



August 15, 2017

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 2017**.

Please let me know if you have any questions.

Respectfully,

Jeffrey S. Chronister
Controller

Enclosures

cc: Office of Public Counsel – J.R. Kelly

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ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
JUNE 2017**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ 49,232	\$ (2,880)	\$ 46,352	\$ 0	\$ 46,352
<u>AVERAGE RATE BASE</u>	\$ 833,093	\$ (58,970)	\$ 774,123	\$ 0	\$ 774,123
<u>AVERAGE RATE OF RETURN</u>	5.91 %		5.99 %		5.99 %

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

LOW	<u>5.63 %</u>
MIDPOINT	<u>6.26 %</u>
HIGH	<u>6.67 %</u>

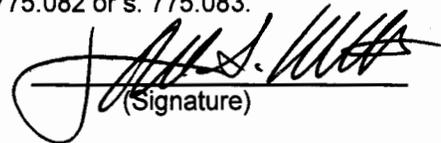
III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	<u>10.10 %</u>	<u>10.10 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>9.66 %</u>	<u>9.66 %</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)

8/11/17
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
JUNE 2017**

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	1,501,969	5,032	698,230	12,336	796,435	1,940	28,032	826,407	6,686	833,093
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(6,445)	(6,445)
Non-Utility Allocation	(428)		(133)		(294)			(294)		(294)
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									-	-
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,653)	(2,653)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,582)		(365)			(365)		(365)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(44,124)		(1,908)		(42,216)		(2,527)	(44,743)		(44,743)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,269)	(1,269)
TOTAL FPSC ADJUSTMENTS	(44,552)	(2,947)	(4,623)	-	(42,876)	(1,940)	(2,641)	(47,457)	(11,513)	(58,970)
FPSC ADJUSTED	1,457,417	2,085	693,607	12,336	753,559	-	25,391	778,950	(4,827)	774,123
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,457,417	2,085	693,607	12,336	753,559	-	25,391	778,950	(4,827)	774,123
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,457,417	2,085	693,607	12,336	753,559	-	25,391	778,950	(4,827)	774,123

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
JUNE 2017**

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	409,993	146,773	103,360	55,987	35,511	244	21,027	-	(2,141)	360,761	49,232
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(14,013)		(14,013)			-				(14,013)	0
Non-Utility Allocation				(18)	-	7				(11)	11
Interest Synchronization						434				434	(434)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(147,168)	(146,773)			(395)	-				(147,168)	-
Economic Development Adjustment			(13)			5				(8)	8
Employee Activities			(67)			26				(41)	41
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(46)			18				(28)	28
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(12)			5				(7)	7
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property						-				-	-
Lease of PHFFU	(60)					(23)				(23)	(37)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(220)		1,451	(998)	(673)	-				(220)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(4,176)					(1,611)				(1,611)	(2,565)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(165,637)	(146,773)	(12,719)	(1,096)	(1,068)	(1,101)	-	-	-	(162,757)	(2,880)
FPSC ADJUSTED	244,356	-	90,641	54,891	34,443	(857)	21,027	-	(2,141)	198,004	46,352
FLEX RATE REVENUES	(2,327)					(898)				(898)	(1,429)
ADJUSTED FOR FLEX RATE REVENUES	242,029	-	90,641	54,891	34,443	(1,755)	21,027	-	(2,141)	197,106	44,923
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	244,356	-	90,641	54,891	34,443	(857)	21,027	-	(2,141)	198,004	46,352
PER BOOKS CURRENT MONTH AMOUNT	30,628	9,351	9,567	4,305	2,696	(962)	2,569	-	-	27,526	3,102

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
JUNE 2017**

SCHEDULE 4

<u>AVERAGE</u>	<u>PER BOOKS</u>	<u>ADJUSTMENTS</u>		<u>ADJUSTED</u>	<u>RATIO (%)</u>	<u>LOW POINT</u>		<u>MIDPOINT</u>		<u>HIGH POINT</u>	
		<u>SPECIFIC</u>	<u>PRO RATA</u>			<u>COST RATE (%)</u>	<u>WEIGHTED COST (%)</u>	<u>COST RATE (%)</u>	<u>WEIGHTED COST (%)</u>	<u>COST RATE (%)</u>	<u>WEIGHTED COST (%)</u>
LONG TERM DEBT	261,358	(2,489)	(21,773)	237,096	30.63%	5.32	1.63	5.32	1.63	5.32	1.63
SHORT TERM DEBT	21,132		(1,777)	19,355	2.50%	1.69	0.04	1.69	0.04	1.69	0.04
RESIDENTIAL DEPOSITS	8,277		-	8,277	1.07%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS	21,990		-	21,990	2.84%	3.00	0.09	3.00	0.09	3.00	0.09
INACTIVE DEPOSITS	413		-	413	0.05%						
COMMON EQUITY	354,593	(2,563)	(29,609)	322,421	41.65%	9.25	3.85	10.75	4.48	11.75	4.89
DEFERRED INCOME TAX	165,330	(759)	-	164,571	21.26%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	833,093	(5,811)	(53,160)	774,123	100.00%		5.63		6.26		6.67

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
JUNE 2017**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.99 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.63) %	
SHORT TERM DEBT	(0.04) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.11) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
 TOTAL	 4.21 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.65 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.10 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 44,923	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>774,123</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.80 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.63) %	
SHORT TERM DEBT	(0.04) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.11) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.78) %</u>	
 TOTAL	 4.02 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.65 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.66 %</u></u>	