

FLORIDA PUBLIC SERVICE COMMISSION

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

**FLORIDA CITY GAS
Estimated 2018 (3 Month Actuals + 9 Months Estimated)**

PSC/AFA 13 (6/94)

**FLORIDA CITY GAS
YEAR END RATE BASE
Estimated 2018 (3 Month Actuals + 9 Months Estimated)**

| | | (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) | \$ 17,891,388 | \$ (1,439,273) | \$ 16,452,115 | \$ 506,434 | \$ 16,958,549 |
| AVERAGE RATE BASE | (a) | \$ 202,748,973 | \$ 86,765,399 | \$ 289,514,371 | \$ (11,799,479) | \$ 277,714,892 |
| AVERAGE RATE OF RETURN | (a) | 8.82% | | 5.68% | | 6.11% |

II. YEAR END RATE BASE (JURISDICTIONAL)

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

| | |
|----------|--------------|
| LOW | <u>5.41%</u> |
| MIDPOINT | <u>5.81%</u> |
| HIGH | <u>6.21%</u> |

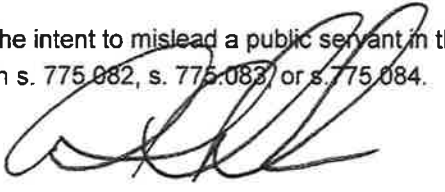
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

| | |
|--|---------------|
| A. INCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS | <u>9.86%</u> |
| B. EXCLUDING AGL ACQ. ADJ. & REGULATORY ASSETS | <u>11.05%</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.

David C. Weaver, VP External Affairs
(Name and Title of Chief Financial Officer)



(Signature)

6/15/2018
(Date)

**FLORIDA CITY GAS
AVERAGE RATE OF RETURN
RATE BASE
Estimated 2018 (3 Month Actuals + 9 Months Estimated)**

| 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 | \$ 461,259,366 | \$ 175,377,823 | \$ 285,881,543 | \$ - | \$ 15,234,491 | \$ 301,116,034 | \$ (98,367,062) | \$ 202,748,973 |
| 2 | | | | | | | | | |
| 3 | FPSC ADJUSTMENTS: | | | | | | | | |
| 4 | GOODWILL | (26,633,077) | - | (26,633,077) | | (26,633,077) | | (26,633,077) | |
| 5 | AGL COMMON PLANT | 4,771,620 | 884,678 | 3,886,942 | | 3,886,942 | | 3,886,942 | |
| 6 | AGL PURCHASE PREMIUM | 21,656,835 | 9,865,892 | 11,790,943 | | 11,790,943 | | 11,790,943 | |
| 7 | REMOVE AEP | - | - | - | | - | (14,082,879) | (14,082,879) | |
| 8 | NONUTILITY PLANT | - | - | - | | - | (30,829) | (30,829) | |
| 9 | FCG ACQUISITION ADJUSTMENT | - | - | - | | - | - | - | |
| 10 | ACCUMULATED REMOVAL COST | - | - | - | | - | - | - | |
| 11 | CAPITAL STRUCTURE ADJUSTMENTS | - | - | - | | - | 112,642,065 | 112,642,065 | |
| 12 | GAS COST/CONSERVATION/CRA UNDERRECOVERIES | - | - | - | | - | (822,855) | (822,855) | |
| 13 | INTEREST PAYABLE ADJUSTMENT | - | - | - | | - | - | - | |
| 14 | NONUTILITY STORAGE | - | - | - | | - | 6,554 | 6,554 | |
| 15 | PENSION AND TRANSITION COSTS REG. ASSET | - | - | - | | - | 8,536 | 8,536 | |
| 16 | FORT PIERCE UTILITY ACQUISITION | - | - | - | | - | - | - | |
| 17 | TOTAL FPSC ADJUSTMENTS | \$ (204,622) | \$ 10,750,570 | \$ (10,955,193) | \$ - | \$ (10,955,193) | \$ 97,720,592 | \$ 86,765,399 | |
| 18 | | | | | | | | | |
| 19 | FPSC ADJUSTED | \$ 461,054,743 | \$ 186,128,393 | \$ 274,926,351 | \$ - | \$ 15,234,491 | \$ 290,160,842 | \$ (646,470) | \$ 289,514,371 |
| 20 | | | | | | | | | |
| 21 | FLEX RATE REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 22 | | | | | | | | | |
| 23 | ADJUSTED FOR FLEX RATE REVENUES | \$ 461,054,743 | \$ 186,128,393 | \$ 274,926,351 | \$ - | \$ 15,234,491 | \$ 290,160,842 | \$ (646,470) | \$ 289,514,371 |
| 24 | | | | | | | | | |
| 25 | | | | | | | | | |
| 26 | | | | | | | | | |
| 27 | PRO FORMA ADJUSTMENTS: | | | | | | | | |
| 28 | | | | | | | | | |
| 29 | TOTAL PRO FORMA ADJUSTMENTS | \$ (21,656,835) | \$ (9,865,892) | \$ (11,790,943) | \$ - | \$ - | \$ (11,790,943) | \$ (8,536) | \$ (11,799,479) |
| 30 | | | | | | | | | |
| 31 | PRO FORMA ADJUSTED | \$ 439,397,908 | \$ 176,262,501 | \$ 263,135,408 | \$ - | \$ 15,234,491 | \$ 278,369,899 | \$ (655,007) | \$ 277,714,892 |

