Sr. No.	Description	Cost (Rs. Million)
	Transmission Lines	
1	18"Ø x 230 KM proposed transmission line from Bannu West Well -1 upto Daudkhel (including uplifting cost of 18" Ø x 255 KM transmission line from AC-1 (Guddu) to AC-6 (Multan) along with uplifting of valves and fittings, de-coating and gas purging	18,495
2	8"Ø x 65 KM proposed transmission line from Wali Well-1 upto proposed V/A KakaKhel	3,446
3	Estimated markup cost to be capitalized during construction period in accordance with International Accounting Standards	1,500
	Total Cost	**23,441**

2.2.3.4 The aforementioned projected was submitted to OGRA vide our letter No. RA-TAR-22-23(P)-011 dated June 16, 2022 for the Authority's consideration and approval under clause 20 (XVIII) of the Natural Gas Regulatory Authority (Licensing Rules), 2002. The Authority vide its letter dated June 24, 2022, accorded approval of the project under the said provisions of NGRA (Licensing Rules), 2022.

2.2.3.5 ***In view of the above and in order to enable the Company to recover the ROA, Depreciation and other operating costs through gas pricing, the Authority is requested to make it a part of the ERR for FY 2022-23 and include the same in rate base.***

2.2.4 Laying of Pipeline On 100% Cost Sharing Basis for the Supply Of 20 MMCFD RLNG at Zero Point of Bahawalpur Industrial Estate

2.2.4.1 The Government of Pakistan is developing Bahawalpur Industrial Estate at District Bahawalpur through the Punjab Industrial Estate Development & Management Company (PIEDMC) which is a subsidiary of the Government of the Punjab.

2.2.4.2 Recently, M/S PIEDMC have requested SNGPL for the provision of 20 MMCFD gas to Bahawalpur Industrial Estate along with cost estimates for the construction of gas infrastructure against desired gas load. Accordingly, a system analysis has been carried out which reveals that 10" dia x 1.35 Km transmission spur is to be laid by taking off-take from A5- Bahawalpur transmission segment at MP 25.85 to terminal point inside the boundary of Bahawalpur Industrial Estate (as identified by PIEDMC) along with SMS cum CMS having capacity of 20 MMCFD shall be required to cater desired gas load of Bahawalpur Industrial Estate.

2.2.4.3 The project envisages pipeline route survey, detail design engineering, material procurement, land acquisition and construction / laying of pipeline infrastructure. The land measuring 300' x 170' shall be required for the construction of SMS cum CMS inside the boundary of Bahawalpur Industrial Estate at terminal point which shall be provided by M/s PIEDMC authorities free of cost.

2.2.4.4 Total estimated cost for the pipeline infrastructure (excluding the land cost of SMS cum CMS) to be developed for providing the desired gas at Bahawalpur Industrial Estate (SEZ) shall be Rs. 520 million and shall be undertaken on 100% cost sharing basis.

2.2.4.5 Procurement and installation of metering gadgets for this project at the total budgeted cost of Rs. 57 million (Fifty-Seven Million Rupees Only) shall be arranged from Company's own resources. The related capitalization for metering component will be entitled to rate of return.

2.2.4.6 The Board of Directors in its 586th meeting held on June 16, 2022 has accorded approval of the instant project. Approval of the same along with the detailed agenda is attached as ***Annexure-B***

2.2.4.7 ***In view of above, the Authority is requested to kindly approve aforementioned project at total cost of Rs. 577 million out of which Rs. 57 million pertains to metering gadgets that will be entitled for rate of return.***

It is further requested that this amount may kindly be included in the rate base as mere principal approval will likely lead to accumulation of shortfall in revenue requirement while adjustment of the same in the future sales price may become difficult.

2.3 DISTRIBUTION DEVELOPMENT:

2.3.1 System Augmentation:

2.3.1.1 This budget under the head has been allowed subject to certain conditions / guidelines i.e., to comply with the conditions as per framework devised by the Authority vide **DERR 2021-22 [Para 5.17.6]**. These conditions / guidelines require perusal and advice from competent Authority. It is worthwhile to mention here that this budget is meant for augmentation of existing distribution network and neither any locality is added nor additional requirement of gas is involved in such cases. Moreover, the pipelines under this head are proposed/approved for rectification of low gas pressure issues against consumer complaints while the existing consumers also get benefit in the form of improved gas pressures through laying of these pipelines.

2.3.1.2 The budget against this head is essentially required as there are a number of operational phases / system augmentation proposals which have been recommended by Planning & Development (P&D) department of the company on operational requirement but are pending due to requirement of budget. Presently, operational phases amounting to **Rs. 2,793 million** are pending which have been technically recommended by P&D department. These operational phases will be processed through System Augmentation Budget FY 2022-23. Similarly, there are number of proposed operational phases which are at different stages of technical evaluation by region(s) / P&D department. These will also be processed from System Augmentation Budget FY 2022-23, after final recommendation by P&D department.

2.3.1.3 ***In view of the above, the Authority is requested to allow Rs. 2,900 million for 290 Kms under this head for FY 2022-23 without the condition/guidelines i.e., to comply with the conditions as per framework devised by the Authority vide DERR 2021-22 [Para 5.17.6] on the understanding that such augmentations are operational required for provision of un interrupted supply of gas to the existing consumers as there is no additional gas requirement for carrying out such augmentation.***

It is further requested that this amount may kindly be included in the rate base as mere principal approval will likely lead to accumulation of shortfall in revenue requirement while adjustment of the same in the future sales price may become difficult.

2.3.2 Laying of Network Against 100% Cost Recovery:

2.3.2.1 The Company has proposed the budget for laying of network against 100% cost recovery basis under two heads i.e., Rs. 5,600 million for RLNG cases and Rs. 1,400 million for System

Gas cases. In the DERR, the Authority allowed the total amount of Rs.7,000 Million out of which Rs. 5,600 million was approved under RLNG Ring Fenced Mechanism, whereas, remaining amount of Rs. 1,400 million had been allowed against system gas cases subject to certain conditions / guidelines i.e., to comply with the conditions as per framework devised by the Authority vide DERR 2021-22 [Para 5.17.6]. These conditions / guidelines require perusal and advice from competent authority.

2.3.2.2 Since the budget pertaining to system gas is in respect of the cases requested by the Judiciary, Armed Forces and other Government Institutions, therefore, qualify to be provided system gas.

2.3.2.3 It is further highlighted that among the system gas budget of Rs. 1,400 there are number of cases mainly related to Govt./Army institutions which require conversion from Bulk to Individual Metering (already on system gas), and will involve no additional gas requirement. We understand that the conditions as per aforementioned framework does not apply to cases for conversion from bulk to individual metering of consumers and involving no additional gas requirement. Based on this understanding, the company will execute such cases pertaining to Govt/Army institutions.

2.3.2.4 ***In view of the above, the Authority is requested to approve the amount of Rs. 1,400 million for laying of 323 Kms for indigenous gas system, without imposing any restrictions.***

2.3.3 System Rehabilitation:

2.3.3.1 OGRA has provisionally allowed Rs. 745 million as against the projected amount of Rs 4,790 million under the head. Following cogent reasons are being submitted for allowing the total amount:

- UFG reduction, as replacement of underground network is the core leakage control activity that will augment company's efforts w.r.t. UFG control because leakage is the most dominant UFG contributing factor.
- Fully complying with requirements of OGRA's Performance and Service Standards.
- Complying with environmental obligations as Natural Gas mainly comprises of Methane, is a greenhouse gas.
- Mitigating potential threat to life and property due to leakage.
- Corrosion Control Department has now furnished proposals for replacement of around 1,407 Km network that requires even more budget than the earlier worked out cost.

2.3.3.2 Company has made incremental progress on the activity in the past years i.e., from FY 2017-18 to FY 2020-21 as follows:

FY 2017-18 = 465 Km
FY 2018-19 = 499 Km
FY 2019-20 = 627 Km
FY 2020-21 = 888 Km
FY 2021-22 = 1,195 Km *(Target figures, out of which so far more than 1,000 Km has been replaced, while rest will be replaced by 30th June)*

2.3.3.3 ***In view of the importance of activity and historical trend of efforts made by the company, OGRA is requested to allow the total amount of Rs. 4,790 million for ongoing efforts against***

Leakage Control Program of company and include the same in the rate base.

2.4 UFG CONTROL ACTIVITIES:

2.4.1 Underground leakage identification:

2.4.1.1 OGRA has allowed Rs. 61 million as against the requested amount of Rs 165 million. OGRA is requested to allow the entire amount required for leakage detection surveys during fiscal year 2022-23 and other activities related to leakage detection i.e., surveys against SRP proposals, water in line and related emergency complaints, integrity assessments, leak survey in high loss areas, etc. Further, keeping in view the prevailing higher inflation rate and rise in execution costs, the proposed budget is essentially required.

2.4.1.2 Summary of Targets for Underground Leakage Detection UGLD surveys and achievements there against during the period from FY 2017-18 to FY 2020-21 is as under:

Financial Year	UGLD Surveys (Kms)	
	Target	Achievement
2017-18	22,118	22,121
2018-19	24,465	24,906
2019-20	26,021	36,154
2020-21	27,171	35,311

2.4.1.3 ***In view of the above, the Authority is requested to allow Rs. 165 million against identifications of underground leakages under this head for FY 2022-23 and include the same in the rate base.***

2.4.2 Underground leakage rectification:

2.4.2.1 OGRA has allowed Rs. 223 million as against the requested amount of Rs 603 million. The entire amount is requested to be allowed keeping in view following cogent reasons:

i. Leakage Control Program is one of the important constituents of KMIs advised by OGRA.
ii. UGLR, is key leakage control activity to augment company's efforts w.r.t UFG control.
iii. Mandatory compliance to OGRA's Performance and Service Standards.
iv. Compliance with environmental obligations as Natural Gas mainly comprises of Methane, which is a greenhouse gas.
v. Mitigating potential threat to life and property due to leakage.

2.4.2.2 Company has made progress with regard to underground leakages rectification in past years w.e.f. FY 2017-18 as follows:

FY 2017-18 = 30,955 No
FY 2018-19 = 33,006 No
FY 2019-20 = 35,586 No
FY 2020-21 = 39,408 No
FY 2021-22 = 16,359 No

In the absence of requisite budget, Company's efforts against leakage control will be adversely affected.

2.4.2.3 ***In view of the above, the Authority is requested to allow the total requested amount of Rs.***

603 million rectifications of underground leakages under this head for FY 2022-23 and include the same in the rate base.

2.5 MEASURING AND REGULATED ASSETS

2.5.1 Replacement of Old Meters:

2.5.1.1 OGRA has allowed Rs. 2,590 million as against the requested amount of Rs 3,900 million.

2.5.1.2 It is submitted that the reinstatement of proposed budget for replacement of domestic, commercial and industrial meter is essential due to following factors involved in procurement of domestic gas meters.

i. Increase in prices of raw materials in the recent past;
ii. High volatility in Rupee-Dollar parity;
iii. High production cost due to globally increased fuel prices & high inflation;
iv. Hike in freight charges.

2.5.1.3 The summary of the meters replaced by the Company during the period from FY 2016-17 to FY 2021-22 is as under:

Financial Year	Meters Replaced *(Nos.)*
2016-17	458,198
2017-18	724,755
2018-19	656,701
2019-20	613,303
2020-21	537,306
2021-22 *(up to April 2022)*	756,276

2.5.1.4 ***In view of the above, the Authority is requested to allow the total requested amount of Rs. 3,900 million for replacement of 909,828 meters during FY 2022-23 and include the same in the rate base.***

2.6 PLANT & MACHINERY AND OTHER REGULAR CAPEX:

Rs. in million

Sr. No	Description	ERR Petition	Allowed by OGRA in DERR	Incremental amount in Motion for Review	Total
I	Plant & Machinery (Regular CAPEX)	1,015	343	672	1,015
II	IT/MIS Eqp. (Hardware/Software)	745	387	358	745
III	Construction Equipment	370	252	118	370
IV	Transportation/Motor Vehicles	300	100	200	300
X	Tools & Equipment	120	30	90	120
	Total	**2,550**	**1,112**	**1,438**	**2,550**

2.6.1 Plant & Machinery:

2.6.1.1 OGRA has allowed Rs. 343 million as against the requested amount of Rs 1,015 million.

2.6.1.2 Under this budget head, Company proposes the amounts required for different types of equipment used in daily operations i.e.

- C.P. Equipment
- Electrical Equipment
- Fire Fighting Equipment
- Metering Equipment
- Power Plant & Equipment
- Sundry Equipment
- Survey Equipment
- Testing/Survey Equipment
- Workshop Plant & Equipment

Break-up of the amounts petitioned along with the brief description and significance of each item is given as ***Annexure-C.***

2.6.1.3 ***Authority has approved an insufficient amount, owing to which necessary equipment required for smooth operational activities cannot be purchased. In view of the same, the Authority is requested to approve the disallowed amounts of Rs. 1,438 Million, enabling us to start the procurement process and include the same in the rate base.***

2.6.2 Computer Hardware & Computer System, Software / Intangible Assets

2.6.2.1 OGRA has allowed Rs. 387 million as against the requested amount of Rs 745 million.

2.6.2.2 Under this budget head, Company proposes the amounts required for different types of computer equipment and software, used in operational activities for enhancement of existing capacity and replacement of equipment which have outlived their useful life:

- PC, UPS, Laptop, Printer, Scanners Etc
- Server Machine with storage
- Firewall Solution for Head Office
- Virtualization, Operating System and Antivirus for Virtualization for Regions
- Hand Held Units used for Meter Readings
- Wireless LAN Controllers and Access Points for connectivity of HO & Regions
- Layer-3 Switches for H.O & Regions
- Routers (Regions, Sub-Areas, CSCs & CCs).

Break-up of the amounts petitioned along with the brief description and significance of each item is given as ***Annexure-D.***

2.6.2.3 ***In view of the above, the Authority is requested to approve the remaining amount of Rs. 358 million and include the same in the rate base, enabling us to start the procurement process.***

2.6.3 Construction Equipment:

2.6.3.1 OGRA has allowed Rs. 252 million as against the requested amount of Rs 370 million.

2.6.3.2 Under this budget head, Company proposes the amounts required for different types of equipment used in construction activities e.g., Air Compressors, Cutter/Grinders/Wrench, Dewatering Pumps, Welding Machines, Fusion Tool Kits/ Bevelling Machines/ Stoppling Machines etc., Truck/Tractor/ Excavator.

2.6.3.3 The Authority has approved 68% of the proposed amount, owing to which, necessary equipment required to carry out the operational activities cannot be purchased due to the budgetary constraints and expected price hike.

2.6.3.4 It is pertinent to mention here that since the last couple of years, OGRA is approving the budget under this head to tune of 60%-65% of the proposed amount, owing to which the planed procurement of equipment for replacement of old one has also not been imitated.

2.6.3.5 Itemized details along with justifications are given as ***Annexure-E.***

2.6.3.6 ***In view of the above, the Authority is requested to approve the remaining amount of Rs. 118 million and include the same in the rate base, enabling us to start the procurement process.***

2.6.4 Motor vehicles:

2.6.4.1 OGRA has allowed Rs. 100 million in principle as against the requested amount of Rs 300 million.

2.6.4.2 For last 5 years, company is allocating major portion of the approved budget, under this head, for replacement of oldest operational vehicles, which have completed their useful life. In addition to the replacement of decades old vehicles some part of the budget is utilized for allocated vehicles handed over to senior executives as per their entitlement.

2.6.4.3 Further to this, recently, BOD has approved following policy measures for procurement and usage of operational vehicles of the company:

i. The number of operational vehicles of each department as on 29.02.2020 has been fixed as respective capping limit and any addition will be allowed against the scrapping of the existing vehicle.
ii. In order to eliminate the misuse, unauthorized utilization of company operational vehicles shall be regarded as misconduct and be dealt with under the relevant provisions of HR manual.
iii. Specifications of all operational vehicles i.e., jeeps, single cabin and double cabin pickups shall be restricted to indenting / procurement of only standard makes while strictly banning fancy & luxury features like alloy rims, wider tyres, automatic transmission, cruise control, temperature / climate control, DVD players and screens etc.
iv. Indenting of luxury and expensive jeeps, cross overs and SUVs shall be completely banned.

2.6.4.4 BoD's policy mentioned above is annexed as ***Annexure-F***, whereas, approximate numbers and financial impact of vehicles to be replaced (which have completed their useful life till June-21) is as follows:

Rs. in million

Nature of Vehicle	Number of Vehicles	Rs in million	
		Per Unit Price (Approx.)	Total Amount Required (Approx.)
APV Van	15	3.60	54
Boat	10	3.00	30
Bus	13	6.00	78
Motorcycle	1,298	0.10	130
Pick-up (S/Cabin) (4X2)	734	3.20	2,349
Suzuki Bolan	66	1.00	66
Toyota Hiace	27	5.20	140
Total	**2,163**		**2,847**

2.6.4.5 ***In view of the above, the Authority is requested to approve additional budget of at least of Rs. 200 million for procurement of operational and allocated vehicles and include the entire amount in the rate base.***

2.6.5 Tools & Equipment:

2.6.5.1 Under this budget head, Company proposes the amounts required for different types of loose tools used in daily operations.

