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October 17, 2018

**VIA E-PORTAL FILING**

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

Re: Docket No. 20180173- Petition for approval of 2017 True-up, the  
Projected 2018 True-up, and 2019 Revenue Requirements and Surcharges  
associated with Cast Iron/Bare Steel Pipe Replacement Rider, by Peoples  
Gas System

Dear Ms. Stauffer:

The Company has removed the Regulatory Assessment Fee Adjustment previously included in the 2017 true-up, Exhibit A, page 2 of 3. As a result, the Company is refileing the petition to reflect a revised final true-up amount for 2017 and revised estimated end of period true-up for 2018. Accompanying the revised petition are revised tariff sheets and updated Exhibits A-D.

Your assistance in this matter is greatly appreciated.

Sincerely,  
  
Andrew M. Brown

AB/plb  
Attachment  
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 2017 True-up, )  
the Projected 2018 true-up and 2019 )  
Revenue Requirements and Surcharges )  
associated with Cast Iron / Bare Steel )  
Replacement Rider, by Peoples Gas )  
System. )  
\_\_\_\_\_ )

Docket No. 20180173-GU

Submitted for Filing:  
10-17-2018

**REVISED PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL OF 2017 TRUE-UP, THE PROJECTED 2018 TRUE-UP AND 2019 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 2017 true-up amount, (ii) the projected true-up amount for 2018, (iii) the Revenue Requirements to be recovered by the Company during the period January through December 2019, 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 2019). 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.<sup>1</sup> Revised Surcharges for the recovery by Peoples of revised Revenue Requirements as provided by Rider CI/BSR for calendar year 2017 were approved by the Commission's Order No. PSC-16-0524-TRF-GU, issued November 21, 2016. The Commission's Order No. PSC-17-0433-TRF-GU, issued November 14, 2017, approved the true-up for calendar year 2016, the estimated true-up for calendar year 2017, and revised Revenue Requirements and Surcharges for calendar year 2018.

9. 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.

9. On August 8, 2018, Peoples, OPC and the Florida Industrial Power Users Group, ("FIPUG") filed in Docket No. 20180044-GU a joint motion for Commission approval of a Settlement Agreement addressing certain impacts of the Tax Cuts and Jobs Act of 2017 ("TCJA") on Peoples. Certain portions of the Settlement Agreement directly affect the relief sought by this

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<sup>1</sup> 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.

petition as it relates to depreciation expense and the federal income tax rate. In the Settlement Agreement, the Parties agreed to a reduction of Peoples' 2019 depreciation expense of approximately \$10.3 million resulting from extending the lives of certain main and service assets. The resulting revised rates would reduce the depreciation expense collected through the CIBS rider. Additionally, the federal income tax expense reflected in the calculations contemplated by the rider will be affected by the TCJA's reduction in the federal income tax rate. A hearing in Docket No. 20180044-GU of this Settlement Agreement is being held on the date of this filing and the filing has been prepared based on the depreciation rates that would be in effect in 2019 if the Settlement Agreement is approved by the Commission. It has also been prepared so as to recognize the impacts of the TCJA on the calculation of both the 2018 projected true-up and the 2019 projection.

#### **RELIEF REQUESTED**

10. Peoples seeks the Commission's approval of the final true-up amount for the calendar year 2017 of \$954,434 under-recovery (including interest). The calculation of this amount is contained in Exhibit A attached to this petition.

11. Peoples also seeks approval of the projected true-up for calendar year 2018 and, as shown in Exhibit B to this petition, has re-projected that its actual expenditures for eligible replacements under Rider CI/BSR during 2018 will be \$37,732,218. This re-projected total does not include the first \$1 million in such expenditures. Exhibit B, Page 2 of 5, reflects on line 9 an "End of Period Total True-up" of \$1,437,164 over-recovery. Additionally, "Calculation of Revenue Requirement Rate of Return" schedules have been included to reflect the adjusted tax rate as of February 6, 2018.

