CROATIAN ENERGY REGULATORY AGENCY

Pursuant to Article 11, paragraph 1 of the Act on the Regulation of the Energy Activities ("Official Gazette of the Republic of Croatia", number 120/12) and Article 88, paragraph 1 of the Act on the Gas Market ("Official Gazette of the Republic of Croatia", number 28/13 and 14/14), the Croatian Energy Regulatory Agency, at the session of the Steering Council held on _____ 2016, adopted the following

METHODOLOGY FOR THE DETERMINATION OF THE TARIFF ITEMS FOR THE UNLOADING AND SEND OUT OF LIQUEFIED NATURAL GAS

I. GENERAL PROVISIONS

Article 1

The subject Methodology for the determination of the tariff items for the unloading and send out of liquefied natural gas (hereinafter: Methodology), determines the following:

- the model of regulation of the energy activity regarding the management of a terminal for liquefied natural gas (hereinafter: LNG),
- the formula and elements for calculating the allowed revenue of the LNG terminal operator (hereinafter: allowed revenue)
- the procedure for the audit of the allowed revenue,
- the tariff items and the manner, elements and criteria for calculating the amount of the tariff items,
- the coefficients for calculating the fee for the use of the LNG terminal,
- the calculation of the fee for the use of the LNG terminal for the clients of the LNG terminal (hereinafter: client),
- the characteristics and prerequisites for the establishment of a regulatory account and the method, elements and criteria for the calculation and audit of the amount of tariff items in the regulatory account model,
- the process of submitting a request for the determination, i.e. change in the amount of tariff items,
- information, documentation and other materials used to calculate and audit the allowed revenue, as well as for the calculation of the amount of tariff items.

Article 2

This methodology shall be applied by the LNG terminal operator (hereinafter: operator).

Article 3

(1) The terms used in this Methodology shall have the meanings determined by the acts governing the energy sector, the regulation of energy activities and the gas market, as well as by the regulations adopted pursuant to the subject acts.

(2) This Methodology additionally uses terms, which shall have the following meanings within the meaning of this Methodology:

- *year T-1* - the year preceding the first year of the regulatory period,
- *average tariff* - quotient of the projected allowed revenue and the total amount of gas which is planned to be sent out from the LNG terminal to the gas transmission system in a particular year,
- *reference interest rate* - the average interest rate of credit institutions on long-term loans in Croatian kuna with a foreign currency clause granted to non-financial companies in the Republic of Croatia, and according to the data on the average monthly interest rates in the last 12 months from the last published monthly bulletin of the Croatian National Bank,
- *regulatory period* - a several-year period for which, separately for each regulatory year, the allowed revenue and the amount of tariff items are determined, during which certain fixed elements for the calculation of allowed revenue apply, and at the expiration of which the audit of allowed revenues is performed,
- *regulatory year t* - part of the regulatory period that corresponds to the period from 1 January to 31 December of the calendar year,
- *regulatory year T* - the first year of the regulatory period,
- *regulatory year T+4* - the last year of the regulatory period,
- *regulatory account* - a separate model of incentive regulation of the energy activity regarding the management of the LNG terminal, and when applied to the operator, under certain conditions, over a longer period of time enables an adequate return on reasonably invested funds,
- *regulated assets* - assets used exclusively for performing the energy activity of managing the LNG terminal.

II. CHARACTERISTICS OF THE METHODOLOGY

Article 4

This methodology is based on the incentive regulation method, i.e. the method of maximum allowed revenue.

Article 5

The regulatory period begins on 1 January in the regulatory year T and ends on 31 December in the regulatory year T+4, where the duration of the regulatory period is 5 years.

Article 6

During the regulatory period, the following elements shall be fixed:

- the nominal value of the weighted average cost of capital before tax (hereinafter: WACC) and
- efficiency coefficient (X).

Distribution of achieved savings

Article 7

(1) The realised savings represent the difference between the allowed amount of operating expenses and the actual amount of operating expenses.

(2) The division of achieved savings referred to in paragraph 1 of this Article shall be carried out in such a manner that the operator retains 50% of achieved savings, and shall be calculated according to the formula:

$$savings\ for\ the\ operator = max\left[0,5 \times (OPEX_{T+i-1} - OPEX^{UPP}_{T+i-1}),0 \right]$$

wherein the following items are:

$OPEX_{T+n-1}$ -   allowed amount of operating expenses in regulatory year T+4 (HRK)

$OPEX^{UPP}_{T+n-1}$ -   amount of operating expenses realised by the operator in regulatory year T+4 (HRK).

III. ALLOWED REVENUE

PROJECTED ALLOWED REVENUE

Article 8

The projected allowed revenue for each year of the regulatory period is determined in the year T-1.

Article 9

(1) The projected allowed revenue shall cover reasonable operating expenses realised when performing the energy activity of managing the LNG terminal and ensure a return on regulated assets.

(2) The projected allowed revenue in the regulatory year t is calculated according to the formula:

$$DP^{P}_{T} = OPEX^{P}_{T} + A^{P}_{T} + PRO^{P}_{T} + PV\delta_{t} - \left(P_{NU}{}^{P}_{t} + P_{OST}{}^{P}_{T} \right)$$

wherein the following items are:

DP^{P}_{t} -   projected allowed revenue in the regulatory year t (HRK),

$OPEX^{P}_{t}$ -   projected operating expenses in the regulatory year t (HRK),

A^{P}_{t} -   projected depreciation of regulated assets in the regulatory year t (HRK),

PRO^{P}_{t} -   projected return on regulated assets in the regulatory year t (HRK),

$PV\delta_{t}$ -   part of the difference between the audited allowed revenue and realised revenue in the year T-1 and in previous years of the regulatory period stated in the regulatory year t (HRK),

$P_{NU}{}^{P}_{t}$ -   projected revenue from non-standard services in the regulatory year t (HRK),

$P_{OST}{}^{P}_{t}$ -   projected other operating revenues not related to the core business of the LNG terminal operator (hereinafter: projected other operating revenues) in the regulatory year t (HRK).

(3) The projected allowed revenue in the regulatory year t shall be determined according to Table 6 Allowed revenue from Appendix 1, which is an integral part of the subject Methodology.

Projected operating expenses

Article 10

(1) Operating expenses (hereinafter: OPEX) are all reasonable expenses related to the energy activity of managing the LNG terminal and do not include the cost of depreciation.

(2) OPEX consists of a justified amount of material expenses, service expenses, personnel expenses, other operating expenses and other business expenditures.

(3) OPEX does not include operating expenses that the Agency considers unjustified for the performance of the energy activity of managing the LNG terminal.

(4) Unjustified expenses referred to in paragraph 3 of this Article are as follows:
- advertising and sponsorship services and fair expenses, in the total amount,
- value adjustment, exceeding the amount of 1% of total operating revenue of the operator,
- provisions, in the total amount,
- occasional awards, in the total amount,
- annual awards to the members of the Management Board, in the total amount,
- costs of life insurance premiums, in the total amount,
- entertainment expenses, internal representation and publicity expenses, in the total amount,
- gifts (donations), in the total amount,
- fines, penalties, compensation for damages and expenses arising from the contract, in the total amount and
- expenditures - write-offs of tangible and intangible assets if the subject assets are replaced by new assets entered into the regulated assets.

(5) Projected amount of OPEX for the regulatory year T shall be determined as follows:

$$OPEX^{P}_{T} = OPEX^{DOZ}_{T-2} \times \left(1+CPI^{P}_{T-1}-X_{T-1}\right) \times \left(1+CPI^{P}_{T}-X\right)$$

wherein the following items are:

$OPEX^{P}_{T}$	-	projected amount of OPEX for the regulatory year T (HRK),
$OPEX^{DOZ}_{T-2}$	-	allowed base amount of OPEX in the year preceding the year T-1 (hereinafter: year T-2) (HRK),
CPI^{P}_{T-1}	-	projected consumer price index for the year T-1,
X_{T-1}	-	efficiency coefficient in the year T-1,
CPI^{P}_{T}	-	projected consumer price index for the regulatory year T,
X	-	efficiency coefficient in the regulatory period.

