Case No. OGRA-6(2)-1(6)/2019-ERR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
DETERMINATION OF ESTIMATED REVENUE REQUIREMENT, FY 2020-21

UNDER

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

DECISION

ON

July 14, 2020

Before:
Ms. Uzma Adil Khan, Chairperson
Mr. Noorul Haque, Vice Chairman/Member (Finance)
Mr. Muhammad Arif, Member (Gas)

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1. Background

1.1. Sui Southern Gas Company Limited (the petitioner) is a public limited company incorporated in Pakistan and is listed on Pakistan Stock Exchanges Ltd. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by the Oil & Gas Regulatory Authority. It is engaged in construction and operation of gas transmission and distribution pipelines, sale of natural gas, Liquefied Petroleum Gas (LPG), gas condensate, Natural Gas Liquids (NGL), Air-Mix LPG and manufacture and sale of gas meters. The petitioner is also engaged in the business of Re-gasified Liquefied Natural Gas (RLNG) and transportation of the same for the public and private sector on a commercial basis, in accordance with the decisions of the Federal Government (FG/GOP).

1.2. The petitioner filed a petition on January 31, 2020, under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance), and Rule 4(2) of Natural Gas Tariff Rules, 2002 (NGT Rules). The petitioner has requested for the determination of Estimated Revenue Requirement (DERR) for FY 2020-21 (the said year) at Rs. 342,813 million (the amounts have been rounded off to the nearest million here and elsewhere in this document), and the shortfall for the said year is calculated at Rs. 49,809 million after adding unadjusted shortfall for the prior year i.e., up to FY 2017-18 & FY 2018-19; and Rs. 1,080 million (Rs. 3 per MMBTU) on account of Air-mix LPG Projects, thereby requesting an increase of Rs. 138.43/MMBTU w.e.f July 01, 2020. As per the decision of the FG, the petitioner has ring-fenced the operating fixed assets and incremental operating costs related to the RLNG business.

1.3. Subsequently, the petitioner, vide its letter May 12, 2020, also submitted an amended petition (the petition) wherein it has revised the cost of gas owing to unprecedented reduction in oil prices and rationalized the operating expenses keeping in view the financial crunch in the country and GOP directions for austerity drives, in accordance wih the direction of Ministry of Energy (Petroleum Division). Accordingly, the petitioner requested to consider the amended petition amounting revised shortfall of Rs. 30,710 million, seeking an average increase in the prescribed price of Rs. 85.35 per MMBTU over and above the current average prescribed price, w.e.f July 01, 2020.

1.4. The Authority observes that the supply of RLNG is a ring-fenced activity as per the decision of the FG. Accordingly, the instant determination is being done to the extent of the revenue requirement on account of the supply of indigenous gas to its consumers. Further, the transportation charge on account of dispatch of RLNG to SNGPL as well as supplied to petitioner 's own consuemers' is also part of this determination, recoverable from RLNG consumers as part of monthly RLNG prices, as per policy guidelines issued by the FG.

1.5. The petitioner has submitted the following statement of cost of service:

Table 1: Comparison of Cost of Service per the Petition with Previous Year

Rs. / MMBTU

Particulars	FY 2019-20	FY 2020-21
	RERR	The Petition
Units sold (BBTU)	**362,668**	**359,812**
Cost of gas sold	667.51	620.97
UFG adjustment	(38.39)	-
UFG adjustment on RLNG volume handled basis (ring fence)	-	(29.53)
Staggering of Financial Impact on account of SHC Order	(10.12)	(10.20)
Transmission and distribution cost including Others	55.95	66.81
Depreciation	14.74	20.30
Return on net average operating fixed assets	18.45	25.73
Prior year shortfall i.e. up to FY 2017-18	68.75	202.61
Other operating income	(20.92)	(18.14)
Subsidy for LPG Air-Mix Project	3.28	3.00
Cost of service / prescribed price	**759.24**	**881.53**
Current average prescribed price	**759.24**	**796.18**
Increase requested in average prescribed price	-	**85.35**

1.6. The Authority admitted the petition for consideration as a *prima facie* case for evaluation existed, and it was otherwise in order.

1.7. A notice inviting interventions/comments on the petition from the consumers, the general public, and other interested/affected persons was published on March 13, 2020, and May 23, 2020, in daily local newspapers. The interventions received on the instant petition are placed as **Appendix**. The Authority further decided to hold a public hearing on June 25, 2020.

1.8. The Authority received applications to intervene in the proceedings from the following persons/entities:

i) Mr. Muhammad Zubair Motiwala, Patron SITE Association of Industry
ii) Mr. Muhammad Zubair Motiwala, Patron in chief & Former Chairman APTPMA
iii) Mr Razziudin, Advisor for APTMA
iv) Mr. Mahboob Elahi, Consultant Energy and Regulatory Affairs
v) Mr. Shahid Sattar, Ex Member Planning Commission.
vi) Mr. Abdullah Abid, President Federal B. Area, Association of Trade and Industry
vii) Mr. M. Muzzammil Hussain, General Secretary Towel Manufacturers' Association of Pakistan
viii) Mr. Ismail Suttar, President, Employer Federation of Pakistan
ix) Mr. Noman Yaqoob, President, Landhi Association of Trade and Industry
x) Mr. Syed Raza Abbas, Information Secretary, Sindh Petroleum and CNG Dealer Association
xi) Mr. Zahid Muzhar, Chairman, APTMA-Sindh-Baluchistan Region, All Pakistan Textile Mills Association.
xii) Mr. Ghiyas Abdullah Paracha, All Pakistan CNG Association
xiii) Mr. Abdul Sami Khan, Chairman, CNG Dealers Association, Karachi.
xiv) Mr. Muhammad Jawed Bilwani, Chief Coordinator, Pakistan Hosiery Manufacturers and Exporters Association
xv) Mr. Shahid Ahmed, All Pakistan Solvent Extractors' Association
xvi) Mr. Nasim Akhtar, President, North Karachi Association of Trade and Industry
xvii) Mr. Naveed Shakoor, Bin Qasim Association of Trade and Industry
xviii) Mr. Nihal Akhtar, Secretary General, Korangi Association of Trade and Industry
xix) Mr. Shaheen Ilyas Sarwana, President, SITE Superhighway Association of Industry, Karachi.
xx) Mr. Azizullah Goheer, Secretary General, Pakistan Textile Exporters Association.

1.9. The Authority accepted all the applications mentioned above for intervention.

2. Salient Features of the petition

2.1 The petitioner has made the following main submissions:

2.2 The petitioner has claimed annual return at the rate of 19.64% of the net fixed assets in operation, under the new tariff regime implemented effective July 2018.

2.3 The petitioner has claimed net addition, net of deletions of Rs. 24,415 million in fixed assets, and net addition, ex-depreciation, and deletion, of Rs. 7,587 million, resulting in a claimed increase in net operating fixed assets from Rs. 46,615 million for FY 2019-20 to Rs. 63,443 million during the said year. The petitioner has further contended that, after adjustment of deferred credits and assets related to the LPG Air-Mix project, net average operating fixed assets eligible for return work out to Rs. 47,133 million and required return to Rs. 9,257 million at 19.64%.

2.4 The petitioner has projected net operating revenues at Rs. 293,004 million, as detailed below (and compared with previous years):

Table 2: Comparison of Projected Operating Revenues with Previous Years

Rs. in million

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc./(Dec.) over RERR for FY 2019-20	
	FRR	RERR	RERR	The Petition	Rs.	%
Net sales at current prescribed price	142,040	225,111	275,353	286,476	11,123	4
Late Payment Surcharge	1,096	3,353	3,353	1,248	(2,105)	(63)
Meter Manufacturing Profit	(58)	13	11	29	17	153
Sale of LPG	2,412	1,066	1,066	962	(105)	(10)
Sale of NGL	437	177	177	555	378	213
Sale of Gas condensate	-	20	20	(11)	(31)	(152)
Meter rentals	756	792	820	855	35	4
Amortization of deferred credits	552	432	473	530	56	12
Other income	1,843	916	1,664	2,360	695	42
Net Operating Revenue	**149,079**	**231,880**	**282,939**	**293,004**	**10,065**	**4**

2.5 The petitioner has projected net operating expenses at Rs. 240,475 million, as detailed below (and compared with previous years):

Table 3: Comparison of Projected Operating Expenses with Previous Years

Rs. in million

Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc / (Dec) over RERR for FY 2019-20	
	FRR	RERR	RERR	The Petition	Rs.	%
Cost of gas	164,938	219,614	242,083	223,431	(18,652)	(8)
Depreciation	5,579	5,344	5,344	7,303	1,959	37
Transmission and distribution costs	16,139	16,808	18,264	22,543	4,279	23
Other charges including WPPF	5,057	1,224	1,546	1,472	(74)	(5)
Gas Internally Consumed	271	246	424	24	(400)	(94)
UFG adjustment	(17,168)	(14,799)	(13,923)	-	13,923	(100)
UFG adjustment on RLNG volume handled basis (ring fenced)	-	-	-	(10,626)	(10,626)	100
Staggering of Financial Impact on account of SHC Order	(3,672)	(3,672)	(3,672)	(3,672)	-	-
Net Operating Expenses	**171,145**	**224,765**	**250,066**	**240,475**	**(9,592)**	**(4)**

2.6 The petitioner has projected its weighted average input cost of gas for the said year at Rs. 540.88/MMBTU. The cost of gas is linked with international prices of Crude and HSFO according to the Gas Pricing Agreements (GPAs) executed between the producers and GOP.

2.7 The petitioner has projected UFG at 11.15%. The petitioner has, however, restricted its UFG benchmark of 6.30% for the said year, as per decision for DERR FY-2017-18.

2.8 The petitioner has claimed a subsidy amounting to Rs. 1,080 million on account of its Air-mix LPG Projects.

2.9 The shortfall in the projected revenue requirement after computing 19.64% return on average net operating fixed assets is estimated at Rs. 30,710 million, requiring an increase of Rs. 85.35 per MMBTU in the existing average prescribed price, as detailed below:

Table 4: Computation of Requested Average Increase in Prescribed Price

Rs. In million

	Particulars	FY 2020-21 The Petition
A	**Net Operating Revenues**	293,006
	less: Net operating expenses excluding ROA	240,475
	Subsidy Air Mix LPG Project	1,080
B	**Total Expenses**	241,555
C	**Shortfall** {(B) - (A)}	(51,450)
D	Return required @ 19.64% on net fixed assets in operation	9,257
E	Shortfall related to prior years	72,902
F	**Total shortfall in revenue requirement {(E + D + (C)}**	30,709
G	Sale volume (BBTU)	359,812
H	**Increase requested in existing average prescribed price Rs/MMBTU**	85.35

3. Proceedings and Public Interventions

3.1 The public hearing was held at Islamabad on June 25, 2020. A large number of participants from the general public, industry representatives, stakeholders, and media persons attended through in-person and video links and participated and shared their views and observations.

3.2 The following interveners/participants submitted their views, comments, and suggestion as under:

Petitioner:

i. The team was led by Mr. Amin Rapjut, Acting Managing Director with Mr. Fassihudin Fawad Chief Finance Officer (CFO)

Interveners/ Participants:

i. Mr. Muhammad Zubair Motiwala, Patron SITE Association of Industry
ii. Mr. Muhammad Zubair Motiwala, Patron in chief & Former Chairman APTPMA
iii. Mr Muhammad Razziudin, Advisor for APTMA
iv. Mr. Shahid Sattar, Ex Member Planning Commission.
v. Mr. Syed Raza Abbas, Information Secretary, Sindh Petroleum and CNG Dealer Association
vi. Mr. Ghiyas Abdullah Paracha, All Pakistan CNG Association
vii. Mr. Muhammad Arif Bilwani, Chief Coordinator, Pakistan Hosiery Manufacturers and Exporters Association
viii. Mr. Shahid Ahmed, All Pakistan Solvent Extractors' Association
ix. Mr. Pervaiz Khan Khattak, Focal Person, APCNGA
x. Mr. Sohail anwar, DD (Gas), Petroleum Division
xi. Mr. Muhammad Zaman, Secretary General, APCNGA
xii. Mr. Zain Bashir
xiii. Mr. Rehan Jawad

3.3 During the virtual/online hearing, the petitioner made the following submissions with the help of a multimedia presentation. The petitioner's team answered questions of members of the Authority as well as interveners and participants.

3.4 The Acting Managing Director explained that SSGCL's ERR for FY 2020-21 is reflecting a surplus of Rs. 42,192 million (Rs. 117.26 per MMBTU), however Rs. 72,902 million unadjusted shortfalls for prior years up to FY 2017-18 (un-audited results) have been claimed, which has now been revised to Rs. 50,983 million (based on OGRA Determination on FRR for FY 2017-18 dated April 23, 2020, resulting the summarized break-up of net revised revenue requirement shortfall of Rs. 8,791 million or Rs. 24.43 Per MMBTU for indigenous gas business.

3.5 It was also argued by the petitioner that policy guidelines issued by FG in respect of RLNG handled volumes be implemented by OGRA in true letter and spirit. The petitioner highlighted various issues being faced with regard to increased UFG resulting from RLNG volume handling that even after the commissioning of 42" Dia dedicated line SSGC is still forced to swap gas/consume RLNG in its system due to following reasons inter alia:

a) Power Sector/SNGPL's inability to take the RLNG supplies as per their commitments.

b) Non-commissioning of 30" dia 125 km pipeline project - envisaged meeting the demand/requirements of Karachi by delivering new explorations / additional flows from Naimat Basal, Kauser, Gambat South and KPD fields to Karachi.

c) Accordingly, the UFG has been worked out at 5.89% on volume handling basis and the impact of the differential of Rs. 10.7 billion has been claimed in the revenue requirement of RLNG.

Public Hearing representation, Correspondence from Interveners, and virtual/online hearing:

3.6 The substantive points put forth by the interveners and participants through their official correspondence in OGRA office Islamabad as well as through virtual/online hearing are summarized below:

3.6.1 It was highlighted that the subject Petition had been put together on the basis of concocted and unverified data, and the same has been manipulated to present a situation that is worse than the actual financial position of the Company.

3.6.2 Concern was raised that the interest of the consumers is one of the paramount considerations which has been lost by OGRA in the past several years of exorbitant increase in natural gas prices.

3.6.3 It was highlighted that Pakistan's export products that compete with either the export market or against imported goods have increasingly been rendered uncompetitive, especially when compared to neighboring countries. This has led to a decrease in investments, the flight of capital, and deindustrialization on a massive scale.

3.6.4 It was highlighted that the accounts, data, and information provided had not been prepared in line with prescribed OGRA laws/regulations. For example, SSGC has not provided the information to separately ascertain the cost of transmission and distribution. In addition, proper RLNG accounts should be submitted as stipulated under ring-fencing practices. As such, it appears that the whole exercise is being done in a non- transparent manner.

3.6.5 It was pointed out that the petitioner has not adequately accounted for the unprecedented reduction in oil prices in the international market, nor has it justified why a decreasing trend in oil prices may not be applied in the near future. The WACOG figures are suspect and should be independently verified and reviewed.

3.6.6 It was highlighted that the petitioner has, in the past few months, reaped a lot of profit from the reduced cost of gas on account of the decrease in oil prices since April 2020. No benefit has been returned to the intervener of this windfall, yet every justification has been found to increase natural gas prices for consumers at the drop of a hat when oil prices go up.

3.6.7 It was requested to allow new gas connection to the export-oriented industry in Karachi as it would increase country export and bring foreign exchange. If any ban has been imposed on the industry; the same is needed to be abolished.

3.6.8 It was highlighted that the petitioner, despite massive investments claimed through yearly price increases, has not been able to meet the already eased UFG benchmarks. The petitioner has not even bothered to give any reasons for exceeding the UFG benchmarks and future directions/ KMIs. This has created a situation where the petitioner is actually increasingly encouraged to keep UFG high and continue to seek a return on investment to 'try' to bring it down. One method would be for OGRA to penalize UFG losses and not permit them to be recovered in later years as prior year shortfalls.

3.6.9 It was demanded that the increase in the rate of return as requested is quite exorbitant and not in line with any returns offered anywhere in Pakistan. OGRA needs to make this realistic and in line with the market rate of return.

3.6.10 It was highlighted that the policy decision of the Federal Government to maintain uniform prices across the country is resulting in a windfall for SSGC. As decided by the Supreme Court in the *Iqbal Zafar Jhagra* case (PLD 2013 SC 224), policy decisions of the Federal Government are not binding on OGRA. OGRA must insist that even if a policy for uniform prices could be justified for two licensees with completely different costs and profile. The lower of the two should be applied as per the practice in the power distribution companies.

3.6.11 It was demanded that the exorbitant costs and expenditure of SSGC management must be capped or linked to actual performance improvement as the same is ultimately passed on to consumers.

3.6.12 It was highlighted that the SSGC in the garb of prior year shortfall is also recovering those monies which are sub-judice before the Courts. This amounts to essentially allowing them to double-dip, especially if they win the cases. If, after everything SSGC fails to meet the rate of return, it should be left to bear this shortfall on its own.

3.6.13 It was requested not to take the figures and data presented by SSGC as true and correct. OGRA must order a forensic audit of SSGC for the past few years to find the exact position of the licensee, and only once the findings are available to carry out its duty to make a fair assessment of the price to be charged from the consumers.

3.6.14 It was requested to freeze SSGCL's operating expenses and salaries of executives in the said petition. With regard to the issuance of new gas connections to towns, it must be immediately banned. Instead, such towns should be given LPG and saved gas should be diverted to the industry since industry cannot run on LPG.

3.6.15 It was pointed out that the tariff rates of SNGPL are applied because of a uniform policy for both companies. The excessive amount that is charged by SSGC goes into GDS, which is an indirect way of taxing and is entirely illegal since no tax can be imposed without fulfilling the constitutional requirements.

3.6.16 It was highlighted that since 1985 wellhead gas pricing has been revised intermittently and is linked to a reference of crude or fuel oil price taken from a basket of imported Arabian crude oil during the last six months. Accordingly, in July 2018, OGRA increased wellhead prices in a 30% adjustment. Amid the COVID19 pandemic, we have witnessed a significant oil price reduction, and the same benefit has been passed on to the end consumer across the world. Accordingly, OGRA has also reduced domestic oil prices by more than 30%. Similar measures on both internatonal and local levels are also taken by the major regional players, including India, where the price of gas was reduced by 26%. However, it seems that the gas price calculation under discussion did not consider the reduction in international oil prices as per the formula.

3.6.17 It was pointed out that, comparison of Pakistan's Gas prices with regional players, shows that Pakistan consumers are being charged the highest rates.

