

TECO
PEOPLES GAS
AN EMERA COMPANY

November 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 **September 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
SEPTEMBER 2019
(In \$ Thousands)**

SCHEDULE 1


	(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	\$ 67,047	\$ (7,270)	\$ 59,777	\$ 0	\$ 59,777
AVERAGE RATE BASE	\$ 1,058,510	\$ (136,446)	\$ 922,064	\$ 0	\$ 922,064
AVERAGE RATE OF RETURN	6.33 %		6.48 %		6.48 %

III. EARNED RETURN ON EQUITY			
II. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			
LOW	5.54 %	FPSC ADJUSTED	PRO FORMA ADJUSTED
MIDPOINT	6.18 %	A. INCLUDING FLEX RATE REVENUES	11.45 % 11.45 %
HIGH	6.61 %	B. EXCLUDING FLEX RATE REVENUES	10.99 % 10.99 %

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)

11/13/19
(Date)

PSC/AFA13

SCHEDULE 2

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

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in Service	Plant Acquisition Adjustment	Accumulated Depreciation & Amortization	Customer Advances for Construction	Plant in Service	Property Held for Future Use	Construction Work in Progress	Net Utility Plant	Working Capital	Total Rate Base
PER BOOKS	1,801,446	5,032	764,420	11,272	1,030,786	1,940	40,518	1,073,244	(14,734)	1,058,510
FPSC ADJUSTMENTS:										
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	(498)									
Non-Utility Allocation			(159)		(340)			(340)		(2,078)
Remove Unbundling Transition Charges										(340)
Remove Non-Utility Accrued Liability										
Remove Non-Utility Martin City expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense										(2,050)
Remove Unrecovered Gas Cost										
Remove Dividends Declared										
Remove Unrec. Conservation Costs		(2,947)	(2,761)		(186)			(186)		(186)
Remove Unrec. CIBSR Costs			(5,215)		(107,100)			(116,940)		(3,035)
Remove Competitive Rate Adjustment	(112,315)							(5,562)		(121)
Remove Unamortized Rate Case Expense										(2,875)
Gain on Sale of Property										
Remove Acquis. Adjustment (WFNG)										
Remove MSEA Adjustment										
Cast Iron/Bare Steel Rider (CIBSR)										
AFUDC - Eligible CWIP		2,085	756,285	11,272	923,159		25,001	948,161	(26,097)	922,064
Other Comp. Income (Unsettled hedges)										
Remove Investment in Subsidiaries										
TOTAL FPSC ADJUSTMENTS	(112,814)	(2,947)	(8,135)	-	(107,627)	(1,940)	(15,517)	(125,083)	(11,363)	(136,446)
FPSC ADJUSTED	1,688,632	2,085	756,285	11,272	923,159	-	25,001	948,161	(26,097)	922,064
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,688,632	2,085	756,285	11,272	923,159	-	25,001	948,161	(26,097)	922,064
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS										
PRO FORMA ADJUSTED	1,688,632	2,085	756,285	11,272	923,159	-	25,001	948,161	(26,097)	922,064

SCHEDULE 3

PEOPLES GAS SYSTEM
NET OPERATING INCOME
SEPTEMBER 2019
(In \$ Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Operating Revenues	O & M Gas Expense	O & M Other	Depreciation & Amortization	Taxes Other Than Income	Income Taxes Current	Deferred Income Taxes (Net)	Investment Tax Credit (Net)	Gain/Loss on Disposition	Total Operating Expenses	Net Operating Income
PER BOOKS	454,405	164,487	124,249	44,304	39,938	1,769	14,752	-	(2,141)	387,358	67,047
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(20,803)		(20,803)							(20,803)	(0)
Non-Utility Allocation				(19)		5				(14)	14
Interest Synchronization						595				595	(595)
Parent Debt Adjustment											
Remove Fuel Revenues	(164,994)	(164,487)			(507)					(164,994)	
Economic Development Adjustment			(15)			4				(11)	11
Employee Activities			(70)			18				(52)	52
Intercompany Adjustment											
Maintenance of General Plant			(49)			12				(37)	37
Maint. of Structures and Improvements			(11)			3				(8)	8
Lobbying included in Dues (AGA, FNGA)			(80)			20				(60)	60
Civic/Social Club Dues											
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		20				(60)	60
Gain on Sale of Property											
Lease of PHFFU	(99)										
Remove ITC Amortization						(25)				(25)	(74)
Cast Iron/Bare Steel Rider (CIBSR)	(4,227)		(891)	(1,770)	(1,566)					(4,227)	
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(9,165)										
OSS Adjustment						(2,323)				(2,323)	(6,842)
TOTAL FPSC ADJUSTMENTS	(199,288)	(164,487)	(21,918)	(1,869)	(2,073)	(1,671)				(192,018)	(7,270)
FPSC ADJUSTED	255,117	-	102,331	42,435	37,865	98	14,752		(2,141)	195,340	59,777
FLEX RATE REVENUES ADJUSTED FOR	(2,412)					(611)				(611)	(1,801)
FLEX RATE REVENUES	252,705	-	102,331	42,435	37,865	98	14,752		(2,141)	194,729	57,976
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED	255,117	-	102,331	42,435	37,865	98	14,752		(2,141)	195,340	59,777
PER BOOKS	35,334	12,904	10,659	3,492	2,933	122	599			30,709	4,625

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
SEPTEMBER 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	314,673	(2,542)	(48,729)	263,402	28.57%	4.76	1.36	4.76	1.36	4.76	1.36
SHORT TERM DEBT	44,035		(6,875)	37,160	4.03%	3.10	0.12	3.10	0.12	3.10	0.12
RESIDENTIAL DEPOSITS	6,238		(33)	6,205	0.67%	2.00	0.01	2.00	0.01	2.00	0.01
COMMERCIAL DEPOSITS	20,161		(107)	20,055	2.17%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS	1		(0)	1	0.00%						
COMMON EQUITY	472,800	(3,028)	(73,339)	396,433	43.00%	9.25	3.98	10.75	4.62	11.75	5.05
DEFERRED INCOME TAX	200,602	(737)	(1,056)	198,808	21.56%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	1,058,510	(6,307)	(130,139)	922,064	100.00%		5.54		6.18		6.61
					0.00%						

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

<u>A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY</u>		
<u>INCLUDING FLEX RATE REVENUES</u>		<u>6.48</u> % (Schedule 1)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN		
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.36) %	
SHORT TERM DEBT	(0.12) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.08) %	
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.56)</u> %	
TOTAL	4.92 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.00</u> %	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.45</u> %	

<u>B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY</u>		
<u>EXCLUDING FLEX RATE REVENUES</u>		
NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 57,976	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 922,064	(Schedule 2)
	<u>6.29</u> %	
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN		
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.36) %	
SHORT TERM DEBT	(0.12) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.08) %	
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.56)</u> %	
TOTAL	4.73 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.00</u> %	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>10.99</u> %	