

FLORIDA PUBLIC SERVICE COMMISSION

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

FLORIDA CITY GAS

September 2012

PSC/AFA 13 (6/94)

FLORIDA CITY GAS
YEAR END RATE BASE
 September 2012

	(1)	(2)	(3)	(4)	(5)
	ACTUAL	FPSC	FPSC	PRO FORMA	PRO FORMA
	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME (a)	\$ 10,726,443	\$ (371,699)	\$ 10,354,745	\$ 412,069	\$ 10,766,813
AVERAGE RATE BASE (a)	\$ 134,464,579	\$ 29,195,497	\$ 163,660,076	\$ (16,908,900)	\$ 146,751,176
AVERAGE RATE OF RETURN (a)	7.98%		6.33%		7.34%
II. YEAR END RATE BASE (JURISDICTIONAL)					
	\$ 134,635,074	\$ 32,682,999	\$ 167,318,073	\$ (16,496,732)	\$ 150,821,341

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

LOW	<u>6.01%</u>	<u>11.11%</u>
MIDPOINT	<u>6.38%</u>	
HIGH	<u>6.75%</u>	<u>14.29%</u>

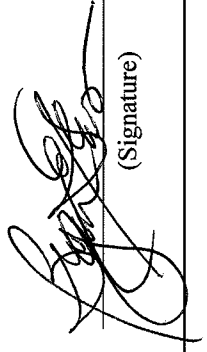
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>11.11%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>14.29%</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.

Dwight E. Sees, SVP + Chief Accounting Officer
 (Name and Title of Chief Financial Officer)


 (Signature)

11.14.2012
 (Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
September 2012

	(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	\$ 298,097,152	\$ 129,941,086	\$ 168,156,066	\$ -	\$ 7,426,102	\$ 175,582,167	\$ (41,117,588)	\$ 134,464,579
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)	-	-	(26,633,077)	-	(26,633,077)
AGL Common Plant	3,555,248	2,408,738	1,146,510	-	-	1,146,510	-	1,146,510
AGL Purchase Premium	21,656,835	5,354,051	16,302,784	-	-	16,302,784	-	16,302,784
Transaction Cost Regulatory Asset	-	-	-	-	-	-	-	-
Nonutility plant	-	-	-	-	-	-	(98,448)	(98,448)
FCG Acquisition Adjustment	1,497,497	619,901	877,596	-	-	877,596	-	877,596
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	39,128,012	39,128,012
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(1,062,830)	(1,062,830)
Interest payable adjustment	-	-	-	-	-	-	(1,055,902)	(1,055,902)
Regulatory expense	-	-	-	-	-	-	-	-
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	606,116	606,116
Fort Pierce Utility acquisition	(34,800)	(19,536)	(15,264)	-	-	(15,264)	-	(15,264)
TOTAL FPSC ADJUSTMENTS	\$ 41,703	\$ 8,363,155	\$ (8,321,452)	\$ -	\$ -	\$ (8,321,452)	\$ 37,516,948	\$ 29,195,497
FPSC ADJUSTED	\$ 298,138,855	\$ 138,304,240	\$ 159,834,614	\$ -	\$ 7,426,102	\$ 167,260,716	\$ (3,600,640)	\$ 163,660,076
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 298,138,855	\$ 138,304,240	\$ 159,834,614	\$ -	\$ 7,426,102	\$ 167,260,716	\$ (3,600,640)	\$ 163,660,076
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (5,354,051)	\$ (16,302,784)	\$ -	\$ -	\$ (16,302,784)	\$ (606,116)	\$ (16,908,900)
PRO FORMA ADJUSTED	\$ 276,482,020	\$ 132,950,189	\$ 143,531,830	\$ -	\$ 7,426,102	\$ 150,957,932	\$ (4,206,756)	\$ 146,751,176

