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www.stjoenaturalgas.com

July 27, 2012

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

Re: Earnings Surveillance Report Ending June 30, 2012

Please find enclosed the Earnings Surveillance Report for the twelve months ending June 30, 2012.

Sincerely,

Debbie Stitt

Regulatory Analyst

FLORIDA PUBLIC SERVICE COMMISSION
INVESTOR-OWNED NATURAL GAS UTILITY EARNINGS SURVEILLANCE REPORT
PSC/AFA 13 (6/94)

ST. JOE NATURAL GAS COMPANY EARNINGS SURVEILLANCE REPORT SUMMARY JUNE 30, 2012

I. AVERAGE RATE OF RETURN			(1) ACTUAL PER BOOKS	(2) FPSC <u>ADJUSTMENTS</u>	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA <u>ADJUSTED</u>	
(JURISDICTIONAL) NET OPERATING INCOME		\$	88,466	\$\$	88,466	\$\$		
AVERAGE RATE BASE		\$	4,240,542	-1,308,410 \$	2,932,132	\$\$		
AVERAGE RATE OF RETURN			2.09%		3.02%		%	
II. YEAR END RATE BASE (JURISDICTIONAL)		\$	4,230,160	-1,425,053 \$	2,805,107			
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)				I\ —		TURN ON EQUITY STED BASIS)	·	
(FSC ADJUSTED DASIS)	LOW	5.35 %				E REVENUES	5.05%	
	MIDPOINT	5.82 %			B. EXCLUDIN	IG E REVENUES	5.05%	
	HIGH	6.29 %						
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. Andy Shoaf, Vice-President (Name and Title of Chief Financial Officer) (Signature) (Date)								

ST. JOE NATURAL GAS COMPANY, INC. AVERAGE RATE OF RETURN RATE BASE JUNE 30, 2012

SCHEDULE 2 PAGE 1 OF 2

PER BOOKS	(1) PLANT IN SERVICE 7,484,609	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 4,034,857	(3) NET PLANT IN SERVICE 3,449,752	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 61,529	(7) NET UTILITY PLANT 3,511,281	(8) WORKING CAPITAL 729,263	(9) TOTAL RATE BASE 4,240,544
PRO RATA NON UTILITY	-838,900	-118,154	-720,746		-27,692	-748,438	-24,135 -535,840	-24,135 -1,284,278
TOTAL FPSC ADJUSTMENTS	-838,900	-118,154	-720,746		-27,692		-559,975	-1,308,413
FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	6,645,709	3,916,703	2,729,006		33,837	2,762,843	169,288	2,932,131
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED								

ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT JUNE 30, 2012

PER BOOKS	OPERATING REVENUES 1,899,361	O & M GAS EXPENSE 572,264	(3) O & M OTHER 775,743	(4) DEPRECIATION & AMORTIZATION 247,051	(5) TAXES OTHER THAN INCOME 153,689	(6) INCOME TAXES CURRENT 62,149	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES 1,810,896	(11) NET OPERATING INCOME 88,465
FPSC ADJUSTMENTS:											
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS;	1,899,361	572,264	775,743	247,051	153,689	62,149				1,810,896	88,465
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED PER BOOKS CURRENT MONTH AMOUNT		<u> </u>									

