

STATE OF FLORIDA

Commissioners:
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DIVISION OF RECORDS & REPORTING
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Public Service Commission

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

DATE: May 23, 2000

TO: _____ DIVISION OF APPEALS
_____ DIVISION OF COMPETITIVE SERVICES
xx _____ DIVISION OF ECONOMIC REGULATION
_____ DIVISION OF LEGAL SERVICES
_____ DIVISION OF POLICY ANALYSIS & RESEARCH
_____ DIVISION OF REGULATORY OVERSIGHT
_____ DIVISION OF SAFETY & ELECTRIC RELIABILITY

DECLASSIFIED 2-23-02

FROM: DIVISION OF RECORDS AND REPORTING (Lockard)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO: 06166-00
DESCRIPTION: Information in connection with Surveillance Audit No.
000-134-1

SOURCE: City Gas Company of Florida

DOCKET NO: 000616-GU

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

- _____ The document(s) is (are), in fact, what the utility asserts it (them) to be.
- _____ The utility has provided enough details to perform a reasoned analysis of its request.
- _____ The material has been received incident to an inquiry.

Doc. #06166-00

CONFIDENTIAL

000616 - GU

DECLASSIFIED

2-23-02

CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 1

x-ref DNA

05471-00 + 05472-00

DOCUMENT NUMBER-DATE

06166 MAY 188

FPSC-RECORDS/REPORTING

AUDIT DISCLOSURE NO. 8

SUBJECT: INTERNAL AUDIT OF CONSTRUCTION ACTIVITIES

STATEMENT OF FACT: NUI has contracted with Arthur Anderson to perform internal audits. An audit of construction activities disclosed several areas of concern related to City Gas.

The bid award process for a Florida project had a bidder handwritten in on a bidders list without explanation. The company added had not been authorized as a bidder. This company's bid was attached to another contract which received the award.

A second Florida project did not contain a justification as to why the contract was not awarded to the lowest bidder. Muller Distribution Contractors, Inc. bid \$84,000 more than the lowest bidder but were awarded the contract.

Southeast Corrosion Corp. And Muller Distribution Contractors, Inc. invoices included charges for sub-contracted services and materials without supporting documentation.

A Muller Distribution Contractors, Inc. invoice was manually increased by City Gas personnel for subsequent price adjustments instead of having Muller cancel and reissue a new invoice.

One invoice submitted by Muller for \$21,000 was billed and paid based on a copy instead of an original invoice.

A blank work order that was not authorized by a City Gas engineer was filled in by the contractor and attached to the invoice.

The projects performed for the replacement program mandated by the Florida Public Service Commission, utilizes work orders that are re-used and attached to invoices that are submitted for payment. The company does not include an original estimate of the work to be performed by the contractor.

Projects are not field inspected by the Project Engineers 60% of the time. Changes to work orders are only noted by the Project Engineer on the actual invoices as opposed to verifying the changes in the field and approving the work order.

At City Gas, the warehousing function is performed by Muller and no physical inventories are performed by City Gas. There were approximately \$100,000 in discrepancies when Arthur Anderson took physical inventories.

OPINION: All of the above internal control problems could have caused City Gas to pay more than necessary for plant additions causing Rate Base to be overstated.

CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 8

COMPANY: CITY GAS CO
TITLE: NOTES FROM BOARD OF DIRECTORS MINUTES
PERIOD: TYE 9/30/99
DATE: MARCH 22, 2000
AUDITOR: RKY

WP NO.

8

November 23, 1998
Audit Committee Meeting
NUI Corporation

The Committee financial results for fiscal year 1998 were reviewed along with a draft of the company's 10K for fiscal 1998. It was noted that there was substantial difference between the 10K for 1997 and the 10K for 1998. There was a lengthy and detailed disclosure on the Company's Year 2000 risk mitigation plan. No details were provided in the minutes.

It was reported that an unqualified opinion was issued by Arthur Anderson for the FYE 1998.

Also there was a status report on the 1998 Internal Audit Plan. No details noted.

An overview was given of the Year 2000 Risk Mitigation Plan. The board determined that there should be regular updates of the plan to the Board.

The Committee resolved to appoint Arthur Andersen as independent auditors for FYE 1999.

November 24, 1998
Investment Committee Meeting
NUI Corporation

A proposal was made to increase the pensions for former retired employees by 1% for every year they have retired, with a minimum of \$50 and not for early retirement employees prior to 97. The Investment Committee said they would propose this to the BOD.

The Committee was concerned about the Fox Asset Management's recent performance and interviewed four replacements. Each group made a 45 minute presentation. The four were Donald Smith & Co, Inc.; Osprey Partners, Investment Management; American Re Asset Management, and Dreman Value Management. The Committee's consensus was to negotiate an investment advisory agreement with Dreman Value Management.

November 24, 1998
Board of Directors
NUI Corporation

Executive Session. Salary recommendations were reviewed. The recommendations were based on data from Towers Perrin on total compensation at the officer level to establish ranges for salaries, cash incentive and stock incentives. It was noted that cash incentives are determined based on two

criteria: Performance of the Company and performance of the individual. As the company did not reach its financial goals or FYE 98, the committee recommended that the officers not receive cash incentives for this. However, they recommended incentives for individual performance.

Discussion of the stock options ensued. It was resolved that Change in Control Agreements currently in effect for certain employees be extended to December 31, 2001.

Discussion of the 401K plan ensued. It was resolved that the rate of employer contributions be the same for Calendar year 99 and for 98.

A salary increase was recommended for Mar. Kean and approved.

The Board was apprised of the proposed long-term incentive plan for key employees of TIC Enterprises. No resolution.

There was discussion and update of the Y2K issue.

In the year end report from Arthur Anderson there were no matters of concern to bring to the attention of the board and it was resolved that Arthur Anderson would be the independent accountants for the next fiscal year.

John Kean, Jr. reported on his trip to Moscow to discuss with Gazprom a possible business relationship. A letter of intent had been entered into to explore several business opportunities.

The status of the Company's partnership with Energy Partners was discussed.

January 26, 1999

Organization Board of Directors Meeting

NUI Corporation

Elected John Kean as Chairman of the Board of NUI Corp.

Executive Committee- Resolved that the Board may designate 5 or ore Directors to be on the Executive Committee and designated, John Kean, Chairman, James J. Forese, John Kean, Jr., R. Van Whisnand, and John Winthrop.

Audit Committee - Resolved to appoint an audit committee. James J. Forese, Chairman, J. Russell Hawkins, Bernard S. Lee, John Winthrop, and John Kean, Jr., Ex. Officio.

Investment Committee - Resolved that the Board appoint an investment Committee. John Kean, Vera King Arris, R. Van Whisnand, John Winthrop, Chairman, John Kean, Jr., Ex. Officio.

Compensation Committee- Resolved to appoint a compensation committee. R. Van Whisnand, Chairman, Vera King Farris, James J. Forese, J. Russell Hawkins, Bernard S. Lee, John Kean, Jr., Ex. Officio.

The level of compensation of the board members was resolved.

Non-employee directors shall be \$15,000. Committee chairs an additional annual of @,500 payable in shares of common stock. \$600 to each Board and Committee members for each meeting they attend.

The officers of NUI Corporation were appointed.

The Board appointed members of the following committees:

NUI Savings and Investment Plan Committee, Employee's Retirement Plan of NUI Corp Retirement Board, City Gas Company of Florida Pension Plan Adm Committee, Pa and Southern Gas Company Employees Pension Plan Retirement Committee, P&S Employees Savings Plan Committee, Elizabethtown Gas Advisory Board Appointments.

Also the Chairman of the Board of Elizabethtown Gas was appointed. (John Kean).

January 26, 1999

Board of Directors Meeting

NUI Corporation

It was reported that the company sold \$40 million in tax exempt bonds through the NJ. Economic Development Authority. Also, the company is being considered as a provider of dredged material remediation for the NY/NJ harbor. The company will be asked to demonstrate their technologies.

The company's affiliate TIC Enterprises was discussed.

A report on the distribution services business detailed the terms of settlement of the labor agreement following a 20 day strike, discussed the status of a union organization campaign taking place in the company's NJ call center. Also, he advised the Board that the company is considering extending a pipeline into citrus and sugar cane production areas in the State of Florida.

The Employees' Retirement Plan of NUI Corp was amended. A new section was added regarding early retirement.

There was a discussion of the progress being made by its partner Energy Partners.

The regular Y2K presentation was made.

February 24, 1999

Special Board of Directors Meeting

NUI Corporation

The meeting was called for three purposes: 1. The company's investment in TIC Enterprises, 2. The possibility of reforming the holding company structure, and 3. Proposal to restructure the current lease at One Elizabethtown Plaza location.

Discussion noted that the current owner of the building is a joint venture which includes a Kean

family trust that is why this was brought to the Board. The proposal would provide the company, among other things, a substantial reduction in annual rental expense. Did not say how much. Resolved to negotiate and execute a lease for 200,000 sq ft. For a term of up to 30 years per sq ft at a rate of \$16.00 in year one with up to 2.5% annual growth rate.

As TIC is not regulated, the discussion was not summarized.

However, staff should be aware the allocations of these costs could erroneously be charged to the utility.

Discussion of the company's structure was had. No action was requested at this time.