12. Exhibit C includes projected capital expenditures for the replacement of cast iron/bare steel infrastructure and PPP during calendar year 2019, and Exhibit D contains revised

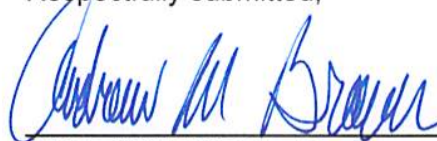
Surcharges to be collected from customers commencing with bills rendered for meter readings taken on and after January 1, 2019. The estimated true-up for 2018, an over-recovery of \$1,437,164, increases the total amount to be collected through the revised Surcharges during 2019. Projected capital expenditures for replacements during 2019 are \$35,630,000 (not including the first \$1 million of such expenditures).

13. Seventh 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 2017, the calculation of which is contained in Exhibit A;
- B. approving the projected Revenue Requirements for 2019 (as calculated in Exhibit C, and as adjusted by the projected true-up for 2018 calculated in Exhibit B); and
- C. approving Peoples' billing of the recovery Surcharges for 2019 set forth in Exhibit D to this petition commencing with bills rendered for meter readings taken on and after January 1, 2019.

Respectfully submitted,



ANSLEY WATSON, JR.

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ANDREW M. BROWN

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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 17th day of October 2018, 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.

  
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 / Residential Gas Heat Pump Service	\$0.05274 per therm
Small General Service	\$0.03345 per therm
General Service – 1/ Commercial Standby Generator Service /	
Commercial Gas Heat Pump Service	\$0.01765 per therm
General Service – 2	\$0.01708 per therm
General Service – 3	\$0.01465 per therm
General Service – 4	\$0.00892 per therm
General Service – 5	\$0.00500 per therm
Commercial Street Lighting	\$0.02427 per therm
Natural Gas Vehicle Service	\$0.04289 per therm
Wholesale	\$0.00611 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.



Peoples Gas System  
 a Division of Tampa Electric Company  
 7.806  
 Original Volume No. 3

~~Seventh-Eighth~~ Revised Sheet No. 7.806  
 Cancels ~~Sixth-Seventh~~ Revised Sheet No.

**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 / Residential Gas Heat Pump Service	<del>\$0.052850.05274</del> per therm
Small General Service	<del>\$0.033370.03345</del> per therm
General Service – 1/ Commercial Standby Generator Service /	
Commercial Gas Heat Pump Service	<del>\$0.018190.01765</del> per therm
General Service – 2	<del>\$0.016950.01708</del> per therm
General Service – 3	<del>\$0.014650.01465</del> per therm
General Service – 4	<del>\$0.009210.00892</del> per therm
General Service – 5	<del>\$0.004790.00500</del> per therm
Commercial Street Lighting	<del>\$0.023760.02427</del> per therm
Natural Gas Vehicle Service	<del>\$0.037890.04289</del> per therm
Wholesale	<del>\$0.006420.00611</del> 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.

**PEOPLES GAS SYSTEM**

**“EXHIBIT A”**

***CALCULATION OF THE FINAL AMOUNT FOR 2017 (PAGE 1 OF 3)***

***CALCULATION OF THE FINAL 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  
 Calculation of the Final Amount for the Period  
 January 2017 to December 2017

