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DIVISION OF ACCOUNTING & FINANCE

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ANNUAL REPORT OF

NATURAL GAS UTILITIES

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

(EXACT NAME OF RESPONDENT)

955 E. 25 Street, Hialeah, FL 33013-3498

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2015

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

Name: Bryan E. Seas	Title: SVP & CAO	
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 ,2015
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) 955 E. 25 Street, Hialeah, FL 33013-3498	
05 Name of Contact Person Bryan E. Seas	06 Title of Contact Person Senior Vice President and Chief Accounting Officer
07 Address of Contact Person (Street, City, State, Zip Code) 10 Peachtree Place, NE, Suite 1000, Atlanta GA 30309	
08 Telephone of Contact Person, Including Area Code (404) 584-3400	09 Date of Report (Mo., Day, Yr) May 30, 2016

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, 2015 to December 31, 2015, 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	5/25/2016 Date
Bryan E. Seas Name	Senior Vice President and Chief Accounting Officer Title

Sworn/affirmed before me this May 25, 2016.

Notary

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

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31 ,2015

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Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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 wholly owned by NUI Corporation.
NUI Corporation is a wholly owned subsidiary of AGL Resources Inc.

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, 2015

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	*
EVP & Chief Financial Officer	Elizabeth W. Reese (2)	*
EVP & General Counsel	Paul R. Shlanta	*
President, Elizabethtown Gas and Elkton Gas	Brian MacLean	*
President, Florida City Gas	H. Bryan Batson	*
SVP, External Affairs and Public Policy	James R. Kibler, Jr.	*
SVP and Chief Information Officer	Joseph A. Surber III (3)	*
VP and General Manager, Florida City Gas	Carolyn Bermudez	*
VP, Regulatory Affairs and Business Support, Elizabeth	M. Patricia Keefe	*
VP, Gas Operations	Charles A. Rawson III	*
VP, Storage and Peaking Operations	Timothy J. Hermann	*
VP, Gas Supply Operations	Tim Sherwood	*
VP, Tax	Grace A. Kolvereid	*
VP, System Operations	Clint Whybark	*
VP, Compliance and Technical Services	Donald F. Carter	*
Treasurer	L. Stephen Cave	*
Corporate Secretary	Myra C. Bierra	*
Assistant Corporate Secretary	Barbara P. Christopher	*

*Such officers are compensated by an affiliate of the holding company, not the Respondent.
(1) Represents executive officers of Pivotal Utility Holdings, Inc. as of December 31, 2015.
(2) Elizabeth W. Reese was elected "EVP & Chief Financial Officer" as of May 6, 2015.
(3) Joseph A. Surber III was elected "SVP & Chief Information Officer" as of March 6, 2015.
Andrew W. Evans resigned as "EVP and Chief Financial Officer" as of May 6, 2015.
David E. Slovensky resigned as "VP and Associate General Counsel - Distribution Operations" as of June 1, 2015.

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.	Ten Peachtree Place Atlanta, Georgia 30309	2 (1)	None

(1) 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, 2015

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): 7/31/2015 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 wholly owned by NUI Corporation.
NUI Corporation is a wholly owned subsidiary of AGL Resources Inc.

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 None

2 On August 23, 2015 AGL Resources entered into the Merger Agreement with Southern Company and a new wholly owned subsidiary of Southern Company (Merger Sub), providing for the merger of Merger Sub with and into AGL Resources, with AGL Resources surving as a wholly owned subsidiary of Southern Company. At a special meeting of shareholders held on November 19, 2015, the proposed merger was approved by AGL Resources' shareholders. Completion of the merger remains subject to various closing conditions as descriibed in AGL Resources' 2015 Form 10K filed with the Securities and Exchange Commission on February 11, 2016 and 2016 first quarter 10-Q filed on May 4, 2016.

No commission action is required in order to obtain merger approval from the Florida Public Service Commission.

3 None

4 Florida City Gas (FCG) is involved in litigation arising in the normal course of business. Although in some cases we are unable to estimate the amount of loss reasonably possible in addition to any amounts already recognized, it is possible that the resolution of these contingencies, either individually or in aggregate, will require us to take charges against, or will result in reductions in, future earnings. It is the opinion of management that the resolution of these contingencies, either individually or in aggregate, could be material to earnings in a particular period but will not have a material adverse effect on our financial position, results of operations or cash flows.

5 FCG engages in transactions with AGL Resources' affiliates consistent with its services, tax allocation, money pool, and asset management agreements.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Deecmber 31, 2015

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	342,371,710	353,922,625	(1)
3	Construction Work in Progress (107)	21 & 17	13,817,008	23,053,496	
4	TOTAL Utility Plant Total of lines 2 and 3)		356,188,718	376,976,121	
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	164,668,688	169,907,009	
6	Net Utility Plant (Total of line 4 less 5)		191,520,030	207,069,112	
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)		104,884	110,680	
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)		81,045	75,249	
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)		10,612,734	8,613,688	
24	Other Accounts Receivable (143)		156,881	284,242	
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		374,320	539,379	
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)		41,598	36,566	
32	Merchandise (155)				
33	Other Material and Supplies (156)				
34	Stores Expenses Undistributed (163)				
35	Gas Stored Underground & LNG Stored (164.1-164.3)		400,011	243,583	
36	Prepayments (165)	18	379,143	1,304,341	(2)
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)		11,216,047	9,943,041	
43	DEFERRED DEBITS				
44	Unamortized Debt Expense (181)	21	155,577	139,620	(2)
45	Extraordinary Property Losses (182.1)				
46	Unrecovered Plant and Regulatory Study Costs (182.2)				
47	Other Regulatory Assets (182.3)	19	15,765,043	16,334,452	
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)				
49	Clearing Accounts (184)				
50	Temporary Facilities (185)				
51	Miscellaneous Deferred Debits (186)		0	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	1,349,516	1,211,142	(2)
55	Accumulated Deferred Income Taxes (190)	24	5,382,921	5,888,951	
56	Unrecovered Purchased Gas Costs (191)				
57	TOTAL Deferred Debits (Total of lines 44 through 56)		22,653,057	23,639,769	
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		225,470,179	240,727,171	

Notes:

(1) 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.

(2) Unamortized Debt Expense (181) and Unamortized Loss on Debt Reacquired (189) revised for 2014 to include the current component for proper classification. These amounts had been included in Prepayments (165) in prior year.

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

For the Year Ended
Deecmber 31, 2015

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)		50,979,920	61,710,068
5	Retained Earnings (215, 216, 219)	10	20,575,625	21,690,257
6	Unappropriated Undistributed Subsidiary Earnings (216.1)			
7	(Less) Reacquired Capital Stock (217)			
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		71,555,545	83,400,325
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	61,117,381	64,249,854
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)		81,117,381	84,249,854
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)		4,205,249	4,432,554
22	Accumulated Miscellaneous Operating Provisions (228.4)		79,944	81,770
23	Accumulated Provision for Rate Refunds (229)			
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		4,285,193	4,514,324
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)			
27	Accounts Payable (232)		2,226,304	2,701,885
28	Notes Payable to Associated Companies (233)			
29	Accounts Payable to Associated Companies (234)		15,452,758	13,734,456
30	Customer Deposits (235)		3,872,160	3,956,129
31	Taxes Accrued (236)		3,584,478	3,355,179
32	Interest Accrued (237)		489,212	644,805
33	Dividends Declared (238)			
34	Matured Long-Term Debt (239)			
35	Matured Interest (240)			
36	Tax Collections Payable (241)		1,025,442	871,768
37	Miscellaneous Current and Accrued Liabilities (242)	22	989,269	859,370
38	Obligations Under Capital Leases-Current (243)			
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		27,639,623	26,123,592
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)			
43	Other Deferred Credits (253)			
44	Other Regulatory Liabilities (254)	22	3,443,871	2,478,802
45	Accumulated Deferred Investment Tax Credits (255)	23	1,269	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	37,427,297	39,960,264
49	TOTAL Deferred Credits (Total of lines 42 through 48)		40,872,437	42,439,076
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		225,470,179	240,727,171

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

For the Year Ended
Deecmber 31, 2015

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	81,998,778	88,064,265
3	Operating Expenses			
4	Operation Expenses (401)	27-29	44,982,124	49,908,671
5	Maintenance Expenses (402)	27-29	1,631,172	1,623,781
6	Depreciation Expense (403)	15-16	13,251,586	12,505,200
7	Amortization & Depletion of Utility Plant (404-405)			
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)		426,837	416,605
11	Regulatory Debits (407.3)		1,183,925	1,121,298
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	23	7,343,765	7,416,435
14	Income Taxes - Federal (409.1)		1,032,041	1,686,871
15	- Other (409.1)		304,971	633,373
16	Provision for Deferred Income Taxes (410.1)	24	2,036,782	2,183,430
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)			
18	Investment Tax Credit Adjustment - Net (411.4)	23	(1,259)	(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)		72,913,839	78,216,300
23	Net Utility Operating Income (Total of line 2 less 22) (Carry forward to page 9, line 25)		9,084,939	9,847,965

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Deecmber 31, 2015

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)		9,084,939	9,847,965	
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)	(27,186)	
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)		0	327	(1)
35	Allowance for Other Funds Used During Construction (419.1)				
36	Miscellaneous Nonoperating Income (421)		7,415	(14,402)	(1)
37	Gain on Disposition of Property (421.1)		499	256	(1)
38	TOTAL Other Income (Total of lines 29 through 38)		94,210	(41,005)	
39	Other Income Deductions				
40	Loss on Disposition of Property (421.2)		(52,754)	(16,236)	(1)
41	Miscellaneous Amortization (425)				
42	Miscellaneous Income Deductions (426.1-426.5)	33	(43,698)	(58,663)	
43	TOTAL Other Income Deductions (Total of lines 41 through 43)		(96,452)	(74,899)	
44	Taxes Applicable to Other Income and Deductions				
45	Taxes Other Than Income Taxes (408.2)				
46	Income Taxes - Federal (409.2)		(3,004)	(1,932)	
47	Income Taxes - Other (409.2)		123	6,375	
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)	4,443	
53	Net Other Income and Deductions (Total of lines 39,44,53)		(5,123)	(111,461)	
54	**Interest Charges**				
55	Interest on Long-Term Debt (427)		178,579	173,038	
56	Amortization of Debt Discount and Expense (428)	21	15,957	15,957	
57	Amortization of Loss on Reacquired Debt (428.1)	20	138,374	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	3,128,231	2,724,796	
61	Other Interest Expense (431)	33	238,205	234,584	
62	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)				
63	Net Interest Charges (Total of lines 56 through 63)		3,699,346	3,286,749	
64	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		5,380,470	6,449,755	
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)		5,380,470	6,449,755	

(1) Interest and Dividend Income (419), Miscellaneous Nonoperating Income (421), Gain on Disposition of Property (421.1) and Loss on Disposition of Property (421.2) revised for 2014 to reflect proper account classification.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Deecmber 31, 2015

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		20,575,625
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)		5,380,470
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(4,248,900)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(16,938)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		21,690,257
	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)		21,690,257

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.

Please see attached pages 11.1 to 11.14

Note 1 - Organization and Basis of Presentation

General

Florida City Gas is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly owned subsidiary of AGL Resources Inc. (AGL Resources). Unless the context requires otherwise, references to "we," "us," "our" or the "company" mean Florida City Gas. We are primarily engaged in the distribution of natural gas to approximately 106,600 residential, commercial and industrial customers in Florida's Miami-Dade and Brevard counties.

Basis of Presentation

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, deferred income taxes 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 AGL Resources 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 our 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.

Certain amounts from prior periods have been reclassified to conform to the current period presentation. The reclassifications had no material impact on our prior period balances

Note 2 - Proposed Merger with Southern Company

On August 23, 2015, AGL Resources entered into an Agreement and Plan of Merger (Merger Agreement) with The Southern Company (Southern Company) and a new wholly owned subsidiary of Southern Company (Merger Sub), providing for the merger of Merger Sub with and into AGL Resources, with AGL Resources surviving as a wholly owned subsidiary of Southern Company. At the effective time of the merger each share of AGL Resources' common stock, other than certain excluded shares, will convert into the right to receive $66 in cash, without interest, less any applicable withholding taxes. Following the effective time of the merger, we will remain a wholly owned subsidiary of AGL Resources who will become a wholly owned, direct subsidiary of Southern Company.

Completion of the merger remains subject to various closing conditions, including, among others (i) the receipt of required regulatory approvals from the Federal Communications Commission, California Public Utilities Commission, Georgia Public Services Commission, Illinois Commerce Commission, Maryland Public Service Commission and New Jersey Board of Public Utilities, and such approvals having become final orders and (ii) the absence of a judgment, order, decision, injunction, ruling or other finding or agency requirement of a governmental entity prohibiting the closing of the merger. To date, the following closing conditions have been satisfied.

- The Virginia State Corporation Commission approved the proposed merger on February 23, 2016;
- The waiting period under the Hart-Scott-Rodino Act expired on December 4, 2015; and
- At a special meeting of shareholders held on November 19, 2015, the proposed merger was approved by the shareholders of AGL Resources.

AGL Resources and Southern Company have made joint filings seeking regulatory approval of the proposed merger with all of the required state regulatory agencies.

Note 3 - Significant Accounting Policies and Methods of Application

Cash Management Money Pool

We participate in AGL Resources' utility money pool, under which we make short-term borrowings from the money pool and contribute surplus funds to the money pool. Our borrowings from the money pool are recorded as borrowings from associated companies in our Balance Sheets and interest on debt to associated companies is recorded in net interest charges in our Statements of Income.

Receivables and Allowance for Uncollectible Accounts

Our trade receivables consist primarily of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and our accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for uncollectible accounts based on our collection experience and other factors. For our remaining receivables if we are aware of a specific customer's inability to pay, we record an allowance for uncollectible accounts against amounts due to reduce the receivable balance to the amount we reasonably expect to collect. If circumstances change, our estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, customer deposits and general economic conditions. Customers' accounts are written off once we deem them to be uncollectible.

Inventories

Our natural gas inventories are carried at cost on a weighted average cost of gas basis. The inventory balance of natural gas stored underground was $244,000 and $400,000 at December 31, 2015 and 2014, respectively.

Regulated Operations

We account for the financial effects of regulation in accordance with authoritative guidance related to regulated entities whose rates are designed to recover the costs of providing service. In accordance with this guidance, incurred costs that would otherwise be charged to expense in the current period are capitalized as regulatory assets when it is probable that such costs will be recovered in rates in the future. Similarly, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for estimated expenditures that have not yet been incurred. Generally, regulatory assets and regulatory liabilities are amortized into our Statements of Income over the period authorized by the regulatory agencies.

Fair Value Measurements

We have financial and nonfinancial assets and liabilities subject to fair value measurement. The carrying values of receivables, due to affiliates, accounts payable, other current assets and liabilities and accrued interest approximate fair value. See Note 5 for additional fair value disclosures.

As defined in the authoritative guidance related to fair value measurements and 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). We utilize 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. We primarily apply the market approach for recurring fair value measurements to utilize the best available information. Accordingly, we use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We classify fair value balances 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. Our Level 1 items consist of exchange-traded derivatives, 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. We obtain market price data from multiple sources in order to value some of our Level 2 transactions and this data is representative of transactions that occurred in the marketplace. Instruments in this category include shorter tenor exchange-traded and non-exchange-traded derivatives such as over-the-counter forwards and options and 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. Our Level 3 assets, liabilities and any applicable transfers are primarily related to our pension and welfare benefit plan assets as described in Note 5 and Note 6. We determine both transfers into and out of Level 3 using values at the end of the quarterly period in which the transfer occurred.

The authoritative guidance related to fair value measurements and disclosures also includes a two-step process to determine whether the market for a financial asset is inactive or a transaction is distressed. Currently, this authoritative guidance does not affect us as our derivative instruments are traded in active markets.

Debt

We estimate the fair value of debt using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality and risk profile. In determining the market interest yield curve, we consider our currently assigned ratings for unsecured debt.

Property, Plant and Equipment (PP&E)

Our PP&E consists of property and equipment that is currently in use, being held for future use and currently under construction. We report PP&E at its original cost, which includes:

- material and labor;
- contractor costs; and
- construction overhead costs.

We do not recognize gains or losses on depreciable utility property that is retired or otherwise disposed, as required under the composite depreciation method. Such gains and losses are ultimately refunded to or recovered from customers through future rate adjustments.

Depreciation Expense

We compute depreciation expense by applying composite straight-line rates (approved by the Florida Commission) to the investment in depreciable property. The composite depreciation rate was 3.9% for 2015 and 2014.