March 23, 1999

Board of Directors Meeting

NUI

Negotiating restructuring with TIC.

Possible acquisition of ^{UGI Gas Dist.} Unsource Worldwide

Working w/ CIBC Oppenheimer
on investment banking to free up funds

Discussed reforming a holding co. structure

3/23/99 Audit Committee - Controls are strong

3/23/99 Investment Comm. - changed meetings to once a year. Sent out proposals for managing 401 K.

5/18/99 BOD - Did not succeed in Bidding for UGI
Daniel Edwards - change-in-control agreement
42K - report.

Dividend of .245/share declared

7/27/99 BOD - Audit committee - problems with TIC
audit controls on rec. agency

Recommend acquisition of ITG - a telephone
airtime re-seller

7/27/99 Investment Comm. - Learning to Merrill Lynch for
401 K Mgmt.

7/27/99 audit - discussed TIC - audit exposure annual report

Board of Directors

1 9/21/99 - BOD - Recommended 4% raise
2 working on a deferred comp plan with (CRG)
3 Compensation Resource Group
4 Several changes in Contract Agreements
5 Reviewed T.R.
6 Reg. agreement on T.T.G. signed
7 Discussed 42K Liability change
8 Discussed Surrogate Floyd
9 42K report
10 Approved Capital Budget
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Board of Directors 1998

Nov 6, 1997 - Although meant to ~~proceed~~ proceed with the possible acquisition of the propane system in Port Stueico
Dividend .245 per share

Nov. 25, 1997 - Audit Committee

Quoted Risk Mgmt at NUI Energy Brokers
Discussed performance of T1 Century
AA y/E report.

Outsourced internal audit function to Arthur Andersen

Nov. 25, 1997 - New change in - Central agreements
for James Crowley & Richard Strick

Continue 40% cont. 60% NUI funds 50% other funds

Stock option plan increased by 350,000 to 600,000

Changed from 50000 per participant to 20% of total shares
for issuance under 1988

Salary increase for John Kean & Cash incentives approved
Letters of intent with Energy Partners providing
initial investment of \$1,000,000 for 5% ownership
possible \$mil for purpose of manufacturing &
Marketing the fuel cell product that uses gas to
generate electricity. For 5 we will get another 5%
+ 25% in a firm to market it
3 yr contract with Arthur Andersen for Internal
audit

Change custodian of inv funds from Chase Bank to Mellon
only check over \$10000 on Medical Disbursement requires

Manual signature of an officer. Reversed although
signature of Nancy Cooney

Jan 27, 1998 - Investment Committee - enhance pension benefits

Jan 27, 1998 - Organization - John Kean Chairman
Appointed people to Committees

Retainer to directors \$15000 in Stock

Committee Chair \$2500 per year in Stock

Jan 27, 1998 - Div. of .245

Sublease 60000 sq ft in head quarters \$20000 in 1998
20000 in 1999 & 20000 in 2000

Relocate others to lease on a 22,000 sq ft to manage
Capital costs of 1/2 mil - increased budget by \$3.9 mil
Increase funding of NUI Capital Corp.

March 23, 1998 - Audit Committee - New Risk software for
NUI Energy Brokers

March 24, 1998 - Investment Committee - Pension fund needs to shift
funds

1 March 24, 1998 - Discussed marketing co's automated
 2 mapping & facilities report capability in Brazil
 3 on investment opportunities Hungary & Russia
 4 Extended Job - Kears Consulting agreement
 5 Adopted New Trading & Risk Mgmt Policy Statement
 6 Negotiating with FPL for a pipeline from East to
 7 West for fueling an electric generating station
 8 T.E. bidding to sell overnight mail products to
 9 US Postal Service
 10 Increase stock award
 11 May 16, 1998 Investment Committee - Closed stock purchase
 12 Stock purchase plan - one to be purchased directly from
 13 the open market
 14 Reorg proposed - Create Chief ^{Operating} Officer - Revenue
 15 generating bus. - go here
 16 N.E.S. Divisions merged into distribution services unit
 17 Competitive bus separated
 18 Early retirement program reviewed & amended plan
 19 Have 3 yrs credit + ext'n \$600/mth
 20 July 28, 1998 - Investment Committee - If early ret. take lump
 21 sum - \$22 million - Transferred funds
 22 July 28, 1998 - Discussed new people left & # of modulated
 23 volatility in electric prices because of weather in Midwest
 24 caused default of some energy traders on contracts
 25 Risk mgmt. discussed
 26 Discussed Reorg
 27 Sept 22, 1998 - audit Committee. audit plan. 42K
 28 Sept 22, 1998 - Investment Committee
 29 Discussed transfer of liability for pension payments for early
 30 retirement to an insurance carrier
 31 Book a one time settlement gain in fiscal 1998.
 32 Sept 22, 1998 - New board position now?
 33 Russia Venture discussed, Potential acq. for T.E.
 34 Authorized to enter financing plan for \$70,000,000
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1 1997 Minutes - scanned only - no detail notes
2 possible takeover of West Fla Nat. Gas - price too high
3 TIC - is sales force for NUT energy - takeover
4 Redeemed 6.75% Gas Rev Bonds
5 " 6.625 " "
6 Pipeline to Homestead stalled
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8 Tuffo buy Norstar Energy - lost bid
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10 1996
11 Tried to buy Sycom Enterprises LP
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CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9

City Gas
External Audit Workpapers
Notes
9/30/99

| | |
|----|--|
| 1 | Assets Rec increase due to NOI Capital Sale |
| 2 | Environmental Cleanup increase due to Elizabethtown Gas Co |
| 3 | Tax Holders |
| 4 | |
| 5 | Rev Bond increase \$40,000,000 NJEDA Bonds |
| 6 | |
| 7 | Increase in Cap Lease - Re-class of lease |
| 8 | |
| 9 | only proposed entries related to NOI E B Inventory |
| 10 | A/R & A/P |
| 11 | |
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| 13 | City Gas Doubtful assets inc. 4950/yr |
| 14 | |
| 15 | based on 49% reserve factor & |
| 16 | 2.04% for off system sales |
| 17 | |
| 18 | |
| 19 | Prepaid Pension increase because of |
| 20 | Early Retirement Settlement Gain 7000 000 |
| 21 | Overfunding 5000 000 |
| 22 | Early Retire (Net) 1400 000 |
| 23 | |
| 24 | 13,400,000 |
| 25 | Other Cur. As Weather Perm - L&A R Stipulation |
| 26 | Order |
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CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9-3

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS
AUDIT CONTROL NO. 000-134-1
WORKPAPER NO. 9-4

GL 4/25/00

OBJECTIVES

To identify, evaluate and test internal controls with respect to the billing process to assess whether such controls are in place and operating effectively. The controls identified are:

CONTROL

Adequacy of meter reading process
Completeness, accuracy, and timeliness of
(a) the billing process for residential commercial, and transportation customers.
(b) the manual billing process for certain transportation customers.
(c) CSS system updating for new customers
Adequacy of oversight and control over customer account adjustments and
Controls over the data transfer between the ITRON meter reading systems and the Customer Service and Support CSS application, and
Controls over the data transfer of billings information from the CSS application to Peoplesoft.

A limited review of the supporting pervasive controls surrounding information technology utilized in the billing process was performed including:

Security administration policies and procedures over application and network user access (limited to the CSS application).
Application development and maintenance controls over the CSS application, and
Operations policies and procedures over physical security and data back-up and recovery procedures.

RESULTS:

The Accounting Department does not regularly perform a reconciliation of the accounts receivable subsidiary ledger to the General Ledger.

The review of the Hi-Low Report is not effective for Transportation Customers.

CSS application development and testing is conducted within the same library on the mainframe this creates a risk of untested code being transported to production.

User terminations are only formally communicated by Human Resources to the CSS Mainframe security administrator on a monthly basis. The security administrator must rely on department managers for prompt termination notification. As a result terminated employees may continue to have access to sensitive transactions and data for a period of one month subsequent to termination.

OBSERVATION

THE ACCOUNTS RECEIVABLE SUBSIDIARY LEDGER IS NOT REGULARLY RECONCILED TO THE GENERAL LEDGER.

In the prior year review, we observed that the accounting department had not regularly performed a reconciliation of the Northern and Southern's Division's Accounts Receivable Subsidiary General Ledger to the General Ledger. The last reconciliation of the Northern Division Subledger to General Ledger occurred more than 6 months ago. The last accounts receivable reconciliation of the Southern Division was September 1997.

RECOMMENDATION

The reconciliation of the accounts receivable subsidiary general ledger to the general ledger should be made at least on a quarterly basis to ensure that the respective ledger balance are in agreement.

Management response- a new Department was created within accounting to ensure the accuracy of the general ledger. Progress has been made and we anticipate having all of these reconciliations completed by 12/31/99 and prepared periodically going forward.

OBSERVATION

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OBSERVATION

REVIEW OF THE HI-LO REPORT IS NOT EFFECTIVE FOR TRANSPORTATION CUSTOMERS

There was a Transportation customer with three meters on one account had one broken meter that was registering zero consumption for nearly two years. There was consumption on this accounts that was not billed over this two year period. The problem was found when the customer alerted the Company about not being billed for their gas usage.

The broken meter was included in the Hi-Lo Report and should have been identified as a problem during the Hi-Lo review by the representative in the Transportation Department that reviews the Report.

