Case No. OGRA-6(2)-6(2)/2006-DTRR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
FINAL REVENUE REQUIREMENTS, FY 2005-06

UNDER

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

DECISION

September 25, 2006

Before:

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

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1. Background

1.1 Sui Southern Gas Company Limited (the petitioner) is a public limited company, incorporated in Pakistan and listed on the stock exchanges at Karachi, Lahore and Islamabad. It is engaged in 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 filed a petition (the petition) on August 16, 2006 under Section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(3) of the Natural Gas Tariff Rules, 2002 (NGT Rules), for determination of its Final Revenue Requirement (FRR) for FY 2005-06 (the said year) on the basis of the accounts as initialed by its statutory auditors. The Authority admitted the petition on August 28, 2006.

1.3 The Authority, vide its Order dated December 31, 2005, had determined the petitioner's Second Revised Estimated Revenue Requirement (RERR2) for the said year under Section 8(2) of the Ordinance at Rs. 68,392 million for estimated sale volume of 338,945 BBTU, and prescribed prices for various categories of consumers, on provisional basis, as shown in relevant columns of **Annexure-B**.

1.4 The petitioner has submitted the present petition for determination of its FRR for the said year after incorporating, in terms of Section 8(2) of the Ordinance, the effect of actual changes in the wellhead gas prices, sales mix and other relevant factors. The petitioner has worked out its FRR for the said year at Rs. 69,745 million for actual sale volume of 338,105 BBTU. Based on the provisional prescribed prices and actual sale mix, the petitioner has computed a shortfall in its revenue requirement of Rs. 2,320 million. The FRR would affect the prescribed prices for the said year, impacting, in turn, the Gas Development Surcharge (GDS) receivable by the Federal Government, and not the consumer.

1.5 The Authority issued notice of conference on September 04, 2006 to the petitioner and following interveners and related parties:

(i) Federal Government,

(ii) Karachi Chamber of Commerce & Industry,

(iii) Mushtaq & Company (PVT) Limited, Karachi,

(iv) Pakistan Hosiery Manufacturers Association,

(v) All Pakistan CNG Association,

(vi) All Pakistan Textile Mills Association,

(vii) Quetta Chamber of Commerce & Industry,

(viii) Ahmed Vegetable & Ghee Mills Limited.

1.6 The hearing was held at OGRA office, Islamabad, on September 20, 2006.

2. Proceedings

2.1 The petitioner was represented at the hearing by a team of senior executives led by its Chief Financial Officer, Mr. Abid Sherannі, who were given full opportunity to present the petition. They made submissions in detail with the help of multimedia presentation. They also answered the questions raised by the members and officers of the Authority.

2.2 No intervener was present.

3. Salient Features of the Petition

3.1 The petitioner has submitted the following statement of cost of service per MMBTU:

Table 1: Comparison of Cost of Service per the petition with RERR2 & Previous Year

			Rs. per MMBTU
Particulars	**FY 2004-05**	**FY 2005-06**	
	FRR	**RERR2**	**The Petition**
Units sold BBTU	**329,359**	**338,945**	**338,105**
Cost of gas sold	142.133	170.97	176.26
Unaccounted For Gas(UFG)	(2.108)	(0.45)	-
Transmission and distribution cost	12.512	12.48	14.14
Depreciation	6.540	8.01	6.48
Return on net average operating fixed assets	8.346	9.74	9.40
Other operating income	(7.626)	(12.66)	(10.84)
Deferral account	-	1.03	-
Cost of service / prescribed price	**159.80**	**189.12**	**195.44**
Existing Prescribed Price	159.80	189.12	188.58
Increase requested in the prescribed price	**-**	**-**	**6.86**

3.2 The petitioner has made the following submissions:-

3.2.1 The petitioner has claimed the required annual return, at Rs. 3,177 million, 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 claimed and allowed at the time of determination of ERR in May, 2005 (DERR).

3.2.2 Actual net operating revenues have been claimed at Rs. 67,425 million, as against Rs. 64,451 million per RERR-2, as detailed below:

Table 2: Comparison of Operating Revenues per the Petition with RERR2 and Previous Year

Rs. in million

Particulars	FY- 2004-05	FY 2005-06		Inc./(Dec.) over RERR2	
	FRR	RERR2	The Petition		%
Net sales at current prescribed price	52,631	60,161	63,759	3,598	6.0
Meter rentals	455	473	472	(1)	(0.2)
Late payment surcharge	263	248	-	(248)	(100.0)
Meter manufacturing business profit	48	33	-	(33)	(100.0)
Amortization of deferred credit	151	197	184	(13)	(6.9)
Sale of gas condensate	350	296	408	112	38.0
Gas transportation charges	527	506	511	5	1.0
Income from JJVL	572	2,239	1,977	(262)	(11.7)
Other income	145	299	113	(186)	(62.2)
Net operating income	**55,142**	**64,451**	**67,425**	**2,973**	**4.6**

3.2.3 Actual net operating expenses have been claimed at Rs. 66,568 million as compared to Rs. 65,091 million per RERR2, as detailed below:

Table 3: Comparison of Operating Expenses per the Petition with RERR2 and Previous Year.

Rs. in million

PARTICULARS	FY- 2004-05	FY 2005-06		Inc./(Dec.) over RERR2	
	FRR	RERR2	The Petition		%
Cost of gas Sold	46,813	57,950	59,594	1,644	2.8
Unaccounted for gas disallowed	(694)	(152)	-	152	(100.0)
Transmission and distribution cost	3,791	3,780	4,265	485	12.8
Gas internally consumed (GIC)	194	294	170	(124)	(42.2)
Depreciation	2,154	2,714	2,193	(521)	(19.2)
Reduction against GIC reclaimed	-	-	36	36	
Short return and depreciation reclaimed	-	-	37	37	
Disallowance relating to UFG reclaimed	-	-	34	34	
Other charges including W.P.P.F.	119	156	239	83	53.3
Deferral account	-	350	-	(350)	
Net operating expenses	**52,376**	**65,092**	**66,568**	**1,476**	**2.3**

3.2.1 The Unaccounted for Gas (UFG) has been claimed at 6.61% (25,396 MMCF) as against the upper and lower target of 6% and 5.7%, respectively, fixed by the Authority.

