



ATTORNEYS & COUNSELORS AT LAW EST. 1884

One Tampa City Center, Suite 2000  
201 N. Franklin Street  
P.O. Box 1531 (33601)  
Tampa, FL 33602  
813.273.4200 Fax: 813.273.4396

[WWW.MFMLEGAL.COM](http://WWW.MFMLEGAL.COM)  
EMAIL: [INFO@MFMLEGAL.COM](mailto:INFO@MFMLEGAL.COM)

625 Court Street, Suite 200  
P.O. Box 1669 (33757)  
Clearwater, FL 33756  
727.441.8966 Fax: 727.442.8470

In Reply Refer to:  
Tampa  
[ab@macfar.com](mailto:ab@macfar.com)

November 12, 2019

**VIA E-PORTAL FILING**

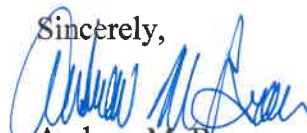
Mr. Adam J. Teitzman  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 20190171-GU – In re: Petition for Approval of 2018 True-up, the Projected 2019 True-up and 2020 Revenue Requirements and Surcharges Associated with Cast Iron/Bare Steel Pipe Replacement Rider, by Peoples Gas System

Dear Mr. Teitzman:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please find its Amended Petition.

Your assistance in this matter is greatly appreciated.

Sincerely,  
  
Andrew M. Brown

AB/plb  
Attachment

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

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of 2018 True-up, )  
the Projected 2019 true-up and 2020 )  
Revenue Requirements and Surcharges )  
associated with Cast Iron / Bare Steel )  
Replacement Rider, by Peoples Gas )  
System. )

---

Docket No. 20190171-GU

Submitted for Filing:  
11-12-2019

**AMENDED PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL OF 2018 TRUE-  
UP, THE PROJECTED 2019 TRUE-UP AND 2020 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 2018 true-up amount, (ii) the projected true-up amount for 2019, (iii) the Revenue Requirements to be recovered by the Company during the period January through December 2020, 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  
Director – Regulatory Affairs  
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. Also pursuant to that Order, Peoples agreed to use its actual cost of capital, including the allowed return on equity established in Peoples’ last rate case.

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 2020). 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 2018 were approved by the Commission's Order No. PSC-17-0433-TRF-GU, issued November 14, 2017. The Commission's Order No. PSC-18-0540-TRF-GU, issued November 19, 2018, approved the true-up for calendar year 2017, the estimated true-up for calendar year 2018, and revised Revenue Requirements and Surcharges for

---

<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.

calendar year 2019.

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.

10. 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 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 reduced the depreciation expense collected through the CIBS rider. Additionally, the federal income tax expense reflected in the calculations contemplated by the rider are affected by the TCJA’s reduction in the federal income tax rate.

11. Peoples has recently determined that in calculating its Weighted Average Cost of Capital (WACC), it has been removing plant from rate base for recovery through Rider CI/BSR without removing the associated accumulated deferred income tax (ADIT) which may lead to a violation of normalization provisions of the Internal Revenue Code §167 and §168.

## **RELIEF REQUESTED**

12. Peoples seeks the Commission's approval of the final true-up amount for the calendar year 2018 of \$15,885 over-recovery (including interest). The calculation of this amount is contained in Exhibit A attached to this petition.

13. Peoples also seeks approval of the projected true-up for calendar year 2019 and as shown in Exhibit B to this petition, has re-projected that its actual expenditures for eligible replacements under Rider CI/BSR during 2019 will be \$41,185,646. This re-projected total does not include the first \$1 million in such expenditures. Exhibit B, Page 2 of 4, reflects on line 9 an "End of Period Total True-up" of \$2,153,196 under-recovery. Additionally, "Calculation of Revenue Requirement Rate of Return" schedules have been included to reflect the adjusted federal tax rate as of February 6, 2018 and the adjusted State of Florida tax rate. On September 12, 2019, the State of Florida issued a corporate tax rate reduction from 5.5% to 4.458% effective January 1, 2019 through December 31, 2021. As a result, Peoples has modified its filing to incorporate the state tax rate change in its Projected CI/BSR true-up for 2019 and 2020 Projection.

14. Exhibit C includes projected capital expenditures for the replacement of cast iron/bare steel infrastructure and PPP during calendar year 2020, and Exhibit D contains revised Surcharges to be collected from customers commencing with bills rendered for meter readings taken on and after January 1, 2020. The estimated true-up for 2019, an under-recovery of \$2,153,196, increases the total amount to be collected through the revised Surcharges during 2020. Projected capital expenditures for replacements during 2020 are \$35,013,339, (not including the first \$1 million of such expenditures).

15. Peoples also requests that in order to avoid a potential normalization violation, that

it modify its WACC calculation to reflect that plant removed from rate base for recovery through Rider CI/BSR be removed from the capital structure through a specific adjustment to the ADIT with the remainder removed through a pro rata adjustment applied to all other sources of capital. Peoples believes that a specific adjustment to the ADIT is appropriate in this instance because the asset investments related to Rider CI/BSR qualify as “repair” under IRS rules and are allowed to be fully deducted in the year they are incurred. Therefore, the ADIT that results from the treatment of these assets can be easily determined and should be specifically removed when reconciling to rate base. These adjustments should be applied accordingly to Peoples’ WACC calculation in determining its 2020 Rider CI/BSR calculation, including its true-up of the 2019 Rider CI/BSR calculation. The WACC adjustments have been included in the updated Exhibit B and Exhibit C referenced above.

