Case No. OGRA-6(2)-2(3)/2014-DTRR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
FINAL REVENUE REQUIREMENT, FY 2013-14

UNDER

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

DECISION

ON

November 06, 2015

Before:
Mr. Saeed Ahmad Khan, Chairman
Mr. Aamir Naseem, Member (Gas)
Mr. Noorul Haque, Member (Finance)

TABLE OF CONTENTS

TABLES

Appendix

Interventions / Written Submissions

1. Background

1.1 Sui Southern Gas Company Limited (petitioner) is a public limited company, incorporated in Pakistan, and listed on stock exchanges at Karachi, Lahore and Islamabad. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by Oil & Gas Regulatory Authority. It is engaged in construction and operation of gas transmission and distribution pipelines, sale of natural gas, LPG Air-Mix, sale of LPG, gas condensate (as a by-product), Natural Gas Liquids (NG L) and manufacture and sale of gas meters.

1.2 The petitioner filed a petition on March 20, 2015 under Section 8(2) of the Oil and 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 2013-14 (the said year) on the basis of the accounts as initialed by its statutory auditors.

1.3 The Authority, vide its Order dated June 27, 2014, had determined petitioner's Review of Estimated Revenue Requirement (RERR) for the said year under Section 8(2) of the Ordinance at Rs. 181,394 million (amounts have been rounded off to nearest million here and elsewhere in this document) for estimated sale volume of 350,075 BBTU. The Authority had computed Unaccounted for Gas (UFG) at 7% and treated Late Payment Surcharge (LPS), Meter Manufacturing Profit (MMP), Royalty from Jamshoro Joint Venture Limited (JJVL), and income from sale of gas condensate (net of operating income) as non-operating incomes in line with the interim stay order granted by honorable Sindh High Court (SHC).

1.4 The petitioner in the instant petition has claimed revenue requirement after incorporating actual sales & purchases based on consumer, wellhead gas prices and other relevant factors in terms of Section 8(2) of the Ordinance. The petitioner has also reported he UFG at 6.96%. It has further claimed LPS, MMP, Royalty from JJVL and income from sale of gas condensate as non-operating incomes in line with the decision of honorable SHC. The petitioner has also included income derived from sale of NGL / LPG as non-operating income. Accordingly, the petitioner has worked out its FRR for the said year at Rs. 200,367 million for actual sale volume of 339,155 BBTU. Based on the provisional prescribed prices and actual sale mix, the petitioner has computed a shortfall of Rs. 22,257 million in its revenue requirement for the said year, thereby seeking an increase of Rs. 65.62 per MMBTU in the average prescribed price. The petitioner has also requested for an additional amount of Rs. 487 million (Rs. 1.43 per MMBTU) on account of its LPG Air-Mix projects. Further the petitioner has claimed shortfall related to prior years amounting to Rs. 20,744 million (Rs. 61.16 per MMBTU) resulting in a total shortfall of Rs. 43,487 million in revenue requirement for the said year and requested average increase in prescribed price of Rs. 128.22 per MMBTU effective July 01, 2013.

1.5 The Authority issued notice of hearing on August 05, 2015 to the petitioner, FG and following interveners:

i) Federal Government (FG/GoP),
ii) Mr. Abdul Sami Khan, Chairman, CNG Dealers Association of Pakistan,
iii) Mr. Samir Gulzar, Member Executive Committee, Federation of Pakistan Chamber of Commerce and Industry,
iv) Mr. Shabbir Suleman Jee, Chairman, All Pakistan CNG Association, Sindh Zone,
v) Mr. Muhammad Arif Bilvani, Consumer.

1.6 The hearing was held at Karachi on August 25, 2015.

2. Salient Features of the Petition

2.1 The petitioner has submitted the following statement of cost of service Rs. per MMBTU:

Table 1: Comparison of Cost of Service per the Petition with RERR & Previous Year

			Rs. / MMBTU
Particulars	**FRR FY 2012-13**	**FY 2013-14**	
		RERR	**The Petition**
Units sold (BBTU)	**350,048**	**350,075**	**339,155**
Cost of gas sold	387.55	405.47	444.59
UFG disallowance	(5.48)	(6.64)	-
Transmission and distribution cost	41.75	33.77	48.43
Shortfall of previous year	6.67	37.13	61.16
Depreciation	11.46	14.15	12.36
Return on net average operating fixed assets	21.01	33.77	22.80
Other operating income	(19.59)	(19.54)	(12.79)
Subsidy for LPG Air-Mix Project	1.32	0.49	1.43
Cost of service / prescribed price	444.69	498.62	577.99
Current average prescribed price	444.69	498.62	449.77
Increase / (Decrease) requested in average prescribed price	**-**	**-**	**128.22**

The petitioner has made the following submissions:-

2.1.1 Annual return has been claimed at Rs. 7,732 million, computed at rate of 17% of the value of its average net operating fixed assets (net of deferred credit, assets related to LPG Air-Mix, & MMP) before corporate income taxes, and interest, mark-up and other charges on debt, per License condition No. 5.2 and covenants of the loan agreement between the petitioner and the Asian Development Bank.

2.1.2 The petitioner has claimed a net addition, net of deletions of Rs. 5,460 million in fixed assets, and net addition, ex-depreciation and deletion, of Rs. 4,129 million, resulting in claimed increase in net operating fixed assets from Rs. 51,229 million in FY 2012-13 to Rs. 52,561 million during the said year. Petitioner has further claimed that, after adjustment of deferred credits, and assets related to LPG Air-Mix project & MMP, net average operating fixed assets eligible for return work out to Rs. 45,480 million, and required return to Rs. 7,732 million.

2.1.3 Net operating revenues have been reported at Rs. 156,880 million in the petition, as against Rs. 153,723 million determined in RERR, as detailed below:

Table 2: Comparison of Operating Revenues per the Petition with RERR & Previous Year

Rs. in million

Particulars	FY 2012-13	FY 2013-14		Inc./(Dec.) over RERR	
	FRR	RERR	The Petition	Rs.	%
Net sales at current prescribed price	142,184	148,956	152,542	3,586	2
Meter rentals	667	693	682	(11)	(2)
Amortization of deferred credits	397	421	403	(18)	(4)
Revenue from JJVL	2,190	2,406	1,033	(1,373)	(57)
Gas transportation charges	10	10	-	(10)	(100)
Sale of LPG	2,115	146	741	595	406
Sale of NGL	591	123	314	191	156
Sale of gas condensate	64	59	104	45	75
Other income	821	908	1,061	153	17
Net Operating Revenue	**149,040**	**153,723**	**156,880**	**3,157**	**2**

2.1.4 Net operating expenses have been claimed at Rs. 171,405 million in the petition as compared to Rs. 156,398 million provided in RERR, as detailed below:

Table 3: Comparison of Operating Expenses per the Petition with RERR & Previous Year

					Rs. in million
Description	**FY 2012-13**	**FY 2013-14**		**Inc / (Dec) over RERR**	
	FRR	**RERR**	**The Petition**	**Rs.**	**%**
Cost of gas	135,660	141,945	150,785	8,840	6.23
Transmission and distribution costs	11,514	10,982	12,074	1,092	10
Gas Internally Consumed (GIC)	303	188	334	146	78
UFG disallowance	(1,920)	(2,323)	-	2,323	(100)
Depreciation	4,012	4,954	4,193	(761)	(15)
Previous Year Shortfall	2,336	-	-	-	
Change in accounting policy IAS-19 related to prior years	-	-	2,349	2,349	100
Re-claimed items	1,241		390	390	100
Other charges including WPPF	1,558	652	1,280	628	96
Net Operating Expenses	**154,703**	**156,398**	**171,405**	**15,007**	**10**

2.1.5 UFG has been reported at 6.96% (29,430 MMCF).

2.1.6 Subsidy on account of LPG Air-Mix projects has been claimed at Rs. 487 million.

2.1.7 Previous year shortfall has been claimed at Rs. 20,744 million.

2.1.8 Net result of petitioner's above mentioned claims is that a shortfall of Rs. 43,487 million has been computed including 17% return on average net operating fixed assets, which translates to an increase of Rs. 128.22 per 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	**FY 2013-14 The Petition**
A	Net operating revenues	156,880
	Less: Net operating expenses excluding ROA	171,405
	Subsidy Air Mix LPG Project	487
	Previous Years shortfall	20,744
B	Total Expenses	192,635
C	Shortfall {(A) – (B)}	(35,755)
D	Return required @ 17% on net fixed assets in operation.	7,732
E	Total shortfall in revenue requirement {(D) - (C)}	43,487
F	Sale volume (BBTU)	339,155
H	**Increase requested in existing average prescribed price Rs. / MMBTU**	**128.22**

3. Proceedings

3.1 The petitioner was represented at hearing held on August 25, 2015 by its team of senior executives led by Managing Director, Mr. Khalid Rehman along with legal counsel, Mr. Mirza Mehmood Ahmad, who were given full opportunity to present the petition.

3.2 The following interveners / participants also attended the hearing:

i) Mr. Abdul Sami Khan, Chairman, CNG Dealers Association of Pakistan,
ii) Mr. Malik Khuda Baksh, Chairman & President CNG Stations Owners Association of Pakistan,
iii) Mr. Tariq Ali Shah, Director (Oil & Gas), Energy Deptt., Govt. of Sindh,
iv) Mr. Samir Gulzar, Member Executive Committee, Federation of Pakistan Chamber of Commerce and Industry,
v) Mr. Shabbir Suleman Jee, Chairman, All Pakistan CNG Association, Sindh Zone,
vi) Dr. Qazi Ahmed Kamal, Advisor, Karachi Chamber of Commerce & Industry and SAI,
vii) Mr. M.H. Asif, Consultant, All Pakistan Textile Mills Association,
viii) Mr. Muhammad Arif Bilvani, Consumer,
ix) Mr. Shakeel Baly, Chairman, Consumer Rights Protection Cell
x) Dr. Zulfiqar Yousafzai, Chairman, Sindh CNG Association

The list of participants is placed as **ANNEXURE-I**.

