

آئل اینڈ گیس
ریگولیشن اتھارٹی



Oil & Gas
Regulatory Authority

Case No. OGRA-6(2)-1(3)/2022-FRR

IN THE MATTER OF
SUI NORTHERN GAS PIPELINES LIMITED
FINAL REVENUE REQUIREMENT, FY 2021-22

UNDER

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

DECISION

JUNE 02, 2023

Before:

Mr. Masroor Khan, Chairman

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

Mr. Mohammad Naeem Ghouri, Member (Finance)

Mas *Zain* *Mohammad*


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1. Background

1.1. Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan and is listed on Pakistan Stock Exchanges Limited. The petitioner is operating in the provinces of Punjab, Khyber Pakhtunkhwa (KPK) and Azad Jammu & Kashmir (AJ&K) under the license granted by Oil & Gas Regulatory Authority for the activities of construction and operation of gas transmission and distribution pipelines and sale of natural gas. However, the petitioner's exclusive right to operate in the franchised areas had already ended on 30th June, 2010. The petitioner is also engaged in transportation and sale of RLNG.

1.2. The Authority, vide Order dated March 01, 2022, had issued the petitioner's Review of Estimated Revenue Requirement (RERR) for FY 2021-22 (the said year) under Section 8(2) of the OGRA Ordinance, 2002 (the Ordinance) at Rs. 227,485 million against estimated sales volume of 310,325 BBTU, thereby determining the average prescribed price at Rs. 670.37/MMBTU w.e.f. July 01, 2021. The Authority had not included previous years shortfall amounting to Rs. 209,199 million upto FY 2020-21 in said RERR and had referred the matter to Federal Government (FG/GoP) for devising an appropriate policy for recoupment of the said shortfall.

2. Salient Features of the Petition

2.1. The petitioner has filed a petition on December 20, 2022, subsequently amended the same on January 31, 2023 under Section 8(2) of the Ordinance and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for the said year on the basis of its annual accounts, as initialed by its statutory auditors, after incorporating the effect of actual change in the relevant factors in terms of Section 8(2) of the Ordinance.

2.2. The petitioner has worked out its shortfall for the said year at Rs. 207,448 million, requesting an increase of Rs. 623.20/MMBTU in average prescribed price effective July 01, 2021 from Rs. 524.86/MMBTU to Rs.1,148.06/MMBTU. The petitioner has also claimed previous years' shortfall at Rs. 243,785 million upto FY 2020-21 seeking an aggregate shortfall of Rs.1355.56/MMBTU for the said year. Based on the actual sales revenues and actual sale mix, the petitioner has claimed an average prescribed price at Rs. 1,880.42/MMBTU w.e.f July 01, 2021. In addition, the petitioner has also claimed the impact of Rs. 87,633 million on account of diversion of RLNG molecules and has requested to include the same in the natural gas revenue requirement for the said year. The petitioner has also claimed RLNG cost of service at Rs. 52,145 million (i.e. Rs. 180.62/MMBTU) for the said year.

2.3. The petitioner has submitted following statement of cost of service:

Table 1: Cost of Service per the Petition

Particulars	The petition	
	Rs. Million	Rs./MMBTU
Sales Volume (BBTU)		332,877
Sales on existing sale price	174,714	524.86
Cost of gas sold	292,684	879.26
Transmission & Distribution cost including others	21,823	65.56
UFG adjustment	(750)	(2.25)
Depreciation	13,771	41.37
LPS payable	45,676	137.22
Short term borrowing	789	2.37
Return on Assets	20,848	62.63
Other Operating Income	(12,678)	(38.09)
Average Prescribed Prices for FY-2021-22 (A)	382,163	1,148.06
Current year shortfall	207,449	623.20
Previous Years Shortfall:		
Shortfall upto FY 2018-19		
Shortfall for FY 2019-20	167,091	501.96
Shortfall for FY 2020-21	37,755	113.42
Previous Years Shortfall upto 2020-21 (B)	38,939	116.98
Average Prescribed Prices incl. previous years' shortfall C=A+B	243,785	732.36
Aggregate increase in prescribed price		1,880.42
		1,355.56



3. Proceedings

3.1. The Authority issued a notice of in-house hearing to the petitioner. The hearing held at OGRA head office, Islamabad on March 06, 2023.

3.2. The petitioner was represented by a team of senior executives led by Mr. Faisal Iqbal, Chief Financial Officer, who was given full opportunity to present the petition. The petitioner made submissions with the help of multimedia presentation explaining the basis of its petition and responded to the comments as raised during the hearing.

4. Authority's Jurisdiction, Determination Process

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

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

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

4.4. The Authority observes that the petitioner has claimed ROA at 17.14% based on the premise that GoP has imposed super tax to the tune of 4% on persons exceeding income over Rs. 300 million effective 2022 onwards. The Authority further notes that tariff regime for natural gas sector effective July, 2018 was introduced on identical basis/grounds after thorough consultative process. The Authority, however, notes that the petitioner's sister utility (i.e. SSGCL) has not claimed the super tax in its WACC computation, in its both petitions for FY 2021-22 & FY 2023-24. Since, both gas utilities are allowed WACC on similar basis, therefore, request of the petitioner for review of WACC unilaterally, based on imposition of super tax, may jeopardize the entire regulatory consultative process. *In the light thereof, the petitioner is directed to submit a joint proposal in consultation with SSGC while also obtaining independent professional opinion from a reputable tax advisor. Till such time, the Authority decides to maintain its earlier decision and computes WACC at 16.60% for the said year.*

5. Operating Fixed Assets:

5.1 Summary

5.1.1 The petitioner has claimed net addition & deletion for the said year at Rs. 21,195 million and Rs. 761 million respectively. The depreciation has been claimed at Rs. 13,768 million resulting net addition in operating fixed assets from Rs. 139,226 million determined per FY 2020-21 to Rs. 146,182 million per the petition for the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out at Rs. 121,452 million and accordingly required return is calculated at Rs. 20,817 million.

5.1.2 Subsequently the petitioner has informed that capitalization of assets amounting to Rs. 397 million in the project of "Jalalpur Jattan (Gujrat) System Augmentation" was inadvertently recorded under RLNG segment, and therefore requested for re-allocation of the same to NG business. *The Authority, considering the above accepts petition on revised fixed assets for the said year.*



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

Table 2: Additions in Fixed Assets as Claimed by the petitioner with RERR

Sr. No.	Particulars	DERR/RERR FY 2021-22	Petition FY 2021-22 (Rs. in Million)											
			Distribution			Transmission			Sales			Total		
			Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold	3	0	0	0	119	245	364	0	0	0	119	245	364
2	Building on Freehold land	28	94	0	94	18	10	28	0	0	0	112	10	121
3	Transmission Mains	389	284	0	284	1350	7292	8641	0	0	0	1634	7292	8926
4	Compression	43	0	0	0	429	46	476	0	0	0	429	46	476
5	Distribution Mains	3986	12257	942	13199	0	0	0	0	0	0	12257	942	13199
6	Measuring and Regulating	3501	5584	344	5927	0	0	0	0	0	0	5584	344	5927
	Sub Total	7949	18219	1285	19504	1916	7592	9509	0	0	0	20135	8878	29013
7	Telecommunication Equipment	44	0	0	0	20	0	20	4	0	4	24	0	24
8	Plant & Machinery	483	168	0	168	148	33	181	0	0	0	316	33	349
9	Tools & Equipment	42	11	0	11	6	0	6	0	0	0	18	0	18
10	Construction Equipment	332	65	0	65	15	0	15	0	0	0	80	0	80
11	Motor Vehicles	18	91	0	91	2	0	2	0	0	0	93	0	93
12	Furniture & Fixture	48	7	0	7	14	0	14	1	0	1	22	0	22
13	Office Equipment	21	10	0	10	18	0	18	0	0	0	28	0	28
14	Computer Hardware	321	2	0	2	8	4	12	194	0	194	204	4	208
15	Computer System Software / Intangible Assets	106	0	0	0	70	0	70	134	0	134	204	0	204
	Sub Total	1416	355	0	355	300	37	337	332	0	332	988	37	1025
16	Advances for Land		0	0	0	73	356	429	0	0	0	73	356	429
	Grand Total	9365	18574	1286	19860	2289	7985	10274	332	0	332	21195	9271	30466

5.1.4 The capitalization in respect of fixed assets during the said year mainly pertains to budget/ projects allowed in the previous years. The petitioner has highlighted operational constraints such as non-responsive tendering process, re-floatation of tenders, delay in delivery/ commissioning/ testing time, site/ local dispute etc. as reasons for delay.

5.2 Special Projects

5.2.1 The petitioner has claimed capitalization of Rs. 9,856 million under the head as per following details:

Table 3: Capitalization in Special Projects

S. No	Project	Distribution			Transmission			Sales			Total			
		(Ind.)	RLN G	Total	(Ind.)	RLN G	Total	(Ind.)	RLN G	Total	(Ind.)	RLN G	Total	
1	Augmentation / Bifurcation of Gas Network in Lahore City [Phase-I]		70	70		3210	3210					3280	3280	
2	Low Gas Pressure In Bahawalpur & Lodhran System Augmentation					1525	1525					1525	1525	
3	Up gradation of SMSs to Cater Operational Constraints					884	884					884	884	
4	Segregation of Transmission Network for Operational Ease and Flexibility					681	681					681	681	
5	IDP for Northern Sources					577	577					577	577	
6	Compression Overhauling (2016-21)					420	420				577	420	420	
7	IDP for LNG-I					7	7					7	7	
8	IDP for LNG-II					97	97					97	97	
9	IDP for M/s KPEZDMC's Rashakai Special Economic Zone	0.2	0.2			1161	1161					1161	1161	
10	IDP for Punjab Power Plant					52	52					52	52	
11	IDP for Supply Of RLNG To KAPCO & GTPS (Muzafargarh)				-9	-9					-9	-9	-9	
12	IDP from Dhok Hussain					16	16					16	16	
13	Jalalpur Jattan (Gujrat) System Augmentation					407	407					407	407	
14	Loop line from Mardan to Swat					49	49					49	49	
15	Misc Transmission Lines					77	10	87				77	10	87
16	Quaid-e-Azam Apparel Park					3	3					3	3	
17	Re-location of Gas Turbine Compressor Packages					-0.5	-0.5					-0.5	-0.5	
18	Replacement & Expansion System of Scada System					5	5					5	5	
19	System Augmentation (Rawalpindi/Islamabad) Adhi-Sukho (Phase-III)	614		614								614	614	
		614	70	684	1543	7629	9172					2156	7699	9856

5.2.2 The aforementioned special projects are discussed in the following paras;

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i. **Lahore Augmentation, Bahawalpur & Lodhran Augmentation, Upgradation of SMSs and Segregation of Transmission Network**

5.2.3 The petitioner in respect of Lahore Augmentation, Bahawalpur & Lodhran Augmentation, Upgradation of SMSs and Segregation of transmission network projects has submitted that the budgets for these projects were initially projected/ approved against indigenous system, however, the capitalization has been claimed under RLNG ring fenced mechanism in respective cost centers as part of operational requirement. The petitioner has explained that natural gas reserves are depleting and additional gas i.e., RLNG shall be catered through these projects to bring improvement and maintain system balance. The petitioner has further stated that these projects are significant for supply of RLNG to meet additional gas loads to new societies on RLNG and future requirement of under process RLNG based commercial/ industrial consumers etc.

