



ST. JOE NATURAL GAS COMPANY, INC.

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PORT ST. JOE, FLORIDA 32457

ORIGINAL

October 12, 2001

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COMMISSION
CLERK

Ms. Blanca S Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 010003-GU
Purchased Gas Cost Recovery

Dear Ms. Bayo:

Enclosed for filing in the above referenced docket are an original and ten (10) copies of St. Joe Natural Gas Company's Response to Staff's First Set of Interrogatories.

Please acknowledge receipt of these documents by stamping the extra copy of this letter which is also enclosed.

Thank you for your assistance.

Very truly yours,

Stuart L Shoaf
President

Enclosures

cc: All Parties of Record

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
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DOCUMENT NUMBER-DATE

13042 OCT 15 01

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas Adjustment)
(PGA) True-up)
_____)

Docket No. 010003-GU

Filed: October 12, 2001

**ST. JOE NATURAL GAS COMPANY INC.'S RESPONSES
STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1-12)**

St. Joe Natural Gas Company, Inc. ("SJNG" or the "Company"), pursuant to Rule 28-106.206, Florida Administrative Code, and Florida Rules of Civil Procedure 1.340, hereby responds to Staff's First Set of Interrogatories as follows:

1. What steps has St. Joe taken to manage its risks associated with natural gas purchases?

Response:

March 2001, St. Joe Natural Gas Company, Inc. ("SJNG") entered into a firm sculpted fixed price arrangement based on Nymex natural gas futures for the period May 2001 through April 2003. SJNG continues to watch the futures price beyond April, 2003.

2. Has St. Joe considered the use of physical hedging in its natural gas purchasing practices? If not, please explain why.

Response:

Yes

3. Has St. Joe considered the use of financial hedging in its natural gas purchasing practices? If not, please explain why.

Response:

Yes

4. What percentage of St. Joe's total load is being served under transportation rate schedules?

Response:

93%

DOCUMENT NUMBER-DATE

13042 OCT 15 01

FPSC-COMMISSION CLERK

5. In St. Joe's opinion, what percentage of natural gas purchased for St. Joe's sales service should be hedged? Please explain your response.

Response:

Somewhere between none and 100%, where "hedging" means strategy used to offset commodity price risk and where the perfect hedge is one eliminating the possibility of gain or loss. Based on SJNG's historical experience in physical hedging, there have been times where hedging provided lower fuel prices and then times when hedging provided higher fuel prices as compared to non-hedging purchasing.

6. Under what circumstances does St. Joe believe it is appropriate to use hedging practices as part of its natural gas purchasing practices? In your response, please indicate whether such practices are more appropriately used on a daily, weekly, seasonal, or other time basis, and explain why.

Response:

It may be appropriate to use hedging practices in all circumstances and used on a combination of daily, weekly, annual and seasonal basis. The reason for using different time periods would be to spread the gains and losses over more than one time period basis.

7. What are the costs associated with implementing a physical hedging program for natural gas purchases?

Response:

SJNG has no additional costs associated with physical hedging.

8. What are the costs associated with implementing a financial hedging program for natural gas purchases?

Response:

Margin calls and broker fees are costs associated with financial hedging. SJNG has no knowledge as to these actual costs.

9. Would St. Joe incur additional administrative costs to engage in physical or financial hedging for natural gas purchases? If so, please provide a breakdown of those projected costs.

Response:

Physical hedging has no additional costs. Financial hedging would have additional costs

(see response to question 8.)

10. What is the appropriate regulatory treatment for gains and losses that result from hedging of natural gas costs?

Response:

The regulatory treatment for gains and losses from hedging are treated the same as other fuel costs.

11. What is the appropriate regulatory treatment for the transactions costs associated with hedging of natural gas costs?

Response:

The regulatory treatment for transaction costs from hedging are treated the same as other fuel costs.

12. What are the benefits and detriments that could be derived from hedging of natural gas costs?

Response:

The benefits that may be derived from hedging are lower fuel costs to consumers. The detriments that may be derived from hedging are higher fuel costs to consumers.

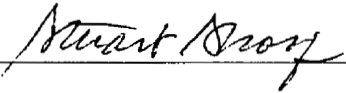
AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF GULF)


BEFORE ME, the undersigned authority, personally appeared Stuart Shoaf, who being first duly sworn deposes and says:

That he occupies the position of President of St. Joe Natural Gas Company, Inc., 301 Long Avenue, Port St. Joe, Florida and is the person who is sponsoring the answers to Staff's First Set of Interrogatories Nos. 1 through 12, Docket No. 010003-GU, and further says that said answers are true and correct to the best of his knowledge and belief.



I hereby certify that on this 12th day of October 2001, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Stuart Shoaf, who is personally known to me, and he acknowledged before me that he executed this certification of signature as his free act and deed who did not take an oath.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 12th day of October, 2001.



Notary Public
State of Florida
My Commission Expires:



Kelli Cornbs
Commission # **CC 991496**
Expires Feb. **16, 2005**
Bonded Thru
Atlantic Bonding Co., Inc.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Purchased Gas Adjustment)
(PGA) True-Up.)

DOCKET NO. 010003-GU
Filed: October 12, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and one copy of St Joe Natural Gas Company's Response to STAFF'S FIRST SET OF INTERROGATORIES has been served by U.S. Mail to all known parties of record in this docket this 12th day of October 2001.

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