Case No. OGRA 6(2)-2(2)/2003

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
TOTAL REVENUE REQUIREMENTS, FY 2003-04

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE 2002 AND NATURAL GAS TARIFF RULES, 2002

DECISION

November 10, 2004

Before:

Munir Ahmad, Chairman
Jawaid Inam, Member (Gas)/Vice Chairman
M.H. Asif, Member (Finance)

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1. BACKGROUND

1.1 SSGCL (the Petitioner) is a public limited company, incorporated in Pakistan, and listed on the stock exchanges at Karachi, Lahore and Islamabad. The company is engaged in the business of construction and operation of gas transmission and distribution pipelines, sale of natural gas and gas condensate as a by-product, and manufacture & sale of gas meters.

1.2 The Petitioner submitted a petition (the Petition) on August 17, 2004 under Section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 (said Ordinance) read with Rule 4(3) of the Natural Gas Tariff Rules, 2002 (said Rules) for determination of its total revenue requirement for the financial year 2003-04 (said year) supported by the Accounts for the said year initialed by its external auditors. The Authority admitted the Petition on August 20, 2004.

1.3 The Authority, vide its order dated March 19, 2004, had determined the Petitioner's RERR for the said year under Section 8(2) of the said Ordinance at Rs. 45,091 million based on sale volume of 302,474 BBTU and to enable the Petitioner to achieve this revenue requirement, determined the Prescribed Prices for various categories of consumers on provisional basis as per **Annexure-A**.

1.4 The Petitioner has submitted the present petition for determination of its TRR for the said year after incorporating the effect of actual changes in the wellhead prices, actual accounts and other relevant factors. The Petitioner has worked out its TRR for the said year at Rs. 46,857 million for actual sale volume of 310,628 BBTU. Based on the provisional Prescribed Prices and actual sale volume for each category of consumers, the Petitioner has computed a shortfall in its revenue requirement of Rs. 634 million. The TRR for the said year would affect the prescribed prices and not the consumer prices, impacting in turn the Gas Development Surcharge receivable by the Federal Government.

1.5 The matter was heard in the office of OGRA on September 16, 2004 when the representatives of the Federal Government and the Petitioner presented their respective points of view.

1.6 Revenue requirement of the Petitioner for the said year was determined vide Authority's Short Order No. OGRA-6(2)-2(2)/2004 (DTRR) dated 22nd September, 2004. The detailed order with reasons is now being issued.

1.7 The Petitioner has submitted the following statement of cost of supply per MMBTU:

Table 1: Comparison of Cost of Supply per Petition with Previous Years

Rs per MMBTU

PARTICULARS	FY 2001-02 Actual	FY 2002-03 Actual	FY 2003-04 RERR	FY 2003-04 The Petition
Units sold (BBTU)	**222,825**	**249,064**	**302,474**	**310,628**
Cost of gas	99.70	112.66	121.11	124.63
Transmission and Distribution Cost	11.94	13.28	12.35	11.79
Depreciation	8.93	7.56	6.89	6.19
Return on net average operating Fixed Assets	11.58	10.26	8.73	8.24
Other operating income	(4.17)	(4.40)	(5.49)	(5.25)
Cost of Supply / Prescribed Price	**127.98**	**139.36**	**143.59**	**145.60**
Revenue available at existing Prescribed Price	127.98	139.36	143.59	143.56
Shortfall in revenue requirement	**-**	**-**	**-**	**2.04**

2. SALIENT FEATURES OF THE PETITION

2.1 The Petitioner has made the following submissions in support of the Petition:

2.1.1 The annual return has been claimed at the rate of 17% of the value of its average net operating fixed assets (net of deferred credit), before corporate income taxes, and interest, mark-up and other charges on debt, as guaranteed by the Government of Pakistan under the covenants of the loan agreement between the Petitioner and the Asian Development Bank.

2.1.2 The value of net operating fixed assets has been claimed at Rs. 16,665 million as against RERR of Rs. 17,846 million. After the adjustment of deferred credits, the average net operating fixed assets amount to Rs. 15,061 million and the required return has been claimed as Rs. 2,560 million.

2.1.3 The net operating revenues have been claimed at Rs. 46,223 million in the Petition, as against Rs. 45,091 million in the RERR, as detailed below:

Table 2: Comparison of Operating Revenues per RERR with the Petition.

Rs. in Million

Particulars	FY 2003-04	
	RERR	**The Petition**
Net Sales at Current Prescribed Prices	43,431	44,594
Meter Rentals	433	436
Late Payment Surcharge	229	232
Meter Manufacturing Business Profits	62	53
Amortization of Deferred Credit	150	145
Sale of Gas Condensate	149	216
Gas Transportation Charges	541	457
Other Income	96	90
Net Operating Revenues	**45,091**	**46,223**

2.1.4 The net operating expenses have been claimed at Rs. 44,297 million in the Petition as compared to Rs. 42,449 million in RERR, as detailed below:

Table 3: Comparison of Operating Expenses Per RERR with the Petition.

Rs. in Million

	FY 2003-04	
Particulars	**RERR**	**The Petition**
Cost of Gas	37,003	38,713
Transmission and Distribution cost (net of UFG disallowance)	3,265	3,557
Depreciation	2,081	1,922
Other charges	100	105
Net Operating Expenses	**42,449**	**44,297**

2.1.5 The Unaccounted for Gas (UFG) has been claimed in the petition at 7.09 % (24,266 MMSCF), which was fixed at 6.5 % (21,651 MMSCF) in the RERR (a statement has also been submitted later claiming the revised UFG level of 6.97%).

2.1.6 The shortfall in the revenue requirement to achieve 17% return on average net operating fixed assets is claimed at Rs. 634 million which translates to an increase of Rs. 2.04 per MMBTU (Rs.1.99 per MCF) in the existing average Prescribed Price, as given below:

Table 4: Computation of Average Increase in Prescribed Price per RERR with the Petition.

