

THE PEOPLES GAS LIGHT AND COKE COMPANY
EMBEDDED GAS COST OF SERVICE STUDY
Allocation Factors and Related Information
Allocation Methodologies used within the Embedded Cost of Service Study
FUTURE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	[A] DESCRIPTION OF ALLOCATION DATA	[B] PEOPLES GAS	[C] Non-Heating SC 1 Residential	[D] Heating SC 1 Residential	[E] SC 2 General Service - Small	[F] SC 2 General Service - Medium	[G] SC 2 General Service - Large	[H] SC 4 Large Volume Demand Service	[I] SC 8 CNG Service	[J] SOURCE or ALLOCATION FACTOR
1	AVERAGE CUSTOMERS	835,616	105,338	649,558	53,610	20,537	6,395	173	5	
2	Percentage	1.00000	0.12606	0.77734	0.06416	0.02458	0.00765	0.00021	0.00001	Customer
3										
4										
5	SERVICES - INVESTMENT									
6	AVERAGE CUSTOMERS	835,616	105,338	649,558	53,610	20,537	6,395	173	5	Line 1
7	Cost per Customer - Services		\$ 268.22	\$ 841.62	\$ 535.53	\$ 1,170.09	\$ 4,705.63	\$ 20,864.62	\$ 8,645.28	
8	Estimated Services Investment	\$ 661,417,645	\$ 28,254,038	\$ 546,678,521	\$ 28,709,666	\$ 24,030,124	\$ 30,092,489	\$ 3,609,579	\$ 43,226	
9	Percentage	1.00000	0.04272	0.82653	0.04341	0.03633	0.04550	0.00546	0.00007	Services
10										
11										
12	METERS & HOUSE REGULATORS									
13	AVERAGE CUSTOMERS	835,616	105,338	649,558	53,610	20,537	6,395	173	5	Line 1
14	Cost per Customer - Meter & Reg. Investment		\$ 147.97	\$ 241.96	\$ 366.63	\$ 1,672.04	\$ 4,839.66	\$ 11,674.28	\$ 4,128.70	
15	Estimated Meters & Regulators Investment	\$ 259,739,625	\$ 15,587,194	\$ 157,168,969	\$ 19,654,924	\$ 34,338,594	\$ 30,949,651	\$ 2,019,650	\$ 20,644	
16	Percentage	1.00000	0.06001	0.60510	0.07567	0.13220	0.11916	0.00778	0.00008	Meters
17										
18										
19	AUTOMATED METER DEVICES									
20	AVERAGE CUSTOMERS	835,616	105,338	649,558	53,610	20,537	6,395	173	5	Line 1
21	ERT Count per Customer		1,1057	1,0334	1,0663	0,9707	0,8184	-	1,0000	
22	Average Count of Encoder/Receiver Transmitters	870,041	116,470	671,229	57,166	19,937	5,234	-	5	
23	Percentage	1.00000	0.13387	0.77149	0.06570	0.02292	0.00602	-	0.00001	AMR Device
24										
25										
26	BAD DEBT									
27	AVERAGE CUSTOMERS	835,616	105,338	649,558	53,610	20,537	6,395	173	5	Line 1
28	Cost per Customer - Bad Debt		\$ 21.29	\$ 48.87	\$ 55.89	\$ 57.18	\$ 291.37	\$ 68.75	-	
29	Estimated Bad Debt	\$ 40,034,294	\$ 2,242,221	\$ 31,746,334	\$ 2,996,199	\$ 1,174,361	\$ 1,863,285	\$ 11,894	-	
30	Percentage	1.00000	0.05601	0.79298	0.07484	0.02933	0.04654	0.00030	-	Bad Debt
31										
32										
33	DEMAND GAS MEASUREMENT DEVICES									
34	Total Count of DMD Devices	2,761	-	-	40	486	2,062	173	-	
35	Percentage	1.00000	-	-	0.01449	0.17602	0.74683	0.06266	-	DMD Device
36										
37										
38	MUNICIPAL UTILITY TAX - Acctg Charges	\$ 3,461,340	\$ 84,906	\$ 1,624,290	\$ 207,355	\$ 395,537	\$ 747,305	\$ 401,678	\$ 269	
39	Percentage	1.00000	0.02453	0.46927	0.05991	0.11427	0.21590	0.11605	0.00008	MUT
40										
41										
42	DELAYED PAYMENT CHARGES - TOTAL	\$ 6,446,495	\$ 259,758	\$ 4,091,450	\$ 684,111	\$ 835,647	\$ 516,822	\$ 58,684	\$ 23	
43	Percentage	1.00000	0.04029	0.63468	0.10612	0.12963	0.08017	0.00910	0.00000	Delayed Pymt
44										

