



Florida City Gas

955 E 25 Street
Hialeah, FL 33013

February 15, 2008

Mr. John Slemkewicz, Supervisor
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

**Re: Florida City Gas
Surveillance Report for Quarter ending December 2007**

Dear Mr. Slemkewicz:

Enclosed please find Florida City Gas' Earnings Surveillance Report for the quarter ended December 2007.

Sincerely,

Rosie Abreu
Regulatory Analyst

Encl.

08 FEB 18 AM 10:07
DIVISION OF ECONOMIC REGULATION
TALLAHASSEE, FLORIDA

FLORIDA PUBLIC SERVICE COMMISSION

**INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT**

FLORIDA CITY GAS

December 2007 - Filing


PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
December 2007 - Filing**

	(1)	(2)	(3)	(4)	(5)
	<u>ACTUAL</u>	<u>FPSC</u>	<u>FPSC</u>	<u>PRO FORMA</u>	<u>PRO FORMA</u>
	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME (a)	\$ 10,643,615	\$ (1,720,527)	\$ 8,923,088	\$ 888,304	\$ 9,811,392
AVERAGE RATE BASE (a)	\$ 103,852,866	\$ 42,611,481	\$ 146,464,347	\$ (22,507,836)	\$ 123,956,511
AVERAGE RATE OF RETURN (a)	10.25%		6.09%		7.92%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>					
	\$ 126,156,214	\$ 26,654,992	\$ 152,811,206	\$ (21,734,953)	\$ 131,076,253
<u>III. REQUIRED RATES OF RETURN</u>					
<u>AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</u>					
LOW	<u>7.43%</u>		<u>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</u>		
MIDPOINT	<u>7.85%</u>		A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS		<u>7.06%</u>
HIGH	<u>8.27%</u>		B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS		<u>11.75%</u>

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 official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s.775.084.

Bryan E. Seas SVP, Controller & Chief Acctg. Officer (Name and Title of Chief Financial Officer)	 (Signature)	2.14.2008 (Date)
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**FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 2007 - Filing**

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 233,667,636	\$ 102,597,160	\$ 131,070,476	\$ -	\$ 9,808,370	\$ 140,878,846	\$ (37,025,980)	\$ 103,852,866
FPSC ADJUSTMENTS:								
Goodwill	(18,356,199)	-	(18,356,199)	-	-	(18,356,199)	-	(18,356,199)
AGL Common Plant	5,800,113	2,750,028	3,050,085	-	-	3,050,085	-	3,050,085
AGL Purchase Premium	21,656,835	1,925,052	19,731,783	-	-	19,731,783	-	19,731,783
Transaction Cost Regulatory Asset	-	-	-	-	-	-	753,736	753,736
Nonutility plant	-	-	-	-	-	-	(128,191)	(128,191)
FCG Acquisition Adjustment	1,497,497	392,414	1,105,083	-	-	1,105,083	-	1,105,083
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	36,442,950	36,442,950
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(932,150)	(932,150)
Interest payable adjustment	-	-	-	-	-	-	(1,025,863)	(1,025,863)
Regulatory expense	-	-	-	-	-	-	(3,206)	(3,206)
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	2,022,317	2,022,317
Fort Pierce Utility acquisition	(34,800)	14,064	(48,864)	-	-	(48,864)	-	(48,864)
TOTAL FPSC ADJUSTMENTS	\$ 10,563,446	\$ 5,081,558	\$ 5,481,888	\$ -	\$ -	\$ 5,481,888	\$ 37,129,593	\$ 42,611,481
FPSC ADJUSTED	\$ 244,231,082	\$ 107,678,718	\$ 136,552,364	\$ -	\$ 9,808,370	\$ 146,360,734	\$ 103,613	\$ 146,464,347
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 244,231,082	\$ 107,678,718	\$ 136,552,364	\$ -	\$ 9,808,370	\$ 146,360,734	\$ 103,613	\$ 146,464,347
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (1,925,052)	\$ (19,731,783)	\$ -	\$ -	\$ (19,731,783)	\$ (2,776,053)	\$ (22,507,836)
PRO FORMA ADJUSTED	\$ 222,574,247	\$ 105,753,666	\$ 116,820,581	\$ -	\$ 9,808,370	\$ 126,628,951	\$ (2,672,440)	\$ 123,956,511

