

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY  
EARNINGS SURVEILLANCE REPORT

FLORIDA CITY GAS

March 2019

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS  
YEAR END RATE BASE  
March 2019**

		(1)		(2)		(3)		(4)		(5)
		<u>ACTUAL</u>		<u>FPSC</u>		<u>FPSC</u>		<u>PRO FORMA</u>		<u>PRO FORMA</u>
		<u>PER BOOKS</u>		<u>ADJUSTMENTS</u>		<u>ADJUSTED</u>		<u>ADJUSTMENTS</u>		<u>ADJUSTED</u>
<b><u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u></b>										
NET OPERATING INCOME	(a)	\$ 18,572,857		\$ (462,442)		\$ 18,110,415		\$ 558,605		\$ 18,669,020
AVERAGE RATE BASE	(a)	\$ 267,041,221		\$ 34,936,720		\$ 301,977,941		\$ (11,610,469)		\$ 290,367,472
AVERAGE RATE OF RETURN	(a)	<b>6.96%</b>				<b>6.00%</b>				<b>6.43%</b>
<b><u>II. YEAR END RATE BASE (JURISDICTIONAL)</u></b>										
		\$ 304,289,047		\$ 39,087,902		\$ 343,376,949		\$ (11,249,522)		\$ 332,127,428

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

LOW	<b><u>6.42%</u></b>
MIDPOINT	<b><u>7.08%</u></b>
HIGH	<b><u>7.74%</u></b>

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

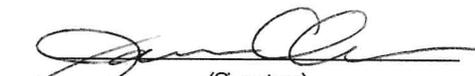
A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<b><u>8.54%</u></b>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<b><u>9.28%</u></b>

Note: Subsequent to receiving Financing Order # PSC-2018-0550-FOF-GU, Florida City Gas has received Long-term Debt proceeds from Florida Power & Light Co. However, due to financing 100% equity post acquisition, the return on equity is below the authorized range but is expected to be within authorized range by year end 2019.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s.775.084.

Keith Ferguson, Vice President Accounting and Controller  
(Name and Title of Chief Financial Officer)

  
(Signature)  
FOR KEITH FERGUSON

5/15/2019  
(Date)

FLORIDA CITY GAS  
AVERAGE RATE OF RETURN  
RATE BASE  
March 2019

Line No.	(1) PLANT IN SERVICE	(2) ACCUM. DEPR. & AMORT.	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CWIP	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE	
1	PER BOOKS	\$ 431,397,073	\$ 180,465,038	\$ 250,932,035	\$ -	\$ 28,350,526	\$ 279,282,561	\$ (12,241,340)	\$ 267,041,221
2									
3	<b>FPSC ADJUSTMENTS:</b>								
4	GOODWILL	(7,283,170)		(7,283,170)		(7,283,170)			(7,283,170)
5	AGL COMMON PLANT	1,303,985	412,313	891,672		891,672			891,672
6	AGL PURCHASE PREMIUM	4,997,731	2,248,979	2,748,752		2,748,752			2,748,752
7	REMOVE AEP						(13,745,978)		(13,745,978)
8	NONUTILITY PLANT						(532)		(532)
9	CAPITAL STRUCTURE ADJUSTMENTS						53,069,630		53,069,630
10	GAS COST/CONSERVATION/CRA UNDERRECOVERIES						(743,518)		(743,518)
11	NONUTILITY STORAGE						(136)		(136)
12	PENSION AND TRANSITION COSTS REG. ASSET						-		-
13	<b>TOTAL FPSC ADJUSTMENTS</b>	<b>\$ (981,454)</b>	<b>\$ 2,661,293</b>	<b>\$ (3,642,746)</b>	<b>\$ -</b>	<b>\$ (3,642,746)</b>	<b>\$ 38,579,466</b>	<b>\$ 34,936,720</b>	
14									
15	<b>FPSC ADJUSTED</b>	<b>\$ 430,415,619</b>	<b>\$ 183,126,331</b>	<b>\$ 247,289,288</b>	<b>\$ -</b>	<b>\$ 28,350,526</b>	<b>\$ 275,639,814</b>	<b>\$ 26,338,127</b>	<b>\$ 301,977,941</b>
16									
17	<b>ADJUSTED FOR FLEX RATE REVENUES</b>	<b>\$ 430,415,619</b>	<b>\$ 183,126,331</b>	<b>\$ 247,289,288</b>	<b>\$ -</b>	<b>\$ 28,350,526</b>	<b>\$ 275,639,814</b>	<b>\$ 26,338,127</b>	<b>\$ 301,977,941</b>
18									
19	<b>PRO FORMA ADJUSTMENTS:</b>								
20									
21	<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>\$ (21,656,835)</b>	<b>\$ (10,046,366)</b>	<b>\$ (11,610,469)</b>	<b>\$ -</b>	<b>\$ (11,610,469)</b>	<b>\$ -</b>	<b>\$ (11,610,469)</b>	
22									
23	<b>PRO FORMA ADJUSTED</b>	<b>\$ 408,758,784</b>	<b>\$ 173,079,965</b>	<b>\$ 235,678,819</b>	<b>\$ -</b>	<b>\$ 28,350,526</b>	<b>\$ 264,029,345</b>	<b>\$ 26,338,127</b>	<b>\$ 290,367,472</b>

