

FLORIDA PUBLIC SERVICE COMMISSION

INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT

FLORIDA CITY GAS

December 2018

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
December 2018**

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 18,298,650	\$ (821,759)	\$ 17,476,891	\$ 576,037	\$ 18,052,928
AVERAGE RATE BASE	\$ 246,193,698	\$ 50,752,403	\$ 296,946,102	\$ (11,799,479)	\$ 285,146,623
AVERAGE RATE OF RETURN	7.43%		5.89%		6.33%
II. YEAR END RATE BASE (JURISDICTIONAL)					
	\$ 298,113,821	\$ 39,781,345	\$ 337,895,167	\$ (11,429,995)	\$ 326,465,171

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

LOW	<u>6.06%</u>	A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>8.90%</u>
MIDPOINT	<u>6.67%</u>		
HIGH	<u>7.28%</u>	B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>9.72%</u>

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

Note: Due to financing 100% equity post acquisition prior to Financing Order # PSC-2018-0550-FOF-GU, the return on equity is below the authorized range. The return on equity 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

2/15/2019
(Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
December 2018

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	\$ 428,680,411	\$ 177,480,378	\$ 252,210,033	\$ -	\$ 274,101,726	\$ (27,908,027)	\$ 246,193,698
2	FFSC ADJUSTMENTS							
3	GOODWILL	(13,429,265)						(13,429,265)
4	AGL COMMON PLANT	2,086,376	659,701	1,426,675		1,426,675		1,426,675
5	AGL PURCHASE PREMIUM	9,995,462	4,456,311	5,539,152		5,539,152		5,539,152
6	REMOVE AEP							
7	NONUTILITY PLANT						(13,720,557)	(13,720,557)
8	CAPITAL STRUCTURE ADJUSTMENTS						(532)	(532)
9	GAS COST/CONSERVATION/CRA UNDERRECOVERIES						71,561,539	71,561,539
10	NONUTILITY STORAGE						(638,192)	(638,192)
11	PENSION AND TRANSITION COSTS/REG. ASSET						6,047	6,047
12	TOTAL FFSC ADJUSTMENTS	\$ (1,347,429)	\$ 5,116,012	\$ (6,463,438)	\$ -	\$ (6,463,438)	\$ 57,215,842	\$ 50,752,403
13	FFSC ADJUSTED	\$ 428,342,985	\$ 182,596,390	\$ 245,746,595	\$ -	\$ 267,638,287	\$ 29,307,814	\$ 296,946,102
14	ADJUSTED FOR FLEX RATE REVENUES	\$ 428,342,985	\$ 182,596,390	\$ 245,746,595	\$ -	\$ 267,638,287	\$ 29,307,814	\$ 296,946,102
15	PRO FORMA ADJUSTMENTS							
16	TOTAL PRO FORMA ADJUSTMENTS	\$ (21,866,839)	\$ (9,865,882)	\$ (11,790,943)	\$ -	\$ (11,790,943)	\$ (8,536)	\$ (11,799,479)
17	PRO FORMA ADJUSTED	\$ 406,686,150	\$ 172,730,498	\$ 233,955,652	\$ -	\$ 255,847,345	\$ 29,299,278	\$ 285,146,623

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
December 2018

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	\$ 83,003,914	\$ 24,021,609	\$ 25,158,746	\$ 14,004,540	\$ 7,730,408	\$ 4,066,323	\$ (278,362)	\$ -	\$ -	\$ 74,705,284	\$ 18,298,650
2											
3	\$ 83,003,914	\$ 24,021,609	\$ 25,158,746	\$ 14,004,540	\$ 7,730,408	\$ 4,066,323	\$ (278,362)	\$ -	\$ -	\$ 74,705,284	\$ 18,298,650
4											
5											
6	(24,141,717)	(24,021,609)			(120,108)					(24,141,717)	
7	(4,824,969)				(4,824,969)					(4,824,969)	
8	(4,765,508)		(4,765,330)		(23,817)	5,484				(4,781,662)	16,155
9	(1,348,843)			(964,774)		(97,342)				(1,062,116)	(286,727)
10				300,789		(76,235)				224,554	(224,554)
11			(80,449)			20,390				(60,059)	60,059
12			(44,528)			11,286				(33,243)	33,243
13			(40,796)	27,375		10,340	(6,938)			20,437	(20,437)
14						429,953				(30,456)	30,456
15						303,874				429,953	(429,953)
16											
17	(35,061,039)	(24,021,609)	(4,929,102)	(636,639)	(4,938,894)		(6,938)			(34,259,279)	(821,759)
18	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 13,367,930	\$ 2,761,513	\$ 4,372,198	\$ (285,300)	\$ -	\$ -	\$ 40,445,986	\$ 17,476,891
19											
20											
21											
22	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 13,367,930	\$ 2,761,513	\$ 4,372,198	\$ (285,300)	\$ -	\$ -	\$ 40,445,986	\$ 17,476,891
23											
24											
25											
26				(748,269)		166,294	6,938			(676,037)	576,037
27											
28	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 12,618,661	\$ 2,927,808	\$ 4,538,492	\$ (278,362)	\$ -	\$ -	\$ 39,969,948	\$ 18,052,928
29											

FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
December 2018

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)							
2	\$ 428,915,313	\$ 182,806,622	\$ 246,108,691	\$ -	\$ 35,101,913	\$ 281,210,604	\$ 16,903,217	\$ 268,113,821
3	FFSC ADJUSTMENTS							
4	GOODWILL							
5	AGL COMMON PLANT							
6	AGL ACQUISITION ADJ. PER AMORT SCHEDULE							
7	REMOVE AEP							
8	CAPITAL STRUCTURE ADJUSTMENTS						(13,527,012)	(13,527,012)
9	GAS COST/CONSERVATION/CRA UNDERRECOVERIES						54,482,367	54,482,367
10	NONUTILITY STORAGE						(1,174,009)	(1,174,009)
11	TOTAL FFSC ADJUSTMENTS						39,781,345	39,781,345
12								
13	FFSC ADJUSTED	\$ 182,806,622	\$ 246,108,691	\$ -	\$ 35,101,913	\$ 281,210,604	\$ 56,684,562	\$ 337,895,167
14								
15	PRO FORMA ADJUSTMENTS							
16								
17	TOTAL PRO FORMA ADJUSTMENTS	\$ (21,656,635)	\$ (11,429,995)	\$ -	\$ -	\$ (11,429,995)	\$ -	\$ (11,429,995)
18								
19	PRO FORMA ADJUSTED	\$ 407,258,478	\$ 234,678,696	\$ -	\$ 35,101,913	\$ 269,780,609	\$ 56,684,562	\$ 326,465,171

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

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPC-ADJUSTED BASIS
December 31/18

