



PEOPLES GAS

AN EMERA COMPANY

November 15, 2017

Bart Fletcher, Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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DIVISION OF
ACCOUNTING & FINANCE

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **September 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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**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
SEPTEMBER 2017**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME	\$ 50,537	\$ (3,160)	\$ 47,377	\$ 0	\$ 47,377
AVERAGE RATE BASE	\$ 854,895	\$ (62,888)	\$ 792,007	\$ 0	\$ 792,007
AVERAGE RATE OF RETURN	5.91 %		5.98 %		5.98 %

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

LOW	5.59 %
MIDPOINT	6.21 %
HIGH	6.63 %

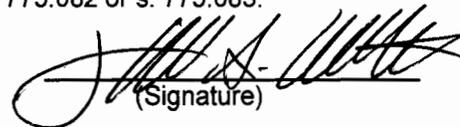
III. EARNED RETURN ON EQUITY

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	10.19 %	10.19 %
B. EXCLUDING FLEX RATE REVENUES	9.77 %	9.77 %

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)

11/11/17
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
SEPTEMBER 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	1,528,318	5,032	701,862	11,739	819,749	1,940	26,059	847,748	7,147	854,895
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									(6,055)	(6,055)
Non-Utility Allocation	(447)		(131)		(316)			(316)		(316)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,119)	(1,119)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,692)	(2,692)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,602)		(345)			(345)		(345)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(48,378)		(2,171)		(46,207)		(2,783)	(48,990)		(48,990)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,314)	(1,314)
TOTAL FPSC ADJUSTMENTS	(48,825)	(2,947)	(4,904)	-	(46,868)	(1,940)	(2,897)	(51,705)	(11,183)	(62,888)
FPSC ADJUSTED	1,479,493	2,085	696,958	11,739	772,881	-	23,162	796,043	(4,036)	792,007
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,479,493	2,085	696,958	11,739	772,881	-	23,162	796,043	(4,036)	792,007
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,479,493	2,085	696,958	11,739	772,881	-	23,162	796,043	(4,036)	792,007

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
SEPTEMBER 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	415,699	150,253	105,106	53,610	35,168	(575)	23,741	-	(2,141)	365,162	50,537
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(15,465)		(15,465)			-				(15,465)	0
Non-Utility Allocation				(17)	-	7				(10)	10
Interest Synchronization						497				497	(497)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(150,660)	(150,253)			(407)	-				(150,660)	-
Economic Development Adjustment			(14)			5				(9)	9
Employee Activities			(82)			32				(50)	50
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(41)			16				(25)	25
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(31)			12				(19)	19
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)	210		2,040	(1,108)	(722)	-				210	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(4,557)					(1,758)				(1,758)	(2,799)
OSS Adjustment						-				-	-
TOTAL FPSC ADJUSTMENTS	(170,532)	(150,253)	(13,612)	(1,205)	(1,129)	(1,174)	-	-	-	(167,372)	(3,160)
FPSC ADJUSTED	245,167	-	91,494	52,405	34,039	(1,749)	23,741	-	(2,141)	197,790	47,377
FLEX RATE REVENUES	(2,275)					(878)				(878)	(1,397)
ADJUSTED FOR FLEX RATE REVENUES	242,891	-	91,494	52,405	34,039	(2,627)	23,741	-	(2,141)	196,912	45,979
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	245,167	-	91,494	52,405	34,039	(1,749)	23,741	-	(2,141)	197,790	47,377
PER BOOKS CURRENT MONTH AMOUNT	37,220	16,309	8,838	4,361	2,579	1,584	102	-	-	33,773	3,447

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

SCHEDULE 4

<u>AVERAGE</u>	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	261,363	(2,358)	(22,773)	236,233	29.83%	5.32	1.59	5.32	1.59	5.32	1.59
SHORT TERM DEBT	30,518		(2,683)	27,835	3.51%	1.69	0.06	1.69	0.06	1.69	0.06
RESIDENTIAL DEPOSITS	7,718		-	7,718	0.97%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS	20,696		-	20,696	2.61%	3.00	0.08	3.00	0.08	3.00	0.08
INACTIVE DEPOSITS	441		-	441	0.06%						
COMMON EQUITY	363,281	(2,687)	(31,705)	328,890	41.53%	9.25	3.84	10.75	4.46	11.75	4.88
DEFERRED INCOME TAX	171,010	(815)	-	170,195	21.49%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	855,027	(5,860)	(57,160)	792,007	100.00%		5.59		6.21		6.63

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.98 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.59) %	
SHORT TERM DEBT	(0.06) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.10) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.75) %</u>	
 TOTAL	 4.23 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.53 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>10.19 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 45,979	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>792,007</u>	(Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 5.81 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.59) %	
SHORT TERM DEBT	(0.06) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.10) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.75) %</u>	
 TOTAL	 4.06 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>41.53 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>9.77 %</u></u>	