Any meter that indicates zero consumption is flagged and included in the Report. Management of Customer Care indicated that due to probable oversight, this particular meter was not identified as being broken, therefore, a Service Technician was not dispatched to test the meter.

The responsibility for reviewing the Hi-Lo Report for Transportation customers is principally the responsibility of one person in the Transportation Department.

RECOMMENDATION

The responsibility for reviewing the Hi-Lo Report should be alternated between different representatives in the Department.

Each individual should be held accountable for the identification and resolution of items on the Report.

Management should assess the effectiveness of the Hi-Lo review process to ensure that items that appear on the Report are followed up and resolved on a timely manner.

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS
AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9-5

NUI CORPORATION
NATURAL GAS PROCUREMENT PROCEDURE PROCESS REVIEW

BUSINESS PROCESS RISK CONSULTING REPORT
SEPTEMBER 1999

OBJECTIVES:

Test internal controls related to the Natural Gas Procurement (NGP) process of NUI Corporation to ensure that the test controls are operating effectively.
The areas reviewed are:

Adequacy of the following controls:

natural gas procurement planning process
gas measurement and regulation process
accuracy of the Gas Control process;
invoice administration process for gas purchases

Identify, review and test key information technology internal controls within the NGP process to provide reasonable assurance such controls are operating effectively. Specific controls identified included:

Energy Management System (EMS) application controls over the accuracy and authorization of deal ticket entry and maintenance

EMS application input and processing controls over the linking of purchase deals to sales deals

EMS application controls over the accuracy and authorization of invoice entry and maintenance

EMS application input and processing controls over the linking of invoices to deals

Risk Works (RWS) application input controls over the entry of forward deal information; and

Controls over the accuracy and completeness of the data transfer of market rate information into the RWS application (used to calculate the forward position).

A limited review of the supporting pervasive controls surrounding the information technology utilized in the NGP process was

performed including:

Security administration policies and procedures over application and network user access (limited to EMS, RWS, and Windows NT).

Application development and maintenance controls over the EMS application; and

Operations policies and procedures over physical security and data back up and recovery.

Identify opportunities for improvement and make value added recommendations.

RESULTS

OBSERVATION:

Segregation of EMS Security Administration and Application Development.

1. The lead developer for EMS is also responsible for the security administration of this application. The application security administration function should be segregated from application development. Widely held access rights combined with the ability to perform application development and maintenance may result in inappropriate access to sensitive transactions, programs and data.

RECOMMENDATION:

The EMS security administration function be segregated from the EMS application maintenance and development function.

MANAGEMENT RESPONSE:

1. NUI is in the process of recruiting a Sr. Manager of Security, charged with overseeing the tactical and strategic aspects of access to and management of corporate information/assets. This includes security for data, software applications, hardware, telecommunications, and computer installation. Authorization and Access Control (ex. Granting only limited rights to each identified user as appropriate and ensuring that what is not authorized cannot be done) will be two of the items covered in

the enterprise security plan and implementation.

2. Procedures are already in place to ensure that when the EMS development manager adds or modifies security that all modifications are reviewed and approved by the NUI Energy Brokers' system administrator. The system administrator has access to security reporting and is able to monitor security permissions as necessary. NUI will document these procedures.

3. EMS is still undergoing a significant amount of development, and security administration updates are required with each new release. Energy Brokers' management feels that responsibility for security administration should remain with the EMS development manager until development is curtailed or completed. The EMS development manager and the Energy Management group work very closely together to analyze data that has been processed incorrectly. The Energy Management group monitors sensitive data in EMS very closely and if any of this data were changed inappropriately it would be noticed and investigated immediately. One EMS development slows down, it is our intention to move security administration away from application development.

4. In the event that a security breach does happen and data is corrupted, EMS is backed up every night and could be restored based on the prior day.

OBSERVATION:

SEGREGATION OF THE EMS APPLICATION DEVELOPMENT AND MAINTENANCE

2. Each member of the EMS application development team has access to move code between the development stage (test) and production environments. As a result of not having a restricted and formalized migration procedure, untested or unapproved executable code may be entered into production resulting in the corruption of "Live" data or a significant disruption to the business process.

RECOMMENDATION

1. We recommend access to move code between the three environments be restricted to only the development manager or a designated transport officer. Transports to production should only be performed after the development manager has reviewed the testing procedures and user testing sign off. Documentation of transport approvals should be filed to provide an audit trail.

2. The introduction of change management software for the EMS development environment would assist in this process. Change management software would provide assurance over version control and the migration path.

MANAGEMENT RESPONSE:

As discussed with the auditors, the development team uses Microsoft's Visual SourceSafe change management software. The development team manages all programs, stored procedures, icons, and documentation used in the EMS system through the software. Whenever a new release or version is created for production, the one developer responsible for creating the executable version of EMS stamps the software with the release and version number. The software allows viewing of code modifications between each version for monitoring by the development manager.

The development manager creates extensive documentation for each release of EMS. The system administrator and the development manager guide the businesspeople to use this documentation to perform extensive testing before implementation and jointly decide when the release is worthy of implementation to production.

After the EMS system is placed into production, when "bugs" are discovered the development team uses an existing Access database to log and monitor fixes to EMS. This software could be modified to include the release and version that put the fix into production.

NUI Energy Brokers management believes that the Stage (test) environment should remain under the developer's control. Since the fixes are managed with the Access database, this allows quick response while the business units are testing the system prior to implementation into production.

A formal system design methodology (SDM) will be developed and implemented for standardization throughout the NUI enterprise. This will include the steps involved in initiating a program change, authorizations required, test plan authorization and completion, and migration controls relating to moving program changes into production.

OBSERVATION:

INADEQUATE STAFFING OF THE GAS CONTROL FUNCTION

PH

3. During the review, it was noted that the Gas Control function is staffed with only one Controller during evening shifts. Due to the short staffing of the Gas Control Department, there are no contingency plans in place in the event of an emergency such as the sudden resignation, illness or death of a Gas Controller working alone during the evening shift.

There are at least two Gas Controllers on staff during the day shift.

RECOMMENDATION

Instead of hiring additional Gas Controllers for the evening shifts, management should develop a back-up plan that places at least one Gas Controller on call during every evening shift to be called in to work if and when needed.

MANAGEMENT RESPONSE

Management agrees with the recommendation. Management will formalize a currently existing (informal) policy to require the Gas Controller that is on the seven day off cycle to carry a pager and be on stand-by during this off cycle to be called in to work if needed.

OBSERVATION:

WINDOWS NT SECURITY ADMINISTRATION

4. There is no officially designated Windows NT security administrator. As a result administration procedures are not being performed for the Windows NT network, such as:

- Review of security violation attempts
- Periodic review of user accounts for validity
- Administration of Windows NT user access requests
- Documentation of directory security

RECOMMENDATION

NUI should designate an official Windows NT security administrator. This individual would be responsible for user account administration as well as the implementation of security policies within the Windows NT environment.
Regular Windows NT security monitoring procedures should be

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implemented.

MANAGEMENT RESPONSE

NUI is in the process of recruiting a Sr. Manager of Security, charged with overseeing the tactical and strategic aspects of access to and management of corporate information/assets. This includes security of data, software applications, hardware, telecommunications, and computer installation. Administration and Audit (ex. maintaining the identification, authentication and authorization records and learning about attempted and successful breaches of security) will be items covered in the enterprise security plan and implementation.

At the present time, minimum password length is set to 4 in order to coincide with PeopleSoft and RACF. This was implemented several years ago with the goal to facilitate a future move to Single Sign On (SSO) across the enterprise.

Originally, password uniqueness was set at a much higher level. However, this created an environment where users chose to write down their passwords on notes around their workstations. As a compromise, password uniqueness was reset to 5, a setting the operations staff believed was an acceptable compromise.

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9-6

EXECUTIVE SUMMARY

BUSINESS PROCESS RISK CONSULTING REPORT
CODE OF ETHICAL BUSINESS CONDUCT REVIEW
APRIL-MAY 1999

OBJECTIVES AND SCOPE

Review and evaluate the monitoring of compliance with the Code of Ethical Business Conduct. Identify opportunities for improvement and make value added recommendations.

RESULTS

OBSERVATION:

DISTRIBUTION OF THE DISCLOSURE FORMS IS NOT PERFORMED IN A CONFIDENTIAL MANNNER

Per Carol Sliker, Assistant Corporate Secretary, the disclosure reporting process is not conducted in a confidential manner. Distribution and collection of the Conflict of Interest disclosure forms is done by the respective department heads or supervisors as opposed to direct correspondence with the employee.

The potential breach of confidentiality that may occur in this process may hinder employees from disclosing information as it may be seen by their supervisors.

RECOMMENDATION

We recommend that the Conflict of Interest disclosure forms be mailed directly to the employee in a confidential manner and submitted by the employees directly to the Legal Department.

MANAGEMENT RESPONSE:

The Company agrees with the recommendation.

OBSERVATION:

DISCLOSURE FORMS DO NOT INDICATE A REQUIRED RETURN DATE

It was noted that the disclosure forms do not indicate a required return date. Without a required return date indicated, employees

may fail to return the forms in a timely manner or at all.

RECOMMENDATION

The disclosure forms should include a required return date to help ensure that forms are timely returned.

MANAGEMENT RESPONSE:

The Company agrees with recommendation.

