

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City Gas. | DOCKET NO. 20170179-GU

DATED: FEBRUARY 7, 2018

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of GABRIELA LEON on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 7th day of February, 2018.

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Docket No. 20170179-GU
Florida City Gas
Petition for Rate Increase by Florida City Gas

Witness: Direct Testimony of Gabriela Leon
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: February 7, 2018

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF GABRIELA LEON**

4 **DOCKET NO. 20170179-GU**

5 **FEBRUARY 7, 2018**

6
7 **Q. Please state your name and business address.**

8 A. My name is Gabriela Leon and my business address is 3625 N.W. 82nd Ave., Suite
9 400, Miami, Florida, 33166.

10 **Q. By whom are you presently employed and in what capacity?**

11 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a
12 Professional Accountant Specialist in the Office of Auditing and Performance Analysis. I have
13 been employed by the Commission since December 1987.

14 **Q. Briefly review your educational and professional background.**

15 A. In 1987, I received a Bachelor of Science degree with a major in Accounting from
16 Florida International University.

17 **Q. Please describe your current responsibilities.**

18 A. My responsibilities consist of planning and conducting utility audits of manual and
19 automated accounting systems for historical and forecasted data.

20 **Q. Have you previously presented testimony before this Commission?**

21 A. Yes. I filed testimony in the Nuclear Cost Recovery Clause, Docket No. 20140009-EI
22 and the Fuel and Purchased Power Cost Recovery Clause, Docket No. 20150001-EI.

23 **Q. What is the purpose of your testimony today?**

24 A. The purpose of my testimony is to sponsor the staff auditor's report of Florida City
25 Gas (FCG or Utility) which addresses the Utility's petition for a rate increase in Docket No.

1 20170179-GU. This report is filed with my testimony and is identified as Exhibit GL-1.

2 **Q. Was this audit prepared by you or under your direction?**

3 A. Yes, it was prepared under my direction.

4 **Q. Please describe the work you performed in this audit.**

5 A. I have summarized the audit work below.

6 Utility Plant in Service (UPIS)

7 We traced the UPIS amounts in the MFR's to the utility's books and records for
8 December 31, 2004 through December 31, 2016. We reconciled the prior ordered balances
9 found in Order PSC-2004-0128-PAA-GU to the general ledger and revised MFR. We sampled
10 UPIS additions, retirements and adjustments for selected plant accounts. We recalculated the
11 13-month average balance for UPIS. No exceptions were noted.

12 Construction Work in Progress (CWIP)

13 We traced the CWIP amounts in the MFR's to the utility's books and records for
14 December 31, 2004 through December 31, 2016. We reconciled the prior ordered balances
15 found in Order PSC-2004-0128-PAA-GU to the general ledger and revised MFR. We
16 reviewed utility documents describing each project sampled to determine whether it was
17 eligible to accrue AFUDC: 1. Merritt Island Pressure Improvement Pipeline, 2. City Gas
18 Building Renovation in Brevard County, 3. East-West Transmission Relocation, West Palm
19 Beach, 4. Northwest Miami Replacement Program, and 5. Renovation of Doral Building. We
20 verified that projects accruing AFUDC were not included in rate base in the filing. We
21 recalculated the 13-month average balance for CWIP. No exceptions were noted.

22 Accumulated Depreciation

23 We traced the accumulated depreciation amounts in the MFR's to the utility's books
24 and records for December 31, 2004 through December 31, 2016. We reconciled the prior
25 ordered balances found in Order PSC-2004-0128-PAA-GU to the general ledger and revised

1 MFR. We recalculated the 13-month average balance for accumulated depreciation. No
2 exceptions were noted.

3 Working Capital(WC)

4 We traced the 13-month average balances from the filing to the general ledger. We
5 verified, based on a judgmental sample of selected accounts, that the WC balance is properly
6 stated, utility in nature, non-interest bearing, does not include non-utility items, and is
7 consistent with Order PSC-2004-0128-PAA-GU. We verified, based on a judgmental sample
8 of selected accounts, that the accumulated provision accounts year end balances comply with
9 the Commission rules. No exceptions were noted.

10 Capital Structure

11 We obtained the rate base/capital structure reconciliation and determined that the non-
12 utility adjustments removed in rate base were removed in the capital structure. Audit staff
13 reconciled the cost of capital cost rates for the historical base year to the debt documentation.
14 We obtained a reconciliation of the rate base adjustments in the capital structure and traced it
15 to the MFRs and to the general ledger. No exceptions were noted.

16 Revenues

17 We reconciled the filing of 2016 revenues to the general ledger. We verified that
18 unbilled revenues were calculated correctly. We traced the revenue adjustments to source
19 documents and noted that they were consistent with Order PSC-2004-0128-PAA-GU. No
20 exceptions were noted.

