

GU602-07-AR

**ANNUAL REPORT OF**  
**NATURAL GAS UTILITIES**

PIVOTAL UTILITY HOLDINGS, INC.  
D/B/A FLORIDA CITY GAS  
(EXACT NAME OF RESPONDENT)

955 E. 25 Street, Hialeah, FL 33013-3498  
(EXACT ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2007

09 MAY 28 PM 3:28  
PUBLIC SERVICE COMMISSION

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Bryan Seas

Title: Senior Vice President, Controller & CAO

Address: 10 Peachtree Place, NE

City: Atlanta      State: Georgia

Telephone No. (404) 584-3400

ZIP: 30309

PSC/ECR 020-G (10/03)

**INSTRUCTIONS FOR FILING THE  
ANNUAL REPORT OF NATURAL GAS UTILITIES**

**GENERAL INSTRUCTIONS**

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

**DEFINITIONS**

- I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. <sup>2</sup>) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

01 Exact Legal Name of Respondent FLORIDA CITY GAS, A DIVISION OF PIVOTAL UTILITY HOLDINGS, INC.		02 Year of Report December 31, 2007
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 955 East 25 Street, Hialeah, FL 33013		
05 Name of Contact Person Bryan Seas	06 Title of Contact Person Senior Vice President, Controller and CAO	
07 Address of Contact Person (Street, City, State, Zip Code) 10 Peachtree Place, NE, Suite 1000, Atlanta, GA 30309		
08 Telephone of Contact Person, Including Area Code (404) 584-3400	09 Date of Report (Mo., Day, Yr) May 27, 2008	

## ATTESTATION

I certify that I am the responsible accounting officer of


### FLORIDA CITY GAS

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2007 to December 31, 2007, inclusive.

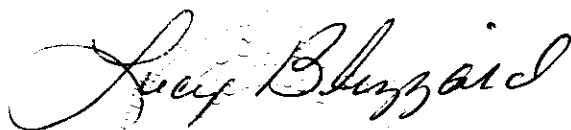
I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

  
\_\_\_\_\_  
Signature  
  
Bryan E. Seas  
\_\_\_\_\_  
Name

5-27-2008  
\_\_\_\_\_  
Date  
  
Senior Vice President, Controller and CAO  
\_\_\_\_\_  
Title



LUCY BLIZZARD  
Notary Public, Henry County, GA  
My Commission Expires April 16, 2011

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Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended  Dec. 31, 2007
<b>CONTROL OVER RESPONDENT</b>	
<p>1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).</p> <p>2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.</p>	
<p>Florida City Gas is a division of Pivotal Utility Holdings, Inc., which is wholly owned by NUI Corporation. NUI Corporation is a wholly owned subsidiary of AGL Resources Inc.</p>	

<b>CORPORATIONS CONTROLLED BY RESPONDENT</b>			
<p>1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.</p> <p>2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.</p> <p>3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.</p> <p>4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p>			
<b>DEFINITIONS</b>			
<p>1. See the Uniform System of Accounts for a definition of control.</p> <p>2. Direct control is that which is exercised without interposition of an intermediary.</p> <p>3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.</p> <p>4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.</p>			
Name of Company Controlled  (a)	Kind of Business  (b)	Percent Voting Stock Owned  (c)	Footnote Ref.  (d)
<p>Florida City Gas is a division of Pivotal Utility Holdings, Inc. and does not control, directly or indirectly, any corporation, business trust or similar organization.</p>			

**OFFICERS**

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.  
 2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
President	Henry P. Linginfelter (2)	*
EVP & Chief Financial Officer	Andrew W. Evans	*
EVP & General Counsel	Paul R. Shlanta	*
VP & Treasurer	Brett A. Stovern	*
President, Elizabethtown Gas and Elkton Gas	Jodi Gidley	*
VP, Elizabethtown Gas	Donald F. Carter	*
President, Florida City Gas	Suzanne Sitherwood	*
VP & General Manager, Florida City Gas	Jay Sutton	*
VP&GM, Virginia and Maryland Operations	Robert Duvall	*
VP, Gas Operations & Business Process Services	Charles A. Rawson, III	*
Corporate Secretary	Myra C. Bierra	*
Assistant Corporate Secretary (3)	Pamela J. Anthony	*
Assistant Corporate Secretary	M. Patricia Keefe	*
<p>(1) Represents executive officers of Pivotal Utility Holdings, Inc. as of December 31, 2007                      (2) Elected to Replace Eric Martinez effective June 18, 2007.                      (3) Resigned effective March 10, 2008.</p> <p>* Such officers are compensated by an affiliate of the holding company, not the Respondent.</p>		

**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.  
 2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
John W. Somerhalder II Chairman, President & CEO	Ten Peachtree Place Atlanta, Georgia 30309	4	None
Andrew W Evans EVP & Chief Financial Officer	Ten Peachtree Place Atlanta, Georgia 30309	4	None
Eric Martinez Executive VP, Utility Operations	Ten Peachtree Place Atlanta, Georgia 30309	2	None
Henry P. Linginfelter Executive VP, Utility Operations	Ten Peachtree Place Atlanta, Georgia 30309	2	None
Paul R. Shlanta EVP & General Counsel	Ten Peachtree Place Atlanta, Georgia 30309	4	None

(1) Represents Directors as of December 31, 2007 except for Eric Martinez who was replaced by Henry P. Lingenfelter effective June 18, 2007  
 (2) Based on records contained in company minute book, represents actions by unanimous written consent.



Name of Respondent				For the Year Ended	
PIVOTAL UTILITY HOLDINGS, INC.				Dec. 31, 2007	
D/B/A FLORIDA CITY GAS					
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)					
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)	
UTILITY PLANT					
1	Utility Plant (101-106, 114)	12	236,359,687	245,082,226	
3	Construction Work in Progress (107)	12	8,830,380	8,477,642	
4	TOTAL Utility Plant Total of lines 2 and 3)		245,190,067	253,559,868	
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	99,516,718	108,475,731	
6	Net Utility Plant (Total of line 4 less 5)		145,673,349	145,084,137	
7	Utility Plant Adjustments (116)	11			
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-			
OTHER PROPERTY AND INVESTMENTS					
10	Nonutility Property (121)	-	181,636	186,143	
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-	51,573	51,573	
12	Investments in Associated Companies (123)	-			
13	Investment in Subsidiary Companies (123.1)	-			
14	Other Investments (124)	-			
15	Special Funds (125, 126, 128)	-			
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		130,063	134,570	
CURRENT AND ACCRUED ASSETS					
17	Cash (131)	-	0	0	
19	Special Deposits (132-134)	-			
20	Working Funds (135)	-			
21	Temporary Cash Investments (136)	-			
22	Notes Receivable (141)	-			
23	Customer Accounts Receivable (142)	-	10,664,309	10,901,155	
24	Other Accounts Receivable (143)	-	547,473	(95,677)	
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	335,730	170,213	
26	Notes Receivable from Associated Companies (145)	-			
27	Accounts Receivable from Associated Companies (146)	-			
28	Fuel Stock (151)	-			
29	Fuel Stock Expense Undistributed (152)	-			
30	Residuals (Electric) and Extracted Products (Gas) (153)	-			
31	Plant Material and Operating Supplies (154)	-	310,656	142,607	
32	Merchandise (155)	-			
33	Other Material and Supplies (156)	-			
34	Stores Expenses Undistributed (163)	-			
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-			
36	Prepayments (165)	18	55,733	55,733	
37	Advances for Gas (166-167)	-			
38	Interest and Dividends Receivable (171)	-			
39	Rents Receivable (172)	-			
40	Accrued Utility Revenues (173)	-			
41	Miscellaneous Current and Accrued Assets (174)	-			
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		11,242,441	10,833,605	
DEFERRED DEBITS					
44	Unamortized Debt Expense (181)	-	881,033	825,300	
45	Extraordinary Property Losses (182.1)	18			
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18			
47	Other Regulatory Assets (182.3)	19	2,181,947	5,600,905	
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-			
49	Clearing Accounts (184)	-			
50	Temporary Facilities (185)	-			
51	Miscellaneous Deferred Debits (186)	19	3,741	57,999	
52	Deferred Losses from Disposition of Utility Plant. (187)	-			
53	Research, Development and Demonstration Expenditures (188)	-			
54	Unamortized Loss on Reacquired Debt (189)	20	1,001,271	944,861	
55	Accumulated Deferred Income Taxes (190)	24	3,484,416	2,126,112	
56	Unrecovered Purchased Gas Costs (191)	-	0	0	
57	TOTAL Deferred Debits (Total of lines 44 through 56)		7,552,408	9,555,177	
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		164,598,261	165,607,489	

Note: Account 114 Gas Plant Acquisition Adjustments within Utility Plant and account 234 Accounts Payable Associated Companies were revised for 2006 to reflect the acquisition adjustment resulting from AGL Resources Inc.'s acquisition of Florida City Gas in 2004 (the 2004 Acquisition). Previously, the acquisition adjustment was recorded on Pivotal Utility Holding's books, but was pushed down to Florida City Gas's books in 2007. Accounts 208 Other Paid in Capital, 216 Unappropriated Retained Earnings and 234 Accounts Payable Associated Companies were revised for 2006 to reflect adjustments to capitalization that were recorded in 2006 and 2007. Account 114 Gas Plant Acquisition Adjustments within Utility Plant, Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments and Account 182.3 Other Regulatory Assets reflect the inclusion of the acquisition adjustment and regulatory assets consistent with the Florida Public Service Commission Order in Docket No. 060657-GU related to the 2004 Acquisition on December 6, 2007.



Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-	46,826,607	46,826,607
5	Retained Earnings (215, 216)	10	14,365,245	14,012,871
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10		
7	(Less) Reacquired Capital Stock (217)	-		
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		61,191,852	60,839,478
9	LONG-TERM DEBT			
10	Bonds (221)	21	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21	24,610,684	39,092,341
13	Other Long-Term Debt (224)	21		
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21		
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		44,610,684	59,092,341
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-	5,119,215	4,376,048
19	Accumulated Provision for Property Insurance (228.1)	-		
20	Accumulated Provision for Injuries and Damages (228.2)	-		
21	Accumulated Provision for Pensions and Benefits (228.3)	-	2,382,269	
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		7,501,484	4,376,048
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	0	0
27	Accounts Payable (232)	-	1,439,154	1,450,573
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-	21,118,105	13,010,618
30	Customer Deposits (235)	-	6,332,104	3,843,947
31	Taxes Accrued (236)	-	3,842,427	4,979,504
32	Interest Accrued (237)	-	224,928	184,404
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	1,081,147	318,959
37	Miscellaneous Current and Accrued Liabilities (242)	22	727,907	212,624
38	Obligations Under Capital Leases-Current (243)	-	1,052,299	839,850
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		35,818,071	24,840,479
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-		
43	Other Deferred Credits (253)	22		
44	Other Regulatory Liabilities (254)	22	2,642,945	2,079,138
45	Accumulated Deferred Investment Tax Credits (255)	23	120,060	10,084
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	12,713,165	14,369,921
49	TOTAL Deferred Credits (Total of lines 42 through 48)		15,476,170	16,459,143
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		164,598,261	165,607,489

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**STATEMENT OF INCOME**

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year

- which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	86,344,923	91,833,635
3	Operating Expenses			
4	Operation Expenses (401)	27-29	56,592,146	62,594,898
5	Maintenance Expenses (402)	27-29	1,570,790	1,845,434
6	Depreciation Expense (403)	15-16	8,477,449	7,840,280
7	Amortization & Depletion of Utility Plant (404-405)	-		
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	721,895	0
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amortization of Conversion Expenses (407.2)	-	87,066	83,501
11	Regulatory Debits (407.3)	-		
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	23	7,883,335	8,080,885
14	Income Taxes - Federal (409.1)	-	670,254	2,751,027
15	- Other (409.1)	-	257,965	568,796
16	Provision for Deferred Income Taxes (410.1)	24	1,182,352	(774,272)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23	(109,976)	(117,023)
19	(Less) Gains from Disposition of Utility Plant (411.6)	-		
20	Losses from Disposition of Utility Plant (411.7)	-		
21	Other Operating Income (412-414)	-		
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		77,333,276	82,873,526
23	Net Utility Operating Income (Total of line 2 less 22)		9,011,647	8,960,109
24	(Carry forward to page 9, line 25)			

**STATEMENT OF INCOME (Continued)**

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		9,011,647	8,960,109
26	<b>Other Income and Deductions</b>			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-		
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	10		
35	Interest and Dividend Income (419)	-		
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	(358,217)	(380,716)
38	Gain on Disposition of Property (421.1)	-		
39	TOTAL Other Income (Total of lines 29 through 38)		(358,217)	(380,716)
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	33	0	0
43	Miscellaneous Income Deductions (426.1-426.5)	33	5,013	0
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		5,013	0
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-		
48	Income Taxes - Other (409.2)	-		
49	Provision for Deferred Income Taxes (410.2)	24	0	0
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24		
51	Investment Tax Credit Adjustment - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-		
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		0	0
54	Net Other Income and Deductions (Total of lines 39,44,53)		(353,204)	(380,716)
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)	-	828,403	637,168
57	Amortization of Debt Discount and Expense (428)	21	112,142	112,142
58	Amortization of Loss on Reacquired Debt (428.1)	-		
59	(Less) Amortization of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Associated Companies (430)	33	4,017,051	3,704,844
62	Other Interest Expense (431)	33	1,183,955	959,354
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		6,141,551	5,413,508
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		3,223,300	3,927,317
66	<b>Extraordinary Items</b>			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	-		
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		3,223,300	3,927,317

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**STATEMENT OF RETAINED EARNINGS**

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.</li> <li>2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).</li> <li>3. State the purpose and amount for each reservation or appropriation of retained earnings.</li> <li>4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.</li> </ol> | <ol style="list-style-type: none"> <li>5. Show dividends for each class and series of capital stock.</li> <li>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</li> <li>7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.</li> <li>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.</li> </ol> |
|---|--|

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		14,365,245
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit: Prior period effects of amortization of Acquisition Adj. and Reg. Assets		(2,475,821)
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		3,223,300
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(2,216,601)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		1,116,748
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		14,012,871
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		14,012,871

Note: Beginning balance of retained earnings and activity during 2006 were restated to retroactively reflect adjustments to capitalization that were recorded in 2006 and 2007.

Name of Respondent  
PIVOTAL UTILITY HOLDINGS, INC.  
D/B/A FLORIDA CITY GAS

For the Year Ended

Dec. 31, 2007

**NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS**

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

- plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
  5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
  6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

Please see attached.

**Pivotal Utility Holdings, Inc.  
D/B/A Florida City Gas**

**Notes to Financial Statements**

**Note 1 - Accounting Policies and Methods of Application**

**General**

Florida City Gas is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly-owned subsidiary of NUI Corporation, which is a wholly-owned subsidiary of AGL Resources Inc. (AGL Resources). Unless the context requires otherwise, references to "we," "us," "our" or the "Company" mean Florida City Gas. The Company is primarily engaged in the distribution of natural gas to approximately 104,000 residential and commercial customers in Florida's Miami-Dade and Brevard counties.

**Basis of Accounting**

The Company maintains its accounts in accordance with recognized policies prescribed by the Florida Public Service Commission (Florida Commission). In addition, the Company maintains its accounts in accordance with recognized policies prescribed or permitted by the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles in the United States of America (GAAP) in all material respects.

