

ORIGINAL



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Suite 1200  
106 East College Avenue  
Tallahassee, FL 32301  
www.akerman.com  
850 224 9634 tel 850 222 0103 fax

May 30, 2007

**VIA HAND DELIVERY**

Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RECEIVED - FPSC  
07 MAY 30 PM 1:37  
COMMISSION  
CLERK

**Re: PSC Docket 060657-GU; In re Petition of Florida City Gas for Approval of an Acquisition Adjustment and Recognition of a Regulatory Asset**

CMP \_\_\_\_\_

COM \_\_\_\_\_ Dear Ms. Cole:

CTR \_\_\_\_\_

ECR 1 Attached to this letter please find an original and 7 copies of Florida City Gas' ("FCG") responses to Staff's informal requests for data in connection with the above-referenced Docket.

GCL 1 Also attached is FCG's Request for Confidential Classification of certain material being provided to Staff. The confidential information is being provided in a sealed separate envelope marked

OPC \_\_\_\_\_ "CONFIDENTIAL", also attached to this letter. The documents within this envelope have been

RCA \_\_\_\_\_ printed on yellow paper to emphasize their confidential status. Redacted copies of these documents have been included within FCG's enclosed submission.

SCR \_\_\_\_\_

SGA \_\_\_\_\_ Thank you for your assistance with this filing, and please do not hesitate to contact me with any questions or concerns.

SEC \_\_\_\_\_

OTH 1 conf records

Sincerely,

AKERMAN SENTERFITT

Todd D. Engelhardt

RECEIVED & FILED

RWN.

BUREAU OF RECO. DS

DOCUMENT NUMBER-DATE

04405 MAY 30 07

FPSC-COMMISSION CLERK

Ann Cole, Commission Clerk

May 18, 2007

Page 2

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Enclosures

cc: Cheryl Bulecza-Banks

Ralph Jaeger

Charles J. Beck

# ORIGINAL

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida City Gas )  
for Approval of an Acquisition )  
Adjustment and Recognition of a )  
Regulatory Asset )

Docket No. 060657-GU  
Date Filed: May 30, 2007

### REQUEST FOR CONFIDENTIAL CLASSIFICATION

Florida City Gas ("Petitioner," "FCG," or "the Company"), by and through its undersigned counsel, and pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, hereby requests confidential classification of certain material being provided to the Florida Public Service Commission ("Commission," "PSC," or "Staff") in connection with FCG's Petition for Approval of an Acquisition Adjustment and Recognition of a Regulatory Asset, PSC Docket 060657-GU. This information is being provided in response to Staff's informal request for additional data. Attached to this Request is an envelope marked "CONFIDENTIAL" containing the sole copy of the confidential information being provided. A public, redacted version of these documents is attached to each filed copy of this Request. In support of this Request, FCG states as follows:

1. Subsection 366.093(1), Florida Statutes, provides that upon request, records received by the PSC which are "found by the commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1)."

2. "Proprietary confidential business information" is defined as meaning "information, regardless of form or characteristics, which is owned or controlled by the ... company, is intended to be and is treated by the ... company as private in that the disclosure of the information would cause harm to the ratepayers or the company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or

administrative body, or private agreement that provides that the information will not be released to the public." § 366.093(3), Fla. Stat.

3. Proprietary confidential business information includes information concerning "contractual data, the disclosure of which would impair the efforts of a public utility or its affiliates to contract for goods or services on favorable terms." § 366.093(3)(d), Fla. Stat.

4. The designated portions of the information being provided to the Commission fall within these statutory definitions, and therefore constitute proprietary confidential business information entitled to protection under Section 366.093 and Rule 25-22.006.

5. Attachment 1 to this Request consists of pages 20 through 22 of the Gas Supply Asset Assignment and Agency Agreement between NUI Utilities Inc. and Cinergy Marketing & Trading, L.P., dated April 7, 2004. These pages contain the terms of the prepayment obligation of NUI when purchasing gas from Cinergy. This contract was, of course, signed by a prior owner of the utility and has been treated by FCG as private and has not been publicly disclosed, and has been obtained only pursuant to a private agreement which provides that the information will not be released to the public. The contractual data herein is therefore proprietary confidential business information and is entitled to protection under Section 366.093 and Rule 25-22.006.

6. Attachment 2 to this Request consists of pages 11 and 12 of the current Asset Management Agreement between FCG and Sequent Energy Management, L.P., effective April 1, 2005. These pages contain the terms of the current payment obligation of FCG when purchasing gas from Sequent. These contract terms have been treated by FCG as private and have not been publicly disclosed. Disclosure of these terms would impair the efforts of FCG to contract for goods or services on favorable terms. The contractual data herein is therefore proprietary

confidential business information and is entitled to protection under Section 366.093 and Rule 25-22.006.

