



955 E 25 Street
Hialeah, FL 33013
Tel. # 305-835-3607

August 16, 2010

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

10 AUG 19 PM 2: 22
ECONOMIC REGULATION
FLORIDA PUBLIC SERVICE

**Re: Florida City Gas
Surveillance Report for Quarter ending June 2010**

Dear Mr. Slemkewicz:

Enclosed please find Florida City Gas' Earnings Surveillance Report for the quarter ended June 2010.

Please note the footnote on Sched. 2 Page 1 and Sched. 3 related to Florida City Gas' depreciation expense accruals, accumulated depreciation, and plant balance.

Sincerely,

A handwritten signature in black ink, appearing to read "Rosie Abreu".

Rosie Abreu
Sr. Financial Analyst

Encl.

FLORIDA PUBLIC SERVICE COMMISSION

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

FLORIDA CITY GAS

June 2010

PSC/AFA 13 (6/94)

FLORIDA CITY GAS
YEAR END RATE BASE
 June 2010

	(1)	(2)	(3)	(4)	(5)
	ACTUAL	FPSC	FPSC	PRO FORMA	PRO FORMA
	PER BOOKS	ADJUSTMENTS	ADJUSTED	ADJUSTMENTS	ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME (a)	\$ 8,396,042	\$ (408,219)	\$ 7,987,823	\$ 569,320	\$ 8,557,143
AVERAGE RATE BASE (a)	\$ 125,766,885	\$ 32,075,350	\$ 157,842,235	\$ (18,809,904)	\$ 139,032,331
AVERAGE RATE OF RETURN (a)	6.68%		5.06%		6.15%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>					
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	\$ 111,988,592	\$ 49,892,070	\$ 161,880,662	\$ (18,351,490)	\$ 143,529,171

	<u>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</u>	
	A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS
LOW	6.75%	6.09%
MIDPOINT	7.15%	
HIGH	7.56%	9.06%

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 Accounting Officer
 (Name and Title of Chief Financial Officer) B. 16. 2010
(Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
June 2010

	(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	\$ 273,329,413	\$ 117,916,809	\$ 155,412,603	\$ -	\$ 8,253,049	\$ 163,665,652	\$ (37,898,767)	\$ 125,766,885
FFSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	5,550,660	3,433,907	2,116,753			2,116,753		2,116,753
AGL Purchase Premium	21,656,835	3,729,789	17,927,046			17,927,046		17,927,046
Transaction Cost Regulatory Asset							20,707	20,707
Nonutility plant							(135,810)	(135,810)
FCG Acquisition Adjustment	1,497,497	512,144	985,353			985,353		985,353
Accumulated Removal Cost								
Capital structure adjustments							38,721,603	38,721,603
Gas cost/conservation/CRA underrecoveries							(717,668)	(717,668)
Interest payable adjustment							(1,053,853)	(1,053,853)
Regulatory expense								
Pension and Transition Costs Reg. Asset							862,150	862,150
Fort Pierce Utility acquisition	(34,800)	(16,944)	(17,856)			(17,856)		(17,856)
TOTAL FFSC ADJUSTMENTS	\$ 2,037,115	\$ 7,658,896	\$ (5,621,780)	\$ -	\$ -	\$ (5,621,780)	\$ 37,697,130	\$ 32,075,350
FFSC ADJUSTED	\$ 275,366,528	\$ 125,575,705	\$ 149,790,823	\$ -	\$ 8,253,049	\$ 158,043,872	\$ (201,637)	\$ 157,842,235
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 275,366,528	\$ 125,575,705	\$ 149,790,823	\$ -	\$ 8,253,049	\$ 158,043,872	\$ (201,637)	\$ 157,842,235
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (3,729,789)	\$ (17,927,046)	\$ -	\$ -	\$ (17,927,046)	\$ (862,857)	\$ (18,809,904)
PRO FORMA ADJUSTED	\$ 253,709,693	\$ 121,845,916	\$ 131,863,777	\$ -	\$ 8,253,049	\$ 140,116,826	\$ (1,064,495)	\$ 139,032,331

Note: Pursuant to Florida Public Service Commission Staff data requests dated June 21, 2010 Pivotal Utility Holdings Inc. d/b/a Florida City Gas is in the process of reviewing its depreciation expense accruals, accumulated depreciation and plant balance details. Because the review is still in process, Florida City Gas is not able to determine whether any adjustment to these balances will be required.

