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September 1, 2016

VIA E-PORTAL FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition for approval of Projected 2016 True-up and 2017 Revenue Requirements and Surcharges associated with Cast Iron/Bare Steel Pipe Replacement Rider, by Peoples Gas System

Dear Ms. Stauffer:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please find Peoples' petition referenced above. Attached also is Fourth Revised Sheet No. 7.806 to Peoples' Natural Gas Tariff, Original Volume No. 3, for which the Company's petition seeks the Commission's approval. A coded (legislative style) version of the revised sheet required by Rule 25-9.005, *F.A.C.*, is also attached.

Please note that this tariff filing is not being made pursuant to the file-and-suspend provisions of Section 366.06(3), *Florida Statutes*, in order to permit the Commission Staff sufficient time to address the filing. Peoples hereby waives the 60-day requirement set forth in the statute for the handling of this petition and tariff filing.

We appreciate your usual assistance.

Sincerely,

Ansley Watson, Jr.

AWjr/a
Attachment

cc: Office of Public Counsel
Ms. Kandi M. Floyd

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2015 True-up,)
the Projected 2016 true-up and 2017)
Revenue Requirements and Surcharges)
associated with Cast Iron / Bare Steel)
Replacement Rider, by Peoples Gas)
System.)
_____)

Docket No.

Submitted for Filing:
9-1-2016

**PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL OF 2015 TRUE-UP, THE
PROJECTED 2016 TRUE-UP AND 2017 REVENUE REQUIREMENTS AND SURCHARGES
ASSOCIATED WITH CAST IRON/BARE STEEL PIPE REPLACEMENT RIDER**

Peoples Gas System (“Peoples” or the “Company”), by its undersigned counsel, petitions the Commission for approval of (i) the 2015 true-up amount, (ii) the projected true-up amount for 2016, (iii) the Revenue Requirements to be recovered by the Company during the period January through December 2017, and (iv) the Surcharges to be collected from customers for such recovery, all as provided by the Company’s Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), and in support of this petition states:

1. The name of the petitioner and the mailing address of its principal office are:

Peoples Gas System
P.O. Box 2562
Tampa, Florida 33601-2562

2. The names and mailing address of the persons authorized to receive notices and communications with respect to this petition are:

Ansley Watson, Jr.
Andrew M. Brown
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531

Ms. Paula K. Brown
Regulatory Affairs
Peoples Gas System
P. O. Box 111
Tampa, Florida 33601-0111

Ms. Kandi M. Floyd
Manager – State Regulatory
Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

3. The Commission has jurisdiction to entertain this petition pursuant to Sections 366.04(1), 366.05(1) and 366.06, *Florida Statutes*.

4. Peoples is a natural gas local distribution company providing sales and transportation delivery of natural gas throughout most of the State of Florida, and is a natural gas public utility subject to the Commission's statutory jurisdiction to establish rates and charges under Section 366.06.

BACKGROUND

5. By its Order No. PSC-12-0476-TRF-GU, issued on September 18, 2012, in Docket No. 110320-GU, the Commission approved Peoples' Rider CI/BSR, together with projected Revenue Requirements contemplated by the rider for recovery during 2013 and Surcharges through which to recover the projected Revenue Requirements.

6. Peoples' petition for approval of Rider CI/BSR contemplated annual capital expenditures of approximately \$8 million for the replacement of bare steel and cast iron infrastructure, but made clear that annual amount was only an estimate, and that the expenditures could be more or less during any year in which the program is in effect. In Peoples' last rate case, the Commission approved \$1 million in rate base for the 2009 projected test year for replacement of ageing infrastructure. As such, in continuing with its commitment to spend \$1 million annually for replacement activities, Peoples excludes the first \$1 million of its annual capital expenditures for replacement activities and those dollars will be included in rate base in a future rate case.

7. The rider, and the Commission's order approving it, contemplates the filing by Peoples in September of each year of a petition to establish revised Surcharges to be effective the following calendar year (in the case of this petition, calendar year 2017). The petitions are to contain an actual/estimated true-up showing seven months of actual and five months of projected costs and revenues for the calendar year in which the petition is filed, and a projection showing

12 months of projected rider Revenue Requirements for the 12-month period beginning January 1 following the filing of the petition. The order also requires a final true-up showing the actual replacement costs and actual Surcharge revenues for the most recent 12-month historical period from January 1 through December 31 that ends prior to the annual petition filing, including the final over- or under-recovery for the final true-up period.

