

# August 15, 2011

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 **June 2011.** 

Please let me know if you have any questions.

Respectfully,

the

Jeffrey S. Chronister Controller

JSC/av

Enclosures

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

SCHEDULE 1

## PEOPLES GAS SYSTEM EARNINGS SURVEILLANCE REPORT SUMMARY June 2011

I AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) Actual Per Books	(2) FPSC Adjustment	(3) FPSC s Adjusted		(4) Pro Forma djustments	(5) Pro Forma Adjusted
NET OPERATING INCOME	\$ 46,576	\$ 435	\$ 47,01	1_\$	0 \$	47,011
AVERAGE RATE BASE	\$ 588,005	\$ (18,608	\$569,39	7_\$	0\$	569,397
AVERAGE RATE OF RETURN	7.92	%	8.2	6_%		8.26 %

II. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE				III. EARNED RET	Y	
(FPSC ADJUSTED BASIS)					FPSC	PRO FORMA
	LOW	7.73	%		ADJUSTED	ADJUSTED
				A. INCLUDING		
	MIDPOINT	8.20	- %	FLEX RATE REVENUES	10.86 %	10.86
	HIGH	8.68	%	B. EXCLUDING		
			5	FLEX RATE REVENUES	10.02 %	10.02

I am aware that Se	ction 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)	8/5/11 (Date)

