

FLORIDA PUBLIC SERVICE COMMISSION

**INVESTOR-OWNED NATURAL GAS UTILITY
EARNINGS SURVEILLANCE REPORT**

FLORIDA CITY GAS

March 2017

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
March 2017**

		(1) <u>ACTUAL</u> <u>PER BOOKS</u>		(2) <u>FPSC</u> <u>ADJUSTMENTS</u>		(3) <u>FPSC</u> <u>ADJUSTED</u>		(4) <u>PRO FORMA</u> <u>ADJUSTMENTS</u>		(5) <u>PRO FORMA</u> <u>ADJUSTED</u>
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>										
NET OPERATING INCOME	(a)	\$ 11,074,829		\$ (1,643,725)		\$ 9,431,103		\$ 461,295		\$ 9,892,399
AVERAGE RATE BASE	(a)	\$ 182,218,791		\$ 32,726,949		\$ 214,945,740		\$ (13,199,384)		\$ 201,746,356
AVERAGE RATE OF RETURN	(a)	6.08%		4.39%		4.90%				
<u>II. YEAR END RATE BASE (JURISDICTIONAL)</u>										
		\$ 194,179,595		\$ 32,474,961		\$ 226,654,556		\$ (12,693,311)		\$ 213,961,245
<u>III. REQUIRED RATES OF RETURN</u>										
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)										
LOW		<u>5.87%</u>		<u>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</u>						
MIDPOINT		<u>6.26%</u>		A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS						<u>6.49%</u>
HIGH		<u>6.66%</u>		B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS						<u>7.94%</u>

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s.775.084.



 (Name and Title of Chief Financial Officer)

David C Wewer VP, External Affairs

 (Signature)

5-15-17

 (Date)

FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
March 2017

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	\$ 384,553,377	\$ 167,305,883	\$ 217,247,494	\$ -	\$ 16,864,136	\$ 234,111,630	\$ (51,892,839)	\$ 182,218,791
2								
3	<u>FPSC ADJUSTMENTS:</u>							
4	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
5	3,863,540	1,528,289	2,335,251			2,335,251		2,335,251
6	21,656,835	8,602,577	13,054,258			13,054,258		13,054,258
7								
8							(13,916,135)	(13,916,135)
9							(70,902)	(70,902)
9	1,497,497	835,850	661,648			661,648		661,648
10								
11								
12							58,916,938	58,916,938
13							(696,755)	(696,755)
14							(1,056,703)	(1,056,703)
15							(2,620)	(2,620)
15							145,126	145,126
16	(34,800)	(24,720)	(10,080)			(10,080)		(10,080)
17	<u>\$ 349,994</u>	<u>\$ 10,941,995</u>	<u>\$ (10,592,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,592,000)</u>	<u>\$ 43,318,949</u>	<u>\$ 32,726,949</u>
18								
19	<u>\$ 384,903,371</u>	<u>\$ 178,247,878</u>	<u>\$ 206,655,494</u>	<u>\$ -</u>	<u>\$ 16,864,136</u>	<u>\$ 223,519,630</u>	<u>\$ (8,573,890)</u>	<u>\$ 214,945,740</u>
20								
21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22								
23	<u>\$ 384,903,371</u>	<u>\$ 178,247,878</u>	<u>\$ 206,655,494</u>	<u>\$ -</u>	<u>\$ 16,864,136</u>	<u>\$ 223,519,630</u>	<u>\$ (8,573,890)</u>	<u>\$ 214,945,740</u>
24								
25								
26								
27	<u>PRO FORMA ADJUSTMENTS:</u>							
28								
29	<u>\$ (21,656,835)</u>	<u>\$ (8,602,577)</u>	<u>\$ (13,054,258)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,054,258)</u>	<u>\$ (145,126)</u>	<u>\$ (13,199,384)</u>
30								
31	<u>\$ 363,246,536</u>	<u>\$ 169,645,301</u>	<u>\$ 193,601,236</u>	<u>\$ -</u>	<u>\$ 16,864,136</u>	<u>\$ 210,465,371</u>	<u>\$ (8,719,016)</u>	<u>\$ 201,746,356</u>