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1	BUDGET PLAN BALANCES											
2	AVERAGE CUSTOMERS	835,616	105,338	649,558		53,610	20,537	6,395		173	5	Page 1, line 1
3	Budget Plan Balance per Customer		\$ 0.76	\$ 24.39		\$ 28.16	\$ 121.23	\$ 140.27		-	-	
4	Estimated Budget Plan Balances	\$ 20,820,546	\$ 79,604	\$ 15,844,814		\$ 1,509,484	\$ 2,489,641	\$ 897,003		-	-	
5	Percentage	1.00000	0.00382	0.76102		0.07250	0.11958	0.04308		-	-	Budget
6												
7												
8	CUSTOMER DEPOSITS											
9	AVERAGE CUSTOMERS	835,616	105,338	649,558		53,610	20,537	6,395		173	5	Page 1, line 1
10	Customer Deposits per Customer		\$ 6.69	\$ 21.67		\$ 63.62	\$ 164.40	\$ 288.93		\$ 7.49	-	
11	Estimated Customer Deposits	\$ 23,415,785	\$ 704,433	\$ 14,075,689		\$ 3,410,404	\$ 3,376,259	\$ 1,847,705		\$ 1,296	-	
12	Percentage	1.00000	0.03008	0.60112		0.14565	0.14419	0.07891		0.00006	-	Cust Deposits
13												
14												
15	SALES / COMMODITY (Annual)											
16	AVERAGE CUSTOMERS	1,619,970,899	9,718,910	693,006,140		104,883,164	202,888,130	381,013,345		228,294,399	166,810	
17	Percentage	1.00000	0.00600	0.42779		0.06474	0.12524	0.23520		0.14093	0.00010	Sales
18												
19	COINCIDENT PEAK DEMAND											
20	AVERAGE CUSTOMERS	18,582,407	78,419	8,712,832		1,250,569	2,419,126	4,542,992		1,577,293	1,178	
21	Percentage	1.00000	0.00422	0.46888		0.06730	0.13018	0.24448		0.08488	0.00006	CP
22												
23	AVERAGE & PEAK DEMAND											
24	Annual Use (Therms)	1,619,970,899	9,718,910	693,006,140		104,883,164	202,888,130	381,013,345		228,294,399	166,810	Line 15
25	Average Daily Deliveries of Gas (Therms/Day)	4,438,276	26,627	1,898,647		287,351	555,858	1,043,872		625,464	457	Line 24 divided by 365
26												
27	Peak Demand (Therms)	18,582,407	78,419	8,712,832		1,250,569	2,419,126	4,542,992		1,577,293	1,178	Line 19
28	System Load Factor	23.88%										Line 25 divided by Line 27
29												
30	Average Daily Deliveries of Gas (Therms/Day)	4,438,276	26,627	1,898,647		287,351	555,858	1,043,872		625,464	457	Line 25
31	Percentage	1.00000	0.00600	0.42779		0.06474	0.12524	0.23520		0.14093	0.00010	
32	System Load Factor	23.88%	23.88%	23.88%		23.88%	23.88%	23.88%		23.88%	23.88%	Line 28
33	Average Weighted Daily Therms	0.23884	0.00143	0.10217		0.01546	0.02991	0.05618		0.03366	0.00002	Line 31 x Line 32
34												
35	Peak Demand (Therms)	18,582,407	78,419	8,712,832		1,250,569	2,419,126	4,542,992		1,577,293	1,178	Line 27
36	Percentage	1.00000	0.00422	0.46888		0.06730	0.13018	0.24448		0.08488	0.00006	
37	(1 - System Load Factor)	76.12%	76.12%	76.12%		76.12%	76.12%	76.12%		76.12%	76.12%	(1 - Line 32)
38	Peak Weighted Demand	0.76116	0.00321	0.35689		0.05122	0.09909	0.18609		0.06461	0.00005	Line 36 x Line 37
39												
40	Average Weighted Daily Therms	0.23884	0.00143	0.10217		0.01546	0.02991	0.05618		0.03366	0.00002	Line 33
41	Peak Weighted Demand	0.76116	0.00321	0.35689		0.05122	0.09909	0.18609		0.06461	0.00005	Line 38
42	Average & Peak Demand	1.00000	0.00465	0.45906		0.06669	0.12900	0.24226		0.09827	0.00007	Ave & Peak

