Case No. OGRA-6(2)-1(1)/2006-(Review)

IN THE MATTER OF

SUI NORTHERN GAS PIPELINES LIMITED
MOTION FOR REVIEW OF DERR, FY 2006-07

UNDER

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

DECISION

September 26, 2006

Before:

Jawaid Inam, Member (Gas) / Vice Chairman
Rashid Farooq, Member (Oil)
M.H. Asif, Member (Finance)

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1. BACKGROUND

1.1. Sui Northern Gas Company Limited (the petitioner) is a public limited company incorporated in Pakistan, which is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The company is engaged in construction and operation of gas transmission & distribution pipelines and sale of natural gas.

1.2. The petitioner submitted a review motion (the review motion) on June 14, 2006 under Rule 16 of the Natural Gas Tariff Rules, 2002 (NGT Rules, 2002) for increase in prescribed prices of various categories of consumers, which were determined by the Authority as a sequel to its order dated May 20, 2006 determining Estimated Revenue Requirement (ERR) of the petitioner for FY 2006-07 at Rs. 144,708 million, under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance) in case No. OGRA-6(2)-1(5)/2005. (These prescribed prices were subsequently re-adjusted on the basis of sale prices, as advised by the Federal Government and notified by the Authorit6y on June 30, 2006 as shown in relevant column of Annexure-B).

1.3. The petitioner has claimed a shortfall of Rs. 9,640 million for FY 2006-07 viz-a-viz the shortfall of Rs. 9,372 million determined by the Authority under its order dated May 20, 2006, mentioned above. This means that the petitioner has claimed increase in average prescribed prices of Rs. 15.59/MMBTU, as against the allowed increase of Rs. 15.16/MMBTU. The petitioner has submitted the following comparative statement of cost of service:

Table 1: Comparison of Cost of Service per the Review Motion with ERR

Rs. /MMBTU

Particulars	FY 2006-07 DERR	The Review Motion 2006-07	Inc./ (Dec.)
Units Sold (BBTU)	**618,369**	**618,369**	-
Cost of gas	204.09	204.09	-
Transmission and Distribution Cost	12.73	13.62	0.89
Depreciation	6.90	6.91	0.01
Return on net average operating fixed assets	9.79	9.83	0.03
Other operating income	(3.36)	(3.36)	-
Deferral Account	0.50	-	(0.50)
Cost of service / average prescribed price	**230.66**	**231.10**	0.44
Revenue available at existing prescribed	215.51	215.51	-
Shortfall in revenue requirement	**15.16**	**15.59**	0.43

1.4. The Authority on 24th July, 2006, issued a notice of conference in terms of Rule 6 of NGT Rules, 2002, to the petitioner, interveners and the Federal Government.

2. PROCEEDINGS

2.1. The Authority held the conference at Islamabad on August 16, 2006, in which the following participated:-

Petitioner

2.1.1. The petitioner was represented by a team led by its Managing Director, Mr. Abdul Rashid Lone.

Intervener

2.1.2. Mr. Shabbir Ahmed, Regional Chairman, All Pakistan Textile Processing Mills Association, Faisalabad.

2.2. The petitioner made submissions in detail in support of its review motion with the help of multimedia presentation. The petitioner's contentions are discussed later in this order.

2.3. The intervener, Mr. Shabbir Ahmed, objected to the current Government policy of subsidizing the fertilizer feedstock production and domestic use at the cost of the industry as a whole. He argued that it would be impossible for the industry to absorb any increase in cost of gas. He particularly emphasized that the textile sector which was the country's major foreign exchange earner, would be ruined owing to tough competition in world markets, in the post W.T.O environment. He also highlighted that 17.5% guaranteed return on assets to SNGPL was not justified and should be reduced.

2.4. The Authority observed that new tariff regime was under consideration of the Federal Government, and until its finalization, the current regime would continue. The Authority also observed that cross-subsidy was a policy matter falling in the jurisdiction of the Federal Government.

3. OPERATING FIXED ASSETS

(i) Rebuilding of AC1 X

3.1. Petitioner's Request and Grounds for Review

3.1.1. The petitioner has requested to provisionally allow the projected expenditure of Rs. 188 million on rebuilding / rehabilitation of compressor at AC1-X which was damaged in August 2005 due to presence of solid particles in gas stream from Qadirpur field. This expenditure, the petitioner has argued, is unavoidable to operate the compressors safely and efficiently, and to ensure uninterrupted flow of gas to consumers to meet the performance standards set by the Authority.

