

ICC Docket No. 12-0511
North Shore Gas Company's Response to
Staff Data Requests BAP 22.01-22.05
Dated: December 26, 2012

customers and the Utilities have protection from the risks of lost benefits that order 83-0309 and formula rate true-ups provide. This adjustment or exception to ARAM would be consistent with the commission finding in the *83-0309 Order* that indicates adjustments can be made. The 83-0309 Order states:

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Illinois utilities subject to the Commission's jurisdiction over rates which utilize deferred tax accounting shall for ratemaking purposes account for reversals resulting from changes in federal and Illinois corporate income tax rates for income taxes deferred in prior years at the weighted average rates at which such deferred income taxes were originally recorded (i.e., by applying a weighted average historical tax rate to the excess of book depreciation for given assets); provided, however, that any accounting change required [*31] to conform with the weighted average method shall not be required until each utility's next rate filing, unless sooner prescribed by the Commission; and **further provided, however, that such accounting treatment for ratemaking purposes shall be presumptive only and can be rebutted for good cause shown.**

83-309 Order, 1985 Ill. PUC LEXIS 5*30-31 (emphasis added).

- b) NS BAP 22.05 Attach 01 is a computation of an estimate is explained in a) above and was calculated in accordance the Utilities' rebuttal revenue requirement schedules.

If the Utilities are being asked to replace ARAM as adopted per the *83-0309 Order* as a method of accounting for deferred taxes applying scheduled changes in the Illinois state income tax rates on a post-enactment date basis, then the Utilities would need significantly more time to compute an estimate that would be this involved and complex as those computations would need to be performed manually, without the ability to compute using existing systems and processes. The end result in the test year might be similar to the above adjustment however, customers would permanently lose significant tax benefits accrued in 2011 that ARAM would provide over the time.

	Peoples Gas				North Shore Gas			
	Adjustment Per CUB Schedule C-3	Company Repair Deduction Reduction	Other Effects CapX	Revised Adjustment Company Rebuttal	Adjustment Per CUB Schedule C-3	Company Repair Deduction Reduction	Other Effects CapX	Revised Adjustment Company Rebuttal
Timing difference	191,620,745	(69,611,088)	(422,587)	121,587,070	11,578,283	-	(3,000)	11,575,283
Rate Differential	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%
Adjustment	2,107,828	(765,722)	(4,648)	1,337,458	138,939	-	(36)	138,903
Amortization								
2,013				(111,455)				(11,575)
2,014				(111,455)				(11,575)
2,015				(111,455)				(11,575)
2,016				(111,455)				(11,575)
2,017				(111,455)				(11,575)
2,018				(111,455)				(11,575)
2,019				(111,455)				(11,575)
2,020				(111,455)				(11,575)
2,021				(111,455)				(11,575)
2,022				(111,455)				(11,575)
2,023				(111,455)				(11,575)
2,024				(111,455)				(11,575)

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 20.01-20.02
Dated: January 4, 2013

REQUEST NO. AG 20.01:

Please confirm that PGL is now able, under the recently enacted American Taxpayer Relief Act, to deduct 50% bonus depreciation on calendar 2013 additions to plant in service, or explain any inability to provide such confirmation. In addition, please provide the following additional information:

- a. An updated response to AG 7.20 with all attachments, showing the estimated impacts of bonus depreciation in 2013 and all other revisions that were made in the Company's Rebuttal Testimony and Exhibits.
- b. An updated response to AG 9.07 with all attachments, showing the estimated impacts of bonus depreciation in 2013 and all other revisions that were made in the Company's Rebuttal Testimony and Exhibits.
- c. Updated Part 285 Schedules C-5, C-5.2 and C-5.3, showing the estimated impacts of bonus depreciation in 2013 and all other revisions that were made in the Company's Rebuttal Testimony and Exhibits.
- d. Updated Part 285 Schedules B-9 and B-9.1, showing the estimated impacts of bonus depreciation in 2013 and all other revisions that were made in the Company's Rebuttal Testimony and Exhibits.
- e. Updated Part 285 WPB-9.1, showing the estimated impacts of bonus depreciation in 2013 and all other revisions that were made in the Company's Rebuttal Testimony and Exhibits.
- f. An updated calculation of the Company's estimated Net Operating Loss deferred tax asset at 12/31/2013, if any, stating underlying assumptions and provide supporting documents for such calculation.

