

ICC Docket No. 12-0511
North Shore Gas Company's Response to
Attorney General Data Requests AG 8.01-8.20
Dated: October 19, 2012

REQUEST NO. AG 8.10:

Ref: NSG Response to JMO 7.05, Attachment 1; Schedule C-18, line 8 (Invested Capital Tax). Please provide the following additional information:

- a. A complete copy of the Company's most recently filed Invested Capital Tax return.
- b. Explain whether the methods used to estimate this tax for the 2013 test year include all elements of financial data that determine the actual tax liability on the Company's filed returns.
- c. Explain how the Company records this tax on its books, relative to the timing of actual tax payments.

RESPONSE:

- a. Please see the attached copy of the 2011 Illinois Invested Capital Tax return (NS AG 8.10 Attach 01). North Shore filed the return February 29, 2012.
- b. The estimated tax for the 2013 test year does include all elements of estimated financial data that should be included in the tax base. The calculation is a mirror image of the tax return. The only difference is projected financial data verses actual results.
- c. The Illinois Invested Capital tax is recorded on the books as a monthly accrual. The monthly accrual is based upon last year's tax divided by twelve (months). Additionally, quarterly estimated tax payments are made against this accrual. These quarterly estimated tax payments are also based upon last year's tax divided by four (quarters).



Illinois Department of Revenue

ICT-4 Electricity Distribution and Invested Capital Tax Return

Station no. 070

REV 1
E S / /
NS DP CA

Do not write above this line.

Part 1: Identify your business

1 Illinois Business Tax number (IBT no.): 0007 - 9456 6 Calendar year you are filing this return for: 2011

2 Federal Employer Identification number (FEIN): 36 - 1558720 7 Check here if your address has changed.

3 Invested Capital Tax (ICT) license no.: IG - 00014 8 Is this a final return? yes no
"Final" indicates you will no longer conduct business.

4 Business name: NORTH SHORE GAS CO

5 Business address: 130 E. RANDOLPH ST, FLR 19 9 Daytime telephone: (312) 240 - 3753
Number and street

CHICAGO IL 60601
City State ZIP

Part 2: Figure your Invested Capital Tax

	Column A	Column B
	Balance at beginning of year	Balance at end of year
10 Total amount of proprietary capital, stockholders' equity, or total equity	10 <u>94,987,313</u> 28	10 <u>95,501,570</u> 46
11 Total long-term debt	11 <u>73,825,120</u> 10	11 <u>73,767,218</u> 21
12 Add Lines 10 and 11.	12 <u>168,812,433</u> 38	12 <u>169,268,788</u> 67
13 Investments in and advances to all corporations	13 <u>21,681</u> 12	13 <u>0</u> 00
14 Subtract Line 13 from Line 12.	14 <u>168,790,752</u> 26	14 <u>169,268,788</u> 67
15 Add Column A, Line 14, and Column B, Line 14.	15 <u>338,059,540</u> 93	
16 Multiply Line 15 by 50% (.50). This amount is the average of the balances.	16 <u>169,029,770</u> 47	
17 Illinois apportionment factor shown on your business Income tax return. See General Information, "What should I attach to this return?"	17 <u>1.000000</u>	
18 Multiply Line 16 by Line 17.	18 <u>169,029,770</u> 47	
19 Multiply Line 18 by .8% (.008).	19 <u>1,352,238</u> 16	
20 If you are required to complete Worksheet A on the back of this return, write the amount from Worksheet A, Line g. If not, write "1.00."	20 <u>1.000000</u>	
21 Multiply Line 19 by Line 20. This amount is your Invested Capital Tax due.	21 <u>1,352,238</u> 16	

Part 3: Figure your Electricity Distribution Tax (for liabilities on or after January 1, 1998)

22 Kilowatt-hours (kwh) distributed 22 0.00

23 Amount from Worksheet B, Line i. This is your Electricity Distribution Tax due. 23 0 00

Part 4: Figure your payment

24 Add Lines 21 and 23. This amount is your tax due. 24 1,352,238 16

25 Estimated payments 25 1,352,000 00

26 If Line 25 is greater than Line 24, subtract Line 24 from Line 25. This amount is your overpayment. 26

27 If Line 25 is less than Line 24, subtract Line 25 from Line 24. This amount is your tax due. 27 238 16

28 Credit you wish to apply. 28

29 Subtract Line 28 from Line 27, and pay this amount. 29 238 16

Make your check payable to "Illinois Department of Revenue."

