

# November 17, 2014

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

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending September 2014.

Please let me know if you have any questions.

Respectfully,

Paul A. Edwards Director Financial Reporting

PAE/av

Enclosures

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

# PEOPLES GAS SYSTEM EARNINGS SURVEILLANCE REPORT SUMMARY SEPTEMBER 2014

	Actual FF	2) (3) PSC FPSC <u>stments Adjusted</u>	(4) Pro Forma <u>Adjustments</u>	(5) Pro Forma <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL) NET OPERATING INCOME	\$\$\$	(895) \$44,466	§\$	44,466
AVERAGE RATE BASE	\$ <u>703,236</u> \$ <u>(2</u>	5,919) \$677,317 \$	\$\$	677,317
AVERAGE RATE OF RETURN	6.45 %	6.57	%	6.57 %

II. REQUIRED RATES OF RETURN	_		III. EARNED RET	URN ON EQUITY	<u>(</u>
AVERAGE CAPITAL STRUCTURI (FPSC ADJUSTED BASIS)	LOW	- 6.18 %		FPSC ADJUSTED	PRO FORMA ADJUSTED
		6.61_%	A. INCLUDING FLEX RATE REVENUES	<u>10.65</u> %	10.65_%
	HIGH	7.04 %	B. EXCLUDING FLEX RATE REVENUES	10.09_%	10.09_%

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 gra. 75.083.	
Paul A. Edwards, Director Financial Reporting	(1/14/14
(Name and Title) (Signature)	(Date)

PSC/AFA13

### PEOPLES GAS SYSTEM AVERAGE RATE BASE SEPTEMBER 2014

PER BOOKS	(1) Plant in Service 1,250,868	(2) Plant Acquisition Adjustment 5,032	(3) Accumulated Depreciation & Amortization 600,868	(4) Customer Advances for Construction 7,988	(5) Net Plant in Service 647,044	(7) Property Held for Future Use 2,107	(8) Construction Work in Progress 39,241	(9) Net Utility Plant 688,392	(10) Working Capital 14,844	(11) Total Rate Base 703,236
FPSC ADJUSTMENTS: Property for Future Use Temporary Cash Investment Notes Receivable Accounts Rec./Pay Assoc Companies Merchandise Inventory Other Accounts Receivable Non-Utility Allocation	(395)		(179)		(217)	(2,107)		(2,107)	(3) - (393) - (6,148)	(2,107) (3) - (393) - (6,148) (217)
Remove Unbundling Transition Charges Remove Non-Utility Accrued Liability Remove Non-Utility Martin Cty expansion Remove Unamort. Debt Expense Remove Unrecovered Gas Cost Remove Dividends Declared Remove Unrec. Conservation Costs Remove Competitve Rate Adjustment Remove Unamortized Rate Case Expense	(555)		(113)		(217)		. (115)	(115)	- - 2,657 - (3,462) -	(115) (1.111) - 2.657 - (3.462)
Gain on Sale of Property Remove Acquis. Adjustment (WFNG) Remove MSEA Adjustment Cast Iron/Bare Steel Rider (CIBSR) Other Comp. Income (Unsettled hedges) Remove Investment in Subsidiaries	(9.085)	(2.947)	(2,363) (122)		(584) (8,963)		(1,225) (3,262)	(584) (1,225) (12,225)	- (987)_	- (584) (1.225) (12.225) - (987)
TOTAL FPSC ADJUSTMENTS	(9,481) 1,241,387	(2,947)	(2,664)	7,988	(9,764)	(2,107)	(4,601) 34,640	(16,472)	(9,447)	(25,919)
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	1,241,387	2,085	598,204	7,988	637,280		34,640	671,920	5,397	677,317
PRO FORMA REVENUE INCREASE AND _ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS		-	· ·				·			
PRO FORMA ADJUSTED	1,241,387	2,085	598,204	7,988	637,280	-	34,640	671,920	5,397	677,317