2.6.5.2 Break-up of the amounts petitioned along with the justifications is enclosed as ***Annexure-G***.

2.6.5.3 The Authority has approved only 25% of the proposed amount, owing to which necessary equipment required to meet the operational requirements cannot be procured.

2.6.5.4 ***In view of the above, the Authority is requested to approve the disallowed amount of Rs. 90 million and include the same in the rate base.***

2.7 ESTABLISHMENT OF SUB REGION AND CUSTOMER SERVICE CENTRE (CSC)

2.7.1.1 It is submitted that the Authority has disallowed the up-gradation / establishment of following Sub Regional office, Customer Service Centers (CSCs) and Complaint Centers (CCs) vide its decision of DERR FY 2022-23.

Sr. #	Region	Company Office	Current Setup	Proposed Setup
1	Faisalabad	Shorkot City	CC	CSC
2		Kamalia	CSC	Sub Regional Office
3	Mardan	Timergara	CC	CSC
4	Lahore	Kot Radha Kishan	CC	CSC
5	Multan	Jalal Pur Pirwala	CC	CSC
6	Sargodha	Sillanwali	Nil	CC
7	Sheikhupura	Nankana City	CSC	Sub Regional Office

2.7.1.2 The above-mentioned cases fulfill the required criteria for establishment of proposed setups. Furthermore, Honorable Parliamentarians have also recommended establishment of these offices.

2.7.1.3 It appears that the Authority has ignored the consumer density, geographical spread and considerable distances from current Company's offices for the consumers of these areas.

2.7.1.4 ***In view of the above, the Authority is requested to kindly allow the up-gradation / establishment of above-mentioned CSCs and Sub Regional Offices.***

2.8 ESTABLISHMENT OF REGIONAL OFFICE AT KARAK & UPGRADATION OF CSC AT BANNU & HANGU TO SUB AREA OFFICES

2.8.1.1 This refers to decision of OGRA regarding ERR of FY 2021-22 through which capital budget amounting to Rs. 103 Million has been allowed in principle by the Authority for up-gradation of Karak Office only instead of establishment of regional office at Karak. In this context, it is submitted that establishment of dedicated Regional office at Karak is essentially required to ensure SNGPL's effective presence in Oil and Gas producing areas for creating deterrence to avoid recurrence of illegal taps & illegal networks / connections and to facilitate the consumers. Further, it is apprised that:

- Currently, Karak office is under administrative control of Peshawar Region, whereas High UFG areas are approx. 130 Km away from Peshawar Regional Office and involves approx. 3 - 4 hours travel time and as such managing different development, Operational, Customer Services maintenance and UFG control activities from Regional Office is difficult.

- Subsequent to the network laying activities (out of 474 Km, 440 Km network has been laid/commissioned) against Phase-1 of network extension/ rehabilitation (under 4 SMSs), approx. 19,000 new gas connections are to be provided that require fully established independent office with all requisite resources, equipment/gadgets. Furthermore, Phase-2 of the project (under remaining 10 SMSS) has been recommended by Development Working Party (DWP) and after approval of BOD, it has been submitted to Ministry of Energy (Petroleum Division) for arranging approval of ECC. It has apprised that ECC has also approved Phase-2. Network extension/rehabilitation against Phase-2 of the project will be followed by installation of new gas connections. More than 50,000 new gas connections will be installed after gasification of all localities/villages under remaining 10 SMSs.

- Dedicated In-charge and other executives/staff for gas theft control, operation, maintenance and development activities have already been posted in Karak from the existing manpower along with hiring of new building to execute different operational and development activities. 6,682 Nos. illegal taps have been removed from T&D network in Oil & Gas producing areas (Karak etc.) during FY2020-21 and 91 FIRS has been lodged against gas pilferers. Rectification of underground leakages and replacement of leaking line segment are also being carried out. As a result of these and other UFG control activities, gas losses have reduced from 16,176 MMCF during FY2019-20 to 10,069 MMCF in FY2020-21 indicating a reduction of **6,107 MMCF.**

- All these UFG control activities (theft and leakage control) are also being carried out during FY2021-22 and as on September, gas losses have reduced by **552 MMCF** from 2,569 MMCF (as on Sep-20) to 2,017 MMCF (as on Sep-21).

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- In order to further strengthen the campaign against gas theft, 02 Nos. Police Stations dedicated for SNGPL, are also being established in Karak for which approval has already been obtained from Provincial Authorities and TORS have been agreed between SNGPL and KPK Police. Moreover, regular FC personnel have also been hired for gas theft control activities and protection of gas network in Oil and Gas producing areas of KPK.

- It may be noted that present sub-area Kohat & DI Khan, proposed sub-areas Hangu & Bannu, present CSC Lakki Marwat and CC Tank will be part of Karak Region. All these offices will be looked after from the proposed regional office at Karak, which is located at a central position geographically of proposed regional setup and is the main district contributing in gas losses of SNGPL.

- DI Khan and Bannu are even further away from Peshawar regional office involving travelling time of around 4-5 hours. Gas losses in Bannu, Kohat and DI Khan are also on higher side and it is difficult to manage/monitor UFG control activities from regional office, Peshawar. Therefore, establishment of regional office at central location i.e. Karak is essential to facilitate the consumers of above stated cities/towns and to strengthen efforts to control gas losses in all these areas.

- Present consumer base of proposed Karak region is as under:

Industry:	39 Nos
Commercial:	355 Nos
Special Domestic:	337 Nos
Domestic:	113,041 Nos

  This consumer base is quite enough to establish a separate small region which will further increase as new connections are being installed in these areas.

- Local MNAs and other political notables have time and again pressed us hard to establish Regional Office at Karak to facilitate general public.

2.8.1.2 ***In view of the above, establishment of regional office at Karak along with up-gradation of CSCs at Bannu and Hangu to sub area offices is essentially required. Therefore, it is requested to kindly allow the establishment of the same along with approval of the budgetary provisions as given below:***

Sr#	Description	Petition	Already Allowed	Motion for Review
1	Capital Budget	152.44	103.00	49.44
2	Revenue Budget	62.48		62.48
3	Additional HR Expenditure	166.26		166.26
4	Total	**381.18**	**103.00**	**278.18**

2.9 PRINCIPLE APPROVAL OF CAPITAL PROJECT

2.9.1.1 It is submitted that the Authority is in practice of principally allowing/approving the capital expenditures and projects and not including the same in the rate base.

2.9.1.2 Although, the same is being included in the rate base at the time of FRR, however, such practice is resulting into late/non-recovery of revenue requirement and ultimately increasing the quantum of previous years' unrecovered shortfall.

2.9.1.3 ***Keeping in view the current amendments in the Section 8(3) of OGRA Ordinance, the Authority is requested to kindly look into the matter and include the Capital expenditures in the rate base of that year in order to reflect their impact in the gas prices and enabling the Company to timely recovering the revenue requirement and avoid further deterioration of much needed liquidity.***

2.10 CHANGE IN DEPRECIATION RATES

2.10.1.1 Authority had approved the uniform depreciation rates for natural gas distribution & transmission companies in its decision on ERR FY 2021-22. SNGPL has already submitted its reservation on increase in book life of the following items in Motion for Review on ERR FY 2021-22 and ERR FY 2022-23.

2.10.1.2 **We again reiterate our stance on the same with respect to International Accounting Standards and the real useful life of these assets.**

IAS 16 Property, Plant and Equipment outlines the accounting treatment of property, plant and equipment:

Depreciation (cost and revaluation models):

- The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life [IAS 16 para No. 50].
- The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity [IAS 16 para No. 60].

2.10.2 Consumer Meter Stations: existing 10 years to 20 Years

2.10.2.1 The useful economic life of meters is dependent on field conditions and the amounts of volume that has passed through the meters against its designed maximum flow. However, the appropriate average useful life of meters is considered as 10 years.

2.10.2.2 Information pertaining to useful life of meters is not generally given by the manufacturers in their technical literature,

2.10.2.3 Useful life of meters directly depends on quality of gas, environmental conditions, logistics & meter handling. We are of the view that an estimated useful life of ten years is more appropriate, based on the study made by our Company in 2006 to determine the representative serviceable life of these meters.

2.10.2.4 Most of the domestic meters installed in our network till the year 2013 are manufactured by SSGC. In a study conducted by the Company in 2006 to determine the representative useful life of gas meters, and during the study the opinion of SSGC's licensor's (M/s. Actaris) was also acquired to determine economic life between ten and twenty years, depending on quality of gas, environmental conditions, logistics & meter handling. However, Management was of the firm view that an estimated useful life of 10 years is more appropriate,

2.10.2.5 Justification/rationale along with manufactures data sheet in support of their useful economic life is attached as ***Annexure-H.***

2.10.3 CP System: existing 10 years to 40 years

2.10.3.1 Cathodic Protection (CP) is a technique to reduce the corrosion rate of a metal surface by making it the cathode of an electrochemical cell. This is accomplished by shifting the potential of the metal in the negative direction by the use of an external power source (referred to as impressed current CP).

2.10.3.2 In the case of an impressed current system, a current is impressed on the structure / Pipeline by means of a power supply, referred to as a Transformer rectifier, and an anode buried in the ground.

2.10.3.3 The following is the detail of equipment installed in CP Station:

Sr. No.	**CP System Equipment**	**Useful Life**	**Justification / Comments**
1.	Transformer Rectifier Unit (Air Cooled)	10 Years	▪ Transformer Rectifier Unit is used as DC power source to energize the Cathodic Protection system. Transformer Rectifier is comprised of three major components i.e. transformer, rectifier stack & cabinet enclosure. Additional items being part of Transformer rectifier include Circuit Breakers, protection devices, surge arrestors, voltage & current measurement devices etc. SNGPL is fabricating manually controlled Air-Cooled Transformer Rectifier Unit (50V/50A) for their CP System and of the useful service life of the rectifier is 10 years. Transformer Rectifier remains operational 24/7 and is subject to harsh environment conditions and elevated ambient temperatures which affects its useful life. The operating manual of Air-cooled Transformer Rectifier unit is enclosed herewith as ***Flag-A.***
2.	Thermoelectric Generator	10 Years	▪ Thermoelectric generator is based on principle of Seebeck effect which converts heat energy into electric energy. The Seebeck effect is a phenomenon in which a temperature difference between two dissimilar electrical conductors or semiconductors produces a voltage difference between the two substances. The main components of generator are gas fuel combustion chamber, heat receiver, thermoelectric module, and a radiator. Heating of one end of the thermoelectric module and cooling of another end creates the voltage. Thermoelectric Generators don't have any moving parts and thus require very less maintenance during the operating life. The technical data sheets of generators being used at SNGPL are enclosed herewith as ***Flag-B***. The useful life of the generators is 10 years in view of given decrease in their output with time. Thermoelectric generators remain operational 24/7 and is subject to harsh environment conditions and elevated ambient temperatures which affects its useful life.
3.	Solar Panel CP	10	Solar Panel Cathodic Protection system utilizes solar power

Sr. No.	CP System Equipment	Useful Life	Justification / Comments
	System	Years	to provide cathodic protection to pipeline networks. The solar panel CP system comprises of three major components i.e. solar panels, charge controllers and battery bank. The technical data sheets of all the components of solar panel CP system are enclosed herewith as ***Flag-C.*** Considering all the components of Solar panel CP system the useful life is 10 years in view of given decrease in their output with time. Solar Panel CP system remains operational 24/7 and is subject to harsh environment conditions and elevated ambient temperatures which affects its useful life.

2.10.3.4 Justification/rationale along with manufactures data sheet in support of their useful economic life is attached as ***Annexure-I.***

2.10.4 UPS for PCs: existing 3 years to 10 years

2.10.4.1 These assets are capitalized as sub category of Plant & Machinery. While changing the depreciation rate of the Plant & Machinery, the Authority has also changed the rate of this sub category;

2.10.4.2 In this regard, it is submitted that depreciation rate of these items was changed to 33% from 10% in FY 2018-19 after having BOD's approval 486th meeting 25-04-2017. The same was also approved by OGRA in its decision on ERR FY 2017-18.

2.10.4.3 Main reason for changing depreciation rate of this equipment is the type and use of this equipment. As this is a small size UPS along with the small battery used for electricity back-up in case of power failure and resumption on alternate power generation i.e. generator.

In view of the above, the Authority is requested to review its decision on factual grounds and in the light of International Accounting Standards and allow the depreciation in line with the useful life of the assets *which is given as under*:

i. Consumer meter station as 10 years;
ii. CP system as 10 years; and
iii. UPS for PCs as 3 years.

3 COST OF SUPPLY OF RLNG

3.1 RLNG DIVERSION

3.1.1.1 The Authority stated that the Company has projected RLNG volume to the tune of 62,432 BBTU to be diverted to domestic gas consumers. Authority highlighted that Diversion impact has been taken at the beginning of financial year without providing any tenable basis. The company has projected diversion of RLNG equivalent to 62,432 BBTU based on the depletion of indigenous gas sources coupled with increase in number of domestic consumers and severe winter season. Since this gas will not be sold to RLNG consumers, therefore, cost of supply of RLNG will not be recovered which has resulted into double loss to SNGPL as explained hereunder:

i. Non-recovery of diversion cost i.e., difference of purchase price of RLNG and sales price of the system gas (mostly domestic sector) which has resulted into accumulation of about Rs. 190 billion up to FY 2021-22.

ii. Non-recovery of cost of supply in respect of the diverted RLNG as the same will not be sold to RLNG consumers at RLNG price wherein cost of supply component is included.

3.1.1.2 RLNG diversion towards domestic sector is a reality and as of today significant quantities of RLNG are being diverted, therefore, its exclusion from sales at the time of ERR does not appear to make sense. We further request that due weightage should be given to the diverted volumes while calculating the cost of supply of RLNG at the time of ERR in line with the determination of FRR.

3.1.1.3 ***In view of the above explained facts, and in order to enable SNGPL to recover the total cost of supply as determined by OGRA, it is requested that while calculating the Avg. rate of Cost of Supply, this volume must be deducted from the input RLNG volumes.***

3.2 SYSTEM USE GAS (SUG) AT SSGC NETWORK

3.2.1.1 While determining the transportation tariff of SSGC in connection with transportation of SNGPL's RLNG from Port Qasim to Sawan, the practice of allowing SUG has been discontinued by the Authority and in lieu thereof, they have been advised to deduct the RLNG volumes of SNGPL in line with the provisions of the GTA and TPA Rules, 2018. While we agree that this is also one of the treatments for compensating the transporter on account of SUG under GTA and TPA Rules, it is, however, highlighted that the impact of deducted RLNG volumes by SSGC and its related costs then has to be allowed to SNGPL as a part of its SUG. In case SSGC is allowed to deduct SUG volume from our transported RLNG without allowing the cost of the same in the end consumer RLNG price of SNGPL consumers then Company will suffer a huge irreparable loss without any just reason.

3.2.1.2 The company has projected a volume of 2,091 BBTU at the total cost of Rs. 4,792 million as SUG in SSGC network. In order to recover the cost of SUG in SSGC's RLNG transportation pipeline, the Company included the projected volumes and amount of SSGC's SUG in the cost of supply of RLNG, however, the Authority has stated DERR that the claim of SUG volume at SSGC system is not appropriate at the stage of ERR. Any volume in this respect shall be considered by the Authority at FRR stage based on actual figures.

3.2.1.3 In the light of the above explained facts, it is requested that SSGC may only be allowed to deduct our RLNG on account of SUG if such volumes and associated costs have been accounted for in the RLNG cost of supply of SNGPL.

3.2.1.4 We understand that SSGC's SUG is a necessary component of RLNG pricing and SSGC has been deducting such volumes from our RLNG but the same is not being reflected in the end consumer prices resulting into irreparable loss to SNGPL.

3.2.1.5 ***In view of the above, the Authority is requested to revise the cost of supply of RLNG for FY 2022-23 after accounting for the impact of volume as well as cost of SUG of SSGC network.***

3.3 SYSTEM USE GAS (SUG) AT SNGPL NETWORK

3.3.1.1 It is submitted that while computing the net RLNG sold volume for FY 2022-23, instead of deducting the SNGPL's SUG (4,068 BBTU), the same has been added back in sales volume of RLNG, resulting in double counting which seems to be an error of computation.

3.3.1.2 ***The Authority is requested to kindly look into the matter and revise the cost of supply of RLNG after rectification of the error in respect of SNGPL's SUG volumes.***

3.4 MARKUP ON RUNNING FINANCE

3.4.1.1 It is submitted that the markup on running finance on account of RLNG business has not been allowed in cost of supply of RLNG by the Authority.

3.4.1.2 Running Finance cost of RLNG amounting Rs. 2,159 Million should be allowed to the Company in line with its decision of accounting for the LPS Income into the cost of supply thereby reducing the per unit cost of supply. Since the mark up on running finance was paid on the loans obtained for payment to the LNG suppliers for keeping the RLNG supply chain functional and avoid the international defaults and is exactly the opposite of the LPS Income which has been treated as an operational income, therefore, on the same principle it merits to be allowed as an operating expense in the cost of supply of RLNG.

