

# Costin and Costin

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RECEIVED-FPSC  
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COMMISSION  
CLERK  
Mailing Address:  
Post Office Box 98  
Port St. Joe, FL 32457-0098

May 28, 2008

Ms. Ann Cole, Director  
Commission Clerk and Administration Services  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Fl. 32399-0850

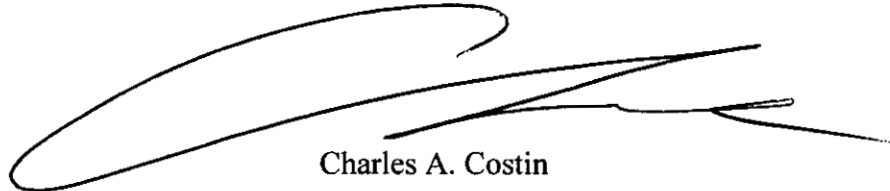
RE: Docket # 070592-GU: Application by St. Joe Natural Gas Company, Inc  
for an increase in permanent base rates

Dear Ms. Cole:

Find enclosed for filing this date the original and 4 copies of St. Joe Natural Gas Company, Inc.'s response to (Martha Brown's) question number 7 concerning customer advances.

Also enclosed is St. Joe Natural Gas Company, Inc.'s revised response to question number 14 concerning revised depreciation schedules for the projected test year that reflect the results of the 2008 Depreciation Study.

Sincerely,



Charles A. Costin

CAC:wlb  
cc: Stuart Shoaf

OMP \_\_\_\_\_  
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DOCUMENT NUMBER-DATE  
04653 JUN-28  
FPSC-COMMISSION CLERK

**St. Joe Natural Gas Company, Inc.**  
**Responses to Staff Request to Complete its Review**  
**Docket No. 070592-GU**

**May 22, 2008**

7. Refer to Audit Finding No. 6, Customer Advances for Construction. The Auditor recommended inclusion of \$134,824 Customer Advances for Construction in Rate Base for 2007 and 2008. The Company's response to the Audit stated the Company agreed, but then asked "Does the FPSC accept this finding?" Please clarify the Company's policies and practices regarding customer advances.

Response: On schedule G1-1 for deductions, Customer advances for construction was adjusted by \$135,000 to remove from projected year 2008 because the Utility Plant In Service had not included projected plant additions for this customer advance amount for construction.

As a result of Company's correction in booking advances, of the \$135,000, \$82,600 will be booked in Customer advances for construction Account No. 252 and \$52,400 will be booked in Accumulated deferred income taxes Account No. 282.

The company only agrees that it should be left in 2007 and 2008 projected rate base if we are also allowed to include the plant addition, which was not originally done on Sch. G1-27.

- a. The Company provided to the auditors a document titled Account Quick Report, All Transactions for account 166.1. It appears that transactions range from main construction to moving of meters for customers. Please explain the types of transactions for which the Company collects advances.

Response: Company accepts advances under two (2) circumstances:

Advance Type No. 1 Request for gas service made by an entity where there are no existing mains and gas service facilities (new subdivision) which represents multiple new accounts and the cost to provide service exceeds Company's tariff provision for main extensions and installation of gas service facilities.

Advance is for a new project that will require more than thirty (30) days to complete and requires a written agreement which fulfills requirements pursuant to Rule 25-7.054, FAC.

Advance Type No. 1 transactions originated in Account 166.1 but are now being revised into Account No. 252.

Advance Type No. 2 – Request for gas service made by a single homeowner where there are existing mains and gas service facilities and the cost to provide service exceeds Company's tariff provision for main extensions and installation of gas service facilities.

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Advance is for a single new project that will require less than thirty (30) days to complete and requires a signed acknowledgement by the customer that customer understands the purpose, use and resolution of funds including compliance with Rule 25-7.054, FAC by the Company, if applicable.

Advance Type No. 2 transactions are booked in Customer's account.

- b. In column labeled "Split," 5 items are shown as "Original Cost" with no indication of the account that is affected. Please explain the meaning of "Original Cost" and advise what other account or accounts would be affected by the transaction.

Response: Original Cost is the actual direct cost of the plant account. Account No. 107 is the offset account.

- c. Are all types of advances accounted for in the same manner? If not, please explain.

Response: See response to 7.a. above.

- d. A number of transactions show transfers of remaining balances to a Revenue account 495.4. Please explain why customer advances are booked to the revenue account.

Response: The transactions were booked to the 495.4 revenue account in error and have been rebooked in the Deferred income tax account No. 282. These were the initial Advance Type No. 1 amounts collected by the company which are treated as taxable income with the advance amount having been grossed up to include federal income tax expense.

