North Shore Gas Company & The Peoples Gas Light and Coke Company
Docket Nos. 12-0511/12-0512 (Cons.)
CUB-City Exhibit 2.1
Copies of Applicant's Responses to Discovery Requests
Referenced in the Rebuttal Testimony of
Ralph C. Smith

Discovery Request	Subject	Confidential	No. of Pages	Page No.
NS & PGL DGK 7.06	The Companies have not done any analysis regarding year-end versus average rate base other than what was provided in their direct filing	No	2	2 - 3
NS & PGL DGK 7.07	The Companies have not done any analysis regarding the increase in net plant's effect on its decision to propose a year-end versus average rate base other that what was provided in their direct filing	No	2	4 - 5
PGL AG 8.20	The Companies state that the monthly accrual of Invested Capital tax is based on last year's tax divided by twelve	No	2	6 - 7
NS AG 10.13	The Companies state that their 2013 Invested Capital Tax monthly expense would be based on the 2011 tax return until the 2012 tax return is filed and then on the 2012 filed tax return amounts	No	2	8 - 9
NS BAP 5.04 4SUPP	The Companies' 2012 Invested Capital Tax monthly accrual journal entries and tax payments are based on the previous year's (2011) actual liability, not the 2012 projected liability	No	2	10 - 11
PGL AG 16.14	The Integrys 2013 Non-Executive Compensation Plan will not be available until after the record in this proceeding is closed; the Plan's design is based on the combined Integrys utility level, and at the combined Integrys level, the Non-Executive Incentive Compensation Plan is designed such that the overall ratio of cost savings to incentive compensation paid under the O&M control metric is $2.77 of cost savings for each $1.00 spent on incentive compensation	No	6	12 - 17
NS BAP 22.05	The Utilities' alternative estimation for the impact of the State Income Tax rate change on the 2013 test year updated to be consistent with the Utilities' rebuttal revenue requirement schedules. The Utilities' proposed quantifications for Peoples Gas and North Shore are shown on Attach 01 (bates numbered page NS 0008595)	No	5	18 - 22
PGL AG 20.01	Estimated impact on 2013 Federal ADIT from 2012 American Taxpayer Relief Act, which extended 50% bonus tax depreciation through December 31, 2013; the Utilities' updated quantifications are shown on Attach 01 to this response	No	3	23 - 25
PGL AG 16.25 (c)(d)(f)	Actual monthly charges for each month July through December 2012 as a result of the revised CDOT regulations; per its November 14, 2012 letter, Peoples Gas is awaiting clarification from the Chicago Department of Transportation regarding many aspects of the CDOT regulations that became effective in July 2012	No	16	26 - 41
	Total Pages Including this Page		41	

ICC Docket No. 12-0511
North Shore Gas Company's Response to
Staff Data Requests DGK 7.01-7.07
Dated: September 26, 2012

REQUEST NO. DGK 7.06:

Referring to PGL Ex. 7.0, pp. 4-6 and NS Ex. 7.0, pp. 4-5, please provide copies of all analysis performed to determine whether a year-end versus average rate base position should be proposed by the Company in the instant case.

RESPONSE:

North Shore has not done any analysis regarding year-end versus average rate base other than what was provided in the direct filing in this case including NS Ex. 7.0, NS Ex. 7.01 (Page 1, Schedule B-1) and NS Ex. 7.02.

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests DGK 7.01-7.07
Dated: September 26, 2012

REQUEST NO. DGK 7.06:

Referring to PGL Ex. 7.0, pp. 4-6 and NS Ex. 7.0, pp. 4-5, please provide copies of all analysis performed to determine whether a year-end versus average rate base position should be proposed by the Company in the instant case.

RESPONSE:

Peoples Gas has not done any analysis regarding year-end versus average rate base other than what was provided in the direct filing in this case including PGL Ex. 7.0, PGL Ex. 7.01 (Page 1, Schedule B-1) and PGL Ex. 7.02.

