018-19 & FY 2019-20.

3.2.2 The petitioner has also requested to allow HR benchmark on current operating parameters. It was also requested that inflationary impact be minimally allowed in the backdrop of COVID-19.

3.2.3 The petitioner has further requested to allow LPS outstanding payment to gas creditors owing to insufficient revision of natural gas prices by the FG.

3.2.4 It was requested to allow Rs. 91 billion in respect of its projected CAPEX as part of instant petition as huge investments in network expansion and establishment of offices and operational activities have been envisaged by the petitioner.

3.2.5 The petitioner requested to allow RLNG cost of supply at actual throughput instead of 100% designed capacity of pipeline so that entire cost be recovered by it. Moreover, it was requested to allow finance cost against RLNG payments so as to avoid default situation in its RLNG business. It was emphasized that matter of retained RLNG volume by SSGCL be addressed as part of cost of service.

CERTIFIED TRUE COPY

3.2.6 It was highlighted that diversion of RLNG volume to domestic and commercial consumers and its partial recovery becoming a new challenge for the petitioner]. It was requested that the differential amount be allowed provisionally as RLNG price in accordance with ECC decision.

3.4. The substantive points made by the interveners during the hearings pertaining to the instant petition as well as policy matters are summarized below:

3.3.1 CNG Association demanded to maintain CNG price at existing level as any increase in its prices would lead to closure of CNG sector resulting in huge unemployment in the country.

3.3.2 It was further requested that supply to CNG sector be not curtailed and its issues be resolved on top priority basis by FG.

3.3.3 It was highlighted that CNG sector is suffering badly from low pressure and irregular supplies from the petitioner while other sectors have continuously been supplied.

3.3.4 It was requested that RLNG price for CNG sector be fixed in fair manner. All categories of gas consumers be charged an equitable amount. It was also demanded that the differential amount of RLNG diversion volume be not only charged to CNG sector as part of RLNG price.

3.3.5 It was also requested to abandon the cross subsidy mechanism in natural gas sale price.

3.3.6 It was demanded that the petitioner's request for installation of TBS metering and GIS mapping be not allowed as it would only burden natural gas consumers.

3.3.7 It was requested that petitioner's tariff for transmission and distribution activities should be determined and distributed equally among indigenous and RLNG consumers.

3.3.8 It was criticized that the company has demanded 1.2 million new connections and expansion of distribution network in the backdrop of depleting gas reserves in the country. Such uneconomic expansion shall only result in jacking up of price coupled with increased UFG losses.

3.3.9 It was requested that the petitioner's UFG losses be charged equally to all gas consumers instead of loading it to CNG sector only.

3.3.10 It was demanded that the petitioner be directed to reduce its gas losses at minimal level as per international practices. In case of high UFG losses in particular areas, consumers of the same community be charged.

3.3.11 In KPK, it was complained by CNG sector that the monthly billing charges are quite high in comparison to gas metered/ received. It was demanded that billing officer/engineer be deputed at CNG stations to address this anomaly. It was objected that monthly meter rent is illegal when there is no gas supply.

3.3.12 It was requested that the petitioner be directed to recover penalty in arrears / installments.

3.3.13 It was demanded that inefficiencies of petitioner be not shifted to industrial consumers including CNG.

3.3.14 It was demanded that petitioner's claim on account of LPS outstanding payment to gas creditors be not allowed as part of price.

3.3.15 Issuance of new CNG licenses be encouraged by OGRA being environment friendly energy fuel.

3.3.16 It was urged that third party shipper be encouraged as it would reduce burden on general consumer through additional revenues and manage the energy supply constraints.

3.3.17 It was demanded by Ministry of Planning, Development and Special Initiatives (Energy Wing) that a comprehensive study on cost of service for each consumer category be instituted by the petitioner and validated by the Regulator.

3.3.18 Ministry of Planning, Energy Wing demanded that system expansion and new connections to town and villages, should be allowed on the basis of business plan of petitioner along with availability of gas.

3.3.19 It was requested to adjust wellhead gas price based on applicable US$ exchange rate and latest international prices of crude oil and HSFO in gas purchases calculation.

3.3.20 It was pointed out that 100% increase in salaries & wages for executives has been demanded by petitioner without any rationale.

3.3.21 It was further demanded that OGRA to review its existing UFG targets and benchmarking so as to have realistic and cost reflective tariffs.

4. Authority's Jurisdiction and Determination Process

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

4.2. Section 8(3) of the Ordinance empowers the FG to fix the consumer sale prices and advise OGRA the revision in gas sale prices and minimum charges in respect of natural gas retail consumers for notification in the official gazette. Accordingly, FG, keeping in view economic indicators, policy considerations in terms of uniform pricing across the country, Gas Development Surcharge and the inter category subsidies, etc. advises the gas sales prices and minimum charges for each retail category to OGRA. The same is notified in the official

CERTIFIED TRUE COPY

gazette. The Authority, however, observes that during past, FG under Section 8(3) of the Ordinance had advised insufficient revisions to OGRA, resulting in accumulation of previous years' revenue shortfall in the total revenue requirement. **The Authority, in the instant determination as well as previous decision, has already referred as the matter of previous year's shortfall to FG for an appropriate policy decision.**

4.3. **The Authority, however, reiterates its view that all the categories of consumers must at least pay the average cost of service, keeping in view the existing cost of alternative or substitute sources of energy. Resultantly, there shall be no situation of unmet revenue requirement. This shall provide a level playing field for all concerned and avoid the situation of revenue shortfall.**

4.4. The Authority notes that the new tariff regime was implemented from FY 2018-19 onwards wherein market based Rate of Return on Asset (ROA), based on Weighted Average Cost of Capital (WACC) model, was allowed to gas licensees on the value of their net regulated assets. Accordingly, ROA at 17.43% was allowed for the period of 3 years to gas companies involved in the business of transmission & distribution from FY 2018-19 onwards.

4.5. The Authority observes that 3 years period have passed and rate of return needs to be revised based on updated figures in the light of parameters set for tariff regime implemented for natural gas sector of Pakistan. The Authority, as per the existing legal framework and tariff regime in place, reset the revised WACC at 16.60% on net operating assets for the next three years, based on the actual data upto December 2020, as tabulated below:

Particulars	Formula	Revised working
Risk Free Rate: Rf (Last 10 year monthly Average of 20 year's PIB)	A	12.44
Market Return (15 year average PSX-KSE 100 index)	B	13.47
Market Risk Premium	C=B-A	1.04
Market Risk Premium (Capped 11%, Floor 7%)	D	7.00
Beta Equity-Distribution	E	1.30
Cost of Equity (Re)	Re=Rf + beta x MRP	21.54
6 monthly Avg of last 12 months Kibor	F	8.71
Cost of Debt	Rd=F+2%	10.71
Tax rate (t)		0.29
WACC Pre Tax	{Re/(1-t) x 30%} + {Rd x 70%}	16.60

Various income & expenditure heads has been included as part of the prescribed price in the light of latest tariff regime implemented since FY 2018-19.

5. Operating Fixed Assets

5.1 Summary of Additions during the year

5.1.1 The petitioner, in the instant petition segregated its indigenous and RLNG business into Transmission, Distribution and Sales activities. The petitioner has projected separately gross addition and claimed depreciation expenses against the operating fixed assets for the said year. Summary of addition to assets as claimed by the petitioner is as under:

CERTIFIED TRUE COPY

Table 5: Addition to assets

Description	Rs. in Million					
	Natural Gas			RLNG		
	Transmission	Distribution	Sales	Transmission	Distribution	Sales
Net operating fixed assets at beginning	20,109	113,119	332	45,762	2,310	-
Additions during the year (Net of adjustments & deletions)	3,024	84,918	403	97	2,221	-
Total Assets	23,133	198,037	735	45,859	4,531	-
Depreciation	5,205	19,297	371	3,686	273	-
Net operating fixed assets at closing	17,928	178,740	364	42,173	4,258	-
Average net assets	**19,019**	**145,930**	**348**	**43,968**	**3,284**	-
Deffered credit at beginning		20,480		10,281		
Deffered credit at closing		20,819		11,181		
Sub total		41,299		21,462		
Average deffered credit		**20,650**		**10,731**		
Average net fixed assets (A-B)	19,019	125,280	348	33,237	3,284	-
Return Required	17.43%	17.43%	17.43%	17.43%	17.43%	17.43%
Amount of return	**3,315**	**21,836**	**61**	**5,793**	**572**	-

5.1. Summary of the additions in assets claimed by the petitioner in ERR of FY 2021-22 is as follows;

Rs. in Million

Sr. No.	Particulars	Petition FY 2021-22											
		Distribution			Transmission			Sales			Total		
		Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold				3	0	3				3	0	3
2	Building on Freehold land	270	0	270	30	0	30				300	0	300
3	Transmission Mains	0			1821	97	1918				1821	97	1918
4	Compression				576	0	576				576	0	576
5	Distribution Mains	67394	1960	69354							67394	1960	69354
6	Measuring and Regulating	15426	261	15687							15426	261	15687
	Sub Total	**83090**	**2221**	**85311**	**2429**	**97**	**2526**	**0**	**0**	**0**	**85519**	**2318**	**87837**
7	Telecommunication Equipment	44		44							44	0	44
8	Plant & Machinery	733		733	589		589				1322	0	1322
9	Tools & Equipment	42		42	1		1				42	0	42
10	Construction Equipment	546		546	5		5				551	0	551
11	Motor Vehicles	224		224							224	0	224
12	Furniture & Fixture	74		74							74	0	74
13	Office Equipment	41		41							41	0	41
14	Computer Hardware	27		27				394		394	420	0	420
15	Computer System Software / Intangible Assets	96		96				9		9	106	0	106
16	SCADA System	1		1							1	0	1
	Sub Total	**1828**	**0**	**1828**	**595**	**0**	**595**	**403**	**0**	**403**	**2825**	**0**	**2825**
	Grand Total	**84918**	**2221**	**87139**	**3024**	**97**	**3121**	**403**	**0**	**403**	**88344**	**2318**	**90662**

5.2 Land Freehold

5.2.1 The petitioner in respect of transmission activities has projected Rs. 3 million for purchase of land required for chowkidar huts at 11 number overhead crossings, 30 number of Valve Assemblies (V/A) and SMSs on the segment of Sawan to Qadir Pur, Qadir Pur to AC-1X and AC-1X to A-5. The petitioner further stated that to enhance the safety & security of petitioner's installations, the huts are essentially required to facilitate the security personnel deputed at these locations to perform duty round the clock. ***In view of the justification provided by the petitioner, the Authority allows Rs. 3 million in respect of Land Freehold for Transmission activities.***

5.3 Buildings on Freehold Land

5.3.1 The petitioner has projected a total amount of Rs. 300 million on account of buildings on freehold land, out of which Rs. 270 million is for Distribution activities and Rs. 30 million is for Transmission activities as per following subheads.

5.4 Construction of Domestic Meter Inspection Shops (Distribution Activity)

5.4.1 The petitioner has projected Rs. 230 million for construction of Domestic Meter Inspection Shops (DMIS) at regional offices of Peshawar and Islamabad. The petitioner has stated that, in order to improve DMISs against OGRA's KMI 29, they are in the process of implementation of Quality Management System (QMS) at DMISs which requires separate space for each activity, proper work environment and maintained lab conditions (i.e. Humidity and Temperature for meters flow proving). The petitioner further stated that at present, all DMISs exist inside the Distribution Regional offices and there is an acute shortage of space, as DMISs consist of a single room that results in space constraint for safe storage of evidence of tampered meters (i.e. to be produced for Courts and other agencies, as and when required) and meters which are due for inspection.

5.4.2 The petitioner has submitted that at present DMIS in Islamabad and Peshawar regions have approximate areas of 30 X 20 feet and 14 x 14 feet respectively. Moreover, separate building of DMISs will improve lab conditions and working environment which is a mandatory requirement of ISO 9001:2015 certification.

5.4.3 The Authority observes that the petitioner is planning for DMIS building of much bigger size as against facility now in place. Moreover, in compliance of KMI 29, the petitioner has confirmed that it holds requisite certification in respect of current labs/ DMIS and therefore always claims 100 % achievement on this account. Also, valid certifications in this respect establish that the certification agencies have shown satisfaction on the present arrangements of DMIS and have not raised any objections so far. The Authority is of the view that proper maintenance of DMIS facilities must be ensured by the petitioner within allowed O&M cost.

5.4.4 ***In view of the above, the request of petitioner for construction of metering workshops is not justified. The Authority therefore, does not allow any amount in this respect.***

5.5 Upgradation of Regional Distribution Office of Islamabad (Distribution Activity)

5.5.1 The petitioner has claimed Rs. 20 million for upgradation of its Islamabad Regional Distribution Office (RDO). The petitioner has informed that RDO was constructed in the year 1978-79 and with passage of time its condition has deteriorated. The office is daily visited by customers and now it gives a very unpleasant look. The petitioner has informed that up-gradation would include a complete replacement of floor tiles, construction of emergency exits, replacement of old sewerage system, construction of boundary walls, up-gradation of washrooms, stair marble / railing, pavements and other associated works.

5.5.2 ***In view of the justifications provided by the petitioner and operational requirement, the Authority in respect of upgradation of Regional Distribution Office Islamabad principally allows Rs. 11 million. However, any prudently incurred expenditure shall be considered at the time of FRR for the said year. Furthermore, the petitioner while undertaking upgradation of regional office must ensure maximum facilitation of general public through provision of requisite basic facilities at its offices and customer friendly environment.***

CERTIFIED TRUE COPY

5.6 Civil Construction Activity at Manga, Lahore (Distribution Activity)

5.6.1 The petitioner has projected Rs. 21 million in respect of various construction works such as extension of storage hall, missing stair case, fire detection, hostels, executive rooms etc. at Manga, Lahore. The petitioner further submitted that bill printing facility has been established at Manga and projected construction works are required for safe storage, handling of fire hazard and to provide bachelor residence to the posted staff.

5.6.2 The Authority notes that bill printing facility at Manga is far from the city and operates on 24/7 basis. Moreover, extension of storage space alongwith accommodation for the posted staff/ executive at Manga is an essential operational requirement. ***In view of the foregoing and justification provided by the petitioner; the Authority provisionally allows Rs. 11 million in respect of civil construction activity at Manga.***

5.7 Miscellaneous Construction Activities (Transmission Activity)

5.7.1 The petitioner has claimed Rs. 30 million in respect of various construction works related to transmission activity, such as construction of security huts, watch towers, repairing/ replacement of water and sewerage system, construction of quarters for PLO staff etc. The petitioner submitted that construction activities are required for emergency situation, security purposes, storage purposes etc. ***Keeping in view the justifications of the petitioner and historical trend to undertake construction activity of general nature, the Authority provisionally allows Rs. 16 million for miscellaneous construction activities related to Transmission.***

5.7.2 The table below summarizes the decision of the Authority;

Rs. Million

BUILDING ON FREE HOLD LAND (Rs. In Million)							
NO.	DESCRIPTION OF SEGMENTS/OTHER ASSETS	Distribution		Transmission		Total	
		Petition	Allowed	Petition	Allowed	Petition	Allowed
1	Building on Freehold Land	270.00	11	30	16	300	28
	Total	270	11	30	16	300	28

5.8 Transmission Mains:

5.8.1 The petitioner has projected an amount of Rs. 1,918 million in respect of transmission activities as per following sub-heads;

5.9 Construction of SMS for new towns/ modification/ upgrading of SMS/ purchase of Land:

5.9.1 The petitioner has projected Rs. 400 million for construction of SMS for new towns / modifications/ up gradation of SMSs/ Purchase of land. The petitioner has submitted that construction/upgradation of 09 number SMSs is planned to be undertaken during the said year. The petitioner has submitted that SMSs have been proposed against the ongoing schemes where Government of Pakistan (GOP) share/funds are available.

5.9.2 The Authority observes that expenditure amounting to Rs. 449 million has remained unutilized in respect of previous years though it has already been allowed to the petitioner in respective years as part of prescribed prices, as in case of upgradation of SMS at Gujar Khan that has already been allowed but yet to be executed.

CERTIFIED TRUE COPY

5.9.3 In *view of the above stated position where the petitioner already holds enough budget approved in earlier years on this account, the Authority directs the petitioner to execute incomplete/ earlier approved tasks during the said year.*

5.10 Rehabilitation/ Upgradation of Transmission System

i. Rehabilitation of Transmission System

5.10.1 The petitioner has projected an amount of Rs. 83 million for rehabilitation of its transmission lines that includes Rs. 69 million for construction of retaining walls, lowering and filling of different transmission lines to protect them against rain water and Rs. 13.5 million for modification/ upgradation of SMSs at Dhonkal, Jamke Cheema and GTPS Shahdrah for effective pressure profiling activities to minimize Company's UFG. The Authority notes that rehabilitation is an essential activity to ensure integrity of the system, however, the petitioner must ensure prudence in undertaking such jobs so as to effectively cover all area of operation while maintaining excellent level of workmanship, good corporate governance, prudent management practices and compliance with PPRA Rules.

ii. Purchase of Land:

5.10.2 The petitioner has projected Rs. 60 million in respect of land required for modification of SMSs of Section-I i.e., SMS Kashmore, SMS Taunsa and SMS Abdul Hakim. The petitioner has submitted that presently there is insufficient land to meet operational, maintenance and current standard SMS design requirements. The petitioner further added that these SMSs are adjacent/shoulder to Right of Way (ROW) with congested fittings which need to be modified to cope with current standards for SMSs and additions, meet current and future gas load requirement. The petitioner further has confirmed that the capitalization under this head shall be done under cost center of Land.

5.10.3 ***In view of the above and keeping in view the operational requirement, the Authority provisionally allows Rs. 83 million on account of rehabilitation of transmission system. Moreover, in view of the reason that modification/ upgradation of SMSs will bring improvement in supply of gas to the adjacent localities, the Authority allows Rs. 60 million in principle in respect of purchase of land for modification of SMS and directs the petitioner to ensure its completion in this financial year. Moreover, any prudently incurred expenditure in respect of purchase of land for modification/ upgradation of SMS shall be considered at the time of FRR for the said year provided the same is within the estimated amount.***

5.11 Cathodic Protection System (CP System)

5.11.1 The petitioner has projected Rs. 452 million in respect of CP System. The petitioner plans to construct 74 new CP stations and renovate 116 CP stations.

5.11.2 The petitioner has submitted that unit cost of a CP station comprises of various factors such as material price, land acquisition, payment to outside agencies, contract payments for work execution, civil works etc. The petitioner added that all these costs are variable for each CP station depending upon the site conditions. Moreover, the average unit cost for construction & renovation of CP station is Rs. 2.5 million & Rs. 2.3 million respectively. The petitioner has highlighted that cost of CP material being imported, in nature is directly affected by increase in currency exchange rates i.e., USD to PKR and therefore cost of CP station has increased substantially within last 02 years.

5.11.3 The Authority observes that cathodic protection is essential for 24/7 maintenance and mitigation process of underground pipelines against corrosion. *The Authority further notes that historically, the petitioner has been able to renovate/ install at an*

average of 84 units per year. In view of the justification provided by the petitioner, operational requirement and past actualization trend, an amount of Rs. 209 million is provisionally allowed in respect of CP system.

