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September 1, 2017

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 2016 True-up, the Projected 2017 True-up and
2018 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 Sixth 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.

Your assistance in this matter is greatly appreciated.

Sincerely,

Andrew M. Brown

AB/plb

Attachments

cc: Office of Public Counsel
Ms. Kandi M. Floyd
Ansley Watson, Jr., Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2016 True-up,)
the Projected 2017 true-up and 2018)
Revenue Requirements and Surcharges)
associated with Cast Iron / Bare Steel)
Replacement Rider, by Peoples Gas)
System.)
_____)

Docket No.

Submitted for Filing:
9-1-2017

**PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL OF 2016 TRUE-UP, THE
PROJECTED 2017 TRUE-UP AND 2018 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 2016 true-up amount, (ii) the projected true-up amount for 2017, (iii) the Revenue Requirements to be recovered by the Company during the period January through December 2018, 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 aging 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 2018). 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.

8. 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 2016 were approved by the Commission's Order No. PSC-15-0572-TRF-GU, issued December 18, 2015. The Commission's Order No. PSC-16-0524-TRF-GU, issued November 21, 2016, approved the true-up for calendar year 2015, the estimated true-up for calendar year 2016, and revised Revenue Requirements and Surcharges for calendar year 2017.

9. 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 2016 true-up schedules accompanying this petition clearly identify

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.

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 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

the inclusion of 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. The one-time \$2 million credit resulted in lower CI/BSR customer volumetric rates in 2017 and an over-recovery (including interest) balance of \$1,708,878 for the calendar year 2016.

10. By its Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No. 160159-GU, the Commission approved a Settlement Agreement between Peoples and the Office of Public Counsel "OPC" that allows for cost recovery through Rider CI/BSR associated with Peoples' replacement of Problematic Plastic Pipe ("PPP") beginning in 2017 and continuing through 2028.

RELIEF REQUESTED

11. Peoples seeks the Commission's approval of the final true-up amount for the calendar year 2016 of \$1,708,878 over-recovery (including interest). The calculation of this amount is contained in Exhibit A attached to this petition.

12. Peoples also seeks approval of the projected true-up for calendar year 2017 and, as shown in Exhibit B to this petition, has re-projected that its actual expenditures for eligible replacements under Rider CI/BSR during 2017 will be \$19,246,093. 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 \$475,919 under-recovery.

13. Exhibit C includes projected capital expenditures for the replacement of cast iron/bare steel infrastructure and PPP during calendar year 2018, and Exhibit D contains revised Surcharges to be collected from customers commencing with bills rendered for meter readings taken on and after January 1, 2018. The estimated true-up for 2017, an under-recovery of

issued the one-time credit.

\$475,919, increases the total amount to be collected through the revised Surcharges during 2018. Projected capital expenditures for replacements during 2018 are \$35,675,000 (not including the first \$1 million of such expenditures).

14. Sixth 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 2016, the calculation of which is contained in Exhibit A;
- B. approving the projected Revenue Requirements for 2018 (as calculated in Exhibit C, and as adjusted by the projected true-up for 2017 calculated in Exhibit B); and
- C. approving Peoples' billing of the recovery Surcharges for 2018 set forth in Exhibit D to this petition commencing with bills rendered for meter readings taken on and after January 1, 2018.

Respectfully submitted,



ANSLEY WATSON, JR.

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ANDREW M. BROWN

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Macfarlane Ferguson & McMullen

P. O. Box 1531

Tampa, Florida 33601-1531

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 2017, 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.

A handwritten signature in blue ink, reading "Andrew M. Brown", is written over a horizontal line.

ANDREW M. BROWN

**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	\$0.05285 per therm
Small General Service	\$0.03337 per therm
General Service – 1/ Commercial Standby Generator Service	\$0.01819 per therm
General Service – 2	\$0.01695 per therm
General Service – 3	\$0.01465 per therm
General Service – 4	\$0.00921 per therm
General Service – 5	\$0.00470 per therm
Commercial Street Lighting	\$0.02376 per therm
Natural Gas Vehicle Service	\$0.03789 per therm
Wholesale	\$0.00642 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 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, 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.