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
September 2012

	(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	\$ 70,381,619	\$ 22,927,649	\$ 14,862,771	\$ 11,303,380	\$ 6,199,017	\$ 1,969,004	\$ 2,394,614	\$ (1,259)	\$ -	\$ 59,655,176	\$ 10,726,443
End of year customer refund accrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED BOOKS	\$ 70,381,619	\$ 22,927,649	\$ 14,862,771	\$ 11,303,380	\$ 6,199,017	\$ 1,969,004	\$ 2,394,614	\$ (1,259)	\$ -	\$ 59,655,176	\$ 10,726,443
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(23,042,288)	(22,927,649)			(114,638)					(23,042,288)	
Franchise/gross receipts taxes	(4,092,583)				(4,092,583)					(4,092,583)	
ECP revenue/costs											
Remove Legal Credit											
AGL Purchase Premium per Amort Sched				721,895		(271,650)				450,245	(450,245)
Transaction Cost Regulatory Asset											
Propane Sales	(35,756)										
Propane Cost			(48,833)			(13,455)				(13,455)	(22,301)
Association dues			(16,025)			18,375				(30,458)	30,458
Economic development expense			(878)			6,030				(9,995)	9,995
Pension and Transition Costs Reg. Asset			(13,503)	164,249		330	(61,807)			(548)	548
Employee activities						5,081				102,442	(102,442)
Interest synchronization						(153,866)				(8,422)	8,422
TOTAL FPSC ADJUSTMENTS	(27,170,626)	(22,927,649)	(79,239)	886,144	(4,207,221)	(409,155)	(61,807)			(26,798,928)	(371,699)
FPSC ADJUSTED	\$ 43,210,993	\$ -	\$ 14,783,532	\$ 12,189,524	\$ 1,991,795	\$ 1,559,849	\$ 2,332,807	\$ (1,259)	\$ -	\$ 32,856,248	\$ 10,354,745
FLEX RATE REVENUES ADJUSTED FOR											
FLEX RATE REVENUES	\$ 43,210,993	\$ -	\$ 14,783,532	\$ 12,189,524	\$ 1,991,795	\$ 1,559,849	\$ 2,332,807	\$ (1,259)	\$ -	\$ 32,856,248	\$ 10,354,745
PRO FOR-A ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS						412,268	61,807			(412,069)	412,069
PRO FORMA ADJUSTED	\$ 43,210,993	\$ -	\$ 14,783,532	\$ 11,303,380	\$ 1,991,795	\$ 1,972,117	\$ 2,394,614	\$ (1,259)	\$ -	\$ 32,444,179	\$ 10,766,813
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 16,108,475	\$ 4,886,973	\$ 3,903,546	\$ 2,746,756	\$ 1,573,072	\$ 717,506	\$ 299,533	\$ (314)	\$ -	\$ 14,127,074	\$ 1,981,402

FLORIDA CITY GAS
 YEAR END RATE BASE
 RATE BASE
 September 2012

	(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	\$ 303,587,590	\$ 135,793,678	\$ 167,793,913	\$ -	\$ 14,411,291	\$ 182,205,204	\$ (47,570,130)	\$ 134,635,074
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	3,815,894	2,646,783	1,169,111			1,169,111		1,169,111
AGL Acquisition Adj. Per Amort Schedule	21,656,835	5,714,999	15,941,836			15,941,836		15,941,836
Transaction Cost Regulatory Asset								
FCG Acquisition Adjustments	1,497,497	643,847	853,650			853,650		853,650
Nonutility plant							(95,298)	(95,298)
Capital structure adjustments							42,031,497	42,031,497
Gas cost/conservation/CRA underrecoveries							(1,124,928)	(1,124,928)
Interest payable adjustment								
Pension and Transition Costs Reg. Asset							554,895	554,895
Gain on Sale of Medley Property								
Fort Pierce Utility acquisition	(34,800)	(20,112)	(14,688)			(14,688)		(14,688)
TOTAL FPSC ADJUSTMENTS	302,349	8,985,517	(8,683,168)			(8,683,168)	41,366,167	32,682,999
FPSC ADJUSTED	\$ 303,889,939	\$ 144,779,195	\$ 159,110,745	\$ -	\$ 14,411,291	\$ 173,522,036	\$ (6,203,963)	\$ 167,318,073

PRO FORMA ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (5,714,999)	\$ (15,941,836)	\$ -	\$ -	\$ (15,941,836)	\$ (554,895)	\$ (16,496,732)
PRO FORMA ADJUSTED	\$ 282,233,104	\$ 139,064,196	\$ 143,168,908	\$ -	\$ 14,411,291	\$ 157,580,200	\$ (6,758,859)	\$ 150,821,341