5.12 Charsadda-Khazana-Tangi Transmission Network System Augmentation

5.12.1 The petitioner has projected an amount of Rs. 826 million for Phase-II of the said project involving 10" dia x 24 KM Charsadda transmission network in respect of system augmentation to counter low-pressure problems in Mardan and Peshawar regions. The petitioner has informed that the said project was approved by Board of Directors (BOD) in its 543rd board meeting held on 02.12.2019 and Phase I of the project amounting to Rs. 1,531 million involving 10" dia x 27.75 KM Charsadda Offtake (Gulabad) to Charsadda and 10" dia x 20.80 KM Charsadda to Khazana transmission loop lines had been allowed by the Authority in principle in DERR of FY 2020-21. The petitioner has submitted that physical work/activities in respect of the project have not yet been initiated owing to delay in procurement/ delivery of material mainly due to COVID-19 pandemic situation. Moreover, the petitioner has added that delivery of the pipeline is expected in July 2021, after which the physical work can be initiated and 75% to 80% in respect of Phase-I of the works are likely to be completed in this financial year.

5.12.2 The Authority observes that the amount in respect of Phase-I of the project was allowed in principle at the time of DERR FY 2020-21, however, till date the petitioner has not been able to initiate any physical activities. The Authority also notes that as per the extracts of 543rd BOD meeting, construction of Phase-II of the project will be undertaken after completion of Phase-I. ***In view of the foregoing, the Authority pends its decision in respect of allowing any amount for Phase-II of the project with the direction that request of Phase-II may be submitted to the Authority for consideration upon successful completion of Phase-I.***

5.13 Technical Capacity Building of Petitioner's Human Resource (LNG System)

5.13.1 The petitioner has claimed Rs. 97 million for a pilot project of laying 56" diameter x 260 m line, to build technical capacity of its Human Resource (HR) for carrying out Pakistan Stream Gas Pipeline Project (PSGPP) (earlier North South Gas Pipeline Project) being undertaken by the GOP in collaboration with Russian Federation, Ministry of Energy. In addition, the petitioner has submitted that the project has also been approved by the BOD in its 565th meeting held on 31st December 2020.

5.13.2 The petitioner has explained that the PSGPP involves 1,100 KM long, high pressure transmission pipeline to be laid in minimum 48" or 56" diameter from Karachi to Lahore for the transportation of Re-gasified Liquefied Natural Gas (RLNG) under the auspices of Inter-Governmental Agreement under Government-to-Government mode having design capacity of 1.6 BCFD.

5.13.3 The petitioner informed that Special Assistant to Prime Minister (SAPM) in a meeting held on 13.10.2020 stressed the need for participation of both Sui's in executing the project being the local specialist companies engaged in pipeline construction business and urged both the companies to enhance their technical capacities so that they can be able to execute such a magnanimous project expeditiously. Moreover, sui companies were advised to start a pilot facility to train their HR to build and manage 48" and 56" diameter pipelines.

5.13.4 The petitioner submitted that in order to develop in-house technical capacity of HR and training/ knowledge on the equipment/ machinery before undertaking PSGPP, construction of 56" diameter x 260 m high pressure transmission pipeline segment

CERTIFIED TRUE COPY

has been planned from Valve Assembly (V/A) AV 31(a), D/S Sidhnai to 24" diameter Punjab Power Plant V/A at D/S Sidhnai in the space available in existing ROW. The hook-up will provide operational flexibility during maintenance and emergency situation by providing a path for gas transfer into/ from 24" diameter Punjab Power pipeline and vice versa.

5.13.5 ***Keeping in view the importance of the project and to enhance technical capacity, the Authority provisionally allows the projected amount of Rs. 97 million under RLNG ring fenced mechanism for the said project.***

5.13.6 The table below summarizes the decision of the Authority;

TRANSMISSION (Rs. In Millions)			
NO.	DESCRIPTION OF SEGMENTS/OTHER ASSETS	Transmission	
		Petition	Allowed
1	Construction of SMS for new towns/ modification/ upgrading of SMS/ Purchase of land	400	0
2	Rehabilitation/ Upgradation of Transmission System	143	83
3	Cathodic Protection System (CP System)	452	209
4	Charsadda-Khazana-Tangi Transmission Network System Augmentation	826	0
5	Technical Capaicty Building (56" x 260 m) (RLNG)	97	97
Total		1918	389

5.14 Compression

5.14.1 The petitioner in respect of transmission activities has projected an amount of Rs. 576 million for compression equipment for the said year as per following sub-heads.

i. Compression Equipment Regular Capital Expenditure

5.14.2 The petitioner has projected Rs. 43 million in respect of compression equipment under regular expenditure. The petitioner submitted that out of the total projected amount, Rs. 3 million is for Up-gradation of obsolete control system of Caterpillar Gas Gensets required for reliable and smooth operation installed at compressor station AC-4. The petitioner submitted that the back support of this old system is no longer available from the Original Equipment Manufacturer (OEM) and due to repeated troubles relating to this control system causing increased down time of the equipment, it is mandatory to upgrade control system for operational reliability that will also enhance the equipment useful life for next 15 years.

5.14.3 In addition to above, the petitioner has also projected Rs. 40 million for replacing of shell and tube heat exchanger along with water/ gas inlet/ outlet valves for cooling of compressed gas at compressor station AC-1X. The petitioner has informed that the Discharged Gas Cooling (DGC) system at AC-1X was installed in 1995 and these heat exchangers have completed their useful life of 25 Years and their cooling efficiency has dropped. The petitioner added that new heat exchanger is essentially required for the safe operation of the system to cool the gas as per defined operational parameters.

5.14.4 ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority provisionally allows regular capital expenditure of Rs. 43 million in respect of compression equipment.***

ii. Compression Overhaul Project FY 2021-26

5.14.5 The petitioner has projected Rs. 533 million as first tranche in respect of compression overhauling project to be executed during FY 2021-22 to FY 2025-26. The petitioner has submitted that BOD in its 551st Meeting held on 02.05.2020 and in line with the recommendations of Finance & Procurement Committee given in its 308th meeting held on February 20, 2020 accorded approval of Rs. 2,990 million for overhauling of 25 turbine engines (Centaur & Saturn) and 09 gas compressor booster.

5.14.6 The cost break-up of the projected amount for the first tranche is given as under:

Compressor Overhaul Project		
Sr. No.	**Description**	**Rs. (Million)**
1	Cost of spare parts for Overhauling of 03 number Centaur T-45/47 Engines.	270
2	Cost of Overhauling of 01 No. T-50 Centaur Engine.	170
3	Cost of Overhauling of 02 number Centrifugal Compressors.	65.08
4	Emergency Repair / Warranty Claim / Services / Equipment Repairing / Tooling Purchase etc. expenses.	27.5
	Total Cost (FY 2021-22)	**532.58**

5.14.7 The petitioner has explained that pressure of the gas being transmitted through pipelines drops due to frictional losses, transactional supplies and changes in direction, elevation & pipeline diameter etc, and in order to boost this pressure, compressor stations are installed along with the transmission pipeline. The petitioner has apprised that it is operating 11 number compressor stations based on the families of Centaur & Saturn compressor packages manufactured by M/s Solar Turbines Incorporated, USA, a wholly owned subsidiary of M/s Caterpillar Inc. The petitioner submitted that it had transfer of technology agreement with M/s Solar Inc, based on which compression department performs in-house overhauling activities. However, Centuar-50 model of the turbine engines are sent to the manufacturer for overhauling as transfer of technology agreement was not executed due to its cost effectiveness.

5.14.8 The petitioner has submitted that the overhauling of gas turbine engines and booster compressors is a mandatory operational requirement for sustainable and safe operation of compression systems.

5.14.9 ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority provisionally approves Rs. 533 million for the first tranche in principle in respect of Compression overhauling project (2021-22 to 2025-26), therefore any expense in this respect may be considered for capitalization at the time of respective FRR for the said year provided the same is within the estimated amount.***

Compression (Rs. Million)			
		Transmission	
NO.	DESCRIPTION OF SEGMENTS/OTHER ASSETS	Petition	Allowed
1	Regular Capital Expenditure	43	43
2	Compression Overhaul Project (2021-22 to 2025-26) (Year-5)	533	0
	Total	576	43

CERTIFIED TRUE COPY

5.15 Distribution Development:

5.15.1 The petitioner has projected Rs. 69,354 million on account of Distribution Development as per following sub-heads;

i. Laying of Distribution Mains:

5.15.2 The petitioner has projected Rs. 46,810 million for laying of 12,860 KMs distribution lines that include Rs. 1,641 million for 500 KMs against cost recovery jobs. The breakup of 12,860 KMs is tabulated below;

Breakup of Distribution Lines		
Head	**KMs**	**Cost (Rs. In Million)**
Anticipated Scheme	11,500	42,093
Augmentation	135	1,201
Combing Mains	600	1,492
Head Office Reserves	125	383
Cost Recovery Jobs	500	1,641
Total	12,860	46,810

5.15.3 The petitioner in respect of anticipated schemes was advised to provide breakup of 11,500 KMs of lines to be laid alongwith details such as locality/ towns/ area, diameter of gas mains, prospective number of consumers, etc. The petitioner in response submitted that there is a pendency of 18,656 Kms network against the already/ in-hand approved projects/ schemes. Moreover, approval of new schemes is also anticipated which may also be initiated/ executed in phases within the same budget proposed for FY 2021-22. The petitioner also added that since the schemes, are undertaken in phases i.e., supply main in first phase and distribution network in subsequent phase, therefore sanctioning of the schemes in hand and anticipated in the FY 2021-22 would remain within the proposed length of 11,500 km and balance would be carried forward to next year.

5.15.4 It is noted that petitioner, being the executing agency, is responsible to efficiently and prudently undertake the Gas Distribution Development Schemes including provision of gas connections, as finalized by Ministry of Energy and the petitioner BOD and subsequently approved by Steering Committee/ Sub Committee for Sustainable Development Goal Achievement Program (SAP) for release of funds.

5.15.5 Moreover, despite repeated discussion/ correspondences, SNGPL has never provided required specific details of ongoing/anticipated development schemes along with reasons for delay of ongoing works/ jobs to the Regulator, since it exercises a discriminate and arbitrary "pick and choose" policy which ultimately compels the public to resort to gas theft and creates resentment.

5.15.6 In the light of issues raised by the various stakeholders, the Authority feels it all the more important that details of projects need to be revealed and specifically identified so as to track their status and avoid delays causing unrest and promoting illegal use of gas supply network. The last five year capitalization trend in respect of distribution mains is given as under:

CERTIFIED TRUE COPY

Distribution Development				
Fiscal Year	Company's Projections	Allowed	Actual Performance	Achievement w.r.t Projections
	No. of Kms	No. Kms	No. of Kms	%age
2013-14	4,630	595	2,215	48%
2014-15	3,315	3,315	2,372	72%
2015-16	5,952	5,952	2,863	48%
2016-17	8,370	8,370	4,925	59%
2017-18	9,230	9,230	9,546	103%
2018-19	8,070	8,070	5,994	74%
2019-20	9,126	9,126	4,419	48%
Average	**6,956**	**6,380**	**4,619**	**65%**

5.15.7 The petitioner has demanded laying of 12,860 KM of distribution network during the said year. However, the actual data shows that the petitioner has been able to lay 32,334 KMs of distribution mains against allowed 44,658 KMs i.e. execution of laying of around 12,000 KMs of distribution mains are still pending with the petitioner only pertaining to last seven years. In this respect the petitioner has also separately claimed revalidation of Rs. 35,546 million (already allowed as part of revenue requirement) carried forward budget in respect of previous years relating to distribution mains. Moreover, the above data also shows that the petitioner has laid distribution main at an average of 4,619 Km/year. ***In view of the foregoing, the Authority in principle allows the petitioner to proceed for execution of ongoing jobs related to distribution development projects inline with para 5.17.6, while assigning priority to such schemes which are approved since 2011 onwards and are more than 50% complete.***

ii. Laying of Distribution Mains at Cost Sharing Basis (RLNG Ring-fenced)

5.15.8 The petitioner has projected Rs. 1,641 million for laying of 500 Kilometers distribution mains of different diameter on cost sharing basis and under RLNG ring fenced mechanism.

5.15.9 ***The Authority provisionally allows Rs. 1,641 million for laying of distribution mains on cost recovery basis, however the petitioner shall not be entitled to rate of return on the said capitalization and shall be treated under RLNG Ring fenced mechanism.***

iii. System Rehabilitation

5.15.10 The petitioner has projected an amount of Rs. 6,305 million on account of rehabilitation of distribution system and stated that the amount is projected for replacement of old network and system rehabilitation for implementation of KMI-13. The petitioner has submitted that gas leakages are one of the important UFG contributing factors and efforts have been enhanced against leakage control through increased replacement of leaking underground network.

5.15.11 The petitioner has envisaged network replacement target of approx. 1,720 Km of different diameter lines while adding that the selection of segments for replacement under System Rehabilitation Program (SRP) is based on different CP parameters.

5.15.12 ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority has rationalized the projected expenditure in line with the previous capitalization trend and provisionally allows Rs. 1,661 million under the head system rehabilitation.***

CERTIFIED TRUE COPY

iv. G.I. Pipe and Fittings:

5.15.13 The petitioner has projected Rs. 720 million for G.I. pipe and fittings for new connections. In this respect the Authority is in receipt of numerous complaints from domestic consumers regarding an amount of Rs. 744/- being recovered from them on account of G.I. fittings, that is in addition to approved service line charges. The complainants allege that this additional amount is being charged by the petitioner with the contention that G.I fittings are not part of service line.

5.15.14 The Authority notes that during the hearing of such complaint cases, the representative of the petitioner has taken the stance that the Authority in its earlier determination had disallowed the claimed amount in respect of G.I. pipe and fitting and decided that this direct cost should be borne by the consumer. The Authority observes that the said contention of the petitioner is incorrect, since cost on account of G.I. pipe, couplings, regulator etc., is already being recovered from the consumers as "service line charges" notified by the Authority as part of various fixed and variable charges. The Authority notes with concern that it has neither approved any revision in fixed or variable charges nor allowed the petitioner to recover any additional amount from the consumers.

5.15.15 In view of the above, the ***Authority disallows the claimed amount under the head as per its earlier decisions with further directions to stop charging any additional charges on account of G.I. fittings immediately.***

5.16 KMI Implementation Plan (KMI No. 14)/ UFG Control Activities

5.16.1 The petitioner has projected Rs. 603 million for implementation of KMI No. 14 relating to underground leakage identification and rectification. The petitioner has stated that this is the fourth tranche of the special budget proposed in 5 Years KMI Implementation Plan and the amount is re-worked/revised on the basis of current requirements for implementation of KMI-14. In addition, the petitioner has also projected Rs. 127 million for identification of underground leakage detection through laser leaks. The petitioner has submitted that cost has been worked out by projecting detection of around 50,000 total cumulative underground leakages. Moreover, the petitioner has submitted that tentative scanning target for FY 2021-22 is 34,000 Km.

5.16.2 ***The Authority notes that the petitioner has tendency of projecting exaggerated budgets in respect of various activities relating to implementation of KMI. The Authority keeping in view the importance of activity and operational requirement has rationalized the projected amount and provisionally allows 50% of the projected amounts i.e., Rs. 302 million and Rs. 64 million respectively.***

5.17 Service Lines for New Connections (Domestic and Ring Fenced):

5.17.1 The petitioner has projected Rs. 10,241 million in respect of Service Lines for provision of 1,200,000 new domestic connections and Rs. 319 million for 2,800 commercial and 250 industrial connections under RLNG ring fenced mechanism.

5.17.2 The Authority observes that the petitioner has a tendency of projecting unachievable target in terms of number of gas connections to be installed at the time of ERR and in most of the years, the petitioner remained unable to install connections as demanded by it. The Authority further observes that the average number of domestic connections installed by the petitioner from F.Y. 2015-16 till 2019-20 comes to around 396,000. The pendency of more than 2.7 million connections substantiates the slow/ delayed progress of the petitioner on this account. The Authority vide its earlier decisions has observed that the petitioner mainly focuses only to increase targets for new connections which merely appears to be an effort to seek concession without any resolve to physically materialize it. The request of the petitioner is without any regard

CERTIFIED TRUE COPY

to gas supply and its capacity of undertaking such expansion of projects, and other statutory purports, Authority determinations and policy guidelines of the Federal Cabinet. The last five-year capitalization trend of the petitioner is given as under:

New Domestic Connections				
Fiscal Year	Company's Projections	Allowed	Actual Performance	Achievement w.r.t Projections
	Nos	Nos	Nos	%age
2013-14	500,000	500,000	293,522	59%
2014-15	300,000	300,000	255,241	85%
2015-16	322,728	300,001	261,629	81%
2016-17	530,000	530,000	420,704	79%
2017-18	1,000,000	1,000,000	602,057	60%
2018-19	1,000,000	450,000	427,768	43%
2019-20	600,000	420,000	270,058	45%
Average	**607,533**	**500,000**	**361,568**	**65%**

5.17.3 Last seven-year performance given above shows that petitioner could not even provide 1/3rd of the currently demanded new connections of 1.2 million. It is obligation of Gas Companies to ensure that only economically, technically and commercially viable projects are planned and proposed for seeking approval of the relevant authorities on merit keeping in view all relevant factors, unless funding for such projects is made by the Government to make them viable, but with due regard to the gas supply demand projections and gas companies' obligations towards security and continuity of supplies. There are frequent issues of gas shortages and pressure drops being faced in the country. However, in total disregard and contravention of the license condition No. 34, the petitioner has not devised any strategy or action plan to resolve the pressure drop issues being faced by the existing consumers and potential new consumer. The petitioner exhibited lack of proper planning and vision to systematically and efficiently serve its existing customers thereby, it is adding to the miseries of its consumers due to issues of pressure drop and increasing gas shortages.

5.17.4 The petitioner was repeatedly asked to provide relevant clarifications including those mentioned at para 5.17.3 above, which were never convincingly addressed.

5.17.5 In addition to above, examination of last seven year data indicates that the petitioner has been able to install 2.53 million gas connection against 3.50 million allowed connections, thus more than 969,000 of gas connections limit remained un-utilized only during last seven years, besides total admitted pendency of over 2.8 million applications.

