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Suite 1200
106 East College Avenue
Tallahassee, FL 32301
www.akerman.com
850 224 9634 *tel* 850 222 0103 *fax*

July 30, 2008

Mr. Daniel Lee
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 080003-GU - Purchased Gas Adjustment (PGA) True-Up.

Dear Mr. Lee:

During our meeting on July 23, 2008, you requested that Florida City Gas provide an example of a forward-looking forecast in natural gas prices, showing how the NYMEX price for natural gas would need to perform in order to eliminate the under recovery position we forecasted in our July 22, 2008, filing. In addition, you asked the company to provide a comparison of the natural gas prices we forecasted in our 2008 PGA filing for January-June to the actual prices we paid. Both items are attached.

In the attached PGA Cost Recovery Clause Calculation, FCG has determined that a drop in the NYMEX prices used in our MCC filing of \$2.65/Dth, or \$0.265 /therm, for each forecasted month, would have to occur in order to eliminate our projected under recovery of \$6.8 million.

Natural gas prices have fallen sharply this month, approximately 33 percent as of July 29. If this trend were to continue, our customers should see no price increase as a result of the increase to our PGA cap. This is good news for everyone. However, we recommend approval of our mid course correction petition in order to better manage the fluctuations in the market under the proposed new cap, and prevent the potential for cost under recovery during the remainder of 2008 that will impact our prices in 2009.

Mr. Lee
July 30, 2008
Page 2

If you have any further questions on this matter, or additional questions, please do not hesitate to contact me.

Sincerely,

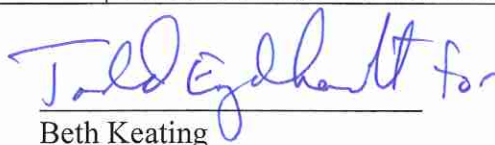


Beth Keating

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas's letter to Daniel Lee regarding its Petition for Approval of the Purchased Gas (PGA) True-Up Amount in Docket No. 080003-GU has been furnished by regular U.S. Mail to the following parties of record this 30th day of July 2008:

Florida Public Utilities Company Mehrdad Khojasteh P.O. Box 3395 West Palm Beach, FL 33402-3395	MacFarlane Ferguson Law Firm Ansley Watson, Jr. P.O. Box 1531 Tampa, FL 33601-1531
Messer Law Firm Norman H. Horton, Jr. P.O. Box 15579 Tallahassee, FL 32317	Office of Public Counsel J.R. Kelly/Patricia Christensen/S.Burgess c/o The Florida Legislature 111 West Madison Street Room 812 Tallahassee, FL 32399-1400
People Gas System Paula Brown P.O. Box 111 Tampa, FL 33601-0111	St. Joe Natural Gas Company, Inc. Mr. Stuart L. Shoaf P.O. Box 549 Port St. Joe, FL 32457-0549
TECO Energy, Inc. Matthew Costa P.O. Box 111 Tampa, FL 33601-0111	AGL Resources Inc. Elizabeth Wade Ten Peachtree Place Location 1470 Atlanta, GA 30309
Florida City Gas Melvin Williams 955 East 25 th Street Hialeah, FL 33013-3498	Katherine Fleming Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399
Florida City Gas Jay Sutton 4180 South US Hwy. 1 Rockledge, FL 32955-5309	Charles A. Costin Costin and Costin Law Firm P.O. Box 98 Port Saint Joe, FL 32457-1159



Beth Keating
Akerman Senterfitt, Attorneys at Law
106 East College Avenue, Suite 1200
Tallahassee, FL 32301

COMPANY: FLORIDA CITY GAS

PURCHASED GAS ADJUSTMENT
COST RECOVERY CLAUSE CALCULATION

JANUARY 08 Through DECEMBER 08

Staff Data Request No.1
Schedule E-1
Hypothetical NYMEX Decline Aug. - Dec.

