



February 15, 2022

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 **December 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
December 2021
(In \$ Thousands)**

SCHEDULE 1

	(1) Actual <u>Per Books</u>	(2) FPSC <u>Adjustments</u>	(3) FPSC <u>Adjusted</u>	(4) Pro Forma <u>Adjustments</u>	(5) Pro Forma <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ <u>90,827</u>	\$ <u>1,006</u>	\$ <u>91,834</u>	\$ <u>0</u>	\$ <u>91,834</u>
<u>AVERAGE RATE BASE</u>	\$ <u>1,603,791</u>	\$ <u>(115,661)</u>	\$ <u>1,488,130</u>	\$ <u>0</u>	\$ <u>1,488,130</u>
<u>AVERAGE RATE OF RETURN</u>	<u>5.66</u> %		<u>6.17</u> %		<u>6.17</u> %

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

LOW	<u>5.39</u> %
MIDPOINT	<u>5.85</u> %
HIGH	<u>6.35</u> %

III. EARNED RETURN ON EQUITY

	<u>FPSC ADJUSTED</u>	<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.61</u> %	<u>10.61</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.19</u> %	<u>10.19</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)

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

02/14/2022
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
December 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	2,325,441	5,032	833,092	16,970	1,480,410	1,940	148,987	1,631,337	(27,546)	1,603,791
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(9,869)	(9,869)
Other Accounts Receivable									(720)	(720)
Non-Utility Allocation	(1,270)		(392)		(878)			(878)		(878)
Remove Unamort. Debt Expense									(3,748)	(3,748)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,084	2,084
Remove Unrec. Conservation Costs									(547)	(547)
Remove Unrec. CIBSR Costs									(2,146)	(2,146)
Remove Competitive Rate Adjustment									(3,485)	(3,485)
Remove Unamortized Rate Case Expense									(1,053)	(1,053)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,932)		(15)			(15)		(15)
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(6,799)		138		(6,936)		(9,473)	(16,410)		(16,410)
AFUDC - Eligible CWIP							(75,782)	(75,782)		(75,782)
Remove Investment in Subsidiaries									(1,150)	(1,150)
TOTAL FPSC ADJUSTMENTS	(8,069)	(2,947)	(3,186)	-	(7,829)	(1,940)	(85,256)	(95,024)	(20,637)	(115,661)
FPSC ADJUSTED	2,317,372	2,085	829,906	16,970	1,472,581	-	63,732	1,536,313	(48,183)	1,488,130
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	2,317,372	2,085	829,906	16,970	1,472,581	-	63,732	1,536,313	(48,183)	1,488,130
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,317,372	2,085	829,906	16,970	1,472,581	-	63,732	1,536,313	(48,183)	1,488,130

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
December 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	517,146	161,279	140,031	55,697	47,719	8,239	13,292	-	62	426,318	90,827
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(19,629)		(19,629)			(0)				(19,629)	(0)
Non-Utility Allocation				(41)	-	10				(31)	31
Interest Synchronization						92				92	(92)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(161,973)	(161,279)			(695)	-				(161,973)	-
Economic Development Adjustment			(19)			4				(14)	14
Employee Activities			(70)			17				(53)	53
Franchise/Gross Receipts Taxes	(29,072)				(28,892)	(43)				(28,935)	(137)
Maintenance of General Plant			(38)			9				(29)	29
Maint. of Structures and Improvements			(6)			1				(5)	5
Remove Acquisition Adj. Amortiz. (WFNG)				(45)		11				(34)	34
Gain on Sale of Property						-				-	-
Lease of PHFFU	(109)					(26)				(26)	(83)
Remove ITC Amortization						-		-		-	-
Cast Iron/Bare Steel Rider (CIBSR)	(4,765)		(4,795)	(71)	102	(0)				(4,765)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(1,243)					(296)				(296)	(948)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(216,790)	(161,279)	(24,557)	(157)	(29,485)	(2,319)	-	-	-	(217,796)	1,006
FPSC ADJUSTED	300,356	-	115,475	55,540	18,234	5,920	13,292	-	62	208,522	91,834
FLEX RATE REVENUES ADJUSTED FOR	(3,727)					(887)				(887)	(2,840)
FLEX RATE REVENUES	296,629	-	115,475	55,540	18,234	5,033	13,292	-	62	207,635	88,994
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-		-			-			-	-	-
PRO FORMA ADJUSTED	300,356	-	115,475	55,540	18,234	5,920	13,292	-	62	208,522	91,834
PER BOOKS CURRENT MONTH AMOUNT	50,551	17,167	15,467	4,905	4,389	3,978	(2,617)	-	-	43,289	7,263

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
December 2021
(In \$ Thousands)**

