

# Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial No.  
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November 26, 2003

**BY HAND DELIVERY**

Blanca Bayó  
Director, Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

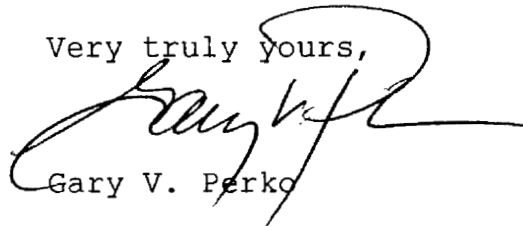
Re: City Gas -- Docket No. 030569-GU

Dear Ms. Bayó:

Enclosed for filing on behalf of City Gas Company of Florida are the original and fifteen copies of its Response to the Staff's Rate Case Audit Report in the above-referenced docket.

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

Very truly yours,



Gary V. Perko

GVP/mee  
Enclosures  
cc: Certificate of Service

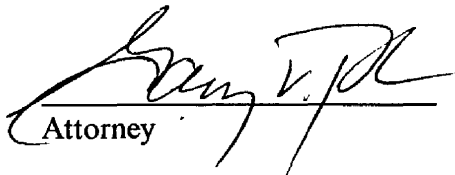
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail and/or hand-delivery (\*) to the following in Docket No. 030569-GU this 26<sup>th</sup> day of November, 2003.

Ralph Jaeger \*  
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Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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Attorney

**NUI CITY GAS COMPANY RATE CASE  
YEAR ENDED ACTUAL SEPTEMBER, 2002  
PROJECTED YEAR ENDED SEPTEMBER 2004**

**AUDIT EXCEPTIONS:**

**AUDIT EXCEPTION NO. 1**

The Company disagrees. The \$125,000 for new computers projected in 2004 is for the Field Force Automation Project. The Computers for this project have already been purchased and the \$125,000 projected for FY 2004 is additional cost for the programming and setup of the system, which includes installation of the equipment in the trucks. The cost should not be disallowed.

**AUDIT EXCEPTION NO. 2**

The Company agrees. Please see Attachment AE-2 for the reduction in Corporate allocations and the associated expense and accumulated depreciation.

**AUDIT EXCEPTION NO. 3**

The sample selected for testing was not the lowest level of detail. Therefore, instead of requesting 74 items as originally thought, the sample selection resulted in over two hundred vouchers and journal entries. When this was explained to the audit staff, it was decided that all vouchers already pulled, as well as a smaller selection later identified by Staff would be sufficient.

The Company disagrees with the recommended adjustment because of the \$3,986,575.50, \$985,728.45 represents telephone equipment purchased from NUI Telecom and \$177,353.70 represents consultant cost for the automation of margin accounting for the utilities.

The adjustment should be \$570,345.66  $((3,986,575.50 - 985,728.45 - 177,353.70) \times 20.2\%)$ . The associated accumulated depreciation is \$65,149  $(\$322,518 \times 20.2\%)$  and the depreciation expense is \$15,930  $(\$78,859 \times 20.2\%)$ .

**AUDIT EXCEPTION NO. 4**

The Company agrees.

**AUDIT EXCEPTION NO. 5**

The Company agrees.

**AUDIT EXCEPTION NO. 6**

The Company agrees.

**AUDIT EXCEPTION NO. 7**

The Company agrees. However, if utility bills are allocated out to non-regulated operations, City Gas should get an allocation in for the same type charges from Elizabethtown Gas.

**AUDIT EXCEPTION NO. 8**

The Company disagrees. Over the past three years, the average annual amount for canceled projects has been over \$100,000, which means these costs should not be considered extra-ordinary and non-recurring.

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**AUDIT EXCEPTION NO. 9**

The Company agrees with facts as stated. However, if these charges are allocated out to non-regulated operations, City Gas should get an allocation in for the same type charges from Elizabethtown Gas.

**AUDIT EXCEPTION NO. 10**

The Company disagrees. Over the past three years, the average annual amount for canceled projects has been over \$100,000, which means these costs should not be considered extra-ordinary and non-recurring.

