OIL AND GAS REGULATORY AUTHORITY

ISLAMABAD

January 20, 2003

Case No. OGRA 6(2)-2/2002 (Final Determination)

FINAL REVENUE REQUIREMENTS DETERMINATION
FINANCIAL YEAR 2001-02

Petitioner

Sui Southern Gas Company Limited

Petition dated November 13, 2002

OIL AND GAS REGULATORY AUTHORITY

Chairman Mr. Munir
Ahmad

Member (Gas) / Vice Chairman Mr. Jawaid
Inam

Member (Finance) Mr. Mahboob
Elahi

Member (Oil) Mr. Rashid
Farooq

BACKGROUND

1. Sui Southern Gas Company Limited, (Petitioner) is a public limited company incorporated in Pakistan which is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Petitioner is engaged in the business of construction and operation of gas transmission and distribution pipelines, sale of natural gas, manufacture and sale of gas meters and sale of gas condensate as a by-product. The Petitioner was also previously engaged in the marketing of Liquefied Petroleum Gas (LPG). However, the LPG operations were discontinued last year as a consequence of the sale of the business to Caltex Oil Pakistan Limited.

2. The Authority vide its decision dated August 6, 2002 had determined estimated revenue requirements of the Petitioner under section 8(1) of the Oil and Gas Regulatory Authority Ordinance, 2002. The Prescribed Price was revised downwards by Rs. 1.136 per HM^3 (Rs. 0.32 per MCF) on provisional basis w.e.f. July 1, 2001.

3. The Petitioner, under section 8(2) of the Oil and Gas Regulatory Authority Ordinance 2002, filed a Petition before the Authority on September 06, 2002 for the determination of its final revenue requirement for FY 2001-02 on the basis of Auditor's initialled accounts for the said financial year. The Petitioner sought a decrease in its prescribed prices by Rs. 1.704 per HM^3 (Rs. 0.48 per MCF) in each category of consumers, over and above that earlier determined by the Authority in its decision dated August 6, 2002, to cater for net surplus of Rs. 113.424 Million in its revenue requirements for the financial year 2001-2002.

4. A pre-admission hearing was held on September 17, 2002 and subsequently on September 24, 2002. The Petitioner pointed out that all the figures pertaining to the value of fixed assets, sales volumes, sales revenues and operating costs etc were taken on actual basis except for

provision for doubtful debts. It was explained that provision for doubtful debts was increased from Rs. 124.606 Million, as per Authority's determination dated August 6, 2002 to Rs. 219.750 million in the Auditor's initialled accounts.

The Petitioner stated that total provision of Rs. 219.750 Million includes provision amounting to Rs. 78.118 million in respect of consumers on "Disconnection List"

5. which were overdue by 360 days at the year end. The Authority was of the view that Petitioner has been previously making provision for doubtful debts at the time of actual disconnection of consumers and hence, it was not justified to deviate from its past practices. Besides there was no justification to make such provisions in respect of active consumers. The Petitioner, instead of pleading its case further, requested the Authority to allow it to withdraw the Petition. Accordingly, the Authority allowed the withdrawal of the Petition.

6. The Petitioner filed revised Petition (the Petition) before the Authority on November 13, 2002 for the determination of its final revenue requirement for FY 2001-02 on the basis of Audited accounts for the said financial year. The Petitioner sought a decrease in its prescribed prices by Rs. 3.159 per HM^3 (Rs. 0.89 per MCF) in each category of consumers, over and above that earlier determined by the Authority in its decision dated August 6, 2002 to cater for net surplus of Rs. 207.940 Million in its revenue requirements for the financial year 2001-2002.

7. To determine whether a prima facie case for consideration was made out, the Authority sought further information from the Petitioner. On the basis of the information submitted by the Petitioner, the Authority held a pre-admission hearing on November 19, 2002 and decided that a prima facie case for evaluation exists therefore, the Petition was admitted.

