

**Ruth Nettles**

090004-GU

**From:** beth.keating@akerman.com  
**Sent:** Friday, August 14, 2009 3:29 PM  
**To:** Filings@psc.state.fl.us  
**Subject:** Docket No. 090004-GU  
**Attachments:** 20090814150228408.pdf

Attached for filing in the referenced Docket, please find Florida City Gas's Supplemental 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: 5

E. Supplemental Response to Audit Report



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8/14/2009

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August 14, 2009

**VIA ELECTRONIC FILING**

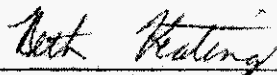
Ms. Ann Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32309

**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 supplemental 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  
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Enclosures

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

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DOCUMENT NUMBER-DATE  
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Florida City Gas  
Supplemental Response

RE: Docket No. 090004-GU; Audit Finding No.1; Audit Control No. 09-028-4-3

**COMPANY SUPPLEMENTAL RESPONSE:**

In additional support of FCG's response filed on June 24, 2009 to the above referenced audit finding, please see Attachment 3, Order No. PSC-04-0128-PAA-GU, Docket No. 030569-GU, which details the removal of projected ECP expenses of \$3,122,582 from its cost of service during the last rate case.

As stated in the Company's prior response, all projected ECP expenses were included in the ECP projection and appropriately excluded from cost of service to ensure that the expenses would not be recovered twice. Included in the \$3,122,582 expense projection were costs associated with printing and design of billing inserts, postage and billing services to prepare the bills, legal costs and office supplies. Based on discussions with the auditor, it is the Company's understanding that the basis for the audit finding is the decrease in the Company's base rate cost of service associated with postage and billing services to prepare the bills since its last rate case. The audit finding, in essence, assumes that this decrease is the result of the Company reclassifying costs previously recovered in base rates to ECP costs for recovery through the ECP program.

While these costs have decreased since the company's last rate case, this decrease is not the result of a reclassification of costs. Rather, the decrease in costs is the result of the cost reductions and best practices implemented after the acquisition of the Company by AGL Resources. Specifically, under the ownership of NUI, the cost types referenced above were provided by an affiliated Company at a much higher cost than what the Company incurs today. The decrease in costs associated with the Company's base rates is consistent with the decrease in costs associated with the ECP. Costs decreases in both recovery mechanisms further supports the Company's position that the cost decreases are the result of the AGLR acquisition and not the result of a reclassification of expenses from one cost recovery mechanism to another.

Further, the Company had historically and consistently recovered costs directly attributable to the ECP program, including the cost types referenced above, through the ECP program before the AGLR acquisition. After the AGLR acquisition, certain of these costs types were performed by internal personnel and inadvertently excluded from the ECP cost recovery filings. The Company discovered this exclusion in 2008 and began once again including these costs in the ECP recovery mechanism. The Company believes this treatment is appropriate as these costs are directly related to the ECP, and such costs are allowed recovery under the ECP.

The Company reiterates its position that costs associated with printing and design of billing inserts, postage and billing services to prepare the bills, legal costs and office

supplies were part of the \$3,122,582 expense projection that was excluded from cost of service in its most recent rate case. Therefore, including these costs in the ECP recovery mechanism does not result in a double recovery of expenses from the Company's customers.

PTY 9/30/04 - FINAL RATES

COMPARATIVE NOIS

	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION ADJUSTED
OPERATING REVENUES	\$100,402,898				
REVENUES DUE TO GROWTH	120,628				
Cost of Gas		(\$31,127,076)			
ECP Revenues (Conservation)		(3,138,195)			
Franchise/Gross Rec. Rev.		(3,134,516)			
Off-System Sales		(25,250,091)			
To add back duplicative RAFs removed				\$154,881	
To correct rev. for errors & reduced growth				(86,663)	
To Impute revenue for Clewiston				280,288	
<b>TOTAL REVENUES</b>	<b>\$100,523,486</b>	<b>(\$62,649,878)</b>	<b>\$37,873,588</b>	<b>\$348,486</b>	<b>\$38,222,074</b>
<b>OPERATING EXPENSES:</b>					
<b>COST OF GAS</b>					
System Supply	\$31,127,076	(\$31,127,076)			
Off-System Sales	24,295,230	(24,295,230)			
<b>TOTAL COST OF GAS</b>	<b>\$55,422,306</b>	<b>(\$55,422,306)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>OPERATION &amp; MAINTENANCE EXP.</b>					
Nonutility Expense	\$24,120,144	(\$35,215)			
Economic Development Activities		(878)			
AGA Dues		(2,847)			
Employee Activities		(13,053)			
Net Trend Sch. Adjs. - See Attach. 5A for refs.				(\$1,101,855)	
To reduce O&M due to change in factors				(59,750)	
<b>TOTAL O &amp; M EXPENSE</b>	<b>\$24,120,144</b>	<b>(\$61,993)</b>	<b>\$24,088,151</b>	<b>(\$1,161,605)</b>	<b>\$22,908,548</b>
<b>CONSERVATION COSTS</b>					
Conservation Costs	\$3,122,582	(\$3,122,582)			
<b>TOTAL CONSERVATION COSTS</b>	<b>\$3,122,582</b>	<b>(\$3,122,582)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

PTY 9/30/04 - FINAL RATES

COMPARATIVE NOIS

	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION ADJUSTED
DEPRECIATION AND AMORT.	\$7,395,579				
Common Plant Depr.		\$1,131,596			
NUI HQ Common Plant		(131,858)			
To remove cancelled NUI projects				(\$302,981)	
To remove plant unrelated to City Gas				(15,930)	
To retire inactive service lines				(10,290)	
To correct for change in non-utility allocation				(761)	
To add back depreciation removed twice				115,880	
To adjust for revision in depreciation rates				(243,448)	
TOTAL DEPRECIATION & AMORT.	<u>\$7,395,579</u>	<u>\$999,738</u>	<u>\$8,395,317</u>	<u>(\$457,531)</u>	<u>\$7,937,786</u>
TAXES OTHER THAN INCOME	\$5,543,562				
Gross receipts, franchise fees		(\$3,134,516)			
Regulatory Assessment Fees		(170,474)			
Common Plant Property Taxes		(21,646)			
To adj. RAFS, and Payroll & property taxes				\$81,002	
TOTAL TAXES OTHER THAN INC.	<u>\$5,543,562</u>	<u>(\$3,326,636)</u>	<u>\$2,216,926</u>	<u>\$81,002</u>	<u>\$2,297,928</u>
INCOME TAX EXPENSE					
Income Taxes - Federal	(\$1,807,323)				
Income Taxes - State	(309,376)				
Deferred Income Taxes - Federal	1,488,418				
Deferred Income Taxes - State	298,273				
FIT & SIT Taxes on Company Adjs.		(\$648,536)			
Interest Synchronization - Company Adj.		587,781			
Tax Effect of Other Adjustments				\$709,935	
Interest Reconciliation Adjustment				52,108	
TOTAL INCOME TAXES	<u>(\$322,008)</u>	<u>(\$81,755)</u>	<u>(\$403,763)</u>	<u>\$762,043</u>	<u>\$358,280</u>
TOTAL OPERATING EXPENSES	<u>\$95,282,185</u>	<u>(\$61,005,534)</u>	<u>\$34,276,651</u>	<u>(\$778,091)</u>	<u>\$33,500,540</u>
NET OPERATING INCOME	<u>\$5,241,301</u>	<u>(\$1,644,344)</u>	<u>\$3,596,957</u>	<u>\$1,124,577</u>	<u>\$4,721,534</u>