



February 13, 2023

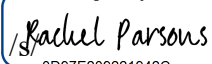
Matthew Vogel, Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Vogel:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **December 2023**.

Please let me know if you have any questions.

Respectfully,

DocuSigned by:

0D97E209221942C...
Rachel B. Parsons
Head of Financial Performance

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
Dec 2023
(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)					
NET OPERATING INCOME	\$ 109,173	\$ (3,422)	\$ 105,751	\$ 0	\$ 105,751
AVERAGE RATE BASE	\$ 2,185,631	\$ (196,929)	\$ 1,988,702	\$ 0	\$ 1,988,702
AVERAGE RATE OF RETURN	5.00 %		5.32 %		5.32 %

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	6.05 %		
MIDPOINT	6.52 %	A. INCLUDING FLEX RATE REVENUES	7.36 %
HIGH	7.04 %	B. EXCLUDING FLEX RATE REVENUES	7.09 %

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, Head of Financial Performance
(Name and Title)

Rachel Parsons
(Signature)

2/13/2024
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
Dec 2023
(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	2,844,678	4,645	898,976	25,420	1,924,928	1,940	256,977	2,183,844	1,787	2,185,631
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(9,582)	(9,582)
Other Accounts Receivable									(1,631)	(1,631)
Non-Utility Allocation	(1,277)		(451)		(826)			(826)		(826)
Remove Unamort. Debt Expense									(503)	(503)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(4,595)	(4,595)
Remove Unrec. CIBSR Costs									(19)	(19)
Remove Competitive Rate Adjustment									(3,738)	(3,738)
Remove Unamortized Rate Case Expense									(424)	(424)
Gain on Sale of Property										-
Remove Acquis. Adjustment (WFNG)		-	-		-			-		-
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(61,216)		(687)		(60,529)		(21,826)	(82,355)		(82,355)
AFUDC - Eligible CWIP							(90,205)	(90,205)		(90,205)
Remove Investment in Subsidiaries									(1,109)	(1,109)
TOTAL FPSC ADJUSTMENTS	(62,493)	-	(1,138)	-	(61,355)	(1,940)	(112,031)	(175,326)	(21,603)	(196,929)
FPSC ADJUSTED	2,782,185	4,645	897,838	25,420	1,863,573	-	144,945	2,008,518	(19,816)	1,988,702
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	2,782,185	4,645	897,838	25,420	1,863,573	-	144,945	2,008,518	(19,816)	1,988,702
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,782,185	4,645	897,838	25,420	1,863,573	-	144,945	2,008,518	(19,816)	1,988,702

PEOPLES GAS SYSTEM
NET OPERATING INCOME
Dec 2023
(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	548,906	153,607	160,064	48,847	55,907	(615)	22,417	-	(495)	439,732	109,173
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(30,693)		(30,693)			0				(30,693)	0
Non-Utility Allocation				(34)	-	9				(26)	26
Interest Synchronization						898				898	(898)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(154,226)	(153,607)			(619)	0				(154,226)	-
Economic Development Adjustment			(18)			5				(13)	13
Employee Activities			(61)			15				(45)	45
Franchise/Gross Receipts Taxes	(30,742)				(30,621)	(30)				(30,652)	(90)
Maintenance of General Plant			(63)			16				(47)	47
Maint. of Structures and Improvements			(7)			2				(5)	5
Remove Acquisition Adj. Amortiz. (WFNG)				-		-				-	-
Gain on Sale of Property						-				-	-
Lease of PHFFU	(122)					(31)				(31)	(91)
Remove ITC Amortization						-		-		-	0
Cast Iron/Bare Steel Rider (CIBSR)	(3,014)		(1,633)	(851)	(531)	0				(3,014)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(6,135)					(1,555)				(1,555)	(4,580)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(224,932)	(153,607)	(32,475)	(885)	(31,771)	(2,771)	-	-	-	(221,509)	(3,422)
FPSC ADJUSTED	323,974	-	127,589	47,962	24,135	(3,385)	22,417	-	(495)	218,223	105,751
FLEX RATE REVENUES	(3,419)					(866)				(866)	(2,552)
ADJUSTED FOR											
FLEX RATE REVENUES	320,555	-	127,589	47,962	24,135	(4,252)	22,417	-	(495)	217,356	103,199
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	323,974	-	127,589	47,962	24,135	(3,385)	22,417	-	(495)	218,223	105,751
PER BOOKS											
CURRENT MONTH AMOUNT	51,211	14,850	15,978	(1,529)	5,203	1,091	1,321	-	-	36,913	14,298

