Case No. OGRA-6(2)-1(3)/2020-RERR

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

UNDER

SECTION 8(2) OF OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002
ANDNATURAL GAS TARIFF RULES, 2002

DECISION

February 10, 2021

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

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ANNEXURES:

1. Background

1.1. Sui Northern Gas Pipelines Limited (the petitioner) is a public limited company, incorporated in Pakistan, and listed on the stock exchanges at Karachi, Lahore and Islamabad. The petitioner is operating in the provinces of Punjab, Khyber Pakhtunkhwa (KPK) and Azad Jammu & Kashmir (AJ&K) under the license granted by Oil & Gas Regulatory Authority. However, petitioner's exclusive right to operate in the franchised areas had ended on 30th June, 2010. It is engaged in the business of construction and operation of gas transmission and distribution pipelines and sale of natural gas. The petitioner is also engaged in the sale of condensate and other by-products under the umbrella of above said license. Moreover, in pursuance of Federal Government (FG/GoP) decision, the petitioner is engaged in transportation and sale of RLNG.

1.2. The Authority, under Section 8(1) of the OGRA Ordinance, 2002 (the Ordinance) determined the Estimated Revenue Requirement (DERR) of the petitioner for FY 2020-21 (the said year) vide order dated July 13, 2020 at Rs. 219,542 million. Accordingly, the surplus to the tune of Rs. 13,227 million was determined translating into decrease of Rs. 40.94 per MMBTU in the average prescribed price w.e.f. July 01, 2020.Impact of previous years' shortfall amounting to Rs. 192,631 million was not included in the above said price, and the matter was referred to FG for appropriate revision in gas sale price under Section 8(3) of the Ordinance or payment of subsidy to the petitioner.

1.3. Being aggrieved by this determination dated July 13, 2020, the petitioner has submitted Motion for Review on August 13, 2020 under Rule 16 of Natural Gas Tariff Rules, 2002 (NGT Rules) seeking an increase of Rs. 60.39/MMBTU in current prescribed price to Rs. 724.64/MMBTU w.e.f July 01, 2020.

1.4. M/s. Dynamic Engineering & Automation (petitioner-II), also field Motion for Review against DERR dated July 13, 2020. M/s DAE has requested the Authority to allow air-mix LPG plant of Chirtal, Ayun, Darosh and Gilgit, being on-going projects as well as in consonance with decision of Economic Co-ordination Committee (ECC) dated March 26, 2020.

2. The Petition

2.1. Subsequent to the motion for review whereby the petitioner has demanded an increase of Rs. 60.39/MMBTU, the petitioner submitted its review petition under Section 8(2) of the Ordinance on October 15, 2020, incorporating in the ERR the effect of changes in the projected cost of gas, latest international oil prices, Rupee US$ parity, revised projection of gas purchases and sales volume. Accordingly, increase in current prescribed price of Rs. 624.83/MMBTU to Rs. 745.32/MMBTU (i.e. increase of Rs. 120.49/MMBTU) w.e.f July 01, 2020 has been claimed. The petitioner has included Rs. 905 million related to LPG air-mix projects in the above said increase. The petitioner has further requested to include Rs. 215,240 million, being previous year shortfall in revenue requirement for the said year. Accordingly, aggregate increase in prescribed price of Rs. 784.22/MMBTU has been requested w.e.f. July 01, 2020 for the said year.

2.2. Subsequently, based on revision in sales price notification effective September 01, 2020, the petitioner filed revised petition (the petition) dated November 04, 2020 for the said year. The petitioner has revised its shortfall at Rs. 35,596 million as against previously claimed shortfall of Rs. 39,074 million and requested the Authority to increase Rs. 109.77/MMBTU as against Rs. 120.49/MMBTU claimed per its earlier petition. Rs. 215,240 million, being previous year shortfall, has also been included in the petition, requesting the Authority to aggregate increase the prescribed price of Rs. 773.50/MMBTU for the said year. Besides above, the petitioner has claimed RLNG cost of service at Rs. 28,964 million i.e. Rs. 72.33 per MMBTU, being ring-fenced to be recoverable from RLNG consumers.

2.3. The details of the main items claimed in the petition are as under:

i. Cost of gas sold
ii. Transmission and distribution cost including HR Cost
iii. Capital assets
iv. Project of Supply of 40 MMCFD Gas to Allama Iqbal Industrial City Special Economic Zone.
v. Construction of Regional Office at Bahawalpur at Rs. 300 million
vi. Establishment of Regional office at Karak.
vii. Establishment of Customer Service Center (CSC) at Jahangira, Mardan region for Rs. 25million.

2.4. The petitioner's submission is summarized in the following statement of cost of service per MMBTU:

Table 1: Comparison of Projected Cost of Service per the Petition

	Rs./MMBTU
PARTICULARS	**FY 2020-21**
	The Petition
Volume (BBTU)	324,288
Cost of gas	520.48
UFG Adjustment	(21.00)
Operating Cost	94.03
Depriciation	71.56
Late Payment Surcharge & short term borrowing	63.19
Return on Assets	70.55
Additional Revenue Requirement for LPG Air Mix Projects	2.79
Other Operating Income	(60.41)
Average Prescribed Price for FY 2020-21	**741.18**
Shortfall upto FY 2017-18 - as per accounts	376.75
Shortfall FY 2018-19 as per RERR dtd 27.02.2019	194.44
Shortfall FY 2019-20 as per RERR dtd 11.12.2019	92.53
Commulative Prvious Year Shortfall	663.73
Average Prescribed Price after previous Year Shortfall	**1,404.92**
Current Average Prescribed Price	631.42
Increase in Average Prescribed Price after previous Year Shortfall	**773.50**

2.5. The Authority admitted the petition under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority on November 09, 2020.

2.6. Accordingly, a notice of public hearing was published in the leading newspapers on November 13, 2020 inviting interventions/ comments on the petition from the consumers, stakeholder and the general public for hearing to be held in Lahore on November 26, 2020. However, due to 2nd wave of massive outbreak of Covid-19 and consistent increase in positivity percentage throughout the country, National Command & Control Centre (NCOC) announced a policy to avoid public gatherings. Accordingly, the Authority decided to change the venue / mode of public hearing in larger national interest and published notices in newspapers on November 18, 2020 for virtual public hearing.

2.7. In response to public notices, the Authority received applications to intervene in the proceedings from the following persons/entities:

i) All Pakistan Textile Processing Mills Association (APTPMA)

2.8. The Authority accepted the application of APTPMA.

3. Proceedings and Public Interventions

3.1. Accordingly, public hearing held on November 23, 2020 at OGRA Office, Islamabad. The following interveners / participants presented their views / comments / suggestions:

Petitioner:

i. The team led by Mr. Amer Tufail, Managing Director,
ii. Mr. Kamran Akram, General Manager (RA)

Interveners/Participants

i. Mr. Shahid Sattar, APTPMA
ii. Mr. Ghiyas Abdullah Paracha, Chairman CNG Association

3.2. The petitioner made submissions in detail with the help of multimedia presentation explaining the basis of its petition. The main points are summarized below;

3.2.1. The petitioner contested OGRA's decision in respect of HR benchmark cost. It was argued that adjustment of previous years' HR cost is not legally tenable as the same has already been distributed among employees, leaving no option for the company to recover such amount from their employees or bearing the deduction from the profit of the shareholders.

3.2.2. It was argued that Rule 16 of NGT Rules expressly excludes any suomotu power of review by the Authority meaning thereby that in the absence of any motion by a party, OGRA cannot exercise the power of review as stipulated in Section 13 of the Ordinance. The petitioner has further requested to allow additional three lac new domestic gas connection, including 10% on urgent basis for the said year.

3.2.3. It was also requested to compute cost of service / transportation tariff for RLNG activity on actual throughput instead of designed capacity so that entire cost be recovered by it. The petitioner also contested LPG Air Mix projects as work at Ayun, Drosh and Chitral projects had already been started.

3.3. The substantive points made by the interveners and participants during hearing and the interventions received in writing are summarized below:

3.3.1. It was criticized that demand for additional three lac new gas connections for domestic consumers is unjustified in the wake of gas shortages.

3.3.2. It was highlighted that delay in finalization in determination of RLNG cost of supply by OGRA makes costing as well as its price recovery difficult for the industry as consignments had already been dispatched.

3.3.3. It was supported that RLNG cost of supply be calculated on installed capacity as against petitioner's demand at throughput capacity.

3.3.4. It was criticized that domestic consumers not be subsidized at the expense of other categories of consumers especially industrial. It was highlighted that industrial and commercial consumers are subsidized in other developing countries, which results in productivity& growth of exports sector.

3.3.5. CBA representative highlighted OGRA deduction made in HR cost in the prevailing covid-19 pandemic. It was argued that salaries of subordinate staff are too low while comparing with similar other organizations. It was requested to compare the petitioner's staff salaries with OGDCL, MPCL and other gas producing companies.

3.3.6. It was requested that salaries and employment benefits allowed in employment contracts of existing employees cannot be reduced unilaterally to the disadvantage of the employees in the light of many judgments of Superior Courts of Pakistan. It was further argued that once benefits granted by an agreement to CBA cannot be unilaterally withdrawn.

3.3.7. It was stated that Section 91 of Industrial Relation Act, 2012 under Schedule II grants right to workers to receive wages as per agreed terms and conditions of employment. Such welfare benefits and safety measures once granted per the agreement, settlements cannot be deprived from their legal rights.

3.3.8. It was requested to restore HR benchmark mechanism for subordinate staff/employee and requested special provision be created for subordinate staff to increase their salaries in the wake of prevailing dearness and covid-19 effect on their lives.

3.3.9. APTMA's representative stated that prices should be fixed and not be altered in any future determination as it is not viable for business to adjust any backdated costs.

3.3.10. It was pointed out that the request of the petitioner for new connections is not justifiable since demand of existing consumers is currently not being met owing to energy shortages.

3.3.11. It has been suggested that import of LPG should be encouraged along-with use of LPG cylinders by offering subsidy.

3.3.12. The Authority was requested for 3rd party audit of verifiable ring-fenced costs to enforce the government's decision to charge strictly ring-fenced costs to UFG.

3.4. The petitioner, while responding to interveners/participants comments informed that backlog of pending applications for new applications have reached to 2.7 million. Therefore, request for additional connections meeting the minimum cost criteria be allowed. It was further informed that FG has advised the petitioner to put-up a plan to clear the pendency of new gas connections at the earliest.

Petitioner-II:

3.5. Mr. Owais Mir, Chief Executive Officer, Dynamic Engineering &Automation, being contractor of LPG air-mix project represented petitioner-II.

3.6. The petitioner-II made submissions in detail with the help of multimedia presentation explaining the basis of its petition. The substantive points made during hearing are summarized below:

3.6.1. It was requested that LPG projects namely Chitral, Ayun and Darosh are on-going projects, the same may therefore not be abruptly abandoned by OGRA.

3.6.2. It was argued that ECC decision on LPG air-mix projects was wrongly interpreted.

3.6.3. It was informed that main equipment had already been supplied to the petitioner by petitioner-II. Moreover, OGRA had already issued construction license for Ayun and Darosh projects. Also, purchase order in this respect has been signed. Therefore, the project cannot be cancelled without compensation to the petitioner-II/contractor.

3.6.4. Moreover, the Authority, in its decision of Motion for review against DERR FY 2019-20 dated 03-10-2019, allowed 50% capital cost of Rs. 454 million in the rate base of petitioner with respect to the project at Gilgit.

3.6.5. The petitioner-II has requested the Authority to allow petitioner Rs. 1,834 million on account of LPG air-mix projects at Chitral, Ayun, Darosh and Gilgit.

4. Authority's Jurisdiction, Determination Process

4.1. The Authority examined, in depth, all applications and petitions in light of relevant legal provisions. The instant petition has been filed under section 8(2) of the Ordinance. The petition is primarily focused on review of cost of locally purchased gas of the petitioner based on changes in the wellhead gas prices and relevant factors. The wellhead gas prices for the said year are based on the latest prices of crude oil and HSFO during the period December, 2019 to November, 2020. The latest trend in Rupee vs US$ rates in recent months is to be taken into account, while determining cost of gas to ensure that the determination is rational and fair to all stakeholders. Moreover, the contents of the Motion for Review for the said year has been made integral part of the petition.

4.2. The operating revenues, operating expenses and changes in asset base are scrutinized by the Authority in depth. Appropriate benchmarks are set in critical areas of operation to ensure that the cost of petitioner's inefficiencies and imprudence are not passed on to the consumers.

4.3. The stipulated process is followed in the letter and spirit of law. Public notices are issued and all stakeholders are provided full opportunity to intervene/comment upon issues pertaining to determination of revenue requirement, in writing and at public hearings. The Authority gives full consideration to observations, and comments of all stakeholders while determining revenue requirement as well as prescribed prices.

