ORIGINAL

Hopping Green & Sams

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August 15, 2003

BY HAND DELIVERY

Blanca Bayó
Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: NUI City Gas Company of Florida
Petition for Rate Increase
Docket No. 030569-GU

Dear Ms. Bayó:

Enclosed for filing on behalf of NUI City Gas Company of Florida (Company) are the original and 20 copies of its Petition for Rate Increase, including the prefiled testimony of seven witnesses and the Minimum Filing Requirements (MFRs) specified by the Commission's rules. This filing requests the establishment of both interim and permanent rates.

As indicated in the Petition, the Company requests that this petition be processed in accordance with the Commission's Proposed Agency Action procedures.

If you have any questions regarding this filing, please give me a call.

VOLUME I - 07494-03
VOLUME II - 07495-03
VOLUME III - 07496-03
VOLUME IV - 07497-03
VOLUME V - 07498-03

Very truly yours,

Richard D. Melson

RDM/mee
Enclosures
cc: Ralph Jaeger

AUS 1
CAF
CMP
COM 5 + cvr
CTR
ECR
GCL 1
OPC 1
MMS
SEC 1
OTH

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 030569-GU

PETITION, DIRECT TESTIMONY AND EXHIBITS

VOLUME I

Hopping Green & Sams

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Richard D. Melson

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Enclosures
cc: Ralph Jaeger

PETITION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a Rate Increase By City Gas Company of Florida	))	Docket No. 030569-GU
	)	Filed: August 15, 2003

PETITION FOR RATE INCREASE

City Gas Company of Florida, a division of NUI Utilities, Inc. ("City Gas" or "the Company") petitions for an increase in rates and charges for natural gas service pursuant to Sections 366.06 and 366.071, Florida Statutes.

Background

1. City Gas Company of Florida was incorporated under the laws of Florida in 1949. Its headquarters are located at 955 East 25th Street, Hialeah, Florida 33013-3498. The Company began its operations as a distributor of liquid petroleum gas (LPG) through underground pipelines in Dade County, Florida. In 1960, the Company began to purchase natural gas for distribution, and thus became a "public utility" within the meaning of Section 366.02, Florida Statutes, subject to the regulatory jurisdiction of the Florida Public Service Commission.

2. The representatives of the Company to receive notices and other pleadings in this case are:

Richard D. Melson Hopping Green & Sams P.O. Box 6526 Tallahassee, FL 32314	Gloria L. Lopez NUI City Gas 955 East 25th Street Hialeah, FL 33013

3. In 1988, the Company was acquired by NUI Corporation. City Gas is now a division of NUI Utilities, Inc., a New Jersey Corporation whose principal offices are located at

Route 202-206, Bedminster, New Jersey. NUI Utilities, Inc. operates natural gas distribution systems in three states: Florida, New Jersey, and Maryland.

4. City Gas currently serves approximately 102,000 customers in Miami-Dade, Broward, Palm Beach, St. Lucie, Indian River, Martin and Brevard Counties, Florida.

5. By this petition, City Gas seeks the approval of interim rates, the determination of an appropriate cost of equity capital, the determination of a fair and reasonable overall rate of return, the approval of new and revised rate schedules, and a permanent increase in its rates and charges.

6. City Gas last filed for a general rate increase with the Florida Public Service Commission on August 25, 2000, in Docket No. 000768-GU. In Order No. PSC-01-0316-PAA-GU, issued February 5, 2001, the Commission found that the Company's cost of equity capital was 11.5% and that a fair and reasonable overall rate of return for NUI City Gas was 7.88%.

7. The test period for the permanent rates requested in this proceeding is the projected 12-month period ending September 30, 2004. The test period for the requested interim rates is the historical 12-month period ended September 30, 2002.

Request for Proposed Agency Action

8. Section 366.06(4) Florida Statutes, authorizes natural gas utilities subject to the Commission's jurisdiction to elect to have their petitions for rate relief processed under the Commission's procedures governing proposed agency action ("PAA"). City Gas hereby elects to proceed under the Commission's PAA procedures.

9. Generally, when the Commission proceeds under its PAA procedures, parties do not file testimony unless and until the PAA Order is protested and the issues arising from the protest have been set for hearing. However, Rule 25-7.039 requires that prepared direct testimony be submitted at the time a natural gas utility files a petition for rate increase. NUI City Gas is therefore

submitting this Petition with the prefiled testimony of seven witnesses. By the submission of prefiled testimony, the Company does not imply that it believes a protest and hearing will be involved in the disposition of the Petition. In addition, the Company specifically reserves its right to submit additional testimony following the issuance of the PAA Order addressing any and all issues that may be identified in any protest of the PAA Order, including a protest (if applicable) by the Company.

Reasons For Rate Increase

10. The Company's existing rates, as previously approved by the Commission, are insufficient to allow it to realize fair and reasonable compensation for the services provided. Despite the Company's best efforts to control costs, and to increase throughput, the rates established in Docket No. 000768-GU have failed to produce revenues sufficient to provide an adequate return on the Company's investment.

11. City Gas achieved an overall rate of return of 5.41% during the historic base year ended September 30, 2002. Absent rate relief, the overall rate of return is expected to drop to 2.91% for the year ending September 30, 2004. This return denies the Company the financial strength and integrity necessary to undertake capital additions designed to improve the Company's quality of service and extend that service to more customers.

12. Expenses have increased for City Gas in a number of areas. Pension expense has increased due to lower returns on the Company's pension investments; medical benefits costs have increased due to double-digit percentage increases in health care costs; property and liability insurance costs have significantly increased following the events of September 11 and due to increased exposure throughout the business community to the threat of lawsuits; and corporate governance expenses have increased as a result of the Sarbanes-Oxley legislation.

13. Despite aggressive marketing efforts, natural gas throughput has not materialized at the rate projected in the last case. This is due in part to the economic downturn following the events of September 11, and in part to customer response to unusually high and volatile gas costs. As a result, projected increases in numbers of customers and throughput per customer made in the last rate case have simply not occurred.

14. City Gas is increasing its investment in rate base from approximately $106 million in 2001 to approximately $121 million in 2003, and $123.4 million in the projected test year of 2004. Much of this increase comes from normal system expansion activities to support growth in the Company's residential and commercial markets.

15. A corporate reorganization in 2001 resulted in City Gas becoming an operating division of NUI Utilities, Inc., a utility-only subsidiary of NUI. The Company's capital structure in this filing reflects the capital structure of this new company, consisting of 51.5% debt and 48.5% equity.

16. A just and reasonable return on common equity capital for City Gas at this time is 11.25%. Taking into account capitalization proportions and the embedded cost of debt, the Company's weighted average cost of capital is 8.10%. The 11.25% return on equity being requested is 25 basis points lower than the 11.5% currently allowed by the Commission for City Gas, which reflects changes in the capital markets since the time of the Company's last rate case. If interest rates or risk premiums change significantly after the date of filing of this Petition, the Company reserves the right to revise upward its requested return on equity.

17. City Gas requests approval to permanently increase its rates so as to generate total base rate revenues of $48,362,893, representing an increase of $10,489,305. The requested permanent rate increase would permit NUI City Gas to earn a fair and reasonable rate of return of

8.10%, including a return on equity of 11.25%, plus or minus 100 basis points, on a projected average rate base of $123,421,819. In addition to the increase in base rate revenues, the Company is also proposing some changes in its miscellaneous service charges.

18. Simultaneous with the filing of this petition, City Gas is filing minimum filing requirements (MFRs) and proposed rate schedules as required by Commission Rule 25-7.039, Florida Administrative Code. The Company is also filing the prefiled direct testimony and exhibits of A. Mark Abramovic, Richard F. Wall, Daniel J. Nikolich, Gloria L. Lopez, Dr. Roger A. Morin, Jeff Householder, and Thomas Kaufmann. As stated above, by the inclusion of prefiled testimony at this point, the Company does not waive its right to submit additional testimony in the event there is a protest of the PAA Order.

19. The depreciation rates used in this filing are those prescribed in Order No. PSC-99-2505-PAA-GU issued in Docket No. 990229-GU on December 21, 1999. City Gas filed a new depreciation study on March 4, 2003 (Docket No. 030222-GU) and requested that the new rates become effective on October 1, 2003. The Commission's current schedule calls for the issuance of a PAA order in the depreciation docket on October 20, 2003. Once the depreciation rates set in that docket become final, City Gas requests that they be incorporated into the calculation of the required rate increase in this case.

Rate Design and Tariff Changes

20. In order to more fairly recover the cost of service from its various classes of customers, the Company is proposing a significant rate redesign. As proposed, the current residential, commercial and industrial classifications are replaced by 11 volumetric-based rate schedules, without regard to customer type. Under the proposed rate design, there is no distinction between sales and transportation service or between firm and interruptible service.

21. In addition to the changes related to this rate redesign, the proposed tariff includes a number of other changes designed to clarify or simplify existing tariff provisions.

Interim Rate Request

22. City Gas requests that annual revenues be increased by $3,548,987 on an interim basis, to $40,119,838, in accordance with Section 366.071, Florida Statutes. The Revenue Deficiency for the interim increase is calculated on Schedule F-7 of the MFRs, based on an Adjusted Rate Base of $120,131,683, and a Requested Rate of Return of 7.21%, yielding a Net Operating Income ("NOI") Requirement of $8,661,494.

23. The Company's requested interim award has been calculated in accordance with the Commission's policy governing interim awards. Specifically, the calculation of Rate Base, Requested Rate of Return and Adjusted NOI reflect all adjustments required to be consistent with those made by the Commission in City Gas' last rate case (Docket No. 000768-GU), except that adjustments have been updated to reflect the actual amounts for the historical period. The Requested Rate of Return is based on a cost of equity that is at the minimum (100 basis points below the midpoint) of the Company's last authorized rate of return.

24. The Company will allocate the interim increase in accordance with Rule 25-7.040(2)(a), Florida Administrative Code. In filing this request for interim relief, the Company recognizes that any increased collections pursuant to interim relief would be subject to refund, and secured by a corporate undertaking.

WHEREFORE, City Gas requests that the Commission:

(1) Authorize NUI City Gas to recover the proposed interim rates attached hereto on MFR Schedule F-10, by allowing an interim increase of $3,548,987, subject to refund.

(2) Enter its Order on Proposed Agency Action finding that the fair and reasonable rate of return for NUI City Gas should be a weighted average cost of capital of 8.10% (including equity capital at a cost of 11.25%), to be applied to the Company's average rate base of $123,421,819 for the year ending September 30, 2004, to produce base rate revenues of $48,362,893, or an increase of $10,489,305, and finding that the proposed rates attached hereto should become effective on a permanent basis.

(3) Approve Company's proposed rate restructuring and the other proposed changes to its tariff, including changes to its miscellaneous service charges.

(4) Grant to the Company such other and further relief as the Commission may find reasonable and proper.

RESPECTFULLY SUBMITTED this 15th day of August, 2003.

HOPPING GREEN & SAMS

By: _____

Richard D. Melson
Gary V. Perko
P.O. Box 6526
Tallahassee, FL 32314
(850) 425-2313

Attorneys for City Gas Company of Florida

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and twenty copies of the foregoing petition and of five bound volumes containing the prefiled testimony of seven witnesses, the minimum filing requirements, and the proposed tariff, were filed with the Division of Commission Clerk and Administrative Services of the Florida Public Service Commission, and that a true copy was served on the following, this 15th day of August, 2003:

Ralph Jaeger
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

A. MARK ABRAMOVIC

ON BEHALF OF NUI CITY GAS COMPANY OF FLORIDA

DOCKET NO. 030569-GU

AUGUST 2003

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is A. Mark Abramovic. My business address is NUI Corporation, One Elizabethtown Plaza, Union, NJ 07083.

Q. WHAT IS YOUR POSITION WITH NUI?

A. I am Vice President of NUI Utilities, Inc., which includes the Florida operating division, City Gas Company of Florida ("City Gas" or "Company"). I am also Chief Operating Officer and Chief Financial Officer of NUI Corporation, the parent company of NUI Utilities.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I joined NUI Corporation as Senior Vice President and Chief Financial Officer in September 1997. In June 1998, I became Chief Operating Officer, in addition to my role as Chief Financial Officer. In my current position, I have profit/loss responsibility for all of NUI's core revenue-generating business units, including City Gas. In addition, I am responsible for NUI's treasury area, accounting, financial reporting, investor relations, corporate planning and information systems.

Prior to joining NUI, I was Senior Vice President and Chief

Financial Officer at Equitable Resources, Inc. (ERI), where I was involved in reshaping ERI from a regionally-focused utility and exploration and production company into a fully-integrated energy company. Prior to joining ERI, I was Vice President and Chief Financial Officer at Connecticut Natural Gas Corporation. I have held various financial and administrative positions at Consolidated Natural Gas Corporation, including Vice President, Assistant to the Chairman and Corporate Secretary and served as Vice President of Finance for its subsidiary - Peoples Natural Gas Company. I began my career at Mellon Bank as an Internal Auditor.

I have an MBA from the University of Pittsburgh and a BS in Accounting from Penn State University.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will explain generally why the Company is seeking an increase in base rates at this time, and will identify the individuals who are providing detailed support for the rate request. As I do so, I will necessarily address the business environment in which the Company finds itself, and describe the measures we are taking to enable the Company to successfully perform in that environment.

Q. HOW HAS CITY GAS ORGANIZED THE PRESENTATION OF ITS RATE REQUEST?

A. In addition to filing the detailed Minimum Filing Requirements ("MFRs") specified by the Commission's rules, we are filing the testimony of

myself and six other witnesses to explain and support our rate request.

- Richard F. Wall, Director of Utility Operations for NUI Utilities ("NUI"), will provide and support the Company's capital expenditures budget and describe recent operational improvements at City Gas.
- Daniel J. Nikolich, Manager of Planning and Forecasting for NUI, will present the forecast of revenues underlying the test year projections.
- Gloria L. Lopez, Director of Regulatory and Business Affairs for NUI, will sponsor the accounting schedules of the Minimum Filing Requirements and discuss significant O&M considerations.
- Dr. Roger A. Morin, our consultant, will support the authorized return on equity requested by the Company.
- Jeff Householder, our marketing and rate design consultant, will describe the business environment in which the Company operates, support the Company's rate restructuring proposal, and sponsor the cost of service study prepared for this case.
- Thomas Kaufmann, Manager of Rates and Tariffs for NUI, will sponsor the Company's proposed tariff revisions.

Q. PLEASE GIVE A BRIEF OVERVIEW OF CITY GAS.

A. City Gas is an operating division of NUI Utilities, Inc., which has another major operating division in New Jersey. City Gas has approximately 102,000 customers primarily in Miami-Dade, Broward, Palm Beach, St.

Lucie, Indian River and Brevard Counties.

The original business focus of the Company's natural gas distribution system was to serve predominantly residential and small commercial customers in Miami. As a result, today City Gas serves a higher percentage of residential customers than any other natural gas utility in the state. Approximately 96,000, or 94%, of our customer accounts are residential customers.

Q. WHAT IS THE SIZE OF THE RATE INCREASE FOR WHICH CITY GAS SEEKS APPROVAL IN THIS CASE?

A. Using a projected test year ending September 30, 2004, the Company requires a rate increase of $10,489,305 in order to earn a fair return on our investment.

Q. IS CITY GAS ALSO SEEKING INTERIM RATE RELIEF?

A. Yes. Using the Commission's methodology, we have calculated that the Company needs interim relief in the amount of $3,548,987 based on a historical test year ending September 30, 2002. Our calculation of the interim and permanent revenue requirements are addressed in the testimony of Gloria Lopez.

Q. WHY IS CITY GAS REQUESTING RATE RELIEF AT THIS TIME?

A. City Gas, like most businesses, has three fundamental ways to improve its financial performance. The first is to increase sales, in our case the throughput utilization of our pipeline distribution system; the second is to tightly control and reduce expenses; the third is to raise prices, or in

our case, rates. Despite our efforts to increase sales and control our costs, the rates authorized by the Commission in our last rate case have not generated sufficient revenues to provide an adequate return on City Gas' investment. Earnings have eroded to the point that the actual earned rate of return for the Company's most recent reporting period is 2.98%, compared to the range of 7.61% to 8.54% allowed by the Commission in our last rate case. We therefore need to request rate relief at this time to give the Company an opportunity to achieve a fair return on its investment and to give it access to the capital needed to support the needs of the business.

Q. IF THE COMPANY HAS TAKEN STEPS TO INCREASE SALES AND TO CONTROL COSTS, WHY HAVE ITS EARNINGS CONTINUED TO ERODE?

A. The Company's efforts to increase sales and control costs have been hampered by a variety of factors beyond management's control. As Mr. Householder describes in his testimony, the events of September 11 and the general economic downturn have had a major impact on residential, commercial and industrial load in our service territory. Recent high gas prices, coupled with increasing competition from alternate energy sources, have resulted in growth levels lower than we projected in our last rate case.

On the expense side, over the last two years the Company has faced significant increases in pension costs, health care costs, property

and liability insurance costs, and accounting, treasury and corporate governance costs. These increases are not unique to NUI or to the natural gas industry; they are the result of economic conditions and other factors that are affecting businesses in all segments of the economy.

Q. YOU MENTIONED THAT THE FIRST WAY FOR A COMPANY TO IMPROVE ITS FINANCIAL PERFORMANCE IS TO INCREASE SALES. WHAT STEPS HAS CITY GAS TAKEN TO INCREASE SALES?

A. We have taken a number of steps to increase sales:

- The Company has continued to seek out opportunities to expand our system to reach new customers when it is cost-effective to do so. These projects must meet stringent internal criteria to ensure the capital is spent prudently. These system expansions and extensions have increased the Company's rate base from approximately $106 million in 2001 to approximately $121 million in 2003. Our capital budget for 2004 includes $12.6 in new investment in distribution facilities, of which approximately $7.9 million is targeted to support specific residential, commercial and industrial growth opportunities. Mr. Wall provides more detail on these capital projects.
- The Company is actively seeking to add customers in the commercial and industrial sectors in order to reduce its reliance on

the residential customer segment. To this end, we have promoted unbundling of transportation service in Florida in order to provide our industrial and commercial customers with increased options that should increase the throughput on our system. At the same time, we are pursuing opportunities for residential customer growth in those segments of the new housing market which present the best margin-generating potential.

- The Company is continuing to work to improve the retention of residential customers by improving our customer service and developing programs to better communicate the advantages of natural gas. Management has recognized the need to make capital investments in customer support systems to maintain and improve the quality of service provided to our customers. In this regard, Mr. Wall describes projects such as the recently completed upgrade to our Interactive Voice Response system and the NUI Utilities' $6 million budget for 2004 to begin work on a new billing and customer information system.

Q. WHAT OTHER STEPS IS THE COMPANY TAKING TO RETAIN CUSTOMERS AND INCREASE SALES?

A. City Gas is operating in an increasingly competitive market, and faces competition from other energy sources such as propane and electricity in many of its high margin customer segments. In an effort to position City Gas to retain existing customers and to attract new high value

customers, the Company is proposing some significant rate structure changes in this case. The major change is to increase the stratification in the customer rate classes while eliminating distinctions between residential, commercial, and industrial customers with similar usage. This change will allow the Company to more accurately reflect the cost of service, thereby minimizing subsidies between and within customer classes. In addition, as Mr. Householder describes in more detail, the Company also considered the need to respond to competition from other energy sources in developing the proposed rates. The proposed rate structure changes should help improve our residential customer retention and minimize the number of industrial and commercial customers that are motivated to bypass the Company's system or switch to alternate fuels.

Q. YOU MENTIONED THAT OVER 94% PERCENT OF CITY GAS' CUSTOMER BASE CONSISTS OF RESIDENTIAL CUSTOMERS. WHAT IMPLICATIONS DOES THAT HAVE FOR THE COMPANY'S BUSINESS?

A. Our high percentage of residential customers presents some unique challenges. The profit margins from service to residential customers are thin. The cost to serve is high, with meter reading, billing, and collection costs sometimes exceeding margins for low usage customers. While residential customers represent 94% of our accounts, today they provide only 48% of the Company's base rate revenues.

Further, the nature of many of our residential neighborhoods has resulted in relatively high levels of customer attrition. Older neighborhoods in Miami that have been served by City Gas for thirty years or more often have aging appliances and many are changing from owner-occupied to rental neighborhoods. When an appliance fails, and the owner or landlord chooses not to invest in more expensive (and more efficient) gas appliances, we lose customers, and in turn bear the heavy expense of cutting and capping discontinued services. This means that the Company needs to focus on adding high value customers while at the same time taking steps to reduce the rate of attrition in our older service areas.

Q. WHAT DO YOU MEAN BY ADDING HIGH VALUE CUSTOMERS?

A. In general it means adding customers with more than a minimal level of natural gas usage. For example, residential customers in the new housing market who have multiple gas appliances (e.g. water heater, range, dryer and possibly space heating) produce higher margins than single-appliance customers, and are also less likely to leave our system if a single appliance fails. Thus it makes sense to focus our expansion efforts in geographic areas with this type of residential development, particularly if the extension necessary to provide service runs along a commercial corridor and offers the opportunity to add commercial loads.

In addition, the Company must also focus on capturing a greater share of the industrial market. We believe that over time adding

industrial customers will improve and diversify the Company's revenue base. Our recent efforts to add industrial load have been hindered by the general economic downturn, which has caused industrial customers to cancel or delay capital projects, and by the volatility in natural gas prices, which has resulted in customer reluctance to switch to natural gas. Nevertheless, we believe that the Palm Beach distribution expansion which was substantially completed in 2001 has positioned the Company to increase our industrial customer base as the economy rebounds, particularly if natural gas prices begin to stabilize.