5.17.6 ***In view of the foregoing, the Authority hereby grants principle approval to the petitioner to provide new gas connections in respect of ongoing schemes, where priority should be given to such schemes approved since 2011 onwards and are more than 50% complete. Moreover, the petitioner to ensure planning for extension in network including provision of new gas connections without prejudice to following:***

a. The petitioner may undertake combing connections within its already served areas on priority and in order of economy, provided cost of such connections is within the Government approved per consumer cost criteria, as may be decided by the Management and its BOD.

b. Since the exclusivity of gas companies to develop gas development schemes in its franchised area has ended in 2010 and Authority vide its decision on RERR 2020-21 has referred the matter to FG to formulate policy for award of new gas distribution network projects in new towns and villages through some competitive mechanism to facilitate new entrants and promote competitive market except where schemes are fully funded by Government and specifically decided to be executed through sui companies. Therefore, the petitioner is advised to take cognizance thereof.

c. Pursuant to Licence Condition 34 the petitioner shall ensure that addition of new gas connecitons/ development schemes shall not further affect security and continuity of gas supplies to exisiting consumers and arrange sufficient additional gas supplies for the new connections.
d. The petitioner shall ensure compliance to its non-discrimination obligation as stipulated in Licence Condition 12 of its licence, while planning, finalizing and executing, gas developement projects and new schemes.
e. The petitioner shall ensure that addition in new gas connections/ development schemes shall have no adverse and financial impact on existing consumers.
f. The petitioner shall ensure adherence / compliance of decision on case No. 309/12/2021 dated April 13, 2021 vide which FG has authorized sub-committee on Sustainable Development Goal Achievement Program (SAP) to approve new schemes against savings available with the gas utility from previous programmes.

5.17.7 ***The Authority also provisionally allows the projected amount of Rs. 319 million for 2,800 commercial and 250 industrial connections and this amount is ring-fenced as per the policy of the GOP regarding RLNG/ ECC decision.***

5.18 Segmentation of Looped SMSs:

5.18.1 The petitioner has projected an amount of Rs. 1,866 million in respect of segmentation of looped SMS. The petitioner has apprised that the project has been approved by BOD in its 565th meeting held on December 31, 2020 alongwith the Company's revenue requirement for FY 2021-22 and this amount is projected in respect of work to be executed in Phase-1 involving de-looping of 11 SMS clusters, comprising of 39 SMSs as per following details:

Region	Number of SMS Clusters	Total Number of SMSs in Clusters	Estimated Cost of Segmentation/ De-looping (Rs. Million)
Abbottabad	1	3	144.71
Faisalabad	2	9	299.76
Islamabad	2	7	391.36
Multan	3	9	259.39
Peshawar	1	2	411.34
Rawalpindi	1	6	59.41
Sheikhupura	1	3	300.58
Total	**11**	**39**	**1,866**

5.18.2 The petitioner has submitted that currently, there are 19 looped SMSs clusters, comprising of 63 SMSs in different regions and owing to looping/ operational constraints, the SMSs are operated at higher pressure to provide gas up to the fag ends of over-extended/ over loaded distribution network. The petitioner further added that isolation of SMSs will help in optimum operation of gas network, thus also reducing leakage and will also help in segregation of different areas

5.18.3 ***The Authority keeping in view the justification provided by the petitioner and operational requirement provisionally allows the said project in principle. However,***

CERTIFIED TRUE COPY

any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.

Augmentation/ Bifurcation of Gas Network in Lahore City (Phase-II):

5.18.4 The petitioner has projected an amount of Rs. 2,363 million in respect of Phase II of the project relating to augmentation/ bifurcation of Gas Network in Lahore City.

5.18.5 The petitioner at the time of Motion for Review for FY 2018-19 submitted that the augmentation/ bifurcation plan of Lahore city in two phases had been prepared keeping in view the operation of gas distribution network at optimum conditions by providing multiple feed points. Moreover, Authority vide its decision on Motion for Review for FY 2018-19 approved in principle, Phase-I of the project by considering all aspects such as anticipated supplies of RLNG in future, UFG reduction in the light of KMI implementation plan, low gas pressures issues at tail end due to segregation of Distribution network and operational/ measurements requirement.

5.18.6 The Authority observes that as per execution plan, Phase-II of the project shall be started after completion of Phase-I. Moreover, the petitioner has informed that Phase-I of the project is still in process and 80% of the works are likely to be completed in this financial year.

5.18.7 ***In view of the foregoing, the Authority pends its decision in respect of allowing any amount for Phase-II of the project with the direction that the projection in respect of Phase-II be submitted to the Authority for consideration upon completion of Phase-I of the project.***

5.18.8 ***In view of the above, the Authority allows Rs. 3,986 million in respect of distribution mains.***

Measuring and Regulating Assets

5.20.1 The petitioner has projected an amount of Rs. 15,687 million on account of additions under the head Measuring and Regulating in respect of Distribution Activities as per following sub-heads;

5.20 Installation of New Connections:

5.20.1 The petitioner has projected an amount of Rs. 8,379 million for installation of 1,200,000 domestic connections and Rs. 261 million for 2,800 commercial and 250 industrial connections (under ring-fenced mechanism).

5.20.2 ***As discussed earlier, the petitioner is directed to proceed inline with para 5.17.6.***

5.20.3 ***The Authority also provisionally allows the projected amount of Rs. 261 million for 2,800 commercial and 250 industrial connections under ring-fenced mechanism as per the policy of the GOP regarding RLNG/ ECC decision.***

5.21 Construction of TBSs and DRSs:

5.21.1 The petitioner has projected Rs. 826 million for installation of 400 number of new TBSs/ DRSs and modification of existing DRSs at an estimated cost of Rs. 2.065 million per unit. The petitioner submitted that the cost has been projected based on the existing cost of the material components used in fabrication of TBS and conversion cost (rupee-dollar parity). The petitioner has submitted that quantity and location of TBSs against modification/ operational requirement/ system augmentation cannot be ascertained at this stage as the requirement arises throughout fiscal year, keeping in view the operational requirements of the region. The petitioner has confirmed that proposed TBSs shall be installed against anticipated schemes alongwith installation against system augmentation/ operational requirement.

CERTIFIED TRUE COPY

5.21.2 The Authority observes that expenditure amounting to Rs. 384 million has remained unutilized in respect of previous years though it has already been allowed to the petitioner in respective years as part of prescribed prices. ***In view of the above stated position where the petitioner already holds enough budget approved in earlier years on this account, the Authority directs the petitioner to execute incomplete/ earlier approved tasks during the said year.***

5.22 Replacement of Old Meters:

5.22.1 The petitioner has projected an amount of Rs. 2,782 million for replacement of 828,290 defective/ undersized/ 16 years old meters (Industrial/ Commercial/ Domestic), under KMI 6-12. The petitioner submitted that 825,000 domestic meters, 2,800 commercial meters and 490 industrial meters (including 600 EVC units) shall be replaced during the said year. The petitioner has apprised that unit cost is based on latest purchase prices which is suitably escalated to meet the projected requirement.

5.22.2 The Authority observes that KMI regime was introduced in the year 2017-18 that also included KMIs related to replacement of defective meters. Moreover, replacement of meters is essential for ensuring measurement accuracy and detection of gas theft cases through replacement of suspected, tampered, defective and schedule replacement of meters. The Authority notes that the petitioner has been able to replace at an average of 680,000 meters during the last three years. Moreover, under the provisions of OGRA Natural Gas Measurement (Technical Standards) Regulations, 2019, the periodic accuracy of gas meter is to be checked atleast once in 15 years in case of domestic consumers, at least once in 5 years in case of commercial consumers and once in two years in case of industrial consumers. The Authority observes that the petitioner has only been able to replace 639,891 old meters during FY 2019-20 which is far less as compared to projected number of meters to be replaced during FY 2021-22.

5.22.3 ***In view of the above and considering the importance of UFG, the Authority provisionally allows Rs. 2,375 million under the head. Moreover, the Authority directs the petitioner to utilize its resources optimally for effective replacement of old meters. Furthermore, the Authority expects that this exercise of replacement of meters shall lead to correct billing and there shall be reduction in UFG.***

5.23 TBSs Installation on Operational Grounds:

5.23.1 The petitioner has projected Rs. 65 million for installation of 20 TBSs to meet the operational requirements for segmentation of areas to identify the UFG prone areas.

5.23.2 The Authority observes that the installation of TBS/ DRS has already been discussed under the respective head of Construction of TBS. Moreover, the reasons provided by the petitioner for consideration of additional amount in respect of installation of TBS on operational ground is not prudent. ***In view of the foregoing, the Authority, does not allow any amount in respect of installation of TBS on operational grounds.***

5.24 GPRS Based System for Integration of Industrial Connections with SCADA System for Remote Monitoring:

5.24.1 The petitioner has projected Rs. 29 million in respect of installation of GPRS based system for integration of industrial connections with SCADA system for remote monitoring. The petitioner has apprised that the project has been approved by BoD in its 565th meeting held on December 31, 2020 alongwith the Company's revenue requirement for FY 2021-22.

5.24.2 The petitioner has informed that GPRS system will be installed at industrial connections to remotely communicate with Electronic Volume Corrector (EVC) data for monitoring of Industrial connections to detect gas theft, measurement error cases and load enhancement cases. The petitioner further added that these will also be integrated with SCADA for monitoring and generation of different alarms through user friendly SCADA screen. The petitioner has explained that remote communication of EVC data through GPRS system will be beneficial in terms of saving of expenses that is incurred during physical visit of site teams for downloading of EVC data and shall give prompt indication of any anomalous situation for corrective measures. The petitioner has added that a budget has been proposed for 100 units and area wise distribution will be made after procurement, keeping in view the specific requirements of different regions.

5.24.3 ***The Authority appreciates such long awaited efforts by the petitioner and anticipates that installation of GPRS based integration system shall curb measurement error, gas theft and load enhancement cases. Therefore, the Authority keeping in view the justification provided by the petitioner provisionally allows projected amount of Rs. 29 million as claimed by the petitioner under the head for the said year.***

5.25 Measurement Facility at Isolated TBSs for Micro Monitoring of UFG Losses:

5.25.1 The petitioner has projected an amount of Rs. 3,345 million in respect of installing measurement facility at isolated TBSs for micro monitoring of UFG losses. The petitioner has submitted that BOD in its 566th meeting held on 13.02.2021 has accorded approval of Rs 3,345 million for installation of smart metering, out of the total projected amount, Rs. 3,184 million has been projected to equip existing 2,924 unmetered isolated TBSs/ DRSs with smart metering (meters, EVC and GPRS system) and Rs. 161 million has been projected to install GPRS system on existing 616 isolated and metered TBSs/ DRSs. The petitioner has explained that through installation of measurement facility, the data stored in EVCs will be remotely communicated to IT server, using GPRS based system for remote monitoring of different operational parameters such as gas pressure, gas flow and temperature of flowing gas etc.

5.25.2 The petitioner has further stated that micro monitoring of losses through TBS wise reconciliation is an important tool for improving system visibility and pin pointing UFG losses in different segments of distribution network. Moreover, the determination of UFG losses will help in identifying areas with high UFG, for subsequent reduction in UFG losses through execution of different UFG control activities.

5.25.3 ***Keeping in view the justification provided by the petitioner and operational requirement to control UFG, the Authority provisionally allows 25% of the projected amount i.e., Rs. 836 million. However, the Authority expects that installation of measurement facility at TBSs will bring improvement in overall UFG which must be in quantitative terms reflected at the time of FRR of the respective year.***

5.25.4 ***In view of the above, the Authority allows Rs. 3,501 million in respect of measuring and regulating assets.***

5.26 Regional office at Karak (Distribution Activity):

5.26.1 The petitioner has projected Rs. 49 million in respect of Karak Office as per following details:

Rs. Million

CERTIFIED TRUE COPY

Description	Regional Office at Karak (Balance amount)
Telecommunication equipment	0.10
Plant and machinery	10
Tools and equipment	0.35
Motor vehicles	6
Furniture and fixture	12
Office equipment	7
Computer hardware	14
Sub Total	**49**

5.26.2 The petitioner has submitted that BOD in its 534th meeting held on September 04, 2019 approved Rs. 381 million for establishment of Regional Office at Karak alongwith upgradation of CSCs to sub area offices at Bannu and Hangu. The petitioner stated that out of total budget of Rs. 152 million for upgradation of Karak office, approval of Rs. 103 million was requested from the Authority in RERR 2020-21. Considering the expected approval of the budget, the balance amount of Rs. 49 million has been requested for consideration in ERR 2021-22. The petitioner further submitted that disallowed budget of Rs. 103 million in RERR 2020-21 is also mandatorily required for smooth function of different activities, as only the upgradation of Karak office will not serve the purpose. Accordingly, the Authority has been requested to allow establishment of Karak as regional office alongwith upgradation of CSCs at Bannu and Hangu as approved by BOD.

5.26.3 In addition to above, the petitioner has submitted that Karak Office is under the administrative control of Peshawar region, and is approximately 130 Km away involving 3 to 4 hours travel time. The petitioner has explained that Karak has high UFG and all best possible efforts are being made to curtail losses in the area and already a Chief Engineer along with essential executives/ staff have been shifted to Karak office to carry out Development, Operational, Customer Services, Maintenance and UFG control activities.

5.26.4 The petitioner has also apprised that it has already undertaken Phase-I of the project of rehabilitation/ extension of new network in Oil and Gas producing districts (Karak etc.) of Khyber Paktunkhawa (KPK) worth Rs. 1.945 billion which was approved by ECC and Federal Cabinet on the recommendations of Development Working Party (DWP). The petitioner added that so far more than 335 Km out of 474 Km network has been laid and around 19,000 gas connection are to be installed on this legal network. The petitioner has also informed that Phase-2 of network extension/ rehabilitation amounting to Rs. 5.14 billion has been submitted to Ministry of Energy (Petroleum Division) (MOE) and the same has also been approved by DWP in its 3rd meeting held on 28.04.2021. Moreover, around 1,280 Km is to be laid and more than 50,000 domestic connections are to be provided in Phase-2. The petitioner has further explained that such development activity cannot be managed from regional office and political notable are pressing hard to establish regional office at Karak to facilitate general public.

5.26.5 The Authority appreciates that the petitioner has rationalized its existing resources by placing the necessary staff/ executives at Karak for facilitating general public. The Authority in its earlier determinations directed the petitioner to re-enforce the existing CSC to facilitate consumers and undertake system augmentation/ rehabilitation projects in Karak area including all necessary measures to reduce UFG in the region and submit quantifiable improvements in this respect. The Authority appreciates that substantial reduction in the UFG has been achieved in Karak and continuing efforts of the petitioner in this regard are expected to bring further improvements considering

CERTIFIED TRUE COPY

the very nominal volume of gas consumed in the area, ***the Authority allows in principle the upgradation of Karak office rather than creation of new regional office alongwith sub area offices. Actual expenditure in this respect shall be considered at the time of FRR provided the same is within estimated amount of Rs. 103 million. Accordingly, revenue expenditure shall also be considered at the time of FRR on similar basis.***

5.27 GIS Mapping Project

5.27.1 The petitioner has projected Rs. 109 million in respect of Geographical Information System (GIS) mapping of its distribution infrastructure for Phase-1(A) of the project. The petitioner has informed that BOD in its 565th meeting held on 31.12.2020 has approved the GIS mapping project on the advice of MOE. The project has been divided into two phases as per following details:

1. Phase 1 (A) amounting to Rs. 213.72 million to be completed in 3 years and covers 4 to 24 inch dia network.
2. Phase 1 (B) amounting to Rs. 162.80 million which shall be executed after completion of Phase 1(A) and involves 1 to 3 inch dia network.
3. Phase 2 amounting to Rs. 132.98 million which shall be executed after completion of Phase 1 and involves 1 to 24 inch dia network.

5.27.2 The petitioner in respect of Phase 1 of the project has prioritized 62 SMS clusters that are contributing 85 % volumetric losses in overall losses. The 62 SMS clusters include 113 SMSs covering 6,700 distribution layout maps that hold 75% of the total pipeline network. In addition, the petitioner has requested the Authority to approve this project in total with cost amounting to Rs. 509.5 million, adding that remaining cost will be included/ claimed in the petitions of ERR/ FRR of the relevant years. The breakup of the projected amount Rs. 109 million for Phase 1 (A) is given as under:

Rs. Million

Sr. No	Description of Assets for GIS Project	Projection (Rs. Million)
1	Motor vehicles	18
2	Furniture and fixture	2
3	Computer hardware	12.59
4	Scada system	1
5	Intangible Assets	75
Total		**109**

5.27.3 The petitioner has submitted that it has the largest pipeline system of Pakistan that requires an efficient solution like GIS for managing, monitoring and decision making of such complex network. The petitioner explained that GIS is the science of location combined with the analytical powers of computer technology, which enables its users to analyze any location related issue ranging from simple feasibility study to complex planning jobs. The petitioner added that implementation of GIS will drastically improve working efficiency by saving valuable time and eliminating human errors, while enabling its users to effectively plan rehabilitation or maintenance activities, manage/ monitor their respective pipeline segments/ areas/ regions right on their desktop computers.

5.27.4 The petitioner has apprised that so far, the supply-mains and Transmission lines planning & proposal development job is shifted exclusively on GIS maps and GIS development for Transmission network is 100% completed with all information available. The petitioner has also submitted that the Distribution network GIS is in preliminary stage, where maps of some major cities (i.e., Lahore, Sheikhupura, Islamabad, Rawalpindi and Sahiwal) are completed with pipeline network 4" and above diameter. Moreover, ArcGIS interactive dashboards created through enterprise GIS installed on company server are facilitating management in decision making and monitoring Customer Complaints, Defaulter Customers, Gas Theft Cases and Leak Detection through interactive concentration/ heat maps.

5.27.5 The Authority observes that GIS mapping is a step toward digitalization of stored data/ gas network. Moreover, digitalizing the data will reduce the time for retrieving the important information relating to gas network as the same shall be available as a seam-less integrated digital map and shall be accessible by employees of the petitioner without any additional software or intensive training. Though such projects are much anticipated/ awaited, but it is acknowledged that the petitioner is belatedly focusing its efforts for system improvements. ***Keeping in view the operational requirement and justification provided by the petitioner, the Authority provisionally allows projected amount of Rs. 109 million for Phase-1(A) of the project.***

5.27.6 ***Regarding revenue expenditure amounting to Rs. 105 million, the Authority decides to allow Rs. 31 million, excluding HR cost, for the said year.*** No additional HR cost be allowed over & above the cost allowed per para 8.3.9

5.28 Plant & Machinery, Equipment and Other Assets

5.28.1 The petitioner has projected Rs. 2,825 million in respect of plant & machinery, equipment and other assets as per following sub-heads;

5.29 Telecommunication Equipment

5.29.1 The petitioner has projected Rs. 44 million for purchase of telecommunication equipment related to distribution activities that also includes Rs. 0.1 million in respect of regional office at Karak.

5.29.2 The projected amount mainly includes video-wall with controller for new Islamabad Board Room and Lahore SCADA Gas control center alongwith other telecommunication equipment such as microwave IP radio link, walkie talkie sets, telephone exchange etc. The petitioner has informed that above telecommunication equipment is required for effective capacity enhancement of existing equipment, better communication etc.

5.29.3 The Authority observes that an advanced and reliable telecommunication system is essential for effective control and security of distribution and transmission system. ***Keeping in view the justification provided and operational requirement, the Authority provisionally allows Rs. 44 million on this account for the said year as projected by the petitioner. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.***

5.30 Plant & Machinery

5.30.1 The petitioner has projected an amount of Rs. 1,322 million in respect of plant and machinery. The petitioner in respect of distribution activities has projected an amount of Rs. 733 million that also include Rs. 10 million for Karak regional office. Moreover, Rs. 589 million has been projected in respect of equipment related to Transmission Activities.

