GU602-16-AR

ANNUAL REPORT OF

NATURAL GAS UTILITIES

PIVOTAL UTILITY HOLDINGS, INC. D/B/A
FLORIDA CITY GAS

(EXACT NAME OF RESPONDENT)

4045 NW 97th Ave, Doral, FL 33178

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2016

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Grace A. Kolvereid	Title: SVP, Accounting	
Address: 10 Peachtree Place NE	City: Atlanta	State: Georgia
Telephone No: (404) 584-3400		PSC/ECR 020-G (12/03)

INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.

II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.

IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.

V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.

VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.

VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

DEFINITIONS

I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. ^{2}) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)

II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	02 Year of Report December 31, 2016
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 4045 NW 97th Ave, Doral, FL 33178	
05 Name of Contact Person Grace A. Kolvereid	06 Title of Contact Person Senior Vice President, Accounting
07 Address of Contact Person (Street, City, State, Zip Code) 10 Peachtree Place NE, Atlanta, GA 30309	
08 Telephone of Contact Person, Including Area Code (404) 584-3400	09 Date of Report (Mo., Day, Yr) May 31, 2017

ATTESTATION

I certify that I am the responsible accounting officer of

PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS;

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2016 to December 31, 2016, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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 or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

[signature] 5/25/17

Signature **Date**

Grace A. Kolvereid Senior Vice President, Accounting

Name **Title**

Sworn/affirmed before me this May 25, 2017.

Dione Edwards

Notary

~~DIONE EDWARDS~~
Notary Public
Gwinnett County, Georgia
My Commission Expires
October 13, 2019

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Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).
2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

Florida City Gas is a division of Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of NUI Corporation.
NUI Corporation is a wholly-owned subsidiary of Southern Company Gas (formerly known as AGL Resources Inc.).
Southern Company Gas is a-wholly owned subsidiary of The Southern Company.

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

DEFINITIONS

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
Florida City Gas is a division of Pivotal Utility Holdings, Inc. and does not control, directly or indirectly, any corporation, business trust, or similar organization.			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)(1)	Name of Officer (b)	Salary for Year (c)
President	Henry P. Linginfelter	(1)
Executive Vice President and General Counsel	Paul R. Shlanta	(1)
Executive Vice President, Chief Financial Officer, and Treasurer	Elizabeth W. Reese (2)	(1)
President, Florida City Gas	H. Bryan Batson	(1)
President, Elizabethtown Gas and Elkton Gas	Brian MacLean	(1)
Senior Vice President, Accounting	Grace A. Kolvereid (3)	(1)
VP and General Manager, Florida City Gas	Carolyn Bermudez	(1)
VP, Compliance and Technical Services	Donald F. Carter	(1)
VP, Corporate Services	Glen R. Grizzle (4)	(1)
VP, Regulatory Affairs and Business Support, Elizabethtown Ga	M. Patricia Keefe	(1)
VP, Gas Operations	Charles A. Rawson III	(1)
VP, Gas Supply Operations	Tim Sherwood	(1)
VP, Technology Solutions	Michael Sullivan (5)	(1)
VP, Storage and Peaking Operations	Stephen L. Wassell (6)	(1)
VP, System Operations	Clint Whybark	(1)
Corporate Secretary	Myra C. Bierra	(1)
Assistant Corporate Secretary	Barbara P. Christopher	(1)

(1) Represents executive officers of Pivotal Utility Holdings, Inc. at December 31, 2016. Such officers are compensated by an affiliate of the holding company, not the Respondent.
(2) Elizabeth W. Reese was elected "EVP, Chief Financial Officer, and Treasurer" as of August 31, 2016.
(3) Grace A. Kolvereid was elected "SVP, Accounting" as of July 7, 2016.
(4) Glen R. Grizzle was elected "VP, Corporate Services" as of December 7, 2016.
(5) Michael Sullivan was elected "VP, Technology Solutions" as of December 7, 2016.
(6) Stephen L. Wassell was elected "VP, Storage and Peaking Operations" as of August 31, 2016.
James R. Kibler resigned as "SVP, External Affairs and Public Policy" as of July 7, 2016.
Timothy J. Hermann resigned as "VP, Storage and Peaking" as of July 7, 2016.
Joseph A. Surber III resigned as "SVP and Chief Information Officer" as of July 31, 2016.
L. Stephen Cave resigned as "Treasurer" as of July 31, 2016.

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Henry P. Linginfelter President, Pivotal Utility Holdings, Inc.	10 Peachtree Place, NE Atlanta, Georgia 30309	5 (*)	None

(*) Based on records contained in company minute book; represents actions by unanimous written consent.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not complied within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

	VOTING SECURITIES			
	Number of votes as of (date): 8/31/2016 via written consent			
Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	12,807,111	12,807,111		
TOTAL number of security holders	1	1		
TOTAL votes of security holders listed below	12,807,111	12,807,111		

Note: This information relates to Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of NUI Corporation.
NUI Corporation is a wholly-owned subsidiary of Southern Company Gas.
Southern Company Gas is a wholly-owned subsidiary of The Southern Company.

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.
3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

1 On July 1, 2016, Southern Company Gas (formerly known as AGL Resources Inc.) completed its previously announced merger with The Southern Company. In accordance with the Merger Agreement, a wholly-owned, direct subsidiary of The Southern Company merged with and into Southern Company Gas, with Southern Company Gas surviving as a wholly-owned, direct subsidiary of The Southern Company. Pivotal Utility Holdings, Inc. (d/b/a Florida City Gas) continues to be a wholly-owned subsidiary of NUI Corporation, which is a wholly-owned subsidiary of Southern Company Gas.

On July 11, 2016, AGL Resources Inc. changed its name to Southern Company Gas.

No commission action was required to obtain merger approval from the Florida Public Service Commission.

2 None.

3 None.

4 Florida City Gas is subject to certain claims and legal actions arising in the ordinary course of business. The ultimate outcome of such pending or potential litigation cannot be predicted at this time; however, management does not anticipate that the ultimate liabilities, if any, arising from such claims and legal actions would have a material effect on the Florida City Gas' financial statements

5 Florida City Gas engages in transactions with affiliates of The Southern Company, including Southern Company Gas, consistent with its services, money pool, tax allocation, and asset management agreements.

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	353,922,625	389,162,387 (*)
3	Construction Work in Progress (107)	12 & 17	23,053,496	13,957,305
4	TOTAL Utility Plant Total of lines 2 and 3)		376,976,121	403,119,692
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	169,907,009	177,571,717
6	Net Utility Plant (Total of line 4 less 5)		207,069,112	225,547,975
7	Utility Plant Adjustments (116)			
8	Gas Stored (117.1, 117.2, 117.3, 117.4)			
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)		185,929	185,929
11	(Less) Accum. Prov. for Depr. and Amort. (122)		110,680	116,476
12	Investments in Associated Companies (123)			
13	Investment in Subsidiary Companies (123.1)			
14	Other Investments (124)			
15	Special Funds (125, 126, 128)			
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		75,249	69,453
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)			
19	Special Deposits (132-134)			
20	Working Funds (135)			
21	Temporary Cash Investments (136)			
22	Notes Receivable (141)			
23	Customer Accounts Receivable (142)		8,613,688	8,190,267
24	Other Accounts Receivable (143)		284,242	81,620
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		539,379	614,248
26	Notes Receivable from Associated Companies (145)			
27	Accounts Receivable from Associated Companies (146)			
28	Fuel Stock (151)			
29	Fuel Stock Expense Undistributed (152)			
30	Residuals (Electric) and Extracted Products (Gas) (153)			
31	Plant Material and Operating Supplies (154)		36,566	29,349
32	Merchandise (155)			
33	Other Material and Supplies (156)			
34	Stores Expenses Undistributed (163)			
35	Gas Stored Underground & LNG Stored (164.1-164.3)		243,583	283,786
36	Prepayments (165)	18	1,304,341	3,197,494
37	Advances for Gas (166-167)			
38	Interest and Dividends Receivable (171)			
39	Rents Receivable (172)			
40	Accrued Utility Revenues (173)			
41	Miscellaneous Current and Accrued Assets (174)			
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		9,943,041	11,168,268
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	21	139,620	123,663
45	Extraordinary Property Losses (182.1)			
46	Unrecovered Plant and Regulatory Study Costs (182.2)			
47	Other Regulatory Assets (182.3)	19	16,334,452	16,690,519
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)			
49	Clearing Accounts (184)			
50	Temporary Facilities (185)			
51	Miscellaneous Deferred Debits (186)	19	65,604	-
52	Deferred Losses from Disposition of Utility Plant. (187)			
53	Research, Development and Demonstration Expenditures (188)			
54	Unamortized Loss on Reacquired Debt (189)	20	1,211,142	1,072,384
55	Accumulated Deferred Income Taxes (190)	24	5,888,951	2,901,974
56	Unrecovered Purchased Gas Costs (191)			
57	TOTAL Deferred Debits (Total of lines 44 through 56)		23,639,769	20,788,540
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		240,727,171	257,574,236

Notes:
(*) Account 114 Gas Plant Acquisition Adjustments within Utility Plant and Account 182.3 Other Regulatory Assets reflect the inclusion of the acquisition adjustment and regulatory assets consistent with the December 6, 2007 Florida Public Service Commission Order in Docket No. 060657-GU related to the 2004 Acquisition.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS				For the Year Ended December 31, 2016

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)			
3	Preferred Stock Issued (204)			
4	Other Paid-In Capital (208-214)		61,710,068	59,637,411
5	Retained Earnings (215, 216, 219)	10	21,690,257	23,494,892
6	Unappropriated Undistributed Subsidiary Earnings (216.1)			
7	(Less) Reacquired Capital Stock (217)			
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		83,400,325	83,132,303
9	LONG-TERM DEBT			
10	Bonds (221)	21	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)			
12	Advances from Associated Companies (223)	21	64,249,854	81,442,249
13	Other Long-Term Debt (224)			
14	Unamortized Premium on Long-Term Debt (225)			
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)			
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		84,249,854	101,442,249
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)			
19	Accumulated Provision for Property Insurance (228.1)			
20	Accumulated Provision for Injuries and Damages (228.2)			
21	Accumulated Provision for Pensions and Benefits (228.3)		4,432,554	3,086,900
22	Accumulated Miscellaneous Operating Provisions (228.4)		81,770	81,770
23	Accumulated Provision for Rate Refunds (229)			
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		4,514,324	3,168,670
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)			
27	Accounts Payable (232)		2,701,885	3,004,799
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		13,734,456	12,306,072
30	Customer Deposits (235)		3,956,129	3,880,362
31	Taxes Accrued (236)		3,355,179	4,554,578
32	Interest Accrued (237)		644,805	274,668
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		871,768	805,598
37	Miscellaneous Current and Accrued Liabilities (242)	22	859,370	134,271
38	Obligations Under Capital Leases-Current (243)			
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		26,123,592	24,960,348
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)			
44	Other Regulatory Liabilities (254)	22	2,478,802	2,024,618
45	Accumulated Deferred Investment Tax Credits (255)	23	10	-
46	Deferred Gains from Disposition of Utility Plant (256)			
47	Unamortized Gain on Reacquired Debt (257)			
48	Accumulated Deferred Income Taxes (281-283)	24	39,960,264	42,846,048
49	TOTAL Deferred Credits (Total of lines 42 through 48)		42,439,076	44,870,666
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		240,727,171	257,574,236

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31, 2016

STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	82,513,170	81,998,778
3	Operating Expenses			
4	Operation Expenses (401)	27-29	42,632,479	44,982,124
5	Maintenance Expenses (402)	27-29	1,600,237	1,631,172
6	Depreciation Expense (403)		14,039,209	13,251,586
7	Amortization & Depletion of Utility Plant (404-405)		(56,883)	-
8	Amortization of Utility Plant Acquisition Adjustment (406)	15-16	721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amortization of Conversion Expenses (407.2)		382,891	426,837
11	Regulatory Debits (407.3)		1,306,754	1,183,925
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	23	7,369,211	7,343,765
14	Income Taxes - Federal (409.1)		-	1,032,041
15	- Other (409.1)		401,717	304,971
16	Provision for Deferred Income Taxes (410.1)	24	3,926,832	2,036,782
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)			
18	Investment Tax Credit Adjustment - Net (411.4)	23	(10)	(1,259)
19	(Less) Gains from Disposition of Utility Plant (411.6)			
20	Losses from Disposition of Utility Plant (411.7)			
21	Other Operating Income (412-414)			
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		72,324,332	72,913,839
23	Net Utility Operating Income (Total of line 2 less 22) (Carry forward to page 9, line 25)		10,188,838	9,084,939

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
24	Net Utility Operating Income (Carried forward from page 8)		10,188,838	9,084,939
25	**Other Income and Deductions**			
26	Other Income			
27	Nonutility Operating Income			
28	Revenues From Merchandising, Jobbing and Contract Work (415)		-	162,094
29	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)		-	(75,798)
30	Revenues From Nonutility Operations (417)			
31	(Less) Expenses of Nonutility Operations (417.1)			
32	Nonoperating Rental Income (418)			
33	Equity in Earnings of Subsidiary Companies (418.1)			
34	Interest and Dividend Income (419)			
35	Allowance for Other Funds Used During Construction (419.1)			
36	Miscellaneous Nonoperating Income (421)		(26,449)	7,415
37	Gain on Disposition of Property (421.1)		344,072	499
38	TOTAL Other Income (Total of lines 29 through 38)		317,623	94,210
39	Other Income Deductions			
40	Loss on Disposition of Property (421.2)		-	(52,754)
41	Miscellaneous Amortization (425)			
42	Miscellaneous Income Deductions (426.1-426.5)	33	(45,587)	(43,698)
43	TOTAL Other Income Deductions (Total of lines 41 through 43)		(45,587)	(96,452)
44	Taxes Applicable to Other Income and Deductions			
45	Taxes Other Than Income Taxes (408.2)			
46	Income Taxes - Federal (409.2)		-	(3,004)
47	Income Taxes - Other (409.2)		-	123
48	Provision for Deferred Income Taxes (410.2)			
49	(Less) Provision for Deferred Income Taxes - Credit (411.2)			
50	Investment Tax Credit Adjustment - Net (411.5)			
51	(Less) Investment Tax Credits (420)			
52	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		-	(2,881)
53	Net Other Income and Deductions (Total of lines 39,44,53)		272,036	(5,123)
54	**Interest Charges**			
55	Interest on Long-Term Debt (427)		225,054	178,579
56	Amortization of Debt Discount and Expense (428)	21	15,957	15,957
57	Amortization of Loss on Reacquired Debt (428.1)	20	138,758	138,374
58	(Less) Amortization of Premium on Debt - Credit (429)			
59	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)			
60	Interest on Debt to Associated Companies (430)	33	3,247,695	3,128,231
61	Other Interest Expense (431)	33	(261,618)	238,205
62	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
63	Net Interest Charges (Total of lines 56 through 63)		3,365,846	3,699,346
64	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		7,095,028	5,380,470
65	**Extraordinary Items**			
66	Extraordinary Income (434)			
67	(Less) Extraordinary Deductions (435)			
68	Net Extraordinary Items (Total of line 67 less line 68)			
69	Income Taxes - Federal and Other (409.3)			
70	Extraordinary Items After Taxes (Total of line 69 less line 70)			
71	Net Income (Total of lines 65 and 71)		7,095,028	5,380,470

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31, 2016

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216, 219)		
1	Balance - Beginning of Year		21,690,257
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit: Dividend for Periodic Adjustment to Capital Structure		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		7,095,028
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(5,106,609)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(183,784)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		23,494,892
	APPROPRIATED RETAINED EARNINGS (Account 215)		
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		23,494,892

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

See attached pages 11.1 to 11.16

Florida City Gas
Notes to Financial Statements
December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Florida City Gas (the Company) engages in the sale and distribution of natural gas to approximately 108 thousand customers in Florida's Miami-Dade and Brevard counties. The Company is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), which is a wholly-owned subsidiary of Southern Company Gas (formerly known as AGL Resources Inc.). On July 1, 2016, Southern Company Gas completed its previously announced merger (Merger) with The Southern Company (Southern Company) and became a wholly-owned, direct subsidiary of Southern Company.

The financial statements included herein are prescribed by the requirements of the Florida Public Service Commission (Florida Commission) and are prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published releases. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). The significant differences consist of the following:

- The presentation of the current portions of long-term debt and regulatory assets/liabilities as long-term.
- The presentation of deferred income tax assets and liabilities on a gross basis rather than as a net amount.
- The presentation of accumulated removal costs as a component of accumulated depreciation rather than as a regulatory liability or asset retirement obligation.
- The accounting treatment of the positive acquisition adjustment and regulatory assets related to the purchase of the Company by Southern Company Gas in 2004 as approved by the Florida Commission on December 6, 2007. The financial statements reflect the amortization of this adjustment consistent with the approval, but for GAAP purposes these assets are recorded in goodwill and not amortized.
- The presentation of debt issuance costs as a deferred debit instead of a liability that offsets the related debt balances.
- The classification of the provision for income taxes in net utility operating income.
- The omission of the statement of retained earnings for prior year for a comparative presentation.
- The omission of the statements of cash flows.

The preparation of financial statements requires the use of estimates and the actual results may differ from those estimates.

Recently Issued Accounting Standards

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers,* replacing the existing accounting standard and industry specific guidance for revenue recognition with a five-step model for recognizing and measuring revenue from contracts with customers. The underlying principle of the guidance is to recognize revenue to depict the transfer of goods or services to customers at an amount an entity expects to collect. The new standard also requires enhanced quantitative and qualitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers.

While the Company expects most of its revenue to be within the scope of ASC 606, it has not fully completed its evaluation of such arrangements. The majority of the Company's revenue, including energy provided to customers, is from tariff offerings that provide natural gas without a defined contractual term. For such arrangements, the Company generally expects that the revenue from contracts with these customers will continue to be equivalent to the natural gas supplied and billed in that period (including unbilled revenues) and will not result in a significant shift in the timing of revenue recognition for such sales.

The Company's ongoing evaluation of other revenue streams and related contracts includes longer term contractual commitments. In addition, the power and utilities industry is currently addressing other specific industry issues.

The new standard is effective for interim and annual reporting periods beginning after December 15, 2017. The Company must select a transition method to be applied either retrospectively to each prior reporting period presented or retrospectively with a cumulative effect adjustment to retained earnings at the date of initial adoption. As the ultimate impact of the new standard has not yet been determined, the Company has not elected its transition method.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 requires lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changes the recognition, measurement, and presentation of expense associated with leases and provides clarification regarding the identification of certain components of contracts that would represent a lease. The accounting required by lessors is relatively unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the new standard and has not yet determined its ultimate impact; however, adoption of ASU 2016-02 is expected to have a significant impact on the Company's balance sheet.

On March 10, 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs and requires the other components of net periodic pension and postretirement benefit costs to be separately presented in the income statement outside income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. However, all cost components remain eligible for capitalization under FERC regulations. ASU 2017-07 will be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension and postretirement benefit costs in the income statement. The capitalization of the service cost component of net periodic pension and postretirement benefit costs in assets will be applied on a prospective basis. ASU 2017-07 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company is currently evaluating the new standard and has not yet determined its ultimate impact; however, adoption of ASU 2017-07 is not expected to have a material impact on the Company's financial statements.

