



August 14, 2023

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

Dear Ms. Norris:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **June 2023**.

Please let me know if you have any questions.

Respectfully,

DocuSigned by:

Rachel B. Parsons
Head of Financial Performance

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
June 2023
(In \$ Thousands)**

SCHEDULE 1

	(1) <u>Actual Per Books</u>	(2) <u>FPSC Adjustments</u>	(3) <u>FPSC Adjusted</u>	(4) <u>Pro Forma Adjustments</u>	(5) <u>Pro Forma Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 102,456	\$ (2,050)	\$ 100,406	\$ 0	\$ 100,406
AVERAGE RATE BASE	\$ 2,023,201	\$ (180,304)	\$ 1,842,897	\$ 0	\$ 1,842,897
AVERAGE RATE OF RETURN	5.06 %		5.45 %		5.45 %

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

LOW	5.88 %
MIDPOINT	6.35 %
HIGH	6.87 %

III. EARNED RETURN ON EQUITY

	<u>FPSC ADJUSTED</u>	<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	7.98 %	7.98 %
B. EXCLUDING FLEX RATE REVENUES	7.67 %	7.67 %

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.

/s/ Rachel B. Parsons, Head of Financial Performance
(Name and Title)

Rachel Parsons
(Signature)

8/14/2023
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
June 2023
(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	2,685,067	5,032	881,512	22,570	1,786,017	1,940	245,537	2,033,494	(10,293)	2,023,201
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(9,725)	(9,725)
Other Accounts Receivable									(1,772)	(1,772)
Non-Utility Allocation	(1,138)		(439)		(699)			(699)		(699)
Remove Unamort. Debt Expense									(2,424)	(2,424)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									1,248	1,248
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									(64)	(64)
Remove Competitive Rate Adjustment									(3,637)	(3,637)
Remove Unamortized Rate Case Expense									(423)	(423)
Gain on Sale of Property										-
Remove Acquis. Adjustment (WFNG)		-	-		-			-		-
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(39,493)		(343)		(39,150)		(29,321)	(68,471)		(68,471)
AFUDC - Eligible CWIP							(91,392)	(91,392)		(91,392)
Remove Investment in Subsidiaries									(1,002)	(1,002)
TOTAL FPSC ADJUSTMENTS	(40,631)	-	(782)	-	(39,849)	(1,940)	(120,714)	(162,502)	(17,802)	(180,304)
FPSC ADJUSTED	2,644,436	5,032	880,730	22,570	1,746,168	-	124,824	1,870,992	(28,095)	1,842,897
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	2,644,436	5,032	880,730	22,570	1,746,168	-	124,824	1,870,992	(28,095)	1,842,897
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
										-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,644,436	5,032	880,730	22,570	1,746,168	-	124,824	1,870,992	(28,095)	1,842,897

PEOPLES GAS SYSTEM
NET OPERATING INCOME
June 2023
(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	597,547	209,018	157,710	49,922	54,419	(5,084)	29,568	-	(462)	495,091	102,456
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(31,334)		(31,334)			(0)				(31,334)	(0)
Non-Utility Allocation				(3)	-	1				(2)	2
Interest Synchronization						244				244	(244)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(209,838)	(209,018)			(820)	0				(209,838)	-
Economic Development Adjustment			(18)			5				(14)	14
Employee Activities			(103)			26				(77)	77
Franchise/Gross Receipts Taxes	(30,642)				(30,513)	(33)				(30,546)	(96)
Maintenance of General Plant			(70)			18				(52)	52
Maint. of Structures and Improvements			(7)			2				(5)	5
Remove Acquisition Adj. Amortiz. (WFNG)				-		-				-	-
Gain on Sale of Property						-				-	-
Lease of PHFFU	(122)					(31)				(31)	(91)
Remove ITC Amortization						-		-		-	-
Cast Iron/Bare Steel Rider (CIBSR)	(2,386)		(1,409)	(515)	(461)	(0)				(2,386)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(5,181)					(1,313)				(1,313)	(3,868)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(279,502)	(209,018)	(32,941)	(519)	(31,794)	(3,181)	-	-	-	(277,453)	(2,050)
FPSC ADJUSTED	318,045	-	124,769	49,404	22,625	(8,265)	29,568	-	(462)	217,638	100,406
FLEX RATE REVENUES	(3,504)					(888)				(888)	(2,616)
ADJUSTED FOR											
FLEX RATE REVENUES	314,541	-	124,769	49,404	22,625	(9,153)	29,568	-	(462)	216,750	97,790
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-		-			-			-	-	-
PRO FORMA ADJUSTED	318,045	-	124,769	49,404	22,625	(8,265)	29,568	-	(462)	217,638	100,406
PER BOOKS											
CURRENT MONTH AMOUNT	42,374	9,814	15,174	1,696	4,337	(1,077)	3,527	-	-	33,471	8,904

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
June 2023
(In \$ Thousands)**

SCHEDULE 4

	<u>AVERAGE</u>	ADJUSTMENTS				RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
		PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED		COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
							RATE (%)	COST (%)	RATE (%)	COST (%)	RATE (%)	COST (%)
LONG TERM DEBT	566,074	(2,808)	(44,882)	531,246	28.83%	4.05	1.17	4.05	1.17	4.05	1.17	
SHORT TERM DEBT	199,274	(64)	(15,873)	187,886	10.19%	4.72	0.48	4.72	0.48	4.72	0.48	
CUSTOMER DEPOSITS	29,915		(2,132)	27,783	1.51%	2.46	0.04	2.46	0.04	2.46	0.04	
COMMON EQUITY	964,383	(1,928)	(76,690)	868,355	47.12%	8.90	4.19	9.90	4.66	11.00	5.18	
DEFERRED INCOME TAX	263,555	(18,463)	(17,465)	227,628	12.35%							
TAX CREDITS - ZERO COST	-	-	-	-	0.00%							
TOTAL	<u>2,023,201</u>	<u>(23,263)</u>	<u>(157,041)</u>	<u>1,842,897</u>	<u>100.00%</u>		<u>5.88</u>		<u>6.35</u>		<u>6.87</u>	

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
June 2023
(In \$ Thousands)

SCHEDUL

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.45 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.17) %	
SHORT TERM DEBT	(0.48) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.69) %</u>	
TOTAL	3.76 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.12 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.98 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 97,790	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,842,897</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.31 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.17) %	
SHORT TERM DEBT	(0.48) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.69) %</u>	
TOTAL	3.62 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.12 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.67 %</u></u>	

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
PRO FORMA ADJUSTED BASIS
June 2023**

SCHEDULE

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

PRO FORMA ADJUSTED AVERAGE EARNED RATE OF RETURN	5.45 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.17) %	
SHORT TERM DEBT	(0.48) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.69) %</u>	
TOTAL	3.76 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.12 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>7.98 %</u>	

B. PRO FORMA AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 97,790	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,842,897</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.31 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.17) %	
SHORT TERM DEBT	(0.48) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.69) %</u>	
TOTAL	3.62 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.12 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>7.67 %</u>	