



August 16, 2021

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

Dear Mr. Maurey:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **June 2021**.

Please let me know if you have any questions.

Respectfully,

/s/ *Rachel B. Parsons*

rbparsons@tecoenergy.com

Rachel B. Parsons
Vice President Finance & Planning

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
June 2021
(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>	\$ 79,509	\$ (3,926)	\$ 75,583	\$ 0	\$ 75,583
<u>AVERAGE RATE BASE</u>	\$ 1,458,154	\$ (191,694)	\$ 1,266,460	\$ 0	\$ 1,266,460
<u>AVERAGE RATE OF RETURN</u>	5.45 %		5.97 %		5.97 %

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

LOW	<u>5.47 %</u>
MIDPOINT	<u>5.93 %</u>
HIGH	<u>6.43 %</u>

III. EARNED RETURN ON EQUITY

	<u>FPSC ADJUSTED</u>	<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>9.99 %</u>	<u>9.99 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>9.55 %</u>	<u>9.55 %</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.

Rachel B. Parsons, VP of Finance and Planning
(Name and Title)

Is/ *Rachel B. Parsons*
rbparsons@tecoenergy.com
(Signature)

08/13/2021
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
June 2021
(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	2,179,358	5,032	816,245	15,621	1,352,524	1,940	140,984	1,495,448	(37,294)	1,458,154
<u>FPSC ADJUSTMENTS:</u>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(6,146)	(6,146)
Other Accounts Receivable									(786)	(786)
Non-Utility Allocation	(1,258)		(383)		(875)			(875)		(875)
Remove Unamort. Debt Expense									(2,768)	(2,768)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,084	2,084
Remove Unrec. Conservation Costs									(1,028)	(1,028)
Remove Unrec. CIBSR Costs									(3,300)	(3,300)
Remove Competitive Rate Adjustment									(3,208)	(3,208)
Remove Unamortized Rate Case Expense									(621)	(621)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,900)		(47)			(47)		(47)
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(84,135)		(3,734)		(80,401)		(8,246)	(88,647)		(88,647)
AFUDC - Eligible CWIP							(83,284)	(83,284)		(83,284)
Remove Investment in Subsidiaries									(1,125)	(1,125)
TOTAL FPSC ADJUSTMENTS	(85,393)	(2,947)	(7,017)	-	(81,323)	(1,940)	(91,530)	(174,793)	(16,901)	(191,694)
FPSC ADJUSTED	2,093,965	2,085	809,228	15,621	1,271,201	-	49,454	1,320,655	(54,195)	1,266,460
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	2,093,965	2,085	809,228	15,621	1,271,201	-	49,454	1,320,655	(54,195)	1,266,460
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>										
										-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,093,965	2,085	809,228	15,621	1,271,201	-	49,454	1,320,655	(54,195)	1,266,460

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
June 2021
(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	473,216	143,823	135,536	50,481	44,256	4,208	15,426	-	(21)	393,707	79,509
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(20,921)		(20,921)			(0)				(20,921)	(0)
Non-Utility Allocation				(42)	-	10				(32)	32
Interest Synchronization						155				155	(155)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(144,434)	(143,823)			(611)	0				(144,434)	-
Economic Development Adjustment			(18)			4				(14)	14
Employee Activities			(73)			18				(55)	55
Franchise/Gross Receipts Taxes	(26,648)				(26,464)	(45)				(26,509)	(138)
Maintenance of General Plant			(39)			9				(29)	29
Maint. of Structures and Improvements			(5)			1				(4)	4
Remove Acquisition Adj. Amortiz. (WFNG)				(77)		19				(58)	58
Gain on Sale of Property						-				-	-
Lease of PHFFU	(109)					(27)				(27)	(82)
Remove ITC Amortization						-		-		-	-
Cast Iron/Bare Steel Rider (CIBSR)	(6,437)		(3,859)	(1,274)	(1,304)	(0)				(6,437)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(7,740)					(1,898)				(1,898)	(5,842)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(206,288)	(143,823)	(24,915)	(1,393)	(28,380)	(3,851)	-	-	-	(202,363)	(3,926)
FPSC ADJUSTED	266,927	-	110,620	49,088	15,876	356	15,426	-	(21)	191,344	75,583
FLEX RATE REVENUES	(3,364)					(825)				(825)	(2,539)
ADJUSTED FOR											
FLEX RATE REVENUES	263,563	-	110,620	49,088	15,876	(469)	15,426	-	(21)	190,519	73,044
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-		-			-			-	-	-
PRO FORMA ADJUSTED	266,927	-	110,620	49,088	15,876	356	15,426	-	(21)	191,344	75,583
PER BOOKS											
CURRENT MONTH AMOUNT	37,629	10,245	11,346	4,671	3,106	1,956	(396)	-	-	30,928	6,700

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2021
(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	399,044	(3,198)	(44,939)	359,852	28.41%	4.39	1.25	4.39	1.25	4.39	1.25
SHORT TERM DEBT	137,176	(4,328)	(15,082)	120,768	9.54%	0.96	0.09	0.96	0.09	0.96	0.09
CUSTOMER DEPOSITS	25,993		(2,737)	23,256	1.84%	2.48	0.05	2.48	0.05	2.48	0.05
COMMON EQUITY	669,465	(1,317)	(75,852)	580,351	45.82%	8.90	4.08	9.90	4.54	11.00	5.04
DEFERRED INCOME TAX	226,475	(22,798)	(21,445)	182,233	14.39%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	<u>1,458,154</u>	<u>(31,641)</u>	<u>(160,053)</u>	<u>1,266,460</u>	<u>100.00%</u>		<u>5.47</u>		<u>5.93</u>		<u>6.43</u>

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2021
(In \$ Thousands)**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.97	%	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:			
LONG TERM DEBT	(1.25)	%	
SHORT TERM DEBT	(0.09)	%	
PREFERRED STOCK	0.00	%	
CUSTOMER DEPOSITS	(0.05)	%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00	%	
SUBTOTAL	<u>(1.39)</u>	%	
TOTAL	4.58	%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82</u>	%	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.99</u></u>	%	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 73,044		(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,266,460</u>		(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.77	%	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:			
LONG TERM DEBT	(1.25)	%	
SHORT TERM DEBT	(0.09)	%	
PREFERRED STOCK	0.00	%	
CUSTOMER DEPOSITS	(0.05)	%	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00	%	
SUBTOTAL	<u>(1.39)</u>	%	
TOTAL	4.38	%	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82</u>	%	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.55</u></u>	%	