3.1.2. The petitioner has stated that the cost of damage cannot be recovered under warranty as the damage was caused due to presence of solid particles in the gas stream and a claim has been lodged on the producer, i.e.: M/s OGDCL for recovery. M/s OGDCL, however, is currently in the process of appointing a consultant for detailed investigation and that will take a long time. In the meantime, the petitioner is constrained to purchase immediately, the essentially required internal parts and hardware to repair and maintain the damaged compressors, as this operational requirement cannot be delayed.

3.1.3. The petitioner has stated that the expenditure will be adjusted to the extent of recovery from M/s OGDCL.

3.2. Discussion and Decision

3.2.1. The petitioner has not provided any new evidence or justification in support of its claim.

3.2.2. It is incontrovertible that the damage occurred due to flow of sub-specification raw gas and the petitioner should accept responsibility for its failure to prevent it. In all fairness, the damages must be recovered from the producer (M/s OGDCL), but if the petitioner fails to make that happen, the consumers cannot be burdened. In such eventuality, the petitioner will have to bear the damage. This does not, in any way, mean that the petitioner should not make necessary operational expenditure to ensure that it makes the best use of its assets and operates them safely and fully. The Authority did not restrain the petitioner from making necessary expenditure under its order of May 20, 2006 although it did not accept the petitioner's claim to include the same in ERR, for the reason given therein, and reiterated above.

3.2.3. ***The Authority maintains its earlier decision of disallowing Rs. 188 million under this head and directs the petitioner to:***

3.2.3.1. take all steps necessary to ensure full utilization and safe operation of its assets; and

3.2.3.2. ensure that necessary procedures are put in place on its system to prevent acceptance of non-specification gas, in future.

4. HUMAN RESOURCE (HR) COST

4.1. Petitioner's Request and Grounds for Review

4.1.1. The petitioner has requested that the correct HR cost of Rs. 3,857 be allowed because it was erroneously mentioned as Rs. 3,755 million in the petition for DERR FY 2006-07, and it had brought this error to the notice of the Authority vide its letter dated March 24, 2006.

4.2. Discussion and Decision

4.2.1. The Authority observes that even though the petitioner had informed of the error in calculating the HR benchmark, it failed to take the necessary consequential action of submitting revised operating cost and tariff computations, with the result that its demand for increase in prescribed prices remained unchanged at Rs. 16.18 / MMBTU.

4.2.2. The Authority will allow the actual benchmark HR cost to the petitioner at the time of FRR, on the basis of actual indexation factors and, ***for the present, provisionally maintains the projected HR cost at Rs. 3,755 million.***

5. STORES AND SPARES WRITTEN OFF

5.1. Petitioner's Request and Grounds for Review

5.1.1. The petitioner has requested for allowing expense of Rs. 20 million under this head.

5.1.2. The petitioner has pleaded that the write off was claimed due to reduction in useful life of Remus and G4 meters, and has argued that if the expense is not allowed at this stage, these meters will, in any case, be charged off over a longer period through depreciation.

5.2. Discussion and Decision

5.2.1. The petitioner has still not submitted any concrete evidence to establish that its claim for write off relates to the book value of those meters which, allegedly, became irreparable before attaining zero, or near zero, book value. In fact, in the course of hearing, it indicated its inability to produce such evidence.

5.2.2. The Authority has earlier recorded its concern about the petitioner not maintaining proper inventory record and tracking system of meters to support write off claims. The Authority has reservations about the efficacy of the petitioner's system of identifying the defective meters, transporting them to the repair shops, repairing them, declaring certain meters as irreparable and, finally, attaching a book value to such meters. In this scenario, it will be entirely inappropriate to accept a write-off claim for an estimated amount even though, the principle that the written down value attributable to the irreparable meters should be written-off, is not disputed.

5.2.3. ***In view of the above, the Authority, maintains its earlier decision of provisionally disallowing the claimed provision amounting to Rs. 20 million in respect of stores & spares, subject to provision of adequate and reliable information to show its prudence and reasonability.***

6. GAS BILLS COLLECTION CHARGES

6.1. Petitioner's Request and Grounds for Review

6.1.1. The petitioner has requested for allowing expense of Rs. 259 million on account of gas bills collection charges at the rate of Rs. 10 per bill because all the major banks are charging that rate.