Docket No.  
 Exhibit A  
 Page 1 of 3

**Total Return on CI/BS & PPP 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)		\$0	\$1,340,226	\$1,264,394	\$1,210,083	\$1,456,391	\$1,392,438	\$1,140,001	\$1,356,034	\$1,983,363	\$2,319,131	\$2,418,958	\$2,301,432	\$18,182,451
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	169,569	75,885	152,473	122,201	86,308	2,241,160
d.	Eligible Replacements - Services (Steel)		0	492	272	0	33	0	12,144	148	187	25,054	5,231	21,519	65,080
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	1,227,957	948,263	3,315,749	2,446,399	1,388,048	18,321,482
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	\$55,087,906	\$56,036,169	\$59,351,918	\$61,798,317	\$63,186,365	
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)	(2,646,327)	(2,753,764)	(2,862,952)	(2,978,912)	(3,099,828)	
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	3,281,551	4,392,723	3,573,632	3,673,623	4,694,834	
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	\$55,723,130	\$57,675,128	\$60,062,598	\$62,493,028	\$64,781,370	
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	55,012,731	56,699,129	58,868,863	61,277,813	63,637,199	
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	\$344,838	\$355,409	\$369,010	\$384,110	\$398,899	\$4,020,020
b.	Debt component (B)		66,769	67,672	70,230	72,819	74,894	76,908	78,814	80,827	83,305	86,493	90,032	93,499	942,262
			\$351,628	\$356,383	\$369,855	\$383,490	\$394,416	\$405,024	\$415,064	\$425,665	\$438,714	\$455,503	\$474,142	\$492,398	\$4,962,282
8.	Investment Expenses														
a.	Depreciation Expense (C)		\$92,563	\$92,582	\$94,829	\$99,812	\$104,217	\$105,985	\$108,658	\$111,875	\$114,466	\$116,424	\$123,205	\$128,201	\$1,292,815
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)	(6,923)	(7,029)	(7,236)	(7,245)	(7,284)	(82,781)
9.	Total Recoverable Costs (Lines 7 + 8)		\$501,885	\$506,553	\$522,163	\$540,700	\$555,990	\$568,336	\$580,983	\$594,784	\$610,319	\$628,858	\$654,268	\$677,485	\$6,942,323

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

PEOPLES GAS SYSTEM  
 CAST IRON / BARE STEEL RIDER  
 EXHIBIT A  
 PAGE 1 OF 3  
 FILED: SEPTEMBER 12, 2018  
 REVISED: OCTOBER 17, 2018

**Peoples Gas System**  
 Cast Iron / Bare Steel Replacement Rider  
 Calculation of the Final True-Up Amount  
 January 2017 to December 2017

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)	\$466,458	\$437,702	\$412,161	\$401,572	\$342,827	\$308,653	\$285,348	\$277,845	\$310,899	\$276,332	\$338,610	\$415,205	\$4,273,612
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	\$460,319	\$493,373	\$458,806	\$521,084	\$597,684	\$6,463,305
4.	CIBSR Costs													
a.	Return on Investment	\$351,628	\$356,383	\$369,855	\$383,490	\$394,416	\$405,024	\$415,064	\$425,665	\$438,714	\$455,503	\$474,142	\$492,398	\$4,962,282
b.	Depreciation	92,563	92,582	94,829	99,812	104,217	105,985	108,658	111,875	114,466	116,424	123,205	128,201	1,292,815
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)	(6,923)	(7,029)	(7,236)	(7,245)	(7,284)	(82,781)
d.	Total CIBSR Costs	\$501,885	\$506,553	\$522,163	\$540,700	\$555,990	\$568,335	\$580,983	\$594,784	\$610,319	\$628,858	\$654,268	\$677,485	\$6,942,323
5.	Over/Under Recovery (Line 3 - Line 4d)	\$147,047	\$113,623	\$72,472	\$43,346	(\$30,689)	(\$77,208)	(\$113,161)	(\$134,465)	(\$116,945)	(\$170,052)	(\$133,184)	(\$79,800)	(\$479,016)
6.	Interest Provision	\$1,032	\$951	\$1,024	\$1,071	\$940	\$865	\$681	\$396	\$95	(\$155)	(\$533)	(\$970)	\$5,397
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	\$277,011	(\$22,313)	(\$374,994)	(\$691,185)	\$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	\$277,011	(\$22,313)	(\$374,994)	(\$691,185)	(\$954,434)	(\$954,434)
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	\$277,011	(\$22,313)	(\$374,994)	(\$691,185)	(\$954,434)	(\$954,434)

**Peoples Gas System**  
 Cast Iron / Bare Steel Replacement Rider  
 Calculation of the Final True-Up Amount  
 January 2017 to December 2017

