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February 18, 2011

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

11 FEB 22 PM 2:59
ECONOMIC REGULATION
FLORIDA PUBLIC SERVICE COMMISSION

Re: Florida City Gas Surveillance Report for Quarter ending December 2010

Dear Mr. Slemkewicz:

Enclosed please find the electronic filing of the Florida City Gas' Earnings Surveillance Report for the quarter ended December 2010

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "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

December 2010

PSC/AFA 13 (6/94)

FLORIDA CITY GAS
 YEAR END RATE BASE
 December 2010

	(1)	(2)	(3)	(4)	(5)
	ACTUAL	FPSC	FPSC	PRO FORMA	PRO FORMA
	PER BOOKS	ADJUSTMENTS	ADJUSTED	ADJUSTMENTS	ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME (a)	\$ 8,587,608	\$ (211,434)	\$ 8,376,174	\$ 377,283	\$ 8,753,457
AVERAGE RATE BASE (a)	\$ 125,426,559	\$ 38,653,451	\$ 164,080,010	\$ (18,351,490)	\$ 145,728,521
AVERAGE RATE OF RETURN (a)	6.85%		5.10%		6.01%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>					
	\$ 133,800,090	\$ 34,863,067	\$ 168,663,157	\$ (17,939,321)	\$ 150,723,837
<u>III. REQUIRED RATES OF RETURN</u>					
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	6.63%				6.41%
MIDPOINT	7.03%				
HIGH	7.43%				8.98%

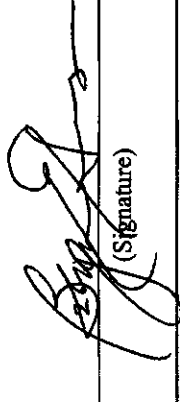
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	6.63%
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	8.98%

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


 Name and Title of Chief Financial Officer

2-17-2011
 (Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 2010

	(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	\$ 279,698,344	\$ 117,467,167	\$ 162,231,176	\$ -	\$ 5,395,024	\$ 167,626,200	\$ (42,199,641)	\$ 125,426,559
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	5,627,862	3,660,079	1,967,783			1,967,783		1,967,783
AGL Purchase Premium	21,656,835	4,090,736	17,566,099			17,566,099		17,566,099
Transaction Cost Regulatory Asset								
Nonutility plant							(133,662)	(133,662)
FCG Acquisition Adjustment	1,497,497	536,090	961,407			961,407		961,407
Accumulated Removal Cost								
Capital structure adjustments							45,897,917	45,897,917
Gas cost/conservation/CRA underrecovery							(686,433)	(686,433)
Interest payable adjustment							(1,054,596)	(1,054,596)
Regulatory expense								
Pension and Transition Costs Reg. Asset							785,391	785,391
Fort Pierce Utility acquisition	(34,800)	(17,424)	(17,376)			(17,376)		(17,376)
TOTAL FPSC ADJUSTMENTS	\$ 2,114,316	\$ 8,269,481	\$ (6,155,164)	\$ -	\$ -	\$ (6,155,164)	\$ 44,808,615	\$ 38,653,451
FPSC ADJUSTED	\$ 281,812,660	\$ 125,736,648	\$ 156,076,012	\$ -	\$ 5,395,024	\$ 161,471,036	\$ 2,608,974	\$ 164,080,010
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 281,812,660	\$ 125,736,648	\$ 156,076,012	\$ -	\$ 5,395,024	\$ 161,471,036	\$ 2,608,974	\$ 164,080,010
PRO FORMA ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (4,090,736)	\$ (17,566,099)	\$ -	\$ -	\$ (17,566,099)	\$ (785,391)	\$ (18,351,490)
PRO FORMA ADJUSTED	\$ 260,155,825	\$ 121,645,912	\$ 138,509,913	\$ -	\$ 5,395,024	\$ 143,904,937	\$ 1,823,584	\$ 145,728,521

Note: Pursuant to Florida Public Service Commission Staff data requests dated June 21, 2010 Photal 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 the review is still in process, Florida City Gas is not able to determine whether any adjustment to these balances will be required.

