

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests BAP 26.01 – 26.02
Dated: January 28, 2013

ICC Staff Cross Exhibit No. 4

REQUEST NO. BAP 26.02:

Referring to NS-PGL Ex. 42.0, Surrebuttal Testimony of Sharon Moy regarding the net operating loss discussed in lines 289 - 295, please provide the following:

- a). Detailed explanation and supporting calculations for the adjustment reflected on NS-PGL Ex. 42.1 N and P;
- b). Detailed explanation and supporting calculations for the adjustment reflected on NS-PGL Ex. 42.2 N and P;
- c). Potential impacts on the final approved operating statements as a result of Mr. Hengtgen's assertion that:

However, the Utilities believe it would be appropriate to reflect a reduction to the NOL deferred tax asset based on the tax impacts of the revenue increase that is granted in the final Order in this proceeding.

Include example calculations that reflect the impact of changes to the deferred tax asset on the operating statement that is ultimately approved by the Commission including the final calculation of the NOL for both North Shore and Peoples Gas.

RESPONSE:

- a. Column E on NS-PGL Ex. 42.1P reflects total NOL adjustment between Account 409.1-Current Income Taxes-Federal and Account 410.1-Deferred Income Taxes for the following items:

- 1. NOL adjustment to Test Year 2013 budget updates (per books) before financing. It consists of the following:
 - i. Account 409.1-Current Income Taxes-Federal at present rates (per book) through Company Rebuttal (excluding ratemaking adjustments for items proposed and accepted by Peoples Gas). This amount is \$17,841,000 before NOL adjustment. See line 12, column D of NS-PGL Ex. 42.2P WP and NS-PGL Ex. 42.2P, WP-5 for details
 - ii. Company surrebuttal updates to Test Year 2013 budget (per books) on:

- Bonus Depreciation
- IBS Depreciation Expense-WAM

OFFICIAL FILE
12-0511
ICC DOCKET NO. 12-0512
STAFF X
12-0512
Exhibit No. ICC Staff Exhibit 4
Witness Sharon Moy
Date 2/4/13 **Reporter** JKW

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-Depreciation Expense related to CNG Plant transfer from Utility Plant
in Service to Non-Utility Plant

Columns C to F, lines 29 and 31 of NS-PGL Ex. 42.2P, page 1 reflect these items totaling (\$46,990,000) before NOL adjustment. See NS-PGL Ex. 42.2P, WP-5 for details.

2. Incremental NOL adjustment to Test Year 2013 budget to reflect changes in financing from items noted in #1 above.

Column H, lines 29 and 31 of NS-PGL Ex. 42.2P, page 1 reflects this item in the amount of \$41,000 before NOL adjustment.

3. NOL adjustment to Test Year 2013 revenue requirement on ratemaking adjustments proposed and accepted by Peoples Gas through surrebuttal testimony for rate recovery. Those items include:

- Advertising expense
- Charitable contributions
- Rate Case Expense amortization
- Interest Expense on Budget Plan Payment Balances
- Interest Expense on Customer Deposits
- Disallowances on incentive compensation, social dues, lobbying activities, and executive perquisites
- Invested capital tax (derivative adjustment)
- Incentive compensation (derivative adjustment)

These items total to \$978,000 before NOL adjustment. See NS-PGL Ex. 42.2P, page 5 for details.

4. Total of items 1-3 add to (\$28,130,000) before NOL adjustment. The NOL adjustment reflects debit to Account 409.1-Federal and credit to Account 410.1 which is reflected in lines 29 and 31, column E of NS-PGL Ex. 42.1P.

- b. See response to a). See PGL BAP 26.02 Attach 01 for more details.
- c. See PGL BAP 26.02 Attach 02 which reflects the impact of changes to the deferred tax asset and Schedule C-1 operating income to include Peoples Gas' proposed revenue increase in surrebuttal testimony.

The federal tax impact related to the rate increase ultimately approved by the Commission would replace the amount of the federal tax impact of the rate increase included in PGL BAP 26.02 Attach 02. See Peoples Gas response to BAP 26.01, part c for background explanation.

