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April 4, 2013

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

elilie Stitl

Re: Earnings Surveillance Report Ending December 31, 2012

Please find enclosed the Earnings Surveillance Report for the twelve months ending December 31, 2012.

Sincerely,

Debbie Stitt

Regulatory Analyst

13 APR 11 AM 9: 14

DIVISION OF DIVISION & FINANCE

FLORIDA PUBLIC SERVICE COMMISSION	
INVESTOR-OWNED NATURAL GAS UTILITY EARNINGS SURVEILLANCE REPORT	
PSC/AFA 13 (6/94)	1

### ST. JOE NATURAL GAS COMPANY EARNINGS SURVEILLANCE REPORT SUMMARY December 31, 2012

			(1) ACTUAL PER BOOKS	(2) FPSC <u>ADJUSTMENTS</u>	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA <u>ADJUSTED</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)							
NET OPERATING INCOME		\$.	87,136	\$\$	87,136	\$\$	
AVERAGE RATE BASE		\$	4,225,679	\$\$	2,795,242	\$\$	
AVERAGE RATE OF RETURN			2.06%		3.12%		9
II. YEAR END RATE BASE (JURISDICTIONAL)		\$	4,190,894	\$1,495,884_\$	2,695,010		
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE				1\	(FPSC ADJU	TURN ON EQUITY STED BASIS)	· .
(FPSC ADJUSTED BASIS)	LOW	5.18 %			A. INCLUDING FLEX RAT	E REVENUES	5.38%
	MIDPOINT	5.64 %			B. EXCLUDIN	IG E REVENUES	5.38%
	HIGH	6.11 %					
I am aware that Section 837.	Whoever kno the intent to mis	wingly makes a false lead a public servan	t in the perform	ance of his			
		I be guilty of a misde rovided in s. 775.082					
Andy Shoaf, Vice-President			Al	1			
(Name and Title of Chief Financial Officer)			(Signatur	e) ~		(Date)	PSC/AFA13

### ST. JOE NATURAL GAS COMPANY, INC. AVERAGE RATE OF RETURN RATE BASE DECEMBER 31, 2012

SCHEDULE 2 PAGE 1 OF 2

PER BOOKS	(1) PLANT IN SERVICE 7,544,061	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 4,139,748	(3) NET PLANT IN SERVICE 3,404,313	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 59,426	(7)  NET  UTILITY PLANT  3,463,739	(8) WORKING CAPITAL 761,941	(9)  TOTAL  RATE BASE  4,225,680
FPSC ADJUSTMENTS:								
PRO RATA NON UTILITY	-901,505	-134,177	-767,328		-27,704	-795,032	-43,491 -591,914	-43,491 -1,386,946
TOTAL FPSC ADJUSTMENTS	-901,505	-134,177	-767,328		-27,704		-635,405	-1,430,437
FPSC ADJUSTED	6,642,556	4,005,571	2,636,985		31,722	2,668,707	126,536	2,795,243
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES								
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED								

### ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT DECEMBER 31, 2012

PER BOOKS	(1) OPERATING REVENUES 1,806,887	(2) O & M GAS EXPENSE 531,277	(3) O & M OTHER 799,267	(4) DEPRECIATION & AMORTIZATION 246,668	(5) TAXES OTHER THAN INCOME 127,878	(6) INCOME TAXES CURRENT 14,661	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES 1,719,751	(11) NET OPERATING INCOME 87,136
FPSC ADJUSTMENTS:											
TOTAL FPSC ADJUSTMENTS  FPSC ADJUSTED  FLEX RATE REVENUES  ADJUSTED FOR FLEX RATE REVENUES  PRO FORMA REVENUE INCREASE AND  ANNUALIZATION ADJUSTMENTS:	1,806,887	531,277	799,267	246,668	127,878	14,661				1,719,751	87,136
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED											
PER BOOKS CURRENT MONTH AMOUNT											

## ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE DECEMBER 31, 2012

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
		ACCUMULATED	NET		CONSTRUCTION			
	PLANT IN	DEPRECIATION &	PLANT IN	PROPERTY HELD	WORK IN	NET	WORKING	TOTAL
	SERVICE	AMORTIZATION	SERVICE	FOR FUTURE USE	PROGRESS	UTILITY PLANT	CAPITAL	RATE BASE
PER BOOKS	7,612,851	4,262,601	3,350,250		56,565	3,406,815	784,080	4,190,895
						,		
FPSC ADJUSTMENTS:								
PRO-RATA							-78,459	-78,459
NON-UTILITY	-962,208	-153,894	-808,314		-29,920	-838,234	-579,192	-1,417,426
TOTAL FPSC ADJUSTMENTS	-962,208	-153,894	-808,314		-29,920	-838,234	-657,651	-1,495,885
FPSC ADJUSTED	6,650,643	4,108,707	2,541,936	#VALUE!	26,645	2,568,581	126,429	2,695,010

### ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS DECEMBER 31, 2012

						LOW POINT COST	WEIGHTED	MIDPOINT	WEIGHTED	HIGH POINT 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	-194,215	-6,090	219,695	7.86%	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	104,136	-48,154	-1,510	54,472	1.95%	6.00	0.12	6.00	0.12	6.00	0.12
COMMON EQUITY	2,474,738	-1,144,358	-35,884	1,294,496	46.31%	10.00	4.63	11.00	5.09	12.00	5.56
DEFERRED INCOME TAXES	256,860			256,860	9.19%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	942,070			942,070	33.70%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	473	-219	-7	247	0.01%	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ADVANCES FOR CONSTRUCTION	0			0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,225,679	-1,386,946	-43,491	2,795,242	100.00%		5.26		5.72		6.19

						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	-199,348	-11,035	209,618	7.78%	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	1.02%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	104,774	-49,730	-2,753	52,292	1.94%	6.00	0.12	6.00	0.12	6.00	0.12
COMMON EQUITY	2,460,360	-1,167,779	-64,640	1,227,941	45.56%	10.00	4.56	11.00	5.01	12.00	5.47
DEFERRED INCOME TAXES	260,549			260,549	9.67%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	916,609			916,609	34.01%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	1,200	-570	-32	599	0.02%	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ADVANCES FOR CONSTRUCTION	0			0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,190,894	-1,417,426	-78,459	2,695,009	100.00%		5.18		5.63		6.09

### **SCHEDULE 5**

# ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS DECEMBER 31, 2012

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: SHORT TERM DEBT LONG TERM DEBT CUSTOMER DEPOSITS OTHER DEFERRED CREDITS SUBTOTAL		3.12 (Schedule 1)  0.00 % -0.51 % -0.12 % 0.00 % -0.63 %
TOTAL		2.49 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO		<u>46.31</u> %
JURISDICTIONAL RETURN ON COMMON EQUITY	5	.38%
B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY  EXCLUDING FLEX RATE REVENUES  SAME AS ABOVE	œ.	(Sahadula 2 n
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, 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	( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( ( (	% ) % ) % ) % ) % ) %
TOTAL		%
DIVIDED BY RECONCILED COMMON EQUITY RATIO		%
JURISDICTIONAL RETURN ON COMMON EQUITY		%