3.6.18 It was highlighted that IMF had projected contraction/recession in world economic growth due to COVID-19. It will have a devastating effect on Pakistan's and world economy, and it will impact peoples' livelihood and jobs. To protect our industry and remain sustainable in the world market while securing jobs for our fellow Pakistanis, at least the reduction in world oil prices must be passed on to the industry as per the defined formula.

3.6.19 It was highlighted that that SSGCL had not uploaded its Annual Audited Accounts for FY 2017-18, FY 2018-19 and Unaudited Accounts Q1, Q2 & Q3 FY 2019-20, it is not possible to analyze the figures, and accordingly, any increase in tariff/rates becomes questionable/illegal. It is, therefore, suggested to conduct a forensic audit of SSGCL accounts, pricing, and costs through an independent audit firm.

3.6.20 It was noted with concern that the issue of UFG has not been handled properly for long, but no attention is given thereupon as yet. As the cost of inefficiencies should not be passed onto the genuine customer, it was demanded from OGRA to bring the UFG in line with the best practices and international standards on an immediate basis. We further request OGRA to address this subject under the forensic audit requested in the point above.

3.6.21 Sindh Petroleum and CNG Dealer Association raised concern on the higher cost of gas that has been computed on the basis of on estimated average C&F price for crude oil at the US $ 64 per barrel then revised to $ 42.60 per barrel and HSFO US $ 360 per metric ton revised to $270.10 per metric ton; despite world oil prices crashed to negative owing to the COVID-19 pandemic and is currently hovering at $30 per barrel, therefore requested OGRA to recalculate and reduce the cost of gas to a great extent under the prevailing situation, keeping in view actual Pak rupee trend against US$ along with the expected future direction.

3.6.22 The dealer Association recommended to the Federal Government for change in policy in the areas stated below:

3.6.23 It was demanded that Gas companies should be asked to lower their benchmarks of UFG from 7.6% allowed by OGRA to 4%. (Strict measures should be taken to curb UFG).

3.6.24 It was demanded that gas companies be asked to cut their rate of return from 17.5% to 15%. In the main petition, SSGCL is asking for a market-based return based on the WACC model in line with the implementation of the new tariff regime, which OGRA approved from 2018-2019.

3.6.25 It was demanded that after a decrease in the cost of debt which is a variable in the calculation of WACC, it needs to be recalculated and other economic factors need to be taken in consideration due to COVID 19 situation, example market return and other factors at their COVID 19 rates need to be factored in. The association recommended that the ROA should be brought down to 10% to bring natural gas tariffs to viable levels for the CNG industry. There should be a correlation in the increasing cost of assets with the quality of gas supplied to existing customers.

3.6.26 It was demanded that working with operational asset figures should only be allowed by OGRA. The return on old assets which are not in operation is questionable ? The Authority is requested to subtract their figure form the cost of assets figure as their presence will increase the value of assets and shall burden the gas consumers.

3.6.27 It was demanded that LPG air mix capital and revenue need not be added to the calculated natural gas tariff and should be separated in order to bring asset value down, which will, in turn, bring ROA down.

3.6.28 It was highlighted that since projected offtakes from different gas fields are expected to increase gas availability by 4% so there should be no gas load shedding for the CNG sector as CNG sector has paid the highest tariff for the past 13 years and has been used to cross-subsidize other sectors at the cost its own life. Now this industry has become unviable due to negligible parity with petrol. As a result, CNG consumers are throwing away their kits and switching to petrol, and the market which helped create using our capital has already been effected, which CNG sales are now only 22% of what they used to be in their good times. Therefore, it was demanded that a special tariff of Rs. 700 to Rs. 780 per MMBTU should be notified for the CNG sector.

3.6.29 It was demanded that the rate of deprecation of operating assets of gas utility companies be cut by 1%. Further it was demanded that gas companies were asked to rationalize/reduce their overall transmission & Distribution costs. In order to do so, they will have to make hard decisions for the greater good of the nation. The main petition shows an increase in salaries of 19% where they should be asked to decrease salaries by 35% of whoever is getting more pay than the minimum wage prescribed by the government.

3.6.30 It was demanded to curtail traveling expenses as it shows an 8.4 percent increase in the petition, which should be disallowed, owing to the covid-19 situation, leading to restricted movements. Other ways should be used to minimize traveling and the amount allowed in the last petition should be reduced from there.

3.6.31 It was demanded that meter reading contractor expense increase of 35.6% should not just be disallowed but should be reduced from the last allowed petition as well. Furthermore, it was added that SSGCL has smart meters that can be accessed from their office.

3.6.32 It was highlighted that natural gas is an essential utility that impacts the cost of doing business. We need to realize that tariffs should be as low as possible and extremely competitive with the international market. Since SSGCL itself has reworked upward adjustment to RS 138.43 per MMBTU in the amended petition average price for FY2020-21 and is suggesting to pass on Rs 207.5/MMBTU and later Rs 127.93/MMBTU increase to some already burdened sectors including CNG sector. Time has come for all sectors to bear the brunt and equal pay for their natural gas usage. Since 2007 for the past 13 years, CNG has been carrying the additional cost of other sectors, and CNG has now lost its competitive edge against petrol ringing alarm bells for the Government and OGRA to intervene and save this sector by reducing its tariff to Rs 780/MMBTU.

3.6.33 Sindh Petroleum & CNG Dealers Association requested the Authority to use its Suo Moto powers and treat these objections as a counter-petition to reduce CNG tariff to Rs. 780 per MMBTU to save the CNG sector from collapse and saving investment of billions of rupees of the stakes holders from going to waste. It was added that in the past, notifications had been issued out of time example, October 04, 2018, notification increasing natural gas tariff from retrospective effect, i.e., September 27, 2018. Time is of the essence, and the association requested the Authority to immediately provide relief to the CNG sector on local gas and notify its tariff as Rs 780 per MMBTU. The association referred to the letter of petroleum ministry of Government of Pakistan dated May 24, 1999, where the subject is industrial Tariff to CNG Stations, and in paragraph 2, it says, "CNG Stations are allowed industrial tariff both for natural gas and electricity throughout the country. As a result, a special gas tariff, which is even slightly less than the industrial tariff, has been made for CNG stations. It is linked with the prevailing petrol price with a view to developing CNG operation as an industry as per the policy of the government to replace imported HOBC with indigenous gas as far as possible. Since it is a bonified industry, therefore, it is requested that CNG stations existing on petrol pumps and individual sites all over the country may be entertained with separate industrial tariff". The association prayed again to reduce CNG tariff to Rs 780 per MMBTU as a special tariff and later to give us industrial tariff like before, according to our Gas Supply Agreement.

3.6.34 It was highlighted that CNG stations have been paying the highest tariff since the last 13 years, it means the CNG sector's contribution to the transmission and distribution system is more than other sectors. In the main petition, SSGCL mentions an increase in indigenous gas production from 1115.7 MMCFD to 1166.7 MMCFD, then why are they projecting lower consumption by the CNG sector in 2020, whereas in the revised petition their supply in December 2020 is 1163.99 MMCFD. There should be no load shedding in the CNG sector as our contribution is more on the network, and we do not have any alternative to run this industry. The Authority was requested to see that CNG supply contracts are honored by SSGCL.

3.6.35 It was highlighted that December 2019's worst gas load shedding period has brought Sindh CNG Station sales to 22% of what they used to be, and the industry has not been able to recover. This has severely affected SSGCL's revenue stream by not supplying gas to the highest tariff buyer and depriving the government of significant revenue in the form of taxes. This reflects bad governance in all aspects of SSGCL who, according to news items in newspapers, are appointed on an Adhoc basis and not on merit. Not ordering adequate RLNG cargoes and then swapping gas of Sindh's use elsewhere is not the only beach of GSA but also article 158 of the constitution. All of Sindh's gas fields to first cater to need of Sindh and surplus gas should be given elsewhere in the country, and deficit in other areas should be balanced with RLNG.

3.6.36 Sindh Petroleum and CNG Dealer Association requested the Authority to dismiss SSGCL's DERR petition and amended petition FY 2020-21 to reduce CNG tariff to Rs 780 per MMBTU and give CNG sector on local gas industrial tariff according to its GSA.

3.6.37 All Pakistan Textile Mill Association (APTMA) pointed/showed concern that SSGCL has not uploaded its Audited Annual Accounts for FY 2017-18, FY 2018-19, and unaudited quarterly Accounts Q1, Q2, Q3, FY 2019-20 on the website which means that these yearly and quarterly accounts are still pending. As a result of this, our analysis and suggestions stand hampered, but it suggests that SSGCL may have been classified as 'a non-going concern,' which is of great concern to APTMA because in the coming months and years our members may face severe hardships due to interruption of Natural Gas. In the absence of Audited Accounts for FY 2017-18, any tariff/rates increase, and charging has become questionable and perhaps illegal. It was demanded that OGRA may conduct a forensic audit of the last five years to bring out the facts. Furthermore, owing to delay in finalization of Audited annual accounts any tariff increase after July 2018 tariff could have become refundable or adjustable.

3.6.38 It was highlighted that entries of Rs 24,933 Million/Rs 68.75 per mmbtu (line 22) and Rs. 72,902 million/Rs. 207.61 per mmbtu (line 23) of Annexure A-I/A-II of the Amended Petition have become contra legem. And therefore, needs to be removed from the Statements of ERR. The removal of lines 22 & 23 will automatically cause the removal of line 25, which is 2 x Rs 3,672 million in the same annexures. A sum of Rs. 21,261 Million (Line 21) of Annexure A-i/A-ii be added as carrying forward revenue and added to line 7 (Rs. 5,021 Million). This means a sum of Rs. 97,835 Million/Rs. 276.33 per mmbtu be deducted from the ERR, and a sum of Rs 21,261 Million be added to revenues (line 7) by redoing Annexures A-I/A-II.

3.6.39 It was highlighted that SSGCL had assumed the average C&F price of Crude Oil at US$ 64 per barrel and HSFO at US$ 360 per metric ton. Under the present circumstances of worldwide recessions/depressions by all standards, these price assumptions are exorbitantly high. As you know he prices dip to negative not far in the past and none of the international intelligence companies like Platts, Bloomberg, Argus, HIS, Wood Mackenzie, Mckinsey, Booz Allen, etc. have given 2020 projections ranging between $15 and $40/ barrel and that later also in the wake of being on the high side. We have taken $45/BBL as a benchmark; to not get into arguments. Therefore, it is suggested that SSGCL reworks its Statement Annexure A-i/A-ii by reducing the cost of gas sold (Line 11) by 40% to Rs 175,750 Million (Rs 488.45 per mmbtu) from Rs 286,476 Million (Rs 796,18 per MMBTU) as given by at the expense of customers working capital and sustainability.

3.6.40 A technical and financial forensic audit of UFG was proposed to be conducted with the view to eradicating this menace. It was pointed out that Rs. 11.3 Billion have been claimed in ERR FY 2020-21 by SSGCL. We do not agree with SSGCL point of view in respect of Rule 20 of the Natural Gas Tariff (Rule) 2002 applies to UFG matter. Page 3 of Annexure-D also states that in FY20-21, a sum of Rs. 12,298 Million (capex Rs 9,903 Million and Revenue Expense of Rs. 2,776 Million) will be spent, or in other words, the customers would be burdened further for no fault of theirs. It was suggested that it might be adjusted in Return to SSGCL (ROA) Line 16 of Annexure A-I/A-II and a PC-I be submitted by Petroleum Division for funds from PSDP.

3.6.41 During these times of Covid-19, the companies are in financial stress, and companies have either substantially reduced dividends or not paying at all. SSGCL needs to show its corporate responsibility by doing away with ROA this year, or at least it may keep ROA the same as FY 2019-20, i.e., at Rs. 6,693 Million (Rs 18.45) per MMBTU).

3.6.42 It was highlighted that cross-subsidy is a burden on the Export Oriented Textile industry. LPG prices have crashed, yet in tariff build up it is not reflected. For this year, FY 20-21 20% reduction was suggested instead of 10% from FY 2019-20. Instead of charging Rs. 1,080 Million SSGCL may charge Rs 864 Million; thus, reducing ERR for FY 2020-21. The original Petition states that details are given; however, Page 13 Table D-1 is the mere repetition of Page 4 of Annexure-d. SSGCL is requested to given full OPEX and LPG price and source of LPG purchase to OGRA, who may kindly share with APTMA.

3.6.43 APTMA raised concern on a huge increase in SSGCL's Transmission and Distribution Cost by 20% (Line 13 Annexure A-i/A-ii) in the COVID-19 pandemic. The cost of material and services has crashed. It was demanded that a reduction should be made in these expenses and rationalize this amount accordingly.

3.6.44 In the end, APTMA suggested that after rationalizing SSGCL's revised tariff computation, that would result in a surplus of Rs 17,892 million (Rs 49.26) per MMBTU for FY 2020-21. This may be considered a contingency fund not to be treated as expenditure but any adjustment hereto.

3.6.45 APTMA suggested that Pakistan needs to capitalize on the post-covid-19 opportunities. The only Textile can bring massive employment and FOREX in the near future. Already in the international export arena, the countries (especially competitors of Pakistan) are going out of the way to grab lost markets and exploring new markets. Export-oriented countries are subsidizing, reducing utility (Power & Gas) expenditure to position themselves into the international markets, especially the US, Europe. Pakistani textile, like other countries, got a massive jolt during that last six months with the cancellation of large orders. Now is the time for Pakistan to take back the market share, and that can only be done on a fast track basis by the Textile industry. IT IS NOW OR NEVER SITUATION to get the market share, which cannot be achieved without OGRA's intervention and rationalization.

3.6.46 CNG Dealer Association, in the backdrop of current gas load shedding i.e. 3 days to 6 and ½ day every week over the period, with covid19 pandemic and fixed operating expenses being born, vehemently opposed any increase in SSGCL prescribed price at this crucial juncture.

3.6.47 All Pakistan CNG Dealer Association stated that they are facing severe financial hardships as the Corona Pandemic is adversely affecting all businesses in Pakistan. These threaten to completely close down the CNG sector of Pakistan. A recent reduction in prices of petrol as a relief to the public has been widely appreciated. However, the CNG sector has been placed in jeopardy since we compete with liquid fuels. The relief provided by the Government has shrunk the price difference between petrol & CNG, making CNG non-viable for the public.

3.6.48 It was highlighted that the current gas tariff for the CNG sector is Rs. 1,283 per MMBTU as per OGRA's Notification dated June 29, 2019, which is the highest among sectors.

3.6.49 It was pointed out that the cost of Gas was based on projected wellhead gas prices effective July 2019, worked out an estimated average C&F Price for crude oil around US$ 63 per barrel and HSFO around US$ 400 per metric ton and USD rate was equal to around PKR 150. Now the price of crude oil is around USD 30/ barrel and HSFO around USD 131/ metric ton. For Gas companies, OGRA determined Rs. 637/mmbtu in June 2019 from which Cost of Gas was around Rs. 541/mmbtu, which is almost 85% of prescribed gas price. As per the gas pricing formula, the gas prices can be reduced up to 45%.

3.6.50 All Pakistan CNG Dealer Association pointed out that gas prices include several un-necessary administrative costs, UFG and other losses, especially UFG has a major part of these losses has been in question for long. Ministry of Energy (Petroleum Division) through its letter No. DGO(AC)-5(26)-19-20 vol II, dated March 10, 2020, subjected "Rationalization of Revenue Requirements of Gas Companies, directed the gas companies to reduce the UFG benchmark to 4% against allowable 6.3%. in view of the above, UFG should be lowered down and eliminated to reduce the gas prices of all the sectors and save the country from extra financial burden in the covid-19 situation particularly.

3.6.51 All Pakistan CNG Dealer Association pointed out that gas companies have been earning windfall profit due to higher gas prices and do not bear and losses from out of their earnings. Therefore, Gas Companies have been directed to reduce the rate of return on assets to 15% through the Ministry of Energy (Petroleum Division) through its letter No DGO(AC)-5(26)-19-20 Vol II, dated March 10, 2020.

3.6.52 The Intervener requested OGRA to review SSGCL's DERR considering the financial sustainability and variability of both Sui Companies is to be assessed in light of the circular debt, mismatch of the sale price with prescribe price, sale of expensive RLNG at below cost to domestic consumers, poor current ratio and dent in revenue requirement on account of UFG exceeding OGRA benchmark so that the continuity of the gas supply and consumer interest is not jeopardized as mandated under OGRA's law and rules and suggested that:

3.6.53 It was demanded that a proper rendition of RLNG accounts is made for revenue requirement determination of both companies as stipulated under ring-fencing practices.

3.6.54 It was demanded that SSGCL must be asked to provide a reason for exceeding the UFG benchmarks, and further directions/KMI are specified.

3.6.55 It was demanded that the cost of corporate governance and legal expenditure are strictly aligned with the tangible result as these costs are ultimately borne by the consumers.

3.6.56 It was demanded that Regulatory accounts as prescribed under OGRA law/regulation had not been provided to separately ascertain the cost of transmission and distribution. Simply the cost of supply is one figure is noticed. Compliance of OGRA regulation and transparency in costs is to be assured. Separate cost sheets for transmission and distribution per mmbtu /mmcf be made part of the petition.

3.6.57 It was demanded/suggested that the Uniform useful economic life of the transmission pipeline should be maintained. There is anomaly that depreciation policies being employed, causing distortion is cost and revenue.

4. Authority's Jurisdiction and Determination Process

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

4.2 Section 8(3) of the Ordinance empowers the FG to fix the consumer sale prices and advise OGRA the revision in gas sale prices and minimum charges in respect of natural gas retail consumers for notification in the official gazette. Accordingly, the FG, keeping in view economic indicators, policy considerations in terms of uniform pricing across the country, Gas Development Surcharge and the inter category subsidies etc., advises the gas sales prices and minimum charges for each retail category to OGRA. The same is notified in the official gazette. The Authority, however, observes that during past, FG under Section 8(3) of the Ordinance had advised insufficient revisions in sale prices to OGRA, resulting in accumulation of previous year revenue shortfall in the total revenue requirement. The said matter, through Authority's decision of Review of Estimated Revenue Requirement (RERR) for FY 2019-20, was referred to FG to review its earlier decision of ECC of the Cabinet dated May 17, 2018, for the staggering of shortfall of the petitioner. The Authority, however, reiterates its view that all the categories of consumers must at least pay the average cost of service, keeping in view the existing cost of alternative or substitute sources of energy. Resultantly, there shall be no situation of unmet revenue requirement. This shall provide a level playing field for all concerned and avoid the situation of revenue shortfall faced to the licensee.