5.2.4 In addition to above, the petitioner has added that the said projects have been approved by the Authority in principle and hence have no retrospective impact in tariff at ERR stage. The petitioner in respect of capitalization amounting to Rs. 18.79 million claimed against Lahore Augmentation in FY 2020-21 under indigenous tariff has submitted that the adjustment has been made in FY 2021-22 under RLNG tariff retrospectively. The Authority observes that that the petitioner has not been able to obtain BOD approval in respect of change in category of capitalization. Moreover, the aspects highlighted by the petitioner for change in category of capitalization should have been considered in advance while requesting/ projecting such budget at ERR stage. In view of the foregoing, *the Authority does not agree with the stance of petitioner regarding change in category of capitalization and accordingly allows the subject claimed amount under the head of Indigenous system as was approved at the time of respective ERRs.*

ii. **Infrastructure Development Projects to Receive Gas from Northern Sources:**

5.2.5 The petitioner has capitalized Rs. 577 million in respect of project related to northern sources and also has claimed revenue expenditure of Rs. 104 million for uplifting of 10" dia x 80.2 KM FC1- Gali Line. The petitioner in respect of exceeding the project cost by Rs. 12 million during the said year has submitted that various factors beyond the control of company such as long delay in construction due to forceful stoppage of work by locals demanding gas, combined with rupee dollar parity in the recent years has resulted in overrun of the budget. Moreover, the petitioner has further submitted that the matter shall be taken up with Board of Directors (BOD) for approval of enhancement in budget accordingly.

5.2.6 *In view of the operational requirement and justification provided by the petitioner, the Authority allows capitalization of Rs. 577 million along with uplifting cost of Rs. 104 million for the said project subject to BOD approval. Moreover, the petitioner is specifically advised to obtain BOD approval in respect of enhancement of budgets in advance before submitting such claims to the Authority.*

iii. **All Other Special Assets:**

5.2.7 In respect of special projects at Sr. no. 6 to Sr. no. 19, the Authority observes that capitalization remained within the budgeted amount.

5.2.8 The Authority notes that the special projects mentioned above are of operational nature and are necessary to maintain system balance especially in the wake of energy crises prevalent in the country. *In view of the foregoing and justification provided by the petitioner, the Authority allows capitalization of Rs. 2,909 million in respect of special projects for the said year. The capitalization allowed in respect of RLNG assets (i.e., Rs. 1,330 million) shall be treated under ring fenced mechanism and capitalization allowed on 100 % cost sharing basis (i.e., Rs. 1,217 million) shall not be entitled to rate of return.*



4





5.3 Regular Assets

5.3.1 The petitioner has capitalized Rs. 20,181 million in respect of regular budget out of which Rs. 674 million pertains to transmission business head, Rs. 19,176 million pertains to distribution business head and Rs. 332 million pertains to sales business head respectively as discussed in the following paras:

i. Gas Distribution Mains and New Connections:

5.3.2 The petitioner in respect of distribution mains and new gas connections has capitalized as follows:

Table 4: Breakup of Gas Distribution Main and New connections

S.No	PRR Grouping (Details of Capitalization)	ERR FY 2021-22	DENR.FY 2021-22	Petition													
				Distribution			Transmission			Sales			Total				
				(Ind.)	RLNG	Total	(Ind.)	RLNG	Total	(Ind.)	RLNG	Total	Ind	RLNG	TOTAL		
1	Laying of Distribution Mains (New Town & Villages) (1893 KM)	42,093		5,138		5,138									5,138		5,138
2	Conditioning Mains (32 KM)	1,492		83		83											83
3	System Augmentation/HO Reserves (167 KM)	1,584		733		733											733
4	Laying of Distribution Mains Cost sharing basis (Lines) (194 KM)	1,641	1,641	95	803	898											898
5	Installation of New Connection - Domestic (147,130 Nos)	18,620		2,542	1	2,543											2,542
6	Installation of New Connection - Commercial/Industrial (Ring Fenced) (1813 Commercial & 77 Industrial)	560	560		411	411											411

5.3.3 The petitioner in respect of compliance of framework developed by the Authority relating to distribution network and provision of new gas connection has confirmed that all the distribution network laid and commissioned during FY 2021-22 was against previous fiscal years and were sanctioned without any caveat regarding availability of additional gas for new schemes/connections. The petitioner has further added that Ministry of Energy has imposed moratorium on development schemes vide their letter dated 03.12.2021, hence, no schemes were sanctioned in FY 2021-22.

5.3.4 In respect of provision of new connections, the petitioner has added that the same are provided to the consumers in compliance with Federal Government's socio-economic agenda and since the imposition of ban by FG in December 2021, no new connection has been installed except in Karak, Hangu and Shakardarra. The petitioner in this respect has stated that as the project regarding extension/ rehabilitation of gas network in oil & gas producing districts of Khyber Pakhtunkhwa (KPK) has significance owing to direct impact on reduction in gas losses, therefore, laying of gas network and provision of gas connections has been continued in Karak, Hangu and Shakardarra mostly until December, 2021, during the present ban.

5.3.5 In addition to above, the petitioner has capitalized Rs. 94 million against laying distribution mains on cost sharing basis under indigenous system, whereas the projections were made under RLNG ring fenced mechanism at ERR stage. The petitioner has submitted that the amount has been capitalized under indigenous tariff regime as the job has been issued to supply gas to Army, Government institution and similar establishments. Moreover, the petitioner has explained that although it is difficult to project such instances at the time of budget proposals however, the company has started to project a tentative amount from FY 2023-24 onwards.

5.3.6 In view of the justification provided by the petitioner, the Authority allows capitalization claimed in respect of distribution mains and new connections as mentioned above.

ii. Replacement of Old Meters & Motor Vehicles:

5.3.7 The petitioner has capitalized Rs. 3,351 million in respect of replacement of old meters and exceeded by Rs. 569 million against the projected budget of Rs. 2,782 million at ERR stage. The petitioner has explained that during the said year, as the installation of new connections was banned by the GoP in the mid of financial year, therefore, available resources were utilized in the meter replacement assignments since the increased number

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of replacement of meters, besides other UFG control measures, have contributed to reduce the overall UFG from 8.60% in FY 2020-21 to 8.06% FY 2021-22.

5.3.8 *In view of the justification provided by the petitioner and being an important UFG activity, the Authority allows capitalization of Rs. 3,351 million in respect of meter replacement.*

5.3.9 The petitioner in respect of motor vehicles has claimed total capitalization of Rs. 92 million during the said year out of which Rs. 7.84 million pertains to procurement against the budget of FY 2021-22 whereas Rs. 71.58 million pertains to FY 2020-21, Rs. 8.6 million to FY 2019-20, Rs. 1.31 million to FY 2018-19 and Rs. 3.58 million pertains to minor adjustments on account of registration charges and tax amounts capitalized on the assets capitalized in previous year. It is mentioned that the Authority pended the budget at the time of DERR for the said year. In this respect, the petitioner has submitted that being a construction company, the company had conceded the Authority's directions and moved on after having BOD's approval for Rs. 30 million only to meet its emergent requirements and contractual obligations towards the executive employees. *In view thereof, the Authority allows capitalization of Rs. 92 million in respect of motor vehicles.*

iii. All Other Assets:

5.3.10 In respect of all other assets not discussed above, *the Authority observes that capitalization mostly remained within the allowable limits and are therefore, allowed keeping in view the justification provided by the petitioner.*

5.3.11 The petitioner in respect of previous years capitalization relating to regular assets has highlighted operational constraints such as non-responsive tendering process, re-floatation of tenders and delay in delivery/commissioning/ testing time etc. *In view of the foregoing and justification provided by the petitioner, the Authority allows capitalization of Rs. 20,181 million in respect of regular budget. Moreover, the capitalization allowed in respect of RLNG assets (i.e., Rs. 1,216 million) shall be treated under ring fenced mechanism and capitalization allowed on 100 % cost sharing basis (i.e., Rs. 898 million) shall not be entitled to rate of return.*

iv. Advance for Land:

5.3.12 The petitioner has claimed adjustments of Rs. 429 million in respect of various miscellaneous projects against which the Advances for land for Right of Way (ROW) has been paid. The petitioner out of the capitalized amount has claimed Rs. 356 million for RLNG system and Rs. 73 million for indigenous system.

