Case No. OGRA-6(2)-2(3)/2005 (Second Review)

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED
REVIEW OF ESTIMATED REVENUE REQUIREMENT
FOR FY 2005-06

UNDER

SECTION 8(2) OF THE OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002 AND NATURAL GAS TARIFF RULES, 2002

DECISION

December 31, 2005

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 Southern Gas Company Limited (the petitioner) is a public limited company, incorporated in Pakistan, and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The company is engaged in the business of construction and operation of gas transmission & distribution pipelines, sale of natural gas, sale of gas condensate as by-product, and manufacture and sale of gas meters.

1.2. The Authority had determined the Estimated Revenue Requirement (ERR) of the petitioner for FY 2005-06 (the said year) at Rs. 63,879 million vide its Order dated May 20, 2005, under Section 8(1) and subsequently, vide its Order No. OGRA-6(2)-2(1)/2005- (Review), dated October, 19, 2005, under section 8(2) of the Oil & Gas Regulatory Authority Ordinance, 2002 (the Ordinance).

1.3. In pursuance of the Authority's directives per para 8.1.7 of its Order dated May 20, 2005, the petitioner has submitted review petition (the petition) on October 21, 2005, under Section 8(2) of the Ordinance, which was subsequently amended vide its letter dated November 11, 2005. The petitioner has incorporated anticipated change in the estimated (earlier) Weighted Average Cost of Gas (WACOG) during the period January-June 2006, projecting shortfall in ERR of Rs. 3,941 million. The petitioner has submitted that WACOG is projected to increase to Rs. 156.51/MMBTU as against Rs. 144.32/MMBTU estimated (earlier) for the whole year, under the Authority's said Order, dated May 20, 2005, owing to sharp increase in average crude oil/High Sulphur Fuel Oil (HSFO) prices in the international market, during June-November 2005. The average prices during this period are the basis for determining the wellhead prices of gas during January – June, 2006 in terms of Gas Pricing Agreements (GPAs) between the Government of Pakistan and various gas producers.

1.4. The petitioner, vide its letter dated November 11, 2005, also sought interim relief, through increase in average prescribed prices by Rs. 23.15/MMBTU, effective January 01, 2006, to enable recovery of the total impact of increase in the cost of gas during FY 2005-06 as sales prices could not be increased on retroactive basis. The petitioner submitted the comparative statement of cost of service, as under:

Table 1: Comparative Analysis of Cost of Service

Rs. / MMBTU

Components	w.e.f. 02-02-2005	w.e.f. 01-07-2005	w.e.f. 01-01-2006	Increase / (Decrease)
Cost of Gas	147.95	158.83	183.00	24.17
Operating Cost	12.50	11.82	14.30	2.48
Depreciation	7.09	8.01	8.01	-
Other Income	(5.58)	(10.90)	(14.40)	(3.50)
Required Return	8.36	9.74	9.74	-
Average Prescribed Price / MMBTU	**170.32**	**177.50**	**200.65**	**23.15**

1.5. The Authority, after preliminary examination, noted that the increase in the prescribed prices as a consequence of increase in cost of gas was inescapable and, therefore, passed an Interim Order, No. OGRA-6(2)-2(3)/2005 (Second Review), on November 18, 2005, increasing the average prescribed prices by Rs. 23.15 per MMBTU as requested by the petitioner. The revised prescribed prices for various categories of retail consumers effective January 01, 2006, were communicated to the Federal Government, under Section 8(3) of the Ordinance, for its advice on the sale prices and minimum charges for various categories of retail consumers.

1.6. A notice inviting interventions / comments from the consumers, general public and other interested / affected persons, intimating also the time and place of the public hearing, was published in daily newspapers, namely: Dawn (combined), Jang (combined) and Express (combined) on December 18, 2005. The Authority received 8 applications for intervention in the proceedings from:

a) Karachi Chamber of Commerce & Industry (KCCI)

b) S.I.T.E. Association of Industry, Karachi (SAI)

c) All Pakistan CNG Association

d) All Pakistan Textile Mills Association (APTMA)

e) Mushtaq & Co. (Pvt.) Limited

f) Quetta Chamber of Commerce and Industry, Balochistan

g) Ahmad Vegetable Oil and Ghee Mills Limited

h) Pakistan Hosiery Manufacturers Association (PHMA)