21 Operation and Maintenance (O&M) Expenses

22 We traced the operation and maintenance expense balances from the filing to the general
23 ledger. We verified, based on a judgmental sample of utility transactions for select O&M
24 expense accounts that 2016 O&M expense balances are adequately supported by source
25 documentation, are utility in nature, and are recorded consistent with the USOA. We traced

1 the O&M expense adjustments to source documents and noted that they were consistent with
2 Order PSC-2004-0128-PAA-GU. We obtained a list of non-regulated services that the Utility
3 is currently providing. Findings 1 and 2 discuss our recommendations for operation and
4 maintenance expenses.

5 Depreciation

6 We recalculated one month of the depreciation expense accruals to verify that the
7 Utility is using the correct depreciation rates established in Order PSC-2014-0514-PAA-GU.
8 We traced the depreciation expense adjustments to source documents and noted that they were
9 consistent with the order cited earlier. No exceptions were noted.

10 Income Taxes

11 Audit staff traced the Utility's net operating income reflected in the MFRs to the
12 general ledger. We reviewed the Utility provided schedule that reconciles the MFR amounts
13 for the taxable income per books, the temporary and permanent differences, and the deferred
14 income tax balances to the tax returns. We traced selected items to the 2016 tax return. No
15 exceptions were noted and no further work was performed.

16 Affiliate Transactions

17 Audit staff reviewed the Utility's policies and procedures relating to the recording of
18 affiliate transactions and the cost/allocation manual for employees. During the review of rate
19 base and net operating income, we examined items that were allocated as per the Utility's
20 policies and procedures. No exceptions were noted.

21 **Q. Were there any findings in the auditor's report?**

22 A. Yes, there were two findings.

23 **Q. Please review Finding 1.**

24 A. Finding 1 recommends an adjustment of \$1,017 to the non-regulated operation expense
25 adjustment on Revised MFR Filing Schedule C-2. Audit staff requested documentation to

1 support the Adjustment to Non-Regulated Operation Expense of \$2,406 on the Revised MFR
2 Filing Schedule C-2. The utility found an additional amount of \$1,017 that pertained to the
3 portion of Doral and Brevard offices' non-regulated operations such as rent and utilities and
4 provided this documentation to audit staff. Audit staff recommends increasing the reported
5 amount of \$2,406 by \$1,017.

6 **Q. Please review Finding 2.**

7 A. Finding 2 recommends an adjustment totaling \$420,942 to decrease Operation and
8 Maintenance (O&M) Expenses. The adjustment is as follows.

- 9 1. O&M should be decreased by \$4,200 for non-regulated charges paid to Blackhawk
10 Engagement Solutions for excess piping for appliance installations, a non-regulated
11 utility expense.
- 12 2. O&M should also be decreased by \$1,129 for non-utility charges paid to Ceterplate,
13 Inc. for food and beverages provided during a professional football game.
- 14 3. O&M should also be decreased by \$190,348 for non-reoccurring charges. The Utility
15 booked transactions during the test year paid to AJ Images, Inc. that totaled \$190,348.
16 The Utility provided the following explanation for these amounts, "These are
17 compliance related costs related to RP 1162, which is a requirement by the Federal
18 Government for Pipeline Operators to implement public awareness programs. These
19 direct communications to the public are required every other year, and in the years in
20 which the direct communication is not required, the Company performs advertising
21 campaigns in newspapers. Therefore, these costs are recurring, though they may be
22 lower in the year that does not require direct communications with the public." We
23 removed these charges as non-reoccurring and request that the technical staff
24 recommends whether this expense should be included in test year expenses and if so,
25 determine the amortization rate.

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4. The Utility provided audit staff with a list of total Hurricane Matthew related costs that are included in Filing Schedule C-6- Operation and Maintenance expenses. These costs total \$225,265. We traced \$106,438 of these costs to supporting documentation. We removed these charges as non-reoccurring and request the Commission determine the appropriate disposition of this amount. We note that in the testimony of FCG witness, Matthew Kim, in this proceeding, the Utility does not currently have a storm damage reserve account. FCG is proposing to establish a storm damage reserve in this proceeding. FCG has included \$100,000 annually in its O&M expense projection for the 2018 projected test year to begin establishing the reserve.

Q. Does this conclude your testimony?

A. Yes.

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Florida City Gas
Rate Case Audit

Twelve Months Ended December 31, 2016

Docket No. 20170179-GU
Audit Control No. 2017-310-4-1
January 12, 2018

Gabriela Leon
Audit Manager

Iliana Piedra
Audit Staff

Yen Ngo
Audit Staff

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated October 20, 2017. We have applied these procedures to the revised attached schedules prepared by Florida City Gas in support of its filing for rate relief in Docket No. 20170179-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

FCG/Utility refers to Florida City Gas.

Southern/Parent refers to The Southern Company.

FERC refers to the Federal Energy Regulatory Commission.