8. Instant case finally came up for hearing before the Authority on January 13, 2003.

SALIENT FEATURES OF THE PETITION

9. The salient features of the Petition are as under:

9.1 Under the provisions of Asian Development Bank Agreement the Petitioner is eligible to an annual return of not less than 17% on the value of its average net operating fixed assets (net of deferred credit), before corporate income taxes, interest and other charges on debt. Accordingly, the revenue requirements of the Petitioner also cater for the cost of gas at wellhead and T&D cost.

The net operating fixed assets have been claimed at Rs. 16,324 million as against Rs. 16,410 million, in the provisional determination dated August 6,

9.2 2002. After adjustment of deferred credits, the net fixed assets in operation amount to Rs. 15,177 million for the FY 2001-02.

9.3 Based on the above average net operating fixed assets the required return at 17% is computed at Rs. 2,580 million.

9.4 **Net operating revenues** have been claimed at Rs. 29,653 million, as compared to Rs. 29,715 million provisionally determined by OGRA on August 6, 2002, which are compared hereunder:

Rs. in millions

Particulars	**Per estimated revenue requirement determination dated August 6, 2002**	**Per Petition for final revenue requirement based on Audited accounts**
Net Sales at current tariff	28,627	28,555
Meter Rentals	407	408

Late Payment Surcharge	214	213
Meter Manufacturing business profits	42	42
Amortization of deferred credit	122	121
Sale of Gas Condensate	161	160
Gas transportation charges	52	48
Other income	90	106
Net operating revenues	**29,715**	**29,653**

9.5 **Net operating expenses** have been claimed at Rs. 26,875 million as compared to Rs. 27,067 million as per determination made by OGRA dated August 6, 2002, which is detailed as follows:

Rs. in millions

	Per estimated revenue requirement determination dated August 6, 2002	**Per Petition for final revenue requirement based on Audited accounts**
Cost of Gas	22,133	22,217
Transmission and Distribution cost	2,819	2,545
Depreciation	2,001	1,989
Other charges	114	124
Net operating expenses	**27,067**	**26,875**

9.6 Unaccounted for Gas (UFG) as per audited accounts is 7.6 % (19,284 MMSCF), as compared to 7.65% (19,420 MMSCF) as estimated by OGRA vide order dated August 6, 2002.

9.7 The Surplus in the revenue requirement has been calculated at Rs. 207.940 million. Consequently a decrease of Rs. 3.159 per HM^3 (Rs. 0.89 per MCF) in the prescribed price **over and above the price provisionally allowed** by the Authority on August 6, 2002 has been worked out by the Petitioner as compared below:

Rs. in millions

Particulars	**Per estimated revenue requirement determination dated August 6, 2002**	**Per Petition for final revenue requirement based on Audited accounts**
Net operating revenues	29,644	29,653
Net operating expenses	27,068	26,875
Return obtainable	2,576	2,778
Return required @17% on net fixed assets in operation	2,576	2,580
Surplus in the revenue requirement	-	198
Surplus after grossing up of 5% W.P.P Fund	-	208
Decrease required in prescribed prices (Rs/MCF)	**Nil**	**Rs. 0.89 per MCF**

POINTS CONSIDERED BY THE AUTHORITY

10. The Authority considered the following points during the proceedings:

a. Operating Fixed Assets

b. Operating revenues

c. Operating expenses

d. Unaccounted for Gas

e. Provision for doubtful debts

f. Deferred tariff adjustment

Operating Fixed Assets

10.1 The Petitioner has valued its net operating fixed assets at Rs. 16,323.659 million with an addition of Rs. 2,098.730 million during FY 2001-2002.