Q. HOW IS THE COMPANY APPROACHING MARKETING EFFORTS IN THE RESIDENTIAL AND COMMERCIAL MARKETS?

A. Despite the challenges they present, the residential and commercial markets are still our core customers. Competition for these customers is more intense than ever, especially among propane retailers and electric utilities. We thus have the incentive to find ways to improve our service to these customers and to enhance our marketing and customer education efforts. Mr. Wall will describe changes in our operations and customer care activities that are designed to provide better service and promote better communication with our customers and Mr. Householder will describe the Company's efforts to develop the residential and commercial markets within our distribution system.

Q. WILL THE PROPOSED RATE DESIGN ASSIST IN RESIDENTIAL CUSTOMER RETENTION?

A. Yes it should. The proposed rate design described by Mr. Householder, in which our very small residential customers – typically those with a single gas appliance – will pay a lower customer charge than higher volume customers should help reduce residential customer attrition and improve sales to this important class of customers.

Q. YOU STATED THAT THE SECOND WAY FOR THE COMPANY TO ENHANCE ITS FINANCIAL PERFORMANCE IS TO REDUCE EXPENSES. HOW HAS CITY GAS ATTEMPTED TO CONTROL ITS COSTS OF DOING BUSINESS SINCE THE LAST RATE CASE?

A. The last few years have presented a significant challenge for our cost control efforts. Mr. Wall describes a number of activities, such as the upcoming implementation of a Field Force Automation system, the recent upgrade of the Integrated Voice Response system in our customer care department, and improvements in our union labor contracts which will help us reduce costs while at the same time improving the quality of our customer service.

Nevertheless, we have faced significant increases in expenses due to a variety of external factors. Pension expense has risen sharply as the downturn in the financial markets has reduced the earnings on our pension investments and increased the Company's current funding requirements. For example, at the NUI Corporation level, we have experienced approximately an $8.6 million increase in pension costs over two years, from a $4.2 million pension credit in 2001 to an

estimated $4.4 pension expense in 2003. Medical benefits costs have increased substantially due to double-digit cost increases in the health care industry. Although we have increased deductibles and co-pays, and have passed a portion of these costs on to our employees by increasing their required contribution toward health insurance premiums, there is a limit to how much we can pass on and still offer a competitive benefits package.

Property and liability insurance costs have increased dramatically, both in response to the events of September 11 and due to increased exposure throughout the business community to threats of lawsuits. Although we have increased deductibles, premiums have still soared. Accounting and corporate governance costs have also increased significantly as the Company responds to the new requirements of the Sarbanes-Oxley legislation. We have undertaken a costly review of internal control procedures and made substantial expenditures to separate cash management activities (such as bank accounts and credit facilities) for NUI Corporation's regulated and unregulated businesses. On-going compliance activities will require greater staffing of accounting and financial personnel. In addition, in the future our outside accountants will have to conduct an annual audit of internal controls in addition to the normal annual financial audit. This will effectively double our outside accounting and auditing costs.

Q. FROM A STRATEGIC POINT OF VIEW, WHAT STEPS IS NUI

TAKING TO MORE EFFECTIVELY MANAGE ITS UTILITY BUSINESS?

A. NUI Corporation recently announced its intention to exit certain of its more risky, unregulated lines of business, including plans to sell its telecommunications subsidiary and its billing and customer information systems and services unit. This will support NUI's business strategy of more narrowly focusing on its core business activities, including the regulated utility operations of City Gas and other divisions of NUI Utilities, and the building of strategic gas storage facilities. Over time, this divestiture will likely lead to some changes in corporate structure, although it is too early to predict exactly what these changes will entail or when they may be completed. We will keep the Commission informed as the divestitures proceed and the business plans for the remaining operations are solidified.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Over the past several years, the Company has experienced the effects increasing competition, high and volatile natural gas prices, residential customer attrition, a weak economy, and unprecedented increases in a number of major expense categories due to the effects of external factors. Despite our best efforts to control costs and pursue growth opportunities, these factors have significantly eroded the Company's earnings. This necessitates a rate increase in order to give the Company an opportunity to earn a fair return on its investment and give

it the strength to make the continued investments necessary to support future growth.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY AND EXHIBITS OF

RICHARD F. WALL

ON BEHALF OF CITY GAS COMPANY OF FLORIDA

DOCKET NO. 030569-GU

August 2003

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard F. Wall. My business address is 955 East 25th Street, Hialeah, Florida 33013-3498.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Director of Utility Operations for NUI Utilities, Inc., d/b/a City Gas Company of Florida.

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND WORK EXPERIENCE.

A. I began working for City Gas in 1979. Since that time I have been employed in various capacities, including the installation and service of gas equipment and systems, and the inspection of installations of gas and distribution lines. I have also held the positions of Measurement Superintendent; General Manager of Operations; and Assistant Vice President and General Manager of Operations. In 1989, I assumed the position of Vice President of Operations for City Gas. In 1995, I became the Vice President of Operations of NUI's Southern Division. With the elimination of the Southern Division in 1999, I assumed my present position as Director of Utility Operations for NUI Utilities, Inc.

My education in the natural gas business includes specialized courses in areas such as Distribution, Regulation, Corrosion Control, Natural Gas Distribution Systems, and Measurement & Engineering conducted by the ASME & Institute of Gas Technology, the Southern Natural Gas Association, the American Gas Association and other professional industry groups. I am a GRI (Gas Research Institute) Technical Advisor. I am also a past President of the Florida Natural Gas Association, serving the association and industry in this capacity from June of 2001 through June of 2003. I formerly sat on the Licensing and Examination Board of Miami-Dade County. I hold master gas licenses in Miami-Dade and Broward Counties, and serve as the Company's qualifying agent for utility permitting and construction.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am sponsoring certain MFR schedules related to the Company's assets and capital budget. I will describe several changes made by the Company to streamline operations, control costs, and improve customer service. I will also discuss the major items in the Company's capital budget for fiscal 2003 and 2004, and how those capital investments are designed to expand our customer base and improve the distribution system.

Q. DO YOU HAVE ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. Exhibit No. ___ (RW-1) is the list of MFR schedules I am sponsoring. Exhibit No. ____ (RW-2) summarizes our actual and projected capital expenditures for the years ending September 30, 2003 and 2004, and Exhibit No. ___ (RW-3) consists of divisional maps showing where our system is being expanded to reach additional customers.

OPERATIONAL IMPROVEMENTS

Q. PLEASE BEGIN BY SUMMARIZING THE OPERATIONAL IMPROVEMENTS AND COST SAVINGS MEASURES THAT HAVE BEEN IMPLEMENTED BY NUI CITY GAS SINCE THE LAST RATE CASE.

A. Since the last rate case, the Company has undertaken a number of significant projects or initiatives to improve its overall operational performance, its financial performance, and its service to customers. These are: the implementation of a Field Force Automation system to more efficiently manage our workforce; the implementation of a new Interactive Voice Response system to improve the quality of our customer service; the implementation of new processes, procedures and training for our customer service representatives; the relocation of our customer call center; and the negotiation of an improved labor contract with the Company's unionized labor force.

Field Force Automation

Q. PLEASE DESCRIBE THE FIELD FORCE AUTOMATION SYSTEM.

A. The Field Force Automation (FFA) system is a computerized, wireless workload management and information system. The system will provide our field workers with real-time, remote access to our existing Customer Information System (CIS). This means that field workers will be able to access customer account information directly and will be able to update company records to reflect the services they have performed and equipment they have installed on a real-time basis. In addition, field vehicles will be equipped with computers and automatic vehicle locator

(AVL) units to allow tracking of vehicle locations at all times. This will improve the Company's ability to dispatch employees efficiently and will provide various management reporting capabilities.

Q. HOW WILL THE FIELD FORCE AUTOMATION SYSTEM IMPROVE OPERATIONAL EFFICIENCY AND CUSTOMER SERVICE?

A. The FFA system will improve operational efficiency and customer service in several ways:

1. When our field technicians complete a service order or work order, they will be able to enter the details regarding that job into their field terminal. This information will automatically flow into the Company's customer information system, updating customer records and generating any necessary charges on the customer's bill. This will improve work force productivity by eliminating the need for field technicians to manually create paper records which then must be handed off to data entry personnel to update the CIS. Having the field technician update the CIS in real-time will eliminate delays or backlogs in record updates and will reduce the opportunity for data entry errors. In addition, field technicians will have full access to the customer and facilities data needed to perform their jobs and to respond to customers' questions.

2. By enabling dispatch personnel to track vehicle location and monitor job status in real time, the system will enable the Company to optimize the routing and dispatch of the field technicians and will support home-based technician deployment. In the case of a gas leak or other emergency, for example, the Company will be able to identify the closest personnel and dispatch them to respond to the situation. In addition,

customer satisfaction will be improved because Customer Service Representatives (CSRs) will have access to the information needed to answer customer questions about the status of a customer's service order, including a field technician's estimated arrival time at the customer premises. In some instances, access to this type of real-time information will enable CSRs to schedule same day service.

3. The system's reporting and vehicle tracking capabilities will provide management with the tools necessary to more efficiently deploy the Company's work force and to analyze overall employee performance.

Q. WHAT IS THE SCHEDULE FOR THE FFA SYSTEM IMPLEMENTATION?

A. NUI Utilities began exploring FFA system options in October 2001. The system will become operational in New Jersey in August 2003 and is scheduled for implementation in Florida in October to November of this year.

Interactive Voice Response System

Q. PLEASE DESCRIBE THE COMPANY'S INTERACTIVE VOICE RESPONSE PROJECT.

A. An Interactive Voice Response (IVR) system is an automated system which allows customers to use the telephone to obtain information from the Company or to complete certain types of transactions without the need to talk to a live Customer Service Representative (CSR). The Company has had an IVR for many years. This original IVR system required customers to press numbers on their telephone key-pad, offered a limited number of menu options, and resulted in most customers "zeroing out" to talk to a CSR.

The current IVR project began in June 2001, when the Company's

management team concluded that the Company could significantly improve customer service and achieve greater operational efficiencies with an upgraded system that would be easier to use and provide options to complete a greater number of transactions. Between 2001 and 2003, we conducted a thorough investigation of the company's needs and technology options and concluded that it was not practical to try to upgrade the existing system, which was based on an older generation of technology and was not capable of being modified to provide all the desired functionality. We researched available equipment, interviewed vendors, and planned, designed and tested the system.

Q. HOW DOES THE NEW IVR SYSTEM DIFFER FROM THE PREVIOUS SYSTEM?

A. The new system IVR system differs from the previous system in two major ways: it is voice-actuated, so that a customer responds to prompts by speaking to the system rather than entering numbers on his or her telephone key-pad, and it adds a number of new menu options which allow customers to complete many more types of routine transactions on an automated basis.

Under the old system, a customer could access account information and could enter meter readings in specific situations. The new system provides much better functionality, including: access to more account information, expanded ability to enter meter readings, "cancel and re-bill" capability following entry of a meter reading, the ability to make payments by credit card or electronic check, short-cuts for repeat callers, and automatic transfers of certain types of transactions directly to a CSR.

The system also includes other user-friendly features. For example, if the customer is calling from the phone number listed in the Company's records, his account data is retrieved automatically using Caller I.D. information. If the customer "zeros-out" to reach a CSR, his account information automatically appears on the CSR's terminal so that the customer does not have to provide his account number a second time.

Q. WHAT BENEFITS DOES THE NEW IVR SYSTEM PROVIDE TO THE COMPANY AND ITS CUSTOMERS?

A. The system benefits customers in two ways. First, it enables customers to handle many more types of routine service inquiries and requests without the intervention of a CSR. Second, by reducing the number of calls that reach a CSR, the system gives the CSRs more time to deal with non-routine inquiries and improves the quality of the customer contact.

Q. WHAT IS THE CURRENT STATUS OF THE NEW IVR SYSTEM?

A. The new IVR system was placed in operation in April 2003 and Spanish language capability is scheduled to be added in October 2003. Initial customer response to the new voice-actuated system has been very positive. After just a few months the new system is handling about 32% of customer calls on a completely automated basis, compared to approximately 18% of calls that were handled on a completely or partially automated basis under the previous system.

Customer Service Improvements

Q. WHAT OTHER STEPS IS THE COMPANY TAKING TO IMPROVE ITS QUALITY OF SERVICE?

A. After careful research, we identified several key areas where specific

changes to processes, procedures and communications could help us improve the quality of our customer service. They include: (1) providing new and more flexible customer service offerings, (2) improving the training of our CSRs, (3) implementing quality assurance programs and standards, and (4) improving customer communications.

To address the first three items, we identified several core areas of customer interactions where updated and more flexible procedures would enable us to better meet customer needs. These core service areas include the handling of turn-ons, turn-offs, high bill and estimated bill complaints, and requests for meter relocations. To address these core service areas, we met with all departments that will be impacted by the changes, established new policies and procedures (which include specific performance metrics) for handling each of these customer-requested services, and the formalized points of interaction between the call center, field personnel and the customer. For example, services that require the customer to be at home will now be offered during early morning and early evening hours to accommodate customers who work during the day, and turn-on intervals have been shortened so that customers can generally receive same-day or next-day service.

We are currently in the process of developing and documenting specific training modules for each core service offering. These training modules are designed to give our CSRs a basic understanding of the natural gas industry, a thorough understanding of the Company's policies and procedures, the ability to communicate to customers the factors that affect their bills, the steps to follow to trouble-shoot customers' problems,

and a stronger foundation for future training. These training improvements will give our CSRs the tools not only to answer basic questions from customers, but also to provide comprehensive answers that effectively respond to customers' needs and efficiently resolve customer problems. For example, training will focus on the goal of providing "first-call resolution" of high bill complaints, and will give CSRs the skills and resources needed to meet that goal.

We are also in the process of developing quality assurance standards that will be implemented upon the completion of each module of training.

Q. HOW ARE YOU ADDRESSING THE AREA OF IMPROVED CUSTOMER COMMUNICATIONS?

A. We have identified a need to improve customer communications to help retain customers on our system and to support our marketing efforts. We are planning to use a number of tools to improve communications, educate customers on the value of natural gas, and highlight specific service offerings and programs that can benefit the consumer. This will be accomplished through more frequent use of bill inserts and the use of new communications pathways, such as direct mailings and on-hold messaging. We expect that our improved customer communication and education plan will help improve customer retention and customer growth in the residential, commercial and industrial customer segments.

Q. WHY IS IT IMPORTANT TO IMPROVE CUSTOMER RETENTION?

A. The loss of a customer not only results in a loss of margin to the utility, it also imposes costs for meter removal and for cutting and capping the

customer's service line. By taking steps to minimize customer attrition, the Company preserves existing margin and eliminates the costs associated with customer disconnections.

Call Center Relocation

Q. PLEASE DESCRIBE THE RELOCATION OF THE COMPANY'S CALL CENTER.

A. In 2000, NUI Utilities consolidated its call center operations for both the Florida and New Jersey systems in Miami. With the upcoming expiration of our lease on the space occupied by the call center, we set out to relocate the call center operation into a more efficient space in the Miami headquarters building. A limited amount of remodeling and other departmental staff adjustments were required to accommodate this move. Engineering design and permitting began in February 2003, remodeling began in August, and the relocation is scheduled to be completed in October 2003.

Once completed, the new center will house approximately 65 employees associated with call center operations in various capacities including customer service, quality assurance, training and collections. The relocation is expected to result in approximately $81,000 in annual lease expense savings for the combined Florida and New Jersey operation, a proportionate share of which will be allocated to City Gas. The intangible benefits from this move include an improved and more secure work environment, opportunity for greater employee interaction with other work groups, improved communications, and productivity enhancements.

Labor Contract Improvements

Q. PLEASE DESCRIBE THE LABOR CONTRACT IMPROVEMENTS THAT HAVE BEEN NEGOTIATED SINCE THE LAST RATE CASE.

A. In April 2001 the company entered into new contracts with all of its unionized labor force. These new contracts significantly differed from the Company's previous labor contracts in that they merged a large part of the union employee benefit plans into the same plans as the non-union work force. In exchange for providing a higher level of benefits, the Company was able to negotiate several significant operating changes that have resulted in increased productivity and provide the opportunity to minimize operating costs.

One significant change involves the implementation of performance evaluations for union employees, which enables the company to award merit based raises based on each employee's individual contribution toward meeting pre-set goals. Another significant change gives the Company the ability to sub-contract any activities that it can demonstrate can no longer be performed cost-effectively with internal labor forces. These changes have given the Company increased flexibility, controlled operating costs, and helped the Company to ensure that customer needs and expectations are met in a timely manner.

Additionally, the union employees who perform services for the non-regulated appliance business were moved to a separate labor contract, further separating the regulated and non-regulated businesses. This separation in the union labor force simplifies day-to-day management and eliminates the risk that labor-management issues related to non-

regulated activities will impact the utility's regulated operations.

Summary

Q. PLEASE EXPLAIN HOW THESE VARIOUS OPERATIONAL IMPROVEMENTS HAVE HELPED TO MITIGATE THE NEED FOR A RATE INCREASE.

A. Although it is difficult to quantify specific cost savings, all of these activities have been designed to allow the Company to operate more efficiently or to improve the quality of its customer service. In the long run, these efficiency improvements will enable the Company to reduce growth in the workforce while providing better customer experiences that should aid in customer retention.

CAPITAL PROJECTS

Q. PLEASE EXPLAIN THE COMPANY'S CAPITAL BUDGETING PROCESS.

A. NUI has established procedures to ensure a proper assessment of the financial and strategic feasibility of each proposed capital project. With regard to City Gas, the procedure requires compliance with its Commission-approved expansion tariff, in addition to the Company's requirements. The process imposes a discipline on the entire sales and construction functions that is reflected in the establishment of marketing goals and capital spending budgets.

Q. PLEASE DESCRIBE THE REQUIRED ANALYSIS OF PROPOSED EXTENSIONS.

A. Using a financial feasibility model developed for the purpose, the Marketing and Engineering departments examine a proposed extension

to determine whether, on a net present value basis, the return to be derived from the project meets or exceeds the Company's incremental cost of capital. If a project can reasonably be expected to earn its cost of capital, it is submitted to the Divisional Manager and Regional Sales manager for their review and capital spending approval. Projects with costs of $150,000 or more are submitted to the Director of Operations for capital spending approval. Projects in excess of $250,000 also require the approval of the Vice President of Distribution Services or the Treasurer. Division Managers are then held accountable to hold the project construction costs to the approved expenditure level used in the model.

Q. DOES CITY GAS HAVE DIRECT BUDGET RESPONSIBILITY FOR ALL OF THE CAPITAL PROJECTS THAT AFFECT ITS RATE BASE?

A. No. City Gas has direct budget responsibility for distribution system expansion and improvement projects and for other items that relate specifically to Florida operations. However, NUI Corporation has budget responsibility for capital investments at the corporate level that support utility operations in Florida and other states. These items are identified in this case as NUIHQ Common Plant, and an appropriate portion of the investment, accumulated depreciation, and associated depreciation expense is allocated to City Gas by adjustment.

Q. WHAT IS THE COMPANY'S PLANNED SPENDING FOR CAPITAL PROJECTS FOR FISCAL YEARS 2003 AND 2004?

A. In fiscal 2003, the Company expects to spend $9,100,000 on expansion and system improvement projects in our five operating territories or

divisions -- Miami, Palm Beach, Port St. Lucie, Vero and Brevard County. In addition, City Gas expects to receive an allocation of approximately $319,000 for corporate capital additions in 2003 (Common Plant) that benefit City Gas.

In the projected test year (fiscal 2004), we project direct capital expenditures of approximately $12,600,000 for our Florida operations. We also expect to receive an allocation for City Gas' share ($3,400,000) of 2004 corporate capital spending for Common Plant.

These capital expenditure estimates, by division and type of project, and including our share of new Common Plant, are shown on Exhibit No. ____ (RW-2).

Q. PLEASE DESCRIBE CITY GAS' CAPITAL BUDGET FOR FISCAL 2003.

A. City Gas originally budgeted $10,240,000 for expansion and system improvement projects for 2003. These expenditures fall into three major categories of spending: New Business, System Improvements and Other Expenditures. Since the date of the original budget, several projects totaling approximately $1.1 million have been delayed or eliminated, resulting in the current estimate of $9,100,000 of capital investment for fiscal 2003. Exhibit ___ (RW-2) shows both the original 2003 budget and the current 2003 estimate by division and type of project.

Q. WHAT CAPITAL PROJECTS ARE INCLUDED IN THE ESTIMATED EXPENDITURES FOR 2004?

A. The test year capital budget of approximately $12,600,000 covers New Business, System Improvements and Other Expenditures for the Company's five operating divisions or territories.

The New Business total for fiscal 2004 is approximately $7,930,000. This portion of the budget identifies and captures all new margin-generating capital investment, including costs related to addition of residential, commercial and industrial customers, as well as specific system expansions that are undertaken in order to generate added customers and margin. The approximately $7,930,000 of planned spending for New Business is projected to add a total of 3,925 customers and breaks down as follows:

- The Miami division plans to spend approximately $2,617,000;
- The West Palm Beach operation plans to spend $415,000;
- The Port St. Lucie division will spend about $1,688,000;
- The Vero Beach territory plans to spend approximately $854,000; and
- The Brevard division plans to spend $2,356,000.

