

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of settlement agreement pertaining to Peoples Gas System's 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE.

DOCKET NO. 160159-GU
ORDER NO. PSC-17-0066-AS-GU
ISSUED: February 28, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS
DONALD J. POLMANN

ORDER APPROVING SETTLEMENT AGREEMENT

BY THE COMMISSION:

Background

On June 28, 2016, Peoples Gas System (PGS), pursuant to Rule 25-7.045, Florida Administrative Code (F.A.C.), filed a petition for approval of the company's 2016 depreciation study. Intervention by the Office of Public Counsel (OPC) was acknowledged by Order No. PSC-16-0324-PCO-GU, issued August 11, 2016. PGS amended its depreciation study on October 14, 2016, and again on October 25, 2016. On November 4, 2016, OPC filed a preliminary report regarding PGS's October 25, 2016 updated depreciation study. On December 15, 2016, PGS and OPC (the signatories) filed a joint motion seeking Commission approval of a Settlement Agreement (SA) as being in the public interest, proposing resolution of all matters with respect to the company's 2016 depreciation study. In addition, the SA addresses cost recovery associated with PGS's manufactured gas plant-related environmental liability, the replacement of problematic plastic pipe installed in PGS's distribution system, and the reduction of the bottom of PGS's authorized earning range. Commission staff issued multiple sets of data requests and staff reports to PGS, and held 2 noticed meetings with respect to the docket.

In 1986, PGS was permitted to recover costs associated with its assessment, monitoring, and remediation/cleanup of environmental contaminants produced by old manufactured gas plants (MGPs). In 1998, a reserve accounting treatment was approved for the company with an annual accrual of \$0.64 million which has not been revisited since that time. The MGP-related costs have now increased since PGS's responsibilities have evolved from assessment and monitoring to cleanup and monitoring. The estimated total cost is nearly \$55 million, which

would require approximately 85 years to achieve full cost recovery with the existing authorized accrual rate.

PGS's has approximately 550 miles of installed "problematic plastic pipe" (PPP). The PPP, manufactured before 1983, has significant safety concerns. In certain areas, this PPP is interspersed with, or connected to, the cast iron and bare steel pipe that is currently being replaced under PGS's Rider CI/BSR (cast iron / bare steel replacement).

In response to a Commission staff data request and pursuant to discussions with the parties held in noticed meetings, PGS clarified that obtaining a final decision approving the SA by February 7, 2017, would enable PGS to utilize the proposed new depreciation rates in its Securities Exchange Commission 10-K filing due February 10, 2017. Otherwise, PGS would be required to recompute the depreciation expense data appearing in its 10-K filing using the current depreciation rates, which would reflect higher depreciation expense than proposed without the benefit of the offsets negotiated in the proposed SA.

In order to effectuate a final decision by this Commission on the proposed settlement so PGS can meet its February 10, 2017, filing date, the signatories agreed to waive: (a) all notice requirements for a hearing as set forth in Section 120.569(2)(b), Florida Statutes (F.S.), or other applicable provisions of law; (b) their right to require a hearing on the merits; (c) their respective rights to seek reconsideration pursuant to Rule 25-22.060, F.A.C., of any final order that approves the SA in its entirety and without change; and (d) their respective rights to judicial review of any such final agency action approving the SA afforded by Section 120.68, F.S.

By Order No. PSC-17-0018-PCO-GU, issued January 11, 2017, this matter was scheduled for an administrative hearing on February 7, 2017. At the hearing, we heard arguments from the parties and admitted evidence into the record supporting the public interest. We have jurisdiction to consider this matter pursuant to Sections 366.04, 366.041, 366.05, 366.06, and 120.57, F.S.

The Settlement Agreement

The SA is expected to result in a reduction in PGS's 2016 depreciation expense of approximately \$16.1 million, and a reduction in depreciation expense included in Rider CI/BSR (Rider) surcharges. The Commission-approved 2017 surcharges associated with the Rider will not be revised under this approved SA. Through the annual true-up mechanism of the Rider, the depreciation expense reduction beginning January 1, 2016, under the SA would be reflected in the 2018 surcharges that are subject to Commission approval.

The SA includes several measures addressing MGP-related cost recovery. First, the SA requires the amortization of \$21 million current environmental reserve account balance deficiency over 2 years beginning in 2016 and amortization of at least \$32 million of the reasonably and prudently incurred current/future MGP environmental liability over the period 2016 – 2020 (inclusive of the portion amortized in 2016 and 2017). The SA also allows for the accrual of additional reasonably and prudently incurred MGP environmental expense over the

years 2016 - 2020, wherein amounts above \$55 M are subject to being contested by OPC. The SA also indicates that accrual/amortization of MGP expense would not be used by PGS to drive its achieved return on equity (ROE) below the bottom of its authorized range.

As discussed above, the SA addresses cost recovery associated with PGS's replacement of PPP installed in PGS's distribution system, PGS's definition of "Eligible Replacements" for cost recovery under Rider CI/BSR (PGS's Natural Gas Tariff, Sheet No. 7.806, Revised Volume 3) would be revised per the SA to specifically include PPP ("specific polyethylene / plastic facilities") replacements. The SA allows for the recovery of PPP replacement beginning in 2017 where feasible to benefit ratepayers, with CI/BSR still being the priority until 2022, and recovery for PPP replacement continuing until 2028. The SA also proposes to revise the tariff such that new materials identified as obsolete and potential safety threats can be considered "Eligible Replacements." PGS has assured this Commission that it will discuss any such proposed replacements with Commission staff and OPC before including the replacements in PGS's annual Rider CI/BSR filing.

PGS's current authorized ROE is 10.75% with an earnings range of 9.75% to 11.75%. Under the SA, the bottom of the authorized range is reduced to 9.25%. This shall remain in effect until the earlier of either the effective date of new base rates in a rate case resulting from PGS's earnings falling below 9.25% prior to December 31, 2020, or, December 31, 2020, after which time the bottom of PGS's authorized ROE range will return to 9.75%. According to the SA, PGS will not file a request for a general base rate proceeding before December 31, 2020, unless its earnings fall below 9.25%.

The signatories to the SA propose that the effective date of the SA to be the day after it is approved.

Decision

The standard for approval of a settlement agreement is whether it is in the public interest.¹ A determination of public interest requires a case-specific analysis based on consideration of the proposed settlement taken as a whole.² The weight of the evidence presented to this Commission through an extensive series of data requests by Commission staff, and the

¹ Order No. PSC-13-0023-S-EI, issued on January 14, 2013, in Docket No. 120015-EI, In re: Petition for increase in rates by Florida Power & Light Company; Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket Nos. 080677 and 090130, In re: Petition for increase in rates by Florida Power & Light Company and In re: 2009 depreciation and dismantlement study by Florida Power & Light Company; Order No. PSC-13-0023-S-EIPSC-10-0398-S-EI, issued June 18, 2010, in Docket Nos. 090079-EI, 090144-EI, 090145-EI, 100136-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc., In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc., In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc., and In re: Petition for approval of an accounting order to record a depreciation expense credit, by Progress Energy Florida, Inc.; Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

² Order No. PSC-13-0023-S-EI, at p. 7.

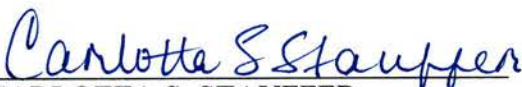
detailed responses by the SA's signatories fully supports the conclusion that this agreement is in the public interest. The SA will allow PGS to maintain the financial integrity necessary to properly address the company's environmental remediation liabilities as well as initiate the replacement of problematic plastic pipe while maintaining current base rates. PGS's agreement to lower the floor of its earnings range and to not seek to raise its authorized ROE for four years, unless the company's earnings fall below its revised floor of 9.25 percent, protects consumers. The SA promotes safety and efficiency while enabling PGS to sustain its current level of service which provides a certain degree of rate stability and predictability for the company's ratepayers. Having carefully reviewed all the evidence presented, we find that, when taken as a whole, the SA provides a reasonable resolution of all the issues raised. We find, therefore, that the terms and conditions included in the SA are in the public interest, and they are hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Motion for Approval of Settlement Agreement is hereby granted and that the Settlement Agreement filed on December 15, 2016, attached hereto as Attachment A, and incorporated herein by reference, is approved. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 28th day of February, 2017.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

WLT

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Attachment 1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2016)
Depreciation Study by Peoples Gas)
System.)
_____)

Docket No. 160159-GU

Submitted for Filing:
12-15-16

SETTLEMENT AGREEMENT

Pursuant to Section 120.57(4), *Florida Statutes*, Peoples Gas System ("PGS" or the "Company") and the Office of Public Counsel ("OPC") (together, the "Parties") have entered into this Settlement Agreement to reach an informal disposition and complete a binding resolution of any and all matters and issues that were or might have been addressed by the Commission in Docket No. 160159-GU. It also covers other matters over which the Commission has jurisdiction. This Settlement Agreement avoids the time, expense and uncertainty associated with adversarial litigation, in keeping with the Commission's longstanding policy and practice of encouraging parties in contested proceedings to settle issues whenever possible. The terms of this Settlement Agreement are as follows:

BACKGROUND

PGS's 2016 Depreciation Study

1. PGS, as required by Rule 25-7.045, *F.A.C.*, filed its 2016 Depreciation Study with the Commission on June 28, 2016, resulting in the opening of this docket. The petition sought approval for new depreciation rates resulting in a \$4,918,980 overall reduction in annual depreciation expense for 2016, and for certain reserve transfers. OPC filed a Notice of Intervention in this docket on August 4, 2016.