4.3 ***The Authority, as per the existing legal framework and tariff regime in place, determine the revenue requirement of the petitioner, providing stipulated return on net operating assets while including various income & expenditure heads as part of the prescribed price.***

5. Operating Fixed Assets

5.1 Summary

5.2 The petitioner has claimed a net addition, net of deletions of Rs. 24,415 million in fixed assets, and net addition, ex-depreciation, and deletion, of Rs. 7,587 million, resulting in a claimed increase in net operating fixed assets from Rs. 46,615 million in FY 2019-20 to Rs. 63,443 million during the said year. The petitioner has further claimed that, after adjustment of deferred credits, and assets related to the LPG Air-Mix project, net average operating fixed assets eligible for return work out to Rs. 47,133 million and required return to Rs. 9,257 million.

Table 5: Computation of Projected Return per the Petition on Operating Fixed Assets

Particulars	Rs. in Million
Net operating fixed assets at beginning	46,615
Net operating fixed assets at ending	63,443
sub-total	110,058
Average net assets (I)	55,029
LPG air mix project asset at beginning	2,756
LPG air mix project asset at ending	2,660
sub-total	5,417
Average net assets (II)	**2,708**
Deferred credit at beginning	5,118
Deferred credit at ending	5,258
sub-total	10,376
Average net deferred credit (III)	5,188
"D" Average (I-II-III)	47,133
19.64% required returned claimed by the petitioner	9,257

5.2.1 The Authority notes that it has provisionally determined the closing balance of net operating fixed assets at Rs. 46,615 million in RERR for FY 2019-20.

5.2.2 The details of deferred credits projected by the petitioner for the said year are compared with RERR for FY 2019-20 as under:

Table 6: Comparison of Projected Deferred Credits with RERR FY 2019-20

Rs. in Million

Particulars	FY 2018-19	FY 2019-20	FY 2020-21
	RERR	RERR	The Petition
Opening Balance as at July 01, 2020	4,466	4,799	5,118
Addition during the year	796	822	702
Sub-total:	5,262	5,621	5,820
Amortization during the year	463	504	561
Closing Balance as at June 30	**4,799**	**5,118**	**5,258**

5.2.3 ***The Authority provisionally accepts estimated deferred credits opening balance at Rs. 5,118 million and closing balance at Rs. 5,258 million for the said year.***

5.2.4 Comparative analysis of projected additions in fixed assets with the previous years is as follows:

Table 7: Summarized Schedule of Projected Additions Compared with Previous Years.

Rs. in Million

[illegible]	FY 2015-16 (FRR)		FY 2016-17 (FRR)		FY 2017-18 (FRR)		FY 2020-21 (ERR)	
	[illegible]	RLNG	[illegible]	RLNG	[illegible]	RLNG	[illegible]	RLNG
Land	397	0	16	8	0	0	53	0
Buildings	168	0	130	0	92	0	47	0
Gas transmission pipeline	1,106	1,041	282	24,509	1,920	733	6,266	1,131
Compressors	161	991	13	5,781	277	131	2,461	508
Plant and machinery	417	0	210	101	322	0	457	0
Gas distribution system, related facilities and equipments	6,244	0	5,486	0	4,618	0	13,230	0
Furniture, equipments including computers and allied equipments	175	0	219	0	282	0	439	0
Computer software (Intangible)	20	0	72	0	9	0	224	0
LPG Air Mix Projects	245	0	4	0	42	0	17	0
Telecommunication system	149	0	93	0	35	0	119	0
Appliances, loose tools and equipment	34	0	71	0	13	0	274	0
Vehicles	302	102	356	275	176	2	395	0
Construction equipment	158	1,113	25	700	63	77	434	0
Assets related to Gas Activities	**[illegible]**	**3,247**	**[illegible]**	**31,374**	**7,855**	**943**	**24,415**	**1,639**

i. **Land**

5.3 The petitioner has projected an amount of Rs. 53 million for the acquisition of land. Detail of projected capitalization against this head shows that:

(a) Rs 13 million have been projected for the acquisition of land for CP Stations in various regions.

(b) Rs 40 million have been projected for the acquisition of land for Main Regional Store & Pipe Yard for Hyderabad Region.

5.4 The petitioner's capitalization trend against this head has remained inconsistent. Moreover, the petitioner had also envisaged capitalization against the acquisition of land for CP stations in its earlier petitions; however, it could not execute the same. ***The Authority, therefore, does not allow any upfront amount at this stage. However, the petitioner is allowed to capitalize the projected amount against this head and claim the actualized amount at FRR stage.***

ii. Buildings

5.5 The petitioner has projected an amount of Rs. 47 million to be spent on different building projects & civil works including RCC Hall for Industrial, Analyzer Shelter / Rooms, Construction of Ist Floor of (Meas-Trans) Building at KT, CC Flooring of MPL structure/setup at CTS Bin Qasim, Construction of Boundary wall at KT stores Department, Construction of store yard at HQ 2, and Regional Office Building Nawabshah. The Authority observes that the petitioner's average capitalization during the last ten years remained at about Rs 100 million per year.

5.6 ***In view of the historical trend analysis, the Authority provisionally allows the projected amount of Rs. 47 million against this head.***

iii. Gas Transmission Pipelines

5.7 The petitioner has projected an amount of Rs. 6,266 million for addition of following pipelines to its indigenous gas related transmission network during the said year:

Table 8: Requested Additions to Normal Transmission Pipeline Network

		Rs. in Million
S. No	Description of Element	The Petition FY 2020-21
1	12" dia x 46 Km Pipeline from Rehman Field to Naing MVA	56
2	8" dia x 28 Kms Pipeline from Ayesha Gas Field	93
3	30" dia x 125 Km pipeline from SMS Sindh University to SMS Pakland (1st segment)	5,017
4	Upgradation of SMS Thatta	154
5	Check Metering Facility at Shahdadpur for Gambat South Field Gas Measurement (RS3)	275
6	Check Metering arrangements at Daru	22
7	12" dia x 344 Km QPL Rehabilitation and Intelligent Pigging	396
8	Construction of Sub-merge Crossings	166
9	24" dia x 34 Km loopline from Shikarpur to Jacobabad (leftover)	87
	Total	**6,266**

5.8 The petitioner has projected an amount of Rs 56 million for 12" dia x 46 Km Pipeline from Rehman Field to Naing MVA on Bajara Karachi Pipeline for receiving projected gas supply of 90 MMCFD. As per the petitioner, it has been receiving gas under existing EWT arrangements through producer's line, however, gas supply is expected to increase above 40 MMCFD for which a pipeline network will be required as existing setup cannot supply more than 40 MMCFD gas. The petitioner has added that pipeline construction activities are in progress and this project is expected to be completed by January, 2020 with an estimated capitalization amount of Rs 1,369 million, however, left over civil job would be completed in FY 2020-21 with an estimated amount of Rs 56 million.

5.9 The Authority notes that the said pipeline segment was required for connecting the gas supplies from indigenous field to SSGCL's transmission network, therefore the Authority vide its Determinations of ERR for FY 2018-19 and FY 2019-20 had approved this pipeline segment in principle. ***The petitioner is, hereby, allowed to carry out leftover civil works during the said year and claim actualized amount at FRR stage. The Authority, however, does not allow any upfront amount at this stage.***

5.10 The petitioner has projected an amount of Rs 93 million for 8" dia x 28 Kms Pipeline to integrate Ayesha Gas Field with Badin Gas Pipeline at Golarchi for receiving projected gas supply of 22 MMCFD. The petitioner has added that pipeline construction activities would be started after completion of land (ROW) acquisition process. The project is expected to be completed by June 2020 with an estimated capitalization amount of Rs 541 million, however left over mechanical and civil job would be completed in the said year with an estimated amount of Rs 93 million.

5.11 The Authority notes that since the said pipeline segment was required for connecting the gas supplies from indigenous field to SSGCL's transmission network, therefore the Authority had provisionally allowed this pipeline segment in its earlier determinations i.e. DERR FY 2018-19 and FY 2019-20. As per the petitioner, the pipeline construction activities would be commenced after completion of land acquisition process. ***Since the petitioner has not yet acquired land for the project, therefore the Authority does not allow any upfront amount at this stage. However, the petitioner is allowed to carry out the projected works and claim actualized amount at FRR stage.***

5.12 The petitioner has projected an amount of Rs. 5,017 million for laying 30" dia × 125 Km transmission pipeline from SMS Sindh University to SMS Pakland for transportation of indigenous gas from different gas fields to the load center i.e Karachi. The petitioner has stated that the increasing trend in gas supply volume from Naimat Basal, Kausar, Gambat South, KPD gas fields and after discontinuation of swapping arrangement in lieu of RLNG; gas volumes from Kadanwari, Miano, Latif and Sawan fields have to be transported through ILBP Transmission System. The petitioner has stated that existing pipeline capacity from POD-2 (Hyderabad) to POD-5 (Pakland, Karachi) is 468

MMSCFD whereas the gas that would be available from POD-2 to POD-5 in near future is around 715 MMSCFD, therefore there is a capacity constraint/bottleneck of 247 MMSCFD. The limited pipeline capacity in left bank transmission system is a bottleneck for additional gas volume, and would cause the curtailment of indigenous gas supply, hence laying of 30" dia × 125 Km transmission pipeline from Sindh University to SMS Pakland is required as it will increase the transmission network capacity upto 247 MMCFD. The project has been divided into two segments:

(i) 30" dia × 50 Km pipeline from SMS Sindh University to MVA RS-4

(ii) 30" dia × 66 Km pipeline from MVA RS-4 to MVA Pakland

The petitioner has added that the first segment is expected to be completed and commissioned by June 2020 with an estimated capitalization amounting Rs 3,350 million subject to availability of land for ROW, whereas the remaining second segment would be commissioned in the said year with estimated capitalization of Rs 5,017 million.

The Authority notes that it had already allowed the said pipeline segment in principle in its DERR FY 2017-18. Moreover, the Authority, had provisionally allowed certain amounts in its earlier determinations enabling the company to complete the said pipeline segment however, the petitioner could not execute the same. ***Keeping in view the above stated position as well as the importance of the project, the Authority, provisionally allows an amount of Rs 1,254 million (i.e. 25% of claimed amount) for the said year, which would be subject to actualization at FRR stage. The petitioner is however advised to expedite the said pipeline segment since as per its own position taken before the Authority, it is forced to swap indigenous gas with RLNG due to non-completion of this pipeline, hence it is incurring losses due to swapping arrangement/consumption of RLNG in its distribution system.***

5.13 The petitioner has projected an amount of Rs 154 million for Upgradation of SMS Thatta. The petitioner has stated that existing SMS set-up at Thatta is 30 years old, running on maximum capacity and will not be able to fulfill future load demands.

5.14 The Authority notes that it had provisionally allowed an amount of Rs 45 million in DERR FY 2018-19 for the said project, however, the petitioner has again projected an amount of Rs 154 million for the said year. Since the Authority has already approved the project in principle, therefore, the petitioner may execute the same and claim actualized amount at FRR stage. ***The Authority, however, does not allow any upfront amount at this stage.***

5.15 The petitioner has projected an amount of Rs 275 million for Check Metering Facility at Shahdadpur for Gambat South Field Gas Measurement (RS3); amount to Rs 22 million for Check Metering arrangements at Daru; amount of Rs 396 million for 12" dia × 344 Km QPL Rehabilitation and Intelligent Pigging; and amount of Rs 166 million for Construction of Submerge crossings.

5.16 The Authority in view of the operational requirement of the petitioner had already allowed certain amounts against these projects in its earlier determinations, however the petitioner could not execute the projects during the previous years. ***The Authority, therefore, does not allow any upfront amount at this stage, however, the petitioner is allowed to execute the projects, if manageable, and claim actualized amount at FRR stage.***

5.17 The petitioner has projected an amount of Rs 87 million for 24" dia × 34 Km Loop from Shikarpur to Jacobabad. The petitioner has stated that currently gas supply to Quetta city and surroundings is approximately 135-150 MMCFD from Bhit, Sui and other gas fields. However, the gas requirement trend in recent years shows that maximum gas requirement in Quetta city and surrounding areas, including the Habibullah Coastal and Quetta power during winters is around 200 MMCFD. The gas demand of Quetta and its surroundings is not being fulfilled due to the following bottlenecks: Maximum flow capacity of existing 18" dia. Pipeline is around 120 MMCFD. However, in order to meet theo demand, around 145 MMCFD gas is being transported this single line, the said pipeline is currently operating at its saturation capacity and additional gas throughput results in violation of pipeline design criteria in respect of gas velocity in the pipeline. In order to mitigate aforementioned bottleneck, the said projects have been proposed.

5.18 The Authority notes that it had already allowed the said pipeline, in principle, vide its determinations of ERR FY 2016-17 and FY 2017-18. The petitioner has claimed an amount of Rs 87 million for leftover activities against this project. ***The Authority,***

keeping in view the above stated position allows the requisite amount of Rs 87 million against this head for the said year.

5.19 ***In view of the discussion at paras 5.8 to 5.18 above, the Authority provisionally allows an expenditure of Rs 1,341 million for addition in Normal Transmission Network, the detail of which is as under:***

Table 9: Additions to Normal Transmission Network as Determined by the Authority

			Rs. in Million
S. No	Description Of Segment	The Petition	Determined by the Authority
		FY 2020-21	
1	12" dia x 46 Km Pipeline from Rehman Field to Naing MVA	56	0
2	8" dia x 28 Kms Pipeline from Ayesha Gas Field	93	0
3	30" dia x 125 Km pipeline from SMS Sindh University to SMS Pakland (1st segment)	5,017	1,254
4	Upgradation of SMS Thatta	154	0
5	Check Metering Facility at Shahdadpur for Gambat South Field Gas Measurement (RS3)	275	0
6	Check Metering arrangements at Daru	22	0
7	12" dia x 344 Km QPL Rehabilitation and Intelligent Pigging	396	0
8	Construction of Sub-merge Crossings	166	0
9	24" dia x 34 Km loopline from Shikarpur to Jacobabad (leftover)	87	87
	Total	6,266	1,341

5.20 The petitioner has claimed an amount of Rs 1,131 million to be capitalized on Pipeline Infrastructure Development Projects (PIDP) for RLNG, the detail of which is as under:

Table 10: Requested Additions to RLNG Related Transmission Pipeline Network

		Rs. in Million
S. No	Description Of Segment	The Petition FY 2020-21
1	Tie-in and integration arrangement from tie-in point 2 to Pakland and Bin Qasim (Ph-1)	833
2	42" dia x 342 Km (Phase-II) from Pakland to Nara (Leftover)	255
3	30" dia x 17 Km from CTS Bin Qasim to MVA Pakland	43
	Total	1,131

5.21 The petitioner has projected an amount of Rs 833 million for installation of Tie-in and integration arrangement from tie-in point 2 to Pakland. The petitioner has stated that this is a remaining work of Phase-I of PIDP, already approved by the Authority.

5.22 The Authority notes that petitioner in its earlier determinations had stated that "Tie-in and integration arrangement from tie-in point 2 to Pakland" is a part of phase-1 of its

PIDP for upcoming LNG & anticipated indigenous gas supplies and consists of (i) check metering skid (Ultrasonic) installation for RLNG-1 at tie-in Custody Transfer Station (CTS) Bin Qasim, valves and fittings for off take at CTS and inlet headers for petitioner's LNG terminal (ii) Necessary integration arrangement for RLNG-1 at existing transmission pipeline network with 42" dia ×17 Km RLNG pipeline header Pakland as per scope of work explained in LNG service agreement".

5.23 ***The Authority notes that this is a remaining activity of already commissioned Phase-I of the RLNG Infrastructure Development Project and the Authority had allowed certain amounts against this head in its earlier determinations, however, the petitioner could not capitalize the same. The Authority, therefore, does not allow any upfront amount at this stage. The petitioner may however, carry out the activities against this head and claim capitalization at FRR stage subject to actualization.***

5.24 The petitioner has projected an amount of Rs 255 million for leftover works of 42" × 342 Km RLNG Pipeline for Phase-II of RLNG Infrastructure Development Project. The Authority notes that this is a leftover work of already commissioned Phase-II of the RLNG Project. ***Since the Authority had already approved the project in principle, therefore, the Authority does not allow any upfront amount at this stage, however, the petitioner may carry out the leftover activity against this head and claim capitalization at FRR stage subject to actualization.***

5.25 The petitioner has projected an amount of Rs 43 million for leftover works of 30" × 17 Km RLNG Pipeline from CTS Bin Qasim to MVA Pakland. The petitioner has stated that the proposed pipeline is expected to be commissioned in June 2020 with an estimated capitalization amount of Rs 2,169 million and the remaining leftover job will be completed in FY 2020-21 with an estimated capitalization amount of Rs 43 million.

5.26 The Authority notes that it is leftover work of the SSGCL's project for laying of 30" dia × 17 Km Transmission Pipeline from CTS Bin Qasim to Pakland, which was already approved by the Authority on April 03, 2019 under Rule 20(xviii) of the NGRA (Licensing) Rules, 2002. ***The Authority allows the petitioner to carry out the leftover activity against this head during the said year and claim capitalization at FRR stage subject to actualization. However, the Authority does not allow any upfront amount at this stage.***

5.27 ***In view of the discussion at paras 5.21 to 5.26 above, the Authority does not allow any upfront amount against pipeline segments related to RLNG Project at this stage.***

iv. Compressors

5.28 The petitioner has projected Rs. 2,461 million under this head for the said year, the detail of which is as under:

Table 11: Requested Additions to Normal Compressors

Sr. No.	Name / Description of Project	The Petition FY 2020-21
1	New Compressor Unit at Shikarpur to Jacobabad for QPL	1969
2	35 K Overhaul of DR-990 Gas Turbine Engine S/No. 626-201-006-Shikarpur Compressor	420
3	Replacement of Station & Units Valves	60
4	Repair of fuel control valve AGV-10 at original equipment manufacturer facility-Sweden	10
5	Air Dryer - Sibbi Compressor	2
	Total	2,461

The petitioner has furnished the following justifications for the above said expenditures:

<u>New Compressor at Shikarpur to Jacobabad for QPL at estimated cost of Rs. 1,969 million:</u>

(i) The petitioner has stated that in order to remove bottlenecks in gas supply infrastructure for supply of gas to Quetta and en-route areas, 01 No. compressor Unit for Shikarpur is under procurement and expected to be installed and commissioned in September, 2020 with estimated capitalization of Rs 1,969 million.

(ii) The Authority notes that the honorable High Court of Balochistan in its decision dated 07.03.2016 on CP No. 1229/2015 titled 'Ali Ahmed Kurd and others Vs FoP etc' had directed as under:

> "Since low pressure of gas is the main problem in Balochistan, therefore, the Managing Director, SSGC is directed to immediately take steps for up-gradation of the transmission line accordingly. This matter must be placed before the Board of Directors in its forthcoming meeting for up-gradation of the transmission line. All the stakeholders including OGRA should give top priority to this project."

(iii) ***Since the Authority in its earlier determinations had already approved the Quetta Pipeline Capacity Enhancement Project in principle, therefore the Authority allows an upfront amount of Rs 492 million (25% of the claimed amount) at this stage,***

however, the petitioner may install the said Compressor Unit and claim the capitalized amount at FRR stage subject to actualization.

