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**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**  

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**(ADDRESS OF RESPONDENT)**

TO THE  
  
FLORIDA PUBLIC SERVICE COMMISSION  
  
FOR THE  
  
YEAR ENDED DECEMBER 31, 2008

09 MAY 29 PM 3:57  
ECONOMIC REGULATION  
COMMISSION

FLORIDA 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	PSC/ECR 020-G (12/03)	

**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	02 Year of Report
PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	December 31, 2008
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 E. 25 Street, Hialeah, FL 33013-3498	
05 Name of Contact Person	06 Title of Contact Person
Bryan Seas	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	09 Date of Report (Mo., Day, Yr)
(404) 584-3400	May 27, 2009

## ATTESTATION


I certify that I am the responsible accounting officer of

PIVOTAL UTILITY HOLDINGS, INC. D/B/A 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, 2008 to December 31, 2008, inclusive.

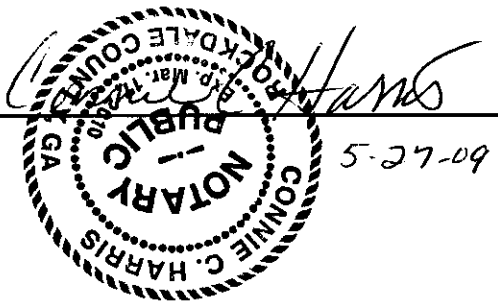
I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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

5.27.2009  
 \_\_\_\_\_  
 Date  
 Senior Vice President, Controller and CAO  
 \_\_\_\_\_  
 Title



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

For the Year Ended

12/31/2008

**CONTROL OVER RESPONDENT**

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).  
 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.

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.

**CORPORATIONS CONTROLLED BY RESPONDENT**

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.  
 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.  
 3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.  
 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.

**DEFINITIONS**

1. See the Uniform System of Accounts for a definition of control.  
 2. Direct control is that which is exercised without interposition of an intermediary.  
 3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.  
 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.

Name of Company Controlled	Kind of Business	Percent Voting Stock Owned	Footnote Ref.
(a)	(b)	(c)	(d)
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.			
	=	=	

**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	*
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	Barbara P. Christopher**	*
Vice President and Assistant Corp. Secretary, Elizabethtown Gas	M. Patricia Keefe	*

(1) Represents executive officers of Pivotal Utility Holdings, Inc. as of December 31, 2008  
 \*Such officers are compensated by an affiliate of the holding company, not the Respondent.  
 \*\*Elected 9/29/08 to replace Pamela J. Anthony who resigned effective 3/10/08.

**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	3	None
Andrew W Evans EVP & Chief Financial Officer	Ten Peachtree Place Atlanta, Georgia 30309	3	None
Henry P. Linginfelter Executive VP, Utility Operations	Ten Peachtree Place Atlanta, Georgia 30309	3	None
Paul R. Shlanta EVP & General Counsel and Chief Ethics and Compliance Officer	Ten Peachtree Place Atlanta, Georgia 30309	3	None

(1) Represents Directors as of December 31, 2008.  
 (2) Based on records contained in company minute book, represents actions by unanimous written consent.

**SECURITY HOLDERS AND VOTING POWERS**

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
	Number of votes as of (date):			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	12,807,111	12,807,111		
TOTAL number of security holders	1	1		
TOTAL votes of security holders listed below	12,807,111	12,807,111		
Note: This information relates to Pivotal Utility Holdings, Inc., which is wholly owned by NUI Corporation. NUI Corporation is a wholly owned subsidiary of AGL Resources Inc.				

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

- Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
- Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

- Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
- State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
- State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- None
- None
- None
- Florida City Gas (FCG) is a party, as both a plaintiff and defendant, to a number of suits, claims and counter claims on an ongoing basis. Management believes that the outcome of all litigation which it is involved in will not have a material adverse effect on FCG's financial statements.
- FCG engages in transactions with AGL Resources affiliates consistent with its services, tax allocation, and asset management agreements.

Name of Respondent			For the Year Ended	
PIVOTAL UTILITY HOLDINGS, INC.			Dec. 31, 2008	
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)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	245,082,226	253,087,370
3	Construction Work in Progress (107)	12	8,477,642	12,388,732
4	TOTAL Utility Plant Total of lines 2 and 3)		253,559,868	265,476,102
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	108,475,731	116,918,866
6	Net Utility Plant (Total of line 4 less 5)		145,084,137	148,557,236
7	Utility Plant Adjustments (116)	11		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)			
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)		186,143	194,341
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)		134,570	142,768
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)		10,901,155	12,524,681
24	Other Accounts Receivable (143)		(95,677)	83,400
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		170,213	160,346
26	Notes Receivable from Associated Companies (145)			
27	Accounts Receivable from Associated Companies (146)			0
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)		142,607	107,514
32	Merchandise (155)			
33	Other Material and Supplies (156)			
34	Stores Expenses Undistributed (163)			
35	Gas Stored Underground & LNG Stored (164.1-164.3)			724,798
36	Prepayments (165)	18	55,733	114,050
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)		10,833,605	13,394,097
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	21	825,300	214,991
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	5,600,905	7,281,048
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	57,999	12
52	Deferred Losses from Disposition of Utility Plant. (187)			
53	Research, Development and Demonstration Expenditures (188)			
54	Unamortized Loss on Reacquired Debt (189)	20	944,861	1,685,706
55	Accumulated Deferred Income Taxes (190)	24	2,126,112	2,627,958
56	Unrecovered Purchased Gas Costs (191)		0	0
57	TOTAL Deferred Debits (Total of lines 44 through 56)		9,555,177	11,809,715
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		165,607,489	173,903,816

Note: 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, 2008

**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)	10	14,012,871	15,275,682
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10		
7	(Less) Reacquired Capital Stock (217)			
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		60,839,478	62,102,289
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)	21	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21	39,092,341	39,659,798
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)		59,092,341	59,659,798
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)		4,376,048	3,583,875
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)			2,470,530
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)		4,376,048	6,054,405
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)		0	0
27	Accounts Payable (232)		1,450,573	2,825,991
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		13,010,618	15,375,312
30	Customer Deposits (235)		3,843,947	3,188,692
31	Taxes Accrued (236)		4,979,504	4,355,016
32	Interest Accrued (237)		184,404	152,149
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		318,959	1,208,795
37	Miscellaneous Current and Accrued Liabilities (242)	22	212,624	150,797
38	Obligations Under Capital Leases-Current (243)		839,850	787,745
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		24,840,479	28,044,497
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)	22		0
44	Other Regulatory Liabilities (254)	22	2,079,138	825,444
45	Accumulated Deferred Investment Tax Credits (255)	23	10,084	8,824
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	14,369,921	17,208,559
49	TOTAL Deferred Credits (Total of lines 42 through 48)		16,459,143	18,042,827
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)	=	165,607,489	173,903,816

**STATEMENT OF INCOME**

- |  |   |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>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.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

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	93,284,158	86,344,923
3	Operating Expenses			
4	Operation Expenses (401)	27-29	62,905,460	56,592,146
5	Maintenance Expenses (402)	27-29	1,113,190	1,570,790
6	Depreciation Expense (403)	15-16	9,440,299	8,477,449
7	Amortization & Depletion of Utility Plant (404-405)			
8	Amortization of Utility Plant Acquisition Adjustment (406)	15-16	721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amortization of Conversion Expenses (407.2)		78,494	87,066
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	23	8,269,798	7,883,335
14	Income Taxes - Federal (409.1)		(841,819)	553,432
15	- Other (409.1)		(31,429)	238,539
16	Provision for Deferred Income Taxes (410.1)	24	3,407,645	1,182,352
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23	(1,259)	(109,976)
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)		85,062,274	77,197,028
23	Net Utility Operating Income (Total of line 2 less 22)		8,221,884	9,147,895
24	(Carry forward to page 9, line 25)			

Note: The following changes were made to FERC account classifications as reported in the 2007: Taxes related to Other income and Deductions for 2007 were reclassified from Accounts 409.1 Income Taxes - Federal and 409.1 Income Taxes - Other for 2007, which should reflect income taxes for Utility Operating Income, to Accounts 409.2 Income Taxes - Federal and 409.2 Income Taxes - Other, which should reflect income taxes for Other Income and Deductions. The amortization of loss on repurchase of reacquired debt was reclassified from account 428 Amortization of Debt Discount and Expense to account 428.1 Amortization of Loss on Reacquired Debt.

**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)		8,221,884	9,147,895
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)		298,158	358,217
38	Gain on Disposition of Property (421.1)			
39	TOTAL Other Income (Total of lines 29 through 38)		298,158	358,217
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	0	(5,013)
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		0	(5,013)
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.2)		(98,616)	(116,822)
48	Income Taxes - Other (409.2)		(16,399)	(19,426)
49	Provision for Deferred Income Taxes (410.2)	24		
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)		(115,015)	(136,248)
54	Net Other Income and Deductions (Total of lines 39,44,53)		183,143	216,956
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)		558,326	828,403
57	Amortization of Debt Discount and Expense (428)	21	23,177	55,732
58	Amortization of Loss on Reacquired Debt (428.1)	20	91,959	56,410
59	(Less) Amortization of Premium on Debt - Credit (429)			
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)			
61	Interest on Debt to Associated Companies (430)	33	3,015,233	4,017,051
62	Other Interest Expense (431)	33	501,781	1,183,955
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
64	Net Interest Charges (Total of lines 56 through 63)		4,190,476	6,141,551
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		4,214,551	3,223,300
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)		4,214,551	3,223,300

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

For the Year Ended  
 Dec. 31, 2008

**STATEMENT OF RETAINED EARNINGS**

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
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).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
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.
5. Show dividends for each class and series of capital stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
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.
8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		14,012,871
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: Dividend for Periodic Adjustment to Capital Structure		
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)		4,214,551
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(1,245,306)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(1,706,434)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		15,275,682
<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)		15,275,682

**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 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.

## **Inventories**

Our natural gas stored underground is recorded at weighted average cost. The inventory balance of natural gas stored underground at December 31, 2008 was \$724,798. We had no natural gas stored underground at December 31, 2007.

## **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 the following:

- 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 3.9% for 2008 and 3.7% during 2007.

## **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 also have included in income the amortization of these assets, net of income tax effects, consistent with the order approving the recognition. As of December 31, 2008 and 2007, the unamortized balance of the acquisition adjustment was \$18.7 million and \$19.4 million, respectively. The unamortized balance of the regulatory asset for pension costs net of related deferred tax balance as of December 31, 2008 and 2007 was \$0.9 million and \$1.0 million, respectively. Additionally, the unamortized balance of the regulatory assets for transaction costs and transitions cost, net of related deferred tax balance as of December 31, 2008 and 2007 was \$ 0.6 million and \$1.3 million respectively.

For GAAP purposes, the \$26.6 million acquisition adjustment and regulatory assets are considered goodwill. SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) requires AGL Resources to perform an annual goodwill impairment test at a reporting unit level. We did not recognize any impairment charges in 2008 and 2007. 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, including Florida City Gas.

## **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. The determination of our provision for income tax purposes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. 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) and FIN 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS Statement No. 109." Investment tax credits at December 31, 2008, of approximately \$8,824 previously deducted for income tax purposes 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.

We do not collect income taxes from our customers on behalf of governmental authorities. We collect and remit various taxes on behalf of various governmental authorities. We are required to include these taxes as revenues and operating expenses. These taxes are not material for any periods presented.