FLORIDA CITY GAS  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
March 2019

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O&M GAS EXPENSE	O&M OTHER	DEPR. & AMORT.	TAXES OTHER THAN INCOME TAXES	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INV. TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
<b>1</b>	<b>PER BOOKS</b>	\$ 92,298,619	\$ 22,146,908	25,916,148	\$ 13,506,096	\$ 7,797,337	\$ 5,077,239	\$ (717,966)	\$ -	\$ 73,725,762	\$ 18,572,857
<b>2</b>	END OF YEAR CUSTOMER REFUND ACCRUAL									\$ -	\$ -
<b>3</b>	<b>ADJUSTED BOOKS</b>	\$ 92,298,619	\$ 22,146,908	\$ 25,916,148	\$ 13,506,096	\$ 7,797,337	\$ 5,077,239	\$ (717,966)	\$ -	\$ 73,725,762	\$ 18,572,857
<b>4</b>	<b>FPSC ADJUSTMENTS</b>										
<b>6</b>	FUEL REVENUES/COSTS	(22,257,642)	(22,146,908)			(110,735)	-			(22,257,642)	
<b>7</b>	FRANCHISE/GROSS RECEIPTS TAXES	(4,831,753)				(4,831,753)	-			(4,831,753)	
<b>8</b>	ECP REVENUE/COSTS	(4,606,129)		(4,604,247)		(23,021)	5,357			(4,621,911)	15,782
<b>9</b>	REMOVE AEP	(1,380,462)			(1,186,398)		(49,186)			(1,235,583)	(144,879)
<b>10</b>	AGL PURCHASE PREMIUM PER AMORT SCHED				120,316		(30,494)			89,822	(89,822)
<b>11</b>	RECLASS PEN. AND OPEB EXP. TO OPERATING			(35,834)			9,082			(26,752)	26,752
<b>12</b>	RECORD EQUITY COMPONENT OF SAFE (Nets to zero)	28,824		-			7,305			7,305	21,518
<b>13</b>	ASSOCIATION DUES			(65,634)			16,635			(48,999)	48,999
<b>14</b>	PENSION AND TRANSITION COSTS REG. ASSET			-			-			-	-
<b>15</b>	EMPLOYEE ACTIVITIES/CIVIC PARTICIPATION			(37,858)			9,595			(28,263)	28,263
<b>16</b>	INTEREST SYNCHRONIZATION			-		-	369,056			369,056	(369,056)
<b>17</b>	<b>TOTAL FPSC ADJUSTMENTS</b>	<u>(33,047,162)</u>	<u>(22,146,908)</u>	<u>(4,743,572)</u>	<u>(1,066,082)</u>	<u>(4,965,508)</u>	<u>337,350</u>	<u>-</u>	<u>-</u>	<u>(32,584,720)</u>	<u>(462,442)</u>
<b>19</b>	<b>FPSC ADJUSTED</b>	\$ 59,251,457	\$ -	\$ 21,172,575	\$ 12,440,015	\$ 2,831,828	\$ 5,414,590	\$ (717,966)	\$ -	\$ 41,141,042	\$ 18,110,415
<b>20</b>	<b>ADJUSTED FOR</b>										
<b>21</b>	FLEX RATE REVENUES	-	-	-	-	-	-	-	-	-	-
<b>22</b>	ADJUSTED FOR										
<b>23</b>	<b>FLEX RATE REVENUES</b>	\$ 59,251,457	\$ -	\$ 21,172,575	\$ 12,440,015	\$ 2,831,828	\$ 5,414,590	\$ (717,966)	\$ -	\$ 41,141,042	\$ 18,110,415
<b>24</b>	<b>PRO FOR-A ADJUSTMENTS</b>										
<b>26</b>	TOTAL PRO FORMA ADJUSTMENTS	-	-	-	(721,895)	-	163,290	-	-	(558,605)	558,605
<b>27</b>	<b>PRO FORMA ADJUSTED</b>	\$ 59,251,457	\$ -	\$ 21,172,575	\$ 11,718,120	\$ 2,995,118	\$ 5,577,879	\$ (717,966)	\$ -	\$ 40,582,437	\$ 18,669,020

