

ORIGINAL

State of Florida



Public Service Commission

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

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JAN 24 PM 4:08
RECORDS AND REPORTING

DATE: January 22, 2001
TO: Division of Economic Regulation (Revell)
FROM: Division of Regulatory Oversight (Vandiver) *ON*
RE: Docket No. 000768-GU; City Gas Company of Florida
 Audit Report; Declassified Pages
 Rate Case - Projected Test Year Ended September 30, 2001
 Audit Control No. 00-264-4-1

The staff audit report for this docket was issued November 13, 2000. The attached pages were withheld pending determination of confidentiality. These pages have been declassified and should be included as part of the staff audit report.

DNV/sp

Attachment

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
 Miami District Office (Welch)
 Division of Records and Reporting
 Division of Legal Services

DOCUMENT NUMBER-DATE

01070 JAN 24 06

FPSC-RECORDS/REPORTING

AUDIT EXCEPTION NO. 10

SUBJECT: PROJECTED FYE 9/30/01 EXPENSES FOR METER TURN ONS, TURN OFFS, READ ONLYS AND NONPAYMENT TURN ONS IN ACCOUNT 878.

STATEMENT OF FACTS: The company budgeted expenses in account 878-Meter and House Regulator Expense in the amount of \$654,871 for meter turn ons, turn offs, read onlys and nonpayment turn ons for fiscal year end September 30, 2001 on Schedule G-2, page 13 of 34 of the filing. The company explained that as of October 1, 1999 the appliance business started charging an hourly rate of \$52 to the utility for the work described above. Prior to that time, the utility was charged direct labor and direct material only. The hourly charge is addressed in a disclosure in this report.

It also should be noted, that as of October 1, 1999, the appliance business was a division of NUI. However, its records were included in the City Gas general ledger. The company representative further explained that the possibility exists that as of October 1, 2000 the appliance business and the utility business will become separate accounting and reporting entities.

Although the company used the 2001 budget for account 878 in projected expenses for 2001, it did not reduce the accounts entirely where the charges for this type of work was performed. These accounts are listed on the attached schedule following this disclosure. These accounts were trended and included in the expenses for projected year end 9/30/01 on schedule G-2 of the filing. The total is \$217,910.

OPINION: Expenses in account 878 for projected fiscal year end 9/30/01 should be reduced in the amount of \$217,910. The state tax effect is \$11,985 and the federal tax effect is \$70,015.

COMPANY:
TITLE:
PERIOD:

CITY GAS COMPANY
COST OF TURN ONS, TURN OFFS,
READ ONLYS AND NONPAYMENT TURN ONS
PROJECTED 01

Labor and other accounts that are included in Accounts 878, 870 and 902 associated with turn ons, turn offs, read onlys and nonpayment turn ons. This is based on accounts determined by the utility to be left in the expenses for these items in the surveillance report for FYE 9/30/99.

Account	Description	12 mos end 9/30/99 per G/L Acc't.	878** Payroll	878**Other	879**Payroll	879**Other	902**Payroll	902**Other	
600863	Leak Invest-Labor Reg	2,935	879		2,935				
601613	Relights-Labor Reg	3,533	879		3,533				
601654	Cgi-Meter/Work-Lab Reg	3,062	878	3,062					
601665	Mtr Turnon/MtrWork/Paint-Lab Reg	845	878	845					
601676	Meter Turnoff-Reg Labor	29,603	878	29,603					
601688	Meter Read Only-Labor Reg	17,551	878	17,551					
601699	Meter Turn Ons-Labor Reg	97,907	878	97,907					
601857	Mtr Reading Re Rd-Lbr Reg	1,146	902			1,146			
603108	Leak Invest-Labor OT	1,012	879		1,012				
603788	Relights-Labor OT	3,128	879		3,128				
603824	Mtr chngs/MtrWork Paint/OT	(37)	878	(37)					
603830	Meter Turnoff-OT Labor	4,906	878	4,906					
603842	Meter Read Only -OT Labor	2,762	878	2,762					
603848	Meter Turn Ons Laor OT	25,645	878	25,645					
610697	Mtr Reading-Meals	7,475	902					7,475	
615231	Meter Chngs-Stores Inv.	70	878					70	
		201,543		182,244	0	10,608	0	1,146	7,545
				4.00%		4.00%		4.00%	3.00%
				7,290		424		46	302
FYE 9/30/00		209,605	FYE 9/30/00	189,534		11,032		1,192	7,847
				4.00%		4.00%		4.00%	3.00%
				7,581		441		48	235
FYE 9/30/01		217,910	FYE 9/30/01	197,115		11,474		1,240	8,082

