



May 16, 2016

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 2016**.

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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DIVISION OF
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
MARCH 2016**

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>46,255</u>	\$ <u>(1,979)</u>	\$ <u>44,276</u>	\$ <u>0</u>	\$ <u>44,276</u>
<u>AVERAGE RATE BASE</u>	\$ <u>781,080</u>	\$ <u>(46,544)</u>	\$ <u>734,536</u>	\$ <u>0</u>	\$ <u>734,536</u>
<u>AVERAGE RATE OF RETURN</u>	<u>5.92</u> %		<u>6.03</u> %		<u>6.03</u> %

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

LOW	<u>6.08</u> %
MIDPOINT	<u>6.51</u> %
HIGH	<u>6.94</u> %

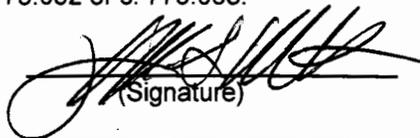
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>9.64</u> %	<u>9.64</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>9.17</u> %	<u>9.17</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)

5/10/16
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
MARCH 2016**

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	1,368,068	5,032	657,088	11,391	704,621	2,181	31,572	738,374	42,706	781,080
FPSC ADJUSTMENTS:										
Property for Future Use						(2,181)		(2,181)		(2,181)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(2,658)	(2,658)
Merchandise Inventory									-	-
Other Accounts Receivable									(7,388)	(7,388)
Non-Utility Allocation	(407)		(168)		(239)			(239)		(239)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,226)	(1,226)
Remove Unrecovered Gas Cost									(777)	(777)
Remove Dividends Declared									1,775	1,775
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,549)	(2,549)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,482)		(465)			(465)		(465)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(28,031)		(893)		(27,138)		(2,420)	(29,558)		(29,558)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,160)	(1,160)
TOTAL FPSC ADJUSTMENTS	(28,438)	(2,947)	(3,543)	-	(27,842)	(2,181)	(2,535)	(32,558)	(13,986)	(46,544)
FPSC ADJUSTED	1,339,630	2,085	653,545	11,391	676,779	-	29,037	705,816	28,720	734,536
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,339,630	2,085	653,545	11,391	676,779	-	29,037	705,816	28,720	734,536
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,339,630	2,085	653,545	11,391	676,779	-	29,037	705,816	28,720	734,536

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
MARCH 2016**

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	404,529	145,630	99,852	57,527	35,757	1,404	18,104	-	-	358,274	46,255
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(13,577)		(13,577)			-				(13,577)	0
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						339				339	(339)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(146,087)	(145,630)			(457)	-				(146,087)	-
Economic Development Adjustment			(19)			7				(12)	12
Employee Activities			(37)			14				(23)	23
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(38)			15				(23)	23
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)	(1,563.45)		(377.58)	(777)	(409)	-				(1,563)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(2,788)					(1,075)				(1,075)	(1,713)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(164,075)	(145,630)	(14,112)	(873)	(865)	(615)	-	-	-	(162,096)	(1,979)
FPSC ADJUSTED	240,454	-	85,740	56,654	34,892	789	18,104	-	-	196,178	44,276
FLEX RATE REVENUES ADJUSTED FOR	(2,370)					(914)				(914)	(1,456)
FLEX RATE REVENUES	238,085	-	85,740	56,654	34,892	(125)	18,104	-	-	195,264	42,821
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	240,454	-	85,740	56,654	34,892	789	18,104	-	-	196,178	44,276
PER BOOKS CURRENT MONTH AMOUNT	33,008	10,607	10,025	4,846	3,137	(9,712)	10,962	-	-	29,865	3,143

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
MARCH 2016**

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		258,261	(3,142)	(18,162)	236,957	32.26%	5.36	1.73	5.36	1.73	5.36	1.73
SHORT TERM DEBT		177		(13)	164	0.02%	1.01	0.00	1.01	0.00	1.01	0.00
RESIDENTIAL DEPOSITS		10,126		-	10,126	1.38%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS		30,911		-	30,911	4.21%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS		320		-	320	0.04%						
COMMON EQUITY		340,110	(536)	(24,175)	315,399	42.94%	9.75	4.19	10.75	4.62	11.75	5.05
DEFERRED INCOME TAX		141,175	(516)	-	140,659	19.15%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		<u>781,080</u>	<u>(4,194)</u>	<u>(42,350)</u>	<u>734,536</u>	<u>100.00%</u>		<u>6.08</u>		<u>6.51</u>		<u>6.94</u>

PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
MARCH 2016

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.03 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.73) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.89) %</u>	
 TOTAL	 4.14 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>42.94 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>9.64 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 42,821	(Schedule 3)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ <u>734,536</u>	(Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>5.83 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.73) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.16) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.89) %</u>	
 TOTAL	 3.94 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>42.94 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>9.17 %</u></u>	