FLORIDA CITY GAS  
 YEAR END RATE BASE  
 RATE BASE  
 March 2019

Line No.	(1) PLANT IN SERVICE	(2) ACCUM. DEPR. & AMORT.	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CWIP	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE
1 PER BOOKS(1)	\$ 436,406,483	\$ 185,003,056	\$ 251,403,427	\$ -	\$ 44,936,902	\$ 296,340,329	\$ 7,948,718	\$ 304,289,047
2								
3 <u>FPSC ADJUSTMENTS</u>								
4 GOODWILL							-	-
5 AGL COMMON PLANT								-
6 AGL ACQUISITION ADJ. PER AMORT SCHEDULE								-
7 REMOVE AEP	-		-		-		(14,116,308)	(14,116,308)
8 CAPITAL STRUCTURE ADJUSTMENTS			-		-		54,540,065	54,540,065
9 GAS COST/CONSERVATION/CRA UNDERRECOVERIES					-		(1,335,855)	(1,335,855)
10 NONUTILITY STORAGE					-		-	-
11 TOTAL FPSC ADJUSTMENTS	-	-	-	-	-	-	39,087,902	39,087,902
12								
13 FPSC ADJUSTED	\$ 436,406,483	\$ 185,003,056	\$ 251,403,427	\$ -	\$ 44,936,902	\$ 296,340,329	\$ 47,036,620	\$ 343,376,949
14								
15 <u>PRO FORMA ADJUSTMENTS</u>								
16								
17 TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (10,407,313)	\$ (11,249,522)	\$ -	\$ -	\$ (11,249,522)	\$ -	\$ (11,249,522)
18								
19 PRO FORMA ADJUSTED	\$ 414,749,648	\$ 174,595,743	\$ 240,153,905	\$ -	\$ 44,936,902	\$ 285,090,807	\$ 47,036,620	\$ 332,127,428

(1) Recoverable AGL Acquisition Adjustment and related Accumulated Amortization are included in "Per Books" amounts.