5.30.2 The projected amount includes purchase of equipment like power plant equipment, CP Equipment, HVAC equipment, firefighting equipment, metering equipment, electrical equipment, workshop plant equipment and testing/ survey equipment etc.

5.30.3 ***The Authority keeping in view need assessment of the equipment required in day-to-day operations of the petitioner provisionally allows Rs. 266 million in respect of***

CERTIFIED TRUE COPY

Distribution and Rs. 217 million in respect of Transmission for regular budget. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.

5.30.4 The details of amount allowed by the Authority in respect of plant and machinery is given as under:

Rs. Million

Pant & Machinery			
Sr. No.	**Description**	**Petition**	**Allowed**
1	Distribution Activity (Regular Budget)	723	266
2	Transmission Activity (Regular Budget)	589	217
3	Karak Office (Distribution System)	10	0
Total		1322	483

5.31 Tools and Equipment

5.31.1 The petitioner has projected an amount of Rs. 42 million for procurement of different tools and equipment such as brass hammer, loose tools, digital vernier meter etc. The petitioner out of the total amount has projected Rs. 41.75 million for Distribution activities including Rs. 0.35 million for regional office at Karak and Rs. 0.6 million for Transmission activities.

5.31.2 *The Authority keeping in view the operational requirement, provisionally allows Rs. 41.4 million for distribution activities and Rs. 0.6 million for transmission activities under the head for the said year. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.*

5.31.3 The details of amount allowed by the Authority is given as under:

Rs. Million

Tools & Equipment			
Sr No	**Description**	**Petition**	**Allowed**
1	Distribution Activity	41.40	41.40
2	Transmission Activity	1	1
3	Karak Office	0.35	0
Total		**42.35**	**42**

5.32 Construction Equipment

5.32.1 The petitioner has projected an amount of Rs. 551 million for procurement of different construction equipment such as welding plants, fusion kits, air compressors, drilling & stopping machines, excavators, cranes, portable gensets, concrete vibrator etc., that are required for development and operational activities. The petitioner out of the total amount has projected Rs. 546 million for distribution activities and Rs. 5 million for Transmission activities.

5.32.2 *The Authority keeping in view the need assessment of the equipment required in day-to-day operations of the petitioner provisionally allows Rs. 329 million for Distribution activities and Rs. 3 million in respect of Transmission activities for the said year.*

5.32.3 The details of amount allowed by the Authority is given as under:

Rs. Million

Construction Equipment			
Sr. No.	**Description**	**Petition**	**Allowed**
1	Distribution Activities	546	329
2	Transmission Activities	5	3
	Total	551	332

CERTIFIED TRUE COPY

5.33 Motor Vehicles

5.33.1 The petitioner has projected an amount of Rs. 224 million for purchase of motor vehicles in respect of Distribution activities. The projected amount also includes Rs. 18 million for GIS Mapping project and Rs. 6 million for regional office at Karak.

5.33.2 The petitioner in respect of regular budget of Rs. 200 million has submitted that the projection has been made to meet operational requirement and for replacement of old vehicles which have outlived their useful life and are beyond economical repair. Moreover, the petitioner has submitted that allocation of vehicles to the executive staff (Grade-VII and above) as per company policy, is also provided through this budget.

5.33.3 The Authority notes that petitioner is a public service company whose costs/ expenditures are picked/ borne by the consumers/ public. Moreover, the GOP has advised to implement austerity measures at all levels so as to avoid unnecessary expenditure and bring economy in overall operations. On the contrary, it is observed that the petitioner expends significant amount every year on vehicles alone. Details provided by the petitioner disclose that an amount of Rs. 200 million has been requested for replacement/ allocation of vehicles to executives, however, policy for such provision of vehicles as well as breakup of the vehicles to be purchased has not been provided. In view of above, the Authority pends Rs. 200 million on this account.

5.33.4 ***In addition to above and as discussed under the respective heads, the Authority allows Rs. 18 million in respect of GIS mapping. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.***

5.33.5 The details of amount allowed by the Authority in respect of motor vehicles is given as under:

Rs. Million

Motor Vehicles			
Sr. No.	**Description**	**Projected**	**Allowed**
1	Motor Vehicles (Regular Budget)	200	0
2	GIS Mapping System	18	18
3	Karak Office	6	0
Total		**224**	**18**

5.34 Furniture and Fixture

5.34.1 The petitioner in respect of distribution activities has projected an amount of Rs. 74 million for purchase of furniture and fixture. The projected amount also includes Rs. 2 million for GIS Mapping Project and Rs. 12 million for regional office at Karak.

5.34.2 The petitioner in respect of regular budget of Rs. 60 million has informed that the budget is required to meet the company wide requirements, and procurements are made at head office level by Civil Construction Department through centralized indenting & procurement mechanism to reap-up the benefits of economy of scale and follow the standard design.

5.34.3 ***The Authority keeping in view the historical trend provisionally allows Rs. 46 million in respect of regular budget of furniture and fixture for the said year. Moreover, as discussed under the respective heads, Rs. 2 million is allowed in respect of GIS Mapping Project. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle. The petitioner is further directed to observe GOPs austerity measures while incurring such expenditure.***

5.34.4 The details of amount allowed by the Authority is given as under:

Rs. Million

Furniture and Fixtures			
Sr. No	**Description**	**Petition**	**Allowed**

CERTIFIED TRUE COPY

1	Furniture & Fixture (Regular Budget)	60	46
2	GIS Mapping Project	2	2
3	Karak Office	12	0
	Total	**74**	**48**

5.35 **Office / Security equipment**

5.35.1 The petitioner has projected an amount of Rs. 41 million for purchase of office/ security equipment relating to distribution activities. The projected amount also includes Rs. 7 million for regional office at Karak.

5.35.2 The petitioner has submitted that office/ security equipment such as photocopier machines, CCTV camera, walk through gate, fax machine etc. is a necessary operational requirement. sanctioning is made on case-to-case basis after detailed analysis of the requirement for optimum utilization of resources.

5.35.3 ***Keeping in view the past trend and average capitalization made by the petitioner in previous years, the Authority in respect of regular budget of office/ security equipment provisionally allows Rs. 21 million under this head for the said year. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.***

5.35.4 The details of amount allowed by the Authority is given as under:

Office/ Security Equipment			
Sr. No	**Description**	**Petition**	**Allowed**
1	Office equipment/ security (Regular Budget)	34	21
2	Karak Office	7	0
	Total	41	21

5.36 **Computer Hardware**

5.36.1 The petitioner has projected an amount of Rs. 420 million for purchase of equipment related to computer hardware. The petitioner out of the total amount has projected Rs. 394 million under regular budget of sales activities for purchase of computer hardware equipment like industrial printers, servers, backup machines and hand-held units (HHU) etc. Whereas, the remaining amount has been projected in respect of distribution activities i.e., Rs. 13 million for GIS Mapping project and Rs. 14 million for regional office at Karak.

5.36.2 ***Keeping in view the past trends, the Authority provisionally allows Rs. 308 million in respect of regular Sales budget of computer hardware for the said year. Moreover, as discussed under the respective heads the Authority also allows Rs. 13 million in respect of computer hardware related to GIS Mapping project. However, as discussed earlier, expenditure relevant to upgradation of Karak office is allowed in principle.***

5.36.3 The details of amount allowed by the Authority in respect of computer hardware is given as under:

Rs. Million

Computer Hardware			
Sr. No	**Description**	**As per Petition**	**Allowed**
1	Computer Hardware (Regular Budget of Sales)	394	308
2	GIS Mapping Project (Distribution)	13	13
3	Karak Office (Distribution)	14	0
	Total	420	321

5.37 **Computer System Software/ Intangible Assets**

5.37.1 The petitioner has projected an amount of Rs. 106 million in respect of computer system software/ intangible assets. The petitioner in respect of regular project has projected

29

Rs. 21 million for distribution activities and Rs. 9 million for sales activities. The amount projected under regular budget relates to SSL certificate, Primavera software used for scheduling project activities, assigning resources to tasks, tracking progress, managing the budget, ArcGIS Enterprise annual service subscription & extensions/ additional licences package etc.

5.37.2 In addition to above, the petitioner in respect of distribution system has also projected Rs. 75 million for GIS Mapping project for high resolution satellite imagery.

5.37.3 ***Keeping in view the operational requirement, the Authority provisionally allows Rs. 31 million in respect of computer software/ intangible assets as projected by the petitioner. Moreover, as discussed earlier the Authority also allows Rs. 75 million in respect of GIS Mapping project.***

5.37.4 The details of amount allowed by the Authority is given as under:

Rs. Million

Computer Software/ Intangible Assets			
Sr. No	**Description**	**As per Petition**	**Allowed**
1	(Regular Budget of Distribution)	21	21
2	(Regular Budget of Sales)	9	9
3	GIS Mapping Project (Distribution)	75	75
	Total	106	106

5.38 SCADA System

5.38.1 The petitioner in respect of SCADA system relating to GIS Mapping project has projected an amount of Rs. 1 million. ***As discussed under the respective head, the Authority provisionally allows the projected amount of Rs. 1 million for SCADA system relating to GIS mapping project.***

5.38.2 ***The details of additions in plant, machinery & equipment and other assets allowed by the Authority are tabulated below:***

Rs. Million

DETAILS OF PLANT, MACHINERY ,EQUIPMENT AND OTHER ASSETS (Rs. Million)									
Sr. .No.	Description	Distribution		Transmission		Sales		Total	
		Petition	Allowed	Petition	Allowed	Petition	Allowed	Petition	Allowed
1	Telecommunication Equipment	44	44	0	0	0	0	44	44
2	Plant & Machinery	733	266	589	217	0	0	1322	483
3	Tools & Equipment	42	41	1	1	0	0	42	42
4	Construction Equipment	546	329	5	3	0	0	551	332
5	Motor Vehicles	224	18	0	0	0	0	224	18
6	Furniture & Fixture	74	48	0	0	0	0	74	48
7	Office Equipment	41	21	0	0	0	0	41	21
8	Computer Hardware	27	13	0	0	394	308	420	321
9	Computer System Software / Intangible Assets)	96	96	0	0	9	9	106	106
10	SCADA	1	1	0	0	0	0	1	1
Total		1828	878	595	221	403	318	2825	1416

CERTIFIED TRUE COPY

Summary of Assets Addition Allowed by the Authority:

Rs. Million

Sr. No.	Particulars	Petition FY 2021-22												Determined FY 2021-22											
		Distribution			Transmission			Sales			Total			Distribution			Transmission			Sales			Total		
		Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold				3	0	3				3	0	3				3	0	3				3	0	3
2	Building on Freehold land	270	0	270	30	0	30				300	0	300	11	0	11	16	0	16				28	0	28
3	Transmission Mains	0			1821	97	1918				1821	97	1918				292	97	389				292	97	389
4	Compression				576	0	576				576	0	576				43		43				43	0	43
5	Distribution Mains	67394	1960	69354							67394	1960	69354	2026	1960	3986							2026	1960	3986
6	Measuring and Regulating	15426	261	15697							15426	261	15687	3240	261	3501							3240	261	3501
	Sub Total	83090	2221	85311	2429	97	2526	0	0	0	85519	2318	87837	5277	2221	7498	354	97	451				5631	2318	7949
7	Telecommunication Equipment	44		44							44	0	44	44		44							44	0	44
8	Plant & Machinery	733		733	589		589				1322	0	1322	266		266	217		217	0	0	0	483	0	483
9	Tools & Equipment	42		42	1		1				42	0	42	41.40		41	1		1				42.00	0	42
10	Construction Equipment	546		546	5		5				551	0	551	329		329	3		3				332	0	332
11	Motor Vehicles	224		224							224	0	224	18		18							18	0	18
12	Furniture & Fixture	74		74							74	0	74	48		48							48	0	48
13	Office Equipment	41		41							41	0	41	21		21							21	0	21
14	Computer Hardware	27		27				394		394	420	0	420	13		13				308		308	321	0	321
15	Computer System Software / Intangible Assets	96		96				9		9	106	0	106	96		96				9		9	106	0	106
16	SCADA System	1		1							1	0	1	1		1							1	0	1
	Sub Total	1828	0	1828	595	0	595	403	0	403	2825	0	2825	878		878	221		221	318		318	1416	0	1416
	Grand Total	84918	2221	87139	3024	97	3121	403	0	403	88344	2318	90662	6155	2221	8376	574	97	671	318	0	318	7647	2318	9365

5.38.3 As a consequence of adjustment on account of addition in assets for the said year, the depreciation expense claimed by the petitioner comes down to Rs. 22,259 million.

5.38.4 The Authority observes that it has approved uniform depreciation rates for natural gas transmission & distribution companies as per **Annexure C**. ***Accordingly, the petitioner is advised to file the forthcoming petition for the said year based on revised depreciation rates and make necessary financial adjustments thereof.***

5.39 LPG Air Mix Plant (Gilgit)

5.39.1 The petitioner has projected an amount of Rs. 907 million in respect of LPG Air Mix Plant at Gilgit.

5.39.2 The petitioner has submitted that the Authority vide its determination against Motion for Review against DERR FY 2019-20 dated October 3, 2019 has allowed 50% of capital cost projected (i.e., Rs. 454 million against the projected capitalization of Rs. 908 million). However, the same was not included in the rate base while determining the DRERR FY 2019-20. The petitioner in respect of LPG Air Mix licence for Gilgit has informed that Authority vide its letter dated May 20, 2021 has been requested to grant extension in construction license of LPG Air Mix plant at Gilgit till 30-06-2022 in pursuance with Rule-8(2) of Liquefied Petroleum Gas (Production and Distribution) Rules, 2001.

5.39.3 The Authority observed that Gilgit LPG Air Mix project was allowed in principle at an estimated cost of Rs. 1,192 million in RERR FY 2018-19. The Authority further notes that the petitioner vide its letter dated 20.05.2021 requested the Authority for extension in construction licence for LPG Storage, construction of LPG Air Mix plant and Distribution of LPG Air Mix through pipeline at Gilgit, however, the request of the petitioner was not acceded to by the Authority as the petitioner did not start the construction works timely and also did not comply with the relevant licence conditions and also has misstated the facts.

5.39.4 *In view of the foregoing, the Authority does not allow any amount in respect of LPG Air Mix plant at Gilgit. Accordingly, subsidy on account of air-mix LPG is disallowed.*

5.40 REVALIDATION OF CARRY FORWARD BUDGETS

5.40.1 The petitioner has submitted following budget to the Authority for revalidation in FY 2021-22:

Sr. No.	Description	Amount (Rs. Million)
1	Special Projects	16,768
2.	Distribution Development	41,855
3.	Regular Capital Expenditure	2,634
	Total	61,257

5.40.2 The petitioner has submitted that figures are estimated and prepared by accounting for capitalization actualized upto FY 2019-20 and capitalization projected for FY 2020-21 based on targets as well as physical progress communicated by different executing departments and the figures may vary upon actualization of capitalization at the close of FY 2020-21. The petitioner has explained that non availability of requisite material like pipe, fittings, material etc. in required quantity, NOCs from government agencies, political disputes, procurement time etc. has resulted in delay/ non completion of jobs during same fiscal year.

5.40.3 *The Authority observes that revalidation of budget in respect of distribution development projects has already been discussed at 5.15.7 and other relevant paras. In case of revalidation claimed against other heads, in view of the submissions made by the petitioner, the Authority is of the view that the petitioner, keeping in view its capacity and ability should request in the specific ERR petition, revalidation of budgets for only those projects that are doable by the petitioner. In case of budgets mentioned above, the actualized amount shall be analyzed and considered at the time of respective FRR petition, provided the same are within estimated amount.*

6. Operating Revenues

i. Sales Volume

6.1.1 The petitioner has submitted that sale volume for the said year has been projected at 379,409 BBTU as against 324,288 BBTU in RERR FY 2020-21, thereby projecting 17% increase. Category-wise comparison with previous years has been provided as under:

CERTIFIED TRUE COPY

Table 5: Comparison of Projected Gas Sales Volume with Previous Years

BBTU

Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Incr/(Decr) over	
	FRR	FRR	RERR	The Petition	RERR	
Domestic	200,922	209,696	156,567	230,749	74,182	47%
Bulk Domestic	13,953	13,707	13,337	13,899	562	4%
Fertiizer (Fuel & Feed)	33,800	31,782	33,580	33,765	185	1%
Power including IPPs	57,642	23,957	47,179	46,643	(536)	-1%
Commercial	18,409	13,138	16,691	15,424	(1,267)	-8%
Gen. Industry	17,699	9,141	13,731	10,860	(2,871)	-21%
CNG	27,015	21,906	22,570	15,276	(7,294)	-32%
Zero Rated	16,463	21,096	17,214	9,929	(7,285)	-42%
Cement	142	139	972	-	(972)	-100%
Sp. Commercial	1,087	2,937	2,446	2,864	418	17%
Grand Total	**387,132**	**347,499**	**324,288**	**379,409**	**55,121**	**17%**

6.1.2 The petitioner has explained that gas sales volumes have been envisaged based on production projections by E&P companies. Gas sales volume to the power sector is projected to decrease owing to the reduction of supplies from the dedicated gas field. In the case of General Industries, CNG & Commercial sectors, sales volume have been projected to decrease owing to diversion of these categories of consumers to RLNG/LNG.

6.1.3 Regarding 47% increase of gas sales volume over RERR FY 2020-21 in case of domestic sector, the petitioner has informed that it has projected 1.2 million new domestic consumers, being a high priority sector. Moreover, it further informed that RLNG shall be diverted to domestic sector as per FG's decision. Regarding allocation to the rest of the consumers (i.e. Bulk domestic & Zero rated), projection has been made as per GoP policy keeping in view the natural gas supplies.

6.1.4 The Authority notes that the petitioner, for the first time, has projected RLNG volumes to the tune of 64,257 MMBTU to domestic and commercial consumers at the beginning of the financial year without providing any tenable basis. The Authority further notes that this volume is not included in UFG computations made by Company, meaning thereby that no loss shall be incurred while transmitting RLNG in distribution system. The Authority, however, notes with serious concern that the petitioner, on the contrary, has been claiming UFG around 8-10% for RLNG consumers. This change in stance raises serious questions on company's state of business.

6.1.5 The Authority, after thorough analysis of company's projections, notes that majority of its consumers have now been shifted to RLNG, therefore, supplying RLNG to domestic & commercial consumers hold no logic, and hence is disallowed.

6.1.6 Notwithstanding the above, process of conducting audit of the entire supply chain by OGRA has already been initiated. Any final adjustment, based on audit, shall be considered at the time of FRR in the light of applicable law as well as natural gas load management plan issued by the FG for the said year.