Rs. in Million

		FY 2003-04	
	Particulars	**RERR**	**The Petition**
(i)	Net operating revenues	46,183	46,223
(ii)	Net operating expenses	42,449	44,297
(iii)	Current surplus / (deficit) {(i) – (ii)}	3,734	1,926
(iv)	Return required @ 17% on net fixed assets in operation	2,642	2,560
(v)	Total (Shortfall) / Excess in the revenue requirement {(iii) – (iv)}	1,092	(634)
(vi)	Sales Volume (MMCF) Sales Volume (BBTU)	311,422 302,474	318,071 310,628
(vii)	**(Increase) / decrease allowed/ requested in the existing average Prescribed Price to meet the total shortfall in revenue requirement (v) / (vi)**	(Rs/MCF) 3.51	(Rs/MCF) (1.99)
		(Rs/MMBTU) 3.61	(Rs/MMBTU) (2.04)

3. PROCEEDINGS

3.1 The hearing was held on September 16, 2004, which was attended by the following representatives of the Petitioner and Federal Government:

Table 5: Representatives at Hearing

Representative	Representing	Designation
Mr.Tahir Sohail	Finance Division, F.A's Organization, GOP.	Deputy Financial Advisor
Mr. Iqbal Amin Chishti	- do -	Accounts Officer
Mr. Munawar Baseer	Sui Southern Gas Company Limited	Managing Director
Mr. Inam-us-Samad	- do -	Dy. Managing Director
Mr. Hassan Nawab	- do -	Senior General Manager
Mr. Muhammad Mateen Khan	- do -	General Manager (RA)
Mr. Abdul Razzaq Khan	- do -	Dy. General Manager (Tariff)
Mr. Saleem Ahmed Mughal	- do -	General Manager (UFG)
Mr. Babar Ghaznavi	- do -	General Manager (P&D)

3.2 The representatives of the Federal Government (Finance Division, F.A's Organization) made verbal presentation and also submitted written comments, which are attached as **Annexure-B**. The Case Officer of the Authority also sought various clarifications from the Petitioner. The Petitioner was provided full opportunity to present its case, clarify the points raised and defend the claimed total revenue requirement.

3.3 The substantive points made by the Finance Division, FA's organization are summarized below:

3.3.1 Significant increase in the following expenditure heads has been observed:

i. Sports Club Expenses
ii. Welfare Expenses
iii. Legal and Professional Charges
iv. Other Operating Expenses

3.3.2 The activities listed in 3.3.1(i) and (ii) above are not directly related to the petition as they are meant for magnifying social image of the corporate body and the management, beyond normal commercial services.

3.3.3 The Petitioner has not made concerted efforts to achieve the targeted UFG level.

3.3.4 The rising human resource cost is a matter of concern as overtime expenditure has gone up while there is substantial increase in casual employees and also recruitment of 63 new executives. This trend needs to be discouraged.

3.3.5 The expenditure of Rs. 53 million being claimed on account of pipeline blasts be disallowed and same be recovered as insurance claims.

4. AUTHORITY'S JURISDICTION AND DETERMINATION PROCESS

4.1 Section 8(2) of the said Ordinance empowers the Authority to review the total revenue requirement for a financial year after taking into account actual changes in the wellhead prices, sale volume, sale mix, addition in fixed assets, cost variations in asset base, transmission and distribution costs etc. and on that basis advise the Federal Government the Prescribed Price of natural gas for each category of retail consumers.

4.2 All applications and petitions are examined in the light of the relevant rules. The Authority's decision-making process is transparent, consultative and provides full opportunity to all stakeholders to give their input. In this process, hearings with stakeholders are also held after serving due notice.

4.3 Wellhead prices of gas are computed in accordance with the Gas Price Agreements of the gas producers with the Federal Government. The operating revenues, operating expenses and changes in asset base are scrutinized in depth. Appropriate benchmarks are also set in critical areas of operation to ensure that the costs of inefficiencies and imprudence are not passed on to the consumers. The Authority has also put in place an effective monitoring mechanism to watch the licensees' conduct of the company affairs in the interest of all stakeholders, particularly the consumers.

5. DETERMINATION

5.1 The Authority, after taking into consideration the points raised by the participants, the clarifications provided by the Petitioner and scrutiny of the Petition determines as follows:

6. RATE OF RETURN

6.1 The Petitioner has requested for determination of its revenue requirement for the said year, computed on the basis of return on average net operating fixed assets at the rate of 17% in accordance with the covenants agreed with the Asian Development Bank and guaranteed by the Government of Pakistan. The Authority has commissioned a study on tariff regime and is currently in the process of consultation with the stakeholders to decide the basis of return in future. However, the Authority adopts the existing regime to determine total revenue requirement for the said year subject to adjustment on account of efficiency targets fixed by the Authority.

7. OPERATING FIXED ASSETS

7.1 The net average operating fixed assets have decreased per the Petition from RERR of Rs. 17,846 million to Rs. 16,665 million during the said year. After adjustment of deferred credits, the net average operating fixed assets work out to Rs. 15,061 million and consequently, the required return at 17% is computed by the Petitioner at Rs. 2,560 million as follows:

Table 6: **Computation of Return on Assets per Petition**

Rs. In million

Description	Amount
Net operating fixed assets at beginning	16,606
Net operating fixed assets at closing	16,665
	33,271
Average net assets (I)	16,636
Deferred credit at beginning	1,438
Deferred credit at closing	1,711
	3,150
Average net Deferred credit (II)	1,575
Average (I-II)	15,061
Return required on net operating fixed assets	17%
Amount of return required	**2,560**

7.2 Comparative analysis of additions in fixed assets with the previous years is as follows:

Table 7: **Summarized Schedule of Additions per the Petition compared with RERR and Previous Year**

Rs. in Million

Particulars	2002-03 Actual	RERR	The Petition	Increase / (Decrease) over RERR	
Land	12	23	2	(21)	(91%)
Building	33	43	21	(22)	(51%)
Transmission Line	1,075	939	227	(712)	(76%)
Compressors	293	159	81	(78)	(49%)
Plant and Mach.	36	41	50	9	22%
Emergency Response Center	-	71	-	-	-
Gas distribution sys.	1,236	1,695	1,247	(448)	(26%)
Furniture and Fixture	62	78	73	(5)	(6%)
SCADA	-	237	139	(98)	(41%)
Telecom Equipments	-	-	4	4	(100%)
Tools	11	18	11	(7)	39%
Vehicles	76	30	103	73	243%
Construction equipment and Vehicles	-	86	40	(46)	(53%)
Total gross additions	2,834	3,420	1,998	1,422	42%
Deletions	(2,654)	-	-	-	-
Net addition in assets base	**180**	**3,420**	**1,998**	**1,422**	**(42%)**

7.3 The Petitioner has provided further breakdown of the major items of additions as detailed below:

Table 8: Detailed Schedule of Additions per Petition

Rs. in Million

S/No.	DESCRIPTION	RERR	The Petition
(i)	**TRANSMISSION**		
1	Interlink Pipeline Khadeji to FJFC	31.805	30.390
2	Bhit Gas Field	67.274	18.390
3	Rehabilitation of 16" ILBP	357.949	135.830
4	12" & 18" QPL re-routing in Dingra area 13Km	295.245	-
5	20" IRBP modification for reverse flow to SNGPL	131.300	15.920
6	Sawan Gas Pipeline Project	1.489	22.610
8	Check Meter Station, Construction / up gradation of SMS	41.250	4.120
9	Others	12.752	-
	TOTAL TRANSMISSION	**939.064**	**227.260**
(ii)	**SCADA**	**237.184**	**138.832**
(iii)	**DISTRIBUTION**		
	NORMAL DISTRIBUTION		
1	GDS-KARACHI	618.735	600.522
2	GDS-SINDH	357.623	279.204
3	GDS-BALOCHISTAN	157.659	99.123
		1,134.017	**978.849**
	NEW TOWNS AND VILLAGES		
4	Sindh	100.641	35.313
5	Balochistan	460.265	232.664
		560.905	**267.977**
	TOTAL DISTRIBUTION	**1,694.922**	**1,246.826**
(iv)	**COMPRESSION**		
1	Re-vamping of Control System of Dadu Compressor	8.625	-
2	Relocation of Pirkoh Compressor Station	150.682	81.321
		159.307	**81.321**
(v)	**PLANT & MACHINERY**	**41.475**	**50.336**
(vi)	**FURNITURE AND EQUIPMENT**		
1	Office Equipment	-	17.219
2	Computer Equipment	36.450	35.469
3	Furniture and Fixtures	23.100	15.245
4	IT Infrastructure	15.975	-
5	GIS (Geographical Information System)	2.250	-

