

BU602-17-AR

**ANNUAL REPORT OF  
NATURAL GAS UTILITIES**

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

(EXACT NAME OF RESPONDENT)

4045 NW 97th Ave, Doral, FL 33178

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2017

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
2018 MAY 14 AM 10:41  
DIVISION OF  
ACCOUNTING & FINANCE

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

Name: Grace A. Kolvereid

Title: Senior Vice President and GAS Comptroller

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. <sup>2</sup>) 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, 2017
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 4045 NW 97th Ave, Doral, FL 33178		
05 Name of Contact Person Grace A. Kolvereid	06 Title of Contact Person Senior Vice President and GAS Comptroller	
07 Address of Contact Person (Street, City, State, Zip Code) 10 Peachtree Place NE, Atlanta, GA 30309		
08 Telephone of Contact Person, Including Area Code (404) 584-3400	09 Date of Report (Mo., Day, Yr)	

## ATTESTATION

I certify that I am the responsible accounting officer of

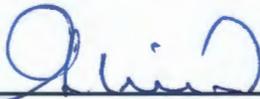
PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS;

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, 2017 to December 31, 2017, 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

Grace A. Kolvereid  
Name

  
\_\_\_\_\_  
Date

Senior Vice President and GAS Comptroller  
Title

**TABLE OF CONTENTS**

Title of Schedule (a)	Page No. (b)	Title of Schedule (a)	Page No. (b)
<b>GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS</b>		<b>INCOME ACCOUNT SUPPORTING SCHEDULES</b>	
Control Over Respondent	3	Gas Operating Revenues	26
Corporations Controlled By Respondent	3	Gas Operation and Maintenance Expenses	27-29
Officers	4	Number of Gas Department Employees	29
Directors	4	Gas Purchases	30
Security Holders and Voting Powers	5	Gas Used in Utility Operations - Credit	30
Important Changes During the Year	5	Regulatory Commission Expenses	31
Comparative Balance Sheet	6-7	Miscellaneous General Expenses - Gas	31
Statement of Income	8-9	Distribution of Salaries and Wages	32
Statement of Retained Earnings	10	Charges for Outside Prof. and Other Consultative Service	33
Notes to Financial Statements	11	Particulars Concerning Certain Income Deductions and Interest Charges Accounts	33
<b>BALANCE SHEET SUPPORTING SCHEDULES</b>		<b>REGULATORY ASSESSMENT FEE</b>	
<b>(Assets And Other Debits)</b>		Reconciliation of Gross Operating Revenues - Annual Report versus Regulatory Assessment Fee Ret	34
Summary of Utility Plant and Accum. Prov. for Depreciation, Amortization, and Depletion	12		
Gas Plant in Service	13-14	<b>DIVERSIFICATION ACTIVITY</b>	
Accumulated Depreciation & Amortization	15-16	Corporate Structure	35
Construction Work in Progress - Gas	17	Summary of Affiliated Transfers and Cost Allocations	36
Construction Overheads - Gas	17	New or Amended Contracts with Affiliated Companies	37
Prepayments	18	Individual Affiliated Transactions in Excess of \$25,000	37
Extraordinary Property Losses	18	Assets or Rights Purchased from or Sold to Affiliates	38
Unrecovered Plant and Regulatory Study Costs	18	Employee Transfers	38
Other Regulatory Assets	19		
Miscellaneous Deferred Debits	19		
<b>(Liabilities and Other Credits)</b>			
Securities Issued and Securities Refunded or Retired During the Year	20		
Unamortized Loss and Gain on Reacquired Debt	20		
Long-Term Debt	21		
Unamortized Debt Expense, Premium and Discount on Long-Term Debt	21		
Miscellaneous Current and Accrued Liabilities	22		
Other Deferred Credits	22		
Other Regulatory Liabilities	22		
Taxes Other Than Income Taxes	23		
Accumulated Deferred Investment Tax Credits	23		
Accumulated Deferred Income Taxes	24		
Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	25		

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

For the Year Ended  
 December 31, 2017

**CONTROL OVER RESPONDENT**

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

Florida City Gas is a division of Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of NUI Corporation. NUI Corporation is a wholly-owned subsidiary of Southern Company Gas. Southern Company Gas is a wholly owned subsidiary of The Southern Company.

**CORPORATIONS CONTROLLED BY RESPONDENT**

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

**DEFINITIONS**

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

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

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

For the Year Ended

December 31, 2017

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

<sup>(1)</sup> Represents executive officers of Pivotal Utility Holdings, Inc. at December 31, 2017. Such officers are compensated by an affiliate of the holding company, not the Respondent.

<sup>(2)</sup> Paul R. Shlanta's title changed from "EVP and General Counsel" to "Senior Vice President and General Counsel" as of July 29, 2017.

<sup>(3)</sup> Barbara P. Christopher's title changed from "Assistant Corporate Secretary" to "Corporate Secretary" as of October 16, 2017.

<sup>(4)</sup> Myra C. Bierria's title changed from "Corporate Secretary" to "Assistant Corporate Secretary" as of October 16, 2017.

<sup>(5)</sup> Todd W. Perkins was elected "Assistant Treasurer" as of April 25, 2017.

**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.

2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Henry P. Linginfelter President, Pivotal Utility Holdings, Inc.	10 Peachtree Place, NE Atlanta, Georgia 30309	3 <sup>(*)</sup>	None

<sup>(\*)</sup> Based on records contained in company minute book; represents actions by unanimous written consent.

**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 compiled 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**

Name (Title) and Address of Security Holder (a)	Number of votes as of (date): 8/31/2017 via written consent			
	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.				

**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 None.
- 3 None.
- 4 Florida City Gas is subject to certain claims and legal actions arising in the ordinary course of business. The ultimate outcome of such pending or potential litigation cannot be predicted at this time; however, management does not anticipate that the ultimate liabilities, if any, arising from such claims and legal actions would have a material effect on the Florida City Gas' financial statements
- 5 Florida City Gas engages in transactions with affiliates of The Southern Company, including Southern Company Gas, consistent with its services, tax allocation, money pool, and asset management agreements.

**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	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	12	389,162,387	420,227,950 (*)
3	Construction Work in Progress (107)	12 & 17	13,957,305	12,904,625
4	TOTAL Utility Plant Total of lines 2 and 3)		403,119,692	433,132,575
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	177,571,717	179,774,579
6	Net Utility Plant (Total of line 4 less 5)		225,547,975	253,357,996
7	Utility Plant Adjustments (116)		-	-
8	Gas Stored (117.1, 117.2, 117.3, 117.4)		-	-
9	<b>OTHER PROPERTY AND INVESTMENTS</b>			
10	Nonutility Property (121)		185,929	-
11	(Less) Accum. Prov. for Depr. and Amort. (122)		116,476	-
12	Investments in Associated Companies (123)		-	-
13	Investment in Subsidiary Companies (123.1)		-	-
14	Other Investments (124)		-	-
15	Special Funds (125, 126, 128)		-	-
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		69,453	-
17	<b>CURRENT AND ACCRUED ASSETS</b>			
18	Cash (131)		-	-
19	Special Deposits (132-134)		-	-
20	Working Funds (135)		-	-
21	Temporary Cash Investments (136)		-	-
22	Notes Receivable (141)		-	-
23	Customer Accounts Receivable (142)		8,190,267	9,305,011
24	Other Accounts Receivable (143)		81,620	385,431
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)		614,248	861,594
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)		29,349	17,151
32	Merchandise (155)		-	-
33	Other Material and Supplies (156)		-	-
34	Stores Expenses Undistributed (163)		-	-
35	Gas Stored Underground & LNG Stored (164.1-164.3)		283,786	276,015
36	Prepayments (165)	18	3,197,494	8,105,143
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)		11,168,268	17,227,157
43	<b>DEFERRED DEBITS</b>			
44	Unamortized Debt Expense (181)	21	123,663	107,707
45	Extraordinary Property Losses (182.1)		-	-
46	Unrecovered Plant and Regulatory Study Costs (182.2)		-	-
47	Other Regulatory Assets (182.3)	19	16,690,519	17,034,188 (*)
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)		-	-
49	Clearing Accounts (184)		-	-
50	Temporary Facilities (185)		-	-
51	Miscellaneous Deferred Debits (186)	19	-	300,218
52	Deferred Losses from Disposition of Utility Plant. (187)		-	-
53	Research, Development and Demonstration Expenditures (188)		-	-
54	Unamortized Loss on Reacquired Debt (189)	20	1,072,384	934,010
55	Accumulated Deferred Income Taxes (190)	24	2,901,974	2,048,264
56	Unrecovered Purchased Gas Costs (191)		-	-
57	TOTAL Deferred Debits (Total of lines 44 through 56)		20,788,540	20,424,387
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		257,574,236	291,009,540

(\*) Account 114 - Gas Plant Acquisition Adjustments and Account 182.3 - Other Regulatory Assets include the acquisition adjustment and regulatory assets related to the 2004 acquisition consistent with the December 6, 2007 Florida PSC Order in Docket No. 060657-GU.

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

For the Year Ended  
 December 31, 2017

**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	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock (201, 202, 203, 205, 206, 207)		-	-
3	Preferred Stock Issued (204)		-	-
4	Other Paid-In Capital (208-214)		59,637,411	73,819,655
5	Retained Earnings (215, 216, 219)	10	23,494,892	25,149,468
6	Unappropriated Undistributed Subsidiary Earnings (216.1)		-	-
7	(Less) Reacquired Capital Stock (217)		-	-
8	<b>TOTAL Proprietary Capital (Total of lines 2 through 7)</b>		<b>83,132,303</b>	<b>98,969,123</b>
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)	21	20,000,000	20,000,000
11	(Less) Reacquired Bonds (222)		-	-
12	Advances from Associated Companies (223)	21	81,442,249	82,661,212
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	<b>TOTAL Long-Term Debt (Total of lines 10 through 15)</b>		<b>101,442,249</b>	<b>102,661,212</b>
17	<b>OTHER NONCURRENT LIABILITIES</b>			
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)		3,086,900	2,771,755
22	Accumulated Miscellaneous Operating Provisions (228.4)		81,770	63,802
23	Accumulated Provision for Rate Refunds (229)		-	-
24	<b>TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)</b>		<b>3,168,670</b>	<b>2,835,557</b>
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)		-	-
27	Accounts Payable (232)		3,004,799	4,557,853
28	Notes Payable to Associated Companies (233)		-	-
29	Accounts Payable to Associated Companies (234)		12,306,072	19,983,099
30	Customer Deposits (235)		3,880,362	3,458,316
31	Taxes Accrued (236)		4,554,578	4,196,214
32	Interest Accrued (237)		274,668	1,850
33	Dividends Declared (238)		-	-
34	Matured Long-Term Debt (239)		-	-
35	Matured Interest (240)		-	-
36	Tax Collections Payable (241)		805,598	820,762
37	Miscellaneous Current and Accrued Liabilities (242)	22	134,271	159,343
38	Obligations Under Capital Leases-Current (243)		-	-
39			-	-
40	<b>TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)</b>		<b>24,960,348</b>	<b>33,177,437</b>
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)		-	-
43	Other Deferred Credits (253)		-	-
44	Other Regulatory Liabilities (254)	22	2,024,618	26,397,888
45	Accumulated Deferred Investment Tax Credits (255)	23	-	-
46	Deferred Gains from Disposition of Utility Plant (256)		-	-
47	Unamortized Gain on Reacquired Debt (257)		-	-
48	Accumulated Deferred Income Taxes (281-283)	24	42,846,048	26,968,323
49	<b>TOTAL Deferred Credits (Total of lines 42 through 48)</b>		<b>44,870,666</b>	<b>53,366,211</b>
50				
51	<b>TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)</b>		<b>257,574,236</b>	<b>291,009,540</b>

Name of Respondent

For the Year Ended

PIVOTAL UTILITY HOLDINGS, INC.