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	\$1,708,878	\$1,674,483	\$1,606,583	\$1,497,605	\$1,359,548	\$1,147,325	\$888,508	\$593,554	\$277,011	(\$22,313)	(\$374,994)	(\$691,185)	
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	276,615	(22,408)	(374,839)	(690,652)	(953,464)	
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	870,169	254,603	(397,152)	(1,065,646)	(1,644,649)	
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	435,085	127,302	(198,576)	(532,823)	(822,325)	
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%	1.06%	0.73%	1.14%	1.25%	
6.	Interest Rate (First Day of Subsequent Business Month)	0.74%	0.64%	0.94%	0.86%	0.95%	1.08%	1.12%	1.06%	0.73%	1.14%	1.25%	1.58%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	1.46%	1.38%	1.58%	1.80%	1.81%	2.03%	2.20%	2.18%	1.79%	1.87%	2.39%	2.83%	
8.	Average Interest Rate (Line 7 x 1/2)	0.730%	0.690%	0.790%	0.900%	0.905%	1.015%	1.100%	1.090%	0.895%	0.935%	1.195%	1.415%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.061%	0.058%	0.066%	0.075%	0.075%	0.085%	0.092%	0.091%	0.075%	0.078%	0.100%	0.118%	
10.	Interest Provision for the Month (Line 4 x Line 9)	\$1,032	\$951	\$1,024	\$1,071	\$940	\$865	\$681	\$396	\$95	(\$155)	(\$533)	(\$970)	\$5,397

**PEOPLES GAS SYSTEM**

**“EXHIBIT B”**

***CALCULATION OF ACTUAL AND REFORECAST AMOUNT FOR 2018  
(PAGE 1 OF 5)***

***PROJECTED TRUE-UP AMOUNT FOR 2018 (PAGE 2 OF 5)***

***INTEREST PROVISION FOR 2018 (PAGE 3 OF 5)***

***CALCULATION OF REVENUE REQUIREMENT RATE OF RETURN,  
JANUARY 2018 THROUGH FEBRUARY 5, 2018  
(PAGE 4 OF 5)***

***CALCULATION OF REVENUE REQUIREMENT RATE OF RETURN  
FEBRUARY 6, 2018 THROUGH DECEMBER 2018  
(PAGE 5 OF 5)***

**Peoples Gas System**  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period  
**January 2018 to December 2018**

Docket No.  
 Exhibit B  
 Page 1 of 5

**Total Return on CI/BS & PPP 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	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	End of Period Total
1. Investments														
a. Eligible Replacements - Mains (Plastic)		\$673,023	\$2,494,411	\$1,882,959	\$1,963,861	\$2,982,680	\$3,079,676	\$2,921,944	\$3,566,273	\$3,941,309	\$4,320,144	\$4,320,144	\$3,632,773	\$35,779,197
b. Eligible Replacements - Mains (Steel)		0	0	0	0	0	0	0	0	0	0	0	0	0
c. Eligible Replacements - Services (Plastic)		104,091	188,312	249,002	550,090	603,710	187,642	93,987	0	0	0	0	0	1,976,834
d. Eligible Replacements - Services (Steel)		(1,771)	6,745	(28,788)	0	0	0	0	0	0	0	0	0	(23,814)
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		113,384	713,441	1,024,696	1,019,573	8,630,736	1,032,615	681,460	5,032,331	4,947,093	4,979,774	4,814,866	4,175,657	37,165,625
2. Gross Plant-in-Service/Depreciation Base	\$63,186,365	\$63,299,749	\$64,013,190	\$65,037,886	\$66,057,458	\$74,688,195	\$75,720,809	\$76,402,269	\$81,434,600	\$86,381,693	\$91,361,467	\$96,176,333	\$100,351,990	
3. Less: Accumulated Depreciation	(3,099,828)	(3,223,491)	(3,347,450)	(3,472,857)	(3,600,325)	(3,730,272)	(3,877,947)	(4,027,397)	(4,177,698)	(4,337,914)	(4,507,874)	(4,687,644)	(4,876,893)	
4. CWIP - NonInterest Bearing	4,694,834	5,356,793	7,332,819	8,411,297	9,905,675	4,861,329	7,096,032	9,430,504	7,964,446	6,958,662	6,299,032	5,804,310	5,261,426	
5. Net Book Value (Lines 2 + 3 + 4)	\$64,781,370	\$65,433,051	\$67,998,559	\$69,976,326	\$72,362,808	\$75,819,252	\$78,938,895	\$81,805,376	\$85,221,348	\$89,002,441	\$93,152,625	\$97,293,000	\$100,736,524	
6. Average Net Book Value		65,107,211	66,715,805	68,987,443	71,169,567	74,091,030	77,379,073	80,372,135	83,513,362	87,111,894	91,077,533	95,222,813	99,014,762	
7. Return on Average Net Book Value														
a. Equity component Grossed up for taxes (A)		\$401,842	\$354,501	\$353,699	\$364,886	\$379,865	\$396,723	\$412,068	\$428,173	\$446,623	\$466,954	\$488,207	\$507,649	\$5,001,190
b. Debt component (B)		93,147	95,448	98,698	101,820	105,999	110,704	114,986	119,480	124,629	130,302	136,232	141,657	1,373,102
		\$494,989	\$449,949	\$452,397	\$466,706	\$485,864	\$507,427	\$527,054	\$547,653	\$571,252	\$597,256	\$624,439	\$649,306	\$6,374,292
8. Investment Expenses														
a. Depreciation Expense (C)		\$131,070	\$131,378	\$132,963	\$135,180	\$137,659	\$155,404	\$157,619	\$159,057	\$169,122	\$179,016	\$188,975	\$198,605	\$1,876,048
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		(7,408)	(7,419)	(7,556)	(7,712)	(7,712)	(7,729)	(8,168)	(8,756)	(8,906)	(9,056)	(9,206)	(9,356)	(98,984)
9. Total Recoverable Costs (Lines 7 + 8)		\$709,558	\$664,816	\$668,710	\$685,081	\$706,718	\$746,009	\$767,411	\$788,861	\$822,375	\$858,123	\$895,115	\$929,466	\$9,242,243