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
September 2012

AVERAGE	COMPANY			ADJUSTMENTS TO			ADJUSTMENTS			LOW POINT			MID POINT			HIGH POINT		
	PER BOOKS	RATIO	INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST (%)	RATE (%)	WEIGHTED COST (%)	RATE (%)	WEIGHTED COST (%)	RATE (%)	WEIGHTED COST (%)	RATE (%)	WEIGHTED COST (%)	
DIVISIONAL CAPITAL	\$ 72,341,929	41.67%	(7,001,017)	\$ 65,340,912	\$ -	(4,624,623)	\$ 60,716,289	37.10%	10.25%	3.80%	11.25%	4.17%	12.25%	4.54%				
LONG TERM DEBT	62,122,650	35.79%	2,860,013	64,982,663		(4,599,268)	60,383,395	36.90%	5.22%	1.93%	5.22%	1.93%	5.22%	1.93%				
SHORT TERM DEBT	10,387,035	5.98%	4,141,002	14,528,037		(1,028,249)	13,499,788	8.25%	1.50%	0.12%	1.50%	0.12%	1.50%	0.12%				
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
CUSTOMER DEPOSITS	3,788,723	2.18%	-	3,788,723		-	3,788,723	2.31%	6.73%	0.16%	6.73%	0.16%	6.73%	0.16%				
TAX CREDITS - ZERO COST	4,732	0.00%	-	4,732		-	4,732	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	24,947,522	14.38%	-	24,947,522	319,627	-	25,267,149	15.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
TOTAL	\$ 173,592,591	100.00%	(2)	\$ 173,592,589	\$ 319,627	\$ (10,252,140)	\$ 163,660,076	100.00%	6.01%	6.38%	6.01%	6.38%	6.75%					
ADJUSTMENTS																		
DIVISIONAL CAPITAL	\$ 72,408,597	40.99%	(5,905,236)	\$ 66,503,361	\$ -	(4,339,610)	\$ 62,163,751	37.15%	10.25%	3.81%	11.25%	4.18%	12.25%	4.55%				
LONG TERM DEBT	62,226,477	35.22%	3,912,258	66,138,735		(4,315,817)	61,822,918	36.95%	5.22%	1.93%	5.22%	1.93%	5.22%	1.93%				
SHORT TERM DEBT	12,793,519	7.24%	1,992,978	14,786,497		(964,878)	13,821,619	8.26%	1.50%	0.12%	1.50%	0.12%	1.50%	0.12%				
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
CUSTOMER DEPOSITS	3,667,184	2.08%	-	3,667,184		-	3,667,184	2.19%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%				
TAX CREDITS - ZERO COST	4,103	0.00%	-	4,103		-	4,103	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	25,566,692	14.47%	-	25,566,692	271,807	-	25,838,498	15.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
TOTAL	\$ 176,666,571	100.00%	0	\$ 176,666,571	\$ 271,807	\$ (9,620,305)	\$ 167,318,073	100.00%	6.01%	6.38%	6.01%	6.38%	6.75%					
ADJUSTMENTS																		
AVERAGE EXCLUDING AGLACQ	\$ 72,341,929	41.67%	(7,001,017)	\$ 65,340,912	\$ -	(12,252,036)	\$ 53,088,876	36.18%	10.25%	3.71%	11.25%	4.07%	12.25%	4.43%				
LONG TERM DEBT	62,122,650	35.79%	2,860,013	64,982,663		(12,184,861)	52,797,802	35.98%	5.22%	1.88%	5.22%	1.88%	5.22%	1.88%				
SHORT TERM DEBT	10,387,035	5.98%	4,141,002	14,528,037		(2,724,144)	11,803,893	8.04%	1.50%	0.12%	1.50%	0.12%	1.50%	0.12%				
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
CUSTOMER DEPOSITS	3,788,723	2.18%	-	3,788,723		-	3,788,723	2.58%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%				
TAX CREDITS - ZERO COST	4,732	0.00%	-	4,732		-	4,732	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	24,947,522	14.37%	-	24,947,522	319,627	-	25,267,149	17.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
TOTAL	\$ 173,592,591	100.00%	(2)	\$ 173,592,589	\$ 319,627	\$ (27,161,040)	\$ 146,751,176	100.00%	5.88%	6.24%	5.88%	6.24%	6.60%					

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
September 2012

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.33%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-1.93%
SHORT TERM DEBT	-0.12%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.16%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	<u>-2.21%</u>
TOTAL	<u>4.12%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>37.10%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.11%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 10,766,813
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 146,751,176
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.34%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-1.88%
SHORT TERM DEBT	-0.12%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.17%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	<u>-2.17%</u>
TOTAL	<u>5.17%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>36.18%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>14.29%</u>