1.7. The Authority admitted all above intervention requests.

2. Proceedings

2.1. The Authority held public hearing at Karachi on December 29, 2005, which was addressed by the following:

a) SSGCL team led by Mr. Azim Iqbal Siddiqui, Senior General Manager - Petitioner
b) Mr. Khaliq-uz-Zaman Khan, Advocate, Representing APTMA – Intervener
c) Bukhsh Ali Lakho, General Manager, Ahmed Vegetable Oil and Ghee Mills Limited - Intervener
d) Mr. Nisar Shekhani, Representing S.I.T.E. Association of Industry, Karachi – Intervener
e) Mr. Zubair Motiwala, Representing Karachi Chamber of Commerce and Industry – Intervener
f) Mr. Javed Zaman, Representing All Pakistan CNG Association and PHMA – Intervener
g) Mr. Arif Balwani, Representing Mushtaq & Company (Pvt.) Ltd. – Intervener
h) Mr. Muhammad Hassan, Representing CNG Dealers Association - Participant

2.2. The petitioner made submissions in detail with the help of multimedia presentation explaining the basis of the petition for increase in prescribed prices of gas on account of increased wellhead prices.

3. Interveners' / Participant's Views

3.1. The substantive points made by the interveners / participants are summarized below:

a) Views of All Pakistan Textile Mills Association (APTMA)

(i) The petition is for increase in prescribed prices on account of alleged increase in cost of gas but the petitioner has not informed the Authority of the efficiency gains that it may have made during the last six months. It will not be justified to allow the petitioned increase in cost ignoring efficiency gains.

(ii) The oil prices given in the petition are actual for May to September 2005 and estimated for October and November 2005. The data of actual prices is now available, which may be taken into account.

(iii) The current Rate of Return (RoR) is in accordance with a covenant of the loan agreement with Asian Development Bank. That agreement will expire on December 31, 2005, after the last installment of the loan will have been paid. Therefore, the RoR should be reviewed and rationalized. That will generate savings which will offset the increase in cost of gas, wholly or partly. The RoR can be refixed at 11-12% instead of unduly high rate of 17% of the asset value.

(iv) Under Section 36 of the Ordinance, the Authority enjoys the power to reject any policy decision or agreement which is inconsistent with any of its provisions. The Authority, under Section 6 (1) (15) of the Ordinance, is under an obligation to safeguard public interest and increasing the price of gas to an extent that the industry would be crippled is not in public interest. Therefore, the petitioner's plea that the Authority is bound to calculate the cost of gas in accordance with the existing gas pricing agreements irrespective of its consequences to the industry as well as national economy, is misplaced and may be ignored.

(v) Most of the textile units in the country use captive gas generators owing to WAPDA's / KESC's failure to provide uninterrupted power supply. Disconnection of gas supplies to these generators by the gas utilities during winter, has hit textile sector very hard, and will result in slippage in meeting production and export targets, to the detriment of the national economic objectives.

(vi) The fertilizer industry and domestic consumers are being provided subsidy at the cost of industrial consumers. This policy, if carried any further, will lead to closure of industry.

b) Views of Ahmed Vegetable Oil & Ghee Mills Limited

(i) The computation of increase in cost presented by the petitioner is incorrect because the per unit rate has been worked out by dividing the total alleged additional cost of gas by projected sale volume of six months instead of a year.

(ii) The actual price increase is Rs. 34.33/MMBTU and not Rs. 23.15/MMBTU, as presented by the petitioner and the Authority may minutely check the petitioner's working.

(iii) The petitioner appears to have revalued its assets to earn extra return, which is totally unjustified.

(iv) There is gap between prescribed price and sale price which represents Gas Development Surcharge (GDS) and the alleged additional cost should be adjusted against available GDS. Similarly, government taxes and levies like excise duty should be reduced to absorb the extra cost.

c) ***Views of S.I.T.E. Association of Industry***

(i) In the last 4 years, gas price was increased by around 25% and sudden spurt of 12-15 percent will have disastrous repercussions on the industry especially in the current post-WTO, highly competitive, scenario. The industry will collapse due to this extra burden and every one including the utilities will suffer because industry consumes 80% of its sale volume.

(ii) The RoR at 17% of assets should be reviewed urgently as the relevant loan agreement will expire on December 31, 2005. Return on equity should be considered instead of return on assets.