5.3.13 *The Authority, keeping in view the "Tariff Regime for Regulated Natural Gas Sector in Pakistan" allows adjustment against only commissioned assets. Accordingly, an adjustment amounting to Rs. 286 million against RLNG and an adjustment amounting to Rs. (51) million against indigenous system is allowed in respect of Advance for Land. The capitalization allowed in respect of RLNG assets shall be treated under ring fenced mechanism and capitalization allowed on 100 % cost sharing basis shall not be entitled to rate of return.*

v. Summary of Assets

5.3.14 The summary of Assets allowed by the Authority is as under:

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Table 5: Breakup of assets allowed by the Authority

509

Sr. No.	Particulars	Determined FY 2021-22 (Rs. in Million)											
		Distribution			Transmission			Sales			Total		
		Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total	Normal	RLNG	Total
1	Land freehold	0	0	0	303	61	364	0	0	0	303	61	364
2	Building on Freehold land	94	0	94	18	10	28	0	0	0	112	10	121
3	Transmission Mains	284	0	284	7466	1176	8641	0	0	0	7750	1176	8926
4	Compression	0	0	0	429	46	476	0	0	0	429	46	476
5	Distribution Mains	12327	872	13199	0	0	0	0	0	0	12327	872	13199
6	Measuring and Regulating	5584	344	5927	0	0	0	0	0	0	5584	344	5927
	Sub Total	18288	1216	19504	8216	1292	9509	0	0	0	26505	2508	29013
7	Telecommunication Equipment	0	0	0	20	0	20	4	0	4	24	0	24
8	Plant & Machinery	168	0	168	148	33	181	0	0	0	316	33	349
9	Tools & Equipment	11	0	11	6	0	6	0	0	0	18	0	18
10	Construction Equipment	65	0	65	15	0	15	0	0	0	80	0	80
11	Motor Vehicles	91	0	91	2	0	2	0	0	0	93	0	93
12	Furniture & Fixture	7	0	7	14	0	14	1	0	1	22	0	22
13	Office Equipment	10	0	10	18	0	18	0	0	0	28	0	28
14	Computer Hardware	2	0	2	8	4	12	194	0	194	204	4	208
15	Computer System Software / Intangible Assets	0	0	0	70	0	70	134	0	134	204	0	204
	Sub Total	355	0	355	300	37	337	332	0	332	988	37	1025
16	Advances for Land	0	0	0	(51)	286	235	0	0	0	(51)	286	235
	Grand Total	18644	1216	19860	8465	1616	10081	332	0	332	27441	2832	30273

vi. Revalidation of Budget

5.3.15 It has been observed that petitioner has tendency of capitalizing the amount of previous years without bringing them in their respective ERR petitions under separate heads. On the other hand, the petitioner brings non-capitalized assets in bulk for all the preceding years without taking into account the company's capacity and ability to do projects in the respective ERR petition for re-validation. The company may like to bring only specific items which are doable in the respective year in future. Moreover, for any F.Y. in future, the capitalization carried out against the respective ERR budget of the said year (in line with Authority's decision of ERR) shall only be considered by Authority for inclusion in the rate base supported by the tangible justifications.

5.4 Depreciation and ROA

5.4.1 Keeping in view of above, the Authority decides to allow depreciation and return on assets at Rs. 13,833 million and Rs. 20,757 million respectively for the said year.

6 Sales Volume & Revenues

i. Category-wise Gas Sales volume & Revenues

6.1 The petitioner has reported gas sales volume at 332,877 BBTU, witnessing an increase of 7% for the said year as against estimated 310,325 BBTU in RERR for the said year. The petitioner has informed that 43,253 BBTU has been sold/ diverted during the said year as per FG's directives, resulting in an increase of gas sales volumes. Accordingly, the petitioner has offered gas sales revenues at Rs. 174,714 million against all categories of consumers in revenue requirement calculations based on actual sales mix and the notified rates.

6.2 In view of above, the Authority accepts the gas sales revenues at Rs. 174,714 million at sold volumes of 332,877 BBTU as reported by the petitioner for the said year.

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ii. Other Operating Income

6.3 The petitioner has offered other operating income at Rs. 12,678 million as against Rs. 19,452 million, reporting a decrease of around 35% over RERR for the said year. The petitioner has submitted that reduction in other operating income is mainly due to decrease in Late Payment Surcharge (LPS) owing to shifting of indigenous business to RLNG supplies. The petitioner has further informed that Transportation income from M/s. Pakistan Arab Fertilizer Limited (PAFL) has been booked on provisional invoices in the light of pending decision with Authority. The same shall be actualized and adjustment shall be made based on transportation tariff once decision of the Authority gets issued.

6.4 *In view of the justification as narrated above, the Authority allows other operating income at Rs. 12,678 million for the said year.*

iii. RLNG Gas Diversion to Domestic consumers

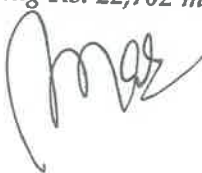


6.5 The petitioner has submitted that 43,253 BBTU RLNG volumes were sold/diverted to domestic consumer as per FG's directives due to dwindling gas supplies and increased demand especially during winters. The petitioner has requested to include partial amount of Rs. 22,702 million under cost of gas sold, recorded at Rs. 524.86/MMBTU as per its previous practice. The petitioner has, however, requested to allow balance amount relating to RLNG diversion cost amounting to Rs. 87,633 million, separately under tariff sheet calculation. The same has been claimed first time by the petitioner, since in the past, differential of RLNG diverted cost i.e., difference between RLNG price and natural gas price, is claimed under RLNG cost of service to be recovered from RLNG consumers as part of monthly RLNG pricing.

6.6 The Authority notes that the petitioner has deviated from its previous practice, where only partial recovery of RLNG diversion cost has been claimed by it as part of revenue requirement. Even in the latest petition filed by Company with OGRA in respect of Estimated Revenue Requirement for FY 2023-24, the petitioner has adopted its past practice. This inconsistent approach, adopted by the petitioner on its two different simultaneous petitions pending with OGRA, raises many questions on company's state of affairs and ambiguity prevailing within the company. The Authority further notes that it had already referred the matter to the FG in the light of latest amendments in OGRA's act through its various letters as well as earlier determinations for formulation of comprehensive policy including RLNG diversion after consulting all stakeholders. In the light thereof, the petitioner is advised to take up the matter with MoE for devise of an appropriate policy in the light of operational constraints, if any, in managing indigenous and RLNG business segments. *In view of the same, in the absence of the requisite policy guidelines from FG, the Authority decides to extend its previous decisions and provisionally includes Rs. 22,702 million as part of cost of gas sold statement for the said year and excludes balance amount of Rs. 87,633 million from revenue requirement calculation & advises the petitioner to take up the matter with MoE for devising policy guidelines.*

7 Cost of Gas

7.1 The petitioner has claimed cost of gas sold at Rs. 205,051 million (net of compression GIC), as per initialed accounts, comprising both local gas volume and including RLNG diverted volume for the said year. The petitioner has explained that local cost of purchases has been worked out on the actual notified field-wise prices of Rs. 537.91/MMCF against local gas purchases volume.

7.2 *In view of the above, the Authority accepts cost of gas sold at Rs. 205,051 million including Rs. 22,702 million on account of RLNG diversion partial impact as allowed per*

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para 6.6 above for the said year. The field wise gross purchases along with RLNG diversion volume is provided at Annex-B.

8 Unaccounted for Gas (UFG)

8.1 The petitioner has reported UFG at 8.06 % (29,223 MMCF) for the said year. Further, the petitioner has submitted that 102 MMCF gas has been carried for PPL, 107 MMCF for POL and 15,687 MMCF gas has been transported to Pak Arab as third-party volume in accordance with agreement signed with them.

8.2 The petitioner has apprised that due to difference of Gross Calorific Value (GCV) of Indigenous gas and RLNG i.e., GCV of RLNG is greater, when they are commingled in same pipeline, the resultant GCV of commingled gas is somewhere between GCVs of both gases. The petitioner has further added that, as RLNG is a ring-fenced activity therefore, to deliver the total energy received at input of RLNG system to RLNG consumers, extra volume of commingled gas is required, termed as energy equivalence volume. The petitioner has submitted that 10,041 MMCF energy equivalence volume in respect of Power, Fertilizer and Cement (PFC) consumers and 4,604 MMCF energy equivalence volume in respect of RLNG consumers on Distribution network was required during the said year.

i. Gas Internally Consumed (GIC):

8.3 The petitioner has reported GIC of 1,666 MMCF in transmission system and 566 MMCF in distribution system, year wise trend of the same is as below:

Table 6: Year wise GIC in Transmission & Distribution System`

Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	In MMCF	
					Petition	FY 2021-22
Transmission	2,265	1,697	1,399	1,225	1,666	
Distribution	1,147	660	656	656	566	
Total	3,412	2,357	2,055	1,881	2,232	

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

Table 7: GIC

System	Summary	Mcf
Transmission	Used in Offices	79,684
	Compressors	1,246,142
	Rupture	-
	Others	291,049
	Coating Plant	49,262
Transmission Total		1,666,137
Distribution	Used in Offices	46,649
	FGF	400,907
	Rupture	-
	Others	17,549
	Power Generation	100,984
Distribution Total		566,088
Total system GIC		2,232,225
SNGPL claimed GIC under the Petition		1,555

8.5 In view of the above, the Authority accordingly accepts the petitioner's claim GIC at Rs. 824 million for the said year.

ii. Loss due to Sabotage Activity/ Ruptures & Pressure factor Adjustments:

8.6 The petitioner has not claimed any volume in respect of losses due to sabotage activities and pressure factor adjustments during the said year.

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iii. Performance as per KMI:

8.7 The Petitioner along with implementation status of the KMIs has submitted an Audit Report of M/s Yousuf Adil Chartered Accountants regarding KMIs for UFG Benchmark for the said year. OGRA sought a number of clarifications w.r.t KMIs and it has been generally observed that the petitioner has mainly focused on achieving the numerical numbers of required jobs and has not substantiated the outcome of such numbers viz-a-viz UFG reduction relating to each specific KMI.

