



Florida City Gas

955 E 25 Street
Hialeah, FL 33013

February 16, 2009

Mr. John Slemkewicz, Supervisor
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
09 FEB 18 AM 10: 22
DIVISION OF
ECONOMIC REGULATION

**Re: Florida City Gas
Surveillance Report for Quarter ending December 2008**

Dear Mr. Slemkewicz:

Enclosed please find Florida City Gas' Earnings Surveillance Report for the quarter ended December 2008.

Sincerely,

Rosie Abreu
Regulatory Analyst

Encl.

FLORIDA PUBLIC SERVICE COMMISSION

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

FLORIDA CITY GAS

December 2008

PSC/AFA 13 (6/94)

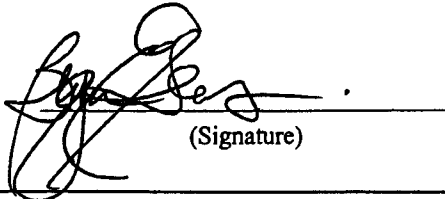
**FLORIDA CITY GAS
YEAR END RATE BASE
December 2008**

		(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)	\$ 9,673,743	\$	(1,131,425)	\$	8,542,318	\$	934,061	\$	9,476,379
AVERAGE RATE BASE	(a)	\$ 122,493,545	\$	28,964,998	\$	151,458,543	\$	(20,962,069)	\$	130,496,474
AVERAGE RATE OF RETURN	(a)			7.90%					5.64%	7.26%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>										
		\$ 128,230,990	\$	28,026,734	\$	156,257,724	\$	(20,189,187)	\$	136,068,537
<u>III. REQUIRED RATES OF RETURN</u>										
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)										
LOW				<u>6.91%</u>						
MIDPOINT				<u>7.31%</u>						
HIGH				<u>7.71%</u>						
<u>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</u>										
										<u>7.11%</u>
										<u>11.40%</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, Controller & CAO
(Name and Title of Chief Financial Officer)


(Signature)

2.13.2009
(Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 2008

	(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	\$ 255,001,282	\$ 109,990,960	\$ 145,010,322	\$ -	\$ 9,058,941	\$ 154,069,263	\$ (31,575,718)	\$ 122,493,545
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)	-	-	(26,633,077)	-	(26,633,077)
AGL Common Plant	5,088,793	2,682,119	2,406,674	-	-	2,406,674	-	2,406,674
AGL Purchase Premium	21,656,835	2,646,947	19,009,888	-	-	19,009,888	-	19,009,888
Transaction Cost Regulatory Asset	-	-	-	-	-	-	430,706	430,706
Nonutility plant	-	-	-	-	-	-	(135,200)	(135,200)
FCG Acquisition Adjustment	1,497,497	440,306	1,057,191	-	-	1,057,191	-	1,057,191
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	33,731,263	33,731,263
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(1,382,267)	(1,382,267)
Interest payable adjustment	-	-	-	-	-	-	(1,022,071)	(1,022,071)
Regulatory expense	-	-	-	-	-	-	-	-
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	1,521,475	1,521,475
Fort Pierce Utility acquisition	(34,800)	(15,216)	(19,584)	-	-	(19,584)	-	(19,584)
TOTAL FPSC ADJUSTMENTS	\$ 1,575,248	\$ 5,754,156	\$ (4,178,908)	\$ -	\$ -	\$ (4,178,908)	\$ 33,143,906	\$ 28,964,998
FPSC ADJUSTED	\$ 256,576,530	\$ 115,745,116	\$ 140,831,414	\$ -	\$ 9,058,941	\$ 149,890,355	\$ 1,568,188	\$ 151,458,543
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 256,576,530	\$ 115,745,116	\$ 140,831,414	\$ -	\$ 9,058,941	\$ 149,890,355	\$ 1,568,188	\$ 151,458,543
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (2,646,947)	\$ (19,009,888)	\$ -	\$ -	\$ (19,009,888)	\$ (1,952,181)	\$ (20,962,069)
PRO FORMA ADJUSTED	\$ 234,919,695	\$ 113,098,169	\$ 121,821,526	\$ -	\$ 9,058,941	\$ 130,880,467	\$ (383,993)	\$ 130,496,474

