



**August 15, 2019**

Bart Fletcher, Public Utilities Supervisor  
Division of Accounting and Finance  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **June 2019**.

Please let me know if you have any questions.

Respectfully,

Sean P. Hillary  
Controller

Enclosures

cc: Office of Public Counsel – J.R. Kelly

**PEOPLES GAS SYSTEM**  
**EARNINGS SURVEILLANCE REPORT SUMMARY**  
**JUNE 2019**  
(In \$ Thousands)

SCHEDULE 1


	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
<b>NET OPERATING INCOME</b>	\$ 65,596	\$ (6,438)	\$ 59,157	\$ 0	\$ 59,157
<b>AVERAGE RATE BASE</b>	\$ 1,019,593	\$ (118,244)	\$ 901,349	\$ 0	\$ 901,349
<b>AVERAGE RATE OF RETURN</b>	6.43 %		6.56 %		6.56 %

<b>III. EARNED RETURN ON EQUITY</b>			
<b>II. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			
<b>LOW</b>	5.51 %	FPSC ADJUSTED	PRO FORMA ADJUSTED
<b>MIDPOINT</b>	6.15 %	A. INCLUDING FLEX RATE REVENUES	11.72 %
<b>HIGH</b>	6.58 %	B. EXCLUDING FLEX RATE REVENUES	11.26 %

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 or her official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082 or s. 775.083.

Sean P. Hillary, Controller  
(Name and Title)

  
(Signature)

8/15/19  
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
JUNE 2019  
(In \$ Thousands)**

SCHEDULE 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in Service	Plant Acquisition Adjustment	Accumulated Depreciation & Amortization	Customer Advances for Construction	Net Plant in Service	Property Held for Future Use	Construction Work in Progress	Net Utility Plant	Working Capital	Total Rate Base
<b>PER BOOKS</b>	1,757,723	5,032	756,691	10,735	995,329	1,940	35,299	1,032,568	(12,975)	1,019,593
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable										
Accounts Rec./Pay. - Assoc Companies										
Merchandise Inventory										
Other Accounts Receivable	(492)									
Non-Utility Allocation			(154)		(338)			(338)		(338)
Remove Unbundling Transition Charges										
Remove Non-Utility Accrued Liability										
Remove Non-Utility Martin City expansion										
Remove Non-Utility Dabt Expense						(115)		(115)		(115)
Remove Unamort. Dabt Expense										
Remove Unrecovered Gas Cost										
Remove Dividends Declared										
Remove Unrec. Conservation Costs										
Remove Unrec. CIBSR Costs										
Remove Competitive Rate Adjustment										
Remove Unamortized Rate Case Expense										
Gain on Sale of Property		(2,947)	(2,741)		(206)			(206)		(206)
Remove Acquis. Adjustment (WFNG)										
Remove MSEA Adjustment										
Cast Iron/Bare Steel Rider (CIBSR)	(98,977)		(4,773)		(94,204)		(9,906)	(104,111)		(104,111)
Other Comp. Income (Unsettled hedges)										
Remove Investment in Subsidiaries										
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(99,469)</b>	<b>(2,947)</b>	<b>(7,668)</b>		<b>(94,748)</b>	<b>(1,940)</b>	<b>(10,021)</b>	<b>(106,709)</b>	<b>(1,172)</b>	<b>(1,172)</b>
<b>FPSC ADJUSTED</b>	<b>1,658,254</b>	<b>2,085</b>	<b>749,023</b>	<b>10,735</b>	<b>900,581</b>		<b>25,278</b>	<b>925,859</b>	<b>(24,510)</b>	<b>901,349</b>
<b>FLEX RATE REVENUES</b>										
<b>ADJUSTED FOR</b>										
<b>FLEX RATE REVENUES</b>	<b>1,658,254</b>	<b>2,085</b>	<b>749,023</b>	<b>10,735</b>	<b>900,581</b>		<b>25,278</b>	<b>925,859</b>	<b>(24,510)</b>	<b>901,349</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>										
<b>TOTAL PRO FORMA ADJUSTMENTS</b>										
<b>PRO FORMA ADJUSTED</b>	<b>1,658,254</b>	<b>2,085</b>	<b>749,023</b>	<b>10,735</b>	<b>900,581</b>		<b>25,278</b>	<b>925,859</b>	<b>(24,510)</b>	<b>901,349</b>



**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
JUNE 2019  
(In \$ Thousands)**

SCHEDULE 4

AVERAGE	PER BOOKS	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		SPECIFIC	PRO RATA			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	303,240	(2,447)	(42,629)	258,164	28.64%	4.79	1.37	4.79	1.37	4.79	1.37
SHORT TERM DEBT	42,371		(6,005)	36,366	4.03%	3.07	0.12	3.07	0.12	3.07	0.12
RESIDENTIAL DEPOSITS	6,356		-	6,356	0.71%	2.00	0.01	2.00	0.01	2.00	0.01
COMMERCIAL DEPOSITS	20,126		-	20,126	2.23%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS	4		-	4	0.00%						
COMMON EQUITY	450,625	(2,991)	(63,440)	384,194	42.62%	9.25	3.94	10.75	4.58	11.75	5.01
DEFERRED INCOME TAX	196,871	(732)	-	196,139	21.76%						
TAX CREDITS - ZERO COST					0.00%						
TOTAL	1,019,593	(6,170)	(112,074)	901,349	100.00%		5.51		6.15		6.58

SCHEDULE 5

PEOPLES GAS SYSTEM  
 EARNED RETURN ON COMMON EQUITY  
 FPSC ADJUSTED BASIS  
 JUNE 2019  
 (In \$ Thousands)

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.56 % (Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(1.37) %
SHORT TERM DEBT	(0.12) %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.08) %
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %
SUBTOTAL	<u>(1.57) %</u>
TOTAL	4.99 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.62 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.72 %</u>

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 57,406 (Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>901,349</u> (Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.37 %</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(1.37) %
SHORT TERM DEBT	(0.12) %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.08) %
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %
SUBTOTAL	<u>(1.57) %</u>
TOTAL	4.80 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.62 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.26 %</u>