Regulatory Assets and Liabilities

The Company is subject to accounting rules for the effects of rate regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Regulatory assets and liabilities reflected in the balance sheets at December 31, relate to:

		2016		2015
		(in thousands)		
Regulatory Assets				
Regulatory infrastructure programs	$	**14,217**	$	13,329
Deferred customer conversion costs		**1,273**		1,369
Unamortized losses on reacquired debt		**1,072**		1,211
Recoverable pension and retiree welfare benefit costs		**732**		851
Deferred piping		**277**		430
Pension costs - Southern Company Gas Acquisition		**192**		356
Total Regulatory Assets	$	**17,763**	$	17,546
Regulatory Liabilities				
Accrued natural gas costs	$	**682**	$	2,126
Energy conservation program and other		**831**		353
Deferred gain on sale of property		**512**		—
Total Liabilities	$	**2,025**	$	2,479

In the event that the Company's operations are no longer subject to applicable accounting rules for rate regulation, the Company would be required to write off to income related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets, including plant, exists and write down the assets, if impaired, to their fair values. All regulatory assets and liabilities are to be reflected in rates. See Note 3 under "Regulatory Matters" for additional information.

Revenues

The Company records revenues when goods or services are provided to customers. Those revenues are based on rates approved by the Florida Commission. The Company has a rate structure that includes a volumetric rate design that allows the opportunity to recover certain costs based on gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. Additionally, unbilled revenues are recognized for estimated deliveries of natural gas not yet billed to these customers, from the last bill date to the end of the accounting period. For other commercial and industrial customers, revenues are based on actual deliveries to the end of the period.

Concentration of Revenue

The Company has a diversified base of customers. No single customer or industry comprises 10% or more of revenues. For all periods presented, uncollectible accounts averaged less than 1% of revenues.

Cost of Natural Gas

The Company charges its customers for natural gas consumed using a natural gas cost recovery mechanism set by the Florida Commission under which all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. The Company defers or accrues the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period such that no operating income is recognized related to these costs. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred and accrued natural gas costs are included in the balance sheets as regulatory assets and regulatory liabilities, respectively

Income and Other Taxes

The Company does not file its own federal or state income tax returns. Instead, the Company is included in Southern Company's consolidated federal income tax return and Southern Company Gas' various state income tax returns. Prior to the Merger, the Company was included in the consolidated tax returns of Southern Company Gas.

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Federal investment tax credits utilized are deferred and amortized to income over the average life of the related property.

The Company recognizes tax positions that are "more likely than not" of being sustained upon examination by the appropriate taxing authorities. See Note 4 under "Unrecognized Tax Benefits" for additional information.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less any regulatory disallowances and impairments. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits.The cost of replacements of property, exclusive of minor items of property, is capitalized. The cost of maintenance, repairs, and replacement of minor items of property is charged to other operations and maintenance expenses as incurred or performed.

Depreciation

Depreciation of the original cost of plant in service is provided using composite straight-line rates, which were 4.3% and 3.9% for 2016 and 2015, respectively. Depreciation studies are conducted periodically to update the composite rate that is approved by the Florida Commission. When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. As such gains or losses are not recognized, instead they are ultimately refunded to, or recovered from, customers through future rate adjustments. Minor items of property included in the original cost of the asset are retired when the related property unit is retired.

Acquisition Adjustment

Upon acquisition of Pivotal Utility, a $21.7 million positive acquisition adjustment was recorded for the difference between the cost of acquiring the Company and the original cost. The Florida Commission approved a 30 year amortization period for this adjustment and a roll forward of the accumulated amortization is as follows.

		(in thousands)
December 31, 2014	$	7,339
2015 amortization expense		722
December 31, 2015	$	8,061
2016 amortization expense		**722**
December 31, 2016	$	**8,783**

Cash Management Money Pool

The Company participates in Southern Company Gas' utility money pool, under which short-term borrowings are made from the money pool and surplus funds are contributed to the money pool. Borrowings from the money pool are recorded as borrowings from associated companies in the balance sheets and interest on debt to associated companies is recorded in net interest charges in the statements of income for these borrowings. See Note 7 for additional information.

Receivables and Allowance for Uncollectible Accounts

The Company's receivables consist primarily of natural gas sales and transportation services billed to residential, commercial, industrial, and other customers. Customers are billed monthly and payment is due within 30 days. For the majority of receivables, an allowance for doubtful accounts is established based on historical collection experience and other factors. For the remaining receivables, if the Company is aware of a specific customer's inability to pay, an allowance for doubtful accounts is recorded to reduce the receivable balance to the amount the Company reasonably expects to collect. If circumstances change, the estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect this estimate include, but are not limited to, customer credit issues, customer deposits, and general economic conditions. Customers' accounts are written off once they are deemed to be uncollectible.

Materials and Supplies

Generally, materials and supplies are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, at weighted average cost when installed.

Natural Gas for Sale

The Company's natural gas inventories are carried at cost on a weighted average cost of gas basis.

Fair Value Measurements

The Company has financial and nonfinancial assets and liabilities subject to fair value measurement. The carrying values of receivables, accounts payable, due to affiliates, other current assets and liabilities, accrued interest, and long-term debt approximate their respective fair value. The Company's nonfinancial assets and liabilities include pension and other retirement benefits. See Note 2 for additional fair value disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in valuing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company primarily applies the market approach for recurring fair value measurements to utilize the best available information. Accordingly, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value balances are classified based on the observance of those inputs. The guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by the guidance are as follows:

Level 1

Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's Level 1 items consist of money market funds and certain retirement plan assets.

Level 2

Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial and commodity instruments that are valued using valuation methodologies. These methodologies are primarily industry-standard methodologies that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Market price data is obtained from multiple sources in order to value certain Level 2 transactions and this data is representative of transactions that occurred in the marketplace. Level 2 instruments include certain retirement plan assets.

Level 3

Pricing inputs include significant unobservable inputs that may be used with internally developed methodologies to determine management's best estimate of fair value from the perspective of market participants. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. Level 3 assets, liabilities, and any applicable transfers are primarily related to the Company's pension and welfare benefit plan assets as described in Note 2. Transfers into and out of Level 3 are determined using values at the end of the interim period in which the transfer occurred.

2. RETIREMENT BENEFITS

Effective July 1, 2016, in connection with the Merger, Southern Company Services, Inc., a subsidiary of Southern Company, became the sponsor of Southern Company Gas' pension and other postretirement benefit plans. The Company participates in the Southern Company Gas qualified defined benefit, trusteed, pension plan - AGL Resources Inc. Retirement Plan (AGL Plan) - that covers certain eligible employees. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Southern Company Gas provides certain non-qualified defined benefit and defined contribution pension plans for a selected group of the Company's management and highly compensated employees. Benefits under these non-qualified pension plans are funded on a cash basis. The Company also participates in the Southern Company Gas postretirement benefit plan - AGL Welfare Plan - which provides medical care and life insurance benefits for eligible retired employees.

In connection with the Merger, Southern Company Gas performed updated valuations of its pension and other postretirement benefit plan assets and obligations to reflect actual census data at the new measurement date of July 1, 2016.

The following disclosures reflect the Company's balances and activity in the AGL Plan and the AGL Welfare Plan under the multiple-employer method of accounting.

Actuarial Assumptions

The weighted average rates assumed in the actuarial calculations used to determine both the net periodic costs for the pension and other postretirement benefit plans for the periods presented and the benefit obligations as of the measurement date are presented below.

Assumptions used to determine net periodic costs:	July 1, 2016 through December 31, 2016	January 1, 2016 through June 30, 2016	Year Ended Ended December 31, 2015
Pension plans			
Discount rate - interest costs (*)	3.21%	4.00%	4.20%
Discount rate - service costs (*)	4.07	4.80	4.20
Expected long-term return on plan assets	7.75	7.80	7.80
Annual salary increase	3.50	3.70	3.70
Other postretirement benefit plans			
Discount rate - interest costs (*)	2.84%	3.60%	4.00%
Discount rate - service costs (*)	3.96	4.70	4.00
Expected long-term return on plan assets	5.93	6.60	7.80
Annual salary increase	3.50	3.70	3.70

(*) Effective January 1, 2016, the Company uses a spot rate approach to estimate the service cost and interest cost components. Previously, the Company estimated these components using a single weighted average discount rate.

Assumptions used to determine benefit obligations:	December 31, 2016	December 31, 2015
Pension plans		
Discount rate	4.39%	4.60%
Annual salary increase	3.50	3.70
Other postretirement benefit plans		
Discount rate	4.15%	4.40%
Annual salary increase	3.50	3.70

The Company estimates the expected return on plans assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing, and historical performance. The Company also considers guidance from its investment advisors in making a final determination of its expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater or less than the assumed rate, it does not affect that year's annual pension or welfare plan cost; rather, this gain or loss reduces or increases future pension or welfare plan costs. An additional assumption used in measuring the accumulated other postretirement benefit obligations (APBO) is the weighted average medical care cost trend rate. The weighted average medical care cost trend rates used in measuring the APBO as of December 31, 2016 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	6.60%	4.50%	2038
Post-65 medical	8.40	4.50	2038
Post-65 prescription	8.40	4.50	2038

An annual increase or decrease in the assumed medical care cost trend rate of 1% would affect the APBO; however, the impact on the service and interest cost components would be immaterial.

Pension Plans

The total accumulated benefit obligation for the pension plans was $10 million at December 31, 2016 and $9 million at December 31, 2015. Changes in the projected benefit obligation and the fair value of plan assets for the Company's qualified pension plans for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	(in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of period	$ 11,316	$ 11,309
Service cost	358	327
Interest cost	641	671
Benefits paid	(922)	(849)
Actuarial loss (gain)	644	(142)
Benefit obligation at end of period	12,037	11,316
Change in plan assets		
Fair value of plan assets at beginning of period	7,405	7,524
Actual return on plan assets	716	729
Employer contributions	1,984	—
Benefits paid	(922)	(848)
Fair value of plan assets at end of period	9,183	7,405
Accrued liability	$ 2,854	$ 3,911

At December 31, 2016, the projected benefit obligations for the qualified and non-qualified pension plans were $12.0 million and $0.3 million, respectively. All pension plan assets are related to the qualified pension plan.

Amounts recognized in the balance sheets at December 31, 2016 and 2015 related to the Company's qualified pension plans consist of the following:

	2016	2015
	(in thousands)	
Other regulatory assets, deferred	$ 732	$ 851
Employee benefit obligations	(2,854)	(3,911)

The following table presents the amounts included in accumulated OCI, which is included in retained earnings on the balance sheet, at December 31, 2016 and 2015 related to the qualified defined benefit pension plans that had not yet been recognized in net periodic pension cost along with the estimated amortization of such amounts for 2017.

	Prior Service Cost	Net (Gain) Loss
	(in thousands)	
Balance at December 31, 2016:		
Accumulated OCI	$ (160)	$ 4,370
Balance at December 31, 2015:		
Accumulated OCI	$ (219)	$ 4,074
Estimated amortization in net periodic cost in 2017:		
Accumulated OCI	$ 68	$ (415)

The components of accumulated OCI related to the qualified defined benefit pension plans for the years ended December 31, 2016 and 2015 are presented in the following table:

		Accumulated OCI
		(in thousands)
Balance at December 31, 2014:	$	3,918
Net loss		317
Reclassification adjustments:		
Amortization of prior service costs		79
Amortization of net loss		(459)
Total reclassification adjustments		(380)
Total change		(63)
Balance at December 31, 2015:	$	3,855
Net loss		810
Reclassification adjustments:		
Amortization of prior service costs		73
Amortization of net loss		(528)
Total reclassification adjustments		(455)
Total change		355
Balance at December 31, 2016:	$	4,210

The Company's pro rata components of Southern Company Gas' net periodic pension costs for the years presented were as follows:

	Years Ended December 31,			
		2016		2015
		(in thousands)		
Service cost	$	358	$	327
Interest cost		640		671
Expected return on plan assets		(882)		(779)
Amortization:				
Prior service costs		(73)		(79)
Net loss		528		459
Net periodic pension cost	$	571	$	599

Net periodic pension cost is the sum of service cost, interest cost, and other costs netted against the expected return on plan assets. The expected return on plan assets is determined by multiplying the expected rate of return on plan assets and the market-related value of plan assets.

Future benefit payments reflect expected future service and are estimated based on assumptions used to measure the projected benefit obligation for the pension plans. At December 31, 2016, the Company's estimated benefit payments were as follows:

		Benefit Payments
		(in thousands)
2017	$	1,075
2018		1,074
2019		1,094
2020		1,132
2021		1,140
2022 to 2026		6,025

Other Postretirement Benefits

Changes in the APBO and the fair value of plan assets for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	(in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of period	$ 1,582	$ 1,508
Service cost	13	13
Interest cost	53	63
Benefits paid	(21)	(71)
Actuarial loss (gain)	(42)	69
Benefit obligation at end of period	1,585	1,582
Change in plan assets		
Fair value of plan assets at beginning of period	1,446	1,433
Actual return on plan assets	250	13
Employer contributions	21	71
Benefits paid	(21)	(71)
Fair value of plan assets at end of period	1,696	1,446
Accrued liability (Prepaid asset)	$ (111)	$ 136

Amounts recognized in the balance sheets at December 31, 2016 and 2015 related to the Company's other postretirement benefit plans consist of the following:

	2016	2015
	(in thousands)	
Employee benefit asset (obligations)	111	(136)

Presented below are the amounts included in accumulated OCI at December 31, 2016 and 2015 related to the other postretirement benefit plans that had not yet been recognized in net periodic other postretirement benefit cost. The estimated amortization of such amounts for 2017 is immaterial.

	Prior Service Cost	Net Loss
	(in thousands)	
Balance at December 31, 2016:		
Accumulated OCI	$ —	$ 561
Balance at December 31, 2015:		
Accumulated OCI	$ (3)	$ 640

The components of accumulated OCI related to the other postretirement benefit plans for the years ended December 31, 2016 and 2015 are presented in the following table:

		Accumulated OCI
		(in thousands)
Balance at December 31, 2014:	**$**	**533**
Net loss		149
Reclassification adjustments:		
Amortization of prior service costs		(4)
Amortization of net loss		(41)
Total reclassification adjustments		(45)
Total change		**104**
Balance at December 31, 2015:	$	637
Net loss		(30)
Reclassification adjustments:		
Amortization of net loss		(46)
Total reclassification adjustments		(46)
Total change		**(76)**
Balance at December 31, 2016:	**$**	**561**

The Company's pro rata components of Southern Company Gas' other postretirement benefit plans' net periodic cost for the years presented were as follows:

	Years Ended December 31,			
		2016		2015
	(in thousands)			
Service cost	$	**13**	$	13
Interest cost		**53**		63
Expected return on plan assets		**(88)**		(113)
Amortization:				
Prior service costs		**—**		4
Net loss		**46**		41
Net periodic postretirement benefit cost	**$**	**24**	**$**	**8**

Future benefit payments, including prescription drug benefits, reflect expected future service and are estimated based on assumptions used to measure the APBO for the other postretirement benefit plans. At December 31, 2016, estimated benefit payments were as follows:

		Benefit Payments
		(in thousands)
2017	$	89
2018		96
2019		102
2020		106
2021		111
2022 to 2026		551

Benefit Plan Assets

Southern Company Gas' pension plan and other postretirement benefit plan assets are managed and invested in accordance with all applicable requirements, including ERISA and the Internal Revenue Code of 1986, as amended. The investment policies for both the pension plan and the other postretirement benefit plans cover a diversified mix of assets, including equity and fixed income securities, real estate, and private equity. Southern Company Gas minimizes the risk of large losses primarily through diversification but also monitors and manages other aspects of risk.

The assets of the AGL Plan were allocated 69% equity, 20% fixed income, 1% cash, and 10% other at December 31, 2016 compared to the Company's targets of 53% equity, 15% fixed income, 2% cash, and 30% other. The plan's investment policy provides for variation around the target asset allocation in the form of ranges. The Company's pro rata share of the AGL Plan assets was 0.93% and 0.87% for December 31, 2016 and 2015, respectively.

The assets of the AGL Welfare Plan were allocated 74% equity, 23% fixed income, 1% cash, and 2% other at December 31, 2016 compared to the Company's targets of 72% equity, 24% fixed income, 1% cash, and 3% other. The investment policy provides for variation around the target asset allocation in the form of ranges. The Company's pro rata share of the AGL Welfare Plan assets was 1.62% and 1.45% for December 31, 2016 and 2015, respectively.

The assets of the AGL Plan and the AGL Welfare Plan were allocated 72% equity and 28% fixed income at December 31, 2015 compared to the Company's targets of 70% to 95% equity, 5% to 20% fixed income, and up to 10% cash. The investment policies provided for some variation in these targets in the form of ranges around the target.

The investment strategy for plan assets related to the Southern Company Gas' qualified pension plan is to be broadly diversified across major asset classes. The asset allocation is established after consideration of various factors that affect the assets and liabilities of the pension plan including, but not limited to, historical and expected returns and interest rates, volatility, correlations of asset classes, the current level of assets and liabilities, and the assumed growth in assets and liabilities. Because a significant portion of the liability of the pension plan is long-term in nature, the assets are invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, the Southern Company Gas employs a formal rebalancing program for its pension plan assets. As additional risk management, external investment managers and service providers are subject to written guidelines to ensure appropriate and prudent investment practices.

Investment Strategies

Detailed below is a description of the investment strategies for each major asset category for the Southern Company Gas pension plans disclosed above:

- ***Domestic equity.*** A mix of large and small capitalization stocks with generally an equal distribution of value and growth attributes, managed both actively and through passive index approaches.
- ***International equity.*** A mix of growth stocks and value stocks with both developed and emerging market exposure, managed both actively and through passive index approaches.
- ***Fixed income.*** A mix of domestic and international bonds.
- **Special situations.** Investments in opportunistic strategies with the objective of diversifying and enhancing returns and exploiting short-term inefficiencies as well as investments in promising new strategies of a longer-term nature.
- ***Real estate investments.*** Investments in traditional private market equity-oriented investments (indirectly through pooled funds or partnerships) and in publicly traded real estate securities.
- ***Private equity.*** Investments in private partnerships that invest in private or public securities typically through privately-negotiated and/or structured transactions, including leveraged buyouts, venture capital, and distressed debt.

Benefit Plan Asset Fair Values

Following are the fair value measurements for the pension plan assets as of December 31, 2016 and 2015. The fair values presented are prepared in accordance with GAAP. For purposes of determining the fair value of the pension plan assets and the appropriate level designation, management relies on information provided by the plan's trustee. This information is reviewed and evaluated by management with changes made to the trustee information as appropriate.

Valuation methods of the primary fair value measurements disclosed in the following tables are as follows:

- ***Domestic and international equity.*** Investments in equity securities such as common stocks, American depositary receipts, and real estate investment trusts that trade on a public exchange are classified as Level 1 investments and are valued at the closing price in the active market. Equity investments with unpublished prices (i.e. pooled funds) are valued as Level 2, when the underlying holdings used to value the investment are comprised of Level 1 or Level 2 equity securities.
- ***Fixed income.*** Investments in fixed income securities are generally classified as Level 2 investments and are valued based on prices reported in the market place. Additionally, the value of fixed income securities takes into consideration certain items such as broker quotes, spreads, yield curves, interest rates, and discount rates that apply to the term of a specific instrument.
- ***Real estate investments, private equity, and special situations investments.*** Investments in real estate, private equity, and special situations are generally classified as Net Asset Value as a Practical Expedient, since the underlying assets typically do not have publicly available observable inputs. The fund manager values the assets using various inputs and techniques depending on the nature of the underlying investments. Techniques may include purchase multiples for comparable transactions, comparable public company trading multiples, discounted cash flow analysis, prevailing market capitalization rates, recent sales of comparable investments, and independent third-party appraisals. The fair value of partnerships is determined by aggregating the value of the underlying assets less liabilities.

The Company's pro rata portion of fair values of pension plan assets as of December 31, 2016 and 2015 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases. Absolute return investment assets are presented in the tables below based on the nature of the investment.