USOA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-7.014 – Records and Reports in General, Florida Administrative Code(F.A.C.).

Background

Florida City Gas filed a petition for a permanent rate increase on October 20, 2017 with a historical test year ending December 31, 2016. On November 6, 2017, the company submitted revised schedules. We applied our procedures to these schedules. The Utility is an operating division of Pivotal Utility Holdings, Inc. Pivotal Utility Holdings, Inc. is a wholly-owned subsidiary of NUI Corporation.

The Utility's last petition for rate relief was granted by Order No. PSC-2004-0128-PAA-GU in Docket No. 20030569-GU using a projected test year of December 31, 2004.

Objectives: The objectives in this proceeding were to determine whether the Utility's 2016 historic year end filing in Docket No. 20170179-GU is consistent and in compliance with Section 366.06 – Rates, Procedures for Fixing and Changing, Florida Statutes (F.S.), and Commission Rule 25-7.014(3)–Records and Reports in General.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS) exists and is owned by the utility, additions are authentic and recorded at original cost, proper retirements were made when a replacement asset was put into service, UPIS is properly classified in compliance with the USOA, UPIS balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-0128-PAA-GU and to recalculate the 13-month average balance for UPIS as of December 31, 2016.

Procedures: We traced the UPIS amounts in the MFR's to the utility's books and records for December 31, 2004 through December 31, 2016. We reconciled the Prior order balances to the General ledger and revised MFR. We sampled UPIS additions, retirements and adjustments for selected plant accounts. We recalculated the 13-month average balance for UPIS.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as construction work in progress (CWIP), and whether projects that are eligible to accrue allowance for funds used during construction (AFUDC) are excluded from rate base pursuant to Commission Rule 25-7.0141, F.A.C. – Allowance for Funds Used During Construction, CWIP balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-0128-PAA-GU, and to recalculate the 13-month average balance for CWIP as of December 31, 2016.

Procedures: We traced the CWIP amounts in the MFR's to the utility's books and records for 2004-2016. We reconciled the Prior order balances to the General ledger and revised MFR. We reviewed utility documents describing each project sampled to determine whether it was eligible to accrue AFUDC: 1. Merritt Island Pressure Improvement Pipeline, 2. City Gas Building Renovation in Brevard County, 3. East–West Transmission Relocation, West Palm Beach, 4. Northwest Miami Replacement Program, and 5. Renovation of Doral Building. We verified that projects accruing AFUDC were not included in rate base in the filing. We recalculated the 13-month average balance for CWIP.

Accumulated Depreciation

Objectives: The objectives were to determine whether accruals, retirements and adjustments to accumulated depreciation (AD) are properly recorded in compliance with the USOA, to determine whether the Utility used the depreciation rates established in prior orders, and to determine whether the balances are properly stated based on Commission adjustments in the prior rate case, and to recalculate the 13-month average balance for AD as of December 31, 2016.

Procedures: We traced the accumulated depreciation amounts in the MFR's to the utility's books and records for 2013-2016. We reconciled the Prior order balances to the General ledger and revised MFR. We recalculated the 13-month average balance for UPIS.

Working Capital

Objectives: The objectives were to determine whether the working capital (WC) account balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-0128-PAA-GU and Commission Rules, and to recalculate the 13-month average balance for WC as of December 31, 2016.

Procedures: We traced the 13-month average balances from the filing to the general ledger. We verified, based on a judgmental sample of selected accounts, that the WC balance is properly stated, utility in nature, non-interest bearing, does not include non-utility items, and is consistent with the order cited above. We verified, based on a judgmental sample of selected accounts, that the accumulated provision accounts year end balances comply with the Commission rules. No exceptions were noted.

Capital Structure

Objectives: The objectives were to determine whether the non-utility assets supported by the Utility's capital structure were removed in the rate base/capital structure reconciliation, the cost rates used in the computation of the cost of capital are appropriate, the rate base adjustments were adjusted in the capital structure, and to reconcile the Utility book amounts to the MFRs and the general ledger.

Procedures: We obtained the rate base/capital structure reconciliation and determined that the non-utility adjustments removed in rate base were removed in the capital structure. Audit staff reconciled the cost of capital cost rates for the historical base year to the debt documentation. We obtained a reconciliation of the rate base adjustments in the capital structure and traced it to the MFRs and to the general ledger. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether 2016 revenues are representative of the Utility's books and records and to determine that the unbilled revenue calculation is calculated correctly.

Procedures: We reconciled the filing of 2016 revenues to the general ledger. We verified that unbilled revenues were calculated correctly. We traced the revenue adjustments to source documents and noted that they were consistent with Order No. PSC-2004-0128-PAA-GU. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether 2016 operation and maintenance (O&M) expenses are properly recorded in compliance with the USOA and that the O&M expenses are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-2004-0128-PAA-GU.

