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October 3, 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:

Attached for electronic filing in the above docket on behalf of Peoples Gas System, please find its Response to Staff's First Data Request (Nos. 1-13). The Excel file requested as part of the response to question No. 2 will be provided separately via email to Staff.

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.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 1  
BATES STAMPED PAGES: 1 - 4  
FILED: OCTOBER 3, 2018**

1. Please update the following tables contained in Peoples' response to staff's first data request, Nos. 1 and 2, in Docket No. 20170192-GU and attached below.

Year	CI/BS Miles Replaced	PPP Miles Replaced	CI/BSR Investment	PPP Investment	CI/BSR Revenue Requirement	PPP Revenue Requirement
2017	49	23	\$14,882,508	\$4,363,585	\$5,377,195	\$ 1,576,606
2018	90	55	\$22,850,000	\$12,825,000	\$6,559,722	\$ 3,681,770
2019	70	50	\$18,215,000	\$10,925,000	\$9,102,830	\$ 5,427,604
2020	40	50	\$10,254,500	\$11,198,125	\$8,479,704	\$ 9,202,390
2021	12	50	\$ 2,460,759	\$11,478,078	\$3,510,446	\$16,231,667
2022		50		\$11,765,030		\$21,042,130
2023		50		\$12,059,156		\$22,173,862
2024		50		\$12,360,635		\$23,308,036
2025		50		\$12,669,651		\$24,450,384
2026		50		\$12,986,392		\$25,601,296
2027		50		\$13,311,052		\$26,760,986
2028		24		\$6,276,161		\$27,527,248

Year	Main Replacements				Service Replacements		
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Replaced Number of Bare Steel Services	Total Number of Remaining Bare Steel Services
2012			100	354	454		14978
2013	13	38	87	316	403	907	14071
2014	2	18	85	298	383	7964	6107
2015	26	60	59	238	297	1019	5088
2016	15	35	44	203	247	1050	6963**
2017 (projected)	15	34	29	183*	212*	1078	5885
2018	10	80	19	103	122	1200	4685
2019	10	60	9	43	52	1200	3485
2020	9	31	0	12	12	1200	2285
2021	0	12	0	0	0	1200	1085
2022	0	0	0	0	0	1085	0

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	PPP (miles)	Total Remaining PPP Mains (miles)	Replaced Number of PPP Services	Total Number of Remaining PPP Services*
2016	0	551	0	-
2017	23	528	1800	-
2018	55	473	3600	-
2019	50	423	Not yet Determined**	-
2020	50	373	Not yet Determined**	-
2021	50	323	Not yet Determined**	-
2022	50	273	Not yet Determined**	-
2023	50	223	Not yet Determined**	-
2024	50	173	Not yet Determined**	-
2025	50	123	Not yet Determined**	-
2026	50	73	Not yet Determined**	-
2027	50	23	Not yet Determined**	-
2028	23	0	Not yet Determined**	-

**A.**

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	CI/BS Miles Replaced	PPP Miles Replaced	CI/BS Investment	PPP Investment	CI/BS Revenue Requirement	PPP Revenue Requirement
2017	51	*	\$ 17,588,366	\$ 2,915,802	\$ 6,868,302	\$ 74,021
2018	74	51	\$ 23,663,223	\$ 14,068,995	\$ 8,361,137	\$ 881,106
2019	60	33	\$ 27,080,000	\$ 8,550,000	\$ 10,175,696	\$ 2,141,380
2020	50	50	\$ 19,617,274	\$ 16,065,338	\$ 12,655,856	\$ 3,307,722
2021	23	50	\$ 9,479,959	\$ 16,936,076	\$ 14,173,638	\$ 4,847,383
2022		50		\$ 17,359,478	\$ 14,618,848	\$ 6,350,953
2023		50		\$ 17,793,465	\$ 14,452,013	\$ 7,778,876
2024		45		\$ 16,563,052	\$ 14,267,295	\$ 9,223,330
2025		45		\$ 16,824,833	\$ 14,082,002	\$ 10,687,428
2026		45		\$ 17,245,454	\$ 13,896,689	\$ 12,171,746
2027		45		\$ 17,676,591	\$ 13,711,388	\$ 13,676,795
2028		45		\$ 18,118,505	\$ 13,526,075	\$ 15,203,100

\* 2017 investment costs for retiring PPP in early 2018

\*\* 2028 PPP investment includes rollover costs to occur in 2029

\*\*\* See revised response to Staff's 1<sup>st</sup> Data request No. 1 in Docket No. 20170192-GU, filed October 18, 2017.

