

**CROATIAN ENERGY REGULATORY AGENCY**

Pursuant to Article 11, paragraph 1, item 9 of the Act on the Regulation of Energy Activities (“Official Gazette”, number 120/12) and Article 94, paragraph 1, subparagraph 4 of the Act on the Gas Market (“Official Gazette”, number 18/18), the Croatian Energy Regulatory Agency, at the session of the Board of Commissioners held on 22 May 2018, 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**

This 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 of managing 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 method, elements and criteria for calculating the amount of the tariff items,
- the calculation of the fee for the use of the LNG terminal for LNG terminal users (hereinafter: the user),
- the final calculation of the fee for the use of the LNG terminal,
- the characteristics of 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 or change of the amount of tariff items,
- the data, documentation and other materials used to calculate and audit the allowed revenue, as well as to calculate 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 those 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,
- *reference interest rate* – the average interest rate of credit institutions on long-term loans in appropriate amount in Croatian kuna, with a foreign currency clause in euro, granted to non-

financial companies in the Republic of Croatia in the last 12 months, according to the data of the Croatian National Bank,

- *regulatory period* – a multi-annual 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 the allowed revenue apply, *regulatory year t* – the 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 of LNG terminal management, which when applied enables for the operator, under certain conditions, which plans significant investments in developing the LNG terminal, over a longer period of time an adequate return on reasonably invested funds,
- *regulated assets* – assets used exclusively to perform the energy activity of LNG terminal management.

## **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**

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

### **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
- the efficiency coefficient (X).

### ***Distribution of achieved savings***

### **Article 7**

(1) The achieved savings represent the difference between the allowed amount of operating expenses and the actual amount of operating expenses in the year, on the basis of which the base amount of reasonable operating expenses is determined.

(2) The distribution 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.

### **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 incurred when performing the energy activity of LNG terminal management and ensure a return on regulated assets.

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

$$DP^P_T = OPEX^P_T + A^P_T + PRO^P_T + PV\delta_t - (P_{NU}^P_t + P_{OST}^P_T)$$

wherein the following items are:

- DP<sup>P</sup><sub>t</sub> - projected allowed revenue in the regulatory year t (EUR),
- OPEX<sup>P</sup><sub>t</sub> - projected operating expenses in the regulatory year t (EUR),
- A<sup>P</sup><sub>t</sub> - projected depreciation of regulated assets in the regulatory year t (EUR),
- PRO<sup>P</sup><sub>t</sub> - projected return on regulated assets in the regulatory year t (EUR),
- PVδ<sub>t</sub> - part of the difference between the audited allowed revenue and realised revenue in the year T-1 and in the previous years of the regulatory period stated in the regulatory year t (EUR),
- P<sub>NU</sub><sup>P</sup><sub>t</sub> - projected revenue from non-standard services in the regulatory year t (EUR),
- P<sub>OST</sub><sup>P</sup><sub>t</sub> - projected other operating revenue not related to the core business of the LNG terminal operator (hereinafter: projected other operating revenue) in the regulatory year t (EUR).

(3) The projected allowed revenue in the regulatory year t shall be determined according to Table 6 Allowed revenue set out in Appendix 1, constituting an integral part of this Methodology.

#### ***Projected operating expenses***

#### **Article 10**

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

(2) OPEX consists of reasonable amounts 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 LNG terminal management.

(4) Unjustified expenses referred to in paragraph 3 of this Article are operating costs, in the total amount exceeding 1.5% of the total operating income of the operator, namely:

- advertising, sponsorship services and fair expenses,
- value adjustment,
- provisions,

- occasional awards,
- annual awards to the members of the Management Board,
- costs of life insurance premiums,
- entertainment expenses, internal representation and publicity expenses,
- gifts (donations),
- fines, penalties, compensation for damages and expenses arising from the contract and
- expenditures - write-offs of tangible and intangible assets if the relevant assets are replaced by new assets entered into the regulated assets.

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

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

wherein the following items are:

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

(6) The allowed base OPEX amount 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 amount in the year T-2 (EUR),
- $OPEX_{T-2}$  - the previously projected OPEX amount for the year T-2 (EUR),
- $OPEX^{UPP}_{T-2}$  - the realised OPEX amount in the year T-2 (EUR).

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

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

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

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

wherein the following items are:

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

### ***Projected depreciation***

#### **Article 11**

- (1) The calculation of depreciation of regulated assets is performed by a linear method using annual depreciation rates determined according to the expected useful life of assets, following the principles of 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, equipment and ships 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 is determined for regulated funds that the Agency considers justified, excluding the depreciation of non-repayable funds, shall be expressed according to Table 3 Regulated assets, and Table 4 Depreciation of regulated assets set out in Appendix 1, constituting an integral part of this 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:

$$PRO_t^P = RO_{pros\ t}^P \times WACC$$

wherein the following items are:

$PRO_t^P$	-	the projected return on regulated assets in the regulatory year t (EUR),
$RO_{pros\ t}^P$	-	the projected average amount of regulated assets in the regulatory year t (EUR),
WACC	-	the WACC amount for the regulatory period (%).

