GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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September 3, 2019

E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: [NEW FILING/DOCKET]: Petition of Florida City Gas for Approval of Safety, Access, and Facility Enhancement Program True-Up and 2020 Cost Recovery Factors

Dear Mr. Teitzman:

Attached for electronic filing, please find Florida City Gas's Petition for Approval of Safety, Access, and Facility Enhancement Program True-Up and 2020 Cost Recovery Factors. Included with this filing is the following revised tariff page:

Volume No. 10, Second Revised Sheet No. 78.

Volume No. 10, Second Revised Sheet No. 79.

Volume No. 10, Second Revised Sheet No. 81.

Thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

Beth Keating

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida City Gas for Approval of the Safety, Access, and Facility Enhancement Program True-Up and 2020 Surcharge Factors :	Docket No. Filed: September 3, 2019

PETITION OF FLORIDA CITY GAS FOR APPROVAL OF THE SAFETY, ACCESS, AND FACILITY ENHANCEMENT PROGRAM TRUE-UP AND 2020 COST RECOVERY FACTORS

Florida City Gas ("FCG" or "the Company") hereby submits this Petition to the Florida Public Service Commission ("Commission") requesting approval of the Safety, Access, and Facility Enhancement Program ("SAFE Program") true-up and 2020 surcharge factors for the projected period of January 1, 2020 through December 31, 2020. In support thereof, FCG states as follows:

1. The Company is a natural gas utility with its principal office located at:

   Florida City Gas
   4045 NW 97th Avenue
   Doral, Florida 33178

2. Any pleading, motion, notice, order or other document required to be served upon FCG or filed by any party to this proceeding should be served upon the following individuals:

Beth Keating Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601 Tallahassee, FL 32301 (850) 521-1980 BKeating@gunster.com	Christopher Wright Senior Attorney Florida Power & Light Company 700 Universe Boulevard (JB/LAW) Juno Beach, Florida 33408 (561) 691-7144 Christopher.Wright@fpl.com

3. FCG is a natural gas local distribution company ("LDC") providing natural gas sales and transportation service to customers in parts of Florida, and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, Florida Statutes ("F.S").

4. The Commission is vested with jurisdiction over this matter in accordance with Sections 366.04, 366.041, 366.05, and 366.06, F.S. Specifically, the Commission is authorized to establish fair and reasonable rates and charges for Florida utilities and, in doing so, shall consider, among other things, the adequacy of the utility's facilities and its ability to improve such facilities. The Commission also is vested with authority under Section 368.05(2), F.S., to require improvements to natural gas distribution systems as may be necessary to protect the public.

5. On September 15, 2015, the Commission approved FCG's request to establish the SAFE Program.[1] The SAFE Program is designed to relocate on an expedited basis certain existing gas mains and associated facilities located in or associated with rear lot easements to street front locations to improve the Company's ability to inspect and maintain the facilities and reduce opportunities for damage to the facilities and theft. As the Commission recognized in its *SAFE Order*, the existing location of these mains, services and, in some cases, above-ground facilities, presents significant operational risks and challenges for the Company and its customers. *Id.* at p. 5.

6. The facilities to be relocated or replaced under the SAFE Program are generally prioritized based on the risk assessment model included in the FCG's Distribution Integrity Management Program. The factors for prioritization include, but are not limited to, location of pipeline, material of pipeline, leak incident rates, rear lot pipelines with maintenance access complications, and customer encroachments. The actual and forecasted mains and service replacements from 2014 through the end of the SAFE Program are provided by year in Attachment A to this Petition.

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[1] *See In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas*, Order No. PSC-2015-0390-TRF-GU, Docket No. 20150116-GU (FPSC Sept. 15, 2015) ("*SAFE Order*").

7. The SAFE Program facilitates the relocation process by enabling the Company to timely recover the appropriate costs, along with a reasonable return, incurred for the relocation of the mains and associated new service lines, as well as costs associated with any aboveground facilities, such as meters and regulator sets, that may need to be replaced or relocated due to the main and service line relocations. *Id.* at pp. 3-4.

8. Pursuant to the *SAFE Order*, FCG is required to file an annual petition with this Commission on September 1 of each year. The purpose of the annual filing is to review and reset the SAFE Program surcharge factors to true-up any over- or under-recovery, and to update the ad valorem rates and debt and equity cost rates with the most recent earnings surveillance report rates. *Id.* at p. 5. The annual SAFE Program filing includes the following:

> (a) Final true-up showing the actual replacement costs and actual surcharge revenues for the most recent 12-month historical period from January 1 through December 31 that ends prior to the annual petition filing, including the final over- or under-recovery for that period;
>
> (b) Actual/estimated true-up showing seven months of actual and five months of projected costs and revenues; and
>
> (c) Projection showing 12 months of the projected revenue requirement for period beginning January 1 following the annual filing. *Id.*

9. FCG herein submits its annual SAFE Program filing. Attachment B, Schedules 1 through 7, which is attached to this Petition and incorporated herein by reference, provides the information required by the *SAFE Order* and FCG's SAFE Tariff. Attachment B fully supports FCG's calculation of the SAFE Program true-up and 2020 surcharge factors for the period of January 1, 2020 through December 31, 2020.

10. On April 20, 2018, the Commission approved a settlement agreement in FCG's 2018 base rate case ("2018 Settlement") that, among other things, made adjustments to the annual

SAFE Program filing that are pertinent to the 2020 surcharge factors.[2] Under the 2018 Settlement, all revenues from the SAFE Program were rolled into base rates effective June 1, 2018, and the SAFE Program surcharge factor was reset to zero for the period June 1, 2018 through December 31, 2018. Additionally, the 2018 Settlement requires FCG to use a capital structure with a 48% equity ratio for the calculation of the revenue requirements for the capital investment recovered through the SAFE surcharge. As shown on Attachment B to this Petition, these adjustments have been incorporated into FCG's calculation of the SAFE Program true-up and 2020 cost surcharge factors.

11. In addition, during the Agenda Conference for FCG's 2019 SAFE Program surcharge factors, FCG committed to include interest in the calculation of the SAFE Program true-up. *See* Transcript of Commission Conference Agenda Item No. 16 at p. 4, Docket No. 20180164 (Oct. 30, 2018). As shown on Attachment B to this Petition, FCG has included interest in the calculation of the SAFE Program true-up.

12. As part of this filing, FCG is also proposing to make an adjustment to the Weighted Average Cost of Capital ("WACC") used to calculate the SAFE revenue requirements in order to be consistent with the normalization rules of the Internal Revenue Code. To calculate the projected SAFE revenue requirements, FCG currently uses the accumulated deferred income tax ("ADIT") balance as reported on the Company's most recent year-end surveillance report. FCG submits that by using the ADIT balance from the most recent year-end surveillance report, the WACC used to calculate the SAFE revenue requirements may not be consistent with the normalization rules of the

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[2] *See In re: Petition for rate increase by Florida City Gas, Docket No. 20170179-GU*, Order No. PSC-2018-0190-FOF-GU (FPSC Apr. 20, 2018).