“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**

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<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator	\$0.023090.05285 per therm
Small General Service	\$0.014530.03337 per therm
General Service – 1/ Commercial Standby Generator Service	\$0.008060.01819 per therm
General Service – 2	\$0.007470.01695 per therm
General Service – 3	\$0.006280.01465 per therm
General Service – 4	\$0.004210.00921 per therm
General Service – 5	\$0.002290.00470 per therm
Commercial Street Lighting	\$0.010260.02376 per therm
Natural Gas Vehicle Service	\$0.016350.03789 per therm
Wholesale	\$0.002810.00642 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

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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, 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.

“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 2016 (PAGE 1 OF 3)

***CALCULATION OF THE FINAL 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 Program
 Calculation of the Final Amount for the Period
January 2016 to December 2016

Docket No.
 Exhibit A
 Page 1 of 3

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

<u>Line</u>	<u>Description</u>	<u>Beginning of Period Amount</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.	Investments														
a.	Eligible Replacements - Mains (Plastic)		\$0	\$112,660	\$849,283	\$696,336	\$1,125,792	\$1,024,864	\$751,380	\$970,806	\$766,906	\$999,294	\$1,529,477	\$1,473,049	\$10,299,846
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	112,327	2,523,517	54,703	50,693	66,617	3,018,295
d.	Eligible Replacements - Services (Steel)		0	(130)	6,189	0	0	0	4,633	52	0	0	0	2,141	12,885
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	1,282,442	989,704	3,225,418	1,369,675	1,397,707	1,245,795	14,261,668
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	\$36,636,583	\$37,626,287	\$40,851,705	\$42,221,380	\$43,619,087	\$44,864,883	
3.	Less: Accumulated Depreciation	(1,081,360)	(1,138,051)	(1,196,920)	(1,256,304)	(1,317,129)	(1,379,002)	(1,441,927)	(1,507,695)	(1,575,826)	(1,645,982)	(1,724,487)	(1,805,723)	(1,889,794)	
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	2,190,869	2,284,349	2,349,354	2,033,675	2,216,137	2,512,148	
5.	Net Book Value (Lines 2 + 3 + 4)	<u>\$32,964,646</u>	<u>\$32,907,954</u>	<u>\$32,979,123</u>	<u>\$33,813,627</u>	<u>\$34,459,961</u>	<u>\$35,545,354</u>	<u>\$36,558,409</u>	<u>\$37,319,756</u>	<u>\$38,334,810</u>	<u>\$41,555,077</u>	<u>\$42,530,568</u>	<u>\$44,029,502</u>	<u>\$45,487,237</u>	
6.	Average Net Book Value		32,936,300	32,943,539	33,396,375	34,136,794	35,002,657	36,051,881	36,939,083	37,827,283	39,944,943	42,042,822	43,280,035	44,758,370	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		\$208,086	\$208,132	\$210,993	\$215,671	\$221,141	\$227,770	\$233,375	\$238,986	\$252,365	\$265,620	\$273,436	\$282,776	\$2,838,351
b.	Debt component (B)		49,671	49,682	50,365	51,481	52,787	54,369	55,707	57,047	60,240	63,404	65,270	67,499	677,522
			<u>\$257,757</u>	<u>\$257,814</u>	<u>\$261,358</u>	<u>\$267,152</u>	<u>\$273,928</u>	<u>\$282,139</u>	<u>\$289,082</u>	<u>\$296,033</u>	<u>\$312,605</u>	<u>\$329,024</u>	<u>\$338,706</u>	<u>\$350,275</u>	<u>\$3,515,873</u>
8.	Investment Expenses														
a.	Depreciation (C)		\$61,610	\$64,065	\$64,596	\$66,083	\$67,174	\$68,226	\$71,230	\$73,857	\$75,927	\$84,396	\$87,179	\$90,015	\$874,360
b.	Amortization (C)		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		(4,919)	(5,196)	(5,213)	(5,258)	(5,300)	(5,302)	(5,462)	(5,726)	(5,771)	(5,891)	(5,944)	(5,944)	(65,925)
9.	Total Recoverable Costs (Lines 7 + 8)		<u>\$362,526</u>	<u>\$364,760</u>	<u>\$368,819</u>	<u>\$376,054</u>	<u>\$383,878</u>	<u>\$393,140</u>	<u>\$402,928</u>	<u>\$412,241</u>	<u>\$430,838</u>	<u>\$455,606</u>	<u>\$468,018</u>	<u>\$482,419</u>	<u>\$4,901,227</u>