3.4.1.3 Allowance on account of mark up on running finance also deserves to be accounted for in line with the principle being applicable in case of system gas where such cost is allowed and we understand that the same should be allowed in the RLNG business to clear the anomaly.

3.4.1.4 ***In view of the above, our submissions to the Authority in respect of RLNG cost of supply is as under:***

- i. ***RLNG diverted towards system gas consumers be adjusted / deducted from the input RLNG volume while computing per unit cost of supply.***
- ii. ***Compute the cost of supply of RLNG after accounting for the impact of volume as well as cost of SUG of SSGC network.***
- iii. ***Adjust/rectify the error in respect SUG volume of SNGPL.***
- iv. ***Allow markup on running finance in cost of supply of RLNG.***

4 UNACCOUNTED FOR GAS

4.1 UFG Benchmark

4.1.1 Uncontrollable Factors:

4.1.1.1 The Authority vide para 7.18 has commented that uncontrollable factors related to UFG are no more relevant and situation is rather favourable and supportive including law & order situation. In this regard, we would like to intimate that the Authority, while approving the UFG Benchmark Study through ERR FY 2017-18, advised that 'Local Conditions Component' of UFG benchmark is being allowed to cater for impact of certain factors beyond control of Company, including but not limited to gas losses due to extending network in retail sector, losses in high UFG areas of KPK and miscellaneous other UFG contributing factors.

High UFG Areas of KPK:

4.1.1.2 There is no doubt that as a result of untiring efforts of company, the T&D losses in High UFG

Areas of KPK have been reduced during past 3 Years from 15.39 BCF to around 7.5 BCF, but still losses in these areas contribute around 24 - 25% of the total Company's UFG loss for which continuous efforts are being made for further reduction and its sustainability. Losses in Distribution network in these areas is attributed to 14 SMSs. The plan for reduction of losses in High UFG areas included 1) Removal of illegal tapings and illegal network and 2) Laying of total around 3,000 Km legal gas network under the said 14 SMSs at total cost of around Rs. 9 Billion, through funding from KPK Govt., as per cost criteria. However, due to delayed receipt of funds, the project cost has escalated to around more than Rs. 12 Billion.

4.1.1.3 The funds were received in tranches from KPK Govt, and so far, 470 km network has been laid against the received funds and UFG loss under only 1 SMS i.e. Shakardara where losses have been reduced to the bare minimum. In addition to above, company has sought support of different law enforcement agencies and is incurring noticeable expenses on hiring of Frontier Corps (Army), Frontier Constabulary (FC) in addition to two dedicated police stations to apprehend gas pilferers with the support of local administration.

4.1.1.4 All the stake holders including Federal Govt., Provincial Govt., Law Enforcement agencies as well local administration are fully cognizant of the fact and situation that these areas are serious challenge and even the law enforcement agencies, after incurring huge expenses and heavy deployment, are not able to take full control of the law and order situation there. The matter has been discussed at different forums including, Public Accounts Committee, Standing Committee of National Assembly and Senate as well as different meetings were held at MoE and all these forums have recognized this issue is beyond control of SNGPL. It is perception/myth of local residents that since gas has been explored from their land, so they have right to gas, free of cost. Field staff of SNGPL has faced serious threats and manhandling at sites including firing incidents, damage of company vehicles etc. while apprehending the illegal gas usage. However, through persistent efforts, SNGPL has tried to break that myth by involving the public representatives and now people are inclined, to some extent, in getting legal gas connections and pay gas bills. The efforts made by SNGPL in these areas have been acknowledged and appreciated by different forums.

4.1.1.5 We expect that for achievement of sustainable desired results, minimum 2-3 more years are required for execution/completion of planned site work and consolidation of achieved results, owing to difficult operational conditions and local political issues and during this period, due relief in shape of appropriate allowance be provided to SNGPL.

4.1.1.6 It is pertinent to mention that OGRA acknowledged this issue since its inception in year 2009 and have been allowing relief/compensation in the shape of deemed sale till FY 2016-17 and afterwards for next 5 Years, through KMI regime. SNGPL is of the firm opinion that this major UFG contributing factor, beyond the control of SNGPL, must be treated separately and hence the relief granted by OGRA against factors beyond control of company should be continued and as such cannot be abolished immediately by ignoring the fact that this issue still contributes around 25% of total company loss. SNGPL requests that relief in the shape of KMI regime should be continued to account for this issue for a minimum period of 2-3 years i.e. during the execution period of planned work in these areas.

Shift of Gas from Bulk to Retail Sector

4.1.1.7 SNGPL during past years has improved its control with regard to detection of gas theft and measurement errors in industrial sector through introduction of latest technology including

SCADA, installation of Cyber Locks, installation of EVCs with improved features etc. However, now owing to reduction of indigenous gas supplies and dependence on imported RLNG, the industrial sale has been adversely affected due to high prices. Owing to the stated reasons, SNGPL could not get its benefits despite making improvements not only with regard to physical vigilance, remote monitoring and timely rectification of measurement errors etc.

4.1.1.8 During past many years, SNGPL carried out development work in compliance to socio-economic agenda of GoP. Owing to this reason, domestic sector is now major challenge for SNGPL and has adversely affected UFG of the Company during FY 2021-22, owing to less allocation of gas to Industrial sector, in order to provide uninterrupted gas supply to Domestic sector, in compliance with the priority order prescribed by GoP for gas allocation.

4.1.1.9 The improvements in retail (domestic) sector requires lot of field work, for which different infrastructure projects are underway that included, bifurcation of gas network of big cities like Islamabad/Rawalpindi, Lahore and Gujranwala. Moreover, isolation of 39 looped SMS clusters, comprising of 63 SMSs has been initiated, after its approval from OGRA to optimize the pressure and flows. The procurement of material and execution of site work against these projects will take 2-3 years, as it involves larger diameter lines and after its execution, its benefits will be translated in terms of better operational control, as well as reduction in losses.

4.1.1.10 Hence due relief against the above stated uncontrollable factors, that are still dominant, should be provided to the Company correlated with execution of KMIs related to UFG control activities at least for next 3 years i.e. upto FY 2024-25, as per practice that remained implemented from FY 2017-18 to FY 2021-22.

4.1.2 Separate UFG Benchmark for Distribution Network

4.1.2.1 Since the inception of UFG benchmark there has been a single consolidated UFG benchmark for Transmission and Distribution network. It is an established fact that UFG losses in the Distribution system are on higher side i.e. in the range of 11-12% due to various UFG contributing factors, some of which are beyond Company`s control even today, while losses in Transmission network are below 0.5% and hence the consolidated UFG of both Transmission and Distribution network works out to be on lower side (for FY 2020-21 UFG determined by OGRA is 8.60%).

4.1.2.2 Previously, the consolidated UFG benchmark (i.e. Trans. + Dist.) prescribed by OGRA allowed some cushion to the Company with regard to financial disallowance, however, the separate UFG benchmark for distribution network coupled with calculation of UFG disallowance @WACOG will result in unbearable financial disallowance for the Company. Moreover, in coming years, no capitalization is expected due to embargo on developmental work and new gas connections. So on one hand, capitalization will decrease, while on the other hand, financial disallowance will increase due to increase in price and resultantly, the Company's viability will be at stake.

4.1.2.3 In case, the Authority still considers that separate UFG benchmark for distribution network is essential, then it must be based on ground realities and historical trend. Given below is working, based on OGRA' Determination of UFG figures pertaining to FY 2020-21 in this regard.

As per Determination of OGRA of FY 2020-21		
Gas Received in Trans.	A	385,445
UFG Vol. in Trans.	B	1,149
% age UFG in Trans.	C=A/B*100	0.30%
Gas Received Dist.	D	319,458
UFG Vol. in Dist.	E	32,013
% age UFG in Dist.	F = E/D*100	10.02%
Gas Received Overall Company	A	385,445
Total UFG Vol. (Trans. + Dist.)	G = B+E	33,162
% age UFG (Trans. + Dist.)	H = G/A	8.60%
Working of Segregated UFG Benchmark of Trans. and Dist. for FY 2020-21		
UFG Vol. in Trans. Network	B	1,149
% age UFG for Trans Network	C	0.30%
UFG Benchmark for Company, as per FRR Decision of OGRA (Trans. + Dist.)	I	6.982%
Total Allowed/Permissible UFG Vol. (Trans. + Dist.)	J = A*I	26,910
Derived Permissible UFG Vol. in Dist. Network	**K=J-B**	**25,761**
Derived UFG Benchmark for Dist.	***L = (K/D*100)+C**	**8.36%**

***Sum of UFG %ages of both the transmission and distribution segments will be applicable for distribution system consumers as the gas supplied to them travels all the way through transmission and distribution networks.**

4.1.2.4 From the above working, it is clear that OGRA practically allowed UFG benchmark of 8.36% for Distribution network in FY 2020-21 and the same benchmark cannot be abridged to 6.25% in the next year i.e. FY 2022-23.

4.1.2.5 Revision in criteria or change in formula for disallowance calculation requires thorough consultation with the gas companies as well as experts, whereas this time OGRA has made a major change with regard to UFG benchmark, without any sort of consultation with the gas companies or any thorough study by experts as was done in year FY 2017 therefore, the company has reservation on it.

4.1.2.6 It is an established fact that the reduction in UFG is always a gradual process that requires numerous field activities, including Infrastructure Improvement, Rehabilitation of network, use of technology to apprehend gas pilferers etc. SNGPL has prioritized these activities but the infrastructure improvement and Rehabilitation of network take much longer time for field execution, as explained above. Moreover, due relief against the factors beyond Company's control i.e. impact of shift of gas from Bulk sector to Domestic sector, expected supply demand situation in the coming years, that is expected to further squeeze the industrial sale to facilitate domestic sector and the current level of losses in high UFG area of KPK, that is still contributing around 25% of the total Company's volumetric loss, should be provided.

4.1.2.7 ***In view of above, OGRA is requested to consider the following to avoid conversion of SNGPL into a sick unit:***

i. ***Reinstate previous practice of consolidated UFG Benchmark for Trans. and Dist. Networks.***

ii. ***Arrange new UFG Benchmark Study commensurate with the historical trend of UFG losses, prevailing scenario and ground realities. The study must be carried out in consultation with gas companies.***

iii. ***KMI regime must be continued till completion of new UFG Benchmark Study or provide due relief against losses in High UFG Areas of KPK as 'deemed sale' as per earlier decision of ECC of Cabinet, because total T&D losses of these areas is still around 25% of total company loss and similarly, Distribution network of these areas contribute around 40% of the loss of Peshawar Region.***

4.1.3 Same UFG Benchmark for Indigenous Gas and RLNG:

4.1.3.1 Although both indigenous gas and RLNG are passing through the same common shared gas network yet OGRA is well aware that RLNG is much costlier than indigenous gas and ECC of the Cabinet, after deliberating the aforementioned fact and in the best interest of sustainability of the RLNG supply chain, approved the actual allowance of UFG for RLNG sales, vide its decision dated 14.06.16. Fixing of the same UFG benchmark for Indigenous Gas and RLNG will result in huge financial loss to the company, as actual UFG of the network is much higher than the proposed UFG benchmark. Company is not in a position to sustain the disallowance on account of actual UFG of network viz-a-viz UFG Benchmark of RLNG. So, the same should be reviewed based on ground realities. Moreover, the matter regarding UFG component in RLNG supplies is subjudice and the same should be dealt accordingly.

4.2 UFG Disallowance at WACOG Instead of SNGPL's Cost of Gas

4.2.1.1 While reviewing the determination, it has been observed that the Authority has calculated the provisional UFG disallowance at National WACOG of Rs. 727.40/MCF instead of Company's WACOG of Rs. 662.11/MCF resulting into additional disallowance of Rs. 790 million.

4.2.1.2 It is submitted that the ECC of the cabinet in its meeting held on 17.05.2018 has already dismantled the WACOG. The extract of the decision is as under:

Quote:

"i) the weighted average cost of gas equalization shall be held in abeyance till such time the committee comprising members from Petroleum Division, Finance Division, Planning, Development & Reforms Division and OGRA submits its recommendations to the ECC"

Unquote

4.2.1.3 In line with the decision of ECC dated 17.05.2018, the cost of gas is being determined by the Authority on the basis of SNGPL's cost. However, determining the UFG disallowance at national WACOG of both SUIs, is unjustified and lacks legal cover as a strong Legal basis exists under License condition No 21.3 regarding the rate to be used for valuation of UFG disallowance.

4.2.1.4 The Company strongly objects to such treatment as currently national WACOG is not in field and valuation of UFG disallowance on the abandoned cost not only violates accounting principles but is also not supported by any of the legal provisions. It is further highlighted that such treatment would also invite objections from Govt. auditors as the cost being used by the company for valuation of Company's stocks in pipeline and GIC is different and is based on company's own cost only.

4.2.1.5 It is pertinent to mention here that the Ministry of Energy (Petroleum Division) vide its letter NO. DGO(AC)-5(26)/20-21 Vol II dated July 09, 2021 addressed to Chairman OGRA has formally intimated the Authority that ECC vide case No. ECC-44/10/2018 dated May 17, 2018 has discontinued WACOG equalization. therefore, the authority should also consider this fact while considering the revenue requirement of gas companies. We understand that the concerned ministry is also cognizant of the fact that cost equalization arrangement has been discontinues therefore, there is no point in continuance of valuing the disallowed volumes at national WACOG.

4.2.1.6 As the cost of gas of SSGC is higher than SNGPL, therefore, computing the UFG disallowance at WACOG instead of at SNGPL's cost of gas will only enable the SSGC to get more benefit in terms of UFG disallowance and deprive SNGPL of the legal right to the extent of its own costs only.

4.2.1.7 Furthermore, The Authority in its earlier determinations has stated that imposition of UFG benchmark viz UFG, is the sole jurisdiction of the Authority and has rightly been exercised by it while computing the disallowance. *In this respect it is submitted that the license condition 21.3 of the license granted to SNGPL empowers the Authority to not allow the licensee the loss or cost of gas over and above the benchmark to be included in the revenue requirement. It is highlighted that the Cost of Gas claimed under Revenue Requirement has been booked at SNGPL's cost and Not at SSGC's costs hence it is not part of SNGPL revenue requirement and how can any cost which is not a part of revenue requirement of the company be disallowed.*

4.2.1.8 ***In view of the above it is requested that the matter of valuation of UFG at WACOG price may kindly be reviewed in the light of the legal requirement of license condition No. 21.3 which is the operating legal provision in this case.***

5 TRANSPORTATION TARIFF FOR THIRD PARTIES SHIPPERS

5.1.1.1 The Company has computed the Transportation Tariff of Transmission and Distribution segments for FY 2022-23 enabling it to charge the third-party shipper(s) against transportation services ***(Annexure-J)***. It is highlighted that the transportation tariff has been worked out under relevant provisions of OGRA Ordinance, 2002, Natural Gas Tariff Rules, 2002, Rule 2(1)(cc), 3(3) and Schedule-I of TPA Rules, 2018. Parameters for working out the transportation tariff are however, summarized hereunder:

i. The transportation tariff in the instant petition has been worked out in line with the parameters set out in Schedule - I of TPA Rules, 2018 which states that:

Quote

"3. Transportation tariff in respect of transmission network and distribution network shall allow the prudent and efficient transporter to collect its relevant and fairly allocated costs of service including the return on assets as approved by the Authority from time to time."

Unquote

ii. Data in respect of Transmission and Distribution costs, Depreciation cost, ROA and variable operating costs has been taken from the motion for review petition against DERR FY 2022-23.

5.1.1.2 ***In view of the above, the Authority is requested to kindly determine the provisional transportation tariff for FY 2022-23 enabling us to recover the same from the shippers.***

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6 TRANSMISSION AND DISTRIBUTION (T&D) EXPENSES

6.1 Human Resource Cost

6.1.1.1 It is stated that the Company's bare minimum requirement under this head is Rs. 23 billion, based on the following parameters:

- Existing HR count with no induction
- No provision for CBA Agreement
- No Provision for CPI

6.1.1.2 While OGRA has only allowed Rs. 19.5 Bn hence allowing less than 5% increase in two years in this high inflationary environment of 15%.

Description	FY 2020-21	FY 2021-22	FY 2022-23
Net HR Benchmark *(Rs. in million)*	18,457	18,794	19,554
Increase (%)	-	1.8%	4.0%

6.1.1.3 It is to bring to the notice of the Authority that Government has allowed a total of 50% Adhoc Relief Allowance/ Disparity Reduction Allowance to its employees during last 15 months vide circulars referred below:

1) No. 14(1)R-3/2021-90 dated 03.03.2021 = 25 % w.e.f. 01.03.2021 for BPS 1 – 19 ***(Annexure-K1)***.
2) No. 1(1)Imp/2021-216 dated 08.07.2021 = 10 % w.e.f. 01.07.2021 for all employees ***(Annexure-K2)***
3) No. 14(1)R-3/2021-324 dated 08.07.2021 = 25 % w.e.f. 01.07.2021 for BPS 20 – 22 ***(Annexure-K3)***
4) No. 14(1)R-3/2021-69 dated 23.02.2022 = 15 % w.e.f. 01.03.2022 for BPS 1 – 19 ***(Annexure-K4)***.