8.8 The Authority has carried out in depth analysis and assessment of KMIs based on the information provided by the petitioner and observation of Auditor M/s Yousuf Adil. The Authority observes that the petitioner has claimed 99.707% achievement in respect of its KMI implementation. The major observations of the Authority are as under:

- i. The corrective measures/ stance taken by the petitioner specifically in respect of minimum billed consumers and improvement in meter testing shops are repetitive in nature and no new significant measure to substantiate reduction in UFG has been highlighted.
- ii. In respect of identification of UFG prone areas and corrective measures taken thereto, the petitioner should also focus on areas in KPK regions especially Karak & Kohat being more likely to leakage & theft in comparison to other regions.
- iii. The Authority observes that specifically in respect of replacement of underground distribution network, the auditor while assessing the progress of the petitioner has carried out the sample base analysis of only 3 regions as against the progress reported in sixteen regions by the petitioner. The analysis of the auditor must encompass detailed review of the activities undertaken by the petitioner to substantiate the progress reported by the petitioner for prudent analysis.
- iv. The Authority notes that although the petitioner has claimed 100 % achievement in respect of filing of criminal suits, however, there is a significant gap between number of cases decided when compared with the number of FIR/ criminal suits filed. The petitioner should focus on expeditious conclusion of such cases by increasing vigilance/ efforts along with regular follow-up rather than highlighting the number of FIRs.
- v. The Authority noted that the outcome of achievement of each KMIs should be result oriented and reflected through yardsticks such as decrease in losses / UFG, cost savings, etc. giving historical comparison as well rather than only identifying and mentioning the activities undertaken without any conclusive and tangible benefit correlation.

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

8.10 The Authority further notes that the petitioner is not objectively focusing on the reporting of progress against each KMI that leads to the conclusion that effective implementation of KMIs to achieve the desired results is still lacking and not up to the mark.

8.11 In view of the foregoing and keeping in view the findings of the auditors viz-a-viz data provided by the petitioner, the allowance on this account has been worked out as 1.985% equivalent to assessed achievement of 76.33% and the same is incorporated in the UFG sheet accordingly.

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Table 8: UFG Sheet

		FY 2021-22		FY 2021-22	
		Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers	Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers
Transmission System					
(Gas Received) in Transmission Indigenous		MMCF	MMCF		
Gas Received in Transmission RLNG	A1	362,587		362,587	
Taken out (+) Taken in (-) or (Line Pack)			328,686		328,686
Net Gas Received in Trans. System	B	245		245	114
Gas used in operation of Tran. Sys. RLNG	C=A1+B	362,832	328,800	362,832	328,800
Gas used in operation of Tran. Sys. (Indigenous gas)			-2,816		-2,816
(i) Compression	D	-1,666		-1,666	
(ii) Residential Colonies		-1,246		-1,246	
(ii) Coating Plant		-80		-80	
(iii) Ruptures/Sabotage		-49		-49	
(iv) Other usage Depressurization purging etc		0		-	
Gas Available in Transmission System		-291		-291	
Energy Equivalence Volume related to PFC consumers	E=C+D	361,166	325,984	361,166	325,984
Gas passed to Dist. System and sold to PFC consumers	F	-10,041	10,041	-10,041	10,041
RLNG Stock Additional sale of LNG or vice versa	G	61,672	210,138	61,672	210,138
Gas passed to Distribution system through SMS	H	-24,956	24,956	-24,956	24,956
Loss in Transmission System	I	314,277	100,815	314,277	100,815
% Loss or Gain in Transmission System	J=E+F-G-H-I K=J/C*100	132	0.04	132	115
Distribution System					
Gas Received in Dist. System (Through SMS)					
Gas carried for PPL	A2	314,277	100,815	314,277	100,815
Gas carried for Pak Arab	B	-102		-102	
Gas carried for POL		-15,687		-15,687	
Energy Equivalence Volume - Distribution	C	-107		-107	
Gas internally consumed in Distribution System (GIC)	D	-4,604	4,604	-4,604	4,604
(i) Free Gas Facility	E	-566		-566	
(ii) Co-Generation & Co-offices		-401		-401	
(iii) Sabotage		-148		-148	
(v) Purging		0		-	
(Gas available for Sale in Dist. System)		-18		-18	
Gas Sold	F=A2+B+C+D+E	293,212	105,419	293,212	105,419
Billed					
RLNG Swap/diversion of LNG or vice versa	G	281,741	78,549	281,741	78,549
Unrecovered Pilferage volume (reversed) / recovered volume reinstated for the period	J1	-17,666	17,666	-17,666	17,666
Gas Delivered (Net Gas Sold)		45		45	
Loss in Distribution System	K=G+H+I+J1	264,121	96,215	264,121	96,215
% age Loss in Distribution System	L	29,091	9,204	29,091	9,204
Total UFG Volume (Transmission + Distribution)	M=L/A*100	9.26	9.13		
Total % age UFG (Transmission + Distribution)	N=J+L	29,223	9,319	29,223	9,319
	O=N/A1*	8.06	2.84		
Gas Received		100			
UFG Benchmark (Percentage)				362587.159	
Local Conditions Allowance Percentage	5%			5%	
Allowed UFG Percentage	2.6%			1.985%	
Allowed UFG Volume (MMCF)	7.6%			6.98%	
Invalid Claim (MMCF)				25,326	
				3,897	

8.11 In view of the above, UFG adjustment is re-computed at Rs. 2,498 million (i.e. at national average cost of gas sold - Rs. 641.11/mmcf).

9 Transmission & Distribution Cost

i. Summary

9.1 The petitioner has claimed operating cost at Rs. 33,207 million excluding GIC for the said year. The petitioner has allocated operating cost proportionately to both Natural Gas and RLNG business segment, based on sales volume realized during the year. The comparison of T&D cost with RERR & previous year is summarized below:

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Table 9: Comparison of T&D cost with RERR and Previous Year

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Sr #	Description	(Rs. in million)				
		FRR 2020-21	FY 2021-22		Inc/(Dec) over RERR	
		FRR	RERR	The Petition	Rs.	%age
1	HR Cost					
2	Transport expenses	18,428	16,996	22,546	5,550	33%
3	Legal and Professional services	920	975	1,159	184	19%
4	Staff Recruiting expenses/ Staff Training & executives	253	204	321	117	57%
5	Sports related expenses	23	35	42	7	20%
6	Corporate Social Responsibility	43	48	58	10	21%
7	Sponsorship of Chairs for Universities	8	10	19	9	90%
8	Stores & spares consumed	-	-	12	12	-
9	Repairs & maintenance of system	616	880	686	(194)	-22%
10	Stationery, telegrams and postage	1,473	1,294	1,467	173	13%
11	Rent, rates, royalty, electricity and telephones	191	239	221	(18)	-8%
12	Travelling expenses	646	619	645	26	4%
13	Insurance	128	163	136	(27)	-17%
14	Fuel & Power	269	279	261	(18)	-6%
15	ISO 14001 & OHSAS Certification	626	516	511	(5)	-1%
16	Advertisement & publicity	5	9	7	(2)	-22%
17	Protective clothing & Supplies	190	208	183	(25)	-12%
18	Security expenses	70	59	54	(5)	-8%
19	Outsourcing of Call Centre	1,240	1,760	1,591	(169)	-10%
20	OGRA fee	19	30	24	(6)	6%
21	Bank Charges	528	371	228	(143)	-39%
22	Facilities Provided by other companies	5	10	6	(4)	-40%
23	Board Meeting and directors expenses	9	14	19	5	36%
24	Other expenses	37	61	49	(12)	-20%
25	Gas Bills Collection Charges	181	205	244	39	19%
26	KMI Implementation Plan / UFG Control Activities	557	660	593	(67)	-10%
27	Gathering charges of collection data	983	662	983	321	48%
28	Dispatch of Gas Bills	40	65	50	(15)	-23%
29	Provision for doubtful debts	136	165	163	(2)	-1%
30	Expenses on uplifting of lines	1,413	-	1,154	1,154	-
31	Stores & spares written off	-	-	104	104	-
32	Recovery through contractor	-	-	13	13	-
	Gross T&D Cost		25	25	-	0%
	Allocation to CWIP (Others)	29,271	26,563	33,574	7,012	26%
	Net T&D Cost	(344)	(319)	(367)	(48)	15%
	Allocated to Revenue Requirement	28,927	26,244	33,207	6,964	-
	Allocation to RLNG			16,515	-	-
				16,692	-	-

ii. Human Resource Cost

9.2 The petitioner has requested to allow HR cost at Rs. 22,546 million against Rs. 16,996 million allowed per RERR for the said year, thereby claiming 33% increase under this head.

9.3 The petitioner has argued that the Authority, at the time of FRR for FY 2020-21, had allowed HR cost at Rs. 18,428 million, based on the applicable HR benchmark formula, which was subsequently revised during the DERR for the said year. The petitioner has requested to consider the said year actual cost with last year allowed HR cost and submitted to re-consider the previous HR benchmark parameters considering the ground realities in terms of reduction in gas supplies including LNG imports, moratorium on new gas connection and limited extension in T&D network. Accordingly, the petitioner has calculated HR cost at Rs. 19,316 million based on previous benchmark computation.

9.4 The petitioner has stated that major reason of increase is on account of salaries and wages of executives & subordinate staff. respectively. Moreover, the petitioner has informed that CBA agreement for FY 2021-23 is pending and accordingly necessary provision has been made.



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9.5 The petitioner has argued that HR cost cannot be kept static even if there is no increase in manpower strength, HR cost increases due to increase in minimum wage rates by GoP, annual increments, increases in direct costs due to increase in length of service of employees and increase in medical expenses due to inflationary trends.

9.6 The petitioner has further requested that a realistic HR cost Benchmark formula based on operating parameters as well as economic factors is needed to avoid any unrealistic restrictions on salaries and perks of the employees as consistent high wages rate is required owing to double digit inflation.

9.7 Regarding the petitioner's contention for continuation of previous benchmark formula, the Authority notes that it has revised HR benchmark parameters effective for FY 2021-22 onwards, after careful consideration and extensive analysis as already provided in its various previous determinations, considering the changed business dynamics and demand supply constraints. The Authority is of the firm view that all these factors are important and their activities are interconnected to a greater extent. Therefore, allowance of additional weightage to any operating parameter may distort the intent of this benchmarking. Moreover, earlier allowance on account of operating parameters at different weightage along with CPI was grossly exploited by the management in its favour despite warning by the Regulator. The inbuilt factors in the benchmark were to rationalize and meet reasonable cost, had been used by the management to increase their salary structure while purposefully overlooking other important HR related areas including CBA requirement, increased workforce etc. The Authority notes with serious concern that it has been advising the petitioner since many years to rationalize its HR costs within allowable reasonable limits. Unfortunately, the petitioner had never paid heed to the Authority's directions.

