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May 23, 2008

John Slemkewicz, Supervisor Electric & Gas Accounting Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Fl 32399-0850

Re: Actual Earnings Surveillance Report Ending December 31, 2007

Please find enclosed the Actual Earnings Surveillance Report for the twelve months ending December 31, 2007.

Sincerely,

Debbie Stitt

Bookkeeper

:011.17 82 AWN 80

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY EARNINGS SURVEILLANCE REPORT

PSC/AFA 13 (6/94)

SCHEDULE 1

L GAS COMPANY EARNINGS SURVEILLANCE REPORT SUMMARY ACTUAL DECEMBER 31, 2007

			P	(1) ACTUAL PER BOOKS	AD.	(2) FPSC JUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	PRO F	5) FORMA
I. AVERAGE RATE OF RETURN			-					, and the same of	7,500	<u> </u>
(JURISDICTIONAL)			_			_			_	
NET OPERATING INCOME			\$	(86,941)	\$	\$	(86,941) \$	\$	
AVERAGE RATE BASE			\$	3,729,458	\$	(795,121) \$	2,934,337	\$	\$	
AVERAGE RATE OF RETURN				-2.33%	-		-2.96%		-	
II. YEAR END RATE BASE							,			
(JURISDICTIONAL)			\$_	3,623,572	\$	(815,874) \$	2,807,698	_		
			==				/ EADNED D	ETUDU ON FOU	uT) (
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE						ľ		RETURN ON EQU JUSTED BASIS)	HY	
(FPSC ADJUSTED BASIS)						_	A. INCLUDI			
	LOW	5.75	%				FLEX RA	ATE REVENUES		-6.48%
	MIDPOINT	6.26	%				B. EXCLUD			6 499/
	HIGH	6.78	%				FLEX R	ATE REVENUES		-6.48%
I am aware that Section 837.06,	Florida Statutes, pro	ovides:								
		nowingly makes								
		nislead a public s nall be guilty of a					ee			
	•	provided in s. 7				-				
Stuart L Shoaf, President				Kum	t XI II	µ].				
(Name and Title of Chief		-		! (Signati	ure)	1		(Date)		
Financial Officer)						•			PSC/	AFA13

ST. JOE NATURAL GAS COMPANY, INC. ¡E RATE OF RETURN RATE BASE ACTUAL DEC 31, 2007

SCHEDULE 2 PAGE 1 OF 2

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE
PER BOOKS	6,578,193	3,236,543	3,341,650		32,085	3,373,735	355,724	3,729,459
FPSC ADJUSTMENTS:								
PRO RATA							(13,874)	(13,874)
NON UTILITY	(363,541)	(39,782)	(323,759)			(323,759)	(457,488)	(781,247)
								·
TOTAL FPSC ADJUSTMENTS	(363,541)	(39,782)	(323,759)		0		(471,362)	(795,121)
FPSC ADJUSTED	6,214,652	3,196,761	3,017,891		32,085	3,049,976	(115,639)	2,934,338
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES								
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED								

SCHEDULE 2 PAGE 2 OF 2

ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT ACTUAL DECEMBER 31, 2007

	(1)	(2)	(3)	(4)	(5)	(6)	(7) DEFERRED	(8) INVESTMENT TAX	(9)	(10) TOTAL	(11) NET
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	INCOME TAXES (NET)	CREDIT (NET)	GAIN/LOSS ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
PER BOOKS	1,755,753	675,136	831,872	231,720	103,965	0				1,842,694	(86,941)
FPSC ADJUSTMENTS:											
							¥.				
TOTAL FPSC ADJUSTMENTS											
FPSC ADJUSTED	1,755,753	675,136	831,872	231,720	103,965	0	. 0			1,842,694	(86,941)
FLEX RATE REVENUES											
ADJUSTED FOR FLEX RATE REVENUES											
PRO FORMA REVENUE INCREASE AND											
ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED											
PER BOOKS CURRENT MONTH AMOUNT											