**AUDIT EXCEPTION NO. 11**

The Company agrees.

**AUDIT EXCEPTION NO. 12**

The Company disagrees with recommended adjustments because these specific charges reside in RC 237 (one of the Customer Care departments) in account 903 and are allocated out to non-regulated operations on monthly basis based on the number of calls as part of the RC 237 customer care allocations. Therefore, the allocation adjustment was already reflected in the filing.

**AUDIT EXCEPTION NO. 13**

The Company disagrees. If the UBS margin is in line with market rates, there should be no disallowance. Having these services done by UBS is no different than if the services were being performed by another third party provider.

**AUDIT EXCEPTION NO. 14**

The Company agrees.

**AUDIT EXCEPTION NO. 15**

The Company agrees.

**AUDIT EXCEPTION NO. 16**

The Company agrees.

**AUDIT EXCEPTION NO. 17**

The Company agrees. However, if these charges are allocated out to non-regulated operations, City Gas should get an allocation in for the same type charges from Elizabethtown Gas.

**AUDIT EXCEPTION NO. 18**

The Company agrees. However, if these charges are allocated out to non-regulated operations, City Gas should get an allocation in for the same type charges from Elizabethtown Gas.

**EXCEPTION NO. 19**

The Company agrees.

**EXCEPTION NO. 20**

The Company disagrees. The \$112,399 for 2000 and 2001 re-audits was not removed from RC 556 because there will be other additional expenses incurred that were not included in the forecast (i.e. Sarbanes Oxley, internal control review, increased audit fees, and other compliance requirements). If the costs to re-audit FY 2000 and FY 2001 are removed, then the estimated costs for Sarbanes Oxley implementation and increased audit fees should be included.

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**EXCEPTION NO. 21**

The Company agrees. In light of the changes that have taken place in the Executive Department (RC 401-see Audit Disclosure #9) the adjustment for RC 401 should be \$562,483 (\$2,717,308 x 20.7%); this results in a total increase of O&M expense of \$1,094,467.

**EXCEPTION NO. 22**

RC 470 – Company agrees

RC 471 – Company agrees

RC 472 – Company agrees

RC 473 – Company agrees

RC 474 – Company agrees

**EXCEPTION NO. 23**

The Company agrees.

**EXCEPTION NO. 24**

The Company disagrees. Below is FY 2003 actual and FY 2004 budget MIS salary expense. Please note that the Budget FY'04 salary expense is lower than actual FY'03, but the Budget FY'04 consultants costs are higher than actual FY'03. This results in a net increase to MIS FY'04 expense from FY'03. Therefore, no disallowance is appropriate.

Below are names of employees that were terminated and their replacements:

- John Pignotti – Mike Vargas
- Jose Sousa - Dina Raza
- Pearl Kobran - Brian Thornton
- Marlin Scheerberg – Consultant (1)
- Anthony Brasil - Ben Seward
- Doreen Berry – Consultant (1)
- Duncan Ellsworth - Pat Donnelly
- Sharon Miller – Consultant (1)
- Ralph Carracedo - Ralph Carracedo (he has returned)
- Brette Dille - Manju Ghante
- John Chiang – Consultant (1)

(1) - Mark Nagrocki and Yan Teper

MIS Departments:

|                         | <b>Employees</b> | <b>Consultants</b> | <b>Combined</b> |
|-------------------------|------------------|--------------------|-----------------|
| FY2003 Actual           | 1,922,496        | 655,996            | 2,578,492       |
| FY2004 Budget           | 1,885,895        | 738,979            | 2,624,873       |
| Change FY2003 to FY2004 | (36,602)         | 82,983             | 46,381          |

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**EXCEPTION NO. 25**

The Company disagrees. The Green Lane Property, although owned by Elizabethtown Gas, houses departments that support City Gas operations, such as Dispatching, Distribution Compliance and Customer Relations.

**AUDIT EXCEPTION NO. 26**

The Company agrees.

**AUDIT EXCEPTION NO. 27**

The Company agrees.

