اوئل اینڈ گیس
ریگولیٹری اتھارٹی

Oil & Gas
Regulatory Authority

Case No. OGRA-6(2)-1(4)/2021-FRR

**IN THE MATTER OF
SUI NORTHERN GAS PIPELINES LIMITED
FINAL REVENUE REQUIREMENT, FY 2020-21**

UNDER

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

DECISION

JUNE 03, 2022

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

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ANNEXURES:

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1. Background

1.1. Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. 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. 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 also engaged in transportation and sale of RLNG.

1.3. The petitioner filed a petition on December 08, 2021 under Section 8(2) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for FY 2020-21 (the said year) on the basis of its initialed accounts, as initialed by its statutory auditors, after incorporating the effect of actual change in the relevant factors in terms of Section 8(2) of the Ordinance.

1.4. In the petition for the said year, the petitioner, for the actual sales of 339,046 BBTU, has worked out its FRR at aggregate shortfall of Rs. 338,458 million, including Rs. 254,883 million being previous years' accumulated revenue shortfall as part of revenue requirement calculation. Based on the actual sales revenues on the basis of prescribed price and actual sale mix, the petitioner has claimed an increase of Rs. 998.27/MMBTU (including previous years' shortfall of Rs. 751.77/MMBTU) in the average prescribed price for the said year. In addition, the petitioner has also separately computed the impact of Rs. 14,632 million on account of diversion of RLNG molecules into domestic & commercial sector during the said year and has requested to include the same as cost of gas sold in the natural gas price for the said year.

1.5. The petitioner has also reported RLNG cost of service at Rs. 44,594 million (i.e. Rs. 145.19/MMBTU) for the said year. Besides above, differential amount of Rs. 20,011 million has been claimed on account of diversion of RLNG molecules to domestic and commercial sector.

1.6. The Authority, vide Order dated February 10, 2021, had determined the petitioner's Review of Estimated Revenue Requirement (RERR) for the said year under Section 8(2) of the Ordinance at Rs. 228,703 million (i.e. average prescribed price at Rs. 644.84/MMBTU) against estimated sales volume of 324,288 BBTU.

2. Salient Features of the Petition

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

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Table 1: Comparison of Cost of Service per the Petition

Particulars	The petition	
	Rs. Million	Rs./MMBTU
Sales Volume (BBTU)		339,046
Cost of gas sold	179,682	529.96
Operating Cost	30,270	89.28
UFG adjustment	(750)	(2.21)
Depreciation	16,355	48.24
LPS payable & short term borrowing	29,309	86.45
Return on Assets	20,197	59.57
Other Operating Income	(16,228)	(47.86)
Average Prescribed Prices for FY 2020-21	258,835	763.42
Previous Years Shortfall:		
Shortfall upto FY 2017-18	122,177	360.36
Shortfall for FY 2018-19	44,915	132.47
Shortfall for FY 2019-20	87,791	258.94
Average Prescribed Prices (PP) incl. previous years' shortfall	513,718	1,515.19
Current Average Prescribed Price		516.92
Increase in Average Prescribed Price		998.26

2.2. The petitioner has made the following submissions:

2.2.1 Annual return has been claimed at the rate of 17.43% of the value of its average net operating fixed assets (net of deferred credit) in accordance with license condition No. 5.2.

2.2.2 The petitioner has claimed a net addition & deletion for the said year at Rs. 20,930 million and Rs. 945 million respectively. The depreciation has been claimed at Rs. 16,355 million resulting net addition in operating fixed assets from Rs. 133,354 million determined per FRR FY 2019-20 to Rs. 139,385 million per the petition for the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out at Rs. 115,872 million and accordingly required return is calculated at Rs. 20,197 million.

2.2.3 The operating revenue have been claimed at Rs. 191,489 million in the petition as compared to Rs. 224,350 million provided in RERR as detailed below:

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

Rs. In Million

Description	FY 2019-20	2020-21		Inc/(dec) over RERR	
	FRR	RERR	The Petition		% age
Sale at current prescribed price	184,257	204,761	175,261	(29,500)	-14%
Meter revenues, rental and service charges	2,140	3,610	3,694	(116)	-3%
Late payment surcharge	7,614	10,332	6,847	(3,485)	-34%
Amortization of deffered credit	2,369	3,725	2,426	(1,299)	-35%
Transmission income	456	-	760	760	
TPA imbalance charge	-	-	641	641	
Other operating income	1,530	1,722	1,860	138	8%
Net Operating Revenues	198,366	224,350	191,489	(32,861)	-15%

2.2.4 Total operating expenses have been claimed at Rs. 254,867 million in the petition as compared to Rs. 206,577 million provided in RERR as detailed below:

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

Rs. in Million

Description	2019-20	2020-21		Inc/(Dec) over RERR	
	FRR	RERR	The Petition	Rs.	%age
Cost of gas sold	196,826	166,193	179,682	13,489	8
UFG Adjustments	(11,742)	(7,534)	(750)	6,784	-90
Transmission & distribution Cost	25,393	23,951	28,026	4,075	17
Depreciation	15,255	22,870	16,355	(6,515)	-28
Late Payment Surcharge (Payable) & Short term borrowing	1,020	705	29,309	28,604	4057
Impact of IAS 19 (Recognization of Actuarial Gains)	894	-	1,213	1,213	-
Adjustment of LPG Airmix	(13)	-	-	-	-
Effect of adoption of IFRS-9	-	-	(288)	(288)	-
WPPF/PWWF	24	392	1,320	928	237
Total operating cost including cost of gas	227,657	206,577	254,867	48,290	23

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2.2.5 In view of above, the petitioner has projected the increase in prescribed prices at Rs. 998.27/MMBTU after including previous years' revenue shortfall upto FY 2019-20 of Rs. 254,883 million, as detailed below:

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

Particulars		The Petition (Rs. in Million)
Sales Volume (BBTU)		339,046
Operating Revenues	A	191,489
Operating Expenditure	B	254,867
Shortfall	C= B-A	63,378
Return required @ 17.43% on net fixed Assets	D	20,197
Shortfall in revenue requirement	(D+C)=E	83,575
Prior Year Shortfall	F	254,883
Total Revenue Shortfall	G=E+F	338,458
Increase in Averager Precribed Price w.e.f 01.07.2020 Rs./MMBTU		998.27

3. Proceedings

3.1. The Authority issued a notice of hearing on March 25, 2022 to the petitioner. The hearing was held at Pearl Continental, Lahore on March 30, 2022.

3.2. The petitioner was represented at the hearing by a team of senior executives led by Mr. Ali Javaid Hamdani, Managing Director, who was given full opportunity to present the petition. The petitioner made submissions with the help of multimedia presentation explaining the basis of its petition and responded to the comments as raised during the hearing.

3.3. The petitioner has requested the Authority to allow actual HR cost for the said year since it has been managing huge network system and large number of consumers. It was highlighted that its salaries are not at par with oil and gas sector of Pakistan. The petitioner has also requested to include all perks and privileges including club membership subscription as part of price. It was further emphasized that the petitioner is facing 30% manpower shortages based on the study conducted in 2016, thereby impacting its performance. It was requested to devise a benchmark after consultative process to cater for inflationary impact as well as manpower requirement.

3.4. The petitioner further requested that actuarial gains/losses over and above the HR benchmark formula be allowed, as was being allowed by the Authority in the past. The petitioner has argued that Economic Coordination Committee (ECC) had dismantled national Weighted Average Cost of Gas (WACOG) mechanism in 2018, therefore, calculating UFG adjustment on the basis of national WACOG is incorrect and unjustified.

4. Authority's Jurisdiction, Determination Process

4.1. The Authority is obligated to determine the revenue requirement/ prescribed prices of the petitioner in accordance with Section 8(1) and 8(2) of the Ordinance and License Condition No. 5.2 of its integrated License.

4.2. The decision issued by the Authority have always been strictly in accordance with the relevant provisions of law. All the statutory requirements are firmly complied with before issuing any decision. The Authority in this whole process, very meticulously, ensures that public service utilities prosper in an efficient manner. The Authority, since its inception had issued all of its determinations, after going through the due process while balancing the interest of all stakeholders, including general public, gas utilities, industrial consumers & etc. The checks and balances implemented by the Authority to improve the quality of service to consumer and bring efficiency in the overall management of the company have proved to be beneficial for the whole nation in measurable terms.

4.3. The operating revenues, operating expenses and changes in assets base are scrutinized in depth. The Authority as per the existing framework and tariff regime in place determines the revenue requirement of the petitioner, providing applicable return on net operating assets, while including various income and expenditure head as part of prescribed price.

5 OPERATING FIXED ASSETS:

5.1 The petitioner has claimed a net addition & deletion for the said year at Rs. 20,930 million and Rs. 945 million respectively. The depreciation has been claimed at Rs. 16,355 million resulting net addition in operating fixed assets from Rs. 133,354 million determined per FY 2019-20 to Rs. 139,385 million per the petition for the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out at Rs. 115,872 million and accordingly required return is calculated at Rs. 20,197 million. The petitioner, however, through a later communication has revised its closing assets balance at Rs. 139,226 million owing to reclassification of assets to RLNG business.

5.2 Comparative analysis of additions in fixed assets as claimed by the petitioner with DERR is as follows:

Sr. No.	Particulars	DERR/ RERR FY 2020-21	Petition FY 2020-21 Rs. in million											
			Distribution			Transmission			Sales			Total		
			Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold		0	0	0	30	3	33	0	0	0	30	3	33
2	Building on Freehold land	52	2	0	2	23	0	23	10	0	10	35	0	35
3	Transmission Mains	375	208	0	208	642	572	1215	0	0	0	851	572	1423
4	Compression		0	0	0	201	2	202	0	0	0	201	2	202
5	Distribution Mains	15220	14672	785	15437	0	0	0	0	0	0	14672	785	15437
6	Metering and Regulating	5467	4806	277	5083	0	0	0	0	0	0	4806	277	5083
	Sub Total	21324	19688	1043	20731	896	577	1473	10	0	10	20594	1620	22214
7	Telecommunication Equipment	29	12	0	12	55	0	55	0	0	0	67	0	67
8	Plant & Machinery	263	187	0	187	101	0	101	39	0	39	326	0	326
9	Tools & Equipment	27	9	0	9	1	0	1	0	0	0	11	0	11
10	Construction Equipment	205	99	0	99	83	40	122	0	0	0	182	40	222
11	Motor Vehicles	116	111	0	111	59	0	59	0	0	0	170	0	170
12	Furniture & Fixture	29	30	0	30	24	11	35	8	0	8	63	11	73
13	Office Equipment	26	25	0	25	7	0	7	1	0	1	33	0	33
14	Computer Hardware	239	19	0	19	117	0	117	177	0	177	314	0	314
15	Computer System Software / Intangible Assets	58	15	0	15	265	0	265	205	0	205	485	0	485
16	SCADA System		0	0	0	0	0	0	0	0	0	0	0	0
	Sub Total	993	508	0	508	713	50	763	430	0	430	1651	50	1701
17	Advances for Land					63	234	297				63	234	297
	Grand Total	22308	20196	1043	21239	1671	861	2532	441	0	441	22307	1904	24211

5.3 Land Freehold:

5.3.1 The petitioner has capitalized Rs. 33 million under the head as per following sub-heads.

5.3.2 Regular Capital Expenditure:

5.3.2.1 The petitioner has capitalized Rs. 1 million in respect of regular capital expenditure and Rs. 13.45 million in respect of land freehold for Sales Meter Stations (SMS) at various locations. It has been observed that out of the total capitalization, Rs. 3 million has been capitalized against the budget of FY 2020-21 whereas, rest of the

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amount pertains to previous year. The petitioner has stated that due to involvement of revenue department, the purchase of land involves more time and eventually results in delay in capitalization. ***The Authority keeping in view the justification provided by the petitioner and operational requirement allows capitalization of Rs. 14 million under the head.***

5.3.3 **Adhi-Sukho Loop Line:**

5.3.3.1 The petitioner has capitalized Rs. 4 million in respect of minor adjustments relating to Adhi-Sukho Loop Line. The petitioner has submitted that project for laying of

10" Dia X 11.5 KM loopline along with modification works/ two new SMSs, with total capital outlay of Rs. 381 million was approved by the Board of Directors (BOD) in 486th meeting dated 25.04.2017 and subsequently approved by OGRA in its decision on ERR FY 2017-18. Moreover, major capitalization has been done in FY 2019-20, which was also allowed by the Authority in FRR FY 2019-20.

5.3.3.2 The Authority at FRR 2019-20 stage had observed that amount capitalized by the petitioner had exceeded overall budgeted amount for the said project. However, keeping in view the operational requirement, capitalization claimed was allowed with specific directions to petitioner to submit BOD approval in respect of enhancement of budget. However, the same has yet not been provided. The petitioner has stated that regularization approval for this overrun was requested in accounts agenda for FY 2019-20, however, the approval was skipped from the BOD minutes and the same is being put up as separate agenda for regularization of approval of the BOD which will be provided to the Authority in due course of time. The Authority takes serious note of the non-compliance of the Authority's directions in this regard and directs the petitioner to submit BOD approval within in one month of issuance of this order.

5.3.3.3 ***In view of the foregoing and keeping in view operational requirement, the Authority allows capitalization of Rs. 4 million in respect of minor adjustment relating to Adhi-Sukho line subject to submission of BOD approval within one month.***

5.3.4 **Land freehold against minor adjustments:**

5.3.4.1 The petitioner has claimed capitalization against minor adjustments as per following details:

i. Rs. 0.39 million in respect of Infrastructure Development Project (IDP) for northern sources.
ii. Rs. 3 million in respect of IDP for supply of RLNG to Punjab Power Plant (PPP) on cost sharing basis.
iii. Rs. 9 million in respect of land freehold for Phase-I of Lahore System Augmentation project.
iv. Rs. 2 million for laying of 8" Dia x 14.50 km pipeline to receive sales gas from OGDCL's Dhok Hussain Well No.1.

