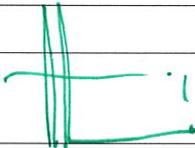


**Form for submission of comments on the Draft Methodology for the Determination of the  
Tariff Items for the Unloading and Send Out of Liquefied Natural Gas**

<b>PARTICIPATION IN CONSULTATIONS WITH THE PUBLIC CONCERNED</b>	
Title of draft regulations or act	<i>Draft Methodology for the Determination of the Tariff Items for the Unloading and Send Out of Liquefied Natural Gas</i>
Name of the company responsible for drafting proposals	<i>Croatian Energy Regulatory Agency (HERA)</i>
Full name of representatives of interested parties (in case of natural persons use full name for title)	LNG Croatia
Address of representatives of interested parties	Savska cesta 88a
Full name of the person (or persons) who formulated comments or persons authorized to represent the representatives of interested parties	Mladen Antunović
Interest or category and number of representatives of interested parties	LNG Terminal operator
The approval to publish submitted comments and suggestions with the full name of the representatives of the interested parties or anonymous (please mark + in front of the selected option)	<input checked="" type="checkbox"/> <i>Public</i>
	<input type="checkbox"/> <i>Anonymous</i>
Date of submission:	5.7.2016.

**LNG HRVATSKA**  
d.o.o. za poslovanje ukapljenim  
prirodnim plinom  
ZAGREB, Savska cesta 88A

  
\_\_\_\_\_  
(Signature of authorized person)

**Remarks:**

1. Further in this form shall be entered general comments on draft regulations or act and the comments and proposals for individual articles. Tables can be free to expand.
2. If the submitted remarks are send by mail or fax (01 / 6115-344), the form has to be signed.  
Forms need to be sent to the following address:  
Hrvatska energetska regulatorna agencija  
„za savjetovanje“  
Ulica grada Vukovara 14  
10000 Zagreb

## General comments on draft regulations or act

The purpose of the LNG Terminal on the island of Krk is to supply natural gas primarily on foreign markets. Also, it is forecasted, that the Terminal Users will procure and supply natural gas to the region based on the natural gas price determined in the Central European Gas Hub price (CEGH, formerly known as Gas Hub Baumgarten). We would like to note, that the CEGH natural gas price is also expressed in EUR. Due to this reason, the planned Terminal Users should be in favor of service prices expressed in EUR. In addition to the afore mentioned, we would like to emphasise once more that, based on the Open Season, the majority of the future Terminal Users will be large multinational organizations based in Europe with revenues denominated in EUR.

The same is valid for financing because the financial arrangements of the project will be structured in EUR terms and lenders expect the project company, who will be the borrower of the financing, to have limited or none exposure to currency risk. To further elaborate, majority of the CAPEX expenditures incurred by LNG Croatia will be realized in EUR and the same is valid for the majority of OPEX.

According to the previously mentioned, adopting a tariff in EUR is a condition without which the project can not be realized. **Therefore, we kindly propose to introduce the EUR as the basis for calculation of the tariff for LNG terminal services and if necessary later on the tariffs can be expressed in HRK by using the exchange rate announced by the Croatian Central Bank on the day of adopting the tariffs.**

To further elaborate the previously provided comment on currency, in appendix of this document we hereby provide:

- Official request for a regasification tariff issued in EURO currency
- Legal opinion on currency of methodology for determining the amount of tariff items for handling LNG

In addition to that, the LNG Terminal on the island of Krk is planned to supply natural gas to the neighbouring countries via the natural gas transmission system operated by the transmission system operator (TSO) Plinacro d.o.o. This means that the Terminal Users will have to book the capacities of the LNG Terminal and the transmission system. For this reason, we propose to evaluate the Methodology for the Determination of the Tariff Items for the Unloading and Send Out of Liquefied Natural Gas together and systematically with the Methodology for the Determination of the Tariff Items for the Natural Gas Transmission System.

**Comments and suggestions for individual articles of draft regulation or act with detailed and proved explanations**

Article 1	
Article 2	
Article 3	
Article 4	
Article 5	
Article 6	
Article 7	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>The operator should be entitled to retain the part of the savings achieved throughout the whole regulatory period. We propose the following amendments:</p> <p>(1) <i>The realised savings represent the difference between the allowed amount of operating expenses and the actual amount of operating expenses <u>each year of the regulatory period</u>.</i></p> <p>(2) <i>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 <u>each year of the regulatory period</u>, and shall be calculated according to the formula:</i></p> $\text{savings for the operator} = \max [0, 5 \times (OPEX_{T+1} - OPEX_{T+1}^{UPP}), 0]$ <p>wherein the following items are:</p> <p><math>OPEX_{T+1}</math> allowed amount of operating expenses in regulatory year <u><math>T+1</math></u> (EUR)</p> <p><math>OPEX_{T+1}^{UPP}</math> amount of operating expenses realised by the operator in regulatory year <u><math>T+1</math></u> (EUR).</p>
Article 8	
Article 9	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in paragraph 2 (explanations included):</p> <p>(2) <i>The projected allowed revenue in the regulatory year <math>t</math> is calculated according to the formula:</i></p> $DP_{tT}^P = OPEX_{tT}^P + A_{tT}^P + PRO_{tT}^P + WC_t^P + PV\delta_t^P + SR_t^P - (P_{NU t}^P + P_{OST tT}^P)$ <p>wherein the following items are:</p> <p><math>DP_t^P</math> projected allowed revenue in the regulatory year <math>t</math> (EUR),</p> <p><math>OPEX_t^P</math> projected operating expenses in the regulatory year <math>t</math> (EUR),</p> <p><math>A_t^P</math> projected depreciation <u>and amortization</u> of regulated assets in the regulatory year <math>t</math> (EUR)</p> <p><math>PRO_t^P</math> projected return on regulated assets in the regulatory year <math>t</math> (EUR),</p> <p><u><math>WC_t^P</math></u> <u>projected return on working capital (EUR)</u></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>It is a common practice that a return on working capital is introduced because the working capital is an investment cost. Because of the high complexity of calculating the working capital, a common practice is to calculate it as a share of net regulated asset base, as in Italy for example, where a 0.8% of the RAB value is added as a proxy.</p> </div> <p><math>PV\delta_t</math> <u>projected part of the</u> difference between the audited allowed revenue and realized revenue in the year <math>T-1</math> and in previous years of the regulatory period stated in the regulatory y (EUR),</p>