7. This petition is the filing contemplated by the rider and the Commission's order approving it.¹ Revised Surcharges for the recovery by Peoples of revised Revenue Requirements as provided by Rider CI/BSR for calendar year 2015 were approved by the Commission's Order No. PSC-14-0682-TRF-GU, issued December 9, 2014. The Commission's Order No. PSC-15-0572-TRF-GU, issued December 18, 2015, approved the true-up for calendar year 2014, the estimated true-up for calendar year 2015, and revised Revenue Requirements and Surcharges for calendar year 2016.

8. By its Order No. PSC-16-0205-AS-GU, issued May 19, 2016, in Docket No. 150259-GU, the Commission approved a Settlement Agreement among Peoples, the Office of Public Counsel ("OPC") and the Commission's prosecutorial staff. Pursuant to the third ordering paragraph of that order,² the schedules accompanying this petition clearly identify the inclusion of

¹ The initial Commission order approving Rider CI/BSR indicated that Peoples had agreed to identify and report any O&M and depreciation expense savings in its annual surcharge petitions, beginning the second year. Peoples has been able to quantify the depreciation savings and those savings have accordingly been reflected as reductions in the expenses, however, due to relative infancy of the program no such reductions in O&M expense have yet been identified. Peoples has had a discussion with the Office of Public Counsel, and once O&M savings can be identified and quantified they will also be offset against the expenses attributable to the program.

² The third ordering paragraph of Order No. PSC-16-0205-AS-GU (*In re: Initiation of show cause proceedings against Peoples Gas System for apparent violations of Sections 368.01 - 05, F.S., and Chapter 25-12, F.A.C.*) reads as follows:

ORDERED that Peoples Gas Systems shall: (1) issue a one-time credit in the amount of \$2,000,000 to customers subject to its Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR) to reflect O&M savings within Rider CI/BSR in the month following the approval of this Settlement Agreement; (2) clearly identify the inclusion of the \$2,000,000 one-time

the \$2 million one-time credit (booked by the Company in June 2016 pursuant to the Settlement Agreement) contemplated by the Settlement Agreement and the Commission's order approving it. PGS will also include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that the Company issued the one-time, non-recurring credit referenced above.

RELIEF REQUESTED

8. Peoples seeks the Commission's approval of the final true-up amount for the calendar year 2015 of \$98,762 over-recovery (including interest). The calculation of this amount is contained in Exhibit A attached to this petition.

9. Peoples also seeks approval of the projected true-up for calendar year 2016 and, as shown in Exhibit B to this petition, has re-projected that its actual expenditures for eligible replacements under Rider CI/BSR during 2016 will be \$12,385,955. This re-projected total does not include the first \$1 million in such expenditures. Exhibit B, Page 2 of 3, reflects on line 9 an "End of Period Total True-up" of \$189,693 overrecovery. The re-projected overrecovery is increased (see line 9a, Page 2 of 3 of Exhibit B) by the \$2 million one-time non-recurring credit to which Peoples agreed in the Settlement Agreement, as ordered by the Commission. Addition of the \$2,000,000 one-time credit results in an "Adjusted End of Period Total True-up" of \$2,189,693 (see Line 10 on Exhibit C page 1 of 2). This results in a reduction of the Surcharges for the recovery of program costs for calendar year 2017.

10. Exhibit C includes projected capital expenditures for the replacement of cast iron/bare steel infrastructure during calendar year 2017, and Exhibit D contains revised

credit in its 2016 Rider CI/BSR petition for approval of its 2017 Rider CI/BSR monthly surcharges; and (3) include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that it issued the one-time credit.

\$2,189,693, decreases the total amount to be collected through the revised Surcharges during 2017. Projected capital expenditures for replacements during 2017 are \$10,875,000 (not including the first \$1 million of such expenditures).

11. Fourth Revised Sheet No. 7.806 to Peoples' Natural Gas Tariff, Original Volume No. 3, setting forth the revised surcharges, accompanies the filing of this petition.

