

**FLORIDA PUBLIC SERVICE COMMISSION**

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

**FLORIDA CITY GAS**

**FPSC\_Surveillance\_Mar 12 Filing**

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS  
YEAR ENDED  
FPSC\_Surveillance\_Mar 12 Filing**

	(1) <u>ACTUAL PER BOOKS</u>	(2) <u>FPSC ADJUSTMENTS</u>	(3) <u>FPSC ADJUSTED</u>	(4) <u>PRO FORMA ADJUSTMENTS</u>	(5) <u>PRO FORMA ADJUSTED</u>
<b><u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u></b>					
NET OPERATING INCOME	\$ 10,167,478	\$ (392,019)	\$ 9,775,459	\$ 401,471	\$ 10,176,930
AVERAGE RATE BASE	\$ 134,439,215	\$ 27,656,703	\$ 162,095,917	\$ (17,321,069)	\$ 144,774,849
AVERAGE RATE OF RETURN	7.56%		6.03%		7.03%
<b><u>II. YEAR END RATE BASE (JURISDICTIONAL)</u></b>	\$ 134,690,399	\$ 30,705,481	\$ 165,395,880	\$ (16,908,900)	\$ 148,486,980

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

LOW	<u>6.31%</u>
MIDPOINT	<u>6.70%</u>
HIGH	<u>7.09%</u>


**IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)**

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>9.53%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>12.50%</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)

5.11.2012  
(Date)

**FLORIDA CITY GAS**  
**AVERAGE RATE OF RETURN**  
**RATE BASE**  
 FPSC\_Surveillance\_Mar 12 Filing

Line No.	(1) PLANT IN SERVICE	(2) ACCUM. DEPR. & AMORT.	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CWIP	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE	
<b>1</b>	<b>PER BOOKS</b>	\$ 290,577,473	\$ 124,518,263	\$ 166,059,211	\$ -	\$ 5,346,284	\$ 171,405,495	\$ (36,966,281)	\$ 134,439,215
<b>2</b>									
<b>3</b>	<b>FPSC ADJUSTMENTS:</b>								
<b>4</b>	Goodwill	(26,633,077)	-	(26,633,077)		(26,633,077)		(26,633,077)	
<b>5</b>	AGL Common Plant	4,290,399	2,816,498	1,473,902		1,473,902		1,473,902	
<b>6</b>	AGL Purchase Premium	21,656,835	4,993,104	16,663,731		16,663,731		16,663,731	
<b>7</b>	Transaction Cost Regulatory Asset								
<b>8</b>	Nonutility plant								
<b>9</b>	FCG Acquisition Adjustment	1,497,497	595,955	901,542		901,542		901,542	
<b>10</b>	Accumulated Removal Cost								
<b>11</b>	Capital structure adjustments								
<b>12</b>	Gas cost/conservation/CRA underrecoveries								
<b>13</b>	Interest payable adjustment								
<b>14</b>	Regulatory expense								
<b>15</b>	Pension and Transition Costs Reg. Asset								
<b>16</b>	Fort Pierce Utility acquisition	(34,800)	(18,960)	(15,840)		(15,840)		(15,840)	
<b>17</b>	<b>TOTAL FPSC ADJUSTMENTS</b>	<b>\$ 776,854</b>	<b>\$ 8,386,597</b>	<b>\$ (7,609,743)</b>	<b>\$ -</b>	<b>\$ (7,609,743)</b>	<b>\$ 35,266,446</b>	<b>\$ 27,656,703</b>	
<b>18</b>									
<b>19</b>	<b>FPSC ADJUSTED</b>	<b>\$ 291,354,327</b>	<b>\$ 132,904,859</b>	<b>\$ 158,449,468</b>	<b>\$ -</b>	<b>\$ 5,346,284</b>	<b>\$ 163,795,752</b>	<b>\$ (1,699,835)</b>	<b>\$ 162,095,917</b>
<b>20</b>									
<b>21</b>	<b>FLEX RATE REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>22</b>									
<b>23</b>	<b>ADJUSTED FOR FLEX RATE REVENUES</b>	<b>\$ 291,354,327</b>	<b>\$ 132,904,859</b>	<b>\$ 158,449,468</b>	<b>\$ -</b>	<b>\$ 5,346,284</b>	<b>\$ 163,795,752</b>	<b>\$ (1,699,835)</b>	<b>\$ 162,095,917</b>
<b>24</b>									
<b>25</b>									
<b>26</b>									
<b>27</b>	<b>PRO FORMA ADJUSTMENTS:</b>								
<b>28</b>									
<b>29</b>	<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>\$ (21,656,835)</b>	<b>\$ (4,993,104)</b>	<b>\$ (16,663,731)</b>	<b>\$ -</b>	<b>\$ (16,663,731)</b>	<b>\$ (657,338)</b>	<b>\$ (17,321,069)</b>	
<b>30</b>									
<b>31</b>	<b>PRO FORMA ADJUSTED</b>	<b>\$ 269,697,492</b>	<b>\$ 127,911,755</b>	<b>\$ 141,785,737</b>	<b>\$ -</b>	<b>\$ 5,346,284</b>	<b>\$ 147,132,021</b>	<b>\$ (2,357,173)</b>	<b>\$ 144,774,849</b>