As of December 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total
		(in thousands)		
Assets:				
Domestic equity(*)	$ 1,325	$ 3,202	$ —	$ 4,527
International equity(*)	—	1,732	—	1,732
Fixed income:				
U.S. Treasury, government, and agency bonds	—	796	—	796
Corporate bonds	—	380	—	380
Pooled funds	—	618	—	618
Cash equivalents and other	114	46	776	936
Real estate investments	34	—	137	171
Private equity	—	—	23	23
Total	**$ 1,473**	**$ 6,774**	**$ 936**	**$ 9,183**

* Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

As of December 31, 2015	Pension plans: Level 1	Level 2	Level 3	Total	% of total
		(in thousands)			
Cash	**$ 36**	**$ 3**	**$ —**	**$ 39**	**1%**
Equity securities:					
U.S. large cap(a)	$ 651	$ 1,743	$ —	$ 2,394	32 %
U.S. small cap(a)	499	211	—	710	9
International companies(b)	—	1,094	—	1,094	15
Emerging markets(c)	—	242	—	242	3
Total equity securities	**$ 1,150**	**$ 3,290**	**$ —**	**$ 4,440**	**59%**
Fixed income securities:					
Corporate bonds(d)	$ —	$ 791	$ —	$ 791	10 %
Other (or gov't/muni bonds)	—	1,320	—	1,320	18
Total fixed income securities	**$ —**	**$ 2,111**	**$ —**	**$ 2,111**	**28%**
Other types of investments:					
Global hedged equity(e)	$ —	$ —	$ 352	$ 352	5 %
Absolute return(f)	—	—	373	373	5
Private capital(g)	—	—	172	172	2
Total other investments	**$ —**	**$ —**	**$ 897**	**$ 897**	**12%**
Total assets at fair value	**$ 1,186**	**$ 5,404**	**$ 897**	**$ 7,487**	**100%**
% of fair value hierarchy	16%	72%	12%	100%	

(a) Includes funds that invest primarily in U.S. common stocks.
(b) Includes funds that invest primarily in foreign equity and equity-related securities.
(c) Includes funds that invest primarily in common stocks of emerging markets.
(d) Includes funds that invest primarily in investment grade debt and fixed income securities.
(e) Includes funds that invest in limited/general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(f) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(g) Includes funds that invest in private equity and small buyout funds, partnership investments, direct investments, secondary investments, directly/indirectly in real estate and may invest in equity securities of real estate related companies, real estate mortgage loans, and real estate mezzanine loans.

The following is a reconciliation of the Company's pension plan assets in Level 3 of the fair value hierarchy at December 31, 2015:

	Global Hedged Equity	Absolute Return	Private Capital	Total
		(in thousands)		
Balance at December 31, 2014	$ 241	$ 349	$ 166	$ 756
Actual return on plan assets	(10)	24	(42)	(28)
Purchases	126	—	48	174
Sales	(5)	—	—	(5)
Balance at December 31, 2015	$ 352	$ 373	$ 172	$ 897

There were no transfers out of Level 3 or between Level 1 and Level 2 in 2015. During 2016, the Level 3 assets were accounted for at net asset value as a practical expedient.

The fair values of other postretirement benefit plan assets as of December 31, 2016 and 2015 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases. For 2016, special situations (absolute return and hedge funds) investment assets are presented in the table below based on the nature of the investment.

	Fair Value Measurements Using			
As of December 31, 2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value as a Practical Expedient (NAV)**	**Total**
		(in thousands)		
Assets:				
Domestic equity(*)	$ 40	$ 935	$ —	$ 975
International equity(*)	—	284	—	284
Fixed income:				
U.S. Treasury, government, and agency bonds	—	8	—	8
Corporate bonds	—	4	—	4
Pooled funds	—	378	—	378
Cash equivalents and other	13	—	27	40
Real estate investments	1	—	5	6
Private equity	—	—	1	1
Total	$ 54	$ 1,609	$ 33	$ 1,696

- Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

As of December 31, 2015	Pension plans				
	Level 1	Level 2	Level 3	Total	% of total
		(in thousands)			
Cash	**$ 14**	**$ —**	**$ —**	**$ 14**	**1%**
Equity securities:					
U.S. large cap[(a)]	$ —	$ 752	$ —	$ 752	58 %
International companies[(b)]	—	226	—	226	17
Total equity securities	**$ —**	**$ 978**	**$ —**	**$ 978**	**75%**
Fixed income securities:					
Corporate bonds[(d)]	$ —	$ 317	$ —	317	24 %
Total fixed income securities	**$ —**	**$ 317**	**$ —**	**$ 317**	**24%**
Total assets at fair value	**$ 14**	**$ 1,295**	**$ —**	**$ 1,309**	**100%**
% of fair value hierarchy	1%	99%	—%	100%	

(a) Includes funds that invest primarily in U.S. common stocks.
(b) Includes funds that invest primarily in foreign equity and equity-related securities.
(c) Includes funds that invest primarily in common stocks of emerging markets.
(d) Includes funds that invest primarily in investment grade debt and fixed income securities.
(e) Includes funds that invest in limited/general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(f) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(g) Includes funds that invest in private equity and small buyout funds, partnership investments, direct investments, secondary investments, directly/indirectly in real estate and may invest in equity securities of real estate related companies, real estate mortgage loans, and real estate mezzanine loans.

Employee Savings Plan

Southern Company Services, Inc. sponsors 401(k) defined contribution plans covering certain eligible employees. The AGL Resources Inc. 401(k) plans provide matching contributions of either 65% on up to 8% of an employee's eligible compensation, or a 100% matching contribution on up to 3% of an employee's eligible compensation, followed by a 75% matching contribution on up to the next 3% of an employee's eligible compensation. Total matching contributions made to the AGL Resources Inc. 401(k) plans for the periods ended December 31, 2016 and 2015 were $330 thousand and $313 thousand, respectively.

For employees not accruing a benefit under the AGL Plan, additional contributions made to the 401(k) plans for the period ended December 31, 2016 and 2015 were immaterial.

3. CONTINGENCIES AND REGULATORY MATTERS

General Litigation Matters

The Company is subject to certain claims and legal actions arising in the ordinary course of business. The ultimate outcome of these matters and such pending or potential litigation against the Company cannot be predicted at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on the Company's financial statements.

Regulatory Matters

Regulatory Infrastructure Programs

The majority of the Company's regulatory assets and liabilities are included in base rates except for the regulatory infrastructure program costs, which are recovered through specific rate riders on a dollar-for-dollar basis. The rate riders that authorize the recovery of regulatory infrastructure program costs include both a recovery of cost and a return on investment during the recovery period.

In September 2015, the Florida PSC approved the Company's Safety, Access, and Facility Enhancement program, under which costs incurred for replacing aging pipes will be recovered through a rate rider with annual adjustments and true-ups. Under the program, the Company is authorized to spend $105 million over a 10-year period on infrastructure relocation and enhancement projects.

In 1995, the Florida Commission approved a tariff that allows the Company to complete various area extension projects and recover the costs over a ten year period. These expenses are capitalized as regulatory assets until they are recovered through customer billings.

In 2012, the Company developed a project that makes use of the Area Extension Program Charge (AEP) provided for in its tariff. Under the AEP, the Company is authorized to recover the costs of expansion to a single or multiple points in a geographical area when the cost of the facilities exceeds the maximum allowable investment under its tariff and the margin from the investment. The AEP is sufficient to recover the investment in ten years from the date the project is placed in service.

The AEP is adjusted after the earlier of the third anniversary of the date when facilities were placed in service or when 80% of the estimated load from customers related to the expansion is added to the system.

Recoverable Pension and Retiree Welfare Benefit Plan Costs

The Company's recoverable pension and retiree welfare benefit plan costs are expected to be recovered through base rates over the next 7 years, based on the remaining recovery period as designated by the Florida Commission.

4. INCOME TAXES

On behalf of the Company, Southern Company will file a consolidated federal income tax return and Southern Company Gas will file various state income tax returns. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and no subsidiary is allocated more current expense than would be paid if it filed a separate income tax return. In accordance with the Internal Revenue Service (IRS) regulations, the Company is jointly and severally liable for the federal tax liability. Prior to the Merger, the Company was a part of Southern Company Gas' federal consolidated income tax return and various state income tax returns.

Current and Deferred Income Taxes

Details of income tax provisions for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
	(in thousands)	
Federal —		
Current	$ —	$ 1,035
Deferred	3,869	1,857
	3,869	2,892
State —		
Current	402	305
Deferred	58	180
	460	485
Amortization of investment tax credits	—	(1)
Total	$ 4,329	$ 3,376

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to a net deferred tax liability, are as follows:

	2016	2015
	(in thousands)	
Accelerated depreciation	$ 36,032	$ 31,309
Property basis differences	9,301	9,723
Regulatory assets associated with employee benefit obligations	297	27
Federal net operating loss	(490)	—
Federal effect of state deferred taxes	(1,201)	(1,081)
Employee benefit obligations	(2,081)	(3,910)
Bad debt and insurance reserves	(282)	(252)
Other	(1,632)	(1,745)
Accumulated deferred income taxes, net	$ 39,944	$ 34,071

Deferred federal and state ITCs are amortized over the average life of the related property with such amortization normally applied as a credit to reduce depreciation in the statements of income. There were no credits amortized in this manner for the year ended December 31, 2016 and $1 thousand amortized for the year ended December 31, 2015. At December 31, 2016, all ITCs available to reduce federal income taxes payable had been utilized.

Effective Tax Rate

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Years Ended December 31,	
	2016	2015
Federal statutory rate	**35.0%**	35.0%
State income tax, net of federal deduction	**3.6**	3.6
Other	**(0.7)**	(0.1)
Effective income tax rate	**37.9%**	38.5%

Unrecognized Tax Benefits

The Company has no unrecognized tax benefits for any period presented. The Company classifies interest on tax uncertainties as interest expense; however, the Company had no accrued interest or penalties for unrecognized tax benefits for any period presented.

It is reasonably possible that the amount of the unrecognized tax benefits could change within 12 months. The settlement of federal and state audits could impact the balances. At this time, an estimate of the range of reasonably possible outcomes cannot be determined.

Southern Company is a participant in the Compliance Assurance Process of the IRS. The audits by the IRS or any state have either concluded, or the statute of limitations has expired with respect to income tax examinations, for periods prior to 2012. Southern Company Gas' 2014 consolidated United States federal income tax return is currently under audit by the IRS.

5. FINANCING

The following table provides maturity dates, year-to-date weighted average interest rates, and amounts outstanding for various debt securities and facilities that are included in the balance sheets.

		December 31, 2016		December 31, 2015	
Dollars in thousands	**Year(s) due**	**Weighted average interest**	**Outstanding**	Weighted average interest rate	Outstanding
Gas facility revenue bonds	2024	**1.3% $**	**20,000**	0.9% $	20,000
Affiliate promissory note	2034	**3.8%**	**81,442**	5.2%	64,250
Total long-term debt		**3.3% $**	**101,442**	4.0% $	84,250

Gas Facility Revenue Bonds

The Company is party to a series of loan agreements with Brevard County, Florida under which a series of gas facility revenue bonds have been issued. These revenue bonds are issued by state agencies or counties to investors, and proceeds from each issuance then are loaned to the Company. Southern Company Gas fully and unconditionally guarantees all of the Company's gas facility revenue bonds.

Affiliate Promissory Note

Pivotal Utility entered into a promissory note with Southern Company Gas (Affiliate Promissory Note) for the purpose of refinancing its short-term debt and recapitalizing its capital structure and those of its utility operating divisions, in accordance with the target capitalization of 45% and with authorization of the Florida Commission. The Affiliate Promissory Note is adjusted periodically to maintain the appropriate targeted capitalization percentages. During 2016, $2.1 million was converted to the Affiliate Promissory Note from equity in order to maintain the target capitalization ratio. The Affiliate Promissory Note is due December 31, 2034 and had an initial interest rate at December 31, 2004 of 6.3%, which adjusts on a periodic basis based upon weighted average costs and expenses of borrowing the then-outstanding long-term debt of both Southern Company Gas and Southern Company Gas Capital Corporation, a 100%-owned financing subsidiary of Southern Company Gas. As of December 31, 2016, the effective interest rate on this note was 3.8%.

6. COMMITMENTS

Pipeline Charges, Storage Capacity, and Gas Supply

Pipeline charges, storage capacity, and gas supply include charges recoverable through a natural gas cost recovery mechanism, or alternatively, billed to marketers of natural gas as well as demand charges associated with Sequent Energy Management, L.P. (Sequent), a wholly-owned subsidiary of Southern Company Gas that engages in wholesale marketing of natural gas supply services.

Contractual Obligations

Contractual obligations at December 31, 2016 were as follows:

	2017	2018-2019	2020-2021	After 2021	Total
			(in thousands)		
Long-term debt[a] -					
Principal	$ —	$ —	$ —	$ 101,442	$ 101,442
Interest	257	514	514	769	2,054
Pipeline charges, storage capacity, and gas supply[b]	11,935	23,161	12,786	21,083	68,965
Operating leases[c]	26	33	—	—	59
Performance/surety bonds	350	—	—	—	350
Total	$ 12,568	$ 23,708	$ 13,300	$ 123,294	$ 172,870

(a) Amounts are reflected based on final maturity dates. The Company plans to continue, when economically feasible, to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit. Variable rate interest obligations are estimated based on rates at January 1, 2017 and do not include interest on the affiliated promissory note.

(b) Includes charges recoverable through a natural gas cost recovery mechanism, subject to review by the Florida Commission.

(c) Certain operating leases have provisions for step rent or escalation payments and certain lease concessions are accounted for by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms. However, this accounting treatment does not affect the future annual operating lease cash obligations as shown herein. The Company's operating leases are primarily related to equipment purchases and real estate licenses.

7. AFFILIATE TRANSACTIONS

The Company has an asset management agreement (AMA) with Sequent for transportation and storage capacity to meet natural gas demands. The AMA has a profit sharing structure without any minimum fixed fee, where the net margin is split evenly between the Company and Sequent. As part of the AMA, the parties have executed a Gas Purchase and Sale Agreement where, to the extent requested by the Company, Sequent will purchase and sell natural gas to meet the Company's gas supply requirements. The following table provides additional information on the Company's asset management agreements with Sequent.

	Expiration date	Type of fee structure	Annual fee	Profit sharing / fees payments 2016	Profit sharing / fees payments 2015
				(in thousands)	
Florida City Gas	(*)	Profit-sharing	50%	$ 1,169	$ 767

(*) The term of the agreement is evergreen and renews automatically each year unless terminated by either party.

Amounts Due to Affiliates

The Company had $12.3 million and $13.7 million in payable at December 31, 2016 and 2015, respectively, which was due to Southern Company Gas, primarily related to the participation in the Southern Company Gas money pool, which funds on-going working capital requirements. See Note 5 for additional information on the Affiliate Promissory Note.

The Company also engages in transactions with Southern Company Gas' affiliates consistent with its services and tax allocation agreements.

8. SUBSEQUENT EVENTS

Management evaluated subsequent events for potential recognition and disclosure through May 19, 2017, the date these financial statements were available to be issued, and determined that no significant events have occurred subsequent to period end.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	366,658,289	366,658,289
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified	847,263	847,263
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use		
10	114 Acquisition Adjustments	21,656,835	21,656,835
11	TOTAL Utility Plant (Total of lines 3 through 10)	389,162,387	389,162,387
12	107 Construction Work in Progress	13,957,305	13,957,305
13	Accum. Provision for Depreciation, Amortization, & Depletion	(177,571,717)	(177,571,717)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	225,547,975	225,547,975
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(168,788,666)	(168,788,666)
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amortization of Other Utility Plant		
21	TOTAL in Service (Total of lines 17 through 20)	(168,788,666)	(168,788,666)
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
26	Held for Future Use		
27	108 Depreciation		
28	111 Amortization		
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)		
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amortization of Plant Acquisition Adjustment	(8,783,051)	(8,783,051)
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	(177,571,717)	(177,571,717)

Analysis of Plant in Service Accounts

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS
For the Year Ended December 31, 2016

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass. (1)	Adjustments	Transfers (2)	Ending Balance*
374	Land-Distribution		444,720	54,480					499,200
389	Land-General		629,826	33,984	(200,000)				463,810
	Land-Other								
Amortizable General Plant Assets:									
301	Organization								
302	Franchises and Consents		325,164						325,164
303	Miscellaneous Intangible Plant		25,522		(25,275)				247
399	Miscellaneous Intangible Property								
Depreciable Assets: This schedule shou This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
365	Rights-Of-Way		176,450	66,723					243,173
367	Transmission-Main		3,449,624	2,343,224					5,792,848
369	Measuring & Regulating Equip		104,145	28,755					132,900
371	Other Equipment								
375	Structures & Improvements	2.8	608,839	9,140	(402,997)				214,982
376.2	Mains- Plastic	3.1	91,454,291	16,498,343	(23,082)				107,929,552
376.1	Mains - Other	3.0	96,411,523	4,184,413	(155,495)				100,440,441
378	M & R Station Equipment	3.3	581,564	88,602					670,166
379	M & R Station Equipment - City Gate	3.3	6,844,055	129,472					6,973,527
380.2	Services- Plastic	4.1	48,873,801	8,176,196	(201,300)				56,848,697
380.1	Services - Other	6.5	14,708,810	137,618	(83,159)				14,763,269
381	Meters	4.9	17,919,607	1,426,901	(604,635)			8,940	18,750,813
382	Meter Installation	4.5	11,700,477	290,745	(192,831)				11,798,391
383	House Regulators	4.9	4,725,828	708,376	(4,481)				5,429,723
384	House Regulators Installation	3.1	2,057,700	138,910					2,196,610
385	Industrial M & R Station Equipment	3.3	3,047,920						3,047,920

Annual Status Report
Analysis of Plant in Service Accounts

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS
For the Year Ended December 31, 2016

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass. (1)	Adjustments	Transfers (2)	Ending Balance*
(Continued)									
386.5	Leased Water Heaters								
386.6	Leased Dryers								
386.7	Leased Rangers								
387	Other Equipment	3.3	764,093	141,037	-				905,130
390	Structures & Improvements	2.6	8,017,402	4,787,493	(1,685,410)				11,119,485
391.1	Office Furniture	7.7	399,381		(398,877)				504
391.2	Office Machines and Equipment	8.3	2,506,712	204,087	(371,891)	(81,756)			2,257,152
391.3	Enterprise Software	9.1	11,074,327	415,969	(8,806)	81,756			11,563,246
392	Transportation Equipment	11.5	2,413,517	974,709	(463,703)	(4,869)		78,452	2,998,106
393	Stores Equipment	6.2	2,922						2,922
394	Tools, Shop and Garage Equipment	7.2	1,830,921	44,660	(389,709)				1,485,872
395	Laboratory Equipment	4.0	4,034						4,034
396	Power Operated Equipment	8.3	131,329			16,124			147,453
397	Communication Equipment	8.3	177,379	288,522	(74,256)				391,645
398	Miscellaneous Equipment	7.5	854,107		(734,082)	(11,255)			108,770
Capital Recovery Schedules:									
	Total Account 101*		332,265,790	41,172,359	(6,019,989)	-	-	87,392	367,505,552
Amortizable Assets:									
114	Acquisition Adjustment		21,656,835						21,656,835
118	Other Utility Plant								
106	Completed Construction not Classified								
	Total Utility Plant		353,922,625	41,172,359	(6,019,989)	-	-	87,392	389,162,387

Note: The total beginning and ending balances must agree to accts. 101, Plant in Service, Line 3 and 101.1 Property Under Capital Lease, Line 4, and 114 Acquisition Adjustments, Page 12.
(1) Adjustments were made to correct the classification of FERC accounts 392, 396 and 398 assets based on an asset review during 2016. For the prior year adjustments were made to correct the balances in accounts 391.3 and 391.2.
(2) Accounts 381 and 392 for $8,940 and $78,452, respectively, were transferred from Atlanta Gas Light Company to Florida City Gas.

