



## **Public Consultation Document**

**(Ref: No. PNGRB/M(C)/43-Vol IV dated 27.01.2017)**

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**Subject:** Final initial unit natural gas pipeline tariff under the provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.

**Name of Entity:** Gujarat State Petronet Limited [GSPL]

**Name of Pipeline:** Low Pressure Gujarat Gas Grid

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## **1. Regulatory Framework**

- 1.1. In terms of Section 22 of the PNGRB Act, 2006, the Board is entrusted with the responsibility of determining the natural gas pipeline tariff to be charged by the entities laying, building, operating or expanding a natural gas pipeline before the appointed day.
- 1.2. The methodology for determination of pipeline tariff has been specified in the relevant provisions of the Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (hereinafter referred to as “Tariff Regulations”) notified on 20.11.2008. Under the provisions of these regulations, PNGRB is to determine the initial unit natural gas pipeline tariff on a provisional basis first and then finalize the same considering the actual costs and data at the end of the financial year on the basis of audited accounts. The transportation tariff is determined using the Discounted Cash Flow (DCF) method using actual and projected pipeline capex and opex costs (in line with provisions of Tariff Regulations) over the entire economic life (25 years) of the pipeline thus arriving at a single levelized transportation tariff. If the length of the pipeline is more than 300 kms the recovery of the transportation tariff is apportioned across such zones of 300 kms each resulting in zonal tariff where the zonal tariff of a later zone is higher than that of an earlier zone.

## **2. Provisional Transportation Tariff Orders**

- 2.1. PNGRB issued the grant of authorization for **GSPL’s Low Pressure Gujarat Gas Grid (LP)** vide communication dated 19.03.2013 under Regulation 18 (1) of the Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas

Pipelines) Regulations, 2008. The provisional capacity and length as per the acceptance letter is 12 MMSCMD (including common carrier capacity of 3 MMSCMD) and 57.6 kms respectively.

- 2.2. PNGRB issued a provisional tariff order no. TO/09/2013 dated 27.06.2013 determining the provisional initial unit natural gas pipeline tariff under the provisions of the Tariff Regulations for LP of GSPL ( available on the PNGRB’s website). The provisional transportation tariff as proposed by GSPL and as determined by PNGRB are as follows:

<b>Particulars</b>	<b>Provisional Tariff proposed by GSPL (Rs. / MMBTU on GCV basis)</b>	<b>Provisional Tariff determined by PNGRB (Rs. / MMBTU on GCV basis)</b>
Levelized Provisional Transportation Tariff	5.10	1.88

### 3. **Orders of Appellate Tribunal for Electricity (APTEL)**

- 3.1. APTEL’s Order in Appeal No. 222 of 2012: Appeal 222 of 2012 was filed by two customers (Reliance Industries Ltd. and Torrent Power Ltd.) of **High Pressure Gujarat Gas Grid (HP)** of GSPL on the issue of date of applicability of transportation tariff order of HP. APTEL in its Order dated 06.01.2014 held that in this case the date of applicability of the transportation tariff determined by PNGRB should be from the date of authorization of the pipeline and not from the date of notification of the tariff regulations.
- 3.2. APTEL’s Order in Appeal 241 of 2013: GSPL had challenged PNGRB’s provisional tariff order in APTEL in Appeal No. 241 of 2013 on various

aspects of computation of tariff. APTEL in its order dated 28.11.2014 set aside the impugned tariff order. APTEL in its order has stated that the issues raised in this Appeal have been dealt with in Appeal no. 25 of 2013 and the same was remanded to PNGRB for fresh consideration. Hence, this appeal (appeal no. 241 of 2013) is allowed in terms of said judgment in Appeal no. 25 of 2013. Accordingly, PNGRB is directed to consider those aspects afresh and pass an order in accordance with law.

