



Florida City Gas

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November 15, 2011

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 September 2011

Dear Mr. Slemkewicz,

Enclosed please find the electronic filing of the Florida City Gas Earnings Surveillance Report for the quarter ended September 2011.

Thank you for your assistance.

Sincerely,

Christina Robinson

Christina Robinson
Regulatory Analyst
Florida City Gas

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FLORIDA PUBLIC SERVICE COMMISSION

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

FLORIDA CITY GAS

September 2011

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
September 2011**

	(1)	(2)	(3)	(4)	(5)
	<u>ACTUAL</u>	<u>FPSC</u>	<u>FPSC</u>	<u>PRO FORMA</u>	<u>PRO FORMA</u>
	<u>PER BOOKS</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)	\$ 8,440,070	\$ (307,933)	\$ 8,132,138	\$ 388,531	\$ 8,520,668
AVERAGE RATE BASE (a)	\$ 132,587,477	\$ 30,823,609	\$ 163,411,086	\$ (17,733,237)	\$ 145,677,849
AVERAGE RATE OF RETURN (a)	6.37%		4.98%		5.85%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>	\$ 133,276,810	\$ 26,668,578	\$ 159,945,388	\$ (17,321,069)	\$ 142,624,320

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

LOW	<u>6.26%</u>
MIDPOINT	<u>6.63%</u>
HIGH	<u>7.00%</u>

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>6.81%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>9.46%</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)

11.14.2011
(Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
September 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	\$ 284,737,767	\$ 120,748,916	\$ 163,988,851	\$ -	\$ 5,840,567	\$ 169,829,418	\$ (37,241,942)	\$ 132,587,477
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)	-	-	(26,633,077)	-	(26,633,077)
AGL Common Plant	4,640,224	3,057,957	1,582,267	-	-	1,582,267	-	1,582,267
AGL Purchase Premium	21,656,835	4,632,157	17,024,678	-	-	17,024,678	-	17,024,678
Transaction Cost Regulatory Asset	-	-	-	-	-	-	-	-
Nonutility plant	-	-	-	-	-	-	(127,293)	(127,293)
FCG Acquisition Adjustment	1,497,497	572,009	925,488	-	-	925,488	-	925,488
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	39,763,508	39,763,508
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(1,352,000)	(1,352,000)
Interest payable adjustment	-	-	-	-	-	-	(1,052,105)	(1,052,105)
Regulatory expense	-	-	-	-	-	-	-	-
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	708,559	708,559
Fort Pierce Utility acquisition	(34,800)	(18,384)	(16,416)	-	-	(16,416)	-	(16,416)
TOTAL FPSC ADJUSTMENTS	\$ 1,126,679	\$ 8,243,739	\$ (7,117,060)	\$ -	\$ -	\$ (7,117,060)	\$ 37,940,669	\$ 30,823,609
FPSC ADJUSTED	\$ 285,864,446	\$ 128,992,654	\$ 156,871,791	\$ -	\$ 5,840,567	\$ 162,712,358	\$ 698,727	\$ 163,411,086
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 285,864,446	\$ 128,992,654	\$ 156,871,791	\$ -	\$ 5,840,567	\$ 162,712,358	\$ 698,727	\$ 163,411,086
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,632,157)	\$ (17,024,678)	\$ -	\$ -	\$ (17,024,678)	\$ (708,559)	\$ (17,733,237)
PRO FORMA ADJUSTED	\$ 264,207,611	\$ 124,360,498	\$ 139,847,113	\$ -	\$ 5,840,567	\$ 145,687,680	\$ (9,831)	\$ 145,677,849

Note: Pursuant to Florida Public Service Commission Staff data request 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 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. The review will be completed and the required adjustments will be recorded by December 31, 2011.

