working, the Petitioner has also included Rs. 4,019 million on account of financial charges.

6.4.5. The Authority observes that the Petitioner has computed the transportation charges on the basis of parameters in vogue. However, the volume through put has been taken a bit lower side keeping in view the energy demand and infrastructure committed capacity to provide the same. Accordingly, the volume throughput has been determined at 1200MMCFD while figures of GIC has been aligned with respect to actual trend and SSGCL's data.

6.4.6. Regarding the Petitioner's claim regarding 'financial charges' amounting to Rs. 4,019 million, the Authority observes that this issue has already been extensively deliberated. In all fairness, it is reiterated that there is no logic to claim financial charges in connection with the creation of the fixed assets while the 'return' @ 17.43% on the same is also provided. If the Petitioner' claim is accepted, it shall result double impact at the cost of consumers. The Petitioner therefore maintains its stance and rejects the Petitioner' claim on this account.

6.4.7. The Authority further observes that the Petitioner has also provided the working on account of 'incremental T&D cost' amounting to Rs. 946 million liable to allocate to RLNG supply segment for the said year. The same consequent to HR cost determination works out to Rs. 789 million which has been included under this head. Resultantly, the revenue requirement in respect of indigenous gas consumers shall be reduced with the same figure.

6.4.8. ***In view** of **above, the 'transportation charges' are determined at Rs. 68.48 per MMBTU for the said year as under;***

Table 21: Computation of Transportation Charges:

Particulars	Per SNGPL revised working	Per OGRA Determination
Quantitative Data		
	BBTU	
RLNG Input	431,990	471,262
Retainage / gas used in FSRU	(3,240)	(3,534)
GIC - SSGCL network	(2,144)	(1,543)
GIC - SNGPL network	(5,119)	(5,370)
UFG	(13,488)	(14,746)
Net RLNG sold	**407,999**	**446,067**
Cost Components	*Million Rs.*	
Amortization of Deferred Credit	(160)	(160)
Depreciation	4,299	4,299
Return on Assets	7,630	7,630
Gas Internally Consumed SSGCL	-	2,315
Gas Internally Consumed SNGPL	8,191	8,056
Transportation charges payable to SSGC	9,000	7,615
Incremental T&D cost impact		789
Finance cost on LNG financing	4,019	-
Total	**32,980**	**30,545**
Rs/ MMBTU	**80.83**	**68.48**

1 GIC has been provisionally determined at 1.48% (1.15% in SNGPL network while 0.33% in SSGC network) as agaist 1.20% and 0.33% projected by the petitioner and SSGCL respectively.

2 1200 MMCFD volume at GCV of 1073 BTU/Scft has been projected as against 1100 MMCFD projected by the petitioner.

3 GIC has been valued at the average purchase price of Rs. 1,500/MMBTU ($10/MMBTU @ Rs. 145/$ as against Rs. 160 projected by the Petitioner).

4 Retainage has been projected @0.75% of RLNG input subject to actual.

5 Avg. UFG %age @ 3.20% based on the assumption that 74% of RLNG will be sold in power sector where UFG is 0.5% while remaining 26% will be sold in retail sector where UFG is 10.9%, has been provisionally accepted as projected by the petitioner.

7. Operating Expenses

7.1. Cost of Gas Sold

7.1.1. The Petitioner has projected cost of gas sold for the said year to increase from Rs. 195,401million determined by the Authority for FY 2018-19 (RERR) to Rs. 213,508million, based on purchased volume and projections of international prices of crude and HSFO. Comparative analysis of projected cost of gas purchased with previous years is given below:

Table22: Comparison of Cost of Gas Purchased with Previous Years:

Particulars	FY 2017-18	FY 2018-19	FY 2019-20
	Actual	RERR	The Petition
BBTU	433,151	481,162	442,407
Million Rs.	161,628	196,863	215,169
Rs. /MMBTU	373.14	409.14	486.36

7.1.2. The well-head gas prices on the basis of which cost of gas is determined are indexed to the international prices of crude or HSFO per GPAs between the GoP and the producers and are notified bi-annually, effective on 1st July and 1st January each year. The international average prices of crude and HSFO during the immediately preceding period of December to May are used as the basis for calculating the estimated well-head gas prices for the period July to December, and similarly oil prices during the immediately preceding period of June to November are used to calculate the projected well-head gas prices for the period January to June.

7.1.3. The Authority observes that Economic Coordination of the Committee (ECC) of the Cabinet in is meeting held on May 17, 2018, in the matter of WACOG has decided as under;

7.1.4. *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 and reforms division and OGRA submits its recommendations to the ECC.*

7.1.5. ***In view of above decision of ECC of the Cabinet, the Government policy of maintaining uniform cost of gas across the country has been held in abeyance. Accordingly, the cost of gas in respect of the Petitioner has been computed keeping in view the gas supply from its allocated fields only.***

7.1.6. The Authority observes that Petitioner has not accounted for the latest indicators in terms of Crude/HSFO prices and dollar rupee exchange rate.

7.1.7. The Authority, observes that actual average international C&F prices of oil for the period December, 2017 to May, 2018 provide the relatively correct estimation and are used for computation of well-head gas prices effective July 01, 2018. The same have been also extrapolated for the period June – November 2018 for the purpose of well-head prices applicable w.e.f January 01, 2019. Therefore, keeping in view the current trend of international oil prices and US $ exchange rate and other related factors, revised parameters for the purpose of computation of cost of gas at Petitioner system is as below;

Table 23: Revised parameters:

wellhead gas prices effective period	Period of Avg. prices of Oil	Avg. C&F price of Crude Oil (US $/BBL)	Avg. C&F Price of HSFO (US $/M.Ton)	Exchange Rate (Rs. / US $)
July to December 2019	December, 2018 to May 2019	63.5	400	150
January to June, 2020	June to November 2019	70	400	150

7.1.8. ***Based on the above,*** the ***cost of gas is provisionally determined at Rs. 197,249 million for the said year. The Petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2019 for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO during the period June to November, 2019 and the trend of Rupee – Dollar exchange rate.***

7.2. Gas Internally Consumed (GIC)

7.2.1. The Petitioner has claimed the GIC for the said year at Rs. 1,662 million. The Petitioner has explained that, out of this projected GIC, Rs. 135 million has been estimated for the capitalization for the said year. Accordingly, the Petitioner has included Rs. 1,526 million in the operating expenses for the said year. The break-up of GIC is provided as under: -

Table 24: GIC Volume Claimed in the Petition:

Particulars	MMCF	GCV	MMBTU	Avg. cost price (Rs/MCF)	Million Rs.
Transmission System					
Compressors	2,633	952	2,508,096	486.36	1,220
Coating Plant	169	952	160,958	486.36	78
Residential Colonies	72	952	68,574	486.36	33
Sub total	**2,874**		**2,737,628**		**1,331**
Distribution System					
Free Gas Facility	616	952	586,688	486.36	285
Co-Generation	97	952	92,384	486.36	45
Sub total	**713**		**679,072**		**330**
GIC Indigenous	3,587		3,416,700		**1,662**
Amount Capitalized	286	952	433,421		**135**
Amount charged to T&D cost	3,301	952	2,983,279		**1,526**

7.2.2. The Petitioner has submitted that 169 MMCF on account of 'Coating plant' and 117 MMCF deduced from the 'Residential Colonies' and 'Free gas facilities', total to be 286 MMCF, has been allocated to the capitalization for the said year.

7.2.3. The Authority observes that the Petitioner has projected 3,587 MMCF gross volume of GIC for the said year to handle 464,511 MMCF volume of indigenous gas as per following details:

Table 25: GIC Volume Claimed in the Petition:

								MMCF
Particulars	**FY 2016-17**		**FY 2017-18**		**FY 2018-19**		**FY 2019-20**	
	RLNG	**System**	**RLNG**	**System**	**RLNG**	**System**	**RLNG**	**System**
Metered gas purchased								
Compression (Metered) System		2,853		2,265		2,633		2,633
Compression (Metered) RLNG	2,109		3,136		6,917		6,917	
Distribution (Metered)		989		1,147				
Free Gas Facility						616		616
Coating Plant						169		169
Residential Colonies						72		72
Co-Generation						97		97
Total	**2,109**	**3,842**	**3,136**	**3,412**	**6,917**	**3,587**	**6,917**	**3,587**
Compression Details								
Volume of gas handled/Compressed (MMCF)	179,701	500,605	277,411	458,291	329,400	464,511	329,400	464,511
GIC (MMCF)	2,109	3,842	3,136	3,412	6,917	3,587	3,795	3,587
Volume of gas handled/Compressed per GIC	85	130	88	134	48	129	87	129
GIC (% age)	1.174	0.767	1.130	0.745	2.100	0.772	1.152	0.772

7.2.4. Based on the historical trend for the past two years i.e. FY 2016-17 and FY 2017-18, the Authority provisionally accepts the Petitioner's GIC projection for FY 2019-20 regarding indigenous gas. In case of RLNG, it is taken at 3,795 MMCF against 6,917 MMCF by the Petitioner subject to actualization at the time of respective FRR.

7.2.5. The Authority observes that GIC relevant to the operation of compressors for the purpose of transmission of gas, has been formed part of T&D cost. The gas consumed on account of free gas facility, residential colonies, co-generation and capitalization requires to be allocated/booked under the under the relevant head.

7.2.6. ***In view of above, the Authority, taking into account the revised cost of gas at the Petitioner' system, determines the GIC at Rs. 1,072 million for the said year.***

7.3. Unaccounted for Gas (UFG)

7.3.1. The Petitioner has claimed UFG for the said year at 10.95 % (49,061 MMCF), as follows:

Table26: UFG Volume Claimed in the Petition:

	Volumes in MMCF
Particulars	**FY 2019-20 (The Petition)**
Gas Purchases	464,511
Gas Available for Sale	444,454
Gas Sales	395,393
UFG Volume	49,061

7.3.2. Provisional allowance for local operating conditions would be subject to adjustment on the basis of KMI's at FRR stage, in accordance with the following Table: -

Table27:UFG Calculation Sheet:

MMCF

Particulars	Natural Gas *(Normal Business)*		*RLNG Business*	
Gas Purchases	As per Petition	Determined by the Authority	Per Petition	Determined by the Authority
Metered gas purchased	**464,511**	**464,511**	**329,400**	**329,400**
Retainage Allowed			2,471	2,471
Less RLNG Volume for Sale				
Less RLNG Carried for Third Party				
Energy Equilance	(16,470)	(16,470)	16,470	16,470
Gas Available for Sale	**448,041**	**448,041**	**343,399**	**343,399**
Gas Internally Consumed (Metered)	**3,587**	**3,587**	**6,917**	**3,447**
Transmission	2,874	2,874	6,917	3,447
Distribution	713	713		
Net Gas Available for Sale	**444,454**	**444,454**	**336,482**	**339,952**
Gas Sold (Billed)	395,393	395,393	327,526	327,526
Total Sales	**395,393**	**395,393**	**327,526**	**327,526**
UFG Volume	**49,061**	**49,061**	**8,956**	**12,426**
UFG %	10.95%	10.56%	2.61%	
Working disallowance for SNGPL				
Metered gas purchased		464,511		
UFG Benchmark (Percentage)		**5%**		
Local Conditions Allowance Percentage (Provisional)		**1.30%**		
Allowed UFG Percentage		**6.30%**		
Allowed UFG Volume		29,264		
Disallowance (MMCF)		19,797		
Rate (Rs./MCF)		494.70		
Disallowance (Million Rs.)		**9,794**		

7.3.3. ***In view of above, the Authority determines the UFG at Rs. 9,794 million for the said year subject to finalization pertaining to KMI's at end of financial year.***

i. Response on Interventions

7.3.4. It is also mentioned that one of the intervener i.e. Mr. Muhammad Aslam Ch., vide its letter dated 11-4-2019 presented during the hearing, raised certain points. Similarly, certain points were also be raised by the Chairman, APCNGA. The reply of the same is as under: -

7.3.5. UFG Control is the responsibility of the Petitioner, which is a licensee of OGRA and is custodian of its Transmission and Distribution Network. Regarding control of UFG and measures taken by the Authority, it is mentioned that the Authority successfully concluded the UFG Study through a reputable firm i.e. KPMG and it, vide its letter No. OGRA-9(472)/2018 dated February 28,2018, sent the Key Monitoring Indicators (KMI's) to the Petitioner for implementation to reduce UFG losses.

