



August 15, 2016

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

Dear Mr. Fletcher:

Attached is the Rate of Return calculation of Peoples Gas System for the period ending **June 2016**.

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

Enclosures

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

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FLORIDA PUBLIC SERVICE  
COMMISSION  
2016 AUG 15 PM 2:27  
DIVISION OF  
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM  
EARNINGS SURVEILLANCE REPORT SUMMARY  
JUNE 2016**

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>	\$ 45,880	\$ (2,094)	\$ 43,786	\$ 0	\$ 43,786
<u>AVERAGE RATE BASE</u>	\$ 792,622	\$ (50,157)	\$ 742,465	\$ 0	\$ 742,465
<u>AVERAGE RATE OF RETURN</u>	5.79 %		5.90 %		5.90 %

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

LOW	<u>6.04 %</u>
MIDPOINT	<u>6.47 %</u>
HIGH	<u>6.90 %</u>

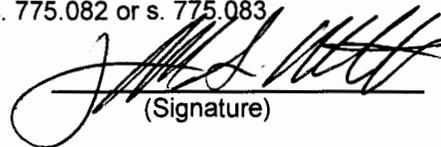
**III. EARNED RETURN ON EQUITY**

	FPSC ADJUSTED	PRO FORMA ADJUSTED
A. INCLUDING FLEX RATE REVENUES	<u>9.42 %</u>	<u>9.42 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>8.96 %</u>	<u>8.96 %</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)

8/9/16  
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM  
AVERAGE RATE BASE  
JUNE 2016**

SCHEDULE 2

	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)
	Plant in	Plant	Accumulated	Customer	Net	Property Held	Construction	Net	Working	Total
	Service	Acquisition	Depreciation &	Advances for	Plant in	for Future Use	Work in	Utility Plant	Capital	Rate Base
		Adjustment	Amortization	Construction	Service		Progress			
PER BOOKS	1,392,123	5,032	668,865	11,733	716,757	1,940	32,259	750,956	41,666	792,622
<b>FPSC ADJUSTMENTS:</b>										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(3,719)	(3,719)
Merchandise Inventory									-	-
Other Accounts Receivable									(7,482)	(7,482)
Non-Utility Allocation	(408)		(169)		(240)			(240)		(240)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,238)	(1,238)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									880	880
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,543)	(2,543)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,502)		(445)			(445)		(445)
Remove MSEA Adjustment							-	-		-
Cast Iron/Bare Steel Rider (CIBSR)	(30,400)		(1,096)		(29,304)		(2,607)	(31,910)		(31,910)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,202)	(1,202)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(30,808)</b>	<b>(2,947)</b>	<b>(3,766)</b>	<b>-</b>	<b>(29,988)</b>	<b>(1,940)</b>	<b>(2,722)</b>	<b>(34,650)</b>	<b>(15,507)</b>	<b>(50,157)</b>
<b>FPSC ADJUSTED</b>	<b>1,361,315</b>	<b>2,085</b>	<b>664,899</b>	<b>11,733</b>	<b>686,769</b>	<b>-</b>	<b>29,537</b>	<b>716,306</b>	<b>26,159</b>	<b>742,465</b>
<b>FLEX RATE REVENUES</b>										
<b>ADJUSTED FOR</b>										
<b>FLEX RATE REVENUES</b>	<b>1,361,315</b>	<b>2,085</b>	<b>664,899</b>	<b>11,733</b>	<b>686,769</b>	<b>-</b>	<b>29,537</b>	<b>716,306</b>	<b>26,159</b>	<b>742,465</b>
<b>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</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>1,361,315</b>	<b>2,085</b>	<b>664,899</b>	<b>11,733</b>	<b>686,769</b>	<b>-</b>	<b>29,537</b>	<b>716,306</b>	<b>26,159</b>	<b>742,465</b>