**Basis of Reporting and Presentation**

The financial statements are presented in accordance with the reporting requirements of the FERC and the statements included herein are prescribed by the requirements of the Florida Commission. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of accumulated removal costs
- the omission of the statement of retained earnings from the prior year
- the omission of the statement of cash flows from the current and prior year
- the balance sheet classification of accumulated deferred income taxes into asset and liability components for FERC reporting
- the financial statements included in this report reflect the recognition of a positive acquisition adjustment and regulatory assets related to the purchase of Florida City Gas by AGL Resources in 2004 as approved by the Florida Commission on December 6, 2007. The statements also reflect the amortization of these assets consistent with the approval. For GAAP purposes these assets are recorded in Goodwill and are not being amortized.

Certain amounts from prior periods have been reclassified and revised to conform to the current period presentation.

**Cash and Cash Equivalents**

Our cash and cash equivalents consist primarily of cash on deposit, money market accounts and certificates of deposit with original maturities of three months or less.

**Receivables and Allowance for Uncollectible Accounts**

Our receivables consist of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collection

experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. We write off accounts once we deem them to be uncollectible.

### **Property, Plant and Equipment**

Property, plant and equipment expenditures consist of property and equipment that is in use, being held for future use and under construction. We report it at its original cost, which includes

- material and labor
- contractor costs
- construction overhead costs

We charge property retired or otherwise disposed of to accumulated depreciation since such costs are recovered in rates.

### **Depreciation Expense**

We compute depreciation expense by applying composite, straight-line rates (approved by the Florida Commission) to the investment in depreciable property. The composite, straight-line rate was approximately 3.7% for 2007 and 3.5% during 2006.

### **Acquisition Adjustment and Regulatory Assets Resulting from Acquisition**

We have included the recognition of a positive acquisition adjustment and regulatory assets for pensions, and transaction and transition costs related to the acquisition of Florida City Gas by AGL Resources in December 2004. This recognition was approved by the Florida Commission on December 6, 2007. We have also included in income the amortization of these assets, net of income tax effects, consistent with the order approving the recognition. As of December 31, 2007 the unamortized balance of the acquisition adjustment was \$19.4 million. The unamortized balance of the regulatory assets net of related deferred tax balances was \$2.3 million. For comparative purposes, the unamortized balance of original acquisition adjustment including regulatory assets of \$26.6 million net of related deferred tax balances is included in our balance sheets as of December 31, 2006. The acquisition premium was previously reported within Pivotal Utility.

For GAAP purposes, the \$26.6 million acquisition adjustment and regulatory assets are considered goodwill. SFAS 142 requires us to perform an annual goodwill impairment test at a reporting unit level. We have not recognized any impairment charges in 2007 and 2006. We also assess goodwill for impairment if events or changes in circumstances may indicate an impairment of goodwill exists. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, we record an impairment loss equal to the excess of the asset's carrying value over its fair value. We conduct this assessment principally through a review of financial results, changes in state and federal legislation and regulation, regulatory and legal proceedings and the periodic regulatory filings for our regulated utilities.

### **Accumulated Deferred Income Taxes**

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal differences between net income and taxable income relate to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. We report the tax effects of depreciation and

other differences in those items as deferred income tax assets or liabilities in our balance sheets in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109). Investment tax credits previously deducted for income tax purposes for Florida have been deferred for financial accounting purposes and are being amortized as credits to income over the estimated lives of the related properties in accordance with regulatory requirements.

### **Revenues**

We record revenues when services are provided to customers. Those revenues are based on rates approved by the Florida Commission.

The Company rate structure includes volumetric rate designs that allow recovery of costs through gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Sales revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. In addition, revenues are recorded for estimated deliveries of gas, not yet billed to these customers, from the meter reading date to the end of the accounting period. These are included in the balance sheet as unbilled revenue. For other commercial and industrial customers and all wholesale customers, revenues are based on actual deliveries to the end of the period.

### **Cost of goods sold**

The Company's utility customers are charged for the natural gas they consume using purchased gas adjustment (PGA) mechanisms set by the Florida Commission. Under the PGA, the Company defers (that is, include as a current asset or liability in the balance sheet and exclude from the statements of income) the difference between the actual cost of gas and what is collected from or billed to customers in a given period. The deferred amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

### **Use of Accounting Estimates**

The preparation of our financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include our regulatory accounting, the allowance for doubtful accounts, allowance for contingencies, unbilled revenue recognition, and pension and postretirement obligations. Our actual results could differ from those estimates.

## **Note 2 - Amounts Due to Affiliates**

We had \$13,010,618 and \$21,118,105 in payables at December 31, 2007 and December 31, 2006 respectively, due to AGL Resources and affiliated companies, which consists primarily of our participation in AGL Resources' money pool to fund our working capital requirements.



### Note 3 - Regulatory Assets and Liabilities

We have recorded regulatory assets and liabilities in our balance sheets in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71) as summarized in the table below.

	As of December	
	2007	2006
<b>Regulatory assets</b>		
Deferred customer conversion costs	\$267,118	\$277,888
Unamortized loss on reacquired debt	944,861	1,001,271
Pension Costs – AGL Resources Acquisition	1,669,868	
Transition Costs – AGL Resources Acquisition	1,171,075	
Transaction Costs – AGL Resources Acquisition	592,221	
Deferred natural gas piping costs	1,900,158	1,889,701
Deferred rate case costs	-	13,893
Other	465	465
<b>Total regulatory assets</b>	<b>\$6,545,766</b>	<b>\$3,183,218</b>
<b>Regulatory liabilities</b>		
Deferred purchased gas adjustment	\$2,001,866	\$1,529,303
Unamortized investment tax credit	10,084	120,060
Regulatory tax liability	6,324	148,889
Energy conservation program	69,198	963,004
Other	1,750	1,750
<b>Total regulatory liabilities</b>	<b>\$2,089,222</b>	<b>\$2,763,006</b>

Our regulatory assets are recoverable through either rate riders or base rates specifically authorized by the Florida Commission with the exception of the regulatory assets related to pension, transition and transaction costs resulting from the acquisition of Florida City Gas by AGL Resources. Those assets are recorded for regulatory reporting purposes consistent with the Florida Commission approval on December 6, 2007. These assets are not recorded for GAAP purposes in accordance with SFAS 71. Base rates are designed to provide both a recovery of cost and a return on investment during the period rates are in effect. As such, all our regulatory assets are subject to review by the Florida Commission during any future rate proceedings. In the event that the provisions of SFAS 71 were no longer applicable, we would recognize a write-off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, which would be classified as an extraordinary item. However, although the natural gas distribution industry is becoming increasingly competitive, the Company continues to recover its costs through cost-based rates established by the Florida Commission. As a result, we believe that the accounting prescribed under SFAS 71 remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider.

### Note 4 - Employee Benefit Plans

#### Pension Benefits

AGL Resources sponsors a tax-qualified defined benefit retirement plan for our eligible employees, the NUI Corporation Retirement Plan (NUI Retirement Plan). A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant. The NUI Retirement Plan is a qualified noncontributory defined benefit retirement plan that covers all of NUI employees who were employed on or before December 31, 2005, except for Florida City Gas union employees, who participate in a union-sponsored multiemployer plan. Pension benefits are based on years of credited service and final average compensation.

In January 2008, approximately 55 Florida City Gas employees represented by Teamsters (Local Nos. 769 and 385) filed for decertification of their union. In February 2008, the majority of employees who voted approved the decertification and in March 2008 the National Labor Relation Board certified this vote. These employees will no longer participate in the union-sponsored multi-employer plan, and will participate in the AGL Resources defined benefit retirement plan and fall under our standard human resources pay and benefits plans and policies. Because the union-sponsored multi-employer plan was not fully funded, Florida City Gas will be required to fund approximately \$2 million to this plan in 2008.

Effective with AGL Resources' acquisition of NUI in November 2004, AGL Resources now administers the NUI Retirement Plan. Beginning in 2006, eligible participants in the NUI Retirement Plan became eligible to participate in the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the benefits of those participants under the NUI Retirement Plan were frozen as of December 31, 2005, resulting in a \$15 million reduction to the NUI Retirement plan's projected benefit obligations as of December 31, 2005. Participants in the NUI Retirement Plan have the option of receiving a lump sum distribution upon retirement for all benefits earned through December 31, 2005. This resulted in settlement payments of \$12 million and an immaterial settlement loss in 2006.

### SFAS 158

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158). We adopted SFAS 158 prospectively on December 31, 2006. SFAS 158 requires that we recognize all obligations related to defined benefit pensions and other postretirement benefits. This statement requires that we quantify the plans' funding status as an asset or a liability on our balance sheets.

SFAS 158 further requires that we measure the plans' assets and obligations that determine our funded status as of the end of the fiscal year. We are also required to recognize as a component of Other Comprehensive Income (OCI) the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit cost as explained in SFAS No. 87, "Employers' Accounting for Pensions," or SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Our adoption of SFAS 158 on December 31, 2006, had no impact on our earnings. The following tables present details about the NUI Retirement plan.

<i>In millions</i>	Dec. 31, 2007	Dec. 31, 2006
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$86	\$105
Interest cost	5	5
Settlement loss	-	1
Settlement payments	-	(12)
Actuarial gain	(9)	(7)
Benefits paid	(8)	(6)
<b>Benefit obligation at end of year</b>	<b>\$74</b>	<b>\$86</b>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$72	\$85
Actual return on plan assets	6	4
Employer contribution	-	1
Settlement payments	-	(12)
Benefits paid	(8)	(6)
<b>Fair value of plan assets at end of year</b>	<b>\$70</b>	<b>\$72</b>
<b>Amounts recognized in the statement of financial position consist of</b>		
Prepaid benefit cost	\$-	\$-
Accrued benefit liability	(4)	(14)
Accumulated OCI	-	-

Net amount recognized at year end (1)	\$(4)	\$(14)
Florida City Gas' share of net liability recorded on balance sheets	\$-	\$(2)

(1) As of December 31, 2007, the NUI Retirement Plan had \$4 million of noncurrent liabilities and no noncurrent assets or current liabilities. As of December 31, 2006, the NUI Retirement Plan had \$14 million of non-current liabilities and no non-current assets or current liabilities as of December 31, 2006

The accumulated benefit obligation (ABO) and other information for the NUI Retirement Plan are set forth in the following table.

<i>In millions</i>	Dec. 31, 2007	Dec. 31, 2006
<b>Projected benefit obligation</b>	<b>\$74</b>	<b>\$86</b>
ABO	74	86
Fair value of plan assets	70	72
<b>Components of net periodic benefit cost</b>		
Service cost	\$-	\$-
Interest cost	5	5
Expected return on plan assets	(6)	(7)
Net amortization	(1)	(1)
Recognized actuarial loss	-	-
<b>Net annual pension cost</b>	<b>\$(2)</b>	<b>\$(3)</b>

There were no other changes in plan assets and benefit obligations recognized for the NUI Retirement Plan for the year ended December 31, 2007. The 2008 estimated OCI amortization and expected refunds for the NUI Retirement Plan is set forth in the following table.

<i>In millions</i>	
Amortization of transition obligation	\$-
Amortization of prior service cost	(1)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the NUI Retirement Plan at the balance sheet dates.

	Dec. 31, 2007	Dec. 31, 2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0%

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors and generally base these rates on a 10-year horizon for various asset classes, our expected investments of plan assets and active asset management as opposed to investment in a passive index fund. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate, private equity securities and alternative asset classes.

The following table presents the assumed weighted average discount rate, expected return on plan assets and rate of compensation increase used to determine net periodic benefit cost for the NUI Retirement Plan at the beginning of the period, which was January 1.

	2007	2006
Discount rate	5.8%	5.5%
Expected return on plan assets	9.0%	8.8%
Rate of compensation increase	-%	-%

We consider a variety of factors in determining and selecting our assumptions for the discount rate at December 31. We consider certain market indices, including Moody's Corporate AA long-term bond rate, the Citigroup Pension Liability rate our actuaries model and our own payment stream based on these indices to develop our rate. Consequently, we selected a discount rate of 6.4% as of December 31, 2007, following our review of these various factors.

Actual retirement plans' weighted average asset allocations at December 31, 2007 and at December 31, 2006, and target asset allocation ranges for the NUI Retirement Plan are as follows.

	Target Range Allocation of		
	Assets	2007	2006
Equity	30%-80%	71%	68%
Fixed income	10%-40%	27%	26%
Real estate and other	10%-35%	2%	3%
Cash	0%-10%	-%	3%

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the NUI Retirement Plan. Further, AGL Resources has an Investment Policy (the Policy) for the NUI Retirement Plan that aims to preserve the NUI Retirement Plan's capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the NUI Retirement Plan's assets are actively managed to optimize long-term return while maintaining a high standard of portfolio quality and proper diversification. The Policy's risk management strategy establishes a maximum tolerance for risk in terms of volatility to be measured at 75% of the volatility experienced by the Standard & Poor's (S&P) 500. AGL Resources will continue to diversify the NUI Retirement Plan's investments to minimize the risk of large losses in a single asset class. The Policy's permissible investments include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income (corporate and U.S. government obligations), cash and cash equivalents and other suitable investments. The asset mix of these permissible investments is maintained within the Policy's target allocations as included in the table above, but the Committee can vary allocations between various classes and/or investment managers in order to improve investment results.

Equity market performance and corporate bond rates have a significant effect on our reported unfunded ABO, as the primary factors that drive the value of our unfunded ABO are the assumed discount rate and the actual return on plan assets. Additionally, equity market performance has a significant effect on our market-related value of plan assets (MRVPA), which is a calculated value and differs from the actual market value of plan assets. The MRVPA recognizes the difference between the actual market value and expected market value of our plan assets and is determined by our actuaries using a five-year moving weighted average methodology. Gains and losses on plan assets are spread through the MRVPA based on the five-year moving weighted average methodology, which affects the expected return on plan assets component of pension expense.

Our employees do not contribute to the retirement plan. We fund the plan by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. We calculate the minimum amount of funding using the projected unit credit cost method. No contribution was required for the qualified plans in

2007, and we did not make a contribution. No contribution is required for the qualified plan in 2008. The Pension Protection Act (the Act) of 2006 contains new funding requirements for single employer defined benefit pension plans. The Act establishes a 100% funding target for plan years beginning after December 31, 2007. However, a delayed effective date of 2011 may apply if the pension plan meets the following targets: 92% funded in 2008; 94% funded in 2009; and 96% funded in 2010.

## Postretirement Benefits

Until, January 2006, AGL Resources sponsored two defined benefit postretirement health care plans for eligible employees – the AGL Resources Inc. Postretirement Health Care Plan (AGL Postretirement Plan) and the NUI Corporation Postretirement Health Care Plan (NUI Postretirement Plan), which AGL Resources acquired with its acquisition of NUI. Eligibility for benefits is based on age and years of service.

The NUI Postretirement Plan provided certain medical and dental health care benefits to retirees, other than retirees of Florida City Gas, depending on their age, years of service and start date. The NUI Postretirement Plan was contributory, and NUI funded a portion of these future benefits through a Voluntary Employees' Beneficiary Association. Effective July 2000, NUI no longer offered postretirement benefits other than pensions for any new hires. In addition, NUI capped its share of costs at \$500 per participant per month for retirees under age 65, and at \$150 per participant per month for retirees over age 65. At the beginning of 2006, eligible participants in the NUI Postretirement Plan become eligible to participate in the AGL Postretirement Plan and all participation in NUI plan ceased, effective January 1, 2006.

The AGL Postretirement Plan covers all eligible AGL Resources employees who were employed as of June 30, 2002, if they reach retirement age while working for AGL Resources. The state regulatory commissions have approved phase-ins that defer a portion of other postretirement benefits expense for future recovery.

Effective December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law. This act provides for a prescription drug benefit under Medicare (Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On July 1, 2004, the AGL Postretirement Plan was amended to remove prescription drug coverage for Medicare-eligible retirees effective January 1, 2006. Certain grandfathered NUI retirees participating in the NUI Postretirement Plan will continue receiving a prescription drug benefit through some period of time.