3.2.2 The net result of the petitioner's above mentioned claims is that there is a shortfall of Rs 2,320 million after allowing 17% return on average net operating fixed assets, which translates to an increase of Rs. per 6.86 MMBTU in the existing average prescribed price, as tabulated below:

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

Rs. in million

	Particulars	RERR2	The Petiton
a	Net operating revenue	68,393	67,425
b	Less: Net operating expenses including WPPF	65,092	66,568
c	Surplus / (shortfall) {(a)-(b)}	3,301	857
d	Return required @ 17% on net fixed assets in operation	3,301	3,177
e	Total surplus/(shortfall) in the revenue requirement {(c)-(d)}	-	(2,320)
f	**Sale volume (BBTU)**	**338,945**	**338,105**
g	Increase requested in the existing average prescribed price to meet the total shortfall in revenue requirement (e) / (f) (Rs./MMBTU)	-	6.86

4. Determination

4.1 After detailed scrutiny of the petition, and the information and clarifications provided later, the Authority determines as follows.

5. Return to Licensee

5.1 The request of the petitioner for determination of its revenue requirement for the said year, allowing return on average net operating fixed assets at the rate of 17% is consistent with the determinations per DERR, RERR and RRERR2, and acceptable. However, the petitioner's claims, as given in para 3 above are <u>not</u> consistent with the said determinations in following fundamental respects;

a) Revenue items determined by the Authority as "operating" have been claimed as "non-operating" by the petitioner.

b) Items of expenditure determined by the Authority as "non-operating" have been claimed by the petitioner as "operating".

c) Contentions raised earlier by the petitioner and decided by the Authority, have been re-iterated, or new contentions have been raised.

5.2 The instant petition is filed under sub-section (2) of section 8 of the Ordinance, which provision is to serve the limited purpose of incorporating the effect of "actual changes in wellhead gas prices, sales mix and other relevant factors" to the estimated revenue requirement determined earlier under sub-section (1) of the said section 8. It is not open to the petitioner to use this opportunity for raising any new issue, or agitating matters raised earlier and decided by the Authority in its determination under Section 8 (1) of the Ordinance and subsequently reviewed, if the petitioner filed a motion under Section 13 of the Ordinance, which the petitioner did in the instant case. In simpler words, the current exercise is only for the limited purpose of actualization of the provisional estimates against various items of revenue and expenditure, covered by the RERR2, no less or no more. In view of this legal position, the petitioner's claims or contentions of the types mentioned above in para 5.1 above, cannot be entertained at this late stage.

6. Operating Fixed Assets

6.1 Summary

6.1.1 The petitioner has claimed a gross addition in fixed assets during the said year at Rs. 5,154 million and net addition after accounting for depreciation at Rs. 2,926 million, increasing the net operating fixed assets from Rs. 19,236 million in FY 2004-05 to Rs. 22,162 million. After adjustment of deferred credits, the average value of operating fixed assets has been claimed at Rs. 18,689 million and the required return at Rs. 3,177 million, as tabulated below:

Table 5: Computation of Return on Assets per the Petition

	Rs. In million
Description	**Amount**
Net operating fixed assets at beginning	19,236
Net operating fixed assets at closing	22,162
	41,398
Average net assets (I)	20,699
Deferred credit at beginning	1,791
Deferred credit at closing	2,228
	4,019
Average net Deferred credit (II)	2,009
Average (I-II)	18,689
Return required on net operating fixed assets	17%
Total	**3,177**

6.1.2 The petitioner has excluded the opening and closing balance of assets relating to meter manufacturing business amounting to Rs. 61 million and Rs. 32 million, respectively, from the asset base which is not consistent with the DERR and RERR. This claim is not acceptable in view of the legal position given in para 5.2 above.

6.1.3 The petitioner has included Rs. 110.444 million (net of depreciation) in respect of addition to vehicles, which was disallowed by the Authority per its determination of FRR 2004-05, on the ground that the expenditure had been incurred over and above the permitted amount.

6.1.4 The petitioner has also included Rs. 7.625 million (net of depreciation) relating to prepaid gas meters in the asset base which was principally disallowed by OGRA, having been purchased before obtaining necessary approval of the Authority under NGT Rules 2002. The matter is being dealt with separately and the decision in this regard will be communicated to the petitioner in due course, not as part of the instant determination.

6.1.5 ***The Authority, therefore, maintains its earlier decision in respect of Meter Manufacturing assets, and disallowance of Rs. 110.444 million and Rs. 7.625 million on account of addition to vehicles and prepaid meters, respectively.***

6.1.6 ***Consequently, the Authority determines opening balance of net operating fixed assets at Rs. 19,178 million, for the said year.***

6.1.7 Comparative analysis of additions in fixed assets per the petition with RERR2 and the previous year is as follows:

Table 6: Summarized Schedule of Additions Compared with RERR-2 & Previous Years

					Rs. in milion
Particulars	**FY 2004-05**	**FY 2005-06**	**FY 2005-06**	**Inc./(Dec.) over RERR2**	
	FRR	**RERR-2**	**The Petition**		**%**
Land	32	95	1	(94)	(99)
Building	59	311	16	(295)	(95)
Transmission line	2,109	4,286	1,531	(2,755)	(64)
Compressors	18	47	-	(47)	(100)
Plant & machinery	84	295	47	(248)	(84)
Gas distribution system	1,785	3,277	2,922	(355)	(11)
Furnitures & fixtures	200	117	149	32	27
Telecom system	3	7	5	(3)	(33)
Tools & equipment	29	31	52	21	66
Vehicles	96	147	182	36	24
Construction equipment & vehicles	46	-	212	212	-
SCADA	137	-	26	26	
Software (Intengible Assets)	91	-	39	39	
Less: Assets relating to meter manufacturing business	-	-	(27)	(27)	
Total addition	**4,690**	**8,613**	**5,154**	**(3,459)**	**(40)**