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2008

	(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	\$ 93,534,826	\$ 44,300,571	\$ 19,085,489	\$ 9,304,892	\$ 8,035,667	\$ (574,098)	\$ 3,709,821	\$ (1,259)	\$ -	\$ 83,861,083	\$ 9,673,743
End of year customer refund accrual		\$ -		\$ -						\$ -	\$ -
ADJUSTED BOOKS	\$ 93,534,826	\$ 44,300,571	\$ 19,085,489	\$ 9,304,892	\$ 8,035,667	\$ (574,098)	\$ 3,709,821	\$ (1,259)	\$ -	\$ 83,861,083	\$ 9,673,743
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(44,522,074)	(44,300,571)			(221,503)	-				(44,522,074)	-
Franchise/gross receipts taxes	(5,263,500)				(5,263,500)	-				(5,263,500)	-
ECP revenue/costs	-				-	-				-	-
Off-system sales	-				-	-				-	-
AGL Purchase Premium per Amort Sched				721,895		(271,650)				450,245	(450,245)
Transaction Cost Regulatory Asset				323,030		(121,557)				201,473	(201,473)
Propane Sales	(44,922)					(16,905)				(16,905)	(28,017)
Propane Cost			(45,427)			17,094				(28,333)	28,333
Association dues			(16,025)			6,030				(9,995)	9,995
Economic development expense			(878)			330				(548)	548
Pension and Transition Costs Reg. Asset				803,017			(302,176)			500,841	(500,841)
Employee activities			(13,503)			5,081				(8,422)	8,422
Interest synchronization	-	-	-	-	-	(1,853)	-	-	-	(1,853)	1,853
TOTAL FPSC ADJUSTMENTS	(49,830,496)	(44,300,571)	(75,833)	1,847,942	(5,485,003)	(383,430)	(302,176)	-	-	(48,699,071)	(1,131,425)
FPSC ADJUSTED	\$ 43,704,330	\$ -	\$ 19,009,656	\$ 11,152,834	\$ 2,550,664	\$ (957,528)	\$ 3,407,645	\$ (1,259)	\$ -	\$ 35,162,012	\$ 8,542,318
FLEX RATE REVENUES	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED FOR	-	-	-	-	-	-	-	-	-	-	-
FLEX RATE REVENUES	\$ 43,704,330	\$ -	\$ 19,009,656	\$ 11,152,834	\$ 2,550,664	\$ (957,528)	\$ 3,407,645	\$ (1,259)	\$ -	\$ 35,162,012	\$ 8,542,318
PRO FORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(1,847,942)	-	611,705	302,176	-	-	(934,061)	934,061
PRO FORMA ADJUSTED	\$ 43,704,330	\$ -	\$ 19,009,656	\$ 9,304,892	\$ 2,550,664	\$ (345,823)	\$ 3,709,821	\$ (1,259)	\$ -	\$ 34,227,951	\$ 9,476,379
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 22,425,727	\$ 9,719,608	\$ 5,127,397	\$ 2,346,632	\$ 1,956,919	\$ 321,762	\$ 506,194	\$ (316)	\$ -	\$ 19,978,196	\$ 2,447,531

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
December 2008

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN	ACCUM. DEPR. &	NET PLANT IN	PROPERTY		NET UTILITY	WORKING	
	SERVICE	AMORT.	SERVICE	HELD FOR	CWIP	PLANT	CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 258,757,342	\$ 113,910,972	\$ 144,846,370	\$ -	\$ 11,695,002	\$ 156,541,372	\$ (28,310,382)	\$ 128,230,990
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)	-	-	(26,633,077)	-	(26,633,077)
AGL Common Plant	5,183,403	2,904,829	2,278,574	-	-	2,278,574	-	2,278,574
AGL Acquisition Adj. Per Amort Schedule	21,656,835	3,007,894	18,648,941	-	-	18,648,941	-	18,648,941
Transaction Cost Regulatory Asset	-	-	-	-	-	-	269,192	269,192
FCG Acquisition Adjustments	1,497,497	464,252	1,033,245	-	-	1,033,245	-	1,033,245
Nonutility plant	-	-	-	-	-	-	(142,767)	(142,767)
Capital structure adjustments	-	-	-	-	-	-	33,271,841	33,271,841
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(1,970,644)	(1,970,644)
Interest payable adjustment	-	-	-	-	-	-	19,383	19,383
Pension and Transition Costs Reg. Asset	-	-	-	-	-	-	1,271,054	1,271,054
Gain on Sale of Medley Property	-	-	-	-	-	-	-	-
Fort Pierce Utility acquisition	(34,800)	(15,792)	(19,008)	-	-	(19,008)	-	(19,008)
TOTAL FPSC ADJUSTMENTS	1,669,858	6,361,183	(4,691,325)	-	-	(4,691,325)	32,718,059	28,026,734
FPSC ADJUSTED	\$ 260,427,200	\$ 120,272,155	\$ 140,155,045	\$ -	\$ 11,695,002	\$ 151,850,047	\$ 4,407,677	\$ 156,257,724
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (3,007,894)	\$ (18,648,941)	\$ -	\$ -	\$ (18,648,941)	\$ (1,540,246)	\$ (20,189,187)
PRO FORMA ADJUSTED	\$ 238,770,365	\$ 117,264,261	\$ 121,506,104	\$ -	\$ 11,695,002	\$ 133,201,106	\$ 2,867,431	\$ 136,068,537