Acquisition Adjustment

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

In thousands		
December 31, 2013	$	6,617
2014 amortization expense		722
December 31, 2014	$	7,339
2015 amortization expense		722
December 31, 2015	$	8,061

Accounting for Retirement Benefit Plans

Our employees participate in the AGL Resources' Retirement Plan (AGL Plan) and the Health and Welfare Plan for Retirees and Inactive Employees of AGL Resources Inc. (AGL Welfare Plan). We account for our participation in AGL Resources' retirement benefit plans under the multiple employer method of accounting. We are responsible for our share of plan costs and obligations and are entitled to our share of plan assets.

We recognize the funded status of our plans as an asset or a liability on our Balance Sheets, measuring the plans' assets and obligations that determine our funded status as of the end of the fiscal year. We generally recognize, as a component of other comprehensive income (OCI), the changes in funded status that occurred during the year that are not yet recognized as part of net periodic benefit cost. The assets of our retirement plans are measured at fair value within the funded status and are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement.

In determining net periodic benefit cost, the expected return on plan assets component is determined by applying our expected return on assets to a calculated asset value, rather than to the fair value of the assets as of the end of the previous fiscal year. For more information, see Note 6. In addition, we have elected to amortize gains and losses caused by actual experience that differ from our assumptions into subsequent periods. The amount to be amortized is the amount of the cumulative gain or loss as of the beginning of the year, excluding those gains and losses not yet reflected in the calculated value, that exceeds 10 percent of the greater of the benefit obligation or the calculated asset value. The amortization period is the average remaining service period of active employees.

Taxes

Income Taxes We do not file our own federal income tax returns; instead, our pre-tax income is included in AGL Resources' consolidated U.S. federal income tax return and various state income tax returns. Income taxes are allocated to us pursuant to the AGL Resources Inc. Tax Allocation Agreement and are based upon the tax liability that would have been incurred on a separate company basis. AGL Resources is no longer subject to income tax examinations by the Internal Revenue Service or any state for years prior to 2012.

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal difference between net income and taxable income relates to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We report the tax effects of depreciation and other temporary differences as deferred income tax assets or liabilities in our Balance Sheets.

We have current and deferred income taxes in our Statements of Income. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense is generally equal to the changes in the deferred income tax liability and regulatory tax liability during the year.

Investment and Other Tax Credits Deferred investment tax credits have been recorded as deferred credits in our Balance Sheets. There were no material investment tax credits for year ended December 31, 2015 and approximately $1,000 at December 31, 2014, which were previously deducted for income tax purposes, have been deferred for financial accounting purposes. These investment tax credits are being amortized over the estimated life of the related properties as credits to income tax expense in accordance with regulatory requirements.

Accumulated Deferred Income Tax Assets and Liabilities As noted above, we report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our Balance Sheets. We measure these deferred income tax assets and liabilities using enacted income tax rates.

Regulatory Income Tax Liability We measure deferred income tax assets and liabilities using enacted income tax rates. Thus, when the statutory income tax rate declines before a temporary difference has fully reversed, the deferred income tax liability must be reduced to reflect the newly enacted income tax rates. However, the amount of the reduction is transferred to our regulatory income tax liability, which we amortize over the lives of the related properties as the temporary difference reverses or approximately 30 years.

Income Tax Benefits The authoritative guidance related to income taxes requires us to determine whether tax benefits claimed or expected to be claimed on our tax return should be recorded in our financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Uncertain Tax Positions We recognize accrued interest related to uncertain tax positions in interest expense and penalties in operating expenses in our Statements of Income. There were no uncertain tax positions during the twelve months ended December 31, 2015 or 2014.

Tax Collections We do not collect income taxes from our customers on behalf of governmental authorities, but do collect and remit various other taxes on behalf of various governmental authorities. In the state of Florida, we record such taxes as operating expenses and the corresponding customer charges as operating revenues. These taxes were immaterial for all periods presented.

Revenues

We record revenues when goods or services are provided to customers. Those revenues are based on rates approved by the Florida Commission. Our rate structure includes a volumetric rate design which allows for 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 gas not yet billed to these customers, from the last bill date to the end of the accounting period.

Cost of Goods Sold

We charge our customers for natural gas consumed using natural gas cost recovery mechanisms set by the Florida Commission. Under these mechanisms, all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. In accordance with the authoritative guidance for rate-regulated entities, we defer or accrue (that is, include as an asset or liability in our Balance Sheets and exclude from or include in our Statements of Income, respectively) the difference between the actual cost of goods sold and the amount of commodity revenue earned in a given period, such that no operating profit is recognized related to these costs. The deferred or accrued amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. For more information see Note 4.

Operating Leases

We have certain operating leases with provisions for step rent or escalation payments and certain lease concessions. We account for these leases by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms, in accordance with authoritative guidance related to leases. This accounting treatment does not affect the future annual operating lease cash obligations. For more information, see Note 8.

Use of Accounting Estimates

The preparation of our financial statements in accordance with the accounting requirements of the FERC requires us to use judgment and make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our estimates may involve complex situations requiring a high degree of judgment either in the application and interpretation of existing literature or in the development of estimates that impact our financial statements. The most significant estimates relate to our regulatory accounting, uncollectible accounts and other allowance for contingent losses, unbilled revenue recognition, retirement plan benefit obligations and provisions for income taxes. We evaluate our estimates on an ongoing basis and our actual results could differ from our estimates.

Accounting Developments

In May 2014, the FASB updated to authoritative guidance related to revenue from contracts with customers. The update replaces most of the existing guidance with a single set of principles for recognizing revenue from contracts with customers. In July 2015, the FASB delayed the effective date by one year and the guidance will be effective for us beginning January 1, 2018. Early adoption of the standard is permitted, but not before the original effective date of December 15, 2016. The new guidance must be applied retrospectively to each prior period presented or via a cumulative effect upon the date of initial application. We have not yet determined the impact of this new guidance, nor have we selected a transition method.

In April 2015, the FASB issued authoritative guidance related to the accounting for fees paid in connection with arrangements with cloud-based software providers. Under the new guidance, unless a software arrangement includes specific elements enabling customers to possess and operate software on platforms other than that offered by the cloud-based provider, the cost of such arrangements is to be accounted for as an operating expense of the period incurred. The new guidance was applied prospectively and became effective for us on January 1, 2016. We have determined that this new guidance will not have a material impact on our financial statements.

Note 4 - Regulated Operations

Regulatory Assets and Liabilities

Our regulatory assets and liabilities reflected within our Balance Sheets as of December 31 are summarized in the following table.

In thousands		2015		2014
Regulatory long-term assets				
Recoverable regulatory infrastructure program costs	$	13,329	$	12,416
Deferred customer conversion costs		1,369		1,248
Unamortized loss on reacquired debt		1,211		1,350
Recoverable retiree welfare benefit costs		851		970
Deferred natural gas costs		430		611
Pension costs - AGL Resources Acquisition		356		520
Total regulatory long-term assets	$	17,546	$	17,115
Regulatory long-term liabilities				
Deferred natural gas costs	$	2,126	$	2,722
Energy conservation program		353		721
Unamortized investment tax credits		—		1
Regulatory income tax liability		—		1
Total regulatory long-term liabilities		2,479		3,445

Base rates are designed to provide the opportunity to recover cost and earn a return on investment during the period rates are in effect. As such, all of our regulatory assets recoverable through base rates are subject to review by the Florida Commission during future rate proceedings. We are not aware of evidence that these costs will not be recoverable through either rate riders or base rates, and we believe that we will be able to recover such costs consistent with our historical recoveries.

In the event that the provisions of authoritative guidance related to regulated operations were no longer applicable, we would recognize a write-off of regulatory assets that would result in a charge to net income. Additionally, while some regulatory liabilities would be written off, others would continue to be recorded as liabilities, but not as regulatory liabilities.

Although our industry is competing with alternative fuels, we continue to recover our costs through cost-based rates established by the Florida Commission. As a result, we believe that the accounting prescribed under the guidance remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider or proceeding. The regulatory liabilities that do not represent revenue collected from customers for expenditures that have not yet been incurred are refunded to ratepayers through a rate rider or base rates. If the regulatory liability is included in base rates, the amount is reflected as a reduction to the rate base used to periodically set base rates.

Recoverable Regulatory Infrastructure Program Costs In 1995, the Florida Commission approved a tariff that allows us 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.

During the second half of 2012, we developed a project that makes use of the Area Extension Program Charge (AEP) provided for in the company's tariff. Under the AEP, we are 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 Our 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.

Deferred/Accrued Natural Gas Costs We charge our utility customers for natural gas consumed using natural gas cost recovery mechanisms established by the Florida Commission. Under these mechanisms, all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. We defer or accrue the difference between the actual cost of gas and the amount of commodity revenue earned in a given period, such that no operating profit is recognized related to these costs. The deferred or accrued amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

Regulatory Infrastructure Programs

The majority of our regulatory assets and liabilities listed in the preceding table 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.

The Florida Commission approved our Safety, Access and Facility Enhancement program in September 2015. Under the program, we will spend approximately $10 million annually over a 10-year period on infrastructure relocation and enhancement projects. Costs incurred under the program will be recovered through a rate rider with annual rate adjustments and true-ups. In October 2015, We began spending under the program and plant in service associated with work in the fourth quarter of 2015 will be included in the calculation of rates beginning January 1, 2016.

Note 5 - Fair Value Measurements

The methods used to determine the fair values of our assets and liabilities are described within Note 3.

Retirement Benefit Plan Assets

As further described in Note 3, our employees participate in AGL Resources' retirement benefit plans. The following tables reflect our pro rata share of the assets of the AGL Plan and the AGL Welfare Plan.

The target pension asset allocations are 70% to 95% equity, 5% to 20% fixed income, and up to 10% cash for both periods. The plans' investment policies provide for some variation in these targets. The actual asset allocations of our pro rata share of the AGL Plan and the AGL Welfare Plan are presented in the following table by Level within the fair value hierarchy.

	December 31, 2015									
	Pension plans					Welfare plans				
In thousands	Level 1	Level 2	Level 3	Total	% of total	Level 1	Level 2	Level 3	Total	% of total
Cash	$ 36	$ 3	$ —	$ 39	1%	$ 14	$ —	$ —	$ 14	1%
Equity securities:										
U.S. large cap [1]	$ 651	$1,743	$ —	$2,394	32%	$ —	$ 752	$ —	$ 752	58%
U.S. small cap [1]	499	211	—	710	9	—	—	—	—	—
International companies [2]	—	1,094	—	1,094	15	—	226	—	226	17
Emerging markets [3]	—	242	—	242	3	—	—	—	—	—
Total equity securities	$1,150	$3,290	$ —	$4,440	59%	$ —	$ 978	$ —	$ 978	75%
Fixed income securities:										
Corporate bonds [4]	$ —	$ 791	$ —	$ 791	10%	$ —	$ 317	$ —	$ 317	24%
Other (or gov't/muni bonds)	—	1,320	—	1,320	18	—	—	—	—	—
Total fixed income securities	$ —	$2,111	$ —	$2,111	28%	$ —	$ 317	$ —	$ 317	24%
Other types of investments:										
Global hedged equity [5]	$ —	$ —	$ 352	$ 352	5%	$ —	$ —	$ —	$ —	—%
Absolute return [6]	—	—	373	373	5	—	—	—	—	—
Private capital [7]	—	—	172	172	2	—	—	—	—	—
Total other investments	—	—	897	897	12%	—	—	—	—	—%
Total assets at fair value	$1,186	$5,404	$ 897	$7,487	100%	$ 14	$1.295	$ —	$1,309	100%
% of fair value hierarchy	16%	72%	12%	100%		1%	99%	—%	100%	

In thousands	December 31, 2014									
	Pension plans					Welfare plans				
	Level 1	Level 2	Level 3	Total	% of total	Level 1	Level 2	Level 3	Total	% of total
Cash	$ 33	$ 8	$ —	$ 41	1%	$ 8	$ —	$ —	$ 8	1%
Equity securities:										
U.S. large cap (1)	$ 789	$1,686	$ —	$2,475	33%	$ —	$ 424	$ —	$ 424	57%
U.S. small cap (1)	631	199	—	830	11	—	—	—	—	—
International companies (2)	—	1,021	—	1,021	13	—	132	—	132	18
Emerging markets (3)	—	257	—	257	3	—	—	—	—	—
Total equity securities	$1,420	$3,163	$ —	$4,583	60%	$ —	$ 556	$ —	$ 556	75%
Fixed income securities:										
Corporate bonds (4)	$ —	$1,935	$ —	$1,935	25%	$ —	$ 183	$ —	$ 183	24%
Other (or gov't/muni bonds)	—	274	—	274	4	—	—	—	—	—
Total fixed income securities	$ —	$2,209	$ —	$2,209	29%	$ —	$ 183	$ —	$ 183	24%
Other types of investments:										
Global hedged equity (5)	$ —	$ —	$ 241	$ 241	3%	$ —	$ —	$ —	$ —	—%
Absolute return (6)	—	—	349	349	5	—	—	—	—	—
Private capital (7)	—	—	166	166	2	—	—	—	—	—
Total other investments	$ —	$ —	$ 756	$ 756	10%	$ —	$ —	$ —	$ —	—%
Total assets at fair value	$1,453	$5,380	$ 756	$7,589	100%	$ 8	$ 739	$ —	$ 747	100%
% of fair value hierarchy	19%	71%	10%	100%		1%	99%	—%	100%	

(1) Includes funds that invest primarily in U.S. common stocks.
(2) Includes funds that invest primarily in foreign equity and equity-related securities.
(3) Includes funds that invest primarily in common stocks of emerging markets.
(4) Includes funds that invest primarily in investment grade debt and fixed income securities.
(5) Includes funds that invest in limited / general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(6) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(7) 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 our pension plan assets in Level 3 of the fair value hierarchy.

In thousands	Global hedged equity	Absolute return	Private capital	Total
Balance at December 31, 2013	$ 371	$ 337	$ 190	$ 898
Actual return on plan assets	7	12	14	33
Sales	(137)	—	(38)	(175)
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 for any of the periods presented.

Debt

Our long-term debt is recorded at amortized cost. Our long-term debt consists of $20 million variable-rate-revenue bonds and $64 million in advances from associated companies where the carrying value approximates fair value. The following table presents the carrying amount and fair value of our long-term debt as of December 31.

In thousands	2015	2014
Long-term debt carrying amount	$ 84,250	$ 81,117
Long-term debt fair value (1)	84,250	81,117

(1) Fair value determined using Level 2 inputs

Note 6 - Employee Benefit Plans

As further described in Note 3, our employees participate in AGL Resources' retirement benefit plans. The following disclosures reflect our balances and activity in the AGL Plan and the AGL Welfare Plan under the multiple employer method of accounting.

Investment Policies, Strategies and Oversight of Plans

The Retirement Plan Investment Committee which is appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of AGL Resources' defined benefit retirement plans. Further, AGL Resources has an Investment Policy (the Policy) for its pension and welfare benefit plans whose goal is to preserve these plans' capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the plans' assets are managed to optimize long-term return while maintaining a high standard of portfolio quality and diversification.

In developing AGL Resources' allocation policy for the pension and welfare plan assets, they examined projections of asset returns and volatility over a long-term horizon. In connection with this analysis, AGL Resources evaluated the risk and return trade-offs of alternative asset classes and asset mixes given long-term historical relationships as well as prospective capital market returns. They also conducted an asset-liability study to match projected asset growth with projected liability growth to determine whether there is sufficient liquidity for projected benefit payments. AGL Resources developed the asset mix guidelines by incorporating the results of these analyses with an assessment of their risk posture, and taking into account industry practices. They periodically evaluate their investment strategy to ensure that plan assets are sufficient to meet the benefit obligations of the plans. As part of the ongoing evaluation, AGL Resources may make changes to their targeted asset allocations and investment strategy.

AGL Resources' investment strategy is designed to meet the following objectives:

- Generate investment returns that, in combination with funding contributions, provide adequate funding to meet all current and future benefit obligations of the plans.
- Provide investment results that meet or exceed the assumed long-term rate of return, while maintaining the funded status of the plans at acceptable levels.
- Improve funded status over time.
- Decrease contribution and expense volatility as funded status improves.

To achieve these investment objectives, AGL Resources' investment strategy is divided into two primary portfolios of return seeking and liability hedging assets. Return seeking assets are intended to provide investment returns in excess of liability growth and reduce deficits in the funded status of the plans, while liability hedging assets are intended to reflect the sensitivity of the liabilities to changes in discount rates.

See Note 5 for a detailed listing of the investment types, amounts and percentages allocated to the plans. AGL Resources will continue to diversify retirement plan investments to minimize the risk of large losses in a single asset class. There is no concentration of assets in a single entity, industry, country, commodity or class of investment fund. The permissible investments of the Policy include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income securities (corporate and government obligations), cash and cash equivalents and other investments.