Year	Main Replacements				Service Replacements		
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Replaced Number of Bare Steel Services	Total Number of Remaining Bare Steel Services
2012			100	354	454		14978
2013	13	38	87	316	403	907	14071
2014	2	18	85	298	383	7964	6107
2015	26	60	59	238	297	1019	5088
2016	15	35	44	203	247	1050	6963
2017	15	36*	29	178*	207	1135	4279
2018 (projected)	10	64	19	114	133	1500	4685
2019	9	51	10	63	73	1200	3485
2020	5	45	5	18	23	1200	2285
2021	5	18	0	0	0	1200	1085
2022	0	0	0	0	0	0	0

\*13 miles reclassified as Bare Steel and added to 2017 BS remaining total.

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	PPP (miles)	Total Remaining PPP Mains (miles)	Replaced Number of PPP Services	Total Number of Remaining PPP Services*
2016	0	551	0	-
2017	**	509	1396	26,841**
2018	51	458	2100	24,741
2019	33	425	Not yet Determined**	-
2020	50	375	Not yet Determined**	-
2021	50	325	Not yet Determined**	-
2022	50	275	Not yet Determined**	-
2023	50	225	Not yet Determined**	-
2024	45	180	Not yet Determined**	-
2025	45	135	Not yet Determined**	-
2026	45	90	Not yet Determined**	-
2027	45	45	Not yet Determined**	-
2028	45	0	Not yet Determined**	-

\*\* Estimated from any plastic service installed prior to 1983.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 2  
BATES STAMPED PAGES: 5 - 6  
FILED: OCTOBER 3, 2018**

- 2.** Please provide the Excel spreadsheets for Exhibits A, B, and C with formulas unlocked.
  
- A.** Excel spreadsheets will be provided separately ((BS 6) Excel file for Request No. 2.XLSX).

**PEOPLES GAS SYSTEM  
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REQUEST NO. 3  
BATES STAMPED PAGE: 7  
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- 3.** Referring to paragraph 10 of the petition, please explain the factors that led to the \$1,030,552 under-recovery for 2017.
  - A.** \$4,273,612 of CI/BSR Revenue was collected during 2017, as shown on line 1 on page 2 of Exhibit A of the filing. This was \$476,688 lower than the \$4,750,300 of Revenue estimated for 2017 on line 1 on page 2 of Exhibit B in the 2018 Projection filing. The reduction in revenue, due to lower therm sales, was the main driver for the variance between the \$475,919 estimated under-recovery End of Period True-Up for 2017 shown on line 10 on page 2 of Exhibit B in the 2018 Projection filing, which resulted in the actual under-recovery End of Period Total True-Up of \$1,030,552 shown on line 10 on page 2 of the 2019 Projection filing.

**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 4  
BATES STAMPED PAGE: 8  
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- 4.** Please explain the difference in projected and actual expenditures for eligible replacements under the Cast Iron/Bare Steel Rider (CI/BSR) during 2018 (\$35,675,000 projected in Docket No. 20170192-GU versus actual of \$37,732,218).
  - A.** The difference between the initial estimate of \$35,675,000 and \$37,732,218 is due to increased construction contractor costs experienced and expected in 2018. This is due to increased activity in congested urban areas such as Miami and additional requirements for more extensive post construction site restoration.



**PEOPLES GAS SYSTEM  
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REQUEST NO. 5  
BATES STAMPED PAGE: 9  
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5. Referring to Exhibit A, page 2 of 3, please explain line 9.a (Regulatory Assessment Fee Adjustment).
- A. The Regulatory Assessment Fee "RAF" Adjustment of (\$76,118) was a true-up made to correct amounts previously reported on line 1 for 2013 through 2017, which reflected gross revenue including RAFs but should have been net of RAFs. While the Revenue for the periods of 2013 through 2017 had not been reported net of RAFs, the Company did remit the applicable 0.5% fees to the Commission during the period 2013-2017.

