

TECO
PEOPLES GAS
AN EMERA COMPANY

August 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 **June 2018**.

Please let me know if you have any questions.

Respectfully,



Sean P. Hillary
Controller

Enclosures

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

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DIVISION OF
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
JUNE 2018
(In \$ Thousands)**

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>	\$ 57,452	\$ (3,921)	\$ 53,531	\$ 0	\$ 53,531
<u>AVERAGE RATE BASE</u>	\$ 917,080	\$ (76,901)	\$ 840,179	\$ 0	\$ 840,179
<u>AVERAGE RATE OF RETURN</u>	6.26 %		6.37 %		6.37 %

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

LOW	5.53 %
MIDPOINT	6.16 %
HIGH	6.58 %

III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	11.25 %	11.25 %
B. EXCLUDING FLEX RATE REVENUES	10.81 %	10.81 %

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, Controller
(Name and Title)


(Signature)

8/13/18
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
JUNE 2018
(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	1,613,301	5,032	720,001	9,999	888,333	1,940	22,335	912,608	4,472	917,080
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									(4,328)	(4,328)
Non-Utility Allocation	(472)		(136)		(336)			(336)		(336)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,116)	(1,116)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									1,189	1,189
Remove Unrec. Conservation Costs									(1,493)	(1,493)
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,754)	(2,754)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,661)		(286)			(286)		(286)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(62,335)		(3,121)		(59,214)		(5,267)	(64,481)		(64,481)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,239)	(1,239)
TOTAL FPSC ADJUSTMENTS	(62,807)	(2,947)	(5,919)	-	(59,835)	(1,940)	(5,382)	(67,157)	(9,744)	(76,901)
FPSC ADJUSTED	1,550,494	2,085	714,082	9,999	828,498	-	16,953	845,451	(5,272)	840,179
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,550,494	2,085	714,082	9,999	828,498	-	16,953	845,451	(5,272)	840,179
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,550,494	2,085	714,082	9,999	828,498	-	16,953	845,451	(5,272)	840,179

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
JUNE 2018
(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	463,833	179,341	118,495	52,963	38,243	8,656	10,824	-	(2,141)	406,381	57,452
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(19,357)		(19,357)			-				(19,357)	(0)
Non-Utility Allocation				(18)	-	6				(12)	12
Interest Synchronization						331				331	(331)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(179,872)	(179,341)			(531)	-				(179,872)	-
Economic Development Adjustment			(17)			5				(12)	12
Employee Activities			(75)			24				(51)	51
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(37)			12				(25)	25
Maint. of Structures and Improvements			(11)			3				(8)	8
Lobbying included in Dues (AGA, FNGA)			(99)			32				(67)	67
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		26				(54)	54
Gain on Sale of Property						-				-	-
Lease of PHFFU	(60)					(19)				(19)	(41)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(526)		1,842	(1,438)	(930)	-				(526)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(5,558)					(1,776)				(1,776)	(3,782)
OSS Adjustment						-				-	-
TOTAL FPSC ADJUSTMENTS	(205,374)	(179,341)	(17,761)	(1,536)	(1,462)	(1,353)	-	-	-	(201,453)	(3,921)
FPSC ADJUSTED	258,459	-	100,734	51,427	36,781	7,303	10,824	-	(2,141)	204,929	53,531
FLEX RATE REVENUES	(2,281)					(729)				(729)	(1,552)
ADJUSTED FOR											
FLEX RATE REVENUES	256,178	-	100,734	51,427	36,781	6,574	10,824	-	(2,141)	204,200	51,978
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	258,459	-	100,734	51,427	36,781	7,303	10,824	-	(2,141)	204,929	53,531
PER BOOKS											
CURRENT MONTH AMOUNT	36,100	13,927	10,162	4,136	3,014	492	540	-	-	32,271	3,829

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
JUNE 2018
(In \$ Thousands)**

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		259,440	(1,895)	(26,641)	230,904	27.48%	5.27	1.45	5.27	1.45	5.27	1.45
SHORT TERM DEBT		50,116		(5,184)	44,932	5.35%	2.08	0.11	2.08	0.11	2.08	0.11
RESIDENTIAL DEPOSITS		6,738		-	6,738	0.80%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS		19,921		-	19,921	2.37%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS		341		-	341	0.04%						
COMMON EQUITY		394,779	(1,688)	(40,662)	352,429	41.95%	9.25	3.88	10.75	4.51	11.75	4.93
DEFERRED INCOME TAX		185,745	(830)	-	184,915	22.01%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		<u>917,080</u>	<u>(4,413)</u>	<u>(72,487)</u>	<u>840,179</u>	<u>100.00%</u>		<u>5.53</u>		<u>6.16</u>		<u>6.58</u>

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
JUNE 2018
(In \$ Thousands)

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.37 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.45) %	
SHORT TERM DEBT	(0.11) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.65) %</u>	
 TOTAL	 4.72 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.95 %</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	\$ 51,978	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>840,179</u>	(Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>6.19 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.45) %	
SHORT TERM DEBT	(0.11) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.65) %</u>	
 TOTAL	 4.54 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.95 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.81 %</u></u>	