



**March 1, 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:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 2021**.

Please let me know if you have any questions.

Respectfully,

*Sean P. Hillary*

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sphillary@tecoenergy.com

Sean P. Hillary  
Controller

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
2021 Budget**

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>					
NET OPERATING INCOME	\$ 87,309	\$ 1,387	\$ 88,696	\$ 0	\$ 88,696
AVERAGE RATE BASE	\$ 1,634,022	\$ (116,660)	\$ 1,517,362	\$ 0	\$ 1,517,362
AVERAGE RATE OF RETURN	5.34 %		5.85 %		5.85 %

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

LOW	5.39 %
MIDPOINT	5.85 %
HIGH	6.35 %

**III. EARNED RETURN ON EQUITY**

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	9.90 %	9.90 %
B. EXCLUDING FLEX RATE REVENUES	9.59 %	9.59 %

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*  
\_\_\_\_\_  
sphillary@tecoenergy.com  
(Signature)

02/26/2021  
\_\_\_\_\_  
(Date)

Sean P. Hillary, Controller  
\_\_\_\_\_  
(Name and Title)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
2021 Budget**

SCHEDULE 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in	Plant	Accumulated	Customer	Net	Property Held	Construction	Net	Working	Total
	Service	Acquisition	Depreciation &	Advances for	Plant in	for Future Use	Work in	Utility Plant	Capital	Rate Base
		Adjustment	Amortization	Construction	Service		Progress			
PER BOOKS	2,349,501	5,032	825,114	14,570	1,514,849	1,940	136,017	1,652,806	(18,784)	1,634,022
<u>FPSC ADJUSTMENTS:</u>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(8,345)	(8,345)
Merchandise Inventory									-	-
Other Accounts Receivable									(657)	(657)
Non-Utility Allocation	(1,265)		(386)		(879)			(879)		(879)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							-	-		-
Remove Unamort. Debt Expense									(3,894)	(3,894)
Remove Unrecovered Gas Cost PGA									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(1,048)	(1,048)
Remove Unrec. CIBSR Costs									(1,984)	(1,984)
Remove Competitive Rate Adjustment									(3,085)	(3,085)
Remove Unamortized Rate Case Expense									(1,030)	(1,030)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,948)	(2,933)		(15)			(15)		(15)
Remove MSEA Adjustment										-
Cast Iron/Bare Steel Rider (CIBSR)	(9,260)		148		(9,408)		(4,152)	(13,560)		(13,560)
AFUDC - Eligible CWIP							(79,004)	(79,004)		(79,004)
Remove Investment in Subsidiaries									(1,219)	(1,219)
TOTAL FPSC ADJUSTMENTS	<u>(10,525)</u>	<u>(2,948)</u>	<u>(3,171)</u>	<u>-</u>	<u>(10,302)</u>	<u>(1,940)</u>	<u>(83,156)</u>	<u>(95,398)</u>	<u>(21,263)</u>	<u>(116,660)</u>
FPSC ADJUSTED	<u>2,338,976</u>	<u>2,084</u>	<u>821,943</u>	<u>14,570</u>	<u>1,504,547</u>	<u>-</u>	<u>52,861</u>	<u>1,557,408</u>	<u>(40,046)</u>	<u>1,517,362</u>
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	<u>2,338,976</u>	<u>2,084</u>	<u>821,943</u>	<u>14,570</u>	<u>1,504,547</u>	<u>-</u>	<u>52,861</u>	<u>1,557,408</u>	<u>(40,046)</u>	<u>1,517,362</u>
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>										
TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRO FORMA ADJUSTED	<u>2,338,976</u>	<u>2,084</u>	<u>821,943</u>	<u>14,570</u>	<u>1,504,547</u>	<u>-</u>	<u>52,861</u>	<u>1,557,408</u>	<u>(40,046)</u>	<u>1,517,362</u>