WHEREFORE, Peoples respectfully requests that the Commission enter its order:

- A. approving the final true-up for calendar year 2015, the calculation of which is contained in Exhibit A;
- B. approving the projected Revenue Requirements for 2017 (as calculated in Exhibit C, and as adjusted by the projected true-up for 2016 calculated in Exhibit B); and
- C. approving Peoples' billing of the recovery Surcharges for 2017 set forth in Exhibit D to this petition commencing with bills rendered for meter readings taken on and after January 1, 2017.

Respectfully submitted,



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Fax: (813) 273-4396

Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing petition has been furnished by electronic mail this 1st day of September, 2016, to Office of Public Counsel, J.R. Kelly/Charles Rehwinkel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400.


Ansley Watson, Jr.

**CAST IRON/BARE STEEL REPLACEMENT RIDER
RIDER CI/BSR**

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, 2017, are as follows with respect to Customers receiving Gas Service under the following rate schedules:

<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator	\$0.02309 per therm
Small General Service	\$0.01453 per therm
General Service – 1/ Commercial Standby Generator Service	\$0.00806 per therm
General Service – 2	\$0.00747 per therm
General Service – 3	\$0.00628 per therm
General Service – 4	\$0.00421 per therm
General Service – 5	\$0.00229 per therm
Commercial Street Lighting	\$0.01026 per therm
Natural Gas Vehicle Service	\$0.01635 per therm
Wholesale	\$0.00281 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

“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 cast iron, wrought iron and bare steel facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

“CI/BSR Revenues” means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

**CAST IRON/BARE STEEL REPLACEMENT RIDER
RIDER CI/BSR**

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, 201~~6~~⁷, are as follows with respect to Customers receiving Gas Service under the following rate schedules:

<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator	\$0. 02137 - 02309 per therm
Small General Service	\$0. 04647 - 01453 per therm
General Service – 1/ Commercial Standby Generator Service	\$0. 00994 - 00806 per therm
General Service – 2	\$0. 00894 - 00747 per therm
General Service – 3	\$0. 00717 - 00628 per therm
General Service – 4	\$0. 00507 - 00421 per therm
General Service – 5	\$0. 00244 - 00229 per therm
Commercial Street Lighting	\$0. 04446 - 01026 per therm
Natural Gas Vehicle Service	\$0. 02223 - 01635 per therm
Wholesale	\$0. 00343 - 00281 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

“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 cast iron, wrought iron and bare steel facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

“CI/BSR Revenues” means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

PEOPLES GAS SYSTEM

“EXHIBIT A”

CALCULATION OF THE FINAL AMOUNT FOR 2015 (PAGE 1 OF 3)

***CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR 2015
(PAGE 2 OF 3)***

INTEREST PROVISION FOR 2015 (PAGE 3 OF 3)

Peoples Gas System
 Cast Iron / Bare Steel Replacement Program
 Calculation of the Final Amount for the Period
 January 2015 to December 2015

Docket No.
 Exhibit A
 Page 1 of 3

Return on Capital Investments, Depreciation and Taxes for Eligible Replacements
 (in Dollars)