16. Ninth 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 2018, the calculation of which is contained in Exhibit A;
- B. approving the projected Revenue Requirements for 2020 (as calculated in Exhibit C, and as adjusted by the projected true-up for 2019 calculated in Exhibit B);
- C. approving Peoples’ billing of the recovery Surcharges for 2020 set forth in Exhibit D to this petition commencing with bills rendered for meter readings taken on and after January 1, 2020; and
- D. approving the methodology to modify the WACC calculation to reflect the plant

removed from rate base for recovery through Rider CI/BSR be removed from the capital structure through a specific adjustment to the ADIT with the remainder removed through a pro rata adjustment applied to all other sources of capital.

Respectfully submitted,



ANSLEY WATSON, JR.

Phone: (813) 273-4321

E-mail: [aw@macfar.com](mailto:aw@macfar.com)

ANDREW M. BROWN

Phone: (813) 273-4209

E-mail: [ab@macfar.com](mailto:ab@macfar.com)

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 12th day of November 2019, to the following:

J.R. Kelly, Esq.  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison St., Room 812  
Tallahassee, FL 32399-1400  
[kelly.jr@leg.state.fl.us](mailto:kelly.jr@leg.state.fl.us)

Paula K. Brown  
Regulatory Department  
TECO Energy, Inc.  
P.O. Box 111  
Tampa, FL 33601-0111  
[regdept@tecoenergy.com](mailto:regdept@tecoenergy.com)

Jennifer S. Crawford, Esq.  
Office of General Counsel  
Bianca Lherisson  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850  
[jcrawfor@psc.state.fl.us](mailto:jcrawfor@psc.state.fl.us)  
[BLheriss@psc.state.fl.us](mailto:BLheriss@psc.state.fl.us)

Kandi M. Floyd  
Peoples Gas System  
Peoples Gas System  
P.O. Box 111  
Tampa, FL 33601-0111  
[kfloyd@tecoenergy.com](mailto:kfloyd@tecoenergy.com)

  
\_\_\_\_\_  
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, 2020, 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	\$ 0.09203 per therm
Small General Service	\$ 0.06508 per therm
General Service – 1/ Commercial Standby Generator Service /	
Commercial Gas Heat Pump Service	\$ 0.03264 per therm
General Service – 2	\$ 0.03018 per therm
General Service – 3	\$ 0.02648 per therm
General Service – 4	\$ 0.01790 per therm
General Service – 5	\$ 0.00907 per therm
Commercial Street Lighting	\$ 0.04634 per therm
Natural Gas Vehicle Service	\$ 0.07622 per therm
Wholesale	\$ 0.01124 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**

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~~2020, 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>\$0.05274</del> <u>0.09203</u> per therm
Small General Service	<del>\$0.03345</del> <u>0.06508</u> per therm
General Service – 1/ Commercial Standby Generator Service / Commercial Gas Heat Pump Service	<del>\$0.01765</del> <u>0.03264</u> per therm
General Service – 2	<del>\$0.01708</del> <u>0.03018</u> per therm
General Service – 3	<del>\$0.01465</del> <u>0.02648</u> per therm
General Service – 4	<del>\$0.00892</del> <u>0.01790</u> per therm
General Service – 5	<del>\$0.00500</del> <u>0.00907</u> per therm
Commercial Street Lighting	<del>\$0.02427</del> <u>0.04634</u> per therm
Natural Gas Vehicle Service	<del>\$0.04289</del> <u>0.07622</u> per therm
Wholesale	<del>\$0.00611</del> <u>0.01124</u> 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 2018 (PAGE 1 OF 5)***

***CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR 2018  
(PAGE 2 OF 5)***

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

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

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

**PEOPLES GAS SYSTEM  
CAST IRON / BARE STEEL RIDER  
EXHIBIT A  
PAGE 1 OF 5  
AMENDED: NOVEMBER 12, 2019**

Docket No.  
Exhibit A  
Page 1 of 5

**Peoples Gas System  
Cast Iron / Bare Steel Replacement Rider  
Calculation of the Final Amount for the Period  
January 2018 to December 2018**