6	Fire Fighting / Security Equipment	-	0.371
7	Electrical Appliances	-	4.191
		77.775	**72.495**
(vii)	**TOOLS AND EQUIPMENT**	**17.625**	**10.622**
(viii)	**VEHICLES**	**30.401**	**103.441**
(ix)	**LAND**	**23.108**	**2.045**
(x)	**BUILDING**	**42.651**	**20.507**
(xi)	**EMERGENCY RESPONSE CENTRE**	**70.500**	**-**
(xii)	**CONSTRUCTION EQUIPMENT**	**85.687**	**40.283**
(xiii)	**TELECOMMUNICATION EQUIPMENT**	**-**	**3.974**
	Grand Total	**3,419.70**	**1,997.942**

7.4 The Petitioner has stated that out of Rs.103.441 million expenditure on vehicles, Rs. 41.603 million has been spent on addition of new vehicles and the remaining amount on the replacement of the existing vehicles.

7.5 In the case of some items, the Petitioner has incurred expenditure in excess of the RERR determined by the Authority, without seeking its prior approval or even informing it. The most glaring case is of vehicles posting an increase of 240 % over RERR. It is particularly serious because it is discretionary in nature. Strictly speaking, the difference should be disallowed for this reason alone. However, taking a lenient view, the Authority has decided to examine it on facts on a one time basis. It is observed that a major replacement programme has been implemented in the said year in addition to new purchases. It is not prudent to make such postponeable expenditure in one year in view of the spike in consumer price that it entails. Instead of incurring such a huge expenditure in one year, the Petitioner should have phased it out. The Authority has decided to allow an amount of Rs. 30.945 million being half of the total expenditure on replacement of vehicles in the said year and will consider the remaining half while determining the TRR for the FY 2004-05. In the case of the new vehicles again, full justification is lacking but the Authority has decided to take a lenient view and allow it with a clear direction that in future the Petitioner must obtain OGRA's prospective approval prior to incurring any expenditure over and above the amount and scope of work permitted by the Authority under it's earlier decisions.

7.6 The value of additions in assets for the said year claimed by the Petitioner and allowed by OGRA is as under:-

Table 9: Summary of Asset Additions Determined by OGRA

Rs. in Million

Description	**Requested by Petitioner FY 2003-04**	**Determined by OGRA FY 2003-04**
Transmission	227.260	227.260
SCADA	138.832	138.832
Distribution	1,246.826	1,246.826
Compression	81.321	81.321
Plant & Machinery	50.336	50.336
Furniture & Equipments	72.495	72.495
Vehicles	103.441	72.492
Land and Building	22.552	22.552
Construction Equipment	40.283	40.283
Other Assets	14.596	14.596
Total Capitalization	**1,997.942**	**1,966.997**

7.7 Depreciation expense claimed by the Petitioner would reduce by Rs. 1.857 million as a result of reduction in additions in fixed assets for the said year.

7.8 After the adjustment of disallowances as discussed in para 7.5 above, the closing net operating fixed assets for the said year are allowed at Rs. 16,635.493 million.

OPERATING REVENUES

8. SALE VOLUME

8.1 Sale volume has increased from 302,474 BBTU per RERR to 310,628 BBTU per Petition. This increase is due to increase in sale to power, cement and fertilizer consumers as compared below:

Table 10: Comparison of Category-wise Sale Volume per Petition with RERR & Previous Years

Volume in BBTU

CATEGORY	FY 2002-03 Actual	FY 2003-04 RERR	FY 2003-04 The Petition	Increase / (Decrease) over RERR	
Power	89,385	131,520	136,083	4,563	4%
Cement	1,617	1,615	3,712	2,097	130%
Fertilizer – feedstock	15,877	16,000	17,908	1,908	12%
CNG Station	2,068	3,454	3,014	(440)	(13%)
Captive Power	19,001	22,665	26,354	3,689	16%
General industries	62,661	66,832	63,828	(3,004)	(5%)
Commercial	6,744	7,052	6,885	(167)	(2%)
Domestic	51,711	53,336	52,844	(492)	(0.9%)
TOTAL	**249,064**	**302,474**	**310,628**	**8,154**	**3%**

8.2 The Authority accepts the sale volume at 310,628 BBTU for the said year as detailed above. However, it is pointed out with concern that the load growth in domestic, commercial and industrial categories, taken together is only 2.1 % which appears to be on the lower side and the Petitioner is directed to examine this aspect thoroughly to ascertain the reasons and inform the Authority of its findings within 2 months from the date of this decision.

9. SALE REVENUE

9.1 Sale revenue (net of sales tax) is Rs. 47,355 million per Petition as compared to Rs. 46,046 million per RERR and category wise figures are as under:

Table 1: Comparison of Category-Wise Sale Revenue per Petition with ERR & Previous Year

Rs. in million

CATEGORY	FY 2002-03 Actual	FY 2003-04 ERR	FY 2003-04 The Petition	Increase / (Decrease) over ERR	
Power	15,022	22,656	23,442	786	4%
Cement	351	339	779	440	130%
Fertilizer – feedstock	584	588	658	70	12%
CNG Station	348	596	520	(76)	(13%)
Captive Power	3,193	3,904	4,540	636	16%
General industries	10,546	11,526	11,018	(508)	(4%)
Commercial	1,334	1,381	1,353	(28)	(2%)
Domestic	4,786	5,056	5,045	(11)	(0.2%)
TOTAL	**36,163**	**46,046**	**47,355**	**1,309**	**3%**

9.2 The sale revenue has increased as a consequence of increase in sale volume as elaborated in paragraph 8.1 above.

9.3 The Authority accepts the sale revenue at Rs. 47,355 million for the said year.

10. OTHER OPERATING INCOME

10.1 Other operating income is Rs. 1,630 million per Petition as compared to Rs. 1,660 million per ERR. Detailed breakup of other operating income is compared below:

Tale12: Comparison of Other Operating Income per Petition with RERR & Previous Years

Rs. in million

Particulars	FY 2002-03 Actual	FY 2003-04 RERR	FY 2003-04 The Petition	Increase / (Decrease) over RERR Rs.	Increase / (Decrease) over RERR %
Meter Rentals	421	433	437	4	0.9%
Late Payment Surcharge	222	229	232	3	1%
Amortization of Deferred Credit	127	150	145	(5)	(3%)
Gas Transportation Charges	91	541	457	(84)	(16%)
Meter Mfg. Business Profits	70	62	53	(9)	(15%)
Sale of Gas Condensate	136	149	216	67	45%
Other Income	30	96	90	(6)	(6%)
TOTAL	**1,096**	**1,660**	**1,630**	**30**	**2%**

10.2 Gas transportation income has decreased owing to less than projected capitalization pertaining to Zamzama gas pipeline, which is one of the variables in the formula for computation of transportation tariff.