(iii) The current situation of cross-subsidization at the cost of the industry should be corrected. All customers should be made to pay the cost of service and if the Government wishes to subsidize any category of consumers for any reason, it should provide the funds directly.

(iv) Government levies and taxes on gas should be reduced or removed to be able to absorb the additional cost of gas instead of increasing gas price for industrial consumers.

(v) It is imperative that the government, at least temporarily, meets the shortfall of the utilities as may be determined by the Authority, by directly paying the same, instead of increasing the sale prices.

(vi) The suggested measures will not only absorb the additional cost of gas but will result in reduction in gas price for industry.

(vii) The subsidy to domestic consumers is far more than can be justified because the price slabs are designed in a manner that every domestic consumer enjoys the subsidy including the high-end ones. Thus, the subsidy is not restricted to life-line consumers.

d) ***Karachi Chamber of Commerce and Industry***

(i) Any further increase in the price of gas will be fatal for the textile industry in Pakistan because it is already finding it very difficult to compete with Chinese and Bangladeshi exports of garments mainly because in those countries cost of doing business is less than Pakistan and the government's policies are industrial-friendly. Pakistan may be reduced to the status of a raw material exporter if the current trend of increase in input costs is not reversed.

(ii) Frequent increase in utility prices makes it impossible for the industry to survive or grow because the initial feasibility is rendered obsolete. It also negates the Government's proclaimed policy of maintaining consistency.

(iii) It is absolutely unjustified to provide about 80% subsidy to fertilizer manufacturers and that too at the cost of the industry.

(iv) The textile industry consumes only 8.7% of the total volume of gas sold and makes exports worth US$ 11 billion. The Government must consider reducing the price of gas for textile industry to help it increase the export further rather than hurting it by increasing the price of gas. If anyone deserves to be subsidized and helped, it is the textile industry, the mainstay of Pakistan foreign trade.

(v) Earlier, the government had zero-rated exports as far as sales tax is concerned to keep them competitive. With this clear policy principle in the field, it will be counter-productive to increase the price of gas.

e) *Views of All Pakistan CNG Association and Pakistan Hosiery Manufacturers Association*

(i) On one hand the government is giving rebates for R&D and on the other it is taking away the benefit through increase in gas prices.

(ii) Future strategy in respect of increase in gas prices should be elaborated to enable preparation of reliable economic feasibility of industrial projects.

(iii) Increase in the gas prices will defeat the very purpose of providing cheaper alternate source of motor gasoline for transportation.

(iv) The Authority has already issued interim order for increase in gas prices, to be effective from January 01, 2006, thereby rendering the public hearing an exercise in futility.

f) *Views of Mushtaq & Company (Pvt.) Limited*

(i) In formulating the new tariff regime, the Authority is consulting only with the utilities and the Federal Government, and opinion of the gas consumers has not been sought, who are the most important stakeholder.

(ii) Rule 17 (1) (j) of NGT Rules provides that only those capital expenditure shall be included in the rate base which are prudent, efficient and economically viable. Uneconomical capital expenditure incurred on supply of gas to domestic and fertilizer feed-stock consumers should not qualify for 17% return as these consumers are being provided gas at heavily subsidized rate and the petitioner fails to recover even the bare cost of gas.

(iii) The Cabinet, on a summary of the Ministry of Petroleum and Natural Resources, on rationalization of gas prices had decided in January 2001, as under;

a) Gas prices be synchronized with the change in wellhead gas prices and reviewed on semi-annual basis in March and September each year.

b) Subsidy to domestic consumers be eliminated gradually within 3 years to bring it at par with the cost of service.

The Authority has implemented this decision as far as synchronizing wellhead price to gas prices is concerned but the decision to eliminate subsidy available to domestic consumers has not been implemented.

(iv) The gas pricing agreements between the Federal Government and foreign gas producers have previously been modified in the event of abnormal increase in crude oil/HSFO prices. The Government should re-negotiate these agreements to save the consumers from the abnormal and unbearable burden.

(v) Instead of luring the foreign investors to invest in gas exploration, the Government should provide all incentives to local producers like OGDCL and PPL to reduce reliance on foreign producers.

(vi) Like KESC, Jamshoro Power Station and other power producers, the Government should provide subsidy to the petitioner to enable it to absorb the effect of any increase in the gas prices.