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

Estimated 2018 (3 Month Actuals + 9 Months Estimated)

| 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 | \$ 93,677,048 | \$ 26,622,669 | \$ 24,072,816 | \$ 14,294,049 | \$ 7,535,124 | \$ 2,891,355 | \$ 369,647 | \$ - | \$ 75,785,660 | \$ 17,891,388 |
| 2 | END OF YEAR CUSTOMER REFUND ACCRUAL | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | ADJUSTED BOOKS | \$ 93,677,048 | \$ 26,622,669 | \$ 24,072,816 | \$ 14,294,049 | \$ 7,535,124 | \$ 2,891,355 | \$ 369,647 | \$ - | \$ 75,785,660 | \$ 17,891,388 |
| 4 | | | | | | | | | | | |
| 5 | FPSC ADJUSTMENTS: | | | | | | | | | | |
| 6 | FUEL REVENUES/COSTS | (26,755,783) | (26,622,669) | | | | | | | (26,755,783) | - |
| 7 | FRANCHISE/GROSS RECEIPTS TAXES | (4,773,456) | | | | | (133,113) | | | (4,773,456) | - |
| 8 | ECP REVENUE/COSTS | | | | | | (4,773,456) | | | | - |
| 9 | SALES TAX | | | | | | | | | | - |
| 10 | REMOVE AEP | (2,311,690) | | | | | | | | | - |
| 11 | AGL PURCHASE PREMIUM PER AMORT SCHED | | | | (1,042,669) | (321,633) | | | | (1,364,303) | (947,387) |
| 12 | RECLASS PEN. AND OPEB EXP. TO OPERATING | | | | 721,895 | (182,964) | | | | 538,930 | (538,930) |
| 13 | STORM RESERVE | | | 211,666 | | (53,647) | | | | 158,019 | (158,019) |
| 14 | RECORD EQUITY COMPONENT OF SAFE | 81,978 | | 33,542 | | (8,502) | | | | 25,040 | (25,040) |
| 15 | ASSOCIATION DUES | | | | 21,091 | 5,530 | | 14,030 | | 40,651 | 41,327 |
| 16 | ECONOMIC DEVELOPMENT EXPENSE | | | (12,764) | | 3,235 | | | | (9,529) | 9,529 |
| 17 | PENSION AND TRANSITION COSTS REG. ASSET | | | | 27,375 | | | (6,938) | | 20,437 | (20,437) |
| 18 | CIVIC PARTICIPATION COST | | | (102,225) | | 25,909 | | | | (76,316) | 76,316 |
| 19 | INTEREST SYNCHRONIZATION | | | | | (123,368) | | | | (123,368) | 123,368 |
| 20 | TOTAL FPSC ADJUSTMENTS | <u>(33,758,951)</u> | <u>(26,622,669)</u> | <u>130,219</u> | <u>(272,309)</u> | <u>(4,901,039)</u> | <u>(660,971)</u> | <u>7,092</u> | <u>-</u> | <u>(32,319,677)</u> | <u>(1,439,273)</u> |
| 21 | | | | | | | | | | | |
| 22 | FPSC ADJUSTED | <u>\$ 59,918,097</u> | <u>\$ -</u> | <u>\$ 24,203,035</u> | <u>\$ 14,021,740</u> | <u>\$ 2,634,085</u> | <u>\$ 2,230,384</u> | <u>\$ 376,739</u> | <u>\$ -</u> | <u>\$ 43,465,983</u> | <u>\$ 16,452,115</u> |
| 23 | | | | | | | | | | | |
| 24 | FLEX RATE REVENUES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 25 | ADJUSTED FOR | | | | | | | | | | |
| 26 | FLEX RATE REVENUES | <u>\$ 59,918,097</u> | <u>\$ -</u> | <u>\$ 24,203,035</u> | <u>\$ 14,021,740</u> | <u>\$ 2,634,085</u> | <u>\$ 2,230,384</u> | <u>\$ 376,739</u> | <u>\$ -</u> | <u>\$ 43,465,983</u> | <u>\$ 16,452,115</u> |
| 27 | | | | | | | | | | | |
| 28 | | | | | | | | | | | |
| 29 | PRO FORMA ADJUSTMENTS | | | | | | | | | | |
| 30 | | | | | | | | | | | |
| 31 | TOTAL PRO FORMA ADJUSTMENTS | <u>-</u> | <u>-</u> | <u>-</u> | <u>(749,269)</u> | <u>235,897</u> | <u>6,938</u> | <u>-</u> | <u>-</u> | <u>(506,434)</u> | <u>506,434</u> |
| 32 | | | | | | | | | | | |
| 33 | PRO FORMA ADJUSTED | <u>\$ 59,918,097</u> | <u>\$ -</u> | <u>\$ 24,203,035</u> | <u>\$ 13,272,471</u> | <u>\$ 2,634,085</u> | <u>\$ 2,466,281</u> | <u>\$ 383,677</u> | <u>\$ -</u> | <u>\$ 42,959,549</u> | <u>\$ 16,958,549</u> |