Above mentioned allowances are in addition to normal annual increment applicable to all Government employees.

6.1.1.4 These increases have not been allowed to employees of SNGPL leaving them to fight for survival during ever-increasing cost of living. Such financial hardships result in demotivation & stress leading to adverse effects on operational efficiency. As a result, a total of 27 Executives have left Company service during last 17 months (since 01.01.2021 till 06.06.2022) primarily due to low salary.

6.1.1.5 A realistic HR Cost Benchmark formula based on operating parameters as well as economic factors is needed to avoid any unrealistic and inhumane restrictions on salaries and perks of the employees that may adversely affect their purchasing power. In the absence of cushion for any economic relief, the Company will not be able to meet minimum annual increase in salaries of the employees.

6.1.1.6 As required by the Authority, the Company has taken different steps to control HR Cost including:

i. Monthly contribution from executives for provision of tea/ coffee has been increased from Rs. 100 up to Rs. 500.

ii. Contribution is being taken from employees for Group Life Insurance (GLI).
iii. Maximum of the pay scales have been capped since 01.07.2021 and same is proposed to be continued effective 01.07.2022 as well.
iv. Punishment and reward policy is being developed to strengthen efforts against UFG losses.
v. Talks were held with CBA during negotiations for union agreement for 2019-21 regarding rationalization of various perks & facilities. This matter will be negotiated again during next CBA agreement.
vi. Multiple checks have been imposed on cost of overtime.

6.1.1.7 In addition to above, a market-based Compensation Study is also being conducted through a HR Consultant to evaluate the salary structure of Executive Cadre of SNGPL to:

i. Align salary structure with the market.
ii. To rationalize the salaries and remove anomaly of low and high paid executives.
iii. To minimize the width of the salary scales as pointed out by the Authority.

6.1.1.8 It is further stated that SNGPL has been working at less than required number of manpower for past many years. Inability of the Company to hire requisite manpower can no longer be sustained since the available resources are already overburdened. Moreover, the gap of available field staff is increasing due to consistent expansion in network of the Company. The Company has not been able to attend its consumers in time, resultantly failing in performance standards set by the Authority itself.

6.1.1.9 It is incorrect to state that the Company used the additional HR Cost allowed by the Authority for increasing salaries of existing employees and no recruitment was made. The Authority has not allowed any additional cost for recruitment despite repeated requests from Company for past many years. A comparison of HR Cost incurred by the Company vs allowed by OGRA shows that Authority has never allowed any additional HR Cost to meet expenses of recruitment & salaries of new employees and SNGPL had barely been able to meet expenses of existing manpower:

F.Y.	**Proposed / Actual Expense****	**Allowed by OGRA at ERR/FRR****	**Shortfall**	**Remarks**
	A	**B**	**C = B-A**	
2022-23	28,951*	18,771	(10,180)	Proposed amounts include impact of CBA and vacancies.
2021-22	24,094*	18,266	(5,828)	
2020-21	18,101	17,929	(172)	Figures as per FRR
2019-20	16,413	16,323	(90)	
2018-19	15,139	15,144	5	
2017-18	13,654	13,656	2	
2016-17	12,167	12,167	-	

*** excluding IAS-19*

6.1.1.10 According to manpower requirements of SNGPL as determined by the Consultant for the year 2016, presently there is shortage of 3,946 employees (32% shortfall). While, if we compare the manpower requirements recommended by the Consultant for the years 2020, the shortfall increase to 6,040 employees (42% shortage):

Establishment	Manpower Recommended	Present Position			Manpower Held vs Recommended
		Approved	Held	Vacant	
Executive	2,406	2,091	1,511	580	895
Subordinate	12,130	10,351	6,985	3,366	5,145
Total	**14,536**	**12,442**	**8,496**	**3,946** **(32%)**	**6,040** **(42%)**

6.1.1.11 Although report of the Manpower Study was shared with OGRA in February, 2018, however OGRA has not allowed any additional budget/ HR Cost for bridging the gap of recommended manpower strength and the available manpower. As such, the utility/ purpose of the Manpower Study was set aside.

6.1.1.12 In addition to existing shortage of manpower as described above, 852 employees will be retiring in next five years as tabulated below:

Financial Year	Executives	Subordinates	Total
2021-22 *(06.06.22 to 30.06.22)*	1	14	15
2022-23	22	137	159
2023-24	19	171	190
2024-25	20	200	220
2025-26	32	236	268
Total	**94**	**758**	**852**

6.1.1.13 In case recruitment is delayed for few more years, then the newly recruited employees will not be able to adequately acquaint themselves with the operations of the Company due to non-availability of experienced mentors who are already retiring on day-to-day basis.

6.1.1.14 The Authority is again requested to reconsider the revised benchmark and allow a realistic HR Benchmark based on operating parameters as well as increase in cost of living. The benchmark based merely on operating parameters will not provide any cushion for increase in salary/ wages. For instance, during FY 2021-22, moratorium was imposed by the Government on distribution development activities as well as on new connections. Due to this moratorium, there will be marginal increase in two out of three parameters of the proposed HR Benchmark i.e., number of consumers and network length. As such, there is a dire need to review the proposed HR Benchmark to prudently allow increase in salary/ wages on account of:

i. Increase in minimum wage rates
ii. Increase in Cost of Living/ Inflation
iii. Performance based annual increment
iv. Career progression of employees
v. Increase in indirect costs due to increase in length of service of employees

6.1.1.15 ***The Authority is requested to re-evaluate the HR Cost in the light of the above justifications and allow realistic budget for existing employees as well as for new recruitment. Following realistic options regarding annual increase in salaries may also be considered:***

i. ***Option 1: Allow straight line increase of 12% p.a.***
ii. ***Option 2: Allow increase equivalent to the %age of increase allowed in salaries of government employees announced by the Federal Government.***

6.2 Remaining T&D Expenses

6.2.1.1 It is submitted that Authority in its decision has disallowed certain T&D expenses. The Authority is requested to allow the expenses as projected by the Company based on the detailed justification given against each expense head in the following pages.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
1.	**Stores, spares & consumed**	1,486	880	616	616	OGRA decided to fix "Stores & Spares Consumed" at the level of RERR for FY 2021-22 i.e., Rs. 880 million, subject to the actualization at the time of FRR. It is submitted that the Authority fixed the amount at the level of RERR FY 2021-22 ignoring the surging Rupee / Dollar parity and Global inflationary trends which have resulted into increase in prices of such spares up to 35% as compared to the preceding year. Since most of the spares are imported from original equipment manufacturers and involve payment in foreign currency therefore, are directly hit by the devaluation of the PKR. Freight charges, customs duties, marine and insurance are also linked with the value of equipment therefore, their amount is also increased consequentially. It is further submitted that SNGPL has standardized inventory system for minimizing the inventory cost and maintaining a bare minimum inventory level for smooth operations. As mentioned in the earlier petition more than 60% increase in steel rates has been observed since last year. The actual expenses during last two financial years have also remained on the lower side due to limited repair and maintenance activities in pandemic situation. ***The Authority is therefore, requested to allow the remaining amount of Rs. 606 Million under this head owing to the drastic upward trend of inflation, Rupee-Dollar parity and increase in steel prices.***
2.	**Repairs & Maintenance**	2,127	1,448	1,473	1,473	***OGRA has provisionally allowed an amount of Rs. 1,448 million on trend analysis basis.*** It is submitted that allowed budget of Rs. 1,448 million is grossly insufficient owing to the fact that Company's actual expense for FY 2020-21 was Rs. 1,473 million, and same had been allowed by the Authority in FRR after due consideration of the justifications provided by the Company. As it is already in Authority's kind knowledge that Government of Pakistan has revised minimum wage rate of casual labor. Casual labor is being hired through contractors for different operations & maintenance activities of Distribution department, and same will

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Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						undergo further escalation as anticipated, therefore additional budget will be inevitable to cater for this impact in FY 2022-23. Budget is essentially required for various Repair & Maintenance activities directly linked with satisfaction of end users of the Company i.e., Leakage complaints, Re-drilling or uplifting of service valves, Re-location of pipelines, handling of emergencies like line rupture and fire cases & maintenance of underground network etc. Owing to sensitive nature of Company's equipment, such as internal parts of high-speed turbo machinery, huge operational and maintenance vigilance is essentially required for proactive, productive, planned and troubleshooting maintenance as per OEM standards. Further to the above, agreements for Janitorial services and billing disconnection teams are expected to be revised on minimum wage rate **(17% higher than the prevailing rates).** The other major expense under this head includes Oracle License Renewals, Click charges for Gas bill printing, CISCO, Redhat, Microsoft, Antivirus licenses and other networking SLAs. As stated earlier most of these payments are made in USD and owing to spiked dollar rupee parity, the allowed budget will be grossly insufficient to meet the bare minimum requirement. **It is also highlighted that the GOP has recommended an increase of 25% in minimum wage rate which will directly increase the cost of all Labor contracts by 25%.** It is pertinent to mention here that the Company has already rationalized expenses under different heads to reduce the cost however the same cannot be estimated only on historical trends in the event of rapid inflation and uncertainty. ***In view of the above, the Authority is requested to allow the petitioned amount under this head to meet operational requirement.***
8.	**Rent Rates, Electricity & Taxes**	830	673	696	646	**Office Rent:** The Authority Restricted the expenditure under this sub head at Rs. 330 million against the petitioned amount of Rs. 360 Million.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						It is submitted that owing to high inflation, the landlords of existing rental buildings are demanding proportionate increase in annual rentals. However, the Company has managed to reduce the cost by renegotiating rental agreements, change of premises and readjustments during renewal of lease agreements. However, allowed amount of Rs. 330 will be short of our annual bare minimum requirements owing to the fact that Company`s actual expense under this sub head for FY 2020-21 was Rs. 349 million. Moreover, Company has planned to set up modern Kiosk (customer Service Centers) in renowned malls such as Emporium, Packages mall in Lahore and Centaurus mall in Islamabad, with proposed rental costs of up to Rs. 5 million. These arrangements are required to portray a soft image of the Company and a good customer supportive gesture. ***In view of above, the Authority is requested to allow the petitioned amount which is already lesser than the actual cost of the Company in FY 2020-21.*** **Office Electricity:** ***The Authority has allowed 10% increase over RERR FY 2021-22 under this subhead i.e., Rs. 215 million against the petitioned amount of Rs.258.*** It is pertinent to mention here that electricity charges have undergone a drastic increase in tariff during last couple of months owing to accumulation of huge circular debt and commitments with international donor agencies. The same trend is expected to continue as notified by NEPRA/GOP, during next financial year. It is stated that the proposed electricity expenditure of Rs. 258 million was based on historical data, with expected 10 % annual increase. However, owing to above stated revision in tariff the allocated as well as projected amount will not be sufficient to meet the requirement. In addition, NEPRA also increases electricity cost under Fuel Price Adjustment which is added separately in monthly electricity bills under the head FPA so as to make the effective tariff. However, it is feared that due to variety of reasons such a Russian Ukraine War the fuel prices will expected to escalate in international market in next

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						financial year, resulting in further increase in the rate of Fuel price adjustment in monthly electricity bills. ***In view of the above, we understand that an amount of Rs. 320 million will be required to meet operational expenses under this sub head. Therefore, the Authority is requested to reconsider the allowance and approve Rs. 320 million under the electricity expenses.*** **Vehicles rates & taxes:** The Authority decided to fix at Rs. 23 million i.e., at the level of FRR FY 2019-20 for the said year against the petitioned amount of Rs. 41 million while actual expenses for FY 2020-21 were Rs. 23 million). Keeping in view our current year expenditure of Rs. 27 million the allocated amount of Rs. 23 million under this sub head will be insufficient to meet the annual requirements. The expenses include vehicle annual token Tax, Toll Tax and annual property tax of company owned offices. Reasoning of which is as under; a) Expenditure against Toll Tax presently (as of 10 June) stand at Rs. 7 million and keeping in view the historical trend, it is expected that by the end of Financial 2021-22 it will swell in the range of Rs. 8 million to Rs.8.5 million, due to; i. Long term agreement toll tax on M2 (Lahore-Islamabad) and M1 (Peshawar-Islamabad) being enhanced by 10% every year; and ii. During last two years substantial increase has been witnessed in Management visits to Islamabad in connection with official visits, which include appearance in standing Committees of National Assembly and Senate, Public Accounts Committee, Ministry of Energy (Petroleum Division), PM office, Meetings at OGRA, to appear in Islamabad High Court, Supreme Court of Pakistan and NIRC, Federal Ombudsman etc. During last two years a number of new motorways have been commissioned into service and now most of the company vehicles travel on these motorways, as doing so results in saving of precious management time and increased fuel costs which arises as a result of

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<table>
<tr><th>Sr.#</th><th>Item</th><th>ERR
FY 2022-23</th><th>DERR
FY 2022-23</th><th>Actual Expense
FY 2020-21</th><th>FRR
FY 2020-21</th><th>Justifications</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td>blockades/disturbances in national highways (e.g., G.T road). The rate of Toll Tax is somewhat higher in comparison to toll tax on GT Road.
b) The rate of Property Tax is usually increased almost every year by the Provincial Govt. of Punjab, Khyber Pakhtunkhwa and ICT Administration. However, the provincial Govt. of Punjab has increased the rate of property tax by almost 68% during current financial year. As a result, the cost against property tax has jumped from Rs.6.6 million to Rs.13.1 million during current financial year.
<i>Foregoing to the above, the Authority is requested to reinstate proposed budget of Rs.41 Million under this sub head, in order to meet annual requirements of financial year 2022-23.</i></td></tr>
<tr><td>4.</td><td>Transport expenses</td><td>1,301</td><td>1,007</td><td>981</td><td>920</td><td>The Authority has fixed transport expense at Rs. 1,007 million for the said year.
It is submitted that major expenditure under this head is on account of fuel (fully dependent on the prices of fuel (petrol / diesel) notified by the Government of Pakistan from time to time), which is directly proportionate to Transport expenses, so the Authority while allowing budget under this head must consider the average prices of fuel, which are anticipated to increase further during the year.
In instant determination, the Authority has ignored the recent increase in fuel expenses, which are depicted as follows;
<table>
<tr><th>Month</th><th>Petrol (Avg) Rs.</th><th>Diesel (Avg) Rs.</th><th>Month</th><th>Petrol (Avg) Rs.</th><th>Diesel (Avg) Rs.</th></tr>
<tr><td>July 2020</td><td>100</td><td>101</td><td>July 2021</td><td>115</td><td>115</td></tr>
<tr><td>August 2020</td><td>104</td><td>106</td><td>August 2021</td><td>120</td><td>117</td></tr>
<tr><td>September 2020</td><td>104</td><td>106</td><td>September 2021</td><td>121</td><td>118</td></tr>
<tr><td>October 2020</td><td>104</td><td>104</td><td>October 2021</td><td>133</td><td>128</td></tr>
<tr><td>November 2020</td><td>102</td><td>102</td><td>November 2021</td><td>145</td><td>142</td></tr>
<tr><td>December 2020</td><td>102</td><td>107</td><td>December 2021</td><td>143</td><td>140</td></tr>
<tr><td>January 2021</td><td>108</td><td>112</td><td>January 2022</td><td>146</td><td>143</td></tr>
<tr><td>February 2021</td><td>112</td><td>116</td><td>February 2022</td><td>153</td><td>149</td></tr>
<tr><td>March 2021</td><td>112</td><td>116</td><td>March 2022</td><td>150</td><td>144</td></tr>
<tr><td>April 2021</td><td>110</td><td>112</td><td>April 2022</td><td>150</td><td>144</td></tr>
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<tr><th>Sr.#</th><th>Item</th><th>ERR
FY 2022-23</th><th>DERR
FY 2022-23</th><th>Actual Expense
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FY 2020-21</th><th>Justifications</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td>
<table>
<tr><td>May 2021</td><td>109</td><td>111</td><td>May 2022</td><td>150</td><td>144</td></tr>
<tr><td>June 2021</td><td>110</td><td>112</td><td>June 2022</td><td>235</td><td>250</td></tr>
<tr><td>Weighted Average</td><td>106</td><td>109</td><td>Weighted Average</td><td>146</td><td>144</td></tr>
</table>
<p>It is further stated that company's actual consumption during last financial year is Rs. 981 million whereas the weighted average petrol/diesel prices have increased by 38% and 32% respectively (upto 125% increase with prevailing fuel prices) as compared to the financial year 2020-21. The synopsis showing comparison of year wise fuel prices is tabulated below for reference.</p>
<table>
<tr><th rowspan="2">Description</th><th>Petrol</th><th>Diesel</th><th colspan="2">Year to Year Inc. (%)</th></tr>
<tr><th>Rs.</th><th>Rs.</th><th>Petrol</th><th>Diesel</th></tr>
<tr><td>Average price FY 2021-22</td><td>140.33</td><td>136.48</td><td>32.14%</td><td>25.44%</td></tr>
<tr><td>Average price FY 2020-21</td><td>106.2</td><td>108.8</td><td>(0.75%)</td><td>(7.48%)</td></tr>
<tr><td>Average price FY 2019-20</td><td>107.0</td><td>117.6</td><td>10.31%</td><td>4.16%</td></tr>
<tr><td>Average price FY 2018-19</td><td>97.0</td><td>112.9</td><td>-</td><td>-</td></tr>
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</td></tr>
<tr><td>5.</td><td>Security Expenses</td><td>2,496</td><td>1,852</td><td>1,240</td><td>1,240</td><td>
<p>The Authority has fixed Rs. 1,853 million i.e., at the level of RERR 2021-22.</p>
<p>It is submitted that increase in budget Requirement for F.Y 2022-23 against Security Expenses is due to following factors:</p>