ICC Docket No. 12-0511
North Shore Gas Company's Response to
Staff Data Requests DGK 7.01-7.07
Dated: September 26, 2012

REQUEST NO. DGK 7.07:

Referring to PGL Ex. 7.0, lines 88-90 and NS Ex. 7.0, lines 84-88, has the Company performed any analysis on the amount of proposed increase in net plant's effect on its decision to propose a year-end versus average rate base? If yes, provide copies. If not, what is the Company's support for this statement?

RESPONSE:

The only analysis done regarding the increase in the net plant was provided in the direct filing in this case, see NS Ex. 7.2.

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests DGK 7.01-7.07
Dated: September 26, 2012

REQUEST NO. DGK 7.07:

Referring to PGL Ex. 7.0, lines 88-90 and NS Ex. 7.0, lines 84-88, has the Company performed any analysis on the amount of proposed increase in net plant's effect on its decision to propose a year-end versus average rate base? If yes, provide copies. If not, what is the Company's support for this statement?

RESPONSE:

The only analysis done regarding the increase in the net plant was provided in the direct filing in this case, see PGL Ex. 7.2.

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

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.): 0012 - 6616

2 Federal Employer Identification number (FEIN): 36 - 1613900

3 Invested Capital Tax (ICT) license no.: IG - 00015

4 Business name: THE PEOPLES GAS LIGHT & COKE CO

5 Business address: 130 E RANDOLPH ST FL 19
Number and street

CHICAGO — City
IL — State
60601 — ZIP

6 Calendar year you are filing this return for: 2011

7 ☐ Check here if your address has changed.

8 Is this a final return? ☐ yes ☒ no
"Final" indicates you will no longer conduct business.

9 Daytime telephone: (312) 240 - 3753

Part 2: Figure your Invested Capital Tax

	Column A Balance at beginning of year	Column B Balance at end of year
10 Total amount of proprietary capital, stockholders' equity, or total equity	10 691,011,950 | 97	10 697,332,331 | 40
11 Total long-term debt	11 517,220,205 | 07	11 518,036,181 | 51
12 **Add Lines 10 and 11.**	12 1,208,232,156 | 04	12 1,215,368,512 | 91
13 Investments in and advances to all corporations	13 11,235,440 | 38	13 4,691,041 | 40
14 **Subtract Line 13 from Line 12.**	14 1,196,996,715 | 66	14 1,210,677,471 |
15 **Add Column A, Line 14, and Column B, Line 14.**	15 2,407,674,187 | 17	
16 **Multiply Line 15 by 50% (.50).** This amount is the average of the balances.	16 1,203,837,093 | 58	
17 Illinois apportionment factor shown on your business income tax return. See General Information, "What should I attach to this return?"	17 1 . 000000	
18 **Multiply Line 16 by Line 17.**	18 1,203,837,093 | 58	
19 **Multiply Line 18 by .8% (.008).**	19 9,630,696 | 75	
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 1 . 000000	
21 **Multiply Line 19 by Line 20.** This amount is your Invested Capital Tax due.	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 ElectricityDistribution 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. Make your check payable to **"Illinois Department of Revenue."**	29

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 — Date
312 240 3753 — Telephone (Include area code.)

Preparer's signature
__/__/__ — 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

This form is authorized by the Water Company Invested Capital Tax Act, Gas Revenue Tax Act, and Public Utilities Revenue Act. Disclosure of this information is REQUIRED. Failure to comply may result in a penalty. This form has been approved by the Forms Management Center. IL-492-0388

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).
P ea e e a n each ea n h the te t ea e e e n e te a ta a m ch h he than the ta a a e n the m an m t ecent act a ta et n n cat n hen the m an e ect t act a ec n t the e e e en e e n nc e n the e e en e e ement en the tatement n the e n e he m nth acc a a e n a t ea ta e t e e m nth .

RESPONSE:

he 20 te t ea n e te a ta a e am nt 000. he m t ecent act a ta et n a e n e a 2 20 2 the ea en n ecem e 20 . he am nt 20 n e te a ta a a 2 2 8. .

he nc ea e n ta a ect e t the ecte nc ea e n the ta a e a e. he ecte nc ea e n ta a e a e a e n the ete nanc a tatement .