The following table present details about the AGL Postretirement plan.

<i>In millions</i>	Dec, 31, 2007	Dec, 31, 2006
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$95	\$107
Service cost	1	1
Interest cost	6	5
Plan amendments	-	-
Actuarial (gain) loss	-	(9)
Benefits paid	(8)	(9)
<b>Benefit obligation at end of year</b>	<b>\$94</b>	<b>\$95</b>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$63	\$59
Actual return on plan assets	7	5
Employer contribution	8	8
Benefits paid	(8)	(9)
<b>Fair value of plan assets at end of year</b>	<b>\$ 70</b>	<b>\$ 63</b>
<b>Amounts recognized in the statement of financial position consist of</b>		

Prepaid benefit cost	\$-	\$-
Accrued benefit liability	(24)	(32)
Accumulated OCI	-	-
<b>Net amount recognized at year end (1)</b>	<b>\$(24)</b>	<b>\$(32)</b>

(1) As of December 31, 2007 and 2006, the AGL Postretirement Plan had \$24 million and 32 million of noncurrent liabilities respectively and no current assets or current liabilities.

The following table presents details on the components of the net periodic benefit cost for the AGL Postretirement Plan at the balance sheet dates.

<i>In millions</i>	AGL Postretirement Plan	
	2007	2006
Service cost	\$1	\$1
Interest cost	6	5
Expected return on plan assets	(5)	(4)
Amortization of prior service cost	(4)	(4)
Recognized actuarial loss	1	1
<b>Net periodic postretirement benefit cost</b>	<b>\$(1)</b>	<b>\$(1)</b>

There were no other changes in plan assets and benefit obligations recognized for the AGL Postretirement Plan for the year ended December 31, 2007. The 2008 estimated OCI amortization and refunds expected for the AGL Postretirement Plan are set forth in the following table.

<i>In millions</i>	2008
Amortization of transition obligation	\$-
Amortization of prior service cost	(4)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the AGL postretirement plan at December 31.

	AGL Postretirement Plan	
	2007	2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0

The following tables present the weighted average assumed rates used to determine benefit obligations on January 1, for the AGL Postretirement Plan, and the weighted average assumed rates used to determine net periodic benefit cost at the beginning of the period.

	AGL Postretirement Plan	
	2007	2006
Discount rate – benefit obligation	6.4%	5.8%
Discount rate – net periodic benefit cost	5.8%	5.5%
Expected return on plan assets	9.0%	8.5%
Rate of compensation increase	3.7%	4.0%

We consider the same factors in determining and selecting our assumptions for the overall expected long-term rate of return on plan assets as those considered in determining and selecting the overall expected long-term rate of return on plan assets for our retirement plans. For purposes of measuring our accumulated postretirement benefit obligation, the assumed pre-Medicare and post-Medicare health care inflation rates for the AGL Postretirement Plan are as follows.

Assumed health care cost trend rates at December 31,	AGL Postretirement Plan			
	Pre-medicare cost (pre-65 years old)		Post-medicare cost (post-65 years old)	
	2007	2006	2007	2006
Health care costs trend rate assumed for next year	2.5%	2.5%	2.5%	2.5%
Rate to which the cost trend rate gradually declines	2.5%	2.5%	2.5%	2.5%
Year that the rate reaches the ultimate trend rate	N/A	N/A	N/A	N/A

Effective January 2006, the health care trend rates for the AGL Postretirement Plan was capped at 2.5%. This cap limits the increase in the contributions to the annual change in the consumer price index (CPI). An annual CPI rate of 2.5% was assumed for future years.

Assumed health care cost trend rates impact the amounts reported for our health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for the AGL Postretirement Plan.

<i>In millions</i>	AGL Postretirement Plan One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost	\$-	\$-
Effect on accumulated postretirement benefit obligation	4	(4)

Our investment policies and strategies for our postretirement plan, including target allocation ranges, are similar to those for our retirement plans. We fund the plan annually; retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium. Our postretirement plan weighted average asset allocations for 2007 and 2006 and our target asset allocation ranges are as follows.

<i>In millions</i>	Target Asset allocation ranges	2007	2006
Equity	30%-80%	73%	66%
Fixed income	10%-40%	26%	32%
Real estate and other	10%-35%	-%	-%
Cash	0%-10%	1%	2%

The following table presents expected benefit payments covering the periods 2008 through 2017 for AGL Resources retirement plans and postretirement health care plan. There will be benefit payments under these plans beyond 2017.

For the years ended Dec. 31, <i>(in millions)</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
2008	\$20	\$6	\$7
2009	20	6	7
2010	20	6	7
2011	20	6	7
2012	20	6	7
2013-2017	116	29	36

The following table presents the amounts not yet reflected in net periodic benefit cost and included in AGL Resources' accumulated OCI as of December 31, 2007.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Transition asset	\$-	\$-	\$(1)
Prior service credit	(8)	(13)	(21)
Net loss (gain)	70	(7)	13
Accumulated OCI	62	(20)	(7)
Net amount recognized in statement of financial position	(40)	(4)	(24)
Cumulative employer contributions in excess of net periodic benefit cost (accrued) prepaid	\$22	\$(24)	\$(31)

There were no other changes in plan assets and benefit obligations recognized in the AGL and NUI Retirement Plans or the AGL Postretirement Plan for the year ended December 31, 2007.

### Employee Savings Plan Benefits

AGL Resources sponsors a Retirement Savings Plus Plan (RSP), a defined contribution benefit plan that allows eligible participants to make contributions to their accounts up to specified limits.

AGL Resources also sponsors the Nonqualified Savings Plan (NSP), an unfunded, nonqualified plan similar to the RSP. The NSP provides an opportunity for eligible employees who could reach the maximum contribution amount in the RSP to contribute additional amounts for retirement savings. Our contributions to the NSP have not been significant in any year.



## Note 5 - Debt

Our issuance of various securities, including long-term and short-term debt, is subject to customary approval or authorization by state and federal regulatory bodies, including the Florida Commission, and the FERC. The following table provides more information on our various securities.

	Year(s) due	Int. rate	Outstanding as of	
			Dec. 31, 2007	Dec. 31, 2006
<b>Short-term debt</b>				
Capital leases	2008	4.9%	\$839,850	\$1,052,299
<b>Long-term debt - net of current portion</b>				
Gas facility revenue bonds, net of unamortized issuance costs (1)	2024	4.9 %	20,000,000	20,000,000
Affiliate Promissory note	2034	6.17%	39,092,341	24,610,684
Capital leases	2013	4.9%	4,376,048	5,119,215
<b>Total long-term debt</b>			<b>63,468,389</b>	<b>49,729,899</b>
<b>Total debt</b>			<b>\$64,308,239</b>	<b>\$50,782,198</b>

(1) Interest rate adjusts every 35 days. Rate indicated is rate as of December 31, 2007.

### Short-term Debt

Our short-term debt at December 31, 2007 was composed of current portions of our capital lease obligations.

### Long-term Debt

Our long-term debt matures more than one year from the balance sheet date and consists of gas facility revenue bonds, affiliate promissory note payable and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

**Gas Facility Revenue Bonds** In March 2008, auctions for our \$20 million gas facility revenue bond with an adjusting rate due October 1, 2024, failed to draw enough potential buyers. The bond has an interest rate that is adjusted every 35-days through an auction, which failed due to the dislocation or disruption in the auction markets as a result of the downgrades to the bond insurers which reduced investor demand and liquidity for this type of investment. In April 2008, we tendered the bonds through AGL Resources commercial paper program.

**Affiliate Promissory Note** In May 2005, Pivotal Utility entered into a \$72.2 million promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and of its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the New Jersey Board of Public Utilities (New Jersey Commission) and the Florida Commission. The Affiliate Promissory Note is due December 31, 2034 and has an interest rate of 6.17%, which adjusts on a quarterly basis based upon the weighted-average costs and expense of borrowing the then-outstanding long-term debt of both AGL Resources and AGL Capital Corporation, a wholly-owned financing subsidiary of AGL Resources. The initial principal amount of the Affiliate Promissory Note of \$72.2 million is adjusted on an annual basis to conform the with Pivotal Utility's target capitalization of 45% and with the authorizations of the New Jersey Commission and the Florida Commission. As of December 31, 2007, the amount outstanding under the Affiliate Promissory Note related to the company is \$39,092,341.

**Capital Leases** Our capital leases consist primarily of a sale/leaseback transaction completed in 2002 related to gas meters and other equipment and will be repaid over 11 years. Pursuant to the terms of the lease agreement, we are required to insure the leased equipment during the lease term. In addition, at the

expiration of the lease term, we have the option to purchase the leased meters from the lessor at their fair market value. As of December 31, 2007, we had \$5,215,898 outstanding under these capital leases.

## Note 6 - Commitments and Contingencies

We have incurred various contractual obligations and financial commitments in the normal course of our operating and financing activities. Contractual obligations include future cash payments required under existing contractual arrangements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual obligations as of December 31, 2007.

	Total	Payments due before December 31,			
		2008	2009 & 2010	2011 & 2012	2013 & thereafter
Pipeline charges, storage capacity and gas supply	\$38,751,939	\$7,167,766	\$14,201,121	\$7,610,339	\$9,772,713
Long-term debt	63,468,389	-	1,545,078	2,830,970	59,092,341
Short-term debt	839,850	839,850	-	-	-
Operating Leases	79,580	52,847	26,733	-	-
Interest	16,415,000	980,000	1,960,000	1,960,000	11,515,000
<b>Total</b>	<b>\$119,554,758</b>	<b>\$9,040,463</b>	<b>\$17,732,932</b>	<b>\$12,401,309</b>	<b>\$80,380,054</b>

A portion of Pivotal Utility facilities lease expense is allocated to the Company.

In January 2008, approximately 55 Florida City Gas employees represented by Teamsters (Local Nos. 769 and 385) filed for decertification of their union. In February 2008, the majority of employees who voted approved the decertification and in March 2008 the National Labor Relation Board certified this vote. For discussion on the impact of the decertification on employee benefits plan see Note 4 – Employee Benefit Plans.

### Litigation

We are involved in litigation arising in the normal course of business. We believe the ultimate resolution of such litigation will not have a material adverse effect on our financial position, results of operations or cash flows.

## Note 7 - Related Party Transactions

We have agreements with our affiliate, Sequent Energy Management, L.P. (Sequent) for transportation and storage capacity to meet our natural gas demands. The following table provides additional information on our asset management agreements with Sequent.

<i>Dollars in millions</i>	Expiration date	Timing of payment	Type of fee structure	Annual fee	Profit sharing / fees payments	
					2007	2006
Florida City Gas	Oct 2008	Annually	Profit -sharing	50%	\$1	-

See Note 2, Note 5 and Note 6 for discussion of intercompany financings.

We also engage in transactions with AGL Resources affiliates consistent with its services and tax allocation agreements.

## Note 8 - Income Taxes

We have two categories of income taxes in our statements of income: current and deferred. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense generally is equal to the changes in the deferred income tax liability and regulatory tax liability during the year. Our federal and state income taxes are reported and paid by our parent, Pivotal Utility.

### Investment Tax Credits

Deferred investment tax credits are included as a regulatory liability in our balance sheets. These investment tax credits are being amortized over the estimated life of the related properties as credits to income in accordance with regulatory requirements. We reduce income tax expense in our statements of income for the investment tax credits.

### Income Tax Expense

The relative split between current and deferred taxes is due to a variety of factors including true ups of prior year tax returns and most importantly, the timing of our property related deductions. Components of income tax expense shown in the statements of income are as follows.

<i>In thousands</i>	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006
Current income taxes		
Federal	\$670	\$2,751
State	258	569
Deferred income taxes		
Federal	994	(686)
State	188	(88)
Amortization of investment tax credits	(110)	(117)
<b>Total</b>	<b>\$2,000</b>	<b>\$2,429</b>

The reconciliations between the statutory federal income tax rate, the effective rate and the related amount of tax for the year ended December 31, 2007 and 2006 are presented below.

#### Year ended December 31, 2007

<i>Dollars in thousands</i>	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$1,828	35.0%
State income tax, net of federal income tax benefit	188	3.6
Amortization of investment tax credits	(110)	(1.6)
Other -- net	94	1.3
<b>Total income tax expense at effective rate</b>	<b>\$2,000</b>	<b>38.3%</b>

#### Year ended December 31, 2006

<i>Dollars in thousands</i>	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$2,225	35.0%
State income tax, net of federal income tax benefit	228	3.6
Amortization of investment tax credits	(117)	(1.8)
Other -- net	93	1.4
<b>Total income tax expense at effective rate</b>	<b>\$2,429</b>	<b>38.2%</b>

### Accumulated Deferred Income Tax Assets and Liabilities

We report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our balance sheet. We measure the assets and liabilities using income tax rates that are currently in effect. Because of the regulated nature of the utilities' business, we recorded a regulatory tax liability in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), which we are amortizing over approximately 30 years. Components that give rise to the net accumulated deferred income tax liability are as follows:

<i>In thousands</i>	As of	
	Dec. 31, 2007	Dec. 31, 2006
<b>Accumulated deferred income tax liabilities</b>		
Property - accelerated depreciation and other property-related items	\$12,944	\$12,708
Unrecovered gas costs	-	-
Pension and other employee benefits	357	-
Other - liabilities	1,069	5
<b>Total accumulated deferred income tax liabilities</b>	<b>\$14,370</b>	<b>\$12,713</b>
<b>Accumulated deferred income tax assets</b>		
Pension and other employee benefits	\$ -	\$942
Bad debts and insurance reserves	66	130
Other - assets	2,060	2,412
<b>Total accumulated deferred income tax assets</b>	<b>2,126</b>	<b>3,484</b>
<b>Net accumulated deferred tax liability</b>	<b>\$12,244</b>	<b>\$9,229</b>

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
 FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	222,469,775	222,469,775
4	101.1 Property Under Capital Leases	955,616	955,616
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use		
10	114 Acquisition Adjustments	21,656,835	21,656,835
11	TOTAL Utility Plant (Total of lines 3 through 10 )	245,082,226	245,082,226
12	107 Construction Work in Progress	8,477,642	8,477,642
13	Accum. Provision for Depreciation, Amortization, & Depletion	(108,475,731)	(108,475,731)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	145,084,137	145,084,137
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(106,189,732)	(106,189,732)
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amortization of Other Utility Plant		
21	TOTAL in Service (Total of lines 17 through 20)	(106,189,732)	(106,189,732)
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
26	Held for Future Use		
27	108 Depreciation		
28	111 Amortization		
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)		
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amortization of Plant Acquisition Adjustment	(2,285,999)	(2,285,999)
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	(108,475,731)	(108,475,731)

