



May 14, 2021

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 **March 2021**.

Please let me know if you have any questions.

Respectfully,

/s/ Rachel B. Parsons

rbparsons@tecoenergy.com

Rachel B. Parsons
Director Business Planning

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
March 2021
(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>71,019</u>	\$ <u>(6,486)</u>	\$ <u>64,533</u>	\$ <u>0</u>	\$ <u>64,533</u>
<u>AVERAGE RATE BASE</u>	\$ <u>1,385,116</u>	\$ <u>(227,713)</u>	\$ <u>1,157,403</u>	\$ <u>0</u>	\$ <u>1,157,403</u>
<u>AVERAGE RATE OF RETURN</u>	<u>5.13</u> %		<u>5.58</u> %		<u>5.58</u> %

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

LOW	<u>5.47</u> %
MIDPOINT	<u>5.93</u> %
HIGH	<u>6.43</u> %

III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	<u>9.13</u> %	<u>9.13</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>8.70</u> %	<u>8.70</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.

Rachel B. Parsons, Director Business Planning
(Name and Title)

/s/ Rachel B. Parsons
rbparsons@tecoenergy.com
(Signature)

05/12/2021
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
March 2021
(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	2,103,088	5,032	808,087	14,895	1,285,137	1,940	137,265	1,424,342	(39,226)	1,385,116
<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									(3,835)	(3,835)
Merchandise Inventory									-	-
Other Accounts Receivable									(1,031)	(1,031)
Non-Utility Allocation	(1,253)		(378)		(874)			(874)		(874)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion									-	-
Remove Unamort. Debt Expense									(2,305)	(2,305)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(1,173)	(1,173)
Remove Unrec. CIBSR Costs									(3,251)	(3,251)
Remove Competitive Rate Adjustment									(3,113)	(3,113)
Remove Unamortized Rate Case Expense									(369)	(369)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,881)		(66)			(66)		(66)
Remove MSEA Adjustment										-
Cast Iron/Bare Steel Rider (CIBSR)	(122,080)		(5,468)		(116,613)		(7,994)	(124,606)		(124,606)
AFUDC - Eligible CWIP							(83,996)	(83,996)		(83,996)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,150)	(1,150)
TOTAL FPSC ADJUSTMENTS	(123,333)	(2,947)	(8,727)	-	(117,553)	(1,940)	(91,990)	(211,482)	(16,230)	(227,713)
FPSC ADJUSTED	1,979,755	2,085	799,360	14,895	1,167,584	-	45,275	1,212,859	(55,456)	1,157,403
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	1,979,755	2,085	799,360	14,895	1,167,584	-	45,275	1,212,859	(55,456)	1,157,403
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>										
										-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,979,755	2,085	799,360	14,895	1,167,584	-	45,275	1,212,859	(55,456)	1,157,403

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
March 2021
(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	446,868	136,086	133,181	47,867	42,245	1,351	15,611	-	(490)	375,850	71,019
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(21,432)		(21,432)			0				(21,432)	0
Non-Utility Allocation				(43)	-	10				(32)	32
Interest Synchronization						332				332	(332)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(136,642)	(136,086)			(556)	-				(136,642)	-
Economic Development Adjustment			(18)			5				(14)	14
Employee Activities			(68)			17				(51)	51
Franchise/Gross Receipts Taxes	(24,983)				(24,826)	(38)				(24,865)	(118)
Maintenance of General Plant			(48)			12				(36)	36
Maint. of Structures and Improvements			(5)			1				(4)	4
Lobbying included in Dues (AGA, FNGA)			-			-				-	-
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(79)		19				(60)	60
Gain on Sale of Property						-				-	-
Lease of PHFFU	(107)					(26)				(26)	(80)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(7,166)		(3,301)	(1,858)	(2,007)	(0)				(7,166)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(10,932)					(2,681)				(2,681)	(8,251)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(201,261)	(136,086)	(24,873)	(1,980)	(27,389)	(4,448)	-	-	-	(194,775)	(6,486)
FPSC ADJUSTED	245,607	-	108,308	45,887	14,856	(3,096)	15,611	-	(490)	181,075	64,533
FLEX RATE REVENUES	(3,074)					(754)				(754)	(2,320)
ADJUSTED FOR											
FLEX RATE REVENUES	242,533	-	108,308	45,887	14,856	(3,850)	15,611	-	(490)	180,321	62,213
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	245,607	-	108,308	45,887	14,856	(3,096)	15,611	-	(490)	181,075	64,533
PER BOOKS											
CURRENT MONTH AMOUNT	46,350	15,481	11,223	4,449	4,267	(504)	2,754	-	-	37,669	8,680

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
March 2021
(In \$ Thousands)**

SCHEDULE 4

	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 (%)
<u>AVERAGE</u>											
LONG TERM DEBT	353,293	(2,743)	(48,823)	313,938	27.12%	4.55	1.23	4.55	1.23	4.55	1.23
SHORT TERM DEBT	144,230	(4,423)	(19,472)	125,205	10.82%	0.98	0.11	0.98	0.11	0.98	0.11
CUSTOMER DEPOSITS	26,046		(3,453)	22,593	1.95%	2.48	0.05	2.48	0.05	2.48	0.05
COMMON EQUITY	639,334	(3,419)	(88,567)	530,267	45.82%	8.90	4.08	9.90	4.54	11.00	5.04
DEFERRED INCOME TAX	222,213	(31,533)	(25,279)	165,401	14.29%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	1,385,116	(42,119)	(185,594)	1,157,403	100.00%		5.47		5.93		6.43

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
March 2021
(In \$ Thousands)

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.58 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.23) %	
SHORT TERM DEBT	(0.11) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.05) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.39) %</u>	
TOTAL	4.19 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.13 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 62,213	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,157,403</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.38 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.23) %	
SHORT TERM DEBT	(0.11) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.05) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.39) %</u>	
TOTAL	3.99 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.70 %</u></u>	