10.3 The Petitioner has submitted that profit from Meter Manufacturing Business has decreased because the selling price of meters to SNGPL had to be reduced in the face of their position that similar meters were available at cheaper prices from Chinese manufacturers. It was further argued by the Petitioner that the cost had gone up on account of inflationary increase in the cost of material, increase in salaries & wages and other overhead costs. The explanation appears to be satisfactory.

10.4 The Petitioner had received discount amounting to Rs. 123.840 million during FY 2002-03 on purchase of gas from Bhit and Kadanwari gas fields on account of default gas under relevant provisions of the respective Gas Supply Agreements, which was provisionally allowed by the

Authority as non-operating income in its determination dated November 18, 2003 subject to adjustment after final decision on receipt of clarification / policy guideline from the Federal Government. The Authority has since decided vide its determination dated July 29, 2004 that any discount received by the Petitioner on account of default gas is an operating income, benefit of which has to be passed on to the consumers at large. The Authority has further decided that since the Petitioner's accounts for FY 2002-03 have already been published, the said amount shall be included as prior year's adjustment in the operating income of the Petitioner for the said year for the purpose of determination of its total revenue requirement after the close of the year. In view of this decision, the amount of Rs. 123.840 million has been added in the operating income for the said year.

10.5 After adding the amount of Rs. 123.840 million as discussed in paragraph 10.4 above, the Authority determines other income for the said year at Rs. 1,753.72 million.

OPERATING EXPENSES

11. COST OF GAS

11.1 The cost of gas per the Petition is Rs. 38,713 million compared to Rs. 37,003 million per RERR, higher by Rs. 1,710 million (5%). Volume of gas purchased is higher by 6,469 BBTU (2%), from 329,193 BBTU per RERR to 335,662 BBTU. Details are given below:

Table 13: Comparison of Cost of Gas per the Petition with RERR & Previous Year

	FY 2002-03		RERR		The Petition	
	Volume (BBTU)	Value (Rs. million)	Volume (BBTU)	Value (Rs. million)	Volume (BBTU)	Value (Rs. Million)
Purchase	271,611	28,177	329,193	37,258	335,662	38,888
Less:						
Gas internally Consumed	2,009	89	2,023	234	1,554	177
Charged to Project Cost	47	4	110	13	0	0
(Inc.) / Dec. gas in pipeline	(120)	23	69	8	101	(1)
Cost of gas	269,676	28,061	326,991	37,003	334,007	38,713

11.2 The Authority allowed input cost of gas on the basis of combined weighted average of gas purchases by the Petitioner and SNGPL at Rs. 113.18 per MMBTU in RERR in accordance with the Agreement for Equalization of Cost of Gas, dated 22nd September, 2003, between the Petitioner and SNGPL. On the basis of actual audited results, weighted average of input cost of gas for the said year works out to Rs. 115.17 per MMBTU as under:-

Table 64: Weighted Average Cost of Input Gas

Company	MMCF	BBTU	Rs in million	Rs./ MMBTU
SSGCL	344,140	335,795	44,395	132.21
SNGPL	494,654	464,132	47,731	102.84
TOTAL:-	**838,794**	**799,927**	**92,126**	**115.17**

11.3 Increase in cost of gas during the said year as compared to RERR is due to increased off-takes from various fields and increase in weighted average of input cost of gas calculated on the basis of actual payments made during the said year.

11.4 The Authority accepts the cost of gas at Rs. 38,713 million.

12. UNACCOUNTED FOR GAS

12.1 The Petitioner has claimed UFG at 7.09% (24,266 MMCF) for the said year in the Petition as follows:-

Table 75: Comparison of Unaccounted For Gas per Petition with RERR & Previous Year

Volume in MMCF

Particulars	FY 2002-03	RERR	The Petition
Gas Purchases (net of gas internally consumed)	275,172	333,073	342,337
Gas Sales	254,349	311,422	318,071
Unaccounted For Gas	20,823	21,651	24,266
Unaccounted For Gas (%)	**7.57%**	**6.50%**	**7.09%**

12.2 The Authority, in its DERR for the said year, had fixed the UFG target at 6.5% with the direction that the Petitioner would be entitled to retain the savings in the event of actual performance being better and conversely would bear from its own profit the consequential monetary impact of not achieving the targeted UFG level. This target for UFG was set in consultation with both the gas utilities after taking into account all relevant factors.

12.3 The Petitioner has stated that the targeted UFG level could not be achieved because the performance of measurement devices was adversely affected due to the presence of unusual impurities such as dust and condensate, old age of the distribution network, aged meters, gas theft, billing abnormalities etc.

12.4 A revised working of UFG was received from the Petitioner on September 15, 2004 vide its letter No.RA/23/04 dated September 14, 2004 claiming UFG adjustment for line pack, TBS maintenance, gas purged, accidental / third party damages, theft and (an undefined) miscellaneous, thereby showing reduction in UFG from 7.09% to 6.97%.

12.5 The Authority disagrees with the revised UFG working submitted by the Petitioner as the components put forward as the basis of the claim are what make up the UFG. It is added that per the definition of UFG contained in Rule 2 (1) (xviii) of Natural Gas Tariff Rules, 2002, any un-metered gas can not possibly be excluded from UFG. This rule is reproduced below:

> *''unaccounted for natural gas'' means, in respect of a financial year, the difference between the total volume of metered gas received by a licensee during that financial year and the volume of natural gas metered as having been delivered by the licensee to its consumers excluding there from metered natural gas used for self consumption by the licensee for the purposes of its regulated activity: and such other*

quantity as may be allowed by the Authority for use by the licensee in the operation and maintenance of its regulated activity."

12.6 The Authority notes that the UFG volume statements submitted by the Petitioner are not audited by the Petitioner's external auditors. The Authority also notes that the UFG volume of the Petitioner has in fact gone up by 3,443 MMCF, from 20,823 MMCF to 24,266 MMCF i.e. by 17 % during the said year. However, despite this substantial increase in loss, the UFG percentage has improved from 7.57% to 7.09% mainly because there has been an unusual increase in the gas supply which went up by 24 %, from 275,172 MMCF to 342,337 MMCF. In the absence of this factor, the UFG percentage would have indeed deteriorated, reflecting a grossly inadequate effort by the Petitioner in controlling UFG. The Authority advises the Petitioner with all the seriousness at its command to take firm and effective action to bring about the desired improvement in this important aspect of operation, in the interest of all the stakeholders.