6.2. Discussion and Decision

6.2.1. The Authority had provisionally allowed Rs. 129 million on this account in DERR 2006-07, considering the bill collection charges claimed by National Database and Registration Authority (NADRA) @ Rs. 5 per bill as reasonable, subject to finalization by State Bank of Pakistan (SBP). SBP, in the meeting held with the representatives of major banks and the utilities on June 08, 2006, has decided to fix the bill collection charges of major commercial banks at Rs. 8/- per bill as against their demand at Rs. 10/- per bill. However, this decision does not apply to smaller banks, post offices and NADRA.

6.2.2. The Authority has noted that about 80% bills are deposited in major banks and the remaining 20% in smaller banks, post offices, NADRA, etc.

6.2.3. ***The Authority directs the petitioner to make its best efforts for full implementation of the decision of State Bank of Pakistan fixing the bill collection charge at Rs. 8/- per bill.***

6.2.4. ***In view of the above, the Authority partially accepts the petitioner's request and provisionally determines the projected Gas Bill Collection Charges for FY 2006-07 at the revised figure of Rs. 191 million.***

7. INTERSTATE GAS SYSTEMS (PVT) LIMITED (ISGSL)

7.1. Petitioner's Request and Grounds for Review

7.1.1. The petitioner has requested the Authority to allow projected expense of Rs. 140 million on account of 49% share in expenditure of ISGSL on provisional basis, pending approval from Government of Pakistan (GoP).

7.1.2. The petitioner has informed that the requirement of approval of the expense from Ministry of Finance has been communicated to ISGSL, which has taken up the matter with Ministry of Petroleum and Natural Resources.

7.1.3. The petitioner has also presented minutes of the meeting on "Gas Import Options" held on January 27, 2005, chaired by the Prime Minister, in which it was decided that a financial advisor be urgently hired by ISGSL.

7.1.4. The petitioner, during the hearing, has informed that ISGSL has revised its budget for FY 2006-07, and, therefore its share has been reduced from Rs. 140 million to Rs. 92.5 million.

7.2. **Discussion and Decision**

7.2.1. The Authority reviewed the legal position in regard to projected expenditure relating to services provided by ISGSL, and observes that it qualifies as part of revenue requirement pursuant to Sub-Rule (iv) of Rule 17 of NGT Rules, 2002, which is reproduced below:-

> *"tariffs should be determined in a manner which promotes* ***continued*** *reasonable investment in equipment, facilities and research and development for qualitative and* ***quantitative*** *improvement in the provision of regulated activities:"(Emphasis added).*

7.2.2. The expenditure being incurred by the petitioner is likely to increase supply of gas to enable the petitioner to meet shortfall, envisaged around the year 2010.

7.2.3. The Authority, however, observes that it has no means of ascertaining the prudence of expenses incurred by ISGSL and, therefore, had earlier stated that the expenditure incurred for hiring of Financial Advisor may be scrutinized and approved by the Ministry of Finance (MoF) for inclusion in the petitioner's revenue requirement to ensure its reasonability and prudence.

7.2.4. The Authority further notes that nature and limitations of disbursements by the petitioner to ISGSL is not well defined in the agreement with ISGSL. The scope of services to be rendered by ISGSL, for which the petitioner is obligated to make the payments, is also vague.

7.2.5. The Authority notes that the Prime Minister has already decided that the financial advisors should be engaged by ISGSL on urgent basis.

7.2.6. ***The Authority, provisionally accepts the expenditure of Rs. 92.5 million for FY 2006-07, as projected by the petitioner, subject to the following conditions:***

(i) The petitioner will revise the service agreement with ISGSL by December 31, 2006 to clearly spell out the petitioner's rights and obligations as well as the respective roles / responsibilities of the Board of Director's of the petitioner and ISGSL in the matter of approving expenditure of ISGSL ensuring its reasonability and prudence. The classification of funds provided by the petitioner to ISGSL i.e. equity, loan or grant per applicable rules / regulations should be clearly identified in the revised agreement;

(ii) Since the Federal Government is the major stakeholder in the gas import project providing not only the policy guidelines but also directly supervising the project and leading all negotiations, the Service Agreement should also be approved by the Federal Government.

