

REQUEST TO ESTABLISH DOCKET

(Please Type)

Date: 9/10/2007

Docket No.: 070592-6U

1. Division Name/Staff Name: ECR - Slemkewicz JS

2. OPR: ECR

3. OCR: RCA, GCL

4. Suggested Docket Title: Petition for rate increase by St. Joe Natural Gas Company, Inc.

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 COMMISSION
 CLERK

5. Suggested Docket Mailing List (attach separate sheet if necessary)

- A. Provide NAMES OR ACRONYMS ONLY if a regulated company.
- B. Provide COMPLETE NAME AND ADDRESS for all others. (Match representatives to companies.)

1. Parties and their representatives (if any):

2. Interested persons and their representatives (if any):

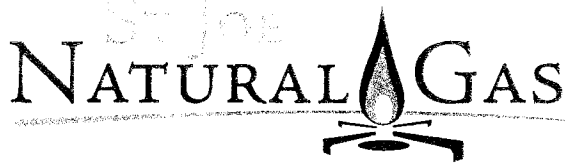
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6. Check one:

- Documentation is attached.
- Documentation will be provided with recommendation.

DOCUMENT NUMBER - DATE

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September 7, 2007

Lisa Polak Edgar, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: St Joe Natural Gas Company Test Year Notification
Proposed Agency Notification

Dear Chairman Edgar,

Please accept this letter as notification to the Florida Public Service Commission of St Joe Natural Gas Company's (the "Company" or "SJNG") intent to file for a rate increase no later than December 31, 2007. Based on our review of the SJNG current and projected returns, an increase in rates is necessary to maintain the Company's financial integrity, provide an opportunity to earn a reasonable return on the Company's investment and to continue to provide high quality service to our customers. Since its last rate case went into effect in 2001, the Company has experienced a substantial increase in general expenses along with a reduction in margin revenue due to load and customer loss. Despite our efforts to hold costs down, the Company's overall return in its June 2007 earnings surveillance report to the Commission was .04%.

Over the past six years there has been a material decrease in the Company's total gas throughput, resulting in an approximate eight percent (7.98%) decrease in margin revenue. Therm throughput has decreased approximately twenty-eight percent (28.6%) during the five (5) year period ending December 31, 2006, from 11,483,243 down to 8,200,693 therms. In the same five (5) year period, the number of customers has decreased over seven percent (7.39%). A significant number of these customer losses are from several mobile home parks being replaced with high rise condominiums which elected all-electric service.

The most significant revenue loss is attributable to the Company's single large volume industrial customer; Arizona Chemical. Annual usage at Arizona Chemical has decreased more than twenty-six percent (26.94%) from 2001 through 2006. Although the customer is active today, discussions with management indicate an uncertain future. The Arizona Chemical facility represented 83% of Company's throughput and 30% of margin revenue in 2006. The Company's northwest Florida coastal service territory makes it well positioned for long-term growth. However, significant investment in new distribution

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facilities will be required to take advantage of such growth when, and if, the development markets return to historic levels.

In accordance with Rule No. 25-6.140, F.A.C., Test Year Notification, the Company has selected the twelve-month period ending December 31, 2008 as the projected test year in our petition for a permanent increase in the Company's rates and charges. Calendar year 2008 is the best representation of the Company's expected operations for filing purposes for the following reasons:

1. The Company's fiscal year coincides with the calendar year.
2. Given the proposed filing date, the Company would be able to use 2006 actual, audited financial data as its Historic Base Year.
3. The proposed 2008 Test Year will most accurately reflect the economic and operating conditions the Company will experience during the initial implementation of the new rates (in early 2008).
4. The overall rate of return forecast for the Test Year is expected to continue to decline.

The Company's ongoing standard operating procedures are now and always have been to offer a quality product at the lowest possible price. The Company has taken several actions to hold down operating costs and avoid a request for rate increases. During the five (5) year period ending December 31, 2006, the Company's annual expenses increased less than one percent (1.0%). Over the same period there has been a significant increase in operating expenses. For example, property taxes have increased 147%, the number of required gas facility locates have increased 62%, and the Company has experienced substantial increases in property insurance, motor fuel and other general expenses. The Company has implemented several measures to reduce costs and delay any request for a rate increase. Most discretionary expenses, such as travel expenses, have been greatly reduced. The Company has given lower salary increases, reduced funding to the employee pension fund and held its medical insurance contributions constant. Many of the main and service extensions installed by the Company have required contributions from customers.

SJNG will request interim rate relief pursuant to Section 366.071, F.S., based on a 2006 historic test period. The Company requests that the Commission processes its permanent rate increase request using the Proposed Agency Action procedures authorized by section 366.06(4), FS and Rule 25-7.140, FAC.



Sincerely,
Stuart Shoaf, President

Cc: Charles Costin, Attorney