4.4. The overall function of tariff determination/revenue requirement as well as its scheme and evaluation criteria, is explicitly provided in the legal framework as defined in the OGRA Ordinance, NGT Rules and the respective licenses for regulated activities. Therefore, all the legal instruments are to be read together to understand the mechanism established to carry out the function prescribed under the Ordinance.

4.5. Moreover, the Authority, as per prevalent tariff regime, computes rate of return at 17.43% on the average net operating fixed assets while treating various income and expenditure heads decided therein.

5. Operating Fixed Asset

5.1. The petitioner has claimed reinstatement of following assets in motion for review against DERR for the said year:

Table 2: Reinstatement of Assets per the Petition

Rs. Million

Sr. No.	Particulars	Petition FY 2020-21			Determined FY 2020-21			Reinstatement Claimed in Motion for Review against DERR		
		RLNG	Normal	Total	RLNG	Normal	Total	RLNG	Normal	Total
1	Building on Free Hold		904	904	0	52	52		852	852
2	Transmission Mains	1203	2534	3737	0	575	575		428	428
3	Compression	0	2140	2140	0	0	0		1667	1667
4	Distribution Mains	579	30324	30903	579	14641	15220		967	967
5	Measuring and Regulating	440	6005	6445	386	5081	5467		20	20
	Sub Total	**2222**	**41906**	**44128**	**965**	**20349**	**21314**		**3934**	**3934**
6	Telecommunication		29	29	0	29	29			0
7	Plant & Machinery		945	945	0	263	263			0
8	Tools & Equipment		27	27	0	27	27			0
9	Construction Equipment		317	317	0	205	205			0
10	Motor Vehicles		200	200	0	116	116			0
11	Furniture & Fixture		31	31	0	29	29			0
12	Office Equipment		76	76	0	26	26			0
13	Computer Hardware		411	411	0	239	239		1	1
14	Computer System Software / Intangible Assets		117	117	0	58	58		59	59
	Sub Total	**0**	**2153**	**2153**	**0**	**993**	**993**		**60**	**60**
	Grand Total	**2222**	**44059**	**46281**	**965**	**21342**	**22306**		**3993**	**3993**

5.2. The petitioner has claimed following additions in assets in the petition:

Table 3: Addition to Assets per the Petition

Rs. Million

Sr. No.	Particulars	Additions Claimed in FY 2020-21		
		RLNG	Normal	Total
1	New Connections (300,000)		4218	4218
2	Combing Mains		746	746
3	Head Office Reserves		187	187
4	Land Free Hold (Land for Bahawalpur)		300	300
5	Migration of HCL software		138	138
6	Establishment of Complaint Centre, Customer Service Centre and Sub Regional Offices:			
I	Establishment of Sub Regional Office at Kamalia, Faisalabad		45	45
II	Establishment of Customer Service Centre at Shorkot City,		12	12
III	Establishment of Customer Service Centre at Jalalpur		12	12
IV	Establishment of Complaint Centre at Sillanwali, Sargodha		2	2
V	Establishment of Sub Regional Office at Pabbi, Peshawar		46	46
VI	Office at Karak		103	103
VII	CSC at Jehangira		10	10
7	(Infrastructure Development Work at AIIC, FSD (RLNG)	839	-	839
	Sub Total	**839**	**5819**	**6658**

5.3 Buildings on Freehold Land

5.3.1 The petitioner has requested for reconsideration/reinstatement of Rs. 852 million in respect of building on freehold land, as per following sub-heads:

a) Building on Freehold Land (Regular Capex)

5.3.2 The petitioner has requested for reconsideration of Rs. 289 million in respect of Building-Regular Capital Expenditure. The petitioner stated that the Authority has allowed budget under this head based on previous year capitalization trend which may not be a judicious yard stick to assess the petitioner's budget requirements, as civil construction works take a longer period of time for completion and the petitioner could not capitalize the same in one year.

5.3.3 The Authority observes that the petitioner has merely repeated its earlier stance and no new tangible and specific reason or evidence has been provided for re-consideration of its request, ***therefore the Authority maintains its original decision taken in respect of various heads of building on free hold land.***

b) Regional Office Sahiwal

5.3.4 The petitioner at the time of ERR for the said year projected Rs. 563 million for construction of Regional Office Sahiwal in line with the advice of its Board of Directors (BOD). The Authority disallowed the same while referring to its earlier decision in the matter as part of Motion for Review against DRERR for FY 2018-19.

5.3.5 The petitioner has again reiterated its earlier stance and stated that regional distribution office, Sahiwal is responsible to manage network and facilitate customers of three Districts viz; Sahiwal, Okara and Pakpatan, therefore the petitioner requested to reconsider Rs. 563 million on this account being a consumer-oriented project.

5.3.6 The Authority observes that the petitioner has not provided any new submission, justification or analysis to substantiate its stance on construction of regional office at Sahiwal, ***therefore the Authority maintains its original decision in this respect.***

5.3.7 ***In view of above, the Authority maintains its earlier decision on account of Building on Free Hold Land and no additional amount is allowed in this respect.***

5.4 Transmission Mains

5.4.1 The petitioner has requested for reconsideration/reinstatement of Rs. 428 million in respect of transmission mains, as per following sub-heads:

a) Construction/ Upgradation of SMSs

5.4.2 The petitioner has stated that budget for the construction of New SMSs and Modification / up-gradation of SMSs has been proposed for commissioning of gas supply schemes against ongoing /new projects funded by GoP and new housing schemes. The petitioner further stated that the Authority's approved budget is based on historical capitalization trend, however construction of SMSs takes longer period of time, especially due to import of material and land acquisition. Therefore, capitalization on this account may not be related to historical capitalization trend.

5.4.3 The Authority observes that the petitioner has not provided any new evidence or justification for review of earlier decision, ***therefore, the Authority maintains its original decision in this respect, however, any prudently incurred expenditures following PPRA Rules, internal control systems, transparency and Board approval, shall be considered by the Authority at the time of FRR for the said year, provided the same is within the budgeted amount.***

b) Rehabilitation of Transmission System/ Upgradation of SMS's

5.4.4 The petitioner has stated that the Authority has curtailed the budget of Rs. 35 million proposed to deal with any modification / unforeseen situation on Transmission System during the said year. The petitioner mentioned that the said amount is used to undertake works such as sleeving, modifications, up gradations etc. and to undertake rehabilitation of Transmission System in the event of emergency situations.

5.4.5 The Authority observes that keeping in view the operational requirements of the Transmission network and justification provided by the petitioner, the Authority allowed Rs. 110 million for Rehabilitation of Transmission Network that included Rs. 35 million to cater maintenance jobs such as sleeving, modifications, upgradations, etc. against projected amount of Rs. 70 million. The Authority also observes that the petitioner has not provided any new tangible justification to substantiate its instant request.

5.4.6 ***In view of above, the Authority maintains its original decision in this respect, however, any prudently incurred expenditure following PPRA Rules, internal control systems, transparency and Board approval, shall be considered by the Authority at the time of FRR for the said year, provided the same is within the budgeted amount.***

c) Cathodic Protection System (CP System)

5.4.7 The petitioner pleaded that the Authority has allowed only half of their petitioned amount i.e. Rs. 216 million which is not sufficient to complete 275 Nos. proposed capital job for said year. The petitioner has further stated that the cost of CP material, being imported in nature, has increased substantially over the years due to high currency exchange rates. The annual material requirement is centrally procured as per PPRA rules and it takes at least 08 – 10 months to complete the procurement process. It has further been mentioned by the petitioner that the Authority has allowed the budget on historical trends, which may not be judicious parameter to assess the budget requirements.

5.4.8 The Authority observes that the request of petitioner at the time of DERR was analyzed keeping in view the justification provided, operational requirement along with progress of the petitioner in the past years. Moreover, it has also been observed that the petitioner has the tendency to project the activities, over and above its abilities to carry out the tasks. ***Since the petitioner has not provided any new evidence and the justifications provided are not tangible for reconsideration of petitioner's claim, the Authority maintains its original decision in this respect, subject to actualization of prudently incurred expenditures following PPRA Rules, internal control system, transparency and Board approval, at the time of FRR for the said year, provided the same is within the budgeted amount.***

5.4.9 ***In the light of above discussion, the Authority maintains its earlier decision in respect of addition to Transmission assets and no additional amount is allowed.***

5.5 Compression(Compressor Package Refurbishment-Centaur T-47)

5.5.1 The petitioner has requested for reconsideration of Rs. 1,667 million in respect of Compressor Package Refurbishment.

5.5.2 The petitioner has apprised regarding already pending work under Compression Overhauling Project that work related to FY 2018-19 has been completed and shall be capitalized in FY 2019-20. Moreover, work against approved budget for FY 2019-20 is in progress and purchase orders have been placed to M/s Solar for overhauling spares, which are expected to be delivered by November, 2020.

5.5.3 The petitioner has also added that there is no link between these two projects i.e. overhauling & upgradation of packages, as both are totally independent projects. Overhauling project is for gas turbine engine which is carried out periodically after completion of defined operating hours i.e. TBO (Time Between Overhaul). Also, overhauling is carried out only for turbine engine & compressor.

5.5.4 The proposed project is for package refurbishment & control system upgradation. The package components include all the integrated systems & equipment which operate the turbine engine & compressor. Upgradation project is initiated as a result of Obsolete Technology of 9 vintage compressor packages which were procured during years 1994-95. These packages have outlived their useful life. In the absence of this up-gradation program and discontinued support from parts manufacturers, there will be no other option than to take this package out of operation and phase them out.

5.5.5 The petitioner has submitted breakup of funds required for upgradation of 9 Nos. packages, in two phases, as per the following details in its ERR petition for said year;

Table 4: Details of Compression

	FY	Description	Amount (Million Rs)
PHASE - I	2019-20	Engineering & Procurement for 5 Packages	757.222
	2020-21	Construction, Installation & Commissioning - 5 Packages	70.012
		Total Cost for 5 Nos. Packages	**827.234**
PHASE - II	2021-22	Engineering & Procurement for 4 Packages	798.891
	2022-23	Construction, Installation & Commissioining - 4 Packages	40.633
		Total Cost for 4 Nos. Packages	**839.524**
		GRAND TOTAL (PHASE - I & II) - Million Rs.	**1666.758**

5.5.6 ***In view of the justification submitted by the petitioner, the Authority allows the Compressor Package Refurbishment Project in principle, subject to actualization at the time of FRR for the said year. The petitioner is further advised to ensure prudency in incurring expenditure and keep the same within the projected amounts of Rs. 1,667 million.***

5.6 Distribution Development

a) Laying of Distribution Mains, Combing Mains, Augmentation and Head Office Reserves

5.6.1 The petitioner has stated that the Authority allowed Rs. 9,518 million against laying of Distribution Mains based on cost per km over the past years. As per the petitioner, the historical cost does not truly represent cost of a particular year. The petitioner has, therefore, requested the Authority to principally allow the petitioned amounts for initiating the procurement process and sanctioning of Jobs and allow the actual cost incurred in achieving the approved targets in the respect of FRR.

5.6.2 The Authority observes that the petitioner has not provided any new tangible reasons for consideration of its request. ***In view of above, the Authority maintains its original decision taken at the time of ERR, however, any prudently incurred cost shall be considered at the time of FRR for the said year, provided the same is within the amount already approved by the Authority.***

b) Laying of Distribution Mains on Cost Sharing basis

5.6.3 The petitioner has stated that the Authority in DERR for the said year observed that since the petitioner is not entitled to return on distribution mains laid on 100% cost sharing basis, therefore an amount of Rs. 857 million was not allowed. The petitioner submitted that laying of Distribution Mains at 100% cost sharing basis is made part of the deferred credit and amortized accordingly. The deferred credit is deducted from the balance of operating fixed assets, return on which is neither claimed by the petitioner nor allowed by the Authority. The petitioner mentioned that the Authority in the above referred decision has disallowed this asset but not adjusted the respective deferred credit and amortization income offered by the petitioner.

5.6.4 It has further been pleaded that there appears to be some inadvertent typographical error as the Authority used the phrase "***does not allow***" after correctly mentioning that the petitioner is not entitled to the rate of return on the said capitalization. The petitioner has requested to issue clarification in this regard.

5.6.5 ***In view of the above submission, it is clarified that the petitioner may undertake laying of distribution mains on 100% cost sharing basis, however, capitalization of the projected amount of Rs. 857 million in this respect shall not be entitled for return.***

c) System Rehabilitation

5.6.6 The petitioner has requested for principle approval of the total amount of Rs. 3,000 million projected by it in respect of system rehabilitation. The petitioner has stated that this activity is to be carried out under KMI No. 13 and curtailment of budget under this head will cause increase in UFG due to leakages.