The maps attached to my testimony as Exhibit ___ (RW-3) show the specific areas in which system expansion has occurred since the last rate case and where further expansion is planned for fiscal 2004.

Q. PLEASE DESCRIBE THE SYSTEM IMPROVEMENT PORTION OF THE 2004 CAPITAL SPENDING PLAN.

A. The System Improvement total for the 2004 test year is approximately $3,547,000. The bulk of the spending in this category, about $2,332,000, is planned for the Miami division. This category includes a variety of types of projects, including compliance-related work such as our galvanized pipe replacement program, main and service replacements, gate and regulator station renovations, meter and regulator replacements, telemetry

improvements, and highway and municipal relocations of mains and services. See Exhibit No. _____ (RW-2) for detail on proposed system improvement expenditures by division.

Q. WHAT IS INCLUDED IN THE OTHER EXPENDITURES PORTION OF THE TEST YEAR CAPITAL BUDGET?

A. The Other Expenditures budget for fiscal 2003 is approximately $1,107,000. This portion of our budget includes all plant and property, general offices, automobiles and trucks, communications equipment, and tools and equipment capital needs of the divisions. For a detail of spending by divisions, see Exhibit No. ___ (RW-2).

Q. ARE THERE ANY OTHER CAPITAL COSTS FOR 2003 AND 2004 THAT ARE NOT INCLUDED IN THE CAPITAL BUDGET YOU JUST DESCRIBED?

A. Yes. As I described above, City Gas expects to receive an allocation of Common Plant investment made at the NUI corporate level of approximately $319,000 in 2003 and $3,400,000 in 2004. The major projects in 2003 include the upgrade to NUI's PeopleSoft accounting system, the first phase of a disaster recovery project approved by the NUI board in the aftermath of September 11, and spending on desktop and laptop computers.

For 2004, there are several major projects that are included in the capital budget at the NUI corporate level. These include the first stage of development of a new billing system for the entire utility, continuing work on the company's disaster recovery project, a treasury automation and integration project, and a variety of information technology upgrades. A

portion of the costs for these projects will be allocated to City Gas. In addition, we will be directly assigned the costs for development of a work order management system being designed for City Gas.

Q. PLEASE DESCRIBE THE BILLING SYSTEM PROJECT.

A. The billing system project is a multi-year project to replace the existing system that supports billing and other functions in a legacy mainframe environment. The project will include the purchase of a billing system and other software packages to replace the current customer information and work scheduling systems. This project is needed because the existing system is technologically obsolete, uses an antiquated database format, and no longer supports the business needs of the utility. Changes in the business and regulatory environment such as deregulation, unbundling of services, and other factors have been difficult or impossible to implement in the existing system, resulting in use of separate software applications or manual processes. Further, an internal audit revealed that the current system lacks adequate security and control procedures. New billing system architectures are more flexible, can support multifaceted reporting, are more user friendly for employees and allow for better controlled integration to other systems. Finally, a single outside consultant supports the existing system and continued support cannot be guaranteed.

This project is budgeted at $6,000,000 in capital during fiscal 2004, with further investment expected in 2005. Approximately $1,680,000 of the 2004 cost will be allocated to City Gas as Common Plant.

Q. PLEASE DESCRIBE THE DISASTER RECOVERY PROJECT.

A. The disaster recovery project is a corporate-wide planning activity

designed to ensure the continued operation of critical business activities in the event of a disaster. One portion of the project is a systems recovery plan to provide data backup capability for financial and other mission critical systems. This multi-phase plan includes establishing a secondary site that can restore critical data on machines at a remote location outside the data center. This project accounts for approximately $646,000 of Common Plant costs to be allocated to City Gas in 2004.

Q. PLEASE DESCRIBE THE WORK ORDER MANAGEMENT SYSTEM PROJECT THAT IS BEING DEVELOPED FOR CITY GAS.

A. This project involves the purchase of new software and related hardware to support work order management activities in all Florida divisions. The new system will serve 25 users in engineering, distribution and support services and will replace the current system, which is a combination of in-house developed database files and manual processes. The current system is not integrated and in many cases double entry work is required. This causes difficulty in entering, extracting, reporting and managing information for the construction of new gas facilities and the maintenance of existing facilities and equipment. The total cost for this project, which will be completed in 2004, is approximately $110,000.

Q. MR. HOUSEHOLDER HAS PROPOSED A NUMBER OF CHANGES IN THE COMPANY'S MISCELLANEOUS CHARGES. DID YOU PREPARE THE COST ESTIMATES THAT WERE USED TO DEVELOP THOSE CHARGES?

A. Yes, those estimates are shown on MFR Schedule E-3.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

List of MFR Schedules Sponsored

Schedule	Title
B5, p. 1	Allocation of common plant
B5, p. 2	Detail of common plant
B5, p. 3	Detail of common plant
B8	CWIP
C6	Allocation of expenses
C19	Allocation of depreciation/amortization - common plant
E3, p. 1	Cost of connections/reconnections
E3, p. 2	Cost of connections/reconnections
E3, p. 3	Cost of connections/reconnections
E3, p. 4	Cost of connections/reconnections
E3, p. 5	Cost of connections/reconnections
E3, p. 6	Cost of name/address change
E3, p. 7	Cost of temporary disconnect per customer request
E7	Cost of meter set
E8	Cost of derivation of facilities
G1, p. 15	Common plant, base + 1
G1, p. 16	Common plant, detail, base + 1
G1, p. 17	Common plant, detail, base + 1
G1, p. 18	Common plant, projected
G1, p. 19	Common plant, detail, projected
G1, p. 20	Common plant, detail, projected

G1, p. 21	Accumulated depreciation common plant, base + 1
G1, p. 22	Accumulated depreciation common plant, projected
G1, p. 23	CWIP budget, base yr +1
G1, p. 24	Plant additions, base + 1
G1, p. 25	Plant retirements, base +1
G1, p. 26	CWIP budget, projected
G1, p. 27	Plant additions, base +1
G1, p. 28	Plant retirements, base +1
G2, p. 25	Depreciation expense - common plant, base +1
G2, p. 28	Depreciation expense - common plant, projected
I1	Interruptions
I2, p. 1	Rule Violations
I3 (a), p. 1	Meter testing
I3 (b), p. 1-66	Meter testing
I3 (c), p. 1	Meter testing
I4, p. 1	Vehicle allocation
I4, p. 2	Vehicle allocation
I4, p. 3	Vehicle allocation
I4, p. 4	Vehicle allocation
I4, p. 5	Vehicle allocation
I4, p. 6	Vehicle allocation
I4, p. 7	Vehicle allocation

Exhibit _____ (RW-2)
City Gas Company of Florida
Docket No. 030569-GU

CITY GAS COMPANY OF FLORIDA
CAPITAL BUDGET

	Budget FY 2003	Forecast FY 2003	Budget FY 2004
Miami Division			
New Business	3,492,325	2,210,951	2,617,612
System Improvement	1,547,100	1,484,100	2,331,600
Other	233,000	610,000	410,000
Subtotal	**5,272,425**	**4,305,051**	**5,359,212**
Brevard Division			
New Business	2,237,377	2,224,387	2,355,582
System Improvement	327,500	916,328	646,870
Other	219,050	207,396	537,900
Subtotal	**2,783,927**	**3,348,111**	**3,540,352**
PSL Division			
New Business	964,446	919,458	1,688,150
System Improvement	75,000	60,010	126,275
Other	60,050	16,000	106,600
Subtotal	**1,099,496**	**995,468**	**1,921,025**
Vero Division			
New Business	618,289	-	853,958
System Improvement	31,600	-	19,149
Other	5,000	-	52,300
Subtotal	**654,889**	**-**	**925,407**
Palm Beach Division			
New Business	339,564	339,564	414,416
System Improvement	90,000	90,000	424,000
Other	-	-	-
Subtotal	**429,564**	**429,564**	**838,416**
Consolidated			
New Business	7,652,000	5,694,360	7,929,718
System Improvement	2,071,200	2,550,438	3,547,894
Other	517,100	833,396	1,106,800
Subtotal	**10,240,300**	**9,078,194**	**12,584,412**
NUI Headquarters (City Gas Share)	**314,367**	**318,906**	**3,400,048**
Total	**10,554,667**	**9,397,100**	**15,984,460**

NUI CITY GAS COMPANY OF FLORIDA
MIAMI DIVISION

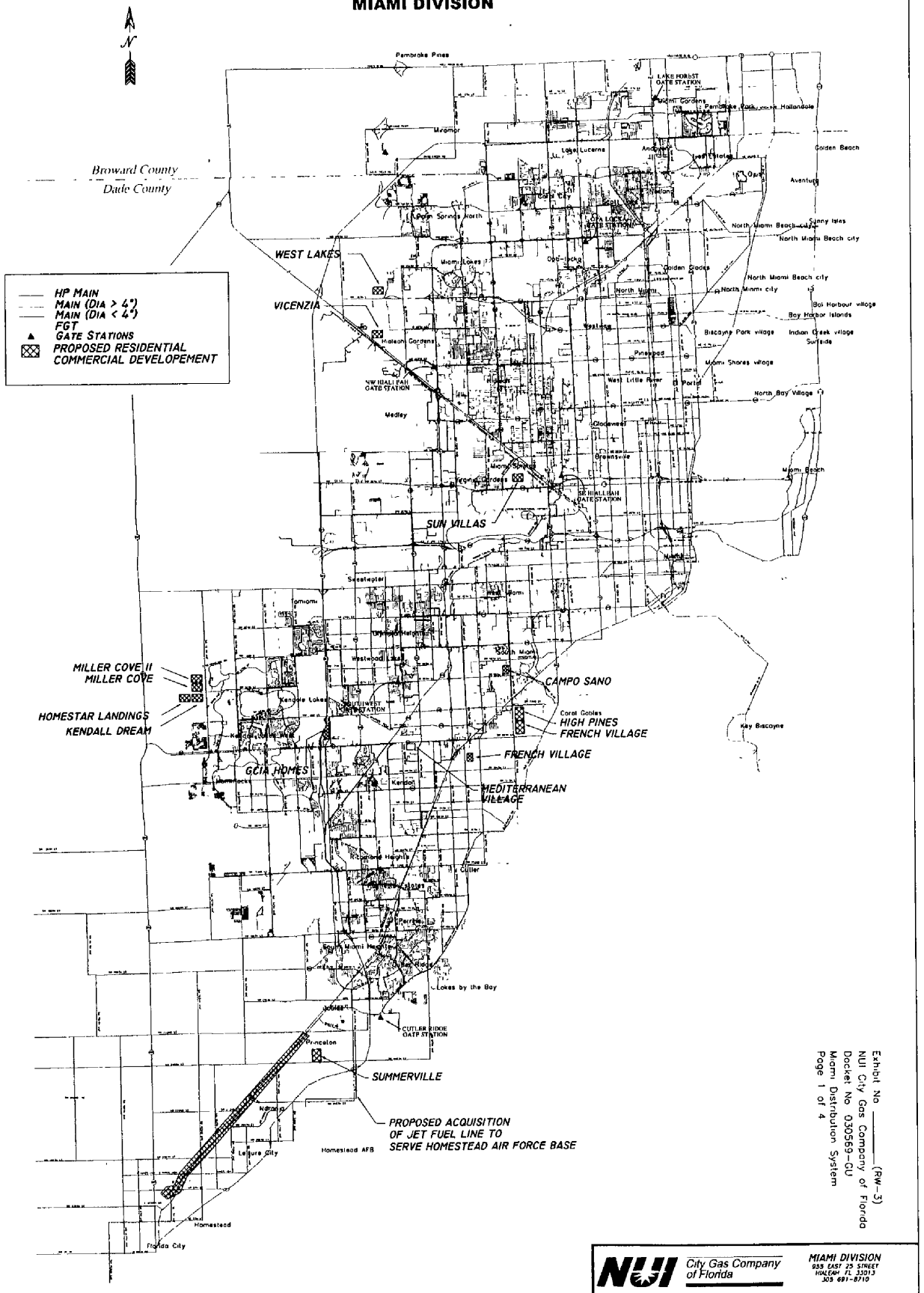


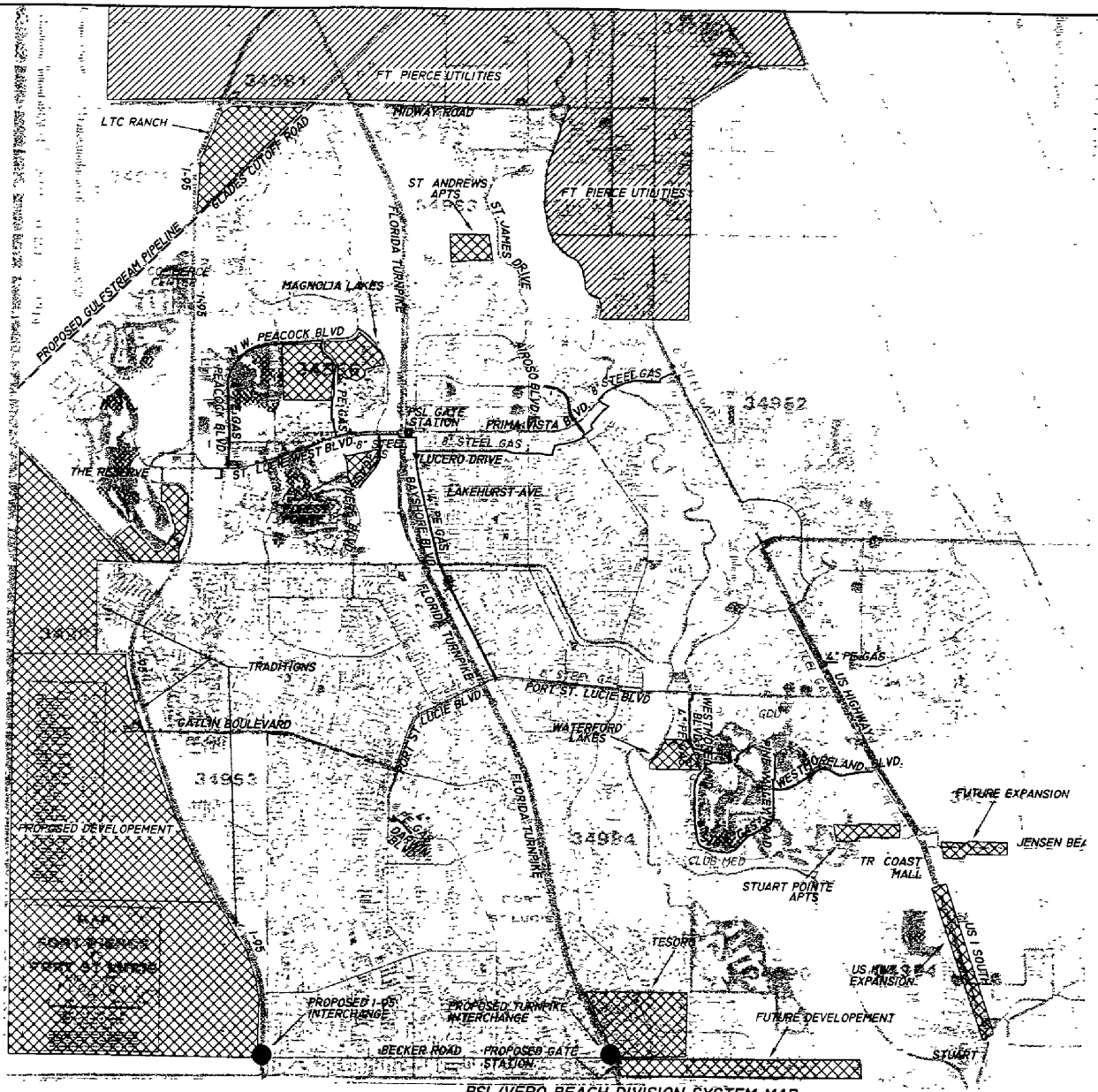
Exhibit No _____ (RW-3)
NUI City Gas Company of Florida
Docket No 030569-GU
Miami Distribution System
Page 1 of 4

NUI City Gas Company of Florida

MIAMI DIVISION
955 EAST 25 STREET
HIALEAH FL 33013
305 691-8710

NEVER UNDERESTIMATE INITIATIVE

Exhibit No _____ (RW-3)
City Gas Company of Florida
Docket No 030569-GU
Port St Lucie Distribution System
Page 2 of 4



LEGEND

- 4" HP STEEL MAIN FGT ACQUISITION
- 8" H P STEEL GAS
- 4" PE GAS
- 6" STEEL GAS
- 4" STEEL GAS
- 4" PE GAS
- PROPOSED RESIDENTIAL COMMERCIAL DEVELOPEMENT
- FORT PIERCE UTILITIES (NEIGHBORING UTILITY)

PSL/VERO BEACH DIVISION SYSTEM MAP
PORT ST. LUCIE
PAGE 2

7-31-03

NUI CITY GAS COMPANY OF FLORIDA

PSL/VERO BEACH DIVISION

Exhibit No _____(RW-3)
City Gas Company of Florida
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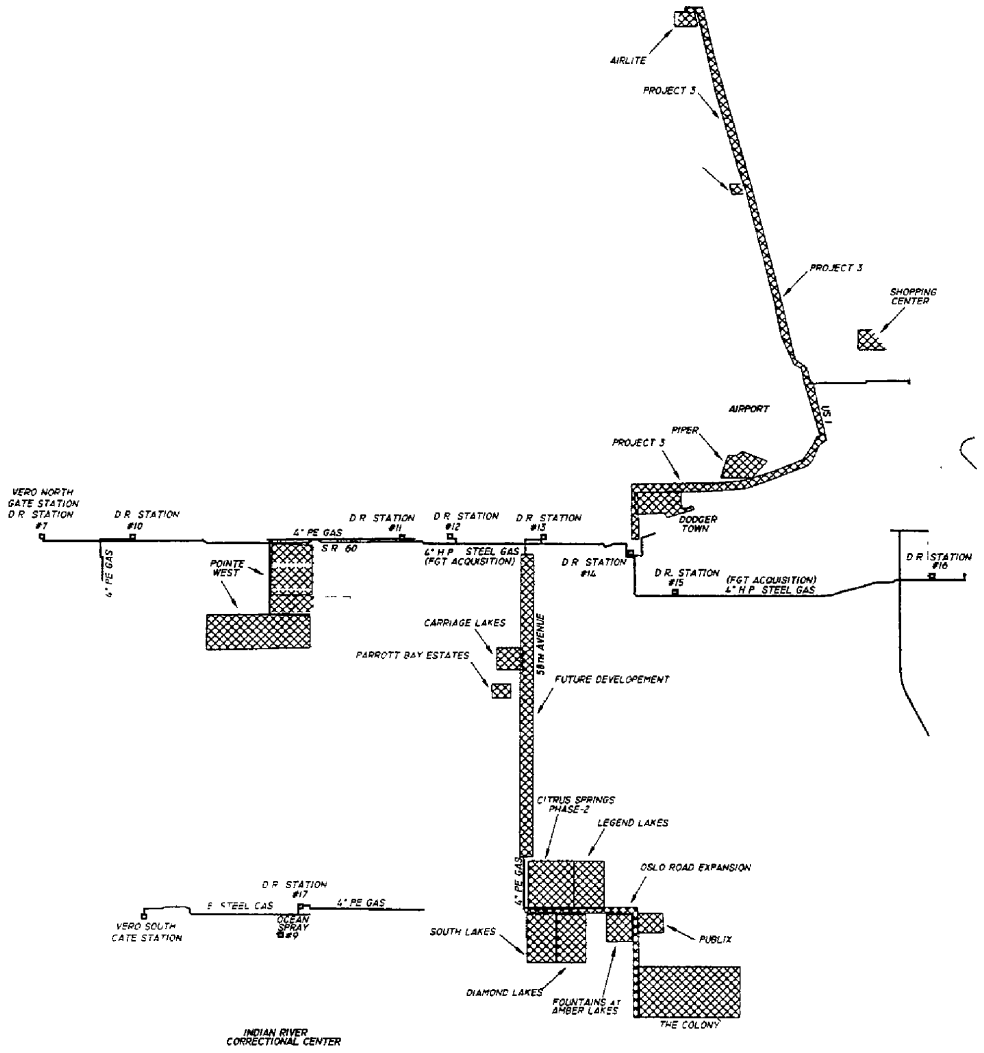
Vero Beach Distribution System
Page 3 of 4