Procedures: We traced the operating and maintenance expense balances from the filing to the general ledger. We verified, based on a judgmental sample of utility transactions for select O&M expense accounts, that 2016 O&M expense balances are adequately supported by source documentation, utility in nature, and are recorded consistent with the USOA. We traced the O&M expense adjustments to source documents and noted that they were consistent with the order cited above. We verified if the Utility recorded the sales tax collection discounts in an above the line account. We obtained a list of non-regulated services that the Utility is currently providing. Findings 1 and 2 discuss operating and maintenance expenses.

Depreciation and Amortization

Objectives: The objectives were to determine whether 2016 depreciation expense is properly recorded in compliance with the USOA, Commission adjustments in the prior rate case, and to determine that depreciation expense accruals are calculated using the depreciation rates established in prior Commission orders.

Procedures: We recalculated one month of the depreciation expense accruals to verify that the Utility is using the correct depreciation rates established in the order cited above. We traced the depreciation expense adjustments to source documents and noted that they were consistent with the order cited above. No exceptions were noted.

Income Taxes

Objectives: The objective was to reconcile the federal and state income taxes to the MFRs and the general ledger.

Procedures: Audit staff traced the Utility's net operating income reflected in the MFRs to the general ledger. We reviewed the Utility provided schedule that reconciles the MFR amounts for the taxable income per books, the temporary and permanent differences, and the deferred income tax balances to the tax returns. We traced selected items to the 2016 tax return. No exceptions were noted and no further work was performed.

Other:

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's rate case filing using prior annual reports filed with the Commission.

Procedures: Audit staff developed a five year, analytical review that compared the annual percentage changes from 2012 to 2016, in all O&M accounts. An analytical review for the plant in service, construction of work in progress, and accumulated depreciation from 2002 through 2016 were also generated to assess the annual changes for the purpose of sample selection of plant additions and retirements. No exceptions were noted.

Affiliate Transactions

Objectives: The objectives were to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations, to determine if an appropriate amount of costs were allocated pursuant to Commission Rules, and to determine the original amounts allocated, whether the methodology was reasonable, and to check for accuracy and consistent application.

Procedures: Audit staff reviewed the Utility's policies and procedures relating to the recording of affiliate transactions and the cost/allocation manual for employees. During the review of rate base and net operating income, we examined items that were allocated as per the Utility's policies and procedures. No exceptions were noted.

Board of Director Meetings

Objectives: The objective was to review the minutes of the Board of Directors.

Procedures: We reviewed the NUI Corporation and Pivotal Holdings, Inc. Board of Directors meeting minutes from January 1, 2015 to December 31, 2016, for activities or issues that could affect the Utility in the current rate case proceeding. No exceptions were noted.

Audit Findings

Finding 1: Net Operating Income Adjustments – Operating and Maintenance Expense

Audit Analysis: The Utility provided revised source documentation for the non-regulated operation expense adjustment of \$2,406 shown on MFR Filing Schedule C-2. The Utility determined a revision for the adjustment was necessary in order to properly reflect the non-regulated operation expense adjustment. The revised amount of \$3,423 represents an additional reduction to operating and maintenance expense of \$1,017. Source documentation for the revised amount was provided to staff and included in the workpapers. The adjustment represents the portion of Doral and Brevard offices' non-regulated operations such as rent and utilities.

Effect on the General Ledger: None

Effect on the Filing: Operation and Maintenance Expenses should be reduced by \$1,017 to reflect the revision to the non-regulated operation expense adjustment.

Finding 2: Operating and Maintenance Expense

Audit Analysis: Audit staff found the following during the audit of Operating and Maintenance Expenses:

Account 912 – Selling Expenses – The Utility recorded in January 2016, \$2000, \$1,200 and \$1,000 of expenses paid to Blackhawk Engagement Solutions. The Utility explained these charges relate to excess piping for appliance installations. These are non-regulated utility charges.

Account 921 – Office Supplies and Expenses – The Utility recorded in December 2016 \$1,129.45 of expenses paid to Ceterplate, Inc. These charges represent food and beverages during a professional football game. We removed this item as a non-utility item. The Utility recorded in November 2016, \$88,177.79 of travel expenses and \$4,160.04 of meals for Hurricane Matthew related costs. We removed these charges as non-reoccurring and request the technical staff determine if an amortized portion should be included in test year expenses.

Account 923 – Outside Services – The Utility recorded in August 2016 \$99,995.43 and in October 2016 \$55,138.84 of expenses paid to AJ Images, Inc. The Utility provided the following explanation,

“These are compliance related costs related to RP 1162, which is a requirement by the Federal Government for Pipeline Operators to implement public awareness programs. These direct communications to the public are required every other year, and in the years in which the direct communication is not required, the Company performs advertising campaigns in newspapers. Therefore, these costs are recurring, though they may be lower in the year that does not require direct communications with the public.”

