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www.stjoegas.com

February 17, 2014

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

Re: Preliminary Earnings Surveillance Report Ending December 31, 2013

Please find enclosed the Preliminary Earnings Surveillance Report for the twelve months ending December 31, 2013.

Sincerely,

Debbie Stitt

Regulatory Analyst

Deblie Stitl

ACCOUNTING & FINANC

RECEIVED FLORIDA PUBLIC SERVIC COMMISSION



INVESTOR-OWNED NATURAL GAS UTILITY EARNINGS SURVEILLANCE REPORT

PSC/AFA 13 (6/94)

ST. JOE NATURAL GAS COMPANY EARNINGS SURVEILLANCE REPORT SUMMARY PRELIMINARY DECEMBER 31, 2013

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		\$	105,452	\$\$	105,452	\$\$	
AVERAGE RATE BASE		\$	4,431,119	\$\$	2,659,584	\$\$	
AVERAGE RATE OF RETURN			2.38%		3.96%		-
II. YEAR END RATE BASE (JURISDICTIONAL)		\$	4,271,583	\$1,666,267_\$	2,605,316		
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)	LOW	5.09 %		l\ -	(FPSC ADJU A. INCLUDING	TURN ON EQUITY STED BASIS) G E REVENUES	- 7.45%
	MIDPOINT	5.54 %			B. EXCLUDIN	IG E REVENUES	7.45%
	HIGH	5.98 %					

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.

Andy Shoaf, Vice-President

(Name and Title of Chief Financial Officer)

(8ignature)

2-17-14

PSC/AFA13

ST. JOE NATURAL GAS COMPANY, INC. AVERAGE RATE OF RETURN RATE BASE PRELIMINARY DECEMBER 31, 2013

SCHEDULE 2 PAGE 1 OF 2

PER BOOKS	(1) PLANT IN SERVICE 7,853,444	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 4,410,860	(3) NET PLANT IN SERVICE 3,442,584	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 67,909	(7) NET UTILITY PLANT 3,510,493	(8) WORKING CAPITAL 920,626	(9) TOTAL RATE BASE 4,431,119
PRO RATA NON UTILITY	-1,142,248	-191,551	-950,697		-37,990	-988,687	-60,199 -722,649	-60,199 -1,711,336
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	-1,142,248 6,711,196	-191,551 4,219,309	-950,697 2,491,887		37,990 29,919	2,521,806	-782,848 137,778	-1,771,535 2,659,584
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED								

ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT PRELIMINARY DECEMBER 31, 2013

PER BOOKS FPSC ADJUSTMENTS:	OPERATING REVENUES 1,914,009	0 & M GAS EXPENSE 502,570	(3) O & M OTHER 898,446	DEPRECIATION & AMORTIZATION 249,000	TAXES OTHER THAN INCOME 136,348	(6) INCOME TAXES CURRENT 22,193	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES 1,808,557	(11) NET OPERATING INCOME 105,452
TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:	1,914,009	502,570	898,446	249,000	136,348	22,193				1,808,557	105,452
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED PER BOOKS CURRENT MONTH AMOUNT											

SCHEDULE 3

ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE PRELIMINARY DECEMBER 31, 2013

	(1)	(2) ACCUMULATED	(3) NET	(4)	(5) CONSTRUCTION	(7)	(8)	(9)
	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	7,935,315	4,544,774	3,390,541		72,864	3,463,405	808,179	4,271,584
FPSC ADJUSTMENTS:								
PRO-RATA							-52,821	-52,821
NON-UTILITY	-1,203,572	-226,112	-977,460		-49,276	-1,026,736	-586,710	-1,613,446
	4 202 572	000.410	077.400		40.070	4 000 700	630 F34	1 666 267
TOTAL FPSC ADJUSTMENTS	-1,203,572	-226,112	-977,460			-1,026,736	-639,531	-1,666,267
FPSC ADJUSTED	6,731,743	4,318,662	2,413,081	#VALUE!	23,588	2,436,669	168,648	2,605,317

ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS PRELIMINARY DECEMBER 31, 2013

						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	547,198	-287,956	-10,129	249,112	9.37%	6.50	0.61	6.50	0.61	6.50	0.61
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	1.03%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	102,589	-53,986	-1,899	46,704	1.76%	2.00	0.04	2.00	0.04	2.00	0.04
COMMON EQUITY	2,599,429	-1,367,917	-48,119	1,183,393	44.50%	10.00	4.45	11.00	4.89	12.00	5.34
DEFERRED INCOME TAXES	260,549			260,549	9.80%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	891,148			891,148	33.51%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	2,805	-1,476	-52	1,277	0.05%	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	4,431,120	-1,711,336	-60,199	2,659,585	100.00%		5.09		5.54		5.98

						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	557,798	-288,644	-9,450	259,704	9.97%	6.50	0.65	6.50	0.65	6.50	0.65
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	1.05%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	94,665	-48,986	-1,604	44,075	1.69%	2.00	0.03	2.00	0.03	2.00	0.03
COMMON EQUITY	2,460,442	-1,273,207	-41,682	1,145,553	43.97%	10.00	4.40	11.00	4.84	12.00	5.28
DEFERRED INCOME TAXES	260,549			260,549	10.00%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	865,687			865,687	33.23%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	5,041	-2,609	-85	2,347	0.09%	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ADVANCES FOR CONSTRUCTION	٥ (0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,271,584	-1,613,446	-52,821	2,605,317	100.00%		5.08		5.52		5.96

SCHEDULE 5

ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS PRELIMINARY 31, 2013

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:	3.96	(Schedule 1)
SHORT TERM DEBT	0.00	%
LONG TERM DEBT	-0.61	· ·
CUSTOMER DEPOSITS	-0.04	%
OTHER DEFERRED CREDITS	0.00	
SUBTOTAL	-0.64	%
TOTAL	3.32	%
TOTAL	0.02	,,
DIVIDED BY RECONCILED COMMON EQUITY RATIO	44.50	- %
JURISDICTIONAL RETURN ON COMMON EQUITY	7.45%	=
B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUI	TY	
EXCLUDING FLEX RATE REVENUES SAME AS ABO		
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p. 1 of 2)
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 FOUITY		%