**AUDIT EXCEPTION NO. 28**

The Company agrees that \$50,960 should be removed from the forecast for the reasons stated above.

The Company does not agree with a reduction of \$483,480 to the FY 2004 benefit costs projected. The calculation supporting Audit Exception No. 28 shows a 12.33% of actual benefits to total wages in 2003. Based on actual FY 2003, total benefit costs were \$1,598,234; this is 20.96% of total O&M Payroll expense. It appears that the 12.33% the auditor calculated was based on FY 2002 benefits expense and FY 2003 actual payroll; and as a result, the percentage calculated by auditors was understated.

Based on actual FY 2003 benefit cost per employee, annual calculation of benefit costs resulted in \$1,629,336, see Attachment AE-28.

The FY 2004 employee benefit costs of \$1,393,370 is consistent with actual FY 2003 results and should not be reduced. It should be increased to \$1,598,234 based on actual FY 2003 net benefits expense or to \$1,667,136 based on actual FY 2003 benefit cost of \$678.89 per employee.

**AUDIT EXCEPTION NO. 29**

The Company disagrees. The rent for the 74<sup>th</sup> Street Warehouse is removed through the NOI adjustments for non-utility operations.

**AUDIT EXCEPTION NO. 30**

The Company agrees.

**AUDIT DISCLOSURES:**

**AUDIT DISCLOSURE NO. 1**

Christine Romig reviewed the FY'04 projected bad debt expense and recommended an adjustment to reduce bad debt expense by \$271,985 for FY'04. The company agrees with this adjustment.

**AUDIT DISCLOSURE NO. 2**

The Company agrees with the removal of the former Marketing Director salary of \$50,208. However there should be no marketing disallowance for the Channel positions. There are open personnel requisitions and Company is actively looking for Channel Reps.

**AUDIT DISCLOSURE NO. 3**

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COMPANY RESPONSE  
TO STAFF AUDIT REPORT**

The Company regularly provides training to its sales people. Some years we bring someone in-house while in other years we send employees out to training. Therefore, these costs should be considered recurring, and should be allowed.

**AUDIT DISCLOSURE NO. 4**

The Company agrees with facts as stated. The Company is waiting for a decision on the rate case prior to incurring these costs and risk disallowance.

**AUDIT DISCLOSURE NO. 5**

The Company agrees with facts as stated. The Company is waiting for a decision on the rate case prior to incurring these costs and risk disallowance.

**AUDIT DISCLOSURE NO. 6**

Company agrees with facts as stated.

**AUDIT DISCLOSURE NO. 7**

The legal (regulatory) expenses are recurring in nature. Although the Company will not do another flat rate billing filing, in 2004 the Company plans to file a new curtailment plan, revise the Alternate Fuel Discount provision in the tariff, and may enter into new special contracts. All these activities will require legal services that were not specifically included in FY'04 legal expenses included in the rate case filing. Since they are recurring in nature, they should not be disallowed.

**AUDIT DISCLOSURE NO. 8**

The Company disagrees. Although the space occupied for corporate operations in Elizabethtown has decreased since 2002, the space occupied in Bedminster for corporate operations has increased. Also, the third party sub-lease space should not be removed from regulated operations because the rental income associated with the third party sub-leases were used to offset these costs.

**DISCLOSURE NO. 9**

Although John Kean Jr. resigned, Mark Abramovic, former CFO, was appointed to the position of CEO. The CFO position and his staff have been replaced by FTI Consultants. The company has appointed Dan Scouler Chief Financial Officer. Scouler is a Senior Managing Director with FTI Consulting. Also, James T. Egler was added to RC 401's Executive roster. The preliminary budget number (which was inadvertently excluded from the case, see Audit Exception #21 related to RC 401) was \$1,922,122. This budget was created when John Kean Jr. was still CEO. The new budget for RC 401 is \$2,717,308. This takes into account the recent executive changes. As a result of the increases to the budget, no disallowance is appropriate.

Although John Kean Sr. will be retiring in March 2004, the Board will be appointing a new Chairman, therefore this cost will continue.