Line	Description	Beginning of Period Amount	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Mains (Plastic)	\$ 117,120.70	\$ 984,827	\$ 1,157,466	\$ 925,779	\$ 821,054	\$ 1,262,406	\$ 932,985	\$ 669,499	\$ 806,726	\$ 906,376	\$ 1,195,945	\$ 1,396,248	11,176,431	
b.	Eligible Replacements - Mains (Steel)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	
c.	Eligible Replacements - Services (Plastic)	\$ 257.83	\$ 3,878	\$ 2,938	\$ 2,498	\$ 3,337	\$ 14,398	\$ 16,734	\$ 6,290	\$ 30,366	\$ 30,851	\$ 18,527	\$ 26,358	156,432	
d.	Eligible Replacements - Services (Steel)	\$ (1,493.59)	\$ 314	\$ 244	\$ 1,285	\$ -	\$ -	\$ 1,554	\$ 15,459	\$ -	\$ 4,321	\$ 1,252	\$ 5,680	28,615	
e.	Eligible Replacements - Regulators	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	
f.	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	
g.	Clearings to Plant	\$ 123,896.07	\$ 2,180,380	\$ 1,141,851	\$ 753,090	\$ 606,240	\$ 1,469,308	\$ 533,487	\$ 115,295	\$ 1,264,174	\$ 734,674	\$ 870,695	\$ 1,042,530.45	10,835,620	
2.	Gross Plant-in-Service/Depreciation Base	19,767,594	19,891,490	22,071,870	23,213,721	23,966,812	24,573,052	26,042,359	26,575,846	26,691,141	27,955,315	28,689,990	29,560,684	30,603,215	
3.	Less Accumulated Depreciation	(450,502)	(427,317)	(474,069)	(525,865)	(580,433)	(636,601)	(694,061)	(755,136)	(817,312)	(879,611)	(944,913)	(1,011,994)	(1,081,360)	
4.	CWIP - NonInterest Bearing	2,916,934	2,908,923	1,717,562	1,736,359	1,912,830	2,130,980	1,938,476	2,356,261	2,932,214	2,505,132	2,712,005	3,057,035	3,442,791	
5.	Net Book Value (Lines 2 + 3 + 4)	22,234,027	22,373,097	23,315,363	24,424,215	25,299,208	26,067,431	27,286,774	28,176,971	28,806,043	29,580,836	30,457,082	31,605,726	32,964,646	
6.	Average Net Book Value		22,303,562	22,844,230	23,869,789	24,861,712	25,683,320	26,677,103	27,731,873	28,491,507	29,193,439	30,018,959	31,031,404	32,285,186	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		140,618	144,027	150,493	156,747	161,927	168,192	174,843	179,632	184,057	189,262	195,645	203,550	2,048,993
b.	Debt component (B)		34,630	35,469	37,062	38,602	39,878	41,421	43,058	44,238	45,328	46,609	48,181	50,128	504,604
8.	Investment Expenses														
a.	Depreciation (C)		51,913.43	52,231.65	57,907.74	60,881.96	62,847.72	64,429.29	68,272.53	69,690.87	70,045.54	73,380.97	75,353.01	77,650.09	784,604.80
b.	Amortization		0	0	0	0	0	0	0	0	0	0	0	0	
c.	Property Taxes (D)		29,381	29,381	29,381	29,381	29,381	29,381	29,381	29,381	29,381	29,381	29,381	29,382	352,573
d.	Depreciation Savings (E)		(75,098)	(5,480)	(6,111)	(6,314)	(6,680)	(6,969)	(7,197)	(7,515)	(7,747)	(8,080)	(8,272)	(8,284)	(153,747)
9.	Total Recoverable Costs (Lines 7 + 8)		181,444	255,629	268,733	279,298	287,354	296,454	308,357	315,427	321,065	330,553	340,288	352,426	3,537,028

Notes:

- (A) Line 7a Line 6 x 7.5657% 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 1.8632% 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%
- (E) Line 8d January depreciation savings represent the period Jan 2013 – Dec 2014

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PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT A
 PAGE 1 OF 3
 FILED: SEPTEMBER 1, 2016

Peoples Gas System
 Cast Iron/Bare Steel Replacement Program (CIBSR)
 Calculation of the Final True-Up Amount
 January 2015 to December 2015

Docket No.
 Exhibit A
 Page 2 of 3

Final True-Up Amount
 (in Dollars)

