

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

FLORIDA CITY GAS

June 2011

FLORIDA CITY GAS
YEAR END RATE BASE
 June 2011

	(1)	(2)	(3)	(4)	(5)
<u>ACTUAL</u>	<u>PER BOOKS</u>	<u>FPSC</u>	<u>FPSC</u>	<u>PRO FORMA</u>	<u>PRO FORMA</u>
	<u>ADJUSTMENTS</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)	\$ 8,285,413	\$ (266,728)	\$ 8,018,686	\$ 385,273	\$ 8,403,959
AVERAGE RATE BASE (a)	\$ 127,660,397	\$ 36,339,299	\$ 163,999,696	\$ (17,939,321)	\$ 146,060,375
AVERAGE RATE OF RETURN (a)	6.49%		4.89%		5.75%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>					
	\$ 133,240,248	\$ 28,130,512	\$ 161,370,760	\$ (17,527,153)	\$ 143,843,608

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

LOW	<u>6.30%</u>	<u>6.46%</u>
MIDPOINT	<u>6.68%</u>	
HIGH	<u>7.05%</u>	<u>9.06%</u>

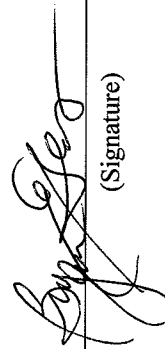
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>6.46%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>9.06%</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 + Chief Accounting Officer
 (Name and Title of Chief Financial Officer)


 (Signature)

8.11.2011
 (Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
 June 2011

	(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	\$ 284,925,572	\$ 119,496,432	\$ 163,429,139	\$ -	\$ 5,743,470	\$ 169,172,609	\$ (41,512,212)	\$ 127,660,397
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	4,991,716	3,274,776	1,716,940			1,716,940		1,716,940
AGL Purchase Premium	21,656,835	4,451,683	17,205,152			17,205,152		17,205,152
Transaction Cost Regulatory Asset								
Nonutility plant								
FCG Acquisition Adjustment	1,497,497	560,036	937,461			937,461	(133,662)	(133,662)
Accumulated Removal Cost								937,461
Capital structure adjustments								
Gas cost/conservation/CRA underrecoveries							44,767,879	44,767,879
Interest payable adjustment							(1,185,954)	(1,185,954)
Regulatory expense							(1,052,905)	(1,052,905)
Pension and Transition Costs Reg. Asset							734,169	734,169
Fort Pierce Utility acquisition	(34,800)	(18,096)	(16,704)			(16,704)		(16,704)
TOTAL FPSC ADJUSTMENTS	\$ 1,478,170	\$ 8,268,399	\$ (6,790,228)	\$ -	\$ -	\$ (6,790,228)	\$ 43,129,527	\$ 36,339,299
FPSC ADJUSTED	\$ 284,403,742	\$ 127,764,831	\$ 156,638,911	\$ -	\$ 5,743,470	\$ 162,382,381	\$ 1,617,315	\$ 163,999,696
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 284,403,742	\$ 127,764,831	\$ 156,638,911	\$ -	\$ 5,743,470	\$ 162,382,381	\$ 1,617,315	\$ 163,999,696
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,451,683)	\$ (17,205,152)	\$ -	\$ -	\$ (17,205,152)	\$ (734,169)	\$ (17,939,321)
PRO FORMA ADJUSTED	\$ 262,746,907	\$ 123,313,148	\$ 139,433,759	\$ -	\$ 5,743,470	\$ 145,177,229	\$ 883,146	\$ 146,060,375

Note: Pursuant to Florida Public Service Commission Staff data request data 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 this review is still in process, Florida City Gas is not able to determine the amount of adjustments to these balances that will be required. These adjustments will be made in 2011.