## **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 gas**

The Company's utility customers are charged for the natural gas they consume using a natural gas cost recovery mechanism set by the Florida Commission. Under this mechanism we defer (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, pension and postretirement obligations and provision for income taxes. Our actual results could differ from those estimates.



## Note 2 - Amounts Due to Affiliates

We had a \$15,375,312 and \$13,010,618 in payables at December 31, 2008 and December 31, 2007 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 – Fair value measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements; however, it eliminates inconsistencies in the guidance provided in previous accounting pronouncements. The carrying value of cash and cash equivalents, receivables, accounts payable, other current liabilities and accrued interest approximate fair value. The following table shows the carrying amounts and fair values of our long-term debt including any current portions included in our balance sheet.

	Carrying amount	Estimated fair value
As of December 31, 2008	\$ 64,031,418	\$ 64,031,418
As of December 31, 2007	64,308,239	64,308,239

We estimated the fair value of our revenue bond, which is remarketed weekly, resulting in a change in the interest rate, using the carrying amount. Additionally, our affiliate promissory note and capital leases were estimated using the carrying amount. For more information on our debt see Note 6.

SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In December 2007, the FASB provided a one-year deferral of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis, at least annually. We adopted SFAS 157 on January 1, 2008. The adoption of SFAS 157 primarily impacts our disclosures and did not have a material impact on our results of operations, and financial condition. We will adopt SFAS 157 for our nonfinancial assets and liabilities on January 1, 2009, and are currently evaluating the impact to our results of operations, and financial condition.

**FSP FAS 157-3** The Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Financial Accounting Standards (FAS) No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" in October 2008 and it is effective upon issuance including prior periods for which financial statements have not been issued. This FSP clarifies the application of SFAS No. 157, "Fair Value Measurements" in an inactive market, including; how internal assumptions should be considered when measuring fair value, how observable market information in a market that is not active should be considered and how the use of market quotes should be used when assessing observable and unobservable data. We adopted this FSP as of September 30, 2008; it had no financial impact to our results of operation or financial condition.

## Note 4 - 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	
	2008	2007
<b>Regulatory assets</b>		
Deferred customer conversion costs	\$374,827	\$267,118
Unamortized loss on reacquired debt	1,685,706	944,861
Pension Costs – AGL Resources Acquisition	1,505,618	1,669,868
Transition Costs – AGL Resources Acquisition	532,307	1,171,075
Transaction Costs – AGL Resources Acquisition	269,191	592,221
Deferred natural gas piping costs	1,818,062	1,900,158
Energy conservation program	1,134,245	-
Unrecovered postretirement benefit cost	1,645,709	-
Other	1,088	465
<b>Total regulatory assets</b>	<b>\$8,966,753</b>	<b>\$6,545,766</b>
<b>Regulatory liabilities</b>		
Deferred purchased gas adjustment	\$818,161	\$2,001,866
Unamortized investment tax credit	8,824	10,084
Regulatory tax liability	5,533	6,324
Energy conservation program	-	69,198
Other	1,750	1,750
<b>Total regulatory liabilities</b>	<b>\$834,268</b>	<b>\$2,089,222</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 regulatory assets 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 5- Employee Benefit Plans

### Oversight of Plans

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the Employees' Retirement Plan of NUI Corporation (NUI Retirement Plan). Further, AGL Resources has an Investment Policy (the Policy) for the AGL Retirement Plan and the NUI Retirement Plan that aims to preserve the capital for the AGL Retirement Plan and the NUI Retirement Plan and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the AGL Retirement Plan and the NUI Retirement Plan 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 S&P 500. AGL Resources will continue to diversify the AGL Retirement Plan and the NUI Retirement Plan 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 described on page 9, 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 the reported unfunded Accumulated Benefit Obligation (ABO), as the primary factors that drive the amount 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 the 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 plan assets and is determined by 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.

### **Pension Benefits**

AGL Resources sponsors two tax-qualified defined benefit retirement plans for our eligible employees, the AGL Retirement Plan and the NUI Retirement Plan. A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant. AGL Resources generally calculates the benefits under the AGL Retirement Plan and the NUI Retirement Plan based on age, years of service and pay. The benefit formula for the AGL Retirement Plan is a career average earnings formula, except for participants of AGL Retirement Plan who were employees as of July 1, 2000, and who were at least 50 years of age as of that date. For those participants, AGL Resources uses a final average earnings benefit formula, and will continue to use this benefit formula for such participants until June 2010, at which time any of those participants who are still active will accrue future benefits under the career average earnings formula. The NUI Retirement Plan is a qualified non-contributory defined benefit retirement plan that covers all of Florida City Gas' employees who were employed on or before December 31, 2006, except for Florida City Gas union employees, who until February 2008 participated in a union-sponsored multiemployer plan. Benefits are based on a final average earning benefit formula.

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 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 future periods.

### **Postretirement Benefits**

AGL Resources sponsors a defined benefit postretirement health care plan for eligible employees, - the Health and Welfare Plan for retirees and inactive employees of AGL Resources Inc. (AGL Postretirement Plan). Eligibility for benefits is based on age and years of service. 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. AGL Resources expects to pay \$7 million of insurance claims for the postretirement plan in 2009, but does not anticipate making any additional contributions.

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. Medicare-eligible participants receive prescription drug benefits

through a Medicare Part D plan offered by a third party and to which AGL Resources subsidizes participant premiums. Medicare-eligible retirees who opt out of the AGL Postretirement Plan are eligible to receive a cash subsidy which may be used towards eligible prescription drug expenses.

### Contributions

AGL Resources Inc. and Florida City Gas' employees do not contribute to the retirement plans. Additionally, AGL Resources annually funds the postretirement plan; however, retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium to the AGL Postretirement Plan. AGL Resources funds the plans by contributing at least the minimum amount required by applicable regulations and as recommended by its actuary. However, AGL Resources may also contribute in excess of the minimum required amount. AGL Resources calculates the minimum amount of funding using the projected unit credit cost method.

The Pension Protection Act (the Act) of 2006 contained new funding requirements for single employer defined benefit pension plans. The Act establishes a 100% funding target for plan years beginning after December 31, 2008. 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. In December 2008, the Worker, Retiree and Employer Recovery Act of 2008 allowed AGL Resources to measure the 2008 and 2009 funding target at 92%. In 2008 and 2007, no contributions to the plans were required,

### SFAS 158

In September 2006, the FASB issued SFAS 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 sheet.

SFAS 158 further requires that we measure the AGL Retirement Plan and the NUI Retirement Plan 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 costs 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, 2007, had no impact on our earnings.

The following table presents details about AGL Resources' pension and postretirement plans.

<i>Dollars in millions</i>	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
	2008	2007	2008	2007	2008	2007
<b>Change in benefit obligation</b>						
Benefit obligation, January 1,	\$353	\$368	\$74	\$86	\$94	\$95
Service cost	7	7	-	-	-	1
Interest cost	22	21	4	5	6	6
Actuarial loss (gain)	9	(23)	-	(9)	(1)	-
Benefits paid	(21)	(20)	(6)	(8)	(4)	(8)
<b>Benefit obligation, December 31,</b>	<b>\$370</b>	<b>\$353</b>	<b>\$72</b>	<b>\$74</b>	<b>\$95</b>	<b>\$94</b>
<b>Change in plan assets</b>						
Fair value of plan assets, January 1,	\$313	\$303	\$70	\$72	\$70	\$63
Actual (loss) gain on plan assets	(93)	30	(22)	6	(21)	7
Employer contribution	1	-	-	-	4	8
Benefits paid	(21)	(20)	(6)	(8)	(4)	(8)
<b>Fair value of plan assets, December 31,</b>	<b>\$200</b>	<b>\$313</b>	<b>\$42</b>	<b>\$70</b>	<b>\$49</b>	<b>\$70</b>

<b>Amounts recognized in the Consolidated balance sheets consist of</b>						
Current liability	\$ (1)	\$ (1)	\$ -	\$ -	\$ -	\$ -
Long-term liability	(169)	(39)	(30)	(4)	(46)	(24)
<b>Total liability at December 31,</b>	<b>\$ (170)</b>	<b>\$ (40)</b>	<b>\$ (30)</b>	<b>\$ (4)</b>	<b>\$ (46)</b>	<b>\$ (24)</b>
Florida City Gas' share of net liability recorded on balance sheet	\$ -	\$ -	\$ (2)	\$ -	\$ -	\$ -
<b>Assumptions used to determine benefit obligations</b>						
Discount rate	6.2%	6.4%	6.2%	6.4%	6.2%	6.4%
Rate of compensation increase	3.7%	3.7%	-	3.7%	3.7%	3.7%
<b>Accumulated benefit obligation</b>	<b>\$352</b>	<b>\$337</b>	<b>\$73</b>	<b>\$74</b>	<b>N/A</b>	<b>N/A</b>

The components of AGL Resources' pension and postretirement benefit costs are set forth in the following table.

<i>Dollars in millions</i>	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
	2008	2007	2008	2007	2008	2007
<b>Net benefit cost</b>						
Service cost	\$7	\$7	\$-	\$-	\$-	\$1
Interest cost	22	21	4	5	6	6
Expected return on plan assets	(26)	(25)	(6)	(6)	(6)	(5)
Net amortization	(1)	(1)	(1)	(1)	(4)	(4)
Recognized actuarial loss	3	7	-	-	1	1
<b>Net annual pension and postretirement costs</b>	<b>\$5</b>	<b>\$9</b>	<b>\$ (3)</b>	<b>\$ (2)</b>	<b>\$ (3)</b>	<b>\$ (1)</b>
Florida City Gas share of net annual pension and postretirement costs	\$-	\$-	\$-	\$-	\$-	\$-
<b>Assumptions used to determine benefit costs</b>						
Discount rate	6.4%	5.8%	6.4%	5.8%	6.4%	5.8%
Expected return on plan assets	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Rate of compensation increase	3.7%	3.7%	-	-	3.7%	3.7%

There were no other changes in plan assets and benefit obligations recognized for AGL Resources' retirement and postretirement plans for the year ended December 31, 2008. The 2009 estimated OCI amortization and expected refunds for these plans are set forth in the following table.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
	Amortization of prior service cost	\$ (1)	\$ (1)
Amortization of net loss	14	1	2
Refunds expected	-	-	-

AGL Resources considered a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. AGL Resources considered 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. Expected long-term rates of return were derived with the assistance of investment advisors and generally based on a 10-year horizon for various asset classes, expected investments of plan assets and active asset management as opposed to investment in a passive index fund. AGL Resources based

the 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.

AGL Resources considered a variety of factors in determining and selecting the assumptions for the discount rate at December 31. AGL Resources considered certain market indices, including Moody's Corporate AA long-term bond rate, the Citigroup Pension Liability rate, a single equivalent discount rate derived with the assistance of the actuaries and payment stream based on these indices to develop a rate. Consequently, a discount rate of 6.2% as of December 31, 2008, following the review of these various factors was selected. AGL Resources actual retirement and postretirement plans' weighted average asset allocations at December 31, 2008 and 2007 and the target asset allocation ranges are as follows:

	Target Range Asset Allocation	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
		2008	2007	2008	2007	2008	2007
Equity	30%-95%	63%	68%	63%	71%	70%	73%
Fixed income	10%-40%	30%	25%	32%	27%	28%	26%
Real estate and other	10%-35%	6%	3%	-	2%	-	-
Cash	0%-10%	1%	4%	5%	-	2%	1%

The health care trend rate for the AGL Postretirement Plan is 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 AGL Resources' 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	(3)

The following table presents expected benefit payments for the years ended December 31, 2009 through 2018 for the retirement and postretirement health care plans. There will be benefit payments under these plans beyond 2018.