<u>Line</u>	<u>Description</u>	<u>Actual January</u>	<u>Actual February</u>	<u>Actual March</u>	<u>Actual April</u>	<u>Actual May</u>	<u>Actual June</u>	<u>Actual July</u>	<u>Actual August</u>	<u>Actual September</u>	<u>Actual October</u>	<u>Actual November</u>	<u>Actual December</u>	<u>End of Period Total</u>
1.	CIBSR Revenues (net of Revenue Taxes)	\$392,427	\$404,258	\$391,864	\$293,880	\$238,738	\$243,327	\$222,737	\$227,075	\$219,553	\$227,287	\$248,707	\$291,957	\$3,401,811
2.	True-Up Provision	5,106	5,106	5,106	5,106	5,106	5,106	5,106	5,106	5,106	5,106	5,106	5,111	61,277
3.	CIBSR Revenues Applicable to Period (Lines 1 + 2)	397,533	409,364	396,970	298,986	243,844	248,433	227,843	232,181	224,659	232,393	253,813	297,068	3,463,088
4.	CIBSR Costs													
a.	Return on Investment	\$ 175,248	\$ 179,496	\$ 187,555	\$ 195,349	\$ 201,805	\$ 209,613	\$ 217,901	\$ 223,870	\$ 229,385	\$ 235,871	\$ 243,826	\$ 253,678	2,553,597
b.	Depreciation	\$ 51,913	\$ 52,232	\$ 57,908	\$ 60,882	\$ 62,848	\$ 64,429	\$ 68,273	\$ 69,691	\$ 70,046	\$ 73,381	\$ 75,353	\$ 77,650	784,605
c.	Property Taxes	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,381	\$ 29,382	352,573
d.	Depreciation Savings	\$ (75,098)	\$ (5,480)	\$ (6,111)	\$ (6,314)	\$ (6,680)	\$ (6,969)	\$ (7,197)	\$ (7,515)	\$ (7,747)	\$ (8,080)	\$ (8,272)	\$ (8,284)	(153,747)
d.	Total CIBSR Costs	\$ 181,444	\$ 255,629	\$ 268,733	\$ 279,298	\$ 287,354	\$ 296,454	\$ 308,357	\$ 315,427	\$ 321,065	\$ 330,553	\$ 340,288	\$ 352,426	3,537,028
5.	Over/Under Recovery (Line 3 - Line 4d)	\$ 216,089	\$ 153,735	\$ 128,237	\$ 19,689	\$ (43,509)	\$ (48,021)	\$ (80,515)	\$ (83,247)	\$ (96,406)	\$ (98,160)	\$ (86,475)	\$ (55,358)	(73,941)
6.	Interest Provision	\$ 11	\$ 26	\$ 37	\$ 32	\$ 36	\$ 37	\$ 31	\$ 27	\$ 21	\$ 10	\$ 1	\$ (16)	253
7.	Beginning Balance True-Up & Interest Provision	36,203	247,197	395,852	519,020	533,635	485,056	431,966	346,376	258,050	156,559	53,303	(38,277)	36,203
8.	True-Up Collected/(Refunded) (see Line 2)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,106)	\$ (5,111)	(61,277)
9.	End of Period Total True-Up (Lines 5+6+7+8)¹	\$ 247,197	\$395,852	\$519,020	\$533,635	\$485,056	\$431,966	\$346,376	\$258,050	\$156,559	\$53,303	(\$38,277)	(\$98,762)	(\$98,762)

Peoples Gas System
 Cast Iron/Bare Steel Replacement Program (CIBSR)
 Calculation of the Final True-Up Amount
 January 2015 to December 2015

Docket No.
 Exhibit A
 Page 3 of 3

Interest Provision
 (in Dollars)

<u>Line</u>	<u>Description</u>	<u>Actual January</u>	<u>Actual February</u>	<u>Actual March</u>	<u>Actual April</u>	<u>Actual May</u>	<u>Actual June</u>	<u>Actual July</u>	<u>Actual August</u>	<u>Actual September</u>	<u>Actual October</u>	<u>Actual November</u>	<u>Actual December</u>	<u>End of Period Total</u>
1.	Beginning True-Up Amount	\$36,203	\$247,197	\$395,852	\$519,020	\$533,635	\$485,056	\$431,966	\$346,376	\$258,050	\$156,559	\$53,303	(\$38,277)	
2.	Ending True-Up Amount Before Interest	247,186	395,826	518,983	533,603	485,020	431,929	346,345	258,023	156,538	53,293	(38,278)	(98,746)	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	283,389	643,023	914,835	1,052,623	1,018,655	916,985	778,311	604,399	414,588	209,852	15,025	(137,023)	
4.	Average True-Up Amount (Line 3 x 1/2)	141,695	321,512	457,418	526,312	509,328	458,493	389,156	302,200	207,294	104,926	7,513	(68,512)	
5.	Interest Rate (First Day of Reporting Business Month)	0.10%	0.10%	0.09%	0.09%	0.06%	0.10%	0.08%	0.11%	0.11%	0.13%	0.12%	0.15%	
6.	Interest Rate (First Day of Subsequent Business Month)	0.10%	0.09%	0.09%	0.06%	0.10%	0.08%	0.11%	0.11%	0.13%	0.12%	0.15%	0.40%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.20%	0.19%	0.18%	0.15%	0.16%	0.18%	0.19%	0.22%	0.24%	0.25%	0.27%	0.55%	
8.	Average Interest Rate (Line 7 x 1/2)	0.100%	0.095%	0.090%	0.075%	0.080%	0.090%	0.095%	0.110%	0.120%	0.125%	0.135%	0.275%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.008%	0.008%	0.008%	0.006%	0.007%	0.008%	0.008%	0.009%	0.010%	0.010%	0.011%	0.023%	
10.	Interest Provision for the Month (Line 4 x Line 9)	\$11	\$26	\$37	\$32	\$36	\$37	\$31	\$27	\$21	\$10	\$1	(\$16)	\$ 253