**Notes:**  
 (A) Line 7a for Jan 1st thru Feb 5th = 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 1.628002  
 Line 7a for Feb 6th thru Dec 31st = Line 6 x 6.1524% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 25.345%, expansion factor of 1.35236  
 (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, and 3.3% Regulator Station  
 (D) Ad Valorem Tax Rate is 1.79%

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PEOPLES GAS SYSTEM  
 CAST IRON / BARE STEEL RIDER  
 EXHIBIT B  
 PAGE 1 OF 5  
 FILED: SEPTEMBER 12, 2018  
 REVISED: OCTOBER 17, 2018

**Peoples Gas System**  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period  
**January 2018 to December 2018**

Docket No.  
 Exhibit B  
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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)	\$1,340,329	\$1,171,913	\$957,492	\$989,124	\$795,287	\$753,841	\$672,017	\$927,254	\$958,939	\$989,952	\$1,019,762	\$1,044,120	\$11,620,032
2.	True-Up Provision	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,660)	(39,659)	(475,919)
3.	CIBSR Revenues Applicable to Period (Lines 1 + 2)	<u>\$1,300,669</u>	<u>\$1,132,253</u>	<u>\$917,832</u>	<u>\$949,464</u>	<u>\$755,627</u>	<u>\$714,181</u>	<u>\$632,357</u>	<u>\$887,594</u>	<u>\$919,279</u>	<u>\$950,292</u>	<u>\$980,102</u>	<u>\$1,004,461</u>	<u>\$11,144,113</u>
4.	CIBSR Costs													
a.	Return on Investment	\$494,989	\$449,949	\$452,397	\$466,706	\$485,864	\$507,427	\$527,054	\$547,653	\$571,252	\$597,256	\$624,439	\$649,306	\$6,374,292
b.	Depreciation	131,070	131,378	132,963	135,180	137,659	155,404	157,619	159,057	169,122	179,016	188,975	198,605	1,876,048
c.	Property Taxes	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	(7,408)	(7,419)	(7,556)	(7,712)	(7,712)	(7,729)	(8,168)	(8,756)	(8,906)	(9,056)	(9,206)	(9,356)	(98,984)
d.	Total CIBSR Costs	<u>\$709,558</u>	<u>\$664,816</u>	<u>\$668,711</u>	<u>\$685,081</u>	<u>\$706,718</u>	<u>\$746,009</u>	<u>\$767,412</u>	<u>\$788,861</u>	<u>\$822,375</u>	<u>\$858,123</u>	<u>\$895,115</u>	<u>\$929,465</u>	<u>\$9,242,243</u>
5.	Over/Under Recovery (Line 3 - Line 4d)	\$591,111	\$467,437	\$249,122	\$264,383	\$48,909	(\$31,828)	(\$135,054)	\$98,733	\$96,905	\$92,169	\$84,987	\$74,996	\$1,901,870
6.	Interest Provision	(\$812)	(\$91)	\$474	\$967	\$1,273	\$1,393	\$1,366	\$1,404	\$1,633	\$1,857	\$2,072	\$2,273	\$13,809
7.	Beginning Balance True-Up & Interest Provision	(\$954,434)	(\$324,475)	\$182,531	\$471,787	\$776,797	\$866,639	\$875,864	\$781,836	\$921,633	\$1,059,831	\$1,193,517	\$1,320,236	(\$954,434)
8.	True-Up Collected/(Refunded)	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,660	\$39,659	\$475,919
9.	End of Period Total True-Up (Lines 5+6+7+8)	(\$324,475)	\$182,531	\$471,787	\$776,797	\$866,639	\$875,864	\$781,836	\$921,633	\$1,059,831	\$1,193,517	\$1,320,236	\$1,437,164	\$1,437,164
9.a	Regulatory Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10.	Adjusted End of Period Total True Up	<u>(\$324,475)</u>	<u>\$182,531</u>	<u>\$471,787</u>	<u>\$776,797</u>	<u>\$866,639</u>	<u>\$875,864</u>	<u>\$781,836</u>	<u>\$921,633</u>	<u>\$1,059,831</u>	<u>\$1,193,517</u>	<u>\$1,320,236</u>	<u>\$1,437,164</u>	<u>\$1,437,164</u>

