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August 30, 2019

**VIA E-PORTAL FILING**

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

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 Peoples' Petition referenced above. Attached also is Ninth Revised Sheet No. 7.806 to Peoples' Natural Gas Tariff, Original Volume No. 3, for which the Company's Petition seeks the Commission's approval. A coded (legislative style) version of the revised sheet required by Rule 25-9.005, *F.A.C.*, is also attached.

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

Your assistance in this matter is greatly appreciated.

Sincerely,

Andrew M. Brown

AB/plb

Attachments

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

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of 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.

Submitted for Filing:  
08-30-2019

**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.

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 calendar year 2019.

9. By its Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No.

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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.

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 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.

#### **RELIEF REQUESTED**

10. 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.

11. 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 \$1,891,506 under-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 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 \$1,891,506, 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).

13. 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); and
- 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.

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 30th day of August 2019, 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

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**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	\$ 0.08845 per therm
Small General Service	\$ 0.06255 per therm
General Service – 1/ Commercial Standby Generator Service /	
Commercial Gas Heat Pump Service	\$ 0.03137 per therm
General Service – 2	\$ 0.02901 per therm
General Service – 3	\$ 0.02545 per therm
General Service – 4	\$ 0.01720 per therm
General Service – 5	\$ 0.00872 per therm
Commercial Street Lighting	\$ 0.04454 per therm
Natural Gas Vehicle Service	\$ 0.07326 per therm
Wholesale	\$ 0.01080 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, 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>0.08845</u> per therm
Small General Service	<del>\$0.03345</del> <u>0.06255</u> per therm
General Service – 1/ Commercial Standby Generator Service / Commercial Gas Heat Pump Service	<del>\$0.01765</del> <u>0.03137</u> per therm
General Service – 2	<del>\$0.01708</del> <u>0.02901</u> per therm
General Service – 3	<del>\$0.01465</del> <u>0.02545</u> per therm
General Service – 4	<del>\$0.00892</del> <u>0.01720</u> per therm
General Service – 5	<del>\$0.00500</del> <u>0.00872</u> per therm
Commercial Street Lighting	<del>\$0.02427</del> <u>0.04454</u> per therm
Natural Gas Vehicle Service	<del>\$0.04289</del> <u>0.07326</u> per therm
Wholesale	<del>\$0.00611</del> <u>0.01080</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)***

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)	\$67,3023	\$2,494,411	\$1,882,959	\$1,963,861	\$2,982,680	\$3,079,676	\$2,921,944	\$4,525,256	\$7,596,977	\$4,415,852	\$3,442,979	\$40,542,183		
b.	Eligible Replacements - Mains (Steel)	0	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	44,066	87,023	65,138	176,181	2,407,788		
d.	Eligible Replacements - Services (Steel)	(1,771)	6,745	(28,788)	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		
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	681,160	1,233,767	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	\$67,077,030	\$68,096,602	\$69,116,174	\$70,135,746	\$71,155,318	\$72,174,890	\$73,194,462	\$74,214,034	\$75,233,606
3.	Less: Accumulated Depreciation	(3,059,838)	(3,223,491)	(3,387,144)	(3,550,797)	(3,714,450)	(3,878,103)	(4,041,756)	(4,205,409)	(4,369,062)	(4,532,715)	(4,696,368)	(4,860,021)	(5,023,674)	(5,187,327)
4.	Net Book Value (Lines 2 + 3 + 4)	\$60,126,527	\$60,076,258	\$60,626,040	\$61,587,089	\$62,543,008	\$63,498,927	\$64,454,846	\$65,410,765	\$66,366,684	\$67,322,603	\$68,278,522	\$69,234,441	\$70,190,360	\$71,146,279
5.	Net Book Value (Lines 2 + 3 + 4)	\$64,781,370	\$67,998,559	\$69,976,526	\$72,362,808	\$75,819,252	\$80,355,696	\$85,992,140	\$92,728,584	\$100,565,028	\$109,501,472	\$119,537,916	\$130,674,360	\$143,010,804	\$156,547,248
6.	Average Net Book Value	65,107,211	66,715,805	68,987,443	71,169,567	74,091,030	77,779,073	80,372,135	84,040,486	88,483,533	94,456,332	100,384,053	104,266,743	108,149,433	112,032,123
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	\$428,926	\$445,784	\$462,642	\$479,500	\$496,358	\$513,216	\$530,074
b.	Debt component (B)	98,844	101,286	104,735	108,047	111,483	114,929	118,375	121,821	125,267	128,713	132,159	135,605	139,051	142,497
8.	Investment Expenses	\$500,686	\$455,787	\$458,434	\$472,933	\$489,348	\$506,763	\$524,178	\$541,593	\$559,008	\$576,423	\$593,838	\$611,253	\$628,668	\$646,083
a.	Depreciation Expense (C)	\$131,070	\$131,378	\$132,963	\$135,180	\$137,659	\$140,138	\$142,617	\$145,096	\$147,575	\$150,054	\$152,533	\$155,012	\$157,491	\$160,000
b.	Amortization	0	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	89,629	89,629	89,629
d.	Depreciation Savings	(7,408)	(7,419)	(7,556)	(7,712)	(7,878)	(8,044)	(8,210)	(8,376)	(8,542)	(8,708)	(8,874)	(9,040)	(9,206)	(9,372)
9.	Total Recoverable Costs (Lines 7 + 8)	\$713,977	\$669,376	\$673,469	\$690,030	\$711,924	\$734,817	\$758,710	\$782,603	\$806,496	\$830,389	\$854,282	\$878,175	\$902,068	\$925,961