3.3 During the hearing, the petitioner made following submissions with help of multimedia presentation, answered questions of members & officers of the Authority as well as interveners and participants:

3.3.1 The petitioner's legal counsel, during the hearing, has submitted that no new gas connection is being provided to any industrial consumers after the imposition of moratorium by FG in 2011. However, distribution network along-with connection on the same is extending as per directions of GoP. This ultimately affects UFG of the company and exposes the T&D network to more theft / leakages. The Authority should look into this matter, as the provision of law obligates to protect the interest of all stakeholders.

3.3.2 Legal Counsel further added that there is no provision in the relevant statute through which the Authority can penalize the petitioner for not achieving the efficiency benchmarks. The petitioner has therefore, not been able to attain guaranteed rate of return i.e. 17%, owing to imposition of UFG benchmark, rather in some years in the past it has gone into negative. The percentage of reasonable rate of return can never be negative in any business of the world.

3.3.3 Section 7 of the Ordinance states that tariff determination is subject to policy guideline of the FG. Therefore, the policy guideline issued by FG in respect of allowance of deemed sale volume is not in contradiction of any provision of the Ordinance.

3.3.4 The petitioner, during the hearing, has also contented computation of UFG disallowance at Weighted Average Cost of Gas (WACOG), since international prices of oil are not under control of the petitioner. Therefore, as per the petitioner, penalizing, on the basis of cost of gas / WACOG, is not justified. It was also agitated by legal counsel that decision in respect of new tariff regime is pending since 2005, wherein all incomes from MMP, LPS sale of gas condensate were classified as non operating income. Pursuant to honorable SHC decision, liquids extracted from gas i.e sale of gas condensate are non operating incomes. Therefore, income derived from NGL and LPG extracted from gas through similar process should also be treated as non operating income.

3.4 The substantive points made by the interveners and participants on the petition are summarized below:

3.4.1 It was vehemently criticized that policy guidelines in respect of allowance of deemed sale volume, issued by the FG, are not binding on OGRA and is unlawful as it has no concurrence / approval from Council of Common Interest. Government of Sindh also took up the matter with GoP that all the provinces should have been taken on board as required. It was highlighted that policy guideline in respect of allowance of deemed sale volume is a new factor, which did not exist at the time of ERR or RERR determination for the said year, and has changed the parameters of whole exercise. In view of the same it should not be considered and allowed by the Authority.

3.4.2 It was stressed that management has to optimize the utilization of proliferate HR towards arresting the ever increasing trend of UFG. The petitioner should put its house in order in this regard rather than focusing on other options through Government.

3.4.3 It was pointed out that OGRA has been allowing sufficient funds in respect of UFG. However, the petitioner has failed to curb UFG menace, rather it is relying upon policy guidelines.

3.4.4 Sale price of natural gas for captive power should be reduced to the level of price for general industry.

3.4.5 Cost of employees reinstated through the orders of the court should be borne by the FG.

3.4.6 External auditor of the petitioner, in the initialed accounts, has pointed out that the feasibility study to assess the economic viability of the projects has to be undertaken by the petitioner before commencing any such project. Appropriate compensation from FG is to be taken in case of supply of gas to far flung areas, which are not economically viable and are taken as per the instructions of GoP.

3.4.7 Use of Bio gas be encouraged in line with the trend adopted internationally. Pakistan has large coal reserves. Natural gas may be supplied to fertilizer factories for feedstock only. However, fertilizer factories should use coal for generation of power to save this precious gift of nature. Similarly, cement factories should use coal in kiln instead of gas. Natural gas so saved could be utilized for electricity generation in the country.

3.4.8 The petitioner should curtail its non-development T&D expenses. Only prudent and cost effective expenditure should be allowed.

3.4.9 CNG sector should be exempted from load shedding owing to the import of LNG. Sindh is producing 70% of total natural gas in the country; therefore, load shedding in CNG sector (non UFG sector) in Sindh is not justified. Decision for removal of CNG cylinders from the school vans be reviewed by the Government and strict measures in respect of inspection of such cylinders by HDIP in accordance with international standards should be taken.

4. Determination

4.1 After detailed scrutiny of the petition, clarifications given by petitioner and valuable input from interveners and participants, the Authority determines as follows:

5. Return to Licensee

5.1 The Authority is obligated under Section 7(1) of the Ordinance, to determine or approve tariff for regulated activities whose licenses provide for such determination or such approval, or where authorized by this Ordinance, subject to policy guidelines. *License Condition No. 5.2* of license granted to the petitioner clearly states that subject to the efficiency related benchmarks adjustments, the Authority shall determine total revenue requirement of the licensee to ensure that it achieves 17% return on its average net fixed assets in operation for each financial year. The Authority, accordingly, has been determining the revenue requirement of the petitioner, providing the return on net operating assets in accordance with the said provision of the Ordinance as well as the petitioner's license.

5.2 The Authority notes that the petitioner has been continuously contending that guaranteed return of 17% is not being provided to it, as effectively it is getting much lower rate of return and has been referring to some legal provisions in isolation. The Authority terms this argument as baseless & against the legal scenario. Presumably, the petitioner has been pleading that it is entitled for guaranteed return irrespective of control of gas loses/theft, operational efficiency and effectiveness of capital expenditure incurred to undertake the regulated activities. Petitioner's plea does not consider the regulatory setup established by GOP and legal regulatory framework as a whole.

5.3 The Authority notes that the petitioner is enjoying monopoly and risk free business owing to captured consumers, guaranteed return and no market competition in the gas distribution sector. Ultimately, the said circumstances do not urge the petitioner to reduce its inefficiencies and improve customer service up to the satisfaction of consumers. Rather, this arrangement favors the petitioner to retain guaranteed return, while lacking concerted efforts to bring efficiency in its system. Moreover, Section 7(2) (a) obligates OGRA to protect consumer against monopolistic and oligopolistic pricing. On the national perspective, OGRA is infact performing its statutory role in a professional and prudent manner allowing guaranteed return as well as incentive for better performance to the petitioner that could actually enhance its return; provided it manages and controls its system in an efficient manner. The understanding that petitioner can not be stressed for improving its performance through benchmark regulation is totally misleading, as monopolies all over the world operates on same premise / principles. Accordingly, the Authority evaluates tariff petitions in line with the evaluation criteria as provided in the Rules, while implementing yardstick regulation as stipulated in Rule 17(c) (g) and (h) of NGT Rules. Resultantly, natural gas prices are still maintained at an affordable level for all sectors of economy.

5.4 The Authority is of the firm view that legal framework is explicit and balanced as it provides for improvement in terms of efficiency as well as reasonable returns. The tariff mechanism accounts for all prudent and justified capital and revenue expenditure to attract investment for bringing quantitative and qualitative improvement of regulated activities, as required under section 7 of the Ordinance. Accordingly, the Authority has been performing its statutory role of a regulator, since all the prudently incurred rationalized costs are allowed to the petitioner to enable it to operate efficiently while servicing its consumers. Similarly, consumers' interest is also safeguarded by ensuring that cost of inefficiencies is not recovered from them. Therefore, benchmarks have been put in place, which compel the petitioner to focus its efforts towards eradicating inefficiencies and imprudent costs, however failure of the petitioner to improve and perform upto the mark, engulfs its return. The misconception that the petitioner should at least get guaranteed return in his pocket irrespective of operational efficiently is against the license conditions and very purpose of whole regulatory framework.

5.5 In view of above, it is established that Authority strictly performs as per its mandate and allows guaranteed return (i.e. 17%) to the petitioner, however it is due to the petitioner's own inefficiencies and business conduct that it could not retain the return allowed to it.

5.6 The Authority, in pursuance of *Licence Condition No. 5.3* of the Licence granted to the petitioner, had developed a new tariff regime for regulated natural gas sector of Pakistan, which, in the course of legally mandatory consultation process, was forwarded to GoP for approval. The Authority had also conducted various public hearings on new tariff regime to record the opinion as well as the sentiments of all stakeholders. It was urged that a fresh comprehensive study through experts on this issue may be conducted, since the previous study is outdated.

5.7 Planning Commission, during the said year, while acknowledging the Authority's view point, had decided to initiate a broad based task with respect to major reforms in the gas sector including a fresh study on tariff regime for gas utilities operating in Pakistan. The matter is under active consideration of the Authority as well as GoP.

5.8 ***In view of the above situation, the Authority has decided, to follow the existing basis of 17% return on the average net operating fixed assets while treating various income and expenditure heads per the exiting regime, in accordance with the Licence Condition No. 5.2 till the new tariff regime is finalized as well as implemented.***

6. Operating Fixed Assets

6.1 Summary

6.1.1 The petitioner has claimed a net addition, net of deletions of Rs. 5,460 million in fixed assets, and net addition, ex-depreciation and deletion, of Rs. 4,129 million, resulting in claimed increase in net operating fixed assets from Rs. 51,229 million in FY 2012-13 to Rs. 52,561 million during the said year. The petitioner has further claimed that, after adjustment of deferred credits, and assets related to LPG Air-Mix project & MMP, net average operating fixed assets eligible for return work out to Rs. 45,480 million, and required return to Rs. 7,732 million.

Table 5: Computation of Return on Assets per the Petition

Particulars	Rs. in Million
Net operating fixed assets at beginning	51,229
Net operating fixed assets at ending	52,561
sub-total	**103,791**
Average net assets (I)	**51,895**
Meter manu. Plant asset at beginning	39
Meter manu. Plant asset at ending	126
sub-total	**165**
Average net assets (II)	**83**
LPG air mix project asset at beginning	759
LPG air mix project asset at ending	711
sub-total	**1,470**
Average net assets (III)	**735**
Deferred credit at beginning	5,748
Deferred credit at ending	5,449
sub-total	**11,196**
Average net deferred credit (IV)	**5,598**
"D" Average (I-II-III-IV)	**45,480**
"E" 17% return required	**17%**
Amount of Return claimed by the petitioner	**7,732**

6.1.2 The Authority notes that decision of FRR for FY 2012-13 has now been issued by the Authority, thereby determining the closing balance of operating fixed assets at Rs. 50,863 million as against Rs. 51,229 million per the instant petition. Therefore, the same shall be used as opening balance of operating fixed assets for the said year.