Equity market performance and corporate bond rates have a significant effect on our reported funded status. Changes in the projected benefit obligation and accumulated postretirement benefit obligation (APBO) are mainly driven by the assumed discount rate. Additionally, equity market performance has a significant effect on AGL Resources' market-related value of plan assets (MRVPA), which is used by the AGL Plan to determine the expected return on the plan assets component of net annual pension cost. The MRVPA is a calculated value. Gains and losses on plan assets are spread through the MRVPA based on the five-year smoothing weighted average methodology.

Pension and Welfare Benefits

We participate in the AGL Plan, which is a tax-qualified defined benefit retirement plan covering eligible employees. A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant, including information related to the participant's earnings history, years of service and age. Substantially all of our employees who were employed on or before December 31, 2005 participate in this plan. Florida City Gas union employees, who until February 2008 participated in a union-sponsored multiemployer plan, became eligible to participate in the AGL Plan in February 2008. The AGL Plan provides pension benefits to these participants based on years of credited service and final average compensation as of the plan freeze date. Effective December 31, 2005, participation and benefit accrual under the Employees' Retirement Plan of NUI Corporation were frozen. As of January 1, 2006, former participants in that plan became eligible to participate in the AGL Plan.

We also participate in the AGL Welfare Plan which is a defined benefit retiree health care plan. Eligibility for these benefits is based on date of hire, age and years of service. The AGL Welfare Plan provides medical coverage and life insurance benefits to our eligible retired employees and includes a limit on the employer share of cost for employees hired after 1982. Effective March 18, 2014, the AGL Welfare Plan was closed to new employees hired on or after that date.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides for a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Prescription drug coverage for our Medicare-eligible population is provided through an Employer Group Waiver Plan.

We recorded a regulatory asset for anticipated future recoveries of $851,000 and $970,000 as of December 31, 2015 and 2014, respectively. In addition, we recorded a liability of $136,000 and $75,000 as of December 31, 2015 and 2014, respectively, for our expected expenses.

Assumptions

AGL Resources considered a variety of factors in determining and selecting the assumptions used to determine the discount rates at December 31. At the end of 2015, they changed the method used to estimate the service and interest cost components of net periodic benefit cost for their defined benefit pension and other postretirement benefit plans. Historically, AGL Resources estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. AGL Resources has elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

Our pro rata portion of the cost components of the pension and welfare costs for the years ended December 31, are set forth in the following table.

	Pension plan		Welfare plan	
Dollars in thousands	2015	2014	2015	2014
Service cost	$ 327	$ 278	$ 13	$ 13
Interest cost	671	706	63	63
Expected return on plan assets	(779)	(786)	(113)	(105)
Net amortization of prior service credit (cost)	(79)	(83)	4	5
Recognized actuarial loss	459	328	41	23
Net periodic benefit cost	$ 599	$ 443	$ 8	$ (1)
Assumptions used to determine benefit costs (1)				
Discount rate	4.2%	5.0%	4.0%	4.7%
Expected return on plan assets	7.8	7.8	7.8	7.8
Rate of compensation increase	3.7	3.7	3.7	3.7

(1) Rates are presented on a weighted average basis

The following tables present details about our pension and welfare plans.

	Pension plan		Welfare plan	
Dollars in thousands	2015	2014	2015	2014
Change in plan assets				
Fair value of plan assets, January 1,	$ 7,524	$ 7,829	$ 1,433	$ 1,558
Actual return on plan assets	729	485	13	(125)
Employer contributions	—	—	71	75
Benefits paid	(848)	(790)	(71)	(75)
Fair value of plan assets, December 31,	$ 7,405	$ 7,524	$ 1,446	$ 1,433
Change in benefit obligation				
Benefit obligation, January 1,	$ 11,309	$ 9,981	$ 1,508	$ 1,716
Service cost	327	278	13	13
Interest cost	671	706	63	63
Actuarial loss (gain)	(142)	1,134	69	(209)
Benefits paid	(849)	(790)	(71)	(75)
Benefit obligation, December 31,	11,316	11,309	1,582	1,508
Funded status at end of year	$ (3,911)	$ (3,785)	$ (136)	$ (75)
Amounts recognized in the Balance Sheets consist of				
Long-term liability	$ (3,911)	$ (3,785)	$ (136)	$ (75)
Accumulated benefit obligation (1)	$ 9,191	$ 9,352	$ 1,582	$ 1,508
Assumptions used to determine benefit obligations				
Discount rate	4.6%	4.2%	4.4%	4.0%
Rate of compensation increase	3.7	3.7	3.7	3.7

(1) Amounts represent qualified benefit plans. Unqualified benefit plan liabilities were $287,000 and $295,000 as of December 31, 2015 and 2014, respectively.
(2) APBO differs from the projected benefit obligation in that the APBO excludes the effect of salary and wage increases.
(3) Rates are presented on a weighted average basis.

A portion of the net benefit cost or credit related to these plans has been capitalized as a cost of constructing gas distribution facilities and the remainder is included in operation and maintenance expense.

Assumptions used to determine the health care benefit cost for the AGL Welfare Plan are set forth in the following table.

	2015	2014
Health care cost trend rate assumed for next year	7.9%	8.1%
Ultimate rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Year that reaches ultimate trend rate	2030	2030

Assumed health care cost trend rates can have a significant effect on the amounts reported for our health care plan. A one percentage point change in the assumed health care cost trend rates for the AGL Welfare Plan would have no effect on the benefit obligation and there was no effect on our service and interest cost.

As a result of a cap on expected cost for the AGL Welfare Plan, a one percentage point increase or decrease in the assumed health care trend does not materially affect the Plan's periodic benefit cost or accumulated benefit obligation.

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated OCI as of December 31.

	2015		2014	
In thousands	Pension plan	Welfare plan	Pension plan	Welfare plan
Prior service (cost) credit	$ (219)	$ (3)	$ (313)	$ 5
Net loss	4,074	640	4,231	528
Total	$ 3,855	$ 637	$ 3,918	$ 533

The 2016 estimated amortization out of accumulated OCI for these plans is set forth in the following table.

In thousands	Pension plan	Welfare plan
Amortization of prior service credit	$ 69	$ —
Amortization of net loss	(375)	(45)

The following table presents the gross benefit payments expected for the years ended December 31, 2016 through 2025 for our pro rata portion of the pension and welfare plans. There will be benefit payments under these plans beyond 2025.

In thousands	Pension plan	Welfare plan
2016	$ 1,035	$ 88
2017	983	93
2018	996	99
2019	1,021	104
2020	1,052	106
2021 & thereafter	5,505	545

Contributions

Our employees do not contribute to the pension and welfare plans. The pension plan is funded by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. As required by The Pension Protection Act of 2006, we calculate the minimum amount of funding using the traditional unit credit cost method.

Employee Savings Plan Benefits

We sponsor or participate in a defined contribution retirement benefit plans that allow eligible participants to make contributions to their accounts up to specified limits. Under these plans, our matching contributions to participant accounts were $313,000 and $255,000 in 2015 and 2014, respectively.

Note 7 - Debt

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

		December 31, 2015		December 31, 2014	
Dollars in thousands	Year(s) due	Weighted average interest rate	Outstanding	Weighted average interest rate	Outstanding
Gas facility revenue bonds	2024	0.9%	$ 20,000	0.9%	$ 20,000
Affiliate promissory note	2034	5.2	64,250	5.0	61,117
Total long-term debt		4.0%	$ 84,250	3.9%	$ 81,117

Our long-term debt at December 31, 2015 and 2014 consists of gas facility revenue bonds and an affiliate promissory note.

Gas Facility Revenue Bonds Pivotal Utility is party to a series of loan agreements with the New Jersey Economic Development Authority under which a series of gas facility revenue bonds has been issued. These gas facility revenue bonds are issued by state agencies or counties to investors, and proceeds from the issuance are then loaned to us.

Affiliate Promissory Note Pivotal Utility entered into a promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the New Jersey BPU and the Florida Commission. The Affiliate Promissory Note is adjusted periodically to maintain the appropriate targeted capitalization percentages. During 2015, $10.7 million was converted from the Affiliate Promissory Note to Equity 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 AGL Resources and AGL Capital Corporation, a wholly owned financing subsidiary of AGL Resources. As of December 31, 2015, the interest rate on this note was 5.2%. The initial principal amount of the Affiliate Promissory Note for Pivotal Utility including its operating division, Florida City Gas, is adjusted on an annual basis to conform to Pivotal Utility's target capitalization of 45%.

Default Provisions

Our debt includes provisions that, if not complied with, could require early payment or similar actions. The most important default events include the following:

- a maximum leverage ratio;
- insolvency events and/or nonpayment of scheduled principal or interest payments;
- acceleration of other financial obligations; and
- change of control provisions.

We have no triggering events in our debt instruments that are tied to changes in our specified credit ratings. We were in compliance with all existing debt provisions and covenants, both financial and non-financial, as of December 31, 2015 and 2014.

Note 8 - Commitments and Contingencies

We incur various contractual obligations and financial commitments in the normal course of our operating and financing activities that are reasonably likely to have a material effect on liquidity or the availability of capital resources. Contractual obligations include future cash payments required under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual payments under our obligations and other commitments as of December 31, 2015.

In thousands	Total	2016	2017	2018	2019	2020	2021 & Thereafter
Recorded contractual obligations:							
Long-term debt [1]	$ 84,250	$ —	$ —	$ —	$ —	$ —	$ 84,250
Unrecorded contractual obligations and commitments [2]:							
Pipeline charges, storage capacity and gas supply [3]	$ 76,225	$ 11,584	$ 10,798	$ 9,707	$ 9,606	$ 7,570	$ 26,960
Interest charges	1,999	229	228	228	228	229	857
Operating leases [4]	29	25	4	—	—	—	—
Performance surety bonds	350	350	—	—	—	—	—
Total	$ 78,603	$ 12,188	$ 11,030	$ 9,935	$ 9,834	$ 7,799	$ 27,817

(1) In accordance with GAAP, these items are not reflected in our Balance Sheets.

(2) Includes charges recoverable through a natural gas cost recovery mechanism or alternatively billed to marketers and demand charges associated with Sequent.

(3) We have certain operating leases with provisions for step rent or escalation payments and certain lease concessions. We account for these leases by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms, in accordance with GAAP. However, this lease accounting treatment does not affect the future annual operating lease cash obligations as shown herein. Our operating leases are primarily for real estate.

Litigation

We are involved in litigation arising in the normal course of business. Although in some cases we are unable to estimate the amount of loss reasonably possible in addition to any amounts already recognized, it is possible that the resolution of these contingencies, either individually or in aggregate, will require us to take charges against, or will result in reductions in, future earnings. Management believes that while the resolutions of these contingencies, whether individually or in aggregate, could be material to earnings in a particular period, they will not have a material adverse effect on our balance sheet or cash flows for the year.

Note 9 - Income Taxes

Income Tax Expense

The relative split between current and deferred taxes is due to a variety of factors including true ups of prior year tax returns, and most importantly, the timing of our property-related deductions. Components of income tax expense on the Statements of Income for the years ended December 31 are shown in the following table.

In thousands	2015	2014
Current income taxes		
Federal	$ 1,035	$ 1,688
State	305	627
Deferred income taxes		
Federal	1,857	2,298
State	180	(114)
Amortization of investment tax credits	(1)	(1)
Total income tax expense on Statements of Income	$ 3,376	$ 4,498

The reconciliations between the statutory federal income tax rate of 35%, the effective rate and the related amount of income tax expense for the years ended December 31, in our Statements of Income are presented in the following table.

In thousands	2015	2014
Computed tax expense at statutory rate	$ 3,087	$ 3,891
State income tax, net of federal income tax benefit	298	316
Amortization of investment tax credits	(1)	(1)
Other - net	(8)	292
Total income tax expense on Statements of Income	$ 3,376	$ 4,498

Accumulated Deferred Income Tax Assets and Liabilities

Components that give rise to the net long-term accumulated deferred income tax liability as of December 31 are as follows.

In thousands		2015		2014
Long-term accumulated deferred income tax liabilities				
Property - accelerated depreciation and other property-related items	$	38,463	$	35,868
Other		1,497		1,559
Total accumulated deferred income tax liabilities	$	39,960	$	37,427
Long-term accumulated deferred income tax assets				
Unfunded pension and retiree welfare benefit obligation		3,699		3,448
Bad debts and insurance reserves		208		144
Other		1,982		1,791
Total long-term accumulated deferred income tax assets		5,889		5,383
Net long-term accumulated deferred tax liability	$	34,071	$	32,044

Tax Benefits

As of December 31, 2015 and 2014, we did not have a liability for unrecognized tax benefits. Based on current information, we do not anticipate that this will change materially in 2016. As of December 31, 2015, we did not have a liability recorded for payment of interest or penalties associated with uncertainty in income taxes, nor did we have any such interest or penalties during 2015 or 2014.

Note 10 - Related Party Transactions

We have an asset management and agency (AMA) agreement with our affiliate, Sequent Energy Management, L.P. (Sequent) to facilitate the management of our transportation and storage capacity assets. The AMA agreement has a profit sharing structure without any minimum fixed fee, where the net margin is split evenly between us and Sequent. As part of the AMA agreement, the parties have also executed a Gas Purchase and Sale Agreement where, to the extent requested by us, Sequent will purchase and sell natural gas to meet our gas supply requirements. The following table provides additional information on our asset management agreements with Sequent.

				Profit sharing	
Dollars in thousands	Expiration date	Type of fee structure	Annual fee	2015	2014
Florida City Gas	(1)	Profit sharing	50%	$767	$673

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

Amounts Due to Affiliates

We had $13.7 million and $15.5 million in payables at December 31, 2015 and 2014, respectively, due to AGL Resources and affiliated companies. This consisted primarily of our participation in the AGL Resources money pool, which funds our on-going working capital requirements. See Note 7 for discussion of other affiliate transactions.

We also engage in transactions with AGL Resources' affiliates consistent with its services and tax allocation agreements.

Note 11 - Subsequent Event

Our management evaluated subsequent events for potential recognition and disclosure through April 4, 2016, 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, 2015

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)	329,633,418	329,633,418
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified	2,632,372	2,632,372
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)	353,922,625	353,922,625
12	107 Construction Work in Progress	23,053,496	23,053,496
13	Accum. Provision for Depreciation, Amortization, & Depletion	(169,907,009)	(169,907,009)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	207,069,112	207,069,112
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(161,845,853)	(161,845,853)
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)	(161,845,853)	(161,845,853)
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	(8,061,155)	(8,061,155)
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	(169,907,009)	(169,907,009)

Analysis of Plant in Service Accounts

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS
For the Year Ended December 31, 2015

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions (1)	Retirements	Reclass. (2)	Adjustments (3)	Transfers	Ending Balance*
374	Land-Distribution		353,577	91,143					444,720
389	Land-General		768,686	37,390		(176,450)			629,626
	Land-Other								
Amortizable General Plant Assets:									
301	Organization								
302	Franchises and Consents		325,164						325,164
303	Miscellaneous Intangible Plant		25,522						25,522
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		0			176,450			176,450
367	Transmission-Main		0	3,449,624					3,449,624
369	Measuring & Regulating Equip		0	104,145					104,145
371	Other Equipment								
375	Structures & Improvements	2.8	608,760	79					608,839
376.2	Mains- Plastic	3.1	87,174,231	4,614,969	(149,715)	49,382	(234,575)		91,454,291
376.1	Mains - Other	3.0	96,839,210	(18,607)	(78,556)	(49,382)	(281,142)		96,411,523
378	M & R Station Equipment	3.3	573,927	7,837					581,564
379	M & R Station Equipment - City Gate	3.3	6,755,538	88,517					6,844,055
380.2	Services- Plastic	4.1	46,600,084	2,504,218	(230,500)				48,873,801
380.1	Services - Other	6.5	14,713,900	85,967	(91,057)				14,708,810
381	Meters	4.9	18,036,059	1,190,807	(764,564)			(542,695)	17,919,607
382	Meter Installation	4.5	11,303,814	396,663					11,700,477
383	House Regulators	4.9	4,375,752	367,488	(17,412)				4,725,828
384	House Regulators Installation	3.1	1,869,684	188,016					2,057,700
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, 2015

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
386.5	Leased Water Heaters								
386.6	Leased Dryers								
386.7	Leased Rangers								
387	Other Equipment	3.3	716,455	47,638					764,093
390	Structures & Improvements	2.6	8,017,402						8,017,402
391.1	Office Furniture	7.7	399,381						399,381
391.2	Office Machines and Equipment	8.3	2,015,789	424,509	(15,341)				2,424,957
391.3	Enterprise Software	9.1	10,571,082	622,378	(37,377)				11,156,083
392	Transportation Equipment	11.5	1,805,681	765,696	(157,861)				2,413,517
393	Stores Equipment	6.2	2,922						2,922
394	Tools, Shop and Garage Equipment	7.2	1,796,315	57,702	(23,096)				1,830,921
395	Laboratory Equipment	4.0	4,034						4,034
396	Power Operated Equipment	8.3	131,329						131,329
397	Communication Equipment	8.3	1,028,550		(851,172)				177,379
398	Miscellaneous Equipment	7.5	854,107						854,107
Capital Recovery Schedules:									
	Total Account 101*		320,714,875	15,025,978	(2,416,651)	0	(515,717)	(542,695)	332,265,790
Amortizable Assets:									
114	Acquisition Adjustment		21,656,835						21,656,835
118	Other Utility Plant								
106	Completed Construction not Calssified								
	Total Utility Plant		342,371,710	15,025,978	(2,416,651)	0	(515,717)	(542,695)	353,922,625

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. The beginning balances of plant in service and accumulated depreciation and amortization were revised to reflect the reserve transfer per Order No. PSC-09-0835-PAA-GU in Docket No. 080182-GU related to the Company's most recent depreciation study.

