

Ruth Nettles

From: beth.keating@akerman.com
Sent: Wednesday, June 24, 2009 10:25 AM
To: Filings@psc.state.fl.us
Subject: Docket NO. 090004-GU
Attachments: 20090624095955913.pdf

Attached for filing in the referenced Docket, please find Florida City Gas's Response to Audit Report. If you have any questions, please do not hesitate to contact me.

Sincerely,
Beth Keating
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A.
Beth Keating
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B. Docket No. 090004-GU - Natural Gas Conservation Cost Recovery

C. Filed on behalf of Florida City Gas

D. Number of pages: 6

E. Response to Audit Report



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DOCUMENT NUMBER-DATE

06315 JUN 24 8

6/24/2009

FPSC-COMMISSION CLERK

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June 24, 2009

VIA ELECTRONIC FILING

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32309

Re: Docket No. 090004-GU: Natural Gas Conservation Cost Recovery

Dear Ms. Cole:

Attached for filing in the above referenced Docket, please find Florida City Gas's response to the Audit Report issued for the Company in this Docket (Audit Control No.: 09-028-4-3).

Thank you for your assistance. Should you have any questions, please do not hesitate to contact me.



Beth Keating
AKERMAN SENTERFITT
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Enclosures

cc: Devlin Higgins (Division of Economic Regulation)
Katherine Fleming (Office of the General Counsel)
Office of Public Counsel

(TL)95840;1)

DOCUMENT NUMBER - DATE

06315 JUN 24 8

FPSC-COMMISSION CLERK

AUDIT FINDING NO. 1

SUBJECT: NEW COSTS ALLOCATED

AUDIT ANALYSIS: Florida City Gas increased its conservation costs by \$240,531.87 in 2008. The detail of the costs follows:

| | TOTAL COSTS | ALLOCATION PERCENT | ALLOCATED AMOUNT |
|-------------------------|------------------------|-------------------------------|-----------------------------|
| POSTAGE TO MAIL BILLS | \$412,400.00 | 40.00% | \$164,960.00 |
| BILLING SERVICES | 102,014.18 | 40.00% | 40,805.67 |
| BILLING INSERT EXPENSES | 40,379.75 | 40.00% | 16,151.90 |
| OFFICE SUPPLIES (1) | 6,742.70 | 40.00% | 2,697.08 |
| OFFICE SUPPLIES (2) | 50,008.38 | 40.00% | 20,003.35 |
| OFFSET TO SUPPLIES | (18,218.17) | 40.00% | (7,287.27) |
| LEGAL | 3,201.00 | 100.00% | 3,201.00 |
| | <u>\$596,527.84</u> | | <u>\$240,531.74</u> |

The billing inserts were reviewed and did include information about conservation. However, printing and design of the billing inserts, postage and billing services to prepare the bills, legal costs and office supplies are all items that were in base rates during the last rate cast. To include these costs in conservation this year would duplicate costs that were allowed in base rates and result in double recovery.

In addition, the supplies included in the Office Supplies (1) category above were for acetylene, oxygen, and water for the office and door hangers that are unrelated to conservation.

The costs in the Office Supplies (2) category above did include some expenses incurred by the employees charged to conservation. However, we cannot determine if any of these expenses were new or if they were also included in base rates.

The interest related to these costs is \$427.

EFFECT OF THE FINDING ON THE GENERAL LEDGER: The entry made to book the \$240,531.87 should be reversed.

EFFECT ON THE FINDING OF THE FILING: Conservation expenses should be reduced by \$240,531.87 and the related expense of \$427. The total reduction is \$240,958.87.

COMPANY RESPONSE:

The company disagrees with the audit findings that the \$240,531.87 was included in our 2003 base rates calculation. When the 2003 rate case was filed, ECP was treated as a stand alone department with specific accounts for capturing all ECP related expenses. Additionally, the expenses included in base rates for postage, printing and design of bill inserts, was for forecasted expense activity unrelated to ECP. All projected ECP expenses were included in the ECP projection for 2004 and appropriately excluded from base rates.

The \$240,531.87 has been removed from operating expenses and was not included in our rate of return calculations for 2008. Since these are ECP related expenses, as stated in the audit, they were appropriately re-classified as such on the books of accounts and will not result in double recovery.

DOCUMENT NUMBER-DATE

06315 JUN 24 8

FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION

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

| Line No. | Description | Historical Base Year (2002) | | | Historical Base Year + 1 (2003) | Projected Test Year (2004) | | |
|----------|-----------------------------|-----------------------------|------------------------|------------|------------------------------------|----------------------------|------------------------|-------------|
| | | Per Books | Company Adjustments | Adjusted | Per Books | Per Books | Company Adjustments | Adjusted |
| 1 | <u>OPERATING REVENUE:</u> | | | | | | | |
| 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 | <u>OPERATING EXPENSES:</u> | | | | | | | |
| 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 |

Energy Conservation Program

NOTE: Actual & Budget columns have been reversed to be consistent with all other financial reports.