OBSERVATION:

ACKNOWLEDGEMENT FORMS NOT RETURNED

3. The 1,083 employees on the payroll at the time of the Conflict of Interest disclosure mailing, 297 New Jersey bargaining unit employees were not sent a disclosure form to acknowledge their compliance with the code of Ethical Business Conduct. Management decided not to send the disclosure forms to the New Jersey bargaining unit employees due to the negotiations taking place at that time.

Of the 786 forms actually sent to employees for this reporting period, 23 were not returned due to employee resignations, terminations or retirements. 697 forms were signed and returned by employees and 20 of these returned forms included a disclosure statement that required follow-up by the Chief Administrative Officer. 66 forms were not returned by employees.

RECOMMENDATION

It is recommended that management should re-address the issue of whether the bargaining unit employees should sign the disclosure forms to indicate their compliance with the Code of Ethical Business Conduct.

Management should perform adequate follow-up on the disclosure forms to ensure that all of the forms are signed and returned in a timely manner in accordance with Corporate policy.

MANAGEMENT RESPONSE:

Our procedures indicate that disclosure forms (forms) are to be sent to all employees. Due to the labor negotiations in New Jersey at the time the forms were sent out, Management decided not to send the forms to the New Jersey Bargaining Unit

employees.

The Company agrees with this recommendation. The procedures require that all returned forms should be followed up. Due to the work stoppage in New Jersey and the assignment of the Assistant Corporate Secretary to additional duties, adequate follow up was not possible this year.

OBSERVATION

NOT FOLLOW-UP ON DISCLOSURE STATEMENTS

It was noted that as of April 1999, that certain disclosure statements still required follow-up. It was known to the auditors that the Chief Administrative Officer that most disclosures indicated on the 20 disclosure statements were of a very minor nature (part time job, disagreement with termination portion of Ethics Policy) and required only minimal follow-up with the employee that made the disclosure.

RECOMMENDATION

For future form mailings, follow-up on any disclosure statements be performed in a timely fashion.

MANAGEMENT RESPONSE

The majority of the disclosures were addressed either immediately prior to receipt of the disclosures in writing (through the employee calling the General Counsel) or immediately following receipt of the disclosure. Only two disclosures had not been followed-up with as of April 1999. One disclosure was a bargaining unit issue and members who made a disclosure would not discuss the issue. The second disclosure was followed-up on and is in the process of being addressed.

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9-7

KW 1/00
4/25
4/25/0

Director's and Executives Travel & Entertainment

Expense Review - February 1999

Review the Director's + Executives Travel & Entertainment expenditures for the period 10/1/97 through September 30, 1998 to determine whether expenses were according to the NUT policies & IRS regulations.

Received the status of ~~the~~ prior year recommendations dated 5/98 whether these recommendations have been implemented.

Expense Reports ~~are~~ not submitted timely as mentioned in last year review 5/98. Some reports related to fiscal year 1997 expenses were submitted for reimbursement in fiscal year 1999.

Recommendation: All travel & expense reimbursement should be submitted when expenses are incurred.

Management Response - Management agrees. Policy reminders will be issued to employees who submits an expense that is not according to company policy & not timely.

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS
AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 9-9

City Gas
Internal Audits

W
4/28/00

YL
4/25/00

Expenditure & Purchasing Process Review -

Tested I.P. in purchasing & assets payable

Findings - Vendor master file has been purged of inactive files (7000 invoiced now)

Risk of Duplicate payments.

53% of invoices paid after due date & 17% paid earlier than necessary

Some invoices sent directly to Dept. instead of A/P

2 versions of Check request

7% of invoices tested did not have authorizing signature

Leaved Appliances Inventory removed from Utility -

Not relevant

Meter Department Review - tested controls for placing new & replacement meters & safeguarding inventory.

Done at Cross Lane - This is

Elizabethtown. Not Relevant

Construction Activities Review - Reviewed Bid & Award

Policies for Compliance. Reviewed payments & compared to contract price

Controls over disbursement out of warehouses

Physical observations

Results: Bid & Award of Vero Beach not well controlled
Merritt Island not awarded to lowest bidder.

City Gas Engineers do not verify quantities used by Mueller.

Blank work orders are being filled out without Engineer approvals (Mueller)

Mueller Inventory needs to be reconciled to perpetual inventory

City Gas
Internal Audits

166
4/25/00
HL
4/25/00

Procurement Card Review: \$ 964,000 to 423 employees
for procurement cards.
Reviewed 90

9 had charges in excess of \$500 split in 2
500 limit would not be exceeded

4 exceeded monthly expense limit of \$2000

13 didn't have receipts attached
& not signed by supervisor

Included:

| | |
|-----------------|-------|
| Laundry Service | \$998 |
| Party City | 845 |
| Cell phone | \$436 |
| Restaurant | 892 |

Need letter review

CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 44-5/4-1

**NUI Corporation
Injuries & Damages Reserve Analysis
Sept. 30, 1999**

| <u>Company</u> | <u>Account</u> | <u>Description</u> | <u>G/L Balance</u> | <u>Comments</u> |
|---|-----------------|--------------------|--------------------------|--|
| Corp | 228000 | Injuries & Damages | 12,732.77 | There should not be an reserve on 01's books-Reclass to ETG |
| ETG | 228000 | Injuries & Damages | 46,892.84 | |
| CGF | 228000 & 228001 | Injuries & Damages | (138,951.48) | |
| Total Reserve Balances on GL | | | <u>(79,325.87)</u> | Balance at 9/30/98 was (\$376,815.26) |
| Aegis Reimbursement (ETG) | | | (106,000.00) | NUI paid approx. \$306k in Hopkins case, however only responsible for 1st \$200k |
| Total Estimated Reserves Needed: | | | | |
| ETG | | | 463,500.00 | Per meeting with Barbara Vitale, Toni Perrotto & Clarence Bauknight |
| CGF | | | <u>72,000.00</u> | Per meeting with Barbara Vitale, Toni Perrotto & Clarence Bauknight |
| | | | <u>535,500.00</u> | |
| Additional Reserves Necessary Over/(Underaccrued): | | | | |
| ETG | | | 417,125.61 | |
| CGF | | | <u>(66,951.48)</u> | |
| Net | | | <u><u>350,174.13</u></u> | Proposed Adjustment |

Proposed Adjustment:

| | | | |
|---------------|------------------------------|------------|------------|
| 01-615981-290 | Ins. Claims Act-Inj/Dam Prov | 350,000.00 | |
| 01-228000-000 | Injuries & Damages | | 12,732.77 |
| 02-228000-000 | Injuries & Damages | | 337,267.23 |

to increase reserve to appropriate level & reclass reserve balance from Co. 01 to 02.

→ Docketed via 12/95

498,295 add bal
x 19.5% to Cit.
97,245.53
72,000.00 portion actually attributed to Cit. Circulated
25,245.53
However, some of 72,000 may have been accrued in prior period - Oct '98 had this

10 1-17/4-17/5-17/8

CONFIDENTIAL

| CASE NAME | NATURE OF CASE | RESERVE AMOUNT <small>(Per Clearance - on conservative side)</small> | ANTICIPATED FISCAL YEAR | COMMENTS |
|---|---------------------------------|---|-------------------------|--|
| <u>NORTHERN DIVISION</u> | | | | |
| Medeo, Gasper (deceased) | Automobile | 200,000.00 | Year 2001-2 | Review after one year |
| Graham, Cheryl & Andrea | Automobile/backhoe | 65,000.00 | Year 2000 | originally had 50k per Wausau? |
| Allen David and Cheryl Leath and children | " | | | |
| Lucas, Helen | Slip and Fall | 10,000.00 | Year 2000 | |
| Lund, Robert | Slip and Fall | 60,000.00 | Year 2000 | originally had 50k per Wausau? |
| Menker, Barry Paul | Slip and Fall (glass door) | 10,000.00 | Year 2000 | |
| Pelligrino, Linda | Flash back | 15,000.00 | Year 2001 | |
| Polanco, Elizabeth | Automobile | 35,000.00 | Year 2000 | |
| Rizzo, Joseph & Severia | Property | 35,000.00 | Year 2001 | Need evaluation by Wausau |
| | Damage/easement | | | |
| Rasquez, Betty | Automobile | 1,500.00 | Year 2000 | |
| Ricki Fabian | Slip and Fall | 55,000.00 | Year 2000 | originally had 20k per Wausau? |
| Walker, J | Claim | 8,500.00 | Year 2000 | |
| Welsh, Lisa | Flash back | 10,000.00 | Year 2000 | |
| Weshnak, Howard | Automobile/Construction Site | 10,000.00 | Year 2000 | |
| | | $\$515,000 \times 90\% = 463,500$ | | |
| <u>SOUTHERN DIVISION</u> | | | | |
| Balladares, Gladys | Automobile | 10,000.00 | Year 2000 | |
| Correau | Automobile | 12,500.00 | Year 2001 | |
| Hacklin | Automobile | 2,000.00 | Year 2000 | |
| Laws, William | Fire | 2,500.00 | Year 2000 | → Clearance thought more like 25k? Acc. what about Bandy also accident? |
| Hernandez | Automobile | -0- | | |
| Hardy, Jeannette | Automobile | 20,000.00 | Year 2000 | |
| Han Buren, Enrique & Family | Carbon monoxide poisoning | 15,000.00 | Year 2000 | |