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1	ACCOUNTS 385 & 386									
2	Large Industrial Meter Count	770	-	-	-	1	567	202	-	
3	Percentage	1.00000	-	-	-	0.00130	0.73636	0.26234	-	Acct 385 & 386
4										
5										
6	SALARIES & WAGES - FUNCTIONAL:									
7	Production	-	0.0000%							
8	Storage	3,354,339	4.4681%							
9	Distribution	65,409,907	87.1287%							
10	Transmission	1,359,119	1.8104%							
11	Customer Accounting	4,639,416	6.1799%							
12	Customer Service	309,946	0.4129%							
13	Customer Sales	-	0.0000%							
14	TOTAL SALARIES & WAGES	75,072,727	100.000%							
15										
16										
17	SALARIES & WAGES - RATE SCHEDULE:									
18	Production	-	-	-	-	-	-	-	-	
19	Storage	3,354,339	14,155	1,572,767	225,742	436,680	820,063	284,720	213	CP
20	Distribution									
21	Meters & Regulators related	13,358,666	801,665	8,083,355	1,010,872	1,766,068	1,591,771	103,873	1,062	Meters
22	AMR Devices 381.2 related	3,106,682	415,883	2,396,778	204,124	71,190	18,689	-	18	AMR Device
23	DMD Devices 381.3 related	687,205	-	-	9,956	120,964	513,226	43,059	-	DMD Device
24	Industrial Metering Related Acct 385/386	92,690	-	-	-	120	68,254	24,316	-	Acct 385 & 386
25	Services related	16,455,552	702,938	13,600,933	714,274	597,851	748,678	89,804	1,075	Services
26	Remaining Distribution labor	31,709,112	147,290	14,556,454	2,114,629	4,090,581	7,681,899	3,115,949	2,309	Ave & Peak
27	Transmission	1,359,119	6,313	623,920	90,637	175,331	329,262	133,556	99	Ave & Peak
28	Customer Accounting	4,639,416	584,846	3,606,405	297,648	114,023	35,506	961	28	Customer
29	Customer Sales	309,946	39,072	240,934	19,885	7,618	2,372	64	2	Customer
30	Customer Service	-	-	-	-	-	-	-	-	Customer
31	TOTAL SALARIES & WAGES	75,072,727	2,712,163	44,681,546	4,687,767	7,380,426	11,809,719	3,796,301	4,806	
32	Percentage	1.00000	0.03613	0.59518	0.06244	0.09831	0.15731	0.05057	0.00006	Salaries & Wages

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LIST OF EXTERNAL ALLOCATION FACTORS

- AVERAGE CUSTOMERS
- SERVICES - INVESTMENT
- METERS & HOUSE REGULATORS
- AUTOMATED METER DEVICES
- BAD DEBT
- DEMAND GAS MEASUREMENT DEVICES
- MUNICIPAL UTILITY TAX – Accounting Charge
- DELAYED PAYMENT CHARGES - TOTAL
- BUDGET PLAN BALANCES
- CUSTOMER DEPOSITS
- SALES / COMMODITY (Annual)
- COINCIDENT PEAK DEMAND
- AVERAGE & PEAK DEMAND
- ACCOUNTS 385 & 386
- SALARIES & WAGES - FUNCTIONAL
- SALARIES & WAGES - RATE SCHEDULE

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FULL NARRATIVE DESCRIPTION EXPLAINING DERIVATION OF THE
ALLOCATION METHODOLOGIES USED IN THE ECSS

- AVERAGE CUSTOMERS:

Customer counts were taken from the Sales Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse, for the future test year period January 2013 through December 2013. A simple twelve month average was calculated to arrive at Average Customer for the 2013 future test year.