Note: The depreciation rates were updated effective January 1, 2014 to consistent with Order No. PSC-14-0514-PAAGU

(1) The negative amount in additions for account 376.1 Mains-Other is caused by contributions in aid of construction being reflect in this account for both Plastic and Other mains with only a small amount of additions for this account.

(2) Reclass amounts between accounts 376.1 and 376.2 represent contributions balance in aid of construction balance as of December 31, 2013 not that should have been reflected in account 376.1. The provision for accumulated depreciation related to contributions in aid of construction is already reflected in account 376.1.

(3) The adjustment amounts primarily represent correction of transfers from construction work in progress to plant in service.

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, 2015

Acct. No.	Account Description	Beginning Balance*	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
374	Land-Distribution								
389	Land-General	(184)	184						0
Amortizable General Plant Assets:									
302	Franchises and Consents	181,595							181,595
303	Miscellaneous Intangible Plant	22,324							22,324
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	0	2,423						2,423
367	Transmission-Main	0	72,333						72,333
369	Measuring & Regulating Equip	0	1,808						1,808
371	Other Equipment								
375	Structures & Improvements	183,210	17,047						200,257
376.2	Mains - Plastic	30,594,245	2,756,539	(149,715)		(313,201)			32,887,868
376.1	Mains - Other	60,662,189	2,898,552	(78,556)		(723,088)			62,759,098
378	M & R Station Equipment	17,290	19,189						36,479
379	M & R Station Equipment - City Gate	3,763,497	224,878						3,988,375
380.2	Services - Plastics	20,180,198	1,959,863	(230,500)		(5,450,406)			16,459,156
380.1	Services - Other	20,930,964	956,553	(91,057)		(665,105)			21,131,356
381	Meters	2,724,908	893,334	(764,564)		(112,402)		(16,395)	2,724,882
382	Meter Installation	3,875,614	618,308						4,493,922
383	House Regulators	1,762,237	224,622	(17,412)		(16,455)			1,952,992
384	House Regulators Installation	912,074	60,706						972,780
385	Industrial M & R Station Equipment	1,791,568	100,581						1,892,149
386.5	Leased Water Heaters								
386.6	Leased Dryers								
386.7	Leased Rangers								
387	Other Equipment	316,275	25,019						341,294
390	Structures & Improvements	726,984	208,452						935,436
391.1	Office Furniture	227,883	30,752						258,635
391.2	Office Machines and Equipment	1,001,390	195,422	(15,340)					1,181,472
391.3	Enterprise Software	6,143,547	986,219	(37,377)					7,092,388
392	Transportation Equipment	401,063	214,840	(157,861)	32,530				490,572
393	Stores Equipment	1,161	181						1,342
394	Tools, Shop and Garage Equipment	1,131,719	131,796	(23,096)	4,325				1,244,744
395	Laboratory Equipment	4,034							4,034
396	Power Operated Equipment	8,639	10,900						19,539
397	Communication Equipment	1,009,297	1,638	(851,172)					159,763
398	Miscellaneous Equipment	435,424	84,111						499,535

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, 2015

Acct. No.	Account Description	Beginning Balance*	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)									
Capital Recovery Schedules:									
	Subtotal	159,009,147	12,676,250	(2,416,651)	36,855	(7,280,655)	0	(16,395)	162,008,551
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	(1,679,720)				1,517,022			(162,698)
115	Amort. Plant Acquisition Adjustment	7,339,261					721,895		8,081,156
	Grand Total	164,668,688	12,676,250	(2,416,651)	36,855	(5,763,633)	721,895	(16,395)	169,907,009

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

Note 2: The depreciation rates were updated effective January 1, 2014 to consistent with Order No. PSC-14-0514-PAAGU

Note 3: Allocated Depreciation Expense of $569,543 is not included indepreciation and amortization accrual amount above since it is included on the books of AGL Services Co.
Also, depreciation expense above does not include non-utility plant depreciation expense of $5,793 included in depreciation expense on the income statement.

Pivotal Utility Holdings, Inc. D/B/A Florida City Gas
AEP Reconciliation
As Of December 31, 2015

		Balance @ Beg. Of Year			12 Mths Ended 12/15			Charges To Date			Over/ Under
Revenue Start Date	Name of Facility	Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues (A)	Facilities Cost (B)	Carrying Charges (C)	Collection (A - B - C)
Nov-12	Glades Project	2,240,509	11,664,033	1,892,482	984,913	143,858	995,185	3,225,423	11,807,891	2,887,667	(11,470,135)
Mar-14	Fellsmere Project	14,115	(0)	14,341	11,875	-	139	25,990	(0)	14,480	11,509
May-14	Vero Beach Connector Project	61,015	323,233	21,270	69,497	1,181	25,040	130,512	324,414	46,310	(240,212)
Nov-14	Homestead Project	973	-	(5)	39,238	187,895	3,612	40,211	187,895	3,607	(151,291)
Dec-14	Sebastian Project	-	791,342	2,975	57,659	305,550	95,893	57,659	1,096,892	98,868	(1,138,101)
Dec-14	Miramar Project	-	22,562	85	3,057	25,728	2,533	3,057	48,290	2,618	(47,851)
May-15	Flagler Project	-	-	-	18,611	296,128	12,088	18,611	296,128	12,088	(289,605)
Nov-15	Vero Isles Project	-	-	-	-	2,817	11	-	2,817	11	(2,828)
		2,316,612	12,801,169	1,931,149	1,184,851	963,156	1,134,501	3,501,463	13,764,326	3,065,650	(13,328,512)

Note: The Company received a community grant for the Fellsmere project that exceeded the investment recoverable through AEP. Therefore, the Company will refund the surcharge revenues collected and reverse the carrying charges booked for this project.

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, 2015

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	53G-Facilities Projects	3,844,923	
2	53G- Fleet	393,072	
3	53G-Mandatory	2,682,322	
4	53G-New Business	2,417,107	
5	53G-Strategic	2,830,591	
6	53G-Support	9,878,103	
7	Project Types Under $500 Thousand	1,007,378	
8			
9			
10	TOTAL	23,053,496	

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*	236,890	19,105,061
2	A&G Expenses Capitalized*	86,768	19,105,061
3	Benefits Capitalized*	392,699	19,105,061
4	Pension Expense Capitalized*	226,953	19,105,061
5	Payroll Taxes Expense Capitalized*	85,222	19,105,061
6	Fleet Expense Capitalization	59,496	19,105,061
7	Engineering (Charged from AGL Services Company)	291,019	19,105,061
8	A&G Supplies	17,180	19,105,061
9			
10			
11	TOTAL	1,396,227	

* Includes FCG and AGL Services Company allocated amounts.

**Capital Expenditures during FY2015 excluding overhead allocations.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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	Prepaid Odorant Costs	12,257
2	Florida Natural Gas Association Dues	34,854
3	Energy Conservation Program Rebates	310,218
4	Taxes	946,988
5	Misc. (debit balance in payroll deductions)	24
6		
7		
8	TOTAL	1,304,341

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	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31, 2015

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)	1,248,291	326,486	407	205,958	1,368,819
2	Deferred Piping (1)	611,192	39,947	912	220,880	430,259
3	Regulatory Asset - Pension (2)	520,120		926	164,249	355,871
4	AEP	12,415,704	2,096,731	407.3	1,183,923	13,328,512
5	Unrecovered Pension Benefit	969,735		401	118,745	850,990
6						
7						
8						
9						
10	(1) Amortization period - 10 years					
11	(2) Amortization period - 13.3 years					
12						
13						
14						
15						
16						
17	TOTAL	15,765,043	2,463,164		1,893,755	16,334,452

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	0	65,604			65,604
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses					
19	TOTAL					65,604

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

For the Year Ended
Dec. 31, 2015

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	549,994	493,584
2						
3	Bond refinance & issuance	6/5/2008	20,000,000	889,213	562,377	504,736
4						
5	Bond refinance & issuance	5/28/2010	20,000,000	181,507	136,837	122,802
6						
5	Bond refinance & issuance	2/26/2013	20,000,000	113,876	100,308	90,020
6						
7					1,349,516	1,211,142
8						
9						
10						
11						
12						
13						

*Amortization to FERC account 428.1 includes debits of $138,374 from FERC account 189.

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	Dec. 31, 2015

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.

Line 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	178,579	20,000,000
2	* Affiliate Promissory Note (1)	1/1/2005	1/1/2035	25,209,352	4.72%	3,032,950	64,249,854
3							
4	*Note balance is adjusted annually to align FCG capital structure with AGL Resources, Inc.'s capital structure.						
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			45,209,352		3,211,529	84,249,854

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	155,577	(15,957)	139,620
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

(1) Total of Account 427 and Account 430 is $3,306,810. This includes interest on revenue bonds of $178,579 interest on advances from associated companies of $3,032,950 and interest on short-term debt of $95,281.

(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, 2015

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	132,560
2	Variable Compensation	724,480
3	Escheated items	2,330
4		
5		
6		
7		
8		
9		
10		
11		
12		
13	TOTAL	859,370

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 (1)	720,791	182.3	367,993		352,798
2	Deferred PGA Liability	2,722,283	400	596,285		2,125,998
3	Regulatory Tax Liability	797	281	791		6
4						
5						
6						
7						
8	(1) Reclassified from 182.3 - Regulatory Assets for presentation purposes					
9						
10						
11						
12						
13	TOTAL	3,443,871		965,069	0	2,478,802

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

For the Year Ended
Dec. 31, 2015

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				537,727						537,727
2	State of Florida		1,734,010		8,752	2,651,396	401,193		1,937,671		6,733,020
3	AGL Services Company Allocation									227,795	227,795
4	Payroll Taxes Capitalized				(154,778)						(154,778)
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		1,734,010		391,701	2,651,396	401,193		1,937,671	227,795	7,343,764

Note: *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%							
4	7%							
5	10%							
6	8%	1,269		411.4	1,259		10	
7								
8								
9								
10	TOTAL	1,269			1,259		10	

Notes

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

For the Year Ended
Dec. 31, 2015

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				Adjustments				Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 410.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		
							Account No.	Amount	Account No.	Amount	
1	GAS										
2	Federal	4,712,387		477,533			219	9,120	283	61,805	5,137,235
3	State	670,534		79,666			219	1,516	283		751,716
4											
5											
6											
7											
8											
9											
10											
11	TOTAL Gas (Lines 2 - 10)	5,382,921		557,199				10,636		61,805	5,888,951
12	Other (Specify)										
13	TOTAL (Account 190) (Total of lines 11 and 12)	5,382,921		557,199				10,636		61,805	5,888,951

Notes

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

Line No.		Balance at Beginning of Year	Changes During Year				Adjustments				Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		
							Account No.	Amount	Account No.	Amount	
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	35,868,153	2,593,981						254	791	38,462,925
9	Other										
10	TOTAL Account 282 (Lines 7 thru 9)	35,868,153	2,593,981							791	38,462,925
11	Account 283 - Other										
12	Electric										
13	Gas	1,559,144					190	61,805			1,497,339
14	Other										
15	TOTAL Account 283 - Other (Lines 12 thru 14)	1,559,144						61,805			1,497,339
16	GAS										
17	Federal Income Tax	33,647,427	2,334,538				190	61,805			35,920,160
18	State Income Tax	3,779,870	259,443								4,039,313
19											
20	TOTAL Gas (Lines 17 thru 19)	37,427,297	2,593,981					61,805			39,959,473
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)	37,427,297	2,593,981					61,805		791	39,960,264

Notes

Name of Respondent	For the Year Ended
Pivotal Utility Holdings Inc. d/b/a Florida City Gas	December 31, 2015

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:		For the Year Ended
Pivotal Utility Holdings Inc. d/b/a Florida City Gas	(1) [x] An Original (2) [ ] A Resubmission		December 31, 2015

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

Net Income for Fiscal Year Ended December 31, 2015		5,380,470
Adjustments For Federal Income Tax Purposes		
Income on Return Not on Books:		
Contributions in Aid of Construction		$0
Expenses Booked Not Recorded on Return:		
Lobbying Expenses	43,517	
Fines and Penalties	1,000	
Meals and Entertainment	10,964	
		55,481
Deductions on Return Not Charged Against Book Income:		
Excess of allowable depreciation over that charged to depreciation and other book expenses	(7,904,508)	
Insurance Reserve	1,826	
Performance Cash	21,514	
Accrued Post Retirement Benefits	1,964	
Accrued bonus	30,628	
PUCHA Expenses	3,746	
Restricted Stock	14,063	
Leasehold Improvements	426,838	
Pension	622,343	
Bad Debts	165,059	
Current Federal Income Taxes	1,031,299	
Deferred Federal Income Taxes	1,857,005	
Deferred State Income Taxes	179,777	
Amortization of Deferred Investment Tax Credits	(1,259)	
Amortization of Pension and Transition Cost Reg. Assets	164,249	
		(3,385,455)
Total Net Adjustments for Federal Income Tax Purposes		(3,329,974)
Federal Taxable Income		$2,050,494
State Taxes		0
Show Computation to Tax		
Federal Taxable Income		$2,050,494
35% of Federal Taxable Income		717,673
Accrual to return and other adjustments		313,626
Current Federal Income Taxes at December 31, 2015		$1,031,299
Allocated Tax Per Tax Agreement		3,746
Total Current Federal Income Tax		1,035,045

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

For the Year Ended
December 31, 2015

GAS OPERATING REVENUES (Account 400)

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

Line No.	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)
1	**Gas Service Revenues**						
2	**Firm Sales Service**						
3	480 - Residential Sales	31,286,513	34,809,647	15,159,234	16,441,534	99,063	97,993
4	481 - Commercial & Industrial Sales	23,755,395	27,929,730	23,842,740	24,917,484	4,961	5,008
5	481						
6	481						
7	481						
8	481						
9	**Interruptible Sales Service**						
10	481 -						
11	481 -						
12	**Firm Transportation Service**						
13	489 - Commercial & Industrial Transp.	23,073,501	21,571,848	90,441,532	86,004,366	2,393	2,097
14	489						
15	489						
16	**Interruptible Transportation Serv.**						
17	489 - Industrial						
18	489						
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	TOTAL Sales to Ultimate Consumers	**78,115,409**	**84,311,225**	**129,443,506**	**127,363,384**	**106,417**	**105,098**
22	483 Sales for Resale						
23	Off-System Sales						
24	TOTAL Nat. Gas Service Revenues	78,115,409	84,311,225			Notes	
25	TOTAL Gas Service Revenues	78,115,409	84,311,225				
26	**Other Operating Revenues**						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	1,122,200	1,163,833				
29	488 Misc. Service Revenues	2,550,409	2,419,208				
30	489 Rev. from Trans. of Gas of Others						
31	not included in above rate schedules)						
32	493 Rent from Gas Property						
33	494 Interdepartmental Rents						
34	495 Other Gas Revenues						
35	Initial Connection						
36	Reconnect for Cause						
37	Collection in lieu of disconnect						
38	Returned Check						
39	Other - Damage Billing	210,760	169,999				
40	495.1 Overrecoveries Purchased Gas						
41	TOTAL Other Operating Revenues	3,883,369	3,753,040				
42	TOTAL Gas Operating Revenues	81,998,778	88,064,265				
43	(Less) 496 Provision for Rate Refunds						
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	81,998,778	88,064,265				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	$81,998,778	$88,064,265	129,443,506	127,363,384		

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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	21,933,508	27,878,392
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	(269,345)	407,794
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	21,664,163	28,286,186
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	16,343	16,343
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	16,343	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	(3,705)	(3,834)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(3,705)	(3,834)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	21,676,801	28,298,695
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	21,676,801	28,298,695
38	**2. Natural Gas Storage, Terminaling and Processing Expenses**		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	39,040	15,698
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	83,586	77,587
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)	122,626	93,285
43	**3. Transmission Expenses**		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	2,773	3,807
45			
46			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS			For the Year Ended December 31, 2015