2. The Parties and Commission Staff participated in an informal meeting in Tallahassee on October 11, 2016, during which the Company provided answers to certain questions regarding its study. On October 14, 2016, PGS filed amended pages to its study which would have resulted in a reduction to its 2016 annual depreciation expense of

\$6,845,565.

3. On October 25, 2016, PGS filed responses to follow-up questions posed by Commission Staff at the informal meeting, as well as further amended pages to its study. As of the filing made on October 25, 2016, the reduction in the Company's annual depreciation expense for 2016 would have been \$8,453,154 if the new rates for which approval was sought were implemented as of January 1, 2016.

4. On November 4, 2016, OPC filed a preliminary report by its consultant, David Garrett, whose analyses and the rates resulting therefrom suggested that the annual depreciation expense proposed by PGS as of its October 25 filing should be reduced by an additional \$20,087,410.

Annual Accrual to PGS's Environmental Reserve Account

5. PGS was first permitted to recover costs associated with the assessment, monitoring and remediation/cleanup of environmental contaminants produced by old manufactured gas plants ("MGPs") by the Commission's Order No. 16313, issued July 8, 1986 in Docket No. 850811-GU. In that order referring to MGP sites, the Commission stated:

. . . . If possible, the ratepayer should pay anticipated removal costs while these plants are in use as is this Commission's policy with decommissioning of nuclear power plants. However, waste cleanup may not have been anticipated while in use and in this case the need for such cleanup is more likely to be discovered after the facility is retired from use.

Specifically addressing a PGS MGP site in North Miami, the Commission noted:

. . . . It is in the public interest that the utility cooperates to clean up hazardous wastes. Staff is of the opinion that these costs (\$1,200,000) are normal ongoing, utility business expenses. To avoid unduly burdening the ratepayer and to allow for review of these expenses in future rate cases, these costs have been amortized over a five-year period. Amortization expenses are therefore reduced by \$160,000 in the attrition year to account for this five year amortization.

Since there are several other potentially sensitive sites on the Company's system and it is expected that these expenditures will be required on a continuing basis for several years, the Company agrees that any litigation resulting in

recovery of these expenses from previous owners of the plant sites will be reviewed by this Commission for inclusion in the setting of revenue requirements. (Order No. 16313 at pages 13-14)

The five-year amortization approved by Order No. 16313 resulted in an annual amortization of \$240,000.

6. The annual amortization of environmental costs associated with Peoples' MGP sites was increased from \$240,000 to \$1,248,000 by the Commission's Order No. 23858 (Docket No. 891353-GU), and continued at that level after the Company's next rate case in Docket No. 911150-GU pursuant to Commission Order No. PSC-92-0924-FOF-GU, issued September 3, 1992.

7. In 1993, in connection with the Commission's investigation into the authorized returns on equity ("ROE") for PGS and other Florida local distribution companies, PGS's authorized ROE was reduced from 12.0% to 11.25% (plus or minus 100 basis points) for all regulatory purposes effective January 1, 1994. By the same order, the Commission authorized PGS to fully amortize the \$2,495,000 balance of its environmental costs by September 30, 1994. Order No. PSC-93-1773-FOF-GU (Docket No. 931101-GU).

8. In Docket No. 971310-GU, the Commission initiated a review of PGS's earnings. By its final order in that docket, the Commission, among other things, ordered several adjustments to the Company's past amortization of environmental costs, and also ordered that the Company's 1996 overearnings of \$973,572 be credited to its deferred environmental costs account effective December 31, 1996 for regulatory purposes. In addition, the Commission found that PGS had been deferring all environmental costs since September 30, 1994 -- instead of expensing them -- and ordered that the Company expense all environmental costs as they were incurred until its receipt of Commission approval to use any other accounting treatment for such costs. Order No. PSC-98-0329-FOF-GU, issued February 24, 1998 in Docket No. 971310-GU.

9. PGS petitioned the Commission in March 1998 for approval of reserve accounting treatment of its environmental costs, and by Order No. PSC-98-0739 (Docket No. 980434-GU), such accounting treatment was approved, as well as an accrual to the reserve of \$640,000 annually. The \$640,000 annual accrual was based on the historical average costs incurred by the Company over the period 1985 to 1997, and those of the former West Florida Natural Gas Company (which PGS acquired by merger in 1997) for the period 1993 to 1997.

10. The \$640,000 annual accrual to the environmental reserve was not revisited in PGS's rate cases filed in 2002¹ and 2008² because the costs then being incurred did not appear to warrant an attempt to vary the annual accrual amount, and no reserve deficiency existed. As such, no adjustment to the accrual was made in those proceedings. However, the costs now being, and to be, incurred for the sites for which the Company is solely or partially responsible have changed in nature from those incurred primarily for assessment and monitoring, to those associated primarily with cleanup or remediation and monitoring, and have increased dramatically.

11. Exhibit A to this Settlement Agreement reflects the costs incurred from the inception of the Commission's authorization for PGS's recovery of its MGP environmental costs, and then by year from 1998 through June 2016, together with the balance of the reserve at each year end (and as of November 30, 2016). As shown on Exhibit A, the reserve balance deficiency as of the end of November 2016 represents a ratepayer liability to the Company (*i.e.*, a regulatory asset) of \$21,054,253. Based on the Company's latest independent consultants' evaluations of the MGP sites for which PGS is wholly or partially responsible, the future liability associated with work needed to remediate the MGP sites is projected to be \$33,938,077 as of the end of 2015, for a total of \$54,992,330 (as reflected in TECO Energy, Inc.'s 2015 10-K filing

¹ Docket No. 020384-GU, *In re: Petition for rate increase by Peoples Gas System.*

² Docket No. 080318-GU, *In re: Petition for rate increase by Peoples Gas System.*

with the Securities and Exchange Commission). If the Company's only recovery from its customers continued to be the \$640,000 annual accrual to the environmental reserve -- which was established in 1998 and is currently in effect -- it would take approximately 85 years for the Company to recover the full amount of the MGP environmental costs , assuming no additional remediation costs.

Inclusion of Problematic Plastic Pipe Replacements for Recovery Through Rider CI/BSR

12. The Commission approved PGS's Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR) by its Order No. 12-0476-TRF-GU, issued September 18, 2012, in Docket No. 110320-GU. Rider CI/BSR has enabled PGS to accelerate the replacement of cast iron and bare steel infrastructure, with which there can be safety concerns. The nature of this safety-driven infrastructure replacement program and the Commission's reasons for approving it are set forth in Order No. 12-0476-TRF-GU.

13. Rider CI/BSR provides for surcharges for the Company's recovery of a return on its investment in replacement infrastructure (defined as "Eligible Replacements" in the Rider), as well as depreciation and ad valorem tax expense on such investment. The Rider's operation and the manner in which the surcharges are calculated are explained in Order No. 12-0476-TRF-GU. Since the Rider's initial approval by the Commission, revised surcharges have been approved by the Commission's Orders Nos. PSC-13-0602-TRF-GU, PSC-14-0682-TRF-GU, PSC-15-0572-TRF-GU, and PSC-16-0524-TRF-GU.

14. PGS began installing polyethylene (plastic) pipe in its distribution system in the 1960s. Much of the plastic pipe installed through the early 1990s was manufactured by DuPont (later Uponor) and was called Aldyl A. There may also be lesser amounts of plastic pipe in PGS's distribution system manufactured by Century Utility Products, Inc.

15. Several incidents related to brittle-like cracking of older plastic pipe, caused the

National Transportation Safety Board ("NTSB") to initiate a special investigation. Of the eleven conclusions in the NTSB's 1998 Report of its investigation,³ four were directed at the manufacture and installation of early vintage (1960s through early 1980s) plastic pipe. The conclusions were:

- The procedure used in the United States to rate the strength of plastic pipe may have overrated the strength and resistance to brittle-like cracking of much of the plastic pipe manufactured and used for gas service from the 1960s through the early 1980s.
- Much of the plastic pipe manufactured and used for gas service from the 1960s through the early 1980s may be susceptible to premature brittle-like failures when subjected to stress intensification, and these failures represent a potential public safety hazard.
- Gas pipeline operators have had insufficient notification that much of the plastic pipe manufactured and used for gas service from the 1960s through the early 1980s may be susceptible to brittle-like cracking and therefore may not have implemented adequate pipeline surveillance and replacement programs for their older piping.
- Because guidance covering the installation of plastic piping is inadequate for limiting stress intensification at plastic service connections to steel mains, many of these connections may have been installed without adequate protection from shear and bending forces.

16. In response to the NTSB Report, the Pipeline and Hazardous Materials Safety Administration ("PHMSA")⁴ published two advisory bulletins to owners and operators of natural gas distribution systems to inform them of the susceptibility of older plastic pipe to premature brittle-like cracking.⁵ Subsequent PHMSA bulletins⁶ have been published to reiterate the

³ NTSB/SIR-98/01, *Brittle-Like Cracking in Plastic Pipe for Gas Service*, April 23, 1998, <http://www.nts.gov/safety/safety-studies/Documents/SIR9801.pdf>.