5.6.7 The Authority at the time of DERR allowed Rs. 1,589 million for system rehabilitation, subject to actualization at the time of FRR for the said year. The Authority observes that request of the petitioner at the time of DERR was analyzed keeping in view the execution in the past years. It was also noted that the petitioner has the tendency to project exaggerated activities and unrealistic targets that do not correlate with its capacity and progress shown historically. ***In view thereof, the Authority maintains its original decision in this respect.***

d) KMI Implementation Plan (No. 14)

5.6.8 The petitioner at the time of ERR projected an amount of Rs. 494 million in respect of KMI No. 14 relating to underground leakage identification & rectification. The Authority keeping in view the justification provided by the petitioner allowed Rs. 247 million subject to actualization at the time of FRR of the respective year.

5.6.9 The petitioner has stated that budget under this head is used for carrying out identification& rectification of underground leakages as per **KMI No. 14**, and curtailment of the budget under this head will cause increase in UFG due to leakages as the petitioner will not be able to execute 100% target of this KMI. The petitioner has requested to principally allow the claimed budget for execution of KMI No. 14.

5.6.10 The Authority observes that the petitioner has not provided any tangible justification for reconsideration of its request. ***The Authority, therefore, maintains its original decision in this respect.***

e) Laying of Distribution from SMS Rawat to Jinnah Ave.

5.6.11 The Authority at the time of DERR observed that the reasons given by the petitioner are not prudent enough for consideration of projected amount of Rs. 110 million, over and above Rs. 294 million allowed in DERR FY 2019-20, for laying of Distribution line from Rawat to Jinnah Avenue, therefore, the same was rejected.

5.6.12 The petitioner has stated that the amount of Rs. 110 million represents the enhancement in already approved budget of System Augmentation (Rawalpindi/Islamabad) to utilize additional gases from Adhi Gas Field. The additional amount includes Rs. 90 million for material and Rs. 20 million for contract payments on the project, construction/execution of which is in advanced stage. In view of the above, the petitioner has requested for approval of the same.

5.6.13 The Authority observes that the petitioner has not given any tangible reasons for consideration of additional amount of Rs. 110 million over and above the already allowed amount; ***therefore, the Authority maintains its original decision in this respect.***

5.7 New domestic gas connections including 10 % urgent fee connection

5.7.1 The petitioner has stated that Authority in DERR for the said year has allowed 400,000 domestic connections, however, the related cost has been reduced based on the historical trend.

5.7.2 The Authority observes that explicit decision in this respect has been announced in DERR for the said year whereby Rs. 3,287 million for service lines and Rs. 2,191 million in respect of Measurement and Regulating Assets for installation of 400,000 new domestic connections was allowed (including 10 % of the domestic connections on urgent fee basis) subject to actualization at the time of respective FRR.

5.7.3 Moreover, the Authority is in receipt of numerous complaints regarding delayed/non-provision of gas connection despite payment of urgent fee. The Authority observes that the petitioner has been allowed to provide 10% of new connections, allowed in a year, on urgent fee basis, where connection must be installed within three months of deposit of urgent fee. In the light of the same, the petitioner is hereby advised to strictly adhere to the Authority's decision dated February 17, 2014 regarding urgent fee and ensure timely installation of gas connections on first come first serve basis on normal fee as well as in urgent fee cases.

5.8 Pilot project of installation of digital meters (measuring and regulating assets / computer hardware)

5.8.1 The petitioner has stated that budget of Rs. 40 million against Measurement & Regulating Assets and Rs. 1 million against Computer Hardware was proposed for installation of 5000 Nos. digital pressure compensated meters, based on an appropriate sample basis, with an approximate cost of Rs. 8,000/- per meter. It has also been added that curtailment in this budget will induce the petitioner to reduce the sample size, resultantly the required result/study may not be fruitful. The Authority has accordingly been requested to allow the same.

5.8.2 The Authority considering the request of the petitioner allowed Rs. 21 million on account of installation of digital meters subject to actualization at the time of FRR for the said year. The Authority observes that the petitioner has not given any new evidence or justification to substantiate its claim therefore, ***the Authority maintains its original decision in this respect.***

5.9 Plant & Machinery, Equipment and other assets

5.9.1 The petitioner has requested for reconsideration of disallowed amount in respect of plant & machinery, equipment and other assets as provided in table below:

Table 5: Details of Assets

Rs. in Million

S. No	Description	Petition	Allowed by Authority	Motion for Review/ RERR
1	Telecommunication Equipment	29	29	-
2	Plant & Machinery	945	263	682
3	Tools & Equipment	27	27	-
4	Construction Equipment	317	205	112
5	Motor Vehicles	200	116	84
6	Furniture & Fixture	31	29	
7	Office Equipment/Security Equipment	76	26	50
8	Computer Hardware	357	239	118
9	Computer System Software / Intangible Assets	117	58	59
10	Biometric Machines for Sub-Regional Offices	19	-	19
11	IT Equipment of New Executive	35	-	35
	Grand Total	2,153	993	1,159

5.9.2 The Authority observes that the petitioner has not provided any new tangible evidences in respect of various items under plant & machinery, equipment and other assets as tabulated above. ***In view of the same, the Authority maintains its earlier decisions taken in this respect.***

5.10 New connections (300,000) / laying of combing mains, augmentation and head office reserves

5.10.1 The petitioner has requested for additional allocation/ budget for 300,000 new domestic gas connections along with budget against Combing Mains & Head Office Reserve for Network Extension. The petitioner vide its letter ref: RA-TAR-20-21(P)-025 dated 28 August, 2020 has referred to the meeting held with Minister of Energy ((Petroleum Division) (MoE(PD)) and added that its BOD in its 558thmeeting held on 12 August, 2020 accorded approval of the following additional budget against installation of New Domestic Gas Connections (including 10% on urgent fee basis), Combing Mains & Head Office Reserve for Network Extension Meeting Cost Criteria.

Table 6: Details of Additional Budget requested by the Petitioner

Budget Head	Already Approved by OGRA	Additional Allocation	Budget Requirement Rs. Million
New Domestic Gas Connections (Including 10% on Urgent Fee Basis)	Nos: 400,000 Rs. 5,478 Million	Nos. 300,000	Rs. 4,218 Million
Combing Mains	Length: 300 Km Rs. 484 Million	Length: 300 Km	Rs. 746 Million
H/O Reserve for Network Extension Meeting Cost Criteria	Length: 34 Km	Length: 66 Km	Rs. 187 Million

5.10.2 In view of the enhanced demand of the petitioner, the Authority has reviewed the progress in respect of installation of new connections till date for the said year and observed that around 125,000 connections have been installed during the first six months compared with already allowed 400,000 connections. Moreover, the admitted pendency of more than 2.7 million applications speaks volume about the performance and efforts of the petitioner on this account in the past. Therefore, a careful review of previous progress on new connections viz a viz yearly targets set thereto, does not justify the petitioner's instant request and the enhanced target merely appears to be an effort to seek concession without any resolve to physically materialize it.

5.10.3 The Authority further observes that under Section 20 (iii) of the Natural Gas Licensing Rules, 2002 and License Condition No. 12 of the petitioner's license, the petitioner is obligated to refrain from exercising discrimination against or showing undue preference towards any consumer, producer of natural gas or any class of consumers or producers. In the light of above, the Authority reiterates its earlier directions on account of new gas connections as allowed in DERR for the said year and advises the petitioner to stagger the allowed connections over a whole period of one year in a fair and equitable manner and ensure wide distribution of connections throughout its licensed area.

5.10.4 The Authority also appreciates that the FG is pursuing hard for additional availability of gas for consumers, yet the petitioner is unable to efficiently manage and ensure sustainable gas supply even to its existing consumers, as there is an ever increasing trend in the reduction in supply pressure and volume to the existing consumers which is being compounded by every new connection. In this scenario increase in distribution network and provision of additional new connections shall aggravate the gas load shedding besides additional cost recovery thus affecting the existing consumers.

5.10.5 The Authority further notes that the petitioner, under its License No. NG-002/2003 dated 3rd September, 2003, no more holds exclusive rights in its franchise area post 30th June 2010. Therefore, after the expiry of said exclusivity, any OGRA licensee, including the petitioner, has equal right to undertake the regulated activities including operation of distribution network and sale of natural gas/ RLNG. In addition, with the promulgation of Gas Third Party Access Rules, 2018 and various licenses issued by OGRA for distribution and sale of natural gas/RLNG, the gas market is heading towards liberalization and fair competition that will not only introduce price competitiveness but also increase investment and opportunities in the sector.

5.10.6 In view of the same and to extend equal opportunity to all the gas market players in a fair and transparent manner, the Authority brings this matter to the attention of FG to formulate appropriate policy to award new gas distribution network projects through some competitive mechanism, which facilitates the new entrants and promote competitive market, bring efficiency and accelerate economic activity with the help of private participation in the gas sector. Besides the FG may consider provision of special budgetary support/grant for all new system extensions done by the petitioner. Such additions in assets shall not qualify for return allowed to the petitioner. The Authority shall however continue to allow new connections for combing mains within the towns, villages and cities already served by the petitioner. ***In view of the above, additional 300 kms requested by the petitioner for Combing Main and 66 Kms against Head Office Reserves are allowed by the Authority in principle, against which prudently incurred expenditure shall be considered at the time of FRR for the said year, provided the same is within the budgeted amount.***

5.10.7 Furthermore, the Authority while keeping in view its earlier decision in the matter and discussion in the above paras, directs the petitioner that additional connections may be proceeded subject to confirmation that already allowed 400,000 connections have been installed and commissioned before June 30, 2021. Please note that unutilized limit of sanctioned connections shall not spill over for connection in next year.

5.11 Land at Bahawalpur

5.11.1 The petitioner has included an amount of Rs. 300 million for purchase of land and construction of regional office at Bahawalpur. The petitioner highlighted that the instant project was earlier submitted to the Authority for approval in ERR for FY 2012-13, however the same was pended by the Authority. The petitioner further stated that the procurement process was initiated with the approval of the BOD in its 391st meeting held on June 2012, however, the same has not yet been completed due to various reasons. The petitioner has accordingly again submitted the project for consideration and approval of the Authority being an operational requirement.

5.11.2 The Authority observes that the petitioner in its ERR for FY 2012-13 projected Rs. 250 million for purchase of land for construction of building for Bahawalpur regional office and Rs. 50 million for construction of the said building. The Authority in its DERR for FY 2012-13 observed that the petitioner did not provide detailed break-up, project schedule and need assessment etc. and rather has provided vague estimates and insufficient justification. The Authority, therefore, pended the projected expenditure till such time the petitioner submits detailed information on this account.

5.11.3 ***The Authority observes that the petitioner has again not provided requisite detailed justification in support of its stance, the Authority therefore, does not allow projected amount of Rs. 300 million under this head.***

5.12 Migration of HCL (formerly IBM) lotus notes email system to Microsoft Exchange

5.12.1 The petitioner has submitted that for efficient, reliable and timely communication, it had procured state of the art Email system, Lotus Domino from IBM in the year 2006. However, in December 2018, IBM announced that Hindustan Computers Limited (HCL) would acquire the Lotus Domino email system and the acquisition process by HCL was completed in July of 2019. Later on, due to changes in Government policy, it was informed that any item of Indian Origin imported from India or any other; country is banned to import in Pakistan.

5.12.2 The petitioner also referred to the National Telecom &Information Technology Security Board (NTISB) Advisory No. 1-5/2003 (NTISB-Ii) issued on 15th November 2019 regarding procurement of alternate solution since HCL is posing a serious national cyber security concern. The petitioner highlighted that it has also approached other large organizations such as utility companies, banks, and telecom companies about their choice of Email system in use and as per its survey Microsoft Exchange is the preferred choice of various enterprises in Pakistan for an On-Premise Email systems.

5.12.3 The petitioner has added that the BOD in its 311th meeting held on June 19, 2020 accorded approval of procurement, implementation and migration of Email system from IBM Lotus Notes to Microsoft Exchange On-Premise Solution on proprietary basis.

5.12.4 In view of the above, the Authority has been requested to grant approval of an amount of Rs. 146 million for procurement, implementation and migration of Email system from IBM Lotus Notes to Microsoft Exchange On-Premise solution. The petitioner added that the projected cost includes Rs. 138 million for capital expenditure, whereas the remaining relate to operating expenses in lieu of training (designing, deploying and administration).