FLORIDA CITY GAS  
 AVERAGE RATE OF RETURN  
 INCOME STATEMENT  
 FPSC\_Surveillance\_Mar 12 Filing

Line No.	(1) OPERATING REVENUES	(2) O&M GAS EXPENSE	(3) O&M OTHER	(4) DEPR. & AMORT.	(5) TAXES OTHER THAN INCOME TAXES	(6) INCOME TAXES CURRENT	(7) DEFERRED INCOME TAXES (NET)	(8) INV. TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
1	\$ 71,585,183	\$ 24,134,813	\$ 16,310,993	\$ 10,720,176	\$ 6,353,163	\$ (183,645)	\$ 4,083,463	\$ (1,259)	\$ -	\$ 61,417,704	\$ 10,167,478
2		\$ -		\$ -						\$ -	\$ -
3	\$ 71,585,183	\$ 24,134,813	\$ 16,310,993	\$ 10,720,176	\$ 6,353,163	\$ (183,645)	\$ 4,083,463	\$ (1,259)	\$ -	\$ 61,417,704	\$ 10,167,478
4											
5	<b>FPSC ADJUSTMENTS:</b>										
6	(24,255,487)	(24,134,813)			(120,674)	-				(24,255,487)	-
7	(4,220,672)				(4,220,672)	-				(4,220,672)	-
8											-
9											-
10				721,895		(271,650)				450,245	(450,245)
11											-
12	(36,040)					(13,562)				(13,562)	(22,478)
13			(56,370)			21,212				(35,158)	35,158
14			(16,025)			6,030				(9,995)	9,995
15			(878)			330				(548)	548
16				164,249			(61,807)			102,442	(102,442)
17			(13,503)			5,081				(8,422)	8,422
18						(129,022)				(129,022)	129,022
19	(28,512,199)	(24,134,813)	(86,776)	886,144	(4,341,346)	(381,581)	(61,807)			(28,120,180)	(392,019)
20											
21	\$ 43,072,984	\$ -	\$ 16,224,217	\$ 11,606,320	\$ 2,011,817	\$ (565,226)	\$ 4,021,656	\$ (1,259)	\$ -	\$ 33,297,525	\$ 9,775,459
22											
23	<b>FLEX RATE REVENUES</b>										
24											
25	\$ 43,072,984	\$ -	\$ 16,224,217	\$ 11,606,320	\$ 2,011,817	\$ (565,226)	\$ 4,021,656	\$ (1,259)	\$ -	\$ 33,297,525	\$ 9,775,459
26											
27											
28	<b>PRO FORMA ADJUSTMENTS</b>										
29											
30				(886,144)		422,866	61,807			(401,471)	401,471
31											
32	\$ 43,072,984	\$ -	\$ 16,224,217	\$ 10,720,176	\$ 2,011,817	\$ (142,360)	\$ 4,083,463	\$ (1,259)	\$ -	\$ 32,896,054	\$ 10,176,930
33											
34											
35	\$ 20,019,675	\$ 7,408,242	\$ 2,903,876	\$ 2,690,618	\$ 1,842,520	\$ 1,086,093	\$ 607,456	\$ (315)	\$ -	\$ 16,538,490	\$ 3,481,185

FLORIDA CITY GAS  
YEAR END RATE BASE  
RATE BASE  
FPSC\_Surveillance\_Mar 12 Filing