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

$$RO_{pros\ t}^P = \frac{RO_{t-1}^P + RO_t^P}{2}$$

wherein the following items are:

$RO_{pros\ t}^P$	-	the projected average amount of regulated assets in the regulatory year t (EUR),
$RO_{t-1}^P$	-	the projected value of regulated assets at the end of the regulatory year t-1 (EUR),

$RO_t^P$  - the projected value of regulated assets at the end of the regulatory year t (EUR).

### Article 13

(1) The projected value of regulated assets at the end of the regulatory year t is calculated based on the projection of the operator's balance sheet for the regulatory years T-1 to T+4, and Table 3 Regulated assets set out in Appendix 1, constituting an integral part of this Methodology, according to the formula:

$$RO_{T+i-1}^P = RO_{T+i-2}^P + I_{T+i-1}^P - A_{T+i-1}^P - S_{besp}^P_{T+i-1} - OR_{T+i-1}^P; i=0,1,2,3,4,5$$

wherein the following items are:

- $RO_{T+i-1}^P$  - the projected value of regulated assets at the end of the regulatory year T+i-1 (EUR),
- $RO_{T+i-2}^P$  - the projected value of regulated assets at the end of the regulatory year T+i-2 (EUR),
- $I_{T+i-1}^P$  - the projected value of new investments into the construction and reconstruction of the LNG terminal, which shall be put to use in the regulatory year T+i-1 (EUR),
- $A_{T+i-1}^P$  - the projected amount of depreciation in the regulatory year T+i-1, excluding the depreciation of non-repayable funds (EUR)
- $S_{besp}^P_{T+i-1}$  - the projected value of non-repayable funds in the regulatory year T+i-1 (EUR),
- $OR_{T+i-1}^P$  - the projected value of sold and disposed assets in the regulatory year T+i-1 (EUR).

(2) Regulated assets include investments within the plan of the LNG terminal development, wherein projected investments into 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 value of regulated assets at the end of the regulatory year Ti-2 is determined from the operator's balance sheet and includes:

- justified value of fixed tangible assets in use, which serve the purposes of the LNG terminal,
- justified value of fixed intangible assets in use, which serve the purposes of the LNG terminal,
- impairment for the obtained non-repayable funds financing the development of the LNG terminal.

(4) Justified value of fixed tangible assets referred to in paragraph 3 of this Article is determined as a justified net book value of the following items:land,

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

(5) Justified value value of intangible assets referred to in paragraph 3 of this Article is determined as a justified net book value of the concessions, patents, licences, computer programs and other similar rights.

(6) The eligible amount of the tangible and intangible assets referred to in paragraph 3 of this Article may be determined by the Agency on the basis of an analysis of the economic efficiency of the

existing asset of the operator, as well as a comparative analysis of the costs and management efficiency of the operator within the Republic of Croatia.

(7) In the event that the operator has revalored the tangible and intangible fixed assets or in the case of a status change such as merger or acquisition at which the operator acquired new assets, the justified net book value of revalued or acquired tangible and intangible assets are recognized at the level of the net book value of the same asset prior to the revaluation process or the status change being carried out.

#### Article 14

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

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

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

$$r_e = r_f + \beta \times (r_m - r_f) + r_{upp}$$

wherein the following items are:

- $r_e$  - the rate of return on equity (%),
- $r_f$  - the risk-free rate of return (%),
- $r_m - r_f$  - the market risk premium (%),
- $\beta$  - the coefficient of variability of return on the operator's shares in relation to the average variability of return on the market portfolio,
- $r_{upp}$  - the premium for the additional risk of investing in the energy activity of LNG terminal management.

(4) The risk-free rate of return ( $r_f$ ) is determined based on the average nominal interest rate of the last three bond emissions with a maturity of ten or more years, issued by the Republic of Croatia.

(5) The coefficient of variability of the return on the operator's shares in relation to the average variability of return on the market portfolio ( $\beta$ ) reflects the degree of risk of investing in the energy

activity of LNG terminal management in relation to the risk of investing in the market, and is determined on the basis of a comparative analysis of the coefficients of variability of return on the shares of the operators of gas infrastructure applied in the regulatory mechanisms of European countries, based on publicly available data.

(6) The market risk premium ( $r_m - r_f$ ) reflects the investors' additional return beyond the risk-free rate of return for taking the risk of investing in the capital market and is determined on the basis of a comparative analysis of market risk premiums, based on publicly available data from relevant international studies and databases.

(7) The premium for the business development in the energy activity of LNG terminal management ( $r_{upp}$ ) reflects the additional risk of the business development regarding the LNG terminal, and is applied for a certain period of time and determined depending on the utilization of the LNG terminal and other risks according to the Methodology and Criteria for Evaluating Investments in Infrastructure Projects in the Area of Electricity and Gas, published by the Agency on its official website.

(8) 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 rates on investment loans are taken into account up to the level of rationally and thoughtfully borrowed funds, or up to the amount of the reference interest rate.

(9) 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 interest rate.

(10) The elements for the calculation of WACC for the regulatory period shall be determined according to Table 5 Elements for determining the WACC set out in Appendix 1, constituting an integral part of this Methodology.

**SMOOTHED ALLOWED REVENUE**

**Article 15**

(1) Smoothed allowed revenues are determined based on the projected allowed revenues determined in accordance with Article 9 of this Methodology.