D/B/A FLORIDA CITY GAS

December 31, 2017

## 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	86,825,239	82,513,170
3	Operating Expenses			
4	Operation Expenses (401)	27-29	45,814,047	42,632,479
5	Maintenance Expenses (402)	27-29	1,961,956	1,600,237
6	Depreciation Expense (403)		15,563,759	14,039,209
7	Amortization & Depletion of Utility Plant (404-405)		(113,767)	(56,883)
8	Amortization of Utility Plant Acquisition Adjustment (406)	15-16	721,895	721,895
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)		-	-
10	Amortization of Conversion Expenses (407.2)		323,677	382,891
11	Regulatory Debits (407.3)		1,232,733	1,306,754
12	(Less) Regulatory Credits (407.4)			-
13	Taxes Other Than Income Taxes (408.1)	23	7,379,770	7,369,211
14	Income Taxes - Federal (409.1)		(4,938,724)	-
15	- Other (409.1)		(119,940)	401,717
16	Provision for Deferred Income Taxes (410.1)	24	8,512,269	3,926,832
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)		-	-
18	Investment Tax Credit Adjustment - Net (411.4)	23	-	(10)
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)		76,337,675	72,324,332
23	Net Utility Operating Income (Total of line 2 less 22) (carry forward to Page 9, line 24)		10,487,564	10,188,838

**STATEMENT OF INCOME (Continued)**

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
24	Net Utility Operating Income (carried forward from Page 8)		10,487,564	10,188,838
25	<b>Other Income and Deductions</b>			
26	Other Income			
27	Nonutility Operating Income			
28	Revenues From Merchandising, Jobbing and Contract Work (415)		-	-
29	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)		-	-
30	Revenues From Nonutility Operations (417)		-	-
31	(Less) Expenses of Nonutility Operations (417.1)		-	-
32	Nonoperating Rental Income (418)		-	-
33	Equity in Earnings of Subsidiary Companies (418.1)		-	-
34	Interest and Dividend Income (419)		-	-
35	Allowance for Other Funds Used During Construction (419.1)		-	-
36	Miscellaneous Nonoperating Income (421)		(9,633)	(26,449)
37	Gain on Disposition of Property (421.1)		(29,979)	344,072
38	TOTAL Other Income (Total of lines 28 through 37)		(39,612)	317,623
39	Other Income Deductions			
40	Loss on Disposition of Property (421.2)		-	-
41	Miscellaneous Amortization (425)		-	-
42	Miscellaneous Income Deductions (426.1-426.5)	33	(61,550)	(45,587)
43	TOTAL Other Income Deductions (Total of lines 40 through 42)		(61,550)	(45,587)
44	Taxes Applicable to Other Income and Deductions			
45	Taxes Other Than Income Taxes (408.2)		-	-
46	Income Taxes - Federal (409.2)		(173,172)	-
47	Income Taxes - Other (409.2)		-	-
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 45 through 51)		(173,172)	-
53	Net Other Income and Deductions (Total of lines 38,43,52)		(274,334)	272,036
54	<b>Interest Charges</b>			
55	Interest on Long-Term Debt (427)	21	296,007	225,054
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	138,758
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	3,986,069	3,247,695
61	Other Interest Expense (431)	33	125,104	(261,618)
62	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)		-	-
63	Net Interest Charges (Total of lines 56 through 63)		4,561,511	3,365,846
64	Income Before Extraordinary Items (Total of lines 24, 53 and 63)	10	5,651,719	7,095,028
65	<b>Extraordinary Items</b>			
66	Extraordinary Income (434)		-	-
67	(Less) Extraordinary Deductions (435)		-	-
68	Net Extraordinary Items (Total of line 66 less line 67)		-	-
69	Income Taxes - Federal and Other (409.3)		-	-
70	Extraordinary Items After Taxes (Total of line 68 less line 69)		-	-
71	Net Income (Total of lines 64 and 70)		5,651,719	7,095,028

**STATEMENT OF RETAINED EARNINGS**

- |  |   |
|--|---|
| <p>1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.</p> <p>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).</p> <p>3. State the purpose and amount for each reservation or appropriation of retained earnings.</p> <p>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.</p> | <p>5. Show dividends for each class and series of capital stock.</p> <p>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</p> <p>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.</p> <p>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.</p> |
|--|---|

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216, 219)</b>			
1	Balance - Beginning of Year		23,494,892
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)		5,651,719
11	Appropriations of Retained Earnings (Account 436) TOTAL		-
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		-
13	Dividends Declared - Common Stock (Account 438) TOTAL		(4,504,101)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		-
15	Other Comprehensive Income		506,958
16	Balance - End of Year (Total of lines 1, 6, 9, 10, 11, 12, 13, 14 and 15)		25,149,468
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	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)		25,149,468

**NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS**

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

See attached pages 11.1 to 11.18.

**Florida City Gas**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Florida City Gas (the Company) engages in the sale and distribution of natural gas to approximately 109 thousand customers in Florida's Miami-Dade and Brevard counties. The Company is a division of Pivotal Utility Holdings, Inc. (Pivotal Utility), which is a wholly-owned subsidiary of Southern Company Gas. On July 1, 2016, Southern Company Gas completed its previously announced merger (Merger) with The Southern Company (Southern Company) and became a wholly-owned, direct subsidiary of Southern Company.

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

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

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

**Recently Issued Accounting Standards**

**Revenue**

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

Most of the Company's revenue, including energy provided to customers, is from tariff offerings that provide natural gas without a defined contractual term.

The Company has completed the evaluation of all revenue streams and determined that the adoption of ASC 606 will not change the current timing of revenue recognition for such transactions. The Company has concluded contributions in aid of construction are not in scope for ASC 606 and will continue to be accounted for as an offset to property, plant, and equipment.

The new standard is effective for reporting periods beginning after December 15, 2017. The Company applied the modified retrospective method of adoption effective January 1, 2018. The Company also utilized practical expedients which allowed it to apply the standard to open contracts at the date of adoption and to reflect the aggregate effect of all modifications when identifying performance obligations and allocating the transaction price for contracts modified before the effective date. Under the modified retrospective method of adoption, prior year reported results are not restated; however, a cumulative-effect adjustment to retained earnings at January 1, 2018 is recorded. The adoption of ASC 606 did not result in a cumulative-effect adjustment.

### ***Leases***

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 requires lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changes the recognition, measurement, and presentation of expense associated with leases and provides clarification regarding the identification of certain components of contracts that would represent a lease. The accounting required by lessors is relatively unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and the Company will adopt the new standard effective January 1, 2019.

The Company is currently implementing an information technology system along with the related changes to internal controls and accounting policies that will support the accounting for leases under ASU 2016-02. In addition, the Company has substantially completed a detailed inventory and analysis of its leases. In terms of rental charges and duration of contracts, the most significant leases relate to fleet vehicles and real estate and where the Company is the lessee and there are no material leases where the Company is the lessor. While the Company has not yet determined the ultimate impact, adoption of ASU 2016-02 is not expected to have a significant impact on the Company's balance sheet.

### ***Other***

On March 10, 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs and requires the other components of net periodic pension and postretirement benefit costs to be separately presented in the income statement outside of income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. However, all cost components remain eligible for capitalization and continue to be reported in operating expenses under FERC regulations. ASU 2017-07 will be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension and postretirement benefit costs in the income statement. The capitalization of only the service cost component of net periodic pension and postretirement benefit costs in assets will be applied on a prospective basis. ASU 2017-07 is effective for periods beginning after December 15, 2017. The presentation changes required for net periodic pension and postretirement benefit costs will not result in a material impact on the Company's operating income or other income for 2016 and 2017. The Company adopted ASU 2017-07 effective January 1, 2018 with no material impact on its financial statements.

### Regulatory Assets and Liabilities

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

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

	2017		2016
		<i>(in thousands)</i>	
<b>Regulatory Assets</b>			
Regulatory infrastructure programs	\$ 14,322	\$	14,217
Deferred customer conversion costs	1,128		1,273
Unamortized losses on reacquired debt	934		1,072
Rate case expenses	686		—
Recoverable pension and retiree welfare benefit costs	613		732
Deferred piping	258		277
Pension costs - Southern Company Gas Acquisition	27		192
<b>Total Regulatory Assets</b>	<b>\$ 17,968</b>	<b>\$</b>	<b>17,763</b>
<b>Regulatory Liabilities</b>			
Accrued natural gas costs	\$ 1,035	\$	682
Energy conservation program and other	733		831
Deferred income tax credits <sup>(*)</sup>	24,232		—
Deferred gain on sale of property	398		512
<b>Total Liabilities</b>	<b>\$ 26,398</b>	<b>\$</b>	<b>2,025</b>

(\*) Includes excess deferred income tax liabilities resulting from the Tax Cuts and Jobs Act that was signed into law on December 22, 2017 and became effective January 1, 2018 (Tax Reform Legislation), the recovery and amortization of which will be determined by the Florida Commission. See Note 3 under "Regulatory Matters" and Note 4 for additional details.

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

### Revenues

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

### Concentration of Revenue

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

### Cost of Natural Gas

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

### Income and Other Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Federal investment tax credits (ITCs) utilized are deferred and amortized to income over the average life of the related property. Taxes that are collected from customers on behalf of governmental agencies to be remitted to these agencies are presented on the balance sheet.

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

### Property, Plant, and Equipment

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

### Depreciation

Depreciation of the original cost of utility plant in service is provided using composite straight-line rates, which approximated 4.7% and 4.3% for 2017 and 2016, respectively. Depreciation studies are conducted periodically to update the composite rate that is approved by the Florida Commission. When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. As such, gains or losses are not recognized, they are ultimately refunded to, or recovered from, customers through future rate adjustments. Minor items of property included in the original cost of the asset are retired when the related property unit is retired.

### Acquisition Adjustment

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

	<i>(in thousands)</i>	
December 31, 2015	\$	8,061
2016 amortization expense		722
December 31, 2016	\$	8,783
2017 amortization expense		722
<b>December 31, 2017</b>	<b>\$</b>	<b>9,505</b>

### Cash Management Money Pool

The Company participates in Southern Company Gas' utility money pool, under which short-term borrowings are made from the money pool and surplus funds are contributed to the money pool. Borrowings from the money pool are recorded in the balance sheets as Accounts Payable to Associated Companies and interest expense on these borrowings is recorded in the statements of income as Interest on Debt to Associated Companies. See Note 7 for additional information.

### Receivables and Provision for Uncollectible Accounts

The Company's receivables consist primarily of natural gas sales and transportation services billed to residential, commercial, industrial, and other customers. Customers are billed monthly and payment is due within 30 days. For the majority of receivables, a provision for uncollectible accounts is established based on historical collection experience and other factors. For the remaining receivables, if the Company is aware of a specific customer's inability to pay, a provision for uncollectible accounts is recorded to reduce the receivable balance to the amount the Company reasonably expects to collect. If circumstances change, the estimate of the recoverability of accounts receivable could change as well. Circumstances that could

affect this estimate include, but are not limited to, customer credit issues, customer deposits, and general economic conditions. Customers' accounts are written off once they are deemed to be uncollectible.

### **Materials and Supplies**

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

### **Natural Gas for Sale**

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

### **Fair Value Measurements**

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

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

#### **Level 1**

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

#### **Level 2**

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

#### **Level 3**

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

## **2. RETIREMENT BENEFITS**

The Company participates in the Southern Company Gas qualified defined benefit, trustee, pension plan covering most eligible employees, which was closed in 2012 to new employees and reopened to all non-union employees on January 1, 2018. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Southern Company Gas also provides certain non-qualified defined benefit and defined contribution pension plans for a selected group of the Company's management and highly compensated employees. Benefits under these non-qualified pension plans are funded on a cash basis. The Company also participates in the Southern Company Gas postretirement benefit plan, which provides certain medical care and life insurance benefits for eligible retired employees through a postretirement benefit plan.

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

The following discussions reflect the Company's balances and activity under the multiple-employer method of accounting.