THE PEOPLES GAS LIGHT & COKE COMPANY
NET OPERATING LOSS -TAX NORMALIZATION

2013

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NS-PGL Exhibit 42.2P
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			Account 409.10 Federal-Current	Account 410.1 Deferred	
1	TOTAL INCOME TAXES -2013 OPERATING INCOME	Company proforma present surrebuttal	NS-PGL Ex. 42.1P col. C	\$ 18,822,000	\$ (1,569,000)
2	TOTAL INCOME TAXES -2013 OPERATING INCOME	O&M Update and Ratemaking adjustments excluding NOL adjustments	NS-PGL Ex. 42.2P, p3, col. K minus p1, col G & I minus p3, col H	\$ (46,952,000)	\$ 47,253,000
3	TOTAL INCOME TAXES ADJUSTED -2013 BEFORE NOL ADJUSTMENTS			\$ (28,130,000)	\$ 45,684,000
4	O&M update adjustment -Current Income Taxes -NOL to Deferred Tax Asset	NS-PGL Ex. 42.2P, p1, col G & I		\$ 29,108,000	\$ (29,108,000) See Note (1)
5	Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset	NS-PGL Ex. 42.2P, p2, col H	See Check	\$ (978,000)	\$ 978,000 See Note (2)
6	Total NOL adjustments - operating income (Lines 4 + 5)	NS_PGL Ex.42.1P, col. E		\$ 28,130,000	\$ (28,130,000)
7	TOTAL INCOME TAXES ADJUSTED -2013 AT PRESENT RATES (Lines 3 + 6)	NS_PGL Ex.42.1P col. F		\$ -	\$ 17,554,000

Check: Ratemaking adjustment -Current Income Taxes -NOL to Deferred Tax Asset
offsets: non Schedule C-4 budget updates

Acct 409.1 Federal	Company Direct PGL Ex. 6.0, Schedule C-2, p 3, line 29, col. K	\$ (491,000)	
Acct 409.1 Federal	Company Supplemental NS-PGL Ex. 18.2P, p2, line 29, col. K less: NS-PGL Ex. 18.2P, p 1, line 29, col. C	(6,366,000) 6,322,000	Remove Sch C-4 updates-Cross Bores, CDOT, Depreciation Expense-Cushion Gas
Acct 409.1 Federal	Company Rebuttal NS-PGL Ex. 26.2P, p4, line 29, col. K less: NS-PGL Ex. 26.2N, p 2, line 29, col. K	25,502,000 (23,987,000)	Remove Sch C-4 updates -various
Acct 409.1 Federal	Company Surrebuttal NS-PGL Ex. 42.2P, p2, col. D to J plus p3, col. D to G and col. I to J	67,000 (70,000)	Does not include Sch C-4 updates
Rounding		1,000	
		\$ 978,000	

Note (1):

a.	Company Rebuttal -Account 409.1 Current-Federal at present rates (per books)	\$ 17,841,000	NS-PGL Ex. 42.2P W/P, line 12, col D
b.	Company Surrebuttal update:		
c.	Bonus Depreciation	(47,235,000)	NS-PGL Ex. 42.2P W/P, line 12, col F
d.	IBS Depreciation-WAM System	236,000	NS-PGL Ex. 42.2P W/P, line 12, col G
e.	Depreciation Expense-CNG Plant	9,000	NS-PGL Ex. 42.2P W/P, line 12, col I
		(46,990,000)	
f.	Total of a. plus e.	(29,149,000)	
g.	Company Surrebuttal update:		
h.	Income Tax impact from Interest Expense		
	Change in Debt	41,000	NS-PGL Ex. 42.2P W/P, line 12, col M
i.	Total of g. plus h.	(29,108,000)	

Note (2): Ratemaking adjustments proposed and accepted by Peoples Gas through surrebuttal testimony for rate recovery. Such adjustments include: advertising expense, charitable contributions, rate case expense amortization, interest expense on budget plan payment balances, interest expense on customer deposits, disallowances on incentive compensation, social dues, lobbying activities, & executive perquisites, invested capital tax (derivative adjustments) and interest synchronization (derivative adjustments).