PSC/AFA13

### PEOPLES GAS SYSTEM AVERAGE RATE BASE June 2011

PSC ADJISTNENTS     (229)     (220)       Property for Fuxer Use     (229)     (220)       Transporty for Fuxer Use     (229)     (220)       Notes Receivable     (4.324)     (239)       Accounts Receivable     (239)     (230)       Marchansias forwitory     (230)     (231)       Marchansias forwitory     (231)     (201)       Remose Non-Lilley Accounds Index Stewardia     (2570)     (201)       Remose Non-Lilley Accounds Index Stewardia     (115)     (115)       Remose Non-Lilley Accounds Index Stewardia     (115)     (115)       Remove Uncondent Calley Mark ID y expansion     (115)     (1162)       Remove Uncondent Calley Mark ID y expansion     (116)     (116)       Remove Uncondent Calley Mark ID y expansion     (116)     (116)       Remove Uncondent Calley Mark ID y expansion     (116)     (116)       Remove Uncondent Calley Exponses     (116)     (116)       Remove Uncondent Calley Back Exponses     (116)     (116)       Remove Uncondent Calley Exponses     (116)     (116)       Remove Uncondent Calley Exponses     (116) <t< th=""><th>(11) Total Rate Base 588,005</th></t<>	(11) Total Rate Base 588,005
Temporay Cash Investment     Listy     Listy       Noiss Recrystlie     Accounts Rec (Pay - Assde Companies Merchanske Inventory     (4.324)       Marchanske Inventory     (28)       Other Accounts Recrystlie     (201)       Remove Reputations     (201)       Remove Reputations     (115)       Remove Reputation Constraints     (115)       Remove Reputation Reputation Reputation     (115)       Remove Reputation Reputation Reputation     (115)       Remove Reputation Reputation     (115)       Remove Reputation Reputation     (115)       Remove Reputation Reputation     (115)       Remove Reputation Reputation     (116)       Remove Reputation Reputation     (116)       Remove Reputation Reputation     (116)       Remove Reputation Reputation Reputation     (116)  <	
Nois Rocurade	(229)
Accounts Re: Pay - Asso Companies Marchinalise Intention:     (4,324)     (28)       Marchinalise Intention:     (28)     (28)       Non-Lilley Alexable     (201)     (201)       Non-Lilley Alexable     (201)     (201)       Remove Bulcharding Transform Charges     (115)     (115)       Remove Bulcharding Transform Charges     (115)     (116)       Remove Bool-Lilley Actual Libro     (115)     (116)       Remove Bool-Lilley Actual Libro     (116)     (116)       Remove Bool-Lilley Actual Libro     (116)     (116)       Remove Inneovered Gas Cast     (116)     (116)       Remove Inneovered Gas Cast     (116)     (116)       Remove Inneovered Gas Cast     (116)     (116)       Remove More Adjustment     (116)     (116)       Remove MSEA Adjustment     (116)     (116)       TOTAL FPSC ADJUSTMENTS     <	1
Marchaddise inventiony     (28)       Other Accounts Revenues     (20)       Namina discussion     (347)       Namina discussion     (347)       Namina discussion     (347)       Namina discussion     (347)       Remove Regulatory Tax Ased     (201)       Remove Non-Utility Maccuos     (115)       Remove Non-Utility Marcin Qve graphison     (115)       Remove Non-State Ray Case State     (1182)       Remove Marchanker Bas Adjustment     (1414)       Remove Marchanker Bas Adjustment     (1414)       Remove Marchanker Bas Adjustment     (1132)       Remove Marchanker Bas Adjustment     (1132)       TOTAL FPSC Adjustment     (11321)       Case State Adjustment     (1	(4.324)
Other Accounts Requisable     (347)     (146)     (201)     (201)       Remove Regulatory Tax Asset     (116)     (201)     (201)     (201)       Remove Regulatory Tax Asset     (116)     (201)     (201)     (201)       Remove Regulatory Tax Asset     (115)     (115)     (115)     (115)       Remove Non-Ulity Mattin Cycle and Leibity     (115)     (115)     (116)     (1182)       Remove Umacoursed Gas Cost     (115)     (115)     (116)     (1182)     (1182)       Remove Umacoursed Gas Cost     (115)     (116)     (1182)     (1182)     (1182)       Remove Umacoursed Gas Cost     (116)     (116)     (1182)     (1182)     (1182)       Remove Umacoursed Rato Cost Expense     (116)     (1182)     (1182)     (1182)     (1182)       Remove Umacourse Rato Adjustment Remove Diversed Gas Cost     (116)     (116)     (116)     (116)       Remove Umacourse Conservation Costs     (116)     (116)     (116)     (116)     (116)       Remove Umacourse Conservation Costs     (116)     (116)     (116)     (1	(4.524)
