# OIL & GAS REGULATORY AUTHORITY (OGRA)

No. OGRA-6(2)-1(1)/2015-DTRR

## IN THE MATTER OF

## SUI NORTHERN GAS PIPELINES LIMITED
## FINAL REVENUE REQUIREMENT, FY 2014-15

**UNDER**

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

## DECISION

**November 27, 2015**

**Before:**

**Mr. Saeed Ahmad Khan, Chairman**
**Mr. Aamir Naseem, Member (Gas)**
**Mr. Noorul Haque, Member (Finance)**

Plot No. 54-B, Fazal-e-Haq Road, G-6/F-6, Blue Area, Islamabad, Pakistan
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# TABLES

## 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 and Azad Jammu & Kashmir under the license granted by Oil & Gas Regulatory Authority (OGRA). It is engaged in the business of construction and operation of gas transmission and distribution pipelines, sale of natural gas and sale of gas condensate (as a by-product).

1.2. The petitioner filed a petition on August 28, 2015 under Section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for FY 2014-15 (the said year) on the basis of accounts, as initialed by its statutory auditors. The petitioner has also submitted a revised petition (the petition) vide its letter dated October 18, 215 wherein RLNG related revenues and costs have been excluded from the revenue requirement for the said year since pricing of the same is carried out under Petroleum Development (Petroleum Levy), Ordinance 1967 as per decision of the Federal Govt.

1.3. The petitioner has submitted the petition for determination of its FRR for the said year after incorporating the effect of actual changes in the wellhead gas prices, sale mix and other relevant factors in terms of Section 8(2) of the Ordinance. The petitioner has not computed the disallowance on account of Unaccounted for Gas (UFG) on the plea that no benchmark exist for the said year. Late payment surcharge & interest on arrears (LPS) has also not been included in the revenue requirement thereby treating it as non operating income. Accordingly, the petitioner, for the actual volume of 421,343 BBTU, has worked out its FRR for the said year at Rs. 281,936 million including Rs. 48,126 million on account of shortfall pertaining to FY 2013-14. Based on the provisional prescribed prices and actual sale mix, the petitioner has computed a shortfall of Rs. 82,935 million for the said year thereby seeking increase in the average prescribed price by Rs. 196.84 per MMBTU.

1.4. The Authority, vide its order dated July 3, 2014, had determined the petitioner's Estimated Revenue Requirement (DERR) for the said year under Section 8(1) of the Ordinance at Rs. 244,432 million for estimated sale volume of 509,103 BBTU.

1.5. The Authority issued notice of hearing on October 8, 2015 to the petitioner and the following interveners and related parties:

i. Federal Government (FG/GoP).

ii. Mr. Mohammad Ishtiaq Ahmad, General Secretary, Pakistan CNG Owners Association, Rawalpindi.

iii. Mr. Muhammad Zaman, General Secretary, All Pakistan CNG Association, Islamabad.

iv. Mr. Muhammad Aslam Chaudhry, Member Executive Committee, Lahore Chamber of Commerce and Industry & Consumer, Lahore.

v. Mr. Mansoor Muzaffar Ali, Ex-Member (Gas), OGRA, Islamabad.

vi. Mr. Ghulam Qadir Awan, Lahore.

vii. Engr. S.T Hussain, Chairman, Consumer Awareness and Welfare Association, Lahore.

viii. Mr. Shahid ur Rehman, Economic Journalist, Islamabad.

1.6. The hearing was held at Islamabad on October 19, 2015.

## 2. Salient Features of the Petition

2.1. The petitioner has submitted following statement of cost of service.

**Table 1: Comparison of Cost of Service with DERR & Previous Year**

*Rs. Per MMBTU*

| [illegible] | [illegible] | FY 2014-15 | |
|---|---|---|---|
| | [illegible] | DERR | ERR (Per Petition) |
| Units sold (BBTU) | 473,873 | 509,103 | 421,343 |
| Cost of gas sold | 427.49 | 384.85 | 427.17 |
| Transmission and distribution cost | 36.28 | 35.61 | 59.64 |
| UFG Disallowance | (25.88) | (21.35) | - |
| Depreciation | 18.82 | 34.48 | 22.95 |
| Return on net average operating fixed assets | 24.48 | 25.41 | 30.31 |
| Prior Year Adjustment | - | 19.88 | 114.22 |
| Imact of IAS 19 (Recongnition of Actuarial Losses) | 6.85 | - | 11.90 |
| Other operating expenses | - | 1.25 | 2.96 |
| Exchange gain /loss | 0.11 | - | - |
| Other Operating income | (15.43) | (15.19) | (11.09) |
| Cost of service / Prescribed price | 472.71 | 464.94 | 658.05 |
| Current average prescribed price | 472.71 | 464.94 | 461.21 |
| [illegible] average prescribed price | | | 196.84 |

2.2. The petitioner has made the following submissions:

2.2.1. Annual return has been claimed at the rate of 17.5% of the value of its average net operating fixed assets (net of deferred credit) before corporate income taxes, and interest, mark-up and other charges on debt, per license condition no. 5.2.

2.2.2. Gross addition in fixed assets during the said year has been claimed at Rs. 18,010 million and net addition, after accounting for deletion and depreciation, at Rs. 8,252 million, resulting in increase in net operating fixed assets from Rs. 86,420 million in FY 2013-14 to Rs. 94,673 million for the said year. After adjustment of deferred credit, the average value of operating fixed assets eligible for return works out to Rs. 72,967 million and the required return at Rs. 12,769 million.

2.2.3. Total operating revenues have been claimed at Rs. 199,001 million in the petition, as against Rs. 214,757 million in DERR, as detailed below:

**Table 2: Comparison of Operating Revenues with DERR & Previous Year**

*Rs. in million*

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Net sales at current prescribed pric | 206,230 | 207,026 | 194,328 | (12,698) | -6% |
| Rental & Service Charges | 1,663 | 1,692 | 1,698 | 6 | 0% |
| Surcharge and Interest on arrears | 2,456 | 3,155 | - | (3,155) | -100% |
| Amortization of deferred credit | 2,572 | 2,634 | 2,746 | 112 | 4% |
| Other operating income | 621 | 250 | 229 | (21) | -8% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

2.2.4. Net operating expenses have been claimed at Rs. 269,167 million in the petition as compared to Rs. 221,376 million provided in DERR, as detailed below:

Table 3: Comparison of Operating Expenses per the petition with DERR & Previous Year

*Rs. in million*

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Cost of gas | 202,574 | 195,929 | 179,983 | (15,946) | -8% |
| Transmission and Distribution costs | 15,243 | 15,771 | 23,653 | 7,882 | 50% |
| UFG disallowance above allowable limit | (12,262) | (10,871) | - | 10,871 | -100% |
| Gas Internally Consumed (GIC) | 1,948 | 2,359 | 1,475 | (884) | -37% |
| Depreciation | 8,917 | 17,553 | 9,669 | (7,884) | -45% |
| Prior Year Adjustment | - | - | 48,126 | 48,126 | - |
| Exchange gain/loss | 51 | - | - | - | - |
| Impact of IAS 19 (Recognition of Acturial Losses | 3,245 | - | 5,014 | 5,014 | - |
| Other Charges including WPPF | - | 635 | 1,246 | 611 | 96% |
| Net Operating Expenses | 219,716 | 221,376 | 269,167 | 47,791 | 22% |

2.2.5. Net result of the petitioner's above mentioned claims is that there is a shortfall of Rs. 82,935 million after allowing 17.5% return on average net operating assets, which translates to an increase of Rs. 196.84 per MMBTU in the existing average prescribed price, as tabulated below:

**Table 4: Computation of Average Increase in Prescribed Price per the petition**

| Description | | Rs. in million |
|---|---|---|
| | | |
| A | Net operating revenues | 199,001 |
| B | Less: Net operating expenses including WPPF | 269,168 |
| C | Shortfall/ (excess) (A – B) | 70,167 |
| D | Return required @ 17.5% on net fixed assets in operation. | 12,769 |
| E | Total shortfall / (excess) in the revenue requirement (C + D) | 82,936 |
| F | Sales volume (BBTU) | 421,343 |
| Increase in the existing average prescribed price (Rs./MMBTU) (E/F*1000) | | 196.84 |

## 3. Proceedings

3.1. The petitioner was represented at the hearing by a team of senior executives led by its Managing Director, Ms. Uzma Adil along with legal counsel, who were given full opportunity to present the petition. They made submissions with the help of multimedia presentation.

3.2. The following interveners and participants have attended the hearing:

i) Mr. Ghiyas Abdullah Paracha, Ex-Chairman, AP CNG Association, Islamabad.

ii) Brig. (R) Iftikhar Ahmed, Chairman, All Pakistan CNG Association, Quetta Zone

iii) Mr. Muhammad Aslam Chaudhry, Member Executive Committee, Lahore Chamber of Commerce and Industry & Consumer.

iv) Mr. Shahid ur Rehman, Economic Journalist, Islamabad.

v) Mr. Awais Khawaja, SVP & Executive Member, Pakistan CNG Owners' Association, Rawalpindi.

