

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>	B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS	<u>9.72%</u>
HIGH	<u>7.28%</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	429,690,411	177,480,378	252,210,033	-	21,891,692	274,101,726	(27,908,027)	246,193,698
2								
3	FPSC ADJUSTMENTS							
4	(13,429,265)		(13,429,265)			(13,429,265)		(13,429,265)
5	2,086,376	659,701	1,426,675			1,426,675		1,426,675
6	9,995,462	4,456,311	5,539,152			5,539,152		5,539,152
7							(13,720,557)	(13,720,557)
8							(532)	(532)
9							71,561,539	71,561,539
10							(638,192)	(638,192)
11							6,047	6,047
12							8,536	8,536
13	(1,347,429)	5,116,012	(6,463,439)			(6,463,439)	57,215,842	50,752,403
14								
15	428,342,985	182,598,390	245,746,595		21,891,692	267,638,287	29,307,814	296,946,102
16								
17	428,342,985	182,598,390	245,746,595		21,891,692	267,638,287	29,307,814	296,946,102
18								
19	PRO FORMA ADJUSTMENTS							
20								
21	(21,866,839)	(9,865,892)	(11,790,943)			(11,790,943)	(8,536)	(11,799,479)
22								
23	406,686,150	172,730,498	233,955,652		21,891,692	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 PER BOOKS	\$ 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 END OF YEAR CUSTOMER REFUND ACCRUAL											
3 ADJUSTED BOOKS	\$ 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 FFRC ADJUSTMENTS											
6 FUEL REVENUES/COSTS	(24,141,717)	(24,021,609)			(120,108)					(24,141,717)	
7 FRANCHISE/GROSS RECEIPTS TAXES	(4,824,969)				(4,824,969)					(4,824,969)	
8 EOP REVENUE/COSTS	(4,765,508)		(4,765,330)		(23,817)	5,484				(4,781,662)	16,155
9 REMOVE AEP	(1,348,843)			(964,774)		(97,342)				(1,062,116)	(286,727)
10 AGL PURCHASE PREMIUM PER AMORT SCHED				300,789		(76,235)				224,554	(224,554)
11 RECLASSIF. AND OPEB EXP. TO OPERATING			(80,449)			20,390				(60,059)	60,059
12 RECORD EQUITY COMPONENT OF SAFE (N/A to zero)			(44,528)			11,286				(33,243)	33,243
13 ASSOCIATION DUES				27,375			(6,938)			20,437	(20,437)
14 PENSION AND TRANSITION COSTS REG. ASSET			(40,796)			10,340				(30,456)	30,456
15 EMPLOYEE ACTIVITIES/CIVIC PARTICIPATION						429,953				(429,953)	
16 INTEREST SYNCHRONIZATION						303,874				(34,259,279)	(821,759)
17 TOTAL FFRC ADJUSTMENTS	(35,061,039)	(24,021,609)	(4,929,102)	(636,639)	(4,938,894)	303,874	(6,938)			(34,259,279)	(821,759)
18											
19 FFRC ADJUSTED	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 13,367,900	\$ 2,761,513	\$ 4,372,198	\$ (285,300)	\$ -	\$ -	\$ 40,445,986	\$ 17,476,891
20											
21 FLEX RATE REVENUES ADJUSTED FOR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22											
23 FLEX RATE REVENUES	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 13,367,900	\$ 2,761,513	\$ 4,372,198	\$ (285,300)	\$ -	\$ -	\$ 40,445,986	\$ 17,476,891
24											
25 PRO FOR-A ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (748,269)	\$ -	\$ 166,294	\$ 6,938	\$ -	\$ -	\$ (576,037)	\$ 576,037
26											
27 TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ (748,269)	\$ -	\$ 166,294	\$ 6,938	\$ -	\$ -	\$ (576,037)	\$ 576,037
28											
29 PRO FORMA ADJUSTED	\$ 57,922,876	\$ -	\$ 20,229,644	\$ 12,619,631	\$ 2,927,808	\$ 4,538,492	\$ (278,362)	\$ -	\$ -	\$ 39,869,949	\$ 18,052,928

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	LONG TERM DEBT	48,701,261	15.0%	-	48,701,261	(3,970,962)	44,730,299	14.6%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
3	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%		
4	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
5	CUSTOMER DEPOSITS	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%		
6	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
7	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
8	ACC DEF INC TAXES - ZERO COST	50,913,259	16.0%	-	50,913,259	28,937	50,942,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
9	ACC DEF INC TAXES - WEIGHTED COST	317,755,527	100.0%	-	317,755,527	28,937	317,784,464	100.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%		
10	TOTAL															
11	DIVISIONAL CAPITAL	\$ 290,012,211	84.6%	\$ -	\$ 290,012,211	\$ (14,700,622)	\$ 275,311,589	84.1%	8.1%	7.7%	10.1%	8.7%	11.1%	8.41%		
12	LONG TERM DEBT (1)	(87,260)	-0.0%	-	(87,260)	43,776	(43,484)	-0.1%	4.6%	-0.1%	4.6%	-0.1%	4.6%	-0.1%		
13	SHORT TERM DEBT	(106,718)	-0.0%	-	(106,718)	5,205	(101,513)	-0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%		
14	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
15	CUSTOMER DEPOSITS	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%		
16	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
17	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
18	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%		
19	ACC DEF INC TAXES - WEIGHTED COST	352,858,108	100.0%	-	352,858,108	15,724	352,873,832	100.0%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%		
20	TOTAL															
21	DIVISIONAL CAPITAL	\$ 196,462,147	61.8%	\$ -	\$ 196,462,147	\$ (4,632,921)	\$ 191,829,226	60.3%	8.1%	5.4%	10.1%	6.1%	11.1%	6.7%		
22	LONG TERM DEBT	48,701,261	15.0%	-	48,701,261	(6,163,359)	42,537,902	13.2%	2.4%	0.3%	2.4%	0.3%	2.4%	0.3%		
23	SHORT TERM DEBT	17,333,345	5.6%	-	17,333,345	(2,144,110)	15,189,235	4.7%	1.0%	0.0%	1.0%	0.0%	1.0%	0.0%		
24	PREFERRED STOCK	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
25	CUSTOMER DEPOSITS	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%		
26	TAX CREDITS - ZERO COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
27	TAX CREDITS - WEIGHTED COST	-	0.0%	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
28	ACC DEF INC TAXES - ZERO COST	50,913,259	16.0%	-	50,913,259	28,937	50,942,196	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
29	ACC DEF INC TAXES - WEIGHTED COST	317,755,527	100.0%	-	317,755,527	28,937	317,784,464	100.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%		
30	TOTAL															

(1) Reinvested in the cost of new debt and equipment.
 (2) On July 31, 2018 Florida City Gas (FCG) was acquired and became a subsidiary of Florida Power & Light Company ("FPL") which is a utility holding company. FCG's capital structure is shown on the balance sheet for FPL. FPL was approved on November 19, 2018 in Docket No. 201806065GU with 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	<u>5.89%</u>
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)	<u>0.00%</u>
8	SUBTOTAL	<u>-0.47%</u>
9	TOTAL	<u>5.42%</u>
10	DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>60.87%</u>
11	JURISDICTIONAL RETURN ON COMMON EQUITY	<u>8.90%</u>
12		
13		
14		
15		
16		

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

Line No.		
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)	<u>0.00%</u>
30	SUBTOTAL	<u>-0.47%</u>
31	TOTAL	<u>5.86%</u>
32	DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>60.31%</u>
33	JURISDICTIONAL RETURN ON COMMON EQUITY	<u>9.72%</u>