Ramova Regulatory Tax Asal     (101)     (101)       Remova Regulatory Tax Asal     (115)     (115)       Remova Rom-Ulity Actured Leabily     (115)     (115)       Remova Rom-Ulity Actured Leabily     (115)     (115)       Remova Rom-Ulity Actured Leabily     (115)     (115)       Remova Umochored Gas Cost     (115)     (115)       Remova Umochored Gas Cost     (115)     (116)       Remova Umochored Gas Cost     (115)     (116)       Remova Umochored Gas Cost     (116)     (116)       Remova Umochored Gas Cost     (116)     (116)       Remova Umochored Gas Cost     (116)     (116)       Remova Umochored Gas Expensa     (114)     (114)       Remova Koglis Adjustment     (116)     (114)       Remova Koglis Adjustment     (116)     (114)       Remova Koglis Adjustment (VFRG)     (116)     (1132)       Remova Koglis Adjustment in Subilidantes     (1132)     (1132)       TOTAL FPSC ADJUSTED     1051559     2.269     473.842     9.427     570.559     15.638     566.397     (17.000)	(5,270)
Remove Undurating Transition Charges   (115)   (115)     Remove Non-Utility Adam Cby expansion   (116)   (115)     Remove Non-Utility Adam Cby expansion   (116)   (116)     Remove Non-Utility Adam Cby expansion   (116)   (114)     Remove Non-Utility Adam Cby expansion   (114)   (114)     Remove NEAAdjustment   (116)   (1121)   (1121)     Remove Investment in Subsidiaries   (1121)   (1121)   (1121)     Remove Investment in Subsidiaries   (1151)   (11221)   (11221)     FPSC ADJUSTED   1051,559   2,269   473,842   9,427   570,559   15,	(201)
Remove Non-Uliky Accured Lability   (115)   (115)     Remove Unrocovered Gas Cost   (116)   (115)     Remove Unrocovered Gas Cost   (116)   (116)     Remove Unrocovered Gas Cost   (116)   (116)     Remove Unrocovered Gas Cost   (116)   (112)     Remove Competitive Ray Cost Cost Cost Cost Cost Cost Cost Cost	- A.
Remove Non-Unitity Martin Cry expansion,   (115)   (115)     Remove Underschered Gas Costs   (116)   (116)     Remove Investment in Subsidiaries   (117)   (1121)     TOTAL FPSC ADJUSTMENTS   (116)   (116)   (1121)     FPSC ADJUSTED   1.051,559   2.266   473.842   9.427   570.556   1.5838   586.397   (17.000)     FLEX RATE REVENUES   1.051,559   2.269   473.842   9.427   570.556   15.838	÷.
Remove Unamoni Debi Expense   (1,825)     Remove Unnocovered Gas Cosi   (1,826)     Remove Unnocovered Gas Cosi   (1,827)     Remove Unnocovered Gas Cosi   (1,828)     Remove Unnocovered Gas Cosi   (1,828)     Remove Unnocovered Gas Cosi   (1,828)     Remove Unnocovered Gas Cosi   (1,848)     Remove Unsetter Expense   (1,1,044)   (229)     Copiestical Frequences   (1,1,044)   (229)     Copiestical Frequences   (1,051,559   2,269   473,842	(115)
Remove Umsouvered Cas Cost          Remove Unidends Declared         Remove Dividends Declared         Remove Competitive Rate Adjustment	(1,825)
Remove Unract. Conservation Costs   Remove Competitive Rise Adjustment   (3,190)     Remove Unamotized Raje Case Expense   (3,190)     Gain on Sale of Property   (414)     Remove Acquis. Adjustment (WFNG)   (2,947)   (2,104)   (843)     Remove Investment in Subsidiaries   (648)   (848)     TOTAL FPSC ADJUSTMENTS   (347)   (2,947)   (2,250)   (1,044)   (229)   (963)   (2,236)   (15,372)     FPSC ADJUSTED   1.051,559   2.269   473,842   9.427   570,559   15,838   586,397   (17,000)     ELEX RATE REVENUES   1.051,559   2.269   473.842   9.427   570,559   15,838   586,397   (17,000)     PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.   1.051,559   2.269   473.842   9.427   570,559   15,838   586,397   (17,000)   10,000	
Remove Competitive Rate Adjustment Remove Unamofized Rate Case Expense Gain on Sale of Property Remove Adjustment Other Comp. Income (Unsettled redges) Remove MSEA Adjustment Other Comp. Income (Unsettled redges) Remove Instance in Subsidiaries TOTAL FPSC ADJUSTMENTS     (2:947)     (2:104)     (843)     (843)       Comp. Income (Unsettled redges) Remove MSEA Adjustment in Subsidiaries TOTAL FPSC ADJUSTMENTS     (347)     (2:947)     (2:250)     (1:044)     (229)     (963)     (2:236)     (1:6:372)       FPSC ADJUSTED     1.051.559     2:269     473.842     9:427     570.559     15.838     586.397     (17.000)       FLEX RATE REVENUES     1.051.559     2:269     473.842     9:427     570.559     15.838     586.397     (17.000)       PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.     1.051.559     2:269     473.842     9:427     570.559     15.838     586.397     (17.000)	-41