**4. Details of tariff filing submitted by GSPL**

- 4.1. PNGRB reminded GSPL to submit updated tariff filing for LP vide letter dated 19.12.2014. In response to this, GSPL vide letter dated 06.01.2015 requested for extension of time period for submission of updated data up to 31.01.2015. PNGRB vide its letter dated 20.01.2015 accepted the request.
- 4.2. PNGRB vide communications dated 10.02.2015, 09.03.2015, 13.03.2015, 30.06.2015, 31.08.2016 and 26.09.2016 had requested GSPL to complete its tariff filing/submit pending information or submit updated information. GSPL had submitted various submissions vide its letters dated 03.02.2015, 24.02.2015, 17.03.2015, 13.04.2015, 02.06.2015, 21.07.2015 and 10.10.2016.
- 4.3. In its tariff filing (tariff model in excel sheet) GSPL has submitted the following tariff.

<b>Final Tariff submitted by GSPL</b>	<b>Rs./MMBTU (GCV basis)</b>
FY 2012-13 to 2016-17	1.88
FY 2017-18 to 2025-26	9.27

## **5. Issues in the Tariff Filing submitted by GSPL**

The various aspects of final tariff filing submitted by GSPL are as follows:

### **5.1. Economic Life of Pipeline**

As per the tariff proposal submitted by GSPL, the first segment of LP started commercial operations on 23.11.2000. Accordingly, GSPL has considered economic life of the pipeline for a period of 25 years from 23.11.2000 up to 22.11.2025.

### **5.2. Capital Expenditure (Capex)**

GSPL in its tariff submission has claimed total capex of Rs. 272.41 cr for the entire economic life of the pipeline. The capex is discussed below under three heads namely, net block (Rs. 123.09 cr), actual capex outgo from 2012-13 to 2015-16 (Rs. 5.81 cr) and future capex projections from 2016-17 to 2025-26 (Rs. 143.51 cr).

#### **5.2.1. Net Block(NB) / Net Fixed Assets (NFA)**

In the tariff filing, GSPL has claimed NB of Rs. 123.09 cr (NFA Rs 120.41 cr and CWIP Rs 2.67 cr) as on 18.03.2013 in line with the date of grant of authorization by PNGRB.

GSPL has submitted two CA certificates for NB –

(a) CA - 1 dated 12.03.2015 submitted vide letter dated 17.03.2015 and

(b) CA - 2 dated 09.04.2015 submitted vide letter dated 13.04.2015. GSPL has provided bifurcation of total **Gross Fixed Assets (GFA)** into HP, LP

and **Other Business Assets (OBA)** without submitting any basis of this bifurcation. Details are tabulated below:

(Rs. in cr)

<b>Submission/ Particulars</b>	<b>as on</b>	<b>Net Block</b>	<b>CWIP</b>	<b>Total</b>
<b>Tariff Filing</b>	18.03.13	120.41	2.67	123.09
<b>CA - 1</b>	18.03.13	120.41	2.67	123.08
<b>CA - 2</b>	18.03.13	56.55*	2.67**	59.22
<b>CA - 2</b>	31.03.13	56.30*	2.67	58.97

\* Net fixed assets/net block as per books of accounts

\*\* CWIP figures are mentioned as per CA - 1

GSPL, in the CA certificate dated 12.03.2015 submitted vide letter dated 17.03.2015, has stated that the NB is calculated based on “reworking” of depreciation on Straight Line Method (SLM) of depreciation till 18.03.2013. The depreciation rate of 3.17% has been used for ‘Pipeline Assets’ pursuant to approval of Ministry of Company Affairs(MCA) and the depreciation rate prescribed under Schedule XIV of Companies Act 1956 for SLM has been used for ‘Assets other than pipelines’.

Further, GSPL in its letter dated 13.04.2015, stated that NFA as per books of accounts is not relevant for the calculation of tariff, GSPL is submitting NFA as per books of accounts, without prejudice to the aforementioned contention

GSPL has, thus, in its tariff filing recalculated NFA considering 3.17% depreciation rate since the inception of the pipeline instead of prospectively considering it from the date of approval sought from the MCA.