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 1.79%

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	135,404	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	\$11	
													\$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%
Total	\$ 750,513	100%		6.3712%

**ITC split between Debt and Equity:**

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

**Deferred ITC - Weighted Cost:**

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

**Total Equity Cost Rate:**

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

**Total Debt Cost Rate:**

Long Term Debt	1.6853%
Short Term Debt	0.0063%
Customer Deposits	0.1302%
Deferred ITC - Weighted Cost	0.0000%
Total Debt Component	1.8218%
	9.2282%

**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%
Total	\$ 750,513	100%		6.3712%

**ITC split between Debt and Equity:**

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

**Deferred ITC - Weighted Cost:**

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

**Total Equity Cost Rate:**

Preferred Stock	0.0000%
Common Equity	4.5494%
Deferred ITC - Weighted Cost	0.0000%
	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	0.1302%
Deferred ITC - Weighted Cost	0.0000%
Total Debt Component	1.8218%
	7.9742%

**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 Reforecast Amount (7 + 8 forecast) for the Period  
 January 2019 to December 2019

**Total Return on CIBS & PPE 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	\$3,995,362	\$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	18,014	6,926	14,139	10,512	0	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. Eligible Replacements - Regulators		0	0	0	0	0	0	0	0	0	0	0	0	0
	f. Other		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
	g. Clearings to Plant														
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	\$137,105,677	\$140,253,646	\$143,354,929	\$146,033,238	\$148,534,786	
3.	Less: Accumulated Depreciation	(4,820,765)	(4,943,900)	(5,068,864)	(5,204,203)	(5,344,596)	(5,487,215)	(5,635,187)	(5,785,690,331)	(5,942,543)	(6,105,268)	(6,271,705)	(6,441,797)	(6,615,036,42)	
4.	CWIP - Noninterest Bearing	8,278,282	9,729,900	3,006,469	3,372,281	4,438,564	4,865,942	8,357,942	7,084,136,222	6,372,501	5,297,674	4,285,344	3,936,462	3,458,160,07	
5.	Net Book Value (Lines 2 + 3 + 4)	\$105,985,989	\$109,628,648	\$111,496,477	\$115,949,039	\$118,756,999	\$123,492,626	\$129,599,470	\$133,454,841	\$137,335,585	\$139,446,051	\$141,642,767	\$143,527,893	\$145,377,910	
6.	Average Net Book Value		107,807,592	110,562,552	113,772,748	117,403,019	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)		\$540,062	\$553,864	\$569,945	\$588,131	\$606,775	\$633,932	\$658,885	\$678,764	\$693,769	\$704,073	\$714,296	\$723,637	\$7,666,133
	b. Debt component (B)		153,329	157,247	161,813	166,976	172,269	179,890	187,065	192,708	196,968	199,894	202,797	205,448	2,176,494
			\$693,391	\$711,111	\$731,758	\$755,107	\$779,044	\$813,912	\$845,950	\$871,472	\$890,737	\$903,967	\$917,093	\$929,085	\$9,842,627
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)	(7,668)	(7,735)	(7,801)	(84,543)	
9.	Total Recoverable Costs (Lines 7 + 8)		\$961,975	\$981,545	\$1,012,526	\$1,040,943	\$1,067,122	\$1,107,330	\$1,141,903	\$1,173,774	\$1,198,911	\$1,215,852	\$1,232,634	\$1,247,774	\$13,382,287