A eta e ca c at n the e ence et een 20 an 20 attache . P ea e n te th eta e ca c at n h an nc ea e n ta a e m 202 2 8 n 20 t 22 2 8 8 n 20 .

ent ea m nth e en e a e a e n the e ea ta e e t e e. e am e n 20 2 the m nth e en e e the am nt m the 20 n e te a ta a et n e t e e. e e nce the 20 ta et n a e n e a 2 20 2 the an a an e a m nth e en e e a e n the 20 0 et n. L e e the 20 m nth e en e e a e n the 20 ta et n nt the 20 2 et n h ch e a ch th e .

North Shore Gas Company
AG 10.13

e a eta e ca c at n the ta a e a e e ence et een the 20 eca te am nt an the 20 act a am nt

		Estimated 2013
From Budgeted Balance Sheet		225,312,818
		-
		225,312,818
	BOY	219,502,305
	EOY	225,312,818
		444,815,123
	average balance	222,407,562
	rate	0.008
	Tax	1,779,260
	rounded	1,779,000
1st	March	445,000
2nd	June	445,000
3rd	September	445,000
4th	December	444,000
		1,779,000
	Monthly Accrual	148,300
	Mar-Dec 2013	1,483,000
	Jan-Feb 2013	281,200
		1,764,200
Estimated Quarterly Payments		421750
		421,750
		421,750
		421,750
		2,831,250

	2011	2012	2013
Cash & Temporary Investments	(99,928)	(99,928)	(99,928)
	-	-	-
CAPITALIZATION:	-	-	-
Treasury Stock	-	-	-
Common Stock	24,756,721	24,756,721	24,756,721
Partner Equity	-	-	-
Additional Paid-in Capital	(346)	(346)	(346)
Other Paid-in Capital	-	-	-
Capital Stock Expense	-	-	-
Retained Earnings	189,703,911	198,423,974	205,499,921
Retained Earnings - Other	-	-	-
Other Comprehensive Income	(30,483)	(7,616)	7
Dividends Declared	(119,092,624)	(119,092,624)	(125,092,624)
Total Equity	95,337,180	104,080,109	105,163,679
Preferred Stock	-	-	-
Obligations Under Capital Leases - Long Term	-	-	-
Bonds	74,835,000	28,335,000	83,335,000
Other Long Term Debt	-	-	-
Unamortized Discount on Long-Term Debt-Debit	(4,268)	(1,064)	4
Advances to Affiliates Long Term	-	-	-
Current Portion of Long-Term Debt	-	46,500,000	-
Obligations Under Capital Lease - Current	-	-	-
Total Long Term Debt	74,830,732	74,833,936	83,335,004
231000 Line of Credit	-	-	-
231020 Note Payable - Master Note	-	-	-
231100 Short-Term Notes Payable	-	-	-
231500 Notes Pay-Commercial Paper	31,968,347	40,588,260	36,814,135
231510 Interest on Commercial Paper	-	-	-
Notes Payable	31,968,347	40,588,260	36,814,135
Notes Payble to Affiliates	-	-	-
Total Short Term Debt	31,968,347	40,588,260	36,814,135
Total Capitalization	202,136,258	219,502,305	225,312,818

ICC Docket No. 12-0xxx
North Shore Gas Company's Response to
Staff Data Requests BAP 5.01-5.04
Dated: September 4, 2012

REQUEST NO. BAP 5.04:

P ea e ate the e n e t ta ata e e t PGL AP .02 the a ance ca en a ea 20 2 a act a am nt ec me a a a e.

RESPONSE:

he m an n e tan th e e t t e e t G AP .02 .

P ea e e e t the attache ea heet.

SUPPLEMENT - JULY AND AUGUST UPDATE:

ee AP .0 PP Attach 0 A t act t .

2nd SUPPLEMENT - SEPTEMBER UPDATE:

ee AP .0 2 PP Attach 0 e tem e act t .

3rd SUPPLEMENT - OCTOBER UPDATE:

ee AP .0 PP Attach 0 ct e act t .

4th SUPPLEMENT - NOVEMBER UPDATE:

ee AP .0 PP Attach 0 em e act t .

