



March 28, 2022

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:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 2023**.

Please let me know if you have any questions.

Respectfully,

DocuSigned by:
/s/ *Rachel B. Parsons*
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Rachel B. Parsons
Vice President Finance & Planning

Enclosures

cc: Office of Public Counsel – Charles Rehwinkel

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
2023 Budget
(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>	\$ 114,637	\$ (2,876)	\$ 111,761	\$ 0	\$ 111,761
<u>AVERAGE RATE BASE</u>	\$ 2,221,907	\$ (197,575)	\$ 2,024,332	\$ 0	\$ 2,024,332
<u>AVERAGE RATE OF RETURN</u>	5.16 %		5.52 %		5.52 %

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

LOW	6.04 %
MIDPOINT	6.52 %
HIGH	7.04 %

III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	7.83 %	7.83 %
B. EXCLUDING FLEX RATE REVENUES	7.54 %	7.54 %

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, Director Business Planning
(Name and Title)

Rachel B. Parsons
(Signature)

3/30/2023
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
2023 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	2,996,394	5,032	884,208	20,194	2,097,024	1,940	133,679	2,232,642	(10,735)	2,221,907
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(10,078)	(10,078)
Other Accounts Receivable									(822)	(822)
Non-Utility Allocation	(1,386)		(436)		(950)			(950)		(950)
Remove Unamort. Debt Expense									(349)	(349)
Remove Unrecovered Gas Cost PGA									(657)	(657)
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(3,434)	(3,434)
Remove Unamortized Rate Case Expense									(333)	(333)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		-	-		-			-		-
Remove Derivative (FAS 133)									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(71,288)		(741)		(70,546)		(11,943)	(82,490)		(82,490)
AFUDC - Eligible CWIP							(95,323)	(95,323)		(95,323)
Remove Investment in Subsidiaries									(1,197)	(1,197)
TOTAL FPSC ADJUSTMENTS	(72,673)	-	(1,177)	-	(71,497)	(1,940)	(107,266)	(180,703)	(16,872)	(197,575)
FPSC ADJUSTED	2,923,721	5,032	883,031	20,194	2,025,527	-	26,412	2,051,940	(27,608)	2,024,332
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	2,923,721	5,032	883,031	20,194	2,025,527	-	26,412	2,051,940	(27,608)	2,024,332
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	2,923,721	5,032	883,031	20,194	2,025,527	-	26,412	2,051,940	(27,608)	2,024,332

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
2023 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	632,324	228,429	155,745	53,271	54,871	(983)	23,536	3,313	(496)	517,687	114,637
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(23,850)		(23,850)			-				(23,850)	-
Non-Utility Allocation				(39)	-	10				(29)	29
Interest Synchronization						436				436	(436)
Parent Debt Adjustment						(2,099)				(2,099)	2,099
Remove Fuel Revenues	(229,473)	(228,429)			(1,044)	0				(229,473)	-
Economic Development Adjustment			(18)			5				(13)	13
Employee Activities			(79)			20				(59)	59
Franchise/Gross Receipts Taxes	(33,290)				(33,290)	-				(33,290)	-
Maintenance of General Plant			(38)			10				(29)	29
Maint. of Structures and Improvements			(6)			2				(4)	4
Remove Acquisition Adj. Amortiz. (WFNG)				-		-				-	-
Gain on Sale of Property						-			-	-	-
Lease of PHFFU	(118)					(30)				(30)	(88)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(3,440)		(1,918)	(941)	(582)	(0)				(3,440)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(6,144)					(1,557)				(1,557)	(4,587)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(296,314)	(228,429)	(25,910)	(979)	(34,915)	(3,205)	-	-	-	(293,438)	(2,876)
FPSC ADJUSTED	336,010	-	129,836	52,292	19,956	(4,187)	23,536	3,313	(496)	224,249	111,761
FLEX RATE REVENUES	(3,710)					(940)				(940)	(2,770)
ADJUSTED FOR FLEX RATE REVENUES	332,300	-	129,836	52,292	19,956	(5,128)	23,536	3,313	(496)	223,309	108,991
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-		-			-			-	-	-
PRO FORMA ADJUSTED	336,010	-	129,836	52,292	19,956	(4,187)	23,536	3,313	(496)	224,249	111,761
PER BOOKS CURRENT MONTH AMOUNT	59,236	21,376	14,203	(1,496)	5,212	1,609	2,271	-	-	43,174	16,062

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
2023 Budget**

SCHEDULE 4

	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 (%)
AVERAGE											
LONG TERM DEBT	627,634	(378)	(49,344)	578,352	28.57%	4.58	1.31	4.58	1.31	4.58	1.31
SHORT TERM DEBT	237,830	(657)	(18,658)	218,682	10.80%	4.22	0.46	4.22	0.46	4.22	0.46
CUSTOMER DEPOSITS	28,952		(2,070)	26,882	1.33%	2.52	0.03	2.52	0.03	2.52	0.03
COMMON EQUITY	1,049,081	(3,824)	(82,227)	962,423	47.54%	8.90	4.23	9.90	4.71	11.00	5.23
DEFERRED INCOME TAX	275,353	(22,095)	(18,104)	235,153	11.62%						
TAX CREDITS - WEIGHTED COST	3,058	-	(219)	2,840	0.14%	6.90	0.01	7.45	0.01	8.05	0.01
TOTAL	2,221,907	(26,954)	(170,621)	2,024,332	100.00%		6.04		6.52		7.04

* Includes adjustment per 2020 Stipulation paragraph 2(a), Peoples' shall use a 54.7% equity ratio (investor sources with any difference to actual equity ratio spread ratably over long-term and short-term debt).

** Includes intercompany debt with Tampa Electric Company associated with the loan agreement entered into on January 1, 2023, and is assumed to be refinanced on September 30, 2023. Components of intercompany debt will be reflected in FERC accounts 223, 226 and 233.

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
2023 Budget**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.52 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.31) %	
SHORT TERM DEBT	(0.46) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.80) %</u>	
TOTAL	3.72 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.54 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.83 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 108,991	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>2,024,332</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.38 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.31) %	
SHORT TERM DEBT	(0.46) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.03) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.80) %</u>	
TOTAL	3.58 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.54 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>7.54 %</u></u>	