3.3. The petitioner made submissions in detail with help of multimedia presentation explaining the basis of its petition and also responded to the comments, observations, objections, questions, and suggestions of the participants as well as members & officers of the Authority.

3.3.1. The petitioner's legal counsel, during the hearing submitted that no new gas connection is being provided to any industrial consumer after the imposition of moratorium by FG in 2011. However, distribution network along-with connection thereto is extending as per directions of GoP. This ultimately affects UFG of the company and exposes the T&D network to more theft / leakages.

3.3.2. Legal Counsel further added that there is no provision in the relevant statute through which the Authority can penalize the petitioner for not achieving the efficiency benchmarks. The petitioner has therefore, not been provided guaranteed rate of return i.e. 17.5%, owing to imposition of UFG benchmark, rather in some years in the past, it has gone into negative. The percentage of reasonable rate of return can never be negative in any business through out the world.

3.4. The substantive points made by the interveners, representatives of general public, and participants during hearings are summarized below:

3.4.1. The petitioner is taking no interest to combat UFG menace. Over billing is a common phenomenon while no review is considered in this regard. Further, there is no procedure for Third Party Meter Testing. The consumers have to accept SNGPL's laboratory results which lack quality assurance and are questionable.

3.4.2. CNG industry is always compromised in the decision making process while setting the prices as well as load management. Resultantly, it is now facing severe financial crunch. CNG stations in Punjab are existing consumers of SNGPL and have contributed in the development and maintenance of transmission and distribution infrastructure. This aspect has been highlighted to be given due consideration in RLNG pricing.

3.4.3. SNGPL has not shown any disallowance against UFG. Presumably, it is pleading to pass whole the losses to consumers which is surprising. It was accordingly stressed that OGRA should fix the benchmark and determine the UFG disallowance.

3.4.4. SNGPL in order to cover the UFG losses is billing the consumers on the basis of incorrect pressure factor to the extent of 3-5%, which is unjustified. Technically, in Pakistan, pressure factor is neutralized by temperature factor.

3.4.5. Provision for doubtful debts is cost of inefficiency as the company is not disconnecting the defaulting consumers. Further, no detail of defaulting consumers has been provided. Any cost on this account is therefore not justified keeping in view enough security deposits by the consumers. The same therefore was opposed to be allowed in the revenue requirement for the said year.

3.4.6. In Khyber Pakhtunkhwa, 21 Km pipeline segment completed by SNGPL in 2014, has become obsolete asset owing to leakages during operation and is unable to carry gas at 100 psi. The consumers are however paying return of the same over the depreciated life of such non performing assets which is also contributing towards UFG losses.

3.4.7. Control of gas theft in Khyber Pakhtunkhwa is responsibility of Federal and Provincial Govt. Accordingly, the cost of the same may be picked by them. Honest consumers should not be burdened on this score.

3.4.8. SNGPL, for the last 48 years, has been serving all categories of consumers through its eight regional offices. The present management increased regional offices from eight to eleven and now planning to further increase the same to twenty regions in next four years at the additional cost of Rs. 1.25 billion in first year. There is no justification to establish new regions when gas supplies are decreasing day by day.

3.4.9. Operating cost of the petitioner is increasing despite the fact that gas volumes have significantly reduced. Further, HR cost of SNGPL has increased owing to increase in manpower strength, substantial increase in salaries/wages of executive staff, procurement of luxury vehicles for executives and unjustified salary of top management. Furthermore, fee paid to directors, including Chairman, has increased to fifty thousand per meeting. It was highlighted that such expenses are part of consumer prescribed prices. Accordingly, the consumer is directly suffering. It was therefore demanded that operating cost be adjusted in proportion to sale volume and performance of the petitioner.

3.4.10. Heavy legal fee is paid to legal counsel which is borne by consumers, whereas he is pleading the case for the interest of shareholders or directors. Accordingly, it is not justified to recover such cost from the consumers.

3.4.11. Cost of gas is linked with international price of crude and furnace oil which is currently on decreasing trend. Accordingly, its benefit should be passed on to the consumers.

3.4.12. SNGPL declares the meter as sticky if premises are closed for six months and charge provisional billing. No replacement is done in order to attain undue gain to recover losses. Further, meters are replaced irrespective of their working conditions whether the same are faulty or not. Resultantly, it adds to undue cost to be borne by the consumers.

3.4.13. Guaranteed return regime must be amended otherwise gas companies will neither improve their efficiency nor control operational expenses since 17.5% is paid on investment. Further, 17.5% was applicable on the basis of loan covenants which now have expired. Accordingly, this return needs to be reviewed on market basis keeping in view the expected privatization of gas utilities.

3.4.14. After the constitutional amendment, the provinces are main stakeholders for socio economic decisions including gas prices. Accordingly, their point of view and presentation must be ensured in the gas price setting process.

## 4. Determination

4.1. After detailed scrutiny of the petition, clarifications given by the petitioner, and valuable input from interveners and participants, the Authority determines as follows:

## 5. Return to Licensee

5.1. The Authority is obligated under Section 7(1) of the Ordinance, to determine or approve tariff for regulated activities whose licenses provide for such determination or such approval, or where authorized by this Ordinance, subject to policy guidelines. *License Condition No.* 5.2 of license granted to the petitioner clearly states that <u>subject to the efficiency related benchmarks adjustments</u>, the Authority shall determine total revenue requirement of the licensee to ensure that it achieves 17.5% return on its average net fixed assets in operation for each financial year. The Authority, accordingly, has been determining the revenue requirement of the petitioner, providing return on net operating assets in accordance with the said provision of the Ordinance as well as the petitioner's license, while treating various income & expenditure heads as per existing regime.

5.2. The Authority notes that petitioner has been continuously contending that guaranteed return of 17.5% is not being provided to it, as effectively it is getting much lower rate of return and has been referring to some legal provisions in isolation. The Authority terms this argument as baseless & against the legal scenario. Presumably, the petitioner has been pleading that it is entitled for guaranteed return irrespective of control of gas loses/theft, operational efficiency and effectiveness of capital expenditure incurred to undertake the regulated activities. Petitioner's plea does not consider the regulatory setup established by GoP and legal regulatory framework as a whole, as it defies the established mechanism set out under its own license condition 5.2 that the return is subject to efficiency benchmarks.

5.3. The Authority notes that the petitioner is enjoying monopoly and risk free business owing to captured consumers, guaranteed return and no market competition in the gas distribution sector. Generally, these circumstances do not compel the petitioner to reduce its inefficiencies and improve customer service up to the satisfaction of consumers. On the national perspective, it is infact OGRA's statutory role performed in professional and prudent manner which strikes a balance by allowing guaranteed return as well as incentive for better performance that could actually enhance petitioner's return and benefit consumers, provided it manages and controls its system in an efficient manner. The understanding that petitioner can not be stressed for improving its performance through benchmark regulation is totally misleading and merely an attempt to get monopolistic regime. Moreover, Section 7(2) (a) obligates OGRA to protect consumer against monopolistic and oligopolistic pricing. Accordingly, the Authority evaluates tariff petitions in line with the evaluation criteria as provided in the Rules, while implementing yardstick regulation as stipulated in Rule 17( c) (g) and (h) of NGT Rules. Resultantly, natural gas prices are still maintained at an affordable level for all sectors of economy.

5.4. The Authority is of the firm view that legal framework is explicit and balanced as it provides for improvement in terms of efficiency as well as reasonable returns. The tariff mechanism accounts for all prudent and justified capital and revenue expenditure to attract investment for bringing quantitative and qualitative improvement of regulated activities, as required under section 7 of the Ordinance. Accordingly, the Authority has been performing its statutory role of a regulator, since all the prudently incurred rationalized costs are allowed to the petitioner to enable it to operate efficiently while servicing its consumers. Similarly, consumers' interest is also safeguarded by ensuring that cost of inefficiencies is not recovered from them. Therefore, benchmarks have been put in place, which compel the petitioner to focus its efforts towards eradicating inefficiencies and imprudent costs, however failure of the petitioner to improve and perform upto the mark, engulfs its return. The misconception that the petitioner should at least get guaranteed return in his pocket irrespective of operational efficiently is against the license conditions and very purpose of whole regulatory framework.

5.5. In view of above, it is established that Authority strictly performs as per its mandate and allows guaranteed return (i.e. 17.5%) to the petitioner, however it is due to the petitioner's own inefficiencies and business conduct that it could not retain the return allowed to it.

5.6. The Authority further notes that the petitioner is misconceiving the treatments in respect of gas price components, the tariff determination mechanisms and confounding the inadmissibility of inefficiencies/wastages, gas losses in the revenue requirement with penalty. The entire argument of the petitioner, including the interpretation of penal provisions is premised on the false characterization of revenue requirement exercise and the same is also contrary with the regulatory practices carried out world over. The Authority, as per Section 8 of the Ordinance, carefully and independently evaluates / reviews the petitions submitted by the companies at the touchstone of reasonableness/ professional prudence. Accordingly, the inefficient and imprudent expenses pertaining to capitalization and operating costs are not allowed to form part of revenue requirement. The UFG disallowance is also part of the same exercise. Theft inadmissibility/deduction of such expenses including gas losses beyond limits/benchmark can't be termed as penalty. If this was the case, then entire scheme of regulatory regime and process of determining/ reviewing the revenue requirement would be defeated.

