



**February 15, 2023**

Amber Mitchell Norris, Public Utilities Supervisor  
Division of Accounting and Finance  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Dear Ms. Norris:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **December 2022**. Our previous submission erroneously omitted AFUDC schedules.

Please let me know if you have any questions.

Respectfully,

DocuSigned by:  
/s/ *Rachel Parsons*  
0D97E209221942C...  
Rachel B. Parsons  
Vice President Finance & Planning

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
December 2022  
(In \$ Thousands)**

SCHEDULE 1

	(1) <u>Actual</u> <u>Per Books</u>	(2) <u>FPSC</u> <u>Adjustments</u>	(3) <u>FPSC</u> <u>Adjusted</u>	(4) <u>Pro Forma</u> <u>Adjustments</u>	(5) <u>Pro Forma</u> <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 101,167	\$ (1,339)	\$ 99,828	\$ 0	\$ 99,828
AVERAGE RATE BASE	\$ 1,881,233	\$ (147,274)	\$ 1,733,959	\$ 0	\$ 1,733,959
AVERAGE RATE OF RETURN	5.38 %		5.76 %		5.76 %

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

III. EARNED RETURN ON EQUITY

		FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
LOW	5.59 %		
MIDPOINT	6.06 %	A. INCLUDING FLEX RATE REVENUES	9.25 %
HIGH	6.58 %	B. EXCLUDING FLEX RATE REVENUES	8.91 %

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.

/s/ Rachel B. Parsons, VP of Finance and Planning  
(Name and Title)

*Rachel Parsons*  
(Signature)

(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
December 2022  
(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	2,573,845	5,032	867,174	20,228	1,691,475	1,940	195,972	1,889,387	(8,153)	1,881,233
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(9,807)	(9,807)
Other Accounts Receivable									(1,592)	(1,592)
Non-Utility Allocation	(1,110)		(419)		(691)			(691)		(691)
Remove Unamort. Debt Expense									(4,359)	(4,359)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									3,521	3,521
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									(190)	(190)
Remove Competitive Rate Adjustment									(3,640)	(3,640)
Remove Unamortized Rate Case Expense									(635)	(635)
Gain on Sale of Property										-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,947)		-			-		-
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(29,840)		(112)		(29,728)		(24,999)	(54,727)		(54,727)
AFUDC - Eligible CWIP							(72,253)	(72,253)		(72,253)
Remove Investment in Subsidiaries									(959)	(959)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(30,950)</b>	<b>(2,947)</b>	<b>(3,478)</b>	<b>-</b>	<b>(30,418)</b>	<b>(1,940)</b>	<b>(97,252)</b>	<b>(129,610)</b>	<b>(17,664)</b>	<b>(147,274)</b>
<b>FPSC ADJUSTED</b>	<b>2,542,895</b>	<b>2,085</b>	<b>863,696</b>	<b>20,228</b>	<b>1,661,057</b>	<b>-</b>	<b>98,720</b>	<b>1,759,777</b>	<b>(25,818)</b>	<b>1,733,959</b>
<b>FLEX RATE REVENUES</b>										
<b>ADJUSTED FOR</b>										
<b>FLEX RATE REVENUES</b>	<b>2,542,895</b>	<b>2,085</b>	<b>863,696</b>	<b>20,228</b>	<b>1,661,057</b>	<b>-</b>	<b>98,720</b>	<b>1,759,777</b>	<b>(25,818)</b>	<b>1,733,959</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>										
										-
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRO FORMA ADJUSTED</b>	<b>2,542,895</b>	<b>2,085</b>	<b>863,696</b>	<b>20,228</b>	<b>1,661,057</b>	<b>-</b>	<b>98,720</b>	<b>1,759,777</b>	<b>(25,818)</b>	<b>1,733,959</b>