(6) The allowed base OPEX in the year T-2 shall be calculated according to the formula:

$$OPEX^{DOZ}_{T-2} = min\ [OPEX_{T-2},\ OPEX_{T-2} - 0,5 \times (OPEX_{T-2} - OPEX^{UPP}_{T-2})]$$

wherein the following items are:

$OPEX^{DOZ}_{T-2}$ -   the allowed base OPEX in the year T-2 (HRK),

$OPEX_{T-2}$ - previously projected OPEX for the year T-2 (HRK),
$OPEX^{UPP}_{T-2}$ - realised amount of OPEX in the year T-2 (HRK),

(7) In determining the allowed base amount of OPEX in the year T-2, as unjustified expenses the Agency can also determine the partial or full amount of certain other operating expenses, except for the expenses referred to in paragraph 4 of this Article, based on the analysis of the appropriateness of the operating expenses, by checking the quantities and prices which incurred a specific expense, by the analysis of the same operating expenses of operators in previous years, as well as on the basis of a comparative analysis of expenses and operating efficiency of the LNG terminal operators in the region.

(8) The realised amount of OPEX in the year T-2 is determined according to Table 1 Total operating expenses in Appendix 1, which is an integral part of the subject Methodology.

(9) The projected OPEX for the second and subsequent years of the regulatory period shall be determined according to the formula:

$$OPEX^{P}_{T+i-1} = OPEX^{P}_{T+i-2} \times \left(1 + CPI^{P}_{T+i-1} - X\right); \quad i=2,3,4,5$$

wherein the following items are:

$OPEX^{P}_{T+i-1}$ - projected OPEX in the regulatory year T+i-1 (HRK),
$OPEX^{P}_{T+i-2}$ - projected OPEX in the regulatory year T+i-2 (HRK),
CPI^{P}_{T+i-1} - projected consumer price index for the regulatory year T+i-1,
X - efficiency coefficient in the regulatory period.

Projected depreciation

Article 11

(1) The calculation of regulated assets depreciation is performed by a linear method using annual depreciation rates determined by expected useful life of assets, according to accounting standards.

(2) The expected useful life of fixed tangible assets from the category of buildings amounts to at least 40 years.

(3) The expected useful life of fixed tangible assets from the category of plants and equipment amounts to at least 20 years.

(4) The basis for the calculation of depreciation shall be the book purchase value of fixed assets, which on the last day of the regulatory year t-1 has a net book value in accordance with international accounting standards.

(5) The amount of the projected depreciation of regulated assets for the regulatory year t, excluding the depreciation of non-repayable funds, shall be determined according to Table 3 Regulated assets and Table 4 Depreciation of regulated assets in Appendix 1, which forms an integral part of the subject Methodology.

Projected return on regulated assets

Article 12

(1) The projected return on regulated assets in the regulatory year t is calculated according to the formula:

$$PRO^P_t = RO_{pros}{}^P{}_t \times WACC$$

wherein the following items are:

PRO^P_t -   projected return on regulated assets in the regulatory year t (HRK),

$RO_{pros}{}^P_t$ -   projected average amount of regulated assets in the regulatory year t (HRK),

$WACC$ -   amount of WACC for the regulatory period (%).

(2) The projected average amount of regulated assets in the regulatory year t is calculated according to the formula:

$$RO_{pros}{}^P{}_t = \frac{RO^P_{t-1} + RO^P_t}{2}$$

wherein the following items are:

$RO_{pros}{}^P_t$ -   projected average amount of regulated assets in the regulatory year t (HRK),

RO^P_{t-1} -   projected value of regulated assets at the end of the regulatory year t-1 (HRK),

RO^P_t -   projected value of regulated assets at the end of the regulatory year t (HRK).

Article 13

(1) The projected value of regulated assets at the end of the regulatory year t is calculated based on the projections of the operator balance sheet for the regulatory years T-1 to T+n-1 and Table 3 Regulated assets set out in Appendix 1, which forms an integral part of the subject Methodology, according to the formula:

$$RO^P_{T+i-1} = RO^P_{T+i-2} + I^P_{T+i-1} - A^P_{T+i-1} - S_{besp}{}^P_{T+i-1} - OR^P_{T+i-1}; \ i=0,1,2,3,4,5$$

wherein the following items are:

RO^P_{T+i-1} -   projected value of regulated assets at the end of the regulatory year T+i-1 (HRK),

RO^P_{T+i-2} -   projected value of regulated assets at the end of the regulatory year T+i-2 (HRK),

I^P_{T+i-1} -   projected value of new investments in construction and reconstruction of the LNG terminal, which shall be put into use in the regulatory year T+i-1 (HRK),

A^P_{T+i-1} -   projected amount of depreciation in the regulatory year T+i-1, excluding the depreciation of non-repayable funds (HRK)

$S_{besp}{}^P_{T+i-1}$ -   projected value of non-repayable funds in the regulatory year T+i-1 (HRK),

OR^P_{T+i-1} -   projected value of alienated and disposed assets in the regulatory year T+i-1 (HRK).

(2) The regulated assets include investments within the approved plan of the LNG terminal development, wherein projected investments in the construction and reconstruction of the LNG

terminal shall be technically feasible and economically efficient, and provide the appropriate level of security of gas supply.

(3) The projected value of regulated assets at the end of the regulatory year T+i-2, in the case where i=0, represents the actual value of regulated assets at the end of the year T-2, and can be taken from the operator balance sheet and includes:

- the net book value of fixed tangible assets in use, which is in function of the LNG terminal,
- the net book value of fixed intangible assets in use, which is in function of the LNG terminal,
- impairment for the obtained non-repayable funds financing the development of the LNG terminal.

(4) The amount of net book value of fixed tangible assets referred to in paragraph 3 of this Article is calculated by adding the net book value of the following items:

- land,
- buildings and office buildings,
- plants and equipment,
- tools, plant inventory and transportation means, and
- other assets.

(5) The amount of net book value of intangible assets referred to in paragraph 3 of this Article is calculated by adding the net book value of the concessions, patents, licences, computer programs and other similar rights.

Article 14

(1) The amount of WACC for the regulatory period is calculated according to the formula:

$$WACC = \frac{r_e}{1-P} \times \frac{E}{E+D} + r_d \times \frac{D}{E+D}$$

wherein the following items are:

WACC   -   the amount of WACC for the regulatory period (%),
r_e -   rate of return on equity (%),
E/(E+D)   -   share of equity in total capital (%),
r_d -   rate of return on debt (%),
D/(E+D)   -   share of debt in total capital (%),
P   -   income tax rate (%).

(2) As a target share in the capital structure for the calculation of WACC for the regulatory period referred to in paragraph 1 of this Article, the share of equity in the amount of 50% and the share of debt in the amount of 50% are prescribed.

(3) The rate of return on equity is determined by applying the capital asset pricing model (CAPM), according to the formula:

$$r_e = r_f + \beta \times (r_m - r_f)$$

wherein the following items are:

r_e -   rate of return on equity (%),
r_f -   risk-free rate of return (%),
r_m -   rate of return on the diversified market portfolio (%),

r_m-r_f -   market risk premium (%),

β   -   variability coefficient of operator shares in relation to the average variability of return on market portfolio.

(4) Risk-free rate of return (r_f) is determined based on the average nominal interest rate of the last three ten-year bonds issued by the Republic of Croatia.

(5) The variability coefficient of the return on operator shares in relation to the average variability of return on market portfolio (β) reflects the degree of risk of investing in the energy activity of managing the LNG terminal in relation to the risk of investing in the market, and can be determined on the basis of a comparative analysis of the variability coefficients of return on the shares of the operators of the LNG terminals applied in the regulatory mechanisms of European countries.

(6) The rate of return on the diversified market portfolio (r_m) is calculated as the sum of the risk-free rate of return (r_f) and the market risk premium (r_m-r_f), which is determined based on the expected rate of return on the diversified market portfolio in the Republic of Croatia.

(7) The rate of return on debt (r_d) equals the weighted average interest rate on investment loans used by the operator to finance regulated assets, whereby the interest rate on investment loans are taken into account up to the level of rational and thoughtful borrowed funds, or up to maximum reference interest rates.

(8) If the operator does not use investment loans to finance regulated assets, the rate of return on debt (r_d) is equal to the reference rate.

(9) The elements for the calculation of the WACC for the regulatory period shall be determined according to Table 5 Elements for determining the WACC in Appendix 1, which forms an integral part of the subject Methodology.

SMOOTHED ALLOWED REVENUE

Article 15

(1) The smoothed allowed revenues is determined based on projected allowed revenues determined in accordance with Article 9 of this Methodology.

(2) The smoothed allowed revenues for the years of the regulatory period shall be calculated as the net present value of the smoothed allowed revenues for the years of the regulatory period equals to the net present value of the projected allowed revenues for the same period, whereby for the first year of the regulatory period the smoothed allowed revenue is equal to the projected allowed revenue.