LINE NO.	AVERAGE	PREFERRED	COMMON EQUITY RATIO	ADJUSTMENT TO INTEREST CAPITAL	ADJUSTMENTS			LOW POINT			MID POINT			HIGH POINT		
					SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	
1	DIVISIONAL CAPITAL	\$ 196,462,147	61.8%	\$ -	\$ 196,462,147	\$ (15,724,643)	\$ 180,737,504	60.8%	8.1%	5.5%	10.1%	6.2%	11.1%	6.81%		
2	DIVISIONAL CAPITAL	\$ 196,462,147	61.8%	\$ -	\$ 196,462,147	\$ (15,724,643)	\$ 180,737,504	60.8%	8.1%	5.5%	10.1%	6.2%	11.1%	6.81%		
3	LONG TERM DEBT	48,701,261	15.6%	-	48,701,261	(3,970,962)	44,730,299	15.4%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
4	LONG TERM DEBT	48,701,261	15.6%	-	48,701,261	(3,970,962)	44,730,299	15.4%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
5	SHORT TERM DEBT	17,333,345	5.6%	-	17,333,345	(1,388,050)	15,945,295	5.2%	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%		
6	SHORT TERM DEBT	17,333,345	5.6%	-	17,333,345	(1,388,050)	15,945,295	5.2%	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%		
7	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
8	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
9	CUSTOMER DEBITS	3,314,655	1.0%	-	3,314,655	-	3,314,655	1.0%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
10	CUSTOMER DEBITS	3,314,655	1.0%	-	3,314,655	-	3,314,655	1.0%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
11	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
12	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
13	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
14	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
15	ACC DEF INC TAXES-ZERO COST	50,813,259	16.0%	-	50,813,259	28,937	50,842,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
16	ACC DEF INC TAXES-ZERO COST	50,813,259	16.0%	-	50,813,259	28,937	50,842,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
17	TOTAL	\$ 317,765,627	100.0%	\$ -	\$ 317,765,627	\$ 61,105,611	\$ 256,660,016	100.0%	5.8%	5.8%	9.6%	9.6%	7.2%			
18	TOTAL	\$ 317,765,627	100.0%	\$ -	\$ 317,765,627	\$ 61,105,611	\$ 256,660,016	100.0%	5.8%	5.8%	9.6%	9.6%	7.2%			
19	YEAR-END	PER BOOKS	COMMON EQUITY RATIO	ADJUSTMENT TO INTEREST CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)
20	DIVISIONAL CAPITAL	\$ 290,012,211	84.6%	\$ -	\$ 290,012,211	\$ (14,700,652)	\$ 275,311,559	84.1%	8.1%	7.7%	10.1%	8.7%	11.1%	8.41%		
21	DIVISIONAL CAPITAL	\$ 290,012,211	84.6%	\$ -	\$ 290,012,211	\$ (14,700,652)	\$ 275,311,559	84.1%	8.1%	7.7%	10.1%	8.7%	11.1%	8.41%		
22	LONG TERM DEBT (1)	(87,399)	-0.0%	-	(87,399)	43,776	(43,623)	-0.2%	4.6%	-0.1%	4.6%	-0.1%	4.6%	-0.1%		
23	LONG TERM DEBT (1)	(87,399)	-0.0%	-	(87,399)	43,776	(43,623)	-0.2%	4.6%	-0.1%	4.6%	-0.1%	4.6%	-0.1%		
24	SHORT TERM DEBT	(106,718)	-0.0%	-	(106,718)	5,325	(101,393)	-0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%		
25	SHORT TERM DEBT	(106,718)	-0.0%	-	(106,718)	5,325	(101,393)	-0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%		
26	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
27	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
28	CUSTOMER DEBITS	3,201,447	0.8%	-	3,201,447	-	3,201,447	0.8%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
29	CUSTOMER DEBITS	3,201,447	0.8%	-	3,201,447	-	3,201,447	0.8%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
30	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
31	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
32	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
33	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
34	ACC DEF INC TAXES-ZERO COST	51,307,627	15.5%	-	51,307,627	15,724	51,323,351	15.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
35	ACC DEF INC TAXES-ZERO COST	51,307,627	15.5%	-	51,307,627	15,724	51,323,351	15.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
36	TOTAL	\$ 352,848,108	100.0%	\$ -	\$ 352,848,108	\$ (14,275,927)	\$ 338,572,181	100.0%	7.2%	7.2%	9.6%	9.6%	8.6%			
37	TOTAL	\$ 352,848,108	100.0%	\$ -	\$ 352,848,108	\$ (14,275,927)	\$ 338,572,181	100.0%	7.2%	7.2%	9.6%	9.6%	8.6%			
38	YEAR-END	PER BOOKS	COMMON EQUITY RATIO	ADJUSTMENT TO INTEREST CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)	ADJUSTED	RATIO (%)	WEIGHTED COST RATE (%)
39	DIVISIONAL CAPITAL	\$ 196,462,147	61.8%	\$ -	\$ 196,462,147	\$ (4,632,921)	\$ 191,829,226	60.3%	8.1%	5.5%	10.1%	6.1%	11.1%	6.79%		
40	DIVISIONAL CAPITAL	\$ 196,462,147	61.8%	\$ -	\$ 196,462,147	\$ (4,632,921)	\$ 191,829,226	60.3%	8.1%	5.5%	10.1%	6.1%	11.1%	6.79%		
41	LONG TERM DEBT	48,701,261	15.6%	-	48,701,261	(6,163,359)	42,537,902	15.2%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
42	LONG TERM DEBT	48,701,261	15.6%	-	48,701,261	(6,163,359)	42,537,902	15.2%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
43	SHORT TERM DEBT	17,333,345	5.6%	-	17,333,345	(2,144,110)	15,189,235	5.2%	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%		
44	SHORT TERM DEBT	17,333,345	5.6%	-	17,333,345	(2,144,110)	15,189,235	5.2%	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%		
45	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
46	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
47	CUSTOMER DEBITS	3,314,655	1.0%	-	3,314,655	-	3,314,655	1.0%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
48	CUSTOMER DEBITS	3,314,655	1.0%	-	3,314,655	-	3,314,655	1.0%	2.7%	0.0%	2.7%	0.0%	2.7%	0.0%		
49	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
50	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
51	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
52	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
53	ACC DEF INC TAXES-ZERO COST	50,813,259	16.0%	-	50,813,259	28,937	50,842,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
54	ACC DEF INC TAXES-ZERO COST	50,813,259	16.0%	-	50,813,259	28,937	50,842,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
55	TOTAL	\$ 317,765,627	100.0%	\$ -	\$ 317,765,627	\$ 61,105,611	\$ 256,660,016	100.0%	5.8%	5.8%	9.6%	9.6%	7.2%			
56	TOTAL	\$ 317,765,627	100.0%	\$ -	\$ 317,765,627	\$ 61,105,611	\$ 256,660,016	100.0%	5.8%	5.8%	9.6%	9.6%	7.2%			

(1) Reconstructed on the cost of equity and debt adjustment.
 (2) On July 31, 2018 Florida City Gas (FCG) was acquired and became a subsidiary of Florida Power & Light Company ("FPL") which is a wholly-owned subsidiary of FPL. FCG's capital structure information as of December 31, 2018 is based on the information provided to FPL, and was approved on November 19, 2018 by the Florida Public Service Commission.

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 2018

SCHEDULE 5

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.		
1	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.89%
2	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
3	LONG TERM DEBT	-0.38%
4	SHORT TERM DEBT	-0.06%
5	PREFERRED STOCK	0.00%
6	CUSTOMER DEPOSITS	-0.03%
7	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
8	SUBTOTAL	-0.47%
9	TOTAL	5.42%
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	60.87%
11	JURISDICTIONAL RETURN ON COMMON EQUITY	8.90%
12		
13		
14		
15		
16		

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

17		
18		
19	NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 18,052,928
20		
21	RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 285,146,623
22		
23	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.33%
24	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
25	LONG TERM DEBT	-0.38%
26	SHORT TERM DEBT	-0.06%
27	PREFERRED STOCK	0.00%
28	CUSTOMER DEPOSITS	-0.03%
29	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
30	SUBTOTAL	-0.47%
31	TOTAL	5.86%
32	DIVIDED BY RECONCILED COMMON EQUITY RATIO	60.31%
33	JURISDICTIONAL RETURN ON COMMON EQUITY	9.72%