

ST JOE NATURAL GAS



Serving Florida's Panhandle Since 1963
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May 23, 2008

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

Re: Actual Earnings Surveillance Report Ending December 31, 2007

Please find enclosed the Actual Earnings Surveillance Report for the twelve months ending December 31, 2007.

Sincerely,



Debbie Stitt
Bookkeeper

09 MAY 29 AM 10:02
ELECTRIC & GAS DIVISION

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

PSC/AFA 13 (6/94)

**L GAS COMPANY
EARNINGS SURVEILLANCE REPORT SUMMARY
ACTUAL DECEMBER 31, 2007**

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ (86,941)	\$	\$ (86,941)	\$	\$
<u>AVERAGE RATE BASE</u>	\$ 3,729,458	\$ (795,121)	\$ 2,934,337	\$	\$
<u>AVERAGE RATE OF RETURN</u>	-2.33%		-2.96%		%
II. YEAR END RATE BASE (JURISDICTIONAL)					
<u></u>	\$ 3,623,572	\$ (815,874)	\$ 2,807,698		

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

LOW	_____	5.75 %
MIDPOINT	_____	6.26 %
HIGH	_____	6.78 %

**IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)**

A. INCLUDING FLEX RATE REVENUES	_____	-6.48%
B. EXCLUDING FLEX RATE REVENUES	_____	-6.48%

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.

Stuart L. Shoaf, President
(Name and Title of Chief
Financial Officer)


(Signature)

(Date)

PSC/AFA13

**L GAS COMPANY
YEAR END RATE BASE
ACTUAL DECEMBER 31, 2007**

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	6,580,932	3,261,027	3,319,905		36,585	3,356,490	267,082	3,623,572
FPSC ADJUSTMENTS:								
PRO-RATA NON-UTILITY	(363,931)	(46,818)	(317,113)			(317,113)	(63,204) (435,557)	(63,204) (752,670)
TOTAL FPSC ADJUSTMENTS	<u>(363,931)</u>	<u>(46,818)</u>	<u>(317,113)</u>		<u>0</u>	<u>(317,113)</u>	<u>(498,761)</u>	<u>(815,874)</u>
FPSC ADJUSTED	<u>6,217,001</u>	<u>3,214,209</u>	<u>3,002,792</u>	<u>0</u>	<u>36,585</u>	<u>3,039,377</u>	<u>(231,679)</u>	<u>2,807,698</u>

**ST. JOE NATURAL GAS COMPANY
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
ACTUAL DECEMBER 31, 2007**

SCHEDULE 4

	AVERAGE	ADJUSTMENTS			RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT		
		PER BOOKS	NON-UTILITY	PRO RATA		ADJUSTED	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	0			0	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	
SHORT TERM DEBT	138,462	(44,275)	(786)	93,400	3.18%	8.00	0.25	8.00	0.25	8.00	0.25	
OTHER DEFERRED CREDITS - GC	27,402			27,402	0.93%	0.00		0.00		0.00		
CUSTOMER DEPOSITS	58,337	(18,654)	(331)	39,352	1.34%	6.00	0.08	6.00	0.08	6.00	0.08	
COMMON EQUITY	2,231,007	(713,398)	(12,669)	1,504,940	51.29%	10.50	5.39	11.50	5.90	12.50	6.41	
DEFERRED INCOME TAXES	62,185			62,185	2.12%	0.00		0.00		0.00		
OTHER DEFERRED CREDITS - FC	1,196,680			1,196,680	40.78%	0.00	0.00	0.00	0.00	0.00	0.00	
LONG TERM DEBT - Bayside	15,385	(4,920)	(87)	10,378	0.35%	7.75	0.03	7.75	0.03	7.75	0.03	
TOTAL	3,729,458	(781,247)	(13,874)	2,934,337	100.00%		5.75		6.26		6.77	

	YEAR END	ADJUSTMENTS			RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT		
		PER BOOKS	NON-UTILITY	PRO RATA		ADJUSTED	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
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	61,849	(19,616)	(1,647)	40,585	1.45%	6.00	0.09	6.00	0.09	6.00	0.09	
COMMON EQUITY	2,111,277	(669,621)	(56,230)	1,385,426	49.34%	10.50	5.18	11.50	5.67	12.50	6.17	
DEFERRED INCOME TAXES	51,825			51,825	1.85%	0.00		0.00		0.00		
OTHER DEFERRED CREDITS - FC	1,171,219			1,171,219	41.71%	0.00	0.00	0.00	0.00	0.00	0.00	
LONG TERM DEBT - Bayside	200,000	(63,433)	(5,327)	131,241	4.67%	7.75	0.36	7.75	0.36	7.75	0.36	
TOTAL	3,623,572	(752,670)	(63,204)	2,807,698	100.00%		5.63		6.12		6.62	

**ST. JOE NATURAL GAS COMPANY, INC.
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
ACTUAL DECEMBER 31, 2007**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	-2.96	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
SHORT TERM DEBT	(0.25)	%
LONG TERM DEBT - BAYSIDE	(0.03)	%
CUSTOMER DEPOSITS	(0.08)	%
OTHER DEFERRED CREDITS	0.00	%
SUBTOTAL	<u>(0.36)</u>	%
TOTAL	(3.32)	%
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>51.29</u>	%
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>-6.48%</u></u>	

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. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$	<u> </u> (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)	<u>()</u>	%
SUBTOTAL	<u>()</u>	%
TOTAL		%
DIVIDED BY RECONCILED COMMON EQUITY RATIO		<u> </u> %
JURISDICTIONAL RETURN ON COMMON EQUITY		<u><u> </u></u> %