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
 December 2010

	(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	\$ 82,459,163	\$ 31,238,605	\$ 21,908,948	\$ 9,604,940	\$ 8,041,194	\$ (1,640,515)	\$ 4,639,641	\$ (1,259)	\$ -	\$ 73,871,555	\$ 8,587,608
End of year customer refund accrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED BOOKS	\$ 82,459,163	\$ 31,238,605	\$ 21,988,948	\$ 9,604,940	\$ 8,041,194	\$ (1,640,515)	\$ 4,639,641	\$ (1,259)	\$ -	\$ 73,871,555	\$ 8,587,608
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(31,394,799)	(31,238,605)			(156,193)					(31,394,799)	
Franchise/gross receipts taxes	(5,254,987)				(5,254,987)					(5,254,987)	
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	(38,229)		(50,039)			(14,386)				(14,386)	(23,843)
Propane Cost			(16,025)			18,829				(31,210)	31,210
Association dues			(878)			6,030				(9,995)	9,995
Economic development expense				164,249		330	(61,807)			(548)	548
Pension and Transition Costs Reg. Asset			(13,503)							102,442	(102,442)
Employee activities										(8,422)	8,422
Interest synchronization										(314,921)	314,921
TOTAL FPSC ADJUSTMENTS	(36,688,014)	(31,238,605)	(80,445)	886,144	(5,411,180)	(570,687)	(61,807)	-	-	(36,476,580)	(211,434)
FPSC ADJUSTED	\$ 45,771,149	\$ -	\$ 21,908,504	\$ 10,491,084	\$ 2,630,014	\$ (2,211,202)	\$ 4,577,834	\$ (1,259)	\$ -	\$ 37,394,975	\$ 8,376,174
FLEX RATE REVENUES ADJUSTED FOR	\$ 45,771,149	\$ -	\$ 21,908,504	\$ 10,491,084	\$ 2,630,014	\$ (2,211,202)	\$ 4,577,834	\$ (1,259)	\$ -	\$ 37,394,975	\$ 8,376,174
PRO FOR-A ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS				(886,144)		447,054	61,807			(377,283)	377,283
PRO FORMA ADJUSTED	\$ 45,771,149	\$ -	\$ 21,908,504	\$ 9,604,940	\$ 2,630,014	\$ (1,764,148)	\$ 4,639,641	\$ (1,259)	\$ -	\$ 37,017,691	\$ 8,753,457
PER BOOKS	\$ 20,396,697	\$ 7,245,312	\$ 6,705,334	\$ 2,400,943	\$ 1,951,371	\$ (191,074)	\$ 964,710	\$ (316)	\$ -	\$ 19,076,281	\$ 1,320,417
CURRENT QUARTER AMOUNT											

Note: Pursuant to Florida Public Service Commission Staff data requests 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 the review is still in process, Florida City Gas is not able to determine whether any adjustment to these balances will be required.

FLORIDA CITY GAS
 YEAR END RATE BASE
 RATE BASE
 December 2010

	(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	\$ 283,304,418	\$ 118,929,813	\$ 164,374,605	\$ -	\$ 6,285,068	\$ 170,659,673	\$ (36,859,583)	\$ 133,800,090
FPSC ADJUSTMENTS:								
Goodwill	(26,633,077)	(1)	(26,633,076)			(26,633,076)		(26,633,076)
AGL Common Plant	4,584,985	2,749,734	1,835,251			1,835,251		1,835,251
AGL Acquisition Adj. Per Amort Schedule	21,656,835	4,451,683	17,205,152			17,205,152		17,205,152
Transaction Cost Regulatory Asset								
FCG Acquisition Adjustments	1,497,497	560,036	937,461			937,461		937,461
Nonutility plant							(133,662)	(133,662)
Capital structure adjustments							42,362,921	42,362,921
Gas cost/conservation/CRA underrecoveries							(1,433,555)	(1,433,555)
Interest payable adjustment							5,207	5,207
Pension and Transition Costs Reg. Asset							734,169	734,169
Gain on Sale of Medley Property								
Fort Pierce Utility acquisition	(34,800)	(18,000)	(16,800)			(16,800)		(16,800)
TOTAL FPSC ADJUSTMENTS	1,071,439	7,743,452	(6,672,012)			(6,672,012)	41,535,080	34,863,067
FPSC ADJUSTED	\$ 284,375,858	\$ 126,673,265	\$ 157,702,593	\$ -	\$ 6,285,068	\$ 163,987,661	\$ 4,675,497	\$ 168,663,157
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	\$ 262,719,023	\$ 122,221,582	\$ 140,497,441	\$ -	\$ 6,285,068	\$ 146,782,509	\$ 3,941,328	\$ 150,723,837

Note: Pursuant to Florida Public Service Commission Staff data requests 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 the review is still in process, Florida City Gas is not able to determine whether any adjustment to these balances will be required.