**Annual Status Report  
Analysis of Plant in Service Accounts**

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS

For the Year Ended December 31, 2007

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374	Land-Distribution		68,616	11,753					81,369
389	Land-General		333,111						333,111
	Land-Other		0						0
<b>Amortizable General Plant Assets:</b>									
301	Organization		0	4,787					325,165
302	Franchises and Consents		320,378						27,593
303	Miscellaneous Intangible Plant		27,593						38,828
399	Miscellaneous Intangible Property		38,828						
<b>Depreciable Assets: This scht. This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
365	Rights-Of-Way	0	0						0
367	Transmission-Main	2.9	0						0
369	Measuring & Regulating Equip	3.5	0						0
371	Other Equipment	3.3	0						0
375	Structures & Improvements	2.2	737,677						737,677
376	Mains - Plastic	2.9	48,892,544	4,006,808	18,000				52,871,352
376	Mains - Other	2.8	81,713,134	354,938	623				82,067,449
379	M & R Station Equipment - City Gate	2.9	5,766,845						5,766,845
380	Services - Plastics	3.8	30,727,207	1,749,024	173,541				32,302,690
381	Meters	7.1	13,180,720	21,263	120,203				13,081,780
382	Meter Installation	4.2	7,889,511	1,050,046	218,445				8,521,112
383	House Regulators	3.5	3,062,847	64,644	346				3,127,145
384	House Regulators Installation	4.4	2,260,540	30,578					2,291,118
385	Industrial M & R Station Equipment	3.7	1,290,064						1,290,064
386.5	Leased Water Heaters	3.2	3,087,405						3,087,405
386.6	Leased Dryers	8.0	0						0
386.7	Leased Ranges	8.2	0						0
387	Other Equipment	8.6	0						0
390	Structures & Improvements	2.9	235,026	65,960					296,986
391.1	Office Furniture	2.5	2,566,417	80,217	362,550			45,494	2,329,578
391.2	Office Equipment	4.3	1,053,783		35,638				1,016,245
391.3	Computers	16.7	529,150	1,270,387					1,799,537
392	Transportation Equipment	16.7	1,737,911	5,507,660	4,185				7,241,386
393	Stores Equipment	2.7	1,879,986	139,762					2,382,474
394	Tools, Shop and Garage Equipment	3.6	7,422						7,422
395	Laboratory Equipment	6.7	878,672						878,672
397	Communication Equipment	4.0	4,034						4,034
398	Miscellaneous Equipment	6.9	1,354,980	96,896	214,947				1,440,033
		6.7	311,209		13,284				394,621



**Annual Status Report  
Analysis of Entries in Accumulated Depreciation & Amortization**

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS  
For the Year Ended December 31, 2007

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
374	Land-Distribution	2,875	(2,875)							0
389	Land-General	13,336	(13,336)							0
<b>Amortizable General Plant Assets:</b>										
302	Franchises and Consents	118,770	9,586							128,356
303	Miscellaneous Intangible Plant	20,309	1,008							21,317
389	Miscellaneous Intangible Property	4,434	782							5,216
<b>This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>										
367	Transmission-Main	0								0
369	Measuring & Regulating Equip	0								0
371	Other Equipment	0								0
375	Structures & Improvements	264,125	16,229		18,000		3,163	63,837		280,354
376	Mains - Plastic	15,888,666	1,554,588		623		13	(41,508)		17,485,928
376	Mains - Other	43,009,301	2,225,504							45,192,661
379	M & R Station Equipment - City Gate	2,107,998	175,422							2,283,420
380	Services - Plastics	11,039,238	1,192,300		173,541		25,777	44,325		12,076,545
380	Services - Other	14,548,252	929,319		120,203		34,164	58,415		15,381,619
381	Meters	2,396,961	326,639		218,445		7,155			2,488,000
382	Meter Installation	1,239,853	107,822		346		53			1,347,276
383	House Regulators	942,044	99,360							1,041,404
384	House Regulators Installation	547,624	47,726							595,350
385	Industrial M & R Station Equipment	1,206,665	89,127							1,295,792
386.5	Leased Water Heaters	0								0
386.6	Leased Dryers	0								0
386.7	Leased Rangers	0								0
387	Other Equipment	128,816	7,885							136,801
390	Structures & Improvements	690,572	62,657		362,550					390,679
391.1	Office Furniture	724,846	43,396		35,538					732,704
391.2	Office Equipment	112,045	3,722							115,767
391.3	Computers	2,138,034	927,160		4,185					3,061,009
392	Transportation Equipment	1,071,177	25,728			68,784				1,165,689
393	Stores Equipment	2,554	267							2,821
394	Tools, Shop and Garage Equipment	420,662	54,243							474,905
395	Laboratory Equipment	(6,252)	161							-6,091
397	Communication Equipment	1,056,216	89,238		214,947					930,507
398	Miscellaneous Equipment	139,591	25,535		13,284					151,842
		0								0



**Annual Status Report  
Analysis of Entries in Accumulated Depreciation & Amortization**

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS

For the Year Ended December 31, 2007

Page 2 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
	(Continued)									
	<b>Subtotal</b>	99,828,712	7,999,295	0	1,161,662	68,784	70,325	125,069	0	106,769,873
	List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.									
	Retirement of Land & Landfills (Propane Sales)	(12,195)								(12,195)
	Undistributed Retirement Work in Progress	(299,799)								(587,946)
	115 Amort. Plant Acquisition Adjustment	0	721,695					1,564,104		2,285,999
	<b>Grand Total *</b>	99,516,718	8,721,190	0	1,161,662	68,784	358,472	1,689,173	0	108,475,731

Notes: \* The grand total of beginning and ending balances must agree to Line 17, Page 12. Beginning balances by FERC account were revised due to analysis performed during 2008 depreciation study. The adjustments column for Account 115 Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments reflects the amortization of the acquisition adjustment from November 1, 2004 through December 31, 2006 consistent with the Florida Public Service Commission Order in Docket No. 060657-GU (the Order) related to the 2004 Acquisition on December 6, 2007. The accruals column for that account represent the 2007 amortization amount consistent with the Order.

\*\* Allocated Depreciation Expense of \$474,009 is not included in Accumulated Depreciation Balance since it is included on the books of AGL Services Co. Income statement includes non-jurisdictional expense of \$4,145.

\*\*\* Adjustment amount for Account 115 represents cumulative amortization of Acquisition Adjustment from November 1, 2004 through December 31, 2006.

Name of Respondent FLORIDA CITY GAS A DIVISION OF PIVOTAL UTILITY HOLDINGS, INC.		For the Year Ended Dec. 31, 2007	
<b>CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)</b>			
1. Report below descriptions and balances at end of year of projects in process of construction (107). 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,		Development, and Demonstration (see Account 107 of the Uniform System of Accounts). 3. Minor projects (less than \$500,000) may be grouped.	
Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Galvanized Renewal SW 15t	518,062	
2	ERT	2,095,850	
3	Construction Work in Process (sum of Minor Projects in Dade, Port St. Lucie and Brevard County)	5,863,729	
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14	<b>TOTAL</b>	<b>8,477,641</b>	

<b>CONSTRUCTION OVERHEADS-GAS</b>			
1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items. 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed		and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction. 3. Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.	
Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) © ***
1	A&G Salaries Capitalized	313,251	7,981,030
2	A&G Expenses Capitalized	15,664	7,981,030
3	A&G Benefits Capitalized	94,694	7,981,030
4	Other Post Retirement for A&G Salaries	19,627	7,981,030
5	Payroll Tax for A&G Salaries	26,922	7,981,030
6	Direct Payroll Benefits	93,652	7,981,030
7	Direct Payroll Taxes	54,497	7,981,030
8	Direct Payroll Pension	8,354	7,981,030
9	Engineering	187,898	7,981,030
10	Transportation	71,588	7,981,030
11	<b>TOTAL</b>	<b>886,147</b>	<b>7,981,030</b>
***Capital Expenditures during FY2007 used to determine overhead allocations			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2007
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**PREPAYMENTS (Account 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	55,733
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions	
7		
8	<b>TOTAL</b>	<b>55,733</b>

**EXTRAORDINARY PROPERTY LOSSES (Account 182.1)**

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10	<b>TOTAL</b>					<b>0</b>

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>					<b>0</b>

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2007
--	-------------------------------------

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Conversion Cost (1)	277,888	76,300	407	87,070	267,118
2	Deferred Piping (1)	1,889,701	304,409	912	293,952	1,900,158
3	2003 Rate Case (2)	13,893	0	928	13,893	0
4	Other	465	0		0	465
5	Regulatory Asset - Pension (3)	0	1,834,117	926	164,249	1,669,868
6	Regulatory Asset - Transition Costs (4)	0	1,809,843	930.2	638,768	1,171,075
7	Regulatory Asset - Transaction Costs (4)	0	915,251	930.2	323,030	592,221
8						
9						
10	(1) Amortization period - 10 years					
11	(2) Rate case amortization - 3 years					
12	(3) Amortization period - 13.3 years					
13	(4) Amortization period - 5 years					
14						
15						
16						
17	<b>TOTAL</b>	<b>2,181,947</b>	<b>4,939,920</b>		<b>1,520,962</b>	<b>5,600,905</b>

**MISCELLANEOUS DEFERRED DEBITS (Account 186)**

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.

2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Fleet Capitalization	3,741		401	3,741	0
2	A&G Salaries Capital Clearing		3,000			3,000
3	A&G Salary Capitalized-Benefit		679			679
4	A&G Salary Cap-Payroll Taxes		441			441
5	ATPI Capitalized Clearing		2,501			2,501
6	Pension and Postretirement Benefits		51,379	(1)		51,379
7						
8	(1) Represents reclassification of debit balance of Pension and Postretirement Benefits for presentation purposes.					
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress	0				0
18	Deferred Regulatory Comm. Expenses					
19	<b>TOTAL</b>	<b>3,741</b>				<b>57,999</b>

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**SECURITIES ISSUED AND  
 SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.  
 2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.

and gains or losses relating to securities retired or refunded.  
 3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.  
 4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

NONE

**UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)**

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.  
 2. In column (c) show the principal amount of bonds or other long-term debt reacquired.  
 3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with

General Instruction 17 of the Uniform Systems of Accounts  
 4. Show loss amounts by enclosing the figures in parentheses.  
 5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	20 Year Revenue Bond	4/19/2005	20,000,000	1,093,562	1,001,271	944,861
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

**LONG-TERM DEBT (Accounts 221, 222, 223, and 224)**

<p>1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p> <p>2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated</p>	<p>companies from which advances were received.</p> <p>3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.</p> <p>4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.</p>
--	---

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	20 Year Revenue Bonds * Series 2024	4/19/2005	10/1/2024	20,000,000	variable	828,403	20,000,000
2	Affiliate Promissory Note **	1/1/2005	1/1/2035	30,409,524	6.17%	1,837,783	39,092,341
3							
4	* This series of bonds was repurchased in April 2008. See notes to financial statements for additional details.						
5	** Note balance is adjusted semi-annually to align FCG capital structure with AGL Resources, Inc.'s capital structure.						
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	<b>TOTAL</b>			<b>50,409,524</b>		<b>2,666,186</b>	<b>59,092,341</b>

**UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)**

<p>1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.</p> <p>2. Show premium amounts by enclosing the figures in parentheses.</p> <p>3. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p>	<p>5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.</p> <p>6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.</p> <p>7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.</p>
---	---

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	20 Year Revenue Bonds - Series 2024	20,000,000	994,728	4/19/2005	10/1/2024	881,033	(55,733)	825,300
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

Name of Respondent For the Year Ended  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS Dec. 31, 2007

**MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year.		2. Minor items (less than \$50,000) may be grouped under appropriate title.	
Line No.	Item	Balance at End of Year	
1	Unclaimed Customer Checks	109,115	
2	Incentive Compensation	103,530	
3	Others	(21)	
4			
5			
6			
7			
8			
9			
10			
11			
12			
13	<b>TOTAL</b>	<b>212,624</b>	

**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits.						
2. For any deferred credit being amortized, show the period of amortization.						
3. Minor Items (less than \$25,000) may be grouped by classes.						
Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>				0.00	0.00

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).				2. For regulatory liabilities being amortized, show period of amortization in column (a).		
				3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.		
Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	Reg. Tax Liability	148,889	281	142,565		6,324
2	PGA Credit Balances	1,529,303	191		472,563	2,001,866
3	Energy Conservation Program	963,004	401	1,094,971	201,165	69,198
4	Other	1,750				1,750
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>	<b>2,642,946</b>		<b>1,237,536</b>	<b>673,728</b>	<b>2,079,138</b>

TAXES OTHER THAN INCOME TAXES (Account 408.1)												
Line No.	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other*	Total	
1	U.S. Government	0	0	0	473,310	0	0	0	0	0	473,310	
2	State of Florida	0	1,703,687	0	(77,464)	2,871,324	404,190	0	2,199,800	64,924	7,166,461	
3	AGL Services Company Allocation									243,564	243,564	
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15	Less: Charged to Construction	0	0	0	0	0	0	0	0	0	0	
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	0	1,703,687	0	395,846	2,871,324	404,190	0	2,199,800	308,488	7,883,335	
	Note: *List separately each item in excess of \$500.											

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)									
Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).									
Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)	
				Acct. No. (d)	Amount (e)				
1	Gas Utility								
2	3%			411.4					
3	4%								
4	7%								
5	10%	108,717		420	108,717		0		
6	8%	11,343		411.4	1,259		10,084		
7									
8									
9									
10	TOTAL	120,060			109,976		10,084		
									Notes



Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. At Other (Specify), include deferrals relating to other income and deductions.  
 2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Description	Balance at Beginning of Year		Changes During Year		Amounts Credited to Account 411.1		Amounts Debited to Account 410.2		Amounts Credited to Account 411.2		Adjustments		Balance at End of Year
		Debit	Credit	Debit	Credit	Account No.	Amount	Account No.	Amount	Account No.	Amount	Account No.	Amount	
1	GAS													
2	Federal	3,008,838		1,159,936										1,844,377
3	State	475,578		192,884										281,735
4														
5														
6														
7														
8														
9														
10														
11	TOTAL Gas (Lines 2 - 10)	3,484,416		1,352,820										2,126,112
12	Other (Specify)													
13	TOTAL (Account 190) (Total of lines 11 and 12)	3,484,416		1,352,820										2,126,112

Notes

**ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)**

Line No.	Description	Balance at Beginning of Year		Changes During Year		Amounts Debited to Account 410.1		Amounts Credited to Account 411.1		Amounts Debited to Account 410.2		Amounts Credited to Account 411.2		Adjustments		Balance at End of Year
		Debit	Credit	Debit	Credit	Account No.	Amount	Account No.	Amount	Account No.	Amount	Account No.	Amount	Account No.	Amount	
1	Account 281 - Accelerated Amortization Property															
2	Electric															
3	Gas															
4	Other															
5	TOTAL Account 281 (Lines 2 thru 4)															
6	Account 282 - Other Property															
7	Electric															
8	Gas	12,707,806		131,708						190	5,484					12,834,030
9	Other															
10	TOTAL Account 282 (Lines 7 thru 9)	12,707,806		131,708							5,484					12,834,030
11	Account 283 - Other															
12	Electric															
13	Gas	5,359		(302,176)						216	654,714	114,146,254				1,535,891
14	Other															
15	TOTAL Account 283 - Other (Lines 12 thru 14)	5,359		(302,176)							654,714	2,487,422				1,535,891
16	GAS															
17	Federal Income Tax	10,877,906		(165,697)						190,216	563,546	114,146,254				12,284,444
18	State Income Tax	1,835,261		(4,771)						190,216	96,652	114,146				2,085,477
19																
20	TOTAL Gas (Lines 17 thru 19)	12,713,167		(170,468)							660,198	2,487,420				14,369,921
21	OTHER															
22	Federal Income Tax															
23	State Income Tax															
24	TOTAL Other (Lines 22 and 23)															
25	TOTAL (Total of lines 5, 10 and 15)	12,713,165		(170,468)					0	0	660,198	2,487,422				14,369,921

Notes

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME  
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9)	See Page 25-A
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14		
15		
16		
17		
18	Income Recorded on Books Not Included in Return	
19		
20		
21		
22		
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27		
28		
29		
30		
31		
32		
33		
34	Federal Tax Net Income	
35	Show Computation of Tax:	
36		
37		
38		
39		
40		

Name of Respondent	This Report Is:	Date of Report	Year of Report
Pivotal Utility Holdings Inc D/B/A Florida City Gas	(1) <input checked="" type="checkbox"/> An Original	May 19, 2008	
	(2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr)	Dec. 31, 2007

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME  
FOR FEDERAL INCOME TAXES**