5.12.5 In view of the submissions made by the petitioner, the Authority observes that the request of the petitioner for migration of HCL (formerly IBM) lotus notes email system to Microsoft exchange is logical in the wake of security issues as mentioned above. ***The Authority therefore allows in principle, the migration of HCL (formerly IBM) lotus notes email system to Microsoft exchange, subject to actualization in the FRR for the said year, provided the same is within the budgeted amount. Accordingly, Rs. 9 million claimed relating to operating cost shall also be considered at the time of FRR subject to the actualization at year end, provided the same is within the budgeted amount.***

5.13 Establishment of Complaint Centre, Customer Service Centres, Sub Regional Offices and Upgradation of Office at Karak

5.13.1 The petitioner has referred to 553rd meeting of its BOD held on June 20, 2020 and has requested the Authority for establishment of the following Complaint Center (CC), Customer Service Centers (CSC) and Sub-Regional office:

a. CSC at Shorkot City, Faisalabad Region
b. CSC at Jalalpur Pirwala, Multan Region
c. Sub Regional Office at Kamalia, Faisalabad Region
d. CC at Sillanwali, Sargodha Region
e. Sub Regional Office at Pabbi, Peshawar Region

5.13.2 In addition to above, the petitioner has also requested for upgradation of Karak Office and establishment of CSC at Jehangira at a capital expenditure of Rs. 103 million and Rs. 10 million respectively.

a. Establishment of CSC at Shorkot City, Faisalabad Region

5.13.3 The petitioner has stated that BOD has accorded approval for establishment of new CSC at Shorkot City at a capital cost of Rs. 12 million. The petitioner based on its own developed criteria and keeping in view the consumer density, has requested for the establishment of CSC at Shorkot City Faisalabad to provide facilitation to the consumers.

5.13.4 Based on the information provided by the petitioner, the Authority observes that the current consumer base for Shorkot City is 13,520 Nos. and nearest CC & CSC is at a distance of 27 and 28 KM. Moreover, a CC is also functional at Shorkot Cantt. ***In view of***

the existing setup and nearest located CC & CSC, the Authority disallows the capital expenditure of Rs. 12 million in respect of the establishment of CSC at Shorkot City, Faisalabad. However, the petitioner is directed to re-enforce its existing CC along with nearest CSC to facilitate the consumers. Accordingly, corresponding operating cost is also disallowed.

b. Establishment of CSC at Jalalpur Pirwala, Multan Region

5.13.5 The petitioner has stated that BOD has accorded approval for the establishment of new CSC at Jalalpur Pirwala at a capital cost of Rs. 12 million. The petitioner based on its own developed criteria and keeping in view the consumer density, has requested for the establishment of CSC at Jalalpur Pirwala, Multan Region to provide facilitation to the consumers.

5.13.6 The Authority observes that the current consumer base for Jalalpur Pirwala is 9,195 Nos. and already a CC exists at Jalalpur Pirwala. ***In view of the existing setup, the Authority disallows the capital expenditure of Rs. 12 million in respect of the establishment of CSC at Jalalpur Pirwala, Multan. However, the petitioner is directed to re-enforce its existing CC to facilitate the consumers. Accordingly, relating operating cost is disallowed.***

c. Establishment of Sub Regional Office at Kamalia, Faisalabad Region

5.13.7 The petitioner has stated that BOD has accorded approval for establishment of new Sub-Regional Office at Kamalia at a capital cost of Rs. 45.290 million. The petitioner based on its own developed criteria and keeping in view the consumer density, has requested the Authority for the establishment of Sub-Regional Office at Kamalia at Faisalabad to provide facilitation to the consumers.

5.13.8 The Authority observes that the current consumer base in Kamalia is 23,583 and already a CSC exists at Kamalia. ***In view of the existing setup, the Authority disallows the capital expenditure of Rs. 45.290 Million in respect of establishment of Sub-Regional Office, Kamalia, Faisalabad. However, the petitioner is directed to re-enforce its existing CSC to facilitate the consumers. Accordingly, relating operating cost is disallowed.***

d. Establishment of CC at Sillanwali, Sargodha Region

5.13.9 The petitioner has stated that BOD has accorded approval for establishment of new CC Sillanwali at a capital cost of Rs. 1.625 million. The petitioner based on its own developed criteria and keeping in view the consumer density, has requested the Authority for the establishment of CC at Sillanwali, Sargodha Region to provide facilitation to the consumers.

5.13.10 The Authority observes that the current consumer base at Sillanwali is 3,187 Nos. and Sillanwali is at a distance of 41 Km from Sargodha Regional Office. Moreover, Authority notes that the current consumer base is very small and can be catered from the regional office Sargodha. ***In view of the same and keeping in view the consumer density, the Authority disallows the capital expenditure of Rs. 2 million in respect of the establishment of CC at Sillanwali, Sargodha. Accordingly, relating operating cost is disallowed.***

e. Establishment of Sub Regional Office at Pabbi, Peshawar Region

5.13.11 The petitioner has stated that BOD has accorded approval for establishment of new Sub Regional Office at Pabbi at a capital cost of Rs. 46 million. The petitioner based on its own developed criteria and keeping in view the consumer density, has requested for the establishment of Sub-regional Office at Pabbi, Peshawar Region to provide facilitation to the consumers. The petitioner mentioned that the proposed sub-regional office shall accommodate 43,590 existing consumers of Pabbi and the villages of close vicinity.

5.13.12 ***The Authority observes that the current consumer's density at Pabbi is around 28,590 nos and nearest CC is at a distance of 20 Km. In view of the foregoing, the request of petitioner for establishment of sub Regional Office, Pabbi at cost of Rs. 46 million does not merit consideration and related operating cost is also disallowed. However, the petitioner is directed to re-enforce the nearest CC to facilitate the consumers.***

f. Establishment of CSC at Jehangira

5.13.13 The petitioner while referring to BOD approval taken in its 533rd meeting held on July 25, 2019 has again requested for establishment of CSC at Jehangira, Mardan with the capital expenditure of Rs. 10 million. It has been highlighted by the petitioner that the Authority in its Determination against RERR for FY 2019-20 dated 10 December, 2019 had disallowed the aforementioned CSC due to non-fulfillment of consumer base criteria, with the directions that the existing CC will continue to facilitate the gas consumers till fulfillment of minimum consumer base requirement as proposed by the petitioner. The petitioner further stated that exiting number of consumers in Jehangira are 12,715 and meets its consumer-based criteria for establishment of CSC.

5.13.14 The Authority observes that the consumer density of 12,715 is the same as was earlier projected by the petitioner in RERR FY 2019-20. Moreover, Jehangira is at a distance of around 36 Km from Noshera, Sub-Area Office. The Authority further notes that the petitioner has repeated its earlier position and no new evidence or tangible justification has been put forward for reconsideration of its request, therefore, ***the Authority disallows the capital expenditure of Rs. 10 million in respect of the establishment CSC at Jehangira. Accordingly, related operating cost is also disallowed.***

g. Upgradation of Office at Karak

5.13.15 The petitioner has referred to its letter RA-TAR-20-21(P)-037 dated 19 October, 2020 and added that existing facilities at CSC Karak are insufficient to cater the huge development activities which are to be carried out in the area and honorable Parliamentarians are pressing hard for upgradation of Karak office to carry the development works.

5.13.16 The petitioner stated that since Karak office has pivotal role in the implementation of the rehabilitation / extension of new network project in Oil and Gas producing district of Khyber Pakhtunkhwa, therefore the Authority has been requested to allow capital cost of Rs. 103 million for upgradation of Karak office.

5.13.17 The Authority observes that losses in Karak area are almost more than 80 percent, with poor recovery and inefficient network operations, despite a CSC in the region. The petitioner also claims to reduce UFG through upgradation of CSCs. This assertion is not appreciated as the Authority has always been separately allowing capital and revenue expenditure for reduction of UFG, over and above all other costs. However, reduction in UFG as a result of additional expenditures could never be identified whatsoever despite such hefty expenditures at the cost of consumers.

5.13.18 ***In view of the above, the claimed expenditure on the upgradation of Karak office does not merit consideration. The Authority further directs the petitioner to re-enforce the existing CSC to facilitate the consumers and take all necessary measures to reduce UFG in the region and submit quantifiable improvements in this respect rather than only theoretical tall claims. Moreover, the petitioner is directed to undertake system augmentation/rehabilitation projects in Karak area aimed to reduce UFG as well as to facilitate and effectively serve its consumers. Prudently incurred costs on such projects shall be considered at the time of FRR of the respective year.***

5.14 Supply of 40 MMCFD Gas to Allama Iqbal Industrial City (AIIC) Special Economic Zone (SEZ)

5.14.1 The petitioner has submitted that Government of Pakistan is developing special economic zones to boost the industrialization in the country. AIIC, Faisalabad is one of the SEZ which are incorporated into China-Pakistan Economic Corridor (CPEC). The GoP has identified this project as an early harvest project which is to be developed on priority through Faisalabad Industrial Estate Development & Management Company (FIEDMC) at gas requirement of 40 MMCFD.

5.14.2 The petitioner stated that in order to undertake gas infrastructure development project for the supply of 40 MMCFD gas to AIIC, SEZ, 12"x19.75 Km transmission spurline from existing V/A CV3 Chiniot to terminal point / zero point of SEZ along with SMS cum CMS of 40 MMCFD capacity at terminal point shall be required.

5.14.3 The petitioner has confirmed that this project is to be 100 % financed by the FG through PSDP funds, for which PC-1 document containing the budgetary estimates of Rs.

785 million were submitted to Ministry of Energy (Petroleum Division) for approval of Departmental Development Working Party (DDWP). The DDWP in its meeting held on 13th October, 2020 has accorded approval of the project. Since this project is financed through Government funds, therefore would not be entitled for any return under tariff regime.

5.14.4 The petitioner added that cost of metering component gadgets, to be installed in sales metering station of the AIIC, SEZ, shall be borne by it and the same is in line with petitioner's policy in vogue. The metering components which includes orifice meters, flow computers and GC shall be procured and installed by the petitioner through own resources at the total budgeted cost of Rs. 54 Million.

5.14.1. The Authority observes that the project is of prime importance and bears approval of DDWP as well. Moreover, the petitioner has also provided BOD approval taken in its 565th meeting held on 31.12.2020. ***In light of the request of the petitioner, the Authority allows the said project in principle subject to following conditions:***

i. 12" x 19.75 Km Pipeline Infrastructure Development Works at a budgeted cost of Rs. 785 Million for the supply of 40 MMCFDRLNG/ gas to AIIC (SEZ), Faisalabad shall be undertaken on a 100% cost recovery basis from GOP and the petitioner will not be entitled to the rate of return on this amount.

ii. Metering gadgets for the above referred SEZ at the total budgeted cost of Rs. 54 Million shall be installed from the petitioner's own resources.

iii. The petitioner shall be responsible to undertake the operation and maintenance activity of the said pipeline built on a 100 % cost recovery basis.

5.15 LPG Air Mix Plants

a) Installation of LPG Air Mix Plant at Gilgit

5.15.1 The petitioner has again requested the Authority to allow the capital as well as operating cost of Gilgit LPG Air Mix project which is at advanced stage and already approved by the Authority in principle. The petitioner while referring to the earlier decisions of the Authority has stated that the Authority had earlier allowed Gilgit LPG

Air Mix project in principle at an estimated cost of Rs. 1,192 million in RERR FY 2018-19. Moreover, the Authority in its decision of Motion for review against DERR FY 2019-20 dated 03 October, 2019 allowed 50% of capital cost amounting to Rs. 454 million in the rate base for this project.

5.15.2 The Authority observes that at the time of DERR all the submission made by the petitioner have been considered. ***The petitioner is reiterating its earlier position and has not made any new argument in this respect; therefore, the Authority maintains its earlier decision. However, any prudent expenses shall be considered at the time respective FRR, provided the same is within the budgeted amount.***

b) Installation of LPG Air Mix Plants at Drosh, Ayun and Chitral

5.15.3 The petitioner has stated that the Authority had rejected the projected amount against LPG Air Mix Plants of Drosh, Ayun & Chitral projects keeping in view the decision of ECC dated 26 March, 2020 (Case No.ECC-98/12/2020. The petitioner further added that decision of the ECC has been mis-construed by the Authority, as it states that *"The Economic Coordination Committee of the Cabinet considered the summary dated 18th March 2020, submitted by the Petroleum Division regarding Execution of ECC Approved Liquefied Petroleum Gas (LPG) Air Mix Supply Projects by Sui Companies and decided* ***to shelve installation of LPG Air Mix plants (approved earlier by the ECC, on which work has not been started yet excluding two already commissioned LPG Air mix plants at Awaran and Bella and a plant near completion at Gilgit".*** In addition, the petitioner has also mentioned that referred ECC decision was issued on 09 April, 2020 whereas work at Drosh and Chitral projects had already been started before ECC decision.