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 changed in Dec 2016 retroactive to Jan 2016: 2.4% Mains Plastic, 2.2% Mains Steel, 3.3% Services Plastic, 3.7% Services Steel, 3.3% Regulator Station (Prior 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%

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PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT A
 PAGE 1 OF 3
 FILED: SEPTEMBER 1, 2017

Peoples Gas System
 Cast Iron/Bare Steel Replacement Program (CIBSR)
 Calculation of the Final True-Up Amount
 January 2016 to December 2016

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)	\$503,561	\$555,846	\$486,680	\$423,634	\$371,707	\$335,098	\$315,950	\$292,722	\$315,171	\$310,226	\$361,295	\$431,790	\$4,703,679
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	\$315,516	\$337,965	\$333,020	\$384,089	\$454,582	\$4,977,205
4.	CIBSR Costs													
a.	Return on Investment	\$257,757	\$257,814	\$261,358	\$267,152	\$273,928	\$282,139	\$289,082	\$296,033	\$312,605	\$329,024	\$338,706	\$350,275	\$3,515,873
b.	Depreciation	61,610	64,065	64,596	66,083	67,174	68,226	71,230	73,857	75,927	84,396	87,179	90,015	874,360
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	(4,919)	(5,196)	(5,213)	(5,258)	(5,300)	(5,302)	(5,462)	(5,726)	(5,771)	(5,891)	(5,944)	(5,944)	(65,925)
d.	Total CIBSR Costs	\$362,526	\$364,760	\$368,819	\$376,054	\$383,878	\$393,140	\$402,928	\$412,241	\$430,838	\$455,606	\$468,018	\$482,419	\$4,901,227
5.	Over/Under Recovery (Line 3 - Line 4d)	\$163,829	\$213,880	\$140,656	\$70,374	\$10,622	(\$35,248)	(\$64,184)	(\$96,725)	(\$92,873)	(\$122,587)	(\$83,929)	(\$27,837)	\$75,978
6.	Interest Provision	(\$9)	\$47	\$105	\$124	\$126	\$122	\$777	\$764	\$765	\$775	\$725	\$867	\$5,188
7.	Beginning Balance True-Up & Interest Provision	(\$98,762)	\$42,264	\$233,397	\$351,364	\$399,068	\$387,022	\$2,329,102	\$2,242,901	\$2,124,146	\$2,009,244	\$1,864,638	\$1,758,640	(\$98,762)
8.	True-Up Collected/(Refunded) (see Line 2)	(\$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)	\$42,264	\$233,397	\$351,364	\$399,068	\$387,022	\$329,102	\$2,242,901	\$2,124,146	\$2,009,244	\$1,864,638	\$1,758,640	\$1,708,878	(\$291,122)
9.a	Compliance Audit Adj. Refund to Customers						\$2,000,000							\$2,000,000
10.	Adjusted End of Period Total True Up	\$42,264	\$233,397	\$351,364	\$399,068	\$387,022	\$2,329,102	\$2,242,901	\$2,124,146	\$2,009,244	\$1,864,638	\$1,758,640	\$1,708,878	\$1,708,878

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PEOPLES GAS SYSTEM
 CAST IRON / BARE STEEL RIDER
 EXHIBIT A
 PAGE 2 OF 3
 FILED: SEPTEMBER 1, 2017

Peoples Gas System
 Cast Iron/Bare Steel Replacement Program (CIBSR)
 Calculation of the Final True-Up Amount
 January 2016 to December 2016

