

STATE OF FLORIDA



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AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

April 27, 1998

Mr. Stuart Shoaf
St. Joe Natural Gas Company, Inc.
301 Long Avenue
Port St. Joe, Florida 32546

RE: Docket No. 980103-GU

Dear Mr. Shoaf:

This Staff is in the process of reviewing St. Joe Natural Gas Company, Inc.'s Depreciation Study filed in the above referenced docket. As a result, questions and the need for additional information have arisen and are covered in the attached.

Please provide your responses to the attached requested information by June 8, 1998. If there are any questions, please do not hesitate to contact either Bob Holroyd at 850-413-6471 or myself at 850-413-6453.

Sincerely,

Patricia S. Lee
Utility Systems Communications Engineer Supervisor

PSL:psl
Enclosure

cc: Division of Records and Reporting
Division of Auditing and Financial Analysis
Division of Electric and Gas
Division of Legal Services
Office of Public Counsel

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DOCUMENT NUMBER - DATE
04703 APR 28 98
FPSC RECORDS/REPORTING

ST JOE NATURAL GAS COMPANY, INC.

INITIAL REVIEW

DOCKET NO. 980103 - GU

1. In the study filed on January 13, 1998 and additional information dated February 3, 1998, the company does not indicate a desired implementation date please confirm a planned implementation date of January 1, 1998.
2. It is our basic position to round average service and remaining lives that are 20 years and over to the nearest whole year while those under 20 years will be carried to one decimal place.
3. For each account included in the study, the remaining life calculation appears to be the average service life less the age. Staff will recalculate the remaining lives utilizing the curve shapes approved in the last depreciation study unless there are compelling reasons to change.
4. The following accounts have retirements (years and amounts indicated) without any cost of removal. Industry averages, including St. Joe, show a negative net salvage for each account, indicating that a cost of removal is expected. Please verify that these entries appropriately have no cost of removal.
 - Account 375, Buildings & Improvements. 1996 - \$790.
 - Account 378, M&R Equipment (Distribution). 1993 - \$4,867
1994 - \$2,247.
 - Account 385, Industrial Measurement & Regulating Equipment
1993 - \$525.
 - Account 390, Structures & Improvements. 1994 - \$1975.
5. In account 391-2, Office Furniture & Equipment, Office Devices, there is a 1996 retirement of \$551. It appears that this retirement is offset by a 1996 negative retirement in account 391-3 Computers. The Annual Status Report for the year ending December 31, 1996 does not indicate retirements in either account. Please explain these entries.
6. Account 391-3, Office Furniture & Equipment, Computers, column(I) of the study, shows a different reserve balance E.O.Y. than is shown on page 3. Reserve Activity

Annual Report. Please clarify this apparent discrepancy.

7. Account 394, Tools, Shop & Garage Equipment in this study shows an average service life of 25 years. The average service life approved in the last study for this account was 20 years. Please provide the rationale to support an increase in the service life.
8. For the following accounts, using the vintage balances provided, Staff has calculated a different average age than shown in the study.

<u>Account</u>	<u>Study Age</u>	<u>Staff Calculation</u>
394	15.9 yrs.	11.8 yrs.
396	7.6 yrs.	4.2 yrs.
397	9.4 yrs.	6.8 yrs.

Please verify the correct age.

9. For account 380, Services, please provide the following.
- The number of service lines, broken down by plastic and steel, represented by the plant balances as of the January 1, 1998 study implementation date.
 - Of the above identified service lines, how many are inactive and how many of the inactive lines have been in an inactive status for more than two years?
 - Have any service lines been in an inactive status for more than five years?
 - When the company determines that an inactive service line should be retired and physically abandoned, what is the average size of the crew required to accomplish an abandonment?
 - What length of time is normally required for a crew to complete an abandonment?
 - What loaded hourly rate(s) is applied to the crew and what are average material costs associated with abandoning a service line?