6.1.8 The petitioner has provided further breakdown of the major items of additions as detailed below:

Table 7: Detailed Schedule of Additions Per the Petition

		Rs. in million
S/No	**Asset Description**	**The Petition**
A	**Transmission**	
1	24" Diameter x 116 Km loopline from Karachi to Hyderabad (Phase I of Sanghar-Hyderbad-Karachi Pipeline)	63.51
2	24" Diameter x 14 Km loopline from Masu to Hyderabad (Phase II of Sanghar-Hyderbad-Karachi Pipeline)	184.14
3	24" Diameter x 140 Km loopline from HQ2 to Masu and D/s of Nawabshah Compression Facility (Phase III of Sanghar-Hyderbad-Karachi Pipeline).	395.10
4	24" Diameter x 200 Km loopline from Bajara to Karachi on Indus Right Bank Pipeline (IRBP) System.	687.34
5	24" Diameter x 6 Km spur for Bin Qasim	107.88
6	30" Diameter x 9 Km Pipeline from HQ3 to SMS Sindh University	8.92
7	SSGCL's Transmission Pipeline RoW	28.00
8	Rehabilitation of 16" ILBP	5.83
9	Pipeline Security, Construction of Submerged Crossings	38.31
10	Bhit Gas Pipeline	9.19
11	Others Projects	2.91
12	SCADA	26.46
	Total Transmission	**1,557.59**
B	**Distribution**	
13	Gas Distribution System (GDS)	1,746.28
14	New Towns and Villages (NTV)	611.87
15	Distribution Projects	563.00
	Total Distribution	**2,921.15**
16	**Land**	0.67
17	**Buildings**	15.83
18	**Plant & Machinery**	68.96
19	**Furniture and Equipment**	
	Furniture and Fixtures	103.40
	IT & Ancilliary Equipment	38.50
	Sub Total	**227.36**
20	**Tools & Equipment**	29.51
21	**Vehicles**	182.40
22	**Construction Equipment**	212.01
23	**Security Equipment**	6.31
24	**Telecom Equipment**	5.10
25	**Software (Intengible Asset)**	39.69
26	**Less: Assets relating to meter manufacturing business**	(27.44)
	Sub Total	**447.59**
	Grand Total	**5,153.68**

6.2 Transmission System

6.3 Gas Distribution System

ii. New towns and Villages

6.3.1 The petitioner has claimed Rs. 611 million on account of new towns and villages, commissioned during the said year. The Authority observes that out of Rs. 611 million, Rs. 20 million has been incurred over and above the ECC criteria, which should be met through Government grant. ***Therefore, the Authority treats Rs. 19 million as part of the deferred credit for the said year.***

6.4 Determination of Fixed Assets

6.4.1 The value of additions to assets, claimed by the petitioner and allowed by OGRA (per discussion above), for the said year, is as under:

Table 8: Summary of Asset Additions Determined by OGRA

		Rs. in million
Particulars	**Claimed by the Petitioner**	**Determined by OGRA**
Land	1	1
Building	16	16
Transmission System	1,558	1,558
Distribution Development	2,921	2,921
Plant & Machinery	69	69
Vehicles	182	182
Furniture & Equipement	142	142
Other Assets	293	293
Less: Assets relating to meter manufacturing business	(27)	-
Total Capitalization	**5,154**	**5,181**

6.4.2 The Authority observes that the petitioner has maintained the depreciation rate of 5% on the meters existing on June 30, 2005, and has increased the rate of depreciation on meters added in the said year, to 10%, without providing convincing justification, and obtaining prior approval of the authority and the

Federal Government. Therefore, the depreciation on meters is reworked at 5% and reduced by Rs. 25.641 million.

6.4.3 Depreciation expense claimed by the petitioner would also be reduced Rs. 53.7 million as a result of disallowance of addition to fixed assets, as discussed in paras 6.1.5 above.

6.4.4 ***After adjustment of addition in deferred credit per para 7.3.4 below, the closing balance of deferred credit is determined at Rs. 2,246 million, for the said year.***

6.4.5 The Authority observes that it had directed the petitioner vide its determination dated October 19, 2005 to provide:

a) its statutory auditors' certificate on the basis of detailed cost audit confirming the cost that could be reasonably attributed to each asset capitalized during a year, on the basis of reasonable levels of efficiency and cost effectiveness, if it falls within any of the under-mentioned categories:

- **Transmission**:
  - Construction Machinery
  - Pipelines (new / replacements)
  - Compressors / turbines
  - SCADA
  - Telecommunication
- **Distribution:**
  - Pipelines (supply mains, extensions etc.) excluding the jobs with total value of less than Rs. 10 million.

b) its auditors' certificate confirming procurement of assets and services being transparent, cost effective, and in accordance with the PPR 2004, in respect of the following categories:

- Construction machinery
- Pipeline
- Regulators

- Valve and Fittings
- Coat and Wrap Materials
- Compressors/Turbines
- SCADA
- Service contracts excluding those valued at less than Rs. 50 million.

6.4.6 The certificate provided by the petitioner in this respect states that the audit has been done on test check basis and the auditor could not express any assurance on compliance with PPR 2004. The certificate further states that had the auditors performed additional procedures or an audit or review of the financial statements, in accordance with International Standards on Auditing, other matters might have come to their attention that would have been reported to the management. The Auditors have not expressed any opinion on cost effectiveness of the expenditure incurred by the petitioner.

6.4.7 The Authority notes that the certificate provided by the petitioner's statutory auditors does not fulfill the Authority's requirement.

6.4.8 ***The Authority directs the petitioner to provide within three months of issuance of this Order, the requisite certificate to the satisfaction of the Authority. Further, if the statutory auditors express their inability to provide the same, practicing cost and management accountant and / or specialist procurement auditors be engaged for the purpose in accordance with the terms of reference earlier approved by the Authority, with prior approval of the Authority.***

6.4.9 ***In view of above, the Authority provisionally determines the additions in fixed assets at Rs. 5,181 million per para 6.1.1 above and the closing average net operating fixed assets (net of deferred credits) for the said year at Rs. 18,635 million subject to adjustments, if any, after provision within the stipulated timeframe, of auditors' certificate per requirements of the Authority.***

7. Operating Revenues

7.1 Sales Volume

7.1.1 Sales volume has decreased by 0.25% from 338,947 BBTU per RERR2 to 338,105 BBTU per the petition i.e. 0.25%. Category-wise comparison with previous years has been provided by the petitioner as under:

Table 9: Comparison of Category-wise Sale Volume per the Petition with RERR2

					BBTU
Category	**FY 2004-05**	**FY 2005-06**		**Inc. / (Dec.) over RERR2**	
	FRR	**RERR-2**	**The Petition**		**%**
Power	134,257	144,977	132,875	(12,102)	-8%
Cement	5,043	3,844	5,765	1,921	50%
Fertilzier-Feed Stock	20,995	18,133	19,033	900	5%
CNG Stations	4,946	5,000	8,237	3,237	65%
Captive Power	27,980	30,906	32,119	1,213	4%
General Industries	72,079	72,324	75,387	3,063	4%
Commercial	7,459	7,397	8,030	633	9%
Domestic	56,600	56,366	56,659	293	1%
TOTAL	**329,359**	**338,947**	**338,105**	**(842)**	**-0.25%**

7.1.2 The Authority observes that the petitioner has excluded 21 MMCF (21 BBTU) being the net affect of accrued sales not yet billed, from the total sales volume as discussed in para 8.2.5 below.