6.1.3 Comparative analysis of additions in fixed assets as claimed by the petitioner with

RERR is as follows:

Table 6: Summarized Schedule of Addition of Assets Compared with RERR & Previous year

Particulars	FRR	RERR	The Petition	Inc./ (Dec.) over RERR	
				Rupees in Million	
	FY 2012-13	FY 2013-14		Rs.	%
Land	0.006	13	0	(13)	(100)
Buildings	60	222	67	(155)	(70)
Roads, pavements and related infrastuctures	0.139	90	0.083	(90)	(100)
Gas Transmission Pipeline	1,162	1,826	1,116	(710)	(39)
Compressors	-	60	-	(60)	(100)
Plant and machinery	227	703	317	(386)	(55)
Gas distribution system and related facilities & equipments	4,756	5,506	3,747	(1,759)	(32)
Furniture, equipment including computer & allied equipments	123	183	89	(94)	(52)
Computer Software (Intangible)	127	17	30	13	78
LPG Air Mix Projecrs	316	95	7	(88)	(92)
Telecommunication system	63	140	115	(25)	(18)
Appls., loose tools & equipt.	37	70	28	(42)	(60)
Vehicles	210	313	234	(79)	(25)
Construction equipment	-	180	19	(161)	(89)
SCADA	-	215	-	(215)	(100)
Gross Addition	**7,083**	**9,633**	**5,769**	**(3,864)**	**(40)**

6.1.4 The petitioner has reported 40% decrease in the addition to fixed assets for the said year. The petitioner has attributed this decrease to financial crunch faced by it owing to which it failed to materialize its envisaged capital projects.

6.2 Gas Distribution System

6.2.1 The petitioner has capitalized Rs. 3,747 million out of Rs. 5,506 million allowed in DERR for the said year. During the said year distribution network of 868 km was laid involving provision of gas to new towns and villages in Sindh & Balochistan and provision of additional connections in existing areas; it also included rehabilitation of leaking mains and services. The petitioner has stated that extension of 699 Km gas distribution system ranging from ¾" to 8" dia. in existing areas resulted in connecting up of about 81,411 Nos. new customers against the provisionally allowed 90,000 Nos. connections in DERR for the said year. The above includes main extension of 149 Kms, Reinforcement 36 Kms, Services 318 Kms and new towns 258 Kms. Rehabilitation of 113 Kms of mains and 82 Kms of Services were also carried out during the said year. The total capitalization of Rs. 3,747 million also includes Rs. 750 million for installation of new connections (meters), Rs. 1,147 million for Replacement /Repair of Undersized meters and Rs. 111 million for construction of consumer meter stations, TBSs/TRSs and CP Stations etc.

6.2.2 The petitioner has stated that variation in capitalization of Rs. 750 million for installation of new connections (meters) against the provisionally allowed amount of Rs. 595 million was mainly due to higher allocation of Direct Departmental Cost as against the estimated amounts. Moreover, the petitioner has capitalized Rs. 1,147 million for Replacement/Repair of 170,451 Nos. undersized meters against the provisionally allowed amount of Rs. 375 million. In this regard, the petitioner has stated that effective FY 2013-14 its meter replacement policy for domestic meters has been changed. Earlier the replacements of meters were carried out using re-furbished meters, instead of new meters. Major variation under this head is due to cost differential of new versus refurbished meters.

6.2.3 The petitioner has stated that extension of gas distribution network resulted in extension of 258 Km of mains while gas was provided to New Towns & villages during FY 2013-14 with the capitalization of Rs. 772 million. The petitioner has mentioned that schemes amounting Rs. 397 million are pre-moratorium and schemes of Rs. 321 million represent development in Gas Producing Districts. The petitioner has provided an undertaking certifying that the schemes for new towns and villages worth Rs. 772 million included in the petition have been carried out in accordance with the decision of Federal Government (FG), ECC criteria & directions of the Supreme Court, except schemes worth Rs. 54 million of non-gas producing districts (Post moratorium).

6.2.4 The Authority notes that the petitioner has admitted that capitalization of Rs. 54 million, on distribution development in non-gas producing districts and Post-moratorium schemes, is not in accordance with the decision of FG, ECC criteria & directions of the Supreme Court on the matter, therefore, the Authority disallows the same. The Authority, however, allows an expenditure of Rs. 718 million capitalized on gas distribution development schemes meeting the ECC criteria, decision of FG and directions of Supreme Court on the matter.

6.2.5 ***In view of above, the Authority determines expenditure amounting to Rs. 3,693 million under the head of gas distribution system for the said year as per the detail given below:***

Table 7: Gas Distribution System as determined by the Authority

Assets Description	Determined by the Authority (Rs. In Million)
Laying of Distribution Mains including Services – Existing areas	
(i) Extension	370
(ii) Reinforcement	159
(iii) Services	300
Rehabilitation – Mains	129
Rehabilitation – Services	9
New Towns & Villages	718
Construction of TBSs/TRSs and CP	111
Installation of New Connections (Meters)	750
Replacement/Repair of Undersized Meters	1,147
Total	**3,693**

6.3 **Furniture, Equipment including computers & allied equipment**

6.3.1 The petitioner has capitalized an amount of Rs. 89 million as against Rs. 183 million provisionally allowed at the time of DERR for the said year. The petitioner has incurred Rs. 30 million on furniture, Rs. 36 million on office equipment and Rs. 23 million on computer hardware including personal computers, hand held computers, printers and servers etc.

6.3.2 ***In view of the above, the Authority decides to allow Rs. 89 million on account of furniture, equipment for the said year.***

6.4 **Computer Software (Intangible)**

6.4.1 The petitioner has capitalized Rs. 30 million on account of computer software for the said year. During the said year, the actual capitalization under the said head has exceeded from the allowed limit of Rs. 17 million. The petitioner has submitted that it has capitalized the said amount in respect of major softwares including Oracle License for CC&B and Microsoft Windows 7.

6.4.2 ***In view of the importance of the above mentioned softwares, the Authority allows an expenditure on account of Computer Software at Rs. 30 million for the said year.***

6.5 **Vehicles**

6.5.1 The petitioner has capitalized Rs. 234 million on account of vehicles for the said year. The Authority had allowed Rs. 313 million including Rs. 173 million for NGEP project in DERR for the said year.

6.5.2 The petitioner has reported that it has not capitalized any amount from Rs. 173 million allowed for NGEP related vehicles. The petitioner has made expenditures of Rs. 234 million against the allowed amount of Rs. 140 million by purchasing 145 new vehicles and replacing 132 vehicles, to the company's fleet. The petitioner has stated that it continuously needs to keep its fleet of vehicles up-to-date to meet the requirements of day to day operations as well as to carry out activities to mitigate the UFG and hence requires additional as well as replacement vehicles.

6.5.3 ***In view of above, the Authority accepts the petitioner's contention and determines expenditure under the head of vehicles at Rs. 234 million for the said year. However, the petitioner is advised to remain in the allocated budget in future. It is further directed to bring the expenditure for various activities under the head of NGEP, separately in the petitions.***

6.6 **Fixed Assets Determined by Authority**

6.6.1 ***The Authority, after due diligence and detailed analysis of petitioner's submissions, determines gross additions in fixed assets at Rs. 5,715 million for the said year, and accordingly closing net operating fixed assets for the said year are allowed at Rs. 52,142 million. Consequently, depreciation expense reduces by Rs. 4 million, and the Authority determines depreciation for the said year at Rs. 4,189 million.***

Table 8: Fixed Assets Determined by the Authority

		Rs. In Million
Particulars	**The Petition**	**Determined by the Authority**
Buildings	67	67
Roads, pavements and related infrastructures	0.083	0.083
Gas Transmission Pipeline	1,116	1,116
Plant and machinery	317	317
Gas distribution system and related facilities & equipments	3,747	3,693
Furniture, equipment	65	65
Computers & allied equipments	23	23
Computer Software (Intangible)	30	30
LPG Air Mix - Gawadar	7	7
Telecommunication system	115	115
Appls., loose tools & equipt.	28	28
Vehicles	234	234
Construction equipment	19	19
Gross Addition	**5,769**	**5,715**

6.6.2 ***Moreover, the petitioner is advised to project realistic figures in ERR since these have impact on gas consumer price.***

7. Operating Revenues

7.1 Sales Volume

7.1.1 Sales volume has been reported to decrease by 3%, from 350,076 BBTU determined in RERR to 339,154 BBTU in the instant petition. Category-wise comparison with previous year has been provided by petitioner as under:

Table 9: Comparison of Category-wise Gas Sales Volume per Petition with RERR & Previous Year

					Volume in MMMBTU
Category	**FY 2012-13**	**FY 2013-14**		**Inc. / (Dec.) over RERR**	
	FRR	**RERR**	**The Petition**		**%**
CNG Stations	27,511	17,456	28,423	10,967	63
Captive Power	68,453	53,652	72,864	19,212	36
Power	63,234	52,218	65,378	13,160	25
Cement	338	257	306	49	19
Commercial	9,558	9,947	9,659	(288)	(3)
HCPC	5,717	6,450	5,729	(721)	(11)
General Industries	72,408	85,499	69,660	(15,839)	(19)
Domestic	88,166	91,177	74,235	(16,942)	(19)
Fertilizer	14,664	23,567	12,901	(10,666)	(45)
DHA Desalination Plant	-	5,104		(5,104)	(100)
Naudero Rental Power and PEL Kandra Power Plant	-	4,748		(4,748)	(100)
Total	**350,049**	**350,075**	**339,155**	**(10,920)**	**(3)**

7.1.2 The petitioner has attributed increase in gas sale to CNG sector to higher gas consumption and demanded the same. The petitioner has further reported that due to increase in usage of gas by Captive Power in order to cope up the increased electricity needs, the gas sale to the said sector has been increased by 36% during the said year as compared to RERR for the said year.