FLORIDA CITY GAS
 AVERAGE RATE OF RETURN
 INCOME STATEMENT
 December 2007 - Filing

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O&M GAS EXPENSE	O&M OTHER	DEPR. & AMORT.	TAXES OTHER THAN INCOME TAXES	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INV. TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$ 86,542,810	\$ 37,758,962	\$ 19,733,945	\$ 8,398,355	\$ 7,639,770	\$ 993,611	\$ 1,484,528	\$ (109,976)	\$ -	\$ 75,899,195	\$ 10,643,615
End of year customer refund accrual		\$ -		\$ -		\$ -			\$ -	\$ -	\$ -
ADJUSTED BOOKS	\$ 86,542,810	\$ 37,758,962	\$ 19,733,945	\$ 8,398,355	\$ 7,639,770	\$ 993,611	\$ 1,484,528	\$ (109,976)	\$ -	\$ 75,899,195	\$ 10,643,615
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(37,947,757)	(37,758,962)			(188,795)	-				(37,947,757)	-
Franchise/gross receipts taxes	(5,071,124)				(5,071,124)	-				(5,071,124)	-
ECP revenue/costs	-				-	-				-	-
Off-system sales	-				-	-				-	-
AGL Purchase Premium per Amort Sched				721,895		(271,650)				450,245	(450,245)
Transaction Cost Regulatory Asset				323,030		(121,557)				201,473	(201,473)
Propane Sales	(33,970)			-		(12,783)				(12,783)	(21,187)
Propane Cost			(41,277)			15,532				(25,745)	25,745
Association dues			(16,025)			6,030				(9,995)	9,995
Economic development expense			(878)			330				(548)	548
Pension and Transition Costs Reg. Asset			-	803,017			(302,176)			500,841	(500,841)
Employee activities			(13,503)			5,081				(8,422)	8,422
Interest synchronization	-	-	-	-	-	591,491	-	-	-	591,491	(591,491)
TOTAL FPSC ADJUSTMENTS	(43,052,851)	(37,758,962)	(71,683)	1,847,942	(5,259,919)	212,474	(302,176)	-	-	(41,332,324)	(1,720,527)
FPSC ADJUSTED	\$ 43,489,959	\$ -	\$ 19,662,262	\$ 10,246,297	\$ 2,379,851	\$ 1,206,085	\$ 1,182,352	\$ (109,976)	\$ -	\$ 34,566,871	\$ 8,923,088
FLEX RATE REVENUES	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED FOR FLEX RATE REVENUES	\$ 43,489,959	\$ -	\$ 19,662,262	\$ 10,246,297	\$ 2,379,851	\$ 1,206,085	\$ 1,182,352	\$ (109,976)	\$ -	\$ 34,566,871	\$ 8,923,088
PRO FORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(1,847,942)	-	657,462	302,176	-	-	(888,304)	888,304
PRO FORMA ADJUSTED	\$ 43,489,959	\$ -	\$ 19,662,262	\$ 8,398,355	\$ 2,379,851	\$ 1,863,547	\$ 1,484,528	\$ (109,976)	\$ -	\$ 33,678,567	\$ 9,811,392
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 20,128,882	\$ 8,027,476	\$ 4,770,473	\$ 2,343,496	\$ 1,814,607	\$ 392,999	\$ 263,735	\$ (27,494)	\$ -	\$ 17,585,292	\$ 2,543,590

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
December 2007 - Filing

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 250,354,582	\$ 105,850,462	\$ 144,504,120	\$ -	\$ 8,181,528	\$ 152,685,648	\$ (26,529,434)	\$ 126,156,214
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	5,303,855	2,551,891	2,751,964			2,751,964		2,751,964
AGL Acquisition Adj. Per Amort Schedule	21,656,835	2,285,999	19,370,836			19,370,836		19,370,836
Transaction Cost Regulatory Asset			-			-	592,221	592,221
FCG Acquisition Adjustments	1,497,497	412,369	1,085,128			1,085,128	-	1,085,128
Nonutility plant	-	-	-			-	(134,569)	(134,569)
Capital structure adjustments			-			-	28,922,273	28,922,273
Gas cost/conservation/CRA underrecoveries			-			-	(1,036,652)	(1,036,652)
Interest payable adjustment			-			-	13,612	13,612
Pension and Transition Costs Reg. Asset			-			-	1,771,896	1,771,896
Gain on Sale of Medley Property			-			-	-	-
Fort Pierce Utility acquisition	(34,000)	14,640	(48,640)	-	-	(48,640)	-	(48,640)
TOTAL FPSC ADJUSTMENTS	1,791,110	5,264,899	(3,473,789)	-	-	(3,473,789)	30,128,781	26,654,992
FPSC ADJUSTED	\$ 252,145,692	\$ 111,115,361	\$ 141,030,331	\$ -	\$ 8,181,528	\$ 149,211,859	\$ 3,599,347	\$ 152,811,206
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (2,285,999)	\$ (19,370,836)	\$ -	\$ -	\$ (19,370,836)	\$ (2,364,117)	\$ (21,734,953)
PRO FORMA ADJUSTED	\$ 230,488,857	\$ 108,829,362	\$ 121,659,495	\$ -	\$ 8,181,528	\$ 129,841,023	\$ 1,235,230	\$ 131,076,253