**Total Return on CIBS & 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)	\$63,186,365	\$673,023	\$2,494,411	\$1,882,959	\$1,963,861	\$2,982,680	\$3,079,676	\$2,921,944	\$4,562,565	\$4,525,256	\$7,596,977	\$4,415,852	\$3,444,979	\$40,542,183
	b. Eligible Replacements - Mains (Steel)	(8,099,828)	0	0	0	0	0	0	0	0	0	0	0	0	0
	c. Eligible Replacements - Services (Plastic)	104,091	(1,771)	6,745	(28,788)	550,090	603,710	187,642	99,987	58,545	44,066	87,023	65,138	176,181	2,407,788
	d. Eligible Replacements - Services (Steel)	(1,771)	0	0	0	0	0	0	0	0	(217)	0	0	162	(23,869)
	e. Eligible Replacements - Regulators	0	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	0
	g. Clearings to Plant	113,384	113,384	713,441	1,024,696	1,019,573	8,630,736	1,032,615	681,460	1,233,767	632,951	460,895	12,245,514	11,353,076	39,142,107
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	\$77,636,037	\$78,268,988	\$78,729,883	\$90,975,397	\$102,328,472	
3.	Less: Accumulated Depreciation	(8,099,828)	(8,223,491)	(8,347,650)	(8,472,857)	(8,600,325)	(8,730,272)	(8,877,947)	(9,027,397,27)	(9,178,286)	(9,331,799)	(9,485,834)	(9,641,028)	(9,820,765)	
4.	CHPP - Noninterest Bearing	4,694,834	5,356,793	7,332,819	8,411,237	9,505,675	4,861,329	7,096,032	9,450,933,77	12,817,846	16,734,000	23,977,106	36,212,582	4,478,828	
5.	Net Book Value (Lines 2 + 3 + 4)	\$64,781,370	\$55,433,051	\$67,996,359	\$69,276,326	\$72,962,808	\$75,819,252	\$76,938,895	\$81,805,576	\$86,275,597	\$90,691,509	\$96,221,154	\$102,546,951	\$105,986,536	
6.	Average Net Book Value		65,107,211	66,715,805	68,387,443	71,169,567	74,091,030	77,379,073	80,372,135	84,040,486	88,483,553	94,456,332	100,384,053	104,266,743	
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	\$430,875	\$453,655	\$484,277	\$514,670	\$534,576	\$5,081,637
	b. Debt component (B)		98,844	101,286	104,735	108,047	112,483	117,475	122,018	127,587	134,333	143,400	152,400	158,294	1,480,902
			\$500,686	\$455,787	\$458,434	\$472,933	\$492,348	\$514,198	\$534,086	\$558,462	\$587,988	\$627,677	\$667,070	\$692,870	\$6,562,539
8.	Investment Expenses														
	a. Depreciation Expense (C)		\$131,070	\$134,378	\$132,963	\$135,180	\$137,659	\$155,404	\$157,619	\$159,057	\$161,571	\$162,872	\$163,864	\$188,407	\$1,817,045
	b. Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
	c. Property Taxes (D)		89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,630	1,075,549
	d. Depreciation Savings		(7,408)	(7,419)	(7,556)	(7,712)	(7,712)	(7,729)	(8,168)	(8,168)	(8,788)	(8,517)	(8,670)	(8,670)	(96,108)
9.	Total Recoverable Costs (Lines 7 + 8)		\$713,977	\$669,376	\$673,469	\$690,030	\$711,924	\$751,502	\$773,165	\$798,980	\$830,810	\$871,661	\$911,892	\$962,237	\$9,359,024

**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
- (B) 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
- (C) Depreciation rates: 2.4% Mains Plastic, 3.3% Services Plastic, 3.7% Services Steel
- (D) Ad Valorem Tax Rate is 1.78%

PEOPLES GAS SYSTEM  
 CAST IRON / BARE STEEL RIDER  
 EXHIBIT A  
 PAGE 2 OF 5  
 AMENDED: NOVEMBER 12, 2019

Docket No.  
 Exhibit A  
 Page 2 of 5

Peoples Gas System  
 Cast Iron / Bare Steel Replacement Rider  
 Calculation of the Final True-Up Amount  
 January 2018 to December 2018

Final True-Up Amount  
 (in Dollars)

Line	Description	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.	CIBSR Revenues (net of Revenue Taxes)	\$1,340,329	\$1,171,913	\$957,492	\$989,124	\$795,287	\$753,841	\$672,017	\$647,836	\$711,619	\$653,539	\$723,846	\$982,509	\$10,399,354
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)	\$1,300,669	\$1,132,253	\$917,832	\$949,464	\$755,627	\$714,181	\$632,357	\$608,176	\$671,959	\$613,879	\$684,186	\$942,850	\$9,923,435
4.	CIBSR Costs													
a.	Return on Investment	\$500,686	\$455,787	\$458,434	\$472,933	\$492,348	\$514,198	\$534,086	\$558,462	\$587,988	\$627,677	\$667,070	\$692,870	\$6,562,539
b.	Depreciation	131,070	131,378	132,963	135,180	137,659	155,404	157,619	159,057	161,571	162,872	163,864	188,407	1,817,045
c.	Property Taxes	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,629	89,630	1,075,549
d.	Depreciation Savings	(7,408)	(7,419)	(7,556)	(7,712)	(7,712)	(7,729)	(8,168)	(8,168)	(8,378)	(8,517)	(8,670)	(8,670)	(96,108)
d.	Total CIBSR Costs	\$713,977	\$669,376	\$673,470	\$690,030	\$711,924	\$751,502	\$773,166	\$798,980	\$830,810	\$871,661	\$911,893	\$962,237	\$9,359,024
5.	Over/Under Recovery (Line 3 - Line 4d)	\$586,692	\$462,877	\$244,363	\$259,434	\$43,703	(\$37,321)	(\$140,808)	(\$190,803)	(\$158,851)	(\$257,782)	(\$227,707)	(\$19,387)	\$564,410
6.	Interest Provision	(\$911)	(\$197)	\$347	\$823	\$1,121	\$1,227	\$1,186	\$980	\$805	\$546	\$170	\$11	\$6,108
7.	Beginning Balance True-Up & Interest Provision	(\$1,030,552)	(\$405,111)	\$97,229	\$381,599	\$681,516	\$766,000	\$769,566	\$669,604	\$519,441	\$401,055	\$183,479	(\$4,398)	(\$1,030,552)
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)	(\$405,111)	\$97,229	\$381,599	\$681,516	\$766,000	\$769,566	\$669,604	\$519,441	\$401,055	\$183,479	(\$4,398)	\$15,885	\$15,885
9.a	Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10.	Adjusted End of Period Total True Up	(\$405,111)	\$97,229	\$381,599	\$681,516	\$766,000	\$769,566	\$669,604	\$519,441	\$401,055	\$183,479	(\$4,398)	\$15,885	\$15,885

