

FLORIDA PUBLIC SERVICE COMMISSION	
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**INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT**

FLORIDA CITY GAS

September 2019

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
September 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>
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>										
NET OPERATING INCOME	(a)	\$ 17,239,735		\$ (866,637)		\$ 16,373,098		\$ 544,243		\$ 16,917,341
AVERAGE RATE BASE	(a)	\$ 299,565,857		\$ 28,576,789		\$ 328,142,645		\$ (11,209,102)		\$ 316,933,543
AVERAGE RATE OF RETURN	(a)	5.75%				4.99%				5.34%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>										
		\$ 269,450,323		\$ 86,401,112		\$ 355,851,435		\$ (10,888,575)		\$ 344,962,860

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

LOW	<u>5.93%</u>
MIDPOINT	<u>6.48%</u>
HIGH	<u>7.03%</u>

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>7.48%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>8.12%</u>

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		11/15/2019
(Name and Title of Chief Financial Officer)	(Signature)	(Date)
	FOR KEITH FERGUSON	

FLORIDA CITY GAS
 AVERAGE RATE OF RETURN
 RATE BASE
 September 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	\$ 437,034,682	\$ 184,988,403	\$ 252,046,279	\$ -	\$ 42,771,281	\$ 294,817,560	\$ 4,748,297	\$ 299,565,857
2									
3	<u>FPSC ADJUSTMENTS:</u>								
4	GOODWILL	-	-	-	-	-	-	-	
5	AGL COMMON PLANT	-	-	-	-	-	-	-	
6	REMOVE SAFE CLAUSE PLANT	(1,728,099)	(7,321)	(1,720,778)	(793,234)	(2,514,011)		(2,514,011)	
7	REMOVE AEP						(12,281,699)	(12,281,699)	
8	NONUTILITY PLANT						(532)	(532)	
9	CAPITAL STRUCTURE ADJUSTMENTS						45,727,361	45,727,361	
10	CLAUSE UNDERRECOVERIES						(2,273,489)	(2,273,489)	
11	NONUTILITY STORAGE						-	-	
12	REMOVE LEASES	(88,130)	(47,709)	(40,421)		(40,421)	(40,419)	(80,840)	
13	TOTAL FPSC ADJUSTMENTS	\$ (1,816,229)	\$ (55,030)	\$ (1,761,199)	\$ -	\$ (793,234)	\$ (2,554,433)	\$ 31,131,221	\$ 28,576,789
14									
15	FPSC ADJUSTED	\$ 435,218,454	\$ 184,933,373	\$ 250,285,080	\$ -	\$ 41,978,047	\$ 292,263,127	\$ 35,879,518	\$ 328,142,645
16									
17	ADJUSTED FOR FLEX RATE REVENUES	\$ 435,218,454	\$ 184,933,373	\$ 250,285,080	\$ -	\$ 41,978,047	\$ 292,263,127	\$ 35,879,518	\$ 328,142,645
18									
19	<u>PRO FORMA ADJUSTMENTS:</u>								
20									
21	TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,835)	\$ (10,407,313)	\$ (11,249,522)	\$ -	\$ (11,249,522)	\$ 40,419	\$ (11,209,102)	
22									
23	PRO FORMA ADJUSTED	\$ 413,561,619	\$ 174,526,060	\$ 239,035,558	\$ -	\$ 41,978,047	\$ 281,013,606	\$ 35,919,937	\$ 316,933,543