The Peoples Gas Light and Coke Company

Jurisdictional Operating Income Summary

Line No.	I.C.C. Acc. No. [A]	Description [B]	Company Rabuttal Proforma Present (NS-PGL Ex. 26.1P) (Col. F) [C]	O&M update and ratemaking adjustments exclude NOL adjustments (NS-PGL Ex. 42.2P, p3 less Column E) [D]	NOL Adjustments (NS-PGL Ex. 42.2P, p 1, col. G + I and p.3, col. H) [E]	As Adjusted Under Present Rates [F] = [C] + [D] + [E]	Requested Rate Increase [G]	NOL adjustment at Rev. Increase	Adjusted Requested Rate Increase	As adjusted Under Proposed Rates [H] = [F] + [G]	Line No.
1	480-481, 489	Base Rate Revenues excludes Base Rate adjustments	\$ 531,898,000	-	-	\$ 531,898,000	\$ 96,996,000	\$ -	\$ 96,996,000	\$ 628,894,000	1
2	480-481, 489	Uncollectible Expense Adjustment Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	2
3	480-481, 489	Volume Balancing Adjustment Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	3
4	480-481, 489	Infrastructure Cost Recovery Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	4
5		Base Rate Revenues	\$ 531,898,000	-	-	\$ 531,898,000	\$ 96,996,000	-	\$ 96,996,000	\$ 628,894,000	5
6	480-481, 489	PGA Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	6
7	480-481, 489	Coaltar Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	7
8	480-481, 489	Enhanced Energy Program Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	8
9		Pass Through Service Revenues	\$ -	-	-	\$ -	-	-	\$ -	\$ -	9
10	487, 488, 495	Other Revenues	\$ 15,386,000	-	-	\$ 15,386,000	\$ 809,000	\$ -	\$ 809,000	\$ 16,195,000	10
11	400	Operating Revenues	\$ 547,284,000	\$ -	\$ -	\$ 547,284,000	\$ 97,805,000	\$ -	\$ 97,805,000	\$ 645,089,000	11
12		Operating Expenses									12
13	401	Cost of Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	13
14	401 & 402	Other Operation and Maintenance:									14
15	401 & 402	Other Production	\$ 1,015,000	\$ -	\$ -	\$ 1,015,000	\$ -	\$ -	\$ -	\$ 1,015,000	15
16	401 & 402	Storage	\$ 10,302,000	\$ -	\$ -	\$ 10,302,000	\$ -	\$ -	\$ -	\$ 10,302,000	16
17	401 & 402	Transmission	\$ 3,245,000	\$ -	\$ -	\$ 3,245,000	\$ -	\$ -	\$ -	\$ 3,245,000	17
18	401 & 402	Distribution	\$ 144,437,000	\$ -	\$ -	\$ 144,437,000	\$ -	\$ -	\$ -	\$ 144,437,000	18
19	401	Customer Accounts - Uncollectible Expense	\$ 18,265,000	\$ -	\$ -	\$ 18,265,000	\$ 2,911,000	\$ -	\$ 2,911,000	\$ 21,176,000	19
20	401	Customer Accounts - Other	\$ 32,557,000	\$ -	\$ -	\$ 32,557,000	\$ -	\$ -	\$ -	\$ 32,557,000	20
21	401	Customer Services and Informational Services	\$ 2,274,000	\$ -	\$ -	\$ 2,274,000	\$ -	\$ -	\$ -	\$ 2,274,000	21
22	401	Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	22
23	401 & 402	Administrative and General	\$ 135,820,000	\$ (1,200,000)	\$ -	\$ 134,620,000	\$ -	\$ -	\$ -	\$ 134,620,000	23
24		Total Other Operation and Maintenance	\$ 347,915,000	\$ (1,200,000)	\$ -	\$ 346,715,000	\$ 2,911,000	\$ -	\$ 2,911,000	\$ 349,626,000	24
25	403	Depreciation	\$ 91,472,000	\$ 164,000	\$ -	\$ 91,636,000	\$ -	\$ -	\$ -	\$ 91,636,000	25
26	404	Amortization	\$ 5,572,000	\$ -	\$ -	\$ 5,572,000	\$ -	\$ -	\$ -	\$ 5,572,000	26
27	408.1	Taxes Other than Income	\$ 21,358,000	\$ (41,000)	\$ -	\$ 21,317,000	\$ -	\$ -	\$ -	\$ 21,317,000	27
28		Income Taxes									28
29	409.1	Federal Income Taxes - Current	\$ 18,822,000	\$ (46,952,000)	\$ 28,130,000	\$ -	\$ 30,057,000	\$ (30,057,000)	\$ -	\$ -	29
30	409.1	State Income Taxes - Current	\$ 2,592,000	\$ 88,000	\$ -	\$ 2,680,000	\$ 9,016,000	\$ -	\$ 9,016,000	\$ 11,696,000	30
31	410.1 & 411.1	Deferred Income Taxes	\$ (1,569,000)	\$ 47,253,000	\$ (28,130,000)	\$ 17,554,000	\$ -	\$ 30,057,000	\$ 30,057,000	\$ 47,611,000	31
32	411.4	Investment Tax Credit	\$ 321,000	\$ -	\$ -	\$ 321,000	\$ -	\$ -	\$ -	\$ 321,000	32
33		Total Operating Expenses	\$ 486,483,000	\$ (688,000)	\$ -	\$ 485,795,000	\$ 41,984,000	\$ -	\$ 41,984,000	\$ 527,779,000	33
34		Jurisdictional Operating Income (Loss)	\$ 60,801,000	\$ 688,000	\$ -	\$ 61,489,000	\$ 55,821,000	\$ -	\$ 55,821,000	\$ 117,310,000	34