SCHEDULE 3

ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE JUNE 30, 2012

PLANT IN DEPRECIATION PLANT IN DEPRECIATION SERVICE PLANT IN DEPRECIATION SERVICE POR FUTURE USE PROGRESS UTILITY PLANT CAPITAL RATE BASE		(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
SERVICE AMORTIZATION SERVICE FOR FUTURE USE PROGRESS UTILITY PLANT CAPITAL RATE BASE			ACCUMULATED	NET		CONSTRUCTION			
PER BOOKS 7,530,983 4,128,981 3,402,002 54,466 3,456,468 773,691 4,230,159 FPSC ADJUSTMENTS: PRO-RATA NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572		PLANT IN	DEPRECIATION &	PLANT IN	PROPERTY HELD	WORK IN	NET	WORKING	TOTAL
PRO-RATA -46,480 -46,480 NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572		SERVICE	AMORTIZATION	SERVICE	FOR FUTURE USE	PROGRESS	UTILITY PLANT	CAPITAL	RATE BASE
PRO-RATA NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572	PER BOOKS	7,530,983	4,128,981	3,402,002		54,466	3,456,468	773,691	4,230,159
PRO-RATA NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572									
PRO-RATA NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572									
NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572	FPSC ADJUSTMENTS:								
NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572									
NON-UTILITY -896,162 -139,344 -756,818 -25,780 -782,598 -595,974 -1,378,572									
	PRO-RATA							-46,480	-46,480
TOTAL FPSC ADJUSTMENTS	NON-UTILITY	-896,162	-139,344	-756,818		-25,780	-782,598	-595,974	-1,378,572
TOTAL FPSC ADJUSTMENTS -896,162 -139,344 -756,818 -25,780 -782,598 -642,454 -1,425,052									
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TOTAL FPSC ADJUSTMENTS -896,162 -139,344 -756,818 -25,780 -782,598 -642,454 -1,425,052									
	TOTAL FPSC ADJUSTMENTS	-896,162	-139,344	-756,818		-25,780	-782,598	-642,454	-1,425,052
FPSC ADJUSTED 6,634,821 3,989,637 2,645,184 #VALUE! 28,686 2,673,870 131,237 2,805,107	FPSC ADJUSTED	6,634,821	3,989,637	2,645,184	#VALUE!	28,686	2,673,870	131,237	2,805,107

ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS JUNE 30, 2012

						LOW POINT		MIDPOINT		HIGH POINT	
						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
		ADJUSTMENTS			RATIO	RATE	COST	RATE	COST	RATE	COST
<u>AVERAGE</u>	PER BOOKS	NON-UTILITY	PRO RATA	ADJUSTED	(%)	(%)	(%)	(%)	(%)	(%)	(%)
LONG TERM DEBT	420,000	-180,859	-3,399	235,742	8.04%	6.50	0.52	6.50	0.52	6.50	0.52
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	0.93%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	101,913	-43,886	-825	57,203	1.95%	6.00	0.12	6.00	0.12	6.00	0.12
COMMON EQUITY	2,460,497	-1,059,533	-19,911	1,381,052	47.10%	10.00	4.71	11.00	5.18	12.00	5.65
DEFERRED INCOME TAXES	230,622			230,622	7.87%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	967,531			967,531	33.00%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	0	0	0	0	0.00%	7.75	0.00	7.75	0.00	7.75	0.00
CUSTOMER ADVANCES FOR CONSTRUCTION	32,577			32,577	1.11%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,240,542	-1,284,278	-24,135	2,932,129	100.00%		5.35		5.82		6.29

						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	(%)	(%)	(%)	(%)	(%)	(%)	(%)
LONG TERM DEBT	420,000	-192,734	-6,498	220,767	7.87%	6.50	0.51	6.50	0.51	6.50	0.51
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	104,614	-48,007	-1,619	54,989	1.96%	6.00	0.12	6.00	0.12	6.00	0.12
COMMON EQUITY	2,479,520	-1,137,831	-38,363	1,303,326	46.46%	10.00	4.65	11.00	5.11	12.00	5.58
DEFERRED INCOME TAXES	256,553			256,553	9.15%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	942,070			942,070	33.58%	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM DEBT - Bayside	0	0	0	0	0.00%	7.75	0.00	7.75	0.00	7.75	0.00
CUSTOMER ADVANCES FOR CONSTRUCTION	0			0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,230,160	-1,378,572	-46,480	2,805,108	100.00%		5.28		5.74		6.20

ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS June 30, 2012

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:		02 (Schedule 1)
SHORT TERM DEBT		00 %
LONG TERM DEBT		52 %
CUSTOMER DEPOSITS		12 %
OTHER DEFERRED CREDITS		00 %
SUBTOTAL		<u>64</u> %
TOTAL	2.	38 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	47.	<u>10</u> %
	5.05	10/
JURISDICTIONAL RETURN ON COMMON EQUITY	5.05	<u> </u>
B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX RATE REVENUES SAME AS ABOVE		
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p
NET OPERATING REVENUE EXCLUDING FLEX NATE REVENUES	Ψ	(001100010 E, p
RATE BASE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p
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	$\frac{\langle}{\langle}$	- %
005101/12		
TOTAL		%
DIVIDED BY RECONCILED COMMON EQUITY RATIO		%
JURISDICTIONAL RETURN ON COMMON EQUITY		%