(2) 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 being equal 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) Smoothed allowed revenues for the years of the regulatory period shall be calculated according to the formula:

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

provided that:

$$DP_T^P = DP_{\alpha T}^P$$

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

wherein the following items are:

- DP<sub>T+i-1</sub><sup>P</sup> - the projected allowed revenue in the regulatory year T+i-1 (EUR),
- DP<sub>α T+i-1</sub><sup>P</sup> - the smoothed allowed revenue in the regulatory year T+i-1 (EUR),
- WACC - the WACC amount for the regulatory period (%),
- DP<sub>T</sub><sup>P</sup> - the projected allowed revenue in the regulatory year T (EUR),
- DP<sub>α T</sub><sup>P</sup> - the smoothed allowed revenue in the regulatory year T (EUR),
- DP<sub>α T+i-2</sub><sup>P</sup> - the smoothed allowed revenue in the regulatory year T+i-2 (EUR),
- α - the smoothing coefficient determined by an iterative procedure.

## AUDIT OF ALLOWED REVENUE

### *Regular audit*

#### Article 16

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

(2) As part of the regular audit of allowed revenues 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, where the WACC is not revised,
- 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 between the audited allowed revenues (DP) and the realised revenues (P) in the year T-1 and previous years of the regulatory period shall be determined to be allocated to the following regulatory period.

### *OPEX audit*

#### Article 17

(1) In the regulatory year T+4, the actual consumer price indices (CPI) for the year T-1 and 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<sub>T</sub>) is calculated according to the formula:

$$OPEX_T = OPEX_{T-1}^{DOZ} \times (1 + CPI_T - X)$$

wherein the following items are:

- OPEX<sub>T</sub> - the audited amount of the allowed OPEX for the regulatory year T (EUR),

- OPEX<sup>DOZ</sup><sub>T-1</sub> - the audited base amount of the allowed OPEX for the year T-1 (EUR),  
 CPI<sub>T</sub> - the actual consumer price index in the regulatory year T,  
 X - the efficiency coefficient in the regulatory period.

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

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

wherein the following items are:

- OPEX<sup>DOZ</sup><sub>T-1</sub> - the audited base amount of the allowed OPEX for the year T-1 (EUR),  
 OPEX<sub>T-1</sub> - the projected OPEX for the year T-1 (EUR),  
 OPEX<sup>UPP</sup><sub>T-1</sub> - the realised OPEX for the year T-1 (EUR),

(4) The projected OPEX for the year T-1 referred to in paragraph 3 of this Article represents the previously projected OPEX for the year T-1, which is corrected by the actual consumer price index in the regulatory year T-1, according to the data of the Central Bureau of Statistics.

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

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

wherein the following items are:

- OPEX<sub>T+i-1</sub> - the audited amount of the allowed OPEX for the regulatory year T+i-1 (EUR),  
 OPEX<sub>T+i-2</sub> - the audited amount of the allowed OPEX for the regulatory year T+i-2 (EUR),  
 CPI<sub>T+i-1</sub> - the actual consumer price index in the regulatory year T+i-1,  
 X - the efficiency coefficient in the regulatory period.

### ***Depreciation audit***

#### **Article 18**

The audited amount of depreciation for the year T-1 and previous years of the regulatory period is equal to the realised depreciation of regulated assets, which the Agency considers justified, 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 set out in Appendix 1, constituting an integral part of this Methodology.

### *Audit of return on regulated assets*

#### **Article 19**

(1) The audited amount of return on regulated assets for the year T-1 and 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<sub>T+i-1</sub> - the audited return on regulated assets in the regulatory year T+i-1 (EUR),
- RO<sub>pros,T+i-1</sub> - the audited average amount of regulated assets in the regulatory year T+i-1 (EUR),
- WACC - the WACC amount for the regulatory period (%).

(2) The audited average amount of regulated assets in 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<sub>pros,T+i-1</sub> - the audited average amount of regulated assets in the regulatory year T+i-1 (EUR),
- RO<sub>T+i-2</sub> - the audited value of regulated assets at the end of the regulatory year T+i-2 (EUR),
- RO<sub>T+i-1</sub> - the audited value of regulated assets at the end of the regulatory year T+i-1 (EUR).

(3) The audited value of regulated assets at the end of the regulatory year t is equal to the actual value of regulated assets at the end of the regulatory year t considered reasonable which the Agency considers justified, and shall be determined on the basis of the operator's balance sheet and Table 3 Regulated assets set out in Appendix 1, constituting an integral part of this 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<sub>T+i-1</sub> - the audited value of regulated assets at the end of the regulatory year T+i-1 (EUR),
- RO<sub>T+i-2</sub> - the audited value of regulated assets at the end of the regulatory year T+i-2 (EUR),

- $I_{T+i-1}$  - the 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),
- $A_{T+i-1}$  - the audited amount of depreciation in the regulatory year  $T+i-1$ , excluding the depreciation of non-repayable funds (EUR),
- $S_{\text{bresp}T+i-1}$  - the audited amount of non-repayable funds in the regulatory year  $T+i-1$  (EUR),
- $OR_{T+i-1}$  - the audited amount of sold and disposed assets in the regulatory year  $T+i-1$  (EUR).