## Actuarial Assumptions

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

Assumptions used to determine net periodic costs:	Year Ended December 31, 2017	July 1, 2016 through December 31, 2016	January 1, 2016 through June 30, 2016
<b>Pension plans</b>			
Discount rate - interest costs	3.76%	3.21%	4.00%
Discount rate - service costs	4.64	4.07	4.80
Expected long-term return on plan assets	7.60	7.75	7.80
Annual salary increase	3.50	3.50	3.70
<b>Other postretirement benefit plans</b>			
Discount rate - interest costs	3.40%	2.84%	3.60%
Discount rate - service costs	4.55	3.96	4.70
Expected long-term return on plan assets	6.03	5.93	6.60
Annual salary increase	3.50	3.50	3.70

Assumptions used to determine benefit obligations:	December 31, 2017	December 31, 2016
<b>Pension plans</b>		
Discount rate	3.74%	4.39%
Annual salary increase	2.88	3.50
<b>Other postretirement benefit plans</b>		
Discount rate	3.62%	4.15%
Annual salary increase	2.56	3.50

The Company estimates the expected return on pension plan and other postretirement benefit plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing, and historical performance. The Company also considers guidance from its investment advisors in making a final determination of its expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater or less than the assumed rate, it does not affect that year's annual pension or other postretirement benefit plan cost; rather, this gain or loss reduces or increases future pension or other postretirement benefit plan costs.

An additional assumption used in measuring the accumulated other postretirement benefit obligations (APBO) was a weighted average medical care cost trend rate. The weighted average medical care cost trend rates used in measuring the APBO as of December 31, 2017 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	6.40%	4.50%	2038
Post-65 medical	7.80	4.50	2038
Post-65 prescription	7.80	4.50	2038

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

## Pension Plans

The total accumulated benefit obligation for the pension plans was \$11.4 million at December 31, 2017 and \$10.0 million at December 31, 2016. Changes in the projected benefit obligation and the fair value of plan assets for the Company's qualified pension plans for the years ended December 31, 2017 and 2016 were as follows:

	2017		2016
	<i>(in thousands)</i>		
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of period	\$	12,037	\$ 11,316
Service cost		278	358
Interest cost		634	641
Benefits paid		(592)	(922)
Actuarial loss		565	644
<b>Benefit obligation at end of period</b>		<b>12,922</b>	<b>12,037</b>
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of period		9,183	7,405
Actual return on plan assets		1,523	716
Employer contributions		—	1,984
Benefits paid		(592)	(922)
<b>Fair value of plan assets at end of period</b>		<b>10,114</b>	<b>9,183</b>
<b>Accrued liability</b>	<b>\$</b>	<b>2,808</b>	<b>\$ 2,854</b>

At December 31, 2017, the projected benefit obligations for the qualified and non-qualified pension plans were \$12.9 million and \$0.3 million, respectively. All pension plan assets are related to the qualified pension plan.

Amounts recognized in the balance sheets at December 31, 2017 and 2016 related to the Company's pension plans consist of the following:

	2017		2016
	<i>(in thousands)</i>		
Other regulatory assets, deferred	\$	614	\$ 732
Employee benefit obligations		(2,808)	(2,854)

Presented below are the amounts included in accumulated OCI at December 31, 2017 and 2016 related to the defined benefit pension plans that had not yet been recognized in net periodic pension cost along with the estimated amortization of such amounts for 2018.

	Prior Service Cost		Net Loss	
	<i>(in thousands)</i>			
<b>Balance at December 31, 2017:</b>				
Accumulated OCI	\$	(634)	\$	4,186
<b>Balance at December 31, 2016:</b>				
Accumulated OCI	\$	(160)	\$	4,370
<b>Estimated amortization in net periodic cost in 2018:</b>				
Accumulated OCI	\$	(128)	\$	295

The components of OCI related to the defined benefit pension plans for the years ended December 31, 2017 and 2016 were as follows:

	<b>Accumulated OCI</b>	
	<i>(in thousands)</i>	
<b>Balance at December 31, 2015:</b>	\$	3,855
Net loss		810
Reclassification adjustments:		
Amortization of prior service costs		73
Amortization of net loss		(528)
Total reclassification adjustments		(455)
<b>Total change</b>		<b>355</b>
<b>Balance at December 31, 2016:</b>	\$	4,210
Net gain		(311)
Reclassification adjustments:		
Amortization of prior service costs		68
Amortization of net loss		(415)
Total reclassification adjustments		(347)
<b>Total change</b>		<b>(658)</b>
<b>Balance at December 31, 2017:</b>	\$	<b>3,552</b>

The Company's pro rata components of Southern Company Gas' net periodic pension costs for the years ended December 31, 2017 and 2016 were as follows:

	<b>2017</b>		<b>2016</b>	
	<i>(in thousands)</i>			
Service cost	\$	278	\$	358
Interest cost		634		640
Expected return on plan assets		(933)		(882)
Amortization:				
Prior service costs		(68)		(73)
Net loss		415		528
<b>Net periodic pension cost</b>	<b>\$</b>	<b>326</b>	<b>\$</b>	<b>571</b>

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

Future benefit payments reflect expected future service and are estimated based on assumptions used to measure the projected benefit obligation for the pension plans. At December 31, 2017, estimated benefit payments were as follows:

	<b>Benefit Payments</b>
	<i>(in thousands)</i>
2018	776
2019	769
2020	816
2021	801
2022	800
2023 to 2027	4,055

### Other Postretirement Benefits

Changes in the APBO and the fair value of plan assets for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
	<i>(in thousands)</i>	
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	\$ 1,585	\$ 1,582
Service cost	13	13
Interest cost	54	53
Benefits paid	(201)	(21)
Actuarial (gain) loss	441	(42)
<b>Benefit obligation at end of period</b>	<b>1,892</b>	<b>1,585</b>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of period	1,696	1,446
Actual return on plan assets	514	250
Employer contributions	201	21
Benefits paid	(201)	(21)
<b>Fair value of plan assets at end of year</b>	<b>2,210</b>	<b>1,696</b>
<b>Prepaid asset</b>	<b>\$ 318</b>	<b>\$ 111</b>

Amounts recognized in the balance sheets at December 31, 2017 and 2016 related to the Company's other postretirement benefit plans consist of the following:

	2017	2016
	<i>(in thousands)</i>	
<b>Employee benefit asset</b>	<b>318</b>	<b>111</b>

Presented below are the amounts included in accumulated OCI at December 31, 2017 and 2016 related to the other postretirement benefit plans that had not yet been recognized in net periodic other postretirement benefit cost. The estimated amortization of such amounts for 2018 is immaterial.

	Prior Service Cost	Net Loss
	<i>(in thousands)</i>	
<b>Balance at December 31, 2017:</b>		
Accumulated OCI	\$ 56	\$ 468
<b>Balance at December 31, 2016:</b>		
Accumulated OCI	\$ —	\$ 561

The components of OCI related to the other postretirement benefit plans for the years ended December 31, 2017 and 2016 were as follows:

	<b>Accumulated OCI</b>	
	<i>(in thousands)</i>	
<b>Balance at December 31, 2015:</b>	\$	637
Net gain		(30)
Reclassification adjustments:		
Amortization of net loss		(46)
<b>Total reclassification adjustments</b>		<b>(46)</b>
Total change		(76)
<b>Balance at December 31, 2016:</b>	\$	561
Net loss		1
Reclassification adjustments:		
Amortization of net loss		(38)
<b>Total change</b>		<b>(37)</b>
<b>Balance at December 31, 2017:</b>	\$	524

The Company's pro rata components of Southern Company Gas' other postretirement benefit plans' net periodic cost for the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
	<i>(in thousands)</i>			
Service cost	\$	13	\$	13
Interest cost		54		53
Expected return on plan assets		(84)		(88)
Amortization:				
Net loss		38		46
<b>Net periodic postretirement benefit cost</b>	<b>\$</b>	<b>21</b>	<b>\$</b>	<b>24</b>

Future benefit payments, including prescription drug benefits, reflect expected future service and are estimated based on assumptions used to measure the APBO for the other postretirement benefit plans. At December 31, 2017, estimated benefit payments were as follows:

	<b>Benefit Payments</b>	
	<i>(in thousands)</i>	
2018	\$	106
2019		112
2020		117
2021		122
2022		126
2023 to 2027		606

### Benefit Plan Assets

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

The composition of Southern Company Gas' pension plan and other postretirement benefit plan assets as of December 31, 2017 and 2016, along with the targets for each plan, is presented below:

	Target	2017	2016
<b>Pension plan assets:</b>			
Equity	53%	65%	69%
Fixed Income	15	19	20
Cash	2	6	1
Other	30	10	10
Balance at end of period	100%	100%	100%
<b>Other postretirement benefit plan assets:</b>			
Equity	72%	76%	74%
Fixed Income	24	20	23
Cash	1	2	1
Other	3	2	2
Total	100%	100%	100%

The investment strategy for plan assets related to Southern Company Gas' qualified pension plan is to be broadly diversified across major asset classes. The asset allocation is established after consideration of various factors that affect the assets and liabilities of the pension plan including, but not limited to, historical and expected returns and interest rates, volatility, correlations of asset classes, the current level of assets and liabilities, and the assumed growth in assets and liabilities. Because a significant portion of the liability of the pension plan is long-term in nature, the assets are invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, Southern Company Gas employs a formal rebalancing program for its pension plan assets. To manage the actual asset class exposures relative to the target asset allocation, Southern Company Gas employs a formal rebalancing program for its pension plan assets. As additional risk management, external investment managers and service providers are subject to written guidelines to ensure appropriate and prudent investment practices. Management believes the portfolio is well-diversified with no significant concentrations of risk.

### Investment Strategies

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

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

The investment strategies prior to July 1, 2016 followed a policy to preserve the plans' capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the plans' assets were managed to optimize long-term return while maintaining a high standard of portfolio quality and diversification. In

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

#### ***Benefit Plan Asset Fair Values***

Following are the fair value measurements for the pension plan and the other postretirement benefit plan assets as of December 31, 2017 and 2016. The fair values presented are prepared in accordance with GAAP. For purposes of determining the fair value of the pension plan other postretirement benefit plan assets and the appropriate level designation, management relies on information provided by the plan's trustee. This information is reviewed and evaluated by management with changes made to the trustee information as appropriate. Management believes the portfolio is well-diversified with no significant concentrations of risk.

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

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

The Company's pro rata portion of fair values of pension plan assets as of December 31, 2017 and 2016 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases. Absolute return investment assets are presented in the tables below based on the nature of the investment.

As of December 31, 2017	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	
<i>(in thousands)</i>				
Assets:				
Domestic equity <sup>(*)</sup>	\$ 1,655	\$ 3,457	\$ —	\$ 5,112
International equity <sup>(*)</sup>	—	1,775	—	1,775
Fixed income:				
U.S. Treasury, government, and agency bonds	—	913	—	913
Corporate bonds	—	421	—	421
Cash equivalents and other	897	267	516	1,680
Real estate investments	34	—	166	200
Private equity	—	—	13	13
<b>Total</b>	<b>\$ 2,586</b>	<b>\$ 6,833</b>	<b>\$ 695</b>	<b>\$ 10,114</b>

(\*) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

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

(\*) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

The Company's pro rata portion of fair values of other postretirement benefit plan assets as of December 31, 2017 and 2016 are presented below. These fair value measurements exclude cash, receivables related to investment income, pending investments sales, and payables related to pending investment purchases.