(3) The smoothed allowed revenues for the years of the regulatory period shall be calculated according to the formula:

$$\sum_{i=1}^{n} \frac{DP^P_{T+i-1}}{(1+WACC^P)^i} = \sum_{i=1}^{n} \frac{DP_{\alpha}{}^P_{T+i-1}}{(1+WACC^P)^i}$$

with the proviso that:

$$DP^P_T = DP_{\alpha}{}^P_T$$

$$DP_{\alpha}{}^P_{T+i-1} = DP_{\alpha}{}^P_{T+i-2} \times (1+\alpha); \ i=2,3,4,5$$

wherein the following items are:

DP^P_{T+i-1} -   projected allowed revenue in the regulatory year T+i-1 (HRK),

$DP_\alpha{}^P{}_{T+i-1}$ - smoothed allowed revenue in the regulatory year T+i-1 (HRK),
WACC - amount of WACC for the regulatory period (%),
$DP^P{}_T$ - projected allowed revenue in the regulatory year T (HRK),
$DP_\alpha{}^P{}_T$ - smoothed allowed revenue in the regulatory year T (HRK),
$DP_\alpha{}^P{}_{T+i-2}$ - smoothed allowed revenue in the regulatory year T+i-2 (HRK),
α - smoothing coefficient determined by an iterative procedure.

AUDIT OF ALLOWED REVENUE

Regular audit

Article 16

(1) In the regulatory year T+4, a regular audit of allowed revenues for the year T-1 and for the previous years of the regulatory period is performed.

(2) As part of the regular audit of allowed revenue referred to in paragraph 1 of this Article, an audit of the following items shall be performed:

- projected OPEX,
- projected depreciation,
- projected return on regulated assets,
- projected revenue from non-standard services and
- projected other operating revenue.

(3) Upon completion of the audit of the allowed revenues referred to in paragraph 1 of this Article, the difference shall be determined between the audited allowed revenues (DP) and the realised revenues (P) in the year T-1 and the previous years of the regulatory period to be distributed to the following regulatory period.

OPEX audit

Article 17

(1) In the regulatory year T+4, the achieved consumer price indices (CPI) for the year T-1 in the previous years in the regulatory period, as well as the realised OPEX in the year T-1, are known.

(2) The audited amount of the allowed OPEX for the regulatory year T ($OPEX_T$) is calculated according to the formula:

$$OPEX_T = OPEX^{DOZ}{}_{T-1} \times \left(1 + CPI_T - X\right)$$

wherein the following items are:

$OPEX_T$ - audited amount of the allowed OPEX for the regulatory year T (HRK),
$OPEX^{DOZ}{}_{T-1}$ - audited base amount of allowed OPEX for the year T-1 (HRK),
CPI_T - realised consumer price index in the regulatory year T,
X - efficiency coefficient in the regulatory period.

(3) The audited base amount of allowed OPEX for the year T-1 is calculated according to the formula:

$$OPEX^{DOZ}{}_{T-1} = min\left[OPEX_{T-1},\ OPEX_{T-1} - 0,5 \times \left(OPEX_{T-1} - OPEX^{UPP}{}_{T-1}\right)\right]$$

wherein the following items are:

$OPEX^{DOZ}_{T-1}$ -   audited base amount of allowed OPEX for the year T-1 (HRK),
$OPEX_{T-1}$ -   projected OPEX for the year T-1 (HRK),
$OPEX^{UPP}_{T-1}$ -   realised OPEX for the year T-1 (HRK),

(4) The projected OPEX for the year T-1 referred to in paragraph 3 of this Article represents a previously projected OPEX for the year T-1, which is adjusted for the realised consumer price index in the regulatory year T-1.

(5) In determining the audited base amount of allowed OPEX in the year T-1, as unjustified expenses the Agency can also determine the partial or full amount of certain other operating expenses, except for the expenses referred to in Article 10, paragraph 4 of this Methodology, based on the analysis of the appropriateness of operating expenses, by checking the quantities and prices which incurred a specific expense, by the analysis of the same operating expenses of operators in previous years, as well as on the basis of a comparative analysis of expenses and operating efficiency of the LNG terminal operators in the region.

(6) The audited amount of the allowed OPEX for the second and subsequent years of the regulatory period is calculated according to the formula:

$$OPEX_{T+i-1} = OPEX_{T+i-2} \times \left(1 + CPI_{T+i-1} - X\right); \quad i = 2,3,4$$

wherein the following items are:

$OPEX_{T+i-1}$ -   audited amount of the allowed OPEX for the regulatory year T+i-1 (HRK),
$OPEX_{T+i-2}$ -   audited amount of the allowed OPEX for the regulatory year T+i-2 (HRK),
CPI_{T+i-1} -   realised consumer price index in the regulatory year T+i-1,
X -   efficiency coefficient in the regulatory period.

Depreciation audit

Article 18

The audited amount of depreciation for the year T-1 and the previous years of the regulatory period is equal to the realised depreciation of regulated assets, net of realised depreciation of non-repayable funds, and shall be determined according to Table 3 Regulated assets and Table 4 Depreciation of regulated assets in Appendix 1, which forms an integral part of the subject Methodology.

Audit of return on regulated assets

Article 19

(1) The audited amount of return on regulated assets for the year T-1 and the previous years of the regulatory period is calculated according to the formula:

$$PRO_{T+i-1} = RO_{pros,T+i-1} \times WACC; \quad i = 0,1,2,3,4$$

wherein the following items are:

PRO_{T+i-1} -   audited return on regulated assets in the regulatory year T+i-1 (HRK),

$RO_{pros,T+i-1}$ -   audited average amount of regulated assets in the regulatory year T+i-1 (HRK),

WACC   -   amount of WACC for the regulatory period (%).

(2) The audited average amount of regulated assets for the regulatory year T+i-1 is calculated according to the formula:

$$RO_{pros,T+i-1} = \frac{RO_{T+i-2} + RO_{T+i-1}}{2}; \quad i=0,1,2,3,4$$

wherein the following items are:

$RO_{pros,T+i-1}$ -   audited average amount of regulated assets in the regulatory year T+i-1 (HRK),

RO_{T+i-2} -   audited value of regulated assets at the end of the regulatory year T+i-2 (HRK),

RO_{T+i-1} -   audited value of regulated assets at the end of the regulatory year T+i-1 (HRK).

(3) The audited value of regulated assets at the end of the regulatory year t is equal to the actual level of regulated assets at the end of the regulatory year t considered reasonable by the Agency, and shall be determined on the basis of the operator balance sheet and Table 3 Regulated assets set out in Appendix 1, which forms an integral part of the subject Methodology, according to the formula:

$$RO_{T+i-1} = RO_{T+i-2} + I_{T+i-1} - A_{T+i-1} - S_{besp,T+i-1} - OR_{T+i-1}; \quad i=0,1,2,3,4$$

wherein the following items are:

RO_{T+i-1} -   audited value of regulated assets at the end of the regulatory year T+i-1 (HRK),

RO_{T+i-2} -   audited value of regulated assets at the end of the regulatory year T+i-2 (HRK),

I_{T+i-1} -   audited value of new investments in the construction and reconstruction of the LNG terminal that are put into use in the regulatory year T+i-1 (HRK),

A_{T+i-1} -   audited amount of depreciation in the regulatory year T+i-1, excluding the depreciation of non-repayable funds (HRK),

$S_{bespT+i-1}$ -   audited amount of non-repayable funds in the regulatory year T+i-1(HRK),

OR_{T+i-1} -   audited amount of alienated and disposed assets in the regulatory year T+i-1 (HRK).

Audit of allowed revenue

Article 20

The audited allowed revenue for the year T-1 and for the previous years of the regulatory period is determined in the year T+4, based on the audited OPEX amounts, depreciation and return on regulated assets according to the formula:

$$DP_{T+i-1} = OPEX_{T+i-1} + A_{T+i-1} + PRO_{T+i-1} + PV\delta_{T+i-1} - (P_{NU, T+i-1} + P_{OST, T+i-1}); \quad i=0,1,2,3,4$$

wherein the following items are:

DP_{T+i-1} -   audited allowed revenue for the regulatory year T+i-1 (HRK),
$OPEX_{T+i-1}$ -   audited OPEX amount for the regulatory year T+i-1 (HRK),
A_{T+i-1} -   audited depreciation amount for the regulatory year T+i-1 (HRK),
PRO_{T+i-1} -   audited return on regulated assets in the regulatory year T+i-1 (HRK),
$PV\delta_{T+i-1}$ -   part of the difference between the audited allowed revenues and realised revenues in the previous regulatory period stated in the regulatory year T+i-1 (HRK).
$P_{NU, T+i-1}$ -   realised revenue from non-standard services in the regulatory year T+i-1 (HRK),
$P_{OST, T+i-1}$ -   realised other operating revenue, in the regulatory year T+i-1 (HRK).