7. Pursuant to Section 366.093(4), Florida Statutes, and Rule 25-22.006(9), Florida Administrative Code, FCG requests that the information described above as proprietary confidential business information be protected from disclosure for a period of at least 18 months and all information should be returned to FCG as soon as the information is no longer necessary for the Commission to conduct its business.

Respectfully submitted this 30th day of May, 2007.

**FLORIDA CITY GAS**

By:   
Todd D. Engelhardt

Florida Bar No. 0013444  
AKERMAN SENTERFITT  
106 East College Avenue,  
Suite 1200  
P.O. Box 1877 (32302)  
Tallahassee, FL 32301  
(850) 224-9634

*Attorneys for Florida City Gas*

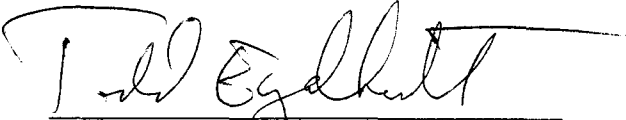
## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this Request has been served upon the following by Hand Delivery (\*) and/or U.S. Mail this 30th day of May, 2007.

Cheryl Bulecza-Banks, Bureau Chief \*  
Division of Economic Regulation  
Room 160, Gunter Building  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Ralph Jaeger, Staff Counsel \*  
Office of the General Counsel  
Room 370, Gunter Building  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Charles J. Beck, Interim Public Counsel \*  
Office of the Public Counsel  
111 Madison Street, Room 812  
Tallahassee, FL 32399-1400



Todd D. Engelhardt  
Florida Bar No. 0013444  
**AKERMAN SENTERFITT**  
106 East College Avenue, Suite 1200  
P.O. Box 1877 (32302)  
Tallahassee, FL 32301  
(850) 224-9634

*Attorneys for Florida City Gas*

Florida City Gas  
Acquisition Adjustment  
Docket 060657-GU (FCG) data request

Please refer to page 4 of Witness Hanson's direct testimony for the following three requests.

1. Please demonstrate the realized savings due to decrease in gas financing cost of \$.4 million and decrease in gas supply capacity cost of \$.5 million in your company's purchase gas adjustment cost recovery or other cost recovery mechanisms.

Response:

### **Savings Due to Gas Cost Financing**

Due to NUI's poor financial condition, NUI was required to prepay for its gas supply including the gas supply of Florida City Gas (FCG). Under AGL Resources Inc. (AGLR) ownership FCG was able to resume the practice of post paying for its gas supply. Resuming the practice of post paying its gas cost reduced the cost of financing by allowing FCG to pay its gas cost later than under the prepayment arrangement. The practice of post paying under AGLR ownership reduced FCG's required investment needed to finance its gas costs. The savings is demonstrated by a decrease in the base revenue requirement under AGLR ownership versus NUI ownership as a result of a decrease in the working capital requirement includable in rate base. Working capital is reduced by eliminating the prepayment that was required under NUI ownership. This prepayment was comprised of a commodity and demand component.

Attached Schedule 1, column 1 details the calculation of the savings due to gas cost financing of \$.4 million for the 12 months ended June 2006 as originally filed in the testimony of Ronald D. Hanson. Column 2 details a corrected calculation as described later in this response. The corrected calculation shows an additional savings of \$49,478 over the originally filed calculation. Lines 1 through 4 of Schedule 1 show the calculation of the decreased working capital investment due to post paying of the commodity component of gas cost. Line 1 shows the total gas cost of \$52.5 million for the 12 months ended June 30, 2006. The commodity component is \$45.1 million as shown on Line 3 which is total gas cost less the demand component on Line 2. The decreased investment in the commodity component on Line 4 equals the annual commodity component on Line 3 of \$45.1 million multiplied by 2 divided by 12 (the period of savings due to post paying). The difference in due dates of gas costs as a result of prepaying versus post paying is approximately 60 days or 2 months. The agreement with the gas supply asset manager Cinergy required NUI to pay for its gas service 3 business days prior to the month of service, which approximates to the 25<sup>th</sup> day of the month preceding the month of service. Please see pages 20 through 22 attached of the Gas Supply Asset Assignment and Agency Agreement between NUI Utilities Inc. and Cinergy Marketing & Trading. LP dated April 7, 2004 (Attachment 1) for the prepayment terms. These pages are being filed on a confidential basis. After the acquisition AGLR was able to resume post paying on the 25<sup>th</sup> day after the month of service due to its investor grade credit rating. FCG continues to obtain this post payment benefit in the asset management agreement

between NUI Utilities Inc. d/b/a Florida City Gas and Sequent Energy Management, L. P. (Sequent) effective April 1, 2005 which allows FCG to pay for its gas supply 25 days after the month of service. Please see pages 11 and 12 attached of Exhibit C of the Sequent agreement (Attachment 2) for payment terms. These pages are being filed on a confidential basis.