**AUDIT DISCLOSURE NO. 10**

The Company disagrees with facts as stated. The Company revised the rate case expense amortization schedule. See Attachment AD-10-1.

|                                     |             |
|-------------------------------------|-------------|
| Revised FY'04 Rate Case Projection: | \$ 131,389  |
| FY'04 Expense in Rate Case:         | \$ 165,090  |
| Adjustment:                         | \$ (33,701) |

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The Company has incurred \$242,375 in rate case expenses through October 2003. An additional \$200,613 is projected. Attachment AD-10-2 shows a comparison of projected rate case expenses to actual rate case expenses incurred thru October 2003.

**AUDIT DISCLOSURE NO. 11**

The Company agrees. Please see Attachment AD-11 for the revised depreciation expense recalculated using the revised depreciation rates.



NUI HEADQUARTERS  
CORPORATE ASSETS

Attachment 2

|                              |                        | PLANT BALANCES       |                      |                       |
|------------------------------|------------------------|----------------------|----------------------|-----------------------|
| FERC Code                    |                        | Per MFRs             | Revised Budget       | Difference            |
| 39010                        | STRUCTURES & IMPS.     | 3,106,410.11         | 3,106,025.50         | (384.62)              |
| 39020                        | STRUCTURES & IMPS.     | 1,439,027.97         | 1,439,027.97         | 0.00                  |
| 39110                        | OFFICE FURNITURE       | 986,418.08           | 986,418.08           | 0.00                  |
| 39120                        | OFFICE EQUIPMENT       | 185,439.40           | 185,439.40           | 0.00                  |
| 39130                        | COMPUTERS              | 23,527,613.38        | 21,186,305.69        | (2,341,307.69)        |
| 39250                        | TRANSPORTATION         | 275,161.94           | 275,161.94           | 0.00                  |
| 39260                        | TRANSPORTATION         | 75,290.30            | 75,290.30            | 0.00                  |
| 39700                        | COMMUNICATION EQT.     | 3,201,668.53         | 3,193,976.22         | (7,692.31)            |
| 39800                        | MISCELLANEOUS EQT.     | 918,039.89           | 918,039.89           | 0.00                  |
| <b>Total Corporate Plant</b> |                        | <b>33,715,069.60</b> | <b>31,365,684.99</b> | <b>(2,349,384.62)</b> |
|                              |                        |                      |                      |                       |
| 39130                        | Work Order Mgmt System | 25,384.62            | 25,384.62            | 0.00                  |
|                              |                        |                      |                      |                       |
| 39130                        | Billing System         | 4,615,384.62         | 0.00                 | (4,615,384.62)        |

| DEPRECIATION EXPENSE |                     |                     |
|----------------------|---------------------|---------------------|
| Per MFRs             | Revised Budget      | Difference          |
| 77,649.68            | 77,618.44           | (31.24)             |
| 35,970.00            | 35,970.00           | 0.00                |
| 56,225.88            | 56,225.88           | 0.00                |
| 15,205.29            | 15,205.29           | 0.00                |
| 3,944,091.38         | 3,544,242.07        | (399,849.31)        |
| 22,860.13            | 22,860.13           | 0.00                |
| 6,249.36             | 6,249.36            | 0.00                |
| 265,505.18           | 265,159.33          | (345.85)            |
| 59,676.24            | 59,676.24           | 0.00                |
| <b>4,483,433.14</b>  | <b>4,083,206.74</b> | <b>(400,226.40)</b> |
|                      |                     |                     |
| 3,827.18             | 3,827.18            | 0.00                |
|                      |                     |                     |
| 793,269.00           | 0.00                | (793,269.00)        |