Internal Revenue Code.[3] FCG therefore proposes to modify the WACC used to calculate the SAFE revenue requirements. Specifically, in the event FCG does not meet or exceed the limitation provision set forth in the Internal Revenue Code, FCG proposes to make an adjustment to the depreciation-related ADIT included in the year-end ADIT balance using projected period data and the proration formula required by the normalization rules of the Internal Revenue Code. The tariff changes necessary to implement this proposed modification are provided in Attachment C to this Petition.

13. For purposes of the 2020 SAFE Program surcharge factors, FCG has not met or exceeded the limitation provision of the Internal Revenue Code and, therefore, is unable to use the ADIT balance reported in FCG's most recent year-end surveillance report to calculate the WACC. Accordingly, FCG has modified the calculation of the WACC for purposes of the 2020 SAFE Program surcharge factors by utilizing projected depreciation-related ADIT data and the proration formula required by the normalization rules of the Internal Revenue Code. As shown on Schedules 5.1 and 5.2 of Attachment B to this Petition, this proposed adjustment has been incorporated into FCG's calculation of the 2020 SAFE Program surcharge factors.

14. The SAFE Program final net true-up amount for the period January 2018 through December 2018 is an over-recovery of $338,727. *See* Attachment B, Schedule 1, line 12.

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[3] The Internal Revenue Code Treasury Regulation § 1.167(1)-1(h)(6) requires public utilities to apply the normalization method of accounting. In order to accomplish this, when a forecasted test period is utilized in setting rates, a public utility must comply with the consistency rule in Treasury Regulation § 1.168(i)(9)(B) and apply the proration formula in Treasury Regulation § 1.167(l)-1(h)(6)(ii), which prorates the projected changes in depreciation-related accumulated deferred income tax unless the limitation provision in Treasury Regulation § 1.167(l)-1(h)(6)(i) is met or exceeded. Unless exempt under the limitation provision, the normalization rule of the Internal Revenue Code requires consistency in the treatment, including the time period, of projected costs for rate base, regulated depreciation expense, tax expense and the reserve for deferred taxes.

15. The SAFE Program projected true-up based on actual data for seven months and projected data for five months (including interest and applicable regulatory assessment fees) for the current period January 2019 through December 2019 is an under-recovery of $212,571. *See* Attachment B, Schedule 2, line 11.

16. The SAFE Program total, cumulative net true-up for 2018 and 2019 is an over-recovery of $134,263. *See* Attachment B, Schedule 2, line 14. The interest calculation is provided in Attachment B, Schedule 3.3.

17. The Company's projected total revenue requirement for the SAFE Program for the period January 1, 2020 through December 31, 2020 is $1,784,838. *See* Attachment B, Schedule 4, line 9. Applying the total, cumulative net true up for 2018 and 2019, the total amount to be collected through the SAFE Program surcharge during 2020 is $1,650,576. *See* Attachment B, Schedule 4, line 10.

18. When the total amount to be collected through the SAFE Program surcharge during 2020 is allocated based upon the methodology approved in the *SAFE Order*, the proposed SAFE Program surcharge factors for the period January 1, 2020 through December 31, 2020 are as follows:

Rate Class	SAFE Factor
RS-1	$1.21
RS-100	$1.21
RS-600	$1.21
GS-1	$1.21
GS-6K	$2.25
GS-25K	$2.25
GS-120K	$2.25
GS-1250K	$2.25
GS-11M	$ -

GS-25M	$ -
Gas Lighting	$1.21

See Attachment B, Schedule 6.

19. FCG's calculation of the 2020 SAFE Program surcharge factors are consistent with the methodology and requirements of the Commission's *SAFE Order,* FCG's SAFE Tariff, and the 2018 Settlement. FCG, therefore, asks that they be approved and become effective January 1, 2020.

20. Upon approval of the proposed SAFE surcharge factors, FCG will provide notice to customers through a customer bill message that will be issued during a 30-day period in advance of the January 1, 2020 effective date. In addition, an updated rate schedule will be made available online at: FloridaCityGas.com/rates-and-tariff.

21. Attachment C to this Petition provides the Company's revised tariff pages in clean and legislative format, reflecting its proposed SAFE Program surcharge factors for 2020. The Company notes that this filing is not made pursuant to the "file and suspend" provisions of Section 366.06(3). However, to the extent the Commission deems the suspension provisions applicable, FCG hereby waives the 60-day time frame in the statute for the Commission's disposition of the referenced tariff changes.

WHEREFORE, Florida City Gas respectfully requests that the Commission enter its order approving the Company's proposed SAFE Program surcharge factors for the period of January 1, 2020 through December 31, 2020, as set forth herein and the Attachments hereto.

Respectfully submitted this 3rd day of September, 2019.

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<u>ATTACHMENT A</u>

SAFE PROGRAM
ACTUAL AND FORECASTED
MAINS AND SERVICE REPLACEMENTS

ATTACHMENT A

Florida City Gas

SAFE Program

Actual and Forecasted Mains and Service Replacements

	Main Replacements			Service Replacements		
Year	Replaced main (miles)	Remaining main at Year End (miles)	Total Miles Remaining	Replaced Services (No.)	Remaining Services at year end	Total Remaining Services
2014	0.0	254.3	254.3	0	11443	11443
2015	0.0	254.3	254.3	49	11394	11394
2016	17.1	237.2	237.2	1433	9961	9961
2017	37.5	199.7	199.7	1551	8410	8410
2018	27.6	172.1	172.1	1634	6776	6776
2019	31.2	141.0	141.0	1164	5612	5612
2020	29.4	111.6	111.6	1060	4552	4552
2021	29.2	82.3	82.3	1290	3262	3262
2022	24.0	58.3	58.3	1055	2207	2207
2023	23.8	34.5	34.5	1046	1161	1161
2024	23.5	11.0	11.0	1032	128	128
2025	11.0	0.0	0.0	128	0	0

ATTACHMENT B

SAFE Schedules 1 through 7

Florida City Gas
Attachment B, Schedule 1 - SAFE Program Revenue Requirement
January 2018 through December 2018