SCHEDULE 4

	<u>AVERAGE</u>	<u>ADJUSTMENTS</u>			<u>RATIO</u> (%)	<u>LOW POINT</u>		<u>MIDPOINT</u>		<u>HIGH POINT</u>	
		<u>PER BOOKS</u>	<u>SPECIFIC</u>	<u>PRO RATA</u>		<u>ADJUSTED</u>	<u>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)
LONG TERM DEBT	483,360	(4,166)	(31,648)	446,206	29.98%	4.07	1.22	4.07	1.22	4.07	1.22
SHORT TERM DEBT	129,945	(2,692)	(8,404)	118,492	7.97%	0.62	0.05	0.62	0.05	0.62	0.05
CUSTOMER DEPOSITS	26,292		(1,459)	24,832	1.67%	2.49	0.04	2.49	0.04	2.49	0.04
COMMON EQUITY	729,636	(1,357)	(48,099)	681,876	45.82%	8.90	4.08	9.90	4.54	11.00	5.04
DEFERRED INCOME TAX	234,558	(5,097)	(12,737)	216,724	14.56%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	1,603,791	(13,312)	(102,349)	1,488,130	100.00%		5.39		5.85		6.35

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
December 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	6.17 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.22) %	
SHORT TERM DEBT	(0.05) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.31) %</u>	
TOTAL	4.86 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.61 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 88,994	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,488,130</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.98 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.22) %	
SHORT TERM DEBT	(0.05) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.31) %</u>	
TOTAL	4.67 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>45.82 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.19 %</u></u>	

PEOPLES GAS COMPANY
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2021
(In \$ Thousands)

SCHEDULE A

<u>CAPITAL COMPONENTS</u>	<u>ADJUSTED AVERAGE BALANCE</u>	<u>CAPITAL RATIO</u>	<u>COST OF CAPITAL</u>	<u>WEIGHTED COST OF CAPITAL</u>
LONG TERM DEBT	\$ 446,206	29.98%	3.79%	1.14%
SHORT TERM DEBT	118,492	7.97%	0.62% *	0.05%
CUSTOMER DEPOSITS	24,832	1.67%	2.49% *	0.04%
COMMON EQUITY	681,876	45.82%	9.90%	4.54%
DEFERRED INCOME TAX	216,724	14.56%	0.00%	-
INVESTMENT TAX CREDITS	<u>-</u>	<u>0.00%</u>	0.00%	<u>-</u>
TOTAL	\$ 1,488,130	100.00%		5.77%

* 13-MONTH AVERAGE

Note: The current AFUDC rate of 6.00% was authorized in Order No. PSC-2021-0170-PPA-GU Docket No. 20210040-GU, effective January 1, 2021.

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE USED FOR AFUDC CALCULATION
DECEMBER 2021
(In \$ Thousands)**

SCHEDULE B

<u>CAPITAL COMPONENTS</u>	<u>PER BOOKS</u>	<u>COMMISSION ADJUSTMENTS*</u>	<u>ADJUSTED AVERAGE BALANCE</u>
LONG TERM DEBT	\$ 483,360	\$ (35,814)	\$ 446,206
SHORT TERM DEBT	129,945	(11,097)	118,492
CUSTOMER DEPOSITS	26,292	(1,459)	24,832
COMMON EQUITY	729,636	(49,456)	681,876
DEFERRED INCOME TAX	234,558	(17,835)	216,724
INVESTMENT TAX CREDITS	-	-	-
TOTAL	\$ 1,603,791	\$ (115,661)	\$ 1,488,130

* FOR ADJUSTMENT DETAILS, SEE SCHEDULE 2.

Per Order No. PSC-2021-0170-PPA-GU, a 54.7% equity ratio (investor sources with any difference to actual equity ratio spread ratably over long-term and short term debt) shall be used for all purposes including the calculation of the Company's AFUDC rate.

**PEOPLES GAS COMPANY
 METHODOLOGY FOR MONTHLY COMPOUNDING
 OF THE AFUDC RATE
 DECEMBER 2021**

SCHEDULE C

<u>MONTHS</u>	<u>AFUDC BASE</u>	<u>MONTHLY AFUDC</u>	<u>CUMULATIVE AFUDC</u>
JAN	1.00000000	0.0046857	0.0046857
FEB	1.00468567	0.0047076	0.0093933
MAR	1.00939330	0.0047297	0.0141230
APR	1.01412299	0.0047518	0.0188748
MAY	1.01887483	0.0047741	0.0236489
JUN	1.02364895	0.0047965	0.0284454
JUL	1.02844543	0.0048190	0.0332644
AUG	1.03326439	0.0048415	0.0381059
SEP	1.03810592	0.0048642	0.0429701
OCT	1.04297015	0.0048870	0.0478572
NOV	1.04785716	0.0049099	0.0527671
DEC	1.05276708	0.0049329	0.0577000

Annual Rate (R) = .0577

Monthly Rate = $((1 + R)^{(1/12)}) - 1 = 0.0046857$