| ACCUM DEPRECIATION   |                      |                     |
|----------------------|----------------------|---------------------|
| Per MFRs             | Revised Budget       | Difference          |
| 250,470.27           | 250,422.61           | 47.66               |
| 75,689.63            | 75,689.63            | 0.00                |
| 384,213.13           | 384,213.13           | 0.00                |
| 112,877.84           | 112,877.84           | 0.00                |
| 16,595,710.34        | 16,449,273.00        | (146,437.34)        |
| 150,473.24           | 150,473.24           | 0.00                |
| 12,576.09            | 12,576.09            | 0.00                |
| 727,443.98           | 727,417.38           | (26.60)             |
| 128,322.75           | 128,322.75           | 0.00                |
| <b>18,437,777.28</b> | <b>18,291,265.67</b> | <b>(146,511.61)</b> |
|                      |                      |                     |
| 6,888.93             | 6,888.93             | 0.00                |
|                      |                      |                     |
| 321,161.54           | 0.00                 | (321,161.54)        |

**City Gas Company of Florida  
Employee Benefits Analysis  
Response to Audit Exception #28**

|   |               | Actual<br>FY 2003 | Per Auditor's<br>calculation<br>attached<br>to audit<br>exception #28 | FY 2004 Per<br>Rate Case | FY 2004 Per<br>Budget |
|---|---------------|-------------------|---|--------------------------|-----------------------|
| Total O& M Payroll Expense:   | ( a )         | 5,617,044         | 5,617,044   | 6,305,484                | 6,107,226             |
| Amount credited to Payroll for Customer<br>Care allocation to Elizabethtown Gas (Account 618253): | ( b )         | 2,006,859         | 2,006,859   | 1,073,947                | 2,451,214             |
| Total O&M Payroll before<br>allocation to Elizabethtown Gas:                                      | c = ( a + b ) | 7,623,903         | 7,623,903   | 7,379,431                | 8,558,440             |
| Employee Benefits (Account 689261)  | ( d )         | 1,654,756         | 939,223 (a)   | 1,491,992                | 1,880,064             |
| Less Capitalized Benefits (Account 619925)  | ( e )         | (56,522)          | 0   | (98,622)                 | 0                     |
| Net Employee Benefits:  | f = ( d + e ) | 1,598,234         | 939,223   | 1,393,370                | 1,880,064             |
| Percent of Net benefits to Total O&M Payroll:   | ( f / c )     | 20.96%            | 12.32% (b)  | 18.88%                   | 21.97%                |

(a) - Actual FY 2002 Employee benefits expense in Account 689261.

(b) - It appears that the Auditor's calculation included the FY 2002 Benefits Expense amount in Account 689261 and actual FY 2003 payroll expense.

**Annual benefits costs based on # of Employees @ Actual cost per Employee:**

|  |                    | Actual<br>FY 2003 | Projected<br>FY 2004               |
|--|--------------------|-------------------|------------------------------------|
| City Gas # of Employees                              | ( g )              | 200               | 200                                |
| Actual FY 2003 Benefit Cost per Employee:            | ( h )              | 678.89            | 694.64 (678.89 x 1.0232) - Trended |
| Monthly benefit cost:                                | ( g * h )          | 135,778           | 138,928                            |
| Annual benefit cost:                                 | i = ( g * h ) * 12 | 1,629,336         | 1,667,136                          |
| Percent of Annual benefit cost to Total O&M Payroll: | ( i / c )          | 21.37%            | 21.87%                             |