7.3.6. Theft Control is the responsibility of the Petitioner. The GOP promulgated the Gas (Theft Control and Recovery) Act, 2016 on 23-3-2016 to prosecute cases of gas theft and other offences relating to gas and to provide for a procedure for expeditious recovery of amounts due to Gas Utility Companies. The Cabinet Division, vide its letter dated 3rd May, 2016, enclosed MPNR's letter dated 20th April, 2016, and stated that the matter was referred to Ministry of Energy, Petroleum Division for comments which informed that the Natural Gas (Theft & Recovery) Act, 2016 had been passed by the Parliament in its joint sitting held on 21-03-2016 and that the Act has overriding effect on any other Law/Rules related to Gas Theft & Recovery. In view of the position, the Authority directed the Petitioner on 16th May, 2016 to take necessary action for recovery of sums recoverable under provisions of Natural Gas (Theft & Recovery) Act, 2016.

7.3.7. The Authority allowed 6.991 % in respect of UFG for FY 2017-18 and not 14-15 % as stated by the intervener. The contention of the intervener is thus not correct in this regard.

7.3.8. Regarding Pressure Factor, SNGPL was advised, vide OGRA's letters dated 2-1-2019, 1-2-2019 and 12-3-2019 to take corrective measures to ensure application of correct pressure factor in the domestic consumer's gas bills. Furthermore, the Authority, in its decision dated February 27, 2019 in the matter of SNGPL's Review of Revenue Requirement for FY 2018-19, has directed the Petitioner to pass on reversal/adjustment to the affected consumers due to application of pressure factor above 8 inches of water column across the board for the period from July 2018 to February 2019. The Petitioner was also directed to strictly follow Clause-11 of the Standard Domestic Contract and stop application of Pressure Factor above 8 inches of W.C. in the domestic consumers' gas bills in future.

7.3.9. Regarding Temperature Factor, it is mentioned that the intervener, Mr. Muhammad Aslam Ch., raised similar intervention regarding application of temperature factor in ERR for FY 2016-2017 and was informed accordingly vide letter No. OGRA 9 (432)/2016 dated November 3, 2016.

8. Transmission and Distribution Cost

i. *Summary*

8.1.1. The Petitioner has projected 48% increase in Transmission and Distribution (T&D) cost, from Rs. 24,947 million determined by the Authority for FY 2018-19 to Rs. 36,832 million for the said year, as detailed below:

Table28: Comparison of Projected T & D Cost with Previous Years:

Rs. in million

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Incr/ (Dec) over DERR FY 2018-19	
	FRR	RERR	The Petition	Rs.	%
Human Resource Cost	14,961	15,206	21,779	6,573	43
Stores and Spares Consumed	774	764	1,173	409	54
Repair and Maintenance	1,341	1,215	2,195	980	81
Fuel and Power	350	285	356	71	25
Stationery, Telegram and Postage	154	130	262	132	101
Dispatch of gas bills	123	110	140	30	27
Rent, Rate, Electricity and Telephone	480	572	859	287	50
Traveling	150	163	252	89	55
Transport expenses	897	810	1,053	243	30
Insurance	246	235	423	188	80
Legal and Professional Services	227	190	325	135	71
Consultation for ISO 14001 & OHSAS 18000	4	8	5	(3)	(38)
Gas bills collection charges	472	460	600	140	30
Gathering charges of gas bills collection data	45	50	55	5	10
OGRA fee	217	256	291	35	14
Advertisement	189	180	228	48	27
Bank Charges	7	19	12	(7)	(37)
Uniforms & protective clothing's	89	38	109	71	186
Staff training and recruiting	11	12	93	81	677
Security expenses	907	798	1,793	995	125
SNG training insititute	20	17	28	11	68
Provision for doubtful debts	-	1,584	1,584	-	-
Sponsorship of chairs at University	10	10	10	(0)	(0)
5 Years special training programme	28	30	30	-	-
Budget for UFG control related activities	765	708	1,401	693	98
Out Sourcing of call centre complaints management	27	24	35	11	46
Cost of Gas Blown off	173	-	-	-	-
Contribution to ISGSL	15	-	-	-	-
Sports Cell	48	48	137	89	185
Annual Sports/Cricket Expenses	40	40	87	47	119
Corporate Social Responsibility	11	11	20	9	75
Facilities provided by other companies	10	7	17	9	130
Board Meetings and Directors expenses	29	55	82	27	49
Other expenses	186	177	317	139	78
Expenses for uplifting of lines	45	-	-	-	-
Subtotal Expenses	23,052	24,213	35,750	11,538	48
Allocated to fixed capital expenditures	(320)	(392)	(445)	(53)	13
T&D Expenses	22,732	23,821	35,306	11,485	48
Gas Internally Consumed	910	1,126	1,526	400	36
Total T&D Expenses	**23,642**	**24,947**	**36,832**	**11,885**	**48**

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

ii. Human Resource (HR) Cost

8.1.3. The Petitioner has projected HR cost at Rs. 21,779 million (including IAS cost of Rs. 360 million, CBA impact Rs. 7,153 million and vacant post impact Rs. 911 million) as against Rs. 15,206 million provided in RERR for FY 2018-19 i.e.; approximately 43% increase. The Petitioner has explained that projected increase under this head is mainly due to estimated CBA impact.

8.1.4. The Authority observes that the Petitioner has estimated an unprecedented increase of 43% over one year and provided no logical grounds and convincing reasons to allow such exorbitant increase under this head. The salaries entitled to gas companies have already been vehemently criticized by the interveners during the public hearings. They have contended to allow SNGPL the salary package as applicable to other utilities in public sector i.e. LESCO, IESCO etc. The fabulous salary package to the Petitioner is incompatible and adversely impacting the consumers.

8.1.5. The Authority further observes that during the public hearing at Lahore, the CBA representatives expressed agony that their CBA agreement is pending since last two years owing to paucity of funds. The Petitioner' management is stating that OGRA has to provide the funds for CBA agreement. The CBA representative requested OGRA to resolve the issue in order to reduce the misery of working class.

8.1.6. The Authority notes that the HR benchmark since last decade has been introduced at macro level and on broad based parameters in order to give the Petitioner' rather free hand and incentive to strive for cost optimization. The Authority as a matter of principle avoided to intervene in the Petitioner's micromanagement policies so that it should effectively implement its HR related policies and be able to save the cost through HR adjustments, elimination of anomalies and removal of dead wood wherever exists in the system.

8.1.7. The Authority further observes that HR cost benchmark has been designed in a systematic manner and accounts for the parameters which provides reasonable additional funds to offset the legitimate demand of all employees. If the Petitioner utilizes the same fairly and indiscriminately, all the employees across the board gets reasonable increase each year. The Authority however, keeping in view the

CBA sentiments, observes with grave concern that the Petitioner's management has not fairly distributed the funds. The salaries and perks of the top tiers have been only increased which consequently squeezed the funds for others particularly for the subordinate staff. During FY 2017-18, the executives were allowed even the bonuses while the CBA was agitating for their legitimate demands. The plight of the labor as expressed in the hearing therefore appears to be realistic. If the bonuses to the executives were necessary to be allowed, it should have been met through shareholder's own profits.

8.1.8. The Authority further observes that CBA has contended the anomalies in the system and also demanded separate funds for CBA agreement. Any allowance however over and above the HR cost benchmark, when it is in place, tantamount to defeat very purpose of HR benchmark.

8.1.9. The Authority further observes that it has decided to revise the HR cost benchmark. Accordingly, the "Manpower Assessment Study Report" submitted by the Petitioner is being thoroughly examined. This shall provide very basis of HR base cost and shall assist to finalize new HR cost benchmark for the said year.

8.1.10. In view of above, the Authority decides to adopt the existing benchmark on provisional basis till such time the ibid study is evaluated and the matter of pay structure of the Petitioner is examined for the purpose of new HR cost benchmark.

8.1.11. ***In view of above, the Authority provisionally allows Rs. 16,922 million under this head for the said year. This provides Rs. 1,981 million funds for the said year within the benchmark to meet CBA judicious demand. This entire amount along with the already accrued/reserved under this head be first utilized for the settlement of CBA legitimate demand. The Authority further directs the Petitioner that above matter with all OGRA views be placed before the Board of Directors for information/decision. In case any further amount is required, it may be met through the approval of the Board of Directors from the Petitioner profits.***

iii. Stores and Spares Consumed

8.1.12. The Petitioner has projected the expenses on account of "stores and spares consumed" for the said year at Rs. 1,173 million as against Rs. 764 million determined by the Authority in RERR for FY 2018-19. The historical comparison of "Stores and Spares Consumed" is given below:

Table29: Comparison of Projected Stores and Spares Consumed with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Compression	159	150	99	190	40	27%
Transmission	182	220	129	416	196	89%
Distribution	346	274	121	454	180	66%
Others (incl H.O.)	11	17	16	6	-11	-65%
Freight & Handling	78	103	38	107	4	4%
Total	**774**	**764**	**404**	**1173**	**409**	**54%**

8.1.13. Regarding increase under the sub-head "Compression", the Petitioner has submitted that its distribution network has increased significantly in last financial years owing to which usage as well as repairs and maintenance of compressor stations have increased. Moreover, the proposed amount also includes the impact of inflation for 2 years on prices of compressor spares. Further, due to devaluation of Pak Rupee against US$, the prices have been projected to increase in next financial year.

8.1.14. Regarding the increase under the sub-head "Transmission", the Petitioner has elaborated that store stock items related to recently commissioned 42" dia transmission pipeline network (550 Miles approx.) in connection with RLNG infrastructure will have a considerable impact on the budget. This infrastructure comprises of mainly larger dia pipelines and therefore involves heavy cost of fittings and maintenance viz a viz pipeline of small dia size. The Petitioner further explained that the prices of fittings are expected to increase 15-20% before the start of FY. 2019-20. Furthermore, with expansion of Transmission network, new SMSs and CMSs of GPPs have been added in system, which also requires inventory / store stock of critical spares for smooth operation of the company.

8.1.15. Regarding the increase under the sub-head "Distribution", the Petitioner has pleaded that 66% is due to requirement of more spares i.e.; pipefittings, valves & cocks etc. used in repair and maintenance activities. The Petitioner has further elaborated that it has recently commissioned approximately 12,000 km distribution lines. Moreover, sophisticated Metering equipment / gadgets like filter separators, Pressure Control Valves, Flow computers, Orifice meters, Safety relief Valves and Gas analyzers are installed at said locations for smooth operations of the same. The Petitioner has further highlighted that keeping in view the size and length of network, it is imperative to maintain inventory / store stock of critical spares for smooth operation, maintenance and troubleshooting of metering equipment / gadgets, being critical installations, linked with Petitioner's core business.

8.1.16. The Authority observes that expense under this head is indispensable in order to maintain and smoothly operate the network round the clock. Further, normal increase under this head is also justified in order to cater for inflationary trend and continuous increase in the size of gas network. The Authority however observes that phenomenal increase involving more than 60% jump over one year is unjustified and grossly exaggerated. The Authority further observes that the Petitioner has attributed the increase under this head owing to extension in T&D network particularly 42" dia pipeline which has laid for the purpose of RLNG transmission. Accordingly, booking of such expenses, which are infact part of RLNG transportation, is incorrect keeping in view the policy guideline of the Federal Government. The same requires to be charged under the relevant head.

8.1.17. ***In view of above, the Authority, under the sub-heads discussed above, allows normal increase of 10% with cumulative effect over the actual figure of financial year 2017-18. Accordingly, the Authority determines expenses under "store & spares consumed" at Rs. 892 million for the said year.***

iv. Repair & Maintenance Expenses

8.1.18. The Petitioner has projected "Repair & Maintenance" expenses for the said year at Rs. 2,195 million as against Rs. 1,215 million allowed in RERR 2018-19 and Rs. 1,341 million actual expenses for FY 2017-18. Historical comparison of "Repair &Maintenance" is given below:

Table30: Comparison of Projected Repair & Maintenance Expenses:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Compression	19	22	5	24	2	10%
Transmission	88	101	10	287	186	184%
Distribution	828	713	337	1278	565	79%
Others (incl H.O.)	407	379	164	606	227	60%
Total	**1341**	**1215**	**516**	**2195**	**980**	**81%**

8.1.19. The Petitioner has submitted that budgeted amount under the sub-head "Transmission" includes Rs. 200 million for recoating of Transmission pipelines. The Petitioner has highlighted that delay in procurement process of primer paint has resulted in delayed start of re-coating works. Consequently, the major portion of budget under this head remains unutilized in FY 2017-18. However, recoating of Transmission lines is vital in order to safeguard company's assets. The Petitioner has explained that it has planned to start recoating works in time for which proposed budget is necessarily required keeping in view the existing trend, the existing dollar rupee parity as well which has impact on this head.

