



Florida City Gas

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February 13, 2007

Mr. John Slemkewicz, Supervisor
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

07 FEB 16 PM 1:29
ECONOMIC REGULATION DIVISION

**Re: Florida City Gas
Surveillance Report for Quarter ending December 2006**

Dear Mr. Slemkewicz:

Enclosed please find Florida City Gas' Earnings Surveillance Report for the quarter ended December 2006.

Sincerely,

Rosie Abreu
Regulatory Analyst

Encl.

FLORIDA PUBLIC SERVICE COMMISSION

**INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT**

FLORIDA CITY GAS

December 2006

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
December 2006**

		(1)	(2)	(3)	(4)	(5)
		<u>ACTUAL</u>	<u>FPSC</u>	<u>FPSC</u>	<u>PRO FORMA</u>	<u>PRO FORMA</u>
		<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>						
NET OPERATING INCOME	(a)	\$ 9,441,349	\$ (578,386)	\$ 8,862,963	\$ -	\$ 8,862,963
AVERAGE RATE BASE	(a)	\$ 96,081,064	\$ 23,600,234	\$ 119,681,298	\$ -	\$ 119,681,298
AVERAGE RATE OF RETURN	(a)	9.83%		7.41%		7.41%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>						
		\$ 93,020,305	\$ 29,129,971	\$ 122,150,276	\$ -	\$ 122,150,276

**III. REQUIRED RATES OF RETURN
AVERAGE CAPITAL STRUCTURE (FPSC
ADJUSTED BASIS)**

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

LOW	<u>7.25%</u>	A. INCLUDING FLEX RATE REVENUES	<u>10.67%</u>
MIDPOINT	<u>7.64%</u>	B. EXCLUDING FLEX RATE REVENUES	<u>10.67%</u>
HIGH	<u>8.03%</u>		

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.

Bryan E. Seas VP, Controller & CAO
(Name and Title of Chief Financial Officer)


(Signature)

2.12.2007
(Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 2006

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 206,628,294	\$ 96,799,516	\$ 109,828,778	\$ -	\$ 7,529,289	\$ 117,358,067	\$ (21,277,003)	\$ 96,081,064
FPSC ADJUSTMENTS:								
NUJ acquisition adjustment	-	-	-	-	-	-	-	-
AGL Common Plant	4,605,881	1,879,382	2,726,499	-	-	2,726,499	-	2,726,499
Common plant	-	-	-	-	-	-	-	-
Nonutility plant	-	-	-	-	-	-	(130,070)	(130,070)
Nonutility working capital	-	-	-	-	-	-	-	-
FCG Acquisition Adjustment	1,497,497	344,522	1,152,975	-	-	1,152,975	-	1,152,975
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	21,801,412	21,801,412
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(810,099)	(810,099)
Interest payable adjustment	-	-	-	-	-	-	(1,021,345)	(1,021,345)
Regulatory expense	-	-	-	-	-	-	(97,250)	(97,250)
Gain on sale of Medley property	-	-	-	-	-	-	-	-
Fort Pierce Utility acquisition	(34,800)	(12,912)	(21,888)	-	-	(21,888)	-	(21,888)
TOTAL FPSC ADJUSTMENTS	\$ 6,068,578	\$ 2,210,992	\$ 3,857,586	\$ -	\$ -	\$ 3,857,586	\$ 19,742,648	\$ 23,600,234
FPSC ADJUSTED	\$ 212,696,872	\$ 99,010,508	\$ 113,686,364	\$ -	\$ 7,529,289	\$ 121,215,653	\$ (1,534,355)	\$ 119,681,298
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 212,696,872	\$ 99,010,508	\$ 113,686,364	\$ -	\$ 7,529,289	\$ 121,215,653	\$ (1,534,355)	\$ 119,681,298
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PRO FORMA ADJUSTED	\$ 212,696,872	\$ 99,010,508	\$ 113,686,364	\$ -	\$ 7,529,289	\$ 121,215,653	\$ (1,534,355)	\$ 119,681,298