Overhaul of DR-990 Gas Turbine Engine; Replacement of Station & Unit Valves; Repair of fuel control Valve; and Air Dryer:

(iv) The petitioner has projected an amount of Rs 420 million for Overhauling of DR-990 Gas Turbine Engine; Rs 60 million for Replacement of Station & Unit Valves; Rs 10 million for Repair of Fuel Control Valve; and Rs 2 million for Air Dryer.

(v) The Authority notes that overhauling of Gas Turbine Engines, Replacement/Repair of leaking and old valves, and Air Dryer for Dry Seal Gas System are operational requirements, therefore, the Authority allows the petitioner to carry out the activities during the said year and claim actualized amount at FRR stage. ***The Authority, however, provisionally allows an amount of Rs 123 million (25% of claimed amount) at this stage.***

5.29 ***Keeping in view the discussion at para 5.28 above, the Authority provisionally allows an amount of Rs. 615 million under this head as per following details:***

Table 12: Additions to Compressors as Determined by the Authority

			Rs. in Million
S.No.	Description Of Segment	[illegible] The Petition	The Petition Determined by the Authority
1	No. New Compressor Unit at Shikarpur to Jacobabad for QPL	1969	492
2	32 K Overhaul of DR-990 Gas Turbine Engine S/No. 626-201-006	420	105
3	Replacement of Station & Units Valves	60	15
4	Repair of fuel control valve AGV-10 at original equipment manufacturer facility-Sweden	10	3
5	Air Dryer	2	1
	Total	2,461	615

5.30 The petitioner has projected an amount of Rs 508 million for various projects related to RLNG Project, as per details given in Table 13 below. Since the Authority, has already approved the RLNG Pipeline Projects in principle, therefore, it allows the petitioner to carry out the said activities during the said year and claim actualized amount at FRR stage. ***The Authority however, does not allow any upfront amount at this stage.***

Table 13: Requested Additions to RLNG Related Compressors

Rs. Million

Sr. No.	Description of Project	[illegible] 2020-21
1	30 K Overhaul of Solar T-60 Gas Turbine Engine installed at RLNG HQ-2 Compressors station.	300
2	Additonal 06 Compressor units & extension of facility at Nawabshah (Total 30,000 HP) (leftover work-building executive mess).	130
3	Refurbishment of Solar Taurus T-60 Compressor Rotor / Bundle	60
4	Refurbishment of Dry gas Seal Cartradges for Solar T-60 gas compressor installed at RLNG HQ-2 Compressor station	18
	Total	[illegible]

v. Plant and Machinery

5.31 The petitioner has projected an amount of Rs 457 million on account of Plant and Machinery for the said year. Major Plants and Equipments envisaged to be procured during the said year include Mobile cranes, Elevators, Fork lifters, Dewatering pumps, Air compressors, drilling machines, Welding plants, Transformer rectifiers, Gas leak detectors, Electrocution machines, Odorizer units, Gas chromatographs, Flow computers, Dead weight testers, Calibrators, Generators, and Solar Penals, etc.

5.32 The Authority observes that projections under this head have historically remained on higher side when compared with actual expenditure at year end e.g. historical trend analysis shows that the petitioner had capitalized an average amount of Rs 212 million per year during the period FY 2006-07 to FY 2017-18. ***In view of the historical trend analysis the Authority allows the petitioner to capitalize an amount of Rs. 212 million against this head for the said year.***

vi. Gas Distribution System

5.33 The petitioner has projected an amount of Rs. 13,229 million for gas distribution system and related facilities & equipments.

Table 14: Requested Additions to Distribution Network

		Rs. in Million
S. No.	Description Of Segment	The Petition FY 2020-21
1	Rehabilitation Mains and Services including Segmentation-UFG Control Program	1,796
2	Laying Of Distribution Mains including services -Existing Areas and DDC	2,308
3	Installation of New Connections (meters)	1,335
4	Replacement/ Repair of Gas Meters	3,666
5	Modems, Installation of EVCs, Filter Separators	199
6	Construction of CMSs,TBSs,TRSs and Cathodic Protection	155
7	New Towns	1,127
	Sub-total	***10,586***
	Major Distribution Projects	
8	20" dia x 7 Km Distribution Main from Desalination Plant to Dolmen Mall	346
9	12" dia x 5Km Old city Area Augmentation	122
10	20" dia x 1.5 Kms Interlink of Shershah Main & SITE Gas Turbine Main	88
11	Reinf. Work at Quetta Mid City Area 16" dia. Loop Line	355
12	Reinf. Work at Sibi Road via Main Ghundi Link Road upto Mastung Road.	233
	Sub-total	***1,143***
13	Smart Metering / GCV / V3 Index	1,500
	Total Gas Distribution System	**13,229**

5.34 The petitioner has projected an amount of Rs 1,796 million for Rehabilitation Mains & Services including Segmentation under UFG Control Program. The petitioner has projected to Capitalize Rs. 1,438 million for Rehabilitation of 279 Km mains, Rs. 249 million for Rehabilitation of 189 Kms services and Rs. 109 million for Segmentation. The petitioner has taken per Km cost of Rs. 5.16 million for Rehabilitation-Mains against actual Per Km cost of Rs. 4.34 million for FY 2017-18. Moreover, the petitioner has taken per Km cost of Rs. 1.32 million for Rehabilitation-services against actual per Km cost of Rs. 2.13 million for FY 2017-18. The petitioner has added that decrease in per unit cost of Rehabilitation Services is due to shift of pipe cost from PVC to Plastic.

5.35 The Authority notes that the petitioner's UFG has an increasing trend since last several years and it is increasingly important to enhance UFG control activities. Average capitalization against this head during last five years was Rs. 552 million. ***Since Rehabilitation of Mains and Services including Segmentation is a UFG control activity, therefore the Authority allows the petitioner to execute the Rehabilitation and segmentation activities as per its plans / projections and claim actualized amount at FRR stage. However, the Authority, based on historical trend allows an upfront amount of Rs. 552 million (Average of last 5 years) at this stage.***

5.36 The petitioner has projected Rs. 2,308 million for laying of Distribution Mains including services in existing areas for the said year. Average capitalization against this head during the last 5 years was Rs 1,025 million. ***The Authority, based on historical trend, provisionally allows an amount of Rs 1,025 million against this head for the said year.***

5.37 The petitioner has projected Rs. 1,335 million for installation of 144,371 Nos. new connections (meters) in Karachi, Sindh and Balochistan regions for the said year. Historical data shows that the petitioner had installed on an average 89,777 Nos. connections/year during the last 5 years. Average capitalization against this head during the last 5 years was 703 million. The petitioner had installed 89,398 Nos connections with capitalization of Rs 478 million (i.e. Per Unit Cost of Rs 5,347) during FY 2017-18. The petitioner has assumed exorbitant Per Unit Cost of Rs 9,247 for its projections for the said year. Historical data shows that Per unit cost in FY 2017-18 was Rs 5,347 million.

5.38 ***Keeping in view the above, the Authority provisionally allows capitalization amounting Rs 772 million for installation of 144,371 Nos. meters (@ Per Unit cost of Rs 5,347) against this head for the said year.*** The petitioner is also directed to strictly comply with the decision of Supreme Court of Pakistan dated March 01 2018, in Human Rights Case No. 6465-G of 2017, relating to provision of new gas connection on turn-merit basis in a fair, equitable and non-discriminatory manner keeping in view its capacity to undertake and complete the said jobs as well as availability of gas. The Authority reiterates here that connections must be provided uniformly across its area of operation based on transparent set criteria for all regions and keeping in view the pendency in each region. Actual expenditure in this respect shall be assessed accordingly for allowance at the time of FRR.

5.39 The petitioner has projected Rs. 3,666 million for replacement of 726,766 Nos. gas meters in Karachi, Sindh and Balochistan regions for the said year. Historical data shows that at an average 217,528 Nos. meters/year were replaced by the company during the last five years. Moreover, average capitalization against this head during the last 5 years was 1,838 million. Furthermore, replacement of old/defective meters is essentially required for reduction of UFG.

5.40 ***The Authority, keeping in view the above, provisionally allows capitalization amounting Rs 1,838 million (average of last 5 years) against this head for the said year, subject to actualization at FRR stage.***

5.41 The petitioner has projected an amount of Rs 199 million for installation of Modems, Installation of EVCs and Filter Separators. The petitioner has stated that these are required for better vigilance of Metering Systems under UFG Control Activity. ***Since it is a UFG control activity, therefore, the Authority provisionally allows an upfront amount of Rs 50 million (i.e. 25% of projected amount) under this head at this stage.***

5.42 The petitioner has projected an amount of Rs 155 million for construction of CMSs, TBSs, TRSs and CP Stations. Average capitalization against this head during the last 5 years was 104 million. ***The Authority in view of the historical trend, provisionally allows an amount of Rs 104 million under this head at this stage.***

5.43 The petitioner has projected Rs. 1,127 million for extension in distribution network in order to supply gas to new towns & villages during the said year. Average capitalization against this head during the last 5 years was Rs 510 million. The petitioner has informed that the required funds (over & above cost criteria share) are to be received from the Federal Government as a Grant and the petitioner will also invest its own resources (within cost criteria share) accordingly. The petitioner has stated that all the schemes projected in the petition relate to 5- Km Radius Case (i.e. Gas Producing Districts). The petitioner has also added that moratorium on domestic gas development schemes has been lifted and communicated by the Ministry of Energy (Petroleum Division) vide letter No.NG(D)-16(91)/16-IMP dated 02-05-2017.

5.44 The petitioner has projected to capitalize Rs 425 million (within cost criteria share) from its own resources and the remaining funds amounting Rs 702 million have been projected to be received form Federal Government as grant. The Authority based on the details and justification furnished by the petitioner provisionally allows an upfront amount of Rs 425 million (within cost criteria share) for the said year subject to the condition that the Company shall comply with the prevalent policies of the Federal Government and the relevant court decisions on the matter.

5.45 The petitioner has projected to capitalize Rs. 346 million for 20-inch dia. x 7 Km distribution Main from Desalination Plant to Dolmen Mall. The petitioner has informed that the project is planned to loop 20″ dia. Desalination main with 12″ dia. Feeder main of TBS-Dolmen Mall to cope upcoming & existing increased load of DHA and Clifton. The petitioner has also projected to capitalize Rs. 122 million for 12-inch dia. x 5 Km old city Area Augmentation. The petitioner has stated that in order to resolve the extreme low gas pressure problem in Garden West, Lyari & Kharadar areas the subject reinforcement is being proposed to interlink the existing 12″ dia. HP main at Mazar e Quaid (link of Karachi main at Hassan square) and 8″ dia. HP main existing at Dhobi Ghat (link of Karachi main at Maripur).

5.46 The Authority notes that in its earlier determinations, it had already allowed the said pipeline segments in principle, however, the petitioner could not execute the same during the previous years. ***The Authority, therefore, allows the petitioner to execute the projects i.e. 20" dia x 7 Km Distribution Main from Desalination Plant to Dolmen Mall and 12" dia x 5Km Old City Area Augmentation during the said year and claim actualized amount at FRR stage. However, the Authority does not allow any upfront amount at this stage.***

5.47 The petitioner has projected to capitalize Rs. 88 million for 20-inch dia. x 1.5 Km Interlink of Shershah Main & SITE Gas Turbine Main. The petitioner has stated that at present a major industrial of SITE is being fed from intermingle gas of SMS-KT & SMS-ACPL-20″. This project is planned to avoid the intermingling of gas and maintain balance of load in the area. The petitioner has further stated that there are about 1,200 Industrial Customers in SITE area, being fed through interconnected network of SMS-KT & SMS-ACPL-20″ receiving intermingled gas. After execution of the project about 700 customers would be separated from the interconnected network and would receive unmixed gas from SMS-ACPL-20″. The petitioner further informed that by shifting the said load, the balance capacity would then be utilized in Central region through Karachi main & South City Main and the foremost benefit of the project is to avoid comingling of gas, correct measurement of region's purchase, balance of load on each SMS and application of correct GCV on the customers in SITE area.

5.48 ***Keeping in view the justification furnished by the petitioner, the Authority, allows the project in principle. Moreover, the Authority allows an upfront amount of Rs 44 million (50% of projected amount) at this stage.***

5.49 The Petitioner has projected to capitalize Rs. 355 million for Reinforcement Work at Quetta Mid City Area 16" dia. Loop Line. The Petitioner has stated that during severe frigid weather, the mid-city areas are affected by low pressure as the existing gas mains have become undersized due to increased population. Therefore, proposal has been made for the enhancement of mains to the downtown of Quetta city, which is thickly populated area and nearly 45,000 customers are facilitated with gas supply at 35-40 PSIG as TBS are located nearly 7 Km away. The Petitioner has also stated that the said project has been designed to lay 16" dia. mains high pressure line from TBS Taj Complex - Gawalmandi Chowk - Meezan Chowk - Café China - TBS Ufone - CM House - Civil Hospital - Science College - Imdad Chowk - Barech Market, enabling SSGCL to provide the gas facility to the customers at 12-15 PSIG on the other hand it will provide uninterrupted gas supply to the customers thus minimizing their complaints and UFG. The Petitioner has also informed that En-route to this pipeline four new TBSs have been designed in mid-city areas namely; children hospital, science college, Lady Defferin Hospital, and Gawalmandi police station. Further, four (04) PRSs are also required. The Petitioner has also informed that the said project is also designed to connect elite customers such as Governor House, CM House, Civil Secretariat, High Court, Civil Hospital etc.

5.50 ***Keeping in view the justification furnished by the petitioner, the Authority, allows the project in principle. Moreover, the Authority allows an upfront amount of Rs 178 million (50% of projected amount) at this stage.***

5.51 The Petitioner has projected to capitalize Rs. 233 million for Reinforcement Work at Sibi Road via Main Ghundi Link Road upto Mastung Road. The Petitioner has stated that presently they have connected Mastung - Kalat line at 18" dia. HCPC, to meet the requirement of gas supply this connected line is operating at high pressures and consequently HCPC supply is disturbed due to drop in pressure in winter season. The Petitioner has further stated that due to high differential pressure, the system (Mastung- Kalat) is running at low pressure in comparison to the existing.

5.52 ***Keeping in view the justification furnished by the petitioner, the Authority allows the project in principle. Moreover, the Authority allows an upfront amount of Rs 58 million (25% of projected amount) at this stage.***

5.53 ***In view of above, addition to Gas Distribution System is provisionally allowed at Rs. 5,421 million for the said year, as tabulated below;***

Table 15: Additions to Distribution Network as Determined by the Authority

			Rs. in Million
S.No	**Description**	**The Petition**	**Determined by the Authority**
		FY 2020-21	
1	Rehabilitation Mains and Services including Segmentation-UFG Control Program	1,796	552
2	Laying Of Distribution Mains including services -Existing Areas and DDC	2,308	1025
3	Installation of New Connections (meters)	1,335	772
4	Replacement/ Repair of Gas Meters	3,666	1838
5	Modems, Installation of EVCs, Filter Separators	199	50
6	Construction of CMSs,TBSs,TRSs and Cathodic Protection	155	104
7	New Towns	1,127	425
	Sub-total	***10,586***	***4,766***
	Major Distribution Projects		
8	20" dia x 7 Km Distribution Main from Desalination Plant to Dolmen Mall	346	0
9	12" dia x 5Km Old city Area Augmentation	122	0
10	20" dia x 1.5 Kms Interlink of Shershah Main & SITE Gas Turbine Main	88	44
11	Reinf. Work at Quetta Mid City Area 16" dia. Loop Line	355	178
12	Reinf. Work at Sibi Road via Main Ghundi Link Road upto Mastung Road.	233	58
	Sub-total	***1,143***	***280***
13	Smart Metering / GCV / V3 Index	1,500	375
	Total Gas Distribution System	**13,229**	**5,421**

vii. **Furniture; Security & Office Equipment's; and Computer & Allied Equipment's**

5.54 The petitioner has projected Rs. 439 million in respect of furniture, security equipments, office equipments and computers & allied equipments for the said year.

5.55 Major components of capitalization include Computers and Allied equipments (Rs 269 million), Office equipments (Rs 115 million), Furniture (Rs 19 million), and Security equipments (Rs 35 million). The petitioner on an average has capitalized an amount of Rs 136 million/year during the period FY 2006-07 to FY 2017-18.

5.56 ***In view of the historical trend the Authority provisionally allows an amount of Rs. 136 million under the said head.***

viii. **Computer Software (Intangible)**

5.57 The petitioner has projected Rs. 224 million for procurement of various softwares during the said year. Major softwares envisaged to be procured during the said year include

CC&B Additional End User Customer Licenses (Rs 20 million), CC&B Upgrade (Rs 29 million), Microsoft Exchange Mail Server (Rs 100 million), Various software compliances (Rs 10 million), and IT Service Management Solution (Rs 60 million). The petitioner has capitalized an average amount of Rs 36 million/year during the last 10 years i.e. FY 2008-09 to FY 2017-18.

5.58 ***Keeping in view the historical trend analysis, the Authority provisionally allows an amount of Rs 36 million for the said year.***

ix. **LPG Air-Mix Projects**

5.59 The petitioner has projected an amount of Rs. 17 million to be capitalized on LPG Air-Mix Plants at various locations which include Gwadar (Rs 2.8 million), Noshki (Rs 2.7 million), Surab (Rs 4.3 million), Kot Ghulam Muhammad (Rs 4.5 million), Awaran (Rs 1.5 million), and Bela (Rs 0.8 million). As per the petitioner, the licenses for Gwadar, Noshki, Surab, KGM, and Awaran are active i.e. LPG Air Mix Plants at these locations are commissioned / operational, however, license for construction of LPG Air Mix Plant at Bela has expired, and moreover CIE license for the said site is pending.

5.60 ***Since the petitioner has active/valid licenses for Gwadar, Noshki, Surab, Kot Ghulam Muhammad and Awaran only, therefore, the Authority allows an upfront amount of Rs 16 million for the said plants for the said year.***

x. **Telecommunication System**

5.61 The petitioner has projected Rs 119 million for procurement of telecommunications equipment including Replacement of guyed towers with self-support tower at Tharri Mohabat (55 million), Telecom links RS-2-RS-NARA-RS-Kadanwari (35 million), Reporting server for SCADA system (15 million), 300 ft Self-Support Tower at RS-4 (10 million). Average capitalization during the last 12 years i.e. FY 2006-07 to FY 2017-18 was Rs 61 million / year.