⁴ PHMSA was formerly known as the Research and Special Programs Administration.

⁵ ADB-99-01, 47 Fed. Reg. 12211, March 11, 1999, <http://www.phmsa.dot.gov/portal/site/PHMSA/menuitem.6f23687cf7b00b0f22e4c6962d9c8789/?vgnextoid=1f29bfc6d618a8110VgnVCM1000009ed07898RCRD&vgnnextchannel=8590d95c4d037110VgnVCM1000009ed07898RCRD&vgnnextfmt=print>; ADB-99-02, 47 Fed. Reg. 12211, March 11, 1999, <http://www.phmsa.dot.gov/portal/site/PHMSA/menuitem.6f23687cf7b00b0f22e4c6962d9c8789/?vgnextoid=2739bfc6d618a8110VgnVCM1000009ed07898RCRD&vgnnextchannel=8590d95c4d037110VgnVCM100>

message and update owners and operators of pipe and fittings from additional manufacturers that are susceptible to brittle-like cracking. Those pipes and fittings include Aldyl A plastic pipe, Delrin insert tap tees, and Plexco service tee Celcon caps; all three of which PGS has installed in its distribution system.

17. PGS estimates there are approximately 1,100 miles of this plastic pipe installed in its distribution system, approximately half of which is pre-1983 vintage ("problematic plastic pipe"). The replacement costs would vary significantly depending on the communities where the pipe is currently installed. Additionally, there would be less concentrations of the plastic pipe in urban areas where cast iron and bare steel was more prevalent. As such, the Company believes the estimated replacement cost will be lower than the per mile replacement costs of cast iron and bare steel the Company has experienced in connection with Rider CI/BSR. The Company desires to accelerate the replacement of this pipe for the same reasons it sought approval of Rider CI/BSR. In order to do so, the Company desires to include the replacements for this pipe as "Eligible Replacements" for purposes of the recovery permitted through the surcharges provided in Rider CI/BSR beginning in 2017. The accelerated replacement will result in an upgrade to the Company's distribution system by replacing the older plastic pipe with safer pipe having a longer useful life.

18. In the course of projects for the replacement of cast iron or bare steel pipes, PGS has encountered situations in which there is problematic plastic pipe interspersed in the same areas with the cast iron or bare steel pipe that is being replaced, or actually connected to the pipes being replaced. In most of these situations, had the subject plastic pipe been included for removal under Rider CI/BSR, it would have been more efficient and cost-effective to replace it at

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⁶ ADB-02-7, 67 Fed. Reg. 70806, November 26, 2002, <https://www.gpo.gov/fdsys/pkg/FR-2002-11-26/pdf/02-30055.pdf>; ADB-07-01, 72 Fed. Reg. 51301, September 6, 2007, <https://www.gpo.gov/fdsys/pkg/FR-2007-09-06/pdf/07-4309.pdf>.

the same time as the cast iron or bare steel pipe is being replaced. Further, because of safety concerns associated with these kinds of pipe, the most prudent course of action, going forward, would be to replace these sections of pipe rather than allow them to remain in place and continue to be used.

19. If the investment associated with the replacement of problematic plastic pipe is included in Rider CI/BSR, the replacement of cast iron and bare steel infrastructure will remain the priority of the Company's replacement plan (in accordance with its Distribution Integrity Management Plan ("DIMP") requirements); however, the Company would begin to include replacement of the problematic plastic pipe along with cast iron and bare steel pipe where feasible to benefit its ratepayers. This prioritization would continue until 2022 (at which time PGS estimates that substantially all cast iron and bare steel will have been replaced), with the replacement of problematic plastic pipe continuing until 2028 under the rider.

PGS's Commission-Authorized ROE

20. PGS's currently effective ROE was established by the Commission's Order No. PSC-09-0411-FOF-GU, issued June 9, 2009 in Docket No. 080318-GU. By that order, the Company's ROE of 10.75% and earnings range of 9.75% to 11.75% was established for all regulatory purposes.

TERMS OF SETTLEMENT

A. Depreciation. Based on PGS's 2016 depreciation study (as amended through the date of this Settlement Agreement), the Parties agree that the Company-proposed lives, net salvage percentages, and resulting depreciation rates for all accounts are appropriate.

(1) PGS has, concurrently with the filing of the Parties' joint motion for approval of this Settlement Agreement, filed revised pages to its 2016 Depreciation Study reflecting the Parties' agreements with respect to the Company's depreciation rates and expense.

(2) Exhibit B to this Settlement Agreement contains a comparison of current components and rates to the components and rates the Parties agree should be approved by the Commission.

(3) Exhibit C to this Settlement Agreement contains a comparison of current 2016 depreciation expense versus the depreciation expense the Parties agree should be approved by the Commission for 2016.

(4) The rates on which the Parties agree result in a decrease to 2016 depreciation expense of \$16,114,365.

(5) The Parties agree that the reserve transfers identified in Exhibit D to this Settlement Agreement should be approved by the Commission.

(6) The Rider CI/BSR Surcharges approved by the Commission's Order No. PSC-16-0524-TRF-GU include recovery by the Company of depreciation expense for the Eligible Replacements at currently effective rates, which will change based on the Commission's approval of this Settlement Agreement. Exhibit E to this Settlement Agreement is a comparison of the 2017 Rider CI/BSR Surcharges approved by the Commission's Order No. PSC-16-0524-TRF-GU with the 2017 Surcharges that would have been approved had this Settlement Agreement been approved prior to the establishment of 2017 Rider CI/BSR Surcharges. Because Rider CI/BSR contains provisions for true-up, the Parties agree that the 2017 Surcharges approved by Order No. PSC-16-0524-TRF-GU should remain in effect for 2017.

B. PGS's Environmental Reserve Account. The Parties agree that the Commission should substitute for the currently allowed \$640,000 annual amortization for PGS's environmental reserve the following:

(1) Amortization, at the discretion of PGS as to the annual amounts, of the current portion of the deficiency in PGS's environmental reserve account -- \$21,054,253

– over two years, beginning in 2016.

(2) Amortization of at least \$32,000,000 of the current/future MGP environmental liability (inclusive of the portion amortized in 2016 and 2017), to the extent expenses are reasonably and prudently incurred, over the period 2016 through 2020.

(3) Authorization to accrue/amortize additional reasonably and prudently incurred MGP environmental expense over the years 2016 through 2020.

(4) The accrual/amortization of MGP expense would not be used by PGS to drive its achieved ROE below the bottom of its authorized range in effect at the time of the accrual/amortization.

(5) The Parties agree that the currently estimated total MGP environmental expense of \$54,992,330 has been publicly reported as reasonably likely to be incurred as a liability of the company and is expected to be prudently incurred by PGS. OPC reserves the right to contest or oppose the recoverability of any MGP environmental expense incurred by the Company that is incremental to the \$54,992,330 identified in this paragraph. The Company agrees that MGP environmental expenses recovered from other owners of the plant sites as a result of any future litigation or proceeding will be credited to the Company's MGP environmental reserve account.

(6) The above provisions with respect to MGP environmental accruals/amortization shall create no presumption of correctness, and shall have no precedential value in a future PGS rate case.

C. Inclusion of Problematic Plastic Pipe Replacements for Recovery Through Rider CI/BSR. The Parties agree that the Commission should approve the following amendment to the definition of "Eligible Replacements" on Sheet No. 7.806 of PGS's Natural Gas Tariff, Revised Volume No. 3 (Rider CI/BSR), effective as of the date of the Commission's vote to approve this Settlement Agreement:

"Eligible Replacements" means the following Company plant investments that (i) do not increase revenues by directly connecting new customers to the plant asset, (ii) are in service and used and useful in providing utility service and (iii) were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding:

Mains and service lines, as replacements for existing materials recognized/identified by the Pipeline Safety and Hazardous Materials Administration as being obsolete and that present a potential safety threat to operations and the general public, including, cast iron, wrought iron, and bare steel, and specific polyethylene/plastic facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

D. **PGS's Authorized ROE.** The Parties agree that upon the Commission's approval of this Settlement Agreement, PGS's range of ROE established by the Commission's Order No. PSC-09-0411-FOF-GU for all regulatory purposes shall be modified by reducing the bottom of the authorized range to 9.25%. This "bottom" shall remain until the earlier to occur of (a) the effective date of base rates established in PGS's next general base rate proceeding (which PGS will not file before December 31, 2020 unless its earned ROE as reported on a future quarterly Earnings Surveillance Report is below 9.25%), or (b) December 31, 2020.

E. In accordance with Section 120.57(4), *Florida Statutes*, approval of this Settlement Agreement in its entirety will resolve all matters in Docket No. 160159-GU with respect to depreciation rates for various categories of plant, depreciation reserves and reserve transfers, effective as of January 1, 2016. In addition, it will resolve issues related to (a) PGS's MGP environmental reserve accruals/amortization, (b) the inclusion of replacements for problematic plastic pipe as "Eligible Replacements" under PGS's Rider CI/BSR, and (c) PGS's ROE through the year 2020 (or until rates are established in the Company's next general base rate proceeding).