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2007 - Filing

AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT	
			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 50,944,742	36.31%	\$ 7,949,953	\$ 58,894,695		\$ 2,675,462	\$ 61,570,157	42.04%	10.25%	4.31%	11.25%	4.73%	12.25%	5.15%
LONG TERM DEBT	52,908,124	37.71%	1,088,180	53,996,304		2,452,938	56,449,242	38.54%	6.17%	2.38%	6.17%	2.38%	6.17%	2.38%
SHORT TERM DEBT	20,788,746	14.82%	(9,038,139)	11,750,607		533,805	12,284,412	8.39%	6.01%	0.50%	6.01%	0.50%	6.01%	0.50%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	5,189,555	3.70%	-	5,189,555		5,189,555	5,189,555	3.54%	6.73%	0.24%	6.73%	0.24%	6.73%	0.24%
TAX CREDITS - ZERO COST	65,072	0.05%	-	65,072		65,072	65,072	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	10,399,577	7.41%	-	10,399,577	506,332	-	10,905,909	7.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 140,295,816	100.00%	\$ (6)	\$ 140,295,810	\$ 506,332	\$ 5,662,205	\$ 146,464,347	100.00%		7.43%		7.85%		8.27%

YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			LOW POINT		MIDPOINT		HIGH POINT	
			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 64,457,986	41.56%	\$ 1,714,235	\$ 66,172,221		\$ (1,375,130)	\$ 64,797,091	42.40%	10.25%	4.35%	11.25%	4.77%	12.25%	5.19%
LONG TERM DEBT	61,698,228	39.79%	(1,029,690)	60,668,538		(1,260,758)	59,407,780	38.88%	6.17%	2.40%	6.17%	2.40%	6.17%	2.40%
SHORT TERM DEBT	13,887,155	8.95%	(684,545)	13,202,610		(274,364)	12,928,246	8.46%	6.01%	0.51%	6.01%	0.51%	6.01%	0.51%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,843,947	2.48%	-	3,843,947		3,843,947	3,843,947	2.52%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%
TAX CREDITS - ZERO COST	10,084	0.01%	-	10,084		-	10,084	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	11,181,087	7.21%	-	11,181,087	642,971	-	11,824,058	7.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 155,078,487	100.00%	\$ -	\$ 155,078,487	\$ 642,971	\$ (2,910,252)	\$ 152,811,206	100.00%		7.43%		7.85%		8.27%

AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			LOW POINT		MIDPOINT		HIGH POINT	
			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 50,944,742	36.31%	\$ 7,949,953	\$ 58,894,695		\$ (7,959,768)	\$ 50,934,927	41.09%	10.25%	4.21%	11.25%	4.62%	12.25%	5.03%
LONG TERM DEBT	52,908,124	37.71%	1,088,180	53,996,304		(7,297,738)	46,698,566	37.67%	6.17%	2.32%	6.17%	2.32%	6.17%	2.32%
SHORT TERM DEBT	20,788,746	14.82%	(9,038,139)	11,750,607		(1,588,125)	10,162,482	8.20%	6.01%	0.49%	6.01%	0.49%	6.01%	0.49%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	5,189,555	3.70%	-	5,189,555		5,189,555	5,189,555	4.19%	6.73%	0.28%	6.73%	0.28%	6.73%	0.28%
TAX CREDITS - ZERO COST	65,072	0.05%	-	65,072		65,072	65,072	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	10,399,577	7.41%	-	10,399,577	506,332	-	10,905,909	8.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 140,295,816	100.00%	\$ (6)	\$ 140,295,810	\$ 506,332	\$ (16,845,631)	\$ 123,956,511	100.00%		7.30%		7.71%		8.12%

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2007 - Filing

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.09%</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.38%
SHORT TERM DEBT	-0.50%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.24%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-3.12%</u>
TOTAL	<u>2.97%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.04%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>7.06%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES		\$ 9,811,392
RATE BASE EXCLUDING FLEX RATE REVENUES		\$ 123,956,511
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN		7.92%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT		-2.32%
SHORT TERM DEBT		-0.49%
PREFERRED STOCK		0.00%
CUSTOMER DEPOSITS		-0.28%
TAX CREDITS-WEIGHTED COST(MIDPOINT)		<u>0.00%</u>
SUBTOTAL		<u>-3.09%</u>
TOTAL		<u>4.83%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO		<u>41.09%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY		<u>11.75%</u>