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October 1, 2007

VIA HAND DELIVERY

Mr. Tim Devlin
Director of Economic Regulation
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RECEIVED FPSC
07 OCT - 1 PM 4:35
COMMISSION
CLERK
- [signature]

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

Dear Mr. Devlin:

On October 3, 2006, Florida City Gas (FCG or Company) filed its above-referenced petition requesting that the Commission approve the accounting recognition of a positive acquisition adjustment to reflect the purchase of FCG by AGL Resources Inc. (AGLR) which took place in November of 2004. In addition, FCG requested regulatory asset treatment for the outstanding amount of the former NUI pension plan allocated to FCG. FCG has not requested a rate adjustment at this time. The Commission has jurisdiction over this matter pursuant to Sections 366.06 and 366.076, Florida Statutes.

Specifically, FCG requested:

- that the Commission approve, for regulatory reporting and surveillance reporting purposes, a positive acquisition adjustment of \$25,263,983 (updated on May 4, 2007) to be amortized over a 30-year period; and
- that the Commission approve, for regulatory reporting and surveillance reporting purposes, treatment of the \$1,365,897 (updated on May 4, 2007) in accelerated pension fund costs that have been allocated to FCG as a regulatory asset to be amortized over a 13-year period.

DOCUMENT NUMBER - DATE

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FPSC - COMMISSION CLERK

AGLR and FCG pride themselves on being able to provide safe and reliable natural gas distribution service while also providing a high level of customer service and stable rates. The Commission's approval of FCG's requests to create a regulatory asset and approve a positive acquisition adjustment for regulatory reporting and surveillance reporting purposes will more accurately portray the company's actual investment and earnings level. From the beginning, FCG has made it clear that it was not seeking a rate increase at this time.

In consideration of the Company's desire to reach a favorable resolution by the Commission in this matter, we would like to refine a few points. Specifically, FCG offers and would agree to the following:

- favorable approval of the regulatory and surveillance reporting request for a positive acquisition adjustment with the "transaction" costs and "transition" components of \$1,615,149 million and \$1,991,999, respectively, being amortized over a 5-year period and the purchase price premium of \$21,656,835 being amortized over a 30-year period;
- favorable approval of the regulatory and surveillance reporting request for treatment of the \$1,365,897 (updated on May 4, 2007) in accelerated pension fund costs that have been allocated to FCG as a regulatory asset to be amortized over a 13-year period;
- that the amortization schedules required in the petition would begin with the date of acquisition, November 2004, for regulatory reporting purposes including Florida surveillance reports and the Company's Annual Report filing;
- the unamortized investment and the amortization amounts of the three components of the acquisition adjustment and the pension regulatory asset would be included as adjustments to the per books amounts in regulatory reporting to the Florida Public Service Commission including (1) Florida Public Service Commission Surveillance Reports where the amounts would be shown as a part of the Florida Public Service Commission adjustments to the per books records and (2) Annual Report of Natural Gas Utilities; and
- a reasonable base rate stay-out period of 3 to 5 years¹ beginning with the date of the Commission's favorable vote at an Agenda Conference.²

¹Such stay-out period will not include the annual cost recovery proceedings (PGA and the like)

² Exceptions to the base rate stay-out will include unforeseen acts, force majeure, Acts of God, and/or terror-related events.

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In consideration of the foregoing, we respectfully request that this matter be placed on an October Agenda Conference. If you have any questions or concerns, please do not hesitate to call. Company representatives are available to meet with you in Tallahassee at your earliest convenience.

Sincerely,

AKERMAN SENTERFITT

A handwritten signature in cursive script, appearing to read "Beth Keating", with a long horizontal flourish extending to the right.

Beth Keating

cc: Office of Public Counsel (Charles Beck)
Commission Clerk