6.1.7 *The Authority, considering the discussion in preceding paras, decides to exclude all the volumes projected in respect of RLNG diversion (i.e. purchases & sales) from the instant revenue requirement determinations. Any adjustment, if required, shall be considered at the time of FRR for the said year.*

6.1.8 *In view of the above, the Authority allows gas sale volumes at 317,059 BBTU for the said year.*

ii. Sales Revenue at Existing Prescribed Prices

6.1.9 The petitioner has projected revenue at existing prescribed prices for the said year at Rs. 211,900 million as against Rs. 204,761 million from RERR FY 2020-21. Category-wise comparison of sales revenue at prescribed price is given below:

Table 6: Comparison of Projected Sales Revenue with Previous Years

Rs. in Million

Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Incr/(Decr) over	
	FRR	FRR	RERR	The Petition	RERR	
Power including IPPs	40,834	23,461	46,670	50,320	3,650	8%
Fertilizer (Fuel & Feed)	5,584	5,686	10,149	11,048	899	9%
Cement	128	176	1,242	-	(1,242)	-100%
Gen. Industry	12,635	9,152	14,485	11,447	(3,038)	-21%
CNG	24,519	28,139	30,688	20,944	(9,744)	-32%
Commercial	16,888	19,359	23,224	21,785	(1,439)	-6%
Domestic	65,917	70,900	53,496	81,703	28,207	53%
Bulk Domestic	-	10,747	10,476	10,841	365	3%
Zero Rated	9,891	16,637	14,331	3,812	(10,519)	-73%
Grand Total:	**176,396**	**184,257**	**204,761**	**211,900**	**7,139**	**3%**

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

6.1.11 *In view of the discussion and decision per paras 6.1.7 and 6.1.8, the Authority includes gas sales revenues at Rs. 190,186 million for the said year.*

iii. Other Operating Income

6.1.12 The petitioner has projected "other operating income" at Rs. 19,002 million during the said year as against Rs. 19,589 million per in RERR for FY 2020-21, showing decrease of 3%. Comparison of projected other operating income with previous years is given below:

Table: Comparison of Projected Other Operating Income with Previous Year

Rs. In Million

Description	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Incr/(Decr) over	
	FRR	FRR	RERR	The Petition	RERR	
Meter rental and service charges	2,022	2,140	3,810	4,100	290	8%
Late payment surcharge and interest on arrears	9,393	7,614	10,332	9,348	(984)	-10%
Amorization of deffered credit	1,625	2,369	3,725	3,660	(65)	-2%
Other operating income	1,447	1,986	1,722	1,894	172	10%
Net Operating Revenues	**14,487**	**14,109**	**19,589**	**19,002**	**(587)**	**-3%**

6.1.13 *The Authority provisionally accepts the operating incomes at Rs. 19,002 million for the said year, being reasonable projected by the petitioner.*

7. Operating Expenses

i. Cost of Gas Sold

7.1.1 The petitioner has projected the cost of gas sold for the said year at Rs. 191,172 million including Rs. 27,940 million i.e., cost of diversion of RLNG to domestic & commercial consumers, based on projected purchases and projections for international prices of crude and HSFO.

7.1.2 The petitioner has claimed cost of gas sold at Rs. 451.87/MMCF for the said year. The petitioner's cost of gas is based on the following assumptions/pricing parameters:

Table: SNGPL's WACOG Parameters

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.TON	Rs. / US$
July to December, 2021	December 2020 to May 2021	45.000	270.000	165
January to July, 2022	June 2021 to November, 2021	50.0000	270.000	170

7.1.3 The well-head gas prices on the basis of which cost of gas is determined are indexed to the international prices of crude or HSFO per GPAs between the GOP and the producers and are notified bi-annually, effective on 1st July and 1st January each year.

7.1.4 The Authority, keeping in view actual data, as communicated by Ministry of Energy (Petroleum Division) for the purpose of wellhead prices effective July, 2021 has revised the basis. Regarding the prices applicable for January-July, 2022, actual average of latest international oil prices for the months of June upto August 10, 2021, have been adopted for rest of the applicable period. Revised parameters for computation of cost of gas at the petitioner system is as below:

Table: Revised parameters:

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US$/BBL	US$/M.TON	Rs. / US$
July to December, 2021	December 2020 to May 2021	61.363	349.589	157.9540
January to July, 2022	June 2021 to November, 2021	74.5965	408.259	165.0000

7.1.5 Regarding inclusion of RLNG diversion cost of Rs. 27,940 million as part of cost of gas sold, *the Authority per its decision in para 6.1.7 decides to exclude the RLNG volumes & the corresponding cost, from the calculations of revenue requirement.*

7.1.6 The petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2021, for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO and the trend of Rupee-Dollar exchange rate at instant determination's volume in respect of sales & purchases.

7.1.7 ***Based on the above, the petitioner's cost of gas sold is provisionally calculated at Rs.174,343 (at respective WACOG of Rs. 482.63/MMCF).***

CERTIFIED TRUE COPY

ii. Indigenous Gas Diversion to RLNG consumers

7.1.8 The petitioner has submitted that it has anticipated the swapping RLNG gas volume to indigenous consumers owing to increased demand and depleting of local reserves during the said year. The petitioner has projected 64,257 MMBTU volume of RLNG to be diverted to domestic and commercial consumers at projected cost of Rs. 27,940 million, calculated based on average sale price of domestic and commercial consumers.

7.1.9 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.

7.1.10 ***The Authority notes that the above said issue has already been deliberated and decided in preceding paras. In view of the same, the Authority decides to exclude the same from the revenue requirement for the said year. Any adjustment, based on final outcome of the audit shall be considered, if required, in future determinations.***

iii. Gas Internally Consumed (GIC)

7.2 The petitioner has claimed GIC for the said year at Rs. 1,285 million as per following detail;

Table 7: GIC Volume Claimed in the Petition:

Indigenous Gas Particulars	MMCF	MMBTU	Avg. cost price	M/Rs.
Transmission System				
Compressors	2,843	2,680,636	479	1,284.782
Coating Plant	109	102,878	479	49.308
Residential Colonies	74	69,801	479	33.454
Sub total	**3,026**	**2,853,316**		**1,367.544**
Distribution System				
Free Gas Facility	536	505,165	479	242.116
Co-Generation	87	81,670	479	39.143
Sub total	**622**	**586,834**		**281.259**
GIC Indigenous	**3,649**	**3,440,150**		**1,648.803**

7.2.1 The petitioner has stated that the Volume of Coating Plant, Residential Colonies, Free Gas Facility, and Co-Gen is projected at the level of FY 2019-20. Moreover, GIC relevant to the operations of compressors has been taken under the head of GIC. The gas consumed on account of free gas facility, residential colonies, co-generation, and coating plant has been booked under the relevant heads, i.e. HR cost and fuel and power.

7.2.2 The petitioner has submitted that 109 MMCF on account of 'Coating plant' and 74 MMCF deduced from the 'Residential Colonies' and 536 MMCF from 'Free gas facilities', has been allocated to the capitalization for the said year.

7.2.3 The Authority based on the historical trend provisionally calculates GIC for indigenous system at 1,220 MMCF against claimed volume of 2,843 MMCF and 3,774 MMCF against claimed volume of 4,468 MMCF in case of RLNG system. The volumes calculated in respect of GIC are subject to actualization at the time of respective FRR.

In addition to above, the petitioner in respect of RLNG system has also included 1862 MMCF as GIC at SSGC system to compute the net RLNG received in Transmission system of the petitioner. The petitioner submitted that RLNG received at FSRU and enters into petitioner system after passing through the SSGC system, accordingly GIC @ 0.5% for SSGC system has been assumed to compute the "Net gas received in Transmission system of the petitioner. The petitioner further added that GIC of SSGC has only been taken to compute the net RLNG received in system, however, no separate GIC cost has been claimed under RLNG cost of supply. The justification provided is not prudent for consideration of petitioner's claim in respect of GIC in SSGC system. Accordingly, the GIC volume in respect of SSGC has not been considered.

7.2.4 ***In view of the above, the Authority, taking into account the revised cost of gas at the petitioner's system, calculates the GIC at Rs. 624 million for the said year.***

iv. UFG Adjustment

Table 8: UFG Sheet

UFG CALCULATION SHEET					
		ERR FY 2021-22			
		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	A	364,883		364,883	
RLNG received at FSRU	B		372,354		372,354
Retainage	C		(2,793)		(2,793)
GIC at SSGC System	D		(1,862)		
Net Gas Received in Trans. System of SNGPL	C=A+B+C+D	364,883	367,700	364,883	369,561
Gas used in operation of Tran. Sys. RLNG					
Gas used in operation of Tran. Sys. (Indigenous gas)	E	(3,026)	(4,468)	(1,404)	(3,774)
(i) Compression		(2,843)	(4,468)	(1,220)	(3,774)
(ii) Residential Colonies		(74)	-	(74)	-
(ii) Coating Plant		(109)	-	(109)	-
Gas Available in Transmission System	F=C+E	361,857	363,231	363,480	365,787
Gas passed to Dist. System and sold to PFC consumers	G	89,790	156,210	89,790	156,210
Gas passed to Distribution system through SMS	H	270,248	205,170	270,248	205,170
Loss in Tansmission System	I=F-G-H	1,819	1,852	3,442	4,408
% Loss or Gain in Transmission Sytem	J=I/C*100	0.50%	0.50%	0.94%	1.19%
Distribution System					
Gas Received in Dist. System (Through SMS)	H	270,248	205,170	270,248	205,170
Gas internally consumed in Distribution System (GIC)	K	(622)	-	(622)	-
(i) Free Gas Facility		(536)	-	(536)	-
(ii) Co-Generation		(87)	-	(87)	-
(Gas available for Sale in Dist. Sytem)	L=H+K	269,626	205,170	269,626	205,170
Gas Sold					
Gas Delivered (Net Gas Sold)	M	244,479	189,558	244,479	189,558
Loss in Distribution System	N=L-M	25,146	15,612	25,146	15,612
% age Loss in Distribution Sytem	O=N/H	9.30%	7.61%	9.30%	7.61%
Total UFG Volume (Transmission + Distribution)	P=I+N	26,965	17,463	28,588	20,019
Total % age UFG (Transmission + Distribution)	Q=P/A	7.39%	4.75%		
Working disallowance for SNGPL					
Gas Received				364,883	
UFG Benchmark (Percentage)	5%	5%		5%	
Local Conditions Allowance Percentage (Maximum)	2.6%	1.3%		1.3%	
Allowed UFG Percentage	7.6%	6.3%		6.3%	
Allowed UFG Volume (MMCF)		22,988		22,988	
Invalid UFG Claim (MMCF)		3,977		5,600	
Avg. Cost Of Purchases Rs. Per MCF		451.18		558.01	
Disallowance in Million Rs.		1,794.45		3,124.90	

CERTIFIED TRUE COPY

7.2.5 ***In view of the computation as per above table, the Authority provisionally allows UFG adjustment at Rs. 3,125 million (Rs. 558.01/MMCF at national WACOG) for the said year.***

8. Transmission and Distribution Cost (T&D)

8.1.1 The petitioner has projected Rs. 39,788 million against T&D cost for the said year. Further, the petitioner apportioned these expenses under three heads of natural gas i.e. Transmission, Distribution and Selling segments. Comparison of T&D with previous years is as under:

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

							Rs. in million		
Sr #	Description	FY 2019-20	FY 2020-21	Transmission	Distribution	Selling	Total	Diff	Diff
		FRR	RERR	The Petition FY 2021-22				Inc/(Dec)	%age
1	HR Cost	16,597	16,562	5,596	9,602	9,155	24,352	7,790	47%
2	Stores & spares consumed	484	800	607	366	27	1,000	200	25%
3	Repairs & maintenance of system	1,519	1,095	476	1,508	278	2,262	1,167	107%
4	Stationery, telegrams and postage	190	200	18	51	170	239	39	19%
5	Rent, rates, royalty, electricity and telephones	553	548	215	309	226	750	202	37%
6	Travelling expenses	162	163	68	80	54	203	40	24%
7	Transport expenses	920	810	274	706	185	1,165	355	44%
8	Insurance	245	270	79	153	97	329	59	22%
9	Fuel & Power	469	429	260	290	-	550	121	28%
10	Legal and Professional services	196	242	83	162	105	350	108	45%
11	ISO 14001 & OHSAS Certification	4	5	2	4	3	9	4	80%
12	Advertisement & publicity	198	206	8	16	229	253	47	23%
13	Protective clothing & Supplies	53	54	23	45	28	96	42	78%
14	Staff Recruiting expenses	4	7	5	10	6	22	15	214%
15	Staff Training Expenses plus executive	40	28	15	29	18	62	34	121%
16	Security expenses	1,018	1,250	1,549	186	118	1,853	603	48%
17	Sponsorship of Chairs for Universities	8	-	2	5	3	10	10	
18	Outsourcing of Call Centre	26	30	-	-	30	30	(0)	0%
19	Sports cell expenses / Annual Sports	36	48	23	45	28	96	48	100%
20	OGRA fee	290	610	-	-	371	371	(239)	-39%
21	Bank Charges	9	11	2	5	3	10	(1)	-11%
22	Facilities Provided by other companies	10	14	9	17	11	36	22	157%
23	Board Meeting and directors expenses	57	32	22	42	26	90	58	181%
24	Corporate Social Responsibility	-	10	5	9	6	20	10	100%
25	Other expenses	184	172	105	287	92	485	313	182%
27	Gas Bills Collection Charges	533	600	-	-	660	660	60	10%
28	KMI Implementation Plan / UFG Control Activities	947	636	-	1,387	-	1,387	751	118%
29	Gathering charges of collection data	41	55	-	-	65	65	10	18%
30	Dispatch of Gas Bills	133	150	-	-	165	165	15	10%
31	Provision for doubtful debts	1,243	728	-	-	1,843	1,843	1,115	153%
32	Recovery through contractor	10	25			60	60	35	140%
33	**Gross Operating Budget**	**26,179**	**25,790**	**9,448**	**15,311**	**14,063**	**38,822**	13,032	51%
34	Allocation to CWIP (Others)	(320)	(355)		(178)	(141)	(319)	36	-10%
35	Allocation to RLNG	(10,925)	(2,775)					2,775	-100%
36	**Net Operating Budget**	**14,934**	**22,660**	**9,448**	**15,133**	**13,922**	**38,503**	15,843	70%
37	Gas internally consumed – Indigenous	543	1,288	1,285	-	-	1,285	(3)	0%
38	**Total after GIC**	**15,477**	**23,948**	**10,733**	**15,133**	**13,922**	**39,788**	15,840	66%

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

8.3 Human Resource (HR) Cost

8.3.1 The petitioner has claimed HR cost at Rs. 24,352 million for the said year as against Rs. 16,562 million allowed in the RERR FY 2020-21 showing an increase

CERTIFIED TRUE COPY

of 47%. The petitioner has apportioned HR cost under Transmission, Distribution and Selling activities.

8.3.2 As per the data submitted, the petitioner has projected 7% increase (Rs. 1,200 million) for executives' salaries as per its BoD's approval. Moreover, its Board has also approved Rs. 300 million against executives vacant positions. In the case of staff salaries, the petitioner has projected an increase of Rs. 1,006 million in order to cater for requirement on account of annual increment of 3.75% and impact of vacancies. The petitioner has projected to hire new staff comprising 501 executives and 3,182 subordinates during the said year. Regarding casual/badly staff, no new requirement has now been envisaged.

8.3.3 The petitioner has stated that HR cost is ever increasing expense considering the employees development, promotions, performances etc. The petitioner has argued that in the wake of double-digit inflation in the country, restricting HR cost at the previous year level is equivalent to financial exploitation of the employees.

8.3.4 The Authority observes that there is no HR benchmark applicable for the said year. HR benchmark parameters require review in the backdrop of changing business dynamics of the petitioner as well as its sister utility. The Authority has given cautious consideration and made detailed deliberations keeping in view the ground realities and various factors and the same are as under;

8.3.5 Consistent increase on account of HR cost, based on operating parameters viz; sales volume, numbers of consumers and T&D network as well as CPI factor has been allowed by the Authority to meet its legitimate requirement in terms of salaries and employee strength. The petitioner, on the contrary, had utilized the HR benchmark formula to increase the salaries of its employees without considering effective management of manpower. The petitioner had ignored the basic intent of HR benchmark composition and grossly misused it.

8.3.6 Adjustment on account of actuarial gain or loss on account of re-assessment of terminal benefits has been allowed as part of price since FY 2013-14. Rs. 12,198 million has been allowed over & above the HR benchmark upto FY 2019-20. The Authority observes that compliance of SECP regulations is the petitioner's obligation, where it has no reservation. However, claiming of an adjustment to Other Comprehensive Income, under the cost plus regime is not justified.

8.3.7 The Authority has noticed that unprecedented increase in salaries of executives and staff leaves no rationale for CPI cushion as was earlier being allowed over a decade. The inflationary impact is already accounted for through the regular increase in salaries, as annual increment is enough to absorb the impact of inflation and surge in prices.

8.3.8 In view of the above, the Authority decides to conclude HR benchmark w.e.f 2021-22 as under;

- FY 2020-21 shall be taken as base year and the same shall rolled to adopt the base cost for next year.
- 33% equal weightage shall be allocated to all operating parameters i.e. T&D network in KM, Number of consumers and Sales Volume in MMCF.

CERTIFIED TRUE COPY

- IAS cost -19 shall be allowed as per actual.
- No impact on account of CPI over & above HR benchmark shall be allowed.
- Adjustment on account of recognition of actuarial gain or loss shall not be allowed as part of prescribed price. The petitioner continue to charge the same to Other Comprehensive Income in accordance with International Accounting Standards without impacting the natural gas consumers.

8.3.9 ***The Authority, however, notes that it has directed the petitioner to undertake and execute all the projects including previous years leftovers/backlog, during the said year per paras 5.15.7 & 5.17.6. In view of the same, the Authority, on provisional basis, for the purpose of computation of HR cost decides to adopt the operating parameters based on RERR FY 2020-21 while indexing T&D network (in KM) and number of consumres at 10%. However, the same shall be actualized based on the activities undertaken during the said year. Accordingly, HR cost for the said year is allowed at Rs. 16,996 million, as per Annexure-D.*** The Authority notes with serious concern that the petitioner has not taken seriously its clear directions made at the time of DERR and RERR for FY 2020-21 for curtailment of HR cost. The Authority reiterates its directions in respect of review of employees' perks & benefits that needs to be reduced/rationalized in the light of directions issued from time to time.

8.4 Repair & Maintenance Expenses

8.4.1 The petitioner has projected Repair & Maintenance expenses for the said year at Rs. 2,262 million as against Rs. 1,096 million allowed in RERR 2020-21 and Rs. 1,519 million in FRR for FY 2019-20. The petitioner has apportioned the cost under Transmission, Distribution and Selling activities. Historical comparison of Repair &Maintenance is given below:

Rs. in Million

Description	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Petition FY 2021-22	Increase / Decrease Over RERR 2020-21	
					Rs. Million	%
Compression	19	17	19	23	4	23
Transmission	39	44	84	287	203	242
Distribution	805	861	645	1,090	445	69
Others (inch H.O. & service depts.)	491	241	174	361	187	107
Computer Software/ Hardware Repairs		357	174	500	326	187
Total	1,353	1,519	1,096	2,262	1,166	629

8.4.2 The petitioner has projected an amount of Rs. 23 million in respect of repair and maintenance expenses related to compression. The petitioner added that activities that are included under this head relate to repairing of turbine parts such as IGV inner rings, axial compressor discs, combustor liner, exhaust bellows etc., repairing/ overhauling of air compressors, top-end overhauling of CAT Gensets, rehabilitation works etc.