### 5.2.2. Actual Capex Outgo from 19.03.2013 to 31.03.2016

In the tariff filing, GSPL has claimed actual capex outgo of Rs. 5.81 cr from 19.03.2013 to 31.03.2016. The capex outgo in the tariff filing is calculated as the sum of net addition of assets during the year and the net additions to CWIP during the year.

PNGRB vide its letter dated 19.12.2014 asked GSPL to submit details of net additions to fixed assets excluding IDC, certified by the CA, duly reconciled with the Schedule of Fixed Assets in the audited balance sheet.

In response, GSPL vide its letter dated 17.03.2015 stated that as per clause 4 of Attachment 2 to Schedule A of the Tariff Regulations, any change in the value of fixed asset due to capitalization of interest on loan during the pre-commissioning period phase of the fixed asset shall be considered. PNGRB Regulation allows the consideration of any interest during construction capitalized in the value of asset. Capital expenditure data provided by GSPL includes such interest and hence GSPL submitted that the data provided in the financial model in consonance with the PNGRB Regulations and bifurcation of IDC from the asset value is not required for the determination of tariff. Along with this letter GSPL submitted CA certificate without bifurcation of IDC.

In all, GSPL has submitted the following four CA certificates:

- (a) CA Certificate 1 (CA -1): GSPL vide its letter dated 17.03.2015 submitted certificate dated 12.03.2015 for gross block of fixed assets and CWIP as per its books of accounts for 2012-13 and 2013-14.

- (b) CA Certificate 2 (CA -2): GSPL vide its letter dated 13.04.2015 reiterated its comments on IDC but submitted certificate dated 09.04.2015 for net additions to fixed assets and CWIP as per its books of accounts for 2012-13 and 2013-14 bifurcating the IDC.
- (c) CA Certificate 3 (CA -3): GSPL vide its letter dated 21.07.2015 submitted certificate dated 13.07.2015 for net additions to fixed assets and CWIP from 2012-13 to 2014-15 bifurcating the IDC.
- (d) CA Certificate 4 (CA -4): GSPL vide its letter dated 10.10.2016 submitted certificate dated 07.10.2016 for net addition to fixed assets and CWIP for 2015-16 bifurcating the IDC.

GSPL has provided bifurcation of total fixed assets / CWIP into HP, LP and OBA without submitting any basis of this bifurcation.

Year-wise details of actual capex as per tariff filing and CA certificates are tabulated below:

Table: Actual capex from 2012-13 up to 2013-14 as per tariff filing and CA certificates

(Rs. in cr)

Year	Tariff Filing (figures include IDC)			CA - 1 (figures include IDC)			CA - 2 (figures exclude IDC)		
	Net additions to assets	Net additions to CWIP	Total	Net additions to assets	Net additions to CWIP	Total	Net additions to assets	Net additions to CWIP	Total
2012-13#	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013-14	0.79	-0.25	0.54	0.79	-0.25	0.54	0.48	-0.25	0.23

# Figures for 2012-13 are from 19.03.2013 to 31.03.2013

Table: Actual capex from 2012-13 to 2015-16 as per tariff filing and CA certificates

(Rs. in cr)

Year	Tariff Filing (figures include IDC)			CA - 3&4 (figures exclude IDC)		
	Net additions to assets	Net additions to CWIP	Total	Net additions to assets	Net additions to CWIP	Total
2012-13#	0.00	0.00	0.00	0.00*	0.00*	0.00
2013-14	0.79	-0.25	0.54	0.79*	-0.25*	0.54
2014-15	0.92	0.27	1.19	0.92 *	0.28*	1.20
2015-16	0.00	4.08	4.08	0.00**	4.02**	4.02
<b>TOTAL</b>	<b>1.70</b>	<b>4.10</b>	<b>5.81</b>	<b>1.71</b>	<b>4.05</b>	<b>5.76</b>