5.3.4.2 ***The Authority keeping in view the operational requirement allows the minor capitalization as mentioned above in respect of land freehold. The amount allowed for IDP for supply of RLNG to PPP shall be treated under RLNG ring fenced mechanism and shall not be entitled to rate of return being cost sharing project.***

5.3.5 **Advance for Land for ROW:**

5.3.5.1 The petitioner has claimed adjustments of Rs. 297 million in respect of various miscellaneous projects against which the Advances for land for Right of Way (ROW) has been paid. The petitioner out of the capitalized amount has claimed Rs. 63 million for indigenous system and Rs. 234 million for RLNG system. ***Keeping in view the operational requirement, the Authority allows the adjustments of Rs. 297 million in respect of Advance for Land as claimed by the petitioner. The capitalization allowed***

in respect of RLNG assets shall be treated under ring fenced mechanism and capitalization allowed on 100 % cost sharing basis shall not be entitled to rate of return.

5.3.6 The details of capitalization allowed by the Authority is as under;

No.	Description	OGRA/DERR FY 2020-21	Petition: Distribution Normal	Petition: Distribution RLNG	Petition: Distribution Total	Petition: Transmission Normal	Petition: Transmission RLNG	Petition: Transmission Total	Petition: Sales Normal	Petition: Sales RLNG	Petition: Sales Total	Petition: Total Normal	Petition: Total RLNG	Petition: Total Total	Allowed: Distribution Normal	Allowed: Distribution RLNG	Allowed: Distribution Total	Allowed: Transmission Normal	Allowed: Transmission RLNG	Allowed: Transmission Total	Allowed: Sales Normal	Allowed: Sales RLNG	Allowed: Sales Total	Allowed: Total Normal	Allowed: Total RLNG	Allowed: Total Total
1	Regular Capital Expenditure					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
2	Construction of PMS					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
3	Construction of [illegible] Pipeline [illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
4	RDF for Northern Sources					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
5	RDF for Supply of RLNG to Punjab Power Plant (PPP), [illegible] Gas Recovery [illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
							[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]
6	[illegible] (Phase-I)					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
7	Laying of [illegible] Pipeline [illegible] Gas from OGDCL's Dhok Hussain Well No.1					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
	Total					[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]
8	Advances for Land					[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]

5.4 Building on Freehold Land:

5.4.1 The petitioner has capitalized an amount of Rs. 23 million in respect of regular budget of building on freehold land against provisionally allowed amount of Rs. 52 million in DERR for the said year. Out of total capitalization, Rs. 2 million is for distribution activity, Rs. 11 million against transmission activity and Rs. 10 million for sales activity. The amount has been capitalized for construction of sheds, rooms and boundary walls etc. including Rs. 10 million for supply, installation & integration of petitioner's disaster recovery site at Manga. It has been observed that petitioner has not been able to capitalize any amount against the projects as approved for FY 2020-21. The petitioner has explained that budget approved in FY2020-21 has been sanctioned for execution of work, however most of the jobs are in progress yet, and will be completed/capitalized in due course of time. Moreover, the petitioner has stated that delay in capitalization is mainly due to local disputes and selection of contractor.

5.4.2 In addition to above, the petitioner has capitalized Rs. 12 million for civil works carried out at Faisalabad in respect of the project for replacement/ expansion of SCADA system relating to transmission activity. The petitioner submitted that the project was approved in 449th meeting of the BOD held on 11-06-2015 and subsequently approved by OGRA in principle vide letter No. OGRA-9(41)2008 dated 06-11-2015 for replacement/ expansion of SCADA system in two phases at capital cost of Rs. 2,200 million. Moreover, as per project execution plan the completion date for Phase-I of the project at capital cost of Rs. 650 million was June 2017 whereas, the completion date for Phase-II of the project at capital cost of Rs. 1,550 million was December 2018.

5.4.3 The petitioner stated that project completion time was 15 months including 6-month performance monitoring period. However, the full capitalization of turnkey project was only possible after completion of complex procurement procedure. ***In view of the justification provided by the petitioner and operational requirement, the Authority in respect of land freehold allows capitalization of Rs. 23 million relating to regular budget and Rs. 12 million against Phase-I of SCADA system.***

5.4.4 The details of capitalization allowed by the Authority is as under;

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[illegible] (Rs. in Million)

No.	Description	DERR FY 2020-21	Petition												Allowed											
			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	Regular Capital Expenditure	32	2		2	11		11	10		10	23		23	2		2	11		11	10		10	23		23
2	Replacement/Expansion of SCADA System/Phase I & II (including Rs. [illegible] in Appropriation [illegible])					12		12				12		12				12		12				12		12
	Total	32	2		2	23		23	10		10	35		35	2		2	23		23	10		10	35		35

5.5 Transmission Mains:

5.5.1 The petitioner has claimed capitalization of Rs. 1,423 million under the head as per following sub-heads;

5.5.2 Cathodic Protection:

5.5.2.1 The petitioner has capitalized an amount of Rs. 221 million in respect of Cathodic Protection against provisionally allowed amount of Rs. 216 million in DERR for the said year, where Rs. 206 million pertains to distribution activity and Rs. 15 million for transmission system activity. It has been observed that the petitioner has been able to capitalize Rs. 134 million against budget approved for FY 2020-21 while the remaining capitalization pertains to previous years. The petitioner submitted that non-availability of material has resulted in delay of capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 221 million in respect of cathodic protection.***

5.5.3 Construction of SMS:

5.5.3.1 The petitioner has capitalized Rs. 128 million in respect of construction/ upgradation of SMS under regular budget/ new towns against provisionally allowed amount of Rs. 215 million in DERR for the said year, as per following details:

i. Adjustments amounting to Rs. 32 million mainly relating to SMS for supply of gas to villages Kana Khel, Asha Khel, Sadhu Khel, Jabba Tar in Mardan region, SMS Jatri Khona in Sheikhupura region and SMS Yazman in Bahawalpur region.

ii. Rs. 96 million for upgradation of SMS general industries (70 MMCFD) located in Sheikhupura region.

5.5.3.2 In addition to above, it has been observed that capitalization in respect of construction of SMSs pertains to previous year's budget. The petitioner has explained that delay in purchase of land and non-availability of material has caused delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 128 million in respect of Construction of SMS.***

5.5.4 Laying of Distribution Mains on Cost Sharing Basis (SMS & CP System):

5.5.4.1 The petitioner has claimed capitalization of Rs. 8 million in respect of modification of SMS on cost sharing basis relating to transmission activity. The petitioner has apprised that out of total capitalized amount Rs. 6 million relates to modification carried out at existing SMS Dewan Hattar (2.5 MMCFD) whereas, the remaining amount pertains to SMS Cherat Cement factory (30 MMCFD). In addition, the petitioner has also capitalized Rs. 2 million in respect of CP system relating to distribution activity on cost sharing basis. It has been observed that capitalization under the head pertains to previous year. The petitioner has submitted that delay in purchase of land and non-availability of material has caused delay in capitalization. ***The Authority keeping in view the justification provided by the petitioner, accordingly allows capitalization of Rs. 10 million as claimed by the petitioner in this respect.***

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However, the petitioner shall not be entitled to rate of return on the capitalized amount.

5.5.5 **Rehabilitation/ Upgradation of Transmission System:**

5.5.5.1 The petitioner has capitalized Rs. 47 million against provisionally allowed amount of Rs. 144 million in DERR for the said year for rehabilitation of Transmission System jobs at various regions such as civil protective works, lowering of lines, hook-up of pipelines, construction of retainage walls etc. It has been observed that the petitioner has capitalized Rs. 16 million against the budget of FY 2020-21 whereas rest of the amount pertains to previous year's budget. The petitioner has explained that lengthy material procurement process in view of the Public Procurement Regulatory Authority (PPRA) requirements as well as involvement of imported material has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 47 million in respect of rehabilitation/ upgradation of transmission system.***

5.5.6 **IDP for Supply of RLNG / Adjustments Against RLNG Projects:**

5.5.6.1 The petitioner has claimed capitalization/ credit adjustments in respect of various projects for supply of RLNG as per following details:

i. Rs. 0.6 million relating to minor adjustment in respect of IDP for supply of RLNG to Bhikki and Nandipur Power Plants on 100 % cost sharing basis.
ii. Credit adjustment of Rs. 4 million in respect of IDP for LNG Phase-I and previous years adjustment of Rs. 159 million relating to LNG Phase-II project.
iii. Credit adjustment of Rs. 100 million representing recording/correction of acquisition cost against laying of 24" Dia x 93 km line for Punjab power plant near Trimmu barrage district Jhang on 100 % cost sharing basis.

5.5.6.2 ***Keeping in view the operational requirement, the Authority allows capitalization/ credit adjustments in respect of various RLNG projects as mentioned above under RLNG ring fenced mechanism. However, capitalization on cost sharing basis shall not be entitled to rate of return.***

5.5.7 **IDP for Northern Sources & Transmission line OGDCL's Dhok Hussain Well No. 1:**

5.5.7.1 The petitioner has claimed minor adjustments of Rs. 6 million in respect of IDP for Northern sources relating to Kohat-Dhakni and Daudkhel-Mianwali segments alongwith Rs. 76 million as adjustment amount in respect of laying of 8" dia x 14.50 KM transmission line to receive gas from OGDCL's Dhok Hussain Well No. 1. The petitioner has explained that lines were commissioned/ capitalized in FY 2019-20 and adjustment represents pending civil works & minor adjustment through store module. ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 6 million in respect of Northern Sources project & Rs. 76 million relating to Dhok Hussain well No. 1.***

5.5.8 **Jalalpur Jattan System Augmentation:**

5.5.8.1 The petitioner has capitalized Rs. 334 million for laying of 8" diameter x 20 KM transmission line from Chenab River down to Jalalpur Jattan and Rs. 32 million for construction of SMS Jalalpur Jattan (10 MMCFD). The petitioner has submitted that Authority had principally approved the project in its determination of RERR FY 2018-

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19 with a total cost of Rs. 654 million to resolve the issue of low gas pressure being faced by the residents of tehsil Jalalpur Jattan as per following details:

i. 16" Diameter x 7 KM Wazirabad-D/S Chenab Crossing loopline at budgeted cost of Rs. 293 million.
ii. 8" Diameter x 20 KM D/S Chenab crossing to Jalalpur Jattan dedicated transmission spur at a budgeted cost of Rs. 326 million.
iii. One SMS having capacity of 10 MMCFD at budgeted cost of Rs. 35 million.

5.5.8.2 The petitioner has confirmed that transmission segment of 8" diameter x 20 KM & SMS Jalalpur Jattan has been commissioned on 18.11.2020. The Authority observes that capitalization of Rs. 334 million for laying of said transmission segment has exceeded the allocated budget of Rs. 325.7 million, however, the total capitalization till date for the project as a whole is within allowed amount. The petitioner has stated that increase in material cost and inflation has resulted in increase in the capitalized cost. In addition, the petitioner has also added that the BOD in its 574th meeting held on 31.08.2021 has accorded approval of enhancement of Rs. 317 million in already approved budget of Rs. 654 million.

5.5.8.3 ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 334 million for laying of 8" diameter x 20 KM transmission line from Chenab River down to Jalalpur Jattan and Rs. 32 million for construction of SMS Jalalpur Jattan (10 MMCFD).***

5.5.9 IDP for Quaid-e-Azam Business Park:

5.5.9.1 The petitioner has capitalized an amount of Rs. 516 million in respect of IDP for Quaid-e-Azam Business Park against the allocated budget of Rs. 466 million. It has been stated by the petitioner that the project for laying of 16" Dia x 17 km transmission line from MP 59 valve assembly (V/A) to Quaid-e-Azam Apparel Park (renamed as Quaid-e-Azam Business Park) with a total cost of Rs. 721 million (Rs. 686 million 100% cost sharing component and Rs. 41 million petitioner's share in respect of metering equipment) was approved in 506th meeting of the BOD, held on 28-04-2018 and subsequently approved by OGRA in principle vide letter No. OGRA-9(457)/2017 dated 10-05-2018. Moreover, the petitioner has confirmed that transmission line segment has been commissioned on 30.09.2020.

5.5.9.2 The Authority observes that although the petitioner has exceeded the allocated budget of Rs. 466 million for the said segment, however, overall capitalization claimed till date i.e., Rs. 516 million is within the allowed budget of Rs. 686 million. The petitioner has further explained that at present, capitalization against this project is within the overall approved budget, however, approval of exceeding budgetary limits, if required will be arranged on completion of the whole project. In addition, the petitioner has stated that increase in material prices, land costs etc, during execution period due to higher inflation and dollar rates has resulted in increase in overall construction cost.

5.5.9.3 ***In view of the foregoing and keeping in view operational requirement, the Authority allows capitalization of Rs. 516 million in respect of IDP for Quaid-e-Azam Business Park on cost sharing basis and RLNG ring fenced mechanism with specific directions to ensure that overall capitalization should remain within the approved budget. Moreover, the petitioner shall not be entitled to rate of return on the capitalized amount being 100 percent cost sharing project.***

5.5.10 Minor Capitalization in Respect of Various Transmission Lines:

5.5.10.1 The petitioner has claimed minor credit adjustments in respect of various transmission lines as per following details:

i. Rs. 5,056 in respect of 8" Dia Daska-Sambrial transmission loop line for system augmentation.
ii. Rs. 0.75 million against 8" Dia line from Matani to Regi Lalma for supply of gas to Regi Lalma, Model Town, Peshawar on cost sharing basis.
iii. Rs. 0.09 million against 8" Dia x 3.50 km line to receive sales gas from Tolang processing facility.
iv. Rs. 2.49 million against 12" Dia. Mardan-Swat transmission loop line for transmission system augmentation for Swat.