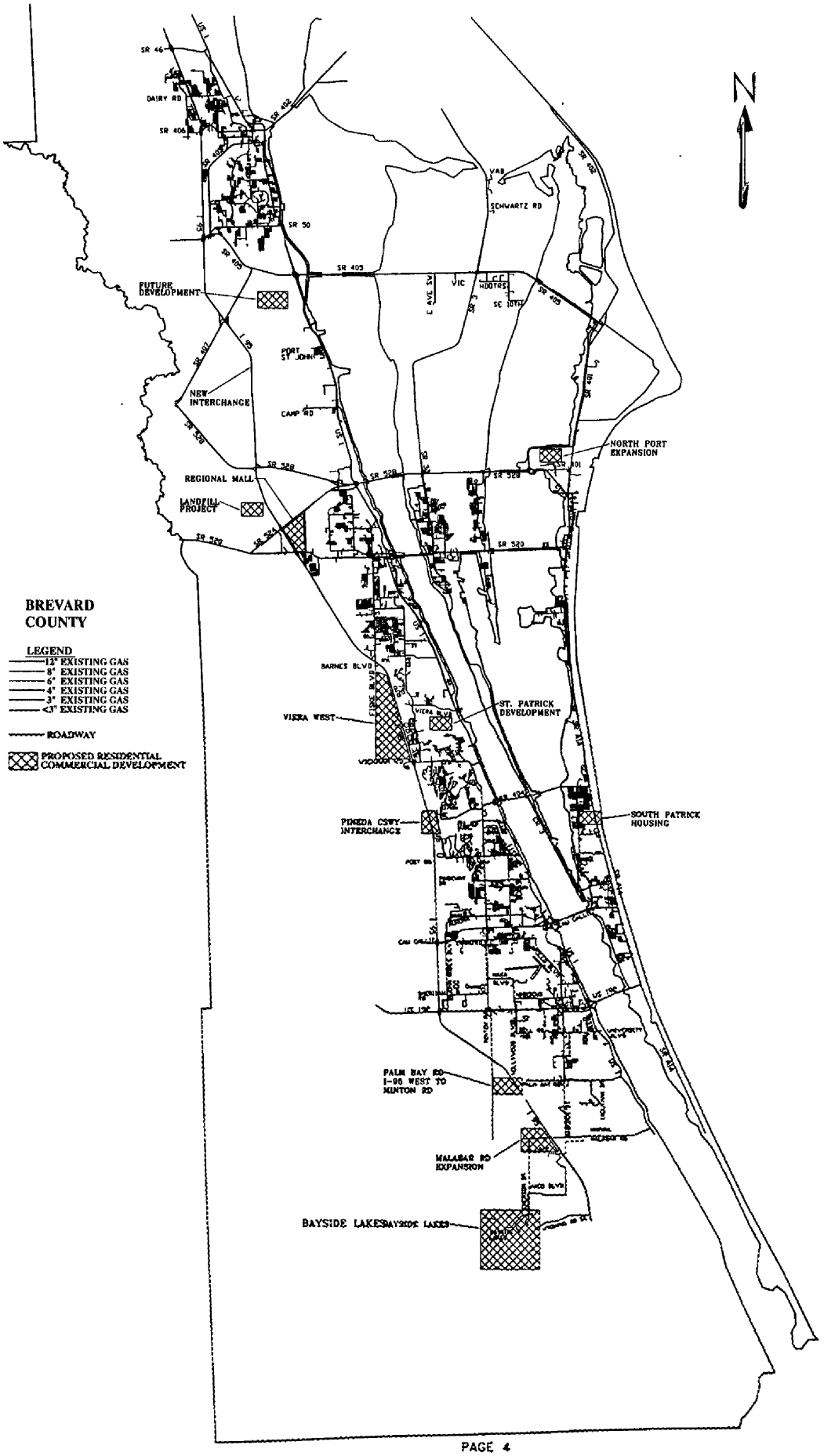
PSL/VERO BEACH SYSTEM MAP
VERO BEACH
PAGE 3

7-31-03

NUI CITY GAS COMPANY OF FLORIDA
PSL/VERO BEACH DIVISION
NEVER UNDERESTIMATE INITIATIVE

NUI City Gas Company of Florida

BREVARD DISTRIBUTION SYSTEM



BREVARD COUNTY

LEGEND

- 12" EXISTING GAS
- 8" EXISTING GAS
- 6" EXISTING GAS
- 4" EXISTING GAS
- 3" EXISTING GAS
- <3" EXISTING GAS
- ROADWAY
- PROPOSED RESIDENTIAL COMMERCIAL DEVELOPMENT

Exhibit No.___(RW-3)
City Gas Company of Florida
Docket No. 030569-GU
Brevard Distribution System
Page 4 of 4

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY AND EXHIBITS OF

DANIEL J. NIKOLICH

ON BEHALF OF NUI CITY GAS COMPANY OF FLORIDA

DOCKET NO. 030569-GU

August 2003

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Daniel J. Nikolich. My business address is NUI Corporation, 550 Route 202 - 206, Bedminster, New Jersey 07921.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am currently employed as the Manager, Planning and Forecasting for NUI Utilities, Inc., which includes the Florida operating division, City Gas Company of Florida ("City Gas" or "Company").

Q. WHAT IS THE SCOPE OF YOUR DUTIES AT NUI UTILITIES, INC.?

A. I am responsible for overseeing the development of short-term and long-term demand and revenue forecasts, short-term and long-term new load growth forecasts, and design day demand forecasts. Further, I am responsible for providing economic and statistical analysis for rate design. I am also responsible for reviewing design criteria and operational gas dispatch forecasting models and maintaining informational databases.

Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?

A. I received a Bachelor of Science degree in Business, with a major in Economics, from the University of Idaho in June 1984. I held various positions in business and planning prior to joining NUI in 1993 as a forecasting analyst. In the fall of 2001, I was promoted to the position of Manager, Planning and Forecasting. During my tenure at NUI, I have participated at the annual Gas Technology Institute/Southern Gas Association Load Forecasters Forum, and made a presentation on the effects of the National Weather Service's new Automated Surface Observation System on load forecasting. I have also attended the American Gas Association's demand forecasting seminar, the Institute for Professional Education's courses entitled "Applied Time Series," "Forecasting Methods and Applications," and "Economic Modeling and Forecasting," and Professors Trevor Hastie's and Robert Tibshirani's course "Modern Regression and Classification." In 2000, I was a witness for NUI on matters relating to system operations, reliability standards, and capacity management for the Company's Natural Gas Choice and Competition Act Restructuring Filing in Pennsylvania. In 2001, I was a witness for NUI before the North Carolina Public Utilities Commission on behalf of NUI's North Carolina Gas division concerning proposed tariff revisions to implement Third Party Supplier (TPS) provisions and the operational issues that prompted them. In 2002 I was a witness for NUI

before the New Jersey Board of Public Utilities on behalf of NUI's New Jersey division concerning the revenue forecast, market growth and certain rate design issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will support and describe the specific methods employed in developing the forecast of sales, services and revenues for the Base Year + 1 ending September 30, 2003, and for the Projected Test Year ending September 30, 2004. The normalized level of sales, services and revenues during the Projected Test Year period is the base from which the requested revenue increase has been determined.

Q. DO YOU HAVE ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. Exhibit No. ___ (DJN-1) is City Gas' forecast of rates, services and revenues for the Base Year + 1. Exhibit No. ____ (DJN-2) is the same information for the Projected Test Year under the Company's existing rate classes. Exhibit No. ____ (DJN-3) is the same information for the Projected Test Year under the Company's proposed new rate classes. Exhibit No. ____ (DJN-4) is the heating degree-day pattern. Exhibit No. ____ (DJN-5) is a comparison of actual sales degree-days to the 10 Year and 30 Year normals. Exhibit No. ___ (DJN-6) is a comparison of historical annual usage per customer to projected test year forecasts. Exhibit No. ___ (DJN-7) presents the proposed Demand Charge Quantities.

Q. PLEASE IDENTIFY THE MFR SCHEDULES YOU ARE SPONSORING.

A. I am sponsoring pages 6 through 11F of Schedule G-2 of the MFRs.

Q. WHAT IS NUI CITY GAS' BASE YEAR + 1 AND PROJECTED TEST YEAR PERIOD FORECAST OF DEMAND AND REVENUES?

A. NUI City Gas' forecast of normalized sales, services and revenues for the Base Year + 1 and the Projected Test Year periods are displayed on Exhibit No. ____ (DJN-1) and Exhibit No. ____ (DJN-2), respectively. Exhibit No. ___ (DJN-1) consists of nine months of actual data and three months of forecast data.

Page 1 of each of the exhibits details the number of customers billed per class for the respective periods. Page 2 displays the weather normalized consumption forecast by class by month for each of the periods. The monthly revenues by rate class for the Base Year + 1 and the Projected Test Year periods are calculated using existing rates and are shown on page 3 of each of Exhibit No. _____ (DJN-1) and Exhibit No. _____ (DJN-2).

The total Projected Test Year period revenues of $74,180,851 as shown on page 3 of Exhibit No. _____ (DJN-2), plus other income of $26,342,615 (which represents off-system sales and charges for miscellaneous services) as shown on page 2 of Schedule E-1 of the MFRs, was the base from which the additional revenue requirement

being sought in this proceeding was developed.

Q. PLEASE DISCUSS NUI CITY GAS' APPROACH TO FORECASTING DEMAND AND REVENUES FOR THE BASE YEAR + 1 AND PROJECTED TEST YEAR PERIODS.

A. Sales, services and revenues are forecast using a multi-step process for each of the customer classes we serve. Each customer class is first categorized into one of two groups, homogeneous and non-homogeneous, based primarily on behavior. The homogeneous group consists of those customer classes that are large in terms of number of customers, and have customers that are individually small with regard to consumption and react similarly to causal variables such as weather. The residential and commercial classes are grouped into this category. The non-homogeneous group is comprised of those customer classes that are small in terms of number of customers, and have customers that are individually large with regard to consumption and can react differently to causal variables. The large customer/industrial classes are grouped into this category.

The next stage of the process includes four steps. First, consumption equations are developed that model consumption per customer for each of the homogeneous customer classes. The consumption for the large industrial classes or other unique classes that are not homogeneous in nature is forecast in a different manner, as will

be described below. Second, the number of customers billed for each class is developed. Third, a consumption forecast for each class is calculated by applying the results of the consumption equations to the number of customers billed in the class. In some classes, as I describe later in my testimony, this step is somewhat modified. Fourth, a revenue forecast is generated by applying the class consumptions, along with other billing determinants, including customer service charges, to the existing rate structure.

Q. IS THIS THE MANNER IN WHICH NUI CITY GAS HAS TRADITIONALLY DEVELOPED ITS FORECAST?

A. The basic forecasting methods described in my testimony were employed by NUI City Gas for the first time in its 1996 base rate proceeding, and employed again for the 2000 base rate proceeding. On an on-going basis our methods are reviewed through activities such as variance analyses, and adjusted when required. This is an evolutionary process with the goal of continually improving forecast performance. New techniques are continually evaluated and are incorporated into the forecast models when they demonstrate improvement in forecast accuracy.

Q. HOW WERE THE CONSUMPTION EQUATIONS DEVELOPED FOR THE COMPANY'S VARIOUS CUSTOMER CLASSES?

A. Consumption equations were developed for the Residential Service (RS)

Commercial Service (CS) Small Commercial Transportation (SCTS) classes. Consumption for the following classes, Large Commercial Service (LCS), Natural Gas Vehicles Sales Service (NGVSS), Interruptible - Preferred (IP), Commercial Transportation Service (CTS), Interruptible Transportation Service (ITS), Interruptible Large Volume Transportation Service (ILT), Contract Interruptible - Large Volume Transportation Service (CI-LVT) and Contract Interruptible - Transportation Service (CI-TS), was forecast on an individual customer basis.

Two different modeling techniques were used in developing the consumption equations for the residential and commercial classes. The various City Gas service territories, located in Miami-Dade/Broward, Brevard, St. Lucie/Martin and Indian River counties, are geographically and climatologically distinct. For this reason, it was necessary to develop consumption equations on both a rate class and geographic area basis. Where applicable and statistically valid, causal, least-squares regression models employing non-parametric, cubic spline techniques were developed. The Brevard area CS class consumption equation was developed using multiple regression with heating degree-days and the number of weekends per month as regressor terms. Similarly, the Miami-Dade/Broward area RS class and the Brevard area RS class consumption equations were developed using the multiple regression

approach with heating degree-days and a cubic spline term as the principal drivers. The Miami-Dade/Broward area CS class consumption equation was developed using a mixed ARIMA (Auto-Regressive Integrated Moving Average) time series model with heating degree-days and the number of weekends per month as regressor terms. Because of the lack of sufficient empirical data available for the St. Lucie/Martin and Indian River areas, no consumption equations were separately developed for these areas. Instead, the demand forecast relied on consumption equations from the Miami and Brevard models that exhibited similar behavioral characteristics to the demand in the St Lucie/Martin and Indian River areas.

For the commercial classes the models employed fifteen and three quarter years of historical consumption and temperature data, over the period October 1987 through June 2003. For the residential classes the models employed six and three quarter years of historical consumption and temperature data, over the period October 1996 through June 2003. From these models I derived the consumption equations that are used to develop monthly average usage per customer for each class, RS and CS. The consumption equations can, in their most basic form, be broken down into a base use component (non-temperature sensitive) and a heat use component (temperature sensitive). Review of the output statistics, use of holdout periods (i.e.,

segmenting the dataset into two periods and using one subset to develop a model and the other to evaluate equation performance), and validation through "backcasting" (i.e., comparing actual historical results to the fitted values generated by the statistical model) demonstrated the accuracy of the regression models selected.

Q. WERE CHANGES MADE TO THE FORECAST MODELS?

A. As stated earlier, new techniques are continually evaluated in an attempt to improve forecast accuracy. In order to improve the performance of the models, price was introduced as a variable in the residential equations. Data analysis was used to determine appropriate causal relationships for employing price within the models. A series of regression models employing price and various causal variables were developed and tested. Analysis of the output statistics and evaluations of the backcasts and scatter plots showed that multiple regression models using price as well as heating degree-days, with a base temperature of 80°F, outperformed the residential models previously used. In the last base rate proceeding forecast, the Company changed the base temperature for forecasting demand from 65°F to 80°F. Changing the base temperature at which heating degree days are calculated has the effect of shifting load from the base use (y-intercept, non-temperature sensitive) component to the heat use (slope, temperature sensitive) component. Using the more typical 65°F base temperature to calculate

heating degree days results in only three to four months with heating degree day values; the remaining months generate zero heating degree day values. This limits the multiple regression equations' ability to explain and forecast monthly variations in usage. Adopting the 80°F base temperature to calculate heating degree-days results in heating degree-day values for each month of the year. This change provides a means to explain the monthly variation in customer usage observed in the dataset. Using the 80°F base temperature rather than the more typical 65°F base temperature vastly improved equation performance.

As in the forecast for the 2000 base rate proceeding, cubic spline terms were introduced into the multiple regression models. The data analysis not only identified heating degree-days as a reasonable causal variable to use in a multiple regression model but also indicated that residential customer heat sensitivity was not linear, that it changed at 65°F for Miami residential customers and 55°F for Brevard residential customers. At these temperature points, residential consumption increased as customers become more sensitive to colder weather. Introducing the cubic spline term into the residential models has improved forecast performance.

Q. WHY WAS A DIFFERENT STATISTICAL APPROACH USED TO MODEL THE MIAMI COMMERCIAL CLASS?

A. A different approach for the Miami CS class was required because the

statistical results from the multiple regression models were not satisfactory. For this class, temperature alone did not provide a strong enough correlation with gas consumption to warrant use of the multiple regression model form. Neither changing the heat degree-day base nor including a cubic spline term into the forecast model produced satisfactory statistical results. This is primarily due to the fact that a majority of the load resulting from this customer class is non-heating, i.e. cooking, water heating, etc. and influenced more by trends such as tourist travel and business cycles than fluctuations in temperature. Since a significant portion of the load is non-temperature sensitive, the ARIMA technique is a better approach because its time series model captures trends present in the predominately base load weighted demand data. However, there is still a component of heating load present in the data, and therefore we included this term as a regressor in the ARIMA model to strengthen it. The regressor terms used in the CS class were heating degree-days and the number of weekends per month.

Q. FOR THE BASE YEAR + 1 AND THE PROJECTED TEST YEAR PERIOD, HOW WAS THE NUMBER OF CUSTOMERS BILLED IN EACH CLASS DEVELOPED?

A. The number of customers billed by class for the Base Year + 1 was developed as follows:

- The actual number of customers by class that were billed as of June

30, 2003 was determined and used as the base starting point upon which new customer growth was added.

- A monthly forecast of new customers (or reduction in customers) by class was developed in coordination with the Marketing and Engineering Departments.
- A seasonal pattern of changes in the number of inactive customers and customers locked for non-payment was developed from historical customer count data.
- The aggregate number of customers by class by month was developed by adding the monthly growth projections and seasonal changes in customer patterns to the June 2003 starting point.

The number of customers by class for the Projected Test Year period was developed in the same manner as described above, except that the base starting point for this period is the number of customers ending September 30, 2003 as forecast in the Base Year + 1 period.

Page 1 of each of Exhibit ____ (DJN-1) and Exhibit ____ (DJN-2) presents the monthly number of customers by class used to develop the normalized consumption and revenues.

Q. HOW WAS CONSUMPTION DEVELOPED FOR THE HOMOGENEOUS CUSTOMER CLASSES?

A. Consumption by class for those classes for which we employed consumption equations was developed by multiplying the projected

number of customers billed in the class for each month by the usage per customer for the month. The usage per customer was developed by applying the consumption equation for the month with an input of normal heating degree-days for that month and multiplying by the number of average meter read days in the month.

Q. HOW WAS CONSUMPTION DEVELOPED FOR THE REMAINING CLASSES?

A. For classes that were forecast by individual customer (LCS, NGVSS, IP, CTS, ITS, ILT, CI-LVT, CI-TS), the monthly consumption for the class represents the aggregate of the individual customer forecasts. The forecast by individual customer was prepared by reviewing historical monthly consumption data and customer surveys with the Marketing Department, and correcting for future changes in demand resulting from customer expansions and contractions and one-time, extraordinary events such as re-tooling, strikes and storms. For the Gas Lighting (GL) class, consumption was developed by reviewing historical monthly demand.

Q. HOW WAS THE MIGRATION OF COMMERCIAL SALES SERVICE CUSTOMERS TO TRANSPORTATION SERVICES TREATED?

A. Within the past seven years, changes to the Commercial/Industrial Service (CS) class prompted a modification to the development of the CS consumption forecast. In 1996, the CS class was disaggregated into

two classes, the current CS and the Large Commercial Service (LCS) class, based on annual load. In addition, open-access has provided commercial customers the option of transportation services (SCTS, CTS), that many have chosen. Historical consumption data by customer for the CS class is not maintained on a long-term basis by the Company and therefore demand for those customers who shifted to LCS or opted for CTS and SCTS could not be removed readily from the historical dataset. These events generated a discontinuity in the historical dataset. Aggregating all commercial-type customer classes into one group eliminates this discontinuity. The aggregated commercial dataset was used to develop the CS consumption equation discussed earlier in my testimony. The CS class consumption forecast is, therefore, generated from this commercial superset by subtracting the forecasts of the LCS, SCTS and CTS classes. The adjustment was necessitated by the fact that the shift and migration of customers out of the class affected the CS average customer usage. In order to reflect the impact on the average CS usage resulting from the migration and shift of CS customers to the LCS, SCTS and CTS classes, an adjustment was made to the forecasted monthly consumption.

Q. WHAT HEATING DEGREE DAY PATTERN WAS APPLIED TO THE CONSUMPTION EQUATIONS?

A. To develop a normalized consumption forecast for those classes where

consumption equations were employed, it was necessary to develop a normal heating degree-day pattern for each month of the year. Heating degree-days are the difference between a base temperature and the average temperature for a day when that daily average is below the base temperature. Heating degree-days are simply a measure of weather changes that influence gas consumption. As stated earlier, the base temperature that was found to have highest correlation with actual demand and was incorporated into the multiple regression models was 80°F.

The heating degree-day pattern that was employed is presented in Exhibit No. ____ (DJN-4). It is based on 10 years of daily weather data (July 1, 1992 through June 30, 2002) as measured by the National Oceanic and Atmospheric Administration (NOAA) for Miami International Airport and Daytona Beach Airport. This weather distribution is then adjusted for the Company's meter read schedule.

In order to more accurately predict revenue, a 10-year normal was used. Comparison of the past six years of actual weather data to the 10 year normal resulted in a much lower heating degree-day variance than comparison to the 30 year normal. Exhibit No. ____ (DJN-5) presents the comparison of current sales degree days to both the 30 year normal and the 10 year normal used to generate current rates and also used to develop Base Year + 1 and Projected Test Year revenues.

Q. HOW WERE REVENUES FOR THE BASE YEAR + 1 AND THE PROJECTED TEST YEAR PERIODS DEVELOPED?

A. The revenues shown on page 3 of each of Exhibit No. ____ (DJN-1) and Exhibit No. ____ (DJN-2) were developed by applying the forecast, normalized consumption and number of customers billed by class for the Base Year + 1 and the Projected Test Year periods to a model of the existing rate structure of the Company's tariff.

Q. THE COMPANY HAS NOT ACHIEVED THE LEVEL OF REVENUES PROJECTED IN ITS LAST RATE CASE. HOW DO YOU ACCOUNT FOR THIS?

A. Several factors may account for the Company not being able to achieve the level of revenues that were projected in its last rate case. First, the residential and commercial growth projections were somewhat aggressive, resulting in a higher rate of total customer growth than currently exists. Affecting this difference in customer growth rates is a noticeable increase in residential customer attrition. Second, since the last rate case, the terror attacks on September 11, 2001 have resulted in an economic downturn that has significantly impacted our commercial and industrial markets. Finally, market conditions regarding the pricing of natural gas have changed, with gas prices that at times have substantially exceeded what was projected for the 2000 proceeding. This has resulted in a number of larger potential customers indefinitely

postponing decisions to convert to natural gas, particularly those potential customers located in our Palm Beach territory.

Q. WHAT STEPS HAVE YOU TAKEN TO ENSURE THAT THE CURRENT PROJECTIONS WILL BE IN LINE WITH FUTURE GROWTH?

A. The Company has taken several steps to ensure that the current Projected Test Year forecast is more accurate and a better indication of future growth. As discussed earlier in my testimony, improvements were made to the residential and commercial forecast models resulting in usage per customer projections more in-line with actual.