<i>(in millions)</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
2009	\$20	\$6	\$7
2010	20	6	7
2011	21	6	7
2012	21	6	7
2013	21	6	7
2014-2018	116	28	35
Total	\$219	\$58	\$70

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated OCI as of December 31, 2008.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Prior service credit	\$(7)	\$(12)	\$(17)
Net loss	195	21	39
Accumulated OCI	188	9	22
Net amount recognized in statement of financial position	(170)	(30)	(46)
Prepaid (accrued ) cumulative employer contributions in excess of net periodic benefit cost	\$18	\$(21)	\$(24)

There were no other changes in plan assets and benefit obligations recognized in the AGL Retirement Plan, the NUI Retirement Plan or the AGL Postretirement Plan for the year ended December 31, 2008.

### 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.

### Note 6 - 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	Interest rate (1)	Weighted average Interest rate(2)	Outstanding as of Dec.31, 2008	Outstanding as of Dec. 31, 2007
<b>Short-term debt</b>					
Capital leases	2009	4.9%	4.9%	\$787,745	\$839,850
<b>Long-term debt</b>					
Gas facility revenue bonds, net of unamortized issuance costs	2024	1.1%	3.2%	20,000,000	20,000,000
Affiliate Promissory note	2034	6.3	6.3	39,659,798	39,092,341
Capital leases	2013	4.9	4.9	3,583,875	4,376,048
<b>Total long-term debt and capital leases</b>		<b>4.5%</b>	<b>5.2%</b>	<b>63,243,673</b>	<b>63,468,389</b>
<b>Total debt</b>		<b>4.5%</b>	<b>5.2%</b>	<b>\$64,031,418</b>	<b>\$64,308,239</b>

(1) As of December 31, 2008.

(2) For the year ended December 31, 2008.

#### Short-term Debt

Our short-term debt at December 31, 2008 and 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 our gas facility revenue bond, affiliate promissory note payable and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

**Gas Facility Revenue Bond** In 2008, auctions for our \$20 million gas facility revenue bond failed to draw enough potential buyers due to the dislocation in the auction markets as a result of the downgrades to the bond insurers that provide credit protection for this instrument which reduced investor demand and liquidity for this type of investment. In April 2008, we tendered the bond through AGL Resources commercial paper program.

In June 2008, we completed a Letter of Credit Agreement for this bond which provided additional credit support and increased investor demand for the bond. As a result, this bond was successfully auctioned and issued as variable rate gas facility bond. The bond now has an interest rate that resets weekly. There was no change to the maturity date on the bond.

**Affiliate Promissory Note** Pivotal Utility entered into a 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 6.25%, which adjusts on a periodic 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 principal amount of the Affiliate Promissory Note for Pivotal Utility including its operating division, Florida City Gas, is adjusted on an at least annual basis to conform 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, 2008, the amount outstanding under the Affiliate Promissory Note related to the Company is \$39,659,798.

**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 at approximately \$1 million per year until 2013. 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. The fair market value of the equipment will be determined on the basis of an arm's-length transaction between an informed and willing buyer. As of December 31, 2008, we had \$4,371,620 outstanding under these capital leases.

## Note 7 - 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, 2008.

<i>In thousands</i>	Total	Payments due before December 31,			
		2009	2010 & 2011	2012 & 2013	2014 & thereafter
Long-term debt	\$63,243,673	\$-	\$1,685,461	\$1,898,414	\$59,659,798
Pipeline charges, storage capacity and gas supply	35,147,088	7,815,175	9,948,861	7,610,339	9,772,713
Interest charges	4,880,502	466,115	810,666	562,419	3,041,302
Pension contributions <sup>(1)</sup>	1,706,218	87,126	174,252	174,252	1,270,588
Short-term debt	787,745	787,745	-	-	-
Standby letters of credit, performance/surety bonds	415,000	265,000	150,000	-	-
Operating leases	133,469	53,388	80,081	-	-
<b>Total</b>	<b>\$106,313,695</b>	<b>\$9,474,549</b>	<b>\$12,849,321</b>	<b>\$10,245,424</b>	<b>\$73,744,401</b>

<sup>(1)</sup> Represent payments relating to the former union sponsored multi-employer retirement plan. See Note 5 for discussion of the retirement plan.

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

### 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 or results of operations.



## Note 8 - 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	Type of fee structure	Annual fee	Profit sharing / fees payments	
				2008	2007
Florida City Gas	Mar 2013	Profit -sharing	50%	\$1	\$1

See Note 2, Note 3, Note 5, Note 6 and Note 7 for discussion of other intercompany transactions.

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

## Note 9 - 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, 2008	Year ended Dec. 31, 2007
Current income taxes		
Federal	\$(743)	\$670
State	(15)	258
Deferred income taxes		
Federal	3,031	994
State	376	188
Amortization of investment tax credits	(1)	(110)
<b>Total</b>	<b>\$2,648</b>	<b>\$2,000</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, 2008 and 2007 are presented below.

<i>Dollars in thousands</i>	2008		2007	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$2,402	35.0%	\$1,828	35.0%
State income tax, net of federal income tax benefit	253	3.7	188	3.6
Amortization of investment tax credits	(1)	-	(110)	(1.6)
Other -- net	(6)	(0.2)	94	1.3
<b>Total income tax expense at effective rate</b>	<b>\$2,648</b>	<b>38.5%</b>	<b>\$2,000</b>	<b>38.3%</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, 2008	Dec. 31, 2007
<b>Accumulated deferred income tax liabilities</b>		
Property - accelerated depreciation and other property-related items	\$16,442	\$12,944
Pension and other employee benefits	-	357
Other - liabilities	767	1,069
<b>Total accumulated deferred income tax liabilities</b>	<b>\$17,209</b>	<b>\$14,370</b>
<b>Accumulated deferred income tax assets</b>		
Pension and other employee benefits	\$778	\$-
Bad debts and insurance reserves	62	66
Other - assets	1,788	2,060
<b>Total accumulated deferred income tax assets</b>	<b>2,628</b>	<b>2,126</b>
<b>Net accumulated deferred tax liability</b>	<b>\$14,581</b>	<b>\$12,244</b>

Name of Respondent		For the Year Ended	
PIVOTAL UTILITY HOLDINGS, INC.			
D/B/A FLORIDA CITY GAS		Dec. 31, 2008	
<b>SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION</b>			
<b>Line No.</b>	<b>Item (a)</b>	<b>Total (b)</b>	<b>Gas (c)</b>
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	230,586,256	230,586,256
4	101.1 Property Under Capital Leases	844,279	844,279
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 )	253,087,370	253,087,370
12	107 Construction Work in Progress	12,388,732	12,388,732
13	Accum. Provision for Depreciation, Amortization, & Depletion	(116,918,866)	(116,918,866)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	148,557,236	148,557,236
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(113,910,972)	(113,910,972)
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)	(113,910,972)	(113,910,972)
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	(3,007,894)	(3,007,894)
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	(116,918,866)	(116,918,866)

**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, 2008**

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374	Land-Distribution		81,369						81,369
389	Land-General		333,111						333,111
	Land-Other		0						0
<b>Amortizable General Plant Assets:</b>									
301	Organization		0						0
302	Franchises and Consents		325,165						325,165
303	Miscellaneous Intangible Plant		27,593						27,593
399	Miscellaneous Intangible Property		38,828						38,828
<b>Depreciable Assets: This sch 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	5,158					742,835
376	Mains - Plastic	2.9	52,971,352	4,262,797	15,393		(361,087)		56,757,669
376	Mains - Other	2.8	82,067,449	397,093	2,494				82,462,048
379	M & R Station Equipment - City Gate	2.9	5,766,845						5,766,845
380	Services - Plastics	3.8	32,302,690	1,717,305	92,757				33,927,238
380	Services - Other	7.1	13,081,780	(14,977)	150,609				12,916,194
381	Meters	4.2	8,521,112	1,133,717	732,668				9,922,161
382	Meter Installation	3.5	3,127,145	27,936					3,155,081
383	House Regulators	4.4	2,291,118	208,716					2,497,834
384	House Regulators Installation	3.7	1,290,064	59,252					1,349,316
385	Industrial M & R Station Equipment	3.2	3,067,405	118,993					3,186,398
386.5	Leased Water Heaters	8.0	0						0
386.6	Leased Dryers	8.2	0						0
386.7	Leased Rangers	8.8	0						0
387	Other Equipment	2.9	298,686	155,994					454,680
390	Structures & Improvements	2.5	2,329,578						2,329,578
391.1	Office Furniture	4.3	1,018,245	25,833					1,044,078
391.2	Office Equipment	1.9	1,799,537	658,021			53,881		1,799,537
391.3	Computers	16.7	7,241,366	28,089			446,118		7,953,288
392	Transportation Equipment	2.7	2,392,474		18,708				2,837,972
393	Stores Equipment	3.6	7,422						7,422
394	Tools, Shop and Garage Equipment	6.7	876,672	76,857					955,530
395	Laboratory Equipment	4.0	4,034						4,034
397	Communication Equipment	6.9	1,140,033		21,349				1,118,684
398	Miscellaneous Equipment	6.7	394,621	41,425					436,046

**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, 2008

Acct. No. Description (Continued)	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
<b>Capital Recovery Schedules:</b>								
<b>Amortizable Assets:</b>								
		223,425,391	6,900,210	1,033,979	0	138,912	0	231,430,535
114 Acquisition Adjustment		21,656,835						21,656,835
118 Other Utility Plant								
<b>Total Utility Plant</b>		245,082,226	8,900,210	1,033,979	0	138,912	0	253,087,370

**Note: \*** The total beginning and ending balances must agree to accts. 101, Plant in Service, Line 3 and 101.1 Property Under Capital Lease, Line 4, and 114 Acquisition Adjustments, Page 12.

**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, 2008**

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
374	Land-Distribution	0								0
389	Land-General	0								0
<b>Amortizable General Plant Assets:</b>										
302	Franchises and Consents	128,358	9,756							138,114
303	Miscellaneous Intangible Plant	21,317	1,008							22,325
399	Miscellaneous Intangible Property	5,216	783							5,999
<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	280,354	16,252		15,393		846	28,819		296,606
376	Mains - Plastic	17,495,928	1,690,014		2,484		154			19,198,521
376	Mains - Other	45,192,661	2,235,534							47,425,547
379	M & R Station Equipment - City Gate	2,283,420	175,399							2,458,819
380	Services - Plastics	12,076,545	1,198,390		92,757		6,886			13,175,292
380	Services - Other	15,381,619	979,209		150,609		32,190			16,178,029
381	Meters	2,488,000	379,744		732,668					2,135,076
382	Meter Installation	1,347,276	110,374							1,457,650
383	House Regulators	1,041,404	107,067							1,148,471
384	House Regulators Installation	595,350	48,603							643,953
385	Industrial M & R Station Equipment	1,285,792	91,850							1,387,642
386.5	Leased Water Heaters	0								0
386.6	Leased Dryers	0								0
386.7	Leased Rafter	0								0
387	Other Equipment	136,801	12,919							149,720
390	Structures & Improvements	390,679	58,844							449,523
391.1	Office Furniture	732,704	42,314							775,018
391.2	Office Equipment	115,767	3,964							119,731
391.3	Computers	3,061,009	1,504,962					1,158		4,567,129
392	Transportation Equipment	1,165,689	134,761		18,708	4,000		162,504		1,448,245
393	Stores Equipment	2,821	267							3,088
394	Tools, Shop and Garage Equipment	474,905	55,332							530,237
395	Laboratory Equipment	(6,091)	161							(5,930)
397	Communication Equipment	930,507	77,321		21,349					996,479
398	Miscellaneous Equipment	151,842	32,132							183,974
		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, 2008

Acct. No. Account Description (Continued)	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Capital Recovery Schedules:</b>									
<b>Subtotal</b>	106,789,873	8,966,962	0	1,033,978	4,000	40,076	192,481	0	114,879,262
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 & Landrights (Propane Sales)	(12,195)								
Undistributed Retirement Work in Progress	(587,946)						12,195		0
115 Amort. Plant Acquisition Adjustment	2,285,999	721,695				(380,344)			(968,290)
<b>Grand Total *</b>	106,475,731	9,688,657	0	1,033,978	4,000	420,420	204,876	0	116,518,666

Notes: \* The grand total of beginning and ending balances must agree to Line 17, Page 12.