5.62 ***In view of the historical trend, the Authority provisionally allows an amount of Rs 61 million in the said head.***

xi. **Appliances, Loose Tools & Equipments**

5.63 The petitioner has projected an amount of Rs. 274 million for procurement of different tools and equipment including Gas Leak Detector (Rs 105 million), Control Valves (Rs

29 million), Prover for Domestic / Commercial Meter (Rs 50 million), Pipeline Locator (Rs 11 million), Digital pressure gauge (Rs 6 million), Plunger Bar (Rs 7 million), and Holiday detectors (Rs 4 million) etc. Average amount capitalized during last 11 years i.e. FY 2007-08 to FY 2017-18 in this head was Rs 28 million/year.

5.64 ***Keeping in view the historical trend analysis, the Authority provisionally allows an amount of Rs 28 million in the said head for the said year.***

xii. Vehicles

5.65 The petitioner has projected an amount of Rs. 395 million under this head for procurement of 203 Nos. Operational vehicles (67 Nos Additional + 136 Nos old) and 47 Nos. Non-Operation Vehicles (29 Nos. Additional + 18 Nos. Replacement).

5.66 As per the historical trend, the petitioner has capitalized an average amount of Rs 219 million per year during the last 12 years. ***The Authority, in view of the historical trend analysis, allows an amount of Rs. 219 million under this head for the said year.***

xiii. Construction Equipment and Vehicles

5.67 The petitioner has projected an amount of Rs. 434 million under this head for procurement of different construction equipments including Pipe Layer (Rs 270 million), Excavator (Rs 120 million), Hydrostatic Pressurizing Pump (Rs 30 million), Hydrostatic Jack Hammer/Breaker Attachment for Hyundai Excavators (Rs 14 million).

5.68 The petitioner had capitalized an average amount of Rs 44 million per year during the last 12 years. ***Keeping in view the historical trend analysis, the Authority provisionally allows an amount of Rs 44 Million in this head.***

xiv. Fixed Assets Determined by the Authority

5.69 The value of additions in assets requested by the petitioner and provisionally determined by the Authority for the said year, is as under:

Table 16: Summary of Asset Additions Determined by the Authority

Rs. in Million

[illegible]	[illegible]		[illegible]	
	[illegible]	[illegible]	[illegible]	[illegible]
Land	53	0	0	0
Buildings	47	0	47	0
Gas transmission pipeline	6,266	1,131	1,341	0
Compressors	2,461	508	615	0
Plant and machinery	457	0	212	0
Gas distribution system, related facilities and equipments	13,230	0	5,421	0
Furniture, equipments including computers and allied equipments	439	0	136	0
Computer software (Intangible)	224	0	36	0
LPG Air Mix Projects	17	0	16	0
Telecommunication system	119	0	61	0
Appliances, loose tools and equipment	274	0	28	0
Vehicles	395	0	219	0
Construction equipment	434	0	44	0
Assets related to Gas Activities	[illegible]	1,639	8,176	0

5.70 ***The Authority, after due diligence and detailed analysis of petitioner's submissions, determines gross additions in fixed assets at Rs. 8,176 million in this head for the said year; and disallows an amount of Rs. 16,239 million for the said year. Accordingly, depreciation is adjusted to Rs. 6,847 million on assets for the said year. The petitioner is advised to project realistic figures in the petition since these have impact on gas consumer price.***

5.71 ***The Authority decides to allow ROA Rs. 6,893 million @ at 17.43% on average fixed operating assets (instead of 19.64% demanded by the petitioner) as determined by the Authority under new tariff regime i.e. 17.43% as applicable.***

5.72 ***Further, the Authority disallowed addition in fixed assets Rs. 1,639 million related to RLNG projects; accordingly depreciation on this amount has been excluded; whereas remaining depreciation on RLNG's assets Rs. 1,595 million charged to RLNG for the said year which is to be ring fenced and recovered from RLNG consumers only.***

Impact of Assets Disallowances FY 2020-21

Rs. in Million

Description	The Petition		Determined by the Authority	
	Natural Gas Assets	RLNG Assets	Natural Gas Assets	RLNG Assets
Addition in Asset	24,415	1,639	8,176	-
Depreciation	7,303	1,646	6,847	1,595
ROA	9,257	5,896	6,893	5,096

6. Operating Revenues

6.1 Sales Volume

6.1.1 The petitioner has projected a 4.5% increase (143,192) in the number of consumers. The consumers are projected to increase from 3,187,865 reported in RERR for FY 2019-20 to 3,331,057 during the said year, as follows:

Table 17: Comparison of Projected Number of Consumers with Previous Years

Category	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Growth over RERR FY 2019-20	
	Actual	RERR	RERR	DERR		%
Domestic	2,886,222	3,042,093	3,159,828	3,302,850	143,022	4.5
Industrial	4,207	4,282	4,319	4,349	30	0.7
Commercial	22,695	23,673	23,718	23,858	140	0.6
Total	**2,913,124**	**3,070,048**	**3,187,865**	**3,331,057**	143,192	4.5

6.1.2 Sales volume has been projected at 359,812 BBTU for the said year. Category-wise comparison with previous years has been provided as under:

Table 18: Comparison of Projected Sales Volume with Previous Years

Volume in MMBTU

Category	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc. / (Dec.) over RERR FY 2019-20	
	FRR	RERR	RERR	The Petition		%
Cement	415	248	390	233	(157)	(40)
Industrial-(zero rated)	-	-	27,087	18,785	(8,302)	(31)
Fertilizer - feed stock	19,846	17,677	19,822	17,377	(2,445)	(12)
Nooriabad Power Plant	3,356	7,041	7,256	6,466	(790)	(11)
HCPC	7,426	6,321	6,854	6,248	(606)	(9)
Power	57,017	58,521	50,922	47,593	(3,329)	(7)
Commercial	10,528	10,463	10,721	10,122	(599)	(6)
Captive Power-(zero rated)	-	-	42,187	39,805	(2,382)	(6)
CNG Stations	24,852	26,010	25,524	24,201	(1,323)	(5)
Domestic	100,455	103,355	106,503	101,765	(4,738)	(4)
General Industries	61,114	59,792	36,034	42,657	6,623	18
Captive Power	78,567	71,409	29,368	44,561	15,193	52
Total	**363,575**	**360,837**	**362,668**	**359,812**	**(2,856)**	**(1)**

6.1.3 The petitioner has projected an overall reduction in sales volume, except in General industries and Captive power, despite the increased availability of gas 359,812 MMBTU during FY 2020-21 as compared to FY 2019-20 estimated 362,668 MMBTU; based on socio-economic projections of the country.

6.1.4 ***The Authority, in view of the above, accepts the petitioner's sales volume projections at 359,812 MMBTU.***

6.2 Sales Revenue at Existing Prescribed Prices

6.2.1 The petitioner has projected to increase sales revenues at the existing prescribed price by 4% over FY 2019-20 to Rs. 286,476 million for the said year. Category-wise comparison of sales revenue is given below:

Table 19: Comparison of Projected Sales Revenue with Previous Years

Rs. In Million

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc. / (Dec.) over RERR for FY 2019-20	
Particulars	FRR	RERR	RERR	The Petition		%
Cement	285	231	484	287	- 197	(41)
Industrial-(zero rated)	-	-	20,672	14,235	- 6,437	(31)
Nooriabad Power Plant	1,623	4,305	5,803	5,137	- 666	(11)
Habibullah Coastal Power	3,344	3,865	5,482	4,963	- 518	(9)
Power	23,691	35,777	40,726	37,809	- 2,917	(7)
CNG Stations	15,074	21,383	31,797	29,954	- 1,843	(6)
Captive Power-(zero rated)	-	-	32,195	30,164	- 2,031	(6)
Commercial	6,314	7,324	13,035	12,228	- 806	(6)
Domestic	18,245	48,553	50,348	52,583	2,235	4
General Industries	29,256	36,554	35,736	42,023	6,288	18
Fertilizer - Feedstock	2,449	2,757	9,955	13,193	3,237	33
Captive Power	41,759	51,262	29,121	43,899	14,778	51
Total Sales Revenues	**142,040**	**212,009**	**275,353**	**286,476**	11,123	4

6.2.2 The petitioner has explained that gas sales revenue is based on prescribed's prices, as per notification dated December 11, 2019, based on the projected volume for the said year.

6.2.3 The Authority, however, observes that the petitioner has worked out the net sale at the current prescribed price determined by the Authority per RERR for FY 2019-20. ***Accordingly, the Authority, considering the applicable natural gas tariff, re-adjusted the category-wise prescribed prices to the level of sales prices. Accordingly, the Authority provisionally determines net sale at the category-wise***

prescribed price at Rs. 276,768 million as against Rs. 286,476 million by the petitioner for the said year.

6.3 Other Operating Income

i. *Summary*

6.3.1 The petitioner has projected other operating income at Rs. 6,527 million for the said year. Comparison with previous years is given below:

Table 20: Comparison of Projected Other Operating Income with Previous Years

Rs. in million

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc./(Dec.) over RERR for FY 2019-20	
	FRR	RERR	RERR	The Petition	Rs.	%
Sale of LPG	2,412	1,066	1,066	962	(105)	(10)
Sale of NGL		177	177	555	378	213
Sale of Gas condensate	437	20	20	(11)	(31)	(152)
Meter Manufacturing Plants Profit	(58)	13	11	29	17	153
Late Payment Surcharge	1,096	3,353	3,353	1,248	(2,105)	(63)
Notional income on IAS provision	318	360	-	-	-	#DIV/0!
Meter rentals	756	792	820	855	35	4
Amortization of deferred credits	552	432	473	530	56	12
Other income	1,525	557	1,664	2,360	695	42
RLNG transportation Income		-		-	-	-
Operating Revenue	**7,039**	**6,770**	**7,586**	**6,527**	**(1,058)**	**(14)**

ii. *Meter Manufacturing Profit (MMP), Late Payment Surcharge (LPS), Sale of Gas Condensate, LPG and NGL*

6.3.2 The petitioner has explained that the new tariff regime for the regulated natural gas sector has been implemented effective July 01, 2018, for the treatment of various incomes as operating/non-operating. Accordingly, the petitioner has submitted that revenues from LPS (Rs. 1,248 million), MMP (Rs. 29 million), NGL (Rs. 555 million) have been taken at 50% as operating income in line with the new tariff regime.

6.3.3 The Authority showed concern on the projection of losses on gas condensate operations by Rs. 11 million, thereby depressing the petitioner's revenue of the year. The Authority directed the petitioner to file a detailed report regarding steps being taken to put the gas condensate operation back into profit.

6.3.4 ***Because of the above justifications, the Authority decides to determine income from LPG, NGL provisionally, and condensate at the level of RERR FY 2018-19,***

i.e., 50% share of the petitioner's projected incomes in accordance with the new tariff regime.

6.3.5 The Authority observes that the petitioner has excluded RLNG transportation income from the said year since the same has been ring-fenced and is being directly recovered from RLNG consumers. The petitioner also has ring-fenced RLNG assets along with its expenses. The treatment is in line with the RLNG pricing framework put in place by the Federal Government through the issuance of policy guidelines in this respect.

6.3.6 ***The Authority provisionally decides to include Rs. 6,527 million as operating income for the said year.***

iii. Other Income

6.3.7 The petitioner has projected other income at Rs. 2,360 million for the said year. Comparison with previous years is given below:

Table 21:Comparison of Projected Other Income with Previous Years

Rs. in million

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Inc. / (Dec.) over RERR of FY 2019-20	
	FRR	RERR	RERR	The Petition	RS.	%
Recoveries from consumers	100	89	98	98	-	-
Interest income from KESC/WAPDA			-	225	225	100
Interest income and Other from SNGPL	561		-	1,135	1,135	100
Profit on sale of fix assets	23					
Income from sale of tender documents	8	5	6	6	-	-
Income from pipeline construction	14	-	14	14	-	-
Income from new service connections	702	312	774	762	(12)	(2)
Liquidated damages recovered	38	8	70	70	-	-
Others	23	20	20	20	1	3
Advertising Income	-	3	1	1	-	-
Income from sale of net investment in finance lease	57	120	36	30	(6)	(17)
Notional income on IAS 19 provision	318	359	645	-	(645)	(100)
Total Other Operating Income	**1,843**	**917**	**1,664**	**2,360**	**695**	**42**

6.3.8 The Authority observes that the petitioner has treated "Notional Income on IAS-19" as non-operating without citing any justification. The Authority, per its principle decision taken in FRR-FY 2016-17 & RERR FY 2018-19, decides to determine notional income on IAS-19 as operating income. The Authority computes/provisionally determined notional income Rs. 575 million for the said year.

6.3.9 ***Accordingly, the Authority provisionally determines "other income" at Rs. 2,935 million for the said year.***

6.3.10 ***Given the discussion in paras 6.3.8 and 6.3.9 above, the Authority provisionally determines "other operating income" for the said year at Rs. 7,102 million as against Rs. 6,527 million claimed by the petitioner, as detailed below.***

Table 22:Summary of Other Operating Income Determined by the Authority

Rs. in Million

Particulars	FY 2020-21	
	The Petition	Determined by the Authority
Amortization of deferred credits	530	530
Meter rentals	855	855
Late Payment Surcharge	1,248	1,248
Sale of LPG	962	962
Sale of NGL	555	555
Other income	2,360	2,935
Sale of Gas condensate	(11)	(11)
Meter Manufacturing Profit	29	29
Operating Revenue	**6,527**	**7,102**

7. *RLNG Cost of Service/ Supply*

7.1.1 The petitioner has projected Rs. 11,336 million (Rs. 13.64 per MMBTU at throughput volume of 1200 MMCFD) on account of RLNG cost of service for the said year. The breakup of the same is as under;

Table 23: Breakup of RLNG - Cost of Service/ Supply

	Rs. in Million
Revenue Expenditure Relating to RLNG	214
Gas Internally Consumed	2,815
Depreciation	1,646
Contribution to WPPF/Other Charges	765
ROA	5,896
Cost of Supply of RLNG	**11,336**

7.1.2 The petitioner computes GIC (1856 MMCF) at Rs. 2,815 million (at an average purchase price of Rs. 1,491.52/MMBTU).

7.1.3 In view of the detailed discussion and decision in Paras 5.69 & 5.71 above (disallowance of addition to RLNG assets) and subsequent the decision taken in Paras 9.2.1 & 9.2.2 (disallowance of GIC), the Authority has decided to adjust depreciation Rs. 1,596 million along with WPPF Rs. 518 million and charge the same to RLNG cost of service. Further, the Authority computes RLNG's ROA Rs. 5,096 million at 17.43% on average net fixed asset (instead of 19.64% by the petitioner) as tabulated below:

Table 24: Breakup of RLNG Cost of Service / Supply as Determined by Authority

Rs. in Million

Description	The Petition	Determined by the Authority
Revenue Expenditure Relating to RLNG	214	214
Gas Internally Consumed	2,815	-
Depreciation	1,646	1,596
Contribution to WPPF/Other Charges	765	211
ROA	5,896	5,096
Cost of Supply of RLNG	**11,336**	**7,117**

7.1.4 ***The Authority, in accordance with the ECC policy guidelines, and the decision relating to RLNG assets per paras, decides to provisionally determine Rs. 7,117 million, being cost of supply for RLNG activities for the said year.***

7.1.5 ***Any adjustment on this account shall be considered at the time of FRR for the said year based on the capitalization of assets and related costs, and shall accordingly, be adjusted from RLNG consumers as part of RLNG price.***

8. *Air-Mix LPG Projects*

8.1 **The petitioner has claimed a projected subsidy of Rs. 1,080 million on account of its Air-mix LPG projects for the said year.**

8.2 ***The Authority, as per para 5.60 above, provisionally allows subsidy at Rs. 1,080 million relating to commissioned / operational projects for the said year. The Authority further notes that the petitioner operation of the Air-Mix plants should be in line with the ECC decision dated 26th March 2020.***

9. Operating Expenses

9.1 Cost of Gas

9.1.1 The petitioner has projected the cost of gas Rs. 223,431 million for the said year, based on its projections of international prices of crude and HSFO. Comparative analysis of the projected cost of gas with previous years is given below:

Table 25: Comparison of Projected Cost of Gas with Previous Years

FY 2018-19		FY 2019-20		FY 2020-21	
RERR		RERR		The Petition	
MMBTU	Rs. Million	MMBTU	Rs. Million	MMBTU	Rs. Million
424,182	219,614	402,298	242,083	413,086	223,431

9.1.2 The petitioner explained that well-head gas prices based on 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 2019 to May 2020 are used as the basis for calculating the estimated well-head gas prices for the period July-December 2020, and similarly, estimated oil prices for the subsequent period of June-November 2020 are used to calculate the projected well-head gas prices for the period January to June 2021.

9.1.3 The Authority observes that the petitioner has slightly exaggerated international C&F prices of oil for the period November 2019 to April 2020, thereby increasing the computation of well-head gas prices effective July 01, 2020. Further, similar over-estimation has been observed by the Authority for the next period w.e.f January 01, 2021. Therefore, keeping in view the actual 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 26: Revised Parameters

Wellhead Gas Prices effective period	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 2020	46.25	218.78	168
January to June 2021	35.00	256.71	170

9.1.4 ***Based on the above, the cost of gas is provisionally determined at Rs. 217,332 million (@ Rs. 526.12/MMBTU, i.e., petitioner's respective WACOG) for the said year. The petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2020, for review of its estimated revenue***

requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO and the trend of Rupee-Dollar exchange rate. Further, the Authority, in pursuance to Honorable Sindh High Court decision dated June 30, 2020, passed in CP No. D-2630/2020 titled plastiflex films (Pvt.) Limited etc vs. FOP and others, and CP No. 2485/2020, examined the same and duly incorporate the stance of the petitioners and determine the issue accordingly.

9.2 Unaccounted for Gas (UFG)

9.2.1 The petitioner has calculated UFG for the said year at 11.15% (50,877 MMCF). The petitioner has projected RLNG Heldstock purchase and sales in UFG Sheet, however, since it has been selling RLNG allocated out of RLNG Heldstock, therefore, as per prevalent policy of FG, it may claim the sale volume against such allocations as 'Deemed Sale' as in the case of BTU equivalence volume, at FRR stage, once the sale out of RLNG Heldstock has been actualized. Moreover, since the petitioner has to make up the sales to RLNG consumers from its indigenous allocations/purchases, therefore, such volumes may not be added again in 'Purchases'.

9.2.2 The petitioner has assumed higher sales volume and Gas Shrinkage at LHF as compared to FRR FY 2017-18 without any tangible justification. The Authority, therefore, has based its working on actual sales volume and Gas Shrinkage at LHF of FY 2017-18.