\* As per CA certificate (CA -3) dated 13.07.2015

\*\* As per CA certificate (CA – 4) dated 07.10.2016

# Figures for 2012-13 in tariff filing are from 19.03.2013 to 31.03.2013

No reason is provide for revision in the figure of net additions to assets in 2013-14 in CA-3

Due to multiple CA certificates submitted by GSPL and certain discrepancies therein, PNGRB in the meeting with GSPL officials on 04.01.2017 asked them to submit one consolidated CA certificate for net addition to fixed assets and CWIP for the actual capex claimed. GSPL vide its letter dated 13.01.2017 submitted a consolidated certificate (CA - 5) dated 11.01.2017.

Table: Actual capex from 2012-13 up to 2015-16 as per latest CA certificate

(Rs. in cr)

Year	Tariff Filing (figures include IDC)			CA - 5 (figures exclude IDC)		
	Net additions to assets	Net additions to CWIP	Total	Net additions to assets	Net additions to CWIP	Total
2012-13#	0.00	0.00	0.00	0.00*	0.00*	0.00
2013-14	0.79	-0.25	0.54	0.79	-0.25	0.54
2014-15	0.92	0.27	1.19	0.92	0.28	1.20
2015-16	0.00	4.08	4.08	0.00	4.02	4.02
<b>TOTAL</b>	<b>1.70</b>	<b>4.10</b>	<b>5.81</b>	<b>1.71</b>	<b>4.05</b>	<b>5.76</b>

# Figures for 2012-13 are from 19.03.2013 to 31.03.2013

\* Figures as on 19.03.2013 is as per CA-1

### 5.2.3. Future Capex Outgo from 2016-17 to 2025-26

GSPL, in its tariff filing, has claimed total future capex outgo of Rs. 143.51 cr as:

(Rs. in cr)

<b>Heads/Description</b>	<b>Tariff Filing</b>
(a) Pipeline, Compressor And Other Infrastructure	16.44
(b) Future Capex – Spur Lines	83.94
(c) Future Capex – Other Assets	15.22
(d) Recurring Capex	27.91
<b>TOTAL</b>	<b>143.51</b>

#### (a) Pipeline, Compressor And Other Infrastructure

In the tariff filing, GSPL has claimed Rs. 16.44 cr in 2016-17 as capex under this head for three projects. To support these claims, GSPL vide its letter dated 02.06.2015 has submitted extract from minutes of Board Meeting with in-principle approval towards capital expenditure for future pipelines and other facilities. In Annexure III of the minutes, only one project with estimated costs of Rs. 6.0 cr is stated. No supporting document is provided for the other two projects. Further, only extracts of the meeting are submitted and not the entire agenda note.

#### (b) Future Capex – Spur Lines

GSPL has claimed Rs. 83.94 cr from 2016-17 to 2025-26 as capex under this head. The capex considered for spur line is calculated on a normative basis taking into account the following assumptions (without submitting any justification );

(i) cost of laying pipeline (8”) is Rs. 1.5 cr per km,

(ii) GSPL will add spur line of 5.0 km per annum (pa) a from 2018-19 to 2025-26, and

(iii) costs are escalated at an inflation rate of 5.31% pa from 2016-17 onwards.

GSPL in its letter dated 02.06.2015 has mentioned that it has estimated that 5.0 kms spur line would be required to be laid pa for LP network for the purpose of tariff proposal submitted to PNGRB. GSPL has also stated that as per clause g of Schedule J of PNGRB Authorization Regulation, the transporter is under an obligation to provide connectivity to customers within zone (i.e. 50 kms). As per the tariff filing, GSPL has not added any spur line from 2013-14 to 2015-16.