7.1.3 The petitioner has further explained that 19% decrease during the said over FY 2012-13 under the head of domestic is mainly due to increasing trend of theft, tampering of meters and poor law & order situation. The petitioner has explained that it has also conducted a complete & through study during FY 2012-13, to identify the customers, where sale was reportedly decreasing keeping in view historical consumption pattern. Based on the findings of study, the PUG meters were replaced resulting in higher sales in subsequent months, which is charged to consumers in FY 2012-13. In case of meters found correct, the estimated volume was adjusted in FY 2013-14, which resulted in decreased sales during the said year.

7.1.4 The Authority, considering the submissions of the petitioner, however, notes that GoP's Gas Load Management policy has not been followed by it, resulting in varied sales volume over estimates for the said year. Similar trend was also observed during FY 2012-13. This consistent variation from GoP's gas load management plans undesirable as FG's policies are framed keeping in view the socio-economic factors, and therefore, must be adhered to by the petitioner. Moreover, inappropriate and careless projections of category-wise gas sales volume at the beginning of the year, results in higher prescribed price, thereby affecting the natural gas consumers at large. The Authority, through this decision, brings this position to the notice of GoP for consideration.

7.1.5 ***In view of above, the Authority directs the petitioner to implement GoP's policies in its true letter and spirit and determines total sales volume at 339,155 BBTU for the said year.***

7.2 Sales Revenue at Existing Prescribed Prices

7.2.1 Sales revenue at existing prescribed prices has been claimed at Rs. 152,542 million in instant petition. Category-wise comparison with RERR and previous year is given below.

Table 10: Comparison of Category-wise Sale Revenues per Petition with RERR & Previous Year

					Rs. in Million
Category	FY 2012-13	FY 2013-14		Inc. / (Dec.) over RERR	
	FRR	RERR	The Petition		%
Power	29,740	25,494	31,921	6,426	25
HCPC	2,690	3,149	2,797	(352)	(11)
Cement	245	191	228	37	19
Fertilizer	3,624	2,750	1,592	(1,157)	(42)
CNG Stations	18,047	11,460	18,672	7,212	63
Captive Power	32,486	29,851	40,858	11,007	37
DHA Desalination Plant	0.03	2,492	0.59	(2,491)	(100)
Naudero Rental Power	0.19	2,318	0.20	(2,318)	(100)
General Industries	32,558	41,743	34,084	(7,659)	(18)
Commercial	6,028	6,327	6,279	(35,464)	(85)
Domestic	16,779	23,181	16,109	(7,072)	(31)
Sub-total	**142,197**	**148,956**	**152,542**	**3,585**	**2**
Sales Adjustment	512				
Total	**142,709**	**148,956**	**152,542**	**3,585**	**2**

7.2.2 The Authority observes that increase in sale revenue for the said year, as compared to RERR, is due to reasons mentioned in paras 7.1.2 and 7.1.3 above.

7.2.3 ***The Authority accepts the sales revenue at existing prescribed prices at Rs. 152,542 million for the said year.***

7.3 Other Operating Income

i. Summary

7.3.1 The petitioner has claimed other operating income at Rs. 4,338 million in petition as against Rs. 6,839 million provided per RERR for the said year. Detailed comparative breakup is appended below:

Table 11: Comparison of Other Operating Income per Petition with RERR & Previous Year

					Rs. in million
Particulars	FY 2012-13	FY 2013-14		Inc./(Dec.) over RERR	
	FRR	RERR	The Petition	Rs.	%
Meter rentals	667	693	682	(12)	(2)
Amortization of deferred credits	397	421	403	(18)	(4)
Revenue from JJVL	2,190	2,406	1,033	(1,373)	(57)
Operatin Income on account of gas transpogrtation	10	10	-	(10)	(100)
Sale of LPG/NGL	2,706	2,341	741	(1,600)	(68)
Sale of Gas condensate	64	59	417	358	602
Other income	821	908	1,061	153	17
Net Operating Revenue	**6,856**	**6,839**	**4,338**	**(2,501)**	**(37)**

7.3.1 The petitioner has claimed LPS (Rs. 6,280 million), MMP (Rs. 622 million), royalty from JJVL (Rs. 5,331 million) and income from sale of gas condensate (Rs. 334 million) as non-operating income in instant petition. The petitioner has submitted that the honorable SHC in its stay order has allowed same treatment regarding above mentioned head of incomes as granted by the Authority at the time of FRR FY 2009-10.

7.3.2 The Authority notes that out of Rs. 5,331 million on account of royalty from JJVL, Rs. 4,257 million pertains to the adjustment arisen in pursuance of the verdict of honorable Supreme Court in the matter of Implementation Agreement (IA) signed with JJVL. The honorable Court in its decision dated December 04, 2013 declared IA signed between JJVL & the petitioner null & void from the date of its inception. The honorable Court further constituted a committee & ordered to calculate royalty payments by JJVL to the petitioner (on the LPG extracted todate) on the basis of Saudi Aramco reference price and freight charges instead of the reference price for the full period which the IA had been operational. The committee computed the said royalty at Rs. 4,257 million in pursuance of SC directions. However, freight cost (Rs. 792 million) is not yet final owing to the significant difference between the parties.

7.3.3 The Authority, on the scrutiny of the information provided by the petitioner, finds that out of Rs. 4,257 million, Rs. 3,491 million pertains to FY 2002-03 to FY 2008-09, wherein no stay in respect of royalty from JJVL was in field. ***In view of the same, the Authority includes Rs. 3,491 million as an operating income in respect of royalty from JJVL.***

7.3.4 The Authority, however, notes that revenue requirement for the said year is subjudice and interim stay in the matter is in field. ***Therefore, the Authority, in accordance with interim relief granted by the honourable SHC, decides to treat LPS (Rs. 6,280 million), MMP (Rs. 622 million), Royalty from JJVL (Rs. 1,840 million) & income from sale of condensate (Rs. 334 million) as non-operating for the said year on provisional basis, subject to final decision of honorable SHC.*** However, on the announcement of final judgment by the honorable High Court, this order of the Authority may be altered, amended or rescinded accordingly.

ii. Operating Income on account of Gas Transportation

7.3.5 The petitioner has not reported any income in respect of gas transportation. The petitioner has explained that the said income pertains to contingent lease rental for transportation of Zamzama gas (reverse flow), over and above base system capacity i.e. 180 MMCFD as agreed in Zamzama gas transportation agreement with Sui Northern Gas Pipelines Limited. The petitioner has informed that since transportation of Zamzama gas remained within the range of base system capacity i.e. 160 – 180 MMCFD during the said year, therefore no additional income under the head contingent lease rental has been received. Accordingly, the Authority accepts petitioner's contention on account gas transportation income for the said year.

iii. Income from Sale of LPG

7.3.6 The petitioner has reported an income of Rs. 3,850 million from sale of LPG. The petitioner has offered shrinkage cost of Rs. 741 million in respect of LPG as an operating income for the said year. The petitioner has informed that no revenue from the sale of NGL has been reported during the said year.

7.3.7 The petitioner has submitted that certain incomes which it derives from its operations over and above those for which it has been granted a license by OGRA cannot be counted as its "operating" or "regulated" income and therefore these incomes cannot be subjected to the tariff determination process. The petitioner has further added that the license granted to SSGCL is for "operations" in the areas of transmission, distribution and sale of natural gas and these are the total "regulated activities" for the purposes of the license.

7.3.8 The petitioner sells LPG extracted from different fields gases utilizing the extraction facility of JJVL. It has stated that LPG is recognized as a fuel distinct from natural gas, both as per its chemical formula and as per the law. As a consequence of this, any income derived from LPG cannot be treated as operating income for the purposes of tariff determination. Further, the argument for treating sale of LPG as non-operating income is the same as of sale of gas condensate, which the honourable SHC had accepted. The petitioner has argued that NGL / LPG is also recognized as a fuel distinct from natural gas, therefore sale proceeds from NGL should also not be treated as operating income.

7.3.9 The Authority notes that the honorable SHC issued an interim order, while directing Authority to treat these incomes viz; income from sale of condensate, LPS, MMP & royalty from JJVL as non-operating income for the time being, as was being determined by the Authority in FRR for FY 2009-10. Therefore, the petitioner's stance for treating LPG as an operating income on the basis of interim stay granted by honourable SHC does not merit consideration. The Authority observes that litigation in honourable SHC is pending on various petitions filed by the petitioner since 2011. Honourable Lahore High Court, on the other side, in its judgment dated February 12, 2013 had dismissed the petition of SNGPL, declaring the Authority's decision as fair, lucid and reasoned.

7.3.10 The Authority observes that sale of liquid gases is a regulated activity requiring a license under the Law. However, the petitioner has been selling LPG without license from the Authority. This matter has, therefore, already been taken up separately.

7.3.11 Notwithstanding the above, the petitioner currently has been carrying out the activity of sale of NGL/ condensate/ LPG under the umbrella of natural gas license. Entire system of transmission, distribution and sale of natural gas has been setup through existing gas pricing mechanism. Had the petitioner not involved in transmission, distribution and sale of natural, it can not extract the condensate/NGL/LPG from the fields. Such extraction also results in reduction in calorific value of the gas, and the same is being adjusted in UFG calculations.