- e. Does the Company book all plant that is constructed pursuant to a customer advance to a plant account? If not, please provide a list of the plant that was not booked to a plant and explain why it was not booked to such an account.

Response: In the past, Company booked the plant constructed pursuant to a customer advance to a plant account only to the extent the actual cost exceeds the advance amount upon that plant being placed into service.

Company has revised its accounting procedure to book all the plant constructed pursuant to a customer advance to a plant account and then crediting the plant account by the advance amount.

The ending plant balance is the same when booked either way.

- f. For transactions included in Account 166.1, did the company charge the full amount of the plant construction to the customer? If not, please explain how the Company determined what to charge the customer.

Response: For transactions booked in Account 166.1, Company charged the full estimated amount of the new plant construction to the customer.

- g. For all line extensions for which the Company received an advance, please advise whether advances were treated in accordance with the Company's tariff, sheets 37 and 38.

Response: All advances are treated in accordance with Company's tariff, sheets 37 and 38.

- h. What are the amounts of refunds of advances made to customers for advances included in account 166.1 pursuant to Rule 25-7.054, Florida Administrative Code.

Response: The amounts of refunds of advances made to customers for advances included in Account 166.1 pursuant to Rule 25-7.054 equal \$7,105.95.

- i. Are transactions for barefoot Cottages included in account 166.1? If not, why not? To what account or accounts were transactions booked? Are other advances booked to accounts other than 166.1?

Response: Transactions for Barefoot Cottages were not booked in Account 166.1 because the project was completed in three (3) working days and involved one customer (2 swimming pools for the HOA).

Advance Type No. 2, as described in response 7.a., are credited to the specific customer's account. Upon the in-service date of the new plant, the actual cost is charged against the customer's account. The remaining balance, if any, is refunded to the customer.

REVISED

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE DEPRECIATION RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT TO WHICH AN INDIVIDUAL DEPRECIATION RATE IS APPLIED FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN  
PROJECTED TEST YEAR: 12/31/08  
WITNESS: A. SHOAF