	<p><u><math>SR_t^P</math></u> <u>Supplement revenue, not aimed at funding a portion of the capital expenditure (EUR)</u></p> <div style="border: 1px solid black; padding: 5px;"> <p>Supplement revenue mechanism applied in the circumstances of lower than 100 % utilization of terminal capacities and aimed at ensuring affordable and predictable tariffs either via CBCA and/or combination of other European/regional support.</p> <p>The mechanism will be applied automatically for each gas year of the regulatory period taking into account the actual contracted capacities being lower than the threshold.</p> <p>Until 2020 the terminal is not able to receive more than 1.5 bcm because of restrictions of the transmission system, so it is out of the control of the operator.</p> <p>Other funds aimed at funding a portion of the CAPEX would be directly deducted from the RAB.</p> </div> <p><math>P_{NU}^P</math> <u>projected revenue from non-standard services in the regulatory year <math>t</math> (EUR), <u>regulated by the non-standard services methodology.</u></u></p> <p><math>POS_t^P</math> <u>projected other operating revenues not related to the core business of the LNG terminal operator (hereinafter: projected other operating revenues) in the regulatory year <math>t</math> (EUR).</u></p> <div style="border: 1px solid black; padding: 5px;"> <p>There should be an incentive for providing other services. Furthermore, the operator may incur in additional costs for the generation of other business revenue. We understand that there will be other methodology for non-standard services.</p> </div> <p><u>When the planned utilisation of the terminal is lower than the nominal, the operator will calculate and propose the supplement revenue (<math>SR_t^P</math>) for each year of the regulatory period in order to achieve the same profitability and sustainability of the terminal. Supplement revenue (<math>SR_t^P</math>) is calculated in such a way that the net present value of the planned free cash flow is equal to the net present value of the free cash flow under nominal utilization of the terminal for the same regulatory period.</u></p> <p><u>Expression for determination of supplement revenue (<math>SR_t^P</math>) is presented by the following equation:</u></p> $\sum_{i=1}^n \frac{FCF_{t+i-1}^{NU}}{(1+WACC)^i} = \sum_{i=1}^n \frac{FCF_{t+i-1}^P}{(1+WACC)^i}$ <p><u>where:</u></p> <p><u><math>FCF_{t+i-1}^{NU}</math> Free cash flow under nominal utilization of the terminal in regulatory year <math>t+i-1</math> (EUR)</u></p> <p><u><math>FCF_{t+i-1}^P</math> planned free cash flow in regulatory year <math>t+i-1</math>, including supplement revenue (EUR)</u></p> <p><u>WACC value of WACC for regulatory period</u></p> <p><u><math>n</math> number of years in regulatory period</u></p>
Article 10	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in paragraph 2:</p> <p><u>(2) OPEX consists of a justified amount of material expenses (including FSRU charter payments), service expenses, personnel expenses, other operating expenses and other business expenditures such as guarantees and any additional costs which are related to FSRU operations (either tugs services or similar).</u></p> <p>We propose the following amendments in paragraph 4, subparagraph 1:</p> <ul style="list-style-type: none"> <li>- <u>advertising and sponsorship services and fair expenses, in the total amount (not including representation for the terminal),</u></li> </ul> <p>We propose the introduction of paragraph 4a in the following way:</p> <p><u>(4a) OPEX are categorised in controllable (<math>OPEX_C</math>) and non-controllable (<math>OPEX_{NC}</math>).</u></p> <ul style="list-style-type: none"> <li>- <u>The planned level of controllable OPEX is calculated for the regulatory period, and is equal to the allowed level of controllable OPEX</u></li> </ul>

- Non-controllable OPEX are passed through, and as such their value is fully revised during the regular audits.

We propose the following amendments in paragraph 5:

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

$$OPEX_t^P = OPEX_{c,t}^P + OPEX_{nc,t}^P$$

$$OPEX_{c,T}^P = OPEX_{c,T-2}^{DOZ} \cdot (1 + CPI_{T-1}^P - X_{T-1}) \cdot (1 + CPI_T^P - X)$$

wherein the following items are:

$OPEX_{c,T}^P$  projected amount of OPEX<sub>c</sub> for the regulatory year T (EUR),

$OPEX_{c,T-2}^{DOZ}$  allowed base amount of OPEX<sub>c</sub> in the year preceding the year T-1 (hereinafter: year T-2) (EUR),

We propose the following amendments in paragraph 6:

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

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

wherein the following items are:

$OPEX_{c,T-2}^{DOZ}$  the allowed base OPEX<sub>c</sub> in the year T-2 (EUR),

$OPEX_{c,T-2}$  previously projected OPEX<sub>c</sub> for the year T-2 (EUR),

$OPEX_{c,T-2}^{UPP}$  realised amount of OPEX<sub>c</sub> in the year T-2 (EUR).

In the paragraph 7 and 8 we propose the use of wording OPEX<sub>c</sub> instead of the wording OPEX.

We propose the following amendments in paragraph 9:

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

$$OPEX_{c,T+i-1}^P = OPEX_{c,T+i-2}^P \cdot (1 + CPI_{T+i-1}^P - X); \quad i = 2,3,4,5$$

wherein the following items are:

$OPEX_{c,T+i-1}^P$  projected OPEX in the regulatory year T+i-1 (EUR),

$OPEX_{c,T+i-2}^P$  projected OPEX in the regulatory year T+i-2 (EUR),

$CPI_{T+i-1}^P$  projected consumer price index for the regulatory year T+i-1,

X efficiency coefficient in the regulatory period.

