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Hialeah, FL 33013  
Tel: (305)-835-3601

November 15, 2010

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 <sup>Sept</sup> June 2010

Dear Mr. Slemkewicz,

Enclosed please find the electronic filing of the Florida City Gas Earnings Surveillance Report for the quarter ended September 2010.

Thank you for your assistance.

Sincerely,

*Christina Robinson*

Christina Robinson  
Regulatory Analyst  
Florida City Gas

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FLORIDA PUBLIC SERVICE  
COMMISSION  
ECONOMIC REGULATION

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FLORIDA PUBLIC SERVICE  
COMMISSION

**FLORIDA PUBLIC SERVICE COMMISSION**

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

**FLORIDA CITY GAS**

**September 2010**

**PSC/AFA 13 (6/94)**

FLORIDA CITY GAS  
YEAR END RATE BASE  
September 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)	\$ 8,373,367	\$ (244,981)	\$ 8,128,386	\$ 423,861	\$ 8,552,247
AVERAGE RATE BASE (a)	\$ 123,228,839	\$ 37,559,573	\$ 160,788,412	\$ (18,562,198)	\$ 142,226,214
AVERAGE RATE OF RETURN (a)	6.79%		5.06%		6.01%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>					
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	\$ 112,283,126	\$ 51,442,943	\$ 163,726,069	\$ (18,196,627)	\$ 145,529,442

III. REQUIRED RATES OF RETURN  
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)

LOW	6.69%	A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	6.21%
MIDPOINT	7.09%	B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	8.82%
HIGH	7.49%		

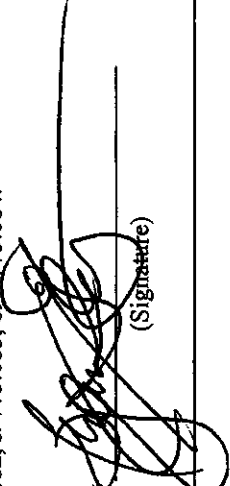
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

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. Sees, SVP, Controller & CAO  
(Name and Title of Chief Financial Officer)

11-15-2010  
(Date)



FLORIDA CITY GAS  
AVERAGE RATE OF RETURN  
RATE BASE  
September 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	\$ 276,607,407	\$ 117,658,574	\$ 158,948,833	\$ -	\$ 6,901,675	\$ 165,850,509	\$ (42,621,670)	\$ 123,228,839
<b>FPSC ADJUSTMENTS:</b>								
Goodwill	(26,633,077)	-	(26,633,077)	-	-	(26,633,077)	-	(26,633,077)
AGL Common Plant	5,667,311	3,611,022	2,056,288	-	-	2,056,288	-	2,056,288
AGL Purchase Premium	21,656,835	3,910,262	17,746,573	-	-	17,746,573	-	17,746,573
Transaction Cost Regulatory Asset	-	-	-	-	-	-	2,071	2,071
Nonutility plant	-	-	-	-	-	-	(133,505)	(133,505)
FCG Acquisition Adjustment	1,497,497	524,117	973,380	-	-	973,380	-	973,380
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	44,408,779	44,408,779
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(601,571)	(601,571)
Interest payable adjustment	-	-	-	-	-	-	(1,055,352)	(1,055,352)
Regulatory expense	-	-	-	-	-	-	-	-
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	813,555	813,555
Fort Pierce Utility acquisition	(34,800)	(17,232)	(17,568)	-	-	(17,568)	-	(17,568)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>\$ 2,153,766</b>	<b>\$ 8,038,170</b>	<b>\$ (5,874,404)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,874,404)</b>	<b>\$ 43,433,977</b>	<b>\$ 37,559,573</b>
<b>FPSC ADJUSTED</b>	<b>\$ 278,761,173</b>	<b>\$ 125,686,743</b>	<b>\$ 153,074,429</b>	<b>\$ -</b>	<b>\$ 6,901,675</b>	<b>\$ 159,976,105</b>	<b>\$ 812,307</b>	<b>\$ 160,788,412</b>
<b>FLEX RATE REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>ADJUSTED FOR FLEX RATE REVENUES</b>	<b>\$ 278,761,173</b>	<b>\$ 125,686,743</b>	<b>\$ 153,074,429</b>	<b>\$ -</b>	<b>\$ 6,901,675</b>	<b>\$ 159,976,105</b>	<b>\$ 812,307</b>	<b>\$ 160,788,412</b>
<b>PRO FORMA ADJUSTMENTS:</b>								
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>\$ (21,656,835)</b>	<b>\$ (3,910,262)</b>	<b>\$ (17,746,573)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,746,573)</b>	<b>\$ (815,626)</b>	<b>\$ (18,562,198)</b>
<b>PRO FORMA ADJUSTED</b>	<b>\$ 257,104,338</b>	<b>\$ 121,776,481</b>	<b>\$ 135,327,857</b>	<b>\$ -</b>	<b>\$ 6,901,675</b>	<b>\$ 142,229,532</b>	<b>\$ (3,318)</b>	<b>\$ 142,226,214</b>