NUI CORPORATION
Operation & Maintenance Actual vs Budget
2003-08-31

O&M Monthly RC Report - FY 2003

| FERC Code | | Current Period | | | | Year - to - Date | | | | Total Budget Remaining | Total Budget | |
|-----------------------|---------------------------------|------------------|---------------|-------------------|--------------|------------------|----------------|-------------------|-----------------|------------------------|-----------------|----------------|
| | | Fiscal Year 2003 | | Actual vs. Budget | | Fiscal Year 2003 | | Actual vs. Budget | | Less YTD Actual | for Year | |
| | | Actual | Budget | Better / (Worse) | | Actual | Budget | Better / (Worse) | | Budget | Budget | |
| Direct Expense | | | | | | | | | | | | |
| 602096 | Ecp1-Sngl Fmly Bid-Lbr Rg | 9090 | 11,644 | 11,616 | (28) | -0.2% | 102,273 | 130,793 | 28,520 | 21.8% | 40,689 | 142,962 |
| 602107 | Ecp2-Mult Fml Bid-Lab-Reg | 9090 | 447 | 2,364 | 1,917 | 81.1% | 7,061 | 26,624 | 19,563 | 73.5% | 22,040 | 29,101 |
| 602118 | Ecp3-Elec Repl-Labor Reg | 9090 | 5,798 | 6,764 | 966 | 14.3% | 67,132 | 76,168 | 9,036 | 11.9% | 16,123 | 83,255 |
| 602131 | ECP6-Propane Conv Lab Reg | 9090 | - | 112 | 112 | 100.0% | - | 1,262 | 1,262 | 100.0% | 1,379 | 1,379 |
| 602132 | ECP7-W/H Retention-Lab Reg | 9090 | 1,104 | 1,385 | 281 | 20.3% | 10,292 | 15,597 | 5,305 | 34.0% | 6,756 | 17,048 |
| 602133 | ECP8-Res Cut.& Cap Lab Reg | 9090 | 1,535 | 787 | (738) | -92.6% | 11,216 | 8,975 | (2,241) | -25.0% | (1,406) | 9,810 |
| 602134 | ECP9-Comm Conv Lab Reg | 9090 | 14,532 | 15,633 | 1,101 | 7.0% | 173,933 | 176,554 | 1,621 | 0.9% | 17,918 | 191,851 |
| 602135 | ECP10-Alt Tech Lab Reg | 9090 | 258 | 1,630 | 1,372 | 84.2% | 2,837 | 18,351 | 15,514 | 84.5% | 17,221 | 20,056 |
| 602138 | ECP Common Costs - Reg Labor | 9090 | 1,712 | 1,126 | (586) | -52.0% | 21,047 | 12,678 | (8,369) | -66.0% | (7,190) | 13,857 |
| | Regular Labor | | 37,029 | 41,427 | 4,398 | 10.6% | 395,790 | 466,002 | 70,212 | 15.1% | 113,531 | 509,321 |
| | Labor Vacancy Factor | | - | - | - | 0.0% | - | - | - | 0.0% | - | - |
| | Overtime | | - | - | - | 0.0% | - | - | - | 0.0% | - | - |
| | Total Labor | | 37,029 | 41,427 | 4,398 | 10.6% | 395,790 | 466,002 | 70,212 | 15.1% | 113,531 | 509,321 |
| 607863 | ECP 3 - Benefits Contr | 9090 | 2,551 | 2,976 | 425 | 14.3% | 29,538 | 33,513 | 3,975 | 11.9% | 7,093 | 36,631 |
| 607866 | ECP Multi Family Benefits Cont | 9090 | 197 | 1,040 | 843 | 81.1% | 3,107 | 11,716 | 8,609 | 73.5% | 9,699 | 12,806 |