** Account 878 is trended based on both inflation of 3% and payroll of 4% .

** Account 879 is trended based on both inflation of 3% and payroll of 4%.

** Account 902 is trended based on both inflation of 3% and payroll of 4%.

AUDIT DISCLOSURE NO. 7

SUBJECT: EXPENSES FOR METER TURN ONS, TURN OFFS, READ ONLYS AND NONPAYMENT TURN ONS IN ACCOUNT 878 FOR PROJECTED FISCAL YEAR END 9/30/01

STATEMENT OF FACTS: The company budgeted expenses in the amount of \$654,871 in Account 878 on Schedule G-2, page 13 of 34 of the filing, for meter turn ons, turn offs, read onlys and nonpayment turn ons for fiscal year end 9/30/01. The company explained that as of the beginning of fiscal year end 9/30/00, the appliance business was separated from the utility business and an hourly rate of \$52 an hour is charged to the utility from the appliance business for the work described above. There is no written contract between the utility business and the appliance business.

The hourly rate is calculated as follows:

1. Determination of the cost for each technician who performs this work.* (Including overtime, benefits, supervision, transportation and communications.)
2. Determination of the net billable hours per technician.*
(Total hours in years less non productive time such as vacation, holidays, illness, training, break time, shop time and travel time.)
3. Cost per technician times the number of technicians equal total cost per year.*
4. Billable hours per technician times the number of technicians equal the billable hours per year.*
5. Cost per year divided by billable hours per year equals the hourly rate of \$52.*

*See attached company prepared schedule.

The company stated that there was no written contract with the appliance business, and when asked if a comparison of cost to market for the new affiliate billing for NUI's appliance business was prepared, they stated that there was no specific comparison. "...there are no contractors large enough to bid for this type of work. As a general comparison, we can compare the rate charged to us by our plumbing contractors for \$65 per hour, which would include a component for profit."

OPINION: There should be a written contract between the appliance business and utility business to avoid any problems of billing in the future. Also, policy for both the

telephone and electric utilities has been to bill its regulated affiliates at lower of cost or market. A study was not performed to determine this.

**NUI City Gas Company
Floor Price Hourly Rate Calculation for Appliance Services**

Exhibit "A"

Annualized Cost per Technician in Each Contractual Job Classification

	Service Tech I		Service Tech II		Apprentice		Helper	
	Brevard &		Miami	Brevard	Miami	Brevard	Miami	Brevard
	Miami	PSL						
Base Rate, effective 4/00	\$ 28,974	\$ 28,974	\$ 27,643	\$ 27,643	\$ 23,504	\$ 23,504	\$ 18,283	\$ 18,283
Premium Rates & OT	\$ 4,597	\$ 2,298	\$ 4,386	\$ 2,193	\$ 3,729	\$ 1,865	\$ 2,901	\$ 1,450
Maximum Bonus @ 2.4% of Base Rate Pay	\$ 695	\$ 695	\$ 663	\$ 663	\$ 564	\$ 564	\$ 439	\$ 439
Total Wages	\$ 34,267	\$ 31,968	\$ 32,692	\$ 30,499	\$ 27,797	\$ 25,933	\$ 21,623	\$ 20,172
Benefits & Payroll Taxes @ 32% of Base Rate Pay	\$ 9,272	\$ 9,272	\$ 8,846	\$ 8,846	\$ 7,521	\$ 7,521	\$ 5,851	\$ 5,851
Total Wages and Hours Paid	\$ 43,538	\$ 41,240	\$ 41,538	\$ 39,345	\$ 35,318	\$ 33,454	\$ 27,473	\$ 26,023
Supervision	\$ 12,100	\$ 12,100	\$ 12,100	\$ 12,100	\$ 12,100	\$ 12,100	\$ 12,100	\$ 12,100
Transportation	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700
Communications	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590
Total Cost per Technician	\$ 64,928	\$ 62,630	\$ 62,928	\$ 60,735	\$ 56,708	\$ 54,844	\$ 48,863	\$ 47,413
Net Billable Hours per Technician - Note (1)	1,201	1,119	1,225	1,143	1,225	1,143	1,225	1,143
# of Incumbent Technicians in Each Classification	10	8	7	5	4	-	-	-
								Total
Aggregate Cost of Labor (Including Benefits, Payroll Taxes, Supervision, Fleet and Communications)	\$ 649,285	\$ 501,040	\$ 440,497	\$ 303,677	\$ 226,834	\$ -	\$ -	\$ -
Aggregate Billable Hours per Year	12,010	8,952	8,575	5,715	4,900	-	-	40,152
Cost of Labor per Billable Hour								\$ 52.83

Note (1): Paid hours less provision for travel time between jobs, shop time, training time, CGI calls, paid time off and other non-productive time. This varies among the job classifications due to time in service and, principally, eligibility for different levels of paid time off.

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