**FLORIDA CITY GAS
AVERAGE RATE OF RETURN
INCOME STATEMENT
March 2017**

Line No.	(1) OPERATING REVENUES	(2) O&M GAS EXPENSE	(3) O&M OTHER	(4) DEPR. & AMORT.	(5) TRAN INCOME TAXES	(6) INCOME TAXES CURRENT	(7) INCOME TAXES (NET)	(8) INV. TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) OPERATING EXPENSES	(11) NET OPERATING INCOME	
1	PER BOOKS	\$ 84,162,073	\$ 24,857,857	\$ 21,569,190	\$ 15,445,607	\$ 7,009,326	\$ (179,099)	\$ 4,735,089	\$ (7)	\$ (350,717)	\$ 73,087,244	\$ 11,074,829
2	End of year customer refund accrual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	ADJUSTED BOOKS	\$ 84,162,073	\$ 24,857,857	\$ 21,569,190	\$ 15,445,607	\$ 7,009,326	\$ (179,099)	\$ 4,735,089	\$ (7)	\$ (350,717)	\$ 73,087,244	\$ 11,074,829
4												
5	FPSC ADJUSTMENTS:											
6	Fuel revenues/costs	(24,982,146)	(24,857,857)			(124,289)				(24,982,146)		
7	Franchise/gross receipts taxes	(4,402,702)				(4,402,702)				(4,402,702)		
8	ECP revenue/costs											
10	Remove AEP	(3,019,681)			(1,330,463)		(635,653)			(1,966,116)	(1,053,565)	
11	AGL Purchase Premium per Amort Sched				721,895		(271,649)			450,246	(450,246)	
12	Energy Services Revenues and Expenses											
13	Propane Sales	(123)					(47)			(47)	(76)	
14	Propane Cost											
15	Association dues		(16,025)			6,030				(9,995)	9,995	
16	Economic development expense		(878)			330				(548)	548	
17	Pension and Transition Costs Reg. Asset				164,249			(61,808)		102,441	(102,441)	
18	Employee activities		(13,503)				5,081			(8,422)	8,422	
19	Eliminate Gain on Disposition						(131,975)		350,717	218,742	(218,742)	
20	Interest synchronization						(162,379)			(162,379)	162,379	
21	TOTAL FPSC ADJUSTMENTS	<u>(32,404,652)</u>	<u>(24,857,857)</u>	<u>(30,406)</u>	<u>(444,319)</u>	<u>(4,526,992)</u>	<u>(1,190,262)</u>	<u>(61,808)</u>	<u>-</u>	<u>350,717</u>	<u>(30,760,926)</u>	<u>(1,643,725)</u>
22												
23	FPSC ADJUSTED	<u>\$ 51,757,421</u>	<u>\$ -</u>	<u>\$ 21,538,784</u>	<u>\$ 15,001,287</u>	<u>\$ 2,482,334</u>	<u>\$ (1,369,361)</u>	<u>\$ 4,673,281</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 42,326,318</u>	<u>\$ 9,431,103</u>
24												
25	FLEX RATE REVENUES											
26	ADJUSTED FOR											
27	FLEX RATE REVENUES	<u>\$ 51,757,421</u>	<u>\$ -</u>	<u>\$ 21,538,784</u>	<u>\$ 15,001,287</u>	<u>\$ 2,482,334</u>	<u>\$ (1,369,361)</u>	<u>\$ 4,673,281</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 42,326,318</u>	<u>\$ 9,431,103</u>
28												
29			12,735,016									
30	PRO FORMA ADJUSTMENTS											
31												
32	TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(886,144)</u>	<u>-</u>	<u>363,040</u>	<u>61,808</u>	<u>-</u>	<u>(461,295)</u>	<u>461,295</u>	
33												
34	PRO FORMA ADJUSTED	<u>\$ 51,757,421</u>	<u>\$ -</u>	<u>\$ 21,538,784</u>	<u>\$ 14,115,144</u>	<u>\$ 2,482,334</u>	<u>\$ (1,006,321)</u>	<u>\$ 4,735,089</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 41,865,023</u>	<u>\$ 9,892,399</u>
35												
36	PER BOOKS											
37	CURRENT QUARTER AMOUNT	\$ 24,955,573	\$ 9,562,667	\$ 8,315,558	\$ 4,130,625	\$ 5,534,113	\$ 1,923,240	\$ (7,464)	\$ -	\$ 21,407,899	\$ 3,547,674	