To determine the adjustment amount needed, gross revenues were multiplied by the 0.5% RAF for each year from 2013 through 2017, resulting in a cumulative adjustment of (\$75,238.95). The corresponding monthly interest impact was also calculated, and the resulting interest adjustment of (\$879.05) was added, bringing the total true-up adjustment amount to (\$76,118) as reported on line 9.a of Exhibit A, page 2 of 3.

**PEOPLES GAS SYSTEM**  
**DOCKET NO. 20180173-GU**  
**STAFF'S FIRST DATA REQUEST**  
**REQUEST NO. 6**  
**BATES STAMPED PAGE: 10**  
**FILED: OCTOBER 3, 2018**

6. Referring to Exhibit B, page 4 of 5, please provide the calculations used to determine the Tax Multiplier of 1.628002.

A.

**PGS Calculation of 2013 through 2017 Net Operating Income Multiplier**

<u>Description</u>	
1. Revenue Requirement	1.000000
2. Gross Receipts Tax Rate	0.000000
3. Regulatory Assessment Fee	0.000000
4. Bad Debt Rate	<u>0.000000</u>
5. Net Before Income Taxes (1) - (2) - (3) - (4)	1.000000
6. State Income Tax Rate	0.0550
7. State Income Tax (5) x (6)	<u>0.055000</u>
8. Net Before Federal Income Tax (5) - (7)	0.945000
9. Federal Income Tax Rate	<u>0.3500</u>
10. Federal Income Tax (8) x (9)	0.330750
11. Revenue Expansion Factor (8) - (10)	<u>0.614250</u>
12. Net Operating Income Multiplier (100% / Line 11)	<u><u>1.62800</u></u>

The RAF and Bad Debt Rate were calculated at 0, however, the RAF should have been 0.5% and Bad Debt Rate at 0.4511%, respectively. This resulted in a lower multiplier used to calculate the ROI-Equity WACC for 2013 through 2017 in the CI/BSR Rider. Peoples does not intend to retroactively adjust the Net Operating Income Multiplier and collect the difference for the periods of 2013 through 2017.

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STAFF'S FIRST DATA REQUEST  
REQUEST NO. 7  
BATES STAMPED PAGE: 11  
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7. Referring to Exhibit B, page 5 of 5, please provide the calculations used to determine the Tax Multiplier of 1.35236.

A.

PGS Calculation of 2018 Net Operating Income Multiplier

<u>Description</u>	
1. Revenue Requirement	1.000000
2. Gross Receipts Tax Rate	0.000000
3. Regulatory Assessment Fee	0.005000
4. Bad Debt Rate	<u>0.004511</u>
5. Net Before Income Taxes (1) - (2) - (3) - (4)	0.990489
6. State Income Tax Rate	0.0550
7. State Income Tax (5) x (6)	<u>0.054477</u>
8. Net Before Federal Income Tax (5) - (7)	0.936012
9. Federal Income Tax Rate	<u>0.2100</u>
10. Federal Income Tax (8) x (9)	0.196563
11. Revenue Expansion Factor (8) - (10)	<u>0.739450</u>
12. Net Operating Income Multiplier (100% / Line 11)	<u><u>1.35236</u></u>

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REQUEST NO. 8  
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- 8.** Referring to Exhibit B, please provide the projected schedule for 2018 without the adjustments of the impact of the tax rate reduction.
  
- A.** The requested modified schedule for 2018 has been provided on the following page.

**Modified for Data Request #8: without tax rate reduction.**

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	
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	
f.	Other		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	\$411,770	\$425,790	\$439,258	\$457,290	\$477,584	\$496,057	\$515,445	\$537,655	\$562,130	\$587,715	\$611,119	\$5,923,655
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	\$507,218	\$524,488	\$541,078	\$563,289	\$588,288	\$611,043	\$634,925	\$662,284	\$692,432	\$723,947	\$752,776	\$7,296,757
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	\$722,085	\$740,801	\$759,453	\$784,143	\$826,870	\$851,400	\$876,133	\$913,407	\$953,299	\$994,623	\$1,032,936	\$10,164,708

**Notes:**

- (A) Line 7a = Line 6 x 7.4064% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 38.575%, expansion factor of 1.628002
- (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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 STAFFS FIRST DATA REQUEST  
 FILED: OCTOBER 3, 2018

**PEOPLES GAS SYSTEM  
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REQUEST NO. 9  
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- 9.** Referring to Exhibit C, page 1 of 2, please provide a detailed description of how PGS accounted for the approximately \$10.3 million reduction of 2019 depreciation expense agreed to in the Settlement Agreement.
  