5.5.10.2 ***Keeping in view the operational requirement, the Authority allows the credit adjustments as mentioned above. However, the adjustment in respect of cost sharing basis shall not be entitled to rate of return.***

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

No.	Description	[illegible]	Petition: Distribution Normal	RLNG	Total	Transmission Normal	RLNG	Total	Sales Normal	RLNG	Total	Total Normal	RLNG	Total	Allowed: Distribution Normal	RLNG	Total	Transmission Normal	RLNG	Total	Sales Normal	RLNG	Total	Total Normal	RLNG	Total
1	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]
2	[illegible]	[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
3	[illegible]		[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
4	[illegible]	[illegible]				[illegible]		[illegible]				[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]
5	[illegible]						[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]
6	[illegible]						[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]
7	[illegible]						[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]					[illegible]	[illegible]
8	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
9	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
10	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
11	[illegible]					[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]
12	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
13	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
14	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
15	[illegible]					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
	Total	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]

5.6 Compression System and Equipment:

5.6.1 The petitioner has capitalized Rs. 202 million along with minor adjustment relating to regular budget in respect of compressor system and equipment as per following sub-heads:

5.6.2 Compression Overhauling Project (FY 2016-17 to FY 2020-21):

5.6.2.1 The petitioner has claimed capitalization of Rs. 201 million in respect of compressor overhauling project. It has been added by the petitioner that five years project has been approved by OGRA vide letter No. OGRA-9(422)2016 dated 15-08-2016 with a projected cost of Rs. 2,065 million and this amount represents the 4th year tranche whereas the amount against 5th year tranche shall be capitalized in subsequent years. The petitioner has explained that overhauling of turbine engines is performed after receiving the spares and takes two years to complete the activity due to lengthy procurement process for import from Original Equipment Manufacturer (OEM). ***Keeping in view the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 201 million in respect of compressor overhauling project.***

5.6.3 Minor Adjustment Expenditure (IDP for LNG (I &II)):

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5.6.3.1 The petitioner has claimed minor adjustment expenditure of Rs. 1.66 million in respect of IDP for LNG I & II relating to relocation of gas turbine, system augmentation at AC-6 and compression system augmentation at CC-1 at Haranpur.

5.6.3.2 ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 1.66 million minor adjustments in respect of IDP for LNG I & II under RLNG ring-fenced mechanism.***

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

			CAPITALIZATION (CURRENT) Rs. in Million																							
			Petition												Allowed											
No.	Description	CURRENT FY 2020-21	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	Regular Capital Expenditure					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
2	Compression Outsourcing Project (FY 2016-17 to FY 2020-21)					[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]				[illegible]		[illegible]
3	IDP for LNG I & II						2	2					[illegible]	[illegible]					2	[illegible]					[illegible]	[illegible]
	Total					[illegible]	2	[illegible]				[illegible]	2	[illegible]				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]

5.7 Distribution System Mains:

5.7.1 The petitioner has claimed capitalization of Rs. 15,437 million in respect of Distribution System Mains as per following sub-heads;

5.7.2 Laying of Distribution Mains (New Towns):

5.7.2.1 The petitioner has capitalized Rs. 9,566 million for laying of 4,713 KM distribution mains against provisionally allowed amount of Rs. 8,771 million for laying of 5,442 KM lines in DERR for the said year. It has been observed that the petitioner has capitalized Rs. 1,566 million against the allowed budget of Rs. 8,771 million for FY 2020-21, whereas rest of the amount pertains to previous year's budget. The petitioner has informed that budget approved in FY 2020-21 has been sanctioned for execution of work, however, most of the jobs are in progress yet and will be capitalized in due course of time. The petitioner further explained that non-availability of NOCs from different Government entities, non-availability of material, site disputes, stay from courts, and political interventions have resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner, the Authority allows capitalization of Rs. 9,566 million in respect of laying of Distribution mains for new towns and villages.***

5.7.3 Combing Mains:

5.7.3.1 The petitioner has informed that 337 KM of Combing mains have been laid at a cost of Rs. 360 million against provisionally allowed amount of Rs. 484 million for 300 KM mains in DERR & additional 300 KM combing mains allowed in principle in RERR for the said year. ***Keeping in view the progress made by the petitioner and operational requirement, capitalization of Rs. 360 million against combing mains is allowed by the Authority.***

5.7.4 Laying of Distribution Mains on 100% Cost Sharing Basis:

5.7.4.1 The petitioner has capitalized Rs. 771 million for laying of 277 KM of distribution mains on cost sharing basis against provisionally allowed amount of Rs. 857 million in DERR for the said year. The capitalization includes Rs. 141 million for indigenous system and Rs. 630 million for RLNG system respectively. The Authority observes that the petitioner at ERR stage had claimed budget under the head for indigenous system only. The petitioner has explained that the phenomenon to bifurcate the estimated amounts in "Indigenous" and "RLNG/Ring Fenced" did not exist at ERR level, however, the amounts at FRR level is bifurcated as per actual utilization of budget.

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Moreover, the petitioner further added that from the year 2021-22, the bifurcation has been started at ERR level.

5.7.4.2 Moreover, it has been observed that the petitioner has capitalized Rs. 51 million against the budget approved for FY 2020-21, whereas the remaining amount pertains to previous years. The petitioner has informed that delay has been due to site issues, non-availability of material and other operational constraints. ***Keeping in view the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 771 million for laying of distribution mains on cost sharing basis. Moreover, the petitioner shall not be entitled to rate of return on the capitalized amount allowed on cost sharing basis and amount allowed against RLNG shall be treated under ring fenced mechanism.***

5.7.5 System Augmentation/ HO Reserves:

5.7.5.1 The petitioner has capitalized Rs. 1,067 million against laying of 196 KM of distribution lines laid in respect of system augmentation/ Head Office (HO) reserves against provisionally allowed amount of Rs. 264 million for 164 KM mains in DERR for the said year. The petitioner has capitalized Rs. 181 million against the budget approved of FY 2020-21, whereas the remaining amount pertains to previous year's budget. The petitioner has submitted that delay in capitalization has been due to non-availability of NOCs as well as materials, site disputes and stay from courts. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 1,067 million against system augmentation/ HO reserves.***

5.7.6 System Rehabilitation and UFG Control Activities:

5.7.6.1 The petitioner has capitalized Rs. 1,050 million for laying of 409 KMs of lines under the head for various jobs such as underground network replacement, shifting of service lines etc, against provisionally allowed amount of Rs. 1,836 million in DERR for the said year. It has been observed that the petitioner has capitalized Rs. 638 million against the budget of FY 2020-21 whereas, rest of the amount pertains to previous years. The petitioner has informed that site issues, non-availability of material, operational constraints, material reconciliation with stores record and contract payments etc, has resulted in delay of capitalization. ***In view of the foregoing and keeping in view operational requirements the capitalized amount of Rs. 1,050 million against System Rehabilitation and UFG Control Activities is allowed by the Authority.***

5.7.7 Installation of New Connections:

5.7.7.1 The petitioner has capitalized Rs. 2,541 million for laying of 1,248 Km service lines for installation of 370,813 domestic connections including capitalization of Rs. 53.2 million for 7,754 RLNG based connections, against provisionally allowed amount of Rs. 3,287 million for 400,000 new domestic connections in DERR for the said year. Moreover, Rs. 82 million have also been capitalized for laying of 124 KM of service lines against installation of 1,475 commercial/ industrial (RLNG) connections against provisionally allowed amount of Rs. 579 million for 5,450 industrial and commercial connections in DERR for the said year.

5.7.7.2 The details of capitalization in respect of installation of new connections are given as under:

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(Rs. in million)

Sr. No.	Details of Capitalization		FY 2020-21			
			DERR/DRERR	The Petition		Total
			Total	Indigenous	RLNG	FY 2020-21
1	New Connection (Domestic) including 10% additional Urgent Fee Connections	Distribution Mains	3,287	2,487.3	53.2	2,540.6
2	Industrial/Commercial Connections (Ring Fenced)		579		81.8	81.8
3	New Connection (Domestic) including 10% additional Urgent Fee Connections	Measuring & Regulating	2,587	1,740.2	37.5	1,777.6
4	Industrial/Commercial Connections (Ring Fenced)		386		65.4	65.4
		Total	6,839	4,227.5	237.9	4,465.4

5.7.7.3 The petitioner in respect of capitalization of domestic connections under RLNG business segment has stated that historically, budget for new domestic connections is petitioned to the Authority under indigenous gas tariff stream and also approved by the Authority accordingly, however, the same budget is used to provide/install new domestic gas connections in private housing societies under GoP Policy for Relaxation of Moratorium on new gas connections dated 21-04-2017 on need basis. The petitioner further explained that quantum of such connections is meagre (having around 1%-2% of financial impact) and at the time of ERR the same may not be projected/bifurcated, owing to which budget for new connections are projected under "Indigenous Gas Tariff Stream" only. However, at the time of FRR the actual expenditure/capitalization is bifurcated and petitioned based on the actual type of gas supplies/tariff stream.

5.7.7.4 ***Keeping in view the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 4,227.5 million (Rs. 2,487.3 million under Distribution Mains and Rs. 1,740 million under Measuring & Regulating for indigenous system). Moreover, the Authority also allows Rs. 238 million (Rs. 135 million under Distribution Mains & Rs. 103 million under Measuring & Regulating) for RLNG system. However, the capitalized amount in respect of RLNG system shall be treated under ring fenced mechanism.***

5.7.7.5 The details of capitalization and summary of distribution development is tabulated below;

Sr.	Description	[illegible]	Petition												Allowed											
			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	[illegible]	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
2	[illegible]	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]
4	[illegible]	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
5	[illegible]	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]
7	[illegible]	[illegible]		[illegible]	[illegible]								[illegible]	[illegible]		[illegible]	[illegible]								[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]

5.8 Measuring and Regulating:

5.8.1 The petitioner has claimed capitalization of Rs. 5,083 million under the head as per following sub-heads;

5.8.2 Installation of New Connections:

5.8.2.1 As discussed under the head Distribution Mains, the petitioner has installed 370,813 Nos. Domestic connections during the year and has capitalized an amount of Rs. 1,740 million in respect of Measuring and Regulating for indigenous system and Rs. 37 million for RLNG system (ring fenced) against provisionally allowed amount of Rs. 2,191 million in DERR for the said year. In addition, the petitioner has capitalized an amount of Rs. 65 million under ring fenced mechanism for 1,475 Nos. industrial/

commercial consumers against provisionally allowed amount of Rs. 386 million in DERR for the said year. ***The Authority keeping in view the operational requirement allows capitalization of Rs. 1,740 million for indigenous system. Moreover, the Authority also allows Rs. 37 million and Rs. 65 million for RLNG system. The capitalized amount allowed against RLNG system shall be treated under ring fenced mechanism.***

5.8.3 **Laying of Distribution Mains on Cost Sharing Basis:**

5.8.3.1 The petitioner has capitalized an amount of Rs. 197 million for measurement and regulating assets related to laying of distribution mains on 100% cost sharing basis. The capitalization amount includes Rs. 23 million against indigenous system and Rs. 175 million against RLNG system. It has been observed that the petitioner has capitalized an amount of Rs. 23 million against the budget of FY 2020-21 whereas, rest of the amount pertains to previous year's budget. The petitioner has submitted that non-availability of NOCs from NHA, non-availability of material, site disputes, stay from the courts along with political interventions has resulted in delay in capitalization. ***In view of the submissions made by the petitioner and operational requirement, the Authority allows capitalization of Rs. 197 million in respect of measurement and regulating assets on 100 percent cost sharing basis. However, the petitioner is not allowed rate of return on the capitalized amount being 100 percent cost sharing asset. Moreover, the amount allowed against RLNG system shall be treated under ring fenced mechanism.***

5.8.4 **Construction of TBSs/ DRSs:**

5.8.4.1 The petitioner has claimed capitalization of Rs. 638 million in respect of construction of 356 Nos. TBSs/DRSs against provisionally allowed amount of Rs. 614 million in DERR for the said year. It has been observed that out of total capitalization, the petitioner has been able to capitalize Rs. 200 million against budget of FY 2020-21, whereas rest of the amount is capitalized against budgets approved in previous years. The petitioner stated that non-availability of material, site disputes, stay from the courts and delay in commissioning of main line has resulted in delay in capitalization. ***Keeping in view the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 638 million in respect of construction of TBS/DRSs.***

5.8.5 **Replacement of Old Meters:**

5.8.5.1 The petitioner has capitalized Rs. 2,405 million for replacement of 563,098 old/ defective/ 16-year-old meters against provisionally allowed amount of Rs. 2,256 million for 607,675 meters in DERR for the said year. The petitioner has submitted that budget amount of Rs. 2,635 million was projected at ERR stage however, the Authority curtailed it to Rs. 2,256 million based on previous year's capitalization trend. The petitioner further has explained that capitalization claimed under this head exceeded 5% of budget allowed by OGRA due to price escalation/inflation effects.

5.8.5.2 The Authority observes that at ERR stage projection made by the petitioner was rationalized without reducing the number of meters to be replaced. Moreover, the amount capitalized is within the limit of the projections made by the petitioner at ERR stage. ***In view of the justification provided by the petitioner and operational requirement, the Authority allows capitalization of Rs. 2,405 million for replacement of old meters.***

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

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Sr.	Description	DERR/Budget FY 2020-21	Petition: Distribution Normal	Petition: Distribution RLNG	Petition: Distribution Total	Petition: Transmission Normal	Petition: Transmission RLNG	Petition: Transmission Total	Petition: Sales Normal	Petition: Sales RLNG	Petition: Sales Total	Petition: Total Normal	Petition: Total RLNG	Petition: Total Total	Allowed: Distribution Normal	Allowed: Distribution RLNG	Allowed: Distribution Total	Allowed: Transmission Normal	Allowed: Transmission RLNG	Allowed: Transmission Total	Allowed: Sales Normal	Allowed: Sales RLNG	Allowed: Sales Total	Allowed: Total Normal	Allowed: Total RLNG	Allowed: Total Total
1	New Domestic Connections including [illegible] Additional Meters for Connections	[illegible]	1740	37	1777							1740	37	1777	1740	37	1777							1740	37	1777
2	Industrial/ Commercial Connections (Ring Fenced)	[illegible]		16	16								16	16		16	16								[illegible]	[illegible]
3	[illegible]		22	135	157							22	135	157	22	135	157							22	135	157
4	[illegible]	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
5	Replacement of Old Meters	[illegible]	[illegible]		[illegible]							[illegible]		[illegible]	[illegible]		[illegible]							[illegible]		[illegible]
	Grand Total	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							[illegible]	[illegible]	[illegible]

5.9 Plant, Machinery, Equipment and Other Assets:

5.9.1 The petitioner has claimed capitalization of Rs. 1,701 million out of which Rs. 508 million pertains to distribution, Rs. 763 million pertains to transmission & Rs. 430 million to sales activities. Moreover, the total capitalization includes Rs. 1,651 million for indigenous system and Rs. 50 million for RLNG system. The details in respect of regular & special projects are as under:

5.9.2 Regular Budget:

5.9.2.1 The petitioner has capitalized Rs. 1,208 million in respect of regular budget of plant, machinery and other assets against provisionally allowed amount of Rs. 993 million in DERR for the said year. The Authority notes that capitalization mainly pertains to budget of previous years. The petitioner has submitted that delay in capitalization has been due to non-responsive tendering process, re-floatation of tenders and delay in delivery/commissioning/ testing time. ***Keeping in view the operational requirement, the Authority allows capitalization of Rs. 1,208 million as claimed by the petitioner in respect of regular budget of plant, machinery and other assets.***

5.9.3 Special Projects:

5.9.3.1 The petitioner in respect of various plant, machinery, equipment and other assets relating to special projects has capitalized as follows:

i. Rs. 452 million in respect of various plant, machinery, equipment and other assets pertaining to replacement/ expansion of Phase-I of SCADA system project.
ii. Rs. 9 million relating to furniture & fixtures against Phase-I of augmentation/ bifurcation of gas network in Lahore city.
iii. Rs. 40 million in respect of construction equipment such as thermoelectric generator, air motor along with reduction gear box etc. for IDP for LNG I & II under RLNG ring fenced mechanism.
iv. Credit adjustment of Rs. 20 million against miscellaneous transmission lines relating to Kandhkot to Guddu power station transmission project in respect of plant & machinery.
v. Minor adjustment of Rs. 0.56 million in respect of plant and machinery against transmission project of replacement of existing digital microwave.
vi. Rs. 11 million against infrastructure development works for supply of gas to Rashakai special economic zone on cost sharing basis & RLNG ring fenced mechanism.