9.8 Regarding allowance of CPI as part of benchmark formula, the Authority notes that unprecedented increases made in the salaries of executives and staff leaves no reason to consider petitioner's stance. Moreover, inclusion of CPI under benchmark does not merit consideration as annual increment is sufficient enough to cater inflationary impact since it is not mandatory either in private or government sector to allow CPI factor over and above the annual increment and now making flimsy and unconvincing arguments to allow unjustified expenses at the cost of consumers.

9.9 In view of above, the Authority considers it important to impress that it was necessary to evolve HR benchmark on equal weightage for each parameter, considering the change in business dynamics, so as to ensure efficiency as well as effectiveness in determining HR cost. It is also pertinent to highlight that its sister utility, based on revised benchmark formula, has successfully rationalized its HR cost within the allowed limits owing to effective steps taken by its management as well as Board of Directors in respect of cost curtailment. This endorses the reasonability of OGRA's introduced benchmark composition effective FY 2021-22.

9.10 *In view of above, the petitioner's contentions are not justified and hence merit no consideration. Accordingly, HR cost is allowed at Rs. 18,431 million (including IAS-19 cost Rs. 521 million) for the said year. Moreover, Board of Directors of the petitioner must take cognizance of the issues being raised by subordinate staff of the petitioner and ensure apportionment of funds in just and fair manner among all its employees, while meeting the legitimate CBA requirement on priority.*

iii. Transport Expense

9.11 The petitioner has requested to allow "Transport Expense" at Rs. 1,159 million as against Rs. 975 million provided in RERR for the said year, showing an increase of 19%. The comparison is given below:

9.12 The petitioner has stated that major increase under this head is on account of revision in petrol and diesel price. The petitioner has explained that average rate of fuel during FY 2020-21 was Rs. 107/liter which increased to Rs.146/liter during the said year, thereby reporting 37% increase over last financial year. The petitioner has argued that



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despite 37% increase in petroleum prices, the petitioner has been able to restrict the increase at 19% owing to the austerity measures adopted by it i.e., installation of trackers in company's owned vehicles, pooling of Executive journeys to same vicinities and conducting virtual meetings. Accordingly, the petitioner has requested the Authority to allow the petitioned amount to cater for its operational expenses keeping in view the increasing trend of fuel prices.

9.13 In view of the justification as advanced by the petitioner, the Authority accepts the petitioner's claim and allows transport expense at Rs. 1,159 million for the said year. The Authority, however, reiterates the petitioner to further curtail expenditure and put concerted efforts in future to keep the expense within allowed limit.

iv. Legal & Professional charges

9.14 The petitioner has requested to allow Rs. 321 million under this head as against Rs. 204 million allowed for the said year thus demanding 57% increase. The comparison is given as under:

Table 10: Historical Comparison of Legal & Professional Charges with RERR & Previous Year

Particulars	FY 2020-21	FY 2021-22		(Rs. In million)	
	FRR	RERR	The Petition	(Inc/Dec) over RERR 2020-21	
Legal Expenses					
Professional Charges	182	145	203	58	40%
Tax	47	22	19	(3)	-14%
Audit	8	8	13	5	63%
Apprenticeship/Scholarship	5	10	12	2	20%
Others	9	15	9	(6)	-40%
LCIA (Arbitration)	1	4	3	(1)	-25%
Total	253	204	321	117	57%

9.15 The petitioner has submitted that the Authority had allowed Rs. 145 million against legal expenses at the time of RERR for the said year, which was even lesser than actual expense incurred during FY 2020-21 i.e., Rs. 182 million. The petitioner has submitted that litigation expenses of the company have increased significantly due to arbitration matters, GIDC litigation and Gas tariff related issues etc. The petitioner has argued that it is legally obligated to pursue each case and every file, complaint or suit leading to court fee, payment to lawyers' professional fee etc. Moreover, number of cases for filing of recovery suits against the disconnected defaulter consumers have increased manifold. In view of the above, the petitioner has requested to allow Rs. 203 million in the sub head "Legal Expenses" as total volume of litigation cases have increased to 16%.

9.16 The petitioner has stated that Rs. 61 million has been incurred in London Court of International arbitration (LCIA) in connection with arbitration proceedings on account of Government Power Producer (GPP).

9.17 The Authority notes that the petitioner has not been able to substantiate 40% increase reported over RERR for the said year under the sub-head of legal expenses. Similar justification has been provided by the petitioner since many years. The Authority further notes with serious concern that the petitioner has disregarded its directions for improved governance in terms of reduction in litigation and complaints as cost on this account is exorbitantly increasing. Even the petitioner is in multiple litigation with Regulator over non-issues and even petty amounts appeals are filed against its consumers despite Authority's repeated directions and undertake cost benefit analysis before deciding to incur such expenditure. This unprofessional and irresponsible attitude by a public sector company needs to be reviewed by its Board of Directors. In the light of Authority's repeated directions, legal expenses are restricted at the level of RERR i.e., 145 million for the said year.

9.18 Regarding arbitration charges of Rs. 61 million incurred in LCIA against the petitioner's power consumers, the Authority notes with grave concern that local companies of gas and power sector had chosen to adjudicate disputes in international court, thereby burdening consumers with an extravagant cost. Such approach needs be reviewed at all

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levels and concerted efforts be made to amicably resolve disputes within the territory of Pakistan, being related jurisdiction of operations. *In the light thereof, the Authority reiterates its earlier directions issued as part of previous determinations in respect of curtailment of imprudent legal / litigation costs and decides to disallow entire amount of Rs. 61 million from tariff calculations.*

9.19 *In view of above, the Authority decides to fix legal and professional charges at Rs. 201 million for the said year.*

v. **Staff Recruiting expenses/Staff Training & Executives**

9.20 The petitioner has requested to allow Rs. 42 million under the head of "Staff Training & Recruiting expenses" against Rs. 35 million allowed in RERR for the said year. Historical comparison is given as under:

Table 11: Historical Comparison of Staff Recruiting Expenses with RERR and Previous Year

Particulars	FRR FY 2020-21	RERR FY 2021-22	The Petition	(Rs. In million)	
				(Inc/Dec) over RERR 2020-21	
Staff recruiting expenses					
Staff Training, SNGTI/EDP	23	35	42	7	20%
Total	23	35	42	7	20%

9.21 The petitioner has stated that training calendars are prepared in line with requirement emerged from the annual Appraisal Systems and other requirement of specific technical training programs forwarded by Head of Departments and related to Company's core business. Besides, promotional courses such as Executive Development Program and Developing Future Leader, Gas Control and Trade Test of technical staff are conducted on regular basis. The petitioner has explained that due to covid restrictions by NCOG in 2019-20, the training activities were halted and budget expenses were also reduced accordingly. The petitioner has stated that the training courses were in full pace and number of courses increased significantly during the said year. In view of the same, the petitioner has requested to allow the entire amount in the above head.

9.22 The Authority notes that the petitioner was allowed sufficient budget to conduct trainings and other programs at the time of RERR for the said year, therefore, any excessive spending without any strong basis is not allowed and hence tantamount to non-compliance of Authority's directions. The Authority, foreseeing the energy position and the economic situation, had time and again advised the petitioner to curtail its avoidable costs. The petitioner was directed to arrange in-house and on-job trainings to rationalize such costs, while ensuring participation of maximum number of employees with minimal budget.

9.23 *In view of the above, the Authority maintains its earlier decision and fixes "Staff Training & Recruitment Expenses" at Rs. 35 million for the said year.*

vi. **Sports Related Expenses**

9.24 The petitioner has requested to allow Rs. 58 million in "Sports related expenses" against Rs. 48 million allowed per RERR for the said year. Historical comparison is given as under:

Table 12: Historical Comparison of Sports related expenses with RERR & Previous Year

Particulars	FRR FY 2020-21	RERR FY 2021-22	The Petition	(Rs. In million)	
				(Inc/Dec) over RERR 2020-21	
Sports related activities	43	48	58	10	21%

9.25 The petitioner has stated that due to Covid-19, the expenses in the above head remained extremely low during FY 2020-21 owing to Covid-19 restrictions on sports activities of Annual sports gala was also not organized during the last year. The petitioner has informed that annual sports gala was organized during the said year as most of the

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population got vaccinated against Covid-19 and almost all the restrictions on sports activities were also lifted.

9.26 The Authority appreciates the initiatives taken by the company to encourage sports activities however exceeding Authority's allowable limit is not justified. *In view of the same, the Authority maintains its earlier decision and fixes "Sports Related Expenses" at Rs. 48 million i.e., at the level of RERR for the said year as part of the Revenue Requirement.*

vii. Corporate Social Responsibility

9.27 The petitioner has requested to allow Rs. 19 million as against Rs. 10 million allowed in RERR for the said year. Historical comparison is given as under:

Table 13: Historical Comparison of Corporate Social Responsibility with RERR & Previous Year

Particulars	FRR FY 2020-21	RERR FY 2021-22	The Petition	(Rs. In million)	
				(Inc/Dec) over RERR 2020-21	
Corporate Social Responsibility	8	10	19	9	90%

9.28 The Authority notes that the petitioner was directed to ensure CSR activities specifically to gas producing fields on priority and to submit a certificate at the time of FRR that expenditure in health related activities and educational purposes have been made in the light of parameters set in Natural Gas Tariff Regime implemented in 2018. The Authority, as per the data provided by the petitioner, observes that expenses related to health activities viz; covid vaccination haven't been incurred in line with Natural Gas Tariff Regime. *In the light thereof, entire amount claimed on account of CSR is disallowed as part of Revenue Requirement.*

viii. Sponsorship of Chairs at Universities

9.29 The petitioner has requested to allow Rs. 12 million under this head "Sponsorship of Chair at Universities" for the said year.