9.2.3 ***The Authority based on the above and its working of Gas Internally Consumed (GIC), at paras 9.3.41 to 9.3.42 below calculates UFG at 15.85% for the said year as under:***

Table 27: Unaccounted for Gas

		MMCF
Particulars	**The Petition FY 2020-21**	*** Determined by the Authority**
Gas Purchases		
Gas purchases	425,848	425,848
Purchases - RLNG Heldstock	30,357	0
Gross Purchases	456,205	425,848
Less: Gas Internally Consumed-metered	2,933	713
Available for Sale (B)	**453,272**	**425,135**
Gas Sales		
Gas Sales	373,249	355,337
Sales - RLNG Heldstock	26,363	0
Add: Gas Shrinkage at LHF - Condensate	2,783	2,322
Total (C)	**402,395**	**357,659**
UFG Volume D= (B-C)	50,877	67,476
UFG Projected E = D/A * 100	11.15%	15.85%
UFG Benchmark	5.00%	5.00%
Provisional allowance for local operating conditions	1.30%	1.30%
Allowable UFG Volume @ 6.3% Benchmark	28,741	26,828
Disallowed Volume	22,136	40,648

*** subject to technical audit**

9.2.4 ***Based on the above, the Authority deducts Rs. 19,016 million (WACOG at Rs. 467.83 per MCF) from the revenue requirement for the said year..***

9.3 Transmission and Distribution Cost

i. Summary

9.3.1 The petitioner has projected transmission and distribution cost (including gas internally consumed) at Rs. 22,782 million for the said year, as detailed below:-

Table 28: Comparison of Projected T&D Cost with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21		%
Salaries, wages, and benefits at benchmark	12,497	14,502	15,520	17,312	1,792	12
Professional charges	24	66	46	117	71	154
Stores, spares and supplies consumed	645	702	798	1,361	563	71
Repairs & maintenance	1,567	1,839	1,633	2,728	1,095	67
License & Tariff Petition Fee to OGRA	133	24	130	212	81	63
Electricity	194	232	230	352	122	53
Postage & bill delivery by Contractors	86	228	103	132	29	28
Gas bills collection charges	188	195	197	239	42	21
Insurance excluding royalty	124	107	134	151	17	13
Meter reading by contractors	70	83	90	101	11	12
Advertisement	112	127	112	120	8	7
Others	123	172	149	157	9	6
Security expenses	610	620	722	746	24	3
Material used on consumers installations	30	18	39	39	-	-
Collecting agent commission	0	1	3	3	-	-
Rent, rate & taxes	166	207	311	291	(21)	(7)
Traveling	100	129	131	120	(11)	(8)
Gas bills stubs processing charges	22	32	36	32	(4)	(10)
Legal charges	116	81	100	83	(17)	(17)
Sub-total Cost	**16,806**	**19,364**	**20,483**	**24,296**	**4,932**	**25**
Less: Recoveries / Allocations	2,035	1,984	2,028	2,294	266	13
Net T&D Cost before GIC	**14,771**	**17,380**	**18,455**	**22,003**	**4,623**	**27**
Add: Gas consumed internally	261	582	424	565	141	33
Net Transmission & Distribution Cost	**15,714**	**18,815**	**18,879**	**22,568**	**3,753**	**20**

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

ii. Human Resource (HR) Cost

9.3.3 The petitioner has projected HR costs to increase from Rs. 15,520 million per RERR for FY 2019-20 to Rs. 17,312 million for the said year, showing an increase of 12%.

9.3.4 The petitioner has explained that the estimated HR benchmark cost for the said year has been computed in accordance with the Authority's HR Benchmark formula determined in FRR FY 2015-16 and DERR FY 2016-17.

9.3.5 The Authority observes that the existing benchmark was provisional since FY 2018-19, and the same has to be finalized based on changing business dynamics and judicious and prudent manpower strength and related costs. Accordingly, several historical analyses have been carried out so as to assess the cost pattern, cost & strength drivers, and relevance of existing parameters in the current scenario and their pattern trend with the petitioner's profit/return.

9.3.6 The Authority observes that during last seven years, the number of the regular workforce has decreased which clearly indicates that the prevailing HR benchmark allowance of total 100% increase based on 50% CPI & operating parameters viz; "number of consumers with 60%", increase in "T&D network with 20%" and "gas sale volume with 20%" weightage in HR benchmark has now become irrelevant. The broader productivity linked benchmark was implemented by OGRA with the intent to allow management to run its business affairs in a prudent and rational manner. However, the said freedom allowed by the regulator had not been properly executed by its management. The inbuilt factors in the benchmark to regulate the manpower strength had been used by the management to increased their salary structure. **Increases allowed in the past reinforce the Authority's viewpoint. It is noted that HR cost increased by 54% in the past six years i.e., from Rs. 9,169 million in FY 2012-13 to Rs. 14,156 million in FY 2018-19. It resulted in an increase of about 119% in average monthly salary, including perks of executives from Rs. 121,000 in 2012-13 to Rs. 265,000 in FY 2018-19. Similarly, in the case of subordinates per month salary, including perks, 55% increased has been observed from FY 2012-13 to FY 2018-19. It appears that the petitioner did not require additional manpower based on the parameters of the benchmark.**

Therefore, it applied the whole increase in HR benchmark to the salaries and perks of existing employees resulting in such abnormal figures.

9.3.7 The Authority further notes that the petitioner's management is enjoying lavish perks e.g., Club membership, best option car entitlement policy, CFC petrol policy. Even in the past, bonuses were announced to its senior management in addition to their salaries. A snapshot of the salary structure for executives & subordinates is as under;

Table 29: Salary structure for executives & subordinates

Rupees in million

Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Salaries					
Basic Salaries	2,070	2,184	2,688	2,925	3,119
Conveyance Allowance	163	173	210	227	247
House Rent	920	967	1,190	1,282	1,382
Other Allowance	435	438	514	474	503
Leave Encashment	36	32	29	18	28
Provident Fund	151	156	188	207	224
Gratuity	169	185	263	229	245
Pension	187	207	201	253	370
Leave Encashment Provision (based on acturial workings)	7	77	117	196	99
Employee Benefits under IAS-19					
Gas Facility	7	4	3	3	3
Medical	485	558	470	535	649
Sub total:	4,629	4,981	5,874	6,350	6,868
Subordinates:					
Wages					
Basic wages	1,073	1,040	1,196	1,247	1,274
Cash Allowances	545	535	523	553	510
House Rent	876	853	977	1,016	1,037
Conveyance Allowances	97	95	107	112	113
Casual Labour -Wages Temporary Staff	196	215	235	246	258
Bonus	291				336
Leave Encashment	474	460	460	386	314
Provident Fund	91	89	101	105	162
Gratuity	83	99	95	118	112
Pension	133	99	88	163	160
Leave Encashment Provision (based on acturial workings)	85	50	46	43	30
Sub total:	3,945	3,535	3,828	3,989	4,306
Staff Welfare Expenses					
Welfare Insurance	23	20	24	13	14
E.O.B.I (Staff & Executive)	33	41	53	86	75
Uniforms & Clothing	18	17	19	19	18
Training	18	13	20	18	23
Other Welfare	174	209	210	190	210
Sub total:	266	300	327	325	341
Overtime	700	725	782	584	659
CBA Agreement provision	1,000	1,092	1,091	766	767
Medical	536	548	531	413	607
Total Salaries ,wages and benefits	11,076	11,181	12,434	12,427	13,548

9.3.8 Moreover, detailed analysis of last five years w.r.t employees' strength and the operating parameters is carried out, which indicates that no rationale is seen in the increase by the company, in the number of employees in higher scales and decrease in the number of employees in lower scales, which is reflected in the table below;

Table 30: Comparison of Employee Strength & Operating Parameters

Executive Grade	GRADE	2014-15	2015-16	2016-17	2017-18	2018-19
		Actuals				
MD/Dy. Managing Director	X	1	1	4	3	3
Sr. General Manager	IX	5	7	5	7	5
General Manager*	VIII	18	21	17	16	27
(DGM) Engineer, Officer, Accountant**	VII	67	57	60	54	37
(Chief Manager) Engineer, Officer, Accountant***	VI	149	142	155	148	138
(Deputy Chief Manager)) Engineer, Officer, Accountant	V	177	166	338	317	301
(Manager) Engineer, Officer, Accountant	IV	333	332	481	493	491
Engineer, Officer, Accountant G-1 to Gr-3	III-I	1,621	1,587	1,269	1,290	1,348
Sub-Total		2,371	2,313	2,329	2,328	2,350
Subordinate Grade		**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Assistant (all categories)	V	2,198	2,254	2,185	2,116	2,500
EDC, Computer Operator etc.	IV	1,012	918	870	843	778
Helper (all trades), Attendants etc.	I -III	1,325	1,235	1,238	1,285	863
Sub-Total		4,535	4,407	4,293	4,244	4,141
Grand Total		6,906	6,720	6,622	6,572	6,491
Executive Vs. Subordinate Ratio		1 : 1.91	1 : 1.91	1 : 1.84	1 : 1.82	1 : 1.76
T & D network (Km)		47,273	48,375	49,494	50,240	51,979
Number of Consumers (No.)		2,710,585	2,773,457	2,839,171	2,913,124	3,070,048
Sales Volume (MMCF)		363,585	384,979	398,489	361,824	357,981

9.3.9 The Authority further notes with serious concern that the petitioner has too wide scales, unparalleled with any public sector body. These scales are too wide that, based on 5% annual increments it cater to about 110 years of service, which is impractical by all stretch of the imagination. Normally, a scale covers for 20 years' service on a scale. The petitioner needs to review the scales and revise them to bring it in line with the scale of other similar organizations in the country. Moreover, the Authority notes with serious concerns that many employees are drawing salaries of over Rs. 1 million per month in addition to other perks as per the table above. The petitioner, therefore, needs to review its existing salaries of all employees based on reviewed scales in line with other public sector transmission & distribution companies of the energy sector and bring it down to ease the burden on consumers. Senior management salary has been compared with FG's current pay scales for grade 20 and above, and the huge disparity has been found. The comparison is as under;

Table 31: Comparison of Basic Pay Scales of SSGCL VS National Pay Scale (NPS)

Rupees

Years	Grade-VIII		Grade-IX		Grade-X	
	MIN	MAX	MIN	MAX	MIN	MAX
FY-2015-16	91,000	315,800	147,000	510,100	265,000	1,121,000
FY-2065-17	224,979	524,951	359,148	838,012	265,000	1,492,100
FY-2017-18	224,979	577,446	359,148	921,813	265,000	1,641,310
FY-2018-19	224,979	635,191	359,148	1,013,995	265,000	1,805,441
FY-2019-20	224,979	768,581	359,148	1,226,933	-	2,184,584
NPS	Grade-20		Grade-21		Grade-22	
w.e.f 2017	69,090	132,230	76,270	146,720	82,380	164,560

9.3.10 Regarding IAS policy, the Authority notes that assumptions for the valuation of actuaries need to be revised so as reduce the burden on natural gas prices. Today's companies are looking for profitable growth. HR cost to return on asset ratio has also increased from 127% in FRR FY 2012-13 to 137% in FRR FY 2017-18, which shows continuous increases in HR cost by the petitioner.

9.3.11 The Authority, considering the analysis based on the petitioner data, is of the considered view that economy / cost-cutting measure in HR Cost is utterly required. Therefore, the continuation of the same perks & benefits by SSGCL may lead the company on the verge of collapse. Federal Government is also advising both utilities to lower the price demand. Interveners have already been criticizing the hefty salaries drawn by the company's executives & subordinates. The Authority, considering the large increases during the last 05 years, is of the firm view that no further increase can be jacked up now as part of the price. Accordingly, HR cost is frozen at the level of FRR FY 2017-18, i.e., Rs. 12,497 million including IAS-19 and RLNG. The petitioner needs to review its HR cost structure, including perks, wide pay scales & other medical, club membership, and car/petrol policies, and bring it down to a reasonable level. These have to be rationalized so that the same is comparable with other similar public sector organizations involved in the business of transmission & distribution of power sector. **Moreover, FG latest policy i.e. Management Position Scales Policy, 2020 is relevant and referred which clearly statest MP scales be used as benchmark for determination of terms & conditions for hiring of skilled / qualified professionals from open market.** Accordingly, the petitioner shall review its pay scale and rest of the policies and submit it to the consideration of the Authority. In case the petitioner intends to continue its current policies & salaries, including perks, its financial impact may be met shareholders' own profit. The Authority, through this Order, also refers the matter in respect of revision of salary scale & other policies, to the FG to review these matters through its Directors present in Company's Board, so that FG's kitty, being a major shareholder also not affected by such Authority's decision.

9.3.12 ***In view of the same, the Authority decides HR costs Rs. 12,497 million, at the level of FRR for FY 2017-18, for the said year.***

iii. Repair & Maintenance

9.3.13 The petitioner has projected an amount of Rs. 2,728 million to be spent on repair and maintenance related activities including Gas transmission pipeline (Rs 86 million), Contract labor deployed at transmission line (Rs 135 million), Gas distribution system - including contract labor (Rs 1,016 million), Overhead leak survey by the contractor (Rs 1,059 million), Repair and maintenance of meters at meter shop (Rs 3 million), Compressors (Rs 2 million), Plant & machinery (Rs 39 million), Vehicles (Rs 107 million), Buildings (Rs 177 million), Furniture and fixture (Rs 6 million), Computer and Allied equipment (Rs 73 million), Software maintenance (Rs 175 million), Cost of services provided by PPL (Rs 15 million) and others (Rs 6 million).

9.3.14 The petitioner had actually spent an amount of Rs. 1,567 in FY 2017-18 under this head. ***The Authority, keeping in view the operational requirement of the petitioner***

and capitalization trend in this head, allows an amount of Rs. 1,567 million for the said year.

iv. ***Stores Spares and Supplies Consumed***

9.3.15 The petitioner has projected an amount of Rs. 1,361 million, thereby projecting a significant increase of 71% over RERR of FY 2019-20, the breakup of the same is as under:-

Table 32: Comparison of Projected Stores Spares and Supplies with Previous years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Transmission & Compression and others	141	177	188	70	343	155	83
Distribution	429	445	509	189	863	354	70
Head Office	68	69	94	27	133	39	42
Freight & handling	7	11	7	0	21	14	207
Total	**645**	**702**	**798**	**286**	**1,361**	**563**	**71**

9.3.16 The petitioner has explained that the Authority deducted Rs. 499 million on historical trend basis at the time of DERR for FY 2019-20. The petitioner has further explained that major increase is attributed on account of extensive UFG control activities as well as due to expected increase in consumption & prices of imported/local chemical products, fuel, lubricants and material used for cathodic protection besides general inflation. Moreover, it is mentioned that a comprehensive strategy for UFG reduction document has already been submitted to the Authority/MoE.

9.3.17 The Authority notes that the petitioner has envisaged enhanced budget to meet its operational requirements. The Authority agrees that all legitimate costs required to continue smooth operations must be allowed to the petitioner. The Authority, however, notes that similar circumstances also prevail in past but capitalization remains quite low. The Authority is of the view that operational activities as envisaged by the petitioner at the beginning of the year may not lead to such gigantic hike of 71%. Estimations appear to be on higher sides considering its historical trend. Actual expenditure incurred during FY 2017-18 and FY 2018-19

(Rs. 645 million & Rs. 702 million) and July-December, 2019 (Rs. 286 million) does not commensurate to this increase.

9.3.18 ***In view of above, the Authority considering historical spending and budgeted requirement, the Authority decides to fix at the level of RERR-FY 2019-20 and provisionally allows Rs. 798 million under the above head for the said year.***

v. Electricity

9.3.19 The petitioner has projected electricity charges at Rs. 352 million for the said year, showing an increase of 53% over RERR of FY 2019-20, as tabulated below;

Table 33: Comparison of Projected Electricity Expense with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Transmission & Compression	29		35		53	18	53
Distribution	113		134		205	71	53
Head Office	52		61		94	32	53
Total	**194**	**232**	**230**	**152**	**352**	**122**	**53**

9.3.20 The petitioner has explained that the enhanced amount is required to meet the expected increase in electricity tariffs. The Authority notes that the petitioner has envisaged an enhanced budget to meet its electricity charges. However, results up to December 2019 indicate that Rs. 152 million have been incurred.

9.3.21 ***In view of the above, the Authority provisionally allows a 20% increase over actual FY 2018-19 & fixes it at Rs. 278 million.***

vi. Meter reading by Contractors

9.3.22 The petitioner has projected meter reading by contractors charges for the said year at Rs. 101 million, as shown below:

Table 34: Comparison of Projected Meter Reading by Contractors with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Meter reading by Contractors	70	83	90	44	101	11	12
Total	70	83	90	44	101	11	12

9.3.23 The petitioner has explained that an increase in meter reading by contractor's expense is mainly due to the expected increase in the number of customers i.e. (over 125,000 new customers). The petitioner has further explained that projected increase is due to expected revision of rates in future because the existing contract will expire in June 2020 and new tender is expected to be at a higher rate due to higher inflation and additional scope of work including snapshots and incentives against identifying irregularities in order to increase accuracies and control UFG.

9.3.24 ***The Authority, based on actual expenditure in the last couple of years, decides to fix at the level of RERR-FY 2019-20 Rs. 90 million for the said year.***

vii. Professional Charges

9.3.25 The petitioner has projected professional charges for the said year at Rs. 117 million as against Rs. 46 million, projecting an increase of 154% over RERR of FY 2019-20, as shown below:

Table 35: Comparison of Professional charges with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Professional Charges	24	66	46	15	117	71	154
Total	**24**	**66**	**46**	**15**	**117**	**71**	**154**

9.3.26 The petitioner has pleaded that the Authority deducted Rs. 53 million from the above head at the time ERR for FY 2019-20. The petitioner has explained that professional charges are envisaged mainly due to planned acquiring for head-hunting services for hiring senior management positions, HR Consultancy charges for Manpower and Potential, hiring of consultancy services for proposed new LPG extraction plant.

9.3.27 The petitioner has also explained that the main reason for the increase under this head is mainly due to the planned acquiring of headhunting firms for hiring senior management positions, HR Consultancy charges for Manpower, and Potential Assessment. The petitioner has further explained that increase projection for payment to AF Ferguson and Co. (AFFCO) as per Supreme Court Order dated: 29.12.18 relating to the services provided by AFFCO for the arrangement between JJVL & SSGC for LPG/NGL sales. The company's BoD also approved Risk management project(s), which will be taken up in related FRR.

9.3.28 The Authority notes that the petitioner had projected Rs. 122 million and Rs. 99 million at the time of ERR petitions for FY 2018-19 and FY 2019-20, respectively. Actual expenditures incurred in FY 2018-19 and July-December, 2019 are Rs. 66 million and Rs. 15 million respectively.

9.3.29 The Authority observes that petitioner is only envisaging new projects at the time of ERR and could not able to materialize the same at year-end. Such estimations by the petitioner at the beginning could jack up the price and may impact the natural gas consumers. Non-execution of the projects in the past also doubts the petitioner's non-seriousness towards its activities/projects. The Authority appreciates all those projects/initiatives which increase the company's efficiency and brings improvement in business processes. However, projecting a 154% increase is not allowable considering the petitioner's past trend and capability of executing such projects.