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
June 2011

	(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	\$ 78,962,984	\$ 29,337,203	\$ 20,799,324	\$ 10,016,974	\$ 7,737,593	\$ (710,783)	\$ 3,498,519	\$ -	\$ -	\$ 70,677,570	\$ 8,285,413
End of year customer refund accrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED BOOKS	\$ 78,962,984	\$ 29,337,203	\$ 20,799,324	\$ 10,016,974	\$ 7,737,593	\$ (710,783)	\$ 3,498,519	\$ (1,259)	\$ -	\$ 70,677,570	\$ 8,285,413
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(29,483,889)	(29,337,203)			(146,686)					(29,483,889)	
Franchise/gross receipts taxes	(5,010,684)				(5,010,684)					(5,010,684)	
ECP revenue/costs	-	-	-	-	-	-	-	-	-	-	-
Off-system sales	-	-	-	-	-	-	-	-	-	-	-
AGL Purchase Premium per Amort Sched				721,895		(271,650)				450,245	(450,245)
Transaction Cost Regulatory Asset											
Propane Sales	(37,066)					(13,949)				(13,949)	(23,117)
Propane Cost		(49,887)				18,772				(31,115)	31,115
Association dues		(16,025)				6,030				(9,995)	9,995
Economic development expense		(878)				330				(548)	548
Pension and Transition Costs Reg. Asset				164,249			(61,807)			102,442	(102,442)
Employee activities						5,081				(8,422)	8,422
Interest synchronization						(258,997)				(258,997)	258,997
TOTAL FPSC ADJUSTMENTS	(34,531,640)	(29,337,203)	(80,293)	886,144	(5,157,370)	(514,383)	(61,807)			(34,264,912)	(266,728)
FPSC ADJUSTED	\$ 44,431,344	\$ -	\$ 20,719,032	\$ 10,903,118	\$ 2,580,222	\$ (1,225,166)	\$ 3,436,712	\$ (1,259)	\$ -	\$ 36,412,658	\$ 8,018,686
FLEX RATE REVENUES ADJUSTED FOR											
FLEX RATE REVENUES	\$ 44,431,344	\$ -	\$ 20,719,032	\$ 10,903,118	\$ 2,580,222	\$ (1,225,166)	\$ 3,436,712	\$ (1,259)	\$ -	\$ 36,412,658	\$ 8,018,686
PRO FOR-A ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(886,144)	-	439,064	61,807	-	-	(385,273)	385,273
PRO FORMA ADJUSTED	\$ 44,431,344	\$ -	\$ 20,719,032	\$ 10,016,974	\$ 2,580,222	\$ (786,102)	\$ 3,498,519	\$ (1,259)	\$ -	\$ 36,027,385	\$ 8,403,959
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 18,552,314	\$ 6,843,388	\$ 4,721,553	\$ 2,545,208	\$ 1,825,354	\$ 378,493	\$ 263,982	\$ (315)	\$ -	\$ 16,577,663	\$ 1,974,651

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FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
June 2011

	(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	\$ 286,291,671	\$ 122,530,368	\$ 163,761,303	\$ -	\$ 6,497,606	\$ 170,258,908	\$ (37,018,660)	\$ 133,240,248
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	(1)	(26,633,076)			(26,633,076)		(26,633,076)
AGL Common Plant	4,604,517	2,961,660	1,642,857			1,642,857		1,642,857
AGL Acquisition Adj. Per Amort Schedule	21,656,835	4,812,630	16,844,205			16,844,205		16,844,205
Transaction Cost Regulatory Asset								
FCG Acquisition Adjustments	1,497,497	583,982	913,515			913,515		913,515
Nonutility plant							(133,662)	(133,662)
Capital structure adjustments							36,305,774	36,305,774
Gas cost/conservation/CRA underrecoveries							(1,481,127)	(1,481,127)
Interest payable adjustment							5,207	5,207
Pension and Transition Costs Reg. Asset							682,948	682,948
Gain on Sale of Medley Property								
Fort Pierce Utility acquisition	(34,800)	(18,672)	(16,128)			(16,128)		(16,128)
TOTAL FPSC ADJUSTMENTS	1,090,972	8,339,599	(7,248,627)	-	-	(7,248,627)	35,379,140	28,130,512
FPSC ADJUSTED	\$ 287,382,643	\$ 130,869,967	\$ 156,512,675	\$ -	\$ 6,497,606	\$ 163,010,281	\$ (1,639,521)	\$ 161,370,760
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,812,630)	\$ (16,844,205)	\$ -	\$ -	\$ (16,844,205)	\$ (682,948)	\$ (17,527,153)
PRO FORMA ADJUSTED	\$ 265,725,808	\$ 126,057,337	\$ 139,668,471	\$ -	\$ 6,497,606	\$ 146,166,076	\$ (2,322,469)	\$ 143,843,608

Note: Pursuant to Florida Public Service Commission Staff data request data 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 this review is still in process, Florida City Gas is not able to determine the amount of adjustments to these balances that will be required. These adjustments will be made in 2011.