F. This Settlement Agreement will take effect the day after it is approved by the Commission.

G. The provisions of this Settlement Agreement are contingent on the Commission's approval of this Settlement Agreement in its entirety without modification.

H. It is the desire of the Parties that this Settlement Agreement be considered at an appropriate proceeding that does not involve live testimony and cross examination on the merits of the matters covered by this Settlement Agreement. The Parties agree that: (a) consideration of this Settlement Agreement as an agenda item at a regularly scheduled Commission conference at which all interested persons are provided an opportunity to speak shall satisfy any requirement for the conduct of a hearing on the approval of this Settlement Agreement; (b) the following documents on file in this proceeding shall be available for the Commission during its consideration of this Settlement Agreement: the Petition in this docket, the depreciation study supporting a \$16,114,365 reduction to depreciation expense for 2016, and PGS's outside consultants' report on the projected MGP liability and this Settlement Agreement; (c) upon the Commission's approval of this Settlement Agreement, such documents shall become part of the record of this proceeding as if admitted into evidence at a final hearing; and (d) a Commission decision approving this Settlement Agreement may be issued as a final order.

I. With respect to this Settlement Agreement, the Parties agree to waive: (a) all notice requirements for a hearing as set forth in Section 120.569(2)(b), *Florida Statutes*, or other applicable provisions of law; (b) their right to require a hearing on the merits; (c) their respective rights to seek reconsideration pursuant to Rule 25-22.060, *Florida Administrative Code*, of any final order that approves this Settlement Agreement in its entirety and without change; and (d) their respective rights to judicial review of any such final agency action approving this Settlement Agreement afforded by Section 120.68, *Florida Statutes*.

J. The Parties further agree that they will support this Settlement Agreement and affirmatively assert that this Settlement Agreement is in the public interest and should be approved. In this regard, the Parties acknowledge that this Settlement Agreement has been

agreed to by each Party and resolves each and every issue in this docket, and with respect to the other matters covered by this agreement. The Parties agree that they will not request or support any order, relief, outcome, or result in conflict with the terms of this Settlement Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Settlement Agreement or the subject matter hereof.

K. The Parties' agreement to the terms in this Settlement Agreement shall be without prejudice to a Party's ability to advocate a different position in future proceedings not involving this Settlement Agreement. The Parties further expressly agree that no individual provision, by itself, necessarily represents a position of a Party in a future proceeding, and the Parties further agree that neither Party shall assert or represent in any future proceeding in any forum that the other Party endorses any specific provision of this Settlement Agreement because of that Party's signature hereto. It is the intent of the Parties to this Settlement Agreement that the Commission's approval of all the terms and provisions of this Settlement Agreement is an express recognition that (a) no individual term or provision, by itself, necessarily represents a position, in isolation, of a Party and (b) that neither Party to this Settlement Agreement endorses a specific provision, in isolation, of this Settlement Agreement because of that Party's signature hereto.

L. If the Commission does not accept this Settlement Agreement in its entirety pursuant to its terms set out herein, then (i) the Settlement Agreement shall be considered rejected and shall be and become null and void and of no further force or effect as if this document had never been developed and written; (ii) this document shall not be admissible in any hearing on any matters at issue in Docket No. 160159-GU, any matters at issue with respect to PGS's environmental reserve, any matters at issue related to PGS's authorized range of ROE, or any matters at issue with respect to the inclusion of problematic plastic pipe in the

definition of "Eligible Replacements" for purposes of PGS's Rider CI/BSR, or in any other docket or forum; and (iii) neither Party to this Settlement Agreement waives any position on any issue that it could have otherwise asserted in any docket in which it is a Party.

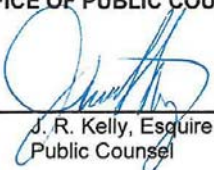
M. This Settlement Agreement may be executed in counterpart originals and a facsimile or scan of an original signature shall be deemed an original.

N. This Settlement Agreement constitutes a single, integrated written contract expressing the entire agreement between the Parties and superseding all other agreements, representations and understandings on the subject matter hereof. There is no other agreement, oral or written, expressed or implied, between the Parties with respect to the subject matter hereof, except this Settlement Agreement.

[signature page follows]

The Parties evidence their acceptance of and agreement with the provisions of this Settlement Agreement by their signatures:

OFFICE OF PUBLIC COUNSEL

By:  _____
J. R. Kelly, Esquire
Public Counsel

PEOPLES GAS SYSTEM

By: _____
Thomas J. Szelistowski
President, Peoples Gas System

The Parties evidence their acceptance of and agreement with the provisions of this Settlement Agreement by their signatures:

OFFICE OF PUBLIC COUNSEL

By: _____
J. R. Kelly, Esquire
Public Counsel

PEOPLES GAS SYSTEM

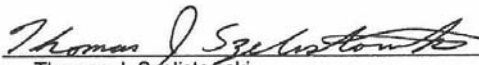
By: 
Thomas J. Szelistowski
President, Peoples Gas System

EXHIBIT A
 PAGE 1 OF 1

PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 15, 2016

PGS MGP Environmental Cost and Reserve Balance

Year	Total Costs	Annual Amortization	Reserve Balance
1998			\$ (291,186)
1999	\$ 377,568	\$ (639,996)	\$ (553,615)
2000	\$ 829,061	\$ (639,996)	\$ (364,550)
2001	\$ 544,571	\$ (639,996)	\$ (459,974)
2002	\$ 1,517,876	\$ (639,996)	\$ 417,906
2003	\$ (3,766,982)	\$ (639,996)	\$ (3,989,072)
2004	\$ (82,464)	\$ (639,996)	\$ (4,711,532)
2005	\$ 5,351,528	\$ (639,996)	\$ (0)
2006	\$ 639,996	\$ (639,996)	\$ (0)
2007	\$ 639,996	\$ (639,996)	\$ (0)
2008	\$ 833,890	\$ (639,996)	\$ 193,894
2009	\$ 1,729,363	\$ (639,996)	\$ 1,283,261
2010	\$ 1,759,218	\$ (639,996)	\$ 2,402,483
2011	\$ 297,083	\$ (639,996)	\$ 2,059,570
2012	\$ 8,254,773	\$ (639,996)	\$ 9,674,347
2013	\$ 1,929,273	\$ (639,996)	\$ 10,963,623
2014	\$ 9,447,232	\$ (639,996)	\$ 19,770,859
2015	\$ 861,130	\$ (639,996)	\$ 19,991,993
*2016	\$ 1,648,927	\$ (586,667)	\$ 21,054,253

* Costs through November 2016

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Comparison of Rates and Components

Account Number	Account Title	Current Rates - Effective 2011 - 2015						Company Proposed - Effective 1/1/2016									
		Curve Type	Average Service Life	Average Remaining Life	Future Net Salvage	Reserve Ratio 2011	Depreciation Rate	Whole Life			Remaining Life						
			(yrs)	(yrs)	(%)	(%)	(%)	Curve Type	Average Service Life	Future Net Salvage	Whole Life Rate	Average Age	Average Remaining Life	Round Average Remaining Life	Future Net Salvage	Reserve Ratio 2015	Depreciation Rate
	Distribution Plant						Dep Val	Dep Val	Dep Val	Dep Val	Dep Val	File	File				
37402	Land Rights	Confirm	Confirm	Confirm	Confirm	Confirm	SQ	75	0	1.3	15.7	59.3	59.0	0	20.90	1.3	1.3
37500	Structures & Improvements	R3	40	27.0	0	32.90	R3	40	0	2.5	17.8	24.2	24.0	0	39.56	2.5	2.5
37600	Mains Steel	R3	40	25.0	(60)	56.05	R2	55	(40)	2.5	16.8	41.2	41.0	(40)	48.16	2.2	2.2
37602	Mains Plastic	R3	40	30.0	(25)	31.40	R3	45	(25)	2.8	12.1	33.8	34.0	(25)	42.75	2.4	2.4
37800	Meas & Reg Station Eq Gen	R1	31	25.0	(5)	20.74	R1	31	(5)	3.4	9.4	24.7	25.0	(5)	21.46	3.4	3.3
37900	Meas & Reg Station Eq City	R1	31	25.0	(5)	20.28	R1	31	(5)	3.4	8.1	25.5	26.0	(5)	16.70	3.4	3.3
38000	Services Steel	R3	32	13.6	(100)	110.83	R0.5	45	(100)	4.4	24.0	31.1	31.0	(100)	84.71	3.7	3.7
38002	Services Plastic	R3	32	21.0	(55)	49.92	R3	40	(55)	3.9	12.7	28.3	28.0	(55)	62.07	3.3	3.3
38100	Meters	L1	16	11.1	5	29.16	L1	16	5	5.9	8.5	10.8	10.8	5	31.17	5.9	5.9
38200	Meter Installations	R4	27	16.5	(20)	46.54	R4	27	(20)	4.4	13.3	15.3	15.3	(20)	51.87	4.5	4.5
38300	House Regulators	R2	28	17.1	0	38.98	R2	28	0	3.6	14.9	16.6	16.6	0	40.54	3.6	3.6
38400	House Regulator Installs	R4	27	16.6	(20)	46.03	R4	27	(20)	4.4	12.5	15.7	15.7	(20)	50.32	4.4	4.4
38500	Meas & Reg Station Eq Ind	R4	32	15.7	0	50.91	R4	32	0	3.1	20.6	12.9	12.9	0	59.84	3.1	3.1
38600	Other Property Cust Premise	R1	15	15.0	0	0.00	R1	15	0	6.7	0.0	15.0	15.0	0	0.00	6.7	6.7
38700	Other Equipment	S2	16	9.9	0	38.01	S2	16	0	6.3	6.8	10.2	10.2	0	36.21	6.3	6.3