Docket No.  
 Exhibit A  
 Page 3 of 5

Peoples Gas System  
 Cast Iron / Bare Steel Replacement Rider  
 Calculation of the Final True-Up Amount  
 January 2018 to December 2018

Line	Description	Interest Provision (in Dollars)												End of Period Total
		Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	
1.	Beginning True-Up Amount	(\$1,030,552)	(\$405,111)	\$97,229	\$381,599	\$681,516	\$766,000	\$769,566	\$669,604	\$519,441	\$401,055	\$183,479	(\$4,398)	
2.	Ending True-Up Amount Before Interest	(404,200)	97,426	381,252	680,693	764,879	768,339	668,418	518,461	400,250	182,933	(4,568)	15,874	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	(1,434,752)	(307,685)	478,481	1,062,292	1,446,395	1,534,339	1,437,984	1,188,065	919,691	583,988	178,911	11,476	
4.	Average True-Up Amount (Line 3 x 1/2)	(717,376)	(153,843)	239,241	531,146	723,198	767,170	718,992	594,033	459,846	291,994	89,456	5,738	
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%	2.21%	2.27%	2.30%	
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%	2.21%	2.27%	2.30%	2.42%	
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%	4.19%	4.48%	4.57%	4.72%	
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%	2.095%	2.240%	2.285%	2.360%	
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%	0.175%	0.187%	0.190%	0.197%	
10.	Interest Provision for the Month (Line 4 x Line 9)	(\$911)	(\$197)	\$347	\$823	\$1,121	\$1,227	\$1,186	\$980	\$805	\$546	\$170	\$6,108	

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

Docket No.  
 Exhibit A  
 Page 4 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%
<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	<u>317,649</u>	Equity - Common	<u>56.89%</u>
<b>Total</b>	<b>\$ 558,375</b>	<b>Total</b>	<b><u>100.00%</u></b>

**Deferred ITC - Weighted Cost:**

Debt = 0.0% * 43.11%	0.0000%
Equity = 0.0% * 56.89%	<u>0.0000%</u>
Weighted Cost	<u>0.0000%</u>

**Total Equity Cost Rate:**

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

**Total Debt Cost Rate:**

Long Term Debt	1.6853%
Short Term Debt	0.0063%
Customer Deposits	0.1302%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
Total Debt Component	<u>1.8218%</u>
	<u>9.2282%</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  
Cast Iron / Bare Steel Replacement Rider  
Calculation of Debt and Equity Return  
February 6, 2018 through December 2018**

Docket No.  
Exhibit A  
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%
<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	<u>317,649</u>	Equity - Common	<u>56.89%</u>
<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%	<u>0.0000%</u>
Weighted Cost	<u>0.0000%</u>

**Total Equity Cost Rate:**

Preferred Stock	0.0000%
Common Equity	4.5494%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
	4.5494%
Times Tax Multiplier	1.35236
Total Equity Component	<u>6.1524%</u>

**Total Debt Cost Rate:**

Long Term Debt	1.6853%
Short Term Debt	0.0063%
Customer Deposits	0.1302%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
Total Debt Component	<u>1.8218%</u>
	<u>7.9742%</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 B”**

***CALCULATION OF ACTUAL AND REFORECAST AMOUNT FOR 2019  
(PAGE 1 OF 4)***

***PROJECTED TRUE-UP AMOUNT FOR 2019 (PAGE 2 OF 4)***

***INTEREST PROVISION FOR 2019 (PAGE 3 OF 4)***

***CALCULATION OF REVENUE REQUIREMENT RATE OF RETURN,  
JANUARY 2019 THROUGH DECEMBER 2019  
(PAGE 4 OF 4)***

Docket No.  
 Exhibit B  
 Page 1 of 4

Peoples Gas System  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the Actual and Recast Amount (7 + 5 forecast) for the Period  
 January 2019 to December 2019