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
Dec 2023
(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 (%)
AVERAGE											
LONG TERM DEBT	591,200	(547)	(46,107)	543,872	27.35%	4.07	1.11	4.07	1.11	4.07	1.11
SHORT TERM DEBT	261,678	(4,614)	(20,067)	236,704	11.89%	5.84	0.69	5.84	0.69	5.84	0.69
CUSTOMER DEPOSITS	30,537		(2,150)	28,387	1.43%	2.41	0.03	2.41	0.03	2.41	0.03
COMMON EQUITY	1,024,940	(3,632)	(79,724)	942,551	47.40%	8.90	4.22	9.90	4.69	11.00	5.21
DEFERRED INCOME TAX	277,275	(22,126)	(17,962)	237,187	11.93%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	2,185,631	(30,919)	(166,010)	1,988,702	100.00%		6.05		6.52		7.04

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
Dec 2023
(In \$ Thousands)

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.32 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.11) %	
SHORT TERM DEBT	(0.69) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.83) %</u>	
 TOTAL	 3.49 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>47.40 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>7.36 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 103,199	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,988,702</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.19 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.11) %	
SHORT TERM DEBT	(0.69) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.83) %</u>	
 TOTAL	 3.36 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>47.40 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>7.09 %</u></u>	

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
PRO FORMA ADJUSTED BASIS
Dec 2023**

SCHEDULE 5-2

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

PRO FORMA ADJUSTED AVERAGE EARNED RATE OF RETURN	5.32 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.11) %	
SHORT TERM DEBT	(0.69) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.83) %</u>	
TOTAL	3.49 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.40 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.36 %</u></u>	

B. PRO FORMA AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 103,199	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,988,702</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.19 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.11) %	
SHORT TERM DEBT	(0.69) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.83) %</u>	
TOTAL	3.36 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.40 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.09 %</u></u>	

PEOPLES GAS COMPANY
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2023
(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	\$ 543,872	27.35%	5.68% *	1.55%
SHORT TERM DEBT	236,704	11.89%	5.84% **	0.69%
CUSTOMER DEPOSITS	28,387	1.43%	2.41% **	0.03%
COMMON EQUITY	942,551	47.40%	9.90%	4.69%
DEFERRED INCOME TAX	237,187	11.93%	0.00%	-
INVESTMENT TAX CREDITS	<u>-</u>	<u>0.00%</u>	0.00%	<u>-</u>
TOTAL	\$ 1,988,702	100.00%		6.96%

* Cost rate reflects long-term debt outstanding at December 31, 2023

** 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.

Debt Ratio	32.61%
Equity Ratio	67.39%

PEOPLES GAS SYSTEM
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2023
(In \$ Thousands)

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS*</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 591,200	\$ (46,654)	\$ 543,872
SHORT TERM DEBT	261,678	(24,681)	236,704
CUSTOMER DEPOSITS	30,537	(2,150)	28,387
COMMON EQUITY	1,024,940	(83,357)	942,551
DEFERRED INCOME TAX	277,275	(40,088)	237,187
INVESTMENT TAX CREDITS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	\$ 2,185,631	\$ (196,929)	\$ 1,988,702

* FOR ADJUSTMENT DETAILS, SEE SCHEDULE 2.

**PEOPLES GAS COMPANY
METHODOLOGY FOR MONTHLY COMPOUNDING
OF THE AFUDC RATE
DECEMBER 2023**

SCHEDULE C

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC</u>	<u>CUMULATIVE AFUDC</u>
JAN	1.000000	0.005623	0.005623
FEB	1.005623	0.005654	0.011277
MAR	1.011277	0.005686	0.016963
APR	1.016963	0.005718	0.022682
MAY	1.022682	0.005750	0.028432
JUN	1.028432	0.005783	0.034215
JUL	1.034215	0.005815	0.040030
AUG	1.040030	0.005848	0.045878
SEP	1.045878	0.005881	0.051759
OCT	1.051759	0.005914	0.057672
NOV	1.057672	0.005947	0.063619
DEC	1.063619	0.005981	0.069600

Annual Rate (R) = .06960

Monthly Rate = $((1 + R)^{(1/12)}) - 1 = 0.005623$