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
September 2019

Line No.	(1) OPERATING REVENUES	(2) O&M GAS EXPENSE	(3) O&M OTHER	(4) DEPR. & AMORT.	(5) TAXES OTHER THAN INCOME TAXES	(6) INCOME TAXES CURRENT	(7) DEFERRED INCOME TAXES (NET)	(8) INV. TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
1	PER BOOKS										
2	\$ 96,589,672	\$ 20,938,475	\$ 32,358,407	\$ 14,718,261	\$ 8,069,351	\$ (1,422,359)	\$ 4,687,802	\$ -	\$ -	\$ 79,349,938	\$ 17,239,735
	END OF YEAR CUSTOMER REFUND ACCRUAL										
3	\$ 96,589,672	\$ 20,938,475	\$ 32,358,407	\$ 14,718,261	\$ 8,069,351	\$ (1,422,359)	\$ 4,687,802	\$ -	\$ -	\$ 79,349,938	\$ 17,239,735
4	ADJUSTED BOOKS										
5	FPSC ADJUSTMENTS:										
6	(21,265,824)	(20,938,475)			(104,692)	-				(21,043,168)	(222,656)
7	(4,974,123)				(5,194,897)	-				(5,194,897)	220,774
8	(5,711,460)		(5,530,442)		(60,236)	(30,530)				(5,621,208)	(90,252)
9	(1,714,908)			(1,368,079)		(87,826)				(1,455,906)	(259,002)
10											
11											
12	(180,250)		(6,657)	(39,231)	(19,642)	(28,844)				(94,374)	(85,876)
13			(107,675)			27,199				(80,476)	80,476
14											
15											
16						510,102				510,102	(510,102)
17	(33,846,564)	(20,938,475)	(5,644,774)	(1,407,310)	(5,379,467)	390,100				(32,979,927)	(866,637)
18											
19	<u>\$ 62,743,109</u>	<u>\$ -</u>	<u>\$ 26,713,633</u>	<u>\$ 13,310,951</u>	<u>\$ 2,689,884</u>	<u>\$ (1,032,259)</u>	<u>\$ 4,687,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,370,011</u>	<u>\$ 16,373,098</u>
20											
21											
22											
23	<u>\$ 62,743,109</u>	<u>\$ -</u>	<u>\$ 26,713,633</u>	<u>\$ 13,310,951</u>	<u>\$ 2,689,884</u>	<u>\$ (1,032,259)</u>	<u>\$ 4,687,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,370,011</u>	<u>\$ 16,373,098</u>
24											
25	PRO FORMA ADJUSTMENTS										
26											
27				(721,895)		177,652				(544,243)	544,243
28											
29	<u>\$ 62,743,109</u>	<u>\$ -</u>	<u>\$ 26,713,633</u>	<u>\$ 12,589,056</u>	<u>\$ 2,867,536</u>	<u>\$ (854,607)</u>	<u>\$ 4,687,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,825,768</u>	<u>\$ 16,917,341</u>

FLORIDA CITY GAS
 YEAR END RATE BASE
 RATE BASE
 September 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	\$ 457,134,056	\$ 189,161,497	\$ 267,972,560	\$ -	\$ 48,561,522	\$ 316,534,082	\$ (47,083,759)	\$ 269,450,323
2								
3	FPSC ADJUSTMENTS:							
4							-	-
5								-
6	(7,172,942)	(39,298)	(7,133,644)		(324,971)	(7,458,615)		(7,458,615)
7	-		-		-	-	(10,751,829)	(10,751,829)
8								
9			-		-	-	108,414,746	108,414,746
10					-	-	(3,698,798)	(3,698,798)
11					-		-	-
12	(162,523)	(110,326)	(52,196)			(52,196)	(52,196)	(104,393)
13	<u>(7,335,464)</u>	<u>(149,624)</u>	<u>(7,185,840)</u>	<u>-</u>	<u>(324,971)</u>	<u>(7,510,812)</u>	<u>93,911,924</u>	<u>86,401,112</u>
14								
15	<u>\$ 449,798,592</u>	<u>\$ 189,011,873</u>	<u>\$ 260,786,719</u>	<u>\$ -</u>	<u>\$ 48,236,551</u>	<u>\$ 309,023,270</u>	<u>\$ 46,828,165</u>	<u>\$ 355,851,435</u>
16								
17	PRO FORMA ADJUSTMENTS:							
18								
19	<u>\$ (21,656,835)</u>	<u>\$ (10,768,260)</u>	<u>\$ (10,888,575)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,888,575)</u>	<u>\$ -</u>	<u>\$ (10,888,575)</u>
20								
21	<u>\$ 428,141,757</u>	<u>\$ 178,243,612</u>	<u>\$ 249,898,145</u>	<u>\$ -</u>	<u>\$ 48,236,551</u>	<u>\$ 298,134,696</u>	<u>\$ 46,828,165</u>	<u>\$ 344,962,860</u>

