

Case No. OGRA 6(2)-2(2)/2004 (DTRR)

IN THE MATTER OF

**SUI SOUTHERN GAS COMPANY LTD.
TOTAL REVENUE REQUIREMENT, FY 2003-04**

UNDER

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

SHORT ORDER

SEPTEMBER 22, 2004

Before:

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

Sui Southern Gas Company Limited (the Petitioner) filed on August 17 2004, a Petition for review of its total revenue requirement for the FY 2003-04 (the Petition) under Section 8(2) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with rule 4(3) of the Natural Gas Tariff Rules, 2002. The Petition was admitted by the Authority on August 24, 2004. The hearing was held on September 16, 2004, participated by the representatives of the Petitioner and the Federal Government, who were heard at length.

1. The Authority had determined the Estimated Revenue Requirement of the Petitioner for FY 2003-04 under Section 8(1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (OGRA Ordinance) vide its order No. OGRA-6(2)-2(1)/2003-04 dated June 30, 2003. Thereafter, the Petitioner submitted a review petition under Section 8(2) of the OGRA Ordinance, 2002, and after due scrutiny and hearing, the Authority determined the Revised Estimated Revenue Requirement of the Petitioner for FY 2003-04 at Rs. 45,091 million vide its order No. OGRA-6(2)-2(1)/2003-04 (Review) dated March 19, 2004.
2. The Petitioner, in the present Petition, claims a shortfall of Rs. 633.827 million after incorporating the effect of actual changes in wellhead prices, operating expenses, sales volume, sales revenue and asset base.
3. After detailed scrutiny of the Petition and the clarifications provided by the Petitioner, the Authority hereby determines as follows:
 - 3.1. Addition in fixed assets pertaining to vehicles is reduced by Rs. 30.945 million and consequently depreciation expense is reduced by Rs. 1.857 million,
 - 3.2. Operating income is increased by Rs. 123.84 million on account of discount received on Default Gas in accordance with the Authority's order No. OGRA-6(2)-2(3)/2002-DTRR (Review) dated July 29, 2004,
 - 3.3. Operating expenses are reduced by Rs. 488.471 million on following items:
 - 3.3.1. Reduction of Rs. 226.535 million (subject to further adjustment on the basis of UFG audit) on account of UFG in excess of 6.5% in

accordance with para 60.3 of the Authority's order No. OGRA-6(2)-2(1)/2003-04 dated June 30, 2003.

3.3.2. Reduction of Rs. 230.025 million in T&D expenses owing to the following:

	<u>Rs. In Million</u>
a) Excessive recruitment in executive cadre	3.110
b) Housing facility expenses without adequate justification	2.546
c) Excessive Overtime	15.321
d) Gas Internally Consumed on account of loss of gas due to blasts on transmission pipelines	11.600
e) Provision for Doubtful Debts on account of locked meters and active consumers	177.327
f) Corporate Social Responsibility projects not classifiable as operating expenses	5.607
g) Sports activities not classifiable as operating expenses	<u>14.514</u>
Total :	<u>230.025</u>

3.3.3. Consequential reduction in other charges including WPPF by Rs. 31.911 million.

3.4. Based on above adjustments the shortfall in revenue requirement works out to Rs. 17.186 million as against Rs. 633.827 million claimed by the Petitioner as detailed in ***Annexure-I*** to this order.

4. In exercise of the powers vested in the Authority under Section 8 of the OGRA Ordinance, 2002, the total revenue requirement for FY 2003-04 is determined at Rs. 46,364 million as against Rs. 46,857 million claimed by the Petitioner thereby reducing the revenue requirement by Rs. 493 million, as tabulated below:

Components of Total Revenue Requirement for FY 2003-04

Rs. in Million

Revenue Requirement- FY 2003-04	Claimed by the Petitioner	Determined by the Authority
Cost of Gas	38,713	38,713
Transmission & Distribution Cost (net of UFG disallowance)	3,380	2,935
Gas Internally Consumed	177	165
Depreciation	1,922	1,920
Workers Profit Participation Fund	105	73
Return On Net Operating Fixed Assets	2,560	2,558
Total Revenue Requirement	46,857	46,364

6. In consequence of the above determination of Revenue Requirement, revised prescribed prices for the period July 01, 2003 to June 30, 2004 for each category of consumers are given in ***Annexure-II*** to this order.