Determination of realised revenue

Article 21

In the year T+4, the total operator revenue generated from performing the energy activity of managing the LNG terminal in the year T-1 and the previous years of the regulatory period is determined, on the basis of invoices issued to the clients.

Determining the difference between the audited allowed revenue and realised revenue

Article 22

Determining the difference between the audited allowed revenues and realised revenues for the year T-1 and the previous years of the regulatory period is performed in the year T+4, according to the following procedure:

1. The net present value of the audited allowed revenues is determined for the year T-1 and the previous years of the regulatory period, reduced to the value from the beginning of the year T-1, according to the formula:

$$NPV_{DP} = \sum_{i=0}^{4} \frac{DP_{T+i-1}}{(1+WACC)^{i+1}}$$

wherein the following items are:

NPV_{DP} - net present value of the audited allowed revenues for the year T-1 and the previous years of the regulatory period (HRK),

$\text{DP}_{\text{T+i-1}}$ - audited allowed revenue for the regulatory year T+i-1 (HRK),

WACC - amount of WACC for the regulatory period (%).

2. The net present value of the realised revenues is determined for the year T-1 and the previous years of the regulatory period, reduced to the value from the beginning of the year T-1, according to the formula:

$$NPV_P = \sum_{i=0}^{4} \frac{P_{T+i-1}}{(1+WACC)^{i+1}}$$

wherein the following items are:

NPV_{P} - net present value of the realised revenues in the year T-1 and the previous years of the regulatory period (HRK),

$P_{\text{T+i-1}}$ - realised revenue in the regulatory year T+i-1 (HRK),

WACC - amount of WACC for the regulatory period (%).

3. The difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the year T-1 and the previous years of the regulatory period is determined, and it is divided into equal parts, according to the formula:

$$\Delta npv = \frac{NPV_{DP} - NPV_P}{N}$$

wherein the following items are:

Δ_{npv} - part of the difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the year T-1 and the previous years of the regulatory period (HRK),

NPV_{DP} - net present value of the audited allowed revenues for the year T-1 and the previous years of the regulatory period (HRK),

NPV_{P} - net present value of the realised revenues in the year T-1 and the previous years of the regulatory period (HRK),

N - number of years of the following regulatory period.

4. The difference between the realised revenues and the audited allowed revenues in the year T-1 and the previous years of the regulatory period, which is added into the calculation of the allowed revenue for the years of the following regulatory period, is calculated according to the following formula:

$$PV\delta_{T+i-1} = \Delta npv \times (1+WACC)^t \ ; \ i=1...N; \ t=i+6$$

wherein the following items are:

$PV\delta_{T+i-1}$ - part of the difference between the audited allowed revenues and the realised revenues in the year T-1 and the previous years of the regulatory period, which is added into the calculation of the allowed revenue for the regulatory year T+i-1 of the following regulatory period (HRK),

Δ_{npv} - part of the difference between the net present value of the audited allowed revenues and the net present value of the realised revenues in the year T-1 and the previous years of the regulatory period (HRK),

WACC - amount of WACC for the regulatory period (%),

N - number of years of the following regulatory period.

Extraordinary audit

Article 23

(1) An extraordinary audit of the allowed revenues for the current regulatory period may be performed during the regulatory period at the request of the operator or according to the estimate by the Agency.

(2) The extraordinary audit of allowed revenues is carried out due to unexpected changes in the market that have a significant impact on the conditions of providing energy activity of managing the LNG terminal, which the operator could not have foreseen nor prevented, eliminated or avoided.

(3) As part of the extraordinary audit, an audit may be performed of all the elements used in the calculation of the allowed revenue and in the calculation of the amount of tariff items for the unloading and send out of LNG for the current regulatory period.

IV. TARIFF ITEMS

Article 24

In the year T-1, the amount of tariff items for the unloading and send out of LNG, i.e. for the basic services of the LNG terminal, is determined for each year of the regulatory period.

Article 25

(1) The tariff items for the contracted capacity on the annual basis for the unloading and send out of LNG, i.e. for the basic services of the LNG terminal, are as follows:

T_{pri} -   tariff item for the berthing of LNG carrier in the regulatory year t (HRK/berthing),
T_{skl} -   tariff item for the temporary storage of LNG in the regulatory year t (HRK/m$^3_{LNG}$),
T_{otp} -   tariff item for the send out of natural gas into the transmission system in the regulatory year t (HRK/MWh/day).

(2) The tariff items are expressed in the Table of tariff items for the unloading and send out of LNG, as follows:

Tariff item	*Tariff item mark*	*Tariff item name*	*Measuring unit*
Tariff items for the basic services of the LNG terminal	T_{pri}	Tariff item for the berthing of LNG carrier	HRK/ berthing
	T_{skl}	Tariff item for the temporary storage of LNG	HRK/m$^3_{LNG}$
	T_{otp}	Tariff item for the send out of natural gas into the transmission system	HRK/MWh/day

(3) The amounts of tariff items referred to in paragraph 2 of this Article shall be rounded to two decimal places, and all the amounts in the procedure of their calculation shall be rounded to four decimal places.

V. CALCULATION OF TARIFF ITEMS

Tariff items for the basic services of the LNG terminal on an annual basis

Article 26.

(1) The amount of the tariff item for the service of berthing of LNG carrier, which has been contracted as a basic service of the LNG terminal on an annual basis, shall be calculated for the regulatory year t according to the formula:

$$T_{pri} = \frac{k_{pri} \times DP_{\alpha}^{P}}{N_{pri}}$$

wherein the following items are:

T_{pri} - tariff item for the berthing of LNG carrier in the regulatory year t (HRK/ berthing),

k_{pri} - coefficient of influence of the planned revenue from the service of berthing of LNG carrier contracted on an annual basis on the total projected operator revenue in the regulatory year t,

DP_{α}^{P} - smoothed allowed revenue in the regulatory year t (HRK),

N_{pri} - projected total number of berthings of LNG carriers, contracted on an annual basis as a basic service of the LNG terminal and as part of the standard service package of the LNG terminal, of all clients in the regulatory year t.

(2) The amount of tariff items for the service of temporary storage of LNG, which is contracted as a basic service of the LNG terminal on an annual basis, is calculated for the regulatory year t according to the formula:

$$T_{skl} = \frac{k_{skl} \times DP_{\alpha}^{P}}{KAP_{skl}}$$

wherein the following items are:

T_{skl} - tariff item for the temporary storage of LNG in the regulatory year t (HRK/m^3_{LNG}),

k_{skl} - coefficient of influence of the planned revenue from the service of temporary storage of LNG contracted on an annual basis on the total projected operator revenue in the regulatory year t,

DP_{α}^{P} - smoothed allowed revenue in the regulatory year t (HRK),

KAP_{skl} - projected total capacity of the temporary storage of LNG, contracted on an annual basis as a basic service of the LNG terminal and as part of the standard service package of the LNG terminal, of all clients in the regulatory year t (m^3_{LNG}).

(3) The amount of tariff items for the service of send out of natural gas into the transmission system, which has been contracted as a basic service of the LNG terminal on an annual basis, is calculated for the regulatory year t according to the formula:

$$T_{otp} = \frac{k_{otp} \times DP_{\alpha}^{P}}{KAP_{otp}}$$

wherein the following items are:

T_{otp} — tariff item for the send out of natural gas into the transmission system in the regulatory year t (HRK/MWh/day),

K_{otp} — coefficient of influence of the planned revenue from the service of send out of natural gas into the transmission system contracted on an annual basis on the total projected operator revenue in the regulatory year t,

DP_α^P — smoothed allowed revenue in the regulatory year t (HRK),

KAP_{otp} — projected total capacity of the send out of natural gas into the transmission system, contracted on an annual basis as a basic service of the LNG terminal and as part of the standard service package of the LNG terminal, of all clients in the regulatory year t (MWh/day).

VI. FEE FOR THE USE OF THE LNG TERMINAL

Fee for the contracted standard service package of the LNG terminal on an annual basis

Article 27

(1) The standard service package of the LNG terminal (hereinafter: SSP) includes the right to one berthing of LNG carrier a month, temporary storage of LNG in the amount of 150.000 m3$_{LNG}$ a month and the right to send out natural gas into the transmission system in the capacity of 30.000 MWh/day, during the regulatory year t.