8. SUNDRY EXPENSES

8.1. Petitioner's Request and Grounds for Review

8.1.1. The petitioner has requested for allowing a sum of Rs. 16 million on account of sundry expenses in ERR for FY 2006-07.

8.1.2. The petitioner has argued that expense under this head had previously been allowed by the Authority in its determinations for FY 2004-05 and FY 2005-06.

8.2. Discussion and Decision

8.2.1. The Authority observes that the petitioner has not submitted any additional evidence in the proceedings on Review Motion. The detailed break-up of expenses booked under this head has, again, not been provided by the petitioner.

8.2.2. The Authority reiterates that all prudent operating expenses will be allowed at the time of FRR in accordance with Rule 17(1)(h) of the NGT Rules, 2002 subject to provision of evidence to that effect.

8.2.3. ***In view of the above, the Authority maintains its earlier decision of disallowing the sundry expenses amounting to Rs. 16 million.***

9. SECURITY EXPENSE

9.1. Petitioner's Request and Grounds for Review

9.1.1. The petitioner has requested for increase in the projected security expense from Rs. 145 million per DERR FY 2006-07 to Rs. 268 million.

9.1.2. The petitioner has stated that it had submitted a request for increase of Rs. 123 million on this account vide its letter dated May 03, 2006, which was not accepted by the Authority as the proceedings in the matter of ERR for FY 2006-07 had already been closed. The petitioner however, has explained that, in view of the present law and order situation in Baluchistan, the Federal Government had advised the petitioner to enhance its security measures and made it responsible for payment of 1/3rd expenditure in this respect. The remaining 2/3rd expenditure was to be shared by the Federal and Provincial Governments. The Petitioner informed that it has been faithfully paying its 1/3rd share but most of the security agencies have been demanding full payment on the ground that the 2/3rd share of the Federal and Provincial Governments is outstanding.

9.2. **Discussion and Decision**

9.2.1. The Authority observes that the petitioner is making proper and timely payment of its 1/3rd share of the security expense per Government's decision, and should ask the security agencies to claim the balance from the respective Governments.

9.2.2. ***The Authority, therefore, maintains its decision of allowing Rs. 145 million for FY 2006-07 under this head.***

10. LILLAH TOWN PROJECT'S CAPITAL & OPERATING EXPENSE

10.1. **Petitioner's Request and Grounds for Review**

10.1.1. The petitioner has requested for allowing Rs. 38 million as capital expenditure and Rs. 17 million toward operating expenses on account of first phase of Lillah Town CNG project, which was completed prior to Federal Government's March 22, 2006 decision to the effect that no subsidy would be given on supply of LNG / CNG / LPG through local pipeline networks.

10.1.2. The petitioner has informed that the project was carried out per the directives of President of Pakistan and that it would not incur any further expenditure on such projects.

10.2. **Discussion and Decision**

10.2.1. The Federal Government's decision at the meeting held on March 22, 2006 was clarificatory in nature and clearly applies to Lillah Town Project irrespective of its date of completion. Therefore, there is no rationale for claiming the operating expenditure on the same as part of the revenue requirement. The petitioner should supply CNG at actual cost of service per Federal Government's decision.

10.2.2. ***The Authority, taking into account the above mentioned position, maintains its earlier decision to disallow the projected operating expense of Rs. 17 million under this head for FY 2006-07.***

10.2.3. ***The Authority also excludes the estimated capital expenditure of Rs. 38 million from the revenue requirement of FY 2006-07, since actual expenditure amounting to Rs. 31 million on this account has already been allowed in Determination of the petitioner's Total Revenue Requirement for FY 2005-06, dated September 18, 2006.***

11. SALES REVENUE

11.1. The Authority observes that the petitioner has not taken the effect of prescribed and sale prices, notified by the Authority on June 30, 2006, while calculating the sales revenue in the review motion. Consequently, the sales revenue has been under-stated by Rs. 12,006 million.