(vii) The textile industry is using gas as a major source of energy to generate captive power and run boilers. The same cannot be run on coal like India, where good quality coal is available in abundance. In Pakistan, Lakhra and other coal reserves should be explored to cater for alternate sources of energy. Any increase in gas prices would render the sector totally uncompetitive.

g) Views of CNG Dealers Association

(i) CNG is a cheaper source of fuel and there is attraction for vehicle conversion. Increase in gas price will mean disaster for this industry. During FY 2005, prices of gas have already been increased twice, which, in fact, should not have been done.

(ii) Increase in gas price will discourage investment in the CNG and will increase oil import bill.

4. Petitioner's response to the views of interveners / participant

4.1. The Authority has already introduced benchmarks in respect of Unaccounted for Gas (UFG) and Human Resource (HR) cost and the petitioner has already paid penalties during last two years because the UFG benchmark was too stringent and the petitioner could not achieve it. There are no efficiency gains to account for at this stage.

4.2. Financial statements of the petitioner for FY 2004-05 show its earning per share of Rs. 1.50; therefore the claim of earning hefty profits is not correct.

4.3. The subsidized price of fertilizer feed-stock is in accordance with the Federal Government's policy, which is required to be implemented under the OGRA law also. However, Fertilizer fuel is charged at the same tariff as other industrial consumers.

4.4. Gas price increase has been granted by the Authority only if the cost of gas has gone up and the Authority is satisfied about the prudence of capital & revenue expenditure. The SSGCL has not revalued any of its assets in the recent past and the return is claimed on historical written down value.

4.5. Initially, the petitioner submitted the review petition on October 21, 2005, demanding an increase of Rs. 11.63 / MMBTU on an annualized basis. Since the gas sale prices cannot be increased retroactively, the petitioner submitted amended petition on November 11, 2005, in which it worked out an average increase of Rs. 23.15 / MMBTU, by dividing the total shortfall for the said year (2005-06) by estimated sale volume of remaining six months (Jan - Jun 2006).

5. Cost of Gas

5.1. Petitioners Grounds for Review

5.1.1. The petitioner has requested for increase in average prescribed prices by Rs. 23.15 / MMBTU, effective January 01, 2006, to recover the total impact of increase in the cost of gas since the sale prices cannot be increased on retroactive basis.

5.1.2. The petitioner has submitted that WACOG is projected to increase to Rs. 156.51 per MMBTU on annualized basis as against Rs. 144.32 per MMBTU, which was projected at the time of determination of ERR for the said year because average crude oil / HSFO prices in the international market have sharply increased during June-

November 2005. This period is important as it is the basis for determining the wellhead prices of gas for Jan-Jun 2006 in terms of Gas Pricing Agreements (GPAs) between the Government of Pakistan and various gas producers.

5.1.3. The petitioner has worked out the estimated increase in the cost of gas using the following basis and assumptions:

(i) Wellhead gas prices for the period July 1, 2005 to December 31, 2005 as already notified by OGRA.

(ii) US $ exchange rate assumed at Rs. 60 from 1st January 2006.

(iii) Prices of crude oil / HSFO during the period June, 2005 to November, 2005 to form the basis for wellhead prices for the period January 1, 2006 to June 2006 under the existing GPAs.

(iv) At the time of submission of the petition, crude oil & HSFO prices for the period June 2005 to September 2005, were taken at actual. However, for October & November 2005, crude oil price was assumed at US $ 60 per barrel and US $ 62 per barrel respectively, and for the same months HSFO price was assumed at US $ 320 per ton and US $ 340 per ton respectively. On this basis average C & F price of crude oil for the base period for January 2006 to June 2006 was estimated at US $ 58.39 per barrel and of HSFO at US $ 299.56 per ton.

5.2. Discussion & Decision

5.2.1. Gas Pricing Agreements (GPAs) are on the Authority's record and the wellhead prices of gas for all fields in Pakistan are computed in accordance with these agreements and notified under the Ordinance. Due care & diligence is exercised in performing this function.

5.2.2. The Authority only allows prudent capital & operating expenditures after exhaustive due diligence, scrutiny and special audit in some cases.

5.2.3. Medium-term incentive-oriented efficiency benchmarks on unaccounted for gas (UFG) and Human Resource (HR) cost have already been introduced in the current tariff regime, which cover bulk of the controllable costs.