Line	Description	Beginning of Period Amount	Actual January-18	Actual February-18	Actual March-18	Actual April-18	Actual May-18	Actual June-18	Actual July-18	Actual August-18	Actual September-18	Actual October-18	Actual November-18	Actual December-18	End of Period Total
1.	Investments														
	a. Eligible Replacements - Mains	13,846,973	599,205	316,330	609,148	823,322	944,819	-	-	-	-	-	-	-	17,139,796
	b. Eligible Replacements - Services	7,136,141	98,132	9,581	732,326	158,605	159,117	-	-	-	-	-	-	-	8,293,901
	c. Eligible Replacements - House Regulators	2,204	-		-	-	-	-	-	-	-	-	-	-	2,204
	d. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		20,985,318	697,336	325,912	1,341,473	981,926	1,103,935	-	-	-	-	-	-	-	25,435,901
2.a	Gross Plant-in-Service/Depreciation Base - Mains	13,846,973	14,446,178	14,762,508	15,371,656	16,194,978	17,139,796	-	-	-	-	-	-	-	-
2.b	Gross Plant-in-Service/Depreciation Base - Services	7,136,141	7,234,273	7,243,854	7,976,180	8,134,784	8,293,901	-	-	-	-	-	-	-	-
2.c	Gross Plant-in-Service/Depreciation Base - House Regulators	2,204	2,204	2,204	2,204	2,204	2,204	-	-	-	-	-	-	-	-
3.	Less: Accumulated Depreciation	(774,890)	(820,304)	(866,398)	(915,310)	(966,274)	(1,019,543)	-	-	-	-	-	-	-	-
4.	CWIP - NonInterest Bearing	652,230	339,043	675,331	542,695	1,020,514	985,567	-	-	-	-	-	-	-	-
5.	Net Book Value (Lines 2 + 3 + 4)	20,862,658	21,201,394	21,817,499	22,977,424	24,386,206	25,401,925	-	-	-	-	-	-	-	-
6.	Average Net Investment		21,032,026	21,509,447	22,397,462	23,681,815	24,894,066	-	-	-	-	-	-	-	
7.	Return on Average Net Investment														
	a. Equity component Grossed up for taxes - reduced for tax reform (A)		96,596	98,789	102,867	108,766	114,334	-	-	-	-	-	-	-	521,352
	b. Debt component (B)		34,352	35,132	36,583	38,680	40,660	-	-	-	-	-	-	-	185,408
8.	Investment Expenses														
	a. Depreciation (C)		45,414	46,094	48,913	50,964	53,269	-	-	-	-	-	-	-	244,653
	b. Amortization		-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Property Taxes (D)		14,547	14,877	15,492	16,380	17,218	-	-	-	-	-	-	-	78,514
	d. Other		-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Revenue Requirements (Lines 7 + 8)		190,910	194,892	203,854	214,790	225,481	-	-	-	-	-	-	-	1,029,927
10.	Collections		(288,371)	(290,108)	(290,328)	(290,815)	(291,008)	-	-	-	-	-	-	-	(1,450,631)
11.	Net under(over) collection		(97,462)	(95,216)	(86,474)	(76,025)	(65,527)	-	-	-	-	-	-	-	(420,704)
12.	Cumulative Net under(over) collection		(15,484)	(110,700)	(197,174)	(273,199)	(338,727)	(338,727)	(338,727)	(338,727)	(338,727)	(338,727)	(338,727)	(338,727)	

Notes:

(A)	Line 6 x 5.5114% x 1/12. Based on ROE of 11.25%, and weighted income tax rate of 25.345%, expansion factor of 1.3642. The expansion factor has been reduced to reflect the reduction in the Federal tax rate to 21% from 35% effective January 1, 2018.	5.5114%
(B)	Line 6 x 1.86% x 1/12	1.9600%
(C.1)	Applicable Mains depreciation rate is 2.5%	2.50%
(C.2)	Applicable Services depreciation rate is 4.1%	2.54%
(C.3)	Applicable House Regulator depreciation rate is 4.9%	3.00%
(D)	Ad Valorem Tax Rate is .83%	0.83%

Note: SAFE investment was included in the cost of service in the Company's base rate case effective June 1, 2018. The test year for the rate case was through December 31, 2018. Therefore, the SAFE revenue requirement related to the investment from June 1, 2018 through December 31, 2018 is recovered through base rates and no revenue requirement is calculated for that period.

Florida City Gas
Attachment B, Schedule 2 - SAFE Program Revenue Requirement
January 2019 through December 2019

Line	Description	Beginning of Period Amount	Actuals January-19	Actuals February-19	Actuals March-19	Actuals April-19	Actuals May-19	Actuals June-19	Estimated July-19	Estimated August-19	Estimated September-19	Estimated October-19	Estimated November-19	Estimated December-19	End of Period Total
1.	Investments														
	a. Eligible Replacements - Mains	-	-	-	-	-	2,391,656	965,942	578,185	1,236,207	1,156,712	900,541	552,410	220,894	8,002,545
	b. Eligible Replacements - Services, Plastic	-	-	-	-	-	264,351	22,820	68,317	308,481	365,540	441,936	596,006	175,500	2,242,951
	c. Eligible Replacements - Services, Steel	-	-	-	-	-	1,472	35	-	-	-	-	-	-	1,507
	d. Eligible Replacements - Meters	-	-	-	-	-	5,151	539	-	-	-	-	-	-	5,690
	e. Land Rights	-	-	-	-	-	-	24,995	-	-	-	-	-	-	24,995
		-	-	-	-	-	2,662,629	1,014,331	646,502	1,544,687	1,522,251	1,342,477	1,148,416	396,395	10,277,688
2.a	Gross Plant-in-Service/Depreciation Base - Mains	-	-	-	-	-	2,391,656	3,357,597	3,935,782	5,171,989	6,328,701	7,229,241	7,781,651	8,002,545	8,002,545
2.b	Gross Plant-in-Service/Depreciation Base - Services, Plastic	-	-	-	-	-	264,351	287,171	355,488	663,968	1,029,508	1,471,444	2,067,450	2,242,951	2,242,951
2.c	Gross Plant-in-Service/Depreciation Base - Services, Steel	-	-	-	-	-	1,472	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507
2.d	Gross Plant-in-Service/Depreciation Base - Meters	-	-	-	-	-	5,151	5,690	5,690	5,690	5,690	5,690	5,690	5,690	5,690
2.e	Gross Plant In-Service-Land Rights							24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995
3.	Less: Accumulated Depreciation	-	-	-	-	-	(5,572)	(13,207)	(22,191)	(34,404)	(49,800)	(68,008)	(88,628)	(110,080)	(110,080)
4.	CWIP - NonInterest Bearing	-	458,769	1,141,853	617,553	2,386,135	707,696	1,344,194	323,251	772,344	761,126	671,238	574,208	198,197	198,197
5.	Net Book Value (Lines 2 + 3 + 4)	-	458,769	1,141,853	617,553	2,386,135	3,364,754	5,007,947	4,624,521	6,606,089	8,101,726	9,336,108	10,366,873	10,365,805	10,365,805
6.	Average Net Investment		229,384	800,311	879,703	1,501,844	2,875,444	4,186,351	4,816,234	5,615,305	7,353,907	8,718,917	9,851,490	10,366,339	
7.	Return on Average Net Investment														
	a. Equity component Grossed up for taxes-reduced for tax reform (A)		1,044	4,411	4,849	8,278	15,848	23,073	26,545	30,949	40,532	48,055	54,297	57,135	315,015
	b. Debt component (B)		375	496	546	931	1,783	2,596	2,987	3,482	4,561	5,407	6,110	6,429	35,703
8.	Investment Expenses														
	a. Depreciation (C)		-	-	-	-	5,572	7,635	8,984	12,213	15,396	18,208	20,620	21,452	110,080
	b. Amortization		-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Property Taxes (D)		159	554	608	1,039	1,989	2,896	3,331	3,884	5,086	6,031	6,814	7,170	39,560
	d. Other		-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Revenue Requirements (Lines 7 + 8)		1,578	5,461	6,003	10,248	25,192	36,200	41,847	50,528	65,575	77,701	87,841	92,186	500,359
10.	Collections		(24,239)	(22,809)	(23,613)	(23,874)	(24,653)	(22,975)	(24,271)	(24,271)	(24,271)	(24,271)	(24,271)	(24,271)	(287,788)
11.	Net under(over) collection		(22,661)	(17,348)	(17,611)	(13,626)	539	13,226	17,577	26,257	41,304	53,430	63,570	67,915	212,571
12.	a. Cumulative Net under(over) collection before interest		(361,388)	(379,453)	(397,812)	(412,224)	(412,505)	(400,112)	(383,332)	(357,819)	(317,220)	(264,432)	(201,415)	(133,944)	(133,944)
13.	Interest		(718)	(748)	(786)	(819)	(832)	(797)	(745)	(705)	(642)	(553)	(443)	(319)	
14.	Cumulative Net under(over): SAFE Clause	(338,727)	(362,105)	(380,201)	(398,598)	(413,044)	(413,337)	(400,908)	(384,077)	(358,524)	(317,862)	(264,985)	(201,858)	(134,263)	(134,263)