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	(\$98,762)	\$42,264	\$233,397	\$351,364	\$399,068	\$387,022	\$2,329,102	\$2,242,901	\$2,124,146	\$2,009,244	\$1,864,638	\$1,758,640	
2.	Ending True-Up Amount Before Interest	42,273	233,350	351,259	398,944	386,896	328,980	2,242,124	2,123,382	2,008,479	1,863,863	1,757,915	1,708,011	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	(56,489)	275,614	584,656	750,308	785,964	716,002	4,571,226	4,366,283	4,132,625	3,873,107	3,622,553	3,466,651	
4.	Average True-Up Amount (Line 3 x 1/2)	(28,245)	137,807	292,328	375,154	392,982	358,001	2,285,613	2,183,142	2,066,313	1,936,554	1,811,277	1,733,326	
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%	0.41%	0.48%	0.48%	0.48%	
6.	Interest Rate (First Day of Subsequent Business Month)	0.40%	0.42%	0.44%	0.34%	0.43%	0.38%	0.43%	0.41%	0.48%	0.48%	0.48%	0.72%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.80%	0.82%	0.86%	0.78%	0.77%	0.81%	0.81%	0.84%	0.89%	0.96%	0.96%	1.20%	
8.	Average Interest Rate (Line 7 x 1/2)	0.400%	0.410%	0.430%	0.390%	0.385%	0.405%	0.405%	0.420%	0.445%	0.480%	0.480%	0.600%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.033%	0.034%	0.036%	0.033%	0.032%	0.034%	0.034%	0.035%	0.037%	0.040%	0.040%	0.050%	
10.	Interest Provision for the Month (Line 4 x Line 9)	(\$9)	\$47	\$105	\$124	\$126	\$122	\$777	\$764	\$765	\$775	\$725	\$867	\$5,188

PEOPLES GAS SYSTEM

“EXHIBIT B”

***CALCULATION OF ACTUAL AND REFORECAST AMOUNT FOR 2017
(PAGE 1 OF 3)***

PROJECTED TRUE-UP AMOUNT FOR 2017 (PAGE 2 OF 3)

INTEREST PROVISION FOR 2017 (PAGE 3 OF 3)

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
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Total Return on C/BS & PPP Capital Investments, Depreciation and Taxes for Eligible Replacements
 (in Dollars)