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

FLORIDA CITY GAS
CAPITAL STRUCTURE
FISC ADJUSTED BASIS
September 2019

Line No.	AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT		
						SPECIFIC	PRO RATA (3)	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
1	DIVISIONAL CAPITAL	\$ 189,642,097	54.92%	\$ -	\$ 189,642,097	\$	(9,419,445)	\$ 180,222,652	54.92%	9.19%	5.05%	10.19%	5.60%	11.19%	6.15%
2															
3	LONG TERM DEBT	109,923,759	31.83%	-	109,923,759	(5,459,868)	104,463,891	31.83%	2.72%	0.87%	2.72%	0.87%	2.72%	0.87%	
4															
5	SHORT TERM DEBT	(9,001,895)	-2.61%	-	(9,001,895)		447,120	(8,554,775)	-2.61%	0.29%	-0.01%	0.29%	-0.01%	0.29%	-0.01%
6															
7	PREFERRED STOCK	-	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
8															
9	CUSTOMER DEPOSITS	3,131,937	0.91%	-	3,131,937	(155,562)	2,976,375	0.91%	2.74%	0.02%	2.74%	0.02%	2.74%	0.02%	
10															
11	TAX CREDITS - ZERO COST	-	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%	
14															
15	ACC DEF INC TAXES-ZERO COST	51,597,319	14.95%	-	51,597,319	(2,562,818)	49,034,502	14.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
16	TOTAL	\$ 345,293,218	100.00%	\$ -	\$ 345,293,218	\$ -	(17,150,573)	\$ 328,142,645	100.00%	5.93%	6.48%	6.48%	6.48%	7.03%	
17															
18															
19	YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT		
20	DIVISIONAL CAPITAL	\$ 90,221,974	23.88%	\$ -	\$ 90,221,974	\$	(5,256,145)	\$ 84,965,829	23.88%	9.19%	2.19%	10.19%	2.43%	11.19%	2.67%
21															
22	LONG TERM DEBT (1)	179,228,348	47.43%	-	179,228,348	(10,441,471)	168,786,877	47.43%	4.38%	2.08%	4.38%	2.08%	4.38%	2.08%	
23															
24	SHORT TERM DEBT	51,043,401	13.51%	-	51,043,401	(2,973,682)	48,069,718	13.51%	3.81%	0.51%	3.81%	0.51%	3.81%	0.51%	
25															
26	PREFERRED STOCK	-	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
27															
28	CUSTOMER DEPOSITS	3,022,599	0.80%	-	3,022,599	(176,090)	2,846,509	0.80%	2.74%	0.02%	2.74%	0.02%	2.74%	0.02%	
29															
30	TAX CREDITS - ZERO COST	-	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%	
33															
34	ACC DEF INC TAXES-ZERO COST	54,348,746	14.38%	-	54,348,746	(3,166,245)	51,182,501	14.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
35	TOTAL	\$ 377,865,069	100.00%	\$ -	\$ 377,865,069	\$ -	(22,013,634)	\$ 355,851,435	100.00%	4.80%	5.04%	5.04%	5.04%	5.28%	
36															
37	AVERAGE EXCLUDING AGL, AULQ ADL & REG. ASSETS	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			LOW POINT		MID POINT		HIGH POINT		
38	DIVISIONAL CAPITAL	\$ 189,642,097	54.92%	\$ -	\$ 189,642,097	\$	(15,575,713)	\$ 174,066,384	54.92%	9.19%	5.05%	10.19%	5.60%	11.19%	6.15%
39															
40															
41	LONG TERM DEBT	109,923,759	31.83%	-	109,923,759	\$	(9,028,275)	100,895,485	31.83%	2.72%	0.87%	2.72%	0.87%	2.72%	0.87%
42															
43	SHORT TERM DEBT	(9,001,895)	-2.61%	-	(9,001,895)	\$	739,345	(8,262,550)	-2.61%	0.29%	-0.01%	0.29%	-0.01%	0.29%	-0.01%
44															
45	PREFERRED STOCK	-	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
46															
47	CUSTOMER DEPOSITS	3,131,937	0.91%	-	3,131,937	\$	(257,233)	2,874,704	0.91%	2.74%	0.02%	2.74%	0.02%	2.74%	0.02%
48															
49	TAX CREDITS - ZERO COST	-	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%	
52															
53	ACC DEF INC TAXES-ZERO COST	51,597,319	14.94%	-	51,597,319	(4,237,799)	47,359,521	14.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
54	TOTAL	\$ 345,293,218	100.00%	\$ -	\$ 345,293,218	\$ -	(28,359,675)	\$ 316,933,543	100.00%	5.93%	6.48%	6.48%	6.48%	7.03%	

(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.

(3) Beginning with the September 2019 Earnings Surveillance Report, pro rata adjustments to capital structure are calculated over all sources of capital versus investor sources only.

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

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.		
1	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.99%
2	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
3	LONG TERM DEBT	-0.87%
4	SHORT TERM DEBT	0.01%
5	PREFERRED STOCK	0.00%
6	CUSTOMER DEPOSITS	-0.02%
7	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
8	SUBTOTAL	-0.88%
9	TOTAL	4.11%
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	54.92%
11	JURISDICTIONAL RETURN ON COMMON EQUITY	7.48%

12
13
14
15
16

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

17
18
19
20
21
22

19	NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 16,917,341
21	RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 316,933,543
23	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.34%
24	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
25	LONG TERM DEBT	-0.87%
26	SHORT TERM DEBT	0.01%
27	PREFERRED STOCK	0.00%
28	CUSTOMER DEPOSITS	-0.02%
29	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
30	SUBTOTAL	-0.88%
31	TOTAL	4.46%
32	DIVIDED BY RECONCILED COMMON EQUITY RATIO	54.92%
33	JURISDICTIONAL RETURN ON COMMON EQUITY	8.12%