



**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,

A handwritten signature in black ink, appearing to read "Jeffrey S. Chronister".

Jeffrey S. Chronister  
Controller

JSC/av

Enclosures

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

11 AUG 15 11 10E 49  
REGULATION

**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
June 2011**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
<u>NET OPERATING INCOME</u>	\$ 46,576	\$ 435	\$ 47,011	\$ 0	\$ 47,011
<u>AVERAGE RATE BASE</u>	\$ 588,005	\$ (18,608)	\$ 569,397	\$ 0	\$ 569,397
<u>AVERAGE RATE OF RETURN</u>	7.92 %		8.26 %		8.26 %

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

LOW	<u>7.73 %</u>
MIDPOINT	<u>8.20 %</u>
HIGH	<u>8.68 %</u>

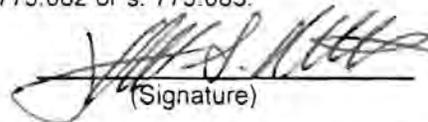
**III. EARNED RETURN ON EQUITY**

	<u>FPSC ADJUSTED</u>	<u>PRO FORMA ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>10.86 %</u>	<u>10.86 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>10.02 %</u>	<u>10.02 %</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)

8/5/11  
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
June 2011**

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	1,051,906	5,216	476,092	9,427	571,603	229	16,801	588,633	(628)	588,005
<b><u>FPSC ADJUSTMENTS:</u></b>										
Property for Future Use						(229)		(229)		(229)
Temporary Cash Investment										
Notes Receivable										
Accounts Rec./Pay - Assoc. Companies									(4,324)	(4,324)
Merchandise Inventory									(28)	(28)
Other Accounts Receivable									(5,270)	(5,270)
Non-Utility Allocation	(347)		(146)		(201)			(201)		(201)
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									(1,825)	(1,825)
Remove Unrecovered Gas Cost										
Remove Dividends Declared										
Remove Unrec. Conservation Costs										
Remove Competitive Rate Adjustment									(3,190)	(3,190)
Remove Unamortized Rate Case Expense									(414)	(414)
Gain on Sale of Property										
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,104)		(843)			(843)		(843)
Remove MSEA Adjustment							(848)	(848)		(848)
Other Comp. Income (Unsettled hedges)										
Remove Investment in Subsidiaries									(1,321)	(1,321)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(347)</b>	<b>(2,947)</b>	<b>(2,250)</b>	<b>-</b>	<b>(1,044)</b>	<b>(229)</b>	<b>(963)</b>	<b>(2,236)</b>	<b>(16,372)</b>	<b>(18,608)</b>
<b>FPSC ADJUSTED</b>	<b>1,051,559</b>	<b>2,269</b>	<b>473,842</b>	<b>9,427</b>	<b>570,559</b>	<b>-</b>	<b>15,838</b>	<b>586,397</b>	<b>(17,000)</b>	<b>569,397</b>
<b><u>FLEX RATE REVENUES</u></b>										
ADJUSTED FOR										
<b>FLEX RATE REVENUES</b>	<b>1,051,559</b>	<b>2,269</b>	<b>473,842</b>	<b>9,427</b>	<b>570,559</b>	<b>-</b>	<b>15,838</b>	<b>586,397</b>	<b>(17,000)</b>	<b>569,397</b>
<b><u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u></b>										
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRO FORMA ADJUSTED</b>	<b>1,051,559</b>	<b>2,269</b>	<b>473,842</b>	<b>9,427</b>	<b>570,559</b>	<b>-</b>	<b>15,838</b>	<b>586,397</b>	<b>(17,000)</b>	<b>569,397</b>

**PEOPLES GAS SYSTEM  
NET OPERATING INCOME  
June 2011**

**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	479,094	246,489	83,427	46,923	37,569	664	17,446	-	-	432,518	46,576
<b>FPSC ADJUSTMENTS:</b>											
Remove Conservation Charges	(6,169)		(6,169)							(6,169)	-
Non-Utility Allocation				(24)	0	9				(15)	15
Interest Synchronization						137				137	(137)
Parent Debt Adjustment						(210)				(210)	210
Remove Fuel Revenues	(247,074)	(246,489)			(585)					(247,074)	-
Economic Development Adjustment			(9)			3				(6)	6
Employee Activities			(139)			54				(85)	85
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(28)			11				(17)	17
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									(170)	(170)	170
Remove ITC Amortization											
OSS Adjustment											
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(253,243)</b>	<b>(246,489)</b>	<b>(6,378)</b>	<b>(104)</b>	<b>(585)</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>(170)</b>	<b>(253,678)</b>	<b>435</b>
<b>FPSC ADJUSTED</b>	<b>225,851</b>	<b>-</b>	<b>77,049</b>	<b>46,819</b>	<b>36,984</b>	<b>712</b>	<b>17,446</b>	<b>-</b>	<b>(170)</b>	<b>178,840</b>	<b>47,011</b>
<b>FLEX RATE REVENUES ADJUSTED FOR</b>	<b>(3,717)</b>					<b>(1,434)</b>				<b>(1,434)</b>	<b>(2,283)</b>
<b>FLEX RATE REVENUES</b>	<b>222,134</b>	<b>-</b>	<b>77,049</b>	<b>46,819</b>	<b>36,984</b>	<b>(722)</b>	<b>17,446</b>	<b>-</b>	<b>(170)</b>	<b>177,406</b>	<b>44,728</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</b>											
Deferred Tax True-up											
<b>TOTAL PRO FORMA ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRO FORMA ADJUSTED</b>	<b>225,851</b>	<b>-</b>	<b>77,049</b>	<b>46,819</b>	<b>36,984</b>	<b>712</b>	<b>17,446</b>	<b>-</b>	<b>(170)</b>	<b>178,840</b>	<b>47,011</b>
PER BOOKS CURRENT MONTH AMOUNT	33,697	16,242	9,002	3,999	2,836	(395)	449	-	-	32,133	1,564

SCHEDULE 4

PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
June 2011

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	226,674	(4,728)	(5,851)	216,095	37.95%	6.96	2.64	5.96	2.64	6.96	2.64
SHORT TERM DEBT	3,923	-	(103)	3,820	0.67%	0.61	0.00	0.61	0.00	0.61	0.00
RESIDENTIAL DEPOSITS	10,698	-	-	10,698	1.86%	6.00	0.11	6.00	0.11	6.00	0.11
COMMERCIAL DEPOSITS	27,867	-	-	27,867	4.89%	7.00	0.34	7.00	0.34	7.00	0.34
INACTIVE DEPOSITS	205	-	-	205	0.04%						
COMMON EQUITY	278,084	82	(7,334)	270,832	47.56%	9.75	4.64	10.75	5.11	11.75	5.59
DEFERRED INCOME TAX	40,554	(673)	-	39,881	7.00%						
TAX CREDITS - ZERO COST		-	-	-	0.00%						
TOTAL	588,005	(5,319)	(13,289)	569,397	100.00%		7.73		8.20		8.68

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	8.26 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
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	<u>(3.09) %</u>	
TOTAL	5.17 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.56 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.86 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 44,728	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>569,397</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>7.86 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
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	<u>(3.09) %</u>	
TOTAL	4.77 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>47.56 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.02 %</u></u>	