



March 2, 2015

Mr. Marshall Willis, Director
Florida Public Service Commission
Division of Accounting and Finance
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Willis:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 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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FLORIDA PUBLIC SERVICE
COMMISSION
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DIVISION OF
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
2015 Budget**

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>50,440</u>	\$ <u>(1,644)</u>	\$ <u>48,796</u>	\$ <u>0</u>	\$ <u>48,796</u>
<u>AVERAGE RATE BASE</u>	\$ <u>776,671</u>	\$ <u>(48,071)</u>	\$ <u>728,600</u>	\$ <u>0</u>	\$ <u>728,600</u>
<u>AVERAGE RATE OF RETURN</u>	<u>6.49</u> %		<u>6.70</u> %		<u>6.70</u> %

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

LOW	<u>6.03</u> %
MIDPOINT	<u>6.45</u> %
HIGH	<u>6.87</u> %

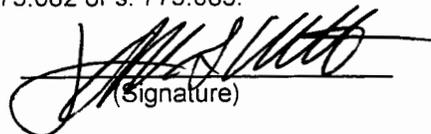
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>11.33</u> %	<u>11.33</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>10.80</u> %	<u>10.80</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)

2/27/15
(Date)

PSC/AFA13

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

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	1,332,591	5,032	653,294	7,753	676,576	8,625	57,856	743,057	33,614	776,671
<u>FPSC ADJUSTMENTS:</u>										
Property for Future Use						(8,625)		(8,625)		(8,625)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(7,106)	(7,106)
Non-Utility Allocation	(403)		(196)		(208)			(208)		(208)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,191)	(1,191)
Remove Unrecovered Gas Cost									(2,802)	(2,802)
Remove Dividends Declared									1,843	1,843
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,694)	(2,694)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,462)		(485)			(485)		(485)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(25,361)		(815)		(24,546)		(1,048)	(25,594)		(25,594)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,095)	(1,095)
TOTAL FPSC ADJUSTMENTS	(25,765)	(2,947)	(3,473)	-	(25,238)	(8,625)	(1,163)	(35,026)	(13,045)	(48,071)
FPSC ADJUSTED	1,306,826	2,085	649,821	7,753	651,338	-	56,693	708,031	20,569	728,600
<u>FLEX RATE REVENUES</u>										
ADJUSTED FOR										
FLEX RATE REVENUES	1,306,826	2,085	649,821	7,753	651,338	-	56,693	708,031	20,569	728,600
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,306,826	2,085	649,821	7,753	651,338	-	56,693	708,031	20,569	728,600

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

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	388,165	130,396	94,645	56,014	33,836	13,221	9,613	-	-	337,725	50,440
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(14,385)		(14,385)			-				(14,385)	-
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						264				264	(264)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(130,925)	(130,396)			(529)	-				(130,925)	-
Economic Development Adjustment			(17)			7				(10)	10
Employee Activities			(89)			34				(55)	55
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)			(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)	(1,129)		-	(776)	(353)	-				(1,129)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(2,410)					(930)				(930)	(1,480)
OSS Adjustment						-				-	-
TOTAL FPSC ADJUSTMENTS	(148,908)	(130,396)	(14,586)	(872)	(882)	(528)	-	-	-	(147,264)	(1,644)
FPSC ADJUSTED	239,257	-	80,059	55,142	32,954	12,693	9,613	-	-	190,461	48,796
FLEX RATE REVENUES ADJUSTED FOR	(2,640)					(1,018)				(1,018)	(1,622)
FLEX RATE REVENUES	236,617	-	80,059	55,142	32,954	11,675	9,613	-	-	189,443	47,174
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	239,257	-	80,059	55,142	32,954	12,693	9,613	-	-	190,461	48,796
PER BOOKS CURRENT MONTH AMOUNT	36,563	13,252	7,920	4,566	3,091	1,492	1,013	-	-	31,334	5,229

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

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	253,671	(3,590)	(16,031)	234,050	32.12%	5.44	1.75	5.44	1.75	5.44	1.75
SHORT TERM DEBT	7,802		(500)	7,302	1.00%	1.40	0.01	1.40	0.01	1.40	0.01
RESIDENTIAL DEPOSITS	10,154		-	10,154	1.39%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS	32,265		-	32,265	4.43%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS	261		-	261	0.04%						
COMMON EQUITY	334,738	(6,531)	(21,039)	307,168	42.16%	9.75	4.11	10.75	4.53	11.75	4.95
DEFERRED INCOME TAX	137,780	(381)	-	137,399	18.86%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	776,671	(10,502)	(37,570)	728,600	100.00%		6.03		6.45		6.87

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.70 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.75) %	
SHORT TERM DEBT	(0.01) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.92) %</u>	
TOTAL	4.78 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.16 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.33 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 47,174	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>728,600</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.47 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.75) %	
SHORT TERM DEBT	(0.01) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.92) %</u>	
TOTAL	4.55 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.16 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.80 %</u></u>	