Article 11

We propose the following amendments in paragraph 3:

(3) The expected useful life of fixed tangible assets from the category of plants and equipment amounts to at least 20 years, except specific equipment for which the operator provides appropriate justification proving that the useful life is less than 20 years.

We propose the introduction of paragraph 4a in the following way (explanation included):

(4a) If the net book value of an asset has decreased due to a write-off, the regulator will only decrease the value of the asset base if it proves that the write-off is attributable to an imprudent or inefficient behavior of the operator.

Write-offs should not be automatically disallowed (excluded from the RAB or not compensated in the OPEX) without a previous dialogue with the operator.

We propose that EUR is adopted as the currency for further calculation, instead of HRK.

We propose the following amendments in paragraph 1:

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

$$PRO_{j,t}^P = RO_{\text{pres } j,t}^P \cdot ROR_{j,t} \cdot WACC$$

$$ROR_{j,t} = WACC + PR_{j,t}$$

wherein the following items are:

$PRO_{j,t}^P$  projected return on regulated assets  $j$  in the regulatory year  $t$  (EUR),  
 $RO_{\text{pres } j,t}^P$  projected ~~average~~ amount of regulated assets at the beginning of ~~in the regulatory year~~  $t$  (EUR),

$ROR_{j,t}$  value of rate of return for asset  $j$  in year  $t$

$PR_{j,t}$  premium on WACC for asset  $j$  in year  $t$

WACC Value ~~amount~~ of WACC for the regulatory period (%),

New investments will benefit from a 10 year constant premium on WACC (PR).

Incentives for promoters of PCIs can be foreseen, in line with [ACER Recommendation No. 03/2014](#), of 27 June 2014, on Incentives for Projects of Common Interest and on a Common Methodology for Risk Evaluation.

In order to incentivise new investments, the possibility to apply a (temporary) premium on the WACC could be considered. It is common practice in other countries:

**In France a 2% premium is applied for 10 years for new investments in LNG.** This premium comes on top of the LNG-specific 2% premium (totalling 4% during 10 and 2% afterwards):

*Délibération de la Commission de régulation de l'énergie du 13 décembre 2012 portant décision sur le tarif d'utilisation des terminaux méthaniers régulés*

#### 2.2 Coût du capital

*"An specific increase of 200 basic points is applied to this base rate [6.5% real, pre-tax] for taking into account the specific risks of the activity of operation of LNG terminals in comparison to a network activity"*

#### 2.4 Régulation incitative au développement de nouvelles capacités de regazéification

*"In order to tackle the need of providing the required visibility to long-term investment decisions, CRE maintains for ATTM4 [4<sup>th</sup> regulatory period] the same principles fixed for ATTM3:*

*- the calculation methodology of the rate of return is fixed for 20 years, based on a formula equal to the basic rate applied to the natural gas transmission assets, which can evolve during the period according to the future tariff decisions in relation to the natural gas transmission activity, to which a LNG-specific premium of 200 basic points is applied;*

*- a supplementary premium of 200 basic points during 10 years is agreed"*

<http://www.cre.fr/documents/deliberations/decision/terminaux-methaniers/consulter-la-deliberation>

**In Italy a 2% premium is applied for 16 years to new LNG terminals.**

*Delibera 438/2013/R/gas - Regolazione delle tariffe di rigassificazione del gas naturale liquefatto per il periodo 2014-2017*

*Allegato - Articolo 13, Remunerazione addizionale dei nuovi investimenti*

*"13.2 To new investments in operation from 1st January 2014 the following additional rates of return are applied:*

*G(4)=1: replacement investments and investments derived from regulatory obligations, including investments aimed at safety: 0%;*

*G(4)=2: investments aimed at increasing more than 30% the regasification capacity of an existing terminal, or to the construction of a new terminal: 2% during 16 years."*

[http://www.autorita.energia.it/allegati/docs/13//438-13all\\_ti.pdf](http://www.autorita.energia.it/allegati/docs/13//438-13all_ti.pdf)

**In Italy the WACC for LNG terminals is already higher than for the transmission activity (6.6% in regas vs. 5.3% in transmission)**, since different parameters are considered ( $\beta$  in particular, 0.828 for regasification vs. 0.523 in transmission), as described in:

*RELAZIONE TECNICA Criteri per la determinazione e l'aggiornamento del tasso di remunerazione del capitale investito per i servizi infrastrutturali dei settori elettrico e gas (deliberazione 2 dicembre 2015, 583/2015/R/COM, come integrata con la deliberazione 23 dicembre 2015, 654/2015/R/EEL )*

<http://www.autorita.energia.it/allegati/docs/15/583-15rt.pdf>

We propose to delete the paragraph 2 as it is propose to calculate the projected amount of regulated assets at the beginning of the year t.

Article 13

We propose that EUR is adopted as the currency for further calculation, instead of HRK.

We propose the following amendments in paragraph 1:

(1) The projected value of each regulated assets at the beginning 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:

$$RO_{j,T+i-1}^P = RO_{j,T+i-2}^P + I_{j,T+i-2\pm}^P - A_{j,T+i-2\pm}^P - S_{besp\ j,T+i-2\pm}^P - OR_{j,T+i-2\pm}^P$$

$i=0,1,2,3,4,5$

wherein the following items are:

$RO_{j,T+i-1}^P$  projected value of regulated assets j at the beginning end of the regulatory year T+i-1 (EUR),

$RO_{j,T+i-2}^P$  projected value of regulated assets j at the beginning end of the regulatory year T+i-2 (EUR),

$I_{j,T+i-2\pm}^P$  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-2~~1~~ (EUR),

$A_{j,T+i-2\pm}^P$  projected amount of depreciation and amortisation in the regulatory year T+i-2~~1~~, excluding the depreciation of non-repayable funds (EUR)