**FLORIDA CITY GAS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
Estimated 2018 (3 Month Actuals + 9 Months Estimated)**

| Line No. | ADJUSTMENTS TO | | | | | ADJUSTMENTS | | | LOW POINT | | MID POINT | | HIGH POINT | | |
|----------|--|-----------------------|----------------|------------------|-----------------------|-------------------|------------------------|-----------------------|----------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| | AVERAGE | PER BOOKS | COMPANY RATIO | INVESTOR CAPITAL | ADJUSTED | SPECIFIC | PRO RATA | ADJUSTED | RATIO (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) |
| 1 | DIVISIONAL CAPITAL | \$ 102,011,936 | 32.34% | \$ 25,830,438 | \$ 127,842,374 | | \$ (13,025,618) | \$ 114,816,756 | 39.66% | 9.19% | 3.64% | 10.19% | 4.04% | 11.19% | 4.44% |
| 2 | | | | | | | | | | | | | | | |
| 3 | LONG TERM DEBT | 100,737,036 | 31.94% | 12,585,275 | 113,322,311 | | (11,546,196) | 101,776,115 | 35.15% | 4.61% | 1.62% | 4.61% | 1.62% | 4.61% | 1.62% |
| 4 | | | | | | | | | | | | | | | |
| 5 | SHORT TERM DEBT | 57,622,460 | 18.27% | (38,415,712) | 19,206,748 | | (1,956,939) | 17,249,809 | 5.96% | 2.01% | 0.12% | 2.01% | 0.12% | 2.01% | 0.12% |
| 6 | | | | | | | | | | | | | | | |
| 7 | PREFERRED STOCK | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 8 | | | | | | | | | | | | | | | |
| 9 | CUSTOMER DEPOSITS | 3,630,672 | 1.15% | | 3,630,672 | | | 3,630,672 | 1.25% | 2.73% | 0.03% | 2.73% | 0.03% | 2.73% | 0.03% |
| 10 | | | | | | | | | | | | | | | |
| 11 | TAX CREDITS - ZERO COST | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 12 | | | | | | | | | | | | | | | |
| 13 | TAX CREDITS - WEIGHTED COS | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 14 | | | | | | | | | | | | | | | |
| 15 | ACC DEF INC TAXES-ZERO COS | 51,388,932 | 16.30% | - | 51,388,932 | 652,087 | - | 52,041,019 | 17.98% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 16 | TOTAL | \$ 315,391,037 | 100.00% | \$ (0) | \$ 315,391,037 | \$ 652,087 | \$ (26,528,753) | \$ 289,514,371 | 100.00% | | 5.41% | | 5.81% | | 6.21% |
| 17 | | | | | | | | | | | | | | | |
| | ADJUSTMENTS TO | | | | | | | | | | | | | | |
| | AVERAGE EXCLUDING AGL ACQ ADJ. & REG. ASSETS | PER BOOKS | COMPANY RATIO | INVESTOR CAPITAL | ADJUSTED | SPECIFIC | PRO RATA | ADJUSTED | RATIO (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) |
| 18 | | | | | | | | | | | | | | | |
| 19 | DIVISIONAL CAPITAL | \$ 102,011,936 | 32.34% | \$ 25,830,438 | \$ 127,842,374 | | \$ (18,819,162) | \$ 109,023,212 | 39.26% | 9.19% | 3.61% | 10.19% | 4.00% | 11.19% | 4.39% |
| 20 | | | | | | | | | | | | | | | |
| 21 | LONG TERM DEBT | 100,737,036 | 31.94% | 12,585,275 | 113,322,311 | | (16,681,722) | 96,640,589 | 34.80% | 4.61% | 1.61% | 4.61% | 1.61% | 4.61% | 1.61% |
| 22 | | | | | | | | | | | | | | | |
| 23 | SHORT TERM DEBT | 57,622,460 | 18.27% | (38,415,712) | 19,206,748 | | (2,827,348) | 16,379,400 | 5.90% | 2.01% | 0.12% | 2.01% | 0.12% | 2.01% | 0.12% |
| 24 | | | | | | | | | | | | | | | |
| 25 | PREFERRED STOCK | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 26 | | | | | | | | | | | | | | | |
| 27 | CUSTOMER DEPOSITS | 3,630,672 | 1.15% | | 3,630,672 | | | 3,630,672 | 1.31% | 2.73% | 0.04% | 2.73% | 0.04% | 2.73% | 0.04% |
| 28 | | | | | | | | | | | | | | | |
| 29 | TAX CREDITS - ZERO COST | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 30 | | | | | | | | | | | | | | | |
| 31 | TAX CREDITS - WEIGHTED COS | - | 0.00% | - | - | | - | - | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 32 | | | | | | | | | | | | | | | |
| 33 | ACC DEF INC TAXES-ZERO COS | 51,388,932 | 16.29% | - | 51,388,932 | 652,087 | - | 52,041,019 | 18.74% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 34 | TOTAL | \$ 315,391,037 | 100.00% | \$ (0) | \$ 315,391,037 | \$ 652,087 | \$ (38,328,232) | \$ 277,714,892 | 100.00% | | 5.38% | | 5.77% | | 6.16% |