9.3.30 ***In view of the above, the Authority considering the justification advanced by the petitioner and its capacity to execute the projects decides to provisionally determine the professional charges for the said year at Rs. 46 million, subject to the actualization at year-end.***

viii. Postage & Bill Delivery by Contractors

9.3.31 The petitioner has projected postage & bill delivery by contractors for the said year at Rs. 132 million, as shown below:

Table 36: Comparison of Projected Postage & bill delivery contractors with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	Actual July-Dec	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Postage & bill delivery by Contractors	86	228	103	63	132	29	28
Total	**86**	**228**	**103**	**63**	**132**	**29**	**28**

9.3.32 The petitioner has attributed the increase in postage & bill delivery by contractors to the revision of courier charges and expected enhanced activity. The petitioner has informed that the increase is due to the expected increase in customer base and rate revision.

9.3.33 The Authority notes that increased activity coupled with projected consumer base envisaged during the said year does not equate to a 28% increase as projected by the petitioner. The Authority directs the petitioner to negotiate & finalize the reasonable terms & conditions with the contractor considering the competition in the market. The Authority further notes that Pakistan Post Office has also improved its courier services at reasonable rates. The petitioner may also engage the Government department partially to have a win-win situation on both sides.

9.3.34 ***Accordingly, the Authority considering anticipated activities, historical trend and general inflation decides to provisionally allow a 10% increase over RERR for FY 2019-20 and fixes the postage & bill delivery by contractors at Rs. 113 million for the said year.***

ix. Gas Bill Collection Charges

9.3.35 The petitioner has projected gas bill collection charges at Rs. 239 million, thereby projecting an increase of 21% over RERR for FY 2019-20 which is as under;

Table 37: Comparison of Projected Gas Bill Collection Charges with Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Gas Bills collection charges	188	195	197	100	239	42	21
Total	188	195	197	100	239	42	21

9.3.36 The petitioner has projected gas bill collection charges at Rs. 239 million, calculated @ Rs. 9/bill for the said year. The petitioner has further submitted that an increase in gas bill collection charges, has been envisaged due to new connections.

9.3.37 ***The Authority notes that the petitioner has been providing similar justification for the last many years. However, per bill rate has not yet been revised by the State bank of Pakistan. In view of the same, the Authority keeps gas bill collection charges fix at the level of RERR for FY 2019-20 i.e. Rs. 197 million on this account for the said year.***

x. Insurance

9.3.38 The petitioner has projected insurance expense at Rs. 151 million for the said year, showing an increase of 13% over DERR of FY 2019-20, as tabulated below:

Table 38: Comparison of Projected Insurance Expense with the Previous Years

Rs. in Million

Particulars	FRR	Actual	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Third party	1	1	1	1	1	0	0
Fire risk/Damage to property	49	41	58	22	65	7	12
Other insurance	74	65	76	30	86	10	13
Total	124	107	134	53	151	17	13

9.3.39 The petitioner has attributed the increase mainly to the rise in insurance premium pertaining to the asset base. The petitioner has also explained that war risk for the said year has also been resulting in increased under the above head.

9.3.40 The Authority observes that the petitioner has not provided concrete justification in support of its claim. ***The Authority, keeping in view the insufficient justification, allowed asset base and actual spending, decide to provisionally fix it at the level of RERR for FY 2019-20 i.e. Rs. 134 million for the said year.***

xi. Gas Internally Consumed (GIC)

9.3.41 The petitioner has projected GIC-metered of 1,076 MMCF for the said year. The petitioner has projected higher volumes for the said year viz a viz actual figures of FY 2017-18. Moreover, GIC allowed for FY 2017-18 was in line with the average of the last six years.

9.3.42 In view of the above and the historical trend, the Authority allows a volume of 713 MMCF GIC-metered (actual of FY 2017-18) for the said year.

Table 39: Detail of Gas Internally Consumed (GIC)

								in MMCF
Description	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2020-21	Determined by the Authority
	FRR	FRR	FRR	FRR	FRR	FRR	ERR	DERR
Compression-(metered)	427	440	674	779	450	592	942	592
Company Own Use (m)	138	144	147	163	162	114	126	114
Liquid Handling Facility (metered)	3	4	3	4	0	0	0	0
Gas Purged (metered)	0	0	0	8	7	0	0	0
Distribution (metered)	9	8	2	1	1	7	8	7
Total	577	596	826	955	620	713	1076	713

9.3.43 ***In view of the Para 9.3.42 above, the Authority determines Rs. 364.80 million (at Rs. 511.64/MMCF for the said yar.***

xii. **Intervener Comments:**

9.3.44 The substantive, relevant points made by the interveners including Landhi Association of Trade & Industry, Towel Manufacturers' Association of Pakistan, S.I.T.E. Superhighway Association of Industry, Karachi, Federal B. Area Association of Trade & Industry, All Pakistan Solvent Extractors' Association, All Pakistan Textile Processing Mills Association, S.I.T.E Association of Industry, Korangi Association of Trade & Industry, Employers Federation of Pakistan, North Karachi Association of Trade & Industry, All Pakistan Textile Mills Association (APTMA), Bin Qasim Association of Trade & Industry, Sindh Petroleum & CNG Dealer Association, and Mr. Mehboob Elahi during the hearing as well as in writing are summarized below:

9.3.45 Reasons for exceeding UFG Benchmarks and future directions /KMIs may be specified. The recent PMIC draft report on UFG (from well head to burner's tip) demands attention of the Authority for way forward.

9.3.46 The industry has been pointing out the issue of UFG since long but no attention has been given thereon as yet. The cost of inefficiencies should not be passed on to honest customers. They request the Authority to bring the UFG in line with the best practices and international standards on immediate basis.

9.3.47 UFG has been a sore item all along. They request for a technical and financial forensic audit of UFG, so that this menace could be eradicated. They do not agree with the petitioner that Rule 20 of the Natural Gas Tariff Rules, 2002 applies to UFG matter.

9.3.48 The petitioner despite massive investments claimed through yearly price increases, has not been able to meet the already eased UFG benchmarks. The petitioner has not even bothered to give any reasons for exceeding the UFG Benchmarks and future directions/KMIs. This has created a situation where the petitioner is actually increasingly encouraged to keep UFG high and continues to seek return on investment to 'try' to bring it down. One method would be for OGRA to penalize for UFG losses and not permit them to be recovered in later years as prior year shortfalls.

9.3.49 Federal Government has recently passed directions to Gas Companies to reduce their UFG In this regard, Gas Companies may be asked that what efforts they have taken so far for reduction of UFG.

9.3.50 Gas prices include several unnecessary administrative cost, UFG and other losses. Especially UFG has major part of these losses, and has been in question since long.

9.3.51 Ministry of Energy through its letter dated March 10, 2020 directed the gas companies to reduce the UFG benchmark to 4% against allowable 6.3%.

9.3.52 UFG should be lowered down and eliminated to reduce the gas prices of all sectors and save the country from extra financial burden in the Covid-19 situation particularly.

9.3.53 OGRA has been allowing sufficient spending on system augmentation along with maintenance and repair of the system for several years as and when demanded, therefore, the responsibility of the deteriorating lines, leaking pipes and ageing network lies on the petitioner alone. The key is the swift response time and rectification of leakages and proper monitoring. In addition to all this, the issue of sticky meters, and under recording meters also contribute to the losses. Addition of one gas connection exposes the system to up to 12 leaking points. The high domestic growth rate of around 100000-200000 connections per year increases the leakage chances.

9.3.54 The illogical and politically motivated decisions of the extension of the system to far flung areas with limited revenues and deteriorating lines is also contributing to UFG, again a solely petitioner's decision.

9.3.55 Gas utilities, in the past, had sought increase in tariff to finance parliamentarian's schemes in their respective constituencies, which is a violation of rules and that too at a time when the companies have failed to provide gas to existing consumers. According to rules, gas companies cannot launch new schemes if they have failed to provide gas to existing consumers. Further, in the face of acute shortages, an expansion of transmission and distribution network will ultimately reduce gas supplies to all consumers.

9.3.56 Shelving of 24 inches 30 Km pipeline from Kathore to Surjani will lead to continuation of the problems of SITE industries due to low pressure issues.

Moreover, shelving of Al-Asif pipeline project will compromise the FB Area and North Karachi Industrial Area gas supply.

9.3.57 While supply projects to end users, that pay on time and are economically feasible, are being shelved; the supplies to new towns and villages, where payment of bills is inconsistent, high UFG takes place & are economically non-feasible, are not being cut by any amount.

9.3.58 Due to UFG issue, the entire country suffers a colossal loss of Rs. 350 billion as the gas losses result in usage of expensive alternate imported fuel such as furnace oil along with loss in the GDP of 3%.

9.3.59 Wastage of gas /UFG should be controlled by taking strict measures. In this regard, mere imposition of penalty will not bring back the dollars spent on the import of fuel.

***xiii.* Authority's response to interveners:**

9.3.60 The Authority has carefully considered all the submissions and arguments of the parties made in writing and at the public hearings. Interveners' comments relating to various heads of expenditures and UFG have been considered while making the decision in the relevant part of this determination. Moreover, as regards the fixation of UFG Benchmark it may be noted that the Authority undertook a UFG study for determining UFG Benchmarks of the gas companies through a consultant of international repute vis M/s KPMG Taseer Hadi & Co. Chartered Accountants (KPMG). It is mentioned that the Authority, based on above mentioned UFG Study Report, had determined following formula, in DERR dated 20-09-2017, for calculation of UFG:

UFG Allowance = Gas Received × (α × Rate1 + Rate2 × β)

- In the above said formula, there is a multiplying factor i.e. alpha (α) of Rate1 which will remain at 1.0 for next five years and the same will be reviewed after 05-year period. Quantification of sub-heads of UFG components for Rate1 will be monitored throughout 5 years.

- Rate1 = Technical Component (Inherent gas loss in the system)
- Rate2 = Local Challenging conditions component (Pakistan specific)
- β = Performance factor (Key Monitoring Indicators)

Rate 2, in the above mentioned formula, is the allowance for local challenging conditions as compared to the world at large particularly with reference to issues in law & order affected areas and uneconomic expansions resulting in theft, leakages, data / meter errors and non-recovery of gas bills both from consumers and non-consumers. Allowance for these challenging conditions has been worked out at 2.6%. Further in order to ensure that appropriate and serious efforts are directed towards reducing UFG over the agreed term of five (5) years, the allowance with respect to local challenging conditions component (2.6%) is linked to the achievement of certain Key Monitoring Indicators (KMIs) designed to rectify the problem areas contributing towards UFG.

9.3.61 **License Condition No. 21 of the License granted to the petitioner by the Authority stipulates as under:**

21.1. The Licensee shall take all possible steps to keep UFG within acceptable limits. The Authority for this purpose in consultation with Licensee and experts, shall fix target of UFG for each financial year. The Authority may fix UFG target separately for each regulated activity.

21.2. The Licensee shall be entitled to claim the UFG to the extent of target fixed by the Authority under 21.1 for the purpose of determining its revenue requirement for each financial year.

21.3. In case the Licensee improves upon the UFG target prescribed by the Authority under Condition 21.1 for any financial year, the Licensee shall be entitled to retain the gain on that account. Conversely if the Licensee fails to meet the UFG target the loss on that account shall be borne by the Licensee and shall not form part of its total revenue requirements.

21.4. SSGCL in its petitions pleads to restrict the UFG Disallowance at Rs 750 million based on its own interpretation of Rule 20(1) of Natural Gas Tariff Rule 2002. However, the Authority does not impose any penalty on nonachievement of UFG benchmarks, but in accordance with the above mentioned License Condition No. 21 it disallows the UFG volume over and above the UFG-Benchmark set for the said year.

9.3.62 The Authority has calculated UFG for the said year at 15.85% (67,476 MMCF), out of which a volume of 40,648 MMCF has been disallowed to the petitioner for the said year.

9.3.63 The new towns and villages this year are primarily pertaining to Gas Producing Districts and are in accordance with the judgment of Sindh High Court.

xiv. Remaining Items of Transmission and Distribution Cost

9.3.64 The items of transmission and distribution costs, except those dealt with in sub-para ii to xvii of para 9.3 above, are projected by the petitioner at Rs. 1,591 million the said year, as against Rs. 1,603 million in RERR FY 2019-20, as shown below:

Table 40: Comparison of Remaining Item of Projected T&D Expense with Previous Years

Rs. in Million

Particulars	Actual	RERR	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2018-19	FY 2019-20	FY 2020-21		%
Advertisement	127	112	120	8	7
Others	172	149	157	9	6
Security expenses	620	722	746	24	3
Material used on consumers installations	18	39	39	-	-
Collecting agent commission	1	3	3	-	-
Rent, rate & taxes	207	311	291	(21)	(7)
Traveling	129	131	120	(11)	(8)
Gas bills stubs processing charges	32	36	32	(4)	(10)
Legal charges	81	100	83	(17)	(17)
Remaining T&D Cost	**1,387**	**1,603**	**1,591**	**(11)**	**(1)**

9.3.65 ***The Authority observes that the remaining items of T&D expense have been reasonably projected by the petitioner and, therefore, provisionally accepts the same at Rs. 1,591 million for the said year.***

xv. Transmission and Distribution Cost Determined by the Authority

9.3.66 ***In view of the examination in sub-para ii to xiv of para 9.3 above, the Authority provisionally determines operating cost for the said year at Rs. 15,229 million as against Rs. 22,003 million claimed by the petitioner, as follows:***

Table 41: Summary of T&D Cost Determined by the Authority

Rs. in Million

Particulars	FY 2020-21	
	The Petition	Determined by the Authority
Salaries, wages, and benefits at benchmark	17,312	12,497
Professional charges	117	46
Stores, spares and supplies consumed	1,361	798
Repairs & maintenance	2,728	1,567
License & Tariff Petition Fee to OGRA	212	212
Electricity	352	278
Postage & bill delivery by Contractors	132	113
Gas bills collection charges	239	197
Insurance excluding royalty	151	134
Meter reading by contractors	101	90
Other Remaining T&D Cost	1,591	1,591
Sub-total Cost	**24,296**	**17,523**
Less: Recoveries / Allocations	2,294	2,294
Net T&D Cost before GIC	**22,003**	**15,229**

xvi. Other Charges

i. Provision for Doubtful Debts

9.3.67 The petitioner has projected Rs. 1,347 million on account of provision for doubtful debts. The historical trend is as under;

Table 42: Comparison of Provision for Doubtful Debts with Previous Years

Rs. in Million

Particulars	FRR	RERR	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Provision for doubtful debts	668	1,063	1,399	-	1,347	(52)	(4)
Total	668	1,063	1,399	-	1,347	(52)	(4)

9.3.68 The petitioner has claimed Rs. 1,347 million under this head being provisioning based on disconnected consumers. The petitioner has further explained that the treatment is in line with the directions of the Authority provided in its decision for DERR FY 2016-17.

9.3.69 ***The Authority, as per its benchmark and the information provided by the petitioner, computes provision against doubtful debts for disconnected consumers at Rs. 1,118 million.*** The Authority reiterates its directions to actively follow the GOP's directives in respect of effective recovery mechanisms in the natural gas sector.

ii. **Sports Club Expenses**

9.3.70 The petitioner has claimed an amount of Rs. 55 million (50% of total expense as per new tariff regime) under the above head. The breakup of the same is as under;

Table 43: Comparison of Sports Club Expenses with Previous Years

Rs. in Million

Particulars	FRR	RERR	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2019-20	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Sports Club Expenses	66	63	63	-	55	(8)	(13)
Total	66	63	63	-	55	(8)	(13)

9.3.71 The petitioner has submitted that it has been spending sports-related expenses as the said activity needs continuous support from the corporate sector.

9.3.72 ***The Authority accepts and decides to allow Rs. 55 million on account of Sports Club Expenses.***

9.3.73 The Authority, however, directs the petitioner to curtail sports charges within a reasonable limit, since every expense is being funded by natural gas consumers, failing which additional amounts shall be paid by the petitioner from its profits.

iii. **Corporate Social Responsibility(CSR)**

9.3.74 The petitioner has claimed an amount of Rs. 45 million (50% of total expense as per new tariff regime) under the head of "CSR. The breakup of the same is as under;

Table 44: Comparison of Corporate Social Responsibility with Previous Years

Rs. in Million

Particulars	FRR	RERR	RERR	July-Dec Actual	The Petition	Inc./(Dec.) over RERR FY 2018-19	
	FY 2017-18	FY 2018-19	FY 2019-20		FY 2020-21	Rs.	%
Corporate Social Responsibility	20	71	60		45	(15)	(25)
Total	20	71	60	-	45	(15)	(25)

9.3.75 The Authority observed that CSR activities should be equally contributed by the petitioner from its own profit. ***The Authority accepts and decides to allow Rs. 45 million on account of CSR expenses for the said year.*** The same shall be scrutinized at the touchstone of prudence in the light of criteria framed in the New Tariff Regime and Securities.

9.3.76 ***The Authority decides to allow Rs. 25 million against others and the Auditor fee for the said year.***

9.3.77 ***Consequent upon the deduction/adjustments in various components of revenue requirement as discussed above, the Authority determines other charges at Rs. 1,243 million as against Rs. 1,472 million for the said year.***

iv. **Previous Year Shortfall**

9.3.78 The petitioner initially claimed an amount of Rs. 72,902 million being previous year shortfall up to FY 2017-18 in the petition; however, subsequently, the petitioner revised the said amount to Rs. 50,983 million, based on the Authority determination FRR-FY 2017-18. The petitioner explained that such shortfall arose out from the inadequate revision of sales prices of gas consumers resulting shortfall to SSGCL.