FLORIDA CITY GAS  
CAPITAL STRUCTURE  
FPCC ADJUSTED BASIS  
March 2019

Line No.	AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTMENTS				LOW POINT		MID POINT		HIGH POINT		
					ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
1	DIVISIONAL CAPITAL	\$ 213,299,853	66.63%	\$ -	\$ 213,299,853	\$ (14,699,720)	\$ 198,600,132	65.77%	9.19%	6.04%	10.19%	6.70%	11.19%	7.36%	
2															
3	LONG TERM DEBT	53,741,368	16.79%	-	53,741,368	(3,703,627)	50,037,741	16.57%	2.10%	0.35%	2.10%	0.35%	2.10%	0.35%	
4															
5	SHORT TERM DEBT	(1,263,540)	-0.39%	-	(1,263,540)	87,078	(1,176,462)	-0.39%	0.62%	0.00%	0.62%	0.00%	0.62%	0.00%	
6															
7	PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
8															
9	CUSTOMER DEPOSITS	3,251,620	1.02%	-	3,251,620	-	3,251,620	1.08%	2.73%	0.03%	2.73%	0.03%	2.73%	0.03%	
10															
11	TAX CREDITS - ZERO COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
12															
13	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
14															
15	ACC DEF INC TAXES-ZERO COST	51,081,550	15.95%	-	51,081,550	183,360	51,264,909	16.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
16	<b>TOTAL</b>	<b>\$ 320,110,851</b>	<b>100.00%</b>	<b>\$ -</b>	<b>\$ 320,110,851</b>	<b>\$ 183,360</b>	<b>\$ 301,877,841</b>	<b>100.00%</b>	<b>6.42%</b>	<b>7.08%</b>	<b>7.24%</b>				
17															
18															
19	YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	LOW POINT COST RATE (%)	WEIGHTED COST (%)	MIDPOINT COST RATE (%)	WEIGHTED COST (%)	HIGH POINT COST RATE (%)	WEIGHTED COST (%)
20	DIVISIONAL CAPITAL	\$ 125,137,864	34.87%	\$ -	\$ 125,137,864	\$ (6,351,761)	\$ 118,786,103	34.59%	9.19%	3.18%	10.19%	3.52%	11.19%	3.87%	
21															
22	LONG TERM DEBT (1)	179,151,183	49.93%	-	179,151,183	(9,093,374)	170,057,809	49.53%	4.53%	2.24%	4.53%	2.24%	4.53%	2.24%	
23															
24	SHORT TERM DEBT	138,464	0.04%	-	138,464	(7,028)	131,435	0.04%	4.54%	0.00%	4.54%	0.00%	4.54%	0.00%	
25															
26	PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
27															
28	CUSTOMER DEPOSITS	3,137,289	0.87%	-	3,137,289	-	3,137,289	0.91%	2.73%	0.02%	2.73%	0.02%	2.73%	0.02%	
29															
30	TAX CREDITS - ZERO COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
31															
32	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
33															
34	ACC DEF INC TAXES-ZERO COST	51,264,312	14.29%	-	51,264,312	-	51,264,312	14.93%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
35	<b>TOTAL</b>	<b>\$ 388,625,113</b>	<b>100.00%</b>	<b>\$ -</b>	<b>\$ 388,625,113</b>	<b>\$ (15,452,183)</b>	<b>\$ 343,276,949</b>	<b>100.00%</b>	<b>5.44%</b>	<b>5.76%</b>	<b>6.19%</b>				
36															
37															
38	AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	LOW POINT COST RATE (%)	WEIGHTED COST (%)	MIDPOINT COST RATE (%)	WEIGHTED COST (%)	HIGH POINT COST RATE (%)	WEIGHTED COST (%)
39	DIVISIONAL CAPITAL	\$ 213,299,853	66.63%	\$ -	\$ 213,299,853	\$ (24,017,701)	\$ 189,282,151	65.19%	9.19%	5.99%	10.19%	6.64%	11.19%	7.29%	
40															
41	LONG TERM DEBT	53,741,368	16.79%	-	53,741,368	(6,051,313)	47,690,055	16.42%	2.10%	0.35%	2.10%	0.35%	2.10%	0.35%	
42															
43	SHORT TERM DEBT	(1,263,540)	-0.39%	-	(1,263,540)	142,275	(1,121,265)	-0.39%	0.62%	0.00%	0.62%	0.00%	0.62%	0.00%	
44															
45	PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
46															
47	CUSTOMER DEPOSITS	3,251,620	1.02%	-	3,251,620	-	3,251,620	1.12%	2.73%	0.03%	2.73%	0.03%	2.73%	0.03%	
48															
49	TAX CREDITS - ZERO COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
50															
51	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
52															
53	ACC DEF INC TAXES-ZERO COST	51,081,550	15.96%	-	51,081,550	183,360	51,264,909	17.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
54	<b>TOTAL</b>	<b>\$ 320,110,851</b>	<b>100.00%</b>	<b>\$ -</b>	<b>\$ 320,110,851</b>	<b>\$ 183,360</b>	<b>\$ 280,267,472</b>	<b>100.00%</b>	<b>6.57%</b>	<b>7.02%</b>	<b>7.67%</b>				

(1) Recoverable unamortized cost of early debt extinguishment.

(2) On July 31, 2018 Florida City Gas ("FCG") was acquired and became a direct, wholly-owned subsidiary of Florida Power & Light Company ("FPL") at which time all of FCG's outstanding funded debt from its former parent, Southern Company Gas, was extinguished. FCG's application for authority to issue debt securities in 2019 pursuant to borrowings from FPL was approved on November 19, 2018 in Docket No. 20180166-GU with the Florida Public Service Commission. Subsequent to receiving Financing Order # PSC-2018-0550-FOF-GU, Florida City Gas has received Long-term Debt proceeds from Florida Power & Light Co.

FLORIDA CITY GAS  
EARNED RETURN ON COMMON EQUITY  
FPSC ADJUSTED BASIS  
March 2019

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.		
1	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.00%
2	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
3	LONG TERM DEBT	-0.35%
4	SHORT TERM DEBT	0.00%
5	PREFERRED STOCK	0.00%
6	CUSTOMER DEPOSITS	-0.03%
7	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
8	<b>SUBTOTAL</b>	<b>-0.38%</b>
9	<b>TOTAL</b>	<b>5.62%</b>
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	65.77%
11	<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>	<b>8.54%</b>

12

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B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

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NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$	18,669,020
RATE BASE EXCLUDING FLEX RATE REVENUES	\$	290,367,472
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN		6.43%
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT		-0.35%
SHORT TERM DEBT		0.00%
PREFERRED STOCK		0.00%
CUSTOMER DEPOSITS		-0.03%
TAX CREDITS-WEIGHTED COST(MIDPOINT)		0.00%
<b>SUBTOTAL</b>		<b>-0.38%</b>
<b>TOTAL</b>		<b>6.05%</b>
DIVIDED BY RECONCILED COMMON EQUITY RATIO		65.19%
<b>JURISDICTIONAL RETURN ON COMMON EQUITY</b>		<b>9.28%</b>