<u>Line</u>	<u>Description</u>	<u>Beginning of Period Amount</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>Forecast August</u>	<u>Forecast September</u>	<u>Forecast October</u>	<u>Forecast November</u>	<u>Forecast December</u>	<u>End of Period Total</u>
1.	Investments														
a.	Eligible Replacements - Mains (Plastic)		\$0	\$1,340,226	\$1,264,394	\$1,210,083	\$1,456,391	\$1,392,438	\$1,140,001	\$1,933,312	\$1,935,311	\$1,943,599	\$2,023,599	\$1,943,598	\$17,582,950
b.	Eligible Replacements - Mains (Steel)		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Eligible Replacements - Services (Plastic)		0	60,433	978,918	240,287	62,600	65,610	226,876	0	0	0	0	0	1,634,725
d.	Eligible Replacements - Services (Steel)		0	492	272	0	33	0	12,144	0	0	0	0	0	12,941
e.	Eligible Replacements - Regulators		0	0	11,688	0	44,872	(83,244)	42,160	0	0	0	0	0	15,477
f.	Other		0	0	0	0	0	0	0	0	0	0	0	0	0
g.	Clearings to Plant		9,679	1,098,921	2,099,740	2,106,573	858,897	1,310,405	1,510,852	2,195,923	2,131,770	2,088,871	2,112,553	2,030,314	19,554,496
2.	Gross Plant-in-Service/Depreciation Base	\$44,864,883	\$44,874,562	\$45,973,482	\$48,073,222	\$50,179,795	\$51,038,693	\$52,349,098	\$53,859,949	\$56,055,872	\$58,187,642	\$60,276,513	\$62,389,065	\$64,419,379	
3.	Less: Accumulated Depreciation	(1,889,794)	(1,975,884)	(2,061,888)	(2,150,029)	(2,243,072)	(2,340,479)	(2,439,623)	(2,541,375)	(2,646,294)	(2,755,454)	(2,868,728)	(2,986,030)	(3,107,407)	
4.	CWIP - NonInterest Bearing	2,512,148	2,502,470	2,804,700	2,960,232	2,304,029	3,009,028	3,073,427	2,983,757	2,721,146	2,524,687	2,379,415	2,290,461	2,203,745	
5.	Net Book Value (Lines 2 + 3 + 4)	\$45,487,237	\$45,401,147	\$46,716,295	\$48,883,426	\$50,240,753	\$51,707,242	\$52,982,902	\$54,302,331	\$56,130,724	\$57,956,875	\$59,787,199	\$61,693,496	\$63,515,717	
6.	Average Net Book Value		45,444,192	46,058,721	47,799,860	49,562,089	50,973,997	52,345,072	53,642,617	55,216,528	57,043,800	58,872,037	60,740,348	62,604,607	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		\$284,859	\$288,711	\$299,625	\$310,671	\$319,522	\$328,116	\$336,250	\$346,115	\$357,569	\$369,029	\$380,741	\$392,427	\$4,013,635
b.	Debt component (B)		66,769	67,672	70,230	72,819	74,894	76,908	78,814	81,127	83,811	86,498	89,243	91,982	940,767
			\$351,628	\$356,383	\$369,855	\$383,490	\$394,416	\$405,024	\$415,064	\$427,242	\$441,380	\$455,527	\$469,984	\$484,409	\$4,954,402
8.	Investment Expenses														
a.	Depreciation (C)		\$92,563	\$92,582	\$94,829	\$99,812	\$104,217	\$105,985	\$108,658	\$111,875	\$116,267	\$120,530	\$124,708	\$128,933	\$1,300,956
b.	Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
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	64,170	770,007
d.	Depreciation Savings		(6,472)	(6,579)	(6,687)	(6,769)	(6,810)	(6,841)	(6,906)	(6,956)	(7,106)	(7,256)	(7,406)	(7,556)	(83,344)
9.	Total Recoverable Costs (Lines 7 + 8)		\$501,885	\$506,553	\$522,163	\$540,700	\$555,990	\$568,336	\$580,983	\$596,328	\$614,708	\$632,968	\$651,453	\$669,956	\$6,942,022

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, 3.3% Regulator Station
- (D) Ad Valorem Tax Rate is 1.79%

Peoples Gas System
 Cast Iron/Bare Steel Replacement Rider
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period
January 2017 to December 2017

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Current Period Actual / Reforecast True-Up Amount

<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>Forecast August</u>	<u>Forecast September</u>	<u>Forecast October</u>	<u>Forecast November</u>	<u>Forecast December</u>	<u>End of Period Total</u>
1.	CIBSR Revenues (net of Revenue Taxes)	\$466,458	\$437,702	\$412,161	\$401,572	\$342,827	\$308,653	\$285,348	\$398,841	\$410,021	\$421,195	\$430,060	\$435,463	\$4,750,300
2.	True-Up Provision	182,474	182,474	182,474	182,474	182,474	182,474	182,474	182,474	182,474	182,474	182,474	182,479	2,189,693
3.	CIBSR Revenues Applicable to Period (Lines 1 + 2)	\$648,932	\$620,176	\$594,635	\$584,046	\$525,301	\$491,127	\$467,822	\$581,315	\$592,495	\$603,669	\$612,534	\$617,942	\$6,939,993
4.	CIBSR Costs													
a.	Return on Investment	\$351,628	\$356,383	\$369,855	\$383,490	\$394,416	\$405,024	\$415,064	\$427,242	\$441,380	\$455,527	\$469,984	\$484,409	\$4,954,402
b.	Depreciation	92,563	92,582	94,829	99,812	104,217	105,985	108,658	111,875	116,267	120,530	124,708	128,933	1,300,956
c.	Property Taxes	64,167	64,167	64,167	64,167	64,167	64,167	64,167	64,167	64,167	64,167	64,167	64,170	770,007
d.	Depreciation Savings	(6,472)	(6,579)	(6,687)	(6,769)	(6,810)	(6,841)	(6,906)	(6,956)	(7,106)	(7,256)	(7,406)	(7,556)	(83,344)
d.	Total CIBSR Costs	\$501,885	\$506,553	\$522,163	\$540,700	\$555,990	\$568,335	\$580,983	\$596,328	\$614,708	\$632,968	\$651,453	\$669,956	\$6,942,022
5.	Over/Under Recovery (Line 3 - Line 4d)	\$147,047	\$113,623	\$72,472	\$43,346	(\$30,689)	(\$77,208)	(\$113,161)	(\$15,013)	(\$22,213)	(\$29,299)	(\$38,919)	(\$52,014)	(\$2,028)
6.	Interest Provision	\$1,032	\$951	\$1,024	\$1,071	\$940	\$865	\$681	\$460	\$274	\$80	(\$121)	(\$333)	\$6,924
7.	Beginning Balance True-Up & Interest Provision	\$1,708,878	\$1,674,483	\$1,606,583	\$1,497,605	\$1,359,548	\$1,147,325	\$888,508	\$593,554	\$396,527	\$192,114	(\$19,579)	(\$241,093)	\$1,708,878
8.	True-Up Collected/(Refunded)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,474)	(\$182,479)	(\$2,189,693)
9.	End of Period Total True-Up (Lines 5+6+7+8)	\$1,674,483	\$1,606,583	\$1,497,605	\$1,359,548	\$1,147,325	\$888,508	\$593,554	\$396,527	\$192,114	(\$19,579)	(\$241,093)	(\$475,919)	(\$475,919)
9.a	Compliance Audit Adj. Refund to Customers	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0
10.	Adjusted End of Period Total True Up	\$1,674,483	\$1,606,583	\$1,497,605	\$1,359,548	\$1,147,325	\$888,508	\$593,554	\$396,527	\$192,114	(\$19,579)	(\$241,093)	(\$475,919)	(\$475,919)