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EXHIBIT B
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PEOPLES GAS SYSTEM
 2016 DEPRECIATION STUDY
 FILED: JUNE 28, 2016
 REVISED: OCTOBER 14, 2016
 2ND REVISED: OCTOBER 25, 2016
 3RD REVISED: DECEMBER 15, 2016

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Comparison of Rates and Components

Account Number	Account Title	Current Rates - Effective 2011 - 2015					Company Proposed - Effective 1/1/2016											
		Curve Type	Average Service Life	Average Remaining Life	Future Net Salvage	Reserve Ratio 2011	Depreciation Rate	Whole Life			Remaining Life							
			(yrs)	(yrs)	(%)	(%)	(%)	Curve Type	Average Service Life	Future Net Salvage	Whole Life Rate	Average Age	Average Remaining Life	Round Average Remaining Life	Future Net Salvage	Reserve Ratio 2015	Depreciation Rate	Round Depreciation Rate
Transportation Equipment																		
39201	Vehicles up to 1/2 Tons	S1	8	4.8	10	36.36	11.2	S1	8	10	11.3	4.9	4.5	4.5	10	36.92	11.4	11.4
39202	Vehicles from 1/2 - 1 Tons	S1	7	3.3	10	48.08	12.7	S1	7	10	12.9	5.4	3.3	3.3	10	47.17	13.0	13.0
39204	Trailers & Other	S3	20	7.1	20	51.49	4.0	S3	20	20	4.0	5.4	15.5	15.5	20	18.09	4.0	4.0
39205	Vehicles over 1 Ton	S4	12	4.7	10	55.12	7.4	S4	12	10	7.5	5.8	7.0	7.0	10	37.17	7.5	7.5
General Plant																		
30100	Organization Costs			Not Depreciable			0.0		Not Depreciable			0.0	Not Depreciable			0.0	0.0	
30200	Franchise & Consents			25 year Amortizable			4.0	SQ	25	0	4.0	0.0	25.0	25.0	0	0.00	4.0	4.0
30300	Misc Intangible Plant			25 year Amortizable			4.0	SQ	25	0	4.0	20.5	4.5	4.5	0	81.93	4.0	4.0
30301	Custom Intangible Plant			15 year Amortizable			6.7	SQ	15	0	6.7	5.2	9.9	9.9	0	33.98	6.7	6.7
39000	Structures & Improvements	R3	40	36.0	0	10.61	2.5	R3	40	0	2.5	5.7	34.4	34.0	0	13.90	2.5	2.5
39100	Office Furniture	R1	15	12.4	0	17.43	6.7	SQ	15	0	6.7	9.2	5.8	5.8	0	61.01	6.7	6.7
39101	Computer Equipment	S2	8	3.1	0	61.18	12.5	SQ	8	0	12.5	6.6	1.8	1.8	0	77.82	12.3	12.3
39102	Office Equipment	R1	15	7.8	0	47.70	6.7	SQ	15	0	6.7	6.8	8.5	8.5	0	43.42	6.7	6.7
39300	Stores Equipment	S4	25	2.5	0	89.97	4.0	S4	25	0	4.0	3.5	21.5	22.0	0	14.03	4.0	3.9
39400	Tools, Shop & Garage Equip	S1	15	7.8	0	48.19	6.6	SQ	15	0	6.7	4.0	11.1	11.1	0	25.83	6.7	6.7
39401	CNC Station Equipment			New Rate Requested			0.0		20	0	5.0	0.0	20.0	20.0	0	0.00	5.0	5.0
39500	Laboratory Equipment	S1	20	8.3	0	58.54	5.0	SQ	20	0	5.0	0.0	20.0	20.0	0	0.00	5.0	5.0
39600	Power Operated Equipment	S4	15	5.8	5	57.96	6.4	S4	15	5	6.3	8.9	8.0	8.0	5	44.63	6.3	6.3
39700	Communication Equipment	S3	12	5.0	0	58.06	8.4	SQ	12	0	8.3	7.8	4.6	4.6	0	62.08	8.2	8.2
39800	Miscellaneous Equipment	R2	17	7.1	0	58.19	5.9	SQ	17	0	5.9	15.0	3.8	3.8	0	77.38	6.0	6.0

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EXHIBIT B
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PEOPLES GAS SYSTEM
 2016 DEPRECIATION STUDY
 FILED: JUNE 28, 2016
 REVISED: OCTOBER 14, 2016
 2ND REVISED: OCTOBER 25, 2016
 3RD REVISED: DECEMBER 15, 2016

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Change in Annual Accruals

Account Number	Account Title	Current Rates - Effective 2011 - 2015				Company Proposed - Effective 1/1/2016					
		Total Plant Cost 12/31/2015 (\$)	Post Transfer Accumulated Reserve 12/31/2015 (\$)	Depre- ciation Rate (%)	Depre- ciation Expense (\$)	Whole Life			Remaining Life		
						Depre- ciation Rate (%)	Depre- ciation Expense (\$)	Change in Depreciation Expense (\$)	Depre- ciation Rate (%)	Depre- ciation Expense (\$)	Change in Depreciation Expense (\$)
Distribution Plant											
37402	Land Rights	2,836,412	592,895	1.3	36,873	1.3	36,873	-	1.3	36,873	-
37500	Structures & Improvements	19,415,983	7,684,556	2.5	485,400	2.5	485,400	-	2.5	485,400	-
37600	Mains Steel	385,317,174	185,571,117	4.2	16,183,321	2.5	9,632,929	(6,550,392)	2.2	8,476,978	(7,706,343)
37602	Mains Plastic	401,310,012	171,546,122	3.1	12,440,610	2.8	11,236,680	(1,203,930)	2.4	9,631,440	(2,809,170)
37800	Meas & Reg Station Eq Gen	12,924,984	2,773,069	3.4	439,449	3.4	439,449	-	3.3	426,524	(12,925)
37900	Meas & Reg Station Eq City	34,586,108	6,466,837	3.4	1,175,928	3.4	1,175,928	-	3.3	1,141,342	(34,586)
38000	Services Steel	46,376,347	39,283,507	6.6	3,060,839	4.4	2,040,559	(1,020,280)	3.7	1,715,925	(1,344,914)
38002	Services Plastic	247,505,038	153,636,596	5.0	12,375,252	3.9	9,652,696	(2,722,556)	3.3	8,167,666	(4,207,586)
38100	Meters	63,032,755	19,646,963	5.9	3,718,933	5.9	3,718,933	-	5.9	3,718,933	-
38200	Meter Installations	49,175,177	25,507,475	4.5	2,212,883	4.4	2,163,708	(49,175)	4.5	2,212,883	-
38300	House Regulators	14,633,325	5,932,047	3.6	526,800	3.6	526,800	-	3.6	526,800	-
38400	House Regulator Installs	19,915,060	10,020,798	4.5	896,178	4.4	876,263	(19,915)	4.4	876,263	(19,915)
38500	Meas & Reg Station Eq Ind	9,089,094	5,420,679	3.1	281,762	3.1	281,762	-	3.1	281,762	-
38600	Other Property Cust Premise	-	-	6.7	-	6.7	-	-	6.7	-	-
38700	Other Equipment	5,889,159	2,132,612	6.3	371,017	6.3	371,017	-	6.3	371,017	-
Total Distribution Plant		1,312,006,627	636,215,072	4.1	54,205,245	3.2	42,638,997	(11,566,248)	2.9	38,069,806	(16,135,439)

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PEOPLES GAS SYSTEM
 2016 DEPRECIATION STUDY
 FILED: JUNE 28, 2016
 REVISED: OCTOBER 14, 2016
 2ND REVISED: OCTOBER 25, 2016
 3RD REVISED: DECEMBER 15, 2016

