



PEOPLES GAS

May 15, 2012

Mr. John Slemkewicz, Supervisor
Bureau of Rate Filings and Surveillance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Slemkewicz :

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **March 2012.**

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
MARCH 2012**

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>	\$ <u>43,700</u>	\$ <u>(142)</u>	\$ <u>43,558</u>	\$ <u>0</u>	\$ <u>43,558</u>
AVERAGE RATE BASE	\$ <u>607,507</u>	\$ <u>(16,900)</u>	\$ <u>590,607</u>	\$ <u>0</u>	\$ <u>590,607</u>
AVERAGE RATE OF RETURN	<u>7.19</u> %		<u>7.38</u> %		<u>7.38</u> %

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

LOW	<u>7.25</u> %
MIDPOINT	<u>7.71</u> %
HIGH	<u>8.17</u> %

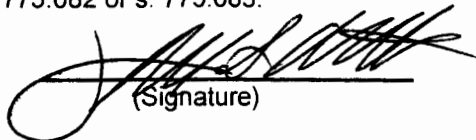
III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.02</u> %	<u>10.02</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>9.22</u> %	<u>9.22</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)

5/14/12
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
MARCH 2012**

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	1,090,830	5,065	504,358	9,729	581,808	229	21,739	603,776	3,731	607,507
FPSC ADJUSTMENTS:										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(2,467)	(2,467)
Merchandise Inventory									(46)	(46)
Other Accounts Receivable									(5,571)	(5,571)
Non-Utility Allocation	(354)		(148)		(205)			(205)		(205)
Remove Regulatory Tax Asset									-	-
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,297)	(1,297)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(3,337)	(3,337)
Remove Unamortized Rate Case Expense									(285)	(285)
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,164)		(783)			(783)		(783)
Remove MSEA Adjustment							(1,225)	(1,225)		(1,225)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,340)	(1,340)
TOTAL FPSC ADJUSTMENTS	<u>(354)</u>	<u>(2,947)</u>	<u>(2,312)</u>	<u>-</u>	<u>(989)</u>	<u>(229)</u>	<u>(1,340)</u>	<u>(2,557)</u>	<u>(14,343)</u>	<u>(16,900)</u>
FPSC ADJUSTED	<u>1,090,476</u>	<u>2,118</u>	<u>502,046</u>	<u>9,729</u>	<u>580,819</u>	<u>-</u>	<u>20,399</u>	<u>601,219</u>	<u>(10,612)</u>	<u>590,607</u>
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	<u>1,090,476</u>	<u>2,118</u>	<u>502,046</u>	<u>9,729</u>	<u>580,819</u>	<u>-</u>	<u>20,399</u>	<u>601,219</u>	<u>(10,612)</u>	<u>590,607</u>
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
									-	-
TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRO FORMA ADJUSTED	<u>1,090,476</u>	<u>2,118</u>	<u>502,046</u>	<u>9,729</u>	<u>580,819</u>	<u>-</u>	<u>20,399</u>	<u>601,219</u>	<u>(10,612)</u>	<u>590,607</u>

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
MARCH 2012**

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	399,086	172,101	84,848	49,060	32,870	(28,031)	44,538	-	-	355,386	43,700
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(7,010)		(7,010)			-				(7,010)	-
Non-Utility Allocation				(24)	0	9				(15)	15
Interest Synchronization						541				541	(541)
Parent Debt Adjustment						(31)				(31)	31
Remove Fuel Revenues	(172,594)	(172,101)			(493)	-				(172,594)	-
Economic Development Adjustment			(6)			2				(4)	4
Employee Activities			(129)			50				(79)	79
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(23)			9				(14)	14
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(15)			6				(9)	9
Civic/Social Club Dues			0			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property									(186)	(186)	186
Remove ITC Amortization										-	-
OSS Adjustment										-	-
TOTAL FPSC ADJUSTMENTS	(179,604)	(172,101)	(7,201)	(104)	(493)	624	-	-	(186)	(179,462)	(142)
FPSC ADJUSTED	219,482	-	77,647	48,956	32,377	(27,407)	44,538	-	(186)	175,924	43,558
FLEX RATE REVENUES ADJUSTED FOR	(3,519)					(1,357)				(1,357)	(2,162)
FLEX RATE REVENUES	215,963	-	77,647	48,956	32,377	(28,764)	44,538	-	(186)	174,567	41,396
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up											
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	219,482	-	77,647	48,956	32,377	(27,407)	44,538	-	(186)	175,924	43,558
PER BOOKS CURRENT MONTH AMOUNT	32,716	11,973	7,193	4,228	2,898	(234)	2,155	-	-	28,213	4,503

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
MARCH 2012**

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		224,097	(3,905)	(5,328)	214,864	36.38%	6.34	2.31	6.34	2.31	6.34	2.31
SHORT TERM DEBT		408	-	(10)	398	0.07%	0.30	0.00	0.30	0.00	0.30	0.00
RESIDENTIAL DEPOSITS		10,715	-	-	10,715	1.81%	6.00	0.11	6.00	0.11	6.00	0.11
COMMERCIAL DEPOSITS		28,379	-	-	28,379	4.81%	7.00	0.34	7.00	0.34	7.00	0.34
INACTIVE DEPOSITS		203	-	-	203	0.03%						
COMMON EQUITY		278,920	(139)	(6,746)	272,035	46.06%	9.75	4.49	10.75	4.95	11.75	5.41
DEFERRED INCOME TAX		64,785	(773)	-	64,012	10.84%						
TAX CREDITS - ZERO COST		-	-	-	-	0.00%						
TOTAL		607,507	(4,817)	(12,083)	590,607	100.00%		7.25		7.71		8.17

PEOPLES GAS SYSTEM
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS
 MARCH 2012

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.38 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.31) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.45) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.76) %</u>	
TOTAL	4.62 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>46.06 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.02 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 41,396	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>590,607</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.01 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(2.31) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.45) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(2.76) %</u>	
TOTAL	4.25 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>46.06 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.22 %</u></u>	