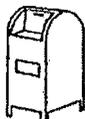
Part 5: Sign below

Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct, and complete.

Taxpayer's signature: *Rafael Hernandez* Date: 2/29/2012 Telephone (include area code.): (312) 240-3753

Preparer's signature: _____ Date: 1/1 Telephone (include area code.): () -

Part 6: Mail your return



ATTN INVESTED CAPITAL TAX
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19019
SPRINGFIELD IL 62794-9019

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 8.01-8.20
Dated: October 19, 2012

REQUEST NO. AG 8.20:

Ref: NSG Response to JMO 7.05, Attachment 1; Schedule C-18, line 8 (Invested Capital Tax). Please provide the following additional information:

- a. A complete copy of the Company's most recently filed Invested Capital Tax return.
- b. Explain whether the methods used to estimate this tax for the 2013 test year include all elements of financial data that determine the actual tax liability on the Company's filed returns.
- c. Explain how the Company records this tax on its books, relative to the timing of actual tax payments

RESPONSE:

- a. Please see the attached copy of the 2011 Illinois Invested Capital Tax return. Peoples Gas filed the return February 29, 2012.
- b. The estimated tax for the 2013 test year does include all elements of estimated financial data that should be included in the tax base. The calculation is a mirror image of the tax return. The only difference is projected financial data verses actual results.
- c. The Illinois Invested Capital tax is recorded on the books as a monthly accrual. The monthly accrual is based upon last year's tax divided by twelve (months). Additionally, quarterly estimated tax payments are made against this accrual. These quarterly estimated tax payments are also based upon last year's tax divided by four (quarters).



Illinois Department of Revenue

ICT-4 Electricity Distribution and Invested Capital Tax Return

REV 1
E S / /
NS DP CA

Station no. 070

Do not write above this line.

Part 1: Identify your business

- 1 Illinois Business Tax number (IBT no.): 0012 - 6616 6 Calendar year you are filing this return for: 2011
- 2 Federal Employer Identification number (FEIN): 36 - 1613900 7 Check here if your address has changed.
- 3 Invested Capital Tax (ICT) license no.: IG - 00015 8 Is this a final return? yes no
"Final" indicates you will no longer conduct business.
- 4 Business name: THE PEOPLES GAS LIGHT & COKE CO
- 5 Business address: 130 E RANDOLPH ST FL 19 9 Daytime telephone: (312) 240 - 3753
Number and street
- CHICAGO IL 60601
City State ZIP

Part 2: Figure your Invested Capital Tax

- 10 Total amount of proprietary capital, stockholders' equity, or total equity
- 11 Total long-term debt
- 12 Add Lines 10 and 11.
- 13 Investments in and advances to all corporations
- 14 Subtract Line 13 from Line 12.
- 15 Add Column A, Line 14, and Column B, Line 14.
- 16 Multiply Line 15 by 50% (.50). This amount is the average of the balances.
- 17 Illinois apportionment factor shown on your business income tax return.
See General Information, "What should I attach to this return?"
- 18 Multiply Line 16 by Line 17.
- 19 Multiply Line 18 by .8% (.008).
- 20 If you are required to complete Worksheet A on the back of this return, write the amount from Worksheet A, Line g. If not, write "1.00."
- 21 Multiply Line 19 by Line 20. This amount is your Invested Capital Tax due.

Column A		Column B	
Balance at beginning of year		Balance at end of year	
10	691,011,950 97	10	697,332,331 40
11	517,220,205 07	11	518,036,181 51
12	1,208,232,156 04	12	1,215,368,512 91
13	11,235,440 38	13	4,691,041 40
14	1,196,996,715 66	14	1,210,677,471
15	2,407,674,187 17		
16	1,203,837,093 58		
17	1.000000		
18	1,203,837,093 58		
19	9,630,696 75		
20	1.000000		
21	9,630,696 75		

Part 3: Figure your Electricity Distribution Tax (for liabilities on or after January 1, 1998)

