

## **NOTIFICATION**

New Delhi, the 19th March, 2008

**G.S.R. 197(E)**- In exercise of the powers conferred by Section 61 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following regulations, namely:-

### **1. Short title and commencement.**

- (1) These regulations may be called the Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Regulations, 2008.
- (2) They shall come into force on the date of their publication in the Official Gazette.

### **2. Definitions.**

- (1) In these regulations, unless the context otherwise requires,-
  - (a) “Act” means the Petroleum and Natural Gas Regulatory Board Act, 2006;
  - (b) “appointed day” means the date of October 1, 2007 when the Central Government notified the establishment of the Petroleum and Natural Gas Regulatory Board;
  - (c) “Board” means the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Act;
  - (d) “City Gate Station” means the point where custody transfer of natural gas from natural gas pipeline to the city or local natural gas distribution network (hereinafter referred as CGD Network) takes place;
  - (e) “compression charge for CNG” means a charge (excluding statutory taxes and levies) in Rs./ Kg for online compression of natural gas into compressed natural gas (hereinafter referred to as CNG) for subsequent dispensing to consumers in a CNG station;
  - (f) “Development of a CGD network” means laying, building, operating or expanding a CGD network;
  - (g) “Network tariff” means the weighted average unit rate of tariff (excluding statutory taxes and levies) in rupees per million British Thermal Units (Rs./ MMBTU) for all the categories of consumers of natural gas in a CGD Network;

(2) Words and expressions used and not defined in these regulations, but defined in the Act or in the rules or regulations made thereunder, shall have the meanings respectively assigned to them in the Act.

**3. Application.**

(1) These regulations shall apply to an entity –

- (a) authorized by the Central Government for laying, building, operating or expanding CGD network before the appointed day;
- (b) laying, building, operating or expanding CGD network before the appointed day and authorized by the Board for such activities under the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008.

**4. Determination of network tariff and compression charge for CNG.**

The network tariff and compression charge for CNG in respect of an entity covered clause (a) or clause (b) of sub-regulation (1) of regulation 3 shall be determined as per the procedure at Schedule A.

**5. Form for data submission for determination of network tariff and compression charge for CNG.**

(1) An entity is obligated to submit to the Board the financial, cost and other data in the form at Attachment 1 of Schedule A:

- (a) The information referred to in sub-regulation (1) shall be submitted by an entity referred to in clause (a) of sub-regulation (1) of regulation 3 within thirty days of the notification of these regulations;
- (b) The information referred to in sub-regulation (1) shall be submitted by an entity referred to in clause (b) of sub-regulation (1) of regulation 3 alongwith the application seeking grant of authorization under the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008.

**6. Miscellaneous.**

If any dispute arises with regards to the interpretation of any of the provisions of these regulations, the decision of the Board shall be final.

## Schedule A

[see regulations 3 and 4]

### Procedure for determination of network tariff and compression charge for CNG

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The network tariff and compression charge for CNG in a CGD network shall be determined by considering a reasonable rate of return on normative level of capital employed plus a normative level of operating expenses in the CGD network.

#### **1. Financial feasibility.**

The entity to which these regulations apply shall submit all technical, operating, financial and cost data of the CGD network or CGD network project that may be required by the Board for determination of the network tariff and compression charge for CNG.

#### **2. Methodology for determination of network tariff and compression charge for CNG.**

The unit rates of network tariff and the compression charge for CNG to be charged for a period shall be the calculation based on the “Discounted Cash Flow” (DCF) methodology<sup>1</sup> considering the reasonable rate of return as the project’s internal rate of return as specified in clause 3. The parameters relevant to the applicability of the DCF methodology have been described in detail in clause 4 to clause 6.

#### **3. Reasonable rate of return.**

The reasonable rate of return shall be the rate of return on capital employed equal to fourteen percent post-tax considering the rate of return on long-term risk-free Government securities and the need to incentivize investments in creation of CGD infrastructure. The rate of return on capital employed once applied to a CGD network shall remain fixed for the entire economic life of the project.

