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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
106 East College Avenue, Suite 1200
Tallahassee, FL 32302-1877
Phone: (850) 224-9634
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Enclosures

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

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	<u>3,201.00</u>	100.00%	<u>3,201.00</u>
	<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.

FLORIDA PUBLIC SERVICE COMMISSION

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

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

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

Line No.	Description	Historical Base Year (2002)			Historical Base Year + 1 (2003)			Projected Test Year (2004)		
		Per Books	Company Adjustments	Adjusted	Per Books	Company Adjustments	Adjusted	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									
11	DEPRECIATION & AMORTIZATION	7,158,657	(203,659)	6,954,998	2,354,646	-	-	3,122,582	(3,122,582)	-
12	REVENUE RELATED TAXES	-	-	-	8,024,832	-	-	7,395,579	999,738	8,395,317
13	TAXES OTHER THAN INCOME	4,815,199	(2,649,146)	2,166,053	2,657,566	-	-	3,134,516	(3,134,516)	-
14	INCOME TAXES FEDERAL	1,808,443	256,012	2,064,455	2,504,882	-	-	2,409,046	(192,120)	2,216,926
15	INCOME TAXES - STATE	309,568	43,823	353,391	(383,916)	-	-	(1,807,323)	(69,807)	(1,877,130)
16	DEFERRED TAXES - FEDERAL	(781,004)	-	(781,004)	1,840,932	-	-	(309,376)	(11,948)	(321,324)
17	DEFERRED TAXES - STATE	(93,917)	-	(93,917)	1,840,932	-	-	1,498,418	-	1,498,418
18	INVESTMENT TAX CREDITS	-	-	-	354,900	-	-	296,273	-	296,273
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

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

O&M Monthly RC Report - FY 2003

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

FERC Code	Current Period			Year - to - Date			Total Budget for Year	
	Fiscal Year 2003		Actual vs. Budget	Fiscal Year 2003		Actual vs. Budget	Total Budget for Year	
	Actual	Budget	Better / (Worse)	Actual	Budget	Better / (Worse)	Less YTD Actual	Budget
Direct Expense								
9090	11,644	11,616	(28)	102,273	130,793	28,520	40,689	142,962
9090	447	2,364	1,917	7,061	26,624	19,563	22,040	29,101
9090	5,798	6,764	966	67,132	76,168	9,036	16,123	83,255
9090	-	112	112	-	1,262	1,262	1,379	1,379
9090	1,104	1,385	281	10,292	15,597	5,305	6,756	17,048
9090	1,535	797	(738)	11,216	8,975	(2,241)	(1,406)	9,810
9090	14,532	15,633	1,101	173,933	175,554	1,621	17,918	191,851
9090	258	1,630	1,372	2,837	18,351	15,514	17,221	20,058
9090	1,712	1,126	(586)	21,047	12,678	(8,369)	(7,190)	13,857
Regular Labor	37,029	41,427	4,398	395,790	466,002	70,212	113,531	509,321
Labor Vacancy Factor	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-
Total Labor	37,029	41,427	4,398	395,790	466,002	70,212	113,531	509,321
607863	2,551	2,976	425	29,538	33,513	3,975	7,093	36,631
607866	197	1,040	843	3,107	11,716	8,609	9,699	12,806
607867	5,123	5,111	(12)	44,999	57,548	12,549	17,903	62,902
607869	-	49	49	-	554	554	605	605
607870	486	609	123	4,529	6,859	2,330	2,968	7,497
607871	675	351	(324)	4,935	3,949	(986)	(619)	4,316
607872	6,394	6,879	485	76,530	77,246	716	7,887	84,417
607873	113	717	604	1,248	8,072	6,824	7,575	8,823
607876	753	495	(258)	9,251	5,579	(3,682)	(3,163)	6,098
Total Emp Benefit	16,292	18,227	1,935	174,147	205,036	30,889	49,948	224,095
Total Payroll Tax	-	-	-	-	-	-	-	-
607078	4,000	6,000	2,000	57,992	50,000	(7,992)	(1,992)	56,000
607247	1,827	500	(1,327)	20,015	5,500	(14,515)	(14,015)	6,000
607557	-	500	500	-	5,500	5,500	6,000	6,000
607558	-	1,000	1,000	10,341	3,000	(7,341)	(7,341)	3,000
Total Outside Serv.	5,827	8,000	2,173	88,348	64,000	(24,348)	(17,348)	71,000
606675	2,698	2,800	102	41,091	30,800	(10,291)	(7,491)	33,600
606676	17,948	15,000	(2,948)	148,406	165,000	16,594	31,594	180,000
606877	7,553	25,000	17,447	107,623	161,000	53,377	81,577	189,200
606925	110,905	127,800	16,895	1,078,119	1,405,800	327,681	455,481	1,533,600
606926	500	-	(500)	1,475	-	(1,475)	(1,475)	-
606927	5,737	4,300	(1,437)	47,581	36,900	(10,681)	(6,181)	41,400

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

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	
606928	902	400	(502)	6,161	4,400	(1,761)	(1,361)	4,800	
606929	989	2,000	1,011	9,010	22,000	12,990	14,990	24,000	
606930	-	4,500	4,500	-	49,500	49,500	54,000	54,000	
606931	-	-	-	-	58,800	58,800	64,800	64,800	
Other Oper. Exp.	147,232	181,800	34,568	1,439,465	1,934,200	494,735	685,935	2,125,400	
Prov for Bad Debt	-	-	-	-	-	-	-	-	
Insurance	-	-	-	-	-	-	-	-	
Travel & Entertain.	-	-	-	-	-	-	-	-	
Rents & Leases	-	-	-	-	-	-	-	-	
Dues & Memberships	-	-	-	-	-	-	-	-	
Customer Service	-	-	-	-	-	-	-	-	
Matl & Supplies	-	-	-	-	-	-	-	-	
Total Direct Expense	206,380	248,454	43,074	2,097,750	2,669,238	571,488	832,066	2,929,816	

O&M Monthly RC Report - FY 2003									
Total Budget Remaining									
Less YTD Actual									
Budget									
							832,066		2,929,816

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	
618614	847	1,656	809	10,124	18,216	8,092	9,748	19,872	
618615	100	326	226	1,703	3,586	1,883	2,209	3,912	
618616	203	541	338	3,006	5,951	2,945	3,486	6,492	
618620	34	-	(34)	676	-	(676)	(676)	-	
618621	19	124	105	500	1,364	864	988	1,488	
618622	702	87	(615)	10,794	957	(9,837)	(9,750)	1,044	
618623	34	1,939	1,905	676	21,329	20,653	22,592	23,268	
618624	-	130	130	-	1,430	1,430	1,560	1,560	
Inter-Deptl Chgs	1,939	4,803	2,864	27,478	52,833	25,355	30,158	57,636	
619901	(31,864)	(116,277)	(84,413)	246,586	(949,200)	(1,195,786)	(1,320,056)	(1,073,470)	
Capitalized Costs	(31,864)	(116,277)	(84,413)	246,586	(949,200)	(1,195,786)	(1,320,056)	(1,073,470)	
Non-Recurring Chgs	-	-	-	-	-	-	-	-	

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

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

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

O&M Monthly RC Report - FY 2003