9.30 The petitioner has informed that Punjab University and UET Lahore and Peshawar are the prime beneficiaries of sponsorship and Rs. 4 million each is paid to these educational institutions every year for conducting research activities related to Gas Engineering and alternate energy.

9.31 The Authority notes that the matter in respect of "Sponsorship of Chairs at universities" has already been exhaustively discussed and decided in the past and needs no review. *Accordingly, the Authority disallows the entire amount from the revenue requirement determination and the same may be funded from company's own profit.*

ix. Provision for Doubtful debts

9.32 The petitioner has claimed Rs. 1,154 million on account of provision for doubtful debt against disconnected consumer for the said year. The petitioner has confirmed that the provision under this head is made as per benchmark in place implemented since last many years except provision for three months against domestic consumers.

9.33 *In view of the above, the Authority, in the light of its already implemented benchmark in place, slightly re-works provision against doubtful debts at Rs. 1,140 million for the said year.*

x. Remaining T&D Expenses not discussed above

9.34 The petitioner has claimed Rs. 8,263 million on account of various T&D expenses. The Authority observes that the remaining expenses not discussed above have been either under the allowed limit or have been allowed based on the proper justification by the petitioner. The Authority allows the same as part of T&D expenses for the said year.



Table 14: Historical Comparison of Remaining T&D expenses

Sr #	Description	Rs. in million			
		FRR 2020-21	FY 2021-22		Inc/(Dec) over RERR
		FRR	RERR	The Petition	Rs. %age
1	Stores & spares consumed	616	880	686	(194) -22%
2	Repairs & maintenance of system	1,473	1,294	1,467	173 13%
3	Stationery, telegrams and postage	191	239	221	(18) -8%
4	Rent, rates, royalty, electricity and telephones	646	619	645	26 4%
5	Travelling expenses	128	163	136	(27) -17%
6	Insurance	269	279	261	(18) -6%
7	Fuel & Power	626	516	511	(5) -1%
8	ISO 14001 & OHSAS Certification	5	9	7	(2) -22%
9	Advertisement & publicity	190	208	183	(25) -12%
10	Protective clothing & Supplies	70	59	54	(5) -8%
11	Facilities Provided by other companies	9	14	19	5 36%
12	Security expenses	1,240	1,760	1,591	(169) -10%
13	Outsourcing of Call Centre	19	30	24	(6) 6%
14	OGRA fee	528	371	228	(143) -39%
15	Bank Charges	5	10	6	(4) -40%
16	Board Meeting and directors expenses	37	61	49	(12) -20%
17	Gas Bills Collection Charges	557	660	593	(67) -10%
18	KMI Implementation Plan / UFG Control Activities	983	662	983	321 48%
19	Gathering charges of collection data	40	65	50	(15) -23%
20	Dispatch of Gas Bills	136	165	163	(2) -1%
21	Replacment & expansion of SCADA system	33	-	-	-
22	cost of gas blown off	201	-	-	-
23	Expenses on uplifting of lines	-	-	104	104
24	Recovery through contractor	-	25	25	-
25	Other expenses	181	205	244	39 19%
26	Stores & spares written off	-	-	13	13
	Total	8,183	8,294	8,263	(31) -0.4%

xi. Transmission & Distribution Cost as allowed by the Authority

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

Table 15: Transmission & Distribution cost as allowed by the Authority

Sr #	Description	Rs. in million	
		FY 2021-22	
		The Petition	As Allowed
1	HR Cost	22,546	18,431
2	Transport expenses	1,159	1,159
3	Legal and Professional services	321	201
4	Staff Recruiting expenses/ Staff Training & executives	42	35
5	Sponsorship of Chairs for Universities	12	-
6	Sport related expenditure	58	48
7	Corporate Social Responsibility	19	-
8	Provision for doubtful debts	1,154	1,140
10	Remaining T&D expenses	8,263	8,263
	Gross T&D Cost	33,574	29,277
11	Allocation to CWIP (Others)	(367)	(367)
	Net T&D Cost after CWIP	33,207	28,910
	Allocated to Revenue Requirement	16,515	15,482
	Allocation to RLNG	16,692	13,428

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

9.36 The petitioner has claimed Rs. 55 million for the said year and Rs. 322 million for FY 2020-21 on account of "Adoption of IFRS-9-Expected Credit Loss".

9.37 The petitioner has stated that it has adopted IFRS-9 with effect from July 01, 2018, being a statutory obligation to address the classification, measurement and de-recognition

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of financial assets and liabilities and a new impairment model for financial assets. As OGRA has been allowing the expenses in the past as per the requirements of the respect IFRS/IAS, therefore has been requested to allow the said amount under this head.

9.38 The Authority notes that the matter of ECL has reached finality in its previous years' determinations per FRR & MFRR for FY 2019-20. Accordingly, the Authority decides to disallow entire amount Rs. 377 million for both FY 2020-21 & FY 2021-22 claimed on account of adoption of IFRS-9 from Revenue Requirement computation.

xiii. Impact of IAS-19-Recognition of Actuarial Gains/Losses

9.39 The petitioner has requested to allow Rs. 1,691 million for the said year on account of "Impact of IAS-19-Recognition of Actuarial Gains/Losses". The Authority notes that the matter regarding allowance of actuarial gains/losses have reached finality as per para 8.3.6 of DERR FY 2021-22. Keeping in view of the same, the Authority disallows the same from revenue requirement calculations for the said year.

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

9.40 The petitioner has claimed Rs. 891 million for the said year against WPPF and adjustments amounting to Rs. 117 million relating to previous years. The petitioner has submitted that Punjab Workers' Welfare Fund Act is not applicable on the trans-provincial entities therefore the Company does not fall under the definition of industrial undertaking under the Workers Welfare Ordinance 1971. Accordingly, the petitioner has requested to reverse Rs. 297 million provisionally allowed by the Authority in FY 2019-20 and FY 2020-21.

9.41 The Authority notes that it had allowed the PWWF on provisional basis subject to final outcome of honorable Court's decision. Accordingly, the reversal as offered by petitioner is hereby accepted. Moreover, the Authority accepts adjustments offered by the petitioner in respect of WPPF relating to previous years.

9.42 In view of the discussion & decision in preceding paras, WPPF is recomputed for the said year at Rs. 741 million provisionally subject to adjustment after finalization of published accounts.

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

9.43 The petitioner has claimed Rs. 45,676 million under the head of LPS payable to gas creditors for the said year. The petitioner has apprised that LPS is being recorded on accrual basis, as per the contractual obligation, as mutually agreed between parties, as tabulated below:

Table 16: Detailed of LPS expense on Gas Creditors

Gas Suppliers	(Rs. In million)
Government Holdings (Pvt) Ltd.	LPS Accrued
OIL & GAS Development Company Limited	4,486
Pakistan Oil Fields Limited	18,999
Pakistan Petroleum Limited	239
Remaining LPS to private commercial entities	21,565
Grand Total	387
	45,676

9.44 The Authority notes that decision on LPS payable to state owned companies has reached finality through its various earlier determinations and contending the same issue, without offering any new argument or evidence defies logic. The Authority reiterates that it has never disallowed claim of the petitioner rather it has pended the amount till settlement of circular debt by FG. The Authority directs the petitioner to take up the matter of LPS

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payable to state owned companies with FG for an early resolution and allows the LPS payable to the extent of private gas producers (non-government) as per practice in field.

9.45 *Keeping in view the above, the Authority decides to allow Rs. 387 million on account of LPS from private commercial entities for the said year.*

9.46 The petitioner has also claimed Rs. 789 million on account of markup on running finance acquired due to non-revision of sale prices by FG. *The same is allowed in line with Authority's earlier decision already taken in this regard.*

10 Cumulative revenue shortfall pertaining to previous year

10.1 The petitioner has claimed Rs. 243,785 million on account of cumulative revenue shortfall pertaining to previous years upto FY 2020-21. The petitioner has submitted that the revenue shortfall has emerged due to inadequate increase in gas prices by GoP and therefore, requested to incorporate cumulative revenue shortfall as part of instant decision.

10.2 *The Authority, in light of justification provided by the petitioner, determines cumulative revenue shortfall pertaining to previous years at Rs. 243,785 million upto FRR-FY 2020-21. The Authority has not included any impact as part of instant determination and decides to refer the matter in respect of previous years' shortfall to FG for devising of appropriate policy so that the revenue shortfall as determined by OGRA is met.*

11 RLNG Cost of service

11.1 The petitioner has claimed RLNG cost of service at Rs. 52,110 million (i.e. Rs. 180.50/MMBTU) for the said year, based on throughput volume. The petitioner, later on as per the Authority directive, provided the RLNG cost of service segregated in terms of activities viz Transmission & Distribution as per table below;

Table 17: RLNG cost of Service FY 2021-22 as per petition

Quantitative Data	The Petition
RLNG input (net off opening / closing stock in FSRU and pipelines)	393,485
Retainage / gas used in FSRU	(1,443)
GIC	(4,424)
UFG	(7,949)
RLNG sold as System gas	(43,253)
Retained by SSGC	(47,715)
Net RLNG handled/Sold	288,701
Cost Components:	Million Rs.
Amortization of Deferred Credit	(383)
Late Payment Surcharge upto FY 2021-22	(10,714)
Depreciation	1,852
Return on Assets	7,069
Gas Internally Consumed (SNGPL)	7,459
GIC-SNGPL's RLNG used by SSGC for transportation of RLNG (Upto FY 2020-21)	10,900
Transportation charges payable to SSGC	8,566
Mark up on Running Finance for FY 2021-22 and previous years upto FY 2020-21	6,360
HR & Other operating costs	16,691
Take or Pay Income	4,421
WPPF & PWWF (including prior year Adjustments)	(110)
Total Cost of Supply for FY 2021-22	52,110
Cost of Supply (Rs/MMBTU)	180.50

11.2 The petitioner has requested to review its decision of MFR FRR FY 2019-20 and requested to reverse Take or Pay (ToP) revenue of Rs. 4,421 million incorporated under RLNG cost of service FY 2019-20 by the Authority. The petitioner has argued that charging of ToP to GPP (Government Power Producer) for not off taking their committed quantities is strictly in line with spirit of GSA. Moreover, the said transaction did not unnecessarily enrich the petitioner as it compensates the loss to the extent of differential amount recovered from GPP (Government Power Producer) for not off taking against diversion of costly RLNG to subsidized consumer (domestic). Moreover, the petitioner has informed that GPPs have disputed the amounts under discussion in London Court of International arbitration (LCIA). In case, LCIA, decides the matter in consumers' favor 'ToP' Income as recognized by OGRA in the cost of supply be treated accordingly which may result into exponential increase in the cost of supply at that time.

