Response to People of the State of Illinois
First Set of Data Requests to Staff
Docket Nos. 12-0511/12-0512 Cons.
Response of Staff Witness Pearce

ICC Person Responsible: Bonita Pearce
Title: Accountant, Financial Analysis Division
Business Address: Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

ICC DOCKET: 12-0511/12-0512
AG Cross Exhibit: 19

Date of Response: February 4, 2013

Request AG 1.04 - Ref: ICC Staff Ex. 14.0, page 24 (Invested Capital Taxes).

At page 20 of her Rebuttal, Ms. Pearce states, "I agree with Mr. Stabile's position that the calculation should be updated, but not by using a methodology based on 2012 information that excludes derivative impacts of the 2013 test year. That is because the amount of invested capital tax will increase to reflect the additional investment that results from the rates that are ultimately approved by the Commission in this proceeding. I further agree with Mr. Stabile that the Utilities' adjustment synchronizes the estimated tax base to the latest available estimate of invested capital taxes for the 2013 test year." Please respond to the following:

a. Regarding the testimony, "That is because the amount of invested capital tax will increase to reflect the additional investment that results from the rates that are ultimately approved by the Commission in this proceeding," please state with specificity when (on what dates) the invested capital tax will increase in amounts to be recorded on the Companies books.

b. Does Ms. Pearce agree that recorded invested capital tax expenses reflected on PGL and NSG books are based upon the tax amounts determined from returns filed in that year, based entirely upon input amounts from the previous year?

c. If your response to part (b) is negative, provide complete copies of all documents relied upon in support of your response.

d. Does Ms. Pearce believe that utility revenue requirement for a 2013 test year should include estimated expenses to be recorded in that same 2013 test year, or expense amounts expected to be recorded in years subsequent to 2013?

e. Please explain Ms. Pearce's understanding of each reason why "derivative impacts" are needed to calculate 2013 test year invested capital tax expenses for ratemaking purposes.

OFFICIAL FILE
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Witness Bonita Pearce
Date 2/7/13 Reporter

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Response

a. Ms. Pearce understands the question to relate to the increased investment that is estimated to occur as a result of the 2013 future test year. Accordingly, she believes the invested capital tax that reflects an increased investment during the 2013 test year will be due and paid in accordance with the filing and payment requirements as set forth by the Illinois Department of Revenue. Specifically, those requirements are that the return (Form ICT-4) is due March 15 following the end of the reporting year. Estimated payments are due on March 15, June 15, September 15, and December 15. Therefore, it is Ms. Pearce's understanding that the increased investment related to 2012 will be reflected in the estimated payments during 2013 on the due dates set forth above, the first of which is March 15, 2013. The final payment of Invested Capital Tax that is based on 2013 investment will be reflected when the Form ICT-4 for 2013 is due, March 15, 2014.

b. Yes. Ms. Pearce understands the Companies are required to file their invested capital tax return on or before March 15 following the end of the reporting year. According to the Companies' response to Staff DRs BAP 5.03 SUPP Attach 01, the Companies record their monthly accrual journal entries based on the previous year's actual liability, not the projected liability for the current year. Also, the tax payments are based on the previous year's actual liability, not the projected liability for the current year, in accordance with safe harbor rules.

c. Not applicable.

d. Ms. Pearce believes the utility revenue requirement for a 2013 future test year should reflect estimated expenses associated with that period. She notes that the Companies are required to make quarterly estimated payments of the 2013 invested capital tax during the course of the year, as described in (a) and (b).

e. Ms. Pearce understands a future test year to be based on forecasted amounts, and she believes a forecasted invested capital tax that is synchronized with the final revenue

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requirement that is ultimately approved by the Commission in this proceeding will more closely approximate this expense during the period these rates are in effect than will the actual amount paid during 2013 because that amount excludes the impact of additional investments made during the test year.