FLORIDA CITY GAS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
Estimated 2018 (3 Month Actuals + 9 Months Estimated)

A. INCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

| Line No. | | |
|-------------|--|----------------------|
| 1 | FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN | <u>5.68%</u> |
| 2 | LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: | |
| 3 | LONG TERM DEBT | -1.62% |
| 4 | SHORT TERM DEBT | -0.12% |
| 5 | PREFERRED STOCK | 0.00% |
| 6 | CUSTOMER DEPOSITS | -0.03% |
| 7 | TAX CREDITS-WEIGHTED COST(MIDPOINT) | <u>0.00%</u> |
| 8 | SUBTOTAL | <u>-1.77%</u> |
| 9 | TOTAL | <u>3.91%</u> |
| 10 | DIVIDED BY RECONCILED COMMON EQUITY RATIO | <u>39.66%</u> |
| 11 | JURISDICTIONAL RETURN ON COMMON EQUITY | <u>9.86%</u> |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |

B. EXCLUDING AGL ACQUISITION ADJUSTMENT & REGULATORY ASSETS

| | | |
|----|--|----------------------|
| 17 | | |
| 18 | | |
| 19 | NET OPERATING INCOME EXCLUDING FLEX RATE REVENUES | \$ 16,958,549 |
| 20 | | |
| 21 | RATE BASE EXCLUDING FLEX RATE REVENUES | \$ 277,714,892 |
| 22 | | |
| 23 | FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN | 6.11% |
| 24 | LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR: | |
| 25 | LONG TERM DEBT | -1.61% |
| 26 | SHORT TERM DEBT | -0.12% |
| 27 | PREFERRED STOCK | 0.00% |
| 28 | CUSTOMER DEPOSITS | -0.04% |
| 29 | TAX CREDITS-WEIGHTED COST(MIDPOINT) | <u>0.00%</u> |
| 30 | SUBTOTAL | <u>-1.77%</u> |
| 31 | TOTAL | <u>4.34%</u> |
| 32 | DIVIDED BY RECONCILED COMMON EQUITY RATIO | <u>39.26%</u> |
| 33 | JURISDICTIONAL RETURN ON COMMON EQUITY | <u>11.05%</u> |