



**PEOPLES GAS**

**November 15, 2010**

FLORIDA PUBLIC SERVICE  
10 NOV 15 PM 3:49  
ECONOMIC REGULATION

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 **September 2010.**

Please let me know if you have any questions.

Respectfully,

Jeffrey S. Chronister  
Controller

Enclosures

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

**PEOPLES GAS SYSTEM**  
**EARNINGS SURVEILLANCE REPORT SUMMARY**  
 September 2010

SCHEDULE 1

	(1) Actual	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
Per Books					
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 54,141	\$ 6,145	\$ 60,286	\$ (3,985)	\$ 56,301
AVERAGE RATE BASE	\$ 575,680	\$ (23,691)	\$ 551,989	\$ 0	\$ 551,989
AVERAGE RATE OF RETURN	9.40 %		10.92 %		10.20 %

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

LOW	7.93 %
MIDPOINT	8.41 %
HIGH	8.89 %

III. EARNED RETURN ON EQUITY

	FPSC	PRO FORMA
A. INCLUDING	ADJUSTED	ADJUSTED
FLEX RATE REVENUES	15.96 %	14.46 %
B. EXCLUDING	FLEX RATE REVENUES	FLEX RATE REVENUES
	15.11 %	13.61 %

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)

11/12/10  
 (Date)

PSC/AFA13

PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
September 2010

	(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	1,020,124	5,249	450,868	9,072	565,433	229	12,565	578,227	(2,547)	575,680
FPSC ADJUSTMENTS:										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment										
Notes Receivable										
Accounts Rec./Pay - Assoc Companies										
Merchandise Inventory										
Other Accounts Receivable	(337)		(141)		(196)			(196)		(196)
Non-Utility Allocation										
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										
Remove Unrecovered Gas Cost										
Remove Dividends Declared									254	254
Remove Unrec. Conservation Costs										
Remove Competitive Rate Adjustment									(2,994)	(2,994)
Remove Unamortized Rate Case Expense									(543)	(543)
Gain on Sale of Property										
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,044)		(903)		(1,080)	(903)		(903)
Remove MSEA Adjustment										
Other Comp. Income (Unsettled hedges)										
Remove Investment in Subsidiaries										
TOTAL FPSC ADJUSTMENTS	(337)	(2,947)	(2,185)		(1,099)	(229)	(1,195)	(2,522)	(1,463)	(23,691)
FPSC ADJUSTED	1,019,787	2,302	448,683	9,072	564,334	-	11,370	575,705	(23,716)	551,989
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,019,787	2,302	448,683	9,072	564,334	-	11,370	575,705	(23,716)	551,989
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS										
PRO FORMA ADJUSTED	1,019,787	2,302	448,683	9,072	564,334	-	11,370	575,705	(23,716)	551,989



PEOPLES GAS SYSTEM  
 CAPITAL STRUCTURE  
 FPSC ADJUSTED BASIS  
 September 2010

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	229,172	(5,467)	(8,063)	215,642	39.07%	7.08	2.77	7.08	2.77	7.08	2.77
SHORT TERM DEBT	1,404	-	(51)	1,353	0.25%	0.69	0.00	0.69	0.00	0.69	0.00
RESIDENTIAL DEPOSITS	10,096	-	-	10,096	1.83%	6.00	0.11	6.00	0.11	6.00	0.11
COMMERCIAL DEPOSITS	27,284	-	-	27,284	4.94%	7.00	0.35	7.00	0.35	7.00	0.35
INACTIVE DEPOSITS	221	-	-	221	0.04%	-	-	-	-	-	-
COMMON EQUITY	275,583	390	(9,947)	266,026	48.19%	9.75	4.70	10.75	5.18	11.75	5.66
DEFERRED INCOME TAX	31,918	(554)	-	31,364	5.68%	-	-	-	-	-	-
TAX CREDITS - ZERO COST	-	2	-	2	0.00%	-	-	-	-	-	-
TOTAL	575,678	(5,629)	(18,060)	551,989	100.00%	-	7.93	-	8.41	-	8.89

PEOPLES GAS SYSTEM  
 EARNED RETURN ON COMMON EQUITY  
 FPSC ADJUSTED BASIS  
 September 2010

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	10.92 % (Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL	
WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(2.77) %
SHORT TERM DEBT	0.00 %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.46) %
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %
SUBTOTAL	<u>(3.23) %</u>
TOTAL	7.69 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>48.19 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>15.96 %</u>

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 58,024 (Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 551,989 (Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	10.51 %
LESS: RECONCILED AVERAGE JURISDICTIONAL	
WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(2.77) %
SHORT TERM DEBT	0.00 %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.46) %
TAX CREDITS-WEIGHTED COST (MIDPOINT)	0.00 %
SUBTOTAL	<u>(3.23) %</u>
TOTAL	7.28 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>48.19 %</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>15.11 %</u>