### *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:

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

### *Determination of realised revenue*

#### **Article 21**

In the year  $T+4$ , the total operator revenues generated by performing the energy activity of LNG terminal management in the year  $T-1$  and in the previous years of the regulatory period are determined, on the basis of invoices issued to the users.

### *Determining the difference between the audited allowed revenues and the realised revenues*

## Article 22

Determining the difference between the audited allowed revenues and the realised revenues for the year T-1 and 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 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<sub>DP</sub> - the net present value of the audited allowed revenues for the year T-1 and previous years of the regulatory period (EUR),
- DP<sub>T+i-1</sub> - the audited allowed revenues for the regulatory year T+i-1 (EUR),
- WACC - the WACC amount for the regulatory period (%).

2. The net present value of the realised revenues is determined for the year T-1 and 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<sub>P</sub> - the net present value of the realised revenues in the year T-1 and previous years of the regulatory period (EUR),
- P<sub>T+i-1</sub> - the realised revenue in the regulatory year T+i-1 (EUR),
- WACC - the WACC amount 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 previous years of the regulatory period is determined, and divided into equal parts, according to the formula:

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

wherein the following items are:

- Δ<sub>npv</sub> - the 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 previous years of the regulatory period (EUR),
- NPV<sub>DP</sub> - the net present value of the audited allowed revenues for the year T-1 and previous years of the regulatory period (EUR),
- NPV<sub>P</sub> - the net present value of the realised revenues in the year T-1 and previous years of the regulatory period (EUR),

N - the 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 previous years of the regulatory period, which is added into the calculation of the allowed revenue for the years of the next 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:

- $PV\delta_{T+i-1}$  - the part of the difference between the audited allowed revenues and the realised revenues in the year T-1 and 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 (EUR),
- $\Delta npv$  - the 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 previous years of the regulatory period (EUR),
- WACC - the WACC amount for the regulatory period (%),
- N - the number of years of the next 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 as per the Agency's assessment.
- (2) An extraordinary audit of allowed revenues is carried out following unexpected changes in the market that have had a significant impact on the conditions of performing the energy activity of LNG terminal management, which the operator could not have foreseen or 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 is determined for each year of the regulatory period.

### Article 25

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

	<i>Tariff item mark</i>	<i>Tariff item name</i>	<i>Measuring unit</i>
	$T_{upp}$	Tariff item for the unloading and send out of LNG	EUR/MWh

(2) The amounts of tariff items referred to in paragraph 1 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

### Article 26

The amount of the tariff item for the unloading and send out of LNG shall be calculated for the regulatory year t according to the formula:

$$T_{upp} = \frac{DP_{\alpha}^P}{Q_{uk}}$$

wherein the following items are:

- $T_{upp}$  - the tariff item for the unloading and send out of LNG in the regulatory year t (EUR/MWh),
- $DP_{\alpha}^P$  - the smoothed allowed revenue in the regulatory year t (EUR),
- $Q_{uk}$  - the projected total amount of send out of LNG into the transmission system from the LNG terminal, of all users in the regulatory year t (MWh).

(2) Depending on the planned quantity of natural gas delivery from the LNG terminal into the transmission system for each user as well as the contracted use period of the LNG terminal, the

operator of the LNG terminal reduces that amount to the user by the amount of the tariff item referred to in paragraph 1 of this Article, as follows:

<i>Yearly quantity of natural gas delivery (MWh)</i>	<i>Booked period of LNG terminal use (years)</i>		
	<i>10 - 14</i>	<i>15 – 19</i>	<i>≥ 20</i>
$\geq 5.000.000$	2%	3%	5%
$\geq 10.000.000$	4%	7%	10%

## **VI. FEE FOR THE USE OF THE LNG TERMINAL**

### *Calculation of the fee for the use of the LNG terminal*

#### Article 27

- (1) The operator shall charge a fee for the use of the LNG terminal for each individual user for each month and issue an invoice to the user for the aforementioned.
- (2) The operator shall prepare the calculation of the fee for the use of the LNG terminal for each individual user based on the booked amount of natural gas and allocated into equal monthly amounts, and the amounts of tariff items for the unloading and send out of LNG.
- (3) The operator shall submit to the user the calculation and invoice referred to in paragraph 1 of this Article no later than by the 15th day of the current month for the previous month.

### *Final calculation*

#### Article 28

- (1) At the expiration of the gas year, the operator shall prepare the final calculation of the fee for the use of the LNG terminal for each individual user.
- (2) If the period for which an individual user has contracted the use of the LNG terminal is less than the gas year, the operator shall make the final calculation referred to in paragraph 1 of this Article for the user at the expiration of the contract period.
- (3) The elements on the basis of which the final calculation for each user referred to in paragraph 1 and 2 of this Article is prepared are the following:
  - the previously contracted amount of send out of natural gas into the transmission system from the LNG terminal for the gas year, or for the overall contract period in the case referred to in paragraph 2 of this Article,

- the amount of natural gas that was sent out for each user into the transmission system from the LNG terminal during the gas year, or during the overall contract period in the case referred to in paragraph 2 of this Article, and
- the average amount of the valid tariff item for the unloading and send out of LNG in the gas year, or during the contract period in the case referred to in paragraph 2 of this Article.