5.9.3.2 ***Keeping in view the justification provided by the petitioner and operational requirements, the Authority allows above mentioned capitalization in respect of special projects and as claimed by the petitioner. However, the amount allowed in respect of RLNG projects shall be treated under ring fenced mechanism and capitalization allowed on 100 % cost sharing basis shall not be entitled to rate of return.***

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5.9.4 The details of capitalization allowed by the Authority is as under;

No.	Description	2020/21 RERR FY2020-21	Petition Distribution Normal	Petition Distribution RLNG	Petition Distribution Total	Petition Transmission Normal	Petition Transmission RLNG	Petition Transmission Total	Petition Sales Normal	Petition Sales RLNG	Petition Sales Total	Petition Total Normal	Petition Total RLNG	Petition Total Total	Allowed Distribution Normal	Allowed Distribution RLNG	Allowed Distribution Total	Allowed Transmission Normal	Allowed Transmission RLNG	Allowed Transmission Total	Allowed Sales Normal	Allowed Sales RLNG	Allowed Sales Total	Allowed Total Normal	Allowed Total RLNG	Allowed Total Total
1	Telecommunication Equipment	35	[illegible]		[illegible]	[illegible]		55	61		74	65		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	65		65
2	Plant & Machinery	32	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
3	Tools & Equipment	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
4	Construction Equipment	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]
5	Motor Vehicles	116	[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]				[illegible]		[illegible]
6	Furniture & Fixtures	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
7	Office Equipment	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
8	Computer Hardware	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
9	Computer System Software / Intangible Assets	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		451	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
10	SCADA																									
	Grand Total	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

5.10 Summary of Assets Allowed by the Authority:

5.10.1 The details of assets allowed by the Authority are given as under;

Sr. No.	Particulars	Petition	Allowed FY 2020-21 Rs. in million Distribution Normal	Distribution RLNG	Distribution Total	Transmission Normal	Transmission RLNG	Transmission Total	Sales Normal	Sales RLNG	Sales Total	Total Normal	Total RLNG	Total Total
1	Land freehold	33	0	0	0	30	3	33	0	0	0	30	3	33
2	Building on Freehold land	35	2	0	2	23	0	23	10	0	10	35	0	35
3	Transmission Mains	1423	288	0	288	442	377	1215	0	0	0	851	372	1423
4	Compression	202	0	0	0	201	2	202	0	0	0	201	2	202
5	Distribution Mains	15437	14672	765	15437	0	0	0	0	0	0	14672	765	15437
6	Metering and Regulating	5083	4806	277	5083	0	0	0	0	0	0	4806	277	5083
	Sub Total	22214	19688	1043	20731	846	577	1473	10	0	10	20694	1620	22214
7	Telecommunication Equipment	67	12	0	12	55	0	55	0	0	0	67	0	67
8	Plant & Machinery	326	187	0	187	101	0	101	39	0	39	326	0	326
9	Tools & Equipment	11	9	0	9	1	0	1	0	0	0	11	0	11
10	Construction Equipment	222	99	0	99	83	40	122	0	0	0	182	40	222
11	Motor Vehicles	170	111	0	111	59	0	59	0	0	0	170	0	170
12	Furniture & Fixture	75	30	0	30	24	11	35	8	0	8	63	11	75
13	Office Equipment	33	25	0	25	7	0	7	1	0	1	33	0	33
14	Computer Hardware	314	19	0	19	117	0	117	177	0	177	314	0	314
15	Computer System Software / Intangible Assets	485	15	0	15	265	0	265	205	0	205	485	0	485
16	SCADA System	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub Total	1703	508	0	508	715	88	763	430	0	430	1651	50	1701
17	Advances for Land	297				63	234	297				63	234	297
	Grand Total	24213	20196	1043	21239	1471	662	2132	440	0	440	22307	1904	24211

5.11 Depreciation and ROA

5.11.1 Keeping in view of above, the Authority decides to allow depreciation Rs. 16,355 million for the said year. Consequently, ROA is computed Rs. 20,196 million based on net average operating assets for the said year.

6 Operating Revenues

6.1 Operating Revenues

6.1.1 Total operating revenues have been reported at Rs. 191,489 million in the petition as against Rs. 224,350 million projected in RERR for the said year, as detailed below:

Table 5: Comparison of Operating Revenue with RERR & previous years

Rs. In Million

Description	FY 2019-20	2020-21		Inc/(dec) over RERR	
	FRR	RERR	The Petition		% age
Sale at current prescribed price	184,257	204,761	175,261	(29,500)	-14%
Meter revenues, rental and service charges	2,140	3,810	3,694	(116)	-3%
Late payment surcharge	7,614	10,332	6,847	(3,485)	-34%
Amorization of deffered credit	2,369	3,725	2,426	(1,299)	-35%
Transportation income	456	-	760	760	
IPA imbalance charge	-	-	641	641	
Other operating income	1,530	1,722	1,860	138	8%
Net Operating Revenues	198,366	224,350	191,489	(32,861)	-15%

6.2 Sales volume

6.2.1 The sales volume has been reported at 339,046 BBTU, witnessing an increase of 5% for the said year as against 324,288 BBTU estimated in RERR for the said year. Category wise comparison with previous year has been provided by the petitioner as under:

Table 6: **Comparison of category-wise Sales Volume with RERR & previous year**

BBTU

Category	FY 2019-20	FY 2020-21		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Cement	139	972	105	(867)	-89%
Power including IPPs	23,957	47,179	20,335	(26,844)	-57%
Gen. Industry	9,141	13,731	8,954	(4,777)	-35%
Commercial	13,138	16,691	12,343	(4,348)	-26%
CNG	21,906	22,570	19,205	(3,365)	-15%
Bulk Domestic	13,707	13,337	12,691	(646)	-5%
Fertilizer (Fuel & Feed)	31,782	33,380	32,033	(1,347)	-5%
Sp. Commercial	2,937	2,446	2,888	442	18%
Domestic	209,969	156,567	204,235	47,668	30%
Zero Rated	21,096	17,214	26,256	9,042	53%
Grand Total	347,771	324,288	339,046	14,758	5%

6.2.2 The petitioner has submitted that 53% increase in volume of zero rated is reported due to increased supply to textile sector as per the directions of FG. Regarding domestic sector, the petitioner has explained that 30% increase over RERR for the said year has been reported owing to diversion/sale of RLNG volumes during the said year.

6.2.3 Regarding reduction in sales volume against rest of the sectors, the petitioner has informed that majority of the consumers have been shifted to RLNG resulting in decreased supplies.

6.2.4 ***In view of the above, the Authority accepts the sales volume at 339,046 BBTU as reported by the petitioner for the said year.***

6.3.1 Sales Revenue at Prescribed Price

6.3.2 The petitioner has submitted the sales revenue has been reported at Rs. 175,261 million as against Rs. 204,761 million projected at the time of RERR, showing decrease of 14%. Category wise comparison of sales revenue with RERR and previous year is given below:

Table 07: Comparison of category-wise Sales Revenue with RERR and previous year

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Rs. in Million

Category	FY 2019-20	FY 2020-21		Incr/(Decr) over RERR	
	FRR	RERR	The Petition		
Cement	176	1,242	138	(1,104)	-89%
Power including IPPs	23,461	46,670	18,815	(27,855)	-60%
Fertilizer (Fuel & Feed)	5,686	10,149	5,783	(4,366)	-43%
Gen. Industry	9,152	14,485	9,442	(5,044)	-35%
CNG	28,139	30,688	26,125	(4,563)	-15%
Commercial	19,359	23,224	18,133	(5,091)	-22%
Bulk Domestic	10,747	10,476	10,084	(392)	-4%
Domestic	70,900	53,496	65,066	11,570	22%
Zero Rated	16,637	14,331	21,675	7,344	51%
Grand Total:	**184,257**	**204,761**	**175,261**	**(29,501)**	**-14%**

6.3.3 The Authority observes that decrease in sale revenue for the said year, as compared to RERR, is due to reasons mentioned in paras 6.2.2 above. ***In view of the same, the Authority accepts sales revenue at Rs. 175,261 million for the said year.***

6.4.1 **Other Operating Income**

6.4.2 The petitioner has reported other operating income at Rs. 16,228 million for the said year as against Rs. 19,589 million per RERR for the said year, as tabulated below:

Table 08: Comparison of Other Operating Income with RERR & Previous year

Rs. In Million

Description	FY 2019-20	FY 2020-21		Incr/(Decr) over RERR 2020-21	
	FRR	RERR	The Petition	Rs.	%
Meter rental and service charges	2,140	3,810	3,694	(116)	(3)
Late payment surcharge and interest on arrears	7,614	10,332	6,847	(3,485)	(34)
Amortization of deffered credit	2,369	3,725	2,426	(1,299)	(35)
Transportation Income	456	-	760	760	-
TPA imbalance charges	-	-	641	641	-
Other income	1,530	1,722	1,860	138	8
Total	**14,109**	**19,589**	**16,228**	**(3,361)**	**(17)**

6.4.3 The petitioner has submitted that around 17% reduction in other operating income has been reported over RERR for the said year based on actual revenues generated during the said year. Regarding transportation income, the petitioner has submitted that a provisional amount of Rs. 760 million has been offered as per the agreement signed between the petitioner and M/s. Pakistan Arab Fertilizer Limited (PAFL). The same shall, however, be actualized in the light of decision pending with Authority against its transportation tariff petition. Moreover, the petitioner has offered revenue under TPA imbalance charges at Rs. 641 million under the access arrangement signed with PAFL as per provisions of Pakistan Gas Network Code (Article 3.7 & 3.8) on account of negative imbalance created by shipper. The same is also provisional and shall be actualized upon finalization of neutral market price by OGRA.

6.4.4 The Authority notes that the petition for transportation tariff is pending with it and decision on the same shall be issued in due course of time. ***Till such time, transportation income is provisionally allowed at Rs. 760 million for the said year.*** Regarding TPA imbalance charges as offered by the petitioner, the Authority observes that imbalance is the difference between quantities delivered and withdrawal by shipper at entry and exit points. Balancing of molecules by both parties is the contractual obligation based on their access arrangements and an on-going adjustment throughout the period of the agreement. ***In the light thereof, considering the gradual liberalization of the natural gas market, the Authority decides to exclude the amounts offered under TPA imbalance from the revenue requirement calculations and vise-versa. The Authority, in future upon liberalization of***

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gas market, may review the impact, if required, in the light of practical problems faced during the transportation activity.

6.4.5 ***In view of the above, the Authority allows the other operating income under this head at Rs. 15,587 million for the said year.***

6.5 Indigenous Gas Diversion to RLNG consumers

6.5.1 The petitioner has submitted that a volume of 28,306 BBTU have been sold as indigenous gas to domestic and commercial as at June 30, 2021 due to increased demand in the light of FG directives as gas reserves are consistently depleting.

6.5.2 The petitioner has stated that aggregate impact of shortfall in respect of net diverted RLNG is Rs. 34,643 million, out of which Rs. 14,632 million has been transferred to the system gas segment by valuing net RLNG diverted at average sale price of Rs. 516.92/MMBTU for the said year while the remaining amount of Rs. 20,011 million has been claimed in RLNG price in line with the ECC policy guidelines.

6.5.3 The Authority observes that it has been allowing partial impact since FY 2018-19 on provisional basis subject to adjustment based on audit already initiated by OGRA. ***In view of the same, the Authority extends its decision for partial recovery amounting to Rs. 14,632 million against volumes of 28,306 BBTU on provisional basis subject to the audit.***

7 Cost of Gas

7.1 The petitioner has claimed cost of gas sold as per initialed accounts at Rs. 179,682 million (net of GIC), comprising both local gas volume and RLNG volume diverted to domestic consumers for the said year.

7.2 The petitioner has explained that cost of purchases has been worked out on the basis of its respective field-wise purchases (net of GIC). The petitioner has worked out its respective local cost of purchases at Rs. 450.47/MMCF (i.e. Rs. 473.84/MMBTU), based on local gas purchases volume. With regard to RLNG volume diverted to domestic and commercial consumers to meet indigenous demand under gas load management, differential amount of Rs. 14,632 million (i.e at Rs. 516.92/MMBTU at average sale price of the year) against RLNG volume 28,306 MMBTU has also been included to calculate cost of gas sold.

7.3 The Authority observes that in light of discussion at para 6.5. above, the cost of RLNG diversion is included on provisional basis.