| 607867 | ECP 1 - Benefits Contr | 9090 | 5,123 | 5,111 | (12) | -0.2% | 44,999 | 57,546 | 12,549 | 21.8% | 17,903 | 62,602 |
| 607869 | ECP6-Propane Conv Ben Contrib | 9090 | - | 49 | 49 | 100.0% | - | 554 | 554 | 100.0% | 605 | 605 |
| 607870 | ECP7-W/H Retention- Ben Contrib | 9090 | 486 | 609 | 123 | 20.2% | 4,629 | 6,859 | 2,330 | 34.0% | 2,968 | 7,497 |
| 607871 | ECP8-Conv-Ben Contrib | 9090 | 675 | 351 | (324) | -92.3% | 4,935 | 3,949 | (986) | -25.0% | (619) | 4,316 |
| 607872 | ECP9-Conv Ben Contrib | 9090 | 6,394 | 6,879 | 485 | 7.1% | 76,530 | 77,246 | 716 | 0.9% | 7,887 | 84,417 |
| 607873 | ECP10-Alt Tech- Ben Contrib | 9090 | 113 | 717 | 604 | 84.2% | 1,248 | 8,072 | 6,824 | 84.5% | 7,575 | 8,823 |
| 607876 | ECP Common Costs - Benefits | 9090 | 753 | 495 | (258) | -52.1% | 9,261 | 5,579 | (3,682) | -66.0% | (3,163) | 6,098 |
| | Total Emp Benefit | | 16,292 | 18,227 | 1,935 | 10.6% | 174,147 | 205,036 | 30,889 | 15.1% | 49,948 | 224,095 |
| | Total Payroll Tax | | - | - | - | 0.0% | - | - | - | 0.0% | - | - |
| 607078 | Ecp3-Elec Repl-O/S Mail | 9090 | 4,000 | 6,000 | 2,000 | 33.3% | 57,992 | 50,000 | (7,992) | -16.0% | (1,992) | 56,000 |
| 607247 | Ecp1-Sngl Fmly Bid-O/S New | 9090 | 1,827 | 500 | (1,327) | N/M | 20,015 | 5,500 | (14,515) | N/M | (14,015) | 6,000 |
| 607557 | ECP9-Comm Conv-Advertising | 9090 | - | 500 | 500 | 100.0% | - | 5,500 | 5,500 | 100.0% | 6,000 | 6,000 |
| 607558 | ECP10-Alt Tech-Advertising | 9090 | - | 1,000 | 1,000 | 100.0% | 10,341 | 3,000 | (7,341) | N/M | (7,341) | 3,000 |
| | Total Outside Serv. | | 5,827 | 8,000 | 2,173 | 27.2% | 88,348 | 64,000 | (24,348) | -38.0% | (17,348) | 71,000 |
| 606675 | ECP - Common Costs | 9090 | 2,698 | 2,800 | 102 | 3.7% | 41,091 | 30,800 | (10,291) | -33.4% | (7,491) | 33,600 |
| 606676 | ECP Common Costs - Advertising | 9090 | 17,948 | 15,000 | (2,948) | -18.7% | 148,406 | 165,000 | 16,594 | 10.1% | 31,594 | 180,000 |
| 606677 | Ecp3-Elec Repl-Incentive | 9090 | 7,553 | 25,000 | 17,447 | 69.8% | 107,823 | 161,000 | 53,377 | 33.2% | 81,577 | 189,200 |
| 606926 | Ecp1-Sngl Fmly Bid-Incent | 9090 | 110,905 | 127,800 | 16,895 | 13.2% | 1,078,119 | 1,405,800 | 327,681 | 23.3% | 455,481 | 1,539,600 |
| 606926 | ECP6-Propane Conv Incentives | 9090 | 500 | - | (500) | -100.0% | 1,475 | - | (1,475) | -100.0% | (1,475) | - |
| 606927 | ECP7-W/H Retention-Incentives | 9090 | 5,737 | 4,300 | (1,437) | -33.4% | 47,581 | 36,900 | (10,681) | -28.9% | (6,181) | 41,400 |

