

TECO
PEOPLES GAS
AN EMERA COMPANY

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FLORIDA PUBLIC SERVICE
COMMISSION

2018 MAR 16 AM 9: 57

DIVISION OF
ACCOUNTING & FINANCE

March 15, 2018

Mr. Andrew L. Maurey, Director
Florida Public Service Commission
Division of Accounting and Finance
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Maurey:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 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
2018 Budget**

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>	\$ 57,975	\$ (5,020)	\$ 52,955	\$ 0	\$ 52,955
AVERAGE RATE BASE	\$ 990,358	\$ (96,929)	\$ 893,429	\$ 0	\$ 893,429
AVERAGE RATE OF RETURN	<u>5.85 %</u>		<u>5.93 %</u>		<u>5.93 %</u>

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

LOW	<u>5.43 %</u>
MIDPOINT	<u>6.05 %</u>
HIGH	<u>6.47 %</u>

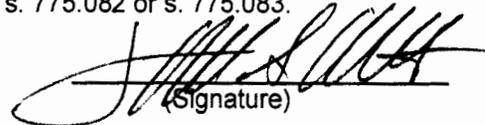
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.46 %</u>	<u>10.46 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>10.10 %</u>	<u>10.10 %</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)

3/14/18
(Date)

PSC/AFA13

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

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	1,667,427	5,032	733,935	8,405	930,119	1,940	46,805	978,864	11,494	990,358
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(4,739)	(4,739)
Non-Utility Allocation	(513)		(143)		(371)			(371)		(371)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,450)	(1,450)
Remove Unrecovered Gas Cost PGA									(2,851)	(2,851)
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(708)	(708)
Remove Unrec. CIBSR Costs									(831)	(831)
Remove Competitive Rate Adjustment									(2,549)	(2,549)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,701)		(246)			(246)		(246)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(81,059)		(3,950)		(77,109)		(2,882)	(79,991)		(79,991)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,139)	(1,139)
TOTAL FPSC ADJUSTMENTS	(81,573)	(2,947)	(6,794)	-	(77,725)	(1,940)	(2,997)	(82,662)	(14,267)	(96,929)
FPSC ADJUSTED	1,585,854	2,085	727,141	8,405	852,394	-	43,808	896,202	(2,773)	893,429
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,585,854	2,085	727,141	8,405	852,394	-	43,808	896,202	(2,773)	893,429
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,585,854	2,085	727,141	8,405	852,394	-	43,808	896,202	(2,773)	893,429

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

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	442,539	153,294	114,276	52,657	39,549	(1,269)	28,198	-	(2,140)	384,564	57,975
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(16,573)		(16,573)			-				(16,573)	-
Non-Utility Allocation				(19)	-	7				(12)	12
Interest Synchronization						683				683	(683)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(153,843)	(153,294)			(549)	-				(153,843)	-
Economic Development Adjustment			(16)			6				(10)	10
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)	(2,902)		-	(1,810)	(1,091)	-				(2,902)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(7,285)					(2,810)				(2,810)	(4,475)
OSS Adjustment						-				-	-
TOTAL FPSC ADJUSTMENTS	(180,662)	(153,294)	(16,757)	(1,909)	(1,640)	(2,041)	-	-	-	(175,642)	(5,020)
FPSC ADJUSTED	261,877	-	97,518	50,748	37,909	(3,310)	28,198	-	(2,140)	208,922	52,955
FLEX RATE REVENUES	(2,129)					(821)				(821)	(1,308)
ADJUSTED FOR											
FLEX RATE REVENUES	259,748	-	97,518	50,748	37,909	(4,131)	28,198	-	(2,140)	208,101	51,647
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	261,877	-	97,518	50,748	37,909	(3,310)	28,198	-	(2,140)	208,922	52,955
PER BOOKS											
CURRENT MONTH AMOUNT	39,723	12,927	9,518	4,535	3,573	(47)	3,147	-	-	33,653	6,070

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

SCHEDULE 4

	<u>AVERAGE</u>	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>		<u>ADJUSTED</u>	<u>RATIO</u> (%)	<u>LOW POINT</u>		<u>MIDPOINT</u>		<u>HIGH POINT</u>	
			<u>SPECIFIC</u>	<u>PRO RATA</u>			<u>COST</u> RATE (%)	<u>WEIGHTED</u> COST (%)	<u>COST</u> RATE (%)	<u>WEIGHTED</u> COST (%)	<u>COST</u> RATE (%)	<u>WEIGHTED</u> COST (%)
LONG TERM DEBT		276,773	(2,679)	(32,857)	241,237	27.00%	5.03	1.36	5.03	1.36	5.03	1.36
SHORT TERM DEBT		62,538		(7,497)	55,041	6.16%	2.36	0.15	2.36	0.15	2.36	0.15
RESIDENTIAL DEPOSITS		6,555		-	6,555	0.73%	2.00	0.01	2.00	0.01	2.00	0.01
COMMERCIAL DEPOSITS		18,150		-	18,150	2.03%	3.00	0.06	3.00	0.06	3.00	0.06
INACTIVE DEPOSITS		375		-	375	0.04%						
COMMON EQUITY		424,639	(2,552)	(50,598)	371,490	41.58%	9.25	3.85	10.75	4.47	11.75	4.89
DEFERRED INCOME TAX		201,328	(747)	-	200,581	22.45%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		<u>990,358</u>	<u>(5,978)</u>	<u>(90,951)</u>	<u>893,429</u>	<u>100.00%</u>		<u>5.43</u>		<u>6.05</u>		<u>6.47</u>

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.93 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.36) %	
SHORT TERM DEBT	(0.15) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.07) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.58) %</u>	
TOTAL	4.35 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.58 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.46 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 51,647	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>893,429</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.78 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.36) %	
SHORT TERM DEBT	(0.15) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.07) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.58) %</u>	
TOTAL	4.20 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.58 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.10 %</u></u>	