As of December 31, 2017	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	
<i>(in thousands)</i>				
Assets:				
Domestic equity <sup>(*)</sup>	\$ 51	\$ 1,243	\$ —	\$ 1,294
International equity <sup>(*)</sup>	—	403	—	403
Fixed income:				
U.S. Treasury, government, and agency bonds	—	9	—	9
Corporate bonds	—	4	—	4
Pooled funds	—	430	—	430
Cash equivalents and other	41	—	22	63
Real estate investments	1	—	6	7
<b>Total</b>	<b>\$ 93</b>	<b>\$ 2,089</b>	<b>\$ 28</b>	<b>\$ 2,210</b>

(\*) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

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

(\*) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

#### Employee Savings Plan

Southern Company Services, Inc. sponsors 401(k) defined contribution plans covering certain eligible employees. Through December 31, 2017, the 401(k) plans provided matching contributions of either 65% on up to 8% of an employee's eligible compensation, or a 100% matching contribution on up to 3% of an employee's eligible compensation, followed by a 75% matching contribution on up to the next 3% of an employee's eligible compensation. Total matching contributions made to the 401(k) plans were \$0.3 million for each of the years ended December 31, 2017 and 2016.

For employees not accruing a benefit under the pension plan, additional contributions made to the 401(k) plans for the period ended December 31, 2017 and 2016 were not material.

Effective January 1, 2018, the 401(k) plans were merged into the Southern Company Employee Savings Plan, which is a defined contribution plan covering substantially all employees of the Company. Under this plan, the Company matches a portion of the first 6% of employee base salary contributions. The maximum Company match is 5.1% of an employee's base salary.

### **3. CONTINGENCIES AND REGULATORY MATTERS**

#### **General Litigation Matters**

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

#### **Regulatory Matters**

##### ***Regulatory Infrastructure Programs***

The majority of the Company's regulatory assets and liabilities are included in base rates except for the regulatory infrastructure program costs, which are recovered through specific rate riders on a dollar-for-dollar basis. The rate riders that authorize the recovery of regulatory infrastructure program costs include both a recovery of cost and a return on investment during the recovery period. As discussed under "Base Rate Case" below, recovery of investments under the Company's Safety, Access, and Facility Enhancement (SAFE) program will be included in base rates effective June 1, 2018.

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

In 2012, the Company developed a project that makes use of the Area Extension Program Charge (AEP) provided for in its tariff. Under the AEP, the Company is authorized to recover the costs of expansion to a single or multiple points in a geographical area when the cost of the facilities exceeds the maximum allowable investment under its tariff and the margin from the investment. The AEP is sufficient to recover the investment in ten years from the date the project is placed in service. The AEP is adjusted after the earlier of the third anniversary of the date when facilities were placed in service or when 80% of the estimated load from customers related to the expansion is added to the system.

##### ***Base Rate Case***

In October 2017, Florida City Gas filed a general base rate case with the Florida Commission requesting an annual revenue increase of \$19 million, which included an interim rate increase of \$5 million annually that was approved and became effective January 12, 2018, subject to refund. On March 26, 2018, the Florida Commission approved a settlement that, after including the impact of the Tax Reform Legislation, provides for an \$11.5 million increase in annual base rate revenues, effective June 1, 2018, based on a ROE of 10.19%. Under the terms of the settlement, Florida City Gas agreed not to file a new base rate case with an effective date prior to June 1, 2022 and will receive full recovery of the construction costs related to Florida City Gas' liquefied natural gas facility through a step increase in rates.

##### ***Recoverable Pension and Other Postretirement Benefit Plan Costs***

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

### **4. INCOME TAXES**

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

#### **Federal Tax Reform Legislation**

Following the enactment of the Tax Reform Legislation, the Securities and Exchange Commission staff issued Staff Accounting Bulletin 118 - "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), which provides for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. Due to the complex and comprehensive nature of the enacted tax law changes, and their application under GAAP, the Company considers all amounts recorded in the financial statements as a result of the Tax Reform Legislation to be

"provisional" as discussed in SAB 118 and subject to revision. The Company is awaiting additional guidance from industry and income tax authorities in order to finalize its accounting. The ultimate impact of the Tax Reform Legislation on deferred income tax assets and liabilities and the related regulatory assets and liabilities cannot be determined at this time.

### Current and Deferred Income Taxes

Details of income tax provisions are as follows:

	2017	2016
	<i>(in thousands)</i>	
Federal —		
Current	\$ (4,765)	\$ —
Deferred	8,080	3,869
	3,315	3,869
State —		
Current	(120)	402
Deferred	432	58
	312	460
<b>Total</b>	<b>\$ 3,627</b>	<b>\$ 4,329</b>

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

	2017	2016
	<i>(in thousands)</i>	
Deferred tax liabilities —		
Accelerated depreciation	\$ 27,923	\$ 36,032
Property basis differences	6,711	9,301
Regulatory assets associated with employee benefit obligations	163	297
<b>Total</b>	<b>\$ 34,797</b>	<b>\$ 45,630</b>
Deferred tax assets —		
Federal net operating loss	52	490
Federal effect of state deferred taxes	\$ 819	1,201
Employee benefit obligations	1,323	2,081
Tax Reform Legislation	6,141	—
Bad debt and insurance reserves	245	282
Other	1,297	1,632
<b>Total</b>	<b>9,877</b>	<b>5,686</b>
<b>Accumulated deferred income taxes, net</b>	<b>\$ 24,920</b>	<b>\$ 39,944</b>

The implementation of the Tax Reform Legislation significantly reduced accumulated deferred income taxes, partially offset by bonus depreciation provisions in the Protecting Americans from Tax Hikes Act. The Tax Reform Legislation also significantly increased tax-related regulatory liabilities.

At December 31, 2017, the tax-related regulatory liabilities to be credited to customers were \$24.2 million. These liabilities are attributable to deferred taxes previously recognized at rates higher than the current enacted tax law.

Deferred federal and state ITCs are amortized over the average life of the related property with such amortization normally applied as a credit to reduce depreciation in the statements of income. There were no credits amortized in this manner for either year ended December 31, 2017 or 2018 as all ITCs available to reduce federal income taxes payable had been utilized.

### Effective Tax Rate

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

	Years Ended December 31,	
	2017	2016
Federal statutory rate	35.0%	35.0%
State income tax, net of federal deduction	3.6	3.6
Other	0.5	(0.7)
Effective income tax rate	39.1%	37.9%

### Unrecognized Tax Benefits

The Company has no unrecognized tax benefits for any year presented.

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

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

Southern Company is a participant in the Compliance Assurance Process of the IRS. The IRS has finalized its audits of Southern Company's consolidated federal tax returns through 2016. However, the pre-Merger Southern Company Gas 2014, 2015, and June 30, 2016 federal tax returns are currently under audit. The audits for Southern Company Gas by any state have either concluded, or the statute of limitations has expired with respect to income tax examinations, for years prior to 2011.

## 5. FINANCING

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

(Dollars in thousands)	Year(s) due	December 31, 2017		December 31, 2016	
		Weighted average interest rate	Outstanding	Weighted average interest rate	Outstanding
Gas facility revenue bonds	2024	1.7% \$	20,000	1.3% \$	20,000
Affiliate promissory note	2034	4.5%	82,661	3.8%	81,442
<b>Total long-term debt</b>		<b>4.0% \$</b>	<b>102,661</b>	<b>3.3% \$</b>	<b>101,442</b>

### Gas Facility Revenue Bonds

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

On April 27, 2018, the gas facility revenue bonds were redeemed.

### Affiliate Promissory Note

Pivotal Utility entered into a promissory note with Southern Company Gas (Affiliate Promissory Note) for the purpose of refinancing its short-term debt and recapitalizing its capital structure and those of its utility operating divisions, in accordance with the target capitalization of 45% and with authorization of the Florida Commission. The Affiliate Promissory Note is adjusted periodically to maintain the appropriate targeted capitalization percentages. During 2017, \$1.2 million was converted to the Affiliate Promissory Note and \$14.2 million was converted to equity. The Affiliate Promissory Note is due December 31, 2034 and had an initial interest rate at December 31, 2004 of 6.3%, which adjusts on a periodic basis based upon weighted average costs and expenses of borrowing the then-outstanding long-term debt of both Southern Company Gas and Southern Company Gas Capital Corporation, a 100%-owned financing subsidiary of Southern Company Gas. As of December 31, 2017, the effective interest rate on this note was 4.5%.

## 6. COMMITMENTS

### Pipeline Charges, Storage Capacity, and Gas Supply

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

### Contractual Obligations

Contractual obligations at December 31, 2017 were as follows:

	2018	2019-2020	2021-2022	After 2022	Total
	<i>(in thousands)</i>				
Long-term debt <sup>(a)</sup> -					
Principal	\$ —	\$ —	\$ —	\$ 102,661	\$ 102,661
Interest	342	685	684	685	2,396
Pipeline charges, storage capacity, and gas supply <sup>(b)</sup>	11,631	19,954	8,725	16,720	57,030
Operating leases <sup>(c)</sup>	171	107	—	—	278
<b>Total</b>	<b>\$ 12,144</b>	<b>\$ 20,746</b>	<b>\$ 9,409</b>	<b>\$ 120,066</b>	<b>162,365</b>

(a) Amounts are reflected based on final maturity dates. The Company plans to continue, when economically feasible, to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit. Variable rate interest obligations are estimated based on rates at December 31, 2017 and do not include interest on the affiliated promissory note.

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

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

## 7. AFFILIATE TRANSACTIONS

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

	Expiration date	Type of fee structure	Annual fee	Profit sharing/fees payments	
				2017	2016
				<i>(in thousands)</i>	
Florida City Gas	(*)	Profit-sharing	50%	\$ 1,276	\$ 1,169

(\*) The agreement renews automatically each year unless terminated by either party.

### Amounts Due to Affiliates

The Company had \$20.0 million and \$12.3 million in payables at December 31, 2017 and 2016, respectively, which was due to Southern Company Gas, primarily related to the participation in the Southern Company Gas money pool. See Note 5 for additional information on the Affiliate Promissory Note.

The Company is covered by Southern Company Gas' agreement with Southern Company Services, Inc. under which various services are currently being rendered to the Company as direct or allocated cost. Additionally, the Company engages in transactions with Southern Company Gas' affiliates consistent with its services and tax allocation agreements.

## 8. SUBSEQUENT EVENTS

Management evaluated subsequent events for potential recognition and disclosure through April 27, 2018, the date these financial statements were available to be issued, and determined, except for the base rate case settlement discussed in Note 3 under "Base Rate Case" and the bond redemption discussed in Note 5 under "Gas Facility Revenue Bonds," 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, 2017
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**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)	389,861,325	389,861,325
4	101.1 Property Under Capital Leases	-	-
5	102 Plant Purchased or Sold	-	-
6	106 Completed Construction not Classified	8,709,790	8,709,790
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 )	420,227,950	420,227,950
12	107 Construction Work in Progress	12,904,625	12,904,625
13	Accum. Provision for Depreciation, Amortization, & Depletion	(179,774,579)	(179,774,579)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	253,357,996	253,357,996
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	(170,269,634)	(170,269,634)
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)	(170,269,634)	(170,269,634)
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 Total of lines 27 and 28)	-	-
30	111 Abandonment of Leases (Natural Gas)	-	-
31	115 Amortization of Plant Acquisition Adjustment	(9,504,945)	(9,504,945)
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	(179,774,579)	(179,774,579)