12.7 The Authority tentatively admits the originally claimed level of 7.09% subject to adjustment on the basis of the findings of UFG Audit to be carried out soon by the auditors appointed by the Authority. Accordingly, the Authority disallows UFG above 6.5% per its earlier decision mentioned above, which will reduce the operating expenditure provisionally by Rs. 227 million subject to adjustment on the basis of the findings of the said audit.

13. TRANSMISSION & DISTRIBUTION COST

13.1 The transmission and distribution cost is lower by 2% i.e. from Rs. 3,635 million per RERR to Rs. 3,557 million, as compared below:

Table 86: Comparison of Transmission & Distribution Cost per Petition with RERR & Previous Year

Rs. in Million

Particulars	FY 2002-03	RERR	The Petition	Increase / (Decrease) over RERR
Human Resource Cost	2,606	2,798	2,760	(38)
Stores, spares & supplies consumed	204	214	226	12
Material & labour used on consumer's installation	31	19	34	15
Electricity	49	50	53	3
Rent, rates and taxes	15	20	17	(3)
Traveling	36	34	37	3
Insurance & Royalty	40	40	41	1
Postage & Revenue Stamps	24	37	26	(11)
Repairs & Maintenance	404	453	252	(201)
Legal & Professional charges	54	95	60	(35)
License & Tariff Petition fee to OGRA	35	35	36	1
Security Expenses	44	47	70	23
Gas bills collection charges	28	25	32	7
Provision for doubtful debts	196	122	239	117
Corporate social responsibility	-	-	15	15
Sports Club	4.941	-	15	15
Others-	73	91	93	2
Sub total expenses	3,838	4,080	4006	(74)
Less: Recoveries / Allocations:	640	679	626	(53)
Net T&D expenses before Gas internally consumed	**3,198**	**3,401**	**3,380**	**(21)**
Gas internally consumed	89	234	177	(57)
Total T&D expenditure	**3,286**	**3,635**	**3,557**	**(78)**

13.2 Various components of operating cost are discussed in the following paragraphs:

14. HUMAN RESOURCE COST

14.1 The Petitioner has claimed the human resource cost at Rs. 2,760 million as against Rs. 2,798 million per RERR as compared below:

Table 97: Comparison of human resource cost per RERR with Previous Year

Rs. in million

Particulars	FY 2002-03	RERR	The Petition	Increase / (Decrease) over RERR
Salaries	897	1,047	1,055	8
Wages	927	1,114	1,110	(4)
CBA Agreement	189	98	23	(75)
Staff welfare expenses	105	112	99	(13)
Overtime	111	93	126	33
Medical	216	172	205	33
IAS-19 provision	161	162	142	(20)
TOTAL	**2,606**	**2,798**	**2,760**	**(38)**

14.2 Detailed breakup of human resource cost is attached as Annexure-C.

14.3 The Authority has observed that the Petitioner has started paying, with retrospective effect, house rent to such employees who have been provided official accommodation in its operational locations. The Petitioner has explained that the reason for this decision is that the fair market value of the accommodation provided is less than the house rent ceiling. However, the Petitioner has not provided complete information that would confirm that only such staff as is essentially required to be present at a specific facility round the clock has been extended the housing facility. The Authority is of the view that such a concession can prudently be allowed only to "location specific essentially required operational staff" and it should be calculated through a transparent and predictable formula rather than an assessment process which is prone to being influenced. Therefore, the Authority disallows

Rs. 2.546 million on this account and directs the Petitioner to review this matter on the basis of above principles.

14.4 The Authority notes that out of 63 new executives 28 have been inducted in grades I, II and III who are engineers, accountants, business administrators and generalists. The Authority is of the view that these 28 positions could have been filled by suitable executives out of those who have been reinstated / regularized under court orders and whose detailed utilization plan/strategy, the Authority has been asking from the Petitioner for quite some time, which has not been received as yet. The Authority therefore disallows the expenditure of Rs. 3.11 million incurred on these 28 new executives in grades I, II and III.

14.5 The overtime expenditure has increased from Rs. 93 million per RERR to Rs. 126 million (36%) per Petition. However, the overtime expenditure has increased by Rs. 15 million (14%) when compared with FY 2002-03.

14.6 The Petitioner stated that increase in overtime expenditure is owing to non-induction of subordinate staff against the positions that are vacated due to normal attrition and increased activity relating to sales, meter reading, UFG control measures, etc. The Authority observes that even though new inductions are not being made in the subordinate staff, the number of such casual workers has considerably increased during the year who are either not entitled to overtime or get it at a nominal rate. Furthermore, the Petitioner's performance in important operational areas like UFG control, asset base expansion etc. has been significantly deficient. The meter reading and bill distribution is out sourced to a great extent and does not impact overtime. Yet another related factor which should have reduced the overtime expenditure is the fact that a large number of additional lower level executives are available who could be deployed to carry out quite a few tasks which can be handled by subordinate staff. As stated above detailed utilization plan of these executives has not been provided. It is apparent that serious effort to effectively utilize them has not been made. Still another relevant factor is the Petitioner's statement on record that a sizable percentage of its staff is substandard in terms of its potential and willingness to work. The Petitioner has not brought any information on record as to what strategies it is proposing to adopt to rationalize its human resource.

14.7 In the light of the above analysis, it is not reasonable to allow the total expenditure falling under the broad head 'human resource' An exercise to develop a benchmark for human resource expenditure is in hand but in the meanwhile, as a token cut, overtime is restricted to the level of FY 2002-03 i.e. Rs. 111 million.

14.8 The actual medical expense for the said year shows an increase of Rs. 33 million (19%) over RERR, but has decreased by Rs. 11 million (5%) over actual expenditure for FY 2002-03. The Petitioner has submitted that medical expenditure has increased owing to absorption of Temporary Assignees in regular grades, and new inductions. The Authority accepts medical expenditure at Rs. 205 million for the said year.