Lines 5 and 6 of Schedule 1 show the calculation of the decreased working capital investment due to post paying of the demand component of gas cost. The decreased investment in the demand component shown on Line 6 equals the demand component shown on Line 5 of \$7.5 million multiplied by a factor to quantify the decrease in working capital. The quantification of the factor as filed in the testimony of Ronald D. Hanson was understated due to an assumption. The quantification included in the filing was based on an assumption that, under AGLR ownership, post paying would allow FCG to pay the demand component 11 days later than under NUI ownership. Upon further review of the gas purchase payments during the preparation of this response it was determined that AGLR was able to resume post paying the demand component 25 days after the month of service consistent with the payment of commodity costs. Line 6, column 2 reflects the decreased investment in the demand component and equals the annual demand component shown on Line 5 of \$7.5 million multiplied by 2 divided by 12 (the period of savings due to post paying).

Line 8, column 2 represents the corrected cost of financing savings of \$424,607 and equals line 7 multiplied by AGLR's short-term debt rate of 4.85% as of June 2006.

Attached Schedule 2 details the calculation of the savings due to gas cost financing of \$387,595 million for the 12 months ended December 31, 2006.

Attached Schedule 3 details the payments made to Cinergy on FCG's behalf which demonstrates that prepayments were made for gas costs.

### **Reduction in Gas Cost Due to Releasing Capacity**

The reduction in gas cost due to releasing capacity represents a reduction in the gas reservation charge payments made by FCG to Florida Gas Transmission Company (FGT). Coinciding with the termination of the term of the FGT FTS-1 transportation service, contract no. 5034, AGLR personnel, using their forecasting and modeling tools, determined that a portion of the FT capacity could be released without affecting customer deliverability or reliability. Attached Schedule 4 details the calculation of the savings resulting from the turn-back of 10.9% of FTS- 1 capacity. The amendment to the firm transportation agreement is attached (Attachment 3). The second pages of Exhibits A and B show the amended capacity (points of receipt and delivery) used in the calculation of savings on Schedule 4. This reduction in cost is reflected in the reduced gas cost to FCG's customers.



2. Will customers continue to realize the total savings of .9 million in the future.

Response:

Customers will continue to realize the savings due to the reduction in gas financing costs of \$.4 million as long as AGLR maintains its investor grade credit rating and is therefore able to continue its practice of post paying for its gas supply. Due to its financial strength AGLR expects to maintain an investor grade credit rating. Customers will continue to realize the savings of \$.5 million due to the reduction in gas cost due to releasing capacity at least through July 31, 2010. The terms of the current agreement ends on July 31, 2007. AGLR has requested to extend the term of its exiting contract quantity for a three year term ending July 31, 2010. The letter requesting to extend the contract is attached (Attachment 4).

3. How has the company been able to achieve the decrease of \$.4 million in gas financing cost?

Response:

Please see response to question 1.

Florida City Gas  
 Calculation of Savings Related to Post Pay of Gas Costs

Schedule 1

Line No.		1		2	
		As Originally Filed		Corrected	
1	Annual Cost of Gas for the 12 Months Ended June 2006	52,528,649	(1)	52,528,649	(1)
2	Demand Component	7,472,110		7,472,110	
3	Commodity Component	45,056,539		45,056,539	
4	Monthly Gas Cost - 2/12 of line 3	7,509,423	(2)	7,509,423	(2)
5	Demand Component of Gas Cost	7,472,110		7,472,110	
6	Average Outstanding Balance	225,187	(3)	1,245,352	(2)
7	Total Investment Balance	7,734,610		8,754,775	
8	Cost of Financing at AGLR Short-term Debt Rate of 4.85%	375,129		424,607	

(1) Source: Schedule 2, page 2 of June 30, 2006 Earnings Surveillance Report

(2) Under prepayment agreement with Cinergy required to pay for cost of gas 3 business days preceeding the month of service. After AGLR acquisition was able to return to paying 25th day during month of service. Equals line 5 multiplied by 2 months divided by 12 months.

(3) Original quantification of demand investment incorrectly based on 11 days benefit due to post paying. Original calculation was line 5 multiplied by 11 days divided by 365 days.

Florida City Gas  
Calculation of Savings Related to Post Pay of Gas Costs

Schedule 2

<u>Line No.</u>			
1	Annual Cost of Gas for the 12 Months Ended December 2006	43,387,542	(1)
2	Demand Component	<u>7,491,905</u>	
3	Commodity Component	<u>35,895,637</u>	
4	Monthly Gas Cost - 2/12 of line 3	5,982,606	(2)
5	Total	7,491,905	
6	Average Outstanding Balance - 2/12 of line 5	1,248,651	(2)
7	Total Investment Balance	7,231,257	
8	Cost of Financing at AGLR Short-term Debt Rate of 5.36%	387,595	

(1) Source: Schedule 2, page 2 of December 31, 2006 Earnings Surveillance Report

(2) Under prepayment agreement with Cinergy required to pay for cost of gas 3 business days preceding the month of service.  
After AGLR acquisition was able to return to paying 25th day during month of service.

