



May 15, 2015

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 **March 2015**.

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
MARCH 2015**

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>47,286</u>	\$ <u>(1,271)</u>	\$ <u>46,015</u>	\$ <u>0</u>	\$ <u>46,015</u>
<u>AVERAGE RATE BASE</u>	\$ <u>725,369</u>	\$ <u>(31,920)</u>	\$ <u>693,449</u>	\$ <u>0</u>	\$ <u>693,449</u>
<u>AVERAGE RATE OF RETURN</u>	<u>6.52</u> %		<u>6.64</u> %		<u>6.64</u> %

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

LOW	<u>6.17</u> %
MIDPOINT	<u>6.61</u> %
HIGH	<u>7.04</u> %

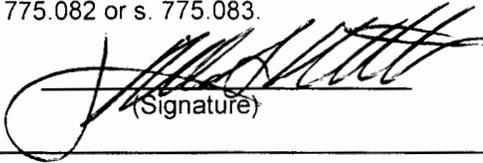
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.82</u> %	<u>10.82</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.28</u> %	<u>10.28</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)

5/14/15
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
MARCH 2015**

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	1,281,814	5,032	618,252	9,009	659,585	2,984	42,958	705,527	19,842	725,369
FPSC ADJUSTMENTS:										
Property for Future Use						(2,984)		(2,984)		(2,984)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(469)	(469)
Merchandise Inventory									-	-
Other Accounts Receivable									(6,389)	(6,389)
Non-Utility Allocation	(396)		(179)		(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									(1,116)	(1,116)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,644	2,644
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,832)	(2,832)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,403)		(544)			(544)		(544)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(15,998)		(318)		(15,680)		(3,184)	(18,864)		(18,864)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,030)	(1,030)
TOTAL FPSC ADJUSTMENTS	(16,394)	(2,947)	(2,899)	-	(16,442)	(2,984)	(3,299)	(22,724)	(9,195)	(31,920)
FPSC ADJUSTED	1,265,420	2,085	615,353	9,009	643,143	-	39,659	682,803	10,647	693,449
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,265,420	2,085	615,353	9,009	643,143	-	39,659	682,803	10,647	693,449
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,265,420	2,085	615,353	9,009	643,143	-	39,659	682,803	10,647	693,449

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
MARCH 2015**

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	390,286	135,910	96,255	54,542	35,117	5,481	15,695	-	-	343,000	47,286
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(11,996)		(11,996)			-				(11,996)	-
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						211				211	(211)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(136,432)	(135,910)			(522)	-				(136,432)	-
Economic Development Adjustment			(12)			4				(8)	8
Employee Activities			(81)			31				(50)	50
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(35)			14				(21)	21
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(47)			18				(29)	29
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)	(228.53)		361	(399)	(191)	-				(229)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI OSS Adjustment	(1,881)					(725)				(725)	(1,156)
	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(150,598)	(135,910)	(11,829)	(495)	(714)	(380)	-	-	-	(149,327)	(1,271)
FPSC ADJUSTED	239,688	-	84,426	54,047	34,403	5,101	15,695	-	-	193,673	46,015
FLEX RATE REVENUES	(2,651)					(1,023)				(1,023)	(1,628)
ADJUSTED FOR											
FLEX RATE REVENUES	237,037	-	84,426	54,047	34,403	4,078	15,695	-	-	192,650	44,387
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	239,688	-	84,426	54,047	34,403	5,101	15,695	-	-	193,673	46,015
PER BOOKS											
CURRENT MONTH AMOUNT	37,676	12,821	9,043	4,631	3,508	2,755	(229)	-	-	32,529	5,147

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
MARCH 2015**

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		239,812	(3,772)	(11,846)	224,194	32.33%	5.46	1.77	5.46	1.77	5.46	1.77
SHORT TERM DEBT		2,504		(126)	2,378	0.34%	0.63	0.00	0.63	0.00	0.63	0.00
RESIDENTIAL DEPOSITS		9,724		-	9,724	1.40%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS		30,656		-	30,656	4.42%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS		357		-	357	0.05%						
COMMON EQUITY		317,537	128	(15,943)	301,722	43.51%	9.75	4.24	10.75	4.68	11.75	5.11
DEFERRED INCOME TAX		124,780	(362)	-	124,418	17.94%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		<u>725,370</u>	<u>(4,006)</u>	<u>(27,915)</u>	<u>693,449</u>	<u>100.00%</u>		<u>6.17</u>		<u>6.61</u>		<u>7.04</u>

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 MARCH 2015

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.64 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.77) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.93) %</u>	
TOTAL	4.71 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.51 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.82 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 44,387	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>693,449</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.40 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.77) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.93) %</u>	
TOTAL	4.47 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.51 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.28 %</u></u>	