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TIMOTHY DEVLIN, DIRECTOR  
AUDITING & FINANCIAL ANALYSIS  
(850) 413-6480

# Public Service Commission

May 3, 1999

Mr. Thomas P. Keating  
Assistant Controller, NUI Corporation  
One Elizabethtown Plaza  
P.O. Box 3175  
Union, New Jersey 07083-1975

Re: Docket No. 990229-GU

Dear Mr. Keating:

Staff is in the process of reviewing City Gas's first in-house depreciation study filed in the above referenced docket. As a result, we have some questions regarding your submitted data which are covered on the attached.

Please provide your responses by June 21, 1999. If there are any questions, please contact Lucy Swain at (850) 413-6742 or myself at (850) 413-6453.

Sincerely,

Patricia S. Lee  
Utility Systems Engineer Supervisor

### Attachment

- cc: Ms. Gloria Lopez, City Gas Company of Florida
- Office of Public Counsel
- Division of Auditing and Financial Analysis (Swain)
- Division of Electric and Gas (Mills)
- Division of Legal Services (Paugh)
- Division of Records & Reporting

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
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- RRR \_\_\_\_\_
- SEC \_\_\_\_\_
- WAW \_\_\_\_\_
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DOCUMENT NUMBER - DATE

05684 MAY -5 99

FPSC-RECORDS/REPORTING

**City Gas Company of Florida**  
**A Division of NUI Corporation**  
**INITIAL REVIEW**  
**DOCKET NO. 990229-GU**

1. How were the purchases of the various facilities listed in your study on page 1 incorporated into City Gas Company's natural gas distribution system?
2. In aging the surviving assets by vintage year, you state on page 2 that certain assumptions were used where historical data was not available.
  - a. What accounts was historical data not available?
  - b. Please explain what assumptions and estimates of costs were used to age assets when historical data was not available.
3. Structures and Improvements - Account 375
  - a. Are any of the assets in this account currently being leased? If so, what is the status of the lease(s)?
  - b. Please provide a location list of your distribution buildings showing the location, in-service date, and January 1, 1999 investment for each.
  - c. In year 1996, there is an addition of \$2,061 shown in your historical data and not on the annual status report. Please explain. Furthermore, the ending balance shown in your historical data does not match that shown on the annual status report. Please reconcile.
  - d. In 1997, plant activity consisting of additions of \$8,081 and retirements of \$692,342 are shown on the annual status report but not in your historical data. Moreover, the end of year balance shown in the historical data does match that shown on the annual status report. Please explain.
  - e. The historical data for 1997 indicates retirements of \$554,993 and negative adjustments and transfers of \$137,349. Please explain why none of this activity is shown on the annual status report.
4. Mains-Other than Plastic - Account 376
  - a. Please provide the revised ten year program for the replacement of galvanized mains. If this is not currently available, please summarize the current status and completion schedules.

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Initial Review

- b. Are any other major replacement or upgrading projects in process or in the planning stage for this account or other accounts over the next five years? If so, please provide the January 1, 1999 investment associated with any projected retirements.
- c. Does the company have any plans for replacing the remaining steel mains? If so, please provide.
- d. Typically, mains are abandoned in place. As such, one would expect very little, if any, gross salvage to be realized. For this reason, we are curious as to the nature and cause of the 1994 gross salvage. Please provide any information that will help explain this anomaly.

5. Mains - Account 376 & 376.1

Please answer the following questions for plastic and non-plastic mains.

- a. What portion of your investment is under payment and not under payment?
- b. Typically, what are the man-hours, loaded hourly labor rate, and cost of materials associated with the abandonment of a main under payment? Also, provide this information for a typical abandonment not under payment.
- c. What is the length of your average retired main?

6. Services - Other than Plastic - Account 380

- a. Is there a formal replacement program ongoing similar to Account 376? If so, please provide a status update on the retirement of galvanized iron services. How much is remaining to be retired and over what period of time?