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PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT A
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 FILED: SEPTEMBER 1, 2016

PEOPLES GAS SYSTEM

“EXHIBIT B”

***CALCULATION OF ACTUAL AND REFORECAST AMOUNT FOR 2016
(PAGE 1 OF 3)***

PROJECTED TRUE-UP AMOUNT FOR 2016 (PAGE 2 OF 3)

INTEREST PROVISION FOR 2016 (PAGE 3 OF 3)

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period
 January 2016 to December 2016
 Return on Capital Investments, Depreciation and Taxes for Eligible Replacements

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Line	Description	Beginning of Period Amount	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Mains (Plastic)		0	112,660	849,283	696,336	1,125,792	1,024,864	751,380	1,125,000	1,125,000	1,125,000	1,006,118	723,391	9,664,824
b.	Eligible Replacements - Mains (Steel)		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Eligible Replacements - Services (Plastic)		0	17,508	38,415	10,823	21,475	51,115	71,103	0	2,500,000	0	0	0	2,710,439
d.	Eligible Replacements - Services (Steel)		0	(130)	6,189	0	0	0	4,633	0	0	0	0	0	10,692
e.	Eligible Replacements - Regulators		0	0	0	0	0	0	0	0	0	0	0	0	0
f.	Other		0	0	0	0	0	0	0	0	0	0	0	0	0
g.	Clearings to Plant		1,227,106	258,911	724,611	541,063	517,713	1,481,522	1,129,382	1,429,732	3,853,549	1,296,412	1,164,397	912,783	14,537,181
2.	Gross Plant-in-Service/Depreciation Base	30,603,215	31,830,321	32,089,232	32,813,843	33,354,906	33,872,619	35,354,141	36,483,523	37,913,255	41,766,804	43,063,216	44,227,613	45,140,396	
3.	Less Accumulated Depreciation	(1,081,360)	(1,153,495)	(1,227,951)	(1,303,079)	(1,380,088)	(1,458,067)	(1,537,797)	(1,621,183)	(1,708,258)	(1,799,052)	(1,903,864)	(2,012,047)	(2,123,257)	
4.	CWIP - NonInterest Bearing	3,442,791	2,215,685	2,086,811	2,256,088	2,422,184	3,051,737	2,646,195	2,343,928	2,039,196	1,810,647	1,639,235	1,480,956	1,291,565	
5.	Net Book Value (Lines 2 + 3 + 4)	32,964,646	32,892,510	32,948,093	33,766,852	34,397,001	35,466,289	36,462,539	37,206,269	38,244,193	41,778,400	42,798,588	43,696,522	44,308,703	
6.	Average Net Book Value		32,928,578	32,920,302	33,357,472	34,081,926	34,931,645	35,964,414	36,834,404	37,725,231	40,011,297	42,288,494	43,247,555	44,002,613	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		208,037	207,985	210,747	215,324	220,692	227,217	232,714	238,342	252,785	267,172	273,231	278,001	2,832,247
b.	Debt component (B)		49,659	49,647	50,306	51,398	52,680	54,237	55,549	56,893	60,340	63,775	65,221	66,360	676,065
			257,696	257,632	261,053	266,722	273,372	281,454	288,263	295,235	313,125	330,947	338,452	344,361	3,508,312
8.	Investment Expenses														
a.	Depreciation (C)		80,419	83,610	84,311	86,274	87,698	89,079	93,012	96,076	99,793	113,812	117,183	120,210	1,151,477
b.	Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Property Taxes (D)		48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,073	576,920
d.	Depreciation Savings		(8,284)	(9,154)	(9,182)	(9,265)	(9,719)	(9,349)	(9,626)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(109,580)
9.	Total Recoverable Costs (Lines 7 + 8)		377,908	380,165	384,258	391,808	399,428	409,261	419,726	430,388	451,995	483,836	494,712	503,644	5,127,130