SCHEDULE 2

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### PEOPLES GAS SYSTEM NET OPERATING INCOME SEPTEMBER 2014

Operating Revenues     O & M Gailong     O genering Other     Operating Meentitation S13,560     Trace Device Meentitation S13,560     Disperations Meentitation S13,560     Disperations S13,560     Dispersion S13,560     Dis		(1)	(2)	(3)	(4)	(5)	(6)	(7) Deferred	(8) Investment	(9)	(10) Total	(11) Net
PER BOOKS     272,713     131,594     65,510     52,247     33,860     18,491     1.742     .     333,332     45,361       PPS BOOKS     Remote Consension Charges     (10,642)     (10,64		•			•						• •	
EPSC ADUSTMENTS     (10,642)	PER BOOKS				and the second s					<u> </u>		
Renove Conservation Charges     (10,642)     (10,651)     (10,642)     (1	-							<u></u>				
Non-Ulliny Allocation     (B)     0     3     (B)     6       Interest Synchronization     16     166     166     166     166       Parent Dei Alguinent     0     -     -     -     -     -       Remove Fuel Revnues     (132,111)     (131,594)     (517)     -     (132,111)     -<	FPSC ADJUSTMENTS:											
Interest Synchronization     166     166     166     166       Paren Dei/Revenues     (132,111)     (13,594)     (517)     -     (132,111)     -       Benove Fund Revenues     (132,111)     (13,594)     (517)     -     (132,111)     -       Economic Development Adjustment     (13)     5     (69)     8       Employee Activities     (80)     3     (67)     5       Maintenance Central Plati     (32)     12     (20)     20       Maintenance Central Plati     (31)     4     (7)     7       Lobbing include in Dues (AGA, RNA)     (11)     4     (7)     7       ChroSocial Cub Dues     0     -     (27)     27       ChroSocial Cub Dues     0     3     (49)     49       Qain on State Of PhotPL     (60)     23     (20)     -       Remove ITC Adjustion     (60)     23     (20)     -     -       Cast Icobase Black Rice (CIBSR)     (5)     -     -     -     -       Cast Icobase Bla	Remove Conservation Charges	(10,642)		(10,642)								
Parent Deit Adjustmenti     0	-				(9)	0						
Namous     (132,111)     (131,594)     (517)     .     (132,111)     .       Benous Religinantia     (13)     5     (16)     6     7     6     7												
Economic Development Adjustment     (13)     5     (6)     8       Employee Activities     (84)     32     (52)     52       Mainterance of General Plant     (32)     12     (20)     52       Mainterance of General Plant     (32)     12     (20)     20       Mainterance of General Plant     (32)     12     (20)     20       Mainterance of General Plant     (60)     1     (7)     7       Lobbying included in Dues (AGA, FINGA)     (44)     17     (27)     27       CividSocial Club Dues     0     -     0     -     -       Remove Acquisition Agi, anoriz, (WFNG)     (60)     31     (49)     49       Gain on Sate of Property     -     -     0     -     -       Cast IconZare SteeR Rider (CIBSR) - ROI     (133)     (290)     (103)     -	-						0					•
Employee Activities     (84)     32     (52)     52       Intercompany Adjustment     (8)     3     (5)     5       Mainterance of General Plant     (32)     12     (70)     20       Mainterance of General Plant     (32)     12     (70)     20       Mainterance of General Plant     (32)     12     (70)     7       Lobbyog included in Dues (AGA, FNGA)     (41)     4     (71)     7       Lobbyog include in Dues (AGA, FNGA)     (80)     31     (49)     49       Gain on Sale of Propeny     0     -     -     -     -       Remove Acquisition AG, Amoriz (WFNG)     (80)     31     (49)     49       Gain on Sale of Propeny     0     -		(132,111)	(131,594)			(517)	•					
Intercompany Adjustment     (6)     3     (6)     5       Maint of Structures and Improvements     (11)     4     (20)     20       Maint of Structures and Improvements     (11)     4     (7)     7       Lobbying included in Dues (AGA, FNGA)     (44)     17     (27)     27       Chive/Social (Lob Dues     0     -												
Initial company (F) (F) (Company (F) (Company (F)				• •								
Maint, of Structures and Improvements   (11)   4   (7)   7     Lobbying included in Dues (AGA, FNGA)   (44)   17   (27)   27     Lobbying included in Dues (AGA, FNGA)   (44)   17   (27)   27     Remove Acquisition Adj, Amoritz, (WFNG)   (80)   31   (49)   49     Gain on Sale of Propeny   .   0   .   23   (83)     Lease of PHFFU   (60)   .   23   (50)   .   .     Cast InoviBare Steel Rider (CIBSR) ROI   (13.34)   .   (514)   (514)   (620)   .   .     OSA dquistment   .   .   .   .   .   .   .   .     TOTAL FPSC ADJUSTMENTS   (144.196)   (131.594)   (10.490)   (379)   .												
Lobbying included in Dues (AGA, FNGA)   (44)   17   (27)   27     Chic/Social Club Dues   0   -				. ,								
CividSocial Cub Dues   0   -	-											
Remove Acquisition A3, Amortiz, (WFNG)   (80)   31   (49)   49     Gain on Sale of Property   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   0   -   -   -   0   -   -   -   0   -   -   0   -   -   0   -   -   0   -   -   -   0   -   -   -   0   -   -   10   0   0   0   0   0   -   -   10   0 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>17</td> <td></td> <td></td> <td></td> <td></td> <td>21</td>							17					21