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS
For the Year Ended December 31, 2016

Acct. No.	Account Description	Beginning Balance	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance
374	Land-Distribution								
389	Land-General	-			1,012,620		(1,012,620)	-	-
Amortizable General Plant Assets:									
302	Franchises and Consents	181,595							181,595
303	Miscellaneous Intangible Plant	22,324		(25,275)					(2,951)
399	Miscellaneous Intangible Property								
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
365	Land and Land Rights-Transmission	2,423	6,736						9,159
387	Transmission-Main	72,333	145,077			(4,940)			212,470
369	Measuring & Regulating Equip	1,808	4,267						6,075
371	Other Equipment								
375	Structures & Improvements	200,257	11,992	(402,997)	394,266		(65,146)		138,372
376.2	Mains - Plastic	32,887,866	3,104,095	(23,082)		(31,803)			35,937,078
376.1	Mains - Other	62,759,098	2,964,834	(155,495)		(99,636)			65,468,801
378	M & R Station Equipment	36,479	21,216						57,695
379	M & R Station Equipment - City Gate	3,988,375	229,087						4,217,462
380.2	Services - Plastics	16,459,156	2,169,141	(201,300)		(188,523)			18,238,474
380.1	Services - Other	21,131,356	957,746	(83,159)		(740,845)			21,265,098
381	Meters	2,724,882	902,575	(604,635)		(1,976)		327	3,021,173
382	Meter Installation	4,493,922	835,129	(192,831)					4,936,220
383	House Regulators	1,952,992	254,084	(4,481)		(170)			2,202,425
384	House Regulators Installation	972,780	66,304						1,039,084
365	Industrial M & R Station Equipment	1,892,149	100,581						1,992,730
386.5	Leased Water Heaters								
386.6	Leased Dryers								
386.7	Leased Rangers								
387	Other Equipment	341,294	25,446						366,740
390	Structures & Improvements	935,436	193,635	(1,685,410)	1,504,036		(241,926)		705,773
391.1	Office Furniture	258,835	17,952	(398,877)		(944)			(123,234)
391.2	Office Machines and Equipment	1,181,472	196,031	(371,891)		(1,161)			1,004,451
391.3	Enterprise Software	7,092,388	1,024,174	(8,806)					8,107,756
392	Transportation Equipment	490,572	321,041	(463,703)	57,501		(7,290)	19,671	417,992
393	Stores Equipment	1,342	181						1,523
394	Tools, Shop and Garage Equipment	1,244,744	125,388	(389,709)					980,423
395	Laboratory Equipment	4,034							4,034
396	Power Operated Equipment	19,539	11,179				(4,568)		26,150
397	Communication Equipment	159,763	6,720	(74,256)		(234)			91,993
398	Miscellaneous Equipment	499,535	38,792	(734,082)		(2,280)	11,858		(186,177)

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS

For the Year Ended December 31, 2016

Acct. No.	Account Description	Beginning Balance	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance
	(Continued)								
	Capital Recovery Schedules:								
	Subtotal	162,008,551	13,533,403	(5,819,989)	2,968,425	(1,072,512)	(1,319,692)	20,198	170,318,384
	List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.								
	Retirement of Land & Landrights (Propane Sales)								
	Reserve for Amortization Adjustment								
	Undistributed Retirement Work in Progress	(162,698)				(1,367,020)		-	(1,529,718)
115	Amort. Plant Acquisition Adjustment	8,061,156	721,895				-		8,783,051
	Grand Total	169,907,009	14,255,298	(5,819,989)	2,968,425	(2,439,532)	(1,319,692)	20,198	177,571,717

Note 1: The ending balances must agree to Line 32 of page 12.

Note 2: 392 Transportation Equipment retirements include accrual account 100203 retirement for vehicle decal removal of $(23,000).

Note 3: Depreciation accruals excludes allocated depreciation expense of $500,010 from AGL Services Co. and $5,796 of depreciation related to assets not listed above.

Note 4: Reserve transfers of $327 and $19,871 in FERC accounts 381 and 392, respectively, related to reserve asset balances for Meters and Transportation and Equipment received from affiliate company in 2016.

Note 5: Office furniture retirements related to Hialeah Service Center sale included items scrapped in excess of the related accumulated reserves for the category and costs incurred to remove the scrapped items from the premises prior to the sale.

Note 6: Salvage amounts include proceeds from auctioning of Transportation Equipment in account 392 of $57,501 and from the sale of the Hialeah Service Center buildings and land of $2,910,924.

Note 7: Reserve adjustments include: (a) a proceed from the Hialeah Service Center Land of $1,012,650, $200,000 of which is related to retirement of the cost of land and $812,620 related to a gain deferred to be amortized over five years; and (b) a portion of gains in 2016 recognized primarily from the remaining service center warehouse ($65,146 in account 375) and office building ($241,926 in account 390) related to the non-utility use portion of the assets.

Note 8. Other reserve adjustments in accounts 392 of ($7,290), 396 of ($4,568), and 398 of $11,858 related to reclassifications of equipment resulting from quarterly asset category review realignment.

Pivotal Utility Holdings, Inc. D/B/A Florida City Gas
AEP Reconciliation
As Of December 31, 2016

Revenue Start Date	Name of Facility	Balance @ Beg. Of Year			12 Mths Ended 12/16			Charges To Date			Over/ Under Collection
		Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues (A)	Facilities Cost (B)	Carrying Charges (C)	(A - B - C)
Nov-12	Glades Project	3,225,423	11,807,891	2,887,667	928,539	-	1,449,259	4,153,962	11,807,891	4,336,927	(11,990,856)
Mar-14	Fellsmere Project	25,990	(0)	14,480	(25,805)	-	(14,342)	184	-	139	45
May-14	Vero Beach Connector Project	130,512	324,414	46,310	26,452	-	9,757	156,964	324,414	56,067	(223,517)
Nov-14	Homestead Project	40,211	187,895	3,607	190,186	113,084	11,614	230,397	300,979	15,222	(85,803)
Dec-14	Sebastian Project	57,659	1,096,892	98,868	115,957	109,815	125,984	173,616	1,206,706	224,852	(1,257,942)
Dec-14	Miramar Project	3,057	48,290	2,618	4,689	-	4,898	7,747	48,290	7,516	(48,060)
May-15	Flagler Project	18,611	296,128	12,088	64,154	66,009	29,128	82,764	362,137	41,216	(320,588)
Nov-15	Vero Isles Project	-	2,817	11	-	-	293	-	2,817	303	(3,120)
Apr-16	Downtown Central Vero	-	-	-	2,583	280,918	8,396	2,583	280,918	8,396	(286,730)
	Totals	3,501,463	13,764,326	3,065,650	1,306,754	569,826	1,624,987	4,808,218	14,334,152	4,690,637	(14,216,570)

Note: Facilities cost represents the investment in excess of the MACC.

Name of Respondent FLORIDA CITY GAS D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Fleet	914,803	
2	Strategic	3,652,225	
3	Support	8,217,496	
4	Safe Program - FCG	420,011	
5	Gas Operations	405,144	
6	Minor Project Types	347,626	
7			
8			
9			
10	**TOTAL**	13,957,305	

CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c) **
1	A&G Salaries Capitalized*	1,339,978	29,817,332
2	A&G Expenses Capitalized*	652,779	29,817,332
3	Benefits Capitalized*	219,374	29,817,332
4	Pension Expense Capitalized*	105,203	29,817,332
5	Payroll Taxes Expense Capitalized*	100,458	29,817,332
6	Fleet Expense Capitalization	54,232	29,817,332
7	Engineering (Charged from AGL Services Company)	381,686	29,817,332
8	A&G Supplies	21,019	29,817,332
9			
10			
11	**TOTAL**	2,874,729	

* Includes Florida City Gas and allocated costs from AGL Services Company and Southern Company Services.

**Capital Expenditures during FY2016 excluding overhead allocations.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	2016 Miami Dolphin Sponsorship	250,000
2	Florida Natural Gas Association Dues	34,854
3	Energy Conservation Program Rebates	300,218
4	Employee Court Orders	2,128
5	Aflac Supplemental Insurance	2,315
6	Taxes	2,607,979
7		
8	TOTAL	3,197,494

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR Account Charged (d)	WRITTEN OFF DURING YEAR Amount (e)	Balance at End of Year (f)
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10	TOTAL					

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR Account Charged (d)	WRITTEN OFF DURING YEAR Amount (e)	Balance at End of Year (f)
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits: Account Charged (d)	Credits: Amounts (e)	Balance End of Year (f)
1	Conversion Cost (1)	1,368,819	136,143	407	231,744	1,273,218
2	Deferred Piping (1)	430,259	9,750	912/909	163,147	276,862
3	Regulatory Asset - Pension (2)	355,872		926	164,249	191,623
4	AEP	13,328,512	2,194,813	407.3	1,306,755	14,216,570
5	Unrecovered Pension Benefit	850,990		926	118,744	732,246
6						
7						
8						
9						
10	(1) Amortization period - 10 years					
11	(2) Amortization period - 13.3 years					
12						
13						
14						
15						
16						
17	TOTAL	16,334,452	2,340,706		1,984,639	16,690,519

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Credits: Account Charged (d)	Credits: Amount (e)	Balance End of Year (f)
1						
2	Net Pension Asset	65,604		228.3	65,604	-
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	TOTAL	65,604				-

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

SECURITIES ISSUED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.
2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.
3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

None

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)*
1	20 Year Revenue Bond	4/19/2005	20,000,000	1,093,562	493,584	437,174
2						
3	Bond refinance & issuance	6/5/2008	20,000,000	889,213	504,736	446,710
4						
5	Bond refinance & issuance	5/28/2010	20,000,000	181,507	122,802	108,768
6						
5	Bond refinance & issuance	2/26/2013	20,000,000	113,876	90,020	79,732
6						
7					**1,211,142**	**1,072,384**
8						
9						
10						
11						
12						
13						

*Amortization to FERC account 428.1 includes debits of $138,758 from FERC account 189.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

None No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year: Rate (in %) (e)	Interest for Year: Amount (f)	Total Amount Outstanding (g)
1	20 Year Revenue Bonds Series 2024	2/26/2013	10/1/2024	20,000,000	variable	225,054	20,000,000
2	* Affiliate Promissory Note (1)	1/1/2005	1/1/2035	25,209,352	3.8%	3,114,511	81,442,249
3							
4	*Note balance is adjusted in accordance with the target capitalization of 45% and with the authorization of the Florida Public Service Commission.						
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			45,209,352		3,339,565	101,442,249

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period: Date From (d)	Amortization Period: Date To (e)	Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
1								
2								
3	Refinancing fees (2)	20,000,000	184,831	2/26/2013	10/1/2024	139,620	(15,957)	123,663
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

(1) Total of Account 427 and Account 430 is $3,472,749. This includes interest on revenue bonds of $225,054, interest on advances from associated companies of $3,114,511 and interest on short-term debt of $133,184.

(2) Total credits of $15,957 in Account 181 for amortization expense to Account 428.

PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $50,000) may be grouped under appropriate title.

Line No.	Item	Balance at End of Year
1	Unclaimed Customer Credits and Checks	131,941
2	Escheated items	2,330
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	134,271

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor Items (less than $25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance End of Year (f)
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits Contra Account (b)	Debits Amount (c)	Credits (d)	Balance End of Year (e)
1	Energy Conservation Program (*)	352,798			294,951	647,749
2	Deferred PGA Liability	2,125,998	804/431	1,443,728	-	682,270
3	Regulatory Tax Liability	6	282	6	-	-
4	Overrecovered SAFE costs (*)	-	400	749,325	931,973	182,648
5	Deferred gain on sale of Hialeah property	-	254	-	511,951	511,951
6						
7						
8						
9						
10	TOTAL	2,478,802		2,193,059	1,738,875	2,024,618

(*) Reclassified from 182.3 - Regulatory Assets for presentation purposes

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

TAXES OTHER THAN INCOME TAXES (Account 408.1)

	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environ-mental, Excise	Franchise	Other*	Total
1	U.S. Government				861,520						861,520
2	State of Florida		1,762,510		-	2,595,367	405,790		1,920,388		6,684,055
3	AGL Services Company Allocation				(183,467)					7,103	(176,364)
4	Payroll Taxes Capitalized										-
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15	Less: Charged to Construction										
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1		1,762,510		678,053	2,595,367	405,790		1,920,388	7,103	7,369,211

* List separately each item in excess of $500.

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations.
Explain by footnote any correction adjustment to the account balance shown in column (f).

Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income: Acct. No. (d)	Allocations to Current Year's Income: Amount (e)	Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
1	Gas Utility							
2	3%							
3	4%			411.4				
4	7%							
5	10%			420				
6	8%	10		411.4	10		-	
7								
8								
9								
10	TOTAL	10			10		-	

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
Dec. 31, 2016

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.

2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.		Balance at Beginning of Year	Changes During Year: Amounts Debited to Account 410.1	Changes During Year: Amounts Credited to Account 410.1	Changes During Year: Amounts Debited to Account 410.2	Changes During Year: Amounts Credited to Account 411.2	Adjustments: Debits: Account No.	Adjustments: Debits: Amount	Adjustments: Credits: Account No.	Adjustments: Credits: Amount	Balance at End of Year
1	GAS										
2	Federal	5,137,235		326,577					Various	2,897,282	2,566,530
3	State	751,716		129,708					Various	545,980	335,444
4											
5											
6											
7											
8											
9											
10											
11	TOTAL Gas (Lines 2 - 10)	5,888,951	0	456,285				0	Various	3,443,262	2,901,974
12	Other (Specify)										
13	TOTAL (Account 190) (Total of lines 11 and 12)	5,888,951	0	456,285				0	Various	3,443,262	2,901,974

Notes

ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)

Line No.		Balance at Beginning of Year	Changes During Year: Amounts Debited to Account 410.1	Changes During Year: Amounts Credited to Account 411.1	Changes During Year: Amounts Debited to Account 410.2	Changes During Year: Amounts Credited to Account 411.2	Adjustments: Debits: Account No.	Adjustments: Debits: Amount	Adjustments: Credits: Account No.	Adjustments: Credits: Amount	Balance at End of Year
1	Account 281 - Accelerated Amortization Property										
2	Electric										
3	Gas										
4	Other										
5	TOTAL Account 281 (Lines 2 thru 4)										
6	Account 282 - Other Property										
7	Electric										
8	Gas	38,462,925	4,383,117						254	6	42,846,048
9	Other										0
10	TOTAL Account 282 (Lines 7 thru 9)	38,462,925	4,383,117						254	6	42,846,048
11	Account 283 - Other										
12	Electric										
13	Gas	1,497,339					190	1,497,339			0
14	Other										
15	TOTAL Account 283 - Other (Lines 12 thru 14)	1,497,339					190	1,497,339		0	0
16	GAS										
17	Federal Income Tax	35,920,160	4,195,594				190	1,497,339			38,618,415
18	State Income Tax	4,039,313	187,523								4,226,836
19											
20	TOTAL Gas (Lines 17 thru 19)	39,959,473	4,383,117				190	1,497,339		0	42,845,251
21	OTHER										
22	Federal Income Tax										
23	State Income Tax										
24	TOTAL Other (Lines 22 and 23)										
25	TOTAL (Total of lines 5, 10 and 15)	39,960,264	4,383,117				190	1,497,339	254	6	42,846,048

Notes

Name of Respondent Pivotal Utility Holdings Inc. d/b/a Florida City Gas	For the Year Ended December 31, 2016

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9)	
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		
6		
7		See Page 25a
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14		
15		
16		
17		
18	Income Recorded on Books Not Included in Return	
19		
20		
21		
22		
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27		
28		
29		
30		
31		
32		
33		
34	Federal Tax Net Income	
35	Show Computation of Tax:	
36		
37		
38		
39		
40		

Name of Respondent	This Report Is:		Year of Report
Pivotal Utility Holdings Inc. d/b/a Florida City Gas	(1) [x] An Original (2) [ ] A Resubmission		December 31, 2016

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

Net Income for Fiscal Year Ended December 31, 2016		$ 7,095,028
Adjustments For Federal Income Tax Purposes		
Income on Return Not on Books:		
Contributions in Aid of Construction		-
Expenses Booked Not Recorded on Return:		
Lobbying Expenses	46,574	
Fines and Penalties		
Meals and Entertainment	15,740	
		62,314
Deductions on Return Not Charged Against Book Income:		
Excess of allowable depreciation over that charged to depreciation and other book expenses	(12,366,109)	
Restricted Stock	(23,598)	
Performance Cash	4,590	
Accrued Post Retirement Benefits	2,468	
Accrued bonus	(373,804)	
PUCHA Expenses	59,218	
Restricted Stock Units	(38,993)	
Leasehold Improvements	200,388	
Pension	(141,445)	
Bad Debts	74,870	
Current Federal Income Taxes	(548,827)	
Deferred Federal Income Taxes	4,358,625	
Deferred State Income Taxes	57,815	
Amortization of Deferred Investment Tax Credits	(10)	
Amortization of Pension and Transition Cost Reg. Assets	164,249	
		(8,570,562)
Total Net Adjustments for Federal Income Tax Purposes		(8,508,248)
Federal Taxable Income		($1,413,220)
State Taxes		
Show Computation to Tax		
Federal Taxable Income		($1,413,220)
35% of Federal Taxable Income		(494,627)
Accrual to return and other adjustments		(54,200)
Current Federal Income Taxes at December 31, 2016		($548,827)
Allocated Tax Per Tax Agreement		59,218
Total Current Federal Income Tax before NOL Reclass		(489,609)
NOL Reclass to Deferred Income Tax Expense		489,609
Total Current Federal Income Tax after NOL Reclass to Deferred Income Tax Expense		$ -

GAS OPERATING REVENUES (Account 400)

ɔort below natural gas operating revenues for each prescribed account in total.
ɔort number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for purposes, one customer should be counted for each group of meters added. The average number of customers means the ge of twelve figures at the close of each month.
ɔort quantities of natural gas sold in therms (14.73 psia at 60 F).
ɔort gas service revenues and therms sold by rate schedule.
ıcreases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain ıconsistencies in a footnote.