Note:

The pre-tax rate of return on capital employed shall be computed by grossing-up fourteen percent by the nominal applicable rate of income tax applicable for corporate assesses as per the provisions of the Income Tax, 1961.

#### **4. Return on total capital employed for network tariff and compression charge for CNG.**

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<sup>1</sup> Discounted Cash Flow refers to equating the inflows from the projected revenue earnings out of network tariff and compression charge for CNG with the outflows of capital and operating expenditures over the economic life of the project by discounting these flows at the reasonable rate of return. The volumes and outflows are estimated over the economic life which results in the determination of the network tariffs and compression charge for CNG required to be earned by the project for achieving the reasonable rate of return.

- (1) The return on total capital employed shall be determined separately for the capital employed in -
- (a) the common infrastructure in the CGD network (i.e., consisting of the pipeline from the tap-off point in the natural gas pipeline up to the city gate station, if any, city gate station, city gate distribution network consisting of pipelines, district regulatory station and distribution related equipments and facilities, but excluding CNG compression and dispensation related equipments and facilities) as specified in clause a) and clause c) of Attachment 1 of Schedule A for determination of the network tariff;
  - (b) online compressors and related facilities as specified in clause (b) of Attachment 1 of Schedule A required for compression of natural gas into CNG for dispensation in the CNG stations in the CGD network for determination of the compression charge for CNG. Land for online compressor and all equipments and facilities beyond the discharge valve of the online compressor for CNG are related to the activity of dispensing of CNG and hence not to be considered for return on capital employed.
- (2) The reasonable rate of return shall be applied on the total capital employed to determine the return on total capital employed in the project over its economic life and the authorized entity is free to leverage the financing of the project in any suitable manner.
- (3) The total capital employed shall be equal to the Gross Fixed Assets in the project less accumulated depreciation<sup>2</sup> plus Normative Working Capital (equal to twenty days of operating cost excluding depreciation).
- (4) The Gross Fixed Assets shall be equal to their actual historical cost of acquisition (including the cost of any subsequent replacement or improvement or modification) or that normatively assessed by the Board, whichever is lower, as required in the CGD network or CGD network project over its economic life as per the following basis and principles<sup>3</sup> that may be considered as required to create an efficient and robust CGD infrastructure, namely:-
- (a) treatment of an investment in the fixed asset in the determination of total return on capital employed shall be as per the basis indicated in Attachment 2;
  - (b) capital costs in similar projects elsewhere in India benchmarked on a “like- to-like” basis;
  - (c) appropriateness of the pipeline design and the operating philosophy with regards to maximum allowable operating pressure;
  - (d) optimization of the equipments and facilities (online compressors for CNG compression, metering systems, SCADA, fire fighting, etc.) required based on an assessment of the appropriate available technology;

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<sup>2</sup> Depreciation shall be calculated by applying the rates of depreciation as specified in Schedule VI to the Companies Act, 1956 on the value of Gross Fixed Asset.

<sup>3</sup> The basis and principles identified here are not exhaustive and may vary depending upon the specific CGD network or CGD network project under consideration which the Board may apply in a transparent manner.

- (e) design parameters of the equipments, like, online compressors for CNG;
- (f) assessment of the latest costs of major equipments in the CGD network - pipelines, online compressors, laying or building costs, project management consultancy, pre-operative expenditure, etc;
- (g) treatment of costs incurred in providing last mile connectivity (LMC, i.e., between the riser isolation valve before the metering unit and the Suraksha hose pipe connecting the burner in the domestic PNG customer's premises) in the return on capital employed for network tariff shall be as per the procedure indicated in Attachment 3.