ORIGINAL ESTIMATE FOR THE PROJECTED PERIOD:

	COST OF GAS PURCHASED												TOTAL	
	ACT	ACT	ACT	ACT	ACT	ACT	ACT	EST	EST	EST	EST	EST		
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
1 COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,177	\$110,714
2 NO NOTICE RESERVATION	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3 SWING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 COMMODITY (Other)	\$3,233,937	\$3,072,954	\$3,321,835	\$3,580,130	\$3,403,535	\$3,403,670	\$4,080,572	\$2,702,314	\$2,864,009	\$2,930,768	\$3,087,470	\$4,314,042	\$39,247,236	\$39,247,236
5 DEMAND	\$857,515	\$802,532	\$857,515	\$605,671	\$608,609	\$489,729	\$607,967	\$507,967	\$492,649	\$542,108	\$558,517	\$885,959	\$7,916,738	\$7,916,738
6 OTHER	\$24,698	\$60,320	\$39,020	\$59,529	\$46,276	\$105,560	\$61,779	\$36,922	\$46,742	\$44,656	\$48,582	\$61,714	\$636,988	\$636,988
LESS END-USE CONTRACT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7 COMMODITY (Pipeline)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8 DEMAND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10 Second Prior Month Purchase Adj. (Optional)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11 TOTAL COST	\$4,116,150	\$3,935,806	\$4,217,370	\$4,245,330	\$3,950,420	\$3,250,959	\$4,657,305	\$3,263,737	\$3,420,800	\$3,535,148	\$4,012,369	\$5,285,892	\$47,911,286	\$47,911,286
12 NET UNBILLED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13 COMPANY USE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
THERMALS SALES REVENUES	\$3,576,940	\$3,908,359	\$4,383,033	\$4,303,973	\$3,612,193	\$3,452,943	\$3,467,112	\$3,374,646	\$3,551,446	\$3,595,603	\$3,673,935	\$4,934,745	\$45,834,928	\$45,834,928
15 COMMODITY (Pipeline)	\$0	\$1,017,778	\$1,144,322	\$1,146,144	\$1,144,633	\$1,143,332	\$1,143,000	\$1,143,000	\$1,143,000	\$1,143,000	\$1,143,000	\$1,143,000	\$1,187,879	\$1,187,879
16 NO NOTICE RESERVATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 SWING SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 COMMODITY (Other)	4,299,850	3,643,982	3,590,350	3,505,300	2,689,980	3,291,900	3,000,244	2,928,546	3,074,027	3,114,459	3,180,991	4,275,662	40,593,191	40,593,191
19 DEMAND	16,785,880	15,702,920	16,785,880	10,769,100	10,693,980	10,597,400	9,193,980	9,193,980	8,997,400	10,035,320	16,244,400	16,785,880	151,486,120	151,486,120
20 OTHER	-	44,068	32,803	46,927	38,017	37,280	35,100	27,900	35,100	33,300	35,300	43,800	409,595	409,595
LESS END-USE CONTRACT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21 COMMODITY (Pipeline)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22 DEMAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24 TOTAL PURCHASES (+17+18+20)-(21+23)	4,299,850	3,688,050	3,623,153	3,552,227	2,727,997	3,329,180	3,035,344	2,954,446	3,109,127	3,147,759	3,216,291	4,319,362	41,002,786	41,002,786
25 NET UNBILLED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26 COMPANY USE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27 TOTAL THERMALS SALES	3,903,126	3,840,087	3,830,258	3,756,204	3,156,774	3,020,109	3,033,344	2,952,446	3,107,127	3,145,759	3,214,291	4,317,562	41,274,887	41,274,887
CENTS PER THERM														
28 COMMODITY (Pipeline)	(1/15)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00269	0.00269
29 NO NOTICE RESERVATION	(2/16)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
30 SWING SERVICE	(3/17)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
31 COMMODITY (Other)	(4/18)	0.75210	0.84330	0.92521	1.02135	1.25626	0.80673	0.80673	1.36008	0.93238	0.93166	0.94102	1.00900	0.96684
32 DEMAND	(5/19)	0.05109	0.05109	0.05109	0.05624	0.04735	0.04710	0.05525	0.05537	0.05402	0.05285	0.05278	0.05226	0.05226
33 OTHER	(6/20)	0.00000	1.36879	1.15904	1.26854	1.26854	2.83156	1.32337	1.33168	1.34102	1.37059	1.40900	1.55421	1.55421
LESS END-USE CONTRACT														
34 COMMODITY Pipeline	(7/21)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
35 DEMAND	(8/22)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	(9/23)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37 TOTAL COST	(11/24)	0.95728	1.06718	1.16401	1.19512	1.45177	0.97650	1.53765	1.10024	1.12307	1.24751	1.22277	1.18489	1.18489
38 NET UNBILLED	(12/25)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
39 COMPANY USE	(13/26)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
40 TOTAL THERM SALES	(11/27)	1.05458	1.02433	1.10107	1.13032	1.25498	1.07644	1.53967	1.10065	1.12378	1.24829	1.22433	1.16079	1.16079
41 TRUE-UP	(E-2)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)	(0.0165)
42 TOTAL COST OF GAS	(40+41)	1.04293	1.01268	1.08942	1.11887	1.08479	1.06479	1.52702	1.08376	1.11213	1.23664	1.21268	1.14914	1.14914
43 REVENUE TAX FACTOR		1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44 PGA FACTOR ADJUSTED FOR TAXES		1.04818	1.01838	1.09490	1.12460	1.24958	1.07015	1.53470	1.09478	1.11772	1.24286	1.21978	1.15482	1.15482
45 PGA FACTOR ROUNDED TO NEAREST .001		1.048	1.018	1.095	1.125	1.250	1.070	1.535	1.095	1.118	1.243	1.219	1.155	1.155