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2008

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	\$ 66,593,664	42.63%	\$ (3,053,924)	\$ 63,539,740		\$ (2,428,782)	\$ 61,110,958	40.35%	10.25%	4.14%	11.25%	4.54%	12.25%	4.94%
LONG TERM DEBT	55,899,881	35.78%	2,619,497	58,519,378		(2,236,880)	56,282,498	37.16%	5.92%	2.20%	5.92%	2.20%	5.92%	2.20%
SHORT TERM DEBT	17,879,981	11.45%	434,421	18,314,402		(700,061)	17,614,341	11.63%	3.59%	0.42%	3.59%	0.42%	3.59%	0.42%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,436,562	2.20%	-	3,436,562		-	3,436,562	2.27%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%
TAX CREDITS - ZERO COST	9,454	0.01%	-	9,454		-	9,454	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	12,405,266	7.93%	-	12,405,266	599,464	-	13,004,730	8.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 156,224,808	100.00%	\$ (6)	\$ 156,224,802	\$ 599,464	\$ (5,365,723)	\$ 151,458,543	100.00%	6.91%	7.31%	7.31%	7.71%	7.71%	

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	\$ 66,876,090	41.41%	\$ (1,474,819)	\$ 65,401,271		\$ (2,635,443)	\$ 62,765,828	40.17%	10.25%	4.12%	11.25%	4.52%	12.25%	4.92%
LONG TERM DEBT	61,354,900	37.99%	(1,121,078)	60,233,822		(2,427,213)	57,806,609	36.99%	5.92%	2.19%	5.92%	2.19%	5.92%	2.19%
SHORT TERM DEBT	16,255,062	10.06%	2,595,897	18,850,959		(759,628)	18,091,331	11.58%	3.59%	0.42%	3.59%	0.42%	3.59%	0.42%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,188,692	1.97%	-	3,188,692		-	3,188,692	2.04%	6.73%	0.14%	6.73%	0.14%	6.73%	0.14%
TAX CREDITS - ZERO COST	8,824	0.01%	-	8,824		-	8,824	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	13,819,263	8.56%	-	13,819,263	577,176	-	14,396,439	9.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 161,502,831	100.00%	\$ -	\$ 161,502,831	\$ 577,176	\$ (5,822,283)	\$ 156,257,724	100.00%	6.87%	7.37%	7.37%	7.67%	7.67%	

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	\$ 66,593,664	42.63%	\$ (3,053,924)	\$ 63,539,740		\$ (11,917,212)	\$ 51,622,528	39.56%	10.25%	4.05%	11.25%	4.45%	12.25%	4.85%
LONG TERM DEBT	55,899,881	35.78%	2,619,497	58,519,378		(10,975,617)	47,543,761	36.43%	5.92%	2.16%	5.92%	2.16%	5.92%	2.16%
SHORT TERM DEBT	17,879,981	11.45%	434,421	18,314,402		(3,434,962)	14,879,440	11.40%	3.59%	0.41%	3.59%	0.41%	3.59%	0.41%
PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	3,436,562	2.20%	-	3,436,562		-	3,436,562	2.63%	6.73%	0.18%	6.73%	0.18%	6.73%	0.18%
TAX CREDITS - ZERO COST	9,454	0.01%	-	9,454		-	9,454	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	12,405,266	7.94%	-	12,405,266	599,464	-	13,004,730	9.97%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 156,224,808	100.00%	\$ (6)	\$ 156,224,802	\$ 599,464	\$ (26,327,792)	\$ 130,496,474	100.00%	6.80%	7.20%	7.20%	7.60%	7.60%	

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2008

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.64%</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.20%
SHORT TERM DEBT	-0.42%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-2.77%</u>
TOTAL	<u>2.87%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>40.35%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>7.11%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 9,476,379
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ 130,496,474
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 7.26%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.16%
SHORT TERM DEBT	-0.41%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.18%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-2.75%</u>
TOTAL	<u>4.51%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>39.56%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.40%</u>