**Total Return on CIBS & 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		\$3,834,090	\$1,969,196	\$4,659,596	\$2,829,929	\$4,871,062	\$6,240,673	\$3,996,362	\$4,237,597	\$2,073,192	\$2,369,153	\$2,049,218	\$2,023,256	\$41,152,325
	a. Eligible Replacements - Mains (Plastic)		0	0	0	0	0	0	0	0	0	0	0	0	0
	b. Eligible Replacements - Mains (Steel)		(68,843)	23,597	28,306	18,014	6,926	14,139	10,512	0	0	0	0	0	32,651
	c. Eligible Replacements - Services (Plastic)		0	0	0	403	267	0	0	0	0	0	0	0	670
	d. Eligible Replacements - Services (Steel)		0	0	0	0	0	0	0	0	0	0	0	0	0
	e. Other		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		2,514,175	8,716,224	4,222,089	1,882,063	4,450,878	2,562,920	5,479,573	4,949,232	3,148,019	3,101,283	2,678,299	2,501,558	46,206,313
2.	Gross Plant-in-Service/Depreciation Base	\$102,328,472	\$104,842,648	\$113,558,872	\$117,780,961	\$119,663,025	\$124,113,902	\$126,676,822	\$132,156,395	\$137,105,627	\$140,253,646	\$143,354,929	\$146,033,228	\$148,524,786	
3.	Less: Accumulated Depreciation	(4,820,765)	(4,943,900)	(5,068,864)	(5,204,203)	(5,344,590)	(5,487,219)	(5,635,187)	(5,785,690,311)	(5,942,543)	(6,105,668)	(6,271,705)	(6,441,797)	(6,615,036,42)	
4.	CWIP - Noninterest Bearing	8,478,828	9,729,900	3,006,469	3,772,281	4,438,564	4,865,942	8,357,853	7,084,136,222	6,372,801	5,237,674	4,265,344	3,936,462	3,456,160,07	
5.	Net Book Value (Lines 2 + 3 + 4)	\$105,986,536	\$109,628,648	\$111,496,469	\$116,049,039	\$118,756,959	\$123,492,626	\$129,599,470	\$133,454,841	\$137,535,585	\$139,446,051	\$141,646,767	\$143,527,893	\$145,377,910	
6.	Average Net Book Value		107,807,592	110,562,552	113,772,748	117,409,019	121,124,812	126,546,048	131,527,155	135,495,213	138,490,818	140,547,409	142,588,330	144,452,901	
7.	Return on Average Net Book Value														
	a. Equity component Grossed up for taxes (A)		\$553,421	\$567,563	\$584,043	\$602,679	\$621,784	\$649,613	\$675,184	\$695,553	\$710,931	\$721,489	\$731,965	\$741,537	\$7,855,762
	b. Debt component (B)		158,217	162,260	166,971	172,299	177,761	183,717	189,207	194,851	203,247	206,265	209,260	211,996	2,245,871
			\$711,638	\$729,823	\$751,014	\$774,978	\$799,545	\$833,330	\$866,211	\$894,404	\$914,178	\$927,754	\$941,225	\$953,533	\$10,101,633
8.	Investment Expenses														
	a. Depreciation Expense (C)		\$128,571	\$131,540	\$142,016	\$147,102	\$149,374	\$154,720	\$157,805	\$164,388	\$170,327	\$174,105	\$177,826	\$181,040	\$1,878,815
	b. Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
	c. Property Taxes (D)		145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	1,745,388
	d. Depreciation Savings		(5,436)	(6,555)	(6,697)	(6,715)	(6,745)	(6,751)	(7,302)	(7,535)	(7,602)	(7,668)	(7,735)	(7,801)	(84,543)
9.	Total Recoverable Costs (Lines 7 + 8)		\$980,222	\$1,000,257	\$1,031,782	\$1,060,814	\$1,087,623	\$1,128,748	\$1,164,164	\$1,196,706	\$1,222,352	\$1,239,639	\$1,256,766	\$1,272,222	\$13,641,293

**Notes:**  
 (A) Line 7a = Line 6 x 6.1601% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 24.522%. Net Operating Income Multiplier of 1.3761  
 (B) Line 7b = Line 6 x 1.7611% x 1/12  
 (C) Depreciation rates: 1.4% Mains Plastic, 1.8% Mains Steel, 2.3% Services Plastic, 2.8% Services Steel, 3.3% Regulator Stations  
 (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 2019 to December 2019