**PEOPLES GAS SYSTEM**  
**NET OPERATING INCOME**  
**December 2022**  
**(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	644,223	263,438	153,041	47,036	53,867	4,363	21,535	-	(224)	543,056	101,167
<b>FPSC ADJUSTMENTS:</b>											
Remove Conservation Charges	(29,649)		(29,649)			(0)				(29,649)	(0)
Non-Utility Allocation				(39)	-	10				(29)	29
Interest Synchronization						117				117	(117)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(264,245)	(263,438)			(807)	-				(264,245)	-
Economic Development Adjustment			(16)			4				(12)	12
Employee Activities			(79)			20				(59)	59
Franchise/Gross Receipts Taxes	(31,247)				(30,953)	(74)				(31,028)	(219)
Maintenance of General Plant			(59)			15				(44)	44
Maint. of Structures and Improvements			(8)			2				(6)	6
Remove Acquisition Adj. Amortiz. (WFNG)				-		-				-	-
Gain on Sale of Property						-				-	-
Lease of PHFFU	(118)					(30)				(30)	(88)
Remove ITC Amortization						-		-		-	-
Cast Iron/Bare Steel Rider (CIBSR)	(1,712)		(849)	(415)	(448)	(0)				(1,712)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(4,238)					(1,074)				(1,074)	(3,164)
OSS Adjustment	-					-				-	-
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(331,210)</b>	<b>(263,438)</b>	<b>(30,660)</b>	<b>(455)</b>	<b>(32,209)</b>	<b>(3,109)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(329,871)</b>	<b>(1,339)</b>
<b>FPSC ADJUSTED</b>	<b>313,014</b>	<b>-</b>	<b>122,382</b>	<b>46,581</b>	<b>21,658</b>	<b>1,254</b>	<b>21,535</b>	<b>-</b>	<b>(224)</b>	<b>213,186</b>	<b>99,828</b>
<b>FLEX RATE REVENUES</b>	<b>(3,710)</b>					<b>(940)</b>				<b>(940)</b>	<b>(2,770)</b>
<b>ADJUSTED FOR</b>											
<b>FLEX RATE REVENUES</b>	<b>309,304</b>	<b>-</b>	<b>122,382</b>	<b>46,581</b>	<b>21,658</b>	<b>313</b>	<b>21,535</b>	<b>-</b>	<b>(224)</b>	<b>212,246</b>	<b>97,058</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>313,014</b>	<b>-</b>	<b>122,382</b>	<b>46,581</b>	<b>21,658</b>	<b>1,254</b>	<b>21,535</b>	<b>-</b>	<b>(224)</b>	<b>213,186</b>	<b>99,828</b>
<b>PER BOOKS</b>											
<b>CURRENT MONTH AMOUNT</b>	<b>54,188</b>	<b>20,091</b>	<b>13,473</b>	<b>5,314</b>	<b>5,358</b>	<b>(72)</b>	<b>2,411</b>	<b>-</b>	<b>-</b>	<b>46,575</b>	<b>7,613</b>

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
December 2022  
(In \$ Thousands)**

SCHEDULE 4

	<u>AVERAGE</u>	ADJUSTMENTS				RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED		COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
							RATE (%)	COST (%)	RATE (%)	COST (%)	RATE (%)	COST (%)
LONG TERM DEBT	545,294	(4,744)	(37,779)	514,059	29.65%	3.97	1.18	3.97	1.18	3.97	1.18	
SHORT TERM DEBT	167,683	(190)	(11,706)	159,284	9.18%	2.20	0.20	2.20	0.20	2.20	0.20	
CUSTOMER DEPOSITS	28,429		(1,727)	26,702	1.54%	2.48	0.04	2.48	0.04	2.48	0.04	
COMMON EQUITY	889,662	394	(62,205)	813,066	46.89%	8.90	4.17	<b>9.90</b>	4.64	11.00	5.16	
DEFERRED INCOME TAX	250,166	(15,032)	(14,286)	220,848	12.74%							
TAX CREDITS - ZERO COST	-	-	-	-	0.00%							
<b>TOTAL</b>	<b>1,881,233</b>	<b>(19,571)</b>	<b>(127,703)</b>	<b>1,733,959</b>	<b>100.00%</b>		<b>5.59</b>		<b>6.06</b>		<b>6.58</b>	