(c) Future Capex – Other Assets

GSPL has claimed Rs. 15.22 cr from 2016-17 to 2017-18 as capex under this head. In the tariff filing, GSPL has provided a list of 17 projects under this head with a total projected cost of Rs. 21.26 cr (Actual upto 2015-16 Rs. 6.05 cr and Future Rs. 15.21 cr).

To support these claims, GSPL vide its letter dated 02.06.2015 has submitted extract from minutes of Board Meeting with in-principle approval towards capital expenditure for future pipelines and other facilities. In Annexure III of the minutes, the list is comprised of only 12 projects amounting to total capital expenditure of Rs. 17.11 cr as against 17 projects amounting to Rs. 21.26 cr as claimed in the tariff filing. Submission vide 02.06.2015 is only extracts of the meeting instead of the entire agenda note and is only an in-principle approval. The capital

expenditures are not substantiated by project specific approvals from Competent Authority/work order/purchase order/LoA, etc and doesnot reconcile with individual projects.

GSPL vide its letter dated 21.07.2015 submitted a revised list of expenditure on ‘Other facilities’ with total capex is of Rs. 17.11 cr , and future expenditure of Rs. 1.50 cr in 2016-17 against Rs. 15.21 cr from 2016-17 to 2017-18 claimed in the tariff filing. No specific project approvals from competent authority/PO/WO etc. were provided along with this revised submission.

#### (d) Recurring Capex

GSPL has claimed Rs. 27.91 cr from 2018-19 to 2025-26 as capex under this head. Recurring capex for each year is claimed on a normative basis as 1.26 % of GFA (without any supporting documents / reasoning for the same) of the previous year. GFA for each year from 2018-19 up to 2025-26 is considered as sum of GFA of the previous year, net additions to fixed assets during the year and net additions to CWIP during the year.

### 5.3. **Operating Expenses (Opex)**

GSPL in its tariff submission has claimed total opex of Rs. 565.51 cr (Actual upto 2015-16 Rs 15.94 cr and future upto 2025-26 Rs 549.57 cr) for the entire economic life of the pipeline. .

#### 5.3.1. Actual Opex Outgo from 2012-13 to 2015-16

In its tariff filing, GSPL has claimed opex of Rs. 15.94 cr from 19.03.2013 to 31.03.2016.

Actual opex as claimed by GSPL, comprises of:

- (a) consumables and chemicals,
- (b) utilities (power, fuel and water),
- (c) salaries,
- (d) repair and maintenance,
- (e) general administrative expenses (including bank charges on bid bond and performance bond as per grant of authorization),
- (f) any other expenses (including intelligent pigging, batch pigging, R&D expenses, line loss, charges payable to PNGRB, ISO and Safety Audit (MoEF), aerial survey, software expense and CSR), and
- (g) insurance.

PNGRB had asked GSPL to submit details of operating expenditure certified by the CA duly reconciled with the audited profit and loss statement of each year. In response, GSPL has submitted four CA certificates for opex along with its letters dated 17.03.2015, 13.04.2015, 21.07.2015 and 10.10.2016. GSPL has provided bifurcation of total opex into HP, LP and OBA without submitting any basis of this bifurcation. PNGRB in the meeting with GSPL officials on 04.01.2017 asked them to submit one consolidated CA certificate for operating expenses claimed. GSPL vide its letter dated 13.01.2017 submitted a consolidated CA certificate dated 11.01.2017.

Year-wise breakup of opex claimed in tariff filing and that certified in CA certificates submitted by GSPL is as follows:

(Rs. in cr)

<b>Financial Year</b>	<b>Tariff Filing</b>	<b>CA Certificates</b>	<b>Consolidated CA Certificate#</b>
2012-13 (19.03.13 to 31.03.13)	0.16	0.16*	0.16
2013-14	5.30	5.30*	5.30
2014-15	5.57	5.57**	5.57
2015-16	4.92	4.92***	4.92
<b>TOTAL</b>	<b>15.94</b>	<b>15.94</b>	<b>15.94</b>