$S_{besp\ j,T+i-2\pm}^P$  projected value of non-repayable funds of asset j in the regulatory year T+i-2~~1~~ (EUR),

$OR_{j,T+i-2\pm}^P$  projected value of alienated and disposed assets element attributable to asset j in the regulatory year T+i-2~~1~~ (EUR)

We propose the following amendments in paragraph 3:

(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 beginning end of the year T-2, and can be taken from the operator balance sheet and includes

In paragraph 4 we propose to add additional subparagraph (explanation included) such as:

- other development costs before construction.
- other capital expenditure during construction, to fund the acquisition of tangible assets.
- financing costs during construction (interest and other fees).
- return at re on the accumulated equity injections as from the time they occurred,
- commissioning of the LNG terminal

With financing costs during construction we are referring both to the cost of equity and the cost of debt. If they are not included, another mechanism should be placed to compensate for

	<p>those financing costs.</p> <p>In addition, it is necessary to deal with the commissioning costs. As a suggestion, they were included in the RAB, given that they are too high to be recovered in a single year.</p> <p>We propose the following amendments in paragraph 5:</p> <p>(5) <i>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, <u>taking into account the capital expenditure during construction to fund the acquisition of intangible assets.</u></i></p>
Article 14	<p>We propose the following amendments in paragraph 1:</p> <p>(1) <i>The <del>value amount</del> of the nominal, pre-tax WACC for the regulatory period is calculated <u>for the whole regulatory period</u> according to the formula:</i></p> $WACC = \frac{r_e}{1-P} \times \frac{E}{E+D} + r_d \times \frac{D}{E+D}$ <p>It is necessary to clarify that it is a nominal value. If the regulator chooses a real WACC, the RAB has to be updated with inflation.</p> <p>Wherein the following items are:</p> <p>WACC- the <del>value amount</del> of WACC for the regulatory period (%),  re rate of return on equity (%),  E/(E+D) share of equity in total capital (%),  rd rate of return on debt (%),  D/(E+D) share of debt in total capital (%),  P income tax rate (%).</p> <p>We propose the following amendments in paragraph 2 (explanation included):</p> <p>As a <del>target-theoretical</del> 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 <del>prescribed-established</del>.</p> <p>This should not be a target, but a theoretical value that serves as the reference to calculate the WACC applied. The company should be free to decide on the optimal level.</p> <p>We propose the following amendments in paragraph 3 (explanation included):</p> <p><math>\beta</math> variability coefficient of operator shares in relation to the average variability of return on market portfolio (<u>levered beta</u>).</p> <p>It is convenient to clarify that the formula refers to the levered beta, already taking into account the D/E ratio used for WACC calculation.</p> <p>We propose the following amendments in paragraph 5 (explanation included):</p> <p>(5) <i>The variability coefficient of the return on operator shares in relation to the average variability of return on market portfolio (<math>\beta</math>) reflects the degree of risk of investing in the energy activity of <del>managing the LNG terminal and</del> <u>gas and related infrastructure operators</u> 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 <u>gas and related infrastructure operators</u> <del>LNG-terminals</del> applied in the regulatory mechanisms of European countries.</i></p> <p>There are no pure LNG terminal operators listed so it has to be compared with gas and related infrastructure operators, but taking in to account that the risk of the LNG activity is higher than others, such as gas transmission.</p>

	<p>Hereby we would like to comment on paragraph 6.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>It is doubtful that the Croatian market is representative and liquid enough as to derive meaningful figures.</p> </div> <p>We propose the following amendments in paragraph 7 (explanation included):</p> <p><i>The rate of return on debt (<math>r_d</math>) equals the <del>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</del> reference interest rates, <u>which is determined according to the rational cost of debt for other similar operators.</u></i></p> <p><i>If the operator does not use investment loans to finance regulated assets, the rate of return on debt (<math>r_d</math>) is equal to the reference rate.</i></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>As an incentive to lower the actual cost of debt, the application of a reference cost of debt is suggested. Our understanding of the current wording is that it is proposed to pay the actual cost of debt, capped with a reference interest rate (thus, in the best of cases the rate of return on debt would be the actual cost of debt).</p> <p>It is not clear how these reference interest rates are calculated.</p> </div>
<p><a href="#">Article 14a</a></p>	<p>We propose to introduce an article referring to the calculation of return on working capital (explanation included):</p> <p style="text-align: center;"><u><a href="#">Working capital</a></u></p> <p style="text-align: center;"><u><a href="#">Article 14a</a></u></p> <p><u><a href="#">The annual compensation for working capital will be calculated as 0.8% of gross regulated asset base, multiplied by the WACC for the relevant regulatory period.</a></u></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>It is a common practice that a return on working capital is introduced because the working capital is an investment cost. Because of the high complexity of calculating the working capital, a common practice is to calculate it as a share of net regulated asset base, as in Italy for example.</p> <p><i>Allegato A</i></p> <p><i>REGOLAZIONE DELLE TARIFFE PER IL SERVIZIO DI RIGASSIFICAZIONE DI GAS NATURALE LIQUEFATTO PER IL PERIODO DI REGOLAZIONE 2014-2017(RTRG)</i></p> <p><i>Testo modificato ed integrato dalle deliberazioni 502/2013/R/GAS, 604/2013/R/GAS, 583/2015/R/COM e 191/2016/R/GAS. Titolo II - DETERMINAZIONE DEI RICAVI DEL SERVIZIO DI RIGASSIFICAZIONE</i></p> <p><i>“Articolo 3 Reference allowed revenues</i></p> <p><i>[...]</i></p> <p><i>3.4 In order to determine the net value of the capital invested allowed during the first year of the regulatory period the regasification company:</i></p> <p><i>a) calculates the net value of fixed assets according to paragraph 3.5;</i></p> <p><i>b) adds the value of net working capital, fixed equal to 0.8% of the <u>gross fixed asset</u> according to paragraph 3.5;</i></p> <p><i>[...]</i>”</p> <p><u><a href="http://www.autorita.energia.it/allegati/docs/13/438-13all_ti.pdf">http://www.autorita.energia.it/allegati/docs/13/438-13all_ti.pdf</a></u></p> </div>
<p>Article 15</p>	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in paragraph 1:</p>

