

# Hopping Green & Sams

Attorneys and Counselors

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December 3, 2003

**BY HAND DELIVERY**

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

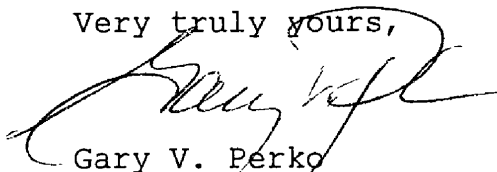
Re: City Gas -- Docket No. 030569-GU

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 Plant Allocation Engineering 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

DOCUMENT NUMBER-DATE.

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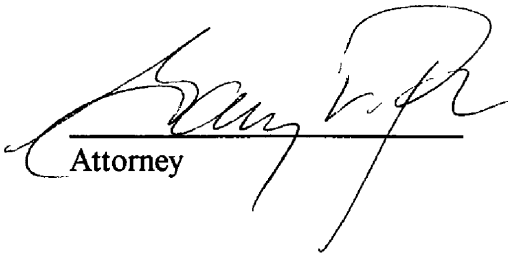
**CERTIFICATE OF SERVICE**

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 *3rd* day of December, 2003.

Ralph Jaeger \*  
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Tallahassee, FL 32399-0850

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\_\_\_\_\_  
Attorney

**Docket No. 030569-GU  
City Gas Company of Florida  
Company Response to Engineering Report**

**Summary**

The Engineer’s report is comprised of four sections, (1) the common plant analysis, (2) the inactive service lines for 5 years or more, (3) the galvanized replacement program and (4) the proposed construction budget. The engineering evaluation of the City Gas construction budget and common plant allocation resulted in a recommended \$34,748 projected test year reduction for common plant and a \$533,000 reduction in budgeted additions. Although the engineering report includes recommendations for the base year and base year + 1, we are only addressing the reductions that affect rate base in the projected test year in this summary analysis.

		Rate Base As Filed	Staff Proposed Adjustments	Company Proposed Adjustments
(1)	Common Plant	\$11,344,024	\$ 34,748	\$ 34,748
(2)	Construction Budget	\$12,584,412	\$533,000	\$533,000
	Total	Not Meaningful	\$567,748	\$567,748

**Common Plant**

The common plant adjustment recommended by the Engineer is due largely to the usage allocation of Titusville Gate Station account 374, the Rockledge Office accounts 375 and 390 and the Port St. Lucie Office accounts 375 and 390. The Company agrees with the Engineer’s calculation for these items.

**Construction Budget**

The construction budget adjustments recommended by the Engineer are due largely to project delays and cancellations as well as reductions in estimated construction costs. The Company agrees with the Engineer’s assessment of these projects and the correlating adjustments.

**Inactive Service Lines**

While administering our programs in the Miami area, we routinely encounter difficulty in gaining access to residential properties. We classify those accounts as “can’t get in” while we make other efforts to gain access. As this program is ongoing,

performing a study of the accounts in question in addition to what is underway would be burdensome and unnecessary. For this reason, the Company disagrees with the Engineer's recommendation.

**New Bare Steel Replacement Program**

The Company disagrees. We have estimated the cash requirements of accelerating our bare steel program from twenty years to five years and have found that at this time the company could not fund such a program. During the last year, NUI Utilities and NUI Corp have experienced several Moody's downgrades. This has significantly raised our cost of borrowing and as a result has also limited our access to cash. The NUI Board of Directors has put the company up for sale partially as a result of these downgrades, in an attempt to lower the company's cost of borrowing to bring it more in line with our peers. In light of these circumstances, we would appreciate re-visiting this issue after the sale of NUI Corp has been completed.

The current schedule does not pose a problem for public safety and pipeline integrity because all unprotected steel pipe that is not cathodically protected is placed in the company's pipeline replacement program, and once it is in the program, all segments are placed on accelerated survey and inspection schedules, pending planned replacement. These segments of the City Gas pipeline system are monitored closely per company procedure and regulatory requirements. The Company replacement program has been in place since the mid 70's and has had an excellent safety record since that time.

As planned replacement segments demonstrate specific material changes in their physical state (i.e. leak history, pipe condition, general maintenance, etc.), their classification and slotting in the replacement program is modified for accelerated replacement, as warranted.