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	3,162	293
50	871 Distribution Load Dispatching	29	230
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	1,818,664	1,316,405
54	875 Measuring and Regulating Station Expenses--General	888	1,264
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	85,945	114,235
57	878 Meter and House Regulator Expenses	586,605	616,103
58	879 Customer Installations Expenses	731,929	681,508
59	880 Other Expenses	287,341	299,475
60	881 Rents		
61	TOTAL Operation (Total of lines 49 through 60)	3,514,563	3,029,514
62	Maintenance		
63	885 Maintenance Supervision and Engineering	186	
64	886 Maintenance of Structures and Improvements		
65	887 Maintenance of Mains	246,490	294,716
66	888 Maintenance of Compressor Station Equipment	-	331
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	110,255	55,312
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial		
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	-	57
70	892 Maintenance of Services	312,979	159,222
71	893 Maintenance of Meters and House Regulators	234,247	355,770
72	894 Maintenance of Other Equipment	719	4,516
73	TOTAL Maintenance (Total of Lines 63 through 72)	904,876	869,924
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	4,419,439	3,899,438
75	**5. Customer Accounts Expenses**		
76	Operation		
77	901 Supervision		
78	902 Meter Reading Expenses	124,678	120,377
79	903 Customer Records and Collection Expenses	127,921	104,856
80	904 Uncollectible Accounts	603,529	569,600
81	905 Miscellaneous Customer Accounts Expenses	1,536	1,169
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	857,664	796,002
83	**6. Customer Service and Informational Expenses**		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses	6,069	7,525
87	909 Informational and Instructional Expenses	4,874,246	4,391,684
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	4,880,315	4,399,208
90	**7. Sales Expenses**		
91	Operation		
92	911 Supervision	57	106
93	912 Demonstrating and Selling Expenses	34,437	577
94	913 Advertising Expenses	16,147	29,667
95	916 Miscellaneous Sales Expenses		
96	TOTAL Sales Expenses (Total of lines 92 through 95)	50,641	30,350
97			

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS			For the Year Ended December 31, 2015

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	8,479,526	8,285,892
101	921 Office Supplies and Expenses	1,652,642	1,741,883
102	(Less) (922) Administrative Expenses Transferred--Credit	(1,797,648)	(2,536,434)
103	923 Outside Services Employed	1,761,575	2,022,954
104	924 Property Insurance	341,538	331,812
105	925 Injuries and Damages	176,658	275,297
106	926 Employee Pensions and Benefits	2,311,328	1,926,923
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	518,547	727,912
112	931 Rents	451,103	500,831
113	TOTAL Operation (Total of lines 100 through 112)	13,895,269	13,277,069
114	Maintenance		
115	932 Maintenance of General Plant	707,768	734,597
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	14,603,037	14,011,665
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	46,613,296	51,532,452
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)	11/1/2015
3	2. Total Regular Full-Time Employees	101
4	3. Total Part-Time and Temporary Employees	0
5	4. Total Employees	101
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

Dec. 31, 2015

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	37,043,977	21,933,508	$0.59
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases		(269,345)	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	37,043,977	21,664,163	$0.58

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	(8,055)	3,705
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL		(8,055)	3,705

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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	131,920
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	330,620
6	Fleet Expense Capitalization	(65,531)
7	Miscellaneous Expenses	3,113
8	Civic Participation	56,502
9	Board of Director Fees	61,923
10		
11		
12		
13		
14		
15		
16		
17		
18	TOTAL	518,547

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended Dec. 31, 2015

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	2,777		
6	Transmission	20		
7	Distribution	2,824,811		
8	Customer Accounts	250,839		
9	Customer Service and Informational			
10	Sales			
11	Administrative and General	2,967,349		
12	TOTAL Operation (Total of lines 5 through 11)	6,045,796		
13	Maintenance			
14	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	39,175		
15	Transmission	2,754		
16	Distribution	308,662		
17	Administrative and General	8,837		
18	TOTAL Maintenance (Total of lines 14 through 17)	359,428		
19	Total Operation and Maintenance	6,405,224		
20	Production - Manuftd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	41,952		
21	Transmission (Enter Total of lines 6 and 15)	2,774		
22	Distribution (Total of lines 7 and 16)	3,133,473		
23	Customer Accounts (Transcribe from line 8)	250,839		
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)	2,976,186		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	6,405,224		6,405,224
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	1,148,651		1,148,651
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	1,148,651		1,148,651
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	114,028		114,028
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	114,028		114,028
42				
43	Other Accounts (Specify):			
44				
45	Taxes other than Income	594,294		594,294
46	Misc payroll	6,781		6,781
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	601,075		601,075
54	TOTAL SALARIES AND WAGES	8,268,978		8,268,978

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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 medicel 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	12,687,946
2	PARAGO PROMOTIONAL SERVICES	Advertising	3,721,585
3	BUILDING MANAGEMENT SYSTEM, INC.	Engineering Services	2,168,343
4	INFRASOURCE UNDERGROUND CONSTRUCTION	Contractor	1,296,122
5	PATRIOT CNG	Fleet CNG Conversion Services	1,150,225
6	ALL ABOUT GAS SERVICE, LLC	Contractor	638,026
7	SOUTHEAST CONNECTIONS	Contractor	487,012
8	THREE21 CREATIVE LLC	Advertising	378,896
9	DOUBLE M INC	Contractor	260,506
10	SINGLEPOINT AG	Contractor	232,961
11	BGL ASSET SERVICES, LLC	Engineering Services	225,319
12	HEATH CONSULTANTS INC	Contractor	207,401
13	THE ASSOCIATED GAS DISTIBUTORS	Legal Services	205,826
14	KIMLEY-HORN AND ASSOCIATES, INC	Contractor	192,958
15	CARNAHAN, PROCTOR AND CROSS, INC	Engineering Services	192,571
16	INTELLICHOICE ENERGY, LLC	Contractor	172,407
17	QUALITY WELDING & FABRICATING	Contractor	171,862
18	PLAYER AND COMPANY	Contractor	150,300
19	MARLIN GAS TRANSPORT INC	Contractor	136,772
20	NEW ENERGY SERVICE, INC.	Contractor	115,322
21	E2 CONSULTING ENGINEERS, INC	Engineering Services	105,446
22	DST OUTPUT, LLC	It Services	99,872
23	TOMMY L. HORNSBY	Collection Services	78,066
24	W. W. WILLIAMS SOUTHEAST INC	Fleet CNG Conversion Services	75,048
25	BECK CONSTRUCTION LLC	Contractor	71,320
26	POND & COMPANY	Engineering Services	71,220
27	MELTON FUELING LLC	Fleet CNG Conversion Services	70,355
28	ITINERIS	IT Consulting	70,257
29	BROWN AND CALDWELL	Engineering Services	61,566
30	MCDANIEL TECHNICAL SERVICES INC	Contractor	60,342
31	VALTRONICS, INC	Engineering Services	57,446
32	GEORGIA NEWSPAPER SERVICES, INC	Advertising	55,187
33	MARKETING TALENT NETWORK	Marketing	54,558
34	EDGEN MURRAY CORPORATION	Contractor	52,788
35	MAGNOLIA RIVER SERVICES, INC	Engineering Services	47,675
36	INFOSYS TECHNOLOGIES LIMITED	IT Consulting	44,435
37	IMAGEN MARKETING AGENCY, INC	Advertising	41,715
38	RBB PUBLIC RELATIONS	Public Relations	40,994
39	A J IMAGES, INC	Marketing	38,202
40	EASY IVY, LLC	Contractor	37,800
41	TANNER COATINGS & PIPELINE SERVICE, INC.	Contractor	34,012
42	D BELL GENERAL CONTRACTING, LLC	Contractor	31,068
43	JOHNSON SERVICE GROUP, INC	Staffing and Recruiting	31,061
44	SHADY VENT CONSTRUCTION, LLC	Contractor	26,223
45	HUNT, GUILLOT & ASSOCIATES, LLC	CNG Infrastructure Design	25,737
46	CORESTAFF SERVICES	Staffing and Recruiting	25,125

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	(42,275)
4	Other Deductions	(1,423)
5		
6	TOTAL	(43,698)
7		
8	INTEREST ON DEBT TO ASSOCIATED COMPANIES (430)	
9	Interest on Money Pool Transactions	95,281
10	Affiliate Promissory Note	3,032,950
11		
12	TOTAL	3,128,231
13		
14	OTHER INTEREST EXPENSES (431):	
15	Interest on Customer Deposits (6% Residential / 6% Non Residential)	230,714
16	PGA (Average 0.10%)	1,917
17	ECP (Average 0.10%)	748
18	Financing Fees	4,826
19		
20		
21	TOTAL OTHER INTEREST EXPENSES	238,205

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	Dec. 31, 2015

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).

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	**Description**	**Gross Operating Revenues per Page 26**	**Interstate and Sales for Resale Adjustments**	**Adjusted Intrastate Gross Operating Revenues**	**Intrastate Gross Operating Revenues per RAF Return**	**Difference (d) - (e)**
1	Total Sales to Ultimate Customers (480-482, 484)	55,041,908		55,041,908	55,041,908	
2	Sales for Resale (483)					
3	Total Natural Gas Service Revenues	55,041,908		55,041,908	55,041,908	
4	Total Other Operating Revenues (485-495)	26,956,870		26,956,870	25,610,084	1,346,786
5	Total Gas Operating Revenues	81,998,778		81,998,778	80,651,992	1,346,786
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**	81,998,778		81,998,778	80,651,992	1,346,786

Notes:

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

Account	
Gas Management Fee	(35)
Lost and unaccounted for gas	2,468
Professional Service Expense	(908)
Damage Billing - Mains	102,479
Damage Billing - Services	108,281
AEP Carrying Charges	1,134,501
	1,346,786

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31 ,2015

CORPORATE STRUCTURE

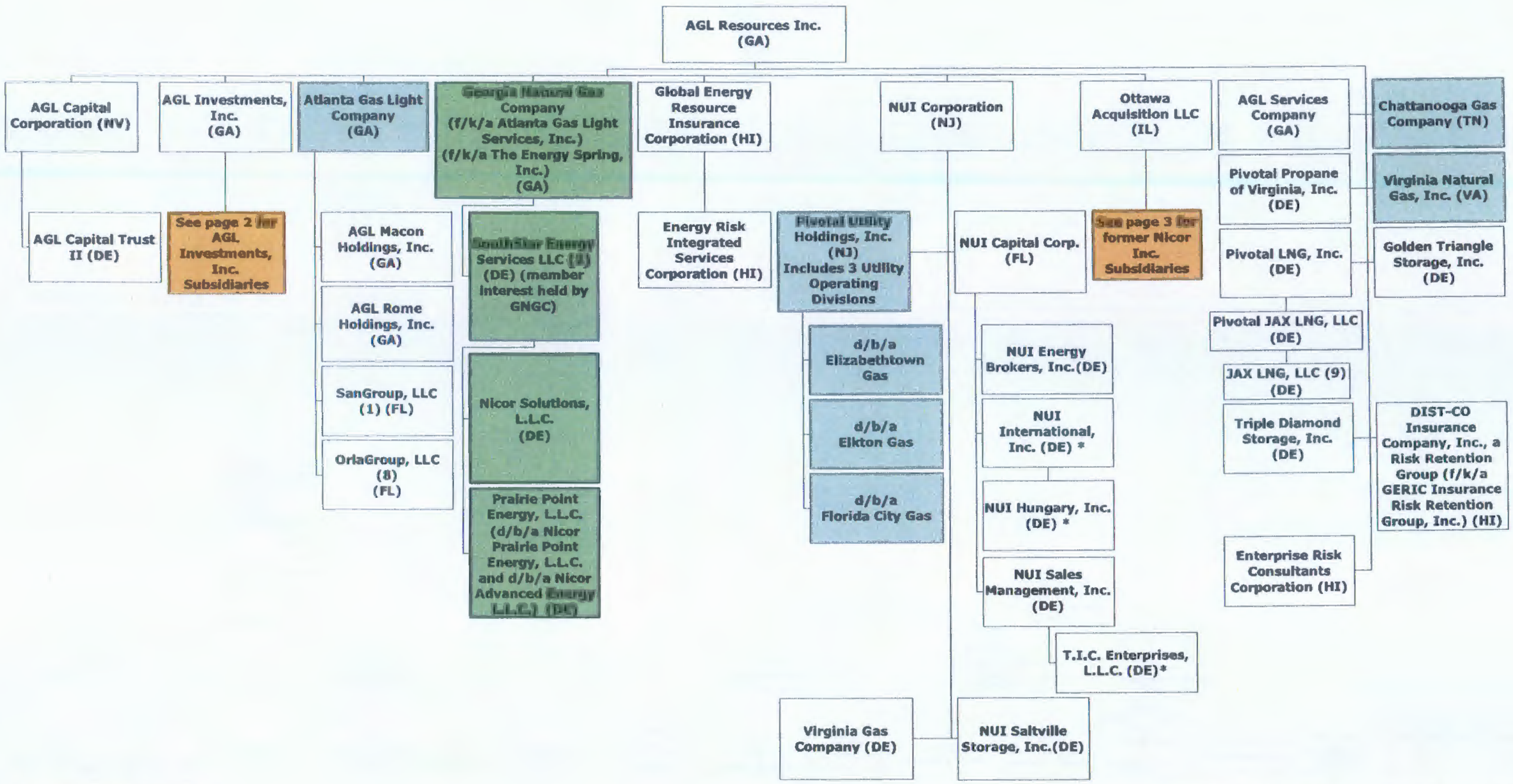
Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date: September 28, 2015

Please see attached.

AGL Resources

Office of the Corporate Secretary
AGL Resources Inc. - Corporate Organizational Chart
September 28, 2015



Denotes operating utility

Denote retail subsidiaries

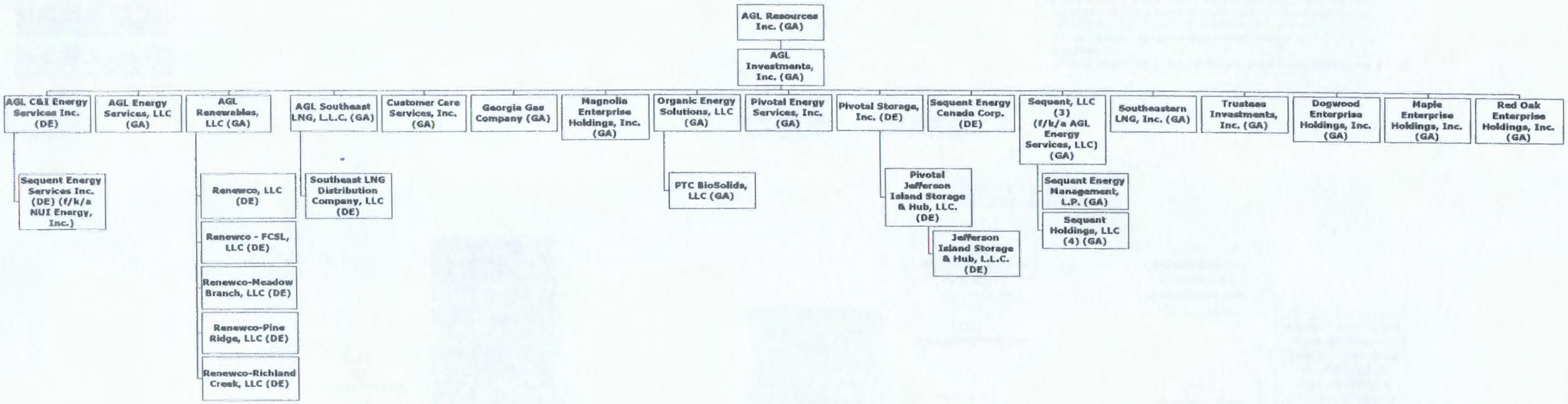
Denotes further subsidiaries

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

* Discontinued Operations

AGL Resources

Office of the Corporate Secretary
AGL Resources Inc. - Corporate Organizational Chart
September 28, 2015