7. Detailed order will be issued later.

(M.H. Asif)
Member (Finance)

(Jawaid Inam)
Member (Gas) /
Vice Chairman

(Munir Ahmad)
Chairman

Islamabad
Dated September 22, 2004

SUI SOUTHERN GAS COMPANY LIMITED

Total Revenue Requirement for FY 2003-04

	True Up FY 2003-04	Adjustments	Revenue Requirement after proposed disallowances
Gas sales volume -MMCF	318,071		318,071
BBTU	310,628		310,628
A: Net operating revenues			
Gross sales net of general sales tax	47,354.882		47,354.882
Less: Gas Development Surcharge- Existing	2,761.206		2,761.206
Net sales at current prescribed price	44,593.676		44,593.676
Meter rentals	436.530		436.530
Late payment surcharge	232.226		232.226
Amortization of Deferred Credit	145.239		145.239
Meter manufacturing profit	53.047		53.047
Sale of gas condensate	216.120		216.120
Gas Transportation charges	457.122		457.122
Other Operating Income	89.595	123.840	213.435
Total Income "A"	46,223.555	123.840	46,347.395
"B" Less Expenses			
Cost of gas	38,713.079		38,713.079
UFG disallowance above 6.5%		(226.535)	(226.535)
Transmission and Distribution cost	3,380.451	(218.425)	3,162.026
Gas Internally Consumed	176.594	(11.600)	164.994
Depreciation	1,922.195	(1.857)	1,920.338
Other charges (W.P.P.F)	104.726	(31.911)	72.815
Total Expenses "B"	44,297.045	(490.328)	43,806.717
"C" Operating profit (A-B)	1,926.510	614.168	2,540.678
Return required on Net Assets:			
Net assets at beginning	16,606.636		16,606.636
Net assets at ending	16,664.581		16,635.493
Average fixed net assets (I)	16,635.609		16,621.064
Deferred credit at beginning	1,438.214		1,438.214
Deferred credit at ending	1,711.395		1,711.395
Average net Deferred credit (II)	3,149.609		3,149.609
Average net Deferred credit (II)	1,574.805		1,574.805
"F" Average (I-II)	15,060.804		15,046.260
Return required on Net Assets	17%		17%
"G" Amount of return required	2,560.337		2,557.864
"H" Excess / (Shortfall) over return required	(633.827)		(17.186)
Increase / (decrease) in average prescribed price (Rs. / MMBTU)	2.04		0.06

Annexure-II

**PRESCRIBED PRICES FOR EACH CATEGORY OF CONSUMER AS
DETERMINED BY THE OIL AND GAS REGULATORY AUTHORITY**

Revised Prescribed
Prices effective from
01.07.2003 to
30.06.2004.

CATEGORY

Rs. per MMBTU

(i)

Domestic Consumers:

For domestic consumers, including residential colonies, mosques, churches, temples, madrassas, other religious places and hostels attached thereto, Government and semi-Government offices, hospitals, Government guest houses, Armed Forces messes and langars, universities, colleges, schools, private educational institutions, orphanages and other charitable institutions

<i>First slab (upto 100 cubic metres per month).</i>	69.31
<i>Second slab (over 100 upto 200 cubic metres per month).</i>	104.42
<i>Third slab (over 200 upto 300 cubic metres per month).</i>	167.06
<i>Fourth slab (over 300 cubic metres per month).</i>	217.32
<i>For hostels and residential colonies to whom gas is supplied through bulk meters.</i>	
<i>All off-takes at flat rate of</i>	104.42

(ii)

Commercial Consumers:

All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, milk shops, tea stalls, canteens, barber shops, laundries, tandours, places of entertainment like cinemas, clubs and theatres, private office, clinics, maternity homes etc.

<i>All off-takes at flat rate of</i>	163.86
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(iii)	<u>Industrial Consumers:</u> <i>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.</i>	
	<i>All off-takes at flat rate of</i>	161.97
(iv)	<u>Ice Factories:</u>	
	<i>All off-takes at flat rate of</i>	163.86
(v)	<u>CNG Stations:</u>	
	<i>All off-takes at flat rate of</i>	161.97
(vi)	<u>Cement Factories:</u>	
	<i>All off-takes at flat rate of</i>	161.97
(vii)	<u>Pakistan Steel</u>	
	<i>All off-takes at flat rate of</i>	161.97
(viii)	<u>FFC Jordan Fertilizer Company</u>	
	(i) For gas used as feed stock for Fertilizer.	36.77
	(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories.	161.97
(ix)	<u>Power Stations:</u>	
	<i>All off-takes at flat rate of</i>	161.97

Average BTU per SCFT assumed by Petitioner 971