## 5. Operating costs.

Operating costs<sup>4</sup> required in the operation and maintenance of –

- 1) common infrastructure in the CGD network; and
- 2) online compressor facilities for compressing natural gas in to CNG

shall be computed separately for sub-clause 1) in the determination of network tariff and for sub-clause clause 2) in the determination of compression charge for CNG over the economic life, on an actual basis or based on a normative assessment by the Board, whichever is lower, over the following functional cost head, namely:-

- (i) consumables;
- (ii) utilities (power, fuel and water);
- (iii) salaries and wages;
- (iv) repairs and maintenance;
- (v) insurance premia on fixed assets (excluding on the value of loss of profit) and on line-pack volume;
- (vi) administrative overheads (to the extent not classifiable under sub-clause (i) to (v), related and also commensurate to the level of operations in the CGD network);
- (vii) depreciation on fixed assets based on the rates as per Schedule VI to the Companies Act, 1956;

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<sup>4</sup> Operating costs are those which are necessary for a proper upkeep and maintenance of a tangible asset created for operation of the CGD network (including online compressors for CNG) and does not include any financial cost, like, interest on loans, bad-debts, expenditure incurred in raising or servicing of capital/ debenture/ bond/ debt, exchange variation on revenue account, sales promotion expenses, advertisement expenses (except for inviting tenders), but includes normal bank charges, bank guarantee charges, LC charges, application fee and bank charges for bid bond and performance bond required as per the terms of authorization.

- (viii) miscellaneous income (realizable from a fixed asset included in the return on total capital employed or out of an expense considered as an operating cost, but does not include interest income, profit or loss on sale or transfer of any fixed or other asset), if any, shall be netted from the operating cost.

Note:

Since the cost of land for siting the online compressor is not considered in the determination of the total return on capital employed for compression charge for CNG, any land rentals or land lease charges for siting the online compression facilities shall not be considered as an operating cost for the determination of the compression charge for CNG.

**6. Volumes to be considered in determination of unit network tariff and unit compression charge for CNG.**

The volume to be used as divisor for the purpose of determination (including for subsequent review periods) of the yearly unit network tariff and unit compression charge for CNG shall be equal to –

- a) the actual volume of natural gas (including the volume of natural gas transported by pipeline till the online compressor for CNG) transported in the CGD network; and
- b) actual volume of natural gas compressed as CNG.

Note:

Adjustment for the volume correction required due to actual volumes in a review period being different than that considered in the divisor in the determination of unit network tariff or compression charge for CNG shall be carried out on a prospective basis in the next review period.

**7. Economic life.**

The economic life of the project for the purpose of determination of network tariff and compression charge for CNG shall be as specified in the Petroleum and Natural Gas Regulatory Board (Exclusivity for City or Local Natural Gas Distribution Networks) Regulations, 2008.

**8. Review of network tariff and compression charge for CNG.**

- a) review of network tariff and compression charge for CNG shall be carried out separately during each review period;

<sup>1</sup>[b) review period shall normally follow a period of five financial years.]

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<sup>1</sup> Subs. by Reg. 2, the Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Amendment Regulations, 2008, for Cl. 8 of the Schedule A (w.e.f. 19.11.2008).

- c) the actual performance with respect to the capital and operating costs during the previous review period shall be monitored against the parameters identified under clauses 4 and 5 and the variations shall be adjusted in the calculations on a prospective basis considering the remaining period of the economic life of the CGD project;
- d) The Board may, either on its own or on the entity's request, carry out review in between two tariff review periods, considering-
  - i) mandatory conversion of vehicles using MS, HSD or any other fuel into CNG fuel to the extent not envisaged earlier and necessitating incremental investments;
  - ii) changes in the applicable nominal rate of income tax used for grossing-up the rate of return on capital employed;
  - iii) sudden change in any parameter used in the determination of the network tariff or the compressed charge for CNG;

Attachment 2 to Schedule A  
[see clause 4 (4) (a) of the Schedule]

Definition of a fixed asset and treatment in the determination of return on total capital  
employed for network tariff and compression charge for CNG

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The basis of considering fixed assets in a CGD network (including online compressors and related equipments) in the determination of the return on total capital employed shall be as per the following norms:-