Current Period Actual / Reforecast True-Up Amount

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)	\$1,192,928	\$1,200,026	\$997,021	\$923,650	\$830,039	\$711,870	\$675,554	\$946,496	\$968,635	\$990,734	\$1,012,796	\$1,034,829	\$11,484,578
2.	True-Up Provision	119,764	119,764	119,764	119,764	119,764	119,764	119,764	119,764	119,764	119,764	119,764	119,764	1,437,164
3.	CIBSR Revenues Applicable to Period (Lines 1 + 2)	\$1,312,692	\$1,319,790	\$1,116,785	\$1,043,414	\$949,803	\$831,634	\$795,318	\$1,066,260	\$1,088,399	\$1,110,498	\$1,132,560	\$1,154,593	\$12,921,742
4.	CIBSR Costs													
a.	Return on Investment	\$711,638	\$729,823	\$751,014	\$774,978	\$799,545	\$835,330	\$868,211	\$894,404	\$914,178	\$927,754	\$941,225	\$953,533	\$10,101,633
b.	Depreciation	128,571	131,540	142,016	147,102	149,374	154,720	157,805	164,388	170,327	174,105	177,826	181,040	1,878,815
c.	Property Taxes	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	145,449	1,745,388
d.	Depreciation Savings	(5,436)	(6,555)	(6,697)	(6,715)	(6,745)	(6,751)	(7,302)	(7,535)	(7,602)	(7,668)	(7,735)	(7,801)	(84,543)
	d. Total CIBSR Costs	\$980,222	\$1,000,257	\$1,031,782	\$1,060,814	\$1,087,623	\$1,128,747	\$1,164,163	\$1,196,706	\$1,222,352	\$1,239,640	\$1,256,766	\$1,272,221	\$13,641,293
5.	Over/Under-Recovery (Line 3 - Line 4d)	\$332,470	\$319,534	\$85,003	(\$17,399)	(\$137,819)	(\$297,114)	(\$368,845)	(\$130,446)	(\$133,953)	(\$129,142)	(\$124,206)	(\$117,632)	(\$719,549)
6.	Interest Provision	\$246	\$661	\$840	\$670	\$261	(\$406)	(\$1,215)	(\$1,804)	(\$2,248)	(\$2,692)	(\$3,127)	(\$3,554)	(\$12,368)
7.	Beginning Balance True-Up & Interest Provision	\$15,885	\$228,837	\$429,268	\$395,347	\$258,854	\$1,532	(\$415,752)	(\$905,576)	(\$1,157,590)	(\$1,413,555)	(\$1,665,153)	(\$1,912,250)	\$15,885
8.	True-Up Collected/(Refunded)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$119,764)	(\$1,437,164)
9.	End of Period Total True-Up (Lines 5+6+7+8)	\$228,837	\$429,268	\$395,347	\$258,854	\$1,532	(\$415,752)	(\$905,576)	(\$1,157,590)	(\$1,413,555)	(\$1,665,153)	(\$1,912,250)	(\$2,153,196)	(\$2,153,196)
9.a	Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10.	Adjusted End of Period Total True-Up	\$228,837	\$429,268	\$395,347	\$258,854	\$1,532	(\$415,752)	(\$905,576)	(\$1,157,590)	(\$1,413,555)	(\$1,665,153)	(\$1,912,250)	(\$2,153,196)	(\$2,153,196)

Docket No.  
 Exhibit B  
 Page 3 of 4

Peoples Gas System  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the Actual and Reforecast Amount (7 + 5 forecast) for the Period  
 January 2019 to December 2019

Line	Description	Interest Provision (in Dollars)												End of Period Total
		Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Forecast August	Forecast September	Forecast October	Forecast November	Forecast December	
1.	Beginning True-Up Amount	\$15,985	\$228,837	\$429,268	\$395,347	\$258,854	\$1,532	(\$415,752)	(\$905,576)	#####	(\$1,413,555)	(\$1,665,153)	(\$1,912,250)	
2.	Ending True-Up Amount Before Interest	228,591	428,607	394,507	258,184	1,271	(415,346)	(904,361)	(1,155,786)	(1,411,307)	(1,662,461)	(1,909,123)	(2,149,642)	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	244,476	657,444	823,775	653,531	260,125	(413,814)	(1,320,113)	(2,061,362)	(2,568,897)	(3,076,016)	(3,574,276)	(4,061,892)	
4.	Average True-Up Amount (Line 3 x 1/2)	122,238	328,722	411,888	326,766	130,063	(206,907)	(660,057)	(1,030,681)	(1,284,449)	(1,538,008)	(1,787,138)	(2,030,946)	
5.	Interest Rate (First Day of Reporting Business Month)	2.42%	2.41%	2.41%	2.48%	2.43%	2.39%	2.32%	2.10%	2.10%	2.10%	2.10%	2.10%	
6.	Interest Rate (First Day of Subsequent Business Month)	2.41%	2.41%	2.48%	2.43%	2.39%	2.32%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	
7.	Total of Beginning & Ending Interest Rates (Lines 5 + 6)	4.83%	4.82%	4.89%	4.91%	4.82%	4.71%	4.42%	4.20%	4.20%	4.20%	4.20%	4.20%	
8.	Average Interest Rate (Line 7 x 1/2)	2.415%	2.410%	2.445%	2.455%	2.410%	2.355%	2.210%	2.100%	2.100%	2.100%	2.100%	2.100%	
9.	Monthly Average Interest Rate (Line 8 x 1/12)	0.201%	0.201%	0.204%	0.205%	0.201%	0.196%	0.184%	0.175%	0.175%	0.175%	0.175%	0.175%	
10.	Interest Provision for the Month (Line 4 x Line 9)	\$246	\$661	\$840	\$670	\$261	(\$406)	(\$1,215)	(\$1,804)	(\$2,248)	(\$2,692)	(\$3,127)	(\$3,554)	
													(\$12,368)	

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

Docket No.  
Exhibit B  
Page 4 of 4

Calculation of Revenue Requirement Rate of Return  
(In Dollars)