Notes:

(A.1)	Line 6 x 6.6139% x 1/12. Based on ROE of 10.19%, and weighted income tax rate of 25.345%, expansion factor of 1.3522. See Attachment B, Schedule 3.2. (February 2019-December 2019)	6.6139%
(A.2)	Line 6 x 5.4629% x 1/12. Based on ROE of 10.19%, and weighted income tax rate of 25.345%, expansion factor of 1.3522. See Attachment B, Schedule 3.1. (January 2019)	5.4629%
(B.1)	Line 6 x .74% x 1/12. See Attachment B, Schedule 3.2. (February 2019-December 2019)	0.74%
(B.2)	Line 6 x 1.96% x 1/12. See Attachment B, Schedule 3.1. (January 2019)	1.96%
(C.1)	Applicable Mains depreciation rate is 2.5%	2.50%
(C.2)	Applicable Services, Plastic depreciation rate is 2.54%	2.54%
(C.3)	Applicable Services, Steel depreciation rate is 2.70%	2.70%
(C.4)	Applicable Meters depreciation rate is 6.10%	6.10%
(D)	Ad Valorem Tax Rate is .83%	0.83%

Florida City Gas
Attachment B, Schedule 3.1 - Cost of Capital and Ad Valorem Tax Rate for Jan-19
January 2019 through December 2019

AVERAGE	RATIO (%)	Midpoint COST RATE (%)	Midpoint WEIGHTED COST (%)	Revenue Expansion Factor	Cost of Equity
DIVISIONAL CAPITAL	35.95%	11.25%	4.04%	1.35220	5.4629%
LONG TERM DEBT	37.79%	4.59%	1.73%		
SHORT TERM DEBT	6.22%	1.85%	0.12%		
PREFERRED STOCK	0.00%	0.00%	0.00%		
CUSTOMER DEPOSITS	1.61%	6.73%	0.11%		
TAX CREDITS - ZERO COST	0.00%	0.00%	0.00%		
TAX CREDITS - WEIGHTED COST	0.00%	0.00%	0.00%		
ACC DEF INC TAXES-ZERO COST	18.43%	0.00%	0.00%		
TOTAL	100.00%		6.00%		

Weighted Average Cost of Debt
1.96%

2016: 427101 Gen Tax Expense- Property Tax: $ 1,762,500

2015 YE: Plant in Service Net of Goodwill: $ 212,674,190

Appicable Ad Valorem Tax Rate: 0.83%

Florida City Gas
Attachment B, Schedule 3.2 - Cost of Capital and Ad Valorem Tax Rate for Feb - Dec 2019
From: Calcuation Below for Capital Structure. Cost of debt components - Dec. 2018 Surveillance Report Sch. 4 adjusted for 48% Equity Ratio
January 2019 through December 2019

Line No.	AVERAGE	RATIO (%)	Midpoint COST RATE (%)	WEIGHTED COST (%)	Revenue Expansion Factor	Cost of Equity
1	EQUITY CAPITAL	48.00%	10.19%	4.8912%	1.35220	6.6139%
2						
3	LONG TERM DEBT	24.94%	2.48%	0.62%		
4						
5	SHORT TERM DEBT	8.70%	1.08%	0.09%	Weighted Average Cost of Debt	
6					0.7442%	
7	PREFERRED STOCK	0.00%	0.00%	0.00%		
8						
9	CUSTOMER DEPOSITS	1.12%	2.73%	0.03%		
10						
11	TAX CREDITS - ZERO COST	0.00%	0.00%	0.00%		
12						
13	TAX CREDITS - WEIGHTED COST	0.00%	0.00%	0.00%		
14						
15	ACC DEF INC TAXES-ZERO COST	17.24%	0.00%	0.00%		
16	TOTAL	100.00%		5.64%		

Ad Valorem Tax Rate Calculation

2017: 427101 Gen Tax Expense- Property Tax:	$	1,762,500
2016 YE: Plant in Service Net of Goodwill:	$	212,674,190
Appicable Ad Valorem Tax Rate:		0.83%

			48.00%		LTD		STD
			$	142,534,129	$ 38,223,475	$ 28,339,956	$ 9,883,519
Reallocation to get Equity Ratio at 48%	Juris Adj Balance per Dec.2018 ESR	Before	Juris Adj After Eq. Ratio Adj.	After	Cost Rate		
EQUITY CAPITAL	$ 180,757,604	60.87%	$ 142,534,129	48.00%	10.19%	4.891200%	
LONG TERM DEBT	45,721,589	15.40%	$ 74,061,545	24.94%	2.48%	0.619681%	
SHORT TERM DEBT	15,945,339	5.37%	$ 25,828,858	8.70%	1.08%	0.094056%	
PREFERRED STOCK	-	0.00%	$ -	0.00%	0.00%	0.000000%	
CUSTOMER DEPOSITS	3,314,935	1.12%	$ 3,314,935	1.12%	2.73%	0.030473%	
TAX CREDITS - ZERO COST	-	0.00%	$ -	0.00%	0.00%	0.000000%	
TAX CREDITS - WEIGHTED COST	-	0.00%	$ -	0.00%	0.00%	0.000000%	
ACC DEF INC TAXES-ZERO COST	51,206,634	17.24%	$ 51,206,634	17.24%	0.00%	0.000000%	
	$ 296,946,102	**100%**	**$ 296,946,102**	**100%**		**5.635%**	