11.2. ***In view of the above, the Authority, provisionally reworks the projected sales revenue for FY 2006-07 at the notified prices, at Rs. 145,268 million.***

12. COST OF GAS

12.1. The Authority observes that in the ERR for FY 2006-07, Weighted Average Cost of Gas (WACOG) was estimated at Rs. 192.55 per MMBTU, estimating the wellhead gas price for Qadirpur field at Rs. 263.12 per MMBTU.

12.2. Qadirpur Gas Pricing Agreement provides a schedule of discounts applicable at six monthly average price of High Sulfur Fuel Oil (HSFO) at various levels, with a maximum of 45% at HSFO Average Price of US$ 200 per ton. Clause 4.1(b) of this agreement further provides that the rates of discount will be revised by the parties within a period of six months in case the six monthly average price of HSFO escalates beyond US $ 200 per ton. The average C&F price of HSFO for the six months' period - December, 2005 to May, 2006, worked out to US $ 316.9174 per ton, and the Ministry of Petroleum and Natural Resources, vide its letter No. DGO(AC)-5(78)/2006 dated 29th July, 2006, has conveyed the revised schedule of *provisional* discounts. The wellhead gas price for Qadirpur field, effective July 01, 2006, has accordingly been notified by the Authority on August 21, 2006 at Rs. 162.54 per MMBTU applying the revised schedule of provisional discounts. Earlier, however, for the purpose of inclusion of cost of Qadirpur gas in ERR for FY 2006-07, the wellhead price was projected, taking 45% as maximum discount.

12.3. On the basis of notified wellhead gas prices, effective July 01, 2006 and revised estimated wellhead gas prices for period effective January 01, 2007, taking into account revised provisional discount schedule, the WACOG for FY 2006-07 has been reworked, by the Authority, at Rs. 171.38 per MMBTU resulting in decrease of ERR of the petitioner, as far as cost of gas is concerned, by Rs. 13,466 million. Revised WACOG statement is at ***Annexure-D***.

12.4. Gas Internally Consumed (GIC) has also been consequentially reduced from Rs. 2,440 million to Rs. 2,165 million.

13. DETERMINATION

13.1. **In view of the justifications submitted and arguments advanced by the petitioner in support of its review motion, points raised by the intervener, scrutiny by the Authority and detailed reasons recorded in earlier paragraphs, the Authority recapitulates and decides to :**

13.1.1. **increase the net sales revenue at prescribed prices notified on June 30, 2006, to Rs. 145,268 million as against Rs. 133,262 million per determination of ERR for FY 2006-07;**

13.1.2. **reduce the cost of gas to Rs. 112,739 million as against Rs. 126,205 million per determination of ERR for FY 2006-07;**

13.1.3. **reduce the cost of GIC to Rs. 2,165 million as against Rs. 2,440 million per determination of ERR for FY 2006-07;**

13.1.4. **increase T&D cost to Rs. 5,290 million as against Rs. 5,135 million per determination of ERR for FY 2006-07.**

13.2. **In exercise of its powers under the Ordinance and NGT Rules, the estimated revenue requirement for FY 2006-07 is revised at Rs. 131,140 million (as tabulated below), as against Rs. 144,976 million claimed by the petitioner in the instant review motion and Rs. 144,708 determined by the Authority in its order of May 20, 2006:**

Table 2: Components of the Petition as Determined by the Authority

		Rs. in million
Estimated Revenue Requirement FY 2006-07	**Claimed by the Petitioner**	**Determined by the Authority**
Cost of gas	126,205	112,739
Transmission and Distribution Cost	5,667	5,290
Gas Internally Consumed	2,440	2,165
Depreciation	4,273	4,265
Return on net average operating fixed assets	6,075	6,056
Workers Participation Fund	316	316
Deferral Account	-	309
Total Revenue Requirement	**144,976**	**131,140**

13.3. **The provisionally allowed expenses are subject to adjustments on the basis of review under section 8(2) of the Ordinance, and later after scrutiny of auditor's initialed accounts of the petitioner for the said year, provided these expenses are substantiated with appropriate justification and analysis in the form acceptable to the Authority.**

13.4. **The Authority in its Determination of Total Revenue Requirement (DTRR) for FY 2005-06, dated September 18, 2006, has directed the petitioner to provide within three months of issuance of that Order, the requisite certificate of statutory auditors to the entire satisfaction of OGRA, since the certificate earlier provided did not fulfill the Authority's requirement. The Authority further directs that if the statutory auditors express their inability to provide the same, practicing cost and management accountants 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.**