	<p>(1) The smoothed allowed revenues <del>are</del> <b>is</b> determined based on projected allowed revenues determined in accordance with Article 9 of this Methodology.</p> <p>We propose the following amendments in paragraph 3:</p> <p>(3) The smoothed allowed revenues for the years of the regulatory period shall be calculated according to the formula:</p> $\sum_{i=1}^n \frac{DP^P_{T+i-1}}{(1+WACC^P)^j} = \sum_{i=1}^n \frac{DP^P_{\alpha, T+i-1}}{(1+WACC^P)^j}$ <p>with the proviso that:</p> $DP^P_T = DP^P_{\alpha, T}$ $DP^P_{\alpha, T+i-1} = DP^P_{\alpha, T+i-2} \times (1+a); i=2,3,4,5$ <p>wherein the following items are:</p> <p>...  WACC <b>value-amount</b> of WACC for the regulatory period (%),  ...</p>
Article 16	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>It should be made explicit that the regular audit and the extraordinary audit will be conducted by the regulator (and not a third party hired by the regulator or by the company).</p> </div> <p>We propose to the following article at the beginning of the article:</p> <p><u>(1) The regular audit and the extraordinary audit will be conducted by the regulator.</u></p>
Article 17	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p>
Article 18	<p>We propose the following amendments in the article:</p> <p style="text-align: center;"><b>Depreciation <u>and amortization</u> audit</b></p> <p style="text-align: center;">Article 18</p> <p>The audited amount of depreciation <u>and amortization</u> 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.</p>
Article 19	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in the article:</p> <p>(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:</p> $PRO_{T+i-1} = RO_{pros, T+i-1} \times WACC; i=0,1,2,3,4$ <p>wherein the following items are:</p> <p><math>PRO_{T+i-1}</math> audited return on regulated assets in the regulatory year T+i-1 (HRK),  <math>RO_{pros, T+i-1}</math> audited <b>value average-amount</b> of regulated assets <b>at the beginning of in-the regulatory year T+i-1 (EUR)</b>,  WACC <b>value-amount</b> of WACC for the regulatory period (%).</p> <p><del>(2) The audited average amount of regulated assets for the regulatory year T+i-1 is calculated according to the formula:</del></p>

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

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  $j$  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:

$$RO_{j,T+i-1} = RO_{j,T+i-2} + I_{j,T+i-1} - A_{j,T+i-1} - S_{bresp,j,T+i-1} - OR_{j,T+i-1} \quad i=0,1,2,3,4,5$$

wherein the following items are:

$RO_{j,T+i-1}$  audited value of regulated assets  $j$  at the ~~beginning~~ end of the regulatory year  $T+i-1$  (EUR),

$RO_{j,T+i-2}$  audited value of regulated assets  $j$  at the ~~beginning~~ end of the regulatory year  $T+i-2$  (EUR),

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

$A_{j,T+i-1}^P$  audited amount of depreciation ~~and amortization~~ in the regulatory year  $T+i-1$ , excluding the depreciation of non-repayable funds (EUR)

$S_{bresp,j,T+i-1}^P$  audited value of non-repayable funds ~~of asset  $j$~~  in the regulatory year  $T+i-1$  (EUR),

$OR_{j,T+i-1}^P$  audited value of alienated and disposed assets ~~attributable to asset  $j$~~  in the regulatory year  $T+i-1$  (EUR).

As indicated before, write-offs should not be automatically disallowed (excluded from the RAB or not compensated in the OPEX) without a previous dialogue with the operator.

Article 20

We propose that EUR is adopted as the currency for further calculation, instead of HRK.

We propose the following amendments in the article:

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:

$$DP_{T+i-1} = OPEX_{T+i-1} + A_{T+i-1} + PRO_{T+i-1} + \underline{WC_{T+i-1}} + PV\delta_{T+i-1} + \underline{SR_{T+i-1}} - (P_{NU,T+i-1} + P_{OST,T+i-1});$$

$$i=0,1,2,3,4$$

wherein the following items are:

$DP_{T+i-1}$  audited allowed revenue for the regulatory year  $T+i-1$  (EUR)

$OPEX_{T+i-1}$  audited OPEX amount for the regulatory year  $T+i-1$  (EUR),

$A_{T+i-1}$  audited depreciation amount for the regulatory year  $T+i-1$  (EUR),

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

$WC_{T+i-1}^P$  ~~return on working capital~~ (EUR)

$PV\delta_{T+i-1}$  part of the difference between the audited allowed revenues and realized revenues in the previous regulatory period stated in the regulatory year  $T+i-1$  (EUR)

$SR_{T+i-1}$  ~~Supplement Revenue not aimed at funding a portion of the investment~~ (EUR)

$P_{NU,T+i-1}$  realised revenue from non-standard services in the regulatory year  $T+i-1$  (EUR),

$P_{OST,T+i-1}$  realised other operating revenue, in the regulatory year  $T+i-1$  (EUR).

Consistent with changed proposed to Article 8.