Note: As noted in the June 2010 Surveillance Report, Florida Public Service Commission Staff issued data requests dated June 21, 2010. As a result of the data requests Pivotal Utility Holdings Inc. d/b/a Florida City Gas reviewed its depreciation expense accruals, accumulated depreciation and plant balance details.



FLORIDA CITY GAS  
YEAR END RATE BASE  
RATE BASE  
September 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	\$ 281,626,143	\$ 117,762,877	\$ 163,863,265	\$ -	\$ 4,624,864	\$ 168,488,129	\$ (56,205,003)	\$ 112,283,126
<b>FPSC ADJUSTMENTS:</b>								
Goodwill	(26,633,077)	(1)	(26,633,076)			(26,633,076)		(26,633,076)
AGL Common Plant	5,680,436	3,874,953	1,805,482			1,805,482		1,805,482
AGL Acquisition Adj. Per Amort Schedule	21,656,835	4,271,209	17,385,626			17,385,626		17,385,626
Transaction Cost Regulatory Asset								
FCC Acquisition Adjustments	1,497,497	548,063	949,434			949,434		949,434
Nonutility plant							(133,662)	(133,662)
Capital structure adjustments							59,384,687	59,384,687
Gas cost/conservation/CRA underrecoveries							(1,052,854)	(1,052,854)
Interest payable adjustment							(1,056,703)	(1,056,703)
Pension and Transition Costs Reg. Asset							811,001	811,001
Gain on Sale of Medley Property								
Fort Pierce Utility acquisition	(34,800)	(17,808)	(16,992)			(16,992)		(16,992)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>2,166,890</b>	<b>8,676,417</b>	<b>(6,509,527)</b>			<b>(6,509,527)</b>	<b>57,952,469</b>	<b>51,442,943</b>
<b>FPSC ADJUSTED</b>	<b>\$ 283,793,033</b>	<b>\$ 126,439,294</b>	<b>\$ 157,353,738</b>	<b>\$ -</b>	<b>\$ 4,624,864</b>	<b>\$ 161,978,602</b>	<b>\$ 1,747,467</b>	<b>\$ 163,726,069</b>
<b>PRO FORMA ADJUSTMENTS:</b>								
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>\$ (21,656,835)</b>	<b>\$ (4,271,209)</b>	<b>\$ (17,385,626)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,385,626)</b>	<b>\$ (811,001)</b>	<b>\$ (18,196,627)</b>
<b>PRO FORMA ADJUSTED</b>	<b>\$ 262,136,198</b>	<b>\$ 122,168,085</b>	<b>\$ 139,968,113</b>	<b>\$ -</b>	<b>\$ 4,624,864</b>	<b>\$ 144,592,977</b>	<b>\$ 936,466</b>	<b>\$ 145,529,442</b>

Note: As noted in the June 2010 Surveillance Report, Florida Public Service Commission Staff issued data requests dated June 21, 2010. As a result of the data requests Pivotal Utility Holdings Inc. d/b/a Florida City Gas reviewed its depreciation expense accruals, accumulated depreciation and plant balance details.