5.2.4. The Authority commissioned a study to evaluate the current tariff regime and propose improvement. After carefully evaluating various options, given by the Consultant, (Economic Consulting Associates (ECA) of U.K.) the Authority has developed a new tariff regime for regulated natural gas sector which is currently being reviewed by the Federal Government and other stakeholders. Final decision will be taken after consulting with the consumers through the process of public hearing.

5.2.5. Under Section 6(1) (23) of the Ordinance, the Authority is required to "*determine the well-head gas prices for the producers of natural gas in accordance with the relevant agreements or contracts, and notify the same in the official Gazette*;". In view of this clear provision, the plea of APTMA that the Authority can bypass the terms of the agreements between the producers and the Federal Government, is misconceived and without any basis.

5.2.6. A number of points raised by the interveners and participants are relating to consumer prices for gas, subsidy to domestic consumers, fertilizer feed-stock supply, slab structure of domestic rates, cross subsidy, GDS, government levies, etc. relate to policy making function of the Federal Government, and fall outside the jurisdiction of the Authority. The Government policies are dynamic. The fixation of consumer gas prices is in the exclusive domain of the Federal Government.

5.2.7. The Authority has noted that average prices of crude and fuel oil have gone up as under:

Table 2: Comparative Analysis of Average Prices of Crude & Fuel Oil

Sr. No.	Particulars	Period from December 04 to May 05[1]	Period from June to Nov 05 (Estimates)[2]	%age increase
(i)	Crude Oil (US $per BBL)	43.9760	58.3913	33%
(ii)	HSFO (US $ per ton)	207.340	299.5611	44%
(iii)	US $ exchange rate	59.6438	60.00	0.59%

[1] Basis of wellhead prices for July-December 2005
[2] Basis of wellhead prices for January-June 2006

5.2.8. The Authority has rechecked the computation taking in to account specific computation related points raised by the representative of the Ahmed Vegetable Oil & Ghee Mills Limited.

5.2.9. The Authority, after taking into consideration the points raised by the interveners, the clarifications provided by the petitioner, scrutiny of the petition and available record, concludes as follows:

5.2.9.1. Revised computation of cost of gas submitted by the petitioner is a reasonable estimate on the basis of currently available information.

5.2.9.2. The revised shortfall in revenue requirement for the said year, of Rs. 1,091 million, claimed by the petitioner as a result of the above mentioned estimated increase in cost of gas should be provisionally accepted and since sale prices cannot be increased retroactively, there is no option but to recover it in the remaining six months, i.e. January - June, 2006.

6. Determination

6.1. The Authority, therefore, in exercise of its powers under Rule 5 (7) of the NGT Rules, 2002, while confirming its interim Order dated November 18, 2005, allows an increase of Rs. 23.15/MMBTU ***(Annexure-I)*** in the average prescribed price of the petitioner ***on provisional basis*** w.e.f. January 01, 2006 to enable it to recover the estimated shortfall in its ERR for FY 2005-06 on account of increase in the cost of gas. The revised schedule of prescribed prices of the petitioner w.e.f. January 01, 2006 (annexed earlier to the said interim order) is at ***Annexure-II***. Increase in the prices was allowed at 15.87% in the case of domestic tariff to keep it uniform with Sui Northern Gas Pipelines Limited and at 13.06% in remaining categories of consumers except feedstock gas supply to the fertilizer consumer, who is governed by separate Government policy.

6.2. The revised prescribed prices allowed by the Authority ***on provisional basis*** are subject to provision of Rule 5(7) of the NGT Rules, 2002 and the following condition:

"The prescribed price for each category of retail consumers may be re-adjusted 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 increase 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."

6.3. The Federal Government's advised under Section 8(3) of the Ordinance, in respect of the sale prices and minimum charges for each category of licensee's retail consumers (***Annexure-III***). Based on this advice, the prescribed prices have been adjusted. The adjusted prescribed prices, effective January 01, 2006, are at ***Annexure-IV***. The Authority orders the notification of the said prices in the official gazette immediately.