- 1) A fixed asset in a CGD network is a tangible asset having a useful operating life of more than one year and is integral to the generation of revenues through network tariff and compression charge for CNG. Investment in securities, goodwill, current assets, accumulated loss not written-off, work-in-progress, etc. are not fixed assets.
- 2) Any change in the historical cost of the fixed asset due to revaluation or capitalization of losses shall not be considered. However, cost incurred in improvements, modification or replacement of any fixed asset shall be considered in line with the treatment prescribed in the mandatory accounting standards of The Institute of Chartered Accountants of India.
- 3) Cost of land purchased and used for putting the facilities essential to the CGD network (including CGS) shall only be considered. Land for siting Online CNG Compressors will not be considered. Land purchased for any future use (such as for CGD expansion requirements) shall be considered only when used.
- 4) Fixed asset declared as commissioned but not deployed in operations of the CGD network shall not be considered.
- 5) Any change in the value of the fixed asset due to capitalization of interest on loan (including foreign exchange variation in case of any loan in any foreign currency) during the pre-commissioning phase of the fixed asset shall be considered provided such loan was utilized for creation of the said fixed asset only.
- <sup>1</sup>[6) A fixed asset shall be considered for return on capital employed on a “rolling basis” till the end of the economic life of the CGD project, provided it is not de-commissioned. On de-commissioning of the fixed asset, the value realized on its sale or realized value of scrap if sold, or a reasonable normative value if not sold shall be considered as a project inflow in the DCF calculations. In the terminal year of the CGD project, the residual value of the fixed asset, which is the difference between the original cost less the amount of accumulated depreciation, shall be treated as a project inflow in the DCF calculations for network tariff and compression charge for CNG.]

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<sup>1</sup> Subs. by Reg. 3, *ibid.* (w.e.f. 19.11.2008).



- 7) Treatment of line-pack volume in pipelines in a CGD network shall be as per the procedure indicated below:-
- a) Assessment of the volume of natural gas required as Line pack in the pipelines as and when commissioned in the CGD network shall be as specified in the relevant regulations for technical standards and specifications, including safety standards.
  - b) The line pack value of natural gas in pipelines in a CGD network shall be considered as a non-depreciating fixed asset and included in the total capital employed for network tariff and shall remain fixed over the economic life of the project.
  - c) The value of the line-pack volume shall be derived by multiplying the volume of line-pack by the average cost of natural gas at the CGS station at the time of commissioning of the pipelines in the CGD network.
  - a) The salvage value of the line pack at the end of the economic life of the project shall be equal to its value initially assessed and shall be considered as a project inflow.

<sup>1</sup>[Attachment 3 to Schedule A  
(See clause 4 (4) (g) of the Schedule)]

Treatment of Costs incurred in last mile connectivity (LMC) in the determination of total  
return on capital employed for network tariff

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1. In respect of an entity covered either under regulation 3 (1) (a) or under regulation 3 (1) (b)-
  - (a) The new PNG domestic consumers to be connected by the entity post-authorisation shall not be required to pay the LMC charges upfront and in such a case, the related facilities and equipments shall be the property of the entity;
  - (b) even if such entity has already provided connectivity to some domestic PNG customers and also upfront collected the LMC charges, the facilities and equipments, like regulator, meter, pipe, valves, etc. shall continue to be property of the entity who shall be required to maintain them;
  - (c) entity may collect refundable interest free security deposit as specified under regulation 14(1) of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities for Laying, Building, Operating or Expanding City or Local Natural Gas Distribution Networks) Regulations, 2008 in respect of the equipments and facilities including the labour cost as specified therein. The domestic consumer shall bear the actual cost of the material and labour charges for the pipe and tubing in excess of the length specified in regulation 14 (1) of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities for Laying, Building, Operating or Expanding City or Local Natural Gas Distribution Networks) Regulations, 2008. No separate recovery in respect of LMC charges shall be permissible from the domestic PNG customer. A one-time adjustment in network tariff for the LMC, net of the refundable interest free security deposit recovered from the domestic PNG customer, shall be permitted for the intervening period, that is, between the date of commencement of the Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Regulations, 2008 which is 19.3.2008 and upto the date of notification of the Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks Compression Charge for CNG) Amendment Regulation, 2012.]