11.3 The Authority observes that matter relating to 'ToP' had already been considered by it per para 5.11 of MFR FRR FY 2019-20. Therefore, the Authority decides to maintain the same.

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11.4 The Authority observes that most of the petitioner's consumers are being fed from transmission system, while a few consumers are being supplied RLNG through distribution system. Therefore, fair and attributable cost allocation to transmission and distribution activity is needed. Accordingly, the Authority based on the data provided by the petitioner decides to segregate the cost of service on activity basis. Moreover, gas market is heading towards liberalization hence cost for transmission and distribution system must also be determined separately on fair basis.

11.5 Regarding other components as claimed by the petitioner relating to previous years, the Authority notes with grave concern that review of already decided matter after lapse of around two years is not tenable under the law. *In the light thereof, the Authority decides to dismiss the petitioner's request for reversal of earlier decision, being time-barred case. Regarding finance cost amounting to Rs. 6,360 million, the Authority notes that MOE in various meetings duly acknowledged the liquidity crunch. Accordingly, the Authority agreed in principle to treat financial expense on short term borrowings for payment to LNG/RLNG suppliers as operating expense to avoid liquidity crunch in the LNG/RLNG supply chain. The Authority, however, notes that the implementation of decision in respect of finance cost shall not be allowed on retrospective basis & hence the same is disallowed.*

11.6 The petitioner has requested the Authority to allow actual/realized SSGC's GIC volume as part of RLNG cost of service so that the same be recovered from RLNG consumers, being ring fenced activity as per table below:

SSGC GIC as claimed by the Petitioner		
FY	Volume (MMCF)	Amount (Rs. in million)
2017-18	1,741	1,889
2018-19	1,043	1,502
2019-20	1,166	1,642
2020-21	1,573	1,992
2021-22	1,464	3,875
Total	6,987	10,900

11.7 The Authority notes that SSGC has been claiming GIC of RLNG operations since FRR 2017-18. The Authority further notes that both companies have now provided duly reconciled volumes and hence the same are allowed as per table below:

SSGC GIC as allowed by the Authority		
FY	Volume (MMCF)	Amount (Rs. in million)
2017-18	1,741	672
2018-19	1,043	612
2019-20	1,166	747
2020-21	1,573	884
2021-22	1,464	1,023
Total	6,987	3,938

11.8 The Authority further provisionally allows the transportation charges payable to SSGC as requested by the petitioner subject to adjustment on determination of SSGC's FRR 2021-22. *In the light thereof, RLNG cost of service is re-calculated as per table below on provisional basis subject to adjustment based on the volumes ascertained by the audit on this account, as per table below:*

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Table 18: RLNG Cost of Service as allowed

Quantitative Data	The Petition	As allowed
	BBTU	
RLNG Input (net off opening / closing stock in FSRU and pipelines)	393,485	393,485
Retainage / gas used in FSRU	(1,443)	(1,443)
GIC	(4,424)	(4,424)
UFG	(7,949)	(7,949)
RLNG sold as System gas	(43,253)	(43,253)
Retained by SSGC	(47,715)	(47,715)
Net RLNG handled/Sold	288,701	288,701
Cost Components:	<i>Million Rs.</i>	<i>Million Rs.</i>
Amortization of Deferred Credit	(383)	(383)
Late Payment Surcharge upto FY 2021-22	(10,714)	(7,534)
Depreciation	1,852	1,724
Return on Assets	7,069	6,321
Gas Internally Consumed (SNGPL)	7,459	7,459
GIC-SNGPL's RLNG used by SSGC for transportation of RLNG (Upto FY 2021-22)	10,900	3,938
Transportation charges payable to SSGC	8,566	8,566
Mark up on Running Finance for FY 2021-22 and previous years upto FY 2020-21	6,360	-
HR & Other operating costs	16,691	13,428
Take or Pay Income	4,421	-
WPPF & PWWF (including prior year Adjustments)	(110)	(110)
Total Cost of Supply for FY 2021-22	52,110	33,408
Cost of Supply (Rs/MMBTU)	180.50	115.72

12 Summary of Discussion & Decision

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

12.2 *In exercise of its powers under Section 8(2) of the Ordinance, the Authority determines the FRR for the said year at Rs. 244,302 million as against petitioner's claim of Rs. 382,162 million, as tabulated below:*

Table 19: Components of FRR for FY 2021-22 as allowed

Particulars	<i>Million Rs.</i>	
	Claimed by the petitioner	As allowed
Cost of gas sold	205,051	205,051
Cost differential of diverted RLNG	87,633	-
UFG (disallowance) / allowance	(750)	(2,498)
Transmission and distribution cost	20,288	17,187
Gas internally consumed	824	824
Depreciation	13,771	13,833
Late Payment Surcharge (Payable)	45,676	387
Financing cost	789	789
Workers Profit Participation Fund and PWWF	711	648
Return on assets	20,848	20,757
Other operating income	(12,678)	(12,678)
Total Revenue Requirement (Exc. Previous year shortfall)	382,162	244,302

12.3 The petitioner's actual net operating income is Rs. 187,392 million and thus there is a shortfall of Rs. 69,587 million for the said year (Annex-A) resulting in an average prescribed price of Rs. 733.91/MMBTU for the said year.

12.4 The Authority notes that it has been determining prescribed prices on annual basis as per its mandate provided in the Ordinance. However, owing to insufficient sale price revision by the FG in the past, the petitioner remained unable to meet the shortfall in the revenue requirements as determined by the Authority for each financial year. Accordingly, this backlog on account of insufficient revision in gas sale prices is persistently piling up and has now touched Rs. 243,785 million. The Authority, therefore, in the instant determination, has determined the prescribed price based on the revenue requirement for the said year i.e., FY 2021-22 only and decides to refer the matter in respect of recoupment of previous years' shortfall to the FG so that appropriate actions be taken in this respect.

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

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

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



Mohammad Naeem Ghouri
Member (Finance)



Masroor Khan
(Chairman)



Zain-ul-Abideen Qureshi
Member (Oil)

Dated: June 02, 2023.


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad



1. Computation of Final Revenue Requirement FY 2021-22

Annex-A

					(Rs. in million)
Particulars	RERR	The petition	Adjustment	As allowed	
Gas sales volume -MMCF	329,681	343,303	-	343,303	
BBTU	310,325	332,877	-	332,877	
"A" Net Operating revenues					
Net sales at current prescribed price	186,924	174,714	-	174,714	
Rental & service charges	4,100	4,116	-	4,116	
Late Payment Surcharge and interest on arrears	9,348	4,795	-	4,795	
Amortization of deferred credit	3,660	1,753	-	1,753	
Transportation Income	450	818	-	818	
Other Operating Income	1,894	1,196	-	1,196	
Total income "A"	206,376	187,392	-	187,392	
"B" Less Expenses					
Cost of gas sold	183,333	205,051	-	205,051	
Cost of differential of diverted RLNG	-	87,633	(87,633)	-	
UFG (disallowance) / allowance	(4,196)	(750)	(1,748)	(2,498)	
HR cost Incl. T& D cost, net of capital allocation	14,025	16,515	(1,033)	15,482	
Gas internally consumed	619	824	-	824	
Depreciation	14,731	13,771	62	13,833	
Late Payment Surcharge (Payable)	-	45,676	(45,289)	387	
Finance cost for working capital	875	789	-	789	
Impact of IAS-19 - Recognition of Actuarial Gains/Losses	-	1,691	(1,691)	-	
Effect of Adoption of IFRS 9 (Expected Credit Loss) FY 2020-2021 & 2021-22	-	377	(377)	-	
Exchange Loss	-	1,705	-	1,705	
WPPF & PWWF adjustment	-	711	(63)	648	
Total expenses "B"	209,387	373,993	(137,772)	236,221	
"C" Operating profit / (loss)(A - B)	(3,011)	(186,600)	(137,771)	(48,829)	
Return required on net assets:					
Net assets at beginning	133,561	139,226	-	139,226	
Net assets at ending	125,787	146,558	6,808	153,366	
	259,348	285,784	6,808	292,592	
Average fixed net assets (I)	129,674	142,892	3,404	146,296	
Deferred credit at beginning	20,480	20,422	-	20,422	
Deferred credit at ending	20,819	22,082	-	22,082	
	41,299	42,504	-	42,504	
Average net deferred credit (II)	20,650	21,252	-	21,252	
"D" Average operating assets (I-II)	109,025	121,640	3,404	125,044	
Return required on net assets	16.60%	17.14%	(0.54)	16.60%	
"E" Amount of return required	18,098	20,848	(91)	20,757	
"F" Excess / (Shortfall) FY 2021-22 - gas operations	21,109	(207,448)	137,862	(69,586)	
"H" Excess / (Shortfall) FY 2021-22	21,109	(207,448)	137,861	(69,587)	
Average Inc/(Dec) in Prescribed Price FY 2021-22	68.02	(623.20)	414	(209.05)	
"I" Total Revenue requirement FY 2021-22, net of revenues	227,485	382,163	(137,862)	244,301	
"J" Average Prescribed Price (Rs/MMBTU)	670.37	1,148.06	(414)	733.91	

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2. Cost of Gas Sold Statement FY 2021-22

