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DIVISION OF
ACCOUNTING & FINANCE

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)

**ST. JOE NATURAL GAS COMPANY
EARNINGS SURVEILLANCE REPORT SUMMARY
PRELIMINARY DEC 31, 2016**

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)					
NET OPERATING INCOME	\$ 4,747	\$	\$ 4,747	\$	\$
AVERAGE RATE BASE	\$ 5,199,864	\$ -2,155,926	\$ 3,043,938	\$	\$
AVERAGE RATE OF RETURN	0.09%		0.16%		%
II. YEAR END RATE BASE (JURISDICTIONAL)	\$ 5,228,653	\$ -2,202,611	\$ 3,026,042		

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

LOW	4.26 %
MIDPOINT	4.64 %
HIGH	5.01 %

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING	
FLEX RATE REVENUES	-0.95%
B. EXCLUDING	
FLEX RATE REVENUES	-0.95%

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)


(Signature)

3-16-17
(Date)

PSC/AFA13

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

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	<u>8,970,281</u>	<u>5,347,823</u>	<u>3,622,458</u>		<u>99,191</u>	<u>3,721,649</u>	<u>1,507,005</u>	<u>5,228,654</u>
<u>FPSC ADJUSTMENTS:</u>								
PRO-RATA							-72,632	-72,632
NON-UTILITY	-1,733,897	-446,740	-1,287,157		-70,916	-1,358,073	-771,906	-2,129,979
TOTAL FPSC ADJUSTMENTS	<u>-1,733,897</u>	<u>-446,740</u>	<u>-1,287,157</u>		<u>-70,916</u>	<u>-1,358,073</u>	<u>-844,538</u>	<u>-2,202,611</u>
FPSC ADJUSTED	<u><u>7,236,384</u></u>	<u><u>4,901,083</u></u>	<u><u>2,335,301</u></u>		<u><u>28,275</u></u>	<u><u>2,363,576</u></u>	<u><u>662,467</u></u>	<u><u>3,026,043</u></u>

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

SCHEDULE 4

	AVERAGE	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
			NON-UTILITY	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
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			866,499	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		<u>5,199,865</u>	<u>-2,100,236</u>	<u>-55,690</u>	<u>3,043,939</u>	<u>100.00%</u>		<u>4.26</u>		<u>4.84</u>		<u>5.01</u>

	YEAR END	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
			NON-UTILITY	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
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		<u>5,228,654</u>	<u>-2,129,979</u>	<u>-72,632</u>	<u>3,026,043</u>	<u>100.00%</u>		<u>4.33</u>		<u>4.72</u>		<u>5.10</u>

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	0.16	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
SHORT TERM DEBT	0.00 %	
LONG TERM DEBT	-0.49 %	
CUSTOMER DEPOSITS	-0.02 %	
OTHER DEFERRED CREDITS	0.00 %	
SUBTOTAL	-0.51 %	
TOTAL	-0.35 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	37.50 %	
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		%
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 EQUITY		%