25 % increase in Minimum wage rates by Federal / Provincial Governments from Rs. 20,000/- to Rs. 25,000/- w.e.f. 01st July 2022.
As per existing / under revision security services agreements with government Civil Armed Forces, 10 ~15 % annual revision is required.
Exponential rise in rate of POL / Electricity / Hiring of Accommodation & Vehicles for Security Agencies.
The Authority in its decision under head Security Expenses mentioned that Rs. 360 million have already been allowed by the Authority in F.Y 2021-22 for Hiring Shahbaz Rangers in Sindh Province for Sawan-Qadirpur-AC1X network. In this context, we wish to clarify that new agreement with Shahbaz Rangers for the protection of SNGPL network in Sindh Province is yet not finalized due to some

</td></tr>
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Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						constraints at their end therefore, no expense is incurred for said purpose in F.Y 2021-22. Considering the ongoing negotiations with Shahbaz Rangers Sindh, Rs. 360 million are proposed for F.Y 2022-23. It is apprised that Rs. 1,853 million allowed by OGRA is not sufficient to even meet the existing / under renewal security arrangements even if we exclude impact of proposed hiring of Shahbaz Rangers, Sindh for protection of Transmission network in Sindh. Agency wise requirement along with justification is attached as Annexure-L. ***In view of the above the Authority is requested to allow Rs. 2,353 million under this head.***
6.	**KMI Implementation plan / UFG Control Activities**	1,444	722	983	983	The Authority allowed Rs. 722 million against Rs. 1,444 million being 50% of the budget. The amount under this head is essentially required on account of; • Allowance against Local Conditions Component to UFG Benchmark. • Theft Control Program (i.e. KMI 4, 5, 20, & 22) • Measurement Errors Control Program (i.e. KMI 8, 11 & 12) • Leakage Control Program (I.e. KMI 15 & 21) The above-mentioned activities are necessary for: • Compliance of Performance and Service Standards as advised by OGRA • Compliance to Natural Gas Measurement (Technical Standards) Regulations, 2019 advised by OGRA • Being part of Company's routine operations to contain UFG (i.e., leakage rectification, meter replacement etc.) • Essential deterrence against gas theft • Fulfilment of Environmental obligations is compulsory, as natural gas is a greenhouse gas. In the absence of requisite budget approval from OGRA, Company will not be able to execute 100% KMIs, resultantly not only the UFG control Activities will adversely be affected but the Company will also not be able to achieve allowance against "Local Conditions Component" of UFG Benchmark.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						The Authority is requested to allow the petitioned budget considering the reasons provided above.
7.	**Provision for doubtful debts**	1,433	-	1,433	1,413	The Authority has refused to allow any amount under this head until the company demonstrates and physically achieve efficiency in terms of reduction in litigation cases and bad debts. The Authority has stated that the company has been repeatedly advised to increase internal control system, management practices and recoveries. Whereby instead of increasing recoveries, doubtful debts are being increased which does not reflect good corporate governance measures being taken up. It is submitted that during the year 2020-21, actual recoveries from active consumers have been approximately 99% of the current bills issued to them. Large number of industrial consumers are in litigation on one pretext or other, which the Company is continuously following up. No business in the world has zero default if the goods are sold on credit. Projected sales value (inclusive of GST) for FY 2022-23 is Rs 1,500 billion of which the projected amount of provision for doubtful debts (Rs. 1,433 Million) is only 0.01% which is negligible. It is further highlighted that OGRA had itself prescribed the formula for calculation of such provision and arbitrarily abolishing the established regulatory practice is not justified. Moreover, under the new prevalent IFRS 9, Company has no option but to provide even against the active consumers. It is therefore, requested that marginal provision against the doubtful debts should be provided. It is submitted that all out efforts are being made to arrange recoveries against disconnected consumers. The salient efforts in this regard are as follows: a) Adjustment of Security deposit held with company. b) Encashment of Bank Guarantees.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						c) Filing of Recovery Suits before Gas Utility Courts (Rs. 40,000 and above). d) Initiation of process for blockage of CNIC of defaulting consumers. e) Forward cases to Recovery Contractor for recovery (Rs. 1,000 and above). f) Filing Applications before District Collector / Revenue Authorities under Section 27(2) of Gas (Theft Control and Recovery) Act, 2016 for recovery of arrears as land revenue. g) File Application under Section 28 of Gas (Theft Control and Recovery) Act, 2016 before Government entities, Commercial banks etc, seeking detail of particulars / bank accounts against listed companies and individual defaulters. h) Attachment of Properties through respective Courts and Revenue Authorities. i) To become member of Credit Bureau firms in line with provisions of Credit Bureau Act, 2015. j) Media Campaign. k) Publishing list of defaulted Industrial and Commercial disconnected consumers (Rs. 1 Million and above) at Company's official website. ***In view of the aforementioned submission, the Authority is requested to kindly allow the amount Rs.1,433 Million claimed under this head.***
8.	**Construction Equipment Operating Expenses. (Other Expenses)**	235	161	170	146	The Authority fixed this sub-head at Rs. 161 million. (10% increase over RERR 2021-22) It is submitted that the allowed budget is insufficient to cater for the company's operational requirement. The actual expense incurred during FY 2020-21 under this subhead is Rs. 170 million. It is stated that since the major expense under this subhead is petrol/diesel used in welding plants, gen sets and other construction equipment, therefore, the expenditure is directly proportional to fuel prices. As explained under the head **"Transport Expense"** that the fuel prices are beyond company's control as the same are set by the Government of Pakistan and notified by the Authority. It is reiterated that Petrol/diesel prices have increased significantly as compared to the preceding years as tabulated above in head **"Transport Expense"**.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						In view of the above, the Authority is requested to reinstate the disallowance owing to recent hike in the petrol/diesel prices.
9.	**Staff Training /Recruiting (SNGTI and EDP)**	98	23	23	23	The Authority decided to maintain staff training and recruitment expenses at Rs. 23 million Staff training and development is an essential requirement to keep most valued asset of an organization up to date with advancements in outside environment, and to think of ways optimal utilization of the resources. Every reputable organization around the globe follows practice of staff training and development. Keeping in view the inflation / devaluation of money, extraordinary escalation in general price index in the country, the cost of services such as refreshments; utilities, taxes imposed on numerous out sourced services, boarding and lodging of training participants from out stations, external training course fees to PIM, LUMS, UMT etc., and transportation have increased manifold. It is pertinent to mention that due to shortage of budget under this Head, Mandatory Promotional courses due to be delivered during FY 2022-23, cannot be imparted yet. ***It is pertinent to mention here that OGRA has historically appreciated and allowed training expenditures in its determinations. The Authority is therefore requested to the petitioned amount in this head considering the inflationary impact to staff training and operational expenses of Training Institute.*** With respect to Staff Recruitment expense, it is stated that SNGPL has been working at less than required number of manpower for past many years. Inability of the Company to hire requisite manpower can no longer be sustained since the available resources are already overburdened. Moreover, the gap of available field staff is increasing due to consistent expansion in network of the Company. The Company has not been able to attend its consumers in time, resultantly failing in performance standards set by the Authority itself. According to manpower requirements of SNGPL as determined by the Consultant for the year 2016, presently there is a shortage of 3,946 employees (32% shortfall). While,

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
						See below

if we compare the manpower requirements recommended by the Consultant for the years 2020, the shortfall increase to 6,040 employees (42% shortage):

Establishment	Manpower Recommended by Consultant for 2020	Present Position			Difference of Held from Manpower Recommended by the Consultant for 2020
		Approved	Held	Vacant	
Executive	2,406	2,091	1,511	580	895
Subordinate	12,130	10,351	6,985	3,366	5,145
Total	**14,536**	**12,442**	**8,496**	**3,946 (32%)**	**6,040 (42%)**

In addition to existing shortage of manpower as described above, 852 employees will be retiring in next five years as tabulated below:

Financial Year	Executives	Subordinates	Total
2021-22 (06.06.2022 to 30.06.2022)	1	14	**15**
2022-23	22	137	**159**
2023-24	19	171	**190**
2024-25	20	200	**220**
2025-26	32	236	**268**
Total	**94**	**758**	**852**

In case recruitment is delayed for few more years, then the newly recruited employees will not be able to adequately acquaint themselves with the operations of the Company due to non-availability of experienced mentors who are already retiring on day to day basis.

In view of the above, the Authority is requested to allow Rs. 28 million for the expenses to be incurred on the process of recruitment including advertisement cost and third-party recruitment test.

Sr.#	Item	ERR FY 2022-23	DERR FY 2022-23	Actual Expense FY 2020-21	FRR FY 2020-21	Justifications
10.	**Legal Expenses**	300	182	182	182	*The Authority has allowed Rs. 182 Mn under the sub head Legal expenses.* It is submitted that as per Article - 6 of Fundamental Rights under Constitution of Islamic Republic of Pakistan, 1973 no one can be restrained from filing of cases against anyone and before any forum, hence Company is bound to contest the cases filed against it. **It may be noted that there are hundreds of cases wherein petty amount is involved, which cannot be left unattended as collective impact of such cases is huge.** Furthermore, the above noted High Profile cases/International as well as Local Arbitration Proceedings are continuously in field and due to insufficient Budget, we are facing many issues to settle the Financial matters. It may also be noted that the number of cases in a Financial Year cannot be predicted owing to the announcement of different new policies on supply of Gas its curtailment etc. It is submitted that Reduction of Annual Budget is impossible to deal with present quantum of litigation. ***The Authority is therefore requested to allow at least Rs. 250 million under this sub head owing to the justifications provided above.***

Annex-B

Calculation of Rate of Return
As per New Tariff Regime

Particulars	**Formula**	**As per OGRA**	**Revised working**	**Revised working (After Taking the impact of Super Tax)**
Risk Free Rate: Rf (Last 10 year Average of 20 year's PIB)	A	12.44	11.99	11.99
Market Return (15 year average PSX-KSE 100 index)	B	13.47	11.48	11.48
Market Risk Premium	C=B-A	1.04	(0.52)	(0.52)
Market Risk Premium (Capped 11%, Floor 7%)	D	7.00	7.00	7.00
Beta Equity-Distribution	E	1.30	1.30	1.30
Cost of Equity (Re)	Re=Rf + beta x MRP	21.54	21.09	21.09
6 monthly Avg of last 12 months Kibor	F	8.71	13.07	13.07
Cost of Debt	Rd=F+2%	10.71	15.07	15.07
Tax rate (t)		**0.29**	**0.29**	**0.33**
WACC Pre Tax	**{Re/(1-t) x 30%} + {Rd x 70%}**	**16.60**	**19.46**	**19.99**

Note:

i) Last 10 year Average of 20 year's PIB: Data Available from 01.10.2012 to 30.09.2022

ii) 15 year average PSX-KSE 100 index: From FY 2008-09 to FY 2022-23 (Jul-22 to 30.09.22)

iii) 6 Monthly average of Kibor for the months of Oct-21 to Sep-22

Last 10 year Monthly Average of 20 year's PIB

Date	Price	Open	High	Low	Change %
22-Sep	13.55	13.469	13.576	13.2	0.61%
22-Aug	13.469	13.602	13.602	13.121	-0.98%
22-Jul	13.602	13.575	13.87	13.481	2.89%
22-Jun	13.22	13.224	13.266	13.207	0.06%
22-May	13.212	13.107	13.375	13.082	0.93%
22-Apr	13.09	12.136	13.09	12.135	7.96%
22-Mar	12.125	11.53	12.125	11.523	5.13%
22-Feb	11.533	11.511	11.554	11.482	0.11%
22-Jan	11.52	12.198	12.207	11.52	-5.56%
21-Dec	12.198	12.198	12.198	12.198	-0.38%
21-Nov	12.244	12.244	12.244	12.244	9.68%
21-Oct	11.163	11.163	11.163	11.163	5.33%
21-Sep	10.598	10.598	10.598	10.598	2.80%
21-Aug	10.309	10.312	10.33	10.309	-0.03%
21-Jul	10.312	10.311	10.314	10.3	0.01%
21-Jun	10.311	10.309	10.32	10.307	0.03%
21-May	10.308	10.308	10.308	10.308	-0.17%
21-Apr	10.326	10.326	10.326	10.326	-2.64%
21-Mar	10.606	10.43	10.666	10.43	1.65%
21-Feb	10.434	10.358	10.434	10.335	0.73%
21-Jan	10.358	10.3	10.495	10.298	0.56%
20-Dec	10.3	10.303	10.303	10.299	-0.13%
20-Nov	10.313	10.338	10.338	10.24	-0.24%
20-Oct	10.338	10.186	10.637	10.169	1.49%
20-Sep	10.186	10.111	10.188	10.101	0.60%
20-Aug	10.125	10.109	10.168	10.072	1.37%
20-Jul	9.988	9.776	9.988	9.741	2.46%
20-Jun	9.748	9.809	9.904	9.722	1.92%
20-May	9.564	9.396	9.571	9.396	1.85%
20-Apr	9.39	11.467	11.467	9.371	-18.11%
20-Mar	11.467	12.334	12.334	11.467	-7.03%
20-Feb	12.334	12.175	12.337	12.175	1.29%
20-Jan	12.177	12.179	12.183	11.405	-0.02%
19-Dec	12.179	12.354	12.355	12.179	-1.42%
19-Nov	12.354	12.353	12.373	12.353	-0.27%
19-Oct	12.388	13.625	13.625	12.358	-9.08%
19-Sep	13.625	13.994	14.133	13.624	-2.65%
19-Aug	13.996	14.474	14.474	13.996	-3.30%
19-Jul	14.474	14.394	14.474	14.193	0.07%
19-Jun	14.464	14.403	14.464	14.124	0.42%
19-May	14.404	13.721	14.657	13.721	4.97%
19-Apr	13.722	13.701	13.803	13.701	0.14%
19-Mar	13.703	13.892	13.893	13.601	-1.36%
19-Feb	13.892	13.552	13.892	13.452	2.51%
19-Jan	13.552	13.595	13.605	13.552	-0.57%
18-Dec	13.63	13.499	13.643	12.886	1.50%
18-Nov	13.428	13.381	13.429	13.379	0.36%
18-Oct	13.38	12.9	13.381	12.9	3.73%
18-Sep	12.899	12.901	12.901	12.899	-0.02%
18-Aug	12.901	12.9	12.901	12.9	0.01%
18-Jul	12.9	12.899	12.901	12.899	0.01%
18-Jun	12.899	12.9	12.901	12.899	-0.01%
18-May	12.9	12.9	12.901	12.899	0.00%
18-Apr	12.9	12.899	12.901	12.899	0.01%
18-Mar	12.899	12.901	12.901	12.899	-0.02%
18-Feb	12.901	12.9	12.901	12.9	0.01%
18-Jan	12.9	12.901	12.901	12.9	-0.01%
17-Dec	12.901	12.901	12.901	12.9	0.01%
17-Nov	12.9	12.9	12.901	12.899	0.00%
17-Oct	12.9	12.9	12.901	12.899	0.00%
17-Sep	12.9	12.9	12.901	12.899	0.00%
17-Aug	12.9	12.899	12.9	12.899	0.01%