FLORIDA CITY GAS
CAPITAL STRUCTURE
FISC ADJUSTED BASIS
June 2011

AVERAGE	COMPANY			ADJUSTMENTS			LOW POINT			MID POINT			HIGH POINT		
	PER BOOKS	RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)
DIVISIONAL CAPITAL	\$ 70,722,030	41.02%	(5,633,364)	\$ 65,088,666		\$ (3,936,989)	\$ 61,151,677	37.29%	10.25%	3.82%	11.25%	4.20%	12.25%	4.57%	
LONG TERM DEBT	56,938,367	33.02%	11,058,745	67,997,112		(4,112,911)	63,884,201	38.95%	5.62%	2.19%	5.62%	2.19%	5.62%	2.19%	
SHORT TERM DEBT	19,627,953	11.38%	(5,425,379)	14,202,574		(859,065)	13,343,509	8.14%	1.73%	0.14%	1.73%	0.14%	1.73%	0.14%	
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,638,270	2.11%	-	3,638,270		-	3,638,270	2.22%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%	
TAX CREDITS - ZERO COST	6,306	0.00%	-	6,306		-	6,306	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	21,495,350	12.47%	-	21,495,350	480,383	-	21,975,732	13.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 172,428,276	100.00%	2	\$ 172,428,277	\$ 480,383	\$ (8,908,964)	\$ 163,999,696	100.00%	6.30%	6.68%	6.68%	6.68%	7.05%		

YEAR END	COMPANY			ADJUSTMENTS			LOW POINT			MID POINT			HIGH POINT		
	PER BOOKS	RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 71,255,413	42.03%	(7,974,941)	\$ 63,280,472		\$ (3,807,377)	\$ 59,473,095	36.85%	10.25%	3.78%	11.25%	4.15%	12.25%	4.51%	
LONG TERM DEBT	61,984,835	36.56%	4,123,286	66,108,121		(3,977,507)	62,130,614	38.50%	5.62%	2.16%	5.62%	2.16%	5.62%	2.16%	
SHORT TERM DEBT	9,956,365	5.87%	3,851,655	13,808,020		(830,783)	12,977,237	8.04%	1.73%	0.14%	1.73%	0.14%	1.73%	0.14%	
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,695,424	2.18%	-	3,695,424		-	3,695,424	2.29%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%	
TAX CREDITS - ZERO COST	5,676	0.00%	-	5,676		-	5,676	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	22,648,310	13.36%	-	22,648,310	440,404	-	23,088,714	14.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 169,546,023	100.00%	0	\$ 169,546,023	\$ 440,404	\$ (8,615,667)	\$ 161,370,760	100.00%	6.23%	6.60%	6.60%	6.60%	6.96%		

AVERAGE EXCLUDING AGL ACQ ADL & REG. ASSETS	COMPANY			ADJUSTMENTS			LOW POINT			MID POINT			HIGH POINT		
	PER BOOKS	RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 70,722,030	41.02%	(5,633,364)	\$ 65,088,666		\$ (11,864,611)	\$ 53,224,055	36.44%	10.25%	3.74%	11.25%	4.10%	12.25%	4.46%	
LONG TERM DEBT	56,938,367	33.02%	11,058,745	67,997,112		(12,394,774)	55,602,338	38.07%	5.62%	2.14%	5.62%	2.14%	5.62%	2.14%	
SHORT TERM DEBT	19,627,953	11.38%	(5,425,379)	14,202,574		(2,588,900)	11,613,674	7.95%	1.73%	0.14%	1.73%	0.14%	1.73%	0.14%	
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,638,270	2.11%	-	3,638,270		-	3,638,270	2.49%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%	
TAX CREDITS - ZERO COST	6,306	0.00%	-	6,306		-	6,306	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	21,495,350	12.47%	-	21,495,350	480,383	-	21,975,732	13.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 172,428,276	100.00%	2	\$ 172,428,277	\$ 480,383	\$ (26,848,285)	\$ 146,060,375	100.00%	6.19%	6.55%	6.55%	6.55%	6.91%		

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2011

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.89%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.19%
SHORT TERM DEBT	-0.14%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	<u>-2.48%</u>
TOTAL	<u>2.41%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>37.29%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>6.46%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,403,959
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 146,060,375
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.75%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.14%
SHORT TERM DEBT	-0.14%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.17%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	<u>-2.45%</u>
TOTAL	<u>3.30%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>36.44%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>9.06%</u>