FLORIDA CITY GAS  
CAPITAL STRUCTURE  
FPSR ADJUSTED BASIS  
September 2010

AVERAGE DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTMENTS		PRO RATA	ADJUSTED	RATIO (%)	LOW POINT			MID POINT			HIGH POINT		
				SPECIFIC	ADJUSTED				COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
	\$ 69,023,996	41.17%	(815,020)	\$ 68,208,976	\$ -	\$ (3,443,071)	\$ 64,765,905	40.28%	10.25%	4.13%	11.25%	4.53%	12.25%	4.93%			
LONG TERM DEBT	54,204,844	32.13%	13,766,739	67,971,582		(3,431,088)	64,540,494	40.14%	5.78%	2.32%	5.78%	2.32%	5.78%	2.32%			
SHORT TERM DEBT	22,849,945	13.63%	(12,951,720)	9,898,225		(499,645)	9,398,580	5.85%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%			
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
CUSTOMER DEPOSITS	3,504,115	2.09%	-	3,504,115		-	3,504,115	2.18%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%			
TAX CREDITS - ZERO COST	7,250	0.00%	-	7,250		-	7,250	0.00%	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	18,047,469	10.78%	-	18,047,469		-	18,047,469	11.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
TOTAL	\$ 167,637,618	100.00%	(1)	\$ 167,637,617	\$ 524,600	\$ (7,373,805)	\$ 160,788,412	100.00%	6.69%	7.09%	7.09%	7.09%	7.09%				

YEAR END DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTMENTS		PRO RATA	ADJUSTED	RATIO (%)	LOW POINT			MID POINT			HIGH POINT		
				SPECIFIC	ADJUSTED				COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
	\$ 69,787,833	40.85%	(1,174,501)	\$ 68,613,332	\$ -	\$ (3,934,279)	\$ 64,679,053	39.38%	10.25%	4.04%	11.25%	4.43%	12.25%	4.82%			
LONG TERM DEBT	42,495,293	24.75%	25,679,894	68,175,227		(3,920,387)	64,254,840	39.25%	5.78%	2.27%	5.78%	2.27%	5.78%	2.27%			
SHORT TERM DEBT	34,233,313	19.94%	(24,305,432)	9,927,881		(570,928)	9,356,953	5.72%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%			
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
CUSTOMER DEPOSITS	3,595,628	2.05%	-	3,595,628		-	3,595,628	2.20%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%			
TAX CREDITS - ZERO COST	6,621	0.00%	-	6,621		-	6,621	0.00%	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	21,549,125	12.57%	-	21,549,125		-	21,033,174	13.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
TOTAL	\$ 171,667,813	100.00%	(1)	\$ 171,667,812	\$ 484,049	\$ (8,425,784)	\$ 163,726,069	100.00%	6.55%	6.94%	6.94%	6.94%	6.94%				

AVERAGE EXCLUDING AGL ACO DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTMENTS		PRO RATA	ADJUSTED	RATIO (%)	LOW POINT			MID POINT			HIGH POINT		
				SPECIFIC	ADJUSTED				COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
	\$ 69,023,996	41.17%	(815,020)	\$ 68,208,976	\$ -	\$ (12,110,371)	\$ 56,098,605	39.44%	10.25%	4.04%	11.25%	4.44%	12.25%	4.83%			
LONG TERM DEBT	54,204,844	32.33%	13,766,739	67,971,582		(12,068,222)	55,903,360	39.31%	5.78%	2.27%	5.78%	2.27%	5.78%	2.27%			
SHORT TERM DEBT	22,849,945	13.63%	(12,951,720)	9,898,225		(1,757,411)	8,140,814	5.72%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%			
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
CUSTOMER DEPOSITS	3,504,115	2.09%	-	3,504,115		-	3,504,115	2.46%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%			
TAX CREDITS - ZERO COST	7,250	0.00%	-	7,250		-	7,250	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	18,047,469	10.77%	-	18,047,469		-	18,572,069	13.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
TOTAL	\$ 167,637,618	100.00%	(1)	\$ 167,637,617	\$ 524,600	\$ (25,936,004)	\$ 142,226,214	100.00%	6.57%	6.97%	6.97%	6.97%	6.97%				

Note: The costs of debt reflected in the cost of capital is based upon AGL Resources Inc.'s cost of capital as of March 31, 2010 to incorporate the effects of the inclusion of 4 series of variable rate gas facilities and industrial development refunding revenue bonds. These bonds tendered in May and August of 2010 and re-issued in October 2010.

**FLORIDA CITY GAS**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**September 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	-2.32%
SHORT TERM DEBT	-0.09%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
<b>SUBTOTAL</b>	<b><u>-2.56%</u></b>
<b>TOTAL</b>	<b><u>2.50%</u></b>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>40.28%</u>
<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>	<b><u>6.21%</u></b>

**B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS**

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,552,247
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 142,226,214
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.01%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.27%
SHORT TERM DEBT	-0.09%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.17%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
<b>SUBTOTAL</b>	<b><u>-2.53%</u></b>
<b>TOTAL</b>	<b><u>3.48%</u></b>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>39.44%</u>
<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>	<b><u>8.82%</u></b>