Florida City Gas

Attachment B, Schedule 3.3 - Calculation of Interest Provision

January 2019 through December 2019

2019 Interest Calculation	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. Beginning True-up Amount	(338,727)	(362,105)	(380,201)	(398,598)	(413,044)	(413,337)	(400,908)	(384,077)	(358,524)	(317,862)	(264,985)	(201,858)	(134,263)
2. Ending True-up Amount Before Interest	(361,388)	(379,453)	(397,812)	(412,224)	(412,505)	(400,112)	(383,332)	(357,819)	(317,220)	(264,432)	(201,415)	(133,944)	(133,944)
3. Total of Beginning & Ending True-up	(700,114)	(741,559)	(778,013)	(810,822)	(825,548)	(813,449)	(784,240)	(741,896)	(675,744)	(582,294)	(466,401)	(335,802)	(268,206)
4. Average True-up Amount (50% of Line 3)	(350,057)	(370,779)	(389,006)	(405,411)	(412,774)	(406,724)	(392,120)	(370,948)	(337,872)	(291,147)	(233,200)	(167,901)	(134,103)
5. Interest Rate-First day of reporting business month	2.50%	2.42%	2.42%	2.43%	2.42%	2.42%	2.28%	2.28%	2.28%	2.28%	2.28%	2.28%	
6. Interest Rate-First day of subsequent business month	2.42%	2.42%	2.43%	2.42%	2.42%	2.28%	2.28%	2.28%	2.28%	2.28%	2.28%	2.28%	
7. Total (Line 5 & 6)	4.92%	4.84%	4.85%	4.85%	4.84%	4.70%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	0.00%
8. Average Interest Rate (50 % of Line 7)	2.46%	2.42%	2.43%	2.43%	2.42%	2.35%	2.28%	2.28%	2.28%	2.28%	2.28%	2.28%	0.00%
9. Monthly Average Interest Rate (Line 8/12)	0.205%	0.202%	0.202%	0.202%	0.202%	0.196%	0.190%	0.190%	0.190%	0.190%	0.190%	0.190%	0.000%
10. Interest Provision for the month (Line 4 *Line 9)	(718)	(748)	(786)	(819)	(832)	(797)	(745)	(705)	(642)	(553)	(443)	(319)	

Totals may not match Revenue Req due to rounding

Florida City Gas
Attachment B, Schedule 4 - SAFE Program Revenue Requirement
January 2020 through December 2020

Line	Description	Beginning of Period Amount	Estimated January-20	Estimated February-20	Estimated March-20	Estimated April-20	Estimated May-20	Estimated June-20	Estimated July-20	Estimated August-20	Estimated September-20	Estimated October-20	Estimated November-20	Estimated December-20	End of Period Total
1.	Investments														
	a. Eligible Replacements - Mains	8,002,545	411,352	1,194,677	1,561,164	815,735	1,173,678	877,939	398,881	803,267	386,373	236,277	136,674	42,925	16,041,487
	b. Eligible Replacements - Services, Plastic	2,242,951	49,855	104,241	95,177	280,790	276,069	423,502	377,514	250,548	246,266	152,943	18,858	-	4,518,714
	c. Eligible Replacements - Services, Steel	1,507				-	1,472	35	-	-	-	-	-	-	3,013
	d. Eligible Replacements - Meters	5,690			-	-	5,151	539	-	-	-	-	-	-	11,381
	e. Land Rights	24,995	-	-	-	-	-	-	-	-	-	-	-	-	24,995
		10,277,688	461,206	1,298,918	1,656,341	1,096,526	1,456,370	1,302,015	776,395	1,053,815	632,639	389,220	155,531	42,925	20,599,589
2.a	Gross Plant-in-Service/Depreciation Base - Mains	8,002,545	8,413,897	9,608,574	11,169,738	11,985,473	13,159,151	14,037,090	14,435,971	15,239,238	15,625,611	15,861,888	15,998,562	16,041,487	16,041,487
2.b	Gross Plant-in-Service/Depreciation Base - Services, Plastic	2,242,951	2,292,805	2,397,047	2,492,224	2,773,014	3,049,083	3,472,585	3,850,099	4,100,648	4,346,913	4,499,856	4,518,714	4,518,714	4,518,714
2.c	Gross Plant-in-Service/Depreciation Base - Services, Steel	1,507	1,507	1,507	1,507	1,507	2,978	3,013	3,013	3,013	3,013	3,013	3,013	3,013	3,013
2.d	Gross Plant-in-Service/Depreciation Base - Meters	5,690	5,690	5,690	5,690	5,690	10,841	11,381	11,381	11,381	11,381	11,381	11,381	11,381	11,381
2.e	Gross Plant In-Service-Land Rights	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995	24,995
3.	Less: Accumulated Depreciation	(110,080)	(132,494)	(157,618)	(186,196)	(217,068)	(250,998)	(287,657)	(325,946)	(366,439)	(408,258)	(450,893)	(493,852)	(536,901)	(536,901)
4.	CWIP - NonInterest Bearing	198,197	230,603	649,459	828,170	548,263	724,873	650,721	388,197	526,908	316,319	194,610	77,766	21,463	21,463
5.	Net Book Value (Lines 2 + 3 + 4)	10,365,805	10,837,003	12,529,653	14,336,128	15,121,874	16,720,924	17,912,127	18,387,710	19,539,743	19,919,974	20,144,850	20,140,578	20,084,150	20,084,150
6.	Average Net Investment		10,601,404	11,683,328	13,432,891	14,729,001	15,921,399	17,316,525	18,149,919	18,963,726	19,729,859	20,032,412	20,142,714	20,112,364	
7.	Return on Average Net Investment														
	a. Equity component Grossed up for taxes-reduced for tax reform (A)		58,430	64,393	74,036	81,180	87,752	95,441	100,034	104,520	108,742	110,410	111,018	110,851	1,106,808
	b. Debt component (B)		6,636	7,313	8,408	9,219	9,966	10,839	11,361	11,870	12,350	12,539	12,608	12,589	125,699
8.	Investment Expenses														
	a. Depreciation (C)		22,414	25,124	28,578	30,872	33,931	36,659	38,289	40,493	41,819	42,635	42,960	43,049	426,821
	b. Amortization		-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Property Taxes (D)		6,626	7,302	8,396	9,206	9,951	10,823	11,344	11,852	12,331	12,520	12,589	12,570	125,510
	d. Other		-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Revenue Requirements (Lines 7 + 8)		94,106	104,133	119,418	130,477	141,599	153,762	161,028	168,735	175,242	178,104	179,175	179,059	1,784,838
10.	Collections		(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(137,548)	(1,650,576)
11.	Net under(over) collection		(43,441)	(33,415)	(18,130)	(7,071)	4,051	16,214	23,480	31,187	37,694	40,556	41,627	41,511	
11	a. Cumulative Net under(over) collection		(177,704)	(211,120)	(229,250)	(236,321)	(232,270)	(216,056)	(192,576)	(161,389)	(123,694)	(83,138)	(41,511)	(0)	(0)
12	Interest		-	-	-	-	-	-	-	-	-	-	-	-	-
13	Cumulative Net under(over): SAFE Clause	(134,263)	(177,704)	(211,120)	(229,250)	(236,321)	(232,270)	(216,056)	(192,576)	(161,389)	(123,694)	(83,138)	(41,511)	(0)	(0)

