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Hublic Service Commission

February 14, 2008

Ms. Debbie Stitt St. Joe Natural Gas Company, Inc. Post Office Box 549 Port St. Joe, Florida 32457

Re: Docket No. 070737-GU

Dear Ms. Stitt:

Staff's initial review regarding St. Joe Natural Gas Company's depreciation study filed in the above referenced docket is attached. In order to complete the review and meet an April 8, 2008, agenda date, please provide the Company's response by March 10, 2008.

Should you have any questions, or need further information, please do not hesitate to contact Betty Gardner at (850) 413-6742.

Sincerely,

John Slemkewicz

Public Utilities Supervisor

JS/BG:sc Attachment

cc: Office of the General Counsel (Brown)

Office of Commission Clerk

Office of Public Counsel

Division of Economic Regulation (Devlin, Willis, Bulecza-Banks)

Costin & Costin (Charles A. Costin)

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St. Joe Natural Gas 2007 Depreciation Study February 14, 2008

Initial Review

1. Account Number 379, M & R Equipment (City Gate)

This account shows a 2004 retirement in the amount of \$4,264 on the plant and reserves schedules, but for the calculation of the average age of plant, a retirement of \$694 was shown. Please reconcile the filed schedules.

2. Account 387, Other Equipment

- For this account, the company did not include the 2007 retirement in the amount of \$1,895 as an adjustment to plant and the reserves. recalculated the ending balances for plant and the reserves to be \$8,961 and \$6,062, respectively. The 2007 retirement was included in the company's calculation of plant average age. Please reconcile the filed schedules.
- Staff accepts the company's proposed reserve transfer in the amount of b. \$10,300.

Account 391-3 Office Computers 3.

Please explain the 2003 adjustment /transfer in the amount of \$67.76. If this is a transfer of reserve, please identify the receiving plant account.

Account 394, Tools, Shop, & Garage Equipment 4.

- A 2003 retirement from plant and the reserves occurred in the amount of Staff's review of the account \$7,730.02 and \$7,730, respectively. retirement history used in the calculation of the average age showed no retirements occurring for 2003. Please reconcile this account.
- For this account, please explain why the reserve adjustment/transfer in the b. amount of \$62.16 occurred in 2003.
- Please provide a detailed explanation for any negative adjustments/transfers, other than the ones listed, which are included in this depreciation study.

 Corrective Reserve Transfers 5.

When significant surpluses and deficits exist, corrective reserve transfers between accounts must be considered. The surpluses and deficits results from the effect of prior depreciation rates, average service lives, and net salvage projections. Staff has reviewed the company's proposed reserve transfers and has found that some of the proposed transfers by the company are acceptable, but additional transfers must be completed to correct existing reserve deficiencies of other plant accounts. Therefore, the corrective reserve transfers, as shown below, will bring the reserves for the plant accounts more in line with their theoretically correct reserve position on a going forward basis.

St. Joe Natural Gas 2007 Depreciation Study Page 2 February 14, 2008

	1/1/2008	TD1 4: 1	D	D - 4-4- J 2000
Account	Actual	Theoretical	Reserve Transfers	Restated 2008 Reserves
Account	Reserve	Reserves	Transfers	Reserves
Distribution Plant				010 551
375 Structures & Improvemnts	\$13,593	\$13,564	\$(29)	\$13,564
376.1 Mains-Steel	1,597,611	1,565,003	(32,608)	1,565,003
376.2 Mains-Plastic	401,584	419,636	18,052	419,636
378 M &R Equipment-General	42,452	44,029	1,577	44,029
379 M & R Equipment-City Gate	210,461	220,352	9,891	220,352
380 Services -Steel	151,521	76,503	(75,018)	76,503
380 Services-Plastic	183,053	226,461	34,393	217,446
381 Meters	218,528	219,779	1,251	219,779
382 Meter Installations	39,066	58,404	15,000	54,066
383 Regulators	66,792	68,660	1,868	68,660
384 Regulators Installations	6,842	21,476	14,000	20,842
385 M & R Equipment	10,049	11,372	1,323	11,372
387 Other Equipment	(4,238)	6,785	10,300	6,062
Total Distribution Plant	\$2,937,314	\$2,952,024	0	\$2,937,314
General Plant				
390 Structures & Improvements	81,714	70,474	(11,240)	70,474
391.1 Office Furniture	(4,001)	2,436	5,500	1,499
391.2 Office Machines	16,224	13,200	(3,024)	13,200
391.3 Computers	66,007	60,131	(5.876)	60,131
392.1 Transportation Equip-Cars & Trucks	42,356	79,028	5,360	47,716
397 Communication Equipment	(8,743)	537	9,280	537
Total General Plant	\$193,557	\$225,806	0	\$193,557