North Shore Gas Company
BAP 5.04

Unit	Year	Period	Journal ID	Date	Source	Account	Sum Monetary Ar	Description	FERC
1200	2012	2	2010613764	2/24/2012	AP	236056	238.16		236056
1200	2012	3	2010615777	3/2/2012	AP	236056	338,250.00		236056
1200	2012	6	2010640944	6/11/2012	AP	236056	338,250.00		236056
1200	2012	9	2010667948	9/10/2012	AP	236056	338,250.00		236056
1200	2012	1	6500607070	1/31/2012	TAX	236056	(111,000.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	2	6500614582	2/29/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	3	6500623392	3/31/2012	TAX	236056	8,011.59	NSG IL Invested Capital Tax Tr	236056
1200	2012	3	6500623403	3/31/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	4	6500630081	4/30/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	5	6500637331	5/31/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	6	6500644262	6/27/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	7	6500652354	7/27/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	8	6500665274	8/31/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Ac	236056
1200	2012	9	6500673098	9/28/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	10	6500681425	10/30/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056
1200	2012	11	6500688394	11/21/2012	TAX	236056	(112,750.00)	NSG IL Invested Capital Tax Mo	236056

1/1-11/30/2012 Taxes Accrued	(1,238,500.00)
1/1-11/30/2012 Taxes Paid	1,014,750.00

Note: The monthly accrual journal entries are based on the previous years (2011) actual liability, not the projected 2012 liablility. Also, the tax payments are based on the previous years (2011) actual liability, not the projected 2012 liablility (safe habor rules).

2011 Actual Tax Liability, per line 21 Form ICT-4	1,352,238.16
Estimated 2012 Tax Liability (based on 2011 actual)	1,353,000.00
2012 Monthly Accrual ($1,353,000/12mos)	112,750.00
2012 Quarterly Estimated Payments ($1,353,000/4 qtrs)	338,250.00

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 16.01-16.25
Dated: December 20, 2012

REQUEST NO. AG 16.14:

Ref: NS-PGL Ex. 29.0 Cleary Rebuttal, line 150 (Non-Executive Incentive Compensation). In her rebuttal, Ms. Cleary indicates her disa reement ith Mr. rosch s 50 disallo ance o on-executi e Incenti e Compensation, statin , In the tilities on-Executi e Incenti e Compensation Plan, there is a 50 ei htin placed on a cost control measure that requires the meetin o certain le els o combined I and Inte rys tilities FE C-based non- uel M expense. The threshold le el a ainst hich per ormance in this metric is to be measured as set a ainst the bud et de eloped and submitted as part o the 2013 test year numbers to be examined by the Commission in the context o this rate case. Please respond to the ollo in

a. Pro ide a detailed itemi ation o the M amounts in the bud et de eloped and submitted as part o the 2013 test year numbers that is bein re erenced by Ms. Cleary.
b. Pro ide a reconciliation o the P L and orecasted M expenses contained in the Company s ebuttal ilin (-P L Ex. 2 .1P, pa e 1 and Ex. 2 .1 pa e 1) to the threshold le el o M that is to be used or the non- uel M expense to administer the 2013 on-executi e Incenti e Compensation Plan.
c. Explain, usin the in ormation in your response to part (b), ho achie ement o M cost control in 2013 relati e to incenti e compensation tar ets ill produce expense sa in s or each utility, compared to test year orecasted le els o M.
d. Explain and pro ide illustrati e calculations sho in ho the metric is to be measured as set a ainst the bud et de eloped and submitted as part o the 2013 test year numbers .
e. ill the M cost control incenti e used or 2013 plan administration be based upon the 2013 non- uel M expenses ultimately appro ed by the Commission in these oc ets, or some other amounts or P L and
. Pro ide a detailed calculation o the 2013 M cost control tar et amount or each o the Inte rys utilities and other business units that ill be used to administer the on-Executi e Incenti e Compensation Plan, indicatin the source o all amounts contained in the calculation.
. oes Ms. Cleary belie e that the incenti es payable under the on-executi e incenti e compensation plan are properly calibrated so that the compensation cost is reasonable in proportion to the M sa in s that must be achie ed to earn such compensation