9.3.79 The Authority notes that the petitioner's revenue requirement shortfall up to FY 2017-18 has remained un-adjusted owing to inadequate revision in sale prices by FG. ***In view of the same, the Authority decides to allow previous year revenue requirement shortfall Rs. 50,983 million, as part of the revenue requirement for the said year.***

10. Summary of Discussion & Decision

10.1 In view of the justifications submitted and arguments advanced by the petitioner in support of its petition, points raised by the interveners, comments offered by the participants, scrutiny by the Authority and detailed reasons recorded by the Authority in earlier sections, the Authority recapitulates and decides to;

10.1.1 accepts opening balance of deferred credit at Rs. 5,118 million;

10.1.2 determine estimated addition in fixed assets at Rs. 8,176 million, and depreciation charge at Rs. 6,847 million;

10.1.3 determine the balance of average net operating fixed assets Rs. 47,280 million as against Rs. 55,029 million claimed by the petitioner for the said year. Consequently, the return required by the petitioner on its average net operating fixed assets is determined at Rs. 6,893 million;

10.1.4 determine income at Rs. 283,870 million as against Rs. 293,004 million offered by the petitioner;

10.1.5 determine the cost of gas at Rs. 217,332 million as against Rs. 223,431 million offered by the petitioner;

10.1.6 determine UFG adjustment at Rs. 19,016 million;

10.1.7 determine T&D expenses at Rs. 15,229 million as against Rs. 22,003 million claimed by the petitioner;

10.1.8 determine the cost of GIC at Rs. 365 million as against Rs. 565 million by the petitioner;

10.1.9 determine other charges, including W.P.P.F. to Rs. 1,243 million as against Rs. 1,472 million claimed by the petitioner;

10.1.10 includes shortfall previous years amounting to Rs. 50,983 million;

10.1.11 accepts Rs. 3,672 million adjustment on account of staggering of the financial impact on account honorable Sindh High Court; and

10.1.12 determines subsidy pertaining to air-mix LPG at Rs. 1,080 million for the said year as against Rs. 1,080 million claimed by the petitioner,

10.2 In exercise of its powers under the Ordinance and NGT Rules, the estimated revenue requirement for the said year is determined at Rs. 270,182 million (as tabulated below):

Table 45: Components of ERR for the Said Year as Determined by the Authority

Rs. in million

S.No	Particulars	Claimed by the Petitioner	Determined by the Authority
1	Cost of gas sold	223,431	217,332
2	UFG adjustment	-	(19,016)
3	Transmission and distribution cost	22,003	15,229
4	Gas internally consumed	565	365
5	Depreciation	7,303	6,847
6	Staggering of Financial Impact on account of SHC Order	(3,672)	(3,672)
7	UFG adjustment on RLNG volume handled basis (ring fence)	(10,626)	-
8	Other charges including WPPF	1,472	1,243
9	Return on net average operating fixed assets	9,257	6,893
10	Revenue Shortfall pertaining to prior years	72,902	50,983
11	Additional revenue requirement for Air-Mix LPG Projects	1,080	1,080
12	Less Other Operating Income	(6,527)	(7,102)
	Total Final Revenue Requirement	**317,187**	**270,182**

10.3 The provisionally allowed expenses are subject to adjustments after scrutiny of auditors' initialed accounts of the petitioner for the said year, provided these expenses are substantiated with appropriate justification and analysis in the form acceptable to the Authority.

10.4 The petitioner's net operating income is estimated at Rs. 283,870 million, as against the revenue requirement of Rs. 270,182 million, and thus there is a surplus of Rs. 6,586 million in its estimated revenue requirement for the said year. In order to adjust this surplus, the Authority hereby makes a downward adjustment of Rs. 18.30 per

MMBTU on a provisional basis in its average prescribed price for the said year **(Annexure-A)**.

10.5 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;*

11. Prescribed Price

11.1 Prescribed price shall be re-adjusted by the Authority upon the receipt of sales price advice by the Federal Government under section 8(3) of the OGRA Ordinance.

12. Directions

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

12.1.1 Review its HR cost structure including perks, wide pay scales & other medical, club membership and car/petrol policies and bring it down to a reasonable level so that the same can be comparable with other similar public sector organization involved in the business of transmission & distribution of power sector.

12.1.2 submit the progress report in respect of capital projects and region-wise UFG on a quarterly basis.

12.1.3 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.

12.1.4 segregate costs & revenues in terms of activities viz; transmission, distribution & sale.

12.1.5 Ensure ring fencing of RLNG related capital and revenue cost as a separate segment.

12.1.6 Strictly follow the FG Policy while processing the gas connections during the said year.

12.1.7 Continue consumer awareness through SMS, emails, signboards, petitioner's websites, and gas bills.

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

12.1.9 Actively follow the GOP's directives in respect of effective recovery mechanisms in the natural gas sector.

12.1.10 Curtail sports charges within a reasonable limit, since every expense is being funded by poor natural gas consumers.

12.1.11 Ensure prudence and ring-fencing of all capital and revenue expenditures, including all cost allocations in respect of each Air-mix LPG, CNG, or LNG based pipeline distribution projects.

12.1.12 Chalk out detailed long term plan regarding CSR abreast with the criteria enshrined in Tariff Regime for Regulated Natural Gas Sector.

12.1.13 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. Moreover, any ineffecency on part of

UFG is sole responsibility of petitioner and it must be controlled on war footing basis so that company may continue to run as going concern.

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

12.1.15 switch from the conventional way of monitoring the operating activities, so that physical mobilization of resources and manpower can be saved by the use of IT-based applications, equipment, and technological surveillance on a real-time basis.

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

12.1.17 Address/attend to the problems being faced by its consumers, as highlighted in the public hearings, with the objective of resolving 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.

12.1.18 All the relevant contentions of the interveners, as summarized in chapters 3 & 8(ii) of this Order, be carefully noted and complied/addressed in letter & spirit under the ambit of the regulatory framework.

13. Public Critique, Views, Concerns, Suggestions

13.1 `The Authority has recorded critique, views, concerns, and suggestions of the interveners and participants given 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 paras 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 the Federal Government should withdraw the GIDC or provide the funds from GIDC proceeds to undertake the capital infrastructure/CAPEX.***

ii) ***A certain class of consumers (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 sources of energy. Further, it has been demanded to discontinue cross-subsidization as it is not in national interest since it impedes the growth of the industry, exports, and employment, which are the basic needs of the economy.***

Muhammad Arif,
Member (Gas)

Noorul Haque,
Vice Chairman/
Member (Finance)

Uzma Adil Khan,
(Chairperson)

Islamabad, July 14, 2020

A: Computation of Estimated Revenue Requirement for the Said Year

	Particulars	The Petition	The Adjustment	Determined by the Authority
Gas sales volume -MMCF		**373,249**		**373,249**
	BBTU	**359,812**		**359,812**
"A"	**Net Operating Revenues**			
	Net sales at current prescribed price	**286,476**	**(9,708)**	**276,768**
	Meter rentals	855	-	855
	Amortization of deferred credit	530	-	530
	Sale of LPG	962	-	962
	Sale of condensate	(11)	-	(11)
	Sale of NGL	555	-	555
	Late payment surcharge	1,248	-	1,248
	Meter manufacturing profit	29	-	29
	Other operating income	2,360	575	2,935
	Total Operating Revenue "A"	**293,004**	**(9,133)**	**283,870**
"B"	**Less: Operating Expenses**			
	Cost of gas	**223,431**	(6,099)	**217,332**
	UFG Adjustment	-	(19,016)	(19,016)
	UFG adjustment on RLNG volume handled basis (ring fence)	(10,626)	10,626	-
	Staggering of Financial Impact on account of SHC Order	(3,672)	-	(3,672)
	Transmission and distribution cost	22,003	(6,773)	15,229
	Gas internally consumed	565	(200)	365
	Depreciation	7,303	(456)	6,847
	Other charges including WPPF	1,472	(229)	1,243
	Total Operating Expenses "B"	**240,475**	**(22,147)**	**218,328**
"C"	**Operating profit (A-B)**	**(52,528)**	**(13,014)**	**(65,542)**
Return required on net operating fixed assets:				
Net operating fixed assets at beginning		46,615	-	46,615
Net operating fixed assets at ending		63,443	(15,499)	47,944
		110,058	**(15,499)**	**94,559**
Average net assets (I)		**55,029**	**(7,749)**	**47,280**
Net LPG air mix project asset at beginning		2,756	(128)	2,628
Net LPG air mix project asset at ending		2,660	(109)	2,551
		5,417	**(238)**	**5,179**
Average net assets (II)		**2,708**	**(119)**	**2,590**
Deferred credit at beginning - Assets related to Natural Gas Activity		5,118	-	5,118
Deferred credit at ending - Assets related to Natural Gas Activity		5,258	-	5,258
		10,376	**-**	**10,376**
Average net deferred credit (III)		**5,188**	**-**	**5,188**
"D" Average (I-II-III)		**47,133**	**(7,630)**	**39,502**
"E"	Return required @ 17.43%	**9,257**	**(2,364)**	**6,893**
"F"	**Shortfall / (Surplus) in return required (E-C) (Gas Operations)**	**(43,271)**	**(15,378)**	**(58,649)**
"G"	**Additional revenue requirement for Air-Mix LPG Projects**	1,080	-	1,080
"H"	**Shortfall / (Surplus) H=(F+G)**	**(42,192)**	**(15,378)**	**(57,569)**
	Increase/(decrease) in average prescribed price FY 2020-21 *(Rs. / MMBTU)*	**(117.26)**	**(42.74)**	**(160.00)**
	Average Prescribed Price (Rs./MMBTU) for FY 2020-21 *(Rs./MMBTU)*	**678.92**	**(69.72)**	**609.20**
"I"	**Prior years Revenue Shortfall**	**72,902**	**(21,919)**	**50,983**
"J"	**Total Shortfall / (Surplus) J=(H+I) (including prior year)**	**30,711**	**(37,297)**	**(6,586)**
"K"	**Increase/(decrease) in average prescribed price owing to previous year shortfall *(Rs. / MMBTU)***	**85.35**	**(103.66)**	**(18.30)**
"L"	**Total estimated revenue requirement (including prior year shortfall)**	**317,187**	**(47,005)**	**270,182**
"M"	**Average Prescribed Price upto 01-7-2020 (Rs. per MMBTU)**	**881.54**	**(131)**	**750.90**

B: Existing Sales Prices for the Said Year

	Particulars	Existing Sales Price
		Rs./MMBTU
(i)	**Domestic Consumers:**	
	Upto 50 cubic metres per month	121.00
	Upto 100 cubic metres per month	300.00
	Upto 200 cubic metres per month	553.00
	Upto 300 cubic metres per month	738.00
	Upto 400 cubic metres per month	1,107.00
	Above 400 cubic metres per month	1,460.00
	The billing mechnism will be revised so that the benefit of one previous / slab is available to domestic consumer	
(ii)	**Special Commercial Consumers (Roti Tandoors)**	
	Upto 50 M^3 per Month	110.00
	Upto 100 M^3 per Month	110.00
	Upto 200 M^3 per Month	220.00
	Upto 300 M^3 per Month	220.00
	Over 300 M^3 per Month	700.00
(iii)	**Commercial :**	
	All off-takes at flat rate of	1,283.00
(iv)	**Ice Factories:**	
	All off-takes at flat rate of	1,283.00
(v)	**Industrial:**	
	All off-takes at flat rate of	1,021.00
(vi)	**Registered manufacturers or exporters of five zero-rated sectors and their captive power namely: Textile (including jute), carpets, leather, sports and surgical goods**	
	All off-takes at flat rate of	786.00
(vii)	**Captive Power :**	
	All off-takes at flat rate of	1,021.00
(viii)	**CNG Stations:**	
	All off-takes at flat rate of	1,283.00
(ix)	**Cement Factories:**	
	All off-takes at flat rate of	1,277.00
(x)	**Fauji Fertilizer Bin Qasim Limited**	
	(i) For gas used as feed-stock for Fertilizer	300.00
	(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	1,021.00
(xi)	**Power Stations**	
	All off-takes at flat rate of	824.00
(xii)	**Pakistan Steel**	
	All off-takes at flat rate of	1,021.00
(xiii)	**Independent Power Producers**	
	All off-takes at flat rate of	824.00

C: SSGCL Field wise Gas Purchase FY 2020-21

S.No.	GAS FIELD	MMCFD	MMCF	MMMBTU	Rs per MMBTU	Rupees Million
1	Sui	110.00	40,150	38,335	389.14	14,917.874
2	Kandhkot	1.49	544	446	224.97	100.274
3	Mazarani	3.00	1,095	1,111	295.74	328.562
4	Gambat Block - Wafiq/Shahdad-(XI)	69.58	25,396	24,222	417.24	10,106.546
5	Adam X-1 / Hala	12.90	4,709	4,903	445.32	2,183.190
6	Hadaf X-1 & Badeel X-1	0.72	264	264	445.92	117.724
7	Badin Block	50.00	18,250	20,777	432.76	8,991.493
8	Khipro Block - Naimat Basal	274.59	100,225	88,354	667.43	58,970.337
9	Mirpurkhas Block - Kausar	20.00	7,300	8,092	661.72	5,354.859
10	Mitha	8.19	2,989	2,994	661.72	1,981.077
11	Kotri	3.42	1,248	1,248	661.72	826.005
12	ALIYABAD	10.00	3,650	3,650	661.72	2,415.270
13	Kadanwari	33.37	12,180	12,196	927.47	11,311.740
14	Bhit	118.37	43,205	41,023	501.35	20,566.655
15	Miano	30.85	11,260	11,263	466.76	5,257.174
16	Sawan	10.00	3,650	3,673	466.21	1,712.156
17	Maher / Mubarak Block	23.00	8,395	9,047	417.22	3,774.607
18	Sofia	12.00	4,380	4,719	417.22	1,968.836
19	Latif	10.50	3,834	3,856	445.29	1,716.908
20	Zamzama	8.17	2,982	2,378	453.07	1,077.361
21	Kirther (Rehman)-EWT	19.54	7,130	5,978	722.34	4,318.367
22	Rizq - EWT	15.46	5,645	5,258	722.34	3,797.895
23	Zargoon	13.00	4,745	4,509	552.20	2,489.901
24	Mari	0.92	337	246	224.97	55.356
25	Sujawal / Sujjal	2.40	877	925	481.08	444.853
26	Sujjal	12.10	4,415	4,415	481.08	2,124.075
27	Aqeeq-1	1.92	700	738	481.08	355.060
28	SNGPL Towns-(Ghotki, Rustam, SherAli, Ubaro, etc.)	4.10	1,497	1,300	780.00	1,013.869
29	Sari / Hundi	2.00	730	655	552.44	361.916
30	Sinjhoro	33.00	12,045	12,209	417.22	5,094.066
31	Bobi	3.00	1,095	1,215	389.96	473.806
32	Pasaki Deep & Kunnar Deep	144.10	52,598	53,941	428.42	23,109.356
33	Tay/Dars	55.90	20,402	21,095	417.22	8,801.274
34	Pakhro / Noorai Jagir/ Daru	9.00	3,285	3,794	386.15	1,464.931
35	Nur Bagla fields	3.00	1,095	1,181	386.15	456.101
36	Dachrapur / Jakhro / Gopang	1.59	579	652	386.15	251.703
37	Jakhro	0.96	351	395	386.15	152.438
38	Chutto-01	6.81	2,485	2,907	386.15	1,122.422
39	Bitrism	4.60	1,678	1,716	386.15	662.766
40	Thal	5.22	1,904	1,904	386.15	735.076
41	Suleman	2.05	747	747	386.60	288.794
42	Mangrio	0.62	228	228	386.60	88.146
43	Ayesha / Aminah / Ayesha (North)	14.80	5,402	5,402	432.76	2,337.776
44	Zainab	0.47	171	171	434.11	74.234
45	Gas Purchases	1,166.71	425,848	414,131	516.15	213,752.828
46	Excise duty				10.00	4,128.310
47	SSGCL Average input Cost of Gas	1,166.71	425,848	414,131	526.12	217,881.139

D: List of Abbreviation

APCNGA	All Pakistan CNG Association
APTMA	All Pakistan Textile Mills Association
BAQTI	Bin Qasim Association of Trade and Industry
BBTU	Billion British Thermal Unit
BCF	Billion Cubic Feet
BCFD	Billion Cubic Feet Daily
BOD	Board of Directors
C&F	Cost and Freight
CC	Cement Concrete
CEO	Chief Executive Officer
CNG	Compressed Natural Gas
CP Station	Cathodic Protection Station
CP System	Cathodic Protection System,
CP	Constitutional Petition
CC&B	Customer Care and Billing
CMS	Customer Meter Station
CTS	Custody Transfer Station
DERR	Determination of Estimated Revenue Requirement
EETPL	Engro Energy Terminal Pvt. Ltd.
ENI	Ente Nazionale Idrocarburi
EVC	Electronic Volume Corrector
ECC	Economic Coordination Committee
FBATI	Federal Bureau Association of Trade & Industry
FG	Federal Government
FoP	Federation of Pakistan
FRR	Final Revenue Requirement
GCV	Gas Calorific Value
GDS	Gas Development Surcharge
GIC	Gas Internally Consumed
GOP	Government of Pakistan
GIDC	Gas Infrastructure Development Cess
GPA	Gas Pricing Agreement
HCPC	Habibullah Coastal Power Company
HSFO	High Sulphur Furnace Oil
HQ	Head Quarter
IAS	International Accounting Standard
ILBP	Indus Left Bank Pipeline
ISGSL	Inter State Gas System Limited
JJVL	Jamshoro Joint Venture Limited
KCCI	Karachi Chamber of Commerce & Industry

KE	Karachi Electric
KPD	Kunner Pasaki Deep
KPMG	Klynveld Peat MarwicK Goerdeler
KMI	Key Monitoring Indicators
LATI	Landhi Association of Trade & Industry
LHF	Liquid Handling Facility
LPG	Liquified Petroleum Gas
LPS	Late Payment Surcharge
LNG	Liquified Natural Gas
MOE (PD)	Ministry of Energy (Planning Division)
MGFIP	Mehar Gas Field Integration Project
MMBTU	Million Metric British Thermal Unit
MMCF	Million Standard Cubic Feet
MMCFD	Million Standard Cubic Feet per Day
MMP	Meter Manufacturing Profit
MP&NR	Ministry of Petroleum and Natural Resource
MR	Market Return
MRP	Market Risk Premium
MVA	Multi Valve Assembly
NGRA	Natural Gas Regulatory Authority
NKATI	North Karachi Association of Trade & Industry
NHA	National Highway Authority
OGDCL	Oil and Gas Development Company Ltd.
OGRA	Oil and Gas Regulatory Authority
OMV	Österr Mineralöl Verwaltung
PPL	Pakistan Petroleum Limited
PRS	Pressure Regulating Station
POD	Point of Delivery
PSO	Pakistan State Oil
QPL	Quetta Pipe Line
RF	Risk Free
RLNG	Re-Gasified Liquefied Natural Gas
RS	Regulating Station
ROW	Right of Way
RTU	Remote Terminal Unit
SECP	Securities & Exchange Commission of Pakistan
SHC	Sindh High Court
SITE	Sindh Industrial Trading Estate
SMS	Sales Meter Station
SNGPL	Sui Northern Gas Pipeline Limited
SSGCL	Sui Southern Gas Company Limited
SCADA	Supervisory Control And Data Acquisition

TBS	Town Border Station
T&D Cost	Transmission and Distribution Cost
TRS	Town Regulating Station
UFG	Un-accounted for Gas
WACOG	Weighted Average Cost of Gas
WAPDA	Water And Power Development Authority
WPPF	Workers Profit Participation Fund