\*\* Allocated Depreciation Expense of \$468,228 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 \$5,109.

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).		Development, and Demonstration (see Account 107 of the Uniform System of Accounts).	
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,		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	586,380	
2	ERT	3,155,912	
3	Construction Work in Process (sum of Minor Projects in Dade, Port St. Lucie and Brevard County)	7,961,449	
4			
5			
6	0362-Area C-130/C-131	684,990	
7			
8			
9			
10			
11			
12			
13			
14	<b>TOTAL</b>	<b>12,388,732</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.		and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.	
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed		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) (c) **
1	A&G Salaries Capitalized*	377,182	12,388,732
2	A&G Expenses Capitalized*	6,440	12,388,732
3	Benefits Capitalized**	84,408	12,388,732
4	Other Post Retirement Benefits Capitalized**	373	12,388,732
5	Pension Expense Capitalized**	44,041	12,388,732
6	At Risk Incentive Plan Expense Capitalized**	31,130	12,388,732
7	Payroll Taxes Expense Capitalized**	80,423	12,388,732
8	Fleet Expense Capitalization	73,638	12,388,732
9	Engineering (Charged from AGL Services Company)	186,628	12,388,732
10			12,388,732
11	<b>TOTAL</b>	<b>884,263</b>	<b>12,388,732</b>
* Includes capitalized administrative and general expenses for all Florida City Gas Departments.			
** Includes Benefits and Payroll taxes capitalized on A&G Salaries and on salaries direct charge to projects.			
**Capital Expenditures during FY2008 used to determine overhead allocations.			



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

For the Year Ended  
 Dec. 31, 2008

**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	55,732
2	Debt Financing	58,318
3	Prepaid Taxes	
4	Prepaid Interest	
5	Gas Prepayments	
6	Miscellaneous Prepayments: Pensions	
7		
8	<b>TOTAL</b>	<b>114,050</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, 2008
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**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)	267,118	186,203	407	78,494	374,827
2	Deferred Piping (1)	1,900,158	172,231	912	254,328	1,818,061
3	Energy Conservation Program		1,204,066	254	69,197	(4) 1,134,869
4	Regulatory Asset - Pension (2)	1,669,868		926	164,249	1,505,619
5	Regulatory Asset - Transition Costs (3)	1,171,075		930.2	638,768	532,307
6	Regulatory Asset - Transaction Costs (3)	592,221		930.2	323,030	269,191
7	Unrecovered Pension Benefit	0	1,742,515	926	96,806	1,645,709
8	Other	465			0	465
9						
10	(1) Amortization period - 10 years					
11	(2) Amortization period - 13.3 years					
12	(3) Amortization period - 5 years					
13	(4) Reclassification from account 254 - Other Regulatory Liabilities from prior year.					
14						
15						
16						
17	<b>TOTAL</b>	5,600,905	3,305,015		1,624,872	7,281,048

**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	A&G Salaries Capital Clearing	3,000	11,507	107	14,507	0
2	A&G Salary Capitalized-Benefit	679	1,035	107	1,714	0
3	A&G Salary Cap-Payroll Taxes	441	1,046	107	1,487	0
4	ATPI Capitalized Clearing	2,501	1,946	107	4,447	0
5	Acquisition Cost	0	12		0	12
6	Pension and Postretirement Benefits	51,378	(1)	228.3	51,378	0
7						
8						
9						
10						
11						
12						
13						
14	(1) Represents reclassification of debit balance of Pension & Post Retirement Benefits for presentation purposes in 2007.					
15						
16						
17	Misc. Work in Progress					0
18	Deferred Regulatory Comm. Expenses					
19	<b>TOTAL</b>	57,999				12

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended  Dec. 31, 2008
<b>SECURITIES ISSUED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR</b>	
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.
<p>April 9, 2008 tendered \$20,000,000, variable rate due October 2024 with adjustable rate gas facility revenue bond. These bonds were reissued on June 5, 2008. The unamortized debt expense related to the repurchased bonds was \$813,017. See notes to financial statements for additional details.</p>	

<b>UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)</b>						
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	944,861	832,042
2						
3	** Bond refinance & issuance	4/9/2008	20,000,000	889,213		853,664
4						
5						
6						
7						
8						<b>1,685,706</b>
9						
10						
11			=	=		
12						
13						

\*Total credits include portions of long-term debt reclassified to short-term debt for \$56,410 and \$56,410 total amortization expense for 2008.

\*\*Debit of \$889,213 includes \$76,196 of issuance costs related to prior issuances that was reclassified from Pivotal Utility Holdings Inc. in 2008 and \$813,017 of unamortized issuance costs reclassified as of May, 31, 2008 from FERC account 181 Unamortized Debt Expense. Amortization expense booked for these items in 2008 was a credit of \$35,549.

**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	558,326	20,000,000
2	Affiliate Promissory Note **	1/1/2005	12/31/2034	25,209,352	6.25%	2,388,046	39,659,798
3							
4	* This series of bonds was repurchased in April 2008 and reissued in June 2008. See notes to financial statements for additional details.						
5	Original issue date was 7-15-1994.						
6	** Note balance is adjusted semi-annually to align FCG capital structure with target capital structure. See notes to financial statements						
7	for additional details.						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	<b>TOTAL</b>			<b>45,209,352</b>		<b>2,946,371</b>	<b>59,659,798</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	825,300	(825,300)	-
2								
3	** Refinancing fees	20,000,000	223,173	4/9/2008	10/1/2024		214,991	214,991
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

\* Net credit of \$825,300 was reclassified to FERC account 189 Unamortized Loss on Required Debt as a result of tendering and refinancing Florida City's \$20,000,000 variable rate revenue bond in 2008. Prior to this reclassification, a credit of \$14,994 was amortized for January - May 2008 from this account which was offset by a true-up to the short-term portion of long-term debt: debit of \$2,711. The net impact for FERC account 189 is \$825,300 - \$14,994 + \$2,711 = \$813,017.

\*\* Total debits of \$223,173 are related to reissuance fees for refinancing the \$20,000,000 variable rate revenue bond. Credit of \$8,183 for amortization expense for these fees was booked in 2008.

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

Line No.	Item	Balance at End of Year
1	Unclaimed Customer Checks	120,946
2	At risk incentive compensation	29,873
3	Others	(21)
4		
5		
6		
7		
8		
9		
10		
11		
12		
13	<b>TOTAL</b>	<b>150,797</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	None					0.00
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	6,324	281	791		5,533
2	PGA	2,001,866	191	30,452,472	29,268,767	818,161
3	Energy Conservation Program *	69,198	182.3	69,198		0
4	Other	1,750				1,750
5						
6						
7	* The Energy Conservation Program has an asset balance as of December 31, 2008 and is shown in Account 182.3 - Other Regulatory Assets on page 19.					
8						
9						
10						
11						
12						
13	<b>TOTAL</b>	<b>2,079,138</b>		<b>30,522,461</b>	<b>29,268,767</b>	<b>825,444</b>

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

For the Year Ended  
 Dec. 31, 2008

**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	506,870	0	0	0	0	0	506,870
2	State of Florida	0	1,829,500	0	(80,423)	2,856,595	456,719	0	2,406,905	59,502	7,528,798
3	AGL Services Company Allocation									234,130	234,130
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	1,829,500	0	426,447	2,856,595	456,719	0	2,406,905	293,632	8,269,798

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)	Acct. No. (d)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
					Amount (e)	Amount (e)			
1	Gas Utility								
2	3%			411.4					
3	4%								
4	7%								
5	10%	0		420	0			0	
6	8%	10,084		411.4	1,259			8,825	
7									
8									
9									
10	TOTAL	10,084			1,259			8,825	

Notes

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

For the Year Ended  
 Dec. 31, 2008

**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			Adjustments			Balance at End of 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	Account No.	Amount		Account No.
1	GAS	1,844,377								
2	Federal	182,692								
3	State	281,735								
4										
5										
6										
7										
8										
9										
10	TOTAL Gas (Lines 2 - 10)	2,126,112	213,072	0						
11	Other (Specify)									
12										
13	TOTAL (Account 190) (Total of lines 11 and 12)	2,126,112	213,072	0						

(1) Represents reclassification between Federal and State

Notes

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

Line No.	Description	Balance at Beginning of Year	Changes During Year			Adjustments			Balance at End of 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	Account No.	Amount		Account No.
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	12,834,030	3,496,749							
9	Other									
10	TOTAL Account 282 (Lines 7 thru 9)	12,834,030	3,496,749							
11	Account 283 - Other									
12	Electric									
13	Gas	1,535,891	(302,176)							
14	Other									
15	TOTAL Account 283 - Other (Lines 12 thru 14)	1,535,891	(302,176)							
16	GAS									
17	Federal Income Tax	12,284,444	2,848,583							
18	State Income Tax	2,085,477	345,990							
19										
20	TOTAL Gas (Lines 17 thru 19)	14,369,921	3,194,573							
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)	14,369,921	3,194,573	0	0	0	0	822,780	466,845	17,208,559

Notes

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

For the Year Ended  
 Dec. 31, 2008

**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)	
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		
6	See Page 25 a	
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 Pivotal Utility Holdings Inc. d/b/a Florida City Gas	This Report Is:		Year of Report
	(1) <input checked="" type="checkbox"/> An Original	(2) <input type="checkbox"/> A Resubmission	

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

Net Income for Fiscal Year Ended December 31, 2007	4,214,551
Adjustments For Federal Income Tax Purposes	
Income on Return Not on Books:	
Contributions in Aid of Construction	\$639,762
Expenses Booked Not Recorded on Return:	
Current Federal Income Taxes	(743,203)
Deferred Federal Income Taxes	3,031,275
Deferred State Income Taxes	376,370
Amortization of Deferred Investment Tax Credits	(1,259)
Amortization of Pension and Transition Cost Reg. Assets	803,107
Fines and Penalties	602
Lobbying Expenses	222
Pension	173,251
Accrued Bonus	
Director's Retainers	
Meals and Entertainment	13,484
Injuries And Damages Analysis	
Leasehold Improvements	332,822
Club Dues	3,986,671
Deductions on Return Not Charged Against Book Income:	
Excess of allowable depreciation over that charged to depreciation and other book expenses	(2,156,100)
Conservation Analysis	
Expenditures for Service on Customer Premises	
Cost of Removal	
Gain/Loss Difference	(340,730)
Software Labor	
Engineering Cost	(245,758)
Engineering Cost-G&A	
Bad Debts	(9,867)
Accrued Post Retirement Benefits	(20,920)
Software Amortization	(1,736,536)
Environmental Clean-Up	
Removal Cost	(380,343)
Meter Lease	(631,688)
Relocation Cost	(1,392,345)
Accrued bonus	(73,657)
Deferred Compensation	<u>(6,987,944)</u>
Total Net Adjustments for Federal Income Tax Purposes	<u>(2,361,511)</u>
Federal Taxable Income	<u>\$1,853,040</u>
State Taxes	0
Show Computation to Tax	
Federal Taxable Income	<u>\$1,853,040</u>
35% of Federal Taxable Income	648,564
Accrual to return and other adjustments	<u>(1,391,767)</u>
Current Federal Income Taxes at December 31, 2008	<u>(\$743,203)</u>