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<sup>1</sup> Subs. by Reg. 2, the Petroleum and Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Amendment Regulations, 2012, for Attachment 3 to Schedule A (w.e.f. 21.03.2012).

## ATTACHMENT 1

[see sub-regulation (1) to regulation 5]

### PROJECT CAPITAL COST SUMMARY (CAPEX OUTFLOWS)

		INR	FE	
Sr. No	Description	Indian Rupees	Foreign Exchange	Total (*)
<b>A</b>	<b>Plant &amp; Machinery</b>			
1	City Gate Station [see Attachment 1(a)]			
2	Online Compressors [as per Attachment 1 b)]			
3	City Gas Distribution [as per Attachment 1 c)]			
	<b>Subtotal (A)</b>			
<b>B</b>	<b>Engineering Costs</b>			
1	Detailed engineering, procurement construction supervision and project Management			
2	Service tax on above			
	<b>Subtotal (B)</b>			
<b>C</b>	<b>Owner's Cost, Start- UP Expenses</b>			
1	Start-up and commissioning expenses			
2	Owner's management expenses			
	<b>Subtotal (C)</b>			
<b>D</b>	<b>Other Costs</b>			
1	Contingencies and escalation			
2	Preliminary and pre-operative expenses			
3	Interest during construction period and financing charges			
4	Margin money for working capital			
	<b>Subtotal (D)</b>			
	<b>Total (A+B+C+D)</b>			

(\*) INR + FE Converted to INR

Note : Details of assumptions and calculations to be given for Item D.

**Attachment 1(a)**  
**[see sub-regulation (1) to regulation 5]**

**1. CAPITAL COST OF CITY GATE STATION**

Sr. No.	Description	INR	FE	Total (*)	Technical Specifications
<b>A</b>	<b><u>Land</u></b>				
1	Cost of land (for siting the CGS only)				Area in Square meters and Rate.
	<b>Subtotal</b>				
<b>B</b>	<b><u>City Gate Station</u></b>				
1	Mechanical				
2	Instrumentation				
3	Electrical				
4	Fire fighting system				
5	Any other item (details to be given)				
	<b>Subtotal</b>				
<b>C</b>	<b><u>Capital Spares</u></b> (details to be given)				
	<b>Subtotal</b>				
<b>D</b>	<b><u>Erection</u></b>				
1	Mechanical				
2	Electrical				
3	Instrumentation				
4	Civil work				
5	Land				
6	Any other item (details to given)				
	<b>Subtotal</b>				
<b>E</b>	<b><u>Taxes &amp; Duties</u></b>				
1	Ocean freight				
2	Customs duty				
3	Port handling				
4	Inland freight				
5	Excise and CST				
6	Works Contract Tax				
7	Insurance				
8	Any other application tax and duty (give details)				
	<b>Subtotal</b>				
	<b>Total (A to E)</b>				

(\*) INR + FE Converted to INR

**Attachment 1(b)**  
[see sub-regulation (1) to regulation 5]

**2. CAPITAL COST OF ONLINE COMPRESSORS FOR CNG**

Sr. No.	Description	INR	FE	Total (*)	Technical Specifications
A	<b><u>On-line Compressor and related facilities</u></b>				
1	Online Compressor				
2	DG Set AND Control Panel				
3	Fire Fighting system				
4	Metering Skid				
5	UPS or Battery Banks				
6	Miscellaneous				
7	Any other item (details to be given)				
	<b>Subtotal</b>				
C	<b><u>Capital Spares</u></b> (details to be given)				
D	<b><u>Erection</u></b>				
1	Mechanical				
2	Electrical				
3	Instrumentation				
4	Civil Work				
5	Any other item (details to be given)				
	<b>Subtotal</b>				
E	<b><u>Taxes and Duties</u></b>				
1	Ocean Freight				
2	Customs Duty				
3	Port Handling				
4	Inland Freight				
5	Excise and CST				
6	Works Contract Tax				
7	Insurance				
8	Any other applicable tax and duty (give details)				
	<b>Subtotal</b>				
	<b>Total (A to E)</b>				

(\*) INR+FE Converted to INR

Note:

- Compressor facilities to be considered shall include the online compressor and equipments between inlet valve to discharge flange.
- Facilities beyond the discharge valve of the online compressor for CNG, booster compressors in CNG stations and land shall not be considered for return on capital employed in the determination of compression charge for CNG.
- The above cost is to be considered for return on capital employed in the determination of compression charge for CNG.