Casin on Size of Property   (60)   23   0   -     Lease of PHFFU   (60)   23   (63)     Remove ITC Amorization   -   -   -     Cast tordBare Steel Rider (CIBSR) - ROI   (1.334)   (50)   -   -     TOTAL FPSC ADJUSTMENTS   (144,196)   (131,594)   (10.490)   (379)   (619)   -   -   -     FPSC ADJUSTED   234,517   -   85,428   51,568   32,941   18,273   1.742   -   190,051   44,466     ELEX RATE REVENUES   (2,685)   -				0	(80)		-				-	-
Lesse OPHFFU (60) 23 (83)   Remove ITC Amorization - - - -   Cast tron/Bare Steel Rider (CIBSR) (50) 343 (290) (103) - - - -   Cast tron/Bare Steel Rider (CIBSR) FOI (1.334) (514) (514) (50) - - - - -   OSS Adjustment - - - - - - - - -   TOTAL FPSC ADJUSTED 234,517 - 85,428 51,668 32,941 18,273 1.742 - 190,051 44,466   FLEX RATE REVENUES (2,865) - - (1.036) - 109,051 42,816   PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS: 231,832 - 85,428 51,668 32,941 17,237 1,742 - 109,015 42,816   PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS: - - - - - - -   Deferred Tax True-up - - - - - - - -					(80)		51			0	(-3)	
Remove ITC Amortization   . <td></td> <td>(60)</td> <td></td> <td></td> <td></td> <td></td> <td>- 23</td> <td></td> <td></td> <td>Ū</td> <td>23</td> <td>(83)</td>		(60)					- 23			Ū	23	(83)
Casi Iron/Bare Steel Rider (CIBSR)   (50)   343   (290)   (103)   .   (50)   .     Casi Iron/Bare Steel Rider (CIBSR) - ROI   (1,334)   (514)   (514)   (620)     OSS Adjustment   .   .   .   .   .   .     TOTAL FPSC ADJUSTMENTS   (144,196)   (131,594)   (10,490)   (379)   (619)   (218)   .   .   .   .     FPSC ADJUSTED   234,517   .   85,428   51,668   32,941   18,273   1.742   .   190,051   44,466     FLEX RATE REVENUES   (2,685)   . </td <td></td> <td>(60)</td> <td></td> <td></td> <td></td> <td></td> <td>20</td> <td></td> <td></td> <td></td> <td></td> <td></td>		(60)					20					
Cast ron/Bare Steel Rider (CBSR) - ROI   (1,334)   (614)   (614)   (614)   (620)     Cast ron/Bare Steel Rider (CBSR) - ROI   (1,334)   (10,490)   (379)   (619)   (218)   -   -   (143,301)   (895)     FPSC ADJUSTMENTS   (1144,196)   (1131,594)   (10,490)   (379)   (619)   (218)   -   -   (143,301)   (895)     FPSC ADJUSTED   234,517   .   85,428   51,668   32,941   18,273   1,742   -   190,051   44,466     FLEX RATE REVENUES   (2,685)   .		(50)		343	(290)	(103)	-				(50)	
OSS Adjustment				545	(200)	(100)					• •	(820)
TOTAL FPSC ADJUSTMENTS   (144,196)   (131,594)   (10,490)   (379)   (619)   (218)   .   .   (143,301)   (895)     FPSC ADJUSTED   234,517   .   85,428   51,668   32,941   18,273   1.742   .   190,051   44,466     FLEX RATE REVENUES   (2,685)   .   <		(1,554)										
FPSC ADJUSTED   234,517   .   85,428   51,668   32,941   18,273   1.742   .   190,051   44,466     FLEX RATE REVENUES   (2,685)   (1,036)   (1,036)   (1,036)   (1,649)     ADJUSTED FOR   231,832   .   85,428   51,668   32,941   17,237   1,742   .   189,015   42,816     PRO FORMA REVENUE INCREASE AND   .   .   .   .   .   .   .   .   .   .   .     Deferred Tax True-up   .   .   .   .   .   .   .   .   .   .   .   .   .   .   .	-	(144 196)	(131 594)	(10.490)	(379)	(619)					(143,301)	(895)
FLEX RATE REVENUES   (2,685)   (1,036)   (1,036)     ADJUSTED FOR   231,832   -   85,428   51,668   32,941   17,237   1,742   -   189,015   42,816     PRO FORMA REVENUE INCREASE AND   ANNUALIZATION ADJUSTMENTS:   -   -   189,015   42,816     Deferred Tax True-up   -   -   -   -   -   -	10176 FF30 A03031000100		(101,004)	(10,100)	(0.0)	(0.07		·······				
ADJUSTED FOR     FLEX RATE REVENUES   231,832   -   85,428   51,668   32,941   17,237   1,742   -   189,015   42,816     PRO FORMA REVENUE INCREASE AND	FPSC ADJUSTED	234,517	· · ·	85,428	51,668	32,941	18,273	1,742		<u> </u>	190,051	44,466
ADJUSTED FOR     FLEX RATE REVENUES   231,832   -   85,428   51,668   32,941   17,237   1,742   -   189,015   42,816     PRO FORMA REVENUE INCREASE AND												
FLEX RATE REVENUES   231,832   -   85,428   51,668   32,941   17,237   1,742   -   -   189,015   42,816     PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:   -   -   -   189,015   42,816     Deferred Tax True-up   -   -   -   -   -   -   -	FLEX RATE REVENUES	(2,685)					(1,036)				(1,036)	(1,649)
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS: Deferred Tax True-up	ADJUSTED FOR											
ANNUALIZATION ADJUSTMENTS: Deferred Tax True-υρ	FLEX RATE REVENUES	231,832	·	85,428	51,668	32,941	17,237	1,742	-	-	189,015	42,816
Deferred Tax True-up	PRO FORMA REVENUE INCREASE AND											
	ANNUALIZATION ADJUSTMENTS:											
	Deferred Tax True-up						•				•	•
	TOTAL PRO FORMA ADJUSTMENTS			<u> </u>			······		···			<u> </u>
PRO FORMA ADJUSTED 234,517 - 85,428 51,668 32,941 18,273 1,742 - 190,051 44,466	PRO FORMA ADJUSTED	234,517	<u> </u>	85,428	51,668	32,941	18,273	1,742	-	-	190,051	44,466
PER BOOKS	PER BOOKS											
CURRENT MONTH AMOUNT 27,440 8,335 8,801 4,536 2,532 (1,531) 2,343 - 25,016 2,424	CURRENT MONTH AMOUNT	27,440	8,335	8,801	4,536	2,532	(1,531)	2,343		<u> </u>	25,016	2,424

