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www.stjoenaturalgas.com

April 6, 2009

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, 2008

Please find enclosed the Actual Earnings Surveillance Report for the twelve months ending December 30, 2008.

Sincerely, Delllie Stitt

Debbie Stitt Bookkeeper ECONOMIC REGULATION

US APR -9 AM 9: 20

COMMISSION CENTRE

FLORIDA RUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY EARNINGS SURVEILLANCE REPORT

PSC/AFA 13 (6/94)

SCHEDULE 1

ST. JOE NATURAL GAS COMPANY EARNINGS SURVEILLANCE REPORT SUMMARY ACTUAL DECEMBER 2008

AVERAGE RATE BASE AVERAGE RATE OF RETURN 4.62% 6.03% II. YEAR END RATE BASE (JURISDICTIONAL) \$ 3,932,078 \$ -891,827 \$ 3,040,251 III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) LOW 5.27 % MIDPOINT 5.74 % B. EXCLUDING FLEX RATE REVENUES 11.61% I am aware that Section 837.06, Fiorida 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. 775.084. Stuart L Shoaf, President (Name and Title of Chief (Signature) (Date)	I. AVERAGE RATE OF RETURN (JURISDICTIONAL)			(1) ACTUAL <u>PER BOOKS</u>	(2) FPSC <u>ADJUSTMENTS</u>	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA <u>ADJUSTMENTS</u>	(5) PRO FORMA <u>ADJUSTED</u>
AVERAGE RATE OF RETURN 4.62% 6.03% II. YEAR END RATE BASE (JURISDICTIONAL) \$ 3,932,078 \$ -891,827 \$ 3,040,251 III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) LOW 5.27 % FILEX RATE REVENUES 11.61% MIDPOINT 5.74 % B. EXCLUDING FILEX RATE REVENUES 11.61% 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. Stuart L Shoaf, President (Name and Title of Chief (Signature) (Date)	NET OPERATING INCOME		\$	179,449	\$\$	179,449	\$\$	
III. YEAR END RATE BASE (JURISDICTIONAL) \$ 3,932,078 \$ -891,827 \$ 3,040,251 III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) LOW 5.27 % MIDPOINT 5.74 % MIDPOINT 5.74 % HIGH 6.21 % 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. Stuart L Shoaf, President (Name and Title of Chief (Signature) (Date)	AVERAGE RATE BASE		\$	3,884,060	-906,415 \$	2,977,645	\$\$	
(JURISDICTIONAL) \$ 3,932,078 \$ -891,827 \$ 3,040,251 III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) LOW 5.27 % MIDPOINT 5.74 % MIDPOINT 5.74 % B. EXCLUDING FLEX RATE REVENUES 11.61% 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. Stuart L Shoaf, President (Name and Title of Chief (Signature) [10. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS) A. INCLUDING FLEX RATE REVENUES 11.61% B. EXCLUDING FLEX RATE REVENUES 11.61% [10. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS) A. INCLUDING FLEX RATE REVENUES 11.61% [11.61% 11.61% 1	AVERAGE RATE OF RETURN			4.62%		6.03%		9
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) LOW 5.27 % MIDPOINT 5.74 % B. EXCLUDING FLEX RATE REVENUES 11.61% HIGH 6.21 % 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. Stuart L Shoaf, President (Name and Title of Chief (Signature) (Date)	II. YEAR END RATE BASE (JURISDICTIONAL)		\$	3,932,078 \$	-891,827 \$	3,040,251		
LOW 5.27 % FLEX RATE REVENUES 11.61% MIDPOINT 5.74 % B. EXCLUDING FLEX RATE REVENUES 11.61% HIGH 6.21 % 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. Stuart L Shoaf, President (Name and Title of Chief (Signature)					IV	(FPSC ADJUS	STED BASIS)	
HIGH 6.21 % ! 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. Stuart L Shoaf, President (Name and Title of Chief (Signature)	(FPSC ADJUSTED BASIS)	LOW	5.27 %	6				11.61%
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. Stuart L Shoaf, President (Name and Title of Chief (Signature)		MIDPOINT	5.74 %	6				11.61%
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. Stuart L Shoaf, President (Name and Title of Chief (Signature) 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. 775.084.		HIGH	6.21 9	6		LEXIONE		
(Name and Title of Chief (Signature) (Date)		Whoever kno the intent to mis official duty sha	owingly makes a fa slead a public serv Il be guilty of a mi	rant in the perform sdemeanor of the 082, s. 775.083, c	nance of his second degree or s. 775.084.			
			_	(Signature)	-	-	(Date)	PSC/AFA13

ST. JOE NATURAL GAS COMPANY, INC. AVERAGE RATE OF RETURN RATE BASE ACTUAL December 2008

SCHEDULE 2 PAGE 1 OF 2

PER BOOKS FPSC ADJUSTMENTS:	(1) PLANT IN SERVICE 6,583,786	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 3,359,024	(3) NET PLANT IN SERVICE 3,224,762	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 23,569	(7) NET UTILITY PLANT 3,248,331	(8) WORKING CAPITAL 635,730	(9) TOTAL RATE BASE 3,884,061
PRO RATA NON UTILITY	-363,761	-51,338	-312,423		1,646	-310,777	-72,784 -52 2 ,85 4	-72,784 -833,631
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	-363,761 6,220,025	-51,338 3,307,686	-312,423 2,912,339		1,646 25,215	2,937,554	-595,638 -40,092	-906,415 2,977,646
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED								

ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT ACTUAL December 2008 SCHEDULE 2 PAGE 2 OF 2

PER BOOKS FPSC ADJUSTMENTS:	OPERATING REVENUES 2,486,431	(2) O & M GAS EXPENSE 1,016,595	O & M OTHER 906,394	DEPRECIATION & AMORTIZATION 234,780	TAXES OTHER THAN INCOME 121,690	(6) INCOME TAXES CURRENT 27,523	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES 2,306,982	(11) NET OPERATING INCOME 179,449
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS;	2,488,431	1,016,595	906,394	234,780	121,690	27,523				2,306,982	179,449
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED							hereacted and the state of the		Subscharzeneckon		
PER BOOKS CURRENT MONTH AMOUNT											

ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE ACTUAL December 2008

SCHEDULE 3

PER BOOKS EPSC ADJUSTMENTS:	(1) PLANT IN SERVICE 6,617,962	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 3,447,842	(3) NET PLANT IN SERVICE 3,170,120	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 19,969	(7) NET UTILITY PLANT 3,190,089	(8) WORKING CAPITAL 741,988	(9) TOTAL RATE BASE 3,932,077
PRO-RATA NON-UTILITY	-364,592	-41,388	-323,204			-323,204	-94,281 -474,341	-94,281 -797,545
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED	-364,592 6,253,370	-41,388 3,406,454	-323,204 2,846,916	#VALUE!	19,969	-323,204 2,866,885	-568,622 173,366	-891,826 3,040,251

SCHEDULE 4

ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS ACTUAL December 2008

						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	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	0.92%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	62,496	-20,554	-1,795	40,147	1.35%	6.00	0.08	6.00	0.08	6.00	0.08
COMMON EQUITY	2,179,903	-716,941	-62,596	1,400,366	47.03%	10.00	4.70	11.00	5.17	12.00	5.64
DEFERRED INCOME TAXES	111,562			111,562	3.75%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	1,145,758			1,145,758	38.48%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	292,308	-96,136	-8,394	187,778	6.31%	7.75	0.49	7.75	0.49	7.75	0.49
CUSTOMER ADVANCES FOR CONSTRUCTION	64,631			64,631	2.17%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	3,884,060	-833,631	-72,784	2,977,645	100.00%		5.27		5.74		6.21

						LUW PUINT		MIUPUIN		HIGH PUINT	
						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	0.90%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	67,510	-21,064	-2,490	43,956	1.45%	6.00	0.09	6.00	0.09	6.00	0.09
COMMON EQUITY	2,188,603	-682,876	-80,728	1,425,001	46.87%	10.00	4.69	11.00	5.16	12.00	5.62
DEFERRED INCOME TAXES	93,885			93,885	3.09%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	1,120,297			1,120,297	36.85%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	300,000	-93,604	-11,065	195,330	6.42%	7.75	0.50	7.75	0.50	7.75	0.50
CUSTOMER ADVANCES FOR CONSTRUCTION	134,380			134,380	4.42%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	3,932,077	-797,545	-94,281	3,040,251	100.00%		5.27		5.74		6.21

ST. JOE NATURAL GAS COMPANY, INC. **EARNED RETURN ON COMMON EQUITY** FPSC ADJUSTED BASIS

SCHEDULE 5

ACTUAL December 2008

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:	****	6.03 (Schedule 1)
SHORT TERM DEBT		0.00 %
LONG TERM DEBT - BAYSIDE		0.49 %
CUSTOMER DEPOSITS		0.08 %
OTHER DEFERRED CREDITS		0.00 %
SUBTOTAL	-	0.57 %
TOTAL	:	5.46 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	4	7.03 %
JURISDICTIONAL RETURN ON COMMON EQUITY	11.0	61%
B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX RATE REVENUES NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p. 2 of 2)
EXCLUDING FLEX RATE REVENUES SAME AS ABOVE	\$ \$	(Schedule 2, p. 2 of 2) (Schedule 2, p. 1 of 2)
EXCLUDING FLEX RATE REVENUES NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL	\$ \$	
EXCLUDING FLEX RATE REVENUES NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES RATE BASE EXCLUDING FLEX RATE REVENUES FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	\$ \$	(Schedule 2, p. 1 of 2)
EXCLUDING FLEX RATE REVENUES 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 of 2) % % % % %
EXCLUDING FLEX RATE REVENUES 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	\$ \$((((Schedule 2, p. 1 of 2) % % % % % % % % % % % % %
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	\$ \$((((((((((((((((((Schedule 2, p. 1 of 2) % % % % % % % % % % % % %
EXCLUDING FLEX RATE REVENUES 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 of 2) % % % % % % % % % % % % %
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)	\$ \$	(Schedule 2, p. 1 of 2) % % % % % % % % % % % % %
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 of 2) % % % % % % % % % % % % %