- 22 Kilowatt-hours (kwh) distributed 22
- 23 Amount from Worksheet B, Line i. This is your Electricity Distribution Tax due. 23 0 | 00

Part 4: Figure your payment

- 24 Add Lines 21 and 23. This amount is your tax due. 24 9,630,696 | 75
- 25 Estimated payments 25 9,780,000 | 00
- 26 If Line 25 is greater than Line 24, subtract Line 24 from Line 25. This amount is your overpayment. 26 149,303 | 25
- 27 If Line 25 is less than Line 24, subtract Line 25 from Line 24. This amount is your tax due. 27
- 28 Credit you wish to apply. 28
- 29 Subtract Line 28 from Line 27, and pay this amount. 29
- Make your check payable to "Illinois Department of Revenue."

Part 5: Sign below

Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct, and complete.

Carla Hernandez
Taxpayer's signature

2/29/2012 312 240 3753
Date Telephone (include area code.)

1/1 () -
Date Telephone (include area code.)

Part 6: Mail your return



ATTN INVESTED CAPITAL TAX
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19019
SPRINGFIELD IL 62794-9019

ICC Docket No. 12-0511
North Shore Gas Company's Response to
Attorney General Data Requests AG 10.01-10.36
Dated: October 26, 2012

REQUEST NO. AG 10.13:

Ref: Response to AG 8.20, Attachment 1; Sch. C-18, page 1 (Invested Capital Tax).

Please explain each reason why the test year proposed level of Invested Capital Tax is so much higher than the tax payable on the Company's most recent actual tax return, indicating when the Company expects to actually record on its books the level of expenses being included in the proposed revenue requirement, given the statement in the response, "The monthly accrual is based upon last year's tax divided by twelve (months)."

RESPONSE:

The 2013 (test year) Invested Capital Tax proposed amount is \$1,764,000. The most recent actual tax return was filed on February 29, 2012, for the year ending December 31, 2011. The amount of 2011 Invested Capital Tax was \$1,352,238.16.

The increase in tax is a direct result of the projected increase in the taxable base. The projected increase in taxable base is based upon the budgeted financial statements.

A detailed calculation of the difference between 2011 and 2013 is attached. Please note this detailed calculation shows an increase in tax base from \$202,136,258 in 2011, to \$225,312,818 in 2013.

Current year monthly expenses are based upon the previous year's tax due divided by twelve. For example, during 2012 the monthly expense would be the amount from the 2011 Invested Capital Tax return, divided by twelve. However, since the 2011 tax return was filed on February 29, 2012, the January and February monthly expenses would be based on the 2010 return. Likewise, the 2013 monthly expense would be based on the 2011 tax return, until the 2012 return (which is due March 15th) is filed.

North Shore Gas Company
AG 10.13

Below is a detailed calculation of the taxable base difference between the 2013 forecasted amount and the 2011 actual amount

		Estimated 2013		2011	2012	2013
	From Budgeted Balance Sheet	225,312,818	Cash & Temporary Investments	(99,928)	(99,928)	(99,928)
		<u> </u>		-	-	-
		<u>225,312,818</u>	CAPITALIZATION:	-	-	-
			Treasury Stock	-	-	-
			Common Stock	24,756,721	24,756,721	24,756,721
			Partner Equity	-	-	-
	BOY	219,502,305	Additional Paid-in Capital	(346)	(346)	(346)
	EOY	<u>225,312,818</u>	Other Paid-in Capital	-	-	-
		444,815,123	Capital Stock Expense	-	-	-
	average balance	222,407,562	Retained Earnings	189,703,911	198,423,974	205,499,921
	rate	0.008	Retained Earnings - Other	-	-	-
			Other Comprehensive Income	(30,483)	(7,616)	7
	Tax	1,779,260	Dividends Declared	(119,092,624)	(119,092,624)	(125,092,624)
	rounded	1,779,000	Total Equity	95,337,180	104,080,109	105,163,679
			Preferred Stock	-	-	-
1st	March	445,000	Obligations Under Capital Leases - Long Term	-	-	-
2nd	June	445,000	Bonds	74,835,000	28,335,000	83,335,000
3rd	September	445,000	Other Long Term Debt	-	-	-
4th	December	444,000	Unamortized Discount on Long-Term Debt-Debit	(4,268)	(1,064)	4
			Advances to Affiliates Long Term	-	-	-
		1,779,000	Current Portion of Long-Term Debt	-	46,500,000	-
	Monthly Accrual	148,300	Obligations Under Capital Lease - Current	-	-	-
	Mar-Dec 2013	1,483,000	Total Long Term Debt	74,830,732	74,833,936	83,335,004
	Jan-Feb 2013	<u>281,200</u>	231000 Line of Credit	-	-	-
		<u>1,764,200</u>	231020 Note Payable - Master Note	-	-	-
			231100 Short-Term Notes Payable	-	-	-
Estimated Quarterly Payments		421,750	231500 Notes Pay-Commercial Paper	31,968,347	40,588,260	36,814,135
		421,750	231510 Interest on Commercial Paper	-	-	-
		421,750	Notes Payable	31,968,347	40,588,260	36,814,135
		421,750	Notes Payable to Affiliates	-	-	-
		2,831,250	Total Short Term Debt	31,968,347	40,588,260	36,814,135
			Total Capitalization	<u>202,136,258</u>	<u>219,502,305</u>	<u>225,312,818</u>