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17-Jul	12.899	12.901	12.902	12.899	-0.02%
17-Jun	12.901	12.902	12.902	12.9	-0.01%
17-May	12.902	12.902	12.902	12.9	0.01%
17-Apr	12.901	10.78	12.901	10.78	19.68%
17-Mar	10.78	10.78	10.781	10.779	0.00%
17-Feb	10.78	10.781	10.781	10.779	0.00%
17-Jan	10.78	10.783	10.784	10.78	-0.03%
16-Dec	10.783	10.784	10.784	10.783	-0.01%
16-Nov	10.784	10.784	10.784	10.783	0.00%
16-Oct	10.784	10.783	10.784	10.783	0.00%
16-Sep	10.784	10.783	10.784	10.783	0.01%
16-Aug	10.783	10.784	10.784	10.783	-0.01%
16-Jul	10.784	10.783	10.784	10.783	0.01%
16-Jun	10.783	10.783	10.783	10.783	0.00%
16-May	10.783	10.868	10.869	10.783	-0.78%
16-Apr	10.868	10.869	10.869	10.868	-0.01%
16-Mar	10.869	10.868	10.869	10.868	0.01%
16-Feb	10.868	10.784	10.934	10.784	0.78%
16-Jan	10.784	11.07	11.07	10.783	2.70%
15-Dec	10.5	10.5	10.8	10.5	0.00%
15-Nov	10.5	10.5	10.801	10.399	1.94%
15-Oct	10.3	10.4	10.5	10.3	-0.96%
15-Sep	10.4	10.65	10.65	10.4	-1.89%
15-Aug	10.6	10.2	10.7	10.2	0.00%
15-Jul	10.6	11	11	10.599	-4.07%
15-Jun	11.05	10.3	11.05	10	7.80%
15-May	10.25	10.25	10.25	10.25	0.49%
15-Apr	10.2	10.2	10.2	10.2	0.00%
15-Mar	10.2	10.2	10.2	10.2	-7.27%
15-Feb	11	11	11	11	-0.90%
15-Jan	11.1	11.1	11.1	11.1	-7.50%
14-Dec	12	12	12	12	-2.83%
14-Nov	12.349	12.349	12.349	12.349	-6.10%
14-Oct	13.151	13.151	13.151	13.151	-2.22%
14-Sep	13.45	13.45	13.45	13.45	-0.37%
14-Aug	13.5	13.5	13.5	13.5	2.35%
14-Jul	13.19	13.19	13.19	13.19	0.00%
14-Jun	13.19	13.19	13.19	13.19	-0.45%
14-May	13.25	13.25	13.25	13.25	0.99%
14-Apr	13.12	13.12	13.12	13.12	-0.61%
14-Mar	13.2	13.2	13.2	13.2	0.76%
14-Feb	13.1	13.1	13.1	13.1	0.38%
14-Jan	13.05	13.05	13.05	13.05	-1.87%
13-Dec	13.299	13.299	13.299	13.299	-0.75%
13-Nov	13.4	13.4	13.4	13.4	1.52%
13-Oct	13.2	13.2	13.2	13.2	-2.22%
13-Sep	13.5	13.5	13.5	13.5	7.99%
13-Aug	12.501	12.501	12.501	12.501	0.81%
13-Jul	12.4	12.4	12.4	12.4	4.38%
13-Jun	11.88	11.88	11.88	11.88	-1.40%
13-May	12.049	12.049	12.049	12.049	-3.84%
13-Apr	12.53	12.53	12.53	12.53	-0.16%
13-Mar	12.55	12.55	12.55	12.55	0.00%
13-Feb	12.55	12.55	12.55	12.55	2.86%
13-Jan	12.201	12.201	12.201	12.201	0.43%
12-Dec	12.149	12.149	12.149	12.149	-0.01%
12-Nov	12.15	12.15	12.15	12.15	2.10%
12-Oct	11.9	11.9	11.9	11.9	-1.65%

Average	11.994

https://www.investing.com/rates-bonds/pakistan-20-year-bond-yield-historical-data

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15 Years PSX/KSE-100 Index Return

Sr#	Financial Year	Beginning Price	Ending Price	Gain or Loss	Percent Gain or Loss
1	2008-09	12,289.03	7,162.18	(5,126.85)	-41.72%
2	2009-10	7,162.18	9,721.91	2,559.73	35.74%
3	2010-11	9,721.91	12,496.03	2,774.12	28.53%
4	2011-12	12,496.03	13,801.41	1,305.38	10.45%
5	2012-13	13,801.41	21,005.69	7,204.28	52.20%
6	2013-14	21,005.69	29,652.53	8,646.84	41.16%
7	2014-15	29,652.53	34,398.86	4,746.33	16.01%
8	2015-16	34,398.86	37,783.54	3,384.68	9.84%
9	2016-17	37,783.54	46,565.29	8,781.75	23.24%
10	2017-18	46,565.29	41,910.90	(4,654.39)	-10.00%
11	2018-19	41,910.90	33,901.58	(8,009.32)	-19.11%
12	2019-20	33,901.58	34,421.92	520.34	1.53%
13	2020-21	34,421.92	47,356.02	12,934.10	37.58%
14	2021-22	47,356.02	41,540.83	(5,815.19)	-12.28%
15	2022-23	41,540.83	41,128.67	(412.16)	-0.99%
15 year average PSX-KSE 100 index					**11.48**

Note: *Beginning price has been taken the closing price as of last working day of previous financial year.*

Source: https://www.investing.com/indices/karachi-100-historical-data?utm_source=google&utm_medium=cpc&utm_campaign=16899642149&utm_content=592909659973&utm_term=dsa-1518303930164_&GL_Ad_ID=592909659973&GL_Campaign_ID=16899642149&gclid=CjwKCAjw14uVBhBEEiwAaufYx6V052xUsRGsxdpz6a0QQhmOqxxEvaZStfSQMUBWP-HSFkBRIDTLvxoC5-gQAvD_BwE

6-month KIBOR as on last date of the Month

Months	KIBOR
Oct-21	8.69
Nov-21	10.29
Dec-21	11.46
Jan-22	10.74
Feb-22	11.03
Mar-22	11.95
Apr-22	14.83
May-22	14.7
Jun-22	15.35
Jul-22	15.83
Aug-22	16.00
Sep-22	15.91
Average of last 12 Months	**13.07**

https://www.sbp.org.pk/ecodata/kibor_index.asp

Annex-C

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NORTHERN GAS PIPELINES LIMITED
MEMORANDUM

From: Company Secretary		**To:** ~~SGM (ES)~~
Ref: CA/BOD-1/1744	September 28, 2022	*Confidential*

ITEM-O LAYING OF GAS PIPELINE ON 100% COST SHARING BASIS FOR THE SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY (FFC) LIMITED'S FACILITIES AT MIRPUR MATHELO.

(SHORT ORDER)

The Board of Directors considered this agenda item at its 591st meeting held on September 28, 2022.

After detailed deliberation, the Board of Directors in line with recommendations of the F&PC given at its 329th Meeting held on September 16, 2022 accorded approval for the following subject to approval by OGRA and completion of all procedural/ codal, legal, financial prerequisites and strictly in accordance with law:

1. To issue offer letter to M/s FFC for undertaking 20"dia x 14 Km Pipeline Infrastructure Development Works at a budgeted cost of Rs. 1,860 Million (**One Thousand, Eight Hundred and Sixty Million Rupees Only**) as mentioned in table 1.1 of the agenda required to supply 105 MMCFD RLNG to M/s FFC's facilities on 100 % cost recovery basis. F&PC noted that being financed through FFC, the related assets shall not be entitled for return as per Clause 1.2.16 of Tariff Regime.
2. All the recovered cost of the Project shall be charged on actual basis and adjustments from the budgeted figures shall be made where applicable, hence any additional cost shall be provided by FFC or in case of any saving arriving after physical and financial completion of the project, that shall be refunded;
3. Estimates of project are based on the current market rates, Company is allowed to initiate the procurement on the submitted costs and purchase order shall be placed upon receipt of OGRA's approval and receipt of funds from M/s FFC. In case if need arises for additional cost keeping in view the escalation trend in prices of material or dollar fluctuation (if any), Company shall revert to sponsoring authority / Board with submission to consider the additional cost impact. Addition cost, if any shall be provided by M/s FFC.
4. In view of the fact that the breakup of the total project cost in different heads/components is tentative in nature, Management is allowed to reallocate the budget within different heads (if required) keeping overall expenditure within the total proposed project cost.

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5. To allow procurement and installation of metering gadgets for this project at the total budgeted cost of **Rs. 127 Million (One Hundred and Twenty Seven Million Rupees Only)** as mentioned in table 1.2 of the agenda from Company's own resources. The related capitalization for metering component will be entitled to rate of return.
6. Project will be undertaken after approval from OGRA for which matter will be taken-up with OGRA immediately after approval by the Board. F&PC noted that since, this proposed line is a cost job, therefore, there would be no impact on tariff.

The Managing Director was authorized to take or cause to be taken all the necessary steps to give effect to the above decision.

You are requested to take further action in this regard. The detailed minutes are under preparation and would be communicated after clearance by the Chairperson, Board of Directors.

(IMTIAZ MEHMOOD)
COMPANY SECRETARY

cc: MD
cc: CFO

329TH

AGENDA FOR FINANCE/PROCUREMENT COMMITTEE MEETING - ITEM- E

LAYING OF PIPELINE ON 100% COST SHARING BASIS FOR THE SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY (FFC) LIMITED'S FACILITIES AT MIRPUR MATHELO

EXECUTIVE SUMMARY

- M/s Fauji Fertilizer Company Limited (FFC) has requested SNGPL for the technical and commercial proposal for the laying of gas pipeline connection to their facilities at Mirpur Mathelo, Sindh on 100 % cost sharing basis. M/s FFC shared their staggered demand of RLNG starting from gas load of 5 MMCFD (3rd quarter of 2024) to maximum gas load of 105 MMCFD in year 2030.

- Based on technical details shared by M/s FFC for the provision of maximum gas load of 105 MMCFD, we have carried out system analysis which reveals that 20"dia x 14 Km transmission spur is to be laid from QV-2, Muhammad Pur Valve Assembly to the doorstep of FFC's facilities at Mirpur Mathelo, Sindh along with SMS cum CMS having capacity of 105 MMCFD at terminal point identified by M/s FFC.

- The project envisages pipeline route survey, detail design engineering, material procurement, land acquisition and construction / laying of pipeline infrastructure. The land measuring 325' x 200' shall be required for the construction of SMS cum CMS at terminal point to be provided free of cost by M/s FFC.

- Total estimated cost for the pipeline infrastructure (excluding the land cost of SMS cum CMS) to be developed for providing the desired gas at FFC facilities shall be **Rs. 1,860 million.**

- Project cost estimates of **Rs. 1,860 Million** have been communicated to FFC and they have agreed to pay the aforementioned entire project cost in advance along with payment of any additional cost (if any) due to escalation in material prices and dollar fluctuation.

- Procurement and installation of metering gadgets for this project at the total budgeted cost of **Rs. 127 Million** shall be arranged from Company's own resources. The related capitalization for metering component will be entitled to rate of return.

- DG Gas Office has allocated upto 105 MMCFD RLNG to M/s FFC purely on as and when available basis.

- Project will be undertaken after approval from OGRA for which matter will be taken-up with OGRA immediately after approval by the Board.

- It is recommended by the Management to the Finance and Procurement Committee of the Directors to accord approval for issuance of offer letter to M/s FFC for undertaking 20"dia x 14 Km Pipeline Infrastructure Development Works at a budgeted cost of **Rs. 1,860 Million (One Thousand, Eight hundred and Sixty Million Rupees Only)** to meet staggered gas load requirement of FFC facilities and **Rs. 127 Million (One Hundred and Twenty Seven Million Rupees Only)** for procurement and installation of metering gadgets at SMS cum CMS.

- Company may be allowed to initiate procurement of material on submitted costs and purchase order shall be placed upon receipt of OGRA's approval and receipt of funds from M/s FFC.

SUI NORTHERN GAS PIPELINES LIMITED

August 02, 2022

AGENDA FOR FINANCE/PROCUREMENT COMMITTEE MEETING - ITEM-

LAYING OF PIPELINE ON 100% COST SHARING BASIS FOR THE SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY (FFC) LIMITED'S FACILITIES AT MIRPUR MATHELO

1. Management Request/Purpose/Objective:

M/s Fauji Fertilizer Company Limited (FFC) has requested SNGPL for the technical and commercial proposal of laying gas pipeline infrastructure for the provision of gas supply to their facilities at Mirpur Mathelo, Sindh on 100 % cost sharing basis. M/s FFC shared their staggered demand of RLNG starting from gas load of 5 MMCFD (3rd quarter of 2024) to maximum gas load of 105 MMCFD in year 2030.

Based on technical details shared by M/s FFC for the provision of maximum gas load of 105 MMCFD, we have carried out detail system analysis which reveals that 20"dia x 14 Km transmission spur is to be laid from QV-2, Muhammad Pur Valve Assembly to the doorstep of FFC's facilities at Mirpur Mathelo, Sindh along with SMS cum CMS having capacity of 105 MMCFD at terminal point identified by M/s FFC.

The project envisages pipeline route survey, detail design engineering, material procurement, land acquisition and construction / laying of pipeline infrastructure. The land measuring 325' x 200' shall be required for the construction of SMS cum CMS at terminal point to be provided free of cost by M/s FFC. The Map showing the plan of the gas infrastructure required to supply gas to FFC facilities is enclosed as **Annexure-A.**

2. Financial Information:

Company is undertaking this project on 100 % cost recovery basis and gas infrastructure to be constructed under this project will become the asset of the Company. However, Company will not be entitled for return on such asset under existing tariff regime. Company will also be responsible for operation and maintenance of this line while cost for the development of gas infrastructure (detailed route survey & engineering design, ROW acquisition, procurement of line pipe, valves & fittings and allied material for metering station, laying / construction of pipeline, civil works and commissioning etc.) shall be borne by M/s FFC.

Total estimated cost for the pipeline infrastructure (excluding the land cost of SMS cum CMS) to be developed for providing the desired gas at FFC facilities shall be Rs. 1,860 million as given below in the table 1.1. Project estimates comprises mainly of steel price & valves / fittings have been prepared on the prevailing market rates, however, any variation in the material cost due to escalation or dollar fluctuation (if any) shall be translated into the cost estimates accordingly and additional cost if any due to this effect shall also be provided by the M/s FFC. In case of saving at the time of closing of accounts, same shall be returned to M/s FFC.

Details of infrastructure along with budgeted cost of pipeline infrastructure required for the supply of 105 MMCFD RLNG to FFC facilities is given below:

Table 1.1

Sr. No.	Description	Dia & Length	Cost (Rs. Million)
01.	Transmission spurs from QV-2 Valve Assembly (Muhammad Pur) to doorstep of FFC authorities.	20"dia x 14 Km	1,170
02.	SMS cum CMS	105 MMCFD (Capacity)	690
		Total Cost (Rs. Million)	**1,860**

The results of TG net simulation study and details of budgeted cost for undertaking the gas infrastructure development works for the supply of 105 MMCFD gas to FFC facilities is attached as Annexure-B & C.

Details of metering components gadgets along with budgeted cost to be installed at the metering station of the FFC facilities is given below:

Table 1.2

Sr. No.	**Name of Project**	**Gas Required MMCFD**	**Metering Arrangements Required**	**Budgeted Cost Rs. Million**
1.	FFC facilities	105	1- Orifice Meters 02 Nos.	45
			2- Flow Computers 02 Nos.	12
			3- Gas Chromatograph 02 Nos.	70
			Total	127

Note: Cost of metering equipment will be borne by the Company.

Project cost estimates of Rs. 1,860 Million have been offered to FFC authorities and they have conveyed their consent for payment of afore mentioned project cost in advance.

3. Brief Chronological/Historical Data:

M/s FFC authorities had requested to lay a gas pipeline connection to their facilities at Mirpur Mathelo, Sindh on 100 % cost sharing / recovery basis vide letter ref No. 14.4/S/FFC dated: 22.04.2022 and provided their staggered gas load requirement from 05 MMCFD in year 2024 to maximum gas load requirement of 105 MMCFD in year 2030.

In the light of M/s FFC's request, a project for supply of 105 MMCFD RLNG was planned which involved laying of 20" Ø x 14 KM transmission spur from QV-2, Valve Assembly near Muhammad Pur to the doorstep / end point inside the FFC facilities along with an SMS cum CMS of capacity 105 MMCFD at terminal point identified by M/s FFC. The proposed gas infrastructure along with cost estimates were communicated to the M/s FFC vide our letter No. BD-938(FFC-MM) dated: 08.06.2022 for their consent of payment along with our terms and conditions mentioned in our aforementioned letter.

In response, M/s FFC has confirmed to pay project cost of Rs. 1,860 Million vide their letter ref No. BD:938(FFC-MM) dated: 04.07.2022 and agreed with all terms & conditions mentioned in our above referred offer letter. DG Gas office has confirmed the allocation of of 105 MMCFD RLNG to M/s FFC on as and when available basis vide their letter Ref No. NG(I)-7(158)/21-F dated: 28.07.2022. Correspondences are enclosed as **Annexure – D.**

4. Budget Information/Impact on Revenue of the Company:

This project is to be financed by M/s FFC on 100 % cost sharing basis therefore, under the Company's existing tariff regime; the capex financed through consumer's contributions is not entitled for return hence any impact on tariff as such. However, the procurement and installation of metering gadgets for above referred at the total budgeted cost of **Rs. 127 Million (One Hundred and Twenty Seven Million Rupees Only)** as mentioned above in table 1.2 is to be arranged from Company's own resources. The related capitalization for metering component will be entitled to rate of return.

5. Risks Involved/Mitigation Strategy:

None

6. Conformance to Rule/Law:

This is to affirm that all relevant codal/procedural, legal, and financial prerequisites shall be fulfilled.