7.3.12 ***In view of the above, the Authority does not agree with the petitioner's contention, and determines Rs. 3,850 million on account of sale of LPG as an operating income for the said year.***

iv. Other Income

7.3.13 The petitioner has reported other income for the said year at Rs. 1,061 million as against Rs. 908 million in RERR (i.e. increase by 17%). Detailed breakup with comparison is as under:

Table12: Comparison of Other Income per Petition with RERR and Previous Year

					Rs. in million
Particulars	**FY 2012-13**	**FY 2013-14**		**Inc. / (Dec.) over RERR**	
	FRR	**RERR**	**The Petition**		**%**
Profit on disposal of fixed assets	-	-	35	35	100
Liquidated damages recovered	13	6	5	(1)	(14)
Income from new service connections	310	384	239	(145)	(38)
Income from sale of net investment in finance lease	180	169	191	23	13
Recoveries from consumers	46	37	79	41	111
Income from sale of tender documents	3	2	3	1	57
Income from pipeline construction	6	-	79	79	100
Advertising Income	5	6	6	0.38	7
Notional income on IAS 19 provision	240	286	320	34	12
Others	19	18	105	87	470
Total Other Income	**821**	**908**	**1,061**	**153**	**17**

The petitioner, during the process of scrutiny, has informed that it has erroneously reported rental income from Pirkoh field amounting to Rs. 75 million twice, and therefore, revised other operating income from Rs. 1,061 million to Rs. 986 million for the said year.

7.3.14 The petitioner has attributed the decrease reported under the head of "income from new service connection" to imposition of moratorium on new commercial & industrial gas connections in by the FG.

7.3.15 The Authority observes with concern that the petitioner has not been able to properly project its estimates at the beginning of the year, despite the very fact that moratorium was imposed in April 2011 by the FG. These high projections against actual income from new service connections raise concerns about the petitioner's ability to forecast / budget. ***The Authority, however, accepts above referred income at Rs. 239 million for the said year.***

7.3.16 ***In view of above, Authority determines other income at Rs. 986 million for the said year.***

7.3.17 ***In view of the above, the Authority determines operating revenues at Rs. 10,863 million as against Rs. 4,338 million for the said year, as tabulated below:***

Table13: Operating Revenues as Determined by the Authority

		Rs. In Million
Particulars	**The Petition**	**Determined by the Authority**
Meter rentals	682	682
Amortization of deferred credits	403	403
Revenue from JJVL	1,033	4,524
Sale of LPG	741	3,850
Sale of Gas condensate	417	417
Other income	1,061	986
Total Operating Revenue	**4,338**	**10,863**

8. LPG Air-Mix Project

8.1 The petitioner has claimed subsidy of Rs. 487 million on account of its LPG Air-Mix project as against Rs. 172 million provisionally allowed in RERR for the said year. The breakup of subsidy for the said year is as under:

Table 14: Calculation of Subsidy for Air Mix LPG Project

Rs Million

DESCRIPTION	Gawadar	Noshki	Kot Ghulam Muhammad	Surab	TOTAL
Net Sales Revenue	3	3	5	8	18
Cost of Gas	38	84	95	77	294
Gross Profit	(35)	(82)	(90)	(69)	(276)
Operating Cost	47	13	4	21	86
Shortfall in Revenue	(82)	(94)	(94)	(91)	(362)
Revenue Requirement					
Shortfall-LPG Operations	82	94	94	91	362
17% Return on Assets	13	36	41	35	125
Total Shortfall	**95**	**130**	**135**	**126**	**487**

8.2 *Keeping in view the submissions of the petitioner in the matter, the Authority accepts subsidy on account of LPG air-mix assets at Rs. 487 million for the said year. However, the Authority reiterates its directions issued as per para 8.2 of SSGCL's decision of FRR for FY 2012-13 in respect of feasibility study including specific parameters / priorities for undertaking these projects.*

9. Operating Expenses

9.1 Cost Of Gas

9.1.1 Cost of gas per petition is Rs. 150,785 million (net of GIC), compared with Rs. 141,945 million determined in RERR, increase of Rs. 8,840 million (6.2%).

9.1.2 The Authority had determined input cost of gas on the basis of weighted average cost of gas purchased by petitioner and SNGPL at Rs. 362.09 per MMBTU in RERR in accordance with the agreement for equalization of cost of gas dated 22nd September, 2003, between these two companies. On basis of their actual audited results, weighted average of input cost of gas for the said year works out at Rs. 368.26 per MMBTU as under:

Table 15: Weighted Average Cost of Input Gas

Company	MMCF	BBTU	Rs in million	Rs./ MMBTU
SSGCL	424,013	410,623	188,895	460.02
SNGPL	587,163	553,533	166,163	300.19
Total	**1,011,176**	**964,156**	**355,058**	**368.26**

9.1.3 WACOG has now been computed based on payments actually made by petitioner and SNGPL for purchase of gas in accordance with wellhead gas prices as notified by Authority.

9.1.4 ***Accordingly, the Authority accepts cost of gas sold at Rs. 150,785 million for the said year.***

9.2 Unaccounted for Gas

9.2.1 The petitioner has reported UFG at 6.96% (29,430 MMSCF) for the said year, as follows:

Table 16: Comparison of UFG per the petition with RERR

Volumes in MMCF

Particulars	FRR FY 2013-14	
	RERR	**The Petition**
Gas Available for Sales	406,973	422,735
Gas Sales	368,914	393,304
UFG Volumes	35,249	29,430
UFG %	**8.66 %**	**6.96 %**

9.2.2 The petitioner while calculating UFG has also included gas volume on account of bulk to retail ratio(24,752 MMCF), pilfered volume detected against non-consumers (8,774 MMCF) and un-billed pilfered volume in law & order affected areas (2,279 MMCF) as part of deemed sale for the said year.

9.2.3 The petitioner has mentioned that the prevailing law & order situation in Quetta has adversely affected company's efforts in controlling UFG where law and order is deteriorating day by day. Specifically, this situation is dominant in Sariab region where UFG volume is 54% due to theft of gas, tempering of meters, leakages and faulty meters. UFG when compared to relatively calm area in Quetta city (Cantt. region) is in the range of 13-18%. Based on these factors considering company's inability to effectively bill its consumers and operate and maintain its network in Sariab region, the petitioner has included unbilled volume over and above the normal UFG volume in law and order affected areas in Quetta (2,279 MMCF).

9.2.4 The petitioner has claimed 2,279 MMCF in respect of law and order in Sariab region of Quetta against 1,286 MMCF and 1,950 MMCF claimed by it in the FY 2011-12 and FY 2012-13 respectively. The Authority advised the petitioner in the decision of Motion for review of FRR (MFRR) for FY 2011-12 to make efforts to decrease this volume, but instead of decrease 77% increase has been claimed by the petitioner. These are SMS volumes, net of billing recovered.

9.2.5 In response to MP&NR's letter dated May 23, 2014, the Authority, vide its letter dated 13th June, 2014, gave its detailed point of view with the background/ complete facts of the case stating therein that the Authority is of the considered opinion that FG should provide subsidy as per Section-22 of the Ordinance and if otherwise volumes allowed under this head should be suitably capped and FG may also identify the law and order affected areas for this purpose. It was, also, urged from FG as well as Provincial Governments to initiate suitable action to control these huge losses through law enforcement agencies as maintaining law and order falls in their domain.

9.2.6 The ECC of the Cabinet, vide its decision dated 20th November, 2014, decided to provisionally allow volume consumed in law and order affected areas. The Authority also sought external legal advice in the case of law and order affected areas, non-consumers and bulk to retail ratio, especially keeping in view Para-IV of the policy guidelines issued by the FG.

9.2.7 Keeping in view the policy guidelines of the FG and the current law & order situation in the country, the Authority provisionally allows 75 % (1,709 MMCF) of the claimed volume subject to the condition that: -

(i) Since law and order is a Federal and Provincial subject, FG shall specify the law and order affected areas. As regards, 25 % (570 MMCF) of the claimed volume, FG is requested to arrange funding from its own resources or from the royalty of the concerned province.

(ii) The volumes provisionally allowed as per above said policy decision by the ECC of the Cabinet shall be reconciled with the results of the UFG study being undertaken and any variation (s) shall be adjusted accordingly.

9.2.8 The Authority is of the considered view that it is the obligation of the petitioner to take all possible steps to cope up with the problems affecting its business including initiation of legal proceedings under Pakistan Penal Code and recovery proceedings before the court of competent jurisdiction to recover the value of pilferage or stolen gas/ losses. The petitioner must make concrete efforts to resolve the issue. Further the FG may also direct the petitioner to come up with practical solution of the problem to get rid of this menace as referred to above.

9.2.9 The petitioner has claimed a volume of 8,774 MMCF in respect of gas pilfered by non-consumers against 2,059 MMCF & 6,387 MMCF as claimed by it for the years 2011-12 & 2012-13 respectively. The Authority observes that volume pilfered by non consumers (8,774 MMCF) has exponentially increased by 326% as compared to the volume claimed in the MFRR 2011-12. The petitioner also did not comply with the policy guidelines conveyed to it vide MP&NR's letter No. DGO (AC)-5 (26)/2012-13 Vol II Pt dated June 20, 2013, Para- 21 (e) of its summary states that "Both the companies must cooperate with OGRA and protect the pipelines on war footing to reduce UFG instead of litigating in courts."

9.2.10 The Authority also observes that MP&NR vide its letter dated July 17, 2013, gave guidelines to both the companies for dealing with theft of gas including that with regards to satisfaction of civil liabilities (recovery of value of gas stolen), the company will file recovery suit in civil court as per existing law/ procedure under Code of Civil Procedures 1908 (CPC). The Authority notes that the petitioner is not fully complying with the directions of the MP&NR though the petitioner is working under the administrative control of the FG.

9.2.11 During a high level meeting held on 4-3-2015 at MP&NR under the chairmanship of Honorable Minister for P&NR and attended by the Secretary, MP&NR and the Authority, the Minister agreed that recovery of the non-consumer cases is the responsibility of the gas companies and this responsibility cannot be put on the shoulders of OGRA as the network is owned and operated by the companies. The honorable Minister also agreed that amendment proposed in Rule-30 of the NGLR shall be done at the earliest and the companies shall not send any non-consumer case (s) to OGRA rather the companies shall pursue these cases in the relevant courts for recovery of the pilfered volume/ amount at their own.