Notes:

(A)	Line 6 x 6.6139% x 1/12. Based on ROE of 10.19%, and weighted income tax rate of 25.345%, expansion factor of 1.3522. See Attachment B, Schedule 5.1.	6.6139%
(B)	Line 6 x .75% x 1/12. See Attachment B, Schedule 5.1.	0.75%
(C.1)	Applicable Mains depreciation rate is 2.5%	2.50%
(C.2)	Applicable Services, Plastic depreciation rate is 2.54%	2.54%
(C.3)	Applicable Services, Steel depreciation rate is 2.70%	2.70%
(C.4)	Applicable Meters depreciation rate is 6.10%	6.10%
(D)	Ad Valorem Tax Rate is .83%	0.75%

Under/(Over) Collection as of 2019	(134,263)
2020 Revenue Requirement	1,784,838
Total	1,650,576

Florida City Gas
Attachment B, Schedule 5.1 - Cost of Capital and Ad Valorem Tax Rate for 2020
January 2020 through December 2020
From: Calcuation Below for Capital Structure. Cost of debt components - Dec. 2018 Surveillance Report Sch. 4

Line No.	AVERAGE	RATIO (%)	Midpoint COST RATE (%)	Midpoint WEIGHTED COST (%)	Revenue Expansion Factor	Cost of Equity
1	EQUITY CAPITAL	48.00%	10.19%	4.8912%	1.35220	6.6139%
2						
3	LONG TERM DEBT	25.18%	2.48%	0.6256%		
4						
5	SHORT TERM DEBT	8.78%	1.08%	0.0949%	Weighted Average Cost of Debt	
6					0.7511%	
7	PREFERRED STOCK	0.00%	0.00%	0.0000%		
8						
9	CUSTOMER DEPOSITS	1.12%	2.73%	0.0306%		
10						
11	TAX CREDITS - ZERO COST	0.00%	0.00%	0.0000%		
12						
13	TAX CREDITS - WEIGHTED COST	0.00%	0.00%	0.0000%		
14						
15	ACC DEF INC TAXES-ZERO COST	16.92%	0.00%	0.0000%		
16	TOTAL	100.00%		5.64%		

Ad Valorem Tax Rate Calculation

2018: 427101 Gen Tax Expense- Property Tax:	$	1,803,961
2017 YE: Plant in Service Net of Goodwill:	$	241,206,106
Applcable Ad Valorem Tax Rate:		0.75%

2020 Clause Projection Filing

2018 YE Surveillance (13-month average) at ROE % midpoint and adjusted to 48% Equity Ratio

	Sys Per Book	Retail Per Book	Pro Rata Adj	Specific Adj.	Adj'd Retail	Cap Ratio	Reallocation to 48% Equity Ratio	Revised Cap Ratio	Cost Rate	Weighted Cost
Common Equity	196,492,147	196,492,147	(15,734,543)	-	180,757,604	60.87%	142,534,129	48.00%	10.19%	4.89%
Long Term Debt	49,701,551	49,701,551	(3,979,962)	-	45,721,589	15.40%	74,061,545	24.94%	2.48%	0.62%
Short Term Debt	17,333,345	17,333,345	(1,388,006)	-	15,945,339	5.37%	25,828,858	8.70%	1.08%	0.09%
Cust Dep Active	3,314,935	3,314,935	-	-	3,314,935	1.12%	3,314,935	1.12%	2.73%	0.03%
Cust Dep InActive	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Invest Tax Cr	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Deferred Inc Tax	50,913,259	50,913,259	-	293,375	51,206,634	17.24%	51,206,634	17.24%	0.00%	0.00%
Total	317,755,237	317,755,237	(21,102,511)	293,375	296,946,102	100.00%	296,946,102	100.00%		5.64%
	-	-	-	-	-				pretax WACC	7.36%

2018 YE Surveillance with ADFIT Consistency and Proration Adjustments adjusted to 48% Equity Ratio

	System Per Sys Per Book	Consistency & Proration Adj.	System Per Books Adj'd	Retail Per Books	Pro Rata Adj	Specific Adj	Adjusted Retail	Cap Ratio	Reallocation to 48% Equity Ratio	Revised Cap Ratio	Cost Rate	Weighted Cost
Common Equity	196,492,147	719,316	197,211,464	197,211,464	(15,734,543)	-	181,476,920	61.11%	142,534,129	48.00%	10.19%	4.89%
Long Term Debt	49,701,551	181,947	49,883,498	49,883,498	(3,979,962)	-	45,903,536	15.46%	74,776,813	25.18%	2.48%	0.63%
Short Term Debt	17,333,345	63,454	17,396,799	17,396,799	(1,388,006)	-	16,008,793	5.39%	26,078,307	8.78%	1.08%	0.09%
Cust Dep Active	3,314,935		3,314,935	3,314,935		-	3,314,935	1.12%	3,314,935	1.12%	2.73%	0.03%
Cust Dep InActive	-	-	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Invest Tax Cr	-	-	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Deferred Inc Tax	50,913,259	(964,717)	49,948,542	49,948,542		293,375	50,241,918	16.92%	50,241,918	16.92%	0.00%	0.00%
Total	317,755,237	-	317,755,237	317,755,237	(21,102,511)	293,375	296,946,102	100.00%	296,946,102	100.00%		5.64%
	-	-	-	-	-	-	-				pretax WACC	7.37%

Proration Adjustment and Consistency Adjustment to Reflect Projected ADFIT Consistent with Projection Year

	Month	ADIT Bal	Deprec-Related ADFIT Bal *	Deprec-Related ADFIT Activity	Days to Prorate	Future Days in Period	Prorated Deprec-Related ADFIT Activity	Prorated Deprec-Related ADFIT Bal
projected	Dec-19	50,204,098	50,204,098					50,204,098
projected	Jan-20	50,169,766	50,169,766	(34,332)	31	336	(31,518)	50,172,580
projected	Feb-20	50,131,932	50,131,932	(37,834)	29	307	(31,735)	50,140,845
projected	Mar-20	50,090,596	50,090,596	(41,336)	31	276	(31,172)	50,109,674
projected	Apr-20	50,045,757	50,045,757	(44,839)	30	246	(30,137)	50,079,536
projected	May-20	49,997,416	49,997,416	(48,341)	31	215	(28,397)	50,051,139
projected	Jun-20	49,945,573	49,945,573	(51,843)	30	185	(26,205)	50,024,934
projected	Jul-20	49,890,228	49,890,228	(55,345)	31	154	(23,287)	50,001,647
projected	Aug-20	49,831,380	49,831,380	(58,848)	31	123	(19,777)	49,981,870
projected	Sep-20	49,769,030	49,769,030	(62,350)	30	93	(15,843)	49,966,027
projected	Oct-20	49,703,178	49,703,178	(65,852)	31	62	(11,155)	49,954,872
projected	Nov-20	49,633,824	49,633,824	(69,354)	30	32	(6,064)	49,948,808
projected	Dec-20	49,536,467	49,536,467	(97,357)	31	1	(266)	49,948,542
		49,919,173	49,919,173	(667,631)	366		(255,556)	49,948,542
2018 YE Surv Bal.		50,913,259	50,913,259				13 Mo Avg Bal	49,919,173
Consistency Adjustment		(994,086)	(994,086)				Proration Adj.	29,369
Proration Adjustment			29,369					
Total Adjustment			(964,717)					