(2) The unit cost of the fee for the contracted SSP is calculated for the regulatory year t according to the formula:

$$N_{SSP} = \left(T_{pri} + T_{skl} \times 150,000\, m^3{}_{LNG} + T_{otp} \times 30,000\, MWh/day\right) \times k_{SSP}$$

wherein the following items are:

N_{SSP} — unit fee for the SSP in the regulatory year t (HRK/SSP),

T_{pri} — tariff item for the berthing of LNG carrier in the regulatory year t (HRK/berthing),

T_{skl} — tariff item for the temporary storage of LNG in the regulatory year t (HRK/m$^3{}_{LNG}$),

T_{otp} — tariff item for the send out of natural gas into the transmission system in the regulatory year t (HRK/MWh/day),

k_{SSP} — coefficient for the contracted SSP.

(3) The coefficient for the contracted SSP applied for the calculation of the fee for the SSP in the regulatory year t depends on the period for which the SSP has been contracted, and refers to the entire contract period.

(4) The coefficients for the contracted SSP (k_{SSP}) are presented in the following table:

Contract period	*Coefficient for the SSP (k_{SSP})*
short-term (1-5 years)	0.98
medium-term (6-15 years)	0.96
long-term (≥ 16 years)	0.94

Fee for the contracted basic services of the LNG terminal on the monthly and daily basis

Article 28

(1) The unit amount of the fee for the contracted service of berthing of LNG carrier on a monthly basis is calculated by multiplying the tariff item for the service of berthing of LNG carrier referred to in Article 26, paragraph 1 of the subject Methodology and the coefficient for the contracted basic service on a monthly basis in the amount of 1.2.

(2) The unit amount of the fee for the contracted service of temporary storage of LNG or send out of natural gas into the transmission system on a monthly basis is calculated by multiplying one twelfth of the amount of the corresponding tariff item referred to in Article 26, paragraphs 2 and 3 of the subject Methodology and the coefficient for the contracted basic service on a monthly basis in the amount of 1.2.

Article 29

The unit amount of the fee for the contracted service of temporary storage of LNG or send out of natural gas into the transmission system on a daily basis is calculated by multiplying one thirtieth of the amount of the corresponding unit fee referred to in Article 28, paragraph 2 of the subject Methodology and the coefficient for the contracted basic service on a daily basis in the amount of 1.6.

Fee for the contracted interruptible service of send out of natural gas into the transmission system on an annual and monthly basis

Article 30

(1) The unit amount of the fee for the contracted interruptible service of send out of natural gas into the transmission system on an annual basis is calculated by multiplying one twelfth of the amount of the tariff item for the send out of natural gas into the transmission system referred to in Article 26, paragraph 3 of the subject Methodology and the coefficient for the contracted interruptible service of send out of natural gas into the transmission system.

(2) The unit amount of the fee for the contracted interruptible service of send out of natural gas into the transmission system on a monthly basis is calculated by multiplying the unit amount of the fee for the contracted service of send out of natural gas into the transmission system on a monthly basis referred to in Article 28, paragraph 2 of the subject Methodology and the coefficient for the contracted interruptible service of send out of natural gas into the transmission system.

(3) The coefficient for the contracted interruptible service referred to in paragraph 1 and/or 2 of this Article, which is applied for the calculation of the fee for the contracted interruptible service of send out of natural gas into the transmission system on an annual and/or monthly basis, depends on the actual duration of the interruption of the contracted interruptible service in a month.

(4) The coefficients for the contracted interruptible service of send out of natural gas into the transmission system (k_{prek}) are indicated in the following table:

Interruption duration (days in a month)	Coefficient for interruptible service (k_{prek})
≤ 3	0.80
4 - 10	0.40
11 - 25	0.10
≥ 26	0

Calculation of the fee for the use of the LNG terminal

Article 31

(1) The operator shall charge a fee for the use of the LNG terminal for each individual client for each month and issue an invoice for the aforementioned.

(2) The calculation of the fee for use of the LNG terminal for each client shall be prepared by the operator based on the services of the LNG terminal contracted by the client, the amount of tariff items for the unloading and send out of LNG, coefficients for the contracted SSP, the coefficient for the contracted basic service on a monthly basis, coefficient for the contracted basic service on a daily basis and coefficients for the contracted interruptible service of send out of natural gas into the transmission system.

(3) The operator shall submit the calculation and invoice referred to in paragraph 1 of this Article to the client no later than the 15th day of the current month for the previous month.

(4) The calculation referred to in paragraph 1 of this Article shall also include the corrections of the fee for the use of the LNG terminal, where they shall be clearly determined and indicated in the calculation referred to in paragraph 1 of this Article.

(5)   The corrections referred to in paragraph 4 of this Article shall be made no later than three months from the issued calculation and invoice referred to in paragraph 1 of this Article.

(6) For the calculation referred to in paragraph 1 of this Article, for clients who transferred the contract on the use of the LNG terminal to a new client during a month, the fee for the use of the LNG terminal shall be divided to all clients proportionally to the number of gas days during which each of them used the contracted services in the subject month.

(7) In the event that the operator fails to ensure regular operation of the LNG terminal through their own fault and fails to provide the client with the contracted services of the LNG terminal on the annual and/or monthly basis, and the interruption of providing the service lasts at least 24 consecutive hours, for the calculation and invoice referred to in paragraph 1 of this Article, the contracted capacity of the LNG terminal on the annual and/or monthly basis shall be used, and proportionally reduced by the number of gas days of interruption in the total number of gas days in the subject month.

(8) In the event that the operator fails to ensure regular operation of the LNG terminal through their own fault and fails to provide the client with the contracted services of the LNG terminal on the daily basis, and the interruption of providing the service lasts at least one hour, for the calculation and invoice referred to in paragraph 1 of this Article, the contracted capacity of the LNG terminal on the daily basis shall be used, proportionally reduced by the number of hours of interruption in the subject gas day.

VII. REGULATORY ACCOUNT

Article 32

(1) The regulatory account is a model of regulating the energy activity of managing the LNG terminal allowing a reimbursement of revenue to the operator in the later years of the regulatory account, which was realised in the previous years of the regulatory account in the amount less than the allowed revenue, which would have resulted from the application of the subject Methodology.

(2) The regulatory account is approved in such a manner that the operator achieves cumulatively the same allowed revenues as without the use of the regulatory account, but at a different time dynamics.

Characteristics of the regulatory account

Article 33

The regulatory account is based on the incentive regulation method, i.e. the method of maximum allowed price.

Article 34

The period for which a regulatory account is established may not be shorter than two regulatory periods.

Establishment of a regulatory account

Article 35

(1) The regulatory account is approved by the Agency with a decision on the establishment of a regulatory account for managing the LNG terminal, and upon the request by the operator or independently.

(2) The prerequisites for the establishment of a regulatory account are as follows:
- the operator plans investments in the amount that shall significantly increase the book value of the regulated assets in the following regulatory period,
- the expected use of the capacity of the LNG terminal in the following regulatory period is significantly less than the expected use of the capacity of the LNG terminal in the subsequent years of the regulatory account,
- the amounts of tariff items without the use of a regulatory account in the years of the following regulatory period shall result in a cost of services of the operator that is uncompetitive in relation to the cost of the services of other LNG operators in the vicinity of the Republic of Croatia.

(3) In addition to the criteria set out in paragraph 2 of this Article, the Agency may use other criteria for determining the eligibility of an operator to establish a regulatory account.

Calculation of the tariff items in the regulatory account model

Article 36

(1) The projection of the regulatory account is carried out in the year preceding the first year of the regulatory account according to the following procedure:

1. The projected allowed revenue for all the years of the regulatory account are determined by applying the provisions of Articles 9 to 14 of this Methodology (hereinafter: unaudited revenues).

2. By way of derogation from item 1 of this paragraph, additional criteria other than those provided for in Articles 9 to 14 of this Methodology may be used for the calculation of unaudited revenue for all the years of the regulatory account if considered justified by the Agency.

3. The net present value of unaudited revenue for the period of the regulatory account, reduced to a value from the beginning of the first year of the regulatory account, is calculated according to the formula:

$$NPV_{NRP} = \sum_{i=1}^{n} \frac{DP_{nrev,T+i-1}}{(1+WACC^P)^i}$$

wherein the following items are:

NPV_{NRP}	-	net present value of unaudited revenue (HRK),
$DP_{nrev,T+i-1}$	-	unaudited revenue for the year of the regulatory account T+i-1 (HRK),
$WACC^P$	-	projected amount of WACC for the period of the regulatory account,
n	-	number of years of the regulatory account.