**Plant in Service**

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

For the Year Ended: December 31, 2017

Acct. No.	Account Description	Depr. Rate	Beginning Balance	Additions	Retirements	Reclass <sup>(1) (2)</sup>	Adjustments	Transfers	Ending Balance
374	Land-Distribution		499,200	932		243,173	-	-	743,305
389	Land-General		463,610	112,267		1,843,964	-	-	2,419,841
	Land-Other		-	-	-	-	-	-	-
<b>Amortizable General Plant Assets:</b>									
301	Organization		-	-					-
302	Franchises and Consents		325,164	-	(83,619)	-	-	-	241,545
303	Miscellaneous Intangible Plant		247	-	(26)	-	-	-	221
399	Miscellaneous Intangible Property		-	-	-	-	-	-	-
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the Florida PSC.</b>									
365	Rights-Of-Way		243,173	-	-	(243,173)	-	-	-
367	Transmission-Main		5,792,848	1,472,515		(7,265,363)	-	-	-
369	Measuring & Regulating Equip		132,900	464,042			-	-	596,942
371	Other Equipment		-	-	-		-	-	-
375	Structures & Improvements	2.8	214,982	10,863	(189,260)	-	-	-	36,585
376.2	Mains- Plastic	3.1	107,929,552	11,805,325	(207,801)	-	-	-	119,527,076
376.1	Mains - Other	3.0	100,440,441	2,517,183	(417,162)	7,265,363	-	-	109,805,825
378	M & R Station Equipment	3.3	670,166	236,632	-	-	-	-	906,798
379	M & R Station Equipment - City Gate	3.3	6,973,527	3,013,405	(11,007)	-	-	-	9,975,925
380.2	Services- Plastic	4.1	56,848,697	6,937,329	(238,956)	-	-	-	63,547,070
380.1	Services - Other	6.5	14,763,269	68,743	(80,292)	-	-	-	14,751,720
381	Meters	4.9	18,750,813	1,544,628	(1,347,195)	-	-	-	18,948,246
382	Meter Installation	4.5	11,798,391	331,732	(806,152)	-	-	-	11,323,971
383	House Regulators	4.9	5,429,723	876,306	1,622	-	-	-	6,307,651
384	House Regulators Installation	3.1	2,196,610	93,547	-	-	-	-	2,290,157
385	Industrial M & R Station Equipment	3.3	3,047,920	-	(2,444)	-	-	-	3,045,476

**Gas Plant in Service**

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

For the Year Ended: December 31, 2017

Acct. No.	Account Description	Depr. Rate	Beginning Balance	Additions	Retirements	Reclass <sup>(1) (2)</sup>	Adjustments	Transfers	Ending Balance
<b>(Continued)</b>									
386.5	Leased Water Heaters		-	-	-	-	-	-	-
386.6	Leased Dryers		-	-	-	-	-	-	-
386.7	Leased Rangers		-	-	-	-	-	-	-
387	Other Equipment	3.3	905,130	214,663	(187,289)	-	-	-	932,504
390	Structures & Improvements	2.6	11,119,485	44,257	(55,234)	(2,579,167)	-	-	8,529,341
391.1	Office Furniture	7.7	504	2,054	(504)	735,203	-	-	737,257
391.2	Office Machines and Equipment	8.3	2,257,152	210,283	(571,101)	-	-	-	1,896,334
391.3	Enterprise Software	9.1	11,563,246	8,068,398	(6,281,942)	-	-	-	13,349,702
392	Transportation Equipment	11.5	2,998,106	911,943	(13,940)	-	-	-	3,896,109
393	Stores Equipment	6.2	2,922	-	(2,922)	-	-	-	-
394	Tools, Shop and Garage Equipment	7.2	1,485,872	3,788,534	(1,129,073)	-	-	-	4,145,333
395	Laboratory Equipment	4.0	4,034	-	(4,034)	-	-	-	-
396	Power Operated Equipment	8.3	147,453	-	(16,124)	-	-	-	131,329
397	Communication Equipment	8.3	391,645	9,972	(908)	-	-	-	400,709
398	Miscellaneous Equipment	7.5	108,770	33,173	(57,800)	-	-	-	84,143
<b>Capital Recovery Schedules:</b>									
<b>Total Accounts 101 and 106</b>			<b>367,505,552</b>	<b>42,768,726</b>	<b>(11,703,163)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>398,571,115</b>
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		21,656,835	-	-	-	-	-	21,656,835
118	Other Utility Plant		-	-	-	-	-	-	-
106	Completed Construction not Classified		-	-	-	-	-	-	-
<b>Total Utility Plant</b>			<b>389,162,387</b>	<b>42,768,726</b>	<b>(11,703,163)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420,227,950</b>

<sup>(1)</sup> Reclassification of assets from Transmission to Distribution

Mains	7,265,363	367 to 376.1
Land	243,173	365 to 374

<sup>(2)</sup> Reclassification of Doral property assets

Furniture	735,203	390 to 391.1
Land	1,843,964	390 to 389

**Accumulated Depreciation & Amortization**

Name of Registrant: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS  
 For the Year Ended: December 31, 2017

Acct. No.	Account Description	Beginning Balance	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance
374	Land-Distribution	-	-	-	-	-	-	13,416	13,416
389	Land-General	-	(151,225)	-	-	-	-	151,225	-
<b>Amortizable General Plant Assets:</b>									
302	Franchises and Consents	181,595	-	(83,619)	-	-	-	-	97,976
303	Miscellaneous Intangible Plant	(2,951)	-	(26)	-	-	-	-	(2,977)
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	9,159	4,257	-	-	-	-	(13,416)	-
367	Transmission-Main	212,470	110,578	-	-	(5,280)	-	(317,768)	-
369	Measuring & Regulating Equip	8,075	7,576	-	-	-	-	-	13,851
371	Other Equipment	-	-	-	-	-	-	-	-
375	Structures & Improvements	138,372	3,770	(189,259)	-	-	-	-	(47,117)
376.2	Mains - Plastic	35,937,078	3,541,686	(207,802)	-	(65,084)	-	100,368	39,306,246
378.1	Mains - Other	65,468,801	3,138,175	(417,162)	-	(234,736)	-	323,033	68,278,111
378	M & R Station Equipment	57,695	26,843	-	-	-	-	-	84,338
379	M & R Station Equipment - City Gate	4,217,462	285,803	(11,007)	-	-	-	-	4,492,256
380.2	Services - Plastics	18,238,474	2,465,541	(238,956)	-	(708,580)	-	-	19,756,479
380.1	Services - Other	21,265,098	957,954	(80,292)	-	(116,297)	-	-	22,026,463
381	Meters	3,021,173	937,933	(1,347,196)	-	(1,747)	-	977	2,611,140
382	Meter Installation	4,936,220	627,693	(806,152)	-	(521)	-	4,545	4,761,785
383	House Regulators	2,202,425	287,278	1,822	-	(165)	-	84,507	2,575,667
384	House Regulators Installation	1,039,084	69,826	-	-	(147)	-	(84,507)	1,024,256
385	Industrial M & R Station Equipment	1,992,730	100,545	(2,444)	-	-	-	-	2,090,831
386.5	Leased Water Heaters	-	-	-	-	-	-	-	-
386.6	Leased Dryers	-	-	-	-	-	-	-	-
386.7	Leased Rangers	-	-	-	-	-	-	-	-
387	Other Equipment	366,740	30,031	(187,289)	-	-	-	15,862	225,344
390	Structures & Improvements	705,773	247,166	(55,234)	-	-	-	(297,141)	600,564
391.1	Office Furniture	(123,234)	29,802	(504)	-	-	-	145,914	51,978
391.2	Office Machines and Equipment	1,004,451	175,505	(571,101)	-	-	-	2,645	611,500
391.3	Enterprise Software	8,107,756	1,183,301	(6,281,942)	-	-	-	743,500	3,752,615
392	Transportation Equipment	417,992	417,910	(13,940)	10,530	-	-	-	832,492
393	Stores Equipment	1,523	1,399	(2,922)	-	-	-	-	-
394	Tools, Shop and Garage Equipment	980,423	366,975	(1,129,072)	450	-	-	1,385	220,161
395	Laboratory Equipment	4,034	-	(4,034)	-	-	-	-	-
396	Power Operated Equipment	28,150	11,960	(16,124)	-	-	-	-	21,986
397	Communication Equipment	91,993	19,921	(908)	-	-	-	(5,046)	105,960
398	Miscellaneous Equipment	(186,177)	7,756	(57,800)	-	-	-	1,016	(235,203)

**Accumulated Depreciation & Amortization**

Name of Registrant: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS  
 For the Year Ended: December 31, 2017

Acct. No.	Account Description	Beginning Balance	Accruals	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance
(Continued)									
<b>Capital Recovery Schedules:</b>									
<b>Subtotal</b>		170,318,384	14,905,761	(11,703,163)	10,980	(1,132,557)	-	870,515	173,269,920
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	(1,529,718)	-	-	-	(1,470,568)	-	-	(3,000,286)
	115 Amort. Plant Acquisition Adjustment	8,783,051	721,895	-	-		-	-	9,504,945
<b>Grand Total</b>		177,571,717	15,627,655	(11,703,163)	10,980	(2,603,125)	-	870,515	179,774,579

Note 1: 392 Transportation Equipment retirements include 2016 accrual account 100203 retirement reversal for vehicle decal removal of \$23,000.

Note 2: Depreciation accruals excludes allocated depreciation expense of \$658,000 from AGL Services Co. and amortization of Jurisdictional gain of (\$113,767).

Note 3: Salvage amounts include proceeds from auctioning of Transportation Equipment in account 392 of \$10,530 and from the sale of shop equipment of \$450.

Pivotal Utility Holdings, Inc. D/B/A Florida City Gas

AEP Reconciliation

As Of December 31, 2017

Revenue Start Date	Name of Facility	Balance at Beginning Of Year			12-Months Ended 12/31/17			Charges To Date			Over / Under Collection (A - B - C)
		Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues	Facilities Cost	Carrying Charges	Surcharge Revenues (A)	Facilities Cost (B)	Carrying Charges (C)	
Nov-12	Glades Project	4,153,962	11,807,891	4,336,927	877,750	-	1,178,662	5,031,712	11,807,891	5,515,589	(12,291,768)
Mar-14	Fellsmere Project	184	-	139	-	-	286	184	-	425	(241)
May-14	Vero Beach Connector Project	156,964	324,414	56,067	-	(218,369)	-	156,964	106,045	56,067	(5,148)
Nov-14	Homestead Project	230,397	300,979	15,222	111,146	-	2,536	341,543	300,979	17,758	22,806
Dec-14	Sebastian Project	173,616	1,206,706	224,852	125,764	9,675	124,129	299,380	1,216,381	348,981	(1,265,982)
Dec-14	Miramar Project	7,747	48,290	7,516	14,727	-	4,220	22,474	48,290	11,736	(37,552)
May-15	Flagler Project	82,764	362,137	41,216	71,631	-	29,802	154,395	362,137	71,018	(278,760)
Nov-15	Vero Isles Project	-	2,817	303	218	-	26	218	2,817	329	(2,928)
Apr-16	Downtown Central Vero	2,583	280,918	8,396	31,497	14,346	28,954	34,080	295,264	37,350	(298,534)
Totals		4,808,218	14,334,152	4,690,637	1,232,733	(194,348)	1,368,615	6,040,950	14,139,804	6,059,253	(14,158,107)

Note: Facilities Cost represents the capital investment in excess of the maximum allowed construction cost (MACC). During 2017, it was determined that the cost of the Vero Beach Connector Project was less than the aggregate MACC for the customers to be served and was reclassified to Utility Plant in Service.

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

For the Year Ended  
**December 31, 2017**

**CONSTRUCTION WORK IN PROGRESS - GAS (Account 107)**

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

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Fleet	961,026	
2	Strategic	909,643	
3	Support	7,215,965	
4	SAFE Program	652,230	
5	Gas Operations	426,989	
6	New Business	1,852,188	
7	Facilities	583,775	
8	Minor Project Types	302,809	
9			
10	<b>TOTAL</b>	<b>12,904,625</b>	

**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 <sup>(1)</sup>	1,194,472	36,397,500
2	A&G Expenses Capitalized <sup>(1)</sup>	882,815	36,397,500
3	Benefits Capitalized <sup>(1)</sup>	181,667	36,397,500
4	Pension Expense Capitalized <sup>(1)</sup>	141,846	36,397,500
5	Payroll Taxes Expense Capitalized <sup>(1)</sup>	110,373	36,397,500
6	Fleet Expense Capitalization	92,318	36,397,500
7	Engineering (Charged from AGL Services Company)	350,728	36,397,500
8	A&G Supplies	18,360	36,397,500
9			
10	<b>TOTAL</b>	<b>2,972,579</b>	

<sup>(1)</sup> Includes costs incurred by Florida City Gas and allocated from AGL Services Company and Southern Company Services.