**FLORIDA CITY GAS
YEAR END RATE BASE
RATE BASE
March 2017**

Line No.	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUM. DEPR. & AMORT.	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CWIP	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
1 PER BOOKS	\$ 401,789,417	\$ 171,322,205	\$ 230,467,212	\$ -	\$ 12,387,545	\$ 242,854,758	\$ (48,675,162)	\$ 194,179,595
2								
3 FPSC ADJUSTMENTS:								
4 Goodwill	(26,633,077)	-	(26,633,077)			(26,633,077)		(26,633,077)
5 AGL Common Plant	2,690,355	390,897	2,299,458			2,299,458		2,299,458
6 AGL Acquisition Adj. Per Amort Schedule	21,656,835	8,963,524	12,693,311			12,693,311		12,693,311
7 Remove AEP	-	-	-			-	(14,052,300)	(14,052,300)
8 FCG Acquisition Adjustments	1,497,497	861,621	635,876			635,876	-	635,876
9 Nonutility plant	-	-	-			-	(68,004)	(68,004)
10 Capital structure adjustments							58,302,328	58,302,328
11 Gas cost/conservation/CRA underrecoveries							(786,414)	(786,414)
12 Interest payable adjustment							93,905	93,905
13 Pension and Transition Costs Reg. Asset								-
14 Gain on Sale of Medley Property							(618)	(618)
15 Fort Pierce Utility acquisition	(34,800)	(25,296)	(9,504)	-	-	(9,504)	-	(9,504)
16 TOTAL FPSC ADJUSTMENTS	<u>(823,190)</u>	<u>10,190,746</u>	<u>(11,013,936)</u>	<u>-</u>	<u>-</u>	<u>(11,013,936)</u>	<u>43,488,897</u>	<u>32,474,961</u>
17								
18 FPSC ADJUSTED	<u>\$ 400,966,227</u>	<u>\$ 181,512,951</u>	<u>\$ 219,453,276</u>	<u>\$ -</u>	<u>\$ 12,387,545</u>	<u>\$ 231,840,821</u>	<u>\$ (5,186,265)</u>	<u>\$ 226,654,556</u>
19								
20 PRO FORMA ADJUSTMENTS:								
21								
22 TOTAL PRO FORMA ADJUSTMENTS	<u>\$ (21,656,835)</u>	<u>\$ (8,963,524)</u>	<u>\$ (12,693,311)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,693,311)</u>	<u>\$ -</u>	<u>\$ (12,693,311)</u>
23								
24 PRO FORMA ADJUSTED	<u>\$ 379,309,392</u>	<u>\$ 172,549,427</u>	<u>\$ 206,759,965</u>	<u>\$ -</u>	<u>\$ 12,387,545</u>	<u>\$ 219,147,511</u>	<u>\$ (5,186,265)</u>	<u>\$ 213,961,245</u>

FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
March 2017

Line No.	AVERAGE	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	ADJUSTMENTS			RATIO (%)	LOW POINT		MID POINT		HIGH POINT	
						SPECIFIC	PRO RATA	ADJUSTED		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
1	DIVISIONAL CAPITAL	\$ 93,913,747	38.99%	\$ 3,460,507	\$ 97,374,254		\$ (12,882,927)	\$ 84,491,327	39.31%	10.25%	4.03%	11.25%	4.42%	12.25%	4.82%
2															
3	LONG TERM DEBT	88,305,044	36.66%	603,070	88,908,114		(11,762,830)	77,145,284	35.89%	4.52%	1.62%	4.52%	1.62%	4.52%	1.62%
4															
5	SHORT TERM DEBT	16,798,437	6.97%	(4,063,581)	12,734,856		(1,684,862)	11,049,994	5.14%	1.92%	0.10%	1.92%	0.10%	1.92%	0.10%
6															
7	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8															
9	CUSTOMER DEPOSITS	3,887,335	1.61%		3,887,335			3,887,335	1.81%	6.73%	0.12%	6.73%	0.12%	6.73%	0.12%
10															
11	TAX CREDITS - ZERO COST	4	0.00%		4			4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12															
13	TAX CREDITS - WEIGHTED COST	-	0.00%		-			-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14															
15	ACC DEF INC TAXES-ZERO COST	37,947,949	15.77%	-	37,947,949	423,848	-	38,371,797	17.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	TOTAL	\$ 240,852,516	100.00%	\$ (4)	\$ 240,852,512	\$ 423,848	\$ (26,330,620)	\$ 214,945,740	100.00%		5.87%		6.26%		6.66%
17															
18															
19	YEAR END	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
20	DIVISIONAL CAPITAL	\$ 93,894,811	37.19%	7,978,315	\$ 101,873,126		\$ (12,841,569)	\$ 89,031,557	39.28%	10.25%	4.03%	11.25%	4.42%	12.25%	4.81%
21															
22	LONG TERM DEBT	100,284,784	39.72%	(7,268,954)	93,015,830		(11,725,067)	81,290,763	35.87%	4.52%	1.62%	4.52%	1.62%	4.52%	1.62%
23															
24	SHORT TERM DEBT	14,032,591	5.56%	(709,361)	13,323,230		(1,679,454)	11,643,776	5.14%	1.92%	0.10%	1.92%	0.10%	1.92%	0.10%
25															
26	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
27															
28	CUSTOMER DEPOSITS	3,878,016	1.54%		3,878,016			3,878,016	1.71%	6.73%	0.12%	6.73%	0.12%	6.73%	0.12%
29															
30	TAX CREDITS - ZERO COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31															
32	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
33															
34	ACC DEF INC TAXES-ZERO COST	40,391,721	15.99%	-	40,391,721	418,723	-	40,810,444	18.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
35	TOTAL	\$ 252,481,923	100.00%	\$ (0)	\$ 252,481,923	\$ 418,723	\$ (26,246,090)	\$ 226,654,556	100.00%		5.87%		6.26%		6.65%
18															
19															
20	AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS	PER BOOKS	COMPANY RATIO	ADJUSTMENTS TO INVESTOR CAPITAL	ADJUSTED	SPECIFIC	PRO RATA	ADJUSTED	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
21	DIVISIONAL CAPITAL	\$ 93,913,747	38.99%	\$ 3,460,507	\$ 97,374,254		\$ (19,341,063)	\$ 78,033,191	38.68%	10.25%	3.96%	0.1125	4.35%	12.25%	4.74%
22															
23	LONG TERM DEBT	88,305,044	36.66%	603,070	88,908,114		(17,659,467)	71,248,647	35.32%	4.52%	1.60%	4.52%	1.60%	4.52%	1.60%
24															
25	SHORT TERM DEBT	16,798,437	6.97%	(4,063,581)	12,734,856		(2,529,474)	10,205,382	5.06%	1.92%	0.10%	1.92%	0.10%	1.92%	0.10%
26															
27	PREFERRED STOCK	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28															
29	CUSTOMER DEPOSITS	3,887,335	1.61%		3,887,335			3,887,335	1.93%	6.73%	0.13%	6.73%	0.13%	6.73%	0.13%
30															
31	TAX CREDITS - ZERO COST	4	0.00%		4			4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32															
33	TAX CREDITS - WEIGHTED COST	-	0.00%	-	-		-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
34															
35	ACC DEF INC TAXES-ZERO COST	37,947,949	15.76%	-	37,947,949	423,848	-	38,371,797	19.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
36	TOTAL	\$ 240,852,516	100.00%	\$ (4)	\$ 240,852,512	\$ 423,848	\$ (39,530,004)	\$ 201,746,356	100.00%		5.79%		6.18%		6.57%

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS

SCHEDULE 5

March 2017

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.

1	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.39%
2	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
3	LONG TERM DEBT	-1.62%
4	SHORT TERM DEBT	-0.10%
5	PREFERRED STOCK	0.00%
6	CUSTOMER DEPOSITS	-0.12%
7	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
8	SUBTOTAL	-1.84%
9	TOTAL	2.55%
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	39.31%
11	JURISDICTIONAL RETURN ON COMMON EQUITY	6.49%
12		
13		
14		
15		
16		

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

17	B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS	
18		
19	NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES	\$ 9,892,399
20		
21	RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 201,746,356
22		
23	FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	4.90%
24	LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
25	LONG TERM DEBT	-1.60%
26	SHORT TERM DEBT	-0.10%
27	PREFERRED STOCK	0.00%
28	CUSTOMER DEPOSITS	-0.13%
29	TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00%
30	SUBTOTAL	-1.83%
31	TOTAL	3.07%
32	DIVIDED BY RECONCILED COMMON EQUITY RATIO	38.68%
33	JURISDICTIONAL RETURN ON COMMON EQUITY	7.94%