(M.H. Asif)
Member (Finance)

Rashid Farooq
Member (Oil)

(Jawaid Inam) Member (Gas) /
Vice Chairman

Islamabad,
December 31, 2005

Annexure-I

SUI SOUTHERN GAS COMPANY LIMITED

Computations of Second Review of Estimated Revenue Requirement for FY 2005-06

	Particulars	The Motion	Determined by OGRA
"A"	**Net Operating Revenues**		
	Gross sales net of general sales tax	62,186	62,186
Less:	Gas development surcharge- existing	2,025	2,025
	Net sales at current prescribed price	**60,161**	**60,161**
	Meter rentals	473	473
	Late payment surcharge	248	248
	Amortization of deferred credit	197	197
	Sale of gas condensate	296	296
	Meter manufacturing profit	33	33
	Gas transportation charges	506	506
	Other operating income	299	299
	Income from JJVL	2,239	2,239
	Total Operating Revenue "A"	**64,451**	**64,451**
"B"	**Operating Expenses**		
	Cost of gas	57,950	57,950
	Cut of UFG	(152)	(152)
	Transmission and distribution cost	3,780	3,780
	Gas internally consumed	294	294
	Depreciation	2,714	2,714
	Other charges including (W.P.P.F)	156	156
	Deferral account	350	350
	Total Operating Expenses "B"	**65,091**	**65,091**
"C"	**Operating profit / (loss) (A-B)**	**(640)**	**(640)**
	Return required on net operating fixed assets:		
	Net operating fixed assets at beginning	20,500	20,500
	Net operating fixed assets at ending	22,963	22,963
		43,463	43,463
	Average fixed net assets (I)	21,732	21,732
	Deferred credit at beginning	2,220	2,220
	Deferred credit at ending	2,410	2,410
		4,630	4,630
	Average net deferred credit (II)	2,315	2,315
"D"	**Average operating assets (I-II)**	**19,417**	**19,417**
"E"	**17% return required on net assets**	**3,301**	**3,301**
"F"	**Excess/ (shortfall) over return required**	**3,941**	**3,941**
"G"	**Projected gas sale (BBTU) from Jan-06 to Jun-06**	**170,252**	**170,252**
Average increase/(decrease) in prescribed price (Rs. / MMBTU) [(F/G) x 1000]		**23.15**	**23.15**

Annexure-II

COPY OF PRESCRIBED PRICES FOR EACH CATEGORY OF CONSUMERS AS PER INTERIM ORDER DATED NOVEMBER 18, 2005 (REVISED UNDER FINAL ORDER DECEMBER 31, 2005 ANNEXURE-IV)

		Notified Prescribed Prices for the period 01.07.05 to 31.12.05	Prescribed Prices for the period 01.01.06 to 30.06.06
	CATEGORY	Rs. per MMBTU	
(i)	**Domestic Consumers**		
	For domestic consumers, including residential colonies, mosques, churches, temples, madrassas, other religious places and hostels attached thereto, Government and semi-Government offices, hospitals, Government guest houses, Armed Forces messes and langars, universities, collecges, schools,private educational institutions, orphanages and other charitable institutions.		
	First slab (upto 100 cubic metres per month).	73.95	85.19
	Second slab (over 100 upto 200 cubic metres per month).	126.20	147.03
	Third slab (over 200 upto 300 cubic metres per month).	201.91	235.21
	Fourth slab (over 300 cubic metres per month).	262.65	305.97
	For hostels and residential colonies to whom gas is supplied through bulk meters.		
	All off-takes at flat rate of	126.20	147.03
(ii)	**Commercial Consumers**		
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tandours, places of entertainment like cinemas, clubs, theaters and private offices, clinics, maternity homes etc		
	All off-takes at flat rate of	222.66	251.75
(iii)	**Ice Factories**		
	All off-takes at flat rate of	222.66	251.75

(iv)	**Industrial Consumers**			
	All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed including hotel industry but excluding such industries for which a separate rate has been prescribed.			
	All off-takes at flat rate of		201.62	227.96
(v)	**Captive Power**			
	All off-takes at flat rate of		201.62	227.96
(vi)	**CNG Stations**			
	All off-takes at flat rate of		201.62	227.96
(vii)	**Cement Factories**			
	All off-takes at flat rate of		201.62	227.96
viii)	**Pakistan Steel**			
	All off-takes at flat rate of		201.62	227.96
(ix)	**FFC Jordan Fertilizer Company**			
(i)	For gas used as feed stock for Fertilizer.		36.77	36.77
(ii)	For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.		201.62	227.96
(x)	**Power Stations**			
	All off-takes at flat rate of		201.62	227.96
Average BTU per SCFT assumed by petitioner		**960**		