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Change in Annual Accruals

Account Number	Account Title	Current Rates - Effective 2011 - 2015				Company Proposed - Effective 1/1/2016					
		Total Plant Cost 12/31/2015 (\$)	Post Transfer Accumulated Reserve 12/31/2015 (\$)	Depreciation Rate (%)	Depreciation Expense (\$)	Whole Life			Remaining Life		
						Depreciation Rate (%)	Depreciation Expense (\$)	Change in Depreciation Expense (\$)	Depreciation Rate (%)	Depreciation Expense (\$)	Change in Depreciation Expense (\$)
Transportation Equipment											
39201	Vehicles up to 1/2 Tons	8,035,686	3,127,353	11.2	899,997	11.3	908,033	8,036	11.4	916,068	16,071
39202	Vehicles from 1/2 - 1 Tons	6,569,197	3,098,777	12.7	834,288	12.9	847,426	13,138	13.0	853,996	19,708
39204	Trailers & Other	1,153,494	208,703	4.0	46,140	4.0	46,140	-	4.0	46,140	-
39205	Vehicles over 1 Ton	1,769,839	657,801	7.4	130,968	7.5	132,738	1,770	7.5	132,738	1,770
General Plant											
30100	Organization Costs	12,620	-	0.0	-	0.0	-	-	0.0	-	-
30200	Franchise & Consents	-	-	4.0	-	4.0	-	-	4.0	-	-
30300	Misc Intangible Plant	815,325	668,002	4.0	32,613	4.0	32,613	-	4.0	32,613	-
30301	Custom Intangible Plant	25,717,580	8,738,083	6.7	1,723,078	6.7	1,723,078	-	6.7	1,723,078	-
39000	Structures & Improvements	149,951	20,841	2.5	3,749	2.5	3,749	-	2.5	3,749	-
39100	Office Furniture	1,470,244	896,947	6.7	98,506	6.7	98,506	-	6.7	98,506	-
39101	Computer Equipment	5,293,685	4,119,598	12.5	661,711	12.5	661,711	-	12.3	651,123	(10,588)
39102	Office Equipment	922,076	400,399	6.7	61,779	6.7	61,779	-	6.7	61,779	-
39300	Stores Equipment	1,283	180	4.0	51	4.0	51	-	3.9	50	(1)
39400	Tools, Shop & Garage Equip	6,105,880	1,577,372	6.6	402,988	6.7	409,094	6,106	6.7	409,094	6,106
39401	CNG Station Equipment	-	-	0.0	-	5.0	-	-	5.0	-	-
39500	Laboratory Equipment	-	-	5.0	-	5.0	-	-	5.0	-	-
39600	Power Operated Equipment	2,775,668	1,238,693	6.4	177,643	6.3	174,867	(2,776)	6.3	174,867	(2,776)
39700	Communication Equipment	4,841,709	3,005,855	8.4	406,704	8.3	401,862	(4,842)	8.2	397,020	(9,684)
39800	Miscellaneous Equipment	469,234	352,299	5.9	27,626	5.9	27,626	-	6.0	28,094	468
Total General Plant		66,102,470	28,120,903	8.3	5,507,841	8.4	5,529,273	21,432	8.4	5,528,915	21,074
Total Distribution & General Plant		1,378,109,097	664,335,975	4.3	59,713,086	3.5	48,168,270	(11,544,816)	3.2	43,598,721	(16,114,365)

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EXHIBIT C
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PEOPLES GAS SYSTEM
 2016 DEPRECIATION STUDY
 FILED: JUNE 28, 2016
 REVISED: OCTOBER 14, 2016
 2ND REVISED: OCTOBER 25, 2016
 3RD REVISED: DECEMBER 15, 2016

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Summary of Reserve Transfers

Account Number	Account Title	Before Reserve Transfers 12/31/2015 (\$)	Proposed Reserve Transfers (\$)	After Reserve Transfers 12/31/2015 (\$)
Distribution Plant				
		ASR		
37402	Land Rights	654,666	(61,971)	592,695
37500	Structures & Improvements	7,928,741	(244,185)	7,684,556
37600	Mains Steel	218,020,297	(32,449,180)	185,571,117
37602	Mains Plastic	137,184,318	34,361,804	171,546,122
37800	Meas & Reg Station Eq Gen	3,080,334	(307,265)	2,773,069
37900	Meas & Reg Station Eq City	7,637,719	(1,170,882)	6,466,837
38000	Services Steel	51,484,453	(12,200,946)	39,283,507
38002	Services Plastic	134,479,130	19,157,466	153,636,596
38100	Meters	21,875,201	(2,228,238)	19,646,963
38200	Meter Installations	25,829,866	(322,391)	25,507,475
38300	House Regulators	6,517,882	(585,835)	5,932,047
38400	House Regulator Installs	9,903,729	117,069	10,020,798
38500	Meas & Reg Station Eq Ind	5,427,013	(6,334)	5,420,679
38600	Other Property Cust Premise	-	-	-
38700	Other Equipment	2,188,642	(56,030)	2,132,612
Total Distribution Plant		632,211,992	4,003,081	636,215,072

PEOPLES GAS SYSTEM
 2016 Depreciation Rate Review
 Summary of Reserve Transfers

Account Number	Account Title	Before Reserve Transfers 12/31/2015 (\$)	Proposed Reserve Transfers (\$)	After Reserve Transfers 12/31/2015 (\$)
Transportation Equipment				
39201	Vehicles up to 1/2 Tons	3,196,303	(68,950)	3,127,353
39202	Vehicles from 1/2 - 1 Tons	3,899,377	(800,600)	3,098,777
39204	Trailers & Other	211,220	(2,517)	208,703
39205	Vehicles over 1 Ton	669,848	(12,047)	657,801
General Plant				
30100	Organization Costs	3,116	(3,116)	-
30200	Franchise & Consents	0	(0)	-
30300	Misc Intangible Plant	757,491	(89,489)	668,002
30301	Custom Intangible Plant	12,337,858	(3,599,775)	8,738,083
39000	Structures & Improvements	21,023	(182)	20,841
39100	Office Furniture	682,484	214,463	896,947
39101	Computer Equipment	4,204,474	(84,876)	4,119,598
39102	Office Equipment	289,367	111,032	400,399
39300	Stores Equipment	(4,568)	4,748	180
39400	Tools, Shop & Garage Equip	1,175,475	401,897	1,577,372
39401	CNC Station Equipment	-	-	-
39500	Laboratory Equipment	(14,417)	14,417	-
39600	Power Operated Equipment	1,310,249	(71,556)	1,238,693
39700	Communication Equipment	3,064,545	(58,690)	3,005,855
39800	Miscellaneous Equipment	320,139	42,160	362,299
Total General Plant		32,123,984	(4,003,081)	28,120,903
Total Distribution & General Plant		664,335,975	0	664,335,975

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EXHIBIT D
 PAGE 2 OF 2
 PEOPLES GAS SYSTEM
 2016 DEPRECIATION STUDY
 FILED: JUNE 28, 2016
 REVISED: OCTOBER 14, 2016
 2ND REVISED: DECEMBER 15, 2016

EXHIBIT E
 PAGE 1 OF 7

PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

2017 CIBSR Rates				
	*with Current Depreciation Rates	with Proposed Depreciation Rates	with Proposed Depreciation Rates and Proposed Problematic Plastic Replacement Expenditures	
RS & RS-SG	\$ 0.02309	\$ 0.02109	\$	0.02147
SGS	\$ 0.01453	\$ 0.01327	\$	0.01351
GS-1 & CS-SG	\$ 0.00806	\$ 0.00737	\$	0.00750
GS-2	\$ 0.00747	\$ 0.00682	\$	0.00695
GS-3	\$ 0.00628	\$ 0.00574	\$	0.00584
GS-4	\$ 0.00421	\$ 0.00384	\$	0.00391
GS-5	\$ 0.00229	\$ 0.00210	\$	0.00213
NGVS	\$ 0.01635	\$ 0.01494	\$	0.01520
CSLS	\$ 0.01026	\$ 0.00937	\$	0.00954
WHS	\$ 0.00281	\$ 0.00257	\$	0.00261

2017 OISR Projection Schedule with Current Depreciation Rates

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of the Projected Amount for the Period
 January 2017 to December 2017
 Return on Capital Investments, Depreciation and Taxes for Eligible Replacements