7.4 ***In view of the above, the Authority calculates the cost of gas sold at Rs. 179,682 million for the said year. The field wise gross purchased is provided at Annex-B.***

7.1 Unaccounted for Gas (UFG):

7.1.1 The petitioner has reported UFG at 8.49 % (32,715 MMCF) for the said year. Further, the petitioner has submitted that 116 MMCF gas has been carried for PPL, 103 MMCF for POL and 14,176 MMCF gas has been transported to Pak Arab as third-party volume in accordance with agreement signed with them.

7.1.2 The petitioner has apprised that due to difference of Gross Calorific Value (GCV) of Indigenous gas and RLNG i.e., GCV of RLNG is greater, when they are commingled in same pipeline, the resultant GCV of commingled gas is somewhere between GCVs of both gases. Further, as RLNG is a ring-fenced activity therefore, to deliver the total energy received at input of RLNG system to RLNG consumers, extra volume of commingled gas is required. This extra volume is termed as Energy Equivalence volume. The petitioner has submitted that 8,494 MMCF Energy Equivalence volume in respect of Power, Fertilizer and Cement (PFC) consumers and 5,566 MMCF Energy Equivalence volume in respect of RLNG consumers on Distribution network was required.

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7.2 Gas Internally Consumed (GIC):

7.2.1 The petitioner has reported GIC of 1,852 MMCF in transmission system and 1,051 MMCF in distribution system, year wise trend of the same is as below:

Table: Year wise GIC in Transmission & Distribution System

In MMCF

Description	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 (Petition)
Transmission	2,853	2,265	1,697	1,399	1,852
Distribution	989	1,147	660	656	1,051
Total	3,842	3,412	2,357	2,055	2,903

7.2.2 The GIC in transmission system mainly comprises gas used in compressor for transmission of gas, gas provided in residential colonies, gas used at pipeline coating plant, ruptures/ sabotage activity and other usage including purging and depressurization etc. In contrast, GIC in distribution system mainly involves gas provided to employees under free gas facility, gas used for co-generation & co-offices and gas lost in sabotage and purging as per details given below:

System	Summary	Mcf	Amount(Rs.)
Transmission	Used in Offices	78,319	35,282,698
	Compressors	1,225,473	552,075,340
	Rupture	51,532	23,215,160
	Others	404,494	182,224,489
	Coating Plant	91,934	41,416,254
Transmission Total		1,851,752	834,213,941
Distribution	Used in Offices	65,127	29,339,486
	FGF	461,705	207,998,041
	Rupture	395,698	178,261,895
	Others	42,750	19,358,869
	Power Generation	86,208	38,836,490
Distribution Total		1,051,487	473,694,781
Total system GIC		2,903,239	1,307,908,722

7.2.3 In view of the above, the Authority accordingly accepts the petitioner's claim at Rs. 552 million for the said year.

7.3 Loss due to Sabotage Activity/ Ruptures:

7.3.1 The petitioner has claimed 52 MMCF volume loss due to rupture/ sabotage activities under transmission system and 396 MMCF volume loss due to sabotage activities in respect of distribution system. In this regard, the Authority notes that it has already given 'Allowance for local operating conditions', as per recommendations of the UFG Study Report, *therefore the Authority disallows the additional volume claimed against this head.*

7.4 Pressure factor Adjustment in UFG:

7.4.1 The petitioner has not reported any adjustments in respect of pressure factor in UFG computation sheet. The petitioner has stated that as per instructions by OGRA, pressure factor charged to consumers in excess to allowed limit was reversed in previous financial year i.e., FY 2019-20 and from March 2020, no excess pressure factor is being charges to the consumers.

7.5 Performance as per KMI:

7.5.1 The Petitioner along with implementation status of the KMIs has also submitted an Audit Report of Yousuf Adil Chartered Accountants regarding KMIs for UFG Benchmark. The Authority has carried out in depth analysis and assessment of KMIs based on the information provided by the petitioner and observation of Auditor M/s Yousuf Adil. The Authority observes that the petitioner has claimed 99.941 % achievement in respect of its KMI implementation.

7.5.2 The Authority notes that the petitioner mainly focuses on achieving numerical numbers of required jobs while the results of achieving such numbers cannot be ascertained in the absence of specific data relating to UFG reduction or otherwise relating to each KMI. A number of clarifications were sought from the petitioner in respect of achievement of KMIs and following major observations have been noted:

7.5.3 The Authority notes that in respect of identification of UFG prone areas and corrective measures taken thereto, the petitioner should also focus on areas in KPK regions especially Karak & Kohat as being highlighted in various meetings/ forums alongwith other areas.

i. As regard petitioner's claim of 100 % achievement in respect of filing of criminal suits, the Authority observes that there is a significant gap between number of cases decided when compared with the number of FIR/ criminal suits filed. Moreover, the petitioner has justified the achievement by mere filing of criminal suits/ FIR that does not qualify for 100 % achievement of KMI rather logical conclusion of such cases is important to confirm the efforts of the petitioner to act against such illegal cases. The petitioner is required to increase vigilance/ efforts while attending such cases and for timely disposal.

ii. The corrective measures taken by the petitioner in respect of minimum billed consumers are found repetitive in nature and does not highlight any new significant measure to substantiate reduction in UFG.

iii. The Authority observes that specifically in respect of replacement of underground distribution network, the auditor while assessing the progress of the petitioner has carried out the sample base analysis of two regions only as against the progress reported in sixteen regions by the petitioner. The findings of the auditor should correlate with the progress reported by the petitioner for prudent analysis.

iv. The outcome of achievement of each KMIs should be result oriented and reflected through yardsticks such as decrease in losses / UFG, cost savings, etc. giving historical comparison as well.

7.5.4 The Authority observes that KMIs were prepared in consultation with the gas utility companies and are required to be implemented in true letter and spirit to increase system rehabilitation, control leakages, improve recoveries, timely replacement of meters etc., for gradual reduction in UFG. The objective of effective implementation of KMI is not only to reduce UFG but also to identify the root cause of the problem areas and take corrective measures to address the issue.

7.5.5 The Authority further notes that the petitioner is not objectively focusing on the reporting of progress against each KMI that leads to the conclusion that effective implementation of KMIs to achieve the desired results is still lacking and not up to the mark. In view of the foregoing and keeping in view the findings of the auditors viz-a-viz data provided by the petitioner, the allowance on this account has been worked out as 1.982 % and is incorporated in the UFG sheet.

7.6 **UFG Sheet:**

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Transmission System		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As per Petition RLNG Supplied to Transmission and Distribution consumers	FRR 2020-21 As Calculated Indigenous gas (UFG)	FRR 2020-21 As Calculated RLNG Supplied to Transmission and Distribution consumers
		MMCF		MMCF	
(Gas Received) in Transmission Indigenous	A1	385,445		385,445	
Gas Received in Transmission RLNG			338,407		338,407
Taken out (+) Taken in (-) or (Line Pack)	B	- 32	- 694	- 32	- 694
Net Gas Received in Trans. System	C=A1+B	385,413	337,713	385,413	337,713
Gas used in operation of Tran. Sys. RLNG			-2,794		-2,794
Gas used in operation of Tran. Sys. (Indigenous)	D	-1,852		-1,800	
(i) Compression		-1,325		-1,325	
(ii) Residential Colonies		-78		-78	
(iii) Coating Plant		-92		-92	
(iii) Ruptures/Sabotage		-42		0	
(iv) Other usage Depressurization purging etc		-404		-404	
Gas Available in Transmission System	E=C+D	383,561	334,919	383,613	334,919
Energy Equivalence Volume related to PPC	F	-8,494	8,494	-8,494	8,494
Gas passed to Dist. System and sold to PPC	G	63,766	200,931	63,766	200,931
RLNG Stock Additional sale of LNG or vice versa	H	-9,253	9,253	-9,253	9,253
Gas passed to Distribution system through SMS	I	319,450	129,441	319,456	129,441
Loss in Transmission System	J1=E+F-G-H-I	1,097	788	1,149	788
% Loss or Gain in Transmission System	K=J/C*100	0.28	0.23		

Distribution System		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As per Petition RLNG Supplied to Transmission and Distribution consumers	FRR 2020-21 As Calculated Indigenous gas (UFG)	FRR 2020-21 As Calculated RLNG Supplied to Transmission and Distribution consumers
		MMCF		MMCF	
Gas Received in Dist. System (Through SMS)	A2	319,450	129,441	319,456	129,441
Gas carried for PPL	B	-110		-110	
Gas carried for Pak Arab	B1	-14,176		-14,176	
Gas carried for POL	C	-183		-183	
Energy Equivalence Volume - Distribution	D	-8,490	8,846	-8,566	8,566
Gas internally consumed in Distribution System	E	-1,881		-684	
(i) Free Gas Facility		-537		-537	
(ii) Co-Generation & Co -offices		-86		-86	
(iii) Sabotage		-196		0	
(v) Purging		-45		-45	
(Gas available for Sale in Dist. System)	F=A2+B+B1+C+D+E	296,446	138,006	296,441	138,006
Gas Sold					
Billed					
RLNG Swap/diversion of LNG or vice versa	G	284,830	101,893	284,830	101,893
Unrecovered Pilferage volume recovered	H	-17,388	17,366	-17,388	17,366
Pressure Factor reversal adjustment	I	- 514		- 514	
Gas Delivered (Net Gas Sold)	J				
	K=G+H+I+J	266,828	118,920	266,828	118,920
Loss in Distribution System	L	31,618	16,087	32,013	16,087
%age Loss in Distribution System	M=L/A2*100	9.90	12.43		

Total UFG & Working of disallowance for SNGPL		FRR 2020-21 As per Petition Indigenous gas (UFG)	FRR 2020-21 As per Petition RLNG Supplied to Transmission and Distribution consumers	FRR 2020-21 As Calculated Indigenous gas (UFG)	FRR 2020-21 As Calculated RLNG Supplied to Transmission and Distribution consumers
		MMCF		MMCF	
Total UFG Volume (Transmission + Distribution)	N=J1+L	32,715	16,874	33,162	16,874
Total %age UFG (Transmission + Distribution)	O=N/A1*100	8.49	4.99		
Gas Received		385,445		385,445	
UFG Benchmark (Percentage)	5%	5%		5%	
Local Conditions Allowance Percentage	2.6%	2.6%		1.982%	
Allowed UFG Percentage	7.6%	7.59%		6.982%	
Allowed UFG Volume (MMCF)		29,255		26,912	
Invalid Claim (MMCF)		3,459		6,250	

7.6.1 ***In view of above, UFG adjustment is provisionally computed at Rs. 3,092 million for the said year.***

8 Transmission & Distribution Cost

i. Summary

8.1 The petitioner claimed Rs. 29,515 million including GIC, against the total transmission and distribution cost incurred as compared below:

Table 09: Comparison of T&D cost with RERR and previous year

Rs. in million

Sr #	Description	FY 2019-20	FY 2020-21		Inc/(Dec) over RERR	
		FRR	RERR	The Petition	Rs.	%age
1	HR Cost	16,597	16,562	18,629	2,067	17%
2	Stores & spares consumed	484	800	616	(184)	-23%
3	Repairs & maintenance of system	1,519	1,096	1,473	378	35%
4	Stationery, telegrams and postage	190	200	191	(9)	-5%
5	Rent, rates, royalty, electricity and telephones	553	548	696	148	27%
6	Travelling expenses	162	163	128	(35)	-21%
7	Transport expenses	920	810	982	171	21%
8	Insurance	245	270	269	(1)	0%
9	Fuel & Power	469	429	626	197	46%
10	Legal and Professional services	196	242	253	11	5%
11	ISO 14001 & OHSAS Certification	4	5	5	-	0%
12	Advertisement & publicity	198	206	190	(16)	-8%
13	Protective clothing & Supplies	53	54	80	26	48%
14	Staff Recruiting expenses/ Staff Training & executives	44	35	23	(12)	-34%
16	Security expenses	1,018	1,250	1,240	(10)	-1%
17	Sponsorship of Chairs for Universities	8	-	-	-	-
18	Outsourcing of Call Centre	26	30	19	(11)	6%
19	Sports cell expenses / Annual Sports	36	48	43	(5)	-10%
20	OGRA fee	290	610	528	(82)	-13%
21	Bank Charges	9	11	5	(6)	-55%
22	Facilities Provided by other companies	10	14	9	(5)	-36%
23	Board Meeting and directors expenses	57	32	51	19	59%
24	Corporate Social Responsibility	-	10	8	(2)	-20%
25	Other expenses	184	172	205	33	19%
27	Gas Bills Collection Charges	533	600	557	(43)	-7%
28	KMI Implementation Plan / UFG Control Activities	947	636	983	347	55%
29	Gathering charges of collection data	41	55	40	(15)	-27%
30	Dispatch of Gas Bills	133	150	136	(14)	-9%
31	Provision for doubtful debts	1,243	728	1,433	705	97%
32	Replacement & expansion of SCADA system		-	33	33	
33	cost of gas blown off	214	-	201	201	
34	Recovery through contractor	10	25	-	(25)	-100%
	Gross T&D Cost	28,393	25,790	29,651	3,861	15%
35	Allocation to CWIP (Others)	(320)	(355)	(344)	11	-3%
36	Allocation to RLNG	(11,966)	(2,775)	-	-	0%
	Net T&D Cost	14,107	22,660	29,307	6,647	29%
37	Gas internally consumed – Indigenous	543	1,248	552	(736)	-57%
	Net T&D costs after GIC	14,650	23,948	29,858	5,911	25%

ii. Human Resource Cost

8.2 The petitioner has requested HR benchmark cost at Rs. 22,500 million including IAS cost of Rs. 528 million and CWIP of Rs. 3,871 million for the said year. The petitioner has reported that actual HR cost of Rs. 18,101 million has been incurred as against HR benchmark cost of Rs. 18,026 million computed per the existing benchmark formula devised by the Authority, which shows that slightly higher actual HR cost spending made by Rs. 75 million for the said year. The breakup of the HR cost is as under;

Rs. in Million

Description	FY 2019-20	FY 2020-21	(Inc/Dec) over FY 2019-20	
			Rs.	%
Salaries – Executives	4,026	4,568	542	13%
Wages - Staff	9,344	10,451	1,107	12%
Bonus 10-C	764	1,087	323	42%
Retirement Benefits	1,752	1,922	170	10%
Medical & Welfare	995	1,095	100	10%
Other heads	255	269	14	5%
Free Gas Facility	329	307	-22	-7%
Overtime	1,121	794	-327	-29%
Badli / Casual labor	1,317	1,350	33	3%
Incremental impact of IAS-19	327	658	331	101%
Less Allocation to CWIP	(3,543)	(3,871)	-328	9%
Net HR Cost (incl. Impact of IAS-19)	16,687	18,630	1,943	12%

8.3 The petitioner has argued that out of total variance of Rs. 1,943 million, major chunk of increase has been made against salaries and wages (i.e. Rs. 1,107 million & Rs. 542 million) of subordinate staff and executives. The petitioner has further argued that the Authority, while entirely ignoring inflationary impact, had frozen HR cost at Rs, 16,562 million i.e. at the level of DERR for FY 2019-20, effectively allowing no increase for the said year. The petitioner has submitted that it has barely been able to meet its HR cost for the past few years and has been repeatedly requesting for devising a reasonable mechanism for determination of HR cost. A realistic HR cost benchmark formula, based on operating parameters as well as economic factors (CPI) is needed to avoid any unrealistic restrictions on salaries and perks of the employees. The petitioner has further explained that even keeping manpower strength static, HR cost shall increase due to various factors viz; inflation, increase in minimum wages rates, promotions, annual increments, increase in indirect costs due to increase in length of service of employees. Moreover, increase of 10% in medical expense is due to massive increase in prices of medicines in the wake of Covid-19 pandemic impact.