Federal pipeline safety regulations (49 CFR 192.616 and 49 CFR 195.440) require pipeline operators to develop and implement public awareness programs that follow the guidance provided by the American Petroleum Institute (API) Recommended Practice (RP) 1162 – Public Awareness Programs for Pipeline Operators.

There is an additional \$35,214.01 booked to the general ledger of charges paid to AJ Images, Inc. during the test year for a total of \$190,348.28 (\$99,995.43+\$55,138.84+\$35,214.01). We are removing these charges of \$190,348.28 as non-reoccurring and request the technical staff determine if an amortized portion should be included in test year expenses.

FPSC Rule 25-7.046 (8) states “Unusual or extraordinary expenses can be amortized over a reasonable period of time as determined by the Commission”.

Account 930 – Miscellaneous General Expenses – The Utility recorded in November 2016, \$14,100 of fuel expenses for Hurricane Matthew related costs. The Utility provided the following list of total Hurricane Matthew related costs that are included in Filing Schedule C-6-Operation and Maintenance expenses. These costs total \$225,265. These costs are inclusive of the hurricane costs found by audit staff in Account 921 totaling \$92,337.83 (\$88,177.79 + \$4,160.04) and 930 totaling \$14,100. We removed these charges of \$225,265 as non-reoccurring and request the technical staff determine if an amortized portion should be included in the test year.

Florida City Gas
 Storm-relates Costs

	<u>Hurricane Matthew</u>
Overtime payroll	\$ 45,944
Payroll charged by affiliated utilities assisting FCG	\$ 37,020
Travel and expense through P-card	
Hotel	\$ 40,639
Meals	\$ 5,044
Other	\$ 8,433
Travel and expense from affiliated utilities assisting FCG	\$ 47,989
LNG expense	\$ 17,450
Fleet expense	\$ 14,845
Materials	\$ 6,625
Other miscellaneous	\$ 1,276
	<hr/>
Total storm-related costs	<u>\$ 225,265</u>

Per the testimony of FCG witness, Matthew Kim, in this proceeding, the Utility does not currently have a storm damage reserve account. FCG is proposing to establish a storm damage reserve in this proceeding. FCG has included \$100,000 annually in its O&M expense projection for the 2018 projected test year to begin establishing the reserve.

Effect on the General Ledger: None

Effect on the Filing: O & M should be decreased by \$4,200 due to non-regulated charges recorded in Account 912 – Selling Expenses and by \$1,129 for non-utility charges recorded in Account 921 – Office Supplies and Expenses. O & M should also be decreased by \$190,348 for non-reoccurring charges recorded in Account 923 – Outside Services and by \$225,265 for non-reoccurring Hurricane Matthew expenses. We request technical staff determine if an amortized portion of the adjustments removed as non-recurring be included in test year expenses.

Exhibits

Exhibit 1: Rate Base-Revised November 6, 2017

SCHEDULE B-2

RATE BASE - 13 MONTH AVERAGE

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FLORIDA PUBLIC SERVICE COMMISSION
COMPANY: PIVOTAL UTILITY HOLDINGS, INC.
DB/A FLORIDA CITY GAS
DOCKET NO. 20170179-GU

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH
AVERAGE RATE BASE AS ADJUSTED FOR THE HISTORIC BASE YEAR.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/16
WITNESS: M. J. MORLEY

LINE NO.		AVERAGE PER BOOKS	ADJUSTMENT	ADJUSTED AVERAGE
	<u>UTILITY PLANT</u>			
1	GAS PLANT IN SERVICE	\$ 349,296,103		\$ 349,296,103
2	COMMON PLANT ALLOCATED	-	5,699,518	5,699,518
3	ACQUISITION ADJUSTMENT	21,656,835		21,656,835
4	CONSTRUCTION WORK IN PROGRESS	18,865,897		18,865,897
5	TOTAL PLANT	<u>389,818,835</u>	<u>5,699,518</u>	<u>395,518,353</u>
6	<u>DEDUCTIONS</u>			
7	ACCUMULATED DEPRECIATION - UTILITY PLANT	165,526,525	-	165,526,525
8	ACCUMULATED AMORTIZATION - ACQUISITION ADJUSTMENT	8,422,103		8,422,103
9	ACCUMULATED DEPRECIATION - COMMON PLANT ALLOCATED		2,132,483	2,132,483
10	TOTAL DEDUCTIONS	<u>173,948,628</u>	<u>2,132,483</u>	<u>176,081,111</u>
11	UTILITY PLANT, NET	<u>215,870,207</u>	<u>3,567,036</u>	<u>219,437,243</u>
12	<u>ALLOWANCE FOR WORKING CAPITAL</u>			
13	BALANCE SHEET METHOD	<u>(47,135,552)</u>	<u>42,277,545</u>	<u>(4,858,007)</u>
14	TOTAL RATE BASE	<u>168,734,655</u>	<u>45,844,581</u>	<u>214,579,236</u>
15	NET OPERATING INCOME	<u>\$ 10,188,838</u>	<u>\$ (601,706)</u>	<u>\$ 9,587,132</u>
16	RATE OF RETURN	6.04%		4.47%

