



March 1, 2019

Mr. Andrew L. Maurey, Director
Florida Public Service Commission
Division of Accounting and Finance
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Maurey:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 2019**.

Please let me know if you have any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "Sean P. Hillary".

Sean P. Hillary
Controller

Enclosures

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

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
2019 Budget**

	(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	\$ 67,560	\$ (7,097)	\$ 60,463	\$ 0	\$ 60,463
AVERAGE RATE BASE	\$ 1,137,396	\$ (130,628)	\$ 1,006,768	\$ 0	\$ 1,006,768
AVERAGE RATE OF RETURN	5.94 %		6.01 %		6.01 %

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

LOW	5.58 %
MIDPOINT	6.22 %
HIGH	6.65 %

III. EARNED RETURN ON EQUITY

A. INCLUDING FLEX RATE REVENUES	FPSC ADJUSTED	PRO FORMA ADJUSTED
10.24 %	10.24 %	10.24 %
B. EXCLUDING FLEX RATE REVENUES	9.84 %	9.84 %

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)

2/12/19
(Date)

PEOPLES GAS SYSTEM
AVERAGE RATE BASE
2019 Budget

	(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
PER BOOKS	1,806,248	5,032	763,253	9,179	1,038,848	1,940	80,751	1,121,539	15,857	1,137,396
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment										
Notes Receivable										
Accounts Rec./Pay. - Assoc Companies										
Merchandise Inventory										
Other Accounts Receivable										
Non-Utility Allocation	(508)		(163)		(346)			(346)		(346)
Remove Unbundling Transition Charges										
Remove Non-Utility Accrued Liability										
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(2,175)	(2,175)
Remove Unrecovered Gas Cost PGA										
Remove Dividends Declared									(2,091)	(2,091)
Remove Unrec. Conservation Costs										
Remove Unrec. CIBSR Costs										
Remove Competitive Rate Adjustment									(2,713)	(2,713)
Remove Unamortized Rate Case Expense										
Gain on Sale of Property		(2,947)	(2,781)		(166)			(166)		(166)
Remove Acquis. Adjustment (WFNG)			(5,620)		(112,539)		(3,998)	(116,537)		(116,537)
Remove MSEA Adjustment										
Cast Iron/Bare Steel Rider (CIBSR)	(118,159)									
Other Comp. Income (Unsettled hedges)			(8,564)		(113,050)	(1,940)	(4,113)	(119,103)	(1,208)	(1,208)
Remove Investment in Subsidiaries									(11,524)	(130,628)
TOTAL FPSC ADJUSTMENTS	(118,667)	(2,947)	(8,564)		(113,050)	(1,940)	(4,113)	(119,103)	(11,524)	(130,628)
FPSC ADJUSTED	1,687,581	2,085	754,689	9,179	925,798	-	76,638	1,002,436	4,333	1,006,768
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,687,581	2,085	754,689	9,179	925,798	-	76,638	1,002,436	4,333	1,006,768
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS										
PRO FORMA ADJUSTED	1,687,581	2,085	754,689	9,179	925,798	-	76,638	1,002,436	4,333	1,006,768

SCHEDULE 4

PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
2019 Budget

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	337,945	(3,142)	(46,161)	288,642	28.67%	4.72	1.35	4.72	1.35	4.72	1.35
SHORT TERM DEBT	67,172		(9,261)	57,911	5.75%	3.58	0.21	3.58	0.21	3.58	0.21
RESIDENTIAL DEPOSITS	6,431		-	6,431	0.64%	2.00	0.01	2.00	0.01	2.00	0.01
COMMERCIAL DEPOSITS	20,588		-	20,588	2.04%	3.00	0.06	3.00	0.06	3.00	0.06
INACTIVE DEPOSITS	366		-	366	0.04%						
COMMON EQUITY	501,735	(2,684)	(68,807)	430,244	42.74%			10.75	4.59	11.75	5.02
DEFERRED INCOME TAX	203,159	(572)	-	202,587	20.12%	9.25	3.95				
TAX CREDITS - ZERO COST					0.00%						
TOTAL	1,137,396	(6,398)	(124,229)	1,006,768	100.00%		5.58		6.22		6.65

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 2019 Budget

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.01 % (Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(1.35) %
SHORT TERM DEBT	(0.21) %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.07) %
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %
SUBTOTAL	<u>(1.63) %</u>
TOTAL	4.38 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.74 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>10.24 %</u>

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 58,760 (Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,006,768 (Schedule 2)</u>
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.84 %
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(1.35) %
SHORT TERM DEBT	(0.21) %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.07) %
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %
SUBTOTAL	<u>(1.63) %</u>
TOTAL	4.21 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.74 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>9.84 %</u>