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 Cast Iron/Bare Steel Replacement Rider
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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>Forecast August</u>	<u>Forecast September</u>	<u>Forecast October</u>	<u>Forecast November</u>	<u>Forecast December</u>	<u>End of Period Total</u>
1.	Beginning True-Up Amount	\$1,708,878	\$1,674,483	\$1,606,583	\$1,497,605	\$1,359,548	\$1,147,325	\$888,508	\$593,554	\$396,527	\$192,114	(\$19,579)	(\$241,093)	
2.	Ending True-Up Amount Before Interest	1,673,451	1,605,632	1,496,581	1,358,477	1,146,385	887,643	592,873	396,067	191,840	(19,659)	(240,972)	(475,586)	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	3,382,329	3,280,115	3,103,164	2,856,082	2,505,933	2,034,968	1,481,381	989,621	588,367	172,455	(260,551)	(716,679)	
4.	Average True-Up Amount (Line 3 x 1/2)	1,691,165	1,640,058	1,551,582	1,428,041	1,252,967	1,017,484	740,691	494,811	294,184	86,228	(130,276)	(358,340)	
5.	Interest Rate (First Day of Reporting Business Month)	0.72%	0.74%	0.64%	0.94%	0.86%	0.95%	1.08%	1.12%	1.12%	1.12%	1.12%	1.12%	
6.	Interest Rate (First Day of Subsequent Business Month)	0.74%	0.64%	0.94%	0.86%	0.95%	1.08%	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	1.46%	1.38%	1.58%	1.80%	1.81%	2.03%	2.20%	2.24%	2.24%	2.24%	2.24%	2.24%	
8.	Average Interest Rate (Line 7 x 1/2)	0.730%	0.690%	0.790%	0.900%	0.905%	1.015%	1.100%	1.120%	1.120%	1.120%	1.120%	1.120%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.061%	0.058%	0.066%	0.075%	0.075%	0.085%	0.092%	0.093%	0.093%	0.093%	0.093%	0.093%	
10.	Interest Provision for the Month (Line 4 x Line 9)	\$1,032	\$951	\$1,024	\$1,071	\$940	\$865	\$681	\$460	\$274	\$80	(\$121)	(\$333)	\$6,924

PEOPLES GAS SYSTEM

“EXHIBIT C”

***CALCULATION OF THE PROJECTED AMOUNT FOR 2018
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***CALCULATION OF DEBT AND EQUITY RETURN FOR 2018
(PAGE 2 OF 2)***