8.1.20. The Authority observes that recoating of transmission pipeline for protection and safety is regular job. Accordingly, the Authority has always appreciated and allowed reasonable amount under this head. The Authority however notes that the spending of Rs. 200 million over one year is unprecedented and beyond its capacity to undertake such action program in one year. The Authority therefore allows one fourth of the budgeted amount on account of 'recoating pipeline' commensurate with the estimated capacity of the Petitioner. ***Accordingly, the amount under this head is determined at Rs. 137 million for the said year. The Authority however gives rather liberal approach to allow the expenses under this head. Accordingly, it shall consider the actual expenses under this head at the time of FRR for the said year keeping in view the prudence and rationality.***

8.1.21. Under the sub-head "Distribution", the Petitioner has claimed an additional amount of Rs. 102 million on account of domestic meters inspection shops in all regions. The Petitioner has further pleaded that increase as compared to the FRR FY 2017-18 includes cumulative impact of two years, revision of schedule rates of contractors by approximately 15% and also rupee devaluation against dollar.

8.1.22. The Authority observes that over the past, the Petitioner has been given rather free hand to incur the expense under this head since the activities therein are contributive to UFG reduction and smooth operation. Accordingly, the expenses under this head requires to be justified based on the physical targets, detailed work plan and estimated savings. The Petitioner however has not provided such details, rather the expenses have been claimed on generic basis. ***The Authority therefore allows Rs. 1001 million for the said year i.e.; at the level of FRR FY 2017-18 plus 10% normal increase with cumulative impact over two year to cater for inflationary impact and enhanced activities. The Authority however shall consider the actual expenses under this head at the time of FRR. Accordingly, the justified expenditure shall part of revenue requirement.***

8.1.23. Under the sub-head "Others", the Petitioner has explained that the proposed budget includes 10% expected increase in the rates of janitorial contractors as well as revision in applicable schedule rates of billing department (disconnection teams). Further, increase has also to cover inflationary impact for FY 2018-19 and FY 2019-20. Furthermore, an additional amount of Rs. 59 million is required against new SLAs/maintenance of IT/MIS system.

8.1.24. The Authority observes that the expenses under this head have not been substantiated on the specific grounds and convincing logic. In FY 2017-18, the expenses were on rather on higher side owing to non-recurring expense items, which were allowed owing to specific reason. ***The Authority therefore determines the expenses at Rs. 417 i.e.; at the level of RERR FY 2018-19 plus 10% normal increase.***

8.1.25. ***In view of above, the Authority determines the expenses under the head "Repair & Maintenance" at Rs. 1,580 million for the said year.***

v. Stationery, Telegram and Postage

8.1.26. The Petitioner has projected Rs. 262 million under the head "Stationery, Telegram and Postage". Historical comparison is given below: -

Table 31: Comparison of Stationery, Telegram and Postage with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Compression	1	1	0	1	0	-17%
Transmission	4	5	1	5	0	-9%
Distribution	20	25	9	33	8	33%
Others (incl H.O.)	129	98	70	223	125	127%
Total	**154**	**130**	**80**	**262**	**132**	**102%**

8.1.27. Under the sub-head "Others (including H.O"), the Petitioner has pleaded that as compared to the applicable exchange rate as on 30.06.2018, the rupee value has been deteriorated US $ and the trend is expected to continue during FY 2019-20. Further, the Petitioner has a yearly target for 600,000 new connections during FY 2018-19 and FY 2019-20. (Additional 1.2 million new consumers as compared to FY 2017-18). Moreover, proposal includes an amount of Rs.120 million against pre-printed gas bill papers to cater for increase in consumer base. Moreover, Industry and major commercial consumers are billed on weekly basis. Prices of customized gas bill papers have also increased significantly in recent year.

8.1.28. The Authority observes that under the sub-head "Others (incl. H.O)", the Petitioner has projected 127% sharp increase over RERR FY 2018-19 which is more than double amount for the said year over RERR for FY 2018-19. The Authority observes that the justification for the increase is not concrete keeping in view the quantum of the projected increase of bills under this head. The Authority further observes that the actual expenditure during the July- December 2018 depicts that the overall expenditure under this head for FY 2018-19 shall be around Rs. 150million. Accordingly, the Authority allows the same with 10% escalation for the same year.

8.1.29. ***In view of above, the expense under this head is determined at Rs. 204 million for the said year.***

vi. Rent, Rate, Electricity and Telephone

8.1.30. The Petitioner has requested Rs. 859 million on account of "Rent, Rate, Electricity and Telephone" for the said year as compared to Rs. 572 million provided in DERR FY 2018-19. Historical comparison is given below:

Table32: Comparison of Rent, Rate, Electricity and Telephone with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Rent	232	210	121	328	118	56%
Royalty/internet services	43	40	20	61	21	53%
Telephone	54	40	24	77	37	93%
Electricity	123	100	72	150	50	50%
Pakistan Railway (Line crossing charges)	1	155	0	206	51	33%
Water Conservancy	5	4	3	6	2	60%
Vehicles rates and taxes	14	15	8	30	15	100%
Others	8	8	5	0	-8	-98%
Total	**480**	**572**	**252**	**859**	**287**	**50%**

8.1.31. Under the sub-head "Rent", the Petitioner has submitted that at present rates, it is paying around Rs. 235 million per year. During FY 2019-20, Rs. 63 million additional budgets has been projected for newly hired buildings for Lahore, Sargodha and Rawalpindi Region along with 10% escalation in the rent has been projected.

8.1.32. The Authority observes that as per information provided by Petitioner, the rent expenses for additional sites have already been included in the existing expenses. Further, 10% increase on yearly basis is exorbitantly high. Normally, the buildings hired for longer period of time observes a moderate increase of 5% per annum.

8.1.33. The Authority further observes that the review of rents in respect of different regions reveals that the same are on higher side. Rent of the buildings and such all kind of expenses are administrative expenses, not the core activity of the operation. The Petitioner therefore should make always attempt to decrease such expenses to the possible extent.

8.1.34. ***In view of above, the Authority allows Rs. 247 million expenses under the sub-head "Rent" for the said year.***

8.1.35. Regarding the sub-head "Royalty/internet services' the Petitioner has projected 53% increase and stated that previously 111 MPLS-VPN locations and 90+ DSL locations are being in operations. The Petitioner has submitted that due to establishment of new Customer centers, it is extending its connectivity services to another 70+ locations. Moreover, dedicated WAN links between Head Office, Disaster Recovery Site (Manga) and Lahore-D are also being arranged. Due to tremendous growth in number of consumers, bandwidth requirements for existing sites have also increased due to meter images and increased number of users resulting in impact on cost.

8.1.36. The Authority reiterates its stance that the communication related expenses are observing kind of competitive market. Accordingly, the expenses under this head are almost stagnant. ***Accordingly, the Authority under the sub-head "Royalty/ Internet services" and "Telephone" determines the expenses at Rs. 45 million and Rs. 60 million respectively for the said year.***

8.1.37. Under the sub-head 'Railway Crossing Charges' the Petitioner has projected Rs. 206 million i.e.; 33% increase over RERR FY 2018-19. The Petitioner has submitted that payments against railway crossings are made against reconciled crossings. The budget is estimated on the basis of pending payments to Pakistan Railways and anticipated increase in rental charges for FY 2018-19 and FY 2019-20. Further, onetime payment has to be made for 20 years from the date of issuance of NOC. Further, the Petitioner has projected that annual rental payments are made to National Highway Authority (NHA) against number of issued NOCs. Accordingly, the amount on account of NHA has been projected at Rs. 54 million.

8.1.38. The Authority observers there have been dispute between the Petitioner and Railway department over the Railway charges. Accordingly, the Authority has been advising the Petitioner to amicably settle the issue with it. The review of actual expenses however reveals that no amount under this head has been paid. Further, NHA payments earlier have not been reported. ***The Authority therefore pends the expenses under this head for consideration at the time of FRR based on the actual payments.*** The Petitioner however is advised that Pakistan Railways and NHA are Government Organization, accordingly the issues with them be amicably settled through the involvement of appropriate forum with the purpose that the gas consumers' interest must be respected.

8.1.39. Under the sub-head "Electricity", the Petitioner has projected an increase of approximately 26% in the electricity tariff during the current financial year compared to FY 2017-18, due to which expenses on this account witnessed a sharp increase. Further, increase is also due to opening of flow proving Labs at all regions, opening of transit mess and Metering shop at Regional Office Islamabad as per operational requirements, reduction in load shedding and routine addition in electrical appliances. The average impact due to these factors has been calculated as 10% over actual for FY 2017-18.

8.1.40. The Petitioner has further submitted that the consumption/expenditure trend during the current financial year has revealed that due to revision in electricity tariff the allowed budget of Rs. 100 million has already been exhausted. On the basis of this analysis, it is likely that the proposed amount of Rs. 150 million for FY 2019-20 would be insufficient to meet the expenditure for that year.

8.1.41. In view of above, the Authority agrees with the Petitioner' contention, however, keeping in view the persistent increase in gas prices, it advised to minimize the electricity requirement to possible extent. ***Accordingly, the Authority determines the expenses under this head at Rs. 140 million for the said year.***

8.1.42. Under the sub-head "Vehicles Rates & Taxes" the Petitioner has projected 100% increase over one year from Rs. 15 million to Rs. 30 million for the said year. The Petitioner has explained that increase under this head is mainly on account of additional newly acquired vehicles by the Petitioner during FY 2017-18 and FY 2018-19.

8.1.43. The Authority observes that the 100% increase over one year is not logical and rather seems to be hypothetical. ***The Authority keeping in view the increase in vehicles*** allows 20% increase under this head, amounting to Rs. 18 million for the said year.

8.1.44. ***In view of above, the Authority determines the amount under this head at Rs. 516 million for the said year.***

vii. Traveling Expenses

8.1.45. The Petitioner has requested Rs. 252 million on account of "Traveling Expenses" i.e. 53% increase for the said year over RERR FY 2018-19. Historical comparison is given below:

Table33: Comparison of Traveling Expenses with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Local travelling						
Executives	101	91	48	130	39	43%
Subordinates	67	60	35	88	28	46%
	168	151	83	217	66	44%
Foreign travelling						
Conveyance (Official)	0	10	5.83	29	19	189%
Foreign travelling				2		
Travelling directors	3	2	2	4	2	75%
Total	3	12	7	35	23	188%
Total	171	163	91	252	87	53%

8.1.46. The Petitioner has submitted that increase is mainly on account of expansion of company's network. In the last financial year 2018-19, approximately 12,000 km extension in distribution network and 325 km in Transmission network has been made. Due to addition in the Petitioner's network, augmentation of Transmission Network & commissioning of 04 Nos. GPPs, the executives and subordinate staff have to travel to remote sites regarding operational & vigilance activities more frequently.

8.1.47. The Petitioner further submitted that TA/HA rates of subordinate staff have been increased w.e.f. July 2018. The last revision on this account was w.e.f. 28.12.2016. The increase is in range of 10-50% of previous rates. Further, the conveyance rate of subordinate staff has been revised in the current financial year from Rs. 6 per km to Rs. 10 per km.

8.1.48. Regarding the expenses on account of 'Foreign Travelling' the Petitioner has submitted that the senior officials / management of the company are required to attend international conferences pertaining to energy sector. The budget is required so that representation of company is ensured at all international forums.

8.1.49. Regarding, the 'Traveling Directors' the Petitioner has attributed the same towards increase in petrol prices and also pleaded that increase under this head is nominal.

8.1.50. The Authority observes that the gas prices are continuously increasing which is burdening the consumers. Since last couple of years, the Federal Government has not increased the gas prices keeping in view the inflationary trend in the country. Resultantly, there is huge backlog of gas price receivables by the Petitioner from the gas consumers. The Authority therefore is of the considered view that all administrative and avoidable expenses requires to be significantly slashed. Accordingly, the Petitioner is required to adopt austerity measures and conserve the resources through new Techniques including IT based application, video conferencing etc; Further, regarding the foreign travelling of the directors and Petitioners' officials, the same may be taken up with OGRA separately in the form of specific plan based on the transparency and within the allowed limits.