Value of Net Fixed Asset in Operation as at June 30, 2002

Rupees in million

Description	Per estimated revenue requirement determination dated August 6, 2002	Per Petition for final revenue requirement based on Audited accounts
Cost of fixed assets as at 1st July	32,866.258	32,866.258
Add: Additions during the year	1,981.268	2,098.730
Less: Deletions/Adjustment	(53.131)	(218.554)
	34,794.395	34,746.434
Less: Accumulated Depreciation-Opening balance	15,996.886	15,996.886
	18,797.509	18,749.548
Less: Depreciation during the year		
Depreciation for the year	2,438.432	2,558.354
Less: Depreciation for assets deleted/ adjustments	(50.528)	(132.465)
Net depreciation for the year	2,387.904	2,425.889
Net fixed assets in operation	**16,409.605**	**16,323.659**

Fixed Asset Additions during the FY 2001-02

Rupees in million

Description	Per estimated revenue requirement determination dated August 6, 2002	Per Petition for final revenue requirement based on Audited accounts
Transmission	319.214	322.365
Distribution	1,450.933	1,508.793
Others	211.121	267.572
Total	**1,981.268**	**2,098.730**

10.2 Comparative analysis of the additions to the asset base for the financial year 2001-02 is as follows:

Rs. in millions

	Per estimated revenue requirement determination dated August 6, 2002	**Per Petition for final revenue requirement based on Audited accounts**	**Difference Increase / (Decrease)**
Land	14.614	41.483	26.869
Building	14.689	30.632	15.943
Purification Plant	51.367	52.379	1.012
Transmission Line	319.214	322.365	3.151
Compressors	0	7.804	7.804
Plant and Mach.	23.053	24.923	1.870
Gas distribution sys.	1,450.933	1,508.793	57.860
Furniture and Fixture	32.248	31.716	(0.532)
Tools	9.970	10.320	0.350
Vehicles	65.180	68.315	3.135
Total additions	**1,981.268**	**2,098.730**	**117.462**
Deletions/ Adjustments	**(53.131)**	**(218.557)**	**165.426**
Net Additions in Asset Base	**1,928.137**	**1,880.173**	**(47.964)**

The additions in assets during the year include 5 km of transmission mains, 703 km of distribution mains and service lines. Furthermore, during the year the Petitioner has given new connections to 61,616 consumers. The cost of 30 KM segment of pipeline from Sui to Peshbogi costing Rs. 77.711 million,

10.3 which was disallowed by the Authority in its earlier determination dated August 6, 2002, has been de-capitalized and now shown under “Capital Work in Progress” which does not form part of the rate base for the purposes of revenue requirement determination.

10.4 During the year ended June 30, 2002, the company carried out an exercise for the intelligent pigging of its 18” Dia Indus River Right Bank Pipeline-IRBP (section running from Sui to Karachi and having an approximate length of 373 km) and 20” Dia Indus River Right Bank Pipeline IRBP (section running from Sui to Dadu and having an approximate length of 266 km). The purpose of this exercise was to detect the internal metal loss caused to the pipelines as a result of the contaminations in natural gas and accordingly to undertake timely remedial action on the pipelines. The total expenditure incurred on this exercise amounted to **Rs. 173.029** million, out of which Rs. 141.982 million was spent on intelligent pigging, Rs. 16.494 million on cleaning, and Rs. 14.553 million on rehabilitation. The Petitioner has capitalized the said expenditure on the understanding that the useful life of the aforesaid pipeline has increased. It was further stated that the flow capacity of IRBP Pipeline before pigging was 376 MMCFD which has now increased to 411 MMCFD on the basis of Sui gas supply at 1050 PSIG ex-purification plant Sui field. Also that the expenditure on intelligent pigging can be construed as major repairs which is capitalized per accounting policy of the Petitioner.

