

PEOPLES GAS

November 15, 2012

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 2012.**

Please let me know if you have any questions.

Respectfully,

Jeffrey S. Chronister  
Controller

JSC/av

Enclosures

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

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**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
SEPTEMBER 2012**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
<u>NET OPERATING INCOME</u>	\$ 49,241	\$ 338	\$ 49,579	\$ 0	\$ 49,579
<u>AVERAGE RATE BASE</u>	\$ 634,379	\$ (13,561)	\$ 620,818	\$ 0	\$ 620,818
<u>AVERAGE RATE OF RETURN</u>	7.76 %		7.99 %		7.99 %

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

LOW	<u>7.05 %</u>
MIDPOINT	<u>7.49 %</u>
HIGH	<u>7.94 %</u>

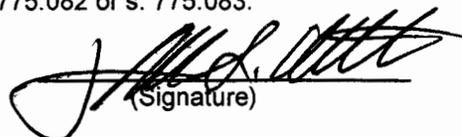
**III. EARNED RETURN ON EQUITY**

	<u>FPSC ADJUSTED</u>	<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>11.86 %</u>	<u>11.86 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>11.05 %</u>	<u>11.05 %</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.

Jeffrey S. Chronister, Controller  
(Name and Title)

  
(Signature)

11/14/12  
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
SEPTEMBER 2012**

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
<b>PER BOOKS</b>	1,120,269	5,032	525,274	9,939	590,088	229	30,545	620,862	13,517	634,379
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									419	419
Merchandise Inventory									(41)	(41)
Other Accounts Receivable									(5,777)	(5,777)
Non-Utility Allocation	(363)		(155)		(209)			(209)		(209)
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									(1,017)	(1,017)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,475)	(3,475)
Remove Unamortized Rate Case Expense									(200)	(200)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,204)		(743)			(743)		(743)
Remove MSEA Adjustment							(1,225)	(1,225)		(1,225)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(949)	(949)
<b>TOTAL FPSC ADJUSTMENTS</b>	<u>(363)</u>	<u>(2,947)</u>	<u>(2,358)</u>	<u>-</u>	<u>(952)</u>	<u>(229)</u>	<u>(1,340)</u>	<u>(2,521)</u>	<u>(11,040)</u>	<u>(13,561)</u>
<b>FPSC ADJUSTED</b>	<u>1,119,906</u>	<u>2,085</u>	<u>522,916</u>	<u>9,939</u>	<u>589,136</u>	<u>-</u>	<u>29,205</u>	<u>618,341</u>	<u>2,477</u>	<u>620,818</u>
<b>FLEX RATE REVENUES</b>										
ADJUSTED FOR										
<b>FLEX RATE REVENUES</b>	<u>1,119,906</u>	<u>2,085</u>	<u>522,916</u>	<u>9,939</u>	<u>589,136</u>	<u>-</u>	<u>29,205</u>	<u>618,341</u>	<u>2,477</u>	<u>620,818</u>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>										
TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>PRO FORMA ADJUSTED</b>	<u>1,119,906</u>	<u>2,085</u>	<u>522,916</u>	<u>9,939</u>	<u>589,136</u>	<u>-</u>	<u>29,205</u>	<u>618,341</u>	<u>2,477</u>	<u>620,818</u>

