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March 24, 2016

Via Electronic Filing

Mr. Don Rome
Public Utility Analyst
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
drome@psc.state.fl.us

Re: Staff's First Data Request in Docket No. 160033-GU; St. Joe Natural Gas Company, Inc.'s Petition for Limited Proceeding to Restructure Rates

Dear Mr. Rome:

By and through the undersigned counsel, St. Joe Natural Gas Company, Inc. ("SJNG") responds as follows to Staff's First Data Request:

1. Please refer to Schedule 1 attached to the petition (page A-1). Please confirm that the (\$7,849) Rate Base Average Difference represents the total rate base that was associated with serving Arizona Chemical. Also, please confirm that this amount already has been retired from rate base by SJNG.

RESPONSE: Yes, the \$7,849 referenced on page A-1 of Schedule 1 represents the total rate base that was associated with serving Arizona Chemical. The amount was retired from rate base in January 2010.

2. Has SJNG realized any savings in operation and maintenance (O&M) costs as a result of no longer serving Arizona Chemical (*e.g.*, avoided costs of safety inspections, leak surveys)? If yes, please provide a schedule showing the components of the savings on an annual basis from the year service to Arizona Chemical was discontinued to the present, and, if any, estimated annual savings in O&M costs going forward. If not, please discuss the reasons why no savings were realized.

RESPONSE: SJNG has realized no material savings in operation and maintenance (O&M) costs as a result of no longer serving Arizona Chemical. This because of the close proximity of the Arizona Chemical meter to SJNG's natural gas main, and the fact that SJNG provided service to Arizona Chemical through only 3 meters with less than 50 feet of dedicated pipeline.

3. Please refer to Schedule 3 attached to the petition (page A-4). In SJNG's most recent rate case proceeding minimum filing requirements (MFRs) filed on December 21, 2007 [Document No. 11181-07 in Docket No. 070592-GU], SJNG presented equity balances as shown below:

	MFR Schedule B-1	MFR Schedule D-1	MFR Schedule G-3
Equity Amount	\$2,284,019	\$2,284,019	\$2,227,497

Please illustrate how the equity amount of \$2,179,903 shown on Schedule 3 attached to the instant petition was derived.

RESPONSE: The equity amount of \$2,179,903 is SJNG's actual audited equity as of December 31, 2008. That equity amount is derived from:

201 – Common Capital Stock	\$ 66,700
208 – Donations from Stockholders	\$ 234,694
216 – Earned Surplus	<u>\$1,878,509</u>
TOTAL EQUITY	<u>\$2,179,903</u>

4. Paragraph 8 on page 3 of the petition states that Arizona permanently closed its operations in 2009. Please discuss SJNG's reasons for waiting to file for a rate restructuring now rather than at an earlier point in time after losing Arizona as a customer. Please include in the discussion the possible effects (positive, negative, or none) that the seven-year "waiting period" had on ratepayers.

RESPONSE: The closing of Arizona Chemical resulted in the loss of over 90 jobs within the community of Port St. Joe. Around that same time, many customers were losing their homes as a result of the mortgage crisis. SJNG decided to defer seeking rate relief so as not to add to the woes of its customers.

5. The last rate case Order (PSC-08-0436-PAA-GU) discusses a potential new housing development that should lead to new customer growth (Windmark development). Please state whether the development was built or not.

RESPONSE: The St. Joe Company originally advertised that its Windmark II development would include approximately 1516 residential units. However, with the collapse of the housing markets, Windmark II suffered the same fate as other real estate development projects in Gulf and Bay County. Ultimately, the project was substantially scaled back to a residential subdivision of 130 lots. Today there are approximately 38 residential homes built in Windmark II, of which 30 are currently natural gas customers of SJNG.

6. Please discuss any changes (i.e., increase or decrease) in the number of residential and commercial customers since the 2008 rate case.

RESPONSE: In 2008, SJNG had approximately 3049 customers (2807 residential and 242 non-residential). At the end of 2015, SJNG had approximately 2946 customers (2743 residential and 203 non-residential). SJNG's annual customer counts from 2008 through 2015 are as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	2,807	2,726	2,688	2,676	2,698	2,699	2,721	2,743
Non-Residential	242	222	219	215	202	204	206	203
TOTAL	3,049	2,948	2,907	2,891	2,900	2,903	2,927	2,946

7. Please discuss any changes (i.e., increase or decrease) in SJNG's operation and maintenance expenses since the 2008 rate case.

RESPONSE: Over the period from 2008 through 2015, SJNG's operations expenses increased by approximately \$136,157. The majority of the increases over that 8 year period occurred in Account 870 (Operation, Supervision & Engineering), Account 878 (M&R System), and Account 879 (Customer Installation Expenses). During that same period, SJNG's maintenance expenses remained relatively flat.

8. In the 2008 rate case the Commission approved a rate case expense of \$55,003. Please provide an estimate of rate case expense if SJNG were to file a rate case in 2016.

RESPONSE: An estimate of rate case expense if SJNG were to file a rate case in 2016 is provided in Attachment "A".

If you have any questions regarding this filing, please call. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP

/s/ D. Bruce May, Jr.

D. Bruce May, Jr.

DBM:tar

Enclosure

cc: Office of Commission Clerk
Andrew Maurey
Stuart Shoaf
Ralph Roberson

**In re: -- Petition for limited proceeding to restructure rates
by St. Joe Natural Gas Company, Inc., Docket No. 160033-GU**

ESTIMATED LEGAL AND ACCOUNTING FEES

I. PAA PROCESS

A. Legal

Amount Billed To Date **\$9,659.00**

Additional Fees to Complete PAA Process:

- Prepare Testimony (3 witnesses) 24,000.00
- Meetings with Staff and OPC 1,500.00
- Prepare for and Attend Service Hearing 2,400.00
- Discovery Responses 11,500.00
- Prepare for and Attend Agenda
Conference on Interim Rate Request 2,550.00
- Prepare for and Attend Agenda Conference
on Permanent Rate Request 2,500.00
- Review and Analyze PAA 3,500.00

B. Accounting

- Roberson & Associates 25,000.00

Total for PAA Process: \$82,609.00

II. PAA PROTESTED - FORMAL HEARING

A. Legal

Additional Fees to Complete Formal Hearing Process:

- Prepare Pleadings 3,500.00
- Prepare Additional Testimony 8,500.00

- Serve and Respond to Discovery Requests 6,000.00
- Take and Defend Depositions 14,500.00
- Prepare for Hearing 7,500.00
- Attend Hearing 6,000.00
- Prepare Post Hearing Briefs 14,000.00

B. Accounting

- Roberson & Associates \$25,000.00
- Total for Formal Hearing: \$85,000.00**

III. TOTALS

- **Total for PAA Process: \$82,609.00**
 - **Total for Formal Hearing: \$85,000.00**
- Grand Total for PAA Process
and Formal Hearing** \$167,609.00