8.4.3 In respect of repair and maintenance expenses related to transmission, the petitioner has projected Rs. 287 million. The petitioner has submitted that proposed amount includes Rs. 200 million for recoating activities and further has stated that recoating activities could not be carried out in FY 2019-20 due to non-availability of coating material as the manufacturing of coal tar enamel had been discontinued worldwide due to its carcinogenic properties and no renowned manufacturers are available globally. The projected expenses also include an additional amount of Rs. 25 million proposed by Telecom for SCADA maintenance service level agreements.

8.4.4 The petitioner has projected an amount of Rs. 1,090 million in respect of Distribution activities. The petitioner has informed that the contractor rates have not been revised since July 2017 therefore, the projected amount includes an impact of 25% expected revision in scheduled rates of contractors. The petitioner has submitted that activities generally covered under this head include maintenance & rectification of distribution network, rectification of customers complaints, emergencies on Distribution Network, Maintenance/ Rectifications of TBSs/DRSs/CMSs etc. Moreover, the petitioner has stated that expenses also include Rs. 140 million on account of Domestic Metering inspection shops / Regional Metering Workshops wherein activities like receiving defected meters, flow proving, scrapping, and smashing of meters is being performed.

8.4.5 The petitioner has also projected Rs. 361 million in respect of Others (incl H. O. & service depts.) that include expenses related to janitorial services, for billing contractors (billing disconnection teams), for contractors hired for corrosion protection of lines/ back filling, fabrication of TR units (used for Corrosion Protection) etc.

8.4.6 The petitioner has further projected Rs. 500 million in respect of computer (software/ hardware) repairs and maintenance/ (service level agreements). The expenses mainly pertain to annual support of Oracle CC&B and ERP licenses, SLAs of data centres, storage and networking equipment etc. The petitioner has informed that majority of these payments are made in USD and the amount has been projected keeping in view inflation over the years. The petitioner has clarified that the sub-head Computer software/hardware has been presented separately from sub-head Others just for the purpose to justify the proposed amounts.

8.4.7 ***As per trend analysis and the justifications advanced by the petitioner, the Authority provisionally allows Rs. 18 million in respect of Compression, Rs. 63 million in respect of Transmission, Rs. 765 million in respect of Distribution and Rs. 449 million in respect of Others (incl H.O, Service depts, computer software & hardware repairs and maintenance).***

The table below summarizes the decision of the Authority;

Rs. Million

Description	Petition FY 2021-22	Allowed
Compression	23	18
Transmission	287	63
Distribution	1,090	765
Others (incl H.O. & service depts.)	361	188
Computer Software/Hardware Repairs & Maintenance / (Service level Agreements)	500	261
Total	**2,262**	**1,294**

8.4.8 ***In view of the above, the Authority determines the expenses under the head "Repair & Maintenance" at Rs. 1,294 million for the said year as tabulated***

CERTIFIED TRUE COPY

below:

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	476	1,508	278	2,262
Allowed	272	863	159	1294

8.5 Stores, spares and supplies consumed

8.5.1 The petitioner has claimed Rs. 1,000 million under the head "Stores & Spares consumed" as against Rs. 800 million allowed at RERR FY 2020-21, thereby requesting 25% increase for the said year. Historical comparison is given below:

Table: Comparison of Projected Store Spares and supplies consumed with Previous Years

						(Rs. in million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Compression	217	126	230	112	237	7	3%
Transmission	276	145	293	183	349	56	19%
Distribution	156	154	198	281	322	124	63%
Others (incl H.O.)	4	5	4	4	4	-	0%
Freight & handling	66	55	75	35	88	13	17%
Total	719	484	800	615	1,000	200	25%

8.5.2 The petitioner has attributed the increase mainly to inflation owing to devaluation of PKR as majority of the store stock items are being imported. The petitioner has further explained that actual expense made during FY 2019-20 is not the true representation of actual expenses owing to pandemic of Covid-19. The petitioner has also argued that it was allowed Rs. 800 million in RERR FY 2020-21. Accordingly, only 10% cumulative increase over FY 2018-19 onwards have been sought.

8.5.3 The Authority notes that the petitioner has been advancing similar justification since many years, however, year-end actualization does not commensurate with its projections. *The Authority considering the petitioner's actual expenditure including nine months of FY 2020-21 coupled with operational requirements, decides to allow 10% increase i.e. Rs. 880 million over RERR 2020-21 for the said expenditure, as tabulated below:*

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	607	366	27	1,000
Allowed	534	322	24	880

8.6 Fuel & Power

8.6.1 The petitioner has claimed Rs. 550 million under the head of "Fuel & Power" projecting 28% increase over RERR FY 2020-21 for the said year. Historical comparison is given below:

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

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Compression	17	25	12	15	26	13.6	109%
Transmission	140	161	144	152	194	50.0	35%
Distribution	241	203	230	173	289	58.8	26%
Others (Incl. Co-Generation)	0	80	43	39	41	(1.7)	-4%
Total	398	469	429	379	550	120.8	28%

8.6.2 The petitioner has attributed the increase to expected high fuel prices i.e. petrol, diesel etc. The petitioner has stated budgeted amount includes Rs. 30 million on account of GIC used in Distribution offices and rest of the amount has been adjusted upward by 10% over FY 2019-20 for the said year.

8.6.3 The Authority observes that the petitioner has not provided any valid justification while projecting 28% increase over RERR FY 2020-21. The Authority further observes that fuel prices would likely remain stable in the light of Federal Government's currently announced budget for the said year. ***The Authority, based on petitioner's generic justification and the actual expenditure in the past, decides to fix it at Rs. 469 million for the said year as tabulated below;***

Rs. in Million

	Transmission	Distribution	Selling	Total
Demanded	260	290	-	550
Allowed	222	247	-	469

8.7 Rent, Rate, Electricity, and Taxes

8.7.1 The petitioner has claimed Rs. 750 million under the head "Rent, Rate, Electricity and Taxes" as against Rs. 548 million allowed in RERR FY 2020-21, thereby projecting 37% increase for the said year. Historical comparison is given below:

Table 9: Comparison of Projected Rent, Rate, Electricity and Taxes with Previous Years

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Rent	250	270	277	201	351	74	27%
Royalty/ Internet services	45	41	47	30	49	2	4%
Telephone	60	41	44	40	48	4	9%
Electricity	135	177	156	135	210	54	35%
Pakistan Railway (line crossing charges)	50			2	64	64	
Water Conservancy	6	6	6	5	6	1	9%
Vehicles rates and taxes	18	18	12	10	15	3	25%
Others			6	5	7	1	17%
Total	564	553	548	428	750	203	37%

CERTIFIED TRUE COPY

8.7.2 Under the sub-head "Rent", the petitioner has submitted that its current agreements with landlords stand at Rs. 317 million. Therefore, 10% expected annual increase under Rent expenses has been demanded by the petitioner for the said year.

8.7.3 The Authority observes that continuous increase under the sub-head of "Rent" reinforces its observation per para 7.4.9 of DERR FY 2020-21 whereby the petitioner was repeatedly advised to follow reasonable rationale and avoid lopsided agreements. The petitioner, being public sector company, needs to review its rental as well as agreements while hiring properties. Moreover, the petitioner is advised to comply provisions of Punjab Rented Premises Act, 2009 as advised by PPRA while hiring the rental properties. ***In view of generic justification as advanced by the petitioner, the Authority restricts rent expenditure at Rs. 299 million i.e. 8% increase over RERR FY 2021*** for the said year.

8.7.4 Under the sub-head "Electricity" the petitioner has projected Rs. 210 million as compared to Rs. 156 million allowed per RERR for FY 2020-21. The petitioner has explained that actual expense made during FY 2019-20 is not reflecting true representation owing to prevalent Covid-19 pandemic. The petitioner has further argued that it is expected that electricity tariff shall increase owing to accumulation of huge circular debt and commitment to international donor agencies.

8.7.5 ***The Authority, based on the above justification, decides to allow 10% increase over FRR 2019-20 i.e. Rs. 195 million against Electricity Expenses for the said year.***

8.7.6 ***Regarding Pakistan Railways (line crossing charges), the Authority decides to pend the same subject to the actualization at year-end with the direction to amicably negotiate the charges at a reasonable level.***

Regarding rest of the items, the Authority accepts the petitioner's claim and allows the same for the said year. In view of above, the Authority decides to allow "rent, rate, electricity & taxes" at Rs. 619 million on provisional basis for the said year; subject to the actualization at year end, as tabulated below:

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	215	309	226	750
Allowed	177	255	187	619

8.8 Traveling Expenses

8.8.1 The petitioner has claimed Rs. 203 million on account of "Traveling Expenses" for the said year, thereby projecting an increase of 24% over RERR FY 2020-21. Historical comparison is given below:

CERTIFIED TRUE COPY

Table 10: Comparison of Projected Traveling Expenses with Previous Years

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Executives	99	89	91	70	104	13	14%
Subordinates	77	60	60	46	79	19	31%
Conveyance (official)	16	11	10	7	17	7	66%
Travelling Directors/ Govt. officials	2	1	2	1	4	2	100%
Total	194	163	163	124	203	40	24%

8.8.2 The petitioner has explained that the operations of the Company were adversely affected due to COVID-19. Major activities were reduced to limited staff owing staff rotation policy during pandemic situation and resultantly the expenses remain lesser than anticipated.

8.8.3 The Authority observes that the petitioner has been able curtail the expenditure in pursuance of its directions as evident from the actual results of FY 2019-20 and July, 2020 to March, 2021. The Authority reiterates its directions to adopt economic & cost efficient measures and conserve the resources through new Techniques including IT-based applications, video conferencing, etc. ***In view of the same, the Authority decides to fix travelling expenses at Rs. 163 million for the said year as tabulated below:***

Rs. in Million

	Transmission	Distribution	Selling	Total
Demanded	68	80	54	203
Allowed	55	64	44	163

8.9 Transport Expenses

8.9.1 The petitioner has claimed transport expenses for the said year at Rs. 1,165 million as against Rs. 810 million provided in RERR for FY 2020-21 projecting an increase of 44% for the said year. Historical comparison of transport expense is as under:

Table 11: Comparison of Projected Transport Expenses with Previous Years

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Compression	16	25	14	19	24	10	68%
Transmission	156	184	118	149	206	88	75%
Distribution	546	469	500	407	618	118	24%
Others (incl HO & service depts.)	225	242	178	224	317	139	78%
Total	943	920	810	799	1,165	355	44%

8.9.2 The petitioner has submitted that Company's actual expense of Rs. 920 million for FY 2019-20 remained understated due to COVID-19 as against actual expenditure of Rs. 1,007 million incurred during FY 2018-19. The petitioner has, therefore, requested an increase of 5% over the actual expenses made during FY 2018-19, owing to anticipated increase on account of petrol prices and revision in

CERTIFIED TRUE COPY

hiring charges of vehicles. Further, the petitioner has requested an additional amount Rs. 25-30 million annually (for 2 years) on account of travelling expense against the activity of scanning of whole network.

8.9.3 *The Authority agrees to the petitioner's contention of lower activity during FY 2019-20. The Authority, however, considering historical analysis and operational activities decided to allow 50% of claimed increase. Accordingly, transport expense is provisionally determined at Rs. 975 million as tabulated below:*

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	274	706	185	1,165
Allowed	229	591	154	975

8.9.4 *Regarding additional amount of Rs. 25 million on account of scanning of whole network. The same has been decided per para 8.15.1 and allowed thereon.*

8.10 Insurance Expenses

8.10.1 The petitioner has claimed Insurance expenses at Rs. 330 million as against Rs. 270 million provided in RERR for FY 2020-21 projecting an increase of 22% for the said year. Historical comparison is given below:

Table: Comparison of Projected Insurance Expenses with Previous Years:

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Third party	2	2	3	1	3	-	0%
Fire risk	141	167	174	142	225	52	30%
Fidelity / cash in transit	0	-	3	0	3	1	20%
Motor vehicles	66	66	85	58	90	5	6%
Miscellaneous	11	10	6	3	9	3	50%
Total	221	245	270	204	330	60	22%

8.10.2 The petitioner has submitted that major increase in insurance expense is under Fire Risk, in the backdrop of projected increase in the capitalization of assets and vehicles during the said year.

8.10.3 The Authority observes that such huge 30% increase in fire risk expense seem exaggerated and without any valid justification. Therefore, the Authority restricts it at Rs.174 million for the said year subject to actualization at year end.

8.10.4 *In view of the above, the Authority decides to allow Rs. 279 million on account of "Insurance Expense" for the said year as tabulated below:*

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	79	154	97	330
Allowed	67	130	82	279

8.11 Legal and Professional Charges

8.11.1 The petitioner has claimed Rs. 350 million on account of "Legal and Professional Charges" for the said year as against Rs. 242 million provided in RERR for FY 2020-21, projecting an increase of 45%. Historical comparison is given below:

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

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Legal Expenses	132	145	184	151	291	108	59%
Professional Charges	30	18	25	35	22	(3)	-12%
Tax	13	14	9	6	8	(1)	-11%
Audit	11	8	9	2	10	1	11%
Apprenticeship/Scholarship	7	8	12	5	15	3	25%
Others	3	3	3	2	4	1	33%
Total	195	196	242	200	350	109	45%

8.11.2 Regarding the sub-head "Legal", the petitioner has submitted that litigation against the company has increased significantly over the years due to arbitration matters, LNG contracts, revision in gas tariffs, increase in number of consumers and other legal matters.

8.11.3 The Authority observes that the petitioner has come up with similar generic justifications several times in the past. The interveners have vehemently objected to such significant over spending and have called for forensic audit of legal expenses. The Authority is of the considered view that the petitioner should avoid unnecessary litigation with the view to curtail legal expenses. The Authority notes with serious concern that the petitioner files petty, uneconomical and sometime irrelevant petitions both before the Authority as well as different Courts of the law without considering the commercial value of the same. At time, as small cases as involving an amount e.g. Rs. 5,000 are filed, defended and pleaded with different legal forums by a team of legal counsels and pleaders costing millions of rupees. This inappropriate practice falls within the definition of mal-administration and tantamount to further overburdening the consumers. Moreover, the Authority, while analyzing the litigation data provided by petitioner notes that litigation filed by it is increasing at an alarming rate. The Authority, during public hearing also directed petitioner to curtail litigation, being one of the indication of good corporate governance. ***In view of the same, the management needs to take serious note of the said state of affairs and formulate a commercially viable policy regarding litigation expenses so as to reduce the number of legal cases to a bare minimum level.***

8.11.4 ***In view of the above, the Authority allows the expenditure at the level of Rs. 145 million i.e., at FRR FY 2019-20, for the said year with the direction that expenditure on this account shall be controlled by minimizing undue litigation.***

8.11.5 ***In view of the above, the Authority determines the expenses under the head "Legal and Professional Charges" at Rs. 204 million for the said year.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	83	162	105	350
Allowed	49	94	61	204

8.12 Provision for doubtful debts

8.12.1 The petitioner has projected under this head "Provision for doubtful debts" for the said year at Rs. 1,843 million, as against Rs. 728 million over RERR FY 2020-21 thereby projecting an increase of 153%. Historical comparison is given below:

Table: Comparison of Provision of doubtful debts with Previous Years

						(Rs. in million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Provision of doubtful debts	1,088	1,243	728	1,200	1,843	1,115	153%

8.12.2 The petitioner has claimed provision for doubtful debts against disconnected consumers at Rs. 1,843 million excluding Expected Credit Loss (ECL) for the said year.

8.12.3 The petitioner has been repeatedly advised by the Authority to increase internal control systems, management practices and recoveries. Unfortunately, the above table shows a dismal situation, whereby instead of increasing recoveries, doubtful debts are being increased which does not reflect good corporate governance measures being taken by the petitioner.

8.12.4 ***In view thereof, the Authority is constrained to disallow the claimed amount on this account until the petitioner demonstrates and physically achieve efficiency in terms of reduction in litigation cases and bad debts.***

8.13 Advertisement & Publicity

8.13.1 The petitioner has projected Rs. 253 million under this head for the said year as against Rs. 206 million per RERR FY 2019-20. Historical comparison is given below:

Table: Comparison of Projected Advertisement & Publicity Expense with Previous Years

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Advertisement Expense	22	20	20		27	7	35%
Tender, Notice of Meeting Exp	26	26	34		32	(2)	-6%
Customer Media Campaign Exp	160	152	152	156	194	42	28%
Total:-	208	198	206	156	253	47	23%

8.13.2 The petitioner has submitted that out of Rs. 253 million, Rs. 194 million has been envisaged for consumer media campaign, which are required to be launched in pursuance of OGRA Licensing Rules especially during winter.

8.13.3 The Authority has always appreciated the petitioner for launching consumer awareness program in respect of energy conservation, use of appliances for reduction of consumer bill. E-kachehri is also good imitative to address consumer grievances. The Authority reiterates to explore alternate modes for cost effective media campaign and consumer awareness programs to curtail such expense i.e. gas bills, sending SMS, mobile application, emails etc.

8.13.4 ***The Authority, in view of its directions and historical spending decides to fix it at Rs. 208 million with the direction to effectively utilize its mobile application for all awareness and consumer complaint redressal leading to cost minimization.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	8	16	229	253
Allowed	7	13	188	208

8.14 Security Expenses

8.14.1 The petitioner has claimed Rs. 1,853 million under this head for the said year as against Rs. 1,250 million per the RERR FY 2019-20 projecting an increase of 48%. Historical comparison is given below:

Table: Comparison of Projected Security Expense with Previous Years

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual Expense July-March 2020-2021 unaudited	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Security forces	656	670	983	702	1,413	430	44%
Security guards	243	348	267	293	440	173	65%
Total	898	1,018	1,250	995	1,853	603	48%

8.14.2 Under the sub-head "Security forces", the petitioner has submitted that additional Rs. 360 million is on account of security arrangements for Sawan-Qadirpur -ACIX segment; and rest of increase has been requested to cater for inflationary impact. The petitioner further argued that due to abolishment of 12 hours shift duty, one full additional shift was created. However, keeping in view budgetary constraints, the increase was greatly rationalized and restricted to only 22% of the existing strength by deputing only one additional guard to create third shift. This shall be placed at only pipeline locations and some other vulnerable locations. Moreover, the petitioner stated that it has revised security guards salaries upward by Rs. 3,138/month, keeping in view of the minimum wages fix by the Government In the recently announced Finance bill, it has been proposed to revise the minimum wages slab rate from Rs. 18,000 to Rs. 20,000/month. The revision also increases contract value to Rs. 1,094 million from Rs. 951 million.

8.14.3 The Authority notes that the petitioner has been consistently allowed reasonable increase of 40% since FY 2018-19. The Authority, considering revised agreements and deployment of Shahbaz Rangers at Sawan Qadirpur, had already allowed sufficient funds during FY 2020-21 hence claiming additional amount on similar premise defies no logic. The Authority, taking into consideration the already allowed funds to petitioner's actual nine months expenditure of FY 2020-21, ***decides to allow 10% over RERR FY 2020-21 to cater for inflationary impact, and fixes the Security Expense at Rs. 1,375 million for the said year as tabulated below:***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	1,549	186	118	1,853
Allowed	1150	138	87	1375

8.15 KMI Implementation Plan (UFG Control Activities)

8.15.1 The petitioner has projected an operational expense of Rs. 1,387 million on account of UFG Control Activities that includes Rs. 88 million in respect upgradation of metering workshop. Moreover, the petitioner has also projected Rs. 25 million for scanning of network for detection of underground leakages under the head of transportation expense. However, since the said expense relates to UFG control activities, therefore, the same has been discussed under the KMI Implementation plan.