### **Article 29**

(1) If the sent-out amount of natural gas for an individual user referred to in Article 28, paragraph 3, subparagraph 2 of this Methodology is higher than the previously contracted amount of natural gas referred to in Article 28, paragraph 3, subparagraph 1 of this Methodology, the operator shall charge the user for the amount which is calculated by multiplying the established difference in the amount of natural gas and the average amount of the valid tariff item in the same period.

(2) In the case referred to in paragraph 1 of this Article, the operator shall issue an appropriate invoice to the user.

### **Article 30**

The operator shall submit the final calculation and invoice in the case referred to in Article 29 of this Methodology to the user no later than by 15 November, or no later than by the 15<sup>th</sup> day of the month following the expiration of the contract period in the case referred to in Article 28, paragraph 2 of this Methodology.

## **VII. REGULATORY ACCOUNT**

### **Article 31**

(1) The regulatory account is a model of regulating the energy activity of LNG terminal management allowing for the operator, which plans significant investments in developing the LNG terminal, in the later years of the regulatory account compensation for the revenues which were realised in the initial years of the regulatory account in the amount less than the allowed revenues which would have resulted from the application of this Methodology.

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

### *Characteristics of the regulatory account*

### **Article 32**

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

### **Article 33**

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

## *Establishment of a regulatory account*

### **Article 34**

- (1) The regulatory account is approved by the Agency with a decision on the establishment of a regulatory account for LNG terminal management, upon request by the operator or independently.
- (2) Preconditions for the establishment of a regulatory account the following:
  - the operator plans investments in the amount that shall significantly increase the book value of regulated assets in the following regulatory period,
  - the amounts of tariff items for the unloading and send out of LNG without the use of a regulatory account in the years of the following regulatory period shall result in a price of the operator's services that is uncompetitive for the development of the LNG terminal.
- (3) In addition to the criteria set out in paragraph 2 of this Article, the Agency may use other criteria to determine the operator's eligibility for the establishment of a regulatory account.

## *Calculation of the tariff items in the regulatory account model*

### **Article 35**

- (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 revenues 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 revenues for all the years of the regulatory account if considered warranted by the Agency.
  3. The net present value of unaudited revenues for the period of the regulatory account, reduced to the 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:

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

4. The tariff item for the unloading and send out of LNG for the first year of the regulatory account is determined (hereinafter: initial tariff) as the highest possible tariff item which is competitive enough for the development of the LNG terminal.
5. The maximum allowed tariff item for the unloading and send out of LNG (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, whereas 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 document, through all the years of the regulatory account.

6. The audited tariff item for the unloading and send out of LNG (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:

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

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

wherein the following items are:

- $T_{rev,T+i-1}$  - the audited tariff for the year of the regulatory account T+i-1 (EUR/MWh),
- $\alpha$  - the smoothing coefficient,
- $T_{rev,T}$  - the audited tariff for the first year of the regulatory account (EUR/MWh),
- $T_{IN}$  - the initial tariff (EUR/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 meet the following conditions:

- the audited tariff for each year of the regulatory account is less than or equal to the maximum tariff,
- the net present value of the revenues resulting from multiplying the audited tariff and the total annual amount of gas that shall be sent out into the gas transmission system by the LNG terminal operator (hereinafter: audited revenues) for all the years of the regulatory account is equal to the net present value of the unaudited revenues, 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:

- $NPV_{RP}$  - the net present value of audited revenues (EUR),
- $NPV_{NRP}$  - the net present value of unaudited revenues (EUR),
- $Q_{uk,T+i-1}$  - the projected total amount of natural gas that shall be sent out into the transmission system from the LNG terminal in the year of the regulatory account T+i-1 (MWh),
- $T_{rev,T+i-1}$  - the audited tariff for the year of the regulatory account T+i-1 (EUR/MWh),
- $WACC^P$  - the projected WACC amount for the period of the regulatory account,
- $n$  - the 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 revenues and unaudited revenues, 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 revenues is lower than the net present value of the unaudited revenues.

(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 unloading and send out of LNG 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, in the amounts of the audited tariff referred to in item 7 or 8, paragraph 1 of this Article.

### **Article 36**

(1) By way of derogation from the provisions of Article 11, paragraph 1 of this Methodology, the calculation of the projected depreciation of regulated assets for the calculation of the projected allowed revenues for the years of the regulatory account referred to in Article 35, 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 the 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:

- $a_i^P$  - the rate of depreciation of a regulated asset in a particular year of the useful life of the regulated asset by applying the progressive method (EUR),
- $i$  - the ordinal number of the year of using the regulated asset,
- $n$  - the expected useful life of the regulated asset.