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PEOPLES GAS SYSTEM  
 CAST IRON / BARE STEEL RIDER  
 EXHIBIT B  
 PAGE 2 OF 5  
 FILED: SEPTEMBER 12, 2018  
 REVISED: OCTOBER 17, 2018



**Peoples Gas System**  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period  
**January 2018 to December 2018**

Docket No.  
 Exhibit B  
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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	(\$954,434)	(\$324,475)	\$182,531	\$471,787	\$776,797	\$866,639	\$875,864	\$781,836	\$921,633	\$1,059,831	\$1,193,517	\$1,320,236	
2.	Ending True-Up Amount Before Interest	(323,663)	182,622	471,313	775,830	865,366	874,471	780,470	920,229	1,058,198	1,191,660	1,318,164	1,434,891	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	(1,278,097)	(141,853)	653,844	1,247,617	1,642,163	1,741,110	1,656,334	1,702,065	1,979,831	2,251,491	2,511,681	2,755,127	
4.	Average True-Up Amount (Line 3 x 1/2)	(639,049)	(70,927)	326,922	623,809	821,082	870,555	828,167	851,033	989,916	1,125,746	1,255,841	1,377,564	
5.	Interest Rate (First Day of Reporting Business Month)	1.58%	1.46%	1.62%	1.86%	1.85%	1.86%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	
6.	Interest Rate (First Day of Subsequent Business Month)	1.46%	1.62%	1.86%	1.85%	1.86%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	3.04%	3.08%	3.48%	3.71%	3.71%	3.84%	3.96%	3.96%	3.96%	3.96%	3.96%	3.96%	
8.	Average Interest Rate (Line 7 x 1/2)	1.520%	1.540%	1.740%	1.855%	1.855%	1.920%	1.980%	1.980%	1.980%	1.980%	1.980%	1.980%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.127%	0.128%	0.145%	0.155%	0.155%	0.160%	0.165%	0.165%	0.165%	0.165%	0.165%	0.165%	
10.	Interest Provision for the Month (Line 4 x Line 9)	(\$812)	(\$91)	\$474	\$967	\$1,273	\$1,393	\$1,366	\$1,404	\$1,633	\$1,857	\$2,072	\$2,273	\$13,809

Peoples Gas System  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of Debt and Equity Return  
 January through February 5, 2018

Docket No.  
 Exhibit B  
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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%
<b>Total</b>	<b>\$ 750,513</b>	<b>100%</b>		<b>6.3712%</b>

**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%
<b>Total</b>	<b>\$ 558,375</b>	<b>Total</b>	<b>100.00%</b>

**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%
	4.5494%
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%
	9.1232%