Notes:

- (A) Line 7a Line 6 x 7.5814% 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 1.8097% 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%

PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT B
 PAGE 1 OF 3
 FILED: SEPTEMBER 1, 2016

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period
 January 2016 to December 2016
 Current Period Actual / Reforecast True-Up Amount

Docket No.
 Exhibit B
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Line	Description	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	End of Period Total
1.	CIBSR Revenues (net of Revenue Taxes)	503,561	555,846	486,680	423,634	371,707	335,098	315,950	461,497	473,662	485,817	495,512	501,538	5,410,502
2.	True-Up Provision	22,794	22,794	22,794	22,794	22,794	22,794	22,794	22,794	22,794	22,794	22,794	22,792	273,526
3.	CIBSR Revenues Applicable to Period (Lines 1 + 2)	526,355	578,640	509,474	446,428	394,501	357,892	338,744	484,291	496,456	508,611	518,306	524,330	5,684,028
4.	CIBSR Costs													
a.	Return on Investment	257,696	257,632	261,053	266,722	273,372	281,454	288,263	295,235	313,125	330,947	338,452	344,361	3,508,312
b.	Depreciation	80,419	83,610	84,311	86,274	87,698	89,079	93,012	96,076	99,793	113,812	117,183	120,210	1,151,477
c.	Property Taxes	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,077	48,073	576,920
d.	Depreciation Savings	(8,284)	(9,154)	(9,182)	(9,265)	(9,719)	(9,349)	(9,626)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(109,580)
d.	Total CIBSR Costs	377,908	380,165	384,258	391,808	399,428	409,261	419,726	430,388	451,995	483,836	494,712	503,644	5,127,130
5.	Over/Under Recovery (Line 3 - Line 4d)	148,446	198,476	125,216	54,620	(4,927)	(51,369)	(80,982)	53,903	44,461	24,775	23,594	20,686	556,899
6.	Interest Provision	(12)	39	91	106	103	93	742	773	783	788	788	788	5,082
7.	Beginning Balance True-Up & Interest Provision	(98,762)	26,878	202,599	305,112	337,044	309,426	2,235,356	2,132,322	2,164,204	2,186,654	2,189,423	2,191,011	(98,762)
8.	True-Up Collected/(Refunded)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,794)	(22,792)	(273,526)
9.	End of Period Total True-Up (Lines 5+6+7+8)	26,878	202,599	305,112	337,044	309,426	235,356	2,132,322	2,164,204	2,186,654	2,189,423	2,191,011	2,189,693	189,693
9 a	Compliance Audit Adj. Refund to Customers						2,000,000							2,000,000
10.	Adjusted End of Period Total True Up	\$26,878	\$202,599	\$305,112	\$337,044	\$309,426	\$2,235,356	\$2,132,322	\$2,164,204	\$2,186,654	\$2,189,423	\$2,191,011	\$2,189,693	\$2,189,693

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PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT B
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Peoples Gas System
Cast Iron/Bare Steel Replacement Rider
Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period
January 2016 to December 2016
Interest Provision

