

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

FLORIDA CITY GAS

December 2019

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
December 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)	\$ 12,055,005		\$ 866,638		\$ 12,921,643		\$ 523,111		\$ 13,444,753
AVERAGE RATE BASE	(a)	\$ 352,309,715		\$ (22,700,562)		\$ 329,609,153		\$ (11,069,048)		\$ 318,540,104
AVERAGE RATE OF RETURN	(a)	3.42%				3.92%				4.22%
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>										
		\$ 374,849,191		\$ (61,936,795)		\$ 312,912,395		\$ (10,708,101)		\$ 302,204,294

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

LOW	<u>5.33%</u>
MIDPOINT	<u>5.73%</u>
HIGH	<u>6.14%</u>

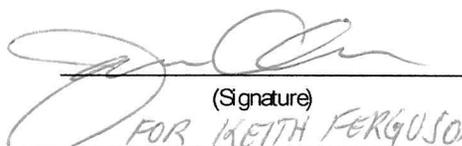
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>5.69%</u>
B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>6.43%</u>

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

2/14/2020
 (Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 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	\$ 446,718,163	\$ 186,993,493	\$ 259,724,670	\$ -	\$ 45,650,955	\$ 305,375,625	\$ 46,934,090	\$ 352,309,715
2								
3	FPSC ADJUSTMENTS							
4	(3,778,388)	(24,317)	(3,754,071)		(904,718)	(4,658,789)		(4,658,789)
5							(12,944,260)	(12,944,260)
6							-	-
7							(2,107,963)	(2,107,963)
8	(121,258)	(72,265)	(48,994)			(48,994)	48,992	(2)
9							(2,989,549)	(2,989,549)
10	<u>\$ (3,899,646)</u>	<u>\$ (96,581)</u>	<u>\$ (3,803,065)</u>	<u>\$ -</u>	<u>\$ (904,718)</u>	<u>\$ (4,707,783)</u>	<u>\$ (17,992,780)</u>	<u>\$ (22,700,562)</u>
11								
12	<u>\$ 442,818,517</u>	<u>\$ 186,896,912</u>	<u>\$ 255,921,605</u>	<u>\$ -</u>	<u>\$ 44,746,237</u>	<u>\$ 300,667,842</u>	<u>\$ 28,941,311</u>	<u>\$ 329,609,153</u>
13								
14	<u>\$ 442,818,517</u>	<u>\$ 186,896,912</u>	<u>\$ 255,921,605</u>	<u>\$ -</u>	<u>\$ 44,746,237</u>	<u>\$ 300,667,842</u>	<u>\$ 28,941,311</u>	<u>\$ 329,609,153</u>
15								
16	PRO FORMA ADJUSTMENTS							
17								
18	<u>\$ (21,656,835)</u>	<u>\$ (10,587,787)</u>	<u>\$ (11,069,048)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,069,048)</u>	<u>\$ -</u>	<u>\$ (11,069,048)</u>
19								
20	<u>\$ 421,161,682</u>	<u>\$ 176,309,125</u>	<u>\$ 244,852,557</u>	<u>\$ -</u>	<u>\$ 44,746,237</u>	<u>\$ 289,598,794</u>	<u>\$ 28,941,311</u>	<u>\$ 318,540,104</u>

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

(2) In order to be consistent with the "Per Book" capital structure reflected on Schedule 4, certain capital structure balances are no longer presented as part of "Per Book" Rate Base on this schedule. Therefore, no further capital structure adjustment is needed.