**Attachment 1 (c)**  
**[see sub-regulation (1) to regulation 5]**

**3. CAPITAL COST OF CITY GAS DISTRIBUTION**

Sr. No.	Description of facilities	INR	FE	Total (*)	Technical Specifications
<b>A</b>	<b><u>Equipment</u></b>				
1	Pipe MDPE				
2	Pipe HDPE				
3	Steel Pipes-Main Gridline PE Coated				
4	Cathodic Protection				
5	SCADA				
6	OFC, Telecom & Telesupervisory system				
7	Warning Grid Tape				
8	Odoursing Unit				
9	MDPE Valves, Fittings, Transition Fittings				
10	DRS				
11	TCP/PCP				
12	Capital Stores (give details)				
13	Any other item (details to be given)				
	<b>Subtotal</b>				
<b>B</b>	<b><u>Erection</u></b>				
1	Mechanical				
2	Electrical				
3	Instrumentation				
4	Civil Work				
5	Land				
6	Any other item (details to be given)				
	<b>Subtotal</b>				
<b>C</b>	<b><u>Taxes &amp; Duties</u></b>				
1	Ocean Freight				
2	Customs Duty				
3	Port Handling				
4	Inland Freight				
5	Excise and CST				
6	Works Contract Tax				
7	Insurance				
8	Any other cost (details to be given)				
	<b>Subtotal</b>				
	<b>Total (A+B+C)</b>				

(\*) INR+FE Converted to INR

Note:

1. Pipelines includes pipelines for transportation of natural gas to Online Compressor for CNG.

**Attachment 1(d)**  
**[See Sub- regulation (1) to regulation 5]**  
**Estimated Profit and Loss Account**

Rs.

Sr. No.	Description	Year 1	Year 2	Year3	Year4	-----	Year 25
<b>1</b>	<b>Total Inflows</b>						
a	-Revenue from Network Tariff (based on PIRR)						
b	-Revenue from compression charge for CNG (based on PIRR)						
<b>2</b>	<b>Total Operating cost Outflows (*)</b>						
a	Consumables & Chemicals						
b	Utilities– (Power, Fuel)						
c	Salaries						
d	Repair & Maintenance						
e	Gen Administrative Expenses						
	Bank Charges (including on Bid Bond and Performance Bond as per the Grant of Authorization)						
f	Other Expenses (excluding bad-debts (to be detailed))						
g	Insurance (including on Line Pack volumes)						
<b>3</b>	<b>Profit before Depreciation, Interest and Tax (PBDIT) (1-2)</b>						
4	Interest on working capital Borrowing to the extent utilised in working capital requirement for above expenses (with rates)						
5	Interest on Term Loans (with rates)						
<b>6</b>	<b>Profit before Depreciation and Tax (PBDT) (3-4-5)</b>						
7	Depreciation (on SLM basis) & Misc expenses written off (give details of each)						
<b>8</b>	<b>Profit Before Tax (PBT) (6-7)</b>						
9	Tax provision (provide as per IT Rules in force)						
<b>10</b>	<b>Profit after Tax (PAT) (8-9)</b>						
	Cash from operation (CFO) (10+7) – To be transferred to cash flow sheet						

(\*) Excluding all direct, indirect and allocated common cost associated beyond compression of natural gas in Online Compressor. Financial costs and selling expenses to be excluded.