**PEOPLES GAS SYSTEM  
NET OPERATING INCOME  
SEPTEMBER 2012**

**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	384,405	153,403	79,183	49,893	32,127	(31,013)	51,471	-	-	335,164	49,241
<b>FPSC ADJUSTMENTS:</b>											
Remove Conservation Charges	(7,233)		(7,233)			-				(7,233)	-
Non-Utility Allocation				(24)	0	9				(15)	15
Interest Synchronization						36				36	(36)
Parent Debt Adjustment						(22)				(22)	22
Remove Fuel Revenues	(153,856)	(153,403)			(453)	-				(153,856)	-
Economic Development Adjustment			(7)			3				(4)	4
Employee Activities			(126)			49				(77)	77
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(26)			10				(16)	16
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(15)			6				(9)	9
Civic/Social Club Dues			0			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property									(170)	(170)	170
Remove ITC Amortization								-		-	-
OSS Adjustment						-				-	-
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(161,089)</b>	<b>(153,403)</b>	<b>(7,425)</b>	<b>(104)</b>	<b>(453)</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>(170)</b>	<b>(161,427)</b>	<b>338</b>
<b>FPSC ADJUSTED</b>	<b>223,316</b>	<b>-</b>	<b>71,758</b>	<b>49,889</b>	<b>31,674</b>	<b>(30,884)</b>	<b>51,471</b>	<b>-</b>	<b>(170)</b>	<b>173,737</b>	<b>49,579</b>
<b>FLEX RATE REVENUES</b>	<b>(3,648)</b>					<b>(1,407)</b>				<b>(1,407)</b>	<b>(2,241)</b>
<b>ADJUSTED FOR FLEX RATE REVENUES</b>	<b>219,668</b>	<b>-</b>	<b>71,758</b>	<b>49,889</b>	<b>31,674</b>	<b>(32,291)</b>	<b>51,471</b>	<b>-</b>	<b>(170)</b>	<b>172,330</b>	<b>47,338</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>											
Deferred Tax True-up						-				-	-
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRO FORMA ADJUSTED</b>	<b>223,316</b>	<b>-</b>	<b>71,758</b>	<b>49,889</b>	<b>31,674</b>	<b>(30,884)</b>	<b>51,471</b>	<b>-</b>	<b>(170)</b>	<b>173,737</b>	<b>49,579</b>
PER BOOKS											
CURRENT MONTH AMOUNT	30,245	12,446	5,683	4,192	2,529	(4,527)	6,013	-	-	26,336	3,909

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
SEPTEMBER 2012**

SCHEDULE 4

<b>AVERAGE</b>	<b>PER BOOKS</b>	<b>ADJUSTMENTS</b>		<b>ADJUSTED</b>	<b>RATIO (%)</b>	<b>LOW POINT</b>		<b>MIDPOINT</b>		<b>HIGH POINT</b>	
		<b>SPECIFIC</b>	<b>PRO RATA</b>			<b>COST RATE (%)</b>	<b>WEIGHTED COST (%)</b>	<b>COST RATE (%)</b>	<b>WEIGHTED COST (%)</b>	<b>COST RATE (%)</b>	<b>WEIGHTED COST (%)</b>
LONG TERM DEBT	226,923	(3,944)	(4,168)	218,811	35.25%	6.65	2.34	6.65	2.34	6.65	2.34
SHORT TERM DEBT	300	-	(6)	294	0.05%	0.46	0.00	0.46	0.00	0.46	0.00
RESIDENTIAL DEPOSITS	10,316	-	-	10,316	1.66%	5.38	0.09	5.38	0.09	5.38	0.09
COMMERCIAL DEPOSITS	28,719	-	-	28,719	4.63%	6.38	0.30	6.38	0.30	6.38	0.30
INACTIVE DEPOSITS	207	-	-	207	0.03%						
COMMON EQUITY	279,824	451	(5,240)	275,035	44.30%	9.75	4.32	10.75	4.76	11.75	5.21
DEFERRED INCOME TAX	88,092	(656)	-	87,436	14.08%						
TAX CREDITS - ZERO COST	-	-	-	-	0.00%						
<b>TOTAL</b>	<b>634,381</b>	<b>(4,149)</b>	<b>(9,414)</b>	<b>620,818</b>	<b>100.00%</b>		<b>7.05</b>		<b>7.49</b>		<b>7.94</b>

**PEOPLES GAS SYSTEM  
EARNED RETURN ON COMMON EQUITY  
FPSC ADJUSTED BASIS  
SEPTEMBER 2012**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.99 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.34) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.39) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.73) %</u>	
TOTAL	5.26 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>44.30 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.86 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 47,338	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>620,818</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.63 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.34) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.39) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.73) %</u>	
TOTAL	4.90 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>44.30 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.05 %</u></u>	