8.15.2 It is mentioned that UFG control activities are necessary to reduce UFG of the Company, ***the Authority therefore allows Rs. 662 million under this head against the amount projected by the petitioner, in line with the capital expenditure allowed for these activities. However, no amount in respect of upgradation of metering workshop has been allowed.***

8.16 Protective supplies / Clothing

8.16.1 The petitioner has claimed Rs. 96 million under this head "Protective supplies / Clothing" for the said year as against Rs. 43 million per the RERR FY 2020-21 projecting an increase of 78%. Historical comparison is given below:

Table 12: Comparison of Projected Protective supplies / Clothing with Previous Years

						(Rs. in million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Protective supplies/ Clothing	49	53	54	41	96	42	78%

8.16.2 The petitioner has submitted that uniform and protective clothing are required to be provided to its employees as per standards set by it. The Authority disallowed a certain portion of the amount in FY 2020-21 due to lower actual expense for FY 2019-20 owing to Covid-19. Protective equipment and clothing is a necessity at all operational sites including office and field staff. The employees are exposed to various hazards during operational activities at their workplace. Around 3500 workers have been estimated for 1 pair/year safety shoes and two coverall (two per year). Moreover, due to prevailing Covid-19 pandemic situation additional requirements like Face Masks, hand sanitizers etc. are also on the rise and need to be fulfilled.

8.16.3 The Authority observes that it has always allowed justified and rational cost to the petitioner on account of HSE standards so as to ensure operational activities without hazards. However, the above said claim in such circumstances and with above said justification do not commensurate with 78% increase.

8.16.4 ***In view of the above, the Authority considering the operational requirement, Covid pandemic situation and actual spending during last 3 years, decides to allow the 10% increase over RERR level for FY 2020-21 and provisionally determines Rs. 59 million for the said year.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	23	45	28	96
Allowed	14	27	17	59

8.17 Staff training and recruiting expenses

8.17.1 The petitioner has claimed Rs. 84 million under the head of "staff training & recruiting expenses" for the said year as against Rs. 84 million per the RERR FY 2019-20 projecting an increase of 140%. Historical comparison is given below:

Table: Comparison of Projected Staff training and recruiting expenses with Previous Years

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Staff recruiting expenses	21	13	-	-	22	22	
Staff Training, SNGTI/EDP	40	40	35	26	62	27	77%
Total	61	53	35	26	84	49	140%

8.17.2 The petitioner has stated that the projected funds Rs. 22 million for Staff recruiting expenses are required for conducting recruitment test against the vacant positions of executives and subordinates. Regarding the recruiting expenses, the petitioner has argued that it is in dire need to start recruiting process based on assessment of its consultant study. Any delay in recruitment will be a major factor for making this entity into failed/loss company. Moreover, in pursuance to decision of the Supreme Court and directions of Establishment Division, 50% of the test fee for initiating the recruitment process is to be paid by petitioner.

8.17.3 The Authority observes that manpower assessment study as conducted by petitioner is now outdated and needs to be revised. Moreover, the Authority's observation in respect of recruitment per para 7.89 of DERR FY 2020-21 is relevant. Therefore, claiming Rs. 22 million for recruitment based on an outdated study merits no consideration. ***In view of the same, the Authority based on inconclusive justification, pends the same and decides to consider the actual expenditure, if incurred, based on touchstone of prudence and need assessment, as provided by the petitioner.***

8.17.4 Regarding training expenditure, the Authority notes that the said expenditure has been projected Rs. 62 million under sub-heads SNGTI & EDP; for which no concrete justification has been provided. In view of the above, ***the Authority***

decides to fix "Staff Training" at the level of RERR i.e., at Rs. 35 million for the said year.

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	20	39	25	84
Allowed	8	16	10	35

8.18 Sponsorship of chairs at Universities

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

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

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Sponsorship of chairs at universities	8	8			10	10	#DIV/0!

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

8.19.3 The Authority notes that matter in respect of "Sponsorship of Chair at universities" has already been deliberated and decided at the time of DERR FY 2020-21. In view of the same, the Authority decides to disallow the expenditure from revenue requirement determination. However, the petitioner, being corporate body, may consider the same from its own profits.

8.19 Recovery through contractors – (Disconnected Consumers)

8.19.1 The petitioner has claimed Rs. 60 million under this head "Recovery through contractors - (Disconnected Consumers)" for the said year as against Rs. 25 million per the RERR FY 2020-21 projecting an increase of 161%. Historical comparison is given below:

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

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Recovery through Contractors	9	10	25		60	35	140

8.19.2 The petitioner has explained that the commission on recovery of outstanding arrears is approx. Rs. 120 million. The projected amount of Rs. 60 million is in the light of historical data based on which the budget has already slashed to Rs.

CERTIFIED TRUE COPY

60 million. The petitioner further argued that it is striving hard to meet its recovery targets, therefore, the expenditure under this head cannot be reduced further. However, the actual expenditure will be based on the amount of recoveries from defaulted consumers.

8.19.3 The Authority notes with serious concern that no tangible efforts have been made by the petitioner to increase the recoveries. Lopsided agreements with minimal targets have been set for third party contractors.

*8.19.4 **The Authority, based on actual nine months expenditure as well as the petitioner's negligible efforts, decides to allow the expenditure at Rs. 25 million subject to the actualization at year-end while comparing the recovery received and commission paid during the said year.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	-	-	60	60
Allowed	0	0	25	25

8.20 Corporate Social Responsibility (CSR) and sports related activities

8.20.1 The petitioner has claimed Rs. 116 million under this head "CSR" for the said year as against Rs. 10 million per the RERR FY 2020-21 projecting an increase of 100%. Similarly, the petitioner has projected Rs. 96 million in head "Sports related activities" as against Rs. 58 million per the RERR FY 2020-21 projecting an increase of 38%. Historical comparison is given below:

Table: Comparison of Sports activities and Corporate Social Responsibility

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Sports related activities	48	37	58	36	96	38	66%
Annual sports	40						
Corporate Social Responsibility	11		10	8	20	10	100%
Total	99	37	68	44	116	48	71%

8.20.2 The petitioner allocated Rs. 65 million to indigenous system while remaining amount of Rs. 51 million apportioned to RLNG. Under the head, "Sports related activities", the petitioner has submitted that the Company has always participated actively in sports events. Similarly, the Company is encouraging the sports of Squash, Hockey, Badminton, Tennis and Football. Further, the Company desires to improve its public image being a responsible corporate entity.

8.20.3 The Authority appreciates the initiatives of the Company to encourage sports activities being responsible entity. ***The Authority, per the criteria set in tariff regime for natural gas sector, decides to allow 50% of the claim and fixes it at Rs. 58 million for the said year.*** The petitioner is advised to incur the same in the light of parameters set in tariff regime for CSR activities and shall submit a certificate to this effect at the time of FRR. Any further spending by company for activities falling outside tariff regime, will be met from its own profit in the larger national interest.

CERTIFIED TRUE COPY

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	23	45	28	96
Allowed	14	27	17	58

8.21 Facilities Provided by other companies

8.21.1 The petitioner has claimed Rs. 36 million under this head "Facilities provided by other companies" for the said year as against Rs. 14 million per the DERR FY 20-21 projecting an increase of 157%. Historical comparison is given below:

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

						(Rs. In million)	
Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Facilities provided by other companies	13	10	14	11	36	22	157%

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

8.21.3 ***The Authority understands the operational requirements of the petitioner at Sui field of M/s. PPL. The Authority, is of the firm view that projected increase does not commensurate to the historical trend as depicted in the above table and over exaggeration has been envisaged. Both are public limited companies and hence are advised to negotiate and agree on reasonable terms and conditions in such a manner that only operational activities are carried out in best optimal manner. In view of the above, the Authority decides to restrict the expenditure at Rs. 14 million against this head for the said year subject to actualization at year end.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	9	17	11	36
Allowed	3	7	4	14

8.22 Other Expenses

8.22.1 The petitioner has projected Rs. 516 million in head "Others" for the said year under this account, thereby estimating a 155% increase as compared to RERR 2020-21. The comparative analysis of the same is provided below:

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

(Rs. In million)

Particulars	FRR 2018-19	FRR FY 2019-20	RERR FY 2020-21	Actual FY 2020-21 (Nine months)	The Petition FY 2021-22	(Inc/Dec) over RERR 2020-21	
Construction equipment operating cost	141	146	112	113	160	48	43%
Subscriptions	3	3	3	3	4	1	33%
Newspapers, books & periodicals	3	3	7	1	7	0	7%
Board meetings & directors' expenses	57	57	32	53	90	58	181%
Stock exchange fee	1	3	4	3	4	1	14%
Entertainment expenses	9	6	12	9	12	-	0%
Outside services employed - govt./ local authority	2	-	-	1	3	3	#DIV/0!
Sundries	15	10	19	12	23	4	21%
CNIC verification	8	8	14	8	13	(1)	-7%
Pilot Project- Digital meters	-	5	-			-	#DIV/0!
Cost of gas blown off due to Sabotage act		-		153	200	200	#DIV/0!
Total	**240**	**241**	**202**	**358**	**516**	314	155%

8.22.2 The petitioner under the sub-head "construction equipment operating cost", has projected Rs.160 million for FY 2021-22. The petitioner further submitted that increase has been envisaged mainly due to a significant increase in POL prices as well impact of a higher cost of repair & maintenance due to Pak Rupee devaluation.

8.22.3 The Authority observes that projecting 43% increase under the head of construction equipment operating cost is beyond any reasonable justification. The Authority directs the petitioner to control the expenditure within tolerable limit and actively monitor expense in this head. ***In view of the same, the Authority decides to fix Rs. 146 million against the "construction equipment operating cost" for the said year.***

8.22.4 Regarding, "Board meeting and Director Expenses" the petitioner has submitted that after the promulgation of new Companies Act, 2017, and as a result of Public Sector Companies (Corporate Governance) Rules. 2013, inter alia provides that Directors' remuneration packages shall encourage value creation within the company, and shall align their interests with those of the company and levels of remuneration shall be sufficient to attract and retain the directors, needed to run the company successfully. The petitioner further has submitted that as per historical trend, 75 to 80 . meetings of the Board and its Committees have been estimated for the said year and UFG-Committee meetings are being convened almost on monthly basis

8.22.5 The Authority notes with grave concern that despite its directions, the petitioner is inclined to exorbitant projection under this head; which is a matter of serious concern. Further, no serious effort on part of the petitioner has been put in yet which would eventually lead to curtail un-economical expending. The petitioner, being public sector Company and custodian of national assets, needs to take exemplary measures to reduce such expenses in the future. ***In view of the same, the Authority allows 50% of the claimed amount i.e., Rs. 61 million under the head of "Board meeting and Director Expenses" for the said year, with the direction to maintain cost at minimum level in this head.***

8.22.6 ***The Authority disallows Rs. 200 million, claimed by the petitioner, against the cost of gas blown off due to sabotage activities, as the same is covered under UFG***

disallowance computation; in line with decision taken at the time of FRR-FY 2019-20.

8.22.7 ***Further, the Authority accepts other expenses being within tolerable limit. In view of the above, the Authority curtail the "other expenses" at Rs. 266 million with the directions to incur the expenses judiciously.***

			Rs. in Million	
	Transmission	Distribution	Selling	Total
Demanded	105	287	92	485
Allowed	45	121	39	205

8.23 Remaining T&D Expenses not discussed above

8.23.1 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: Summary of Remaining T&D Expenses

					Rs. in Million
Sr #	Description	Transmission	Distribution	Selling	Total
		The Petition FY 2021-22			
1	Stationery, telegrams and postage	18	51	170	239
2	ISO 14001 & OHSAS Certification	2	4	3	9
3	Outsourcing of Call Centre	-	-	30	30
4	OGRA fee	-	-	371	371
5	Bank Charges	2	5	3	10
6	Gas Bills Collection Charges	-	-	660	660
7	Gathering charges of collection data	-	-	65	65
8	Dispatch of Gas Bills	-	-	165	165
10	**Total**	**22**	**60**	**1,467**	**1,548**

8.24 Transmission & Distribution Cost Determined by the Authority

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

CERTIFIED TRUE COPY

Table: Transmission & Distribution Cost Determined by the Authority

							Rs. in million
Sr #	Description	Total The Petition FY 2021-22	As determined by OGRA Transmission	Distribution	Selling	Total	Diff Inc/(Dec)
1	HR Cost	24,352	3,905	6,701	6,390	16,996	(7,356)
2	Stores & spares consumed	1,000	534	322	24	880	(120)
3	Repairs & maintenance of system	2,262	272	863	159	1,294	(968)
5	Rent, rates, royalty, electricity and telephones	750	177	255	187	619	(131)
6	Travelling expenses	203	55	64	44	163	(40)
7	Transport expenses	1,165	229	591	154	975	(190)
8	Insurance	329	67	130	82	279	(50)
9	Fuel & Power	550	222	247	-	469	(81)
10	Legal and Professional services	350	49	94	61	204	(146)
12	Advertisement & publicity	253	7	13	188	208	(46)
13	Protective clothing & Supplies	96	14	27	17	59	(37)
14	Staff Recruiting expenses	22	-	-	-	-	(22)
15	Staff Training Expenses plus executive	62	8	16	10	35	(27)
16	Security expenses	1,853	1,150	138	87	1,375	(478)
17	Sponsorship of Chairs for Universities	10	-	-	-	-	(10)
19	Sports cell expenses / Annual Sports	96	12	22	14	48	(48)
22	Facilities Provided by other companies	36	3	7	4	14	(22)
23	Board Meeting and directors expenses	90	15	28	18	61	(29)
24	Corporate Social Responsibility	20	2	5	3	10	(10)
25	Other expenses	485	45	121	39	205	(280)
28	KMI Implementation Plan / UFG Control Activitie	1,387	-	662	-	662	(725)
31	Provision for doubtful debts	1,843	-	-	-	-	(1,843)
32	Recovery through contractor	60	-	-	25	25	(35)
33	Remaining T&D Cost	1,548	22	60	1,467	1,548	-
34	**Gross Operating Budget**	**38,822**	**6,789**	**10,367**	**8,973**	**26,128**	(12,694)
35	Allocation to CWIP (Others)	(319)		(178)	(141)	(319)	-
36	Allocation to RLNG	(16,002)				(2,252)	
37	Net Operating Budget	**22,501**	**6,789**	**10,189**	**8,832**	**23,557**	**(12,694)**
38	Gas internally consumed - Indigenous	1,285	625			625	(660)
39	**Total after GIC**	**23,786**	**7,414**	**10,189**	**8,832**	**24,182**	396

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

9.1.1 The petitioner claimed Rs. 35,778 million on account of LPS in respect of gas suppliers and Rs. 875 million on account of finance cost of short term borrowing for the said year, detail as below;

	Rs. in Million
Gas Suppliers	The Petition FY 2021-22
PAKISTAN PETROLEUM LIMITED	17,100
OIL & GAS DEVELOPMENT COMPANY LIMITED	13,889
GOVERNMENT HOLDINGS (PVT) LTD.	3,348
SUI SOUTHERN GAS COMPANY LTD.	1,143
OTHERS	298
TOTOAL	35,778

9.1.2 The Authority observes that matter in respect of LPS payable has been exhaustively discussed & decided in the last SNGPL's FRR i.e. FY 2018-19 & MFR FY 2018-19 and FY 2019-20. The Authority is of the firm view that payables along with LPS in respect of state owned entities is a matter of 'circular debt' and burden of payment cannot be shifted to general consumers till the final settlement by GoP. The Authority reiterates that SNGPL's recording LPS's expenses on accrual basis without incurring any cash

CERTIFIED TRUE COPY

outflow or such actual expenses is not being realized against income; therefore allowing the same under the tariff determination would unnecessary burdening general consumers. The Authority observes that circular debt's issue being public sector companies, requires Federal Government involvement for resolution, and thus beyond the petitioner control. With regard to private sector gas creditor, the Authority observes that such expense being recorded on accrual basis without realizing any payment to creditors; therefore the Authority decides to pend Rs. 298 million till the conclusion/settlement of outstanding payments. ***In view of the same, the Authority decides to pend the entire LPS payment Rs. 35,778 million for the said year, and reiterates its directions to take up the matter with the Ministry of Energy for practical final settlement.***

9.1.3 ***However, the Authority, keeping in view of the circular debts issues; allows the cost of short term borrowing amounting to Rs. 875 million for the said year.***

9.2 Worker Profit Participation Fund (WPPF)

9.2.1 The petitioner claimed Rs. 853 million against WPPF for the said year. The petitioner stated that the Companies Profit Worker's Participation Act, 1968 has been adopted by Punjab Government in December, 2020, therefore the same is still applicable on companies operating in Pakistan. Accordingly, the petitioner has projected WPPF @ 5% on estimated profit for the said year.

9.2.2 ***In view of above, after adoption the act by the Government of Punjab, WPPF is re-calculated at Rs. 703 million on provisional basis for the said year.***

10 Cumulative revenue shortfall pertaining to previous years'

10.1 The petitioner has claimed Rs. 254,108 million on account of cumulative revenue shortfall pertaining to previous years upto FY 2020-21. The petitioner has claimed projected shortfall of Rs. 82,664 million for FY 2019-20. The petitioner has submitted that this past 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.

10.2 The Authority notes that it has issued FRR FY 2019-20; wherein it has determined revenue shortfall at Rs. 48,448 million as against the petitioner's claim of Rs. 82,664 million.

10.3 ***In view of the above, the petitioner cumulative revenue shortfall pertaining to previous years has been determined at Rs. 219,892 million upto FY 2020-21. The petitioner is directed to take up the matter with FG for an appropriate policy decision as impact of the same has not been included in instant determination.***

11 RLNG Transportation Cost & Other Allied Matters

11.1 The petitioner has claimed Rs. 41,312 million on account of RLNG cost of supply for the said year. The Authority has been requested to allow RLNG Transportation cost at Rs. 137.47/MMBTU on projected RLNG volume sold 300,528 MMBTU. The petitioner input volume taken at 1020 MMCFD @ GCV of 1055 BTU/SCF for the said year. Further, the petitioner claimed separately RLNG price differential Rs. 63,046 million (i.e. at Rs. 209.78/MMBTU) diverted to domestic/indigenous. The computation of Transportation charges is made as under:

CERTIFIED TRUE COPY

Table: RLNG's Cost of Service as claimed by the petitioner

Description	The Petition
Quantitative Data	BBTU
RLNG Input	**392,833**
Retainage / gas used in FSRU @ 0.75%	(2,946)
GIC - SSGCL network @ 0.5%	(1,964)
GIC - SNGPL network @ 1.2%	(4,714)
UFG @ 4.69%	(18,424)
RLNG Diverted to System Gas Consumers	(64,257)
Net RLNG sold	**300,528**
Cost Components	**Million Rs.**
Amortization of Deferred Credit	(803)
Depreciation	3,959
Return on Assets	6,366
HR and other relevant costs allocated to RLNG	16,002
Gas Internally Consumed SNGPL	6,675
Transportation charges payable to SSGC	7,117
Finance cost for working capital	1,766
WPPF	230
Total	**41,312**
Rs/ MMBTU	**137.47**
Recovery of RLNG price differential, diversion to Indigenous Gas (to be charged from RLNG consumer)	63,046
Impact of RLNG price differential Rs./MMBTU	**209.78**

11.2 The petitioner has requested that RLNG cost of supply should be based on actual throughput volumes, as the application of pipeline designed capacity leave the petitioner under recovery from RLNG business segment. The petitioner has further excluded RLNG volume diversion toward domestic & commercial consumers as well as RLNG volume retained by SSGCL. The petitioner has highlighted that RLNG segment has reached 44% of entire sales volume, therefore, the petitioner allocated proportionate T&D cost amounting to Rs. 16,002 million to RLNG cost of service/business.