### ***Audit of the regulatory account***

#### **Article 37**

(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 35 of this Methodology, with an adjustment of the calculation as follows:

- for the past years of the regulatory account, the realised revenues shall be used as input parameters for the calculations referred to in Article 35, paragraph 1, items 1, 2 and 3 of this Methodology, instead of the unaudited revenues,

- for the remaining years of the regulatory account, the unaudited revenues used in the previous projection of the regulatory account shall be used as input parameters for the calculations referred to in Article 35, paragraph 1, items 1, 2 and 3 of this Methodology, or by way of exception, the changed amounts of unaudited revenues, if the Agency considers them justified, in which case the changes shall be thoroughly explained by the operator,
- for the calculation of the maximum tariff referred to in Article 35, paragraph 1, item 5 of this Methodology, instead of the projected consumer price index, the actual consumer price index for each previous year based on the data from the Croatian Bureau of Statistics shall be used as an input parameter for the past years of the regulatory account, while for the remaining years of the regulatory account, the consumer price index harmonised with the latest available document of the Ministry of Finance or the Croatian Government shall be used,
- for the calculation of the audited tariff referred to in Article 35, paragraph 1, item 6 of this Methodology, the tariff item for the unloading and send out of LNG valid in the regulatory year T+4 shall be used as the initial tariff that is increased by the smoothing coefficient, where the smoothing coefficient shall be determined by an iterative procedure while fulfilling the conditions set out in Article 35, paragraph 1, item 7 of this Methodology.

(3) In the event of failure to fulfil the preconditions and assessments of the business operations 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 revenues and unaudited revenues for the entire period of the regulatory account, with the mandatory fulfilment of the condition that the audited tariff in all the 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 rendered by the Agency.

## **VIII. SUBMISSION OF REQUESTS FOR THE DETERMINATION OR CHANGE OF THE AMOUNTS OF TARIFF ITEMS AND DELIVERY OF DATA AND DOCUMENTATION**

### **Article 38**

The operator shall submit to the Agency a request for the determination or change of the amounts of tariff items for the unloading and send out of LNG no later than by 30 April of the year T-1 and deliver 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 amounts of tariff items for the unloading and send out of LNG for all the years of the regulatory period,
- completed Table 1 Tariff items for the unloading and send out of LNG, and Table 2 Projected amount of send out of natural gas into the transmission system from the LNG terminal set out in Appendix 2 of this Methodology,
- business plan covering all the years of the regulatory period, which plan includes the financial statements, investment plan and loan repayment plan,

- development plan of the LNG terminal with the physical and financial indicators covering all the years of the regulatory period, which includes:
  - a 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 for the planned investments, and
  - ten-year projection of the LNG terminal development,
- additional data and documentation requested by the Agency.

### **Article 39**

(1) The request for the establishment of a regulatory account shall be submitted by the operator as part of the request for the determination or change the amount of tariff items for the unloading and send out of LNG referred to in Article 38 of this Methodology.

(2) Together with the request referred to in paragraph 1 of this Article, the operator shall provide the following:

- data and documentation referred to in Article 38 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 35 and 36 of this Methodology,
- amounts of tariff items for the unloading and send out of LNG for all the years of the regulatory period, in accordance with Article 35, paragraph 3 of this Methodology,
- data on the contracted and projected amounts of send out of natural gas into the transmission system from the LNG terminal for all the years of the regulatory account,
- projections of financial statements for the energy activity of LNG terminal management for all the years of the regulatory account,
- development plan for the LNG terminal with physical and financial indicators, which includes all the data referred to in Article 38, subparagraph 6 of this Methodology for all the years of the regulatory account,
- additional data and documentation requested by the Agency.

### **Article 40**

Every year during the regulatory period, no later than by 30 April, 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 set out in Appendix 1 of this Methodology, with the actual data for the previous year,
- the realisation of the plan of investments into the construction and reconstruction of the LNG terminal,
- completed Table 2 Projected amount of send out of natural gas into the transmission system from the LNG terminal set out in Appendix 2 of this Methodology, with the actual data for the previous year,
- clear summary table of the calculated fees for the use of the LNG terminal for all users, including the final calculation of the fee for the use of the LNG terminal, broken down by users, for each month of the previous year and
- additional data and documentation requested by the Agency.

### **Article 41**

In order to perform regular audits of allowed revenues for the year T-1 and previous years of the regulatory period, the operator shall submit to the Agency the following data and documentation, together with a request for the determination or change of the amount of tariff items for the unloading and send out of LNG for the following regulatory period referred to in Article 38 of this Methodology:

- data and documentation referred to in Article 38 and 40 of this Methodology, with the actual data for the year T-1 and previous years of the regulatory period,
- 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 previous years of the regulatory period,
- data and documentation referred to in Articles 39 and 40 of this Methodology, with data for the year T-1 and previous year of the regulatory period and planned data for the remaining years of the regulatory account, in the case of the operator for which the regulatory account has been established.

### **Article 42**

All the data and documentation referred to in Articles 38 to 41 of this Methodology, submitted by the operator to the Agency, shall be signed by the authorised person.

### **Article 43**

The Agency shall publish the decision on the amount of tariff items for the unloading and send out of LNG in the Official Gazette for all the years of the regulatory period no later than 10 days before the start of the regulation period.

Article 44

If the Agency does not specify the amount of tariff items for the unloading and send out of LNG until the start of the regulatory period, valid tariff items from the last year of the previous regulatory period apply to their determination.

#### Article 45

(1) The Agency may, at the request of the operator or individually, establish indicative amounts of tariff items for the unloading and send out of LNG for the period of one or more regulatory periods, by applying the provisions of this Methodology appropriately.

(2) The indicative amounts of the tariff items referred to in paragraph 1 of this Article may not be the basis for calculating the fees for the use of the LNG terminal of Article 27 of this Methodology, nor for the final calculation of the fee for the LNG terminal from Article 28 of this Methodology.