CONFIDENTIAL

E.E.O.C.

| | |
|------------------------|-----------------------|
| Barnes v. TIC | Race Discrimination |
| Brand, Twana v. ETG | Race Discrimination |
| DeSouza, Cheryl v. TIC | Sexual Discrimination |

10,000.00 Year 2000

TIC to place reserve
TIC to place reserve

72,000

CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 44-15/1

QUERY11

| Journal | Date | Line # | Acct | Department | Monetary Amount | Journal Line Description |
|------------|------------|--------|--------|------------|-----------------|--------------------------------|
| APACR03146 | 1998-10-31 | 2,391 | 616521 | 413 (C) | 14,058.00 | CONSULTING |
| APACR03146 | 1998-10-31 | 2,394 | 616521 | 413 (B) | 11,700.00 | CONSULTING |
| APACR03146 | 1998-10-31 | 2,397 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR03218 | 1998-10-31 | 864 | 616521 | 413 | 8,000.00 | JHB SERVICES |
| APACR03531 | 1998-11-30 | 644 | 616521 | 413 | 8,000.00 | JHB SERVICES LLC |
| APACR03531 | 1998-11-30 | 2,340 | 616521 | 413 (C) | 14,058.00 | CONSULTING |
| APACR03531 | 1998-11-30 | 2,341 | 616521 | 413 (B) | 11,700.00 | CONSULTING |
| APACR03531 | 1998-11-30 | 2,342 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR04037 | 1998-12-31 | 130 | 616521 | 413 (C) | 14,058.00 | CONSULTING |
| APACR04037 | 1998-12-31 | 131 | 616521 | 413 (B) | 11,700.00 | CONSULTING |
| APACR04037 | 1998-12-31 | 132 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR04037 | 1998-12-31 | 957 | 616521 | 413 (C) | 10,000.00 | JHB SERV LLC |
| APACR04566 | 1999-01-31 | 673 | 616521 | 413 (B) | 14,058.00 | CONSULTING |
| APACR04566 | 1999-01-31 | 674 | 616521 | 413 (A) | 11,700.00 | CONSULTING |
| APACR04566 | 1999-01-31 | 675 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR04644 | 1999-01-31 | 855 | 616521 | 413 (C) | 60,000.00 | JHB SERVICES, LLC |
| APACR05085 | 1999-02-28 | 2,037 | 616521 | 413 (B) | 14,059.00 | CONSULTING |
| APACR05085 | 1999-02-28 | 2,038 | 616521 | 413 (A) | 11,700.00 | CONSULTING |
| APACR05085 | 1999-02-28 | 2,039 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR05173 | 1999-02-28 | 1,781 | 616521 | 413 (C) | 10,138.00 | JHB SERVICES, LLC |
| APACR05579 | 1999-03-31 | 1,169 | 616521 | 413 (B) | 14,059.00 | CONSULTING |
| APACR05579 | 1999-03-31 | 1,170 | 616521 | 413 (A) | 11,700.00 | CONSULTING |
| APACR05579 | 1999-03-31 | 1,171 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR05579 | 1999-03-31 | 6,082 | 616521 | 413 (A) | 10,138.00 | JHB SERVICES, LLC |
| APACR05939 | 1999-04-30 | 24 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR05939 | 1999-04-30 | 1,924 | 616521 | 413 (A) | 5,833.37 | KEN WARD/CONSULTING |
| APACR06018 | 1999-04-30 | 1,282 | 616521 | 413 (A) | 10,138.00 | JHB SERVICES LLC |
| 9805006191 | 1999-04-30 | 16 | 616521 | 413 | 5,833.33 | Admin-O/S Other |
| 9805006191 | 1999-05-01 | 16 | 616521 | 413 | -5,833.33 | Admin-O/S Other |
| APACR06346 | 1999-05-31 | 819 | 616521 | 413 (A) | 5,833.33 | WARD CONSULTING FEE MAY99 |
| APACR06507 | 1999-05-31 | 2,611 | 616521 | 413 (A) | 13,783.25 | CONSULTING |
| APACR06507 | 1999-05-31 | 2,873 | 616521 | 413 (A) | 10,138.00 | JHB SVCS LLC CONSULTING 05/99 |
| APACR06753 | 1999-06-30 | 648 | 616521 | 413 (A) | 5,833.33 | KENNETH G WARD CONSULTING 0799 |
| APACR06753 | 1999-06-30 | 649 | 616521 | 413 (A) | 5,833.33 | KENNETH G WARD CONSULT 0699 |
| APACR06829 | 1999-06-30 | 778 | 616521 | 413 (A) | 13,783.25 | DPVincent,INC/CONSULTING |
| APACR06874 | 1999-06-30 | 178 | 616521 | 413 (A) | 10,138.00 | JHB SERVICES LLC CONSULTING |
| 9805006978 | 1999-06-30 | 1 | 616521 | 413 | -5,833.33 | Admin-O/S Other |
| 9805006978 | 1999-07-01 | 1 | 616521 | 413 | 5,833.33 | Admin-O/S Other |
| APACR07066 | 1999-07-30 | 193 | 616521 | 413 (A) | 23,921.25 | JHB SVCS LLC CONSULTING |
| APACR07484 | 1999-08-31 | 177 | 616521 | 413 (A) | 29,754.58 | JHB SVCS LLC CONSULTING |
| APACR07878 | 1999-09-30 | 491 | 616521 | 413 (A) | 10,138.00 | JHB SERV-CONSULTING SEP99 |
| APACR07878 | 1999-09-30 | 492 | 616521 | 413 (A) | 13,783.25 | DP VINCENT CONSULTING SEP99 |

consulting re: general ltr, transitional matters
 8/16/99 \$168,700 for 6 mths
 consulting for Personnel, Compensation, & other HRD
 8/15/99 \$140,400 for 6 mths E B

Manage all real estate of NUT
 3 business hrs per day for \$700.00
 Monitor year 2 Kiplin \$165,399.00

and act as
 Manager of East Coast
 Service Gas Cooperative LLC

516,217.69
 44-15 Page 1

JBH Contract 167100/hr

Y2K - Not a problem

1-11-99

CITY GAS COMPANY OF FLORIDA
CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS
AUDIT CONTROL NO. 000-134-1
WORKPAPER NO. 44-26/1