7.1.3 ***The Authority therefore, after adding back the volume of 21 BBTU, determines the sales volume at 338,126 BBTU for the said year.***

7.2 Sales Revenue

7.2.1 Sales revenue (net of sales tax) is Rs. 66,555 million at existing sale prices. Category-wise comparison with RERR2 and previous year is given below;

Table 10: Comparison of Category-Wise Sale Revenue per the Petition with RERR2

Rs. In million

Category	FY 2004-05	FY 2005-06		Inc. / (Dec.) over RERR2	
	FRR	RERR2	The Petition		%
Power	25,276	32,588	29,838	(2,749)	-8%
Cement	1,091	986	1,491	505	51%
Fertilzier-Feed Stock	772	667	700	33	5%
CNG Stations	936	1,123	1,866	743	66%
Captive Power	5,281	6,946	7,236	290	4%
General Industries	13,600	16,251	16,966	716	4%
Commercial	1,601	1,872	2,053	181	10%
Domestic	5,817	6,411	6,404	(7)	0%
TOTAL	**54,376**	**66,843**	**66,555**	**(289)**	**-0.43%**

7.2.2 The Authority notes that due to adjustment in sales volume in respect of accrued sales not yet billed, as discussed in para 7.1.2 above, the total sales revenue would increase by Rs. 1.326 million.

7.2.3 ***In view of the above the Authority determines the sales revenue at Rs. 66,556 million for the said year.***

7.3 Other Operating Income

i. Summary

7.3.1 The petitioner has claimed other operating income at Rs. 3,666 million per the petition as compared to Rs. 4,290 million per RERR-2 for the said year. Detailed breakup is compared below:

Table 11: Comparison of Other Operating Income per the Petition with RERR-2 and Previous year

					Rs. in million
Description	**FRR FY 2004-05**	**FY 2005-06**		**Inc./ (Dec.) over RERR2**	
		RERR2	**The Petition**		**%**
Meter Rental	455.058	473	472	(1.012)	-0.2%
Sale of Gas Condensate	349.947	296	408	113	38.1%
Late Payment Surcharge	263.221	248	-	(248)	-100.0%
Meter Manufacturing Profit	48.215	33	-	(33)	-100.0%
Amortization of deferred credit	150.862	197	184	(14)	-7.0%
Gas Transportation Charges	526.758	506	511	6	1.1%
Income from JJVL	572.299	2,239	1,977	(262)	-11.7%
Other Income	145.010	299	113	(186)	-62.2%
Total:-	**2,511**	**4,290**	**3,666**	**(625)**	**-15%**

7.3.2 The petitioner has contended that Late Payment Surcharge (LPS) at Rs. 292 million, Meter Manufacturing Profit (MMP) at Rs. 80 million, and Royalty income from JJVL at Rs. 367 million are non-operating incomes. These contentions are not to be entertained at this stage for the reason discussed in para 5 above.

7.3.3 ***The Authority, therefore, treats LPS, MMP and Royalty from JJVL as operating income for the said year.***

ii. Amortization of Deferred Credit

7.3.4 Amortization of deferred credit has been claimed by the petitioner at Rs. 184 million. The Authority has decided in para 6.3.1 above to treat expenditure amounting to Rs. 19 million as deferred credit for the said year. ***Accordingly, income realized as the amortization of deferred credit is increased by Rs. 1 million and determined at Rs. 185 million.***

iii. Other Income

7.3.5 The petitioner has claimed other income for the said year at Rs. 113 million as against Rs. 299 million per RERR2.

7.3.6 The Authority, per para 7.9.3 of its determination of estimated revenue requirement (DERR) for the said year, dated May 20, 2005, had decided to include imputed income from IAS 19 funds in the petitioner's revenue requirement. However, the petitioner has not accounted for this income in the tariff computation. It works out as under:

Table 12: Computation of Imputed Income on IAS-19 Funds, Utilized by the Petitioner

						Rs. in million
Particulars	**FY 2000-01**	**FY 2001-02**	**FY 2002-03**	**FY 2003-04**	**FY 2004-05**	**FY 2005-06**
Opening balance (a)	177	272	399	531	650	719
Add: charged for the year	95	143	152	119	84	97
Less: payment made during the year	#	(16)	(20)	-	(15)	(20)
Closing balance (b)	272	399	531	650	719	796
Average Balance (a+b)/2	225	336	465	591	685	758
Avg. rate of profit on bank deposits earned by the company during the	13.08%	8.61%	2.92%	3.92%	3.29%	4.33%
Profit on IAS-19 Fund	**29**	**29**	**14**	**23**	**23**	**33**
Total income from IAS-19 Funds						**150.30**

7.3.7 ***The Authority, therefore, includes Rs. 150 million in respect of income from IAS 19 funds in the petitioner's revenue requirement, and determines the other income at Rs. 263 million for the said year.***

7.4 ***In view of the above, the Authority determines the total operating income at Rs. 4,557 million for the said year as against Rs. 3,666 million claimed by the petitioner, as detailed below:***

Table 13: Summary of Other Operating Income Determined by OGRA

Description	The Petition	Adjustment	Determined by OGRA
			Rs. in million
Meter Rental	472	-	472
Sale of Gas Condensate	408	-	408
Late Payment Surcharge	-	292	292
Meter Manufacturing Profit	-	80	80
Amortization of deferred credit	184	1	185
Gas Transportation Charges	511	-	511
Income from JJVL	1,977	367	2,344
Other Income	113	150	263
Total:-	**3,666**	**891**	**4,556**

8. Operating Expenses

8.1 Cost Of Gas

8.1.1 The cost of gas per petition is Rs. 59,594 million, compared to Rs. 57,950 million per RERR2, higher by Rs. 1,644 million (2.84%).

8.1.2 The Authority allowed input cost of gas on the basis of combined weighted average cost of gas purchases by the petitioner and SNGPL at Rs. 156.51 per MMBTU in RERR2 in accordance with the Agreement for Equalization of Cost of Gas dated 22nd September, 2003, between the two companies. On the basis of the actual audited results, weighted average of input cost of gas for the said year works out at Rs. 159.20 per MMBTU as under:

Table 14: Weighted Average Cost of Input Gas

Company	MMCF	BBTU	Rs in million	Rs./ MMBTU
SSGCL	385,362	375,590	65,138	173.43
SNGPL	624,952	586,633	88,043	150.08
Total	**1,010,314**	**962,223**	**153,181**	**159.20**

8.1.3 The above increase in cost of gas, compared to RERR2, is due to increased off-takes from various fields and increased wellhead gas prices, as calculated on the basis of actual payments made during the said year.