Florida City Gas  
Actual Prepayments made on Florida City Gas behalf to Cinergy

Schedule 3

Line No.			
1	Apr-04	2,158,965.44	(1)
2	May-04	1,980,548.64	(1)
3	Jun-04	2,449,630.10	(1)
4	Jul-04	2,302,301.61	(2)
5	Aug-04	1,920,202.48	(2)
6	Sep-04	2,021,622.57	(2)
7	Oct-04	2,329,397.58	(2)
8	Nov-04	3,455,782.46	(2)
9	Dec-04	3,729,716.97	(2)

(1) Recorded as prepayment on FCG's books.

(2) Effective July 2004 recorded as prepayment on NUI Utilities' books.

Analysis of Savings Due to FTS-1 Capacity Turn-back

Line No.		1	2	3	4	5	6	6
		OLD MDQ	NEW MDQ	Turnback MDQ	Pct Turnback	FTS-1 Daily Reservation Charge \$/dth	FTS-1 Monthly Reservation Charge \$/dth	Savings \$
1	Jan-06	43,685	38,923	(4,762)	-10.90%	\$0.3855	\$11.7256	(\$55,837.31)
2	Feb-06	43,685	38,923	(4,762)	-10.90%	\$0.3855	\$11.7256	(\$55,837.31)
3	Mar-06	43,685	38,923	(4,762)	-10.90%	\$0.3855	\$11.7256	(\$55,837.31)
4	Apr-06	23,201	20,672	(2,529)	-10.90%	\$0.3855	\$11.7256	(\$29,654.04)
5	May-06	23,185	20,658	(2,527)	-10.90%	\$0.3855	\$11.7256	(\$29,630.59)
6	Jun-06	23,185	20,658	(2,527)	-10.90%	\$0.3855	\$11.7256	(\$29,630.59)
7	Jul-06	23,185	20,658	(2,527)	-10.90%	\$0.3855	\$11.7256	(\$29,630.59)
8	Aug-06	23,185	20,658	(2,527)	-10.90%	\$0.3955	\$12.0298	(\$30,399.30)
9	Sep-06	23,185	20,658	(2,527)	-10.90%	\$0.3955	\$12.0298	(\$30,399.30)
10	Oct-06	26,231	23,372	(2,859)	-10.90%	\$0.3955	\$12.0298	(\$34,393.20)
11	Nov-06	43,685	38,923	(4,762)	-10.90%	\$0.3955	\$12.0298	(\$57,285.91)
12	Dec-06	43,685	38,923	(4,762)	-10.90%	\$0.3955	\$12.0298	(\$57,285.91)
13		<u>383,782</u>	<u>341,949</u>	<u>(41,833)</u>				<u>(\$495,821.36)</u>

Notes:

a) The FTS-1 contract has four "seasons" defined as 1) Nov-Mar, 2) Apr, 3) May-Sept and 4) Oct and each season has a different Maximum Daily Quantity (MDQ). The contracts Right of First Refusal (ROFR) language allowing the capacity turnback required that any volume turned back to FGT would be based on either the same percentage change within each season or the same quantity change within each season.

b) The monthly reservation charge was calculated by first multiplying the F.E.R.C. approved FGT daily tariff rate by 365 then dividing the total by 12.