14.9 In view of the above, the human resources cost is allowed at Rs. 2,740 million for the said year as under:-

Table 108: Human resource cost determined by OGRA for FY 2003-04

Rupees in million

Particulars	Per Petitioner	Determined by OGRA
Salaries	1,055	1,050
Wages	1,110	1,110
CBA Agreement	23	23
Staff welfare expenses	99	99
Overtime	126	111
Medical	205	205
IAS 19 provision	142	142
TOTAL	**2,761**	**2,740**

15. GAS INTERNALLY CONSUMED

15.1 The value of gas internally consumed has decreased from Rs. 234 million per RERR to Rs. 177 million as compared below:

Table 11: Comparison of Gas Internally Consumed per Petition with RERR & Previous Year

PARTICULARS	FY 2002-03	RERR	The Petition	Increase / (decrease) over RERR
Volume MMCFT	2,044	2,019	1,572	(447)
Value in million Rupee	89	234	177	(57)

15.2 Ratio of gas consumption in compressors per hour has also reduced as analyzed below:

Table 20: Comparison of per Hour Consumption of Gas in Compression per Petition with RERR & Previous Years

PARTICULARS	Actual Accounts 2002-03	RERR 2003-04	The Petition	Increase / (decrease) over RERR
	Rs in million.			
Compression	58	188	108	(80)
L.H.F	20	25	16	(9)
Others	12	21	53	32
Total:	**90**	**234**	**177**	**(57)**
	Volume MMCF			
Compression	1,498	1,525	964	(561)
L.H.F	164	171	133	(38)
Others	382	323	475	152
Total:	**2,044**	**2,019**	**1,572**	**(447)**
	Compressor			
Compressor Running Hours	26,395		24,800	(1,595)
Consumption per hour in MCFT	57		39	(18)

15.3 The Authority had directed the Petitioner to ensure that gas internally consumed is properly metered at all points / locations by the end of the said year. The Petitioner has now informed that the metering devices have been installed at all internal consumption points.

Apparently, accurate measurement has reduced the expense of gas internally consumed significantly, as compared to last year.

15.4 The Petitioner has claimed Rs. 12 million for loss of gas due to blasts on transmission pipelines under the head ‘others’. The Petitioner has submitted that the insurance claims against the said blasts have been rejected by its insurance company on the plea that such incidents are not covered under the insurance policy. The Authority observes that SNGPL had been able to recover the insurance claims on account of similar incidents. Further, the Petitioner has incurred additional expenditure of Rs. 26.129 million on security of the pipelines in the said year compared to last year, which has been allowed.

15.5 Since insurance claims against such incidents are recoverable, the Authority disallows Rs. 12 million claimed for this loss and hereby directs the Petitioner to pursue recovery of the insurance claims. However, if this effort does not succeed, the Petitioner may approach Government of Pakistan for compensation as the blasts in question are a direct consequence of lack of effectiveness of the relevant security agencies and it would be unfair to pass this cost on to the gas consumers.

15.6 Based on the above, the Authority determines the gas internally consumed at Rs. 165 million for the said year.

16. PROVISION FOR DOUBTFUL DEBTS.

16.1 The provision for doubtful debts has increased, from Rs. 122 million per RERR to Rs. 239 million per Petition. The Petitioner has submitted that increase of Rs 117 million (96%) is mainly due to enhanced disconnection activity.

16.2 Detailed scrutiny of the information provided by the Petitioner however revealed that provision for doubtful debts includes Rs. 98 million for active customers and Rs. 79 million against 'locked' meters which are not yet disconnected from the system.

16.3 The Authority in paragraph 20 of determination of total revenue requirement for FY 2002-03 had directed the Petitioner that provision for doubtful debts would be allowed only against consumers who are actually disconnected. Therefore, the Authority allows provision for doubtful debts for the said year at Rs. 62 million.

17. CORPORATE SOCIAL RESPONSIBILITY:

17.1 The Petitioner has claimed Rs. 15 million incurred on various corporate social responsibility projects during the said year as detailed below:

Table 121: Detail of Corporate Social Responsibility Project

PARTICULARS	*Rs. In Million*
EDUCATION	
NED University, Development of Petroleum / Gas Engineering Faculty	5.000
Madrassah at Sohbatpur	2.983
Literate Pakistan Foundation (Adult Literacy Programme)	0.940
Sub Total:	**8.923**
ENVIRONMENTAL PROTECTION	
Juinper Forests at Ziarat	0.996
Tree plantation	1.500
World Wildlife Fund-Pakistan	0.060
Forest Department-Baluchistan	0.007
Renovation of Bab-E-Ziarat	1.017
Jinnah Park-Ziarat.	0.207
Sub Total:	**3.787**
OTHER SOCIAL PROJECTS	
Up gradation of Roundabouts	0.125
Construction of OPD-AKU	1.000
Rain Affectees.	0.695
Sub Total	**1.820**
Grand Total:	**14.530**

17.2 The Authority allows expenditure incurred on education amounting to Rs. 9 million as it is covered under the license conditions. The remaining expenditure amounting to Rs. 6 million is not classifiable as operating expenditure and is, therefore, not included in the computation of revenue requirements. The Authority is of the view that these contributions should be made by the Petitioner out of its own profits and should not be claimed as operating expenditure for being passed on to the consumers.

18. SPORTS CLUB

18.1 The Petitioner has claimed Rs. 15 million incurred on sports club during the said year as detailed below:

Table 132: Detail of Sports Club Expenditure

S.No.	Description	*Rs. in million*
1	Retainer ship for Playing Services.	6.323
2	Retainer ship Coaching Service	0.598
3	Ground Rent	0.375
4	Sports Material.	1.517
5	First Aid Box.	0.009
6	Registration / Tournament Fee	0.174
7	Refreshment / Lunch to Players.	0.242
8	Exhibition / Show Matches.	0.045
9	Serious Injuries / Physiotherapist	0.039
10	Conveyance / Transport Charges	0.043
11	Miscellaneous Photographs etc.	0.038
12	Tour All Pakistan Tournaments	0.795
13	Incentive to Players.	0.394
14	Stationery	0.048
15	Sponsorship / Banner /Advertisement.	0.865
16	HSE (Fitness Centre)	0.250
17	Sports Club / indoor games.	2.759
Total:-		**14.514**

18.2 The above expenditure is not classifiable as operating expenditure and is, therefore, disallowed.

19. OTHER T&D EXPENSES

19.1 The other T&D expenses which have not been discussed above are Rs. 977 million as against Rs. 1,160 million per RERR as detailed below:

Table 143: Comparison of Other T & D Expenses per Petition with RERR & Previous Year

Rs. In Million

Particulars	FY 2002-03	RERR	Petition	Increase / (Decrease) over RERR
Stores, spares & supplies consumed	204	214	226	12
Material & labour used on consumers' installation	31	19	34	15
Electricity	49	50	53	3
Rent, rates and taxes	15	20	17	(3)
Traveling	36	34	37	3
Insurance & Royalty	40	40	41	1
Postage & Revenue Stamps	24	37	26	(11)
Repair & Maintenance	404	453	252	(201)
Legal & Professional charges	54	95	60	(35)
License and tariff Petition fee to OGRA	35	35	36	1
Security Expenses	44	47	70	23
Gas bill collection charges	28	25	32	7
Others.	73	91	93	2
Total Other T & D Expenses	**1,037**	**1,160**	**977**	**(183)**

19.2 The Petitioner has stated that material and labour used on consumer's installation has increased by Rs. 15 million as compared to RERR owing to greater number of jobs undertaken by the Petitioner during the said year.