\* CA certificate dt. 12.03.2015 submitted vide letter dt. 17.03.2015

\*\* CA certificate dt.13.07.2015 submitted vide letter dt. 21.07.2015

\*\*\* CA certificate dt. 07.10.2016 submitted vide letter dt. 10.10.2016

# CA Certificate dt. 11.01.2017 submitted vide letter dt. 13.01.2017

It is also observed that:

- i. GSPL has considered 'Miscellaneous Income' as Nil.
- ii. As per the breakup provided in the audited balance sheets, the total opex of GSPL includes certain expenses such as doubtful debts, etc. which are considered by GSPL in its tariff computation.

### 5.3.2. Future opex projections from 2016-17 to 2025-26

In its tariff filing, GSPL has claimed future opex of Rs. 549.57 cr from 2016-17 to 2025-26.

Future opex as claimed by GSPL, comprises of

- (a) consumables and chemicals,
- (b) utilities (power, fuel and water),

(c) salaries,

(d) repair and maintenance,

(e) general administrative expenses (including bank charges on bid bond and performance bond as per grant of authorization),

(f) any other expenses (including intelligent pigging, batch pigging, R&D expenses, line loss, charges payable to PNGRB, ISO and Safety Audit (MoEF), aerial survey, software expense and CSR), and

(g) insurance.

The various assumptions considered by GSPL from 2016-17 to 2025-26 are as follows (without any supporting documents/justification)

*[ ( ) \* figures in bracket are for the period 19 Mar 13 to 31 Mar 16 ]:*

i. Annual rate of inflation @ 5.31% p.a.

ii. Consumption of spares @ 0.10 % of the GFA

iii. Additional employee required for every 8 km of pipeline added

iv. Additional increase in salary @ 10% p.a. and 25% additional increment in 2016 due to revision

v. System Use Gas (SUG) of Rs. 4.24 cr from 2016-17 to 2025-26 (Nil)

\*

vi. Water utility cost of Rs. 0.33 cr from 2016-17 to 2025-26 (Nil ) \*

- vii. GSPL has inflated per unit (pu) power rate from Rs. 8.10 pu @ 5.31% annually to Rs. 14.31 pu in 2025-26 (Flat Rs. 8.10 pu from 2012-13 to 2015-16)
- viii. Repair and maintenance expenses of 'pipeline and other assets' as 0.75% of GFA and of 'compressor assets' as 5% of GFA
- ix. General administrative costs as 100% of salaries - Rs. 64.18 cr from 2016-17 to 2025-26 (Rs. 2.77 cr ) \*
- x. Bank charges as 0.01% of GFA - Rs. 0.40 cr from 2016-17 to 2025-26-27. (Nil ) \*
- xi. Intelligent pigging - Rs. 2.34 cr; batch pigging - Rs. 0.93 cr and for aerial survey - Rs. 0.33 cr from 2016-17 to 2025-26 (Nil ) \*
- xii. R&D expenses are 0.01% of GFA – Rs. 0.26 cr from 2016-17 to 2025-26 (Rs. 0.02 cr ) \*
- xiii. Software expenses are 12.5% of capex. Software AMC of Rs. 0.03 cr from 2016-17 to 2025-26 (Rs. 0.1 lakh) \*
- xiv. Line loss as a percentage of throughput of Rs. 342.63 cr from 2016-17 to 2025-26 (Rs. 1.24 cr ) \*
- xv. CSR expenses of Rs. 8.50 cr from 2016-17 to 2025-26 (Nil ) \*
- xvi. Charges payable to PNGRB as 0.01% of revenue – Rs. 0.10 cr 2016-17 to 2025-26 (Nil ) \*
- xvii. Insurance expenses as 0.1% of GFA – Rs. 4.03 cr from 2016-17 to 2025-26 (Rs. 0.38 cr ) \*