Line	Description	Beginning of Period Amount	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Mains		\$ -	\$ 187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 593,750	\$ 593,750	\$ 10,875,000
b.	Eligible Replacements - Services		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Eligible Replacements - Regulators		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d.	Other		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e.	Clearings to Plant		\$ 322,891	\$ 382,793	\$ 1,083,970	\$ 1,109,853	\$ 1,129,264	\$ 1,143,823	\$ 1,154,742	\$ 1,162,932	\$ 1,169,074	\$ 1,173,680	\$ 731,823	\$ 697,305	\$ 11,262,151
2.	Gross Plant-in-Service/Depreciation Base	\$ 45,140,396	\$ 45,463,287	\$ 45,846,080	\$ 46,930,050	\$ 48,039,903	\$ 49,169,167	\$ 50,312,991	\$ 51,467,733	\$ 52,630,665	\$ 53,799,739	\$ 54,973,419	\$ 55,705,242	\$ 56,402,547	
3.	Less: Accumulated Depreciation	\$ (2,123,257)	\$ (2,236,142)	\$ (2,349,861)	\$ (2,464,569)	\$ (2,582,077)	\$ (2,702,452)	\$ (2,825,744)	\$ (2,951,992)	\$ (3,081,222)	\$ (3,213,457)	\$ (3,348,711)	\$ (3,486,998)	\$ (3,627,175)	
4.	CWIP - Noninterest Bearing	\$ 1,291,565	\$ 968,674	\$ 773,380	\$ 876,910	\$ 954,558	\$ 1,012,793	\$ 1,056,470	\$ 1,089,227	\$ 1,113,796	\$ 1,132,222	\$ 1,146,041	\$ 1,007,968	\$ 904,414	
5.	Net Book Value (Lines 2 + 3 + 4)	\$ 44,308,703	\$ 44,195,818	\$ 44,269,599	\$ 45,342,392	\$ 46,412,384	\$ 47,479,509	\$ 48,543,716	\$ 49,604,969	\$ 50,663,238	\$ 51,718,504	\$ 52,770,749	\$ 53,226,212	\$ 53,675,785	
6.	Average Net Book Value		\$ 44,252,261	\$ 44,232,709	\$ 44,805,936	\$ 45,897,388	\$ 46,945,946	\$ 48,011,612	\$ 49,074,342	\$ 50,134,104	\$ 51,190,871	\$ 52,244,627	\$ 52,998,481	\$ 53,452,999	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		\$ 277,388	\$ 277,265	\$ 280,859	\$ 287,575	\$ 294,273	\$ 300,953	\$ 307,614	\$ 314,257	\$ 320,881	\$ 327,487	\$ 332,212	\$ 335,061	\$ 3,655,825
b.	Debt component (B)		\$ 65,018	\$ 64,989	\$ 65,891	\$ 67,405	\$ 68,975	\$ 70,541	\$ 72,102	\$ 73,660	\$ 75,212	\$ 76,760	\$ 77,868	\$ 78,536	\$ 856,897
8.	Investment Expenses														
a.	Depreciation (C)		\$ 121,885	\$ 122,719	\$ 123,708	\$ 126,508	\$ 129,375	\$ 132,292	\$ 135,247	\$ 138,230	\$ 141,235	\$ 144,255	\$ 147,287	\$ 149,177	\$ 1,611,918
b.	Amortization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Property Taxes (D)		\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 64,167	\$ 770,007
d.	Depreciation Savings		\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (9,000)	\$ (108,000)
9.	Revenue Requirements (Lines 7 + 8)		\$ 519,458	\$ 520,140	\$ 525,565	\$ 536,655	\$ 547,790	\$ 558,954	\$ 570,131	\$ 581,315	\$ 592,495	\$ 603,669	\$ 612,534	\$ 617,942	\$ 6,786,646
10.	Est projected 2016 true-up over/under		\$ 2,189,693												
11.	Revenue Requirements Net of Est Projected Recovery		\$ (1,670,235)	\$ (1,150,095)	\$ (624,530)	\$ (87,875)	\$ 459,915	\$ 1,018,869	\$ 1,589,000	\$ 2,170,314	\$ 2,762,809	\$ 3,366,478	\$ 3,979,012	\$ 4,596,953	

Notes:
 (A) Line 7a = Line 6 x 7.5220% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 38.575%, expansion factor of 1.628002
 (B) Line 7b = Line 6 x 1.7631% x 1/12
 (C) Depreciation rates: 3.1% Mains Plastic, 4.2% Mains Steel, 5.0% Services Plastic, 6.6% Services Steel
 (D) Ad Valorem Tax Rate is 1.79%

EXHIBIT E
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

EXHIBIT E
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

2017 CIBSR Projection Filing Rates with Current Depreciation Rates
 Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Summary of CI/BSR Surcharge Calculation
 January 2017 Through December 2017

<u>RATE SCHEDULE</u>	<u>MAINS NET PLANT*</u>	<u>SERVICES NET PLANT*</u>	<u>TOTAL NET PLANT*</u>	<u>% OF TOTAL PLANT</u>	<u>CI/BSR REVENUES</u>	<u>THERMS</u>	<u>CI/BSR SURCHARGE PER THERM</u>
RS & RS-SG	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$1,603,817	69,456,330	\$0.02309
SGS	5,474,814	5,937,386	11,412,200	2.87%	131,705	9,066,710	\$0.01453
GS-1 & CS-SG	45,983,103	12,635,366	58,618,469	14.72%	676,501	83,894,980	\$0.00806
GS-2	81,315,915	8,975,978	90,291,893	22.67%	1,042,036	139,513,660	\$0.00747
GS-3	46,157,083	2,496,659	48,653,742	12.21%	561,501	89,354,170	\$0.00628
GS-4	25,447,491	447,292	25,894,783	6.50%	298,845	71,003,700	\$0.00421
GS-5	22,396,181	427,101	22,823,282	5.73%	263,398	114,841,320	\$0.00229
NGVS	244,131	48,338	292,469	0.07%	3,375	206,420	\$0.01635
CSLS	534,119	10,816	544,935	0.14%	6,289	613,200	\$0.01026
WHS	786,453	35,448	821,901	0.21%	9,485	3,376,000	\$0.00281
TOTAL	\$288,145,860	\$110,177,751	\$398,323,611	100%	\$4,596,953	581,326,490	

* Source: Data in these columns are from Schedule H-2 of the Cost of Service Study approved in Peoples' last rate case

2017 CIBSR Projection Schedule with Proposed Depreciation Rates

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of the Projected Amount for the Period
 January 2017 to December 2017
 Return on Capital Investments, Depreciation and Taxes for Eligible Replacements

Line	Description	Beginning of Period Amount	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Main	\$ -	\$ 187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 593,750	\$ 593,750	\$ 10,875,000
b.	Eligible Replacements - Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Eligible Replacements - Regulators	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d.	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e.	Clearings to Plant	\$ 322,891	\$ 382,793	\$ 1,083,970	\$ 1,109,853	\$ 1,129,264	\$ 1,143,823	\$ 1,154,742	\$ 1,162,932	\$ 1,169,074	\$ 1,173,680	\$ 731,823	\$ 731,823	\$ 697,305	\$ 11,262,151
2.	Gross Plant-in-Service/Depreciation Base	\$ 45,140,996	\$ 45,469,287	\$ 45,846,080	\$ 46,930,050	\$ 48,039,909	\$ 49,169,167	\$ 50,312,991	\$ 51,467,739	\$ 52,630,665	\$ 53,799,739	\$ 54,979,419	\$ 55,705,242	\$ 56,402,547	\$ 96,402,547
3.	Less: Accumulated Depreciation	\$ (2,030,795)	\$ (2,118,359)	\$ (2,206,570)	\$ (2,295,546)	\$ (2,386,090)	\$ (2,480,054)	\$ (2,575,677)	\$ (2,673,587)	\$ (2,773,806)	\$ (2,876,352)	\$ (2,981,235)	\$ (3,088,466)	\$ (3,197,161)	\$ (3,197,161)
4.	CWIP - Noninterest Bearing	\$ 1,291,565	\$ 968,674	\$ 773,380	\$ 876,910	\$ 854,558	\$ 1,012,793	\$ 1,056,470	\$ 1,089,227	\$ 1,113,796	\$ 1,132,222	\$ 1,145,041	\$ 1,007,968	\$ 904,414	\$ 904,414
5.	Net Book Value (Lines 2 + 3 + 4)	\$ 44,401,166	\$ 44,313,601	\$ 44,412,890	\$ 45,511,414	\$ 46,607,770	\$ 47,701,906	\$ 48,793,784	\$ 49,883,374	\$ 50,970,654	\$ 52,055,609	\$ 53,138,225	\$ 53,624,744	\$ 54,109,800	\$ 54,109,800
6.	Average Net Book Value		\$ 44,357,384	\$ 44,363,246	\$ 44,962,152	\$ 46,059,592	\$ 47,154,838	\$ 48,247,845	\$ 49,338,579	\$ 50,427,014	\$ 51,513,132	\$ 52,596,917	\$ 53,381,485	\$ 53,867,272	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)	\$ 278,047	\$ 278,084	\$ 281,838	\$ 288,717	\$ 295,582	\$ 302,434	\$ 309,271	\$ 316,093	\$ 322,901	\$ 329,695	\$ 334,613	\$ 337,658	\$ 337,658	\$ 3,674,933
b.	Debt component (B)	\$ 65,172	\$ 65,181	\$ 66,061	\$ 67,673	\$ 69,282	\$ 70,888	\$ 72,491	\$ 74,090	\$ 75,686	\$ 77,278	\$ 78,431	\$ 79,144	\$ 79,144	\$ 861,377
8.	Investment Expenses														
a.	Depreciation (C)	\$ 92,865	\$ 93,511	\$ 94,276	\$ 96,444	\$ 98,664	\$ 100,922	\$ 103,210	\$ 105,520	\$ 107,845	\$ 110,184	\$ 112,531	\$ 113,995	\$ 113,995	\$ 1,229,966
b.	Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Property Taxes (D)	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 771,662
d.	Depreciation Savings	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (63,600)
9.	Revenue Requirements (Lines 7 + 8)	\$ 495,089	\$ 495,781	\$ 501,180	\$ 511,839	\$ 522,533	\$ 533,250	\$ 543,977	\$ 554,708	\$ 565,438	\$ 576,162	\$ 584,580	\$ 589,802	\$ 589,802	\$ 6,474,338
10.	Est projected 2016 true-up over/(under)	\$ 2,275,301													
11.	Revenue Requirements Net of Est Projected Recovery	\$ (1,780,212)	\$ (1,284,491)	\$ (783,251)	\$ (271,412)	\$ 251,121	\$ 784,371	\$ 1,328,348	\$ 1,883,056	\$ 2,448,493	\$ 3,024,655	\$ 3,609,235	\$ 4,199,037	\$ 4,199,037	

Notes:

- (A) Line 7a = Line 6 x 7.5220% x 1/12. Based on ROE of 10.75%, and weighted Income tax rate of 38.575%, expansion factor of 1.628002
- (B) Line 7b = Line 6 x 1.7631% x 1/12
- (C) Depreciation rates: 2.4% Mains Plastic, 2.2% Mains Steel, 3.3% Services Plastic, 3.7% Services Steel
- (D) Ad Valorem Tax Rate is 1.79%

EXHIBITE
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

EXHIBIT E
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

2017 CIBSR Projection Filing Rates with Proposed Depreciation Rates
 Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Summary of CI/BSR Surcharge Calculation
 January 2017 Through December 2017

<u>RATE SCHEDULE</u>	<u>MAINS NET PLANT*</u>	<u>SERVICES NET PLANT*</u>	<u>TOTAL NET PLANT*</u>	<u>% OF TOTAL PLANT</u>	<u>CI/BSR REVENUES</u>	<u>THERMS</u>	<u>CI/BSR SURCHARGE PER THERM</u>
RS & RS-SG	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$1,464,989	69,456,330	\$0.02109
SGS	5,474,814	5,937,386	11,412,200	2.87%	120,305	9,066,710	\$0.01327
GS-1 & CS-SG	45,983,103	12,635,366	58,618,469	14.72%	617,943	83,894,980	\$0.00737
GS-2	81,315,915	8,975,978	90,291,893	22.67%	951,837	139,513,660	\$0.00682
GS-3	46,157,083	2,496,659	48,653,742	12.21%	512,897	89,354,170	\$0.00574
GS-4	25,447,491	447,292	25,894,783	6.50%	272,977	71,003,700	\$0.00384
GS-5	22,396,181	427,101	22,823,282	5.73%	240,598	114,841,320	\$0.00210
NGVS	244,131	48,338	292,469	0.07%	3,083	206,420	\$0.01494
CSLS	534,119	10,816	544,935	0.14%	5,745	613,200	\$0.00937
WHS	786,453	35,448	821,901	0.21%	8,664	3,376,000	\$0.00257
TOTAL	\$288,145,860	\$110,177,751	\$398,323,611	100%	\$4,199,037	581,326,490	

* Source: Data in these columns are from Schedule H-2 of the Cost of Service Study approved in Peoples' last rate case

2017 GBSK Projection Schedule with Proposed Depreciation Rates and Problematic Plastic Pipe Spend

Cast Iron/Baro Steel Replacement Rider
 Calculation of the Projected Amount for the Period
 January 2017 to December 2017
 Return on Capital Investments, Depreciation and Taxes for Eligible Replacements

Line	Description	Beginning of Period Amount	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Mains	\$ -	\$ 187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 1,187,500	\$ 2,187,500	\$ 2,187,500	\$ 2,187,500	\$ 2,187,500	\$ 1,593,750	\$ 1,593,750	\$ 16,875,000
b.	Eligible Replacements - Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Eligible Replacements - Regulators	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d.	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e.	Clearings to Plant	\$ 322,891	\$ 382,793	\$ 1,083,970	\$ 1,109,853	\$ 1,129,264	\$ 1,143,823	\$ 1,904,742	\$ 1,975,432	\$ 2,028,449	\$ 2,068,212	\$ 1,652,721	\$ 1,637,978	\$ 16,440,130	
2.	Gross Plant-in-Service/Depreciation Base	\$ 45,140,396	\$ 45,463,287	\$ 45,846,080	\$ 46,330,050	\$ 48,039,503	\$ 49,169,167	\$ 50,312,991	\$ 52,217,733	\$ 54,193,165	\$ 56,221,614	\$ 58,289,826	\$ 59,942,547	\$ 61,580,525	
3.	Less: Accumulated Depreciation	\$ (2,030,795)	\$ (2,118,359)	\$ (2,206,570)	\$ (2,295,546)	\$ (2,386,690)	\$ (2,480,054)	\$ (2,575,677)	\$ (2,673,587)	\$ (2,775,306)	\$ (2,880,977)	\$ (2,990,704)	\$ (3,104,568)	\$ (3,221,737)	
4.	OWIP - Noninterest Bearing	\$ 1,291,565	\$ 968,674	\$ 773,380	\$ 876,910	\$ 954,558	\$ 1,012,793	\$ 1,056,470	\$ 1,339,227	\$ 1,551,296	\$ 1,710,347	\$ 1,829,635	\$ 1,770,664	\$ 1,726,435	
5.	Net Book Value (Lines 2 + 3 + 4)	\$ 44,401,166	\$ 44,313,601	\$ 44,412,890	\$ 45,511,414	\$ 46,607,770	\$ 47,701,906	\$ 48,793,784	\$ 50,889,374	\$ 52,965,154	\$ 55,050,984	\$ 57,128,757	\$ 56,008,643	\$ 60,085,224	
6.	Average Net Book Value		\$ 44,357,384	\$ 44,363,246	\$ 44,962,152	\$ 46,059,592	\$ 47,154,898	\$ 48,247,845	\$ 49,338,579	\$ 51,926,264	\$ 54,010,069	\$ 56,089,870	\$ 57,868,700	\$ 59,346,933	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		\$ 271,578	\$ 271,614	\$ 275,281	\$ 282,000	\$ 288,705	\$ 295,397	\$ 305,137	\$ 317,919	\$ 330,677	\$ 343,410	\$ 354,301	\$ 363,352	\$ 3,690,371
b.	Debt component (B)		\$ 65,172	\$ 65,181	\$ 66,061	\$ 67,673	\$ 69,282	\$ 70,888	\$ 73,225	\$ 76,293	\$ 79,354	\$ 82,410	\$ 85,024	\$ 87,195	\$ 887,758
8.	Investment Expenses														
a.	Depreciation (C)		\$ 92,865	\$ 93,511	\$ 94,276	\$ 96,444	\$ 98,664	\$ 100,922	\$ 103,210	\$ 107,020	\$ 110,970	\$ 115,027	\$ 119,164	\$ 122,469	\$ 1,254,542
b.	Amortization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c.	Property Taxes (D)		\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 64,305	\$ 771,662
d.	Depreciation Savings		\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (5,300)	\$ (63,600)
9.	Revenue Requirements (Lines 7 + 8)		\$ 488,620	\$ 489,311	\$ 494,623	\$ 505,122	\$ 515,656	\$ 526,213	\$ 540,577	\$ 560,237	\$ 580,007	\$ 599,852	\$ 617,494	\$ 632,021	\$ 6,549,733
10.	Est projected 2016 true-up over/under)		\$ 2,275,301												
11.	Revenue Requirements Net of Est Projected Recovery		\$ (1,786,681)	\$ (1,297,370)	\$ (802,747)	\$ (297,625)	\$ 218,031	\$ 744,244	\$ 1,284,821	\$ 1,845,058	\$ 2,425,064	\$ 3,024,917	\$ 3,642,411	\$ 4,274,432	

Notes:
 (A) Line 7a = Line 6 x 7.5220% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 88.575%, expansion factor of 1.628002
 (B) Line 7b = Line 6 x 1.7631% x 1/12
 (C) Depreciation rates: 2.4% Mains Plastic, 2.2% Mains Steel, 3.3% Services Plastic, 3.7% Services Steel
 (D) Ad Valorem Tax Rate is 1.79%

EXHIBIT E
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

EXHIBIT E
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PEOPLES GAS SYSTEM
 DOCKET NO. 160159-GU
 FILED: DECEMBER 20, 2016

2017 CIBSR Projection Filing Rates with Proposed Depreciation Rates and Problematic Plastic Pipe Spend

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Summary of CI/BSR Surcharge Calculation
 January 2017 Through December 2017

<u>RATE SCHEDULE</u>	<u>MAINS NET PLANT*</u>	<u>SERVICES NET PLANT*</u>	<u>TOTAL NET PLANT*</u>	<u>% OF TOTAL PLANT</u>	<u>CI/BSR REVENUES</u>	<u>THERMS</u>	<u>CI/BSR SURCHARGE PER THERM</u>
RS & RS-SG	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$1,491,294	69,456,330	\$0.02147
SGS	5,474,814	5,937,386	11,412,200	2.87%	122,465	9,066,710	\$0.01351
GS-1 & CS-SG	45,983,103	12,635,366	58,618,469	14.72%	629,038	83,894,980	\$0.00750
GS-2	81,315,915	8,975,978	90,291,893	22.67%	968,927	139,513,660	\$0.00695
GS-3	46,157,083	2,496,659	48,653,742	12.21%	522,106	89,354,170	\$0.00584
GS-4	25,447,491	447,292	25,894,783	6.50%	277,878	71,003,700	\$0.00391
GS-5	22,396,181	427,101	22,823,282	5.73%	244,918	114,841,320	\$0.00213
NGVS	244,131	48,338	292,469	0.07%	3,138	206,420	\$0.01520
CSLS	534,119	10,816	544,935	0.14%	5,848	613,200	\$0.00954
WHS	786,453	35,448	821,901	0.21%	8,820	3,376,000	\$0.00261
TOTAL	\$288,145,860	\$110,177,751	\$398,323,611	100%	\$4,274,432	581,326,490	

* Source: Data in these columns are from Schedule H-2 of the Cost of Service Study approved in Peoples' last rate case