## Rate Ca1

| NUI City Gas - Rate Case Expense |                          |                      |  |                    |   |      |
|----------------------------------|--------------------------|----------------------|--|--------------------|---|------|
| Unit                             | Journal                  | Date                 | Acct   | Amount             | Long Descr                                    | FERC |
| CGFCO                            | MTH2001017               | 2001-03-31           | 617990   | 7,136.00           | To record amortization expense for Rate Case. | 9280 |
| CGFCO                            | MTH2001021               | 2001-04-30           | 617990   | 7,101.00           | To record Rate Case Amortization Expense.     | 9280 |
| CGFCO                            | MTH2001021               | 2001-05-31           | 617990   | 7,117.00           | To record Rate Case Amortization Expense      | 9280 |
| CGFCO                            | REC2001050               | 2001-06-30           | 617990   | 7,117.00           | Rate case amortization expense                | 9280 |
| CGFCO                            | REC2001050               | 2001-07-31           | 617990   | 7,117.00           | Rate case amortization expense                | 9280 |
| CGFCO                            | REC2001050               | 2001-08-31           | 617990   | 7,117.00           | Rate case amortization expense                | 9280 |
| CGFCO                            | REC2001050               | 2001-09-30           | 617990   | 7,117.00           | Rate case amortization expense                | 9280 |
|                                  |                          | <b>Expense 2001:</b> |  | <b>49,822.00</b>   |   |      |
| CGFCO                            | REC2002050               | 2001-10-31           | 617990   | 7,117.00           | Rate case amortization expense                | 9280 |
| CGFCO                            | REC2002050               | 2001-11-30           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2001-12-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-01-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-02-28           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-03-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-04-30           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-05-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-06-30           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-07-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-08-31           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
| CGFCO                            | REC2002050               | 2002-09-30           | 617990   | 7,117.00           | RATE CASE AMORTIZATION EXPENSE                | 9280 |
|                                  |                          | <b>Expense 2002:</b> |  | <b>85,404.00</b>   |   |      |
| CGFCO                            | REC2003050               | 2002-10-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2002-11-30           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2002-12-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-01-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-02-28           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-03-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-04-30           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-05-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-06-30           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-07-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-08-31           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
| CGFCO                            | REC2003050               | 2003-09-30           | 617990   | 7,117.00           | To record rate case Amort exp                 | 9280 |
|                                  |                          | <b>Expense 2003:</b> |  | <b>85,404.00</b>   |   |      |
| <b>2000 Rate Case Expense:</b>   |                          |                      |  |                    |   |      |
|                                  |                          | 342,537.00           | MFR C-13   |                    |   |      |
|                                  | Less 2001 expense:       | (49,822.00)          |  |                    |   |      |
|                                  | Less 2002 expense:       | (85,404.00)          |  |                    |   |      |
| <b>Unamortized balance</b>       |                          |                      |  |                    |   |      |
|                                  | <b>@ 9/30/02:</b>        | <b>207,311.00</b>    | MFR C-13   |                    |   |      |
|                                  | Less FY'03 expense:      | (85,404.00)          |  |                    |   |      |
|                                  | Less Oct-Dec'03 expense: | (21,351.00)          |  |                    |   |      |
| <b>Unamortized balance</b>       |                          |                      |  |                    |   |      |
|                                  | <b>@ 12/31/03:</b>       | <b>100,556.00</b>    |  |                    |   |      |
| <b>2003 Rate Case Expense</b>    |                          |                      |  |                    |   |      |
|                                  |                          | <b>425,000.00</b>    |  |                    |   |      |
| <b>New total to amortize:</b>    |                          |                      |  |                    |   |      |
|                                  |                          | <b>525,556.00</b>    | Starting January 2004 over a period of 3 years                 |                    |   |      |
|                                  |                          | <b>131,389.00</b>    |  | $[(525,556/36)*9]$ |   |      |
|                                  |                          |                      | Annual rate case amortization expense for FY'2004              |                    |   |      |
|                                  |                          | <b>165,090.00</b>    | FY'04 Rate Case Amortization Expense projected FERC 928 in MFR |                    |   |      |
|                                  |                          | <b>(33,701.00)</b>   | Adjustment - reduce FERC 928 FY'04 projection                  |                    |   |      |

