

October 2, 2024

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**BY E-PORTAL**

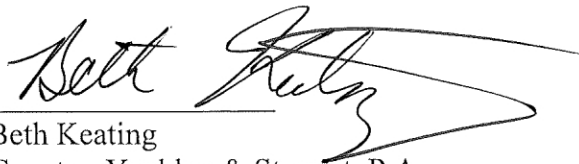
Mr. Adam Teitzman, Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: **Docket No. 20240046-GU - Petition for rate increase by St. Joe Natural Gas Company, Inc.**

Dear Mr. Teitzman:

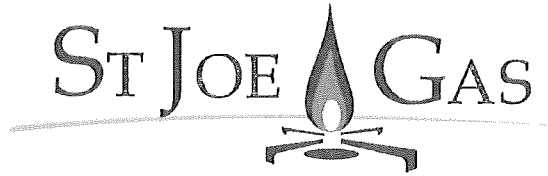
Attached for filing, please find St. Joe Natural Gas Company's Responses to the Commission Staff Audit Report, (Audit Control No. 2024-193-1-1).

Sincerely,

  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
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MEK

Cc:// Office of General Counsel (Dose, Crawford, Farooqi)  
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October 2, 2024

Office of Commission Clerk

Re: Docket No. 20240046-GU

St. Joe Natural Gas Company's Response to Audit Findings

**Finding 1: Cost Allocation Manual (CAM)**

Response: The Company disagrees with a couple of aspects of this finding. First, Rule 25-6.1351(6) is applicable only to electric utilities. This is acknowledged in the staff recommendation filed in Docket No. 20030970, which is the last time the rule was amended, wherein staff noted that, " Rules 25-6.014, F.A.C., Records and Reports in General; 25-6.015, F.A.C., Location and Preservation of Records; Rule 25-6.135, F.A.C., Annual Reports; and Rule 25-6.135I, F.A.C., Cost Allocation and Affiliate Transactions, all of which set forth the Commission's record retention and reporting requirements for electric utilities." (Emphasis added). (March 25, 2004, Staff Recommendation in Docket No. 20030970, Document No. 03888-04). See also, November 20, 2003, Staff Recommendation, noting that the rules and proposed changes arise from the Commission's authority under Section 366.04 (2), F.S., to "prescribe uniform systems and classifications of accounts for electric utilities and to prescribe and require electric utilities to file periodic reports and other data as may be reasonably available and necessary...." A similar rule has never been adopted for the gas utilities.

While SJNG does not have a CAM, the Company disagrees that it does not make its allocations consistently. The Company has its own internal methodology for allocating costs between its business units, which it consistently follows. While this methodology may appear different than other larger utilities or electric utilities, it has nevertheless, been used consistently by the Company for many years. The Company has endeavored to explain this method to audit staff.

**Finding 2: Plant-In-Service (PIS)**

Response: The Company disagrees that a "sales" transaction was necessary. None of the trucks transferred from Utility to the propane division were being recovered through base rates set in the Company's last rate case. Likewise, their existence and subsequent removal from SJNG's books and rate base had no material effect on the Company's reflected earnings. The accumulated depreciation of each truck was credited to SJNG's Accumulated Depreciation.

**Finding 3: Allocation of Land Value and Plant-In-Service**

Response: This finding is simply incorrect in every aspect. SJNG did provide documents in Request #34. Each line item in Table 3-1 is incorrect from the acct numbers to allocation percentage. Please see attached response to Request #34, Additions for 2016 and 2019, originally provided via email on August 12, 2024.

**Finding 4: Depreciation and Amortization**

Response: SJNG agrees with finding.

**Finding 5: Cost of Capital**

Response: SJNG agrees with finding.

**Finding 6: O&M Expenses**

Response: SJNG did use actual 2023 monthly O&M Expenses, but overstated office expense by \$25.

**Finding 7: State Tax Rate**

Response: SJNG agrees with finding.

**Finding 8 – Allocation of Common Plant**

Response: SJNG agrees with finding.

**Finding 9 – Deferred Income Tax**

Response: Accepted. SJNG provided everything that was requested by staff and subsequently all taxes are done by our accountant.

**Finding 10 – Allocation for Director’s Fee**

Response: Utility pays Director Fees only on the regulated operations for they operate as directors for the regulated business only.

**Finding 11 – Allocation for Advertising Expenses**

Response: SJNG agrees with finding.

For further information, please feel free to contact me.

Debbie Stitt  
Bookkeeper