8.4 The Authority observes that HR benchmark was initially implemented in FY 2005-06 to allow reasonable and legitimate HR cost to the petitioner. Thereafter HR benchmark formula was reviewed by the Authority from time to time to cater for additional requirements arising due to change in business dynamics and company's operational need. The Authority further observes that the petitioner has been contending the shortage of manpower in its submissions which is totally misleading as it has arisen due to mismanagement of the petitioner. The Authority notes that it had introduced the HR benchmark formula based on operating parameters i.e. weightage of number of consumers (65%), T&D network (20%) and gas sale volume (25%) with an additional allowance on account 50% CPI to allow management to run its business affairs in a prudent and rational manner while managing its salary/wages and manpower strength. However, the regulator's rational approach to allow the management to take reasonable, fair, equitable and prudent decisions, has been grossly exploited by the senior management in its favour, despite warnings by the Regulator. The inbuilt factors in the benchmark to regulate the manpower strength had been used by the management to increase their salary structure while managing its operations through recruitment of contractual and causal/badli staff. The table indicating historical trend of HR cost vis-à-vis operating parameters & manpower strength and is as under;

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Table 10: Comparative analysis of SNGPL's HR benchmark

Particulars	FRR FY 2014-15	FRR FY 2015-16	FRR FY 2016-17	FRR FY 2017-18	FRR FY 2018-19	FRR FY 2019-20	The Petition FY 2020-21
Operating Parameters:							
Sales (MMCF)	467,449	544,615	615,009	670,649	759,164	649,946	711,399
T&D (KM)	107,670	111,798	119,639	131,694	139,535	145,476	152,463
No. of Consumers	5,054,256	5,315,885	5,736,389	6,341,508	6,771,919	7,043,147	7,415,435
CPI	4.53%	2.86%	4.16%	3.92%	7.34%	10.74%	8.90%
HR Cost Allowed	10,474	11,034	[illegible]	[illegible]	[illegible]	16,394	18,101
		7%	[illegible]	[illegible]	[illegible]	8%	11%
Manpower Strength:							
Executives	1,381	1,530	1,507	1,484	1,461	1,609	1,561
Subordinates	7,688	7,717	7,677	7,580	7,420	7,281	7,146
	9,069	9,247	9,184	9,064	8,881	8,890	8,707
		2%	-1%	-1%	-2%	0%	-2%
Casual/Badli:							
	2,880	2,843	[illegible]	[illegible]	[illegible]	3,396	3,365
Total		-1%	[illegible]	[illegible]	[illegible]	-2%	-1%

8.5 Therefore, the petitioner's plea for additional budget for recruitment of staff is irrational and hence be managed by its management through its own funds within the benchmark allowed limit. Moreover, the petitioner needs to consult its sister utility which is restricting its HR cost almost at the same level from the last three years while managing its annual/performance increment, CBA and fresh recruitment.

8.6 ***The Authority notes that it has implemented a new benchmark effective FY 2021-22 onwards, therefore, for the current financial year, it decided to extend the existing HR benchmark formula for the said year and computes the HR cost at Rs. 18,428 million (Rs. 17,929 million HR cot plus Rs. 528 on account of IAS) as per Annexure-C with slight adjustment of CPI at 8.90% based on Federal Bureau of Statistic data. Moreover, an adjustment amounting to Rs. 29 million has been made in respect of FY 2019-20 due to revision of base year for CPI by Federal Bureau of Statistics.***

iii. Repair and Maintenance:

8.7 The petitioner has claimed expenditure of Rs. 1,473 million against the approved budget of Rs. 1,095 million in respect of repair and maintenance and has also provided breakup of expenses incurred under various sub heads. The comparison of petitioner's claim under the head compared with previous years is as follows:

Table 11: Historical comparison of Repair & Maintenance with previous years

Rs. in Million

Description	2017-18	2018-19	2019-20	2020-21			
	Actual	Actual	[illegible]	[illegible]	[illegible]	Actual	Variation
Compression	19	19	17	20	19	13	-6
Transmission	88	39	44	119	84	31	-53
Distribution	828	803	861	846	645	827	182
Others (incl H.O. & service depts.)	407	491	597	515	348	602	254
Total	1,341	1,353	1,519	1,500	1,095	1,473	377

8.8 The Authority notes that expenses in respect of distribution have exceeded the budget allowed by the Authority at ERR stage. Moreover, the Authority further observes that the expenses in respect of others (including H.O. & service depts.) have also exceeded the budgeted amount, however, overall expenditures incurred in respect of repair and maintenance are within the budgeted amount for the said year.

8.9 The petitioner in respect of exceeding the budgeted/ allowed expenditures has added that company is striving hard to rationalize the cost and has taken various steps in past two years to reduce cost to the maximum extent however, maintenance activities cannot be fully ignored/restricted. The petitioner keeping in view stated facts and inflation has requested Authority for allowance of the full expenditure in this respect. ***In view of the justifications***

provided by the petitioner and keeping in view the operational requirement, the Authority allows expenditure of Rs. 1,473 million in respect of various heads under Repair & Maintenance for the said year.

iv. Rent Rates, Electricity and Taxes

8.10 The petitioner has claimed Rs. 696 million on account of "Rent, Rates, Electricity and Taxes" for the said year as against Rs. 548 million allowed in RERR for the said year, showing an increase of 27%. The comparison is given below:

Table 12: Historical Comparison of Rent, Rates, Electricity and Taxes with RERR and Previous Years

(Rs. in million)

Particulars	FY 2019-20	FY 2020-21		Inc/Dec over RERR	
	FRR	RERR	The Petition	(Rs.)	%age
Rent	270	277	349	72	26%
Royalty/ Internet services	41	47	47	-	0%
Telephone	41	44	37	(7)	-16%
Electricity	177	156	183	27	17%
Pakistan Railway (line crossing charges)	-	-	51	51	-
Water Conservancy	6	6	4	(2)	-27%
Vehicles rates and taxes	18	12	23	11	92%
Others		6	2	(4)	-67%
Total	553	548	696	149	27%

8.11 Under the sub-head "Rent", the petitioner has argued that all efforts were made to negotiate minimum increase with landlords. On an average, annual increase in rent expense varies from 8% to 25% for various buildings depending upon location, area and terms of agreement/lease. The petitioner has further added that the said expense also includes rental of CP stations for corrosion protection of network.

8.12 The Authority notes that the petitioner has consistently been providing generic justification to substantiate its invalid claim, while entirely ignoring its directions for reduction of rent expense. The Authority agrees to the petitioner's contention for annual increase, demanded by landlords. However, reporting 26% increase over the already allowed budgeted limit is not acceptable. ***In view of the same, the Authority restricts the "Rent" at Rs. 299 million (i.e. at 8% increase over RERR) for the said year.***

8.13 Regarding "Electricity", the petitioner has submitted that OGRA had fixed it at Rs. 156 million i.e. at the level of actual expenses FY 2018-19, which was insufficient to meet its operations owing to upward revision in electricity tariff by NEPRA and GoP. The petitioner has argued that actual expenditure is slightly excessive by 3% over the expenses allowed by the Authority in FRR for FY 2019-20. Accordingly, the petitioner has requested to allow Rs. 183 million for the said year.

8.14 ***In view of above, the Authority accepts petitioner's contentions and allows Rs. 183 million on account of electricity for the said year.***

8.15 Regarding Pakistan Railway, the petitioner has provided breakup of actual payment of Rs. ***51*** million, out of which Rs. 49 million were made to National Highway Authority (NHA) on account of outstanding rental charges against ROW **as against Rs. 92 million paid for FY 2019-20**. The petitioner has submitted that the Authority pended the decision under this head at the time of RERR till subject to its actualization.

8.16 Regarding increase in vehicle rates/taxes, the petitioner has attributed the increase mainly due to revision in rates of toll tax at M-1 and M-2 (Motorway) along-with change in token tax for vehicles.

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8.17 ***The Authority accepts the amounts under this head "Rates, Electricity and Taxes" at Rs. 646 million for the said year. In view of the above, Rs. 646 million is allowed for the said year.***

v. Transport Expense

8.18 The petitioner has requested to allow "Transport Expense" at Rs. 981 million as against Rs. 810 million provided in RERR for the said year, showing an increase of 21%. The comparison is given below:

Table 13: Historical Comparison of Transport expense with RERR & Previous Year

(Rs. In million)

Particulars	FY 2019-20	FY 2020-21		(Inc/Dec) over	
	FRR	RERR	The Petition	(Rs.)	%age
Compression	25	14	20	6	43%
Transmission	184	118	181	63	53%
Distribution	469	500	519	19	4%
Others (incl HO & service depts.)	242	178	260	82	46%
Total	920	810	980	170	21%

8.19 The petitioner has explained that 20 to 30% increase has been observed in average price of petrol & diesel during the said year. The petitioner has argued that the amount allowed by the Authority in FRR FY 2019-20 is even lesser than the amount allowed in FRR 2018-19 owing to reduced activity during pandemic of COVID-19. Accordingly, the petitioner has requested the Authority to allow sufficient amount to cater for its operational expenses keeping in view the increasing trend of fuel prices.

8.20 The Authority notes that the petitioner has failed to justify its claim in terms of increase in fuel prices when compared with actual price trend of petrol and diesel for FY 2019-20. Moreover, no significant increase in operational activities has been reported by petitioner to substantiate its claim. ***In the absence of any concrete justification by the petitioner, the Authority decides to fix it at the level of FRR 2019-20 i.e., Rs. 920 million with the direction to control the same within budgeted amount.***

vi. Fuel and Power

8.21 The petitioner has requested to allow Rs. 626 million under this head, as against Rs. 429 million allowed in RERR for the said year. The comparison is given as under:

Table 14: Historical Comparison of Fuel and Power expenses with RERR & Previous Year

Particulars	FY 2019-20	FY 2020-21		(Inc/Dec) over RERR	
	FRR	RERR	The Petition	(Rs.)	%age
Compression	25	12	18	6	45%
Transmission	161	144	321	177	123%
Distribution	203	230	215	(15)	-7%
Others (Incl. Co-Generation)	80	43	72	29	69%
Total	469	429	626	197	46%

8.22 The petitioner has submitted that an amount of Rs. 170 million in gas volume cost is booked against "Purging & Blowdown" to carryout operation against illegal taps/network in district Karak. The petitioner has informed that with the help of Police and Frontier Corps., 414 number of illegal taps were removed. The petitioner has further informed that OGRA as well as honorable Peshawar High Court, Peshawar in a petition filed by M/s Lucky Cement against it, have also advised the company to clear this segment from illegal taps so as to ensure uninterrupted gas supply to all downstream consumers. The petitioner has argued that this increase in cost/volume of "purging & blowdown" is of temporary nature and shall to usual pattern once the operation is completed.

8.23 ***In view of the justification as advanced above, the Authority considering the one-time activity, allows Rs. 626 million as claimed by the petitioner for the said year.***

vii. Protective clothing & supplies

8.24 The petitioner has requested to allow Rs. 80 million under this head, as against Rs. 54 million allowed in RERR 2020-21. The comparison is given as under:

Table 15: Historical Comparison of Protective clothing and supplies with RERR & Previous Year

(Rs. in million)

Particulars	FRR FY 2019-20	RERR FY 2020-21	The petition	(Inc/Dec) over RERR 2020-21	
Protective supplies/ Clothing	53	54	80	26	48%

8.25 The petitioner explained that the actual expense remains understated due to non-procurement of tender for safety shoes/uniform (Approx. Rs. 27 million) of entitled permanent employees in FY 2018-19 and FY 2019-20 due to unavailability of budget and Covid-19 restrictions.

8.6 ***In view of the above, the Authority decides to allow Rs. 70 million (i.e. over 30% from RERR) for the said year.***

viii. Provision for Doubtful debts

8.26 The petitioner has claimed Rs. 1,433 million on account of provision for doubtful debt against disconnected consumers for the said year. The petitioner has confirmed that the provision under this head is made as per benchmark in place implemented since last many years except provision for first three months against domestic consumers.

8.27 ***In view of above, the Authority, in the light of its already implemented benchmark in place, slightly re-works provision against doubtful debts at Rs. 1,413 million for the said year.***

ix. Board Meeting and Director's Expenses

8.28 The petitioner has requested to allow Rs. 51 million under this head, as against Rs. 32 million allowed in RERR 2020-21. The comparison is given as under:

Table 16: Historical Comparison of BoD Meeting and Director's expense

(Rs. in million)

Particulars	FRR FY 2019-20	RERR FY 2020-21	The Petition	(Inc/Dec) over RERR 2020-21	
Board meetings & directors' expenses	57	32	51	19	59%

8.29 The petitioner has submitted that the it has already been trying to merge relevant agendas to the possible extent in the light of Authority's directions except urgent meetings which are being called upon operational requirements. Accordingly, lesser number of board & committee meetings were held resulting in reduced expenses while compared with last two years' actuals.