## 6. Operating Fixed Assets

### 6.1. Summary

6.1.1. Gross addition in fixed assets during the said year has been claimed at Rs. 18,010 million. The depreciation/deletion on the opening assets and added during the year has been claimed at Rs. 9,758 million. Accordingly, net addition in assets after accounting for depreciation/deletion is Rs. 8,252 million, increasing the net opening fixed assets of Rs. 86,420 million to 94,673 million at the closing for the said year. After adjustment of deferred credit, the average value of operating fixed assets has been claimed at Rs. 72,967 million and the required return at Rs. 12,769 million. The computation of return on fixed assets is tabulated below:-

**Table 5: Computation of Return on Operating Fixed Assets per the petition**

*Million Rs.*

| Description | Petition |
|---|---|
| Net operating fixed assets at beginning | 86,420 |
| Addition During the Year | 18,010 |
| Depreciation/deletion | (9,758) |
| Net operating fixed assets at Closing | 94,673 |
| Total Assets | 181,094 |
| Average net assets (A) | 90,547 |
| | |
| Deferred credit at beginning | 17,737 |
| Deferred credit at closing | 17,423 |
| Total Deffered Credit | 35,160 |
| Average deferred credit (B) | 17,580 |
| | |
| Average net fixed assets (A-B) | 72,967 |
| Return required | 17.5% |
| Amount of return requested by the petitioner | 12,769 |

6.1.2. Comparative analysis of additions in fixed assets with DERR and the previous year is as follows:

**Table 6: Summarized Schedule of Additions in assets compared with DERR & Previous Year**

*Million Rs.*

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Transmission | 2,301 | 14,157 | 3,458 | (10,699) | -76% |
| Compression | 694 | 517 | 437 | (80) | -15% |
| Distribution Development | 5,498 | 1,379 | 6,189 | 4,810 | 349% |
| Measuring and Regulating Assets | 3,936 | 6,530 | 5,567 | (963) | -15% |
| Plant, Machinery & Equipment and Other Assets | 649 | 959 | 2,105 | 1,146 | 119% |
| Buildings on freehold land | 57 | 150 | 110 | (40) | -27% |
| Land & Land Acquisition Advance | 125 | 124 | 128 | 4 | 3% |
| Intangible Assets (IT related cost) | 56 | - | 16 | 16 | 0% |
| [illegible] | 13,316 | 23,816 | 18,010 | (5,806) | -24% |

6.1.3. The petitioner has reported approximately 24% decrease in addition of fixed assets compared with DERR for the said year. The petitioner has attributed the overall decrease in capitalization to financial crisis faced by it.

### i. *Transmission Mains*

6.1.4. The petitioner has requested to allow Rs. 3,458 million under the head "Transmission" for the said year. The addition to transmission is summarized as below: -

Table 7: Summarized additions in Transmission for the said year

| | [illegible] | | | | |
|---|---|---|---|---|---|
| 1 | SV (Rehmat Intake Point) to SVS (Sawan Qadire Pur Line) | 42" | 400 | 21.45 | 1,857 |
| 2 | Sawan Custody Point to SV1 line (LNG Phase I) | 24" | 200 | 2.85 | 113 |
| 3 | 24" Dhullina (FC-1)-Gali Jagir (Firs Segment) -IDP | 24" | 314 | 19 | 710 |
| 4 | 10" Dia Makori Kharapa Line | 10" | - | - | 31 |
| 5 | SMS | | - | - | 96 |
| [illegible] | | | | | [illegible] |
| Prior Year Adjustments | | | | | 12 |
| 6 | SMS | | | | 590 |
| 7 | Lines | | | | 49 |
| 8 | Others (CP Transmission jobs normal activity) | | | | [illegible] |
| [illegible] | | | | | [illegible] |
| [illegible] | | | | | [illegible] |

6.1.5. The petitioner has stated that it has successfully commissioned 42 inch Dia 21 kilometer pipeline from Rehmat Intake point to SV 5 at an expense of Rs. 1,857 million.

6.1.6. The Authority, during the hearing, noticed the comments of the intervener that the said pipeline got leaked within few days of its commissioning. The Authority forwarded the comments of the intervener to the petitioner for its input/comments. The petitioner vide its letter dated November 10, 2015 admitted that in the said pipeline after some period of operation, a minor leakage was observed in a weld joint, therefore the pipeline was isolated and repaired at reduced pressure by sleeving of effected part of the pipeline, as per recommendations given in the relevant codes and standards. The petitioner further stated that pipeline was put back in operation after necessary testing.

6.1.7. The petitioner, vide its letter dated November 19, 2015, informed that current operating pressure of the line is in the range of 800-1000 Psig. ***The Authority after due diligence and keeping in view the arguments and justifications advanced by the petitioner allows capitalization of Rs. 3,458 million as requested by the petitioner under the head "Transmission" for the said year.***

*ii. All Other Assets*

6.1.8. The petitioner has explained that "Land" has been acquired for different operational activities for up-gradation of different SMS's, loop lines etc. in Rawalpindi, Multan, and Sargodha etc.

6.1.9. The petitioner, vide its letter dated November 16, 2015, also confirmed that *"Laying of Distribution Mains"* during FY 2014-15 relates to mainly distribution development under GOP directives and that schemes are in line with the moratorium dated October 4, 2011. It has further been stated that ongoing schemes are being implemented as per Prime Minister's directive dated October 1, 2014 which has been issued by the

Prime Minister's office after due diligence in compliance with the Orders of the Apex Court.

6.1.10. The petitioner has requested to allow Rs. 437 million in respect of "compression" for compressor overhauling and Infrastructure Development Projects, which is well within the amount allowed by the Authority in DERR for FY 2014-15.

6.1.11. Under the head "Plant & Machinery equipment and other assets", the petitioner has explained that said increase is due to enhanced activity of the petitioner under Infrastructure Development Program and LNG project.

6.1.12. *The Authority after considering the justifications advanced by the petitioner allows the above capitalization as requested by the petitioner.*

6.1.13. *The petitioner explained that increase in IT related expenditures is nominal and has been incurred for essential needs. The Authority therefore accepts the petitioner claim and allows the same for the said year.*

6.1.14. *In view of above, the Authority allows addition in fixed assets for the said year at Rs. 18,010 as requested by the petitioner. Accordingly, the closing net operating fixed assets for the said year are determined at Rs. 94,673 million.*

## 7. Operating Revenues

### 7.1. Sales Volume

7.1.1. The sales volume has dropped to 421,343 BBTU, witnessing a decrease of 17% for the said year, as against 509,104 BBTU per DERR. Category-wise comparison with previous year has been provided by the petitioner as under:

**Table 8: Comparison of Category-wise Sales Volume per the petition with DERR & Previous Year**

*BBTU*

| [illegible] | [illegible] | DERR | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Power | 124,711 | 83,615 | 117,637 | 34,022 | 41% |
| Fertilizer | 16,768 | 41,593 | 15,561 | (26,032) | -63% |
| Cement | 215 | 299 | 342 | 43 | 15% |
| General Industry | 66,540 | 106,807 | 44,723 | (62,084) | -58% |
| CNG | 58,731 | 28,966 | 38,971 | 10,005 | 35% |
| Commercial | 26,385 | 31,107 | 23,748 | (7,359) | -24% |
| Domestic | 180,523 | 216,717 | 180,360 | (36,357) | -17% |
| Total | 473,873 | 509,104 | 421,343 | (87,761) | 17% |

7.1.2. The petitioner has explained that there was lesser availability of gas during the said year owing to depletion of gas sources. Accordingly, almost all the category of consumers faced severe load shedding throughout the year. The power shortfall and in cement, supplies were to be maintained in Khyber Pakhtunkhwa as per respective GSA's in accordance with High Court Orders in the matter.

7.1.3. The Authority observes that petitioner had projected the volumes on higher side at the time of DERR for the said year. The actual supply of gas however has significantly decreased.

7.1.4. *In view of above, the Authority accepts sales volume at 421,343 BBTU for the said year.*

## 7.2. Sales Revenue at Existing Prescribed Prices

7.2.1. Sales revenue at existing prescribed prices has decreased to Rs. 194,328 million for the said year as compared to Rs. 207,026 million per DERR. Category-wise comparison with DERR and previous year is given below:

**Table 9: Comparison of Category-wise Sales Revenue per the petition with DERR & Previous Year**

Rs in million

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Power | 70,956 | 67,269 | 55,097 | (12,172) | -18% |
| Fertilizer | 3,496 | 8,864 | 7,234 | (1,630) | -18% |
| Cement | 162 | 223 | 161 | (61) | -28% |
| General Industry | 32,405 | 39,191 | 21,043 | (18,149) | -46% |
| CNG | 38,440 | 19,017 | 18,496 | (521) | -3% |
| Commercial | 16,907 | 19,807 | 11,279 | (8,528) | -43% |
| Domestic | 43,864 | 52,656 | 81,018 | 28,362 | 54% |
| Total | 206,230 | 207,026 | 194,328 | (12,698) | -6% |

7.2.2. The petitioner has stated that due to lesser availability of gas, as explained in para 7.1.2 above, the sale revenue has decreased.