| Journal | Date | Line # | Acct | Dept | Monetary Amount | Journal Line Description |
|------------|------------|--------|--------|------|-----------------|------------------------------------|
| APACR03146 | 1998-10-31 | 2,082 | 616144 | 482 | 104.48 | CROWELL&MORING-PROF FESS |
| APACR03146 | 1998-10-31 | 2,152 | 616144 | 482 | 1,667.60 | shanley & fisher=prof serv |
| APACR03146 | 1998-10-31 | 2,166 | 616144 | 482 | 574.37 | STROOCK & STROOCK |
| APACR03147 | 1998-10-31 | 37 | 616144 | 482 | 1,000.00 | CLERK OF SUPERIOR CT/AC#51925 |
| 98REVS01A | 1998-10-01 | 4 | 616144 | 482 | -4,087.98 | Legal Svcs-O/S Legal |
| 98REVS24A | 1998-10-01 | 4 | 616144 | 482 | -31,428.20 | Legal Svcs-O/S Legal |
| 98REVS23A | 1998-10-01 | 4 | 616144 | 482 | -1,150.30 | Legal Svcs-O/S Legal |
| APACR03218 | 1998-10-31 | 805 | 616144 | 482 | 25.50 | WILLIAMS EXPRESS |
| APACR03218 | 1998-10-31 | 806 | 616144 | 482 | 33.50 | WILLIAMS EXPRESS |
| APACR03218 | 1998-10-31 | 895 | 616144 | 482 | 360.00 | CURRENT EDIIONS-LIBRARY MGT SV |
| IU0071 | 1998-10-31 | 16 | 616144 | 482 | -574.37 | Legal Svcs-O/S Legal |
| IU0071 | 1998-10-31 | 17 | 616144 | 482 | -1,667.60 | Legal Svcs-O/S Legal |
| IU0071 | 1998-10-31 | 18 | 616144 | 482 | -104.48 | Legal Svcs-O/S Legal |
| APACR03531 | 1998-11-30 | 2,347 | 616144 | 482 | 16.00 | EXPREPMC EWEN |
| APACR03634 | 1998-11-30 | 126 | 616144 | 482 | 292.50 | BOURNE/R/E SALE WB |
| APACR03634 | 1998-11-30 | 127 | 616144 | 482 | 236.00 | BOURNE/SALES AFFILI |
| APACR03634 | 1998-11-30 | 244 | 616144 | 482 | 127.20 | CRADY/HARD COTE T |
| APACR03634 | 1998-11-30 | 298 | 616144 | 482 | 3,193.20 | STROOCK& STROOCK=LEGAL |
| APACR03634 | 1998-11-30 | 299 | 616144 | 482 | 6,423.81 | PITNEY HARDIN KIPP |
| APACR03931 | 1998-12-31 | 55 | 616144 | 482 | 360.00 | CURRENT/LIBRARY MG |
| APACR03931 | 1998-12-31 | 269 | 616144 | 482 | 429.95 | PITNEY HARDIN KIPP SZUCH |
| APACR03931 | 1998-12-31 | 283 | 616144 | 482 | 6,946.15 | LEBOEUF/LEGAL MATT |
| APACR03931 | 1998-12-31 | 301 | 616144 | 482 | 349.83 | LEBOEUF/LEGAL MATT |
| APACR03931 | 1998-12-31 | 303 | 616144 | 482 | 350.00 | GALLICK/DEFENSE EXA |
| APACR03931 | 1998-12-31 | 364 | 616144 | 482 | 1,915.18 | BROOKS,P/LEGAL SVC |
| APACR03931 | 1998-12-31 | 423 | 616144 | 482 | 405.00 | BOURNE/LEGAL SVC |
| APACR03931 | 1998-12-31 | 424 | 616144 | 482 | 12,966.65 | LEBOEUF/LEGAL SVC Flu M arket Pace |
| APACR03931 | 1998-12-31 | 425 | 616144 | 482 | 16,173.85 | LEBOEUF/LEGAL SVC PBOPS? |
| APACR04037 | 1998-12-31 | 177 | 616144 | 482 | 1,000.00 | CLK OF SUPERIOR CRT-A/C 51925 |
| APACR04037 | 1998-12-31 | 1,036 | 616144 | 482 | 163.50 | WILLIAMS EXPRESS SERV |
| APACR04037 | 1998-12-31 | 1,037 | 616144 | 482 | 25.50 | WILLIAMS EXPRESS SERV |
| APACR04037 | 1998-12-31 | 1,038 | 616144 | 482 | 25.50 | WILLIAMS EXPRESS SERV |
| APACR04037 | 1998-12-31 | 1,039 | 616144 | 482 | 164.00 | WILLIAMS EXPRESS SERV |
| APACR04037 | 1998-12-31 | 1,040 | 616144 | 482 | 85.50 | WILLIAMS EXPRESS SERV |
| APACR04037 | 1998-12-31 | 1,041 | 616144 | 482 | 25.50 | WILLIAMS EXPRESS SERV |
| APACR04126 | 1998-12-31 | 582 | 616144 | 482 | 1,685.51 | PITNEY HARDIN KIPP SZUCH |
| APACR04126 | 1998-12-31 | 583 | 616144 | 482 | 349.33 | PITNEY HARDIN KIPP SZUCH |
| APACR04126 | 1998-12-31 | 584 | 616144 | 482 | 519.27 | PITNEY HARDIN KIPP SZUCH |
| APACR04179 | 1998-12-31 | 270 | 616144 | 482 | 360.00 | CURRENT EDITIONS-LIB MGT SVCS |
| APACR04179 | 1998-12-31 | 277 | 616144 | 482 | 107.50 | GUARANTEED SUBP-FLETCHER SVC |
| APACR04179 | 1998-12-31 | 278 | 616144 | 482 | 92.50 | GUARANTREED SUBP-STEIN&GANNOTT |
| APACR04179 | 1998-12-31 | 279 | 616144 | 482 | 1.61 | GUARANTEED SUBPOENA-FINANCE C |
| APACR04179 | 1998-12-31 | 300 | 616144 | 482 | 49.95 | SPARTAN DET AAGNY-SKIP TRACE |
| APACR04179 | 1998-12-31 | 311 | 616144 | 482 | 237.10 | BOURNE/SALES AFFILI |
| APACR04179 | 1998-12-31 | 431 | 616144 | 482 | 1,377.00 | BOUREN/ACQUISTITION |
| APACR04179 | 1998-12-31 | 432 | 616144 | 482 | 661.50 | BOURNE/QCQUISTITION |
| APACR04179 | 1998-12-31 | 434 | 616144 | 482 | 22.50 | BOURNE/GENERAL |
| APACR04271 | 1998-12-31 | 384 | 616144 | 482 | 96.75 | PINHEIRO/COURT APP |
| APACR04566 | 1999-01-31 | 973 | 616144 | 482 | 292.50 | WESTLAW-CHGS 11/98 |
| APACR04566 | 1999-01-31 | 1,236 | 616144 | 482 | 292.50 | WESTLAW-CHGS 10/98 |
| APACR04566 | 1999-01-31 | 1,325 | 616144 | 482 | 965.36 | WEST GROUP-UNION WESTLAW CHGS |
| APACR04566 | 1999-01-31 | 1,326 | 616144 | 482 | 417.50 | WEST GROUP-UNION CHGS 11/98 |

WUT & solv

| Journal | Date | Line # | Acct | Dept | Monetary Amount | Journal Line Description |
|------------|------------|--------|--------|------|-----------------|--------------------------------|
| APACR04566 | 1999-01-31 | 1,327 | 616144 | 482 | 417.65 | WEST GROUP-WESTLAW CHGS 10/98 |
| APACR04566 | 1999-01-31 | 1,476 | 616144 | 482 | 292.50 | WEST GROUP PYMNT-WLAW CHGS 8/9 |
| APACR04644 | 1999-01-31 | 844 | 616144 | 482 | 1,000.00 | CLERK-SUPERIOR COURT COLLATERA |
| APACR04644 | 1999-01-31 | 990 | 616144 | 482 | 2,171.50 | BOURNE NOLL & KENYON |
| APACR04644 | 1999-01-31 | 991 | 616144 | 482 | 90.00 | BOURNE NOLL & KENYON |
| APACR04644 | 1999-01-31 | 993 | 616144 | 482 | 686.00 | BOURNE NOLL & KENYON |
| APACR04644 | 1999-01-31 | 994 | 616144 | 482 | 845.00 | BOURNE NOLL & KENYON |
| APACR04644 | 1999-01-31 | 995 | 616144 | 482 | 1,377.08 | STROOCK & STROOCK & LAVIN LLP |
| APACR04708 | 1999-01-31 | 894 | 616144 | 482 | 417.57 | W GROUP/PUBLICATIO |
| IU0008 | 1999-01-31 | 16 | 616144 | 482 | -125.20 | Legal Svcs-O/S Legal |
| APACR04765 | 1999-01-31 | 71 | 616144 | 482 | 360.00 | CURRENT EDITIONS-LIBRARY MGT S |
| APACR04765 | 1999-01-31 | 132 | 616144 | 482 | 292.50 | WEST GROUP PYMNT CTR-CHYMIY |
| APACR05173 | 1999-02-28 | 134 | 616144 | 482 | 82.00 | PROFESSIONAL SERVICES |
| APACR05173 | 1999-02-28 | 150 | 616144 | 482 | 1,194.20 | PITNEY HAR/PROF SV |
| APACR05173 | 1999-02-28 | 152 | 616144 | 482 | 8,749.15 | PROFESSIONAL FEES |
| APACR05173 | 1999-02-28 | 154 | 616144 | 482 | 299.00 | PROFESSIONAL FEES |
| APACR05173 | 1999-02-28 | 156 | 616144 | 482 | 833.00 | PROFESSIONAL FEES |
| APACR05173 | 1999-02-28 | 157 | 616144 | 482 | 177.50 | PROFESSIONAL FEES |
| APACR05173 | 1999-02-28 | 522 | 616144 | 482 | 360.00 | CURRENT EDITIONS-LIBRARY MGNT |
| APACR05173 | 1999-02-28 | 1,657 | 616144 | 482 | 479.51 | WEST GROUP/ACCESS |
| APACR05173 | 1999-02-28 | 1,702 | 616144 | 482 | 1,000.00 | CLERK OF SUPERIOR CT-REPLENISH |
| APACR05450 | 1999-03-31 | 477 | 616144 | 482 | 292.50 | WESTLAW ACCESS |
| APACR05579 | 1999-03-31 | 80 | 616144 | 482 | 7,500.00 | PRINC PUB/PRO SVC |
| APACR05579 | 1999-03-31 | 1,158 | 616144 | 482 | 520.10 | PROFESSIONAL FEES |
| APACR05579 | 1999-03-31 | 4,571 | 616144 | 482 | 138.00 | WEST GROUP/REGISTE |
| APACR05579 | 1999-03-31 | 4,572 | 616144 | 482 | 1,357.94 | WEST GROUP/WESTLA |
| APACR05579 | 1999-03-31 | 4,574 | 616144 | 482 | 237.00 | WEST GROUP/REGISTE |
| APACR05579 | 1999-03-31 | 4,653 | 616144 | 482 | 452.70 | west group/access |
| APACR05579 | 1999-03-31 | 6,643 | 616144 | 482 | 2,422.57 | WEST GROUP/PUBLICA |
| APACR05579 | 1999-03-31 | 6,747 | 616144 | 482 | 1,313.45 | PITNEY/LEGAL SVC |
| APACR05579 | 1999-03-31 | 6,748 | 616144 | 482 | 346.05 | PITNEY/LEGAL SVC |
| APACR05579 | 1999-03-31 | 6,749 | 616144 | 482 | 4,681.25 | MORGAN/LEGAL SVC |
| APACR05579 | 1999-03-31 | 6,790 | 616144 | 482 | 1,147.70 | PITNEY/LEGAL SVC |
| APACR05579 | 1999-03-31 | 6,792 | 616144 | 482 | 5,590.80 | PITNEY/LEGAL MATTE |
| APACR05579 | 1999-03-31 | 6,795 | 616144 | 482 | 2,728.84 | STROOCK/LEGAL MAT |
| APACR05579 | 1999-03-31 | 6,796 | 616144 | 482 | 820.57 | PITNEY/LEGAL MATT |
| APACR05579 | 1999-03-31 | 7,532 | 616144 | 482 | 823.00 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,533 | 616144 | 482 | 2,865.95 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,534 | 616144 | 482 | 2,514.50 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,536 | 616144 | 482 | 940.00 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,537 | 616144 | 482 | 4,417.50 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,541 | 616144 | 482 | 223.10 | BOURNE/PRO SVC |
| APACR05579 | 1999-03-31 | 7,543 | 616144 | 482 | 809.50 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,544 | 616144 | 482 | 500.00 | BOURNE NOLL & KENYON |
| APACR05579 | 1999-03-31 | 7,546 | 616144 | 482 | 2,590.02 | CROWEL&MOR/PRO SV |
| APACR05579 | 1999-03-31 | 7,548 | 616144 | 482 | 3.94 | CRADY JEWETT & MCCULLEY LLP |
| APACR05579 | 1999-03-31 | 9,390 | 616144 | 482 | 810.94 | CROWELL/PRO SVC |
| IU0008 | 1999-03-31 | 18 | 616144 | 482 | -25.44 | Legal Svcs-O/S Legal |
| APACR05939 | 1999-04-30 | 1,873 | 616144 | 482 | 360.00 | CURRENT EDITIONS/SVCS |
| APACR05939 | 1999-04-30 | 1,900 | 616144 | 482 | 1,215.00 | AKIN,GUMP/PRO SVC |
| APACR05939 | 1999-04-30 | 1,902 | 616144 | 482 | 1,305.00 | AKIN,GUMP/PRO SVC |
| APACR05939 | 1999-04-30 | 1,903 | 616144 | 482 | 5,230.82 | AKIN,GUMP/PRO SVC |