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## PEOPLES GAS SYSTEM CAPITAL STRUCTURE FPSC ADJUSTED BASIS SEPTEMBER 2014

						LOW POINT		MIDF	POINT	INT HIGH PO	
						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
			MENTS		RATIO	RATE	COST	RATE	COST	RATE	COST
AVERAGE	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED	(%)	(%)	(%)	(%)	(%)	(%)	(%)
LONG TERM DEBT	235,190	(3,986)	(9,656)	221,547	32.71%	5.48	1.79	5.48	1.79	5.48	1.79
SHORT TERM DEBT	3,408		(142)	3,266	0.48%	0.54	0.00	0.54	0.00	0.54	0.00
RESIDENTIAL DEPOSITS	9,420		•	9,420	1.39%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS	30,150		-	30,150	4.45%	3.00	0.13	3.00	0.13	3.00	0.13
INACTIVE DEPOSITS	280		-	280	0.04%						
COMMON EQUITY	305,161	1,196	(12,795)	293,562	43.34%	9.75	4.23	10.75	4.66	11.75	5.09
DEFERRED INCOME TAX	119,627	(535)	-	119,092	17.58%						
TAX CREDITS - ZERO COST TOTAL	703,236	(3,325)	(22,594)	677,317	0.00%		6.18		6.61		7.04
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SCHEDULE 4

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#### SCHEDULE 5

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### PEOPLES GAS SYSTEM EARNED RETURN ON COMMON EQUITY FPSC ADJUSTED BASIS SEPTEMBER 2014

#### 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:	6.57_% (Schedule 1)
LONG TERM DEBT	(1.79) %
SHORT TERM DEBT	0.00 %
PREFERRED STOCK	0.00 %
CUSTOMER DEPOSITS	(0.16) %
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %
SUBTOTAL	(1.95) %
TOTAL	4.62 %
DIVIDED BY RECONCILED COMMON EQUITY RATIO	43.34 %
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>    10.65  </u> %

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENU	UES \$ 42,816 (Schedule 3	3)				
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>677,317</u> (Schedule 2	2)				
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	6.32_%					
LONG TERM DEBT	(1.79) %					
SHORT TERM DEBT		0.00 %				
PREFERRED STOCK	0.00 %					
CUSTOMER DEPOSITS	(0.16) %					
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %					
SUBTOTAL	(1.95) %					
TOTAL	4.37 %					
DIVIDED BY RECONCILED COMMON EQUITY RATIO	43.34 %					
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>10.09</u> %					