8.30 The appreciates that the petitioner's efforts to comply its directives in terms of reduction of this cost, however, overspending by Rs. 19 million over and above the already allowed limit needs to be rationalized.

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8.31 ***In view of above, the Authority considering the justification and the company's efforts to comply Authority's directives, decides to allow 50% increase and fixed it at Rs. 37 million for the said year.***

x. **KMI Implementation Plan (UFG Control Activities)**

8.32 The petitioner has claimed expenditures of Rs. 983 million in respect of UFG control activities against approved budget of Rs. 636 million for the said year. The petitioner while providing the breakup of activities carried out under the head has explained that there is normal increase of 4% as compared to the allowance by the Authority at FRR 2019-20 relating to activities such as above ground leakage rectification relating to domestic consumers, vigilance of domestic and commercial consumers and replacement of defective meters etc. The Authority notes that although the expenses incurred have exceeded the allowed budget, however, overall expenses incurred are within the budgeted amount of Rs. 1,271 million for the said year. ***Keeping in view the operational requirement and to control UFG, the Authority allows Rs. 983 million against KMI Implementation Plan (UFG Control Activities) for the said year.***

xi. **Other Expenses**

8.33 The petitioner has claimed Rs. 205 million under this head for the said year that includes Rs. 170 million on account of 'Construction equipment' as against Rs. 112 million allowed in RERR for the said year. The comparison is as under:

Table 17: Historical Comparison of Other Expenses

(Rs. in million)

Particulars	FRR FY 2019-20	RERR FY 2020-21	The Petition	Inc/Dec over RERR	
				(Rs.)	(%age)
Construction equipment operating cost	146	112	170	58	52%
Subscriptions	3	3	4	1	33%
Newspapers, books & periodicals	3	7	3	(4)	-54%
Stock exchange fee	3	4	4	1	14%
Entertainment expenses	6	12	6	(6)	-50%
Outside services employed - govt / local authority	-	-	2	2	-
Sundries	10	19	6	(13)	-68%
CNIC verification	8	14	10	(4)	-29%
Pilot Project- Digital meters	5	-		-	-
Total	184	170	205	35	21%

8.34 The petitioner submitted that the budget allowed by the Authority under this sub head is even lesser than the actual cost incurred by the Company since 2017-18, whereas the average petrol/diesel rates during FY 2020-21 were upto 33% higher than prevalent in FY 2017-18. Moreover, due to COVID-19 during FY 2019-20, the routine maintenance activities were suspended and only emergency maintenance were carried out during lock down situation.

8.35 The Authority observes that exorbitant increase of 52% in the head Construction equipment over RERR FY 2020-21 is beyond any reasonable justification. The Authority directs the petitioner to economize the expenditure within the tolerable limit and proactively monitor expense int this head. The Authority notes that Diesel prices were maintained around Avg. 109.64/litre during FY 2020-21 while comparing to previous year avg. price around Rs. 117.04/litre FY 2019-20, apparently prices were reduced in the said year. However, be pointed out to petitioner that Avg. prices of petrol were maintain around Rs. 106.93/litre FY 2020-21 almost similar to last year; therefore, petitioner claim is invalid on petroleum products prices increase by 52%; hence no tenable. Keeping in view of the above, the Authority decides to fix Rs. 146 million (i.e. maintained at last year FRR under the head of Construction equipment for the said year.

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8.36 ***In view of the same, the Authority decides to allow Rs. 181 million under the head 'Other Expenses' for the said year.***

xii. Remaining T&D Expenses not discussed above

8.37 The petitioner has claimed Rs. 201 million on account of volume loss due to rupture/ sabotage activities under transmission and distribution system. The Authority allows the same as part of T&D expenses for the said year.

8.38 The petitioner claimed Rs. 33 million on account of training expenses relating to Replacement & Expansion of SCADA system. The petitioner submitted that the said project was approved/allowed by OGRA as part of Replacement & Expansion of SCADA system vide order No. OGRA-9(41)/2008 dated November 06, 2015. In view of the justifications provided by the petitioner and keeping in view of standards revision on training expenses under IAS-16-Property, plant and Equipment, the Authority decides to allow the same for the said year.

8.39 Besides above, the Authority observes that the remaining expenses not discussed above have been either under the allowed limit or have been allowed based on the proper justification by the petitioners as under:

Table 18: Historical Comparison of Remaining T&D expenses

(Rs. in million)

Sr #	Description	FY 2019-20	FY 2020-21		Diff Inc/(Dec)	
		FRR	RERR	The Petition	Inc/(Dec)	%age
1	Stores & spares consumed	484	800	616	(184)	-23%
2	Stationery, telegrams and postage	190	200	191	(9)	-5%
3	Travelling expenses	162	163	128	(35)	-21%
4	Legal and professional charges	196	242	253	11	5%
4	Insurance	245	270	269	(1)	0%
5	ISO 14001 & OHSAS Certification	4	5	5	-	0%
6	Advertisement & publicity	198	206	190	(16)	-8%
7	Staff Recruiting expenses/ Staff Training & executives	44	35	23	(12)	-34%
8	Security expenses	1,019	1,250	1,240	(10)	-1%
9	Outsourcing of Call Centre	26	30	19	(11)	-37%
10	Sports cell expenses / Annual Sports	36	48	43	(5)	-10%
11	OGRA fee	290	610	528	(82)	-13%
12	Bank Charges	9	11	5	(6)	-55%
13	Facilities Provided by other companies	10	14	9	(5)	-36%
14	Corporate Social Responsibility	-	10	8	(2)	-20%
15	Gas Bills Collection Charges	533	600	557	(43)	-7%
16	Gathering charges of collection data	41	55	40	(15)	-27%
17	Dispatch of Gas Bills	133	150	136	(14)	-9%
18	Recovery through contractor	10	25	-	(25)	-100%
	Total	3,629	4,724	4,260	(464)	(4)

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xiii. Transmission & Distribution Cost allowed by the Authority:

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

Table 19: Transmission & Distribution cost as determined by the Authority

Rs. In Million

Sr #	Description	As Allowed
1	HR Cost	18,428
2	Repairs & maintenance of system	1,473
3	Rent, rates, royalty, electricity and telephones	646
4	Transport expenses	920
5	Fuel & Power	626
6	Protective clothing & Supplies	70
7	Board Meetings and Director's expense	37
8	Other expenses	181
9	KMI Implementation Plan / UFG Control Activities	983
10	Provision for doubtful debts	1,413
11	Replacement & expansion of SCADA system	33
12	cost of gas blown off	201
13	Other operating expenses	4,260
14	**Gross T&D Costs**	29,271
15	Allocation to CWIP (Others)	(344)
16	Allocation to RLNG	(15,221)
17	Net T&D Costs	13,706
18	Gas internally consumed – Indigenous	552
	Total T&D Costs after GIC	14,258

xiv. Effect of adoption of IFRS-9 (Expected Credit Loss)

8.41 The petitioner has claimed Rs. 1,043 million for the said year and Rs. 755 million upto FY 2018-19 on account of "Adoption of IFRS-9-Expected Credit Loss" for the said year.

8.42 The petitioner has stated that it has adopted IFRS-9 with effect from July 01, 2018, being a statutory obligation to address the classification, measurement and de-recognition of financial assets and liabilities and a new impairment model for financial assets. As OGRA has been allowing the expenses in the past as per the requirements of the respect IFRS/IAS, therefore has been requested to allow the said amount under this head.

8.43 The Authority notes that the matter of ECL has reached finality in its previous years' determinations per DERR & RERR 2021-22.

8.44 ***Accordingly, the Authority decides to disallow entire amount on account of adoption of IFRS-9 for the said year.***

xv. Prior Year Adjustment (Operating Expenses)

8.45 The petitioner offered an adjustment of Rs. 153 million on account of "Prior year adjustment under operating expenses" in this year, as per table below:

Table 20: Breakup of Prior year adjustment under T&D

Description (Impact of Excess HR Cost (IAS-19 Cost)		(Rs. in Million)
IAS-19 Cost (Incremental impact) taken by the Authority in the HR benchmark	A	674
IAS-19 Cost (Incremental Impact) as per Accounts / HR certificate	B	544
Excess HR cost (IAS-19) allowed by OGRA	C=A-B	130
Impact of Allocation to Fixed Capital Expenditure (Other than HR)		
As per Petition (Actual)	D	381
As per OGRA's determination	E	266
Excess Operating cost allowed due to CWIP	F=D-E	115
Total Excess Operating Cost Allowed by OGRA	G=C+F	245
Less Determination of Railway crossing(Actually Paid)	H	(92)
Net Prior Year Adjustment (Operating Expenses) FY 2018-19	I=G+H	153

8.46 ***The Authority, based on adjustments, as per actual accounts accepts the sum and include its impact as part of tariff calculation for the said year. In view of above, the Authority decides to allow entire amount Rs. 153 million on account of prior year adjustment.***

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

8.47 The petitioner has claimed Rs. 369 million on account of "Punjab Workers Welfare Fund Act 2019 (PWWF)" after promulgation of PWWF Act in December 2019, computed on the profit as per initial audited accounts @ 2% for the said year. The petitioner has also claimed Rs. 951 million against Worker Profit Participation Fund (WPPF) as the applicable Worker Profit Participation Act 1968, as adopted by Punjab Government since December, 2020.

8.48 The petitioner has argued that both the contributions be allowed, being a mandatory obligation under the PWWF Act, 2019 and WPPF Ordinance, 2020 as an operating expense in the light of tariff regime applicable for natural gas sector of Pakistan. The petitioner has, however, informed that the matter of applicability of both laws simultaneously on the petitioner being a trans-provincial company, is sub-judice in Supreme Court. However, the company, based on its external legal opinion, has argued that in case of non-payment to funds, it may face imposition of additional 15% as interest on delayed payment to the respective funds, in case the apex Court decides in the favour of labour.

8.49 ***The Authority, based on the company's contention, decides to allow Rs. 453 million (WPPF) and Rs. 176 million (PWWF) on provisional basis subject to adjustment, if required, on the final outcome of honourable Court's verdict. Moreover, any adjustment based on published accounts shall be made part of upcoming determination.***

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xvii. Late Payment Surcharge (LPS) On Gas Creditors and Markup on Running Finance

8.50 The petitioner has claimed Rs. 28,780 million under the head of LPS payable to gas creditors for the said year. The petitioner apprised that LPS is being recorded on accrual basis, as per the contractual obligation, as mutually agreed between parties, as tabulated below:

Table 21: Detailed of LPS expense on gas creditors

Description	LPS Accrued
PAKISTAN PETROLEUM LIMITED	13,455
OIL & GAS DEVELOPMENT COMPANY LIMITED	11,413
GOVERNMENT HOLDINGS (PVT) LTD.	2,703
SUI SOUTHERN GAS COMPANY LTD	1,037
REMAINING LPS TO PRIVATE/COMMERCIAL ENTITIES	169
Total	28,780

8.51 The Authority notes that LPS payable to state owned corporations/companies fall under the category of circular debt and the same has been deliberated in detail in previous determinations and reached finality. The Authority has never disallowed claim of the petitioner rather it has pended the amount till amicable solution with FG. The Authority again directs the petitioner to take up the matter with FG for amicable solution.

8.52 ***Keeping in view of the above, the Authority decided to allow Rs. 169 million on account of LPS outstanding amount for the said year.***

8.53 ***The petitioner has also claimed to Rs. 529 million on account of markup on running finance for the said year. The same is allowed in line with its decision already taken in this regard.***

9 Cumulative revenue shortfall pertaining to previous year

9.1 ***The*** petitioner has claimed Rs. 254,883 million on account of cumulative revenue shortfall pertaining to previous years upto FY 2019-20. The petitioner has submitted that the 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.

9.2 ***The Authority notes that Motion for review on FRR 2019-20 has been issued. Accordingly, cumulative revenue shortfall pertaining to previous years is determined at Rs. 204,847 million upto 2019-20, as per table below;***

Description	Rs. in Million
Shortfall upto FY 2017-18	122,177
Shortfall of FY 2018-19	44,915
Shortfall of FY 2019-20	37,755
Total	**204,847**

9.3 ***The Authority has not included any impact as part of instant determination and decides to refer the matter in respect of previous years' shortfall to FG for devising of appropriate policy so that the revenue shortfall as determined by OGRA is met.***

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10 RLNG Cost of service

10.1 The petitioner has claimed RLNG cost of service at Rs. 64,605 million (i.e. Rs. 210.34/MMBTU) including differential on account of diversion of RLNG molecules to domestic and commercial sector for the said year, based on actual throughput volume for the said year, as per table below;

Table 22: Detailed Breakup of RLNG cost of Service FY 2020-21

Particulars	Petition
Quantitative Data	BBTU
RLNG Input	417,013
Retainage / gas used in FSRU	(1,696)
GIC	(4,567)
UFG	(15,153)
RLNG sold as System gas	(28,306)
Retained by SSGC	(60,147)
Net RLNG handled/Sold	307,143
Cost Components	Million Rs.
Amortization of Deferred Credit	(833)
Late Payment Surcharge Income	(2,473)
Depreciation	4,091
Return on Assets	6,998
Gas Internally Consumed	3,595
Transportation charges payable to SSGC	7,349
T&D costs including HR	3,682
Markup on RF & Finance Cost on LNG Borrowings upto FY 2020-21	21,634
WPPF & WWF	352
Total Cost of Supply for FY 2020-21	44,594
Cost of Supply (Rs/MMBTU)	145.19
GIC adjustment for FY 2019-20 as per respective volume	
Differential of rate of RLNG diverted to system gas consu	20,011
Per unit cost of RLNG diversion	65.15
Total Cost of Supply for FY 2020-21	210.34

10.2 The petitioner has requested that RLNG cost of supply should be based on actual throughput volumes so as to ensure the entire recovery. The petitioner has also requested to exclude RLNG diverted volumes as well as the volume retained by SSGCL for the purpose of computation of cost of RLNG service as the same is not available for its consumers.

