



March 1, 2017

Mr. Andrew L. Maurey, Director
Florida Public Service Commission
Division of Accounting and Finance
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Maurey:

In accordance with Rule 25-7.1353, enclosed is the Forecasted Earnings Surveillance Report of Peoples Gas System for the year ending **December 31, 2017**.

Please let me know if you have any questions.

Respectfully,

Paul Edwards
Director Financial Reporting

Enclosures

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

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FLORIDA PUBLIC SERVICE
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2017 MAR - 1 PM 12: 47
DIVISION OF
ACCOUNTING & FINANCE

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

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>	\$ 55,918	\$ (3,120)	\$ 52,798	\$ 0	\$ 52,798
<u>AVERAGE RATE BASE</u>	\$ 891,401	\$ (63,717)	\$ 827,684	\$ 0	\$ 827,684
<u>AVERAGE RATE OF RETURN</u>	6.27 %		6.38 %		6.38 %

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

LOW	<u>5.78 %</u>
MIDPOINT	<u>6.19 %</u>
HIGH	<u>6.60 %</u>

III. EARNED RETURN ON EQUITY

	FPSC <u>ADJUSTED</u>	PRO FORMA <u>ADJUSTED</u>
A. INCLUDING FLEX RATE REVENUES	<u>11.21 %</u>	<u>11.21 %</u>
B. EXCLUDING FLEX RATE REVENUES	<u>10.72 %</u>	<u>10.72 %</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.

Paul Edwards, Director Financial Reporting & Analysis
(Name and Title)


(Signature)

2/28/17
(Date)

PSC/AFA13

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

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	1,533,890	5,032	729,352	4,944	804,626	1,940	58,462	865,028	26,373	891,401
FPSC ADJUSTMENTS:										
Property for Future Use						(1,940)		(1,940)		(1,940)
Temporary Cash Investment									-	-
Notes Receivable									-	-
Accounts Rec./Pay. - Assoc Companies									-	-
Merchandise Inventory									-	-
Other Accounts Receivable									(7,138)	(7,138)
Non-Utility Allocation	(437)		(142)		(295)			(295)		(295)
Remove Unbundling Transition Charges									-	-
Remove Non-Utility Accrued Liability									-	-
Remove Non-Utility Martin Cty expansion							(115)	(115)		(115)
Remove Unamort. Debt Expense									(1,247)	(1,247)
Remove Unrecovered Gas Cost PGA									-	-
Remove Dividends Declared									-	-
Remove Unrec. Conservation Costs									-	-
Remove Unrec. CIBSR Costs									-	-
Remove Competitive Rate Adjustment									(2,536)	(2,536)
Remove Unamortized Rate Case Expense									-	-
Gain on Sale of Property									-	-
Remove Acquis. Adjustment (WFNG)		(2,947)	(2,622)		(325)			(325)		(325)
Remove MSEA Adjustment									-	-
Cast Iron/Bare Steel Rider (CIBSR)	(50,542)		(2,843)		(47,699)		(1,070)	(48,769)		(48,769)
Other Comp. Income (Unsettled hedges)									-	-
Remove Investment in Subsidiaries									(1,352)	(1,352)
TOTAL FPSC ADJUSTMENTS	(50,979)	(2,947)	(5,606)	-	(48,320)	(1,940)	(1,185)	(51,445)	(12,273)	(63,717)
FPSC ADJUSTED	1,482,911	2,085	723,746	4,944	756,306	-	57,277	813,583	14,100	827,684
FLEX RATE REVENUES										
ADJUSTED FOR										
FLEX RATE REVENUES	1,482,911	2,085	723,746	4,944	756,306	-	57,277	813,583	14,100	827,684
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:										
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	1,482,911	2,085	723,746	4,944	756,306	-	57,277	813,583	14,100	827,684