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
September 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	\$ 78,581,754	\$ 28,881,640	\$ 20,828,194	\$ 10,031,236	\$ 7,559,171	\$ 57,103	\$ 2,785,600	\$ (1,259)	\$ -	\$ 70,141,684	\$ 8,440,070
End of year customer refund accrual		\$ -		\$ -					\$ -	\$ -	\$ -
ADJUSTED BOOKS	\$ 78,581,754	\$ 28,881,640	\$ 20,828,194	\$ 10,031,236	\$ 7,559,171	\$ 57,103	\$ 2,785,600	\$ (1,259)	\$ -	\$ 70,141,684	\$ 8,440,070
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(29,026,048)	(28,881,640)			(144,408)	-				(29,026,048)	-
Franchise/gross receipts taxes	(4,882,312)				(4,882,312)	-				(4,882,312)	-
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	(37,157)			-		(13,983)				(13,983)	(23,174)
Propane Cost			(50,779)			19,108				(31,671)	31,671
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			(13,503)			5,081				(8,422)	8,422
Interest synchronization	-	-	-	-	-	(217,292)	-	-	-	(217,292)	217,292
TOTAL FPSC ADJUSTMENTS	(33,945,318)	(28,881,640)	(81,185)	886,144	(5,026,721)	(472,376)	(61,807)	-	-	(33,637,585)	(307,933)
FPSC ADJUSTED	\$ 44,636,237	\$ -	\$ 20,747,008	\$ 10,917,380	\$ 2,532,450	\$ (415,273)	\$ 2,723,793	\$ (1,259)	\$ -	\$ 36,504,099	\$ 8,132,138
FLEX RATE REVENUES											
ADJUSTED FOR	-	-	-	-	-	-	-	-	-	-	-
FLEX RATE REVENUES	\$ 44,636,237	\$ -	\$ 20,747,008	\$ 10,917,380	\$ 2,532,450	\$ (415,273)	\$ 2,723,793	\$ (1,259)	\$ -	\$ 36,504,099	\$ 8,132,138
PRO FORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(886,144)	-	435,806	61,807	-	-	(388,531)	388,531
PRO FORMA ADJUSTED	\$ 44,636,237	\$ -	\$ 20,747,008	\$ 10,031,236	\$ 2,532,450	\$ 20,533	\$ 2,785,600	\$ (1,259)	\$ -	\$ 36,115,568	\$ 8,520,668
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 15,960,661	\$ 4,926,710	\$ 4,729,135	\$ 2,555,768	\$ 1,541,011	\$ (767,563)	\$ 1,435,488	\$ (314)	\$ -	\$ 14,420,236	\$ 1,540,425

Note: Pursuant to Florida Public Service Commission Staff data request 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 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. The review will be completed and the required adjustments will be recorded by December 31, 2011.

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
September 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	\$ 288,205,108	\$ 123,251,079	\$ 164,954,029	\$ -	\$ 6,201,051	\$ 171,155,081	\$ (37,878,271)	\$ 133,276,810
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	(1)	(26,633,076)			(26,633,076)		(26,633,076)
AGL Common Plant	4,553,453	3,038,436	1,515,017			1,515,017		1,515,017
AGL Acquisition Adj. Per Amort Schedule	21,656,835	4,993,104	16,663,731			16,663,731		16,663,731
Transaction Cost Regulatory Asset			-			-		-
FCG Acquisition Adjustments	1,497,497	595,955	901,542			901,542		901,542
Nonutility plant	-	-	-			-	(102,039)	(102,039)
Capital structure adjustments			-			-	35,068,524	35,068,524
Gas cost/conservation/CRA underrecoveries			-			-	(1,391,825)	(1,391,825)
Interest payable adjustment			-			-	5,207	5,207
Pension and Transition Costs Reg. Asset			-			-	657,338	657,338
Gain on Sale of Medley Property			-			-		
Fort Pierce Utility acquisition	(34,800)	(18,960)	(15,840)			(15,840)		(15,840)
TOTAL FPSC ADJUSTMENTS	1,039,908	8,608,534	(7,568,626)	-	-	(7,568,626)	34,237,205	26,668,578
FPSC ADJUSTED	\$ 289,245,015	\$ 131,859,613	\$ 157,385,403	\$ -	\$ 6,201,051	\$ 163,586,454	\$ (3,641,066)	\$ 159,945,388
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,993,104)	\$ (16,663,731)	\$ -	\$ -	\$ (16,663,731)	\$ (657,338)	\$ (17,321,069)
PRO FORMA ADJUSTED	\$ 267,588,180	\$ 126,866,509	\$ 140,721,672	\$ -	\$ 6,201,051	\$ 146,922,723	\$ (4,298,404)	\$ 142,624,320

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. The review will be completed and the required adjustments will be recorded by December 31, 2011.