7.2.3. The petitioner has also submitted that above revenues are based on the average prescribed price determined by the Authority at the time of DERR for the said year. The same however is required to be adjusted as prescribed price in some category of the consumers exceeds the applicable sale prices, owing to no revision in gas prices by the FG during said year. Resultantly, there is a negative GDS of Rs. 16,520 for the said year.

7.2.4. The Authority, in view of above, observes that prescribed prices under each category of consumer can not be higher than the sale prices. *Accordingly, the Authority agrees with petitioner stance and determines the sale revenue at existing prescribed prices at Rs. 177,808 million for the said year.*

## 7.3. Other Operating Income

### *i.* Summary

7.3.1. The petitioner has reported other operating income at Rs. 4,673 million for the said year as against Rs. 7,731 million per DERR. Item-wise comparison is as under:

**Table 10: Comparison of Other Operating Income per the petition with DERR & Previous Year**

*Rs. in million*

| | | | | | |
|---|---|---|---|---|---|
| Rental & Service Charges | 1,663 | 1,692 | 1,698 | 6 | 0% |
| Surcharge and Interest on arrears | 2,456 | 3,155 | - | (3,155) | -100% |
| Amortization of deferred credit | 2,572 | 2,634 | 2,746 | 112 | 4% |
| Other operating income | 621 | 250 | 229 | (21) | -8% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

ii. ***Late payment surcharge & Interest on arrears (LPS)***

7.3.2. The petitioner has claimed LPS as non operating income and accordingly included no amount in this regard in the revenue requirement for the said year.

7.3.3. The petitioner reiterated its contention that LPS be treated as non-operating income since the financial expense owing to above is not part of tariff regime. Therefore, equitably, if expense from a source is non-operating, income from the same cannot be treated as operating income.

7.3.4. The Authority observes that treatment of income under this head as operating income has been exhaustively discussed in the previous decisions and now have reached finality. Therefore, the practice in vogue shall remain enforce till new tariff regime is implemented. ***Accordingly, the Authority determines the income on account of LPS as operating income for the said year. The income under this head on account of bulk consumers is also treated in accordance with Authority's earlier decisions.***

7.3.5. ***In view of above and the exhaustive discussion already made on the issue, the Authority determines the operating income under this head at Rs. 2,914 million for the said year.***

iii. ***Other Operating Income***

7.3.6. The petitioner has claimed Rs. 229 million on account of other operating income as against Rs. 621 million per FRR FY 2013-14.

7.3.7. The Authority observes that petitioner has included 50% of "liquidated damages recovered (total Rs. 191 million) " in the operating income, whereas whole the income on this account is operating income as per practice in vogue, accordingly the income on account of "liquidated damages" amounting to Rs. 191 million is treated as operating income. Further, the petitioner has treated urgent connection fee (Rs. 958 million) as non operating income, which is inconsistent with the existing tariff mechanism and Authority decisions in this regard.

7.3.8. ***The Authority, in view of above discussion, determines the other operating income at Rs. 1,282 million for the said year as against Rs. 229 million claimed by the petitioner.***

## 8. Operating Expenses

### 8.1. Cost of Gas

8.1.1. The cost of gas per petition is Rs. 179,983 million (net of GIC), compared with Rs. 195,929 million determined in DERR, lower by Rs. 15,946 million (8.14%).

8.1.2. The Authority had determined input cost of gas on the basis of combined weighted average cost of gas purchased by the petitioner and SSGCL at Rs. 345.00 per MMBTU in DERR in accordance with the agreement for equalization of cost of gas dated 22nd September, 2003, between these two companies. On the basis of their actual audited results, weighted average of input cost of gas for the said year works out at Rs. 365.90 per MMBTU as under:

**Table 11: Weighted Average Cost of Input Gas**

| Company | MMCF | BBTU | Rs. million | Rs./MMBTU |
|---|---|---|---|---|
| SSGCL | 434,613.032 | 429,547.505 | 196,023.182 | 456.348 |
| SNGPL | 526,905.000 | 496,417.349 | 142,789.029 | 287.639 |
| Total | 961,518.032 | 925,964.854 | 338,812.210 | 365.90 |

8.1.3. ***In view of the above, the Authority determines cost of gas sold for the said year at Rs. 179,983 million.***

### 8.2. Unaccounted for Gas

8.2.1. The petitioner has reported UFG at 5.47% (28,513 MMSCF) for the said year, as follows:

**Table 12: Comparison of UFG per the petition with Previous Year**

*MMCF*

| [illegible] | [illegible] | [illegible] |
|---|---|---|
| | | |
| Total Gas Purchases | 587,798 | 543,488 |
| Gas Available for Sale | 581,955 | 521,532 |
| Gas Sales | 532,870 | 473,923 |
| [illegible] | [illegible] | [illegible] |
| UFG | [illegible] | [illegible] |

8.2.2. The petitioner has included unmeasured gas volume (9,327 MMCF) on account of minimum billing, pilferage by non-consumers (8,735 MMCF) and un-billed volume (10,048 MMCF) due to law and order situation in Gurguri area etc. (Khyber Pakhtunkhwa province) as part of deemed sale for the said year.

8.2.3. The petitioner claimed 10,048 MMCF in respect of law & order in the province of Khyber Pakhtunkhwa against 10,803 MMCF claimed by it in the previous year. These are SMS volumes, net of billing recovered.

8.2.4. In response to MPNR's letter dated May 23, 2014, the Authority, vide its letter dated 13th June, 2014, gave its detailed point of view with the background/ complete facts of the case stating therein that Authority is of the considered opinion that FG should provide subsidy as per section-22 of the OGRA Ordinance and if otherwise volumes allowed under this head should be suitably capped and FG may also identify the Law and Order effected areas for this purpose. It was also urged from the FG as well as Provincial Governments to initiate suitable action to control these huge losses through law enforcement agencies as maintaining law and order falls in their domain.

8.2.5. The ECC of the Cabinet, vide its decision dated 20th November, 2014, decided to provisionally allow volume consumed in law and order affected areas. The Authority also sought external legal advice in the case of Law and Order affected areas, Non-Consumers and Bulk to Retail Ratio especially keeping in view Para-IV of the policy guidelines issued by the FG.

8.2.6. Keeping in view the policy guidelines of the FG and the current Law & Order situation in the country, the Authority provisionally allows 75 % (7,536 MMCF) of the claimed volume subject to the conditions that: -

i. Since Law and Order is a Federal and Provincial Government subject, the FG shall specify the Law and Order affected areas. As regards, 25 % (2,512 MMCF) of the claimed volume, the FG is requested to arrange funding from its own resources or from the Royalty of the concerned province and all such amounts in future to meet the shortfall under this head.

ii. The petitioner is directed to establish its legal and proper pipeline network in the area and replace illegal network in Law and Order affected areas to avoid loss of precious gas as it is a national loss. The petitioner is also directed to pursue the case with the FG regarding funding of the project may be through GIDC to curb this menace.

iii. The volumes provisionally allowed as per above said policy decision by the ECC of the Cabinet shall be reconciled with the results of the UFG study being undertaken and any variation (s) shall be adjusted accordingly.

8.2.7. The Authority is of the considered view that it is the obligation of the petitioner to take all possible steps to cope up with the problems affecting its business including initiation of legal proceedings under Pakistan Penal Code and recovery proceedings before the court of competent jurisdiction to recover the value of pilferage or stolen gas/ losses. The petitioner must make concrete efforts to resolve the issue. Further the FG may also direct the petitioner to come up with practical solution of the problem to get rid of this menace as referred to above. The solution must be viable through cost and benefit analysis, showing gradual decrease in lost volume.

8.2.8. The petitioner has claimed a volume of 9,327 MMCF in respect of minimum consumption of domestic consumers. The Authority disallows the petitioner's claim on account of un-metered gas as part of minimum billing on the rationale that the same is unmeasured and also arises due to petitioner's own equipment fault, which is not justified to allow.

8.2.9. The Authority observes that volume pilfered by non-consumers (8,735 MMCF) has increased as compared to previous year. The petitioner has to take the responsibility in complying with the Policy Guidelines conveyed to it vide MP&NR's letter No. DGO (AC)-5 (26)/2012-13 Vol II Pt dated June 20, 2013, Para- 21 (e) of its summary states that "Both the companies must cooperate with OGRA and protect the pipelines on war footing to reduce UFG instead of litigating in courts."