Title of Account (a)	Operating Revenues: Amount for Year (b)	Operating Revenues: Amount for Previous Year (c)	Therms of Natural Gas Sold: Current Year (d)	Therms of Natural Gas Sold: Previous Year (e)	Avg. No. of Natural Gas Customers Per Mo.: Current Year (f)	Avg. No. of Natural Gas Customers Per Mo.: Previous Year (g)
Gas Service Revenues						
Firm Sales Service						
480 - Residential Sales	30,970,084	31,286,513	15,689,313	15,159,234	99,983	99,063
481 - Commercial & Industrial Sales	21,147,886	23,755,395	22,805,737	23,842,740	4,921	4,961
481						
481						
481						
481						
Interruptible Sales Service						
481 -						
481 -						
Firm Transportation Service						
489 - Commercial & Industrial Transp.	25,285,769	23,073,501	101,667,766	90,441,532	2,668	2,393
489						
489						
Interruptible Transportation Serv.						
489 - Industrial						
489						
482 Other Sales to Public Authorities						
484 Flex Rate - Refund						
TOTAL Sales to Ultimate Consumers	77,403,739	78,115,409	140,162,816	129,443,506	107,572	106,417
483 Sales for Resale						
Off-System Sales						
TOTAL Nat. Gas Service Revenues	77,403,739	78,115,409			Notes	
TOTAL Gas Service Revenues	77,403,739	78,115,409				
Other Operating Revenues						
485 Intracompany Transfers						
487 Forfeited Discounts	1,126,819	1,122,200				
488 Misc. Service Revenues	3,792,967	2,550,409				
489 Rev. from Trans. of Gas of Others						
not included in above rate schedules)						
493 Rent from Gas Property						
494 Interdepartmental Rents						
495 Other Gas Revenues						
Initial Connection						
Reconnect for Cause						
Collection in lieu of disconnect						
Returned Check						
Other - Damage Billing	189,645	210,760				
495.1 Overrecoveries Purchased Gas						
TOTAL Other Operating Revenues	5,109,431	3,883,369				
TOTAL Gas Operating Revenues	82,513,170	81,998,778				
(Less) 496 Provision for Rate Refunds						
TOTAL Gas Operating Revenues	82,513,170	81,998,778				
Net of Provision for Refunds						
Sales for Resale						
Other Sales to Public Authority						
Interdepartmental Sales						
TOTAL	$82,513,170	$81,998,778	140,162,816	129,443,506		

Name of Respondent		For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.		
D/B/A FLORIDA CITY GAS		December 31, 2016

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	**1. Production Expenses**		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases		
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	18,671,015	21,933,508
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	(121,942)	(269,345)
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	18,549,073	21,664,163
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses	26,674	16,343
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	26,674	16,343
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	(11,858)	(3,705)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(11,858)	(3,705)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	18,563,889	21,676,801
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	18,563,889	21,676,801
38	**2. Natural Gas Storage, Terminaling and Processing Expenses**		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	43,249	39,040
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	83,294	83,586
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	126,543	122,626
43	**3. Transmission Expenses**		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	1,084	2,773
45			
46			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	**4. Distribution Expenses**		
48	Operation		
49	870 Operation Supervision and Engineering	2,096	3,162
50	871 Distribution Load Dispatching	-	29
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	1,814,057	1,818,664
54	875 Measuring and Regulating Station Expenses--General	916	888
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	62,270	85,945
57	878 Meter and House Regulator Expenses	808,385	586,605
58	879 Customer Installations Expenses	559,173	731,929
59	880 Other Expenses	245,787	287,341
60	881 Rents		
61	TOTAL Operation (Total of lines 49 through 60)	3,492,684	3,514,563
62	Maintenance		
63	885 Maintenance Supervision and Engineering	-	186
64	886 Maintenance of Structures and Improvements		
65	887 Maintenance of Mains	330,492	246,490
66	888 Maintenance of Compressor Station Equipment	467	-
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	85,409	110,255
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial		
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station		
70	892 Maintenance of Services	172,431	312,979
71	893 Maintenance of Meters and House Regulators	182,559	234,247
72	894 Maintenance of Other Equipment	9,240	719
73	TOTAL Maintenance (Total of Lines 63 through 72)	780,598	904,876
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	4,273,282	4,419,439
75	**5. Customer Accounts Expenses**		
76	Operation		
77	901 Supervision		
78	902 Meter Reading Expenses	111,010	124,678
79	903 Customer Records and Collection Expenses	69,232	127,921
80	904 Uncollectible Accounts	489,897	603,529
81	905 Miscellaneous Customer Accounts Expenses	1,208	1,536
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	671,347	857,664
83	**6. Customer Service and Informational Expenses**		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	9,319	6,069
87	909 Informational and Instructional Expenses	5,331,959	4,874,246
88	910 Miscellaneous Customer Service and Informational Expenses	(22)	
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	5,341,256	4,880,314
90	**7. Sales Expenses**		
91	Operation		
92	911 Supervision	6	57
93	912 Demonstrating and Selling Expenses	12,023	34,437
94	913 Advertising Expenses	24,434	16,147
95	916 Miscellaneous Sales Expenses		
96	TOTAL Sales Expenses (Total of lines 92 through 95)	36,463	50,641
97			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS			For the Year Ended December 31, 2016

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	**8. Administrative and General Expenses**		
99	Operation		
100	920 Administrative and General Salaries	9,313,907	8,479,526
101	921 Office Supplies and Expenses	1,588,568	1,652,642
102	(Less) (922) Administrative Expenses Transferred--Credit	(2,603,148)	(1,797,648)
103	923 Outside Services Employed	1,974,272	1,761,575
104	924 Property Insurance	342,175	341,538
105	925 Injuries and Damages	185,986	176,658
106	926 Employee Pensions and Benefits	2,724,255	2,311,328
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses		
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	541,382	518,547
112	931 Rents	351,166	451,103
113	TOTAL Operation (Total of lines 100 through 112)	14,418,563	13,895,268
114	Maintenance		
115	932 Maintenance of General Plant	800,289	707,768
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	15,218,852	14,603,036
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	44,232,716	46,613,296
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1		
2	1. Payroll Period Ended (Date)	11/4/2016
3	2. Total Regular Full-Time Employees	111
4	3. Total Part-Time and Temporary Employees	0
5	4. Total Employees	111
6		
7		
8		
9		
10		
11		
12		
13		

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)

1. Provide totals for the following accounts:
   - 800 - Natural Gas Well Head Purchases
   - 800.1- Natural Gas Well Head Purchases Intracompany Transfers
   - 801 - Natural Gas Field Line Purchases
   - 802 - Natural Gas Gasoline Plant Outlet Purchases
   - 803 - Natural Gas Transmission Line Purchases
   - 804 - Natural Gas City Gate Purchases
   - 804.1- Liquefied Natural Gas Purchases
   - 805 - Other Gas Purchases
   - 805.1- Purchases Gas Cost Adjustments

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.
2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.
3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased-Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases			
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	35,383,381	18,671,015	$0.53
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases		(121,942)	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	35,383,381	18,549,073	$0.52

Notes to Gas Purchases

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3	Other General Use	401	(26,599)	11,858
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL		(26,599)	11,858

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year: Charged Currently to Account No. (d)	Expenses Incurred During Year: Charged Currently to Amount (e)	Expenses Incurred During Year: Deferred to Account 186 (f)	Amortized During Year: Contra Account (g)	Amortized During Year: Amount (h)	Deferred in Account 186 End of Year (i)
1	None								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL								

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	136,538
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	
4	Other expenses (items of $5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than $5,000 may be grouped by classes if the number of items so grouped is shown.)	
5	Fleet Fuel Expense	293,539
6	Fleet Expense Capitalization	(54,218)
7	Miscellaneous Expenses	(715)
8	Civic Participation	46,014
9	Board of Director Fees	120,224
10		
11		
12		
13		
14		
15		
16		
17		
18	TOTAL	541,382

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	**Electric**			
2	TOTAL Operation and Maintenance - Electric			
3	**Gas**			
4	Operation			
5	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	3,109		
6	Transmission	231		
7	Distribution	2,886,953		
8	Customer Accounts	178,534		
9	Customer Service and Informational			
10	Sales			
11	Administrative and General	3,150,183		
12	TOTAL Operation (Total of lines 5 through 11)	6,219,010		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	43,292		
15	Transmission	853		
16	Distribution	277,713		
17	Administrative and General	11,600		
18	TOTAL Maintenance (Total of lines 14 through 17)	333,458		
19	Total Operation and Maintenance	6,552,468		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	46,401		
21	Transmission (Enter Total of lines 6 and 15)	1,084		
22	Distribution (Total of lines 7 and 16)	3,164,666		
23	Customer Accounts (Transcribe from line 8)	178,534		
24	Customer Service and Informational (Transcribe from line 9)			
25	Sales (Transcribe from line 10)			
26	Administrative and General (Total of lines 11 and 17)	3,161,783		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	6,552,468		6,552,468
28	**Other Utility Departments**			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)			
31	**Utility Plant**			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	1,049,235		1,049,235
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	1,049,235		1,049,235
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	165,521		165,521
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	165,521		165,521
42				
43	Other Accounts (Specify):			
44				
45	Taxes other than Income	622,709		622,709
46	Misc payroll	21,572		21,572
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	644,281		644,281
54	TOTAL SALARIES AND WAGES	8,411,505		8,411,505

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	December 31, 2016

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.
(a) Name of person or organization rendering services,
(b) description of services received,
(c) basis of charges,
(d) total charges for the year, detailing account charged.
2. For any services which are of a continuing nature, give the date and term of contract.
3. Designate with an asterisk associated companies.

	Description		Amount
1	MEARS CONSTRUCTION, LLC	Contractor	15,418,754
2	MASTEC NORTH AMERICA, INC	Engineering Services	4,038,373
3	BLACKHAWK ENGAGEMENT SOLUTIONS, INC.	Marketing/Rebates	2,711,463
4	SOUTHEAST CONNECTIONS	Contractor	2,402,625
5	ALL ABOUT GAS SERVICE, LLC	Contractor	1,250,048
6	THREE21 CREATIVE LLC	Advertising	814,732
7	PARAGO PROMOTIONAL SERVICES	Marketing/Rebates	766,313
8	BUILDING MANAGEMENT SYSTEM, INC.	Engineering Services	696,670
9	T.B. LANDMARK CONSTRUCTION, INC	Contractor	504,042
10	PATRIOT CNG	Fleet CNG Conversion Services	490,295
11	MCDANIEL TECHNICAL SERVICES INC	Contractor	357,404
12	QUALITY INTEGRATED SERVICES INC	Construction Services	310,550
13	KIMLEY-HORN AND ASSOCIATES, INC	Contractor	291,205
14	HEATH CONSULTANTS	Contractor	215,981
15	A J IMAGES, INC	Advertising	193,005
16	BERGER SINGERMAN LLP	Legal Services	188,641
17	TDW SERVICES, INC	Construction Services	187,094
18	APPLIED TECHNICAL SERVICES, INC	Engineering Services	173,196
19	FREEDOM FUELING SOLUTIONS LLC	CNG Infrastructure Design	165,000
20	QUALITY WELDING & FABRICATING	Contractor	146,494
21	COLLIERS INTERNATIONAL MANAGEMENT	Real Estate Mgt. Services	145,119
22	STEELE CATHODIC INC	Contractor	142,820
23	TYCO INTEGRATED SECURITY LLC	Contractor	135,682
24	CARNAHAN, PROCTOR AND CROSS, INC	Engineering Services	134,947
25	GUNSTER YOAKLEY & STEWART, P.A.	Legal services	132,859
26	BGL ASSET SERVICES, LLC	Engineering Services	121,210
27	E2 CONSULTING ENGINEERS, INC	Engineering Services	116,994
28	RBB COMMUNICATIONS LLC	Public Relations	102,743
29	PENNISULA ENERGY SERVICE CO	Consulting Services	95,461
30	SINGLEPOINT AG	Contractor	93,506
31	TOMMY L. HORNSBY	Collections Services	78,920
32	DST OUTPUT, LLC	IT Consulting	72,505
33	DET NORSKE VERITAS U.S.A., INC	Consulting Services	68,009
34	GEORGIA NEWSPAPER SERVICES, INC	Advertising	55,717
35	BROWN AND CALDWELL	Engineering Services	46,171
36	MARIECO, INC	Contractor	46,060
37	PLAYER AND COMPANY	Contractor	44,466
38	DOUBLE M INC	Contractor	43,621
39	POND & COMPANY	Engineering Services	40,086
40	INTERCONN RESOURCES	Consulting Services	37,129
41	SOFTCHOICE	IT Consulting	32,696
42	SHADY VENT CONSTRUCTION, LLC	Contractor	30,030
43	NIDA CONSULTING GROUP LLC	Consulting Services	29,380
44	JOHNSON SERVICE GROUP, INC	Staff and Recruiting	27,929
45	HYDROGRAPHICS LLC	Consulting Services	26,497
46			

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $25,000 may be grouped by classes within the above accounts.
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1		
2	MISCELLANEOUS INCOME DEDUCTIONS (426.1 - 426.5):	
3	Expenditures for Certain Civic, Political and Related Activities	(45,212)
4	Other Deductions	(375)
5	TOTAL	(45,587)
6		
7	INTEREST ON DEBT TO ASSOCIATED COMPANIES (430)	
8	Interest on Money Pool Transactions	133,184
9	Affiliate Promissory Note	3,114,511
10	TOTAL	3,247,695
11		
12	OTHER INTEREST EXPENSES (431):	
13	Interest on Customer Deposits (2% Residential / 3% Non Residential) (*)	(297,254)
14	PGA (Average 0.38%)	5,168
15	ECP (Average 0.38%)	2,574
16	Financing Fees	4,812
17	Florida Department of Revenue	23,082
18	TOTAL OTHER INTEREST EXPENSES	(261,618)

(*) Represents interest income on customer deposits.

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31, 2016

Reconciliation of Gross Operating Revenues
Annual Report versus Regulatory Assessment Fee Return

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	52,117,970		52,117,970	54,913,421	(2,795,451)
2	Sales for Resale (483)					
3	Total Natural Gas Service Revenues	52,117,970		52,117,970	54,913,421	(2,795,451)
4	Total Other Operating Revenues (485-495)	30,395,200		30,395,200	25,774,367	4,620,833
5	Total Gas Operating Revenues	82,513,170		82,513,170	80,687,788	1,825,382
6	Provision for Rate Refunds (496)					
7	Other (Specify) - Off System Sales					
8	- PGA Over/Under Recoveries					
9	- CRA Over/Under Recoveries					
10	**Total Gross Operating Revenues**	82,513,170		82,513,170	80,687,788	1,825,382

Notes:

Gas Operating Revenues on page 26 includes accounts listed below not includable in the RAF.

Account	
Gas Management Fee	(34)
Lost and unaccounted for gas	3,285
Damage Billing - Mains	93,726
Damage Billing - Services	95,919
AEP Carrying Charges	1,632,486
	1,825,382

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	December 31, 2016

CORPORATE STRUCTURE

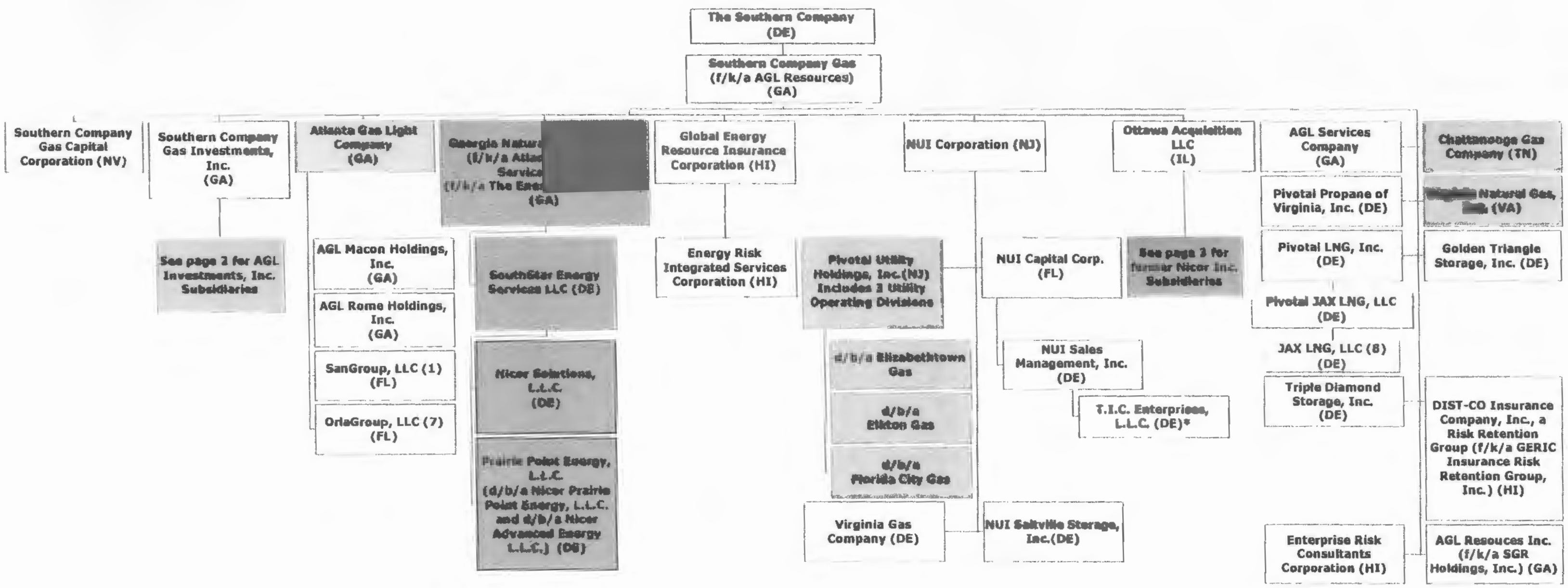
Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date: December 12, 2016

See attached

Office of the Corporate Secretary
Southern Company Gas - Corporate Organizational Chart
December 12, 2016

Southern Company Gas



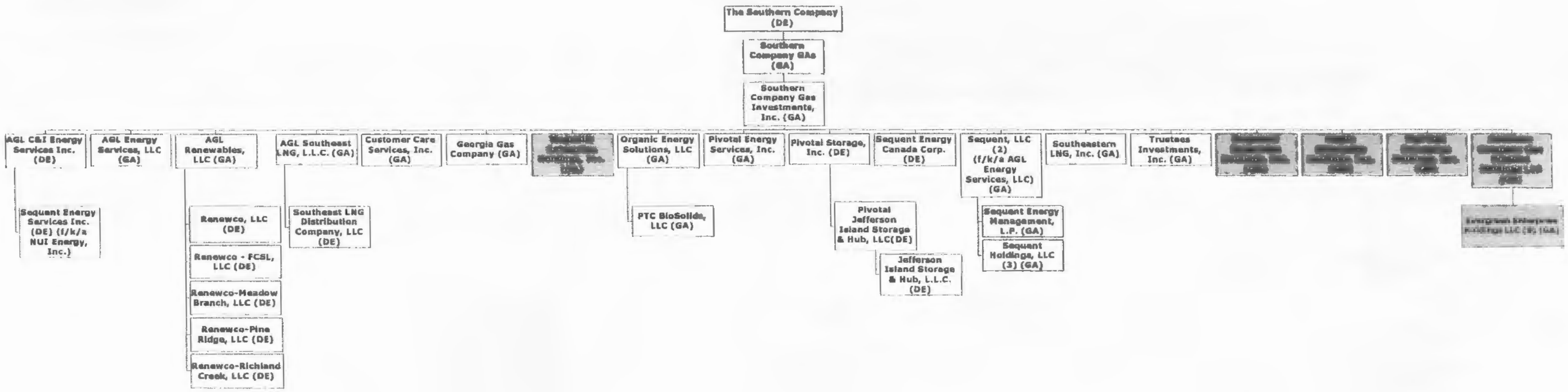
Denotes operating utilities
Denote retail subsidiaries
Denotes further subsidiaries
Denotes pipeline subsidiaries

(1) Joint venture with Duke Energy Florida, Inc. and Florida Power & Light Company
(2) Holds a 1% GP interest in Sequent Energy Management, L.P.
(3) Holds a 99% LP interest in Sequent Energy Management, L.P.
(4) Joint venture between Nicor Oil and Gas Corporation and APC Associates
(5) Joint venture between Nicor Horizon, Inc. and NGPL
(6) Doing business as Pivotal Home Solutions and other d/b/a names in various states
(7) Joint Venture with Duke Energy Florida, Inc.
(8) Joint Venture with Wespac
(9) Joint venture with Kinder Morgan SNG Operator LLC to own 50% of Southern Natural Gas Company, L.L.C.

