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2017 MAR 23 AM 8: 05

March 16, 2017

Mr. Andrew L Maurey, Director Division of Accounting & Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

Re: Preliminary Earnings Surveillance Report Ending December 2016

Please find enclosed the Preliminary Earnings Surveillance Report for the twelve months ending December 31, 2016.

Sincerely,

**Debbie Stitt** 

**Regulatory Analyst** 

FLORIDA PUBLIC 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 PRELIMINARY DEC 31, 2016

			(1) ACTUAL	(2) FPSC	(3) FPSC	(4) PRO FORMA	(5) PRO FORMA
			PER BOOKS	<b>ADJUSTMENTS</b>	<b>ADJUSTED</b>	<b>ADJUSTMENTS</b>	ADJUSTED
I. AVERAGE RATE OF RETURN							
(JURISDICTIONAL) NET OPERATING INCOME		\$	4,747	\$ \$	4,747	\$ \$	
		·					
AVERAGE RATE BASE		\$	5,199,864	\$ <u>-2,155,926</u> \$	3,043,938	\$\$	
AVERAGE RATE OF RETURN			0.09%		0.16%		%
II. YEAR END RATE BASE (JURISDICTIONAL)		\$	E 229 6E2 (	\$ 2.202.644. <b>\$</b>	2 026 042		
(JURISDICTIONAL)		<b>D</b>	5,228,653	\$2,202,611_\$	3,026,042		
III. REQUIRED RATES OF RETURN				IV		TURN ON EQUITY	,
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					A. INCLUDIN	ISTED BASIS)	-
(i i do i ibado i Eb Briele)	LOW	4.26 %				E REVENUES	-0.95%
	MIDPOINT	4.64 %			B. EXCLUDIN	IG E REVENUES	-0.95%
	HIGH	5.01 %					
I am aware that Section 837.0	06, Florida Statutes, p	rovides:					
		wingly makes a false lead a public servan					
	official duty shal	l be guilty of a misde rovided in s. 775.082	emeanor of the	second degree			
	paritoria do pr					<b>3</b>	
Andy Shoaf, Vice-President			100.		. ,	3-16-17	
(Name and Title of Chief Financial Officer)			(Signature			(Date)	PSC/AFA13

#### ST. JOE NATURAL GAS COMPANY, INC. AVERAGE RATE OF RETURN RATE BASE PRELIMINARY DEC 31, 2016

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	8,813,074	5,267,101	3,545,973		108,705	3,654,678	1,545,185	5,199,863
FPSC ADJUSTMENTS:								
PRO RATA NON UTILITY	-1,597,537	-400,995	-1,196,542		-62,419	-1,258,961	-55,690 -841,275	-55,690 -2,100,236
TOTAL FPSC ADJUSTMENTS  FPSC ADJUSTED  FLEX RATE REVENUES  ADJUSTED FOR  FLEX RATE REVENUES  PRO FORMA REVENUE INCREASE AND  ANNUALIZATION ADJUSTMENTS:	-1,597,537 	-400,995 -4,866,106	-1,196,542 2,349,431		-62,419 46,286	2,395,717	-896,965 648,220	-2,155,926 3,043,937
TOTAL PRO FORMA ADJUSTMENTS PRO FORMA ADJUSTED								

#### SCHEDULE 2 PAGE 2 OF 2

#### ST. JOE NATURAL GAS COMPANY AVERAGE RATE OF RETURN INCOME STATEMENT PRELIMINARY DEC 31, 2106

	(1) OPERATING	(2) O & M	(3) O & M	(4) DEPRECIATION &	(5) TAXES OTHER	(6) INCOME TAXES	(7) DEFERRED INCOME TAXES	(8) INVESTMENT TAX CREDIT	(9) GAIN/LOSS	(10) TOTAL OPERATING	(11) NET OPERATING
	REVENUES	GAS EXPENSE	OTHER	AMORTIZATION	THAN INCOME	CURRENT	(NET)	(NET)	ON DISPOSITION	EXPENSES	INCOME
PER BOOKS	1,938,484	441,874	1,066,263	284,004	141,134	462				1,933,737	4,747
FPSC ADJUSTMENTS:											
TOTAL FPSC ADJUSTMENTS											
FPSC ADJUSTED	1,938,484	441,874	1,066,263	284,004	141,134	462				1,933,737	4,747
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES											
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED											
DED DOOKS											
PER BOOKS CURRENT MONTH AMOUNT											

### ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE PRELIMINARY DEC 31, 2016

SCHEDULE 3

PER BOOKS	(1) PLANT IN SERVICE 8,970,281	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 5,347,823	(3) NET PLANT IN SERVICE 3,622,458	PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 99,191	(7)  NET  UTILITY PLANT  3,721,649	(8) WORKING CAPITAL 1,507,005	(9)  TOTAL  RATE BASE  5,228,654
FPSC ADJUSTMENTS:								
PRO-RATA NON-UTILITY	-1,733,897	-446,740	-1,287,157		-70,916	-1,358,073	-72,632 -771,906	-72,632 -2,129,979
TOTAL FPSC ADJUSTMENTS  FPSC ADJUSTED	-1,733,897 7,236,384	<del>-446,740</del> 4,901,083	-1,287,157 2,335,301		-70,916 28,275	-1,358,073 2,363,576	-844,538 662,467	-2,202,611 3,026,043

#### ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS PRELIMINARY DEC 31, 2016

						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	580,874	-341,961	-9,067	229,846	7.55%	6.50	0.49	6.50	0.49	6.50	0.49
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	91,133	-53,650	-1,423	36,060	1.18%	2.00	0.02	2.00	0.02	2.00	0.02
COMMON EQUITY	2,884,484	-1,698,096	-45,027	1,141,361	37.50%	10.00	3.75	11.00	4.12	12.00	4.50
DEFERRED INCOME TAXES	866,499			886,499	28.47%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	738,382			738,382	24.26%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	11,091	-6,529	-173	4,389	0.14%	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	5,199,865	-2,100,236	-55,690	3,043,939	100.00%		4.26		4.64		5.01

						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	-328,038	-11,186	218,574	7.22%	6.50	0.47	6.50	0.47	6.50	0.47
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	0.91%	0.00		0.00		0.00	
CUSTOMER DEPOSITS	85,749	-50,429	-1,720	33,601	1.11%	2.00	0.02	2.00	0.02	2.00	0.02
COMMON EQUITY	2,966,787	-1,744,751	-59,496	1,162,541	38.42%	10.00	3.84	11.00	4.23	12.00	4.61
DEFERRED INCOME TAXES	866,499			866,499	28.63%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	712,921			712,921	23.56%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	11,498	-6,762	-231	4,506	0.15%	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	5,228,654	-2,129,979	-72,632	3,026,043	100.00%		4.33		4.72		5.10

# ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS PRELIMINARY DEC 31, 2016

## 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:	0.16	(Schedule 1)
SHORT TERM DEBT	0.00 %	b
LONG TERM DEBT	-0.49 %	b
CUSTOMER DEPOSITS	-0.02 %	•
OTHER DEFERRED CREDITS	0.00 %	
SUBTOTAL	-0.51 %	
TOTAL	-0.35 %	b
DIVIDED BY RECONCILED COMMON EQUITY RATIO	37.50 %	5
JURISDICTIONAL RETURN ON COMMON EQUITY	-0.95%	
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
RATE BASE EXCLUDING FLEX RATE REVENUES	\$	(Schedule 2, p
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	9/	, D
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	( ) %	, 0
SHORT TERM DEBT	( ) %	
PREFERRED STOCK	( ) %	
CUSTOMER DEPOSITS	( ) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	( ) %	-
SUBTOTAL	( ) %	
		-
TOTAL	9/	6
DIVIDED BY RECONCILED COMMON EQUITY RATIO	%	ó
JURISDICTIONAL RETURN ON COMMON EQUITY	9/	6