North Shore Gas Company
AG 10.03

Below is a revised analysis showing the updated calculation using the most recent actual/projected numbers.
Based upon the most recent figures, the 2013 budgeted Invested Capital Tax would change from \$1,764,200 to \$1,779,000.

	2013 (per rate case)	2013 Updated Budget		2013 (per rate case)	2013 Updated Budget
Cash & Temporary Investments	(99,928)	(99,928)	From Budgeted Balance Sheet	225,312,818	231,190,241
	-	-		-	-
CAPITALIZATION:	-	-		<u>225,312,818</u>	<u>231,190,241</u>
Treasury Stock	-	-			
Common Stock	24,756,721	24,756,721			
Partner Equity	-	-			
Additional Paid-in Capital	(346)	(346)	BOY	219,502,305	219,502,305
Other Paid-in Capital	-	-	EOY	<u>225,312,818</u>	<u>231,190,241</u>
Capital Stock Expense	-	-		444,815,123	450,692,546
Retained Earnings	205,499,921	235,239,144	average balance	222,407,562	225,346,273
Retained Earnings - Other	-	-	rate	0.008	0.008
Other Comprehensive Income	7	(41,917)			
Dividends Declared	(125,092,624)	(114,692,624)	Tax	1,779,260	1,802,770.18
Total Equity	105,163,679	145,260,979	rounded	1,779,000	1,779,000
Preferred Stock	-	-			
Obligations Under Capital Leases - Long Term	-	-	1st March	445,000	445,000
Bonds	83,335,000	74,835,000	2nd June	445,000	445,000
Other Long Term Debt	-	-	3rd September	445,000	445,000
Unamortized Discount on Long-Term Debt-Debit	4	(5,870)	4th December	444,000	445,000
Advances to Affiliates Long Term	-	-			
Current Portion of Long-Term Debt	-	-		1,779,000	1,779,000
Obligations Under Capital Lease - Current	-	-	Monthly Accrual	148,300	148,250
Total Long Term Debt	83,335,004	74,829,130	Mar-Dec 2013	1,483,000	
231000 Line of Credit	-	-	Jan-Feb 2013	281,200	
231020 Note Payable - Master Note	-	-	2013	<u>1,764,200</u>	<u>1,779,000</u>
231100 Short-Term Notes Payable	-	-			
231500 Notes Pay-Commercial Paper	36,814,135	11,100,132			
231510 Interest on Commercial Paper	-	-			
Notes Payable	36,814,135	11,100,132			
Notes Payable to Affiliates	-	-			
Total Short Term Debt	<u>36,814,135</u>	<u>11,100,132</u>			
Total Capitalization	<u>225,312,818</u>	<u>231,190,241</u>			

ICC Docket No. 12-0512

**The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 10.01-10.36**

Dated: October 26, 2012

REQUEST NO. AG 10.28:

Ref: Response to AG 8.20, Attachment 1; Sch. C-18, page 1 (Invested Capital Tax).

