



PEOPLES GAS

November 15, 2011

Mr. John Slemkewicz, Supervisor
Bureau of Rate Filings and Surveillance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Slemkewicz :

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **September 2011.**

Please let me know if you have any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "Jeffrey S. Chronister".

Jeffrey S. Chronister
Controller

JSC/av

Enclosures

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

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
September 2011**

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>	\$ 47,507	\$ 397	\$ 47,904	\$ 0	\$ 47,904
<u>AVERAGE RATE BASE</u>	\$ 591,241	\$ (17,445)	\$ 573,796	\$ 0	\$ 573,796
<u>AVERAGE RATE OF RETURN</u>	8.04 %		8.35 %		8.35 %

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

LOW	<u>7.65 %</u>
MIDPOINT	<u>8.12 %</u>
HIGH	<u>8.59 %</u>

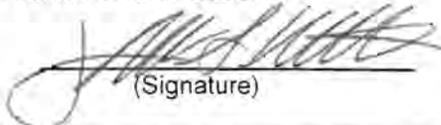
III. EARNED RETURN ON EQUITY

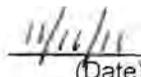
	<u>FPSC ADJUSTED</u>		<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	11.23 %	%	11.23 %
B. EXCLUDING FLEX RATE REVENUES	10.40 %	%	10.40 %

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.

Jeffrey S. Chronister, Controller
(Name and Title)


(Signature)


(Date)

PSC/AFA13

PEOPLES GAS SYSTEM
AVERAGE RATE BASE
September 2011

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	1,064,015	5,166	485,087	9,540	574,554	229	18,427	593,210	(1,969)	591,241
<u>FPSC ADJUSTMENTS:</u>										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(2,726)	(2,726)
Merchandise Inventory									(31)	(31)
Other Accounts Receivable									(5,399)	(5,399)
Non-Utility Allocation	(349)		(146)		(203)			(203)		(203)
Remove Regulatory Tax Asset									-	-
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,678)	(1,678)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,222)	(3,222)
Remove Unamortized Rate Case Expense									(371)	(371)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,124)		(823)			(823)		(823)
Remove MSEA Adjustment							(1,225)	(1,225)		(1,225)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,423)	(1,423)
TOTAL FPSC ADJUSTMENTS	(349)	(2,947)	(2,270)	-	(1,026)	(229)	(1,340)	(2,595)	(14,850)	(17,445)
FPSC ADJUSTED	1,063,666	2,219	482,817	9,540	573,528	-	17,087	590,615	(16,819)	573,796
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	1,063,666	2,219	482,817	9,540	573,528	-	17,087	590,615	(16,819)	573,796
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS</u>										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,063,666	2,219	482,817	9,540	573,528	-	17,087	590,615	(16,819)	573,796

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
September 2011**

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	18,794 (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	456,822	225,884	80,125	47,510	37,002	(4,935)	23,730	-	-	409,315	47,507
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(6,375)		(6,375)			-				(6,375)	-
Non-Utility Allocation				(24)	0	9				(15)	15
Interest Synchronization						116				116	(116)
Parent Debt Adjustment						(136)				(136)	136
Remove Fuel Revenues	(226,490)	(225,884)			(606)	-				(226,490)	-
Economic Development Adjustment			(9)			3				(6)	6
Employee Activities			(136)			52				(84)	84
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(28)			11				(17)	17
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(15)			6				(9)	9
Civil/Social Club Dues			0			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property									(186)	(186)	186
Remove ITC Amortization										-	-
OSS Adjustment										-	-
TOTAL FPSC ADJUSTMENTS	(232,865)	(225,884)	(6,580)	(104)	(606)	99	-	-	(186)	(233,262)	397
FPSC ADJUSTED	223,957	-	73,545	47,406	36,396	(4,837)	23,730	-	(186)	176,053	47,904
FLEX RATE REVENUES ADJUSTED FOR	(3,644)					(1,406)				(1,406)	(2,238)
FLEX RATE REVENUES	220,313	-	73,545	47,406	36,396	(6,243)	23,730	-	(186)	174,647	45,666
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS											
Deferred Tax True-up											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	223,957	-	73,545	47,406	36,396	(4,837)	23,730	-	(186)	176,053	47,904
PER BOOKS CURRENT MONTH AMOUNT	29,139	12,477	5,855	4,093	2,205	(978)	2,157	-	-	25,810	3,329

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
September 2011**

SCHEDULE 4

<u>AVERAGE</u>	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>		<u>ADJUSTED</u>	<u>RATIO</u> (%)	<u>LOW POINT</u>		<u>MIDPOINT</u>		<u>HIGH POINT</u>	
		<u>SPECIFIC</u>	<u>PRO RATA</u>			<u>COST</u>	<u>WEIGHTED</u>	<u>COST</u>	<u>WEIGHTED</u>	<u>COST</u>	<u>WEIGHTED</u>
		<u>RATE</u> (%)	<u>RATE</u> (%)			<u>RATE</u> (%)	<u>COST</u> (%)	<u>RATE</u> (%)	<u>COST</u> (%)	<u>RATE</u> (%)	<u>COST</u> (%)
LONG TERM DEBT	225,624	(4,482)	(5,360)	215,782	37.61%	6.92	2.60	6.92	2.60	6.92	2.60
SHORT TERM DEBT	3,535	-	(86)	3,449	0.60%	0.41	0.00	0.41	0.00	0.41	0.00
RESIDENTIAL DEPOSITS	10,783	-	-	10,783	1.88%	6.00	0.11	6.00	0.11	6.00	0.11
COMMERCIAL DEPOSITS	28,066	-	-	28,066	4.89%	7.00	0.34	7.00	0.34	7.00	0.34
INACTIVE DEPOSITS	202	-	-	202	0.04%						
COMMON EQUITY	277,594	(86)	(6,726)	270,782	47.19%	9.75	4.60	10.75	5.07	11.75	5.54
DEFERRED INCOME TAX	45,431	(700)	-	44,731	7.80%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	591,235	(5,268)	(12,171)	573,796	100.00%	7.55		8.12		8.59	

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 September 2011

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	8.35 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.60) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.45) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(3.05) %</u>	
TOTAL	5.30 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.19 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.23 %</u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 45,666	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>573,796</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.96 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.60) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.45) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(3.05) %</u>	
TOTAL	4.91 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.19 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>10.40 %</u>	