Florida City Gas

Attachment B, Schedule 5.2 - Cost of Capital and Ad Valorem Tax Rate for 2020

January 2020 through December 2020

2018 YE Surveillance with ADFIT Consistency and Proration Adjustments adjusted to 48% Equity Ratio

	System Per Sys Per Book	Consistency & Proration Adj.	System Per Books Adj'd	Retail Per Books	Pro Rata Adj	Specific Adj	Adjusted Retail	Cap Ratio	Reallocation to 48% Equity Ratio	Revised Cap Ratio	Cost Rate	Weighted Cost
Common Equity	196,492,147	719,316	197,211,464	197,211,464	(15,734,543)	-	181,476,920	61.11%	142,534,129	48.00%	10.19%	4.89%
Long Term Debt	49,701,551	181,947	49,883,498	49,883,498	(3,979,962)	-	45,903,536	15.46%	74,776,813	25.18%	2.48%	0.63%
Short Term Debt	17,333,345	63,454	17,396,799	17,396,799	(1,388,006)	-	16,008,793	5.39%	26,078,307	8.78%	1.08%	0.09%
Cust Dep Active	3,314,935		3,314,935	3,314,935		-	3,314,935	1.12%	3,314,935	1.12%	2.73%	0.03%
Cust Dep InActive	-	-	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Invest Tax Cr	-	-	-	-	-	-	-	0.00%	-	0.00%	0.00%	0.00%
Deferred Inc Tax	50,913,259	(964,717)	49,948,542	49,948,542		293,375	50,241,918	16.92%	50,241,918	16.92%	0.00%	0.00%
Total	317,755,237	-	317,755,237	317,755,237	(21,102,511)	293,375	296,946,102	100.00%	296,946,102	100.00%		5.64%

Florida City Gas
Attachment B, Schedule 6 - 2020 SAFE Program Rates
January 2020 through December 2020

Class	Percentage Allocation to Customer Class	Revenue to be collected From Rate Class	Total Annual Billing Units (1)	Monthly Customer Surcharge
RS-1	32.23%	$ 532,039	441,214	$ 1.21
RS-100	57.52%	$ 949,338	787,274	$ 1.21
RS-600	0.94%	$ 15,463	12,824	$ 1.21
GS-1	4.73%	$ 78,045	64,722	$ 1.21
GS-6K	3.78%	$ 62,423	27,688	$ 2.25
GS-25K	0.63%	$ 10,363	4,597	$ 2.25
GS-120K	0.16%	$ 2,559	1,135	$ 2.25
GS-1250K	0.01%	$ 127	56	$ 2.25
GS-11M	0.00%	$ -	0	$ -
GS-25M	0.00%	$ -	0	$ -
Gas Lighting	0.01%	$ 217.29	180	$ 1.21
Total	100%	$ 1,650,576		
2020 Revenue Requirement		$ 1,784,838		
2019 Projected Under-Recovery		$ (134,263)		
2018 Final True-Up		$ -		

Note:
(1) - billing units for 12 months ending December 2020.

Florida City Gas
Attachment B, Schedule 7 - Pipe Allocated to all Customers
January 2020 through December 2020

All Customers

Material	Mileage	Footage	Currnet Budget Cost per Foot	Total Cost
2"	254.5	1,343,760	$ 53.98	$72,536,165
Grand Total	254.5	1,343,760		$72,536,165

Larger Customers Only

Material	Mileage	Footage	Incremental Cost per Foot	Total Cost
4"	45.3	239,184	$ 6.59	$1,576,223
Grand Total	254.5	239,184		$1,576,223

Billing Unit Allocation Percentages

Class	Annual Billing Units	Minimum Size 2" Pipe Cost	Incremental 4" Pipe Cost	Total	Percentage Allocation
RS-1	441,214	23,889,059.89		$ 23,889,060	32.2%
RS-100	787,274	42,626,170.85		$ 42,626,171	57.5%
RS-600	12,824	694,325.17		$ 694,325	0.9%
GS-1	64,722	3,504,303.17		$ 3,504,303	4.7%
GS-6K	27,688	1,499,163.46	$1,303,697.02	$ 2,802,860	3.8%
GS-25K	4,597	248,882.83	$216,432.57	$ 465,315	0.6%
GS-120K	1,135	61,447.94	$53,436.13	$ 114,884	0.2%
GS-1250K	56	3,055.18	$2,656.83	$ 5,712	0.0%
GS-11M	-				0.0%
GS-25M	-				0.0%
Gas Lighting	180	9,756.32		$ 9,756	0.0%
Total	1,339,690	72,536,165	$1,576,223	$ 74,112,387	100.0%

<u>ATTACHMENT C</u>

Revised SAFE Tariff Pages
(Clean and Legislative Formats)

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM

Applicable to all Customers served under the Rate Schedules shown in the table below except for those Customers receiving a discount under the AFD Rider.

Through its SAFE Program, the Company has identified the potential replacement projects focusing initially on area of limited access/pipe overbuilds, and risk assessment for Rear Lot Mains and Services considering:

i. The pipe material;
ii. Leak incident rates;
iii. Age of pipeline;
iv. Pressure under which the pipeline is operating.

The Eligible Infrastructure Replacement includes the following:

Company investment in mains and service lines, as replacements for existing Rear Lot Facilities, and regulatory station and other distribution system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities that:

i. do not increase revenues by directly connecting new Customers to the plant asset;

ii. are in service and used and useful in providing utility service; and

iii. that were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding.

The Company is recovering its revenue requirement on the actual investment amounts. The revenue requirements are inclusive of:

1. Return on investment as calculated using the following:

   a.) Equity components as approved in the Company's most recent base rate case:

   b.) Debt and customer deposit components from the Company's most recent year-end surveillance report; and

   c.) Accumulated deferred income tax balance from the Company's most recent year-end surveillance report as adjusted, if applicable, consistent with the normalization rules of the Internal Revenue Code.