**PREPAYMENTS (Account 165)**

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

Line No.	Nature of Prepayment (a)	Balance at End of Year (b)
1	Miami Dolphin Sponsorship	250,000
2	Florida Natural Gas Association Dues	69,568
3	Taxes	7,784,076
4	SGA Dues	80
5	Other Prepayments	1,419
6		
7		
8		
9		
10	<b>TOTAL</b>	<b>8,105,143</b>

**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		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10	<b>TOTAL</b>					-

**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		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10	<b>TOTAL</b>					-

**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		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Deferred Customer Conversion Costs <sup>(1)</sup>	1,273,218	88,406	407.2	233,885	1,127,739
2	Deferred Piping <sup>(1)</sup>	276,862	70,849	407.2	89,791	257,920
3	Pension Costs <sup>(2)</sup>	191,623	-	926	164,249	27,374
4	Area Extension Program Charges	14,216,570	1,677,186	407.3	1,735,649	14,158,107
5	Recoverable Pension and Benefit Costs	732,246	-	926	118,743	613,503
6	Rate Case Expenses <sup>(3)</sup>	-	685,662		-	685,662
7	Recoverable SAFE Costs <sup>(4)</sup>	-	2,310,122	483 / 403 408.1 / 431	2,146,239	163,883
8						
9						
10	<sup>(1)</sup> Amortization period - 10 years.					
11	<sup>(2)</sup> Amortization period - 13.3 years.					
12	<sup>(3)</sup> Amortization period - 4 years. However, the annual amortization shall not begin sooner than June 1, 2018. This amount represents the 2017 rate case filing - Docket No. 20170179-GU.					
13	<sup>(4)</sup> SAFE includes a credit adjustment of \$182,648, which represents the 2017 beginning balance that has been reclassified for presentation purposes.					
14						
15	<b>TOTAL</b>	16,690,519	4,832,225		4,488,556	17,034,188

**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		Balance End of Year (f)
				Account Charged (d)	Amount (e)	
1						
2	Net Pension Asset	-	300,218	165	-	300,218
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	<b>TOTAL</b>	-	300,218		-	300,218

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

For the Year Ended  
 December 31, 2017

**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.
- 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) <sup>(1)</sup>
1	20 Year Revenue Bonds	4/19/2005	20,000,000	1,093,562	437,174	380,765
2						
3	Bond Refinance & Issuance	6/5/2008	20,000,000	889,213	446,710	389,067
4						
5	Bond Refinance & Issuance	5/28/2010	20,000,000	181,507	108,768	94,734
6						
5	Bond Refinance & Issuance	2/26/2013	20,000,000	113,876	79,732	69,444
6						
7						
8						
9						
10						
11						
12						
13						
14						
15	Total				1,072,384	934,010

<sup>(1)</sup> Amortization to FERC account 428.1 includes debits of \$138,374 from FERC account 189.

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

For the Year Ended  
 December 31, 2017

**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		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	20 Year Revenue Bonds - Series 2024 <sup>(1)</sup>	2/26/2013	10/1/2024	20,000,000	variable	296,007	20,000,000
2	Affiliate Promissory Note <sup>(2)</sup>	1/1/2005	12/31/2034	25,209,352	4.46%	3,738,878	82,661,212
3							
4	<sup>(1)</sup> On April 27, 2018, these revenue bonds were redeemed.						
5	<sup>(2)</sup> Balance is adjusted annually to align Florida City Gas' capital structure with that of Southern Company Gas.						
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	TOTAL			45,209,352		4,034,885	102,661,212

**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		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1								
2								
3	Refinancing Fees	20,000,000	184,831	2/26/2013	10/1/2024	123,663	(15,957)	107,707
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20	TOTAL					123,663	(15,957)	107,707

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

For the Year Ended  
**December 31, 2017**

**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	157,013
2	Escheated Items	2,330
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15	<b>TOTAL</b>	<b>159,343</b>

**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		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>					-

**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		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	Energy Conservation Program <sup>(1)</sup>	647,749	18.23	391,423	476,817	733,143
2	Deferred PGA	682,270	804/431	19,856,654	20,208,864	1,034,480
3	Unrecovered SAFE Costs <sup>(2)</sup>	182,648	483	182,648	-	-
4	Regulatory Tax Liability <sup>(3)</sup>	-	282	15,305	24,247,386	24,232,081
5	Deferred Gain on Sale of Property	511,951	254/404-405	113,767	-	398,184
6						
7						
8						
9	<sup>(1)</sup> Reclassified from 182.3 - Regulatory Assets for presentation purposes.					
10	<sup>(2)</sup> The beginning balance and the debit amounts represents reclassifications from/to account 182.3 for presentation purposes.					
11	<sup>(3)</sup> Related to the implementation of the Tax Reform Legislation.					
12	<b>TOTAL</b>	<b>2,024,618</b>		<b>20,559,797</b>	<b>44,933,067</b>	<b>26,397,888</b>

**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	Environmental, Excise	Franchise	Other*	Total
1	U.S. Government	-	-	-	572,038	-	-	-	-	-	572,038
2	State of Florida	-	1,751,006	-	-	2,494,329	426,119	-	2,014,277	-	6,685,731
3	AGL Services Company Allocation	-	-	-	-	-	-	-	-	261,409	261,409
4	Payroll Taxes Capitalized	-	-	-	(139,408)	-	-	-	-	-	(139,408)
5											
6											
7											
8											
9											
10											
11											
12											
13											
14	Less: Charged to Construction	-	-	-	-	-	-	-	-	-	-
15	<b>TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1</b>	-	1,751,006	-	432,630	2,494,329	426,119	-	2,014,277	261,409	7,379,770

\* 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		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
				Acct. No. (d)	Amount (e)			
1								
2								
3								
4								
5								
6								
7								
8								
9								
10	TOTAL	-	-		-	-	-	

**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	2,566,530	-	27,659	-	-	-	254, 282, 283	1,700,714	893,475	
3	State	335,444	-	793,064	-	-	Various	66,968	OCI	40,687	
4											
5											
6											
7											
8	TOTAL Gas (Lines 2 - 10)	2,901,974	-	820,723	-	-		66,968	Various	1,741,401	2,048,264
9	Other (Specify)	-	-	-	-	-		-	-	-	-
10	TOTAL (Account 190) (Total of lines 11 and 12)	2,901,974	-	820,723	-	-		66,968	Various	1,741,401	2,048,264

**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 410.1	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	42,846,048	9,367,227	-	-	190, 254	25,265,654	-	-	-	26,947,621
9	Other	-	-	-	-	-	-	-	-	-	-
10	TOTAL Account 282 (Lines 7 thru 9)	42,846,048	9,367,227	-	-	-	25,265,654	-	-	-	26,947,621
11	Account 283 - Other										
12	Electric	-	-	-	-	-	-	-	-	-	-
13	Gas	-	-	34,235	-	254	17,172	190	72,109	20,702	-
14	Other	-	-	-	-	-	-	-	-	-	-
15	TOTAL Account 283 - Other (Lines 12 thru 14)	-	-	34,235	-	-	17,172	-	72,109	20,702	-
16	GAS										
17	Federal Income Tax	38,618,415	8,136,694	29,133	-	-	25,282,826	-	948,527	-	22,391,677
18	State Income Tax	4,226,836	1,720,142	5,102	-	-	875,620	-	-	-	5,066,256
19	Accel St Tax Depr-Property	-	-	-	-	-	-	-	-	-	-
20	TOTAL Gas (Lines 17 thru 19)	42,845,251	9,856,836	34,235	-	-	26,158,446	-	948,527	-	27,457,933
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)	42,846,048	9,367,227	34,235	-	-	25,282,826	-	72,109	-	26,968,323

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

For the Year Ended  
 December 31, 2017

**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		See reconciliation on Page 25a
7		
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  
 PIVOTAL UTILITY HOLDINGS, INC.  
 D/B/A FLORIDA CITY GAS

For the Year Ended  
 December 31, 2017

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

Net Income for Fiscal Year Ended December 31, 2017		5,651,719
Adjustments For Federal Income Tax Purposes		
Income on Return Not on Books:		
Contributions in Aid of Construction		-
Expenses Booked Not Recorded on Return:		
Lobbying Expenses	64,745	
Fines and Penalties	-	
Meals and Entertainment	17,721	
		<u>82,466</u>
Deductions on Return Not Charged Against Book Income:		
Excess of allowable depreciation over that charged to depreciation and other book expenses	(22,655,607)	
Insurance Reserve	(17,968)	
Performance Cash	82,459	
Accrued Post Retirement Benefits	141	
Accrued Bonus	438,684	
PUCHA Expenses	173,172	
Rate Case	(685,662)	
Leasehold Improvements	323,677	
Pension	463,554	
Bad Debts	247,347	
Current Federal Income Taxes	(4,938,724)	
Deferred Federal Income Taxes	8,079,902	
Deferred State Income Taxes	432,367	
Amortization of SAFE Reg. Liability	(71,475)	
Amortization of Pension Reg. Asset	164,249	
Misc.	(7,103)	
		<u>(17,970,987)</u>
Total Net Adjustments for Federal Income Tax Purposes		<u>(17,888,521)</u>
Federal Taxable Income		<u>(12,236,802)</u>
State Taxes		-
Show Computation to Tax		-
Federal Taxable Income		<u>(12,236,802)</u>
35% of Federal Taxable Income		(4,282,881)
Accrual to return and other adjustments		(712,203)
Current Federal Income Taxes at December 31, 2017		<u>(4,995,084)</u>
Allocated Tax Per Tax Agreement		173,172
Total Current Federal Income Tax before NOL Reclass		<u>(4,821,912)</u>
NOL Reclass to Deferred Income Tax Expense		56,360
Total Current Federal Income Tax after NOL Reclass to Deferred Income Tax Expense		<u>(4,765,552)</u>

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

December 31, 2017

**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		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c) <sup>(1)</sup>	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	<b>Gas Service Revenues</b>						
2	<b>Firm Sales Service</b>						
3	480 - Residential Sales	28,233,258	27,012,452	15,544,165	15,689,313	100,766	99,983
4	481 - Commercial & Industrial Sales	21,475,053	18,719,710	24,173,984	22,805,737	4,950	4,921
5	481						
6	481						
7	481						
8	481						
9	<b>Interruptible Sales Service</b>						
10	481 -						
11	481 -						
12	<b>Firm Transportation Service</b>						
13	489 - Commercial & Industrial Transp.	19,443,535	20,535,667	91,653,069	101,667,766	2,784	2,668
14	489						
15	489						
16	<b>Interruptible Transportation Serv.</b>						
17	489 - Industrial						
18	489						
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	<b>TOTAL Sales to Ultimate Consumers</b>	<b>69,151,846</b>	<b>66,267,829</b>	<b>131,371,218</b>	<b>140,162,816</b>	<b>108,500</b>	<b>107,572</b>
22	483 Sales for Resale						
23	Off-System Sales						
24	<b>TOTAL Nat. Gas Service Revenues</b>	<b>69,151,846</b>	<b>66,267,829</b>				
25	<b>TOTAL Gas Service Revenues</b>	<b>69,151,846</b>	<b>66,267,829</b>				
26	<b>Other Operating Revenues</b>						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts	1,096,741	1,126,819				
29	488 Misc. Service Revenues	8,564,286	7,422,728				
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	592,062	572,610				
36	Reconnect for Cause	94,549	141,647				
37	Collection in lieu of disconnect						
38	Returned Check	31,497	38,096				
39	Other	7,294,258	6,943,441				
40	495.1 Overrecoveries Purchased Gas						
41	<b>TOTAL Other Operating Revenues</b>	<b>17,673,393</b>	<b>16,245,341</b>				
42	<b>TOTAL Gas Operating Revenues</b>	<b>86,825,239</b>	<b>82,513,170</b>				
43	(Less) 496 Provision for Rate Refunds						
44	<b>TOTAL Gas Operating Revenues</b>	<b>86,825,239</b>	<b>82,513,170</b>				
	Net of Provision for Refunds						
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	<b>TOTAL</b>	<b>86,825,239</b>	<b>82,513,170</b>	<b>131,371,218</b>	<b>140,162,816</b>		

Notes

<sup>(1)</sup> Prior year operating revenues have been revised for comparison to 2017 presentation.