* Discontinued Operations

Office of the Corporate Secretary
Southern Company Gas - Corporate Organizational Chart
December 12, 2016

Southern Company Gas



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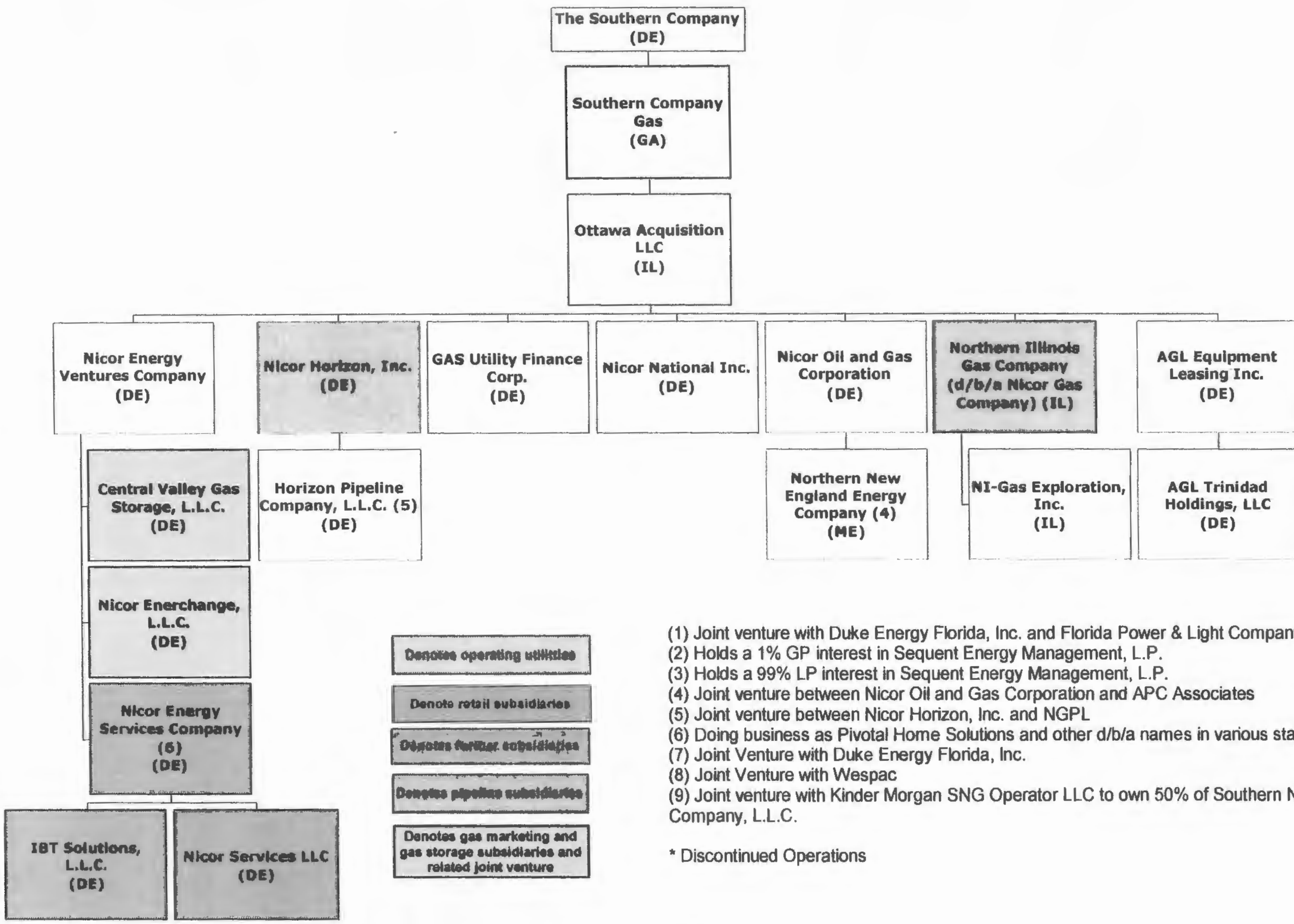
* Discontinued Operations

Southern Company Gas

Office of the Corporate Secretary
Southern Company Gas - Corporate Organizational Chart
December 12, 2016



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* Discontinued Operations

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of $300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

(a) Enter name of affiliate.
(b) Give description of type of service, or name the product involved.
(c) Enter contract or agreement effective dates.
(d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
(e) Enter utility account number in which charges are recorded.
(f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	"p" or "s" (d)	Total Charge for Year: Account Number (e)	Total Charge for Year: Dollar Amount (f)
AGL Services Company		(1)			
	Executive	(2)	P		420,914
	External Relations	(2)	P		39,534
	Call Center	(2)	P		1,009,535
	Corporate Compliance	(2)	P		126,904
	Fleet Services	(2)	P		43,521
	Credit Collections	(2)	P		86,510
	Emergency Response	(2)	P		139,786
	Information Technology	(2)	P		1,960,510
	Direct Assigned	(2)	P		1,481,655
	Business Support Facilities	(2)	P		267,454
	Supply Chain Management	(2)	P		63,356
	Employee Services	(2)	P		476,460
	Engineering	(2)	P		452,783
	Financial Services	(2)	P		420,896
	Gas Supply	(2)	P		293,526
	Internal Auditing	(2)	P		59,790
	Legal	(2)	P		312,068
	Marketing	(2)	P		38,896
	Corporate	(2)	P		43,212
	Rates and Regulatory	(2)	P		71,177
	Corporate Communications	(2)	P		57,823
	Eng. Stor Reg NonReg	(2)	P		2,307
	Cust. Experience \ Remittance Processing	(2)	P		418,617
	Investor Relations	(2)	P		2,163
Sequent Energy Mgmt. LP	Gas Purchase	Asset Management Agreement	P	804	18,952,432
AGL Services Company	Money Pool Interest	(3)	S	430	133,184
AGL Services Company	Payroll		P	107	130,156
Atlanta Gas Light	Payroll		P	107	609
Atlanta Gas Light	Payroll		P	874	722
Atlanta Gas Light	Payroll		P	920	491
Assignment of Shared Assets	Assignment of Shared Assets		P	107	659,719
Nicor Services	Bill Isnerts		S	921	(24,586)
Emergency Reponse Services:					
AGL Services Company	Hurricane Expense		P	922	76,916
Atlanta Gas Light	Hurricane Expense		P	922	100,683
Pivotal LNG	Hurricane Expense		P	922	24,766
Chattanooga Gas Company	Hurricane Expense		P	922	8,073
AGL Services Company	Mass Outage Expense		P	922	285
Atlanta Gas Light	Mass Outage Expense		P	922	10,974
Chattanooga Gas Company	Mass Outage Expense		P	922	471
Pivotal Home Solutions	Warranty Revenue		S	488	(7,549)
AGL Services Company	Gas Meter Transmetters/ Receivers		P	101	8,613
AGL Services Company	Service Truck		P	101	58,581
AGL Services Company	Inventory Transfer		P	146	3,380
Chattanooga Gas Company	Inventory Transfer		P	146	576
Total					28,427,893

Footnote:
(1) Represents charges per the AGL Services Co. agreement.
(2) Various expense accounts
(3) Represents charges per the money pool agreement.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract
Southern Company	Allocation of Income Taxes from Southern Company executed on July 28, 2016.

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF $25,000

Provide information regarding individual affiliated transactions in excess of $25,000. Recurring monthly affiliated transactions which exceed $25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
Sequent Energy Management, L.P.	Manage gas supply	18,952,432

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:		$	$	$	$	$	
Atlanta Gas Light Company	Vehicles	78,452	19,871	58,581	(*)		
Atlanta Gas Light Company	ERTS Modules	8,940	327	8,613			
(*) No fair market value was determined. Value is assumed to approximate book value.							
Total						$	
Sales to Affiliates:		$	$	$	$	Sales Price	
None							
Total						$	

EMPLOYEE TRANSFERS

List employees earning more than $50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From		Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
Oscar Paez	AGLC	FCG	Construction Superintendent	Division Engineer	Permanent
Roberman Mimy	Nicor	FCG	Field Technician A	Field Technician A	Permanent
Wesley Howell	AGLC	FCG	Construction Supervisor	Construction Superintendent	Permanent
David Wooten	AGLC	FCG	Field Specialist A	Field Specialist A	Permanent
Jeb Godbout	FCG	VNG	Account Exec. - Multi-Purpose	Industrial/Commercial Account Exec.	Permanent

AGLC - Atlanta Gas Light Company
FCG - Florida City Gas
Nicor - Nicor Gas
VNG - Virginia Natural Gas

Florida City Gas

(A division of Pivotal Utility Holdings, Inc., a wholly-owned subsidiary of Southern Company Gas)

Financial Statements as of December 31, 2016 and 2015
and for the years then ended, and Independent Auditors' Reports

Index to the Notes to Financial Statements

Deloitte.

Deloitte & Touche LLP
Suite 2000
191 Peachtree Street NE
Atlanta, GA 30303-1924
USA

Tel: +1 404 220 1500
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Florida City Gas:

We have audited the accompanying financial statements of Florida City Gas (a division of Pivotal Utility Holdings, Inc., a wholly owned subsidiary of Southern Company Gas), which comprise the balance sheet — regulatory basis as of December 31, 2016, and the related statements of income — regulatory basis, and retained earnings — regulatory basis, for the year then ended, included on pages five through nine of the accompanying Annual Report of Natural Gas Utilities, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Florida City Gas as of December 31, 2016, and the results of its operations for the year then ended in accordance with the accounting requirements of the Federal Energy

Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Predecessor Auditors' Opinion on 2015 Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2015 were audited by other auditors whose report, dated April 4, 2016, expressed an unmodified opinion on those statements and included an emphasis-of-matter paragraph that described the basis of accounting discussed in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As discussed in Note 1 to the financial statements, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restricted Use

This report is intended solely for the information and use of the board of directors and management of Florida City Gas and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Atlanta, Georgia
May 19, 2017

pwc

Report of Independent Auditors

To the Management of Florida City Gas:

We have audited the accompanying financial statements of Florida City Gas ("the Company"), a division of Pivotal Utility Holdings, Inc., a wholly owned subsidiary of Southern Company Gas, which comprise the balance sheet as of December 31, 2015, and the related statement of income for the year then ended, included on pages one through four of the accompanying Annual Report of Natural Gas Utilities.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida City Gas as of December 31, 2015, and the results of its operations for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by Florida City Gas on the basis of the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Federal Energy Regulatory Commission. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP, 1075 Peachtree Street, Suite 2600, Atlanta, GA 30309
T: (678) 419 1000, F: (678) 419 1239, www.pwc.com/us

pwc

Restriction of Use

This report is intended solely for the information and use of the board of directors and management of Florida City Gas and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties or for any other purpose.

PricewaterhouseCoopers LLP

April 4, 2016

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)	
1	UTILITY PLANT				
2	Utility Plant (101-106, 114)	12	353,922,625	389,162,387	(*)
3	Construction Work in Progress (107)	12 & 17	23,053,496	13,957,305	
4	TOTAL Utility Plant Total of lines 2 and 3)		376,976,121	403,119,692	
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	169,907,009	177,571,717	
6	Net Utility Plant (Total of line 4 less 5)		207,069,112	225,547,975	
7	Utility Plant Adjustments (116)				
8	Gas Stored (117.1, 117.2, 117.3, 117.4)				
9	OTHER PROPERTY AND INVESTMENTS				
10	Nonutility Property (121)		185,929	185,929	
11	(Less) Accum. Prov. for Depr. and Amort. (122)		110,680	116,476	
12	Investments in Associated Companies (123)				
13	Investment in Subsidiary Companies (123.1)				
14	Other Investments (124)				
15	Special Funds (125, 126, 128)				
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		75,249	69,453	
17	CURRENT AND ACCRUED ASSETS				
18	Cash (131)				
19	Special Deposits (132-134)				
20	Working Funds (135)				
21	Temporary Cash Investments (136)				
22	Notes Receivable (141)				
23	Customer Accounts Receivable (142)		8,613,688	8,190,267	
24	Other Accounts Receivable (143)		284,242	81,620	
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		539,379	614,248	
26	Notes Receivable from Associated Companies (145)				
27	Accounts Receivable from Associated Companies (146)				
28	Fuel Stock (151)				
29	Fuel Stock Expense Undistributed (152)				
30	Residuals (Electric) and Extracted Products (Gas) (153)				
31	Plant Material and Operating Supplies (154)		36,566	29,349	
32	Merchandise (155)				
33	Other Material and Supplies (156)				
34	Stores Expenses Undistributed (163)				
35	Gas Stored Underground & LNG Stored (164.1-164.3)		243,583	283,786	
36	Prepayments (165)	18	1,304,341	3,197,494	
37	Advances for Gas (166-167)				
38	Interest and Dividends Receivable (171)				
39	Rents Receivable (172)				
40	Accrued Utility Revenues (173)				
41	Miscellaneous Current and Accrued Assets (174)				
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		9,943,041	11,168,268	
43	DEFERRED DEBITS				
44	Unamortized Debt Expense (181)	21	139,620	123,663	
45	Extraordinary Property Losses (182.1)				
46	Unrecovered Plant and Regulatory Study Costs (182.2)				
47	Other Regulatory Assets (182.3)	19	16,334,452	16,690,519	
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)				
49	Clearing Accounts (184)				
50	Temporary Facilities (185)				
51	Miscellaneous Deferred Debits (186)	19	65,604	-	
52	Deferred Losses from Disposition of Utility Plant. (187)				
53	Research, Development and Demonstration Expenditures (188)				
54	Unamortized Loss on Reacquired Debt (189)	20	1,211,142	1,072,384	
55	Accumulated Deferred Income Taxes (190)	24	5,888,951	2,901,974	
56	Unrecovered Purchased Gas Costs (191)				
57	TOTAL Deferred Debits (Total of lines 44 through 56)		23,639,769	20,788,540	
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		240,727,171	257,574,236	

Notes:
(*) Account 114 Gas Plant Acquisition Adjustments within Utility Plant and Account 182.3 Other Regulatory Assets reflect the inclusion of the acquisition adjustment and regulatory assets consistent with the December 6, 2007 Florida Public Service Commission Order in Docket No. 060657-GU related to the 2004 Acquisition.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS				For the Year Ended December 31, 2016
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)			
3	Preferred Stock Issued (204)			
4	Other Paid-In Capital (208-214)		61,710,068	59,637,411
5	Retained Earnings (215, 216, 219)	10	21,690,257	23,494,892
6	Unappropriated Undistributed Subsidiary Earnings (216.1)			
7	(Less) Reacquired Capital Stock (217)			
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		83,400,325	83,132,303
9	LONG-TERM DEBT			
10	Bonds (221)	21	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)			
12	Advances from Associated Companies (223)	21	64,249,854	81,442,249
13	Other Long-Term Debt (224)			
14	Unamortized Premium on Long-Term Debt (225)			
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)			
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		84,249,854	101,442,249
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)			
19	Accumulated Provision for Property Insurance (228.1)			
20	Accumulated Provision for Injuries and Damages (228.2)			
21	Accumulated Provision for Pensions and Benefits (228.3)		4,432,554	3,086,900
22	Accumulated Miscellaneous Operating Provisions (228.4)		81,770	81,770
23	Accumulated Provision for Rate Refunds (229)			
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		4,514,324	3,168,670
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)			
27	Accounts Payable (232)		2,701,885	3,004,799
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		13,734,456	12,306,072
30	Customer Deposits (235)		3,956,129	3,880,362
31	Taxes Accrued (236)		3,355,179	4,554,578
32	Interest Accrued (237)		644,805	274,668
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		871,768	805,598
37	Miscellaneous Current and Accrued Liabilities (242)	22	859,370	134,271
38	Obligations Under Capital Leases-Current (243)			
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		26,123,592	24,960,348
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)			
44	Other Regulatory Liabilities (254)	22	2,478,802	2,024,618
45	Accumulated Deferred Investment Tax Credits (255)	23	10	-
46	Deferred Gains from Disposition of Utility Plant (256)			
47	Unamortized Gain on Reacquired Debt (257)			
48	Accumulated Deferred Income Taxes (281-283)	24	39,960,264	42,846,048
49	TOTAL Deferred Credits (Total of lines 42 through 48)		42,439,076	44,870,666
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		240,727,171	257,574,236

Name of Respondent
PIVOTAL UTILITY HOLDINGS, INC.
D/B/A FLORIDA CITY GAS

For the Year Ended
December 31, 2016

STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	82,513,170	81,998,778
3	Operating Expenses			
4	Operation Expenses (401)	27-29	42,632,479	44,982,124
5	Maintenance Expenses (402)	27-29	1,600,237	1,631,172
6	Depreciation Expense (403)		14,039,209	13,251,586
7	Amortization & Depletion of Utility Plant (404-405)		(56,883)	-
8	Amortization of Utility Plant Acquisition Adjustment (406)	15-16	721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amortization of Conversion Expenses (407.2)		382,891	426,837
11	Regulatory Debits (407.3)		1,306,754	1,183,925
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	23	7,369,211	7,343,765
14	Income Taxes - Federal (409.1)		-	1,032,041
15	- Other (409.1)		401,717	304,971
16	Provision for Deferred Income Taxes (410.1)	24	3,926,832	2,036,782
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)			
18	Investment Tax Credit Adjustment - Net (411.4)	23	(10)	(1,259)
19	(Less) Gains from Disposition of Utility Plant (411.6)			
20	Losses from Disposition of Utility Plant (411.7)			
21	Other Operating Income (412-414)			
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		72,324,332	72,913,839
23	Net Utility Operating Income (Total of line 2 less 22) (Carry forward to page 9, line 25)		10,188,838	9,084,939

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS			For the Year Ended December 31, 2016	

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL Current Year (c)	 Previous Year (d)
24	Net Utility Operating Income (Carried forward from page 8)		10,188,838	9,084,939
25	**Other Income and Deductions**			
26	Other Income			
27	Nonutility Operating Income			
28	Revenues From Merchandising, Jobbing and Contract Work (415)		-	162,094
29	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)		-	(75,798)
30	Revenues From Nonutility Operations (417)			
31	(Less) Expenses of Nonutility Operations (417.1)			
32	Nonoperating Rental Income (418)			
33	Equity in Earnings of Subsidiary Companies (418.1)			
34	Interest and Dividend Income (419)			
35	Allowance for Other Funds Used During Construction (419.1)			
36	Miscellaneous Nonoperating Income (421)		(26,449)	7,415
37	Gain on Disposition of Property (421.1)		344,072	499
38	TOTAL Other Income (Total of lines 29 through 38)		317,623	94,210
39	Other Income Deductions			
40	Loss on Disposition of Property (421.2)		-	(52,754)
41	Miscellaneous Amortization (425)			
42	Miscellaneous Income Deductions (426.1-426.5)	33	(45,587)	(43,698)
43	TOTAL Other Income Deductions (Total of lines 41 through 43)		(45,587)	(96,452)
44	Taxes Applicable to Other Income and Deductions			
45	Taxes Other Than Income Taxes (408.2)			
46	Income Taxes - Federal (409.2)		-	(3,004)
47	Income Taxes - Other (409.2)		-	123
48	Provision for Deferred Income Taxes (410.2)			
49	(Less) Provision for Deferred Income Taxes - Credit (411.2)			
50	Investment Tax Credit Adjustment - Net (411.5)			
51	(Less) Investment Tax Credits (420)			
52	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		0	(2,881)
53	Net Other Income and Deductions (Total of lines 39,44,53)		272,036	(5,123)
54	**Interest Charges**			
55	Interest on Long-Term Debt (427)		225,054	178,579
56	Amortization of Debt Discount and Expense (428)	21	15,957	15,957
57	Amortization of Loss on Reacquired Debt (428.1)	20	138,758	138,374
58	(Less) Amortization of Premium on Debt - Credit (429)			
59	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)			
60	Interest on Debt to Associated Companies (430)	33	3,247,695	3,128,231
61	Other Interest Expense (431)	33	(261,618)	238,205
62	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
63	Net Interest Charges (Total of lines 56 through 63)		3,365,846	3,699,346
64	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		7,095,028	5,380,470
65	**Extraordinary Items**			
66	Extraordinary Income (434)			
67	(Less) Extraordinary Deductions (435)			
68	Net Extraordinary Items (Total of line 67 less line 68)			
69	Income Taxes - Federal and Other (409.3)			
70	Extraordinary Items After Taxes (Total of line 69 less line 70)			
71	Net Income (Total of lines 65 and 71)		7,095,028	5,380,470

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2016

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216, 219)		
1	Balance - Beginning of Year		21,690,257
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit: Dividend for Periodic Adjustment to Capital Structure		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		7,095,028
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(5,106,609)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(183,784)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		23,494,892
	APPROPRIATED RETAINED EARNINGS (Account 215)		
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		23,494,892

Florida City Gas
Notes to Financial Statements
December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Florida City Gas (the Company) engages in the sale and distribution of natural gas to approximately 108 thousand customers in Florida's Miami-Dade and Brevard counties. The Company is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), which is a wholly-owned subsidiary of Southern Company Gas (formerly known as AGL Resources Inc.). On July 1, 2016, Southern Company Gas completed its previously announced merger (Merger) with The Southern Company (Southern Company) and became a wholly-owned, direct subsidiary of Southern Company.