**Peoples Gas System
Cast Iron/Bare Steel Replacement Rider
Calculation of the TOTAL CI/BS + PPP Projected Amount for the Period
January 2018 to December 2018**

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

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		\$870,000	\$3,002,500	\$2,867,500	\$3,317,500	\$3,475,000	\$3,317,500	\$3,377,500	\$3,512,500	\$3,400,000	\$3,377,500	\$3,097,500	\$2,060,000	\$35,675,000
b.	Eligible Replacements - Services		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Eligible Replacements - Regulators		0	0	0	0	0	0	0	0	0	0	0	0	0
d.	Other		0	0	0	0	0	0	0	0	0	0	0	0	0
e.	Clearings to Plant		1,203,436	2,719,452	2,688,964	3,071,098	3,250,824	3,188,743	3,265,932	3,395,074	3,340,056	3,338,167	3,138,000	2,349,750	34,949,495
2.	Gross Plant-in-Service/Depreciation Base	\$64,419,379	\$65,622,815	\$68,342,267	\$71,031,232	\$74,102,330	\$77,353,153	\$80,541,896	\$83,807,828	\$87,202,902	\$90,542,958	\$93,881,124	\$97,019,124	\$99,368,874	
3.	Less: Accumulated Depreciation	(3,107,407)	(3,228,636)	(3,352,121)	(3,480,896)	(3,614,899)	(3,754,893)	(3,901,240)	(4,053,814)	(4,212,769)	(4,378,365)	(4,550,491)	(4,729,143)	(4,913,922)	
4.	CWIP - NonInterest Bearing	2,203,745	1,870,309	2,153,357	2,331,892	2,578,294	2,802,471	2,931,228	3,042,796	3,160,222	3,220,167	3,259,900	3,219,000	2,929,250	
5.	Net Book Value (Lines 2 + 3 + 4)	\$63,515,717	\$64,264,488	\$67,143,503	\$69,882,228	\$73,065,726	\$76,400,731	\$79,571,884	\$82,796,811	\$86,150,355	\$89,384,759	\$92,590,133	\$95,508,981	\$97,384,202	
6.	Average Net Book Value		63,890,103	65,703,995	68,512,865	71,473,977	74,733,228	77,986,308	81,184,348	84,473,583	87,767,557	90,987,446	94,049,557	96,446,592	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		394,329	405,525	422,862	441,138	461,254	481,332	501,070	521,371	541,702	561,575	580,474	595,269	5,907,901
b.	Debt component (B)		91,405	94,000	98,019	102,256	106,918	111,573	116,148	120,853	125,566	130,173	134,553	137,982	1,369,446
8.			\$485,734	\$499,525	\$520,881	\$543,394	\$568,172	\$592,905	\$617,218	\$642,224	\$667,268	\$691,748	\$715,027	\$733,251	\$7,277,347
	Investment Expenses														
a.	Depreciation (C)		\$128,935	\$131,342	\$136,781	\$142,159	\$148,301	\$154,802	\$161,180	\$167,712	\$174,502	\$181,182	\$187,858	\$194,134	\$1,908,887
b.	Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Property Taxes (D)		90,907	90,907	90,907	90,907	90,907	90,907	90,907	90,907	90,907	90,907	90,907	90,910	1,090,887
d.	Depreciation Savings		(7,706)	(7,856)	(8,006)	(8,156)	(8,306)	(8,456)	(8,606)	(8,756)	(8,906)	(9,056)	(9,206)	(9,356)	(102,372)
9.	Revenue Requirements (Lines 7 + 8)		\$697,870	\$713,918	\$740,563	\$768,304	\$799,074	\$830,158	\$860,699	\$892,087	\$923,771	\$954,781	\$984,586	\$1,008,939	\$10,174,749
10.	Est projected 2017 true-up over/(under)		\$ (475,919)												
11.	Revenue Requirements Net of Est Projected Recovery		\$ 1,173,789	\$ 1,887,707	\$ 2,628,270	\$ 3,396,574	\$ 4,195,648	\$ 5,025,806	\$ 5,886,505	\$ 6,778,592	\$ 7,702,363	\$ 8,657,144	\$ 9,641,730	\$ 10,650,669	