| Journal | Date | Line # | Acct | Dept | Monetary Amount | Journal Line Description |
|------------|------------|--------|--------|------|-----------------|--|
| APACR05939 | 1999-04-30 | 1,905 | 616144 | 482 | 1,350.00 | AKIN,GUMP/PRO SVC |
| APACR05939 | 1999-04-30 | 1,997 | 616144 | 482 | 350.00 | GALLICK/PROF SVC |
| APACR05939 | 1999-04-30 | 2,163 | 616144 | 482 | 45.00 | PROFESSIONAL SERVICES |
| APACR06018 | 1999-04-30 | 1,256 | 616144 | 482 | -2.00 | PITNEY/OVERPMT ADJ |
| APACR06018 | 1999-04-30 | 1,454 | 616144 | 482 | 261.80 | DOERNER & GOLDBERG |
| APACR06083 | 1999-04-30 | 1,459 | 616144 | 482 | 83.64 | WEST GROUP/BOOKS |
| APACR06083 | 1999-04-30 | 1,464 | 616144 | 482 | 51.45 | WEST GROUP/BOOKS |
| APACR06083 | 1999-04-30 | 1,465 | 616144 | 482 | 48.21 | west group/books |
| APACR06083 | 1999-04-30 | 1,466 | 616144 | 482 | 201.14 | WEST GROUP/BOOKS |
| APACR06083 | 1999-04-30 | 1,467 | 616144 | 482 | 180.97 | WEST GROUP/BOOKS |
| APACR06083 | 1999-04-30 | 1,527 | 616144 | 482 | 427.38 | WEST GROUP/ MAR SV |
| APACR06083 | 1999-04-30 | 1,613 | 616144 | 482 | 292.50 | WEST GROUP PAYMENT CENTER |
| APACR06083 | 1999-04-30 | 1,614 | 616144 | 482 | 292.50 | WEST GROUP PAYMENT CENTER |
| APACR06346 | 1999-05-31 | 829 | 616144 | 482 | 1,000.00 | CLERK OF THE SUPERIOR COURT |
| APACR06404 | 1999-05-31 | 2,007 | 616144 | 482 | 47.00 | BOURNE, NOLL.../LEGAL |
| APACR06404 | 1999-05-31 | 2,008 | 616144 | 482 | 136.50 | BOURNE, NOLL.../LEGAL |
| APACR06404 | 1999-05-31 | 2,009 | 616144 | 482 | 68.00 | BOURNE, NOLL.../LEGAL |
| APACR06404 | 1999-05-31 | 2,010 | 616144 | 482 | 1,956.09 | BOURNE, NOLL.../LEGAL616144 |
| APACR06404 | 1999-05-31 | 2,011 | 616144 | 482 | 282.00 | BOURNE, NOLL.../LEGAL |
| APACR06404 | 1999-05-31 | 2,012 | 616144 | 482 | 1,240.30 | BOURNE, NOLL.../LEGAL |
| APACR06404 | 1999-05-31 | 2,013 | 616144 | 482 | 15,828.88 | BOURNE, NOLL.../LEGAL <i>Investment in TIC Entry</i> |
| APACR06404 | 1999-05-31 | 2,020 | 616144 | 482 | 10,372.75 | LEBOEUF, LAMB.../LEGAL <i>Fla. Propane Project</i> |
| APACR06404 | 1999-05-31 | 2,116 | 616144 | 482 | 18,429.85 | PROFESSIONAL SRVC <i>Janette J. Jones Healy</i> |
| APACR06404 | 1999-05-31 | 2,117 | 616144 | 482 | 10,293.16 | PROFESSIONAL SRVC <i>Lack Land vs NLS</i> |
| APACR06404 | 1999-05-31 | 2,142 | 616144 | 482 | 1,210.00 | PROFESSIONAL SRVC |
| 9805006470 | 1999-05-31 | 1 | 616144 | 482 | 560.50 | Legal Svcs-O/S Legal |
| APACR06507 | 1999-05-31 | 1,423 | 616144 | 482 | 341.00 | PROFESSIONAL FEES |
| APACR06507 | 1999-05-31 | 1,482 | 616144 | 482 | 2.00 | WEST GROUP/ADJUST |
| APACR06507 | 1999-05-31 | 1,961 | 616144 | 482 | 720.00 | CURRENT EDITIONS, INC |
| APACR06997 | 1999-07-13 | 122 | 616144 | 482 | 1,605.80 | |
| APACR06829 | 1999-06-30 | 812 | 616144 | 482 | 148.22 | ON TIME COURT REPORTING |
| APACR06922 | 1999-06-30 | 1,509 | 616144 | 482 | 60.00 | CROWELL/PRO SVC |
| APACR06922 | 1999-06-30 | 1,510 | 616144 | 482 | 3,194.00 | CROWELL/PRO SVC |
| APACR06922 | 1999-06-30 | 1,514 | 616144 | 482 | 399.50 | BOURNE/PRO SVC |
| APACR06922 | 1999-06-30 | 1,515 | 616144 | 482 | 1,135.15 | BOURNE/PRO SVC |
| APACR06922 | 1999-06-30 | 1,516 | 616144 | 482 | 1,057.95 | PITNEY, HAR/PRO SVC |
| APACR06922 | 1999-06-30 | 1,517 | 616144 | 482 | 264.94 | CROWELL & MORING=SERV |
| APACR06922 | 1999-06-30 | 1,518 | 616144 | 482 | 6,466.60 | PITNEY, HAR/PRO SVC |
| APACR06922 | 1999-06-30 | 1,519 | 616144 | 482 | 1,611.40 | PITNEY, HAR/PRO SVC |
| APACR06922 | 1999-06-30 | 1,520 | 616144 | 482 | 2,914.81 | CROWELL & MORING=SERV |
| APACR06922 | 1999-06-30 | 1,521 | 616144 | 482 | 1,108.55 | CROWELL & MORING=SERV |
| APACR06922 | 1999-06-30 | 1,522 | 616144 | 482 | 7,296.02 | AKIN, GUMP/PRO SVC |
| APACR06922 | 1999-06-30 | 1,523 | 616144 | 482 | 848.09 | CROWELL & MORING=SERV |
| APACR06922 | 1999-06-30 | 1,524 | 616144 | 482 | 901.40 | AKIN, GUMP/PRO SVC |
| APACR06922 | 1999-06-30 | 1,525 | 616144 | 482 | 2,207.00 | NORR, MCL/PRO SVC |
| APACR06922 | 1999-06-30 | 1,526 | 616144 | 482 | 10,293.16 | MORGAN, LEWIS, BOCKIUS LLP |
| APACR06922 | 1999-06-30 | 1,527 | 616144 | 482 | 579.27 | GRAHAM, CUR/PRO SV |
| APACR06922 | 1999-06-30 | 1,528 | 616144 | 482 | 793.58 | GRAHAM, CUR/PRO SV |
| APACR06922 | 1999-06-30 | 1,529 | 616144 | 482 | 53.43 | CROWELL & MORING=SERV |
| APACR06922 | 1999-06-30 | 1,530 | 616144 | 482 | 1,984.45 | MALATESTA HAWKE-SERV |
| APACR06922 | 1999-06-30 | 1,531 | 616144 | 482 | 5,513.30 | BOURNE, NOL/PRO SVC |
| APACR07059 | 1999-07-30 | 10 | 616144 | 482 | 1,332.89 | |