Net Income for Fiscal Year Ended December 31, 2007		3,223,300
Adjustments For Federal Income Tax Purposes		
Income on Return Not on Books:		
Contributions in Aid of Construction		\$787,471
Expenses Booked Not Recorded on Return:		
Current Federal Income Taxes	670,254	
Deferred Federal Income Taxes	994,239	
Deferred State Income Taxes	188,113	
Amortization of Deferred Investment Tax Credits	(109,976)	
Amortization of Pension and Transition Cost Reg. Asset	803,017	
Fines and Penalties	395	
Lobbying Expenses	319	
Rate Case	13,893	
Accrued Bonus	44,812	
Meals and Entertainment	28,822	
Leasehold Improvements	394,915	3,028,804
Deductions on Return Not Charged Against Book Income:		
Excess of allowable depreciation over that charged to depreciation and other book expenses	(78,776)	
Cost of Removal	(288,147)	
Gain/Loss Difference	(234,151)	
Software Labor	(89)	
Engineering Cost	(138,575)	
Engineering Cost-G&A	(48,668)	
Bad Debts	(165,518)	
Pension	(32,174)	
Accrued Post Retirement Benefits	(57,868)	
Software Amortization	(711,733)	
Meter Lease	(631,688)	
Relocation Cost	(535,327)	
Transportation Initiation Costs		
Deferred Compensation		<u>(2,922,714)</u>
Total Net Adjustments for Federal Income Tax Purposes		<u>893,561</u>
Federal Taxable Income		<u>\$4,116,861</u>
Show Computation to Tax		
Federal Taxable Income		<u>\$4,116,861</u>
35% of Federal Taxable Income		1,440,901
Accrual to return and other adjustments		<u>(770,647)</u>
Current Federal Income Taxes at December 31, 2007		<u>\$670,254</u>

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**GAS OPERATING REVENUES (Account 400)**

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	<b>Gas Service Revenues</b>						
2	<b>Firm Sales Service</b>						
3	480 - Residential Sales	38,734,169	42,159,640	16,778,109	16,473,740	97,918	97,787
4	481 - Commercial & Industrial Sales	37,912,557	33,896,530	22,758,091	22,753,891	4,364	4,200
5	481						
6	481						
7	481						
8	481						
9	<b>Interruptible Sales Service</b>						
10	481 -						
11	481 -						
12	<b>Firm Transportation Service</b>						
13	489 - Commercial & Industrial Transp.	7,235,582	13,946,491	53,294,245	54,435,600	1,563	1,440
14	489						
15	489						
16	<b>Interruptible Transportation Serv.</b>						
17	489 - Industrial						
18	489						
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	TOTAL Sales to Ultimate Consumers	83,882,308	90,002,661	92,830,445	93,663,231	103,845	103,427
22	483 Sales for Resale						
23	Off-System Sales	0	0	0			
24	TOTAL Nat. Gas Service Revenues	83,882,308	90,002,661				
25	TOTAL Gas Service Revenues	83,882,308	90,002,661				
26	<b>Other Operating Revenues</b>						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	1,311,076	1,295,185				
29	488 Misc. Service Revenues	1,190,248	1,284,381				
30	489 Rev. from Trans. of Gas of Others						
31	not included in above rate schedules)						
32	493 Rent from Gas Property						
33	494 Interdepartmental Rents						
34	495 Other Gas Revenues						
35	Initial Connection						
36	Reconnect for Cause						
37	Collection in lieu of disconnect						
38	Returned Check						
39	Other	(38,709)	(748,592)				
40	495.1 Overrecoveries Purchased Gas	0	0				
41	TOTAL Other Operating Revenues	2,462,615	1,830,974				
42	TOTAL Gas Operating Revenues	86,344,923	91,833,635				
43	(Less) 496 Provision for Rate Refunds	0	0				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	86,344,923	91,833,635				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	\$86,344,923	\$91,833,635	92,830,445	93,663,231		

Notes

**GAS OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	<b>1. Production Expenses</b>		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)	(5,058)	
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases		
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	36,338,893	41,488,722
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	36,338,893	41,488,722
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses	769	
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	769	
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	(445)	(20,014)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(445)	(20,014)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	36,339,217	41,468,708
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	36,334,159	41,468,708
38	<b>2. Natural Gas Storage, Terminating and Processing Expenses</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)		
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	103,492	105,478
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	103,492	105,478
43	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	740	(198)
45			
46			

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	<b>4. Distribution Expenses</b>		
48	Operation		
49	870 Operation Supervision and Engineering	101,279	93,357
50	871 Distribution Load Dispatching	115,733	119,463
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	1,310,676	1,263,590
54	875 Measuring and Regulating Station Expenses--General	2,001	5,897
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	64,133	65,676
57	878 Meter and House Regulator Expenses	490,416	456,429
58	879 Customer Installations Expenses	229,103	282,393
59	880 Other Expenses	842,125	560,594
60	881 Rents		
61	TOTAL Operation (Total of lines 49 through 60)	3,155,467	2,847,400
62	Maintenance		
63	885 Maintenance Supervision and Engineering	59	0
64	886 Maintenance of Structures and Improvements		
65	887 Maintenance of Mains	198,310	500,307
66	888 Maintenance of Compressor Station Equipment	27	510
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	43,941	74,685
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial		
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	38	
70	892 Maintenance of Services	385,778	332,262
71	893 Maintenance of Meters and House Regulators	292,385	344,319
72	894 Maintenance of Other Equipment	109,255	78,113
73	TOTAL Maintenance (Total of Lines 63 through 72)	1,029,793	1,330,196
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	4,185,261	4,177,596
75	<b>5. Customer Accounts Expenses</b>		
76	Operation		
77	901 Supervision	59	
78	902 Meter Reading Expenses	595,961	626,729
79	903 Customer Records and Collection Expenses	71,357	70,325
80	904 Uncollectible Accounts	808,740	992,126
81	905 Miscellaneous Customer Accounts Expenses	14,819	24,265
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	1,490,937	1,713,445
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision	38	(260)
86	908 Customer Assistance Expenses	51,306	222,517
87	909 Informational and Instructional Expenses	1,421,313	1,918,856
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	1,472,658	2,141,113
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	307,041	130,693
94	913 Advertising Expenses	133,473	115,109
95	916 Miscellaneous Sales Expenses	8,905	498
96	TOTAL Sales Expenses (Total of lines 92 through 95)	449,419	246,299
97			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2007
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**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. Administrative and General Expenses</b>		
99	Operation		
100	920 Administrative and General Salaries	5,720,812	5,102,838
101	921 Office Supplies and Expenses	2,141,623	1,666,048
102	(Less) (922) Administrative Expenses Transferred--Credit	1,394,806	1,195,497
103	923 Outside Services Employed	2,502,293	3,513,130
104	924 Property Insurance	277,445	235,210
105	925 Injuries and Damages	153,744	161,405
106	926 Employee Pensions and Benefits	1,945,615	3,382,014
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses	13,893	168,387
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses	145	(77)
111	930.2 Miscellaneous General Expenses	1,732,154	565,754
112	931 Rents	515,037	473,443
113	TOTAL Operation (Total of lines 100 through 112)	13,607,954	14,072,654
114	Maintenance		
115	935 Maintenance of General Plant	518,316	515,237
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	14,126,270	14,587,891
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	58,162,936	64,440,332
119			
120			

**NUMBER OF GAS DEPARTMENT EMPLOYEES**

1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1		
2	1. Payroll Period Ended (Date)	12/31/2007
3	2. Total Regular Full-Time Employees	109
4	3. Total Part-Time and Temporary Employees	0
5	4. Total Employees	109
6		
7		
8		
9		
10		
11		
12		
13		

**GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)**

1. Provide totals for the following accounts:  
800 - Natural Gas Well Head Purchases  
800.1 - Natural Gas Well Head Purchases Intracompany Transfers  
801 - Natural Gas Field Line Purchases  
802 - Natural Gas Gasoline Plant Outlet Purchases  
803 - Natural Gas Transmission Line Purchases  
804 - Natural Gas City Gate Purchases  
804.1 - Liquefied Natural Gas Purchases  
805 - Other Gas Purchases  
805.1 - Purchases Gas Cost Adjustments
- The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.  
2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.  
3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).  
4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased-Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases			
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	39,641,076	36,338,893	\$0.91670
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases			
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	39,641,076	36,338,893	\$0.91670

**Notes to Gas Purchases**

Note: Therms represent volumes purchased plus unbilled volumes. Cost represents gas cost recognized as expense.

**GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)**

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.  
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.  
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).  
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3	Other General Use	401	480	445
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL		480	445



**REGULATORY COMMISSION EXPENSES (Account 928)**

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than \$25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year		Amortized During Year		Deferred in Account 186 End of Year (i)	
				Charged Currently to Account No. (d)	Amount (e)	Deferred to Account 186 (f)	Contra Account (g)		Amount (h)
1	Docket 030569-GU - 2003 Rate Case		13,893			0	928	13,893	0
2									
3	Various State Regulatory Issues			923	73,147				
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL	0	13,893		73,147	0		13,893	0

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	100,012
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.)	
5	Employee expenses	31,619
6	ERC Expenses	376,852
7	AGL Services Company Allocations	233,481
8	2007 Acquisition Adjustment Amortization	961,798
9	Legal Services - Regulatory Matters (11 items)	1,285
10	Legal Services - Pt. St. Lucie Grievance (4 items)	2,061
11	Legal Services - Union Issues (3 items)	756
12	Tax Penalty	395
13	Employee Uniforms	19,200
14	Security	899
15	Insurance	2,020
16	Various Suppliers (10 items)	1,776
17		
18		
19		
20	TOTAL	\$1,732,154

**DISTRIBUTION OF SALARIES AND WAGES**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric			
3	<b>Gas</b>			
4	Operation			
5	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
6	Transmission			
7	Distribution	1,441,113		
8	Customer Accounts	837,132		
9	Customer Service and Informational			
10	Sales	390,803		
11	Administrative and General	2,131,903		
12	TOTAL Operation (Total of lines 5 through 11)	4,800,951		
13	Maintenance			
14	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission	740		
16	Distribution	439,821		
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 14 through 17)	440,561		
19	TOTAL Operation and Maintenance	5,241,512		
20	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
21	Transmission (Enter Total of lines 6 and 15)	740		
22	Distribution (Total of lines 7 and 16)	1,880,934		
23	Customer Accounts (Transcribe from line 8)	837,132		
24	Customer Service and Informational (Transcribe from line 9)	-		
25	Sales (Transcribe from line 10)	390,803		
26	Administrative and General (Total of lines 11 and 17)	2,131,903		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	5,241,512		5,241,512
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)			
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant			-
34	Gas Plant	455,396	-	455,396
35	Other			-
36	TOTAL Construction (Total of lines 33 through 35)	455,396	-	455,396
37	Plant Removal (By Utility Department)			
38	Electric Plant			-
39	Gas Plant	74,111		74,111
40	Other			-
41	TOTAL Plant Removal (Total of lines 38 through 40)	74,111	-	74,111
42				
43	Other Accounts (Specify):			
44	Accrued Liability - Severences	-	-	-
45				
46				
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	-		
54	<b>TOTAL SALARIES AND WAGES</b>	<b>5,771,019</b>	<b>-</b>	<b>5,771,019</b>

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended

Dec. 31, 2007

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including

payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.  
 (a) Name of person or organization rendering services,  
 (b) description of services received,  
 (c) basis of charges,  
 (d) total charges for the year, detailing account charged.  
 2. For any services which are of a continuing nature, give the date and term of contract.  
 3. Designate with an asterisk associated companies.

Description		Amount
1	INFRA SOURCE UNDERGROUND CONSTRUCTION	Contractor 4,450,850
2	BENTON-GEORGIA INC	Contractor 2,486,545
3	MCJUNKIN CORP	Services 1,121,611
4	MARKETING TALENT NETWORK	Advertising 716,362
5	ACXIOM/ACCESS COMMUNICATIONS SYSTEMS	Billing Services 418,800
6	SOUTHERN CROSS CORP.	Contractor 343,157
7	SUNSHINE GAS SERVICE, INC	Contractor 268,435
8	AROUND THE CLOCK GAS SERVICES	Contractor 262,831
9	CROWNE ELECTRONICS	IT Services 175,763
10	ACS, INC	IT Services 144,441
11	ACCESS DIRECT SYSTEMS	Billing Services 139,118
12	RAMTECH SOFTWARE SOLUTIONS, INC	IT Services 135,363
13	ACXIOM CORP	Billing Services 132,506
14	HERNANDEZ, ROLANDO	Contractor 96,795
15	SOUTHEAST CORROSION & ENGINEERING, INC	Contractor 91,328
16	GORDON, HARGROVE & JAMES	Legal 75,797
17	TRU CHECK, INC.	Contractor 74,464
18	AKERMAN SENTERFIT	Legal 73,147
19	SUNSHINE STATE ONE CALL OF FLORIDA, INC.	Locating Services 72,874
20	LEVITT & SON'S CONSTRUCTION E LLC	Contractor 71,800
21	B & R PLUMBING	Contractor 62,810
22	ORTIZ CONSULTING CORP.	Sales Support Services 53,500
23	CERTIFIED PLUMBING OF BREVARD	Contractor 51,425
24	DIAL PLUMBING & AIR CONDITIONING, INC	Contractor 49,138
25	LITTLER MENDELSON, PC	Legal 41,199
26	INTERNAL DATA RESOURCES, INC.	IT Services 27,680
27	INTERNATIONAL SECURITY MANAGEMENT GROUP	Security Services 26,811
28	CENVEO CORPORATION	IT Services 26,328
29		
30		
31		
32		
33		
34		

**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.  
 (a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.  
 (b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.  
 (c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

Item	Amount
1	
2	INTEREST ON DEBT TO ASSOCIATED COMPANIES (430)
3	Allocated Cost of Capital
4	Money Pool 667,979
5	Affiliate Promissory Note 1,511,289
6	TOTAL 1,837,783
7	
8	
9	
10	
11	
12	
13	
14	OTHER INTEREST EXPENSES (431):
15	Financing Fees 89,319
16	Fleet Bank - Meter Leases (Weighted Average 4%) 462,781
17	Interest on Customer Deposits ( 6% ) 322,239
18	PGA ( Average 1.05%) 141,946
19	Misc Interest Expense 137,577
20	ECP (Average 1.05%) 30,092
21	TOTAL OTHER INTEREST EXPENSES 1,183,954
22	
23	
24	

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**Reconciliation of Gross Operating Revenues  
 Annual Report versus Regulatory Assessment Fee Return**

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 26	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	76,646,726		76,646,726	76,646,726	0
2	Sales for Resale (483)	0		0	0	0
3	Total Natural Gas Service Revenues	76,646,726		76,646,726	76,646,726	0
4	Total Other Operating Revenues (485-495)	9,736,906		9,736,906	9,736,906	0
5	Total Gas Operating Revenues	86,383,632		86,383,632	86,383,632	0
6	Provision for Rate Refunds (496)	0		0	0	0
7	Other (Specify) - Off System Sales	0	0	0	0	0
8	- PGA Over/Under Recoveries	0		0	0	0
9	- CRA Over/Under Recoveries	(38,709)		(38,709)	(38,709)	0
10	<b>Total Gross Operating Revenues</b>	<b>86,344,923</b>	<b>0</b>	<b>86,344,923</b>	<b>86,344,923</b>	<b>0</b>

Notes:

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2007
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**CORPORATE STRUCTURE**