Next, a 10 Year Normal heating degree-day distribution was used to derive Projected Test Year revenues. By updating the weather data to the most recent 10-year period available (1992-2002), demand and revenue projections will be more likely to reflect the current trend in weather.

Last, the customer count forecast is based on actual number of customers as of June 30, 2003 and includes growth in residential and commercial accounts. These growth forecasts have been tempered by including the higher level of losses currently being experienced due to attrition (i.e., customers migrating out of the service territory, business failures). This combination of growth and attrition results in a net change of customers that is more reflective of system growth.

Q. COULD YOU PLEASE DISCUSS THE PROCESS THE COMPANY EMPLOYED TO RECLASSIFY CUSTOMERS INTO THE NEW SERVICE CLASSIFICATIONS BEING PROPOSED BY THE COMPANY?

A. Fifty-six (56) months of individual customer consumption data were reviewed to assign customers to the new volumetric classes described in Mr. Householder and Mr. Kaufmann's testimony. Each customer was assigned to the appropriate rate class based on the customer's individual consumption history.

Q. FOR THE PROJECTED TEST YEAR PERIOD, HOW WAS THE NUMBER OF CUSTOMERS BILLED IN EACH OF THE PROPOSED RATE CLASSES DEVELOPED?

A. The number of customers billed by proposed class for the projected year was developed as follows:

- As described above, customers that were billed as of June 30, 2003 were assigned to the appropriate volumetric rate class. From this data, the number of customers in each of the proposed classes was determined and used as the base starting point upon which new customer growth was added.
- A monthly forecast of new customers (or reduction in customers) by class was developed in coordination with the Marketing and Engineering Departments.

- A seasonal pattern of changes in the number of inactive customers and customers locked for non-payment was developed from historical customer count data.
- The aggregate number of customers by class by month was developed by adding the monthly growth projections and seasonal changes in customer patterns to the June 2003 starting point.

The number of customers by class for the Projected Test Year period was developed in the same manner as described above, except that the base starting point for this period is the number of customers ending September 30, 2003 as forecast in the Base Year + 1 period.

Page 1 of Exhibit ____ (DJN-3) presents the monthly number of customers by class used to develop the normalized consumption and revenues.

Q. HOW WAS CONSUMPTION DEVELOPED FOR THE PROPOSED CUSTOMER CLASSES?

A. The 56 months of individual monthly customer billing records for customers currently served under RS, CS, and SCTS service classifications for the period ending May 31, 2003 were aggregated by the new categories. This data was then used to generate use per customer for each new category in the same manner as for the existing rate categories. Then, as before, new customer load and new incremental load from existing customers were added.

The forecasts for customers who will fall under the new GS-120k, GS-250k and GS-1,250k classes were developed by aggregating the forecasts of the existing sales and transportation classes that already matched the consumption criteria for the new classes.

Q. IS THERE ANY IMPACT ON THE FORECAST RESULTING FROM THE RECLASSIFICATION?

A. No. Pages 1, 2 and 3 of Exhibit ____ (DJN-3) present the new forecast of customers, volumes, and revenues under current rates resulting from the reclassification. Pages 1, 2 and 3 of Exhibit ____ (DJN-2) present the new forecast of customers and volumes and revenues under current rates. As a comparison of the two exhibits shows, there is no change in either the aggregate number of customers or volumes as a result of the reclassification.

Q. UNDER THE PROPOSED RATE STRUCTURE A NEW BILLING DETERMINANT, THE DEMAND CHARGE QUANTITY, HAS BEEN INTRODUCED FOR CUSTOMERS WHO USE 60,000 THERMS OR MORE PER YEAR. HOW WAS THE NUMBER OF DCQ BILLING UNITS DETERMINED FOR EACH CLASS?

A. Exhibit____ (DJN-7) presents the proposed demand charge quantities. The demand charge quantity (DCQ) for each customer was determined by reviewing individual customer billing data for the past three years and calculated in the manner described in the Company's proposed tariff. For

customers for whom the Company has only cycle billing data, the DCQ was calculated by taking each customer's peak monthly consumption and dividing it by the number of billing days in the peak month. For customers who are metered by an automatic meter-reading device that provides daily consumption data, each customer's DCQ is set to equal its peak daily consumption which occurred during the past three years.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

CALCULATION OF THE HISTORIC BASE YEAR + 1
NUMBER OF BILLS
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	TOTAL
Residential	RS	95,372	95,768	96,084	96,265	96,362	95,983	95,781	95,400	97,647	98,178	98,246	98,584	1,159,670
Gas Lighting	GL	234	234	234	233	231	228	227	227	248	248	248	248	2,840
Commerical & Industrial	CS	3,680	3,680	3,691	3,718	3,725	3,732	3,872	3,888	3,357	3,319	3,302	3,322	43,286
Large Commercial	LCS	6	6	6	6	6	6	6	6	6	6	6	6	72
Interruptible Preferred	IP	2	1	1	1	1	1			3	3	3	3	19
Natural Gas Vehicles	NGV	3							1					4
Small Commercial Transportation	SCTS	1,656	1,677	1,686	1,682	1,675	1,664	1,539	1,538	2,067	2,104	2,141	2,141	21,570
Commercial Transportation	CTS	54	47	46	45	44	44	44	43	52	52	52	52	575
Interruptible Transportation	ITS	23	22	22	22	22	22	22	23	29	29	29	30	295
Contract Interruptible Transportation	CI-TS	1	1	1	1	1	1	1	1	3	3	3	3	20
Interruptible Large Volume Transportation	ILT	3	3	3	3	3	3	3	3	3	3	3	3	36
Contract Interruptible Large Volume Transportation	CI-LVT	8	9	9	8	8	8	8	8	11	11	11	11	110
Contract Transportation Service	KTS	1	1	1	1	1	1	1	1	1	1	1	1	12
TOTAL		101,043	101,449	101,784	101,985	102,079	101,693	101,504	101,139	103,427	103,957	104,045	104,404	1,228,509

EXHIBIT NO. _____ (DJN-1)
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CALCULATION OF THE HISTORIC BASE YEAR + 1
CONSUMPTION IN THERMS
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	TOTAL
Residential	RS	1,198,324	1,484,231	1,732,015	2,611,152	2,899,261	1,904,985	1,466,210	1,295,616	1,251,090	1,343,780	1,259,620	1,281,880	19,728,164
Gas Lighting	GL	2,492	2,256	2,350	2,541	2,374	2,277	2,166	2,273	5,540	5,540	5,540	5,540	40,889
Commercial & Industrial	CS	1,410,699	1,691,483	1,651,577	1,675,050	1,863,122	1,615,846	1,513,572	1,626,447	886,067	900,113	1,088,494	859,023	16,781,493
Large Commercial	LCS	44,555	41,894	48,581	54,060	49,794	44,909	44,747	44,394	71,400	70,100	69,000	77,800	661,234
Interruptible Preferred	IP	28,882	8,357	13,532	3,562	4,137	1,760			25,400	29,100	26,200	24,900	165,831
Natural Gas Vehicles	NGV	923							33,215					34,138
Small Commercial Transportation	SCTS	1,818,031	1,917,855	2,081,078	2,493,180	2,335,486	2,102,208	1,992,587	1,853,088	2,343,897	2,394,701	2,096,353	2,310,464	25,738,928
Commercial Transportation	CTS	666,334	731,422	709,254	856,652	710,295	769,563	734,350	673,589	886,120	814,870	823,387	770,417	9,146,253
Interruptible Transportation	ITS	793,191	830,221	805,676	917,112	802,164	872,485	846,965	805,128	999,824	959,670	980,213	940,276	10,552,925
Contract Interruptible Transportation	CI-TS	51,244	48,321	55,152	52,974	43,926	50,674	45,428	43,608	108,627	28,802	56,952	9,568	595,276
Interruptible Large Volume Transportation	ILT	469,386	383,189	538,688	557,809	468,939	450,814	509,151	507,945	511,788	535,361	561,773	583,349	6,078,192
Contract Interruptible Large Volume Transportation	CI-LVT	787,139	1,109,828	1,082,862	1,127,713	936,482	1,201,651	1,206,901	889,754	822,013	1,128,027	1,094,265	1,118,325	12,504,960
Contract Transportation Service	KTS	300,000	1,754,700	1,424,640	615,650	571,190	300,000	300,000	300,000	392,947	392,947	392,947	392,947	7,137,968
TOTAL		7,571,201	10,003,756	10,145,405	10,967,455	10,687,170	9,317,173	8,662,077	8,075,057	8,304,712	8,603,011	8,454,744	8,374,489	109,166,250

EXHIBIT NO. _____ (DJN-1)
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CALCULATION OF THE HISTORIC BASE YEAR + 1
REVENUE
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	TOTAL
Residential	RS	$2,063,764	$2,455,616	$2,743,920	$3,979,497	$4,956,458	$3,504,383	$2,876,195	$2,663,880	$2,272,642	$2,387,937	$2,287,735	$2,317,093	$34,509,120
Gas Lighting	GL	$2,518	$2,539	$2,497	$2,534	$2,388	$2,722	$2,616	$2,656	$10,965	$10,965	$10,965	$10,965	$64,329
Commercial & Industrial	CS	$1,207,855	$1,487,537	$1,528,554	$1,574,801	$2,204,789	$1,891,315	$1,777,951	$1,913,899	$862,364	$875,088	$1,042,398	$838,649	$17,205,201
Large Commercial	LCS	$30,737	$30,240	$37,397	$41,863	$50,721	$45,774	$45,612	$45,254	$59,065	$59,563	$58,499	$64,875	$569,599
Interruptible Preferred	IP	$23,379	$8,695	$13,579	$9,977	$8,040	$6,163	$7,035	$3,870	$20,265	$23,169	$20,891	$19,871	$164,933
Natural Gas Vehicles	NGV	($11)	$0	$0	$0	$0	$0	$0	$32,199					$32,188
Small Commercial Transportation	SCTS	$478,772	$526,364	$569,020	$694,508	$651,840	$592,453	$562,315	$524,589	$641,537	$653,583	$581,428	$634,128	$7,110,537
Commercial Transportation	CTS	$169,805	$138,775	$140,244	$167,678	$139,853	$151,261	$144,451	$132,644	$162,328	$148,843	$150,446	$140,579	$1,786,907
Interruptible Transportation	ITS	$160,194	$142,432	$142,023	$161,135	$141,421	$153,481	$149,105	$142,104	$175,961	$168,582	$173,148	$165,463	$1,875,049
Contract Interruptible Transportation	CI-TS	$8,950	$8,653	$8,457	$8,904	$8,080	$7,757	$7,983	$11,895	$17,674	$5,072	$9,516	$9,568	$112,509
Interruptible Large Volume Transportation	ILT	$33,174	$44,110	$61,522	$63,663	$53,712	$51,682	$58,215	$58,080	$58,510	$61,150	$64,107	$66,524	$674,448
Contract Interruptible Large Volume Transportation	CI-LVT	$118,720	$131,513	$132,870	$130,027	$113,149	$131,696	$135,442	$172,699	$90,730	$124,997	$121,217	$123,911	$1,526,972
Contract Transportation Service	KTS	$44,453	$78,526	$78,526	$43,874	$41,238	$25,084	$25,156	$25,156	$32,826	$32,826	$32,826	$32,826	$493,316
TOTAL		$4,342,309	$5,054,999	$5,458,609	$6,878,462	$8,371,689	$6,563,771	$5,792,075	$5,728,924	$4,404,867	$4,551,775	$4,553,176	$4,424,452	$66,125,109

EXHIBIT NO. _____ (DJN-1)
CITY GAS COMPANY OF FLORIDA
DOCKET NO. 030569-GU
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CALCULATION OF THE PROJECTED TEST YEAR
NUMBER OF BILLS
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
Residential	RS	95,878	96,221	96,099	95,958	96,184	95,535	95,715	95,810	95,904	96,012	96,014	96,205	1,151,531
Gas Lighting	GL	248	248	248	248	248	248	248	248	248	248	248	248	2,976
Commerical & Industrial	CS	3,619	3,601	3,565	3,605	3,585	3,550	3,539	3,511	3,490	3,466	3,448	3,468	42,448
Large Commercial	LCS	6	6	6	6	6	6	6	6	6	6	6	6	72
Interruptible Preferred	IP													
Natural Gas Vehicles	NGV													
Small Commercial Transportation	SCTS	1,763	1,800	1,838	1,875	1,917	1,954	1,991	2,029	2,066	2,103	2,140	2,140	23,616
Commercial Transportation	CTS	45	45	45	45	45	45	45	45	45	45	45	45	540
Interruptible Transportation	ITS	28	28	28	28	28	28	28	28	28	28	28	28	336
Contract Interruptible Transportation	CI-TS	2	2	2	2	2	2	2	2	2	2	2	2	24
Interruptible Large Volume Transportation	ILT	3	3	3	3	3	3	3	3	3	3	3	3	36
Contract Interruptible Large Volume Transportation	CI-LVT	7	7	7	7	7	7	7	7	7	9	9	9	90
Contract Transportation Service	KTS	1	1	1	1	1	1	1	1	1	1	1	1	12
TOTAL		101,600	101,962	101,842	101,778	102,026	101,379	101,585	101,690	101,800	101,923	101,944	102,155	1,221,680

EXHIBIT NO. _____ (DJN-2)
CITY GAS COMPANY OF FLORIDA
DOCKET NO. 030569-GU
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CALCULATION OF THE PROJECTED TEST YEAR
CONSUMPTION IN THERMS
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
Residential	RS	1,294,810	1,361,030	1,882,490	2,638,240	2,269,420	1,970,710	1,650,170	1,351,330	1,266,670	1,350,480	1,281,940	1,403,460	19,720,750
Gas Lighting	GL	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	66,480
Commercial & Industrial	CS	1,621,938	1,520,705	1,499,645	1,663,175	1,579,302	1,737,718	1,521,702	1,484,529	1,415,597	1,429,593	1,289,601	1,501,000	18,264,505
Large Commercial	LCS	75,600	81,500	88,300	78,000	80,300	89,200	67,000	74,800	71,400	70,100	69,000	77,800	923,000
Interruptible Preferred	IP													
Natural Gas Vehicles	NGV													
Small Commercial Transportation	SCTS	1,974,909	1,997,842	2,352,344	2,842,176	2,507,493	2,624,395	2,458,396	2,259,439	2,207,477	2,284,061	2,162,603	2,188,734	27,859,869
Commercial Transportation	CTS	703,770	703,990	701,160	689,920	608,109	664,172	638,449	624,686	676,590	619,100	638,890	609,550	7,878,385
Interruptible Transportation	ITS	1,054,261	1,047,951	1,021,979	1,062,659	961,720	1,067,148	1,059,532	1,047,204	988,762	942,496	956,529	888,512	12,098,752
Contract Interruptible Transportation	CI-TS	70,000	64,300	71,500	65,100	59,200	66,600	60,000	70,200	80,200	74,300	79,900	71,600	832,900
Interruptible Large Volume Transportation	ILT	456,474	364,332	543,108	512,374	462,070	502,759	485,778	472,083	527,258	551,721	577,823	599,749	6,055,530
Contract Interruptible Large Volume Transportation	CI-LVT	783,264	941,442	898,046	962,282	967,528	1,135,848	997,403	924,662	517,707	911,197	867,535	909,295	10,816,210
Contract Transportation Service	KTS	300,000	1,754,700	1,424,640	615,650	571,190	300,000	300,000	300,000	300,000	300,000	300,000	300,000	6,766,180
TOTAL		8,340,566	9,843,332	10,488,752	11,135,116	10,071,871	10,164,090	9,243,970	8,614,474	8,057,200	8,538,588	8,229,361	8,555,241	111,282,561

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CITY GAS COMPANY OF FLORIDA
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CALCULATION OF THE PROJECTED TEST YEAR
REVENUE
(CURRENT RATES - CURRENT RATE CLASSES)

RATE CLASS		Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
Residential	RS	$2,614,410	$2,713,528	$3,465,779	$4,558,333	$4,026,693	$3,588,233	$3,129,075	$2,697,261	$2,576,201	$2,698,045	$2,599,932	$2,776,814	$37,444,304
Gas Lighting	GL	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$180,252
Commerical & Industrial	CS	$1,870,873	$1,758,834	$1,734,744	$1,918,363	$1,826,486	$1,999,570	$1,760,229	$1,718,376	$1,642,293	$1,657,915	$1,502,755	$1,737,421	$21,127,859
Large Commercial	LCS	$78,265	$84,349	$91,358	$80,742	$83,112	$92,291	$69,401	$77,439	$73,934	$72,596	$71,461	$80,534	$955,482
Interruptible Preferred	IP													
Natural Gas Vehicles	NGV													
Small Commercial Transportation	SCTS	$568,979	$576,850	$673,784	$807,312	$717,512	$748,574	$703,887	$650,720	$636,872	$657,895	$626,583	$633,811	$8,002,779
Commercial Transportation	CTS	$136,688	$136,940	$136,362	$133,868	$118,199	$128,748	$123,844	$121,069	$131,545	$120,036	$123,902	$118,233	$1,529,433
Interruptible Transportation	ITS	$197,065	$195,429	$190,230	$209,377	$189,714	$210,881	$209,070	$206,580	$195,440	$185,933	$189,814	$175,833	$2,355,366
Contract Interruptible Transportation	CI-TS	$11,401	$10,501	$11,638	$10,627	$9,696	$10,864	$9,822	$11,432	$13,011	$12,080	$12,964	$11,653	$135,689
Interruptible Large Volume Transportation	ILT	$53,512	$43,067	$63,505	$60,041	$54,228	$58,854	$56,898	$55,294	$61,652	$64,461	$67,434	$69,926	$708,872
Contract Interruptible Large Volume Transportation	CI-LVT	$90,847	$108,540	$103,669	$110,870	$111,442	$130,320	$114,785	$106,675	$61,051	$106,026	$101,133	$105,831	$1,251,188
Contract Transportation Service	KTS	$25,156	$111,420	$91,847	$43,874	$41,238	$25,156	$25,156	$25,156	$25,156	$25,156	$25,156	$25,156	$489,627
TOTAL		$5,662,217	$5,754,478	$6,577,936	$7,948,428	$7,193,341	$7,008,512	$6,217,187	$5,685,023	$5,432,176	$5,615,165	$5,336,155	$5,750,233	$74,180,851

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CALCULATION OF THE PROJECTED TEST YEAR
NUMBER OF BILLS
(CURRENT RATES - PROPOSED RATE CLASSES)

RATE CLASS	Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
GS-1	18,528	18,588	18,567	18,548	18,598	18,476	18,509	18,528	18,542	18,557	18,559	18,591	222,591
GS-100	43,630	43,764	43,685	43,623	43,713	43,405	43,464	43,490	43,514	43,540	43,525	43,586	522,945
GS-220	33,674	33,814	33,783	33,736	33,818	33,599	33,680	33,723	33,773	33,830	33,844	33,941	405,217
GS-600	1,224	1,227	1,226	1,230	1,232	1,225	1,228	1,228	1,229	1,230	1,233	1,238	14,750
GS-1 2k	2,170	2,172	2,166	2,192	2,193	2,186	2,193	2,190	2,190	2,191	2,187	2,197	26,228
GS-6k	1,651	1,669	1,681	1,707	1,724	1,737	1,753	1,767	1,784	1,797	1,813	1,817	20,900
GS-25k	306	310	314	321	326	329	334	339	342	348	352	354	3,975
GS-60k	73	74	76	77	78	78	80	81	82	84	85	85	953
GS-120k	51	51	51	51	51	51	51	51	51	51	51	51	612
GS-250k	30	30	30	30	30	30	30	30	30	30	30	30	360
GS-1,250k	10	10	10	10	10	10	10	10	10	12	12	12	126
Gas Lighting	248	248	248	248	248	248	248	248	248	248	248	248	2,976
Natural Gas Vehicles	3	3	3	3	3	3	3	3	3	3	3	3	36
Contract Demand Service	1	1	1	1	1	1	1	1	1	1	1	1	12
TOTAL	101,600	101,962	101,842	101,778	102,026	101,379	101,585	101,690	101,800	101,923	101,944	102,155	1,221,680

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CALCULATION OF THE PROJECTED TEST YEAR
CONSUMPTION IN THERMS
(CURRENT RATES - PROPOSED RATE CLASSES)

RATE CLASS	Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
GS-1	76,190	76,100	95,360	122,920	110,810	111,540	88,870	83,730	67,360	73,170	69,000	73,480	1,048,530
GS-100	516,560	538,440	683,130	860,470	765,420	724,700	621,180	532,520	505,210	527,510	494,770	542,350	7,312,260
GS-220	662,440	704,100	1,036,760	1,553,500	1,314,150	1,068,340	876,670	685,390	654,390	708,140	678,570	744,500	10,686,950
GS-600	80,480	76,990	97,960	138,450	119,900	107,920	96,050	83,440	76,530	80,600	76,830	85,350	1,120,500
GS-1200	617,300	586,970	612,200	698,090	634,800	698,500	619,530	590,540	559,790	557,720	512,540	588,690	7,276,670
GS-6000	1,599,297	1,572,907	1,744,589	2,029,411	1,833,224	1,958,143	1,781,099	1,661,648	1,600,644	1,624,004	1,505,764	1,631,134	20,541,864
GS-25k	860,940	843,640	932,650	1,115,820	1,033,720	1,085,650	1,003,240	939,640	928,870	958,380	887,050	943,490	11,533,090
GS-60k	477,450	479,430	530,830	623,930	543,190	577,030	542,630	517,390	495,950	533,610	508,620	483,200	6,313,260
GS-120k	779,370	785,490	789,460	767,920	688,409	753,372	705,449	699,486	747,990	689,200	707,890	687,350	8,801,385
GS-250k	1,124,261	1,112,251	1,093,479	1,127,759	1,020,920	1,133,748	1,119,532	1,117,404	1,068,962	1,016,796	1,036,429	960,112	12,931,652
GS-1250k	1,239,739	1,305,775	1,441,155	1,474,656	1,429,598	1,638,607	1,483,181	1,396,745	1,044,965	1,462,918	1,445,358	1,509,045	16,871,740
Gas Lighting	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	5,540	66,480
Natural Gas Vehicles	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Contract Demand Service	300,000	1,754,700	1,424,640	615,650	571,190	300,000	300,000	300,000	300,000	300,000	300,000	300,000	6,766,180
TOTAL	8,340,566	9,843,332	10,488,752	11,135,116	10,071,871	10,164,090	9,243,970	8,614,474	8,057,200	8,538,588	8,229,361	8,555,241	111,282,561