Notes:

- (A) Line 7a = Line 6 x 7.4064% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 38.575%, expansion factor of 1.62800;
 (B) Line 7b = Line 6 x 1.7168% x 1/12
 (C) Depreciation rates: 2.4% Mains Plastic, 2.2% Mains Steel, 3.3% Services Plastic, 3.7% Services Steel; 3.3% Regulator Station (rates thru 2015 were: 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 2018 through December 2018

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Calculation of Revenue Requirement Rate of Return
(In Dollars)

	(1) December Rate Base ESR (\$000)	(2) Ratio %	(3) Cost Rate %	(4) Weighted Cost Rate %
Long Term Debt	\$ 237,313	31.62%	5.33%	1.6853%
Short Term Debt	3,413	0.45%	1.41%	0.0063%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	9,477	1.26%	2.00%	0.0252%
Commercial Customer Deposits	26,242	3.50%	3.00%	0.1050%
Inactive Customer Deposits	378	0.05%	0.00%	0.0000%
Common Equity	317,649	42.32%	10.75%	4.5494%
Deferred Income Tax	156,041	20.79%	0.00%	0.0000%
Tax Credits - Zero Cost	0	0.00%	0.00%	0.0000%
Total	\$ 750,513	100%		6.3712%

ITC split between Debt and Equity:

Long Term Debt	\$ 237,313	Long Term Debt	42.50%
Short Term Debt	3,413	Short Term Debt	0.61%
Equity - Preferred	0	Equity - Preferred	0.00%
Equity - Common	317,649	Equity - Common	56.89%
Total	\$ 558,375	Total	100.00%

Deferred ITC - Weighted Cost:

Debt = 0.0% * 43.11%	0.0000%
Equity = 0.0% * 56.89%	0.0000%
Weighted Cost	0.0000%

Total Equity Cost Rate:

Preferred Stock	0.0000%
Common Equity	4.5494%
Deferred ITC - Weighted Cost	0.0000%
Times Tax Multiplier	1.628002
Total Equity Component	7.4064%

Total Debt Cost Rate:

Long Term Debt	1.6853%
Short Term Debt	0.0063%
Customer Deposits	0.0252%
Deferred ITC - Weighted Cost	0.0000%
Total Debt Component	1.7168%
	<u>9.1232%</u>

Notes:

Column (1) - From December 2016 PGS ESR
Column (2) - Column (1) / Total Column (1)
Column (3) - From December 2016 PGS ESR
Column (4) - Column (2) x Column (3)

PEOPLES GAS SYSTEM

“EXHIBIT D”

SURCHARGE CALCULATION FOR 2018 (PAGE 1 OF 1)

**Peoples Gas System
Cast Iron/Bare Steel Replacement Rider
Summary of CI/BSR Surcharge Calculation
January 2018 Through December 2018**

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%	\$3,715,880	70,310,684	\$0.05285
SGS	5,474,814	5,937,386	11,412,200	2.87%	305,148	9,143,053	\$0.03337
GS-1 & CS-SG	45,983,103	12,635,366	58,618,469	14.72%	1,567,384	86,154,214	\$0.01819
GS-2	81,315,915	8,975,978	90,291,893	22.67%	2,414,291	142,420,560	\$0.01695
GS-3	46,157,083	2,496,659	48,653,742	12.21%	1,300,939	88,798,576	\$0.01465
GS-4	25,447,491	447,292	25,894,783	6.50%	692,394	75,146,845	\$0.00921
GS-5	22,396,181	427,101	22,823,282	5.73%	610,266	129,742,098	\$0.00470
NGVS	244,131	48,338	292,469	0.07%	7,820	206,420	\$0.03789
CSLS	534,119	10,816	544,935	0.14%	14,571	613,200	\$0.02376
WHS	786,453	35,448	821,901	0.21%	21,977	3,422,683	\$0.00642
TOTAL	\$288,145,860	\$110,177,751	\$398,323,611	100%	\$10,650,669	605,958,333	

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