- A.** PGS utilized the depreciation rates reflected in the attached Exhibit B of its Settlement Agreement filed on August 8, 2018, in Docket No. 20180044-GU and approved by the Commission on September 21, 2018. The new rates were updated for any CI/BSR and PPP replacement assets reflected in the schedules effective January 1, 2019.

**PEOPLES GAS SYSTEM  
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REQUEST NO. 10  
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- 10.** Referring to Exhibit C, please provide the projected schedule for the year 2019 excluding the adjustments of the impact of the tax rate reduction, but including the adjustments of the \$10.3 million reduction of 2019 depreciation expense.
  - A.** See attached.

Modified for Data Request #10: Excluding tax rate reduction but including the reduction of 2019 depreciation expense.

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

Docket No.  
Exhibit C  
Page 1 of 2

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)		613,330	628,010	645,684	663,335	680,963	698,568	716,150	733,712	751,250	768,767	786,263	803,737	8,489,769
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
			\$751,725	\$769,717	\$791,380	\$813,013	\$834,619	\$856,196	\$877,746	\$899,270	\$920,765	\$942,235	\$963,679	\$985,096	\$10,405,441
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)		\$1,010,558	\$1,031,852	\$1,057,474	\$1,082,962	\$1,108,343	\$1,133,637	\$1,158,858	\$1,184,020	\$1,209,128	\$1,234,192	\$1,259,217	\$1,284,204	\$13,754,446
10.	Est projected 2018 true-up over/(under)		\$ 429,553												
11.	Revenue Requirements Net of Est Projected Recovery		\$ 581,005	\$ 1,612,857	\$ 2,670,331	\$ 3,753,293	\$ 4,861,636	\$ 5,995,273	\$ 7,154,131	\$ 8,338,151	\$ 9,547,279	\$ 10,781,471	\$ 12,040,688	\$ 13,324,892	

**Notes:**

- (A) Line 7a = Line 6 x 7.2366% 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 1.6329% 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

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PEOPLES GAS SYSTEM  
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**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 11  
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11. Referring to Exhibit C, please provide the projected schedule for the year 2019 including the adjustments of the impact of the tax rate reduction and excluding the adjustments of the \$10.3 million reduction of 2019 depreciation expense.
  - A. See attached.

Modified for Data Request #11: Including tax rate reduction but excluding the reduction of 2019 depreciation expense

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

Docket No.  
 Exhibit C  
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Line	Description	Beginning of Period Amount	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total
1.	Investments														
a.	Eligible Replacements - Mains		\$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)	(5,074,368)	(5,277,428)	(5,487,172)	(5,703,422)	(5,926,049)	(6,154,952)	(6,390,058)	(6,631,311)	(6,878,668)	(7,132,100)	(7,391,582)	(7,657,097)	
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	\$102,591,548	\$105,440,988	\$108,283,745	\$111,119,994	\$113,949,868	\$116,773,464	\$119,590,859	\$122,402,106	\$125,207,248	\$128,006,316	\$130,799,334	\$133,586,319	
6.	Average Net Book Value		101,664,036	104,016,268	106,862,366	109,701,870	112,534,931	115,361,666	118,182,161	120,996,482	123,804,677	126,606,782	129,402,826	132,192,826	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		509,286	521,070	535,327	549,551	563,744	577,904	592,034	606,132	620,200	634,237	648,243	662,220	7,019,948
b.	Debt component (B)		138,340	141,540	145,413	149,277	153,132	156,979	160,816	164,646	168,467	172,281	176,084	179,881	1,906,856
8.	Investment Expenses		\$647,626	\$662,610	\$680,740	\$698,828	\$716,876	\$734,883	\$752,850	\$770,778	\$788,667	\$806,518	\$824,327	\$842,101	\$8,926,804
a.	Depreciation (C)		\$206,956	\$212,666	\$219,474	\$226,107	\$232,606	\$239,009	\$245,337	\$251,609	\$257,840	\$264,038	\$270,213	\$276,371	\$2,902,226
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)		\$987,518	\$1,008,087	\$1,032,901	\$1,057,495	\$1,081,920	\$1,106,203	\$1,130,373	\$1,154,447	\$1,178,442	\$1,202,366	\$1,226,227	\$1,250,034	\$13,416,015
10.	Est projected 2018 true-up over/(under)		\$ 1,359,619												
11.	Revenue Requirements Net of Est Projected Recovery		\$ (372,101)	\$ 635,986	\$ 1,668,887	\$ 2,726,382	\$ 3,808,302	\$ 4,914,505	\$ 6,044,878	\$ 7,199,325	\$ 8,377,767	\$ 9,580,133	\$ 10,806,360	\$ 12,056,394	