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%. Net Operating Income Multiplier of 1.35236  
 (B) Line 7b = Line 6 x 1.12067% x 1/12  
 (C) Depreciation rates: 1.4% Mains Plastic, 1.8% Mains Steel, 2.3% Services Plastic, 2.6% 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 forecasts) 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	\$1,154,589	\$12,921,742
4.	CIBSR Costs													
a.	Return on Investment	\$693,391	\$711,111	\$731,758	\$755,107	\$779,044	\$813,912	\$845,950	\$871,472	\$890,737	\$903,967	\$917,093	\$929,085	\$9,842,627
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)	(7,635)	(7,602)	(7,668)	(7,735)	(7,801)	(84,543)
	d. Total CIBSR Costs	\$961,975	\$983,545	\$1,012,526	\$1,040,943	\$1,067,122	\$1,107,329	\$1,141,902	\$1,173,774	\$1,198,911	\$1,215,853	\$1,232,634	\$1,247,773	\$13,382,287
5.	Over/Under Recovery (Line 3 - Line 4d)	\$350,717	\$338,246	\$104,259	\$2,472	(\$117,318)	(\$275,696)	(\$346,584)	(\$107,514)	(\$110,512)	(\$105,355)	(\$100,074)	(\$93,184)	(\$460,543)
6.	Interest Provision	\$264	\$716	\$935	\$806	\$436	(\$194)	(\$976)	(\$1,537)	(\$1,940)	(\$2,341)	(\$2,735)	(\$3,118)	(\$9,684)
7.	Beginning Balance True-Up & Interest Provision	\$15,885	\$247,102	\$466,300	\$451,730	\$335,244	\$98,598	(\$297,056)	(\$764,380)	(\$993,195)	(\$1,225,411)	(\$1,452,871)	(\$1,675,444)	\$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)	\$247,102	\$466,300	\$451,730	\$335,244	\$98,598	(\$297,056)	(\$764,380)	(\$993,195)	(\$1,225,411)	(\$1,452,871)	(\$1,675,444)	(\$1,891,506)	(\$1,891,506)
9.a	Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10.	Adjusted End of Period Total True Up	\$247,102	\$466,300	\$451,730	\$335,244	\$98,598	(\$297,056)	(\$764,380)	(\$993,195)	(\$1,225,411)	(\$1,452,871)	(\$1,675,444)	(\$1,891,506)	(\$1,891,506)

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	\$15,885	\$247,102	\$466,300	\$451,730	\$335,244	\$98,598	(\$297,056)	(\$764,380)	(\$993,195)	(\$1,225,411)	(\$1,452,871)	(\$1,675,444)	
2.	Ending True-Up Amount Before Interest	246,838	465,584	450,795	334,438	98,162	(296,862)	(763,404)	(991,658)	(1,223,471)	(1,450,530)	(1,672,709)	(1,888,388)	
3.	Total of Beginning & Ending True-Up (Lines 1 + 2)	262,723	712,686	917,095	786,168	433,406	(198,264)	(1,060,460)	(1,756,038)	(2,216,666)	(2,675,941)	(3,125,580)	(3,563,832)	
4.	Average True-Up Amount (Line 3 x 1/2)	131,362	356,343	458,548	393,084	216,703	(99,132)	(530,230)	(878,019)	(1,108,333)	(1,337,971)	(1,562,790)	(1,781,916)	
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)	\$264	\$716	\$935	\$806	\$436	(\$194)	(\$976)	(\$1,537)	(\$1,940)	(\$2,341)	(\$2,735)	(\$3,118)	
													(\$9,684)	

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)	(2)	(3)	(4)
	December Rate Base ESR (\$000)	Ratio %	Cost Rate %	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
Total Equity Component	6.0114%

**Total Debt Cost Rate:**

Long Term Debt	1.5407%
Short Term Debt	0.0744%
Customer Deposits	0.0916%
Deferred ITC - Weighted Cost	0.0000%
Total Debt Component	1.7067%
	<u>7.7181%</u>