**PEOPLES GAS SYSTEM**  
**EARNED RETURN ON COMMON EQUITY**  
**FPSC ADJUSTED BASIS**  
**December 2022**  
**(In \$ Thousands)**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.76 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.18) %	
SHORT TERM DEBT	(0.20) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.42) %</u>	
TOTAL	4.34 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>46.89 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.25 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 97,058	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,733,959</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.60 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.18) %	
SHORT TERM DEBT	(0.20) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.42) %</u>	
TOTAL	4.18 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>46.89 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.91 %</u></u>	

**PEOPLES GAS COMPANY**  
**CAPITAL STRUCTURE USED FOR AFUDC CALCULATION**  
**DECEMBER 2022**  
**(In \$ Thousands)**

SCHEDULE A

<u>CAPITAL COMPONENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$ 514,059	29.65%	3.80%	1.13%
SHORT TERM DEBT	159,284	9.18%	2.20% *	0.20%
CUSTOMER DEPOSITS	26,702	1.54%	2.48% *	0.04%
COMMON EQUITY	813,066	46.89%	9.90%	4.64%
DEFERRED INCOME TAX	220,848	12.74%	0.00%	-
INVESTMENT TAX CREDITS	<u>-</u>	<u>0.00%</u>	0.00%	<u>-</u>
TOTAL	\$ 1,733,959	100.00%		6.01%

\* 13-MONTH AVERAGE

Note: The current AFUDC rate of 6.00% was authorized in Order No. PSC-2021-0170-PPA-GU Docket No. 20210040-GU, effective January 1, 2021.

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION  
DECEMBER 2022  
(In \$ Thousands)**

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS*</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 545,294	\$ (42,522)	\$ 514,059
SHORT TERM DEBT	167,683	(11,896)	159,284
CUSTOMER DEPOSITS	28,429	(1,727)	26,702
COMMON EQUITY	889,662	(61,811)	813,066
DEFERRED INCOME TAX	250,166	(29,318)	220,848
INVESTMENT TAX CREDITS	-	-	-
TOTAL	\$ 1,881,233	\$ (147,274)	\$ 1,733,959

\* FOR ADJUSTMENT DETAILS, SEE SCHEDULE 2.

Per Order No. PSC-2021-0170-PPA-GU, a 54.7% equity ratio (investor sources with any difference to actual equity ratio spread ratably over long-term and short term debt) shall be used for all purposes including the calculation of the Company's AFUDC rate.



**PEOPLES GAS COMPANY  
METHODOLOGY FOR MONTHLY COMPOUNDING  
OF THE AFUDC RATE  
DECEMBER 2022**

SCHEDULE C

MONTHS	AFUDC BASE	MONTHLY AFUDC	CUMULATIVE AFUDC
JAN	1.00000000	0.0048755	0.0048755
FEB	1.00487545	0.0048992	0.0097747
MAR	1.00977467	0.0049231	0.0146978
APR	1.01469778	0.0049471	0.0196449
MAY	1.01964488	0.0049712	0.0246161
JUN	1.02461611	0.0049955	0.0296116
JUL	1.02961158	0.0050198	0.0346314
AUG	1.03463140	0.0050443	0.0396757
SEP	1.03967569	0.0050689	0.0447446
OCT	1.04474458	0.0050936	0.0498382
NOV	1.04983818	0.0051184	0.0549566
DEC	1.05495661	0.0051434	0.0601000

Annual Rate (R) = .0601

Monthly Rate =  $((1 + R)^{(1/12)}) - 1 = 0.0048755$