10.5 The Petitioner has provided the following justifications for undertaking the intelligent pigging exercise:

(i) The Petitioner has contracted to carry Zamzama gas for SNGPL for which 18” dia pipeline has been dedicated to carry that gas in reverse direction i.e South to North. Without the prior cleaning and pigging of the pipeline the reverse flow from Zamzama gas field to SNGPL would have caused de-scaling and disintegration of the accumulated debris, which could have caused chocking of the valve assemblies and control instruments.

ii) Establish the integrity of the pipeline to cater for anticipated enhanced gas inflow from Bhit and Zamzama gas fields at higher pressures.

iii) Tracing of the external surface corrosion and damage to the protective coating.

iv) Repair of coating damage and corrosion caused by hot gas transmission.

v) Due to prevailing law and order situation in Bugti and Jakhrani areas, and right of way issues, it was not possible to conduct routine maintenance.

vi) Restoration of remaining life of the pipeline and further extension in total life of the pipeline with regular maintenance.

10.6 Exhaustive discussions were held with the Petitioner and detailed submissions were made by them including the Board's approval supported by technical literature on the subject. In view of the circumstances explained by the Petitioner, the Authority hereby allows the capitalization of expenditure pertaining to intelligent pigging. This treatment also conforms to the International Accounting Standard 16 as confirmed by Auditors of the Petitioner. Since the intelligent pigging is relatively a new and expensive technology, the Authority hereby directs the Petitioner to undertake such activity, in future, after fully exhausting all available conventional methods for assessment of pipeline integrity and also take into consideration the cost benefits associated with intelligent pigging vis a vis other methods.

10.7 The Authority accepts the valuation of Fixed Assets as verified by the Auditors in the annual accounts.

10.8 Since the Petitioner is entitled to 17% return on the fixed assets in operation net of deferred credit per ADB loan covenants, the adjusted net value of operating assets comes to Rs. 15,177.239 million as against Rs. 15,223.726 million provisionally determined by the Authority vide its order dated August 6, 2002, as tabulated below:

Particulars	Per estimated revenue requirement determination dated August 6, 2002	Per Petition for final revenue requirement based on Audited accounts
Net fixed assets in operation:		
-At the beginning	16,869.372	16,869.373
-At the end	16,409.605	16,323.659
(A) Average	**16,639.489**	**16,596.516**
Less: Deferred Credit:		
-At the beginning	1,413.275	1,413.275
-At the end	1,418.250	1,425.280
(B) Average	**1,415.763**	**1,419.277**
Rate Base per Loan Covenants (A-B)	**15,223.726**	**15,177.239**

OPERATING REVENUES:

11. Gas Sales Revenues

11.1 Gas sales revenues are Rs. 32,235.028 million as compared to Rs. 32,223.420 million as per determination made by OGRA dated August 6, 2002. This increase is due to more volume of gas sold to cement and fertilizer and domestic consumers and decrease in industrial and commercial consumers sales as compared below:

Description	Per estimated revenue requirement determination dated August 6, 2002 (MMCF)	Per Petition for final revenue requirement based on Audited accounts (MMCF)
Power - WAPDA	27,468	27,468
- KESC	43,771	43,771
- COASTAL POWER	8,203	8,203
Power Sector Total	79,442	79,442
Cement	3,242	3,334
Fertilizer (feedstock)	14,996	15,103
Others - General Industrial	78,406	78,371
- Commercial	6,693	6,581
- Domestic	51,640	51,722
Total Sales Volume	**234,419**	**234,553**
Total Sales Revenues (Rs. In million)	***32,223.420***	***32,235.028***

11.2 The Authority accepts the sales revenue as verified by the Auditors in the annual accounts.

12. Late Payment Surcharge

12.1 Late payment surcharge has decreased from Rs. 214.479 million to Rs. 212.698 million in the audited accounts.

12.2 As per para 13.2.4 of Authority's determination dated August 6, 2002 late payment surcharge was treated as an operating income. The Petitioner in its final Petition has treated the income from late payment surcharge as operating income in compliance with decision of the Authority.

12.3 The Petitioner is recognizing interest on gas sales arrears against WAPDA and KESC on receipt basis, which is against the accrual based revenue recognition policy of the Petitioner.