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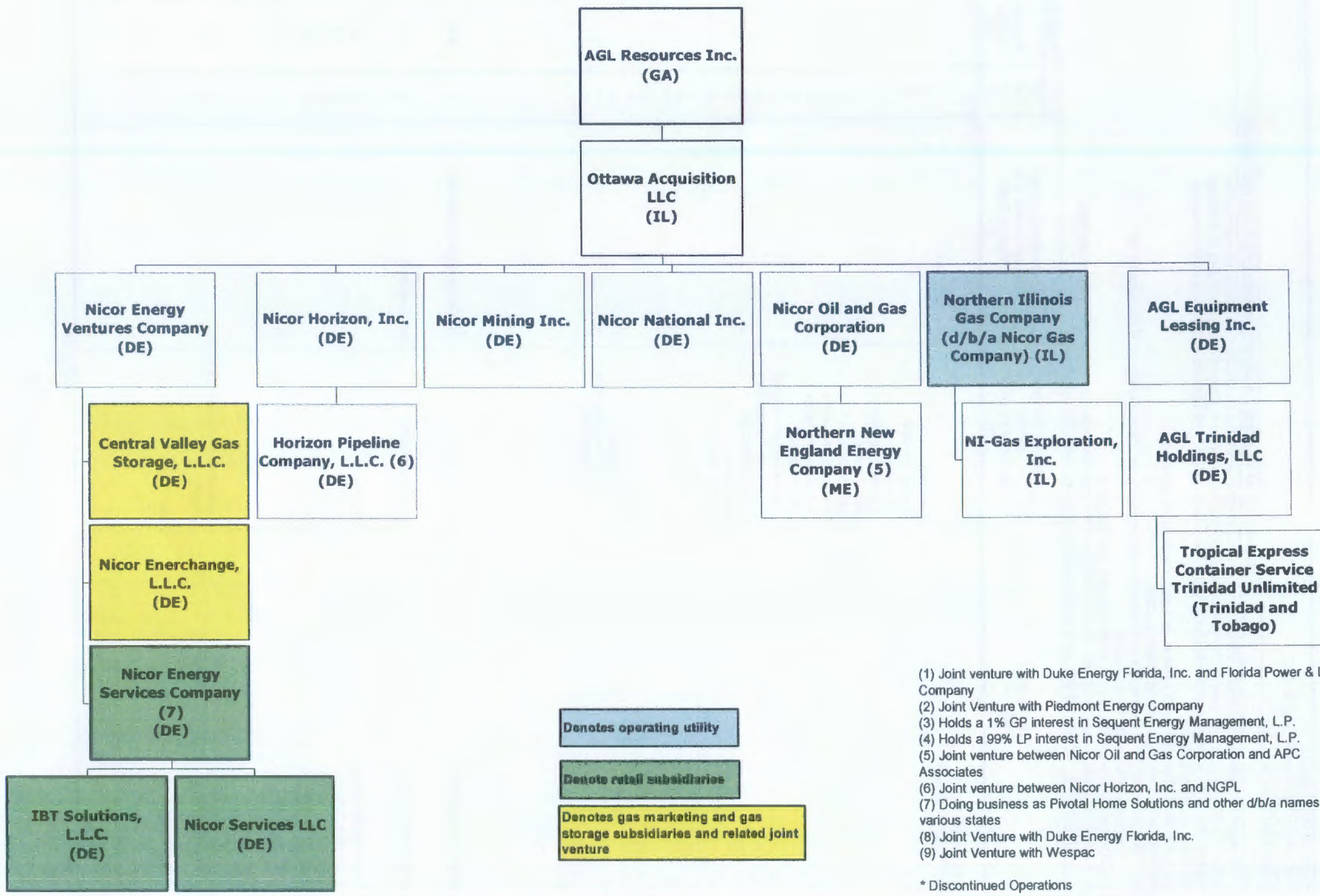
* Discontinued Operations

AGL Resources

Office of the Corporate Secretary

AGL Resources Inc. - Corporate Organizational Chart

September 28, 2015



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(9) Joint Venture with Wespac

* Discontinued Operations

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

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)
See Footnote:					
AGL Services Company		See Footnote 1			
	Executive		P		335,016
	External Relations		P		36,871
	Call Center		P		1,020,301
	Corporate Compliance		P		84,002
	Fleet Services		P		36,196
	Credit Collections		P		103,183
	Emergency Response		P		144,357
	Information Technology		P		2,017,621
	Direct Assigned		P		1,493,176
	Business Support Facilities		P		249,831
	Supply Chain Management		P		56,450
	Employee Services		P		478,097
	Engineering		P		394,038
	Financial Services		P		367,004
	Gas Supply		P		285,615
	Internal Auditing		P		53,878
	Legal		P		277,265
	Marketing		P		34,714
	Corporate		P		24,071
	Rates & Regulatory		P		63,190
	Corporate Communications		P		58,033
	Eng Stor Reg NonReg		P		14,116
Sequent Energy Mgmt. LP	Gas Purchase	Asset Management Agreement	P	804	20,615,967
AGL Services Company	Money Pool Interest	See Footnote 2	S	430	95,281
AGL Services Company	Payroll		P	107	227,769
AGL Services Company	Payroll		P	108	27
AGL Services Company	Payroll		P	121	196
AGL Services Company	Payroll		P	920	3,540
AGL Services Company	Gas Meter Transmetters/ Receivers		P	101	(559,090)
AGL Services Company	Software		P	121	39,792
	Total				28,050,505

Footnote:
(1) Represents charges per the AGL Services Co. agreement.
(2) 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, 2015

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
None	

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	20,615,967

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

For the Year Ended
December 31, 2015

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:		$	$	$	$	$	
AGL Services Company	Enterprise Software	39,792		39,792	(1)		
(1) No fair market value was determined. Value is assumed to approximate book value.							
Total						$	
Sales to Affiliates:		$	$	$	$	Sales Price	
AGL Services Company	ERTS Modules	542,695	16,395	526,301	(1)		
(1) No fair market value was determined. Value is assumed to approximate book value.							
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
Pamela Carmichael - AGLSC	FCG	Planner, RM	Supvervisor, Operations	Permanent

FCG - Florida City Gas
AGLSC - Atlanta Gas Light Services Company

Florida City Gas

(A division of Pivotal Utility Holdings, Inc., a wholly owned subsidiary of AGL Resources Inc.)

Financial Statements

For the years ended December 31, 2015 and 2014

Table of Contents

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Report of Independent Certified Public Accountants

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 AGL Resources, Inc.), which comprise the balance sheets as of December 31, 2015 and December 31, 2014, and the related statements of income and retained earnings for the years then ended, included on pages one through five 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with generally accepted 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 December 31, 2014, and the results of its operations for the years 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.

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

Emphasis of Matter

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.

Other Matter

Our 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, 2015	
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)				
Line No.	Title of Account (a)	Balance at Beginning of Year (c)	Balance at End of Year (d)	
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	342,371,710	353,922,625	(1)
3	Construction Work in Progress (107)	13,817,008	23,053,496	
4	TOTAL Utility Plant Total of lines 2 and 3)	356,188,718	376,976,121	
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	164,668,688	169,907,009	
6	Net Utility Plant (Total of line 4 less 5)	191,520,030	207,069,112	
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)	104,884	110,680	
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)	81,045	75,249	
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)	10,612,734	8,613,688	
24	Other Accounts Receivable (143)	156,881	284,242	
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	374,320	539,379	
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)	41,598	36,566	
32	Merchandise (155)			
33	Other Material and Supplies (156)			
34	Stores Expenses Undistributed (163)			
35	Gas Stored Underground & LNG Stored (164.1-164.3)	400,011	243,583	
36	Prepayments (165)	379,143	1,304,341	(2)
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)	11,216,047	9,943,041	
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	155,577	139,620	(2)
45	Extraordinary Property Losses (182.1)			
46	Unrecovered Plant and Regulatory Study Costs (182.2)			
47	Other Regulatory Assets (182.3)	15,765,043	16,334,452	
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)			
49	Clearing Accounts (184)			
50	Temporary Facilities (185)			
51	Miscellaneous Deferred Debits (186)	0	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)	1,349,516	1,211,142	(2)
55	Accumulated Deferred Income Taxes (190)	5,382,921	5,888,951	
56	Unrecovered Purchased Gas Costs (191)			
57	TOTAL Deferred Debits (Total of lines 44 through 56)	22,653,057	23,639,769	
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)	225,470,179	240,727,171	

Notes:

(1) 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.

(2) Unamortized Debt Expense (181) and Unamortized Loss on Debt Reacquired (189) revised for 2014 to include the current component for proper classification. These amounts had been included in Prepayments (165) in prior year.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS			For the Year Ended December 31, 2015

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	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)	50,979,920	61,710,068
5	Retained Earnings (215, 216, 219)	20,575,625	21,690,257
6	Unappropriated Undistributed Subsidiary Earnings (216.1)		
7	(Less) Reacquired Capital Stock (217)		
8	TOTAL Proprietary Capital (Total of lines 2 through 7)	71,555,545	83,400,325
9	LONG-TERM DEBT		
10	Bonds (221)	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)		
12	Advances from Associated Companies (223)	61,117,381	64,249,854
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)	81,117,381	84,249,854
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)	4,205,249	4,432,554
22	Accumulated Miscellaneous Operating Provisions (228.4)	79,944	81,770
23	Accumulated Provision for Rate Refunds (229)		
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)	4,285,193	4,514,324
25	CURRENT AND ACCRUED LIABILITIES		
26	Notes Payable (231)		
27	Accounts Payable (232)	2,226,304	2,701,885
28	Notes Payable to Associated Companies (233)		
29	Accounts Payable to Associated Companies (234)	15,452,758	13,734,456
30	Customer Deposits (235)	3,872,160	3,956,129
31	Taxes Accrued (236)	3,584,478	3,355,179
32	Interest Accrued (237)	489,212	644,805
33	Dividends Declared (238)		
34	Matured Long-Term Debt (239)		
35	Matured Interest (240)		
36	Tax Collections Payable (241)	1,025,442	871,768
37	Miscellaneous Current and Accrued Liabilities (242)	989,269	859,370
38	Obligations Under Capital Leases-Current (243)		
39			
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)	27,639,623	26,123,592
41	DEFERRED CREDITS		
42	Customer Advances for Construction (252)		
43	Other Deferred Credits (253)		
44	Other Regulatory Liabilities (254)	3,443,871	2,478,802
45	Accumulated Deferred Investment Tax Credits (255)	1,269	10
46	Deferred Gains from Disposition of Utility Plant (256)		
47	Unamortized Gain on Reacquired Debt (257)		
48	Accumulated Deferred Income Taxes (281-283)	37,427,297	39,960,264
49	TOTAL Deferred Credits (Total of lines 42 through 48)	40,872,437	42,439,076
50			
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)	225,470,179	240,727,171

Name of Respondent	For the Year Ended
PIVOTAL UTILITY HOLDINGS, INC.	
D/B/A FLORIDA CITY GAS	December 31, 2015

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)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME		
2	Operating Revenues (400)	81,998,778	88,064,265
3	Operating Expenses		
4	Operation Expenses (401)	44,982,124	49,908,671
5	Maintenance Expenses (402)	1,631,172	1,623,781
6	Depreciation Expense (403)	13,251,586	12,505,200
7	Amortization & Depletion of Utility Plant (404-405)		
8	Amortization of Utility Plant Acquisition Adjustment (406)	721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)		
10	Amortization of Conversion Expenses (407.2)	426,837	416,605
11	Regulatory Debits (407.3)	1,183,925	1,121,298
12	(Less) Regulatory Credits (407.4)		
13	Taxes Other Than Income Taxes (408.1)	7,343,765	7,416,435
14	Income Taxes - Federal (409.1)	1,032,041	1,686,871
15	- Other (409.1)	304,971	633,373
16	Provision for Deferred Income Taxes (410.1)	2,036,782	2,183,430
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)		
18	Investment Tax Credit Adjustment - Net (411.4)	(1,259)	(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)	72,913,839	78,216,300
23	Net Utility Operating Income (Total of line 2 less 22) (Carry forward to page 9, line 25)	9,084,939	9,847,965

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS		For the Year Ended December 31, 2015		

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	TOTAL Current Year (c)	TOTAL Previous Year (d)	
24	Net Utility Operating Income (Carried forward from page 8)	9,084,939	9,847,965	
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)	(27,186)	
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)	0	327	(1)
35	Allowance for Other Funds Used During Construction (419.1)			
36	Miscellaneous Nonoperating Income (421)	7,415	(14,402)	(1)
37	Gain on Disposition of Property (421.1)	499	256	(1)
38	TOTAL Other Income (Total of lines 29 through 38)	94,210	(41,005)	
39	Other Income Deductions			
40	Loss on Disposition of Property (421.2)	(52,754)	(16,236)	(1)
41	Miscellaneous Amortization (425)			
42	Miscellaneous Income Deductions (426.1-426.5)	(43,698)	(58,663)	
43	TOTAL Other Income Deductions (Total of lines 41 through 43)	(96,452)	(74,899)	
44	Taxes Applicable to Other Income and Deductions			
45	Taxes Other Than Income Taxes (408.2)			
46	Income Taxes - Federal (409.2)	(3,004)	(1,932)	
47	Income Taxes - Other (409.2)	123	6,375	
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)	4,443	
53	Net Other Income and Deductions (Total of lines 39,44,53)	(5,123)	(111,461)	
54	**Interest Charges**			
55	Interest on Long-Term Debt (427)	178,579	173,038	
56	Amortization of Debt Discount and Expense (428)	15,957	15,957	
57	Amortization of Loss on Reacquired Debt (428.1)	138,374	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)	3,128,231	2,724,796	
61	Other Interest Expense (431)	238,205	234,584	
62	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)			
63	Net Interest Charges (Total of lines 56 through 63)	3,699,346	3,286,749	
64	Income Before Extraordinary Items (Total of lines 25, 54 and 64)	5,380,470	6,449,755	
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)	5,380,470	6,449,755	

(1) Interest and Dividend Income (419), Miscellaneous Nonoperating Income (421), Gain on Disposition of Property (421.1) and Loss on Disposition of Property (421.2) revised for 2014 to reflect proper account classification.

Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	For the Year Ended December 31, 2015

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		20,575,625
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)		5,380,470
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(4,248,900)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	Other Comprehensive Income		(16,938)
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		21,690,257
	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)		21,690,257

Note 1 - Organization and Basis of Presentation

General

Florida City Gas is an operating division of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly owned subsidiary of AGL Resources Inc. (AGL Resources). Unless the context requires otherwise, references to "we," "us," "our" or the "company" mean Florida City Gas. We are primarily engaged in the distribution of natural gas to approximately 106,600 residential, commercial and industrial customers in Florida's Miami-Dade and Brevard counties.

Basis of Presentation

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, deferred income taxes 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 AGL Resources 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 our 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.

Certain amounts from prior periods have been reclassified to conform to the current period presentation. The reclassifications had no material impact on our prior period balances

Note 2 - Proposed Merger with Southern Company

On August 23, 2015, AGL Resources entered into an Agreement and Plan of Merger (Merger Agreement) with The Southern Company (Southern Company) and a new wholly owned subsidiary of Southern Company (Merger Sub), providing for the merger of Merger Sub with and into AGL Resources, with AGL Resources surviving as a wholly owned subsidiary of Southern Company. At the effective time of the merger each share of AGL Resources' common stock, other than certain excluded shares, will convert into the right to receive $66 in cash, without interest, less any applicable withholding taxes. Following the effective time of the merger, we will remain a wholly owned subsidiary of AGL Resources who will become a wholly owned, direct subsidiary of Southern Company.

Completion of the merger remains subject to various closing conditions, including, among others (i) the receipt of required regulatory approvals from the Federal Communications Commission, California Public Utilities Commission, Georgia Public Services Commission, Illinois Commerce Commission, Maryland Public Service Commission and New Jersey Board of Public Utilities, and such approvals having become final orders and (ii) the absence of a judgment, order, decision, injunction, ruling or other finding or agency requirement of a governmental entity prohibiting the closing of the merger. To date, the following closing conditions have been satisfied.

- The Virginia State Corporation Commission approved the proposed merger on February 23, 2016;
- The waiting period under the Hart-Scott-Rodino Act expired on December 4, 2015; and
- At a special meeting of shareholders held on November 19, 2015, the proposed merger was approved by the shareholders of AGL Resources.

AGL Resources and Southern Company have made joint filings seeking regulatory approval of the proposed merger with all of the required state regulatory agencies.

Note 3 - Significant Accounting Policies and Methods of Application

Cash Management Money Pool

We participate in AGL Resources' utility money pool, under which we make short-term borrowings from the money pool and contribute surplus funds to the money pool. Our borrowings from the money pool are recorded as borrowings from associated companies in our Balance Sheets and interest on debt to associated companies is recorded in net interest charges in our Statements of Income.

Receivables and Allowance for Uncollectible Accounts

Our trade receivables consist primarily of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and our accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for uncollectible accounts based on our collection experience and other factors. For our remaining receivables if we are aware of a specific customer's inability to pay, we record an allowance for uncollectible accounts against amounts due to reduce the receivable balance to the amount we reasonably expect to collect. If circumstances change, our estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, customer deposits and general economic conditions. Customers' accounts are written off once we deem them to be uncollectible.

Inventories

Our natural gas inventories are carried at cost on a weighted average cost of gas basis. The inventory balance of natural gas stored underground was $244,000 and $400,000 at December 31, 2015 and 2014, respectively.