	(1) Revised 2017 December Rate Base ESR (\$000)	(2) Ratio %	(3) Cost Rate %	(4) Weighted Cost Rate %
Long Term Debt	\$ 244,028	30.01%	5.32%	1.5965%
Short Term Debt	38,674	4.76%	1.62%	0.0771%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	6,905	0.85%	2.00%	0.0170%
Commercial Customer Deposits	19,077	2.35%	3.00%	0.0705%
Inactive Customer Deposits	433	0.05%	0.00%	0.0000%
Common Equity	348,375	42.84%	10.75%	4.6053%
Deferred Income Tax	155,670	19.14%	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>6.3664%</b>

**ITC split between Debt and Equity:**

Long Term Debt	\$ 244,028	Long Term Debt	41.19%
Equity - Preferred	0	Equity - Preferred	0.00%
Equity - Common	348,375	Equity - Common	58.81%
<b>Total</b>	<b>\$ 592,403</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	4.6053%
Deferred ITC - Weighted Cost	0.0000%
	4.6053%
Times Tax Multiplier	1.33761
Total Equity Component	6.1601%

**Total Debt Cost Rate:**

Long Term Debt	1.5965%
Short Term Debt	0.0771%
Customer Deposits	0.0875%
Deferred ITC - Weighted Cost	0.0000%
Total Debt Component	1.7611%
	<u>7.9212%</u>

**Notes:**

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

**PEOPLES GAS SYSTEM**

**“EXHIBIT C”**

***CALCULATION OF THE PROJECTED AMOUNT FOR 2020  
(PAGE 1 OF 2)***

***CALCULATION OF DEBT AND EQUITY RETURN FOR 2020  
(PAGE 2 OF 2)***

Docket No.  
 Exhibit C  
 Page 1 of 2

Peoples Gas System  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of the TOTAL C/BS + PPP Projected Amount for the Period  
 January 2020 to December 2020

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		\$2,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$3,001,112	\$35,013,339
	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		2,385,374	3,024,308	3,015,509	3,014,160	3,010,898	3,008,451	3,006,616	3,005,240	3,004,208	3,003,434	3,002,853	3,002,418	35,466,469
2.	Gross Plant-in-Service/Depreciation Base	\$148,534,786	\$150,900,159	\$153,924,468	\$156,942,977	\$159,957,137	\$162,966,034	\$165,976,485	\$168,983,102	\$171,988,342	\$174,992,550	\$177,995,984	\$180,998,837	\$184,001,255	
3.	Less: Accumulated Depreciation	(6,615,036)	(6,791,211)	(6,970,169)	(7,152,699)	(7,338,795)	(7,528,452)	(7,721,666)	(7,918,435)	(8,118,754)	(8,322,654)	(8,530,043)	(8,741,010)	(8,955,224)	
4.	CWIP - Noninterest Bearing	3,468,161	3,093,898	3,070,702	3,053,304	3,040,256	3,030,470	3,023,130	3,017,626	3,013,497	3,010,401	3,008,078	3,006,337	3,005,030	
5.	Net Book Value (Lines 2 + 3 + 4)	\$145,377,910	\$147,102,847	\$150,025,001	\$152,843,582	\$155,658,597	\$158,470,052	\$161,277,949	\$164,082,293	\$166,883,085	\$169,680,326	\$172,474,019	\$175,264,164	\$178,050,761	
6.	Average Net Book Value		146,290,378	148,613,923	151,434,292	154,251,089	157,064,325	159,874,001	162,680,121	165,482,689	168,281,705	171,077,172	173,869,091	176,657,462	
7.	Return on Average Net Book Value														
	a. Equity component, Grossed up for taxes (A)		\$775,510	\$787,827	\$802,778	\$817,710	\$832,625	\$847,519	\$862,394	\$877,251	\$892,089	\$906,909	\$921,709	\$936,490	\$10,250,811
	b. Debt component (B)		203,977	207,217	211,149	215,077	219,000	222,918	226,831	230,738	234,640	238,538	242,431	246,319	2,698,835
			\$979,487	\$995,044	\$1,013,927	\$1,032,787	\$1,051,625	\$1,070,437	\$1,089,225	\$1,107,989	\$1,126,729	\$1,145,447	\$1,164,140	\$1,182,809	\$12,959,646
8.	Investment Expenses														
	a. Depreciation (C)		\$184,042	\$186,881	\$190,511	\$194,133	\$197,749	\$201,362	\$204,972	\$208,580	\$212,186	\$215,792	\$219,396	\$223,000	\$2,438,603
	b. Amortization		0	0	0	0	0	0	0	0	0	0	0	0	0
	c. Property Taxes (D)		211,697	211,697	211,697	211,697	211,697	211,697	211,697	211,697	211,697	211,697	211,697	211,697	2,540,364
	d. Depreciation Savings		(7,867)	(7,923)	(7,980)	(8,036)	(8,092)	(8,148)	(8,204)	(8,260)	(8,316)	(8,372)	(8,429)	(8,485)	(98,113)
9.	Revenue Requirements (Lines 7 + 8)		\$1,367,359	\$1,385,698	\$1,404,155	\$1,420,581	\$1,435,979	\$1,475,348	\$1,497,690	\$1,520,006	\$1,542,296	\$1,564,563	\$1,586,804	\$1,609,021	\$17,840,500
10	Est. projected 2019 true-up/(under)		\$ (2,153,196)												
11	Revenue Requirements Net of Est. Projected Recovery		\$ 3,220,555	\$ 4,906,253	\$ 6,314,408	\$ 7,744,989	\$ 9,197,968	\$ 10,673,316	\$ 12,171,006	\$ 13,691,012	\$ 15,233,308	\$ 16,797,871	\$ 18,384,675	\$ 19,993,696	