TOTAL RATE CASE EXPENSE AND COMPARISONS

FLORIDA PUBLIC SERVICE COMMISSION

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

PROJECTED TEST YEAR 9/30/04

COMPARISON OF PROJECTED RATE CASE EXPENSES WITH ACTUAL THRU OCTOBER 2003

| Line No. | Description  | Projected for<br>Current Case<br>2003 * | Actual for<br>Current Case<br>2003 Thru<br>Oct'03 * | Additional costs<br>expected |
|----------|--|---|---|------------------------------|
| 1        | OUTSIDE CONSULTANTS MORIN (COST OF CAPITAL)          | \$ 40,000                               | \$ 20,000   | \$ 20,000                    |
| 2        | OUTSIDE CONSULTANTS HOUSEHOLDER (COST OF SERVICE)    | \$ 38,500                               | \$ 19,516   | \$ 18,984                    |
| 3        | OUTSIDE CONSULTANTS CHERRY ROAD (DEPRECIATION STUDY) | \$ 11,500                               | \$ 11,242   | \$ 258                       |
| 4        | OUTSIDE CONSULTANTS TEMPORARY SERVICES               | \$ 40,000                               | \$ 13,930   | \$ 26,070                    |
| 5        | LEGAL SERVICES                                       | \$ 145,000                              | \$ 37,143   | \$ 107,857                   |
| 6        | TRAVEL EXPENSE                                       | \$ 50,000                               | \$ 36,432   | \$ 13,568                    |
| 7        | PAYROLL & OVERHEADS                                  | \$ 50,000                               | \$ 48,674   | \$ 1,326                     |
| 8        | OTHER EXPENSE  | \$ 50,000                               | \$ 55,438   | \$ 12,550                    |
| 9        | TOTAL  | <u>\$ 425,000</u>                       | <u>\$ 242,375</u>                                   | <u>\$ 200,613</u>            |

\* THESE EXPENSES WOULD ALL BE HIGHER IN THE EVENT A HEARING IS REQUIRED.

CALCULATION OF THE PROJECTED TEST YEAR - DEPRECIATION & AMORTIZATION

Attachment 11

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION PROVIDE THE CALCULATION FOR DEPRECIATION AND AMORTIZATION EXPENSE FOR THE PROJECTED TEST YEAR

