



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** NOVEMBER 5, 1998

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MAUREY, SAMAAN) *so*  
 DIVISION OF ELECTRIC AND GAS (MILLS) *DRIVE*  
 DIVISION OF LEGAL SERVICES (JAYE) *RT*

**RE:** DOCKET NO. 981378-GU - APPLICATION BY CITY GAS COMPANY OF FLORIDA FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING THE TWELVE MONTHS ENDING SEPTEMBER 30, 1999.

**AGENDA:** 11/17/98 - REGULAR AGENDA - FINAL AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\AFA\WP\981378.RCM

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**CASE BACKGROUND**

City Gas Company of Florida (City Gas or Company), a division of NUI Corporation (NUI), filed an application on October 21, 1998, seeking Commission approval for NUI to issue and sell securities for the twelve month period ending September 30, 1999. The Company's last authority to issue securities, approved in Order No. PSC-97-1537-FOF-GU issued December 8, 1997, in Docket No. 971389-GU, expired on September 30, 1998. The Company does not currently have authority from the Commission to issue securities. In Docket No. 971389-GU, the Company filed an application to seek approval for authority for NUI to issue securities for the twelve month period ending September 30, 1998 on October 17, 1997. This is the second year in a row the Company has allowed its authority to issue securities to lapse.

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In addition to the applications filed in Docket Nos. 981378-GU and 971389-GU not being filed in a timely manner, the Company's application in Docket No. 960547-GU had to be brought before the Commission on three occasions due to Company requested changes, modifications, and extensions. The final time, approved in Order No. PSC-97-0822-FOF-GU issued July 8, 1998, had to be brought before a Special Agenda Conference to allow the Company to extend its authority an additional three months to take advantage of a refinancing opportunity.

Applications for authority to issue and sell securities are generally handled once a year as consent items at regular Agenda Conferences. Staff is concerned that the number of revisions and the lapses in the authority for City Gas and NUI to issue securities could result in the Company missing windows of opportunity to take advantage of favorable changes in market conditions.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should City Gas Company of Florida's application for authority for NUI Corporation to issue and sell securities be granted?

**RECOMMENDATION:** Yes, the application for authority to issue and sell securities for the period ending September 30, 1999, should be granted. (MAUREY, SAMAN)

**STAFF ANALYSIS:** City Gas Company of Florida (City Gas or Company), a division of NUI Corporation (NUI), filed an application on October 21, 1998, seeking Commission approval for NUI to issue and sell securities for the twelve month period ending September 30, 1999. In its application, City Gas requests authority for NUI to issue short-term notes in an amount up to \$110,000 and issue long-term notes in an amount up to \$40,000,000. However, in a letter dated October 28, 1998, signed by Daniel D. Richardson on behalf of the Company, Mr. Richardson noted that the amount of short-term indebtedness to be issued by NUI as shown in the application was in error. Rather than \$110,000 of short-term debt, NUI seeks authority to issue \$110,000,000 of short-term debt. With his letter, Mr. Richardson provided corrected pages which were substituted for the existing pages in the Company's application.

The stated purpose for the short-term debt for which NUI seeks authority would be to finance portions of NUI's construction programs and to refinance existing securities depending upon prevailing market conditions. The stated purpose for the long-term debt for which NUI seeks authority would be to finance portions of NUI's construction programs outside the State of Florida and proceeds would not be used within the State of Florida. The Company further represents that "the purposes for which NUI seeks authority to issue the described securities are consistent with and will not impair the proper performance by City Gas as a public utility."

NUI is rated BBB by Standard & Poor's (S&P). Staff's preliminary analysis of NUI's financial condition for the twelve months ended March 31, 1998, indicates that its equity ratio of 46.2% is above the mean and median for A rated gas distribution companies (LDCs) followed by S&P but its pre-tax interest coverage ratio of 2.1x is below the mean and median for this measure for BBB rated LDCs. Based upon this preliminary analysis, the issuance and sale of the above described securities should not impair the ability of City Gas to perform the services of a public utility.

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Commission approval of the proposed issuance of securities by City Gas does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by the Commission within the context of a rate proceeding. It is recommended that the subject financing be approved subject to the Commission's retention of the right to disallow any of the costs incurred for ratemaking purposes.

Based upon these representations, staff recommends City Gas's application for authority for NUI to issue and sell securities become effective the day of the scheduled Agenda Conference resulting in an effective period of November 17, 1998 through September 30, 1999.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** No. Pursuant to Rule 25-8.009, Florida Administrative Code, this docket must remain open for monitoring until January 15, 2000. (JAYE)

**STAFF ANALYSIS:** Pursuant to Rule 25-8.009, Florida Administrative Code, this docket should remain open until January 15, 2000. This will allow staff to monitor this docket for the authorized period ending September 30, 1999, the additional 90 days required by the rule to allow the Company to file its consummation report with the Commission, and a final two week period for staff to review the consummation report.