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CALCULATION OF THE PROJECTED TEST YEAR
REVENUE
(CURRENT RATES - PROPOSED RATE CLASSES)

RATE CLASS	Oct 2003	Nov 2003	Dec 2003	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	TOTAL
GS-1	$260,075	$260,381	$288,058	$327,489	$310,322	$310,354	$278,090	$270,621	$247,191	$255,685	$249,853	$256,577	$3,314,696
GS-100	$1,086,306	$1,119,328	$1,327,466	$1,583,290	$1,446,449	$1,384,476	$1,236,676	$1,108,697	$1,069,615	$1,101,815	$1,054,824	$1,123,385	$14,642,327
GS-220	$1,215,338	$1,277,611	$1,757,625	$2,503,182	$2,158,030	$1,800,758	$1,527,280	$1,251,232	$1,206,980	$1,284,516	$1,242,315	$1,337,442	$18,562,309
GS-600	$116,916	$112,897	$142,941	$198,842	$173,391	$154,823	$139,724	$121,912	$112,654	$118,080	$113,526	$124,550	$1,630,256
GS-1200	$612,469	$575,072	$578,857	$645,158	$597,387	$662,126	$587,930	$571,700	$541,582	$541,100	$498,271	$578,183	$6,989,835
GS-6000	$1,060,102	$1,025,135	$1,078,669	$1,230,045	$1,137,625	$1,236,146	$1,099,957	$1,047,769	$994,521	$992,167	$906,497	$1,023,039	$12,831,672
GS-25k	$481,651	$463,019	$478,346	$574,488	$555,692	$585,007	$532,989	$512,724	$510,421	$530,162	$481,148	$534,743	$6,240,390
GS-60k	$221,185	$215,549	$222,125	$221,294	$191,575	$202,467	$190,325	$181,482	$172,182	$190,110	$182,616	$169,907	$2,360,817
GS-120k	$214,953	$221,289	$227,720	$214,610	$201,311	$221,039	$193,245	$198,508	$205,479	$192,632	$195,363	$198,767	$2,484,915
GS-250k	$208,466	$205,930	$201,868	$220,004	$199,410	$221,745	$218,892	$218,012	$208,451	$198,013	$202,778	$187,486	$2,491,055
GS-1250k	$144,359	$151,606	$167,174	$170,911	$165,670	$189,174	$171,683	$161,969	$122,702	$170,488	$168,567	$175,757	$1,960,060
Gas Lighting	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$15,021	$180,252
Natural Gas Vehicles	$220	$220	$220	$220	$220	$220	$220	$220	$220	$220	$220	$220	$2,640
Contract Demand Service	$25,156	$111,420	$91,847	$43,874	$41,238	$25,156	$25,156	$25,156	$25,156	$25,156	$25,156	$25,156	$489,627
TOTAL	$5,662,217	$5,754,478	$6,577,936	$7,948,428	$7,193,341	$7,008,512	$6,217,187	$5,685,023	$5,432,176	$5,615,165	$5,336,155	$5,750,233	$74,180,851

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SALES DEGREE DAYS BY GEOGRAPHIC REGION
10 YEAR AVERAGE - JULY 1, 1992 through JUNE 30, 2002

	DAYTONA BEACH AIRPORT				MIAMI INTERNATIONAL AIRPORT			
	Base Temperature 65°F		Base Temperature 80°F		Base Temperature 65°F		Base Temperature 80°F	
	Historic Base Year + 1 **FY 2003**	Projected Test Year **FY 2004**	Historic Base Year + 1 **FY 2003**	Projected Test Year **FY 2004**	Historic Base Year + 1 **FY 2003**	Projected Test Year **FY 2004**	Historic Base Year + 1 **FY 2003**	Projected Test Year **FY 2004**
October	0	1	44	111	0	0	4	23
November	33	23	284	286	2	0	74	98
December	188	109	601	484	12	10	254	222
January	307	237	752	678	73	50	433	351
February	331	193	782	590	65	35	405	313
March	62	128	394	543	0	17	104	277
April	53	50	376	394	7	4	144	167
May	4	10	169	223	0	0	68	71
June	0	0	69	90	0	0	13	15
July	0	0	41	39	0	0	6	5
August	0	0	22	22	0	0	1	1
September	0	0	35	36	0	0	3	3

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SALES DEGREE DAYS BY GEOGRAPHIC REGION
COMPARISON OF ACTUAL TO 10 AND 30 YEAR NORMALS

	DAYTONA BEACH AIRPORT					MIAMI INTERNATIONAL AIRPORT				
	Actual SDD	10 Yr Normal SDD	30 Yr Normal SDD	10 Yr Normal vs. Actual Difference SDD	30 Yr Normal vs. Actual Difference SDD	Actual SDD	10 Yr Normal SDD	30 Yr Normal SDD	10 Yr Normal vs. Actual Difference SDD	30 Yr Normal vs. Actual Difference SDD
FY 1997	577	751	832	(174)	(255)	97	116	156	(19)	(59)
FY 1998	903	751	832	152	71	144	116	156	28	(12)
FY 1999	546	751	832	(205)	(286)	92	116	156	(24)	(64)
FY 2000	717	751	832	(34)	(115)	95	116	156	(21)	(61)
FY 2001	1,023	751	832	272	191	204	116	156	88	48
FY 2002	587	751	832	(164)	(245)	91	116	156	(25)	(65)
Total				(153)	(639)				27	(213)

EXHIBIT NO. _____ (DJN-5)
CITY GAS COMPANY OF FLORIDA
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USAGE PER CUSTOMER
COMPARISON OF HISTORICAL USAGE TO PROJECTED TEST YEAR FORECASTS

	Miami Annual Usage (Therms/Customer)		Brevard Annual Usage (Therms/Customer)		Comments		
	RS	CS [1]	RS	CS [1]			
FY 1988	248.9899	10,768.1540	335.0705	7,373.9418			
FY 1989	232.1310	10,753.1227	280.0441	7,137.6262			
FY 1990	225.7223	10,786.6874	296.5245	7,105.4410			
FY 1991	216.5454	10,709.8188	264.8886	6,962.4131			
FY 1992	224.6443	11,084.4125	306.4142	7,834.5318			
FY 1993	209.1912	11,285.1116	289.6156	7,841.9523			
FY 1994	205.1809	10,937.3158	286.9664	7,646.6512			
FY 1995	206.8419	10,596.5771	286.3906	7,712.5700	Data used to develop 1997 Projected Test Year Forecast		
FY 1996	209.4958	10,675.4845	319.4201	7,458.9361			
FY 1997	194.8194	10,394.2394	254.1222	7,415.0870			
FY 1998	199.1112	10,505.4532	261.5454	7,118.0417			
FY 1999	183.2715	10,689.7453	227.9652	7,176.1239		Data used to develop 2001 Projected Teat Year Forecast	
FY 2000	185.9246	10,879.6406	245.7042	7,528.8448			
FY 2001	185.6556	10,549.1567	278.7237	7,110.7050			
FY 2002	174.9353	10,013.9694	222.0397	7,740.8731			Data used to develop 2003 Projected Teat Year Forecast
FY 1997 Projected Test Year[2]	211.5039	10,471.5318	295.6226	7,564.3064			
FY 2001 Projected Test Year[3]	179.5883	10,779.4346	237.9791	7,208.5916			
FY 2004 Projected Test Year[4]	179.3144	10,364.2637	240.9692	8,584.5305			

Notes:

[1] Represents the average annual usage for all commercial customers within the following tariff classes: CS, LCS, SCTS and CTS.

[2] Therm/customer factor based on a 30 Year normal heating degree day distribution

[3] Therm/customer factor based on a 1985-1995 10 Year normal heating degree day distribution.

[4] Therm/customer factor based on a 1992-2002 10 Year normal heating degree day distribution.

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DEMAND CHARGE QUANTITIES

RATE CLASS	Demand Charge Quantity Therms
GS-60k	20,720
GS-120k	67,400
GS-250k	98,530
GS-1,250k	83,720
Contract Demand Service	88,360
TOTAL	358,730

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY AND EXHIBITS OF

GLORIA L. LOPEZ

ON BEHALF OF NUI CITY GAS COMPANY OF FLORIDA

DOCKET NO. 030569-GU

AUGUST 2003

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Gloria L. Lopez. My business address is NUI City Gas Company of Florida, 955 East 25th Street, Hialeah, FL 33013.

Q. IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am Director of Regulatory and Business Affairs. I oversee NUI City Gas' Regulatory Affairs functions as well as Marketing, Key Accounts, and Governmental Affairs.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. I hold a BBA degree from University of Miami and an MBA from Nova Southeastern University. I am licensed in the State of Florida as a Certified Public Accountant and I am a member of the American Institute of CPAs as well as the Florida Institute of CPAs. I began my career with Deloitte, Haskins & Sells as a Staff Auditor. I have worked in private industry in the capacity of internal auditor and other accounting positions. My career in the utility industry began at Florida Power & Light (FPL) where I worked over a span of ten years. I began as a staff accountant

in the Accounting Research section where I worked on developing the accounting treatment for new pronouncements of the Financial Accounting Standards Board, new rules of the Federal Energy Regulatory Commission and the Florida Public Service Commission, as well as new types of transactions. Subsequently at FPL I worked in various other positions in the Accounting department as well as in Corporate Contracts as a Contracts Agent and in Bulk Power Markets as a Regulatory Issues Analyst.

In 1995 I joined NUI City Gas as Senior Financial Analyst. In 1998 I was promoted to Manager of Financial Reporting. I had responsibility for accounting and reporting for Florida and North Carolina utility operations. In 2001 I was promoted to Director of Regulatory Affairs, with responsibility for NUI's Florida and North Carolina utilities. Finally, in 2002 I also assumed responsibility for Florida's Key Accounts, Governmental Affairs and Marketing functions. At NUI I have had key roles in the last three rate cases, including this one.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will support the Company's request for permanent and interim rate relief and describe how the test year was constructed. I will also sponsor the various Minimum Filing Requirements ("MFR") schedules that I prepared or that were prepared under my supervision.

Q. HAVE YOU PREPARED ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. They are attached as Exhibits No. ____ (GLL-1) through No. ____ (GLL-5).

Q. PLEASE IDENTIFY THE MFR SCHEDULES YOU ARE SPONSORING.

A. The MFRs I am sponsoring are listed in Exhibit No. ____ (GLL-1).

INTERIM INCREASE

Q. ON WHAT HISTORICAL PERIOD IS CITY GAS' REQUEST FOR AN INTERIM INCREASE IN RATES BASED?

A. The historical period is the 12-month period ended September 30, 2002.

Q. WHAT IS THE SIZE OF THE INTERIM INCREASE CITY GAS IS REQUESTING IN THIS CASE?

A. City Gas requests that annual revenues be increased by $3,548,987 on an interim basis, to $40.1 million. This represents a 9.7% increase in base rates.

Q. PLEASE DESCRIBE HOW YOU CALCULATED THIS AMOUNT.

A. The Revenue Deficiency for the interim increase is calculated on Schedule F-7 of the MFRs, based on an Adjusted Rate Base of $120,131,683 and a Requested Rate of Return of 7.21%, yielding a Net Operating Income ("NOI") Requirement of $8,661,494. The calculation of Adjusted Rate Base is presented on Schedule F-1 of the MFRs and the Requested Rate of Return calculation is presented on Schedule F-8. The Company's Adjusted NOI for the 12 months ended September 30, 2002 was $6,500,114, which was calculated on Schedule F-4. The NOI Deficiency is $2,161,380, which is the difference between the NOI Requirement and the Company's

Adjusted NOI. The requested interim increase of $3,548,987 equals the NOI Deficiency grossed up by an Expansion Factor of 1.6420 as calculated on Schedule F-7.

Q. HAS THE INTERIM INCREASE BEEN CALCULATED IN ACCORDANCE WITH THE COMMISSION'S REQUIREMENTS?

A. Yes. I have reviewed Rule 25-7.040, Florida Administrative Code, and Section 366.071, Florida Statutes, regarding interim awards. In my opinion, the Company's requested interim increase has been calculated in a manner consistent with Commission policy governing such awards.

In particular, the calculations of Rate Base, Requested Rate of Return and Adjusted NOI reflect all adjustments required to be consistent with those made by the Commission in City Gas' last rate case (Docket No. 000768-GU), except that the adjustments have been updated to reflect the actual amounts for the historical period. In addition, the Requested Rate of Return is based on a cost of equity that is at the minimum of the range of the Company's last authorized rate of return.

PROJECTED TEST YEAR

Q. ON WHAT PROJECTED TEST PERIOD IS CITY GAS' REQUEST FOR A PERMANENT CHANGE IN BASE RATES BASED?

A. The projected test period consists of the 12 months ending September 30, 2004. In accordance with the Commission's requirements, the MFRs include financial information for the historical base year (2002) as well as information for the "base year plus 1" (2003) and the projected test year.

Q. IN YOUR OPINION, IS THE PROJECTED 2004 TEST YEAR AN APPROPRIATE TEST PERIOD FOR SETTING RATES?

A. Yes. The year ending September 30, 2004 best reflects the number of customers, sales levels and overall cost of service that NUI City Gas will experience at the time that rates set in this proceeding will be in effect. Since this period coincides with the Company's fiscal year, it allows us to use the budgeting process to help forecast our capital additions, sales and transportation volumes, and operating expenses.

Q. PLEASE DESCRIBE HOW YOU CONSTRUCTED THE TEST YEAR DATA.

A. The test year projections were developed in two ways. Rate base and margins were developed in large part using NUI City Gas' budgeting process for 2004. Projections for 2004 margins (total revenues less gas revenues, conservation revenues, off system sales revenues and related taxes on revenues) were developed using actual customer numbers as of June 2003 and the Company's analysis of market trends to forecast customer levels in 2004. These customer numbers were then used to calculate the gas demand forecast. This process is described in detail in the testimony of company witness Daniel Nikolich. Rate base was also projected based on capital spending requirements identified by City Gas' operational managers and other additions developed as part of the 2004 budget, to the extent available. The Company's 2004 budget has not yet been finalized.

The second method used pertains to operating expenses. Since at the time of filing the 2004 O&M budgets were not complete, the 2004 projections were prepared by trending the 2002 historical year expense levels for expected cost increases due to inflation and customer growth, and reflecting certain planned operational changes and known cost differences. In some cases where actual expenses for 2004 are expected to significantly differ from the trended amounts, either the last 12 months of actual expenses were trended, or a preliminary budgeted amount was used. The method used is described for each account in Schedule G-2 pages 12 – 18.

Q. PLEASE DESCRIBE HOW THE MARKET GROWTH REFLECTED IN THE TEST YEAR WAS DERIVED.

A. Market growth that is reflected in the projections of revenues in the test year was assembled by the Company's Marketing and Key Accounts Departments in the course of the budgeting process for fiscal 2004. The marketing information was provided to the Company's Planning and Forecasting Department, which is responsible for preparing the forecast of customer demand and revenues. The development of the revenue forecast is described in the testimony of company witness Daniel Nikolich.

Q. COULD YOU DESCRIBE HOW THE CAPITAL SPENDING PROJECTIONS USED TO CALCULATE RATE BASE WERE PREPARED.

A. The capital spending projections were prepared under the supervision of company witness Rick Wall and are sponsored by him. I have reviewed those projections and included them in the calculation of the Rate Base.

With respect to spending on new business projects, the capital spending projections are tied directly to the market growth projections developed by NUI's Marketing and Key Accounts Departments. The capital spending projections also reflect the Company's expectations regarding spending for system improvements and other expenditures, including non-operating capital requirements, such as office improvements.

As described in Mr. Wall's testimony, the capital spending projections reflect the Company policy of requiring a stringent review of cost-effectiveness before any capital dollars are committed.

RATE BASE

Q. WHAT IS THE IMPACT ON RATE BASE IN THE PROJECTED TEST YEAR OF CITY GAS' CAPITAL EXPENDITURE REQUIREMENTS FOR FISCAL 2003 AND 2004?

A. Projected utility capital spending is detailed on Schedule G-1, and amounts to $10.2 million for the historical base year plus one (page 23) and $12.6 million for the projected test year (page 26). These outlays have been scheduled by month in accordance with management's expectations as to the timing of the actual expenditures. The MFRs reflect these as additions to construction work in progress ("CWIP") in the month in which the spending is expected to occur. In turn, the MFRs reflect these

expenditures as transfers from CWIP to Gas Plant in Service approximately one month after the construction project is completed, reflecting the placement of the underlying facilities in actual service. Average Rate Base is calculated reflecting the expected timing of these expenditures and their impact on CWIP and plant balances.

Q. IS CITY GAS SEEKING TO INCLUDE IN RATE BASE OR NOI ANY PORTION OF THE ACQUISITION ADJUSTMENT THAT AROSE IN CONNECTION WITH THE ACQUISITION OF CITY GAS BY NUI?

A. No. Adjustments are included on Schedule G-1, page 4, to remove this acquisition adjustment from Adjusted Rate Base. The amortization of the NUI acquisition adjustment is recorded in FERC account 425, which is not a component of NOI; therefore, no adjustment is needed.

Q. HOW HAS THE COMPANY TREATED ACQUISITION ADJUSTMENTS RELATED TO ITS VARIOUS PURCHASES OF DISTRIBUTION FACILITIES?

A. The Company has included in Rate Base the acquisition adjustments recorded on the purchases of distribution systems and facilities, consistent with the Commission's treatment of these costs in prior rate cases.

Q. HAS CITY GAS RECORDED ANY ACQUISITION ADJUSMENTS SINCE ITS LAST RATE CASE?

A. No. City Gas has not made any asset purchases subject to acquisition adjustments since the last rate case.

Q. HAVE LEASED APPLIANCES BEEN PROPERLY EXCLUDED FROM RATE BASE AND NOI IN ACCORDANCE WITH ORDER PSC-94-1570-FOF-GU?

A. Yes. In 2001, a separate accounting entity was created for the appliance business to better segregate leasing, servicing and merchandising activities from regulated utility activities. These activities, associated accumulated depreciation, and related lease receivables and merchandise inventories have been excluded from utility assets and Adjusted Rate Base, either by exclusion from the utility balance sheet initially or by adjustment on Schedule G-1, page 4. In addition, the adjustments to working capital and to common plant for the calculation of Adjusted Rate Base exclude components that help support or are shared with the leased appliance business. All lease, service and merchandising revenues, operating expenses and depreciation directly chargeable to the leasing business are accounted for on the financial statements of the new entity, and thus are excluded from the calculation of City Gas NOI. In addition, the calculation of the Company's Adjusted NOI includes adjustments to exclude the appropriate portion of Administrative and General ("A&G") expenses that support or are shared with the leased appliance business.

Q. HAS CITY GAS IDENTIFIED AND EXCLUDED FROM RATE BASE THOSE PORTIONS OF ITS COMMON PLANT THAT ARE PROPERLY APPLICABLE TO ITS NON-UTILITY OPERATIONS?

A. Yes. The Company has performed a thorough study of NUI City Gas' common plant. That study was the basis for the adjustments made to common plant and accumulated depreciation in Rate Base and depreciation expense, which are reflected on pages 18 through 22 of Schedule G-1 and page 28 of Schedule G-2.

Q. HAS CITY GAS INCLUDED AN ALLOCATION OF PLANT FROM NUI CORPORATION TO REFLECT ASSETS ON THE CORPORATE BALANCE SHEET THAT ARE SHARED BY OR OTHERWISE SUPPORT CITY GAS UTILITY OPERATIONS (COMMON PLANT)?

A. Yes. Consistent with the rate order from the prior rate case, City Gas has included an allocation of NUI Corporation's common plant, as well as associated accumulated depreciation. This allocation comes in via adjustment on Schedule G-1 page 4. The related depreciation expense is reflected as an adjustment to NOI on Schedule G-2 page 2.

Q. WHAT IS THE APPROPRIATE PROJECTED TEST YEAR UTILITY PLANT IN SERVICE FOR CITY GAS?

A. The appropriate adjusted Utility Plant in Service is $212,107,341 reflecting the adjustments described above.

Q. WHAT ARE THE APPROPRIATE DEPRECIATION RATES TO BE USED BY CITY GAS FOR THE PROJECTED TEST YEAR?

A. The depreciation rates used in this filing are those prescribed in Order No. PSC-99-2505-PAA-GU, issued in Docket No. 990229-GU on December 21, 1999. City Gas filed a new depreciation study on March 4, 2003

(Docket No. 030222-GU) and requested that the new rates become effective on October 1, 2003. The Commission's current schedule calls for the issuance of a PAA order in the depreciation docket on October 20, 2003. Once the new depreciation rates set in that docket become final, those rates should be incorporated into the calculation of the required rate increase in this case.