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

For the Year Ended  
 December 31, 2017

**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
<b>1</b>	<b>1. Production Expenses</b>		
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	21,955,773	18,671,015
14	804.1 Liquefied Natural Gas Purchases	-	-
15	805 Other Gas Purchases	(133,806)	(121,942)
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)	-	-
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	21,821,967	18,549,073
18	806 Exchange Gas	-	-
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas	-	-
21	807.2 Operation of Purchased Gas Measuring Stations	-	-
22	807.3 Maintenance of Purchased Gas Measuring Stations	-	-
23	807.4 Purchased Gas Calculations Expenses	-	-
24	807.5 Other Purchased Gas Expenses	-	26,674
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	-	26,674
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	(14,168)	(11,858)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	(14,168)	(11,858)
35	813 Other Gas Supply Expenses	-	-
36	TOTAL Other Gas Supply Exp. (Total of Lines 17, 18, 25, 26 through 29, 34, 35)	21,807,799	18,563,889
37	TOTAL Production Expenses (Total of Lines 2, 3, 4, 5 and 36)	21,807,799	18,563,889
<b>38</b>	<b>2. Natural Gas Storage, Terminating and Processing Expenses</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	42,180	43,249
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)	91,710	83,294
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)	-	-
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	133,890	126,543
<b>43</b>	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)	1,229	1,084
45			
46			

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

For the Year Ended  
 December 31, 2017

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
<b>47</b>	<b>4. Distribution Expenses</b>		
48	Operation		
49	870 Operation Supervision and Engineering		
50	871 Distribution Load Dispatching	108,372	2,096
51	872 Compressor Station Labor and Expenses	-	-
52	873 Compressor Station Fuel and Power	-	-
53	874 Mains and Services Expenses	-	-
54	875 Measuring and Regulating Station Expenses--General	1,860,283	1,814,057
55	876 Measuring and Regulating Station Expenses--Industrial	82	916
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	23	-
57	878 Meter and House Regulator Expenses	57,742	62,270
58	879 Customer Installations Expenses	851,730	808,385
59	880 Other Expenses	579,119	559,173
60	881 Rents	237,258	245,787
61	TOTAL Operation (Total of lines 49 through 60)	-	-
		3,694,609	3,492,684
62	Maintenance		
63	885 Maintenance Supervision and Engineering	-	-
64	886 Maintenance of Structures and Improvements	-	-
65	887 Maintenance of Mains	-	-
66	888 Maintenance of Compressor Station Equipment	341,052	330,492
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	(141)	467
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	56,126	85,409
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	-	-
70	892 Maintenance of Services	566	-
71	893 Maintenance of Meters and House Regulators	259,434	172,431
72	894 Maintenance of Other Equipment	230,638	182,559
73	TOTAL Maintenance (Total of Lines 63 through 72)	9,812	9,240
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	897,487	780,598
75	<b>5. Customer Accounts Expenses</b>	4,592,096	4,273,282
76	Operation		
77	901 Supervision	-	-
78	902 Meter Reading Expenses	-	-
79	903 Customer Records and Collection Expenses	105,594	111,010
80	904 Uncollectible Accounts	36,252	69,232
81	905 Miscellaneous Customer Accounts Expenses	680,125	489,897
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	711	1,208
		822,682	671,347
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision	321	-
86	908 Customer Assistance Expenses	5,454	9,319
87	909 Informational and Instructional Expenses	5,225,666	5,331,959
88	910 Miscellaneous Customer Service and Informational Expenses	-	(22)
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	5,231,441	5,341,256
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision	6	6
93	912 Demonstrating and Selling Expenses	235,815	12,023
94	913 Advertising Expenses	6,571	24,434
95	916 Miscellaneous Sales Expenses	-	-
96	TOTAL Sales Expenses (Total of lines 92 through 95)	242,392	36,463
97			

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

For the Year Ended  
 December 31, 2017

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. Administrative and General Expenses</b>		
99	Operation		
100	920 Administrative and General Salaries		
101	921 Office Supplies and Expenses	10,152,615	9,313,907
102	(Less) (922) Administrative Expenses Transferred--Credit	1,532,607	1,588,568
103	923 Outside Services Employed	(3,108,414)	(2,603,148)
104	924 Property Insurance	1,739,201	1,974,272
105	925 Injuries and Damages	268,227	342,175
106	926 Employee Pensions and Benefits	250,726	185,986
107	927 Franchise Requirements	2,294,142	2,724,255
108	928 Regulatory Commission Expenses	-	-
109	(Less) (929) Duplicate Charges--Credit	1,919	-
110	930.1 General Advertising Expenses	-	-
111	930.2 Miscellaneous General Expenses	-	-
112	931 Rents	388,055	541,382
113	TOTAL Operation (Total of lines 100 through 112)	387,356	351,166
114	Maintenance	13,906,434	14,418,563
115	932 Maintenance of General Plant	1,038,040	800,289
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	14,944,474	15,218,852
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	47,776,003	44,232,716
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	Payroll Period Ended (Date)	12/29/2017
3	Total Regular Full-Time Employees	108
4	Total Part-Time and Temporary Employees	-
5	Total Employees	108
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

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

For the Year Ended  
 December 31, 2017

**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			
7	804.1 - Liquefied Natural Gas Purchases	34,114,831	21,955,773	\$0.64
8	805 - Other Gas Purchases		(133,806)	
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	34,114,831	21,821,967	\$0.64

**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	(30,800)	14,168
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	TOTAL		(30,800)	14,168

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

For the Year Ended

December 31, 2017

**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			Amortized During Year		Deferred in Account 186 End of Year (i)
				Charged Currently to		Deferred to Account 186 (f)	Contra Account (g)	Amount (h)	
				Account No. (d)	Amount (e)				
1	Regulatory Commission Expense - Allocated	-	-	928	1,919	-		-	-
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15	TOTAL	-	-		1,919	-		-	-

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	107,471
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	307,407
6	Fleet Expense Capitalization	(92,318)
7	Miscellaneous Expenses	18,439
8	Civic Participation	8,857
9	Board of Director Fees	38,199
10		
11		
12		
13		
14		
15	TOTAL	388,055

**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	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric	-	-	-
3	<b>Gas</b>			
4	Operation			
5	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	271		
6	Transmission	97		
7	Distribution	3,074,831		
8	Customer Accounts	139,133		
9	Customer Service and Informational	321		
10	Sales	-		
11	Administrative and General	3,109,682		
12	TOTAL Operation (Total of lines 5 through 11)	6,324,335		
13	Maintenance			
14	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	42,235		
15	Transmission	1,132		
16	Distribution	336,616		
17	Administrative and General	14,442		
18	TOTAL Maintenance (Total of lines 14 through 17)	394,425		
19	Total Operation and Maintenance	6,718,760		
20	Production - Manufd. Gas & Nat.Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	42,506		
21	Transmission (Total of lines 6 and 15)	1,229		
22	Distribution (Total of lines 7 and 16)	3,411,447		
23	Customer Accounts (Transcribe from line 8)	139,133		
24	Customer Service and Informational (Transcribe from line 9)	321		
25	Sales (Transcribe from line 10)	-		
26	Administrative and General (Total of lines 11 and 17)	3,124,124		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	6,718,760	-	6,718,760
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance	-	-	-
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	-	-	-
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant	-	-	-
34	Gas Plant	1,023,067	-	1,023,067
35	Other	-	-	-
36	TOTAL Construction (Total of lines 33 through 35)	1,023,067	-	1,023,067
37	Plant Removal (By Utility Department)			
38	Electric Plant	-	-	-
39	Gas Plant	260,830	-	260,830
40	Other	-	-	-
41	TOTAL Plant Removal (Total of lines 38 through 40)	260,830	-	260,830
42				
43	Other Accounts (Specify):			
44				
45	Taxes other than Income	620,018	-	620,018
46	Misc payroll	30,948	-	30,948
47				
48				
49	TOTAL Other Accounts	650,966	-	650,965
50	TOTAL SALARIES AND WAGES	8,653,623	-	8,653,622

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

### CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including

payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services,  
 (b) description of services received,  
 (c) basis of charges,  
 (d) total charges for the year, detailing account charged.

2. For any services which are of a continuing nature, give the date and term of contract.

3. Designate with an asterisk associated companies.

	Description		Amount
			15,829,321
1	MEARS CONSTRUCTION LLC	Contractor	
2	MASTEC NORTH AMERICA INC	Engineering Services	4,239,258
3	SOUTHEAST CONNECTIONS	Contractor	729,749
4	E2 CONSULTING ENGINEERS, INC	Engineering Services	595,877
5	PLAYER AND COMPANY	Contractor	588,158
6	ALL ABOUT GAS SERVICE LLC	Contractor	535,672
7	KIMLEY-HORN AND ASSOCIATES, INC	Contractor	480,055
8	MCDANIEL TECHNICAL SERVICES INC	Contractor	431,105
9	TDW SERVICES, INC	Construction Services	270,826
10	QUALITY INTEGRATED SERVICES INC	Construction Services	215,449
11	HEATH CONSULTANTS INC.	Contractor	209,506
12	AZTEC MASONRY & CONCRETE, LLC	Construction Services	200,171
13	BERGER SINGERMAN LLP	Legal Services	145,901
14	RBB COMMUNICATIONS LLC	Public Relations	141,161
15	HDR ENGINEERING INC	Engineering Services	131,237
16	GUNSTER YOAKLEY & STEWART P A	Legal Services	129,731
17	MILHOUSE ENGINEERING & CONSTRUCTION, INC	Engineering Services	124,479
18	COLLIERS INTERNATIONAL MANAGEMENT	Real Estate Mgt. Services	120,337
19	QUALITY WELDING & FABRICATING	Contractor	116,710
20	BROADRIDGE OUTPUT SOLUTIONS INC	Engineering Services	93,102
21	SUBMAR INC	Contractor	85,684
22	MIDLAND RESOURCE RECOVERY, INC	Contractor	84,063
23	MARIECO, INC	Contractor	78,052
24	ROBERT HALF INTERNATIONAL	Staffing Services	76,364
25	GEORGIA NEWSPAPER SERVICES, INC	Advertising	71,468
26	BUILDING MANAGEMENT SYSTEM, INC.	Engineering Services	65,267
27	POND & COMPANY	Engineering Services	62,248
28	CARNAHAN PROCTOR AND CROSS INC	Engineering Services	58,548
29	SINGLEPOINT AG	Contractor	54,063
30	GARLAND/DBS, INC.	Contractor	48,961
31	GLEEDS USA INC	Consulting Services	37,327
32	TANNER COATINGS & PIPELINE SERVICE, INC.	Contractor	35,093
33	BROWN AND CALDWELL	Engineering Services	34,712
34	AJ IMAGES INC	Engineering Services	34,674
35	CHEROKEE ENTERPRISES, INC	Contractor	30,750

### 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	<u>MISCELLANEOUS INCOME DEDUCTIONS (426.1 - 426.5):</u>	
3	Expenditures for Certain Civic, Political and Related Activities	(63,032)
4	Other Deductions	1,482
5	TOTAL	(61,550)
6		
7	<u>INTEREST ON DEBT TO ASSOCIATED COMPANIES (430):</u>	
8	Interest on Money Pool Transactions	247,191
9	Affiliate Promissory Note	3,738,878
10	TOTAL	3,986,069
11		
12	<u>OTHER INTEREST EXPENSES (431):</u>	
13	Interest on Customer Deposits (2% Residential / 3% Non Residential)	101,914
14	PGA (Average 0.92%)	14,064
15	ECP (Average 0.91%)	8,433
16	Financing Fees	(190)
17	Florida Department of Revenue	883
18	TOTAL	125,104

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

For the Year Ended  
 December 31, 2017

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

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

Line No.	(a) Description	(b) Gross Operating Revenues per Page 26	(c) Interstate and Sales for Resale Adjustments	(d) Adjusted Intrastate Gross Operating Revenues	(e) Intrastate Gross Operating Revenues per RAF Return	(f) Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	49,708,311		49,708,311	59,119,364	(9,411,053)
2	Sales for Resale (483)					
3	Total Natural Gas Service Revenues	49,708,311		49,708,311	59,119,364	(9,411,053)
4	Total Other Operating Revenues (485-495)	37,116,928		37,116,928	25,596,216	11,520,712
5	Total Gas Operating Revenues	86,825,239		86,825,239	84,715,580	2,109,659
6	Provision for Rate Refunds (496)					
7	Other (Specify) - Off System Sales					
8	- PGA Over/Under Recoveries					
9	- CRA Over/Under Recoveries					
10	<b>Total Gross Operating Revenues</b>	<b>86,825,239</b>		<b>86,825,239</b>	<b>84,715,580</b>	<b>2,109,659</b>

**Notes:**

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

<u>Account</u>	
Gas Management Fee	(20)
Lost and unaccounted for gas	18,017
Damage Billing - Mains	423,229
Damage Billing - Services	128,435
AEP Carrying Charges	1,376,115
Unrecovered Equity for SAFE Revenues <sup>(1)</sup>	163,883
	<u>2,109,659</u>

<sup>(1)</sup> Adjustment will be made to include the SAFE unrecovered equity for revenues in the 2018 RAF filing.