	Company Subtotal
a Original Cost Rate Base	Exhibit 43.1P \$ 1,659,271,000
b Operating Income at Present Rates	Exhibit 42.1P \$ 61,489,000
c Cost of Capital	Exhibit 38.1P 7.07%
d Operating Income at Proposed Rates	line a x line c \$ 117,310,000
e Income Deficiency	line d - line b \$ 55,821,000
f Gross Revenue Conversion Factor	Co Schedule A-2.1 1.75211400
g Revenue Increase Required	line e x line f \$ 97,805,000

PGL BAP 26.02 Attach 02
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The Peoples Gas Light & Coke Company
 Adjustment to NOL -Tax Normalization

Docket Nos. 12-0511/0512 (consol.)
 NS-PGL Ex. 42.2P WP
 NS-PGL Ex. 43.5P WP

		SURREBUTTAL - INCOME TAX NORMALIZATION TO DEFERRED TAX ASSET				
		12/31/12	2013 activity	2013 RI	12/31/2013	Average
	Federal	38,597,000	27,744,000	(30,057,000)	36,284,000	37,441,000
	State	0	-	-	-	-
		<u>38,597,000</u>	<u>27,744,000</u>	<u>(30,057,000)</u>	<u>36,284,000</u>	<u>37,441,000</u>
	Cumulative Bal					
	Federal		66,341,000	(30,057,000)	36,284,000	cannot be less than zero
	State		0	-	-	cannot be less than zero
			<u>66,341,000</u>	<u>(30,057,000)</u>	<u>36,284,000</u>	
To Deferred Asset	NOL -income taxes (Acct 409.10 + 409.20)	12/31/12	2013 activity	2013 RI		
	Federal	Acct 409.10	38,597,000	28,130,000	(30,057,000)	-
		Acct 409.20	-	(386,000)	-	-
		Total	<u>38,597,000</u>	<u>27,744,000</u>	<u>(30,057,000)</u>	
	State	Acct 409.10	-	-	-	-
		Acct 409.20	-	-	-	-
		Total	<u>-</u>	<u>-</u>	<u>-</u>	
			27,744,000	(30,057,000)		
Operating Income	NOL -income taxes before adjustments		2013 activity	2013 RI		
	Federal	Acct 409.10	(28,130,000)	30,057,000	NS-PGL Ex. 42.1P, line 29, col. (C)+(D)	
	State	Acct 409.10	-	-		
Operating Income	NOL -income taxes remaining on C-1		Surrebuttal	Surrebuttal		
	Federal	Acct 409.10	-	30,057,000	NS-PGL Ex. 42.1P, line 29, col. (F)	
	State	Acct 409.10	-	-		
To Deferred Tax Asset-NOL O&M update adjustments			29,108,000	(CR)/DB Deferred Tax Asset -DB(CR) Acct 410.1		
To Deferred Tax Asset-NOL ratemaking update adjustments			<u>(978,000)</u>	<u>(CR)/DB Deferred Tax Asset -DB(CR) Acct 410.1</u>		
			28,130,000			