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 16.01-16.25
Dated: December 20, 2012

h. Pro ide an illustration indicatin ho the cost o incenti e compensation that is dri en by cost control compares to the ull amount o such sa in s under the on-executi e incenti e plan. ill the amount o M sa in s reali ed by the utility al ays exceed the incremental cost o incenti es paid to employees

RESPONSE:

a. The non- uel M expense ad usted that as part o the 2013 test year bud ets or Peoples as and orth hore that ere submitted in their direct case are bro en do n by FE C account in P L A 1 .14 Attach 01.

b. As explained pre iously in response to other data requests, the 2013 on-Executi e Incenti e Compensation Plan has not yet been prepared and inali ed or the tilities, and thus the metrics a ainst hich per ormance ill be measured or 2013 are not yet a ailable. hile the sentence re erred to rom Ms. Cleary s rebuttal stated that the threshold le el . . . **was set** a ainst the bud et de eloped and submitted as part o the 2013 test year numbers to be examined by the Commission in this rate case, indicatin the metrics already ha e been set, it ould be more accurate to state that the metrics ill be determined based upon the 2013 test year bud et numbers at issue in this rate case. Accordin ly, the reconciliation o such metrics to the tilities rebuttal ilin s cannot be done at this time.

c. As explained in the response to part (b) abo e, the in ormation requested in that part cannot be pro ided because the 2013 on-Executi e Incenti e Compensation Plan has not yet been prepared and inali ed. The concept o ho achie ement o M cost control in 2013 rele ant to that year s on-Executi e Incenti e Compensation Plan non- uel M expense ad usted metrics, ho e er, can be explained in eneral. The plan s threshold metric sets a le el belo hich non- uel M expenses ad usted must be ept in a i en year be ore any payout related to this portion o the on-Executi e Incenti e Compensation Plan may be made. That le el is determined based upon the amount o non- uel M expense ad usted that as bud eted or that plan year. Accordin ly, be ore there can be any incenti e compensation payout related to this metric, the amount o non- uel M expense ad usted must ha e been controlled or reduced to a le el belo the threshold metric le el that as based upon that year s bud et.

d. As explained in the response to part (b) abo e, the 2013 on-Executi e Incenti e Compensation Plan has not yet been prepared and inali ed. Accordin ly, the actual non- uel M expense ad usted metrics a ainst hich 2013 per ormance ill be measured are not yet a ailable. To see an illustration o ho the on-executi e Incenti e Compensation Plan non- uel M expense ad usted metrics compare to the tilities annual bud ets, please see P L A .3 Attach 03 C C FI E TIAL, hich pro ides this in ormation or the year 2012.

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 16.01-16.25
Dated: December 20, 2012

e. The 2013 on-Executi e Incenti e Compensation Plan is not expected to be inali ed and appro ed until a ter the hearin in this matter is concluded and the record closed, but be ore the Commission issues its inal rder. Accordin ly, as stated in part (a) abo e, the 2013 on-Executi e Incenti e Compensation Plan non-uel M expense ad usted metrics are expected to be based upon the 2013 test year bud et numbers submitted by the tilities in this rate case, but cannot be set based upon hat is ultimately appro ed by the Commission because the Commission s inal rder ill be issued a ter the plan is inali ed and appro ed.

. The tilities ob ect to this request on the rounds that the request or detailed calculations o the M cost control tar ets or Inte rys utilities other than Peoples as and orth hore is o erbroad and not reasonably calculated to lead to the disco ery o admissible e idence. ub ect to the ore oin ob ections and the tilities eneral b ections, as explained in the response to part (b) abo e, the 2013 on-Executi e Incenti e Compensation Plan has not yet been prepared and inali ed, so the in ormation requested in this part is not a ailable at this time.