L GAS COMPANY YEAR END RATE BASE ACTUAL DECEMBER 31, 2007

SCHEDULE 3

	(1)	(2) ACCUMULATED	(3) NET	(4)	(5) CONSTRUCTION	(7)	(8)	(9)
	PLANT IN SERVICE	DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	WORK IN	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	6,580,932	3,261,027	3,319,905	- CK FOTORE OSE	36,585	3,356,490	267,082	3,623,572
FPSC ADJUSTMENTS:								
PRO-RATA							(63,204)	(63,204)
NON-UTILITY	(363,931)	(46,818)	(317,113)			(317,113)	(435,557)	(752,670)
TOTAL FPSC ADJUSTMENTS	(363,931)	(46,818)	(317,113)		0	(317,113)	(498,761)	(815,874)
FPSC ADJUSTED	6,217,001	3,214,209	3,002,792	0	36,585	3,039,377	(231,679)	2,807,698

SCHEDULE 4

ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS ACTUAL DECEMBER 31, 2007

						LOW POINT		MIDPOINT		HIGH POINT	
						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
		ADJUSTMENTS			RATIO	RATE	COST	RATE	COST	RATE	COST
AVERAGE	PER BOOKS	NON-UTILITY	PRO RATA	ADJUSTED	(%)	(%)	(%)	(%)	(%)	(%)	(%)
LONG TERM DEBT	0			0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
SHORT TERM DEBT	138,462	(44,275)	(786)	93,400	3.18%	8.00	0.25	8.00	0.25	8.00	0.25
OTHER DEFERRED CREDITS - GC	27,402			27,402	0.93%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	58,337	(18,654)	(331)	39,352	1.34%	6.00	0.08	6.00	0.08	6.00	0.08
COMMON EQUITY	2,231,007	(713,398)	(12,669)	1,504,940	51.29%	10.50	5.39	11.50	5.90	12.50	6.41
DEFERRED INCOME TAXES	62,185		•	62,185	2.12%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	1,196,680			1,196,680	40.78%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	15,385	(4,920)	(87)	10,378	0.35%	7.75	0.03	7.75	0.03	7.75	0.03
TOTAL	3,729,458	(781,247)	(13,874)	2,934,337	100.00%		5.75		6.26		6.77

						LOW POINT		MIDPOINT		HIGH POINT	
						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
		ADJUSTMENTS			RATIO	RATE	COST	RATE	COST	RATE	COST
YEAR END	PER BOOKS	NON-UTILITY	PRO RATA	ADJUSTED	(%)	(%)	(%)	(%)	(%)	(%)	(%)
SHORT TERM DEBT	0	0	0	0	0.00%	8.00	0.00	8.00	0.00	8.00	0.00
OTHER DEFERRED CREDITS - GC	27,402			27,402	0.98%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	61,849	(19,616)	(1,647)	40,585	1.45%	6.00	0.09	6.00	0.09	6.00	0.09
COMMON EQUITY	2,111,277	(669,621)	(56,230)	1,385,426	49.34%	10.50	5.18	11.50	5.67	12.50	6.17
DEFERRED INCOME TAXES	51,825			51,825	1.85%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	1,171,219			1,171,219	41.71%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	200,000	(63,433)	(5,327)	131,241	4.67%	7.75	0.36	7.75	0.36	7.75	0.36
TOTAL	3,623,572	(752,670)	(63,204)	2,807,698	100.00%		5.63		6.12		6.62

ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS ACTUAL DECEMBER 31, 2007 SCHEDULE 5

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	(Schedule 1)	
SHORT TERM DEBT	(0.25) %	
LONG TERM DEBT - BAYSIDE	(0.03) %	
CUSTOMER DEPOSITS	(0.08) %	
OTHER DEFERRED CREDITS	0.00 %	
SUBTOTAL	(0.36) %	
00B10171E	(0.00)	
TOTAL	(3.32) %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	51.29 %	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>6.48%</u>	
B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX RATE REVENUES SAME AS ABOVE		
LANCED HIGH ELATION CAME NO ABOVE		
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ (Schedule 2, p. 2	of 2)
	\$ (Schedule 2, p. 2 \$ (Schedule 2, p. 1	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES	\$(Schedule 2, p. 1	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	•	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL	\$(Schedule 2, p. 1	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	\$(Schedule 2, p. 1	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT	\$	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT	\$% (Schedule 2, p. 1%	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK	\$% (Schedule 2, p. 1) % () % () % () %	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS	\$	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS TAX CREDITS-WEIGHTED COST(MIDPOINT)	\$	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS	\$	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS TAX CREDITS-WEIGHTED COST(MIDPOINT)	\$	
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS TAX CREDITS-WEIGHTED COST(MIDPOINT) SUBTOTAL	\$ (Schedule 2, p. 1) % () % () % () % () % () % () % () % () %	