**PEOPLES GAS SYSTEM  
NET OPERATING INCOME  
2021 Budget**

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	498,934	148,026	143,647	49,910	48,359	3,675	18,008	-	-	411,625	87,309
<b>FPSC ADJUSTMENTS:</b>											
Remove Conservation Charges	(20,782)		(20,782)			-				(20,782)	-
Non-Utility Allocation				(37)	-	9				(28)	28
Interest Synchronization						58				58	(58)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(148,693)	(148,026)			(667)	(0)				(148,693)	-
Economic Development Adjustment			(17)			4				(13)	13
Employee Activities			(81)			20				(61)	61
Franchise/Gross Receipts Taxes	(27,527)				(27,527)	-				(27,527)	-
Maintenance of General Plant			(55)			14				(42)	42
Maint. of Structures and Improvements			(7)			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)	(4,732)		(4,773)	(95)	137	(0)				(4,732)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(1,038)					(254)				(254)	(783)
OSS Adjustment	-					-				-	-
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(202,878)</b>	<b>(148,026)</b>	<b>(25,716)</b>	<b>(212)</b>	<b>(28,057)</b>	<b>(2,254)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204,265)</b>	<b>1,387</b>
<b>FPSC ADJUSTED</b>	<b>296,056</b>	<b>-</b>	<b>117,931</b>	<b>49,698</b>	<b>20,302</b>	<b>1,421</b>	<b>18,008</b>	<b>-</b>	<b>-</b>	<b>207,360</b>	<b>88,696</b>
<b>FLEX RATE REVENUES</b>	<b>(2,796)</b>					<b>(686)</b>				<b>(686)</b>	<b>(2,110)</b>
<b>ADJUSTED FOR</b>											
<b>FLEX RATE REVENUES</b>	<b>293,260</b>	<b>-</b>	<b>117,931</b>	<b>49,698</b>	<b>20,302</b>	<b>736</b>	<b>18,008</b>	<b>-</b>	<b>-</b>	<b>206,674</b>	<b>86,586</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>											
Deferred Tax True-up						-				-	-
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>-</b>		<b>-</b>			<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>PRO FORMA ADJUSTED</b>	<b>296,056</b>	<b>-</b>	<b>117,931</b>	<b>49,698</b>	<b>20,302</b>	<b>1,421</b>	<b>18,008</b>	<b>-</b>	<b>-</b>	<b>207,360</b>	<b>88,696</b>
PER BOOKS											
CURRENT MONTH AMOUNT	46,268	13,846	12,973	3,343	4,263	943	1,537	-	-	36,906	9,362

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
2021 Budget**

SCHEDULE 4

	<u>AVERAGE</u>	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		491,522	(4,307)	(31,198)	456,354	30.08%	3.99	1.20	3.99	1.20	3.99	1.20
SHORT TERM DEBT		131,968	(3,033)	(8,256)	120,768	7.96%	0.74	0.06	0.74	0.06	0.74	0.06
CUSTOMER DEPOSITS		26,406		(1,456)	24,950	1.64%	2.54	0.04	2.54	0.04	2.54	0.04
COMMON EQUITY		748,519	(3,511)	(47,705)	696,878	45.93%	8.90	4.09	<b>9.90</b>	4.55	11.00	5.05
DEFERRED INCOME TAX		235,607	(4,452)	(12,743)	218,412	14.39%						
TAX CREDITS - ZERO COST		-	-	-	-	0.00%						
<b>TOTAL</b>		<u>1,634,022</u>	<u>(15,302)</u>	<u>(101,358)</u>	<u>1,517,362</u>	<u>100.00%</u>		<u>5.39</u>		<u>5.85</u>		<u>6.35</u>

**PEOPLES GAS SYSTEM  
EARNED RETURN ON COMMON EQUITY  
FPSC ADJUSTED BASIS  
2021 Budget**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.85 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.20) %	
SHORT TERM DEBT	(0.06) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.30) %</u>	
TOTAL	4.55 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.93 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.90 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 86,586	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,517,362</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.71 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.20) %	
SHORT TERM DEBT	(0.06) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.30) %</u>	
TOTAL	4.41 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.93 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.59 %</u></u>	