



August 17, 2020

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 2020**.

Please let me know if you have any questions.

Respectfully,

Sean P. Hillary

sphillary@tecoenergy.com

Sean P. Hillary
Controller

Enclosures

cc: Office of Public Counsel – J.R. Kelly

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
JUNE 2020
(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>	\$ 64,584	\$ (9,890)	\$ 54,694	\$ 0	\$ 54,694
AVERAGE RATE BASE	\$ 1,194,508	\$ (205,897)	\$ 988,611	\$ 0	\$ 988,611
AVERAGE RATE OF RETURN	<u>5.41</u> %		<u>5.53</u> %		<u>5.53</u> %

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

LOW	<u>5.91</u> %
MIDPOINT	<u>6.61</u> %
HIGH	<u>7.09</u> %

III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	<u>8.46</u> %	<u>8.46</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>8.02</u> %	<u>8.02</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

<u>Sean P. Hillary, Controller</u>	<u>Sean P. Hillary</u>	08/13/2020
(Name and Title)	sphillary@tecoenergy.com (Signature)	(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
JUNE 2020
(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	1,935,665	5,032	785,412	13,028	1,142,256	1,940	77,748	1,221,943	(27,435)	1,194,508
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(1,396)	(1,396)
Non-Utility Allocation	(1,226)		(372)		(853)			(853)		(853)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(2,205)	(2,205)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									(2,156)	(2,156)
Remove Unrec. CIBSR Costs									(1,986)	(1,986)
Remove Competitive Rate Adjustment									(2,950)	(2,950)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,821)		(126)			(126)		(126)
Remove MSEA Adjustment										-
Cast Iron/Bare Steel Rider (CIBSR)	(151,449)		(6,643)		(144,806)		(9,280)	(154,086)		(154,086)
AFUDC - Eligible CWIP							(36,955)	(36,955)		(36,955)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,125)	(1,125)
TOTAL FPSC ADJUSTMENTS	(152,675)	(2,947)	(9,836)	-	(145,786)	(1,940)	(46,350)	(194,075)	(11,822)	(205,897)
FPSC ADJUSTED	1,782,990	2,085	775,576	13,028	996,470	-	31,398	1,027,868	(39,257)	988,611
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,782,990	2,085	775,576	13,028	996,470	-	31,398	1,027,868	(39,257)	988,611
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,782,990	2,085	775,576	13,028	996,470	-	31,398	1,027,868	(39,257)	988,611

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
JUNE 2020
(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	432,633	138,068	132,626	43,236	41,205	1,915	13,073	-	(2,074)	368,049	64,584
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(20,967)		(20,967)			0				(20,967)	0
Non-Utility Allocation				(42)	-	10				(32)	32
Interest Synchronization						505				505	(505)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(138,545)	(138,068)			(478)	0				(138,545)	-
Economic Development Adjustment			(11)			3				(8)	8
Employee Activities			(86)			21				(65)	65
Franchise/Gross Receipts Taxes	(24,367)				(24,204)	(40)				(24,244)	(123)
Maintenance of General Plant			(41)			10				(31)	31
Maint. of Structures and Improvements			(6)			2				(5)	5
Lobbying included in Dues (AGA, FNGA)			-			-				-	-
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		20				(60)	60
Gain on Sale of Property						-				-	-
Lease of PHFFU	(107)					(26)				(26)	(80)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(6,469)		(2,087)	(2,123)	(2,259)	0				(6,469)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(12,431)					(3,048)				(3,048)	(9,383)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(202,886)	(138,068)	(23,198)	(2,244)	(26,941)	(2,544)	-	-	-	(192,996)	(9,890)
FPSC ADJUSTED	229,747	-	109,428	40,992	14,264	(629)	13,073	-	(2,074)	175,054	54,694
FLEX RATE REVENUES ADJUSTED FOR	(2,723)					(668)				(668)	(2,055)
FLEX RATE REVENUES	227,025	-	109,428	40,992	14,264	(1,297)	13,073	-	(2,074)	174,386	52,639
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-		-			-			-	-	-
PRO FORMA ADJUSTED	229,747	-	109,428	40,992	14,264	(629)	13,073	-	(2,074)	175,054	54,694
PER BOOKS											
CURRENT MONTH AMOUNT	32,045	9,245	10,925	3,753	3,048	(18)	912	-	-	27,864	4,181

NOTE: The basis for determining a Parent Debt Adjustment is in Order No. PSC-09-0411-FOF-GU. As all TECO Energy, Inc. parent debt has been eliminated, there is no Parent Debt Adjustment.

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
JUNE 2020
(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>RATE</u> (%)	<u>WEIGHTED</u> COST (%)	<u>RATE</u> (%)	<u>WEIGHTED</u> COST (%)	<u>RATE</u> (%)
LONG TERM DEBT	333,714	(2,667)	(46,899)	284,148	28.74%	4.70	1.35	4.70	1.35	4.70	1.35
SHORT TERM DEBT	76,978		(10,905)	66,073	6.68%	1.98	0.13	1.98	0.13	1.98	0.13
CUSTOMER DEPOSITS	26,275		(3,502)	22,773	2.31%	2.47	0.06	2.47	0.06	2.47	0.06
COMMON EQUITY	546,961	(3,360)	(77,011)	466,590	47.20%	9.25	4.37	10.75	5.07	11.75	5.55
DEFERRED INCOME TAX	210,581	(38,635)	(22,918)	149,028	15.07%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
TOTAL	<u>1,194,508</u>	<u>(44,662)</u>	<u>(161,235)</u>	<u>988,611</u>	<u>100.00%</u>		<u>5.91</u>		<u>6.61</u>		<u>7.09</u>

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
JUNE 2020
(In \$ Thousands)

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.53 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.35) %	
SHORT TERM DEBT	(0.13) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.06) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.54) %</u>	
TOTAL	3.99 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.20 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.46 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 52,639	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>988,611</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.32 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL		
WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.35) %	
SHORT TERM DEBT	(0.13) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.06) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.54) %</u>	
TOTAL	3.78 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.20 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.02 %</u></u>	