RESPONSE:

- a) With the exception of 100% bonus depreciation generally available only in 2011, Illinois does not allow bonus depreciation. Therefore, no update to the response to data request AG 7.20 is necessary. See Peoples Gas' response to Staff data request BAP 22.05 with respect to changes in originating temporary differences from the Utilities' rebuttal testimony.
- b) With the exception of 100% bonus depreciation generally available only in 2011, Illinois does not allow bonus depreciation. Therefore, no update to the response to data request AG 9.07 is necessary. See Peoples Gas' response to Staff data request BAP 22.05 with respect to changes in originating temporary differences from the Utilities' rebuttal testimony.
- c) Peoples Gas objects to subpart (c) of this data request as it is overly burdensome given the timing of the enactment of the law and Peoples Gas' decision to elect bonus depreciation for 2013. Subject to and without waiving this objection and its General Objections, Peoples Gas states: PGL_AG_20.01 Attach 01 is a high level estimate of the increase to deferred tax liabilities resulting from electing bonus depreciation in 2013. Please note that Peoples Gas will be updating all appropriate

ICC Docket No. 12-0512

**The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 20.01-20.02**

Dated: January 4, 2013

- calculations with respect to its bonus depreciation election in 2013 in surrebuttal testimony.
- d) Peoples Gas objects to subpart (d) of this data request as it is overly burdensome given the timing of the enactment of the law and Peoples Gas' decision to elect bonus depreciation for 2013. Subject to and without waiving this objection and its General Objections, Peoples Gas states: PGL_AG_20.01 Attach 01 is a high level estimate of the increase to deferred tax liabilities resulting from electing bonus depreciation in 2013.
 - e) Peoples Gas objects to subpart (e) of this data request as it is overly burdensome given the timing of the enactment of the law and Peoples Gas' decision to elect bonus depreciation for 2013. Subject to and without waiving this objection and its General Objections, Peoples Gas states: PGL_AG_20.01 Attach 01 is a high level estimate of the increase to deferred tax liabilities resulting from electing bonus depreciation in 2013. Please note that Peoples Gas will be updating all appropriate calculations with respect to its bonus depreciation election in 2013 in surrebuttal testimony.
 - f) See PGL AG 20.01 Attach 01

Peoples Gas / North Shore Gas
High Level Preliminary Estimate of Effects of 2013 Bonus Depreciation
2013 (1)

	Peoples Gas	North Shore
Bonus Depreciation		
Bonus Depreciation On Additions Per Supplemental Direct	104,189,503.00	9,896,667.00
Bonus Depreciation on Adjusted Additions - Rebuttal Repairs	39,046,500.00	
Bonus Depreciation on Adjusted Additions - Rebuttal Other - Net of MACRS	(603,803.00)	
Subtotal	142,632,200.00	9,896,667.00
Reduction to regular MACRS	(6,576,758.00)	(610,163.00)
Net Change in Depreciation	136,055,442.00	9,286,504.00
Federal Tax Rate	0.35	0.35
Change in Deferred Income Taxes (2)	47,619,404.70	3,250,276.40
NOL		
Current taxes Per NS-PGL Ex. 26.1N and 26.1P, column E	18,822,000.00	3,097,000.00
Adjustment from Bonus	(47,619,404.70)	(3,250,276.40)
2013 NOL Activity at Present Rates	(28,797,404.70)	(153,276.40)
Entries		
Dr Deferred income tax Expense (410.0 or 411.0)	47,619,404.70	3,250,276.40
Cr Accumulated Deferred Income taxes - Property (282)	(47,619,404.70)	(3,250,276.40)
Dr Taxes Accrued (236 / 165)	18,822,000.00	3,097,000.00
Dr Accumulated Deferred Income Taxes - NOL (190)	28,797,404.70	153,276.40
Cr Current Tax Expense	(18,822,000.00)	(3,097,000.00)
Cr Deferred income tax Expense (410.0 or 411.0)	(28,797,404.70)	(153,276.40)

(1) 2013 Activity Only.

(2) Does not include effects of proration formula

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 16.25:

Ref: PGL response to AG 10.29 (CDOT Compliance Cost Estimate). In its response, PGL indicates that the new CDOT regulations became effective in July of 2012 and that total additional costs total only \$168,510 to date. Part d states, "While the regulations took effect in July 2012, the City has been working with operators on implementation methods and timing." In contrast, PGL has added approximately \$14 million per year to forecasted test year O&M expenses in 2013, as if implementation methods and timing are known with certainty. Please provide the following additional information:

- a. Copies of all notices and other correspondence for each event when PGL has been cited for non-compliance with the CDOT regulations since July 2012 when such regulations became effective.
- b. State and explain each variance from compliance or delay in implementation of the new regulations that has occurred and provide copies of all correspondence and other documentation indicative of delayed implementation that has occurred.
- c. Provide an update of additional costs incurred to date, by category of spending as contained in NS-PGL Ex. 20.1 (the CDOT Maintenance Estimate for 2013 sponsored by Mr. Hoops in Supplemental Testimony).
- d. Explain when (month/year) each element of the revised CDOT regulations addressed in Mr. Hoops Supplemental Testimony are now expected to be enforced.
- e. What changes in implementation methods and timing, as referenced in AG 10.29d have been approved and what implementation/timing issues are still not resolved?
- f. Provide copies of correspondence and other documents associated with your response to part (e).

RESPONSE:

- a. Itemized citations based on non-compliance with CDOT regulations since July 2012 can be found in PGL AG 16.25 Attach 01. The data has not been filtered for those citations related only to non-compliance with new CDOT Regulations. Copies of these citations are being made and will be provided in a supplemental response by January 11, 2013.

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

- b. Please see PGL AG 16.25 Attach 02
- c. See PGL AG 16.25 Attach 03 for additional costs as of 12/21/12 as a result of the updated CDOT Regulations. Peoples Gas has seen significant increases in costs due to the new CDOT Regulations in October and November, with costs decreasing in December due to the slowdown in field activity. PGL expects this cost trend to pick up again in the spring of 2013. Total sum to date is \$1,021,162.65.
- d. The new CDOT Regulations became effective July 2012. Peoples Gas expects to be in full compliance with all new regulations by January 1, 2013. The exception to this is code reference 5A (trench backfill material) which Peoples Gas is awaiting clarification with the City of Chicago as referenced in PGL AG 16.25 Attach 0 2 – question 6.
- e. All methods and timing of CDOT Regulation changes have been implemented and approved as of January 1, 2013 with the exception of Code Reference 5A as mentioned in the response to question d.
- f. Currently, Peoples Gas is awaiting a response to the CDOT Regulations clarifications letter sent to Commissioner Klein (Attachment 2). PGL AG 16.25 Attach 04 is correspondence from Mike Volini stating the City of Chicago is currently working on their response.



Peoples Gas Company
130 East Randolph Street
Chicago, IL 60601-6207
www.peoplesgasdelivery.com

November 14, 2012

Commissioner Gabe Klein
Chicago Department of Transportation
30 North LaSalle Street, Suite 1100
Chicago, IL 60602

Re: Follow-up to The Peoples Gas Light and Coke Company (“Peoples Gas”)
Acknowledgement of the Chicago Department of Transportation’s
(“CDOT”) July 2012 Revisions to the Regulations for Openings,
Construction and Repair in the Public Way

Dear Commissioner Klein:

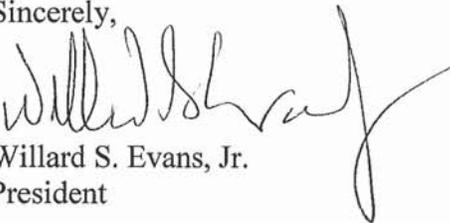
On September 4, 2012, I wrote to you on behalf of Peoples Gas acknowledging the July, 2012 changes to CDOT’s Regulations for Openings, Construction and Repairs in the Public Way. Since that time, Peoples Gas has thoroughly reviewed and assessed those changes and has calculated the estimated impact the new regulations will have on Peoples Gas’ customers (the City’s residents and businesses). As is shown on Attachment A, this assessment has revealed a significant increase in projected annual costs for both capital and maintenance work. For 2013 Peoples Gas estimates a \$30.3 million annual increase in capital costs and a \$13.9 million annual increase in operation and maintenance (“O & M”) costs. In light of the additional costs, on October 23, 2012 Peoples Gas submitted to the Illinois Commerce Commission supplemental direct testimony in its recently filed rate filing Docket No. 12-0511.

In addition to the considerable cost impact on Peoples Gas’ customers, Peoples Gas is struggling with understanding certain changes and also needs time to make procedural changes to implement certain revisions. Peoples Gas has a significant concern that in transitioning to the revised regulations that City citations will significantly increase related to work performed by Peoples Gas and its contractors in the public way. The result would be a cost and workload burden on CDOT inspectors, the City Department of Administrative Hearings, Peoples Gas and its’ customers. Attachment B details the more significant issues that Peoples Gas needs to discuss with CDOT and obtain clarity.