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
September 2011

AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
DIVISIONAL CAPITAL	\$ 71,191,205	41.31%	\$ (6,529,649)	\$ 64,661,556		\$ (4,151,704)	\$ 60,509,852	37.03%	10.25%	3.80%	11.25%	4.17%	12.25%	4.54%
LONG TERM DEBT	61,396,272	35.62%	6,154,644	67,550,916		(4,337,220)	63,213,696	38.68%	5.62%	2.17%	5.62%	2.17%	5.62%	2.17%
SHORT TERM DEBT	13,734,370	7.97%	375,007	14,109,377		(905,916)	13,203,461	8.00%	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	3,667,930	2.13%	-	3,667,930		-	3,667,930	2.24%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%
TAX CREDITS - ZERO COST	5,991	0.00%	-	5,991		-	5,991	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	22,355,216	12.97%	-	22,355,216	454,939	-	22,810,155	13.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 172,350,984	100.00%	\$ 2	\$ 172,350,986	\$ 454,939	\$ (9,394,840)	\$ 163,411,086	100.00%		6.26%		6.63%		7.00%

YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MIDPOINT		HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
DIVISIONAL CAPITAL	\$ 71,246,068	42.32%	\$ (9,148,970)	\$ 62,097,098		\$ (3,896,168)	\$ 58,200,930	36.39%	10.25%	3.73%	11.25%	4.09%	12.25%	4.46%
LONG TERM DEBT	62,030,742	36.85%	2,841,127	64,871,869		(4,070,265)	60,801,604	38.01%	5.62%	2.14%	5.62%	2.14%	5.62%	2.14%
SHORT TERM DEBT	7,241,960	4.30%	6,307,844	13,549,804		(850,157)	12,699,647	7.94%	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	3,737,404	2.22%	-	3,737,404		-	3,737,404	2.34%	6.73%	0.16%	6.73%	0.16%	6.73%	0.16%
TAX CREDITS - ZERO COST	5,362	0.00%	-	5,362		-	5,362	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	24,083,798	14.31%	-	24,083,798	416,644	-	24,500,442	15.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 168,345,334	100.00%	\$ 1	\$ 168,345,335	\$ 416,644	\$ (8,816,590)	\$ 159,945,388	100.00%		6.17%		6.53%		6.90%

AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MIDPOINT		HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
DIVISIONAL CAPITAL	\$ 71,191,205	41.31%	\$ (6,529,649)	\$ 64,661,556		\$ (11,988,255)	\$ 52,673,301	36.16%	10.25%	3.71%	11.25%	4.07%	12.25%	4.47%
LONG TERM DEBT	61,396,272	35.62%	6,154,644	67,550,916		(12,523,943)	55,026,973	37.77%	5.62%	2.12%	5.62%	2.12%	5.62%	2.12%
SHORT TERM DEBT	13,734,370	7.97%	375,007	14,109,377		(2,615,879)	11,493,498	7.89%	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	3,667,930	2.13%	-	3,667,930		-	3,667,930	2.52%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%
TAX CREDITS - ZERO COST	5,991	0.00%	-	5,991		-	5,991	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	22,355,216	12.97%	-	22,355,216	454,939	-	22,810,155	15.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 172,350,984	100.00%	\$ 2	\$ 172,350,986	\$ 454,939	\$ (27,128,077)	\$ 145,677,849	100.00%		6.14%		6.50%		6.86%

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

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.98%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.17%
SHORT TERM DEBT	-0.14%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	-2.46%
TOTAL	2.52%
DIVIDED BY RECONCILED COMMON EQUITY RATIO	37.03%
JURISDICTIONAL RETURN ON COMMON EQUITY	6.81%

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,520,668
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 145,677,849
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.85%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.12%
SHORT TERM DEBT	-0.14%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.17%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	-2.43%
TOTAL	3.42%
DIVIDED BY RECONCILED COMMON EQUITY RATIO	36.16%
JURISDICTIONAL RETURN ON COMMON EQUITY	9.46%