2. Depreciation expense (calculated using the currently approved depreciation rates);

3. Customer and general public notification expenses associated with the SAFE Program incurred for:

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;

ii. the immediately affected Customers where the eligible infrastructure is being replaced; and

iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;

4. Ad valorem taxes; and

5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve-month period from January 1, 2020 through December 31, 2020 are:

Rate Class	Rates Per Customer
Rate Schedule RS-1	$1.21
Rate Schedule RS-100	$1.21
Rate Schedule RS-600	$1.21
Rate Schedule GS-1	$1.21
Rate Schedule GS-6K	$2.25
Rate Schedule GS-25K	$2.25
Rate Schedule GS-120K	$2.25
Rate Schedule GS-1,250K	$2.25
Rate Schedule GS-11M	$-
Rate Schedule GS-25M	$-
Rate Schedule GL	$1.21
Rate Schedule RSG	N/A
Rate Schedule CSG	N/A

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

Calculation of the SAFE Revenue Requirements and SAFE Surcharges

In determining the SAFE Revenue Requirements, the Commission shall consider only (a) the net original cost of Eligible Replacements (i.e., the original cost); (b) the applicable depreciation rates as determined and approved by the Commission based on the Company's most recent depreciation study; (c) the accumulated depreciation associated with the Eligible Replacements; (d) the current state and federal income and ad valorem taxes; and (e) the Company's weighted average cost of capital as calculated on Tariff Sheet No. 78.

The SAFE Revenue Requirements shall be calculated as follows:

Line	Description	Value	Source
1	Revenue Expansion Factor	1.3522	As calculated in most recent base rate proceeding, using current tax rates
2	Ad Valorem Tax Rate	%	Effective Property Tax Rate for most recent 12 Months ended December 31
3	Mains	$	Eligible Replacement Mains
4	Services	$	Eligible Replacement Services
5	Regulators	$	Eligible Replacement Regulators
6	Other	$	Eligible Replacement Other
7	Gross Plant	$	L3+L4+L5+L6
8	Accumulated Depreciation	$	Previous Period Balance +L13
9	Construction Work In Progress	$	Non-interest Bearing
10	Net Book Value	$	L7-L8+L9
11	Average Net Book Value	$	(L10 + Balance From Previous Period)/2
12	Return on Average Net Book Value	$	L 11 X Company's calculated weighted average cost of capital
13	Depreciation Expense	$	Lines 3,4,5 & 6 X applicable approved Depreciation Rates
14	Property Tax	$	(L7-L8) X L 2
15	Customer and general public notification and other applicable expense	$	O&M expense incurred as a result of eligible plant replacement
16	SAFE Revenue Requirement	$	(L12+L13+L14+L15) X L 1

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM

Applicable to all Customers served under the Rate Schedules shown in the table below except for those Customers receiving a discount under the AFD Rider.

Through its SAFE Program, the Company has identified the potential replacement projects focusing initially on area of limited access/pipe overbuilds, and risk assessment for Rear Lot Mains and Services considering:

i. The pipe material;
ii. Leak incident rates;
iii. Age of pipeline;
iv. Pressure under which the pipeline is operating.

The Eligible Infrastructure Replacement includes the following:

Company investment in mains and service lines, as replacements for existing Rear Lot Facilities, and regulatory station and other distribution system components, the installation of which is required as a consequence of the replacement of the aforesaid facilities that:

i. do not increase revenues by directly connecting new Customers to the plant asset;

ii. are in service and used and useful in providing utility service; and

iii. that were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding.

The Company is recovering its revenue requirement on the actual investment amounts. The revenue requirements are inclusive of:

1. Return on investment as calculated using the ~~equity~~following:

   a.) Equity components as approved in the Company's most recent base rate case;

   b.) Debt and the debtcustomer deposit components from the Company's most recent year-end surveillance report; and

   c.) Accumulated deferred income tax balance from the Company's most recent year-end surveillance report as adjusted, if applicable, consistent with the normalization rules of the Internal Revenue Code.

2. Depreciation expense (calculated using the currently approved depreciation rates);

3. Customer and general public notification expenses associated with the SAFE Program incurred for:

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;

ii. the immediately affected Customers where the eligible infrastructure is being replaced; and

iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;

4. Ad valorem taxes; and

5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve -month period from January 1, ~~2019~~2020 through December 31, ~~2019~~2020 are:

Rate Class	Rates Per Customer
Rate Schedule RS-1	$~~0.21~~1.21
Rate Schedule RS-100	$~~0.21~~1.21
Rate Schedule RS-600	$~~0.21~~1.21
Rate Schedule GS-1	$~~0.21~~1.21
Rate Schedule GS-6K	$~~0.40~~2.25
Rate Schedule GS-25K	$~~0.40~~2.25
Rate Schedule GS-120K	$~~0.40~~2.25
Rate Schedule GS-1,250K	$~~0.40~~2.25
Rate Schedule GS-11M	$~~0.40~~-
Rate Schedule GS-25M	$~~0.40~~-
Rate Schedule GL	$~~0.21~~1.21
Rate Schedule RSG	N/A
Rate Schedule CSG	N/A

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

Calculation of the SAFE Revenue Requirements and SAFE Surcharges

In determining the SAFE Revenue Requirements, the Commission shall consider only (a) the net original cost of Eligible Replacements (i.e., the original cost); (b) the applicable depreciation rates as determined and approved by the Commission based on the Company's most recent depreciation study; (c) the accumulated depreciation associated with the Eligible Replacements;
(d) the current state and federal income and ad valorem taxes; and (e) the Company's weighted average cost of capital as calculated ~~in the Company's most recent year-end surveillance report.~~on Tariff Sheet No. 78.

The SAFE Revenue Requirements shall be calculated as follows:

Line	Description	Value	Source
1	Revenue Expansion Factor	1.3522	As calculated in most recent base rate proceeding, using current tax rates
2	Ad Valorem Tax Rate	%	Effective Property Tax Rate for most recent 12 Months ended December 31
3	Mains	$	Eligible Replacement Mains
4	Services	$	Eligible Replacement Services
5	Regulators	$	Eligible Replacement Regulators
6	Other	$	Eligible Replacement Other
7	Gross Plant	$	L3+L4+L5+L6
8	Accumulated Depreciation	$	Previous Period Balance +L13
9	Construction Work In Progress	$	Non-interest Bearing
10	Net Book Value	$	L7-L8+L9
11	Average Net Book Value	$	(L10 + Balance From Previous Period)/2
12	Return on Average Net Book Value	$	L 11 X Company's calculated weighted average cost of capital
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14	Property Tax	$	(L7-L8) X L 2
15	Customer and general public notification and other applicable expense	$	O&M expense incurred as a result of eligible plant replacement
16	SAFE Revenue Requirement	$	(L12+L13+L14+L15) X L 1

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas's Petition for Approval of the SAFE Program True-Up and 2020 Surcharge Factors, along with Attachments A through C, has been furnished by Electronic Mail to the following this 3rd day of September 2019:

Kurt Schrader, Esquire Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 kschrade@psc.state.fl.us	Office of Public Counsel J.R. Kelly/Patricia Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.JR@leg.state.fl.us
Florida City Gas Carolyn Bermudez 4045 NW 97th Avenue Doral, Florida 33178 Carolyn.Bermudez@nexteraenergy.com	

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