	<p>As indicated before, we consider that there should be an incentive for providing other services. Furthermore, the operator may incur in additional costs for the generation of other business revenue.</p>														
Article 21	<p>We propose the following amendments in the article:</p> <p><i>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 <u>terminal users</u> <del>clients</del>.</i></p>														
Article 22	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in the subparagraph 2:</p> <p>... WACC <u>value</u> <del>amount</del> of WACC for the regulatory period (%).</p> <p>We propose the following amendments in the subparagraph 4:</p> <p>... WACC <u>value</u> <del>amount</del> of WACC <u>applied</u> for the regulatory period (%).</p> <p>It is not clear how the difference between the realised revenues and the audited allowed revenues is calculated and specifically how the element “t” is applied in the equation.</p>														
Article 23															
Article 24															
Article 25	<p>It would be expected to contract most of capacity through the Standard Service Package in the medium or long-term. In order to ensure tariff sufficiency, no discount should be made for this package.</p> <p>With the aim of incentivizing an efficient usage of the terminal, coefficients higher than 1 would be applied to unbundled services (i.e. booking basic services separately, and not as part of the SSP, would be more expensive).</p> <p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in the article:</p> <p>(1)The <u>base</u> 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:</p> <p><math>T_{pri}</math> <u>base</u> tariff item for the berthing of LNG carrier in the regulatory year t (EUR/berthing)</p> <p><math>T_{skl}</math> <u>base</u> tariff item for the temporary storage of LNG in the regulatory year t (EUR/m<sup>3</sup><sub>LNG</sub>)</p> <p><math>T_{otp}</math> <u>base</u> tariff item for the send out of natural gas into the transmission system in the regulatory year t (EUR/MWh/day)</p> <p>(2)The <u>base</u> tariff items are expressed in the Table of <u>base</u> tariff items for the unloading and send out of LNG, as follows:</p> <table border="1"> <thead> <tr> <th><u>Base</u> Tariff Item</th> <th><u>Base</u> Tariff Item Mark</th> <th><u>Base</u> Tariff Item Name</th> <th>Measuring Unit</th> </tr> </thead> <tbody> <tr> <td rowspan="3"><u>Base</u> Tariff items for the basic services of the LNG terminal</td> <td><math>T_{pri}</math></td> <td><u>Base</u> Tariff item for the berthing of LNG carrier</td> <td>EUR/berthing</td> </tr> <tr> <td><math>T_{skl}</math></td> <td><u>Base</u> Tariff item for the temporary storage of LNG</td> <td>EUR/m<sup>3</sup><sub>LNG</sub></td> </tr> <tr> <td><math>T_{otp}</math></td> <td><u>Base</u> Tariff item for the</td> <td>EUR/MWh/day</td> </tr> </tbody> </table>	<u>Base</u> Tariff Item	<u>Base</u> Tariff Item Mark	<u>Base</u> Tariff Item Name	Measuring Unit	<u>Base</u> Tariff items for the basic services of the LNG terminal	$T_{pri}$	<u>Base</u> Tariff item for the berthing of LNG carrier	EUR/berthing	$T_{skl}$	<u>Base</u> Tariff item for the temporary storage of LNG	EUR/m <sup>3</sup> <sub>LNG</sub>	$T_{otp}$	<u>Base</u> Tariff item for the	EUR/MWh/day
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	$T_{otp}$	<u>Base</u> Tariff item for the	EUR/MWh/day												

	<table border="1" data-bbox="338 159 1444 253"> <tr> <td data-bbox="338 159 604 253"></td> <td data-bbox="604 159 890 253"></td> <td data-bbox="890 159 1176 253">send out of natural gas into the transmission system</td> <td data-bbox="1176 159 1444 253"></td> </tr> </table> <p data-bbox="316 286 1372 376">(3)The amounts of <u>base</u> 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.</p>			send out of natural gas into the transmission system	
		send out of natural gas into the transmission system			
Article 26	<p data-bbox="316 427 1272 456">We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p data-bbox="316 488 890 517">We propose the following amendments in the article:</p> <p data-bbox="411 548 1393 609" style="text-align: center;"><del><b>Tariff items for the basic services of the LNG terminal on an annual basis</b></del> <u><b>Fee for the contracted standard service package of the LNG terminal on an annual basis</b></u></p> <p data-bbox="804 640 916 669" style="text-align: center;">Article 26</p> <p data-bbox="316 719 1426 808"><u>(1) The LNG terminal will offer a standard service package (hereinafter: SSP) which includes the right to berthing the LNG carrier, temporary storage of LNG and the right to send out natural gas into the transmission system, during the regulatory year t.</u></p> <p data-bbox="316 826 1426 887"><u>(2)The unit cost of the fee for the contracted SSP is build on the three base tariffs items for the basic services of the LNG terminal for the regulatory year t according to the formula:</u></p> $N_{SSP} = T_{pri} + T_{skl} \cdot X_{skl} + T_{otp} \cdot X_{otp}$ <p data-bbox="316 943 667 972"><u>wherein the following items are:</u></p> <p data-bbox="316 976 1393 1267"> <u><math>N_{SSP}</math></u> unit fee for the SSP in the regulatory year t (EUR/SSP)  <u><math>T_{pri}</math></u> base tariff item for the berthing of LNG carrier in the regulatory year t (EUR/berthing)  <u><math>T_{skl}</math></u> base tariff item for the temporary storage of LNG in the regulatory year t (EUR /m<sup>3</sup> LNG)  <u><math>X_{skl}</math></u> amount of the temporary storage of LNG (m<sup>3</sup> LNG)  <u><math>T_{otp}</math></u> base tariff item for the send out of natural gas into the transmission system in the regulatory year t (EUR/MWh/day),  <u><math>X_{otp}</math></u> amount of the send out of natural gas into the transmission system (MW/day) </p> <p data-bbox="316 1285 1393 1346"><u>The service description and the related specific parameters (<math>X_{skl}</math>, <math>X_{otp}</math>) will be detailed in the Rules of Operation of the LNG terminal.</u></p> <p data-bbox="316 1364 1393 1453"><del>(1)(3)The amount of the <u>base</u> tariff item for the service of berthing of LNG carrier, <del>which has been contracted as a basic service of the LNG terminal</del> on an annual basis, shall be calculated for the regulatory year t according to the formula:</del></p> $T_{pri} = \frac{k_{pri} \cdot DP_{\alpha}^P}{N_{pri}}$ <p data-bbox="316 1547 667 1576"><u>wherein the following items are:</u></p> <p data-bbox="316 1581 1382 1850"> <u><math>T_{pri}</math></u> <u>base</u> tariff item for the berthing of LNG carrier in the regulatory year t (EUR/berthing),  <u><math>k_{pri}</math></u> Coefficient, <u>defined by the operator</u>, 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,  <u><math>DP_{\alpha}^P</math></u> smoothed allowed revenue in the regulatory year t (EUR),  <u><math>N_{pri}</math></u> <del>projected</del> total number of <u>nominal</u> berthings of LNG carriers, <del>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,</del> of all <u>users</u> clients in the regulatory year t. </p> <p data-bbox="316 1868 1426 1957"><del>(2)(4)The amount of <u>base</u> tariff items for the service of temporary storage of LNG, <del>which is contracted as a basic service of the LNG terminal</del> on an annual basis, is calculated for the regulatory year t according to the formula:</del></p> $T_{skl} = \frac{k_{skl} \cdot DP_{\alpha}^P}{KAP_{skl}}$				