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

For the Year Ended  
December 31, 2017

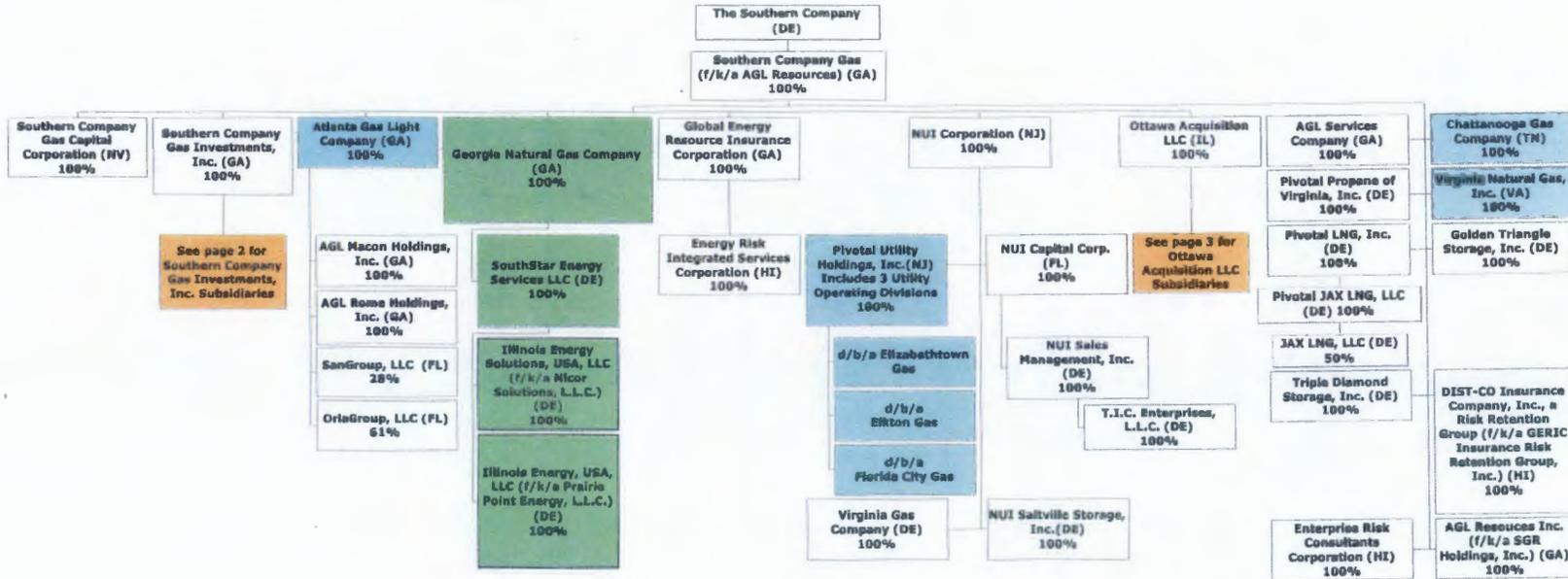
**CORPORATE STRUCTURE**

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

See attached for corporate organizational chart that was in effect as of December 31, 2017.



Office of the Corporate Secretary  
 Southern Company Gas - Corporate Organizational Chart  
 November 1, 2017

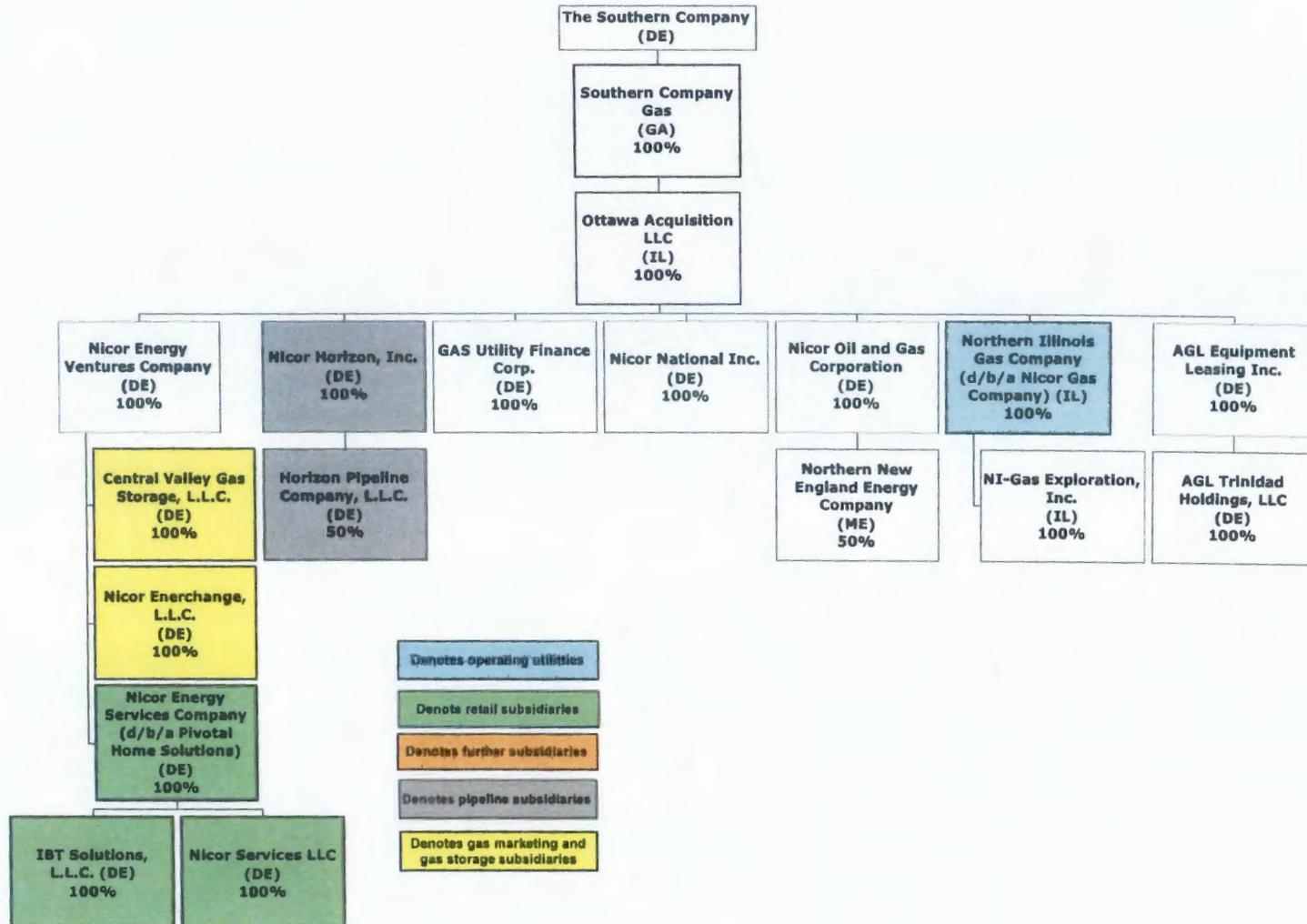


- Denotes operating utilities
- Denotes retail subsidiaries
- Denotes further subsidiaries
- Denotes pipeline subsidiaries
- Denotes gas marketing and gas storage subsidiaries





**Office of the Corporate Secretary**  
**Southern Company Gas - Corporate Organizational Chart**  
**November 1, 2017**



**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)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
AGL Services Company <sup>(1)</sup>	Executive	(2)	P		426,905
	External Relations	(2)	P		47,309
	Call Center	(2)	P		1,188,689
	Corporate Compliance	(2)	P		52,323
	Fleet Services	(2)	P		39,489
	Credit Collections	(2)	P		82,194
	Emergency Response	(2)	P		161,288
	Information Technology	(2)	P		2,280,497
	Direct Assigned	(2)	P		2,026,732
	Business Support Facilities	(2)	P		295,413
	Supply Chain Management	(2)	P		73,006
	Employee Services	(2)	P		431,476
	Engineering	(2)	P		403,975
	Financial Services	(2)	P		428,357
	Gas Supply	(2)	P		289,530
	Internal Auditing	(2)	P		47,073
	Legal	(2)	P		294,042
	Marketing	(2)	P		29,974
	Corporate	(2)	P		91,533
	Rates and Regulatory	(2)	P		77,604
	Corporate Communications	(2)	P		47,378
Eng. Stor Reg NonReg	(2)	P		2,009	
Remittance Processing	(2)	P		48,496	
Investor Relations	(2)	P		1,258	
Sequent Energy Management	Gas Purchase	Asset Management Agreement	P	804	21,657,951
AGL Services Company	Money Pool Interest	(2)	P	430	247,191
AGL Services Company	Interest on Promissory Note		P	430	3,738,878
AGL Services Company	Capitalized Payroll		P	107	350,728
AGL Services Company	Property, Workers' Comp, General Liability Insurance		P	924/925	401,498
AGL Services Company	Capital Payroll		P	107	101,743
Atlanta Gas Light Company	Capital Payroll		P	107	6,852
Atlanta Gas Light Company	Operations and Maintenance Payroll		P	874 / 893	1,019
Nicor Gas	Operations and Maintenance Payroll		P	893	325
Nicor Gas	Capital Payroll		S	107	(551)
Nicor Gas	Operations and Maintenance Payroll		S	920	(1,925)
Atlanta Gas Light Company	Capital Payroll		S	107	(2,268)
Chattanooga Gas Company	Operations and Maintenance Payroll		S	870 / 920	(1,962)
AGL Services Company	Transfer and Assignment of Shared Assets		P	107	6,263,584
Pivotal Home Solutions	Bill Inserts		S	921	(20,296)
Pivotal Home Solutions	Warranty Revenue		S	488	(7,500)
AGL Services Company	Software		P	101	1,161,207
AGL Services Company	Gas Meter Transmitters/ Receivers		P	101	6,998
AGL Services Company	Service Truck		P	101	2,209
<b>Total</b>					<b>42,792,231</b>

<sup>(1)</sup> Represents charges per the AGL Services Company agreement.

<sup>(2)</sup> Various expense accounts

<sup>(3)</sup> 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, 2017

**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	21,657,951

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

For the Year Ended

December 31, 2017

**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	Software	1,947,744	766,537	1,181,207	(1)		
Atlanta Gas Light Company	ERTS Modules	12,343	5,345	6,998	(1)		
(1) No fair market value was determined. Value is assumed to approximate book value.							
<b>Total</b>						\$ -	
Sales to Affiliates:							
NONE							
<b>Total</b>						\$ -	

**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
NONE				