Remove Unamortized Rate Case Expense     (141)       Gain on Sale of Property     (2947)     (2,104)     (843)       Remove McAduis Adjustment     (843)     (843)       Other Comp. Income (Unsettlied hedges)     (848)     (848)       Remove Investment in Subsidiaries     (1.321)     (1.321)       TOTAL FPSC ADJUSTED     1.051,559     2.269     473,842     9.427     570,559     15,838     586,397     (17,000)       ELEX RATE REVENUES     1.051,559     2.269     473,842     9.427     570,559     15,838     586,397     (17,000)	1.00
Gain on Sale of Property Remove Acquis Adjustment (WFNG)   (2.947)   (2,104)   (643)   (643)     Remove MSEA Adjustment (Dther Comp. Income (Unsettled hedges)   (848)   (848)   (848)     Remove Investment in Subsidiaries TOTAL FPSC ADJUSTMENTS   (347)   (2.947)   (2.250)   (1,044)   (229)   (963)   (2.236)   (18.372)     FPSC ADJUSTED   1.051,559   2.269   473,842   9.427   570,559   15,838   586,397   (17,000)     ELEX RATE REVENUES   1.051,559   2.269   473,842   9.427   570,559   15,838   586,397   (17,000)     PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.   1.051,559   2.269   473,842   9.427   570,559   15,638   586,397   (17,000)	(3,190)
Remove Acquis Adjustment (WFNG)   (2,947)   (2,104)   (843)   (843)     Remove MSEA Adjustment   (843)   (848)   (848)     Other Comp. Income (Unsettled hedges)   (347)   (2,947)   (2,250)   (1,044)   (229)   (963)   (2,236)   (16,372)     TOTAL FPSC ADJUSTMENTS   (347)   (2,947)   (2,250)   (1,044)   (229)   (963)   (2,236)   (16,372)     FPSC ADJUSTED   1,051,559   2,269   473,842   9,427   570,559   15,838   586,397   (17,000)   ELEX RATE REVENUES     ADJUSTED FOR   1,051,559   2,269   473,842   9,427   570,559   15,838   586,397   (17,000)   ELEX RATE REVENUES   1,051,559   2,269   473,842   9,427   570,559   15,838   586,397   (17,000)   ENDISTED FOR   ENDISTS	(414)
Remove MSEA Adjustment   (848)   (848)     Other Comp. Income (Unsettled hadges)   (848)   (848)     Remove Investment in Subsidiaries   (1.321)   (1.321)     TOTAL FPSC ADJUSTMENTS   (347)   (2.947)   (2.250)   (1.044)   (229)   (963)   (2.236)   (16.372)     FPSC ADJUSTED   1.051,559   2.269   473.842   9.427   570.559   15.838   586.397   (17.000)     FLEX RATE REVENUES	(843)
Remove Investment in Subsidiaries   (1.321)     TOTAL FPSC ADJUSTMENTS   (347)   (2.947)   (2.250)   (1.044)   (229)   (963)   (2.236)   (16.372)     FPSC ADJUSTED   1.051.559   2.269   473.842   9.427   570.559   15.838   586.397   (17.000)     FLEX RATE REVENUES   ADJUSTED FOR   1.051.559   2.269   473.842   9.427   570.559   .   15.838   586.397   (17.000)   .     PRO FORMA REVENUES   1.051.559   2.269   473.842   9.427   570.559   .   15.838   586.397   (17.000)   .     PRO FORMA REVENUES   1.051.559   2.269   473.842   9.427   570.559   .   15.838   586.397   (17.000)   .     PRO FORMA REVENUE INCREASE AND ANUALIZATION ADJUSTMENTS.   .	(848)
TOTAL FPSC ADJUSTMENTS     (347)     (2.947)     (2.250)     (1,044)     (229)     (963)     (2.236)     (16372)       FPSC ADJUSTED     1.051,559     2.269     473,842     9,427     570,559     15,838     586,397     (17,000)       FLEX RATE REVENUES	- 181
Image: construction of constructine construction of construction of constructio	(1,321)
FLEX RATE REVENUES     10500     000000     00000     00000 <td>(18,608)</td>	(18,608)
ADJUSTED FOR LEX RATE REVENUES <u>1,051,559</u> 2,269 473,842 9,427 570,559 . 15,838 586,397 (17,000) PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.	569,397
FLEX RATE REVENUES     1.051,559     2,269     473,842     9.427     570,559     .     15,838     586,397     (17,000)       PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.     -     -     -     -     -     -	
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS.	
ANNUALIZATION ADJUSTMENTS.	569,397
TOTAL PRO FORMA ADJUSTMENTS	
TOTAL PRO FORMA ADJUSTMENTS	-
	~
PRO FORMA ADJUSTED 1,051,559 2,269 473,842 9,427 570,559 15,838 586,397 (17.000)	569 397