**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 C”**

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

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

Decklet 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		2,365,374	3,024,308	3,018,509	3,014,160	3,010,898	3,008,451	3,005,616	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)	(8,322,694)	(8,530,043)	(8,741,010)	(8,955,524)	
4.	CWIP - Noninterest Bearing	3,498,161	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	\$147,202,847	\$150,025,001	\$152,843,582	\$155,656,597	\$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)		\$745,435	\$757,274	\$771,646	\$785,999	\$800,335	\$814,651	\$828,950	\$843,230	\$857,493	\$871,738	\$885,964	\$900,172	\$9,862,887
	b. Debt component (B)		195,042	198,139	201,900	205,655	209,406	213,152	216,893	220,630	224,361	228,088	231,811	235,528	2,580,605
			\$940,477	\$955,413	\$973,546	\$991,654	\$1,009,741	\$1,027,803	\$1,045,843	\$1,063,860	\$1,081,854	\$1,099,826	\$1,117,775	\$1,135,700	\$12,443,492
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)	(8,373)	(8,429)	(8,485)	(98,113)
9.	Revenue Requirements (Lines 7 + 8)		\$1,328,349	\$1,346,067	\$1,367,774	\$1,389,448	\$1,411,095	\$1,432,714	\$1,454,308	\$1,475,877	\$1,497,421	\$1,518,942	\$1,540,439	\$1,561,912	\$17,324,346
10	Est projected 2019 true-up over/(under)		\$ (1,891,506)												
11	Revenue Requirements Net of Est. Projected Recovery		\$ 3,219,855	\$ 4,565,922	\$ 5,933,696	\$ 7,323,144	\$ 8,734,239	\$ 10,166,953	\$ 11,621,261	\$ 13,097,138	\$ 14,594,559	\$ 16,113,501	\$ 17,653,940	\$ 19,215,852	

Notes:  
 (A) Line 7a = Line 6 x 6.1147% x 1/12. Based on ROE of 10.75%, and weighted income tax rate of 25.345%, Net Operating Income Multiplier of 1.35236  
 (B) Line 7b = Line 6 x 1.5999% 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%

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

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Calculation of Revenue Requirement Rate of Return  
(In Dollars)

	(1)	(2)	(3)	(4)
	December Rate Base ESR (\$000)	Ratio %	Cost Rate %	Weighted Cost Rate %
Long Term Debt	\$ 240,802	27.93%	5.00%	1.3965%
Short Term Debt	42,319	4.91%	2.42%	0.1188%
Preferred Stock	0	0.00%	0.00%	0.0000%
Residential Customer Deposits	6,509	0.75%	2.00%	0.0150%
Commercial Customer Deposits	20,011	2.32%	3.00%	0.0696%
Inactive Customer Deposits	134	0.02%	0.00%	0.0000%
Common Equity	362,630	42.06%	10.75%	4.5215%
Deferred Income Tax	189,723	22.01%	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>\$ 862,128</b>	<b>100%</b>		<b>6.1214%</b>

**ITC split between Debt and Equity:**

Long Term Debt	\$ 240,802	Long Term Debt	39.91%
Equity - Preferred	0	Equity - Preferred	0.00%
Equity - Common	<u>362,630</u>	Equity - Common	<u>60.09%</u>
<b>Total</b>	<b>\$ 603,432</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	4.5215%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
	4.5215%
Times Tax Multiplier	1.35236
Total Equity Component	<u>6.1147%</u>

**Total Debt Cost Rate:**

Long Term Debt	1.3965%
Short Term Debt	0.1188%
Customer Deposits	0.0846%
Deferred ITC - Weighted Cost	<u>0.0000%</u>
Total Debt Component	<u>1.5999%</u>
	<u>7.7146%</u>

**Notes:**

Column (1) - From December 2018 PGS ESR  
Column (2) - Column (1) / Total Column (1)  
Column (3) - From 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**  
**FILED: SEPTEMBER 30, 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

<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 & RS-GHP	\$59,806,570	\$79,163,368	\$138,969,938	34.89%	\$6,704,161	75,798,643	\$0.08845
SGS	5,474,814	5,937,386	11,412,200	2.87%	550,545	8,802,360	\$0.06255
GS-1 & CS-SG & CS-GHP	45,983,103	12,635,366	58,618,469	14.72%	2,827,861	90,146,275	\$0.03137
GS-2	81,315,915	8,975,978	90,291,893	22.67%	4,355,844	150,154,518	\$0.02901
GS-3	46,157,083	2,496,659	48,653,742	12.21%	2,347,145	92,238,946	\$0.02545
GS-4	25,447,491	447,292	25,894,783	6.50%	1,249,211	72,626,458	\$0.01720
GS-5	22,396,181	427,101	22,823,282	5.73%	1,101,036	126,276,357	\$0.00872
NGVS	244,131	48,338	292,469	0.07%	14,109	192,604	\$0.07326
CSLS	534,119	10,816	544,935	0.14%	26,289	590,200	\$0.04454
WHS	786,453	35,448	821,901	0.21%	39,650	3,671,269	\$0.01080
<b>TOTAL</b>	<b>\$288,145,860</b>	<b>\$110,177,751</b>	<b>\$398,323,611</b>	<b>100%</b>	<b>\$19,215,852</b>	<b>620,497,629</b>	

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