7. Recommendations:

It is recommended by the Management to the Finance & Procurement Committee of Directors to recommend to the Board of Directors to accord approval for the following:

1. To issue offer letter to M/s FFC for undertaking 20"dia x 14 Km Pipeline Infrastructure Development Works at a budgeted cost of Rs. 1,860 Million (**One Thousand, Eight Hundred and Sixty Million Rupees Only**) as mentioned above in table 1.1 required to supply 105 MMCFD RLNG to M/s FFC's facilities on 100 % cost recovery basis. Being financed through FFC, the related assets shall not be entitled for return as per Clause 1.2.16 of Tariff Regime.
2. All the recovered cost of the Project shall be charged on actual basis and adjustments from the budgeted figures shall be made where applicable, hence any additional cost shall be provided by FFC or in case of any saving arriving after physical and financial completion of the project, that shall be refunded;
3. Estimates of project are based on the current market rates, Company may be allowed to initiate the procurement on the submitted costs and purchase order shall be placed upon receipt of OGRA's approval and receipt of funds from M/s FFC. In case if need arises for additional cost keeping in view the escalation trend in prices of material or dollar fluctuation (if any), Company shall revert to sponsoring authority / Board with submission to consider the additional cost impact. Addition cost, if any shall be provided by M/s FFC.
4. In view of the fact that the breakup of the total project cost in different heads/components is tentative in nature, Management may be allowed to reallocate the budget within different heads (if required) keeping overall expenditure within the total proposed project cost.
5. To allow procurement and installation of metering gadgets for this project at the total budgeted cost of **Rs. 127 Million (One Hundred and Twenty Seven Million Rupees Only)** as mentioned above in table 1.2 from Company's own resources. The related capitalization for metering component will be entitled to rate of return.
6. Project will be undertaken after approval from OGRA for which matter will be taken-up with OGRA immediately after approval by the Board. Since, this proposed line is a cost job, therefore, there would be no impact on tariff;

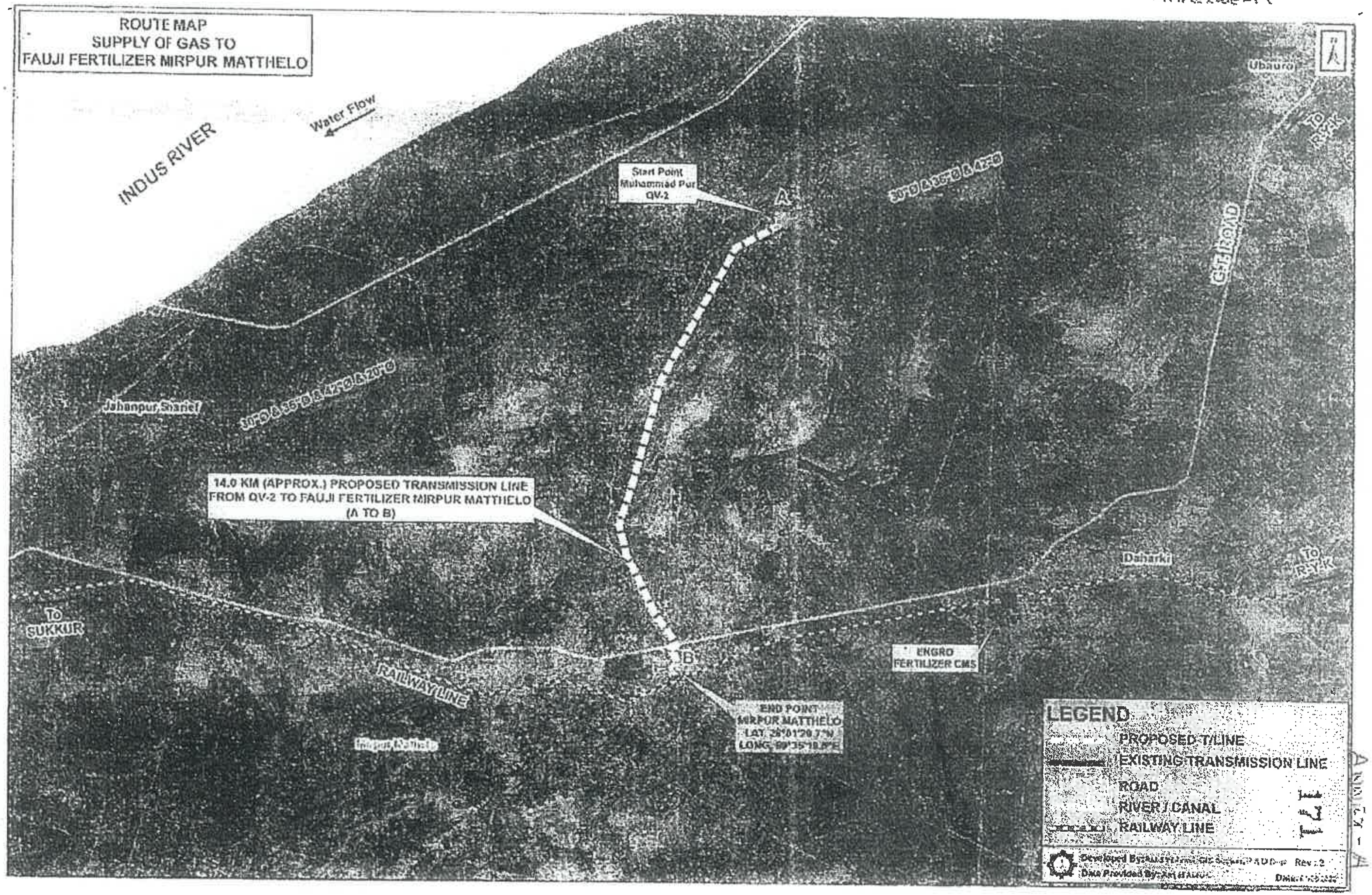
(Farrukh Majeed)
General Manager (P&D)

(Imran Yousaf Khan)
Sr. General Manager (ES)

(Faisal Iqbal)
Chief Financial Officer

(Ali Javaid Hamdani)
Managing Director

Annexure-A



ROUTE MAP
SUPPLY OF GAS TO
FAUJI FERTILIZER MIRPUR MATTHELO

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Annex-A

Annexure-B

SYSTEM ANALYSIS RESULTS FOR RLNG SUPPLY TO FFC

GIVEN DATA

Minimum Gas Quantity			Maximum Gas Quantity			Pressure Required	Pipeline Length
MMBTUs per Day	GCV (Btu/Scf)	MMCFD	MMBTUs per Day	GCV (Btu/Scf)	MMCFD	Psig	Kms
5000	1000	5	103590	1000	103.59	650	14

SYSTEM ANALYSIS DATA

Gas Quantitity	Pipeline Dia	Pressure at QV2	Pressure at Site
MMCFD	Inches	Psig	Psig
104	18	770	747
	20		757
	24		765

700 Psig pressure commitment at QV2

Gas Quantitity	Pipeline Dia	Pressure at QV2	Pressure at Site
MMCFD	Inches	Psig	Psig
104	18	700	674
	20		685
	24		694

NOTE:

1- GCV of 1000 Btu/SCF has been assumed for system analysis purpose only.
2- Maximum required gas quantity (MMBTUs per Day) has been assumed for system anaysis.
3- Pressures at QV2 has been assumed based on minimum suction pressure limit of relevant compressor station at (AC1X) Bhong.
4- Keeping in view the minimum suction pressure limit at AC1X, supply pressure commitment for FFC and requisite pipeline diameter should be selected after giving allowance for pressure drop in filtration, measurement and allied fittings etc.
5- Appropriate sizing of filtration and measurement equipment would be required to cater the minimum and maximum RLNG quantities as per requirement.

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Annexure-C 1 of 2

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Budgeted Estimates

QV2 - FFC_MIRPUR MATHELO

20" dia X 14.0 KM: 0.250"/0.312"/0.375" WT. Pipeline (Gr. X70)

A Pipeline System

	Description		(Million Rupees) Total
1	- Material		
	- Line pipe		278.275
	- Coating Cost		49.490
	- Valves & Fittings		85.000
	- Joint Coating		8.120
	- Cathodic Protection		8.000
	- Transportation		7.268
	- Duties, freight & other import charges(Pipe /Valves & fittings)		233.043
		(a)	669.196
2	Construction Cost		119.000
3	Crop Compensation		10.500
4	Freehold Land		95.432
5	Major Crossings / Crossing Permission/Civil Works		84.700
6	Security		5.000
7	Quality Assurance / HSE		11.600
8	Telecom		8.500
9	Survey & Design		2.000
10	Camp set-up		20.000
11	Overheads (25%)		58.825
12	Depriciation(3%)		29.680
		(b)	445.237
		c =(a+b)	1,114.432
13	Contigencies (5 %)	(d)	55.722
	Total	e= (c+d)	1,170.154
	Grand Total		1,170
	Per Km cost of pipeline		83.582

*Duties, freight & other import charges are part of Material

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Annexure-C 2 of 2

Budgeted Estimates

SMS CUM CMS FFC AT FFC MIRPUR MATHELO

Capacity 110 MMCFD

	Description			(Million Rupees) Total
1	- Material Cost			313.093
2	- Civil Works			50.000
3	- Construction / Fabrication			15.000
4	- Explosive Proof Lights/Non Sparking Lights			5.000
5	- Land			-
6	- Miscellaneous Transmission Items			13.000
7	- Duties, freight & other import charges			219.165
8	- Telecom			6.500
		Total	(a)	621.758
9	- Overheads (25%)			16.250
10	- Depriciation (3%)			19.140
			(b)	657.148
11	Contigencies (5 %)		(c)	32.857
	Grand Total		(b+c)	690.0

*Duties, freight & other import charges are part of Material

Annexure-D

FFC FAUJI FERTILIZER COMPANY LIMITED

(HEAD OFFICE)
Secretariat (Corporate Affairs)

Ref. No. 14-4/5/FFC
22 April , 2022

Mr. Imran Yousaf Khan
Senior General Manager – Engineering Services
Sui Northem Gas Pipeline Limited (SNGPL),
SNGPL Gas House, 21-Kashmir Road,
Lahore.

Subject: **Request for Pipeline Connection to FFC at Mirpur Mathelo for RLNG Utilization**

Dear Mr. Imran Yousaf Khan,

Kind reference is drawn to your meeting with Fauji Fertilizer Company Limited (FFC) team dated March 30, 2022 on the subject matter.

We hereby formally request you on behalf of FFC Management to lay a gas pipeline connection to our facilities at Mirpur Mathelo, Sindh on 100% cost sharing/recovery basis.

FFC will use this pipeline connection for utilization of RLNG at its fertilizer manufacturing facilities. RLNG will be required in near future:

a) As a back-up against possible delay in development of Pressure Enhancement Facilities (PEF) at Habib Rahi Limestone reservoir of MPCL

b) Due to foreseen shortfall in natural gas supply from MPCL.

Looking forward to a detail technical and commercial proposal from SNGPL in this regard.

Yours Sincerely,

for **Brig (R) Asrat Mahmood**
Company Secretary
Fauji Fertilizer Company Limited

Cc:

- Managing Director – SNGPL
- Senior General Manager – (BD) SNGPL
- Senior Manager – Engineering (FFC Mirpur Mathelo)

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{In Archive} RE: PROVISION OF 105 MMCFD GAS TO FFC FACILITIES AT MIR PUR MATHELO
Syed Aamir Abbas
to:
Imran_Yousaf_Khan, Farrukh_Majeed_Bala
22/04/2022 12:53 pm
Cc:
Saulat_Lone, "Farhan Mehboob" , "jawad naseem@sngpl.com.pk" , Wajiha_Anwar, "Syed Naveed Haider"
Hide Details
From: "Syed Aamir Abbas" <aamir_abbas@ffc.com.pk> Sort List...
To: Imran_Yousaf_Khan/Engineering_Services/HO/SNGPL/PK
<Imran_Yousaf_Khan/Engineering_Services/HO/SNGPL/PK@sngpl.pk>, Farrukh_Majeed_Bala/Planning/HO/SNGPL/PK
<Farrukh_Majeed_Bala/Planning/HO/SNGPL/PK@sngpl.pk>
Cc: Saulat_Lone/Planning/HO/SNGPL/PK <Saulat_Lone/Planning/HO/SNGPL/PK@SNGPL.PK>, "Farhan Mehboob"
<farhan.mehboob@sngpl.com.pk>, "jawad.naseem@sngpl.com.pk" <jawad.naseem@sngpl.com.pk>,
Wajiha_Anwar/Business_Development_Corporate/HO/SNGPL/PK
<Wajiha_Anwar/Business_Development_Corporate/HO/SNGPL/PK@sngpl.pk>, "Syed Naveed Haider" <sn_haider@ffc.com.pk>
History: This message has been replied to.
Archive: This message is being viewed in an archive.

1 Attachment

Request for Pipeline Connection to FFC at Mirpur Mathelo for RLNG Utilization.pdf

Dear Imran Sb /Farrukh Sb., ASA

A. Kind reference is drawn to our meeting dated 30th March 2022. In this regard kindly find attached formal letter requesting laying of pipeline.

B. With regards to the SNGPL mail dated 22 April 2022 (copied) point 1 i.e; allocation of gas, kindly note that we have already approached DG Gas and discussed our needs. DG Gas has asked us for seeking a response on the following 02 question raised by them to SNGPL;

[redacted]

C. In this regard following may kindly be communicated to DG Gas preferably today or early Monday (25th April 2022);

i) FFC requires that the gas be delivered on take and pay arrangement i.e; on as required / as available basis starting 3rd Qtr of 2024.
ii) FFC desires a backup system to complement shortfall in their existing gas supplies and the requirements of RLNG are given in below table which SNGPL would be able to meet from their system.

Year	FFC RLNG Requirements
2024	5
2025	20
2026	37
2027	52
2028	70
2029	87
2030	105

Our second round of meeting with DG Gas for allocation of RLNG is planned on coming Monday 25th April 2022, accordingly, we would request a response to be sent to DG Gas soonest.

Best Regards

Syed Aamir Abbas
Senior Manager Engineering - MM
Fauji Fertilizer Company Limited
Distt: Ghotki, Sindh Pakistan
Ph # +92723-661500-10 Ext. (3420)
Cell # +92333-5115475
www.ffc.com.pk
Say No To Corruption

From: Farhan Mehboob <farhan.mehboob@sngpl.com.pk>
Sent: Friday, April 22, 2022 10:30 AM
To: Syed Aamir Abbas <aamir_abbas@ffc.com.pk>

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SUI NORTHERN GAS PIPELINES LIMITED
GAS HOUSE, 21 KASHMIR ROAD, P.O. BOX 56, LAHORE (PAKISTAN)

Ref: BD-938 (FFC-MM)   Dated: June 08, 2022

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Brig (R) Asrat Mahmood,
Company Secretary,
Fauji Fertilizer Company Limited,
Sona Tower, 156 The Mall, Rawalpindi
Email: secretary@ffc.com.pk

LAYING OF PIPELINE ON 100 % COST SHARING BASIS FOR SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY LIMITED'S FACILITIES AT MIRPUR MATHELO

Dear Sir,

We refer to your letter No. 14.4/S/FCC dated 22.04.2022, regarding the subject, whereby technical and commercial proposal for laying gas pipeline to your above Fertilizer Plant at Mirpur Mathelo, Sindh on 100% cost sharing basis, was requested.

In this regard, keeping in view the total gas load requirement of 105 MMCFD communicated to us vide email dated: 22.04.2022, we have carried out detail network analysis which reveals that 20" dia x 14 Km Transmission spur from QV-2, Muhammad Pur Valve Assembly on A- leg to terminal point / doorstep of FFC facilities along with SMS cum CMS (105 MMCFD capacity) at terminal point (as identified by FFC) shall be required to cater the desired gas load of FFC facilities. Based on the technical information and other site conditions / requirements communicated through exchange of numerous emails with M/s FFC, we have worked out project cost estimates of gas infrastructure involved in this project which detail is tabulated below:

Sr. No	Description	Cost (Rs. Millions)
1.	20" dia x 14 Km transmission spur from QV-2, Muhammad Pur VA to zero point of FFC's facilities at Mirpur Mathelo.	1,170
2.	Construction of SMS cum CMS of 105 MMCFD capacity	690
	Total Project Cost	1,860

The above gas infrastructure is based on the location of terminal point (UTM coordinates E= 557690, N 3101137) as identified / finalized vide email dated: 02.06.2022 by FFC authorities. The construction of above stated gas infrastructure is based on following terms and conditions.

1. Cost estimates of Rs. 1,860 Million are provisional and valid upto 30.09.2022, subject to allocation of gas load and approval of Company's Board of Directors and OGRA.
2. The above project shall be executed after its approval by Company's Board of Directors and OGRA.
3. The Company reserves the right to return the amount without cost to the FFC considering any constraints.
4. Project tentative timeline is 18 to 24 months which will commence after approval from Company's BOD and OGRA.
5. In case of any variation in location of terminal point, infrastructure shall vary accordingly.
6. Land measuring 325' x 200' shall be required for construction of SMS cum CMS at identified terminal point shall be provided by FFC authorities free of cost.
7. Utilities like water and electricity required for SMS cum CMS station / offices at terminal point shall be provided by M/s FFC.