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: 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  
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**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 12  
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- 12.** Referring to Exhibit C, please provide the projected schedule for the year 2019 excluding the adjustments of the impact of the tax rate reduction and excluding the adjustments of the \$10.3 million reduction of 2019 depreciation expense.
  - A.** See attached.

**Modified for Data Request #12: Excluding tax rate reduction and excluding the reduction of 2019 depreciation expense**

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

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<u>Line</u>	<u>Description</u>	<u>Beginning of Period Amount</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>End of Period Total</u>
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)	(5,074,368)	(5,277,428)	(5,487,172)	(5,703,422)	(5,926,049)	(6,154,952)	(6,390,058)	(6,631,311)	(6,878,668)	(7,132,100)	(7,391,582)	(7,657,097)	
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	\$102,591,548	\$105,440,988	\$108,283,745	\$111,119,994	\$113,949,868	\$116,773,464	\$119,590,859	\$122,402,106	\$125,207,248	\$128,006,316	\$130,799,334	\$133,586,319	
6.	Average Net Book Value		101,664,036	104,016,268	106,862,366	109,701,870	112,534,931	115,361,666	118,182,161	120,996,482	123,804,677	126,606,782	129,402,826	132,192,826	
7.	Return on Average Net Book Value														
a.	Equity component Grossed up for taxes (A)		613,085	627,270	644,433	661,557	678,642	695,688	712,697	729,670	746,604	763,502	780,364	797,189	8,450,701
b.	Debt component (B)		138,340	141,540	145,413	149,277	153,132	156,979	160,816	164,646	168,467	172,281	176,084	179,881	1,906,856
			\$751,425	\$768,810	\$789,846	\$810,834	\$831,774	\$852,667	\$873,513	\$894,316	\$915,071	\$935,783	\$956,448	\$977,070	\$10,357,557
8.	Investment Expenses														
a.	Depreciation (C)		\$206,956	\$212,666	\$219,474	\$226,107	\$232,606	\$239,009	\$245,337	\$251,609	\$257,840	\$264,038	\$270,213	\$276,371	\$2,902,226
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)		\$1,091,317	\$1,114,287	\$1,142,007	\$1,169,501	\$1,196,818	\$1,223,987	\$1,251,036	\$1,277,985	\$1,304,846	\$1,331,631	\$1,358,348	\$1,385,003	\$14,846,768
10.	Est projected 2018 true-up over/(under)		\$ 429,553												
11.	Revenue Requirements Net of Est Projected Recovery		\$ 661,764	\$ 1,776,051	\$ 2,918,058	\$ 4,087,559	\$ 5,284,377	\$ 6,508,364	\$ 7,759,400	\$ 9,037,385	\$ 10,342,231	\$ 11,673,862	\$ 13,032,210	\$ 14,417,213	

**Notes:**

- (A) Line 7a = Line 6 x 7.2366% 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 1.6329% 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