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2019

Line No.	(1) OPERATING REVENUES	(2) O&M GASEXPENSE	(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	\$ 94,626,075	\$ 20,521,068	\$ 37,105,343	\$ 15,044,054	\$ 8,379,527	\$ (3,160,576)	\$ 4,681,665	\$ -	\$ -	\$ 82,571,070	\$ 12,055,005
2	END OF YEAR CUSTOMER REFUND ACCRUAL									\$ -	\$ -	\$ -
3	ADJUSTED BOOKS	\$ 94,626,075	\$ 20,521,068	\$ 37,105,343	\$ 15,044,054	\$ 8,379,527	\$ (3,160,576)	\$ 4,681,665	\$ -	\$ -	\$ 82,571,070	\$ 12,055,005
4												
5	FPSC ADJUSTMENTS											
6	FUEL REVENUES/COSTS	(20,973,894)	(20,950,278)		(104,751)	-				(21,055,030)	81,136	
7	FRANCHISE/GROSS RECEIPTS TAXES	(4,992,163)			(5,019,113)	-				(5,019,113)	26,950	
8	ECP REVENUE/COSTS	(5,564,178)		(5,502,944)	(61,293)	14				(5,564,223)	44	
9	AEP REVENUE/COSTS	157,419			(1,628,641)	447,776				(1,180,865)	1,338,284	
10	SAFE REVENUE/COSTS	(366,981)		(7,954)	(87,397)	(58,426)				(192,361)	(174,620)	
11	ASSOCIATION DUES			(140,329)		35,181				(105,148)	105,148	
12	INTEREST SYNCHRONIZATION	-	-	-	-	510,304	-	-	-	510,304	(510,304)	
13	TOTAL FPSC ADJUSTMENTS	<u>(31,739,797)</u>	<u>(20,950,278)</u>	<u>(5,651,226)</u>	<u>(1,716,038)</u>	<u>(5,223,742)</u>	<u>934,850</u>	<u>-</u>	<u>-</u>	<u>(32,606,435)</u>	<u>866,638</u>	
14												
15	FPSC ADJUSTED	<u>\$ 62,886,278</u>	<u>\$ (429,220)</u>	<u>\$ 31,454,117</u>	<u>\$ 13,328,016</u>	<u>\$ 3,155,784</u>	<u>\$ (2,225,726)</u>	<u>\$ 4,681,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,964,635</u>	<u>\$ 12,921,643</u>
16												
17	FLEX RATE REVENUES	-	-	-	-	-	-	-	-	-	-	
18	ADJUSTED FOR											
19	FLEX RATE REVENUES	<u>\$ 62,886,278</u>	<u>\$ (429,220)</u>	<u>\$ 31,454,117</u>	<u>\$ 13,328,016</u>	<u>\$ 3,155,784</u>	<u>\$ (2,225,726)</u>	<u>\$ 4,681,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,964,635</u>	<u>\$ 12,921,643</u>
20												
21	PRO FORMA ADJUSTMENTS											
22												
23	TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(721,895)</u>	<u>-</u>	<u>198,784</u>	<u>-</u>	<u>-</u>	<u>(523,111)</u>	<u>523,111</u>	
24												
25	PRO FORMA ADJUSTED	<u>\$ 62,886,278</u>	<u>\$ (429,220)</u>	<u>\$ 31,454,117</u>	<u>\$ 12,606,121</u>	<u>\$ 3,354,568</u>	<u>\$ (2,026,942)</u>	<u>\$ 4,681,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,441,525</u>	<u>\$ 13,444,753</u>

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
December 2019

Line No.	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
1 PER BOOKS(1)	\$ 472,938,404	\$ 191,312,453	\$ 281,625,951	\$ -	\$ 38,857,470	\$ 320,483,420	\$ 54,365,770	\$ 374,849,191
2								
3 FPSC ADJUSTMENTS:								
4 REMOVE SAFE CLAUSE PLANT	(9,421,063)	(92,415)	(9,328,648)		(233,775)	(9,562,423)		(9,562,423)
5 REMOVE AEP	-		-		-	-	(11,067,897)	(11,067,897)
6 NONUTILITY PLANT							-	
7 CLAUSE UNDERRECOVERIES					-	-	(2,442,339)	(2,442,339)
8 REMOVE LEASES	(105,620)	(76,016)	(29,604)			(29,604)	29,604	-
9 TEMPORARY CASH INVESTMENTS							(38,864,136)	(38,864,136)
10 TOTAL FPSC ADJUSTMENTS (2)	<u>(9,526,682)</u>	<u>(168,431)</u>	<u>(9,358,252)</u>	<u>-</u>	<u>(233,775)</u>	<u>(9,592,027)</u>	<u>(52,344,768)</u>	<u>(61,936,795)</u>
11								
12 FPSC ADJUSTED	<u>\$ 463,411,722</u>	<u>\$ 191,144,023</u>	<u>\$ 272,267,699</u>	<u>\$ -</u>	<u>\$ 38,623,695</u>	<u>\$ 310,891,393</u>	<u>\$ 2,021,002</u>	<u>\$ 312,912,395</u>
13								
14 PRO FORMA ADJUSTMENTS:								
15								
16 TOTAL PRO FORMA ADJUSTMENTS	<u>\$ (21,656,835)</u>	<u>\$ (10,948,734)</u>	<u>\$ (10,708,101)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,708,101)</u>	<u>\$ -</u>	<u>\$ (10,708,101)</u>
17								
18 PRO FORMA ADJUSTED	<u>\$ 441,754,887</u>	<u>\$ 180,195,289</u>	<u>\$ 261,559,598</u>	<u>\$ -</u>	<u>\$ 38,623,695</u>	<u>\$ 300,183,292</u>	<u>\$ 2,021,002</u>	<u>\$ 302,204,294</u>

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

(2) In order to be consistent with the "Per Book" capital structure reflected on Schedule 4, certain capital structure balances are no longer presented as part of "Per Book" Rate Base on this schedule. Therefore, no further capital structure adjustment is needed.