10.3 The petitioner has pointed out that RLNG segment has reached 50% of entire sales volume, therefore, the petitioner, through a later another communication, requested to allocate proportionate T&D cost to RLNG cost of service/business on the basis of projected sales volume.

10.4 The Authority notes that matter of computation of RLNG cost of the petitioner has reached finality as part of its decisions of RERR for FY 2021-22 & MFR FRR FY 2019-20. ***In the light thereof, RLNG cost of service is re-calculated as per table below on provisional basis subject to adjustment based on the volumes ascertained by the audit on this account, as per table below:***

Particulars	As Calculated
Quantitative Data:	BBTU
RLNG Input	417,013
Retainage / gas used in FSRU	(1,696)
GIC	(2,941)
UFG	(15,153)
RLNG sold as System gas	(28,306)
Retained by SSGC	(60,147)
Net RLNG handled/Sold	308,769
Cost Components:	
Amortization of Deferred Credit	(833)
Late Payment Surcharge Income	(2,473)
Depreciation	4,091
Return on Assets	6,998
Gas Internally Consumed	3,603
Transportation charges payable to SSGC	7,612
T&D costs including HR	15,221
WPPF & WWF	352
Total Cost of Supply for FY 2020-21	34,569
Cost of Supply (Rs/MMBTU)	111.96
GIC adjustment for FY 2019-20	15.52
Total Cost of Supply for FY 2020-21	127.48

11 Summary of Discussion & Decision

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

11.2 ***In exercise of its powers under Section 8(2) of the Ordinance, the Authority determines the FRR for the said year at Rs. 229,787 million as against petitioner's claim of Rs. 275,064 million, as tabulated below:***

Table 23: Components of FRR for FY 2020-21 as Determined by the Authority

Particulars	Claimed by the petitioner	As allowed
		Million Rs.
Cost of gas sold	179,682	179,682
UFG (disallownce) / allowance	(750)	(3,092)
Transmission and distribution cost	28,398	14,766
Gas internally consumed	552	552
Depreciation	16,355	16,355
Late Payment Surcharge (Payable) & Financing cost	29,310	698
Workers Profit Participation Fund	1,320	629
Return on assets	20,197	20,196
Additional revenue requirement for LPG Air-Mix Projects	-	-
Total Revenue Requirement (Exc. Previous year shortfall)	275,064	229,787

11.3 **The petitioner's actual net operating income is Rs. 190,848 million and thus there is a shortfall of Rs. 38,939 million for the said year (Annex-A) resulting in an average prescribed price of Rs. 631.77/ MMBTU for the said year.**

11.4 The Authority notes that it has been determining prescribed prices on annual basis as per its mandate provided in the Ordinance. However, owing to insufficient sale price revision by the FG in the past, the petitioner remained unable to meet the shortfall in the revenue requirements as determined by the Authority for each financial year. Accordingly, this backlog on account of insufficient revision in gas sale prices is persistently piling up and has now touched Rs. 204,847 million. The Authority, therefore, in the instant determination, has determined the prescribed price based on the revenue requirement for the said year i.e. FY 2020-21 only and decides to refer the matter in respect of recoupment of previous years' shortfall to the FG so that appropriate actions be taken in this respect.

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

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

11.7 ***All other directions/decisions issued at DERR/RERR for the said year, unless specifically revised/amended shall remain in full force and effect.***

Zain-ul-Abideen Qureshi
(Member Oil)

Muhammad Arif
(Member Gas)

Masroor Khan
(Chairman)

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

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1 Computation of Final Revenue Requirement FY 2020-21

Annex-A

Million Rs.

	Particulars	The Petition	Adjustment	As Allowed
	Gas sales volume -MMCF	348,537	-	348,537
	BBTU	339,046		339,046
"A"	**Net Operating revenues**			
	Net sales at current prescribed price	175,261	-	175,261
	Rental & service charges	3,694	-	3,694
	Amortization of deferred credit	2,426	-	2,426
	Late Payment Surcharge and interest on arrears	6,847	-	6,847
	Transportation Income	760	-	760
	TPA imbalance charges	641	(641)	-
	Other operating income	1,860	-	1,860
	Total income "A"	**191,489**	(641)	**190,848**
"B"	**Less Expenses**			
	Cost of gas sold	179,682	-	179,682
	UFG adjustment	(750)	(2,342)	(3,092)
	Transmission and distribution cost Including HR cost	27,627	(13,920)	13,706
	Gas internally consumed	552	0	552
	Depreciation	16,355	-	16,355
	Impact of IAS 19 - Recognization of Actuarial Losses/(gains)	1,213	-	1,213
	Late Payment Surcharge (Payable)	28,780	(28,611)	169
	Mark up on Running Finance	529	-	529
	Effect of Adoption of IFRS-9 (Expected Credit Loss) for FY 2020-21	(1,043)	1,043	-
	Effect of Adoption of IFRS-9 (Expected Credit Loss) upto FY 2018-19	755	(755)	-
	Prior Year Adjustment (Operating Expenses)	(153)	-	(153)
	Worker's Welfare Fund	369	(193)	176
	Workers Profit Participation Fund	951	(498)	453
	Total expenses "B"	**254,867**	(45,277)	**209,591**
"C"	**Operating profit / (loss)(A - B)**	**(63,378)**	**44,636**	**(18,743)**
	Return required on net assets:			
	Net assets at begining	133,354	-	133,354
	Net assets at ending	139,385	(159)	139,226
		272,739	(159)	272,580
	Average fixed net assets (I)	**136,369**	(80)	**136,290**
	Deferred credit at begining	20,415	-	20,415
	Deferred credit at ending	20,579	(157)	20,422
		40,994	(157)	**40,837**
	Average net deferred credit (II)	**20,496**	(77)	**20,418**
"D"	**Average operating assets (I-II)**	**115,874**	(2)	**115,871**
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required	20,197	(0)	20,196
"F"	(Excess) / Shortfall FY 2020-21 - gas operations (E-C)	**83,575**	**(44,636)**	**38,939**
"G"	Additional revenue requirement for LPG Air-Mix Projects		-	-
"H"	Shortfall FY 2020-21 without previous years shortfall (F+G)	**83,575**	**(44,636)**	**38,939**
	Average Incr/(Dec) in Prescribed Price FY 2020-21 (Rs/MMBTU)	**246.50**	**(131.65)**	**114.85**
"I"	**Total Revenue requirement FY 2020-21 (B+E+G)**	275,064	(45,277)	229,787
	Average Prescribed Price (PP) FY 2020-21(Rs/MMBTU) w.e.f 01.07.2021	**763.43**	**(131.65)**	**631.77**

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2. Cost of Gas Sold Statement FY 2020-21

Annex-B

FIELD NAME	VOLUME				RATE	AMOUNT
	MMBTU/D	MMCFD	MMCF	B-BTU	RS/MMBTU	RS IN MILLION
OPENING STOCK OF GAS	69	73	2,177	2,064	486.39	1,003.902
GAS PURCHASED DURING 2019-20						
SUI SML	175	184	66,978	63,938	412.41	26,368.872
SUI-SUL	7	7	2,624	2,549	414.70	1,057.016
TOTAL SUI	182	191	69,602	66,487	412.50	27,425.888
LOTI	11	13	4,770	3,993	226.53	904.571
PIRKOH	0	0	94	79	168.28	13.286
DHURNAL	-	-	-	-	-	-
DAKHNI	12	11	3,970	4,265	241.26	1,029.049
ADHI	53	49	18,045	19,419	241.52	4,690.034
BHANGALI	-	-	-	-	-	-
RATANA	2	1	519	587	635.99	373.154
RATANA MEYAL						
SADKAL	0	0	151	178	552.18	98.032
DHODAK	1	1	450	518	481.52	249.223
QADIRPUR(PROCESSED)	105	120	43,853	38,321	442.31	16,949.873
QADIRPUR(DEHYDERATED)	-	-	-	-	-	-
QADIRPUR(LIBERTY POWER LTD-RAW)	23	28	10,149	8,499	397.92	3,381.867
QADIRPUR(PERMEATE)	17	25	9,036	6,169	397.10	2,450.960
DEHYDRATION CHARGES @ RS 3.32			-	-	-	29.916
TOTAL QADIRPUR	145	173	63,039	52,989	430.51	22,812.617
PARIWALI	3	3	931	1,000	490.16	490.033
PINDORI	1	1	228	262	481.02	125.935
TURKWAL	-	-	-	-	-	-
DHULIAN	1	1	364	391	157.46	61.375
MEYAL	1	0	169	184	157.46	28.956
BELA/UCHDH	-	-	-	-	-	-
HASSAN	2	3	1,100	803	421.54	338.516
ZAMZAMA-SNGPL	6	7	2,550	2,073	467.51	969.261
ZAMZAMA-GUDDU	-	-	-	-	-	-
TOTAL ZAMZAMA	6	7	2,550	2,073	467.51	969.261
SAWAN	12	12	4,291	4,413	478.37	2,111.204
CHANDA	11	10	3,612	4,087	478.42	1,955.237
REHMAT-MUBARIK	-	-	-	-	-	-
SAQIB-IA	-	-	-	-	-	-
BADAR	8	13	3,335	3,079	371.05	1,142.443
KANDKOT	6	7	2,498	2,035	251.94	512.597
MAKORI	0	0	2	2	493.15	0.864
MAKORI EAST	71	69	25,095	26,030	542.56	14,122.909
MANZALAI GURGURI	-	-	-	-	-	-
MANZALAI CPF	19	18	6,489	6,855	462.62	3,171.460
CHACHAR	0	0	155	127	221.76	28.128
MELA	10	10	3,545	3,801	439.85	1,671.869
NASHPA	84	80	29,333	30,706	443.77	13,626.186
SALSABIL	3	3	1,109	1,109	621.26	689.112
SALSABIL-CHILTAN	0	0	26	22	461.18	10.366
TAJJAL	0	0	58	60	790.31	47.395
KOONJ	0	0	53	46	1,835.81	84.523
MAMIKHEL	12	12	4,198	4,415	522.37	2,316.832
SHIEKHAN	-	-	-	-	-	-
MARAMZAI	126	121	44,007	46,098	543.06	25,033.661
MARI DEEP	-	-	-	-	-	-
LATIF	9	9	3,158	3,248	868.26	2,819.768
MARI ENGRO	71	98	35,937	25,999	237.81	6,182.837
SOGHARI	7	7	2,481	2,666	783.63	2,088.975
MARDANKHEL	44	41	15,115	15,971	739.26	11,806.469
KALABAGH	3	3	933	1,046	910.58	952.062
MAKORI DEEP	8	8	2,770	2,874	761.71	2,188.929
JHANDIAL	3	2	909	976	749.64	731.521
TOLANJ	1	3	932	945	543.95	513.781
TOLANJ WEST	8	6	2,186	2,214	755.39	1,672.407
DHOK HUSSAIN	9	9	3,424	3,427	799.58	2,740.190
TOGH I	13	12	4,551	4,812	750.22	3,609.919
MARI HRL	2	3	1,195	870	579.26	503.881
TOTAL GAS PURCHASED	962	1,012	369,399	351,178	461.15	161,945.672
LESS: SUPPLIED TO PPL	(0)	(0)	(116)	(111)	418.23	(46.078)
	962	1,012	369,283	351,067	461.16	161,899.594
EXCISE DUTY			-	-	-	3,510.669
	962	1,012	369,283	351,067	471.16	165,410.263
EQUALISATION OF COST-SSGCL			-	-		-
GST ON EXEMPT COSUMERS			-	-	-	-
EXCHANGE LOSS/(GAIN)						615.436
AVG.RATE FOR 2019-20						(419.467)
	962	1,012	369,283	351,067	471.72	165,606.231
TRANSP.CHARGES-ZAMZAMA/HASSAN			-	-	-	323.638
GROSS PURCHASES	962	1,012	369,283	351,067	472.64	165,929.869
EXCHANGE LOSS/(GAIN)						419.467
GAS INTERNALLY CONSUMED	(8)	(8)	(2,903)	(2,760)	471.94	(1,307.909)
CLOSING STOCK OF GAS	(69)	(74)	(2,208)	(2,084)	477.40	(994.870)
GAS AVAILABLE FOR SALE	934	1,004	366,349	348,287	473.89	165,050.459
UN-ACCOUNTED FOR GAS	(102)	(90)	(32,718)	(37,176)		
NET GAS SOLD BUT NOT BILLED	0	0	37	57	-	-
ENERGY EQUALENCE VOLUME TO LNG	-	(39)	(14,039)	-	-	-
GAS SOLD	833	876	319,611	311,167	530.42	165,050.459
		1.414823	516.41			
ADD: RLNG SOLD AS SYSTEM GAS	77	73	26,641	28,306	516.92	14,631.902
PAK ARAB TRANSPORTATION						
GAS RECEIVED FOR TRANSPOTATION	37	44	15,944	13,715		
GAS DELIVERED	(39)	(39)	(14,176)	(14,143)		
NET GAS SOLD-SYSTEM	929	953	348,537	339,046	529.96	179,682.362

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3. HR Benchmark computation

Annex-C

Particulars	FRR FY 2019-20	FY 2020-21
	Per OGRA	Per OGRA
SNGPL	Million Rs.	Million Rs.
HR benchmark Cost Parameters		
Base Cost	15,144	16,294
CPI factor	10.74%	8.90%
T & D network (Km)	145,476	152,463
Number of Consumers (No.)	7,043,147	7,415,435
Sales Volume (MMCF)	649,946	711,399
Unit Rate (Rs./unit)		
T&D network (Rs./Km)	**108,516**	**112,006**
No. of Consumers (Rs./Consumer)	**2,236**	**2,313**
Sale Volume (Rs./MMCF)	**19,948**	**25,070**
HR Cost Build-up (Million Rs)		
Cost CPI - 50%	813	725
T & D network (Km) - 25%	3,947	4,269
Number of Consumers (No.) - 65%	10,238	11,151
Sales Volume (MMCF) - 10%	1,297	1,783
HR Benchmark Cost	16,294	17,929
IAS Cost (incremental impact)	274	528
Total HR Benchmark Cost with IAS-19	**16,568**	**18,457**
Adjustment of CPI FY 2019-20		(29)
HR Cost Allowed after Adj. (Million Rs)		18,428

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