COMPANY: ST. JOE NATURAL GAS COMPANY

DOCKET NO: 070592-GU

LINE NO.	A/C NO.	DESCRIPTION	Depr Rates	DEC 2007	JAN 2008	FEB 2008	MAR 2008	APR 2008	MAY 2008	JUN 2008	JUL 2008	AUG 2008	SEP 2008	OCT 2008	NOV 2008	DEC 2008	13 MONTH AVERAGE
1	301	ORGANIZATIONAL COSTS	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	303	INTANGIBLE PLANT	0.0%	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149	\$13,149
3	374	LAND AND LAND RIGHTS	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	375	BUILDINGS & IMPROVEMENTS	2.6%	\$13,593	\$13,639	\$13,686	\$13,732	\$13,778	\$13,825	\$13,871	\$13,917	\$13,964	\$14,010	\$14,057	\$14,103	\$14,149	\$13,871
5	376	MAINS (STEEL)	3.3%	\$1,597,611	\$1,605,566	\$1,613,521	\$1,621,477	\$1,629,432	\$1,637,387	\$1,645,342	\$1,653,297	\$1,661,253	\$1,669,208	\$1,677,163	\$1,685,118	\$1,693,073	\$1,645,342
6	376	MAINS (PLASTIC)	3.3%	\$401,584	\$403,856	\$406,127	\$408,399	\$410,671	\$412,942	\$415,214	\$417,485	\$419,757	\$422,028	\$424,300	\$426,571	\$428,843	\$417,569
7	378	M & R EQUIPMENT - GENERAL	3.0%	\$42,452	\$42,714	\$42,976	\$43,238	\$43,500	\$43,762	\$44,024	\$44,286	\$44,548	\$44,810	\$45,072	\$45,334	\$45,596	\$44,075
8	379	M & R EQUIPMENT - CITY	3.0%	\$210,461	\$211,609	\$212,756	\$213,904	\$215,052	\$216,199	\$217,347	\$218,495	\$219,642	\$220,790	\$221,938	\$223,085	\$224,233	\$217,347
9	380	DIST PLANT -SERVICES (STEEL)	2.7%	\$141,221	\$141,523	\$141,825	\$142,127	\$142,429	\$142,731	\$143,033	\$143,335	\$143,637	\$143,939	\$144,241	\$144,543	\$144,845	\$140,602
10	380	DIST PLANT -SERVICES (PLASTIC)	3.3%	\$183,053	\$184,557	\$186,062	\$187,566	\$189,070	\$190,574	\$192,078	\$193,582	\$195,086	\$196,590	\$198,094	\$199,598	\$201,102	\$187,780
11	381	METERS	4.0%	\$218,528	\$219,492	\$220,456	\$221,420	\$222,384	\$223,348	\$224,312	\$225,276	\$226,240	\$227,204	\$228,168	\$229,132	\$229,334	\$223,973
12	382	METER INSTALLATIONS	3.3%	\$39,066	\$39,258	\$39,449	\$39,641	\$39,832	\$40,024	\$40,215	\$40,407	\$40,598	\$40,790	\$40,981	\$41,173	\$41,364	\$39,934
13	383	REGULATORS	3.3%	\$66,792	\$67,192	\$67,592	\$67,992	\$68,392	\$68,792	\$69,192	\$69,592	\$69,992	\$70,392	\$70,792	\$71,192	\$71,592	\$68,988
14	384	REGULATOR INSTALL HOUSE	3.8%	\$6,842	\$6,934	\$7,026	\$7,118	\$7,210	\$7,302	\$7,394	\$7,486	\$7,578	\$7,670	\$7,762	\$7,854	\$7,946	\$7,310
15	385	INDUSTRIAL M & R EQUIPMENT	3.5%	\$10,049	\$10,105	\$10,160	\$10,216	\$10,272	\$10,328	\$10,384	\$10,439	\$10,495	\$10,551	\$10,606	\$10,662	\$10,718	\$10,383
16	387	OTHER EQUIPMENT	12.5%	\$7,957	\$8,070	\$8,183	\$8,296	\$8,409	\$8,522	\$8,635	\$8,748	\$8,861	\$8,974	\$9,087	\$9,200	\$9,313	\$4,511
17	389	LAND AND LAND RIGHTS	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	390	STRUCTURES & IMPROVEMENTS	2.5%	\$81,714	\$82,040	\$82,367	\$82,693	\$83,019	\$83,345	\$83,672	\$83,998	\$84,324	\$84,650	\$84,977	\$85,303	\$85,629	\$83,672
19	391.1	OFFICE FURNITURE	6.7%	\$1,499	\$1,522	\$1,544	\$1,567	\$1,590	\$1,613	\$1,635	\$1,658	\$1,681	\$1,704	\$1,726	\$1,749	\$1,772	\$1,635
20	391.2	OFFICE EQUIPMENT	11.9%	\$9,224	\$9,445	\$9,665	(\$5,098)	(\$4,867)	(\$4,636)	(\$4,405)	(\$4,175)	(\$3,944)	(\$3,713)	(\$3,482)	(\$3,252)	(\$3,021)	(\$943)
21	391.3	COMPUTERS	10.0%	\$58,407	\$59,123	\$59,839	\$60,555	\$61,271	\$61,987	\$62,703	\$63,419	\$64,135	\$64,851	\$65,567	\$66,283	\$67,000	\$63,555
22	392.0	TRANSPORTATION	14.5%	\$42,356	\$44,843	\$47,330	\$49,817	\$52,304	\$54,790	\$57,277	\$59,764	\$62,251	\$64,738	\$67,225	\$69,712	\$72,199	\$49,764
23	394	TOOLS AND WORK EQUIPMENT	5.0%	\$5,943	\$5,987	\$6,031	\$6,075	\$6,119	\$6,163	\$6,207	\$6,251	\$6,295	\$6,339	\$6,383	\$6,427	\$6,471	\$6,207
24	396	POWER OPERATED EQUIPMENT	6.3%	\$64,714	\$65,317	\$65,919	\$66,522	\$67,124	\$67,727	\$68,329	\$68,932	\$69,534	\$70,137	\$70,740	\$71,343	\$71,946	\$68,207
25	397	COMMUNICATION EQUIPMENT	9.3%	\$357	\$379	\$401	\$423	\$445	\$467	\$488	\$510	\$532	\$554	\$576	\$598	\$619	\$488
26	398	MISC. EQUIPMENT	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27																	\$0
28																	\$0
29																	\$0
30																	\$0
31																	\$0
32																	\$0
33		DEPRECIATION RESERVE		3,216,574	3,236,320	3,256,066	3,242,204	3,261,871	3,281,537	3,247,095	3,268,178	3,289,262	3,278,856	3,300,298	3,321,739	3,338,633	3,272,203
34	108.02	R.W.I.P		0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
35	108	TOTAL DEPRECIATION RESERVE		\$3,216,574	\$3,236,320	\$3,256,066	\$3,242,204	\$3,261,871	\$3,281,537	\$3,247,095	\$3,268,178	\$3,289,262	\$3,278,856	\$3,300,298	\$3,321,739	\$3,338,633	\$3,272,203