Regulated Operations

We account for the financial effects of regulation in accordance with authoritative guidance related to regulated entities whose rates are designed to recover the costs of providing service. In accordance with this guidance, incurred costs that would otherwise be charged to expense in the current period are capitalized as regulatory assets when it is probable that such costs will be recovered in rates in the future. Similarly, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for estimated expenditures that have not yet been incurred. Generally, regulatory assets and regulatory liabilities are amortized into our Statements of Income over the period authorized by the regulatory agencies.

Fair Value Measurements

We have financial and nonfinancial assets and liabilities subject to fair value measurement. The carrying values of receivables, due to affiliates, accounts payable, other current assets and liabilities and accrued interest approximate fair value. See Note 5 for additional fair value disclosures.

As defined in the authoritative guidance related to fair value measurements and 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). We utilize 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. We primarily apply the market approach for recurring fair value measurements to utilize the best available information. Accordingly, we use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We classify fair value balances 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. Our Level 1 items consist of exchange-traded derivatives, 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. We obtain market price data from multiple sources in order to value some of our Level 2 transactions and this data is representative of transactions that occurred in the marketplace. Instruments in this category include shorter tenor exchange-traded and non-exchange-traded derivatives such as over-the-counter forwards and options and 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. Our Level 3 assets, liabilities and any applicable transfers are primarily related to our pension and welfare benefit plan assets as described in Note 5 and Note 6. We determine both transfers into and out of Level 3 using values at the end of the quarterly period in which the transfer occurred.

The authoritative guidance related to fair value measurements and disclosures also includes a two-step process to determine whether the market for a financial asset is inactive or a transaction is distressed. Currently, this authoritative guidance does not affect us as our derivative instruments are traded in active markets.

Debt

We estimate the fair value of debt using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality and risk profile. In determining the market interest yield curve, we consider our currently assigned ratings for unsecured debt.

Property, Plant and Equipment (PP&E)

Our PP&E consists of property and equipment that is currently in use, being held for future use and currently under construction. We report PP&E at its original cost, which includes:

- material and labor;
- contractor costs; and
- construction overhead costs.

We do not recognize gains or losses on depreciable utility property that is retired or otherwise disposed, as required under the composite depreciation method. Such gains and losses are ultimately refunded to or recovered from customers through future rate adjustments.

Depreciation Expense

We compute depreciation expense by applying composite straight-line rates (approved by the Florida Commission) to the investment in depreciable property. The composite depreciation rate was 3.9% for 2015 and 2014.

Acquisition Adjustment

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

In thousands		
December 31, 2013	$	6,617
2014 amortization expense		722
December 31, 2014	$	7,339
2015 amortization expense		722
December 31, 2015	$	8,061

Accounting for Retirement Benefit Plans

Our employees participate in the AGL Resources' Retirement Plan (AGL Plan) and the Health and Welfare Plan for Retirees and Inactive Employees of AGL Resources Inc. (AGL Welfare Plan). We account for our participation in AGL Resources' retirement benefit plans under the multiple employer method of accounting. We are responsible for our share of plan costs and obligations and are entitled to our share of plan assets.

We recognize the funded status of our plans as an asset or a liability on our Balance Sheets, measuring the plans' assets and obligations that determine our funded status as of the end of the fiscal year. We generally recognize, as a component of other comprehensive income (OCI), the changes in funded status that occurred during the year that are not yet recognized as part of net periodic benefit cost. The assets of our retirement plans are measured at fair value within the funded status and are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement.

In determining net periodic benefit cost, the expected return on plan assets component is determined by applying our expected return on assets to a calculated asset value, rather than to the fair value of the assets as of the end of the previous fiscal year. For more information, see Note 6. In addition, we have elected to amortize gains and losses caused by actual experience that differ from our assumptions into subsequent periods. The amount to be amortized is the amount of the cumulative gain or loss as of the beginning of the year, excluding those gains and losses not yet reflected in the calculated value, that exceeds 10 percent of the greater of the benefit obligation or the calculated asset value. The amortization period is the average remaining service period of active employees.

Taxes

Income Taxes We do not file our own federal income tax returns; instead, our pre-tax income is included in AGL Resources' consolidated U.S. federal income tax return and various state income tax returns. Income taxes are allocated to us pursuant to the AGL Resources Inc. Tax Allocation Agreement and are based upon the tax liability that would have been incurred on a separate company basis. AGL Resources is no longer subject to income tax examinations by the Internal Revenue Service or any state for years prior to 2012.

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal difference between net income and taxable income relates to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We report the tax effects of depreciation and other temporary differences as deferred income tax assets or liabilities in our Balance Sheets.

We have current and deferred income taxes in our Statements of Income. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense is generally equal to the changes in the deferred income tax liability and regulatory tax liability during the year.

Investment and Other Tax Credits Deferred investment tax credits have been recorded as deferred credits in our Balance Sheets. There were no material investment tax credits for year ended December 31, 2015 and approximately $1,000 at December 31, 2014, which were previously deducted for income tax purposes, have been deferred for financial accounting purposes. These investment tax credits are being amortized over the estimated life of the related properties as credits to income tax expense in accordance with regulatory requirements.

Accumulated Deferred Income Tax Assets and Liabilities As noted above, we report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our Balance Sheets. We measure these deferred income tax assets and liabilities using enacted income tax rates.

Regulatory Income Tax Liability We measure deferred income tax assets and liabilities using enacted income tax rates. Thus, when the statutory income tax rate declines before a temporary difference has fully reversed, the deferred income tax liability must be reduced to reflect the newly enacted income tax rates. However, the amount of the reduction is transferred to our regulatory income tax liability, which we amortize over the lives of the related properties as the temporary difference reverses or approximately 30 years.

Income Tax Benefits The authoritative guidance related to income taxes requires us to determine whether tax benefits claimed or expected to be claimed on our tax return should be recorded in our financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Uncertain Tax Positions We recognize accrued interest related to uncertain tax positions in interest expense and penalties in operating expenses in our Statements of Income. There were no uncertain tax positions during the twelve months ended December 31, 2015 or 2014.

Tax Collections We do not collect income taxes from our customers on behalf of governmental authorities, but do collect and remit various other taxes on behalf of various governmental authorities. In the state of Florida, we record such taxes as operating expenses and the corresponding customer charges as operating revenues. These taxes were immaterial for all periods presented.

Revenues

We record revenues when goods or services are provided to customers. Those revenues are based on rates approved by the Florida Commission. Our rate structure includes a volumetric rate design which allows for 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 gas not yet billed to these customers, from the last bill date to the end of the accounting period.

Cost of Goods Sold

We charge our customers for natural gas consumed using natural gas cost recovery mechanisms set by the Florida Commission. Under these mechanisms, all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. In accordance with the authoritative guidance for rate-regulated entities, we defer or accrue (that is, include as an asset or liability in our Balance Sheets and exclude from or include in our Statements of Income, respectively) the difference between the actual cost of goods sold and the amount of commodity revenue earned in a given period, such that no operating profit is recognized related to these costs. The deferred or accrued amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. For more information see Note 4.

Operating Leases

We have certain operating leases with provisions for step rent or escalation payments and certain lease concessions. We account for these leases by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms, in accordance with authoritative guidance related to leases. This accounting treatment does not affect the future annual operating lease cash obligations. For more information, see Note 8.

Use of Accounting Estimates

The preparation of our financial statements in accordance with the accounting requirements of the FERC requires us to use judgment and make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our estimates may involve complex situations requiring a high degree of judgment either in the application and interpretation of existing literature or in the development of estimates that impact our financial statements. The most significant estimates relate to our regulatory accounting, uncollectible accounts and other allowance for contingent losses, unbilled revenue recognition, retirement plan benefit obligations and provisions for income taxes. We evaluate our estimates on an ongoing basis and our actual results could differ from our estimates.

Accounting Developments

In May 2014, the FASB updated to authoritative guidance related to revenue from contracts with customers. The update replaces most of the existing guidance with a single set of principles for recognizing revenue from contracts with customers. In July 2015, the FASB delayed the effective date by one year and the guidance will be effective for us beginning January 1, 2018. Early adoption of the standard is permitted, but not before the original effective date of December 15, 2016. The new guidance must be applied retrospectively to each prior period presented or via a cumulative effect upon the date of initial application. We have not yet determined the impact of this new guidance, nor have we selected a transition method.

In April 2015, the FASB issued authoritative guidance related to the accounting for fees paid in connection with arrangements with cloud-based software providers. Under the new guidance, unless a software arrangement includes specific elements enabling customers to possess and operate software on platforms other than that offered by the cloud-based provider, the cost of such arrangements is to be accounted for as an operating expense of the period incurred. The new guidance was applied prospectively and became effective for us on January 1, 2016. We have determined that this new guidance will not have a material impact on our financial statements.

Note 4 - Regulated Operations

Regulatory Assets and Liabilities

Our regulatory assets and liabilities reflected within our Balance Sheets as of December 31 are summarized in the following table.

In thousands		2015		2014
Regulatory long-term assets				
Recoverable regulatory infrastructure program costs	$	13,329	$	12,416
Deferred customer conversion costs		1,369		1,248
Unamortized loss on reacquired debt		1,211		1,350
Recoverable retiree welfare benefit costs		851		970
Deferred natural gas costs		430		611
Pension costs - AGL Resources Acquisition		356		520
Total regulatory long-term assets	$	17,546	$	17,115
Regulatory long-term liabilities				
Deferred natural gas costs	$	2,126	$	2,722
Energy conservation program		353		721
Unamortized investment tax credits		—		1
Regulatory income tax liability		—		1
Total regulatory long-term liabilities		2,479		3,445

Base rates are designed to provide the opportunity to recover cost and earn a return on investment during the period rates are in effect. As such, all of our regulatory assets recoverable through base rates are subject to review by the Florida Commission during future rate proceedings. We are not aware of evidence that these costs will not be recoverable through either rate riders or base rates, and we believe that we will be able to recover such costs consistent with our historical recoveries.

In the event that the provisions of authoritative guidance related to regulated operations were no longer applicable, we would recognize a write-off of regulatory assets that would result in a charge to net income. Additionally, while some regulatory liabilities would be written off, others would continue to be recorded as liabilities, but not as regulatory liabilities.

Although our industry is competing with alternative fuels, we continue to recover our costs through cost-based rates established by the Florida Commission. As a result, we believe that the accounting prescribed under the guidance remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider or proceeding. The regulatory liabilities that do not represent revenue collected from customers for expenditures that have not yet been incurred are refunded to ratepayers through a rate rider or base rates. If the regulatory liability is included in base rates, the amount is reflected as a reduction to the rate base used to periodically set base rates.

Recoverable Regulatory Infrastructure Program Costs In 1995, the Florida Commission approved a tariff that allows us 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.

During the second half of 2012, we developed a project that makes use of the Area Extension Program Charge (AEP) provided for in the company's tariff. Under the AEP, we are 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 Our 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.

Deferred/Accrued Natural Gas Costs We charge our utility customers for natural gas consumed using natural gas cost recovery mechanisms established by the Florida Commission. Under these mechanisms, all prudently incurred natural gas costs are passed through to customers without markup, subject to regulatory review. We defer or accrue the difference between the actual cost of gas and the amount of commodity revenue earned in a given period, such that no operating profit is recognized related to these costs. The deferred or accrued amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

Regulatory Infrastructure Programs

The majority of our regulatory assets and liabilities listed in the preceding table 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.

The Florida Commission approved our Safety, Access and Facility Enhancement program in September 2015. Under the program, we will spend approximately $10 million annually over a 10-year period on infrastructure relocation and enhancement projects. Costs incurred under the program will be recovered through a rate rider with annual rate adjustments and true-ups. In October 2015, We began spending under the program and plant in service associated with work in the fourth quarter of 2015 will be included in the calculation of rates beginning January 1, 2016.

Note 5 - Fair Value Measurements

The methods used to determine the fair values of our assets and liabilities are described within Note 3.

Retirement Benefit Plan Assets

As further described in Note 3, our employees participate in AGL Resources' retirement benefit plans. The following tables reflect our pro rata share of the assets of the AGL Plan and the AGL Welfare Plan.

The target pension asset allocations are 70% to 95% equity, 5% to 20% fixed income, and up to 10% cash for both periods. The plans' investment policies provide for some variation in these targets. The actual asset allocations of our pro rata share of the AGL Plan and the AGL Welfare Plan are presented in the following table by Level within the fair value hierarchy.

	December 31, 2015									
	Pension plans					Welfare plans				
In thousands	Level 1	Level 2	Level 3	Total	% of total	Level 1	Level 2	Level 3	Total	% of total
Cash	$ 36	$ 3	$ —	$ 39	1%	$ 14	$ —	$ —	$ 14	1%
Equity securities:										
U.S. large cap (1)	$ 651	$1,743	$ —	$2,394	32%	$ —	$ 752	$ —	$ 752	58%
U.S. small cap (1)	499	211	—	710	9	—	—	—	—	—
International companies (2)	—	1,094	—	1,094	15	—	226	—	226	17
Emerging markets (3)	—	242	—	242	3	—	—	—	—	—
Total equity securities	$1,150	$3,290	$ —	$4,440	59%	$ —	$ 978	$ —	$ 978	75%
Fixed income securities:										
Corporate bonds (4)	$ —	$ 791	$ —	$ 791	10%	$ —	$ 317	$ —	$ 317	24%
Other (or gov't/muni bonds)	—	1,320	—	1,320	18	—	—	—	—	—
Total fixed income securities	$ —	$2,111	$ —	$2,111	28%	$ —	$ 317	$ —	$ 317	24%
Other types of investments:										
Global hedged equity (5)	$ —	$ —	$ 352	$ 352	5%	$ —	$ —	$ —	$ —	—%
Absolute return (6)	—	—	373	373	5	—	—	—	—	—
Private capital (7)	—	—	172	172	2	—	—	—	—	—
Total other investments	—	—	897	897	12%	—	—	—	—	—%
Total assets at fair value	$1,186	$5,404	$ 897	$7,487	100%	$ 14	$1,295	$ —	$1,309	100%
% of fair value hierarchy	16%	72%	12%	100%		1%	99%	—%	100%	

	December 31, 2014									
	Pension plans					Welfare plans				
In thousands	Level 1	Level 2	Level 3	Total	% of total	Level 1	Level 2	Level 3	Total	% of total
Cash	$ 33	$ 8	$ —	$ 41	1%	$ 8	$ —	$ —	$ 8	1%
Equity securities:										
U.S. large cap (1)	$ 789	$1,686	$ —	$2,475	33%	$ —	$ 424	$ —	$ 424	57%
U.S. small cap (1)	631	199	—	830	11	—	—	—	—	—
International companies (2)	—	1,021	—	1,021	13	—	132	—	132	18
Emerging markets (3)	—	257	—	257	3	—	—	—	—	—
Total equity securities	$1,420	$3,163	$ —	$4,583	60%	$ —	$ 556	$ —	$ 556	75%
Fixed income securities:										
Corporate bonds (4)	$ —	$1,935	$ —	$1,935	25%	$ —	$ 183	$ —	$ 183	24%
Other (or gov't/muni bonds)	—	274	—	274	4	—	—	—	—	—
Total fixed income securities	$ —	$2,209	$ —	$2,209	29%	$ —	$ 183	$ —	$ 183	24%
Other types of investments:										
Global hedged equity (5)	$ —	$ —	$ 241	$ 241	3%	$ —	$ —	$ —	$ —	—%
Absolute return (6)	—	—	349	349	5	—	—	—	—	—
Private capital (7)	—	—	166	166	2	—	—	—	—	—
Total other investments	$ —	$ —	$ 756	$ 756	10%	$ —	$ —	$ —	$ —	—%
Total assets at fair value	$1,453	$5,380	$ 756	$7,589	100%	$ 8	$ 739	$ —	$ 747	100%
% of fair value hierarchy	19%	71%	10%	100%		1%	99%	—%	100%	

(1) Includes funds that invest primarily in U.S. common stocks.
(2) Includes funds that invest primarily in foreign equity and equity-related securities.
(3) Includes funds that invest primarily in common stocks of emerging markets.
(4) Includes funds that invest primarily in investment grade debt and fixed income securities.
(5) Includes funds that invest in limited / general partnerships, managed accounts, and other investment entities issued by non-traditional firms or "hedge funds."
(6) Includes funds that invest primarily in investment vehicles and commodity pools as a "fund of funds."
(7) 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 our pension plan assets in Level 3 of the fair value hierarchy.

In thousands	Global hedged equity	Absolute return	Private capital	Total
Balance at December 31, 2013	$ 371	$ 337	$ 190	$ 898
Actual return on plan assets	7	12	14	33
Sales	(137)	—	(38)	(175)
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 for any of the periods presented.

Debt

Our long-term debt is recorded at amortized cost. Our long-term debt consists of $20 million variable-rate-revenue bonds and $64 million in advances from associated companies where the carrying value approximates fair value. The following table presents the carrying amount and fair value of our long-term debt as of December 31.