8.1.51. ***In view of above, the Authority restricts the expenses under this head at the level of RERR for FY 2018-19 i.e.; Rs. 163 million for the said year.***

viii. Transport Expenses

8.1.52. The Petitioner has projected transport expenses for the said year at Rs. 1,053 million as against Rs. 810 million provided in RERR for FY 2018-19 showing an increase of 30% as under:

Table 34: Comparison of Transport Expenses with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Compression	15	14	10	21	7	54%
Transmission	149	118	83	162	44	37%
Distribution	520	500	225	538	38	8%
Others (incl H.O.)	214	178	109	332	154	86%
Total	**897**	**810**	**426**	**1053**	**243**	**30%**

8.1.53. The Petitioner has submitted that actual average petrol/diesel prices during FY 2018-19 have been increased by approximately 21% as compared to the preceding year i.e. FY 2017-18. Moreover, laying of additional Transmission and Distribution networks during the recent past has resulted in increased travelling for monitoring and maintenance purposes. Owing to the reasons stated above i.e. drastic increase in petrol prices/diesel prices (18%, 24%) and commissioning of additional network an increase of 17% over FRR FY 2017-18 is justified.

8.1.54. The Authority agrees with the Petitioner's justification regarding projected increase under this head. However, as discussed above, there is dire need to switch from the conventional way of monitoring the operating activities as well as there is exigency to drastically slash the avoidable expenses. The matter of gas price increase is now alarming owing to current economic situation, heavy backlog and vehemently criticism from the interveners on the Petitioner's way of doing business. The interveners have been continuously stressing that cost on account of physical mobilization of resources and manpower can be saved by the use of IT based applications and equipment's and technological surveillance on real time basis.

8.1.55. The Authority further observes that as per policy guideline of the Federal Government, RLNG supply is ring-fenced activity and the incremental operating cost relating to LNG infrastructure is required to be booked there.

8.1.56. ***In view of above, the Authority restricts the expenses under this head at the level of RERR FY 2018-19 i.e.; 810 million for the said year.***

ix. Insurance

8.1.57. The Petitioner has projected insurance expenses for the said year at Rs. 423 million as against Rs. 235 million per RERR FY 2018-19, showing an increase of 80% as under:

Table35: Comparison of Insurance Expenses with Previous Years:

Rs. In million

	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
Particulars	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Third party	2	3	1	3	0	0%
Fire risk	137	145	70	195	50	34%
Fidelity / cash in transit	0	2	0	3	1	50%
Motor vehicles	74	80	31	105	25	31%
Loss of Profit	78			110	110	
Miscellaneous	9	5	5	7	2	40%
Total	300	235	108	423	188	80%

8.1.58. Regarding the sub-head "Fire Risk", the Petitioner has submitted that increase is mainly on account of anticipated increase in company's assets in comparison with FY 2017-18. The Petitioner has submitted that approximately 12,000 km of network has been added in the company's assets in FY 2017-18.

8.1.59. Regarding the increase in sub-head "Motor Vehicles", the Petitioner has submitted that the same has to cater for incremental impact of insurance premium for vehicles added in FY 2018-19 and also on account of anticipated addition in FY 2019-20.

8.1.60. Regarding the "loss of profit", the Petitioner submitted that increase in premium is due to estimated increase in gross profit for FY 2019-20.

8.1.61. The Authority observes that the increase owing to extension in network and incidental thereto, increase in vehicles insurance may be relevant to RLNG transportation charges. Accordingly, the projection of the same under this head is not relevant. The Authority further observes that indigenous natural gas sale activity is squeezing day by day. However, there is robust increase in RLNG supply chain and capitalization is made for the said activity. Accordingly, the cost should not be built up to be borne by indigenous gas consumers. Further, the Authority observes that determination on account of 'loss of profit' has already been exhaustively discussed and reached finality. Accordingly, no allowance on this account can be allowed for the said year.

8.1.62. ***In view of above, the Authority determines the expenses under this head at the level of RERR for FY 2018-19 i.e. Rs. 235 million for the said year.***

x. Legal and Professional Charges

8.1.63. The Petitioner has projected expenditure of Rs. 325 million on account of "Legal and Professional Charges" for the said year as against Rs. 190 million provided in RERR for FY 2018-19, showing an increase of 71%. Historical comparison is given below:

Table 36: Comparison of Projected Legal & Professional Charges with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Legal	174	132	95	261	129	98%
Professional	30	19	16	32	13	69%
Tax	5	15	3	9	-6	-40%
Audit	8	11	2	9	-3	-23%
Apprenticeship/Scholarship/Training	8	10	3	12	2	20%
Others	2	3	1	3	0	0%
Total	**227**	**190**	**121**	**325**	**135**	**71%**

8.1.64. Regarding the sub-head "Legal", the Petitioner has submitted that advocates fee and hiring of services of senior advocates and law firms in high profile cases has increased. Further due to implementation of judicial policy, separate fee is required to be paid to the local commission for recording of evidence. Court fee amount is affixed on the plaints for recovery of over and above Rs. 25,000/- under the Law. In Khyber Pakhtunkhwa, court fee is levied @ 7.5% irrespective of the amount involved in the matter. Further, increase also represents rising number of litigation cases against the company and by the company on the employees and CBA related issues.

8.1.65. Regarding the sub-head "Professional", the Petitioner has submitted that the proposed budget is to cater for expenses related to potential assessment of executives falling in different grades, different assignments of HR consultancy, operational requirement of Accounts, Treasury, Quality Assurance Risk Management and allied departments against hiring of professional services.

8.1.66. The Authority observes that expenses under the head 'legal' have been allowed with consistent approach. The exorbitant and robust increase impairs the consumers' interest, the same therefore cannot be allowed. Further, the Authority observes that the Petitioner has good in-house expertise, the same must be utilized at maximum to save the resources. The Authority further observes that at the time of FRR FY 2017-18, a relatively sharp increase was allowed on onetime basis keeping in view arbitration cases.

8.1.67. ***In view of above, the Authority under the sub-head "legal" allows Rs. 145 million for the said year i.e. at the level of RERR plus 10% to cater for increase in fee and number of cases.***

8.1.68. Under the sub-head "professional", the Petitioner has not provided any specific detail and basis of estimates under this head. ***The Authority therefore pends the same at the level of RERR FY 2018-19.*** The Petitioner may however achieve the approval on case to case basis duly submission of requisite details. Accordingly, such expenses shall be considered at the time of FRR for the said year.

8.1.69. In view of above, the Authority, determines the expenses under the head ***"Legal and Professional Charges" at Rs. 203 million for the said year.***

xi. Gas Bill Collection Charges

8.1.70. The Petitioner has projected Rs. 600 million under this head for the said year as against Rs. 460 million per the RERR FY 2017-18 showing an increase of 30%. Historical comparison as given below:

Table37: Comparison of Gas Bills Collection Charges with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Gas bills collection charges	472	460	214	600	140	30%
Total	**472**	**460**	**214**	**600**	**140**	**30%**

8.1.71. The Petitioner has submitted that "Gas Bills Collection Charges" have been calculated keeping in view enhanced yearly targets of 600,000 consumers for FY 2018-19 and FY 2019-20. Further, major commercial and industrial consumers are being billed on weekly basis due to shifting on RLNG which results into issuance and collection of more bills.

8.1.72. The Authority observes that the expenses under this head are relevant to number of bills issued and collected, however the projected expenditure seems to be grossly exaggerated. Further, the bills pertaining to RLNG are relevant to RLNG as per Federal Government decision.

8.1.73. The Authority further observes that based on the increase in number of consumers during FY 2018-19, estimated increase in expenses for FY 2019-20 shall be around Rs. 70 million over FRR for FY 2017-18.

8.1.74. **The Authority in view of above determines the expenses under this head at Rs. 540 million for the said year.**

xii. Advertisement

8.1.75. The Petitioner has projected Rs. 228 million under this head for the said year as against Rs. 180 million per the RERR FY 2018-19 showing an increase of 27%. Historical comparison is given below:

Table 38: Comparison of Advertisement Expense with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Advertisement	189	180	68	228	48	27%
Total	**189**	**180**	**68**	**228**	**48**	**27%**

8.1.76. The Petitioner has submitted that actual expenses till date against customer media campaign is Rs. 139 million which already has exceeded the limit allowed by the Authority. Furthermore, it is pertinent to mention here that Government of Pakistan has advised SNGPL to launch a comprehensive media campaign regarding UFG (Gas Leakages and Anti Gas Theft etc) which shall involve further budget during said year.

8.1.77. The Authority observes that in the wake of gas scarcity, the need to control UFG menace and gas conservation through consumer education in the last couple of years has immensely enhanced that it has been so ever before. Accordingly, the Authority being cognizant of this situation has already been giving significant amount under this head.

8.1.78. The Authority however observes with concern that effectiveness of the consumer education and awareness program launched by the Petitioner specifically during last winter has remained very poor. It is recognized fact that there are indigenous gas constraints to meet the consumer demand while the supply of RLNG particularly for the domestic consumers is not affordable. The consumer must be well aware of this situation based on the latest statistics. Resultantly, the recourse to the situation is now minimal consumption of gas in all the seasons and use of alternative source for heating purposes instead of burning of natural gas. However, if the gas has to be used beyond the basic need of cooking, it urges that such appliances should be highly efficient and the consumer should be well aware of its actual cost to pay. This very factum and awareness should be part of effective campaign.

8.1.79. ***In view of above, the Authority determines the expenses under this head at Rs. 198 million i.e. at the level of RERR FY 2018-19 plus 10% allowance to cater for***

enhanced requirement. The Authority further advises the Petitioner to undertake the ibid campaign effectively.

xiii. Uniform& Protective clothing's

8.1.80. The Petitioner has projected Rs.109 million under the head "Uniform & Protective Clothing" for the said year as against Rs. 38 million (186% increase) over RERR FY 2018-19. The Historical comparison is as under;

Table39: Comparison of Uniform & Protective clothing's Expense with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Uniform & Protective Clothing	89	38	36	109	71	186%
Total	**89**	**38**	**36**	**109**	**71**	**186%**

8.1.81. The Petitioner has submitted that increase in FY 2019-20 has been projected to meet the operational requirement and to cater for the enhanced prices of PPEs due to inflation impact and devaluation of Pak Rupee against US$. The Petitioner has highlighted that actual expenses for FY 2017-18 amounting to Rs. 89 million clearly shows that the allowed budget for FY 2018-19 is insufficient to meet operational requirements for the said year. The Petitioner cannot compromise on safety and security of its personnel. The Petitioner has therefore requested for the procurement of essential PPEs during the said year.

8.1.82. The Authority observes that it has always appreciated the Petitioner to undertake and ensure the safety measures since there is no compromise on the measures necessary for the life. Likely to this, during FY 2017-18, an unprecedented budget was allowed on the premise that the actual expenses for FY 2016-17 were also booked in the same year. Accordingly, the actual expenses for FY 2017-18 is not related to only one year expenses and the same therefore cannot be based to defend the projected expenses for the said year.

8.1.83. ***In view of above, the Authority determines Rs. 43 million under this head for the said year i.e.; RERR plus 20% to cater for inflation and increase in number***

of entitled employees. The Authority however shall consider the actual expenses under this head at the time of FRR for the said year. Accordingly, the prudent and justified expenses shall form part of revenue requirement.

xiv. Staff training and recruiting expenses

8.1.84. The Petitioner has projected whooping increase of 677% increase under this head from Rs. 12 million per RERR FY 2018-19 to Rs. 93 million for the said year. Detail is as under:-

Table40: Comparison of Staff training &recruiting expenses with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Staff training and recruiting expenses	11	12	4	93	81	677%
Total	**11**	**12**	**4**	**93**	**81**	**677%**

8.1.85. The Petitioner has submitted the amount proposed in FY 2019-20 includes expenses on recruitment including advertisement etc. (Rs. 20 million) and training activities of Executives & Subordinates staff (Rs. 23 million). The Petitioner has submitted that recruitments of executive staff is under process against which payments are expected to be paid in FY 2019-20. Moreover, recruitment of subordinate staff is also pending and expected to be initiated in the next financial year.

8.1.86. The Petitioner further elaborated that in accordance with strategic plan of SNGPL, employees receive necessary trainings for the development of required skills, knowledge & abilities aligned with their respective job responsibilities. Accordingly, the detail of foreign trainings attended during FY 2018-19 has also been provided.