PROJECTED TEST YEAR: 08/30/04

COMPANY: CITY GAS COMPANY OF FLORIDA  
A DIVISION OF NUTILITIES, INC  
DOCKET NO: 030699-GU

ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 9/30/04

| LINE NO | AC NO | DESCRIPTION                           | OCT-03  | NOV-03  | DEC-03  | JAN-04  | FEB-04  | MAR-04  | APR-04  | MAY-04  | JUN-04  | JUL-04  | AUG-04  | SEP-04  | TOTAL EXPENSE |
|---------|-------|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------|
| 1       | 301   | ORGANIZATION                          | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | \$0           |
| 2       | 302   | FRANCHISES AND COMMENTS               | 481     | 481     | 481     | 481     | 481     | 481     | 481     | 481     | 481     | 481     | 481     | 481     | \$5,772       |
| 3       | 303   | MISCELLANEOUS INTANGIBLE PLANT        | 87      | 87      | 87      | 87      | 87      | 87      | 87      | 87      | 87      | 87      | 87      | 87      | \$1,044       |
| 4       | 387   | TRANSMISSION MAIN                     | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | \$0           |
| 5       | 389   | MEASURING/REGULATING EQUIPMENT        | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | \$0           |
| 6       | 371   | OTHER EQUIPMENT                       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | \$0           |
| 7       | 375   | STRUCTURES & IMPROVEMENTS             | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | 1,020   | \$12,235      |
| 8       | 378   | MAINS                                 | 284,081 | 285,443 | 287,427 | 289,130 | 290,286 | 291,278 | 292,481 | 294,023 | 295,645 | 297,082 | 298,230 | 299,000 | \$3,504,205   |
| 9       | 379   | MIR STATION EQUIPMENT - CITY GATE     | 12,946  | 12,984  | 13,089  | 13,222  | 13,363  | 13,514  | 13,619  | 13,863  | 13,802  | 14,034  | 14,172  | 14,205  | \$182,812     |
| 10      | 380   | SERVICES                              | 159,421 | 160,222 | 161,185 | 162,180 | 163,154 | 164,122 | 165,059 | 166,025 | 166,978 | 167,928 | 168,881 | 169,822 | \$1,874,865   |
| 11      | 381   | METERS                                | 31,174  | 31,380  | 31,599  | 31,673  | 31,916  | 32,158  | 32,236  | 32,321  | 32,561  | 32,800  | 32,862  | 33,120  | \$385,789     |
| 12      | 382   | METER INSTALLATIONS                   | 8,115   | 8,117   | 8,128   | 8,136   | 8,144   | 8,153   | 8,162   | 8,171   | 8,180   | 8,189   | 8,197   | 8,206   | \$97,864      |
| 13      | 383   | HOUSE REGULATORS                      | 7,444   | 7,488   | 7,543   | 7,558   | 7,620   | 7,681   | 7,686   | 7,711   | 7,772   | 7,833   | 7,848   | 7,909   | \$92,102      |
| 14      | 384   | HOUSE REGULATORS-INSTALLATIONS        | 3,751   | 3,741   | 3,735   | 3,728   | 3,722   | 3,715   | 3,708   | 3,702   | 3,686   | 3,688   | 3,682   | 3,675   | \$44,543      |
| 15      | 385   | INDUSTRIAL MIR STATION EQUIPMENT      | 7,298   | 7,302   | 7,308   | 7,306   | 7,306   | 7,306   | 7,305   | 7,306   | 7,330   | 7,406   | 7,430   | 7,439   | \$88,056      |
| 16      | 387   | OTHER EQUIPMENT                       | 377     | 377     | 377     | 377     | 377     | 377     | 377     | 377     | 377     | 374     | 377     | 377     | \$4,517       |
| 17      | 380   | STRUCTURES AND IMPROVEMENTS           | 5,021   | 5,032   | 5,075   | 5,130   | 5,189   | 5,261   | 5,324   | 5,362   | 5,452   | 5,486   | 5,508   | 5,519   | \$63,368      |
| 18      | 391   | OFFICE FURNITURE & EQUIPMENT          | 26,377  | 26,453  | 26,606  | 26,778  | 26,946  | 27,088  | 27,263  | 27,429  | 27,577  | 27,728  | 27,887  | 28,041  | \$326,186     |
| 19      | 382   | TRANSPORTATION EQUIPMENT              | 700     | 700     | 696     | 693     | 689     | 686     | 682     | 679     | 675     | 671     | 668     | 664     | \$8,203       |
| 20      | 383   | STORES EQUIPMENT                      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | 43      | \$518         |
| 21      | 384   | TOOL & SHOP GARAGE EQUIPMENT          | 4,072   | 4,098   | 4,145   | 4,198   | 4,235   | 4,289   | 4,376   | 4,455   | 4,462   | 4,532   | 4,574   | 4,607   | \$62,063      |
| 22      | 386   | LABORATORY EQUIPMENT                  | 77      | 77      | 77      | 77      | 77      | 77      | 77      | 77      | 77      | 77      | 77      | 77      | \$921         |
| 23      | 387   | COMMUNICATION EQUIPMENT               | 7,614   | 7,615   | 7,848   | 7,677   | 7,708   | 7,748   | 7,786   | 7,817   | 7,854   | 7,851   | 7,851   | 7,851   | \$3,001       |
| 24      | 388   | MISCELLANEOUS EQUIPMENT               | 958     | 958     | 968     | 975     | 983     | 1,131   | 1,416   | 1,673   | 1,787   | 1,790   | 1,799   | 1,799   | 18,216        |
| 25      |       | SUBTOTAL                              | 581,056 | 583,593 | 587,219 | 570,436 | 573,345 | 578,220 | 579,212 | 582,451 | 585,672 | 588,108 | 591,893 | 594,024 | \$6,934,225   |
| 26      |       | OTHER DEPRECIATION                    | 28,888  | 27,734  | 26,807  | 26,807  | 26,807  | 26,315  | 26,315  | 23,495  | 23,495  | 23,495  | 23,495  | 20,556  | \$303,709     |
| 27      |       | OTHER AMORTIZATION EXPENSE            | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 10,444  | 125,328       |
| 28      |       | TOTAL AMORTIZATION & DEPRECIATION EXP | 600,487 | 601,772 | 604,289 | 607,467 | 610,398 | 612,970 | 615,970 | 618,389 | 619,811 | 623,049 | 625,631 | 625,024 | 7,363,281     |