Commissioner Gabe Klein
November 14, 2012
Page 2

I thank you for your continued patience as we diligently work toward implementing the new regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Willard S. Evans, Jr.", with a long, sweeping flourish extending to the right.

Willard S. Evans, Jr.
President

Attachments

cc: Pat Harney, First Deputy Commissioner, CDOT
Juan Santiago, Team Leader, Special Projects, Peoples Gas

The Peoples Gas Light and Coke Company
Chicago Department of Transportation July 2012 Revisions to the Regulations for Openings, Construction and Repair in the Public Way
Effect on Capital and Operations and Maintenance Costs
2013-15

Attachment A

PGL AG 16.25 Attach 02

Line Item	Code Reference	Code Description	AMRP			CAPITAL EXPENDITURES			PUBLIC IMPROVEMENT			OPERATION AND MAINTENANCE		
			2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
1	3B	Streetscape Specialized Restoration	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	3B1/Appendix F	Degradation Fee impact on overall permit fee (Mortatorium Street)	\$1,790,211	\$1,790,211	\$1,790,211	\$1,590,066	\$1,590,066	\$1,590,066	\$1,590,066	\$1,590,066	\$1,590,066	\$7,454,473	\$7,454,473	\$7,454,473
3	3B.12	Parking fee for payboxes	\$2,648,053	\$2,780,456	\$2,919,478	\$311,052	\$326,605	\$342,935	\$311,052	\$326,605	\$342,935	\$648,116	\$680,522	\$714,548
4	3B.13	Cost for Project Signs	\$5,565	\$5,843	\$6,135	\$6,773	\$4,741	\$4,978	\$6,773	\$4,741	\$4,978	\$6,458	\$4,520	\$4,746
5	3C.1.1	Cost to investigate third party hits	\$0	\$0	\$0	\$10,920	\$11,466	\$12,039	\$10,920	\$11,466	\$12,039	\$207,480	\$217,854	\$228,747
6	5A	Trench Backfill if less than 4' wide: FA22, CA13 or 16, Flowable Backfill; 4' or more wide: FA6 or 22, CA6, 11, 13 or 16, Flowable Backfill	\$3,801,600	\$3,991,680	\$4,191,264	\$90,010	\$94,510	\$99,236	\$90,010	\$94,510	\$99,236	\$1,392,902	\$1,462,547	\$1,535,675
7	5B	Abandoned Vault-remove and fill with FA22, CA13, CA16 or flowable backfill.	\$2,463	\$2,586	\$2,715	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	5C	All abandoned in-place pipes filled with flowable backfill, not grout	\$660,179	\$693,188	\$727,847	\$110,345	\$115,862	\$121,655	\$110,345	\$115,862	\$121,655	\$0	\$0	\$0
9	5C	FA02 now only allowed as bedding and Trench Backfill to 6" above pipe, not as Trench Backfill for whole trench.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	6C	Utility cut patches-150 feet or less apart or placed within 6 months- all to be included in resurfacing quarter or more of roadway section	\$14,857,543	\$15,600,420	\$16,380,441	\$565,469	\$593,743	\$623,430	\$565,469	\$593,743	\$623,430	\$1,631,473	\$1,713,047	\$1,798,700
11	6C	Pavement Restoration complete and open to traffic in 14 days from underground work completion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	6C.8	New 'Abbey Road' bar crosswalks, bike lane symbols & markings, required. All in thermoplastic material, not paint. Entire crosswalk/intersection impacted needs to be restored. Not just impacted area.	\$1,260,066	\$1,335,307	\$1,417,492	\$129,411	\$137,139	\$145,581	\$129,411	\$137,139	\$145,581	\$1,025,795	\$1,090,423	\$1,161,751
13	6C.10	Hot Poured Joint Sealant'-full perimeter-all private utility cuts	\$1,681,716	\$1,648,200	\$1,730,610	\$427,925	\$449,321	\$471,787	\$427,925	\$449,321	\$471,787	\$957,915	\$1,005,811	\$1,056,101
14	Appendix A	Change restoration extension of openings from 3' overlap to 5' overlap	\$0	\$0	\$0	\$307,486	\$322,860	\$339,003	\$307,486	\$322,860	\$339,003	\$607,759	\$638,147	\$670,055
Total Cost/Year			\$26,707,396	\$27,847,892	\$29,166,196	\$3,549,456	\$3,646,313	\$3,750,711	\$3,549,456	\$3,646,313	\$3,750,711	\$13,932,372	\$14,267,345	\$14,624,795

Year	Cost
2013	\$44,189,224
2014	\$45,761,550
2015	\$47,541,701