8.1.4 The cost of gas claimed by the petitioner would increase by Rs. 53 million, as a result of adjustment, discussed in para 8.3.8 below. The computation of the revised cost of gas is given as under:

Table 15: Computation of Cost of Gas per the Petition and Revised by OGRA

Particulars	The Petition		Revised by OGRA	
	MMCF	Rs. million	MMCF	Rs. million
Gas Purchases	385,362	59,776	385,362	59,776
Less: Gas Internally Consumed	1,082	170	744	117
(Increase) / Decrease in pipelines	(75)	12	(75)	12
Total	**384,355**	**59,594**	**384,693**	**59,648**

8.1.5 ***The Authority, in view of the above, determines the cost of gas sold at Rs. 59,648 million for the said year.***

8.2 Unaccounted for Gas (UFG)

8.2.1 The petitioner has claimed Unaccounted for Gas (UFG) at 6.61% (25,396 MMSCF) for the said year, as follows:

Table 16: Comparison of Unaccounted for Gas per petition with RERR2 & Previous Year

					MMCF
	FY 2004-05		FY 2005-06		Inc. / (decr.) from RERR 2
Particulars	Determined Actual	Benchmark	RERR 2	The Petition	
Gas Purchases	366,084	360,314	377,039	384,355	7,316
Gas Sales	338,694	338,694	355,610	358,959	3,349
UFG	27,390	21,620	21,429	25,396	3,967
UFG %	**7.48%**	**6.00%**	**5.68%**	**6.61%**	**0.92%**

8.2.2 The Authority, in its decision on the petitioner's motion for review in respect of ERR for the said year, had fixed the UFG upper & lower targets at 6% & 5.70% respectively, with the conditions that the petitioner would be entitled to retain the savings in the event of actual performance being better than the lower target, fully bear UFG above the upper target from its own profits and UFG between the lower & upper target would be adjusted to the extent of 50% leaving the balance 50% to be absorbed by the petitioner from its own profit.

8.2.3 The Authority notes that the petitioner has erroneously included un-metered gas to the extent of 209 MMCF relating to gas blown off, although it does not form part of GIC, as discussed and decided per para 9.2.5 of its determination of FRR FY 2004-05 dated November 01, 2005.

8.2.4 The Authority observes that GIC also includes 129 MMCF as "received as gas condensate". The petitioner sold this condensate to the Attock Refinery Limited, and therefore, this volume should be recorded as metered-gas sales rather than being made part of GIC.

8.2.5 The petitioner has also incorrectly reduced net effect of "accrued sales not yet billed" by 21 MMCF. This was a one time adjustment only and should no longer be taken into account in the computation of UFG. ***The Authority has, consequently, reinstated sales volumes by 21 MMCF and sales revenue by Rs. 1.326 million.***

8.2.6 The Authority notes that the petitioner has pleaded, once again, that UFG benchmarks set by it are unrealistic and do not take into account the ground realities. The Authority has decided this issue repeatedly in its earlier determinations, and has set the benchmarks duly taking into account peculiarities of local operating conditions as well as international norms and practices.

8.2.7 ***The Authority therefore, maintains its UFG benchmark as prescribed in its decision on motion for review of DERR 2005-06.***

8.2.8 Revised computation of UFG is as under;

Table 17: UFG Calculation

Particulars	The Petition	Determined by OGRA
Gross purchases	385,362	385,362
Line pack Difference	(75)	(75)
Gas handled in Transmission System	**385,437**	**385,437**
Less: Gas Internally Consumed		
Metered	647	647
Metered-received as gas condensate	129	-
Un-Metered / Estimated		
Blown Off(T)	128	97.00
Blown off Compression Operation	5	-
Blown off (D)	173	-
	306	97.00
Total Gas Internally Consumed	**1,082**	**744**
Available for External Sale	**384,355**	**384,693**
Sales		
Metered:		
Actual Billed	348,433	348,433
Gas Sold to JJVLC	5,090	5,090
Minimum Billing	5,378	5,378
Received as gas condensate	-	129
Provisional billing (Net)	79	79
Sub Total	**358,980**	**359,109**
Unmetered:		
Accrued Sales - Not Yet Billed	(21)	-
Total Sales	358,959	359,109
UFG	25,396	25,584
UFG in Percentage	**6.61%**	**6.65%**

8.2.9 ***In view of the above computation, the Authority adopts the UFG volume at 25,584 MMCF i.e. 6.65%, tentatively, as against the petitioner's calculation at 6.61%, subject to adjustment on the basis of UFG audit which may be commissioned by the Authority. Accordingly, the Authority provisionally disallows UFG above the benchmark for the said year per its earlier decision mentioned above, which will reduce the operating expenditure by Rs. 478 million.***

8.3 Transmission & Distribution Cost

i. Summary

8.3.1 The petitioner has claimed that the transmission and distribution cost has increased by 13% i.e. from Rs. 4,236 million per RERR2 to Rs. 4,434 million, as compared below:

Table 18: Comparison of T & D Cost per the Petition with RERR & Previous Year

					Rs. in million
Particulars	**2004-05**	**2005-06**		**Inc / (Dec) over RERR-2**	
	FRR	**RERR-2**	**The Petition**	**Amount**	**%**
Human Resouce Cost	2,802	3,178	3,150	(28)	(0.87)
Stores, spares and supplies consumed	256	275	359	84	30.42
Material and Labor used on consumers' installations	39	35	69	34	97.45
Electricity	51	64	53	(11)	(16.60)
Rent, rate & taxes	30	20	35	15	71.18
Travelling	40	42	40	(2)	(4.87)
Insurance & royalty	54	43	68	24	56.61
Postage & revenue stamps	25	27	40	13	46.67
Repairs & maintenance	405	396	353	(43)	(10.77)
Legal & Professional charges	71	108	58	(50)	(45.97)
License & Tariff regulation fee to OGRA	46	36	40	4	10.91
Security expenses	150	110	152	42	38.30
Gas bills collection charges	32	30	106	76	251.13
Provision for doubtful debts	214	200	154	(46)	(23.21)
Advertisement	32	30	35	5	15.90
Other T&D expense	78	64	80	17	26.06
Expenditure Share in Interstate Gas System (Pvt) Ltd.	7	8	58	51	675.69
Revenue expenditure relating to LNG project cost	-	-	80	80	
Sub-Total Expenses	**4,331**	**4,667**	**4,931**	**264**	**5.65**
Less Recoveries /Allocations	590	725	667	(58)	(17.08)
Net T&D Expenses before gas internally Consumed	**3,741**	**3,942**	**4,265**	**322**	**8.17**
Add: Gas Internally Consumed	194	294	170	(124)	(42.17)
Total T&D Expenditure	**3,935**	**4,236**	**4,434**	**198**	**4.68**

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

ii. Human Resource (HR) Cost

8.3.3 The petitioner has claimed saving of 0.89% on account of HR cost from Rs. 3,178 million per RERR2 to Rs. 3,150 million per the petition (including Rs. 75 million, being 50% share of total saving over actual HR cost).