8.1.87. The Petitioner has further submitted that foreign training for senior management and BODs is being projected in the budget keeping in view the regulations of SECP notification ref. SRO 1216 (I)/2017 Chapter VII, stating that It shall be mandatory for all companies to ensure that:

a) by June 30, 2019, at least half of the directors on their boards;

b) by June 30, 2020 at least 75% of the directors on their boards; and

c) by June 30, 2021 all the directors on their boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.

8.1.88. The Petitioner has also submitted that previously PO's of plant and equipment includes local as well as foreign trainings, cost of such trainings become part of the assets hence capitalized. However, applicable accounting standards do not allow capitalization of training cost along with cost of plant and equipment. Therefore, to abide by the rules, it is mandatory to book such trainings to revenue expenses.

8.1.89. The Authority observes that it has always appreciated the activities relating to training of employees in a systematic and transparent manner duly approved by the Authority. The Authority further observes that regarding the Directors' training, numbers of local institutes in the country are providing quality training, which may be availed. However, as for the foreign training, the Authority reiterates its decision that the same may be taken up on case-to-case basis with concrete justification prior to opt for such trainings. Further, the Authority observes that the manpower assessment study of the Petitioner is under evaluation, the recruitment expenses therefore shall be considered once the manpower strength of the Petitioner is sanctioned.

8.1.90. ***The Authority in view of above determines the expenses at the level of RERR for FY 2018-19. The Authority however shall review the same at the time of review of estimated revenue requirement keeping in the view the strategic planning of the Petitioner in this regard.***

xv. Security Expenses

8.1.91. The Petitioner has projected Rs. 1,793 million for the said year as against Rs. 798 million provided per RERR FY 2018-19, showing an increase of 125%. Detail is as under:

Table41: Comparison of Security Expense with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Security expenses to security forces	609	520	301	1331	811	156%
Security guards	298	278	205	462	184	66%
Total Security Expenses	**907**	**798**	**506**	**1793**	**995**	**125%**

8.1.92. The Petitioner has projected increase due to revision of agreement under this head with Pakistan Rangers Punjab for FY 2018-19.

8.1.93. The Petitioner has submitted that it has deputed 120 additional guards to fulfill its security requirements at regional offices. Company cannot risk its employees and other assets (premises) hence security budget is essentially required. Further, additional charges of Rs. 7 million are estimated for security purposes of LPG Air Mix plant to be installed at Gilgit region. Also, the increase includes anticipated increase in rates of security supervisors from Rs. 25,000 to Rs. 30,000 and for security guards from Rs. 25,000 to Rs. 27,000 per security guard per month in FY 2019-20.

8.1.94. The Authority observes that it has always appreciated the Petitioner's security measures and also emphasized on the fool proof security for the protection of life and key installations. Accordingly, it has always provided reasonable budget under this head.

8.1.95. The Authority however observes that Petitioner projections under this are grossly exaggerated and lacks meticulous approach to estimate and control the expenses under various heads. In the instant case, above 100% increase over one year lacks rationale while T&D network and regional setup is same. As regards, LPG air mix cost, it has no relevance to book under this head.

8.1.96. The Authority further observes that keeping in view the required gas price level, the situation urges to save even the immaterial expenses as well. The deployment of the forces be well justified. The Petitioner is therefore directed to submit the detail security plan and deployment of the security personnel across its area of operation within one month of issuance of this determination.

8.1.97. ***The Authority, in view of above, determines the expenses under this head at Rs. 1,000 million i.e.; at FRR FY 2017-18 with cumulative impact of 5% increase. The overall security situation of the country has improved considerably compared to previous years. Perhaps its time for the utility company to rationalize its security requirements. Accordingly, the prudent and justified expenses shall form part of revenue requirement for the said year.***

xvi. Sui Northern Gas Training Institute (SNGTI)

8.1.98. The Petitioner has projected Rs. 28 million for the said year as against Rs. 17 million provided per RERR FY 2018-19 and actual for FY 2017-18, showing an increase of 68% under the head "SNGTI". Detail is as under:

Table 42: Comparison of Expense for SNGTI with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Sui Northern Gas Training Institute(SNGTI)	20	17	7	28	11	68%
Total	**20**	**17**	**7**	**28**	**11**	**68%**

8.1.99. The Petitioner has submitted that in accordance with strategic plan of SNGPL, employees receive necessary trainings for the development of required skills, knowledge & abilities aligned with their respective job responsibilities. All planned training programs will provide an opportunity to employees of SNGPL to develop and utilize all resources inclusive of Human resource at the optimal level in conformance with the institutional values and strategic plan.

Trainings are provided due to following:

1. To establish within SNGPL a uniform and equitable procedure for spending funds for Employee Training and Development;
2. To declare SNGPLs intent to improve service through internal and external training programs;

3. To ensure continuous staff development in order to increase the overall productivity of employees to meet both present and future needs of the organization;
4. To assist in the implementation of a Company-wide program of career development and to attract and retain persons of greater ability and potential for development.

Training programs offered, arranged and conducted by SNGTI are as follows;

1. Technical Trainings, 2. Soft Skill Trainings,
3. External local Trainings, 4. Foreign Trainings,
5. Orientation Programs, 6. Regional Trainings,
7. Guest Speaker Sessions, 8. Certification Training for Welders, and Helper Trade Test and
9. Promotion Training Programs of Executives of following grades

a. Executive Development Programs (For Executives of Grade-III)
b. Gas Control (For Executives of Grade-IV)
c. Developing Future Leaders (For Executives of Grade-V)

8.1.100. ***The Authority encourages the Petitioner plans for the in-house trainings with strategic planning, transparency and consistency. The Authority therefore allows Rs. 25 million under this head for the said year i.e.; at the level of FRR for FY 2017-18 with 10% increase over two years with cumulative effect.***

xvii. Provision for doubtful debt

8.1.101. The Petitioner has projected Rs. 1,584 million for the said year as against Rs. 574 million provided per RERR FY 2018-19. The detail is as under:

Table 43: Comparison of Provision for doubtful debt:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Provision for doubtful debt	-	1,584	574	1,584	0	0%
Total	**-**	**1,584**	**574**	**1,584**	**0**	**0%**

8.1.102. The Authority observes that in respect of provision for doubtful debt, there is a benchmark introduced by the Authority, which accounts for the age of the trade debt, the cumulative balance of security deposit and propensity of default.

8.1.103. ***Accordingly, in view of above, the Authority determines the expenses under this head "Provision for doubtful debt" at Rs. 1,539 million for the said year.***

xviii. Sponsorship of university chairs

8.1.104. The Petitioner has projected Rs. 10 million for the said year, detail is as under:

Table44: Comparison of sponsorship of university chairs:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Sponsorship of chairs at University	10	10	8	10	0	0%
Total	**10**	**10**	**8**	**10**	**0**	**0%**

8.1.105. The Petitioner has submitted that it is sponsoring three "Chairs" on Gas Engineering at University of Engineering and Technology (UET) Lahore, University of Punjab (PU), and at University of Engineering and Technology (UET), Peshawar, since 2006, 2007 and 2014 respectively, as approved by the Board of Directors. The Chairs were sponsored to fulfill the OGRA licensing conditions to promote higher education. The annual grant to each University for the Sponsorship of Chair on Gas Engineering is Rs 3.32 Million. Progress on Chair is reviewed by a Steering Committee on quarterly basis as per clause of TOR. Gas Engineering laboratories are developed at these Universities by utilizing the funding provided by SNGPL.

8.1.106. The Authority observes that it has been allowing the sponsorship of the university chairs on the Petitioner plea that the same is essentially required to promote higher and technical education. The Authority however observes that one intervener in the written submission highlighted that universities are provided grant in aid by the Government. Accordingly, the sponsorship of university chairs keeping in view the continuous rise in gas prices may be reviewed.

8.1.107. **In view of above, the *Authority allows the expenses under this head at Rs. 10 million for the said year keeping in view the Petitioner commitment for the promotion of technical education and also refers the intervener contention for consideration for future effect.***

xix. Budget for UFG Control Related Activities

8.1.108. The Petitioner has projected Rs. 1,401 million for the said year as against Rs. 708million provided per RERR FY 2018-19, showing an increase of 98%.Detail is as under:

Table45: Comparison of Projected UFG control related activities:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Budget for UFG Control related activities	765	708	315	1,401	693	98%
Total	**765**	**708**	**315**	**1,401**	**693**	**98%**

8.1.109. Budget for UFG related activities has been prepared in line with OGRA instructions regarding KMI implementation plan, already submitted to the Authority. The Authority through its letter OGRA-9(472)/2018 dt. 09.07.2018 advised the Petitioner to propose budget against KMI implementation plan through ERR of the respective year.

8.1.110. The Authority observes that the Petitioner was asked to provide the specific detail to justify the expenses projected under this head. The same however has not been provided.

8.1.111. ***The Authority therefore pends the expenses under this head for the said year. The Authority however shall consider the same at the time of FRR for the said year and only the justified and prudent expenses shall form part of the revenue requirement.***

xx. *Outsourcing of call centers for complaint management*

8.1.112. The Petitioner has projected Rs. 35 million under the head "outsourcing of call centers for complaint management" for the said year as against Rs. 24 million per RERR FY 2018-19, showing an increase of 46%. Historical comparison is given below:

Table46: Break- up of outsourcing of call centers for complaint management:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Outsourcing of Call Centre for Complaints Management	27	24	10	35	11	46%
Total	**27**	**24**	**10**	**35**	**11**	**46%**

8.1.113. The Petitioner has submitted that the current agreement with call Centre contractor will end in FY 2019-20. Considering the inflation trend in the current Financial Year, it is expected that the new agreement with the contractor will be higher as compared to actual expense FY 2017-18.

8.1.114. The Authority observes that the interveners in the public hearings have vehemently criticized the response and performance of call centers in the redressal of the online complaints lodged by the consumers. Accordingly, there is compelling reasons to develop details KPIs and detailed monitoring indicators to evaluate the effectiveness of such call centers and submits the same to Authority for concurrence. ***Accordingly, till that, the Authority pends the projected expenses under this head for the said year.***

xxi. Sports Expenses

8.1.115. The Petitioner has projected Rs. 224 million for the said year under the head "Sports Expenses" for the said year. The comparative analysis of the same is provided below:

Table 47: Comparison of Sports expenses with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Sports cell expenses	48	48	36	137	89	185%
Annual sports	40	40	31	87	47	119%
Total	**88**	**88**	**67**	**224**	**136**	**155%**

8.1.116. Under the sub-head "Sports Cell", the Petitioner has projected Rs. 137 million as against Rs. 48 million provided in RERR FY 2018-19 and under the sub-head "Annual Sports" the Petitioner has estimated 87 million as against Rs. 40 million provided in RERR for FY 2018-19.

8.1.117. The Petitioner has submitted that in order to maintain standard of SNGPL Sports teams, top players are to be hired/retained in all games. Therefore, enhanced budget for salaries of players is proposed for FY 2019-20. Moreover, due to stable law and order situation in the country, different sports federations are willing to hold more national / international events of their respective games. Proposed budget includes participation fee in the said events as well as training camps, boarding & lodging expenses. SNGPL Sports Cell is also organizing national / international events of different games throughout the year. Increase is mainly on account of revision in salaries of top players. The Petitioner has to retain good players with the team for achieving top position in the events.

8.1.118. The Authority observes that Petitioner's participation in sports related activities as sign of vibrant organization is appreciated; the same however should be in undertaken in reasonable limits. Accordingly, the Petitioner contribution at the cost of gas consumers for such no core activities has been capped at Rs. 48 million and Rs. 40 million as per deliberation in FRR FY 2017-18. The actual amount if exceeds this limit should also be contributed from the Petitioner own profits.

8.1.119. ***The Authority therefore restricts the sports related activities at the level of DERR for FY 2018-19 i.e.; Rs. 88 million for the said year and advises the Petitioner to undertake the same across its regions.***

xxii. Facilities provided by other companies

8.1.120. The Petitioner has projected Rs. 9 million increase under this head (130%) for the said year. The comparative analysis of the same is provided below:

Table 48: Comparison of 'facilities provided by other companies' with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Facilities provided by other companies	10	7	2	17	9	130%
Total	**10**	**7**	**2**	**17**	**9**	**130%**

8.1.121. The Authority observes that Petitioner was asked to provide the detail of the expenses projected under this head for the said year. The Petitioner however could not substantiate its claim. The Authority further notes that such non-core expenses must be avoided since the gas is becoming expensive commodity owing to various factors.