The financial statements included herein are prescribed by the requirements of the Florida Public Service Commission (Florida Commission) and are prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published releases. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). The significant differences consist of the following:

- The presentation of the current portions of long-term debt and regulatory assets/liabilities as long-term.
- The presentation of deferred income tax assets and liabilities on a gross basis rather than as a net amount.
- The presentation of accumulated removal costs as a component of accumulated depreciation rather than as a regulatory liability or asset retirement obligation.
- The accounting treatment of the positive acquisition adjustment and regulatory assets related to the purchase of the Company by Southern Company Gas in 2004 as approved by the Florida Commission on December 6, 2007. The financial statements reflect the amortization of this adjustment consistent with the approval, but for GAAP purposes these assets are recorded in goodwill and not amortized.
- The presentation of debt issuance costs as a deferred debit instead of a liability that offsets the related debt balances.
- The classification of the provision for income taxes in net utility operating income.
- The omission of the statement of retained earnings for prior year for a comparative presentation.
- The omission of the statements of cash flows.

The preparation of financial statements requires the use of estimates and the actual results may differ from those estimates.

Recently Issued Accounting Standards

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers,* replacing the existing accounting standard and industry specific guidance for revenue recognition with a five-step model for recognizing and measuring revenue from contracts with customers. The underlying principle of the guidance is to recognize revenue to depict the transfer of goods or services to customers at an amount an entity expects to collect. The new standard also requires enhanced quantitative and qualitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers.

While the Company expects most of its revenue to be within the scope of ASC 606, it has not fully completed its evaluation of such arrangements. The majority of the Company's revenue, including energy provided to customers, is from tariff offerings that provide natural gas without a defined contractual term. For such arrangements, the Company generally expects that the revenue from contracts with these customers will continue to be equivalent to the natural gas supplied and billed in that period (including unbilled revenues) and will not result in a significant shift in the timing of revenue recognition for such sales.

The Company's ongoing evaluation of other revenue streams and related contracts includes longer term contractual commitments. In addition, the power and utilities industry is currently addressing other specific industry issues.

The new standard is effective for interim and annual reporting periods beginning after December 15, 2017. The Company must select a transition method to be applied either retrospectively to each prior reporting period presented or retrospectively with a cumulative effect adjustment to retained earnings at the date of initial adoption. As the ultimate impact of the new standard has not yet been determined, the Company has not elected its transition method.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 requires lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changes the recognition, measurement, and presentation of expense associated with leases and provides clarification regarding the identification of certain components of contracts that would represent a lease. The accounting required by lessors is relatively unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the new standard and has not yet determined its ultimate impact; however, adoption of ASU 2016-02 is expected to have a significant impact on the Company's balance sheet.

On March 10, 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs and requires the other components of net periodic pension and postretirement benefit costs to be separately presented in the income statement outside income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. However, all cost components remain eligible for capitalization under FERC regulations. ASU 2017-07 will be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension and postretirement benefit costs in the income statement. The capitalization of the service cost component of net periodic pension and postretirement benefit costs in assets will be applied on a prospective basis. ASU 2017-07 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company is currently evaluating the new standard and has not yet determined its ultimate impact; however, adoption of ASU 2017-07 is not expected to have a material impact on the Company's financial statements.

Regulatory Assets and Liabilities

The Company is subject to accounting rules for the effects of rate regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Regulatory assets and liabilities reflected in the balance sheets at December 31, relate to:

		2016		2015
		(in thousands)		
Regulatory Assets				
Regulatory infrastructure programs	$	**14,217**	$	13,329
Deferred customer conversion costs		**1,273**		1,369
Unamortized losses on reacquired debt		**1,072**		1,211
Recoverable pension and retiree welfare benefit costs		**732**		851
Deferred piping		**277**		430
Pension costs - Southern Company Gas Acquisition		**192**		356
Total Regulatory Assets	$	**17,763**	$	17,546
Regulatory Liabilities				
Accrued natural gas costs	$	**682**	$	2,126
Energy conservation program and other		**831**		353
Deferred gain on sale of property		**512**		—
Total Liabilities	**$**	**2,025**	**$**	**2,479**

In the event that the Company's operations are no longer subject to applicable accounting rules for rate regulation, the Company would be required to write off to income related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets, including plant, exists and write down the assets, if impaired, to their fair values. All regulatory assets and liabilities are to be reflected in rates. See Note 3 under "Regulatory Matters" for additional information.

Revenues

The Company records revenues when goods or services are provided to customers. Those revenues are based on rates approved by the Florida Commission. The Company has a rate structure that includes a volumetric rate design that allows the opportunity to recover certain costs based on gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. Additionally, unbilled revenues are recognized for estimated deliveries of natural gas not yet billed to these customers, from the last bill date to the end of the accounting period. For other commercial and industrial customers, revenues are based on actual deliveries to the end of the period.

Concentration of Revenue

The Company has a diversified base of customers. No single customer or industry comprises 10% or more of revenues. For all periods presented, uncollectible accounts averaged less than 1% of revenues.

Cost of Natural Gas

The Company charges its customers for natural gas consumed using a natural gas cost recovery mechanism set by the Florida Commission under which all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. The Company defers or accrues the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period such that no operating income is recognized related to these costs. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred and accrued natural gas costs are included in the balance sheets as regulatory assets and regulatory liabilities, respectively

Income and Other Taxes

The Company does not file its own federal or state income tax returns. Instead, the Company is included in Southern Company's consolidated federal income tax return and Southern Company Gas' various state income tax returns. Prior to the Merger, the Company was included in the consolidated tax returns of Southern Company Gas.

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Federal investment tax credits utilized are deferred and amortized to income over the average life of the related property.

The Company recognizes tax positions that are "more likely than not" of being sustained upon examination by the appropriate taxing authorities. See Note 4 under "Unrecognized Tax Benefits" for additional information.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less any regulatory disallowances and impairments. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits.The cost of replacements of property, exclusive of minor items of property, is capitalized. The cost of maintenance, repairs, and replacement of minor items of property is charged to other operations and maintenance expenses as incurred or performed.

Depreciation

Depreciation of the original cost of plant in service is provided using composite straight-line rates, which were 4.3% and 3.9% for 2016 and 2015, respectively. Depreciation studies are conducted periodically to update the composite rate that is approved by the Florida Commission. When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. As such gains or losses are not recognized, instead they are ultimately refunded to, or recovered from, customers through future rate adjustments. Minor items of property included in the original cost of the asset are retired when the related property unit is retired.

Acquisition Adjustment

Upon acquisition of Pivotal Utility, a $21.7 million positive acquisition adjustment was recorded for the difference between the cost of acquiring the Company and the original cost. The Florida Commission approved a 30 year amortization period for this adjustment and a roll forward of the accumulated amortization is as follows.

		(in thousands)
December 31, 2014	$	7,339
2015 amortization expense		722
December 31, 2015	$	8,061
2016 amortization expense		**722**
December 31, 2016	**$**	**8,783**

Cash Management Money Pool

The Company participates in Southern Company Gas' utility money pool, under which short-term borrowings are made from the money pool and surplus funds are contributed to the money pool. Borrowings from the money pool are recorded as borrowings from associated companies in the balance sheets and interest on debt to associated companies is recorded in net interest charges in the statements of income for these borrowings. See Note 7 for additional information.

Receivables and Allowance for Uncollectible Accounts

The Company's receivables consist primarily of natural gas sales and transportation services billed to residential, commercial, industrial, and other customers. Customers are billed monthly and payment is due within 30 days. For the majority of receivables, an allowance for doubtful accounts is established based on historical collection experience and other factors. For the remaining receivables, if the Company is aware of a specific customer's inability to pay, an allowance for doubtful accounts is recorded to reduce the receivable balance to the amount the Company reasonably expects to collect. If circumstances change, the estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect this estimate include, but are not limited to, customer credit issues, customer deposits, and general economic conditions. Customers' accounts are written off once they are deemed to be uncollectible.

Materials and Supplies

Generally, materials and supplies are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, at weighted average cost when installed.

Natural Gas for Sale

The Company's natural gas inventories are carried at cost on a weighted average cost of gas basis.

Fair Value Measurements

The Company has financial and nonfinancial assets and liabilities subject to fair value measurement. The carrying values of receivables, accounts payable, due to affiliates, other current assets and liabilities, accrued interest, and long-term debt approximate their respective fair value. The Company's nonfinancial assets and liabilities include pension and other retirement benefits. See Note 2 for additional fair value disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in valuing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company primarily applies the market approach for recurring fair value measurements to utilize the best available information. Accordingly, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value balances are classified based on the observance of those inputs. The guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by the guidance are as follows:

Level 1

Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's Level 1 items consist of money market funds and certain retirement plan assets.

Level 2

Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial and commodity instruments that are valued using valuation methodologies. These methodologies are primarily industry-standard methodologies that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Market price data is obtained from multiple sources in order to value certain Level 2 transactions and this data is representative of transactions that occurred in the marketplace. Level 2 instruments include certain retirement plan assets.

Level 3

Pricing inputs include significant unobservable inputs that may be used with internally developed methodologies to determine management's best estimate of fair value from the perspective of market participants. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. Level 3 assets, liabilities, and any applicable transfers are primarily related to the Company's pension and welfare benefit plan assets as described in Note 2. Transfers into and out of Level 3 are determined using values at the end of the interim period in which the transfer occurred.

2. RETIREMENT BENEFITS

Effective July 1, 2016, in connection with the Merger, Southern Company Services, Inc., a subsidiary of Southern Company, became the sponsor of Southern Company Gas' pension and other postretirement benefit plans. The Company participates in the Southern Company Gas qualified defined benefit, trusteed, pension plan - AGL Resources Inc. Retirement Plan (AGL Plan) - that covers certain eligible employees. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Southern Company Gas provides certain non-qualified defined benefit and defined contribution pension plans for a selected group of the Company's management and highly compensated employees. Benefits under these non-qualified pension plans are funded on a cash basis. The Company also participates in the Southern Company Gas postretirement benefit plan - AGL Welfare Plan - which provides medical care and life insurance benefits for eligible retired employees.

In connection with the Merger, Southern Company Gas performed updated valuations of its pension and other postretirement benefit plan assets and obligations to reflect actual census data at the new measurement date of July 1, 2016.

The following disclosures reflect the Company's balances and activity in the AGL Plan and the AGL Welfare Plan under the multiple-employer method of accounting.

Actuarial Assumptions

The weighted average rates assumed in the actuarial calculations used to determine both the net periodic costs for the pension and other postretirement benefit plans for the periods presented and the benefit obligations as of the measurement date are presented below.

Assumptions used to determine net periodic costs:	July 1, 2016 through December 31, 2016	January 1, 2016 through June 30, 2016	Year Ended Ended December 31, 2015
Pension plans			
Discount rate - interest costs (*)	**3.21%**	**4.00%**	4.20%
Discount rate - service costs (*)	**4.07**	**4.80**	4.20
Expected long-term return on plan assets	**7.75**	**7.80**	7.80
Annual salary increase	**3.50**	**3.70**	3.70
Other postretirement benefit plans			
Discount rate - interest costs (*)	**2.84%**	**3.60%**	4.00%
Discount rate - service costs (*)	**3.96**	**4.70**	4.00
Expected long-term return on plan assets	**5.93**	**6.60**	7.80
Annual salary increase	**3.50**	**3.70**	3.70

(*) Effective January 1, 2016, the Company uses a spot rate approach to estimate the service cost and interest cost components. Previously, the Company estimated these components using a single weighted average discount rate.

Assumptions used to determine benefit obligations:	December 31, 2016	December 31, 2015
Pension plans		
Discount rate	**4.39%**	4.60%
Annual salary increase	**3.50**	3.70
Other postretirement benefit plans		
Discount rate	**4.15%**	4.40%
Annual salary increase	**3.50**	3.70

The Company estimates the expected return on plans assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing, and historical performance. The Company also considers guidance from its investment advisors in making a final determination of its expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater or less than the assumed rate, it does not affect that year's annual pension or welfare plan cost; rather, this gain or loss reduces or increases future pension or welfare plan costs. An additional assumption used in measuring the accumulated other postretirement benefit obligations (APBO) is the weighted average medical care cost trend rate. The weighted average medical care cost trend rates used in measuring the APBO as of December 31, 2016 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	6.60%	4.50%	2038
Post-65 medical	8.40	4.50	2038
Post-65 prescription	8.40	4.50	2038

An annual increase or decrease in the assumed medical care cost trend rate of 1% would affect the APBO; however, the impact on the service and interest cost components would be immaterial.

Pension Plans

The total accumulated benefit obligation for the pension plans was $10 million at December 31, 2016 and $9 million at December 31, 2015. Changes in the projected benefit obligation and the fair value of plan assets for the Company's qualified pension plans for the years ended December 31, 2016 and 2015 were as follows:

		2016		2015
		(in thousands)		
Change in benefit obligation				
Benefit obligation at beginning of period	$	11,316	$	11,309
Service cost		358		327
Interest cost		641		671
Benefits paid		(922)		(849)
Actuarial loss (gain)		644		(142)
Benefit obligation at end of period		12,037		11,316
Change in plan assets				
Fair value of plan assets at beginning of period		7,405		7,524
Actual return on plan assets		716		729
Employer contributions		1,984		—
Benefits paid		(922)		(848)
Fair value of plan assets at end of period		9,183		7,405
Accrued liability	$	2,854	$	3,911

At December 31, 2016, the projected benefit obligations for the qualified and non-qualified pension plans were $12.0 million and $0.3 million, respectively. All pension plan assets are related to the qualified pension plan.

Amounts recognized in the balance sheets at December 31, 2016 and 2015 related to the Company's qualified pension plans consist of the following:

		2016		2015
		(in thousands)		
Other regulatory assets, deferred	$	732	$	851
Employee benefit obligations		(2,854)		(3,911)

The following table presents the amounts included in accumulated OCI, which is included in retained earnings on the balance sheet, at December 31, 2016 and 2015 related to the qualified defined benefit pension plans that had not yet been recognized in net periodic pension cost along with the estimated amortization of such amounts for 2017.

		Prior Service Cost		Net (Gain) Loss
		(in thousands)		
Balance at December 31, 2016:				
Accumulated OCI	$	(160)	$	4,370
Balance at December 31, 2015:				
Accumulated OCI	$	(219)	$	4,074
Estimated amortization in net periodic cost in 2017:				
Accumulated OCI	$	68	$	(415)

The components of accumulated OCI related to the qualified defined benefit pension plans for the years ended December 31, 2016 and 2015 are presented in the following table:

		Accumulated OCI
		(in thousands)
Balance at December 31, 2014:	$	3,918
Net loss		317
Reclassification adjustments:		
Amortization of prior service costs		79
Amortization of net loss		(459)
Total reclassification adjustments		(380)
Total change		(63)
Balance at December 31, 2015:	$	3,855
Net loss		**810**
Reclassification adjustments:		
Amortization of prior service costs		**73**
Amortization of net loss		**(528)**
Total reclassification adjustments		**(455)**
Total change		**355**
Balance at December 31, 2016:	**$**	**4,210**

The Company's pro rata components of Southern Company Gas' net periodic pension costs for the years presented were as follows:

	Years Ended December 31,			
		2016		2015
		(in thousands)		
Service cost	**$**	**358**	$	327
Interest cost		**640**		671
Expected return on plan assets		**(882)**		(779)
Amortization:				
Prior service costs		**(73)**		(79)
Net loss		**528**		459
Net periodic pension cost	**$**	**571**	$	599

Net periodic pension cost is the sum of service cost, interest cost, and other costs netted against the expected return on plan assets. The expected return on plan assets is determined by multiplying the expected rate of return on plan assets and the market-related value of plan assets.

Future benefit payments reflect expected future service and are estimated based on assumptions used to measure the projected benefit obligation for the pension plans. At December 31, 2016, the Company's estimated benefit payments were as follows:

		Benefit Payments
		(in thousands)
2017	$	1,075
2018		1,074
2019		1,094
2020		1,132
2021		1,140
2022 to 2026		6,025

Other Postretirement Benefits

Changes in the APBO and the fair value of plan assets for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	(in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of period	$ 1,582	$ 1,508
Service cost	13	13
Interest cost	53	63
Benefits paid	(21)	(71)
Actuarial loss (gain)	(42)	69
Benefit obligation at end of period	1,585	1,582
Change in plan assets		
Fair value of plan assets at beginning of period	1,446	1,433
Actual return on plan assets	250	13
Employer contributions	21	71
Benefits paid	(21)	(71)
Fair value of plan assets at end of period	1,696	1,446
Accrued liability (Prepaid asset)	$ (111)	$ 136

Amounts recognized in the balance sheets at December 31, 2016 and 2015 related to the Company's other postretirement benefit plans consist of the following:

	2016	2015
	(in thousands)	
Employee benefit asset (obligations)	111	(136)

Presented below are the amounts included in accumulated OCI at December 31, 2016 and 2015 related to the other postretirement benefit plans that had not yet been recognized in net periodic other postretirement benefit cost. The estimated amortization of such amounts for 2017 is immaterial.

	Prior Service Cost	Net Loss
	(in thousands)	
Balance at December 31, 2016:		
Accumulated OCI	$ —	$ 561
Balance at December 31, 2015:		
Accumulated OCI	$ (3)	$ 640

The components of accumulated OCI related to the other postretirement benefit plans for the years ended December 31, 2016 and 2015 are presented in the following table:

	Accumulated OCI	
	(in thousands)	
Balance at December 31, 2014:	$	533
Net loss		149
Reclassification adjustments:		
Amortization of prior service costs		(4)
Amortization of net loss		(41)
Total reclassification adjustments		(45)
Total change		104
Balance at December 31, 2015:	$	637
Net loss		**(30)**
Reclassification adjustments:		
Amortization of net loss		**(46)**
Total reclassification adjustments		**(46)**
Total change		**(76)**
Balance at December 31, 2016:	**$**	**561**

The Company's pro rata components of Southern Company Gas' other postretirement benefit plans' net periodic cost for the years presented were as follows:

	Years Ended December 31,			
	2016		2015	
	(in thousands)			
Service cost	**$**	**13**	$	13
Interest cost		**53**		63
Expected return on plan assets		**(88)**		(113)
Amortization:				
Prior service costs		**—**		4
Net loss		**46**		41
Net periodic postretirement benefit cost	**$**	**24**	$	8

Future benefit payments, including prescription drug benefits, reflect expected future service and are estimated based on assumptions used to measure the APBO for the other postretirement benefit plans. At December 31, 2016, estimated benefit payments were as follows:

	Benefit Payments	
	(in thousands)	
2017	$	89
2018		96
2019		102
2020		106
2021		111
2022 to 2026		551

Benefit Plan Assets

Southern Company Gas' pension plan and other postretirement benefit plan assets are managed and invested in accordance with all applicable requirements, including ERISA and the Internal Revenue Code of 1986, as amended. The investment policies for both the pension plan and the other postretirement benefit plans cover a diversified mix of assets, including equity and fixed income securities, real estate, and private equity. Southern Company Gas minimizes the risk of large losses primarily through diversification but also monitors and manages other aspects of risk.