The Petitioner pleaded that WAPDA is continuously defaulting on its principal as well as interest payments. Due to the nature and size of this consumer and its impact on country's economy and general public, it is not

12.4 possible to exercise the option of disconnection. Keeping the aforestated extenuating circumstance in view, the Petitioner has not recognized interest income on gas sales arrears against WAPDA and KESC in the annual accounts amounting to Rs. 255.062 million. It was further noticed that the interest on late payment of gas bills of OGDC and other producers (Rs. 209 million) has not been recognized as financial expenses on the plea that due to default by WAPDA and KESC, the Petitioner was not able to pay producers invoices in time.

12.5 The Authority is of the view that interest income on gas sales arrears against WAPDA and KESC meets the definition of contingent asset as defined in International Accounting Standard (IAS) 37 i.e. contingent assets for which economic inflow is probable and the amount can be measured reliably and requires disclosure in the accounts as per para 34 and 89 of International Accounting Standard 37. The Petitioner has not disclosed the fact that interest income on gas sales arrears against WAPDA and KESC has not been recognized as income in the accounts.

12.6 Since the accounts for FY 2001-02 have already been circulated among the shareholders, the Petitioner is directed that it should make proper disclosure of above transactions in accordance with the International Accounting Standards in its annual accounts in the future years.

13. Profits from Meter Manufacturing

13.1 Profit from meter manufacturing business has decreased from Rs. 41.884 million to Rs. 41.600 million in the audited accounts.

13.2 The Authority accepts the revenue from meter manufacturing as verified by the Auditors in the annual accounts.

14. Operating Expenses:

14.1 The operating cost as disclosed in the annual accounts of the Petitioner for the financial year 2001-02 is Rs. 2,712.762 million, showing a decrease of 6.77% from operating cost as per determination made by OGRA dated August 6, 2002, as indicated below:

Amount Rs. in million

PARTICULARS	**Per estimated revenue requirement determination dated August 6, 2002**	**Per Petition for final revenue requirement based on Audited accounts**	Difference Increase / (decrease)	Percentage Increase / (decrease)
Salaries and Wages	2,446.309	2,344.535	(101.774)	(4.16)%
Gas Internally Consumed	77.452	79.487	2.035	2.63%
Store and Spares consumed	182.792	168.603	(14.189)	(7.76)%
Materials used on consumers installation	26.061	24.901	(1.160)	(4.45)%
Electricity	39.502	47.813	8.311	21.04%
Rent, rates and taxes	19.547	19.702	0.155	0.79%
Cost of services provided by PPL	29.854	36.809	6.955	23.30%
Traveling	28.686	28.985	0.299	1.04%
	34.093	36.437	2.344	6.88%

Insurance and royalty				
Postage and revenue stamps	30.217	29.984	(0.233)	(0.77)%
Repairs and Maintenance	187.233	181.495	(5.738)	(3.06)%
Legal and Professional charges	47.235	50.823	3.588	7.60%
License and tariff application fee to OGRA	31.443	10.309	(21.134)	(67.21)%
Security expenses	38.020	37.575	(0.445)	(1.17)%
Gas bills collection charges	28.323	25.934	(2.389)	(8.43)%
Provision for doubtful debts	124.606	219.750	95.144	76.36%
Others	80.019	61.612	(18.407)	(23)%
	3,451.392	3,404.754	(46.638)	(1.35)%
Less : Recoveries / allocations	541.782	691.992	150.210	27.73%
TOTAL	**2,909.610**	**2,712.762**	**(196.848)**	**(6.77)%**

14.2 Further breakup of increase in recoveries/ allocations from Rs. 541.782 million as per determination of the Authority dated August 6, 2002 to Rs. 691.992 million as per annual account is detailed below:

