



November 9, 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 **September 2023**.

Please let me know if you have any questions.

Respectfully,

DocuSigned by:

0D97E209221942C...
Rachel B. Parsons
Head of Financial Performance

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

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

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)					
NET OPERATING INCOME	\$ 102,073	\$ (2,672)	\$ 99,402	\$ 0	\$ 99,402
AVERAGE RATE BASE	\$ 2,097,277	\$ (190,887)	\$ 1,906,390	\$ 0	\$ 1,906,390
AVERAGE RATE OF RETURN	4.87 %		5.21 %		5.21 %

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

LOW	5.98 %
MIDPOINT	6.45 %
HIGH	6.97 %

III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	7.27 %	7.27 %
B. EXCLUDING FLEX RATE REVENUES	6.99 %	6.99 %

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)

11/9/2023
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
Sept 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	2,755,622	5,032	890,318	24,002	1,846,334	1,940	257,268	2,105,541	(8,264)	2,097,277
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(9,617)	(9,617)
Other Accounts Receivable									(1,787)	(1,787)
Non-Utility Allocation	(1,246)		(441)		(805)			(805)		(805)
Remove Unamort. Debt Expense									(1,401)	(1,401)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									1,248	1,248
Remove Unrec. Conservation Costs									(1,692)	(1,692)
Remove Unrec. CIBSR Costs									(83)	(83)
Remove Competitive Rate Adjustment									(3,686)	(3,686)
Remove Unamortized Rate Case Expense									(318)	(318)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		-	-		-			-		-
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(49,949)		(495)		(49,454)		(26,156)	(75,610)		(75,610)
AFUDC - Eligible CWIP							(94,149)	(94,149)		(94,149)
Remove Investment in Subsidiaries									(1,047)	(1,047)
TOTAL FPSC ADJUSTMENTS	(51,195)	-	(936)	-	(50,259)	(1,940)	(120,305)	(172,503)	(18,384)	(190,887)
FPSC ADJUSTED	2,704,426	5,032	889,382	24,002	1,796,075	-	136,964	1,933,038	(26,648)	1,906,390
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	2,704,426	5,032	889,382	24,002	1,796,075	-	136,964	1,933,038	(26,648)	1,906,390
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
										-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,704,426	5,032	889,382	24,002	1,796,075	-	136,964	1,933,038	(26,648)	1,906,390

PEOPLES GAS SYSTEM
NET OPERATING INCOME
Sept 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	559,994	168,790	156,295	54,307	55,387	(3,122)	26,758	-	(495)	457,920	102,073
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(30,507)		(30,507)			(0)				(30,507)	(0)
Non-Utility Allocation				(34)	-	9				(25)	25
Interest Synchronization						496				496	(496)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(169,443)	(168,790)			(654)	0				(169,443)	-
Economic Development Adjustment			(18)			4				(13)	13
Employee Activities			(71)			18				(53)	53
Franchise/Gross Receipts Taxes	(30,551)				(30,429)	(31)				(30,460)	(91)
Maintenance of General Plant			(68)			17				(51)	51
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)	(2,673)		(1,504)	(676)	(493)	0				(2,673)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(5,680)					(1,440)				(1,440)	(4,240)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(238,975)	(168,790)	(32,174)	(710)	(31,576)	(3,054)	-	-	-	(236,304)	(2,672)
FPSC ADJUSTED	321,018	-	124,122	53,597	23,811	(6,176)	26,758	-	(495)	221,616	99,402
FLEX RATE REVENUES	(3,457)					(876)				(876)	(2,581)
ADJUSTED FOR											
FLEX RATE REVENUES	317,561	-	124,122	53,597	23,811	(7,052)	26,758	-	(495)	220,740	96,821
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	321,018	-	124,122	53,597	23,811	(6,176)	26,758	-	(495)	221,616	99,402
PER BOOKS											
CURRENT MONTH AMOUNT	40,664	9,875	12,643	3,461	4,083	(743)	3,020	-	-	32,339	8,325

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

SCHEDULE 4

	<u>AVERAGE</u>	<u>ADJUSTMENTS</u>		<u>ADJUSTED</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>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)
LONG TERM DEBT	564,888	(1,532)	(45,487)	525,944	27.59%	4.05	1.12	4.05	1.12	4.05	1.12
SHORT TERM DEBT	237,005	(1,775)	(18,993)	219,609	11.52%	5.38	0.62	5.38	0.62	5.38	0.62
CUSTOMER DEPOSITS	30,493		(2,217)	28,276	1.48%	2.45	0.04	2.45	0.04	2.45	0.04
COMMON EQUITY	994,026	(2,242)	(80,080)	900,259	47.22%	8.90	4.20	9.90	4.67	11.00	5.19
DEFERRED INCOME TAX	270,865	(20,349)	(18,213)	232,303	12.19%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	2,097,277	(25,897)	(164,990)	1,906,390	100.00%		5.98		6.45		6.97

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.21 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.12) %	
SHORT TERM DEBT	(0.62) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
TOTAL	3.43 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.22 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.27 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 96,821	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,906,390</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.08 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.12) %	
SHORT TERM DEBT	(0.62) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
TOTAL	3.30 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.22 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>6.99 %</u></u>	

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

SCHEDULE 5-2

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

PRO FORMA ADJUSTED AVERAGE EARNED RATE OF RETURN	5.21 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.12) %	
SHORT TERM DEBT	(0.62) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
TOTAL	3.43 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.22 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.27 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 96,821	(Schedule 2, p. 2 of 2)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>1,906,390</u>	(Schedule 2, p. 1 of 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.08 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.12) %	
SHORT TERM DEBT	(0.62) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.04) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
TOTAL	3.30 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.22 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>6.99 %</u></u>	