The assets of the AGL Plan were allocated 69% equity, 20% fixed income, 1% cash, and 10% other at December 31, 2016 compared to the Company's targets of 53% equity, 15% fixed income, 2% cash, and 30% other. The plan's investment policy provides for variation around the target asset allocation in the form of ranges. The Company's pro rata share of the AGL Plan assets was 0.93% and 0.87% for December 31, 2016 and 2015, respectively.

The assets of the AGL Welfare Plan were allocated 74% equity, 23% fixed income, 1% cash, and 2% other at December 31, 2016 compared to the Company's targets of 72% equity, 24% fixed income, 1% cash, and 3% other. The investment policy provides for variation around the target asset allocation in the form of ranges. The Company's pro rata share of the AGL Welfare Plan assets was 1.62% and 1.45% for December 31, 2016 and 2015, respectively.

The assets of the AGL Plan and the AGL Welfare Plan were allocated 72% equity and 28% fixed income at December 31, 2015 compared to the Company's targets of 70% to 95% equity, 5% to 20% fixed income, and up to 10% cash. The investment policies provided for some variation in these targets in the form of ranges around the target.

The investment strategy for plan assets related to the Southern Company Gas' qualified pension plan is to be broadly diversified across major asset classes. The asset allocation is established after consideration of various factors that affect the assets and liabilities of the pension plan including, but not limited to, historical and expected returns and interest rates, volatility, correlations of asset classes, the current level of assets and liabilities, and the assumed growth in assets and liabilities. Because a significant portion of the liability of the pension plan is long-term in nature, the assets are invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, the Southern Company Gas employs a formal rebalancing program for its pension plan assets. As additional risk management, external investment managers and service providers are subject to written guidelines to ensure appropriate and prudent investment practices.

Investment Strategies

Detailed below is a description of the investment strategies for each major asset category for the Southern Company Gas pension plans disclosed above:

- ***Domestic equity.*** A mix of large and small capitalization stocks with generally an equal distribution of value and growth attributes, managed both actively and through passive index approaches.
- ***International equity.*** A mix of growth stocks and value stocks with both developed and emerging market exposure, managed both actively and through passive index approaches.
- ***Fixed income.*** A mix of domestic and international bonds.
- **Special situations.** Investments in opportunistic strategies with the objective of diversifying and enhancing returns and exploiting short-term inefficiencies as well as investments in promising new strategies of a longer-term nature.
- ***Real estate investments.*** Investments in traditional private market equity-oriented investments (indirectly through pooled funds or partnerships) and in publicly traded real estate securities.
- ***Private equity.*** Investments in private partnerships that invest in private or public securities typically through privately-negotiated and/or structured transactions, including leveraged buyouts, venture capital, and distressed debt.

Benefit Plan Asset Fair Values

Following are the fair value measurements for the pension plan assets as of December 31, 2016 and 2015. The fair values presented are prepared in accordance with GAAP. For purposes of determining the fair value of the pension plan assets and the appropriate level designation, management relies on information provided by the plan's trustee. This information is reviewed and evaluated by management with changes made to the trustee information as appropriate.

Valuation methods of the primary fair value measurements disclosed in the following tables are as follows:

- ***Domestic and international equity.*** Investments in equity securities such as common stocks, American depositary receipts, and real estate investment trusts that trade on a public exchange are classified as Level 1 investments and are valued at the closing price in the active market. Equity investments with unpublished prices (i.e. pooled funds) are valued as Level 2, when the underlying holdings used to value the investment are comprised of Level 1 or Level 2 equity securities.
- ***Fixed income.*** Investments in fixed income securities are generally classified as Level 2 investments and are valued based on prices reported in the market place. Additionally, the value of fixed income securities takes into consideration certain items such as broker quotes, spreads, yield curves, interest rates, and discount rates that apply to the term of a specific instrument.
- ***Real estate investments, private equity, and special situations investments.*** Investments in real estate, private equity, and special situations are generally classified as Net Asset Value as a Practical Expedient, since the underlying assets typically do not have publicly available observable inputs. The fund manager values the assets using various inputs and techniques depending on the nature of the underlying investments. Techniques may include purchase multiples for comparable transactions, comparable public company trading multiples, discounted cash flow analysis, prevailing market capitalization rates, recent sales of comparable investments, and independent third-party appraisals. The fair value of partnerships is determined by aggregating the value of the underlying assets less liabilities.

The Company's pro rata portion of fair values of pension plan assets as of December 31, 2016 and 2015 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases. Absolute return investment assets are presented in the tables below based on the nature of the investment.

	Fair Value Measurements Using			
As of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total
		(in thousands)		
Assets:				
Domestic equity(*)	$ 1,325	$ 3,202	$ —	$ 4,527
International equity(*)	—	1,732	—	1,732
Fixed income:				
U.S. Treasury, government, and agency bonds	—	796	—	796
Corporate bonds	—	380	—	380
Pooled funds	—	618	—	618
Cash equivalents and other	114	46	776	936
Real estate investments	34	—	137	171
Private equity	—	—	23	23
Total	$ 1,473	$ 6,774	$ 936	$ 9,183

* Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

	Pension plans				
As of December 31, 2015	Level 1	Level 2	Level 3	Total	% of total
		(in thousands)			
Cash	**$ 36**	**$ 3**	**$ —**	**$ 39**	**1%**
Equity securities:					
U.S. large cap(a)	$ 651	$ 1,743	$ —	$ 2,394	32%
U.S. small cap(a)	499	211	—	710	9
International companies(b)	—	1,094	—	1,094	15
Emerging markets(c)	—	242	—	242	3
Total equity securities	**$ 1,150**	**$ 3,290**	**$ —**	**$ 4,440**	**59%**
Fixed income securities:					
Corporate bonds(d)	$ —	$ 791	$ —	$ 791	10%
Other (or gov't/muni bonds)	—	1,320	—	1,320	18
Total fixed income securities	**$ —**	**$ 2,111**	**$ —**	**$ 2,111**	**28%**
Other types of investments:					
Global hedged equity(e)	$ —	$ —	$ 352	$ 352	5%
Absolute return(f)	—	—	373	373	5
Private capital(g)	—	—	172	172	2
Total other investments	**$ —**	**$ —**	**$ 897**	**$ 897**	**12%**
Total assets at fair value	**$ 1,186**	**$ 5,404**	**$ 897**	**$ 7,487**	**100%**
% of fair value hierarchy	16%	72%	12%	100%	

(a) Includes funds that invest primarily in U.S. common stocks.
(b) Includes funds that invest primarily in foreign equity and equity-related securities.
(c) Includes funds that invest primarily in common stocks of emerging markets.
(d) Includes funds that invest primarily in investment grade debt and fixed income securities.
(e) Includes funds that invest in limited/general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(f) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(g) Includes funds that invest in private equity and small buyout funds, partnership investments, direct investments, secondary investments, directly/indirectly in real estate and may invest in equity securities of real estate related companies, real estate mortgage loans, and real estate mezzanine loans.

The following is a reconciliation of the Company's pension plan assets in Level 3 of the fair value hierarchy at December 31, 2015:

	Global Hedged Equity	Absolute Return	Private Capital	Total
		(in thousands)		
Balance at December 31, 2014	$ 241	$ 349	$ 166	$ 756
Actual return on plan assets	(10)	24	(42)	(28)
Purchases	126	—	48	174
Sales	(5)	—	—	(5)
Balance at December 31, 2015	$ 352	$ 373	$ 172	$ 897

There were no transfers out of Level 3 or between Level 1 and Level 2 in 2015. During 2016, the Level 3 assets were accounted for at net asset value as a practical expedient.

The fair values of other postretirement benefit plan assets as of December 31, 2016 and 2015 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases. For 2016, special situations (absolute return and hedge funds) investment assets are presented in the table below based on the nature of the investment.

	Fair Value Measurements Using			
As of December 31, 2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value as a Practical Expedient (NAV)**	**Total**
		(in thousands)		
Assets:				
Domestic equity[*]	$ 40	$ 935	$ —	$ 975
International equity[*]	—	284	—	284
Fixed income:				
U.S. Treasury, government, and agency bonds	—	8	—	8
Corporate bonds	—	4	—	4
Pooled funds	—	378	—	378
Cash equivalents and other	13	—	27	40
Real estate investments	1	—	5	6
Private equity	—	—	1	1
Total	$ 54	$ 1,609	$ 33	$ 1,696

- Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds. Management believes that the portfolio is well-diversified with no significant concentrations of risk.

As of December 31, 2015	Pension plans				
	Level 1	Level 2	Level 3	Total	% of total
		(in thousands)			
Cash	$ 14	$ —	$ —	$ 14	1%
Equity securities:					
U.S. large cap[(a)]	$ —	$ 752	$ —	$ 752	58%
International companies[(b)]	—	226	—	226	17
Total equity securities	**$ —**	**$ 978**	**$ —**	**$ 978**	**75%**
Fixed income securities:					
Corporate bonds[(d)]	$ —	$ 317	$ —	317	24%
Total fixed income securities	**$ —**	**$ 317**	**$ —**	**$ 317**	**24%**
Total assets at fair value	**$ 14**	**$ 1,295**	**$ —**	**$ 1,309**	**100%**
% of fair value hierarchy	1%	99%	—%	100%	

(a) Includes funds that invest primarily in U.S. common stocks.
(b) Includes funds that invest primarily in foreign equity and equity-related securities.
(c) Includes funds that invest primarily in common stocks of emerging markets.
(d) Includes funds that invest primarily in investment grade debt and fixed income securities.
(e) Includes funds that invest in limited/general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(f) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(g) Includes funds that invest in private equity and small buyout funds, partnership investments, direct investments, secondary investments, directly/indirectly in real estate and may invest in equity securities of real estate related companies, real estate mortgage loans, and real estate mezzanine loans.

Employee Savings Plan

Southern Company Services, Inc. sponsors 401(k) defined contribution plans covering certain eligible employees. The AGL Resources Inc. 401(k) plans provide matching contributions of either 65% on up to 8% of an employee's eligible compensation, or a 100% matching contribution on up to 3% of an employee's eligible compensation, followed by a 75% matching contribution on up to the next 3% of an employee's eligible compensation. Total matching contributions made to the AGL Resources Inc. 401(k) plans for the periods ended December 31, 2016 and 2015 were $330 thousand and $313 thousand, respectively.

For employees not accruing a benefit under the AGL Plan, additional contributions made to the 401(k) plans for the period ended December 31, 2016 and 2015 were immaterial.

3. CONTINGENCIES AND REGULATORY MATTERS

General Litigation Matters

The Company is subject to certain claims and legal actions arising in the ordinary course of business. The ultimate outcome of these matters and such pending or potential litigation against the Company cannot be predicted at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on the Company's financial statements.

Regulatory Matters

Regulatory Infrastructure Programs

The majority of the Company's regulatory assets and liabilities are included in base rates except for the regulatory infrastructure program costs, which are recovered through specific rate riders on a dollar-for-dollar basis. The rate riders that authorize the recovery of regulatory infrastructure program costs include both a recovery of cost and a return on investment during the recovery period.

In September 2015, the Florida PSC approved the Company's Safety, Access, and Facility Enhancement program, under which costs incurred for replacing aging pipes will be recovered through a rate rider with annual adjustments and true-ups. Under the program, the Company is authorized to spend $105 million over a 10-year period on infrastructure relocation and enhancement projects.

In 1995, the Florida Commission approved a tariff that allows the Company to complete various area extension projects and recover the costs over a ten year period. These expenses are capitalized as regulatory assets until they are recovered through customer billings.

In 2012, the Company developed a project that makes use of the Area Extension Program Charge (AEP) provided for in its tariff. Under the AEP, the Company is authorized to recover the costs of expansion to a single or multiple points in a geographical area when the cost of the facilities exceeds the maximum allowable investment under its tariff and the margin from the investment. The AEP is sufficient to recover the investment in ten years from the date the project is placed in service.

The AEP is adjusted after the earlier of the third anniversary of the date when facilities were placed in service or when 80% of the estimated load from customers related to the expansion is added to the system.

Recoverable Pension and Retiree Welfare Benefit Plan Costs

The Company's recoverable pension and retiree welfare benefit plan costs are expected to be recovered through base rates over the next 7 years, based on the remaining recovery period as designated by the Florida Commission.

4. INCOME TAXES

On behalf of the Company, Southern Company will file a consolidated federal income tax return and Southern Company Gas will file various state income tax returns. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and no subsidiary is allocated more current expense than would be paid if it filed a separate income tax return. In accordance with the Internal Revenue Service (IRS) regulations, the Company is jointly and severally liable for the federal tax liability. Prior to the Merger, the Company was a part of Southern Company Gas' federal consolidated income tax return and various state income tax returns.

Current and Deferred Income Taxes

Details of income tax provisions for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
	(in thousands)	
Federal —		
Current	$ —	$ 1,035
Deferred	3,869	1,857
	3,869	2,892
State —		
Current	402	305
Deferred	58	180
	460	485
Amortization of investment tax credits	—	(1)
Total	$ 4,329	$ 3,376

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to a net deferred tax liability, are as follows:

	2016	2015
	(in thousands)	
Accelerated depreciation	$ 36,032	$ 31,309
Property basis differences	9,301	9,723
Regulatory assets associated with employee benefit obligations	297	27
Federal net operating loss	(490)	—
Federal effect of state deferred taxes	(1,201)	(1,081)
Employee benefit obligations	(2,081)	(3,910)
Bad debt and insurance reserves	(282)	(252)
Other	(1,632)	(1,745)
Accumulated deferred income taxes, net	$ 39,944	$ 34,071

Deferred federal and state ITCs are amortized over the average life of the related property with such amortization normally applied as a credit to reduce depreciation in the statements of income. There were no credits amortized in this manner for the year ended December 31, 2016 and $1 thousand amortized for the year ended December 31, 2015. At December 31, 2016, all ITCs available to reduce federal income taxes payable had been utilized.

Effective Tax Rate

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Years Ended December 31,	
	2016	2015
Federal statutory rate	**35.0%**	35.0%
State income tax, net of federal deduction	**3.6**	3.6
Other	**(0.7)**	(0.1)
Effective income tax rate	**37.9%**	38.5%

Unrecognized Tax Benefits

The Company has no unrecognized tax benefits for any period presented. The Company classifies interest on tax uncertainties as interest expense; however, the Company had no accrued interest or penalties for unrecognized tax benefits for any period presented.

It is reasonably possible that the amount of the unrecognized tax benefits could change within 12 months. The settlement of federal and state audits could impact the balances. At this time, an estimate of the range of reasonably possible outcomes cannot be determined.

Southern Company is a participant in the Compliance Assurance Process of the IRS. The audits by the IRS or any state have either concluded, or the statute of limitations has expired with respect to income tax examinations, for periods prior to 2012. Southern Company Gas' 2014 consolidated United States federal income tax return is currently under audit by the IRS.

5. FINANCING

The following table provides maturity dates, year-to-date weighted average interest rates, and amounts outstanding for various debt securities and facilities that are included in the balance sheets.

		December 31, 2016		December 31, 2015	
Dollars in thousands	**Year(s) due**	**Weighted average interest**	**Outstanding**	Weighted average interest rate	Outstanding
Gas facility revenue bonds	2024	**1.3% $**	**20,000**	0.9% $	20,000
Affiliate promissory note	2034	**3.8%**	**81,442**	5.2%	64,250
Total long-term debt		**3.3% $**	**101,442**	4.0% $	84,250

Gas Facility Revenue Bonds

The Company is party to a series of loan agreements with Brevard County, Florida under which a series of gas facility revenue bonds have been issued. These revenue bonds are issued by state agencies or counties to investors, and proceeds from each issuance then are loaned to the Company. Southern Company Gas fully and unconditionally guarantees all of the Company's gas facility revenue bonds.

Affiliate Promissory Note

Pivotal Utility entered into a promissory note with Southern Company Gas (Affiliate Promissory Note) for the purpose of refinancing its short-term debt and recapitalizing its capital structure and those of its utility operating divisions, in accordance with the target capitalization of 45% and with authorization of the Florida Commission. The Affiliate Promissory Note is adjusted periodically to maintain the appropriate targeted capitalization percentages. During 2016, $2.1 million was converted to the Affiliate Promissory Note from equity in order to maintain the target capitalization ratio. The Affiliate Promissory Note is due December 31, 2034 and had an initial interest rate at December 31, 2004 of 6.3%, which adjusts on a periodic basis based upon weighted average costs and expenses of borrowing the then-outstanding long-term debt of both Southern Company Gas and Southern Company Gas Capital Corporation, a 100%-owned financing subsidiary of Southern Company Gas. As of December 31, 2016, the effective interest rate on this note was 3.8%.

6. COMMITMENTS

Pipeline Charges, Storage Capacity, and Gas Supply

Pipeline charges, storage capacity, and gas supply include charges recoverable through a natural gas cost recovery mechanism, or alternatively, billed to marketers of natural gas as well as demand charges associated with Sequent Energy Management, L.P. (Sequent), a wholly-owned subsidiary of Southern Company Gas that engages in wholesale marketing of natural gas supply services.

Contractual Obligations

Contractual obligations at December 31, 2016 were as follows:

	2017	2018-2019	2020-2021	After 2021	Total
			(in thousands)		
Long-term debt[a] -					
Principal	$ —	$ —	$ —	$ 101,442	$ 101,442
Interest	257	514	514	769	2,054
Pipeline charges, storage capacity, and gas supply[b]	11,935	23,161	12,786	21,083	68,965
Operating leases[c]	26	33	—	—	59
Performance/surety bonds	350	—	—	—	350
Total	$ 12,568	$ 23,708	$ 13,300	$ 123,294	$ 172,870

(a) Amounts are reflected based on final maturity dates. The Company plans to continue, when economically feasible, to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit. Variable rate interest obligations are estimated based on rates at January 1, 2017 and do not include interest on the affiliated promissory note.

(b) Includes charges recoverable through a natural gas cost recovery mechanism, subject to review by the Florida Commission.

(c) Certain operating leases have provisions for step rent or escalation payments and certain lease concessions are accounted for by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms. However, this accounting treatment does not affect the future annual operating lease cash obligations as shown herein. The Company's operating leases are primarily related to equipment purchases and real estate licenses.

7. AFFILIATE TRANSACTIONS

The Company has an asset management agreement (AMA) with Sequent for transportation and storage capacity to meet natural gas demands. The AMA has a profit sharing structure without any minimum fixed fee, where the net margin is split evenly between the Company and Sequent. As part of the AMA, the parties have executed a Gas Purchase and Sale Agreement where, to the extent requested by the Company, Sequent will purchase and sell natural gas to meet the Company's gas supply requirements. The following table provides additional information on the Company's asset management agreements with Sequent.

	Expiration date	Type of fee structure	Annual fee	Profit sharing / fees payments 2016	2015
				(in thousands)	
Florida City Gas	(*)	Profit-sharing	50%	$ 1,169	$ 767

(*) The term of the agreement is evergreen and renews automatically each year unless terminated by either party.

Amounts Due to Affiliates

The Company had $12.3 million and $13.7 million in payable at December 31, 2016 and 2015, respectively, which was due to Southern Company Gas, primarily related to the participation in the Southern Company Gas money pool, which funds on-going working capital requirements. See Note 5 for additional information on the Affiliate Promissory Note.

The Company also engages in transactions with Southern Company Gas' affiliates consistent with its services and tax allocation agreements.

8. SUBSEQUENT EVENTS

Management evaluated subsequent events for potential recognition and disclosure through May 19, 2017, the date these financial statements were available to be issued, and determined that no significant events have occurred subsequent to period end.