8.2.10. The Authority also observes that MP&NR vide its letter dated July 17, 2013, gave guidelines to both the companies for dealing with theft of gas including that with regards to satisfaction of civil liabilities (recovery of value of gas stolen), the company will file recovery suit in civil court as per existing law/ procedure under Code of Civil Procedures 1908 (CPC). In this regard, the Authority requested MP&NR, on 12-08-2013, being policy maker and major shareholder in the gas companies to give directions to the SNGPL, being owner and custodian of gas pipelines, to follow the directions /decisions of the said forums in letter and spirit and immediately deal the non consumers cases at their end and file recovery suit in civil courts as per existing law/ procedure under code of Civil Procedures 1908 (CPC). It is pertinent to mention here that the petitioner did not comply with the directions of the Ministry of Petroleum and Natural Resources though the petitioner is working under the administrative control of FG.

8.2.11. The Authority vide a number of letters directed the company for provision of details of FIR's, Criminal Suits, Civil Suits vis a vis volume recovered etc. In response, the petitioner, vide its letter dated 4th September, 2013, did not provide the requisite information and stated that relevant FIR's, applications of FIR's, calculation sheet and other evidences of the cases have already been forwarded to OGRA and that it is the responsibility of the Authority to initiate proceedings against non-consumers. Thus it is also not complying with the directions of the Authority as well.

8.2.12. It is mentioned that during a high level meeting held on March 4, 2015 at MP&NR under the chairmanship of Honorable Minister for Petroleum & Natural Resources and attended by the Secretary, MPNR and the Authority, the chair agreed and directed that recovery of the non-consumer cases is the responsibility of the gas companies and this responsibility cannot be put on the shoulders of OGRA as the network is owned and operated by the companies. The chair also agreed that amendment proposed in Rule-30 of the NGLR shall be done at the earliest and companies shall not send any non-consumer case (s) to OGRA rather the companies shall pursue these cases in the relevant courts for recovery of the pilfered volume/ amount at their own. **However, the petitioner is still sending such cases to the Authority in violation of the directions of the honorable Minister, MPNR, OGRA and as agreed by the officers of the petitioner in the said meeting.**

8.2.13. The Authority is of the view that in the OGRA Ordinance, 2002 there is no provision which fixes the responsibility of recovery of stolen gas upon OGRA. It is a regulatory body entrusted with the fostering of competition, increase private investment and ownership in the mid-stream and down-stream petroleum industry, protect the public interest and provide effective and efficient regulations. Whereas, Rule 30 of Licensing Rules sets out a function to be performed by OGRA, which is neither envisaged in the preamble of the OGRA Ordinance, 2002 nor finds its place in the powers and functions of OGRA as entrusted under section 6 of the OGRA Ordinance, 2002. Therefore, recovery of stolen gas does not resonate with functions of OGRA and OGRA cannot act as a Regulator and executing agency simultaneously. Further the celebrated principle of law is that the delegated legislation cannot be ultra vires of the parent statue and if such is the case, the Rule must be deleted void. Para- 21 (e) of the Policy Guidelines conveyed vide MP&NR's letter No. DGO (AC)-5 (26)/ 2012-13 Vol II Pt dated June 20, 2013, states that "Government, Companies as well as OGRA must propose relevant amendments in law, if they feel handicapped in the discharge of their functions, within the ambit and purview of law and constitution." Therefore, an amendment in Rule-30 was sent to the

FG which is still pending with it. Moreover, in international jurisdictions, the responsibility of curbing gas theft and making arrangements for its recovery is also placed on the gas suppliers. In addition to the above, in terms of licence Condition No. 20, company/ licensee is responsible to control the gas theft.

8.2.14. The ECC of the Cabinet, vide its decision dated 20th November, 2014, decided to provisionally allow volume pilfered by Non Consumers.

8.2.15. The Authority is of the view that there are sufficient legal provisions available for the petitioner in Criminal Amendment Act, 2011 and Guidelines for dealing with Theft cases by MPNR in 2013 vide letter No. NG(1)-14(52)/2011-Vol-I-GA dated July 17, 2013. It should increase its efforts and extensively work on vigilance of the pipeline network to curb this menace. Keeping in view the policy guidelines of the FG and in view of the preceding paragraphs, the Authority provisionally allows 80 % (5,925 MMCF) of the capped volume (7,406 for FY 2013-14) subject to the conditions that: -

(a) The volume allowed is capped at the maximum limit of 7,406 MMCF for FY 2013-14 and onwards.

(b) The petitioner is directed to pursue the non-consumer cases in the following manner in accordance with Criminal Amendment Act, 2011, Guidelines for dealing with Theft cases by MPNR in 2013 vide letter No. NG(1)-14(52)/2011-Vol-I-GA dated July 17, 2013 and Civil Procedures 1908 (CPC) for recovery of pilfered volume as per the following procedure:-

(i.) Registration of FIR's against the pilferers by the petitioner.
(ii.) Filing of Criminal and recovery suits by the gas companies under courts of competent jurisdiction.
(iii.) Authentication/ Decision in respect of pilfered/ theft volume of gas etc. by the relevant courts.

(c) The volume allowed by the Authority shall be subject to final adjustments and shall be reconciled on yearly basis and the volume not realized will be reversed for the purpose of UFG calculation. The volumes provisionally allowed as per above said policy decision by the ECC of the Cabinet shall be reconciled with the results of the UFG study and any variation (s) shall be adjusted accordingly.

(d) Further the petitioner is directed not to send any such case to the Authority and proceed vigorously against the pilferers as per applicable laws mentioned above for recovery of stolen/ pilfered volumes. The petitioner shall, from its Managing Director, submit an affidavit to Registrar, OGRA, to the effect that it shall comply with all the directions as referred to above and ensure that no such cases are sent to OGRA in future and the petitioner shall put in all efforts to control the menace of non-consumers through strict administrative control on its officers and staff and shall pursue them. The petitioner is also directed to maintain downward trend in this volume in future.

(e) The petitioner may file a review for balance volumes under this head, with the commitment to follow the directions of MPNR and the Authority.

(f) A Third Party Audit of the non consumer cases/ purging shall also be undertaken by the petitioner in consultation/ co-ordination with OGRA and the volumes allowed shall be adjusted accordingly.

8.2.16. The FG also issued policy guidelines dated November 20, 2014 in respect of Bulk to Retail ratio. It is pertinent to mention here that Bulk to Retail Ratio shifted primarily due to Development Schemes on the directives of the FG to the Gas Companies which further aggravated due to shortfall of gas supply. The Authority has, therefore, not previously allowed any volume in this regard and previous decisions are self explanatory in this regard. Keeping in view the legal provisions as in Para-1 (IV) of the policy guidelines of the FG and the matter in totality, the Authority disallows the volume under this head and the same would be considered once the UFG study is completed.

8.2.17. In view of above, UFG is worked out as under;

**Table 13: Calculation of UFG Adjustment**

| | | | |
|---|---|---|---|
| Gas Purchases | | | |
| Metered gas purchased | | 543,488 | 543,488 |
| Line Pack | | -269 | -269 |
| Less RLNG Volume for Sale | | -12,123 | -12,123 |
| Less RLNG Carried for Third Party | | -4,053 | -4,053 |
| RLNG Stock A/C | | -745 | -745 |
| Gas carried for PPL, POL | | -407 | -407 |
| Gas Available for Sale | A | 525,891 | 525,891 |
| Gas Internally Consumed (Metered) | B=a+b | 4,358 | 4,358 |
| Transmission | a | 3,569 | 3,569 |
| (i) Compression | | 3,100 | 3,100 |
| (ii) Residential Colonies | | 113 | 113 |
| (ii) Coating Plant | | 53 | 53 |
| (iii) Ruptures/Sabotage | | 298 | 298 |
| (iv) Other usage Depressurization purging etc | | 5 | 5 |
| Distribution | b | 789 | 789 |
| (i) Free Gas Facility | | 612 | 612 |
| (ii) Co-Generation | | 81 | 81 |
| (iii) Sabotage | | 32 | 32 |
| (iv) Third Party Damages | | 0 | 0 |
| (v) Purging | | 64 | 64 |
| Net Gas Available for Sale | C=A-B | 521,533 | 521,533 |
| Gas Sold (Billed) | D | 473,923 | 473,923 |
| Unrecovered Pilferage volume reversed | | -10,489 | -10,489 |
| Less RLNG Swap Sale | | -12,591 | -12,591 |
| Un billed Vol due to law& order in KPK | | 10,048 | 7,536 |
| Under measured Vol. in respect of min cases/domestic | | 9,327 | 0 |
| Pilfered Vol detected against non-consumers | * | 8,735 | 5,925 |
| Impact of Bulk to Retail Ratio | | 14,065 | 0 |
| Total Sales | E | 493,018 | 464,306 |
| UFG Volume | F=C-E | 28,515 | 57,229 |
| UFG % | I=H/F*100 | 5.47% | 10.97% |
| **Calculation of UFG adjustment for SNGPL** | | | |
| Gas available for External Sale | | - | 521,533 |
| UFG Target | | - | 4.5% |
| Allowed UFG Volume | | - | 23,469 |
| Disallowance (MMCF) | | - | 33,760 |
| WACOG (Rs./MMCF) | J | | 344.75 |
| UFG Disallowance (Million Rs.) | K | | 11,639 |
| | L=J*K/1000 | | |