Annexure-III

COPY

Immediate
By special Messenger

No. DGO (AC)-5 (20)/05-06
Government of Pakistan
Ministry of Petroleum and Natural Resources
(Policy Wing)
Directorate General of Gas,
21-E, Huma Plaza Blue Area,

Islamabad the 30th December, 2005

OFFICE MEMORANDUM

SUBJECT: NOTIFICATION OF CONSUMER PRICES

In pursuance of OGRA's u.o Nos: OGRA-6(2)-1(4)/2005-Review, and OGRA-6(2)-1(3)/2005-Review, dated 19.11.2005 regarding re-determination of revenue requirement of Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited for the year 2005-06 and in exercise of powers conferred under section 8 (3) of OGRA, Ordinance 2002, the Federal Government is pleased to advise the consumer sale prices and minimum charges in respect of each category of retail consumers of natural gas effective from 1st January, 2006 as per enclosed annexure.

2. The Cabinet Division is requested to kindly, advise OGRA for notification of the prices after adjusting their prescribed prices accordingly as per their Ordinance.

(M. Zaheer Alam)
Director (Gas)

Cabinet Division
(Mr. Asad Elahi),
Additional Secretary (Cabinet),
Government of Pakistan,
Islamabad.

Copy to:
The Chairman
Oil & Gas Regulatory Authority
Tariq Chambers, Civic Center, G-6,
Islamabad.

Certified True Copy

Annexure-I

Consumer Sale Prices and Minimum Charges Applicable w.e.f 1st January 2006

SNGPL/SSGCL System		Rs./MMBTU
A (a) Domestic Sector		
Sale Price:		
1st slab(upto 100 cubic meters per month)		80.98
2nd Slab(over 100 upto 200 cubic meters per month)		147.41
3rd Slab(over 200 upto 300 cubic meters per month)		235.54
4th Slab(over 300 cubic meters per month)		308.79
Minimum Charges(Rs. Per Month)	109.22	
(b) For hostels and residential colonies to whom gas is supplied through bulk meter		
Maximum rate		
All off-takes at the flat rate of		147.41
Minimum Charges(Rs. Per Month)	497.07	
B Commercial/ice factories		
Sale Price:		
All off-takes at the flat rate of		371.07
Minimum Charges(Rs. Per Month)	1,272.88	
C CNG		
Sale Price:		
All off-takes at the flat rate of		240.91
Minimum Charges(Rs. Per Month)	8,123.37	
D Industrial/Captive Power		
Sale Price:		
All off-takes at the flat rate of		240.91
Minimum Charges(Rs. Per Month)	8,123.37	
E Cement		
Sale Price:		
All off-takes at the flat rate of		277.55
Minimum Charges(Rs. Per Month)	9,358.88	

Certified true Copy

F Power (WAPDA's and KESC's Power Stations)		
i) WAPDA's and KESC's Power Stations and other electricity utility companies		
All off-takes at the flat rate of		240.91
Minimum Charges(Rs. Per Month)	6,123.37	
ii)WAPDA's Gas Turbine Power Station Nishatabad Faisalabad		
All off-takes at the flat rate of		240.91
Fixed Charges (Rs. per month)	975,000	

G Fertilizer Companies

a) <u>On SNGPL System:</u>

i) Dawood Hercules Chemicals Limited , Chichoki Mallian, Sheikhupura District		
Sale Price:		
All off-takes at the flat rate of		
-gas used as feed stock		83.24
-gas used as fuel for generation of electricity and steam and for usage of housing colonies		240.91
Minimum Charges(Rs. Per Month)		-
ii) Pak Arab Fertilizer Limited Multan.		
Sale Price:		
All off-takes at the flat rate of		
-gas used as feed stock		83.24
-gas used as fuel for generation of electricity and steam and for usage of housing colonies		240.91
Minimum Charges(Rs. Per Month)		-
iii) Pak China Fertilizer Limited, Haripur		
Sale Price:		
All off-takes at the flat rate of		
-gas used as feed stock		88.34
-gas used as fuel for generation of electricity and steam and for usage of housing colonies		240.91
Minimum Charges(Rs. Per Month)	6,123.37	
iv) Hazara Phosphate Fertilizer Plant Limited Haripur		
Sale Price:		
All off-takes at the flat rate of		
-gas used as feed stock		88.34
-gas used as fuel for generation of electricity and steam and for usage of housing colonies		240.91
Minimum Charges(Rs. Per Month)	6,123.37	

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v) Pak American Fertilizer Company Limited

Sale Price

All off-takes at the flat rate of

-gas used as feed stock | 96.77

-gas used as fuel for generation of electricity and steam and for usage of housing colonies | 240.91

Minimum Charges(Rs. Per Month)

b) On SSGCL System

FFC Jordan Fertilizer Company Limited.

