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www.stjoegas.com

February 14, 2018

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

Deldin Sitt

Re: Preliminary Earnings Surveillance Report Ending December 2017

Please find enclosed the Preliminary Earnings Surveillance Report for the twelve months ending December 31, 2017.

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 PRELIMINARY DEC 31, 2017

I. AVERAGE RATE OF RETURN			(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC <u>ADJUSTED</u>	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA <u>ADJUSTED</u>
(JURISDICTIONAL) NET OPERATING INCOME		-	95,712	\$ \$	95,712 \$	s \$	
AVERAGE RATE BASE		\$					
AVERAGE RATE OF RETURN			1.82%		3.22%		%
II. YEAR END RATE BASE (JURISDICTIONAL)		\$	5,180,692	\$2,202,661_\$	2,978,031		
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)				N	(FPSC ADJUS)	-
	LOW	4.23	6		FLEX RATE	REVENUES	7.33%
	MIDPOINT	4.61	6		B. EXCLUDING FLEX RATE	G E REVENUES	7.33%
	HIGH	4.99	6				

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)

(Sigpature)

2-/5-/8 (Date)

PSC/AFA13

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

Preliminary December 31, 2017

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	9,073,544	5,503,989	3,569,555		130,718	3,700,273	1,546,366	5,246,639
FPSC ADJUSTMENTS:								
PRO RATA							-53,993	-53,993
NON UTILITY	-1,749,748	-4 77,101	-1,272,647		-81,688	-1,354,335	-869,328	-2,223,663
TOTAL FPSC ADJUSTMENTS	-1,749,748	-477,101	-1,272,647		-81,688		-923,321	-2,277,656
FPSC ADJUSTED	7,323,796	5,026,888	2,296,908		49,030	2,345,938	623,045	2,968,983
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, INC. AVERAGE RATE OF RETURN

RATE BASE

Preliminary December 31, 2017

SCHEDULE 2 PAGE 1 OF 2

PER BOOKS	(1) PLANT IN SERVICE 9,073,544	(2) ACCUMULATED DEPRECIATION & AMORTIZATION 5,503,989	(3) NET PLANT IN SERVICE 3,569,555	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS 130,718	(7) NET UTILITY PLANT 3,700,273	(8) WORKING CAPITAL 1,546,366	(9) TOTAL RATE BASE 5,246,639
FPSC ADJUSTMENTS:								
PRO RATA NON UTILITY	-1,749,748	-477,101	-1,272,647		-81,688	-1,354,335	-53,993 -869,328	-53,993 -2,223,663
TOTAL FPSC ADJUSTMENTS	-1,749,748	-477,101	-1,272,647		-81,688		-923,321	-2,277,656
FPSC ADJUSTED FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	7,323,796	5,026,888	2,296,908		49,030	2,345,938	623,045	2,968,983
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 Preliminary December 31, 2017

PER BOOKS	OPERATING REVENUES 2,005,808	(2) O & M GAS EXPENSE 397,264	O & M OTHER 1,052,381	(4) DEPRECIATION & AMORTIZATION 285,816	(5) TAXES OTHER THAN INCOME 136,157	(6) INCOME TAXES CURRENT 38,478	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES 1,910,096	(11) NET OPERATING INCOME 95,712
FPSC ADJUSTMENTS:											
TOTAL FPSC ADJUSTMENTS											
FPSC ADJUSTED FLEX RATE REVENUES	2,005,808	397,264	1,052,381	285,816	136,157	38,478				1,910,096	95,712
ADJUSTED FOR FLEX RATE REVENUES											
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED											
PER BOOKS CURRENT MONTH AMOUNT											

ST. JOE NATURAL GAS COMPANY YEAR END RATE BASE PRELIMINARY DECEMBER 31, 2017

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	9,131,378	5,653,441	3,477,937		194,243	3,672,180	1,508,512	5,180,692
FPSC ADJUSTMENTS:								
PRO-RATA							-53,297	-53,297
NON-UTILITY	-1,744,535	-491,877	-1,252,658		-79,485	-1,332,143	-817,221	-2,149,364
TOTAL FPSC ADJUSTMENTS	-1,744,535	-491,877	-1,252,658		-79,485	-1,332,143	-870,518	-2,202,661
						-		
FPSC ADJUSTED	7,386,843	<u>5,161,564</u>	2,225,279		114,758	2,340,037	637,994	2,978,031

ST. JOE NATURAL GAS COMPANY CAPITAL STRUCTURE FPSC ADJUSTED BASIS PRELIMINARY DECEBMER 31, 2017

						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	525,998	-322,202	-7,823	195,973	6.60%	6.50	0.43	6.50	0.43	6.50	0.43
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	79,640	-48,784	-1,185	29,672	1.00%	2.00	0.02	2.00	0.02	2.00	0.02
COMMON EQUITY	3,013,068	-1,845,665	-44,815	1,122,588	37.81%	10.00	3.78	11.00	4.16	12.00	4.54
DEFERRED INCOME TAXES	901,624			901,624	30.37%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	687,460			687,460	23.15%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	11,448	-7,013	-170	4,265	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	5,246,640	-2,223,663	-53,993	2,968,984	100.00%		4.23		4.61		4.99

						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	-251,481	-6,236	162,283	5.45%	6.50	0.35	6.50	0.35	6.50	0.35
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	77,019	-46,116	-1,144	29,759	1.00%	2.00	0.02	2.00	0.02	2.00	0.02
COMMON EQUITY	3,081,100	-1,844,852	-45,746	1,190,502	39.98%	10.00	4.00	11.00	4.40	12.00	4.80
DEFERRED INCOME TAXES	901,624			901,624	30.28%	0.00		0.00		0.00	
OTHER DEFERRED CREDITS - FC	661,999			661,999	22.23%	0.00	0.00	0.00	0.00	0.00	0.00
PROPANE DEPOSITS	11,548	-6,915	-171	4,462	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	5,180,692	-2,149,364	-53,297	2,978,031	100.00%		4.37		4.77		5.17

ST. JOE NATURAL GAS COMPANY, INC. EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS PRELIMINARY DEC 31, 2017

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: SHORT TERM DEBT LONG TERM DEBT CUSTOMER DEPOSITS OTHER DEFERRED CREDITS SUBTOTAL	3.22 (Schedule 1) 0.00 % -0.43 % -0.02 % 0.00 % -0.45 %
TOTAL	2.77 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	37.81 %
JURISDICTIONAL RETURN ON COMMON EQUITY	7.33%
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 LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK CUSTOMER DEPOSITS	() % () % () % () %
TAX CREDITS-WEIGHTED COST(MIDPOINT) SUBTOTAL	(<u>)</u> %
SUBTOTAL	<u>() %</u>