* Capped at 7406 MMCf for FY 2013-14

8.2.18. ***In view of above, UFG disallowance is determined at Rs. 11,639 million for the said year.***

## 8.3. Transmission and Distribution Cost

### *i.* Summary

8.3.1. The transmission and distribution cost is higher by 39% i.e. from Rs. 18,130 million per DERR to Rs. 25,128 million per the petition, as compared below:

**Table 14: Comparison of T & D Cost with DERR and Previous Year**

***Rs. in million***

| | | | | | |
|---|---|---|---|---|---|
| Human Resource Cost | 10,487 | 11,264 | 12,592 | 1,328 | 12 |
| Stores and Spares Consumed | 466 | 771 | 353 | (418) | (54) |
| Repair and Maintenance | 811 | 1,201 | 862 | (339) | (28) |
| Fuel and Power | 244 | 310 | 241 | (69) | (22) |
| Stationery, Telegram and Postage | 153 | 167 | 108 | (59) | (35) |
| Dispatch of gas bills | 90 | 112 | 95 | (17) | (15) |
| Rent, Rate, Electricity and Telephone | 351 | 402 | 356 | (47) | (12) |
| Traveling | 152 | 255 | 148 | (107) | (42) |
| Transport expenses | 805 | 882 | 794 | (89) | (10) |
| Insurance | 189 | 209 | 189 | (20) | (10) |
| Legal and Professional Services | 102 | 109 | 175 | 66 | 61 |
| Consultation for ISO 14001 & OHSAS 18000 | 4 | 4 | 3 | (1) | (14) |
| Gas bills collection charges | 342 | 372 | 376 | 3 | 1 |
| Gathering charges of gas bills collection data | 26 | 38 | 35 | (3) | (8) |
| OGRA fee | 12 | 144 | 124 | (20) | (14) |
| Advertisement | 119 | 78 | 164 | 86 | 110 |
| Bank Charges | 13 | 23 | 11 | (11) | (50) |
| Uniforms & protective clothing's | 3 | 40 | 28 | (12) | (29) |
| Staff training and recruiting | 12 | 28 | 11 | (17) | (61) |
| Security expenses | 405 | 454 | 486 | 32 | 7 |
| SNG training insititute | 12 | 18 | 13 | (5) | (28) |
| Provision for doubtful debts | 1,663 | 1,325 | 7,742 | 6,417 | 484 |
| Sponsorship of chairs at University | 10 | 10 | 10 | - | - |
| 5 Year special training programme | 25 | 30 | 27 | (3) | (11) |
| Budget for UFG control related activities | 459 | 610 | 404 | (206) | (34) |
| Out Sourcing of call centre complaints mana | 22 | 30 | 21 | (9) | (30) |
| Provision for Stores spares written off | 65 | - | 21 | 21 | - |
| Cost of Gas Blown off | 100 | - | 127 | 127 | - |
| Contribution to Inter State Gas System Limit | 66 | 164 | 75 | (89) | (55) |
| Other expenses | 228 | 206 | 272 | 66 | 32 |
| Up gradation of CSC | 8 | - | - | - | - |
| | | | | | |
| Allocated to fixed capital expenditures | (2,200) | (3,485) | (2,209) | 1,276 | (37) |
| | | | | | |
| Gas Internally Consumed | 1,948 | 2,359 | 1,475 | (884) | (37) |
| | | | | | |

8.3.2. Various components of operating cost are discussed in detail in the following paras.

### *ii.* Human Resource Cost

8.3.3. The petitioner has claimed an increase of 12% on account of HR cost for the said year, from Rs. 11,264 million provided in DERR to Rs. 12,592 million per the petition.

8.3.4. The Authority observes that it had made extensive deliberation on this issue and has reviewed the HR cost benchmark at the time of DERR for the said year. The said benchmark is effective from FY 2011-12 to FY 2014-15. ***Accordingly, the HR benchmark cost for said year computes to Rs. 10,553 million as per Annex-B.***

### *iii.* Legal and Professional Charges

8.3.5. The petitioner has claimed expenditure of Rs. 175 million on account of "legal and professional charges" for the said year as against Rs. 109 million provided in DERR for the said year, showing an increase of 61%. The comparison is given below:

**Table 15: Detailed comparison of Legal & Professional Charges with DERR & Previous Year**

*Rs. in million*

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Legal | 58 | 48 | 137 | 88 | 184% |
| Professional | 22 | 32 | 22 | (10) | -30% |
| Tax | 9 | 10 | 2 | (8) | -80% |
| Audit | 6 | 8 | 6 | (2) | -27% |
| Apprenticeship/Scholarship/Training | 6 | 8 | 6 | (2) | -28% |
| Others | 1 | 3 | 3 | - | 0% |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 61% |

8.3.6. The petitioner has explained that 184% increase under the sub-head "legal" is based on the ground that;

i. Court fee @ 7.5% is required to be affixed on the plaint for recovery over and above Rs. 25,000 in Punjab, whereas in Khyber Pakhtunkhwa, court fee @ 7.5% is required to be affixed on the plaint irrespective of amount subject to maximum of Rs.15,000.

ii. Lodging of FIRs/ filling of pre/ post arrest bail petitions in gas theft cases.

iii. The company is bound to safeguard its interest against suppliers/producers/ contractors who are continuously invoking arbitration clauses of the agreements executed with them. As a result thereof, company is bearing additional expenses on arbitration proceedings. This includes expense of Rs. 55 million in respect of arbitration case in London Court of International Arbitration (M/s Orient Power Vs SNGPL, M/s Sapphire Electric Vs SNGPL, M/s Saif Power Vs SNGPL and SGPL vs. Orient Power).

iv. Recovery suits against disconnected consumers for recovery of outstanding amount of gas bills in respect of 13 regions of the company

8.3.7. The petitioner further reiterated that increase in number of consumer cases, deteriorating law and order situation, rapid growth in demand of gas, gap between demand and supply of gas, change/revision in gas tariff, promulgation of gas (theft control & recovery) Ordinance 2014, lodging of F.I.Rs against culprits/gas thieves, contesting of pre/post arrest bail petitions, revision in gas Infrastructure Development Cess, load curtailment policy and arbitration matters, etc. are causing increase under this head.

8.3.8. The Authority observes that petitioner has been allowed significant amount in previous years on the same grounds particularly for arbitration matters and legal suits against the permanent defaulters to recover bad debts. The recoveries from the defaulters and non-consumers however have not exhibited satisfactory results.

8.3.9. The Authority also observes that there is continuous increase under this unproductive expense head. Main chunk of such expense is also spent on account of litigation against FG established bodies, which is not prudent.

8.3.10. ***The Authority, in view of consistency and prudent practices, determines the expenditure under the sub head "legal" at Rs. 70 million i.e; at the level of FRR FY 2013-14 plus 20% to cater inflationary impact and increase in litigation cases. Accordingly, the total expenses under the head "Legal & Professional Charges" comes to Rs. 108 million for the said year.***

### *iv.* Advertisement

8.3.11. The petitioner has claimed Rs. 164 million on account of advertisement for the said year, as under;

**Table 16: Detailed Break up of advertisement**

***Rs. in million***

| | | | | |
|---|---|---|---|---|
| Advertisement Expenses (Publicity) | 23 | 12 | (11) | (48) |
| Advertisement Expenses (Teders notices/sale of scrap) | 21 | 18 | (4) | (17) |
| Advertisement Expenses (Notices of meetings/dividend etc) | 1 | 2 | 1 | 54 |
| Customer Education Compaign | 73 | 133 | 59 | 81 |
| Total | [illegible] | [illegible] | [illegible] | [illegible] |

8.3.12. The petitioner has submitted that in view of increasing gap between demand and supply of natural gas and to control the law and order situation, both in summer as well as in winter, and for anti gas theft campaign, frequent advertisement of conspicuous sizes are released in order to create awareness and control wasteful use of gas by consumers. The same is carried out on the repeated directions by its Board of Directors as well.

8.3.13. The petitioner has submitted that in current year, the actual expenses for its Media Affairs Department has increased due to enhanced media campaign on energy conservation, safety measures, gas theft policy and normal advertisement. For the said year, company petitioned Rs.169 million against which only Rs.78 million was allowed by the Authority. Further, during FY 2013-14, the petitioner had incurred Rs. 73 million on consumer education which can't be compared with the current year since in the last year, aggressive campaign was launched at belated stage.

8.3.14. The petitioner further explained that All Pakistan Newspapers Society (APNS) does not allow it to be treated as a Government entity in order to qualify for government advertisement rates to be released through Press Information Department (PID), since GOP holds only 36% shares of the Company. However, in case of SSGCL, majority shares are held by the Government, its advertisement are therefore released through PID at Government rates, resultantly SSGCL's expenditure under this head is lower when compared with the petitioner.