9.2.12 The Authority is of the view that in the Ordinance there is no provision which fixes the responsibility of recovery of stolen gas upon OGRA. It is a regulatory body entrusted with the fostering of competition, increase private investment and ownership in the mid-stream and down-stream petroleum industry, protect the public interest and provide effective and efficient regulations. Whereas, Rule 30 of Licensing Rules sets out a function to be performed by OGRA, which is neither envisaged in the preamble of the Ordinance nor finds its place in the powers and functions of OGRA as entrusted under section 6 of the Ordinance. Therefore, recovery of stolen gas does not resonate with functions of OGRA and OGRA cannot act as a Regulator and executing agency simultaneously.

9.2.13 Further the celebrated principle of law is that the delegated legislation cannot be ultra vires of the parent statue and if such is the case, the Rule must be deleted void. Para-21 (g) of the policy guidelines conveyed vide MP&NR's letter No. DGO (AC)-5 (26)/ 2012-13 Vol II Pt dated June 20, 2013, states that "Government, Companies as well as OGRA must propose relevant amendments in law, if they feel handicapped in the discharge of their functions, within the ambit and purview of law and constitution." Therefore, relevant amendment in Rule 30 of Licensing Rules has been proposed and is pending with the FG. Moreover, in international jurisdictions, the responsibility of curbing gas theft and making arrangements for its recovery is also placed on the gas suppliers. In addition to the above, in terms of Licence Condition No. 20, company/ licensee is responsible to control the gas theft.

9.2.14 The ECC of the Cabinet, vide its decision dated 20th November, 2014, decided to provisionally allow volume pilfered by non-consumers.

9.2.15 The Authority is of the view that there are sufficient legal provisions available for the petitioner in Criminal Amendment Act, 2011 and Guidelines for dealing with theft cases by MP&NR in 2013 vide letter No. NG(1)-14(52)/2011-Vol-I-GA dated July 17, 2013. It should increase its efforts and extensively work on vigilance of the pipeline network to curb this menace. Keeping in view the policy guidelines of the FG and in view of the preceding paragraphs, the Authority provisionally allows 5,110 MMCF (i.e. 80% of the volume claimed for FY 2012-13 against this head) subject to the conditions that: -

a. The volume allowed is capped at the maximum limit of 6,387 MMCF as claimed for FY 2012-13 and onwards.

b. The petitioner is directed to pursue the non-consumer cases in the following manner in accordance with Criminal Amendment Act, 2011, Guidelines for dealing with theft cases by MPNR in 2013 vide letter No. NG(1)-14(52)/2011-Vol-I-GA dated July 17, 2013 and Civil Procedures 1908 (CPC) for recovery of pilfered volume as per the following procedure:-
   (i.) Registration of FIR's against the pilferers by the petitioner.
   (ii.) Filing of Criminal and recovery suits by the gas companies under courts of competent jurisdiction.
   (iii.) Authentication/ Decision in respect of pilfered/ theft volume of gas etc. by the relevant courts.

c. The volume allowed by the Authority shall be subject to final adjustments and shall be reconciled on yearly basis and the volume not realized will be reversed for the purpose of UFG calculation. The volumes provisionally allowed as per above said policy decision by the ECC of the Cabinet shall be reconciled with the results of the UFG study and any variation (s) shall be adjusted accordingly.

d. Further the petitioner is directed to proceed vigorously against the pilferers as per applicable laws mentioned above for recovery of stolen/ pilfered volumes. The petitioner shall comply with all the directions as referred to above and shall put in all efforts to control the menace of non-consumers through strict administrative control on its officers and staff and shall pursue them. The petitioner is also directed to show downward trend in this volume.

e. The petitioner may file a review for balance volumes in this head with the commitment to follow the directions of MP&NR and the Authority.

f. A third party audit of the non-consumer cases shall also be undertaken by the Petitioner in consultation/ co-ordination with OGRA and the volumes allowed shall be adjusted accordingly.

9.2.16 The petitioner has claimed an impact of 24,752 MMCF on account of bulk retail ratio in the petition. FG also issued policy guidelines dated 20-11-2014 in respect of Bulk to Retail ratio. The Authority observes that bulk to retail ratio shifted primarily due to Development Schemes on the directives of the FG to the Gas Companies, which further aggravated due to shortfall of gas supply. The Authority has, therefore, not previously allowed any volume in this regard and previous decisions are self explanatory in this regard. Keeping in view the legal provisions as in Para-1 (IV) of the policy guidelines of the FG and the matter in totality, the Authority disallows the volume under this head and the same would be considered once the UFG study is completed.

9.2.17 In view of above, UFG is worked out as under;

Table 17: Calculation of UFG Disallowance

Particulars	MMCF Determined by the Authority
Gross Purchases	**423,760**
Gas Consumed Internally - metered	597
(Inc.)/Dec. Gas in pipeline	92
Loss due to sabotage activity / ruptures - unmetered	336
Sub-total	*1,025*
Gas Available for Sale (A)	**422,735**
Gas Sales	**353,904**
Add: Volume due to Bulk to Retail Ratio	-
Add: Unbilled pilfered volume in law & order affected areas	1,709
Add: Pilfered volume detected against non-consumer	5,110
Add: Gas shrinkage at LPG Plant (JJVL)- Badin	2,346
Add: Gas shrinkage at LPG /NGL Plant (JJVL)-BOBI	508
Add: Gas shrinkage at LPG /NGL Plant (JJVL)-KPD	569
Add: Gas shrinkage at LHF & Others	172
Total Gas Sales (B)	**364,318**
Gas Unaccounted For (A - B)	58,417
Gas Unaccounted For (%)	13.82%
UFG at 7% in line with SHC stay	29,591
Disallowed volumes - MMCF	28,826
BTU factor	0.937
Disallowed volumes - MMMBTU	27,004
WACOG - Rs per MMBTU	368.26
Disallowance over UFG targets - Rs Million	**9,944**

9.2.18 The Authority notes that during the public hearing the petitioner has raised the issue of UFG disallowance on the basis of WACOG. The Authority is of the considered view that arresting ever increasing UFG is the sole responsibility of the petitioner. The Authority has always been allowing sufficient funds to control this menace. Natural gas saved by controlling UFG could have been supplied to consumers including General Industry, Cement, CNG, etc. thereby generating additional sales revenue and reduction in prices. Therefore the petitioner's UFG is not only loss of natural scarce resource but also loss of revenue impacting the overall pricing. In case this analogy is applied and disallowance of UFG is computed with reference to loss of revenue it would have much more impact. The Authority however, strictly complying with its statutory role of safeguarding the interest of consumers as well as the petitioner, has decided to compute the UFG disallowance at the base level i.e. WACOG.

9.2.19 ***Based on the above computation, the Authority provisionally deducts Rs. 9,944 million from the revenue requirement of the petitioner for the said year subject to review of honorable Court. However, on the announcement of final judgment by the***

respective High Court, this order of the Authority may be altered, amended or rescinded accordingly.

9.3 Transmission & Distribution (T & D) Cost

i. *Summary*

9.3.1 The petitioner has claimed that T&D cost has increased by 13.49% i.e. from Rs. 10,982 million provided in RERR to Rs. 12,463 million, as compared below:

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

Rs. in Million

Particulars	FRR	RERR	The Petition	Inc./(Dec.) over RERR	
	FY 2012-13	FY 2013-14			%
Salaries, wages, and benefits at benchmark	9,329	8,226	9,312	1,086	13%
Advertisement	83	97	102	5	5%
Legal charges	47	30	46	16	55%
Provision for doubtful debts+ Provision for Zia	355	146	1,673	1,527	1046%
Impairment of Capital WIP	25	-	51	51	100%
License & Tariff Petition Fee to OGRA	112	98	125	27	27.10%
Gas bills collection charges	160	163	164	1	1%
Security expenses	290	330	326	(4)	-1%
Stores, spares and supplies consumed	795	870	677	(193)	-22%
Insurance	93	115	101	(14)	-12.30%
Meter reading by contractors	55	69	50	(19)	-28%
Repairs & maintenance	1,201	1,408	1,176	(232)	-17%
Postage & revenue stamps	64	70	63	(7)	-9%
Rent, rate & taxes	97	143	109	(34)	-24%
Material used on consumers installations	62	60	36	(24)	-40%
Traveling	101	126	105	(21)	-17%
Gas bills stubs processing charges	12	14	11	(3)	-19%
Electricity	140	192	177	(15)	-8%
Collecting agent commission	2	3	1	(2)	-51%
Professional charges	24	42	25	(17)	-41%
Others	95	112	122	10	9%
Others (NGEP) Training & Pilot Project	-	100	-	(100)	-100%
Revenue expenditure relating to LNG	28	24	12	(12)	-50%
SSGCL Share in ISGSL expenses	60	228	71	(157)	-69%
Sub-total Cost	**13,229**	**12,667**	**14,535**	**1,868**	**15%**
Less: Recoveries / Allocations	1,385	1,367	1,524	158	12%
T&D Cost	**11,844**	**11,300**	**13,011**	**1,710**	**15%**
Recovery of Service Cost (Gas Transportation)	305	319	547	229	72%
Net T&D Cost	**11,539**	**10,982**	**12,463**	**1,482**	**13.49%**

Various components of T & D cost are discussed in following paragraphs:

ii. *Human Resource (HR) Cost*

9.3.2 The petitioner has claimed HR benchmark cost for the said year at Rs. 9,312 million (including Rs. 98 million claimed as savings) as against Rs. 8,226 million provided in RERR, thereby reporting 13% increase.