**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  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of Debt and Equity Return  
 February 6, 2018 through December 2018

Docket No.  
 Exhibit B  
 Page 5 of 5

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	1

**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%
	4.5494%
Times Tax Multiplier	1.35236
Total Equity Component	6.1524%

**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%
	7.8692%

**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 C”**

***CALCULATION OF THE PROJECTED AMOUNT FOR 2019  
(PAGE 1 OF 2)***

***CALCULATION OF DEBT AND EQUITY RETURN FOR 2019  
(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 2019 to December 2019**

Docket No.  
 Exhibit C  
 Page 1 of 2

**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		\$2,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$3,052,500	\$35,630,000
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		2,854,732	3,404,174	3,316,255	3,250,316	3,200,862	3,163,772	3,135,954	3,115,090	3,099,443	3,087,707	3,078,905	3,072,304	37,779,514
2.	Gross Plant-in-Service/Depreciation Base	\$100,351,990	\$103,206,722	\$106,610,896	\$109,927,151	\$113,177,467	\$116,378,330	\$119,542,101	\$122,678,055	\$125,793,145	\$128,892,588	\$131,980,295	\$135,059,201	\$138,131,505	
3.	Less: Accumulated Depreciation	(4,876,893)	(4,993,309)	(5,113,027)	(5,236,704)	(5,364,236)	(5,495,543)	(5,630,567)	(5,769,262)	(5,911,595)	(6,057,541)	(6,207,081)	(6,360,202)	(6,516,892)	
4.	CWIP - NonInterest Bearing	5,261,426	4,459,195	4,107,521	3,843,766	3,645,949	3,497,587	3,386,315	3,302,861	3,240,271	3,193,328	3,158,121	3,131,716	3,111,912	
5.	Net Book Value (Lines 2 + 3 + 4)	\$100,736,524	\$102,672,607	\$105,605,390	\$108,534,212	\$111,459,180	\$114,380,373	\$117,297,850	\$120,211,655	\$123,121,822	\$126,028,376	\$128,931,336	\$131,830,715	\$134,726,524	
6.	Average Net Book Value		101,704,565	104,138,998	107,069,801	109,996,696	112,919,777	115,839,111	118,754,752	121,666,738	124,575,099	127,479,855	130,381,025	133,278,620	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		509,489	521,684	536,366	551,029	565,671	580,296	594,902	609,490	624,059	638,611	653,144	667,659	7,052,400
b.	Debt component (B)		138,395	141,707	145,696	149,678	153,656	157,628	161,596	165,558	169,515	173,468	177,416	181,359	1,915,672
8.	Investment Expenses														
a.	Depreciation (C)		\$125,897	\$129,323	\$133,408	\$137,388	\$141,287	\$145,129	\$148,926	\$152,689	\$156,428	\$160,146	\$163,852	\$167,546	\$1,762,021
b.	Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
c.	Property Taxes (D)		142,417	142,417	142,417	142,417	142,417	142,417	142,417	142,417	142,417	142,417	142,417	142,418	1,709,005
d.	Depreciation Savings		(9,481)	(9,606)	(9,731)	(9,856)	(9,981)	(10,106)	(10,231)	(10,356)	(10,481)	(10,606)	(10,731)	(10,856)	(122,022)
9.	Revenue Requirements (Lines 7 + 8)		\$906,717	\$925,526	\$948,156	\$970,656	\$993,051	\$1,015,365	\$1,037,610	\$1,059,798	\$1,081,937	\$1,104,036	\$1,126,098	\$1,148,126	\$12,317,077
10.	Est projected 2018 true-up over/(under)		\$ 1,437,164												
11.	Revenue Requirements Net of Est Projected Recovery		\$ (530,447)	\$ 395,079	\$ 1,343,235	\$ 2,313,891	\$ 3,306,942	\$ 4,322,307	\$ 5,359,917	\$ 6,419,715	\$ 7,501,652	\$ 8,605,688	\$ 9,731,786	\$ 10,879,912	