**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	40,569,265	38,636,662	16,806,451	17,250,565	97,437	98,067
4	481 - Commercial & Industrial Sales	35,286,268	30,866,602	23,558,962	23,028,638	4,552	4,364
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.	14,653,985	14,379,044	52,185,583	53,413,584	1,576	1,563
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	90,509,518	83,882,308	92,550,996	93,692,787	103,565	103,994
22	483 Sales for Resale						
23	Off-System Sales	0	0	0			
24	TOTAL Nat. Gas Service Revenues	90,509,518	83,882,308				
25	TOTAL Gas Service Revenues	90,509,518	83,882,308				
26	<b>Other Operating Revenues</b>						Notes
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	1,408,170	1,311,076				
29	488 Misc. Service Revenues	1,366,102	1,190,248				
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	368	(38,709)				
40	495.1 Overrecoveries Purchased Gas	0	0				
41	TOTAL Other Operating Revenues	2,774,640	2,462,615				
42	TOTAL Gas Operating Revenues	93,284,158	86,344,923				
43	(Less) 496 Provision for Rate Refunds	0	0				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	93,284,158	86,344,923				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	<b>TOTAL</b>	<b>\$93,284,158</b>	<b>\$86,344,923</b>	<b>92,550,996</b>	<b>93,692,787</b>		

Note: 2007 revenues were revised to reflect proper classification among FERC accounts.  
2007 volumes were corrected to include unbilled volumes. 2007 residential customer number was corrected.

Name of Respondent		For the Year Ended	
PIVOTAL UTILITY HOLDINGS, INC.		Dec. 31, 2008	
D/B/A FLORIDA CITY GAS			
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	42,825,868	36,338,893
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)	42,825,868	36,338,893
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	(4,176)	(445)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(4,176)	(445)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	42,821,692	36,339,217
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	42,821,692	36,334,159
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)	94,637	103,492
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)	94,637	103,492
43	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	928	740
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	123,793	101,279
50	871 Distribution Load Dispatching	135,642	115,733
51	872 Compressor Station Labor and Expenses	1	
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	1,426,503	1,310,676
54	875 Measuring and Regulating Station Expenses--General	313	2,001
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	56,238	64,133
57	878 Meter and House Regulator Expenses	258,064	490,416
58	879 Customer Installations Expenses	319,208	229,103
59	880 Other Expenses	919,965	842,125
60	881 Rents		
61	TOTAL Operation (Total of lines 49 through 60)	3,239,727	3,155,467
62	Maintenance		
63	885 Maintenance Supervision and Engineering		59
64	886 Maintenance of Structures and Improvements		
65	887 Maintenance of Mains	117,898	198,310
66	888 Maintenance of Compressor Station Equipment	34	27
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	18,031	43,941
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	307,723	385,778
71	893 Maintenance of Meters and House Regulators	67,268	292,385
72	894 Maintenance of Other Equipment	75,672	109,255
73	TOTAL Maintenance (Total of Lines 63 through 72)	586,625	1,029,793
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	3,826,352	4,185,261
75	<b>5. Customer Accounts Expenses</b>		
76	Operation		
77	901 Supervision		59
78	902 Meter Reading Expenses	597,266	595,961
79	903 Customer Records and Collection Expenses	94,934	71,357
80	904 Uncollectible Accounts	1,294,630	808,740
81	905 Miscellaneous Customer Accounts Expenses	3,407	14,819
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	1,990,237	1,490,937
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision		38
86	908 Customer Assistance Expenses	118,354	51,306
87	909 Informational and Instructional Expenses	1,478,879	1,421,313
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	1,597,233	1,472,658
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision		
93	912 Demonstrating and Selling Expenses	257,128	307,041
94	913 Advertising Expenses	53,195	133,473
95	916 Miscellaneous Sales Expenses	4,450	8,905
96	TOTAL Sales Expenses (Total of lines 92 through 95)	314,773	449,419
97			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2008
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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		
101	921 Office Supplies and Expenses	5,699,681	5,720,812
102	(Less) (922) Administrative Expenses Transferred--Credit	1,554,107	2,141,623
103	923 Outside Services Employed	1,572,773	1,394,806
104	924 Property Insurance	1,929,190	2,502,293
105	925 Injuries and Damages	140,621	277,445
106	926 Employee Pensions and Benefits	318,827	153,744
107	927 Franchise Requirements	2,970,204	1,945,615
108	928 Regulatory Commission Expenses	42	
109	(Less) (929) Duplicate Charges--Credit		13,893
110	930.1 General Advertising Expenses	10,469	145
111	930.2 Miscellaneous General Expenses	1,301,901	1,732,154
112	931 Rents	511,087	515,037
113	TOTAL Operation (Total of lines 100 through 112)	12,863,357	13,607,954
114	Maintenance		
115	935 Maintenance of General Plant	509,440	518,316
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	13,372,797	14,126,270
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	64,018,650	58,162,936
119			
120			

**NUMBER OF GAS DEPARTMENT EMPLOYEES**

	<p>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.</p> <p>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.</p> <p>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.</p>	
1		
2	1. Payroll Period Ended (Date)	12/31/2008
3	2. Total Regular Full-Time Employees	113
4	3. Total Part-Time and Temporary Employees	0
5	4. Total Employees	113
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	39,902,420	44,855,250	\$1.12412
7	804.1 - Liquefied Natural Gas Purchases		314,634	
8	805 - Other Gas Purchases		(2,344,016)	
9	805.1 - Purchased Gas Cost Adjustments	39,902,420	42,825,868	\$1.07326
10	<b>TOTAL (Total of lines 1 through 9)</b>			

**Notes to Gas Purchases**

**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	4,071	4,176
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17			4,071	4,176
18	<b>TOTAL</b>			

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

For the Year Ended

Dec. 31, 2008

**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	None								0
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	<b>TOTAL</b>	0	0	0	0	0	0	0	0

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

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	76,002
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 Matters	16,828
6	AGL Services Company Allocations (Represents component assigned to FERC Account 930.2)	203,860
7	2008 Acquisition Adjustment Amortization	961,798
8	Legal Services - Union Issues (9 items)	3,011
9	Legal Services - Regulatory Matters (18 items)	6,557
10	Tax Penalty	602
11	Employee Uniforms	28,461
12	Insurance	4,090
13	Various (13 items)	692
14		
15		
16		
17		
18		
19		
20	<b>TOTAL</b>	<b>1,301,901</b>

**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	1,550,733		
8	Customer Accounts	653,640		
9	Customer Service and Informational			
10	Sales	468,170		
11	Administrative and General	2,094,107		
12	TOTAL Operation (Total of lines 5 through 11)	4,766,651		
13	Maintenance			
14	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission	928		
16	Distribution	629,641		
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 14 through 17)	630,570		
19	TOTAL Operation and Maintenance	5,397,220		
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)	928		
22	Distribution (Total of lines 7 and 16)	2,180,375		
23	Customer Accounts (Transcribe from line 8)	653,640		
24	Customer Service and Informational (Transcribe from line 9)	-		
25	Sales (Transcribe from line 10)	468,170		
26	Administrative and General (Total of lines 11 and 17)	2,094,107		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	5,397,220		5,397,220
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	1,158,266	-	1,158,266
35	Other			-
36	TOTAL Construction (Total of lines 33 through 35)	1,158,266	-	1,158,266
37	Plant Removal (By Utility Department)			
38	Electric Plant			-
39	Gas Plant	97,043		97,043
40	Other			-
41	TOTAL Plant Removal (Total of lines 38 through 40)	97,043		97,043
42				
43	Other Accounts (Specify):			
44	Accrued Liability - Severences	-	-	-
45				-
46				-
47				-
48				-
49				-
50				-
51				-
52				-
53	TOTAL Other Accounts	-	-	-
54	TOTAL SALARIES AND WAGES	6,652,529	-	6,652,529



**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.
	<b>Description</b>	<b>Amount</b>
1	INFRA SOURCE UNDERGROUND CONSTRUCTION	8,328,505
2	SOUTHERN CROSS CORP.	401,158
3	TOTAL BILLINGS	363,369
4	AROUND THE CLOCK GAS SERVICE	341,222
5	SUNSHINE GAS SERVICE, INC	147,837
6	AKERMAN SENTERFITT	141,806
7	ACXIOM/ACCESS COMMUNICATIONS SYSTEMS	140,800
8	CONDUIT CONSTRUCTORS, LLC	132,218
9	TRU CHECK, INC.	125,689
10	LITTLER MENDELSON, PC	96,580
11	CROWNE ELECTRONICS	92,401
12	DIAL PLUMBING & AIR CONDITIONING, INC.	82,416
13	HERNANDEZ, ROLANDO	65,715
14	SUNSHINE STATE ONE CALL OF FLORIDA, INC.	58,401
15	CORPORATE RELOCATION, INC.	54,124
16	ACCESS DIRECT SYSTEMS	45,628
17	ORTIZ CONSULTING CORP.	33,984
18	SOUTHEAST CORROSION & ENGINEERING, INC	30,253
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
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.		
	<b>Item</b>	<b>Amount</b>
2	INTEREST ON DEBT TO ASSOCIATED COMPANIES (430)	
3	Allocated Cost of Capital	
4	Money Pool	24,537
5	Affiliate Promissory Note	602,650
6	TOTAL	2,388,045
7		3,015,233
8		
9		
10		
11		
12		
13		
14		
15	OTHER INTEREST EXPENSES (431):	
16	Financing Fees	
17	Fleet Bank - Meter Leases (Weighted Average 4%)	72,114
18	Interest on Customer Deposits ( 6% )	200,674
19	PGA ( Average 1.02%)	198,747
20	ECP (Average 1.02%)	32,479
21	TOTAL OTHER INTEREST EXPENSES	(2,233)
22		501,781
23		
24		

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

For the Year Ended

Dec. 31, 2008

**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)	75,969,981		75,969,981	84,534,733	(8,564,752)
2	Sales for Resale (483)	0		0	0	
3	Total Natural Gas Service Revenues	75,969,981		75,969,981	84,534,733	(8,564,752)
4	Total Other Operating Revenues (485-495)	17,314,177		17,314,177	8,749,425	8,564,752
5	Total Gas Operating Revenues	93,284,158		93,284,158	93,284,158	0
6	Provision for Rate Refunds (496)	0		0	0	0
7	Other (Specify) - Off System Sales	0		0	0	0
8	- PGA Over/Under Recoveries	0		0	0	0
9	- CRA Over/Under Recoveries	0		0	0	0
10	<b>Total Gross Operating Revenues</b>	<b>93,284,158</b>	<b>0</b>	<b>93,284,158</b>	<b>93,284,158</b>	<b>0</b>

Notes:

The RAF Return included \$8,565,045 of Transportation Revenue in Total Sales to Ultimate Customers that should have been included in Other Operating Revenue. Remaining differences equal (\$293). The misclassification on the RAF has no impact on the assessment because the assessment is based on total revenues.