11.3 The Authority notes that the petitioner's submission on account of RLNG cost of service are only mere repition and no new argument has been advanced by it. The Authority observes that several discussion and deleberations have already been held on it and has reached finality. ***In view of the same, the Authority maintains its earlier decision.*** Regarding petitioner's claim for the adjustment of RLNG diverted volumes, the same are excluded as per the deicision in para 6.1.7 above.

11.4 Regarding allocation of T&D costs on allocation basis, the Authority notes that the FG in process of reviewing the law in respect of WACOG. Till such time, the Authority continue to charge the cost on incremental basis. Accordingly, HR cost on RLNG segment as calculated per Annex-D is recorded under RLNG cost of supply. ***Subsequently, WPPF is allowed at Rs. 221 million based on revised computation. Accordingly,*** RLNG cost of service is calculated as per table below;

CERTIFIED TRUE COPY

Table: Computation of RLNG Cost of Service FY 2021-22

Description	The Petition	As allowed
Quantitative Data	BBTU	BBTU
RLNG Input	**392,833**	**462,090**
Retainage / gas used in FSRU	(2,946)	(2,946)
GIC - SSGCL network	(1,964)	
GIC - SNGPL network	(4,714)	(3,982)
UFG	(18,424)	(21,120)
RLNG Diverted to System Gas Consumers	(64,257)	
Net RLNG sold	**300,528**	**434,042**
Cost Components	**Million Rs.**	**Million Rs.**
Amortization of Deferred Credit	(803)	(803)
Depreciation	3,959	3,959
Return on Assets	6,366	6,062
HR and other relevant costs allocated to RLNG	16,002	2,252
Gas Internally Consumed SNGPL	6,675	6,675
Transportation charges payable to SSGC	7,117	9,303
Finance cost for working capital	1,766	-
WPPF	230	221
Total	**41,312**	**27,669**
Rs/ MMBTU	**137.47**	**63.75**
Recovery of RLNG price differential, diversion to Indigenous Gas (to be charged from RLNG consumer)	63,046	-
Impact of RLNG price differential Rs./MMBTU	**209.78**	-

12 Determination

12.1 ***In exercise of its powers under Section 8(1) of the Ordinance, the Authority determines the ERR for the said year at Rs. 236,749 million as against petitioner's claim of Rs. 302,101 million, as tabulated below:***

Table: Components of ERR for FY 2021-22 as allowed

Particulars	Claimed by the peitioner	As allowed
		Million Rs.
Cost of gas sold	191,172	174,343
UFG (disallownce) / allowance	(750)	(3,125)
Transmission and distribution cost	23,511	24,463
Gas internally consumed	1,285	625
Depreciation	24,873	22,259
Late Payment Surcharge (Payable) & cost of short-term borrowing	35,778	-
Workers Profit Participation Fund	853	703
Return on assets	25,212	17,481
Additional revenue requirement for LPG Air-Mix Projects	167	-
Total Revenue Requirement (excluding Previous year shortfall)	**302,101**	**236,749**

12.2 The petitioner's total operating income is estimated at Rs. 209,188 million as against the revenue requirement of Rs. 236,749 million and thus there is a shortfall of Rs. 27,561 million in its estimated revenue requirement for the said year. In order to adjust this shortfall, the Authority hereby makes, on a provisional basis, upward revision of Rs. 86.93/MMBTU, thereby determining the petitioners' average prescribed price at Rs. 686.77/MMBTUfor the said year (Annexure-A).

12.3 The Authority observes that FG in the past had advised insufficient revisions to OGRA in respect of natural gas sale prices and resultantly the petitioner remained unable to meet the shortfall as determined by OGRA in the respective revenue requirements. Accordingly, the backlog is persistently piling up. *The Authority, considering the FG's stance in respect of sale price revisions, had not included any financial impact relating to previous years' shortfall as part of the instant determinations as decided in para 10.3 above. Regarding inclusion of previous year shortfall, the Authority through this Order refers the matter to FG for appropriate policy decision.*

CERTIFIED TRUE COPY

12.4 **The Authority considers it important and essential to impress upon the petitioner that this provisional determination of estimated revenue requirement for the said year pre-supposes that the petitioner would, in any case, faithfully and with responsibility conduct its affairs in full compliance of the requirement of the Ordinance, Rule17(1)(h) & Rule 17(1)(j) of the NGT Rules and terms & conditions of its license.**

12.5 The revised provisional prescribed prices are subject to the condition that these *"may be re-adjusted upon receipt of Federal Government advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers provided that the overall increase in the average prescribed price remains unchanged so that the petitioner is able to achieve its total revenue requirements in accordance with Section 8 (6) (f) of the Ordinance."*

12.6 Under Section 8 (3) of the Ordinance, the FG is required to advise the Authority, within 40 days of advice from the Authority of revision of prescribed prices, the minimum charges and the sale price for each category of retail consumers, for notification in the Official Gazette by the Authority. ***The Authority, as a matter of principle under the legal domain, is of the view that all the classes of consumers should at least pay the average cost of service or the average prescribed price except wherever FG policy guidelines have been provided, which shall be implemented accordingly.***

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

13. Directions

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

i) ***submit a review petition to the Authority latest by October 15, 2021, for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO during the period June to November 2021 and the trend of Rupee-Dollar exchange rate.***

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

iii) ***expedite the recovery from defaulting consumers and curtail ever-increasing expenses under the provision for doubtful debt, litigation cases and cost relating thereto.***

iv) ***All the relevant contentions of the intervener as summarized in chapter 3 of this order be carefully noted and complied/addressed in letter & spirit under the ambit of the regulatory framework.***

v) ***All new development projects should be undertaken in accordance with the directions under para 5.17.6 & 5.15.7.***

vi) ***ensure prudence in undertaking all jobs in an effective manner so as to cover all area of operation while maintaining excellent level of***

CERTIFIED TRUE COPY

workmanship, good corporate governance prudent management practices and in compliance with PPRA rules.

vii) *take cognizance by the BoD for implementation and adherence of the Authority directions in true letter and spirit.*

viii) *review of employees' perks & benefits that needs to be reduced/rationalized in the light of directions issued from time to time.*

ix) *address/attend problems being faced by its consumers as highlighted in public hearing, with the objective of resolving the same within stipulated timelines. Further, if required, put forward plans/solution for the Authority approval regarding the improvement in the quality of the service to the consumers.*

x) *implement all decisions of the Authority / Designated Officer (D.O) on complaint cases without any delay, so as to provide relief to the people, particularly domestic consumers of Baluchistan province under OGRA, Ordinance, 2002, Complaint Resolution Procedure regulations, (CRPR), 2003 and the Procedure to deal with theft of gas cases.*

14. Public Critique, Views, Concerns, Suggestions

14.1 The Authority has recorded critique, views, concerns, and suggestions of the interveners and participants given in chapter 3 above. The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in chapter 3 above for due consideration.

Zain-ul Abideen Qureshi
(Member Oil)

Muhammad Arif
(Member Gas)

Masroor Khan
(Chairman)

The Islamabad, August 17, 2021

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

A. Computation of Estimated Revenue Requirement for FY 2021-22

Million Rs.

	Particulars	The Petition	Adjustment	As allowed by the Authority
	Gas sales volume -MMCF	395,199	-	334,269
	BBTU	379,409	(62,350)	317,059
"A"	Net Operating revenues			
	Net sales at current prescribed price	211,900	(21,714)	190,186
	Rental & service charges	4,100	-	4,100
	Late Payment Surcharge and interest on arrears	9,348	-	9,348
	Amortization of deferred credit	3,660	-	3,660
	Other operating income	1,894	-	1,894
	Total income "A"	**230,902**	**(21,714)**	**209,188**
"B"	**Less Expenses**			
	Cost of gas sold	191,172	(16,829)	174,343
	UFG (disallownce) / allowance	(750)	(2,375)	(3,125)
	HR cost Incl. T& D cost, net of capital allocation	22,441	1,116	23,557
	Gas internally consumed	1,285	(660)	625
	Depreciation	24,873	(2,614)	22,259
	Late Payment Surcharge (Payable)	35,778	(35,778)	-
	Finance cost for working capital	875	-	875
	Regional office at karak	90	(90)	-
	operating expense of GIS Mapping project	105	(74)	31
	Workers Profit Participation Fund	853	(150)	703
	Total expenses "B"	**276,722**	**(57,454)**	**219,268**
"C"	**Operating profit / (loss)(A - B)**	**(45,820)**	**35,740**	**(10,080)**
	Return required on net assets:			
	Net assets at begining	133,561	-	133,561
	Net assets at ending	197,032	**(78,683)**	118,349
		330,593	*(78,683)*	*251,910*
	Average fixed net assets (I)	**165,297**	**(39,342)**	**125,955**
	Deferred credit at begining	20,480	-	**20,480**
	Deferred credit at ending	20,819	-	**20,819**
		41,299	-	**41,299**
	Average net deferred credit (II)	**20,649**	-	**20,649**
"D"	**Average operating assets (I-II)**	**144,648**	**(39,342)**	**105,307**
	Return required on net assets	17.43%		16.60%
"E"	Amount of return required	25,212	(7,731)	17,481
"F"	(Excess) / Shortfall FY 2021-22 - gas operations	**71,032**	**(43,471)**	**27,561**
"G"	Additional revenue requirement for LPG Air-Mix Projects	167	(167)	-
"H"	(Excess) / shortfall FY 2021-22 without previous years shortfall	**71,199**	**(43,638)**	**27,561**
	Average Inc/(Dec) in Prescribed Price FY 2021-22 (Rs/MMBTU)	**187.66**	**(100.73)**	**86.93**
"I"	**Total Revenue requirement FY 2021-22**	**302,101**	**(65,352)**	**236,749**
"J"	**Average Prescribed Price (PP) FY 2021-22(Rs./MMBTU)**	**746.16**	**(59.39)**	**686.77**

CERTIFIED TRUE COPY

B. Average Prescribed Prices for FY 2021-22

	Particulars	FY 2021-22 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	686.77
	Upto 1 hm3 per month	686.77
	Upto 2 hm3 per month	686.77
	Upto 3 hm3 per month	686.77
	Upto 4 hm3 per month	686.77
	Above 4 hm3 per month	686.77
	The billing mechasism will be revised so that the benefit of one previous / preceding slab is availble to domestic consumer (residentail use).	
	c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including Captive Power.	
(II)	**Special Commercial Consumers (Roti Tandoors)**	
	Upto 0.5 hm^3 per month	686.77
	Upto 1 hm3 per month	686.77
	Upto 2 hm3 per month	686.77
	Upto 3 hm3 per month	686.77
	Above 3 hm3 per month	686.77
(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	686.77
(IV)	**Ice Factories:**	
	All off-takes at flat rate of	686.77
(V)	**General Industrial:**	
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.	
	All off-takes at flat rate of	686.77
(VII)	**Export Oriented (General Industry)**	
	All off-takes at flat rate of	686.77
(VIII)	**Export Oriented (Captive)**	
	All off-takes at flat rate of	686.77
(IX)	**Captive Power :**	
	Captive Power plant/unit means an industrial undertaking/unit carrying out the activity of power production (with or without co-generation) for self-consumption and/or for sale of surplus power to a Distribution Company or bulk-power consumer.	
	All off-takes at flat rate of	686.77
(a)	**CNG (Region-I):**	
	All off-takes at flat rate of	686.77
(b)	**CNG (Region-II):**	
	All off-takes at flat rate of	686.77
(XI)	**Cement Factories:**	
	All off-takes at flat rate of	686.77
(XII)	**Fertilizer Companies:**	
(i)	***Pak American Fertilizer Company Limited, Daudkhel.***	
(a)	For gas used as feed stock for fertilizer	
	All off-takes at flat rate of	686.77
(b)	For gas used as fuel for generation of electricity, steam and for usage of housing colonies.	
	All off-takes at flat rate of	686.77
(ii)	***Pak Arab Fertilizer Limited, Multan.***	
(a)	For gas used as feed stock for fertilizer	
	All off-takes at flat rate of	686.77
(b)	For gas used as fuel for generation of electricity, steam and for usage of housing colonies.	
	All off-takes at flate rate of	686.77
(iii)	***Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhupura District.***	
(a)	For gas used as feed stock for fertilizer.	
	All off-takes at flate rate of	686.77
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**	
	All off-takes at flate rate of	686.77
(vi)	***Pak-China Fertilizer Limited, Haripur***	
(a)	**For gas used as feed stock for fertilizer.**	
	All off-takes at flate rate of	686.77
(b)	**For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**	
	All off-takes at flate rate of	686.77
(v)	***Hazara Phosphate Plant Limited, Haripur.***	
(a)	For gas used as feed stock for fertilizer.	
	All off-takes at flate rate of	686.77
(b)	For gas used as fuel for generation of electricity, steam and for usage of housing colonies.	
	All off-takes at flate rate of	686.77
(vi)	***ENGRO Fertilizer Company Limited***	
(a)	For gas used as feed stock for fertilizer	
	All off-takes at flate rate of	686.77
(b)	For gas used as fuel for generation of electricity, steam and for usage of housing colonies.	
	All off-takes at flate rate of	686.77
(XIII)	**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	686.77
(b)	WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.	
	All off-takes at flate rate of	686.77
	Fixed Charges (Rupees per month)	390,000
(XIV)	**Liberty Power Limited's Gas Turbine Power Plant (Phase1) at Daharki:**	
	All off-takes at flate rate of	
(XV)	**Independent Power Producers:**	
	All off-takes at flate rate of	686.77

C. Asset-wise Depreciation Schedule

DESCRIPTION OF ITEMS	CATEGORY	Life (Years)	RATE
BUILDING ON FREEHOLD LAND		20	5%
BUILDING ON LEASEHOLD LAND		20	5%
COMPRESSORS STATION EQUIPMENT		17	6%
	COMP. STATION	17	6%
	COMP. STATION EQUIPMENT	17	6%
	COMP. REFURBISHED	8	12.5%
COMPUTER HARDWARE			
	COMPUTER SERVER MACHINE	6.67	15%
	INDUTRIAL PRINTER	6.67	15%
	ROUTERS/SWITCHES	6.67	15%
	STORAGE AREA NETWORK	6.67	15%
	LASER PRINTER	4	25%
	DESKTOP COMPUTER	4	25%
	HHU	4	25%
	NETWORK PRINTER	3	33%
	SCANNER	3	33%
	LAPTOP	3	33%
	TABLET	3	33%
	THINCLIENT	3	33%
COMPUTER SYSTEM SOFTWARE		3	33%
CONSTRUCTION EQUIPMENTS		5	20%
DISTRIBUTION MAINS SERVICES & REGULATORS & RELATED DISTRB. SYS.		20	5%
	COMBING MAINS/SUPPLY MAINS	20	5%
	DISTRIBUTION SYSTEM	20	5%
	SERVICE LINES	20	5%
FURNITURE & FIXTURES		5	20%
MEASURING AND REGULATING STATION EQUIP (TBS. DRS)			
	FEDERAL MAINS/DRS/TBS	20	5%
	CMS	20	5%
MOTOR VEHICLES		5	20%
OFFICE EQUIPMENT/SECURITY EQUIPMENT		5	20%
PLANT AND MACHINERY			
	AIR CONDITIONING PLANT	10	10%
	CATHODIC PROTECTION EQUIP.	10	10%
	GAS APPLIANCES	10	10%
	ELECTRICAL EQUIPMENT	10	10%
	FIRE FIGHTING EQUIPMENT	10	10%
	METERING EQUIPMENT	10	10%
	POWER STATION EQUIPMENT	10	10%
	SUNDRY EQUIPMENT	10	10%
	WORKSHOP PLANT & EQUIPMENT	10	10%
	ELECTRIC APPLIANCES	10	10%
	SURVEYS INSTRUMENT & EQUIPM	10	10%
	UPS FOR PCs	10	10%
SCADA SYSTEMS		6.67	15%
TELECOMMUNICATION EQUIPMENT		6.67	15%
	CHANNELLING EQUIPMENT	6.67	15%
	H.F. EQUIPMENT	6.67	15%
	MOBILE RADIO EQUIPMENT	6.67	15%
	RADIO RELAY EQUIPMENT	6.67	15%
	TELECOM EQUIP.	6.67	15%
	TELEMETRY EQUIPMENT	6.67	15%
	TELEPHONE EXCHANGES&INSTRU	6.67	15%
	TEST GEAR AND TOOLS	6.67	15%
	TOWERS & AERIALS	6.67	15%
TOOLS AND EQUIPMENT		3.03	33%
TRANSMISSION MAINS		40	2.5%
	SALES METER STATIONS	40	2.5%
	TRANSMISSION PIPELINE	40	2.5%
	CATHODIC PROTECTION SYSTEM	40	2.5%

CERTIFIED TRUE COPY

D. HR Benchmark Computation

Million Rs.

	Particulars	Base year FY 2020-21	FY 2021-22		
		Total	NG	RLNG	Total
	Base Cost	16,562			16,562
	T & D network (Km)	153,062	166,608	1,760	168,368
	Number of Consumers (No.)	7,448,597	8,171,998	21,459	8,193,457
	Sales Volume (MMCF)	723,820	317,059	284,861	601,920
	Unit Rate (Rs/unit)				
	T&D network (Rs./Km)	108,205			108,205
	No. of Consumers (Rs./Consumer)	2,224			2,223
	Sale Volume (Rs./MMCF)	22,881			22,881
	HR Cost Build-up (Million Rs)				
33%	T & D network (Km) 33%	5,521	6,009	63	6,073
33%	Number of Consumers (No.) 33%	5,521	6,057	16	6,073
33%	Sales Volume (MMCF)-33%	5,521	2,418	2,173	4,591
	HR Benchmark Cost	16,562	14,484	2,252	16,736
	IAS-19				260
	HR Benchmark Cost incl. IAS-19				16,996
	Cost Allocated to RLNG segment				(2,252)
	Total HR Benchmark Cost charged to indigenous				14,744

CERTIFIED TRUE COPY