9.3.3 The Authority observes that it had determined revised HR cost benchmark parameters in petitioner's DERR for FY 2014-15. ***In view of the same, the Authority determines HR benchmark cost for said year computes at Rs. 9,229 million as per***

Annex-C.

iii. Provision for Doubtful Debts

9.3.4 The petitioner has claimed Rs. 1,673 million on account of provision for doubtful debts against disconnected and domestic live consumer including Rs. 390 million provision for supply of gas to consumers at Ziarat, for the said year. The breakup of the same is as under:

Table 19: Breakup of Provision for Doubtful Debts

Description	Rs. In Million
Disconnected consumers	506
Live consumers-over 5 years	317
Domestic Law and Order affect - over 3 y	459
Total:-	1,283
Reclaimed item (Provision for Ziarat)	390
Total provision	**1,673**

9.3.5 The petitioner has explained that ECC of the Cabinet dated 20th November, 2014 has approved provision of doubtful debts at 1% of sales, which comes to Rs. 1,765 million and their claim of Rs. 1,673 million is within the limit approved on this account.

9.3.6 The petitioner has further explained that it started gas supply to consumer in earth quake affected Ziarat area of Baluchistan from FY 2009-10 on the instructions of the Prime Minister of Pakistan, without billing any amount to them. Therefore, the total amount of gas supplied to consumers during that period in Ziarat was Rs. 390 million, which the petitioner has included in the amount receivable from GOP on account of Gas Development Surcharge. The petitioner has argued that the Authority vide its decision on determination of MFRR FY 2011-12 dated June 18, 2013 disallowed Rs. 195 million claimed for Ziarat i.e. 50% claimed amount of Rs. 390 million.

9.3.7 The Authority observes that Rs. 195 million provision against Ziarat was claimed by the petitioner in FY 2011-12, however, the same was declined by the Authority stating that the cost associated with it, in principle, be borne by GoP / Ministry of Finance and petitioner shall treat the said expenditure as "receivable from GoP" as per its earlier practice, instead of charging the same to revenue requirement. ***The Authority therefore, maintains its decision in this regard and disallows Rs. 390 million claimed by the petitioner for the said year.***

9.3.8 The Authority has already deliberated the matter of provision for doubtful debts in paras 9.3.16 & 9.3.17 of its decision of FRR for FY 2012-13. ***In view of the same, the Authority decides to allow provision against disconnected consumers only i.e. Rs. 506 million for the said year. The Authority reiterates its directions to actively follow the GoP's directives in respect of effective recovery mechanism in natural gas sector, while capturing the defaulters so that other consumers are not burdened through increased prices as well as gas shortages.***

iv. Legal Charges

9.3.9 The petitioner has reported Rs. 46 million on account of legal charges, as against Rs. 30 million determined in RERR, showing an increase of 53%, as tabulated below:

Table 20: Comparison of Legal Charges with the previous year

				Rs. in Million	
Particulars	**FRR**	**RERR**	**The Petition**	**Inc./(Dec.) over RERR**	
	FY 2012-13	**FY 2013-14**			**%**
Legal charges	47	30	46	16	53%

9.3.10 The petitioner has explained that against its claim of Rs. 60 million, the Authority allowed Rs. 30 million per the RERR. However, the expenditure has been decreased by Rs. 18 million (28%) compared to FRR FY 2012-13, which is mainly due to reduction in cases/ litigations and fee of legal consultants for matters being followed up in various Courts.

9.3.11 The petitioner has informed that payment of legal charges amounting to Rs. 46 million have been paid to different parties including payment of Rs. 13 million to M/s Manssor Ahmed Khan, M/s. Iqbal & Asim at Rs. 12 million and M/s. Minto & Mirza at Rs. 12 million.

9.3.12 The petitioner has attributed the increase (reported against RERR) to various cases pertaining to gas load management, labour / service related issue, change in gas tariff and imposition of Gas Infrastructure Development Cess. The petitioner has explained that the litigation has also increased to manifolds as affected persons /consumers including Industries, IPPs, CNG stations etc. have filed more than 3,500 cases in different courts.

9.3.13 ***In view of above, the Authority allows the claimed expenditure in respect of legal charges at Rs. 46 million for the said year. However the Authority reiterates its earlier directions in respect of curtailing this expenditure.***

v. Remaining Items of T & D Cost

9.3.14 Expenditure on remaining items of T & D cost, which have not been discussed above, is Rs. 3,504 million as against Rs. 4,265 million provided in RERR, as detailed below:

Table 21: Summary of Remaining T & D Expenses per the Petition with RERR & Previous Year

Rs. in Million

Particulars	FRR	RERR	The Petition	Inc./(Dec.) over RERR	
	FY 2012-13	FY 2013-14			%
Advertisement	83	97	102	5	5%
Impairment of Capital WIP	25	-	51	51	100%
License & Tariff Petition Fee to OGRA	112	98	125	27	27.10%
Gas bills collection charges	160	163	164	1	1%
Security expenses	290	330	326	(4)	-1%
Stores, spares and supplies consumed	795	870	677	(193)	-22%
Insurance	93	115	101	(14)	-12.30%
Meter reading by contractors	55	69	50	(19)	-28%
Repairs & maintenance	1,201	1,408	1,176	(232)	-17%
Postage & revenue stamps	64	70	63	(7)	-9%
Rent, rate & taxes	97	143	109	(34)	-24%
Material used on consumers installations	62	60	36	(24)	-40%
Traveling	101	126	105	(21)	-17%
Gas bills stubs processing charges	12	14	11	(3)	-19%
Electricity	140	192	177	(15)	-8%
Collecting agent commission	2	3	1	(2)	-51%
Professional charges	24	42	25	(17)	-41%
Others	95	112	122	10	9%
Others (NGEP) Training & Pilot Project	-	100	-	(100)	-100%
Revenue expenditure relating to LNG	28	24	12	(12)	-50%
SSGCL Share in ISGSL expenses	60	228	71	(157)	-69%
Sub-total Cost	**3,498**	**4,265**	**3,504**	**(761)**	**-18%**

9.3.15 ***The Authority accepts remaining items of T&D cost at Rs. 3,504 million.***

9.3.16 ***The Authority also accepts the GIC and loss due to sabotage activities at Rs. 334 million.***

9.3.17 ***The Authority, in view of the discussion & decision in paras 9.3.1 and 9.3.16 determines Transmission and Distribution cost (including gas internally consumed) at Rs. 11,547 million as against Rs. 12,797 million claimed by the petitioner for the said year, the break up is as under;***

Table 22: T&D cost Determined by the Authority

Rs. In million

Particulars	The Petition	Determined by the Authority
Salaries, wages, and benefits at benchmark	9,312	9,229
Legal charges	46	46
Provision for doubtful debts	1,673	506
Remaining items of T&D costs	3,504	3,504
Sub-total T&D costs	***14,535***	***13,285***
Less: Recoveries / Allocations	2,072	2,072
Net T&D Cost before GIC	**12,463**	**11,213**
Add: Gas consumed internally	212	212
Loss due to sabotage activity	122	122
Total Transmission & Distribution Cost	**12,797**	**11,547**

10. Change in Accounting Policy -International Accounting Standards-19- (IAS-19) related to prior years

10.1.1 The petitioner has claimed Rs. 2,349 million on account of prior years financial impact of change in accounting policy -IAS-19 (Recognition of actual loses)

10.1.2 The petitioner has claimed Rs. 957 million on account of IAS 19 (Recognition of actual loses) pertaining to previous periods and Rs. 1,392 million on the same account for the said year.

10.1.3 The petitioner has submitted that IAS-19 (amendment) 'Employee benefits' was introduced in June 2011 and is applicable for accounting periods beginning on or after July 1, 2013 with retrospective impact. The petitioner has adopted the revised IAS-17 and related consequential amendments in FY 2013-14. The petitioner has explained that it has changed its report of the accounting policy in respect of post retirement defined plans according to the said amendments. According to new policy, on measurements, actual gains and losses resulting from the increase or decrease in present value of defined benefits obligations, because of changes in actuarial assumptions and experience adjustments etc, are recognized in the balance sheet immediately, with a charge on total comprehensive income in the period in which it occur.

10.1.4 The petitioner has further elaborated that change in accounting policy has been accounted for respectively in accordance with the requirement of IAS 8, 'Accounting policies, Changes in accounting estimates and errors'. Accordingly, the comparative figures have been restated where necessary. The effect of this policy for the said year and earlier comes to aforementioned amount as stated above.

10.1.5 The petitioner has further elaborated that adoption of revised policy is aimed to; eliminate the corridor approach, recognize all actuarial gains and losses in Other Comprehensive Income (OCI) as they occur, immediately recognize all past service costs; replace interest cost and expected return on plan assets with a net interest amount.

10.1.6 The Authority observes that contribution to post retirement obligations is complimentary part of HR cost which has been allowed on actual basis. The petitioner is public listed company; it has to comply the SECP regulation which, as per Companies Ordinance, refers IAS/IFRS in the presentation of financial statement. The petitioner is thus statutorily obligated to realize post retirement obligation with the contribution in the fund as per actuarial valuation.

10.1.7 ***The Authority, in view of above justification advanced by the petitioner, allows Rs. 2,349 million under this head for the said year.***

11. Workers Profit Participation Funds (W.P.P.F) including Other Charges

11.1 The petitioner has claimed Rs. 1,280 million on account of W.P.P.F for the said year. ***Consequent upon the deduction / adjustments in various components of revenue requirement as discussed above, W.P.P.F. is decreased by Rs. 589 million for the said year.***

11.2 ***In view of above discussion, the Authority determines W.P.P.F including other charges at Rs. 691 million, for the said year.***

12. Shortfall Related to Prior Year

12.1 The petitioner has included Rs. 22,743 million in the instant petition, being shortfall pertaining to FY 2012-13 as part of revenue requirement for the said year. The Authority notes that decision for FRR for FY 2012-13 has now been issued, wherein shortfall pertaining to FY 2012-13 has been determined at Rs. 13,409 million. ***Accordingly, the***

Authority includes Rs. 13,409 million being shortfall pertaining to previous year as part of revenue requirement for the said year.