13.5. **The revised provisional estimate of the petitioner's net operating income is Rs. 147,343 million as against revenue requirement of Rs. 131,140 million, and to adjust the difference of Rs. 16,203 million, the Authority hereby makes downward revision of Rs. 26.20 per MMBTU in the petitioners' average prescribed price for the FY 2006-07, on provisional basis *(Annexure-A).***

13.6. **The Authority considers it important and essential to impress upon the petitioner that this provisional determination of estimated revenue requirement for FY 2006-07 pre-supposes that the petitioner would, in any case, faithfully and with**

responsibility conduct its affairs in full compliance of the requirement of Rule17(1)(h) & Rule 17(1)(j) of the NGT Rules, as reproduced below:

Rule 17(1)(h)

"tariffs should generally be determined taking into account a rate of return as provided in the license, prudent operation and maintenance costs, depreciation, government levies and, if applicable, financial charges and cost of natural gas;"

Rule 17(1)(j)

"only such capital expenditure should be included in the rate base as is prudent, cost effective and economically efficient;"

13.7. **Provisional revised prescribed prices for each category of consumers for the FY 2006-07, effective from July 1, 2006, are attached as *Annexure-B*. Decrease in the prescribed prices has been made at 13.64% in each category of consumers, except domestic, liberty power and old fertilizer (feedstock) plants which are governed by Government policies. Comparison between existing sale prices and revised prescribed prices is attached at *Annexure-C*. The revised prescribed prices allowed by the Authority on provisional basis shall be subject to adjustment upon receipt of Federal Government advice under Section 8(3) of the Ordinance, in respect of the sale price of gas for each category of retail consumers provided that the overall decrease in the average prescribed price remains unchanged so that the petitioner is able to achieve its total revenue requirements in accordance with Section 8(6)(f) of the Ordinance.**

14. DIRECTIONS

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

14.1.1. **Make its best efforts for full implementation of the decision of State Bank of Pakistan fixing the bill collection charge of major commercial banks at Rs. 8/- per bill, and negotiate with other Banks and agencies to keep this expense at the lowest possible level.**

14.1.2. **Take all steps necessary to ensure full utilization and safe operation of its assets.**

14.1.3. **Take all steps necessary to always prevent acceptance of non-specification gas.**

14.1.4. **Ensure ring-fencing of all expenditures relating to Lillah Town CNG project, including all cost allocations (e.g. Head Office expenses etc.) which shall not be made part of revenue requirement.**

14.1.5. **Follow consistent accounting policies and practices for booking expenses under different heads, disclose any change with reasons, and provide full details of such account heads as "Miscellaneous Expenses", "Other Expenses" etc. with the petitions. Failure to submit such details may lead to the expense being disallowed in full without providing any further opportunity.**

15. PUBLIC CONCERNS

15.1.1. The Authority has recorded concerns of the intervener in para 2.3 affecting the consumers, which include matters of Government policy and do not fall within the purview of the Authority. Specific attention of the Federal Government is drawn to these issues for consideration and necessary action.

(M.H. Asif)
Member (Finance)

(Rashid Farooq)
Member (Oil)

(Jawaid Inam)
Member Gas) /
Vice Chairman

Islamabad,
September 26, 2006

A - Determination of the Revised Revenue Requirement (RERR-I) by the Oil and Gas Regulatory Authority on the Motion for Review of DERR FY 2006-07, from Sui Northern Gas Pipelines Limited.