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

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	442,211	160,728	108,461	54,901	38,923	7,604	17,816	-	(2,140)	386,293	55,918
FPSC ADJUSTMENTS:											
Remove Conservation Charges	(13,519)		(13,519)			-				(13,519)	-
Non-Utility Allocation				(17)	-	7				(10)	10
Interest Synchronization						496				496	(496)
Parent Debt Adjustment						-				-	-
Remove Fuel Revenues	(161,287)	(160,728)			(559)	-				(161,287)	-
Economic Development Adjustment			(10)			4				(6)	6
Employee Activities			(47)			18				(29)	29
Intercompany Adjustment			(8)			3				(5)	5
Maintenance of General Plant			(43)			16				(27)	27
Maint. of Structures and Improvements			(11)			4				(7)	7
Lobbying included in Dues (AGA, FNGA)			(100)			39				(61)	61
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)	(2,261)		16	(1,507)	(770)	-				(2,261)	(0)
Cast Iron/Bare Steel Rider (CIBSR) - ROI	(4,526)					(1,746)				(1,746)	(2,780)
OSS Adjustment	-					-				-	-
TOTAL FPSC ADJUSTMENTS	(181,653)	(160,728)	(13,721)	(1,604)	(1,329)	(1,151)	-	-	-	(178,533)	(3,120)
FPSC ADJUSTED	260,558	-	94,741	53,297	37,594	6,453	17,816	-	(2,140)	207,760	52,798
FLEX RATE REVENUES	(2,707)					(1,044)				(1,044)	(1,663)
ADJUSTED FOR											
FLEX RATE REVENUES	257,851	-	94,741	53,297	37,594	5,409	17,816	-	(2,140)	206,716	51,135
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
Deferred Tax True-up						-				-	-
TOTAL PRO FORMA ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-
PRO FORMA ADJUSTED	260,558	-	94,741	53,297	37,594	6,453	17,816	-	(2,140)	207,760	52,798
PER BOOKS											
CURRENT MONTH AMOUNT	30,996	10,620	7,416	5,130	2,699	1,471	139	-	-	27,475	3,521

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

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		276,752	(3,090)	(23,195)	250,467	30.26%	5.30	1.60	5.30	1.60	5.30	1.60
SHORT TERM DEBT		36,280		(3,075)	33,205	4.01%	2.00	0.08	2.00	0.08	2.00	0.08
RESIDENTIAL DEPOSITS		9,751		-	9,751	1.18%	2.00	0.02	2.00	0.02	2.00	0.02
COMMERCIAL DEPOSITS		20,272		-	20,272	2.45%	3.00	0.07	3.00	0.07	3.00	0.07
INACTIVE DEPOSITS		305		-	305	0.04%						
COMMON EQUITY		374,102	(2,341)	(31,509)	340,251	41.11%	9.75	4.01	10.75	4.42	11.75	4.83
DEFERRED INCOME TAX		173,939	(507)	-	173,432	20.95%						
TAX CREDITS - ZERO COST			-	-	-	0.00%						
TOTAL		891,401	(5,938)	(57,779)	827,684	100.00%		5.78		6.19		6.60

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

SCHEDULE 5

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	6.38 %	(Schedule 1)
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.60) %	
SHORT TERM DEBT	(0.08) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.77) %</u>	
TOTAL	4.61 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.11 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>11.21 %</u></u>	

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 51,135	(Schedule 3)
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ <u>827,684</u>	(Schedule 2)
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.18 %</u>	
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:		
LONG TERM DEBT	(1.60) %	
SHORT TERM DEBT	(0.08) %	
PREFERRED STOCK	0.00 %	
CUSTOMER DEPOSITS	(0.09) %	
TAX CREDITS-WEIGHTED COST(MIDPOINT)	0.00 %	
SUBTOTAL	<u>(1.77) %</u>	
TOTAL	4.41 %	
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>41.11 %</u>	
JURISDICTIONAL RETURN ON COMMON EQUITY	<u><u>10.72 %</u></u>	