COMPANY: FLORIDA CITY GAS

CALCULATION OF TRUE-UP AMOUNT

Staff Data Request No. 1

Schedule E-2
Hypothetical NYMEX Decline, Aug. - Dec.

FOR THE CURRENT PERIOD:

JANUARY 08

Through

DECEMBER 08

	ACT												PERIOD			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC				
TRUE-UP CALCULATION																
1 PURCHASED GAS COST	\$3,258,635	\$3,133,274	\$3,359,855	\$3,839,659	\$3,451,811	\$2,761,220	\$4,142,351	\$2,728,236	\$2,910,751	\$2,975,424	\$3,135,852	\$4,375,756	\$39,883,834			
2 TRANSPORTATION COST	\$857,515	\$992,522	\$957,515	\$605,671	\$508,609	\$689,720	\$524,954	\$524,501	\$510,049	\$559,724	\$576,517	\$910,136	\$8,027,552			
3 TOTAL COST	\$4,116,150	\$3,998,906	\$4,217,370	\$4,245,330	\$3,960,420	\$3,250,959	\$4,667,305	\$3,253,737	\$3,420,800	\$3,535,148	\$3,712,369	\$5,285,892	\$47,911,286			
4 FUEL REVENUES (Net of Revenue Tax)	\$3,576,940	\$3,908,359	\$4,383,033	\$4,303,973	\$3,612,193	\$3,452,943	\$3,467,112	\$3,374,646	\$3,551,446	\$3,595,603	\$3,673,935	\$4,994,745	\$45,834,928			
4a Underrecovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
4b ADJUSTED NET FUEL REVENUES -	\$3,576,940	\$3,908,359	\$4,383,033	\$4,303,973	\$3,612,193	\$3,452,943	\$3,467,112	\$3,374,646	\$3,551,446	\$3,595,603	\$3,673,935	\$4,994,745	\$45,834,928			
5 TRUE-UP (COLLECTED) OR REFUNDED	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$41,585	\$499,004			
6 FUEL REVENUE APPLICABLE TO PERIOD	\$3,618,509	\$3,949,944	\$4,424,618	\$4,345,558	\$3,653,778	\$3,494,528	\$3,508,697	\$3,416,231	\$3,593,031	\$3,637,188	\$3,715,520	\$4,976,330	\$46,333,932			
(LINE 4 (+ or -) LINE 5)																
7 TRUE-UP PROVISION - THIS PERIOD	(\$497,641)	\$14,138	\$207,248	\$100,228	(\$306,642)	\$243,589	(\$1,158,609)	\$152,494	\$172,231	\$102,040	(\$298,849)	(\$309,562)	(\$1,577,354)			
(LINE 6 - LINE 3)																
8 INTEREST PROVISION-THIS PERIOD (21)	\$3,040	\$1,714	\$1,759	\$1,948	\$2,491	\$3,009	\$2,072	\$905	\$1,153	\$1,351	\$1,070	\$369	\$20,821			
8a ADJUST PRIOR MONTHS' INTEREST																
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$1,219,460	\$683,290	\$657,557	\$824,979	\$885,573	\$1,381,390	\$1,586,383	\$388,202	\$500,016	\$631,815	\$693,621	\$356,257	\$1,219,460			
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$41,585)	(\$499,004)			
10a ADJUSTMENTS (if applicable)	\$0	\$0	\$0	\$0	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3			
10b OSS 50% MARGIN SHARING	\$0	\$0	\$0	\$0	\$841,553	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$841,553			