00000111

8. Any fluctuation in dollar price / escalation (if any) shall be translated into the cost estimates accordingly and shall be borne by FFC authorities.
9. The procurement of material i.e. line pipe, valves, fittings etc is likely to take a period of 18 to 24 months for the date of receipt of payment. However, any variation or shortfall in material / construction cost due to escalation / dollar fluctuation (if any) or any other reasons beyond SNGPL's control shall be borne by FFC authorities. Material procurement process will be initiated after the receipt of full payment.
10. Permission for laying of above proposed infrastructure i.e. Road/ railway/ canal crossing permission etc. from respective authorities / department, if any, will be facilitated by FFC authorities in coordination with SNGPL.
11. SNGPL will not be responsible for any delay due to land dispute or any other reason beyond the control of SNGPL. FFC will facilitate SNGPL in resolving land dispute issues through local authorities.
12. FFC will install its own operational safety of facilities downstream of SMS cum CMS and ensure its safety for maximum pressure upto 1235 psig and install its own gas filtration to match the requirement of its operational equipments.
13. FFC will provide free access to SNGPL teams on 24/7 basis along with proper corridor / access space during the construction of pipeline portion inside the plant.
14. FFC shall submit under-taking on Rs. 1000/- stamp paper for payment of any difference from above stated project cost due to escalation / dollar fluctuation (if any) or any other reason whatsoever along with confirmation of term & conditions stipulated above.

In order to proceed further for the subject project, ***you are requested to convey us the consent for the payment of Rs. 1860 Million in advance along with the signed undertaking(s) of terms and conditions as stipulated above.***

We assure you of our best cooperation at all times.

Yours faithfully,
SUI NORTHERN GAS PIPELINES LIMITED

(ASIF NAEEM)
Chief Officer (BD-Corporate)
for MANAGING DIRECTOR

Copy to:
- Director General Gas
  Ministry of Energy (Petroleum Division), Islamabad

Noo:
CC: MD
CC: SGM (D) South / SGM (Projects) / SGM (ES)
CC: GM (P&D): The above is w.r.t. your memo No. P&D/02 (16777) dated 03.06.2022.
CC: GM (Projects)
CC: RM (BWP)

SUI NORTHERN GAS PIPELINES LIMITED
MEMORANDUM

From: Chief Officer (BD-Corporate) Ref: BD: 938 (FFC-MM) Dt:04.07.2022	To: General Manger (P&D)

LAYING OF PIPLELINE ON 100 % COST SHARING BASIS FOR SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY LIMITED'S FACILITIES AT MIRPUR MATHELO

Reference your memo No. P&D/02 (16777) dated 03.06.2022, regarding the subject cited above.

In this context, we wish to inform that the subject noted prospective consumers vide our letter No. BD-938 (FFC-MM) dated 08.06.2022, was requested to provide their formal consent for payment of Rs.1860 Million in advance along-with undertakings, in compliance to your above referred memo.

In response, the prospective consumer has consented vide enclosed Rs.1200/- non-judicial stamp paper.

Submitted for your kind perusal and further necessary action, please.

(ASIF NAEEM)
Chief Officer (BD-C)

Encl: as above

CC: SGM (ES)

117

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M 1 28639

E-STAMP

2014-17879618

PB-RWP-203AE65B0D850DE1

Non-Judicial

Rs 1,200/-

Description : AGREEMENT OR MEMORANDUM OF AN AGREEMENT - 5(cc)
First Party : BRIG ASRAT MAHMOOD [82401-8652493-3]
Second Party : SNGPL [10000-0000000-0]
Agent : MUHAMMAD MADNI [38401-8729500-5]
Stamp Duty Paid by : BRIG ASRAT MAHMOOD [82401-8652493-3]
Issue Date : 20-Jun-2022, 02:14:58 PM
Paid Through Challan : 2022433AADC50A6S
Amount in Words : One Thousand Two Hundred Rupees Only

CONSENT UNDERTAKING FOR ADVANCE PAYMENT & TERMS AND CONDITIONS

LAYING OF PIPELINE ON 100% COST SHARING BASIS FOR SUPPLY OF 105 MMCFD RLNG AT ZERO POINT OF FAUJI FERTILIZER COMPANY LIMITED'S FACILITIES AT MIRPUR MATHELO

Mr. Asif Naeem
Chief Officer (BD-Corporate)
SUI NORTHERN GAS PIPELINES LIMITED, PAKISTAN

Date: June 28, 2022

1. Reference SNGPL offer No. BD-93B (FFC-MM) dated June 08, 2022 regarding *"Laying of pipeline on 100% cost sharing basis for supply of 105 MMCFD RLNG at zero point of Fauji Fertilizer Company Limited's Facilities at Mirpur Mathelo"*
2. The estimated cost of the subject project is *Rs. 1,860 Millions*. Details of which are given below:

Sr. No	Description	Cost (Rs. Millions)
A.	20" dia x 14 Km transmission spur from QV-2, Muhammad Pur VA to zero point of FFC's facilities at Mirpur Mathelo.	1,170
B.	Construction of SMS.cum CMS of 105 MMCFD capacity	690
	Total Project Cost	1,860

3. FFC hereby extend consent for the advance payment of the amount in Sr. No. 2 and the terms and conditions noted in Sr. No. 4 below. Actual release of payment, its timings and final confirmation of the terms and conditions remain subject to approval of FFC Board of Directors, SNGPL Board of Directors and approval of regulatory authority.
4. Terms & Conditions;
   i. Cost estimates of Rs.1,860 Million are valid up to 30.09.2022, subject to allocation [illegible] and approval of respective company's Board of Directors and OGRA.
   ii. The above project shall be executed after its approval by respective company [illegible] Directors and OGRA.

No. NG (I)-7(158)/21-F
Government of Pakistan
Ministry of Energy - - Petroleum Division
(Policy Wing)
Directorate General of Gas
First Floor, Petroleum House, Ataturk Avenue G-5/2
****

Islamabad, the 28th July, 2022

01. **The Managing Director,**
Sui Northern Gas Pipelines Ltd,
Lahore.

02. **The Chief Executive Officer/Managing Director,**
M/s Fauji Fertilizer Company Ltd.
Rawalpindi.

Subject: **ALLOCATION OF 105 MMCFD GAS TO FAUJI FERTILIZER COMPANY LTD**

Dear Sir(s),

I am directed to refer to M/s SNGPL's letter No. BD(FFC):938(LNG) dated GMS:938(LNG) dated 24.05.2017 on the subject and state that in pursuance of ECC decision No. ECC-126/15/2015 dated 03.09.2015 which authorizes Petroleum Division to allocate RLNG to consumers, this Division hereby allocates upto 105 MMCFD RLNG to M/s Fauji Fertilizer Company Ltd (FFCL) subject to following:

i. This allocation would be purely on '*as and when available basis*' i.e., subject to availability of RLNG or any such arrangement to be made by the RLNG Supplier (SNGPL)

ii. FFCL will be required to enter into a Gas Sales and Purchase Agreement (GSPA) / Gas Sales Agreement (GSA) with RLNG supplier (SNGPL) atleast 6 month before the commencement of RLNG supply,

iii. FFCL is also required to provide a guarantee in the form acceptable to the RLNG supplier (SNGPL) against supply of RLNG.

iv. The terms & conditions of the GSPA will be negotiated between RLNG supplier and the buyer (FFCL).

v. RLNG supplier will charge tariff as determined and notified by OGRA on monthly basis based on full cost recovery model

Yours sincerely,

(Hussain Mubashar)
Deputy Director (NG-III)
Ph#9203083

SGM(BD) / GM(BD-C)

M 4/8

c.c:

i. Chairman, Oil and Gas Regulatory Authority, Islamabad
ii. SA to Secretary Petroleum Division
iii. PS to Addl. Secretary (P) Petroleum Division
iv. PA to DG (Gas) Petroleum Division

Mr. M.I / Mr. AA
Pl. discuss + deal further.
4/8

DAILY THE NEWS, NOVEMBER 05, 2022

آئل اینڈ گیس
ریگولیٹری اتھارٹی
حکومت پاکستان

Oil & Gas
Regulatory Authority
Government of Pakistan

PUBLIC HEARING NOTICE

Notice of Public Hearing by the Authority to consider Sui Northern Gas Pipelines Limited (SNGPL)'s Review of its Estimated Revenue Requirements / Prescribed Prices for F.Y. 2022-23

Sui Northern Gas Pipelines Limited (the petitioner) filed a petition before the Authority on October 14, 2022 under Section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 read with Rule 4(3) of Natural Gas Tariff Rules, 2002 for review of its Estimated Revenue Requirements / Prescribed Prices for F.Y.2022-23. The petitioner has projected a shortfall in revenue requirement for FY 2022-23 at Rs. 178,814 million, including Rs. 445 million on account of LPG Air-mix project for FY 2022-23 seeking increase in its average prescribed price by Rs. 488.08 per MMBTU effective July 01, 2022. The petitioner has also included Rs. 295,268 million, being shortfall pertaining to previous years, thereby seeking total increase in average prescribed price by Rs. 1,294.02 / mmbtu w.e.f. 1st July, 2022 to compensate for increase in cost of gas and other components of the petition.

The cost of gas is linked to the international price of crude oil / fuel oil in accordance with the agreements between the Federal Government and the gas producers. The breakup of projected prescribed price as claimed by the petitioner for F.Y. 2022-23 is as under:

	Rs./MMBTU
PARTICULARS	**The Petition**
Volume Sold (BBTU)	**366,364**
Cost of gas sold	809.03
UFG Adjustment	(13.89)
Transmission and Distribution cost including others	65.52
Depriciation	56.13
Late Payment Surcharge & short term borrowing	89.30
Return on net average operating fixed assets	75.15
LPG Air Mix Projects	1.21
Other Operating Income	(48.50)
Average Prescribed Price	**1,033.97**
Current Average Prescribed Price	545.89
Current increase in average prescribed price w.e.f. 01-7- 2022	**488.08**
Cumulative Previous Year Shortfall	805.94
Total increase in current average prescribed price w.e.f. 01-7-2022	**1,294.02**

Besides above, the petitioner has estimated RLNG cost of service at Rs. 1,015.64/MMBTU for 2022-23 including Rs. 762.44/MMBTU on account of differential impact of RLNG diversion.

Oil & Gas Regulatory Authority invites all interested/affected persons including gas consumers and general public to furnish their comments, suggestions and intervention requests. All correspondence in this connection may be addressed to Registrar, OGRA and should contain the names and addresses of applicant.

All interveners must indicate the manner in which they are likely to be affected by determination of the Authority in this case. Intervention request should be accompanied by an affidavit verifying the contents of the intervention, intervention fee of Rs.500/- (demand draft in favour of OGRA) and authority letter if representing an organization.

Copy of the petition is available on OGRA's official website which can also be obtained on payment of prescribed charges of Rs.2/- per page from the office of Registrar, OGRA, Islamabad. For any information required from the Petitioner, please contact:

Mr. Liaqat Ali, Incharge (RA),
Sui Northern Gas Pipelines Limited,
21-Kashmir Road, Lahore.
Phone No.: 042-99201306, Fax: 042-99204424

OGRA has decided to hold a Public Hearing in the subject case according to the date, time and venue mentioned below:

Date : **November 14, 2022 (Monday)**
Time : **2:00 p.m.**
Venue : **Avari Hotel, Lahore**

All parties to the proceedings, stakeholders, general public and interested / affected persons are hereby informed of the above proceedings.

Registrar,
Oil & Gas Regulatory Authority
54-B Fazal-e-Haq Road, Blue Area, Islamabad.
Phone: 051-9244296, 051-9244090-98 (Ext-157)
Fax: 051-9244310, Website: **www.ogra.org.pk**

PID(I)2867/22

Public Service Message:

قدرتی گیس کے غیر ضروری استعمال سے اجتناب آپ کا اخلاقی اور معاشرتی فریضہ ہے۔

DAILY EXPRESS, NOVEMBER 05, 2022

آئل اینڈ گیس
ریگولیٹری اتھارٹی
حکومت پاکستان

Oil & Gas
Regulatory Authority
Government of Pakistan

نوٹس برائے عوامی سماعت

سوئی ناردرن گیس پائپ لائنز لمیٹڈ کی مالی سال 2022-23 کیلئے مالی تخمینے/ مجوزہ قیمتوں کے تعین کیلئے درخواست

سوئی ناردرن گیس پائپ لائنز لمیٹڈ (درخواست دہندہ) نے اوگرا آرڈیننس 2002 کے ضابطہ (2)8 مع قدرتی گیس ٹیرف رولز 2002 کے ضابطہ (3)4 کے تحت 14 اکتوبر 2022 کو مالی سال 2022-23 کیلئے مالی ضروریات کے تخمینے/ مجوز قیمتوں کے تعین کیلئے اتھارٹی کو درخواست دی ہے۔ درخواست دہندہ نے مالی سال 2022-23 کیلئے مالی ضروریات میں 178,814 ملین روپے کا خسارہ ظاہر کیا ہے جس میں 445 ملین روپے مالی سال 2022-23 کیلئے ایل پی جی ائیر مکس پراجیکٹ کی مد میں شامل ہیں۔ درخواست دہندہ نے اوسط قیمتوں میں 488.08 روپے فی ایم ایم بی ٹی یو اضافے کی درخواست کی ہے جس کا اطلاق یکم جولائی 2022 سے ہوگا۔ درخواست دہندہ نے گزشتہ سال کی مد میں بھی 295,268 ملین روپے کا خسارہ شامل کیا ہے اس لیے مجموعی طور پر اوسط قیمتوں میں 1,294.02 فی ایم ایم بی ٹی یو اضافے کی درخواست کی ہے تاکہ گیس کی لاگت اور درخواست کے دیگر مرکبات کے اخراجات میں اضافے کو پورا کیا جاسکے۔

گیس کی لاگت خام تیل/ فیول آئل کی بین الاقوامی مارکیٹ میں لاگت سے منسلک ہے جو وفاقی حکومت اور گیس پروڈیوسرز کے مابین معاہدے کے مطابق ہے۔

مالی سال 2022-23 کیلئے درخواست دہندہ کی جانب سے مجوزہ قیمتوں کی تفصیل درج ذیل ہے۔

	Rs./MMBTU
PARTICULARS	**The Petition**
Volume Sold (BBTU)	**366,364**
Cost of gas sold	809.03
UFG Adjustment	(13.89)
Transmission and Distribution cost including others	65.52
Depriciation	56.13
Late Payment Surcharge & short term borrowing	89.30
Return on net average operating fixed assets	75.15
LPG Air Mix Projects	1.21
Other Operating Income	(48.50)
Average Prescribed Price	**1,033.97**
Current Average Prescribed Price	545.89
Current increase in average prescribed price w.e.f. 01-7- 2022	**488.08**
Cumulative Previous Year Shortfall	805.94
Total increase in current average prescribed price w.e.f. 01-7-2022	**1,294.02**

درج بالا کے علاوہ، درخواست دہندہ نے مالی سال 2022-23 کیلئے آر ایل این جی کی مد میں 1,015.64 روپے فی ایم ایم بی ٹی یو تخمینہ لگایا ہے اس میں آر ایل این جی کی تفریق کی مد میں 762.44 روپے فی ایم ایم بی ٹی یو بھی شامل ہیں۔

آئل اینڈ گیس ریگولیٹری اتھارٹی تمام خواہشمند/ متاثرہ افراد بشمول گیس صارفین اور عوام الناس کو مدعو کرتی ہے کہ وہ اپنی آراء اور مداخلتی درخواستیں جمع کروائیں۔ اس سلسلے میں تمام خط وکتابت بنام رجسٹرار، اوگرا کی جائے جس میں درخواست دہندہ کا نام اور پتہ درج ہو۔

تمام درخواست دہندگان اپنی درخواست میں اتھارٹی کے فیصلے کے ضمن میں متاثر ہونے کی وجوہات بیان کریں گے۔ مداخلتی درخواست کے ساتھ ایک حلف نامہ جو تحریری مواد کی تصدیق کرتا ہو، مداخلتی فیس -/500 روپے (ڈیمانڈ ڈرافٹ بنام اوگرا) اور ادارے کے نمائندے کی صورت میں اتھارٹی لیٹر جمع کروایا جائے گا۔

درخواست کی نقل اوگرا کی ویب سائیٹ پر موجود ہے، جو کہ بعوض -/2 روپے فی صفحہ دفتر رجسٹرار، اوگرا سے بھی حاصل کی جاسکتی ہے۔ درخواست دہندہ سے کسی بھی معلومات کے حصول کیلئے رابطہ کریں۔

لیاقت علی، انچارج (آر اے)
سوئی ناردرن گیس پائپ لائنز لمیٹڈ
21۔ کشمیر روڈ لاہور
فون نمبر: 042-99201306، فیکس: 042-99204424

اوگرا نے اس سلسلے میں درج ذیل تاریخ، وقت اور مقام پر عوامی سماعت کے انعقاد کا فیصلہ کیا ہے۔

تاریخ : **14 نومبر 2022** (بروز سوموار)
وقت : **2:00** بجے دوپہر
مقام : آواری ہوٹل، لاہور

PID(I)2867/22

رجسٹرار
آئل اینڈ گیس ریگولیٹری اتھارٹی
54-B، فضل حق روڈ، بلیو ایریا، اسلام آباد
فون نمبر: 051-9244296، 051-9244090-98 (Ext-157)
فیکس نمبر: 051-9244310، ویب سائٹ: www.ogra.org.pk

پیغام برائے عوامی آگاہی:
قدرتی گیس کے غیر ضروری استعمال سے اجتناب آپ کا اخلاقی اور معاشرتی فریضہ ہے۔