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
 December 2006

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O&M GAS EXPENSE	O&M OTHER	DEPR. & AMORT.	TAXES OTHER THAN INCOME TAXES	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INV. TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$ 92,097,512	\$ 43,387,542	\$ 21,640,889	\$ 7,617,117	\$ 7,846,360	\$ 3,055,550	\$ (774,272)	\$ (117,023)	\$ -	\$ 82,656,163	\$ 9,441,349
End of year customer refund accrual		\$ -		\$ -						\$ -	\$ -
ADJUSTED BOOKS	\$ 92,097,512	\$ 43,387,542	\$ 21,640,889	\$ 7,617,117	\$ 7,846,360	\$ 3,055,550	\$ (774,272)	\$ (117,023)	\$ -	\$ 82,656,163	\$ 9,441,349
FPSC ADJUSTMENTS:											
Fuel revenues/costs	(43,604,480)	(43,387,542)			(216,938)	-				(43,604,480)	-
Franchise/gross receipts taxes	(5,045,539)				(5,045,539)	-				(5,045,539)	-
ECP revenue/costs	-				-	-				-	-
Off-system sales	-				-	-				-	-
System acquisitions					-	-				-	-
NUIHQ Common plant					-	-				-	-
Common plant					-	-				-	-
Nonutility expenses					-	-				-	-
Association dues			(16,025)			6,181				(9,844)	9,844
Economic development expense			(878)			338				(540)	540
Gain on sale of the Medley property						-				-	-
Employee activities			(13,503)			5,208				(8,295)	8,295
Interest synchronization						597,065				597,065	(597,065)
TOTAL FPSC ADJUSTMENTS	<u>(48,650,019)</u>	<u>(43,387,542)</u>	<u>(30,406)</u>	<u>-</u>	<u>(5,262,477)</u>	<u>608,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,071,633)</u>	<u>(578,386)</u>
FPSC ADJUSTED	<u>\$ 43,447,493</u>	<u>\$ -</u>	<u>\$ 21,610,483</u>	<u>\$ 7,617,117</u>	<u>\$ 2,583,883</u>	<u>\$ 3,664,342</u>	<u>\$ (774,272)</u>	<u>\$ (117,023)</u>	<u>\$ -</u>	<u>\$ 34,584,530</u>	<u>\$ 8,862,963</u>
FLEX RATE REVENUES											
ADJUSTED FOR	-	-	-	-	-	-	-	-	-	-	-
FLEX RATE REVENUES	<u>\$ 43,447,493</u>	<u>\$ -</u>	<u>\$ 21,610,483</u>	<u>\$ 7,617,117</u>	<u>\$ 2,583,883</u>	<u>\$ 3,664,342</u>	<u>\$ (774,272)</u>	<u>\$ (117,023)</u>	<u>\$ -</u>	<u>\$ 34,584,530</u>	<u>\$ 8,862,963</u>
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRO FORMA ADJUSTED	<u>\$ 43,447,493</u>	<u>\$ -</u>	<u>\$ 21,610,483</u>	<u>\$ 7,617,117</u>	<u>\$ 2,583,883</u>	<u>\$ 3,664,342</u>	<u>\$ (774,272)</u>	<u>\$ (117,023)</u>	<u>\$ -</u>	<u>\$ 34,584,530</u>	<u>\$ 8,862,963</u>
PER BOOKS											
CURRENT QUARTER AMOUNT	\$ 20,612,045	\$ 8,624,404	\$ 5,699,128	\$ 1,930,271	\$ 1,887,911	\$ (37,367)	\$ 556,671	\$ (29,256)	\$ -	\$ 18,631,762	\$ 1,980,283

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
December 2006

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$ 209,742,724	\$ 99,532,832	\$ 110,209,892	\$ -	\$ 8,830,380	\$ 119,040,272	\$ (26,019,967)	\$ 93,020,305
FPSC ADJUSTMENTS:								
NUI Acquisition Adjustment	-	-	-	-	-	-	-	-
AGL Common Plant	4,605,881	1,879,382	2,726,499	-	-	2,726,499	-	2,726,499
Common plant	-	-	-	-	-	-	-	-
Nonutility plant	-	-	-	-	-	-	(130,063)	(130,063)
FCG Acquisition Adjustments	1,497,497	368,468	1,129,029	-	-	1,129,029	-	1,129,029
Accumulated Removal Cost	-	-	-	-	-	-	-	-
Capital structure adjustments	-	-	-	-	-	-	26,333,969	26,333,969
Gas cost/conservation/CRA underrecoveries	-	-	-	-	-	-	(895,058)	(895,058)
Interest payable adjustment	-	-	-	-	-	-	1	1
Regulatory expense	-	-	-	-	-	-	(13,893)	(13,893)
Gain on Sale of Medley Property	-	-	-	-	-	-	-	-
Fort Pierce Utility acquisition	(34,000)	(13,488)	(20,512)	-	-	(20,512)	-	(20,512)
TOTAL FPSC ADJUSTMENTS	6,069,378	2,234,362	3,835,016	-	-	3,835,016	25,294,956	29,129,971
FPSC ADJUSTED	\$ 215,812,102	\$ 101,767,194	\$ 114,044,908	\$ -	\$ 8,830,380	\$ 122,875,288	\$ (725,011)	\$ 122,150,276