NUI CORPORATION
 Operation & Maintenance Actual vs Budget
 2003-08-31

Energy Conservation Program

NOTE: Actual & Budget columns have been reversed to be consistent with all other financial reports.

O&M Monthly RC Report - FY 2003

| FERC Code | Description | Current Period | | | | Year - to - Date | | | | Total Budget Remaining | | Total Budget for Year | |
|-----------|--------------------------------|------------------|----------------|-------------------|---------------|------------------|------------------|-------------------|----------------|------------------------|----------------|-----------------------|------------------|
| | | Fiscal Year 2003 | | Actual vs. Budget | | Fiscal Year 2003 | | Actual vs. Budget | | Less YTD Actual | Budget | Budget | Budget |
| | | Actual | Budget | Better / (Worse) | % | Actual | Budget | Better / (Worse) | % | Budget | Budget | Budget | Budget |
| 606928 | ECP8-Res.Cut&Cap-Incentives | 9090 | 902 | 400 | (502) | -125.5% | 6,181 | 4,400 | (1,781) | -40.0% | (1,361) | 4,500 | 4,500 |
| 606929 | ECP9 Comm Conv-Incentives | 9090 | 989 | 2,000 | 1,011 | 50.5% | 9,010 | 22,000 | 12,990 | 59.0% | 14,990 | 24,000 | 24,000 |
| 606930 | ECP10-Alt Tech-Incentives | 9090 | - | 4,500 | 4,500 | 100.0% | - | 49,500 | 49,500 | 100.0% | 54,000 | 54,000 | 54,000 |
| 606931 | Ecp2-Mult Fml Bld-Incentv | 9090 | - | - | - | 0.0% | - | 58,800 | 58,800 | 100.0% | 64,800 | 64,800 | 64,800 |
| | Other Oper. Exp. | | 147,232 | 181,800 | 34,568 | 19.0% | 1,438,465 | 1,934,200 | 494,735 | 25.6% | 685,935 | 2,125,400 | 2,125,400 |
| | Prov for Bad Debt | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Insurance | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Travel & Entertain. | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Rents & Leases | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Dues & Memberships | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Customer Service | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Matl & Supplies | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Total Direct Expense | | 206,380 | 249,454 | 43,074 | 17.3% | 2,097,750 | 2,669,238 | 571,488 | 21.4% | 832,066 | 2,929,816 | 2,929,816 |
| | Indirect Expense | | | | | | | | | | | | |
| | Amortizations | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| | Allocations | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |
| 618614 | Billed Out ID Transp ECP1 | 9090 | 847 | 1,658 | 809 | 48.9% | 10,124 | 18,216 | 8,092 | 44.4% | 9,748 | 19,872 | 19,872 |
| 618615 | Billed Out ID Transp ECP2 | 9090 | 100 | 326 | 226 | 69.3% | 1,703 | 3,586 | 1,883 | 52.5% | 2,209 | 3,912 | 3,912 |
| 618616 | Billed Out ID Transp ECP3 | 9090 | 203 | 541 | 338 | 62.5% | 3,006 | 5,951 | 2,945 | 49.5% | 3,486 | 6,492 | 6,492 |
| 618620 | ECP7-W/H Retention/I/D Billed | 9090 | 34 | - | (34) | -100.0% | 676 | - | (676) | -100.0% | (676) | - | - |
| 618621 | ECP8-Res Cut&Cap/I/D Billed Tr | 9090 | 19 | 124 | 105 | 84.8% | 500 | 1,364 | 864 | 63.3% | 988 | 1,488 | 1,488 |
| 618622 | ECP9-Comm Conv/I/D Billed Tran | 9090 | 702 | 87 | (615) | N/M | 10,794 | 957 | (9,837) | N/M | (9,750) | 1,044 | 1,044 |
| 618623 | ECP10-Alt Tech/I/D Billed Tran | 9090 | 34 | 1,939 | 1,905 | 98.2% | 676 | 21,329 | 20,653 | 96.8% | 22,592 | 23,268 | 23,268 |
| 618624 | ECP Common Costs-Transportatic | 9090 | - | 130 | 130 | 100.0% | - | 1,430 | 1,430 | 100.0% | 1,580 | 1,580 | 1,580 |
| | Inter-Deptl Chgs | | 1,939 | 4,803 | 2,864 | 59.6% | 27,478 | 52,833 | 25,355 | 48.0% | 30,158 | 57,636 | 57,636 |
| 619901 | DSM/ECP Capitalized Costs | 9090 | (31,864) | (118,277) | (84,413) | -72.6% | 246,586 | (949,200) | (1,195,786) | -126.0% | (1,320,056) | (1,073,470) | (1,073,470) |
| | Capitalized Costs | | (31,864) | (118,277) | (84,413) | -72.6% | 246,586 | (949,200) | (1,195,786) | -126.0% | (1,320,056) | (1,073,470) | (1,073,470) |
| | Non-Recurring Chgs | | - | - | - | 0.0% | - | - | - | 0.0% | - | - | - |

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Energy Conservation Program

NOTE: Actual & Budget columns have been reversed to be consistent with all other financial reports.

NUI CORPORATION
 Operation & Maintenance Actual vs Budget
 2003-08-31

O&M Monthly RC Report - FY 2003

Total Indirect Expense

Total Expense

| FERC Code | Current Period | | | | Year-to-Date | | | | Total Budget Remaining | | Total Budget for Year | |
|-----------|------------------|-----------|-------------------|--------|------------------|-----------|-------------------|---------|------------------------|--|-----------------------|--|
| | Fiscal Year 2003 | | Actual vs. Budget | | Fiscal Year 2003 | | Actual vs. Budget | | Less YTD Actual | | Budget | |
| | Actual | Budget | Better / (Worse) | | Actual | Budget | Better / (Worse) | | Budget | | Budget | |
| | (29,925) | (111,474) | (81,549) | -73.2% | 274,064 | (896,367) | (1,170,431) | -130.6% | (1,289,898) | | (1,015,834) | |
| | 176,455 | 137,980 | (38,475) | -27.9% | 2,371,813 | 1,772,871 | (598,942) | -33.8% | (457,831) | | 1,913,982 | |