8.3.15. The Authority observes that during the last financial year, expenses under this head on account of "consumer education campaign" was significantly increased on the plea that petitioner has undertaken number of initiatives and has also launched aggressive campaign for consumer education for the sake of conservation of energy resources. Further, if this fact is admitted that during FY 2013-14, the aggressive campaign was started at belated stage, even then expenditure claimed is on higher side keeping in view prudent practices and consistency principle to incur the expenditure.

8.3.16. The Authority further observes that it has always appreciated petitioner's extensive efforts in respect of media campaigns for educating consumers. The Authority has always emphasized on consumer education with measurable benefits derived from these media campaigns. However, abnormal increase not commensurate with tangible benefits is unjustified. The Authority is of the view that there is a tough competition between the media. Therefore, the petitioner should negotiate / bargain reasonable tariff / rates while lunching its media campaign. Moreover, other cost effective measures including SMS, emails, signboards during high consumption months, consumer awareness messages on related official websites, gas bills can be used for consumer education.

8.3.17. ***The Authority, in view of above, determines the total expenditure under this head at Rs. 143 million** (i.e; at the level of FRR FY 2013-14 plus 20% to cater for enhanced activities and inflationary trend)* for the said year.

### *v.* Provision for Doubtful Debts

8.3.18. The petitioner has claimed provision for doubtful debts for the said year at Rs. 7,742 million. Category wise break up is shown as under;

**Table 17: Break-up of Provision for Doubtful Debts for the said year**

Rs. in million

| | |
|---|---:|
| Industry | 3,665 |
| Commercial | 1,049 |
| Domestic | 2,528 |
| Bulk Domestic | 500 |
| Total | 7,742 |

8.3.19. The petitioner has also submitted that it has claimed the expenditure under this head as per OGRA's formula and also included the previous years outstanding balances on this account.

8.3.20. The Authority observes that the issue of provision for doubtful debts has been exhaustively discussed and deliberated in FRR FY 2012-13 whereby a benchmark has been placed in respect of various category of trade debtors. The same is applicable for the said year as well.

8.3.21. ***In view of above, the Authority determines the provision for doubtful debts at Rs. 2,018 million for the said year.***

### *vi.* Remaining Items of Transmission & Distribution Cost

8.3.22. The items of transmission and distribution cost, except those dealt with in para's 8.3.3 to 8.3.21 above, are claimed by the petitioner at Rs. 6,663 million.

8.3.23. The petitioner has reported that decrease in majority of expenditure head is due to strict budgetary controls. Decrease under maintenance expenditure is however due to delay in procurement and the lesser activities viz a viz targeted at the time of budget.

8.3.24. In few expense heads, particularly in "security expenses" & "Others" nominal increase has been observed and the same has been adequately justified by the petitioner.

8.3.25. *Accordingly, expenditure under the remaining items of T&D cost seems to be reasonable, and the Authority allows the same at Rs. 6,663 million.*

8.3.26. ***Based on the above, the Authority determines total transmission and distribution cost for the said year at Rs. 17,277 million, as against Rs. 25,128 million claimed by the petitioner, as under;***

**Table 18: Transmission & Distribution Cost Determined by the Authority**

*Rs. in million*

| [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|
| Human Resource Cost | 12,592 | (2,039) | 10,553 |
| Stores and Spares Consumed | 353 | | 353 |
| Repair and Maintenance | 862 | | 862 |
| Fuel and Power | 241 | | 241 |
| Stationery, Telegram and Postage | 108 | | 108 |
| Dispatch of gas bills | 95 | | 95 |
| Rent, Rate, Electricity and Telephone | 356 | | 356 |
| Traveling | 148 | | 148 |
| Transport expenses | 794 | | 794 |
| Insurance | 189 | | 189 |
| Legal and Professional Services | 175 | (67) | 108 |
| Consultation for ISO 14001 & OHSAS 18000 | 3 | | 3 |
| Gas bills collection charges | 376 | | 376 |
| Gathering charges of gas bills collection dat | 35 | | 35 |
| OGRA fee | 124 | | 124 |
| Advertisement | 164 | (21) | 143 |
| Bank Charges | 11 | | 11 |
| Uniforms & protective clothing's | 28 | | 28 |
| Staff training and recruiting | 11 | | 11 |
| Security expenses | 486 | | 486 |
| SNG training insititute | 13 | | 13 |
| Provision for doubtful debts | 7,742 | (5,724) | 2,018 |
| Sponsorship of chairs at University | 10 | | 10 |
| 5 Year special training programme | 27 | | 27 |
| Budget for UFG control related activities | 404 | | 404 |
| Out Sourcing of call centre complaints mana | 21 | | 21 |
| Provision for Stores spares written off | 21 | | 21 |
| Cost of Gas Blown off | 127 | | 127 |
| Contribution to Inter State Gas System Limi | 75 | | 75 |
| Other expenses | 272 | | 272 |
| Up gradation of CSC | - | | - |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Allocated to fixed capital expenditures | (2,209) | | (2,209) |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Gas Internally Consumed | 1,475 | - | 1,475 |
| [illegible] | [illegible] | [illegible] | 17,277 |

## 8.4. Other Operating Expenses

8.4.1. The petitioner has claimed Rs. 421 million under this head comprising Rs. 347 million on account of "Exchange Loss", Rs. 54 million on account of "Loss on the initial recognition of financial assets at fair value" and Rs. 20 million on account of donation, for the said year.

8.4.2. The Authority observes that exchange loss on account of gas purchases is admissible expenditure, the correct amount of the same however is Rs. 342 million as appearing in the "cost of gas sold statement" for the said year. "Loss on the Initial Recognition of Financial Assets at fair value" and "Donation" are not part of revenue requirement in accordance with existing tariff regime and the Authority earlier decision in this regard. *In view of above, the Authority allows Rs. 342 million under the head "other operating expenses" for the said year.*

## 8.5. Impact of IAS 19 (Recognition of actual losses) FY 2014-15

8.5.1. The petitioner has claimed Rs. 5,014 million on account of IAS 19 (Recognition of actual loses) for the said year.

8.5.2. The petitioner has explained that expenditure under this head is due to the requirements of revised IAS 19 'Employees Benefits' and in accordance with the requirement of IAS 8, 'Accounting policies, Changes in accounting estimates and errors'.

8.5.3. The petitioner has elaborated that adoption of above accounting standard is aimed to; eliminate the corridor approach, recognize all actuarial gains and losses in Other Comprehensive Income (OCI) as they occur, immediately recognize all past service costs; replace interest cost and expected return on plan assets with a net interest amount.

8.5.4. The Authority observes that contribution to post retirement obligations is complimentary part of HR cost which is allowed on actual basis. The petitioner is public listed company; it has to comply the SECP regulations which, as per company ordinance, refers IAS/IFRS in the presentation of financial statement. The company is thus statutory obligated to realize post retirement obligation with the contribution in the fund as per actuarial valuation.

8.5.5. *The Authority, in view of above justification advanced by the petitioner, allows Rs. 5,014 million under this head for the said year.*

# 9. Shortfall pertaining to FY 2013-14

9.1.1. The petitioner has included Rs. 48,126 million on account of shortfall for FY 2013-14 for the said year.

9.1.2. The Authority observes that FRR 2013-14 has been issued whereby shortfall has been determined at Rs. 17,775 million. ***Accordingly, the same is included in the revenue requirement for the said year.***

## 10. Decision

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

(i) determine the sale revenue at prescribed prices for the said year at Rs. 177,808 million.

(ii) determine the late payment surcharge and interest on arrears at Rs. 2,914 million as operating income.

(iii) determine the other operating income at Rs. 1,282 million;

(iv) Gross addition in fixed assets at Rs. 18,010 million;

(v) allow closing balance of fixed assets at Rs. 94,673 million;

(vi) accept the cost of gas at Rs. 179,983 million;

(vii) allow UFG at 4.5% based on which disallowance works out to Rs. 11,639 million;

(viii) allow T&D cost at Rs. 15,802 million as against Rs. 23,653 million claimed by the petitioner;

(ix) accept GIC at Rs.1,475 million.