SUPPORTING SCHEDULES: B-1, B-3, B-13, C-1

RECAP SCHEDULES: D-1, F-1, G-1 pp. 1,

SCHEDULE B-3

RATE BASE ADJUSTMENTS

PAGE 1 OF 1

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: LIST AND EXPLAIN ALL PROPOSED ADJUSTMENT TO THE 13-MONTH RATE BASE
FOR THE HISTORIC BASE YEAR. CALCULATE THE REVENUE IMPACT OF EACH ADJUSTMENT,
ASSUMING THE REQUESTED RATE OF RETURN AND EXPANSION FACTOR REMAIN CONSTANT.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/16
WITNESS: M. J. MORLEY

COMPANY PIVOTAL UTILITY HOLDINGS, INC
D/B/A FLORIDA CITY GAS

DOCKET NO 20170179-GU

LINE NO.	ADJUSTMENT TITLE	REASON FOR ADJUSTMENT	ADJUSTMENT AMOUNT	NON-UTILITY AMOUNT	REGULATED AMOUNT	REVENUE REQUIREMENT
<u>COMMON PLANT ALLOCATED</u>						
1	COMMON PLANT	TO REMOVE COMMON PLANT ALLOCATION	(112,833)	(112,833)	-	
2	AGSC ALLOCATION	TO ADD CORPORATE ALLOCATION	<u>4,447,073</u>	-	<u>4,447,073</u>	
3		TOTAL	<u>4,334,440</u>	<u>(112,833)</u>	<u>4,447,073</u>	
4	CONSTRUCTION WORK IN PROGRESS					
5	AGSC ALLOCATION	TO ADD CORPORATE ALLOCATION	<u>1,365,078</u>	-	<u>1,365,078</u>	
		TOTAL	<u>1,365,078</u>	-	<u>1,365,078</u>	
<u>ACCUM. DEPR. - COMMON PLANT</u>						
6	ACCUM. DEPREC. - COMMON PLANT	TO REMOVE COMMON PLANT ALLOCATION	(52,597)	(52,597)	-	
7	AGSC ALLOCATION	TO ADD CORPORATE ACCUMULATED DEPRECIATION	<u>2,185,080</u>	-	<u>2,185,080</u>	
8		TOTAL	<u>2,132,483</u>	<u>(52,597)</u>	<u>2,185,080</u>	
<u>ALLOWANCE FOR WORKING CAPITAL</u>						
9	(SEE SCHEDULE B-13 FOR DETAIL)		<u>42,277,545</u>	<u>(72,351)</u>	<u>42,349,896</u>	
10	TOTAL RATE BASE ADJUSTMENTS		<u>45,844,581</u>	<u>(132,387)</u>	<u>45,976,967</u>	