5.15.4 It is highlighted that the decision of ECC of the Cabinet is very clear and self-explanatory advising to shelve installation of LPG Air Mix plants (approved earlier by the ECC), on which work has not been started yet excluding two already commissioned LPG Air mix plants at Awaran and Bella and a plant near completion at Gilgit. It is pertinent to mention that since the said decision was conveyed to Sui Companies by Ministry of Energy (Petroleum Division), therefore, OGRA advised the petitioner on July 30, 2020 that it may take up the matter with the FG, for clarification, if required. ***In view of the foregoing, the Authority maintains its earlier decision in this respect. Accordingly, subsidy on air-mix LPG plants is not included as part of price for the said year.***

5.16 Revalidation of Carry Forward Budgets

5.16.1 The petitioner in respect of Authority's observations in DERR for said year has stated that over a period of time, the petitioner has enhanced its capacity related to development activities of Transmission and Distribution Network and it has also completed previous years pending jobs along with newly approved jobs. However, still number of jobs have been carried over to next year due to non-availability of material, requisite NOCs, operational constraints, etc. The petitioner added that if revalidation is not allowed then the company will have no other option but to stop work on all carry forward jobs, consequently the respective gas schemes would remain incomplete and result in a loss with respect to cost incurred / pipe already laid.

5.16.2 The petitioner stated that as per advice of the Authority in DFRR FY 2018-19, the matter has been discussed with sister utility, SSGC and unlike SSGC, the carried forward quantum requiring revalidation is not included in rate base until actual capitalization.

5.16.3 In view of the above, the petitioner has requested the Authority to allow/approve the revalidation of budget amounting to Rs. 48,178 Million i.e. Rs. 16,663 Million for special transmission / distribution projects, Rs. 28,266 Million for Distribution Development and Rs. 3,249 Million for Regular Capital Expenditure.

5.16.4 ***In view of the submissions made by the petitioner, the Authority is of the view that the petitioner, keeping in view its capacity and ability should request in the specific ERR petition, revalidation of budgets for only those projects that are doable by the petitioner. In case of budgets mentioned at para 5.16.3, the actualized amount shall be analyzed and considered at the time of respective FRR petition, provided the same are within budgeted amount.***

*5.17 **In view of above, depreciation & closing assets balance is re-worked per Annex-I.***

6 Operating Revenues

6.1 Revenues at existing Prescribed Price

6.1.1 The petitioner has revised gas sales revenue at prescribed price at Rs. 204,761 million from Rs. 214,599 million determined per DERR for the said year, based on latest category-wise natural gas sale price notification by OGRA dated October 23, 2020. The petitioner has explained that sales volumes have been decreased based on two months actual sales volume i.e. July and August 2020. Accordingly, sales revenues are projected to decrease owing to sales mix variance. It was also informed that sales to domestic consumers have been increased resulting in re-adjustment of revenues.

6.1.2 ***The Authority accepts the revision in prescribed price revenue based on revised notification & sales volumes & provisionally accepts the revenues at prescribed price at Rs. 204,761 million for the said year.***

6.2 Meter Rental & Service Charges

6.2.1 The petitioner has claimed revision in domestic meter rental by Rs. 20/month in the light of ECC's decision in its meeting held on September 30, 2020, duly ratified by Federal Cabinet on October 06, 2020. Accordingly, additional operating revenues to the tune of Rs. 1,419 million have been offered by the petitioner for the said year.

6.2.2 ***The Authority, as per the discussion and decision in para 11.2, includes Rs. 1,419 million on account of meter rental & service charges for the said year.***

6.2.3 ***In view of above, operating revenues has been included on provisional basis at Rs. 224,351 million for the said year.***

7 Operating Expenditures

7.1 Cost of Gas

7.1.1 The petitioner has projected cost of gas Rs. 168,784 million, based on its projections of international prices of crude and HSFO, for the said year, as tabulated below:

Table 7: Assumptions for Petitioner's WACOG

Period of Avg. prices of Oil	Average C&F price		Exchange Rate
	Crude Oil	HSFO	
	US$/BBL	US$/M.TON	Rs./US$
December, 2019 to May, 2020	46.2487	218.7801	168.00
June, 2020 to November, 2020	41.2917	256.7101	171.52

7.1.2 The petitioner has also submitted that gas purchased volume for July and August, 2020 has been taken on actual basis, while volumes for September 2020 to June, 2021 has been projected on estimated basis.

7.1.3 The Authority observes that well-head prices of gas for all fields in Pakistan are computed in accordance with GPAs and/or pricing parameters, available on record, and notified in exercise of power vested in it under the Ordinance.

7.1.4 The Authority observes that latest data of international oil prices and dollar rupee exchange rate are available. Therefore, the Authority based on latest following data, revises the parameters for the purpose of computation of cost of gas at petitioner's system is as below:

Table8: Revised Parameters for WACOG

Period of Avg. prices of Oil	Average C&F price		Exchange Rate
	Crude Oil	HSFO	
	US$/BBL	US$/M.TON	Rs./US$
December, 2019 to May, 2020	54.4349	221.9151	164.7811
June, 2020 to November, 2020	42.5172	254.6061	162.50

7.1.5 ***In view of above, cost of gas is included at Rs. 166,193 million (at petitioner's WACOG of Rs. 432.54/MMCF) for said year.***

7.2 Gas Internally Consumed (GIC)

7.2.1 The petitioner has claimed GIC at Rs. 1,312 million for the said year. In addition, the petitioner has also allocated, 100 MMCF on account of 'Coating plant', 74 MMCF for the 'Residential Colonies' and 535 MMCF from 'Free gas facilities', to the capitalization for the said year as per following details:

Table 9: GIC per the Petition

GAS INTERNALLY CONSUMED FOR THE F.Y 2020-21		
Indigenous Gas		
Particulars	MMCF	Rs. in Million
Transmission System		
Compressors	2,994	1,311.58
Coating Plant	100	43.94
Residential Colonies	74	32.31
Sub total	3,168	1,387.83
Distribution System		
Free Gas Facility	535	234.34
Co-Generation	95	41.60
Sub total	630	275.94
GIC Indigenous	3,798	1,663.77
		1,311.58

7.2.2 The petitioner has stated that volume of Coating Plant, Residential Colonies, Free Gas Facility & Co-Generation have been projected at the level of FY 2018-19 and GIC relevant to the operation of compressors has been taken under the head of GIC. The petitioner has added that gas consumed on account of free gas facility, residential colonies, co-generation and coating plant has been booked under the relevant heads, i.e. HR cost and fuel and power.

Table10: GIC Volume Claimed in the Petition vs Calculated

(MMCF)

Description	FRR FY 2016-17		FRR FY 2017-18		FRR FY 2018-19		DERR FY 2019-20		RERR FY 2020-21		As Calculated RERR FY 2020-21	
	RLNG	System	RLNG	System	RLNG	System	RLNG	System	RLNG	System	RLNG	System
Compression (metered) System		2,216		1,796		1,377		2,633		2,994		2,994
Raptures and Others (Tranmission)		411		227		217						
Compression (metered) RLNG	2,109		3,136		3,342		5,005		4,774		4,404	
Raptures and Others (Distribution)		376		434		311						
FGF		509		616		535		616		535		535
Coating Plant		133		169		100		169		100		100
Residential Colonies		93		72		74		72		74		74
Co-Generation		105		97		95		97		95		95
Total	**2,109**	**3,843**	**3,136**	**3,411**	**3,342**	**2,709**	**5,005**	**3,587**	**4,774**	**3,798**	**4,404**	**3,798**
Volume of Gas handled/Compressed (MMCF)	179,701	500,605	277,411	458,291	328,646	443,285	434,469	464,511	397,839	388,011	397,839	388,011
GIC (MMCF)	2,109	3,843	3,136	3,411	3,342	2,709	5,005	3,587	4,774	3,798	4,404	3,798
Volume of Gas handled/Comressed per GIC	85	130	88	134	98	164	87	129	83	102	90	102
GIC (%)	1.17%	0.77%	1.13%	0.74%	1.02%	0.61%	1.15%	0.77%	1.20%	0.98%	1.11%	0.98%

7.2.3 ***Based on the historical trend, the Authority provisionally accepts the petitioner's GIC projection for the said year regarding indigenous gas. In the case of RLNG, it is taken at 4,404 MMCF against 4,774 MMCF claimed by the petitioner.***

7.2.4 ***Accordingly, GIC has been provisionally re-worked at Rs. 1,291 million based on revised petitioner's WACOG determined per para 7.1.4.***

7.3 UFG Adjustments

7.3.1 The petitioner, based on the actual gas sales data for the months of July 2020 and August 2020, has submitted revised working/calculation of UFG.

Table 11: UFG Computation Sheet

Description		RERR FY 2020-21			MMCF
		As per petition		As calculated	
Gas Purchases		Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers	Indigenous gas (UFG)	RLNG Supplied to Transmission and Distribution consumers
Transmission System					
(Gas Received) in Transmission Indigenous	A	388,011		388,011	
Gas Received in Transmission RLNG at FSRU	B		402,860		402,860
Retainage	C		(3,021)		(3,021)
GIC at SSGC System	D		(1,999)		-
Net Gas Received in Trans. System of SNGPL	C=A+B+C+D	388,011	397,839	388,011	399,839
Gas used in operation of Tran. Sys. RLNG					
Gas used in operation of Tran. Sys. (Indigenous gas)	E	(3,168)	(4,774)	(3,168)	(4,404)
(i) Compression		(2,994)	(4,774)	(2,994)	(4,404)
(ii) Residential Colonies		(74)	-	(74)	-
(ii) Coating Plant		(100)	-	(100)	-
Gas Available in Transmission System	F=C+E	384,843	393,065	384,843	395,435
Gas passed to Dist. System and sold to PFC	G	88,806	279,215	88,806	279,215
Gas passed to Distribution system through SMS	H	292,157	112,357	292,157	112,357
Loss in Tansmission System	I=F-G-H	3,880	1,494	3,880	3,863
% Loss or Gain in Transmission Sytem	J=I/C*100	1.00%	0.38%	1.00%	0.97%
Distribution System					
Gas Received in Dist. System (Through SMS)	H	292,157	112,357	292,157	112,357
Gas internally consumed in Distribution System	K	(630)	-	(630)	-
(i) Free Gas Facility		(535)	-	(535)	-
(ii) Co-Generation		(95)	-	(95)	-
(Gas available for Sale in Dist. Sytem)	L=H+K	291,527	112,357	291,527	112,357
Gas Sold					
Gas Delivered (Net Gas Sold)	M	255,431	100,368	255,431	100,368
Loss in Distribution System	N=L-M	36,096	11,988	36,096	11,988
% age Loss in Distribution Sytem	O=N/H	12.35%	10.67%	12.35%	10.67%
Total UFG Volume (Transmission + Distribution)	P=I+N	39,976	13,482	39,976	15,852
Total % age UFG (Transmission + Distribution)	Q=P/A *	10.30%	3.39%	10.30%	
RLNG UFG mentioned in cost of supply working	Q=P/(C+E)		3.43%		
Working of UFG invalid claim for SNGPL					
Gas Received (Gas available for Sale in Dist. Sytem)				388,011	
UFG Benchmark (Percentage)	5%	5%		5%	
Local Conditions Allowance Percentage (Maximum)	2.6%	1.3%		1.3%	
Allowed UFG Percentagee	7.6%	6.3%		6.3%	
Allowed UFG Volume (MMCF)		24,445		24,445	
UFG Invalid Claim (MMCF)		15,531		15,531	
Note:					
* The petitioner has taken denominator as C while calculating T&D UFG of RLNG system.					

7.3.2 ***In view of above, UFG adjustment is provisionally re-worked at Rs. 7,534 million at national WACOG of Rs. 485.10/MMCF (earlier allowed at Rs. 7,041 million per DERR).***

7.3.3 **Calculation of UFG adjustment at WACOG instead of Cost of Gas of SNGPL**

7.3.4 The petitioner highlighted that the Authority calculated the UFG adjustment at national WACOG of Rs. 467.87/MCF instead of Company's WACOG of Rs. 419.62/MCF resulting in additional adjustment of Rs. 725 million. The petitioner referred that the ECC of the cabinet in its meeting held on 17.05.2018 has already dismantled the WACOG. In view of the same, determination of UFG adjustment at national WACOG of both SUIs, is unjustified and lacks legal cover.

7.3.5 The petitioner has also submitted that cost of gas of SSGC is higher than it. Therefore, computation of UFG adjustment at national WACOG will additionally affect its profitability. In view of the same, the Authority is requested to kindly review its decision and to recalculate the penalty in respect of UFG adjustment on SNGPL's cost of gas only.