Annex-B

FIELD NAME	VOLUME				RATE RS/MMBTU	AMOUNT RS IN MILLION
	BBTU/D	MMCFD	MMCF	B-BTU		
OPENING STOCK OF GAS	69	74	2,208	2,084	477.40	994.870
GAS PURCHASED DURING 2021-22						
SUI-SML	156	164	59,790	57,067	534.13	30,480.893
SUI-SUL	4	5	1,685	1,637	523.16	856.426
TOTAL SUI	161	168	61,475	58,704	533.82	31,337.319
LOTTI	10	12	4,452	3,735	231.07	862.961
PIRKOH	0	0	84	70	295.23	20.810
DHURNAL						
DAKHNI	11	10	3,653	3,921	247.38	969.980
ADHI	43	40	14,722	15,804	245.44	3,879.013
BHANGALI						
RATANA	1	1	466	525	631.53	331.696
RATANA MEYAL						
SADKAL	0	0	151	177	941.22	166.969
DHODAK	1	1	460	524	491.82	257.631
QADIRPUR(PROCESSED)	82	94	34,206	29,837	508.52	15,172.702
QADIRPUR(DEHYDRATED)						
QADIRPUR(LIBERTY POWER LTD-RAW)	24	29	10,519	8,815	445.58	3,927.918
QADIRPUR(PERMEATE)	18	26	9,541	6,634	450.77	2,990.575
DEHYDRATION CHARGES @ RS 3.52						31.030
TOTAL QADIRPUR	124	149	54,267	45,286	488.50	22,122.225
PARI WALI	3	2	899	978	549.03	536.925
PINDORI	1	1	246	280	541.58	151.910
TURK WAL						
DHULIAN	1	1	304	331	157.41	52.059
MEYAL	0	0	161	180	157.46	28.305
BELA/UCHHRI						
HASSAN	2	3	931	696	469.75	326.995
ZAMZAMA-SNGPL	4	5	1,976	1,578	583.97	921.435
ZAMZAMA-GUDDU						
TOTAL ZAMZAMA	4	5	1,976	1,578	583.97	921.435
SAWAN	9	9	3,179	3,257	612.15	1,993.636
CHANDA	11	10	3,573	4,069	513.03	2,087.493
REHMAT-MUBARIK						
SAQIB-IA						
BADAR	4	7	2,461	1,403	413.76	580.541
KANDKOT	7	8	2,973	2,424	312.64	757.865
MAKORI						
MAKORI EAST	71	68	24,998	25,770	642.39	16,554.406
MANZALAI-GURGURI						
MANZALAI-CPF						
CHACHAR	17	16	6,008	6,352	513.72	3,263.329
MELA	0	0	168	129	306.35	39.616
NASHPA	13	13	4,583	4,794	494.24	2,369.345
SALSABIL	82	79	28,674	29,995	493.74	14,809.923
SALSABIL-CHILTAN	4	4	1,395	1,416	703.69	996.461
TAJJAL						
KOONJ						
MAMIKHEL						300.350
SHIEKHAN	10	10	3,573	3,778	594.73	2,246.697
MARAMZAI						
DOMIAL	111	107	39,061	40,680	640.44	26,053.535
MARI DEEP						
LATIF	7	6	2,318	2,374	850.54	2,019.157
MARI ENGRO	65	90	32,858	23,745	282.29	6,703.020
SOGHARI	7	6	2,317	2,488	986.26	2,453.536
MARDANKHEL	41	39	14,239	15,045	815.32	12,269.110
KALABAGH	2	2	673	754	855.94	645.706
MAKORI DEEP	5	5	1,871	1,929	955.00	1,842.220
JHANDIAL	2	2	646	703	954.83	670.871
TOLANJ	2	2	616	624	637.57	397.659
TOLANJ WEST	5	5	1,685	1,707	961.99	1,641.803
DHOK HUSSAIN	7	7	2,640	2,618	1,037.89	2,717.332
TOGH J	18	17	6,136	6,468	974.30	6,301.994
MARI HRL	25	34	12,450	9,070	786.66	7,135.045
MARI GTH	2	3	1,054	861	282.92	243.492
DHOK SULTAN	1	0	170	187	1,131.18	211.169
TOTAL GAS PURCHASED	892	944	344,567	325,430	550.88	179,271.542
LESS: SUPPLIED TO PPL	(0)	(0)	(102)	(97)	539.68	(52.398)
EXCISE DUTY	891	944	344,465	325,332	550.88	179,219.143
EQUALISATION OF COST-SSGCL						3,253.324
GST ON EXEMPT COSUMERS						182,472.468
EXCHANGE LOSS/(GAIN)						843.858
AVG.RATE FOR 2021-22	891	944	344,465	325,332	568.70	1,700
TRANSP.CHARGES-ZAMZAMA/HASSAN						185,016.487
GROSS PURCHASES	891	944	344,465	325,332	569.54	185,290.817
EXCHANGE LOSS/(GAIN)						(1,700)
GAS INTERNALLY CONSUMED	(6)	(6)	(2,232)	(2,108)		
CLOSING STOCK OF GAS	(62)	(65)	(1,964)	(1,850)	564.40	(1,189.886)
GAS AVAILABLE FOR SALE	886	938	342,478	323,458	565.83	(1,046.728)
UN-ACCOUNTED FOR GAS	(92)	(80)	(29,228)	(33,668)	563.75	182,348.912
NET GAS SOLD BUT NOT BILLED	(0)	(0)	(152)	(166)		
ENERGY EQUALENCE VOLUME TO LNG		(40)	(14,645)			
GAS SOLD	793	818	298,454	289,624	629.61	182,348.912
ADD: RLNG SOLD AS SYSTEM GAS	118	116	42,622	43,253	524.86	22,701.759
PAK ARAB TRANSPORTATION						
GAS RECEIVED FOR TRANSPOTATION	42	49	17,912	15,455		
GAS DELIVERED	(42)	(43)	(15,687)	(15,455)		
NET GAS SOLD-SYSTEM	912	941	343,302	332,877	616.00	205,051

3. Prescribed Prices for FY 2021-22

Annex-C

Particulars	Average prescribed price FY 2021-22	w.e.f. 01.07.2021	w.e.f. 01.01.2022
	Rs./MMBTU		
(I) Domestic Consumers:			
a) Standalone meters			
b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;			
Upto 0.5 hm ³ per month	733.91	121.00	121.00
Upto 1 hm ³ per month	733.91	300.00	300.00
Upto 2 hm ³ per month	733.91	553.00	553.00
Upto 3 hm ³ per month	733.91	738.00	738.00
Upto 4 hm ³ per month	733.91	1,107.00	1,107.00
Above 4 hm ³ per month	733.91	1,460.00	1,460.00
The billing mechanism will be revised so that the benefit of one previous / preceding slab is available to domestic consumer (residential use).			
c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including Captive Power. The tariff for captive gas use in this category will be charged as per captive power category.			
All off-takes at flat rate of	733.91	780.00	780.00
(II) Special Commercial Consumers (Roti Tandoors)			
Upto 0.5 hm ³ per month	733.91	110.00	110.00
Upto 1 hm ³ per month	733.91	110.00	110.00
Upto 2 hm ³ per month	733.91	220.00	220.00
Upto 3 hm ³ per month	733.91	220.00	220.00
Above 3 hm ³ per month	733.91	700.00	700.00
(III) Commercial :			
All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels including hotel industry, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.			
All off-takes at flat rate of	733.91	1,283.00	1,283.00
(IV) Ice Factories:			
All off-takes at flat rate of	733.91	1,283.00	1,283.00
(V) General Industrial:			
All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.			
All off-takes at flat rate of	733.91	1,054.00	1,054.00
(VI) Registered manufacturers or exporters of five zero-rated sectors and their captive power namely: Textile (including jute) carpets, leather, sports and surgical goods.			
All off-takes at flat rate of			
(a) Export Oriented (General Industry)			
All off-takes at flat rate of	733.91	819.00	819.00
(b) Export Oriented (Captive)			
All off-takes at flat rate of	733.91	852.00	852.00
(VIII) Captive Power :			
All off-takes at flat rate of	733.91	1,087.00	1,087.00
(IX) CNG Stations:			
CNG (Region-I)			
All off-takes at flat rate of	733.91	1,371.00	1,371.00
CNG (Region-II)			
All off-takes at flat rate of	733.91	1,350.00	1,350.00
(X) Cement Factories:			
All off-takes at flat rate of	733.91	1,277.00	1,277.00
(XI) Fertilizer Factories:			
(a) For gas used as feed stock for fertilizer			
All off-takes at flat rate of	733.91	302.00	302.00
(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.			
All off-takes at flat rate of	733.91	1,023.00	1,023.00
(v) ENGRO Fertilizer Company Limited			
(a) For gas used as feed stock for fertilizer			
All off-takes at flat rate of	733.91	US\$ 0.70	US\$ 0.70
(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.			
All off-takes at flat rate of	733.91	1,023.00	1,023.00
(XII) Power Stations:			
(a) WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.			
All off-takes at flat rate of	733.91	857.00	857.00
(b) WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.			
All off-takes at flat rate of	733.91	857.00	857.00
(XIII) Liberty Power Limited's Gas Turbine Power Plant (Phase I) at Dalharki:			
All off-takes at flat rate of	733.91	1,181.46	1,623.34
(XIV) Independent Power Producers:			
All off-takes at flat rate of	733.91	857.00	857.00



HR Benchmark Computation

Annex-D

Particulars	FY 2020-21	FY 2021-22
HR benchmark Cost Parameters		
	Total	Total
Base Cost (Million Rs.)	16,294	17,929
CPI factor (%age)	8.90%	0.00%
T & D network (Km)	152,463	155,366
Number of Consumers (No.)	7,415,435	7,604,455
Sales Volume (MMCF)	711,399	677,745
Unit Rate (Rs./unit)		
T&D network (Rs./Km)	112,006	117,594
No. of Consumers (Rs./Consumer)	2,313	2,418
Sale Volume (Rs./MMCF)	25,070	25,202
HR Cost Build-up (Million Rs)		
Cost CPI -	725	
T & D network 33.33%	4,269	6,089
Number of Consumers 33.33%	11,151	6,128
Sales Volume- 33.33%	1,783	5,693
HR Benchmark Cost	17,929	17,910
IAS-19 (Incremental cost)		521
Total HR Benchmark cost with IAS 19		18,431

[Handwritten signatures and initials]