

COPY



August 15, 2014

Bart Fletcher, Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **June 2014**.

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

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FLORIDA PUBLIC SERVICE
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DIVISION OF
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
JUNE 2014**

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>	\$ 45,686	\$ (674)	\$ 45,012	\$ 0	\$ 45,012
<u>AVERAGE RATE BASE</u>	\$ 695,969	\$ (23,279)	\$ 672,690	\$ 0	\$ 672,690
<u>AVERAGE RATE OF RETURN</u>	6.56 %		6.69 %		6.69 %

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

LOW	6.19	%
MIDPOINT	6.62	%
HIGH	7.05	%

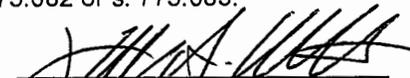
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>		<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	10.92	%	10.92
B. EXCLUDING FLEX RATE REVENUES	10.32	%	10.32

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)

8/14/14
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
JUNE 2014**

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	1,236,981	5,032	593,000	7,595	641,418	1,471	36,448	679,337	16,632	695,969
FPSC ADJUSTMENTS:										
Property for Future Use						(1,471)		(1,471)		(1,471)
Temporary Cash Investment									(4)	(4)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(816)	(816)
Merchandise Inventory									-	-
Other Accounts Receivable									(6,394)	(6,394)
Non-Utility Allocation	(395)		(179)		(216)			(216)		(216)
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									(1,109)	(1,109)
Remove MTM CF Derivative									-	-
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,740	2,740
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,817)	(3,817)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,343)		(604)			(604)		(604)
Remove MSEA Adjustment							(1,225)	(1,225)		(1,225)
Cast Iron/Bare Steel Rider (CIBSR)	(6,543)		(69)		(6,474)		(2,778)	(9,252)		(9,252)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(997)	(997)
TOTAL FPSC ADJUSTMENTS	(6,938)	(2,947)	(2,590)	-	(7,294)	(1,471)	(4,117)	(12,882)	(10,397)	(23,279)
FPSC ADJUSTED	1,230,043	2,085	590,410	7,595	634,124	-	32,331	666,455	6,235	672,690
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,230,043	2,085	590,410	7,595	634,124	-	32,331	666,455	6,235	672,690
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,230,043	2,085	590,410	7,595	634,124	-	32,331	666,455	6,235	672,690

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
JUNE 2014**

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	375,068	129,907	93,537	51,891	33,628	18,789	1,630	-	-	329,382	45,686
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(9,620)		(9,620)			-				(9,620)	-
Non-Utility Allocation				(10)	0	4				(6)	6
Interest Synchronization						135				135	(135)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(130,405)	(129,907)			(498)	-				(130,405)	-
Economic Development Adjustment			(16)			6				(10)	10
Employee Activities			(84)			33				(51)	51
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(33)			13				(20)	20
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(35)			14				(21)	21
Civic/Social Club Dues			0			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property						-			0	-	-
Lease of PHFFU	(60)					23				23	(83)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(53,37)		218.61	(203)	(69)	-				(53)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI OSS Adjustment	(1,017)					(392)				(392)	(625)
TOTAL FPSC ADJUSTMENTS	(141,155)	(129,907)	(9,588)	(294)	(567)	(126)	-	-	-	(140,481)	(674)
FPSC ADJUSTED	233,913	-	83,949	51,597	33,061	18,663	1,630	-	-	188,901	45,012
FLEX RATE REVENUES	(2,812)					(1,085)				(1,085)	(1,727)
ADJUSTED FOR FLEX RATE REVENUES	231,101	-	83,949	51,597	33,061	17,578	1,630	-	-	187,816	43,285
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	233,913	-	83,949	51,597	33,061	18,663	1,630	-	-	188,901	45,012
PER BOOKS CURRENT MONTH AMOUNT	34,224	11,991	5,764	4,429	3,281	3,077	(114)	-	-	28,428	5,796

PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
JUNE 2014

SCHEDULE 4

	AVERAGE 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 (%)
LONG TERM DEBT	232,879	(4,088)	(8,770)	220,021	32.71%	5.50	1.80	5.50	1.80	5.50	1.80
SHORT TERM DEBT	3,408	-	(131)	3,277	0.49%	0.56	0.00	0.56	0.00	0.56	0.00
RESIDENTIAL DEPOSITS	9,324	-	-	9,324	1.39%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS	29,901	-	-	29,901	4.44%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS	247	-	-	247	0.04%						
COMMON EQUITY	301,164	1,969	(11,620)	291,513	43.34%	9.75	4.23	10.75	4.66	11.75	5.09
DEFERRED INCOME TAX	119,046	(640)	-	118,406	17.60%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	695,969	(2,759)	(20,521)	672,690	100.00%		6.19		6.62		7.05

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 JUNE 2014

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.69 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.80) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.96) %</u>	
 TOTAL	 4.73 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>43.34 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.92 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 43,285	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>672,690</u>	(Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 6.43 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.80) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.96) %</u>	
 TOTAL	 4.47 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>43.34 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.32 %</u></u>	