Attachment 1  
Cinergy Contract

Page 113

**CONFIDENTIAL**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

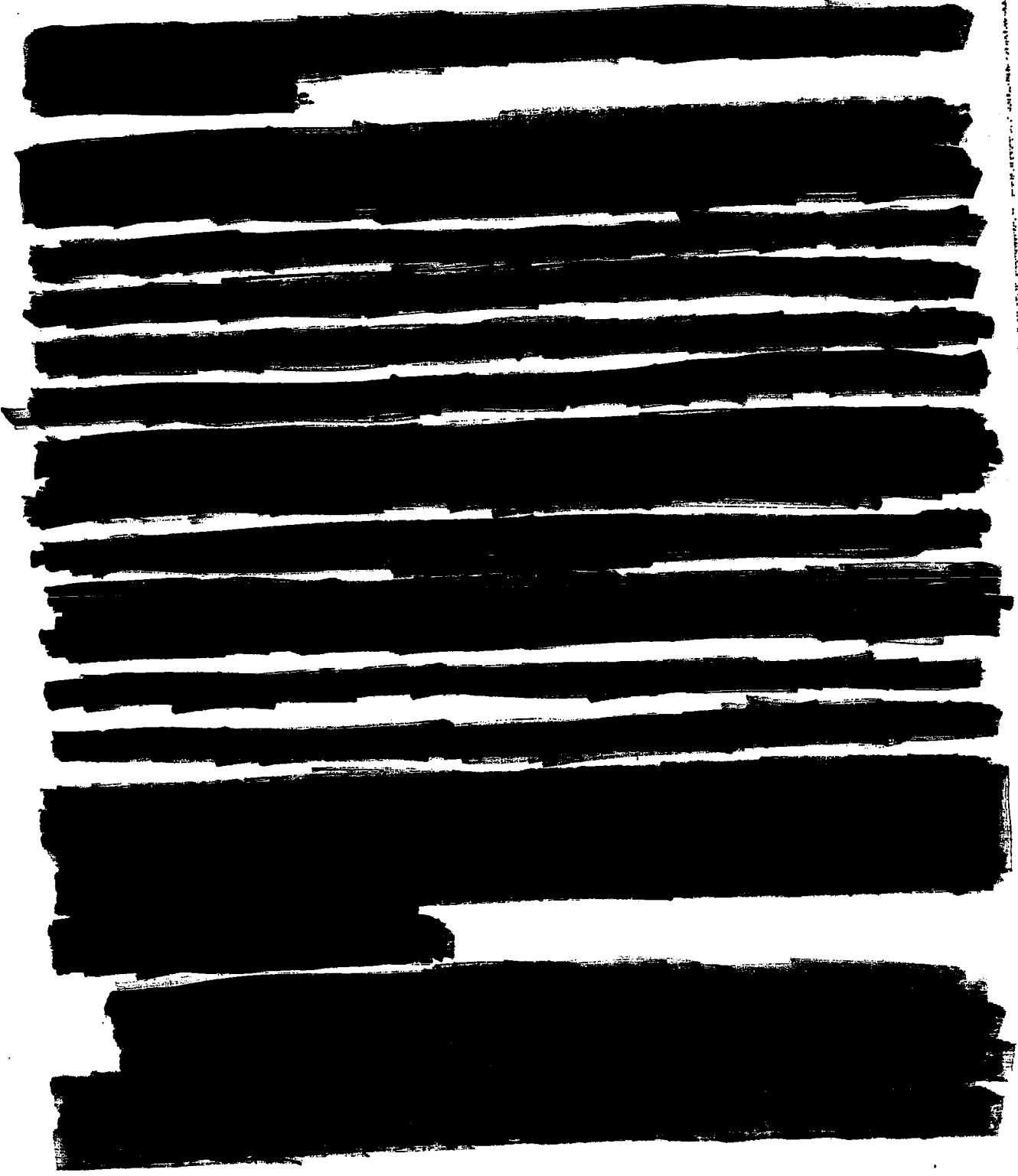
[REDACTED]

[REDACTED]



Attachment 2  
Sequent Contract

Page 1 of 2  
**CONFIDENTIAL**



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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FGT FAX

Attachment 3 Page 1 of 5

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P. 03

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002

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P. 02

Florida Gas Transmission Company

Amendment to Firm Transportation Agreement

Date: 6-16-05

Shipper's Name: PIVOTAL UTILITY HOLDINGS, INC.

Contract Number: 5034

Amendment Number: 15

Request Number: 112415

The above mentioned Agreement is hereby amended as follows:

The parties agree to amend the term of the Agreement to extend the end date of the term until 07/31/2007.

The parties hereby agree to decrease the Maximum Daily Transportation Quantity (MDTQ) of the agreement per the attached exhibits.

The parties hereby agree to amend the agreement to decrease firm receipt capacity at 282/23422/SABINE PASS PLANT, 611/2885/MOPS-REFUGIO FGT, 10114/8803/TRANSCO-ST. HELENA FGT, 10147/10030/TETCO-ATCHAFALAYA FGT, 10240/23703/NOPL-JEFFERSON FGT, 23082/10881/SABINE-KAPLAN FGT, 62132/15753/TRANSCO/CITRONELLE FGT CAPACITY, 62410/178851/COLUMBIA GULF-LAFAYETTE FGT (PO#/DRN#/PointName).