Sale Price:

All off-takes at the flat rate of

-gas used as feed stock | 96.77

-gas used as fuel for generation of electricity and steam and for usage of housing colonies | 240.91

Minimum Charges(Rs. Per Month) | -

2 Mari Gas Company Limited

a) Wapda Gas Turbine Power Station Guddu

Sale Price:

All off-takes at the flat rate of | 226.34

Minimum Charges: As per gas Sales Purchase Agreement between WAPDA and Mari Gas Company Limited

b) Fertilizer factories

i)Engro Chemical Pakistan Limited

Sale Price:

All off-takes at the flat rate of

-gas used as feed stock | 82.06

-gas used as fuel for generation of electricity and steam and for usage of housing colonies | 240.91

Minimum Charges: As per gas Sales Purchase Agreement between Engro Chemical Pakistan limited and Mari Gas Company Limited

ii)Fauji Fertilizer Company Limited-Plant 1 & 2,Machhi Goth and Plant 3,Mirpur Mathelo(Ex-PSFL)

Sale Price:

All off-takes at the flat rate of

-for gas used as feed stock | 82.06

-for gas used as fuel for generation of electricity and steam and for usage of housing colonies | 240.91

Minimum Charges: As per gas Sales Purchase Agreement between Fauji Fertilizer Company Limited and Mari Gas Company Limited

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3 Pakistan Petroleum Limited

Wapda Gas Turbine Power Station Guddu(Kandhkot Gas)

Sale Price:

All off-takes at the flat rate of 232.72

Minimum Charges: As per gas Sales Purchase Agreement between WAPDA and Pakistan Petroleum Limited

4 Tallow Pakistan Development Limited

Sale Price:

All off-takes at the flat rate of 226.34

Minimum Charges: As per gas Sales Purchase Agreement between WAPDA and Tallow Pakistan (Development) Limited

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Annexure-IV

PRESCREIBED PRICES FOR EACH CATEGORY OF CONSUMERS AS FINALLY DETERMINED BY THE OILA ND GAS REGULATORY AUTHORITY UNDER ITS ORDER DATED DECEMBER 31, 2005

		Revised Prescribed Prices for the period 01.01.06 to 30.06.06
		Rs./MMBTU
CATEGORY		
(i)	**Domestic Consumers**	
	For domestic consumers, including residential colonies, mosques, churches, temples, madrassas, other religious places and hostels attached thereto, Government and semi-Government offices, hospitals, Government guest houses, Armed Forces messes and langars, universities, collecges, schools,private educational institutions, orphanages and other	
	First slab (upto 100 cubic metres per month).	80.98
	Second slab (over 100 upto 200 cubic metres per month).	147.41
	Third slab (over 200 upto 300 cubic metres per month).	235.84
	Fourth slab (over 300 cubic metres per month).	306.79
	For hostels and residential colonies to whom gas is supplied through	
	All off-takes at flat rate of	147.41
(ii)	**Commercial Consumers**	
	All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tandours, places of entertainment like cinemas, clubs, theaters and private offices, clinics, maternity homes etc.	
	All off-takes at flat rate of	252.37
(iii)	**Ice Factories**	
	All off-takes at flat rate of	252.37

(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		228.52
(v)		**Captive Power**		
		All off-takes at flat rate of		228.52
(vi)		**CNG Stations**		
		All off-takes at flat rate of		228.52
vii)		**Cement Factories**		
	(f)	Thatta Cement		
		All off-takes at flat rate of		228.52
iii)		**Pakistan Steel**		
		All off-takes at flat rate of		228.52
(ix)		**FFC Jordan Fertilizer Company**		
	(i)	For gas used as feed stock for Fertilizer.		36.77
	(ii)	For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.		228.52
(x)		**Power Stations**		
		All off-takes at flat rate of		228.52
Average BTU per SCFT assumed by petitioner			**960**	