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April 30, 2018

Florida Public Service Commission
2540 Shumard Blvd.
Tallahassee, FL 32399

Docket No. 20180106

Please find attached the following documents that show the impacts associated with the Tax Cuts and Jobs Act of 2017. The conclusion is that the achieved rate of return 3.21% would remain the same while the Authorized Rate of Return would decrease from 5.17% to 4.88% when applied to 2017 - year end financials. This would not significantly change our earnings though it would prolong the need for a rate case in the near future.

Andy Shoaf
Vice President
St Joe Natural Gas Company

ST. JOE NATURAL GAS CO.
 RATE BASE AND RATE OF RETURN
 TWELVE MONTHS ENDING: PRELIMINARY DECEMBER 2017

	<u>YEAR END</u>	<u>AVERAGE</u>
Utility Plant in Service	\$7,386,843	\$7,323,796
Construction Work in Progress	\$114,758	\$49,030
Accumulated Depreciation	<u>-\$5,161,564</u>	<u>-\$5,026,888</u>
Net Utility Plant	\$2,340,037	\$2,345,938
Total Current Assets	\$727,048	\$727,799
Total Current Liabilities	<u>\$89,101</u>	<u>\$104,805</u>
Working Capital	\$637,948	\$622,995
Rate Base	<u><u>\$2,977,985</u></u>	<u><u>\$2,968,933</u></u>
Revenue (Gas + Utility Interest Income)	\$2,005,808	\$2,005,808
Cost and Expenses:		
Gas Purchases	\$397,264	
Operating Expenses	\$1,052,381	
Depreciation	\$285,816	
Taxes - other	\$136,157	
Income Taxes	<u>\$38,478</u>	
Total Expenses	\$1,910,096	
Net Operating Income	\$95,712	\$95,712
Achieved Rate of Return	3.21%	3.22%
Authorized Rate of Return - High	5.17%	4.98%

ST. JOE NATURAL GAS CO.
 RATE BASE AND RATE OF RETURN
 TWELVE MONTHS ENDING: 2018 Tax Law Changes Applied

	<u>YEAR END</u>	<u>AVERAGE</u>
Utility Plant in Service	\$7,386,843	\$7,323,796
Construction Work in Progress	\$114,758	\$49,030
Accumulated Depreciation	<u>-\$5,161,564</u>	<u>-\$5,026,888</u>
Net Utility Plant	\$2,340,037	\$2,345,938
Total Current Assets	\$899,061	\$741,031
Total Current Liabilities	<u>\$89,101</u>	<u>\$104,805</u>
Working Capital	\$809,961	\$636,227
Rate Base	<u>\$3,149,998</u>	<u>\$2,982,165</u>
Revenue (Gas + Utility Interest Income)	\$2,005,808	\$2,005,808
Cost and Expenses:		
Gas Purchases	\$397,264	
Operating Expenses	\$1,052,381	
Depreciation	\$285,816	
Taxes - other	\$136,157	
Income Taxes	<u>\$33,048</u>	
Total Expenses	\$1,904,666	
Net Operating Income	\$101,142	\$101,142
Achieved Rate of Return	3.21%	3.39%
Authorized Rate of Return - High	4.88%	4.96%

St. Joe Natural Gas Company
Federal Deferred Taxes
2018 Tax Rate Change

	<u>NEW TAX RATE</u>	<u>OLD TAX RATE</u>	<u>IMPACT DIFFERENCE</u>
<u>DEFERRED FEDERAL TAX LIABILITY</u>			
Depreciation	(\$435,916)	(\$705,769)	\$269,853
Deferred Federal Tax Liability	<u>(\$435,916)</u>	<u>(\$705,769)</u>	<u>\$269,853</u>
<u>DEFERRED FEDERAL TAX ASSET</u>			
FCPC Deferred Income Recognized	\$136,811	\$221,504	(\$84,693)
Net Operating Loss	\$21,238	\$34,385	(\$13,147)
Deferred Federal Tax Asset	<u>\$158,049</u>	<u>\$255,889</u>	<u>(\$97,840)</u>
Net Deferred Federal Tax Liability	<u><u>(\$277,867)</u></u>	<u><u>(\$449,880)</u></u>	<u><u>\$172,013</u></u>

2017 27%

Income Tax:

Taxable Income:

Exemption

Subtotal:

Total

	<u>STATE</u>	<u>FEDERAL</u>			
	135,393	130,393	15% on 1st 50,000 =	7,500	50,000
	-5,000	-7,172	25% on 50k to 75k =	6250	25,000
			34% on 75k to 100k =	8500	25,000
	130,393	123,221	39% on 100k to 335k=	13,803	35,393
			34% on 335k to --	0	0
	<u>7,172</u>	<u>36,053</u>			
				36,053	135,393

2017 21%

Income Tax:

Taxable Income:
Exemption

Subtotal:

Total

<u>STATE</u>	<u>FEDERAL</u>
135,393	130,393
<u>-5,000</u>	<u>-7,172</u>
130,393	123,221
<u><u>7,172</u></u>	<u><u>28,432</u></u>

21%=

28,432

135,393

28,432

135,393