



CITY GAS COMPANY OF FLORIDA

An *NUI* Company

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December 31, 1996

Ms. Blanca S. Bayo, Director
Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0868

GU-602

Re: ~~Docket No. 960002-EG~~ **970002-EG** -- City Gas Company of Florida
Conservation Audit Report - Period Ended September 30, 1996
Audit control #96-149-4-1

Dear Ms. Bayo:

Enclosed for filing in Docket 960002-EG, please find the original and sixteen copies of City Gas Company of Florida's response to Commission Staff's Conservation Audit Report for the period ended September 30, 1996.

Sincerely,

CITY GAS COMPANY OF FLORIDA

Michael A. Palecki

Michael A. Palecki
Vice President of Regulatory Affairs

- ACK _____
- AFA** _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG **3** _____
- LEG **1** _____
- LIN **3** _____
- OPC _____
- ROU _____
- SEP **1** _____
- WIS _____
- OTH _____

MAP/bd
Enclosures

DOCUMENT NUMBER-DATE
00083 JAN-26
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

970002-EG

In Re: Conservation Cost Recovery)
Clause)
_____)

Docket No ~~970002-EG~~
Filed: December 31, 1996

CITY GAS COMPANY OF FLORIDA'S RESPONSE
TO CONSERVATION AUDIT REPORT FOR THE
PERIOD ENDED SEPTEMBER 30, 1996

City Gas Company of Florida ("City Gas" or "the Company") hereby files its response to Commission Staff's Conservation Audit Report for the period ended September 30, 1996, and states:

Audit Exception No. 1 (True-Up and Interest)

We concur with the audit opinion and we are adjusting our books accordingly, so as to reflect the actual end-of-period true-up amount, including interest, as of September 30, 1996 as an overrecovery of \$448,874.

Audit Exception No. 2 (Advertising)

We disagree with the audit opinion. These oven mitts and aprons are integral to promote our Energy Conservation Schools Program. Although the \$3,148 expense of these mitts and aprons was inadvertently coded to our Single Family Builder program as advertising expense, they are, in fact, materials and supplies used within classrooms at the Middle School, Junior High and High School level to promote the use of natural gas and reinforce conservation lessons taught by our Home Economist. They are not for distribution outside of that program and are to be retained in the classrooms where they are used by the students as a reminder all year long of the class day devoted to conservation. Photocopies of the mitts and aprons are attached. We believe the cost of these mitts and aprons should be included in allowable program expenses, albeit they should be reclassified as an expense of the Schools Program.

DOCUMENT NUMBER-DATE

00033 JAN-25

FPSC-REG/REP/REPORTING

Audit Exception No. 3 (Payroll)

We disagree with the audit opinion. There is no "duplication of charges," as the audit staff is comparing the Company's projection for program year 1997 with its actual costs for program year 1996. The Company is entitled to recover its actual costs for the 1996 true-up period. The audit opinion does not dispute the level of costs actually incurred in program year 1996.

1997 projected labor cost for energy conservation programs are expected to be lower than the cost actually incurred in program year 1996. It is City Gas' plan to increase its sales force efforts toward commercial market activities, in which City Gas does not currently have any approved conservation programs. The fact that the rate case projections for fiscal 1997 recognized that plan does not in any way contradict that 1996 actual costs for conservation programs are proper to include in the 1996 true-up.

Similarly, actual employee benefit costs and transportation expenses associated with 1996 conservation program efforts are properly included in the 1996 true-up, without regard to whether lower cost or higher cost might be incurred in program year 1997.

Audit Disclosure No. 1 (Revenues)

The Company's change in accounting for ECP Revenues beginning in January 1996 was responsive to a directive by FPSC AFAD to conform the accounting by all of the regulated natural gas companies in Florida. We will consider ways to provide a clearer reconciliation while continuing to conform with the FPSC AFAD directive.

Audit Disclosure No. 2 (Commercial Transportation)

As noted, the Company has been billing its firm transportation service customers (CTS) consistently and these billings are appropriately recorded in the true-up schedules. The Company's tariffs as updated effective November 28, 1996 clarify this billing requirement.

Audit Disclosure No. 3 (Advertising Expenses)

This \$125 charge is an entry fee for a chamber of commerce exposition to permit the Company to set up and display a booth promoting its Energy Conservation Electric Replacement Program in the City of Vero Beach. The exposition was held on a Friday evening outside on a downtown street, with local bands and food stands that drew a cross section of the population to visit other booths such as our own. Company spokespersons used this opportunity to explain the Electric Replacement Program to interested homeowners that may take advantage of its incentives. Payment of the entry fee was necessary to gain booth space and, accordingly, is an allowable cost of the conservation program.

CONSERVE ENERGY

With Natural Gas



CITY GAS CO. OF FLORIDA

Owen MITT

Natural Gas

THE NATURAL CHOICE



City Gas Company of Florida

Approved