The parties hereby agree to amend the agreement to decrease firm delivery capacity at 16178/2870/CITY GAS-COCOA, 16179/2868/EALU GALLIE-CITY GAS (COCOA), 78204/307161/COCOA DIVISION, 16122/3006/CITY GAS-WEST MIAMI, 16123/3005/CGC - SW, 16124/3010/CITY GAS-SOUTH MIAMI, 62888/21883/NUI CITY GAS-CUTLER RIDGE/FGT, 78205/307152/CUTLER RIDGE DIVISION, 16116/2883/CITY GAS-OPA LOCKA, 16117/2889/CITY GAS-N.W. HIALEAH, 16118/3002/CITY GAS-S.E. HIALEAH, 78282/310455/NUI - PIONEER GATE/FGT, 78283/310458/NUI N.W. 16TH GATE STATION CTG, 78288/307180/HIALEAH DIVISION, 68821/109161/CITY GAS - PT. ST. LUCIE, 82897/204546/CITY GAS-VERO BEACH SO/FGT, 62898/204917/CITY GAS - VERO BEACH NO/FGT, 78224/307169/ST. LUCIE DIVISION, 16180/2871/CITY GAS-MELBOURNE, 73238/307861/MELBOURNE DIVISION, 16177/2873/CITY GAS-TITUSVILLE, 78243/307889/TITUSVILLE DIVISION and increase firm delivery capacity at 16114/2887/CITY GAS-LAKE FOREST (PO#/DRN#/PointName).

The parties agree that a facsimile of this agreement, when properly executed and transmitted, shall be considered for all purposes to be an original contract, and shall be deemed for all purposes to be signed and constitute a binding agreement. To submit a transportation service agreement via FAX, the entire agreement must be faxed to Transporter's Contract Department. The agreement must also be properly and fully executed. Upon Transporter's acceptance and execution, an executed copy will be returned via FAX to such number as directed by the Shipper.

This agreement, as amended, constitutes the entire agreement between the parties with respect to the subject matter of this Amendment and shall be binding upon and shall ensure to the benefit of the parties hereto and the respective successors and assigns. No promises, agreements or warranties additional to this Amendment other than as may be contained in Florida's tariff will be deemed to be part of this Amendment nor will any alteration, amendment or modification be effective unless confirmed in writing by the parties.

The effective date of this Amendment is 08/01/2005

Except as amended herein, all provisions of the Agreement are hereby confirmed by the parties to be and remain in full force and effect.

FLORIDA GAS TRANSMISSION COMPANY

By: [Signature]

Title: Sr. V.P. & COO

Date: 8-11-05

PIVOTAL UTILITY HOLDINGS, INC.

By: [Signature]

Title: V.P.

Date: 6/24/05

Attachment 3

Page 2 of 5

0003

7139891170 P.03

7139891170

06/24/2005 14:34 FAX

JUN-16-2005 09:59

**Exhibit A**

to

**Firm Gas Transportation Service Agreement**

Between

**Florida Gas Transmission Company**

and

**PIVOTAL UTILITY HOLDINGS, INC.**

Dated

**11/01/1993**

Date Range: 08/01/2005 to 12/31/2005

**Point(s) of Receipt**

**Point Description**

**Point**

**ORIN**

**Maximum Daily Quantity (MMBtu/d)**

**Apr**

**May-Sept**

**Oct**

**Nov-Mar**

**Zone 1**

**SABINE PASS PLANT**

282

23422

5644

4691

6643

8317

**MOPS-REX/UGIO FGT**

611

25809

3691

3684

4889

8257

**NGPL-JEFFERSON FGT**

18240

23703

0

952

0

0

**Zone 1 Total:**

9335

9327

10552

17574

**Zone 2**

**TETCO-ATCHAFALAYA FGT**

10147

10030

1747

2347

1770

3394

**SABINE-KAPLAN FGT**

23082

10881

2073

1671

2443

3881

**COLUMBIA GULF-LAFAYETTE FGT**

62410

179851

2072

1671

2443

3031

**Zone 2 Total:**

5892

5889

6664

11096

**Zone 3**

**TRANSCO-ST. HELENA FGT**

10114

8983

2152

2089

2289

5488

**TRANSCO-BITRONELLE FGT CAPACITY**

62132

157553

3293

2553

3867

4785

**Zone 3 Total:**

5445

5442

8156

18253

Attachment 3

Page 3 of 5

08/24/2005 14:36 FAX

JUN-16-2005 08:59

7139891170

7139891170

P.04

TOT MDTQ:

20672

28658

23372

38923

\* Exclusive of Transporter's fuel. Shipper to provide fuel pursuant to Fuel Reimbursement Charge Adjustment provisions of Transporter's F.E.R.C. Gas Tariff, General Terms and Conditions.