7.3.6 The Authority observes that abeyance of national WACOG by ECC does not debar OGRA to compute UFG adjustment on account of invalid claims, on national WACOG. Imposition of efficiency benchmark viz UFG, is the sole jurisdiction of the Authority and has rightly been exercised by it while adjusting invalid claims. Therefore, the petitioner's stance for computing UFG adjustment at national WACOG has been incorrectly linked to ECC decision and holds no logic.

7.3.7 ***In view of the above, the Authority maintains its earlier decision and decides to compute UFG adjustment at national WACOG.***

8 Transmission & Distribution Cost

8.1 Human Resource Cost

8.1.1 The petitioner has claimed Rs. 18,884 million as against the Authority's earlier determination of Rs. 11,510 million (Rs. 15,144 million minus Rs. 3,634 million capitalized cost) and requested to consider net HR cost for comparison. The petitioner has submitted following arguments for its claimed amount:

i) HR Cost reduction has been made retrospectively, against the fundamental principle of justice and fair play, without giving stakeholders an opportunity of being heard. In the light of legal principle of *functus officio*, OGRA is divested of any jurisdiction to reopen its written and signed order. Moreover, HR cost had already been disbursed to employees including payments in respect of CBA, based on HR cost allowed by the Authority in the past years. Therefore, recovering already paid remuneration either from employees or profits is unjustified in the light of various judgments.

ii) A manpower work load assessment study was conducted which recommended hiring more than 7,000 temporary employees based on operational requirement. The Authority in the previous ERR determinations i.e. FY 2019-20, FY 2018-19 and 2017-18 has extended the prevalent HR benchmark on provisional basis as the man power assessment study was under evaluation by OGRA for revision in HR benchmark formula. The Authority has now abandoned the prevalent HR benchmark cost formula in field for the last many years without devising any revised framework. Therefore, in the absence of necessary funds to hire additional work force, as recommended in manpower study to carry out operational activities, the petitioner will not be able to achieve the service standards and KMI targets set by OGRA. The Authority shall make further deductions on account of failing to achieve given targets.

iii) The Authority while computing surplus/shortfall, has not compared net HR cost with the benchmark as against its earlier Decision on Review of FRR FY 2015-16 dated June 15, 2017 where the Authority admitted the treatment as being done by SNGPL.

iv) Salary structure of the company should not be compared with Government pay scales or power companies as in Government structure, most of the benefits being allowed are not monetized. Moreover, career progression and salary increases of Government employees are not linked to individual performance as is the case in SNGPL. SNGPL may be compared with other oil & gas companies within Pakistan and Asia through an independent Consultant. Moreover, its BoD has the power and discretion to set salaries and terms and conditions of employees under the Public Sector Companies (Corporate Governance) Rules, 2013 (PSC Rules).

v) The petitioner has further submitted that increase in HR Cost is linked to four main factors along with many others including cost of living (increased by 59.91% since FY 2012), career progression, retirement and new recruitment. The petitioner added that considering approximately 60% increase in inflation, HR cost allowed since FY 2012-13 is normal and inflationary increase of minimum 15% is justified. Moreover, SNGPL itself is rationalizing various cost including Free gas facility, however, due to non-provision of HR budget the CBA agreement for the period 2019-21since July, 2019, couldn't be finalized.

vi) The petitioner further highlighted that the issue of different base rate for operating parameters of SSGCL and SNGPL was resolved on one aspect i.e. cost per employee whereas other factors like sales volumes, number of consumers and size of network was not catered for. Furthermore, detailed comparison with regional and global gas utility companies reflects that petitioner's cost per employee/KM/consumer is minimum among them.

8.1.2 The Authority, after considering the submissions/arguments advanced by the petitioner, observes as under;

i) The petitioner's requirement for additional manpower is not supported by even its own data as 2% reduction in overall employees' strength has been reported upto FY 2018-19 compared with FY 2014-15, despite increased operational activities. Hence, the allowance based on HR benchmark was mopped up only for salaries revision.

ii) Petitioner's performance in respect of UFG curtailment has remained quite dismal, as no reduction has been reported. The petitioner claims 100% compliance to KMIs, however the resultant UFG reduction in quantifiable terms is missing thus posing doubts on the effectiveness of petitioner's effort.

iii) The petitioner is presenting misleading comparison of net cost per employee with international companies instead of gross HR cost thereby hiding true position, as around Rs. 3 billion spent as HR cost is being capitalized annually.

iv) The Authority repeatedly advised the petitioner to rationalize its HR cost and review its HR policies in view of petitioner being public sector company and recovering all its cost through consumers. Various directives and advices to curtail the exorbitant expense have also been issued from time to time. The petitioner however did not paid heed to the serious observations rather kept on adding additional cost injudiciously pulling maximum benefits for senior management. Hence this attitude of the petition compelled the Authority to proceed with the reduction in the HR cost.

v) HR benchmark was provisional since FY 2018-19 hence was subject to revision. Therefore, the Company must have acted in a cautious manner while dolling out salaries and perks significantly titled toward middle to senior management. Incurrence of unjustified cost by the petitioner does not debar the Authority to act in a prudent manner.

vi) HR benchmark was provisional since FY 2018-19 hence was subject to revision. Therefore, the Company must have acted in a cautious manner while dolling out salaries and perks significantly titled towards middle to senior management. Incurrence of unjustified cost by the petitioner does not debar the Authority to act in a prudent manner.

vii) The Authority did not allow any increase on this account while considering FG's agenda and initiatives for curtailment of commodities prices especially in the energy sector, the interveners' objection in this regard and earlier directions of the Authority. Further, the petitioner was directed to review the pay scales, HR policies including perks to bring them to a rationalized and prudent level.

However, in view of the reluctance of petitioner to review its scales & policies while shouldering the responsibility to its BoD, the Authority finds no convincing arguments for continuation of current wide salary scales, HR policies including club membership, tea/coffee, long service award, best option car entitlement, medical (parents) etc, to be recovered from the consumers. Hence, in case the petitioner intends to continue with its policies, the same be funded through company's own profits.

viii) Moreover, the Authority notes with concern that there is noticeable disparity among the pay package of the senior management when compared with junior level management/ staff. This aspect creates sheer discrimination amongst the employees of same company leading to demotivation. The above aspect needs to be considered by BOD so as to rationalize the salaries and remove such disparity while remaining within the budget already allowed.

8.1.3 Notwithstanding the above observations, the Authority has consistently been exercising judicious approach to allow all rational costs while deciding the revenue requirements thereby protecting rights of all affected parties. In this case, although the Authority has serious reservations on the decisions taken by the petitioner's management in the past years, ignoring Authority's directives in the matter, yet the Authority is also cognizant of implications of previous years; disallowance on petitioners staff, specifically lower ranks as observed at para 8.1.2 (viii) above. In view of the same, the Authority, on compassionate grounds, restore Rs. 3,634 million relating to previous years upto FY 2017-18, disallowed in DERR for the said year and allows HR cost at the level of ***DERR FY 2019-20, Rs. 16,562 million (excluding IAS-19 cost) to meet its HR costs including CBA settlement.***

8.1.4 ***The Authority further finds it imperative and obligatory for the BoD of the petitioner to take cognizance of the ever increasing HR cost without any tangible and evident benefits to the company including UFG reduction, improvement in service quality, efficiency in operations through focused and objective oriented management policies and initiatives, etc. The Authority's observations at para 8.1.2, more specifically 8.1.2. (vii) and (viii) above, are hence referred to petitioner's BoD for an appropriate and rational decision on the HR cost duly addressing the concerns of the Authority.***

8.2 **Repairs and Maintenance**

8.2.1 The petitioner had projected an amount of Rs. 1,500 million in ERR petition, however, the Authority based on operational requirement and capitalization trend allowed an amount of Rs. 1,095 million for the said year.

8.2.2 The petitioner stated that Authority's observation regarding allowance against subhead Distribution based on past trend is not correct as the budget given for the activity is lesser than last 3 years allowance and even lower than the allowance in DERR 2019-20. The petitioner further pleaded that budget allowed is neither rational nor justified owing to the increasing network and consumer base due to inclusion of RLNG in the system. The petitioner mentioned that despite decrease in indigenous supplies, its network is continuously increasing resultantly the need of repair & maintenance activities have also increased. The petitioner added that budget allowed by the Authority under this sub-head has no rationale owing to revision in labour rates and inflationary impact for last three years. The petitioner further informed that the actual expense under this head remain understated due to non-availability of core recoating material.

8.2.3 The petitioner stated that there is an increase of 29% under the sub-head "Others-(incl. Head Office)" owing payments in US Dollars against different IT related licenses like ORACLE Financials, IBM Lotus, CC&B ERP services & its storage and support there against. The petitioner also referred to increase in dollar rate in support of its stance.

8.2.4 In view of the above submissions, the petitioner has requested the Authority to allow the proposed budget of Rs. 1,500 million.

8.2.5 The Authority notes that the petitioner has merely repeated its arguments already submitted as part of ERR for the said year. Since the petitioner has not provided any new evidence and justifications provided are not tangible for reconsideration of petitioner's claim, ***the Authority maintains its original decision in this respect, subject to actualization of prudently incurred expenditure at the time of FRR for the said year, provided the same are within the budgeted amount.***

8.3 **Rent Rates, Electricity and Taxes**

8.3.1 The petitioner has requested to allow "Rent Rates, Electricity & Taxes" at Rs. 850 million as against Authority's earlier determination of Rs. 548 million for the said year, thereby pending Rs. 155 million being the budget projected against rental charges of Pakistan Railway / NHA and restricting the rest of the items at actuals for FY 2018-19.

8.3.2 Under the sub-head "Rent", the petitioner has submitted that additional impact of Rs. 46 million being annual increase of approximately 8% based on rent agreements is required. Moreover, the petitioner requires additional space for head office in LDA plaza and also intends to replace the building of regional office Sialkot.

8.3.3 Regarding "Electricity", the petitioner has submitted that owing to revision in tariff and actual expense for FY 2019-20, an increase of 7% may be allowed. Regarding rental against Pakistan Railway / NHA, the Company has submitted that rental charges are always paid as per their approved policies and are non-negotiable.

8.3.4 The Authority notes that Rs. 548 million has been allowed by it, pending entire amount against Pakistan Railway line crossing. Regarding rental of office buildings, the Authority observes that Board approval be sought while agreeing the rental for each building as it appears that slightly higher rental has been negotiated by petitioner. Moreover, the petitioner must look for buildings at reasonable rates as dwindling gas supplies with accumulated revenue shortfall necessitates the curtailment of all possible costs. Regarding office electricity, the petitioner is directed to use energy conservation and efficient appliances to control electricity cost.

8.3.5 ***In view of above, the Aauthoritymaintains its earlier decision and decide to include Rs. 548 million on account of rent, subject to the actualization at year end.***

8.4 **Transport Expense**

8.4.1 The petitioner has requested to allow "Transport Expense" at Rs. 1,000 million as against Authority's earlier determination of Rs. 810 million for the said year.

8.4.2 The petitioner has explained that 43% to 51% increase has been observed in average price of petrol& diesel respectively over FY 2017-18. However, the Authority has restricted it at the level of DERR FY 2018-19. The petitioner has further argued that the amount allowed by the Authority is even lesser than actual of FY 2017-18 and FY 2018-19 i.e. Rs. 897 million and Rs. 1,008 million respectively. Accordingly, it is requested that sufficient amount be allowed to cater for operational expenses keeping in view the increasing trend of fuel prices.

8.4.3 The Authority notes that no concrete justification was provided by the petitioner. ***Therefore, the Authority maintains its earlier decision i.e. allows Rs. 810 million on account of transport expenses with the direction to control it under the OGRA's allowed budget failing which additional expenditure, if incur at year end, shall be met with Company's own profit.***

8.5 **Fuel and Power**

8.5.1 The petitioner has requested to allow Rs. 452 million under this head, as against Authority's earlier determination of Rs. 397 million for the said year.

8.5.2 The petitioner has argued that the amount allowed by the Authority is even lesser than actual of FY 2018-19 (Rs. 429 million) and FY 2019-20 (Rs. 426 million provisional) respectively, therefore the allowed amount is insufficient to cater the Company's requirement for FY 2020-21.

8.5.3 ***The Authority considering the justification and the least trend of international oil prices decides to fix it at Rs. 429 million for the said year.***

8.6 **Security Expenses**

8.6.1 The petitioner has requested to allow Rs. 1,500 million under this head as against Authority's earlier determination of Rs. 1,000 million for the said year.