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

For the Year Ended  
Dec. 31, 2008

**CORPORATE STRUCTURE**

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

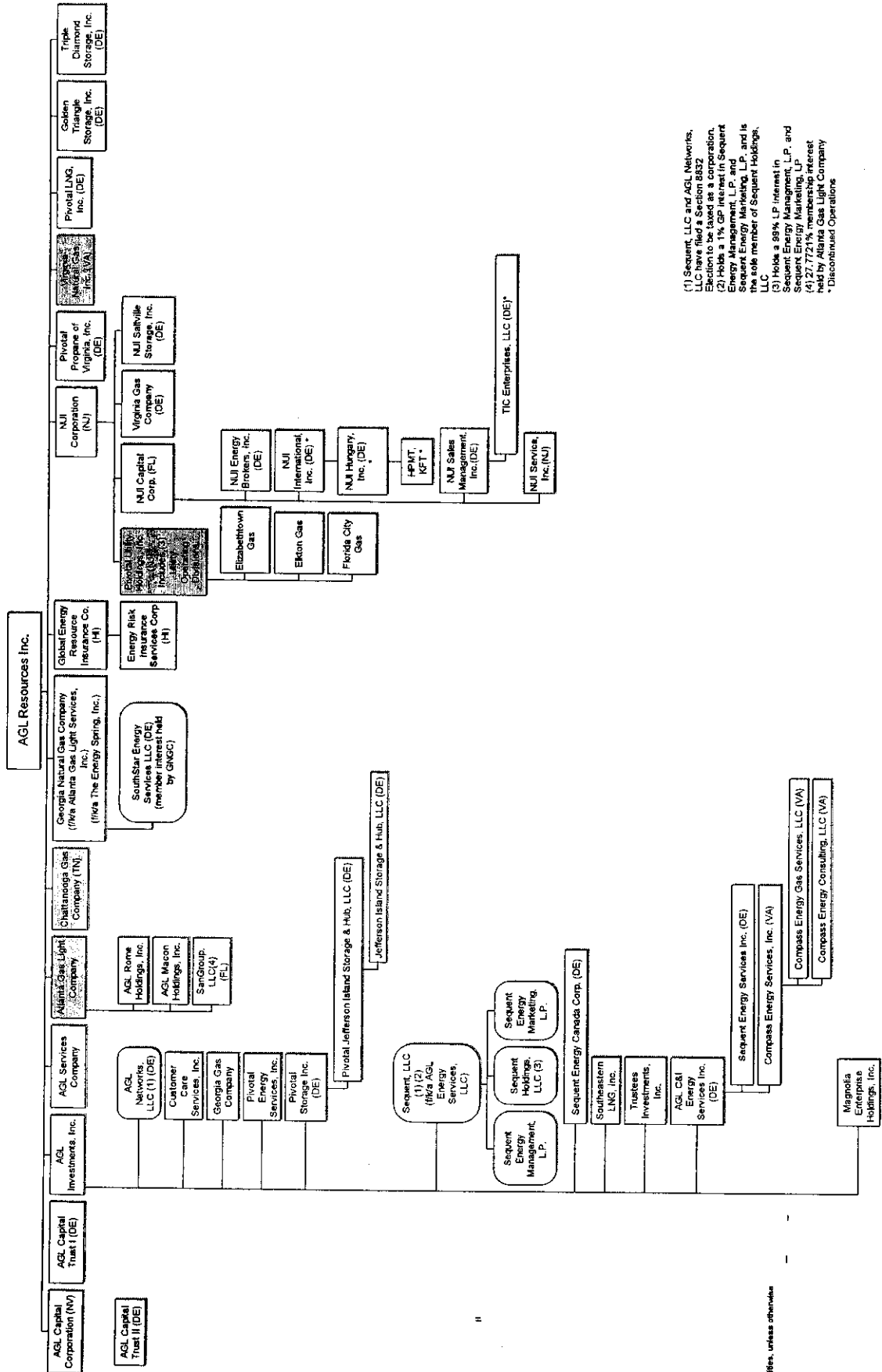
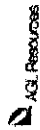
Effective Date: October 1, 2008

Please see attached.

# Office of the Corporate Secretary

## AGL Resources Inc. - Corporate Organizational Chart

### October 1, 2008



(1) Sequent, LLC and AGL Networks, LLC have filed a Section 8832 election to be treated as a corporation.  
 (2) Hold a 1% GP interest in Sequent Energy Management, L.P. and Sequent Energy Marketing, L.P. and is the sole member of Sequent Holdings, LLC.  
 (3) Hold a 99% LP interest in Sequent Energy Management, L.P. and Sequent Energy Marketing, L.P. (100% of the LP interest is held by Atlanta Gas Light Company \*Discontinued Operations

Notes:  
 All entities are Georgia entities, unless otherwise noted.

Denotes "C corporation"  
 Denotes "foreign entity"

**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)
AGL Services (1)	Executive		P		419,564
	External Relations		P		104,648
	Customer Care		P		1,221,245
	Information Technology		P		1,900,639
	Corporate Compliance		P		111,972
	Fleet Services		P		59,883
	Benefits		P		23,423
	Direct Assigned		P		677,854
	Business Support		P		703,973
	Supply Chain Management		P		37,071
	Employee Services		P		542,039
	Engineering		P		318,555
	Financial Services		P		530,078
	Gas Supply		P		337,902
	Internal Auditing		P		55,585
	Investor Relations		P		19,189
	Legal		P		371,020
	Marketing		P		134,483
	Rates & Regulatory		P		131,809
	Corporate Communications		P		143,230
Sequent Energy Mgmt. LP	Gas Purchase	Asset Management Agreement	P	804	43,887,806
	Cost of Capital	AGL Services Co. Agreement	P	430	24,537
AGL Services	Computer Equipment	AGL Services Co. Agreement	P	101	52,722
Atlanta Gas Light Company	Vehicles		P	101	194,109
Pivotal Utility Holdings d/b/a Elizabethtown Gas	Payroll		P	920	1,482
AGL Services Company	Payroll		P	107	62,983
	<b>Total</b>				<b>52,067,801</b>
Footnote:					
(1) Represents charges per the AGL Services Co. agreement.					
(2) FCG also in participates intercompany financing through its money pool agreement with AGL Services Company. Net Borrowing activity during 2008 was \$17,397,955					
(3) FCG obtains long-term financing through an affiliate promissory note payable to AGL Resources Inc. Details of the note are provided on page 21.					

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2008
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**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
Sequent Energy Management, L.P.	Sequent manages Florida City Gas' gas supply and capacity assets, and in return Sequent shares 50% of Net Margins as described in the contract. On August 5, 2008 FCG extended its Asset Management Agreement and Gas Purchase Agreement with Sequent. The agreement's start date was November 1, 2008 and will terminate on March 31, 2013.

**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.	Manage gas supply	43,887,806
Atlanta Gas Light Company	Vehicles	194,109
AGL Service Company	Computer Equipment	52,722
	=	

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2008
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**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>								
Atlanta Gas Light Company	Vehicle	\$ 446,118	\$ 252,009	\$ 194,109		(1)	\$ 194,109	
AGL Services Company	Computer Equip. (2)	\$ 53,880	\$ 23,016	\$ 30,864	(2)	(1)	\$ 30,864	
<b>Total</b>							\$	
<b>Sales to Affiliates:</b>								
None							Sales Price	
<b>Total</b>							\$	

(1) No fair market value was obtained. Value is assumed to approximate net book value.  
(2) Accumulated depreciation in the amount of \$23,016 is estimated as of the date of transfer. As of 12-31-2008 \$1,158 of accumulated depreciation has been transferred for the computer equipment assets. An estimated additional \$21,858 of accumulated depreciation will be transferred in 2009. The asset transfer shown on page 36 of \$52,722 represents the net book of \$53,880 less accumulated depreciation of \$1,158 transferred in 2008.

**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
None				

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

**Audited Financial Statements**  
**December 31, 2008 and 2007**



**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, 2008 and 2007 and the related statements of income for the years then ended and the related statement of retained earnings for the year ended December 31, 2008, 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 at December 31, 2008 and 2007, 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 5, 2009

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)		245,082,226	253,087,370
3	Construction Work in Progress (107)		8,477,642	12,388,732
4	TOTAL Utility Plant Total of lines 2 and 3)		253,559,868	265,476,102
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)		108,475,731	116,918,866
6	Net Utility Plant (Total of line 4 less 5)		145,084,137	148,557,236
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)		186,143	194,341
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)		134,570	142,768
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)		10,901,155	12,524,681
24	Other Accounts Receivable (143)		(95,677)	83,400
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		170,213	160,346
26	Notes Receivable from Associated Companies (145)			
27	Accounts Receivable from Associated Companies (146)			0
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)		142,607	107,514
32	Merchandise (155)			
33	Other Material and Supplies (156)			
34	Stores Expenses Undistributed (163)			
35	Gas Stored Underground & LNG Stored (164.1-164.3)			724,798
36	Prepayments (165)		55,733	114,050
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)		10,833,605	13,394,097
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)		825,300	214,991
45	Extraordinary Property Losses (182.1)			
46	Unrecovered Plant and Regulatory Study Costs (182.2)			
47	Other Regulatory Assets (182.3)		5,600,905	7,281,048
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)			
49	Clearing Accounts (184)			
50	Temporary Facilities (185)			
51	Miscellaneous Deferred Debits (186)		57,999	12
52	Deferred Losses from Disposition of Utility Plant. (187)			
53	Research, Development and Demonstration Expenditures (188)			
54	Unamortized Loss on Reacquired Debt (189)		944,861	1,685,706
55	Accumulated Deferred Income Taxes (190)		2,126,112	2,627,958
56	Unrecovered Purchased Gas Costs (191)		0	0
57	TOTAL Deferred Debits (Total of lines 44 through 56)		9,555,177	11,809,715
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		165,607,489	173,903,816

Note: 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, 2008

**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	14,012,871	15,275,682
6	Unappropriated Undistributed Subsidiary Earnings (216.1)			
7	(Less) Reacquired Capital Stock (217)			
8	<b>TOTAL Proprietary Capital (Total of lines 2 through 7)</b>		<b>60,839,478</b>	<b>62,102,289</b>
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)		39,092,341	39,659,798
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	<b>TOTAL Long-Term Debt (Total of lines 10 through 15)</b>		<b>59,092,341</b>	<b>59,659,798</b>
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)		4,376,048	3,583,875
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)			2,470,530
22	Accumulated Miscellaneous Operating Provisions (228.4)			
23	Accumulated Provision for Rate Refunds (229)			
24	<b>TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)</b>		<b>4,376,048</b>	<b>6,054,405</b>
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)		0	0
27	Accounts Payable (232)		1,450,573	2,825,991
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		13,010,618	15,375,312
30	Customer Deposits (235)		3,843,947	3,188,692
31	Taxes Accrued (236)		4,979,504	4,355,016
32	Interest Accrued (237)		184,404	152,149
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		318,959	1,208,795
37	Miscellaneous Current and Accrued Liabilities (242)		212,624	150,797
38	Obligations Under Capital Leases-Current (243)		839,850	787,745
39				
40	<b>TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)</b>		<b>24,840,479</b>	<b>28,044,497</b>
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)			0
44	Other Regulatory Liabilities (254)		2,079,138	825,444
45	Accumulated Deferred Investment Tax Credits (255)		10,084	8,824
46	Deferred Gains from Disposition of Utility Plant (256)			
47	Unamortized Gain on Reacquired Debt (257)			
48	Accumulated Deferred Income Taxes (281-283)		14,369,921	17,208,559
49	<b>TOTAL Deferred Credits (Total of lines 42 through 48)</b>		<b>16,459,143</b>	<b>18,042,827</b>
50				
51	<b>TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)</b>		<b>165,607,489</b>	<b>173,903,816</b>