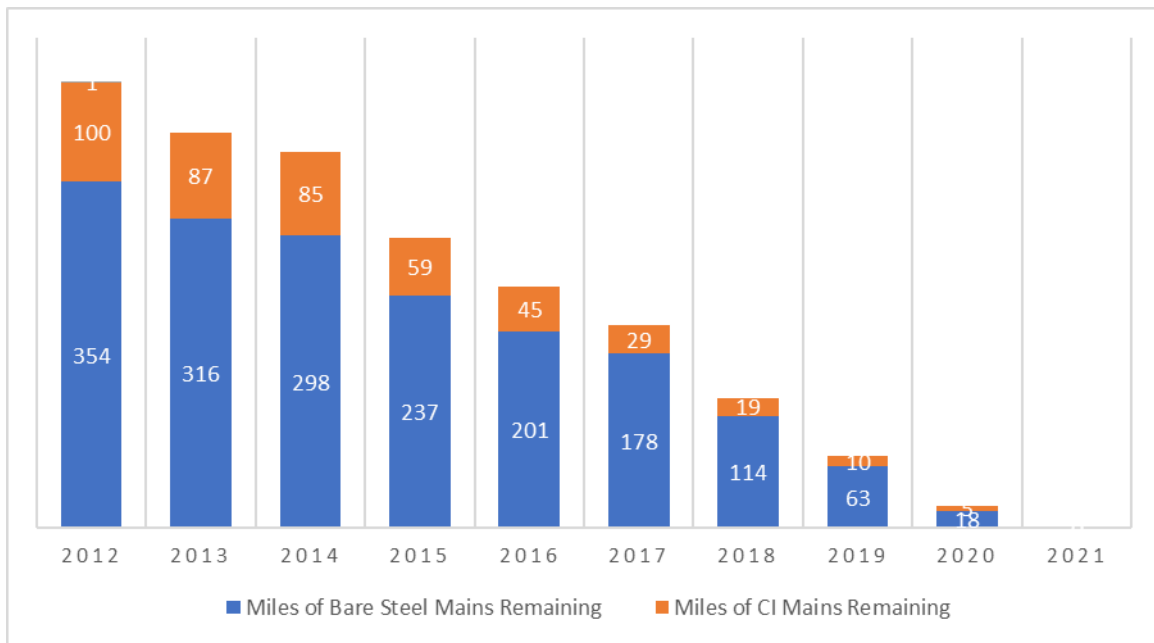
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PEOPLES GAS SYSTEM  
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**PEOPLES GAS SYSTEM  
DOCKET NO. 20180173-GU  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 13  
BATES STAMPED PAGES: 21 - 22  
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13. Please briefly discuss the CI/BSR projects in 2017, 2018, and those planned for 2019.

A. Peoples has made significant progress towards removing all Cast Iron and Bare Steel pipelines from the system state wide. The Company expects to be completed one year ahead of our initial 10-year estimate.



- Start of CIBS/BS Rider – January 1, 2013 (454 miles)
- Start of PPP Rider – July 1, 2017 (528 miles)
- In 2017, Peoples continued steady replacement of CIBS pipelines on our system and began replacement activities of PPP. The Company focused on removing 51 miles of CIBS pipelines and performing a pilot PPP removal program in Orlando. Key replacement projects include:
  - Orlando, Miami, Tampa, St. Pete, Jacksonville and Sarasota. Key projects include:
    - Orlando
      - Williamsburg – PPP
    - Miami
      - NW 29<sup>th</sup> – 35<sup>th</sup> St - CIBS
      - SW 2<sup>nd</sup> – 6<sup>th</sup> St, - CIBS
      - NW 1<sup>st</sup> Ave – CIBS

**PEOPLES GAS SYSTEM  
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- Tampa
  - Gomez – CIBS
- St Pete
  - N 30<sup>th</sup> Ave – CIBS
- In 2018, Peoples focused on CIBS projects in St. Petersburg, Tampa, Miami, Jacksonville and Sarasota. The Company also focused on PPP projects in Pompano Beach, Orlando and Lakeland. Key replacement projects include:
  - St Pete
    - Central Ave – CIBS
    - Mobel Americana - CIBS
  - Tampa
    - Lake to Hillsborough – CIBS
    - Bayshore Blvd – CIBS
    - E of I-275 N of Hillsborough Ave - CIBS
  - Orlando
    - Williamsburg – PPP
    - Deer Run – PPP
  - Miami
    - Pompano - CIBS
  - Lakeland
    - Meridian – PPP
- In 2019, Peoples will focus on replacement projects in the following areas:
  - Miami, Tampa, St. Pete, Orlando, and Sarasota