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
June 2010

	(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	\$ 279,709,865	\$ 117,747,227	\$ 161,962,638	\$ -	\$ 6,207,147	\$ 168,169,785	\$ (56,181,193)	\$ 111,988,592
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	5,664,940	3,723,092	1,941,848			1,941,848		1,941,848
AGL Acquisition Adj. Per Amort Schedule	21,656,835	4,090,736	17,566,099			17,566,099		17,566,099
Transaction Cost Regulatory Asset								
FCG Acquisition Adjustments	1,497,497	536,090	961,407			961,407		961,407
Nonutility plant							(133,662)	(133,662)
Capital structure adjustments							56,368,646	56,368,646
Gas cost/conservation/CRA underrecoveries							(964,266)	(964,266)
Interest payable adjustment							16,964	16,964
Pension and Transition Costs Reg. Asset							785,391	785,391
Gain on Sale of Medley Property								
Fort Pierce Utility acquisition	(34,800)	(17,520)	(17,280)			(17,280)		(17,280)
TOTAL FPSC ADJUSTMENTS	2,151,394	8,332,398	(6,181,004)			(6,181,004)	56,073,074	49,892,070
FPSC ADJUSTED	\$ 281,861,259	\$ 126,079,624	\$ 155,781,634	\$ -	\$ 6,207,147	\$ 161,988,781	\$ (108,120)	\$ 161,880,662
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,090,736)	\$ (17,566,099)	\$ -	\$ -	\$ (17,566,099)	\$ (785,391)	\$ (18,351,490)
PRO FORMA ADJUSTED	\$ 260,204,424	\$ 121,988,889	\$ 138,215,535	\$ -	\$ 6,207,147	\$ 144,422,682	\$ (893,511)	\$ 143,529,171

Note: Pursuant to Florida Public Service Commission Staff data requests dated June 21, 2010 Pivotal Utility Holdings Inc. d/b/a Florida City Gas is in the process of reviewing its depreciation expense accruals, accumulated depreciation and plant balance details. Because the review is still in process, Florida City Gas is not able to determine whether any adjustment to these balances will be required.

FLORIDA CITY GAS
CAPITAL STRUCTURE
FTSC ADJUSTED BASIS
June 2010

	ADJUSTMENTS			ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			ADJUSTMENTS		
	PER BOOKS	COMPANY RATIO	ADJUSTED	PER DATA	SPECIFIC	ADJUSTED	RATIO (%)	ADJUSTED	RATIO (%)	LOW POINT	MID POINT	HIGH POINT
AVERAGE DIVISIONAL CAPITAL	\$ 67,802,519	41.22%	\$ 67,346,282	\$ (456,237)	\$ 67,346,282	\$ (3,345,489)	40.53%	\$ 64,000,793	40.53%	10.25%	11.25%	12.25%
LONG TERM DEBT	57,964,366	35.24%	67,111,891	9,147,525	67,111,891	(3,333,845)	40.41%	63,778,046	40.41%	5.78%	5.78%	5.78%
SHORT TERM DEBT	18,464,324	11.23%	9,773,035	(8,691,289)	9,773,035	(483,483)	5.88%	9,289,550	5.88%	1.62%	1.62%	1.62%
PREFERRED STOCK	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,449,356	2.10%	3,449,356	3,449,356	3,449,356	-	2.19%	3,449,356	2.19%	6.73%	6.73%	6.73%
TAX CREDITS - ZERO COST	7,565	0.00%	7,565	-	7,565	-	0.00%	7,565	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	16,800,359	10.21%	16,800,359	-	16,800,359	518,565	10.97%	17,318,924	10.97%	0.00%	0.00%	0.00%
TOTAL	\$ 164,488,488	100.00%	\$ 164,488,488	\$ (0)	\$ 164,488,488	\$ (7,164,818)	100.00%	\$ 157,323,670	100.00%	6.75%	7.15%	7.56%

