



PEOPLES GAS

August 17, 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 **June 2015**.

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
JUNE 2015**

SCHEDULE 1

	(1) Actual <u>Per Books</u>	(2) FPSC <u>Adjustments</u>	(3) FPSC <u>Adjusted</u>	(4) Pro Forma <u>Adjustments</u>	(5) Pro Forma <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ 47,616	\$ (1,454)	\$ 46,162	\$ 0	\$ 46,162
AVERAGE RATE BASE	\$ 738,589	\$ (35,199)	\$ 703,390	\$ 0	\$ 703,390
AVERAGE RATE OF RETURN	6.45 %		6.56 %		6.56 %

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

LOW	<u>6.13 %</u>
MIDPOINT	<u>6.56 %</u>
HIGH	<u>6.99 %</u>

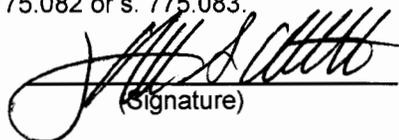
III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.76 %</u>	<u>10.76 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>10.23 %</u>	<u>10.23 %</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)

8/13/15
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
JUNE 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	1,301,741	5,032	627,529	9,756	669,488	2,904	40,368	712,760	25,829	738,589
FPSC ADJUSTMENTS:										
Property for Future Use						(2,904)		(2,904)		(2,904)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(1,158)	(1,158)
Merchandise Inventory									-	-
Other Accounts Receivable									(6,489)	(6,489)
Non-Utility Allocation	(398)		(175)		(222)			(222)		(222)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,143)	(1,143)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									2,820	2,820
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,685)	(2,685)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,423)		(524)			(524)		(524)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(19,330)		(430)		(18,900)		(2,892)	(21,792)		(21,792)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(983)	(983)
TOTAL FPSC ADJUSTMENTS	(19,728)	(2,947)	(3,027)	-	(19,647)	(2,904)	(3,006)	(25,558)	(9,641)	(35,199)
FPSC ADJUSTED	1,282,013	2,085	624,502	9,756	649,841	-	37,362	687,202	16,188	703,390
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,282,013	2,085	624,502	9,756	649,841	-	37,362	687,202	16,188	703,390
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,282,013	2,085	624,502	9,756	649,841	-	37,362	687,202	16,188	703,390

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
JUNE 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	392,569	137,417	96,082	55,207	35,054	4,960	16,233	-	-	344,953	47,616
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(15,085)		(15,085)			-				(15,085)	0.00
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						239				239	(239)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(137,901)	(137,417)			(484)	-				(137,901)	-
Economic Development Adjustment			(12)			5				(7)	7
Employee Activities			(74)			29				(45)	45
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(37)			14				(23)	23
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(50)			19				(31)	31
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)	(871)		(141)	(485)	(245)	-				(871)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(2,129)					(821)				(821)	(1,308)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(156,045)	(137,417)	(15,416)	(581)	(729)	(448)	-	-	-	(154,591)	(1,454)
FPSC ADJUSTED	236,524	-	80,666	54,626	34,325	4,512	16,233	-	-	190,362	46,162
FLEX RATE REVENUES	(2,599)					(1,003)				(1,003)	(1,596)
ADJUSTED FOR											
FLEX RATE REVENUES	233,925	-	80,666	54,626	34,325	3,509	16,233	-	-	189,359	44,565
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	236,524	-	80,666	54,626	34,325	4,512	16,233	-	-	190,362	46,162
PER BOOKS											
CURRENT MONTH AMOUNT	31,846	11,507	7,506	4,701	2,703	1,454	114	-	-	27,985	3,861

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

SCHEDULE 4

	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 (%)
AVERAGE											
LONG TERM DEBT	244,426	(3,624)	(13,423)	227,379	32.33%	5.42	1.75	5.42	1.75	5.42	1.75
SHORT TERM DEBT	2,504		(140)	2,364	0.34%	0.63	0.00	0.63	0.00	0.63	0.00
RESIDENTIAL DEPOSITS	9,878		-	9,878	1.40%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS	30,880		-	30,880	4.39%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS	354		-	354	0.05%						
COMMON EQUITY	321,958	320	(17,965)	304,313	43.26%	9.75	4.22	10.75	4.65	11.75	5.08
DEFERRED INCOME TAX	128,589	(367)	-	128,222	18.23%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	738,589	(3,670)	(31,528)	703,390	100.00%		6.13		6.56		6.99

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.56 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.75) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.91) %</u>	
TOTAL	4.65 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.26 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.76 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 44,565	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>703,390</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.34 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.75) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.91) %</u>	
TOTAL	4.43 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>43.26 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.23 %</u></u>	