



PEOPLES GAS

February 15, 2013

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

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FLORIDA PUBLIC SERVICE
COMMISSION
13 FEB 15 PM 3:43
DIVISION OF
ACCOUNTING & FINANCE

Dear Mr. Slemkewicz :

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **December 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

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

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)					
<u>NET OPERATING INCOME</u>	\$ <u>48,337</u>	\$ <u>267</u>	\$ <u>48,604</u>	\$ <u>0</u>	\$ <u>48,604</u>
<u>AVERAGE RATE BASE</u>	\$ <u>648,631</u>	\$ <u>(13,140)</u>	\$ <u>635,491</u>	\$ <u>0</u>	\$ <u>635,491</u>
<u>AVERAGE RATE OF RETURN</u>	<u>7.45</u> %		<u>7.65</u> %		<u>7.65</u> %

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

LOW	<u>6.78</u> %
MIDPOINT	<u>7.22</u> %
HIGH	<u>7.66</u> %

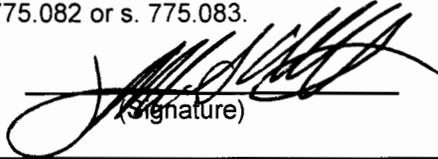
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>11.73</u> %	<u>11.73</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.85</u> %	<u>10.85</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)

2/14/13
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
DECEMBER 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
PER BOOKS	1,137,461	5,032	535,782	9,774	596,937	229	35,984	633,150	15,481	648,631
FPSC ADJUSTMENTS:										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									742	742
Merchandise Inventory									(31)	(31)
Other Accounts Receivable									(6,343)	(6,343)
Non-Utility Allocation	(373)		(159)		(214)			(214)		(214)
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									(1,008)	(1,008)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									557	557
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,601)	(3,601)
Remove Unamortized Rate Case Expense									(157)	(157)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,223)		(724)			(724)		(724)
Remove MSEA Adjustment							(1,225)	(1,225)		(1,225)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(793)	(793)
TOTAL FPSC ADJUSTMENTS	(373)	(2,947)	(2,383)	-	(937)	(229)	(1,340)	(2,506)	(10,634)	(13,140)
FPSC ADJUSTED	1,137,088	2,085	533,399	9,774	596,000	-	34,644	630,644	4,847	635,491
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,137,088	2,085	533,399	9,774	596,000	-	34,644	630,644	4,847	635,491
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,137,088	2,085	533,399	9,774	596,000	-	34,644	630,644	4,847	635,491

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
DECEMBER 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	390,770	157,595	81,408	50,510	32,421	(8,719)	29,218	-	-	342,433	48,337
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(7,315)		(7,315)							(7,315)	-
Non-Utility Allocation				(24)	0	9				(15)	15
Interest Synchronization						(19)				(19)	19
Parent Debt Adjustment						(22)				(22)	22
Remove Fuel Revenues	(158,053)	(157,595)			(458)					(158,053)	-
Economic Development Adjustment			(7)			3				(4)	4
Employee Activities			(128)			49				(79)	79
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
Civic/Social Club Dues			0							-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property	(60)					23			(124)	(101)	41
Remove ITC Amortization										-	-
OSS Adjustment										-	-
TOTAL FPSC ADJUSTMENTS	(165,428)	(157,595)	(7,512)	(104)	(458)	98	-	-	(124)	(165,695)	267
FPSC ADJUSTED	225,342	-	73,896	50,406	31,963	(8,621)	29,218	-	(124)	176,738	48,604
FLEX RATE REVENUES ADJUSTED FOR	(3,962)					(1,528)				(1,528)	(2,434)
FLEX RATE REVENUES	221,380	-	73,896	50,406	31,963	(10,149)	29,218	-	(124)	175,210	46,170
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	225,342	-	73,896	50,406	31,963	(8,621)	29,218	-	(124)	176,738	48,604
PER BOOKS CURRENT MONTH AMOUNT	30,245	12,446	5,683	4,193	2,529	(4,527)	6,013	-	-	26,337	3,908

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

SCHEDULE 4

	<u>AVERAGE</u>	<u>ADJUSTMENTS</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>ADJUSTED</u>	<u>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)	<u>WEIGHTED COST</u> (%)	<u>COST RATE</u> (%)
LONG TERM DEBT	228,830	(4,138)	(4,288)	220,404	34.68%	6.38	2.21	6.38	2.21	6.38	2.21
SHORT TERM DEBT	-	-	-	-	0.00%	0.59	0.00	0.59	0.00	0.59	0.00
RESIDENTIAL DEPOSITS	10,055	-	-	10,055	1.58%	4.33	0.07	4.33	0.07	4.33	0.07
COMMERCIAL DEPOSITS	28,960	-	-	28,960	4.56%	5.33	0.24	5.33	0.24	5.33	0.24
INACTIVE DEPOSITS	215	-	-	215	0.03%						
COMMON EQUITY	281,925	1,296	(5,405)	277,815	43.72%	9.75	4.26	10.75	4.70	11.75	5.14
DEFERRED INCOME TAX	98,646	(604)	-	98,042	15.43%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	648,631	(3,447)	(9,693)	635,491	100.00%		6.78		7.22		7.66

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.65 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.21) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.31) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.52) %</u>	
TOTAL	5.13 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.72 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.73 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 46,170	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>635,491</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.27 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.21) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.31) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.52) %</u>	
TOTAL	4.75 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.72 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.85 %</u></u>	