**PEOPLES GAS SYSTEM  
NET OPERATING INCOME  
JUNE 2016**

**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	412,342	151,119	101,346	58,427	36,195	(1,251)	20,626	-	-	366,462	45,880
<b>FPSC ADJUSTMENTS:</b>											
Remove Conservation Charges	(13,282)		(13,282)			-				(13,282)	-
Non-Utility Allocation				(16)	0	6				(10)	10
Interest Synchronization						361				361	(361)
Parent Debt Adjustment						0				-	-
Remove Fuel Revenues	(151,582)	(151,119)			(463)	-				(151,582)	-
Economic Development Adjustment			(15)			6				(9)	9
Employee Activities			(47)			18				(29)	29
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(39)			15				(24)	24
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(101)			39				(62)	62
Civic/Social Club Dues			0			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property						-			0	-	-
Lease of PHFFU	(60)					23				23	(83)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(1,668)		(359)	(844)	(465)	-				(1,668)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(3,003)					(1,158)				(1,158)	(1,845)
OSS Adjustment	-					-				-	-
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(169,594)</b>	<b>(151,119)</b>	<b>(13,862)</b>	<b>(940)</b>	<b>(927)</b>	<b>(652)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(167,500)</b>	<b>(2,094)</b>
<b>FPSC ADJUSTED</b>	<b>242,748</b>	<b>-</b>	<b>87,484</b>	<b>57,487</b>	<b>35,268</b>	<b>(1,903)</b>	<b>20,626</b>	<b>-</b>	<b>-</b>	<b>198,962</b>	<b>43,786</b>
<b>FLEX RATE REVENUES</b>	<b>(2,364)</b>					<b>(912)</b>				<b>(912)</b>	<b>(1,452)</b>
<b>ADJUSTED FOR</b>											
<b>FLEX RATE REVENUES</b>	<b>240,384</b>	<b>-</b>	<b>87,484</b>	<b>57,487</b>	<b>35,268</b>	<b>(2,815)</b>	<b>20,626</b>	<b>-</b>	<b>-</b>	<b>198,050</b>	<b>42,334</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>242,748</b>	<b>-</b>	<b>87,484</b>	<b>57,487</b>	<b>35,268</b>	<b>(1,903)</b>	<b>20,626</b>	<b>-</b>	<b>-</b>	<b>198,962</b>	<b>43,786</b>
<b>PER BOOKS</b>											
<b>CURRENT MONTH AMOUNT</b>	<b>31,940</b>	<b>11,451</b>	<b>9,385</b>	<b>4,991</b>	<b>2,762</b>	<b>155</b>	<b>716</b>	<b>-</b>	<b>-</b>	<b>29,460</b>	<b>2,480</b>

**PEOPLES GAS SYSTEM  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
JUNE 2016**

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		261,337	(3,010)	(19,344)	238,983	32.19%	5.34	1.72	5.34	1.72	5.34	1.72
SHORT TERM DEBT		223		(17)	206	0.03%	1.07	0.00	1.07	0.00	1.07	0.00
RESIDENTIAL DEPOSITS		10,044		-	10,044	1.35%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS		30,015		-	30,015	4.04%	3.00	0.12	3.00	0.12	3.00	0.12
INACTIVE DEPOSITS		328		-	328	0.04%						
COMMON EQUITY		344,788	(1,521)	(25,704)	317,563	42.77%	9.75	4.17	<b>10.75</b>	4.60	11.75	5.03
DEFERRED INCOME TAX		145,887	(561)	-	145,326	19.57%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
<b>TOTAL</b>		<u>792,622</u>	<u>(5,092)</u>	<u>(45,065)</u>	<u>742,465</u>	<u>100.00%</u>		<u>6.04</u>		<u>6.47</u>		<u>6.90</u>

PEOPLES GAS SYSTEM  
 EARNED RETURN ON COMMON EQUITY  
 FPSC ADJUSTED BASIS  
 JUNE 2016

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.90 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.72) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.15) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.87) %</u>	
TOTAL	4.03 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.77 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.42 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 42,334	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>742,465</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.70 %	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.72) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.15) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.87) %</u>	
TOTAL	3.83 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>42.77 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>8.96 %</u></u>	