(3) For the purpose of calculating the indicative amounts of the tariff items referred to in paragraph 1 of this Article, the operator shall, at the request of the Agency, provide all necessary data and documentation signed by the authorized person.

### IX. SUPERVISION

#### Article 46

The application of this Methodology is monitored by the Agency.

### X. TRANSITIONAL AND FINAL PROVISIONS

#### Article 47

(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 of 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 48

(1) By way of derogation from Article 10, paragraph 5 and 9 of this Methodology, the projected OPEX amount for the years of the first regulatory period is determined based on thoroughly explained estimated amounts that the Agency considers reasonable, according to Table 1 Total operating expenses set out in Appendix 1, constituting 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 thoroughly estimated amounts that the Agency considers reasonable, according to Table 3 Regulated assets, and Table 4

Depreciation of regulated assets set out in Appendix 1, constituting an integral part of this Methodology.

#### Article 49

By way of derogation from Article 22 of this Methodology, 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 ending on 31 December 2021, shall be taken into consideration for the determination of the difference between the audited allowed revenue and the realised revenue for the years of the first regulatory period.

#### Article 50

By way of derogation from Article 38 of this Methodology, the request for the determination of 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 51

The day of entry into force of this Methodology shall be the day when the Methodology for the Determination of the Tariff Items for the Unloading and Send out of Liquefied Natural Gas (“Official Gazette”, number 110/17) shall cease to be valid.

#### Article 52

This Methodology shall be published in the “Official Gazette” and enter into force on 15 July 2018.

Class:

Reg. No.:

Zagreb, 22 May 2018

President of the Board of Commissioners

Tomislav Jureković, BSc Eng

## APPENDIX 1

Table 1 Total operating expenses

No.	Items	Amount (EUR)
<b>1</b>	<b>MATERIAL EXPENSES</b>	
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	<i>Electricity</i>	
1.6.2	<i>Gas, steam, briquettes and wood</i>	
1.6.3	<i>Fuel expenses</i>	
1.6.4	<i>Other energy expenses (specify)</i>	
1.7	Other material expenses (specify)	
	<b>TOTAL 1</b>	
<b>2</b>	<b>OTHER EXTERNAL EXPENSES – SERVICE EXPENSES</b>	
2.1	Telephone, transportation and similar expenses	
2.2	Expenses arising from external services in the production of goods and provision 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	<i>Procured services relating to routine maintenance (without own materials and parts)</i>	
2.3.2	<i>Procured services relating to investment maintenance (without own materials and parts)</i>	
2.3.3	<i>Cleaning and washing services</i>	
2.3.4	<i>Services relating to software and website maintenance</i>	
2.3.5	<i>Services relating to occupational health and safety and environmental maintenance</i>	
2.3.6	<i>Security guard services of guarding the property and persons</i>	
2.3.7	<i>Other maintenance services and personal services (specify)</i>	
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	<i>Lease - rental of real property</i>	
2.5.2	<i>Equipment leasing</i>	
2.5.3	<i>Services relating to operating equipment leasing</i>	
2.5.4	<i>Other leasing services expenses (specify)</i>	
2.6	Advertising and sponsorship services and trade 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	<i>Other income expenses (temporary service contracts, sales agents, consultants)</i>	
2.7.2	<i>Specialist education services, scientific research services, information services etc.</i>	
2.7.3	<i>Consulting and advisory services</i>	
2.7.4	<i>Bookkeeping services</i>	
2.7.5	<i>Services relating to auditing and company value assessment</i>	
2.7.6	<i>Attorney and notary services and services relating to drafting of legal documents</i>	
2.7.7	<i>Other services (specify)</i>	
2.8	Utilities and similar services expenses	
2.9	Representation services - hosting and mediation	
2.10	Expenses relating to other external services (specify)	
	<b>TOTAL 2</b>	
<b>3</b>	<b>PERSONNEL EXPENSES - SALARIES</b>	
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)	
	<b>TOTAL 3</b>	
<b>4</b>	<b>OTHER OPERATING EXPENSES</b>	
4.1	Daily allowances 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	<i>Commuting expenses</i>	
4.2.2	<i>Local travel expenses (compensation for the use of private car for business purposes)</i>	
4.2.3	<i>Scholarships, elementary and high school student awards</i>	
4.2.4	<i>Severance pays</i>	
4.2.5	<i>Gifts for children and similar aids (if not income)</i>	
4.2.6	<i>Occasional awards (Christmas and Easter bonuses, gifts in kind, recourse, jubilee awards and similar)</i>	
4.2.7	<i>Aid due to illness, disability, death, natural disasters and similar</i>	
4.2.8	<i>Other employee expenses (specify)</i>	
4.3	Expenses relating to members of the Management Board (specify)	
4.4.	Representation and advertising costs (internal)	
4.45	Insurance premiums (4.45.1+ 4.45.2+ 4.45.3+ 4.45.4)	
4.45.1	<i>Insurance expenses of fixed tangible and intangible assets</i>	
4.45.2	<i>Insurance premiums for individuals (hazardous jobs, transferring cash, passengers and similar)</i>	