	ADJUSTMENTS			ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			ADJUSTMENTS		
	PER BOOKS	COMPANY RATIO	ADJUSTED	PRO RATA	SPECIFIC	ADJUSTED	RATIO (%)	ADJUSTED	RATIO (%)	LOW POINT	MID POINT	HIGH POINT
YEAR END DIVISIONAL CAPITAL	\$ 69,301,373	41.16%	\$ 67,869,930	\$ (1,431,443)	\$ 67,869,930	\$ (3,024,126)	40.06%	\$ 64,845,804	40.06%	10.25%	11.25%	12.25%
LONG TERM DEBT	42,687,219	23.36%	67,633,736	24,946,517	67,633,736	(3,013,601)	39.92%	64,620,135	39.92%	5.78%	5.78%	5.78%
SHORT TERM DEBT	33,364,121	19.82%	9,849,027	(23,515,094)	9,849,027	(438,850)	5.81%	9,410,177	5.81%	1.62%	1.62%	1.62%
PREFERRED STOCK	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,596,872	2.14%	3,596,872	3,596,872	3,596,872	-	2.22%	3,596,872	2.22%	6.73%	6.73%	6.73%
TAX CREDITS - ZERO COST	6,935	0.00%	6,935	-	6,935	-	0.00%	6,935	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	19,400,718	11.52%	19,400,718	-	19,400,718	-	11.98%	19,400,718	11.98%	0.00%	0.00%	0.00%
TOTAL	\$ 168,571,238	100.00%	\$ 168,571,238	\$ (0)	\$ 168,571,238	\$ (6,476,577)	100.00%	\$ 161,894,661	100.00%	6.66%	7.06%	7.46%

	ADJUSTMENTS			ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTMENTS			ADJUSTMENTS		
	PER BOOKS	COMPANY RATIO	ADJUSTED	PRO RATA	SPECIFIC	ADJUSTED	RATIO (%)	ADJUSTED	RATIO (%)	LOW POINT	MID POINT	HIGH POINT
AVERAGE EXCLUDING AGL-AQO ABL & REG. ASSETS DIVISIONAL CAPITAL	\$ 67,802,519	41.22%	\$ 67,346,282	\$ (456,237)	\$ 67,346,282	\$ (12,128,430)	39.72%	\$ 55,217,852	39.72%	10.25%	11.25%	12.25%
LONG TERM DEBT	57,964,366	35.24%	67,111,891	9,147,525	67,111,891	(12,086,238)	39.88%	55,025,653	39.88%	5.78%	5.78%	5.78%
SHORT TERM DEBT	18,464,324	11.23%	9,773,035	(8,691,289)	9,773,035	(1,760,024)	5.76%	8,013,001	5.76%	1.62%	1.62%	1.62%
PREFERRED STOCK	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,449,356	2.10%	3,449,356	3,449,356	3,449,356	-	2.48%	3,449,356	2.48%	6.73%	6.73%	6.73%
TAX CREDITS - ZERO COST	7,565	0.00%	7,565	-	7,565	-	0.01%	7,565	0.01%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	16,800,359	10.21%	16,800,359	-	16,800,359	518,565	12.66%	17,318,924	12.66%	0.00%	0.00%	0.00%
TOTAL	\$ 164,488,488	100.00%	\$ 164,488,488	\$ (0)	\$ 164,488,488	\$ (25,974,722)	100.00%	\$ 139,033,731	100.00%	6.62%	7.02%	7.42%

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2010

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.06%</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.34%
SHORT TERM DEBT	-0.10%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-2.59%</u>
TOTAL	<u>2.47%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>40.55%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>6.09%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,557,143
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ 139,032,331
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.15%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.29%
SHORT TERM DEBT	-0.09%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.17%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-2.55%</u>
TOTAL	<u>3.60%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>39.72%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>9.06%</u>