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2010

AVERAGE DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTMENTS			LOW POINT	MID POINT	HIGH POINT
			RATIO	INVESTOR CAPITAL	ADJUSTED				ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)			
DIVISIONAL CAPITAL	\$ 70,253,732	41.01%	(1,077,551)	\$ 69,176,181	\$ (3,626,705)	\$ 65,549,476	39.95%	10.25%	4.09%	11.25%	4.49%	12.25%	4.89%	
LONG TERM DEBT	55,172,828	32.20%	13,762,594	68,935,422	(3,614,083)	65,321,339	39.81%	5.78%	2.30%	5.78%	2.30%	5.78%	2.30%	
SHORT TERM DEBT	22,723,627	13.26%	(12,685,044)	10,038,583	(526,294)	9,512,289	5.80%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%	
PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,555,942	2.08%	-	3,555,942	-	3,555,942	2.17%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%	
TAX CREDITS - ZERO COST	6,935	0.00%	-	6,935	-	6,935	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	19,611,412	11.45%	-	19,611,412	522,616	20,134,028	12.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 171,324,476	100.00%	(0)	\$ 171,324,476	\$ 522,616	\$ 164,000,010	100.00%	6.63%	7.03%	7.03%	7.43%	7.43%		

YEAR END DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTMENTS			LOW POINT	MID POINT	HIGH POINT
			RATIO	INVESTOR CAPITAL	ADJUSTED				ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)			
DIVISIONAL CAPITAL	\$ 69,894,868	39.68%	261,391	\$ 70,156,259	(3,741,373)	\$ 66,414,686	39.38%	10.25%	4.04%	11.25%	4.43%	12.25%	4.82%	
LONG TERM DEBT	65,905,223	36.28%	6,006,865	69,912,088	(3,728,551)	66,183,537	39.24%	5.78%	2.27%	5.78%	2.27%	5.78%	2.27%	
SHORT TERM DEBT	16,449,065	9.34%	(6,268,257)	10,180,808	(542,963)	9,637,845	5.71%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%	
PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,644,643	2.07%	-	3,644,643	-	3,644,643	2.16%	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	22,262,908	12.65%	-	22,262,908	513,233	22,776,141	13.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 176,163,012	100.00%	(0)	\$ 176,163,012	\$ 513,233	\$ 169,663,157	100.00%	6.55%	6.94%	6.94%	7.33%	7.33%		

AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS DIVISIONAL CAPITAL	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL			ADJUSTED	SPECIFIC	PRO RATA	ADJUSTMENTS			LOW POINT	MID POINT	HIGH POINT
			RATIO	INVESTOR CAPITAL	ADJUSTED				ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)			
DIVISIONAL CAPITAL	\$ 70,253,732	41.01%	(1,077,551)	\$ 69,176,181	(12,195,617)	\$ 56,980,564	39.10%	10.25%	4.01%	11.25%	4.40%	12.25%	4.79%	
LONG TERM DEBT	55,172,828	32.20%	13,762,594	68,935,422	(12,153,172)	56,782,250	38.96%	5.78%	2.25%	5.78%	2.25%	5.78%	2.25%	
SHORT TERM DEBT	22,723,627	13.26%	(12,685,044)	10,038,583	(1,769,781)	8,268,802	5.67%	1.62%	0.09%	1.62%	0.09%	1.62%	0.09%	
PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	3,555,942	2.08%	-	3,555,942	-	3,555,942	2.44%	6.73%	0.16%	6.73%	0.16%	6.73%	0.16%	
TAX CREDITS - ZERO COST	6,935	0.00%	-	6,935	-	6,935	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	19,611,412	11.45%	-	19,611,412	522,616	20,134,028	13.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 171,324,476	100.00%	(0)	\$ 171,324,476	\$ 522,616	\$ 145,728,521	100.00%	6.51%	6.90%	6.90%	7.29%	7.29%		

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2010

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.10%</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.30%
SHORT TERM DEBT	-0.09%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.15%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	<u>-2.54%</u>
TOTAL	<u>2.56%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>39.95%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>6.41%</u>

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,753,457
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 145,728,521
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.01%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.25%
SHORT TERM DEBT	-0.09%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.16%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
SUBTOTAL	<u>-2.50%</u>
TOTAL	<u>3.51%</u>
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>39.10%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>8.98%</u>