8.3.4 The Authority had fixed benchmark for HR taking the actual HR cost of FY 2004-05 as base figure and indexing it to increase in number of consumers with 60% weightage, increase in network with 20% weightage, gas sales volume with 20% weightage and, additionally, allowed inflation adjustment to the extent of 50% of CPI subject to the condition that if the actual HR cost was higher than the benchmark HR cost, 50% of the amount would be adjusted in the revenue requirement and the balance 50% would be absorbed by the petitioner from its own profits.

8.3.5 The Authority observes that the actual HR cost of Rs. 3,075 million, as reported in the audited accounts, includes a provision of Rs. 130 million pertaining to pending agreement with CBA upto FY 2004-05, leaving the net actual HR cost for the said year at Rs. 2,945 million, as against the benchmark cost of Rs. 3,096 million, showing a net saving of Rs. 151 million.

8.3.6 In view of the above, the Authority adds Rs. 75 million in the actual HR cost for the said year, after equally sharing the saving between the consumers and petitioner, and determines it at Rs. 3,150 million for the said year.

iii. Gas Internally Consumed (GIC)

8.3.7 The petitioner has claimed GIC for the said year at Rs. 170 million as against Rs. 294 million per RERR2 2005-06, showing decrease of 42%. Historical comparison of GIC is provided below:

Table 19: Comparison of Gas Internally Consumed with RERR2 & Previous Year

					Rs. million
Particulars	**FY 2004-05**	**FY 2005-06**		**Increase / (decrease) over RERR 2**	
		RERR2	**The Petition**		**%age**
Compression fuel	147.730	219.578	64.133	(155.445)	-71%
LHF Bdin	19.531	23.319	20.121	(3.198)	-14%
Domestic / other use	63.169	50.734	58.366	7.632	15%
Sub - total Transmission	230.430	293.631	142.620	(151.011)	-51%
Distribution	-	-	27.189	27.19	-
TOTAL:-	**230.43**	**293.63**	**169.81**	**(123.82)**	**-42%**

8.3.8 The petitioner has claimed GIC volume for the said year at 1,082 MMCF, out of which 209 MMCF pertains to “gas blown off” being un-metered gas and 129 MMCF as “received as gas condensate”, both of which do not form part of GIC as discussed in paras 8.2.3 and 8.2.4 above, respectively.

8.3.9 ***In view of the above, the Authority, disallows Rs. 53 million on account of “gas blown off” and “received as gas condensate”, being not part of GIC.***

iv. Other Expenses

8.3.10 The petitioner has claimed “other expenses” at Rs. 80 million for the said year as against Rs. 64 million per RERR2, showing an increase of 26 %.

8.3.11 The petitioner has included a sum of Rs. 6.236 million in respect of inauguration expenses of Gawadar LPG-Air Mix plant under the head “other expenses”. This is a substantive expenditure which, for transparency reasons, should have been disclosed separately rather than being lumped with small routine expenditure. ***The petitioner is directed to ensure proper disclosure and avoid such like undesirable practice of lumping allowable and non-allowable expenses. The Authority disallows Rs. 6.236 million being unrelated to the regulated activities of the petitioner.***

8.3.12 The Authority observes that, under the head “other expenses”, an amount of Rs. 10 million has been categorized as “miscellaneous expenses” without providing details or justification.

8.3.13 ***The Authority, due to lack of justification, provisionally disallows 50% of the “miscellaneous expense” i.e. Rs. 5 million subject to adjustment in FY 2006-07, if any, on the basis of scrutiny of the details, to be provided by the petitioner.***

8.3.14 ***In view of the above, the Authority determines “other expenses” for the said year at Rs. 69 million.***

8.3.15 ***The Authority also directs the petitioner to provide, in future, with all its petitions, details and justifications of all lumped items like “Miscellaneous Expenditure” or “Other Expenditure”, in the absence of which, it would be disallowed in full without providing further opportunity for the purpose.***

v. Remaining Items of T&D Expenses

8.3.16 The items of T & D expenses, except those dealt with in sub-paras ii to iv above, are claimed by the petitioner at Rs. 1,701 million as against Rs. 1,426 million per RERR2 FY 2005-06, showing an increase of 19.29%. The comparative analysis is given below :

Table 20: Comparison of Other T & D Expenses per the Petition with RERR2 & Previous Years

Rs. in million

Particulars	2004-05	2005-06		Inc / (Dec) over RERR-2	
	FRR	RERR-2	The Petition	Amount	%
Stores, spares and supplies consumed	256	275	359	84	30.42
Material and Labor used on consumers' installations	39	35	69	34	97.45
Electricity	51	64	53	(11)	(16.60)
Rent, rate & taxes	30	20	35	15	71.18
Travelling	40	42	40	(2)	(4.87)
Insurance & royalty	54	43	68	24	56.61
Postage & revenue stamps	25	27	40	13	46.67
Repairs & maintenance	405	396	353	(43)	(10.77)
Legal & Professional charges	71	108	58	(50)	(45.97)
License & Tariff regulation fee to OGRA	46	36	40	4	10.91
Security expenses	150	110	152	42	38.30
Gas bill collection charges	32	30	106	76	251.13
Provision for doubtful debts	214	200	154	(46)	(23.21)
Advertisement	32	30	35	5	15.90
Expenditure Share in Interstate Gas System (Pvt) Ltd.	7	8	58	51	675.69
Revenue expenditure relating to LNG project cost	-	-	80	80	
Sub-Total Expenses	**1,452**	**1,426**	**1,701**	**275**	**19.29**

8.3.17 ***The Authority accepts remaining items of T&D expenses at Rs. 1,701 million***.