Rs. in million

Particulars	FY 2006-07 DERR	FY 2006-07 The Review Motion	Determined by OGRA
Gas sales volume -MMCF	661,015	661,015	661,015
BBTU	618,369	618,369	618,369
Net Operating revenues			
Net sales at current prescribed price	133,262	133,262	145,268
Rental & service charges	800	800	800
Surcharge and interest on arrears	650	650	650
Amortization of deferred credit	550	550	550
Other operating income	75	75	75
Total income	**135,337**	**135,337**	**147,343**
Less Expenses			
Cost of gas sold	126,205	126,205	112,739
UFG (disallowance) / alloawance	-	-	-
Transmission and distribution cost	5,135	5,667	5,290
Gas internally consumed	2,440	2,440	2,165
Depreciation	4,265	4,273	4,265
Defferal account	309		309
(W.P.P.F)	298	316	316
Total expenses	**138,652**	**138,901**	**125,084**
Operating profit / (loss)	**(3,315)**	**(3,564)**	**22,260**
Return required on net assets:			
Net assets at beginning	38,580	38,580	38,580
Net assets at ending	42,522	42,740	42,522
	81,102	81,320	81,102
Average fixed net assets (I)	**40,551**	**40,660**	**40551**
Deferred credit at beginning	5,468	5,468	5,468
Deferred credit at ending	6,418	6,418	6,418
	11,886	11,886	11,886
Average net deferred credit (II)	**5,943**	**5,943**	**5,943**
Average operating assets (I-II)	**34,608**	**34,717**	**34,608**
Return required on net assets	17.5%	17.5%	17.5%
Amount of return required	6,056	6,075	6,056
Excess / (shortfall) over return required	(9,372)	(9,640)	16,203
Increase/ (Decrease) in average prescribed price (Rs./ MMBTU)	**15.16**	**15.59**	**(26.20)**
Total estimated revenue requirement	**144,708**	**144,976**	**131,140**

B- Revised Provisional Prescribed Prices for FY 2006-07 Determined by Oil and Gas Regulatory Authority.

		Notified Prescribed Prices w.e.f July 01, 2006	Revised Prescribed Prices w.e.f July 01, 2006
		Rupees 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, universties, colleges, schools, private educational institutions, orphanages and other charitable institutions.		
	First slab (upto 50 cubic metres per month).	85.03	85.03
	Second slab (over 50 upto 100 cubic metres per month).	89.03	89.03
	Third slab (over 100 upto 200 cubic metres per month).	162.07	162.07
	Fourth slab (over 200 upto 300 cubic metres per month).	259.29	259.29
	Fifth slab (over 300 cubic metres per month).	337.30	337.30
	For hostels and residential colonies to whom gas is supplied through bulk meters.		
	All off-takes at flat rate of	162.07	162.07
(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	296.53	256.08
(iii)	**Ice Factories:**		
	All off-takes at flat rate of	296.53	256.08
(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	263.54	227.59
(v)	**Captive Power :**		
	All off-takes at flat rate of	263.54	227.59
(vi)	**CNG Stations:**		
	All off-takes at flat rate of	263.54	227.59
(vii)	**Cement Factories:**		
	All off-takes at flat rate of	303.62	262.20

viii)	**Fertilizer Factories:**		
(1)	**Pak American Fertilizer Limited, Daudkhel.**		
(a)	**For gas used as feed stock for fertilizer**		
	Commodity charge.		
	All off-takes at flat rate of	**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	**263.54**	**227.59**
(2)	**Pak Arab Fertilizer Limited, Multan.**		
(a)	**For gas used as feed stock for fertilizer**		
	Commodity charge.		
	All off-takes at flat rate of	**91.52**	**91.52**
(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	**263.54**	**227.59**
(3)	**Dawood Hercules Chemicals Limited, Chichoki Malian, Sheikhupura District:**		
(a)	**For gas used as feed stock for fertilizer**		
	Commodity charge.		
	All off-takes at flat rate of	**91.52**	**91.52**
(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	**263.54**	**227.59**
(4)	**Pak-China Fertilizer Limited/Hazara Phosphate Plant Limited, Haripur.**		
(a)	**For gas used as feed stock for fertilizer**		
	Commodity charge.		
	All off-takes at flat rate of	**97.11**	**97.11**
(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	**263.54**	**227.59**

(ix)		**Power Stations:**		
	(a)	*WAPDA's Power Stations and other electricity utility companies excluding WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.*		
		All off-takes at flat rate of	**263.54**	**227.59**
	(b)	WAPDA's Natural Gas Turbine Power Station, Nishatabad, Faisalabad.		
		Commodity Charge		
		All off-takes at flat rate of	**263.54**	**227.59**
		Fixed charge (Rupees per month).	**390,000**	**390,000**
	(c)	Liberty Power Limited.		
		All off-takes at flat rate of	**303.25**	**303.25**

C - Comparison between Existing Sale Prices and Revised Prescribed Prices of Sui Northern Gas Pipelines Limited