19.3 The Petitioner has stated that expenditure on security has increased by Rs. 23 million (50%) as compared to RERR owing to additional deployment of security guards at vulnerable points of Transmission and Distribution pipelines due to greater incidences of blasts.

19.4 The Petitioner has stated that expenditure on repair and maintenance has reduced mainly due to lower coating & wrapping activity and compressors having not been sent for overhauling during the said year.

19.5 Other T&D expenses are accepted at Rs. 977 million

20. OPERATING COST

20.1 In view of the above, the Authority determines operating cost for the said year at Rs. 3,327 million as against Rs. 3,557 million claimed by the Petitioner, as follows:

Table 154: Summary of T & D Cost Determined By the Authority

Rs. In Million

Particulars	Requested by the Petitioner	Allowed by the OGRA
Human Resource Cost	2,760	2,740
Provision for Doubtful Debts	239	62
Corporate Social Responsibility	15	9
Sports Club	15	-
Other T &D expenses	977	977
Sub-total	**4,006**	**3,788**
Less: Recoveries /Allocations:	626	626
Net T & D expenses before gas internally consumed	**3,380**	**3,162**
Gas Internally consumed	177	165
Total T & D expenses	**3,557**	**3,327**

21. OTHER CHARGES INCLUDING WORKERS PROFIT PARTICIPATION FUND

21.1 The Petitioner has projected WPPF at Rs. 104.726 million in the Petition. However due to adjustments in the components of revenue requirements as discussed above, WPPF is recalculated and allowed at Rs. 72.815 million.

22. DETERMINATION

22.1 In view of the justifications submitted and arguments advanced by the Petitioner in support of its Petition, points raised by the interveners, comments offered by the participants, scrutiny by the Authority and per detailed reasons recorded by it in earlier sections, the Authority recapitulates and decides:

22.1.1 to disallow addition in fixed assets by Rs. 30.945 million and reduce depreciation expense by Rs. 1.857 million;

22.1.2 to increase operating income by Rs. 123.84 million;

22.1.3 to restrict the UFG at 6.5% and make a downward adjustment of Rs. 226.535 million in the operating expenses;

22.1.4 to reduce the T&D expenses to Rs. 3,327 million as against Rs. 3,557 million claimed by the Petitioner;

22.1.5 to reduce other charges including WPPF to Rs. 72.815 million as against Rs. 104.726 million claimed by the Petitioner; and

22.2 In exercise of the powers vested in the Authority under Section 8(2) of the OGRA Ordinance, 2002, the total revenue requirement for the said year is determined at Rs. 46,364.58 million as against Rs. 46,857.382 million claimed by the Petitioner thereby reducing the revenue requirement by Rs. 492.800 million, as tabulated below:

Table 165: Components of Total Revenue Requirement for the said year as Determined by the Authority

	Revenue Requirement- FY 2003-04	Claimed by The Petitioner	Determined by the Authority
			Rs. in Million
1	Cost of Gas	38,713.079	38,713.079
2	Transmission & Distribution Cost (net of UFG disallowance)	3,380.451	2,935.49
3	Gas Internally consumed	176.594	164.994
5	Depreciation	1,922.195	1,920.338
6	Workers profit participation fund	104.726	72.815
7	Return on net operating fixed assets	2,560.337	2,557.864
	Total Revenue Requirement	**46,857.382**	**46,364.58**

22.3 After making the above adjustments, the Authority hereby determines the revenue requirement of the Petitioner at Rs. 46,364.58 million, as against Rs. 46,857.382 million requested by the Petitioner for the said year. The Petitioner's net operating income is Rs. 46,347.395 million, which shows that there is a shortfall of Rs. 17.186 million in its revenue requirement for the said year. In order to cater for this shortfall, the Authority hereby makes upward adjustment of Rs. 0.06 per MMBTU in its average Prescribed Price for the said year (Annexure-D).

22.4 Prescribed Prices for each category of consumers for the said year, effective from July 1, 2003 are attached as Annexure-E. Since the rationalization of Sale Price for domestic consumers is undertaken, as a policy, by the Federal Government, the Prescribed Price in case of domestic consumers has been kept unchanged as the same is already at par with their existing Sale Price. Similarly, no change has been made in the case of fertilizer feedstock (Fauji Jordan Fertilizer Company) as the same has been frozen for a period of 10 years, which will expire in 2008.

23. DIRECTIONS

23.1 In addition to the directions issued by the Authority in its previous determinations, the Petitioner is further directed that:-

23.2 Any expenditure incurred over and above the amounts and scope of work permitted by the Authority as part of earlier decisions will not be allowed without tangible justification as it defies the very logic of carrying out determination of revenue requirement prospectively.

23.3 It should ensure in its own interest and to maintain the integrity of the whole process that all information submitted by it is complete and accurate.

23.4 It will thoroughly examine the matter of lower load growth in domestic, commercial and industrial categories to ascertain the reasons and inform the Authority of its findings within 2 months from the date of this decision.

23.5 It shall review the matter of allowing concession in house rent deduction to some of its employees on the basis of principles annunciated in para 14.2.

(M.H. Asif)
Member (Finance)

(Jawaid Inam)
Member (Gas) /
Vice Chairman

(Munir Ahmad)
Chairman

Islamabad,
the 10th November, 2004.

Provisional Prescribed Prices Of SSGCL As Determined By the Authority For FY 2003-04.

	CATEGORY	Rs. per MMBTU
(i)	Domestic Consumers: *For domestic consumers, including residential colonies, mosques, churches, temples, madrassas, other religious places and hostels attached thereto, Government and semi-Government offices, hospitals, Government guest houses, Armed Forces messes and langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions*	
	First slab (upto 100 cubic metres per month).	69.31
	Second slab (over 100 upto 200 cubic metres per month).	104.42
	Third slab (over 200 upto 300 cubic metres per month).	167.06
	Fourth slab (over 300 cubic metres per month).	217.32
	For hostels and residential colonies to whom gas is supplied through bulk meters.	
	All off-takes at flat rate of	104.42
(ii)	Commercial Consumers: *All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theatres, private office, clinics, maternity homes etc.*	
	All off-takes at flat rate of	163.79
(iii)	Industrial Consumers: *All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.*	
	All off-takes at flat rate of	161.90
(iv)	Ice Factories:	
	All off-takes at flat rate of	163.79

v)	CNG Stations:		
	All off-takes at flat rate of		161.90
(vi)	Cement Factories:		
	All off-takes at flat rate of		161.90
(vii)	Pakistan Steel		
	All off-takes at flat rate of		161.90
(viii)	FFC Jordan Fertilizer Company		
	(i)	For gas used as feed stock for Fertilizer.	36.77
	(ii)	For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	161.90
(ix)	Power Stations:		
	All off-takes at flat rate of		161.90

Comments of FA's Organization.