SUPPORTING SCHEDULES: B-5, B-6, B-11, B-13

RECAP SCHEDULES: B-2, E-6, F-3

Exhibit 2: Capital Structure-Revised November 6, 2017

SCHEDULE D-1		COST OF CAPITAL - 13-MONTH AVERAGE					PAGE 1 OF 2								
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE THE COMPANY'S 13-MONTH AVERAGE RECONCILED JURISDICTIONAL CAPITAL STRUCTURE AND COST RATES FOR EACH CLASS OF CAPITAL FOR THE HISTORIC BASE YEAR OF THE CURRENT CASE AND THE HISTORIC BASE YEAR OR TEST YEAR OF THE LAST RATE CASE					TYPE OF DATA SHOWN HISTORIC BASE YEAR DATA: 12/31/16 PRIOR RATE CASE YEAR: 9/30/2012 WITNESS: M. J. MORLEY								
NOTAL UTILITY HOLDINGS, INC. DBA FLORIDA CITY GAS DOCKET NO.: 20170179-GU															
PRESENT RATE CASE - HISTORIC BASE YEAR ENDED 12/31/16															
ADJUSTMENTS															
LINE NO	CLASS OF CAPITAL (1)	APPROVED DOLLARS (2)	RATIO (3)	COST RATE APPROVED (4)	WEIGHTED COST APPROVED (5)	TO CONFORM WITH RATIO OF INVESTOR SOURCES									
						AMOUNT PER BOOKS (6)	(7)	SPECIFIC (8)	PRORATA (9)	NET (10)	RATIO (11)	COST RATE (12)	WEIGHTED COST (13)	INVESTOR SOURCES (14)	
1	COMMON EQUITY*	\$ 47,444,482	39.49%	11.50%	4.54%	\$ 54,435,761	\$ 5,169,325	\$ -	\$ (5,466,169)	\$ 84,139,517	39.21%	11.25%	4.41%	48.42% (2)	
2	LONG TERM DEBT*	\$ 48,159,530	40.09%	6.44%	2.58%	\$ 84,298,897	\$ (3,184,831)	\$ -	\$ (4,948,159)	\$ 76,165,906	35.50%	4.75% (1)	1.69% (a)	43.83% (2)	
3	SHORT TERM DEBT*	\$ 6,704,464	5.58%	2.84%	0.16%	\$ 16,341,327	\$ (1,985,093)	\$ -	\$ (875,766)	\$ 13,480,467	6.28%	1.89% (1)	0.12% (a)	7.76% (2)	
4	CUSTOMER DEPOSITS	\$ 5,791,769	4.82%	6.73%	0.32%	\$ 3,901,581	\$ -	\$ -	\$ -	\$ 3,901,581	1.82%	2.73%	0.05% (a)		
5	ITC - (0 COST)	\$ 762,531	0.64%	0.00%	0.00%	\$ 6	\$ -	\$ -	\$ -	\$ 6	0.00%	0.00%	0.00%		
6	DEF TAXES - (0 COST)	\$ 11,262,803	9.38%	0.00%	0.00%	\$ 36,484,305	\$ -	\$ 407,454	\$ -	\$ 36,891,759	17.19%	0.00%	0.00%		
7	OTHER (EXPLAIN)	\$ -	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%		
8	TOTAL	<u>\$ 129,131,679</u>	<u>100%</u>		<u>7.50%</u>	<u>\$ 225,461,877</u>	<u>\$ 0</u>	<u>\$ 407,454</u>	<u>\$ 11,290,055</u>	<u>\$ 214,679,236</u>	<u>100.00%</u>		<u>6.27%</u>	<u>100.00%</u>	
9						INTEREST SYNCHRONIZATION CALCULATION									
10						RATE BASE \$ 214,679,236									
11						x WEIGHTED AVG COST OF DEBT (SUM OF "a") 1.66%									
12						SYNCHRONIZED INTEREST \$ 3,991,174									
13						INTEREST PER BOOKS (FROM C-22) \$ 3,365,847									
14						INTEREST PER BOOKS OVER SYNCHRONIZED INTEREST CALCULATED \$ (625,327)									
15	* COMMON EQUITY, LONG TERM DEBT AND SHORT TERM DEBT ARE PRESENTED IN CONFORMANCE WITH CONSOLIDATED INVESTOR SOURCES RATIOS.					STATE TAX @ 5.50% (TO C-2) \$ (34,393)									
16						FEDERAL TAX @ 34.00% (TO C-2) \$ (200,918)									
17						TOTAL INCOME TAX ADJUSTMENT \$ (235,311)									
(1) Debt Cost rates based on Southern Company Gas excluding Nicor Gas															
(2) Southern Company Gas Consolidated for 13 months average Ended December 2016															
SUPPORTING SCHEDULES: B-2, D-2 p.1, D-3, D-4, D-6, D-10						RECAP SCHEDULES: A-1, A-2, C-2, C-22, F-8									

Exhibit 3: Net Operating Income-Revised November 6, 2017

SCHEDULE C-1		NET OPERATING INCOME				PAGE 1 OF 1	
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING INCOME PER BOOKS FOR THE HISTORIC BASE YEAR AND THE PRIOR YEAR.				TYPE OF DATA SHOWN: HISTORIC BASE YEAR DATA: 12/31/16 HISTORIC BASE YR - 1: 12/31/15 WITNESS: M. J. MORLEY	
COMPANY: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS							
DOCKET NO.: 20170179 - GU							
NET OPERATING INCOME - HISTORIC BASE YEAR ENDED 12/31/16							
LINE NO		(1) PRIOR YEAR ENDED 12/31/15 TOTAL COMPANY PER BOOKS	(2) CURRENT HISTORIC BASE YEAR ENDED 12/31/16 TOTAL COMPANY PER BOOKS	(3) ADJUSTMENTS	(4) COMPANY ADJUSTED (2) - (3)	(5) REVENUE ADJUSTMENT	(6) JURISDICTIONAL AMOUNT PROPOSED RATES
1	<u>OPERATING REVENUES</u>	81,998,778	82,513,170	(31,447,360)	51,065,790	n/a	n/a
2	<u>OPERATING EXPENSES:</u>						
3	COST OF GAS	21,680,506	18,563,889	(18,563,889)	0		
4	OPERATION & MAINTENANCE	24,932,790	25,068,827	(5,407,398)	20,261,429		
5	DEPRECIATION & AMORTIZATION	15,584,243	16,393,866	(1,313,490)	15,080,376		
6	TAXES OTHER THAN INCOME TAXES	7,343,765	7,369,211	(4,608,574)	2,760,637		
7	INCOME TAXES:						
8	- FEDERAL	1,032,041	-		-		
9	- STATE	304,971	401,717	33,937	435,654		
10	DEFERRED INCOME TAXES						
11	- FEDERAL	1,857,005	3,869,018	(986,260)	2,882,758		
12	- STATE	179,777	57,814	-	57,814		
13	INVESTMENT TAX CREDIT - NET	(1,259)	(10)	-	(10)		
14	TOTAL OPERATING EXPENSES	72,913,839	72,324,332	(30,845,673)	41,478,659		
15	<u>NET OPERATING INCOME</u>	9,084,939	10,188,838	(601,706)	9,587,132		