Rs. in million

PARTICULARS	**Per estimated revenue requirement determination dated August 6, 2002**	**Per Petition for final revenue requirement based on Audited accounts**	Difference Increase / (decrease)
Gas distribution system	399.015	438.433	39.418
Purification cost	98.785	104.924	6.139
	21.544	28.851	7.307

Meter manufacturing business division			
Inter sate Gas company Limited	0.907	1.220	0.313
Installation cost recovered from customers	25.128	51.926	26.798
Recoveries from others	(3.597)	66.638	70.235
TOTAL	**541.782**	**691.992**	150.210

14.3 From the above analysis it is evident that the overall decrease in operating cost is mainly attributed to decrease in salaries and wages cost, higher allocation of cost to Gas Distribution Development System / Transmission projects and recovery of installation cost from customers.

15. Salaries and Wages

15.1 The salaries and wages constitute 86% of the operating cost, which has registered a decrease of 7.84% as indicated below:

Rupees in million

Per estimated revenue requirement determination dated August 6, 2002	**Per Petition for final revenue requirement based on Audited accounts**	Difference – Increase / (decrease)	Percentage Increase / (decrease)
2,446.309	2,254.535	(191.77)	(7.84)

15.2 Provision for proposed CBA Agreement amounting to Rs. 90 million, to be effective from 1st January, 2002, has been excluded by the Petitioner. Any amount due for the FY 2001-2002, on account of CBA agreement shall be adjusted in the revenue requirement for the financial year subsequent to the one in which the agreement has been actually concluded in line with the principles already laid down in determination made by OGRA dated August 6, 2002.

16. Financial charges

16.1 An amount of Rs. 4.783 million was expended to obtain credit rating of SSGCL and on advisory services/trust ship/underwriting of second tranch of TFC to various banks. This amount has been charged as professional charges to profit and loss accounts instead of capitalizing it to qualifying assets, as the financial charges relating to TFC are being capitalized as per Petitioner's policy for capitalization of borrowing cost.

16.2 The Authority directs the Petitioner to capitalize borrowing cost in accordance with the relevant International Accounting Standards. The Authority also directs the Petitioner to deduct from the borrowing costs any interest income earned on such funds, which are not fully utilized for expenditure on capital assets and are temporarily invested, in determining the amount of borrowing costs eligible for capitalization as required by para 15 and 16 of International Accounting Standard 23.

17. Receivables & provision for doubtful debts

Provision for doubtful debts as per determination made by OGRA dated August 6, 2002 was allowed at Rs. 124.606 million. However, the provision has now increased to Rs. 141.632 million. This does not include

17.1 provision for doubtful debts in respect of consumers which are on disconnection list and which were claimed in the previous Petition dated September 6, 2002.

17.2 The final figure of provision for doubtful debts of Rs. 141.632 million as claimed by the Petitioner for final revenue requirement determination is accepted.

18. Deferred tariff adjustment

18.1 An amount of Rs. 168.118 million against provisions have been disallowed by the Authority in the revenue requirement determination as detailed below:

	Rs. in million
Provision for Proposed CBA agreement	90.000
Provision for doubtful debts for consumers on "Disconnection List" overdue by 360 days as on 30-06-02	78.118
	168.118

18.2 The Petitioner has booked this amount as recoverable from Government of Pakistan under deferred tariff adjustment.

18.3 This has resulted in understatement of Gas Development Surcharge expense for the FY 2001-02, but this would be adjusted subsequently in future years upon settlement of the issues. However, the Petitioner has informed that the amount of Gas Development Surcharge, on the basis of final prescribed prices, has been deposited with the Federal Government.

18.4 The Authority directs the Petitioner to ensure the payment of Gas Development Surcharge with the Federal Government in accordance with the applicable laws.

19. Unaccounted for Gas

19.1 Initially the Petitioner projected UFG at 7.65% (19,420 MMSCF) during the FY 2001-02 as against 8.36 % (18,870 MMSCF) during the previous year. The Audited accounts reflect UFG at 7.60% (19,284 MMSCF).