13. Decision

13.1 In view of 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:

13.1.1 **determines gross addition in fixed assets at Rs. 5,715 million and depreciation charge at Rs. 4,189 million;**

13.1.2 **determines balance of average net operating fixed assets (net of deferred credits, MMP & LPG Air mix) at Rs. 45,085 million. Consequently, the return required by the petitioner on its average net operating fixed assets is determined at Rs. 7,664 million;**

13.1.3 **accepts subsidy on account of Air-mix LPG at Rs. 487 million;**

13.1.4 **determines other operating income at Rs. 10,863 million;**

13.1.5 **accept cost of gas at Rs. 150,785 million;**

13.1.6 **determine UFG disallowance at Rs. 9,944 million at 7% benchmark in line with the interim stay granted by honorable SHC;**

13.1.7 **determine T&D expenses at Rs. 11,213 million as against Rs. 12,464 million claimed by the petitioner;**

13.1.8 **determine shortfall pertaining to previous year at Rs. 13,409 million;**

13.1.9 **accept GIC at Rs. 334 million including loss due to sabotage activities;**

13.1.10 **determine other charges including W.P.P.F. to Rs. 691 million as against Rs. 1,280 million claimed by the petitioner; and**

13.2 In exercise of powers under Section 8(2) of Ordinance, Authority determines final revenue requirement of petitioner for said year at Rs. 181,177 million as against petitioner's claim of Rs. 200,367 million, as tabulated below:

Table 23: Components of FRR as Determined by the Authority

			Rs. in million
S.No	**Particulars**	**Claimed by the Petitioner**	**Determined by the Authority**
1	Cost of gas sold	150,785	150,785
2	UFG adjustment per target	-	(9,944)
3	Transmission and distribution cost	12,464	11,213
5	Gas internally consumed	334	334
6	Depreciation	4,193	4,189
7	Other charges including WPPF	1,280	691
8	Return on net average operating fixed assets	7,732	7,665
9	Change in Accounting Policy (IAS-19) related to prior years	2,349	2,349
10	Additional revenue requirement for Air-Mix LPG Projects	487	487
11	Shortfall related to prior Year	20,744	13,409
	Total Final Revenue Requirement	**200,367**	**181,177**

13.3 **The petitioner's actual net operating income is Rs. 163,405 million and thus there is a shortfall of Rs. 17,773 million, vis-à-vis its revenue requirement of Rs. 181,177 million for the said year. The Authority decides to carry forward entire shortfall in FRR for FY 2014-15, as no GDS is available during the said year. Average prescribed price for each category of consumers comes to Rs. 502.17/ MMBTU. Revised prescribed prices for each category of retail consumers for the said year, based on applicable gas prices fixed by FG, are attached and marked Annexure-B.**

(Noorul Haque)
Member (Finance)

(Aamir Naseem)
Member (Gas)

(Saeed Ahmed Khan)
Chairman

Islamabad, November 06, 2015

A. Final Revenue Requirement for FY 2013-14

ANNEXURE - A

Rs. in Million

	Particulars	The Petition	The Adjustment	Determined by the Authority
Gas sales volume -MMCF		**353,904**		**353,904**
	BBTU	**339,155**		**339,155**
"A"	**Net Operating Revenues**			
	Net sales at current prescribed price	**152,542**	**-**	**152,542**
	Meter rentals	682	-	682
	Amortization of deferred credit	403	-	403
	Sale of gas condensate (net of non-operating income)	417	-	417
	Revenue from JJVL	1,033	3,491	4,524
	Sale of LPG	741	3,109	3,850
	Other operating income	1,061	(75)	986
	Total Operating Revenue "A"	**156,880**	**6,525**	**163,405**
"B"	**Less: Operating Expenses**			
	Cost of gas sold	**150,785**	**-**	**150,785**
	UFG Adjustment	-	(9,944)	(9,944)
	Transmission and distribution cost	12,464	(1,251)	11,213
	Gas internally consumed	334		334
	Depreciation	4,193	(4)	4,189
	Other charges	217		217
	Change in Accounting Policy (IAS-19) related to prior years	2,349		2,349
	W.P.P.F	1,063	(589)	474
	Total Operating Expenses "B"	**171,405**	**(11,788)**	**159,617**
"C"	**Operating profit (A-B)**	**(14,525)**	**(5,263)**	**3,788**
Return required on net operating fixed assets:				
Net operating fixed assets at beginning		51,229	(367)	50,863
Net operating fixed assets at ending		52,561	(420)	52,142
		103,791	(786)	**103,005**
Average net assets (I)		**51,895**	(393)	**51,502**
Meter manu. Plant asset at beginning		39		39
Meter manu. Plant asset at ending		126		126
		164		**164**
Average net assets (II)		**82**	-	**82**
Net LPG air mix project asset at beginning		759	-	759
Net LPG air mix project asset at ending		711	-	711
		1,470	-	**1,470**
Average net assets (III)		735	-	735
Deferred credit at beginning - Assets related to Natural Gas Activity		5,748	-	5,748
Deferred credit at ending - Assets related to Natural Gas Activity		5,449	-	5,449
		11,196	-	**11,196**
Average net deferred credit (IV)		5,598	-	5,598
"D"	**Average (I-II-III-IV)**	**45,480**	**(393)**	**45,087**
"E"	**17% return required (D*17%)**	**7,732**	**(67)**	**7,665**
"F"	**Excess in return required (E-C) (Gas Operations)**	**22,257**	**(18,380)**	**3,877**
"G"	**Additional revenue requirement for Air-Mix LPG Projects**	487	-	487
"H"	**Shortfall / (Surplus) (F+G)**	**22,743**	**(18,380)**	**4,364**
"I"	**Increase in average prescribed price effective 01.07.2013 (Rs. / MMBTU)**	67.06	(54.19)	12.87
"J"	**Shortfall related to prior year**	**20,744**	**(7,335)**	**13,409**
"K"	**Total Shortfall / (Surplus) (H+J)**	**43,487**	**(25,714)**	**17,773**
"L"	**Increase in average prescribed price effective 01.07.2013 (Rs. / MMBTU)**	128.22	(75.82)	52.40
"M"	**Revenue requirement (B+E+G+J)**	**200,367**	**(19,189)**	**181,177**
"O"	**Average Prescribed Prices**	**577.99**	**(75.82)**	**502.17**

B. Prescribed Prices for FY 2013-14

ANNEXURE - B

		Average Prescribed Prices w.e.f. July 01, 2013	w.e.f July 01, 2013	w.e.f August 23, 2013
		Rupees per MMBTU		
(i)	**Domestic Consumers:**			
	a) Standalone meters			
	b) Mosques, churches, temples, madrassas, other Religious Places and Hostels attached thereto;			
	First slab (upto 100 cubic metres per month).	**502.17**	**106.14**	
	Second slab (Upto 300 cubic metres per month).	**502.17**	**212.28**	
	Third slab (over 300 cubic metres per month).	**502.17**	**530.69**	
	c) Government and semi-Government offices, Hospitals, clinics, maternity homes, Government Guest Houses, Armed Forces messes, Langars, Universities, Colleges, Schools and Private Educational Institutions, Orphanages and other Charitable Institutions along-with Hostels and Residential Colonies to whom gas is supplied through bulk meters including captive power.			
	All off-takes at flat rate of	**502.17**	**530.69**	
(ii)	**Special Commercial Consumers (Roti Tandoors)**			
	First slab (upto 100 cubic metres per month).	**502.17**	**106.14**	
	Second slab (Upto 300 cubic metres per month).	**502.17**	**212.28**	
	Third slab (over 300 cubic metres per month).	**502.17**	**636.83**	
(iii)	**Commercial :**			
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.			
	All off-takes at flat rate of	**502.17**	**636.83**	
(iv)	**Ice Factories:**			
	All off-takes at flat rate of	**502.17**	**636.83**	
(v)	**Industrial:**			
	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	**502.17**	**488.23**	
(vi)	**Captive Power :**			
	All off-takes at flat rate of	**502.17**	**488.23**	**573.28**
(vii)	**CNG Stations:**			
	All off-takes at flat rate of	**502.17**	**656.52**	
(viii)	**Cement Factories:**			
	All off-takes at flat rate of	**502.17**	**742.97**	
(ix)	**Pakistan Steel**			
	All off-takes at flat rate of	**502.17**	**488.23**	
(x)	**Fauji Fertilizer Bin Qasim Limited**			
	(i) For gas used as feed-stock for Fertilizer (upto 60 MMCFD)	**502.17**	**123.41**	
	(ii) Additional allocation (10 MMCFD) Provisional	**502.17**	**67.38**	
	(iii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories	**502.17**	**488.23**	
(xi)	**Power Stations**			
	All off-takes at flat rate of	**502.17**	**488.23**	
(xii)	**Independent Power Producers**			
	All off-takes at flat rate of	**502.17**	**488.23**	

C. Computation of HR Cost Benchmark FY 2013-14 ANNEXURE - C

Rs. In Million

	Particulars	2010-11 (Base)	2012-13	2013-14
	HR benchmark Cost Parameters			
	Base Cost	7,166	7,878	8,432
	CPI factor	13.92%	7.36%	8.62%
	T & D network (Km)	42,441	45,630	46,364
	Number of Consumers (No.)	2,367,893	2,574,857	2,646,702
	Sales Volume (MMCF)	360,112	373,645	356,628
	Unit Rate (Rs/unit)			
	T&D network (Rs./Km)	168,846	178,629	184,793
	No. of Consumers (Rs./Consumer)	3,026	3,165	3,275
	Sale Volume (Rs./MMCF)	19,899	21,617	22,567
	HR Cost Build-up (Million Rs)			
50%	Cost CPI -50%	-	290	363
25%	T & D network (Km) 25%	1,792	2,038	2,142
65%	Number of Consumers (No.) 65	4,658	5,297	5,634
10%	Sales Volume (MMCF)-10%	717	808	805
	HR Benchmark Cost	**7,166**	**8,432**	**8,944**
	IAS Cost		**306**	**299**
	Total HR Cost		**8,738**	9,243
	Actual Cost		**9,600**	**9,214**
	50% of Savings / (Excess) Allowed		431	**(15)**
	HR Cost Allowed		**9,169**	**9,229**