4. The average tariff for the first year of the regulatory account is determined (hereinafter: initial tariff), as the highest possible average tariff, which shall result in competitive service prices of operator in relation to the service prices of LNG terminal operators in the vicinity of the Republic of Croatia.

5. The maximum allowed average tariff (hereinafter: maximum tariff) is calculated for all the years of the regulatory account, in such a manner that the initial tariff is increased by the projected consumer price index, which is harmonised with the latest available planning document of the Ministry of Finance or the Croatian government, while for the long-term period for which the consumer price index is not available, the amount shall be projected in the amount equal to the latest available year from the relevant planning documents, through all the years of the regulatory account.

6. The audited average tariff (hereinafter: audited tariff) for all the years of the regulatory account is calculated in such a manner that the initial tariff is increased by the smoothing coefficient, as indicated by the following formulas:

$$T_{rev,T+i-1} = T_{rev,T+i-2} \times (1+\alpha); \ i=2...n$$

$$T_{rev,T} = T_{IN}$$

wherein the following items are:

$T_{rev,T+i-1}$	-	audited tariff for the year of the regulatory account T+i-1 (HRK/MWh),
α	-	smoothing coefficient,
$T_{rev,T}$	-	audited tariff for the first year of the regulatory account (HRK/MWh)

T_{IN} -   initial tariff (HRK/MWh).

7. The smoothing coefficient referred to in item 6 of this paragraph shall be determined by an iterative procedure, in such a manner as to satisfy the following conditions:
   - audited tariff for each year of the regulatory account is less than or equal to the maximum tariff,
   - the net present value of the revenue resulting from multiplying the audited tariff and the total annual amount of gas that shall be sent out into the gas transmission system from the LNG terminal (hereinafter: audited revenue) for all the years of the regulatory account is equal to the net present value of the unaudited revenue, as indicated by the following formulas:

$$NPV_{RP} = NPV_{NRP}$$

$$NPV_{RP} = \sum_{i=1}^{n} \frac{Q_{uk,T+i-1} \times T_{rev,T+i-1}}{(1 + WACC^P)^i}$$

wherein the following items are:

NPV_{RP} -   net present value of the audited revenue (HRK),

NPV_{NRP} -   net present value of unaudited revenue (HRK),

$Q_{uk,T+i-1}$ -   total amount of gas that shall be sent out into the gas transmission system from the LNG terminal in the year of the regulatory account T+i-1 (MWh),

$T_{rev,\,T+i-1}$ -   audited tariff for the year of the regulatory account T+i-1 (HRK/MWh),

$WACC^P$ -   projected amount of WACC for the period of the regulatory account,

n -   number of years of the regulatory account.

8. In the event that the audited tariff referred to in items 6 and 7 of this paragraph, with the prerequisite of equal net present values of the audited revenue and unaudited revenue, is higher than the maximum tariff referred to in item 6 of this paragraph, the maximum tariff shall be determined as the audited tariff, where the net present value of the audited revenue is lower than the net present value of the unaudited revenue.

(2) All monetary amounts used in the calculation procedure referred to in paragraph 1 of this Article shall be expressed in current prices.

(3) The amounts of tariff items for the years of the regulatory period during the period of the regulatory account shall be determined in the year T-1 of each regulatory period, based on the amount of the audited tariff and audited revenue referred to in item 7 or 8, paragraph 1 of this Article, and in accordance with the provisions of Article 26 of this Methodology.

Article 37

(1) By way of derogation from Article 11, paragraph 1 of this Methodology, the calculation of the projected depreciation of regulated assets for the calculation of the projected allowed revenue for the years of the regulatory account referred to in Article 36, paragraph 1, item 1 of this Methodology may be performed by a linear method or a progressive method, in accordance with the principles of accounting standards.

(2) When calculating the depreciation of regulated assets using a progressive method referred to in paragraph 1 of this Article, the annual rate of depreciation for each regulated asset is calculated according to the formula:

$$a_i^P = \frac{i}{(n \times (n+1))/2}$$

wherein the following items are:

a^P_i -   rate of depreciation of a regulated asset in a particular year of the useful life of the regulated asset by applying the progressive method (HRK),

i   -   ordinal number of the year of using the regulated asset,

n   -   expected useful life of the regulated asset.

Audit of the regulatory account

Article 38

(1) The audit of the regulatory account is performed in the regulatory year T+4 of each regulatory period during the period of the regulatory account.

(2) The audit of the regulatory account referred to in paragraph 1 of this Article shall be performed in such a manner as to perform a re-projection of the regulatory account according to the procedure stipulated in Article 36 of this Methodology, with an adjustment of the calculation as follows:

- for the past years of the regulatory account, as input parameters for the calculations referred to in Article 36, paragraph 1, items 1, 2 and 3 of this Methodology, instead of the unaudited revenue the realised revenue is used,

- for the remaining years of the regulatory account, as input parameters for the calculations referred to in Article 36, paragraph 1, items 1, 2 and 3 of this Methodology, the unaudited revenue used in the previous projection of the regulatory account is used, or in exceptional cases, the changed amounts of unaudited revenue, if the Agency considers them justified, where the changes shall be thoroughly explained by the operator,

- for calculating the maximum tariff referred to in Article 36, paragraph 1, item 5 of this Methodology, as an input parameter for the past years of the regulatory account, instead of the projected consumer price index, the actual consumer price index for each previous year is used according to the data from the Croatian Bureau of Statistics, while for the remaining years of the regulatory account, the consumer price index harmonised with the latest available document of the Ministry of Finance and the Croatian Government is used,

- for calculating the revised tariff referred to in Article 36, paragraph 1, item 6 of this Methodology, as the initial tariff increased by the smoothing coefficient, the average tariff realised in the previous year is used, while the smoothing coefficient is determined by an iterative procedure while fulfilling the conditions set out in Article 36, paragraph 1, item 7 of this Methodology.

(3) In the event of failing to fulfil the assumptions and assessments of the business on which the previous projection of the regulatory account was based and if the aforementioned results in the inability to fulfil the conditions of the equal net present values of the audited revenue and unaudited revenue for the entire period of the regulatory account, with the mandatory fulfilment of the condition

that the audited tariff in all years of the regulatory account is less than or equal to the maximum tariff, the operator may submit a request to close the regulatory account.

(4) In the case referred to in paragraph 3 of this Article, the decision on the request to close the regulatory account shall be adopted by the Agency.

VIII. SUBMITING REQUESTS FOR DETERMINING, I.E. CHANGING THE AMOUNTS OF TARIFF ITEMS AND DATA AND DOCUMENTATION REPORTING

Article 39

The operator shall submit to the Agency the request for determining, i.e. changing the amounts of tariff items for the unloading and send out of LNG no later than 1 June of the year T-1 and the report the following data and documentation:
- clear and detailed calculation of the projected allowed revenue and smoothed allowed revenue for all the years of the regulatory period,
- completed Table 1 Total operating expenses for the year T-2, Table 2 OPEX for the years of the regulatory period, Table 3 Regulated assets, Table 4 Depreciation of regulated assets, Table 5 Elements for determining the WACC and Table 6 Allowed revenue from Appendix 1 of this Methodology,
- clear and detailed calculation of the amount of tariff items for the unloading and send out of LNG for all the years of the regulatory period, including the proposed amount of coefficients of influence of the projected revenue from the services of berthing of LNG carrier contracted on the annual basis, the service of temporary storage of LNG contracted on the annual basis and services of send out of natural gas into the transmission system contracted on the annual basis, on the total projected operator revenue in the regulatory year t,
- completed Table 1 Tariff items for the unloading and send out of LNG, Table 2 Projected number of contracted standard service packages of the LNG terminal, Table 3 Projected contracted basic services of the LNG terminal on an annual basis and Table 4 Projected contracted basic services of the LNG terminal on a monthly basis in Appendix 2 of this Methodology,
- financial statement for the year T-2, certified by an authorised auditor,
- business plan covering all the years of the regulatory period, which includes the financial statements, investment plan and loan repayment plan,
- the development plan of the LNG terminal with the physical and financial indicators covering all the years of the regulatory period, which includes:
  - ➢ plan of investments into the construction and reconstruction of the LNG terminal, including a plan of commissioning the facilities of the LNG terminal,
  - ➢ a feasibility study of the planned investments,
  - ➢ sources of financing the planned investments and
  - ➢ ten-year projection of the LNG terminal development,
- additional data and documentation requested by the Agency.