. es. At the combined Inte rys utility le el, the on-Executi e Incenti e Compensation Plan is desi ned such that the o erall ratio o cost sa in s to incenti e compensation paid under this metric is 25 to , or $2. o cost sa in s or each $1.00 spent on incenti e compensation. As demonstrated in responses P L A 1 .15 (a) throu h (c) and A 1 .1 (a) throu h (e), this has resulted in cost sa in s approximately at or abo e this ratio or Peoples as and orth hore.

h. Please see response P L A 1 .15 (a) throu h (c) or an illustration o ho the cost o incenti e compensation in 2011 or Peoples as compares to the ull amount o the sa in s reali ed by Peoples as under the on-Executi e Incenti e Compensation Plan durin that year. It is the expectation that the M cost sa in s reali ed by the tilities ill al ays exceed the incremental cost o incenti es paid to employees under this portion o the on-Executi e Incenti e Compensation Plan, and that has been the experience to date since this metric as introduced in 2011. ee response to part ( ) abo e or urther in ormation.

PGL AG 16.14 Attach 01

Sum of Sum Total Amt	Column Labels	
Row Labels	Peoples Gas	North Shore
717000		$ 6,469.42
735000		93,010.85
740000		156,646.37
741000		17,373.96
742000		48,658.52
813000	$ 1,018,138.30	205,562.64
814000	520,520.59	(0.16)
816000	346,760.55	
817000	22,672.00	
818000	506,377.56	
819000	2,414,247.43	
820000	189,516.01	
821000	845,439.56	
824000	517,731.71	
824001	133,404.00	
825000	19,331.00	
830000	209,511.32	
831000	315,799.36	
832000	878,296.79	
833000	242,606.00	
834000	1,020,732.83	
835000	128,169.60	
836000	235,025.01	
837000	661,050.55	
840000	59,173.13	
841000	220,589.10	
842100	460,309.00	
843100	29,578.05	
843500	571.00	
843600	7,747.00	
843700	119,684.00	
843800	53,663.70	
843900	154,384.52	
856000	349,369.36	127,510.70
857000	982,769.86	
859000	257,301.28	
860000	182,608.96	
863000	1,201,752.60	
865000	275,144.14	
870000	2,417,298.75	892,539.68
871000	1,118,042.18	324,575.06
874000	5,827,364.26	1,936,118.43

877000	695,737.97	
878000	11,136,605.42	1,637,607.82
879000	6,898,326.68	456,693.14
880000	40,236,554.43	4,863,296.18
881000	54,982.79	6,438.10
885000	1,879,989.91	411,238.85
886000	177,122.75	77,047.69
887000	39,677,410.91	1,426,401.48
889000	143,144.50	4,087.92
890000		197.82
891000		29,160.04
892000	14,040,807.36	1,377,509.70
893000	663,677.21	3,914.00
901000	1,573,708.14	354,536.05
902000	322,692.05	668,880.56
903000	24,119,834.21	3,832,181.28
903010		1,173,012.00
904000	27,313,868.00	1,356,119.00
905000	6,719,472.65	1,203,562.33
905008	4,696,793.00	306,269.00
905009	(3,648,782.00)	(135,856.00)
907000	759,507.04	159,059.11
908000	470,684.21	90,211.83
909000	1,063,608.53	299,500.74
910000		45,506.88
920000	27,931,309.98	5,621,578.09
920015	285,000.00	66,000.00
921000	10,027,351.96	1,855,235.05
923000	7,343,630.08	1,403,266.12
924100	8,531.46	1,277.50
924120	180,648.68	29,228.00
925000	1,710,575.77	387,468.17
925100	3,487,269.52	348,709.87
925110	434,643.96	59,951.04
925165	5,118,292.72	264,062.12
925170	178,554.00	26,689.00
926000	281,832.00	39,078.00
926007	1,720,203.15	265,918.95
926017	12,171,384.00	1,880,638.92
926019	(16,578.00)	
926020	16,622,552.44	2,091,044.58
926025	(16,553,767.03)	(2,081,815.07)
926050	541,459.45	83,499.69
926060	30,027,954.96	3,589,490.04
926070	43,300.00	4,000.00
926080	783,736.44	99,573.84