8.1.122. The Authority, in view of above, pends the expenses under this head for the said year. The Authority shall consider the same at the time of FRR for the said year only if it is substantiated at the touchstone of prudence and rationality.

xxiii. *Board Meetings and Director Expenses*

8.1.123. The Petitioner has projected Rs. 82 million for the said year under this head "Board meetings and director expenses" for the said year, the detail as below:

Table 49: Comparison of 'Board Meetings and Directors Expenses

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Board meetings & directors' expenses	29	55	19	82	27	50%
Total	**29**	**55**	**19**	**82**	**27**	**50%**

8.1.124. The Petitioner has explained that unprecedented increase of 50% for said year over DERR for FY 2018-19 is due to enhanced number of meetings of BOD/Sub committees anticipated during the said year.

8.1.125. The Authority observes that expenses made under this head have been vehemently criticized by the interveners in the public hearings. The interveners have highlighted that number of the meetings as well as fee per meeting has increased with double amount from Rs. 40,000 per meeting to Rs. 80,000 per meeting. Further, directors are paid separate fee for each meeting scheduled on the same day and most likely in the same premises, which is unfair since it is at the cost of consumers.

8.1.126. The Authority observes that fabulous increase in fee per meeting by double amount is unjustified. Further, charge of multiple meetings fee in a single day visit at the cost of consumers is not defendable. The Authority observes that this issue has been reasonably deliberated in FRR FY 2017-18. ***Accordingly, the amount under this head is restricted at Rs. 29 million for the said year i.e.; at the level of FRR for FY 2017-18. In case, it is necessary to pay the directors' the significant amount owing to Board meeting, the Petitioner may pay the same from its own profits.***

xxiv. *Corporate Social Responsibility (CSR)*

8.1.127. The Petitioner has projected Rs. 20 million on account of CSR in the T&D cost break up and Rs. 944 million separately for the said year.

8.1.128. The Petitioner has submitted that its CSR policy is approved by the Board of Directors, based upon the guidelines given by Security and Exchange Commission of Pakistan (SECP). A CSR Committee headed by DMD is functional. The projects / schemes under CSR are reviewed / scrutinized by the CSR Committee before final approval. In order to implement the CSR Policy, a CSR criteria has been approved by the management.

8.1.129. The Petitioner has submitted that the budget under this head shall be utilized in the areas of Health, Environment and Education for the less privileged community. CSR proposals which meets the criteria will be approved on need and desire basis.

8.1.130. The Authority observes that the Petitioner was asked to provide the specific details and locations of CSR activities to be undertaken during the said year, the same however has not been provided. The Authority observes that the expenditure under the CSR pertaining to Health, Environment and Education only for underprivileged areas are admissible expenses to the extent of 50% of such total expenses. ***Accordingly, the Authority allows Rs. 482 (i.e.; 50% of total Rs. 964 million) for the said year.***

xxv. Other Expenses

8.1.131. The Petitioner has projected Rs. 317 million for the said year under this account wherein some expenses included therein have been projected exceptionally on higher side. The comparative analysis of the same is provided below:

Table50: Comparison of Other Expenses with Previous Years:

Rs. In million

Particulars	FY-2017-18	FY-2018-19		FY-2019-20	Incr/Decr over RERR 2018-19	
	FRR	RERR	Actual July - December 2018	The Petition	Rs	%
Construction equipment operating cost	118	102	53	162	60	59%
Subscriptions	1	3	2	3	0	0%
Newspapers, books & periodicals	3	5	1	6	1	15%
Recovery through contractors (disconnected)	26	23	7	80	57	248%
Stock exchange fee	3	3	0	4	1	17%
Entertainment expenses	11	15	4	15	0	-1%
Outside services employed - govt./ local authority	0	3	0	8	5	164%
NIC verification NADRA	9	13	3	13	0	0%
Sundries	15	10	5	26	16	165%
Total	**186**	**177**	**75**	**317**	**139**	**79%**

8.1.132. Under the sub-head "construction equipment operating cost", the Petitioner has claimed 59% increase over DERR for FY 2018-19 without any detailed breakup to justify this tremendous increase under this head. ***The Authority therefore restricts the expenses under this head at the level of RERR for FY 2018-19***

8.1.133. Under sub-head "recovery through contractor", the Petitioner has explained that exceptional increase is due to increase in quantum of outstanding amount recoverable from the consumers estimated at Rs. 40, 453 million for the said year. Accordingly, the commission thereon has been projected to increase to Rs. 80 million for the said year.

8.1.134. The Authority observes that under the sub-head "Recovery through Contractors", the Petitioner has always made expense, no commensurate benefit in terms of recoveries from defaulters has ever been reported under this head. If the expense is incurred persistently without any desired output, this defies logic to make the expense for a futile activity. The Authority therefore expresses its concern regarding performance made under this head and accordingly advises to justify the expenditure made under this head. ***Accordingly, the Authority restricts the expenses on this account at the level of RERR for FY 2018-19. Actual expenses under this head shall be considered at the time of FRR keeping in view the effectiveness and amenable results of the same in terms of Recoveries from debt.***

8.1.135. The Authority further observes that keeping in view the paradigm shift and new business dynamics, the natural gas has become an expensive product beyond the paying capacity of the consumers if strict checks and balances are in place. Accordingly, there is dire need to slash even the nominal expenses under the subheads 'entertainment expenses', 'outside service employed local/Govt. Authorities, and 'Sundries' for the said year. The Authority curtails the same at the level of FRR FY 2017-18 and directs the Petitioner to incur the expenses judiciously maintaining a consistent and prudent approach. Phenomenal increase without any concrete reason and plausible justification defies logic.

8.1.136. ***The Authority, in view of above, allows total expenditures under the head "Other expenses" at Rs.179 million for the said year.***

xxvi. *Remaining Items of Transmission & Distribution Cost*

8.1.137. The items of transmission and distribution cost, except those dealt with in sub-para ii to xx are projected by the Petitioner at Rs. 1,117millionas given below:

Table51: Remaining Items of Transmission and Distribution Expenses

Rs. in million

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Incr/ (Dec) over DERR FY 2018-19	
	FRR	RERR	The Petition	Rs.	%
Fuel and Power	350	285	356	71	25
Dispatch of gas bills	123	110	140	30	27
Consultation for ISO 14001 & OHSAS 18000	4	8	5	(3)	(38)
Gathering charges of gas bills collection data	45	50	55	5	10
OGRA fee	217	256	291	35	14
Bank Charges	7	19	12	(7)	(37)
5 Years special training programme	28	30	30	-	-
Subtotal Expenses	**774**	**758**	**889**	**131**	**17**

8.1.138. ***The Authority observes that the remaining items of T&D expense have been reasonably projected by the Petitioner and therefore, provisionally accepts the same, for the said year, at Rs. 889 million.***

xxvii. *Transmission & Distribution Cost Determined by Authority*

8.1.139. ***In view of the examination in para ii to xxviii above, the Authority provisionally determines operating cost for the said year at Rs. 24,853 million against Rs. 35,305 million claimed by the Petitioner, as follows:***

Table52: Summary of T&D Cost Determined by the Authority

Particulars	ERR FY 2019-20		Rs. in million
	Per Petition	Adjustments	Determination
Human Resource Cost	21,779	(4,857)	16,922
Stores and Spares Consumed	1,173	(281)	892
Repair and Maintenance	2,195	(615)	1,580
Fuel and Power	356	(0)	356
Stationery, Telegram and Postage	262	(58)	204
Dispatch of gas bills	140	-	140
Rent, Rate, Electricity and Telephone	859	(343)	516
Traveling	252	(89)	163
Transport expenses	1,053	(243)	810
Insurance	423	(188)	235
Legal and Professional Services	325	(122)	203
Consultation for ISO 14001 & OHSAS 18000	5	-	5
Gas bills collection charges	600	(60)	540
Gathering charges of gas bills collection data	55	-	55
OGRA fee	291	-	291
Advertisement	228	(30)	198
Bank Charges	12	-	12
Uniforms & protective clothing's	109	(66)	43
Staff training and recruiting	93	(81)	12
Security expenses	1,793	(793)	1,000
SNG training insititute	28	(3)	25
Provision for doubtful debts	1,584	(45)	1,539
Sponsorship of chairs at University	10	-	10
5 Years special training programme	30	-	30
Budget for UFG control related activities	1,400.93	(1,401)	-
Out Sourcing of call centre complaints management	35	(35)	-
Sports Cell	137	(89)	48
Annual Sports/Cricket Expenses	87	(47)	40
Corporate Social Responsibility	20	(10)	10
Facilities provided by other companies	17	(17)	-
Board Meetings and Directors expenses	82	(53)	29
Other expenses	317	(138)	179
Subtotal Expenses	**35,750**	**(9,663)**	**26,087**
Allocated to fixed capital expenditures	(445)	-	(445)
Allocated to "RLNG supply segment"		(789)	(789)
Total T&D Expenses	**35,305**	**(10,452)**	**24,853**
Gas Internally Consumed	1,526	418	1,108
Total T&D Expenses	**36,832**	**10,870**	**25,961**

8.2. *Workers Profit Participation Fund (WPPF)*

8.2.1. The Petitioner has projected WPPF at Rs. 1,310 million. The Authority in view of above adjustments tentatively determines the same at Rs. 729, i.e.; at the level of FRR FY 2017-18. Any adjustment on this account is made at the time of FRR.

8.3. Late Payment Surcharge–Payable (LPS)& Short Term Borrowing

8.3.1. The Petitioner has claimed Rs. 7,580 million under this head on account of late payment surcharge payable to gas creditors (Rs. 6,463 million) and short term borrowing (Rs. 1,117 million) under the head for the said year. The Petitioner has pleaded that due to inadequate revision in the gas sale prices, it is facing serious financial crunch resulting to delay in payment to gas suppliers and arrangement of short-term borrowings to offset its immediate liabilities.

8.3.2. The Petitioner has explained that above stated LPS has been claimed in line with the Authority earlier decisions. The Petitioner has accordingly requested to allow the same for the said year.

8.3.3. The Authority accedes the above contention made by the Petitioner keeping in view the provisions of the existing tariff regime in place and the plausible justification made by the Petitioner based on the facts. It has however been observed that the Petitioner has projected the expenses rather on higher side. During the financial year 2017-18, the actual expense allowed under this head is Rs. 5,992 million while during FY 2018-19, the unmet revenue requirement per the petition stands at Rs. 21,446 million. The issue of revision in sale prices to clear the backlog however has been highlighted at the relevant forum. Accordingly, in the current scenario, there is compelling reasons to revise the gas prices which shall inter-alia alleviate the cash flow issues and payment to gas creditors. Accordingly, it is expected that cash flows of the Petitioner shall gradually improve.

8.3.4. ***The Authority, in view of above, accepts the Petitioner's claim for the said year, tentatively at the level of FY 2017-18 i.e.; 5,992 million. The Authority however shall review the same in the FRR for the said year; accordingly, the actual expenditure on this account owing to cumulative shortfall in revenue requirement shall form part of it.***

8.4. *Cumulative Previous Years' Revenue Shortfall*

8.4.1. The Petitioner has claimed Rs. 165,126 million cumulative previous years' revenue shortfall already determined by the Authority in the relevant determinations, wherein Rs. 143,680 million is pertaining the period upto FY 2017-18 and Rs. 21,446 is relevant to financial year 2018-19. This revenue shortfall has emerged due to inadequate increase in gas prices by the Federal Government. Subsequently, the Petitioner has provided the statement pertaining to cumulative revenue shortfall up-to FY 2017-18 wherein the amount has been stated at Rs. 122,177 million. The Petitioner explained that the same is reconciled with the audited accounts for FY 2017-18. Accordingly, the total cumulative revenue shortfall upto FY 2018-19 works out to Rs. 143,623 million for the said year.

8.4.2. The Authority observes that the ECC of the Cabinet in its decision dated May 17,2018 in the matter has decided as under;

"The OGRA is allowed to stagger revenue shortfall of the SNGPL's previous years, over a period of four (4) to five (05) years."

8.4.3. Accordingly, the Authority, in DERR FY 201819 included Rs. 29,344 million to recover the revenue shortfall. It has however been observed that the revenue shortfall for FY 2018-19 has not been recovered owing to inadequate revision of gas sales prices to the required level and the Petitioner has therefore claimed Rs. 21,446 pertaining to FY 2018-19 as well. Resultantly, the total revenue shortfall pertaining to previous years' has now piled up to Rs. 143,623 million.