8.6.2 The petitioner has submitted that Zone-2 (Northern & Southern Zones of Country) is critical as often sabotage by terrorists. Therefore, Government's security agencies has to be hired as security can't be relied upon private agencies. No slackness can be shown for safety of its employees and properties. Accordingly, the petitioner has requested to allow sufficient amount in the light revised agreements with security agencies.

8.6.3 The Authority notes that 10-30% increases have been envisaged while revising the agreements. The Authority is of the view that increases to the maximum extent of annual CPI be allowed while negotiating the agreements with Government security agencies.

8.6.4 ***The Authority considering the revised agreements & deployment of Shahbaz Ranges at Sawan-Qadirpur segment, decides to allow 50% of the claim over FY 2019-20 & provisionally fixed it at Rs. 1,250 million for the said year. The Authority, however, directs the petitioner to re-negotiate its contracts with government security agencies and finalize it at reasonable level not exceeding annual CPI in larger national interest by both parties.***

8.7 **Legal and Professional Services**

8.7.1 The petitioner has requested to allow Rs. 345 million under this head as against Authority's earlier determination of Rs. 242 million for the said year.

8.7.2 Under the sub-head "Legal", the petitioner has submitted that litigation against the Company has increased significantly over the years due huge number of cases for filing recovery suits against defaulted disconnected consumers, Arbitration with IPPs/GPPs as well as suppliers, local arbitrations etc.

8.7.3 Regarding the sub-head "Professional", the petitioner has submitted that increase includes potential assessment test for executives, professional fee regarding accounting matters, and consultant fee regarding metering, corrosion, etc.

8.7.4 The Authority is of the view that the amount allowed by it is sufficient to meet its expenditure. The petitioner must curtail its expenditure so that unnecessary burden on natural gas consumers can be lessened.

8.7.5 ***In view of above, the Authority, maintain its earlier decision & allows Rs. 242 million for the said. The petitioner is advised to formulate appropriate strategy to minimize unnecessary litigation and settle the small disputes considering claims and cost involved. The present numbers of ligation against and by the company reflect a very bad state of corporate governance.***

8.8 KMI Implementation Plan

8.8.1 The Authority in DERR for the said year allowed operational expenses of Rs. 636 million against the projected amount of Rs. 1,271 million on account of UFG Control Activities. The petitioner has requested for reconsideration of the total claimed operational expenses in this respect.

8.8.2 The Authority observes that it has been allowing expenditures for reduction of UFG over and above all other related costs. Moreover, during the last ten years (2010-11 to 2019-20), the Authority has allowed an aggregate of Rs. 37,340 million additional expenditure to control UFG and for repair & maintenance activities. Although the petitioner has been claiming additional expenditures every year but the percentage of UFG controlled as a result of additional expenditures could never be identified since there has been no reduction in UFG whatsoever despite such hefty expenditures, as elaborated in the below table mentioning Region-wise UFG reported for the last 5 five years:

Table 12: Historical trend of UFG Percentage

FY	KPK (%AGE)				PUNJAB (%AGE)										
	KARAK	ABBOTTABAD	PESHAWAR	MARDAN	BAHAWALPUR	FAISALABAD	GUJRANWALA	GUJRAT	ISLAMABAD	LAHORE	MULTAN	SAHIWAL	SARGODHA	SHEIKHUPURA	SIALKOT
2015-16		0.85	14.86		2.02	5.57	12.21	11.46	11.54	12.99	11.92	5.41	5.81	9.49	
2016-17		1.15	14.77		1.68	5.11	8.92	6.68	10.98	11.71	14.74	2.96	5.17	2.24	
2017-18		0.92	33.70	11.32	1.50	6.18	9.52	6.70	10.61	12.91	12.72	3.72	9.36	5.67	8.53
2018-19	92.9	1.21	31.29	12.61	1.42	7.10	8.54	7.55	11.81	12.31	12.99	5.16	8.26	2.92	8.69
2019-20	93.44	1.19	32.81	13.43	1.53	8.72	7.38	9.40	11.89	15.24	9.22	5.52	6.70	-6.92	8.17

8.8.3 As evident from above, there has been no tangible improvement / reduction in UFG even though hefty amounts were spent as contributed by the consumers through price. The Authority takes serious view of this state of affairs and expects the petitioner to make all out efforts to reduce and bring the UFG percentage to the benchmark prescribed by the Authority.

8.8.4 The Authority further notes that in order to minimize the operational and commercial risks adversely affecting the petitioner, it had advised the petitioner to explore the option of leasing out and outsourcing of Gas Distribution Network and related services in UFG prone areas of its operation. However, the petitioner has shown slackness in implementing or even initiating any plan/progress in the matter, which is totally undesirable. The petitioner's reluctance exposes its non-serious approach to resolve its own issues affecting its sustainability and operations as a going concern. The petitioner has itself admitted countless times and rather argued for extra allowances regarding its failure to effectively operate network in certain areas of its operation. However, despite its declaration of various uncontrollable franchise areas, it is still not pursuing to implement out of box and efficient solutions.

8.8.5 ***In view of the above, the Authority while maintaining its earlier decision in this respect, brings this matter to the attention of petitioner's BoD for appropriate decisions and initiatives to implement innovative solutions to bring efficiency in its operations and corporate governance.***

8.9 Remaining T&D Expenses:

8.9.1 The Authority, after analysing the justification advanced by the petitioner, notes that no new material arguments/evidence has been provided regarding expenses under the sub-heads of "Advertisement", "Gathering charges on Bill Collection Data", "Staff Training", "Staff Training", "Sponsorship of Chairs", "BOD Meeting & Expenses". ***In view of the same, the Authority decides to maintain its earlier decision. The Authority has already allowed reasonable amount. Therefore, any additional expense on this account shall be borne by Company's own profit. The summary is tabulated below:***

Table 13: T&D Costs Allowed by the Authority

			Rs. in Million
Sl. No.	**Particulars**	**The Petition**	**As Allowed**
		FY 2020-21	
1	Human Resource Cost	18,884	16,562
2	Repairs & Maintenance	1,500	1,095
3	Fuel & Power	452	429
4	Rent, Rates, Electricity and Taxes	850	548
5	Travelling	200	163
6	Transport	1,000	810
7	Legal and professional charges	345	242
8	Security expenses	1,500	1,250
9	Remaining T&D cost	6,535	4,691
	TOTAL OPERATING COST	**31,266**	**25,790**
	Less Allocated to Fixed Capital expenditure	**(355)**	**(355)**
	Total	**30,911**	**25,435**
	Less Allocated to RLNG	**(2,765)**	**(2,775)**
	NET OPERATING COST	**28,146**	**22,660**

9 Worker Profit Participation Fund (WPPF)

9.1 The petitioner has claimed WPPF at Rs. 730 million for the said year.

9.2 ***The same has been re-computed at Rs. 392 million in the light of adjustments in preceding paras of the decision.***

10 Late Payment Surcharge (LPS) On Gas Creditors

10.1 The petitioner has claimed Rs. 19,786 million under the head of LPS payable to gas creditors as the same was pended by the Authority with the advice to take up the matter with FG for an amicable settlement of circular debt.

10.2 The petitioner has submitted that LPS has accrued in line with legally binding contracts signed with the gas producers and same have been approved by OGRA. Any deviation from these contracts will be considered as a breach of the contract and may result into arbitration and/or litigation and would land the company in a difficult position to defend. Moreover, cumulative impact of payment is impractical due to non-availability of sufficient cushion in the pricing. Recording of expense on accrual basis is a fundamental principle and any deviation from this concept may attract qualifications from the auditors. In view of the same, the petitioner has requested the Authority to allow the expense on accrual basis as diversion from the same principle by the Authority neither has any logic nor is supported by any provision of law.

10.3 The Authority is of the firm view that that the petitioner's receivables and payables (principal & LPS) from state owned companies is the matter of "circular debt" which shall be settled soon by FG. The Authority further notes that it had not rejected the expenditure on this account, and however, the same to be included as part of price subject to the ultimate settlement based on revision in prices and circular debt position.

10.4 ***In view of the above, the Authority maintains its earlier decision and decides to include the impact on actual payment basis on account of LPS as may be paid to gas creditors.***

11 Fixed and Variable Charges

11.1 The petitioner has requested the Authority to review the existing fixed and variable charges notification and revised the meter rent for domestic consumers at the level of Rs. 40 per month w.e.f September 01, 2020. The petitioner has referred MoE (PD) letter communicating increase in meter rent for domestic consumers.

11.2 The Authority notes that no specific comments, observation, or objection was raised by any of the interveners or participants in the public hearing. ***The Authority in the light of Federal Cabinet's decision revises meter rental at Rs. 40/-per month w.e.f September 01, 2020 placed at Annexure-III. The Authority however, directs the petitioner to recover the arrears on this account in 03 equal installments. The petitioner has already offered additional revenues amounting Rs. 1,419 million on provisional basis, thereby reducing the overall revenue requirement for the said year.***

12 RLNG Cost of Service

12.1 The petitioner has claimed Rs. 28,963 million (i.e. Rs. 72.33/MMBTU) computed at 1103 MMCFD for the said year. The petitioner has stated that the Authority has determined RLNG cost of supply for the said year on the basis of total capacity of RLNG system (i.e. 1200 MMCFD) resulting in short recovery of Rs. 2,214 million. The petitioner has argued that sale of RLNG to its own retail consumers does not come under the purview of Gas TPA Rules, 2018.

12.2 The petitioner has further submitted that computation of rate on gross capacity appears to be not in line with the principle laid down in point No. 3 and 4 of schedule-I of Gas TPA Rules, 2018, this enables the petitioner/transporter to collect its relevant and fairly allocated costs on the basis of actual accounts for the financial year.

12.3 Regarding potential shippers, the petitioner has informed that it made all possible actions to attract third party shippers. However, only one shipper has contracted due to economic slowdown. The petitioner further argued that pipeline transportation tariffs all over the world are never designed on 100% capacity utilization rather they are calculated on certain benchmarks and guidelines developed by the regulators. The petitioner has also pointed out that RLNG, as per GoP directives, is being supplied to domestic sector at indigenous tariff resulting in piling up of un-recovered shortfall. Government and

OGRA are required to devise a rational RLNG pricing mechanism. The petitioner has also included markup on running finance amounting to Rs. 2,820 million in cost of supply of RLNG as the same was not allowed by the Authority. The Company has further requested to include annual renewal fee for RLNG for FY 2015-16 to FY 2019-20 as part of RLNG cost of service.

12.4 The Authority notes that all the submissions made by the petitioner have already been extensively discussed and deliberated in all its previous decisions. Regarding company's contention for RLNG as sale activity, the Authority notes that RLNG has been injected into the system for dedicated consumers as per the FG's allocation considering enhanced additional capacity. All agreements between the petitioner and RLNG bulk consumers have been signed on take and pay basis, while the LNG supply arrangements as well as the terminal & pipeline capacity are aligned with each other. Further, the appetite for energy also exists. The entire supply chain scenario infact urges for optimum capacity utilization from source to end consumer. Therefore, under these circumstances computation of RLNG cost of service at throughput volumes defies very logic of entire scheme of FG, introduced to effectively manage energy constraints.

12.5 The Authority further notes that third party access regime has been implemented to move towards liberalization of the gas industry so as to foster competition, reduction in tariff while improving energy supply situation through additional volumes injection by potential shippers. In the light of same, it is prudent to calculate the tariff on total system capacity that shall lead to maximum utilization of capacity and bring efficiency into the system.

12.6 ***In view of above, the Authority maintains its earlier decision & directs the petitioner to encourage and facilitate potential shippers and remove bottlenecks, if any, for allocation of spare capacities for this emerging market.***

12.7 Regarding working capital cost for RLNG business, the Authority is of the view that the petitioner has been carrying out RLNG business since FY 2015. The petitioner's back-to-back agreements with its consumers are already in field, the petitioner, therefore, needs to review its recovery policy & contracts with RLNG consumers for making the recovery mechanism more efficient. The petitioner, being prudent operator, must consider all commercial aspects while negotiating the terms and conditions with its consumers and ensure to align the same with the terms agreed with LNG supplier. Further, RLNG price is computed as per the price components provided by FG, wherein such items are not part of RLNG price.

