

TECO
PEOPLES GAS
AN EMERA COMPANY

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FLORIDA PUBLIC SERVICE
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DIVISION OF
ACCOUNTING & FINANCE

February 15, 2018

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

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **December 2017**.

Please let me know if you have any questions.

Respectfully,



Jeffrey S. Chronister
Controller

Enclosures

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

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
DECEMBER 2017**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ 55,101	\$ (3,438)	\$ 51,663	\$ 0	\$ 51,663
<u>AVERAGE RATE BASE</u>	\$ 880,136	\$ (66,975)	\$ 813,161	\$ 0	\$ 813,161
<u>AVERAGE RATE OF RETURN</u>	6.26 %		6.35 %		6.35 %

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

LOW	<u>5.52 %</u>
MIDPOINT	<u>6.15 %</u>
HIGH	<u>6.56 %</u>

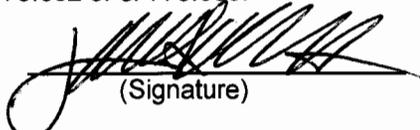
III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	<u>11.25 %</u>	<u>11.25 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>10.83 %</u>	<u>10.83 %</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.

Jeffrey S. Chronister, Controller
(Name and Title)


(Signature)

2/12/18
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
DECEMBER 2017**

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	1,556,535	5,032	704,525	11,109	845,933	1,940	22,838	870,711	9,425	880,136
FPSC ADJUSTMENTS:										
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									(5,493)	(5,493)
Non-Utility Allocation	(466)		(128)		(338)			(338)		(338)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,095)	(1,095)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(75)	(75)
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,742)	(2,742)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,622)		(325)			(325)		(325)
Remove MSEA Adjustment							-	-		-
Cast Iron/Bare Steel Rider (CIBSR)	(52,821)		(2,460)		(50,361)		(3,213)	(53,574)		(53,574)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,276)	(1,276)
TOTAL FPSC ADJUSTMENTS	(53,287)	(2,947)	(5,210)	-	(51,024)	(1,940)	(3,328)	(56,291)	(10,684)	(66,975)
FPSC ADJUSTED	1,503,248	2,085	699,315	11,109	794,909	-	19,510	814,420	(1,259)	813,161
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,503,248	2,085	699,315	11,109	794,909	-	19,510	814,420	(1,259)	813,161
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,503,248	2,085	699,315	11,109	794,909	-	19,510	814,420	(1,259)	813,161

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
DECEMBER 2017**

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	424,980	156,528	103,699	50,702	35,888	2,599	22,604	-	(2,141)	369,879	55,101
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(16,693)		(16,693)			-				(16,693)	0
Non-Utility Allocation				(17)	-	7				(10)	10
Interest Synchronization						519				519	(519)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(156,969)	(156,528)			(441)	-				(156,969)	-
Economic Development Adjustment			(9)			3				(6)	6
Employee Activities			(83)			32				(51)	51
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(34)			13				(21)	21
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(33)			13				(20)	20
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property						-				-	-
Lease of PHFFU	(60)					(23)				(23)	(37)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	689		2,669	(1,210)	(770)	-				689	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(4,962)					(1,914)				(1,914)	(3,048)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(177,995)	(156,528)	(14,201)	(1,307)	(1,211)	(1,312)	-	-	-	(174,560)	(3,436)
FPSC ADJUSTED	246,985	-	89,498	49,395	34,677	1,287	22,604	-	(2,141)	195,320	51,665
FLEX RATE REVENUES	(2,310)					(891)				(891)	(1,419)
ADJUSTED FOR FLEX RATE REVENUES	244,674	-	89,498	49,395	34,677	396	22,604	-	(2,141)	194,429	50,246
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	246,985	-	89,498	49,395	34,677	1,287	22,604	-	(2,141)	195,320	51,665
PER BOOKS CURRENT MONTH AMOUNT	42,142	17,225	8,922	3,217	3,521	5,725	(2,420)	-	-	36,190	5,952

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
DECEMBER 2017**

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		261,368	(2,220)	(23,642)	235,506	28.96%	5.32	1.54	5.32	1.54	5.32	1.54
SHORT TERM DEBT		41,070		(3,747)	37,323	4.59%	1.62	0.07	1.62	0.07	1.62	0.07
RESIDENTIAL DEPOSITS		7,241		-	7,241	0.89%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS		20,006		-	20,006	2.46%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS		454		-	454	0.06%						
COMMON EQUITY		372,738	(2,732)	(33,755)	336,251	41.35%	9.25	3.82	10.75	4.45	11.75	4.86
DEFERRED INCOME TAX		177,259	(879)	-	176,380	21.69%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		<u>880,136</u>	<u>(5,832)</u>	<u>(61,144)</u>	<u>813,161</u>	<u>100.00%</u>		<u>5.52</u>		<u>6.15</u>		<u>6.56</u>

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
DECEMBER 2017**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.35 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.54) %	
SHORT TERM DEBT	(0.07) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.70) %</u>	
TOTAL	4.65 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.35 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.25 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 50,246	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>813,161</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.18 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.54) %	
SHORT TERM DEBT	(0.07) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.70) %</u>	
TOTAL	4.48 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.35 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.83 %</u></u>	