Q. WHAT ARE THE APPROPRIATE PROJECTED TEST YEAR DEPRECIATION AND AMORTIZATION RESERVES FOR NUI CITY GAS?

A. The appropriate projected test year depreciation and amortization reserves for NUI City Gas amount to $87,821,233 and are deducted from Gas Plant in Service to arrive at Utility Plant, net. These reserves reflect all appropriate adjustments with respect to non-utility operations and disallowances.

Q. WERE FUEL COST AND ECCR OVER/UNDERRECOVERIES PROPERLY TREATED IN THE WORKING CAPITAL ALLOWANCE FOR THE PROJECTED TEST YEAR?

A. Yes. Both ECCR and fuel costs are projected to be over-recovered in 2004. Consistent with Commission guidelines, City Gas left these over-recoveries in working capital, as a reduction of rate base. CRA, on the other hand, is projected to be under-recovered. The under-recovery was deducted from working capital as an adjustment.

Q. HAVE COMPONENTS OF WORKING CAPITAL APPLICABLE TO NON-UTILITY OPERATIONS BEEN PROPERLY EXCLUDED FROM THE WORKING CAPITAL ALLOWANCE?

A. Yes. Any specific assets and liabilities related to non-utility operations remaining on City Gas' books were removed from working capital by adjustment. In addition, provision has been made to exclude from working capital the appropriate portion of common current assets and liabilities apportionable to non-utility activities. The basis for the allocation was the three-factor method that is used by NUI to allocate shared services to its various business units. This allocation methodology is described below. The share of total City Gas costs applicable to its non-utility operations was 10.4%.

Q. WHAT IS THE APPROPRIATE WORKING CAPITAL ALLOWANCE FOR THE PROJECTED TEST YEAR?

A. The appropriate Working Capital Allowance, calculated using the Balance Sheet Method, is $(864,287) per Schedule G1 page 3, which reflects the adjustments described above.

Q. WHAT IS THE APPROPRIATE ADJUSTED RATE BASE FOR THE PROJECTED TEST YEAR?

A. The appropriate Adjusted Rate Base for the projected test year is $123,421,819. Attached as Exhibit No.____ (GLL-2) is Schedule G-1, page 1, which presents the components of Rate Base.

NET OPERATING INCOME

Q. WHAT IS THE APPROPRIATE AMOUNT OF OPERATING REVENUES FOR THE PROJECTED TEST YEAR?

A. The appropriate amount of Operating Revenues for the projected test year is $37,873,588.

Q. WHAT ADJUSTMENTS WERE MADE TO PROPERLY REFLECT OPERATING REVENUES FOR THE PROJECTED TEST YEAR?

A. The appropriate amount of Operating Revenues is determined after adjustments to exclude Gas billings, off-system sales revenues, billings for Conservation Costs and billings for taxes collectible from customers.

Q. WHAT IS THE APPROPRIATE O&M BENCHMARK VARIANCE FACTOR FOR CITY GAS?

A. The appropriate benchmark variance factor is 1.0983, reflecting the increase in the average number of customers and the increase in the average Consumer Price Index ("CPI") from the historical base year of City Gas' last rate case (1999) to the current case historical base year (2002). The calculation of this benchmark variance factor is presented on Schedule C-37.

Q. HAS CITY GAS JUSTIFIED ITS O&M BENCHMARK VARIANCES?

A. Yes. The rate of increase in City Gas' distribution operations and maintenance, as well as sales expenses from 1999 to 2002 was less than the benchmark variance factor. Bad debt expense was higher than the benchmark due in part to weakness in the economy, record high gas prices

and a colder than normal winter. Administrative and general expenses, consisting primarily of corporate service allocations, exceeded the benchmark. The increase in corporate service allocations to City Gas reflects higher costs at the corporate level, including property and liability insurance premiums, which soared after the terrorist attacks on 9-11, and higher directors' and officers' liability premiums. Also higher are information technology costs that are allocated from NUI corporate services. The details of unfavorable variances between actual historical base year expenses and the benchmark are presented in Schedule C-38.

Q. YOU MENTIONED EARLIER THAT THE 2004 OPERATING EXPENSE PROJECTIONS WERE PREPARED BY TRENDING HISTORICAL 2002 DATA AND MAKING ADJUSTMENTS FOR KNOWN CHANGES. PLEASE DESCRIBE THIS PROCESS IN MORE DETAIL.

A. The trending was done in two parts. All O&M expenses were divided between labor and other expenses. An appropriate factor was calculated or otherwise determined for each group of expenses. This factor was then compounded for a two-year period (2003 and 2004) and applied to the 2002 expenses in each functional area to derive the projected test year amounts.

Annual increases of 3% and 4% were used to trend labor expenses in 2003 and 2004, respectively. Three percent represents the actual average percentage increase used to determine employee salaries in 2003. Four percent is the amount being used in the preparation of the

Company's 2004 operating budget, which has not yet been completed. It is expected that this percentage will be used to calculate wage and salary increases in 2004. After compounding, the labor rate increase used to determine 2004 labor expense was 7.12%.

Non-labor expenses were trended using an inflation rate of 4.55%, which was calculated using the projected increases in the CPI of 2.3% for 2003 and 2.2% for 2004. There was an additional adjustment made to this factor of 0.3% to account for expected customer growth. The compounded rate of increase used for the two-year period was 4.85%.

For those operations areas that have or will experience changes in staffing or reflect other fundamental differences in cost structure in 2004 as compared with 2002, costs were removed from the trended expenses for specific costing. These expenses were separately projected for 2004, in most cases in conjunction with the budgeting process. When budgets were not yet available, our projections were based on trending our actual experience during the 12-months ending May 2003 by the applicable growth factor (i.e. 4% for labor costs or 2.23% for general inflation and customer growth).

Q. COULD YOU DESCRIBE THE MAJOR EXPENSES THAT WERE DETERMINED BY SOME METHOD OTHER THAN TRENDING 2002 EXPENSES?

A. O&M expenses that were developed by specific examination of the expected costs in 2004 rather than by trending 2002 expenses include

certain distribution expenses, certain sales and marketing related expenses, and certain corporate service expenses such as legal, treasury, pension, insurance, and injuries and damages.

Some distribution expenses were projected by trending the last actual 12-month period ended in May 2003, as shown on Schedule G-2, pages 12-13. The reason for this is that in the historic base year, certain distribution work such as turn-ons, re-lights etc. were subcontracted out to our Appliance Business (AB) affiliate for a fee. We determined that we would have better control of these activities as well as lower costs if we performed these activities within the utility. Late in 2002 six employees and related vehicles were transferred from AB to City Gas, and now AB only handles overflow work. To account for this action, the 2004 projections for certain distribution expenses such as labor and vehicles were trended to reflect our recent actual experience subsequent to the transfer. Intercompany Outside Services from the AB were reduced to zero in the projected test year to offset the increases in direct distribution expenses outlined above.

In the Sales Promotion Expense categories preliminary budget numbers were used for certain accounts to reflect the costs associated with implementing the Company's marketing strategy. This plan includes adding two channel manager positions, one for Miami Division and one for Brevard Division; increased spending for residential retention programs, which includes incentives and promotional activities for new gas burning

appliances and spending to communicate the benefits of natural gas; and participation in trade and community association activities. In addition, a budget figure was used for project development and marketing in the Palm Beach division, since the historic base year included this activity for only half a year. The new and expanded sales and marketing efforts are addressed in more detail by Jeff Householder in his testimony. As shown on Schedule G-2, page 16, the majority of the sales and marketing accounts are not directly affected by these new and expanded activities and were trended using actual historical base year expenses.

Amortization of deferred piping was forecast using the 2004 budget, reflecting the anticipated level of amortization for 2004. In fact, this number is lower than the 2002 trended amount.

Customer accounts and collection expenses (Schedule G-2, page 17) related to the call center operation were trended using 2003 actual spending, except that rent expense was forecast at zero to reflect the cancellation of the lease on the building that currently houses the call center. Mr. Wall covers in his testimony the plan to relocate the call center into the 955 building. These call center expenses were not trended from 2002 because of changes in the method by which the costs are allocated between Florida and New Jersey operations.

As shown on Schedule G-2, pages 17-18, several categories of administrative and general expenses were forecast either by trending the most recent 12-month data or by using 2004 budget amounts. Legal

expenses were forecast by trending the last 12 months of actual expenses incurred. Legal expenses are expected to be higher during the projected year than the historic base year level because of the increased litigation activity attributable to the allocated costs of shareholder lawsuits. A budget amount was not available for legal expenses at the time of filing.

Accounting and financial reporting costs were forecast in the same manner as legal expenses. These expenses are expected to be much higher in 2004 than the historic base year level due to increased requirements imposed by the Sarbanes-Oxley legislation. Among other things, this legislation requires that public companies have their external auditors attest to the adequacy of internal controls. This new requirement, which is expected to double our auditing fees, was prompted by recent high profile cases involving corporate malfeasance at the upper levels of management. It will result in more detail testing of the books and records during financial statement audits as well as more compliance work by internal audit staff. These changes will also require more personnel, and therefore, higher payroll costs in the financial areas to enable the Company to perform the compliance activities prescribed by the new legislation.

Treasury costs were forecast using the preliminary budget for 2004. These costs are expected to far exceed historical base year levels and even base year + 1 levels. The increases are driven primarily by debt-related bank fees for various credit facilities. Bank fees alone are projected to be $3.9 million, of which City Gas receives a 20.7% allocation. These

costs reflect NUI's initiative to better segregate regulated and non-regulated cash management functions by segregating bank accounts and establishing separate credit facilities.

Property and liability insurance costs (included in Injuries and Damages expense on Schedule G-2, page 17) were forecast using a budgeted amount to reflect expected levels to be incurred in 2004. These expenses have gone up dramatically since the terrorist attacks on September 11. The cost of directors' and officers' liability policies has also gone up significantly due in part to the recent high profile cases involving upper management malfeasance in corporate America.

Certain employee benefit expenses were forecast using budgeted amounts to reflect the expected levels to be incurred in 2004, as shown on Schedule G-2, page 17. Specifically, these costs include pension, post-retirement medical benefits and stock grants. The most significant variance from the historical base year is in the pension expense. During 2001 and 2002, NUI Corporation was generating a pension credit due to the favorable performance of the stock markets. Dramatic downturns in the stock markets severely eroded earnings on the pension fund investments, causing approximately an $8.6 million swing at the corporate level between the pension credit in 2001 and the pension expense in 2003. Together, pension, stock grant and post retirement medical benefits went from approximately $250,000 for City Gas in 2002 to an expected level of $1.9 million in 2004.

Another element of employee benefits that was forecast using a method other than the historical base year trend is medical and dental benefits. City Gas used the actual levels experienced during 2003 as the base for trending the 2004 expense. This is necessary because medical expenses have been increasing at double-digit percentage growth rates and are projected to continue to do so over at least the next two years. City Gas has attempted to mitigate these increases by raising employee deductibles and co-payments, as well as shifting a larger portion of medical insurance premiums to employees. As a result, we did not forecast double-digit growth rates for projecting this expense, but rather used CPI and customer growth rates applied to the actual 2003 experience.

Q. WHAT IS THE APPROPRIATE AMOUNT OF RATE CASE EXPENSE AND THE APPROPRIATE AMORTIZATION PERIOD?

A. The Company's calculation of rate case expense for the current case is included on Schedule C-13. The total projected costs amount to $425,000. It should be noted, however, that this projection will change in the event a hearing is required to resolve this case. In 2004 there will remain an amount unamortized from the prior rate case. We propose that the amount projected for this case plus the unamortized amount from the prior case be amortized over a three-year period. The total amount projected for rate case amortization expense in 2004 is $165,090.

Q. HAS NUI CITY GAS PROPERLY IDENTIFIED AND EXCLUDED FROM O&M THOSE PORTIONS OF ITS A&G EXPENSES THAT ARE APPLICABLE TO ITS NON-UTILITY OPERATIONS?

A. Yes. The adjustment is shown on Schedule G-2, page 2.

Q. COULD YOU PLEASE EXPLAIN HOW COSTS ARE ALLOCATED TO CITY GAS FOR NUI CENTRAL SERVICES?

A. Costs for central services provided by NUI have been directly charged to the extent they can be specifically identified to City Gas. Those central service expenses that cannot be directly attributed to City Gas have been allocated in accordance with NUI's cost allocation policy. This was also the basis for allocations to City Gas that were incorporated into operating expenses in the Company's last rate case. The cost allocation methodology used is reflective of the relative size of the individual business units that benefit from the services. In order to give recognition to relative size, the policy and methodology for cost allocation is to use a three-part formula with equal weighting to each component. The factors used are (1) budgeted direct payroll, (2) 13-month average plant balance and (3) 13-month average number of customers.

Q. IN ACCORDANCE WITH NUI'S POLICY, WHAT IS THE APPROPRIATE PROPORTION OF NUI CORPORATE EXPENSES TO BE BORNE BY NUI CITY GAS' UTILITY OPERATIONS?

A. Based on the three-factor method described above, for those expenses allocated across all business units, 20.7% of these expenses are reflected in NUI City Gas' cost of service related to its regulated activities.

Q. COULD YOU DESCRIBE THE CENTRAL SERVICES PROVIDED BY NUI FOR WHICH THESE COSTS ARE ALLOCATED?

A. Yes. The services provided from NUI Corporation include general executive management, real estate management, technical services and information technology, legal affairs, human resources, risk management and insurance, accounting, purchasing, public affairs, treasury, corporate secretary and investor relations. Certain utility support services are provided by NUI Utility employees based in New Jersey. These include gas supply management, certain engineering activities, customer billing, environmental compliance, forecasting and rates. Each of these areas comprises services that City Gas would have to provide itself if they were not obtained from the corporate headquarters or NUI Utilities.

Q. WHAT IS THE APPROPRIATE AMOUNT OF PROJECTED TEST YEAR O&M EXPENSE, INCLUDING ALLOCATED EXPENSES OF NUI CENTRAL SERVICES?

A. The appropriate amount of O&M for the Projected Test year is $24,068,151, which is included in Operating Expenses used to calculate Net Operating Income on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF TAXES OTHER THAN INCOME TAXES TO BE INCLUDED IN THE PROJECTED TEST YEAR?

A. The appropriate amount of taxes other than income taxes is $2,216,926, which is included in Operating Expenses on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF INCOME TAX EXPENSE FOR THE PROJECTED TEST YEAR, INCLUDING INTEREST SYNCHRONIZATION?

A. The appropriate amount of Income Tax Expense, including an adjustment for interest synchronization, for the projected test year is a credit of ($403,763), which is presented by component on Schedule G-2, page 1.

Q. WHAT IS THE APPROPRIATE AMOUNT OF NOI FOR THE PROJECTED TEST YEAR?

A. The appropriate amount of NOI for the projected test year, as adjusted for the items described above, is $3,596,957. I have attached a copy of Schedule G-2, page 1, which presents the calculation of this amount, as Exhibit No. ____ (GLL-3).

CAPITAL STRUCTURE

Q. HAVE YOU PREPARED AN EXHIBIT SHOWING THE COMPANY'S CAPITAL STRUCTURE?

A. Yes. The information appears on Schedule G-3, page 2, a copy of which is attached as Exhibit No. ___ (GLL-4).

Q. HAVE YOU PREPARED THE COMPANY'S CAPITAL STRUCTURE FOR RATEMAKING PURPOSES CONSISTENT WITH THE MANNER IN WHICH IT WAS APPROVED IN THE LAST RATE CASE?

A. Yes. In the Company's last rate case, the Commission approved the use of NUI Utility, Inc.'s consolidated capital structure as the appropriate one to use for ratemaking purposes. The Company believes that this capital structure is appropriate for a regulated gas utility, since it does not include capital associated with NUI's non-regulated businesses.

Q. WHAT DEBT/EQUITY RATIO DID YOU EMPLOY?

A. The calculation of capital structure reflects investor sources of capital as follows: Equity, 48.53%, Long-Term Debt, 50.39%, and Short-Term Debt, 1.09%.

Q. ON WHAT IS THE AMOUNT OF EQUITY BASED?

A. The amount of equity is based on the projected weighted average balance of common equity of NUI Utilities, Inc. on a consolidated basis for the projected test year, reduced by the amount invested in the non-utility operations of the Company.

Q. HOW DOES THIS COMPARE TO THE AMOUNT OF EQUITY THAT WAS IN THE CAPITAL STRUCTURE IN THE LAST CASE?

A. Equity in the Company's last rate case comprised 43.49% of investor sources of capital.

Q. WHAT IS THE APPROPRIATE LEVEL OF CUSTOMER DEPOSITS TO BE USED IN THE DETERMINATION OF NUI CITY GAS' CAPITAL STRUCTURE FOR THE PROJECTED TEXT YEAR?

A. The appropriate level of Customer Deposits to be included in the determination of City Gas' capital structure is $5,833,009, which is the average level of customer deposits for the projected test year.

Q. WHAT IS THE APPROPRIATE LEVEL OF DEFERRED INVESTMENT TAX CREDITS TO BE USED IN THE DETERMINATION OF CITY GAS' CAPITAL STRUCTURE FOR THE PROJECTED TEST YEAR?

A. The appropriate level of Deferred Investment Tax Credits to be included in the determination of NUI City Gas' capital structure is $536,361.

Q. WHAT IS THE APPROPRIATE LEVEL OF DEFERRED INCOME TAXES TO BE USED IN THE DETERMINATION OF CITY GAS' CAPITAL STRUCTURE FOR THE PROJECTED TEST YEAR?

A. The appropriate level of Deferred Income Taxes to be included in the determination of NUI City Gas' capital structure is $7,131,147. This amount was calculated by taking the actual activity in the accounts on the Company's books in the month of May 2003 and projecting it forward through September 30, 2004, and adjusting out non-utility related items.

Q. DOES CITY GAS' CAPITAL STRUCTURE FOR RATEMAKING PURPOSES FOR THE PROJECTED TEST YEAR PROPERLY EXCLUDE NON-UTILITY INVESTMENTS?

A. Yes. Although the Florida Appliance Business is considered a part of NUI Utilities, Inc., we did not forecast it in the projected NUI Utilities Inc. capital structure. In addition, any investment or expenses of the leasing and merchandising activities remaining on the books of NUI City Gas or shared

by the appliance business and City Gas have been excluded in a manner consistent with the last rate order.

Q. WHAT IS THE APPROPRIATE COST RATE FOR COMMON EQUITY?

A. The appropriate cost rate for Common Equity is 11.25%, as described by Dr. Roger Morin in his testimony.

Q. WHAT IS THE APPROPRIATE COST RATE FOR LONG-TERM DEBT?

A. The appropriate cost rate for Long-Term Debt is 6.43%, which is the projected embedded rate for NUI Utilities, Inc.

Q. WHAT IS THE APPROPRIATE COST RATE FOR SHORT-TERM DEBT?

A. The appropriate cost rate for Short-Term Debt is 2.91%, which is the projected embedded rate for NUI Utilities, Inc.

Q. WHAT IS THE APPROPRIATE COST RATE FOR CUSTOMER DEPOSITS?

A. The appropriate cost rate for Customer Deposits is 6.70%. This is a weighted average rate of 6% paid by City Gas on residential customer deposits and 7% on commercial deposits in accordance with NUI City Gas' tariff.

Q. WHAT IS THE APPROPRIATE COST RATE FOR INVESTMENT TAX CREDITS AND DEFERRED INCOME TAXES?

A. Deferred Investment Tax Credits and Deferred Income Taxes are included in the capital structure without cost.

Q. WHAT IS THE APPROPRIATE WEIGHTED AVERAGE COST OF CAPITAL FOR CITY GAS FOR RATEMAKING PURPOSES FOR THE PROJECTED TEST YEAR?

