



May 15, 2017

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 **March 2017**.

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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DIVISION OF
ACCOUNTING & FINANCE

**PEOPLES GAS SYSTEM
EARNINGS SURVEILLANCE REPORT SUMMARY
MARCH 2017**

SCHEDULE 1

	(1) <u>Actual</u> <u>Per Books</u>	(2) <u>FPSC</u> <u>Adjustments</u>	(3) <u>FPSC</u> <u>Adjusted</u>	(4) <u>Pro Forma</u> <u>Adjustments</u>	(5) <u>Pro Forma</u> <u>Adjusted</u>
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
<u>NET OPERATING INCOME</u>	\$ <u>46,458</u>	\$ <u>(2,614)</u>	\$ <u>43,844</u>	\$ <u>0</u>	\$ <u>43,844</u>
AVERAGE RATE BASE	\$ <u>818,247</u>	\$ <u>(57,478)</u>	\$ <u>760,769</u>	\$ <u>0</u>	\$ <u>760,769</u>
AVERAGE RATE OF RETURN	<u>5.68</u> %		<u>5.76</u> %		<u>5.76</u> %

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

LOW	<u>5.67</u> %
MIDPOINT	<u>6.29</u> %
HIGH	<u>6.71</u> %

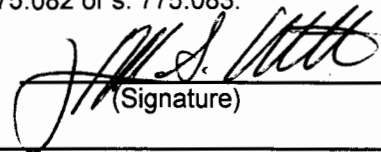
III. EARNED RETURN ON EQUITY

	<u>FPSC</u> <u>ADJUSTED</u>	<u>PRO FORMA</u> <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>9.48</u> %	<u>9.48</u> %
B. EXCLUDING FLEX RATE REVENUES	<u>9.03</u> %	<u>9.03</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)

5/10/17
(Date)

PSC/AFA13

**PEOPLES GAS SYSTEM
AVERAGE RATE BASE
MARCH 2017**

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	1,472,767	5,032	694,648	12,351	770,800	1,940	32,761	805,501	12,746	818,247
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									(3)	(3)
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									(2,219)	(2,219)
Merchandise Inventory									-	-
Other Accounts Receivable									(6,612)	(6,612)
Non-Utility Allocation	(417)		(147)		(270)			(270)		(270)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,168)	(1,168)
Remove Unrecovered Gas Cost									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Competitive Rate Adjustment									(2,617)	(2,617)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,562)		(385)			(385)		(385)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(40,008)		(1,672)		(38,336)		(2,476)	(40,812)		(40,812)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,337)	(1,337)
TOTAL FPSC ADJUSTMENTS	(40,425)	(2,947)	(4,381)	-	(38,991)	(1,940)	(2,591)	(43,522)	(13,956)	(57,478)
FPSC ADJUSTED	1,432,342	2,085	690,267	12,351	731,809	-	30,170	761,979	(1,210)	760,769
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,432,342	2,085	690,267	12,351	731,809	-	30,170	761,979	(1,210)	760,769
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,432,342	2,085	690,267	12,351	731,809	-	30,170	761,979	(1,210)	760,769

**PEOPLES GAS SYSTEM
NET OPERATING INCOME
MARCH 2017**

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	407,586	148,106	101,433	58,042	35,587	2,449	17,116	-	(1,605)	361,128	46,458
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(12,907)		(12,907)			-				(12,907)	0
Non-Utility Allocation				(16)	-	6				(10)	10
Interest Synchronization						427				427	(427)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(148,499)	(148,106)			(393)	-				(148,499)	-
Economic Development Adjustment			(14)			5				(9)	9
Employee Activities			(72)			28				(44)	44
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(50)			19				(31)	31
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(66)			26				(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)	(37)
Remove ITC Amortization						-				-	-
Cast Iron/Bare Steel Rider (CIBSR)	(610)		909	(894)	(625)	-				(610)	-
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(3,817)					(1,472)				(1,472)	(2,345)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(165,893)	(148,106)	(12,218)	(990)	(1,019)	(946)	-	-	-	(163,279)	(2,614)
FPSC ADJUSTED	241,693	-	89,215	57,052	34,568	1,503	17,116	-	(1,605)	197,849	43,844
FLEX RATE REVENUES	(2,337)					(902)				(902)	(1,435)
ADJUSTED FOR											
FLEX RATE REVENUES	239,356	-	89,215	57,052	34,568	601	17,116	-	(1,605)	196,947	42,409
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	241,693	-	89,215	57,052	34,568	1,503	17,116	-	(1,605)	197,849	43,844
PER BOOKS											
CURRENT MONTH AMOUNT	33,999	10,133	8,261	4,271	3,377	195	2,561	-	-	28,798	5,201

**PEOPLES GAS SYSTEM
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
MARCH 2017**

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		261,353	(2,620)	(21,554)	237,179	31.18%	5.32	1.66	5.32	1.66	5.32	1.66
SHORT TERM DEBT		13,046		(1,087)	11,959	1.57%	1.59	0.02	1.59	0.02	1.59	0.02
RESIDENTIAL DEPOSITS		8,881		-	8,881	1.17%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS		23,835		-	23,835	3.13%	3.00	0.09	3.00	0.09	3.00	0.09
INACTIVE DEPOSITS		408		-	408	0.05%						
COMMON EQUITY		350,241	(2,551)	(28,964)	318,726	41.90%	9.25	3.88	10.75	4.50	11.75	4.92
DEFERRED INCOME TAX		160,483	(702)	-	159,781	21.00%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		818,247	(5,873)	(51,605)	760,769	100.00%		5.67		6.29		6.71

**PEOPLES GAS SYSTEM
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
MARCH 2017**

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	5.76 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.66) %	
SHORT TERM DEBT	(0.02) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.11) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.79) %</u>	
TOTAL	3.97 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.90 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.48 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 42,409	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>760,769</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>5.57 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.66) %	
SHORT TERM DEBT	(0.02) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.11) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.79) %</u>	
TOTAL	3.78 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.90 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>9.03 %</u></u>	