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

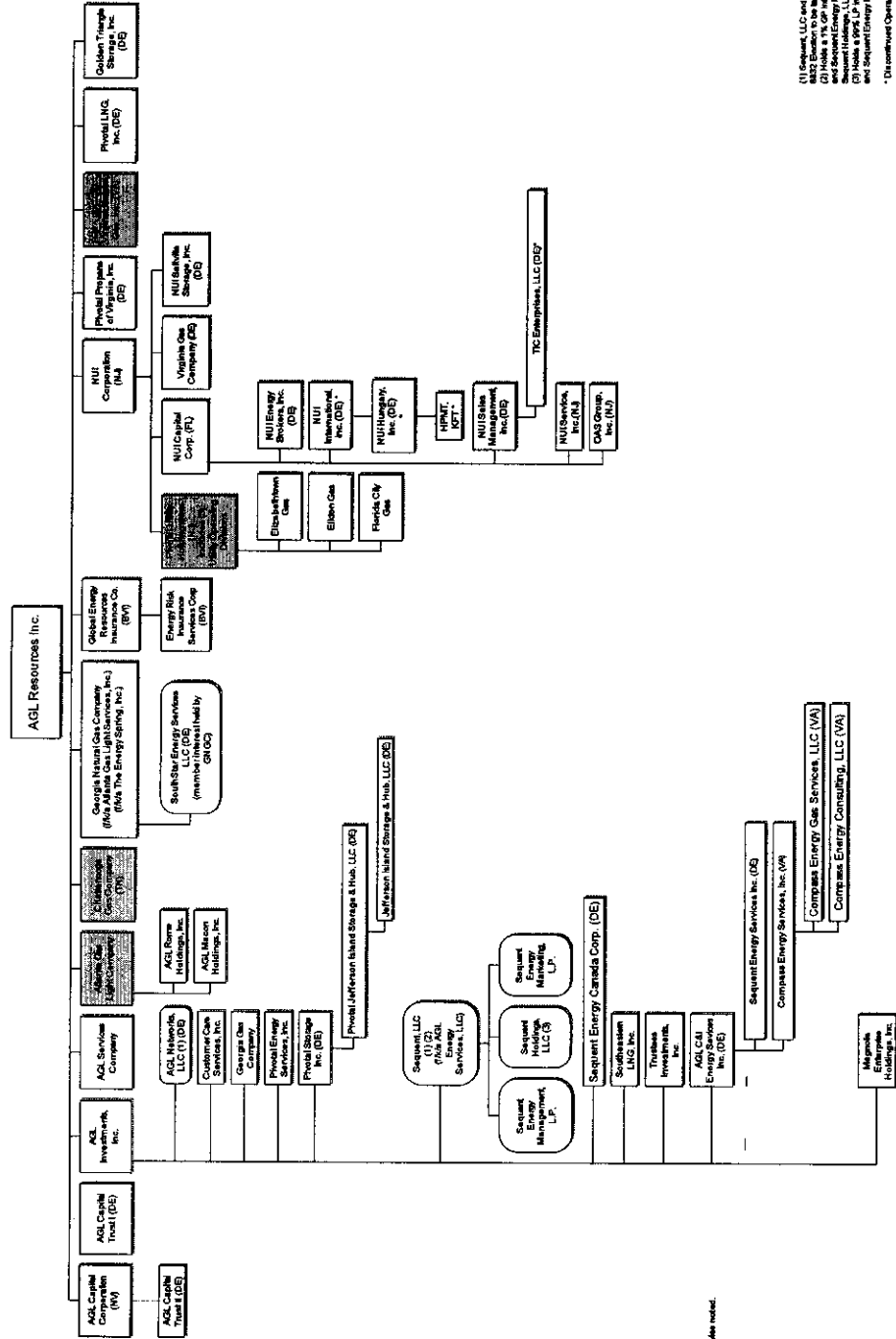
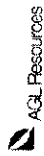
Effective Date: October 1, 2007

Please see attached.

# Office of the Corporate Secretary

## AGL Resources Inc. - Corporate Organizational Chart

### October 1, 2007



Notes:  
 All entities are Georgia entities, unless otherwise noted.  
 Division "L" corporation  
 Division "non-through entity"

(1) Cigarettes, LLC and AGL Networks, LLC have filed a Section 83(b) Election to be treated as a corporation.  
 (2) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (3) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (4) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (5) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (6) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (7) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (8) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (9) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.  
 (10) AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc. and AGL Energy Services, Inc. is a subsidiary of AGL Energy Services, Inc.

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended

Dec. 31, 2007

**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is purchased by the Respondent; "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
See Footnote:	Executive		P		273,958
	External Relations		P		110,970
	Customer Care		P		1,365,286
	Information Technology		P		2,169,383
	Corporate Compliance		P		283,062
	Fleet Services		P		42,861
	Benefits		P		47,850
	Direct Assigned		P		1,045,263
	Business Support		P		618,646
	Supply Chain Management		P		28,119
	Employee Services		P		539,776
	Engineering		P		307,696
	Financial Services		P		470,505
	Gas Supply		P		245,166
	Internal Auditing		P		46,903
	Investor Relations		P		20,183
	Legal		P		589,167
	Marketing		P		129,692
	Rates & Regulatory		P		120,366
	Corporate Communications		P		177,969
	Total			8,632,820	
Sequent Energy Mgmt. LP	Gas Purchase	Asset Management Agreement	P	804	36,017,234
	Cost of Capital	See footnote	P	430	667,979
	Total			45,318,033	
Footnote: (1) Represents charges per the AGL Services Co. agreement.					

**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract
	None

**INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000**

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
Sequent Energy Management, L.P.	<i>Manage gas supply</i>	36,017,234
See Page 36 for summary of charges from AGL Services Company.		



Name of Respondent For the Year Ended  
 PIVOTAL UTILITY HOLDINGS, INC. Dec. 31, 2007  
 D/B/A FLORIDA CITY GAS

**ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES**

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
<b>Purchases from Affiliates:</b>							
None		\$	\$	\$	\$	\$	
<b>Total</b>						\$	
<b>Sales to Affiliates:</b>							
None		\$	\$	\$	\$	Sales Price	
<b>Total</b>						\$	

**EMPLOYEE TRANSFERS**

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
AGSC	FCG	Director of Strategic Alliance	VP and Gen Manager	Permanent
FCG	AGSC	VP and Gen Manager	VP Gas Operations and Capacity Planning	Permanent
AGSC	FCG	Director of State Regulatory Affairs	Assistant VP and Gen Manager	Permanent
AGLC	FCG	Operations Supervisor	Operations Supervisor	Temporary 10/07 - 10/09
FCG	AGSC	Operations Supervisor	Safety/Operations Training Specialist	Permanent
AGSC - AGL Services Company AGLC - Atlanta Gas Light Co. FCG - Florida City Gas				

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**Pivotal Utility Holdings, Inc.**  
**D/B/A Florida City Gas**

**Audited Financial Statements**  
**December 31, 2007 and 2006**

2007  
MAY 23 PM 3:27

**Report of Independent Auditors**

To the Shareholder of  
Florida City Gas:

We have audited the accompanying balance sheets of Florida City Gas as of December 31, 2007 and 2006 and the related statements of income for the years then ended and the related statement of retained earnings for the year ended December 31, 2007, included on pages one through five of the accompanying Annual Report of Natural Gas Utilities. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida City Gas as of December 31, 2007 and 2006, and the results of its operations for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the shareholder and management of Florida City Gas and for filing with the Florida Public Service Commission and should not be used for any other purpose.

PricewaterhouseCoopers LLP

Atlanta, Georgia  
February 7, 2008

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)		236,359,687	245,082,226
3	Construction Work in Progress (107)		8,830,380	8,477,642
4	TOTAL Utility Plant Total of lines 2 and 3)		245,190,067	253,559,868
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)		99,516,718	108,475,731
6	Net Utility Plant (Total of line 4 less 5)		145,673,349	145,084,137
7	Utility Plant Adjustments (116)			
8	Gas Stored (117.1, 117.2, 117.3, 117.4)			
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)		181,636	186,143
11	(Less) Accum. Prov. for Depr. and Amort. (122)		51,573	51,573
12	Investments in Associated Companies (123)			
13	Investment in Subsidiary Companies (123.1)			
14	Other Investments (124)			
15	Special Funds (125, 126, 128)			
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		130,063	134,570
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)		0	0
19	Special Deposits (132-134)			
20	Working Funds (135)			
21	Temporary Cash Investments (136)			
22	Notes Receivable (141)			
23	Customer Accounts Receivable (142)		10,664,309	10,901,155
24	Other Accounts Receivable (143)		547,473	(95,677)
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		335,730	170,213
26	Notes Receivable from Associated Companies (145)			
27	Accounts Receivable from Associated Companies (146)			
28	Fuel Stock (151)			
29	Fuel Stock Expense Undistributed (152)			
30	Residuals (Electric) and Extracted Products (Gas) (153)			
31	Plant Material and Operating Supplies (154)		310,656	142,607
32	Merchandise (155)			
33	Other Material and Supplies (156)			
34	Stores Expenses Undistributed (163)			
35	Gas Stored Underground & LNG Stored (164.1-164.3)			
36	Prepayments (165)		55,733	55,733
37	Advances for Gas (166-167)			
38	Interest and Dividends Receivable (171)			
39	Rents Receivable (172)			
40	Accrued Utility Revenues (173)			
41	Miscellaneous Current and Accrued Assets (174)			
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		11,242,441	10,833,605
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)		881,033	825,300
45	Extraordinary Property Losses (182.1)			
46	Unrecovered Plant and Regulatory Study Costs (182.2)			
47	Other Regulatory Assets (182.3)		2,181,947	5,600,905
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)			
49	Clearing Accounts (184)			
50	Temporary Facilities (185)			
51	Miscellaneous Deferred Debits (186)		3,741	57,999
52	Deferred Losses from Disposition of Utility Plant. (187)			
53	Research, Development and Demonstration Expenditures (188)			
54	Unamortized Loss on Reacquired Debt (189)		1,001,271	944,861
55	Accumulated Deferred Income Taxes (190)		3,484,416	2,126,112
56	Unrecovered Purchased Gas Costs (191)		0	0
57	TOTAL Deferred Debits (Total of lines 44 through 56)		7,552,408	9,555,177
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		164,598,261	165,607,489

Note: Account 114 Gas Plant Acquisition Adjustments within Utility Plant and account 234 Accounts Payable Associated Companies were revised for 2006 to reflect the acquisition adjustment resulting from AGL Resources Inc.'s acquisition of Florida City Gas in 2004 (the 2004 Acquisition). Previously, the acquisition adjustment was recorded on Pivotal Utility Holding's books, but was pushed down to Florida City Gas's books in 2007. Accounts 208 Other Paid in Capital, 216 Unappropriated Retained Earnings and 234 Accounts Payable Associated Companies were revised for 2006 to reflect adjustments to capitalization that were recorded in 2006 and 2007. Account 114 Gas Plant Acquisition Adjustments within Utility Plant, Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments and Account 182.3 Other Regulatory Assets reflect the inclusion of the acquisition adjustment and regulatory assets consistent with the Florida Public Service Commission Order in Docket No. 060657-GU related to the 2004 Acquisition on December 6, 2007.

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock (201, 202, 203, 205, 206, 207)			
3	Preferred Stock Issued (204)			
4	Other Paid-In Capital (208-214)		46,826,607	46,826,607
5	Retained Earnings (215, 216)	5	14,365,245	14,012,871
6	Unappropriated Undistributed Subsidiary Earnings (216.1)			
7	(Less) Reacquired Capital Stock (217)			
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		61,191,852	60,839,478
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)		20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)			
12	Advances from Associated Companies (223)		24,610,684	39,092,341
13	Other Long-Term Debt (224)			
14	Unamortized Premium on Long-Term Debt (225)			
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)			
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		44,610,684	59,092,341
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)		5,119,215	4,376,048
19	Accumulated Provision for Property Insurance (228.1)			
20	Accumulated Provision for Injuries and Damages (228.2)			
21	Accumulated Provision for Pensions and Benefits (228.3)		2,382,269	
22	Accumulated Miscellaneous Operating Provisions (228.4)			
23	Accumulated Provision for Rate Refunds (229)			
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		7,501,484	4,376,048
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)		0	0
27	Accounts Payable (232)		1,439,154	1,450,573
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		21,118,105	13,010,618
30	Customer Deposits (235)		6,332,104	3,843,947
31	Taxes Accrued (236)		3,842,427	4,979,504
32	Interest Accrued (237)		224,928	184,404
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		1,081,147	318,959
37	Miscellaneous Current and Accrued Liabilities (242)		727,907	212,624
38	Obligations Under Capital Leases-Current (243)		1,052,299	839,850
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		35,818,071	24,840,479
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)			
44	Other Regulatory Liabilities (254)		2,642,945	2,079,138
45	Accumulated Deferred Investment Tax Credits (255)		120,060	10,084
46	Deferred Gains from Disposition of Utility Plant (256)			
47	Unamortized Gain on Reacquired Debt (257)			
48	Accumulated Deferred Income Taxes (281-283)		12,713,165	14,369,921
49	TOTAL Deferred Credits (Total of lines 42 through 48)		15,476,170	16,459,143
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		164,598,261	165,607,489

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**STATEMENT OF INCOME**

1. Use page 11 for important notes regarding the statement of income or any account thereof.  
 2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.  
 3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year
- which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.  
 4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)		86,344,923	91,833,635
3	Operating Expenses			
4	Operation Expenses (401)		56,592,146	62,594,898
5	Maintenance Expenses (402)		1,570,790	1,845,434
6	Depreciation Expense (403)		8,477,449	7,840,280
7	Amortization & Depletion of Utility Plant (404-405)			
8	Amortization of Utility Plant Acquisition Adjustment (406)		721,895	0
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amortization of Conversion Expenses (407.2)		87,066	83,501
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)		7,883,335	8,080,885
14	Income Taxes - Federal (409.1)		670,254	2,751,027
15	- Other (409.1)		257,965	568,796
16	Provision for Deferred Income Taxes (410.1)		1,182,352	(774,272)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)			
18	Investment Tax Credit Adjustment - Net (411.4)		(109,976)	(117,023)
19	(Less) Gains from Disposition of Utility Plant (411.6)			
20	Losses from Disposition of Utility Plant (411.7)			
21	Other Operating Income (412-414)			
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		77,333,276	82,873,526
23	Net Utility Operating Income (Total of line 2 less 22)		9,011,647	8,960,109
24	(Carry forward to page 9, line 25)			

Name of Respondent  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 Dec. 31, 2007

**STATEMENT OF INCOME (Continued)**

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		9,011,647	8,960,109
26	<b>Other Income and Deductions</b>			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)			
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)			
31	Revenues From Nonutility Operations (417)			
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)			
34	Equity in Earnings of Subsidiary Companies (418.1)			
35	Interest and Dividend Income (419)			
36	Allowance for Other Funds Used During Construction (419.1)			
37	Miscellaneous Nonoperating Income (421)		(358,217)	(380,716)
38	Gain on Disposition of Property (421.1)			
39	TOTAL Other Income (Total of lines 29 through 38)		(358,217)	(380,716)
40	<b>Other Income Deductions</b>			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)		0	0
43	Miscellaneous Income Deductions (426.1-426.5)		5,013	0
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		5,013	0
45	<b>Taxes Applicable to Other Income and Deductions</b>			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.2)			
48	Income Taxes - Other (409.2)			
49	Provision for Deferred Income Taxes (410.2)		0	0
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)			
51	Investment Tax Credit Adjustment - Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		0	0
54	Net Other Income and Deductions (Total of lines 39,44,53)		(353,204)	(380,716)
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)		828,403	637,168
57	Amortization of Debt Discount and Expense (428)		112,142	112,142
58	Amortization of Loss on Recquired Debt (428.1)			
59	(Less) Amortization of Premium on Debt - Credit (429)			
60	(Less) Amortization of Gain on Recquired Debt - Credit (429.1)			
61	Interest on Debt to Associated Companies (430)		4,017,051	3,704,844
62	Other Interest Expense (431)		1,183,955	959,354
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
64	Net Interest Charges (Total of lines 56 through 63)		6,141,551	5,413,508
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		3,223,300	3,927,317
66	<b>Extraordinary Items</b>			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)			
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		3,223,300	3,927,317

**STATEMENT OF RETAINED EARNINGS**

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		14,365,245
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit: Prior period effects of amortization of Acquisition Adj. and Reg. Assets		(2,475,821)
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		3,223,300
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(2,216,601)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		1,116,748
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		14,012,871
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		14,012,871

Note: Beginning balance of retained earnings and activity during 2006 were restated to retroactively reflect adjustments to capitalization that were recorded in 2006 and 2007.