- SERVICES – INVESTMENT

A data extract was performed on Peoples Gas' customer billing system software system to obtain service pipe length and service pipe type for each customer class for the 12 month period ending December 31, 2011. Another data extract was performed on Peoples Gas' Plant Accounting systems to obtain the footage and cost for each type of service pipe. The cost for each type of service pipe was taken as of December 31, 2011. A per unit cost for each service pipe type was derived from these data extracts and then applied to the service pipe footage by customer class to yield the Total Amount of Service Pipe Investment for each customer class. This Total Amount of Service Pipe Investment was divided by Average Customer counts for the 12 month period ending December 31, 2011 to arrive at the Cost per Customer – Services weighting factor shown in Peoples Gas Ex. 13.5, page 1, line 7. This weighting factor was applied against Average Customer counts for the 2013 future test year to derive the Services – Investment allocation factor for the 2013 future test year.

- METERS & HOUSE REGULATORS

A data extract was performed on Peoples Gas' customer billing system software system to obtain meters and regulators for each customer class for the 12 month period ending December 31, 2011. This data extract included quantity, meter type and regulator type by customer class. Another data extract was performed on Peoples Gas' Plant Accounting systems to obtain meters and regulators data, such as quantity of each type of meter and regulator, as well as the corresponding costs. The cost for each type of meter and regulator was taken as of December 31, 2011. A per unit cost for each meter and regulator was derived from these data extracts and then applied to the number of meters and regulators by customer class to yield the Total Amount of Meter and Regulator Investment for each customer class.

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- METERS & HOUSE REGULATORS (cont.)

This Total Amount of Meter and Regulator Investment was divided by Average Customer counts for the 12 month period ending December 31, 2011 to arrive at the Cost per Customer – Meters and Regulators weighting factor shown in Peoples Gas Ex. 13.5, page 1, line 14. This weighting factor was applied against Average Customer counts for the 2013 future test year to derive the Meters & House Regulators allocation factor for the 2013 future test year.

- AUTOMATED METER DEVICES

A data extract was performed to obtain the quantity of Encoder/Receiver Transmitters (“ERT”) for each customer class as of December 31, 2011. This Total Number of ERT’s was divided by Average Customer counts for the 12 month period ending December 31, 2011 to arrive at the Number of ERT’s per Customer weighting factor shown in Peoples Gas Ex. 13.5, page 1, line 21. This weighting factor was applied against Average Customer counts for the 2013 future test year to derive the Automated Meter Devices allocation factor for the 2013 future test year.

- BAD DEBT

A data extract was performed on Peoples Gas’ customer billing system software system to accumulate data on the Gross Charge-offs and Recoveries by customer class for the three-year period ending December 31, 2011. The three-year average of Recoveries was subtracted from the three-year average of Gross Charge-offs to arrive at Average Net Write-offs. The Average Net Write-offs was then divided by Average Customer counts for the three year period ending December 31, 2011 to arrive at the Cost per Customer – Bad Debt weighting factor shown in Peoples Gas Ex. 13.5, page 1, line 28. This weighting factor was applied against Average Customer counts for the 2013 future test year to derive the Bad Debt allocation factor for the 2013 future test year.

- DEMAND GAS MEASUREMENT DEVICES

Revenues are forecasted for Demand Devices in the 2013 Sales/Revenue Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse. Because the revenues for Demand Devices are forecasted equally for each month in 2013 (i.e.

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- DEMAND GAS MEASUREMENT DEVICES (cont.)
no change or activity from month to month), the December 2013 Demand Device revenues was divided by the present monthly charge for Demand Devices to arrive at the Average Monthly Number of Demand Devices. This Average Monthly Number of Demand Devices was used to derive the Demand Gas Measurement Devices allocation factor for the 2013 future test year.

- MUNICIPAL UTILITY TAX – Accounting Charge

The accounting charges applicable to collection of the Municipal Utility Taxes (“MUT”) by customer class were taken from the 2013 Sales/Revenue Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse, for the future test year period January 2013 through December 2013. The 2013 Sales/Revenue Forecast provided the MUT detail by customer class for sales customers, but a supporting worksheet, which calculated the Contract Level charges by customer class using the contract level billing determinants for each customer class, provided the detail necessary to create Total MUT-Accounting charges by customer class (both sales and contract customers). This Total Forecasted MUT- Accounting charges was used to derive the MUT allocation factor for the 2013 future test year.

- DELAYED PAYMENT CHARGES – TOTAL

Late Payment Charges, in total, were taken from the 2013 Sales/Revenue Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse, for the future test year period January 2013 through December 2013. That total amount was prorated to the customer classes on the basis of the late payment charges by customer class for the 12 month ending period December 31, 2011 and was used to derive the Delayed Payment allocation factor for the 2013 future test year.