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2019

Line No.	AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS				LOW POINT		MID POINT		HIGH POINT	
						SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
1	DIVISIONAL CAPITAL	\$ 141,914,189	40.28%	\$ -	\$ 141,914,189	\$ (9,144,034)	\$ 132,770,156	40.28%	9.19%	3.70%	10.19%	4.10%	11.19%	4.51%	
2															
3	LONG TERM DEBT	151,497,458	43.00%	-	151,497,458	\$ (9,761,518)	141,735,940	43.00%	3.72%	1.60%	3.72%	1.60%	3.72%	1.60%	
4															
5	SHORT TERM DEBT	3,298,368	0.94%	-	3,298,368	\$ (212,526)	3,085,843	0.94%	1.13%	0.01%	1.13%	0.01%	1.13%	0.01%	
6															
7	PREFERRED STOCK	-	0.00%	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
8															
9	CUSTOMER DEPOSITS	3,080,323	0.87%	-	3,080,323	\$ (198,476)	2,881,847	0.87%	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%	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	52,519,376	14.91%	-	52,519,376	\$ (3,384,009)	49,135,367	14.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
16	TOTAL	\$ 352,309,715	100.00%	\$ -	\$ 352,309,715	\$ -	\$ (22,700,582)	\$ 329,609,133	100.00%	5.33%	5.73%	6.14%			
17															
18															
19	YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS				LOW POINT		MIDPOINT		HIGH POINT	
20	DIVISIONAL CAPITAL	\$ 86,343,017	23.03%	\$ -	\$ 86,343,017	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
21							\$ (14,266,563)	\$ 72,076,454	23.03%	9.19%	2.12%	10.19%	2.35%	11.19%	2.58%
22	LONG TERM DEBT (1)	179,266,931	47.82%	-	179,266,931	\$ (29,620,497)	149,646,434	47.82%	4.31%	2.06%	4.31%	2.06%	4.31%	2.06%	
23															
24	SHORT TERM DEBT	52,200,204	13.93%	-	52,200,204	\$ (8,625,104)	43,575,100	13.93%	3.25%	0.45%	3.25%	0.45%	3.25%	0.45%	
25															
26	PREFERRED STOCK	-	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
27															
28	CUSTOMER DEPOSITS	2,978,770	0.79%	-	2,978,770	\$ (492,186)	2,486,584	0.79%	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	54,060,268	14.43%	-	54,060,268	\$ (8,932,445)	45,127,823	14.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
35	TOTAL	\$ 374,849,191	100.00%	\$ -	\$ 374,849,191	\$ -	\$ (61,936,795)	\$ 312,912,395	100.00%	4.65%	4.88%	5.11%			
36															
37	AVERAGE EXCLUDING AGL ACQ	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS				LOW POINT		MIDPOINT		HIGH POINT	
38	ADJ. & REG. ASSETS														
39	DIVISIONAL CAPITAL	\$ 141,914,189	40.28%	\$ -	\$ 141,914,189	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
40							\$ (13,602,767)	\$ 128,311,422	40.28%	9.19%	3.70%	10.19%	4.10%	11.19%	4.51%
41	LONG TERM DEBT	151,497,458	43.00%	-	151,497,458	\$ (14,521,343)	136,976,115	43.00%	3.72%	1.60%	3.72%	1.60%	3.72%	1.60%	
42															
43	SHORT TERM DEBT	3,298,368	0.94%	-	3,298,368	\$ (316,155)	2,982,213	0.94%	1.13%	0.01%	1.13%	0.01%	1.13%	0.01%	
44															
45	PREFERRED STOCK	-	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
46															
47	CUSTOMER DEPOSITS	3,080,323	0.87%	-	3,080,323	\$ (295,255)	2,785,068	0.87%	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	52,519,376	14.91%	-	52,519,376	\$ (5,034,090)	47,485,286	14.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
54	TOTAL	\$ 352,309,715	100.00%	\$ -	\$ 352,309,715	\$ -	\$ (33,769,611)	\$ 318,540,104	100.00%	5.33%	5.73%	6.14%			

(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
December 2019

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.		
1	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	3.92%
2	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
3	LONG TERM DEBT	-1.60%
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	-1.63%
9	TOTAL	2.29%
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	40.28%
11	JURISDICTIONAL RETURN ON COMMON EQUITY	5.69%

12

13

14

15

16

17

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

18

19 NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES \$ 13,444,753

20

21 RATE BASE EXCLUDING FLEX RATE REVENUES \$ 318,540,104

22

23 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN 4.22%

24 LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:

25 LONG TERM DEBT -1.60%

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** -1.63%

31 **TOTAL** 2.59%

32 DIVIDED BY RECONCILED COMMON EQUITY RATIO 40.28%

33 **JURISDICTIONAL RETURN ON COMMON EQUITY** 6.43%