**Pivotal Utility Holdings, Inc.  
D/B/A Florida City Gas**

**Notes to Financial Statements**

**Note 1 - Accounting Policies and Methods of Application**

**General**

Florida City Gas is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly-owned subsidiary of NUI Corporation, which is a wholly-owned subsidiary of AGL Resources Inc. (AGL Resources). Unless the context requires otherwise, references to “we,” “us,” “our” or the “Company” mean Florida City Gas. The Company is primarily engaged in the distribution of natural gas to approximately 104,000 residential and commercial customers in Florida’s Miami-Dade and Brevard counties.

**Basis of Accounting**

The Company maintains its accounts in accordance with recognized policies prescribed by the Florida Public Service Commission (Florida Commission). In addition, the Company maintains its accounts in accordance with recognized policies prescribed or permitted by the Federal Energy Regulatory Commission (FERC). These policies conform with generally accepted accounting principles in the United States of America (GAAP) in all material respects.

**Basis of Reporting and Presentation**

The financial statements are presented in accordance with the reporting requirements of the FERC and the statements included herein are prescribed by the requirements of the Florida Commission. This is a comprehensive basis of accounting consistent with GAAP, except for:

- the balance sheet classification of accumulated removal costs
- the omission of the statement of retained earnings from the prior year
- the omission of the statement of cash flows from the current and prior year
- the balance sheet classification of accumulated deferred income taxes into asset and liability components for FERC reporting
- the financial statements included in this report reflect the recognition of a positive acquisition adjustment and regulatory assets related to the purchase of Florida City Gas by AGL Resources in 2004 as approved by the Florida Commission on December 6, 2007. The statements also reflect the amortization of these assets consistent with the approval. For GAAP purposes these assets are recorded in Goodwill and are not being amortized.

Certain amounts from prior periods have been reclassified and revised to conform to the current period presentation.

**Cash and Cash Equivalents**

Our cash and cash equivalents consist primarily of cash on deposit, money market accounts and certificates of deposit with original maturities of three months or less.

**Receivables and Allowance for Uncollectible Accounts**

Our receivables consist of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collection

experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. We write off accounts once we deem them to be uncollectible.

### **Property, Plant and Equipment**

Property, plant and equipment expenditures consist of property and equipment that is in use, being held for future use and under construction. We report it at its original cost, which includes

- material and labor
- contractor costs
- construction overhead costs

We charge property retired or otherwise disposed of to accumulated depreciation since such costs are recovered in rates.

### **Depreciation Expense**

We compute depreciation expense by applying composite, straight-line rates (approved by the Florida Commission) to the investment in depreciable property. The composite, straight-line rate was approximately 3.7% for 2007 and 3.5% during 2006.

### **Acquisition Adjustment and Regulatory Assets Resulting from Acquisition**

We have included the recognition of a positive acquisition adjustment and regulatory assets for pensions, and transaction and transition costs related to the acquisition of Florida City Gas by AGL Resources in December 2004. This recognition was approved by the Florida Commission on December 6, 2007. We have also included in income the amortization of these assets, net of income tax effects, consistent with the order approving the recognition. As of December 31, 2007 the unamortized balance of the acquisition adjustment was \$19.4 million. The unamortized balance of the regulatory assets net of related deferred tax balances was \$2.3 million. For comparative purposes, the unamortized balance of original acquisition adjustment including regulatory assets of \$26.6 million net of related deferred tax balances is included in our balance sheets as of December 31, 2006. The acquisition premium was previously reported within Pivotal Utility.

For GAAP purposes, the \$26.6 million acquisition adjustment and regulatory assets are considered goodwill. SFAS 142 requires us to perform an annual goodwill impairment test at a reporting unit level. We have not recognized any impairment charges in 2007 and 2006. We also assess goodwill for impairment if events or changes in circumstances may indicate an impairment of goodwill exists. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, we record an impairment loss equal to the excess of the asset's carrying value over its fair value. We conduct this assessment principally through a review of financial results, changes in state and federal legislation and regulation, regulatory and legal proceedings and the periodic regulatory filings for our regulated utilities.

### **Accumulated Deferred Income Taxes**

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal differences between net income and taxable income relate to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. We report the tax effects of depreciation and

other differences in those items as deferred income tax assets or liabilities in our balance sheets in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109). Investment tax credits previously deducted for income tax purposes for Florida have been deferred for financial accounting purposes and are being amortized as credits to income over the estimated lives of the related properties in accordance with regulatory requirements.

## **Revenues**

We record revenues when services are provided to customers. Those revenues are based on rates approved by the Florida Commission.

The Company rate structure includes volumetric rate designs that allow recovery of costs through gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Sales revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. In addition, revenues are recorded for estimated deliveries of gas, not yet billed to these customers, from the meter reading date to the end of the accounting period. These are included in the balance sheet as unbilled revenue. For other commercial and industrial customers and all wholesale customers, revenues are based on actual deliveries to the end of the period.

## **Cost of goods sold**

The Company's utility customers are charged for the natural gas they consume using purchased gas adjustment (PGA) mechanisms set by the Florida Commission. Under the PGA, the Company defers (that is, include as a current asset or liability in the balance sheet and exclude from the statements of income) the difference between the actual cost of gas and what is collected from or billed to customers in a given period. The deferred amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

## **Use of Accounting Estimates**

The preparation of our financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include our regulatory accounting, the allowance for doubtful accounts, allowance for contingencies, unbilled revenue recognition, and pension and postretirement obligations. Our actual results could differ from those estimates.

## **Note 2 - Amounts Due to Affiliates**

We had \$13,010,618 and \$21,118,105 in payables at December 31, 2007 and December 31, 2006 respectively, due to AGL Resources and affiliated companies, which consists primarily of our participation in AGL Resources' money pool to fund our working capital requirements.

### Note 3 - Regulatory Assets and Liabilities

We have recorded regulatory assets and liabilities in our balance sheets in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71) as summarized in the table below.

	As of December	
	2007	2006
<b>Regulatory assets</b>		
Deferred customer conversion costs	\$267,118	\$277,888
Unamortized loss on reacquired debt	944,861	1,001,271
Pension Costs – AGL Resources Acquisition	1,669,868	
Transition Costs – AGL Resources Acquisition	1,171,075	
Transaction Costs – AGL Resources Acquisition	592,221	
Deferred natural gas piping costs	1,900,158	1,889,701
Deferred rate case costs	-	13,893
Other	465	465
<b>Total regulatory assets</b>	<b>\$6,545,766</b>	<b>\$3,183,218</b>
<b>Regulatory liabilities</b>		
Deferred purchased gas adjustment	\$2,001,866	\$1,529,303
Unamortized investment tax credit	10,084	120,060
Regulatory tax liability	6,324	148,889
Energy conservation program	69,198	963,004
Other	1,750	1,750
<b>Total regulatory liabilities</b>	<b>\$2,089,222</b>	<b>\$2,763,006</b>

Our regulatory assets are recoverable through either rate riders or base rates specifically authorized by the Florida Commission with the exception of the regulatory assets related to pension, transition and transaction costs resulting from the acquisition of Florida City Gas by AGL Resources. Those assets are recorded for regulatory reporting purposes consistent with the Florida Commission approval on December 6, 2007. These assets are not recorded for GAAP purposes in accordance with SFAS 71. Base rates are designed to provide both a recovery of cost and a return on investment during the period rates are in effect. As such, all our regulatory assets are subject to review by the Florida Commission during any future rate proceedings. In the event that the provisions of SFAS 71 were no longer applicable, we would recognize a write-off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, which would be classified as an extraordinary item. However, although the natural gas distribution industry is becoming increasingly competitive, the Company continues to recover its costs through cost-based rates established by the Florida Commission. As a result, we believe that the accounting prescribed under SFAS 71 remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider.

### Note 4 - Employee Benefit Plans

#### Pension Benefits

AGL Resources sponsors a tax-qualified defined benefit retirement plan for our eligible employees, the NUI Corporation Retirement Plan (NUI Retirement Plan). A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant. The NUI Retirement Plan is a qualified noncontributory defined benefit retirement plan that covers all of NUI employees who were employed on or before December 31, 2005, except for Florida City Gas union employees, who participate in a union-sponsored multiemployer plan. Pension benefits are based on years of credited service and final average compensation.

In January 2008, approximately 55 Florida City Gas employees represented by Teamsters (Local Nos. 769 and 385) filed for decertification of their union. In February 2008, the majority of employees who voted approved the decertification and in March 2008 the National Labor Relation Board certified this vote. These employees will no longer participate in the union-sponsored multi-employer plan, and will participate in the AGL Resources defined benefit retirement plan and fall under our standard human resources pay and benefits plans and policies. Because the union-sponsored multi-employer plan was not fully funded, Florida City Gas will be required to fund approximately \$2 million to this plan in 2008.

Effective with AGL Resources' acquisition of NUI in November 2004, AGL Resources now administers the NUI Retirement Plan. Beginning in 2006, eligible participants in the NUI Retirement Plan became eligible to participate in the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the benefits of those participants under the NUI Retirement Plan were frozen as of December 31, 2005, resulting in a \$15 million reduction to the NUI Retirement plan's projected benefit obligations as of December 31, 2005. Participants in the NUI Retirement Plan have the option of receiving a lump sum distribution upon retirement for all benefits earned through December 31, 2005. This resulted in settlement payments of \$12 million and an immaterial settlement loss in 2006.

### SFAS 158

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158). We adopted SFAS 158 prospectively on December 31, 2006. SFAS 158 requires that we recognize all obligations related to defined benefit pensions and other postretirement benefits. This statement requires that we quantify the plans' funding status as an asset or a liability on our balance sheets.

SFAS 158 further requires that we measure the plans' assets and obligations that determine our funded status as of the end of the fiscal year. We are also required to recognize as a component of Other Comprehensive Income (OCI) the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit cost as explained in SFAS No. 87, "Employers' Accounting for Pensions," or SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Our adoption of SFAS 158 on December 31, 2006, had no impact on our earnings. The following tables present details about the NUI Retirement plan.

<i>In millions</i>	Dec. 31, 2007	Dec. 31, 2006
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$86	\$105
Interest cost	5	5
Settlement loss	-	1
Settlement payments	-	(12)
Actuarial gain	(9)	(7)
Benefits paid	(8)	(6)
Benefit obligation at end of year	\$74	\$86
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$72	\$85
Actual return on plan assets	6	4
Employer contribution	-	1
Settlement payments	-	(12)
Benefits paid	(8)	(6)
Fair value of plan assets at end of year	\$70	\$72
<b>Amounts recognized in the statement of financial position consist of</b>		
Prepaid benefit cost	\$-	\$-
Accrued benefit liability	(4)	(14)
Accumulated OCI	-	-

Net amount recognized at year end (1)	\$(4)	\$(14)
Florida City Gas' share of net liability recorded on balance sheets	\$-	\$(2)

(1) As of December 31, 2007, the NUI Retirement Plan had \$4 million of noncurrent liabilities and no noncurrent assets or current liabilities. As of December 31, 2006, the NUI Retirement Plan had \$14 million of non-current liabilities and no non-current assets or current liabilities as of December 31, 2006

The accumulated benefit obligation (ABO) and other information for the NUI Retirement Plan are set forth in the following table.

<i>In millions</i>	Dec. 31, 2007	Dec. 31, 2006
<b>Projected benefit obligation</b>	<b>\$74</b>	<b>\$86</b>
ABO	74	86
Fair value of plan assets	70	72
<b>Components of net periodic benefit cost</b>		
Service cost	\$-	\$-
Interest cost	5	5
Expected return on plan assets	(6)	(7)
Net amortization	(1)	(1)
Recognized actuarial loss	-	-
<b>Net annual pension cost</b>	<b>\$(2)</b>	<b>\$(3)</b>

There were no other changes in plan assets and benefit obligations recognized for the NUI Retirement Plan for the year ended December 31, 2007. The 2008 estimated OCI amortization and expected refunds for the NUI Retirement Plan is set forth in the following table.

<i>In millions</i>	
Amortization of transition obligation	\$-
Amortization of prior service cost	(1)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the NUI Retirement Plan at the balance sheet dates.

	Dec. 31, 2007	Dec. 31, 2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0%

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors and generally base these rates on a 10-year horizon for various asset classes, our expected investments of plan assets and active asset management as opposed to investment in a passive index fund. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate, private equity securities and alternative asset classes.

The following table presents the assumed weighted average discount rate, expected return on plan assets and rate of compensation increase used to determine net periodic benefit cost for the NUI Retirement Plan at the beginning of the period, which was January 1.

	2007	2006
Discount rate	5.8%	5.5%
Expected return on plan assets	9.0%	8.8%
Rate of compensation increase	-%	-%

We consider a variety of factors in determining and selecting our assumptions for the discount rate at December 31. We consider certain market indices, including Moody's Corporate AA long-term bond rate, the Citigroup Pension Liability rate our actuaries model and our own payment stream based on these indices to develop our rate. Consequently, we selected a discount rate of 6.4% as of December 31, 2007, following our review of these various factors.

Actual retirement plans' weighted average asset allocations at December 31, 2007 and at December 31, 2006, and target asset allocation ranges for the NUI Retirement Plan are as follows.

	Target Range Allocation of		
	Assets	2007	2006
Equity	30%-80%	71%	68%
Fixed income	10%-40%	27%	26%
Real estate and other	10%-35%	2%	3%
Cash	0%-10%	-%	3%

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the NUI Retirement Plan. Further, AGL Resources has an Investment Policy (the Policy) for the NUI Retirement Plan that aims to preserve the NUI Retirement Plan's capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the NUI Retirement Plan's assets are actively managed to optimize long-term return while maintaining a high standard of portfolio quality and proper diversification. The Policy's risk management strategy establishes a maximum tolerance for risk in terms of volatility to be measured at 75% of the volatility experienced by the Standard & Poor's (S&P) 500. AGL Resources will continue to diversify the NUI Retirement Plan's investments to minimize the risk of large losses in a single asset class. The Policy's permissible investments include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income (corporate and U.S. government obligations), cash and cash equivalents and other suitable investments. The asset mix of these permissible investments is maintained within the Policy's target allocations as included in the table above, but the Committee can vary allocations between various classes and/or investment managers in order to improve investment results.

Equity market performance and corporate bond rates have a significant effect on our reported unfunded ABO, as the primary factors that drive the value of our unfunded ABO are the assumed discount rate and the actual return on plan assets. Additionally, equity market performance has a significant effect on our market-related value of plan assets (MRVPA), which is a calculated value and differs from the actual market value of plan assets. The MRVPA recognizes the difference between the actual market value and expected market value of our plan assets and is determined by our actuaries using a five-year moving weighted average methodology. Gains and losses on plan assets are spread through the MRVPA based on the five-year moving weighted average methodology, which affects the expected return on plan assets component of pension expense.