8.4 ***In view of the examination in paras ii to v of section 8.3 above , the Authority determines the operating cost for the said year at Rs. 4,370 million as against Rs. 4,434 million claimed by the petitioner, as follows:***

Table 21: Summary of T & D Cost Determined by the Authority

Rs. in million

Particulars	Per the petition	Determined by OGRA
Human Resouce Cost	3,150	3,150
Other T&D expense	80	69
Remaining items of T&D expense	1,701	1,701
Sub-Total Expenses	**4,931**	**4,920**
Less Recoveries / Allocations	667	667
Net T&D Expenses before gas	**4,264**	**4,253**
Add: Gas Internally Consumed	170	117
Total T&D Expenditure	**4,434**	**4,370**

8.5 Other Charges

8.5.1 The petitioner has claimed Rs. 239.093 million on account of "other charges" for the said year. The components of other charges, as provided by the petitioner are detailed below;

Table 22: Detail of Other Charges per the Petition

Particulars	Rs. In million
Auditors' remuneration	1.250
Corporate social responsibility (CSR)	10.000
Earthquake relief activities	30.000
Donations	0.050
Exchange loss on payment of gas purchases	16.756
Provision for slow moving / obsolete stores	3.498
Workers' Profit Participation Fund(W.P.P.F)	177.539
Total T&D Expenditure	**239.093**

(i) CSR, Earthquake Relief Activities and Donation

8.5.2 The Authority has observed that under the head CSR, the petitioner has claimed Rs. 4.773 million on account of "Other Social Projects" and Rs. 0.918 million towards "Environmental Protection". The petitioner has also incurred Rs. 30 million on account of earthquake relief activity and Rs. 0.050 million for payment of donations during the said year.

8.5.3 The Authority has been consistently of the view that such contributions, though laudable, 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.

8.5.4 ***In view of above, the Authority disallows Rs. 35.741 million out of "other charges" being not classifiable as operating expenditure.***

(ii) Workers Profit Participation Fund (W.P.P.F.)

8.5.5 The petitioner has claimed WPPF at Rs. 177.539 million. ***However, due to adjustments in the components of revenue requirements as discussed above, WPPF is recalculated and allowed at Rs. 101 million.***

8.5.6 ***In view of the above discussion, the Authority's allows Rs. 127 million on account of other Charges.***

8.6 Reclaimed Items

8.6.1 The petitioner has re-claimed Rs. 108 million, that were disallowed in FRR 2004-05, as detailed below:

Table 23: Detail of Reclaimed Items per the Petition

	Particulars	Rs. in million
a	Reduction in GIC not added in cost of gas	36
b	Excess UFG calculated by the Authority	30
c	Reduction in return due to disallowed vehicles	9
d	Depreciation on vehicles disallowed	28
e	UFG (volume of gas sales not yet billed) disallowed	4
	Total	**108**

8.6.2 The Authority observes that the item (a) "Reduction in GIC" amounting to Rs. 36 million, was erroneously deducted twice as it was not "added to the cost of gas" while determining FRR 2004-05. The Authority therefore, had decided per its Order on motion for review of FRR 2004-05, that the same would be adjusted at the time of FRR 2005-06. ***Therefore, the amount of Rs. 36 million is to be separately allowed.***

8.6.3 As regards item (b) "excess UFG calculated by the Authority", the Authority notes that a sum of Rs. 12 million pertains to sabotage related gas losses of 91 MMCF. ***Therefore, this expenditure of Rs. 12 million is allowed.***

8.6.4 The remaining amount of Rs. 18 million out of item (b) above, relate to UFG for FY 2004-05, reduction in return and depreciation due to disallowed vehicles and prepaid meters and disallowance on account of accrued sales volume not yet billed. These items have already been discussed and decided by the Authority per FRR 2004-05. ***The Authority therefore, maintains its decision in respect of the sum of Rs. 18 million.***

8.6.5 ***The items (c), (d) & (e) above were disallowed in FRR 2004-05 and cannot be reclaimed at this stage for reasons given in para 5 above.***

8.6.6 ***In view of the above, the Authority allows Rs. 48 million only in respect of reclaimed items for the said year.***

9. Decision

9.1 In view of the justifications submitted and arguments advanced by the petitioner in support of its petition, scrutiny by the Authority and detailed reasons recorded in earlier paras, the Authority recapitulates and decides to:

9.1.1 *allow addition in fixed assets at Rs. 5,181 million and reduce depreciation expense by Rs. 54 million;*

9.1.2 *increase deferred credit closing balance by Rs. 18 million;*

9.1.3 *increase sales volume by 21 MMCF, with consequential increase in the sales revenue by Rs. 1 million;*

9.1.4 *increase other operating income by Rs. 891 million;,*

9.1.5 *restrict the UFG per the benchmark and make a downward adjustment of Rs. 478 million in the operating expense;*

9.1.6 *increase the cost of gas by Rs. 53 million due to reduction in GIC;*

9.1.7 *disallow Rs. 11 million out of "other expenses";.*

9.1.8 *disallow Rs. 112 million out of "other charges";*

9.1.9 *disallow Rs. 59 million on account of "reclaimed items"*

9.2 ***In exercise of the powers under Section 8(2) of the Ordinance, the Authority determines the final revenue requirement of the petitioner for the said year at Rs. 69,021 million as against petitioner's claim of Rs. 69,745 million, thus reducing it by Rs. 724 million, as tabulated below:***

Table 24: Components of FRR for the Said Year as Determined by the Authority

		Rs. in millin
Particulars	**Per thePetition**	**Determined by OGRA**
Cost of gas sold	59,594	59,647
Disallowed on account of UFG	-	(478)
Transmission and distribution cost	4,504	4,380
Gas Internally Consumed	170	117
Depreciation	2,193	2,139
Return on net average operating fixed assets	3,177	3,168
Reclaimed Items	107	48
Increase requested in the prescribed price	**69,745**	**69,021**

9.3 ***The petitioner's actual net operating income is Rs. 68,317 million and thus there is a shortfall of Rs. 704 million vis-à-vis its revenue requirement for the said year. To adjust this shortfall, the Authority hereby adjusts the average prescribed prices upward by Rs. 2.08 per MMBTU. Revised prescribed prices for each category of retail consumers for FY 2005-06 are attached and marked Annexure-B.***

10. Directions

10.1 In addition to the directions issued by the Authority in its previous determinations, the petitioner is further directed to:-

10.1.1 ***Provide within three months of issuance of this Order, the requisite auditor certificate, in respect of additions to assets, to the satisfaction of the Authority. Further, if the statutory auditors express their inability to provide the same, practicing cost and management accountant and / or specialist procurement auditors be engaged for the purpose in accordance with the terms of reference earlier approved by the Authority, with prior approval of the Authority.***

10.1.2 ***Ensure proper disclosure and avoid such like undesirable practice of lumping***

allowable and non-allowable expenses.