	(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
<b>PER BOOKS</b>	\$ 298,624,102	\$ 129,559,998	\$ 169,064,104	\$ -	\$ 4,918,673	\$ 173,982,777	\$ (39,292,378)	\$ 134,690,399
<b>FPSC ADJUSTMENTS:</b>								
Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
AGL Common Plant	4,580,691	3,101,099	1,479,593			1,479,593		1,479,593
AGL Acquisition Adj. Per Amort Schedule	21,656,835	5,354,051	16,302,784			16,302,784		16,302,784
Transaction Cost Regulatory Asset			-			-	-	-
FCG Acquisition Adjustments	1,497,497	619,901	877,596			877,596		877,596
Nonutility plant	-	-	-			-	(98,221)	(98,221)
Capital structure adjustments			-			-	39,887,769	39,887,769
Gas cost/conservation/CRA underrecoveries			-			-	(1,701,814)	(1,701,814)
Interest payable adjustment			-			-	-	-
Pension and Transition Costs Reg. Asset			-			-	606,116	606,116
Gain on Sale of Medley Property			-			-	-	-
Fort Pierce Utility acquisition	(34,800)	(19,536)	(15,264)	-	-	(15,264)	-	(15,264)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>1,067,146</b>	<b>9,055,515</b>	<b>(7,988,369)</b>	<b>-</b>	<b>-</b>	<b>(7,988,369)</b>	<b>38,693,850</b>	<b>30,705,481</b>
<b>FPSC ADJUSTED</b>	<b>\$ 299,691,248</b>	<b>\$ 138,615,513</b>	<b>\$ 161,075,735</b>	<b>\$ -</b>	<b>\$ 4,918,673</b>	<b>\$ 165,994,408</b>	<b>\$ (598,528)</b>	<b>\$ 165,395,880</b>
<b>PRO FORMA ADJUSTMENTS:</b>								
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>\$ (21,656,835)</b>	<b>\$ (5,354,051)</b>	<b>\$ (16,302,784)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,302,784)</b>	<b>\$ (606,116)</b>	<b>\$ (16,908,900)</b>
<b>PRO FORMA ADJUSTED</b>	<b>\$ 278,034,413</b>	<b>\$ 133,261,462</b>	<b>\$ 144,772,951</b>	<b>\$ -</b>	<b>\$ 4,918,673</b>	<b>\$ 149,691,624</b>	<b>\$ (1,204,644)</b>	<b>\$ 148,486,980</b>

FLORIDA CITY GAS  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
FPSC\_Surveillance\_Mar 12 Filing