**Notes:**

- (A) Line 7a = Line 6 x 6.0114% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 25.345%, expansion factor of 1.35236  
 (B) Line 7b = Line 6 x 1.6329% x 1/12  
 (C) Depreciation rates: 1.4% Mains Plastic, 1.8% Mains Steel, 2.3% Services Plastic, 2.6% Services Steel, and 3.3% Regulator Station  
 (D) Ad Valorem Tax Rate is 1.79%

PEOPLES GAS SYSTEM  
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Peoples Gas System  
Cast Iron/Bare Steel Replacement Rider  
Calculation of Debt and Equity Return  
January 2019 through December 2019

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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	\$ 235,506	28.96%	5.32%	1.5407%
Short Term Debt	37,323	4.59%	1.62%	0.0744%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	7,241	0.89%	2.00%	0.0178%
Commercial Customer Deposits	20,006	2.46%	3.00%	0.0738%
Inactive Customer Deposits	454	0.06%	0.00%	0.0000%
Common Equity	336,251	41.35%	10.75%	4.4451%
Deferred Income Tax	176,380	21.69%	0.00%	0.0000%
Tax Credits - Zero Cost	0	0.00%	0.00%	0.0000%
<b>Total</b>	<b>\$ 813,161</b>	<b>100%</b>		<b>6.1518%</b>

ITC split between Debt and Equity:

Long Term Debt	\$ 235,506	Long Term Debt	41.19%
Equity - Preferred	0	Equity - Preferred	0.00%
Equity - Common	336,251	Equity - Common	58.81%
<b>Total</b>	<b>\$ 571,757</b>	<b>Total</b>	<b>100.00%</b>

Deferred ITC - Weighted Cost:

Debt = 0.0% * 41.19%	0.0000%
Equity = 0.0% * 58.81%	0.0000%
Weighted Cost	0.0000%

Total Equity Cost Rate:

Preferred Stock	0.0000%
Common Equity	4.4451%
Deferred ITC - Weighted Cost	0.0000%
	4.4451%
Times Tax Multiplier	1.35236
<b>Total Equity Component</b>	<b>6.0114%</b>

Total Debt Cost Rate:

Long Term Debt	1.5407%
Short Term Debt	0.0744%
Customer Deposits	0.0178%
Deferred ITC - Weighted Cost	0.0000%
<b>Total Debt Component</b>	<b>1.6329%</b>
	<b>7.6443%</b>

**Notes:**

Column (1) - From December 2017 PGS ESR  
Column (2) - Column (1) / Total Column (1)  
Column (3) - From December 2017 PGS ESR  
Column (4) - Column (2) x Column (3)

**PEOPLES GAS SYSTEM**

**“EXHIBIT D”**

***SURCHARGE CALCULATION FOR 2019 (PAGE 1 OF 1)***

**Peoples Gas System  
Cast Iron/Bare Steel Replacement Rider  
Summary of CI/BSR Surcharge Calculation  
January 2019 Through December 2019**

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<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 and RS-GHP	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$3,795,860	71,966,874	\$0.05274
SGS	5,474,814	5,937,386	11,412,200	2.87%	311,716	9,319,501	\$0.03345
GS-1 & CS-SG and CS-GHP	45,983,103	12,635,366	58,618,469	14.72%	1,601,120	90,696,457	\$0.01765
GS-2	81,315,915	8,975,978	90,291,893	22.67%	2,466,256	144,364,026	\$0.01708
GS-3	46,157,083	2,496,659	48,653,742	12.21%	1,328,941	90,704,031	\$0.01465
GS-4	25,447,491	447,292	25,894,783	6.50%	707,297	79,278,898	\$0.00892
GS-5	22,396,181	427,101	22,823,282	5.73%	623,401	124,784,228	\$0.00500
NGVS	244,131	48,338	292,469	0.07%	7,989	186,255	\$0.04289
CSLS	534,119	10,816	544,935	0.14%	14,885	613,200	\$0.02427
WHS	786,453	35,448	821,901	0.21%	22,450	3,672,477	\$0.00611
<b>TOTAL</b>	<b>\$288,145,860</b>	<b>\$110,177,751</b>	<b>\$398,323,611</b>	<b>100%</b>	<b>\$10,879,912</b>	<b>615,585,947</b>	

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

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