10.1.3 ***Provide, in future, with all its petitions, details and justifications of all lumped items like "Miscellaneous Expenditure" or "Other Expenditure", in the absence of which, it would be disallowed in full without providing further opportunity for the purpose.***

(M.H. Asif)
Member (Finance)

(Jawaid Inam)
Member Gas) /
Vice Chairman

(Munir Ahmad)
Chairman

Islamabad,
September 25, 2006

A. Final Revenue Requirement for FY 2005-06

Rs. in million

	Particulars	RERR2	The Petition	Addition/ (Reduction)	Determined by OGRA
Gas sales volume -MMCF		**351,267**	**353,869**	**21**	**353,890**
	BBTU	**338,945**	**338,105**	**21**	**338,126**
"A"	**Net Operating Revenues**				
	Gross sales net of general sales tax	62,186	66,555	1	66,556
Less:	Gas development surcharge- existing	2,025	2,795	-	2,795
	Net sales at current prescribed price	60,162	63,759	1	63,760
	Meter rentals	473	472	-	472
	Late payment surcharge	248	-	292	292
	Amortization of deferred credit	197	184	1	185
	Sale of gas condensate	296	408	-	408
	Meter manufacturing profit	33	-	80	80
	Gas transportation charges	506	511	-	511
	Income from JJVL	2,238	1,977	367	2,344
	Other operating income	299	113	150	263
	Total Operating Revenue "A"	**64,452**	**67,425**	**892**	**68,317**
"B"	**Less: Operating Expenses**				
	Cost of gas	57,950	59,594	53	59,647
	Cut of UFG (in excess of OGRA benchmark)	(152)	-	(478)	(478)
	Transmission and distribution cost (including HR benchmark's saving)	3,780	4,265	(12)	4,253
	Gas internally consumed	294	170	(53)	117
	Depreciation	2,714	2,193	(54)	2,139
	Other charges including (W.P.P.F)	156	239	(112)	127
	Deferred Credit	350	-		-
	Total Operating Expenses "B"	**65,092**	**66,461**	**(656)**	**65,805**
"C"	**Operating profit (A-B)**	**(639)**	**964**	**1,547**	**2,512**
"D"	**Re-claimed Items**				
	Reduction in GIC not added in cost of gas	-	36	-	36
	Excess UFG calculated by the Authority	-	30	(18)	12
	Reduction in return due to disallowed vehicles	-	9	(9)	-
	Depreciation on vehicles disallowed	-	28	(28)	-
	UFG (volume of gas sales not yet billed) disallowed	-	4	(4)	-
		-	107	(59)	48
"E"	**Operating profit/(loss) (C-D)**	**(639)**	**857**	**1,607**	**2,464**
Return required on net operating fixed assets:					
Net operating fixed assets at beginning		20,500	19,236	(58)	19,178
Net operating fixed assets at ending		22,963	22,162	(32)	22,130
		43,463	41,397	(89)	41,308
Average net assets (I)		21,732	20,699		20,654
Deferred credit at beginning		2,220	1,791	-	1,791
Deferred credit at ending		2,410	2,228	18	2,246
		4,630	4,019	18	4,037
Average net deferred credit (II)		2,315	2,009	9	2,019
"F" Average net operating fixed assets (I-II)		**19,417**	**18,689**	(54)	**18,635**
"G" 17% return required on avg. net operating fixed assets		**3,301**	**3,177**	(9)	**3,168**
"H" Shortfall over return required (E-G)		**3,940**	**2,320**	**(1,616)**	**704**
Increase (decrease) in average prescribed price		**-**	**6.86**	**(4.78)**	**2.08**
Total revenue requirement (B+E)		**68,392**	**69,745**	**(724)**	**69,021**
					Rs. Per MMBTU
Avgerage prescribed price (Rs. / MMBTU)			**188.58**	**2.08**	**190.66**

B. Prescribed Prices Determined by OGRA

		Rupees per MMBTU			
		Provisional	Final	Provisional	Final
		01.07.2005 to 31.12.2005		01.01.2006 to 30.06.2006	
(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, universties, colleges, schools, private educational institutions, orphanages and other charitable institutions.				
	First slab (upto 100 cubic metres per month).	73.95	73.95	80.98	80.98
	Second slab (over 100 upto 200 cubic metres per month).	126.20	126.20	147.41	147.41
	Third slab (over 200 upto 300 cubic metres per month).	201.91	201.91	235.84	235.84
	Fourth slab (All over 300 cubic metres per month).	262.65	262.65	306.79	306.79
	For hostels and residential colonies to whom gas is supplied through bulk meters.				
	All off-takes at flat rate of	126.20	126.20	147.41	147.41
(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, theaters and private offices, clinics, maternity homes, etc.				
	All off-takes at flat rate of	222.66	225.36	252.37	255.07
(iii)	**Ice Factories:**				
	All off-takes at flat rate of	222.66	225.36	252.37	255.07
(iv)	**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	201.62	204.32	228.52	231.22
(v)	**Captive Power :**				
	All off-takes at flat rate of	201.62	204.32	228.52	231.22
(vi)	**CNG Stations:**				
	All off-takes at flat rate of	201.62	204.32	228.52	231.22
vii)	**Cement Factories:**				
	All off-takes at flat rate of	201.62	204.32	228.52	231.22
viii)	**Pak Steel**				
	All off-takes at flat rate of	201.62	204.32	228.52	231.22

(ix)	`	**Fauji Fertilizer Bin Qasim Limited**				
	(a)	**For gas used as feed stock for fertilizer**				
		Commodity charge.				
		All off-takes at flat rate of	36.77	36.77	36.77	36.77
	(b)	**For gas used as fuel for generating steam and electricity and for usage in housing colonies.**				
		Commodity charge.				
		All off-takes at flat rate of	201.62	204.32	228.52	231.22
(x)		**Power Stations:**				
		All off-takes at flat rate of	201.62	204.32	228.52	231.22