

TECO
PEOPLES GAS
AN EMERA COMPANY

May 15, 2018

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

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FLORIDA PUBLIC SERVICE
COMMISSION
2018 MAY 15 PM 1:35
DIVISION OF
ACCOUNTING & FINANCE

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **March 2018**.

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
MARCH 2018**

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)					
<u>NET OPERATING INCOME</u>	\$ <u>56,725</u>	\$ <u>(3,733)</u>	\$ <u>52,991</u>	\$ <u>0</u>	\$ <u>52,991</u>
<u>AVERAGE RATE BASE</u>	\$ <u>900,421</u>	\$ <u>(71,841)</u>	\$ <u>828,580</u>	\$ <u>0</u>	\$ <u>828,580</u>
<u>AVERAGE RATE OF RETURN</u>	<u>6.30</u> %		<u>6.40</u> %		<u>6.40</u> %

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

LOW	<u>5.53</u> %
MIDPOINT	<u>6.15</u> %
HIGH	<u>6.57</u> %

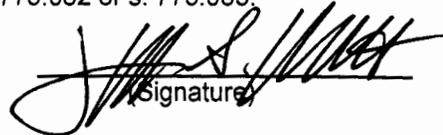
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>11.34</u> %	<u>11.34</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.91</u> %	<u>10.91</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

5/14/18
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
MARCH 2018**

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	1,584,045	5,032	711,628	10,514	866,935	1,940	21,686	890,561	9,860	900,421
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									(4,862)	(4,862)
Non-Utility Allocation	(469)		(132)		(337)			(337)		(337)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,074)	(1,074)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(572)	(572)
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,751)	(2,751)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,642)		(305)			(305)		(305)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(57,178)		(2,777)		(54,401)		(4,234)	(58,635)		(58,635)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,246)	(1,246)
TOTAL FPSC ADJUSTMENTS	(57,647)	(2,947)	(5,550)	-	(55,044)	(1,940)	(4,349)	(61,333)	(10,508)	(71,841)
FPSC ADJUSTED	1,526,398	2,085	706,078	10,514	811,891	-	17,337	829,228	(648)	828,580
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,526,398	2,085	706,078	10,514	811,891	-	17,337	829,228	(648)	828,580
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,526,398	2,085	706,078	10,514	811,891	-	17,337	829,228	(648)	828,580

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
MARCH 2018**

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Operating	O & M	O & M	Depreciation &	Taxes Other	Income Taxes	Deferred	Investment	Gain/Loss	Total	Net
	Revenues	Gas Expense	Other	Amortization	Than Income	Current	Income Taxes	Tax Credit	on Disposition	Operating	Operating
							(Net)	(Net)		Expenses	Income
PER BOOKS	454,479	174,845	112,588	53,525	37,171	5,406	16,360	-	(2,141)	397,754	56,725
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(18,593)		(18,593)			-				(18,593)	0
Non-Utility Allocation				(17)	-	6				(11)	11
Interest Synchronization						402				402	(402)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(175,352)	(174,845)			(507)	-				(175,352)	-
Economic Development Adjustment			(12)			4				(8)	8
Employee Activities			(73)			26				(47)	47
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(34)			12				(22)	22
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(91)			32				(59)	59
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		28				(52)	52
Gain on Sale of Property						-				-	-
Lease of PHFFU	(60)					(21)				(21)	(39)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	281		2,454	(1,323)	(850)	-				281	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(5,411)					(1,908)				(1,908)	(3,503)
OSS Adjustment						-				-	-
TOTAL FPSC ADJUSTMENTS	(199,134)	(174,845)	(16,367)	(1,420)	(1,357)	(1,412)	-	-	-	(195,401)	(3,733)
FPSC ADJUSTED	255,345	-	96,221	52,105	35,814	3,994	16,360	-	(2,141)	202,354	52,991
FLEX RATE REVENUES	(2,268)					(800)				(800)	(1,468)
ADJUSTED FOR											
FLEX RATE REVENUES	253,077	-	96,221	52,105	35,814	3,194	16,360	-	(2,141)	201,554	51,523
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	255,345	-	96,221	52,105	35,814	3,994	16,360	-	(2,141)	202,354	52,991
PER BOOKS											
CURRENT MONTH AMOUNT	35,439	10,657	11,490	6,966	3,337	895	(231)	-	-	33,114	2,325

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
MARCH 2018**

SCHEDULE 4

	AVERAGE	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		261,373	(2,017)	(25,010)	234,346	28.28%	5.32	1.50	5.32	1.50	5.32	1.50
SHORT TERM DEBT		45,294		(4,368)	40,926	4.94%	1.79	0.09	1.79	0.09	1.79	0.09
RESIDENTIAL DEPOSITS		6,939		-	6,939	0.84%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS		19,884		-	19,884	2.40%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS		434		-	434	0.05%						
COMMON EQUITY		384,293	(2,794)	(36,788)	344,711	41.60%	9.25	3.85	10.75	4.47	11.75	4.89
DEFERRED INCOME TAX		182,204	(864)	-	181,340	21.89%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		900,421	(5,675)	(66,166)	828,580	100.00%		5.53		6.15		6.57

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 MARCH 2018

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.40 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.50) %	
SHORT TERM DEBT	(0.09) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.68) %</u>	
TOTAL	4.72 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.60 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.34 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 51,523	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>828,580</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.22 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.50) %	
SHORT TERM DEBT	(0.09) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.68) %</u>	
TOTAL	4.54 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.60 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.91 %</u></u>	