Line No.	AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			RATIO (%)	LOW POINT			MID POINT			HIGH POINT		
						SPECIFIC	PRO RATA	ADJUSTED		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)			
1	DIVISIONAL CAPITAL	\$ 72,018,688	42.01%	\$ (4,287,526)	\$ 67,731,162		\$ (4,590,189)	\$ 63,140,973	38.95%	10.23%	3.99%	11.25%	4.38%	12.25%	4.77%			
2																		
3	LONG TERM DEBT	62,420,526	36.41%	6,158,211	68,578,737		(4,647,630)	63,931,107	39.44%	5.23%	2.06%	5.23%	2.06%	5.23%	2.06%			
4																		
5	SHORT TERM DEBT	9,640,181	5.62%	(1,870,683)	7,769,498		(526,544)	7,242,954	4.47%	2.24%	0.10%	2.24%	0.10%	2.24%	0.10%			
6																		
7	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
8																		
9	CUSTOMER DEPOSITS	3,745,175	2.18%	-	3,745,175		-	3,745,175	2.31%	6.73%	0.16%	6.73%	0.16%	6.73%	0.16%			
10																		
11	TAX CREDITS - ZERO COST	5,361	0.00%	-	5,361		-	5,361	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
12																		
13	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
14																		
15	ACC DEF INC TAXES-ZERO COST	23,610,415	13.78%	-	23,610,415	419,932	-	24,030,347	14.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
16	TOTAL	\$ 171,440,347	100.00%	\$ 1	\$ 171,440,349	\$ 419,932	\$ (9,764,363)	\$ 162,895,917	100.00%		6.31%		6.78%		7.09%			
17																		
18																		
19																		
20	DIVISIONAL CAPITAL	\$ 72,569,015	41.57%	\$ (4,296,000)	\$ 68,273,015		\$ (4,516,790)	\$ 63,756,225	38.55%	10.23%	3.95%	11.25%	4.34%	12.25%	4.72%			
21																		
22	LONG TERM DEBT	62,121,384	35.58%	7,005,989	69,127,373		(4,573,312)	64,554,061	39.03%	5.23%	2.04%	5.23%	2.04%	5.23%	2.04%			
23																		
24	SHORT TERM DEBT	10,541,643	6.04%	(2,709,988)	7,831,655		(518,125)	7,313,530	4.42%	2.24%	0.10%	2.24%	0.10%	2.24%	0.10%			
25																		
26	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
27																		
28	CUSTOMER DEPOSITS	3,785,324	2.17%	-	3,785,324		-	3,785,324	2.29%	6.73%	0.15%	6.73%	0.15%	6.73%	0.15%			
29																		
30	TAX CREDITS - ZERO COST	4,731	0.00%	-	4,731		-	4,731	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
31																		
32	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
33																		
34	ACC DEF INC TAXES-ZERO COST	25,556,071	14.64%	-	25,556,071	425,939	-	25,982,009	15.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
35	TOTAL	\$ 174,578,168	100.00%	\$ 1	\$ 174,578,169	\$ 425,939	\$ (9,688,227)	\$ 165,395,880	100.00%		6.24%		6.63%		7.01%			
36																		
37																		
38	AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS																	
39	DIVISIONAL CAPITAL	\$ 72,018,688	42.01%	\$ (4,287,526)	\$ 67,731,162		\$ (12,732,756)	\$ 54,998,406	37.99%	10.23%	3.89%	11.25%	4.27%	12.25%	4.65%			
40																		
41	LONG TERM DEBT	62,420,526	36.41%	6,158,211	68,578,737		(12,892,091)	55,686,646	38.46%	5.23%	2.01%	5.23%	2.01%	5.23%	2.01%			
42																		
43	SHORT TERM DEBT	9,640,181	5.62%	(1,870,683)	7,769,498		(1,460,585)	6,308,913	4.36%	2.24%	0.10%	2.24%	0.10%	2.24%	0.10%			
44																		
45	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
46																		
47	CUSTOMER DEPOSITS	3,745,175	2.18%	-	3,745,175		-	3,745,175	2.59%	6.73%	0.17%	6.73%	0.17%	6.73%	0.17%			
48																		
49	TAX CREDITS - ZERO COST	5,361	0.00%	-	5,361		-	5,361	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
50																		
51	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
52																		
53	ACC DEF INC TAXES-ZERO COST	23,610,415	13.77%	-	23,610,415	419,932	-	24,030,347	16.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
54	TOTAL	\$ 171,440,347	100.00%	\$ 1	\$ 171,440,349	\$ 419,932	\$ (27,885,432)	\$ 144,774,849	100.00%		6.17%		6.58%		6.93%			

**FLORIDA CITY GAS**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**FPSC\_Surveillance\_Mar 12 Filing**

SCHEDULE 5

**A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS**

<u>Line No.</u>		
<b>1</b>	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.03%</u>
<b>2</b>	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
<b>3</b>	LONG TERM DEBT	-2.06%
<b>4</b>	SHORT TERM DEBT	-0.10%
<b>5</b>	PREFERRED STOCK	0.00%
<b>6</b>	CUSTOMER DEPOSITS	-0.16%
<b>7</b>	TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
<b>8</b>	<b>SUBTOTAL</b>	<b>-2.32%</b>
<b>9</b>	<b>TOTAL</b>	<b><u>3.71%</u></b>
<b>10</b>	DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>38.95%</u>
<b>11</b>	<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>	<b><u>9.53%</u></b>
<b>12</b>		
<b>13</b>		
<b>14</b>		
<b>15</b>		
<b>16</b>		

**B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS**

<b>17</b>		
<b>18</b>		
<b>19</b>	NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 10,176,930
<b>20</b>		
<b>21</b>	RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 144,774,849
<b>22</b>		
<b>23</b>	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.03%
<b>24</b>	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
<b>25</b>	LONG TERM DEBT	-2.01%
<b>26</b>	SHORT TERM DEBT	-0.10%
<b>27</b>	PREFERRED STOCK	0.00%
<b>28</b>	CUSTOMER DEPOSITS	-0.17%
<b>29</b>	TAX CREDITS-WEIGHTED COST(MIDPOINT)	<u>0.00%</u>
<b>30</b>	<b>SUBTOTAL</b>	<b>-2.28%</b>
<b>31</b>	<b>TOTAL</b>	<b><u>4.75%</u></b>
<b>32</b>	DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>37.99%</u>
<b>33</b>	<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>	<b><u>12.50%</u></b>