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7. Services - Accounts 380 and 380.1

Please answer the following questions for plastic and non-plastic services.

- a. What portion of your investment is under pavement and not under pavement?
- b. Typically, what are the man-hours, loaded hourly rate, and cost of materials associated with the abandonment of a service under pavement? Also, provide the information for abandonment of a service not under pavement.
- c. How many services in each category are associated with the January 1, 1999 investments?

8. Meter Installations - Account 382

- a. What types of activities are included in the removal costs of meter installations?

9. House Regulators Installations- Account 384

- a. What types of activities are included in the removal costs of regulator installations?
- b. Please provide a percentage breakdown of the 1998 costs of removal by material, labor, overhead, etc.

GENERAL PLANT

The historical data for the majority of the general plant accounts show significant adjustments and transfers in years 1995 and 1998. Please explain.

10. Structures and Improvements - Account 390

- a. Please provide a breakdown of all of your buildings in this account by location, in-service date, and January 1, 1999 investment. Please include whether the building is owned or leased.

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11. Office Equipment - Account 391.1

- a. Do the additions made in the last five years represent modular furniture?
- b. Do you have any plans of replacing any office equipment in the next five years? If so, please provide the associated January 1, 1999 dollars to be retired and the year of expected retirement.

12. Office Machines & Equipment - Account 391.2

- a. When was the last time an inventory was performed on this account?
- b. Are there any plans to retire any of this equipment in next five years? If so, please provide the associated January 1, 1999 dollars to be retired and the year of expected retirement.

13. Computers - Embedded - Account 391.3

- a. By staff's calculations, the 1993 historical data indicates a year-end plant balance of \$320,967 rather than \$419,399.35 as shown in your study. Please reconcile.
- b. The 1992, 1996, and 1998 vintages indicate January 1, 1999 survivors greater than original vintage placements. Please reconcile.
- c. Do you have any plans for the retirement of computer equipment during the next five years? If so, please provide the associated dollars to be retired and the year of planned retirement.

14. Transportation - Combined - Account 392

- a. Please provide a list of all company vehicles in service as of January 1, 1999 showing the corresponding investment and the in-service date of each. Please indicate if the vehicle is owned by the company or is being leased. Also, please provide a typical vehicle lease agreement.
- b. What is the company policy regarding replacement (age, mileage, etc.) of its vehicles?

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- c. Does any transportation equipment weigh more than one ton? If so, provide the January 1, 1999 investment and in-service date.
  - d. In reviewing the age distribution for this account, we notice that the 1994 and 1996 vintage survivors are greater than the originally placed vintage additions. Please explain.
  - e. What portion of this account is associated with compressed natural gas cylinders and other conversion equipment?
15. Stores Equipment - Account 393
- a. Recognizing that 40% of the investment is over 25 years old, when was the last time a physical inventory was performed on this account?
16. Small Tools - Account 394
- a. Recognizing that about 34% of the account's January 1, 1999 surviving investment is over 16 years old, when was the last time a physical inventory was performed on this account?
  - b. In 1998, what is the nature of the unusually large retirement of \$193,009.81?
17. Laboratory Equipment - Account 395
- a. A review of the age distribution indicates that 30% of the account's investment is over 20 years old. For this reason, when was the last time a physical inventory was performed on this account?
18. Communication Equipment - Account 397
- a. Please provide a breakdown of the 1/1/99 investment included in this account by type of equipment (radios, base station, fiber cable, cellular, PBX, etc.).
  - b. Does the company plan any major upgrades to its existing communication equipment in the next five years?

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- c. Does the company own any fiber communication equipment, if so what types?
- d. The additions in 1998 totaled \$407,963, please explain their nature?

19. Miscellaneous Equipment - Account 398

- a. What are the company's plans for retiring any of this equipment in next five years?
- b. In the average age calculation, we notice that the sum of the weighted ages is divided by \$35,012.68 rather than the total account survivors of \$92,942,82. Staff calculates the average age of this account to be 5.4 years.