4.45.3	<i>Insurance premiums for means of transport (including all-risk insurance)</i>	
4.45.4	<i>Premiums for other forms of insurance (specify)</i>	
4.6	Banking services and payment system expenses	
4.7	Membership fees, compensations and similar expenses	
4.8	Taxes not depending on profit and fees (specify)	
4.9	Expenses relating to the right to use (except for leases) (4.9.1+ 4.9.2)	
4.9.1	<i>Concession expenses</i>	
4.9.2	<i>Other expenses relating to the right to use (specify)</i>	
4.10	Other operating expenses - intangible (specify)	
	<b>TOTAL 4</b>	
<b>5</b>	<b>VALUE ADJUSTMENT</b>	
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	
	<b>TOTAL 5</b>	
<b>6</b>	<b>PROVISIONS</b>	
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 court 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)	
	<b>TOTAL 6</b>	
<b>7</b>	<b>OTHER OPERATING EXPENDITURES</b>	
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)	
	<b>TOTAL 7</b>	
	<b>TOTAL (1 + 2 + 3 + 4 + 5 + 6 + 7)</b>	



Table 2 OPEX for the years of the regulatory period

<i>Year of the regulatory period</i>	<i>T-2</i>	<i>T-1</i>	<i>T</i>	<i>T+1</i>	<i>T+2</i>	<i>T+3</i>	<i>T+4</i>
<b>OPEX (EUR)</b>							
Consumer Price Index - CPI (%)	-						
Efficiency coefficient – X (%)	-						

Table 3 Regulated assets

<i>Year of the regulatory period</i>	<i>T-2</i>	<i>T-1</i>	<i>T</i>	<i>T+1</i>	<i>T+2</i>	<i>T+3</i>	<i>T+4</i>
<b>Average amount of regulated assets - RO<sub>pros</sub> (EUR)</b>	-	-					
<b>Regulated assets at the end of the regulatory year - RO (EUR)</b>							
Tangible assets							
<i>Land</i>							
<i>Buildings</i>							
<i>Plants, equipment and ships</i>							
<i>Tools</i>							
<i>Other</i>							
Intangible assets							
<b>New investments in the construction and reconstruction of the LNG terminal that are put into use in the regulatory year – I (EUR)</b>							
Tangible assets							
<i>Land</i>							
<i>Buildings</i>							
<i>Plants, equipment and ships</i>							
<i>Tools</i>							
<i>Other</i>							
Intangible assets							
<b>Depreciation - A (EUR)</b>							

<b>Non-repayable funds – S<sub>besp</sub> (EUR)</b>						
<b>Sold and disposed assets - OR (EUR)</b>						

Table 4 Depreciation of regulated assets\*

Regulatory year _____					
No.	Regulated assets structure	Purchase value (EUR)	Annual depreciation rate (%)	Amount of annual depreciation (EUR)	Net book value as at 31 December of the regulatory year (EUR)
1	<b>Tangible assets</b>				
1.1.	<i>Buildings</i>				
1.2	<i>Plants, equipment,</i>				
1.3	<i>Tools</i>				
1.4	<i>Other</i>				
2	<b>Intangible assets</b>				
	<b>TOTAL (1 + 2)</b>		-		

\* 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+1.4)	
1.1	<i>Risk-free rate of return - <math>r_f</math> (%)</i>	
1.2	<i>Variability coefficient of operator shares in relation to the average variability of return on market portfolio – <math>\beta</math> (levered)</i>	
1.3	<i>Market risk premium - <math>r_m - r_f</math> (%)</i>	
1.4	<i>Premium for business development of managing the LNG terminal - <math>r_{upp}</math> (%)</i>	
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 (%)	
	<b>WACC amount for the regulatory period – WACC (%)</b> (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 – <b>OPEX</b> (EUR)					
2	Depreciation of regulated assets - <b>A</b> (EUR)					
3	Return on regulated assets - <b>PRO</b> (EUR)					
4	Part of the difference between the audited allowed revenue and the realised revenue in the year T-1 and in previous years – <b>PVδ</b> (EUR)					
5a	Revenue from non-standard services – <b>P<sub>NU</sub></b> (EUR)					
5b	Other operating revenue - <b>P<sub>OST</sub></b> (EUR)					
	<b>Allowed revenue – DP</b> (EUR) (1+ 2+ 3+ 4 - (5a+ 5b))					
	<b>Smoothed allowed revenue - DP<math>\alpha</math></b> (EUR)					

## APPENDIX 2

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

	<i>Tariff item mark</i>	<i>Tariff item name</i>	<i>Tariff items for the years of the regulatory period (without VAT)</i>					<i>Measuring unit</i>
			<i>T</i>	<i>T+1</i>	<i>T+2</i>	<i>T+3</i>	<i>T+4</i>	
	T <sub>upp</sub>	Tariff item for the unloading and send out of LNG						EUR/MWh

Table 2 Projected amount of send out of natural gas into the transmission system from the LNG terminal

<i>Service</i>	<i>Planned quantity of natural gas delivery in the years of regulated period</i>					<i>Measuring unit</i>
	<i>T</i>	<i>T+1</i>	<i>T+2</i>	<i>T+3</i>	<i>T+4</i>	
Send out of natural gas into the transmission system						MWh