Please explain each reason why the test year proposed level of Invested Capital Tax is so much higher than the tax payable on the Company's most recent actual tax return, indicating when the Company expects to actually record on its books the level of expenses being included in the proposed revenue requirement, given the statement in the response, "The monthly accrual is based upon last year's tax divided by twelve (months)."

RESPONSE:

The 2013 (test year) Invested Capital Tax proposed amount is \$12,086,600 (which was adjusted downward to \$10,359,000 in our response to BAP 5.01(e)). The most recent actual tax return was filed on February 29, 2012, for the year ending December 31, 2011. The amount of 2011 Invested Capital Tax was \$9,630,969.75.

The increase in tax is a direct result of the projected increase in the taxable base. The projected increase in taxable base is based upon the budgeted financial statements.

A detailed calculation of the difference between 2011 and 2013 is attached. Please note this detailed calculation shows an increase in tax base from \$1,283,476,630 in 2011, to \$1,568,317,612 in 2013. Further, the projected 2013 taxable base was decreased (in response to BAP 5.01 (e)) based upon updated projected financial statements to \$1,315,156,553.

Current year monthly expenses are based upon the previous year's tax due divided by twelve. For example, during 2012 the monthly expense would be the amount from the 2011 Invested Capital Tax return, divided by twelve. However, since the 2011 tax return was filed on February 29, 2012, the January and February monthly expenses would be based on the 2010 return. Likewise, the 2013 monthly expense would be based on the 2011 tax return, until the 2012 return (which is due March 15th) is filed.

Peoples Gas Company
AG 10.28

Below is a detailed calculation of the taxable base difference between the 2013 forecasted amount and the 2011 actual amount

		Estimated 2013		2011	2012	2013
	From Budgeted Balance Sheet	1,568,317,612	Cash & Temporary Investments	(55,270,772)	(625,921)	(625,921)
		<u>1,568,317,612</u>	CAPITALIZATION:	-	-	-
			Treasury Stock	-	-	-
	BOY	1,491,327,915	Common Stock	219,307,044	219,307,044	219,307,044
	EOY	<u>1,568,317,612</u>	Partner Equity	-	-	-
		3,059,645,527	Additional Paid-in Capital	(11,746)	(11,746)	(11,746)
	average balance	1,529,822,763	Other Paid-in Capital	-	-	-
	rate	0.008	Capital Stock Expense	(142,800)	(142,800)	(142,800)
	Tax	12,238,582	Retained Earnings	995,582,731	1,144,148,132	1,077,844,604
	rounded	12,239,000	Retained Earnings - Other	-	-	-
			Other Comprehensive Income	(431,170)	(431,170)	(9,223)
			Dividends Declared	(456,320,261)	(456,320,261)	(578,320,261)
			Total Equity	757,983,798	906,549,199	718,667,618
			Preferred Stock	-	-	-
1st	March	3,060,000	Obligations Under Capital Leases - Long Term	-	-	-
2nd	June	3,060,000	Bonds	526,000,000	526,000,000	680,000,000
3rd	September	3,060,000	Other Long Term Debt	-	-	-
4th	December	3,059,000	Unamortized Discount on Long-Term Debt-Debit	(507,168)	(507,168)	(434,688)
			Advances to Affiliates Long Term	-	-	-
		12,239,000	Current Portion of Long-Term Debt	-	-	-
	Monthly Accrual	1,019,900	Obligations Under Capital Lease - Current	-	-	-
	Mar-Dec 2013	10,199,000	Total Long Term Debt	525,492,832	525,492,832	679,565,312
	Jan-Feb 2013	<u>1,887,600</u>	231000 Line of Credit	-	-	-
		<u>12,086,600</u>	231020 Note Payable - Master Note	-	-	-
			231100 Short-Term Notes Payable	-	-	-
Estimated Quarterly Payments		2,831,250	231500 Notes Pay-Commercial Paper	-	146,208,210	170,084,682
		2,831,250	231510 Interest on Commercial Paper	-	-	-
		2,831,250	Notes Payable	-	146,208,210	170,084,682
		2,831,250	Notes Payable to Affiliates	-	-	-
			Total Short Term Debt	-	146,208,210	170,084,682
			Total Capitalization	<u>1,283,476,630</u>	<u>1,578,250,241</u>	<u>1,568,317,612</u>