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9-10+10a+10b)	\$693,290	\$657,557	\$824,979	\$885,570	\$1,381,390	\$1,586,383	\$388,202	\$500,016	\$631,815	\$693,621	\$356,257	\$5,479	\$5,479			
INTEREST PROVISION																
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	\$1,219,460	\$683,290	\$657,557	\$824,979	\$885,573	\$1,381,390	\$1,586,383	\$388,202	\$500,016	\$631,815	\$693,621	\$356,257	\$1,219,460			
13 ENDING TRUE-UP BEFORE INTEREST (12+10b+7-5)	\$680,250	\$655,843	\$823,220	\$885,622	\$1,378,899	\$1,583,374	\$386,190	\$499,111	\$630,662	\$692,270	\$355,167	\$5,110	\$5,110			
14 TOTAL (12+13)	\$1,899,710	\$1,339,133	\$1,480,776	\$1,708,600	\$2,264,472	\$2,964,764	\$1,972,573	\$887,313	\$1,130,678	\$1,324,085	\$1,048,808	\$3,611,367	\$6,324,570			
15 AVERAGE (50% OF 14)	\$949,855	\$669,567	\$740,388	\$854,301	\$1,132,236	\$1,482,382	\$986,287	\$443,657	\$565,339	\$662,043	\$524,404	\$180,684	\$3,162,285			
16 INTEREST RATE - FIRST DAY OF MONTH	0.04600	0.03080	0.03090	0.02830	0.02840	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450			
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.03080	0.03090	0.02830	0.02840	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450			
18 TOTAL (16+17)	0.07680	0.06170	0.05720	0.05470	0.05270	0.04880	0.04900	0.04900	0.04900	0.04900	0.04900	0.04900	0.04900			
19 AVERAGE (60% OF 18)	0.03840	0.03685	0.02860	0.02735	0.02635	0.02440	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450			
20 MONTHLY AVERAGE (19/12 Months)	0.00320	0.00257	0.00238	0.00228	0.00220	0.00203	0.00204	0.00204	0.00204	0.00204	0.00204	0.00204	0.00204			
21 INTEREST PROVISION (15x20)	3,040	1,714	1,759	1,948	2,491	3,009	2,072	905	1,153	1,351	1,070	369	20,821			

COMPANY: FLORIDA CITY GAS
 FPSC STAFF REQUEST NO. 2

COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE SCHEDULE A-1
 OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR
 FOR THE PERIOD OF: JANUARY THRU JUNE 2008

	PERIOD TO DATE		DIFFERENCE	
	ACTUAL	ORG. EST.	AMOUNT	%
COST OF GAS PURCHASED				
1 TOTAL COST	23,726,135	25,251,363	1,525,228	6.04
2 TOTAL THERM SALES	23,237,441	24,602,930	1,365,489	5.55
THERMS PURCHASED				
3 TOTAL PURCHASES	20,372,183	23,070,340	2,698,157	11.70
4 TOTAL THERM SALES	21,504,558	23,058,340	1,553,782	6.74
CENTS PER THERM				
5 TOTAL COST	1.16463	1.09454	(0.07009)	(6.40)
6 TOTAL THERM SALES	1.10331	1.09511	(0.00820)	(0.75)
7 TRUE-UP	(0.01165)	(0.01165)	-	-
8 TOTAL COST OF GAS	1.09166	1.08346	(0.00820)	(0.76)
9 REVENUE TAX FACTOR	1.00503	1.00503	-	-
10 PGA FACTOR ADJUSTED FOR TAXES	1.09715	1.08891	(0.00824)	(0.76)
11 PGA FACTOR ROUNDED TO NEAREST .001	1.097	1.089	(0.008)	(0.73)