	<p>wherein the following items are:</p> <p><math>T_{skl}</math> <i>base</i> tariff item for the temporary storage of LNG in the regulatory year <math>t</math> (EUR/m<sup>3</sup><sub>LNG</sub>),</p> <p><math>k_{skl}</math> coefficient, <i>defined by the operator</i>, 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 <math>t</math>,</p> <p><math>DP_{\alpha}^P</math> smoothed allowed revenue in the regulatory year <math>t</math> (EUR),</p> <p><math>KAP_{skl}</math> <del>projected</del> total <i>nominal</i> capacity of the temporary storage of LNG, <del>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</del>, of all clients in the regulatory year <math>t</math> (m<sup>3</sup><sub>LNG</sub>).</p> <p><del>(3)(5)</del> The amount of <i>base</i> tariff items for the service of send out of natural gas into the transmission system, <del>which has been contracted as a basic service of the LNG terminal on an annual basis</del>, is calculated for the regulatory year <math>t</math> according to the formula:</p> $T_{otp} = \frac{k_{otp} \cdot DP_{\alpha}^P}{KAP_{otp}}$ <p>wherein the following items are:</p> <p><math>T_{otp}</math> <i>base</i> tariff item for the send out of natural gas into the transmission system in the regulatory year <math>t</math> (EUR/MWh/day),</p> <p><math>K_{otp}</math> coefficient, <i>defined by the operator</i>, 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 <math>t</math>,</p> <p><math>DP_{\alpha}^P</math> smoothed allowed revenue in the regulatory year <math>t</math> (EUR),</p> <p><math>KAP_{otp}</math> <del>projected</del> total <i>nominal</i> capacity of the send out of natural gas into the transmission system, <del>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</del>, of all clients in the regulatory year <math>t</math> (MWh/day).</p>
Article 27	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">The introduction of the coefficients for the SSP can be applied only if tariff sufficiency is ensured.</div> <p>We propose to revise the article in the following way:</p> <p style="text-align: center;"><b><u>Tariff items for the basic services of the LNG terminal on an annual basis</u></b> <i>Article 27</i></p> <p>(1) <u>The tariff item for the service of berthing of LNG carrier on an annual basis which has not been contracted as part of the SSP is calculated by multiplying the base tariff item for the service of berthing referred to in Article 26 (3) and the coefficient for the contracted basic service on an annual basis in the amount of X.</u></p> <p>(2) <u>The tariff item for the service of temporary storage of LNG on an annual basis which has not been contracted as part of the SSP is calculated by multiplying the base tariff item for the service of temporary storage of LNG referred to in Article 26 (4) and the coefficient for the contracted basic service on an annual basis in the amount of X.</u></p> <p>(3) <u>The tariff item for the service of send out of natural gas into the transmission system on an annual basis which has not been contracted as part of the SSP is calculated by multiplying the base tariff item for the service of send out of natural gas referred to in Article 26 (5) and the coefficient for the contracted basic service on an annual basis in the amount of X.</u></p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;">Coefficients higher than 1 would be applied to the services contracted separately (i.e. not as part of the SSP), making more attractive the SSP and with the aim of incentivizing an efficient usage of the terminal.</div>
Article 28	<p>We propose the following amendments in the article:</p> <p>(1) <i>The unit amount of the fee for the contracted service of berthing of LNG carrier on a</i></p>

	<p>monthly basis is calculated by multiplying the <u>base</u> tariff item for the service of berthing of LNG carrier referred to in Article 26 paragraph <del>3</del>4 of the subject Methodology and the coefficient for the contracted basic service on a monthly basis in the amount of 1.2.</p> <p>(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 <u>base</u> tariff item referred to in Article 26, paragraphs <del>4</del>2 and <del>5</del>3 of the subject Methodology and the coefficient for the contracted basic service on a monthly basis in the amount of 1.2.</p>
Article 29	
Article 30	<p>We propose to introduce the following subparagraph at the beginning of the article:</p> <p><u>(1)Interruptible service of send out of natural gas will be offered when 100% of the send out capacity has been booked and, according to the Rules of Operation, nominations are below the level of booked capacity.</u></p> <p>We propose the following amendments in the following subparagraph:</p> <p><i>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 <u>base</u> tariff item for the send out of natural gas into the transmission system referred to in Article 26, paragraph <del>5</del>3 of the subject Methodology and the coefficient for the contracted interruptible service of send out of natural gas into the transmission system.</i></p> <p>Regarding the calculation of the coefficients for the interruptible service we would like to provide the following comment:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>There should be an <i>ad hoc</i> calculation for the LNG terminal, presumably based on the probability of interruption. Interruptible capacity should be offered only when firm capacity has already been booked.</p> </div>
Article 31	<p>We would like to propose to use the word “user” instead of the word “client” throughout the article.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>We understand that Article 31 is referring to the calculation of the invoices for terminal users.</p> </div>
Article 32	
Article 33	
Article 34	
Article 35	<p>We propose the following amendments in paragraph 1 (explanation included):</p> <p><i>(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 <del>or</del> <i>independently</i>.</i></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>As long as the tariff established during the regulatory period is a maximum tariff and there could be situations of under recover of revenues the decision should be taken only by the operator.</p> </div> <p>We propose the following amendments in paragraph 2:</p> <p><i>(2)The prerequisites for the establishment of a regulatory account are as follows:</i></p>