10.1.2. ***In exercise of its powers under Section 8(2) of the Ordinance, the Authority determines the FRR for the said year at Rs. 231,191 million as against petitioner's claim of Rs.281,936 million, as tabulated below:***

**Table 19: Components of FRR for FY 2014-15 as Determined by the Authority**

*Rs. in Million*

| [illegible] | [illegible] | [illegible] |
|---|---|---|
| Cost of Gas | 179,983 | 179,983 |
| Transmission & Distribution Cost | 23,653 | 15,802 |
| GIC | 1,475 | 1,475 |
| UFG Disallowance | - | (11,639) |
| Depreciation | 9,669 | 9,669 |
| Other Operating Expenses | 421 | 342 |
| Impact of IAS-19 | 5,014 | 5,014 |
| Shortfall FY 2013-14 | 48,126 | 17,775 |
| W.P.P.F | 825 | - |
| Return on Assets | 12,769 | 12,769 |
| Total | [illegible] | 231,191 |

10.1.3. *The petitioner's actual net operating income is Rs. 186,448 million and thus there is a shortfall of Rs. 44,743 million, viz a viz its revenue requirement of Rs. 231,191 million for the said year (Rs. 106.19 per MMBTU (Annex. A).*

10.1.4. *The Authority decides to carry forward the entire shortfall for the said year in DERR FY 2015-16. Average prescribed price for each category of consumers comes to Rs. 528.19 / MMBTU. Revised prescribed prices for each category of retail consumers for the said year, based on applicable gas prices fixed by FG, are attached and marked Annexure-C.*

Noorul Haque
Member (Finance)

Aamir Naseem
Member (Gas)

Saeed Ahmad Khan
(Chairman)

REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

.mabad, November 27, 2015

## A. Final Revenue Requirement for FY 2014-15

*Million Rs.*

| | | | | |
|---|---|---|---|---|
| | Gas sales volume -MMCF | 450,802 | - | 450,802 |
| | BBTU | 421,343 | - | 421,343 |
| | Calorific Value | 935 | - | 935 |
| "A" | **Net Operating revenues** | | | |
| | Net sales at current prescribed price | 194,328 | (16,520) | 177,808 |
| | Rental & service charges | 1,698 | - | 1,698 |
| | Surcharge and interest on arrears | | 2,914 | 2,914 |
| | Amortization of deferred credit | 2,746 | - | 2,746 |
| | Other operating income | 229 | 1,053 | 1,282 |
| | **Total income "A"** | **199,001** | **(12,553)** | **186,448** |
| "B" | **Less Expenses** | | | |
| | Cost of gas sold | 179,983 | - | 179,983 |
| | UFG (disallowance) / allowance | - | (11,639) | (11,639) |
| | Transmission and distribution cost | 23,653 | (7,851) | 15,802 |
| | Gas Internally Consumed | 1,475 | - | 1,475 |
| | Depreciation | 9,669 | - | 9,669 |
| | Other operating expenses | 421 | (79) | 342 |
| | Impact of IAS-19 | 5,014 | - | 5,014 |
| | Shortfall pertaining to FY 2013-14 | 48,126 | (30,351) | 17,775 |
| | WPPF | 825 | (825) | - |
| | **Total expenses "B"** | **269,167** | **(50,745)** | **218,421** |
| "C" | **Operating profit / (loss)(A - B)** | **(70,166)** | **38,192** | **(31,973)** |
| | **Return required on net assets:** | | | |
| | Net assets at begining | 86,420 | - | 86,420 |
| | Net assets at ending | 94,673 | - | 94,673 |
| | | 181,093 | - | 181,093 |
| | **Average fixed net assets (I)** | 90,547 | - | 90,547 |
| | Deferred credit at begining | 17,737 | - | 17,737 |
| | Deferred credit at ending | 17,423 | - | 17,423 |
| | | 35,160 | - | 35,160 |
| | **Average net deferred credit (II)** | 17,580 | - | 17,580 |
| "D" | **Average operating assets (I-II)** | 72,967 | - | 72,967 |
| | Return required on net assets | 17.5% | | 17.5% |
| "E" | Amount of return required | 12,769 | - | 12,769 |
| "F" | **Excess /(shortfall) over return required** | **(82,935)** | | **(44,743)** |
| "G" | **Average Increase/(Decrease) in Prescribed Price (Rs/MMBTU)** | **196.84** | **(90.64)** | **106.19** |
| "H" | **Revenue requirement** | **281,936** | **(50,745)** | **231,191** |
| "I" | **Average Prescribed Price (Rs/MMBTU** | **658.05** | **(129.85)** | **528.19** |

## B. Computation of HR Cost Benchmark FY 2014-15

*Million Rs.*

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| **HR benchmark Cost Parameters** | | | | | |
| Base Cost | 7,370 | 7,370 | 8,251 | 8,949 | 9,714 |
| CPI factor | 13.92% | 11.01% | 7.36% | 8.64% | 4.53% |
| T & D network (Km) | 89,441 | 96,655 | 100,988 | 104,320 | 107,670 |
| Number of Consumers (No.) | 3,964,530 | 4,219,279 | 4,505,493 | 4,799,015 | 5,054,256 |
| Sales Volume (MMCF) | 581,935 | 597,056 | 552,272 | 506,355 | 467,449 |
| **Unit Rate (Rs./unit)** | | | | | |
| T&D network (Rs./Km) | 82,399 | 82,399 | 85,367 | 88,616 | 93,119 |
| No. of Consumers (Rs./Consumer) | 1,859 | 1,859 | 1,956 | 1,986 | 2,024 |
| Sale Volume (Rs./MMCF) | 12,664 | 12,664 | 13,820 | 16,204 | 19,185 |
| **HR Cost Build-up (Million Rs)** | | | | | |
| Cost CPI -50% | - | 406 | 304 | 387 | 220 |
| T & D network (Km) 25% | 1,842 | 1,991 | 2,155 | 2,311 | 2,507 |
| Number of Consumers (No.) 65% | 4,790 | 5,098 | 5,727 | 6,196 | 6,650 |
| Sales Volume (MMCF)-10% | 737 | 756 | 763 | 821 | 897 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 10,273 |
| Actual Cost | | | | | 10,529 |
| 50% Excess Sharing | | | | | (128) |
| IAS Cost | | | | | 152 |
| Total HR Benchmark Cost | | | | | 10,553 |

## C. Prescribed Prices FY 2014-15

[redacted]

| | | |
|---|---|---|
| **(i) Domestic Consumers:** | | |
| a) Standalone meters | | |
| b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto; | | |
| *First slab (upto 100 cubic metres per month).* | **528.19** | **106.14** |
| *Second slab (Upto 300 cubic metres per month).* | **528.19** | **212.28** |
| *Third slab (over 300 cubic metres per month).* | **528.19** | **530.69** |
| 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. | | |
| *All off-takes at flat rate of* | **528.19** | **530.69** |
| **(ii) Special Commercial Consumers (Roti Tandoors)** | | |
| *First slab (upto 100 cubic metres per month).* | **528.19** | **106.14** |
| *Second slab (Upto 300 cubic metres per month).* | **528.19** | **212.28** |
| *Third slab (over 300 cubic metres per month).* | **528.19** | **636.83** |
| **(iii) Commercial :** *All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.* | | |
| *All off-takes at flat rate of* | **528.19** | **636.83** |
| **(iv) Ice Factories:** *All off-takes at flat rate of* | **528.19** | **636.83** |
| **(v) Industrial:** *All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.* | | |
| *All off-takes at flat rate of* | **528.19** | **488.23** |
| **(vi) Captive Power :** *All off-takes at flat rate of* | **528.19** | **573.28** |
| **(vii) CNG Stations:** *All off-takes at flat rate of* | **528.19** | **656.52** |
| **(viii) Cement Factories:** *All off-takes at flat rate of* | **528.19** | **742.97** |

**(ix) Fertilizer Factories:**

**(1) Pak American Fertilizer Company Limited, Daudkhel.**

**(a) For gas used as feed stock for fertilizer**

| | | | |
|---|---|---|---|
| *All off-takes at flat rate of* | | 528.19 | 123.41 |

**(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |

**(2) Pak Arab Fertilizer Limited, Multan.**

**(a) For gas used as feed stock for fertilizer**

| | | | |
|---|---|---|---|
| *All off-takes at flat rate of* | | 528.19 | 123.41 |

**(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |

**(3) Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhupura District.**

**(a) For gas used as feed stock for fertilizer.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 123.41 |

**(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |

**(4) Pak-China Fertilizer Limited/Hazara Phosphate Plant Limited, Haripur.**

**(a) For gas used as feed stock for fertilizer.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 123.41 |

**(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |

**(5) ENGRO Fertilizer Company Limited**

**(a) For gas used as feed stock for fertilizer**

| | | | |
|---|---|---|---|
| *All off-takes at provisional flate rate of* | | | |
| | *w.e.f 1.7.2014* | 528.19 | 68.47 |
| | *w.e.f 1.1.2015* | 528.19 | 69.93 |

**(b) For gas used as fuel for generation of electricity, steam and for usage of housing colonies.**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |

**(x) 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* | | 528.19 | 488.23 |

(b) WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.

| | | | |
|---|---|---|---|
| Commodity Charge | | | |
| *All off-takes at flate rate of* | | 528.19 | 488.23 |
| *Fixed charge (Rupees per month).* | | | 390,000 |

**(xi) Liberty Power Limited's Gas Turbine Power Plant (Phase1) at Daharki:**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | | |
| | *w.e.f 1.7.2014* | 528.19 | 1,305.48 |
| | *w.e.f 1.1.2015* | 528.19 | 1,207.43 |

**(xii) Independent Power Producers:**

| | | | |
|---|---|---|---|
| *All off-takes at flate rate of* | | 528.19 | 488.23 |