Note

1. The Network Tariff shall be based on the volumes of Natural Gas transported in pipelines for all consumers (including supply by pipeline to Online Compressors for compression of natural gas into CNG as determined by the DCF methodology adopted by considering a PIRR, at which level the Net inflows equal the net outflows over the economic life of the project.
2. The Compression Charge for CNG shall be based on the Volumes of Natural Gas transported by pipeline to online compressors for compression into CNG as determined by the DCF methodology adopted by considering a PIRR, at which level the cumulative inflows equal the outflows over the economic life of the project.
3. For Expansion/extension- Same data as applicable for project post expansion or extension.
4. Land rentals or land lease charges towards siting of online compressors shall not be considered for return on capital employed or operating cost, as the case maybe.
5. Non-operating income (such as, Interest on interest-free refundable security deposit from PNG domestic customers) not to be considered as project inflows.
6. Modvat benefit, if available, is to be reflected separately alongwith the calculations.
7. Copy of Audited Profit & Loss Account to be attached, wherever applicable.

**Attachment 1 (e)**  
**[see sub-regulation (1) to regulation 5]**

**CASH FLOW STATEMENT**

**Rs.**

Sr. No	YEAR	Construction period	Year 1	Year 2	Year 3	Year 4	----	Year 25
							----	
							-	
<b>1</b>	<b>Sources of Funds</b>							
a	Equity/Preference Equity (*)							
b	Term Loans/ short term loans							
c	Cash From Operations							
d	Bank Borrowing for Working Capital							
e	Other (Please Specify)							
<b>2</b>	<b>Uses of Funds</b>							
a	Capital Expenditure							
b	Normal /additional Capital Expenditure							
c	Increase/ (Decrease) in Net Working Capital							
d	Repayment of Loans							
e	Dividends to Equity holders							
f	Tax on Distributable Profits							
g	Others (Please Specify)							
<b>3</b>	<b>Cash Surplus/ (Deficit)</b>							
a	Opening Cash Balance							
b	Closing Cash Balance							

(\*) Redemption details to be given.



**Attachment 1(f)**  
**[see sub- regulation (1) to regulation 5]**

**Estimated BALANCE - SHEET**

**Rs.**

<b>YEAR</b>	<b>Construction period</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>-----</b>	<b>Year 25</b>
<b>ASSETS</b>							
Gross Fixed Assets							
Less: Accumulated Depreciation (*)							
<b>Net Fixed Assets</b>							
Net Current Assets							
Cash & Bank							
Investments							
Misc Fixed assets							
Deferred Revenue Exp.							
Other (Please specify)							
<b>LIABILITIES</b>							
<b>Net Worth</b>							
Equity Capital							
Preference Share Capital (**)							
Reserves							
<b>Debt</b>							
Rupee Term Loans							
FC Term Loans							
Bank Borrowings for Working Capital							
Others (Please specify)							

(\*) Asset head-wise depreciation calculations on SLM basis to be provided.

(\*\*) To the extent non –redeemable. Redeemable Preference Capital to be shown under Debt.

**Note**

- a) Copy of Audited Balance Sheet to be attached, where ever applicable.

**Attachment 1(g)**  
**[see sub-regulation (1) to regulation 5]**

**Network Tariff Calculation**

<b>YEAR</b>	Construction period	Year 1	Year 2	Year 3	Year 4	----	Year 25
a) Capital and Operating Cost Outflows (incl. Margin Money)						----	
b) Inflows (Profit Before Depreciation, Interest & Tax – as per Item 3 of P& L Account)						----	
<b>Net Inflows / (Outflows)</b>							
<b>Cumulative Inflows / (outflows)</b>							

Network Tariff for each year calculated based on reasonable rate of return as project's internal rate of return as specified in clause 2 of Schedule A							
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**Compression Charge for CNG Calculations**

<b>YEAR</b>	Construction period	Year 1	Year 2	Year 3	Year 4	----- -	Year 25
a) Capital and Operating Cost Outflows (incl. Margin Money)							
b) Inflows (Profit Before Depreciation, Interest & Tax – as per Item 3 of P& L Account)							
<b>Net Inflows / (Outflows)</b>							
<b>Cumulative Inflows / (outflows)</b>							