- BUDGET PLAN BALANCES

A data extract was performed to accumulate data on the Customer Budget Plan Balances by customer class for the 12 month ending period December 31, 2011. A simple twelve month average was calculated to arrive at Average Budget Plan Balances. The Average Budget Plan Balance was then divided by Average Customer counts for the 12 month ending period December 31, 2011 to arrive at the Budget Plan Balance per Customer weighting factor shown in Peoples Gas Ex. 13.5, page 2, line 3. This weighting factor was applied against Average

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- **BUDGET PLAN BALANCES (cont.)**
Customer counts for the 2013 future test year to derive the Budget Plan Balances allocation factor for the 2013 future test year.

- **CUSTOMER DEPOSITS**

A data extract was performed to accumulate data on the Customer Deposits by customer class for the 12 month ending period December 31, 2011. A simple twelve month average was calculated to arrive at the Average Customer Deposits for each customer class. Supplier Deposits were allocated to each customer class based on the supplier's Pool MDQ and added to the Average Customer Deposit. The resulting Total Average Customer Deposits was then divided by Average Customer counts for the 12 month ending period December 31, 2011 to arrive at the Customer Deposit per Customer weighting factor shown in Peoples Gas Ex. 13.5, page 2, line 10. This weighting factor was applied against Average Customer counts for the 2013 future test year to derive the Customer Deposits allocation factor for the 2013 future test year.

- **SALES / COMMODITY (Annual)**

Sales were taken from the Sales Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse, for the future test year period January 2013 through December 2013. A total of the twelve months was calculated to arrive at the Sales / Commodity for the 2013 future test year.

- **COINCIDENT PEAK DEMAND**

Peak Day Consumption (Coincident Peak) for customer classes Rate 1, 2, 4 and 8 are based on a regression analysis of the Total Annual Sales, taken from the Sales Forecast, as presented by Peoples Gas witness Mr. Kevin Kuse, for the future test year period January 2013 through December 2013. In the regression analysis, Total 2013 Sales was the dependent variable and the 12-year Normal Degree Days (6093 degree days) was the independent variable. The regression analysis produced the base load and variable per degree day used in the calculation of the peak day (coincident peak). Using Peoples Gas' assumption that the design peak day occurs on a weekday in January when the average temperature is -20° F. (85 degree days), a Coincident Peak was calculated for customer class Rate 1, split

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- **COINCIDENT PEAK DEMAND (cont.)**
between Non-Heating and Heating customers, along with customer classes Rate 2, 4 and 8.

- **AVERAGE & PEAK DEMAND**

The Average & Peak allocation factor was calculated based on a combination of the Average Weighted Daily Therms and the Coincident Peak Weighted Demand allocation factors.

Average Weighted Daily Therms were calculated by taking Annual 2013 Sales and dividing by 365 days. This value was then weighted using the System Load Factor of 23.88%. The System Load Factor was calculated by dividing Average Daily Therms for the System by System Coincident Peak Demands.

The Coincident Peak Weighted Demand was calculated by taking Coincident Peak Demands and weighting it with (100% - System Load Factor), or 76.12%.

This calculation of the Average & Peak Allocator is calculated based upon the methodology approved by the Commission in Docket Nos. 07-0241/07-0242 (cons.).

- **ACCOUNTS 385 & 386**

A data extract was performed on Peoples Gas' customer billing system software system to obtain meters for each customer class for the 12 month period ending December 31, 2011. This data extract included quantity and meter type by customer class. The Accounts 385 & 386 allocation factor was derived by taking the quantities of only the industrial sized meters, defined as those meters larger than 16M, for only the customer classes Rate 2 and 4, which are the only customer classes that utilize industrial sized meters.

- **SALARIES & WAGES – FUNCTIONAL**

The Functional Salaries & Wages allocation factor was derived by taking the functionalize salaries and wages amounts from Schedule C11 of Peoples Gas' rate case filing for 2013 future test year.

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- SALARIES & WAGES - RATE SCHEDULE

The Salaries & Wages – Rate Schedule allocation factor was derived by taking the Functionalize Salaries & Wages amounts shown in the Functionalized Salaries & Wages allocation factor and allocating them to the customer classes using the appropriate allocation methodology.