Article 40

(1) The request for establishing a regulatory account shall be submitted by the operator as part of the request for determining, i.e. changing the amount of tariff items for the unloading and send out of LNG referred to in Article 39 of this Methodology, in the year preceding the first year of the regulatory account.

(2) Together with the application referred to in paragraph 1 of this Article, the operator shall provide the following:
- data and documentation referred to in Article 39 of this Methodology,

- clear and detailed calculation of the audited tariff and audited revenue for all the years of the regulatory account, by applying the provisions of Article 36 and 37 of this Methodology,
- clear and detailed calculation of the amount of tariff items for all years of the regulatory period, in accordance with Article 36, paragraph 3 of this Methodology,
- data on the projected contracted services of the LNG terminal, i.e. the plan for using the services of the LNG terminal, for all the years of the regulatory account,
- projections of financial statements for the energy activity of managing the LNG terminal for all the years of the regulatory account,
- the development plan of the LNG terminal with the physical and financial indicators, which includes all the data referred to in Article 39, subparagraph 7 of this Methodology for all the years of the regulatory account,
- additional data and documentation requested by the Agency.

Article 41

Every year during the regulatory period, no later than 1 June, the operator shall submit to the Agency the following data and documentation:

- completed Table 1 Total operating expenses, Table 3 Regulated assets Table 4 Depreciation of regulated assets and Table 6 Allowed revenue from Appendix 1 of this Methodology, with the realised data for the previous year,
- the realisation of the plan of investments in the construction and reconstruction of the LNG terminal,
- completed Table 2 Projected number of contracted standard service packages of the LNG terminal, Table 3 Estimated contracted basic services of the LNG terminal on an annual basis and Table 4 Projected contracted basic services of the LNG terminal on a monthly basis in Appendix 2 of this Methodology, with the realised data for the previous year,
- clear summary table of the calculated fees for the use of the LNG terminal for all clients, broken down by clients and types of services provided, for each month of the previous year,
- financial statement for the previous year, certified by an authorised auditor and
- additional data and documentation requested by the Agency.

Article 42

In order to perform regular audits of allowed revenues for the year T-1 and the previous years of the regulatory period, the operator shall, no later than 1 September in the regulatory year T+4, submit to the Agency the following information and documentation, together with a request for determining, i.e. changing the amount of tariff items for the unloading and send out of LNG for the following regulatory period referred to in Article 39 of this Methodology:

- data and documentation referred to in Article 39 and 41 of this Methodology, with the realised data for the year T-1 and the previous years of the regulatory period,
- the calculation regarding the determination of the difference between the audited allowed revenue and realised revenue referred to in Article 22 of this Methodology for the year T-1 and the previous years of the regulatory period.

Article 43

All the data and documentation referred to in Articles 39 to 42, submitted by the operator to the Agency, shall be signed by the authorised person and stamped.

Article 44

(1) The Agency shall submit the decision on the amount of tariff items for the unloading and send out of LNG to the operator, and publish for all the years of the regulatory period no later than 15 December of the year T-1.

(2) The Agency shall submit the decision on the establishment of a regulatory account for managing the LNG terminal to the operator and publish the amounts of the audited tariffs for all the years of the regulatory account, no later than 15 December of the year preceding the first year of the regulatory account.

(3) The operator shall publish on the website the amounts of tariff items for the unloading and send out of LNG for the regulatory period and the unit amount of the fee for the contracted SSP for the short-term, medium-term and long-term contract period, and in case of adopting the decision on the establishment of a regulatory account for managing the LNG terminal, also the amounts of the audited tariff for all the years of the regulatory account.

Article 45

The application of the subject Methodology is monitored by the Agency.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 46

(1) By way of derogation from Article 5 of this Methodology, the first regulatory period begins on the day of entry into force of the decision on the amount of tariff items for the unloading and send out of LNG under the provisions of this Methodology, and ends on 31 December 2021.

(2) By way of derogation from Article 8 of this Methodology, the projected allowed revenue for the years in the first regulatory period can be determined by the Agency in the years preceding the year T-1 of the first regulatory period.

(3) In the first regulatory period, the efficiency coefficient (X) stands at zero (0).

Article 47

(1) By way of derogation from Article 10, paragraph 5 and 9 of this Methodology, the projected amount of OPEX for the first regulatory period is determined based on estimated amounts explained in detail, which the Agency considers justified, and according to Table 1. Total operating expenses in Appendix 1, which is an integral part of this Methodology.

(2) By way of derogation from Article 13, paragraph 3 of this Methodology, the projected value of regulated assets at the end of the regulatory year T-2 can be determined based on estimated amounts explained in detail, which the Agency considers justified, and according to Table 3. Regulated assets and Table 4 Regulated assets depreciation in Appendix 1, which is an integral part of this Methodology.

Article 48

By way of derogation from Article 22 of this Methodology, for determining the difference between the audited allowed revenue and realised revenue for the years in the first regulatory period, the period beginning with the entry into force of the decision on the amount of tariff items for the unloading and send out of LNG under the provisions of this Methodology, and ends on 31 December 2021 is taken into consideration.

Article 49

By way of derogation from Article 39 of this Methodology, the request for determining the amount of tariff items for the unloading and send out of LNG for the first regulatory period may be submitted by the operator in the years prior to the year T-1.

Article 50

(1) The Agency may establish an indicative average tariff before submitting the request for determining the amount of tariff items for the unloading and send out of LNG by the operator referred to in Article 39 and 49 of this Methodology, and deliver the subject amount to the operator and publish it on their website.

(2) For purposes of calculating the indicative average tariff referred to in paragraph 1 of this Article, the operator shall, at the request of the Agency, provide all necessary information and documentation.

Article 51

This Methodology shall enter into force on the eighth day of its publication in the Official Gazette.

The President of the Steering Council:

Tomislav Jureković, BSc. ing.

Class:

Reg.No.:

Zagreb, _____ __, 2016

APPENDIX 1

Table 1 Total operating expenses

No.	Items	Amount: (HRK)
1	**MATERIAL EXPENSES**	
1.1	Raw material and material expenses - for the production of goods and services (specify)	
1.2	Material expenses relating to administration, management and sales (specify)	
1.3	Research and development expenses	
1.4	Small inventory, packaging and car tires expenses	
1.5	Consumed spare parts and materials for maintenance (specify)	
1.6	Consumed energy (1.6.1.+ 1.6.2.+ 1.6.3.+ 1.6.4.)	
1.6.1	*Electricity*	
1.6.2	*Gas, steam, briquettes and wood*	
1.6.3	*Fuel expenses*	
1.6.4	*Other energy expenses (specify)*	
1.7	Other material expenses (specify)	
	TOTAL 1	
2	**OTHER EXTERNAL EXPENSES – SERVICE EXPENSES**	
2.1	Telephone, transportation and similar expenses	
2.2	Expenses arising from external services in the preparation of goods and performance of services	
2.3	Maintenance and security services - maintenance services (2.3.1+ 2.3.2+ 2.3.3+ 2.3.4+ 2.3.5+ 2.3.6+ 2.3.7)	
2.3.1	*Purchased services relating to routine maintenance (without own materials and parts)*	
2.3.2	*Purchased services relating to investment maintenance (without own materials and parts)*	
2.3.3	*Cleaning and washing services*	
2.3.4	*Services relating to software and website maintenance*	
2.3.5	*Services relating to occupational health and safety and environmental maintenance*	
2.3.6	*Security guard services of guarding the property and persons*	
2.3.7	*Other maintenance services and personal services (specify)*	
2.4	Services relating to registration of means of transport and licenses expenses	
2.5	Leasing services (2.5.1+ 2.5.2+ 2.5.3+ 2.5.4)	
2.5.1	*Lease - rental of real property*	
2.5.2	*Equipment leasing*	
2.5.3	*Services relating to operating equipment leasing*	
2.5.4	*Other leasing services expenses (specify)*	
2.6	Advertising and sponsorship services and fair expenses (specify)	
2.7	Intellectual and personal services (2.7.1+ 2.7.2+ 2.7.3+ 2.7.4+ 2.7.5+ 2.7.6+ 2.7.7)	
2.7.1	*Other income expenses (temporary service contracts, collectors, consultants)*	
2.7.2	*Specialist education services, scientific research services, information services etc.*	
2.7.3	*Consulting and advisory services*	
2.7.4	*Bookkeeping services*	