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<u>Line</u>	<u>Description</u>	<u>Actual</u> <u>January</u>	<u>Actual</u> <u>February</u>	<u>Actual</u> <u>March</u>	<u>Actual</u> <u>April</u>	<u>Actual</u> <u>May</u>	<u>Actual</u> <u>June</u>	<u>Actual</u> <u>July</u>	<u>Forecast</u> <u>August</u>	<u>Forecast</u> <u>September</u>	<u>Forecast</u> <u>October</u>	<u>Forecast</u> <u>November</u>	<u>Forecast</u> <u>December</u>	<u>End of</u> <u>Period</u> <u>Total</u>
1.	Beginning True-Up Amount	(\$98,762)	\$26,878	\$202,599	\$305,112	\$337,044	\$309,426	\$2,235,356	\$2,132,322	\$2,164,204	\$2,186,654	\$2,189,423	\$2,191,011	
2.	Ending True-Up Amount Before Interest	26,890	202,560	305,021	336,938	309,323	235,263	2,131,580	2,163,431	2,185,871	2,188,635	2,190,223	2,188,905	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	(71,872)	229,438	507,620	642,050	646,367	544,689	4,366,936	4,295,753	4,350,075	4,375,289	4,379,646	4,379,916	
4.	Average True-Up Amount (Line 3 x 1/2)	(35,936)	114,719	253,810	321,025	323,184	272,345	2,183,468	2,147,877	2,175,038	2,187,645	2,189,823	2,189,958	
5.	Interest Rate (First Day of Reporting Business Month)	0.40%	0.40%	0.42%	0.44%	0.34%	0.43%	0.38%	0.43%	0.43%	0.43%	0.43%	0.43%	
6.	Interest Rate (First Day of Subsequent Business Month)	0.40%	0.42%	0.44%	0.34%	0.43%	0.38%	0.43%	0.43%	0.43%	0.43%	0.43%	0.43%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.80%	0.82%	0.86%	0.78%	0.77%	0.81%	0.81%	0.86%	0.86%	0.86%	0.86%	0.86%	
8.	Average Interest Rate (Line 7 x 1/2)	0.400%	0.410%	0.430%	0.390%	0.385%	0.405%	0.405%	0.430%	0.430%	0.430%	0.430%	0.430%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.033%	0.034%	0.036%	0.033%	0.032%	0.034%	0.034%	0.036%	0.036%	0.036%	0.036%	0.036%	
10.	Interest Provision for the Month (Line 4 x Line 9)	(\$12)	\$39	\$91	\$106	\$103	\$93	\$742	\$773	\$783	\$788	\$788	\$788	\$5,082

PEOPLES GAS SYSTEM

“EXHIBIT C”

***CALCULATION OF THE PROJECTED AMOUNT FOR 2017
(PAGE 1 OF 2)***

***CALCULATION OF DEBT AND EQUITY RETURN FOR 2017
(PAGE 2 OF 2)***

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

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 Exhibit C
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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	\$ 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	\$ 53,679,785	
6.	Average Net Book Value		\$ 44,252,261	\$ 44,232,709	\$ 44,805,996	\$ 45,877,388	\$ 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	\$ 65,831	\$ 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%

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of Debt and Equity Return
 January 2017 through December 2017

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Calculation of Revenue Requirement Rate of Return
 (In Dollars)

	(1)	(2)	(3)	(4)
	December Rate Base ESR (\$000)	Ratio %	Cost Rate %	Weighted Cost Rate %
Long Term Debt	\$ 233,951	32.22%	5.38%	1.7334%
Short Term Debt	1,945	0.27%	0.69%	0.0019%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	10,083	1.39%	2.00%	0.0278%
Commercial Customer Deposits	31,198	4.30%	3.00%	0.1290%
Inactive Customer Deposits	334	0.05%	0.00%	0.0000%
Common Equity	312,071	42.98%	10.75%	4.6204%
Deferred Income Tax	136,476	18.80%	0.00%	0.0000%
Tax Credits - Zero Cost	0	0.00%	0.00%	0.0000%
Total	\$ 726,057	100%		6.5125%
ITC split between Debt and Equity:				
Long Term Debt	\$ 233,951			
Short Term Debt	1,945			
Equity - Preferred	0			
Equity - Common	312,071			
Total	\$ 547,967			
Deferred ITC - Weighted Cost:				
Debt = .0% * 43.05%			0.0000%	
Equity = .0% * 56.95%			0.0000%	
		Weighted Cost	0.0000%	
Total Equity Cost Rate:				
Preferred Stock			0.0000%	
Common Equity			4.6204%	
Deferred ITC - Weighted Cost			0.0000%	
			4.6204%	
Times Tax Multiplier			1.628002	
		Total Equity Component	7.5220%	
Total Debt Cost Rate:				
Long Term Debt			1.7334%	
Short Term Debt			0.0019%	
Customer Deposits			0.0278%	
Deferred ITC - Weighted Cost			0.0000%	
		Total Debt Component	1.7631%	

PEOPLES GAS SYSTEM

“EXHIBIT D”

SURCHARGE CALCULATION FOR 2017 (PAGE 1 OF 1)

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

Docket No.
Exhibit D
Page 1 of 1

<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