8.4.4. ***In view of above, the cumulative revenue shortfall upto FY 2018-19 is staggered over five years in accordance with the above decision of the ECC of the Cabinet. Accordingly, Rs. 28,725 million being 1/5 of the said cumulative previous years revenue shortfall is included in the revenue requirement for the said year.***

8.5. *Scanning & electronic archiving of sales record*

8.5.1. The Petitioner has submitted that its sales department is primarily entrusted with processing of gas connection, which involves a number of documents against each case. Presently approximately 6.5 million consumers are active while about 3 million are at various stages of the cycle. In addition to that, reconnections, change of name, change of tariff, free gas facility, OGRA/ Wafaqi Mohtasib / Legal cases etc also involve essential documentation.

8.5.2. The existing record in hard form is not in a good condition due to decay, termite, loss in shifting, inadequate space and various other factors. The traceability of manual record is another issue. Due to non-availability of record, the Petitioner has to face a number of legal and procedural implications. Submission of information based on physical record to higher forums such as OGRA, Wafaqi Mohtasib, Ministry of Energy, etc may witness failure.

8.5.3. The Petitioner has submitted that in order to improve the preservation and traceability of the record, Document Archiving System (DAS) was launched by Sales Department and Industrial record of approx. 3,500 consumers has been archived. However, major volumes of record pertain to domestic and commercial consumers estimated to the tune of 6.4 million consumers, archiving of which requires availability of extensive financial and human resources which cannot be made locally available for this one time extensive exercise. The skill of the available resources cannot match with the outside firms having specialized staff, advanced equipment & software's, data handling skills, etc. accordingly as an alternate, probability of outsourcing of data archiving has been considered. In view of above the Petitioner has submitted the break-up of the projected expenses as under;

Sr. #	Depreciation	Estimated Cost (Million Rs.)
1	Scanning Image indexing and archiving @ Rs. 4 per Image	160
2	Software training of IT and sales staff	1
3	HR cost	16
	Total	**177**

8.5.4. The Authority in principle agrees with the Petitioner requirement. Accordingly, it allows Rs. 89 million i.e.; 50% of the estimated amount at this stage. The same shall be reviewed at the time of RERR for the said year.

8.5.5. ***The Authority further observes that the above procurement of the resource should be proceeded in a transparent manner and on competitive basis abreast with all relevant rules.***

8.6. ***LPG Air Mix Cost***

8.6.1. The Petitioner has claimed Rs. 371 million revenue shortfalls (Rs. 6,086 per MMBTU) in the revenue requirement of LPG Air Mix segment for the said year.

8.6.2. The Authority observes that the Petitioner has projected an amount of 125 million (Rs. 2,049/MMBtu) for the procurement of raw LPG (cylinder gas).The same however after air mix process shall be provided to the consumer at Rs. 7,541 per MMBTU.

8.6.3. The Authority observes that the SNGPL's franchised area is relatively plain where LPG portability has no issue. Accordingly, there is no rationale to provide same household fuel after the cost built up. However, if the same is indispensable to undertake, the Petitioner is required to substantiate its claim with concrete reasons and plausible justifications.

8.6.4. ***In view of above, the Authority pends the expenditure under this head for the said year.***

8.7. *Revenue Surplus/shortfall on account of RLNG Supply*

8.7.1. The Petitioner has submitted that revenue shortfall on account of RLNG activity at Rs. 36,410 million translating into increase in RLNG prices @ Rs. 111.32 per MMBTU for the said year. The Petitioner has further submitted that during winter FY 2018-19, RLNG has been diverted to domestic gas consumers. The impact of diversion, if included in RLNG price, will be Rs. 80.84/MMBTU. In case, the impact of diversion if included in indigenous gas price, it will be Rs. 70.20/MMBTU.

8.7.2. The Authority observes that RLNG pricing, as per legal framework provided by the FG, is carried out under Petroleum Product (Petroleum Levy) Ordinance 1967. Further, as per decision of the FG regarding "RLNG pricing, allocation & allied matters" expenses on this account is a ring-fenced activity, separately maintained and entirely recovered from RLNG consumers. Accordingly, contention of the Petitioner shall be addressed while determining the RLNG pricing.

8.7.3. Regarding the impact of diversion of RLNG during the winter 2018-19, the Authority observes that this issue requires to be deliberated in detail with the Petitioner and the Ministry of Energy (Petroleum Division) in the realm of legal framework in accordance with the decision of the ECC of the cabinet dated May 11, 2018. OGRA is of that the RLNG and indigenous pricing are being dealt under different set of law, accordingly, parking of impact on either side may not be in accordance with the policy of the Federal Government.

9. Discussion & Decisions

i. Summary

9.1. **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:

9.1.1. **determine estimated addition in fixed assets at Rs. 20,783 million for and depreciation charges at Rs. 21,781 million;**

9.1.2. **accept sales revenue at current prescribed price at Rs. 188,737 million;**

9.1.3. **accept income under the head Rental & service charges at Rs. 2,391 million**

9.1.4. **determine LPS as operating income at Rs. 6,445 million**

9.1.5. **other operating income at Rs. 3,044 million**

9.1.6. **determine cost of gas at Rs. 197,249 million.**

9.1.7. **determine the UFG disallowance at Rs. 9,794 million;**

9.1.8. **determine T&D expenses at Rs. 24,853 million as against Rs. 35,305 million claimed by the Petitioner;**

9.2. **In exercise of its powers under the Ordinance and NGT Rules, the estimated revenue requirement for the said year is determined at Rs. 293,305 million as tabulated below:**

Table53: Components of DERR for FY said year as Determined by the Authority:

Million Rs.

Particulars	Claimed by the Peitioner	Determined
Cost of gas sold	213,508	197,249
UFG (disallownce) / allowance	(750)	(9,794)
Transmission and distribution cost	35,305	24,853
Gas internally consumed	1,526	1,072
Scanning & electronic archiving of sales record	177	89
Depreciation	23,457	21,781
Late Payment Surcharge (Payable) & cost of short-term borrowing	7,580	5,992
Corporate Social Responsibility (CSR)	944	472
Workers Profit Participation Fund	1,310	729
Return on assets	26,474	22,137
Previous Years Shortfall in Revenue Requirement	165,126	28,725
Total Revenue Requirement	**474,658**	**293,305**

9.3. **The Petitioner's total operating income is estimated at Rs. 204,129 million as against revenue requirement of Rs. 293,305 million and thus there is shortfall of Rs. 89,176 million in its estimated revenue requirement for the said year. In order to adjust this shortfall, the Authority hereby makes, on provisional basis,**

upward average revision of Rs. 236.81 per MMBTU in the Petitioners' average prescribed price for the said year (Annexure-A).

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

Rule 17(1)(h) *"tariffs should generally be determined taking into account a rate of return as provided in the license,* ***prudent*** *operation and maintenance costs, depreciation, government levies and, if applicable, financial charges and cost of natural gas;"*

Rule 17(1)(j) *"only such capital expenditure should be included in the rate base as is prudent, cost effective and economically efficient;"*

ii. The Prescribed Prices under various category of consumers

9.5. While determining the prescribed prices in respect of various categories of retail consumers, the Authority has considered the existing categories keeping in view the provision of Section 8(6) of the Ordinance which inter-alia provides that creation of new category of retail consumer is the domain of the Federal Government. Accordingly, the existing category of consumers per the current notified gas prices has been taken and there is no change therein. ***However, in respect of slabs structure within the 'domestic category of consumers', the prescribed prices recommended for the said year accounts for the benefit of previous slabs as well for the purpose of rational and logical basis.***

9.6. During the determination of prescribed prices under various category of consumers, the Authority has considered the Petitioner' legal counsel arguments, interveners contentions, ground realities in view of indigenous gas constraints, enhanced proportion of RLNG, price of alternative fuels i.e.; LPG and the relevant provisions under the legal framework. Accordingly, the prescribed prices under each category of consumer have been determined and are attached at (Annexure-B). The rationale of the same is briefly provided as under;

(i) Authority, as a matter of principle under legal domain, is of the view that all the classes of consumers should at least pay the average cost of service or the average prescribed price except wherever Federal Government policy guidelines have been provided, which shall be implemented accordingly.

(ii) The domestic consumers, particularly first two slabs, are currently highly subsidized and grossly indiscriminative when compared the actual cost of service of indigenous natural gas or the cost of RLNG which is diverted in winter, and the cost of alternative fuel i.e.; LPG, which is, used almost 77% population of the country. Therefore, the same has been decided to be rationalized gradually keeping in view the actual cost of service. Accordingly, in respect of existing first two slabs (upto 100 M3), the prescribed price has been determined at 50% of average cost of service. The existing 3rd slab is, over 100 M^3 and upto 200 M^3 and its prescribed price has been determined at 75% of average prescribed price. The existing fourth slab is, over 200 M^3 and upto 300 M^3 and its prices is equal to average cost of service. The prescribed price for the existing fifth and sixth slab for the consumption of over 300 M^3 has been determined at 150% of cost of service. As per existing pattern, the prescribed price is respect of **Bulk domestic** is aligned with fifth slab. It is worth mentioning that the average RLNG price for Petitioner' distribution network during last twelve months from May 2018- April 2019 has been witnessed approximately at US $ 11.791 per MMBTU, which in rupee term computes to around **Rs. 1,674 per MMBTU**. Similarly, the average price of the alternative fuel i.e.; LPG for the same period has been notified at **Rs. 2,781 per MMBTU**.

(iii) The price of liberty power and new fertilizer feed stock has been determined as per Federal Government policies.

(iv) All rest of consumer categories including **CNG, Commercial, Industrial, captive, Power, Special Commercial (Roti Tandoor exceeding 3HM³) and Cement etc;** absorbs the remaining shortfall of the determined revenue requirement for the said year across the board based on the existing gas sale prices.

9.7. In case of old fertilizer plants, the Government, as per existing sale prices, is providing cross subsidy while it is also charging GIDC on the other hand. This aspect may be taken care while determining the gas sale price advice/revision in GIDC.

9.8. The prescribed prices for various categories of retail consumers shall be re-adjusted by the Authority upon receipt of sale price advice by the FG, under Section 8(3) of the OGRA Ordinance that overall adjustment in average prescribed prices as determined by the Authority remained unchanged, so that the Petitioner is able to achieve its total revenue requirement in accordance with Section 8(6)(f) of the Ordinance and License Condition no. 5.2.***Section 8(4) of the Ordinance, also provides that in case no sale price advice is received from FG within stipulated time, the prescribed prices under each category of consumers, which are higher than the existing sale price shall be notified by the Authority as sale prices to be charged from the consumer for the said year.***

iii. Directions

9.8.1. **In addition to the directions issued by the Authority in its previous determinations, the Petitioner is further directed to:-**

9.8.2. ***provide at the time of final revenue requirement, certificate by its statutory auditors along with detailed break-up of HR cost actually paid, accrued, allocated and capitalized, to the effect that HR cost used includes all regular, contractual and casual staff / labour. Further, no HR related cost in respect of Petitioner's employee has been booked in any other head of account.***

9.8.3. ***submit the progress report in respect of capital projects and region wise UFG on quarterly basis.***

9.8.4. ***to* submit *in tabulated form the reduction in UFG in each region vis a vis expenditure incurred compared with allowed by the Authority, at the time of respective FRR.***

9.8.5. ***submit the amendment in the existing license in conformity with the current tariff* regime *in place.***

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

9.8.7. expedite *the recovery from defaulting consumers and curtail ever rising expenses under provision for doubtful debt.*

9.8.8. economize *capital & revenue expenditures, utilize the resources efficiently and effectively and avoid/curtail non-productive /non development expenditure in order to protect consumer interest as well.*

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

9.8.10. *submit the petition in proper & legible format, complete in all respect containing necessary analysis in comparative form & fiscal targets/plans. Further, existing template of the petition may be revised/reviewed and be submitted within thirty days for prior approval of the Authority.*

9.8.11. *share, on regular basis, the monthly gas production and consumption data with the provinces and address their reservations in this regard. Further, compliance to the Constitution and Law provisions must be ensured in letter & spirit.*

9.8.12. *submit the concrete proposals, within one month of the issuance of this Order, to revise/ review the existing depreciation rate based on the precise economic life of the different regulated assets in order to bring the uniformity across the sector as per provision of the tariff regime in place.*

9.8.13. *curtail all non- productive expenses within reasonable limit since there is now* change *in business dynamics the natural gas owing decrease in volume is an expensive product.*

9.8.14. *Launch an effective consumer education campaign for energy conservation* highlighting *the actual cost of natural gas provided to domestic consumers.*

9.8.15. *Submit proposals, for the consideration the Authority and Federal Government,* regarding *enhancement in number of connections particularly the domestic connections keeping in view the RLNG/Indigenous gas availability subject to*

full recovery of actual cost of service indiscriminately from the same class of consumers.