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended  Dec. 31, 2008
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**STATEMENT OF INCOME**

- |  |   |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>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.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

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)		93,284,158	86,344,923
3	Operating Expenses			
4	Operation Expenses (401)		62,905,460	56,592,146
5	Maintenance Expenses (402)		1,113,190	1,570,790
6	Depreciation Expense (403)		9,440,299	8,477,449
7	Amortization & Depletion of Utility Plant (404-405)			
8	Amortization of Utility Plant Acquisition Adjustment (406)		721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amortization of Conversion Expenses (407.2)		78,494	87,066
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)		8,269,798	7,883,335
14	Income Taxes - Federal (409.1)		(841,819)	553,432
15	- Other (409.1)		(31,429)	238,539
16	Provision for Deferred Income Taxes (410.1)		3,407,645	1,182,352
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)			
18	Investment Tax Credit Adjustment - Net (411.4)		(1,259)	(109,976)
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)		85,062,274	77,197,028
23	Net Utility Operating Income (Total of line 2 less 22)		8,221,884	9,147,895
24	(Carry forward to page 9, line 25)			

Note: The following changes were made to FERC account classifications as reported in the 2007: Taxes related to Other income and Deductions for 2007 were reclassified from Accounts 409.1 Income Taxes - Federal and 409.1 Income Taxes - Other for 2007, which should reflect income taxes for Utility Operating Income, to Accounts 409.2 Income Taxes - Federal and 409.2 Income Taxes - Other, which should reflect income taxes for Other Income and Deductions. The amortization of loss on repurchase of reacquired debt was reclassified from account 428 Amortization of Debt Discount and Expense to account 428.1 Amortization of Loss on Reacquired Debt.

**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)		8,221,884	9,147,895
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)		298,158	358,217
38	Gain on Disposition of Property (421.1)			
39	TOTAL Other Income (Total of lines 29 through 38)		298,158	358,217
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)		0	0
43	Miscellaneous Income Deductions (426.1-426.5)		0	(5,013)
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		0	(5,013)
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)			
47	Income Taxes - Federal (409.2)		(98,616)	(116,822)
48	Income Taxes - Other (409.2)		(16,399)	(19,426)
49	Provision for Deferred Income Taxes (410.2)			
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)		(115,015)	(136,248)
54	Net Other Income and Deductions (Total of lines 39,44,53)		183,143	216,956
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)		558,326	828,403
57	Amortization of Debt Discount and Expense (428)		23,177	55,732
58	Amortization of Loss on Reacquired Debt (428.1)		91,959	56,410
59	(Less) Amortization of Premium on Debt - Credit (429)			
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)			
61	Interest on Debt to Associated Companies (430)		3,015,233	4,017,051
62	Other Interest Expense (431)		501,781	1,183,955
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
64	Net Interest Charges (Total of lines 56 through 63)		4,190,476	6,141,551
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		4,214,551	3,223,300
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)		4,214,551	3,223,300

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

For the Year Ended  
 Dec. 31, 2008

**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		14,012,871
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: Dividend for Periodic Adjustment to Capital Structure		
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)		4,214,551
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(1,245,306)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(1,706,434)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		15,275,682
<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)		15,275,682

**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 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.

## **Inventories**

Our natural gas stored underground is recorded at weighted average cost. The inventory balance of natural gas stored underground at December 31, 2008 was \$724,798. We had no natural gas stored underground at December 31, 2007.

## **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 the following:

- 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 3.9% for 2008 and 3.7% during 2007.

## **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 also have included in income the amortization of these assets, net of income tax effects, consistent with the order approving the recognition. As of December 31, 2008 and 2007, the unamortized balance of the acquisition adjustment was \$18.7 million and \$19.4 million, respectively. The unamortized balance of the regulatory asset for pension costs net of related deferred tax balance as of December 31, 2008 and 2007 was \$0.9 million and \$1.0 million, respectively. Additionally, the unamortized balance of the regulatory assets for transaction costs and transitions cost, net of related deferred tax balance as of December 31, 2008 and 2007 was \$ 0.6 million and \$1.3 million respectively.

For GAAP purposes, the \$26.6 million acquisition adjustment and regulatory assets are considered goodwill. SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) requires AGL Resources to perform an annual goodwill impairment test at a reporting unit level. We did not recognize any impairment charges in 2008 and 2007. 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, including Florida City Gas.

## **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. The determination of our provision for income tax purposes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. 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) and FIN 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS Statement No. 109." Investment tax credits at December 31, 2008, of approximately \$8,824 previously deducted for income tax purposes 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.

We do not collect income taxes from our customers on behalf of governmental authorities. We collect and remit various taxes on behalf of various governmental authorities. We are required to include these taxes as revenues and operating expenses. These taxes are not material for any periods presented.

## **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 gas**

The Company's utility customers are charged for the natural gas they consume using a natural gas cost recovery mechanism set by the Florida Commission. Under this mechanism we defer (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, pension and postretirement obligations and provision for income taxes. Our actual results could differ from those estimates.

## Note 2 - Amounts Due to Affiliates

We had a \$15,375,312 and \$13,010,618 in payables at December 31, 2008 and December 31, 2007 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 – Fair value measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements; however, it eliminates inconsistencies in the guidance provided in previous accounting pronouncements. The carrying value of cash and cash equivalents, receivables, accounts payable, other current liabilities and accrued interest approximate fair value. The following table shows the carrying amounts and fair values of our long-term debt including any current portions included in our balance sheet.

	Carrying amount	Estimated fair value
As of December 31, 2008	\$ 64,031,418	\$ 64,031,418
As of December 31, 2007	64,308,239	64,308,239

We estimated the fair value of our revenue bond, which is remarketed weekly, resulting in a change in the interest rate, using the carrying amount. Additionally, our affiliate promissory note and capital leases were estimated using the carrying amount. For more information on our debt see Note 6.

SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In December 2007, the FASB provided a one-year deferral of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis, at least annually. We adopted SFAS 157 on January 1, 2008. The adoption of SFAS 157 primarily impacts our disclosures and did not have a material impact on our results of operations, and financial condition. We will adopt SFAS 157 for our nonfinancial assets and liabilities on January 1, 2009, and are currently evaluating the impact to our results of operations, and financial condition.

**FSP FAS 157-3** The Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Financial Accounting Standards (FAS) No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" in October 2008 and it is effective upon issuance including prior periods for which financial statements have not been issued. This FSP clarifies the application of SFAS No. 157, "Fair Value Measurements" in an inactive market, including; how internal assumptions should be considered when measuring fair value, how observable market information in a market that is not active should be considered and how the use of market quotes should be used when assessing observable and unobservable data. We adopted this FSP as of September 30, 2008; it had no financial impact to our results of operation or financial condition.

## Note 4 - 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	
	2008	2007
<b>Regulatory assets</b>		
Deferred customer conversion costs	\$374,827	\$267,118
Unamortized loss on reacquired debt	1,685,706	944,861
Pension Costs – AGL Resources Acquisition	1,505,618	1,669,868
Transition Costs – AGL Resources Acquisition	532,307	1,171,075
Transaction Costs – AGL Resources Acquisition	269,191	592,221
Deferred natural gas piping costs	1,818,062	1,900,158
Energy conservation program	1,134,245	-
Unrecovered postretirement benefit cost	1,645,709	-
Other	1,088	465
<b>Total regulatory assets</b>	<b>\$8,966,753</b>	<b>\$6,545,766</b>
<b>Regulatory liabilities</b>		
Deferred purchased gas adjustment	\$818,161	\$2,001,866
Unamortized investment tax credit	8,824	10,084
Regulatory tax liability	5,533	6,324
Energy conservation program	-	69,198
Other	1,750	1,750
<b>Total regulatory liabilities</b>	<b>\$834,268</b>	<b>\$2,089,222</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 regulatory assets 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 5- Employee Benefit Plans

### Oversight of Plans

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the Employees' Retirement Plan of NUI Corporation (NUI Retirement Plan). Further, AGL Resources has an Investment Policy (the Policy) for the AGL Retirement Plan and the NUI Retirement Plan that aims to preserve the capital for the AGL Retirement Plan and the NUI Retirement Plan and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the AGL Retirement Plan and the NUI Retirement Plan 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 S&P 500. AGL Resources will continue to diversify the AGL Retirement Plan and the NUI Retirement Plan 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 described on page 9, 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 the reported unfunded Accumulated Benefit Obligation (ABO), as the primary factors that drive the amount 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 the 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 plan assets and is determined by 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.

### **Pension Benefits**

AGL Resources sponsors two tax-qualified defined benefit retirement plans for our eligible employees, the AGL Retirement Plan and the NUI Retirement Plan. A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant. AGL Resources generally calculates the benefits under the AGL Retirement Plan and the NUI Retirement Plan based on age, years of service and pay. The benefit formula for the AGL Retirement Plan is a career average earnings formula, except for participants of AGL Retirement Plan who were employees as of July 1, 2000, and who were at least 50 years of age as of that date. For those participants, AGL Resources uses a final average earnings benefit formula, and will continue to use this benefit formula for such participants until June 2010, at which time any of those participants who are still active will accrue future benefits under the career average earnings formula. The NUI Retirement Plan is a qualified non - contributory defined benefit retirement plan that covers all of Florida City Gas' employees who were employed on or before December 31, 2006, except for Florida City Gas union employees, who until February 2008 participated in a union-sponsored multiemployer plan. Benefits are based on a final average earning benefit formula.

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 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 future periods.

### **Postretirement Benefits**

AGL Resources sponsors a defined benefit postretirement health care plan for eligible employees, - the Health and Welfare Plan for retirees and inactive employees of AGL Resources Inc. (AGL Postretirement Plan). Eligibility for benefits is based on age and years of service. 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. AGL Resources expects to pay \$7 million of insurance claims for the postretirement plan in 2009, but does not anticipate making any additional contributions.

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. Medicare-eligible participants receive prescription drug benefits

through a Medicare Part D plan offered by a third party and to which AGL Resources subsidizes participant premiums. Medicare-eligible retirees who opt out of the AGL Postretirement Plan are eligible to receive a cash subsidy which may be used towards eligible prescription drug expenses.

### Contributions

AGL Resources Inc. and Florida City Gas' employees do not contribute to the retirement plans. Additionally, AGL Resources annually funds the postretirement plan; however, retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium to the AGL Postretirement Plan. AGL Resources funds the plans by contributing at least the minimum amount required by applicable regulations and as recommended by its actuary. However, AGL Resources may also contribute in excess of the minimum required amount. AGL Resources calculates the minimum amount of funding using the projected unit credit cost method.

The Pension Protection Act (the Act) of 2006 contained new funding requirements for single employer defined benefit pension plans. The Act establishes a 100% funding target for plan years beginning after December 31, 2008. 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. In December 2008, the Worker, Retiree and Employer Recovery Act of 2008 allowed AGL Resources to measure the 2008 and 2009 funding target at 92%. In 2008 and 2007, no contributions to the plans were required,

### SFAS 158

In September 2006, the FASB issued SFAS 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 sheet.

SFAS 158 further requires that we measure the AGL Retirement Plan and the NUI Retirement Plan 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 costs 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, 2007, had no impact on our earnings.