Compression charge for CNG for each year calculated based on reasonable rate of return as project's internal rate of return as specified in clause 2 of Schedule A							
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**Attachment 1(h)**  
**[see sub-regulation (1) to regulation 5]**  
**Details of the assumptions made in the calculations**

1. Exchange rate used for computing capital costs
2. Format of Annual Operating Cost

Sr. No.	Description of cost elements	Rs.
<b>A</b>	<b>Variable Cost</b>	
1	Consumables	
2	a) Fuel (quantity and rate)	
2	Utilities (quantity and rates)	
2	a) Power (*)	
2	b) Water	
	Any other Expenses (to be specified)	
	<b>Sub Total</b>	
<b>B</b>	<b>Fixed / Semi Variable Cost</b>	
1	Salary and Wages	
2	General Administration	
3	Repairs and Maintenance	
4	Any other expenses (to be specified) (£)	
	<b>Sub Total</b>	
<b>C</b>	<b>Insurance (%)</b>	
	<b>Total (A+B+C)</b>	

(\*) Break-up of purchased power (over fixed charge & variable charge) & own generation to be provided

(\$) Break-up over routine & turnaround as well as function-wise over electrical, civil, mechanical, etc. to be provided.

(£) Basis of direct & indirect administrative expenses (alongwith basis of allocation to be provided).

(%) Break-up of premia on loss of profit, facilities & Line-pack volume to be provided.

Note

- a For each item of operating cost, detailed assumptions and calculation to be attached.
- b Give basis of allocation / apportionment of costs over various categories of customer (CNG & PNG residential, commercial, industrial) over each of the cost element.
3. Project implementation schedule to be give along with break up of expenditure for each year
4. Loan schedule to be provided for each type of loan, interest rates, repayments etc.
5. Applicable rates of depreciation as per schedule VI of the Companies Act and Income Tax Act shall be provided.
6. Pipeline length based on type / class in CGD network.
7. Steel pipeline design capacity and rated capacities of online compressors of CNG to be provided.
8. Capacity utilisation of the steel belting and online compressors of CNG alongwith the basis to be provided.
9. Implementation period of project in phases to be indicated.
10. Economic life of the project
11. Applicable Rate of Income Tax

**Attachment 1(h) (contd...)**  
**[see sub-regulation (1) to regulation 5]**

**12. Details of Volumes of Natural Gas to be transported in Pipelines in the CGD Network (in SCM or in Kg as applicable, based on the conversion factors).**

	Year 1	Year 2	Year 3	Year 4	-----	Year 25
CNG						
PNG- Residential						
PNG- Commercial						
PNG- Industrial						
<b>Total</b>						

**Note:-**

- A) Growth rates for various segments of customers.
- B) Detailed note for base year volumes & growth rates assumed.
- C) Conversion factors adopted in determination of calorific equivalence of the volume of natural gas to be provided.

**13. Pipeline Tariff details as given below shall be furnished.**

		Year 1	Year 2	Year 3	Year 4	-----	Year 25
1	Compression Charge for CNG in Rs./ Kg (*)						
2	Overall Unit Network Tariff in Rs./MMBTU (\$)						

(\$) considering supply of natural gas by pipeline to online compressors for compressing into CNG.

(\*) considering PNG supplies to all consumers, including supply of natural gas to online compressors for CNG.

- 14. Copy of the duty appraised / approved Detailed Report to be enclosed. Any variation in the parameters adopted in the calculation of the network tariff and / or the compression charge for CNG from the basis adopted in the DFR to be explained.

[F. No. S- Admn/II/8/2007-VoII. I]  
AJAY TYAGI, SECY.

**Foot Note:** Principal regulations were notified *vide* No. G.S.R. 197 (E), dated 19<sup>th</sup> March, 2008 and subsequently amended *vide* G.S.R.801 (E), dated 19<sup>th</sup> November, 2008, and G.S.R. 479(E), dated 07<sup>th</sup> June, 2010 and F. No. M(C)/2012, dated 21<sup>st</sup> March, 2012.