| Journal | Date | Line # | Acct | Dept | Monetary Amount | Journal Line Description |
|--|------------|--------|--------|------|-----------------|---|
| APACR07066 | 1999-07-30 | 185 | 616144 | 482 | 20,763.89 | Misc - Low Utility - see for more \$17992.26 |
| APACR07104 | 1999-07-31 | 79 | 616144 | 482 | 1,062.19 | |
| APACR07484 | 1999-08-31 | 165 | 616144 | 482 | 72,418.67 | Various ENG Transactions/ Emp Benefit / Mac |
| APCLS07486 | 1999-08-31 | 12 | 616144 | 482 | -1,095.95 | Gen. Liquidator / Holding Co |
| IU0008 | 1999-08-31 | 52 | 616144 | 482 | -87.36 | Legal Svcs-O/S Legal |
| APACR07587 | 1999-08-31 | 180 | 616144 | 482 | 28,720.55 | Various notes on Employee Benefits / Holding Co |
| APACR07804 | 1999-09-30 | 3,358 | 616144 | 482 | 1,000.00 | CLERK SUP CT/REPLEN |
| APACR07804 | 1999-09-30 | 2,679 | 616144 | 482 | 4,681.17 | MORGAN, LE/PRO SVC Mami Dale |
| APACR07804 | 1999-09-30 | 2,653 | 616144 | 482 | 1,280.81 | SHANLEY, FI/PRO SVC |
| APACR07804 | 1999-09-30 | 2,654 | 616144 | 482 | 5,379.81 | SHANLEY, FI/PRO SVC |
| APACR07804 | 1999-09-30 | 2,661 | 616144 | 482 | 243.23 | SHANLEY, FI/PRO SVC |
| APACR07804 | 1999-09-30 | 2,672 | 616144 | 482 | 951.36 | SHANLEY, FI/PRO SVC |
| APACR07804 | 1999-09-30 | 2,636 | 616144 | 482 | 69.95 | PITNEY, HA/PRO SVC |
| APACR07804 | 1999-09-30 | 2,637 | 616144 | 482 | 133.65 | PITNEY, HA/PRO SVC |
| APACR07804 | 1999-09-30 | 2,368 | 616144 | 482 | 2,581.50 | NORRIS/PRO SVC |
| APACR07804 | 1999-09-30 | 2,351 | 616144 | 482 | 18,021.00 | BOURNE/PRO SVC Advice re Potential Invest |
| APACR07804 | 1999-09-30 | 2,330 | 616144 | 482 | 4,000.00 | PRINCETON/AUG'99-EX International |
| APACR07804 | 1999-09-30 | 2,366 | 616144 | 482 | 94.00 | BOURNE/PRO SVC |
| APACR07804 | 1999-09-30 | 2,367 | 616144 | 482 | 8,272.11 | BOURNE/PRO SVC Telephone |
| APACR07804 | 1999-09-30 | 585 | 616144 | 482 | 8,112.18 | AKIN GUMP STRAUSS HAUSER |
| APACR07804 | 1999-09-30 | 587 | 616144 | 482 | 6,910.37 | AKIN GUMP STRAUSS HAUSER |
| APACR07804 | 1999-09-30 | 591 | 616144 | 482 | 6,065.30 | AKIN GUMP STRAUSS HAUSER |
| APACR07804 | 1999-09-30 | 284 | 616144 | 482 | 292.50 | WEST GROUP-BOOKS |
| APACR07878 | 1999-09-30 | 1,308 | 616144 | 482 | 9,512.31 | NORRIS/LEGAL SVC |
| APACR07878 | 1999-09-30 | 1,309 | 616144 | 482 | 419.05 | PITNEY/LEGAL MATTE |
| APACR07878 | 1999-09-30 | 1,312 | 616144 | 482 | 349.31 | SHANLEY/LEGAL MATT |
| APACR07878 | 1999-09-30 | 1,262 | 616144 | 482 | 15.50 | MORGAN/LEGAL MATT |
| APACR07878 | 1999-09-30 | 1,202 | 616144 | 482 | 95.49 | PITNEY, HARDIN/CNSL FEES |
| APACR07878 | 1999-09-30 | 1,204 | 616144 | 482 | 58.00 | NORRIS, MCL/CNSL FEE |
| APACR07878 | 1999-09-30 | 1,205 | 616144 | 482 | 2,918.00 | NORRIS, MCL/CNSL FEES |
| APACR07878 | 1999-09-30 | 1,215 | 616144 | 482 | 3,974.20 | BOURNE, NOLL/CNSL FEE |
| APACR07878 | 1999-09-30 | 1,216 | 616144 | 482 | 118.10 | BOURNE, NOLL/CNSL FEES |
| APACR07878 | 1999-09-30 | 1,224 | 616144 | 482 | 460.00 | PIPER&MAR/CNSL FEE |
| APACR07878 | 1999-09-30 | 1,228 | 616144 | 482 | 564.28 | PITNEY, HAR/CNSL FEE |
| APACR07878 | 1999-09-30 | 1,248 | 616144 | 482 | 369.60 | MORGAN/LEGAL MATT |
| APACR07878 | 1999-09-30 | 1,915 | 616144 | 482 | 49.95 | SPARTAN/SKIP TRACE |
| APACR07878 | 1999-09-30 | 1,901 | 616144 | 482 | 147.00 | CROWELL&MOR/CNSL FEES |
| APACR07878 | 1999-09-30 | 1,853 | 616144 | 482 | 1,605.10 | BOURNE, NOLL/CNSL FEES |
| 9805007931 | 1999-09-30 | 2 | 616144 | 482 | -2,000.00 | Legal Svcs-O/S Legal |
| 9805008120 | 1999-09-30 | 1 | 616144 | 482 | 33,550.39 | Legal Svcs-O/S Legal |
| Final RC Balance | | | | | 459,005.32 | |
| JE 9805008120 Recorded after RC Report was run | | | | | 33,550.39 | |
| Original RC Balance | | | | | 425,454.93 | |

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CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 44-26/1-1

CITY GAS COMPANY OF FLORIDA

**CONFIDENTIAL DOCUMENTS PROVIDED
DURING SURVEILLANCE AUDIT OF NUI CITY GAS**

AUDIT CONTROL NO. 000-134-1

WORKPAPER NO. 44-43-2

**NUI CORPORATION
ANALYSIS OF STOCK GRANT EXPENSE
THROUGH FISCAL 1999**

| | Fiscal 1996 | Fiscal 1997 | Fiscal 1998 | Fiscal 1999 | Total |
|---------------------------------------|----------------|----------------|----------------|----------------|-----------------|
| Total Shares Available for Vesting | 53,012 | 53,825 | 60,425 | 79,873 | |
| VESTING ACTIVITY: | | | | | |
| Shares Vested (on 11/97) | 28,082 | 11,775 | | | |
| Vested Price (now fixed) | \$ 24.3125 | \$ 25.625 | | | |
| Cumulative Award | 682,744 | 301,734 | | | |
| Stu Steggal's vesting | 1,382 | | | | |
| Vested Price (now fixed) | \$ 20.00 | | | | |
| | 27,640 | | | | |
| Kenney's vesting | 6,662 | | | | |
| Vested Price (now fixed) | \$ 20.00 | | | | |
| | 133,240 | | | | |
| 1998 Early Retiree Vesting | 7,847 | 18,500 | 18,500 | | |
| Vested Price (now fixed) | \$ 22.53 | \$ 22.53 | \$ 22.53 | | |
| | 176,809 | 416,842 | 416,842 | | |
| Ken Ward retirement | 810 | 900 | 1,200 | | |
| Vested price (now fixed) | \$ 21.653 | \$ 21.653 | \$ 21.653 | | |
| | 13,208 | 19,488 | 25,984 | | |
| Remaining Shares to Vest | 8,429 | 22,650 | 40,725 | 79,873 | |
| Estimated market price | \$ 24.75 | \$ 24.75 | \$ 24.75 | \$ 24.75 | |
| | 208,818 | 560,588 | 1,007,944 | 1,976,857 | |
| Total Cumulative Award | \$ 1,242,258 | \$ 1,298,652 | \$ 1,450,769 | \$ 1,976,857 | |
| Amount Vested at 100% | 1,033,641 | 738,064 | 442,826 | - | |
| Remaining Amount to Vest | \$ 208,818 | \$ 560,588 | \$ 1,007,944 | \$ 1,976,857 | |
| % of Award Earned at 9/98 | 100% | 84% | 79% | 40% | |
| Total Cumulative Expense | 208,818 | 526,952 | 796,276 | 790,743 | \$ 2,322,588 |
| Total Cumulative Expense | 1,242,258 | 1,265,016 | 1,239,101 | 790,743 | \$ 4,537,118 |
| Total Expense Recognized- Fiscal 1998 | 469,628 | | | | 469,628 |
| Total Expense Recognized- Fiscal 1997 | 507,818 | 530,480 | | | 1,038,298 |
| Total Expense Recognized- Fiscal 1998 | 221,139 | 599,566 | 339,007 | | 1,159,712 |
| Total Expense Recognized- Fiscal 1999 | 14,541 | 142,073 | 438,404 | 814,028 | 1,409,048 (P2) |
| | 1,213,126 | 1,272,119 | 777,411 | 814,028 | 4,076,684 |
| Over (Under) Expense (Cumulative) | | | | | \$ 460,434 (P2) |

Note: Assumes we make the minimum 10% earnings growth each year.

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