The following table presents details about AGL Resources' pension and postretirement plans.

<i>Dollars in millions</i>	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
	2008	2007	2008	2007	2008	2007
<b>Change in benefit obligation</b>						
Benefit obligation, January 1,	\$353	\$368	\$74	\$86	\$94	\$95
Service cost	7	7	-	-	-	1
Interest cost	22	21	4	5	6	6
Actuarial loss (gain)	9	(23)	-	(9)	(1)	-
Benefits paid	(21)	(20)	(6)	(8)	(4)	(8)
<b>Benefit obligation, December 31,</b>	<b>\$370</b>	<b>\$353</b>	<b>\$72</b>	<b>\$74</b>	<b>\$95</b>	<b>\$94</b>
<b>Change in plan assets</b>						
Fair value of plan assets, January 1,	\$313	\$303	\$70	\$72	\$70	\$63
Actual (loss) gain on plan assets	(93)	30	(22)	6	(21)	7
Employer contribution	1	-	-	-	4	8
Benefits paid	(21)	(20)	(6)	(8)	(4)	(8)
<b>Fair value of plan assets, December 31,</b>	<b>\$200</b>	<b>\$313</b>	<b>\$42</b>	<b>\$70</b>	<b>\$49</b>	<b>\$70</b>

<b>Amounts recognized in the Consolidated balance sheets consist of</b>						
Current liability	\$ (1)	\$ (1)	\$ -	\$ -	\$ -	\$ -
Long-term liability	(169)	(39)	(30)	(4)	(46)	(24)
<b>Total liability at December 31,</b>	<b>\$ (170)</b>	<b>\$ (40)</b>	<b>\$ (30)</b>	<b>\$ (4)</b>	<b>\$ (46)</b>	<b>\$ (24)</b>
Florida City Gas' share of net liability recorded on balance sheet	\$ -	\$ -	\$ (2)	\$ -	\$ -	\$ -
<b>Assumptions used to determine benefit obligations</b>						
Discount rate	6.2%	6.4%	6.2%	6.4%	6.2%	6.4%
Rate of compensation increase	3.7%	3.7%	-	3.7%	3.7%	3.7%
<b>Accumulated benefit obligation</b>	<b>\$352</b>	<b>\$337</b>	<b>\$73</b>	<b>\$74</b>	<b>N/A</b>	<b>N/A</b>

The components of AGL Resources' pension and postretirement benefit costs are set forth in the following table.

<i>Dollars in millions</i>	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
	2008	2007	2008	2007	2008	2007
<b>Net benefit cost</b>						
Service cost	\$7	\$7	\$-	\$-	\$-	\$1
Interest cost	22	21	4	5	6	6
Expected return on plan assets	(26)	(25)	(6)	(6)	(6)	(5)
Net amortization	(1)	(1)	(1)	(1)	(4)	(4)
Recognized actuarial loss	3	7	-	-	1	1
<b>Net annual pension and postretirement costs</b>	<b>\$5</b>	<b>\$9</b>	<b>\$(3)</b>	<b>\$(2)</b>	<b>\$(3)</b>	<b>\$(1)</b>
Florida City Gas share of net annual pension and postretirement costs	\$-	\$-	\$-	\$-	\$-	\$-
<b>Assumptions used to determine benefit costs</b>						
Discount rate	6.4%	5.8%	6.4%	5.8%	6.4%	5.8%
Expected return on plan assets	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Rate of compensation increase	3.7%	3.7%	-	-	3.7%	3.7%

There were no other changes in plan assets and benefit obligations recognized for AGL Resources' retirement and postretirement plans for the year ended December 31, 2008. The 2009 estimated OCI amortization and expected refunds for these plans are set forth in the following table.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Amortization of prior service cost	\$(1)	\$(1)	\$(4)
Amortization of net loss	14	1	2
Refunds expected	-	-	-

AGL Resources considered a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. AGL Resources considered 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. Expected long-term rates of return were derived with the assistance of investment advisors and generally based on a 10-year horizon for various asset classes, expected investments of plan assets and active asset management as opposed to investment in a passive index fund. AGL Resources based

the 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.

AGL Resources considered a variety of factors in determining and selecting the assumptions for the discount rate at December 31. AGL Resources considered certain market indices, including Moody's Corporate AA long-term bond rate, the Citigroup Pension Liability rate, a single equivalent discount rate derived with the assistance of the actuaries and payment stream based on these indices to develop a rate. Consequently, a discount rate of 6.2% as of December 31, 2008, following the review of these various factors was selected. AGL Resources actual retirement and postretirement plans' weighted average asset allocations at December 31, 2008 and 2007 and the target asset allocation ranges are as follows:

	Target Range Asset Allocation	AGL Retirement Plan		NUI Retirement Plan		AGL Postretirement Plan	
		2008	2007	2008	2007	2008	2007
Equity	30%-95%	63%	68%	63%	71%	70%	73%
Fixed income	10%-40%	30%	25%	32%	27%	28%	26%
Real estate and other	10%-35%	6%	3%	-	2%	-	-
Cash	0%-10%	1%	4%	5%	-	2%	1%

The health care trend rate for the AGL Postretirement Plan is 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 AGL Resources' 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	(3)

The following table presents expected benefit payments for the years ended December 31, 2009 through 2018 for the retirement and postretirement health care plans. There will be benefit payments under these plans beyond 2018.

<i>(in millions)</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
2009	\$20	\$6	\$7
2010	20	6	7
2011	21	6	7
2012	21	6	7
2013	21	6	7
2014-2018	116	28	35
Total	\$219	\$58	\$70

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated OCI as of December 31, 2008.

<i>In millions</i>	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Prior service credit	\$(7)	\$(12)	\$(17)
Net loss	195	21	39
Accumulated OCI	188	9	22
Net amount recognized in statement of financial position	(170)	(30)	(46)
Prepaid (accrued ) cumulative employer contributions in excess of net periodic benefit cost	\$18	\$(21)	\$(24)

There were no other changes in plan assets and benefit obligations recognized in the AGL Retirement Plan, the NUI Retirement Plan or the AGL Postretirement Plan for the year ended December 31, 2008.

### 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.

### Note 6 - 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	Interest rate (1)	Weighted average Interest rate(2)	Outstanding as of	
				Dec.31, 2008	Dec. 31, 2007
<b>Short-term debt</b>					
Capital leases	2009	4.9%	4.9%	\$787,745	\$839,850
<b>Long-term debt</b>					
Gas facility revenue bonds, net of unamortized issuance costs	2024	1.1%	3.2%	20,000,000	20,000,000
Affiliate Promissory note	2034	6.3	6.3	39,659,798	39,092,341
Capital leases	2013	4.9	4.9	3,583,875	4,376,048
<b>Total long-term debt and capital leases</b>		<b>4.5%</b>	<b>5.2%</b>	<b>63,243,673</b>	<b>63,468,389</b>
<b>Total debt</b>		<b>4.5%</b>	<b>5.2%</b>	<b>\$64,031,418</b>	<b>\$64,308,239</b>

(1) As of December 31, 2008.

(2) For the year ended December 31, 2008.

#### Short-term Debt

Our short-term debt at December 31, 2008 and 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 our gas facility revenue bond, affiliate promissory note payable and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

**Gas Facility Revenue Bond** In 2008, auctions for our \$20 million gas facility revenue bond failed to draw enough potential buyers due to the dislocation in the auction markets as a result of the downgrades to the bond insurers that provide credit protection for this instrument which reduced investor demand and liquidity for this type of investment. In April 2008, we tendered the bond through AGL Resources commercial paper program.

In June 2008, we completed a Letter of Credit Agreement for this bond which provided additional credit support and increased investor demand for the bond. As a result, this bond was successfully auctioned and issued as variable rate gas facility bond. The bond now has an interest rate that resets weekly. There was no change to the maturity date on the bond.



**Affiliate Promissory Note** Pivotal Utility entered into a 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 6.25%, which adjusts on a periodic 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 principal amount of the Affiliate Promissory Note for Pivotal Utility including its operating division, Florida City Gas, is adjusted on an at least annual basis to conform 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, 2008, the amount outstanding under the Affiliate Promissory Note related to the Company is \$39,659,798.

**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 at approximately \$1 million per year until 2013. 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. The fair market value of the equipment will be determined on the basis of an arm's-length transaction between an informed and willing buyer. As of December 31, 2008, we had \$4,371,620 outstanding under these capital leases.

## Note 7 - 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, 2008.

<i>In thousands</i>	<b>Total</b>	<b>Payments due before December 31,</b>			
		<b>2009</b>	<b>2010 &amp; 2011</b>	<b>2012 &amp; 2013</b>	<b>2014 &amp; thereafter</b>
Long-term debt	\$63,243,673	\$-	\$1,685,461	\$1,898,414	\$59,659,798
Pipeline charges, storage capacity and gas supply	35,147,088	7,815,175	9,948,861	7,610,339	9,772,713
Interest charges	4,880,502	466,115	810,666	562,419	3,041,302
Pension contributions <sup>(1)</sup>	1,706,218	87,126	174,252	174,252	1,270,588
Short-term debt	787,745	787,745	-	-	-
Standby letters of credit, performance/surety bonds	415,000	265,000	150,000	-	-
Operating leases	133,469	53,388	80,081	-	-
<b>Total</b>	<b>\$106,313,695</b>	<b>\$9,474,549</b>	<b>\$12,849,321</b>	<b>\$10,245,424</b>	<b>\$73,744,401</b>

<sup>(1)</sup> Represent payments relating to the former union sponsored multi-employer retirement plan. See Note 5 for discussion of the retirement plan.

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

### 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 or results of operations.

## Note 8 - 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	Type of fee structure	Annual fee	Profit sharing / fees payments	
				2008	2007
Florida City Gas	Mar 2013	Profit -sharing	50%	\$1	\$1

See Note 2, Note 3, Note 5, Note 6 and Note 7 for discussion of other intercompany transactions.

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

## Note 9 - 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, 2008	Year ended Dec. 31, 2007
Current income taxes		
Federal	\$(743)	\$670
State	(15)	258
Deferred income taxes		
Federal	3,031	994
State	376	188
Amortization of investment tax credits	(1)	(110)
<b>Total</b>	<b>\$2,648</b>	<b>\$2,000</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, 2008 and 2007 are presented below.

<i>Dollars in thousands</i>	2008		2007	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed tax expense at statutory rate	\$2,402	35.0%	\$1,828	35.0%
State income tax, net of federal income tax benefit	253	3.7	188	3.6
Amortization of investment tax credits	(1)	-	(110)	(1.6)
Other -- net	(6)	(0.2)	94	1.3
<b>Total income tax expense at effective rate</b>	<b>\$2,648</b>	<b>38.5%</b>	<b>\$2,000</b>	<b>38.3%</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, 2008	Dec. 31, 2007
<b>Accumulated deferred income tax liabilities</b>		
Property - accelerated depreciation and other property-related items	\$16,442	\$12,944
Pension and other employee benefits	-	357
Other - liabilities	767	1,069
<b>Total accumulated deferred income tax liabilities</b>	<b>\$17,209</b>	<b>\$14,370</b>
<b>Accumulated deferred income tax assets</b>		
Pension and other employee benefits	\$778	\$-
Bad debts and insurance reserves	62	66
Other - assets	1,788	2,060
<b>Total accumulated deferred income tax assets</b>	<b>2,628</b>	<b>2,126</b>
<b>Net accumulated deferred tax liability</b>	<b>\$14,581</b>	<b>\$12,244</b>