A. NUI City Gas' appropriate weighted average overall cost of capital for the projected test year is 8.10%.

Q. WHAT IS THE APPROPRIATE REVENUE EXPANSION FACTOR FOR THE PROJECTED TEST YEAR?

A. The appropriate revenue expansion factor is 1.6389, as calculated on Schedule G-4.

Q. WHAT ARE THE REVENUE DEFICIENCY AND TOTAL OPERATING REVENUE REQUIREMENT FOR THE PROJECTED TEST YEAR?

A. The revenue deficiency for NUI City Gas for the projected test year, is calculated on Schedule G-5 of the MFRs, which is included as Exhibit No. ____ (GLL-5). It amounts to $10,489,305, or 27.7%, and is the amount of increase that the Company requires in order to give it the opportunity to earn a fair rate of return based on conditions during the projected test year. This deficiency results from a total operating revenue requirement of $48,362,893, which has been used as the basis for the rates developed by company witness Jeff Householder, as presented in his testimony.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

MFR SCHEDULES SPONSORED BY
Gloria Lerma Lopez

SCHEDULE NO.	TITLE
A-1 p. 1	MAGNITUDE OF CHANGE-PRESENT vs. PRIOR RATE CASE
A-2 p. 1	ANALYSIS OF PERMANENT RATE INCREASE REQUESTED
A-3 p. 1	ANALYSIS OF JURISDICTIONAL RATE BASE
A-4 p. 1	ANALYSIS OF JURISDICTIONAL N. O. I.
A-5 p. 1	OVERALL RATE OF RETURN COMPARISON
A-6 p. 1	FINANCIAL INDICATORS
B-1 p.1	BALANCE SHEET – ASSETS
B-1 p.2	BALANCE SHEET - LIABILITIES & CAPITALIZATION
B-2 p.1	ADJUSTED RATE BASE
B-3 p.1	RATE BASE ADJUSTMENTS
B-4 p.1	MONTHLY UTILITY PLANT BALANCES
B-6 p.1	ACQUISITION ADJUSTMENTS
B-6 p.2	ACQUISITION ADJUSTMENTS (CONT.)
B-7 p.1	PROPERTY HELD FOR FUTURE USE
B-7 p.2	PROPERTY HELD FOR FUTURE USE - DETAIL
B-9 p.1	ACCUMULATED DEPRECIATION - MONTHLY BALANCES
B-10 p.1	ACCUMULATED AMORTIZATION – MONTHLY BALANCES
B-12 p.1	CUSTOMER ADVANCES FOR CONSTRUCTION
B-13 p.1	WORKING CAPITAL ALLOWANCE - ASSETS
B-13 p.2	WORKING CAPITAL ALLOWANCE - LIABILITIES
B-14 p.1	MISCELLANEOUS DEFERRED DEBITS
B-15 p.1	OTHER DEFERRED CREDITS
B-16 p.1	ADDITIONAL RATE BASE COMPONENTS
B-17 p.1	INVESTMENT TAX CREDITS - 3% AND 4% ITC DETAIL
B-17 p.2	INVESTMENT TAX CREDITS - 8% AND 10% ITC DETAIL
B-17 p.3	INVESTMENT TAX CREDITS - COMPANY POLICIES
B-17 p.4	INVESTMENT TAX CREDITS - SECTION 46(f) ELECTION
B-18 p.1	ACCUMULATED DEFERRED INCOME TAX - SUMMARY
B-18 p.2	ACCUMULATED DEFERRED INCOME TAX - STATE
B-18 p.3	ACCUMULATED DEFERRED INCOME TAX - STATE
B-18 p.4	ACCUMULATED DEFERRED INCOME TAX - FEDERAL
B-18 p.5	ACCUMULATED DEFERRED INCOME TAX - FEDERAL
C-1 p.1	ADJUSTED NET OPERATING INCOME
C-2 p.1	ADJUSTMENTS TO NET OPERATING INCOME
C-2 p.2	ADJUSTMENTS TO NET OPERATING INCOME - (CONT.)
C-3 p.1	OPERATING REVENUES BY MONTH
C-4 p.1	UNBILLED REVENUES
C-5 p.1	O & M EXPENSES BY MONTH
C-5 p.2	O & M EXPENSES BY MONTH - (CONT.)
C-7 p.1	CONSERVATION REVENUES AND EXPENSES
C-8 p.1	UNCOLLECTIBLE ACCOUNTS - GAS
C-8 p.2	UNCOLLECTIBLE ACCOUNTS - GAS (CONT.)
C-8 p.3	UNCOLLECTIBLE ACCOUNTS - MERCHANDISE
C-8 p.4	UNCOLLECTIBLE ACCOUNTS - MERCHANDISE (CONT.)
C-8 p.5	UNCOLLECTIBLE ACCOUNTS – MISCELLANEOUS
C-8 p.6	UNCOLLECTIBLE ACCOUNTS - MISCELLANEOUS (CONT.)
C-9 p.1	ADVERTISING EXPENSES
C-9 p.2	ADVERTISING EXPENSES - (CONT.)
C-10 p.1	CIVIC AND CHARITABLE CONTRIBUTIONS
C-11 p.1	INDUSTRY ASSOCIATION DUES

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SCHEDULE NO.	TITLE
C-12 p.1	LOBBYING AND POLITICAL EXPENSES
C-13 p.1	RATE CASE EXPENSES
C-14 p.1	MISCELLANEOUS GENERAL EXPENSES
C-15 p.1	OUT OF PERIOD ADJUSTMENTS
C-16 p.1	GAIN/LOSS ON DISPOSITION OF PROPERTY
C-17 p.1	DEPRECIATION EXPENSE
C-18 p.1	AMORTIZATION/RECOVERY SCHEDULE
C-20 p.1	SUMMARY OF TOTAL INCOME TAX PROVISION
C-21 p.1	STATE AND FEDERAL INCOME TAX - CURRENT
C-22 p.1	INTEREST EXPENSE - INCOME TAX
C-23 p.1	BOOK / TAX DIFFERENCES - PERMANENT
C-24 p.1	DEFERRED INCOME TAX EXPENSE
C-25 p.1	DEFERRED INCOME TAX ADJUSTMENT
C-26 p.1	PARENT DEBT INFORMATION
C-27 p.1	INCOME TAX RETURNS
C-28 p.1	MISCELLANEOUS TAX INFORMATION
C-29 p.1	CONSOLIDATED RETURN
C-30 p.1	OTHER TAXES - DETAIL
C-30 p.2	OTHER TAXES - DETAIL - (CONT.)
C-31 p.1	OUTSIDE PROFESSIONAL SERVICES
C-32 p.1	AFFILIATED COMPANY TRANSACTIONS
C-33 p.1	WAGE & SALARY INCREASES COMPARED TO C.P.I.
C-34 p.1	O & M BENCHMARK COMPARISONS
C-35 p.1	O & M ADJUSTMENTS BY FUNCTION
C-36 p.1	BASE YEAR RECOVERABLE O & M EXPENSES BY FUNCTION
C-37 p.1	O & M COMPOUND MULTIPLIER
C-38 p.1	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.2	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.3	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.4	O & M BENCHMARK VARIANCE BY FUNCTION
C-38 p.5	O & M BENCHMARK VARIANCE BY FUNCTION
D-1 p.1	COST OF CAPITAL - 13 MONTH AVERAGE
D-1 p.2	COST OF CAPITAL - HISTORICAL DATA
D-2 p.1	LONG TERM DEBT OUTSTANDING - DETAIL
D-2 p.2	LONG TERM DEBT - CALL PROVISIONS
D-3 p.1	SHORT TERM DEBT
D-4 p.1	PREFERRED STOCK
D-5 p.1	COMMON STOCK ISSUES
D-6 p.1	CUSTOMER DEPOSITS
D-7 p.1	SOURCES AND USES OF FUNDS
D-8 p.1	ISSUANCE OF SECURITIES
D-9 p.1	SUBSIDIARY INVESTMENTS
D-10 p.1	RECONCILIATION OF AVERAGE CAPITAL STRUCTURE TO AVERAGE JURISDICTIONAL RATE BASE
D-11 p.1	FINANCIAL INDICATORS - COVERAGE RATIOS
D-11 p.2	FINANCIAL INDICATORS - PERCENTAGE OF CONSTRUCTION FUNDS INTERNALLY GENERATED
D-11 p.3	FINANCIAL INDICATORS - AFUDC AS A PERCENTAGE OF INCOME
D-12 p.1	APPLICANT'S MARKET DATA

MFR SCHEDULES SPONSORED BY
Gloria Lerma Lopez

SCHEDULE NO.	TITLE
E-6 p.1	DERIVATION OF RATE BASE
E-6 p.2	DERIVATION OF RATE BASE - (CONT.)
E-6 p.3	DERIVATION OF COST SERVICE
E-6 p.4	DERIVATION OF COST SERVICE - (CONT.)
E-6 p.5	DERIVATION OF COST SERVICE - (CONT.)
F-1 p.1	CALCULATION OF INTERIM RATE RELIEF - RATE OF RETURN
F-2 p.1	WORKING CAPITAL - ASSETS
F-2 p.2	WORKING CAPITAL - LIABILITIES
F-3 p.1	ADJUSTMENTS TO RATE BASE
F-4 p.1	NET OPERATING INCOME
F-5 p.1	ADJUSTMENTS TO NET OPERATING INCOME
F-5 p.2	ADJUSTMENTS TO NET OPERATING INCOME - (CONT.)
F-6 p.1	REVENUE EXPANSION FACTOR
F-7 p.1	REVENUE DEFICIENCY
F-8 p.1	AVERAGE COST OF CAPITAL
F-9 p.1	RECONCILIATION OF RATE BASE TO CAPITAL STRUCTURE (INTERIM)
G-1 p.1	RATE BASE, PROJECTED
G-1 p.2	WORKING CAPITAL, PROJECTED
G-1 p.3	WORKING CAPITAL, PROJECTED
G-1 p.4	RATE BASE ADJUSTMENTS
G-1 p.5	BALANCE SHEET, BASE YR + 1
G-1 p.6	BALANCE SHEET, BASE YR + 1
G-1 p.7	BALANCE SHEET, PROJECTED
G-1 p.8	BALANCE SHEET, PROJECTED
G-1 p.9	PLANT, BASE YEAR + 1
G-1 p.10	PLANT, PROJECTED
G-1 p.11	DEPRECIATION RESERVE, BASE + 1
G-1 p.12	DEPRECIATION RESERVE, PROJECTED
G-1 p.13	AMORTIZATION RESERVE, BASE +1
G-1 p.14	AMORTIZATION RESERVE, PROJECTED
G-2 p.1	NOI SUMMARY, PROJECTED
G-2 p.2	NOI ADJUSTMENTS, PROJECTED
G-2 p.3	NOI ADJUSTMENTS, PROJECTED
G-2 p.4	INCOME STATEMENT, BASE + 1
G-2 p.5	INCOME STATEMENT, PROJECTED
G-2 p.12	PROJECTED O&M EXPENSES - TRENDS
G-2 p.13	PROJECTED O&M EXPENSES - TRENDS
G-2 p.14	PROJECTED O&M EXPENSES - TRENDS
G-2 p.15	PROJECTED O&M EXPENSES - TRENDS
G-2 p.16	PROJECTED O&M EXPENSES - TRENDS
G-2 p.17	PROJECTED O&M EXPENSES - TRENDS
G-2 p.18	PROJECTED O&M EXPENSES - TRENDS
G-2 p.19	PROJECTED O&M EXPENSES - TRENDS
G-2 p.23	DEPRECIATION EXPENSE, BASE + 1
G-2 p.24	AMORTIZATION, BASE + 1
G-2 p.26	DEPRECIATION EXPENSE, PROJECTED
G-2 p.27	AMORTIZATION, PROJECTED

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Gloria Lerma Lopez

SCHEDULE NO.	TITLE
G-2 p.29	INCOME TAX SUMMARY, BASE + 1
G-2 p.30	INCOME TAX CALC., BASE + 1
G-2 p.31	DEFERRED INCOME TAX EXPENSE, BASE + 1
G-2 p.32	INCOME TAX SUMMARY, PROJECTED
G-2 p.33	INCOME TAX CALCULATION, PROJECTED
G-2 p.34	DEFERRED INCOME TAX EXPENSE, PROJECTED
G-3 p. 1	COST OF CAPITAL, BASE + 1
G-3 p.2	COST OF CAPITAL, PROJECTED
G-3 p.3	LONG TERM DEBT OUTSTANDING, PROJECTED
G-3 p.4	SHORT TERM DEBT OUTSTANDING, PROJECTED
G-3 p.5	PREFERRED STOCK, PROJECTED
G-3 p.6	COMMON STOCK, PROJECTED
G-3 p.7	CUSTOMER DEPOSITS
G-3 p.8	STOCK/BOND ISSUES
G-3 p.9	FINANCIAL INDICATORS, PROJECTED
G-3 p.10	FINANCIAL INDICATORS, PROJECTED
G-3 p.11	FINANCIAL INDICATORS, PROJECTED
G-4 p.1	REVENUE EXPANSION FACTOR
G-5 p.1	REVENUE DEFICIENCY, PROJECTED
G-6 p.1	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.2	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.3	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.4	MAJOR ASSUMPTIONS, PROJECTED
G-6 p.5	MAJOR ASSUMPTIONS, PROJECTED

SCHEDULE G-1 | CALCULATION OF THE PROJECTED TEST YEAR RATE BASE | PAGE 1 OF 28

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY. CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.

DOCKET NO 030569-GU

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE RATE BASE FOR THE HISTORIC BASE YEAR, THE HISTORIC BASE YEAR PLUS ONE, AND THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 09/30/02
HISTORIC BASE YEAR + 1: 09/30/03
PROJECTED TEST YEAR: 09/30/04
WITNESS: G. L. LOPEZ

		Historical Base Year (2002)			Historical Base Year + 1 (2003)	Projected Test Year (2004)		
LINE NO		Average Unadjusted	Company Adjustments	Average Adjusted	Average Unadjusted	Average Unadjusted	Company Adjustments	Average Adjusted
1	UTILITY PLANT							
2	GAS PLANT IN SERVICE	$ 179,403,905	$ -	$ 179,403,905	$ 188,667,047	$ 198,469,190	$ -	$ 198,469,190
3	COMMON PLANT ALLOCATED	-	404,038	404,038	-	-	5,723,015	5,723,015
4	ACQUISITION ADJUSTMENT	31,184,548	(29,370,230)	1,814,318	31,022,261	30,832,927	(29,370,230)	1,462,697
5	CONSTRUCTION WORK IN PROGRESS	6,953,189	-	6,953,189	6,135,352	6,452,439	-	6,452,439
6	TOTAL PLANT	217,541,642	(28,966,192)	188,575,450	225,824,660	235,754,556	(23,647,215)	212,107,341
7	DEDUCTIONS							
8	ACCUMULATED DEPRECIATION - UTILITY PLANT	72,496,299	-	72,496,299	78,830,932	84,927,235	-	84,927,235
9	ACCUMULATED DEPRECIATION - COMMON PLANT ALLOCATED	-	170,486	170,486	-	-	2,667,538	2,667,538
10	ACCUMULATED AMORTIZATION - ACQUISITION ADJUSTMENT	13,759,230	(13,188,099)	571,131	14,639,262	15,387,056	(15,160,584)	226,472
11	TOTAL DEDUCTIONS	86,255,529	(13,017,613)	73,237,916	93,470,194	100,314,291	(12,493,046)	87,821,245
12	UTILITY PLANT, NET	131,286,113	(15,948,579)	115,337,534	132,354,466	135,440,265	(11,154,169)	124,286,096
13	ALLOWANCE FOR WORKING CAPITAL							
14	BALANCE SHEET METHOD	(39,234,142)	44,028,291	4,794,149	(44,271,967)	(50,638,514)	49,774,225	(864,289)
15	TOTAL RATE BASE	$ 92,051,971	$ 28,079,712	$ 120,131,683	$ 88,082,499	$ 84,801,751	$ 38,620,056	$ 123,421,807
16	NET OPERATING INCOME	$ 7,634,346	$ (1,134,232)	$ 6,500,114	$ 4,587,624	$ 5,241,301	$ (1,644,344)	$ 3,596,957
	RATE OF RETURN	8.29%		5.41%	5.21%	6.18%		2.91%

SUPPORTING SCHEDULES: B-2 p 1, G-1 pp 3, 4, G-2 p.1, G-5

RECAP SCHEDULES: A-3, G-5

EXHIBIT NO.__(GLL-3)
CITY GAS COMPANY OF FLORIDA
DOCKET NO. 030569-GU
PAGE 1 OF 1

SCHEDULE G-2 | CALCULATION OF THE PROJECTED TEST YEAR - NOI - SUMMARY | PAGE 1 OF 34

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.
DOCKET NO.: 030569-GU

EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING INCOME PER BOOKS FOR THE HISTORIC BASE YEAR, THE PROJECTED NET OPERATING INCOME FOR THE HISTORIC BASE YEAR + 1, AND THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 09/30/02
HISTORIC BASE YEAR + 1: 09/30/03
PROJECTED TEST YEAR: 09/30/04
WITNESS: G. L LOPEZ

		Historical Base Year (2002)			Historical Base Year + 1 (2003)	Projected Test Year (2004)		
Line No.	Description	Per Books	Company Adjustments	Adjusted	Per Books	Per Books	Company Adjustments	Adjusted
1	OPERATING REVENUE:							
2	OPERATING REVENUES	92,624,730	(56,053,879)	36,570,851	113,135,269	100,402,838	(62,649,878)	37,752,960
3	REVENUE RELIEF	-	-	-	-	-	-	-
4	CHANGE IN UNBILLED REVENUES	-	-	-	154,291	-	-	-
5	REVENUES DUE TO GROWTH	-	-	-	554,179	120,628	-	120,628
6	TOTAL REVENUES	92,624,730	(56,053,879)	36,570,851	113,843,739	100,523,466	(62,649,878)	37,873,588
7	OPERATING EXPENSES:							
8	COST OF GAS	50,729,038	(50,729,038)	-	70,620,452	55,422,306	(55,422,306)	-
9	OPERATION & MAINTENANCE	21,044,400	(1,637,639)	19,406,761	23,524,622	24,120,144	(51,993)	24,068,151
10	CONSERVATION COSTS				2,354,646	3,122,582	(3,122,582)	-
11	DEPRECIATION & AMORTIZATION	7,158,657	(203,659)	6,954,998	8,024,832	7,395,579	999,738	8,395,317
12	REVENUE RELATED TAXES	-	-	-	2,657,566	3,134,516	(3,134,516)	-
13	TAXES OTHER THAN INCOME	4,815,199	(2,649,146)	2,166,053	2,504,882	2,409,046	(192,120)	2,216,926
14	INCOME TAXES FEDERAL	1,808,443	256,012	2,064,455	(2,242,800)	(1,807,323)	(69,807)	(1,877,130)
15	INCOME TAXES - STATE	309,568	43,823	353,391	(383,916)	(309,376)	(11,948)	(321,324)
16	DEFERRED TAXES - FEDERAL	(781,004)	-	(781,004)	1,840,932	1,498,418	-	1,498,418
17	DEFERRED TAXES - STATE	(93,917)	-	(93,917)	354,900	296,273	-	296,273
18	INVESTMENT TAX CREDITS	-	-	-	-	-	-	-
19	TOTAL OPERATING EXPENSES	84,990,384	(54,919,647)	30,070,737	109,256,116	95,282,165	(61,005,534)	34,276,631
20	NET OPERATING INCOME	7,634,346	(1,134,232)	6,500,114	4,587,623	5,241,301	(1,644,344)	3,596,957

SUPPORTING SCHEDULES: C-1, G-2 pp 2-5

RECAP SCHEDULES: G-1 p1, A-4

SCHEDULE G-3 | CALCULATION OF THE PROJECTED TEST YEAR - COST OF CAPITAL | PAGE 2 0F 11

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13 MONTH AVERAGE COST OF CAPITAL FOR THE PROJECTED TEST YEAR

TYPE OF DATA SHOWN:
PROJECTED TEST YEAR: 09/30/04
WITNESS: G. L. LOPEZ

COMPANY: CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.

DOCKET NO 030569-GU

			Adjustments							
Line No.	Description	Per Books	To Conform with Ratio of Investor Sources	Specific	Pro Rata	Adjusted	Ratio	Cost Rate	Weighted Cost	Consolidated Investor Sources
1	COMMON EQUITY	28,409,942	28,413,084	-	(3,478,218)	53,344,808	43.22%	11.25%	4.86%	48.53%
2	LONG TERM DEBT	56,391,821	2,609,050	-	(3,611,527)	55,389,344	44.88%	6.43%	2.89% a	50.39%
3	SHORT TERM DEBT	32,286,689	(31,022,134)	-	(77,405)	1,187,150	0.96%	2.91%	0.03% a	1.09%
4	CUSTOMER DEPOSITS	5,833,009	-	-	-	5,833,009	4.73%	6.70%	0.32% a	
5	DEFERRED TAXES	12,469,007	-	(5,337,860)	-	7,131,147	5.78%	0.00%	0.00%	
6	TAX CREDIT	536,361	-	-	-	536,361	0.43%	0.00%	0.00%	
7	TOTAL	135,926,829	-	(5,337,860)	(7,167,150)	123,421,819	100.00%		8.10%	

INTEREST SYNCHRONIZATION CALCULATION			
RATE BASE		$123,421,819	
x WEIGHTED AVERAGE COST OF DEBT	(SUM OF "a")	3.24%	
SYNCHRONIZED INTEREST		3,998,867	
INTEREST PER BOOKS		5,507,719	
INTEREST PER BOOKS OVER SYNCHRONIZED INTEREST CALCULATED		1,508,852	
STATE TAX @	5.50%	82,987	82,987
		1,425,865	
FEDERAL TAX @	34.00%		484,794
TOTAL INCOME TAX ADJUSTMENT			$567,781

SUPPORTING SCHEDLES: G-1 pp 7 & 8, G-3 p 3-8

RECAP SCHEDULES: A1, A5, G2 p 3

SCHEDULE G-5 | CALCULATION OF THE PROJECTED TEST YEAR - REVENUE DEFICIENCY | PAGE 1 OF 1

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE CALCULATION OF THE REVENUE DEFICIENCY FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:
PROJECTED TEST YEAR: 09/30/04
WITNESS: G. L. LOPEZ

COMPANY: CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.
DOCKET NO.: 030569-GU

LINE NO.	DESCRIPTION	AMOUNT
1	ADJUSTED RATE BASE	$ 123,421,819
2	REQUESTED RATE OF RETURN	8.10%
3	N.O.I. REQUIREMENTS	9,997,167
4	LESS: ADJUSTED N.O.I.	3,596,957
5	N.O.I. DEFICIENCY	$ 6,400,210
6	EXPANSION FACTOR	1.6389
7	REVENUE DEFICIENCY	$ 10,489,305

SUPPORTING SCHEDULES: G-1 p 1, G-3 p 2, G-4

RECAP SCHEDULES: A-1, A-2