Details of Human Resource Cost

Particulars	FY 2002-03	RERR	Petition	Inc / (Dec) over RERR
SALARIES				
Basic Salaries	455	569	511	(58)
Temporary Assignees (TA's)	46	7	97	90
Conveyance Allowance	4	5	4	(1)
House Allowance	202	248	228	(20)
Other Allowances	48	58	50	(8)
Leave Encashment	3	-	3	3
Provident Fund	37	42	42	0
Gratuity	43	46	46	(0)
Pension	59	72	74	2
	897	**1,047**	**1,055**	**8**
WAGES ALLOWANCES				
Basic Salaries	207	263	254	(9)
Staff	1	1	1	0
Cash Allowances	235	280	271	(9)
House Allowances	160	204	200	(4)
Conveyance Allowance	36	35	35	0
Bonus	150	192	181	(11)
Leave Encashment	86	89	98	9
Provident Fund	17	23	22	(0)
Gratuity	17	23	22	(1)
Pension	19	5	26	22
	928	**1,115**	**1,110**	(4)
Staff Welfare Expenses				
Leave Fare Assistance (Staff)	15	16	15	(2)
Welfare Insurance	19	13	12	(0)
E.O.B.I (Staff)	8	9	9	0
Uniforms & Clothing	6	7	2	(5)
Apprentice Training	6	12	11	(1)
Other Welfare including canteen subsidy, tea & light refresh	49	55	50	(5)
	105	**112**	**99**	**(13)**
OVER TIME	**111**	**93**	**126**	**33**
CBA Agreement provision	**189**	**98**	**23**	**(75)**
MEDICAL EXPENSES				
Executive	82	62	59	(3)
Subordinate	134	110	146	36
	216	**172**	**205**	**33**
PROVISION UNDER IAS-19				
Leave Encashment	9	14	23	
Gas Facility Retired Executive	8	13	7	(6)
Medical Retired Executive	143	135	112	(24)
	161	**162**	**142**	**(30)**
Total	**2,606**	**2,798**	**2,760**	**(49)**

Computations of Total Revenue Requirement of SSGCL For FY 2003-04

	Claimed by the Petitioner	Adjustments	Determined by the Authority
Gas sale volume -MMCF	318,071		318,071
BBTU	310,628		310,628
A: Net operating revenues			
Gross sales net of general sales tax	47,354.882		47,354.882
Less: Gas Development Surcharge- Existing	2,761.206		2,761.206
Net sales at current prescribed price	44,593.676		44,593.676
Meter rentals	436.530		436.530
Late payment surcharge	232.226		232.226
Amortization of Deferred Credit	145.239		145.239
Meter manufacturing profit	53.047		53.047
Sale of gas condensate	216.120		216.120
Gas Transportation charges	457.122		457.122
Other Operating Income	89.595	123.840	213.435
Total Income "A"	**46,223.555**	**123.840**	**46,347.395**
"B" Less Expenses			
Cost of gas	38,713.079		38,713.079
UFG disallowance above 6.5%		(226.535)	(226.535)
Transmission and Distribution cost	3,380.451	(218.425)	3,162.026
Gas Internally Consumed	176.594	(11.600)	164.994

Depreciation	1,922.195	(1.857)	1,920.338
Other charges (W.P.P.F)	104.726	(31.911)	72.815
Total Expenses "B"	**44,297.045**	**(490.328)**	**43,806.717**
"C" Operating profit (A-B)	**1,926.510**	**614.168**	**2,540.678**
Return required on Net Assets:			
Net assets at beginning	16,606.636		16,606.636
Net assets at ending	16,664.581		16,635.493
	33,271.217		33,242.129
Average fixed net assets (I)	**16,635.609**		**16,621.064**
Deferred credit at beginning	1,438.214		1,438.214
Deferred credit at ending	1,711.395		1,711.395
	3,149.609		3,149.609
Average net Deferred credit (II)	**1,574.805**		**1,574.805**
"F" Average (I-II)	**15,060.804**		**15,046.260**
Return required on Net Assets	17%		17%
"G" Amount of return required	**2,560.337**		**2,557.864**
"H" Excess / (Shortfall) over return required	**(633.827)**		**(17.186)**
Increase / (decrease) in average prescribed price (Rs. / MMBTU)	**2.04**		**0.06**

Prescribed Prices As Determined By the Authority For FY 2003-04.

CATEGORY		Rs. per MMBTU
(i)	**Domestic Consumers:** *For domestic consumers, including residential colonies, mosques, churches, temples, madrassas, other religious places and hostels attached thereto, Government and semi-Government offices, hospitals, Government guest houses, Armed Forces messes and langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions*	
	First slab (upto 100 cubic metres per month).	69.31
	Second slab (over 100 upto 200 cubic metres per month).	104.42
	Third slab (over 200 upto 300 cubic metres per month).	167.06
	Fourth slab (over 300 cubic metres per month).	217.32
	For hostels and residential colonies to whom gas is supplied through bulk meters.	
	All off-takes at flat rate of	104.42
(ii)	**Commercial Consumers:** *All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theatres, private office, clinics, maternity homes etc.*	
	All off-takes at flat rate of	163.86
(iii)	**Industrial Consumers:** *All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.*	
	All off-takes at flat rate of	161.97
(iv)	**Ice Factories:**	
	All off-takes at flat rate of	163.86

(v) CNG Stations:

All off-takes at flat rate of 161.97

(vi) Cement Factories:

All off-takes at flat rate of 161.97

(vii) Pakistan Steel

All off-takes at flat rate of 161.97

(viii) FFC Jordan Fertilizer Company

(i) For gas used as feed stock for Fertilizer. 36.77

(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories. 161.97

(ix) Power Stations:

All off-takes at flat rate of 161.97

Abbreviations Used in the Determination

Authority	*Oil and Gas Regulatory Authority*
ADB	*Asian Development Bank*
BTU	*British Thermal Units*
BBTU	*Billion British Thermal Units*
DTRR	*Determination of Total Revenue Requirement*
ERR	*Estimated Revenue Requirement*
F.A	*Financial Advisor*
FY	*Financial Year*
GDS	*Gas Development Surcharge*
GOP	*Government of Pakistan*
IAS	*International Accounting Standard*
MCF	*Thousand Cubic Feet*
MMBTU	*Million British Thermal Units*
BBTU	*Billion British Thermal Units*
MMSCF	*Million Standard Cubic Feet*
MMSCFD	*Million Standard Cubic Feet per day*
OGRA	*Oil and Gas Regulatory Authority*
Ordinance	*Oil and Gas Regulatory Authority Ordinance 2002*
Registrar	*Registrar of Oil and Gas Regulatory Authority*
RERR	*Revised Estimated Revenue Requirement*
ROA	*Return on Assets*
Rs.	*Pakistani Rupee*
SNGPL	*Sui Northern Gas Pipelines Limited*
SSGCL	*Sui Southern Gas Company Limited*
T&D	*Transmission and Distribution*
TRR	*Total Revenue Requirement*
UFG	*Unaccounted for gas*
W.P.P.F	*Workers Profit Participation Fund*