



February 16, 2015

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

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
15 FEB 17 AM 1:22  
DIVISION OF  
ACCOUNTING & FINANCE

Dear Mr. Fletcher:

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

**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
DECEMBER 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>	\$ <u>46,771</u>	\$ <u>(1,089)</u>	\$ <u>45,682</u>	\$ <u>0</u>	\$ <u>45,682</u>
AVERAGE RATE BASE	\$ <u>714,587</u>	\$ <u>(29,039)</u>	\$ <u>685,548</u>	\$ <u>0</u>	\$ <u>685,548</u>
AVERAGE RATE OF RETURN	<u>6.55</u> %		<u>6.66</u> %		<u>6.66</u> %

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

LOW	<u>6.16</u> %
MIDPOINT	<u>6.60</u> %
HIGH	<u>7.03</u> %

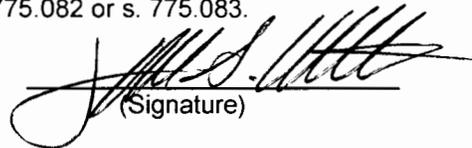
III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.90</u> %	<u>10.90</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.36</u> %	<u>10.36</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)

2/13/15  
(Date)

PSC/AFA13

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

SCHEDULE 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in	Plant	Accumulated	Customer	Net	Property Held	Construction	Net	Working	Total
	Service	Acquisition	Depreciation &	Advances for	Plant in	for Future Use	Work in	Utility Plant	Capital	Rate Base
		Adjustment	Amortization	Construction	Service		Progress			
PER BOOKS	1,266,335	5,032	609,144	8,470	653,753	2,742	41,352	697,847	16,740	714,587
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(2,742)		(2,742)		(2,742)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(115)	(115)
Merchandise Inventory									-	-
Other Accounts Receivable									(6,768)	(6,768)
Non-Utility Allocation	(397)		(180)		(217)			(217)		(217)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,114)	(1,114)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,704	2,704
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,113)	(3,113)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,383)		(564)			(564)		(564)
Remove MSEA Adjustment							-	-		-
Cast Iron/Bare Steel Rider (CIBSR)	(12,943)		(227)		(12,716)		(3,322)	(16,038)		(16,038)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(954)	(954)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(13,339)</b>	<b>(2,947)</b>	<b>(2,789)</b>	<b>-</b>	<b>(13,497)</b>	<b>(2,742)</b>	<b>(3,437)</b>	<b>(19,676)</b>	<b>(9,363)</b>	<b>(29,039)</b>
<b>FPSC ADJUSTED</b>	<b>1,252,996</b>	<b>2,085</b>	<b>606,355</b>	<b>8,470</b>	<b>640,256</b>	<b>-</b>	<b>37,915</b>	<b>678,171</b>	<b>7,377</b>	<b>685,548</b>
<b>FLEX RATE REVENUES</b>										
ADJUSTED FOR										
FLEX RATE REVENUES	1,252,996	2,085	606,355	8,470	640,256	-	37,915	678,171	7,377	685,548
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>										
										-
<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>PRO FORMA ADJUSTED</b>	<b>1,252,996</b>	<b>2,085</b>	<b>606,355</b>	<b>8,470</b>	<b>640,256</b>	<b>-</b>	<b>37,915</b>	<b>678,171</b>	<b>7,377</b>	<b>685,548</b>

**PEOPLES GAS SYSTEM  
NET OPERATING INCOME  
DECEMBER 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	390,918	139,603	94,782	53,948	34,729	6,019	15,066	-	-	344,147	46,771
<b>FPSC ADJUSTMENTS.</b>											
Remove Conservation Charges	(11,229)		(11,229)							(11,229)	-
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						186				186	(186)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(140,144)	(139,603)			(541)					(140,144)	-
Economic Development Adjustment			(13)			5				(8)	8
Employee Activities			(89)			34				(55)	55
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(32)			13				(19)	19
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(44)			17				(27)	27
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)	(166)		361	(390)	(137)					(166)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(1,628)					(628)				(628)	(1,000)
OSS Adjustment										-	-
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(153,228)</b>	<b>(139,603)</b>	<b>(11,065)</b>	<b>(486)</b>	<b>(678)</b>	<b>(306)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(152,138)</b>	<b>(1,089)</b>
<b>FPSC ADJUSTED</b>	<b>237,690</b>	<b>-</b>	<b>83,717</b>	<b>53,462</b>	<b>34,051</b>	<b>5,713</b>	<b>15,066</b>	<b>-</b>	<b>-</b>	<b>192,009</b>	<b>45,682</b>
<b>FLEX RATE REVENUES</b>	<b>(2,633)</b>					<b>(1,016)</b>				<b>(1,016)</b>	<b>(1,617)</b>
<b>ADJUSTED FOR</b>											
<b>FLEX RATE REVENUES</b>	<b>235,057</b>	<b>-</b>	<b>83,717</b>	<b>53,462</b>	<b>34,051</b>	<b>4,697</b>	<b>15,066</b>	<b>-</b>	<b>-</b>	<b>190,993</b>	<b>44,065</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>237,690</b>	<b>-</b>	<b>83,717</b>	<b>53,462</b>	<b>34,051</b>	<b>5,713</b>	<b>15,066</b>	<b>-</b>	<b>-</b>	<b>192,009</b>	<b>45,682</b>
<b>PER BOOKS</b>											
<b>CURRENT MONTH AMOUNT</b>	<b>37,377</b>	<b>14,182</b>	<b>8,234</b>	<b>4,604</b>	<b>3,322</b>	<b>(6,025)</b>	<b>8,337</b>	<b>-</b>	<b>-</b>	<b>32,654</b>	<b>4,723</b>

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
DECEMBER 2014**

SCHEDULE 4

	<u>AVERAGE</u>	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		237,502	(3,879)	(10,750)	222,872	32.51%	5.47	1.78	5.47	1.78	5.47	1.78
SHORT TERM DEBT		4,823		(222)	4,601	0.67%	0.53	0.00	0.53	0.00	0.53	0.00
RESIDENTIAL DEPOSITS		9,562		-	9,562	1.39%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS		30,424		-	30,424	4.44%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS		323		-	323	0.05%						
COMMON EQUITY		310,745	573	(14,325)	296,993	43.32%	9.75	4.22	<b>10.75</b>	4.66	11.75	5.09
DEFERRED INCOME TAX		121,208	(435)	-	120,773	17.62%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
<b>TOTAL</b>		<u>714,587</u>	<u>(3,741)</u>	<u>(25,297)</u>	<u>685,548</u>	<u>100.00%</u>		<u>6.16</u>		<u>6.60</u>		<u>7.03</u>

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.66 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.78) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.94) %</u>	
 TOTAL	 4.72 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>43.32 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.90 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 44,065	(Schedule 3)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ <u>685,548</u>	 (Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>6.43 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.78) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.94) %</u>	
 TOTAL	 4.49 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>43.32 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.36 %</u></u>	