Contract No: 5034

PS

Page 4 of 5  
7139891170 P.05

Attachment 3

05/24/2005 14:35 FAX  
JUN-16-2005 08:59

7139891170

**Exhibit B**

to

**Firm Gas Transportation Service Agreement**

Between

**Florida Gas Transmission Company**

and

**PIVOTAL UTILITY HOLDINGS, INC.**

Dated

11/01/1993

Date Range: 08/01/2005 to 12/31/2005

**Point(s) of Delivery**

Point Description	Point	DRN	Apr	May-Sept	Oct	Nov-Mar
<b>COCOA DIVISION - DIVISION MDTQ</b>						
CITY GAS COCA - Assoc Point	78264	307151	2655	2655	3197	2693
EAU GALLIE CITY GAS (COCOA) - Assoc Point	18178	2870	2655	2655	3197	4077
<b>CUTLER RIDGE DIVISION - DIVISION MDTQ</b>						
CITY GAS WEST MIAMI - Assoc Point	78205	307152	4557	4898	5188	9288
COG - SW - Assoc Point	18122	3001	3532	3653	3553	4831
CITY GAS SOUTH MIAMI - Assoc Point	18123	3009	1868	1868	1868	1287
MU CITY GAS - CUTLER RIDGE PGT - Assoc Point	18124	3010	3532	3683	3533	5388
<b>HIALEAH DIVISION - DIVISION MDTQ</b>						
CITY GAS LAKE FOREST - Assoc Point	78209	307180	10818	10817	12438	14522
CITY GAS LAKE LOCHA - Assoc Point	18134	2877	3372	3372	3371	3372
CITY GAS WY. HIALEAH - Assoc Point	18178	2988	5883	5882	5882	5883
CITY GAS WY. HIALEAH - Assoc Point	18177	2989	5883	5882	5882	5883
CITY GAS WY. HIALEAH - Assoc Point	18178	3082	5883	5882	5882	5883
MU - PIONEER GATE PGT - Assoc Point	78207	313435	891	891	897	891
<b>ST. LUCIE DIVISION - DIVISION MDTQ</b>						
CITY GAS ST. LUCIE - Assoc Point	78222	307186	1068	714	714	1068
CITY GAS ST. LUCIE SOFGT - Assoc Point	62837	108181	889	334	334	488
			100	150	150	150

06/24/2005 14:35 FAX

JUN-16-2005 08:59

Attachment 3

7139891170

7139891170

Page 5 of 5

7139891170 P.06

CITY GAS - SEASIDE BEACH HOFGT - Assoc Point	82008	204977	180	690	790	180
MEMPHIS DIVISION - DIVISION MDTQ	78238	307851	811	811	923	1118
CITY GAS - MEMPHIS - Assoc Point	18169	2977	711	711	823	918
IRX PALM BEACH CTB - Assoc Point	78281	316434	180	780	100	200
TITUSVILLE DIVISION - DIVISION MDTQ	78243	307859	763	783	854	3254
CITY GAS - TITUSVILLE - Assoc Point	18177	2870	783	783	854	3254
Total MDTQ:			20672	20858	23372	38923

\* Exclusive of Transporter's fuel. Shipper to provide fuel pursuant to Fuel Reimbursement Charge Adjustment provisions of Transporter's F.E.R.C. Gas Tariff, General Terms and Conditions.

Contact No: 5034

Attachment 4

AGL Resources  
Atlanta Gas Light  
Chattanooga Gas  
Elizabethtown Gas  
Elkton Gas  
Florida City Gas  
Virginia Natural Gas  
AGL Networks  
Sequent Energy Management

305 691 8710 phone  
www.floridacitygas.com

955 East 25th Street  
Hialeah, FL 33013

May 18, 2007

Mr. John E. Long  
601 S. Lake Destiny Rd., Suite 450  
P.O. Box 945100  
Maitland, FL 32794-5100

Dear Mr. Long:

The primary term of Florida Gas Transmission's ("FGT") Rate Schedule Firm Transportation Service ("FTS-1") service agreement between FGT and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas ("FCG") will expire on July 31, 2007. Pursuant to section 20, subsection B, paragraph 1 of FGT's Tariff, General Terms and Conditions, Original Sheet No. 185, the FTS-1 capacity was posted for bid on FGT's bulletin board. Following the six-month bid period, FGT notified FCG that no bids were received. As a result, FGT and FCG had 30 days to negotiate the rate, term and other conditions under which FGT will continue FTS-1 service. Near the end of the designated negotiation period, FCG expressed a desire to extend the primary term of the existing FTS-1 contract and also indicated the possibility of enhancements to other conditions. FGT graciously extended the negotiating period to allow FCG time to evaluate options.

This letter serves as notice that FCG proposes to extend the term of the existing contract quantity for a three year period ending July 31, 2010 at the maximum FTS-1 tariff rates.

Sincerely,



Leonard J. Willey

Xc: Charles Rawson, FCG  
Jodi Gidley, AGLS  
Tim Sherwood, AGLS  
Greg Becker, AGLS  
Dale Eldridge, FGT



Florida City Gas



Florida City Gas  
Acquisition Adjustment  
Docket No. 060657-GU

Reference: Exhibit RDH-2 Schedule 1 and 2 (Operating Expenses Comparison)

1. Identify the operation and maintenance expenses of NUI for 2004, 2005, and 2006 by plant account which was capitalized by AGL Resources? Also, provide any supporting documentation.