Notes:

- (A) Line 7a = Line 6 x 6.3614% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 24.522%. Net Operating Income Multiplier of 1.33761
- (B) Line 7b = Line 6 x 1.6732% x 1/12
- (C) Depreciation rates: 1.4% Mains Steel, 2.6% Services Steel, 3.3% Regulator Stations
- (D) Ad Valorem Tax Rate is 1.79%



AMENDED: NOVEMBER 12, 2019

Peoples Gas System  
 Cast Iron/Bare Steel Replacement Rider  
 Calculation of Debt and Equity Return  
 January 2020 through December 2020

Docket No.  
 Exhibit C  
 Page 2 of 2

Calculation of Revenue Requirement Rate of Return  
 (In Dollars)

	(1) Revised 2018 December Rate Base ESR (\$000)	(2) Ratio %	(3) Cost Rate %	(4) Weighted Cost Rate %
Long Term Debt	\$ 253,286	29.38%	5.00%	1.4690%
Short Term Debt	44,513	5.16%	2.42%	0.1249%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	6,083	0.71%	2.00%	0.0142%
Commercial Customer Deposits	18,703	2.17%	3.00%	0.0651%
Inactive Customer Deposits	125	0.01%	0.00%	0.0000%
Common Equity	381,431	44.24%	10.75%	4.7558%
Deferred Income Tax	157,989	18.33%	0.00%	0.0000%
Tax Credits - Zero Cost	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.0000%</u>
<b>Total</b>	<b>\$ 862,130</b>	<b>100%</b>		<b>6.4290%</b>

**ITC split between Debt and Equity:**

Long Term Debt	\$ 253,286	Long Term Debt	39.91%
Equity - Preferred	0	Equity - Preferred	0.00%
Equity - Common	<u>381,431</u>	Equity - Common	<u>60.09%</u>
<b>Total</b>	<b>\$ 634,717</b>	<b>Total</b>	<b>100.00%</b>

**Deferred ITC - Weighted Cost:**

Debt = 0.0% * 39.91%	0.0000%
Equity = 0.0% * 60.09%	<u>0.0000%</u>
Weighted Cost	<u>0.0000%</u>

**Total Equity Cost Rate:**

Preferred Stock	0.0000%
Common Equity	4.7558%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
	4.7558%
Times Tax Multiplier	1.33761
Total Equity Component	<u>6.3614%</u>

**Total Debt Cost Rate:**

Long Term Debt	1.4690%
Short Term Debt	0.1249%
Customer Deposits	0.0793%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
Total Debt Component	<u>1.6732%</u>
	<u>8.0346%</u>

**Notes:**

Column (1) - From Revised December 2018 PGS ESR  
 Column (2) - Column (1) / Total Column (1)  
 Column (3) - From Revised December 2018 PGS ESR  
 Column (4) - Column (2) x Column (3)

**PEOPLES GAS SYSTEM**

**“EXHIBIT D”**

***SURCHARGE CALCULATION FOR 2020 (PAGE 1 OF 1)***

**PEOPLES GAS SYSTEM**  
**CAST IRON / BARE STEEL RIDER**  
**EXHIBIT D**  
**PAGE 1 OF 1**  
**AMENDED: NOVEMBER 12, 2019**

**Peoples Gas System**  
**Cast Iron/Bare Steel Replacement Rider**  
**Summary of CI/BSR Surcharge Calculation**  
**January 2020 Through December 2020**

Docket No.  
 Exhibit D  
 Page 1 of 1

RATE SCHEDULE	MAINS NET PLANT*	SERVICES NET PLANT*	TOTAL NET PLANT*	% OF TOTAL PLANT	CI/BSR REVENUES	THERMS	CI/BSR SURCHARGE PER THERM
RS & RS-SG & RS-GHP	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$6,975,541	75,798,643	\$0.09203
SGS	5,474,814	5,937,386	11,412,200	2.87%	572,831	8,802,360	\$0.06508
GS-1 & CS-SG & CS-GHP	45,983,103	12,635,366	58,618,469	14.72%	2,942,331	90,146,275	\$0.03264
GS-2	81,315,915	8,975,978	90,291,893	22.67%	4,532,166	150,154,518	\$0.03018
GS-3	46,157,083	2,496,659	48,653,742	12.21%	2,442,155	92,238,946	\$0.02648
GS-4	25,447,491	447,292	25,894,783	6.50%	1,299,778	72,626,458	\$0.01790
GS-5	22,396,181	427,101	22,823,282	5.73%	1,145,606	126,276,357	\$0.00907
NGVS	244,131	48,338	292,469	0.07%	14,680	192,604	\$0.07622
CSLS	534,119	10,816	544,935	0.14%	27,353	590,200	\$0.04634
WHS	786,453	35,448	821,901	0.21%	41,255	3,671,269	\$0.01124
TOTAL	\$288,145,860	\$110,177,751	\$398,323,611	100%	\$19,993,696	620,497,629	

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