12.8 *In view of above, the Authority re-computes Rs. 26,301 million (Rs. 60.15/MMBTU) for the said year.*

Table 14: RLNG Cost of Service/Transportation Tariff As Calculated

Description	The Petition	As Computed
Quantitative Data	BBTU	
RLNG Input	**425,017**	**462,090**
Retainage / gas used in FSRU	(3,188)	(3,466)
GIC - SSGCL network	(2,109)	-
GIC - SNGPL network	(5,037)	(4,646)
UFG	(14,224)	(16,724)
Net RLNG sold	**400,460**	**437,254**
Cost Components	**Million Rs.**	
Amortization of Deferred Credit	(60)	(72)
Depreciation	3,728	3,702
Return on Assets	7,053	7,089
HR and other relevant costs allocated to RLNG	2,765	2,775
Gas Internally Consumed SNGPL	5,540	5,195
Transportation charges payable to SSGC	7,117	7,612
Finance cost for working capital	2,820	-
Total	**28,963**	**26,301**
Rs/ MMBTU	**72.32**	**60.15**

13 Staggering of Previous Year's Cumulative Shortfall

13.1 The Authority, while determining the previous years' shortfall, allowed an amount of Rs. 192,631 million in DERR for the said year. The petitioner has claimed Rs. 63,056 million shortfall based on motion for review on FRR-FY 2018-19, currently under review of the Authority.

13.2 The Authority notes that decision of MFR FRR FY 2018-19 has been finalized by it. ***Accordingly, the cumulative revenue shortfall is computed at Rs. 197,099 million as against Rs. 215,240 million claimed by the petitioner.*** The Authority further notes that latest decision of Federal Cabinet dated October 06, 2020 in the matter of natural gas sale prices for the said year is relevant and complied accordingly per para 16.1 as part of instant determination.

14 Dynamic Engineering and Automation (DEA) Motion for Review of SNGPL'S DERR For The Said Year

14.1 The petitioner, in its motion for review of DERR for the said year, has requested the Authority to allow capital budget of Rs. 1,834 million to the petitioner in respect of LPG Air Mix plants at Chitral, Ayun, Drosh and Gilgit being ongoing projects.

14.2 The petitioner has further added that these projects will arrest the deforestation and improve quality of life of families in poverty-stricken areas of Pakistan.

14.3 The petitioner has also referred to the decision of ECC of the Cabinet mentioning that the same has been misconstrued by the Authority to shelve installation of all LPG Air Mix plants

14.4 The Authority has carefully considered the submissions and arguments of the petitioner made in writing and at the hearing relating to LPG Air Mix Project.

14.5 The matter regarding allowance on account of LPG Air Mix plants is decided in the light of the decision of ECC of the Cabinet, which is very clear and self-explanatory advising to shelve installation of LPG Air Mix plants (approved earlier by the ECC), on which work has not been started yet excluding two already commissioned LPG Air mix plants at Awaran and Bella and a plant near completion at Gilgit. It is pertinent to mention that since the said decision was conveyed to Sui Companies by Ministry of Energy

(Petroleum Division), therefore, the petitioner has been advised by OGRA on July 30, 2020 that it may take up the matter with the FG, for clarification, if required.

14.6 ***In view of the foregoing, the Authority maintains its earlier decision in this respect.***

15 Public Critique, Views, Concerns, Suggestions

15.1 The Authority has recorded concerns of interveners and participants in Para 3 above, which include matters relating to policy and do not fall under the purview of Authority but affect the consumers. Specific attention of GoP is drawn to these issues for consideration and necessary action.

16 Determination

16.1 The Authority, after taking into consideration points raised by interveners, clarifications provided by petitioner, scrutiny of petition and available record, provisionally determines the shortfall in estimated revenue requirement for said year at Rs. 4,352 million. Accordingly, the revenue requirement is provisionally determined at Rs. 228,703 million and prescribed price at Rs. 644.84/MMBTU against each category of consumers for the said year. The Authority decides to adjust the same in the remaining period, since sales prices cannot be revised retroactively.

16.2 The Authority observes that FG in the past had advised insufficient revisions to OGRA in respect of natural gas sale prices and resultantly the petitioner remained unable to meet the shortfall as determined by OGRA in the respective revenue requirements. Accordingly, the backlog is persistently piling up. ***The Authority, considering the FG's stance in respect of sale price revisions, had not included any financial impact relating to previous years' shortfall as part of the instant determinations as decided in para 13.2. Regarding inclusion of previous year shortfall, the Authority through this Order refers the matter to FG for adequate revisions it deems appropriate.*** The Authority notes that the cushion available at the time of DERR for adjustment of previous years' shortfall is not available at this point of time owing to revision in international oil prices & US$ exchange rate (i.e. cost of gas) and sales volume mix based on actuals volume for the months of July-August, 2020. The Authority observes that previous years' shortfall can only be recouped, if and only if, the surplus remains available at the time of FRR for the said year. The FG, under Section 8(3) of the Ordinance may advise natural gas sale price to OGRA, after inclusion of previous years' shortfall, in such manner that cushion remains available at the time of FRR enabling the petitioner to meet its revenue shortfall relating to previous years. In case the FG decide not to burden the consumers, it may please alternatively consider payment of subsidy to the company to meet its prior years' shortfall.

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

16.4 The revised provisional prescribed price determined, under Section 8(2) of the Ordinance, against each category of consumers is subject to the condition that these *"may be re-adjusted upon receipt of Federal Government advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers so that the petitioner is able to achieve its total revenue requirements in accordance with Section 8(6) (f) of the Ordinance."*

16.5 Under Section 8 (3) of the Ordinance, the FG is required to advise the Authority, within 40 days of advice from the Authority of revision of prescribed prices, the minimum charges and the sale price for each category of retail consumers, for notification in the Official Gazette by the Authority.

16.6 Further, under Section 8 (4) of the Ordinance, if the FG fails to so advise within the said 40 days and the prescribed price for any category of retail consumers determined by the Authority is higher than the most recently notified sale price for that category of retail consumers, the Authority shall be obligated to notify in the Official Gazette the prescribed price as determined by the Authority to be the sale price for the said category of retail consumers.

16.7 In view of above legal position, FG may take necessary action under Section 8 (3) of the Ordinance and advise the Authority the revised sale price for each category of retail consumers of natural gas along-with minimum charges for notification in the Official Gazette within the stipulated time period.

16.8 The petitioner should focus and make concerted efforts on reduction of UFG, improvement of internal control systems, increase of efficiency, quality of service, emergency response plan, and effective cost control/reduction measures should be taken to remain financially viable instead of making all out of efforts to seek passing on of costs associated with its own inefficiencies, malpractices, thefts, bad debts and alike to the consumers.

16.9 Moreover, the petitioner is directed to ensure compliance of its license conditions including but not limited to condition 7 & 8 for maintenance of separate proper books of accounts for its regulated activities and condition 12 in respect of non-discrimination.

Zain-ul-Abideen Qureshi
(Member Oil)

Muhammad Arif
(Member Gas)

Noorul Haque
(Chairman)

Islamabad, February 10, 2021

Annexure -I

1. Computation of Review Estimated Revenue Requirement FY 2020-21

Million Rs.

	Particulars	The Petition	Adjustment	As Allowed
	Gas sales volume -MMCF	344,237	-	344,237
	BBTU	324,288	-	324,288
"A"	**Net Operating revenues**			
	Net sales at current prescribed price	204,761	-	204,761
	Rental & service charges	3,810	-	3,810
	Late Payment Surcharge and interest on arrears	10,332	-	10,332
	Amortization of deferred credit	3,725	-	3,725
	Other operating income	1,722	-	1,722
	Total income "A"	**224,351**	-	**224,351**
"B"	**Less Expenses**			
	Cost of gas sold	168,784	(2,591)	166,193
	UFG adjustment/ allowance	(6,811)	(723)	(7,534)
	Transmission and distribution cost Including HR cost	28,146	(5,486)	22,660
	Gas internally consumed	1,312	(21)	1,291
	Depreciation	23,207	(337)	22,870
	Late Payment Surcharge (Payable)	19,786	(19,786)	-
	Finance cost for Working capital	705	-	705
	Workers Profit Participation Fund	730	(338)	392
	Operating cost of CC, CSCs and Sub Regional Offices	158	(158)	-
	Migration of HCL Lotus Notes email system to Microsoft Exchange	9	(9)	-
	Office at Karak	139	(139)	-
	Total expenses "B"	**236,165**	**(29,588)**	**206,577**
"C"	**Operating profit / (loss)(A - B)**	**(11,814)**	**29,588**	**17,774**
	Return required on net assets:			
	Net assets at begining	149,587	-	149,587
	Net assets at ending	157,534	(8,619)	148,915
		307,121	***(8,619)***	***298,502***
	Average fixed net assets (I)	**153,561**	**(4,310)**	**149,251**
	Deferred credit at begining	22,423	-	22,423
	Deferred credit at ending	22,198	-	22,198
		44,620	-	**44,620**
	Average net deferred credit (II)	**22,309**	-	**22,309**
"D"	**Average operating assets (I-II)**	**131,250**	**(4,310)**	**126,941**
	Return required on net assets	17.43%		17.43%
"E"	Amount of return required	22,877	(751)	22,126
"F"	(Excess) / Shortfall FY 2020-21 - gas operations (E-C)	**34,691**	**(30,339)**	**4,352**
"G"	Additional revenue requirement for LPG Air-Mix Projects	905	(905)	-
"H"	Shortfall FY 2020-21 without previous years shortfall (F+G)	**35,596**	**(31,244)**	**4,352**
	Average Ince/(Dec) in Prescribed Price FY 2020-21 (Rs/MMBTU)	**109.77**	**(96.35)**	**13.42**
"I"	**Total Revenue requirement FY 2020-21 (B+E+G)**	**259,947**	**(31,244)**	**228,703**
	Average Prescribed Price (PP) FY 2020-21(Rs./MMBTU) w.e.f 01.07.2020	**741.18**	**(96.35)**	**644.84**

Annex-II

2. Provisional Prescribed Price for RERR FY 2020-21

Sr. no.	Particulars	Revised Average Prescribed Prices July 01, 2020
1	**Domestic Consumers:**	
	a. Standalone meters	
	b. Mosques, churches, temples, madrassas, other Religious Places and Hostels attached	
	Upto 0.5 hm^3 per month	644.84
	Upto 1 hm3 per month	644.84
	Upto 2 hm3 per month	644.84
	Upto 3 hm3 per month	644.84
	Upto 4 hm3 per month	644.84
	Above 4 hm3 per month	644.84
	The billing mechanism will be revised so that the benefit of one previous/preceding slab is available to domestic consumer (residential use).	
	c. Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including Captive Power.	
	The tariff for captive gas use in this category will be charges as per captive powe category per category below;	
	All off-takes at flat rate of	644.84
2	**Special Commercial Consumers (Roti Tandoors)**	
	Upto 0.5 hm^3 per month	644.84
	Upto 1 hm3 per month	644.84
	Upto 2 hm3 per month	644.84
	Upto 3 hm3 per month	644.84
	Above 3 hm3 per month	644.84
3	**Commercial :** All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels including hotel industry, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.	
	All off-takes at flat rate of	644.84
4	**Ice Factories:**	
	All off-takes at flat rate of	644.84
5	**General Industrial:** All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.	
	All off-takes at flat rate of	644.84
6	**Export Oriented (General Industry)**	
	All off-takes at flat rate of	644.84
7	**Export Oriented (Captive)**	
	All off-takes at flat rate of	644.84

8	**Captive Power :** Captive Power plant/unit means an industrial undertaking/unit carrying out the activity of power production (with or without co-generation) for self-consumption and/or for sale of surplus power to a Distribution Company or bulk-power consumer.	
	All off-takes at flat rate of	644.84
9	**CNG (Region-I):**	
	All off-takes at flat rate of	644.84
10	**CNG (Region-II):**	
	All off-takes at flat rate of	644.84
11	**Cement Factories:**	
	All off-takes at flat rate of	644.84
12	**Fertilizer Factories:**	
	a. Pak American Fertilizer Company Limited, Daudkhel.	
	b. Pak Arab Fertilizer Limited, Multan.	
	c. Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhupura District.	
	d. Pak-China Fertilizer Limited/Hazara Phosphate Plant Limited, Haripur.	
	Feed Stock: All off takes at flat rate of	644.84
	Gas used for fuel electricity Generation, Steam and housing colonies	644.84
	e. ENGRO Fertilizer Company Limited	
	Feed Stock: All off takes at flat rate of	644.84
	Gas used for fuel electricity Generation, Steam and housing colonies	644.84
13	**Power Stations:**	
	a. **WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.**	
	All off-takes at flate rate of	644.84
	b. **WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.**	
	All off-takes at flate rate of	644.84
	Fixed Charge (Rupee per month)	
	c. **Liberty Power Limited's Gas Turbine Power Plant (Phase1) at Daharki:**	
	All off-takes at flate rate of	644.84
14	**Independent Power Producers:**	
	All off-takes at flate rate of	644.84

Annex-III

3. Fixed and Variable Charges

S. No.	Description	Existing Charges	Proposed	Fixed by OGRA
(C)	Domestic			
8	Meter Rental	Rs. 20/- per month	Rs. 40/- per month	Rs. 40/- per month
				w.e.f September 01, 2020