SUPPORTING SCHEDULES:

RECAP SCHEDULES: G-1.p.7

DOCUMENT NUMBER-DATE  
04653 JUN-28  
FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION  
COMPANY: ST. JOE NATURAL GAS COMPANY  
DOCKET NO: 070592-GU

EXPLANATION: PROVIDE THE CALCULATION FOR DEPRECIATION AND AMORTIZATION  
EXPENSE FOR THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN  
PROJECTED TEST YEAR: 12/31/08  
WITNESS: A. SHOAF

ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/08

LINE NO.	A/C NO.	DESCRIPTION	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	TOTAL EXPENSE
1	301	ORGANIZATIONAL COSTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
2	303	INTANGIBLE PLANT	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
3	374	LAND AND LAND RIGHTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
4	375	BUILDINGS & IMPROVEMENTS	2.60%	46	46	46	46	46	46	46	46	46	46	46	556
5	376	MAINS (STEEL)	3.30%	7,955	7,955	7,955	7,955	7,955	7,955	7,955	7,955	7,955	7,955	7,955	95,462
6	376	MAINS (PLASTIC)	3.30%	2,272	2,272	2,272	2,272	2,272	2,856	3,440	3,440	3,564	3,688	3,688	35,723
7	378	M & R EQUIPMENT - GENERAL	3.00%	262	262	264	266	266	275	284	284	285	286	286	3,306
8	379	M & R EQUIPMENT - CITY	3.00%	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148	13,772
9	380	DIST PLANT -SERVICES (STEEL)	2.70%	302	302	301	300	300	298	297	297	296	295	295	3,574
10	380	DIST PLANT -SERVICES (PLASTIC)	3.30%	1,504	1,504	1,504	1,504	1,504	1,511	1,517	1,517	1,527	1,538	1,538	18,207
11	381	METERS	4.00%	964	964	964	965	965	971	978	978	981	984	984	11,682
12	382	METER INSTALLATIONS	3.30%	192	192	192	192	192	192	192	192	192	193	193	2,304
13	383	REGULATORS	3.30%	400	400	400	400	400	402	404	404	405	406	406	4,831
14	384	REGULATOR INSTALL HOUSE	3.80%	92	92	92	92	92	93	93	94	94	94	94	1,115
15	385	INDUSTRIAL M & R EQUIPMENT	3.50%	56	56	56	56	56	56	56	56	56	56	56	669
16	387	OTHER EQUIPMENT	12.50%	113	113	115	117	117	118	120	120	122	123	123	1,425
17	389	LAND AND LAND RIGHTS	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
18	390	STRUCTURES & IMPROVEMENTS	2.50%	326	326	326	326	326	326	326	326	326	326	326	3,915
19	391.1	OFFICE FURNITURE	6.70%	23	23	23	23	23	23	23	23	23	23	23	273
20	391.2	OFFICE EQUIPMENT	11.90%	221	221	226	231	231	231	231	231	231	231	231	2,744
21	391.3	COMPUTERS	10.00%	716	716	668	620	620	628	636	636	641	646	646	7,823
22	392.0	TRANSPORTATION	14.50%	2,487	2,487	2,487	2,487	2,487	2,487	2,487	2,520	2,553	2,553	2,553	30,072
23	394	TOOLS AND WORK EQUIPMENT	5.00%	44	44	44	44	44	44	44	44	44	44	44	528
24	396	POWER OPERATED EQUIPMENT	6.30%	602	602	602	602	602	694	786	786	786	786	786	8,422
25	397	COMMUNICATION EQUIPMENT	8.30%	22	22	22	22	22	22	22	22	22	22	22	262
26	398	MISC. EQUIPMENT	5.00%	0	0	0	0	0	0	0	0	0	0	0	0
27															0
28															0
29															0
30															0
31															0
32		TOTAL DEPRECIATION EXPENSE		19,746	19,746	19,706	19,666	19,666	20,375	21,084	21,084	21,263	21,442	21,442	246,665
33		AMORTIZATION EXPENSE		0	0	0	0	0	0	0	0	0	0	0	0
34		TOTAL AMORT & DEPR EXPENSE		\$19,746	\$19,746	\$19,706	\$19,666	\$19,666	\$20,375	\$21,084	\$21,084	\$21,263	\$21,442	\$21,442	\$246,665