2.7.5	*Services relating to auditing and company value assessment*	
2.7.6	*Attorney and notary services and services relating to drafting of legal documents*	
2.7.7	*Other services (specify)*	
2.8	Utilities and similar services expenses	
2.9	Entertainment expenses	
2.10	Expenses relating to other external services (specify)	
	TOTAL 2	
3	**PERSONNEL EXPENSES - SALARIES**	
3.1	Net salaries and compensations	
3.2	Tax and surtax expenses	
3.3	Expenses relating to contributions from salaries	
3.4	Contributions to salaries	
	Number of employees in the energy activity (as at 31 December)	
	TOTAL 3	
4	**OTHER OPERATING EXPENSES**	
4.1	Daily allowance for business trips and travel expenses	
4.2	Expense reimbursement, gifts and grants (4.2.1+ 4.2.2+ 4.2.3+ 4.2.4+ 4.2.5+ 4.2.6+ 4.2.7+ 4.2.8)	
4.2.1	*Commuting expenses*	
4.2.2	*Local travel expenses (compensation for the use of private car for business purposes)*	
4.2.3	*Scholarships, elementary and high school student awards*	
4.2.4	*Severance pays*	
4.2.5	*Gifts for children and similar aids (if not income)*	
4.2.6	*Occasional awards (Christmas and Easter bonuses, gifts in kind, recourse, jubilee awards and similar)*	
4.2.7	*Aid due to illness, disability, death, natural disasters and similar*	
4.2.8	*Other employee expenses (specify)*	
4.3	Expenses relating to members of the Management Board (specify)	
4.4	Insurance premiums (4.4.1+ 4.4.2+ 4.4.3+ 4.4.4)	
4.4.1	*Insurance expenses of fixed tangible and intangible assets*	
4.4.2	*Insurance premiums for individuals (hazardous jobs, transferring cash, passengers and similar)*	
4.4.3	*Insurance premiums for means of transport (including all-risk insurance)*	
4.4.4	*Premiums for other forms of insurance (specify)*	
4.5	Banking services and payment system expenses	
4.6	Membership fees, compensations and similar expenses	
4.7	Taxes not depending on profit and fees (specify)	
4.8	Expenses relating to the right to use (except for leases) (4.8.1+ 4.8.2)	
4.8.1	*Concession expenses*	
4.8.2	*Other expenses relating to the right to use (specify)*	
4.9	Other operating expenses - intangible (specify)	
	TOTAL 4	
5	**VALUE ADJUSTMENT**	
5.1	Value adjustment of fixed intangible assets	

5.2	Value adjustment of fixed tangible assets (specify)	
5.3	Value adjustment of long-term receivables	
5.4	Value adjustment of bank deposits, bills of exchange, cheques and similar	
5.5	Value adjustment of short-term receivables (specify)	
5.6	Inventory value adjustment	
5.7	Value adjustment of given advances	
	TOTAL 5	
6	**PROVISIONS**	
6.1	Expenses of long-term provisions for risks in the warranty (guarantee) period	
6.2	Expenses of long-term provisions for losses arising from initiated disputes	
6.3	Expenses of long-term provisions for severance pays	
6.4	Expenses of long-term provisions for company restructuring	
6.5	Expenses of long-term provisions for pensions and similar expenses-liabilities	
6.6	Expenses of provisions arising from harmful contracts	
6.7	Other long-term provisions and risk expenses (specify)	
	TOTAL 6	
7	**OTHER OPERATING EXPENDITURES**	
7.1	Expenses of subsequent discounts, lowering prices, complaints and sample expenses	
7.2	Write-offs of receivables not adjusted in terms of value	
7.3	Expenditures-write-offs of intangible and tangible assets (specify)	
7.4.	Fines, penalties, indemnities and expenses arising from contracts	
7.5	Other operating expenditures (specify)	
	TOTAL 7	
	TOTAL (1 + 2 + 3 + 4 + 5 + 6 + 7)	

Table 2 OPEX for the years of the regulatory period

Year of the regulatory period	T-2	T-1	T	T+1	T+2	T+3	T+4
OPEX (HRK)							
Consumer Price Index - CPI (%)	-						
Efficiency coefficient – **X** (%)	-						

Table 3 Regulated assets

Year of the regulatory period	T-2	T-1	T	T+1	T+2	T+3	T+4
Average amount of regulated assets - RO$_{pros}$ (HRK)	-	-					
Regulated assets at the end of the regulatory year - RO (HRK)							
Tangible assets							
Land							
Construction facilities							
Plants and equipment							
Tools							
Other							
Intangible assets							
New investments in construction and reconstruction of the LNG terminals that are put into use in the regulatory year – I (HRK)							
Tangible assets							
Land							
Construction facilities							
Plants and equipment							
Tools							
Other							
Intangible assets							
Depreciation - A (HRK)							
Non-repayable funds – S$_{besp}$ (HRK)							
Alienated and disposed assets - OR (HRK)							

Table 4 Regulated assets depreciation *

No.	Regulated assets structure	Purchase value (HRK)	Annual depreciation rate (%)	Amount of annual depreciation (HRK)	Net book value as at 31 December of the regulatory year (HRK)
	Regulatory year _____				
1	**Tangible assets**				
1.1	*Construction facilities*				
1.2	*Plants and equipment*				
1.3	*Tools*				
1.4	*Other*				
2	**Intangible assets**				
	TOTAL (1 + 2)		-		

* A separate table shall be completed for each year of the regulatory period

NOTE: If depreciation is calculated at multiple rates for different bases, i.e. regulated assets type, in one of the groups of regulated assets, the bases shall be specified for each rate separately.

Table 5 Elements for determining the WACC

No.	WACC elements	Amount
1	Rate of return on equity - r_e (%) (1.1.+ 1.2.x 1.3.)	
1.1	*Risk-free rate of return - r_f (%)*	
1.2	*Variability coefficient of operator shares in relation to the average variability of return on market portfolio – β*	
1.3	*Market risk premium - r_m - r_f (%)*	
1.4	*Rate of return on the diversified market portfolio - r_m (%)*	
2	Share of equity in total capital (%) – E/(E+D) (%)	50
3	Rate of return on debt – r_d (%)	
4	Share of debt in total capital (%) – D/(E+D) (%)	50
5	Rate of return on profit - P (%)	
	Amount of WACC for the regulatory period – WACC (%) (1/(1-5) x 2 + 3x 4)	

Table 6 Allowed revenue

No.	*Year of the regulatory period*	*T*	*T+1*	*T+2*	*T+3*	*T+4*
1	Operating expenses – **OPEX** (HRK)					
2	Regulated assets depreciation - **A** (HRK)					
3	Return on regulated assets - **PRO** (HRK)					
4	Part of the difference between the audited allowed revenue and actual revenue in year T-1 and in previous years – **PVδ** (HRK)					
5a	Revenue from non-standard services – P_{NU} (HRK)					
5b	Other operating revenue - P_{OST} (HRK)					
	Allowed revenue – DP (HRK) (1+ 2+ 3+ 4 - (5a+ 5b))					
	Smoothed allowed revenue - DPα (HRK)					

APPENDIX 2

Table 1 Tariff items for the unloading and send out of LNG

Tariff item	Tariff item mark	Tariff item name	Tariff items for the years of the regulatory period (without VAT)					Measuring unit
			T	*T+1*	*T+2*	*T+3*	*T+4*	
Tariff items for the basic services of LNG terminal	T_{pri}	Tariff item for the berthing of LNG carrier tankers						HRK/berthing
	T_{skl}	Tariff item for temporary storage of LNG						HRK/m^3_{LNG}
	T_{otp}	Tariff item for the send out of natural gas into the transmission system						HRK/MWh/day

Table 2 Projected number of contracted standard service packages of LNG terminal

Service	Contract period	*T*	*T+1*	*T+2*	*T+3*	*T+4*
Standard service package of LNG terminal (SSP)	short-term (1 - 5 years)					
	medium-term (6 - 15 years)					
	long-term (≥ 16 years)					

Table 3 Projected contracted basic services of LNG terminal on an annual basis

Service	Measuring unit	*T*	*T+1*	*T+2*	*T+3*	*T+4*
Berthing of LNG carrier	number of berthings					
Temporary storage of LNG	m^3_{LNG}					
Send out of natural gas into the transmission system	MWh/day					

Table 4 Projected contracted basic services of LNG terminal on the monthly basis *

Service	Measuring unit	The sum of projected contracted basic services of the LNG terminal on the monthly basis *											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Berthing of LNG carrier	number of berthings												
Temporary storage of LNG	m^3_{LNG}												
Send out of natural gas into the transmission system	MWh/day												

* A separate table shall be filled out for each year of the regulatory period