xviii. No 'Miscellaneous Income' from 2016-17 to 2025-26

xix. No. of ESOPs per employee per annum 2936, ESOP starting year 2012

xx. Life of compressors is considered as 10 years

#### 5.4. **Unaccounted Gas Loss/Line Loss**

GSPL has considered 0.3% of the throughput as unaccounted gas loss, as a cost to be recovered through the transportation tariff and has claimed a total unaccounted gas loss of Rs. 343.87 cr (Actual loss claimed from 2012-13 to 2015-16 Rs. 1.24 cr and future projected loss from 2016-17 to 2025-26 is Rs. 342.63 cr). This is claimed under the sub-head of 'any other expenses' in Opex and is in addition to System Use Gas (SUG) that is claimed as a fuel expense under the sub-head 'utilities' in Opex.

#### 5.5. **Volume Divisor**

As per the grant of authorization for LP issued by PNGRB dated 19.03.2013, the total capacity for the network is 12 MMSCMD (including common carrier capacity of 3 MMSCMD). Year-wise capacity considered by GSPL in its tariff submission is as follows:

<b>Financial Year</b>	<b>Capacity (in MMSCMD)</b>
2012-13	9.18
2013-14	9.01
2014-15 and onwards	9.00

#### 5.6. **Working Capital**

Working capital is calculated as sum of 30 days of opex (excluding depreciation) and 18 days of revenue (tariff receivables), in conformity

with the Tariff Regulations. GSPL, in its tariff submission, has considered total working capital of Rs. 9.04 cr for LP(including Line pack of Rs 1.0 cr instead of Rs 8.04 cr(Rs 9.04cr – Rs 1.0 cr)).

5.7. **Number of Working Days**

As per the Clause 14(3) of the Access Code Regulations, the planned maintenance period shall not exceed 10 days in a year. On this basis, there would be 355 working days for a pipeline in one financial year. GSPL has considered 12 operating days in 2012-13, 355 operating days for all years from 2013-14 to 2024-25 and 234 operating days in 2025-26.

5.8. **Line Pack**

Line pack is the value of gas which always remains in the pipeline and as per regulations it is to be considered as cash outflow in the initial year and to be considered as cash inflow in the last year of the economic life of the pipeline. GSPL, in its tariff model, has considered line pack of Rs. 1.0 cr as cash outflow in 2012-13.

5.9. **Terminal Value**

Terminal Value is the sum of the residual value of the NFA at the end of the economic life, working capital and line pack and is cash inflow at the end of economic life of the pipeline. The terminal value submitted by GSPL in its tariff filing is Rs. 174.51 cr as on 22.11.2025.

5.10. **Return on Capital Employed**

GSPL has computed the annual rate of return @ 12 % post tax returns and rates of corporate income tax applicable to each year as:

<b>Financial Year</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16 and onwards</b>
<b>Income Tax Rate</b>	32.45%	33.99%	33.99%	34.61%
<b>Rate of return</b>	17.76%	18.18%	18.18%	18.35%

Clause 2 of Schedule A of the Tariff Regulations mandates that natural gas pipeline tariff shall be calculated based on the DCF methodology after considering the reasonable rate of return (i.e. “twelve percent post-tax” as per clause 3 to Schedule A) to be the projects internal rate of return.

#### 5.11. **Zonal Apportionment**

Since the length of the LP network of GSPL does not exceed 300 kms, the apportionment of the levelized tariffs is not required to be undertaken.

### **6. Views of stakeholders sought**

- 6.1. Determination of the final initial unit natural gas pipeline tariff is a time bound exercise. PNGRB solicits the views in writing of stakeholders on GSPL’s tariff filing for the Low Pressure Gujarat Gas Grid within 21 days of the issue of this document at the following address:

*Secretary,  
Petroleum and Natural Gas Regulatory Board,  
1<sup>st</sup> Floor, World Trade Centre,  
Babar Road, New Delhi 110001.*

(Vandana Sharma)  
Secretary  
For and on behalf of the Board