



November 16, 2020

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

Dear Mr. Maurey:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **September 2020**.

Please let me know if you have any questions.

Respectfully,

Sean P. Hillary

sphilary@tecoenergy.com

Sean P. Hillary
Controller

Enclosures

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

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
SEPTEMBER 2020
(In \$ Thousands)**

SCHEDULE 1

	(1) Actual <u>Per Books</u>	(2) FPSC <u>Adjustments</u>	(3) FPSC <u>Adjusted</u>	(4) Pro Forma <u>Adjustments</u>	(5) Pro Forma <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ <u>63,214</u>	\$ <u>(10,638)</u>	\$ <u>52,576</u>	\$ <u>0</u>	\$ <u>52,576</u>
<u>AVERAGE RATE BASE</u>	\$ <u>1,251,370</u>	\$ <u>(238,661)</u>	\$ <u>1,012,709</u>	\$ <u>0</u>	\$ <u>1,012,709</u>
<u>AVERAGE RATE OF RETURN</u>	<u>5.05</u> %		<u>5.19</u> %		<u>5.19</u> %

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

LOW	<u>5.85</u> %
MIDPOINT	<u>6.56</u> %
HIGH	<u>7.03</u> %

III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>7.87</u> %	<u>7.87</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>7.44</u> %	<u>7.44</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 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)

Sean P. Hillary

sphillary@tecoenergy.com
(Signature)

11/12/2020

(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
SEPTEMBER 2020
(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
PER BOOKS	1,979,816	5,032	792,941	13,599	1,178,307	1,940	103,555	1,283,802	(32,432)	1,251,370
<u>FPSC ADJUSTMENTS:</u>										
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									(1,343)	(1,343)
Non-Utility Allocation	(1,225)		(380)		(846)			(846)		(846)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(2,210)	(2,210)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(1,834)	(1,834)
Remove Unrec. CIBSR Costs									(2,590)	(2,590)
Remove Competitive Rate Adjustment									(2,998)	(2,998)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,841)		(106)			(106)		(106)
Remove MSEA Adjustment										-
Cast Iron/Bare Steel Rider (CIBSR)	(162,511)		(7,192)		(155,319)		(9,840)	(165,159)		(165,159)
AFUDC - Eligible CWIP							(58,445)	(58,445)		(58,445)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,072)	(1,072)
TOTAL FPSC ADJUSTMENTS	(163,737)	(2,947)	(10,412)	-	(156,271)	(1,940)	(68,399)	(226,610)	(12,050)	(238,661)
FPSC ADJUSTED	1,816,079	2,085	782,528	13,599	1,022,036	-	35,156	1,057,192	(44,483)	1,012,709
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	1,816,079	2,085	782,528	13,599	1,022,036	-	35,156	1,057,192	(44,483)	1,012,709
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>										
										-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,816,079	2,085	782,528	13,599	1,022,036	-	35,156	1,057,192	(44,483)	1,012,709

PEOPLES GAS SYSTEM
NET OPERATING INCOME
SEPTEMBER 2020
(In \$ Thousands)

SCHEDULE 3

	(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	424,445	129,605	132,043	44,216	41,660	1,342	13,926	-	(1,561)	361,231	63,214
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(21,064)		(21,065)			0				(21,065)	0
Non-Utility Allocation				(43)	-	11				(33)	33
Interest Synchronization						516				516	(516)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(130,074)	(129,605)			(470)	-				(130,074)	-
Economic Development Adjustment			(14)			4				(11)	11
Employee Activities			(91)			22				(69)	69
Franchise/Gross Receipts Taxes	(24,068)				(23,919)	(37)				(23,955)	(113)
Maintenance of General Plant			(39)			10				(29)	29
Maint. of Structures and Improvements			(6)			2				(5)	5
Lobbying included in Dues (AGA, FNGA)			-			-				-	-
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		20				(60)	60
Gain on Sale of Property						-				-	-
Lease of PHFFU	(107)					(26)				(26)	(80)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(7,388)		(2,625)	(2,276)	(2,487)	0				(7,388)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(13,428)					(3,293)				(3,293)	(10,136)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(196,130)	(129,605)	(23,840)	(2,399)	(26,875)	(2,773)	-	-	-	(185,492)	(10,638)
FPSC ADJUSTED	228,315	-	108,203	41,817	14,785	(1,431)	13,926	-	(1,561)	175,739	52,576
FLEX RATE REVENUES	(2,796)					(686)				(686)	(2,110)
ADJUSTED FOR											
FLEX RATE REVENUES	225,519	-	108,203	41,817	14,785	(2,116)	13,926	-	(1,561)	175,054	50,466
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	228,315	-	108,203	41,817	14,785	(1,431)	13,926	-	(1,561)	175,739	52,576
PER BOOKS											
CURRENT MONTH AMOUNT	30,092	7,392	10,896	3,828	2,793	120	1,260	-	-	26,291	3,801

NOTE: The basis for determining a Parent Debt Adjustment is in Order No. PSC-09-0411-FOF-GU. As all TECO Energy, Inc. parent debt has been eliminated, there is no Parent Debt Adjustment.

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
SEPTEMBER 2020
(In \$ Thousands)**

SCHEDULE 4

	AVERAGE	ADJUSTMENTS		ADJUSTED	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		PER BOOKS	SPECIFIC			PRO RATA	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)
LONG TERM DEBT	335,625	(2,672)	(53,359)	279,594	27.61%	4.69	1.29	4.69	1.29	4.69	1.29
SHORT TERM DEBT	100,115		(16,044)	84,070	8.30%	1.50	0.12	1.50	0.12	1.50	0.12
CUSTOMER DEPOSITS	26,208		(3,986)	22,222	2.20%	2.47	0.05	2.47	0.05	2.47	0.05
COMMON EQUITY	575,324	(3,301)	(91,673)	480,350	47.43%	9.25	4.39	10.75	5.10	11.75	5.57
DEFERRED INCOME TAX	214,098	(41,355)	(26,270)	146,473	14.46%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	1,251,370	(47,329)	(191,332)	1,012,709	100.00%		5.85		6.56		7.03

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
SEPTEMBER 2020
(In \$ Thousands)

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.19 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.29) %	
SHORT TERM DEBT	(0.12) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.05) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.46) %</u>	
TOTAL	3.73 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.43 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.87 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 50,501	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,012,709</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>4.99 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.29) %	
SHORT TERM DEBT	(0.12) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.05) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.46) %</u>	
TOTAL	3.53 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.43 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.44 %</u></u>	