926090			12,886,645.56	1,666,769.16
926120			(203,255.26)	
926135			283,937.65	35,988.63
926140			1,884,480.64	204,004.54
926170			(20,109,293.92)	(2,241,172.37)
926190			-	-
926200			84,179.12	11,343.28
926250			101,765.52	10,231.68
926255			1,662,066.87	230,655.59
926300			10,402,393.95	1,868,493.14
926315			(154,376.04)	(57,699.00)
927010				774,962.48
928000			2,948,394.06	1,667,245.89
929000			(13,889.16)	
930100			160,000.00	54,675.43
930200			1,400,919.60	232,003.98
930204			4,372,026.99	583,561.92
930205			39,284,225.00	2,716,141.00
930208			117,693.13	16,604.70
930220			10,717,214.54	4,374,188.81
930227			(1,605,816.00)	
930228			(1,236,600.00)	(69,816.00)
930229			16,644,532.00	2,849,775.00
930230			5,548,175.00	949,924.00
931000			291,863.67	
931010			5,028,173.51	903,167.45
Total		$	395,761,768.79	$ 56,270,984.21
Excludable Items:				
	904000	$	27,313,868.00	$ 1,356,119.00
	905008		4,696,793.00	306,269.00
	905009		(3,648,782.00)	(135,856.00)
	930205		39,284,225.00	2,716,141.00
	930230		5,548,175.00	949,924.00
	930231			
	930229		16,644,532.00	2,849,775.00
	930226			
	930225			
Total Excludable Items:		$	89,838,811.00	$ 8,042,372.00
Incentive Expense		$	6,112,566.00	$ 915,441.00
Adjusted Non-Fuel O&M		$	299,810,391.79	$ 47,313,171.21

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REQUEST NO. BAP 22.05:

Referring again to the rebuttal testimony of the Companies' witness Mr. John P Stabile, NS-PGL Ex. 30.0, page 14, lines 318 – 331, putting aside Mr. Stabile's contention that the Utilities' existing deferred tax accounting system would need to be modified to apply Mr. Smith's method, please provide:

a) An alternative estimation for the impact of the state income tax rate change on the test year, in the event the Commission were to adopt Mr. Smith's proposed methodology; and

b) Adjustments that would be necessary to reflect Mr. Smith's proposal in the Utilities' rebuttal revenue requirement schedules.

RESPONSE:

a) For all the reasons stated in Mr. Stabile's rebuttal testimony, the Utilities' responses to the 15th and 16th set of AG data requests, and the reasons discussed in the Utilities' responses to Staff data requests BAP 22.01 to 22.04, it is the Utilities' position that the method of accounting and adjustments proposed by AG and CUB are not proper. However, if the Illinois Commerce Commission ("Commission") were to accept the AG and CUB proposal, then to fairly protect and balance the interests of customers and the Utilities, it should do so as an adjustment to the Utilities' method of computing regulatory deferred income taxes, and not change the Utilities' method of accounting for deferred income taxes overall. To accomplish this, the Commission, in its Order in this proceeding, should clarify all of the following points:

- The Commission should confirm that the method of accounting for deferred taxes outlined in its order issued in Docket 83-0309 ("*83-0309 Order*") applies to all tax rate changes. In doing so, it could simply carve out a very limited exception for the on-top flow-through adjustment for the scheduled changes in the Illinois income tax rate that were enacted in 2011. Since the Illinois tax rate is schedule to be reduced to 7.75% in 2015, the significance of the current / deferred tax rate only exists until then. Therefore, the on-top flow-flow through adjustment should only be required for 2013-2014.
- This adjustment would be limited in scope to only plant-related differences. This is consistent with the AG and CUB adjustments.
- The adjustment should be limited to the periods where the rate differential makes a significant difference. In other words, the adjustment would be made in 2013 and 2014. Under Illinois law, the state tax rate differential for 2015 through 2024 of 7.75% and 2025

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and beyond of 7.3% are not significant particularly when the federal income tax effects are considered as well. The rate differential during the period 2015 until 2025 when the rates become permanent at 7.3% can be no greater than 0.29255%.