	<ul style="list-style-type: none"> <li>- the operator plans investments in the amount that shall significantly increase the book value of the regulated assets in the following regulatory period, <u>or</u></li> <li>- 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, <u>or</u></li> <li>- 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.</li> </ul>
<p>Article 36</p>	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose the following amendments in paragraph 1, subparagraph 1:</p> <p>1. The projected allowed revenue for <del>each all-the</del> years of the regulatory account are determined by applying the provisions of Articles 9 to 14 of this Methodology (hereinafter: unaudited revenues).</p> <p>We propose the following amendments in paragraph 1, subparagraph 3:</p> $NPV_{NRP} = \sum_{i=1}^n \frac{DP_{rev, T+i-1}}{(1+WACC^P)^i}$ <p>wherein the following items are:</p> <p>...</p> <p>WACC<sup>P</sup> <u>value projected amount</u> of WACC for the period of the regulatory account,</p> <p>...</p> <p>We propose the following amendments in paragraph 1, subparagraph 7:</p> <p>...</p> <p>WACC<sup>P</sup> <u>value projected amount</u> of WACC for the period of the regulatory account,</p> <p>...</p> <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">We understand that the value of WACC is not a “projected” value as it is not audited.</div> <p>We provide the following comment on paragraph 1, subparagraph 8:</p> <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">If there are users willing to pay a higher tariff than the maximum tariff the possibility of the operator to set it should not be restricted.</div>
<p>Article 37</p>	<p>We propose the following amendments on the paragraph 1 (explanation included):</p> <p>(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, <u>at the request of the operator</u>, may be performed by a linear method or a progressive method, in accordance with the principles of accounting standards.</p> <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">It should be a decision of the operator whether to perform the calculation of the projected depreciation of regulated assets by a linear method or a progressive method.</div>
<p>Article 38</p>	<p>We provide the following comment on paragraph 2, subparagraph 3:</p> <div style="border: 1px solid black; padding: 2px; margin: 5px 0;">This should be reviewed to apply indices that are consistent with the currency.</div>

	<p>We provide the following comment on paragraph 4:</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>In case of closure of the regulatory account more details should be provided on how the operator is allowed to recover the same net present value without the application of the mentioned account.</p> </div>																		
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Article 50																			
Article 51																			
APPENDIX 1	<p>We propose that EUR is adopted as the currency for further calculation, instead of HRK.</p> <p>We propose to add additional items in table 1, under item 1. Material expenses in the following way:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">...</td> <td style="text-align: center;">...</td> <td></td> </tr> <tr> <td style="text-align: center;"><a href="#"><u>1.8</u></a></td> <td style="text-align: center;"><a href="#"><u>FSRU Charter payments</u></a></td> <td></td> </tr> <tr> <td style="text-align: center;"><a href="#"><u>1.9</u></a></td> <td style="text-align: center;"><a href="#"><u>Guarantees for charter payments</u></a></td> <td></td> </tr> <tr> <td style="text-align: center;"><a href="#"><u>1.10</u></a></td> <td style="text-align: center;"><a href="#"><u>FSRU operation related costs</u></a></td> <td></td> </tr> </table> <p>We propose to add additional items in table 1, under item 2. Other external expenses – service expenses in the following way</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">...</td> <td style="text-align: center;">...</td> <td></td> </tr> <tr> <td style="text-align: center;"><a href="#"><u>2.8</u></a></td> <td style="text-align: center;"><a href="#"><u>Representation expenses</u></a></td> <td></td> </tr> </table> <p>We provide the following comment on table 1:</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>In the table above, it should be indicated which costs are controllable and which are non-controllable.</p> <ul style="list-style-type: none"> <li>- Controllable costs are generally subject to inflation adjustment and may additionally be subject to an efficiency factor (staff costs, rents, material, goods, services, insurance,...).</li> <li>- Non-controllable cost are beyond the TSO’s control (energy, concession costs, property taxes,</li> </ul> </div>	...	...		<a href="#"><u>1.8</u></a>	<a href="#"><u>FSRU Charter payments</u></a>		<a href="#"><u>1.9</u></a>	<a href="#"><u>Guarantees for charter payments</u></a>		<a href="#"><u>1.10</u></a>	<a href="#"><u>FSRU operation related costs</u></a>		...	...		<a href="#"><u>2.8</u></a>	<a href="#"><u>Representation expenses</u></a>	
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...	...																		
<a href="#"><u>2.8</u></a>	<a href="#"><u>Representation expenses</u></a>																		

fees,...).

We provide the following comment on table 3:

More detailed is required for plant & equipment, and tools (different categories, and a description of elements included in each category). Following completion of the technical specifications more details will be provided, which could potentially be included in a separate piece of regulation.

We propose the following amendments in table 5:

No.	WACC elements	Value-Amount
...	...	
1.2	Variability coefficient of operator shares in relation to the average variability of return on market portfolio (levered beta) – $\beta$	
...	...	
5	Income tax rate of return on profit - P (%)	
	Value-Amount of WACC for the regulatory period – WACC (%) $(1/(1-5) \times 2 + 3 \times 4)$	

APPENDIX 2

We propose that EUR is adopted as the currency for further calculation, instead of HRK.

We propose the following amendments in table 1:

Base Tariff item	Base Tariff item mark	Base Tariff item name	Base 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						EUR/berthing
	$T_{skl}$	Tariff item for temporary storage of LNG						EUR/m <sup>3</sup> <sub>LNG</sub>
	$T_{opt}$	Tariff item for the send out of natural gas into the transmission system						EUR/MWh/day