Response:

As discussed in the attachment provided with Florida City Gas' (FCG) response to question 2 below, AGL Resources' capitalizes the following operation and maintenance expense for its utility subsidiaries, including FCG:

- Employee benefits, including pension, other post retirement benefits, payroll taxes and other benefit costs on direct labor charged to a capital project
- A&G salaries and related benefits
- Supplies
- Fleet related expenses

Capitalization of these costs did not begin until 2005. In 2005 and 2006, total capitalization of these costs was \$601,611 and \$537,611, respectively. These costs are capitalized on a monthly basis and then allocated to construction projects with cost activity that month. The allocation is based on a ratio of costs incurred for a project to total costs incurred for all projects in that month. As construction projects are completed, they are then closed out to the Company's asset management system.

FCG is in the process of compiling the capitalized amounts by plant account and will forward as soon as the process is completed.

2. Provide a copy of AGL Resources' policy for capitalizing administrative costs. Is the capitalization policy based upon an established Georgia Order or Rule? If so, please provide staff with a copy.

Response:

Please see attached copy of AGL Resources' (AGLR) guidelines for capitalization of administrative costs. While AGLR is not aware of an order that specifically authorizes capitalization of such costs in the jurisdictions in which it operates, all AGLR utility subsidiaries have included the capitalization of these costs in its rate case filings under AGLR ownership. Capitalization of these costs has not been challenged by the state commissions these rate case filings. Therefore, AGLR

considers treatment of these costs to be approved through the rate case process in those jurisdictions in which a rate case has been filed under AGLR ownership.

3. What are the life parameters, if any, for the ERT installation and Geographical Information System in the amount of \$350,000 and \$710,278, respectively. In your response, please provide the methodology used (depreciation or amortization), number of years, and the yearly expense.

Response:

The above referenced amounts associated with the ERT installation and Geographical Information System were expensed as operation and maintenance expense in accordance with Generally Accepted Accounting Principles for internally developed software. The above referenced costs were incurred in the preliminary project and post implementation/operation stages of the projects, and costs associated with tasks and activities in these stages of internally developed software projects are expensed as incurred. These activities include the following:

*Preliminary Project Stage*

- Make strategic decisions to allocate resources between alternative projects;
- Determine the performance and system requirements for the proposed software project;
- Presentation of vendor software demonstrations;
- Explore alternative means of achieving specific performance requirements;
- Determine that the technology needed to achieve the requirements exists; and
- Select a software vendor as well as software implementation partner (contractor).

*Post Implementation/Operation Stage*

- Training
- Maintenance

Since the above referenced amounts were expensed and not capitalized, there are no life parameters or depreciation methodologies associated with these costs.

## **Attachment 1**

### **A&G Capitalization Guidelines**

A&G capitalization is the process of capitalizing overhead costs to capital projects. The following overhead costs are allocated to capital projects:

- Employee benefits
- A&G salary expense and supplies
- Payroll taxes

The capitalization of these costs allows for a more accurate cost of capital projects. Below are explanations of how and why the costs are capitalized.

#### **Employee Benefits and Payroll Taxes**

Employee benefits and payroll taxes are capitalized using a historic percentage of these expenses as they relate to total company payroll. These rates are analyzed on a yearly basis and revised if necessary. The rates are applied on a monthly basis to the direct payroll costs charged to a project during that month. For example, if a project had \$1,000 in direct payroll charged during March, and the benefit rate was 25%, \$250 in benefits costs would be charged to that project in March.

#### **A&G Salaries**

A&G salaries are the overhead payroll costs incurred by the company – accounting, human resources, gas operations and other corporate support organizations which charge their time and expense to A&G salaries (GL account # 600120). A rate is applied on a monthly basis to all direct charges incurred by a project for the month. This rate is calculated based on total direct payroll costs as a percentage of total payroll, less A&G salaries. This rate is also analyzed on an annual basis and revised if necessary. After the A&G salary portion to capitalize is calculated, the benefit and tax rates discussed above are applied to this amount.

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** 5/30/07  
**TO:** Alerman/Engelhardt  
**FROM:** Ruth Nettles, Division of the Commission Clerk &  
Administrative Services  
**RE:** **Acknowledgment of Receipt of Confidential Filing**

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This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket No. 060657-GU or (if filed in an undocketed matter) concerning responses to staff's informal request, Attachments 1+2, and filed on behalf of Florida City Gas. The document will be maintained in locked storage.

Any questions regarding this matter should be directed to Marguerite Lockard at (850) 413-6770.

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PSC/CCA019-C(Rev 12/06)

**CONFIDENTIAL**

DOCUMENT NUMBER: DATE

04406 MAY 30 5

FPSC-COMMISSION CLERK