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

iv. Public Critique, Views, Concerns, Suggestions

9.8.17. The Authority has recorded critique, views, concerns and suggestions of the **interveners** and participants given in para. 3 above. ***The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in Para. 3 above for due consideration, some of them are specifically highlighted as under;***

(i) *Gas consumers are paying twice since they are paying the return on assets as well as Gas Infrastructure Development Cess (GIDC). It has been demanded that Federal Government should withdraw the GIDC or provide the funds from GIDC proceeds to undertake the capital infrastructure/CAPEX.*

(ii) *Certain class of consumer (particularly the domestic consumers) is enjoying privilege at the cost of other consumers. In order to eliminate this economic distortion, it has been urged that inter-class subsidies should be eliminated and the tariff should be set keeping in view the cost of alternative source of energy. Further, it has been demanded to discontinue the cross-subsidization, as it is not in national interest since it impedes the growth of industry, exports and employment, which are basic needs of the economy.*

Dr. Abdullah Malik
(Member Oil)

Noorul Haque
(Member Finance)

Uzma Adil Khan
(Chairperson)

The Islamabad,
May 17, 2019

A. Computation of Estimated Revenue Requirement for FY 2019-20

Million Rs.

	Particulars	The Petition	Adjustment	DERR FY 2019-20
	Gas sales volume -MMCF	395,393	-	395,393
	BBTU	376,578	-	376,578
"A"	**Net Operating revenues**			
	Net sales at current prescribed price	188,737	-	188,737
	Rental & service charges	2,391	-	2,391
	Late Payment Surcharge and interest on arrears	6,445	-	6,445
	Amortization of deferred credit	3,512	-	3,512
	Other operating income	1,492	1,552	3,044
	Total income "A"	**202,577**	**1,552**	**204,129**
"B"	**Less Expenses**			
	Cost of gas sold	213,508	(16,259)	197,249
	UFG (disallownce) / allowance	(750)	(9,044)	(9,794)
	Transmission and distribution cost	35,305	(10,452)	24,853
	Gas internally consumed	1,526	(454)	1,072
	Scanning & electronic archiving of sales record	177	(89)	89
	Depreciation	23,457	(1,676)	21,781
	Late Payment Surcharge (Payable) & cost of short-term borrowing	7,580	(1,588)	5,992
	Corporate Social Responsibility (CSR)	944	(472)	472
	Workers Profit Participation Fund	1,310	(581)	729
	Total expenses "B"	**283,058**	**(40,615)**	**242,443**
"C"	**Operating profit / (loss)(A - B)**	**(80,481)**	**42,167**	**(38,314)**
	Return required on net assets:			
	Net assets at begining	150,014	-	150,014
	Net assets at ending	198,776	(49,760)	149,016
		348,790		*299,030*
	Average fixed net assets (I)	**174,395**		**149,515**
	Deferred credit at begining	22,595	-	22,595
	Deferred credit at ending	22,423	-	22,423
		45,018	-	**45,018**
	Average net deferred credit (II)	**22,509**	-	**22,509**
"D"	**Average operating assets (I-II)**	**151,886**		**127,006**
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required	26,474	(4,337)	22,137
"F"	Excess /(shortfall) FY 2019-20 - **Million Rs.**	**(106,955)**	**46,503**	**(60,452)**
"F"	***Average Ince/(Dec) in Prescribed Price FY 2019-20 - (Rs/MMBTU)***	***284.02***	***(123.49)***	***160.53***
"G"	**Total Revenue requirement FY 2019-20 - Million Rs.**	**309,532**	**(44,951)**	**264,581**
"H"	**Average Prescribed Price (PP) FY 2019-20(Rs/MMBTU)**	**785.21**	**(123.49)**	**661.72**
"I"	Revenue Shortfall FY 2018-19 - Million Rs.	(21,446)	(17,157)	(4,289)
	Inc/(Dec) in PP owing to Revenue Shorftall FY 2018-19 - Rs./MMBtu	56.95	(45.56)	11.39
"J"	Cumulated previous years revenue shortfall (upto FY 2017-18)- Million Rs.	(143,680)	(119,245)	(24,435)
	Inc/Dec in PP owing to Cumulated previous years revenue shortfall (upto FY 2017-18)- Rs./MMBTU	381.54	(316.65)	64.89
"K"	Total Cumulative Revenue Shortfall upto FY 2018-19 - Million Rs.	(165,126)	(136,401)	(28,725)
"L"	**Inc/(Dec) in PP owing to Cumulative Previous Years' Revenue shorfall (Rs./MMBTU)**	**438.49**	**(362.21)**	**76.28**
"M"	**Total Revenue Requirement FY 2019-20 (incl. cumulative previous years' revenue shortfall upto FY 2018-19)**	**474,658**	**(181,352)**	**293,305**
"N"	**Total Average Precribed Prices FY 2019-20 (incl. cumulative previous years' revenue shortfall upto FY 2018-19)**	**1,223.70**	**(485.70)**	**738.00**

B. Provisional Prescribed Prices for FY 2019-20

		Particulars	Existing Sale/Prescribed Prices	Revised Average Prescribed Prices	Revised Prescribed Prices (Category wise)
1		**Domestic consumers**		Rs./MMBTU	
	A	Stand alone Meters			
	B	Mosques, churches, temples, madrassas, other religious places and hostels attached thereto			
		Upto 50 Cubic Meters per Month	121	738.00	369.00
		Over 50 Cubic Meters Upto 100 Cubic Meters per Month	127	738.00	369.00
		Over 100 Cubic Meters upto 200 Cubic Meters per Month	264	738.00	553.50
		Over 200 Cubic Meters upto 300 Cubic Meters per Month	275	738.00	738.00
		Over 300 Cubic Meters upto 400 Cubic Meters per Month	780	738.00	1,106.99
		Over 400 Cubic Meters Per Month	1460	738.00	1,106.99
	C	Government and semi-Government offices, hospitals, Clinics, Maternity Homes, Government guest houses, Armed Forces messes,langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions along with Hostels and Residential Colonies to whom Gas is supplied through bulk meters including captive power			
		All off-takes at flat rate of	780	738.00	1,106.99
2		**Commercial Consumers**			
		All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theaters, private offices, corporate homes etc.			
		All off-takes at flat rate of	980	738.00	1,283
3		**Special Commercial Consumer (Roti Tandoor)**			
	(a)	**Upto 300 M³ per month**			
		Upto 100 Cubic Meters per Month	110	738.00	369.00
		Over 100 Cubic Meters Upto 300 Cubic Meters per Month	220	738.00	738.00
		Over 300 Cubic Meters Per Month	700	738.00	916.55
4		**Ice Factories**			
		All off-takes at flat rate of	980	738.00	1,283.17
5		**General Industrial consumers**			
		All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.			
		All off-takes at flat rate of	780	738.00	1,021.30
6		**Zero Rated consumers (Industrial & Captive)**			
		All off-takes at flat rate of	600	738.00	785.61
7		**CNG Stations**			
		All off-takes at flat rate of	980	738.00	1,283.17
8		**Cement Factories**			
		All off-takes at flat rate of	975	738.00	1,276.62
9		**Fertilizer Factories**			
	(a)	Pak-American Fertilizer Limited, Daudkhel			
	(b)	Pak-Arab Fertilizer Limited, Multan			
	(c)	Dawood Hercules Chemicals Limited, Sheikhupura			
	(d)	Pak-China Fertilizer Limited/ Hazara Phosphate Plant Limited, Haripur			
		Feed Stock : All off takes at flat rate of	185	738.00	242.23
		Gas used for fuel for electrcity Generatoin, Steam and housing colonies	780	738.00	1,021.30
	(e)	**Engro Fertilizer Company limited**			
		Feed Stock : All off takes at flat rate of	105	738.00	109.98
		Gas used for fuel for electrcity Generatoin, Steam and housing colonies	780	738.00	1,021.30
10		**Power Stations**			
	(a)	**WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Station, Nishatabad, Faisalabad**			
		All off takes at flat rate of	629	738.00	823.58
	(b)	**WAPDA's Natural Gas Turbine Station, Nishatabad, Faisalabad**			
		All off takes at flat rate of	629	738.00	823.58
		Fixed Charge (Rupee per month)	390,000.00	390,000.00	390,000
	(c)	**Liberty Power Limited**			
		All off takes at flat rate of	703.18	629.33	1,175.19
11		**Captive Power**			
		All off-takes at flat rate of	780	738.00	1,021.30
12		**Independent Power Plants**			
		All off-takes at flat rate of	629	738.00	823.58

C. Computation of HR Cost Benchmark FY 2019-20

Million Rs.

Particulars	2017-18	2018-19	2019-20
	FRR	DERR	DERR
SNGPL			
HR benchmark Cost Parameters			
Base Cost	12,168	13,651	14,581
CPI factor	3.92%	4.20%	9.41%
T & D network (Km)	131,694	137,052	146,178
Number of Consumers (No.)	6,341,508	6,336,589	7,150,258
Sales Volume (MMCF)	670,643	874,536	775,635
Unit Rate (Rs,/unit)			
T&D network (Rs./Km)	**101,686**	**105,913**	**106,391**
No. of Consumers (Rs./Consumer)	**2,121**	**2,261**	**2,301**
Sale Volume (Rs./MMCF)	**19,785**	**15,452**	**16,673**
HR Cost Build-up (Million Rs)			
Cost CPI -50%	238	287	686
T & D network (Km)	3,348	3,629	3,888
Number of Consumers (No.)	8,743	9,314	10,695
Sales Volume (MMCF)	1,327	1,351	1,293
HR Benchmark Cost	**13,656**	**14,581**	**16,562**
IAS Cost	1,306	625	360
Total HR Benchmark Cost	**14,962**	**15,206**	**16,922**

D. List of Abbreviations

Words	Abbreviations
APTMA	All Pakistan Textile Mills Association
BBTU	Billion British Thermal Unit
BOD	Board of Directors
CIP	Close Interval Potential Survey
CSC	Customer Services Centre
CAPEX	Capital Expenditure
CPI	Consumer Price Index
CBA	Collective Bargaining Agent
C.P System	Cathodic Protection System
C&F Price	Carriage and Freight Price
DERR	Determination of Estimated Revenue Requirement
DRS	District Regulator Station
DCVG	Direct Current Voltage Gradient
DMC	Data Monitoring Committee
ECC	Economic Co-ordination Committee
EWT	Extended Well Test
FG	Federal Government
FRR	Final Revenue Requirement
GDS	Gas Development Surcharge
GOP	Government of Pakistan
GI	Galvanized Iron
GPA	Gas Purchase Agreement
GIDC	Gas Infrastructure Development Cess
GIC	Gas Internally Consumed
HSFO	High Sulfur Fuel Oil
ISGSL	Inter State Gas System Limited
KPMG	Klynveld Peat Marwick Goerdeler
KPOGCL	Khyber Pahktunkhwa Oil and Gas Company Limited
KMI	Key Management Infrastructure
LPS	Late Payment Surcharge
LNG	Liquefied Natural Gas
MMBTU	Million Metric British Thermal Unit
MMCFD	Million Standard Cubic Feet per Day.
MPNR	Ministry of Petroleum & Natural Resources
NGRA	Natural Gas Regulatory Authority
NGT Rules	Natural Gas Tariff Rules
NTC	National Telecommunication Corporation
OGRA	Oil and Gas Regulatory Authority
PDA	Peshawar Development Authority
PPL	Pakistan Petroleum Limited
RLNG	Re-gasified Liquefied Natural Gas

SNGPL	Sui Northern Gas Pipeline Limited
SSGCL	Sui Southern Gas Company Limited
SMS	Sale Meter Station
SCADA	Supervisory Control And Data Acquisition
TPF	Tolang Processing Facility
TBS	Town Border Station
T&D Cost	Transmission and Distribution Cost
UFG	Un-accounted for Gas
UHF	Ultra High Frequency
WACOG	Weighted Average Cost of Gas
WPPF	Workers Profit Participation Fund