

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

SCHEDULE 1

	(1) Actual <u>Per Books</u>	(2) FPSC <u>Adjustments</u>	(3) FPSC <u>Adjusted</u>	(4) Pro Forma <u>Adjustments</u>	(5) Pro Forma <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ 46,393	\$ (2,270)	\$ 44,123	\$ 0	\$ 44,123
AVERAGE RATE BASE	\$ 799,107	\$ (53,238)	\$ 745,869	\$ 0	\$ 745,869
AVERAGE RATE OF RETURN	<u>5.81</u> %		<u>5.92</u> %		<u>5.92</u> %

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

LOW	<u>6.00</u> %
MIDPOINT	<u>6.42</u> %
HIGH	<u>6.85</u> %

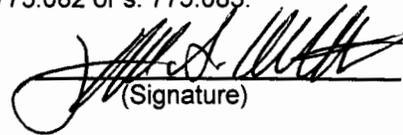
III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>9.56</u> %	<u>9.56</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>9.11</u> %	<u>9.11</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)

11/11/16
(Date)

PSC/AFA13

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

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	1,416,543	5,032	679,600	12,017	729,958	1,940	34,152	766,050	33,057	799,107
FPSC ADJUSTMENTS:										
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									(7,589)	(7,589)
Non-Utility Allocation	(402)		(163)		(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									(1,216)	(1,216)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,555)	(2,555)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,522)		(425)			(425)		(425)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(32,967)		(1,316)		(31,651)		(2,568)	(34,219)		(34,219)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,218)	(1,218)
TOTAL FPSC ADJUSTMENTS	(33,369)	(2,947)	(4,001)	-	(32,316)	(1,940)	(2,683)	(36,939)	(16,300)	(53,238)
FPSC ADJUSTED	1,383,174	2,085	675,599	12,017	697,642	-	31,469	729,111	16,757	745,869
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,383,174	2,085	675,599	12,017	697,642	-	31,469	729,111	16,757	745,869
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,383,174	2,085	675,599	12,017	697,642	-	31,469	729,111	16,757	745,869

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
SEPTEMBER 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	425,829	162,743	101,985	59,535	36,745	(2,768)	21,731	-	(535)	379,436	46,393
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(13,121)		(13,121)			-				(13,121)	-
Non-Utility Allocation				(16)	-	6				(10)	10
Interest Synchronization						389				389	(389)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(163,193)	(162,743)			(450)	-				(163,193)	-
Economic Development Adjustment			(13)			5				(8)	8
Employee Activities			(51)			20				(31)	31
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(44)			17				(27)	27
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(65)			25				(40)	40
Civic/Social Club Dues			-			-				-	-
Remove Acquisition Adj. Amortiz. (WFNG)				(80)		31				(49)	49
Gain on Sale of Property						-			-	-	-
Lease of PHFFU	(60)					23				23	(83)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(716)		722	(917)	(521)	-				(716)	0
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(3,216)					(1,241)				(1,241)	(1,975)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(180,307)	(162,743)	(12,591)	(1,013)	(971)	(718)	-	-	-	(178,036)	(2,270)
FPSC ADJUSTED	245,522	-	89,394	58,522	35,774	(3,486)	21,731	-	(535)	201,400	44,123
FLEX RATE REVENUES	(2,365)					(912)				(912)	(1,453)
ADJUSTED FOR											
FLEX RATE REVENUES	243,158	-	89,394	58,522	35,774	(4,398)	21,731	-	(535)	200,488	42,670
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-					-				-	-
PRO FORMA ADJUSTED	245,522	-	89,394	58,522	35,774	(3,486)	21,731	-	(535)	201,400	44,123
PER BOOKS											
CURRENT MONTH AMOUNT	33,008	10,607	10,025	4,846	3,137	(9,712)	10,962	-	-	29,865	3,143

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

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		261,343	(2,881)	(20,312)	238,150	31.93%	5.33	1.70	5.33	1.70	5.33	1.70
SHORT TERM DEBT		658		(52)	606	0.08%	1.15	0.00	1.15	0.00	1.15	0.00
RESIDENTIAL DEPOSITS		9,840		-	9,840	1.32%	2.00	0.03	2.00	0.03	2.00	0.03
COMMERCIAL DEPOSITS		28,482		-	28,482	3.82%	3.00	0.11	3.00	0.11	3.00	0.11
INACTIVE DEPOSITS		350		-	350	0.05%						
COMMON EQUITY		347,271	(2,282)	(27,112)	317,877	42.62%	9.75	4.16	10.75	4.58	11.75	5.01
DEFERRED INCOME TAX		151,163	(599)	-	150,564	20.19%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		799,107	(5,763)	(47,476)	745,869	100.00%		6.00		6.42		6.85

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.92 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.70) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.14) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.84) %</u>	
 TOTAL	 4.08 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>42.62 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>9.56 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 42,670	(Schedule 3)
 RATE BASE EXCLUDING FLEX RATE REVENUES	 \$ <u>745,869</u>	 (Schedule 2)
 FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	 <u>5.72 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.70) %	
SHORT TERM DEBT	0.00 %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.14) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.84) %</u>	
 TOTAL	 3.88 %	
 DIVIDED BY RECONCILED COMMON EQUITY RATIO	 <u>42.62 %</u>	
 JURISDICTIONAL RETURN ON COMMON EQUITY	 <u><u>9.11 %</u></u>	