SCHEDULE 2

### PEOPLES GAS SYSTEM NET OPERATING INCOME June 2011

	0)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	in .	121	19/	147	(3)	101	Deferred	Investment	131	Total	Net
	Operating	O&M	O&M	Depreciation &	Taxes Other	income Taxes	Income Taxes	Tax Credit	Gain/Loss	Operating	Operating
1	Revenues	Gas Expense	Other	Amortization	Than Income	Current	(Net)	(Net)	on Disposition	Expenses	Income
PER BOOKS	475,094	246,489	83 427	46,923	37,569	664	17.446			432,518	46:57
FPSC ADJUSTMENTS											
Remove Conservation Charges	(6,169)		(6.169)							(6.169)	- ÷
Non-Utility Allocation				(24)	Ó	9				(15)	1
Interest Synchronization						137				137	(13
Parent Debt Adjustment						(210)				(210)	21
Remove Fuel Revenues	(247.074)	(246.489)			(585)					(247.074)	
Economic Development Adjustment			(9)			3				(6)	
Employee Activities			(139)			.54				(85)	E
Intercompany Adjustment			(8)			з				(5)	
Maintenance of General Plant			(28)			11				(17)	
Maint of Structures and Improvements			(11)			4				(7)	
Lobbying included in Dues (AGA, FNGA)			(15)			6				(9)	
Civic/Social Club Dues			0								
Remove Acquisition Adj Amortiz. (WENG)				(80)		31				(49)	4
Gain on Sale of Property									(170)	(170)	17
Remove ITC Amonization									1.44		
OSS Adjustment											
TOTAL FPSC ADJUSTMENTS	(253,243)	(246,489)	(6,378)	(104)	(585)	48			(170)	(253.678)	43
FPSC ADJUSTED	225,851		77,049	46.819	36,984	712	17,446		(170)	178.840	47.01
FLEX RATE REVENUES	(3,717)					(1.434)				(1.434)	(2,28
ADJUSTED FOR											10,000
PLEX RATE REVENUES	222,134		77.049	46,819	36,984	(722)	17,446		(170)	177.406	44 72
PRO FORMA REVENUE INCREASE AND											
ANNUALIZATION ADJUSTMENTS											
Deferred Tax True-up						<u>.</u>					
TOTAL PRO FORMA ADJUSTMENTS										)	
PRO FORMA ADJUSTED	225,851		77,049	46,819	36,984	712	17,446		(170)	178,840	47,01
PER BOOKS											
CURRENT MONTH AMOUNT	33,697	16.242	9,002	3 999	2 836	(395)	449			32,133	

## SCHEDULE 4

### PEOPLES GAS SYSTEM CAPITAL STRUCTURE FPSC ADJUSTED BASIS June 2011

						and a second		MIDPOINT		HIGH POINT	
		ADJUS	TMENTS		RATIO	COST RATE	WEIGHTED COST	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
AVERAGE	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED	(%)	(%)	(%)	5,96	2.64	6.96	2.64
LONG TERM DEBT	226,674	(4,728)	(5,851)	216,095	37.95%	6.96		0.61	0.00	0.51	0.00
SHORT TERM DEBT	3,923	÷.	(103)	3,820	D 67%	0.61	0.00			6.00	0.11
RESIDENTIAL DEPOSITS	10,698			10.698	1 88%	6.00	0.11	6.00	0.11		0.34
COMMERCIAL DEPOSITS	27,867		4	27,867	4.89%	7.00	0.34	7.00	0.34	7,00	0.04
INACTIVE DEPOSITS	205			205	0 04%				5.1×	11.75	5.59
COMMON EQUITY	278,084	82	(7.334)	270,832	47 56%	9 75	4.64	10.75	5.11	100.8	
DEFERRED INCOME TAX	40,554	(673)		39,881	7.00%						1.1
TAX CREDITS - ZERO COST	100 C	1.12	÷		0.00%				8 20		8.68
TOTAL	588.005	(5,319)	(13,289)	569,397	100.00%		7.73				
				A							

SCHEDULE 5

#### PEOPLES GAS SYSTEM EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS June 2011

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	8.26 % (Schedule 1)
LONG TERM DEBT	(2.64) %
SHORT TERM DEBT	0 00 %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.45) %
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %
SUBTOTAL	(3.09) %
TOTAL	5.17 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	47.56 %
JURISDICTIONAL RETURN ON COMMON EQUITY	10.86 %

# B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY

EXCL	UDING	FLEX	RATI	E REI	/ENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	S	44,728	(Schedule 3)	
RATE BASE EXCLUDING FLEX RATE REVENUES	3	569,397	(Schedule 2)	
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	1	7.86	la	
LONG TERM DEBT SHORT TERM DEBT PREFERRED STOCK		0.00	10	
CUSTOMER DEPOSITS TAX CREDITS-WEIGHTED COST(MIDPOINT) SUBTOTAL		(0.45) 9 0.00 9 (3.09) 9	10	
TOTAL		4.77 9	6	
DIVIDED BY RECONCILED COMMON EQUITY RATIO		47.56 9	6	
JURISDICTIONAL RETURN ON COMMON EQUITY	2	10.02 %	6	