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2006

AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE	WEIGHTED	COST RATE	WEIGHTED	COST RATE	WEIGHTED
									(%)	COST (%)	(%)	COST (%)	(%)	COST (%)
DIVISIONAL CAPITAL	\$ 45,815,315	38.87%	\$ 307,115	\$ 46,122,430	\$ 771,693	\$ 46,894,123	39.18%	10.25%	4.02%	11.25%	4.41%	12.25%	4.80%	
LONG TERM DEBT	50,265,749	42.64%	(4,702,651)	45,563,098	762,335	46,325,433	38.71%	6.25%	2.42%	6.25%	2.42%	6.25%	2.42%	
SHORT TERM DEBT	6,406,347	5.43%	4,395,536	10,801,883	180,731	10,982,614	9.18%	5.06%	0.46%	5.06%	0.46%	5.06%	0.46%	
PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	6,311,278	5.35%	-	6,311,278	-	6,311,278	5.27%	6.73%	0.35%	6.73%	0.35%	6.73%	0.35%	
TAX CREDITS - ZERO COST	173,956	0.15%	-	173,956	-	173,956	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
ACC DEF INC TAXES-ZERO COST	8,909,831	7.56%	-	8,909,831	84,063	8,993,894	7.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 117,882,476	100.00%	\$ -	\$ 117,882,476	\$ 84,063	\$ 1,714,759	\$ 119,681,298	100.00%	7.25%	7.64%	8.03%	8.03%	8.03%	

YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MIDPOINT		HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE	WEIGHTED	COST RATE	WEIGHTED	COST RATE	WEIGHTED
									(%)	COST (%)	(%)	COST (%)	(%)	COST (%)
DIVISIONAL CAPITAL	\$ 45,172,710	37.85%	\$ 1,416,430	\$ 46,589,140	\$ 1,258,286	\$ 47,847,426	39.17%	10.25%	4.01%	11.25%	4.41%	12.25%	4.80%	
LONG TERM DEBT	47,847,595	40.09%	(1,823,448)	46,024,147	1,243,027	47,267,174	38.70%	6.25%	2.42%	6.25%	2.42%	6.25%	2.42%	
SHORT TERM DEBT	10,504,169	8.80%	407,017	10,911,186	294,691	11,205,877	9.17%	5.06%	0.46%	5.06%	0.46%	5.06%	0.46%	
PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	6,332,104	5.31%	-	6,332,104	-	6,332,104	5.18%	6.73%	0.35%	6.73%	0.35%	6.73%	0.35%	
TAX CREDITS - ZERO COST	120,060	0.10%	-	120,060	-	120,060	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
ACC DEF INC TAXES-ZERO COST	9,377,636	7.85%	-	9,377,636	-	9,377,636	7.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TOTAL	\$ 119,354,274	100.00%	\$ (1)	\$ 119,354,273	\$ -	\$ 2,796,003	\$ 122,150,276	100.00%	7.24%	7.64%	8.03%	8.03%	8.03%	

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2006

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.41%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.42%
SHORT TERM DEBT	-0.46%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.35%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	-3.23%
TOTAL	4.18%
DIVIDED BY RECONCILED COMMON EQUITY RATIO	39.18%
JURISDICTIONAL RETURN ON COMMON EQUITY	10.67%

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX
RATE REVENUES

NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 8,862,963
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 119,681,298
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.41%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	-2.42%
SHORT TERM DEBT	-0.46%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	-0.35%
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
SUBTOTAL	-3.23%
TOTAL	4.18%
DIVIDED BY RECONCILED COMMON EQUITY RATIO	39.18%
JURISDICTIONAL RETURN ON COMMON EQUITY	10.67%