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Public Service Commission

July 5, 2011

Andy Shoaf
St. Joe Natural Gas Company, Inc.
P.O. Box 549
Port St. Joe, FL 32457-0549

STAFF'S FIRST DATA REQUEST

Re: Docket No. 110003-GU - Purchased gas adjustment (PGA) true-up.

Dear Mr. Shoaf:

By this letter, the Commission staff requests that St. Joe Natural Gas Company, Inc. (SJNG or utility) provide responses to the following data requests.

PGA Reporting Mechanism

As part of the effort for continued efficiency improvements, such as the use of electronic filings, please provide suggestions and comments regarding the reporting format and filing method under the reporting mechanism established by Order No. 24463, as subsequently modified, including the annual projection and true-up filings, monthly actual filings, and monthly notice of flex down factors. As part of the response, please identify to what extent such improvement may lead to more consistent and useful data, and how ratepayers can benefit from potential cost savings due to the efficiency improvements.

Natural Gas Procurement and Hedging Issues

Background The Commission is planning a workshop on natural gas hedging. While the focus will be on electric utilities, there may be an impact on natural gas utilities. The workshop intends to address, in part, questions raised by a recent NRRI report, which can be accessed on the Web at http://www.nrri.org/pubs/gas/NRRI_gas_hedging_May11-10.pdf.

For the purpose of this data request, hedging refers to an economic activity intended to protect against potential adverse price conditions. Financial hedging refers to hedging with the use of financial instruments such as futures, options, swaps, and other financial derivatives. Physical hedging refers to hedging without the use of such financial instruments and generally involves bilateral contracts intended for physical delivery of natural gas.

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1. Does your company conduct physical or financial hedging of natural gas? If so, please provide the following:
 - A. percentage of natural gas hedged by financial hedging and monthly realized hedging gain or loss in 2010.
 - B. percentage of natural gas hedged by physical hedging in 2010 and the price, term, and supplier of the contracts.
 - C. percentage of natural gas hedged by financial hedging and monthly realized hedging gain or loss in 2011.
 - D. percentage of natural gas hedged by physical hedging in 2011 and the price, term, and supplier of the contracts.
2. Please provide the rationale that supports your company's activity (or inactivity) in physical or financial hedging, including:
 - A. whether the market conditions and financial regulation support physical or financial hedging (please explain).
 - B. whether new developments in domestic gas-supply conditions, such as LNG and shale gas, affect physical or financial hedging (please explain).
 - C. administrative cost or availability of the hedging instruments (please explain).
 - D. other (please explain).
3. Please explain the federal income tax effect of hedging, if any.
4. Please explain your company's use of the PGA annual price cap and monthly flex down mechanism to stabilize gas prices and customer bills.
5. Please provide the actual PGA commodity and transportation costs, revenues, term sales to customers, and PGA factors for each month in 2008, 2009 and 2010. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the commodity, transportation, and total costs.

If your company conducts financial hedging, please answer the following five questions.

6. Please provide the 2010 monthly actual and unrealized hedging effects based on the NYMEX natural gas price as of May 1, 2010. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the number of hedging contracts, the settlement or Mark-to-Market prices, and the net realized and unrealized gains or losses.
7. Please provide the 2010 monthly actual and unrealized hedging effects based on the NYMEX natural gas price as of December 31, 2010. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the number of hedging contracts, the settlement or Mark-to-Market prices, and the net realized and unrealized gains or losses.

8. Please provide the 2011 monthly actual and unrealized hedging effects based on the NYMEX natural gas price as of February 1, 2011. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the number of hedging contracts, the settlement or Mark-to-Market prices, and the net realized and unrealized gains or losses.
9. Please provide the 2011 monthly actual and unrealized hedging effects based on the NYMEX natural gas price as of April 1, 2011. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the number of hedging contracts, the settlement or Mark-to-Market prices, and the net realized and unrealized gains or losses.
10. Please provide the 2011 monthly actual and unrealized hedging effects based on the NYMEX natural gas price as of July 1, 2011. As part of this response, please provide a spreadsheet (hard copy and electronic version) showing the calculations, including the number of hedging contracts, the settlement or Mark-to-Market prices, and the net realized and unrealized gains or losses.

Please file the original and five copies of the requested information by **Wednesday, July 20, 2011**, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Electronic responses/spreadsheets should also be sent via e-mail to JCrawfor@psc.state.fl.us. Please feel free to call me at (850) 413-6228 if you have any questions.

Sincerely,



Jennifer S. Crawford
Attorney Supervisor
Office of the General Counsel

FOR

JSC/sh

cc: Office of Commission Clerk
Division of Economic Regulation (Lee, Bulecza-Banks, Lester, Roberts)
Office of the Public Counsel
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