- The amount of the adjustment for the state tax rate differential would be computed as the AG and CUB proposed applying the current / deferred tax rate differential that exists for 2013 to originating plant related book to tax timing differences. As described above, the adjustment to deferred taxes would also be computed in 2014 in the same manner.
- The adjustment as a matter of timing would need to reverse, because it is also being accounted for by the Utilities' ARAM accounting method as the Illinois income Tax Rate scheduling is actually realized. The adjustment computed in 2013 and 2014 would need to amortize over some future period. Since the period scheduled rates are in effect is 2013-2024, a period covering those years seems appropriate. However, the Utilities would not object to any reasonable alternative to the amortization period suggested here.
- The adjustment would serve to reduce tax expense and cost of service revenue requirements at levels approximately equal to those proposed by AG and CUB. The amortization would serve to increase tax expense and cost of service in future years thus offsetting any amounts already flowing in as the result of ARAM.
- The balance in the adjustment to deferred taxes should itself be recorded in account 282 or 283 as deferred income taxes and should be included in rate base.

Based on the Utilities' limited understanding of the record in recent formula rate cases for Commonwealth Edison Company ("ComEd") and Ameren Utilities ("Ameren"), the computation outlined above would provide a comparable cost of service related to the scheduled changes in the Illinois rates as enacted during 2011. All four utilities will be making similar adjustments and an adjustment described above will provide clarity and consistency. There appears to be nothing in the record in the ComEd or Ameren dockets that is inconsistent with an adjustment done as outlined above.

ComEd in Docket No. 12-0321 acknowledges the *83-0309 Order* applied and ARAM should be used to account for the rate change applicable to timing difference that originated prior to the enactment date of the 2011 change in Illinois tax law. ComEd witness Mr. Fruehe states:

> Consistent with prior ICC guidance (ICC Docket No. 83-0309, addressing the manner in which deferred tax impacts resulting from tax rate changes should be addressed), this shortfall in ADIT is offset by a regulatory asset and is

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> being amortized prospectively over the remaining life of the underlying assets by applying a weighted-average rate method for future reversals.

Docket No. 12-0321, ComEd Ex. 3.0 Rev., 37:778-782. In that docket, the Commission's Order contains no record of any dispute as to this point. ComEd witness Mr. Fruehe also describes the adjustment ComEd made to its provision for deferred tax expense:

> Finally, in 2011, ComEd recognized a significant benefit due to the difference between the current income tax rate of 9.50% and the rate at which the related deferred tax expense is recorded. The deferred tax rate is lower because, as described above, the state income tax rate is scheduled to decline in 2015 and again in 2025, which means that some of the deferred taxes recorded in 2011 will reverse in later years when the state income tax rate is scheduled to be lower.

Docket No. 12-0321, ComEd Ex. 3.0 Rev., 37:784-789. There appears to be no discussion in the record explaining why ComEd made the adjustment. ComEd appears to provide no analysis of why the adjustment is appropriate or upon what authority it is making the adjustment.

Similarly, based on the order in Ameren, Docket No. 12-0293, the record summarized in the Order includes no direct discussion of the applicability of the *83-0309 Order.* So again, there is nothing that indicates that the *83-0309 Order* does not generally apply. What else is absent from the discussion is the effect of the Illinois income tax law change on existing deferred tax balances. The record in the ComEd docket, as quoted above, specifically addressed the pre-existing balances and the applicability of the 83-0309 Order. Ameren like ComEd and the Utilities would have had to re-measure the existing balance per FAS 109. If Ameren had believed that the *83-0309 Order* was not applicable, that re-measurement would have led to an expense in 2011. There is no discussion in the record of an expense or the re-measurement so the Utilities assume Ameren like ComEd applied the order to the initial remeasurement.

The Orders in these dockets do not contain any dispute relative to the adjustment being made, or analysis or discussion regarding the reason for the adjustment. Therefore there is nothing in those Orders indicating that Ameren and ComEd were not simply adjusting the results of the *83-0309 Order* in a similar manner to that described above.

The Utilities continue to believe that long-term customer and shareholder interests are best served by applying the *83-0309 Order* and ARAM consistently and without adjustment across all years. However, if the Commission decided to adjust cost of service as outlined above to provide a benefit to customers in the near term as it has done in the case of Ameren and ComEd, then the Utilities believe that