Category	Revised Prescribed Prices w.e.f. 01.07.06	Notified Sale Prices w.e.f 01.07.06
	Rupees per MMBTU	
Domestic		
1st slab	85.03	85.03
2nd Slab	89.03	89.03
3rd Slab	162.07	162.07
4th Slab	259.29	259.29
5th Slab	337.30	337.30
Commercial	256.08	298.03
General Industry	227.59	264.87
Cement	262.20	305.15
Power	227.59	264.87
Liberty Power	303.25	413.46
Fertilizer		
Pak Arab		
Feed stock	91.52	91.52
Fuel	227.59	264.87
Dawood Hercules		
Feed stock	91.52	91.52
Fuel	227.59	264.87
Pak American		
Feed stock(New)	36.77	36.77
Fuel	227.59	264.87
Pak China		
Feed stock(New)	97.11	97.11
Fuel	227.59	264.87

D - Computation of Revised Weighted Average Cost of Input Gas for the Period July, 06 to June, 07

FIELD	SNGPL		SSGCL		TOTAL		
	BBTU	Total Rs. in million	BBTU	Total Rs. in million	BBTU	Cost per MMBTU	Total Rs. in million
Sui	137,535	12,490	39,708	3,606	177,243	90.81	16,096
Dhodak	28,267	5,010			28,267	177.24	5,010
Dakhni	8,899	789			8,899	88.71	789
Loti	6,761	564			6,761	83.35	564
Sadkal	1,697	469			1,697	276.22	469
M. Kaswal	445	7			445	15.99	7
Qadirpur	184,823	30,042			184,823	162.55	30,042
Pirkoh	15,027	1,252			15,027	83.35	1,252
Adhi	14,323	1,269			14,323	88.62	1,269
Ratna	840	197			840	235.02	197
Bhangali	479	60			479	124.62	60
Dhurnal	441	3			441	7.89	3
Meyal	1,770	138			1,770	77.99	138
Dhulian	442	34			442	77.99	34
Pindori	12,356	2,573			12,356	208.24	2,573
Pariwali	8,218	1,711			8,218	208.24	1,711
Turkwal	-	-			-		-
Hasan	7,011	992	48	7	7,059	141.56	999
Sawan	95,925	18,598	46,050	8,928	141,975	193.88	27,526
Zamzama	58,255	10,652	27,893	5,096	86,148	182.81	15,749
Chanda	5,545	908			5,545	163.69	908
Rehmat / Mubarak	21,805	3,323			21,805	152.40	3,323
Badar	3,115	602			3,115	193.39	602
Kandkot	14,629	1,329	155	14	14,784	90.81	1,343
Gurguri / Ratana II	23,309	3,585			23,309	153.79	3,585
Badin			75,627	14,491	75,627	191.61	14,491
Daru			1,603	125	1,603	77.99	125
Kadanwari			22,528	10,026	22,528	445.04	10,026
Miano			42,611	8,261	42,611	193.88	8,261
Bhit			95,556	19,899	95,556	208.24	19,899
Mari			215	8	215	36.42	8
Ghotki Town - SNGPL			162	19	162	115.52	19
Rustam Town - SNGPL			36	4	36	115.52	4
Sari / Hundi			671	176	671	262.81	176
Mazarani			3,310	349	3,310	105.44	349
Khipro Block - Naimat Basal / Siraj			11,553	1,761	11,553	152.40	1,761
Radho	8,143	1,252			8,143	153.79	1,252
Chachak	8,534	1,312			8,534	153.79	1,312
Sinjhoro			3,709	570	3,709	153.79	570
Bhit II			6,104	1,271	6,104	208.24	1,271
Bobi			3,709	570	3,709	153.79	570
Mirpukhas Block - Kausar			16,758	2,554	16,758	152.40	2,554
Total Purchases	**668,594**	**99,164**	**398,006**	**77,736**	**1,066,600**	**165.85**	**176,900**
Add: CED		3,403		2,026		5.09	5,429
	668,594	**102,567**	**398,006**	**79,762**	**1,066,600**		**182,329**
Purification Charges		451		16			468
Total Input Cost of Gas	**668,594**	**103,018**	**398,006**	**79,779**	**1,066,600**	**171.38**	**182,797**
Weighted average cost of gas		**154.08**		**200.45**		**171.38**	