SUPPORTING SCHEDULES: C-2, C-3, C-5, C-17, C-20, C-30

RECAP SCHEDULES: B-2, F-4, G-2 p1

SCHEDULE C-2		NET OPERATING INCOME ADJUSTMENTS				PAGE 1 OF 2	
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE A SCHEDULE OF PROPOSED ADJUSTMENTS TO				TYPE OF DATA SHOWN	
COMPANY: PIVOTAL UTILITY HOLDINGS, INC. D.B.A. FLORIDA CITY GAS		NO. 1 FROM SCHEDULE C-1 AND THE REVENUE REQUIREMENT				HISTORIC BASE YEAR DATA: 10/31/2015	
DOCKET NO.: 20170179-GU		EFFECT ON EACH. INDICATE WHICH ADJUSTMENTS WERE MADE				WITNESS: M. J. MORLEY	
		IN THE COMPANY'S LAST FULL REVENUE REQUIREMENTS CASE.					
ADJUST NO.	ADJUSTMENT TITLE	ADJUSTMENT AMOUNT	NON-UTILITY AMOUNT	REGULATED AMOUNT	INCREASE (DECREASE) REV. REQUIREMENT	REASON FOR ADJUSTMENT	
<u>OPERATING REVENUE</u>							
1	COST OF GAS	(18,556,708)	-	(18,556,708)	na	TO REMOVE GAS SALES	
2	PROPANE SALES	(228)	-	(228)		TO REMOVE PROPANE SALES	
3	AEP (COLLECTION FEE)	(2,944,663)	-	(2,944,663)		TO REMOVE AEP REVENUE	
4	ECP REVENUES	(5,330,025)	-	(5,330,025)		TO REMOVE ECP REVENUES	
5	FRANCHISE/SROOD RECEIPTS REVENUES	(4,515,755)	-	(4,515,755)		TO REMOVE TAX REVENUE	
6	TOTAL REVENUE ADJUSTMENTS	<u>(31,447,380)</u>	<u>-</u>	<u>(31,447,380)</u>			
<u>COST OF GAS</u>							
7	COST OF GAS	(18,563,889)	-	(18,563,889)		TO REMOVE GAS COSTS	
8	TOTAL COST OF GAS ADJUSTMENTS	<u>(18,563,889)</u>	<u>-</u>	<u>(18,563,889)</u>			
<u>OPERATIONS & MAINTENANCE EXPENSE</u>							
10	ECP EXPENSES	(5,329,977)	-	(5,329,977)		TO REMOVE ECP EXPENSE	
11	ELIMINATE CIVIC PARTICIPATION COST	(46,014)	-	(46,014)		TO REMOVE EXPENSES PREVIOUSLY DISALLOWED	
12	NON - REGULATED OPERATION EXPENSE	(2,406)	-	(2,406)		TO ELIMINATE NON-REGULATED OPERATION EXPENSE	
13	ELIMINATE LOBBYING COST	(29,001)	-	(29,001)		TO ELIMINATE PORTION OF LOBBYING CHARGED TO OPERATING INCOME	
14	TOTAL O & M ADJUSTMENTS	<u>(5,407,398)</u>	<u>-</u>	<u>(5,407,398)</u>			
<u>DEPRECIATION EXPENSE AND AMORTIZATION</u>							
15	REMOVE AEP	(1,305,754)	-	(1,305,754)		TO REMOVE AEP AMORTIZATION	
16	ELIMINATE DEPRECIATION ON LAND AND LAND RIGHTS	(6,736)	-	(6,736)		TO REMOVE DEPRECIATION ON NON-DEPRECIABLE LAND AND LAND RIGHTS	
17	TOTAL DEPRECIATION EXPENSE ADJUSTMENTS	<u>(1,312,490)</u>	<u>-</u>	<u>(1,312,490)</u>			
NOTE: ALL ADJUSTMENTS ARE CONSISTENT WITH THOSE MADE IN THE COMPANY'S LAST FULL REVENUE REQUIREMENTS CASE.							
SUPPORTING SCHEDULES: C-5, C-6, C-19						RECAP SCHEDULES: C-1	