In thousands	2015	2014
Long-term debt carrying amount	$ 84,250	$ 81,117
Long-term debt fair value (1)	84,250	81,117

(1) Fair value determined using Level 2 inputs.

Note 6 - Employee Benefit Plans

As further described in Note 3, our employees participate in AGL Resources' retirement benefit plans. The following disclosures reflect our balances and activity in the AGL Plan and the AGL Welfare Plan under the multiple employer method of accounting.

Investment Policies, Strategies and Oversight of Plans

The Retirement Plan Investment Committee which is appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of AGL Resources' defined benefit retirement plans. Further, AGL Resources has an Investment Policy (the Policy) for its pension and welfare benefit plans whose goal is to preserve these plans' capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the plans' assets are managed to optimize long-term return while maintaining a high standard of portfolio quality and diversification.

In developing AGL Resources' allocation policy for the pension and welfare plan assets, they examined projections of asset returns and volatility over a long-term horizon. In connection with this analysis, AGL Resources evaluated the risk and return trade-offs of alternative asset classes and asset mixes given long-term historical relationships as well as prospective capital market returns. They also conducted an asset-liability study to match projected asset growth with projected liability growth to determine whether there is sufficient liquidity for projected benefit payments. AGL Resources developed the asset mix guidelines by incorporating the results of these analyses with an assessment of their risk posture, and taking into account industry practices. They periodically evaluate their investment strategy to ensure that plan assets are sufficient to meet the benefit obligations of the plans. As part of the ongoing evaluation, AGL Resources may make changes to their targeted asset allocations and investment strategy.

AGL Resources' investment strategy is designed to meet the following objectives:

- Generate investment returns that, in combination with funding contributions, provide adequate funding to meet all current and future benefit obligations of the plans.
- Provide investment results that meet or exceed the assumed long-term rate of return, while maintaining the funded status of the plans at acceptable levels.
- Improve funded status over time.
- Decrease contribution and expense volatility as funded status improves.

To achieve these investment objectives, AGL Resources' investment strategy is divided into two primary portfolios of return seeking and liability hedging assets. Return seeking assets are intended to provide investment returns in excess of liability growth and reduce deficits in the funded status of the plans, while liability hedging assets are intended to reflect the sensitivity of the liabilities to changes in discount rates.

See Note 5 for a detailed listing of the investment types, amounts and percentages allocated to the plans. AGL Resources will continue to diversify retirement plan investments to minimize the risk of large losses in a single asset class. There is no concentration of assets in a single entity, industry, country, commodity or class of investment fund. The permissible investments of the Policy include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income securities (corporate and government obligations), cash and cash equivalents and other investments.

Equity market performance and corporate bond rates have a significant effect on our reported funded status. Changes in the projected benefit obligation and accumulated postretirement benefit obligation (APBO) are mainly driven by the assumed discount rate. Additionally, equity market performance has a significant effect on AGL Resources' market-related value of plan assets (MRVPA), which is used by the AGL Plan to determine the expected return on the plan assets component of net annual pension cost. The MRVPA is a calculated value. Gains and losses on plan assets are spread through the MRVPA based on the five-year smoothing weighted average methodology.

Pension and Welfare Benefits

We participate in the AGL Plan, which is a tax-qualified defined benefit retirement plan covering eligible employees. A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant, including information related to the participant's earnings history, years of service and age. Substantially all of our employees who were employed on or before December 31, 2005 participate in this plan. Florida City Gas union employees, who until February 2008 participated in a union-sponsored multiemployer plan, became eligible to participate in the AGL Plan in February 2008. The AGL Plan provides pension benefits to these participants based on years of credited service and final average compensation as of the plan freeze date. Effective December 31, 2005, participation and benefit accrual under the Employees' Retirement Plan of NUI Corporation were frozen. As of January 1, 2006, former participants in that plan became eligible to participate in the AGL Plan.

We also participate in the AGL Welfare Plan which is a defined benefit retiree health care plan. Eligibility for these benefits is based on date of hire, age and years of service. The AGL Welfare Plan provides medical coverage and life insurance benefits to our eligible retired employees and includes a limit on the employer share of cost for employees hired after 1982. Effective March 18, 2014, the AGL Welfare Plan was closed to new employees hired on or after that date.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides for a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Prescription drug coverage for our Medicare-eligible population is provided through an Employer Group Waiver Plan.

We recorded a regulatory asset for anticipated future recoveries of $851,000 and $970,000 as of December 31, 2015 and 2014, respectively. In addition, we recorded a liability of $136,000 and $75,000 as of December 31, 2015 and 2014, respectively, for our expected expenses.

Assumptions

AGL Resources considered a variety of factors in determining and selecting the assumptions used to determine the discount rates at December 31. At the end of 2015, they changed the method used to estimate the service and interest cost components of net periodic benefit cost for their defined benefit pension and other postretirement benefit plans. Historically, AGL Resources estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. AGL Resources has elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

Our pro rata portion of the cost components of the pension and welfare costs for the years ended December 31, are set forth in the following table.

	Pension plan		Welfare plan	
Dollars in thousands	2015	2014	2015	2014
Service cost	$ 327	$ 278	$ 13	$ 13
Interest cost	671	706	63	63
Expected return on plan assets	(779)	(786)	(113)	(105)
Net amortization of prior service credit (cost)	(79)	(83)	4	5
Recognized actuarial loss	459	328	41	23
Net periodic benefit cost	$ 599	$ 443	$ 8	$ (1)
Assumptions used to determine benefit costs (1)				
Discount rate	4.2%	5.0%	4.0%	4.7%
Expected return on plan assets	7.8	7.8	7.8	7.8
Rate of compensation increase	3.7	3.7	3.7	3.7

(1) Rates are presented on a weighted average basis

The following tables present details about our pension and welfare plans.

	Pension plan		Welfare plan	
Dollars in thousands	2015	2014	2015	2014
Change in plan assets				
Fair value of plan assets, January 1,	$ 7,524	$ 7,829	$ 1,433	$ 1,558
Actual return on plan assets	729	485	13	(125)
Employer contributions	—	—	71	75
Benefits paid	(848)	(790)	(71)	(75)
Fair value of plan assets, December 31,	$ 7,405	$ 7,524	$ 1,446	$ 1,433
Change in benefit obligation				
Benefit obligation, January 1,	$ 11,309	$ 9,981	$ 1,508	$ 1,716
Service cost	327	278	13	13
Interest cost	671	706	63	63
Actuarial loss (gain)	(142)	1,134	69	(209)
Benefits paid	(849)	(790)	(71)	(75)
Benefit obligation, December 31,	11,316	11,309	1,582	1,508
Funded status at end of year	$ (3,911)	$ (3,785)	$ (136)	$ (75)
Amounts recognized in the Balance Sheets consist of				
Long-term liability	$ (3,911)	$ (3,785)	$ (136)	$ (75)
Accumulated benefit obligation (1)	$ 9,191	$ 9,352	$ 1,582	$ 1,508
Assumptions used to determine benefit obligations				
Discount rate	4.6%	4.2%	4.4%	4.0%
Rate of compensation increase	3.7	3.7	3.7	3.7

(1) Amounts represent qualified benefit plans. Unqualified benefit plan liabilities were $287,000 and $295,000 as of December 31, 2015 and 2014, respectively.
(2) APBO differs from the projected benefit obligation in that the APBO excludes the effect of salary and wage increases.
(3) Rates are presented on a weighted average basis.

A portion of the net benefit cost or credit related to these plans has been capitalized as a cost of constructing gas distribution facilities and the remainder is included in operation and maintenance expense.

Assumptions used to determine the health care benefit cost for the AGL Welfare Plan are set forth in the following table.

	2015	2014
Health care cost trend rate assumed for next year	7.9%	8.1%
Ultimate rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Year that reaches ultimate trend rate	2030	2030

Assumed health care cost trend rates can have a significant effect on the amounts reported for our health care plan. A one percentage point change in the assumed health care cost trend rates for the AGL Welfare Plan would have no effect on the benefit obligation and there was no effect on our service and interest cost.

As a result of a cap on expected cost for the AGL Welfare Plan, a one percentage point increase or decrease in the assumed health care trend does not materially affect the Plan's periodic benefit cost or accumulated benefit obligation.

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated OCI as of December 31.

	2015		2014	
In thousands	Pension plan	Welfare plan	Pension plan	Welfare plan
Prior service (cost) credit	$ (219)	$ (3)	$ (313)	$ 5
Net loss	4,074	640	4,231	528
Total	$ 3,855	$ 637	$ 3,918	$ 533

The 2016 estimated amortization out of accumulated OCI for these plans is set forth in the following table.

In thousands	Pension plan	Welfare plan
Amortization of prior service credit	$ 69	$ —
Amortization of net loss	(375)	(45)

The following table presents the gross benefit payments expected for the years ended December 31, 2016 through 2025 for our pro rata portion of the pension and welfare plans. There will be benefit payments under these plans beyond 2025.

In thousands	Pension plan	Welfare plan
2016	$ 1,035	$ 88
2017	983	93
2018	996	99
2019	1,021	104
2020	1,052	106
2021 & thereafter	5,505	545

Contributions

Our employees do not contribute to the pension and welfare plans. The pension plan is funded by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. As required by The Pension Protection Act of 2006, we calculate the minimum amount of funding using the traditional unit credit cost method.

Employee Savings Plan Benefits

We sponsor or participate in a defined contribution retirement benefit plans that allow eligible participants to make contributions to their accounts up to specified limits. Under these plans, our matching contributions to participant accounts were $313,000 and $255,000 in 2015 and 2014, respectively.

Note 7 - Debt

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

		December 31, 2015		December 31, 2014	
Dollars in thousands	Year(s) due	Weighted average interest rate	Outstanding	Weighted average interest rate	Outstanding
Gas facility revenue bonds	2024	0.9%	$ 20,000	0.9%	$ 20,000
Affiliate promissory note	2034	5.2	64,250	5.0	61,117
Total long-term debt		4.0%	$ 84,250	3.9%	$ 81,117

Our long-term debt at December 31, 2015 and 2014 consists of gas facility revenue bonds and an affiliate promissory note.

Gas Facility Revenue Bonds Pivotal Utility is party to a series of loan agreements with the New Jersey Economic Development Authority under which a series of gas facility revenue bonds has been issued. These gas facility revenue bonds are issued by state agencies or counties to investors, and proceeds from the issuance are then loaned to us.

Affiliate Promissory Note Pivotal Utility entered into a promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the New Jersey BPU and the Florida Commission. The Affiliate Promissory Note is adjusted periodically to maintain the appropriate targeted capitalization percentages. During 2015, $10.7 million was converted from the Affiliate Promissory Note to Equity 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 AGL Resources and AGL Capital Corporation, a wholly owned financing subsidiary of AGL Resources. As of December 31, 2015, the interest rate on this note was 5.2%. The initial principal amount of the Affiliate Promissory Note for Pivotal Utility including its operating division, Florida City Gas, is adjusted on an annual basis to conform to Pivotal Utility's target capitalization of 45%.

Default Provisions

Our debt includes provisions that, if not complied with, could require early payment or similar actions. The most important default events include the following:

- a maximum leverage ratio;
- insolvency events and/or nonpayment of scheduled principal or interest payments;
- acceleration of other financial obligations; and
- change of control provisions.

We have no triggering events in our debt instruments that are tied to changes in our specified credit ratings. We were in compliance with all existing debt provisions and covenants, both financial and non-financial, as of December 31, 2015 and 2014.

Note 8 - Commitments and Contingencies

We incur various contractual obligations and financial commitments in the normal course of our operating and financing activities that are reasonably likely to have a material effect on liquidity or the availability of capital resources. Contractual obligations include future cash payments required under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual payments under our obligations and other commitments as of December 31, 2015.

In thousands	Total	2016	2017	2018	2019	2020	2021 & Thereafter
Recorded contractual obligations:							
Long-term debt [1]	$ 84,250	$ —	$ —	$ —	$ —	$ —	$ 84,250
Unrecorded contractual obligations and commitments [2]:							
Pipeline charges, storage capacity and gas supply [3]	$ 76,225	$ 11,584	$ 10,798	$ 9,707	$ 9,606	$ 7,570	$ 26,960
Interest charges	1,999	229	228	228	228	229	857
Operating leases [4]	29	25	4	—	—	—	—
Performance surety bonds	350	350	—	—	—	—	—
Total	$ 78,603	$ 12,188	$ 11,030	$ 9,935	$ 9,834	$ 7,799	$ 27,817

(1) In accordance with GAAP, these items are not reflected in our Balance Sheets.

(2) Includes charges recoverable through a natural gas cost recovery mechanism or alternatively billed to marketers and demand charges associated with Sequent.

(3) We have certain operating leases with provisions for step rent or escalation payments and certain lease concessions. We account for these leases by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms, in accordance with GAAP. However, this lease accounting treatment does not affect the future annual operating lease cash obligations as shown herein. Our operating leases are primarily for real estate.

Litigation

We are involved in litigation arising in the normal course of business. Although in some cases we are unable to estimate the amount of loss reasonably possible in addition to any amounts already recognized, it is possible that the resolution of these contingencies, either individually or in aggregate, will require us to take charges against, or will result in reductions in, future earnings. Management believes that while the resolutions of these contingencies, whether individually or in aggregate, could be material to earnings in a particular period, they will not have a material adverse effect on our balance sheet or cash flows for the year.

Note 9 - Income Taxes

Income Tax Expense

The relative split between current and deferred taxes is due to a variety of factors including true ups of prior year tax returns, and most importantly, the timing of our property-related deductions. Components of income tax expense on the Statements of Income for the years ended December 31 are shown in the following table.

In thousands	2015	2014
Current income taxes		
Federal	$ 1,035	$ 1,688
State	305	627
Deferred income taxes		
Federal	1,857	2,298
State	180	(114)
Amortization of investment tax credits	(1)	(1)
Total income tax expense on Statements of Income	$ 3,376	$ 4,498

The reconciliations between the statutory federal income tax rate of 35%, the effective rate and the related amount of income tax expense for the years ended December 31, in our Statements of Income are presented in the following table.

In thousands	2015	2014
Computed tax expense at statutory rate	$ 3,087	$ 3,891
State income tax, net of federal income tax benefit	298	316
Amortization of investment tax credits	(1)	(1)
Other - net	(8)	292
Total income tax expense on Statements of Income	$ 3,376	$ 4,498

Accumulated Deferred Income Tax Assets and Liabilities

Components that give rise to the net long-term accumulated deferred income tax liability as of December 31 are as follows.

In thousands	2015	2014
Long-term accumulated deferred income tax liabilities		
Property - accelerated depreciation and other property-related items	$ 38,463	$ 35,868
Other	1,497	1,559
Total accumulated deferred income tax liabilities	$ 39,960	$ 37,427
Long-term accumulated deferred income tax assets		
Unfunded pension and retiree welfare benefit obligation	3,699	3,448
Bad debts and insurance reserves	208	144
Other	1,982	1,791
Total long-term accumulated deferred income tax assets	5,889	5,383
Net long-term accumulated deferred tax liability	$ 34,071	$ 32,044

Tax Benefits

As of December 31, 2015 and 2014, we did not have a liability for unrecognized tax benefits. Based on current information, we do not anticipate that this will change materially in 2016. As of December 31, 2015, we did not have a liability recorded for payment of interest or penalties associated with uncertainty in income taxes, nor did we have any such interest or penalties during 2015 or 2014.

Note 10 - Related Party Transactions

We have an asset management and agency (AMA) agreement with our affiliate, Sequent Energy Management, L.P. (Sequent) to facilitate the management of our transportation and storage capacity assets. The AMA agreement has a profit sharing structure without any minimum fixed fee, where the net margin is split evenly between us and Sequent. As part of the AMA agreement, the parties have also executed a Gas Purchase and Sale Agreement where, to the extent requested by us, Sequent will purchase and sell natural gas to meet our gas supply requirements. The following table provides additional information on our asset management agreements with Sequent.

				Profit sharing	
Dollars in thousands	Expiration date	Type of fee structure	Annual fee	2015	2014
Florida City Gas	(1)	Profit sharing	50%	$767	$673

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

Amounts Due to Affiliates

We had $13.7 million and $15.5 million in payables at December 31, 2015 and 2014, respectively, due to AGL Resources and affiliated companies. This consisted primarily of our participation in the AGL Resources money pool, which funds our on-going working capital requirements. See Note 7 for discussion of other affiliate transactions.

We also engage in transactions with AGL Resources' affiliates consistent with its services and tax allocation agreements.

Note 11 - Subsequent Event

Our management evaluated subsequent events for potential recognition and disclosure through April 4, 2016, the date these financial statements were available to be issued, and determined that no significant events have occurred subsequent to period end.