Our employees do not contribute to the retirement plan. We fund the plan by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. We calculate the minimum amount of funding using the projected unit credit cost method. No contribution was required for the qualified plans in

2007, and we did not make a contribution. No contribution is required for the qualified plan in 2008. The Pension Protection Act (the Act) of 2006 contains new funding requirements for single employer defined benefit pension plans. The Act establishes a 100% funding target for plan years beginning after December 31, 2007. However, a delayed effective date of 2011 may apply if the pension plan meets the following targets: 92% funded in 2008; 94% funded in 2009; and 96% funded in 2010.

## Postretirement Benefits

Until, January 2006, AGL Resources sponsored two defined benefit postretirement health care plans for eligible employees – the AGL Resources Inc. Postretirement Health Care Plan (AGL Postretirement Plan) and the NUI Corporation Postretirement Health Care Plan (NUI Postretirement Plan), which AGL Resources acquired with its acquisition of NUI. Eligibility for benefits is based on age and years of service.

The NUI Postretirement Plan provided certain medical and dental health care benefits to retirees, other than retirees of Florida City Gas, depending on their age, years of service and start date. The NUI Postretirement Plan was contributory, and NUI funded a portion of these future benefits through a Voluntary Employees' Beneficiary Association. Effective July 2000, NUI no longer offered postretirement benefits other than pensions for any new hires. In addition, NUI capped its share of costs at \$500 per participant per month for retirees under age 65, and at \$150 per participant per month for retirees over age 65. At the beginning of 2006, eligible participants in the NUI Postretirement Plan become eligible to participate in the AGL Postretirement Plan and all participation in NUI plan ceased, effective January 1, 2006.

The AGL Postretirement Plan covers all eligible AGL Resources employees who were employed as of June 30, 2002, if they reach retirement age while working for AGL Resources. The state regulatory commissions have approved phase-ins that defer a portion of other postretirement benefits expense for future recovery.

Effective December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law. This act provides for a prescription drug benefit under Medicare (Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On July 1, 2004, the AGL Postretirement Plan was amended to remove prescription drug coverage for Medicare-eligible retirees effective January 1, 2006. Certain grandfathered NUI retirees participating in the NUI Postretirement Plan will continue receiving a prescription drug benefit through some period of time.

The following table present details about the AGL Postretirement plan.

<i>In millions</i>	Dec, 31, 2007	Dec, 31, 2006
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$95	\$107
Service cost	1	1
Interest cost	6	5
Plan amendments	-	-
Actuarial (gain) loss	-	(9)
Benefits paid	(8)	(9)
<b>Benefit obligation at end of year</b>	<b>\$94</b>	<b>\$95</b>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$63	\$59
Actual return on plan assets	7	5
Employer contribution	8	8
Benefits paid	(8)	(9)
<b>Fair value of plan assets at end of year</b>	<b>\$ 70</b>	<b>\$ 63</b>

**Amounts recognized in the statement of financial position consist of**



Prepaid benefit cost	\$-	\$-
Accrued benefit liability	(24)	(32)
Accumulated OCI	-	-
<b>Net amount recognized at year end (1)</b>	<b>\$(24)</b>	<b>\$(32)</b>

(1) As of December 31, 2007 and 2006, the AGL Postretirement Plan had \$24 million and 32 million of noncurrent liabilities respectively and no current assets or current liabilities.

The following table presents details on the components of the net periodic benefit cost for the AGL Postretirement Plan at the balance sheet dates.

<i>In millions</i>	AGL Postretirement Plan	
	2007	2006
Service cost	\$1	\$1
Interest cost	6	5
Expected return on plan assets	(5)	(4)
Amortization of prior service cost	(4)	(4)
Recognized actuarial loss	1	1
<b>Net periodic postretirement benefit cost</b>	<b>\$(1)</b>	<b>\$(1)</b>

There were no other changes in plan assets and benefit obligations recognized for the AGL Postretirement Plan for the year ended December 31, 2007. The 2008 estimated OCI amortization and refunds expected for the AGL Postretirement Plan are set forth in the following table.

<i>In millions</i>	2008
Amortization of transition obligation	\$-
Amortization of prior service cost	(4)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the AGL postretirement plan at December 31.

	AGL Postretirement Plan	
	2007	2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0

The following tables present the weighted average assumed rates used to determine benefit obligations on January 1, for the AGL Postretirement Plan, and the weighted average assumed rates used to determine net periodic benefit cost at the beginning of the period.

	AGL Postretirement Plan	
	2007	2006
Discount rate – benefit obligation	6.4%	5.8%
Discount rate – net periodic benefit cost	5.8%	5.5%
Expected return on plan assets	9.0%	8.5%
Rate of compensation increase	3.7%	4.0%

We consider the same factors in determining and selecting our assumptions for the overall expected long-term rate of return on plan assets as those considered in determining and selecting the overall expected long-term rate of return on plan assets for our retirement plans. For purposes of measuring our accumulated postretirement benefit obligation, the assumed pre-Medicare and post-Medicare health care inflation rates for the AGL Postretirement Plan are as follows.

Assumed health care cost trend rates at December 31,	AGL Postretirement Plan			
	Pre-medicare cost (pre-65 years old)		Post-medicare cost (post-65 years old)	
	2007	2006	2007	2006
Health care costs trend rate assumed for next year	2.5%	2.5%	2.5%	2.5%
Rate to which the cost trend rate gradually declines	2.5%	2.5%	2.5%	2.5%
Year that the rate reaches the ultimate trend rate	N/A	N/A	N/A	N/A

Effective January 2006, the health care trend rates for the AGL Postretirement Plan was capped at 2.5%. This cap limits the increase in the contributions to the annual change in the consumer price index (CPI). An annual CPI rate of 2.5% was assumed for future years.

Assumed health care cost trend rates impact the amounts reported for our health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for the AGL Postretirement Plan.

<i>In millions</i>	AGL Postretirement Plan One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost	\$-	\$-
Effect on accumulated postretirement benefit obligation	4	(4)

Our investment policies and strategies for our postretirement plan, including target allocation ranges, are similar to those for our retirement plans. We fund the plan annually; retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium. Our postretirement plan weighted average asset allocations for 2007 and 2006 and our target asset allocation ranges are as follows.

<i>In millions</i>	Target Asset allocation ranges	2007	2006
Equity	30%-80%	73%	66%
Fixed income	10%-40%	26%	32%
Real estate and other	10%-35%	-%	-%
Cash	0%-10%	1%	2%

The following table presents expected benefit payments covering the periods 2008 through 2017 for AGL Resources retirement plans and postretirement health care plan. There will be benefit payments under these plans beyond 2017.

For the years ended Dec. 31, (in millions)	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
2008	\$20	\$6	\$7
2009	20	6	7
2010	20	6	7
2011	20	6	7
2012	20	6	7
2013-2017	116	29	36

The following table presents the amounts not yet reflected in net periodic benefit cost and included in AGL Resources' accumulated OCI as of December 31, 2007.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Transition asset	\$-	\$-	\$(1)
Prior service credit	(8)	(13)	(21)
Net loss (gain)	70	(7)	13
Accumulated OCI	62	(20)	(7)
Net amount recognized in statement of financial position	(40)	(4)	(24)
Cumulative employer contributions in excess of net periodic benefit cost (accrued) prepaid	\$22	\$(24)	\$(31)

There were no other changes in plan assets and benefit obligations recognized in the AGL and NUI Retirement Plans or the AGL Postretirement Plan for the year ended December 31, 2007.

### Employee Savings Plan Benefits

AGL Resources sponsors a Retirement Savings Plus Plan (RSP), a defined contribution benefit plan that allows eligible participants to make contributions to their accounts up to specified limits.

AGL Resources also sponsors the Nonqualified Savings Plan (NSP), an unfunded, nonqualified plan similar to the RSP. The NSP provides an opportunity for eligible employees who could reach the maximum contribution amount in the RSP to contribute additional amounts for retirement savings. Our contributions to the NSP have not been significant in any year.

## Note 5 - Debt

Our issuance of various securities, including long-term and short-term debt, is subject to customary approval or authorization by state and federal regulatory bodies, including the Florida Commission, and the FERC. The following table provides more information on our various securities.

	Year(s) due	Int. rate	Outstanding as of	
			Dec. 31, 2007	Dec. 31, 2006
<b>Short-term debt</b>				
Capital leases	2008	4.9%	\$839,850	\$1,052,299
<b>Long-term debt - net of current portion</b>				
Gas facility revenue bonds, net of unamortized issuance costs (1)	2024	4.9 %	20,000,000	20,000,000
Affiliate Promissory note	2034	6.17%	39,092,341	24,610,684
Capital leases	2013	4.9%	4,376,048	5,119,215
<b>Total long-term debt</b>			<b>63,468,389</b>	<b>49,729,899</b>
<b>Total debt</b>			<b>\$64,308,239</b>	<b>\$50,782,198</b>

(1) Interest rate adjusts every 35 days. Rate indicated is rate as of December 31, 2007.

### Short-term Debt

Our short-term debt at December 31, 2007 was composed of current portions of our capital lease obligations.

### Long-term Debt

Our long-term debt matures more than one year from the balance sheet date and consists of gas facility revenue bonds, affiliate promissory note payable and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

**Gas Facility Revenue Bonds** In March 2008, auctions for our \$20 million gas facility revenue bond with an adjusting rate due October 1, 2024, failed to draw enough potential buyers. The bond has an interest rate that is adjusted every 35-days through an auction, which failed due to the dislocation or disruption in the auction markets as a result of the downgrades to the bond insurers which reduced investor demand and liquidity for this type of investment. In April 2008, we tendered the bonds through AGL Resources commercial paper program.

**Affiliate Promissory Note** In May 2005, Pivotal Utility entered into a \$72.2 million promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and of its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the New Jersey Board of Public Utilities (New Jersey Commission) and the Florida Commission. The Affiliate Promissory Note is due December 31, 2034 and has an interest rate of 6.17%, which adjusts on a quarterly basis based upon the weighted-average costs and expense of borrowing the then-outstanding long-term debt of both AGL Resources and AGL Capital Corporation, a wholly-owned financing subsidiary of AGL Resources. The initial principal amount of the Affiliate Promissory Note of \$72.2 million is adjusted on an annual basis to conform the with Pivotal Utility's target capitalization of 45% and with the authorizations of the New Jersey Commission and the Florida Commission. As of December 31, 2007, the amount outstanding under the Affiliate Promissory Note related to the company is \$39,092,341.

**Capital Leases** Our capital leases consist primarily of a sale/leaseback transaction completed in 2002 related to gas meters and other equipment and will be repaid over 11 years. Pursuant to the terms of the lease agreement, we are required to insure the leased equipment during the lease term. In addition, at the

expiration of the lease term, we have the option to purchase the leased meters from the lessor at their fair market value. As of December 31, 2007, we had \$5,215,898 outstanding under these capital leases.

## Note 6 - Commitments and Contingencies

We have incurred various contractual obligations and financial commitments in the normal course of our operating and financing activities. Contractual obligations include future cash payments required under existing contractual arrangements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual obligations as of December 31, 2007.

	Total	Payments due before December 31,			
		2008	2009 & 2010	2011 & 2012	2013 & thereafter
Pipeline charges, storage capacity and gas supply	\$38,751,939	\$7,167,766	\$14,201,121	\$7,610,339	\$9,772,713
Long-term debt	63,468,389	-	1,545,078	2,830,970	59,092,341
Short-term debt	839,850	839,850	-	-	-
Operating Leases	79,580	52,847	26,733	-	-
Interest	16,415,000	980,000	1,960,000	1,960,000	11,515,000
<b>Total</b>	<b>\$119,554,758</b>	<b>\$9,040,463</b>	<b>\$17,732,932</b>	<b>\$12,401,309</b>	<b>\$80,380,054</b>

A portion of Pivotal Utility facilities lease expense is allocated to the Company.

In January 2008, approximately 55 Florida City Gas employees represented by Teamsters (Local Nos. 769 and 385) filed for decertification of their union. In February 2008, the majority of employees who voted approved the decertification and in March 2008 the National Labor Relation Board certified this vote. For discussion on the impact of the decertification on employee benefits plan see Note 4 – Employee Benefit Plans.

### Litigation

We are involved in litigation arising in the normal course of business. We believe the ultimate resolution of such litigation will not have a material adverse effect on our financial position, results of operations or cash flows.

## Note 7 - Related Party Transactions

We have agreements with our affiliate, Sequent Energy Management, L.P. (Sequent) for transportation and storage capacity to meet our natural gas demands. The following table provides additional information on our asset management agreements with Sequent.

<i>Dollars in millions</i>	Expiration date	Timing of payment	Type of fee structure	Annual fee	Profit sharing / fees payments	
					2007	2006
Florida City Gas	Oct 2008	Annually	Profit-sharing	50%	\$1	-

See Note 2, Note 5 and Note 6 for discussion of intercompany financings.

We also engage in transactions with AGL Resources affiliates consistent with its services and tax allocation agreements.

## Note 8 - Income Taxes

We have two categories of income taxes in our statements of income: current and deferred. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense generally is equal to the changes in the deferred income tax liability and regulatory tax liability during the year. Our federal and state income taxes are reported and paid by our parent, Pivotal Utility.

### Investment Tax Credits

Deferred investment tax credits are included as a regulatory liability in our balance sheets. These investment tax credits are being amortized over the estimated life of the related properties as credits to income in accordance with regulatory requirements. We reduce income tax expense in our statements of income for the investment tax credits.

### Income Tax Expense

The relative split between current and deferred taxes is due to a variety of factors including true ups of prior year tax returns and most importantly, the timing of our property related deductions. Components of income tax expense shown in the statements of income are as follows.

<i>In thousands</i>	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006
Current income taxes		
Federal	\$670	\$2,751
State	258	569
Deferred income taxes		
Federal	994	(686)
State	188	(88)
Amortization of investment tax credits	(110)	(117)
<b>Total</b>	<b>\$2,000</b>	<b>\$2,429</b>

The reconciliations between the statutory federal income tax rate, the effective rate and the related amount of tax for the year ended December 31, 2007 and 2006 are presented below.

#### Year ended December 31, 2007

<i>Dollars in thousands</i>	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$1,828	35.0%
State income tax, net of federal income tax benefit	188	3.6
Amortization of investment tax credits	(110)	(1.6)
Other -- net	94	1.3
<b>Total income tax expense at effective rate</b>	<b>\$2,000</b>	<b>38.3%</b>

#### Year ended December 31, 2006

<i>Dollars in thousands</i>	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$2,225	35.0%
State income tax, net of federal income tax benefit	228	3.6
Amortization of investment tax credits	(117)	(1.8)
Other -- net	93	1.4
Total income tax expense at effective rate	\$2,429	38.2%

### Accumulated Deferred Income Tax Assets and Liabilities

We report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our balance sheet. We measure the assets and liabilities using income tax rates that are currently in effect. Because of the regulated nature of the utilities' business, we recorded a regulatory tax liability in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), which we are amortizing over approximately 30 years. Components that give rise to the net accumulated deferred income tax liability are as follows:

<i>In thousands</i>	As of	
	Dec. 31, 2007	Dec. 31, 2006
<b>Accumulated deferred income tax liabilities</b>		
Property - accelerated depreciation and other property-related items	\$12,944	\$12,708
Unrecovered gas costs	-	-
Pension and other employee benefits	357	-
Other - liabilities	1,069	5
Total accumulated deferred income tax liabilities	\$14,370	\$12,713
<b>Accumulated deferred income tax assets</b>		
Pension and other employee benefits	\$ -	\$942
Bad debts and insurance reserves	66	130
Other - assets	2,060	2,412
Total accumulated deferred income tax assets	2,126	3,484
Net accumulated deferred tax liability	\$12,244	\$9,229