19.2 The Authority accepts the UFG at 7.60% as verified by the Auditors in the annual accounts, subject to the directions for further reduction as conveyed vide order dated August 6, 2002.

Conclusion:

20. The Authority has noted the Federal Government policy guidelines under section 47 of Oil and Gas Regulatory Authority Ordinance, 2002 as follows:

i) till such time an appropriate rate of return is determined by the OGRA, in consultation with the Federal Government and the licensees, the OGRA shall determine the revenue requirements of the existing gas companies on the basis of the covenants stipulated in the loan agreements of SNGPL with the World Bank and SSGCL with the ADB.

ii) for the financial years 2001-02 and 2002-03, OGRA shall undertake determination or review of the revenue requirements (prescribed prices) of the existing gas companies and make retroactive adjustments in accordance with the present procedure, which is being followed by the Federal Government

21. In view of the reasons given and analysis made, the Authority concludes that the Petitioner's Revenue Requirement as determined by the Authority on provisional basis in its orders dated August 6, 2002 be further reduced by Rs 207.940 million thereby effecting a decrease in its average prescribed price by Rs. 3.159 per HM^3 (Rs. 0.89 per MCF) over the provisional order dated August 6, 2002 per Annexure-A.

22. For the reasons stated in the preceding paragraphs, no person will be adversely affected; therefore, the Authority decides not to hold a public hearing.

ORDER

23. The Authority hereby directs the Petitioner to:

i) undertake intelligent pigging (a relatively new and expensive technology) in future after fully exhausting all available conventional methods for assessment of pipeline integrity and also take into consideration the cost benefits associated with intelligent pigging vis a vis other methods

ii) make proper disclosure of interest income on gas sales arrears against WAPDA and KESC, and other similar transactions, in accordance with the International Accounting Standards in its annual accounts in the future years.

iii) capitalize borrowing cost in accordance with the relevant International Accounting Standards. In future, deduct from the borrowing costs any interest income earned on such funds, which are not fully utilized for expenditure on capital assets and are temporarily invested, in determining the amount of borrowing costs eligible for capitalization as required by para 15 and 16 of International Accounting Standard 23. The expense incurred on floatation of TFC and other loan raising expenses should also be capitalized in accordance with International Accounting Standards.

iv) make provision for doubtful debts only in respect of consumers actually disconnected rather than in respect of active consumers.

v) ensure the payment of Gas Development Surcharge with the Federal Government in accordance with the applicable laws.

24. The Authority also reiterates its earlier decision dated August 6, 2002 and

hereby directs the Petitioner to:

(i) ensure prudency in its capital expenditure and starting from FY 2002-03 provide detailed justification of various additions to the asset base.

(ii) progressively reduce the UFG to below 6%, within three years, commencing financial year 2002-03.

(iii) conclude any agreement with CBA including bonus to workers on the basis of the principles enunciated in the determination dated August 6, 2002 of this Authority.

(iv) relate the productivity gains and prevailing market conditions while undertaking revision in the compensatory package for the executives.

(v) make concerted efforts to evolve a more efficient recovery system to ensure timely recovery of its bills and to make concerted efforts to recover the outstanding arrears from its defaulters.

25. In pursuance of section 8(2) of the Ordinance and after incorporating impact of provisional determination dated August 6, 2002, the Authority determines the total revenue requirement of the Petitioner at Rs. 2,580.131 million for the financial year 2001-02. In order to achieve the afore-stated total revenue requirement, the Authority determines the prescribed prices of various categories of retail consumers for the financial year 2001-02 as per Annexure B.

(Mahboob Elahi)	(Rashid Farooq)
Member (Finance)	Member (Oil)
(Jawaid Inam)	(Munir Ahmad)
Vice Chairman	Chairman

Islamabad

January 20, 2003